

Bill No. 71 of 2024

THE MICRO, SMALL AND MEDIUM ENTERPRISES
DEVELOPMENT (AMENDMENT) BILL, 2024

By

SHRI D.M. KATHIR ANAND, M.P.

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BILL

to amend the Micro, Small and Medium Enterprises Development Act, 2006.

BE it enacted by Parliament in the Seventy-fifth Year of the Republic of India as follows:—

1. (1) This Act may be called the Micro, Small and Medium Enterprises Development (Amendment) Act, 2024.

Short title and commencement.

5 (2) It shall come into force on such date, as the Central Government may, by notification in the Official Gazette, appoint.

Insertion of new sections 10A and 10B.

Lending rate and limit for lending of collateral free loans.

Incentives to increase the inflow of equity capital.

2. In the Micro, Small and Medium Enterprises Development Act, 2006, after section 10, the following sections shall be inserted, namely:— 27 of 2006.

“10A. (1) Every scheduled commercial bank shall lend to the micro, small and medium enterprises at the rate of one per cent. plus the rate of fixed deposit of such banks.

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(2) Every micro, small or medium enterprise shall be entitled to collateral free loan of upto rupees two crore from scheduled commercial banks.

10B. The Central Government shall, from time to time, notify suitable incentives to increase the inflow of equity capital in micro, small and medium enterprises.”.

STATEMENT OF OBJECTS AND REASONS

The Micro, Small and Medium Enterprises Development Act, 2006 aims to provide for facilitating the promotion and development and enhancing the competitiveness of micro, small and medium enterprises in the country. The said Act, as well as the guidelines issued by the Reserve Bank of India in its circular dated 1st July, 2011 and the recommendations of various committees and task groups have brought about considerable positive changes in various areas of development of competitiveness of Micro, Small and Medium Enterprises (MSMEs).

However, the MSMEs, that contribute to nine per cent. of the country's Gross Domestic Product (GDP), forty-five per cent. of the manufactured output, forty per cent. of our exports and that employs an estimated ten million people, continue to face serious bottlenecks in its development. Lack of access to adequate and timely credit at a reasonable cost is the most critical problems faced by this sector. Hence, there is an urgent need to make it mandatory by law for scheduled commercial banks to provide affordable lending rates to MSMEs.

The Bill, hence, aims to ensure lowest lending rates to MSMEs, fixed at one per cent. plus the rate of interest for fixed deposits of the scheduled commercial banks in the country. This would ensure more credit flow to the MSME sector, without hurting commercial banks, as they will continue to have freedom to fix lending rates to other sectors or units. The Bill also aims to make it mandatory for scheduled commercial banks to offer MSMEs, collateral free loans, up to rupees two crore. These two key changes in the principal Act would revive MSMEs through increased credit flow.

Hence this Bill.

NEW DELHI;
July 9, 2024

D.M. KATHIR ANAND

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to amend the Micro, Small and Medium Enterprises Development Act, 2006.

(Shri D.M.Kathir Anand, M.P.)