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Role of Financial Institutions in Entrepreneurial Development with special reference to Women Entrepreneurs

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Abstract

The word 'entrepreneur' has been taken from the French language where it cradled and originally meant to designate an organiser of musical or other entertainments. Entrepreneurship among women in India is a recently fast growing concept that is applauded in several quarters of our National life. The Central and State Governments have initiated a number of steps taken in recent years for giving a great fillip to the cause of Women Entrepreneurship Development by way of granting a variety of special concessions, incentives, subsidies, rebates and assistance of varied nature, financial, technical, organizational and managerial etc. The Financial Institutions also has been contributing its share to this cause. They have launched a number of schemes of assistance to the favor of women entrepreneurs. Several women's Organisations at national and regional levels have also taken up this cause and sponsored a number of conferences and workshops in recent times, which gave a great moral support and inspiration for the women entrepreneurs to take up viable schemes of business and industry. The present paper in this regard is an attempt to examine the role of financial institutions in promoting small scale and tiny industries in terms of growth of entrepreneurs.

Key words:*Women entrepreneur, Financial Institutions, EDP, Women Empowerment*

Objective of the study

- Trace out the evolution and development of entrepreneurship in India.
- To Know the types of financial assistance provided by commercial banks to small enterprises
- List the various institutions which provide financial assistance.
- Discuss the support rendered by various institutions to the entrepreneurs
- Discuss the functions of women enterprises

- Identify specific problems faced by women entrepreneurs

Hypothesis

Literature survey was undertaken to get deeper insight into this field, which could be the basis for formulating Hypothesis

Introduction

According to Oxford dictionary an entrepreneur is " A person who sets up a business or businesses, taking on financial risks in the hope of profit" Richard Cantillon, an Irish man living in France, was the first who introduced the term 'entrepreneur' and his unique risk – bearing function in the early 18th century. He defined an entrepreneur as an agent who buys factors of production at certain prices in order to combine them into a product with a view to selling it at uncertain prices in future.

An entrepreneur is a person who develops new idea and takes of setting up an enterprise to produce a product or service which satisfies customer needs. All entrepreneurs are business persons, but not all business persons are entrepreneurs.

Essential qualities for an entrepreneur

The successful entrepreneurs are those who are able to accomplish the objectives, which they have set for themselves, i.e. they are able to carry out the projects of new ventures and put them on the track of further operation. The following are the qualities given below-

- Strong desire to be independent
- Willingness to assure risk
- Self motivation
- Ability to learn from the experiences
- Competitive sprit
- Self confidence
- Achievement derives
- High energy level
- Innovation
- Assertiveness
- Dynamism
- "Go-getter" sprit
- 'Never say die' spirit
- Gift of Gab
- Calibrate to deal with people and situations
- Ability to take a decision
- Selflessness

Concept of Women Entrepreneurs

Women constitute around half of the total world population. So is in India also. They are, therefore, regarded as the better half of the society. In traditional societies, they were confined to the four walls of houses performing household activities.

Women entrepreneurs may be defined as a woman or a group of women who initiate, organize and run a business enterprise. In terms of the Schumpeterian concept of innovative entrepreneurs, women who innovate, imitate or adopt a business activity are called "women entrepreneurs". The government of India has defined women entrepreneurs based on participation in equity and employment of a business enterprise.

Problems of women entrepreneurs

Women entrepreneurs encounter two sets of problems- general problems and specific problems.

- Problems of Finance
- Scarcity of Resources
- Stiff Competition
- Limited Liability
- Family Ties
- Lack of Education
- Male- Dominated Society
- Low Risk-Bearing Ability

A women entrepreneur is one who owns and controls an enterprise having a share capital of not less than 51% as partners/shareholders/directors of private limited company/members of cooperative society. Women entry into business is recent phenomenon. It is traced out as an extension of their kitchen activities to three Ps, i.e. pickels, powder, and pappad manufacturing. With growing awareness and spread of education over the years, women have started engrossing to modern activities like engineering, electronics and energy popularly known as 3Es.

Financial Institutions

Financial sector plays an indispensable role in the overall development of a country. The most important constituent of this sector is the financial institutions, which act as a conduit for the transfer of resources from net savers to net borrowers, that is, from those who spend less than their earnings to those who spend more than their earnings. The financial institutions have traditionally been the major source of long-term funds for the economy. These institutions provide a variety of financial products and services to fulfil the varied needs of the commercial sector. Besides, they provide assistance to new enterprises, small and medium firms as well as to the industries established in backward areas. Thus, they have helped in reducing regional disparities by inducing widespread industrial development.

The Government of India, in order to provide adequate supply of credit to various sectors of the economy, has evolved a well developed structure of financial institutions in the country. These financial institutions can be broadly categorised into All India institutions and State level institutions, depending upon the geographical coverage of their operations. At the national level, they provide long and medium term loans at reasonable rates of interest. They subscribe to the debenture issues of companies, underwrite public issue of shares, guarantee loans and deferred payments, etc. Though, the State level institutions are mainly concerned with the development of medium and small scale enterprises, but they provide the same type of financial assistance as the national level institutions.

National Level Institutions

A wide variety of financial institutions have been set up at the national level. They cater to the diverse financial requirements of the entrepreneurs. They include all India development banks like IDBI, SIDBI, IFCI Ltd, IIBI; specialised financial institutions like IVCF, ICICI Venture Funds Ltd, TFCI ; investment institutions like LIC, GIC, UTI; etc.

All-India Development Banks (AIDBs):-

Includes those development banks which provide institutional credit to not only large and medium enterprises but also help in promotion and development of small scale industrial units.

Industrial Development Bank of India (IDBI):-

IDBI was established in July 1964 as an apex financial institution for industrial development in the country. It caters to the diversified needs of medium and large scale industries in the form of financial assistance, both direct and indirect. Direct assistance is provided by way of project loans, underwriting of and direct subscription to industrial securities, soft loans, technical refund loans, etc. While, indirect assistance is in the form of refinance facilities to industrial concerns.

Industrial Finance Corporation of India Ltd (IFCI Ltd):-

IFCI was the first development finance institution set up in 1948 under the IFCI Act in order to pioneer long-term institutional credit to medium and large industries. It aims to provide financial assistance to industry by way of rupee and foreign currency loans, underwrites/subscribes the issue of stocks, shares, bonds and debentures of industrial concerns, etc. It has also diversified its activities in the field of merchant banking, syndication of loans, formulation of rehabilitation programmes, assignments relating to amalgamations and mergers, etc

Small Industries Development Bank of India (SIDBI):-

SIDBI was set up by the Government of India in April 1990, as a wholly owned subsidiary of IDBI. It is the principal financial institution for promotion, financing and development of small scale industries in the economy. It aims to empower the Micro, Small and Medium Enterprises (MSME) sector with a view to contributing to the process of economic growth, employment generation and balanced regional development.

Industrial Investment Bank of India Ltd (IIBI):-

IIBI was set up in 1985 under the Industrial reconstruction Bank of India Act, 1984, as the principal credit and reconstruction agency for sick industrial units. It was converted into IIBI on March 17, 1997, as a full-fledged development financial institution. It assists industry mainly in medium and large sector through wide ranging products and services. Besides project finance, IIBI also provides short duration non-project asset-backed financing in the form of underwriting/direct subscription, deferred payment guarantees and working capital/other short-term loans to companies to meet their fund requirements.

Specialised Financial Institutions (SFIs):-

SFIs are the institutions which have been set up to serve the increasing financial needs of commerce and trade in the area of venture capital, credit rating and leasing, etc.

IFCI Venture Capital Funds Ltd (IVCF):-

IVCF -formerly known as Risk Capital & Technology Finance Corporation Ltd (RCTC), is a subsidiary of IFCI Ltd. It was promoted with the objective of broadening entrepreneurial base in the country by facilitating funding to ventures involving innovative product/process/technology. Initially, it started providing financial assistance by way of soft loans to promoters under its 'Risk Capital Scheme' . Since 1988, it also started providing finance under 'Technology Finance and Development Scheme' to projects for commercialisation of indigenous technology for new processes, products, market or services. Over the years, it has acquired great deal of experience in investing in technology-oriented projects.

ICICI Venture Funds Ltd:-

ICICI Venture Funds Ltd- formerly known as Technology Development & Information Company of India Limited (TDICI), was founded in 1988 as a joint venture with the Unit Trust of India. Subsequently, it became a fully owned subsidiary of ICICI. It is a technology venture finance company, set up to sanction project finance for new technology ventures. The industrial units assisted by it are in the fields of computer, chemicals/polymers, drugs, diagnostics and vaccines, biotechnology, environmental engineering, etc.

Tourism Finance Corporation of India Ltd. (TFCI):-

TFCI is a specialised financial institution set up by the Government of India for promotion and growth of tourist industry in the country. Apart from conventional tourism projects, it provides financial assistance for non-conventional tourism projects like amusement parks, ropeways, car rental services, ferries for inland water transport, etc.

Investment Institutions:-

These are the most popular form of financial intermediaries, which particularly catering to the needs of small savers and investors. They deploy their assets largely in marketable securities.

Life Insurance Corporation of India (LIC):-

LIC was established in 1956 as a wholly-owned corporation of the Government of India. It was formed by the Life Insurance Corporation Act,1956 , with the objective of spreading life insurance much more widely and in particular to the rural area. It also extends assistance for development of infrastructure facilities like housing, rural electrification, water supply, sewerage, etc. In addition, it extends resource support to other financial institutions through subscription to their shares and bonds, etc. The Life Insurance Corporation of India also transacts business abroad and has offices in Fiji, Mauritius and United Kingdom . Besides the branch operations, the Corporation has established overseas subsidiaries jointly with reputed local partners in Bahrain, Nepal and Sri Lanka.

Unit Trust of India (UTI):-

UTI was set up as a body corporate under the UTI Act, 1963, with a view to encourage savings and investment. It mobilises savings of small investors through sale of units and channelises them into corporate investments mainly by way of secondary capital market operations. Thus, its primary objective is to stimulate and pool the savings of the middle and low income groups and enable them to share the benefits of the rapidly growing industrialisation in the country. In December 2002, the UTI Act, 1963 was repealed with the passage of Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002, paving the way for the bifurcation of UTI into 2 entities, UTI-I and UTI-II with effect from 1st February 2003.

General Insurance Corporation of India (GIC) :-

GIC was formed in pursuance of the General Insurance Business (Nationalisation) Act, 1972(GIBNA), for the purpose of superintending, controlling and carrying on the business of general insurance or non-life insurance. Initially, GIC had four subsidiary branches, namely, National Insurance Company Ltd , The New India Assurance Company Ltd , The Oriental Insurance Company Ltd and United India Insurance Company Ltd . But these branches were delinked from GIC in 2000 to form an association known as 'GIPSA' (General Insurance Public Sector Association).

State Level Institutions

Several financial institutions have been set up at the State level which supplement the financial assistance provided by the all India institutions. They act as a catalyst for promotion of investment and industrial development in the respective States. They broadly consist of 'State financial corporations' and 'State industrial development corporations'.

State Financial Corporations (SFCs) :-

SFCs are the State-level financial institutions which play a crucial role in the development of small and medium enterprises in the concerned States. They provide financial assistance in the form of term loans, direct subscription to equity/debentures, guarantees, discounting of bills of exchange and seed/ special capital, etc. SFCs have been set up with the objective of catalysing higher investment, generating greater employment and widening the ownership base of industries. They have also started providing assistance to newer types of business activities like floriculture, tissue culture, poultry farming, commercial complexes and services related to engineering, marketing, etc.

There are 18 **State Financial Corporations** (SFCs) in the country:-

- Andhra Pradesh State Financial Corporation (APSFC)
- Himachal Pradesh Financial Corporation (HPFC)
- Madhya Pradesh Financial Corporation (MPFC)
- North Eastern Development Finance Corporation (NEDFI)
- Rajasthan Finance Corporation (RFC)
- Tamil Nadu Industrial Investment Corporation Limited
- Uttar Pradesh Financial Corporation (UPFC)
- Delhi Financial Corporation (DFC)
- Gujarat State Financial Corporation (GSFC)
- The Economic Development Corporation of Goa (EDC)
- Haryana Financial Corporation (HFC)
- Jammu & Kashmir State Financial Corporation (JKSFC)
- Karnataka State Financial Corporation (KSFC)
- Kerala Financial Corporation (KFC)

- Maharashtra State Financial Corporation (MSFC)
- Odisha State Financial Corporation (OSFC)
- Punjab Financial Corporation (PFC)
- West Bengal Financial Corporation (WBFC)

State Industrial Development Corporations (SIDCs) :-

SIDCs have been established under the Companies Act, 1956, as wholly-owned undertakings of State Governments. They have been set up with the aim of promoting industrial development in the respective States and providing financial assistance to small entrepreneurs. They are also involved in setting up of medium and large industrial projects in the joint sector/assisted sector in collaboration with private entrepreneurs or wholly-owned subsidiaries. They are undertaking a variety of promotional activities such as preparation of feasibility reports; conducting industrial potential surveys; entrepreneurship training and development programmes; as well as developing industrial areas/estates. The State Industrial Development Corporations in the country are:-

- Assam Industrial Development Corporation Ltd (AIDC)
- Andaman & Nicobar Islands Integrated Development Corporation Ltd (ANIIDCO)
- Andhra Pradesh Industrial Development Corporation Ltd (APIDC)
- Bihar State Credit and Investment Corporation Ltd. (BICICO)
- Chhattisgarh State Industrial Development Corporation Limited (CSIDC)
- Goa Industrial Development Corporation
- Gujarat Industrial Development Corporation (GIDC)
- Haryana State Industrial & Infrastructure Development Corporation Ltd. (HSIIDC)
- Himachal Pradesh State Industrial Development Corporation Ltd. (HPSIDC)
- Jammu and Kashmir State Industrial Development Corporation Ltd.
- Karnataka State Industrial Investment & Development Corporation Ltd. (KSIIDC)
- Kerala State Industrial Development Corporation Ltd. (KSIDC)
- Maharashtra Industrial Development Corporation (MIDC)
- Manipur Industrial Development Corporation Ltd. (MANIDCO)
- Nagaland Industrial Development Corporation Ltd. (NIDC)
- Odisha Industrial Infrastructure Development Corporation
- Omnibus Industrial Development Corporation (OIDC), Daman & Diu and Dadra & Nagar Haveli
- Pudhucherry Industrial Promotion Development and Investment Corporation Ltd. (PIPDIC)
- Uttar Pradesh State Industrial Development Corporatio
- Punjab State Industrial Development Corporation Ltd. (PSIDC)

- Rajasthan State Industrial Development & Investment Corporation Ltd. (RIICO)
- Sikkim Industrial Development & Investment Corporation Ltd. (SIDICO)
- Tamil Nadu Industrial Development Corporation Ltd. (TIDCO)
- State Infrastructure & Industrial Development Corporation of Uttaranchal Ltd. (SIDCUL)
- Tripura Industrial Development Corporation Ltd. (TIDC)

Conclusion

Realising that small scale enterprise lack sufficient finance to run their enterprises, the government has set up a number of financial institutions- both at the Central and State level- to provide financial assistance required by the entrepreneurs to run their units. The important types of assistance are term finance, refinance, working capital finance, and underwriting, direct, venture capital. Merchant banking, rehabilitation finance, exports finance, etc.

Finance as life blood is important but not a magic wand to run an enterprise. The supportive facilities and services rendered by these institutions and centres include project appraisals, construction of infrastructure facilities, distribution of raw materials by SSIs, rendering consultancy and training services, conducting EDPs, undertaking industrial potential surveys, etc. institutions are not just the latest buzzword in development of economics, they are the crucial and unavoidable upon which societies develop and grow.

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