

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

UNSTARRED QUESTION NO:2209
ANSWERED ON:21.07.2009
SCHEMES FOR SMALL INDUSTRIES
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Will the Minister of MICRO, SMALL AND MEDIUM ENTERPRISES be pleased to state:

- (a) whether the Government has initiated special schemes for Non-Resident Indians to start Micro, Small and Medium Enterprises (MSMEs) in the country;
- (b) if so, the details thereof;
- (c) whether the Government proposes to reconsider the percentage of bank credit being disbursed to MSMEs;
- (d) if so, the details thereof; and
- (e) the steps taken by the Government to meet the challenges being faced by the MSMEs due to global recession?

Answer

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

(a)&(b): The promotion and development of micro, small and medium enterprises (MSMEs) is primarily the function of the respective State Government/Union Territory(UT) Administrations. The Central Government supplements the efforts of the States/UTs by providing supportive measures to boost the development and promotion of MSEs and enhance their competitiveness. The Ministry has no specific/special scheme for NRIs to start MSMEs in the country.

(c) & (d): The Government has in 2005 announced a 'Policy Package for Stepping up Credit to Small and Medium Enterprises (SMEs)' which, inter alia include:

- (i) 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 the SME sector,
- (ii) public sector banks to follow a transparent rating system with cost of credit linked to the credit rating of the enterprises,
- (iii) commercial banks to make concerted efforts to provide credit cover on an average to at least 5 new micro, small and medium enterprises at each of their semi-urban/urban branches per year and
- (iv) adoption of cluster-based approach by banks for SME financing.

(e): The steps taken by the Government, the Reserve Bank of India (RBI) and the Public Sector Banks to meet the challenges being faced by the MSMEs due to global recession 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.