1. What are the different parameters used to measure the size of business?

Solution:
Different parameters are used to measure the size of business these include the number of employees, capital invested for that business, the volume and value of output delivered and the power consumption for business activities. All these parameters come with limitations and depending on the requirements the measures can vary.

2. What is the definition used by Government of India for Small Scale Industries?

Solution:
In India the small scale industries are defined by the Investment in Plant and machinery, keeping in mind the socio-economic environment in India were the capital resource is scarce and labour availability is abundant. The other important point to be noted is that, this definition; exist only for small scale industries and units and not for large or medium industries.

3. How would you differentiate between an ancillary unit and a tiny unit?

Solution:
A small scale industry becomes an ancillary industry to another industry by supplying a minimum of 50 percent of its production to the other industry which is referred as parent unit. The ancillary small unit manufactures components, parts, tools, some assembling and intermediate products for the parent unit. Whereas a tiny unit is an industry in which the investment in plant and machinery is not more than 25 lakhs is defined as tiny unit.

4. State the features of cottage industries.

Solution:
These are also known as Traditional Industry. The criteria here for small scale industry is not defined by capital investment. However these cottage industries have certain characteristics which are as follows:
  - Cottage industries are organized through private resources
  - Local talents and families are used as labours
  - Simple equipments are used in this industry
  - The investment amount is very small
  - Simple products are produced in their own premises
  - Indigenous technology used in production

5. What are the incentives provided by the Government for industries in backward and hilly areas?

Solution:
The government of India emphasizes on the economic and industrial development of backward, tribal and hilly areas of the country. Several committees have been set up to identify the criteria for backward areas and suggest schemes those are needed. These backward program and schemes vary from state-to-state. They together represent a cumulative package of benefits and incentives to
attract industries in backward areas. Some common benefits offered are Land, Power, Water, Sales Tax, finance, octroi, raw material, industrial estates, and Tax holiday. To sum up the small scale industry receives various forms of benefits from government of India. Though special attention is given to backward areas there is still a small amount of imbalance in economic growth. These are due to the lack of poor infrastructure in these areas.

6. How do small scale industries contribute to the socio-economic Development of India?

Solution:
In India the small scale industries are defined by the Investment in Plant and machinery, keeping in mind the socio-economic environment in India were the capital resource is scarce and labour availability is abundant. The other important point to be noted is that this definition exists only for small scale industries and units and not for large or medium industries. On the basis of capital invested small business in India fall under these categories:

Small Scale Industry: These small scale industry undertakings have a fixed amount as investment were in the investment on fixed assets of plant and machinery should not exceed Rupees one crore. However to promote export and modernize such small industry the investment ceiling in plant and machinery is five crores.

Ancillary Small Industrial Unit: A small scale industry becomes an ancillary industry to another industry by supplying a minimum of 50 percent of its production to the other industry which is referred as parent unit. The ancillary small unit manufactures components, parts, tools, some assembling and intermediate products for the parent unit. These units apart from catering to the parent industry can also do their own business. These ancillary units have an advantage of definite demand through parent units. The parent unit generally gives financial assistance and technical guidance to these ancillary units.

Export Oriented Units: A small scale industry can enjoy status of export oriented business unit by exporting more than 50 percent of its production. The incentives offered by the government like export subsidies and other concessions are applicable to such export units.

Small Scale Industries Owned and Managed by Women Entrepreneur: An enterprise individually or jointly having share capital of not less than 51 percent which is run by a women entrepreneur in a small scale industry. These industries are given special concession by the government like low rate of interest for loans special schemes etc, as these units are managed by women.

Tiny Industrial Units: An industry in which the investment in plant and machinery is not more than 25 lakhs is defined as tiny unit.

Small Scale Service and Business (industry related) Enterprise an industry were the investment in fixed assets of plant and machinery excluding the land and building does not exceed 10 lakhs are small scale service and business industry.

Micro Business Enterprises: Those whose investment does not exceed one lakh are called micro business enterprise.

Village Industries: Industries in rural areas producing any kind of goods and rendering service with or without power where the fixed capital investment per head or worker does not exceed Rs.50000 or any other sum amount fixed by the central government from time to time are called village industries.

Cottage Industries: These are also known as Traditional Industry. The criteria here for small scale industry is not defined by capital investment. However these cottage industries have certain characteristics which are as follows:
7. Describe the role of small business in rural India.

Solution:
The small scale industry in India enjoys a special position due to its contribution towards socio-economic development in the country. The highlight of their contribution is:

Small industries contribute 40 percent of gross industrial value added and total exports (from direct and indirect) contribute 45% total accounting to 95% of industrial unit in the country.

Small industries are more labour intensive and less capital intensive. They generate more employment per unit of capital invested than large industries hence they become the second largest employer next to agriculture.

Mass consumption goods like garments, stationery items, domestic utensils, household goods, food products, furniture etc., are all supplied by the small scale industry in our country. Other sophisticated goods include calculators, electronic goods, television, pharmaceuticals, agricultural tools and several other engineering products. Apart from these handicrafts, handlooms and other products from village industry also should be considered for their export value.

Small scale industries develop a balanced regional development. Small industry unit can be set up anywhere in the country as local labour, local resources and simple technologies are used in these industries. Since there is no location constraint industrialization can be reaped by every region. Thus contribute balanced development of the country.

Ample amount of entrepreneurship is provided here in this industry. Business ideas of people can be converted into small investments and can start small business will almost nil formalities.

An advantage of low cost of production, low overhead expenses and locally available resources are all enjoyed by this industry.

Quick and timely decision allow these small units to seize new business opportunity unlike large size business organizations were consulting with many people is required.

Products are customized as per the needs of the customer here. This customized production is possible as the small scale units use simple and flexible production techniques.

Finally the small scale industry has strength of adaptability and sense of personal touch which allows having a smooth relationship with customers and employees. Since the size is small there is no government intervention. New business opportunity is captured at the right time in small units providing healthy competition to big business which is good for the country’s economy.

8. Discuss the problems faced by small scale industries.
Solution:
The small scale industry face disadvantages like availability of finance, short fall of modern technologies, procurement of raw materials and the scale of operation are few areas which give rise to several other problems. Such problems are faced by these industries due to their small size, although the problems are different with different small industries. Like, an ancillary unit may have problem of delayed payments, irregular order from parent units and changes in production pattern while traditional small scale unit face problem due to its remote location and unavailability of infrastructural facilities, poor quality and lack of managerial skills. Other sectors like export unit may face problem due to restricted knowledge on foreign market and data, exchange rate fluctuations and pre-shipment finance. In general all these small units face few common problems they are:

Finance: A major problem faced by the small business is no adequate finance available to carry its operations. They are unable to create credit worthiness in the capital market and have to heavily depend on local financial people and exploited by these money lenders. The small businesses generally suffer from working capital due to delayed payments and unsold stocks. Many banks ask for collateral security or guarantees and even for margin money before lending to these small units which many of these small business units are unable to provide.

Raw Material: Another distinct problem faced by this unit is procurement of raw materials. When the required raw material is unavailable they have to either compromise on quality or pay a heavy price to get the good quality material. As they purchase in small quantities there is no room for bargain also they cannot purchase in bulk as they lack of storage space. Due to the general scarcity in chemicals, metals and extractive raw material in the economy the small scale unit suffers more than other sectors.

Managerial Skills: Generally small scale units are run by single person who may not possess the required managerial skills to run the unit. These entrepreneurs may have sound technical skills but lack marketing and sales techniques to sell the output. Moreover time constraint hinders them from taking care of all the functional activities and at the same time they cannot afford to have a professional manager too.

Labour: Employees willingness is less to work efficiently due to the meager salaries offered to them. This results in low productivity per employee and whereas the employees turn over is high. Since the pay scale is low it does not attract talented people. Hence unskilled labours join for low remuneration and training them is highly time consuming process. There is no division of labour here so lack of concentration and specialization is absent in these small business units.

Marketing: In any business this is a very important aspect. Efficient marketing requires a thorough knowledge of product and customer’s requirement which is generally weak in small scale units. Hence small business depend more on middlemen who exploit by paying lower than market price and by making delayed payments. Further direct marketing is also not possible due to its lack of good infrastructure.

Quality: To cut the cost and reduce the price many small units do not concentrate on quality. They do not have resource to invest in quality research and maintain quality standard and do not have expertise to upgrade technology. In global market competition quality is the weakest point for these small scale units.

Capacity Utilisation: Absence of marketing skills or lack of demand leads these small units to operate below their full capacity which results in increase of operational cost gradually leading to sickness and closure of unit.

Technology: Outdated technology in small scale industries result in low productivity and uneconomical production.

Sickness: Policy makers and entrepreneurs worry about the prevalence of sickness in small scale units. Internal factors like lack of skilled labours, managerial and marketing skills and external
factors like delayed payments, inadequate working capital, loans and lack of demand for their products cause sickness in these small units.

**Global Competition:** liberalization privatization and globalization polices have increased the fear for small businesses. Let us see the threaten faced by the small units due to the onslaught of global competition.

- The small units face tough competition from multinational companies which are huge in size and business volumes. There is cut throat competition in trade sector for these small units when compared to such huge companies.

- It is extremely difficult for small unit to withstand the skill set, technology, financial capability and manpower with efficient employees of large industries.

Access to global market is limited for these small units they lack contact with developed countries as they don't have certificates like ISO9000.

**9. What measures has the government taken to solve the problem of finance and marketing in the small scale sector?**

**Solution:**

**(A) Institutional Support**

1) National Bank for Agriculture and Rural Development (NABARD) this institution was setup in 1982 to integrate and promote rural activities. It has adopted multi purpose strategies in promoting rural business enterprises in the country. Apart from agriculture it supports other industries viz., small industries, rural artisans, rural industries and cottage industry. NABARD organizes training offers counseling and give development programmes for rural entrepreneurs.

2) The Rural Small Business Development Centre (RSBDC) a centre sponsored by NABARD for small and medium enterprises which is setup by world association. The main aim of RSBDC is to work for socially and economically disadvantaged individuals and groups. They organize many programmes on skill up gradation, rural entrepreneurship, awareness, counseling and training. Through these various programmes several rural unemployed youth and young women learn different trades and reap good benefits.

3) National Small Industries Corporation (NSIC) The NSIC was set up in 1955 to promote and aid small business focusing on commercial aspects.

- Supply imported goods and machines on hire-purchase terms
- Procure supply imported indigenous raw material
- Developing the small business by exporting their products
- Mentoring services
- Awareness on technical up gradation
- Establishing and developing software parks

A new scheme called performance and credit rating for small units has been introduced by NSIC this ensures the more their credit rating the more their financial assistance for their investment and
capital requirement.

4) Small Industries Development Bank of India (SIDBI) This is an Apex bank to provide direct and indirect financial support under various schemes to meet credit requirements of small business organizations

5) The National Commission for Enterprises in The Unorganised Sector (NCEUS) it was formed in September 2004 with main objectives being

- Measures to improve productivity of small scale industries in the informal sector
- To generate a sustainable employment opportunity in the rural sector
- To enhance the competition of the small scale sector in global environment
- To develop link between small sector and other sectors like credit, infrastructure, technology, raw material and arrange suitable up gradation for skill development
- Potential for public and private partnership in imparting the skills for informal sector
- Providing micro-finance for informal sector
- Provision of social security for informal sector.

6) Rural and Women Entrepreneurship Development (RWED) the RWED

Aim at promoting a conducive business environment and also to encourage and support the women entrepreneur’s initiatives. It also provides training manual for these women entrepreneurs and renders advisory services.

7) World Association for Small and Medium Enterprises (WASME) this is a only international body that is non-governmental organization of micro, small and medium business units in India which set up International committee for rural industries with an aim to develop action plan model for sustained growth of rural industries. Apart from these there are many schemes initiated by government of India viz., IRDP – Integrated Rural Development Programme, PMRY-Prime Minister Rojgar Yojna, TRYSEM- Training of Rural Youth for Self Employment, DWCRA- Development of Women and Children in Rural Areas and JRY- Jawahar Rojgar Yojna. Finally there are schemes for specific group of industries such as khadi, handloom and handicrafts.

8) Scheme of Fund For Re-generation of Traditional Industries From the year 2005 the government established this fund of Rs.100 crores to make these traditional industries more productive and to facilitate their sustainable development. This was implemented by Ministry of Agro and Rural industries in collaboration with state governments. The objectives of the schemes are to develop a cluster or group of traditional industries in various parts of India. To improve traditional skills, technology and to develop market intelligence.

9) The District Industries Centre (DIC) on May 1st this program was launched with a view to provide integrated administrative framework for the district level. This provides support and service to the entrepreneurs to set up small and village industries. These centers identify suitable schemes, credit facility, machinery and equipment, raw material and other services possible. DIC’s try to change the attitude of the small scale business people and all other connected with economic development of rural areas. Thus it emerges as an focal point for the development of rural economic and industrial growth at district level.
(B) Incentives

The government of India emphasizes on the economic and industrial development of backward, tribal and hilly areas of the country. Several committees have been set up to identify the criteria for backward areas and suggest schemes those are needed. These backward program and schemes vary from state-to-state. They together represent a cumulative package of benefits and incentives to attract industries in backward areas. Some common benefits offered are:

Land, Power, Water, Sales Tax, finance, octroi, raw material, industrial estates, Tax holiday. To sum up the small scale industry receives various forms of benefits from government of India. Though special attention is given to backward areas there is still a small amount of imbalance in economic growth. These are due to the lack of poor infrastructure in these areas.

10. What are the incentives provided by the Government for industries in backward and hilly areas?

Solution:

(B) Incentives

The government of India emphasizes on the economic and industrial development of backward, tribal and hilly areas of the country. Several committees have been set up to identify the criteria for backward areas and suggest schemes those are needed. These backward program and schemes vary from state-to-state. They together represent a cumulative package of benefits and incentives to attract industries in backward areas. Some common benefits offered are:

Land, Power, Water, Sales Tax, finance, octroi, raw material, industrial estates, Tax holiday. Power is supplied at a concessional rate of 50% whereas certain states exempt such units from payment for specific period. The same is the case with water as well. To sum up the small scale industry receives various forms of benefits from government of India. Though special attention is given to backward areas there is still a small amount of imbalance in economic growth. These are due to the lack of poor infrastructure in these areas.