

## **MODULE 5 -II**

Institutional Support for Entrepreneurs: Role of institutions in entrepreneurship development, National Small Industries Corporation (NSIC), Small Industries Development Organization (SIDO), District Industries Centres (DICs), State Industrial Development Corporations (SIDCs) Financing of Enterprises: Sources of finance for startups and SMEs, Role of banks and financial institutions, Venture capital financing: concept, process, and major players, Government incentives, subsidies, and schemes

### **Role of Institutions in Entrepreneurship Development**

#### **National Small Industries Corporation (NSIC)**

##### **Introduction**

Entrepreneurship development is important for economic growth, employment generation, industrial development, and innovation. Various institutions in India support entrepreneurs by providing finance, training, marketing assistance, technology, and infrastructure.

One of the major institutions supporting small-scale industries and entrepreneurs is the **National Small Industries Corporation (NSIC)**.

- **Objectives of NSIC**
- Promote growth of small-scale industries
- Support entrepreneurship development
- Provide marketing assistance to MSMEs
- Improve competitiveness of small enterprises
- Provide technological and financial support
- Help MSMEs participate in government procurement
- Encourage export promotion

##### **Role of NSIC in Entrepreneurship Development**

- **1. Financial Assistance**
- NSIC helps entrepreneurs obtain finance for their businesses.
- **Services**
- Bank credit facilitation
- Subsidy support
- Assistance for raw material purchase
- **Importance**
- Reduces financial burden
- Helps new entrepreneurs start businesses

##### **2. Raw Material Assistance**

- NSIC supplies raw materials to small industries.

- **Materials Provided**

- Steel
- Aluminum
- Copper
- Coal

- **Benefits**

- Easy availability of quality materials
- Bulk purchase advantage
- Lower cost

### **3. Marketing Assistance**

- NSIC helps small businesses market their products.

- **Activities**

- Organizing exhibitions and trade fairs
- Buyer-seller meets
- Government purchase programs
- Digital marketing support

- **Benefits**

- Improves market access
- Increases sales opportunities

- **. Single Point Registration Scheme (SPRS)**

- NSIC registers MSMEs under the Government Purchase Program.

- **Advantages**

- Free tender documents
- Exemption from earnest money deposit (EMD)
- Preference in government purchases

- **Importance**

- Helps small businesses participate in government tenders.

### **5. Technology Support and Training**

- NSIC provides technical training and skill development.

- **Training Areas**

- Entrepreneurship development

- Computer training
- Machine operation
- Digital skills
- **Technical Centres**
- NSIC operates technical centers across India.
- **Benefits**
- Improves technical knowledge
- Enhances employability and productivity

### **Small Industries Development Organisation (SIDO)**

Small Industries Development Organisation (SIDO), which is a government agency in India aimed at promoting the growth and development of small-scale industries. Here are the objectives, functions, features, and role of SIDO:

#### **Objectives:**

- To promote the growth, development, and sustainability of small-scale industries in India. This is achieved through various support measures and initiatives.
- To foster a culture of entrepreneurship by providing training, skill development, and guidance to potential entrepreneurs to start and run their own small businesses.
- To contribute employment generation, particularly in rural and less developed areas, thereby helping to alleviate unemployment and poverty.
- To ensure that industrial development is spread evenly across different regions of the country, reducing regional disparities and promoting inclusive growth.
- To collect data on consumer item which are imported and encourage the setting up of new units by giving them assistance.
- To assess the requirement of indigenous and imported raw materials and components for the small-scale sector and to arrange their supplies.
- To prepare model schemes, project reports and other technical literature for entrepreneur.

#### **Functions:**

- **Technical Assistance:** SIDO provides technical assistance to small-scale industries by facilitating access to modern technology, process innovation, and quality improvement.
- **Financial Support:** SIDO helps small enterprises access various government schemes, subsidies, and financial institutions to secure funding for their projects and expansion.

- **Training and Skill Development:** SIDO conducts training programs, workshops, and skill development initiatives to enhance the entrepreneurial and managerial capabilities of small business owners.
- **Market Promotion:** SIDO assists small industries in identifying market opportunities, both domestically and internationally, and offers guidance on marketing strategies and market research.
- **Infrastructure Development:** SIDO contributes to the creation and improvement of infrastructure such as industrial estates, common facilities centres, testing laboratories, and technology incubation centres.
- **Policy Implementation:** SIDO implements government policies, programs, and initiatives related to the development of small industries, ensuring that these policies are effectively executed at the grassroots level.

#### **Features:**

- **Government Authority:** SIDO is a government organization in India that works under the Ministry of Micro, Small, and Medium Enterprises (MSME).
- **National and Regional Focus:** While SIDO is a national organization, it also includes regional offices to deal with specific needs and issues of various states and sectors.
- **Holistic Support:** SIDO offers a wide range of support services to small industries, including technical, financial, and training assistance to ensure their overall growth and sustainability.
- **Collaboration:** SIDO collaborates with other government agencies, financial institutions, industry associations, and international organizations to effectively promote and develop small industries.

#### **Role:**

- The role of SIDO is to act as a catalyst for the growth of small industries by providing comprehensive support, guidance, and resources. It serves as a bridge between government policies and small business owners, facilitating their access to various forms of assistance.

required for their development. Policy making, coordinating, and monitoring agency for the development of small-scale entrepreneurs.

- Maintains a close relationship with government, financial institutions and other agencies which are involved in the promotion and development of small-scale units.
- Provides wide range of consultancy services, technical, managerial, economic, and marketing assistance to SSI units.
- In summary, the Small Industries Development Organisation (SIDO) plays a crucial role in promoting the growth and development of small-scale industries in India. It offers a range of services to enhance entrepreneurship, employment generation, and balanced regional development while aligning with government policies and initiatives.

## **District Industries Centres (DICs)**

District Industries Centres (DICs) are government agencies in each district of India that support the development of small, village, and cottage industries by providing a single window for various services. They help entrepreneurs by offering services like registration, financial aid, technical assistance, marketing support, and training programmes for micro, small, and medium enterprises (MSMEs).

### **Functions of DICs**

District Industries Centres (DICs) function as a single-window agency for micro, small, and medium enterprises (MSMEs) by providing various support services as follows:

- **Entrepreneurship Development:**

Organising training programmes, motivation camps, and workshops to nurture new entrepreneurs and provide them with skills for self-employment.

- **Project Guidance:**

Helping entrepreneurs in identifying potential projects, preparing project reports, and understanding market forecasts and investment advice.

- **Financial Assistance:**

Acting as a liaison between entrepreneurs and financial institutions to facilitate loan approvals, credit, and the implementation of schemes like the Prime Minister's Employment Generation Programme (PMEGP).

- **Registration and Compliance:**

Assisting in the registration of MSMEs and helps units obtain various licenses and certificates, including production and capacity certificates.

- **Technical and Resource Support:**

Providing technical guidance, information on machinery sourcing, and assistance with raw material procurement and quality control.

- **Marketing and Promotion:**

Conducting market surveys, provides market intelligence, and supports marketing efforts through initiatives like exhibitions and buyer-seller meetings.

- **Scheme Implementation:**

Implementing central and state government schemes and subsidy programmes designed to support industrial development and specific categories of entrepreneurs.

- **Infrastructure and Industrial Development:**

Aiding in the development of local industrial infrastructure and helps identify resources and suitable locations for small industries.

### **Role of District Industries Centres (DICs)**

District Industries Centres The main objectives of DICs include the following:

- Facilitate entrepreneurial capacity building for small and rural industries at the district level
- Identify new entrepreneurs and provide assistance for their startup's growth
- Offer financial assistance and support to smaller enterprises
- Promote industrialisation at the district level
- Help reduce the regional imbalance in the development of industries
- Offer support at the pre- and post-investment level

### **Eligibility Criteria to Apply Under the District Industries Centres (DICs)**

Here are the basic eligibility criteria to get a loan from DIC:

- The applicant's age must be over 18 years
- The applicant must at least have cleared the eighth-grade
- The value of the enterprise must not exceed ₹10 Lakhs in case of manufacturing companies and ₹5 Lakhs in case of commercial or product sector

## **State Industrial Development Corporations (SIDCs) Financing of Enterprises:**

### **Introduction**

State Industrial Development Corporations (SIDCs) are government-owned financial institutions established by various state governments in India to promote industrial growth and economic development. Their primary objective is to support entrepreneurs, startups, Small and Medium Enterprises (SMEs), and large-scale industries by providing financial assistance, infrastructure, and technical guidance. SIDCs play a vital role in industrialization, employment generation, and regional development.

## **Financing of Enterprises**

Enterprise financing refers to the process of obtaining funds required to start, operate, expand, and modernize business activities. Adequate finance is essential for purchasing machinery, hiring employees, marketing products, and managing daily operations.

SIDCs help enterprises obtain financial resources through various schemes and support mechanisms.

### **Sources of Finance for Startups and SMEs**

Startups and SMEs require funds at different stages of their business lifecycle. The major sources of finance include:

#### **1. Personal Savings**

Entrepreneurs often use their own savings to start a business. It is the simplest and most readily available source of finance.

##### **Advantages:**

- No repayment obligation.
- Full control over the business.
- No interest cost.

#### **2. Family and Friends**

Many startups obtain initial capital from family members and friends who trust the entrepreneur's business idea.

##### **Advantages:**

- Easy access to funds.
- Flexible repayment terms.
- Minimal documentation

#### **3. Bank Loans**

Commercial banks provide short-term, medium-term, and long-term loans for business purposes.

##### **Types of Bank Finance:**

- Working Capital Loans
- Term Loans



- Cash Credit Facilities
- Overdraft Facilities

**Benefits:**

- Large funding availability.
- Competitive interest rates.
- Structured repayment schedules.

#### **4. Venture Capital**

Venture capital firms invest in innovative startups with high growth potential in exchange for equity ownership.

**Features:**

- Suitable for technology-based startups.
- Provides managerial expertise.
- Encourages innovation and expansion.

#### **5. Angel Investors**

Angel investors are wealthy individuals who provide financial support to startups during the early stages.

**Benefits:**

- Quick funding.
- Business mentorship.
- Networking opportunities.

#### **6. Government Schemes**

The Government of India offers various financial assistance programs for startups and SMEs.

**Important Schemes:**

- Startup India
- Stand-Up India
- PMEGP (Prime Minister Employment Generation Programme)

- MUDRA Loans
- Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)

**Advantages:**

- Subsidized interest rates.
- Collateral-free loans.
- Financial incentives and grants.

## **7. SIDC Assistance**

State Industrial Development Corporations provide financial support through:

- Term loans
- Seed capital assistance
- Equity participation
- Project financing
- Infrastructure support
- Industrial estate development

## **8. Crowdfunding**

Crowdfunding allows entrepreneurs to raise money from a large number of people through online platforms.

**Benefits:**

- Easy access to investors.
- Market validation of business ideas.
- No heavy borrowing burden.

## **Role of SIDCs in Financing Enterprises**

SIDCs play a crucial role in supporting industrial development and entrepreneurship.

### **1. Providing Financial Assistance**

SIDCs offer loans and financial support to new and existing industries for:

- Plant and machinery purchase
- Expansion projects
- Modernization activities
- Technology upgrades

## **2. Promoting Small and Medium Enterprises**

SIDCs encourage SMEs by:

- Offering concessional loans.
- Providing financial counseling.
- Supporting entrepreneurship development.

## **3. Infrastructure Development**

SIDCs establish:

- Industrial estates
- Industrial parks
- Special Economic Zones (SEZs)

These facilities reduce startup costs and encourage industrial growth.

## **4. Equity Participation**

SIDCs may invest directly in enterprises by purchasing shares, thereby strengthening the company's capital base.

## **5. Employment Generation**

By supporting industries, SIDCs help create employment opportunities and improve the economic condition of the state.

## **6. Balanced Regional Development**

SIDCs encourage industries to establish operations in backward and underdeveloped regions by providing incentives and financial assistance.

## **Role of Banks and Financial Institutions**

Banks and financial institutions are essential for enterprise growth and economic development.

### **1. Providing Credit Facilities**

Banks provide various forms of credit to businesses, including:

- Business loans
- Working capital finance
- Equipment finance
- Export finance

### **2. Supporting Startups and SMEs**

Banks offer specialized schemes for:

- Startup financing
- MSME loans
- Women entrepreneurs
- Rural enterprises

### **3. Financial Advisory Services**

Banks assist businesses in:

- Investment planning
- Risk management
- Financial management
- Business expansion decisions

### **4. Encouraging Economic Growth**

Financial institutions mobilize savings and channel them into productive investments, contributing to industrial and economic development.

## **5. Risk Sharing and Credit Guarantee**

Institutions such as SIDBI and CGTMSE provide guarantees that help SMEs obtain loans without substantial collateral.

## **6. Promoting Innovation**

Financial institutions support innovative business ideas by funding research, development, and technology-based startups.

## **Conclusion**

State Industrial Development Corporations (SIDCs) play a significant role in promoting industrial growth by providing financial assistance, infrastructure, and entrepreneurial support. Startups and SMEs can access funds through personal savings, banks, venture capitalists, angel investors, government schemes, and SIDCs. Banks and financial institutions further strengthen the business ecosystem by offering credit facilities, financial guidance, and risk-sharing mechanisms. Together, SIDCs, banks, and financial institutions contribute to entrepreneurship development, employment generation, and overall economic progress.

## **Venture Capital Financing: Concept, Process, Major Players, Government Incentives, Subsidies, and Schemes**

### **Introduction**

Venture Capital (VC) financing is a form of private equity financing provided to startups and emerging businesses that have high growth potential but may lack access to traditional sources of funding. Venture capitalists invest funds in exchange for equity (ownership) in the company. Besides financial support, they also provide strategic guidance, industry expertise, and business networks to help startups succeed.

Venture capital plays a significant role in promoting innovation, entrepreneurship, job creation, and economic development.

### **Concept of Venture Capital Financing**

Venture capital financing refers to the investment made by specialized financial institutions, venture capital firms, or investors in new and innovative businesses with strong growth prospects.

### **Key Features of Venture Capital:**

- Provides long-term capital to startups and growing firms.
- Investment is made in exchange for company shares.
- High-risk and high-return investment.
- Focuses on innovative and technology-driven businesses.

- Investors actively participate in management decisions.
- Capital is usually invested for 3 to 10 years.

### **Objectives of Venture Capital:**

- Promote entrepreneurship.
- Support innovation and technology development.
- Generate high returns on investment.
- Create employment opportunities.
- Encourage economic growth.

### **Process of Venture Capital Financing**

The venture capital financing process involves several stages:

#### **1. Business Idea and Proposal Submission**

The entrepreneur prepares a detailed business plan containing:

- Business objectives
- Market analysis
- Revenue model
- Financial projections
- Growth strategy

The proposal is submitted to venture capital firms for evaluation.

#### **2. Initial Screening**

The venture capital firm reviews the proposal to determine:

- Market potential
- Innovation level
- Management capability
- Profitability prospects
- Risk factors

Only promising proposals move to the next stage.

### **3. Due Diligence**

This is a detailed investigation of the startup.

The VC firm examines:

- Business model
- Legal compliance
- Financial statements
- Intellectual property rights
- Competitor analysis

### **Investment Decision**

After successful evaluation, the venture capital firm decides:

- Amount of investment
- Percentage of ownership
- Rights and responsibilities
- Exit strategy

An investment agreement is then signed.

### **5. Funding and Monitoring**

The funds are provided either in one installment or multiple stages.

The VC firm continuously monitors:

- Business performance
- Financial progress
- Growth milestones
- Strategic decisions

### **6. Exit Stage**

The venture capitalist exits the investment after achieving desired returns.

**Common Exit Methods:**

- Initial Public Offering (IPO)
- Sale of shares
- Merger or acquisition
- Buyback by founders

The profit earned at exit is the primary source of return for venture capitalists.

**Major Players in Venture Capital Financing**

Several organizations and investors participate in venture capital financing.

**1. Venture Capital Firms**

These are professional investment organizations that provide funding to startups.

Examples:

- Sequoia Capital
- Accel
- Lightspeed Venture Partners

**Functions:**

- Provide funding
- Mentor entrepreneurs
- Assist in strategic planning
- Support business expansion

**2. Angel Investors**

Angel investors are wealthy individuals who invest their personal funds in startups during the early stages.

**Benefits:**

- Early-stage funding
- Business guidance
- Industry connections



### **3. Government Agencies**

Government organizations support startups through venture capital funds and financial assistance.

Examples:

- Small Industries Development Bank of India
- National Bank for Agriculture and Rural Development

### **4. Corporate Venture Capital Funds**

Large corporations invest in startups to gain access to innovative technologies and business models.

Examples:

- Corporate investment arms of major technology and industrial companies.

## **Government Incentives for Startups and SMEs**

The Government of India provides various incentives to encourage entrepreneurship and business development.

### **1. Tax Benefits**

- Income tax exemptions for eligible startups.
- Capital gains tax benefits.
- Tax deductions for research and development activities.

#### **Benefits:**

- Reduces financial burden.
- Encourages innovation and investment.

### **2. Credit Guarantee Support**

The government provides guarantees for loans obtained by MSMEs.

#### **Advantages:**

- Easier access to finance.
- Reduced collateral requirements.
- Increased credit availability.

### **3. Infrastructure Support**

Governments establish:

- Industrial parks
- Technology parks
- Startup incubators
- Special Economic Zones (SEZs)

These facilities provide a supportive environment for business growth.

### **4. Skill Development Programs**

Entrepreneurs receive:

- Training programs
- Technical assistance
- Business management guidance
- Digital skill development

### **Subsidies for Enterprises**

Subsidies are financial benefits provided by the government to reduce business costs.

#### **Types of Subsidies**

##### **1. Capital Subsidy**

Provided for:

- Purchase of machinery
- Equipment installation
- Factory setup

##### **2. Interest Subsidy**

Government pays a portion of loan interest, reducing borrowing costs.

##### **3. Technology Upgradation Subsidy**

Supports:

- Modernization
- Automation
- Digital transformation

#### **4. Export Promotion Subsidy**

Encourages businesses to enter international markets.

##### **Benefits of Subsidies:**

- Reduced operational costs.
- Improved competitiveness.
- Increased profitability.
- Encouragement for industrial growth.

### **Major Government Schemes for Startups and SMEs**

#### **1. Startup India Scheme**

Launched to promote innovation and entrepreneurship.

##### **Features:**

- Tax benefits
- Simplified regulations
- Funding support
- Startup recognition

#### **2. Stand-Up India Scheme**

Provides loans to:

- Women entrepreneurs
- SC/ST entrepreneurs

##### **Purpose:**

Promote inclusive entrepreneurship.

### **3. Pradhan Mantri Mudra Yojana (PMMY)**

Offers loans under:

- Shishu
- Kishor
- Tarun categories

#### **Objective:**

Support micro and small enterprises.

### **4. Prime Minister Employment Generation Programme (PMEGP)**

Provides financial assistance for establishing new enterprises.

#### **Benefits:**

- Subsidies on project cost.
- Employment generation.
- Rural industrial development.

### **5. Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)**

Provides collateral-free loans to MSMEs through participating banks.

#### **Benefits:**

- Easier loan approval.
- Reduced financial barriers.

### **6. Fund of Funds for Startups (FFS)**

Managed through SIDBI to support venture capital investments in startups.

#### **Objectives:**

- Increase startup funding.
- Encourage innovation.
- Promote entrepreneurship.

## **Conclusion**

Venture capital financing is an important source of funding for startups and high-growth enterprises. It provides not only capital but also managerial expertise, mentoring, and business networks. The venture capital process includes proposal submission, evaluation, funding, monitoring, and exit. Major players include venture capital firms, angel investors, government agencies, and corporate investors. Additionally, government incentives, subsidies, and schemes such as Startup India, Stand-Up India, PMMY, PMEGP, CGTMSE, and Fund of Funds for Startups support entrepreneurs by reducing financial constraints and promoting innovation, thereby contributing significantly to economic development and employment generation.