

Revision Notes

Class - 11 Business Studies

Chapter 9 – Small Business

Micro, Small and Medium Enterprises- Introduction

Micro Small and Medium Enterprises are those enterprises that:

- Acts as a crucial link in the process of industrialization.
- Contributes to the growth of developing countries.
- Helps in generating employment opportunities.
- Low investment requirement.
- Are Labour intensive.
- Are an important element of the value chain.
- Makes use of local raw materials.
- Make use of indigeneous skills.
- Provides a wide variety of consumer and specialised goods.

MSMED ACT

Micro, Small and Medium Enterprises Development Act, 2006 deals with issues and provides rules and regulations for micro, small and medium enterprises in manufacturing and service sector.

Investment and Turnover limits under MSMEs

As against the earlier bifurcation of MSMEs into manufacturing and service sector, both are treated as one and the same, and are defined under a common metric. The investment and turnover limits are:

Sector	Investment in Plant and machinery		
	Micro	Small	Medium
Manufacturing and Service	Upto 1 Crore	Upto 10 Crore	Upto 50 Crore
	Turnover		
	Upto 5 crore	Upto 50 crore	Upto 250 crore

- **Village Industries:**

The Industries located in rural areas with investment in fixed assets as per the rules of central government.

- **Cottage Industries:**

Traditional industries run normally by family with small capital investment.

Role of Small Business in India

- **Employment Opportunities:** After the agriculture sector, small industries provide the largest employment opportunities.
- **Diverse variety:** Small businesses provide a wide variety of consumer and specialised products using simple technology and local resources.
- **Optimum Utilisation of resources:** Small business facilitates optimum utilization of resources through locally available resources and simple technology.
- **Encourage locals:** It provides and encourages local people for entrepreneurship, and makes the best use of their handicraft and other artistic skills.
- **Less costly:** The cost of production is low, as production is because of low overhead costs, and making use of inexpensive locally available resources.
- **Quick decisions:** It facilitates quick and timely decisions due to the small size of the business.

- **Rural Development:** Through the provision of employment opportunities, encouraging locals to use their skills, regional development is made possible.
- **Balanced Development:** These business units can be set up anywhere at any location and region, as they are dependent on locally available resources, simple technology, and labour class people. This facilitates balanced development of the country.

Role of Small Business in Rural India

- Encourages people in rural areas for setting up agro based industries.
- Providing employment opportunities to traditional artisans or workers.
- Helps in reduction of income inequalities.
- Prevents migration of rural population to urban areas.
- Helps in industrialization and development of rural areas.

Problems Associated with MSMEs

- **Finance:** There is limited finance availability with these enterprises that makes the day to day working difficult. Also raising finance from banks is a challenge because of these enterprises' poor credit worthiness.
- **Raw materials:** Due to unavailability of certain raw materials, these enterprises have to adjust and compromise either in terms of poor quality raw material, or high price raw material. Both the situations adds to the problems of such enterprises.
- **Managerial skills:** Business run by a single person or family, which lacks managerial skills, technical skills and entrepreneurial skills. Also due to no education, things become even more difficult. Hence neither they are capable to manage the enterprises on own, nor they can hire people for such work sue to shortage of financial resources.
- **Labour:** Production with the help of unskilled or semi skilled workers.
- **Marketing:** It is difficult for these enterprises to maintain direct contact with customers, hence they have to depend on middlemen, who in return pay less prices or delay in the payment, thus exploiting them to no limits.
- **Quality:** Due to traditional methods of production, these enterprises struggle to maintain standardized quality.

- **Technology:** Use of outdated and obsolete technology creates issues in terms of high cost and low quality.
- **Global Competition:** They have to face competition with large scale industries and multinational companies.
- **Capacity utilization:** Under utilization of resources takes place due to lack of managerial skills and sufficient demand to make the full use of production capacity of the machines.

MSME and Entrepreneurship Development:

Entrepreneurship is the process of setting up a business which is owned, managed and controlled by a person who takes the initiative to take the risk, as well as add creativity and innovation to start an enterprise, this person is known as an entrepreneur.

Characteristics of Entrepreneurship

- **Systematic Activity:** Entrepreneurship requires certain skills, knowledge and competency which can be developed by training, observation and work experience.
- **Lawful and Purposeful Activity:** Lawful business is the objective of entrepreneurship and entrepreneur aims to create and operate enterprise by performing legitimate actions and satisfaction of customers needs and wants.
- **Innovation:** Entrepreneurship involves creating something new according to the changing business environment or may be for reducing cost and enhancing profits.
- **Organisation of Production:** Entrepreneurship brings various factors of production for a productive activity and coordinates and controls the factors of production as well as the efforts of the person engaged in the enterprise.
- **Risk Taking:** An entrepreneur guarantees wages to employees, interest to investors in the hope of earning profits, assuming the uncertainty of future.

Startup India Scheme: The scheme aims to :

- Encouraging people towards entrepreneurship.
- Encourages more dynamic startups.

- Supports early phase of development.
- Developing backward communities, scheduled castes and womens etc.

Intellectual Property Rights:

- Intellectual Property Rights refers to the legal rights regarding intellectual property.
- Intellectual Property refers to the creation of the human mind, like inventions, artistic works, etc.
- The intellectual property is intangible.
- Trade secret is an intellectual property right which refers to confidential information that provides a competitive edge to the company holding it.
- Intellectual property is bifurcated into two main categories:
 - **Industrial property:** It includes patents, trademarks, industrial designs and geographical indications,
 - **Copyrights:** It includes artistic, literary works such as poems, books, plays, films, drawings, photographs etc.
- IP's which are recognized in India are:
 - Copyright,
 - Trademark,
 - Geographical Indication,
 - Patent,
 - Design,
 - Plant Variety,
 - Semiconductor Integrated Circuit Layout Design

Why is IPR Important for Entrepreneurs?

- IPR are important for entrepreneurs to promote and protect their inventions and creations.
- Creators, authors, inventors, etc., will get benefited for their hard work only if their work is distributed or shared to the public with their permissions.

- IPR protects the work from being copied by others and can also defend in court for the rights to use, make or sell it.

Types of Intellectual Property

- **Copyright:** Copyright is the right of the creator which prohibits use of content by unauthorized persons. The registration of content is optional but it is necessary to use exclusive rights in case of infringement.
- **Trademark:** It helps in differentiating the products of different companies like, label, logo, etc. Trademarks may be categorised as conventional and non conventional trademarks.
 - **Conventional trademark:** Includes words, label logo shape of good packaging etc.
 - **Non conventional trademark:** Includes mark which got recognition over the course of time.
- **Patent:** Patents protect the making, selling and importing of scientific inventions. A patent is an exclusive right granted by the government which provides the 'right to exclude' for 20 years.
- **Design:** Design includes shape, pattern, colour and arrangement of any good. The design can be protected for 10 years which can be renewed for further 5 years after expiry.
- **Plant Variety:** It helps farmers in conserving, improving available genetic resources. Plant variety encourages Indian farmers, cultivators to produce high quality seeds and planting material, leading to growth of the seed industry.
- **Semiconductor Integrated Circuits Layout Design:** Products that use and form on a semiconductor material. It is an integral part of computer chips.