



II. Short Answer Type Questions

Question 1. Small business is business at small scale. Do you agree? Explain.

Answer: Yes, I agree. Scale of operations can be measured in terms of workers employed, capital invested or total output. Indian Government considers the criterion of capital invested in plant and machinery. Accordingly a business in which investment in plant and machinery is less than 1 crore comes under small scale business.

Question 2. Write a short note on village and small industries sector.

Answer: In India Village and small industries sector consists of traditional as well as modern small industries. It has eight sub-groups Handlooms, Handicrafts, Coir, Sericulture, Khadi Industries, Village Industries, Small Scale Industries and Power looms. Small industries and power looms come in the category of modern industries and rest are included under traditional industries. Village and small industries together provide the largest employment opportunities in India.

Question 3. What is the purpose of NABARD?

Answer: The main functions of NABARD pertain to policy development, coordination, research, training, etc., relating to rural credit. It provides refinance to cooperatives, regional rural banks, etc. Moreover it makes loans and advances to state governments for a period not exceeding more than 20 years to enable them to subscribe directly or indirectly to share the capital of cooperative credit societies.

It also promotes research in agriculture and rural development through its research and development fund. It undertakes inspection of co-operative banks and RRBs and advises the government on related matters. NABARD undertakes monitoring and evolution of the projects financed by it. The NABARD maintains two funds; The National Rural Credit Fund (long-term operations) and the National Rural Credit Fund (Stabilization).

The central and state governments contribute to the fund. The NABARD operates throughout the country through its 16 regional offices located in the capitals of all the major states and 3 sub offices, the paid-up capital of NABARD stood at Rs 2000 crore as on March 31, 2010. The profit after tax amounted to Rs 1558 crore during the year 2009-10 as against Rs 1390 crore during the year 2008-09.

NABARD had a paid-up share capital of Rs 100 crore, since this has been raised through stages to Rs 5,000 crore. The NABARD is empowered to borrow from central government.

It is also permitted to borrow foreign currency. It can also borrow long-term loans from any other authority or organisation or institution approved by the Board. It is empowered to issue bonds, debentures and other financial instruments.

Question 4. Explain the role of SIDBI in promoting small scale enterprises.

Answer: Small Industries Development Bank of India (SIDBI). was set up on April 2, 1990 under an Act of Indian Parliament, is the principal financial institution for the promotion, financing and development of the Micro, Small and Medium Enterprise (MSME) sectors and for

co-ordination of the functions of the institutions engaged in similar activities.

Financial support is provided by way of refinance to eligible Primary Lending Institutions (PLIs) such as banks, State Financial Corporations (SFCs), State Industrial Development Corporations (SIDCs), State Small Industries Development Corporations (SSIDCs) etc. for onward lending to MSMEs, financial assistance in the form of loans, grants, equity and quasi-equity to Non Government Organisations (NGOs) / Micro Finance Institutions (MFIs) for onlending to micro enterprises and economically weaker sections of society, enabling them to take up income generating activities on a sustainable basis and direct assistance to MSMEs which is channelised through the bank's network of 130 branch offices. While finance is the basic need of the MSMEs, they also require different non-credit facilities to gain the extra mile in their endeavour to attain international competitiveness. Such requirements are equity capital, credit rating, technology transfer and upgradation, etc. SIDBI has been constantly working on building various institutional mechanisms to cater to the emerging needs of the MSME sector and has set-up various subsidiaries / associates viz.

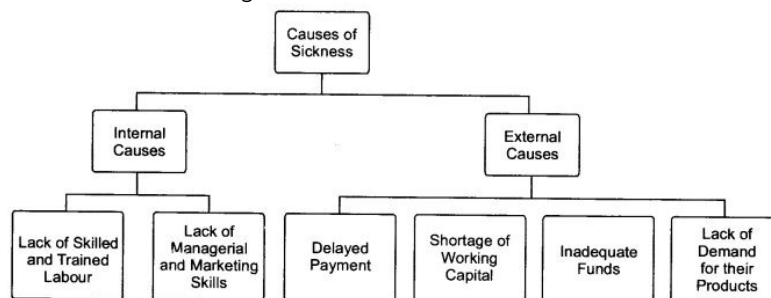
SIDBI Venture Capital Ltd. (SVCL) is a subsidiary of SIDBI. It was set up in July, 1999. It is an asset management company, presently managing two venture capital funds. Credit Guarantee Fund Trust for Micro and Small Enterprises (CGFTMSE) in July 2000 by Government of India and SIDBI, to provide credit guarantee support to collateral free / third-party guarantee free loans extended by banks and lending institutions for micro and small enterprises (MSEs);

SME Rating Agency of India Ltd. (SMERA) was set up in September 2005, as an MSME dedicated third-party rating agency to provide comprehensive, transparent and reliable ratings and risk profiling. India SME Technology Services Limited (ISTSL), was set up in November 2005. It provides a platform for MSMEs to tap opportunities at the global level for acquisition of modern technologies.

India SME Asset Reconstruction Company Ltd (ISARC) is the country's first MSME focused asset reconstruction company striving for speedy resolution of non-performing assets (NPA) by unlocking the idle NPAs for productive purposes which would facilitate greater and easier flow of credit from the banking sector to the MSMEs

Question 5. What are the causes of sickness in small industries?

Answer: Causes of sickness in SSIs can be classified into internal as well as external categories.



Question 6. What is the difference between small scale enterprise and cottage industry?

Answer: "Small Scale Industries are located in urban centers and produce goods with partially or wholly mechanised equipment employing outside labour, small in size, having little capital resources and a small labour force"

"Cottage Industries are mainly rural in character and are generally associated with agriculture involving operations mostly by hands and are carried on in the home either as a whole time or as a part time occupation, primarily with the help of members of the family."

Difference between the Small-Scale Industries and Cottage Industries:

The differences between the small scale and cottage industries are basically two:

- While small-scale industries are mainly located in urban centres as separate establishments, the cottage industries are generally associated with agriculture and provide subsidiary employment in rural areas.
- While small-scale industries produce goods with mechanised equipment employing outside labour, the cottage industries involve operations mostly by hand which are carried on primarily with the help of the members of the family.

Question 7. Explain the areas where small businesses feel threatened from global competition.

Answer: Given below are the areas where small businesses feel threatened from global competition:

- It is difficult to maintain quality standards, technological skills, financial credit worthiness, managerial and marketing capabilities of the large industries and MNCs.
- They have to face competition from giant sized MNCs along with medium and large scale enterprises. It brings cut throat competition for them.
- There is limited access to markets of developed countries because of stringent requirements of quality certification like ISO: 9000 etc.

Question 8. Explain the meaning of small scale industry with its different categories.

Answer: In Indian economy small-scale and cottage industries occupy an important place, because of their employment potential and their contribution to total industrial output and exports. Government of India has taken a number of steps to promote them. However, with the recent measures, small-scale and cottage industries facing both internal competition as well as external competition.

There is no clear distinction between small-scale and cottage industries. However it is generally believed that cottage industry is one which is carried on wholly or primarily with the help of the members of the family. As against this, small-scale industry employs hired labour.

Moreover industries are generally associated with agriculture and provide subsidiary employment in rural areas. As against this, small scale units are mainly located in urban areas as separate establishments.

Definition: Small scale industry is defined as a unit in which investment in original value of plant and machinery should not exceed Rs 1.5 crore.

However, to facilitate technology upgradation and enhance competitiveness, the investment limit has been raised to Rs 5 crore in respect of 71 high tech export oriented items in drugs, pharmaceuticals, hand-tools and knitwear sectors, etc.

Different categories include:

- Micro and tiny industries
- Women enterprises
- Cottage industries
- Village industries

Question 9. List out major industry groups in the small sector in India.

Answer: The official definitions of the small scale unit are as follows:

1. Small-Scale Industries:

These are the industrial undertakings having fixed investment in plant and machinery, whether held on ownership basis or lease basis or hire purchase basis not exceeding Rs 1 crore.

2. Ancillary Industries:

These are industrial undertakings having fixed investment in plant and machinery not exceeding Rs 1 crore engaged in or proposed to engage in,

- (a) The manufacture of parts, components, sub-assemblies, tooling or intermediaries, or
- (b) The rendering of services supplying 30 per cent of their production or services as the case may be, to other units for production of other articles.

3. Tiny Units:

These refer to undertakings having fixed investment in plant and machinery not exceeding Rs 23 lakhs. These also include undertakings providing services such as laundry, xeroxing, repairs and maintenance of customer equipment and machinery, hatching and poultry etc. located in towns with population less than 50,000

4. Small-Scale Service Establishments:

These mean enterprises engaged in personal or household services in rural areas and town with population not exceeding 50000 and having fixed investment in plant and machinery not exceeding Rs 25 lakhs.

5. Household Industries:

These cover artisans, skilled craftsman and technicians who can work in their own houses if their work requires less than 300 square feet space, less than 1 Kw power, less than 5 workers and no pollution is caused. Handicrafts, toys, dolls, small plastic and paper products, electronic and electrical gadgets are some of the examples of these industries.

Question 10. State the objectives of small business in rural India.

Answer: The objectives of small scale industries are follows:

- 1. To create more employment opportunities with less investment.
- 2. To remove economic backwardness of rural and less developed regions of the economy.
- 3. To reduce regional imbalances.
- 4. To mobilize and ensure optimum utilization of unexploited resources of the country.
- 5. To improve standard of living of people.
- 6. To ensure equitable distribution of income and wealth.
- 7. To solve unemployment problem.
- 8. To attain self-reliance.
- 9. To adopt latest technology aimed at producing better quality products at lower costs.

Question 11. What are the measures taken by the Government to solve the problem of finance in the small scale sector?

Answer: Following Measures have been taken by the government to solve the problem of finance in small scale sector:

- 1. Small Industries Development Bank of India (SIDBI): It was set up on April 2, 1990 under an Act of Indian Parliament, is the principal financial institution for the promotion, financing and development of the Micro, Small and Medium Enterprise (MSME) sector and for coordination of the functions of the institutions engaged in similar activities. Financial support is provided by way of refinance to eligible Primary Lending Institutions (PLIs) such as banks, State Financial Corporations (SFCs), State Industrial Development Corporations (SIDCs), State Small Industries Development Corporations (SSIDCs) etc. for onward lending to MSMEs, financial assistance in the form of loans, grants, equity and

quasi-equity to Non Government Organisations/ Micro Finance Institutions (MFIs) for on-lending to micro enterprises and economically weaker sections of society, enabling them to take up income generating activities on a sustainable basis and direct assistance to MSMEs which is channelised through the bank's network of 130 branch offices.

2. The National Commission for Enterprises in the Unorganised Sector (NCEUS): It was established by the Government of India as an advisory body on the informal sector to bring about improvement in the productivity of informal enterprises for generation of large scale employment opportunities on a sustainable basis, particularly in the rural areas. The Commission was mandated to recommend appropriate measures to enhance the competitiveness of the informal sector in the global economy and to link the sector with the institutional framework in areas such as credit, raw material, infrastructure, technology upgradation skill development, and marketing.

Question 12. Write a short note on WASME.

Answer: World Association for Small and Medium Enterprises (WASME) is a global non-governmental organization headquartered at Noida, India. It has been spearheading the cause and development of Small and Medium Enterprises (SMEs) world over since its inception in 1980. It has emerged, over the years, as one of the most representative, effective and leading international organizations, working towards the promotion of SMEs. The vision behind establishment of WASME was to build a world private community of small business, their supporting and financial institutions as a non-governmental organization, not influenced by any government(s). WASME has members, associates and network partners in different countries across the world. It enjoys consultative/observer status with concerned agencies in UN system such as ECOSOC, UNCTAD, WIPO, UNIDO, UNICITRAL, UNESCAP, ITC and ILO. It also cooperates actively with several intergovernmental and international organizations such as WCO, OECD, ICSB, APCTT, etc.

Question 13. Write a short note on SIDO.

Answer: It is the office of the Development Commissioner for Small Scale Industries. SIDO was established in 1954 on the basis of the recommendations of the Ford Foundation. It has over 60 offices and 21 autonomous bodies under its management. These autonomous bodies include Tool Rooms, Training Institutions and Project-cum-Process Development Centres.

Various services provided by SIDO to the SMEs:

1. Facilities for testing, toolmenting, training for entrepreneurship development.
2. Preparation of project and product profiles.
3. Technical and managerial consultancy.
4. Assistance for exports.
5. Pollution and energy audits.

SIDO also provides economic information services and advises Government in policy formulation for the promotion and development of SSIs. The field offices also work as effective links between the central and the state governments.

Question 14. What forms of support is offered to small industries by the government?

Answer: Government offers support to small industries in the following forms:

- Institutional support in respect of credit facilities;
- Provision of developed sites for construction of sheds;

- Supply of machinery on hire purchase system;
- Technical and financial help for technical upgradation;
- Special incentives for setting up of industries in backward areas;
- Provision for training facilities;
- Assistance for domestic and export marketing.

***** END *****