

India

Micro, Small, and Medium Enterprise Development Project



The micro, small, and medium-sized enterprises (MSME) sector in India plays a vital role in the growth of the country. The MSME sector in India accounts for about 95% of the industrial units, almost 45% of the gross industrial value-added in the Indian economy, and 40% of exports, and provides direct employment to more than 59 million persons. Indian MSMEs contribute about 7% of the country's gross domestic product.

Through the Micro, Small, and Medium Enterprise Development Project, the Asian

Development Bank (ADB) will reinforce the efforts of the Government of India to help these enterprises, which have tremendous employment- and income-generating potential, in coping with and recovering from the adverse effects of the global financial crisis.

The project is in line with the strategic directions of ADB's South Asia Department, which focuses on sustainable infrastructure, climate change mitigation and adaptation, human development, regional cooperation and integration, public-private partnership, and good governance.

Project Features

Helping micro, small, and medium-sized industries.

The intervention will help MSMEs in India realize their full potential, and help domestic MSMEs to be fully developed, especially those led by women microentrepreneurs.

The project will also improve MSME access to commercial financing, and provide capacity building services and market opportunities, fostering MSME growth, competitiveness, and employment.

The project will achieve its objectives through a multipronged approach that will address key bottlenecks to MSME financing and development in India. The smaller and less established micro and small enterprises, which operate primarily in the informal sector, will be targeted through the sovereign loan to the Small Industries Development Bank of India. The larger medium-sized enterprises, which have limited access to bank finance, will be targeted under the partial credit guarantee facility, which will be established without a counter-guarantee from the Government of India. The two financing modalities will be effectively complementary.

A third component of the project is a capacity-building grant of \$3 million, which will provide greater access to skills and technology for microenterprises run by women, and address the various gender-related constraints they face.

The intervention is an innovative, hybrid program that combines ADB's sovereign and nonsovereign lending modalities, and incorporates financing for microenterprises and women entrepreneurs to promote inclusive economic growth and development in India



The establishment of a partial credit guarantee facility will help stimulate a higher volume of commercial bank lending, primarily to the larger medium-sized enterprises, which are typically already bank customers



The capacity-building grant will provide greater access to skills and technology for microenterprises run by women, and address the various gender-related constraints they face

The Project at a Glance

Cost and financing: ADB ordinary capital resources, \$50 million; Japan Fund for Poverty Reduction, \$3 million

Project approval date: 26 February 2010

Project themes: Economic growth (promoting economic efficiency and enabling business environment, widening access to markets and economic opportunities), private sector development (private sector investment), financial sector development, capacity development, gender equity (economic opportunities)

Status of project implementation: Ongoing

Expected loan closing date: June 2015

Executing agency

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ADB department

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Sources: Project information document, available at <http://pid.adb.org/pid/LoanView.htm?projNo=43158&seqNo=01&typeCd=3>;
ADB. 2010. Report and recommendation of the President, available at <http://adb.org/documents/rpps/ind/43158-ind-rrp.pdf>