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## MICRO, SMALL AND MEDIUM ENTERPRISES AND SELF HELP GROUPS

### I. CHOOSE THE BEST ANSWER:

1. MSME Act was enacted in the year  
 (a) 2004 (b) 2007 (c) 2006 (d) 2008
2. MSMEs are important for the Nation's Economy because they significantly contribute to  
 (a) Industrial Production (b) Exports  
 (c) Employment (d) All the above
3. Self help groups convert the savings into a common fund known as\_\_\_\_  
 (a) Common Fund (b) Groups corpus Fund  
 (c) Group Fund (d) None of the above
4. There are\_\_\_\_\_distinct modes of Credit to self help groups  
 (a) 1 (b) 2 (c) 3 (d) 4
5. Investment Limit of a Micro Enterprise under manufacturing sector does not exceed \_\_\_\_lakhs.  
 (a) 10 (b) 20 (c) 25 (d) 50

### II. VERY SHORT ANSWER QUESTIONS:

#### 1. What do you understand by the manufacturing enterprises?

- ☆ They refer to the enterprises engaged in the manufacturing of goods pertaining to any industry specified in the first schedule to the Industries Development and Regulation Act, 1951.
- ☆ The manufacturing enterprises are defined in terms of investment in plant and machinery.

#### 2. Give some examples for micro enterprises.

- |                                |                      |
|--------------------------------|----------------------|
| ♣ Clay Pot Making              | ♣ Cottage Industries |
| ♣ Fruits and Vegetable Vendors | ♣ Small Industries,  |
| ♣ Repair Shops                 | ♣ Handlooms          |

#### 3. What is the aim of NEEDS?

- ▲ To providing entrepreneurship development training to educated young entrepreneurs.
- ▲ Preparing business plans

#### 4. What is a Self Help Group?

- ☆ Self Help Group is a small informal voluntary association.
- ☆ It's created for the purpose of enabling members to reap economic benefit out of mutual help, solidarity, and joint responsibility.

#### 5. State the investment limit for small enterprise in manufacturing and service sector.

- **Manufacturing sector** - More than ₹ 25 lakhs but not exceeding ₹ 5 Crores in small enterprises
- **Servicing Sector** - More than ₹ 10 lakhs but not exceeding ₹ 2 Crores in small enterprises.

### III. SHORT ANSWER QUESTIONS:

#### 1. State the investment limit for medium enterprise engaged in Manufacturing and service sector.

- **Manufacturing sector** - More than 5 Crores but not exceeding ₹ 10 Crores in medium enterprises.
- **Servicing Sector** - More than ₹ 2 Crores but not exceeding ₹ 5 Crores in medium enterprises

#### 2. List out the products produced by MSME in Tamil Nadu?

- |                    |             |             |
|--------------------|-------------|-------------|
| ★ Textiles         | ★ Chemicals | ★ Jewellery |
| ★ Leather Products | ★ Plastics  |             |
|                    | ★ Garments  |             |

#### 3. What is the role and significance of MSMEs in Indian Economy?

- ✱ Employment Potential
- ✱ Low Production Cost
- ✱ Low Investment
- ✱ Quick Decision Making
- ✱ Supplementary Role

#### 4. Explain any three features of Self Help Group.

- ✱ The motto of every group members should be “saving first – credit latter”
- ✱ The groups need not be registered.
- ✱ Each group should have only one member from one single family.

#### 5. What are the different ways in which banks fund Self Help Groups?

- ❖ Banks lend directly to the SHGs.
- ❖ Banks provide loans to the NGOs for onward lending to the SHGs and ultimately to micro entrepreneurs.
- ❖ Banks extend credit to the SHGs with the NGOs serving as facilitators

## **IV. LONG ANSWER QUESTIONS:**

### **1. What is the definition of MSME?**

#### ***Meaning:***

In India MSME Act 2006 was established for developing and enhancing the competitiveness of Micro, Small and Medium enterprises in India, small business is defined on the basis of investments in plant and machinery.

#### ***a). Classification of Manufacturing Enterprises:***

##### **i). Micro Enterprises:**

If the investment in plant and machinery does not Rs. 25 lakhs.

##### **ii). Small Enterprises**

If investment in Plant and Machinery is more than Rs. 25 lakhs but not exceed Rs. 5 crores.

##### **iii). Medium Enterprises:**

If investment in Plant and Machinery is more than Rs. 5 crores but not exceed Rs. 10 crores.

#### ***b). Classification of Service Enterprises:***

##### **i). Micro Enterprises:**

If the investment in equipment does not Rs. 10 lakhs.

##### **ii). Small Enterprises**

If investment in equipment is more than Rs. 10 lakhs but not exceed Rs. 2 crores.

##### **iii). Medium Enterprises:**

If investment in equipment is more than Rs.2 crores but not exceed Rs. 5 crores.

### **2. Explain the advantages of MSMEs?**

#### **i). Employment Potential**

- ♣ MSMEs generate more employment opportunities than large business concerns.
- ♣ They are mostly labour intensive, thus they provide more employment opportunities to a larger number of people in India.

#### **ii). Low Production Cost**

- ☀ MSMEs do not require skilled labourers or professionals to run the organisation.
- ☀ It employs cheap labour and thus minimizes the overhead.

- ✱ These units are more cost efficient than large scale units, thus facilitates production of goods at low cost.

### **iii). Low Investment**

- ✱ MSMEs do not require a huge capital to start the unit.
- ✱ It can employ locally available resources within the reach of the owner.
- ✱ They help to perfect and promote traditional family skills and handicrafts.

### **iv). Quick Decision Making**

- ➞ MSMEs need not hire professional managers to run the management on a day to day basis.
- ➞ In most cases, owner himself manages the enterprises.
- ➞ Hence, timely decision making becomes easy and effective.

### **v). Supplementary Role**

- ✱ MSMEs play a complementary role to serve as a feeder to large scale industries.
- ✱ They supply accessories, spare parts and components to large scale industries.

## **3. What are the objectives of SHGs?**

- ✱ Focusing on empowerment of women.
- ✱ Saving people from the clutches of money lenders
- ✱ Building capacity of women and to enable them to participate in generating activities.
- ✱ Promoting entrepreneurship skills among women.
- ✱ Elevating the economic standard of the member's families.

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