

GOVERNMENT OF INDIA  
MINISTRY OF MICRO, SMALL AND MEDIUM ENTERPRISES

**RAJYA SABHA**  
**UNSTARRED QUESTION NO. 755**  
TO BE ANSWERED ON 29.07.2024

**AVAILABILITY OF RAW MATERIAL FOR MSME SECTOR**

755. DR. FAUZIA KHAN:

Will the Minister of MICRO, SMALL AND MEDIUM ENTERPRISES be pleased to state:

- (a) the details of the mechanism to ensure the availability of raw material for promoting exports, considering their crucial role in the manufacturing process for MSMEs, if any;
- (b) whether there are any plans in place to address or provide alternatives for the fluctuation of foreign exchange rates, specifically aimed at safeguarding the business interests of micro and small enterprises reliant on imported raw materials; and
- (c) if so, the details thereof and if not, the reasons therefor?

**ANSWER**

MINISTER OF MICRO, SMALL AND MEDIUM ENTERPRISES  
(SHRI JITAN RAM MANJHI)

(a) to (c): To ensure regular supply of raw materials to MSMEs, National Small Industries Corporation Ltd. (NSIC), a public sector undertaking under the Ministry of MSME, facilitates MSMEs in meeting their raw material requirements. For this purpose, NSIC enters into arrangements with bulk manufacturers for supply of raw materials to MSMEs. NSIC also provides financial assistance to MSMEs under its Raw Material Assistance (RMA) Scheme against bank guarantee for payment to suppliers. Further, Ministry of MSME is implementing the umbrella scheme 'Coir Vikas Yojana' for the overall development of coir sector in the country. The Export Market Promotion Programmes under the 'Coir Vikas Yojana' aims to promote the industry to catch the global market for coir and coir products. Coir Board facilitates MSMEs to participate in International fairs abroad as per the International Co-operation (IC) Scheme under Export Market Promotion programme. The IC Scheme aims to enhance the competitiveness of Micro, Small, and Medium Enterprises (MSMEs) by facilitating their participation in international events, fostering partnerships, and expanding their market reach globally.

As per information provided by the Directorate General of Foreign Trade (DGFT), Ministry of Commerce and Industry, under Foreign Trade Policy 2023, duty free import of raw material/inputs for manufacturing export products under Advance Authorization Scheme is allowed for MSMEs and other manufacturer exporters. This scheme enables MSMEs to procure raw material at 'nil' duty rates so that their export product can compete with their foreign counterparts in the international market. Around 24,000 such Advance Authorizations are issued by DGFT each year which amounts to an import of raw material worth of 35 Billion US \$ resulting an export of 60 Bn US \$. Most of the beneficiaries of this scheme are MSME exporters, and this scheme has enabled MSMEs to successfully compete in international market. Also, under Duty Free Import Authorization Scheme (DFIA), MSME exporters can import raw material with complete duty exemption and such inputs can be imported even after completion of export for replenishment purpose as well. Similarly, MSME units operating as Export Oriented Unit (EOU) can also secure raw material from international market without payment of any duty. EOU scheme also enables MSMEs to successfully compete in the international market.

Besides, MSMEs can source raw material from domestic market and Integrated Goods and Services Tax (IGST) paid on such inputs will be refunded or else recredited to them at the time of exports, so that their export product remains competitive in the global market. MSMEs can thus source their inputs either from domestic market or from international market, with duty exemptions as provided under Foreign Trade Policy and GST Act.

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