

## EP

### Institutional finance to small industries

SIDBI (Small Ind. Development bank of India)

→ developed under a special act of Parliament in 1980.

→ objective of flow of financial & non financial assistance of to small scale sector.

→ Head quarter LKO.

### Commercial banks

→ SBI and its associated banks, Private sector banks, Rural banks & Foreign banks.

→ for long time they don't provide financial assistance bcoz of weak economic base.

→ first lead was taken by SBI in 1956.  
by a pilot scheme.

→ All other banks started after bank nationalization in 1969.

### (RRBs) Regional Rural banks

→ provide credit to farmers in rural areas.

→ initially 5 rural bank were set up in 1975.

→ The share capital of RRBs is subscribed by central gov. (50%), State gov (15%) and sponsoring commercial bank (35%).  
by the

→ sponsored banks are Syndicate, SBI, PNB,  
United comm. bank and United bank of India.

## Co-operative banks

- combine adv. of private ownership and public good.
- instrument of economic development in rural areas.
- provide loans to agriculturists at low rates
- 3 tier structure
  - village level
  - district level,
  - state level

## (SFCS) State financial corporations

- GOI pass SFCS act in 1951 and made it applicable to all states.
- capital is fixed by state gov. from 50 lakh - 5 crore.
- → functions -
  - guarantee loans for upto 20 years.
  - Refinance on behalf of SIDBI.

## (SIDCs) State Ind. Development corporations

- SIDCs were set up under Companies Act 1956 as complete undertaking of state govts.
- promote med. and large industries.
- offer packages of dev. services like tech. guidance, plant location & coordination with other agencies.

## (SSIDCs) State small industries Dev. corporations

- established under company act 1956
- under state gov.
- promoting and developing small, tiny and village industries.

### functions -

- dist. of raw materials.
- machine supply
- management assistance on behalf of state gov.

### \* (NABARD) National bank for agriculture and rural development

- set up in 1982 by an act of parliament.
- apex dev. bank for promoting & development agriculture, SSI and village industries.
- promote rural development.
- central and state gov. contribute to funds.
- provide 2 types of funds.
- offices located in capital of all major states

### functions -

- credit support.
- investment credit for agriculture (long-term.)
- extends med. term credit to state co-operative banks.
- extends short term credit to state co-operatives and RRBs.
- short term credit facilities are extended to RRBs for non agricultural activities.

### NABARD (Amendment bill) 2017

- passed by RS and LS.

#### key features of bill

- allow union gov. to increase capital of NABARD from 5000 crore to 30,000 crore.

- Also increase from 30,000 crores in consultation with RBI, if necessary.
- union govt. alone must hold at least 51% capital share of NABARD.
- bill replaces term 'SSI' or 'small industry in hing sector' with "micro enterprise", "small" and "medium" enterprise as defined in MSME dev. act 2006

### NSIC (national small industries corporation)

- vision of NSIC is to be premier org. fostering the growth of micro, small and medium enterprises.

#### functions -

- provide modern machines to small scale industry
- develop SSI as supporting units to large industry
- To import and distribute components to small scale units.

### Industrial Reconstruction bank of India (IRBI)

- govt. of India set up IRBI in 1971 under Indian companies act.

→



## venture capital -

- imp. source of income for small & med. size firms which have very few funds.
- Although such business firms have potential to earn large profit and become a large enterprise but common investors are generally not willing to invest due to high risk in the investment.
- In order of provide support to these firms, venture capital comes into picture.
- VC is a commitment of capital, or shareholdings for setting up small scale enterprises at the early stage of their lifecycle.
- venture means a course, whose outcome is uncertain and in risk of loss and capital means resources.
- funds from third parties to finance developing business ventures. Third parties could be bank, pension funds, insurance companies.
- VC assists in business networking, product development, sales expertise and advertising.
- Forms of VC can be income notes, equity finance, conditional loans.
- long term equity finance, earn return in form of capital gains.

Acc to Jane Kalash's memories -

providing seed or first stage investment

to startups and showed their potential.

Angel Capital / Investors — (Private Investors)

→ seed investors.

→ high net-worth individual who provide financial support in exchange of equity.

→ investment can be one time or ongoing injection to support the company in its difficult early stages.

Angel

→ meaining

→ most individuals

→ investment in pre revenue business.

→ use own money

→ less investment

→ undertaken by the investor.

(screening)

→ (Post investment role)  
active.

→ incomplete  
contracts approach

Venture

→

→ public / private firms

→ investment in pre-profitable business

→ money from third parties

→ comp. large investment

→ undertaken by team of experts

→ strategic

→ Principal agent approach

## Technical consultancy organisation (TCOs)

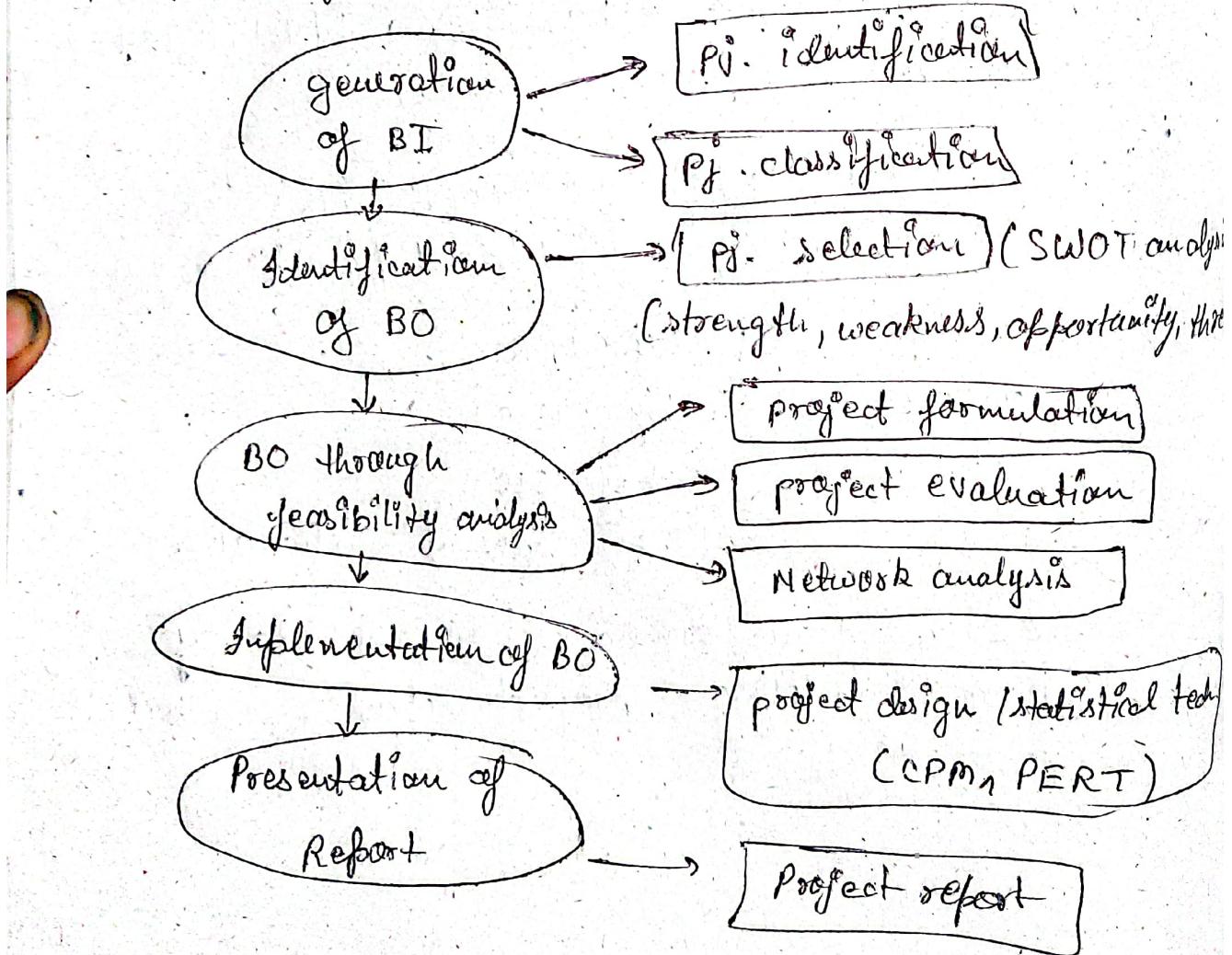
- established in diff. parts of country, to provide consultancy services at low cost to small & medium enter
- first established in Kerala (KITCO) in 1972.
- provide complete set of consultancy to small & med, individual entrepreneur, govt. department and agencies, various state lvl institutions, commercial banks etc.
- over 18 TCO's are functioning in various states of India.
- All India financial institutions and state govt. have set up network of TCOs.
- TCOs were established by IFIs (IDBI, ICICI, IFCI etc.)
- In collaboration of commercial banks and state level financial/development orgs
- 18 Total — 9 by IDBI =
  - sponsored by 5 by IFCI —
  - 3 by ICICI —
  - 1 by govt of Karnataka.
- TCOs are transformed into consultancy firms handling project reports, market surveys etc.

## functions and activities

- identification of project ideas.
- project identification & formulation
- projects evaluation.
- project report.
- preparation of profit, feasibility studies.
- preparation of project report.
- project implementation.
- conduct EDPs programme.
- Conduct awareness camps.
- Identify potential entrepreneurs and provide them technical and management assistance.

Unit - 3

## Project stages -



## project planning

project - presupposes commitment to tasks to be performed with well defined objectives.

→ schedules

→ budget.

- project can differ in size, nature, obj. & complexity.
- proposal involving capital investment for development of project idea.
- Allocation & consuming of resources.
- generation of resources & goods and services.
- non-recurring, non-repetitive, inter-connected activities to achieve specific obj.
- obj. is to create, expand & develop certain facilities. to increase production of goods & services.

## Project classification

① quantifiable & non-quantifiable project :-

(for profit). (health, edu, and defence)

② Sectoral projects

- agriculture & allied sectors
- Irrigation & power "
- Industry & mining "
- Transport & communication "
- Social service sector.
- miscellaneous sector.

## Techno Economic projects

factor intensity oriented

causation oriented

magnitude oriented

Capital intensive

Labour intensive

size of investment

large medium scale project

## Project identification

→ screening of idea

→ preliminary evolution

→ selecting most feasible and promising project

→ ensuring success of an enterprise by finding out optimum opportunities for investment.

Additive opportunities

Complementary opportunities

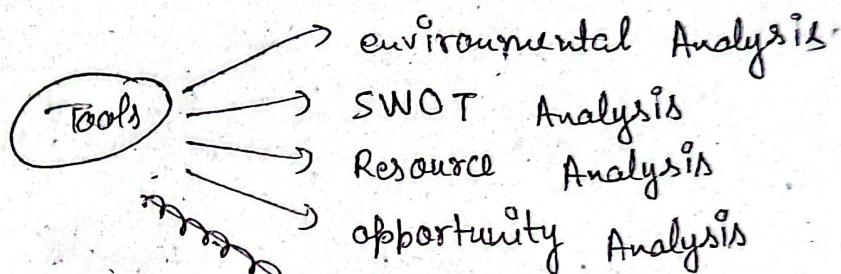
Breakthrough

(utilizing resources without doing any change)

(introducing new idea in existing structure)

(change is very drastic & greater risk)

- think of a project idea and shape it into reality.
- choose right line of business with opportunity through
  - environment/technology / idea exploration
  - present business exploration
- decision of making (selection of project)



**Project Selection**

→ SWOT analysis

**Strength/weakness**

**opportunities/threat**

outside organisation

strength → +ve aspects of company in current finl.

weakness → which areas are causing concern

opportunities → How can be more innovative

→ what are new market trends

threats → 1) are there any new competitor

2) economical condition

## Selection of project

### Internal factor

financial strength,  
experience, personnel,  
functional department

### External factor

- demand of consumers
- Raw materials
- technological aspect,
- demographic factor
- political factor

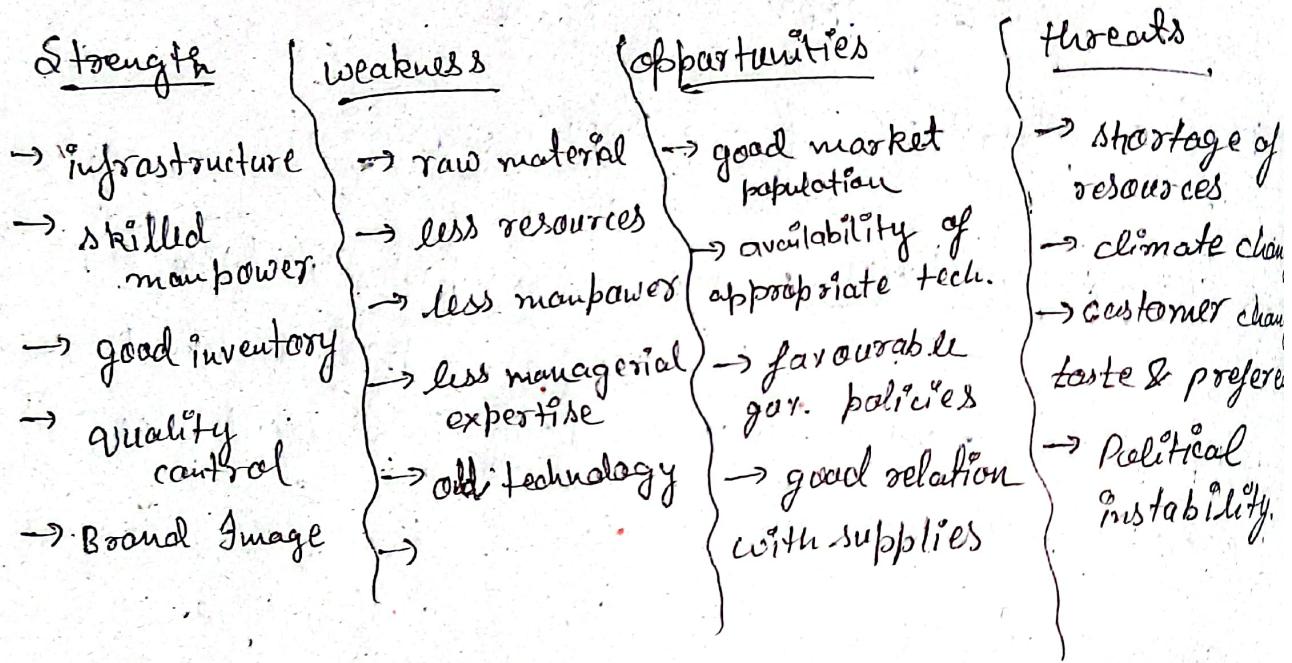
### SWOT analysis

S W

org.

O T

environment



	S	W
O	SO maxi-max	W-O mini-max
T	ST maxi-mini	TW mini-mini

SWOT matrix

## Project formulation

- concerned with development of business idea to arrive at investment decision.
- step by step analysis to achieve project objective with min expenditure & adequate resources.

feasibility analysis

↳ Techno economic analysis

↳ project design & network Analysis

↓  
input analysis

↳ financial analysis

↓  
socio cost benefit analysis

↓  
pre investment analysis

feasibility analysis

Techno Economic analysis

Project design &  
network analysis

Input analysis

Financial analysis

cost benefit analysis

Project investment analysis

Project Appraisal

- assessment in terms of economic, social and financial viability.
- involves investigation of diff aspects of project.

Technical      financial      Economic      Organisational