

Creating Entrepreneurial Ventures

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Executive Summary

Acquiring finance is a major consideration for any business and it can seem to be a daunting task at times. However, with careful planning and consideration, it would be easier to arrange for acquisition of finance through the right sources. An entrepreneur needs to have a clear view of the various methods of finance (internal & external) to select the appropriate one.

It is also very important to know about the funding pattern of different industries and the amount and extent to which help is available in the industry. There are some key issues the firms face for acquisition of finance which are stated in the below mentioned points.

This assignment has been done with a view of acquiring entrepreneurial finance in setting up an SSI firm in India. Also, mentioned are the institutions where the Government extends finance facilities through various schemes. It also shows the problems and probable solutions with suggestions to curb the difficulties in acquiring finance.

Problems of Entrepreneurial Business finance

1) Acquiring loans from institutions and government bodies –

The process of acquiring loans takes a long procedure, which is generally complicated. The co-laterals associated with it are also proving to be a problem.

2) Preparing a feasible business report – It is one of the prime requirements of acquiring a loan. It has to show how feasible the idea is in terms of providing the revenue required to pay back the loan and the interest associated with it. It has to cover all the aspects of the firm. It doesn't matter how innovative the idea is, the aim remains on when the profits come in. There lies limited specialist knowledge of products and sectors in some of the reports which is particularly the area of concern to the authorities providing finance.

3) An accounting balance sheet – The institutions giving loan aren't really interested in the 55 page accounts but they need the proper 4 pages of accounts which show the exact estimated cash flow and the places where the money would be invested in. They want to make sure there is proper allocation of resources so that the loan is re-paid on time. Ignorance of application procedures for Debt and Equity are very common problems in not getting the required finance.

4) Expected profit – The banks or loan providing individuals need to know the expected rate of growth and profit that could be reaped through accounting techniques and formulas and other means. It can be shown in a forecasted form the ratio's which are expected to be. Unfavourable and unrealistic figures and ratio's are what the loan providing institutions do not want to see in the presented forecasted accounts.

5) Cash flow forecast – It basically shows where the cash is going to be allocated. A lot of companies have their cash flow which exceeds the investment levels and are barred from getting the required loans.

6) Budgeting – Management of capital is a major problem. If there are no forecasted budgets and how the capital should be used and how much percentage of capital will go in buying capital assets and how much percentage will go in working capital, then it is seen as a proposed problem. The provided accounting sheets need to have a budget and cash allocation figures.

7) Unpopularity of equity capital – Equity capital isn't the most common form of attaining finance. It is slowly gaining popularity and would be a good source to attain finance from public sources. However, the small firms need help from institutions who can guide them on how to invite the public to subscribe and the whole procedure.

8) Professionalism in submission of application – The firms with a more concrete resource base are more biased to submitting the right type of application for the loan and securing it because of the correctness of the type of loan applied for. The SSI sector needs assistance from institutions which guide them to apply for the right kind of loan at the right bank.

9) Uneducated entrepreneurs - There are a lot of finance opportunities available and grants available which are good sources of securing finance but are not known to many entrepreneurs because of lack of advertising of the firms and institutions giving it. The main reason, however, is also because of the entrepreneur not being educated about the sources of finance.

10) Problems associated with the expansion of working capital

- Credit Periods are over extended
- Deadlines for credit from the raw material manufacturer have to be met to have a good credit rating
- Credit cards and over drafts are over relied upon deal with the short-term deficiencies
- Acquiring loans are a problem because of illiteracy in the area of applying for the right loan to the right place
- Inexperienced entrepreneurs who run the business for the first time have typically a high demand for working capital

11) Volatility - Companies presenting loan proposals which show that they are highly geared can go down in eyes of the potential investors in terms of volatile share price because of high debt ratio (borrowed capital) as compared to equity ratio (owned capital), which might be seen as a perceived risk by the loan granting institutions.

12) Interest Rates – The interest rates while providing loans can be high depending upon the geographical location the project is present in and the interest rates prevailing. Generally, the interest rate is higher because of the risk the institution takes while granting loans. So SSI's find it difficult to repay at the high interest rates and need an institution which will help them with lower interest rates on loans.

Why is it a problem?

Finance is a problem because each business unit revolves around finance and increasing the value of capital. Shareholders of the firm look at growth potential and make their investments often using methods like weighted average cost of capital, discounted cash flows and capital asset pricing model. By employing these methods, the risk can be measured by using capital asset pricing model. Investors do

not like risky investments. Therefore, it is very important to have a balance between Debt and Equity i.e. the capital structure.

Acquiring and managing finance is a problem because of the reasons mentioned above in the problems section. However, the sources for attaining financial help are stated below.

What help is available from the Government and what does the literature say about it?

The Government of India setup "The ministry of SSI" through which it grants loans to the Entrepreneurs of Small scale, Medium scale and large scale. The institutions mentioned below work for granting loans for SSI and medium scale industries:

- 1) Small-scale Industries Board
- 2) Khadi and Village Industries Commission
- 3) National Small Industries Corporation Ltd (www.nsicindia.com)
- 4) Small Industries Development Bank of India (SIDBI)
(www.sidbi.com)
- 5) National Bank of Agriculture and Rural development (NABARD)
- 6) National Institute For Small Industry Extension and Training
(NISIET)
- 7) National Institute for Entrepreneurship and Small Business
Development (NIESBUD)
- 8) The National Science and Technology Entrepreneurship
Development Board (NSTEDB)
- 9) Entrepreneurship Development Institute of India (EDII)
(Charantimath:184)

By way of the abovementioned institutions the government extends loan facilities to small-scale industries for updating the functional areas of management by financing and providing marketing financing schemes.

The main features of the financial services offered by NSIC are:

- Financial assistance for the equipment and marketing activities under one roof with speed and efficiency.
- Prompt clearance of the proposals with minimum processing time and without cumbersome paper work.
- Assistance in preparing the proposals and completion of document formalities.
- Market oriented interest rates and service charges with liberal terms of margin, level of assistance and repayment schedules.
- Arrangement with commercial banks for sanction of loan proposals received by NSIC from small enterprises.

Assistance is received for functions like leasing or hire purchase for assets, acquisition of raw materials, help in exporting of goods and granting loans (www.nsicindia.com)

Small Industries Development Organization (SIDO) (www.laghu-udyog.com) helps young and enterprising entrepreneurs to create and setup an SSI unit right from the start from project selection to technology and machinery, finance, registration, approvals, clearances, certification etc. It extends 14 schemes similar to the ones mentioned below towards the SSI sector.

The Government of India has set up rules and regulations for the SSI units on which the SIDO functions its setup's. It provides the

- 1) SSI Policy Statement (Industrial, Central and State)
- 2) Central Government Policies
- 3) Statement Government Policies
- 4) The legal Framework for setup's
- 5) The Priority sectors
- 6) The backward Areas (for development)

(<http://www.laghu-udyog.com/policies/policies.htm>)

The SIDBI provides a number of schemes for

1. New Entrepreneurs

a) Direct Credit Scheme – Offers loans for small (up to 25 crore) and medium scale industries (up to 250 crore) in Indian or foreign currency. It needs a Debt: Equity ratio of not exceeding 2:1, a 33% of minimum promoter's contribution.

b) Technology up gradation fund – Loan available (until 10 years) at the rate of interest of 9.5% – 13.5% for Small and medium scale industries.

c) ISO 9000 Scheme – provides loan for obtaining the ISO 9000 scheme up to 5 years for existing SSI firm having a good past record.

d) Credit Linked Capital Subsidy Scheme – It is a subsidy to facilitate technology up gradation at about 12%.

e) Composite Loan – It is provided for assistance for equipment and/or working capital and a loan limit of not more than 2.5 million.

f) Single Window Scheme – It is a scheme setup for SSI involving both term loan for fixed assets and working capital through the same agency, so that it facilitates easiness in transactions. The limit is 20 million.

2. Existing Entrepreneurs (for expansion)

a) SIDBI-KFW Scheme of Cleaner Production (CP) Measures – It is a loan scheme provided for financing cleaner production measures at the rate of 8.5% p.a. at a minimum loan limit of Rs.1,000,000.

b) Direct discounting equipment - To enable manufacturers and sellers in SSI sector and service sector to offer deferred payment terms for credit sales and realize sale proceeds by discounting bills of exchange / promissory notes arising out of such sales. The minimum transaction value is 100,000.

c) Fast Track Financing – This was setup for the clients to acquire finance on a fast track basis for acquisition of machinery, other fixed assets, up gradation and modernization procedures and are limited to Rs.1,000,000 – 5,000,000.

d) Help in finance for marketing the SSI products – Loan for a period of one year to about eight years to increase sales by marketing research, R&D, planning, strategy making, training personnel etc with a rate of interest of 3.5% p.a.

3. Women Entrepreneurs

a) Mahila Udyam Nidhi – It's a loan to meet the gap in equity for the women entrepreneurs offered at certain terms and conditions of repayment.

b) Marketing Fund for women – This is another kind fund available to women for startup of business and help in marketing sector available on flexible basis.

4. Investors

a) Fix Deposit Scheme – A Fixed deposit scheme similar to the commercial banks. It offers a fairly attractive rate of interest.

b) Capital Gain Bond – A Bond for investment at rate of interest (depending upon amount of interest) on tax free terms.

Entrepreneurship Training Programs (ETP), Programs for obtaining Foreign Currency Loans, re-financing and financing the sick units are also introduced so that more people are motivated to be entrepreneurs by the SIDBI.

National Bank for Agriculture and Rural Development (NABARD) is a bank related to the functioning of financing rural development and agriculture. Firms trying to set themselves up in the agricultural sector can seek help from NABARD (www.nabard.org) – Appendix 2

The Government of India has National Awards for outstanding entrepreneurs of the year, every year and also a Golden Icon recognition event for the best documented resource and case study.

Part 2 – Solving the problems in Entrepreneurial business finance

This section gives a view of how can the problems mentioned above be solved.

1) How to apply for a Loan (Procedure and merits)

You can apply for a loan in different ways. What kind of loan you apply for depends on

- The purpose of your loan
- The type of institution you are borrowing from

Generally, loans are acquired from:

- Banks
- Credit agencies
- Government

It is very necessary to understand the type of loan we want to apply for because there are a various number of loans available specific to activities they are made for. Different banks have different interest rates and repayment plans. A specific study on that area should be done before the loan is applied for.

It is important to keep back up in terms of applying to different places just in case the loan doesn't get approved from the first bank we apply to. It is not certain which agency will accept or reject the proposal.

A Bank loan can be applied

- 1) In person application (physically at the bank)
- 2) On Paper application
- 3) Online application (E-Application Forms)

It is advisable to set up a meeting with your financial planner from the bank and discuss the project with him. He can be of critical importance being from the same field and having a good amount of knowledge about how to acquire loans from the bank knowing the needs and goals of the project and might suggest an appropriate course of action. He might know a lot of ways which might be useful in acquisition of finance from the bank. (<http://www.cpafinder.com>)

It is better to approach the bank in person because there is useful interaction with the banker and all the questions are answered on the spot and we do not have to visit the bank again and again or scroll through e-pages for information. A realistic quote on acceptance of the loan request can be found by the banker there itself and can finish the legal formalities thereon after that.

The other option is to do the research yourself, then fill out a paper application available at banks. E-Forms are a popular and less time consuming way of applying for loan applications at your ease and the bank on approval contacts you.

Processing time depends upon applications and validity of data expressed in the proposal. For example, state banks often require that you are a resident of that particular state in order to qualify for a loan.

2) Information required on Loans Applications

When you apply for a loan, your application will probably ask some combination of the following questions:

- Name , Address ,Contact Information (phone number, email, etc.) ,Date of birth, Social Security Number (For US)
Identification

- Home Ownership Information (if applicable)
- Mortgage Information (if applicable)
- Bankruptcy information (if applicable)
- Employment information (employer, salary, position, years there)
- Bank account information (check and savings accounts and certificates of deposit)
- Assets (stocks, bonds, investment)
- Other outstanding loans (Life Insurance Policies)
- Driver's License (If any or If applicable)
- Other documents proving existence in the country and proving tax-paying existence
- Information for Co-Applicant (if applicable)
- Information for Co-lateral
- Automobiles(if owned)
- Statement of accounts of previous 3 years and income from all the other sources
- Marital status (single/divorced)
- Real estate information (owned/mortgaged/sold)
- Credit information (Rent)
- Photo identification

(<http://www.southwesternmortgage.com>)

The applications also ask for some more specific detailed questions, depending on the kind of institution i.e. Bank etc and type of loan the entrepreneur wants. (<http://www.hdfcbank.com>)

3) Submitting a Feasible Business Report

A feasible business report should contain the following aspects of study

- 1) Introduction of the Business ideas from where it was chosen
- 2) The geographical area of action of the service which has to be rendered.
- 3) The growth rates, interest rates and the field in which the company wants to start in. A complete study of the micro and macro economics of the country's environment to an extent to if it facilitates the growth of the sector we look to grow in.
- 4) The amount of finance needed from setting up to the working capital requirements and sustainability of the capital in normal course of business.
- 5) Making a model and presenting the model of what the product or the kind of service it is expected to be.
- 6) Testing of the idea with the members of the organization (if any)

This should be submitted with supporting data from the same industry with in comparison to other competitors.

(<http://www.io.com>)

The report should have:

- 1) An overview introduction stating the review and key details.

- 2) A comparative analysis of the similar products available in the market and the expected performance of the product compared to it.
- 3) The amount and number of options that have to be considered and prove the superiority of our product in relation to the other products which might act as competitors or substitutes.
- 4) A comparative analysis of the superiority of our product to the other ones in factual figures received from concrete sources.
- 5) The citations from where the data is sourced should be given as reference to check the validity of the information provided.
(<http://www.wexfordceb.ie>)
- 6) A summary including the key result areas of superiority of the product and its uses and a table of comparison for quick reference.
- 7) References of the source of information and data available in the report.
(<http://bestentrepreneur.murdoch.edu.au>)

4) The Macro and Micro Economic study of the Geographical Area the study is present in.

It is very important to have a fair idea of what kind of business cycle the country lays in i.e. recession, depression etc. It is also important to have a fair idea of what the GDP in the country is like because it directly affects the interest rates prevailing in the money market and

would make the option of investing a favorable or unfavorable one depending upon the interest rates prevailing.

Many investors face the problem of high interest rates in repayment of debts and therefore the factors of macro-economics should be studied briefly to get a clear picture and idea of what the rates in the country look like.

Also the inflation and deflation rates make a very big difference to the interest rates prevailing and thus it proves to be an important area of study. (<http://mtmt.essortment.com>)

If the interest rates are high for repayment, it converges with the working capital requirement to make a big figure which might prove uncontrollable and unprofitable.

Therefore, it is important to choose a geographical location or a source of finance where the interest of repayment of debt is as low as possible.

5) Gearing

Gearing of a company represents the Debt to Equity Ratio and shows if the company's Debts are more as compared to its Equity Base.

A higher ratio indicates high dependence on loans and higher amount of interest payable. Such trading on equity affects adversely during recession. The Equity base is not often diluted by fragmenting the base to more number of shareholders.

The investors do not like a highly geared company as it is prone to bankruptcy as it has a big debt subscription to pay along with the maintenance of working capital.

This aspect might make the shares of the company fluctuate in the stock market and might create volatility. High gearing is favorable only when rate of earning of the business is greater than its fixed interest. It may amount to under capitalization. Equity shareholders expect higher dividend and shares become speculative.

As a result, it is a high risk stock in the portfolio of the investor which is not always preferable.

The Key to the problem:

- 1) Have a low Debt Base
- 2) Have a relatively higher equity base
- 3) Balance the ratio so that there is less dependence on borrowed funds and more on owned funds (equity base).
- 4) Keeping up to the expectation of the shareholders by a steady level of increasing dividends each year.

(<http://www.accaglobal.com>)

6) Working Capital

Working Capital is the amount of capital required for the day to day expenditure of the firm to fulfill the requirements. It represents the amount of capital the entrepreneur and the business need to pay the suppliers, operation, staff and transportation until the payment after giving credit to the purchasers come in. The main sources of working

capital payments are current assets with which cash is generated. However, the current liabilities should also be taken into account. (<http://www.planware.org/>)

The Key to the problems in working capital are:

- 1) Having a strict credit policy and not extending credit for longer terms. On a general basis 30, 60 and 90 day periods are given as credit periods. The credit policy should be shortened from less than 30 days even to have a more strict control.
- 2) It is a good and favorable option to maintain a reserve account so that the reliance on overdraft facility is less. Credit cards are used as methods to rely on which in return charge a percentage of fee paid by the user which results in outflow of cash counted as loss. Thus, a reserve account for the day to day maintenance should be maintained for the income and outflow and should be forecasted regularly keeping in mind the changes in the environment and policies.
- 3) The credit circle is a big one and can't be reduced easily because the credit received is passed on with a few number of grace days to the next buyer. Still, a tight credit policy would maintain and keep the situation under control.
- 4) A budgeting and cash flow forecast should be made in order that the demand for the working capital is relatively lower than that which it accounts to. Operation Management is one Key Area which will reduce the amount of capital invested in operations and make it more precise and lean. Techniques like "Just in time" etc should be used to control the costs and wastes.

5) The concept of equity capital is a fairly profitable one and is increasingly being accepted. It grows the equity base which is owned capital as to the debt base which is borrowed capital and thus reduces the capital gearing of the company making it a favourable option to invest in.

(<http://www.investopedia.com>)

7) Marketing of entrepreneurial facilities available by the government bodies and private bodies and encouragement of entrepreneurial activities.

The key to the uneducated entrepreneurs are

- 1) Having a central body where the entrepreneurial activities are assisted by the government and education as to what kind of loan should and can be applied for.
- 2) Creation of more institutions who would guide entrepreneurs how to set-up the whole business right from the start.
- 3) A central body having the statistical data of the amount of companies in the industry, their products etc, so an entrepreneur gets a fair idea of exploiting an opportunity spotted with the use of this data.
- 4) Marketing of the facilities available through common inexpensive mediums like newspapers so that it aggravates the thought of entrepreneurship in more people and more people have access and

knowledge of the facilities, grants and kinds of investment areas available by entrepreneurs.

5) Publications exclusively for entrepreneurs where the different sources of finance and new updates on grants and loans are given with a view to increase the entrepreneur base within the country.

6) Marketing Web-sites to call the attention of people from other countries to invest in a particular country to increase foreign direct investment with the required country via entrepreneurship.

7) The role of major commercial banks in supporting business venturing should be increased so that the entrepreneurial activities increase. Relationship Banking should be given more importance and a bigger user base should be established.

8) Measures to control the cash flow system

1) Boot Strapping – Cutting down costs with different methods. It follows Lean and Mean philosophy and implies that beg, borrow or lease money to start the business. Bootstrapping also implies using capital which is a scarce resource in best possible manner.

2) Internal Audit – Internal Resources of the firm are analysed and a control system is established where the deviations are checked from time to time to keep the processes under control.

3) Monthly Accounts – By this method, the monthly accounts are reviewed and deviations are noticed by the figures present on the accounts and can be a useful measure to identify the problem areas and control the cash flow system.

4) Regular projections about the cash flow – The cash flow statements show regularly of where the capital flows and what areas of concern should be mainly targeted. A projected cash flow system in the budget statements are important to know the state of future cash flows and expected rate of increase or decreased needed in the working capital.

5) Market Intelligence System which gives the firm exactly what the market needs and thus a projected idea of how much capital would have to be invested.

6) E-Business – It is a very important stream where the profits of the company receive a push and is now an essential part of the business. If E-business can be advertised properly, then significant cost cutting can be done on operational areas of management.

(<http://www.mindtools.com/>)

9) Forecasting

It is a technique where the estimated future is analysed on basis of:

- 1) The past historical data
- 2) The present changing environment
- 3) The factors responsible for attaining a certain goal in future

On the abovementioned basis the Cash flow statement is made, which shows how much will be the cash flow in the near future. However, forecasting shouldn't be done in the far future as it causes uncertainties to occur.

While presenting the proposal for feasibility the loan giving institution requires knowing where the capital will be allocated and in what percentage.

Therefore, forecasting is a very good tool (if not used too far in future) for predicting the future environment of the company and understanding the dangers the environment has for the business and making backup solutions for it before occurrence to reduce the margin of error.

(<http://www.referenceforbusiness.com>)

10) Budgeting

It is a very important tool as it builds the future plan for the capital flow and can give you an image of how capital investment decisions can be taken in the future. The budget should not be confused with a forecast, which is a prediction of the future. The main objective of the budget is to bring your income level to the break even point and further more to profits. By doing this the entrepreneur can have a clear picture of what he has to do next and can help him in his capital investment decisions. It can be a strong base while presenting a proposal for acquisition of finance because it states the time that's going to be taken for the break even and similar information.

(<http://www.bizhelp24.com>)

Suggestions to resolve the problem further of acquisition of finance

- 1) Market the opportunities to attain and acquire finance – There is a huge cross-section of society who want to be entrepreneurs, but the financial acquisition problems puts them down as they do not really know where to get the financial help from. The opportunities are not widely marketed and are not advertised amongst the public, so as to the new entrepreneurs get a view to the amount of grants and loans available for starting up an SSI.
- 2) Make the Paperwork easy and provide an easy framework for proposing the project – The paperwork and legal formalities are generally the most time consuming and more complicated part of the acquisition process. The amount of wide-spread illiteracy in India should be taken into account to provide help for the uneducated people so that the legal formalities do not seem like a daunting task.
- 3) A state committee helping in the functional area of management of funds – Efforts have been made to setup the SIDO, NABARD and other institutions to help the entrepreneurs attain finance and get help in other areas of management of the setup of the venture. There should be more of these committees set up to work for the benefit of the “tomorrow’s entrepreneurs” providing them a legal and easy framework to function in.
- 4) Introduction of Entrepreneurial Training programmes in education systems – Entrepreneurship should be given more light and specialised Entrepreneurship programmes should be introduced at the school and college (university) level so that the productive workforce can think in

terms of setting up a venture. Also projects and interactive dialogues should be encouraged in this area in the study during the academic career.

5) Research centres providing new opportunities of development – There should be more research centres providing area's of development which can be undertaken by entrepreneurs. A large cross-section of population in India, has the capital to invest but do not know the places to invest in. A common centre where the idea's and statistics of the industries are available for the entrepreneurs should be established so that there is ease in searching for ideas.

In all, the government of India has realised the need and importance of SSI's and has provided a lot of assistance to the sector. Agriculture being one of the main activities in India has also got a boost from NABARD and similar institutions. Some measures as mentioned above if available would be a good measure to increase the level of interest in entrepreneurship in the country.

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Appendix 1

SIDO Schemes

1) Capital subsidy @ 12% up to Rs.4.8 lakhs - on loans taken for technology up gradation - for individual SSIs.

2) Credit Guarantee Scheme - Collateral free loans up to a limit of Rs.25 lakhs million - for individual SSIs.

3) ISO 9000/ISO 14001 Certification Reimbursement Scheme - Incentive Scheme of Reimbursement of expenses for acquiring Quality Management System (QMS) ISO 9000 certification/environment management (EMS) ISO 14001 certification to the extent of 75% or Rs.75,000/- whichever is lower.
- For individual SIS's/Ancillary/tiny/SSSBE units

4) Participation in International Fairs - Full subsidy on space rent and shipment of exhibits of SSI units - for individual SSIs

5) Purchase and Price Preference Policy - This is administered through the Single Point Registration Scheme of NSIC. Under this, 358 items are reserved for exclusive purchase from SSI by Central Government. Other facilities include tender documents free of cost, exemption from earnest money and security deposit and 15% price preference in Central Government purchases - for individual SSIs

6) Prime Minister's Rozgar Yojana- PMRY (Scheme of Ministry of ARI) - Project limit up to Rs. 1 lakh for business and Rs. 2 lakhs for other activities, subsidy and margin money up to 20% of project with balance as loan. Subsidy for NE twice that of rest of India - for entrepreneurs. SSIs

7) Small Industry Cluster Development Programme - For promoting technology up gradation in clusters for a group of SSI units of one industry.

8) Integrated Infrastructure Development (IID Scheme) - Assistance up to 40% or Rs.20 Million, whichever is less for setting up industrial estates for SSI units. For NE, assistance is 80% or Rs.40 million - for State Governments/industry associations/ NGOs.

9) Mini Tool Rooms - Assistance up to 90% or Rs.90 million, whichever is less for setting up new Mini Tool Rooms. For up gradation of existing Tool Rooms, assistance is 75% or Rs.75 million - for State Governments.

10) Testing Centers - Assistance up to a 50% or Rs.50 lakhs, whichever is less for setting up Testing Centers - for industry associations.

11) Sub-Contracting Exchanges - One time grant for procurement of hardware and thereafter matching grant on tapering basis at 50%, 30% and 10% of running expenses, not exceeding Rs. 1.25 lakhs, Rs. 0.75 lakhs and Rs. 0.25 lakhs respectively during the initial three years, subject to a ceiling of Rs. 1.57 lakhs per exchange - for industry associations.

12) SSI MDA - The scheme offers funding up to 90% in respect of to and fro air fare for participation by SSI Entrepreneurs in overseas fairs/trade delegations. The scheme also provide for funding for producing publicity material (up to 25% of costs) Sector specific studies (up to Rs. 2 lakhs) and for contesting anti-dumping cases (50% up to Rs. 1 lakh) - for individual SSIs & Associations.

13) Assistance to Entrepreneurship Development Institutes - For strengthening training infrastructure in EDIs, assistance up to 50% or Rs. 50 lakhs whichever is less - for State Governments.

14) Scheme of Micro Finance programme – arranging fixed deposits for NGO's, training, administrative agreements etc were the salient features of this programme.

(Source:

<http://www.smallindustryindia.com/schemes/sidoscheme.htm>)

Appendix 2

Policies of Nabard

HIGHLIGHTS 2004-2005

Credit Operations

- Short-term credit limits sanctioned during 2004 - 05
 - For SCBs, RRBs - seasonal agricultural operations - Rs.10185.06 crore
 - For RRBs - other than seasonal agricultural operations - Rs.216.83 crore.
 - For SCBs - financing Weavers' Cooperative Societies- Rs.349.89 crore.
- Long term loans sanctioned to 7 State Governments for contribution to the share capital of co-operative credit institutions aggregated Rs.32.98 crore.
- Liquidity support to SCBs - Rs.1914.24 crore
- Liquidity support to RRBs - 158.78 crore
- Investment Credit to CBs, SCARDBs, SCBs, RRBs and other eligible institutions - Rs. 7605.29 crore.

Kisan Credit Card Scheme

- During the year (upto Feb' 2005), 70.43 lakh cards issued by co-operative banks, RRBs and commercial banks.
- Since inception in 1998-99, 4.84 crore cards issued.

Rural Infrastructure Development Fund

- GoI announced Rs. 8000 Crore for RIDF XI (2005-06)

- As at the end of March 2005, RIDF sanctions under all the tranches of RIDF amounted to Rs. 42948.51 crore against which the disbursements were Rs. 25384.02 crore.

SHG bank linkage programme - Highlights- 2004-05

- During the period April 2004 to March 2005 - 5,39,385 new SHGs were financed by banks to a tune of Rs 29.94 billion by way of loans.
- Cumulatively, banks have lent Rs 68.98 billion to 1,618,476 SHGs. 35,294 branches of 560 banks (Commercial banks- 48; Regional Rural banks-196; & Cooperative banks - 316) situated in 563 districts in the 30 states of the country are participating in the programme.(Data- provisional)
- About 24.25 million poor households have gained access to formal banking system through SHG bank linkage programme.
- Nearly 90% of the groups are women only groups

Capacity building initiatives

Around 42,812 bank officials, 4,246 NGO staff, 7,063 government officials and 2,07,916 self help group members trained with grant support from NABARD. In addition, about 161 faculty members of various banks' training establishments were also trained. Cumulatively 1,016,600 persons trained through various SHG related capacity building programmes.

Financial Highlights

NABARD was set up under an Act of Parliament, NABARD Act, 1981 and has a capital base of Rs.2000 crore contributed by RBI and

Government of India. As on 31 March 2004, the highlights are as under:

- Total Assets of Rs.55889 crore of which owned funds are Rs.22660 crore.
- Net profit before tax stood at Rs.1460 crore.
- A high Capital Adequacy Ratio of 39.41% as against a minimum of 9% stipulated by RBI.
- NPA as low as 0.0014% of advances as on 31 March 2004.

(Source: <http://www.nabard.org/oper/oper.htm>)

Note: There is usage of the term Lakhs and Crores. The conversion is

10 Lakhs (1,000,000) = 1 Million

1 Crore = 100 Lakhs (10,000,000) = 10 Million