

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

UNSTARRED QUESTION NO:491
ANSWERED ON:07.07.2009
FINANCIAL PLAN FOR SMALL ENTERPRISES
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Will the Minister of MICRO, SMALL AND MEDIUM ENTERPRISES be pleased to state:

- (a) whether there is a proposal to prepare a financial plan for Micro, Small and Medium Enterprises (MSM) with a view to giving a boost to this sector;
- (b) if so, the details thereof;
- (c) whether the Government has set up a skill development corporation with a Rs.1000 crore corpus;
- (d) if so, the details thereof; and
- (e) the steps taken by the Government to fund the growth of this sector?

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)' on 10th 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, 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) & (d): To coordinate and stimulate skill development efforts, the National Skill Development Corporation (NSDC) has been constituted as a "not for profit" company under Section 25 of the Companies' Act, 1956 with an initial authorised capital of Rs. 10 crore. In addition, the National Skill Development Fund (NSDF) has been registered as a Trust under the Indian Trusts Act, 1982 to act as a receptacle for contributions from Government/ multilateral and bilateral agencies/private sector organisations. A sum of Rs.995.10 crore has been transferred from the Government Budget to the NSDF, in order to fund the schemes/ programmes forwarded by the NSDC.

(e): The Government is implementing various schemes /programmes relating to credit, infrastructural development, technology upgradation, marketing, entrepreneurial/skill development, etc. for the promotion and growth of MSE sector. Further, MSME (Refinance) Fund and MSME (Risk Capital) Fund have been set up in SIDBI with approved corpus of Rs. 3,600 crore and Rs.1,000 crore respectively.