

The Role of Government in Promoting Entrepreneurship Development

As the world has shifted to an economy driven by small businesses, the need for government support of entrepreneurs and their venture initiatives has become increasingly important. Governments around the world recognize that small businesses are essential to economic growth, job creation, and social stability. To ensure that these businesses continue to prosper and flourish, governments must take a proactive role in developing entrepreneurship policies and programmes. In this blog post, we'll explore the key ways in which governments are promoting **entrepreneurship development** and the **role of government in entrepreneurship development**.

The Government's Role in Business

The role of government in promoting **entrepreneurship development** is multifaceted.

- On one hand, the government provides an enabling environment for businesses to start up and grow. This includes things like infrastructure, access to finance, and a favourable regulatory regime.
- On another hand, the government also has a direct role in **entrepreneurship development** through programmes and initiatives that support entrepreneurs.

INTRODUCTION

The movements of entrepreneurship promotion and development in the past few years have gone a long way particularly in the developing countries¹. Governments, various industrial promotion and support institutions are making considerable efforts to facilitate the process of development of new entrepreneurs for setting up enterprises. These promotional activities involved making attractive schemes for availability of fund and various other assistances including technical know how, training, sales, purchases, etc. It is believed that these efforts have made a favorable impact on the growth of these enterprises in the State as well as in the region. Entrepreneurship gives a fillip to new organizational forms and the economy has to adjust to these demands. There is a direct correlation between the level of economic development and the level of entrepreneurship.

The financial institutions like Industrial Development Bank of India (IDBI), Small Industries Development Bank of India (SIDBI), Industrial Finance Corporation of India (IFCI), National Small Industries Corporation Ltd (NSIC), State Small Industries Corporation (SSIC), Regional Rural Banks (RRBs), State Financial Corporations (SFCs), State Industrial Development Corporations (SIDCs), Cooperative Banks and Gramin Banks and various commercial banks in particular. The institutions like Small Industries Development Organization (SIDO), District Industries Centres (DICs), Small Industries Service Institutes (SISIs), State Small Industries Development Corporations (SSIDCs), and Industrial Development Corporation (IDC) are there for providing technical guidance to entrepreneurs. Micro Units Development & Refinance Agency

Limited (MUDRA) was incorporated under the companies Act, 2013 and launched on April 08, 2015 by the Honorable Prime Minister as a wholly owned subsidiary company of SIDBI, with NBFBI registration from RBI. MUDRA aims to increase the confidence of the aspiring but unemployed youth of the country to become first generation entrepreneur as also of existing small businesses to expand their activities

ROLE OF INDUSTRIAL DEVELOPMENT BANK OF INDIA

Industrial Development Bank of India (IDBI) established under Industrial Development Bank of India Act, 1964, is the principal financial institution for providing credit and other facilities for developing industries and assisting development institutions⁵. Till 1976, IDBI was a subsidiary bank of RBI. In 1976 it was separated from RBI and the ownership was transferred to Government of India⁶, IDBI is the tenth largest bank in the world in terms of development. The National Stock Exchange (NSE), the National Securities Depository Services Ltd. (NSDL), Stock Holding Corporation of India (SHCIL) are some of the Institutions which has been built by IDBI. The main functions of IDBI are discussed below:

- i. To provide financial assistance to industrial enterprises.
- ii. To promote institutions engaged in industrial development.
- iii. To provide technical and administrative assistance for promotion management or expansion of industry.
- iv. To undertake market and investment research and surveys in connection with development of industry.

ROLE OF SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA (SIDBI)

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

- a. Financing the small scale sector by providing:
- b. Indirect assistance to primary lending institutions (PLIs)
- c. Direct assistance to small scale units
- d. Promoting small industries through development and support services;
- e. Coordinating the functions of other institutions engaged in similar activities.

The main objective of SIDBI has been to provide short term credit/working capital to small enterprises for its day to day requirement for purchasing raw material and other inputs like electricity, water, etc. and for payment of wages and salaries; and long term credit for creation of fixed assets like land, building, plant and machinery.

SIDBI and Micro Credit

SIDBI launched a major project, "SIDBI Foundation for Micro Credit" (SFMC) in January 1999 as a proactive step to facilitate accelerated and orderly growth of the micro finance sector in India⁸. It is envisaged to emerge as the apex wholesaler for micro finance in India providing a complete range of financial and non-financial services such as loan funds, grant support, equity and institution building support to the retailing Micro Finance Institutions (MFIs) so as to facilitate their development into financially sustainable entities, besides developing a network of service providers for the sector. While it is striving to accelerate the credit flow to the Micro finance sector it is working in close partnership with the Micro Finance Institutions in the country. SFMC is also poised to play a significant role in advocating appropriate policies and regulations and to act as a platform for exchange of information across the sector.

ROLE OF SMALL INDUSTRIES DEVELOPMENT ORGANIZATION (SIDO)

Small Industries Development Organization (SIDO) is a subordinate office of the Department of SSI & Auxiliary and Rural Industry (ARI). It is an apex body and nodal agency for formulating, coordinating and monitoring the policies and programs for promotion and development of small-scale industries. Functions Relating to Co-ordination are to evolve a national policy for the development of small-scale industries, and to co-ordinate the policies and programs of various State Governments.

Functions Relating to Industrial Development are to reserve items for production by smallscale industries, and to collect data on consumer items imported and then, encourage the setting of industrial units to produce these items by giving coordinated assistance, and to encourage smallscale industries to actively participate in Government Stores Purchase Program by giving them necessary guidance, market advice, and assistance. Functions Relating to Extension are to make provision to technical services for improving technical process, production planning, selecting appropriate machinery, and preparing factory layout and design and to provide consultancy and training services to strengthen the competitive ability of small-scale industries.

ROLE OF SMALL INDUSTRIES SERVICE INSTITUTES (SISIS)

At the heart of all agencies dealing with development of small industry is small industries development organization, SIDO. It was originally know as central small industries organization (CSIO). Attached to the ministry, SIDO administers small industries service institute (SISI's). The small industries service institutes (SISI's) are set-up one in each state to provide consultancy and training to small and prospective entrepreneurs. The activities of SISs are co-ordinate by the industrial management training division of the DC, SSI office (New Delhi) (Narasimhan Committee, 1991)¹⁴. In all there are 28 SISI's and 30 Branch SISI's set up in state capitals and other places all over the country.

SISI renders the following services to enterprises

1. Assist existing and prospective entrepreneurs through technical and managerial counseling such as help in selecting the appropriate machinery and equipment, adoption of recognized standards of testing, quality performance etc
2. Conducting EDPs all over the country
3. Advise the Central and State governments on policy matters relating to small industry development
4. Assist in testing of raw materials and products of SSIs, their inspection and quality control

ROLE OF DISTRICT INDUSTRIES CENTRES (DICS)

The 'District Industries Centre' (DICs) program was started by the central government in 1978 with the objective of providing a focal point for promoting small, tiny, cottage and village industries in a particular area and to make available to them all necessary services and facilities at one place. The finances for setting up DICs in a state are contributed equally by the particular state government and the central government.

DICs is to facilitate the process of small enterprise development, DICs have been entrusted with most of the administrative and financial powers and for purpose of allotment of land, work sheds, raw materials etc. 15 DICs functions under the 'Directorate of Industries'. The important objectives of DICs are as

1. To accelerate the overall efforts for industrialization of the district.
2. Rural industrialization and development of rural industries and handicrafts.
3. Attainment of economic equality in various regions of the district.
4. Providing the benefit of the government schemes to the new entrepreneurs.
5. Centralization of procedures required to start a new industrial unit and minimization- of the efforts and time required to obtain various permissions, licenses, registrations, subsidies etc.

ROLE OF MUDRA

Pradhan Mantri Mudra Yojana (PMMY), a scheme to finance income generating small business enterprises was also launched on 08 April 2015, along with the launch of MUDRA, wherein all banks are required to finance micro entrepreneurs engaged in microenterprises of income generating activities with loan requirement up to Rs.10 lakh, irrespective of whether they avail of refinance support from MUDRA. As a measure to mitigate the problem of collateral security faced by the new entrepreneurs, GOI has notified the constitution of Credit Guarantee Fund for Micro Units (CGFMU) on 18 April, 2016 with Rs.3000 crore which is operational through NCGTC.

Pradhan Mantri Mudra Yojana (PMMY) is a flagship scheme of Government of India. The scheme facilitates micro credit/Loan up to Rs. 10 lakh to income generating micro enterprises engaged in the non farm sector in manufacturing, trading or service sectors including activities allied to agriculture such as poultry, dairy, beekeeping, etc. The Scheme provides financial assistance extended by Member Lending Institutions to the non-corporate, non-farm sector income generating activities of micro and small entities.

These micro and small entities comprise of millions of proprietorship / partnership firms running as small manufacturing units, service sector units, shopkeepers, fruits / vegetable vendors, truck operators, food-service units, repair shops, machine operators, small industries, artisans, food processors and others.

The loans under Pradhan Mantri Mudra Yojana can be availed through eligible Member Lending Institutions (MLIs), which include:

- Public Sector Banks
- Private Sector Banks
- State operated cooperative banks
- Rural banks from regional sector
- Micro Finance Institution (MFI)
- Non-Banking Finance Company (NBFC)
- Small Finance Banks (SFBs)
- other financial intermediary approved by Mudra Ltd. as member financial institutions

Interest rate

The interest rates are declared by Member Lending Institutions from time to time as per Reserve Bank of India guidelines based on which applicable interest rate is determined.

Upfront fee/Processing charges

Banks may consider charging of upfront fee as per their internal guidelines. The upfront fee/processing charges for Shishu loans (Covering loans upto Rs. 50,000/-) are waived by most Banks.

Benefits

The scheme has been classified under three categories as 'SHISHU', 'KISHORE' and 'TARUN' to signify the stage of growth / development and funding needs of the beneficiary micro unit/ entrepreneur.

☑ **Shishu: Covering loans upto Rs.50,000/-**

☑ **Kishore: Covering loans above Rs.50,000/- and upto Rs. 5 lakh**

☑ **Tarun: Covering loans above Rs. 5 lakh and upto Rs. 10 lakh.**

Eligibility

Eligible borrowers

Individuals
Proprietary concern.
Partnership Firm.
Private Ltd. Company.
Public Company.
Any other legal forms.

National Small Industries Corporation

The National Small Industries Corporation (NSIC) is a Public Sector Undertaking (PSU) that comes under the purview of the Ministry of Micro, Small & Medium Enterprises of India. It was set up by the Government of India in 1955 to foster, promote, and aid the growth of the micro, small, and medium enterprises (MSME) in India.

NSIC enhances the competitiveness of the MSMEs by facilitating specially customised schemes while also offering integrated support services in technology, marketing, support, and finance.

Schemes Offered by NSIC

Bank Credit Facilitation

To fulfill the credit needs of the MSME units, NSIC has partnered with various private and public sector banks. NSIC facilitates access to credit support to the MSMEs from banks by assisting in the documentation process while also following up with the banks. To avail loans, borrowers can download the loan application forms from the official website of the banks under the 'Bank Credit Facilitation Scheme'. The banks that offer loans under this scheme are Yes Bank, IndusInd Bank, Federal Bank, Kotak Mahindra Bank, HDFC Bank, Tamilnad Mercantile Bank, Jammu & Kashmir Bank, AU Small Finance Bank, Ujjivan Small Finance Bank, UCO Bank, Corporation Bank, Bank of Maharashtra, Oriental Bank of Commerce, Bank of Baroda, Axis Bank, Punjab National Bank, State Bank of India, Indian Bank, Central Bank of India, Canara Bank, Syndicate Bank, South Indian Bank, Electronica Finance Limited, and Bestdealfinance.com Pvt. Ltd.

Raw Material Assistance Scheme

MSMEs can receive assistance from NSIC to procure raw materials as per their requirements in the form of credit and advance payment. Any MSME in the manufacturing segment with a Udyog Aadhar Memorandum (UAM) can take advantage of the scheme. Single MSME units can avail loans of up to Rs.5 crore while a group of units engaged in activities related to manufacturing can avail loans of up to Rs.15 crore. The rate of interest charged on loans availed under this scheme range between 9.50% and 12%. MSMEs availing loans under this scheme need to be repaid within 90 days but this can be extended upon request.

Single Point Registration Scheme

To enhance the share of purchases from the MSME sector, the Single Point Registration Scheme was launched by NSIC in 1976 under the Government Stores Purchase Programme. This scheme enables MSEs to participate in government purchases through a single registration. The MSEs will be issued a Provisional Registration Certificate with a monetary limit of Rs.5 lakh. The PRC will have a validity of 1 year from the date of issue. Some of the benefits that MSEs can enjoy under the scheme have been listed below:

1. Tender will be issued free of cost
2. Exempted from paying Earnest Money Deposit
3. While participating in tenders, MSEs that quote a price within L1+15% price band will be permitted to supply up to 25% of the requirement by reducing their price to L1 where L1 is non-MSE.
4. A yearly goal of at least 25% of the total annual purchases of the products or services rendered/produced by the MSEs will be set for purchase by every central departments/ministries/PSUs. Out of this, 25% will be earmarked for units owned by Scheduled Tribes/Scheduled Castes while 3% will be earmarked for units owned by women entrepreneurs.
5. 385 items from MSEs will be reserved for exclusive purchase

Consortia and Tender Marketing

The aim of this scheme is to promote products of micro and small entrepreneurs. The scheme aids the entrepreneurs' market their products either individually or collectively through 'Consortium'.

Some of the features of this scheme are:

- Micro and Small Enterprises which are registered with Single Point Registration Scheme (SPRS) will also be eligible to be covered under the Consortia and Tender Market Scheme
- This scheme will help in selecting the units which will be due to participate in open and single tender on a nomination basis
- This scheme will also take care of security deposits and will provide EMD on back to back basis
- This scheme will aid in formation of Consortium, Capacity Building of MSEs by formation of consortia of the units manufacturing similar products, participation in tenders on behalf of units in a 'consortia' which will allow them to secure orders in bulk
- Legal documents such as individual agreement by the units, agreement to be executed by the consortium, board resolution, power of attorney, etc. has been duly revised in order to accommodate the provision of this scheme
- The Government of India, Ministry of MSME vide Gazette Notification No. S.O. 581(E) dated 23rd March 2012 has circulated the Public Procurement Order 2012 for MSME in order to promote the facilitation and development of Micro and Small Enterprises
- Enterprises formed under this scheme will supply the required stores with the necessary items and render services as required by government department, PSUs, etc.

Infomediary Services

Under this scheme, all the information related to business, technology, finance, and different types of aids offered by NSICs will be displayed in a one stop one-window format. You can visit www.msmemart.com which is a business to business (B2B) web portal. The services can be availed through annual membership.

Some of the benefits of Infomediary Services are:

- Freemailboxes
- Trust seal of NSICs
- Centralised mail system
- Payment gateway for membership subscription
- Popular product section
- Multiple language support
- Unlimited global trade leads
- Interactive Database of MSMEs
- Global & National Tender Notices

Marketing Intelligence

The Marketing Intelligence Cell works toward acquiring intelligence and other relevant information in order to understand both the existing and potential customers and determine their needs, preferences, and attitude and behavior of the market. The aim to use this information to promote the growth of MSME in India.

Some of the features of Marketing intelligence are:

- Database of buyers for each product who will purchase the items in bulk, buyers in government and public sectors
- Information on tenders which has been floated by government and public sectors
- Database of rate contracts of various government and public sector undertakings
- Database of Indian exporters
- Database of international buyers
- Database of Technology Suppliers & Projects for MSMEs
- Business Partner Matchmaking
- List of Micro & Small Enterprises registered with NSIC for Government Purchases, Raw Material Assistance, Performance & Credit Rating Schemes, List of MSMEs Industrial Association

Technology Incubation - PPP Mode

As NSIC work to promote micro and small enterprise in India, one of the methods that it has employed is to create self-employment opportunities by training unemployed

people entrepreneurship building skills, who will be able to new small business enterprises for themselves in any manufacturing or service sectors or look for other employment opportunities. In order to achieve this, NSIC has started a new initiative by entering into franchisee arrangements with private entities who may be interested in setting up Training-cum-Incubation Centres (NSIC-TIC) at various locations across India under Public-Private Partnership (PPP) mode.

Government Schemes implemented by NSIC

This is an initiative launched by the Government of India which aims to help those belonging to SC and ST groups to start their own business successfully and take care of their financial requirements.

The Government of India in order to make this scheme successful have allocated Rs.490 crore for the period between 2016 and 2020. All the new and existing SC and ST entrepreneurs must be registered on the MSME Databank.

Marketing Assistance Scheme

The MSME sector has grown in India in the last few years and has been one of the most dynamic sectors of the Indian economy. Various MSME schemes in India have established business and provided employment opportunities at lower capital cost.

Marketing is one of the most important tools for any business to promote itself and grow. Hence, in order to help enterprises grow, Ministry of Micro, Small & Medium Enterprises, inter-alia, through National Small Industries Corporation (NSIC), a Public Sector Enterprise of the Ministry has been providing marketing support to MSMEs under the Marketing Assistance Scheme.

Some of the objectives of this scheme are:

- Aims to enhance the marketing capabilities and competitiveness of MSMEs
- Showcase the competence of MSMEs
- To educate MSMEs about the current market scenario and how the business will be impacted
- To form consortia of MSMEs in order to help them market their products and services
- Providing platform to MSMEs in order to help them interact with large buyers
- To propagate various government programmes
- To enrich and improve the marketing skills of micro and small enterprise entrepreneurs

Aspire

India currently is facing challenges of providing employment and livelihood to people as the population in the country grows. The MSME sector has been identified as one sector which has the capability of addressing the problem and provide employment opportunities to economically weak people and help them set up their own business.

Aspire scheme is one such scheme which aims in meeting those objectives.

Some of the objectives of this scheme are given below:

- Creating new jobs which in turn will lead to a reduction in unemployment

- Provide opportunities to people to set up business and promote entrepreneur skills in India
- Grassroot economic development at district level
- To help facilitate business solutions in order to fulfil yet to be met social needs
- To promote innovation which in turn will only strengthen the competitiveness of the MSME sector in India

Small Industries Development Organization (SIDO)

is a subordinate office of the Department of SSI & Auxiliary and Rural Industry (ARI). It is an apex body and nodal agency for formulating, coordinating and monitoring the policies and programmes for promotion and development of small-scale industries.

Development Commissioner is the head of the SIDO. He is assisted by various directors and advisers in evolving and implementing various programmes of training and management, consultancy, industrial investigation, possibilities for development of different types of small-scale industries, industrial estates, etc.

The main functions of the SIDO are classified into:

- (i) Co-ordination,
- (ii) Industrial development, and
- (iii) Extension.

These functions are performed through a national network of institutions and associated agencies created for specific functions. At present, the SIDO functions through 27 offices, 31 Small Industries Service Institutes (SISI), 37 Extension Centers, 3 Product-cum -Process Development Centers, and 4 Production Centers.

All small-scale industries except those falling within the specialized boards and agencies like Khadi and Village Industries (KVI), Coir Boards, Central Silk Board, etc., fall under the purview of the SIDO.

The main functions performed by the SIDO in each of its three categories of functions are:

Functions Relating to Co-ordination:

- a. To evolve a national policy for the development of small-scale industries,
- b. To co-ordinate the policies and programmes of various State Governments,
- c. To maintain a proper liaison with the related Central Ministries, Planning Commission, State Governments, Financial Institutions etc., and
- d. To co-ordinate the programmes for the development of industrial estates.

Functions Relating to Industrial Development:

- a. To reserve items for production by small-scale industries,
- b. To collect data on consumer items imported and then, encourage the setting of industrial units to produce these items by giving coordinated assistance,
- c. To render required support for the development of ancillary units, and
- d. To encourage small-scale industries to actively participate in Government Stores Purchase Program by giving them necessary guidance, market advice, and assistance.

Function Relating to Extension:

- a. To make provision to technical services for improving technical process, production planning, selecting appropriate machinery, and preparing factory lay-out and design,
- b. To provide consultancy and training services to strengthen the competitive ability of small-scale industries.
- c. To render marketing assistance to small-scale industries to effectively sell their products, and
- d. To provide assistance in economic investigation and information to small- scale industries.

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