

# Small Business and Entrepreneurship Development

## PART 1

### Objective Questions

#### • Multiple Choice Questions

1. People who own, operate and take risk of a business venture is called ..... .  
(a) aptitude (b) employee  
(c) entrepreneur (d) entrepreneurship

Ans. (c) entrepreneur

2. The main objective of entrepreneurship development is to  
(a) to increase literacy  
(b) to increase number of entrepreneurs  
(c) to increase GDP  
(d) All of the above

Ans. (b) to increase number of entrepreneurs

3. Entrepreneurship development leads to the establishment of industries. This helps in ....  
(a) capital formation (b) economic growth  
(c) Both (a) and (b) (d) None of these

Ans. (c) Both (a) and (b)

4. .... is the single point of contact for the entire start-up ecosystem to enable knowledge exchange and funding access.  
(a) Start India fund (b) Start India forum  
(c) Start India hub (d) Start India meeting

Ans. (c) Start India hub

5. Sundeep is individual with surplus cash and interested to invest in upcoming start-ups. Which method is suitable for him?  
(a) Crowd funding (b) Venture capital  
(c) Boot strapping (d) Angel investment

Ans. (d) Angel investment

6. .... is the funding a project by raising money from a large number of people for a common goal.  
(a) Boot strapping (b) Crowdsourcing  
(c) Venture capitals (d) Angel investments

Ans. (b) Crowdsourcing

7. A business centre that offers working space and specialised support for new start ups is known as  
(a) Isolator (b) Injector (c) Incubator (d) Integrator

Ans. (c) Incubators provide professional services that facilitates the development of new business by providing resources like working space etc., support and advice.

8. **Statement I** The purpose of geographical indications is to encourage innovation in manufacturing field.

**Statement II** Certification mark certifies the quality of product.

#### Alternatives

- (a) Statement I is correct and Statement II is wrong  
(b) Statement II is correct and Statement I is wrong  
(c) Both the statements are correct  
(d) Both the statements are incorrect

Ans. (b) The purpose of geographical indications is to encourage innovation in the scientific field.

9. A ..... is an exclusive right granted by government which provides the exclusive right to exclude all others and prevent them from using or offering from sale.

- (a) copyrights (b) patent  
(c) proprietary rights (d) trademark

Ans. (b) patent

10. Literary work is protected under

- (a) Patent (b) Trademark  
(c) Copyright (d) Crowd funding

Ans. (c) Copyright

11. **Statement I** Entrepreneurship development leads to concentration of economic activities in few areas of the country.

**Statement II** For start-ups, there will be government inspection regarding such compliance from second year onwards.

#### Alternatives

- (a) Statement I is correct and Statement II is wrong  
(b) Statement II is correct and Statement I is wrong  
(c) Both the statements are correct  
(d) Both the statements are incorrect

Ans. (d) Entrepreneurship development leads to scattering of economic activities in all areas of the country. There is no government inspection of such start-ups regarding such compliance for first three years.

12. .... provides subsidised loans to youth to establish their business if their family income is less than ₹ 1,00,000.

(a) Prime Minister Vikas Yojana  
(b) Prime Minister Business Scheme  
(c) Prime Minister Grameen Yojana  
(d) Prime Minister Rozgar Yojana

**Ans.** (d) Prime Minister Rozgar Yojana

13. In India, industries are classified on the basis of investment in plant and machinery. Amount of ..... in a village industry per head artisan cannot exceed is ₹ 50,000.

(a) working capital investment  
(b) cash investment  
(c) fixed capital investment  
(d) Both (a) and (c)

**Ans.** (c) fixed capital investment

14. **Statement I** Small business has generally short gestation period.

**Statement II** Small scale industries are considered good for countries that have less labour and surplus capital.

**Alternatives**

(a) Statement I is correct and Statement II is wrong  
(b) Statement II is correct and Statement I is wrong  
(c) Both the statements are correct  
(d) Both the statements are incorrect

**Ans.** (a) Small scale industries are considered good for countries like India, that have surplus labour and less capital.

15. M/s ABS is a small enterprise engaged in the production of springs. It supplies its entire output to tractor manufactures. M/s ABS can be classified as a

(a) ancillary industry  
(b) tiny industry  
(c) secondary industry  
(d) traditional industry

**Ans.** (a) Any enterprise which supplies not less than 50% of its total production to any other industry is known as 'ancillary industry'.

16. M/s XYZ a small scale enterprise has following investments in its business

Research and development cost	₹ 3 lakh
Plant and machinery	₹ 8 lakh
Factory shed	₹ 5 lakh
Industrial safety equipments	₹ 3 lakh
Land	₹ 10 lakh

Decide the category to which M/s XYZ belongs?

(a) micro enterprise (b) small enterprise  
(c) medium enterprise (d) cottage industry

**Ans.** (a) M/s XYZ belongs to micro enterprise because its total investment is only ₹ 23 lakh (i.e. cost of Plant and machinery + Factory shed + Land). Research and development cost and industrial safety equipments are not the part of investment in plant and machinery.

17. **Statement I** Small industries are able to maintain good personal relations with customers.

**Statement II** Small scale industries suffer from lack of adequate working capital.

**Alternatives**

(a) Statement I is correct and Statement II is wrong  
(b) Statement II is correct and Statement I is wrong  
(c) Both the statements are correct  
(d) Both the statements are incorrect

**Ans.** (c) Small scale industries have the inherent strength of adaptability and have personal touch with both customers and employees. Due to delayed payment from customers and locking up of their capital in unsold stocks, small units suffer from lack of adequate working capital. Banks also do not provide funds to them.

18. .... institution is setup as an Apex Bank to provide direct/indirect financial assistance under different schemes and also coordinates the functions of other institution in similar activities.

(a) SIDBI (b) IDBI  
(c) NSIC (d) NABARD

**Ans.** (a) SIDBI

19. Government at various levels are providing assistance to small businesses by various means. By helping small industries, government aims at

(a) prevention of migration (b) poverty alleviation  
(c) employment to artisans (d) All of these

**Ans.** (d) By providing assistance to small business, government aims to achieve various targets by a single means. When industries are established in rural areas, people don't have to move to cities in order to find work and on the other hand, rural poor and artisans get job. Therefore, it can be said that by helping small business, government achieves all of these goals.

20. Which institution is at top of hierarchy in the administrative setup for the promotion and development of the small scale, agro and rural industries?

(a) SIDO  
(b) NSIC  
(c) Ministry of MSME  
(d) Ministry of Industrial Affairs

**Ans.** (c) Ministry of MSME

## • Assertion–Reasoning MCQs

**Directions** (Q. Nos. 1 to 7) *There are two statements marked as Assertion (A) and Reason (R). Read the statements and choose the appropriate option from the options given below*

- (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
- (b) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A)
- (c) Assertion (A) is true, but Reason (R) is false
- (d) Assertion (A) is false, but Reason (R) is true

- 1. Assertion (A)** Entrepreneurship development is considered as a continuous process.

**Reason (R)** Entrepreneurship development involves learning which is a never-ending process.

**Ans.** (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)

- 2. Assertion (A)** Entrepreneurship development helps in capital formation of country.

**Reason (R)** Entrepreneurs develop and produce substituted products of imported goods and prevent the over-dependence on the other countries.

**Ans.** (b) It encourage the establishment of new industries in economy which increase in the capital formation rate in country.

- 3. Assertion (A)** The industrial units for whom the output is manufactured are referred to as 'main units'.

**Reason (R)** Ancillary small industrial unit manufactures parts, components, sub-assemblies, tools or intermediate products for other industrial units.

**Ans.** (d) The industrial units for whom the output is manufactured are referred to as 'parent units'.

- 4. Assertion (A)** Small scale industries can be opened anywhere in the country, without any locational constraints and the benefits of industrialisation can be reaped by every region.

**Reason (R)** The latent skills and talents of people can be channelled into business ideas, which can be converted into reality with little or nil capital investment anywhere.

**Ans.** (c) These industries produce products using simple technologies and depend on locally available resources in terms of both material and labour, thus, they can be opened anywhere in the country, without any locational constraints.

- 5. Assertion (A)** Small scale industries enjoy the advantage of low cost of production.

**Reason (R)** The establishment and running cost of small-scale industries are minimum. Locally available resources are less expensive.

**Ans.** (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)

- 6. Assertion (A)** Entrepreneurship development helps in generating employment opportunities.

**Reason (R)** Entrepreneurship development enables the economy to utilise and explore the abundant of natural resources.

**Ans.** (b) Entrepreneurship development enables entrepreneurs to create more/additional employment opportunities for youth by creating more businesses and workplaces.

- 7. Assertion (A)** Small scale industries capture the opportunity at the right time by saving time correctly.

**Reason (R)** Small scale industries are small in size, which allows them to take quick decisions.

**Ans.** (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)

## • Case Based MCQs

- 1. Direction** *Read the following text and answer the question no. (i) to (vi) on the basis of the same.*

Mayank, after completing his master's degree in management, decided to start his own enterprise with the name Mayank Food Industries in his village in Himachal Pradesh and opted for labour-intensive techniques to provide employment to local people.

He took the help of DIC, a government institution for promoting small scale industries to get knowledge about incentives and schemes launched by the government for opening small scale industries. It was estimated that, the food and beverages plant to be set up will require a fixed capital investment of ₹ 80 lakhs.

The working capital requirements is estimated to be ₹ 20 lakhs. The directors of the company decided to raise the capital by issuing shares as well as taking loans from financial institutions. In addition to this, to thrive the business, the directors decided to take benefit of various policies and programmes formulated by the ministry.

With all these products, they were able to produce extremely high quality and delicious food recipes. This led to creation of intellectual property right for the firm.

- (i) The category into which this industry will be placed under MSMED Act is
- (a) micro enterprises
  - (b) small scale manufacturing enterprises
  - (c) small service enterprises
  - (d) medium enterprises

**Ans.** (b) small scale manufacturing enterprises

- (ii) The Directors of the company decided to raise the capital by issuing shares as well as taking loans from financial institutions. The shares are the example of ..... capital source.

- (a) internal, long-term (b) external, long-term  
(c) internal, borrowed (d) external, borrowed

**Ans.** (a) internal, long-term

- (iii) Mayank has entrepreneurship skills as shown in above case. Which of the following indicates entrepreneurship?

- (a) Setting up one's own business  
(b) Pursuing employment  
(c) Practising profession  
(d) All of the above

**Ans.** (a) Setting up one's own business

- (iv) DIC stands for which of the following?

- (a) District Industrial Centre  
(b) Development and Industrial Corporation  
(c) Department of Infrastructure and Capital Formation  
(d) None of the above

**Ans.** (a) District Industrial Centre

- (v) Which organisation is responsible for implementing and monitoring various policies and programmes formulated by the ministry of micro, small and medium enterprises?

- (a) NSIC (b) SIDBI  
(c) NABARD (d) SIDO

**Ans.** (d) SIDO

- (vi) "With all these products, they were able to produce extremely high quality and delicious food recipes." Which IPR is highlighted in this line?

- (a) Patents (b) Copyrights  
(c) Trademarks (d) Trade secrets

**Ans.** (d) Trade secrets

**2. Direction** Read the following text and answer the question no. (i) to (vi) on the basis of the same.

Three friends, after completing their graduation, decided to open their own business and to create employment opportunities for others too. After their meeting with the manager of DIC, they attended entrepreneurship development programme. As a result of their entrepreneurship, Zayka Food Industries is created and operated successfully by them.

To create a feeling of belongingness in the customers and for branding purposes, they started to use 'hat' as a symbol on all their products. Soon, this become an intellectual property for the company. After getting a good response in the market, now one of them is planning to set up a new unit "Laajwaab Foods and

Beverages Industry" in rural area of Odisha and opted for labour intensive technique, due to easy availability of cheap labour.

The finance manager has estimated the investment of ₹ 2 crore to acquire plant and machinery and ₹ 80 lakhs for meeting operating expenses of this new unit. The company did not want to dilute the ownership and did not want any interference from investors/lenders. Also, it expects good cash flow return from the new unit.

For arrangement of finance and availing professional services that facilitates the development of new business, they approached a body which is located in their universities.

- (i) Which category of SSI, "Lajawaab Foods and Beverage Industries" belongs to?

- (a) Micro enterprises (b) Small enterprises  
(c) Medium enterprises (d) Cottage industry

**Ans.** (b) Small enterprises

- (ii) Which of the following is not a feature of entrepreneurship?

- (a) Systematic activity (b) Risk element  
(c) Profession (d) Dynamic process

**Ans.** (c) Profession

- (iii) Post-training stage of ED programme does not include

- (a) Management Skill Development  
(b) Guidance in Project Implementation  
(c) Sustaining Motivation  
(d) Providing-follow up

**Ans.** (a) Management Skill Development

- (iv) The finance manager has estimated the investment of ₹ 2 crore to acquire plant and machinery and ₹ 80 lakh for meeting operating expenses of this new unit. The company did not want to dilute the ownership and did not want any interference from investors/lenders. Also, it expects good cash flow return from the new unit. Which form of capital would be better for the company?

- (a) Equity capital (b) Long-term loans  
(c) Preference capital (d) Loans from commercial bank

**Ans.** (b) Long-term loans

- (v) "For arrangement of finance and availing professional services that facilitates the development of new business, they approached a body which is located in their universities." Which way to fund start-up is highlighted here?

- (a) Accelerators (b) Incubators  
(c) Private equity (d) Venture capital

**Ans.** (b) Incubators



- (vi) “To create a feeling of belongingness in the customers and for branding purposes, they started to use ‘hat’ as a symbol on all their products.” Which IPR is highlighted in the line?

- (a) Patents (b) Copyrights  
(c) Trademarks (d) Trade secrets

**Ans.** (c) Trademarks

**3. Direction** Read the following text and answer the question no. (i) and to (vi) on the basis of the same.

Siraj is a handicraft artist. He has been doing the work for different firms for more than 10 years. Now, he has decided to set up his own enterprise in his small town.

He has employed three local people and invested ₹ 5 lakh. He has received lot of assistance with government policies. The raw materials are sourced from the nearby villages. The firm is known to produce products as per the individual customer tastes and preferences. The goods are sold at a cheap price because cost of production is low. However, as the business is growing, Siraj is finding it difficult to manage all the work since he has never managed business to such an extent.

In the recent times, company has also faced the problem of arranging finance for funding increasing purchase orders of big tickets. But to his rescue, he got finance from an institution that provides finance to rural and small industries and organises training and development programmes for rural entrepreneurs.

However, he has now got a new problem at hand. One of the big textiles players has entered this handicraft space and has started poaching Siraj’s employees at higher salaries. Siraj is now seeking a solution to this.

- (i) In which category, Siraj’s firm falls into?  
(a) Micro enterprises (b) Small enterprises  
(c) Medium enterprises (d) None of these

**Ans.** (a) Investment is less than ₹ 25,00,000.

- (ii) “He has received lot of assistance with government policies.” Which ministry is the nodal ministry for formulation of policy and coordination of central assistance for the promotion and development of small scale industries in India?

- (a) Ministry of micro enterprises  
(b) Ministry of small enterprises  
(c) Ministry of medium enterprises  
(d) None of the above

**Ans.** (d) Ministry of Micro, Small and Medium Enterprises

- (iii) Which role of small scale industries in India is highlighted in the passage?

- (a) Balanced regional growth  
(b) Low cost of production  
(c) Customised production  
(d) All of the above

**Ans.** (d) **Balanced Regional Growth** The raw materials are sourced from the nearby villages.

**Customised Production** The firm is known to produce products as per the individual customer tastes and preferences.

**Low Cost of Production** The goods are sold at a cheap price because cost of production is low.

- (iv) Which problem of small scale industries is highlighted in the line, “Siraj is finding it difficult to manage all the work since he has never managed business to such an extent”?

- (a) Quality (b) Capacity utilisation  
(c) Managerial skills (d) Finance

**Ans.** (c) Managerial skills

- (v) “He got finance from an institution that provides finance to rural and small industries and organises training and development programmes for rural entrepreneurs.” Which institution is highlighted in this line?

- (a) NSIC (b) RSBDC  
(c) NABARD (d) Ministry of MSMEs

**Ans.** (c) NABARD

- (vi) One of the big textiles players has entered this handicraft space and has started poaching Siraj’s employees at higher salaries. Which problem of small business is highlighted in this line?

- (a) Managerial skills (b) Labour  
(c) Finance (d) Quality

**Ans.** (b) Labour

## PART 2

# Subjective Questions

### • Short Answer (SA) Type Questions

1. What is meant by entrepreneurship development? Explain.

**Ans.** Entrepreneurship development refers to the process of enhancing entrepreneurial skills and knowledge through structured training and institution building programmes. It focuses on individual who wishes to start or expand a business.

The whole point of entrepreneurship development is to increase number of entrepreneurs and to create entrepreneurship culture within society. One trained entrepreneur can guide other on how to start their own

enterprises. Now-a-days, it is treated as an important tool of industrialisation and a solution of unemployment in country.

2. Chris and Craig were having a discussion about entrepreneurship development. Chris suggested that there were no pre-requisites for entrepreneurship development whereas Craig suggested that there are some pre-requisites. Who – Chris or Craig is correct? Explain.

**Ans.** Craig is correct because there are some pre-requisites for entrepreneurship development. Following are the pre-requisites

- (i) Intelligence
- (ii) Motivation
- (iii) Knowledge
- (iv) Sustained efforts
- (v) Human factor
- (vi) Government assistance/Grant
- (vii) Opportunity
- (viii) Industrial technology

3. What is Entrepreneurship Development Process (EDP)?

**Ans.** EDP is a process to help an individual in strengthening his entrepreneurial motive and in acquiring skills and capabilities necessary for playing his entrepreneurial role effectively. EDP is not merely a training programme. It is a process to

- (i) enhance the motivation, knowledge and skills of potential entrepreneurs.
- (ii) reforming the entrepreneurial behaviour.
- (iii) assist entrepreneurs to develop their own ventures.

4. The government has launched startup India scheme for promoting startup culture in the country. What are the major objectives of this scheme?

**Ans.** Following are the objectives of startup India scheme

- (i) trigger an entrepreneurial culture, inculcate entrepreneurial values in the society at large and influence the mindset of people towards entrepreneurship.
- (ii) create awareness about the charms of being an entrepreneur and the process of entrepreneurship, especially among the youth.
- (iii) encourage more dynamic startups by motivating educated youth, scientists and technologists to consider entrepreneurship as a lucrative, preferred and viable career.
- (iv) support the early phase of entrepreneurship development, including the pre-startup, nascent, as well as, early post startup phase and growth enterprises.

5. What are some of the key action points of Start India Initiative?

**Ans.** Action points of Start India Initiatives are as follows (any three)

- (i) **Simplification and Handholding** In order to make compliance for startups, friendly and flexible,

simplifications are announced. Government of India has launched a mobile app and a website for easy online registration.

- (ii) **Startup India Hub** The objective is to create a single point of contact for the entire startup ecosystem and enable knowledge exchange and access to funding. Start-up India Hub will be key stakeholder of entrepreneurs. It will be their friend, mentor and guide to hold their hand.

- (iii) **Legal Support and Fast-tracking Patent Examination** The scheme for Startups Intellectual Property Protections (SIPP) is envisaged to facilitate protection of patents, trademarks and designs of innovative and interested startups.

- (iv) **Easy Exit** In the event of a business failure and wind up of operations, procedures are being adopted to reallocate capital and resources towards more productive avenues. This will promote experimentation with new and innovative ideas, without fearing complex and long drawn exit process. A start-up can close its business within 90 days from the date of application of winding up.

6. Sana and Vishal are friends who have been planning for a start-up. With the money they had, they did initial research and proof of concept. To fund their idea, a professionally managed fund institution provided them the funding. Identify this source to fund the start-up and explain.

**Ans.** The way to fund the start-up highlighted is venture capital. Venture capital are professionally managed funds who invest in companies that have huge potential in future.

They focus on sale rather than profit of ventures. This type of funding is often obtained in exchange for an equity stake in business. Generally, such funding is involved in software, technology and bio-technology. It bridges the gap where traditional sources of funds cannot participate actively in funding new venture. e.g., Nexus Venture Partner, Kalaari Capital, Accel Partners.

7. ST foods Inc is a company preparing Rajasthani food. The company has 23 outlets in Rajasthan and Gujarat. The company prepares its foods with recipes unique to it and uniform across outlets. These recipes have been the driving force of business and are not known to general public. Identify and explain the intellectual property right discussed.

**Ans.** The IPR discussed is trade secret.

It is an information that

- (i) is not generally known to public.
- (ii) confers economic benefit.
- (iii) is the subject of reasonable efforts by the holder to maintain its secrecy.

For example CoCa Cola's recipe is trade secret. KFC keep secret ingredients in its recipe.

- (iv) is protected without any procedural formalities for an unlimited period.

8. Write short note on

- (i) Design
- (ii) Plant variety
- (iii) Semiconductor Integrated Circuits Layout Design

**Ans.** (i) **Design** A 'design' includes shape, pattern, and arrangement of lines or colour combination that is applied to any article. It is a protection given to aesthetic appearance or eye-catching features. The term of protection of a design is valid for 10 years, which can be renewed for further 5 years after expiration of this term, during which a registered design can only be used after getting a license from its owner and once the validity period is over, the design is in public domain.

(ii) **Plant Variety** It is essentially grouping plants into categories based on their botanical characteristics. It is a type of variety which is bred and developed by farmers. This helps in conserving, improving and making available plant genetic resources. For example, hybrid versions of potatoes.

(iii) **Semiconductor Integrated Circuits Layout Design** A semiconductor layout design means a layout of transistors and other circuitry elements used and formed on a semiconductor material, as an insulating material, or inside the semiconductor material. Its design is to perform an electronic circuitry function.

9. Identify any six major industries that are grouped in the small-scale sector of India.

**Ans.** Six major industries are

- (i) Food product
- (ii) Chemical and chemical products
- (iii) Leather and leather products
- (iv) Hosiery and garments
- (v) Repair services
- (vi) Beverages, tobacco and tobacco products

10. What are the three types of enterprises with respect to manufacturing?

**Ans.** The three types of enterprises with respect to manufacturing are

- (i) **Micro Enterprise** In micro enterprise, the investment in plant and machinery does not exceed ₹ 25 lakh.
- (ii) **Small Enterprise** In small enterprise, the investment in plant and machinery is more than ₹ 25 lakh but does not exceed ₹ 5 crore.
- (iii) **Medium Enterprise** In medium enterprise, the investment in plant and machinery is more than ₹ 5 crore but does not exceed ₹ 10 crore.

11. Service enterprises can be divided into three categories majorly. Mention about these categories.

**Ans.** Service enterprises are categorised as follows

- (i) **Micro Enterprise** In micro enterprise, the investment in equipment does not exceed ₹ 10 lakh.

(ii) **Small Enterprise** In small enterprise, the investment in equipment is more than ₹ 10 lakh but does not exceed ₹ 2 crore.

(iii) **Medium Enterprise** In medium enterprise, the investment in equipment is more than ₹ 2 crore but does not exceed ₹ 5 crore.

12. Differentiate between ancillary unit and tiny unit on any three basis. (NCERT)

**Ans.** The differences between an ancillary unit and a tiny unit are

Basis	Ancillary Unit	Tiny Unit
Meaning	An ancillary unit is the unit which supplies not less than 50% of its production to the parent unit.	A tiny unit is the business enterprise whose investment in plant and machinery is not more than ₹ 25 lakh.
Investment Limit	Investment limit in such unit is ₹ 5 crore.	Investment limit is ₹ 25 lakh in this type of unit.
Assistance of Parent Unit	Parent unit assists the ancillary unit by providing technical and financial help.	No such assistance is there.

13. Highlight the importance of small scale industries in Indian employment and GDP context.

**Ans.** Following points highlight the importance of SSIs in Indian employment and GDP

- (i) **Contribution in GDP** Small industries in India account for 95% of the industrial units of the country. They contribute almost 40% of the gross industrial value added and 45% of the total exports (direct and indirect) from India.
- (ii) **Employment Generation** In India, small industries are the second largest employers of human resources, after agriculture. They generate more employment opportunities per unit of capital invested as compared to large industries. Thus, they are considered good for countries like India, that have surplus labour and less capital.

14. Apart from increasing the employment opportunities and adding to the GDP, small scale industries contribute and assist a country like India in numerous ways. Do you agree? Give reasons.

**Ans.** Yes, I agree with the statement that apart from increasing the employment opportunities and adding to the GDP, small scale industries contribute and assist a country like India in numerous ways. The reasons for the same are (any three)

- (i) **Supply Variety of Products** Small industries in our country supply enormous variety of products which include goods of mass consumption such as readymade garments, hosiery goods, stationery items, soaps and detergents, domestic utensils, etc. Sophisticated goods such as electrical goods, engineering goods, drugs, etc are also manufactured by these industries.

- (ii) **Balanced Regional Development** As these industries produce products using simple technologies and depend on locally available resources in terms of both material and labour, thus, they can be opened anywhere in the country, without any locational constraints and the benefits of industrialisation can be reaped by every region.
- (iii) **Provide Business Opportunities** They provide ample opportunity for entrepreneurship. The latent skills and talents of people can be channelled into business ideas, which can be converted into reality with little or nil capital investment.
- (iv) **Low Cost of Production** They also enjoy the advantage of low cost of production. This is because the establishment and running cost are minimum. Locally available resources are less expensive. Due to lower cost of production, they have competitive strength.

**15.** Vijay runs his small factory for producing cotton goods. He wants to venture into other countries but could not. Moreover, some MNCs have come up in the country giving tough times to Vijay. Which problem of small scale industries is highlighted here?

**Ans.** In the given text, 'global competition' is highlighted as the problem of small scale industry.

Small businesses feel threatened from the global entrepreneurs in the following areas

- (i) Competitions from medium and large industries as well as multinational companies.
- (ii) High quality standards, technological skills, financial credit worthiness, managerial and marketing capabilities of large industries.
- (iii) Due to strict requirements of quality certification like ISO 9000, small industries have limited access to markets of developed countries.

**16.** Amar, Akbar and Anthony are three good friends who have completed a vocational course in entrepreneurship. After their school education finding the job market tough. They were contemplating the idea of setting up a small business using the skills they had learnt in their course. However, they knew very little about business.

They were wondering what business to start, where to locate it, how to procure machinery and materials needed for the business, how to raise money and how to market. They came across a notification given by the district industries centre located near the industrial estate in Balanagar Ranga Reddy District of Andhra Pradesh

regarding a seminar on government's assistance for a small business aimed at young entrepreneurs.

Excited with the news, the three friends decided to attend the seminar. They were told about the financial and other assistance offered by the central and state governments under the rural employment generation programme to the educated youth. They found that toys were in demand and decided to manufacture toys. They started a small scale industry in their village by taking financial assistance with the help of khadi and village industries commission. Today, they are successful makers of toys and in the near future. They plan to get into export market as well.

- (i) Which problems were faced by Amar, Akbar and Anthony, when they decided to set up a small business?
- (ii) Which institutions helped Amar, Akbar and Anthony in establishing their small scale industry?

- Ans.**
- (i) Amar, Akbar and Anthony faced the following problems when they decided to set up a small business
    - (a) Problems related to identification of a business idea.
    - (b) Problems related to location of business.
    - (c) Problems related to procurement of materials and machines required for the business.
    - (d) Problems related to finance and marketing
  - (ii) Following institutions helped Amar, Akbar and Anthony in establishing their small scale industry
    - (a) District Industries Centre
    - (b) Khadi and Village Industries Commission

**17.** Explain in detail, the following three problems of small scale industries in the country

- (i) Finance
- (ii) Marketing
- (iii) Raw Materials

- Ans.**
- (i) **Finance** One of the severe problems faced by SSIs is the non-availability of adequate finance to carry out its operations. These units lack in credit worthiness and have a small capital base. As a result, they heavily depend on local financial resources and frequently become the victims of exploitation by the money lenders.
  - (ii) **Marketing** Small scale enterprises are unable to meet the expenses of marketing activities. They depend on middlemen who exploit them by paying low prices for their goods and delaying their payments.
  - (iii) **Raw Materials** If the required materials are not available, small businesses have to compromise on the quality or have to pay high price to get good quality



materials. Their bargaining power is relatively low due to the small quantity of purchases made by them. They cannot afford to buy in bulk because they do not have the facility to store material and neither do they have the necessary finance.

**18.** What are the different forms of support offered to small industries by the government?

**Ans.** Forms of support offered to small industries by the government are

- (i) Institutional support in respect of credit facilities.
- (ii) Provision of developed sites for construction of sheds.
- (iii) Provision of training facilities.
- (iv) Supply of machinery on hire export marketing.
- (v) Technical and financial assistance for technological upgradation.
- (vi) Special incentives for setting up of enterprises in backward areas.

**19.** 'Kamna' is SSI engaged in the manufacturing of handloom sarees. 60% of the share capital of this unit is jointly owned by Sumitra and her daughter Kamayani. What form of concessions is the above unit entitled to?

**Ans.** 'Kamna' is a women enterprise. If a small scale industry's more than 51% share capital is owned by women or a group of women, individually or jointly, then it is referred to as a 'women enterprise'. Such types of enterprises can avail the following concessions from the government

- (i) Low rate of interest on loans
- (ii) Easy repayment facility.

**20.** Write a short note on

- (i) Small Industries Development Organisation
- (ii) National Small Industries Corporation

**Ans.** (i) **Small Industries Development Organisation (SIDO)** This organisation is also referred to as office of the development commissioner, SSI. It is attached to the ministry of micro, small and medium enterprises and is responsible for implementing and monitoring various policies and programmes formulated by the ministry.

- (ii) **National Small Industries Corporation (NSIC)** It is a public sector enterprise of the ministry of micro, small and medium enterprises and has been providing marketing support to the medium and small industries under the marketing assistance scheme.

**21.** Explain the two banks established by the support of government for the purpose of development of small-scale industries and rural development.

**Ans.** The two banks are NABARD and SIDBI

- (i) **National Bank for Agriculture and Rural Development (NABARD)** The NABARD was set up on 15th July, 1982 to provide finance to rural areas in order to promote integrated rural development. It is an apex institution that provides finance to rural and small industries and organises training and development programmes for rural entrepreneurs.

- (ii) **Small Industries Development Bank of India (SIDBI)** It was established in April, 1990 as a wholly owned subsidiary of IDBI, under the Small Industries Development Bank of India Act, 1990. Its main object is to promote, finance and develop the small scale sector in India. It provides direct and indirect financial assistance to small business organisations under various schemes. It coordinates the functions of other institutions engaged in similar activities.

**22.** Under NCEUS, what issues are being considered?

**Ans.** Following issues are being considered under National Commission for Enterprises in Unorganised Sector

- (i) Growth poles for the informal sector in the form of clusters, in order to get external economic aid.
- (ii) Potential for public private partnership in imparting the skills required by the informal sector.
- (iii) Provision of micro finance and related services to the informal sector.
- (iv) Providing social security to the workers in the informal sector.

## • Long Answer (LA) Type Questions

**1.** Explain the characteristics of entrepreneurship in detail.

**Ans.** The following are the characteristics of entrepreneurship

- (i) **Systematic Activity** Entrepreneurship has certain temperamental, skill and other knowledge and competency requirements that can be acquired, learnt and developed, both by formal educational and vocational training as well as by observation and work experience.
- (ii) **Lawful and Purposeful Activity** The object of entrepreneurship is lawful business. It is important to take note that one may try to legitimise unlawful actions as entrepreneurship on the grounds that just as entrepreneurship entails risk, so does illicit businesses.
- (iii) **Innovation** Entrepreneurship is creative in the sense that it involves innovation, introduction of new products, discovery of new markets and sources of supply of inputs, technological breakthroughs as well as introduction of newer organisational forms for doing things better, cheaper, faster and in the present context, in a manner that causes the least harm to the ecology/ environment.

- (iv) **Organisation of Production** Entrepreneur, in response to a perceived business opportunity, mobilises the resources into a productive enterprise or firm. In an economy with a well-developed financial system, he has to convince just the funding institutions and with the capital so arranged he may enter into contracts of supply of equipment, materials, utilities (such as water and electricity) and technology.
- (v) **Risk-taking** Entrepreneurship involves risk as individuals opting for a career in entrepreneurship take a bigger risk that is involved in a career in employment or practice of a profession as there is no 'assured' payoff. However, entrepreneurs are so sure of their capabilities that they can convert situations with higher risks into opportunities.

**2.** According to ILO's latest report, the number of the unemployed in country will increase to 18.6 million in 2018 and 18.9 million in 2019 against 18.3 million in 2017. The International Labour Organisation (ILO) has said in its latest report that India could witness a higher unemployment rate of 3.5% in 2018, a little more than that of 3.4% as projected earlier. Exports are saying that unemployment is up because "Make in India", "Start-up India" and other official schemes are not working in proper manner due to lack of entrepreneurial skills among the youth.

- (i) Identify the concept which can reduce the unemployment problem of India.
- (ii) State the need of this concept in India.

**Ans.** (i) Entrepreneurship development can reduce the unemployment problem in India.

- (ii) For a developing economy like India, need of entrepreneurship development arises due to the following reasons

- (a) **Eliminates Poverty and Unemployment** The basic problem of India is poverty and unemployment, Entrepreneurship development can help the unemployed youth to opt for self-employment and entrepreneurial as a career.
- (b) **Capital Formation** The various development banks like IDBI, IFCI, SIDBI take initiative in promoting entrepreneurship through fund. Entrepreneurship development encourage the establishment of new industries in economy which is a cause of capital formation.
- (c) **Improvement in Per Capita Income** Entrepreneurship development encourages new startups which is big cause of increase in per capita income of India.

- (d) **Defuses Social Tension** Entrepreneurship development can help channelising the talent and energies of frustrated unemployed youth of India. In other words, it can raise harmony within society.
- (e) **Discovering New Markets** It helps the entrepreneurs in discovering new market in country and outside country.
- (f) **Helpful in Selection of Project and Product** It helps entrepreneurs in evaluating various projects and products and choose the most suitable one which can be established and started easily, gives maximum profit with least possible risk and which have scope for further development.

**3.** Ritvik is a graduate from University of Delhi. He decided to start-up just after the graduation. He took on going edtech wave in his stride and set up a blended (offline + online) model of learning extra-curricular activities. He started boot strapped with the savings of his internship stipend. However, he is struggling to expand on the model because of lack of funds. Suggest him six ways to raise more capital.

**Ans.** Ways for him to raise capital are

- (i) **Bank Loan** Funding from bank will involve the usual process of sharing the business plan and the valuation details, along with project report based on which the loan is sanctioned.
- (ii) **Government Programmes that Offers Start-up Capital** Most popular scheme is Pradhan Mantri Micro Units Development and Refinance Agency Limited (MUDRA) which started with an initial corpus of ₹ 20,000 crore to extend benefits to around 10 Lakh SMEs.
- (iii) **Angel Funding** Angel Investments take very early-stage business under their wing while venture capital or equity investors do not like to commit capital to tiny business. Many household names, like Google, Facebook were financed in their earliest stages by angel investors. e.g. Mumbai Angels, Hyderabad Angels Lets Venture, etc.
- (iv) **Venture Capital** These are professionally managed funds who invest in companies that have huge potential in future. They focus on sale rather than profit of ventures. This type of funding is often obtained in exchange for an equity stake in business. e.g. Nexus Venture Partner, Kalaari Capital, Accel Partners.

- (v) **Incubators** They provide professional services that facilitates the development of new business by providing resources, support and advice. In India, more than 50% of the incubators are located in universities indicating role of universities in supporting new start-ups. e.g.,
  - (a) Innovation and Entrepreneurship (SINE), IIT Mumbai
  - (b) Technology Business Incubator IIT Delhi
- (vi) **Accelerators** These are organisations that offer a range of support service and funding opportunities for startups. They provide capital and investment in return for start-up equity. They target set action to boost the development and growth of a startups. e.g.
  - (a) Amity Innovation Incubator
  - (b) IAN Business Incubator, Kyron

**4. What do you mean by intellectual property rights? Also, explain its importance.**

**Ans.** Intellectual property rights are the intellectuals emerged from the human mind and the legal right on these human intellects. It is used to protect brand name, design, technology.

Importance of Intellectual Property Rights is as follows

- (i) Exclusive right on the use of IP is the biggest motivation behind creation of intellectual property.
- (ii) Customers get improved goods and services due to IPR.
- (iii) Entrepreneurs are enabled to earn more revenue due to IPR.
- (iv) It is cost saving mechanism for society through effectively utilisation of resources.
- (v) In India, the union cabinet on 13th May, 2016 approved the national intellectual property right policy to promote entrepreneurs.

**5. What do you mean by rural industry? Also, explain its features.**

**Ans.** Rural industry is also known as cottage industry or traditional industry. It is not defined by capital investment criteria as in the case of other small scale industries. However, cottage industries are characterised by certain features which are as follows

Following are the features of cottage industry

- (i) It is organised by individuals, with private resources.
- (ii) It normally uses family labour and locally available talent and is labour intensive.
- (iii) In cottage industry, simple equipments are in use.
- (iv) In it, capital investment is small.
- (v) It produces simple products, normally in their own premises.
- (vi) It produces goods using indigenous technology.

**6. Small scale industries play a pivotal role in rural economy of a country. Comment.**

**Ans.** The role of small scale industries in rural India is explained in the following points

- (i) **Non-farm Employment** Traditionally, rural households in India were exclusively engaged in agriculture. But now, rural households have varied and multiple sources of income, and participate in a wide range of non-agricultural activities alongwith the traditional rural activities of farming and agricultural labour. This can be largely attributed to the setting up of agro-based rural small industries.
- (ii) **Employment for Artisans** Cottage and rural industries play an important role in providing employment opportunities in the rural areas, especially to the traditional artisans and the weaker sections of society.
- (iii) **Prevention of Migration** Development of rural and village industries can also prevent migration of rural population to urban areas in search of employment.
- (iv) **Poverty Alleviation** Village and small industries are significant as producers of consumer goods and absorbers of surplus labour, thereby addressing the problems of supply, poverty and unemployment.
- (v) **Promoting SSI and Rural Industrialisation** Promotion of small scale industries and rural industrialisation has been considered by the Government of India as a powerful instrument for realising the twin objectives of “accelerated industrial growth and creating additional productive employment potential in rural and backward areas.”
- (vi) **Socio-economic Aspects** These industries contribute towards socio-economic aspects such as reduction in income inequalities, dispersed development of industries and linkage with other sectors of the economy.

**7. Small-scale industries have got some inherent problems. These are the problems which have been in system for many years now and make the development of small scale industries much more challenging. Discuss any six such problems.**

**Ans.** Problems of small-scale industries are

- (i) **Managerial Skills** Small business is generally promoted and operated by a single person, who may not possess technical and managerial skills to run the business.
- (ii) **Labour** Due to low remuneration, talented people are not attracted to work with small business, firms as they cannot afford to pay higher salaries to the employees.  
This affects employee willingness to work hard and produce more. Thus, productivity per employee is relatively low and employee turnover is generally high.
- (iii) **Quality** Many small business organisations do not adhere to desired standards of quality. Instead, they concentrate on cutting the cost and keeping the prices low. As they do not maintain quality, they are not able to compete in global markets.

- (iv) **Capacity Utilisation** Due to lack of marketing skills leading to lack of demand, many small business firms have to operate below full capacity due to which their operating costs tend to increase. This leads to sickness and closure of the business.
- (v) **Technology** Use of outdated technology is often stated as a serious problem of such enterprises. This results in low productivity and uneconomical production.
- (vi) **Sickness** Prevalence of sickness in small industries has become a point of worry for both the policy-makers and the entrepreneurs. The causes of sickness are both internal and external.
  - (a) Internal problems include lack of skilled and trained labour, managerial and marketing skills.
  - (b) External problems include delayed payment, shortage of working capital, inadequate loans and lack of demand for their products.

**8.** Discuss any six incentives provided by Central/State Government for setting up small scale units in backward or hilly areas. (NCERT)

**Ans.** Some of the common incentives provided by the government for industries in backward and hilly areas are (any six)

- (i) **Land** Every state offers developed plots for setting up of industries. The terms and conditions may vary. Some states don't charge rent in the initial years, while some allow payment in instalments.
- (ii) **Power** Power is supplied at a concessional rate of 50 percent, while some states exempt such units from payment in the initial years.
- (iii) **Water** Water is supplied on no-profit, no-loss basis or with 50 percent concession or exemption from water charges for a period of 5 years.
- (iv) **Sales Tax** In all Union Territories, industries are exempted from sales tax, while some states extend exemption for 5 years period.
- (v) **Octroi** Most states have abolished octroi.
- (vi) **Raw Materials** Units located in backward areas get preferential treatment in the matter of allotment of scarce raw materials like cement, iron, steel, etc.
- (vii) **Finance** Subsidy of 10-15 percent is given for building capital assets. Loans are also offered at concessional rates.
- (viii) **Marketing Assistance** Government tries to solve their marketing problem by improving information and also provide guarantee for sale of goods.
- (ix) **Tax Holiday** Exemption from paying taxes for 5 or 10 years is given to industries established in backward, hilly and tribal areas.



# Chapter Test

## Multiple Choice Questions

- Trade secret is the information that  
(i) confers economic benefits (ii) is generally known to public  
(iii) is subject to reasonable efforts by the holder to maintain its secrecy  
**Alternatives**  
(a) Both (i) and (ii) (b) Both (ii) and (iii) (c) Both (i) and (iii) (d) (i), (ii) and (iii)
- For which of the following, copyright protection is not available?  
(a) Literary work (b) Music work (c) Artistic work (d) Assembling
- The investment limit of SSIs does not exceed .....  
(a) ₹ 50,00,000 (b) ₹ 1,00,00,000 (c) ₹ 2,50,00,000 (d) ₹ 5,00,00,000
- India is one of the fastest growing economies of the world. In order to give a further boost to India's growth, large scale industrial units are required. MSME are still relevant in Indian context because there is  
(a) high capital investment and high population (b) lack of population and higher capital investment  
(c) lack of capital investment and lack of population (d) lack of capital investment and higher population
- Statement I** Copyright is used for preventing the copy of original idea.  
**Statement II** Trademark helps in protection of scientific inventions.  
**Alternatives**  
(a) Statement I is correct and Statement II is wrong (b) Statement II is correct and Statement I is wrong  
(c) Both the statements are correct (d) Both the statements are incorrect

## Short Answer (SA) Type Questions

- Khana Kahazana is a popular show aired on Zee Network. It has a page on Facebook that goes by the name "Zee Khana Khazana" (here in after referred to as ZKK). The page is said to be dedicated to food and recently we (the community of food bloggers) found that they are regularly stealing photographs from food bloggers and websites for their features. Identify and explain the intellectual asset rights which are violated by ZKK.
- Distinguish between a small scale business unit and large scale business unit on the basis of nature, type of labour, scale of operation and capital.
- Write a short note on the following ways to fund start-up  
(i) Incubators (ii) Accelerators
- 'Nut and Bolt' is a small-scale unit supplying 80% of its production to Action Tractors. State and explain to which category of SSI does 'Nut and Bolt' belong to?
- Entrepreneurship does not emerge spontaneously. Rather, it is the outcome of a dynamic process of interaction between a person and his/her environment. Ultimately, the choice of entrepreneurship as a career lies with an individual, yet he/she must see it as a desirable, as well as, a feasible option. In the light of the statement, explain any four features of entrepreneurship.

## Long Answer (LA) Type Questions

- The National Small Industries Corporation Ltd. is a Government of India enterprise under the Ministry of Micro, Small and Medium Enterprises (MSME). It operates through a country wide network of offices and technical centres in the country. NSIC has a B2B web portal. The portal provides small and medium sized enterprises in India, an access to customers around the globe exclusively, once they get themselves listed with NSIC portal for an annual fee. The portal facilitates transactions between buyers and sellers without any intervention. It has features which will enable virtual buyer-seller meets and assist in request of quotations for business orders. It also host a database of small and medium companies' details, products, catalogues and pictures.  
(i) Write a short note on NSIC.  
(ii) The above text tells about the assistance provided by NSIC to the small and medium enterprises for marketing their products. Give any two more modes of marketing assistance provided by NSIC.
- What role does SIDBI play in promoting SSIs?

## Answers

### Multiple Choice Questions

1. (c) 2. (d) 3. (b) 4. (d) 5. (a)