AS INTRODUCED IN THE RAJYA SABHA
ON THE 8TH MARCH, 2013

Bill No. XIV of 2013

THE MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT (AMENDMENT) BILL, 2013

A

BILL

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

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

Short title and commencement.

1. (*1*) This Act may be called the Micro, Small and Medium Enterprises Development (Amendment) Act, 2013.

(*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.

27 of 2006.

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

Lending rate and limit for lending of collateral free loans.

"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.

(*2*) Every scheduled commercial bank shall lend collateral free loans upto the limit of rupees two crore for micro, small and medium enterprises.

Incentives to increase the inflow of equity capital.

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 eight 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 sixty 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 cirticial 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 2 crore. These two key changes in the principal act would revive MSMEs through increased credit flow.

Hence, this Bill.

VIVEK GUPTA

FINANCIAL MEMORANDUM

Section 2 of the Bill provides that all scheduled commercial banks in the country shall lend money to MSMEs, at a rate of interest fixed at one per cent plus the rate of interests for fixed deposits of the banks. The section makes it the responsibility of banks to ensure increased credit flow to the MSME sector. Therefore, if enacted, the act will not incur any expenditure from the Consolidated Fund of India.

RAJYA SABHA

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BILL

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

(*Shri Vivek Gupta, M.P.*)

GMGIPMRND—5533RS(S4)—8-03-2013.