**BHARATHIDASAN UNIVERSITY MODEL COLLEGE,**

**THANDALACHERY, THIRUTHURAIPOONDI**

**CLASS: BBA III YEAR (16CCBB15)**

**SUBJECT: ENTREPRENEURIAL DEVELOPMENT**

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**ENTREPRENEURIAL DEVELOPMENT**

**B.B.A III YEAR 2 MARKS IMPORTANT QUESTIONS**

1. **Define Entrepreneurship.**
2. **Define intraperneurship.**
3. **State any 10 qualities of entrepreneur.**
4. **Define Innovative entrepreneur.**
5. **Define Drone Entrepreneur.**
6. **Define Fabian Entrepreneur.**
7. **Define Agricultural entrepreneur.**
8. **Define District Industries Centre (DIC) ”.**
9. **Define TIIC.**
10. **Define “SISI”.**
11. **Define “SIPCOT”.**
12. **Define SIDBI.**
13. **Explain “IFCI”?**
14. **What are “IDBI”?**
15. **What are ICICI?**
16. **Define SFC.**
17. **Define Sources of ideas?**
18. **Define brainstorming?**
19. **What are the sources of ideas?**
20. **What is feasibility study?**
21. **Define Opportunity analysis.**
22. **What is product life cycle?**
23. **What is one man company?**
24. **Define Legal feasibility?**
25. **Define Marketing feasibility?**
26. **Define Capitalisation.**
27. **What are the forms of capital structure?**
28. **Define Optimum capital structure?**
29. **What is point of indifference?**
30. **Theories of capital structure.**

**Net Income Approach.**

 **31. Net Operating income approach.**

**32. Traditional Approach**

**33. Modigilani-Miller Approach.**

**34. Define Leverage**

**35. Define Operating Leverage.**

**36. Define Financial Leverage.**

**37. Define composite leverage**

**38. What are financial risk?**

**39. Define Equity shares.**

**40. Define Preference shares**

**41. Explain Dividend Policy of Walter Model.**

**42. What are cash dividend**

**43. What are Bond dividend.**

**44. Define bonus shares**

**45. Define Right issues.**

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**BHARATHIDASAN UNIVERSITY MODEL COLLEGE,**

**THANDALACHERY**

**MODEL EXAMINATION- APRIL 2020**

**CLASS: BBA III Year Sub Code: 16CCBB15**

 **Max Marks:75**

# ENTREPRENEURIAL DEVELOPMENT

**SECTION-A Answer all the questions: 10\*2=20**

1. What is Entrepreneurship?

2. Who is an entrepreneur?

3. What is seed capital?

4. What is venture capital?

5. Who is an intrapreneur?

6. What for Development banks?

7. What is feasibility study?

8. What is industrial estate?

9. What is commercial banks?

10. What do you mean by project?

**Part- B Answer All Questions:- 5X5= 25**

11. a) Explain the functions of Entrepreneur? (or)

b) Bring out the characteristics of Entrepreneur?

12.a) What are the types of entrepreneurship? (or)

b) What are phases of entrepreneurship Development Programme?

13.a) Explain the role of SIDO in promoting Entrepreneurship:-

b) Bring out the functions of commercial banks.

14. a) Narrate the role of DIC. (or)

b) Write a detailed note on SISI.

15.a) Explain about SIPCOT:- (or)

b) What are the advantages of industrial estate?

**Part- C Answer Any Three Questions:- 3X10= 30**

16. What are the functions of state level financial institutions?

17. What are the functions of DIC?

18. explain about National Small Industries Corporation Ltd, (NSIC)

19. Narrate the role of SIDCO in promoting entrepreneurship:-

20. Write a note on “Khadi & Village Industries commission”.

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**INTRODUCTION**

 The concept of entrepreneurship has been around for a very long time. In the last decade it has resurged as if a new discovery has been made. Usually anyone who runs a business is called an entrepreneur. The more precise meaning of entrepreneur is one who creates his own business i.e. a person who organizes, operates and assumes the risk of a business venture. An entrepreneur is a person who perceives a need and then brings together manpower material and capital required to meet that need.

 The concept of entrepreneurship is an age-old phenomenon that relates to the vision of an entrepreneur as well as its implementation by him. Entrepreneurship is a creative and innovative response to the environment. It is also the process of setting up a new venture by the entrepreneur. Entrepreneurship is a composite skill that is a mixture of many qualities and traits such as imagination, risk-taking, ability to harness factors of production i.e. land, labour, technology and various intangible factors.

 Entrepreneurship culture implies a set of values, norms and traits that are conducive to the growth of entrepreneurship. It is the organizational culture that focuses on new opportunities and creation of a set-up where these opportunities can be perused earnestly. An entrepreneur seeks the opportunities, looks for ways and means to capitalize on the newer opportunities by organizing the structure and the resources and gaining control on them. As against this, a manager in a non- entrepreneurial culture is primarily concerned with the resources under his control, the relation between the market and the 2 structure of his organization. He is also concerned with matching the opportunities with organizational abilities. The entrepreneurial managers are driven by the perception of opportunities. They seek changes in the political rules, social values, consumer preferences, technology etc. On the other hand resources like money, manpower and material they control, drive the administrative managers.

**DEFINING ENTREPRENEUR** The word ‘entrepreneur’ is derived from French word ‘entrepreneur’. In early 16th century it was applied to those who were engaged in military expeditions. In 17th century the word ‘entrepreneur’ was used for civil engineering activities such as construction and fortification. It was applied to business for the first time in 18th century, to designate a dealer who buys and sells goods at uncertain prices.

Entrepreneurship started catching up in 1980s just as professionalism in management caught up during 1970s. However, confusion still prevails as to what exactly we mean by the term ‘entrepreneur’. An attempt, therefore, has been made here to define entrepreneur.

There is generally no accepted definition or model of what the entrepreneur is or does. In the past decade, a number of trends have emerged which distinguish between individual entrepreneurship and corporate entrepreneurship and entrepreneurs and small business owners. The literature abounds with criteria ranging from creativity, innovation, risk taking, high need achievement, etc. to personal traits such as appearance and style. Models of the entrepreneurial leaders are almost as plentiful as the number of authors who write about them.

**CHARACTERISTICS OF AN ENTREPRENEUR** An entrepreneur is a highly achievement oriented, enthusiastic and energetic individual, who has following characteristic:

1. Entrepreneurs are action oriented, highly motivated individuals who takes risks to achieve goals.

2. Entrepreneurs will have unwavering determination and commitment. They are creative and result-oriented. They work hard in return for personal and financial rewards.

3. Entrepreneur accepts responsibilities with enthusiasm and endurance.

4. Entrepreneur have self-confidence, they are dedicated, setting self determined goals and markets for their ideas responding to existing market.

5. Entrepreneurs are thinkers and doers, planners and workers.

6. Entrepreneurs can for see the future, as a salesman’s persuasiveness, a financial talent for manipulating funds, as auditor’s precision etc.

7. Entrepreneur depends on the intelligence, imagination and strength of purpose of the individual.

**CONCEPT OF ENTREPRENEURSHIP**

 The term “entrepreneurship” is often used synonymously with the “entrepreneur”. Though they are two sides of the same coin, conceptually they are different. The entrepreneur is essentially a business leader and the functions performed by him are entrepreneurship. Arthur H. Cole has stated that entrepreneurship is the purposeful activity of an individual or a group of associated individuals undertaken to initiate, maintain or organize a profit oriented business unit for the production or distribution of economic goods and services. The following table can be given to distinguish the entrepreneur from entrepreneurship.

 Entrepreneurship can be defined as an ability to discover, create or invent opportunities and exploit them to the benefit of the society, which, in turn, brings prosperity to the innovator and his organization. From the social and macro-economic perspective, it is held that the economic development of any nation is a direct function of the number of high quality innovators and entrepreneurs it supplies. This, in turn, is dependent upon the desire for new and better products that the society demands and accepts. A vicious circle is thereby created resulting in all-round economic development and improved standard of life. With liberalization and global competition being the governing 11 societal paradigm and with the acknowledgement that wealth creation is indeed of paramount importance, the concept of entrepreneurship is receiving closer attention than hitherto from business management scholars and social scientists.

 Entrepreneurship means the function of creating something new, organizing and co-ordinating and undertaking risk and handling economic uncertainty. D.C. McClelland has identified two characteristics of entrepreneurship. Firstly, doing things in a new and better way. Secondly, it is decision-making in conditions of uncertainty; Benjamin Higgins has defined entrepreneurship as, “entrepreneurship means the function of foreseeing investment and production opportunity, organizing an enterprise to undertake a new production process, raising capital, hiring labour, arranging for the supply of raw materials and selecting top managers for the day-to-day operation of the enterprise”.

**CHARACTERISTICS OF ENTREPRENEURSHIP** Above study of entrepreneurship has shown that the process of entrepreneurship is indeed complex and also when we say entrepreneur is what an entrepreneur does. Experts have enlisted the characteristics of entrepreneurship as follows:

1. **Ability to create enterprise**: Entrepreneurship is primarily an economic activity because it involves creation and operation of an enterprise. It is basically concerned with satisfying the needs of customer with the help of production and distribution of goods and services.

2. **Organising function**: An entrepreneur brings together various factors of production for an economic use. He co-ordinates and controls the factors of production, efforts of the persons engaged in his enterprise.

3. **Innovation**: Entrepreneurship is an automatic, spontaneous and creative response to changes in the environment. It involves innovation of something new to cause dynamic change and spectacular success in the economy, and create conditions for growth of the economy.

**4. Risk bearing capacity**: Risk is an inherent and inseparable element of entrepreneurship. He assumes the uncertainty of future. An entrepreneur guarantees rent to the landlord, wages to employees and interest to the investors in the hope of earning more than the expenses.

**5. Managerial and leadership functions**: An industrial entrepreneur must have additional personality traits such as managerial and leadership skills. Managerial and leadership qualities predominant orientation in the direction of productivity, working relation and creative integration along with desire to make profit. Entrepreneurship demands tactful handling of risk and uncertainties because new commodity and its acceptability are uncertain. 6. Gap filling: The gap filling between human needs and the available products and services leads to entrepreneurship. An entrepreneur identifies the gap and takes necessary corrective measures to fin the gap, to achieve his action oriented motive in the enterprise as an entrepreneur with the help of entrepreneurship process.

**TYPES OF ENTREPRENEURS** Schumpeter made the entrepreneur the adventurous innovator who acting on his own account, introduces changes that others do not dare to experiment with. Other writers have, however, identified other categories of entrepreneurs.

(**1) The Innovative Entrepreneur**: The innovative entrepreneur is essentially the creation of Joseph Schumpeter. In his opinion the most important function of an entrepreneur is innovation. The innovative entrepreneur is a key figure in the process of development. He is highly motivated and talented and is able to foresee potentially profitable opportunities. Innovations involve problem solving and the entrepreneur is a problem solver. The innovative entrepreneur may exhibit his talents at innovation in anyone of the following forms:

1. The introduction of a new product with which consumers are not yet familiar or introduction of a new quality of an existing product.

2. The introduction of a new method of production that has not yet been tested in the branch of manufacture concerned. This need not be a new scientific discovery and can also be a new way of handling a commodity commercially.

3. The opening of a new market, that is a market into which the particular branch of manufacture of the country in 17 question has not previously entered, whether or not this market has existed before.

**Adoptive or Imitating Entrepreneurs**: Imitative entrepreneurship is characterized by readiness to adopt successful innovation inaugurated by innovating entrepreneurs. In other words, imitators follow the innovators after carefully observing how the latter fare and to what extent their innovation has caught the imagination of the society. These groups are also revolutionary entrepreneurs with the difference that they do not innovate the changes themselves. They just imitate techniques and technology initiated by others.

(**3) Fabian Entrepreneurs**: Fabian entrepreneurship is characterized by great caution and skepticism in practicing any change. Such entrepreneurs have neither the will to introduce new changes nor the desire to adopt new methods. Such entrepreneurs are shy and lazy. Their dealings are determined by customs, religion, tradition and past practices. They are not much interested in taking risks and they try to follow the footsteps of their predecessors.

**(4) Drone entrepreneurs:** Drone entrepreneur is one who follows the traditional methods of production. Under no circumstances will a drone entrepreneur change the method of production he has introduced. Such entrepreneurs may even suffer losses, but even then they refuse to adopt and use new methods. They are laggards because they continue in their traditional ways of operation. Very often their products lose their marketability and their operation becomes uneconomical leading to their being pushed out of the market.

**ENTREPRENEURIAL TRAITS** The true entrepreneur is one who is endowed with more than average capacities in the task of organizing and co-ordinating the various other factors of production. He should be a pioneer, a captain of industry. The supply of such entrepreneurship is, however, quite 21 limited and all are not endowed with such talent. The modern entrepreneur is one who detects and evaluates a new situation in his environment and directs the making of such adjustments in the economic system as he deems necessary. He conceives a new industrial enterprise, displays considerable initiative, grit and determination in bringing his project to fruition.

Thus, a successful entrepreneur must possess the following traits:

**Mental Ability**

 Mental ability consists of intelligence and creative thinking. An entrepreneur should be intelligent and must have an analytical mind. He should have the capacity to engage in the analysis of various problems and situations in order to deal with them. The entrepreneur should anticipate changes and must be able to study the various situations under which decisions have to be made.

2. Clear Objectives an entrepreneur should have a clear objective as to the exact nature of the business, nature of the goods to be produced and ancillary activities to be undertaken. A successful entrepreneur must have the objective to establish his product in the market, make profit and also render social service.

Business Secrecy An entrepreneur must be able to guard business secrets. Leakage of business secrets to trade competitors is a serious matter which should be carefully guarded against by an entrepreneur. Here the 22 entrepreneur should be able to make a proper selection of his subordinates.

4. **Human Relations Ability** The most important entrepreneurial traits contributing to his success are emotional stability, personal relations, consideration and tactfulness. In other words maintenance of public relations or human relations most often makes the difference between success and failure of an entrepreneur An entrepreneur must have good relations with his customers in order to gain their continued patronage and win their confidence in his product. He must also maintain good relations with his employees, if he is to motivate them to higher levels of efficiency. An entrepreneur who maintains good human relations with customers, employees, suppliers, creditors and the community in general is much more likely to succeed in his endeavours than the individual who does not practise good human relations.

Effective Communication The “gift of the gab” is a must for a successful entrepreneur. Good communication also means that the entrepreneur has the ability to put his point across effectively and with clarity. Communication must be to the point, crisp and convincing. Communication ability is the secret of the success of most entrepreneurs. 6. Technical Knowledge The entrepreneurs are dealing with situations where sophisticated technology is involved. The entrepreneur must have a 23 reasonable level of technical knowledge. This is one trait which entrepreneurs can acquire if they try hard enough.

Decision making Running a business requires taking a number of decisions. Hence, an entrepreneur should have the capacity to analyse the various aspects of the business for arriving at a decision. 8. Energy As constant attention is required for the successful running of the business, an entrepreneur must have sufficient energy to work hard for long periods.

**FUNCTIONS OF AN ENTREPRENEUR** Adam Smith looked upon an entrepreneur as the owner of a business enterprise to which he supplied capital. The classical economists lumped interest and profit together. It was Cantillon who separated the entrepreneur from the capitalist and recognized it as a 6 separate factor of production having definite functions to perform in the economy.

An entrepreneur has to perform the following functions as a vital factor of production:

(1) **Risk taking and Uncertainty Bearing**: The future is unpredictable. The entrepreneur has to take risks in these circumstances. If the venture succeeds, the entrepreneur profits; if it does not, losses occur. Thus, taking risks forms an important entrepreneurial function. Risks are of two types - insurable and noninsurable. Non-insurable risks are the possibility of changes in the tastes and preferences of the consumer, techniques of production and so on. These non-insurable risks are called uncertainties. Uncertaintybearing in thus an integral part of the entrepreneurial function. The entrepreneur makes use of his initiative, skill and good judgement to reduce the uncertainties of business.

(2) **Taking Business Decisions**: All decisions concerning business are taken by the entrepreneur. Once the entrepreneur is 7 convinced that a particular line of production offers large prospects of profit, he decides to enter it. He has to formulate an action plan regarding the product and the quality of the product to be produced. He has to evolve the best possible method of production which would earn him a sizeable profit. Suitable changes in the size of the business have to be effected by him. Employment of personnel, choosing the location for the production unit and everything that is needed for the development of the business has to be decided by him.

**Managerial Functions**: The entrepreneur combines in him managerial functions, though they are strict1y different from the standard entrepreneurial duties. The entrepreneur arranges finance, purchases raw materials, provides the necessary infrastructure for production, supervises sales and marketing and also assumes the role of the personnel manager. The entrepreneur thus has a multi-faceted personality when he undertakes managerial functions. (4) Innovation: By far the most important function of an entrepreneur is innovation. Here he introduces far-reaching improvements in the quantity and quality of the production line. He considers the economic viability and technical feasibility of an invention. It is this function of the entrepreneur which injects the element of dynamism into the economic system.

**PROBLEMS OF RURAL ENTREPRENEURS** Congenial atmosphere plays an important role in the promotion of entrepreneurship. Today our rural entrepreneurs are facing many constraints of numerous characters, which have retro gated the spirit of entrepreneurship. The situation is very deplorable in interior villages. It is the lack of opportunities in keeping with skills. Rural entrepreneurs are not able to reach market themselves and the intermediaries are making huge profits. Rural entrepreneurs do not know how to synchronize their skills with what the markets want. They have problems of not being able to add values to their products by way of finishing, packing and advertising. There is abundance of artisan-oriented skills in profitable activities. Rural entrepreneurs have to cope with a number of constraints and difficulties in various fields such as technological innovations, governmental procedures and regulations, scarcity and paucity of funds, market communications, logistic problems, etc.

 Some of the problems of the new rural entrepreneurs have been enlisted hereunder: 21 1. Lack of Managerial Experience: The new entrepreneur should have allround knowledge about the various aspects of management. He has to bear in mind the fact that he cannot afford to employ experts/specialists for various specialised jobs. Hence, he has to be an all-rounder in management or his job is a multi-faced one. As an all-rounder he must look after: (a) What, how and when to produce; (b) Marketing of the products manufactured; (c) Accounting systems; and (d) Finance. The owner of a small scale industry should be well-versed in all these areas. If he fails in one of these areas, that is enough to give him heavy losses, which will result in the failure of the enterprise.

**Poor Accounting System**: A good accounting system would provide information regarding costs, gross margin, break-even point etc. which are highly useful for decision-making. In the absence of proper accounting data, decision-making would be difficult and the decisions made would not give the desired effect

**Inadequate Estimate of Cash Requirements**: A proper estimate of cash requirements will help the proper functioning of the enterprise. A new 22 enterprise feels cash crunch when – (a) production does not reach optimum level,(b) production is below the break-even point, (c) it fails to create and increase the demand for the product/services. All these factors result in the depletion of cash very easily. This is because the time required for these has been calculated wrongly. Delay in any one of these activities means more cash requirements. Hence the entrepreneur has to estimate the time and also how a month-by-month delay in starting the project would proportionately increase the capital requirements. Costs escalate with the passage of time, therefore, calculations have to be made in advance taking into account the capital requirements by taking the time factor.

**Lack of Knowledge about Tax Related Matters**: The entrepreneur must make himself aware of the provisions relating to income-tax and sales tax. He must pay special attention to sales-tax laws and regulations – especially obtaining sales-tax registration at the appropriate time, filing tax returns regularly etc.

Small scale industries are labour intensive yet require little capital. Small scale industries can be either manufacturing industries or service providers. Small scale industries comprise of small enterprises that manufacture goods or provide services with the help of smaller machines and a few workers and employees.

The enterprise must fall under the guidelines set by the Government of India. Small scale industries in India are the lifeline of the Indian economy, and they offer several job opportunities for skilled labours. After all, small scale industries are essential for the economy from a financial and social point of view.

For a developing country like India, these industries bloom because of huge demand and opportunity. Some small scale industries are also exporting goods, thereby bringing foreign currencies in India. In India, nearly half of the products (45-55%) shipped are from Small scale and mid-scale industries. Some small scale industries are created because of the demand of vendors for multinational companies.

**SMALL SCALE INDUSTRIES**

The Government of India has some guidelines for small scale industries in terms of investment the company is making and the revenue it has generated. Small scale industries are categorized into three parts: manufacturing/production, ancillary, and service industries.

* **Manufacturing Industries:** Units that produce finished goods either for consumption or used in processing industries. These types of small scale industries are generally individually owned. Manufacturing small scale industries examples are power looms, engineering industries, food processing, etc
* **Ancillary Industries:** Big companies or MNC manufactures finished goods, but they don’t generally make all the parts themselves. Vendors of these companies are ancillary industries. Ancillary industries can also be identified as those companies which makes machines for multinational companies or medium scale industries
* **Service Industries:** Repair shops and maintenance industries comes under the category of service industries
* **Registration for small scale industries**
* One can own or invest in small scale industries with minimal documentation and little investment. Small scale industry registration is hassle free, and the government also support with finance for you to invest in small scale industries. Under the Udyog Aadhar scheme, you can even fill the online registration form to get the registry done. SSI registration is free of cost, and you do not have to pay for processing. You will get the certificate on your registered email id after the document verification and the processing by the executives. Contact details, Bank/account details, additional details of the business, employees and investment are the mandatory part to fill the registration form. You may also have to submit the scanned copy of the documents in which Aadhar card is compulsory. Micro and small scale industries registration have been made so easy under several schemes provided by the government of India.
* **Benefits of SSI registration**
* The banks and financial institution provides loan for the business after SSI registration, and it becomes hassle-free. Once the booking is made, taxes rebate and can be availed. To participate in the government tenders, it becomes mandatory to have the registration done beforehand. As a lot of concessions and discounts are available, it becomes smooth, and the cost of setting up industry reduces.

## ****List of small scale industries****

 In small scale industries, manufacturing industries grow very fast due to the natural supply of raw materials and huge demand in public. In south India, the summit held where KSSIA (Karnataka Small Scale Industries Association) was also present in January 2019, had a motive to discuss the key issues and find a solution to them at the same time provide the right environment for the growth and development. The major Small scale industries in Tamilnadu and small scale industries in Kerala are spinning and weaving, coconut oil making, cashew nut processing, clay products etc. Small scale ancillary industries in Hyderabad have a vast number of employment due to various multinational companies. Foreign investment is as essential as it creates a huge no. of ancillary small scale industries and thereby creating work.

Some examples of small scale industries are: Agarbatti making, Chalk making, Biodiesel production, Sugar candy manufacturing, Wood making, Rice mill, Potato chips making, Toys making, Microbrewery, Liquid soap making, Honey processing, Slippers making, Detergent powder making, Fruit juice production plant, Spices making, and Chocolate making.

Small-Scale Industries in India: Definition, Characteristic and Objectives: 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.

The official definitions of a small scale unit are as follows: (i) 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.

(ii) 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 percent of their production or services as the case may be, to other units for production of other articles.

(iii) 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 m towns with population less than 50,000. (iv) 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

(v) 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 examples of these industries. Characteristics of Small-Scale Industries: (i) Ownership: Ownership of small scale unit is with one individual in sole-proprietorship or it can be with a few individuals in partnership. (ii) Management and control: A small-scale unit is normally a one man show and even in case of partnership the activities are mainly carried out by the active partner and the rest are generally sleeping partners. These units are managed in a personalised fashion. The owner is activity involved in all the decisions concerning business. (iii) Area of operation: The area of operation of small units is generally localised catering to the local or regional demand. The overall resources at the disposal of small scale units are limited and as a result of this, it is forced to confine its activities to the local level. (iv) Technology: Small industries are fairly labour intensive with comparatively smaller capital investment than the larger units. Therefore, these units are more suited for economics where capital is scarce and there is abundant supply of labour. (v) Gestation period: Gestation period is that period after which teething problems are over and return on investment starts. Gestation period of small scale unit is less as compared to large scale unit. (vi) Flexibility: Small scale units as compared to large scale units are more change susceptible and highly reactive and responsive to socio-economic conditions. They are more flexible to adopt changes like new method of production, introduction of new products etc. (vii) Resources: Small scale units use local or indigenous resources and as such can be located anywhere subject to the availability of these resources like labour and raw materials. (viii) Dispersal of units: Small scale units use local resources and can be dispersed over a wide territory. The development of small scale units in rural and backward areas promotes more balanced regional development and can prevent the influx of job seekers from rural areas to cities.

Objectives of Small Scale Industries: The objectives of small scale industries are: 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 mobilise and ensure optimum utilisation 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.

Definitions of Micro, Small & Medium Enterprises In accordance with the provision of Micro, Small & Medium Enterprises Development (MSMED) Act, 2006 the Micro, Small and Medium Enterprises (MSME) are classified in two Classes: 1. Manufacturing Enterprises-he enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the first schedule to the industries (Development and regulation) Act, 1951) or employing plant and machinery in the process of value addition to the final product having a distinct name or character or use. The Manufacturing Enterprise are defined in terms of investment in Plant & Machinery. 2. Service Enterprises:-The enterprises engaged in providing or rendering of services and are defined in terms of investment in equipment.

**COTTAGE INDUSTRIES**

 Definition An industry where the creation of products and services is home-based, rather than factory-based. While products and services created by cottage industry are often unique and distinctive given the fact that they are usually not mass-produced, producers in this sector often face numerous disadvantages when trying to compete with much larger factory-based companies. 1. an industry whose labor force consists of family units or individuals working at home with their own equipment 2. a small and often informally organized industry 3. a limited but enthusiastically pursued activity or subject Examples of cottage industry Weaving, Pottery, and other cottage industries

Products for Small Scale Units In India, the present policy of encouraging growth of small scale industries is based on several promotional measures, one of which is reservation of products for exclusive manufacture in the small scale sector. Large/Medium units can, however, manufacture such reserved items provided they undertake to export 50% or more of their production. The reason for special emphasis on this sector is that it plays a vital role in the growth of the country. It contributes almost 40% of the gross industrial value added in the Indian economy. The opportunities in the small-scale sector are enormous due to the following factors:-

Less Capital Intensive

Extensive Promotion & Support by Government

Reservation for Exclusive Manufacture by small scale sector

Funding - Finance & Subsidies

Machinery Procurement

Raw Material Procurement

Manpower Training

Technical & Managerial skills

Tooling & Testing support

Reservation for Exclusive Purchase by Government

 Export Promotion

Growth in demand in the domestic market size due to overall economic growth

Increasing Export Potential for Indian products

Growth in Requirements for ancillary units due to the increase in number of green field units coming up in the large scale sector.

Small industry sector has performed exceedingly well and enabled our country to achieve a wide measure of industrial growth and diversification.