

UNIT III

Public and Private Sector stimulation

The various institutions working in public and private sector for the encouragement of entrepreneurs to undertake entrepreneurial activities. The environment and the institutional setup are considered to be exerting direct influence on entrepreneurship. The support system and institutional setup would include Entrepreneurship Development Organizations, extension, research and consultancy services as well as large industrial units interested in developing ancillary industries.

This institutional support is needed in all the three stages of

1. Inception
2. Day to day management
3. Expansion and diversification

Public sector Institutions setup by Government of India

Levels of institutional support by the government of India

1. Central Government Institutions
2. State Government Institutions

SUPPORT SYSTEM DEVELOPED BY THE CENTRAL GOVERNMENT

1. National Board for Micro, Small and Medium Enterprises (NBMSME):

In pursuance of the MSME Development Act, 2006, the National Board for Micro, Small & Medium Enterprises consisting of a total of 47 members have been constituted. The 20 non-official members on the Board represent industry associations of MSMEs from all over the country while the other 27 members comprise Members of Parliament, Ministers of six State Governments, representatives of RBI, Banks etc. The main agenda of the Board is to solve the various issues relating to development of MSMEs and come out with remedial measures which are undertaken in consultation with the concerned departments/ agencies.

2. Khadi and Village Industries Commission (KVIC)

The Khadi & Village Industries Commission (KVIC), established under the Village Industries Commission Act, 1956, is a statutory organisation engaged in promoting and developing khadi and village industries for providing employment opportunities in rural areas, thereby strengthening the rural economy. The broad objectives of the KVIC are -

- The social objective of providing employment;
- The economic objective of producing saleable articles and
- The wider objective of creating self-reliance amongst the people

The KVIC has been identified as one of the major organizations in the decentralized sector for generating sustainable rural non-farm employment opportunities at low per capita investment. This also helps in checking migration of rural population to urban areas in search of employment opportunities. New reform programs are undertaken which aim at revitalizing the khadi sector for enhanced sustainability of khadi; increasing incomes for spinners and weavers; increasing employment; enhancing artisan's welfare and gradually enabling khadi institutions to stand on their own feet.

Functions:

- a) It has been charged with the function of planning, promotion, organisation and implementation of programs for the development of Khadi and other village industries in the rural areas, in coordination with other agencies engaged in rural development.
- b) Its functions also comprise building up of a reserve of raw materials and implements for supply of producers, creation of common service facilities for processing of raw materials as semi-finished goods and provision of facilities for marketing of KVI products. It organizes training of artisans engaged in Khadi and Village Industries.
- c) It is also charged with the responsibility of encouraging and promoting research in the production techniques and equipment's employed in the KVI sector and providing facilities for the study of the problems relating to the same. It also promotes the use of non-conventional energy, bio-fertilizer and other organic products.
- d) It is also entrusted with the task of providing financial assistance to institutions and persons engaged in the development and operation of Khadi and Village Industries and guiding them through supply of designs, prototypes and other technical information.

3. Mahatma Gandhi Institute for Rural Industrialization (MGIRI)

The national level institute namely Mahatma Gandhi Institute for Rural Industrialization (MGIRI) has been established at Wardha, Maharashtra, to strengthen the R&D activities in khadi and village industry sectors. The main functions of the Institute are to improve the R&D activities under rural industrial sector through encouraging research, extension of R&D, quality control, training and dissemination of technology related information.

FUNCTIONS The activities of MGIRI are being carried out by its six Divisions each headed by a Senior Scientists/ Technologist.

- a) **Chemical Industries Division:** The main focus of this division is to promote quality consciousness and consistency in the area of food processing, organic foods and other products of rural chemical industries. It also provides a comprehensive quality testing support and is working towards developing field worthy kits, techniques and technologies to facilitate the cottage and small scale units in this area.
- b) **Khadi and Textiles Division:** The activities mainly carried out by this division are to improve the productivity, value addition and quality of products manufactured in khadi institutions by introducing new technologies and by providing quality assurance support. It also works towards facilitating eco-friendly products and methods.
- c) **Bio-processing and Herbal Division:** This division of MGIRI prepares technology package and simple quality assurance methods to facilitate production and utilization of organic manures, bio-fertilizers and bio-pesticides to promote rural entrepreneurs. This section is also making efforts to develop new formulations using 'Panchagavya' and their quality assurance procedures and facilities.
- d) **Rural Energy and Infrastructure Division:** This division has been mandated to develop user-friendly and cost-effective technologies utilizing commonly available renewable resources of energy to facilitate rural industries and also to carry out audit of traditional rural industries so as to make them energy efficient.
- e) **Rural Crafts and Engineering Division:** This Division is to help upgrade the skills, creativity and productivity of rural artisans and encourage value-addition and improve the quality of their products.

- f) Management & Systems Division: This division provides information and communication technology based solutions for rural industries with a view to enhance their global competitiveness.

4. Coir Board:

The Coir Board is a statutory body established under the Coir Industry Act, 1953 for promoting overall development of the coir industry and improving the living conditions of the workers engaged in this traditional industry. The activities of the Board for development of coir industries, inter-alia, include undertaking scientific, technological and economic research and development activities; developing new products & designs; and marketing of coir and coir products in India and abroad. It also promotes co-operative organizations among producers of husks, coir fiber, coir yarn and manufacturers of coir products; ensuring remunerative returns to producers and manufacturers, etc. The Board has promoted two research institutes namely; Central Coir Research Institute (CCRI), Kalavoor, Alleppey, and the Central Institute of Coir Technology (CICT), Bengaluru for undertaking research activities on different aspects of coir industry, which is one of the major agro based rural industries in the country.

Functions of Coir Board

- a) Undertaking, assisting or encouraging scientific, technological and economic research and maintaining and assisting in the maintenance of one or more research institutes;
- b) Collecting statistics from manufacturers of, and dealers in, coir products and from such other persons as may be prescribed, on any matter relating to the coir industry, the publication of statistics so collected or portions thereof or extracts therefrom;
- c) Fixing grade standards and arranging when necessary for inspection of coir fibre, coir yarn and coir products;
- d) Improving the marketing of coconut husk, coir fibre, coir yarn and coir products in India and elsewhere and preventing unfair competition;
- e) Setting up or assisting in the setting up of factories for the producers of coir products with the aid of power;

- f) Promoting cooperative organisation among producers of husks, coir fibre and coir yarn and manufacturers of coir products;
- g) Ensuring remunerative returns to producers of husks, coir fibre and coir yarn and manufacturers of coir products;
- h) Licensing of retting places and warehouses and otherwise regulating the stocking and sale of coir fibre, coir yarn and coir products both for the internal market and for exports;
- i) Advising on all matters relating to the development of the coir industry

5. Small Industries Development Organisation (SIDO):

The SIDO established in 1954 was created for development of various small scale units in different areas. It is a subordinate office of department of SSI and ARI and a nodal agency for identifying the needs of SSI units, coordinating and monitoring the policies and programs for promotion of the small industries. Over the years, it has seen its role evolve into an agency for advocacy, hand holding and facilitation for the small industries sector. It has over 60 offices and 21 autonomous bodies under its management. These autonomous bodies include Tool Rooms, Training Institutions and Project-cum-Process Development Centers. The SIDO provides a wide spectrum of services to the small industries sector. These include facilities for testing, tool making, training for entrepreneurship development, preparation of project and product profiles, technical and managerial consultancy, assistance for exports, pollution and energy audits etc.

- a. Small Industries Service Institutes (SISI)
- b. Regional Training Centers (RTCs):
- c. National Small Industries Corporation Limited (NSIC)

Functions of Small Industries Development Organisation (SIDO):

- a) To evolve a national policy for the development of small-scale industries,
- b) To co-ordinate the policies and programs of various State Governments
- c) To maintain a proper liaison with the related Central Ministries, Planning Commission, State Governments, Financial Institutions etc.
- d) To co-ordinate the programs for the development of industrial estates.

- e) To reserve items for production by small-scale industries,
- f) To collect data on consumer items imported and then, encourage the setting of industrial units to produce these items by giving coordinated assistance,
- g) To render required support for the development of ancillary units
- h) To encourage small-scale industries to actively participate in Government Stores Purchase Program by giving them necessary guidance, market advice, and assistance.
- i) To make provision to technical services for improving technical process, production planning, selecting appropriate machinery, and preparing factory lay-out and design.

6. Small Industries Development Bank of India (SIDBI):

For ensuring larger flow of financial and non-financial assistance to the small scale sector, the Government of India set up the Small Industries Development Bank of India (SIDBI) under Special Act of Parliament in 1989 as a wholly owned subsidiary of the IDBI. The SIDBI has taken over the outstanding portfolio of the IDBI relating to the small scale sector for promotion, financing and development of the SSI sector and for coordinating the activities of other institutions. It is the principal financial institution for the promotion, financing and development of industry in the small, tiny and cottage sectors and for coordinating the functions of the institutions engaged in similar activities. Over the years SIDBI has striven to fulfill the role enshrined in its charter by formulating and reorienting its policies, gearing up operations and enlarging the profile of its promotional and developmental activities aimed at facilitating entrepreneurial entry and strengthening the small scale sector to enable them to meet the emerging challenges. From being a mere traditional refinancing institution, it has emerged stronger in meeting the varied requirements of the SSI sector by exploring new areas and seeding option for the future growth, like launching new financial products and instruments and support service programs. It has also devised tailor-made schemes for direct lending to small scale sector so as to supplement the efforts of Primary Lending Institutions (PLIs), which includes State Financial Corporations (SFCs), State Industrial Development Corporations (SIDCs), Scheduled Commercial Banks (SCBs) both in the public and the private sector. State Co-operative Banks, scheduled urban co-operative banks and regional rural banks.

The important functions of SIDBI are -

- a) To initiate steps for technological upgradation and modernization of existing units.
- b) To expand the channels for marketing the products of SSI sector in domestic and international markets.
- c) To promote employment oriented industries especially in semi-urban areas to create more employment opportunities and thereby checking migration of people to urban areas.

The SIDBI's financial assistance to small-scale industries is channelized through the existing credit delivery system comprising State Financial Corporations, State Industrial Development Corporations, Commercial Banks and Regional Rural Banks

7. National Bank for Agriculture and Rural Development (NABARD):

NABARD is designated as an apex development bank in the country. This national bank was established in 1982 by a Special Act of the Parliament, with a mandate to uplift rural India by facilitating credit flow in agriculture, cottage and village industries, handicrafts and small-scale industries. It is also required to support non-farm sector while promoting other allied economic activities in rural areas. NABARD functions to promote sustainable rural development for attaining prosperity of rural areas in India.

It is basically concerned with "matters concerning policy, as well as planning and operations in the field of credit for agriculture and other economic activities in rural areas in India". It is worth noting with reference to NABARD that RBI has sold its own stake to the Government of India. Therefore, Government of India holds 99% stake in NABARD.

Credit Functions:

- a) Framing policy and guidelines for rural financial institutions.
- b) Providing credit facilities to issuing organizations
- c) Monitoring the flow of ground level rural credit.
- d) Preparation of credit plans annually for all districts for identification of credit potential.

Development Functions:

- a) Help cooperative banks and Regional Rural Banks to prepare development actions plans for themselves.
- b) Help Regional Rural Banks and the sponsor banks to enter into MoUs with state governments and cooperative banks to improve the affairs of the Regional Rural Banks.
- c) Monitor implementation of development action plans of banks.
- d) Provide financial support for the training institutes of cooperative banks, commercial banks and Regional Rural Banks.
- e) Provide financial assistance to cooperative banks for building improved management information system, computerization of operations and development of human resources.

Supervisory Functions:

- a) Undertakes inspection of Regional Rural Banks (RRBs) and Cooperative Banks (other than urban/primary cooperative banks) under the provisions of Banking Regulation Act, 1949.
- b) Undertakes inspection of State Cooperative Agriculture and Rural Development Banks (SCARDBs) and apex non- credit cooperative societies on a voluntary basis.
- c) Provides recommendations to Reserve Bank of India on issue of licenses to Cooperative Banks, opening of new branches by State Cooperative Banks and Regional Rural Banks (RRBs).
- d) Undertakes portfolio inspections besides off-site surveillance of Cooperative Banks and Regional Rural Banks (RRBs).

8. National Small Industries Corporation Ltd.(NSIC):

The National Small Industries Corporation Ltd. was established by the Government in 1955 as a Public Sector Company, with a view to promoting, aiding and fostering the growth of micro, small and medium enterprises (MSMEs) in the country with focus on commercial aspects of their operations The main functions of the Corporation are—

- a) Supply of both the indigenous and imported machines on easy hire-purchase terms through the composite term loan scheme.
- b) Procurement, supply and distribution of indigenous and imported raw materials.
- c) Export small industries products and developing export-worthiness of small scale units
- d) Enlisting competent units and facilitating their participation in government stores purchase programme.
- e) Training in several technical trades.
- f) Monitoring advisory services.
- g) Setting up small-scale industries in other developing countries on turn-key basis.

SUPPORT SYSTEM DEVELOPED BY THE STATE GOVERNMENT:

- 1. District Industries Centers (DIC):** The Department of Industries & Commerce is the anchor department as far as development of industries is concerned. This department is responsible for formulating and implementation of industrial policies in the State. The Directorate of Industries & Commerce is the first State Government Department in the country to get the ISO Certificate which affirms the quality, efficiency, productivity and service standards. The mission of the Department is to provide prompt and efficient service to the entrepreneurs/industrialists for smooth and time-bound implementation and operation of industrial projects and schemes.
- 2. State Financial Corporations (SFCs):** They are the State-level financial institutions which play a crucial role in the development of small and medium enterprises in the concerned States. They provide financial assistance in the form of term loans, direct subscription to equity/debentures, guarantees, discounting of bill of exchange and seed/special capital etc. SFCs have been set up with the objective of catalyzing higher investment, generating greater employment and widening the ownership base of industries. They have also started providing assistance to newer types of business activities like floriculture, tissue culture, poultry farming, commercial complexes and services related to engineering, marketing, etc. there are 18 State Financial Corporation"s (SFCs) in the country.

1. It grants loan and advances to industrial concerns that are repayable within the maximum period of 20 years.
2. It subscribes the shares and debentures of industrial concerns.
3. It underwrites the shares and debentures of the industrial concerns.
4. It guarantees loans raised by the industrial concerns repayable within 20 years.
5. Guarantees deferred payments for purchase of capital goods with India.
6. It acts as an agent of the State and central Government.

3. State Industrial Development Corporations (SIDCs): They have been established under the Companies Act, 1956, as wholly owned undertakings of State Government. They have been set up with the aim of promoting industrial development in the respective States and providing financial assistance to small entrepreneurs. They are also involved in setting up of medium and large industrial projects in the joint sector/assisted sector in collaboration with private entrepreneurs. Currently, there are 28 SIDC that are present in Established in 1976,

4. the Council of State Industrial Development and Investment Corporations of India (COSIDICI) is a national federation of state level financial and investment corporations comprising State Financial Corporations (SFCs), State Industrial Development Corporations (SIDCs) and State Infrastructure Development Corporations engaged in promotion, development and financing of industry in small, medium and large sectors , besides developing industrial infrastructural facilities like industrial estates, industrial parks, industrial townships, etc. As on 30th September, 1999, COSIDICI has a membership of 56 state level institutions.

5. Technical Consultancy Organisations (TCOs) The functions of the TCOs include-- conducting surveys on industrial potential, preparing project profiles, undertaking techno-economic appraisal of projects, carrying out market research, providing technical and managerial assistance to entrepreneurs, assistance in modernisation, technology upgradations and rehabilitation programmes and organising information cell and Data Bank concerning industrial and economic activities and provide these to entrepreneurs (

Non-government and private sector institutions

Besides the Central Government and the State Government agencies, there are some Non-Governmental agencies that are also supporting the cause of small scale industries in the country. These agencies include Non-Government organisations and industry associations. They provide a common platform to voice SSI needs and initiate co-operative efforts. Government policies have stressed the increasing role of these associations and NGO's in setting up common facilities and other cooperative ventures in technology, marketing and other support systems. Some of these major associations are as follows:

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1. **Federation of Indian Chambers of Commerce and Industry (FICCI)** The FICCI was established in 1927 as the national agency through which the chambers of commerce and trade association in India could crystallize their views on current economic problems. It serves as the coordinating agency for the commercial and industrial interests as represented by various chambers of commerce and trade associations. The Federation maintains very close relations with the Union Government and is also represented on over 65 advisory committees appointed by the Government and other leading organisations.
2. **Small and Medium Business Development Chamber of India (SME Chamber of India):** The chamber puts all its efforts for the development and growth of MSMEs by organizing various activities to accomplish its objectives. The Chamber provides information and guidance to new and existing entrepreneurs in effectively managing and growing their business. The Chamber has developed key strategies to promote and support the MSME sector. The Chamber also gives importance to and encourages MSMEs to adopt innovative ideas and concepts for the promotion of their business. The Chamber organizes many Seminars, Conferences, Workshops and Training Programs and other trade promotional activities to educate & create awareness among MSMEs. The Chamber recognizes successful entrepreneurs by conferring National & International Level MSME and Entrepreneurship Excellence Awards for their outstanding achievements in the fields of Manufacturing, Services, International Trade, Finance, Agro & Food Processing, IT and IT Enabled Services, Telecommunication, Research, Technology Development and other sectors.

3. **Associated Chambers of Commerce and Industry Of India (ASSOCHAM)** Assocham is another apex organisation like FICCI to which some of the older chambers of commerce are affiliated. It was founded in December 1920. It seeks to make the businessmen's voice heard and to ensure that their views are taken into account in the moulding of the nation's economic life. It also undertakes persuasive activities directed at the administrative departments and to the law makers with a view to acquainting themselves with the view point of the members
4. **Indian Council of Small Industries (ICSI)** It was established in 1979 to help tiny, cottage and small industries and artisans of rural areas. Membership of ICSI constitutes about 1500 associations of the decentralized sector. Its main functions are information dissemination, entrepreneurship development, consultancy and managerial support, training and research.
5. **Laghu Udyog Bharti (LUB):** It was founded in 1995 to promote and safeguard the interest of tiny and small scale industries. It has been given representation on the national and the state level government bodies responsible for the development of SSIs. It is also responsible for undertaking entrepreneurial training, providing support for technology upgradation and marketing services.
6. **Confederation of Indian Industry (CII)** was created in 1992 by changing the name of Confederation of Engineering Industry. It is responsible for advisory, consultative and representative services to industry and the Government. It has been given representation on major policy formulating bodies, related with the industry. It also works like a nodal agency for international industrial cooperation.
7. **Federation of Indian Exporters Organisation (FIEO):** This is an apex organisation set up by the Ministry of Commerce in the year October 1965. It represents the Indian entrepreneur's spirit of enterprise in the global market. The Federation performs activities of common nature such as sending trade delegations abroad and inviting trade delegations from foreign countries, sponsoring commodity and market surveys and collection and dissemination of commercial intelligence. It provides facilities for settlement of trade disputes arising in the course of foreign trade and advises Government on all matters relating to export trade.

8. **SME Technology Services Ltd.** India SME Technology Services Ltd. (ISTSL) provides a platform where micro, small and medium enterprises can tap opportunities at the global level for acquisition of new and emerging technology or establish business collaboration. Their mission is to render professional services for technology transfer and attendant support services in order to enhance market competitiveness of micro, small and medium enterprises and promote sustainable development
9. **Rural Small Business Development Centre (RSBDC)** It is the first of its kind set up by the world association for small and medium enterprises and is sponsored by NABARD. It works for the benefit of socially and economically disadvantaged individuals and groups. It aims at providing management and technical support to current and prospective micro and small entrepreneurs in rural areas. Since its inception, RSBDC has organized several programs on rural entrepreneurship, skill upgradation workshops, mobile clinics and trainers training programs, awareness and counseling camps in various villages of North India.
10. **Federation of Associations of Small Industries of India (FASII)**

It was promoted in 1959 to represent the problems of SSIs with the Government and liaising with other agencies involved in promotion of SSI sector. Its objectives are as follows:

 - a) to promote the development of small scale, tiny and cottage industries;
 - b) to cooperate with industrial business, educational institutions in collecting and exchanging information pertaining to the small scale sector;
 - c) to undertake professional, technical and management consultation services;
 - d) to undertake studies, surveys and research assignments;
 - e) to further the cause of small industries by interacting with Union and State Governments and other bodies;
 - f) to establish and operate trade centers display centers, sub-contracts exchanges and other promotional institutions for the benefit of the small scale sector and
 - g) to establish test centers, laboratories and common facility centers for the SSI sector.
11. **World Association Of Small And Medium Enterprises (WASME)** The World Association for Small and Medium Enterprises was founded in 1981 to ensure business

cooperation among its members. Its membership represents chamber of commerce, small industries development corporations, financial institutions and commercial banks and other State Government agencies of developing countries. It facilitates technology transfer, manpower training, maintaining a register of experts/consultants, organising seminars and conferences and acts as a clearing house of information and marketing services etc.

District Industries Centre

The 'District Industries Centre' (DICs) programme was started by the central government in 1978 with the objective of providing a focal point for promoting small, tiny, cottage and village industries in a particular area and to make available to them all necessary services and facilities at one place. The finances for setting up DICs in a state are contributed equally by the particular state government and the central government. To facilitate the process of small enterprise development, DICs have been entrusted with most of the administrative and financial powers. For purpose of allotment of land, work sheds, raw materials etc., DICs functions under the 'Directorate of Industries'. Each DIC is headed by a General Manager who is assisted by four functional managers and three project managers to look after the following activities

Economic Investigation

Plant and Machinery

Research, education and training

Raw materials

Credit facilities

Marketing assistance

Cottage industries

Objectives of District Industries Centre (DIC):

1. The important objectives of DICs are as follow:
2. Accelerate the overall efforts for industrialization of the district.
3. Rural industrialization and development of rural industries and handicrafts.
4. Attainment of economic equality in various regions of the district
5. Providing the benefit of the government schemes to the new entrepreneurs.

6. Centralization of procedures required to start a new industrial unit and minimization- of the efforts and time required to obtain various permissions, licenses, registrations, subsidies etc.

Functions of District Industries Centre (DIC):

1. Acts as the focal point of the industrialization of the district.
2. Prepares the industrial profile of the district with respect to:
3. Statistics and information about existing industrial units in the district in the large, Medium, small as well as co-operative sectors.
4. Opportunity guidance to entrepreneurs.
5. Compilation of information about local sources of raw materials and their availability.
6. Manpower assessment with respect to skilled, semi-skilled workers.
7. Assessment of availability of infrastructure facilities like quality testing, research and development, transport, prototype development, warehouse etc.
8. Organizes entrepreneurship development training programs.
9. Provides information about various government schemes, subsidies, grants and assistance available from the other corporations set up for promotion of industries.
10. Gives SSI registration.
11. Prepares techno-economic feasibility report.
12. Advices the entrepreneurs on investments.
13. Acts as a link between the entrepreneurs and the lead bank of the district.
14. Implements government sponsored schemes for educated unemployed people like PMRY scheme, Jawahar Rojgar Yojana, etc.
15. Helps entrepreneurs in obtaining licenses from the Electricity Board, Water Supply Board, No Objection Certificates etc.
16. Assist the entrepreneur to procure imported machinery and raw materials.
17. Organizes marketing outlets in liaison with other government agencies.

REQUIREMENT OF FINANCE

Why do entrepreneur need finance?

Finance is required for running the business In all the three stages

1. Inception
2. Day to day management
3. Expansion and diversification

MAJOR FINANCIAL PROBLEMS FACED BY ENTRPERENEURS

1. **Lack of sufficient working capital:** Working capital is the life blood of any business and it is the most important responsibility of any entrepreneur to have at least 6 months' expenses as working capital which gives him enough breathing space to focus on acquiring new customers and building products.
2. **Not choosing the right funding option:** It is very important to understand the one needs to be very confident about the reason one is looking for funds. A variety of funding options are available to small businesses: bootstrapping, friends and family, crowdfunding, business loans, grants, venture capital, angel money, etc. Despite of having so many options it is very important to have clarity on current financial picture and assess risk tolerance for each funding vehicle.
3. **Lack of Personal Capital:** Every new business idea, no matter whether it's for products or services, requires one vital thing, that is Money. It can take years before a new business is making a profit, but that doesn't mean it won't succeed. Every entrepreneur needs to begin with a certain amount of seed capital to pay for the cost of hiring staff, renting premises, buying or leasing equipment, marketing, etc.
4. **Fearing Debt:** No one likes the feeling of owing money. Many new entrepreneurs do not show the courage to go for debt for meeting the financial requirement of the company.
5. **Inability to maintain of proper financial records:** Majority of new entrepreneurs fail to maintain proper books of accounts and financial records. Banks usually check the past records in order to check the financial soundness of the firm, It is surprising that some small business operators expect to obtain bank loans even if they do not have any business records.

6. **lack of collateral security:** Commercial banks expect collateral security from the loan applicants (for risk), it is however unfortunate that the majority of small business operators lack assets that can be accepted by banks as collateral.
7. **Lack of connections as a result of inability to network:** It has been observed that small business operators who do not belong to any association has serious challenges in accessing finance and their businesses are being impacted negatively.
8. **Banks do not see the viability of business ventures:** Banks have been unable to see the business potential of a venture. In some cases, banks do not see the viability of some entrepreneurial ventures and they fail do not provide them loans.
9. **Misinterpretation of the business plan:** This challenge can be as a result of the business owner or manager failing to interpret his/her own business plan, or the bank officials failing to do the way the owner does.
10. **Banks do not agree to the amount applied for:** Although some small business operators have a tendency of overstating the amount needed in their projects or businesses, banks also do not necessarily agree to the amount applied for.

INSTITUTIONS ENSURING ACCESS TO FINANCE TO ENTREPRENEURS

1. **Industrial Development Bank of India (IDBI):** It was established in July 1964 as apex financial institutions for industrial development in the country. It caters to diversified needs of medium and large scale industries in the form of financial assistances, both direct and indirect assistance. Direct assistances is provided by way of underwriting of or direct subscription to industrial securities, soft loans, project loans etc. while indirect assistance is provided in the form of refinance facilities to industrial concerns.
2. **Industrial Finance Corporation of India Ltd (IFCI Ltd):**
It was the first development finance institution set up in 1948 under the IFCI Act in order to provide long term institutional credit to medium and large industries. Its objectives is to provide financial assistance to industry by way of rupee and foreign currency loans, underwriting or by way of subscribing to the issues of stocks, shares, bonds and debenture of industrial concerns etc. It also undertakes various diversified activities like merchant banking, loan syndication, formulation of rehabilitation programmes, assignments relating to amalgamations and mergers, etc.

3. **Small Industries Development Bank of India(SIDBI):** It was set up by the Government of India in April 1990, as a wholly owned subsidiary of IDBI. It is the principal financial institution for promotion, financing and development of small scale industries in the economy. It aims to empower the Micro, Small and Medium Enterprise (MSME) sector with a view to contributing to the process of economic growth, employment generation and balanced regional development.
4. **Industrial Investment Bank of India Ltd (IIBI):** The institution was set up in 1985 under the Industrial Reconstruction Bank of India Act, 1984, as the principal credit and reconstruction agency for sick industrial units. It was converted into IIBI on March 17, 1997, as full-fledged development financial institutions. It assists industry mainly in medium and large sector through wide ranging products and services. Apart from project finance, IIBI also provides short duration non project asset backed financing in the form of underwriting/direct subscription, deferred payment of guarantee and working capital/other short-term loans to companies to meet their fund requirements
5. **State Financial Corporation (SFC)** Financial Corporation Act 1951, made it mandatory that every state in India will have its own established financial corporation. The main function of State Financial Corporation is to provide mainly the term loan assistance to small and medium scale industries for acquiring fixed assets like land, building, plant and machinery. Loans are also extended for expansion, diversification, technology development, expansion of the business. The SFC also takes over term loan accounts from banks and other financial institutions when a borrower has a good track record with the corporation. SFCs undertake the issue of stock, shares, bonds or debentures of industrial concerns and to grant loans and advances to industrial concerns repayable within a period not exceeding 20 years.
6. **Indian Banking System and Commercial Banks:** Indian banking system comprises of Reserve bank of India and other banking institutions like NABARD, National Housing Bank, Export Import Bank of India, Commercial banks (public sector banks, private sector banks, and foreign banks)Regional Rural banks, Co-operative banks, Development financial institutions such as IDBI, ICICI, IFCI, and other financial intermediaries (LIC, GIC, UTI)

7. **Export Import Bank of India (EXIM BANK)** It is apex institution for coordinating the working of institutions engaged in financing exports and import of goods and services. With initial authorized capital of Rs. 200 crore, Exim Bank was established on Jan 01, 1982 under Export Import Bank of India Act 1982, which took over the export finance activities of IDBI. It raises funds by way of bonds and debentures, borrowing from RBI or other institutions, raising foreign deposits.
8. **IFCI Venture Capital Funds Ltd (IVCF):** It was formally known as Risk Capital Technology Finance corporation Ltd (RCTC), is a subsidiary of IFCI Ltd. It was promoted with the objective of broadening entrepreneurial base in the country by facilitating funding to ventures involving innovative product process/technology. Initially it started providing financial assistance by way of soft loans to promoter under its „Risk Capital Scheme“. Since 1988, it also started providing finance under „Technology Finance and Development Scheme“ to projects for commercialization of indigenous technology for new process, products, market or services.
9. **ICICI Venture Funds Ltd:** It was formally known as Technology Development and Information Company of India limited (TDICI), was founded in 1988 as joint venture with the Unit Trust of India. Subsequently, it became a fully owned subsidiary of ICICI. It is a technology venture finance company set upto sanction project finance for new technology ventures.
10. **Tourism Finance Corporation of India Ltd(TFCI):** It is a specialised financial institution set up by the Government of India for promotion and growth of tourist industry in the country. Apart from convention tourism projects, it provides financial assistance for nonconventional tourism projects like amusement parks, ropeways, car rental services, ferries for inland water transport, etc.

SUPPORT AND SUSTAINABILITY OF ENTREPRENEURSHIP

The sustainability of entrepreneurship is very essential for the economic development of the nation. In the absence of entrepreneurship, economic activities will not be carried and the nation will not be able to use its human and natural resources in judicial way. The Support system for entrepreneurship is very well organized in India.

To accelerate the pace of industrialization in the country and also to support economic development, Government at central as well as at state level has made good efforts by way of implementing various measures. Government have set up number of agencies and institutions to assist and support emerging and established entrepreneurs to set up and develop their business at two levels- small and medium. Starting a business or an industrial unit requires various resources and facilities. Finance has been an important resource to start and run an enterprise because it facilitates the entrepreneur to procure land, labour, material, machines to run an enterprise. Hence finance is the most important requirement of the business. Considering this, the government has come forward to help small entrepreneurs through the financial institutions and nationalized banks. But the finance alone is not sufficient to start a business. A minimum level of prior built-up of infrastructural facilities is also needed. This is one of the reasons for lack of industrial development in backward areas. Creation of infrastructure involves huge funds. In view of this various central and state government institutions have come forward to help small entrepreneurs in this regard by providing them various kinds of support and facilities. Institutional support makes the economic environment more conducive for the growth of the business. These institutions are supporting the entrepreneurs in various aspects of the business such as education, training, finance, marketing etc.

Support system for sustainability of entrepreneurship

Support system for sustainability of entrepreneurship exists in the form of following institutions.

- 1) Educational institutions
- 2) Financing institutions
- 3) Promoting institutions
- 4) Non-government organizations
- 5) Government's support
- 6) Support from family members, relatives and friends

1. Educational Institutions providing Professional and Non-Professional courses

Even though education is not pre-condition for entrepreneurship development, the education which is suitable for a particular type of business definitely fosters the entrepreneurship. There were examples of big businessmen in the past who successfully started and expanded their business without having any formal degree. But they were born entrepreneurs. Today the availability of different institutions providing education, training and guidance to the emerging entrepreneurs has proved that entrepreneurs are not born, but they can be made. The number of educational institutions grew substantially in the last four decades, especially in the last two decades there has been a phenomenal growth in the number of private self-financing institutions. The growth of professional and nonprofessional colleges has helped the young generation to acquire qualification necessary for choosing a particular type of career.

2. Financing institutions

Finance is one of the essential requirements of an enterprise. Without adequate funds, no business can be developed. In India, Central and state governments are promoting number of financial institutions to bring in the industrial development in the country. Some of the important financial institutions are:

- a) Industrial development bank of India (IDBI)
- b) National bank for agriculture and rural development (NABARD)
- c) Export import bank of India (EXIM Bank)
- d) Small industrial development bank of India (SIDBI)
- e) Industrial investment bank of India (IIBI)
- f) Industrial finance corporation of India (IFCI)
- g) Industrial Credit and Investment Corporation of India (ICICI)
- h) Industrial Reconstruction Bank of India
- i) Indian banking system and commercial banks
- j) State Financial Corporations (SFC)
- k) Life Insurance corporation of India (LIC)
- l) Unit Trust of India (UTI)

3. Promoting institutions

Government at state and central level has introduced lot of measures to support the growth and development of entrepreneurs. Government has set up number of promoting agencies and institutions to help emerging and established entrepreneurs, especially small and medium entrepreneurs. These institutions support the entrepreneurs in respect of training, finance and marketing. Some of such institutions are:

1. District Industries centers (DICs)
2. Small Industries Development Organization(SIDO)
3. Small industrial development bank of India (SIDBI)
4. National bank for agriculture and rural development (NABARD)
5. The National Small Industries Corporation Ltd.(NSIC)
6. Small Scale Industries Board (SSIB)
7. Small industries Service Institutes (SISIs)
8. Khadi and Village Industries Corporation(KVIC)
9. Technical Consultancy Organizations (TCO's)

4. Government's support

All the government institutions discussed in the beginning of this units under the head 'public sector stimulation' can be mentioned here. In addition to that Ministry of MSME is discussed here.

The Ministry of MSME designs policies, programs, projects and schemes in consultation with its organizations and various stakeholders and monitors their implementation with a view to assisting the promotion and growth of micro and small enterprises. The role of ministry of small scale industries is thus to mainly assist the states in their efforts to promote the growth and development of the SSI, enhance their competitiveness in an increasingly marketed economy and generating additional employment opportunities. The specific schemes/ programs undertaken by the organizations of the Ministry try to provide one or more of the following:

- a) Adequate credit from financial institutions/ banks;
- b) Funds for technology upgradation and modernization;
- c) Integrated infrastructure facilities;
- d) Modern testing facilities and quality certification laboratories;

- e) Access to modern management practices and skill upgradation through appropriate training facilities; assistance for better access to domestic and export markets.
- f) Cluster-wide measures to promote capacity building and empowerment of the units and their collectives, in addition to all or some of the above-mentioned supports.

5. Non-Government Organizations

All the non- government and private institutions discussed in the beginning of this units can be mentioned here. Some additional mentions are as follows

1. Wadhawani Foundation

Wadhawani foundation is a non-profit organization founded by Dr. Ramesh Wadhawani, an IT entrepreneur in Silicon Valley, California (Hattangadi, 2007). The foundation's strategy is to inspire, educate and nurture new entrepreneurs, to develop and fund non-profit programmes and organizations that create entrepreneurial education, build networks, raise awareness, perform research and help develop a supportive policy environment. In addition, certain sections of the population need extra support due to their physical or economic constraints. Such people receive the benefits from such foundation.

- 2. **National Entrepreneurial Network (NEN):** The National Entrepreneurship Network is a network of academic institutions across India performing research and developing and providing world-class education, skill building programmes, networking activities. The goal of this network is to launch 2,500 entrepreneurs who will create a minimum of 500,000 jobs by 2014. This will create as much value for the Indian economy over the next ten years as the IT industry has over the past fifteen years. This network will inspire thousands of talented individuals to choose entrepreneurship, and equip them to build companies that are more successful, on a larger scale, creating 100,000 new jobs. Every participating institution will be able to leverage the resources created by other NEN partners. Participation in joint activities creates opportunities for larger networks and continued sharing of ideas. The NEN interaction will significantly enhance the effectiveness, quality, scale and reach of each individual participant in the network. The research performed by

NEN partners will increase the understanding of the needs, contributions and characteristics of entrepreneurs and their ventures.

3. **Ashoka Foundation:** This foundation is trying to develop social entrepreneurial culture all over the world. Ashoka fellows inspire others to adopt and spread their innovations. Ashoka develops models for collaboration and designs infrastructure needed for this growth. Ashoka fellows are leading social entrepreneurs who can provide innovative solutions to social problems. Ashoka fellows work in over sixty countries around the world. They are remodeling systems of resource allocation, infrastructure and value-chains.
4. **Dr. Reddy's Micro Entrepreneurship Development Cell (MEDC):** This NGO works for developing small scale livelihood options for youth from marginalized communities in agriculture, animal husbandry and vending. MEDC encourages, nurtures and supports youth for entrepreneurship. MEDC also helps them in the matters of business plan, banking and market linkages. MEDC provides the youth with the required life skills, technical skills, soft skills and career skills to perform well to establish their own small scale units as their livelihoods options.

MARKETING ASSISTANCE TO ENTREPRENEURS

The government of India provides marketing assistance to entrepreneurs to facilitate them in marketing their products to consumers so that the consumers get the awareness about the product the entrepreneur is offering.

The various objectives of the schemes for marketing assistance are as follow:

1. To enhance marketing capabilities & competitiveness of the MSMEs.
2. To showcase the competencies of MSMEs.
3. To update MSMEs about the prevalent market scenario and its impact on their activities.
4. To facilitate the formation of consortia of MSMEs for marketing of their products and services.
5. To provide platform to MSMEs for interaction with large institutional buyers.
6. To disseminate/ propagate various programs of the Government.
7. To enrich the marketing skills of the micro, small & medium entrepreneurs.

MAJOR MARKETING ASSISTANCE SCHEMES ARE AS FOLLOWS

1. International Events (Exhibitions, Trade Fairs etc.) approved under International Cooperation (IC) Scheme

The scheme covers the following activities:

- a) Visit of MSME delegations to other countries in international exhibitions/ trade fairs, conferences/ summits/workshops etc. for exploring new areas of technology infusion/upgradation, joint ventures, improving market of MSMEs products, etc.
- b) Participation of MSME delegations in international exhibitions, trade fairs and buyer-seller meets in foreign countries.
- c) Holding international conferences/summits/workshops/seminars relating to MSME sector to be organized in India by the Industry Associations/ Government organizations.
- d) Holding/organizing mega international exhibition or fair and international conferences/seminars/workshops, Joint Committee Meetings/Joint Working Group Meetings/Government to Government bilateral meetings with outer countries in India by Ministry of MSME or organizations under it.

- e) Sending a delegation of the Ministry of MSME to an International Exhibition/Fairs/Conference in foreign countries.

Nature of assistance:

IC Scheme provides financial assistance on reimbursement basis for airfare, space rent, freight charges, advertisement & publicity charges and entry/registration fee on reimbursement basis in case of participation in international exhibitions/trade fairs.

2. Marketing Assistance Scheme

the marketing assistance scheme provides assistance for the following activities:

- a) Organisation of exhibitions abroad and participation in international exhibitions/ trade fairs
- b) Co-sponsoring of exhibitions organized by other organizations/industry associations/agencies;
- c) Organizing buyer-seller meets, intensive campaigns and marketing promotion activities.

Nature of assistance

- a) The maximum net budgetary support for participating in an international exhibition/trade fair would normally be restricted to an overall ceiling of Rs. 30 lakhs per event (Rs. 40 lakhs for Latin American countries).
- b) the budgetary support towards net expenditure for organizing domestic exhibition/trade fair would normally be restricted to a maximum amount of Rs. 45 lakhs.
- c) Financial assistance for co-sponsoring an event would be limited to 40% of the net expenditure, subject to a maximum amount of 5 lakh.

3. Procurement and Marketing Support Scheme (P&MS)

The Procurement and Marketing Support Scheme would cover the following activities:

- a) To encourage Micro and Small Enterprises (MSEs) to develop domestic markets and promotion of new market access initiatives.
- b) To facilitate market linkages for effective implementation of Public Procurement Policy for MSEs Order of 2012.
- c) To educate MSMEs on various facets of business development.

- d) To create an overall awareness about trade fairs, latest market technique and other such related topics etc.

4. “Techmart” exhibition by NSIC

NSIC has been organizing “Techmart” exhibition every year during India International Trade Fair (IITF) in the month of November. This is an international exhibition showcasing the best MSME products, technologies and services of India.

Nature of Assistance

Upto 30% of the total area is allocated for the entrepreneurs belonging to the Special Category i.e. Entrepreneurs belonging to NE Region/ Women / SC/ST category, keeping in mind the instructions and guidelines issued in this regard from time to time. The rates of subsidy available on space charges for the Special category would be: -Micro Enterprises: 95%, Small Enterprise 85%, Medium Enterprises: 50%.

5. Buyer-Seller Meets:

Buyers-Sellers Meets are organized to bring bulk buyers / Government departments and micro, small & medium enterprises together at one platform. Bulk and departmental buyers such as the Railways, Defence, Communication departments and large companies are invited to participate in buyer-seller meets to bring them closer to the MSMEs for enhancing their marketing competitiveness. These programmes are aimed at vendor developments from micro, small & medium enterprises for the bulk manufactures. Participation in these programmes enables MSMEs to know the requirements of bulk buyers on the one hand and help the bulk buyers to know the capabilities of MSMEs for their purchases. These Buyers-Seller Meets may be organized in consultation with the concerned stakeholders, including industry associations and other agencies involved in industrial development, and the calendar for these events may be finalized well in advance and publicized widely.

Nature of Assistance

No subsidy would be available to General Category entrepreneurs participating in such meets. However, the entrepreneurs belonging to North-East/women/SC/ST category, would be provided space at subsidized rates for participation in Buyer-Seller Meets as per the rates mentioned hereunder: -

Micro Enterprises: 95%

Small Enterprises: 85%

Medium Enterprises: 50%

6. Intensive Campaigns and Marketing Promotion Events:

Intensive Campaigns and Marketing Promotion Events are conducted all over the country to disseminate information about the various schemes for the benefit of the MSME entrepreneurs. They are also facilitated to enrich their knowledge regarding latest developments, quality standards etc. and improve the marketing potential of their products and services.

Nature of Assistance

Expenditure incurred for organizing Intensive Campaigns and Marketing Promotion Events would be met out of the budgetary support provided by the Government under the Scheme, subject to a maximum limit of: –

Rs. 80,000 in case of ‘A’ class cities.

Rs. 48,000 in case of ‘B’ class cities.

Rs. 32,000 in case of ‘C’ class cities.

Rs. 16,000 in case of rural areas.

No financial assistance would be given to the participating units for attending the event. The participating MSMEs have to attend these programs at their own cost.

7. Other Supporting Activities

the following activities for supporting the marketing efforts of MSMEs may be undertaken by NSIC:

- a) Development of Display Centers, show windows and hoarding etc. for promoting products and services of MSME entrepreneurs.
- b) Printing of Literature, Brochures and Product-specific Catalogues and CDs etc. and preparation of short films for disseminating information
- c) Development of website/portal for facilitating the marketing of MSME products and services.
- d) Development and dissemination of Advertising and Publicity material about various programs schemes for MSME sectors and events.
- e) Preparation and Upgradation of MSME Manufacturers/Suppliers /Exporters Directory.
- f) Conducting studies to explore and assess new markets/businesses and product ranges for both domestic & International markets.
- g) Hosting international delegations and networking events. The maximum amount of budgetary support for such activities would be limited to 5% of the total annual budget for the scheme and for an individual proposal, the maximum permissible limit for any of the above event/activity would be Rs. 5.00 lakh only.

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