

Govt has ambitious designs for SMEs

Plans 70% Capital Subsidy, Other Support To SME Clusters For Adopting International Designs

Niranjan Bharati & Subhash Narayan
NEW DELHI

SMALL and medium enterprises (SMEs) may soon get a designer touch. The government is planning makeover of the SME sector by roping in international designers, especially for companies in the textiles, pottery, and houseware business. The ministry of micro, small and medium enterprises (MSME) is in the process of finalising a proposal under which it would give capital subsidy up to 70% to units for giving an international look to SME products. Designers of international repute would be roped in for the project.

MSMEs would have to form a consortium to get funding. Funds would also be available to clusters and SME associations if they come up with a viable proposal. "We plan to assist the industry on a consortium basis as individual units are too small," an official in MSME said. Government is in the process of finalising fund allocation for the new scheme in consultation with the finance ministry. Once the ministry gives its nod, the scheme could be launched by May-June, the official said.

The new scheme follows demand from the sector for financial support to compete with international players. The MSME sector has been exposed to tough competition after a large number of items have been dereserved over a period of time. Presently, only 35 items are reserved for exclusive manufacturing by SSIs.

Small units are also facing tough international competition because of better design availability in the Chinese and Italian markets. These designs are making inroads into the Indian market as well.

"We want to break the Chinese and Italian stronghold on the SME sector by giving a new look to Indian products. Traditional designs command less demand these days," the official said, adding the focus would not be limited to the textile sector alone.

Though international designers may be roped in for giving the designer push to the industry, labelling and branding of products would be India centric only. The move is expected to have a positive impact on the export market that has been hit due to sharp appreciation of the rupee against the dollar. The government is of the view that even comparatively highly priced products can find more buyers by better branding and value addition.

Contribution of micro, small and medium enterprises (MSME) in country's economy has grown significantly in the recent past. In terms of total production the sector is growing at the rate of more than 10% for the last four years. Total production by the MSE sector (excluding the medium enterprises) is expected to be Rs 4,71,663 crore in 2006-07 up 12.6% from the last year's figure. In terms of exports, the sector is doing even better registering a compounded annual growth rate of over 20% for the last three years. Presently the sector employs 3.15 crore people and is growing at the rate of more than 4% per year in terms of employment generation.

