

कार्यालय, विकास आयुक्त (सूक्ष्म लघु एवं मध्यम उद्यम)

सूक्ष्म लघु एवं मध्यम उद्यम मंत्रालय,
(भारत सरकार),
निर्माण भवन, सातवीं मंजिल, मौलाना आजाद रोड,
नई दिल्ली-११००११



Micro, Small and Medium Enterprises
सूक्ष्म लघु एवं मध्यम उद्यम

**OFFICE OF THE DEVELOPMENT
COMMISSIONER**

(MICRO, SMALL, & MEDIUM ENTERPRISES)

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No: 2(6)/2006-07 MSME (Policy)

3 October 2007

- (1) The Secretary Industries (Incharge MSME)
(All States/UT Administration)
- (2) Director of Industries
(All States/UT Administration)

Subject: "Package for Promotion of Micro and Small Enterprises" – Status regarding.

Sir,

The booklet detailing the elements of the "Package for Promotion of Micro and Small Enterprises" announced in Parliament in Feb/March 2007 was circulated to all concerned vide this office circular letter of even number dated 26.3.07. Consequently there are queries from different stakeholders to know the implementation status of the said Package. Accordingly a copy of the implementation status of the Package is enclosed for your ready reference and disseminating of the information.

2. You are further requested to circulate the elements of the package as detailed in the said booklet (after getting the same printed/copies made on your own and placing the same on your respective web-sites) for dissemination of information to enable the micro and small enterprises (MSEs) to avail the benefits of the said Package.

3. The Package, along with all relevant information about the policies/programmes/schemes in operation and implementation status of the package is also available on our web-site (www.dcmsme.gov.in) for information and ready reference.

Encl: as above.

Yours faithfully,
-sd-

(Sanjeev Kaushal)
Joint Secretary &

Additional Development Commissioner

Copy along with a copy of the implementation status of the package to:

- (1) Director, All MSME-DI
- (2) Incharge – MSME Testing Centers
- (3) Incharge- All Branch MSME-DI
- (4) All others as per mailing list including MSME National / State Level Associations
- (5) ADC (EA)/ADC (Planning)/IAs/ AIAs/JDCs/AEA /All Directors at Hqrs.
- (6) Deputy Director (SENET),with the request to place the status on web-site(www.dcmsme.gov.in)
- (7) Addl.PS to Minister MoMSME
- (8) PS to Secretary MoMSME
- (9) PS to AS & DC (MSME)

MINISTRY OF MICRO, SMALL AND MEDIUM ENTERPRISES

**IMPLEMENTATION STATUS OF
THE PACKAGE FOR PROMOTION OF MICRO AND SMALL ENTERPRISES**

(ANNOUNCED BY SHRI MAHABIR PRASAD, MINISTER OF SMALL SCALE INDUSTRIES AND AGRO AND RURAL INDUSTRIES IN LOK SABHA ON 27 FEBRUARY 2007 AND IN RAJYA SABHA ON 2 MARCH 2007)

Sl.in Pkg.	Component in Pkg.	Follow up action therein
1.	LEGISLATION	
1.1	Micro, Small & Medium Enterprises Development Act, 2006	
	<p>With a view to facilitating the promotion and development and enhancing the competitiveness of micro, small and medium enterprises, the Micro, Small and Medium Enterprises Development Bill, 2006 has recently been passed. The Government will take up effective and expeditious implementation of this legislation in close collaboration with all stakeholders</p>	<p>1. The Micro, Small and Medium Enterprises Development Act, 2006 has come into force from 2 October 2006 and consequent Notifications under the provisions of the said Act for classification of classes, constitution of Advisory Committee, National Board for Micro, Small and Medium Enterprises (NBMSME), filing of entrepreneurial memoranda (EM) and amendments thereon, etc. have been issued and circulated. (Placed on this office website www.dcmsme.gov.in)</p> <p>2. Draft rules of Micro and Small Enterprises Facilitation Councils (MSEFCs) to be notified by States/UTs as per Section 21(3) of MSMED Act, 2006, circulated to all concerned.</p> <p>3. MSEFCs constituted by (1) Andhra Pradesh, (2) A&N Islands, (3) Bihar, (4) Chattisgarh, (5) Daman & Diu, (6) Dadara & Nagar Haveli, (7) Gujarat (8) Haryana (9) Kerala, (10) Madhya Pradesh, (11) Orissa, and (12) Tamil Nadu (13) West Bengal.</p> <p>4. DoR issued necessary instructions to all assessing officers vide Instruction No. 12/2006 dated 14.12.2006 for implementation Section 22 and Section 23 of the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 concerning requirement to specify unpaid amount with interest in the annual statement of accounts and interest not to be allowed as deduction from Income Tax Act, 1961. (circulated to all concerned and (Placed on this office website www.dcmsme.gov.in)</p> <p>6. Draft Notification to amend Companies Act to meet the implications of Section 22 MSMED Act, 2006, under consideration of MoCA.</p>

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		<p>7. Study under progress</p> <p>8. Procurement Policy – discussed in the 2nd NBMSME on 18.9.2007 – further action in progress.</p> <p>9. Name of the Ministry of Small Scale Industries changed to Ministry of Micro, Small and Medium Enterprises in accordance with Business of Allocation notified by the Cabinet Secretariat Notification No: 1/22/4/2007 dated 10 May 2007.</p>
1.2	Enact Law on Limited Liability Partnership (LLP)	
	The Government will also soon enact a law on Limited Liability Partnerships covering, among others, micro, small and medium enterprises, with a view, inter alia, to facilitating infusion of equity and venture capital funding in these enterprises.	Limited Liability Partnership Bill, 2006 introduced in Rajya Sabha on 15.12.2006. Under consideration of Parliament.
2.	CREDIT SUPPORT	
2.1	MONITORING OF IMPLEMENTATION OF PACKAGE FOR STEPPING UP CREDIT TO SME.	
	In line with the Policy Package for Stepping up Credit to Small and Medium Enterprises (SME), the Reserve Bank of India (RBI) has already issued guidelines to the public sector banks to ensure 20 per cent year-on-year growth in credit to the SME. Action has also been initiated to operationalise other elements of the said Policy Package. The RBI and the Government will closely monitor implementation of these measures.	Government is monitoring the implementation of the above measures on quarterly basis.
2.2	PORTFOLIO RISK FUND	
	The Small Industries Development Bank of India (SIDBI) will scale up and strengthen its credit operations for micro enterprises and cover 50 lakh additional beneficiaries over five years beginning 2006-07. Government will provide grant to SIDBI to augment SIDBI's Portfolio Risk Fund for this purpose.	Additional budgetary provisions already made for scaling up its operations under the micro finance programme through SIDBI.
2.3	RISK CAPITAL FUND	
2.4	INCREASE IN NUMBER OF SIDBI BRANCH OFFICES (BOs) to 100	

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	SIDBI's direct lending operations will be expanded by increasing the number of branches from 56 to 100 in two years beginning 2006-07, with a view to catering to the credit needs of more clusters of micro and small enterprises (MSEs).	SIDBI has at present 64 BOs in addition to zonal and regional offices. SIDBI plans 100 to branches by FY 09.
2.5	CREDIT GUARANTEE FUND TRUST FOR MICRO AND SMALL ENTERPRISES (CGTMSE).	
	2.5.1 The eligible loan limit under the Credit Guarantee Fund Scheme will be raised to Rs.50 lakh. The credit guarantee cover will be raised from 75 per cent to 80 per cent for micro enterprises for loans up to Rs.5 lakh. Accordingly, to strengthen the Credit Guarantee Fund, the corpus of the Fund will be raised from Rs.1189 crore as on 01 April 2006 to Rs.2500 crore over a period of five years (with contribution by the Government and SIDBI in the existing ratio of 4:1).	Necessary modifications have been carried out vide circular dated 2 July 2007.
2.5.2	Moreover, to encourage public sector banks and public financial institutions to contribute to the corpus of the Fund, the feasibility of allowing deduction of their contributions to the Fund for income tax purposes would be examined.	DoR has already amended Income Tax Act, 1961. Necessary Notification issued vide No. S.O.1569 (E) dated 18 th September 2007.
2.5.3	The Fund will continue to be maintained with and managed by the Credit Guarantee Fund Trust for Small Industries (CGTSI). The Trust will be renamed as "Credit Guarantee Fund Trust for Micro and Small Enterprises" (CGTMSE).	Same as at Para 2.5.1 above.
3.	FISCAL SUPPORT	
	Taking into consideration all the relevant factors, including the new definition of small manufacturing enterprises, under the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006, the Government will examine the feasibility of:	
3.1	Increase in the General Excise Exemption (GEE) limit and the existing eligibility limit for GEE;	The existing GEE limit "one hundred lakh rupees" enhanced to "one hundred and fifty lakh rupees" from 1 st April, 2007 (Ref: Notification No. 8/2007-Central Excise dated 1 st March, 2007 of M/o Finance (Central Excise))

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3.2	Extending the time limit for payment of excise duty by micro and small enterprises; and	These issues have been taken up with the Department of Revenue.
.3	Extending the GEE benefits to small enterprises on their graduation to medium enterprises for a limited period.	
4.	SUPPORT FOR CLUSTER BASED DEVELOPMENT	
	For comprehensive and speedier development of clusters of micro and small enterprises, the existing guidelines of the Small Industries Cluster Development Programme (SICDP, to be renamed as "Micro and Small Enterprises Cluster Development Programme" - MSEC DP) will be reviewed during 2006-07 to accelerate holistic development of clusters, including provision of Common Facility Centers, developed sites for new enterprises, upgradation of existing industrial infrastructure and provision of Exhibition Grounds/Halls and also for creation and management of infrastructure-related assets in the public-private partnership mode. The ceiling on project cost will be raised to Rs.10 crore.	Under active consideration
5.	TECHNOLOGIES AND QUALITY UPGRADATION SUPPORT	
5.1	Four Training-cum-Product Development Centers (TPDCs) for agro & food processing industries would be set up at identified existing Small Industries Service Institutes (SISIs) to facilitate promotion and development of micro and small enterprises in the food-processing sector.	Action to set up 4 TPDCs , one each at MSME-DI(earlier known as SISI) , Ludhiana, Kanpur, Indore and Mangalore, initiated.
5.2	The two existing Central Footwear Training Institutes (CFTIs) (at Chennai and Agra) will be further strengthened to expand their outreach and assist the MSE in upgrading their technology.	Action under progress
5.3	Vertical Shaft Brick Kiln (VSBK) Technology would be promoted for adoption by MSEs engaged in manufacturing bricks to make	All the five MSME DIs i.e. one each at Raipur, Cuttack, Jaipur, Ranchi and Indore have been advised to select a unit where the

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	them energy efficient and eco-friendly. For this, one-time capital subsidy (limited to 30 per cent of the cost or Rs.2 lakh, whichever is less) will be provided to micro and small brick manufacturing enterprises.	demonstration center would be set up for promotion and adoption of VSBK technology. A set of application form along with selection criteria, etc., for selection of suitable entrepreneurs within their jurisdiction provided to them.
5.4	With a view to promoting energy efficiency in electrical pumps and motors manufactured by MSEs, a special programme of assistance will be launched after a detailed technical study.	Action already initiated.
5.5	The existing scheme of assisting the attainment of ISO 9000 and 14001 standards will be operated as a continuing scheme during the 11 th Five Year Plan.	1. Scheme extended for the 11 th Plan with inclusion of HACPP certification. 2. Scheme decentralized from 1.4.07 – Directors, SISIs empowered to received and process the applications.
5.6	The scope of the above-mentioned scheme will be expanded to cover “Hazard Analysis and Critical Control Points” (HACCP) Certification obtained by MSE	3. Maximum limit of reimbursement limited to Rs.75000/- 4. Information regarding above given on website www.dcmsme.gov.in
5.7	ESTABLISH A TECHNOLOGY MISSION FOR MSMEs	
	A Technology Mission will be established with a view to assisting micro, small and medium enterprises (MSMEs) in technology upgradation, energy conservation and pollution mitigation.	Action under progress
6.	MARKETING SUPPORT	
	The National Manufacturing Competitiveness Programme (NMCP) announced in the Budget Speech of 2006-07 will include components relating to marketing support to MSE. Implementation of the NMCP will be taken up soon.	Following 9 schemes / components being implemented: 1. National Programme on Application of Lean Manufacturing 2. Promotion of ICT in Indian Manufacturing Sector 3. Mini-Tool Rooms proposed to be set up by Ministry of SSI 4. Technology and Quality Upgradation Support for SMEs 5. Support for Entrepreneurial and Managerial Development of SMEs. 6. Development of SMEs. Design Clinic scheme to bring expertise to the Manufacturing Sector 7. Enabling manufacturing sector to be

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		competitive through quality management standards and quality technology tools. 8. Intellectual Property Market assistance / technology up-gradation activities 9. Market Support / Assistance of SMEs. (ii) Marketing support/assistance to SMEs(Rs.1.50 crore implemented from 1 June 2007 (details at www.dcmsme.gov.in)
7.	SUPPORTS FOR ENTREPRENEURIAL AND MANAGERIAL DEVELOPMENT	
7.1	20 per cent of the entrepreneurship development programmes (EDP) will be organised for SC/ST, women and physically challenged persons with a stipend of Rs.500 per capita per month for the duration of the training.	_The percentage earmarked 22.5% instead of 20% envisaged in the Package. Copy of approved Notification has been forwarded to all MSME-DI (earlier known as SISIs)/ Br.MSME (earlier known as Br.SISIs) / Autonomous Bodies/ MSMETI (earlier known as SEPTI)/ MEME Tool Rooms for making necessary implementation. The sanctions have been issued to MSME-DI for conducting programmes. The programmes are under progress.
7.2	50,000 entrepreneurs will be trained in information technology, catering, agro and food processing, pharmaceuticals, biotechnology, etc., through specialised courses run by SISIs, over the period co-terminus with the XI Plan.	All MSME-DIs have been advised to conduct ESDP on these topics. The Fund requirement to be met from EDP Head.
7.3	A new scheme will be formulated to provide financial assistance to select management/business schools and technical institutes, to conduct tailor-made courses for new as well as existing micro and small entrepreneurs.	The scheme has been approved by IFW. Sanction to MSME-DIs and Br.MSME DIs have been issued to conduct 41 BSDP through selected Business School and Technical Institutions. Rs.0.65 crore allotted for 2007-08. The programmes are under progress.
7.4	A new scheme will also be formulated to provide financial assistance to 5 select universities/ colleges to run 1200 entrepreneurial clubs.	Director, MSME-DIs, Chennai, Indore, Jaipur have signed the MoU with the universities in their area to run the entrepreneurial clubs. The MoU from MSME-DI, Guwahati , Cuttack/ Kolkata, New Delhi are yet to be received. Rs.1.13 crores have been allotted for the year 2007-08. Two more universities, Lucknow and Aligarh Muslim University are included in the scheme.

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7.5	A new scheme will be launched for capacity building, strengthening of database and advocacy by Industry/ Enterprise Associations, after consultation with the Associations and States.	Rs.97.00 lakhs sanctioned during 2006-07 to 32 State Level Industries Associations, out of which Rs.48.5lakhs has been disbursed.
7.6	A comprehensive study will be conducted to assess the needs and scope of Government intervention required for enhancing the competitiveness of micro and small enterprises in the service/ business sector.	A Study on "Service Enterprises in Micro, Small and Medium Enterprises Sector" has been awarded to Management Development Institute (MDI) Gurgaon. The MDI has since submitted the inception report. The draft report likely to be submitted by the end of 2007
8.	EMPOWERMENT OF WOMEN OWNED ENTERPRISES	
8.1	Under the Credit Guarantee Fund Scheme, 80 per cent guarantee cover will be provided to micro and small enterprises operated and/or owned by women.	(Same as in Para 2.5.1 above).
8.2	Under the SICDP/MSECDP financial assistance of up to 90 per cent of the cost, subject to ceiling of Rs. 9 crore, will be provided for clusters developed exclusively for micro and small enterprises operated and/or owned by women.	(Same as at Sl.4)
8.3	Associations of women entrepreneurs will be assisted under the SICDP/MSECDP in establishing exhibition centers at central places for display and sale of products of women- owned micro and small enterprises.	(Same as at Sl.4)
8.4	To encourage entrepreneurship among women, 50 per cent concession in fees would be given to women candidates in entrepreneurship/ management development programmes conducted by SISIs	Scheme implemented from January 2007.
8.5	To facilitate export by women entrepreneurs, the National Small Industries Corporation Ltd. (NSIC) will assist them to participate in 25 exhibitions over the period co-terminus with the XI Plan.	NSIC have identified the five exhibition to assist women entrepreneur for facilitation of their exports during the year 2007-08 (Canadian National Exhibition Toronto (Sept'07), ATF Exports to Africa Exhibition Cape Town (South Africa)(Nov'07), Heim-Handwork Sales exhibition for Building Furnishing, Munich (Germany)(Dec'07), India Show, Shanghai (Jan'08) and Practical World, Cologne

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		(March.08).
9.	STRENGTHENING OF PRIME MINISTER'S ROZGAR YOJANA (PMRY)	
9.1	The Prime Minister's Rozgar Yojana (PMRY), introduced in 1993, has been one of the important credit-linked subsidy schemes to generate self-employment opportunities for the educated youth by assisting them in setting up viable micro enterprises. The end of 2005-06 estimates it estimated to have provided self-employment opportunities to 38.09 lakh persons. A recent review has, however, established the need to improve its effectiveness as a measure for self-employment through this route.	The modified guidelines have been finalized and issued to States/UTs Governments and Reserve Bank of India (RBI) for implementation from 2007-08.
9.2	The design parameters of the PMRY, in terms of family income limits for eligibility, project cost ceilings, corresponding ceilings of subsidy, rates of assistance to States towards training of beneficiaries before and after selection, etc., will be improved with effect from 2007-08, keeping in view the findings of the review.	Parameters of PMRY have been revised from 2007-08 (Details attached)
10.	STRENGTHENING OF DATA BASE FOR MSME SECTOR	
10.1	To strengthen the data base for the MSME sector, statistics and information will be collected in respect of number of units, employment, rate of growth, share of GDP, value of production, extent of sickness/closure and all other relevant parameters of micro, small and medium enterprises, including khadi and village industry units set up under Rural Employment Generation Programme and Prime Minister's Rozgar Yojana as well as coir units, through annual sample surveys and quinquennial census	A Steering Committee under the chairmanship of Secretary (SSI & ARI) was set up to look into all aspects of the conduct of census (administrative, technical, financial and other related aspects). To facilitate the working of the Committee, constituted two Sub-Committees to deal with (i) technical matters under DG&CEO (NSSO) and (ii) administrative matters and overseeing implementation/monitoring of the conduct of the census Provision to capture data on women entrepreneurs and exports from MSMEs incorporated.
10.2	The quinquennial census and annual sample surveys of MSMEs will also collect data on women-owned and/or managed enterprises.	

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10.3	A scheme will also be formulated and implemented to regularly collect data on exports of products/services manufactured/provided by micro, small and medium enterprises, including khadi and village industries.	

REVISED PERAMETERS UNDER PMRY SCHEME FROM 2007-08

9.2	The design parameters of the PMRY, in terms of family income limits for eligibility, project cost ceilings, corresponding ceilings of subsidy, rates of assistance to States towards training of beneficiaries before and after selection, etc., will be improved with effect from 2007-08, keeping in view the findings of the review.	<ul style="list-style-type: none"> Following parameters of PMRY have been revised from 2007-08: 		
		Parameter	Pre-revised	Revised
		Family income ceiling	Rs.40, 000 per annum	Rs.1, 00,000 per annum
		Project cost	Business sector-Rs.1lakh Service and Industry-Rs.2 lakh	Business and service sector-Rs.2 lakh Industry sector-Rs.5 lakh
		Subsidy	Rs.7, 500	Rs.12, 500 for individuals.
		Subsidy (for SHG)	As per eligibility of individual members.	Rs. 15,000 per beneficiary subject to a maximum of Rs.1.25 lakh per SHG.
		Training cost	Industry sector-stipend-Rs.300 and training-Rs.700 per beneficiary. Business/service sector-stipend-Rs.150 and training-Rs.350	Industry sector-stipend-Rs.750 and training-Rs.1750. Business and service sector-stipend-Rs.375 and training-Rs.875
		Pre-Selection Motivational Campaign	-	Rs.200 per applicant for 125 % of the allocated target.

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In addition to modification of the design parameters of PMRY, certain operational guidelines have also been communicated to the implementing agencies as given below:

- **Operational Guidelines of PMRY**

- (i) Serious efforts to be made to publicize the scheme to attract a sizeable number of applications. All State/UT Governments to emphasize on publicity through aggressive media campaigns like the radio, television, cinema slides, and distribution of pamphlets.
- (ii) State/UT Governments are to conduct seminars in each district for creating awareness of PMRY in the area in the form of pre-selection motivational campaigns.
- (iii) All the members of the Task Force Committee would collectively be responsible for selection of beneficiaries. This would ensure that the Bank Manager alone shall not be responsible for the Non Performing Assets (NPAs) if any.
- (iv) No collateral shall be insisted for PMRY loans up to Rs. 5 lakh.
- (v) Assistance to SC/ST and Minority beneficiaries should be targeted in such a manner that they are benefited at least in proportion to their population in each District/State. All State/UT Governments may make arrangements for special training programmes according to the needs of SC/ST/OBC and Minority beneficiaries.
- (vi) Of the total target for each State/UT, women beneficiaries should constitute at least 30 per cent.
- (vii) Preference may be given to develop clusters specializing in specific products at the time of selection of PMRY beneficiaries. It is desired that if a cluster consisting of 5 to 11 boys/girls are given loan for the same product/business/service, it may pave the way for proper development.
- (viii) The Tahsildar/Block Development Officer may authenticate the eligibility of PMRY beneficiaries in respect of residence and income criteria.
- (ix) Cent percent verification of units to be done as per the Performa already circulated with the revised guidelines.
- (x) For vetting of the project profiles of the PMRY applicants belonging to SC/ST/OBC applying for loan under such clusters, utilization of the services of a Chartered Accountant (CA) may be considered. Remuneration to the CAs not exceeding Rs.100/- may be paid out of the available Contingency funds under PMRY.
