



## UNIT-3 PE Final Notes - Done

Computer Science (Jawaharlal Nehru Technological University, Hyderabad)



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## UNIT-III

### INDUSTRIAL FINANCIAL SUPPORT

Government of India in collaboration with various central and state departments offer a range of financial support schemes to stimulate and facilitate the development, sustainable, competitive business environment which support national development.

A variety of financial programs for all the Indian nationals, who seek to support the development, growth of viable enterprises through the provision of either funding or tax relief and creating new jobs.

GOI provides financial support in the following clusters/areas to the rural entrepreneurs:

1. Manufacturing investment cluster.
2. Innovation cluster.
3. Service investment cluster.
4. Infrastructure investment cluster.
5. Export promotion cluster.

The list of various organizations/corporations/Institutions, which provide financial and technical assistance to all Indian rural entrepreneurs for sustainable development, faster growth of rural economy and strengthen of rural infrastructure and over all community development.

1. DOI-Directorate of Industries (State Level Corporation)
2. DIC-District Industries Center(District Level Corporation)
3. IDC-Industrial Development Corporation
4. SFC-State Financial Corporation
5. SSIDC-Small Scale Industrial Development Corporation
6. SISI-Small Industries Service Institute
7. KVIC-Khadhi and Village Industries Commission
8. TCO-Technical Consultancy Organisation
9. NSIC-National Small Industries Corporation
10. SIDBI-Small Industries Development Bank of India

**DOI-Directorate of Industries:** Directorate of industries is the state level office responsible for implementing the policies and programmes for industrial development in the state. It also provides facilitating, investor environment for rapid and industrial development by generating additional employment opportunities to increase state domestic product and increasing resources widening in the state.

## Functions and Objectives:

The primary function of the Directorate of Industries is supervision and control of District Level functionaries, i.e., the District Industries Centres in implementation of the various schemes and programmes of the Department.

- The basic objective of the Department is also to act as the Nodal Promotional Agency in the development of industries and industrial activities in the State as a whole.
- To promote and develop village and small scale sector.
- To accelerate the speed of industrialization process, infrastructure development and development of industrial areas and estates are being given importance.
- Financial Assistance is made available to tiny/ cottage, to large/ medium sector of industrial units in the form of grants-in-aid to technical entrepreneurs to package scheme of incentives and central transport subsidy.
- Some of the scarce raw materials like paraffin wax, iron and steel materials are also allotted to register industrial units at concessional rates.
- To promote and achieve the above-mentioned purpose, the Department organizes and implements various programmes and schemes to provide the basic infrastructural facilities for the creation of industrial awareness and atmosphere through,
  - Investment Awareness Programmes
  - Entrepreneurship Development Programmes
  - Workshop and seminars etc.

Besides, the Department also runs regular vocational training courses for creation of skilled manpower in the following business: –

- Knitting
- Tailoring and Embroidery
- Carpentry and Furniture making
- Leather, Blacksmith and Fabrication
- Carpet Weaving

To replacement the above purpose, regular sponsoring with stipend is also offered to local youths for under-going training and study courses both inside and outside the State.

The Department also provides grants-in-aid loans to some of the autonomous bodies and subsidiaries like the M.K.V.I.B., M.H.H.D.C., M.E.D.C., and M.C.C.L.

Every year, a number of local entrepreneurs are nominated for selection of National Awards to: –

- Small Scale Industries and
- Handloom and Handicrafts Artisans

**DIC-District Industries Center:** District Industries Centre is an institute started at the district level. The purpose of DIC is to set up the village as well as small industries in rural areas. For establishing the DIC every prospective entrepreneur should visit various agencies located away from the district, and avail the essential facilities and assistance.

## Functions of DIC:

- 1. Training Courses:** The DIC even holds training courses for the businessmen of small units. It plays the role of an intermediary between the small industries service institutes and the entrepreneurs to present improved, new, and quality product lines developed by the latter to the former.
- 2. Raw Materials:** The DIC acquires the data regarding the commodities needed by different units and makes arrangements for bulk purchase of the same. It thereby allows the tiny units to obtain their raw materials at affordable rates.
- 3. Khadi and Village Industries:** DIC gives special care and attention to the growth of Khadi and village industries and other cottage industries. It even maintains a close relationship with the State Khadi Board and arranges training programs for rural artisans.
- 4. Survey and Investigation:** The DIC undertakes a survey of the existing new and traditional industries, human resources, and raw materials. It creates market forecasts for different products. It even generates techno-economic feasibility reports so as to provide investment advice to businessmen.
- 5. Marketing:** The DIC carries out market development programs and market surveys. It even keeps contacts with Government procurement agencies, marketing outlets, and makes entrepreneurs well informed of market intelligence.
- 6. Arrangements for Loans:** It makes essential arrangements with other financial institutions and leads banks to render financial support to the entrepreneurs. Also, it monitors the industrial credit flow in the district and appraises the application.
- 7. Machinery and Equipment:** The DIC recognizes the places from where equipment and machinery can be obtained and even organizes machinery supply on a hire purchase basis.
- 8. Preparation of industrial profile of the district.**
- 9. Acting as the focal point of industrialization of the district.**
- 10. Manpower assessment concerning skilled, semi-skilled labour.**
- 11. Prepare techno-economic feasibility report.**

## Schemes under DIC:

There are various schemes that come under the ambit of District Industries Centres (DICs). These schemes assist in accomplishing the objectives of establishing the DICs. Moreover, these schemes are central sector schemes as well as centrally sponsored schemes.

The schemes listed under the DIC:

- 1. DIC Loan Scheme:** The scheme has been designed for the small unit sector as well as self-employed in rural areas and towns with capital investment being less than Rs. 2 lakhs and with a population below 1 lakhs. These tiny units are recognized by the Village industries, small scale industries, silk, and handicrafts, coir, and handlooms industries.  
For entrepreneurs in the SC/ST category, Rs. 60,000 or 30% of the total investment shall be the margin money (whichever is lesser). For entrepreneurs in the general category, Rs. 40,000 or 20% of the total investment shall be the margin money (whichever is lesser).
- 2. Prime Minister's Employment Guarantee Program (PMEGP):** This scheme is a centrally sponsored scheme below the Ministry of Micro, Small, and Medium Enterprises which was established in 2008.

The PMEGP scheme focuses on generating employment opportunities for educated unemployed citizens in urban and rural areas. The nodal agency for the adoption of the scheme is KVIC (Khadi & Village Industries Commission). About 90% to 95% of the amount would be offered by banks as loans under this scheme with 10% of the project cost in the service, industry, or business sector being the share of the applicant.

**3. District Awards Scheme:** The state governments have started respecting such entrepreneurs with awards at the district level for the spirit of the entrepreneurs and celebrate their successes and achievements. The entrepreneurs to be awarded should be selected by the District Advisory Committee formed at the district level.

The District Awards Function is conducted on Vishwakarma Jayanti Day which comes on different dates every year. The award function involves the display of the items by the businessman for exhibition and sale along with discussion and workshops about the same.

**4. Entrepreneurship Development Training Program:** This scheme was established to encourage self-employment ventures and to impart training to the educated unemployed people or involved in skilled wage employment.

The training programs that fall under the Entrepreneurship Development Training Program are as follows:

- Technical Training Program (12 Days to 2 Months non-residential)
- Entrepreneurship Development Training Program (12 days residential)
- Entrepreneurship Introductory Program (Udyojakata Parichay Karyakram)

**5. Seed Money Scheme:** This scheme is focused on the self-employed who are involved in self-employment ventures or skilled wage employment. In addition, this scheme offers institutional financial support in the form of soft loans. The cost of the project to avail loan provision below the seed money scheme has been raised to Rs. 25 lakhs. When it comes to Rs. 10 lakhs project, one can avail seed money assistance of up to 15% of the project cost. In the case of SC/ST/ OBC, the assistance offered will be 20% of the project cost with the limit of the assistance offered is Rs. 3.75 lakhs with 75% of the project cost being in the type of a bank loan.

**IDC-Industrial Development Corporation:** The government has established IDC's to help the entrepreneurs in the procurement of land for the industrial units availability of land far from the existing towns and cities leading to problems in the infrastructure, electricity, water and other communication systems. This is a discouraging factor for new entrepreneurs. It is a state level corporation established in all states

**Objectives of Industrial Development Corporation:**

1. Promotion of infrastructure facilities in the state.
2. To faster the industrial development in the state.
3. Generating industrial network in the state.
4. To develop the economic equality and stop decentralization of economic growth in the particular region.
5. To full fill the above objectives laying roads, electricity lines, water supply, communication system, police and fire stations in the IDC areas.

**SFC's –State Financial Corporation:** The SFCs came to be organized in individual states after the enabling Central Act to this effect came into force in August 1952. They are state-level organizations at present there are 18 SFC's for the provision of term finance to medium and small scale industries. The share capital has been contributed by the state governments, the RBI (transferred to the IDBI after its separation from the RBI in February 1976), the IDBI, scheduled banks, insurance companies, and others.

The control of SFCs is shared by the state governments and the IDBI. At the end of March 1995, the total paid-up capital and reserves of all the SFCs stood at about Rs. 1,200 crores. The two most important items of liabilities were bonds and debentures and borrowings from the IDBI. The IDBI, which is the main source of loans, provides funds mainly in the form of refinance. It also administers the International Development Association (IDA) credit to them in the form of foreign currency loans. The SFCs also borrow from the SIDBI and IDBI.

The SFCs are authorized to provide financial assistance in all the four major forms, namely loans and advances, subscription to shares and debentures, underwriting of new issues, and guarantee of loans from third parties and deferred payments.

The SFCs are playing an increasingly important role in the development of medium and small industries. A major part of their credit goes to small-scale industries. Up to March 1995, cumulative sanctions and disbursements of financial assistance had aggregated about Rs 19,000 crores and Rs. 15,000 crores, respectively.

### **Objectives of SFC's:**

1. Rehabilitation of the sick industrial units.
2. Development and expansion of industries by rural and urban artisans.
3. To initiate the promotional activities and seminars.
4. To promote those industries which increase the presence of socio-economic growth.
5. Providing loans to the industries.
6. Providing assistance in issue of shares, debentures, bonds to the industrial units.
7. Motivating the young entrepreneurs.
8. Development of small scale sector.

### **Types of financing under SFC's:**

1. National Small Industries Corporation (NSIC) Bill Financing: Supply of raw materials.
2. Work Capital Financing: Purchase of consumables, spares, electricity bills.
3. Export Development Scheme: export oriented pre and post shipment finance.
4. Equipment Leasing Scheme: acquire the industrial equipment and machinery for leasing.
5. Venture Capital Scheme: Encouraging new rural ventures and transfer of modern technology areas.

### **Demerits in the SFC, s**

The operations of the SFCs suffer from a very high ratio of over-dues/defaults, excessive concentration of loan finance, weak promotional role, and delays in sanctioning and disbursing assistance.

The caliber of their personnel is relatively poor and needs to be upgraded through training and proper recruitment. The removal of these and other operational and organisational deficiencies is essential for making the SFCs play their assigned roles better.

**SSIDC-Small Scale Industrial Development Corporation:** It was set up under the companies Act of 1956. Its Objective is to take care of the needs of small and tiny and cottage industries. It is operating all over India by 18 branches.

### **Functions of SSIDC's:**

1. It acquires and distributes the scarce raw materials.
2. It supplies machinery on hire-purchase agreement.
3. Marketing of goods manufactured by small scale industries.
4. Providing seed capital to the entrepreneurs.
5. Providing of management assistance to manufacturing and production units.
6. Helping in increase of market share of small industrial units

Small Industries Development Organization (SIDO) is a subordinate office of the Department of SSI & Auxiliary and Rural Industry (ARI). It is an apex body and nodal agency for formulating, coordinating and monitoring the policies and programmes for promotion and development of small-scale industries.

Development Commissioner is the head of the SIDO. He is assisted by various directors and advisers in evolving and implementing various programmes of training and management, consultancy, industrial investigation, possibilities for development of different types of small-scale industries, industrial estates, etc.

### **The main functions of the SIDO are classified into:**

- (i) Co-ordination,
- (ii) Industrial development, and
- (iii) Extension.

These functions are performed through a national network of institutions and associated agencies created for specific functions. At present, the SIDO functions through 27 offices, 31 Small Industries Service Institutes (SISI), 37 Extension Centres, 3 Product-cum -Process Development Centres, and 4 Production Centres.

All small-scale industries except those falling within the specialized boards and agencies like Khadi and Village Industries (KVI), Coir Boards, Central Silk Board, etc., fall under the purview of the SIDO.

**The main functions performed by the SIDO in each of its three categories of functions are:**

**1. Functions Relating to Co-ordination:**

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

**2. Functions Relating to Industrial Development:**

- a. To reserve items for production by small-scale industries,
- b. To collect data on consumer items imported and then, encourage the setting of industrial units to produce these items by giving coordinated assistance,
- c. To render required support for the development of ancillary units, and
- d. To encourage small-scale industries to actively participate in Government Stores Purchase Program by giving them necessary guidance, market advice, and assistance.

**3. Function Relating to Extension:**

- a. To make provision to technical services for improving technical process, production planning, selecting appropriate machinery, and preparing factory lay-out and design,
- b. To provide consultancy and training services to strengthen the competitive ability of small-scale industries.
- c. To render marketing assistance to small-scale industries to effectively sell their products, and
- d. To provide assistance in economic investigation and information to small-scale industries.

***Training Institutes***

1. National Institute for Entrepreneurship and Small Business Development, New Delhi (NIESBUD)
2. Entrepreneurship Development Institute of India, Ahmadabad (EDII)
3. Indian Institute for Entrepreneurship, Guwahati (IIE)
4. National Institute of Small Industry Extension Training, Hyderabad (NISIET)
5. Centers for Entrepreneurship Development at State Level (CED)

**NIESBUD: The National Institute for Entrepreneurship and Small Business Development**

The National Institute for Entrepreneurship and Small Business Development was established in **1983** by India's Ministry of Micro, Small and Medium Enterprises.

NIESBUD is an apex body for co-coordinating and overseeing the activities of various institutions and agencies engaged in entrepreneurship development particularly in the area of small-scale industry.

**The main objectives of the institute are:**

1. To accelerate the process of entrepreneurship development throughout the country and among all segments of the society.
2. To help institutions/agencies in carrying out activities relating to entrepreneurship development.
3. To evolve standardized process of selection, training support and sustenance to potential entrepreneurs enabling them to set up and run their enterprises successfully.



4. To provide information support to trainers, promoters and entrepreneurs by organising documentation and research work relevant to entrepreneurship development
5. To provide functional forums for integration and exchange of experiences helpful for policy formulation and modification at various levels.

**Functions:**

The main functions of the Institute are as follows:

- (i) Evolving effective training, strategy and methodology.
- (ii) Formulating scientific selection procedure)
- (iii) Standardizing model syllabus for training for various groups.
- (iv) Developing training aids, manuals and other tools.
- (v) Supporting 9ther agencies engaged in entrepreneurship development.
- (vi) Conducting such programmes for promoters, trainers and entrepreneurs which are commonly not undertaken by other agencies
- (vii) Organising all those activities that help develop entrepreneurial culture in the country.

**KVIC-Khadhi and Village Industries Commission:**

The Khadi and Village Industries Commission (KVIC) was constituted by the act 61 of the Parliament, 1956. However, amended in 2006.

**The main objectives of the KVIC are:**

1. Create employment opportunities for KVIC employees.
2. Manufacture of reasonable and saleable goods.
3. Strengthen the rural community.

**Functions:**

The main functions of the KVIC are as follows:

1. Planning, promoting industries in the rural areas of Khadhi and village industries.
2. Supply of raw materials to the producers on time and processing of semi-finished goods of KVI.
3. Promotion and improvement of Khadi products or handicrafts sales and marketing.
4. Research encouragement in production technology.
5. Promotional use of Non-conventional source of energy in KVI industries.
6. Offering financial help to industries, development of prototype, designs.
7. Setting up of quality standards for the KVI products.
8. Conducting of research related problems in KVI.

### **TCO-Technical Consultancy Organisation:**

It was started by the combined collaboration of IDBI, IFCI, ICICI to serve the consultancy needs of SSI s and Entrepreneurs. It was started in Kerala in 1972. Currently there are 17 TCOs all over the India helping small and medium sized enterprises.

#### **The main objectives of the TCOs are:**

1. Providing consultancy services all stages of the project cycle.
2. Providing consultancy to various state government services.
3. Providing consultancy to various state level departments.
4. Providing consultancy services to various financial institutions.
5. Providing consultancy services to various bank institutions.
6. Preparation of project reports.
7. Focusing on feasibility studies of various projects.

#### **Functions:**

The main functions of the TCO are as follows:

1. To make a provision of availability of total services to small scale and medium scale industries.
2. Consultancy services to state level institutions.
3. Supporting entrepreneurs in modernization and technological up gradation.
4. Conducting and energy audit and energy conservation assignments.
5. Undertaking export oriented projects.
6. Helping sick units by performing diagnostic studies for the actual implementation of rehabilitation.

### **SISI-Small Industries Service Institute:**

The small industries service institutes (SISI's) are set-up one in each state to provide consultancy and training to small and prospective entrepreneurs.

#### **Objectives of SISI:**

1. The activities of SISs are co-ordinate by the industrial management training division of the DC, SSI office (New Delhi).
2. In all there are 28 SISI's and 30 Branch SISI's set up in state capitals and other places all over the country.
3. SISI has wide spectrum of technological, management and administrative tasks to perform.

**Functions of SISI**

1. To assist existing and prospective entrepreneurs through technical and managerial counseling such as help in selecting the appropriate machinery and equipment, adoption of recognized standards of testing, quality performance etc;
2. Conducting EDPs all over the country.
3. To advise the Central and State governments on policy matters relating to small industry development.
4. To assist in testing of raw materials and products of SSIs, their inspection and quality control.
5. To provide market information to the SISI's.
6. To recommend SSI's for financial assistance from financial institutions.
7. To enlist entrepreneurs for participation in Government stores purchase programme.
8. Conduct economic and technical surveys and prepare techno-economic feasible reports for selected areas and industries.

**NSIC-National Small Industries Corporation:**

The National Small Industries Corporation Ltd. (NSIC), an ISO 9000 certified company, since its establishment in 1955, has been working to fulfill its mission of promoting, aiding and fostering the growth of small-scale industries and industry related small-scale services/businesses in the country.

At present, the NSIC operates through 6 Zonal Offices, 26 Branch Offices, 15 Sub-offices, 5 Technical Services Centres, 3 Extension Centres and 2 Software Technology Parks supported by a team of over 5000 professionals spread across the country. To manage operations in Gulf and African countries, the NSIC operates from its offices in Dubai and Johannesburg.

**Functions of NSIC:**

- a. Provide machinery on hire-purchase scheme to small-scale industries.
- b. Provide equipment leasing facility.
- c. Help in export marketing of the products of small-scale industries.
- d. Participate in bulk purchase programme of the Government.
- e. Develop prototype of machines and equipments to pass on to small-scale industries for commercial production.
- f. Distribute basic raw material among small-scale industries through raw material depots.
- g. Help in development and up-gradation of technology and implementation of modernization programmes of small-scale industries.
- h. Impart training in various industrial trades.
- i. Set up small-scale industries in other developing countries on turn-key basis.
- j. Undertake the construction of industrial estates.

## **SIDBI-Small Industries Development Bank of India:**

The Government of India set up the Small Industries Development Bank of India (SIDBI) under a special Act of the Parliament in October 1989 as wholly-owned subsidiary of the IDBI. The bank commenced its operations from April 2, 1990 with its head office in Lucknow.

### **The important functions performed by of SIDBI include:**

1. To initiate steps for technological up-gradation and modernisation of existing units.
2. To expand the channels for marketing the products of SSI sector in domestic and international markets.
3. To promote employment oriented industries especially in semi-urban areas to create more employment opportunities and thereby checking migration of people to urban areas.

### **Objectives of SDBI:**

1. The SIDBI's financial assistance to small-scale industries is channelised through State Financial Corporation, State Industrial Development Corporations, Commercial Banks, and Regional Rural Banks.
2. The SIDBI introduced two new schemes taking up technology up-gradation, modernisation, and refinance for resettlement of voluntarily retired workers of the National Textile Corporation (NTC).
3. The other new scheme launched was venture capital fund exclusively for small -scale units, with an initial corpus of Rs. 10 crores. It enrolled itself as an institutional member of the OTC Exchange of India (OTCEI).
4. SIDBI also provides financial support to National Small Industrial Corporation (NSIC) for providing leasing, hire-purchase, and marketing support to the industrial units in the small-sector.
5. Disbursements to backward areas, amounts to Rs. 486 crores accounting for 17.8% of the total assistance disbursed.

### **Main Schemes of SIDBI**

1. **National Equity Fund Scheme** – Provides equity support to small entrepreneurs setting up projects in Tiny Sector. National Equity Fund (NEF) under SIDBI provides equity type assistance to SSI units and tiny units at one per cent service charges and covering both existing as well as new units.
2. **Technology Development & Modernisation Fund (TDMF) Scheme** for providing finances to existing SSI units for technology up gradation/modernisation. To encourage existing industrial units in the sector, to modernize their production facilities and adopt improved and updated technology so as to strengthen their export capabilities.
3. **Single Window Scheme** to provide both term loan for fixed assets and loan for working capital through the same agency.
4. **Composite Loan Scheme** for equipment and/or working capital and also for work sheds to artisans, village and cottage industries in Tiny Sector.
5. **Mahila Udyam Nidhi (MUN) Scheme** provides equity support to women entrepreneurs for setting up projects in Tiny Sector.

- 6 *Scheme for Financing Activities*** relating to marketing of SSI products which provides assistance for undertaking various marketing related activities such as marketing research, R&D, product up gradation etc.
- 7 *Equipment Finance Scheme*** for acquisition of machinery/equipment including Diesel Generator Sets which are not related to any specific project.
- 8 *Venture Capital Scheme*** to encourage SSI ventures/sub-contracting units to acquire capital equipment, as also requisite technology for building up of export capabilities/import.
- 9 *ISO 9000 Scheme*** to meet the expenses on consultancy, documentation, audit, certification fee, equipment and calibrating instruments required for obtaining ISO 9000 certification.
- 10 *Micro Credit Scheme*** to meet the requirement of well Self Help Groups (SHGs) individuals.