

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

UNSTARRED QUESTION NO:4408

ANSWERED ON:04.08.2009

MEASURES TO BOOST SMALL INDUSTRIES

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**Will the Minister of MICRO, SMALL AND MEDIUM ENTERPRISES be pleased to state:**

- (a) whether the Government has any plan to provide a stimulus package for small scale industries so as to make them competitive in the international market;
- (b) if so, the details thereof;
- (c) the contribution of the small scale industries in the international market;
- (d) whether any growth target has been set for the small scale industries during the current Five Year Plan;
- (e) if so, the details thereof and the action taken thereon;
- (f) whether there is any proposal to set hubs for small scale sector under the existing Industrial Infrastructural Upgradation Scheme (IIUS); and
- (g) if so, the details thereof ?

**Answer**

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

(a) & (b): To facilitate the promotion and development of micro, small and medium enterprises (MSMEs) and enhance their competitiveness, the Government has announced a 'Policy Package for Stepping up Credit to Small and Medium Enterprises (SMEs)' in August 2005 which envisages public sector banks to fix their own targets for funding MSMEs in order to achieve a minimum 20 per cent year-on-year growth in credit to the MSME 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, for promotion and development of MSMEs and to enhance their competitiveness. Keeping in view the impact of global economic slowdown 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) interest subvention of 2 per cent in pre and post-shipment export credit to small and medium enterprises (SME) sector;
  - (iv) 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;
  - (v) grant of need-based ad hoc working capital demand loans up to 20 per cent of the existing fund-based limits; and
  - (vi) reduction in interest rates for borrowing by micro enterprises by 1 per cent and in respect of SMEs by 0.5 per cent.
- (c): The share of micro and small enterprises in the total exports of the country during the year 2006-07 (latest available) is estimated to be 31.92 per cent.
- (d) & (e): The targets set for the Eleventh Plan for the MSE sector provide for increasing the production (at current price) and employment from Rs.6,82,613 crore and 322.28 lakh persons in 2007-08 to Rs.13,98,803 crore and 391.73 lakh persons in the terminal year (2011-12) of the Plan period respectively. As per the provisional estimates of production and employment in MSE sector for the year 2007-08 (latest available), the targets for 2007-08 have been achieved.
- (f) & (g): The Industrial Infrastructure Upgradation Scheme (IIUS) targets creation of quality infrastructure in existing industrial clusters/locations with high growth potential. Under the IIUS, central assistance is provided by way of one-time grant-in-aid to the

Special Purpose Vehicle (SPV) formed by the cluster association for development of the infrastructure. However, funds are not provided to set up hubs for small enterprises sector under the scheme.