

**GOVERNMENT OF INDIA
MICRO, SMALL AND MEDIUM ENTERPRISES
LOK SABHA**

UNSTARRED QUESTION NO:2334
ANSWERED ON:21.07.2009
MICRO, SMALL AND MEDIUM ENTERPRISES
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Will the Minister of MICRO, SMALL AND MEDIUM ENTERPRISES be pleased to state:

- (a) the share of small scale industries in the total exports of the country;
- (b) whether the sector is facing severe problems and if so, the details thereof; and;
- (c) the remedial measures taken by the Government to address the problems including liquidity crunch, dwindling export and patents?

Answer

MINISTER OF STATE (INDEPENDENT CHARGE) FOR MICRO, SMALL AND MEDIUM ENTERPRISES (SHRI DINSHA PATEL)

(a) : Based on the data received from Export Promotion Councils (EPC), the share of small scale industries in the total exports of the country during the year 2006-07 (latest available) was 31.92%.

(b): The micro and small industries sector is a heterogeneous sector, both in terms of size of the enterprises and its sectoral composition. Hence, the problems faced by the sector are diverse. These relate to lack of timely and adequate availability of credit, obsolete technology, infrastructure bottleneck, marketing constraints, delayed payments of their dues by large units, enhanced competition due to liberalized trade regime, etc.

(c) : To facilitate the promotion and development of micro and small enterprises (MSEs) and to enhance their competitiveness, the Government announced a 'Policy Package for Stepping up Credit to Small and Medium Enterprises (SMEs) on 10th August 2005 which envisages public sector banks to fix their own targets for funding SMEs in order to achieve a minimum 20 per cent year-on-year growth in credit to SME sector. The Government has also announced in February, 2007 a "Package for Promotion of Micro and Small Enterprises" with an objective to provide support in areas of credit, technology upgradation, marketing, infrastructure etc. Further the Government has enacted the Micro, Small and Medium Enterprises Development Act, 2006 which has come into force from 2nd October 2006. The Government is also implementing various schemes/programmes relating to credit, infrastructural development, technology upgradation, marketing, entrepreneurial development etc., for assisting MSE sector in meeting the challenges. Some of the major schemes/programmes being implemented are Credit Guarantee Scheme, Credit Linked Capital Subsidy Scheme, Performance and Credit Rating Scheme, Cluster Development Programme, National Manufacturing Competitiveness Programme (NMCP), Prime Minister's Employment Generation Programme and Market Development Assistance Scheme. One of the components of NMCP is Building Awareness on Intellectual Property Rights(IPR) for the MSME. Various activities on IPR under the scheme will provide more information, orientation and facilities for protecting their intellectual powers.

In addition, keeping in view of impact of global recession on MSMEs, the Government, the Reserve Bank of India (RBI) and the Public Sector Banks have taken several measures for protecting and providing a stimulus to the MSMEs which, inter alia, include:

- (i) extending the loan limit under Credit Guarantee Scheme from Rs.50 lakh to Rs.1 crore with a guarantee cover of 50 per cent;
- (ii) increasing the guarantee cover under Credit Guarantee Scheme from 80 per cent to 85 per cent for credit facility up to Rs.5 lakh;
- (iii) an advisory to Central Public Sector Enterprises to ensure prompt payment of bills of MSMEs;
- (iv) interest subvention of 2 per cent in pre and post-shipment export credit to small and medium enterprises (SME) sector;
- (v) refinance limit of Rs.7,000 crore to Small Industries Development Bank of India (SIDBI) for incremental on-lending to the micro and small enterprises (MSE) sector;
- (vi) grant of need-based ad hoc working capital demand loans up to 20 per cent of the existing fund-based limits; and
- (vii) reduction in interest rates for borrowing by micro enterprises by 1 per cent and in respect of SMEs by 0.5 per cent.