
UNIT5 FUNDING INCLUDING MICRO FINANCE AND OTHER SUPPORT SYSTEM

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5.1 INTRODUCTION

During the past decades, there has been a deepening as well as widening of the entrepreneurial structure as well as the small-scale industrial structure. There is a boom of entrepreneurial activities in the country. These far reaching developments and the scale and scope of operation of entrepreneurs particularly in small scale industries have brought to the fore the importance of provision of administrative and institutional assistance at various levels. Over the years, financial institutions are playing a key role in providing finance and counseling to the entrepreneurs to start new ventures as well as modernize, diversify and even rehabilitate sick enterprises. In this context, various development banks (institutions) have been rendering financial assistance directly and indirectly, to entrepreneurs and their various ventures. As students of Gender and Development, it is essential to have knowledge about the various types of finance needed by the entrepreneurs and sources of finance.

5.2 OBJECTIVES

After studying this Unit, you would be able to

- analyze the various types of finance required by the entrepreneurs;
- explain the different sources of finance;
- assess the government initiatives to promote entrepreneurship in India; and
- appreciate the funding mechanism including microfinance.

5.3 TYPES OF FINANCE FOR ENTREPRENEURS

Depending upon the nature of the activity, the entrepreneurs require three types of finance viz., short term, medium term and long term finances. The distinctive features of various types of financial needs are given below:

- **Short term finance:** Short term finance refers to the funds required for a period of less than one year. These funds are usually required to meet variable, seasonal or temporary working capital requirements. Borrowing from bank is a very important source of short term finance. Other sources of short term finance are trade credit, installment credit and customer advances

- Medium term finance: The period of one year to five years may be regarded as medium term finance. It is usually required for permanent working capital, small expansion, replacement, modification etc. Medium term finance may be raised by borrowing from banks and other institutions and ploughing back of profits, issue of shares etc.
- Long term finance: The period exceeding five years is regarded as long term loan. Long term finance is required for procuring fixed capital, for the establishment of a new business, for substantial expansion of existing business, modernization etc.

5.4 SOURCES OF FUNDS FOR LONG TERM FUNDS

Entrepreneurs may avail the funds from following banking, insurance and financial and Institutional sources.

Industrial Development Bank of India; Industrial Finance Corporation of India; ICICI Bank; Industrial Reconstruction Bank of India; Life Insurance Corporation of India; Unit Trust of India; State Finance Corporations; State Industrial Development Corporation; Commercial banks; HDFC; HUDCO; Risk Foundation Capital; Export-Import Banks of India; NABARD and SIDBI.

5.5 GOVERNMENT INITIATIVES TO PROMOTE ENTREPRENEURSHIP IN INDIA

India's tryst with entrepreneurship is an emerging phenomenon when compared to its 67 years of existence as an independent nation.. While socialist policies were at the helm of deciding the policy framework in the early years, the last three decades have brought about changes in the Government's thinking, leaning towards a market oriented economy. Various support mechanisms have been designed by the government to nurture the entrepreneurial mindset some of which are highlighted below:

SIDBI established in April 1990 under an Act of Parliament as a wholly-owned subsidiary of Industrial Development Bank of India is the principal financial institution for the following three fold activities.

- Financing the small scale sector by providing indirect assistance to primary lending institutions and direct assistance to small scale units;
- Development and support services for promoting small industries; and

- Liaisoning with other institutions engaged in similar activities.

The Government of India has adopted some global support mechanisms which have been customized as per local requirements. To focus on certain industries, the foundation was laid by establishing institutes under government departments.

National Science and Technology Entrepreneurship Board (NSTEB) promote entrepreneurship development through Science and Technology. Under the flagship of NSTEB various institutes and training programmes have been formulated such as

- Technological Business Incubators have been established to ensure that technology and knowledge driven enterprises are established and research outputs are utilized in a commercial manner for the benefit of the stakeholders.
- STEP- Science and Technology Entrepreneurs Park (STEP) aims at providing link between universities, academic and R&D institutions, providing R&D support to small scale industry and promoting innovation based enterprises.
- IEDC –Innovation and Entrepreneurship Development Cell is promoted in educational institutes to create entrepreneurial culture and encourage innovation amongst students.
- EDP – Entrepreneurship Development Programme, a training program of 6-8 weeks duration aims at training students in various aspects of starting an enterprise.
- OLPE – Open Learning Program in Entrepreneurship is a distance learning programme that helps potential entrepreneurs through study materials and contact programmes which impart knowledge on end-to-end processes involved in running an entrepreneurship.
- EAC – Entrepreneurship Awareness Camp is a 3 day duration training that exposes students to entrepreneurship as a career option.
- STEDS – Science and Technology Entrepreneurship Development Scheme (STEDS) aims at socio economic development of an area by optimizing the usage of natural and human resources of an area.
- FDP – Faculty Development Program aims at training faculty members of S&T institutions so that they in turn can inspire students to take up entrepreneurial career options.

- TEDP – Technology-based Entrepreneurship Development Program is 6-weeks duration training developed jointly in association with R&D institutions, CSIR labs etc. This training focuses on specific products and technologies.

To boost the services and manufacturing sectors, the Government of India chalked out a separate SMSE department so that these industries receive sufficient attention and support. The MSMED Act was passed in 2006 which aims at

- Providing guidelines for skill development of employees, management and entrepreneurs;
- Issue guidelines from time –to-time for ease of credit to MSMEs;
- Work on minimization of sick units and enhance their competitiveness through various support mechanisms;
- Preference policy for procurement of goods or services by Central Government produced or provided by MSMEs;
- Resolution of delayed payment related issues; and
- For dissemination of information, the Business Portal of India has been developed under the National e-governance Plan of the government in association with FICCI. The portal provides various modules and sub modules with respect to starting and running business in India. It also provides guidance on the paperwork required, taxation related information, trade related policies etc.

Entrepreneurship is also promoted at the state government level through various schemes and subsidies varying form one state to another. The common mechanisms are:

- **Infrastructural:** Development and Management of industrial estates, priority allotment of power/water connection, power subsidies.
- **Financial:** Capital investment subsidies for new units set up in a particular district, seed capital/margin Money Assistance scheme.
- **Guidance:** Consultancy and Technical support.

5.6 SIDO AND MARKETING ASSISTANCE TO SMALL SCALE INDUSTRIES

Small Industries Development Organization (SIDO) is the nerve centre of the small industry development programme in the country. SIDO through its network of Small

Industries Service Institutes (SISIs) provides consultancy and training services in marketing management.

The Ancillary Development Division of SIDO functions as a model agency at the central level to promote ancillary industries in order to help small scale industries in marketing their products. The Small Industry Service Institutes maintain constant liaison with various ministries at the Central and State levels, Bureau of Public Enterprises, public sector enterprises and large private sector undertakings through a number of promotional programmes like state level ancillary exhibition, national seminars, and buyers and sellers meet for promotion of ancillary industries in the country.

5.7 TRADE CENTRES

Trade centres have been established by the Government of India to cater to the marketing needs of small scale industries. The centres help the small entrepreneurs to exhibit their products with prior publicity at these centres. The SIDO provides grant-in-aid to the state corporations for setting up these centres to the extent of 50 per cent on recurring and non recurring expenditure (excluding expenditure on land, buildings and administrative expenses.) subjects to a ceiling of Rs2 lakh per year for a period of five years.

Check Your Progress Exercise 1

Note: i. Use this space given below to answer the question.

ii. Compare your answer with the one given at the end of this unit

1. Write short note on the activities of SIDO

5.8 SMALL INDUSTRIES SERVICE INSTITUTES

Small Industries Service Institutes are important state level institutions whose most important functions are advisory services in the areas of technology, management and marketing. The aim is to assist entrepreneurs in small scale industries. The SIDO through its network of Small Industries Service Institutes and Extension centres through out India

provides assistance for promotion of exports of small scale industry units. The services of SIDO include the following services.

- Export marketing information through circulars, export bulletins, trade enquiry services and letters;
- Export consultancy services such as documentation, claiming of import entitlements, cash assistance and other incentives;
- Guidance to over export problems faced by the entrepreneurs;
- Enrolment with export promotion bodies like Trade Development Authority, Export Promotion Councils etc.;
- Organization of training programmes on export marketing;
- Promoting Export consortia of small scale units and examination of proposals for providing financial assistance to them; and
- Conducting training programmes on packaging techniques with the aim of generating packaging consciousness among the entrepreneurs.

5.9 NATIONAL SMALL INDUSTRIES CORPORATION

The National Small Industries Corporation Ltd (NSIC) was established by the Union Ministry of Industry in 1955 to promote and foster the growth of small scale industries in the country. In line with the fast changing scenario of the small scale sector in the context of liberalization NSIC has been reorienting its strategies for developing competitive ability in small scale units. In sharp contrast to specialized financial institutions, NSIC offers an integrated package of financial services of long range interest to small scale sector. The NSIC provides a complete package of financial assistance and support in the following areas: Machines on hire purchase, Stores purchase programme, Marketing, Training, Quality control and standardization, Technical know-how and foreign government assistance

Single Point Registration Scheme

The NSIC introduced the Single Point Registration Scheme in 1976. The rationale of the scheme was to avoid multiplicity of registration with various government agencies. Units registered with NSIC are deemed registered with DGS&D and no separate registration with the latter organization is required.

Consortia approach

Since 1976 the NSIC has adopted consortia approach in which a number of small units producing the same produce are associated in the form of a consortium. The corporation explores market and secures orders for bulk quantities. Testing facilities are arranged or provided to enable the units to improve the quality of their products. It undertakes discounting of bills wherever necessary and releases 90 to 95 per cent payment upon receipt of proof of dispatch.

Marketing Development centres

NSIC has established Marketing Development Centres in principal towns all over the country as part of its internal marketing programme in order to undertake the following functions:

- Play a catalytic role in providing exposure to the products of small scale units and assist them in direct and indirect marketing;
- Provide permanent show room facilities for display of small industries' products;
- Create consumer confidence in the products of small scale industries and enhance their acceptability through standardization, quality improvement and create a brand image.

NSIC and exports

The NSIC is running an export department. It has adopted a single window assistance approach for export of small industries products. NSIC books export orders in its own name and takes the responsibility for execution of contracts by entrusting the work to small scale units

5.10 SIDBI'S SCHEMES FOR FINANCING MICRO AND SMALL ENTERPRISES (MSES), INCLUDING WOMEN-PROMOTED ENTERPRISES

The following are the SIDBI's schemes for financing women promoted Micro and Small Enterprises.

Composite Loan Scheme

Artisans, village, cottage, micro and small scale industrial enterprises (manufacturing, processing, preservation and servicing) where individual credit requirements do not exceed Rs.14 crores are given loan assistance under the composite loan scheme

regardless of location. The amount is to be used for purchase of equipment and / or working capital, as also work-sheds. Credit limit was raised from time to time.

Mahila Udyam Nidhi

The scheme provides soft loan assistance to meet the gap in equity in respect of micro enterprises promoted by women entrepreneurs by setting new projects in micro sector, rehabilitation of viable sick SSI unit. Existing micro enterprises in manufacturing and service sectors can avail of the facility for undertaking expansion, modernization, technology upgradation and diversification. Enterprises with project outlay not exceeding Rs.10 lakh will receive soft loan of 25 per cent of the project outlay, subject to a maximum of Rs.2.5 lakh per project. Soft loan assistance carries a nominal service charge of 1 per cent per annum. The scheme focuses on encouraging women entrepreneurship.

National Equity Fund (NEF)

The soft loan scheme provides equity assistance to micro small enterprises with project outlay not exceeding Rs.50 lakh regardless of location. The scope of the scheme has been enlarged to cover expansion, modernization; technology upgradation and diversification in case of existing enterprises with project outlay not exceeding Rs.50 lakhs. Soft loan assistance under the scheme is 25 per cent of the project outlay subject to a maximum of Rs.10 lakh per project. This carries a nominal service charge of 5 per cent per annum. This assistance is to bridge the gap in the prescribed minimum promoter's contribution, and / or equity. Thirty percent investment under NEF is earmarked for micro sector enterprises. The scheme aims at expanding the entrepreneur base, in strengthening micro sector enterprises whose investment limit in plant and machinery goes upto Rs.25 lakh.

Collateral free loans

Collateral free loans are given to small enterprises upto a limit of 5 lakh and upto Rs. 25 lakh in respect of units with good track record.

5.11 ROLE NSIC AND SIDBI IN PROVIDING CONCESSIONAL FINANCE TO MES

National Small Industries Corporation (NSIC) will continue to give composite loan upto 25 lakh to micro enterprises, and continue to charge concessional interest rate. It has earmarked 40 per cent of its assistance under different schemes to Micro Enterprises.

SIDBI will continue to give concessional rate of refinance to Micro Enterprises. It has planned to provide 60 per cent of its re-finance to this segment.

Micro Credit Scheme

Eligible borrowers: Societies / trusts / companies / NBFCs / Cooperatives such as mutually aided cooperative Societies etc.

Eligibility norms:

- Investment grade credit rating by CRISIL and MCRIL;
- Minimum existence of at least five years;
- Track record of running a successful micro credit programme at least for the first 3 years;
- New Micro Finance Institutions promoted by experienced microfinance professionals with experience of at least 3 years in micro credit;
- Minimum outreach of 3000 members;
- Minimum loan of Rs.10 lakh;
- Loans for non farm income generating activities including agri-allied activities/consumption;
- Annual/need based repeat assistance;
- Free to adopt credit delivery methodology; and
- Security Term Deposit receipts issued by scheduled commercial banks for an amount equivalent to 10 per cent of the loan amount disbursed from time to time and any other security as may be insisted upon.

Grant Assistance

- Capacity building grants for assisted units in general;
- Operational support: salary and remuneration of field staff traveling costs and allowances for trainees, field staff and other administrative expenses;
- Technical assistance: development of innovative credit delivery techniques, human resource development, MIS development, effective financial and general management, training, efficient monitoring and control systems, provision of business development services, etc.

Empowerment of women owned enterprises

- Under the Credit Guarantee Fund Scheme, 80 per cent of guarantee cover will be provided to micro and small enterprises operated and /or owned by women.
- Under the SICDP/MSECDP financial assistance of up to 90 per cent of the cost subject to ceiling of Rs. 9 crore will be provided for clusters exclusively for micro and small enterprises operated and/or owned by women.
- Associations of women entrepreneurs will be assisted under SICDP/MSECDP in establishing exhibition centres at central places for display and sale of products of women owned micro and small enterprises.
- To encourage entrepreneurship among women 50 per cent concession in fees would be given to women candidates in entrepreneurship/management development programmes conducted by SISIs.
- To facilitate exports by women entrepreneurs the National Small Industries Corporation Ltd (NSIC) will assist them to participate I 25 exhibitions over the period co-terminus with the XI plan.

5.12 MICROFINANCE PROGRAMMES TO PROMOTE ENTREPRENEURSHIP –ROLE OF SIDBI

Realizing the potential of microfinance in promoting, financing and developing small and micro enterprises in India, SIDBI formulated and launched Micro Credit Scheme in 1994. Encouraged with the success of pilot phase of MCS, the Bank launched its new initiative namely SIDBI Foundation for Micro Credit (SFMC) during January 1999 for channelizing the funds for poor. SFMC's mission is to create a national network of strong, viable and sustainable Micro Finance Institutions (MFIs) from the informal and formal sector to provide micro finance services to the poor especially women. SFMC's mandate is to develop, nurture, stabilize and establish the micro finance system in the country not merely by extending financial assistance but also by way of their capacity development.

Support services

Over the years the scope of promotional activities has been enlarged to encompass several new activities. Technology adoption, technology exchange, transfer and upgradation, quality promotion, enlarging marketing capabilities – both domestic and

international entrepreneurship development, management development, environment management, rural industrialization, support to SHGs, information dissemination through publication of project profiles for tiny and hi-tech small industrial units are now covered under the promotional services. In such activities, DIDBI operates in collaboration with voluntary organizations, NGOs, technology firms, consultancy organizations and multilateral / international agencies to enhance the level of overall impact of such activities on the sector.

Economic impact of SIDBI's operations

The visible impact of SIDBI's promotional activities in select clusters of SSIs such as lock, leather, glass, brass and readymade garments are noticeable.

Expansion of Delivery Channels

To reach out to large number of SME clients. SIDBI used 'channel arrangement' to improve its credit delivery reach and took help of reputed NBFCs by resorting to co-branding models, sourcing of business, referral arrangements etc. The Bank also entered into securitization deals with select intermediaries which helped in augmenting the resource base of the intermediaries thus furthering their on-lending to more number of units.

5.13 NABARD

NABARD, the apex Bank in rural credit was set up in 1981 for providing credit for the promotion of agriculture, SSIs, cottage and village industries, handicrafts and other rural crafts and other allied economic activities in rural areas. The National Bank is empowered to provide by way of refinance assistance, long term loans extending upto a maximum period of 25 years including the period of rescheduling of such loans to the State Land Development Banks, RRBs, scheduled commercial banks, state cooperative banks or any other financial institutions approved by RBI for the purpose of making investment loans as well as for giving loans to artisans, SSIs, cottage and village industries.

NABARD aims at developing working skills and managerial traits in prospective entrepreneurs through the network of NGOs. Such promotional schemes include:

- Setting up of training cum production centres to impart training to prospective entrepreneurs in technical and managerial skills, market information quality control and technical skills;
- Grants to NGOs and banks involved in rural entrepreneurship developments to promote project guidance and to disseminate information about legal framework and accounting practices;
- Market oriented training for rural artisans aiming at helping rural artisans understand the composition of market, its references, product development and product diversification;
- Promotion of mother Unit Scheme under which mother units located in urban areas is expected to orient the promotion of decentralized units towards common market options through material, technology and brand (MTB) approach;
- Venture capital finance scheme to support risky but potentially viable rural innovative ventures through creation of Agricultural and Rural Enterprise Incubation Fund (AREIF) with a corpus of 5 crores for refinance, direct incubation assistance and issue of guarantees.
- Support schemes are extended to export oriented rural industries through allocation of separate budget for assisting hi-tech innovative export oriented and agro processing projects in liaison with export houses. Refinance is provided at the enhanced rate of 40 per cent for hi-tech export industries In association with National level Organizations like Export Promotion Councils, Export Associations and formulation of new model projects having export potential like horticulture, animal husbandry, fishery and storage houses are encouraged;
- Promotion of Rural Artisan Guild to facilitate collaboration among a cluster of working artisans so as to enhance the bargaining power in the market.

Exclusive women oriented schemes implemented by NABARD. These are the following:

- Assistance to rural women in Non Farm Development (ARWIND).
- Linking women SHGs with banks under SHG Bank Linkage programmes.

- Assistance to Rural Women for marketing of non farm products of rural women (MAHIMA) provides support to rural women entrepreneurs in marketing their products.
- **District Rural Industries Project (DRIP):** NABARD launched DRIP, an integrated area based credit intensification programme in collaboration with government, banks and other development agencies with focus on district. It is being implemented in 106 districts to promote industries and employment opportunities.
- **Rural Entrepreneurship Development Programme (REDP):** It is a promotional programme supported by NABARD to motivate and train educated unemployed youth to set up their own enterprises.

Check Your Progress Exercise 2

Note: i. Use this space given below to answer the question.

ii. Compare your answer with the one given at the end of this unit

1. What is National Equity Fund?

5.14 MICRO ENTERPRISE DEVELOPMENT PROGRAMME (MEDP)

MEDP was launched by NABARD in 2006. The programme intends to nurture the entrepreneurial talents of members of mature SHGs to set up and run micro enterprises as a livelihood option in farm or non farm sector, either on individual basis or on group basis. Support is extended under this programme to members of such SHGs to enrich their knowledge on enterprise management, business dynamics and rural markets. Nearly 5000 skill upgradation training programmes have been conducted upto 2012 under these initiatives covering nearly 2 lakh members of mature SHGs. Most of the trained SHG members have become promising entrepreneurs by availing loans from their SHGs. West Bengal, Tamil Nadu and Chhattisgarh are the major states where maximum number of SHG members were given skill training.

5.15 MICROFINANCE FACILITIES TO JOINT LIABILITY GROUPS

A JLG is an informal group comprising of 4-5 individuals coming together for the purpose of availing bank loan on individual basis or through group mechanism against mutual guarantee. Generally the members of a JLG would engage in a similar type of economic activity in the agriculture and allied sector. The members would offer a joint undertaking to the bank that enables them to avail loans. JLG members are expected to provide support to each other in carrying out occupational and social activities.

Who can form JLGs?

Bank branches, Business facilitators, NGOs, Farmers clubs, Farmers Associations, Panchayat Raj Institutions, KVKs, State Agricultural Universities, Agricultural Technology Management Agency, PACS, other cooperatives, Government departments, individuals, input dealers and document writers in cooperative banks, and MFIs

NABARD provides 100 per cent refinance assistance to all the banks in respect of their lending to JLGs under investment credit

Members need to save regularly. Banks may open savings account in the name of the JLG / individual members of the JLG to ensure regular savings and thrift habits amongst them. However the quantum of loan to be given to the groups should be related to the credit needs of the enterprise and not to the quantum of savings.

Progress of Joint Liability Groups in India

Cumulative JLGs promoted as on 31 March 2012	3.32 lakhs
Cumulative loan disbursed to JLG as on 31 March 2012	2845.68 crore

Source: NABARD, Status of Microfinance in India, 2011-12

Support for training and capacity Building of Micro Finance clients

NABARD has been continuously imparting training to various partners and stakeholders of SHG Bank Linkage Programme such as bankers, NGOs, government officials, SHG members and trainers.

Grant support to partner agencies for promotion and nurturing of SHGs

Microfinance Development and Equity Fund

The microfinance Development and Equity Fund

5.16 MICROFINANCE

Eligible borrowers

Societies / Trusts / Companies / NBFCs / Cooperatives such as Mutually Aided Cooperative Societies

Eligibility norms

- Investment grade credit rating by CRISIL and MCRIL;
- Minimum existence of at least five years;
- Track record of running a successful micro credit programme at least for the last three years;
- Minimum outreach of 3000 members;
- Minimum loan of Rs.10 lakh;
- Loans for non-farm income generating activities including agri-allied activities/consumption;
- Annual / need based repeat assistance;
- Free to adopt credit delivery methodology;
- Security: Term deposit receipts issued by scheduled commercial banks for an amount equivalent to 10 per cent of the loan amount disbursed from time to time and any other security as may be insisted upon.

Grant Assistance

- Capacity building grants for assisted units in general
- Operational support including salary and remuneration to field staff, traveling cost and allowance for trainees, field staff and other administrative expenses
- Technical assistance – development of innovative credit delivery technique, human resource development, MIS development, effective financial and general management, training, efficient monitoring and control system, provision of Business Development Services etc.

Self Help Groups at the field level is supported by NABARD and by SIDBI at the apex level through refinancing. NABARD set up Microfinance and Equity Fund (MFDEF) in 2000 while SIDBI set up SIDBO Foundation for Micro Credit (SFMC) in 1999.

The SHG approach with microfinance was made available with commercial banks through NGOs and Self Help Promoting Institutions

The following Table 2 presents the organizational contacts at district level for promotion of self employment programmes

Table 1 Major self employment programmes and District level contact organizations

Programme	District level organization
PMRY (Prime Minister Rozgar Yojana)	District Industrial Centre (DIC)
REGP-Rural Employment Generation Programme	Khadi and village Industries Commission (KVIC/KVIB)
SGSY (Swarna Jayanthi Gram Swarozgar Yojana)	District Rural Development Agency (DRDA)
SGSRY (Swarna Jayanthi Sahahari Rozgar Yojana)	Municipality, Municipal corporation, District Urban Development Agency (DUDA)
Rajiv Yuva Shakt – Empowerment of youth exclusively in Andhra Pradesh by state government	District Youth Welfare office
Schemes of public sector banks, financial institutions and other specialized institutions like Women Development Corporation, Social Welfare Board, Renewable energy development Corporation, weaker section Corporations (SC,BC,ST, minority corporations) etc	Respective organizations at the district level

In the implementation of these programmes the field level agency of the respective organizations undertakes the promotional tasks, provides subsidy / margin

money towards the equity of the project, to supplement the contribution expected from the entrepreneur. Commercial banks / Grameen banks / Cooperative banks provide loan and Apex developmental banks – NABARD and SIDBI – provide refinancing support to primary lending institutions and also participate in capacity building of personnel of institutions and entrepreneurs through Non Governmental organizations and other institutions. Development organizations provide training of entrepreneurs and creation of infrastructure facilities to groups of entrepreneurs as part of the implementation of the scheme. The task is implemented through various agencies including NGOs at the field level.

5.17 SELF EMPLOYMENT PROGRAMMES

Self employment Programmes in the country offer tremendous opportunities to people to set up small enterprises in various areas of the industry, service, business and agro related activities. Essentially non-farm sector opportunities can be considered by prospective entrepreneurs for setting up enterprises of various investment ranges. Apart from Union Ministries of Small Scale Industries, Agro and Rural Industries, Textiles and Communications and Information Technology and Department of Food Processing Industries a number of other ministries of the Government of India and their specialized institutions at national and state levels have been making their contribution for promotion of such enterprises and diversification of the occupational base in rural and urban areas. Banks and Development Financial Institutions with the over all support from SIDBI and NABARD have been involved in a big way in encouraging individual entrepreneurs and groups of entrepreneurs or registered institutions and NGOs to take up this role.

Union Ministries of Rural Development and Housing, Urban Employment and Poverty Alleviation have been engaged in non farm sector development by supporting economically weaker sections in particular under various self employment programmes such as SGSY, SJSRY. Union Ministries of Social Welfare and Women and Child Development are implementing programmes for women. Weaker section low income women are also covered under programmes of various ministries. Two self employment schemes under the Ministry of Agro and Rural Industries are PMRY coordinated by the

Development Commissioner (Small Industries) and REGP coordinated by Khadi and Village Industries Commission (KVIC)

Rural Employment Generation Programme: Under the Rural Employment Generation Programme of Khadi and Village Industries Commission the following categories of persons and institutions can promote village industries

- Individual entrepreneurs
- Self Help Groups
- Cooperative societies, trusts, and public limited companies of state/central Government
- institutions

At the field level, officials of KVIB are the contact persons under the over all guidance and coordination of state level KVIC and BVIB

Industries can take up projects by investing upto Rs.10 lakh. Institutions / cooperative societies/trusts can take up projects by investing upto Rs.25 lakh. By adopting project approach, credit is made available by scheduled commercial banks to enterprises for which 25 per cent of the project outlay would be the tail-end grant that can be given by KVIC after observing satisfactory performance of the enterprise. In respect of advances above Rs.10 lakh, margin money given by KVIC routed through KVIB is at 25 per cent of project outlay upto 10 lakh and at 10 per cent for the balance amount. For weaker sections and in hill, border and tribal areas, and other designated backward areas such as North East, Andaman and Nicobar islands and Lakshadweep, margin money from KVIC / KVIB is 30 per cent of project outlay upto Rs.10 lakh and above this amount upto Rs.25 lakh, it is 10 per cent of the remaining amount. Once the margin money is released in favour of the loanee, it is kept in the term deposit receipt of the two years at the branch level in the name of the beneficiary/institution. No interest is paid for TDR and no interest is charged on loan to the corresponding amount of TDR.

Project outlay includes one cycle of working capital. Promoter's contribution needed is 10 per cent of the total outlay for general category and 5 per cent in case of other categories. Banks initially sanction 90 per cent of the project outlay in case of general category and 95 per cent of the project outlay in respect of others and disburse the amount needed for setting up the project within the permissible limit. Margin money is

from KVIC as one time assistance. Banks make the techno economic appraisal of projects and take decision on the amount of loan to be sanctioned based on the viability of each project.

KVI institutions/NGOs at the field level undertake the responsibility for planning and counseling entrepreneurs. They have a significant role to play in supplementing a bank's efforts in monitoring and supervision of advances as well as in the recovery of loans. A rural industrial consultancy service has been established in KVI institutions and through reputed NGOs, technical institutions and chartered accountant firms. Market support is extended to REGP enterprises through KVI network of sales outlets and voluntary organizations.

5.18 PRIME MINISTER'S ROZGAR YOJANA (PMRY)

Under the PMRY of the Union Ministry of Agro and Rural Industries, self employment ventures are promoted in rural and urban areas by educated unemployment youth. At the field level, District Industrial Centre (DIC) operates the scheme. The venture can be promoted in industry, service, business or agro related industries. Project outlay can go up to 2 lakh for activities other than industry and Rs.5 lakh for industrial enterprises. Subsidy component is at 15 per cent of project outlay subject to a maximum of Rs.15000 in North eastern states and Rs.12500 in the rest of the country.

Self Help Groups are also eligible for PMRY assistance. There is no upper limit on the loan sanctioned for SHGs. There is no upper limit on the loan sanctioned for SHGs. SHGs may undertake common economic activity for which loan sanctioned based on project approach without resorting to onward lending to its members. An SHG may consist of 5-20 educated unemployed youth fulfilling the eligibility criteria of PMRY. Subsidy may be provided to the SHG as the eligibility of individual members subject to a maximum of Rs. 15000 per person in the North East and Rs.12500 in the rest of the country with over all maximum of Rs.1.25 lakh per SHG. Required margin money contribution should be mobilized by the SHG members collectively. Subsidy and margin money to be brought by the promoters should be equal to 20 per cent of project outlay.

5.19 SWARNJAYANTHI GRAM SWAROZGAR YOJANA (SGSY)

SGSY of the Union Ministry of Rural Development was launched in 1999 covering aspects sustainable self employment in rural areas. It envisaged organization of poor with preference for Self Help Groups of women in particular and capacity building through SHGs, training, credit cum subsidy, technology, infrastructure and marketing intervention. At the field level DRDA operated the scheme Training and Technology Development Centre (TTDC) is established under the umbrella of DRDA for organizing training activities and counseling services. Group approach was adopted for implementing the scheme. A one time subsidy was given at 30 per cent of project outlay upto a maximum of Rs.7500; for SCs/STs at 50 % of the project outlay up to a maximum of rs.1.25 lakh. Subsidy was back ended. Under SGSY Revolving Fund of Rs.65000 with Rs.10000 subsidy and Economic Assistance for entrepreneurial activity based on project approach was implemented. At present SGSY has been replaced by NRLM.

Mission Structure

The NRLM will have 3-tier inter dependent structure. At the apex level will be NRLM under the Ministry of Rural Development, Government of India. At the state level there will be an umbrella organization under the State Department of Rural Development which is responsible for implementing self employment of rural livelihoods promotion programmes. At the district level a dedicated unit linked to DRDA will be set up by all the states. District level unit is headed by Programme Director DRDA. He is assisted by a team of functional specialists in the fields of social mobilization/institution, microfinance, livelihoods and marketing. The three tier structure of Livelihood Mission is closely interlinked.

The funds to DRDA will be transferred to meet the expenditure on subsidy to SHGs, infrastructure and marketing, corpus of federation, interest subsidy, training and capacity building of all stakeholders and engagement of NGO facilitators.

Promotion of the institutions of the poor

Strong institutions of the poor such as SHGs and their village level and higher level federations are necessary to provide space, voice and resources for the poor and for reducing their dependence on external agencies. They also empower them and act as instruments of knowledge and technology dissemination and hubs of production,

collectivization and commerce. In addition, NRLM would promote specialized institutions like Livelihood collectives, producer's cooperatives / companies for livelihood promotion through deriving economies of scale, backward and forward linkages and access to information, credit, technology, markets etc. The livelihood collectives would enable the poor to optimize their limited resources.

Revolving fund and capital subsidy

As a corpus to SHG, Revolving Fund (RF) will be given with a minimum of Rs.10,000 to a maximum of Rs.15,000 per SHG. This is given to all SHGs that have not received RF earlier. SHGs with more than 70 per cent BPL members are eligible for RF.

Capital subsidy ceiling is applicable both for members of SHGs and individual beneficiaries @ Rs.15000 per general category and Rs.20,000 per SC/ST and differently-abled category. The maximum amount of subsidy that an SHG is eligible for is Rs.2.50 lakh. Only BPL members are eligible for individual subsidy and only those SHGs with more than 70 per cent BPL members are eligible for subsidy. Capital subsidy fund would be given directly to the SHGs or would be routed through the federations wherever the SHGs desire such an arrangement.

Infrastructure creation and marketing support

NRLM would also provide marketing support to the institutions of the poor. The range of activities in marketing support includes market research, market intelligence, technology extension, developing backward and forward linkages and support for business plans. NRLM would encourage and support partnership with public and private organizations and their network/associations for these activities particularly for market linkages; 20 per cent of the state's programme outlay (25 per cent in the case on North Eastern States and Sikkim) is reserved for this purpose.

Capacity Building

Provision of sustained capacity building and training of the SHG and other Federation through using multi pronged approach involving the following:

- Optimum use of the existing infrastructure facilities available at the district as well as the block levels such as polytechnics, KVKs, Jan Shikshans (JSSs), KVIB,

- SIRD, Extension Training Centres and other departmental facilities available in the area.
- Setting up of dedicated training institutes to rural poor i.e 500 Rural Self Employment Training Institutes (RSETIs) in each district of the country through replication of successful RUDSETI model NRLM encourages public sector banks to set up RSETIs and banks are completely involved in selection, training and post training follow-up stages.
 - Dedicated structure for training and capacity building at the district and state level involving professionals as envisaged under the NRLM.
 - Public Private Partnership with NGOs, VOs etc.
 - Training large number of trainers who would further train people down below. This would lead to cascading effect and benefit the rural poor right at the lowest level.
 - Creating a cadre of service providers, Community Service Persons (CSPs) and Master Craftsmen and utilizing their services for training of SHG beneficiaries.
 - Provision of pro poor financial services including provision of interest subsidy for ensuring that NRLM beneficiaries can get loans from commercial banks at the rate of interest at which farmers are getting agricultural loans at 6 per cent rate of interest.
 - Marketing and infrastructural support.
 - Promotion of convergence with programmes of different Ministries in order to achieve synergy and maximizing livelihood opportunities for rural BPL by dovetailing of funds for focused application. To mitigate the risk factors in the case of life, assets, health etc., the required convergence will be put in place with

respective programmes such as Aam Admi Bima Yojana, Rashtriya Swasthya Bima Yojana etc.

- Sensitive support organizational structure will be created at the district and sub-district levels which will catalyze social mobilization, institution building, capacity building and skill development and placement access to pro-poor financial services, infrastructure and manufacturing support for promotion of micro-enterprises, risk mitigation activities.
- Support for up-scaling, skill development, placement and innovative projects to diversify and provide elastic sources of income to rural youth using the services of national and state-level institutions and NGOs and Corporations.
- Institutions of demand-driven approach for allocation of funds among various components of the programme on the basis of specific and time-bound state action plans.
- Transparent systems such as social auditing and concurrent evaluation as well as comprehensive MIS have to be instituted.
- NRLM would pursue skill upgradation and placement projects through partnership mode as it is one of the best investments in youth. For strengthening this, a strong relationship would be developed with industry associations and sector-specific employers associations. National Skill Development Corporation (NSDC) would be one of the leading partners in this effort and 15 per cent of the central allocation under NRLM is earmarked for this purpose.

Thus NRLM will have a multi-pronged approach to strengthen the livelihoods of the poor by promoting SHGs, improving the existing occupations, providing skill development and placement and other activities thereof. The periodic interaction of the Mission with Public Sector banks and other financial institutions will enhance the reach of the rural poor.

5.20 SHGS BANK LINKAGE SCHEMES

SHG Bank linkage programme implemented in all states provide micro credit under various models for promotion of micro enterprises.

Objectives of SHGs Bank linkage Schemes

- To evolve supplementary credit strategy for meeting the credit needs of the poor by combining flexibility, sensitivity and responsiveness of the informal credit system with the strength of technical found administrative capabilities and financial recourses of the formal credit institutions.
- To build mutual trust and confidence between the bankers and rural poor.
- To encourage banking activity both on the thrift as wells credit side .

Credit Linkage Models

- Model I – (Direct Model) SHGs Formed and financed by Banks
-
- Model II – (Indirect Model, NGO Acting as Social Intermediary)
SHGs formed by NGOs or other agencies but financed by Banks
- Model III – (Indirect Model NGO acting as Financial Intermediary)

Based on the following broad parameters the advantages and limitations of the three SHG- Bank linkage models are presented:

Table 2 SHG – Bank linkage Model – Advantages and Limitations

Models	Advantages	Limitations
Model I	Exposes bankers to social realities first hand Possible solution where NGOs are not present	Wide scale application may not be feasible because of other priorities of bankers
Model II	Each partner institution plays a role best suited to it. NGOs organize the poor into SHGs and SHGs manage small group finance in their own interest. Banks lend The whole system is localized SHGs and local NGOs learn to deal	In spite of their wider acceptability of the model, majority of the bankers are yet to be sensitized and do not view it as banking mandate In many places, it is still difficult to open a savings account Absence of NGOs in many areas.

	with an accessible bank branch and vice versa	
Model III	It further reduces the transaction cost and risk cost of the bank as the banks lend a larger sums to an NGO which guarantees Easier for the poor to deal with an institution which they know and trust Easy to be adopted by stakeholders	NGOs are not traditionally equipped to work as financial intermediaries Calls for substantial investment in capacity building of NGOs Wide scale adoption not possible

Model II has emerged as the most popular model under the SBLP programme. Commercial banks and the RRBs have been actively participating in the SBLP

5.21 SCHEMES FOR THE DEVELOPMENT AND PROMOTION OF WOMEN ENTREPRENEURS

According to the Third All India Census of Small Scale Industries conducted in 2001-02 and subsequent estimates made, only 10.11 % of the Micro and Small Enterprises in India were owned by women while 9.46 % of the MSE enterprises are managed by women. As per the latest available estimates (SIDBI 2012), the number of women owned and women managed enterprises is 12.99 lakh and 12.15 lakh respectively.

In order to encourage more and more women enterprises in the MSE sector, several schemes have been formulated by this Ministry.

Trade Related Entrepreneurship Assistance and Development scheme for Women (TREAD)

With a view to encourage women in setting up their own ventures, government launched a scheme namely Trade Related Entrepreneurship Assistance and Development during the 11th plan. The scheme envisaged economic empowerment of women through the development of their entrepreneurial skills in non farm sector. There are three major components of the scheme.

- GOI grant upto 30% of the total project cost to the NGOs for promoting entrepreneurship among women. The remaining 70% of the project cost is financed by the lending agency as loan for undertaking activities as envisaged in the project.
- GOI grant upto Rs.1 lakh per programme for training institutions/NGOs for imparting training to the women entrepreneurs.

- Need based GOI grants upto Rs.5 lakh to National Entrepreneurship Development Institutions and any other institutions of repute for undertaking field surveys , research studies, evaluation studies, designing training module etc.

Operationalisation of the scheme

The scheme envisages that women Associations/NGOs/SHGs should prepare composite bankable proposals for a group of women entrepreneurs and submitted to the bank which are signatories to participate in the scheme namely Syndicate Bank, State Bank of India, Canara Bank and Allahabad Bank. Bank examines the proposal considered by MSME and 30% of the loan amount is sanctioned as grant and made available to the bank.

Micro & Small Enterprises Cluster Development Programme (MSE-CDP)

Existing clusters

A cluster is defined as a group of enterprises normally 20 or more producing same / similar products / services. The Cluster Development Programme being implemented envisages diagnostic study of identified clusters of traditional skill based MSEs to identify appropriate technologies and their providers and to facilitate adoption of available technology meeting the specific needs of the end users. The cluster development aims at enhanced competitiveness, technology improvement, adoption of best manufacturing practices, marketing of products, employment generation etc. The scheme provides assistance for capacity building, common facilities, marketing etc., the delivery, assimilation and diffusion of the identified technology from its producers to the recipients' user /cluster of small enterprises.

Type of interventions

- **Soft interventions**

Capacity Building activities in the cluster where no fixed assets is acquired or formed. Soft interventions include diagnostic study; forming associations-Trust building & developing identity; capacity building; organizing workshops and seminars; training & exposure visits; launch the websites; common procurement and common /complementary sales and branding.

In the past depending upon the type of cluster assistance available for soft interventions varied in the range of Rs.25-35 lakh per cluster. Currently there is internal ceiling of Rs.10 lakh for soft intervention under the scheme. Clusters of women's enterprises are entitled up to 90% assistance for soft interventions.

Hard interventions

These are 'tangible assets' like setting up of common facility centres(CFCs), Mini tool rooms, design centres, testing facilities, training centres, R&D centres and common draw material Bank /sales depot etc.

The common Facility Centre is entitled to the highest level of assistance from the MSME Ministry i.e up to 90% of the project cost. This covers the cost of machinery, plant, equipment and other tangible assets. The balance 10% of the project cost would have to be contributed by the state government or the Local government. But land and building are not covered under this project cost' and will have to be provided by the SPV s of the women's enterprises clusters or by the state government.

Infrastructure Assistance

Infrastructure assistance includes the construction of basic amenities like power, approach roads, drainage, water supply and storage. MSME Ministry's assistance for this component is presently limited to 40% of the total cost. Only one element of Infrastructure Assistance i.e Display or Exhibition Centres are entitled to a higher level of assistance in so far as women's clusters are concerned i.e 90 %. This Display/Exhibition centre could be built by the women's clusters, within the cluster or near the cluster or even in adjoining markets of Towns – as long as they exhibit and market the products manufactured by the women's clusters.

Creation of physical infrastructure

The Ministry implemented the IID scheme to provide developed sites with infrastructural facilities like power distribution network, water, telecommunications, drainage and pollution control facilities, roads, exhibitions/display centres, raw materials, storage and marketing outlets, common service facilities and technological back up services etc.

To create physical infrastructure exclusively for women enterprises central grant of 40% of the project cost subject to a maximum of 2 crore is available. The Ministry of MSME is making efforts to enhance the quantum of grant to 80% in a project of Rs.10 crore.

Credit Guarantee Fund Scheme

The Government introduced the Credit Guarantee Fund Scheme for small industries with the objective of making available credit to SSI units, particularly tiny units for loans upto Rs.25 lakh without collateral/ third party guarantees. The scheme is being operated by the Credit Guarantee Fund Trust for Small industries set up jointly by the Government of India and SIDBI. The scheme provides collateral free credit facility (term loan and or working capital) extended by eligible lending institutions to existing and new SSI units / Small Scale Service and Business (industry related) enterprises including information technology and software industry upto 25 lakh per borrowing unit. In the case of women enterprises the guarantee cover is up to 80 % of the credit subject to maximum guarantee limit of Rs.20 lakh.

5.22 SUPPORT FOR ENTREPRENEURIAL AND MANAGERIAL DEVELOPMENT

MSME DIs regularly conducts EDPs /MDPs for existing and prospective entrepreneurs and charge fee for such courses. To encourage more entrepreneurs from among the SC/ST, women and physically challenged groups, it is proposed that such beneficiaries will not be charged any fee but instead paid a stipend of Rs.500 per capita per month. Fifty thousand entrepreneurs will be trained in IT, fashion technology, agro& food processing, pharmaceutical, bio technology. Catering, etc through specialized courses run by MSME DIs. Twenty percent of the courses conducted by these institutions shall be exclusively for women.

Exhibitions for women under Promotional Package for Micro & Small enterprises approved by CCEA under marketing support

DC (MSME) formulated a scheme for women entrepreneurs to encourage small & micro manufacturing units owned by women in their efforts at tapping and developing overseas market, to increase participation of representatives of small/micro manufacturing enterprises under SIDO stall at international Trade Fairs / Exhibitions to enhance export from such units. Under this scheme participation of women entrepreneurs in 25 international exhibitions was envisaged during 11th Plan. With a view to encourage women entrepreneurs to participate in the International Exhibition it has been decided to

- Provide rents free space in the exhibitions
- Reimburse 100% economy class air fare for one representative
- Reimburse shipping cost upto Rs.15000

Check Your Progress Exercise 3

- Note:** i. Use this space given below to answer the question.
- ii. Compare your answer with the one given at the end of this unit
1. Write the name of the any two schemes for the promotion women entrepreneurs in India

5.23 SUMMING UP

There are various funding options available for Women Entrepreneur. In this Unit, the author not only discussed the activities and the available funding sources of various financial institutions, banks and government intuitions, The Unit writer also discussed the Women specific schemes operated by these institutions. Learner will get to know the different institutions at National as well as State Level. Apart from these institutions, the government is operating specific schemes for women entrepreneurs of self help groups. The Schemes implemented by the Central government through the District Rural Development Agencies (DRDA) for SHGs is also discussed in this Unit. Learner may check the Course MGSE-020 for detailed discussion on banking and financial institutions.

5.24 GLOSSARY

Collateral: In lending agreements, collateral is a borrower's pledge of specific property to a lender, to secure repayment of a loan. The collateral serves as protection for a lender against a borrower's default - that is, any borrower failing to pay the principal and interest under the terms of a loan obligation. If a borrower does default on a loan (due to insolvency or other event), that borrower forfeits (gives up) the property pledged as collateral—and the lender then becomes the owner of the collateral.

5.25 ANSWERS TO CHECK YOUR PROGRESS EXERCISE

Check Your Progress Exercise 1

1. Small Industries Development Organization (SIDO) is the nerve centre of the small industry development programme in the country. SIDO through its network of Small Industries Service Institutes (SISIs) provides consultancy and training services in marketing management. The Ancillary Development Division of SIDO functions as a model agency at the central level to promote ancillary industries in order to help small scale industries in marketing their products. The Small Industry Service Institutes maintain constant liaison with various ministries at the Central and State levels, Bureau of Public Enterprises, public sector enterprises and large private sector undertakings through a number of promotional programmes like state level ancillary exhibition, national seminars, and buyers and sellers meet for promotion of ancillary industries in the country.

Check Your Progress Exercise 2

1. National Equity Fund--The soft loan scheme provides equity assistance to micro small enterprises with project outlay not exceeding Rs.50 lakh regardless of location. The scope of the scheme has been enlarged to cover expansion, modernization; technology upgradation and diversification in case of existing enterprises with project outlay not exceeding Rs.50 lakhs. Soft loan assistance under the scheme is 25 per cent of the project outlay subject to a maximum of Rs.10 lakh per project. This carries a nominal service charge of 5 per cent per annum. This assistance is to bridge the gap in the prescribed minimum promoter's contribution, and / or equity. Thirty percent investment under NEF is earmarked for micro sector enterprises. The scheme aims at expanding the entrepreneur base, in strengthening micro sector enterprises whose investment limit in plant and machinery goes upto Rs.25 lakh.

Check Your Progress Exercise 3

1. Trade Related Entrepreneurship Assistance and Development scheme for Women (TREAD and Credit Guarantee Fund Scheme).

5.26 REFERENCES AND SUGGESTED READINGS

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5.27 QUESTIONS FOR REFLECTION AND PRACTICE

1. List the various agencies providing long term finance to entrepreneurs
2. What are the women specific schemes of NABARD?
3. State the objectives of SFMC