CHAPTER - 3

ENTREPRENEURIAL SUPPORT SYSTEM WITH SPECIAL REFERENCE TO MICRO AND SMALL ENTERPRISES

Starting a business or industrial unit requires various resources and facilities. Small scale enterprises, given their small resources, find it difficult to have all these resources and facilities their own. Finance has been an important resource to start and run an enterprise because it facilitates the entrepreneurs to procure land, labour, material, machine, and so on from different parties to run their enterprises. Hence, finance is considered as life-blood for an enterprise. Recognizing it, the government through various financial institutions and nationalised banks has come forward to help small entrepreneurs by providing them funds called developments funds on soft and liberal terms and conditions. Admittedly, finance is an important resource but not the only condition to run an enterprise. In order to start any economic activity, a minimum level of prior built up infrastructural facilities is needed. Financial assistance and concessions cannot, in any case, adequately compensate for the deficiencies of infrastructure such as transport and communication. This is one of the reasons why industries have not been developing in backward areas Inspite of financial assistance and concessions given by the governments to the entrepreneurs to establish industries there. Institutional support can also be given to micro and small enterprises by providing training. Training is one of the key elements for developing of micro and small enterprises, particularly, the first generation entrepreneurs. Creation of the infrastructural facilities involves huge funds which the small entrepreneurs do lack. In view of this, various central and state government institutions have come forward to help small entrepreneurs in this regard by providing them various kinds of support and facilities. Availability of the institutional support helps make the economic environment conducive to business or industry. Therefore, in this Chapter an overview of various kinds of support and facilities provided by various institutions to the entrepreneurs to help them establish and run their enterprises is discussed below.

Support provided by Public Sector Banks to Micro and Small Enterprises

The period since bank nationalisation is of great from the period of view of banking development as the size and the reach of the banking system registered spectacular progress in this period in 2010. Aggregate bank deposits have risen from 15 percent GDP to around 63.2 percent, and total numbers of branches from 8262 to 72165 of these, 42.4 percent are now in rural areas as against less than 22.5 percent at the time of nationalisation of major banks in 1969. Opening of rural branches has improved mobilization of savings in the rural sectors. Presently rural deposits account for about 15 percent of total deposits. Since bank nationalisation in this country, priority sector credit has increased from 14.6 percent of total bank credit to around 39.7 percent[76]**.**

The performance of the banking system in India since nationalization of 14 banks is definitely impressive. But, since in the later post- nationalisation phase overall profitability of the banks was either low or even negative or their non-performing loans both as a percentage of total advances and as a percentage of assets was fairly high; their financial position was extremely weak. This situation improved only after implementation of various reform measures during the 1990's, Jayanti Ghosh does not see much merit in neo-liberal financial and banking 'reforms' of

[76] MSME, GOI (2012), "Strengthening Capacities of Financial Intermediaries for MSME lending in India retrieved from www.devex.com

1990's. She argues that reforms have undetermined priority sector lending and reduced the geographical spread of banks.

The rural planning and credit development formulates policies relating to rural credit and monitors timely and adequate flow of credit to the rural population for agricultural activities and rural employment programmes. It also formulates policies relating to the priority sector which includes agricultural, SSIs, tiny and village industries, artisans and retail traders, professional and self- employee's persons, state sponsored credit- linked programme like Swarnajayanti Gram Swarojgar (SGSY), Prime Minister's Rojgar Yojana (PMRY) etc. It implements and monitors the Lead Bank Scheme which aimed a forgoing a coordinated approach for providing bank credit to achieve overall development of rural areas in the country. The development also oversees implementation of the Banking Ombudsman Scheme and setting up of Local Area Banks (LABs).

The target and sub targets set under priority sector lending for domestic and foreign banks operating in India are shown in Table 3. 1.

Table 3.1

Priority sector lending for domestic and foreign banks operating in India

Category of advances	Domestic banks	Foreign banks
Aggregate of advances to priority sector.	40% of net bank credit.	32% of net bank credit.
Advance to SSIs	No target.	10% of the bank credit.
Advance to agriculture	18% of net bank credit.	No target.

Source: Economic Survey, Assam, 2010.

Broadly, the activities or purposes finance by banks included priority sector are:

1. Agriculture,
2. Small- Scale Industries,
3. Small Road and Water Transport Operators,
4. Professional and Self Employed Persons,
5. Educational Loans, etc.

Table 3.2

Priority sector lending by PSBs to MSME, from 2007 – 2011,(Rs. in crore)

Sector	2007 - 08	2008 - 09	2009 - 10	2010 – 11
Aggregate Advances	12989.44	16081.43	17750.99	23843.62
Total priority sector lending	8322.25	10705.50	11314.92	13243.59
Agriculture and allied sector	2158.80	2345.86	3868.37	4557.40
Industry sector	1281.63	1460.25	2054.15	2490.30

Source: Economic Survey, Assam, 2011-12.

Support providing Regional Rural Banks (RRBs)

Prior to the year 1975, only two institutions were providing credit facilities to the small entrepreneurs, artisans, marginal farmers and landless labourers in rural areas. They are cooperative societies and commercial banks. But the cooperative movement was not strong in all the states and they met only 32 percent of the total credit requirements of the rural people. Even after nationalisation, the coverage of commercial banks in rural areas was less. Also, the provision of cheap credit facilities to the small entrepreneurs, artisans, marginal farmers and landless labourers became one of the points of 20 Point Economic Programme announced on 1st, July, 1975.

Accordingly, the central government decided to set up regional rural banks through out the country. On 2nd October, 1975, five regional rural banks were established, one each at Moradabad and Gorakpur in Uttar Pradesh, Bhiwani in Haryana, Jaipur in Rajashthan and Malda in West Bengal. Now their number is on increase. Each RRB was sponsored by SBI and its subsidiaries or nationalized commercial banks. Each bank is to operate within the limits specified by the GOI. Generally, the area of operation of a RRB comprises one or two districts in a state. The lead office of RRB is generally located in taluks or blocks.

In Assam all together five RRBs were opened at different point of time beginning with Pragjyoti Golia Bank. The pro- active attitude the rural bias of these banks culminated not only in the creation of thrift among the rural masses but in the dissension of credit to such people mostly for prior activities.

GOI, Vide Notification No. F.I.(25) /2005 dated 12th January 2006 amalgamated the four RRBs sponsored by the UBI in the state of Assam to form Assam Gramin Vikash Bank (AGVB). The erstwhile RRBs amalgamated were, [77]

- Pragjyotish Golia Bank (Estd. 06-07-1976),
- Lakhimi Gaonlia Bank (Estd. 29-07-1980),
- Cachar Gramin Bank (Estd. 31-03-1981),
- Subhasini Gaonlia Bank (Estd. 30-03-1982).

Thus, AGVB has come into existence from 12th January 2006 covering the areas of operation of the pre-amalgamated RRBs with its strong network of 355

[77] Retrieved from RRBs: financialservices.govt.in/statewidelist

branches. While AGVBs genesis has its roots in the interest of the customers, stakeholder and the staff, the broader objectives of the amalgamation are:

- Better customer services from better infrastructure, branch computerization, unified publicity and marketing efforts,
- Reaping economies of scale with larger area of operation, enhanced credit expose limit.

At present, the State has presence of two RRBs, Assam Gramin Vikash Bank [AGVB] and Langpi Dehangi Rural Bank [LDRB]. While the Assam Gramin Vikash Bank is operating both in the Brahmaputra Valley and Barak Valley covering 25 districts with 362 bank branches, the service area of the Langpi Dehangi Rural Bank is confined within the two hill districts of Assam with 46 bank branches as on March 2011.

The aggregate deposit of RRB was Rs. 4653.08 crore at the end of March 2011 compared to Rs. 3691.39 crore at the end of March 2010 thereby registering a growth of 26 percent. The aggregate deposit of RRBs was Rs. 3044.07 crore at the end of March 2009. The volume of credit disbursed by these banks was also increased to Rs. 2230.87 crore as on March 2011 compared to Rs. 1753.55 crore as on March 2010 indicating an increase of 27.2 percent. Credit-Deposit ratio of these banks also recorded a little increase to 47.9 as on March 2011 from 47.5 as on March 2010. The credit-deposit ratio of RRBs was 53.60 as on March 2007.[78]

Performance of Regional Rural Banks may be evident is shown Table 3.3

[78] Economic Survey, Assam, 2011-12.

Table 3.3

Achievements of RRBs in Assam

Period as on	Achievements under Annual Credit Plan (Rs. In lakh)			Credit Deposit RRBs	
	Av. Target for all banks	Achievement of all banks	Achievement of RRBs	All banks	RRBs
30-3-2006	92903.27	117699.69	22665.38 (19.23)	45.51	50.49
30-3-2007	114100.11	144984.66	26362.38 (18.18)	45.03	53.60
30-3-2008	175518.40	155511.33	32211.73 (20.91)	50.48	52.64
30-3-2009	221942.24	150226.67	52181.55 (20.81)	45.35	49,62
30-3-2010	257892.21	250725.49	70261.61 (24.27)	42.05	47.50
30-3-2011	354847.16	289468.82	70261.61 (24.27)	39.71	47.94

Source: Economic Survey, Assam, 2011-12

Assam Financial Corporation (AFC)

The Assam Financial Corporation is considered to be the torch bearer of the industrial development of the region. The Corporation has been striving to boost up its performance and persistently working for it. On the sanction and disbursement front, in spite of various constraints, the Corporation is continuing its lending operations. At present the Corporation has two DGM level branches, four numbers of Manager level branches, Assistant Manager level branches and Field Offices to provide need based customer service.

During the Financial year 2010-11 the total sanction of loan by the Corporation was Rs. 1438.62 lakhs and disbursement was Rs. 704.67 lakhs corresponding to the total sanction of loan of Rs. 728.19 lakhs and total disbursement of Rs.377.70 lakhs during the financial year 2009-10. Thus, the year-on-year growth of total loan sanctioned and total loan disbursed was calculated as 97.5 percent and 86.6 percent respectively. During the year 2008-09, the total loan sanctioned by the Corporation was Rs.318.24 lakhs and a total disbursed was Rs. 350.51 lakhs.[79]

Micro finance, which has added a new dimension in the economy recording exponential growth in credit delivery through SHG (Self Help Group) and JLG (Joint Liability Group), has been recognized as an effective means of empowering the rural and economically backward section of the society. The Corporation is implementing the Chief Minister's Micro Finance Scheme (CMMF) for which the Govt. of Assam has provided a low cost loan of Rs.1000.00 lakhs. The Corporation could sanction an amount of Rs.415.00 lakh and disbursed Rs.371.00 lakhs to seven units during 2010-11 as against Rs. 411.00 lakhs sanctioned and disbursed Rs. 235.00 lakhs to nine eligible Non-Fund Business, NGOs for on-lending to deserving SHGs and JLGs etc. during the Financial Year 2009-10.

Under MSME Sector, the Corporation received forty applications involving an amount of Rs.1253.34 lakhs and sanctioned an amount of Rs.1023.62 lakhs to 35 applicants during the year 2010-11 as against 35 applications involving an amount of Rs.317.19 lakhs in the previous year.

A new 'Venture Capital Fund' with a corpus of Rs. 400.00 lakhs has been introduced to encourage the new and first generation entrepreneurs with innovative activities. The fund was provided by the Government of Assam for the purpose. The Corporation has already entered into an MOU with SIDBI and Govt. of Assam for revival of refinance from SIDBI and it is expected that this development will give a

[79] Economic Survey, Assam, 2011-12

major boost to the operation of the Corporation in coming years. The Corporation, apart from its normal activities, has also planned to generate its business through streamlined Non-Fund Business activities during the financial year 2011-12 with active support of Govt. of Assam, SIDBI and out of fund to be generated by way of recovery of loans and non-fund business activities.

State Financial Corporations (SFCs)

State Finance Corporations (SFCs) have been established in different states under the SFCs Act of the parliament passed in 1951.These corporations provide medium and long term loans to small and medium scale industries. Normally, loans are given for acquiring capital assets like land, building, Machines, etc. Loans are given to new as well as existing industries. Amount of loan varies from Rs.5000 to Rs.90, 00,000. These loans are repayable in equal installments spread over a period of 10 to 12 years. Some of the corporations disburse loan under State Act to Industries Act, on the recommendations of the State Directorate of Industries.

Following are the important schemes of State Finance Corporations (SFCs):

(A). Financing Schemes:-

i. Composite Loan Scheme,

ii. Tiny Unit Scheme,

iii. Technical Entrepreneurs,

iv. Physically Handicapped Persons,

v. Schedule Caste/ Schedule Tribe Entrepreneurs,

vi. Special Scheme for Assistance to Ex- servicemen,

vii. Special Scheme for Term Loan Including Working Capital Loans under Single Window to Tiny and SSI units.

viii. Scheme for Financing of Road Transport Operators,

ix. (a) Scheme for Women Entrepreneurs,

(b) Mahila Udyan Nidhi Scheme

x. Incentives for Export - Oriented Units,

xi. Scheme for Financing of Small Hospital/ Nursing Homes,

xii. Marketing Support to Small, Cottage and Village Industry,

xiii. Financial Assistance for Computerisation in Industries,

xiv. Scheme for Financing Hotel Industry,

xv. Schemes for Qualified Professionals

xvi. Schemes for Financing of Xeroxing/ Telecommunication Equipment and Computers.

(B) Promotional Schemes

1. Special Capital Scheme,
2. Seed Capital Assistance,
3. National Equity Fund Scheme,
4. Bridging Loan
5. Modernization Scheme,
6. Equipment Refinance Scheme,
7. Scheme for Rehabilitation of Sick Units, etc.

If the technically qualified people find it difficult to bring in enough funds as their contribution, SFCs assist them with a unique scheme known as a Seed Capital/ Soft Loan Scheme. Under this scheme, assistance up to Rs.2 lakh will be given at an incredibly nominal interest rate of 1 percent per annum. Higher quantum of assistance will also be considered in deserving cases under this scheme.

State Finance Corporations assume the role of promotional agency rather than being financing institutions only by diversifying their activities to fill in the role of full-fledged development banks. Few State Finance Corporations have already set up Entrepreneurial guidance-cum Assistance Bureau to help entrepreneurs, particularly the first generations enterprises.

District Industries and Commerce Centers (DICCs)

The establishment of District Industries Centres (DICs), now known as District Industries and Commerce Centres (DI&CCs) in 1978 was a landmark in the development of cottage and small industries in smaller towns in India. With a view to providing integrated administrative framework at the district level for industrial promotion, a scheme of establishing District Industries Centres was started. It is aimed at providing all assistance and support to entrepreneurs at various states.

Earlier, there was a District Industries Officer assisted by a manager, inspectors and other staff. A major policy decision was taken at the Union Government level and an announcement was made in the industrial Policy Resolution of December, 1977 to replace the District Industries Office by the District Industries Centers. The DIC was to serve as the nodal agency to deal with all the requirements of small and village industries. It was decided that the entrepreneurs who had till than to go to different agencies for assistance, banks and corporations for finance, quality marking centers for technical advice, and the Small Industries Service Institute for training - would now be provided with all these services at one place.

It was intended to make the centre an operational mechanism for granting financial and other facilities to small units., for developing close links with development blocks and specialized institutions, and providing help in setting up of institutions, and providing help in setting up of industries in rural areas. The idea was that powers would be delegated to the General Manager by the Directorate of Industries to decide the matters regarding assistance to small entrepreneurs, who would now not have to rush to state head quarters.

Structure of District Industries and Commerce Centers

Usually District Industries and Commerce Centers consist of:

- One General Manger,
- Four functional managers of whom three would be in the areas of economic investigation, credit and village industries. The fourth functional manager may be entrusted with responsibility in any of the area like raw materials or marketing or training, etc. depending on the specific requirements of each district, and
- Three project managers to provide technical services in the area of relevant to needs the district concerned. Their role is to facilitate modernization of technology in the small sector.

Functions of District Industries &Commerce Centers

District Industries and Commerce Centers functions are mainly promotional and developmental. To attain this end, it has to provide needed services and support to small and village industries. Its various functions include the following:

Registration

DI&CCs provides provisional and permanent registration to the new entrepreneurs.

The provisional registration is awarded for two years in the first instance and thereafter can be renewed every taking into consideration the fact that the party is taking effective steps to install the unit. But this renewal is limited only to two times.

Procedure for getting provisional registration

An application can seek provisional registration on submission of following documents:

a. Application form prescribed by the development commissioner (ssi), New Delhi available from the office of all DICs.
b. An affidavit prescribed by the development commissioner (ssi), New Delhi.
c. Detailed project report of the activities to be started and
d. Proof of availability of premises for the proposal unit.

Permanent registration

The party after the completion of the building, obtaining the power connection, installing the machinery and taking care of all the necessities which are required for installing the unit, may apply for permanent registration of a unit with the following documents to the General Manager of the District Industries Centre:

a. Permanent application form which are available at all the DIC offices free of cost;
b. Details of plant and machinery installed along with the copies of the bills;

c. Proof of premises in which the unit has been installed (it is only necessary if the party is applying direct for permanent registration without initially going for provisional registration.

State Industrial Development Corporations (SIDCs)

Since 1960, many states and Union territories have Set-up State Industrial Development Corporation (SIDC) and State Industrial Investment Corporations (SIDCs), with the main object of accelerating the industrial development of the respective States and union territories. The importance functions of corporations are:

1. Grant of financial assistance to industrial concerns in the form of :
   - Direct investment,
   - Loans,
   - Extension of guarantee for loans and deferred payments and
   - Underwriting and subscriptions to the issue of shares, bonds and debentures.
2. Promotion and management of industrial concerns.
3. Provision of industrial sheds and plots.
4. Promotional activities such as identification of project ideas, selection and training of entrepreneurs, provision of technical assistance during project implementation, etc.

The corporations in states like Assam, Karnataka and Bihar are empowered to undertake special activities like establishing and managing industrial estates, development of industrial areas, generation, transmission and sale of electricity, etc.

Functions:

The major functions of these Corporations include:

i. Providing risk capital to entrepreneurs by way of equity participation and seed capital assistance;

ii. Granting financial assistance to industrial units by way of loans, guarantees and, of late, lease finance by some corporations;

iii. Administering incentives schemes of central and state governments;

iv. Promotional activities such as identification of project ideas through industrial potential surveys, preparation of feasibility reports, selection and training of entrepreneurs; and

v. Developing industrial areas/ estates by providing infrastructure facilities.

Since the actual range of activities being undertaken by an individual SIDCs depends up on the specific responsibilities entrusted by the respective State/ Union Territory, there is considerable diversity in activities among different SIDCs.

Schemes implemented by the Government for Entrepreneurship Development Programme of Prime Ministers Employment Generation Programme (PMEGP)

Government of India has approved the introduction of a new credit linked subsidy programme called Prime Minister’s Employment Generation Programme (PMEGP) by merging the two schemes that were in operation till 31.03.2008 namely Prime Minister’s Rojgar Yojana (PMRY) and Rural Employment Generation Programme (REGP) for generation of employment opportunities through establishment of micro enterprises in rural as well as urban areas.

Objectives[80]

(i) To generate employment opportunities in rural as well as urban areas of the country through setting up of new self-employment ventures/projects/micro enterprises.

(ii) To bring together widely dispersed traditional artisans/ rural and urban unemployed youth and give them self-employment opportunities to the extent possible, at their place.

(iii) To provide continuous and sustainable employment to a large segment of traditional and prospective artisans and rural and urban unemployed youth in the country, so as to help arrest migration of rural youth to urban areas.

(iv) To increase the wage earning capacity of artisans and contribute to increase in the growth rate of rural and urban employment.

Rate of Subsidy

The rate of subsidy based on project cost area and categorise vary from 10% to 35%..

The maximum cost of the project/unit admissible under manufacturing sector is Rs. 25 lakhs and the balance amount of the total project cost will be provided by Banks as term loan.

Implementing Agencies

The Scheme is implemented by Khadi and Village Industries Commission (KVIC), Mumbai, a statutory body created by the Khadi and Village Industries Commission Act, 1956, which will be the single nodal agency at the national level. At

[80] Retrieved from www.pmegp.govt.in

the State level, the scheme is implemented through State Directorates of KVIC, State Khadi and Village Industries Boards (KVIBs) and District Industries Centres in rural areas. In urban areas, the Scheme is implemented by the State District Industries Centres (DICs) only. KVIC will coordinate with State KVIBs/State DICs and monitor performance in rural and urban areas. KVIC and DICs also involve NSIC, Udyami Mitras empanelled under Rajiv Gandhi Udyami Mitra Yojana (RGUMY), Panchayati Raj Institutions and other NGOs of repute in identification of beneficiaries under PMEGP.

The details of other agencies to be associated by nodal agencies in the implementation of PMEGP are as under:

i) Field Offices of KVIC and its State offices
ii) State KVI Boards
iii) District Industries Centre (DIC) of all State Governments/Union Territories Administrations reporting to respective Commissioners /Secretaries (Industries).
iv) Banks/Financial Institutions.
v) KVI Federation.
vi) Department of Women and Child Development (DWCD), Nehru Yuva Kendra Sangathan (NYKS), The Army Wives Welfare Association of India (AWWA) and Panchayati Raj Institutions.
vii) NGOs having at least five years experience and expertise in Project Consultancy in Small Agro & Rural Industrial Promotion and Technical Consultancy Services, Rural Development, Social Welfare having requisite infrastructure and manpower and capable of reaching Village and Taluk level in the State or Districts. NGOs should have been funded by State or National

Level Government Agency for any of its programmes in the preceding 3 years period.

viii) Professional Institutions/Technical Colleges recognized by Government/ University and University Grants Commission (UGC)/ All India Council for Technical Education (AICTE) having department for vocational guidance or technical courses providing skill based training like ITI, Rural Polytechnic, Food Processing Training Institute, etc.

ix) Certified KVI institutions aided by KVIC / KVIB provided these are in category A+, A or B and are having required infrastructure, manpower and expertise for the role.

x) Departmental and Non-Departmental Training Centers of KVIC / KVIBs.

xi) Micro, Small and Medium Enterprises Development Institutes (MSME-DIs), MSME Tool Rooms and Technical Development Centers, under the administrative control of Office of Development Commissioner, MSME.

xii) National Small Industries Corporation’s (NSIC) offices, Technical Centers, Training Centres, Incubators and Training cum Incubation Centers (TICs) set up in PPP Mode.

xiii) National level Entrepreneurship Development Institutes like National Institute for Entrepreneurship and Small Business Development (NIESBUD), National Institute for Micro, Small and Medium Enterprises (NIMSME) and Indian Institute of Entrepreneurship (IIE), Guwahati under the administrative control of Ministry of MSME, their branches and the Entrepreneurship Development Centers (EDCs) set up by their Partner Institutions(PIs).

xiv) Udyami Mitras empanelled under Rajiv Gandhi Udhyami Mitra Yojana of Ministry of MSME.

xv) PMEGP Federation, whenever formed.

6. Financial Institutions

(i) 27 Public Sector Banks.

(ii) All Regional Rural Banks.

(iii) Co-operative Banks approved by State Level Task Force Committee headed by Principal Secretary (Industries)/Commissioner (Industries)

(iv) Private Sector Scheduled Commercial Banks approved by State Level Task Force Committee headed by Principal Secretary (Industries)/Commissioner (Industries).

(v) Small Industries Development Bank of India (SIDBI).

Entrepreneurship Development Programme (EDP).

The objective of EDP is to provide orientation and awareness pertaining to various managerial and operational functions like finance, production, marketing, enterprise management, banking formalities, bookkeeping, etc. The duration for EDP under REGP was only 3 days, whereas, under PMRY it was 10 days. During various meetings, discussions and recommendations of Department Related Parliamentary Standing Committee for Industry (DRPSCI) it was felt that 3 days were not adequate for providing this inputs effectively and, hence two to three weeks period has been provided under PMEGP which will include interaction with successful rural entrepreneur, banks as well as orientation through field visits. The EDP will be conducted through KVIC, KVIB Training Centers as well as Accredited Training Centers run by Central Government, NSIC, the three national level Entrepreneurship Development Institutes (EDIs), i.e., NIESBUD, NIMSME and IIE, and their partner institutions under the administrative control of Ministry of MSME, State

Governments, Banks, Rural Development and Self Employment Training Institutes (RUDSETI) reputed NGOs, and other organizations / institutions, identified by the Government from time to time. EDP will be mandatory for all the PMEGP beneficiaries. However, the beneficiaries who have undergone EDP earlier of duration not less than two weeks through KVIC/KVIB or reputed training centers will be exempted from undergoing fresh EDP. The training centers / institutes will be identified by KVIC and extensive publicity will be provided about the training centers / institutes, content of courses available, duration, etc. by circulating the same to all the Implementing Agencies.

An amount of Rs. 2500/- to Rs.4000/- per trainee for a period of two to three weeks towards course material, honorarium to guest speakers, lodging, boarding expenses, etc. is admissible under the Scheme. KVIC will reimburse the expenditure to the training centers / institutes chosen for the purpose, in accordance with the procedures to be separately devised by it and circulated to KVIBs and DICs.

Physical verification of PMEGP Units

100% physical verification of the actual establishment and working status of each of the units, set up under PMEGP, including those set up through KVIBs and DICs, will be done by KVIC, through the agencies of State Government and/or, if necessary by outsourcing the work to professional institutes having expertise in this area, following the prescribed procedures as per General Financial Rules (GFR) of Government of India. Banks, DICs and KVIBs will coordinate and assist KVIC in ensuring 100 % physical verification. A suitable proforma will be designed by KVIC for such physical verification of units. Quarterly reports, in the prescribed format will be submitted by KVIC to the Ministry of MSME. Mandatory activities to be undertaken in the awareness camps:

(i) Publicity through banners, posters, hoardings and press advertisements in local newspapers.

(ii) Presentation on the scheme by KVIC/KVIB/DIC officials.

(iii) Presentation by Lead Bank of the area.

(iv) Presentation by successful PMEGP/REGP Entrepreneurs.

(v) Distribution of sanction letters to PMEGP entrepreneurs who have been sanctioned the project by Bank.

(vi) Press conference

(vii) Collection of data (in the prescribed format) from the potential beneficiaries, which will include information like profile of beneficiaries, skills possessed, background and qualifications, experience, project interested in, etc. For ascertaining the training (as described in para 12 of the guidelines) a committee consisting of representatives of Lead Bank, KVIC, KVIB, DIC and Principal,

MDTC will shortlist the beneficiaries and send them for orientation and training. They will also be sent to RICS and Banks for project formulation and project sanction, respectively.

viii) A Shelf of Projects for consideration under PMEGP, prepared by KVIC has already been circulated by KVIC/Ministry to some of the prominent State Industries Secretaries and Banks including State Bank of India, Central Bank of India, Canara Bank, Allahabad Bank and Union Bank of India. For any further inclusion of projects in the shelf already prepared, KVIBs and DICs shall forward the details of such projects to KVIC. KVIC will in turn, expand the Shelf of Projects, in due course, in consultation with Banks, KVIBs and DICs, by utilizing the provisions in ‘Training and Orientation’ under forward and backward linkages.

(ix) Marketing Support

(a) Marketing support for the products, produced by the units under PMEGP may be provided through KVIC’s Marketing Sales outlets, as far as possible. KVIC will reserve the right to provide such a support based on quality, pricing and other parameters to be separately circulated by KVIC to KVIBs/DICs.

(b) Besides the above, Exhibitions, Workshops at District/State Zonal/National and International levels, Buyer-Seller Meets, etc., will be arranged for the benefit of PMEGP beneficiaries by KVIC.

North Eastern Development Finance Corporation Ltd. (NEDFI)

The North Eastern Finance Corporation Ltd. (NEDFI) was incorporated in August, 1995 with and authorized share capital of Rs. 500 crore contributed by IDBI, SIDBI, IFCI, ICICI, UTI,LIC,GIC and its subsidiaries and SBI.

The main objective of NEDFI is to provide finance and other facilities for promotion, expansion and modernization of industrial and infrastructure projects in the region. Over the past sixteen years, growth momentum of the Corporation has accelerated and with cumulative loan sanctions of Rs.2049.11 crore at the end of March 2011, it has been able to make a noticeable mark, synchronizing development across all the North East States. In Assam alone, NEDFi has sanctioned an amount of Rs.1320 crore to 918 projects and disbursed of Rs.835 crore.

The Government of India in the Budget of 1998-99 appointed NEDFi as the Nodal Agency for disbursement Central Government subsidies under its Industrial Policies for the North-eastern Region. Cumulative disbursement of the subsidies as on March, 2011 stood at Rs.1997.43 Crore. The Corporation is also a nodal agency for disbursement of Central Subsidies under NEIP 1997 and NEIIPP 2007, which is administered by the Department of Industrial Policy & Promotion, Ministry of Commerce and Government of India. The Corporation thus facilitating disbursement of subsidies under the Central Transport Subsidy Scheme, Central Capital Investment Subsidy, Central Interest Subsidy Scheme and Central Insurance Subsidy Scheme to all the 8 NER States.

The corporation has travelled far since its incorporation in fulfilling its commitment to usher in the dawn of industrialization and all record development. NEDFI has financed over 950 projects in sectors as diverse as healthcare, jute, tea, info- tech, agric- business, horticulture, cement, hand loom and handicraft across the region.

NEDFI also introduced following special need based schemes-

i. Women Entrepreneur Development Scheme (WEDS): To assist women entrepreneurs for taking up business ventures.

ii. Jute Enterprise Development Scheme (JEDS): To provide financial assistance to new/existing tiny units engaged in the jute sector.

iii. Scheme for North East Handloom & Handicrafts (SNEHH): To help the manufacturers, designers/exporters engaged in handloom & handicraft products.

NEDFIs Performance in Assam and NER

Loan sanctioned and disbursed by the NEDFI to the North-Eastern States including Assam during the last six years may be evident from the table below:

Table 3.4

Year-wise sanctions and disbursements by NEDFi (As on March 2011)

Year	Sanctions		Disbursements	
	NER	Assam	NER	Assam
2005-06	13132	7053	10431	5342
2006-07	13872	8545	9424	6680
2007-08	27945	16588	11643	8872
2008-09	26689	21351	18409	13071
2009-10	33341	22370	20808	13512
2010-11	42138	33135	28138	19963

Source: Economic Survey, Assam, 2011 – 12.

Small Industries Development Bank of India (SIDBI)

Setting up Small Industries Development Bank of India (SIDBI) marked the fulfillment of a long felt need to have a separate institution at the national level to exclusively cater to the requirements of small scale sector in the country. SIDBI became operational on April 2, 1990 with an initial paid up capital of Rs. 250 crore and taking over the outstanding portfolio of IDBI relating to small scale sector held under the Small Industries Development Fund (SIDF) as on March 31, 1990 amounting to Rs. 4200 crore. The authorized capital and paid up capital of the bank were subsequently raised to Rs. 500 crore and Rs. 450 crore respectively.

During the financial year 2008-09, SIDBI recorded better operational performance and strengthened its financial fundamentals. The bank recorded the highest ever sanctions and disbursements during year with sanctions increasing by 45.6 percent and disbursements 47.5 percent over the previous year. While refinance support, which is a key function of bank, was enhanced by 76.4 percent, the direct credit flow of small scale sector by SIDBI increase by 18 percent during the year under review. The aggregate outstanding portfolio of the bank crossed the Rs. 20,000 crore marks for the first time and increased by 26.2 percent to 20,226 crore as at 31st March, 2008-2009. As a result, the total assets of the bank increased sizeable to Rs. 23,887 crore at the end of financial year 2008- 2009 is shown in the Table 3.5

Table 3.5

SIDBI sanctions, Disbursement during the year 31stMarch, 2008-2009

Year	Sanctions(in crore)	Disbursement (in crore)	Income & Profitability (in crore)
1991	2410	1830	425
2005	9091	6188	948
2006	11975	9100	964
2007	11102	10225	1187
2008	16164	15087	1638
2009	16820	15780	1702
2010	18543	17900	1838

Source: SIDBI, Annual Reports 2010-2011.

SIDBI support for North Eastern Region (NER)

The bank accords special attention to the development of North Eastern Region in terms of micro finance, rural industrialization entrepreneurship development, and marketing support etc. The cell for Development of North Eastern

Region Cell (DONER Cell) set up the bank of Guwahati would identify potential business opportunities and up scaling in the eight North Eastern states.

During the year, total assistance of over Rs. 72 lakh was extended under various programmes for NER. Under the Rural Industrial Programme (RIP), five districts, viz. Dribugarh, Dimapur, West and north Tripura, West Sikkim and eight clusters under clusters development programme in five different states covering activities like bamboo mat weaving have been covered during the year. The cluster development benefits about 900 artisans.

National Institute for Entrepreneurship and Small Business Development (NIESBUD)

The National Institute for Entrepreneurship and Small Business Development (NIESBUD) is an apex body established by the Ministry of Industry. Government of India, for coordinating and overseeing the activities of various institutions or agencies engaged in the entrepreneurial development in small industry and small business. The activities of the institute include evolving model syllabi for training strategies, methodology, manuals and tools; facilitating and supporting centra or state government and other agencies in executing programmes of entrepreneurship and small business development maximize benefit and accelerate the process: conducting such programmes for motivators, trainers and entrepreneurs which are not commonly done by the agencies and above all organize all those that help developing entrepreneurial culture in the society. The institute is also the secretarial for the National Entrepreneurship Development Board which is the apex body to determine the policy for entrepreneurship development in the country. The institute, therefore, performs the task of processing the recommendations made by the board.

The policy direction and guidance is provided to institute by its governing council, whose Chairman and Vice-chairman are the union minister for industry and Union minister of state for industry respectively. The Executive Committee of the institute consists of five members including the Additional Secretary and Development Commissioner (SSI) as its chairman, and the Executive Director of the institute as its member - secretary. The Executive Committee executes the policies and decisions of the governing council through its Executive Director.

National Bank for Agriculture and Rural Development (NABARD)

National Bank for Agriculture and Rural Development (NABARD), established in 1982 under the Act of Parliament, has been providing refinance support to banks for financing agricultural and allied activities as also for financing industrial activities in rural areas in small scale sector, cottage and village industries, handicrafts other rural crafts, etc. A large part of the activities of NABARD are related to government sponsored schemes in the rural areas which include IRDP.

Main objectives of the NABARD

The main objectives of the NABARD as started in the statement of objectives while placing the bill before the Lok Shabha were categories as under:

1. The National Bank will be an apex organization in report of all matters relating to policy, planning operational aspects in the field of credit for promotion of Agricultural, SSIs, Cottage and Village Industries, Handicrafts and other Rural Crafts and other allied economic activities in rural areas.
2. The bank will serve as a refinancing institution for industrial credit such as long-term, short-term for the promotion activities in the rural areas.

3. The bank will also provide direct lending to any institution as may approve by the central government.
4. The bank will have organic links with RBI and maintain a close link with in.

NABARD, now take up several project through the RRB to all the districts of the country. Rural entrepreneurs could take advantage of different schemes and make proposals to RRBs for loans. These could be permitted to use Rural Infrastructure Development Fund (RIDF) for assisting rural industrial infrastructure.

Financial support provided by NABARD in different years is shown in table 3.6

Table No. 3.6

Financial support extended by NABARD

Year	Amount (in crore)
2003 - 2004	21935
2004 - 2005	27103
2005 - 2006	30667
2006 - 2007	33496
2007 - 2008	36680
2008 -2009	40211
2009 -2010	45345

Source: NABARD, Annual Report, 2011.

NABARD Rural Entrepreneurship Development Programme (REDP)

Rural Entrepreneurship Development Programme (REDP) is one of the important Non Farm Schemes (NFS) promotional programmes supported by NABARB for creating sustainable employment and income opportunities in a cost effective manner of the benefit of educated unemployed rural youth.

Features and Coverage of Rural Entrepreneurship Development Programme (REDP)

Rural Entrepreneurship Development Programme (REDP) comprises three distinct phases, viz, pre- training, training and post training phases.The success of the programme depends on the strict adherence to these phases.

i. Pre- training: Detailed survey for identifying potential business activities, market, publicity, awareness creation and motivational campaign , coordination with various agencies especially banks, Government departments, Formation of selection Committee, Project Monitoring Committee, Selection of trainees etc.

ii. Training: The duration of the programme is six to eight weeks. Training module comprises: achievement motivation, opportunity identifications and guidance knowledge on supporting agencies and schemes, preparation of project reports/ profiles, management of resources (men, material, money) , marketing aspects, books- keeping/ accounting. In case of technical / activity based REDP, inputs on technical aspects/ skill development/ appropriate technology will be included. Case studies on potential activities, field visits, practical work, visit to successful units, etc., to be integral part of training programme.

iii. Post- Training: Facilitating credit linkages for setting up units and escorts services to trainees for at least two years.

Industrial Finance Corporation of India (IFCI)

Industrial Finance Corporation of India (IFCI) was set up as a statutory corporation in 1948 with the objective of providing medium and long term credit to illegible industrial concerns. It has now been converted into a join stock company.

Financial activities:

1. Providing rupee loans and foreign currency loans,
2. Guaranteeing such loans,
3. Underwriting and subscribing to shares and debentures of public limited companies.

Promotional activities:

Under promotional activities, the objective of Industrial Finance Corporation of India has been;

a. To fill in gaps in the institutional infrastructure for promotion and growth of industries,
b. To provide much needed guidance in project identification, implementations, operations, etc., to the new, tiny, small scale or medium scale entrepreneurs,
c. To improve the productivity of human and material resources, giving at the same time a better deal to the weaker and under privileged sections of the society in consonance with the socio-economic objectives laid down by the Government of India.
d. Undertaking research and survey for evaluating or dealing with marketing of investment and undertaking and carrying on techno-economic studies in connection with the development of industries,

e. Providing technical and administrative assistance to any industrial concern for the promotion, management or expansion of any industry, and
f. Undertaking merchant banking operations.

Industrial Finance Corporation of India (IFCI) provides assistance both or setting up new units as well as for modernization and expansion of existing units.

The Industrial Credit and Investment Corporations of India (ICICI)

The Industrial Credit and Investment Corporations of India (ICICI) were set up in 1955 to encourage and assist investment and industrial development in India. The idea of establishing the Industrial Credit and Investment Corporations of India was first crystallized as a result of certain deliberation among the Government of India, the World Bank and certain American financiers. Unlike other development banks of Industrial Credit and Investment Corporations of India was organized as a wholly owned private institution.

Objectives of the Industrial Credit and Investment Corporations of India (ICICI)

The major objectives of the Industrial Credit and Investment Corporations of India were to meet the needs of the industry for permanent and long term funds in the private sector. Its objectives include:

a. To assist in the creation, expansion and modernization of industrial enterprises in the private sector,
b. To encourage and promote the participation of private capital both internal and external, in such enterprise; and

c. To encourage and promote private ownership of industrial investment and expansion of market.

Forms of Financial Assistance

In pursuit of its objectives of promoting industrial development, ICICI provides financial assistance to enterprises in various forms, such as:

a. Underwriting of public and private issues and offers and sale of industrial securities- ordinary shares, preference shares, bonds and debenture stocks;
b. Direct subscription to such securities;
c. Proving loan in rupees, repayable over periods up to 15 years;
d. Providing similar loans in foreign currencies for payment for imported capital equipment and technical services;
e. Guaranteeing payments for credit given by Indian and Foreign sources;
f. Providing credit facilities to indigenous manufactures for promoting sale of industrial equipment on deferred payment terms; and
g. Leasing of equipments.

Promotional Activities

Industrial Credit and Investment Corporations of India has set up a project promotion department in order to provide promotional services and assistance to individual projects on selective basis. It also participates in the coordinate efforts of the All India financial institutions. State level finance and promotion agencies and nationalized banks in identifying and developing projects and entrepreneurs in backward regions, in preparing techno- economic surveys for backward states, conducting feasibility studies and implementing identified projects.

Industrial Reconstruction Bank of India (IRBI)

Industrial Reconstruction Bank of India (IRBI) was set up as primary agency for rehabilitation of sick industrial units, has bee reconstituted and remand as the Industrial Reconstruction Bank of India (IRBI) by an act of Parliament with effect from March 20, 1985. IRBI has been set up with a view to enabling it to function as principal credit and reconstruction agency for industrial revival by undertaking modernization, expansion, reorganization, diversification or rationalization of industry and coordinate similar work of the other institutions engaged therein and to assist and rehabilitate industrial concerns.

Functions

The Industrial Reconstruction Bank of India (IRBI) is empowered to grant loans and advances to industrial concerns; underwrite stock, shares, bonds and debentures; guarantee loans/ differed payments and performance obligations of any contract undertaken by industrial concerns and scheduled commercial and state governments, Reserve Bank of India, State Bank, Schedule Commercial and State Co-operative Banks, Public Financial Institutions, State Financial Corporations and such other Government or person as Central Government may authorize. Its broad-ranging functions also include such developmental activities as providing infrastructural facilities, raw materials, consultancy, managerial and merchant banking services for reconstruction and development of industrial concerns and providing machinery and other equipment on lease or hire- purchase basis, etc.