UNIT-3

SOURCES OF FINANCE

S.NO	TOPICS
1	Various sources of finance available- Long term & Short term
2	Institutional finance- Commercial banks, SFC’s in India
3	Commercial banks, SFC’s-way of financing in India for small and medium business
4	Entrepreneurship Development Programs in India
5	The Entrepreneurial journey- Institutions in aid of entrepreneurship development

Learning Outcomes: At the end of the Unit, the learners will be able to

- Know the various sources of finance to start a new venture
- Contrast & compare between Long term & Short term finance sources
- Analyze the role of banks and other financial institutions in promoting entrepreneurship in India
- Evaluate the need and importance of MSMEs in the growth of country

SOURCES OF FINANCE:

Based upon the time, the financial resources may be classified into (1) sources of long term (2) sources of short - term finance. Some of these sources also serve the purpose of medium - term finance.

I. The source of long - term finance are (More than 3 years):

Issue of shares

Issue debentures

Loan from financial institutions

Retained profits and

Public deposits

II.Middle term finance are(More than 1 year and less than 3 years)

Bank loan

Leasing

Venture capital

II. Sources of Short-term Finance are(Less than 1 year):

Trade credit

Bank loans and advances and

Short-term loans from finance companies

Sources of Long Term Finance:

Issue of Shares:

The amount of capital decided to be raised from members of the public is divided into units of equal value. These units are known as share and the aggregate values of shares are known as share capital of the company. Those who subscribe to the share capital become members of the company and are called shareholders. They are the owners of the company. Hence shares are also described as ownership securities.

- **Issue of Preference Shares**:

Preference share have three distinct characteristics. Preference shareholders have the right to claim dividend at a fixed rate, which is decided according to the terms of issue of shares. Moreover, the preference dividend is to be paid first out of the net profit. The balance, it any, can be distributed among other shareholders that is, equity shareholders. However, payment of dividend is not legally compulsory. Only when dividend is declared, preference shareholders have a prior claim over equity shareholders.

Preference shareholders also have the preferential right of claiming repayment of capital in the event of winding up of the company. Preference capital has to be repaid out of assets after meeting the loan obligations and claims of creditors but before any amount is repaid to equity shareholders.

Depending upon the terms of conditions of issue, different types of preference shares may be issued by a company to raises funds. Preference shares may be issued as:

1. Cumulative or Non-cumulative
2. Participating or Non-participating
3. Redeemable or Non-redeemable, or as
4. Convertible or non-convertible preference shares.

In the case of cumulative preference shares, the dividend unpaid if any in previous years gets accumulated until that is paid. No cumulative preference shares have any such provision.

- **Issue of Equity Shares**:

The most important source of raising long-term capital for a company is the issue of equity shares. In the case of equity shares there is no promise to shareholders a fixed dividend. But if the company is successful and the level profits are high, equity shareholders enjoy very high returns on their investment. This feature is very attractive to many investors even though they run the risk of having no return if the profits are inadequate or there is loss.

They have the right of control over the management of the company and their liability is limited to the value of shares held by them. From the above it can be said that equity shares have three distinct characteristics:

1. The holders of equity shares are the primary risk bearers. It is the issue of equity shares that mainly provides 'risk capital', unlike borrowed capital.
2. Equity shares enable much higher return sot be earned by shareholders during prosperity because after meeting the preference dividend and interest on borrowed capital at a fixed rate, the entire surplus of profit goes to equity shareholders only.
3. Holders of equity shares have the right of control over the company. Directors are elected on the vote of equity shareholders.

- **Issue of Debentures:**

When a company decides to raise loans from the public, the amount of loan is divided into units of equal. These units are known as debentures. A debenture is the instrument or certificate issued by a company to acknowledge its debt. Those who invest money in debentures are known as 'debenture holders'. They are creditors of the company. Debentures are therefore called 'creditor ship' securities. The value of each debentures is generally fixed in multiplies of 10 like Rs. 100 or Rs. 500, or Rs. 1000.

Debentures carry a fixed rate of interest, and generally are repayable after a certain period, which is specified at the time of issue. Depending upon the terms and conditions of issue there are different types of debentures. There are:

a. Secured or unsecured Debentures and
b. Convertible of Non convertible Debentures.

It debentures are issued on the security of all or some specific assets of the company, they are known as secured debentures. The assets are mortgaged in favor of the debenture holders. Debentures, which are not secured by a charge or mortgage of any assets, are called unsecured debentures. The holders of these debentures are treated as ordinary creditors.

- **Loans from financial Institutions:**

Government with the main object of promoting industrial development has set up a number of financial institutions. These institutions play an important role as sources of company finance. Besides they also assist companies to raise funds from other sources.

These institutions provide medium and long-term finance to industrial enterprises at a reason able rate of interest. Thus companies may obtain direct loan from the financial institutions for expansion or modernization of existing manufacturing units or for starting a new unit.

Often, the financial institutions subscribe to the industrial debenture issue of companies some of the institutions (ICICI) and (IDBI) also subscribe to the share issued by companies.

All such institutions also underwrite the public issue of shares and debentures by companies. Underwriting is an agreement to take over the securities to the extent there is no public response to the issue. They may guarantee loans, which may be raised by companies from other sources.

- **Retained Profits:**

Successful companies do not distribute the whole of their profits as dividend to shareholders but reinvest a part of the profits. The amount of profit reinvested in the business of a company is known as retained profit. It is shown as reserve in the accounts. The surplus profits retained and reinvested may be regarded as an internal source of finance. Hence, this method of financing is known as self-financing. It is also called sloughing back of profits.

Since profits belong to the shareholders, the amount of retained profit is treated as ownership fund. It serves the purpose of medium and long-term finance. The total amount of ownership capital of a company can be determined by adding the share capital and accumulated reserves.

- **Public Deposits:**

An important source of medium – term finance which companies make use of is public deposits. This requires advertisement to be issued inviting the general public of deposits. This requires advertisement to be issued inviting the general public to deposit their savings with the company. The period of deposit may extend up to three years. The rate of interest offered is generally higher than the interest on bank deposits. Against the deposit, the company mentioning the amount, rate of interest, time of repayment and such other information issues a receipt.

Since the public deposits are unsecured loans, profitable companies enjoying public confidence only can be able to attract public deposits. Even for such companies there are rules prescribed by government limited its use.

Sources of Medium Term Finance:

Bank loans:

Bank loans are extended at a fixed rate of interest. Repayment of the loan and interest are scheduled at the beginning and are usually directly debited to the current account of the borrower. These are secured loans.

Hire-purchase:

It is facility to buy a fixed asset while paying the price over a long period of time. In other words, the possession of the assets can be taken by making a down payment of a part of the price and the balance will be repaid with a fixed rate of interest in agreed number of installment.

Leasing & Renting:

Where there is a need for fixed assets, the asset need not be purchased. It can be taken on lease or rent for specified number of years. The company who owns the asset called lessor and the company which takes the asset on lease is called lessee. The agreement between the lessor and lessee is called a lease agreement.

Venture capital:

This form of finance is available only for limited companies. Venture capital is normally provided in such projects where there is relatively a higher degree of risk.

Sources of Short Term Finance:

Trade credit:

Trade credit is a common source of short-term finance available to all companies. It refers to the amount payable to the suppliers of raw materials, goods etc. after an agreed period, which is generally less than a year. It is customary for all business firms to allow credit facility to their customers in trade business. Thus, it is an automatic source of finance. With the increase in production and corresponding purchases, the amount due to the creditors also increases. Thereby part of the funds required for increased production is financed by the creditors. The more important advantages of trade credit as a source of short-term finance are the following:

Bank loans and advances:

Money advanced or granted as loan by commercial banks is known as bank credit. Companies generally secure bank credit to meet their current operating expenses. The most common forms are cash credit and overdraft facilities. Under the cash credit arrangement the maximum limit of credit is fixed in advance on the security of goods and materials in stock or against the personal security of directors. The total amount drawn is not to exceed the limit fixed. Interest is charged on the amount actually drawn and outstanding. During the period of credit, the company can draw, repay and again draw amounts with in the maximum limit. In the case of overdraft, the company is allowed to overdraw its current account up to the sanctioned limit.

Short term loans from finance companies:

Short-term funds may be available from finance companies on the security of assets. Some finance companies also provide funds according to the value of bills receivable or amount due from the customers of the borrowing company, which they take over.

The benefits of this source of finance to the company are:

- ✓ It reduces the dependence on external sources of finance.
- ✓ It increases the credit worthiness of the company.
- ✓ It enables the company to withstand difficult situations.
- ✓ It enables the company to adopt a stable dividend policy.

Financial Institutions:

The economic development of any country depends on the growth of the business sector. The well developed financial system helps the business to achieve growth by making funds available to them. For which, the government has established financial institutions all over the country to provide finance to businesses.

These institutions aim at promoting the industrial development of a country and are called 'development banks'. The main role of a financial institution is to transfer financial resources from those who save it to those who are in need of financial resources for economic activity.

Central and state governments set up Financial Institutions. They provide both owned capital and loan capital for long and medium-term and supplement the traditional financial agencies like commercial banks. Financial institutions give technical assistance and managerial services to organizations. These institutions give large funds for a longer duration.

Financial institutions, sometimes called **banking institutions**, are business entities that provide services as intermediaries for different types of financial monetary transactions. Broadly speaking, there are three major types of financial institutions:

1. Depository institutions – deposit-taking institutions that accept and manage deposits and make loans, including banks, building societies, credit unions, trust companies, and mortgage loan companies;
2. Contractual institutions – insurance companies and pension funds
3. Investment institutions – investment banks, underwriters, and other different types of financial entities managing investments.

Merits Of Financial Institutions:

The merits of raising funds from financial institutions are as follows:

- Here, *finance is available* even during periods of depression, when no other source of finance is available in the market.
- Besides providing funds, many of these institutions *provide financial, managerial and technical advice* and consultancy to business firms.
- For long-term business funds requirements, financial institutions are preferable as they provide *long-term finance*, which is not provided by commercial banks.

Limitations Of Financial Institutions:

The limitations of raising funds from financial institutions are as follows:

- Restriction on dividend payment imposed on the powers of the borrowing company by the financial institutions.
- As these institutions come under government criteria, they follow rigid rules for granting loans. Too many formalities make the procedure time-consuming
- Financial institutions may have their nominees on the Board of Directors of the borrowing company thereby restricting the powers of the company.

Special Financial Institutions

1. Industrial Finance Corporation of India (IFCI)

IFCI set up as a statutory organization under the Industrial Finance Corporation Act 1948. Its main objectives were to provide help towards supporting the local advancement and urging new business visionaries to go into the urgent and needful sectors of the economy.

2. State Financial Corporations (SFC)

The State Financial Corporations Act, 1951 made the State Governments build up State Financial Corporations in their particular areas for giving medium and short-term funds to businesses which are outside the extent of the IFCI.

3. Industrial Credit and Investment Corporation of India (ICICI)

This foundation formed in 1955 as a public organization under the Companies Act. ICICI helps the creation, development and modernization of industrial endeavors solely in the private sector.

4. Industrial Development Bank of India (IDBI)

In 1964, it was set up under the Industrial Development Bank of India Act, 1964 with a target to facilitate the working of other financial institutions including commercial banks.

5. Industrial Investment Bank of India Ltd.

It was set up as an essential institution for the restoration of sick units and was known as Industrial Reconstruction Corporation of India. It was reconstituted and renamed as the Industrial Reconstruction Bank of India in 1985 and again in 1997, its name was changed to Industrial Investment Bank of India.

Commercial banks:

A commercial bank is a kind of financial institution that carries all the operations related to deposit and withdrawal of money for the general public, providing loans for investment, and other such activities. These banks are profit-making institutions and do business only to make a profit.

The two primary characteristics of a commercial bank are lending and borrowing. The bank receives the deposits and gives money to various projects to earn interest (profit). The rate of interest that a bank offers to the depositors is known as the borrowing rate, while the rate at which a bank lends money is known as the lending rate.

Function of Commercial Bank:

The functions of commercial banks are classified into two main divisions.

(a) Primary functions

Accepts deposit : The bank takes deposits in the form of saving, current, and fixed deposits. The surplus balances collected from the firm and individuals are lent to the temporary requirements of the commercial transactions.

Provides loan and advances : Another critical function of this bank is to offer loans and advances to the entrepreneurs and business people, and collect interest. For every bank, it is the primary source of making profits. In this process, a bank retains a small number of deposits as a reserve and offers (lends) the remaining amount to the borrowers in demand loans, overdraft, cash credit, short-run loans, and more such banks.

Credit cash: When a customer is provided with credit or loan, they are not provided with liquid cash. First, a bank account is opened for the customer and then the money is transferred to the account. This process allows the bank to create money.

(b) Secondary functions

Discounting bills of exchange: It is a written agreement acknowledging the amount of money to be paid against the goods purchased at a given point of time in the future. The amount can also be cleared before the quoted time through a discounting method of a commercial bank.

Overdraft facility: It is an advance given to a customer by keeping the current account to overdraw up to the given limit.

Purchasing and selling of the securities: The bank offers you with the facility of selling and buying the securities.

Locker facilities: A bank provides locker facilities to the customers to keep their valuables or documents safely. The banks charge a minimum of an annual fee for this service.

Paying and gathering the credit: It uses different instruments like a promissory note, cheques, and bill of exchange.

Types of Commercial Banks:

There are three different types of commercial banks.

Private bank –: It is a type of commercial banks where private individuals and businesses own a majority of the share capital. All private banks are recorded as companies with limited liability. Such as Housing Development Finance Corporation (HDFC) Bank, Industrial Credit and Investment Corporation of India (ICICI) Bank, Yes Bank, and more such banks.

Public bank –: It is a type of bank that is nationalised, and the government holds a significant stake. For example, Bank of Baroda, State Bank of India (SBI), Dena Bank, Corporation Bank, and Punjab National Bank.

Foreign bank –: These banks are established in foreign countries and have branches in other countries. For instance, American Express Bank, Hong Kong and Shanghai Banking Corporation (HSBC), Standard & Chartered Bank, Citibank, and more such banks.

Examples of Commercial Banks

Few examples of commercial banks in India are as follows:

1. State Bank of India (SBI)
2. Housing Development Finance Corporation (HDFC) Bank
3. Industrial Credit and Investment Corporation of India (ICICI) Bank
4. Dena Bank
4. Corporation Bank

SFC's- State Finance Corporation:

The State Finance Corporations (SFCs) are an integral part of institutional finance structure of a country. Where SEC promotes small and medium industries of the states. Besides, SFC help in ensuring balanced regional development, higher investment, more employment generation and broad ownership of various industries.

State Financial Corporations (SFCs) are the State level financial institutions which play a vital role in the growth of small & medium enterprises in the concerned States. They offer financial assistance in the form of direct subscription to debentures/equity, term loans, guarantees, discounting of bills of exchange & seed/ special capital, etc. SFCs have been set up with the purpose of catalyzing higher investment, engendering greater employment & extending the ownership base of industries. They have also started offering assistance to newer types of business activities like tissue culture, floriculture, poultry farming, services related to engineering, marketing and commercial complexes.

In India, there are 18 State Financial Corporations (SFCs). These are:

1. Andhra Pradesh State Financial Corporation (APSFC)
2. Himachal Pradesh Financial Corporation (HPFC)
3. Madhya Pradesh Financial Corporation (MPFC)
4. North Eastern Development Finance Corporation (NEDFI)

5. Rajasthan Finance Corporation (RFC)
6. Tamil Nadu Industrial Investment Corporation Limited
7. Uttar Pradesh Financial Corporation (UPFC)
8. Delhi Financial Corporation (DFC)
9. Gujarat State Financial Corporation (GSFC)
10. The Economic Development Corporation of Goa (EDC)
11. Haryana Financial Corporation (HFC)
12. Jammu & Kashmir State Financial Corporation (JKSFC)
13. Karnataka State Financial Corporation (KSFC)
14. Kerala Financial Corporation (KFC)
15. Maharashtra State Financial Corporation (MSFC)
16. Odisha State Financial Corporation (OSFC)
17. Punjab Financial Corporation (PFC)
18. West Bengal Financial Corporation (WBFC)

Functions of State Financial Corporations:

The State Financial Corporations are established by the respective state governments aimed at assisting Small and Medium industries. The major functions of State Financial Corporations are-

1. Long Term Financial Assistance:

Providing long term financial assistance to finance small and medium industries is the prominent function for which the State Financial Corporations are set up. These enterprises may be in the form of individual proprietorships, partnership firms, private or public companies and the maximum tenure of the loan is twenty years.

2. Guarantee for Loans:

The State Financial Corporations also stand guarantee for loans taken by small and medium business concerns from cooperative banks, commercial banks, or any other banking financial institution for a tenure of up to 20 years.

3. Acts as Agents of Government:

The State Financial corporation also acts as an agent of the state as well as the central government when it comes to implementing government schemes related to small and medium industries financing. The SFCs also disburse loans as per different schemes of the governments.

4. Underwriting and Subscription:

The State Financial Corporation also functions as an underwriter by underwriting the shares of small and medium public companies. The SFCs also subscribe to debentures of these small and medium firms which are of tenure of fewer than 20 years.

5. Credit and Guarantee for Purchases:

The State Financial Corporation also provides loans and guarantees deferred payment for purchases for the industry like machinery, plant, or any other fixed expenditure.

NBFC'S in India:

The non-banking financial institutions are the organizations that facilitate bank-related financial services but does not have banking licenses. A Non-Banking Financial Company (NBFC) is a company registered under the Companies Act, 1956 engaged in the business of loans and advances, acquisition of shares/stocks/bonds/debentures/securities issued by Government or local authority or other marketable securities of a like nature, leasing, hire-purchase, insurance business, chit business but does not include any institution whose principal business is that of agriculture activity, industrial activity, purchase or sale of any goods (other than securities) or providing any services and sale/purchase/construction of immovable property. A non-banking institution which is a company and has principal business of receiving deposits under any scheme or arrangement in one lump sum or in installments by way of contributions or in any other manner, is also a non-banking financial company (Residuary non-banking company).

There are numerous ways NBFC loans can help MSMEs scale up their business

- **Bridging the financial gap**

For advancing loan applications, other organised financial institutions look at balance sheets and collateral coverage; but small businesses sometimes don't keep balance sheets and therefore fail to qualify. Kinara Capital’s products fill this void, allowing SMEs to obtain funding in a simple, scalable, consistent, and reliable manner. Thus, it allows Kinara to meet a wide range of market requirements for SMEs.

- **Expanding your business**

As a small business entrepreneur, at a certain point in the lifecycle of your business, you are likely to want to expand your business activities. These activities can be related to opening a new store, shifting to a new location, procuring raw material, or adding more products to the list of your offerings. But most of the time, small business owners do not have the capital on hand to make this possible. This is when working capital loans come in handy for MSMEs. These types of NBFC loans help you optimize your business potential.

- **Buying new/used machinery to improve production**

Outdated machinery can slow down the production process and hence delay the delivery of your products. Untimely delivery will lead to a bad consumer experience, which will ultimately lead to business loss. Availing of a loan from an NBFC will help support your desire to fulfil your customers' expectations on time.

5 Institutions that promote skill-backed entrepreneurship

These institutions support not just the youngsters, women, or the urban for entrepreneurship, but help and extend support whoever wants to be an entrepreneur by helping them connect with a larger system by provides training and education along with the right information, funding, market linkages, etc.

1. National Institute for Entrepreneurship and Small Business Development (NIESBUD) – https://niesbud.nic.in/

The institution comes under the Ministry of Skill Development and Entrepreneurship (MSDE). It is of great importance as the Ministry itself is emphasizing upon connecting skills with entrepreneurship.

2. Rural Self-Employment Training Institutes (RSETI) – http://nirdpr.org.in/rseti/

RSETI comes under NIRDPR (National Institute of Rural Development and Panchayati Raj). This institute helps rural people under various aspects of self-employment and entrepreneurship.

3. List of Micro, Small and Medium Enterprises- Development Institutes / Small Industries Service Institutes – http://dcmsme.gov.in/sido/sisi.htm; https://msme.gov.in/entrepreneurship-and-skill-development-programs

India’s MSME sector is supported by many institutions that come under various Ministries and institutions that are operating from various States and districts.

4. **Entrepreneurship Development Institute of India – https://ediindia.ac.in/**

This institute helps young people to take up entrepreneurship, explore social entrepreneurship, improve their family business, etc.

5. National Institute for Micro, Small and Medium Enterprises (ni-msme) – https://www.nimsme.org/It is a national institution which supports micro, small and medium enterprises.

Institutional Support System for Entrepreneurs:

This institutional support system has been designed at following four levels:
1. Central Government
2. State Government
3. Non-Government Support System
4. District Industries Centres (DIC).

1. Central Government Institutions:

The Government Formulated the Micro, Small and Medium Enterprises Development Act, 2006 and established the National Board for Micro, Small and Medium Enterprises (NBMSME) and made rules there under in the year 2006. This Board examines the factors affecting promotion and development of MSMEs and reviews policies and programmes from time to time relating to these enterprises, from time to time and makes recommendations to the Government in formulating the policies for the growth of MSMEs.

The Government of India constituted the National Commission for Enterprises in the Unorganised Sector (NCEUS) to examine the problems of the enterprises in the unorganized/informal sector. The Commission has made recommendations to provide technical, marketing and credit support to these enterprises.

(i) Small Scale Industries Board (SSIB):

It was established in 1954 to provide effective coordination and inter- institutional linkages for the benefit of small scale sector.

It consists of the following members:

a. Union Industry Minister
b. State Industry Minister
c. Selected members of Parliament
d. Secretaries of department concerned
e. Eminent experts in the field

(ii) 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.

(iii) Small Industries Development Organisation (SIDO):

It was constituted in 1954 to develop support services for promotion of SSS. 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.

The SIDO has promoted the following institutes and centres and is responsible for their management:

I. Small Industries Service Institutes (SISI):

The institute functions under the Ministry of SSI, Government of India and it provides services such as preparation of project reports, training programmes in different activities, extending technical assistance and offering guidance on Industrial policy of Government of India. It is a pioneer organisation, to develop small scale industries through counselling, consultancy/training. It also assists the industries in marketing the products and acquiring quality standards.

II. Product-cum-Process Development Centres:

These have been promoted to provide specific service to different types of small scale units concentrated in different locations. These centres are responsible for serving as research and development institutions in areas of dense industry clusters, to encourage product design and innovation, to develop new processes and upgrade the existing level of technology, to act as centres of excellence in respective areas and • to provide technical and managerial support services.

III. Regional Training Centres (RTCs):

These centres are located in major cities and are responsible for quality awareness programme among the small units. For this purpose, they are engaged in systematic testing and technical consultancy services. These centres are also responsible for assisting field testing stations which are expected to provide testing services to SSI units.

IV. Establishment of Training Institutes:

The SIDO also controls the affairs of NISIET (Hyderabad), NIESBUD (New Delhi) and integrated training centre (Industries) at Nilokheri. These institutions are responsible for arranging training facility to entrepreneurial trainers.

(iv) National Small Industries Corporation (NSIC):

The National Small Industries Corporation (NSIC) Ltd. was established by the Government as a Public Sector Company in 1955.

Its main functions are:

i. To arrange for Supply of machinery and equipment.
ii. To arrange Provision of financial assistance.
iii. To provide Assistance for arrangement of raw materials.
iv. To aid establishment of technology transfer centres.
v. To make arrangement of marketing assistance.

(iv)Entrepreneurship Development Institute of India:

Entrepreneurship development and training is one of the key elements for the promotion of micro, small and medium enterprises, especially for creation of new enterprises by the first generation entrepreneurs. In order to inculcate the entrepreneurial culture amongst the first generation of entrepreneurs on a regular basis, the Ministry has set up

Three national entrepreneurship development institutes namely:

1. National Institute for Micro, Small and Medium Enterprises (NI-MSME) at Hyderabad,
2. National Institute for Entrepreneurship and Small Business Development (NIESBUD) at NOIDA (Uttar Pradesh)
3. And Indian Institute of Entrepreneurship (IIE) at Guwahati, as autonomous societies.

1. National Institute for Micro, Small and Medium Enterprises (NI-MSME):

The National Institute of Micro, Small and Medium Enterprises was established with the mission of promoting the growth and development of MSMEs through services in the areas of policy, entrepreneurship, technology, information, education, management and extension. NIMSME has designed specialized and need-based programmes, workshops and seminars in tune with the current developments in policy and the economy.

2. National Institute for Entrepreneurship and Small Business Development (NIESBUD):

NIESBUD is an apex body established by Ministry of Micro, Small & Medium Enterprises. The Government of India for coordinating, training and overseeing the activities of various institutions/agencies engaged in entrepreneurship development particularly in the area of small industry and small business. Its main activities are to evolve effective training strategies and methodology, standardising model syllabi for training various target groups, formulating scientific selection procedure, developing training aids, manuals and tools, facilitating and supporting Central/State/ Other agencies in organising entrepreneurship development programmes, conducting training programmes for promoters, trainers and entrepreneurs and undertaking research and exchange experiences globally

3. Indian Institute of Entrepreneurship (IIE):

The Indian Institute of Entrepreneurship (HE) was established in the year 1993 in Guwahati by the erstwhile Ministry of Industry (now the Ministry of Micro, Small and Medium Enterprises), Government of India as an autonomous national institute with an aim to undertake training, research and consultancy activities in small and micro enterprises focusing on entrepreneurship development.

(v) Small Industries Development Bank of India (SIDESI):

It is a Subsidiary of IDBI and was setup as an act of parliament, for ensuring larger flow of financial and non-financial assistance to the small scale sector.

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 co-coordinating the functions of the institutions engaged in similar activities.

(vi) 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.

(vii) Khadi and Village Industries Commission (KVIC):

The Khadi & Village Industries Commission (KVIC), established under the Khadi and 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.

(viii) Mahatma Gandhi Institute for Rural Industrialisation (MGIRI):

In order to strengthen the R& D activities in khadi and village industry sectors, a national level institute namely 'Mahatma Gandhi Institute for Rural Industrialization (MGIRI)' has been established at Wardha, Maharashtra in association with IIT, Delhi by revamping the erstwhile Jamnalal Bajaj Central Research Institute.

(ix) 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.

(x) National Institute for Small Industry Extension Training (NISIET):

The NISIET, since its inception in 1960 by the Government of India, has taken gigantic strides to become the premier institution for:

i. The promotion, development and modernisation of the SME sector. An autonomous arm of the Ministry of Small Scale Industries (SSI)

ii. The Institute strives to achieve its avowed objectives through a gamut of operations ranging from training, consultancy, research and education, to extension and information services.

2. *State Government Institutions:*

The State Governments also execute different promotional and developmental projects and schemes to provide number of supporting incentives for development and promotion of MSMEs in their respective states. These are executed through the State Directorate of Industries, which has District Industries Centres (DICs) under it, for implementing the central/state level schemes.

(i) State Financial Corporation (SFC):

Its main objectives are:

i. To provide term loans for the acquisition of land, building, plant and machinery.

ii. To promote of self-employment.

iii. To encourage women entrepreneurs
iv. To bring about expansion of industry
v. To provide seed capital assistance.

(ii) State Small Industries Development Corporation (SSIDC):

The State Small Industries Development Corporations (SSIDC) were set up in various states under the companies' act 1956, as state government undertakings to cater to the primary developmental needs of the small tiny and village industries in the state/union territories under their jurisdiction.

(iii) Technical Consultancy Organisations (TCOs):

Services of TCOs include:

i. Preparation of project profiles.
ii. Undertaking industrial potential surveys.
iii. Identification of potential entrepreneurs.
iv. Undertaking market research.
v. Project supervision and rendering technical and administrative assistance.
vi. Conducting EDPs.

(iv) Khadi and Village Industries Commission (KVIC):

It is engaged in the development of khadi and village industries in rural areas. Main objectives of KVIC are:

i. To provide employment in rural areas.
ii. To help in skill improvement.
iii. To bring about rural industrialization.
iv. To facilitate transfer of technology.

3. ***Non-Government 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:

(I) 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.

Main functions of ICSI are:

i. Information dissemination.
ii. Entrepreneurship development.
iii. Consultancy and managerial support.
iv. Training and research.

(II) Laghu Udyog Bharti (LUB):

Laghu Udyog Bharti (LUB) 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 up gradation and marketing services.

LUB performs following functions:

i. Entrepreneurial training.
ii. Technology up gradation.

iii. Marketing services.

(III) India 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.

(IV) Credit Guarantee Fund Trust for Micro and Small Industries:

A Credit Guarantee Fund Scheme for small industries was launched by the Government and the SIDBI set up the Credit Guarantee Fund Trust for Small Industries (CGTSI), with a mission
to implement the credit guarantee fund scheme for micro and small enterprise in August 2000 to ensure better flow of credit to micro and small enterprises by minimising the risk perception of banks/ financial institutions in lending without collateral security.

(V) Federation of Associations of Small Industries of India (FASII):

It was promoted in 1959 to represent the problems of SSIs with the Government and liaisoning with other agencies involved in promotion of SSI sector.

Its objectives are as follows:

i. To promote the development of small scale, tiny and cottage industries;
ii. To cooperate with industrial business, educational institutions in collecting and exchanging information pertaining to the small scale sector;
iii. To undertake professional, technical and management consultation services;
iv. To undertake studies, surveys and research assignments;
v. To further the cause of small industries by interacting with Union and State Governments and other bodies;
vi. To establish and operate trade centres display centres, sub-contracts exchanges and other promotional institutions for the benefit of the small scale sector and
vii. To establish test centres, laboratories and common facility centres for the SSI sector.

(VI) 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:

i. Technology transfer
ii. Manpower training
iii. Maintaining a register of experts/consultants, organising seminars and conferences
iv. And acts as a clearing house of information and marketing services etc.

(VII) 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.

(VIII) 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 organising 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 organises:

i. Seminars
ii. Conferences,
iii. Workshops and Training Programs
iv. And other trade promotional activities to educate & create awareness among MSMEs.
v. The Chamber recognises 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.

(IX) 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.

(X) Confederation of Indian Industry (CII):

It 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.

(XI) 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:

i. Settlement of trade disputes arising in the course of foreign trade
ii. And advises Government on all matters relating to export trade.

(XII) 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:

i. Providing management and technical support to current and prospective micro and small entrepreneurs in rural areas.
ii. Organizing several programmes on rural entrepreneurship, skill up gradation workshops, mobile clinics and trainers training programmes, awareness and counseling camps in various villages of North India.

(XIII) Entrepreneurship Development Institute of India (EDI):

The Entrepreneurship Development Institute of India (EDII), an autonomous body and not-for-profit institution, set up in 1983, is sponsored by apex financial institutions, namely the IDBI Bank Ltd, IFCI Ltd. ICICI Ltd and State Bank of India (SBI).

The Institute is registered under the Societies Registration Act 1860 and the Public Trust Act 1950. The Government of Gujarat pledged twenty-three acres of land on which stands the majestic and sprawling EDII campus.

The institute is located close to Ahmedabad Airport at the village Bhat in Gandhinagar District. Its buildings, designed by Bimal Hasmukh Patel, are set in a 23-acre (93,000 m2) lush green campus and received the Aga Khan Award for Architecture in 1992.

The EDII has been selected as a member of the Economic and Social Commission for Asia and the Pacific (ESCAP) network of Centres of Excellence for HRD Research and Training.

EDI has helped set up twelve state-level exclusive entrepreneurship development centres and institutes. Entrepreneurship has been taken to schools, colleges, science and technology institutions and management schools in the water performance sector by including entrepreneurship in their curricula.

(XIV) Indian Investment Centre (IIC):

The Indian Investment Centre is a Government of India organization and enjoys nearly more than three decades of rich understanding in investment promotion. It is the body which is to be contacted first for investment and is the single window agency for bona fide information or any assistance that may be required for investments, technical collaborations and joint ventures. All the services provided by the Indian Investment Centre are free of charge.

4. District Industries Centres (DIC) & Industrial Estates:

In each district, there is one agency to deal with all requirements of small and village Industries. This is called "District Industries Centre", The District Industries Centres have undertaken various programmes for investment promotion at the grass root level such as organizing seminars workshops, extending support for trade fairs and exhibitions organized by various Industry's associations.

Objectives of District Industries Centres (DIC):

(i) To identify prospective entrepreneurs to take up viable projects.
(ii) To identify viable projects and make demand survey on the available resources of the district and plan for promotion of viable industries in the area.
(iii) To prepare viable and feasible project reports.
(iv) To strengthen the guidance cell to solve the problems of the entrepreneurs.
(v) To maintain up to date data on SSI Sector.
(vi) To recommend financial proposals to Orissa State Financial/ Corporation/Financial Institutions/Banks etc.
(vii) To allot Govt, land/shed in Industrial Estates
(viii) To recommend for power connection.
(ix) To arrange for EDP training
(x) To arrange exhibition, fair and publicity and visit of industrialists to Trade Fairs and different Industrial Estates of other States.

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