

**MINUTES OF THE FIRST MEETING OF THE NATIONAL BOARD FOR MICRO,
SMALL & MEDIUM ENTERPRISES HELD ON 20 JUNE 2007 AT 11:00 A.M. IN THE
CONFERENCE ROOM, VIGYAN BHAWAN ANNEXE, NEW DELHI**

1. The first meeting of the National Board for Micro, Small & Medium Enterprises (NBMSME) constituted vide Notification No. SO 766(E) dated 15.05.2007 was held in the Conference Room, Vigyan Bhawan Annexe, New Delhi on 20 June 2007. The list of participants is at Annex-'A-1'.

2. In his opening remarks, the Minister (MSME) welcomed the participants on the occasion of the first meeting of the NBMSME. He highlighted the fact that the Micro & Small Enterprises of India have a long history of promoting economic growth that is employment-oriented and spatially widespread and hence inclusive. He explained the rationale for bringing in the new nomenclature of Micro, Small & Medium Enterprises (MSMEs) in the new legislation MSMED Act 2006. He highlighted the salient features and emphasised the importance of micro enterprises. He appreciated the quick action taken by the Ministry in implementing the legislation and the follow up action taken by some of the States as well. He referred to his recent announcement of the Package for Promotion of Micro & Small Enterprises in the Parliament, which contains measures relating to credit, fiscal support, cluster based development, technology and quality upgradation support, marketing support, entrepreneurial and managerial development, empowerment of women owned enterprises, strengthening the capability of Associations, etc. He also informed that the two Ministries of Small Scale Industries (SSI) and the Ministry of Agro & Rural Industries (ARI) have been merged into the Ministry of Micro, Small & Medium Enterprises (MSME) to synergise the efforts made by different agencies.

3. Minister (MSME) stressed that availability of timely and adequate credit on affordable terms is vital for the MSMEs to modernize and become competitive. He

referred to the announcement of the Policy Package for Stepping up Credit to SMEs to achieve a minimum 20 per cent year-on-year growth, with the objective of doubling the annual flow of credit within 5 years, commencing from 2005. He referred to the emergence of clusters as the strategy of MSME development, owing to the fact that MSMEs find it difficult to invest in advance technologies due to lack of resources. He emphasised the need to pay more attention to the weaker sections, especially those belonging to the Scheduled Castes/Scheduled Tribes, women, minorities, North-East region, etc., in the schemes being implemented by the Central Government and the State Governments.

4. Concluding with reference to the recent speech of the Prime Minister laying focus on SMEs in industrial development, Minister (MSME) requested all the participants to share their ideas, experiences and suggestions in the meeting to enable the promotion and development of MSMEs.

5. Dr. Syeda Hameed, Member, Planning Commission, who is the Vice Chairperson of NBMSME, thanked the Chairman for giving her an opportunity to address this first meeting of the NBMSME. While taking note of the contribution of artisans, she explained their role in the development of handicraft, handloom and khadi & village industries. She pointed out that this sector comprises a wide range including handlooms, handicrafts, sericulture, wool, powerlooms, khadi, village industries, coir and agro and rural industries segments. She said that while marching forward with the sustained development of MSMEs, we should encourage eco-friendly enterprises. She emphasized 'Inclusiveness' as the guiding principle that touches the life of the weaker and unorganised sections of the society with more than half of those employed being women, minorities and marginalised. It allows overall development of industry along with human face. She was pleased to add that Micro, Small & Medium Enterprises are able to take care of the above concerns. She highlighted the fact that enterprises have

a high potential for generating employment opportunities. She said that the employment opportunities are shrinking in the agricultural sector and, therefore, the role of Micro & Small Enterprises is becoming immense in providing employment. She added that targeted entrepreneurial programmes for women, SC/ST and minorities who have lagged behind, need to be promoted to help them catch up. Therefore, she added, MSMEs are not only going to be an engine for growth for India but they are key to providing the Plan's central objective of "inclusive" growth and balanced regional development. She added that millions of livelihoods depend on this sector and it is no use to have hundreds of programmes and funds for education, supplementary nutrition etc. if we are unable to sustain their livelihoods. She went on to add that with the successful infusion of credit, design skills, marketing support and technology, this sector can be boosted and can form the basis for a self sustained culture of creative and competitive industry. She expressed her pleasure at the enactment of the landmark MSMED Act, 2006, which has created a first ever legal framework to promote the holistic development of the sector. Some of the major problems which need redressal and which you may discuss during the day are:

- Lack of knowledge on how to increase quality, productivity and technical innovation.
- Lack of awareness about market trends and the corresponding mobility to access the new market opportunities.
- A lack of working capital and access to credit. Even if a craftsman receives a large order, they do not have the upfront capital to fund the work and materials.
- A total lack of civic, professional and social infrastructure.

The MSE sector has been accorded special status and importance in the Five Year Plans since inception in view of the advantages it offers for better utilisation of resources of capital and skill at the local level. The 11th Plan has envisaged raising the rate of growth of the industrial sector to 10% and manufacturing growth to 12% per annum.

The MSEs have a critical role to play in not only achieving the objective of faster and more inclusive growth but also in expanding production in a regionally balanced manner and in generating widely dispersed employment during the 11th Plan. The approach paper to the Eleventh Plan has also emphasized that “Infusion of appropriate technology, design skills, modern marketing, capacity building and easier access to credit can make this segment an expanding base for self-sustaining employment and wealth generation and also foster a culture of creative and competitive industry.”

Today efforts should be made to raise awareness on advantages and challenges of the new trade regimes. They must be assisted in developing in tandem with new business needs, warranting easy and affordable access to finance, addressing skill gaps and adopting policies that will support and ensure their sustained development across the country. The SMEs have established their distinct position in varied types of production system and have been getting immense recognition all over the world due to their role in the economic development.

6. Minister (MSME) informed the Member, Planning Commission and Deputy Chairman, that Secretary (MSME) who had been in the Planning Commission for a long time is requesting for enhancing the budget for this Ministry. Secretary (MSME) immediately added that it should at least be increased four times of the present one.

7. Shri Pongalur N. Palanisamy, Minister of the Government of Tamil Nadu, while congratulating the Chairman for spearheading the MSMED Act 2006, pointed out that ‘turnover’, as a criterion for defining SMEs exists in many countries. He suggested that classification of MSMEs should also include annual turnover of the enterprises besides the investment in plant and machinery. He added that if turnover exceeds 12 times of the cost of plant and machinery, it should be treated as medium enterprise. He raised his concern for non-availability of timely and adequate credit and attributed it as the major cause of MSE sickness. He was of the view that a definite percentage of the advances should be earmarked for this sector by the banks and that the lending rate for the MSEs should be 1 per cent lower than the one fixed for large enterprises. The

Minister appreciated the Credit Guarantee Fund Trust Scheme. However, he noted that the banks and financial institutions were not aware about this scheme. He suggested that an information dissemination campaign should be organised at the district level in collaboration with the State Government. For effective implementation of this scheme, a monitoring committee under the aegis of RBI should be formed. He supported the draft procurement policy in respect of procurement of goods and services produced and provided by MSEs. He strongly advocated that de-reservation of the items reserved exclusively for manufacture by micro & small enterprises should invariably be undertaken in consultation with the States. He specifically indicated that cottage match industry in Tamil Nadu, which provides employment to approximately to 5 lakh persons, cannot be de-reserved in one stroke. While informing the Board about the progress of implementation of the provisions of MSMED Act in the State, he stressed that simplification and harmonization of the existing labour and other laws should be undertaken. The Minister sought for financial assistance for the development of 15 clusters for which diagnostic study is being conducted in Tamil Nadu.

8. Shri Badshah Singh, Minister from Uttar Pradesh thanked Government of India for implementing the MSMED Act 2006. He thanked the Ministry of MSME for clarifying a number of points relating to the Act to the General Managers of District Industry Centres (DICs) and other officers. The Minister urged for policy formulation and announcing a rehabilitation package to contain the countrywide problem of sickness in industrial enterprises. He sighted many instances where conditions/restrictions have been imposed for setting up of enterprises by the Courts, Pollution Control Boards, State Governments and Central Government. He wanted to know as to how the acknowledgement of the Memoranda can be issued in such cases. He also wanted to know how to deal with the cases cited below:-

- (i) The enterprises, which had to file their Memoranda within 180 days of the implementation of MSMED Act.
- (ii) Whether an existing enterprise, which was not registered earlier with the State Government, can file Memorandum Part-II and the condition for applicable licences?
- (iii) In case of a court case between the two partners of a partnership firm, how to deal if both of them file Memoranda for the same enterprise.
- (iv) Whether the authority of GM DIC can be delegated to subordinate officers in absence of the General Managers? The Minister requested for financial assistance from the Central Government for printing of EM forms, correspondence, stamp, etc. In the end, he stressed that filing of Memorandum should be made compulsory for all the enterprises to facilitate data collection which will further aid in policy formulation by Government of India.

9. Shri Gautam Singh, Minister from Bihar informed the House about the progress made by the Government of Bihar in the implementation of MSMED Act 2006. He requested that nine items reserved for exclusive manufacturing in MSE sector, pertaining to food and allied sector, should be kept reserved. He stated that the Indo-Danish Tool Room, Jamshedpur has now gone to Government of Jharkhand after the division of the State and that Bihar has no Tool Room at present. He added that with a number of offers for investments pouring in, establishment of a Tool Room in Bihar has become essential. He added that a Tool Room was inaugurated. It should be established in the campus of SISI Patna immediately. In addition to this, three Mini-Tool Rooms should be established one each in Chapra, Nalanda and Bhagalpur. He informed that in accordance with the Central Scheme of establishment of 'Urban Haat', the State Government sanctioned Rs.60 lakh as its share in March 2006 with a request to the Central Government to issue the sanction of its share of the fund. He added that

there was a meeting between Minister of State (Commerce), Shri Jairam Ramesh, with the Chief Minister of Bihar and it was assured that land will be made available by the Bihar Government for this purpose. He requested that the above sanction of the Central Government should be expedited.

10. Shri Anilbhai Patel, Minister from Gujarat congratulated the Ministry of MSME for bringing out the Micro, Small & Medium Enterprises Development Act 2006 covering various aspects of micro, small & medium industries development including the definition of the enterprises. He informed the House that the Government of Gujarat has completed all the formalities in connection with implementation of the Act. He informed that Government of Gujarat has accorded priority for the development of small & medium scale industries while bringing out the Gujarat Industrial Policy 2003. He thanked Ministry of MSME for providing assistance to the Foundry cluster of Ahmedabad for setting up a common facility centre. He suggested that (i) the time limit of 180 days for filing of Memoranda by certain category of enterprises should be withdrawn, (ii) the package for promotion should be widened to cover medium enterprises and (iii) Ministry of MSME should come forward and modify all the schemes to cover micro, small & medium enterprises, etc. He informed that units, which have not filed Memorandum Part-II, shall be pursued to file it while carrying out the census programme. This will help the Government to reduce the number of unregistered units. He suggested that both the Ministry of MSME and Deptt. of IP&P should jointly work out guidelines to avoid duplication of filing of IEMs and EMs by the entrepreneurs. He added that the clubbing provisions introduced for SSIs earlier must be clarified as far as its applicability in the filing of EMs is concerned and that the Ministry should also circulate a list of services to be covered under the Act. He said that the non-availability of adequate fund to MSMEs, especially to micro enterprises, has been a major complaint from the industry Associations and that a monitoring system needs to be strengthened to ensure adequate flow of credit to the micro enterprises without offering

collateral security. He stressed that it is more useful to provide adequate infrastructure and facilities including technology inputs to make the SMEs globally competitive rather than to continue with the reservation policy. He suggested that the Industrial Infrastructure Development (IID) Scheme should be modified and made attractive to encourage promotion of industrial parks to be set up by private sector or entrepreneurs or industries associations exclusively for the development of small & medium enterprises. He informed the House that as a part of reforms under labour legislations, the Government of Gujarat has introduced Common Annual Report (CAR) and the development visits by team of Inspectors. This has resulted in good success in micro, small & medium enterprises. He suggested to introduce similar schemes throughout the country. He urged that the association with the States must be continued to have better coordination for SMEs' development and avoid duplication of similar schemes. A scheme of the Ministry of MSME for strengthening DICs, both in terms of physical infrastructure as well as sharing of cost of recurring expenditure to manage DICs, could go a long way to promote MSMEs in the Gujarat State.

11. Shri A.C. Jose, Chairman of the Coir Board stated that the banks are required to be much more friendly with micro and small enterprises. He added that a district level awareness programme should be organised by the banks to make the entrepreneurs aware of the different schemes of the banks. He said that marketing is difficult and a mechanism should be developed so that MSMEs could be able to publicise their products in their region and a fund should be created for promotion of regional products in small industries.

12. Shri Deepankar Mukherjee, representative of CITU was of the view that easier access, timely and adequate availability of credit followed by marketing assistance are the most important needs of MSMEs. He stressed that agenda on credit matters should

be dealt first by listening to all the representatives to arrive at a solution for the conundrum. It was thereafter decided to take up the agenda items.

13. Shri Jawhar Sircar, Addl. Secretary & Development Commissioner(MSME) apprised the members on the progress of the implementation of MSMED Act 2006. He informed that procurement policy, credit policy and delayed payments are three important issues which would be discussed.

14. Shri Joginder Kumar, Federation of Tiny & Small Industries (FOTSII), spoke that MSMED Act 2006 is a truth now. This has classified and identified the micro enterprises all over the world as an accepted term. Today, Government's focus is on small and medium enterprises. Our Minister is a Gandhian Minister but the micro sector is neglected in Gandhi's country. Micro sector is labour-intensive sector next to agriculture which is also employment-generating. He requested that there should be, a separate Minister for micro enterprises, a separate DC for micro enterprises, a separate Member for micro enterprises in Planning Commission and there should be a permanent Commission related to micro enterprises.

15. Ms. Rama Devi, President, Association of Lady Entrepreneurs of Andhra Pradesh (ALEAP) suggested that Board should direct the Pollution Control Board not to stop the registration of micro enterprises, as mentioned in their circular to all the DICs, for those MSEs which are in residential areas or within 5 Kms. of the town.

16. Mr. Rakshpal Abrol, President of Bombay Small Scale Industries Association (BSSIA) said that many enterprises were not able to register due to (a) no knowledge of previously allotted registration number which is asked by the DICs at the time of filing of Memoranda and (b) pollution norms.

17. Mr. De. Ramakrishnan, President of Industrial and Financial Reconstruction Association for Small & Tiny Enterprises (IFRASTE) suggested that there should be a separate classification of micro enterprises in the MSMED Act. There should not be clubbing with other classes of enterprises. He wanted to know the process of dealing with those enterprises that have not filed EM within 180 days of the implementation of the MSMED Act.

18. Mr. Sudarshan Sareen, President of All India Confederation of Small and Micro Industries Associations (AICOSMIA) told that coverage of small enterprises is increased under MSMED Act 2006 but real micro and small enterprises should not be neglected. He informed that this sector exports 34 per cent of the total exports and if we take indirect then this percentage comes to 60. He claimed that 90 per cent of the country's economy is served by MSEs. Therefore, he opined that they should have a higher share of 20 per cent in the net credit for level playing field with the products of other countries like China and other foreign countries. He emphasized that this sector faces the major difficulties of adequate and timely unavailability of credit, coupled with high rate of interest when made available. This is compounded with performing 50 types of formalities/inspections/ clauses, etc. He stressed the demand that SIDBI should come into direct financing and should have branches all over the country. Other suggestions include the enforcement of collateral free lending upto 5 lakh, Government support for loans under CGS, consideration of loans on recommendation by Associations, etc.

19. Shri Vishraam Jamdar, President, Laghu Udyog Bharti (LUB) pointed out three issues - (i) RBI policy of collateral free loans below 5 lakhs for MSEs should be followed by the bankers, (ii) 1.38 lakh of sick units were identified for rehabilitation but only 9,800 of them have been rehabilitated. He requested that there is a need for change of mindset by banks and that (iii) the rate of interest for credit availability to MSMEs should be 9.5 per cent.

20. Shri Vipin Kumar Jain from Madhya Pradesh Laghu Udyog Sangha stated that the Credit Guarantee Scheme should be displayed at notice boards of all the banks and that there should be State-wise monitoring (every six months) for credit flow. He stated that since 20 per cent year-on-year growth in credit flow to SME sector is to be achieved by each PSB, direct action should be taken against any bank violating it. He also emphasized that loan applications of exporters should be dealt within 15 days by the banks.

21. Mrs. Kiran Bora, General Secretary, North East Women Entrepreneurs Association (NEWEA) informed that Assam is known for extremist activities more than the dynamism of industrial development because of the frustration of the educated unemployed. She said that there is a need for proper skill training in specialized subjects and that the immense natural resources of the North East can be utilised for industrial purposes. She added that the SISIs should be equipped with skilled trainers who could give training in specialized subjects. She rued the fact that although women of the North East are born weavers and self-help groups in Assam are coming up, Government help is very insufficient. She added that under the TREAD project, 15-16 applications have been submitted to SISIs but nothing has been done. She demanded that a special package for women should be given announcing 50 per cent subsidy and 50 per cent bank loan for the micro projects. She emphasized special training for women of the North East.

22. Er. S. Rajagopal, President, Federation of Association of Small Industries of India (FASII) spoke that Credit Guarantee Scheme of the Central Government is perhaps not well-known among the bankers. He stated that the Bankers should always declare as to how many units have been assisted under this scheme. To assist the SSI sector in facing competition from large scale sector, it should be allowed an interest rate

2 per cent below the PLR and in addition, the period for assessing NPA should be increased from 90 days to 6 months.

23. Shri Devi Dayal suggested that special invitees, who run functioning micro enterprises and not merely Association representatives, should also be considered for attending these meetings as they will be able to give a first hand information about their problems. He suggested that sub-committees should be formed which could make the resolution of problems easier. He added that banks should advance loans at interest rates 2 per cent below the PLR, since their management cost is loaded at about 5 per cent over and above the capital raising cost. He added that the amount of default in achieving the upscaled lending to MSEs should be enforced for deposit with SIDBI (at interest equivalent to the rate of raising the capital) for use of the MSMEs.

24. Shri V.S. Das, Executive Director, RBI in his address spoke that it is heartening to note that MSMEs are growing with a growth rate of 4 per cent and thus significantly contributing to national economy. He added that MSEs are engine of growth of the economy and that they are in turn fueled by credit like petrol. He added that the banks have exceeded 20 per cent year-on-year growth projected by FM in 2005, by achieving 27 per cent growth in absolute terms between 2006 and 2007. He added that the definitions and criteria prescribed for MSMEs under the MSMED Act 2006 have been incorporated by RBI in its guidelines. He added that some other categories which were earlier included in the priority sector lending have been taken away by the RBI, thereby making available about Rs.33,000 crore for the sectors (including SMEs) in the priority sector lending. He added that due to the reclassification of Net Banking Credit (NBC) to Adjusted Net Banking Credit including the bonds issued, etc., in the classification, an additional amount of Rs.22,000 crore would be available for priority sector lending which includes lending for the agricultural, educational, home loans and MSME sectors. He added that for the 18 per cent prescribed lending for agriculture and the 1 per cent for

the weakest sections, the targets have not been achieved by the PSBs. He emphasized that if a specific number of 10 per cent or more, as was being proposed by the members of the NBMSME, is imposed within the priority sector lending, other weaker sections will be crowded out by the squeezing. He added that lending for the MSEs is already about 15 per cent, a claim which was strongly refuted by some of the members. On the contents of the letter addressed by Secretary(MSME) to Secretary(Financial Sector) enclosed with the agenda, Mr. Das stated that the reasoning given by him earlier has been shared with the Government of India (Banking Department). He went on to add that there is a grievances redressal machinery in the banking sector and any specific complaint or grievance could be brought to the notice of RBI or the Indian Banks Association or the individual banks for immediate necessary action. Referring to the demand for the bankers to change their mindset, Mr. Das opined that attitudinal changes are required in all institutions. He added that the RBI has focused on 388 clusters of MSEs for intensive credit availability and that he was happy to announce that 629 specialised SSI branches have started functioning as in March 2007. He also added that the stipulation of collateral free lending till 5 lakh and extending it up to Rs.25 lakh if the track record of the borrower is good, has been emphasized by the RBI repeatedly. He also added that one should not forget the fact that most of the MSEs being partnership firms or proprietorship concerns are highly leveraged and are perceived as high risk in the banking sector; more so because the NPAs are high in the sector. In the present scenario, bad debts reflect on the careers of the officers concerned and are frowned upon by the bank authorities. Nevertheless, if any further action is required, the Indian Banks Association would issue necessary circulars to its member banks.

25. Shri Dipankar Mukherjee, ex-MP/CITU pointed out that the letter by Secretary(MSME) to Secretary(FS) mentions that a general consensus emerged in the meeting of the Department related Parliamentary Standing Committee on Industry that a

sub target of 10 per cent of ANBC need to be stipulated for the MSE sector even if it requires enhancing the 40 per cent ceiling fixed for the priority sector lending by the domestic banks. A copy of this letter has been included as a part of the agenda paper circulated to all the members of the Board. Since representatives of both Banking Division and RBI were present in that meeting, they should have communicated their disagreement with the above immediately after the meeting or even after receiving the letter of Secretary(MSME). The observations made by the ED, RBI regarding difficulty in stipulation of a sub-target for MSE sector under priority sector lending targets is, therefore, not proper at this stage. He desired that immediate action needs to be taken by all concerned for resolving this issue. The Minister (MSME), intervening at this stage, directed the Secretary(MSME) and AS&DC(MSME) to take immediate steps on this issue, in consultation with Banking Division and the RBI.

26. Mr. Rakshpal Abrol of BSSI stated that an MSE borrower is made to obtain NOCs from all banks in the region before he is considered for grant of loan by any bank. This practice by the banks, he added, harasses the MSEs to no end.

27. Shri G.P. Dalmia, President, Jharkhand Small & Tiny Industries Association stressed for collateral free loans for SSI. He added that banks should be made to follow a ten-year plan to reach the level of 15.12 per cent of NBC lending for the MSEs as in 1998. He proposed the grant of incentives to bankers for outstanding performance in lending to the MSMEs. He decried the current trend in the banking sector and the State Government of inviting large industries by offering huge concessions and tax holidays which virtually wipes out the advantage of their establishment in the State concerned. He instead wanted the States and the Central Government to incentivise MSEs and unlock their huge potential for employment generation and diversified activity. On procurement preference, he decried the proposed draft procurement policy reducing the percentage procurement by the Government from MSEs to 20 per cent from the 33 per

cent proposed by Dr. S.P. Gupta Committee Report, obliterating the 15 per cent price preference available in the existing policy to MSEs and the proposed doing away with the 358 items reserved for projects from the MSEs. He also added that many States do not follow the Government of India policy and even do not give any preference to MSEs in their procurement. He informed that Micro & Small Enterprises Facilitation Council (MSEFC) had not yet been constituted in Jharkhand. There is a provision in MSMED Act that the cases should be finalised within 90 days in the MSEFCs but this provision is being flouted. He said that SIDBI should begin direct banking activities for at least 5 lakh loans. Trainees of institutions like SISIs should be financed by the banks. SIDBI should recognise rural banks for refinancing/ rechannelising its activities.

28. Mr. Prithvi Raj, President of KASSIA emphasized that the Credit Linked Capital Subsidy Scheme (CLCSS) must be continued during the 11th Plan. He added that the Ministry of MSME should have a separate section for technology evaluation so that it does not have to rely on Associations for suggesting appropriate technologies to be considered under CLCSS.

29. Shri R. Rewari, Chairman, SIDBI told that SIDBI has played a major role for development of SSI sector. He said that the Government has stopped supporting SIDBI. Similar banks in developing countries like Germany have a strong support of the Government. Contrary to this the funds of SIDBI are taxed. Its low-taxed bonds have also been stopped, which has increased its cost of capital raised. As demanded by the representative of the Associations, if 9 per cent interest rate is to be met by SIDBI, it should be provided funds at the rate of around 5-6 per cent by the Government. He said that in a total corpus of Rs.1,250 crore, there is a share of Rs.250 crore from SIDBI. While the investment of SIDBI fetches it no returns, Mr. Rewari said that the Government by the imposition of a tax is getting its return on its investment of Rs.1,000 crore in the corpus. Leading Associations should also take some responsibility by

organising at least 15-20 awareness camps for the entrepreneurs. He added that there is need to promote rating agencies so that entrepreneurs can access cheaper credit by building up fresh bank systems and thereby facilitate banking.

30. Shri Dipankar Mukherjee demanded that the next meeting of the NBMSME should have a single-point agenda on the working of SIDBI. Dr. Juneja from PHDCCI demanded that the topic in the next meeting should be Technology and Marketing.

31. Secretary (MSME), in his concluding remarks, emphasized the need for attitudinal change in bankers. He emphasized the need for skill development of the unemployed – rural youth and enabling them to access credit for generation of self-employment and to provide them with opportunity to grow. He emphasized the fact that the 11th Five Year Plan would be focusing on skill development and promotion of inclusiveness. He pleaded with the RBI and IBA to ensure that the banks provide adequate and timely credit to the unemployed and rural youth, notably from the weaker sections like the Scheduled Castes/Schedules Tribes, minorities, women, etc. He castigated the banks for not achieving the prescribed target for lending to SCs/STs which, he said, was only 3.2 per cent of the priority sector/NBC as against the prescribed 10 per cent. He emphasized that the bankers behave as if the weaker sections have no place in the nation. Objecting to the statement of ED, RBI to the effect that the NPA is higher for the MSE, Secretary (MSME) reiterated that the NPA is higher for the rich and that because the poor are honest, the statement of RBI is flawed. He added that with a view to providing a comfort level to the bankers, he had already ordered that the responsibility for selection of beneficiaries under the PMRY/RGEP would lie with the Committee/Tahsil staff/etc. and not on the bankers. He called upon the RBI and IBA to prevail upon the bankers that they should, at least now onwards, be liberal in financing the weaker sections. He emphasized his endeavour to establish a new cluster of industries in each block of the country by providing training to the

unemployed, particularly from the weaker sections like the Scheduled Castes and Scheduled Tribes to provide them adequate credit for establishment of their ventures. He added that he had already written to all the Chief Secretaries of the State Governments to provide an open space in different places for organisation of exhibitions and marketing space for the products of MSMEs. He added that under the brand name 'MSME India', he had already ordered the organisation of different exhibitions all over the country and abroad. He added that he has already ordered that there should be adequate representation for the weaker sections notably the SC/ST, minorities, women, north-east representatives, etc., in all exhibitions organized by the Government.

32. Secretary(MSME) expressed his surprise as to why SIDBI has not developed at par with other banks like IDBI. He implored the SIDBI to provide adequate credit to the persons trained by the Ministry of MSME through its institutes. He emphasized the need to allocate at least 10 per cent of the NBC for MSMEs. He also added that Regional Rural Banks (RRBs) and cooperative banks should also be refinanced by SIDBI. He added that the Micro Financial Institutions (MFIs) being financed by SIDBI would only be exploiting the poor sections of the society and that there is no need to finance or promote them at the rate of 24% to 30% as all of them will be NPA's. He added that in Japan SMEs are provided credit at 2 per cent rate of interest. He desired that there is need to subsidize all credit being made available to MSMEs by the Government. He emphasized that credit should be made available to the MSMEs at 4 per cent flat rate of interest. It is only then, he added, that MSMEs can be competitive in India.

33. Secretary(MSME) also emphasized the need to publicise the requirements and achievements of MSMEs. He added that he had already ordered that a separate channel be started for MSMEs at least for half an hour everyday. He also pleaded with the representatives of Associations that they should initiate skill development

programmes in their factories so as to enable the Ministry of MSME to train more and more unemployed people.

34. Concluding the meeting, Minister(MSME) announced that he would have a meeting with DMD SIDBI for extending its direct loaning operations. He also asked the representatives of RBI and IBA to watch the interest of MSMEs, which in turn provide maximum employment next only to the agricultural sector in the economy. He supported the recommendation of several members to incentivise the bankers who perform outstandingly for the sector.

35. The meeting ended with vote of thanks to all present.

DECISIONS TAKEN

On conclusion of the meeting the following decisions were taken:

1. The Board recommended to Reserve Bank of India and the Government the suggestions contained in the d.o. letter no. E.15(25)/2006 dated 18 May 2006 of the Secretary (MSME) addressed to the Secretary (FS) regarding earmarking of atleast 10% of NBC for Micro & Small Enterprises. [The Chairman & the Board directed that AS&DC (MSME) should personally follow up this matter with RBI and Ministry of Finance.]
2. SIDBI should expand its direct lending branches and function like a bank.