

Micro and Small Enterprises

Anupama V
Assistant Professor
Dept. of CSE

Outline

- Definition of Micro & Small Enterprises
- Characteristics of Micro & Small Enterprises
- Advantages of Micro & Small Enterprises
- Steps in Establishing Micro & Small Enterprises,
- Government of India Industrial Policy 2007 on MSE
- Case Study : Microsoft, Captain G R Gopinath , Infosys
- Institutional Support:
 - MSME-DI
 - NSIC
 - SIDBI
 - KIADB
 - KSSIDC
 - TECSOK
 - KSFC
 - DIC
 - District Level Single Window Agency
- Introduction to IPR.

Introduction

At present the Small Scale Industry (SSI) constitutes a Very Important Segment of the Indian Economy & has emerged as a **Dynamic & Vibrant Sector** of the Economy.

Small Scale Industry Sector holds the Key to Economic Prosperity of the Indian Economy, Characterized by abundant Labor Supply, Unemployment & Under Employment , Scarcity of Finance, Growing Modern Large Industries providing scope for development of Ancillary Industries & so on. The Small Scale Industry has grown phenomenally during the last Six Decades & has acquired a very prominent place in the Socio – Economic Development in the Country.

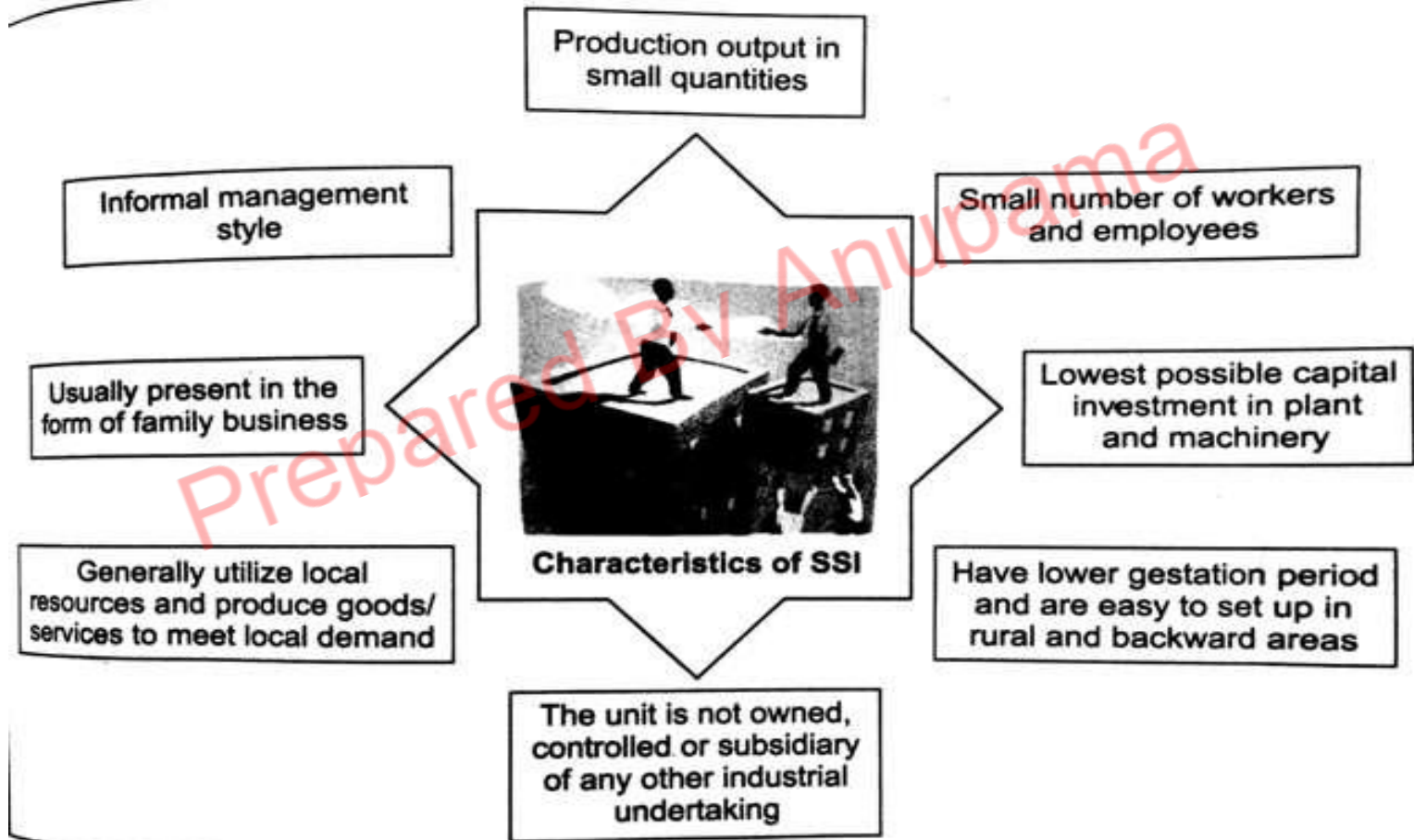
Introduction

1950	The fiscal commission for the first time defined an SSI as one which is operated mainly with hired labour usually 10 to 50 hands.
1954-55	The Government of India set up Central Small Scale Industries Organization (CSSIO) and Small Scale Industries Board (SSIB) to promote small scale industries.
1960	Employment criterion to define SSI was dropped and under investment criterion an industry having gross value of fixed asset up to Rs. 5 Lakhs was called as SSI.
1975	The investment limit was rise to Rs. 10 Lakhs (15 Lakhs for ancillary units).
1980	The investment limit was rise to Rs. 20 Lakhs (25 Lakhs for ancillary units).
1985	The investment limit was rise to Rs. 35 Lakhs (45 Lakhs for ancillary units).
1995	The investment limit was rise to Rs. 60 Lakhs (75 Lakhs for ancillary units).
March 1997	The investment limit was raised to Rs. 3 Crore.
1999-2000	The investment limit was reduced to 1 Crore.
2007	Limit is 1 Crore only.

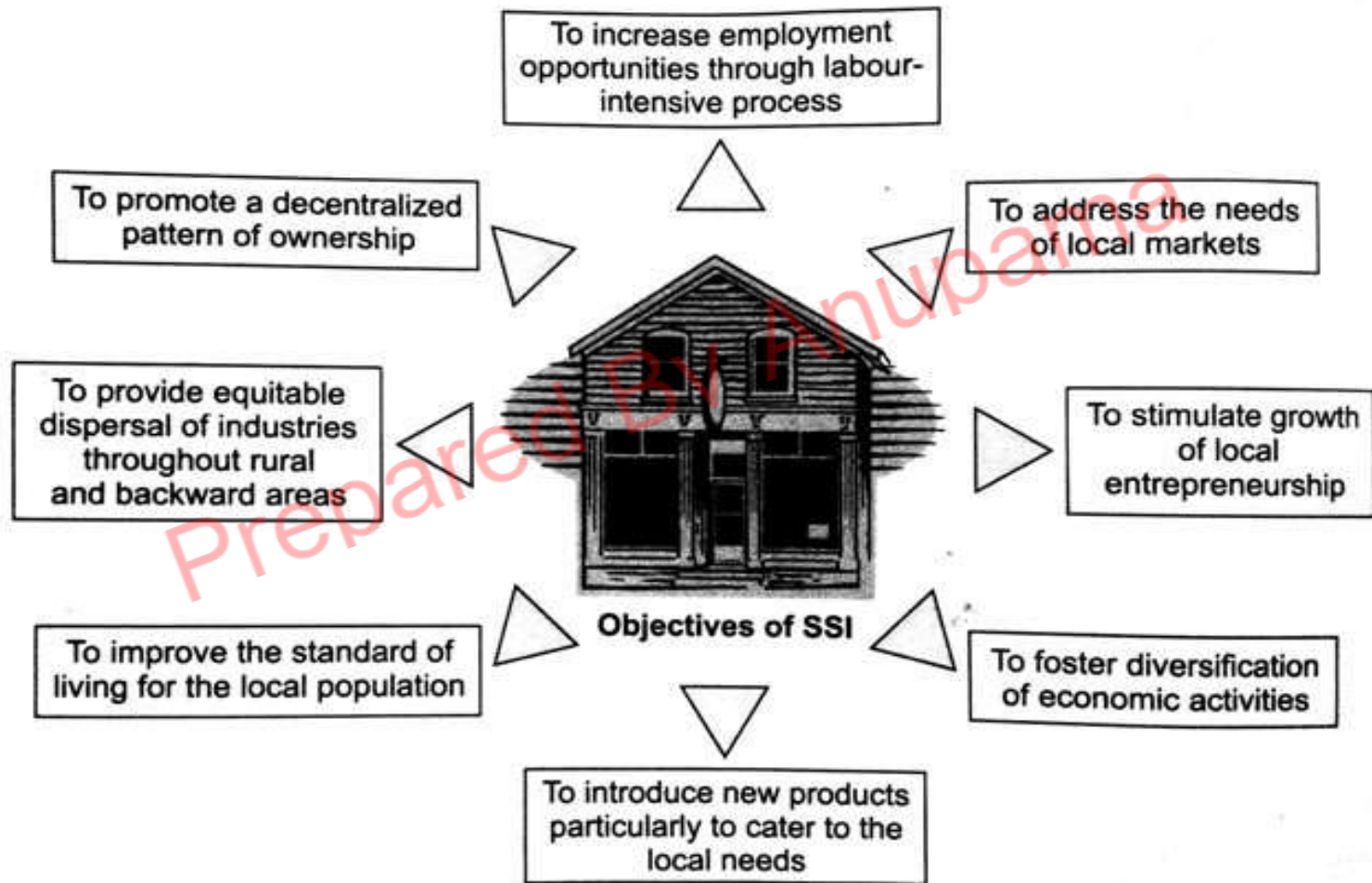
Definition

A small scale enterprise is the one in which the investment in fixed assets in plant and machinery, whether held in ownership term, on lease or on hire purchase is above Rs 25 lakh and up to Rs 5 crore, subject to the condition that the unit is not owned, controlled or subsidiary of any undertaking.

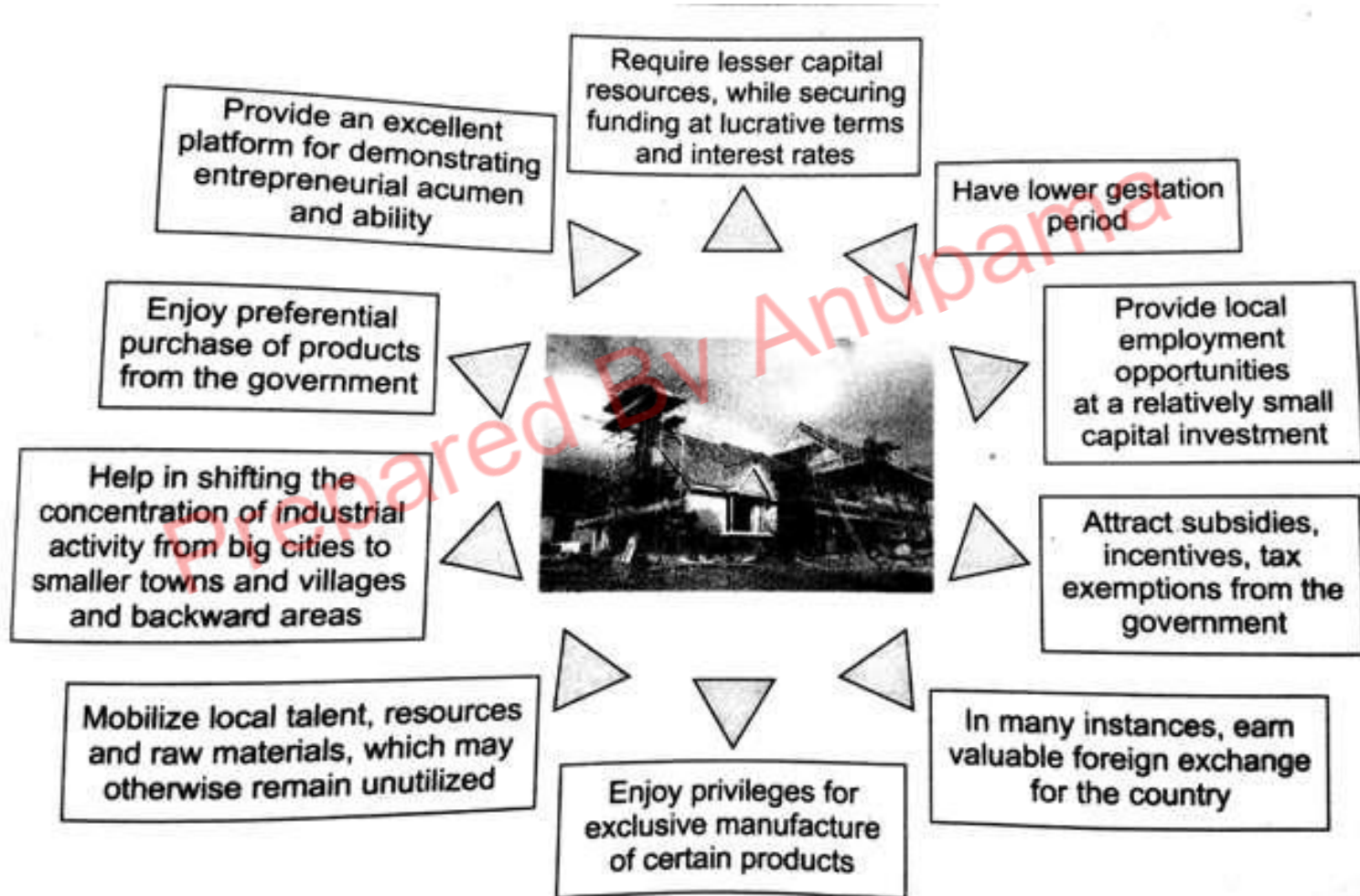
Characteristics SSI



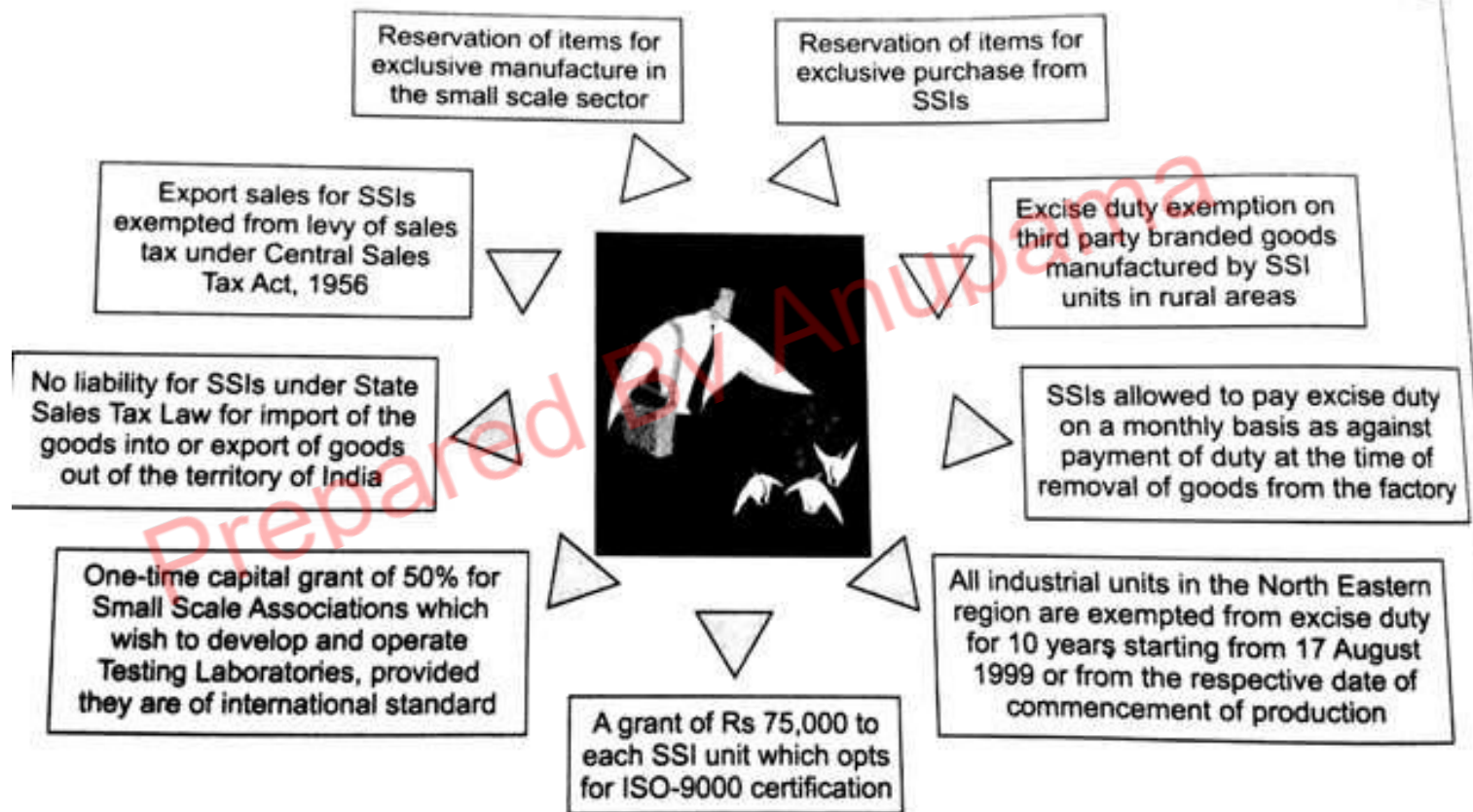
Need and Rationale: Objectives of SSI



Advantages of SSI



Different Policies of SSI



FLOW CHART FOR SETTING UP A SMALL ENTERPRISE

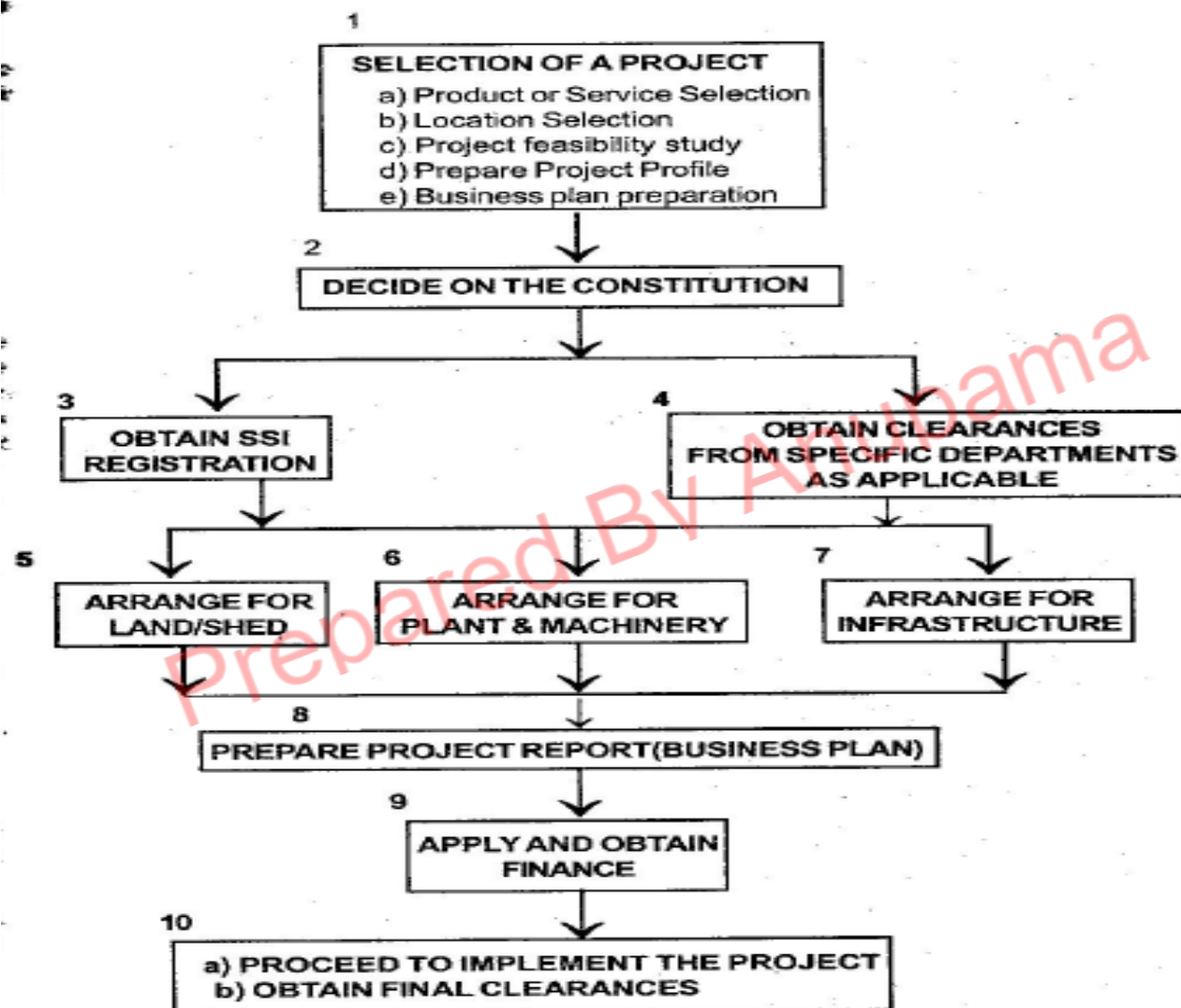


Fig 6.2 Flow Chart for setting up a small enterprises

1) **The Project Selection** & the Preliminary Activities involve the following :

- a) *Product or Service Selection.*
- b) *Location Selection.*
- c) *Project Feasibility Study.*
- d) *Preparation of Project Profile.*
- e) *Business Plan Preparation.*

Prepared By Anupama

a) **Product or Service Selection** :

The main factors to be considered in deciding a suitable project are as follows :

- 1) Nearness or Proximity to Market.
- 2) Availability of Raw Materials.
- 3) Availability of Transformation & Communication Facilities.
- 4) Availability of Govt Incentives / Concessions.
- 5) Govt Industrial Policy.
- 6) Availability of suitable Infrastructural facilities.
- 7) Availability of Labor.
- 8) Convenience for the Entrepreneur's.

Business Plan Preparation :

This is a Document where the Entrepreneur plans his Business to have an Organized & effective response to a situation which may arise in future.

A Business Plan is used to make Crucial Start Up Decisions to reassure Lenders, Investors, to measure Operational Progress ; to Test Planning Assumptions ; to Adjust Forecasts; & to set the standard for good Operational Management.

2) ***Decide on the Constitution :***

To start any Enterprise, the Promoter's have to decide on the Constitution of the Unit. There are 3 Major Alternatives :

a) ***Proprietary*** b) ***Partnership*** c) ***Company***.

In fact, this has to be decided at the initial stages of the Project & necessary formalities should be completed by the time the application for Provisional Registration Certificate (PRC) is made to DIC (District Industries Centre).

3) **Obtaining SSI Registration :**

Entrepreneurs desiring to start a Small Enterprise have to initially obtain a **PRC**(Provisional Registration Certificate). Once the Unit goes into Production, the PRC has to be converted into a Permanent Registration Certificate (**PMT**).

Prepared By Anupama

4) **Specific Clearances** :

There are a number of Statutory Clearances reqd to start Micro & Small Enterprises.

Some of them are given below :

- a) Agricultural Land Conversion into Non – Agricultural Land (NA Conversion).
- b) Building Plan approved by the Local Authorities.
- c) Factories Act & Labor Dept.
- d) Trade License from the Local Authorities.
- e) Pollution Control Board Clearances.
- f) Food Adulteration Act License.

5) **Land or Shed Selection** :

For any Industrial Project, suitable Industrial Site or a ready Industrial shed is reqd. The Promoters of the Unit could consider taking an Industrial Site & constructing a shed as per their requirement, alternatively, could consider taking a ready Industrial Shed on Ownership Basis also.

6) **Plant & Machinery** :

This requirement for a Particular Project could be purchased from recognized manufacturer's / dealers. This could also be taken on Hire Basis operated by National Small Industries Corporation Limited (**NSIC**).

7) **Infrastructure Facilities** :

For Micro or Small Enterprises the main infrastructure facilities are Land or Shed for the Project , Power Connection , Water Supply & Telephone & Internet Facility.

8) **Project Report** :

A detailed Project Report provides such a plan for the Project. The Report is useful to the Entrepreneur for Planning & Implementing the Project. This is essential for Obtaining Finance & other clearances for the Project.

8) **Project Report** :

For any New Project or Enterprise to be set up, Proper Planning is necessary.

A detailed Project Report provides such a plan for the Project. The Report is useful to the Entrepreneur for Planning & Implementing the Project. This is essential for Obtaining Finance & other clearances for the Project.

In fact, the Project Report gives a detailed insight of the ***Techno – Economic Viability of the Project***. This is generally prepared to cover the following :

10) **Implementation of the Project :**

The Entrepreneurs will have to take necessary steps to physically implement the Project after obtaining the various Licenses, Clearances, Infrastructural Facilities etc. Following are the Major Activities that the Entrepreneurs have to undertake for implementing the Project.

- ***Construct Shed :***
- ***Order for Machinery :***
- ***Recruit Personnel :***
- ***Arrange for Raw Materials:***
- ***Marketing :***
- ***Obtain Final Clearances :***

Institutional support

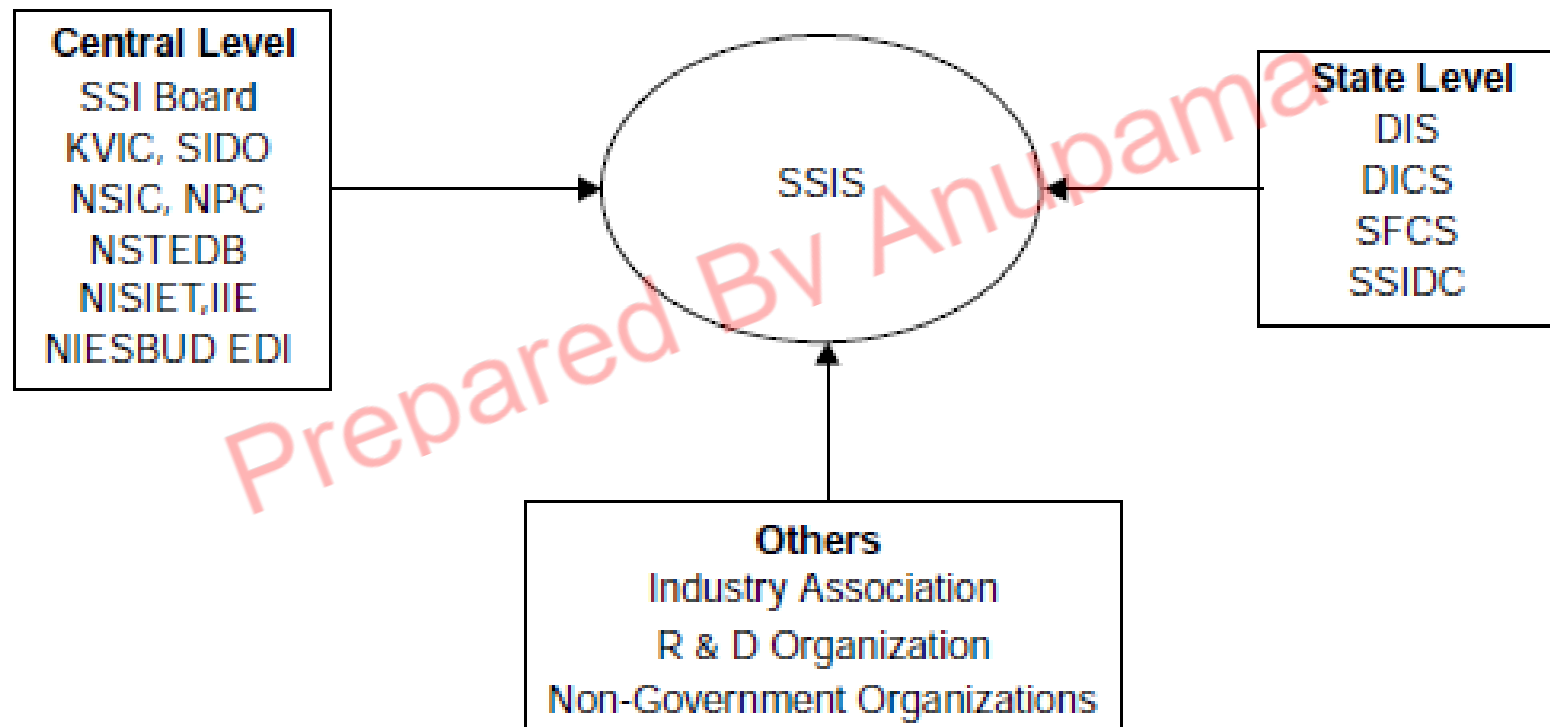


Fig 6.2: Institutions supporting small-scale industries

MSME Board

- Micro, Small and Medium Enterprises Board
- Headed by Ministry of Micro, Small and Medium Enterprises
- Objective:
 - To facilitate coordination & inter institutional linkages among various ministries, banks, financial institutions etc..

MSME Development Institute

- There are 30 MSME DI's and 28 branch MSME development institutes set up in state capitals and industrial cities.
- Functions are
 - Assistance/consultancy to prospective entrepreneurs
 - Assistance/consultancy rendered to existing units
 - Preparation of state industrial profiles
 - Preparation/updation of district industrial potential surveys
 - Project profiles

MSME Development Institute

- Functions are

- Entrepreneurship development programmers
- Motivational campaigns
- Production index
- Management development programmes
- Energy conservation
- Pollution control
- Quality control and upgradation
- Export promotion
- Ancillary development
- Common facility workshop/labs
- Preparation of directory of specific industry
- Intensive technical assistance
- Coordination with district industries centers
- Linkage with state government functionaries
- Market surveys

NSIC

- National Small Industries Corporation Ltd.
- Oldest agencies
- Established in 1955
- Enterprise under Union Ministry of Industries
- Provides wide range of services, predominantly promotional in character to SSI
- Nature of support
 - Wide ranging industrial input

NSIC Objectives

- To promote, aid foster the growth of SSIs in country with a focus on commercial aspects.
- To enable the SSI to gain competitive advantage & to contribute effectively to the development of the economy.
- To evolve special schemes to meet the needs of handicapped, SC & ST entrepreneurs.

NSIC Functions

- To provide machinery on hire purchase Scheme to SSIs
- To promote govt orders for SSI
- To develop SSIs as ancillaries to large units
- To import & distribute scarce & rare raw material
- To undertake construction of industrial estates
- To help exporting products of SSIs
- To develop prototype of machineries & equipment

SIDBI

- Small Industries Development Bank of India
- Established in **1990** under an Act of Indian Parliament.
- **Ownership** : Public sector banks/FIs/Insurance Cos owned or controlled by the Government of India.
- **Structural Linkage**: With Ministry of Finance and Ministry of SSI.
- Subsidiary of IDBI
- Head office @ Lucknow
- Among the top 25 development banks in India

SIDBI

- Nature of Support
 - Financial Service
- Objectives
 - Promote finance & develop small scale sector
 - Coordinating Functions of institutions engaged in similar activities
 - Finance Infrastructure projects

SIDBI Functions

- Provide financial assistance to new project
- It refinances loans and advances provided by the existing lending institutions to the small-scale units.
- It discounts and rediscounts bills arising from sale of machinery to and manufactured by small-scale industrial units.
- It extends seed capital/soft loan assistance under National Equity Fund, Mahila Udyam Nidhi and Mahila Vikas Nidhi and seed capital schemes.
- It grants direct assistance and refinance loans extended by primary lending institutions for financing exports of products manufactured by

SIDBI Functions

- It provides services like factoring, leasing, etc. to small units.
- It extends financial support to State Small Industries Corporations for providing scarce raw materials to and marketing the products of the small-scale units.
- It provides financial support to National Small Industries Corporation for providing; leasing, hire purchase and marketing help to the small-scale units.

KIADB

- Karnataka Industrial Areas Development Board
- Established in 1966
- Headquarters @ Bangalore with 9 zonal offices
- Objectives
 - To establish industrial area
 - To provide infrastructural facilities
 - To assist implementation of govt policies.
 - To function on 'No profit No loss basis

KIADB Functions

- To acquire lands for industrial activity & form industrial area with infrastructure facilities like road, electricity, water supply etc..
- acquires and provides developed land suited for industrialization, by drawing up well laid-out plots of varying sizes to suit different industries with requisite infrastructure facilities.
- Banks, post offices, fire stations, police outposts, ESI dispensaries etc are also provided.

General Industrial Areas	148 Industrial Areas spread over in 28 Districts
Growth Centres	<ol style="list-style-type: none"> 1. Dharwad 2. Hassan 3. Raichur
Integrated Infrastructure Development Centres	<ol style="list-style-type: none"> 1. Auto complex – Belgaum 2. Malur III Phase – Kolar 3. Bagalkot – Bagalkot
Mini Growth Centres	<ol style="list-style-type: none"> 1. Aliabad – Bijapur 2. Malur – Kolar 3. Amble – Chickmagalur 4. Mundargi – Bellary 5. Narsapur – Gadag
Export Promotion Industrial Parks	<ol style="list-style-type: none"> 1. Bengaluru 2. Mangalore
SEZs	<ol style="list-style-type: none"> 1. Textile – Hassan 2. Pharmaceutical – Hassan 3. Agro Tech and Food Processing – Hassan 4. IT/ITES – Mangalore 5. Aerospace - Bengaluru
Apparel Parks	<ol style="list-style-type: none"> 1. Doddaballapura – Bengaluru 2. Mundargi – Bellary 3. Karur – Davanagere
Agro Tech and Food Parks	<ol style="list-style-type: none"> 1. Bagalkot – Bagalkot 2. Malur – Kolar 3. Jewargi – Gulburga 4. Hiriyur – Chitradurga

Applications duly filled must be accompanied by:

- A brief project report.
- Details of constitution of the company
- Provisional registration certificate
- EMD(Earnest Money Deposit) of Rs 500/- per acre, subject to a maximum of Rs 10,000/- along with 20%, 15% and 5% of the land cost for various districts.

KSSIDC

- Karnataka State Small Industries Development Corporation Ltd.
- Established on 29th April 1960
- Nature of support
 - Infrastructure & Industrial Inputs
- Objectives
 - To assist SSI in procurement of raw material
 - Rapid development of SSI

KSSIDC Functions

1. Establishment and Management of Industrial Estates.
2. Procurement and distribution of raw materials.
3. Assistance towards marketing.
4. Dissemination of information by participating in the internal and international exhibitions.
5. Supply of machinery under Hire Purchase Scheme.
6. Providing Guidance to SSI Entrepreneurs.
7. Providing Technical Library facilities.

LIST OF MAJOR PROJECTS HANDLED BY KSSIDC

- Government Tool Room Training Centre (GTTC) was established at Industrial Estate Rajajinagar.
- An exclusive garment complex has been established at Rajajinagar
- Multi-storied complexes were established at Electronic City industrial estate Bommasandra to accommodate electronic industries and Software Technology units.
- ISI Complex at peenya established to test and certify the product manufactured by SSI units.
- Multi-storied Commercial Complex established at Industrial Estate Shimoga Multi-storied Commercial Complex was established at Industrial Estate Gulbarga.
- Power loom sheds for KSPDC at Siguli was established.
- Morarji Desai Residential School Complexes at five places in Karnataka was established.

TECSOK

- Technical Consultancy Services of Karnataka
- Established in 1976 by Govt of Karnataka
- Nature of support
 - Multi disciplinary technical, industrial & management consultancy
- Objectives
 - To provide reliable consultancy support for entrepreneurs to startup self employment
 - To provide consultancy services to various Depts & Agencies of State & Central Govt

TECSOK activities:

- Guidance in product selection and project identification.
- Market survey and market development advice.
- Consultancy for agro-based industries of a nodal agency of the government of India.
- Diagnostic studies and rehabilitation of sick industries.
- Environment impact assessment studies environment management plans and propagation of cleaner production techniques.

TECSOK activities:

- Energy management and audit.
- Valuation of assets for mergers and takeovers.
- Infrastructure development project reports.
- Port tariff study and related areas.
- System study and software development.
- Management studies, company formation, corporate plan, enterprise restructuring etc.
- Designing and organizing training programme

KSFC

- Karnataka State Financial Corporation
- Established in 1951 through a State Financial Corp Act 1951
- KSFC has a branch office in each district
- Objectives
 - Cater to financial requirements of small Scale units
 - To extend medium & long term credits to units

KSFC give preference to the projects which are

- Promoted by technician entrepreneur.
- In the small-scale sector.
- Located in growth centres and developing areas of the state;
- Promoted by entrepreneurs belonging to scheduled castes and scheduled tribes, backward classes and other weaker sections of society.
- Characterized by high employment potential.
- Capable of utilizing local resources; and
- In tune with the declared national priorities.

DIC – A Single Window Agency

- District Industries Centre
- Lunched in 1978
- 400 DIC's in India
- Nature of Support
 - Information & Consultancy Services, Industrial Inputs
- Objectives
 - To promote cottage & SSI in rural area/small towns.
 - To help entrepreneur with all information under 1 roof.
 - To serve as an integrated administrative framework at district level for industrial development.

DIC Functions

- Surveys:
- Action Plan
- Appraisal
- Guidance
- Marketing
- R & D
- Training

Prepared By Anupama

What is Intellectual Property?

- Intellectual property refers to creations of the mind: inventions; literary and artistic works; and symbols, names and images used in commerce.
- Intellectual property is divided into two categories:
 - Industrial Property: includes patents for inventions, trademarks, industrial designs and geographical indications.
 - Copy Right: covers literary works (such as novels, poems and plays), films, music, artistic works (e.g., drawings, paintings, photographs and sculptures) and architectural design. Rights related to copyright include those of performing artists in their performances, producers of phonograms in their recordings, and broadcasters in their radio and television programs.

What are intellectual property rights?

- Intellectual property rights are like any other property right. They allow creators, or owners, of patents, trademarks or copyrighted works to benefit from their own work or investment in a creation.
- These rights are outlined in Article 27 of the Universal Declaration of Human Rights, which provides for the right to benefit from the protection of moral and material interests resulting from authorship of scientific, literary or artistic productions.

Why promote and protect intellectual property?

- An efficient and equitable intellectual property system can help all countries to realize intellectual property's potential as a catalyst for economic development and social and cultural well-being.
- The intellectual property system helps strike a balance between the interests of innovators and the public interest, providing an environment in which creativity and invention can flourish, for the benefit of all.

Why promote and protect intellectual property?

- First, the progress and well-being of humanity rest on its capacity to create and invent new works in the areas of technology and culture.
- Second, the legal protection of new creations encourages the commitment of additional resources for further innovation.
- Third, the promotion and protection of intellectual property spurs economic growth, creates new jobs and industries, and enhances the quality and enjoyment of life.

What is a Patent?

- A patent is an exclusive right granted for an invention – a product or process that provides a new way of doing something, or that offers a new technical solution to a problem.
- A patent provides patent owners with protection for their inventions.
- Protection is granted for a limited period, generally 20 years.

What is a trademark?

- A trademark is a distinctive sign that identifies certain goods or services produced or provided by an individual or a company. Its origin dates back to ancient times when craftsmen reproduced their signatures, or “marks”, on their artistic works or products of a functional or practical nature.
- The system helps consumers to identify and purchase a product or service based on whether its specific characteristics and quality – as indicated by its unique trademark – meet their needs.

What is an Industrial Design?

- An industrial design refers to the ornamental or aesthetic aspects of an article. A design may consist of three-dimensional features, such as the shape or surface of an article, or two-dimensional features, such as patterns, lines or color.
- Industrial designs are applied to a wide variety of industrial products and handicrafts: from technical and medical instruments to watches, jewelry and their luxury items; from house wares and electrical appliances to vehicles and architectural structures; from textile designs to leisure goods.

What is a Geographical Indication?

- A geographical indication is a sign used on goods that have a specific geographical origin and possess qualities or a reputation due to that place of origin.
- Most commonly, a geographical indication consists of the name of the place of origin of the goods.
- Agricultural products typically have qualities that derive from their place of production and are influenced by specific local geographical factors, such as climate and soil.

What are Copyright and Related Rights?

- Copyright laws grant authors, artists and other creators protection for their literary and artistic creations, generally referred to as “works”. A closely associated field is “related rights” or rights related to copyright that encompass rights similar or identical to those of copyright, although sometimes more limited and of shorter duration.