

Financial Assistance

Which are the agencies providing financial assistance?

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Financial assistance is available from institutions such as Nationalised Banks, Small Industries Development Bank of India, Regional Rural Banks, National Small Industries Corporation, State Financial Corporations etc. depending upon the project requirement and promoters background. Financial assistance has two components. Loan for fixed capital is used to acquire Plant and Machinery, land and building. Working capital loan is used to meet day to day operational cost of the production. State Financial Corporation and National Small Industries Corporation generally provide working capital. However under a package assistance, State Financial Corporations also provide a composite loan covering plant and machinery and working capital

How to choose the most suitable source of funding?

Any of the financial institutions can be approached to get funds keeping in view their specific schemes. Evaluate and compare the terms and conditions, including rate of interest and repayment period of loan offered by the different financial institutions. Select the financial institution, which offers funds at minimum interest rate as per your repayment plan to suit your project. Choose the Institution which is in close proximity to the project site if other terms and conditions are similar.

What are the eligibility criteria for getting a loan?

The major eligibility criteria is return on the investment and profitability of the project proposed to be set up. Any financial institution will support the project if repayment is assured.

How much money the entrepreneur is required to invest out of his own resources?

Some portion of total investment has to be contributed by the Entrepreneur out of

own sources. This is called margin money. Financial Institutions insist on 10 to 25 per cent margin money depending upon the category of the entrepreneur, risk factor and existing scheme under which the project will be financed.

What to do if an entrepreneur does not have any money of his own?

It is simple. One can arrange for loan for margin money under the scheme being operated by the State Commissioner/Directorate of Industries or State Bank of India. But this scheme is generally offered to professionally qualified entrepreneurs. Alternately you may have to prune down the size of your project in tune with available margin money. The financial institutions will prefer to support an entrepreneur, who is willing to put his/her own stake to some extent.

What is the procedure for getting a loan?

An entrepreneur should approach the concerned financial institution viz. State Financial Corporation, NSIC, Bank branches etc. Application in prescribed proforma has to be submitted along with project report including proof of ownership/availability of land/building, proof of residence, collateral securities (wherever applicable) etc. The loan is given by the institution if the application meets the norms.

Can the loan be used to cover all types of investment in the project?

The amount of loan can be used to cover all types of investment required in the project, such as machinery & equipment, and working capital, land and building. The lending agency for each component of loan may be same or different.

Is there any agency for funding the land and building costs?

The Banks and State Financial Corporations offer assistance for land/building/shed to certain extent. However, some qualifying parameters have been laid down by these institutions. In addition, Housing Development Corporation also provides funds for land /building.

What are the general conditions for availing financial assistance?

The general conditions for getting financial assistance are:

1. Eligibility criteria
2. Technical /Economic viability
3. Promoters contribution
4. Capacity to repay loan
5. Collateral securities/guarantee

Is loan available from any other source for small projects?

Loan is also offered under some special schemes like P.M.R.Y. which are directed towards creation of self-employment.