

CHAPTER 8

SMALL BUSINESS

A business which operates on a small scale and required less capital, less labour and less machines is called small business. The goods are produced on a small scale. This business is operated and managed by the owner of the business. In India the village and small Industries sector consists of both traditional, Handlooms Handicrafts, coir, khadi and Village Industries. Modern small Industries - Small scale industries and Powerlooms.

A small scale enterprise according to MSMED Act, 2006 is defined as one where the investment in Plant and Machinery is more than 25 lacs but does not exceed Rs. 5 crore.

Several parameters can be used to measure the size of business. These include the number of persons employed in business, Capital invested in business, Volume of output of business and power consumed for business activities. The definition used by the Government of India to describe small Industries is based on the investment in plant and machinery. It can be divided as follows :-

Type of Industries	Investment Limit Rs.	Features
1. Small scale Industries	One Crore	For specific production it is 5 Crore (71 product)
2. Ancillary small Industrial Unit	One crore	50% of output supplied to the parent unit
3. Export Oriented Units (EOU s)	One crore	It export more than 50% of its production. It can sell 25% in domestic market.
4. Tiny Industrial Unit	25 Lakhs	Investment Limit in plant and Machinery is not more than 25 lakh.
5. Women Enterprises	Any of the	Owned and managed by woman above and have capital not less than 51%
6. Micro Business Enterprises	One lakh	Those whose Investment in plant and Machinery does not exceed. Rs. 1 lakh

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| 7. | Village Industries | Investment
Worker per
Rs. 50,000/- | Location in Rural Areas Produces
any goods without the use of head
power. |
| 8. | Cottage Industries | Not defined
Capital
Investment | Normally use family labour. Use by
Simple machine, use small capital. |
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ROLE OF SMALL SCALE INDUSTRIES IN SOCIO ECONOMIC DEVELOPMENT OF INDIA :-

1. Employment : Small scale Industries are second largest employers of human resources after Agriculture. It has 95% of the industrial unit in the country.
2. Variety of product : Small scale Industries produce an enormous variety of goods e.g. readymade garments, stationery, soaps, Leather s goods, Plastic and rubber goods.
3. Export : The share of product from SSI is 45% of total export from India. So it earn valuable foreign exchange and solve the problem of balance of payment.
4. Balance regional development : S.S.I can be set any where in the country. They use local resources. Less capital and simple technology.
5. Complementary to large scale Industries : S.S.I. supply various types of components, spare parts, tools. Which are required by large scale enterprises.
6. Low cost of production : S.S.I. also enjoy the advantage of low cost of production because they used local resources in their product.
7. Quick and timely decisions : Due to the small size of the organisation, quick and timely decisions can be taken without consulting many people.
8. Development of entrepreneurship : S.S.I. provide opportunity of young men and women to start their own business.

ROLE OF SMALL BUSINESS IN RURAL INDIA

1. Provides Employment in Rural Areas : - Cottage and rural industries provide employment opportunities in the rural areas as these are labour oriented enterprises. In Indian rural areas ample labour is available
2. Improve Economic Condition : Small business provide multiple source of income to the rural households. S.S.I improve economic conditions and standard of living of people living in those areas.

3. Prevent migration : Development of rural and village industries can also prevent migration of the rural population to urban areas in search of employment.
4. Utilisation of Local Resources : S.S.I. use local resources e.g. coir, wood and other products.
5. Equitable distribution of national Income : Small Scale Industries and cottage Industries ensure equitable distribution of national income. This helps to reduce the gap between rich and the poor in the country.
6. Balanced Regional development - These enterprises are often dependent on local source of production. This way, industries do not just limit themselves to a particular place but diversify. This helps in balanced regional development.

GOVERNMENT ASSISTANCE TO SMALL INDUSTRIES AND SMALL BUSINESS UNITS

(A). INSTITUTIONAL SUPPORT :

I. National small Industries Corporation (NSIC)

This was set up in 1955 to promote, aid and foster the growth of small scale units in India. Main constraint faced by entrepreneurs is shortage of funds to purchase machinery and equipment. Non availability of finance, deprives many new entrepreneurs from availing opportunities. NSIC was established to cater to this need of entrepreneur.

Main functions of NSIC :

1. It supplies imported machines and raw materials to small scale industries on easy hire-purchase schemes.
2. It export the products of small units.
3. It provides technology to small scale Industries.
4. Helps in upgradation of technology
5. Provides advisory service
6. Provides various equipment on lease basis.
7. Undertakes construction of Industrial estates.

II. District Industries Centre (DIC)

The concept of DIC came during 1977, when govt. of India announced the new Industrial policy on 23rd Dec., 1977. The main objective of DICs is to make available all necessary services at one place. The finance for setting up DICs in a state are contributed equally by particular state Govt. and Central Govt.

Functions of District Industries Centre

1. Act as the focal point of industrialisation of the district
2. Identifies projects for setting up of SSI units.
3. Issues permanent registration certificate to SSI units.
4. Provides marketing support to SSI units
5. Act as a link between the entrepreneurs and the lead bank of district.
6. Helps businessman in obtaining licence from Electricity board, water supply board etc.

Govt. Incentives to hilly backward and Rural Areas

1. **Power** : Some states supply power at a concessional rate of 50%.
2. **Tax holidays** : Exemption from payment of tax for 5 years.
3. **Land and Water** : Availability of land at concessional rate. Water is supplied on no profit no loss basis.
4. **Octroi** : Most of the states have abolished octroi.
5. **Protective Measures** :- The government reserved 800 items for exclusive production by the small scale Industries and give priority in allocation of raw materials and machines.
6. **Marketing Assistance** : - Government tries to solve their marketing problem by improving information and in order to provide guarantee for sale of goods.
7. **Finance** Subsidy of 10-15% for building capital asset. Loans are offered at concessional rates.
8. **Sales Tax** In all Union Territories, small industries are exempted from sales tax while some states give exemption of 5 years.