

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

UNSTARRED QUESTION NO:1375

ANSWERED ON:16.11.2010

SICK MSMES

Agarwal Shri Jai Prakash;Nahata Smt. P. Jaya Prada;Shekhar Shri Neeraj;Siddeswara Shri Gowdar Mallikarjunappa

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

- (a) whether many Micro, Small & Medium Enterprises (MSMEs) in the country have become sick and have been closed down;
- (b) if so, the details thereof and the reasons therefor, State-wise;
- (c) the measures taken by the Government to revive the said sector in the country including providing financial assistance;
- (d) the measures to rehabilitate the people affected by closure of the said MSMEs;
- (e) whether the Federation of Indian Micro and Small Enterprises has submitted proposals for revival of the said sector; and
- (f) if so, the details thereof and the action taken thereon?

Answer

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

(a) & (b): As per the data compiled by the Reserve Bank of India (RBI) from the scheduled commercial banks, there were 77,723 sick micro and small enterprises (MSEs) in the country as at the end of March 2010. Information in respect of medium enterprises is not being collated by the RBI. As per the quick results of Fourth All India Census of Micro, Small and Medium Enterprises (MSMEs) for the reference year 2006-07, of the total MSMEs registered/entrepreneurs memorandum filed up to 31st March 2007, 4,80,946 enterprises were found closed. The State-wise position of sick MSEs and closed MSMEs is given at Annexure. The main reasons for sickness/closure are inadequate and delayed credit, obsolete technology, marketing problems, infrastructural constraints, managerial deficiencies, etc.

(c) & (d): Financial assistance, by way of debt restructuring, including fresh loans, for the rehabilitation of sick MSE is provided by the primary lending institutions (PLIs), including commercial banks, which provide credit to the MSEs. For this purpose, the RBI has issued detailed guidelines to banks in January 2002 on detection of sickness in MSE at an early stage and taking remedial measures and for rehabilitation of sick MSEs identified as potentially viable. RBI has also issued guidelines on 8th September 2005 on debt restructuring mechanism for small and medium enterprises (SMEs) which relate, inter alia, to viability criteria, prudential norms for restructured accounts, provision of additional finance and time frame for working out the restructuring package and its implementation. Further, the RBI has advised all scheduled commercial banks on May 4, 2009 to apply the RBI's guidelines on debt restructuring optimally and in letter and spirit and put in place their own non-discretionary one-time settlement (OTS) policy for the MSE sector. The Ministry of Micro, Small and Medium Enterprises (MSME) is implementing various schemes/programmes across the country for the promotion and development of MSMEs, including generation of employment opportunities for people including those affected by closure of units. The major schemes, inter alia, include Prime Minister's Employment Generation Programme, National Manufacturing Competitiveness Programme, Cluster Development Programme, Credit Guarantee Scheme, Credit Linked Capital Subsidy Scheme, Performance and Credit Rating Scheme and Market Development Assistance Scheme.

(e): No, Sir.

(f): Does not arise.