

**TECHNOLOGICAL INNOVATION  
MANAGEMENT & ENTREPRENEURSHIP – 21EC61**

**MODULE 5**

**Business plans:** Introduction, purpose of a Business plan, contents of a Business plan, presenting a Business plan, why do some Business plan fail? Procedure for setting up an Enterprise.

**Institutions supporting Business opportunities:** Central level institutions- National Board for micro, small & medium Enterprises(NBMSME), MSME-DO, National Small Industries Corporation. State level institutions- State Directorate Industries and Commerce, District Industries Centres, state financial Corporations, State Industrial Development Corporation (SIDC), and State Industrial Area Development Board (SIADB).

Other Institutions - NABARD, Technical consultancy organisation (TCO), Small Industries Development Bank of India(SIDBI), Export Promotion Councils, Non-governmental Organisations.

**BUSINESS PLANS**

**Introduction**

A business plan is a roadmap and blueprint of the project. A business plan is a written document that describes in detail how a business is going to achieve its goals. It is a document that explains a business opportunity, identifies the market to be served, and provides details about how the entrepreneurial organization plans to pursue it. Ideally, the business plan describes the unique qualifications that the management team brings to the effort, explains the resources required for success, and provides a forecast of results over a reasonable time horizon. A business plan is based on estimates.

**PURPOSE OF A BUSINESS PLAN**

A business plan is the written representation of an entrepreneur's vision for his/her business. A business plan is a written document between 20-40 pages in length that describes where a business is heading and how it achieves its goals and objectives. A workable business plan should determine the direction of the company; highlight the challenges; and formulate strategies to keep the business on track in order to reach predetermined goals and objectives.

The reasons for preparing a business plan are given below:

- A business plan is used to get finance from banks or to get equity funding from angel investors or venture capitalists.

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- Entrepreneurs reap benefits from the planning activity itself.
- It can also be used to attract business partners and key employees or to make business alliances.
- If the business plan is prepared within a large organization, then it enables the board of directors to make capital investment decisions.
- The act of writing the plan will force the entrepreneur and his team to think through all the key elements of the business.
- The plan provides a basis for measuring actual performance against expected performance.
- The plan's financial projections can be used as a budget. Actual results that fall short of planned results will prompt the entrepreneur to investigate and take corrective action.
- The plan acts as a vehicle for communicating to others what the business is trying to accomplish.

### CONTENTS OF A BUSINESS PLAN

The key sections in a business plan along with the average number of pages to be included in each section are given in below table.

Sl. No	Contents	Pages
1.	Cover page and table of contents	2
2.	Executive summary	2
3.	Business concept	4
4.	Management summary	4
5.	Business Strategy	2
6.	Operations plan	4
7.	Marketing plan	4
8.	Financial plan	4
9.	Appendices	10

Most business plans contain the following components:

**Cover Page and Table of Contents:** Every business plan should have a cover page. The cover page presents the first impression of your business plan to readers. The cover page should have a clean and professional appearance and should contain the following information:

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- Name of the business or project.
- The company's name, logo, address, telephone and fax numbers, Web site address, e-mail address.
- The name and designation of the contact person.

**Executive Summary:** The executive summary is a standalone document two or more pages long. It is a snapshot of the entire business plan and usually written last. The executive summary is a concise presentation of the main points of the business plan and gives a brief overview of the business venture.

Bankers and venture capitalists generally do not read through the entire business plan when it is presented to them. They go through the executive summary. The executive summary is a formal statement and should include the following information:

- A brief description of the industry and market environment in which the business opportunity will develop and flourish.
- The uniqueness of the business opportunity and the key strategies for success.
- Profiles of the company's management team.
- Financial requirements and budget allocation.
- The anticipated risk and reward of the business.

**Business Concept:** This gives the history of the business, the basic nature, and the purpose of the business. It clearly states the business objectives. It analyses the economics underlying the opportunity and the key factors that will drive success. This section is used to describe the company and to explain how it is organized. It gives the usage, description, & specifications of the products & services to be offered.

**Business Strategy:** This section provides the SWOT analysis of the firm and analysis of the business environment. It provides information on the nature of the industry, competition within the industry, anticipating barriers to entry, the market, and the customers within the market. The goals of the company and the business strategy are explained in this section. This section should give the mission, vision, future plan, and exit strategy of the business.

**Management Summary:** The success of the business mainly depends on the quality of the management team. Investors are also keen to know about the people behind the business who they see as key assets. This section should be able to answer the following questions:

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- What is the profile of the founders, the team's management philosophy, and their reputation the business community?
- Who are the current owners, and what percentages do they control?
- How is ownership evidenced-for example, in terms of common and preferred stock? Have any options, warrants, or convertible bonds that could expand ownership been issued?
- Which owners are involved in the day-to-day working of the business?

**Marketing Plan:** The market is where the company's product or service will be sold. The marketing plan is written after conducting a market analysis. This section provides information on assessing the market's size and growth, defining the target market, and articulating the value proposition.

The marketing plan should be clear about all aspects of marketing, including price, position, promotion, place, and customer value proposition. The marketing plan provides strategies sell the company's product or service. The marketing plan should be a dynamic plan used to monitor the progress of the business.

**Operations Plan:** It gives an overview of the flow of the daily activities of the business operation & strategies to support them. The operations plan should focus on the critical operating factors that will make the proposed business a success.

The operations plan describes the physical necessities of the business's operation, such as the physical location, raw materials, technology, human resource facilities, and equipment. An operations plan provides a description of the break-even analysis, quality control measures, and the manufacturing process.

**Financial Plan:** The financial plan section determines whether or not the business idea is viable, and is a key component in determining whether or not the business plan is going to be able to attract any investment in your business idea. This section consists of an analysis of financial statements such as the income statement, the cash flow projection, projected balance sheet, break-even charts, cost of the project, sources, and uses of funds.

**Appendix:** This section contains document attachments and the milestones of the project. This comes at the end of the business plan. It contains the market survey report, financial projections, product and technological specifications, process flow charts, photographs of the existing or proposed firm, lists of plants and machinery, organizational charts, and résumés of each member of the management team.

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### PRESENTING A BUSINESS PLAN

A business plan should be well-written in crisp and to the point language and should not contain irrelevant information. It should be written in a professional manner. The contents of the plan are critical, the document should be attractive, impressive, and easy to read.

The business plan should be written by one or two key people from the management team. However, individual sections should be written by those responsible for implementing the plan. The business plan is a dynamic document and each version of the document should be clearly labelled and old versions of the document should be maintained as back-ups. It is appropriate to routinely monitor it and update it to help track the progress of your business. The contact details of the people responsible for the business plan should be easily accessible, it is generally advisable to use generic dates such as months rather than actual dates in the milestones portion of the business plan.

A good business plan should be brief, clear, and properly organized. Before writing your business plan, it is necessary to know for whom it is written. Business plans usually take from one week to three months to write. A business plan is not only a tool for raising money, it also helps the entrepreneur to identify and define business goals and to determine the best methods for achieving those goals. The assumptions made in preparing the business plan should be realistic

The executive summary should be a concise presentation of the major points of a business plan and is written once the rest of the business plan is complete. The executive summary is the first section to be read and must engage readers and excite them about the potential business idea. It should be the most carefully written of all the sections. It should be able to explain the key ideas and features of the business concept in two or three minutes.

**Oral and Visual Presentation:** It is necessary to prepare for an oral presentation of a business plan. The oral presentation is required in cases such as when the entrepreneur is participating in a B-plan competition; in front of potential partners and investors; for potential customers and other stake holders in the business. A good set of slides should be prepared to support the oral presentation. The visual presentation enables the presentation of visual information such as product images, charts, graphs, and numerical tables.

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### WHY DO SOME BUSINESS PLANS FAIL?

Some of the business plan fail because of the following reasons:

- Failure to address the customer's problems and needs
- Unrealistic goals set by the promoters
- Lack of commitment to the business by the promoters
- Lack of experience of the promoters
- Lack of professionalism

**Failure to address the customer's problems and needs:** The business plan should address the customer's problems/needs/wants. It should clearly state how big the business opportunity is. The entrepreneur should document customer pain points before preparing the plan. Customer needs can be identified from direct experience, letters from customers, or from market research.

**Unrealistic goals set by the promoters:** Setting goals requires the entrepreneur to be well informed about the type of business and the business environment. The goals set by the entrepreneur are based on data and the business plan is no good if it does not include a lot of data. The goals set by the entrepreneur should be Specific, Measurable, Achievable, Realistic, and Time-bound (SMART).

**Lack of commitment to the business by the promoters:** The promoters must make a total commitment to the business in order to be able to meet the demands of a new venture. Investors will not be interested in a venture that does not have committed promoters. Investors also expect the promoter to make a significant commitment to the business.

**Lack of experience of the promoters:** A lack of experience will result in failure unless the entrepreneur can either attain the necessary knowledge of team up with others who already have experience in this area.

**Lack of professionalism:** The business plan should be brief, clear, and nicely organized. It should highlight those points that can attract investors. The assumptions made in preparing business plan should be realistic.

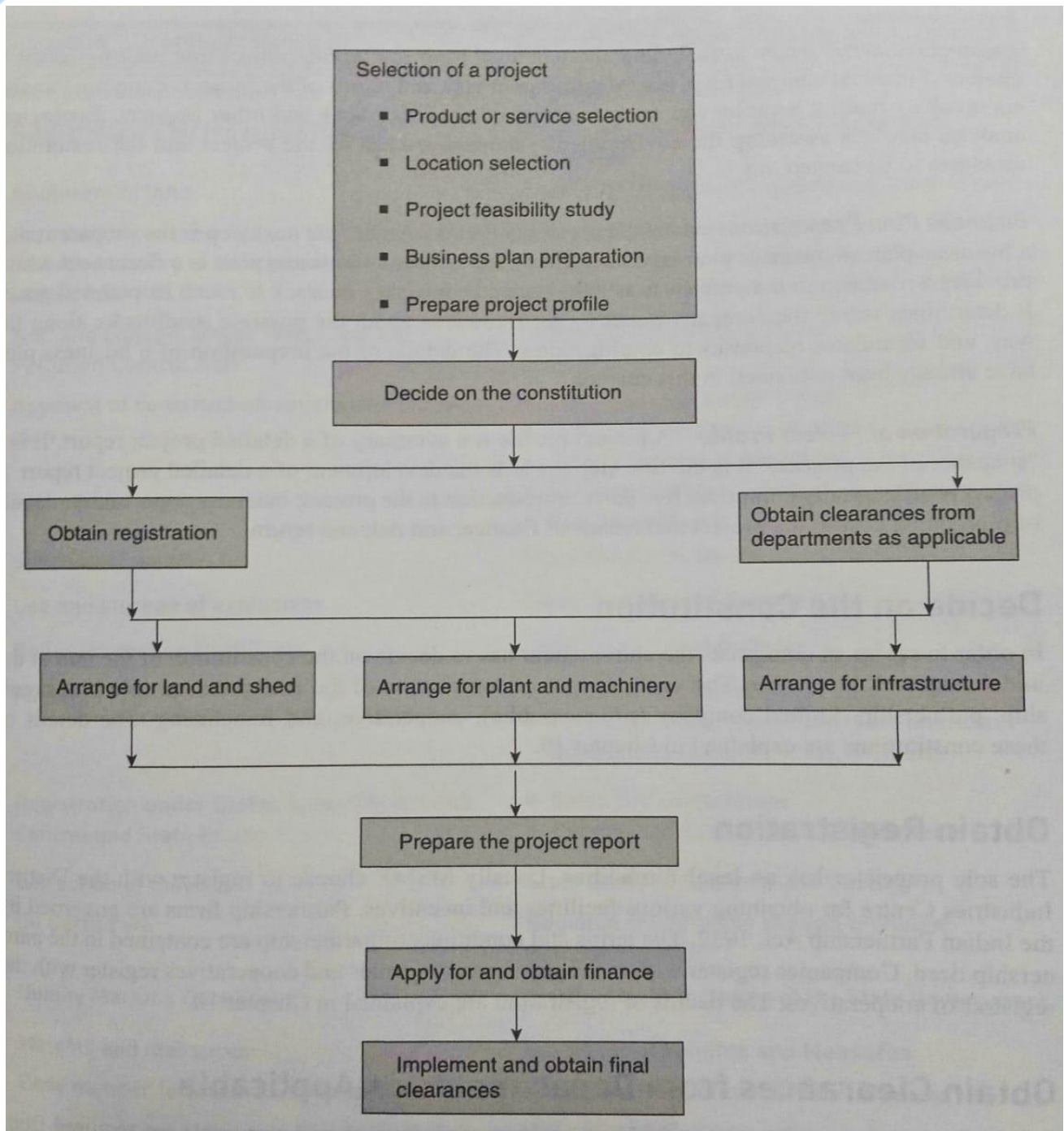
### PROCEDURE FOR SETTING UP AN ENTERPRISE

The formalities for setting up of a business enterprise are shown in Figure 5.1.

**Selection of a Project:** In order to set up a business enterprise, a suitable project has to be decided upon. This involves selecting a product or service, and a location for the unit. Based on these selections, a project feasibility study has to be



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**Figure 5.1:** Formalities for setting up a Business Enterprise conducted and then a brief profile has to be prepared for the proposed project. Then an entrepreneur has to prepare a business plan.

Project selection is the initial decision that an entrepreneur has to make. Project selection and preliminary activities involve the following:

- i. Product or service selection.
- ii. Location selection.
- iii. Project feasibility study.

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- iv. Business plan preparation.
- v. Preparation of a project profile

**i. Product or Service Selection:** The product or service is selected by the entrepreneur depending on the existing business opportunity. The entrepreneur has to make a careful analysis in choosing the product/service by considering factors such as experience of the promoters, marketability of the product or service, availability of raw material, availability of technology, investment capacity, and availability of infrastructural facilities.

**ii. Location Selection:** While selecting the location for the project, the entrepreneur has to consider factors such as proximity to the market; government policy; incentives and subsidies; the availability of suitable infrastructural facilities for the project; the availability of raw material and labour, and the availability of transportation and communication facilities.

**iii. Project Feasibility Study:** A project feasibility study is an analysis that involves finding and documenting potential solutions to a particular business opportunity. The project feasibility study involves market analysis, technical analysis, financial analysis, economic analysis, and ecological analysis.

**iv. Business Plan Preparation:** A business plan is a blueprint of the project which provides a roadmap to the project. It usually keeps the business on track to reach its planned goals. It determines where the company needs to go and formulates responses to contingencies.

**v. Preparation of Project Profile:** A project profile is a summary of a detailed project report. It is a snapshot of the project. It is the first step towards the development of a detailed project report. A project profile usually comprises five parts: introduction to the project, business opportunity, details of promoters, cost of the project and means of finance, and risk and return.

**Decide on the Constitution:** In order to set up an enterprise, the entrepreneur has to decide on the constitution of the unit at the initial stages of the project. The various types of constitution of the enterprise are sole proprietorship, partnership, limited company (private/public), cooperative, and franchising.

**Obtain Registration:** The sole proprietor has no legal formalities. Usually MSME choose to register with the District Industries Centre for obtaining various facilities and incentives. Partnership firms are governed by the Indian Partnership Act, 1932.



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The terms and conditions of partnership are contained in the partnership deed. Companies register with the registrar of companies and cooperatives register with the registrar of cooperatives.

**Obtain Clearances from Departments as Applicable:** For setting up a new enterprise in India, a number of clearances and approvals are required from concerned authorities depending on the type of enterprise. The approvals and clearances that may be required from various departments are given in below table:

Approvals/Clearances Required	Department to be Approached and Consulted
Incorporation of company	Registrar of Companies
Registration/IEM/ Industrial license	DIC for MSME/SIA for large and medium industries
Allotment of land	State DI/SIDC/Infrastructure Corporation /SSIDC
Permission for land use (in case industry is located outside an industrial area)	<ul style="list-style-type: none"> <li>■ State Directorate of Industries</li> <li>■ Dept. of Town and Country Planning</li> <li>Local Authority/District Collector</li> </ul>
NoC and consent under Water and Air Pollution Control Acts	State Pollution Control Board
Approval of construction activity and building plan	<ul style="list-style-type: none"> <li>■ Town and country planning</li> <li>■ Municipal and local authorities</li> <li>■ Chief Inspector of Factories</li> <li>■ Pollution Control Board</li> <li>■ Electricity Board</li> </ul>
Sanction of power	State Electricity Board
Use and storage of explosives	Chief Controller of Explosives
Boiler Inspection Certificate	Chief Inspector of Boilers
Finance	<ul style="list-style-type: none"> <li>■ SFC/SIDC for term loans</li> <li>■ For loans higher than ₹150 lakh, financial institutions like IDBI, ICICI, IFCI, etc.</li> </ul>
Registration under States Sales Tax Act and Central and State Excise Act	<ul style="list-style-type: none"> <li>■ Sales Tax Department</li> <li>■ Central and State Excise Departments</li> </ul>
Extraction of minerals	State Director of Mines and Geology
ISI Certificate	Regional Office of the Bureau of Indian Standards (BIS)
Quality Marking Certificate	Quality Marking Centre of the State Government
Weights and measures	Inspector of Weights and Measures
Code number for export and import	Regional Office of the Director General of Foreign Trade

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**Arrange for Land/Shed:** For any industrial project, a suitable industrial site or a ready industrial shed is required. The promoters of the unit could consider taking an industrial site and constructing a shed as per their requirements.

**Industrial Land:** Once the location of the unit is decided, the land for the project could be conveniently taken from the State Industrial Areas Development Board. However, private land could also be purchased, but it has to be converted for industrial purpose and other necessary legal formalities will have to be completed.

**Industrial Shed:** For setting up an enterprise, the promoters could consider using a ready industrial shed. This could be on rent or on ownership basis.

**Application Formalities:** Application in the prescribed form is to be submitted along with the following documents:

- A copy of the Provisional Registration Certificate (PRC).
- A detailed project report.
- Certified copies in support of educational qualification, experience, and other categories as may be applicable.
- Applicable earnest money deposit.

**Arrange for Plant and Machinery:** The plant unit machinery required for the project could be purchased from recognized dealers. The plant and machinery could be taken on a direct or hire purchase scheme.

**Direct Purchase:** The entrepreneur has to select and buy the required plant and machinery from recognized and approved manufacturers or dealers. Banks and the State Financial Corporation maintain a list of approved machinery suppliers.

The entrepreneur should compare the quality, performance, and service terms, price, and other details of the alternate plant and machinery that may be available in the market. Then they should decide on an appropriate plant and machinery for their proposed project.

**NSIC Hire Purchase Scheme:** In the hire purchase scheme offered by NSIC, the required plant and machinery will be the asset of NSIC and they will lease it to the promoters of the industrial unit. As per the NSIC scheme agreement, once the required lease instalment is paid, the assets (plant and machinery) will become the property of the industrial unit.

**Arrange for Infrastructure:** The main infrastructure facilities required for an enterprise are land or shed for the project, power connection, water supply, and

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telephone facility. Single Window Agencies (SWA) are set up at the district level for the benefit of MSME. The SWA provide clearances for various infrastructure and other facilities for MSME. The assistance provided by the SWA is given below:

- Grant of land in industrial areas and allotment of sheds in the industrial estates for all MSME.
- Grant of power up to the limit prescribed by the state government.
- Review and recommendation of sanction of term loans and working capital loans by the State Financial Corporation and commercial banks within the district for the new and existing MSME.
- Grant and disbursement of all incentives and concessions for MSME.
- General review of the position regarding problems faced by entrepreneurs and existing MSME within the district and doing such other work as may help promotion of the enterprises.

**Land and Construction of Building:** After deciding the location and site, three important factors have to be kept in mind before purchasing/leasing the land.

- Availability of basic amenities like power and water.
- Connectivity to nearest rail, road, or port.
- Price of the land.

**Prepare Project Report:** The project report is an important document and should be prepared carefully. Banks and other financial institutions decide whether a loan should be granted, and if granted, the amount that should be sanctioned on the basis of this report. The project report is generally prepared to cover the following broad segments:

**General information:** The following information should be provided:

- Name of the unit and address
- Name of product/service
- Constitution of the unit
- Name of the promoter
- Educational qualification
- Experience

**Details of the project:** The following information should be provided:

- Product/service details

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- Details of machinery
- Details of raw material
- Utility
- Manpower requirement
- SWOT analysis

**Market survey:** The market survey report should be enclosed.

**Cost of project:** The following details should be provided:

- Fixed cost: Land/building, machinery, office equipment, miscellaneous items.
- Working capital: Stock in raw material, semi-finished goods, finished goods, bills receivable, working expenses.
- Total investment. Fixed capital, working capital, preliminary and preoperative expenses, interest during implementation, contingency.
- Means of finance: Term loan, working capital loan, own investment.
- Profitability: Revenue, production cost, depreciation, interest, maintenance, sales and advertisement, profit, annual income before tax, taxes, net profit.

**Annexure:** Promoter's bio data, organizational chart, details of group units if any, statutory sanctions/approvals, project feasibility study report, project schedule, arrangement of land and building, statement of cost of plant, machinery and other equipment, details of orders and enquiries, process chart, financials for project and its analysis, financials of the company and its analysis, manpower planning, and financial statements.

**Apply for and Obtain Finance:** A formal application needs to be made for loans from financial institutions and commercial bank. The details of documentation that need to be provided with the loan application are given below:

- Balance sheet and profit and loss statement for the previous three consecutive years of firms held by promoters
- Income tax assessment certificates of partners/directors, proof of possession of land/building
- Architect's estimate for construction cost.
- Partnership deed/memorandum and articles of association of the company
- Project report
- Budgetary quotations of plant and machinery

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A bank issues a sanction or rejection letter after it completes an assessment of the application for funding. If the loan is approved, the bank sends a sanction letter to the applicant. Applicants need to indicate in writing their acceptance of the terms and conditions laid down by the financial banks after receiving the sanction letter.

**Implement the Project and Obtain Final Clearances:** Entrepreneurs will have to take necessary steps to physically implement the project after obtaining the various licenses, clearances, infrastructure facilities and so on. The following are the major activities that entrepreneurs have to undertake for implementing the project:

- Construct shed.
- Order machinery
- Recruit personnel
- Arrange for raw materials
- Generate a marketing plan.

**Erection and Commissioning:** Once the building is ready and the necessary plant and machinery have arrived, entrepreneurs have to take steps to erect the machinery. The various items of plant and machinery should be erected as per the prepared plan. Once the production unit is standardized, they can proceed with commercial production.

**Obtain Final Clearances:** Entrepreneurs are required to take several final clearances when the unit is ready for commissioning or as soon as it goes into production. Accordingly, entrepreneurs are advised to refer to the various preliminary clearances they have obtained from different departments and take necessary steps to obtain final clearances/approvals as required.

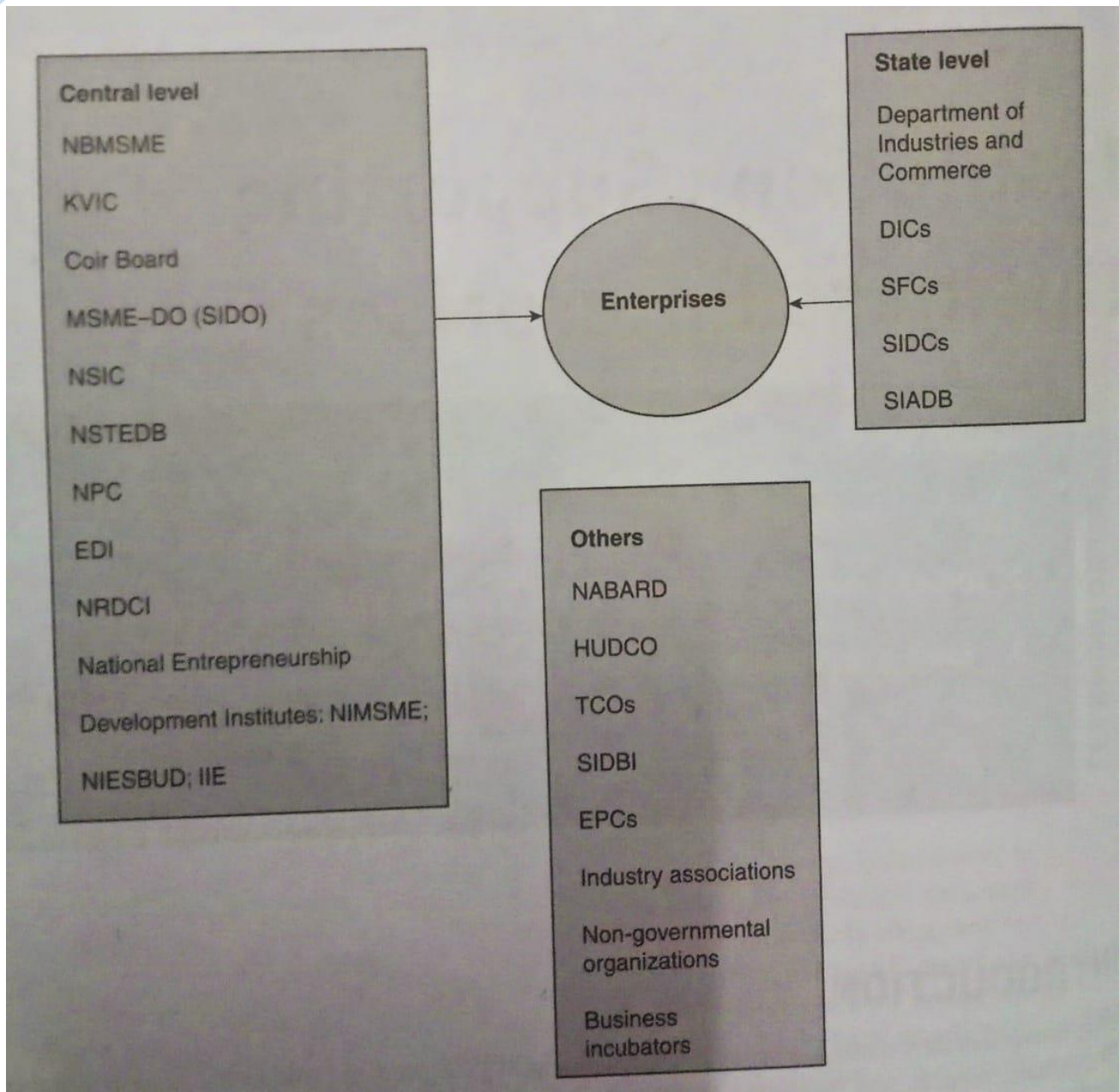
### **INSTITUTIONS SUPPORTING BUSINESS OPPORTUNITIES**

Most of the enterprises need support at the pre-start up, start-up, development, and growth phase. An entrepreneur should be aware of governmental and non-governmental support systems available for his enterprise.

A number of support institutions set up by the central and state governments and various other agencies help entrepreneurial development in various ways. The activities of support institutions cover a wide range of services such as financing, equipment support, technical assistance, training, marketing, and providing subsidy and grants. The various institutions supporting entrepreneurial activities in India also shown in Figure 5.2 are given below:



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**Figure 5.2:** Institutional support for enterprises

**1. Central-level institutions:** Central level institutions for supporting entrepreneurial activities are set up by the Central Government. These are National Board for Micro, Small, and Medium Enterprises (NBMSME), Khadi and Village Industries Commission (KVIC), Coir Board, Micro Small Medium Enterprises Development Organisation (MSME-DO), National Small Industries Corporation (NSIC), National Science and Technology Entrepreneurship Development Board (NSTEDB), National Productivity Council (NPC), Entrepreneurship Development Institutes (EDI), National Research Development Corporation of India (NRDCI), and National Entrepreneurship Development Institutes.



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**2. State-level institutions:** The state-level institutions for supporting entrepreneurial activities are set up by the various state governments in India. These are: State Directorate of industries; District Industries Centres (DIC), State Financial Corporations (SFC), State Industrial Development Corporation (SIDC); and State Industrial Area Development Board (SIADB)

**3. Other institutions:** Apart from central and state level institutions, there are various other institutions supporting entrepreneurial activities in India. These are National Bank for Agriculture and Rural Development (NABARD), Housing and Urban Development Corporation (HUDCO), Technical Consultancy Organizations (TCOs); Small Industries Development Bank of India (SIDBI), Export Promotion Council (EPC); Industry Associations; Non-Governmental Organizations (NGOs); and Business Incubators.

**CENTRAL-LEVEL INSTITUTIONS**

**National Board for Micro, Small, and Medium Enterprises (NBMSME)**

The NBMSME was constituted in 2007 to facilitate the coordination and inter-institutional linkages for the development of MSME. The Board has a statutory backing and is an apex advisory body constituted to render advice to the government on all issues pertaining to the MSME sector.

The Office of the Development Commissioner (MSME) serves as the secretariat for the Board. The Union Minister of Commerce and Industry is the chairman of the Board. The NBMSME comprises 50 members including state industry ministers; select members of Parliament; secretaries of various departments of the Central Government; financial institutions; public-sector undertakings industry associations; and eminent experts in the field as members.

The Board examines the factors affecting the promotion and development of MSME and advises the Central Government to facilitate their promotion and development in order to enhance competition.

**Micro, Small, and Medium Enterprises Development Organization (MSME-DO)**

The Office of the Development Commissioner, Ministry of Micro, Small, and Medium Enterprises Government of India (DC-MSME) is a nodal agency for formulating, coordinating, and monitoring the policies and programmes for the promotion and development of MSME in the country. Micro, Small, and Medium Enterprises

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Development Organization (MSME-DO) is the apex body for assisting the government in formulating, coordinating, implementing, and monitoring policies and programmes for the promotion and development of MSME in the country. MSME-DO provides a range of common facilities, technology and support services, marketing assistance, and entrepreneurial development support to MSME.

MSME-DO has over 60 offices and 21 autonomous bodies under its management. The autonomous bodies include tool rooms, training institutions, and project-cum-process development centres. The MSME-DO offers advice to the Central Government in policy formulation and provides liaison services between different institutions for the promotion and development of the MSME sector.

MSME-DO has a network of 30 MSME development institutes, 28 branch MSME development institutes, four MSME testing centres, and seven MSME field-testing stations. There are also two MSME departmental training institutes and one departmental MSME hand tools development centre. These institutes conduct consultancy, training, and provide common facility services to MSME.

MSME has initiated various schemes for the promotion of the MSME sector. These are Small Enterprise Information and Resource Network, entrepreneurship development programmes management training programmes, WTO cells; motivation campaigns, skill development programmes, & initiatives for environmental control.

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

This is a GOI enterprise under the MSME. The NSIC work towards the growth of micro, small, and medium enterprises in the country. The NSIC operates through a country side network of offices and technical centres. The NSIC provides a package of services and various schemes to support MSME in the country. These schemes comprise facilitating market support, credit support, technology support, and other support services.

The NSIC has devised a number of schemes such as consortia and tender marketing; single-point registration for government purchase; B2B web portal for marketing, marketing intelligence; exhibition and technology fairs; export; and buyer-seller meets to support MSME in their marketing efforts. The NSIC facilitates the credit requirements of MSME by providing financial assistance for the procurement of raw materials for up to 90 days; finance through syndication with banks; and facilitating import of scarce raw materials.

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In order to evaluate the strengths and weaknesses of existing operations and to take corrective and preventive actions, the NSIC has started operating a performance and credit rating scheme through agencies such as ICRA, ONICRA, CRISIL, Fitch, CARE, Brickwork Ratings, and SMERA.

### **STATE-LEVEL INSTITUTIONS**

The state-level institutions for supporting entrepreneurial activities are set up by the various state governments in India. They are State Directorate of Industries and Commerce, District Industries Centres (DIC); State Financial Corporations (SFC), State Industrial Development Corporations (SIDC); and State Industrial Area Development Boards (SIADB).

#### **State Directorate of Industries and Commerce (SDIC)**

The SDIC acts as a catalyst for the overall development of the industrial sector through effective implementation of policies. The policies developed by the Central Government serve as guidelines but each state evolves its own policy and package schemes. The Directorate develops growth centres, industrial parks, export zones, special economic zones, industrial clusters, and infrastructure required for industrial development.

The main function of the Directorate is to carry out industrial development in the state. It also implements policies and schemes of the GOI and the state government. The Commissioner/Director of Industries and Commerce is the head of the institution and is assisted by additional directors, joint directors, deputy directors, assistant directors, and other support staff. In all the states and union territories the Directorate oversees the industrial activities of the state and the District Industries Centres (DIC) at the district level.

#### **District Industries Centres (DIC)**

DIC are the main focus agencies for promoting MSME at the district level. DIC were established with the aim of generating greater employment opportunities especially in the rural and backward areas of the country. The functions and activities of DIC are monitored by the Directorate of Industries and Commerce.

DIC are district-level institutions set up by the government, which provide all services and facilities to entrepreneurs in one place to set up MSME. These services and facilities include identification of a suitable scheme, preparation of a project feasibility report, arrangements for the supply of plant, machinery, and equipment,

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provision of raw materials, credit facilities and input for marketing and extension services, quality control, and research and entrepreneurial training.

DIC are headed by a joint director. The joint director is assisted by the deputy director/assistant director, industrial promotion officer, and industrial extension officer at the taluk level. The functions of DIC are registration of MSME; providing infrastructure assistance to entrepreneurs, formulating employment generation programmes; implementing incentive schemes; and conducting entrepreneurship development and awareness programmes at village, taluk, and district levels. The functions also include arranging buyer-seller meets, organizing industrial exhibitions; creating cluster development and sensitizing programmes; recovering departmental loans; and following up industrial approvals.

### **State Financial Corporation (SFC)**

The SFC is established in each state under the State Financial Corporations Act, 1951. The SFC plays an important role in the development of MSME at the state level. They aim to finance and promote MSME in their respective states for achieving balanced industrial growth. They act as catalysts to generate employment and widen the industrial base. The important services provided by SFC are infrastructure development, financial services, and term loans.

SFCs are managed by a board of directors, an executive committee, an audit committee, and principal officers. Branch managers manage operations at the district level. SFCs have a decentralized system of working. SFCs operate through a wide network with branch offices, circle office field offices, and internal audit cell. Financial services to MSME are provided by term loans, discounting of bills of exchange, and seed capital assistance. SFCs operate a number of schemes for refinance of IDBI and SIDBI, SFCs have tailor made schemes for women, artisans, ex-servicemen, disabled people, and special target groups such as the SC/ST.

### **State Industrial Development Corporation (SIDC)**

SIDCs are wholly-owned undertakings of the state governments set up under The Companies Act 1956. SIDCs act as catalysts for industrial development in their respective states. They develop land for providing industrial infrastructural facilities in the form of industrial estates by developing industrial land and readymade industrial sheds. They also provide facilities such as roads, power, water supply, drainage, and other amenities required for industrial development.

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### **State Industrial Area Development Board (SIADB)**

The SIADB is a statutory board constituted under the industrial Areas Development Act, of the respective state governments in India, for example, the Karnataka Industrial Areas Development Act, 1966, in Karnataka. The SIADB's primary objective is to promote and assist in the rapid growth and development of enterprises in industrial areas. The SIADB acquires and provides developed land suited for industries. It prepares industrial plots of various sizes to suit different industries along with the requisite infrastructural facilities.

The basic facilities developed by the SIADB in industrial areas include roads, drainage, water supply, and power supply. The SIADB also provides various common amenities in industrial areas such as banks, post offices, telephone exchanges, telecommunications, fire stations, police outposts, canteens, ESI dispensaries, bus depots, and petrol bunks. It also makes provision for technical training centres, research and development centres, and common effluent treatment plants.

### **OTHER INSTITUTIONS**

Apart from central and state-level institutions, there are various other institutions supporting entrepreneurial activities in India. These are the National Bank for Agriculture and Rural Development (NABARD); the Housing and Urban Development Corporation (HUDCO); Technical Consultancy Organizations (TCOs); the Small Industries Development Bank of India (SIDBI); the Export Promotion Council (EPC), Industry Associations, Non-Governmental Organizations (NGOs), and Business Incubators.

### **National Bank for Agriculture and Rural Development (NABARD)**

NABARD was established to provide focused attention to the development of rural India by facilitating credit flow for the promotion of agriculture and the rural non-farming sector. It provides refinance assistance to State Cooperative Banks, Regional Rural Banks, and other approved institutions for all kinds of production and investment credit to industries, artisans, cottage and village industries, handicrafts, and other allied activities. NABARD also helps entrepreneurs to procure loans for setting up industries in any part of the country.

NABARD's primary goal is to promote sustainable and equitable agriculture and rural prosperity through effective credit support, related services, institution

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development, and other innovative initiatives. NABARD's functions can be classified into four major categories: credit planning, financial services, promotion and development; and supervision. NABARD has effectively brought in a number of innovations in the rural credit domain. Some of them are the formation and linkage of self-help groups; farmers' clubs, rural infrastructure development funds, watershed development, the Kisan Credit Card; the district rural industries project, women and development, the Rural Entrepreneurship Development Programme (REDP); rural marketing, NABARD Consultancy Services (NABCONS); co-financing; cluster development programmes; and the Rural Innovation Fund.

NABARD is governed by a board of directors and assisted by approximately 25 departments working for the improvement of the rural economy. It has regional offices, training establishments, and district development offices for implementing policies and various initiatives. NABARD extends assistance to the government, the Reserve Bank of India (RBI), and other organizations in matters relating to rural development. It acts as a regulator for cooperative banks and Regional Rural Banks (RRB). It is a refinancing agency for financial institutions, offering production credit and investment credit for promoting agriculture and developmental activities in rural areas.

### **Technical Consultancy Organization (TCO)**

A TCO is a premier professional, industrial, technical, and management consultancy organization. A network of TCOs was established by the all-India financial institutions in collaboration with state-level financial/development institutions and commercial banks to cater to the consultancy needs of MSME and new entrepreneurs. At present, there are 18 TCOs operating in various states, some of them covering more than one state. Few of them are listed below:

1. Andhra Pradesh Industrial & Technical Consultancy Organization Ltd (APITCOI).
2. Bihar Industrial and Technical Consultancy Organization Ltd (BITCOI.)
3. Gujarat Industrial and Technical Consultancy Organization Ltd (GITCOI).
4. Haryana-Delhi Industrial Consultants Ltd (HARDICON).
5. Himachal Consultancy Organization Ltd (HIMCO).
6. Industrial and Technical Consultancy Organization of Tamil Nadu Ltd (ITCOT).
7. Technical Consultancy Services Organization of Karnataka (TECSOK).
8. Maharashtra Industrial and Technical Consultancy Organization Ltd (MITCON).



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TCOs provide a total package of consultancy services to enterprises, government departments, commercial banks, and other institutions for activities relating to industrial development and financing. Initially, the functions of TCOs were focused on pre-investment studies for enterprises. Over the years, they have diversified their functions to include the following:

- To prepare project profiles and feasibility profiles.
- To undertake industrial potential surveys.
- To identify potential entrepreneurs and provide them with technical and management assistance.
- To undertake market research and surveys for specific products.
- To supervise the project and where necessary, render technical and administrative assistance.
- To undertake export consultancy for export-oriented projects based on modern technology.
- To conduct entrepreneurship development programmes.
- To offer merchant banking services.

### **Small Industries Development Bank of India (SIDBI)**

SIDBI was founded in 1990 under an Act of Parliament. It is the principal financial institution for the promotion, financing, and development of the MSME sector and other institutions engaged in similar activities. SIDBI facilitates the timely flow of credit for term loans and working capital to MSME in collaboration with commercial banks. In addition to refinancing and discounting of bills SIDBI participates in equity loans, term loans, working capital, venture capital support, and various forms of resource support to banks and other institutions.

SIDBI seeks to empower the MSME sector with a view to contribute to the process of economic growth, employment generation, and balanced regional development. The four main functions set by SIDBI for the development of MSME sector are financing, promotion, development, and coordination. SIDBI finances technology transfer and upgradation, quality improvement programmes, export promotion, environmental care, and rural industrialization. It uses the services of consultants and NGOs at national and international levels for various improvement programmes on a need basis.

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SIDBI as an apex institution makes use of the existing network of banks and state-level financial institutions to convey financial assistance to the MSME sector. It has entered into a memorandum of understanding with many banks, governmental agencies, international agencies, research and development institutions, and industry agencies in India and abroad to reach out to and facilitate the development of the MSME sector in the country

### **Export Promotion Councils (EPCs)**

In order to overcome problems in the marketing of MSME products in the overseas markets, it is considered desirable to adopt a consortium approach. The export promotion councils for different industries make efforts to promote the exports of their member units through direct marketing, developing vendor relations, opening respective sales outlets abroad, and so on, as a collective expert marketing strategy. The activities of different councils are targeted to increase the exports from the sector.

MSME get access to export-related services from the councils. Some of the councils obtain bulk purchase orders from foreign buyers and distribute these among member units for supply to the council for onward export. This process ensures export orders to every member unit and thereby facilitates the timely delivery of goods abroad. For such a service, the councils charge a nominal fee from member units. EPCs also offer a package of other services to existing as well as new members by providing information about the developments taking place in the international arena. They keep the members informed of the changes with regard to export-import policies and procedures, customs and excise duty rules, and so on.

### **Non-Governmental Organizations (NGOs)**

There has been an emergence of NGOs in different states to provide financial assistance, information, training, marketing support, legal advice, and so on to MSME. The 1991 SSI policy of the Government of India favoured assistance to MSME through NGOs. A few training programmes for unemployed youth to help set up industries under the PMRY have been assigned by state governments to some NGOs. In the present scenario, the role of NGOs is assuming increasing importance for assistance to entrepreneurs particularly under micro financing activities. Many NGOs have set up Sub-Contracting Exchanges (SCXs) to promote entrepreneurship by developing and strengthening linkages between buyers and sellers.

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**Assignment Questions:**

1. What is a business plan? Describe the reasons for preparing a business plan.
2. Briefly explain the contents/components of a business plan.
3. Why do business plan fail? Explain.
4. With diagram, briefly explain the procedure for setting up an enterprise.
5. List the various institutions supporting entrepreneurial activities in India.
6. Discuss following central level institutions:
  - a. NBMSME
  - b. MSME-DO
  - c. NSIC.
7. Discuss following state level institutions:
  - a. DIC
  - b. SDIC
  - c. SIADB
  - d. SFC.
8. What is NABARD? Explain its goal and functions.
9. What is the role of TCO? List the functions of TCO.
10. Write short notes on:
  - a. SIDBI
  - b. EPC.