

MSME ministry seeks lower borrowing rates

fe Bureau
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THE micro, small and medium enterprises (MSME) ministry has written to the finance ministry to lower the rate of interest on credit for the sector. In a pre-budget demand, MSME minister Virbhadr Singh has asked the government to look into options to reduce the cost of funds for small scale industry.

“Internationally, credit is available at around 4-6% interest rate. In India, the MSMEs are paying as high as up to 16%. We have requested the finance ministry to bring

it at par with international rates for MSMEs,” Amrendra Sinha, additional secretary, MSME ministry told reporters on Monday.

MSME accounts of 40% exports from India. Globally, the exports from this sector has been declining. Recently, a World Bank report said that the exports of goods and services grew at around 6.6% last year (down from 12.4% in 2010) and this is likely to be restricted at 4.7% this year.

The MSME sector has been facing lot of challenges due to inadequate financing. Lowering or a cap on interest rate would come as a big re-

lief for the sector. Even the Federation of Indian Exporters Organisations (FIEO) has raised concerns about higher interest rates for MSMEs. It has asked the finance ministry to cap the interest rates at 7%.

“More funds should be made available to SMEs. Financing should be more transparent. The sector is experiencing hurdles due to unavailability of funds from the banks. The transaction has to be made smooth,” the minister said. In the same letter, he has asked for concrete measures to help the sector in equity formation and lowering

debt formation.

Meanwhile, the national institute of entrepreneurship and small business development (NIESBUD) under MSME ministry has signed a memorandum of understanding (MoU) with World Bank arm—International Finance Corporation (IFC)—to develop training programmes. The pilot programme will be organised for selected trainers in NIESBUD from across five identifies states.

The ministry has set a target to impart entrepreneurship skills to six lakh people in next fiscal as against 4 lakh who were trained during this fiscal.