# NCERT SOLUTIONS

## CLASS - 11th



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Class : 11th

Subject : Business Studies

Chapter : 9

Chapter Name : Small business and Entrepreneurship

Q1 What are the different parameters used to measure the size of business?

Answer. There can be many parameters. These include the number of persons employed in business, capital invested in business, volume of output or value of output of business and power consumed for business activities. Appropriate parameter may be used depending on the need and advantages or limitations of various measures.

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Q2 What is the definition used by Government of India for Small Scale Industries?

Answer. The Government of India's policy thrust has been on establishing, promoting and developing the small business sector, particularly the rural industries and the cottage and village industries in backward areas. Governments both at the central and state level have been actively participating in promoting self-employment opportunities in rural areas by providing assistance in respect of infrastructure, finance, technology, training, raw materials, and marketing. The various policies and schemes of Government assistance for the development of rural industries insist on the utilisation of local resources and raw materials.

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Q3 How would you differentiate between an ancillary unit and a tiny unit?

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Answer. All 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 not more than 25 lakhs.

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Q4 State the features of cottage industries.

Answer. cottage industries are characterized by certain features like the following:

- ➔ these are organised by individuals, with private resources;
- ➔ normally use family labour and locally available talent;
- ➔ the equipment used is simple;
- ➔ capital investment is small;
- ➔ produce simple products, normally in their own premises;
- ➔ production of goods using indigenous technology.

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Q1 How do small scale industries contribute to the socio-economic development of India?

Answer. Small scale industries contribute significantly to the development process and acts as a vital link in the industrialisation in terms of production, employment and exports for economic prosperity by widening entrepreneurial base and use of local raw materials and indigenous skills. Small scale industries dominate the industrial scenario in the country with sizeable proportion of labour force and tremendous export potential. In India, the 'village and small industries sector' consists of both 'traditional' and 'modern' small industries. This sector has eight subgroups. They are handlooms, handicrafts, coir, sericulture, khadi, and village industries, small scale industries and power looms. The last two come under the modern small industries, while the others come under traditional industries. Village and small industries together provide the largest employment opportunities in India.

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Q2 Describe the role of small business in rural India.

Answer. Traditionally, rural households in developing countries have been viewed as exclusively engaged in agriculture. There is an increasing evidence that rural households can have highly varied and multiple sources of income and that, rural households can and do participate in a wide range of non- agricultural activities such as wage employment and self-employment in commerce, manufacturing and services, along with the traditional rural activities of farming and agricultural labour. This can be largely attributed to the policy initiatives taken by the Government of India, to encourage and promote the setting up of agro-based rural industries.

The emphasis on village and small scale industries has always been an integral part of India's industrial strategy, more so, after the second Five Year Plan. Cottage and rural industries play an important role in providing employment opportunities in the rural areas, especially for the traditional artisans and the weaker sections of society. Development of rural and village industries can also prevent migration of rural population to urban areas in search of employment. Village and small industries are significant as producers of consumer goods and absorbers of surplus labour, thereby addressing the problems of poverty and unemployment. These industries contribute amply to other socio-economic aspects, such as reduction in income inequalities, dispersed development of industries and linkage with other sectors of the economy.

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Q3 Discuss the problems faced by small scale industries.

Answer. Small scale industries are at a distinct disadvantage as compared to large scale industries. The scale of operations, availability of finance, ability to use modern technology, procurement of raw materials are some of these areas. This gives rise to several problems.

(i) Finance: One of the severe problems faced by SSIs is that of non- availability of adequate finance to carry out its operations. Generally a small business begins with a small capital base.

Many of the units in the small sector lack the credit worthiness required to raise as capital from the capital market.

(ii) Raw materials: Another major problem of small business is the procurement of raw materials. If the required materials are not available, they have to compromise on the quality or have to pay a high price to get good quality materials. Their bargaining power is relatively low due to the small quantity of purchases made by them.

(iii) Managerial skills: Small business is generally promoted and operated by a single person, who may not possess all the managerial skills required to run the business. Many of the small business entrepreneurs possess sound technical knowledge but are less successful in marketing the output.

(iv) Capacity utilisation: Due to lack of marketing skills or lack of demand, many small business firms have to operate below full capacity due to which their operating costs tend to increase. Gradually this leads to sickness and closure of the business.

(v) Technology: Use of outdated technology is often stated as serious lacunae in the case of small industries, resulting in low productivity and uneconomical production.

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Q4 What measures has the government taken to solve the problem of finance and marketing in the small scale sector?

Answer. All these are primarily concerned with the promotion of small and rural industries. Some of the support measures and programmes meant for the promotion of small and rural industries are :

National Bank for Agriculture and Rural Development (NABARD): National Bank for Agriculture and Rural Development was setup in 1982 to promote integrated rural development. Apart from agriculture, it supports small industries, cottage and village industries, and rural artisans using credit and non-credit approaches. It offers counselling and consultancy services and organises training and development programmes for rural entrepreneurs.

The Rural Small Business Development Centre (RSBDC) : The Rural Small Business Development Centre is sponsored by NABARD. It works for the benefit of socially and economically disadvantaged individuals and groups. Through its programmes it covers a large number of rural unemployed youth and women in several trades, which includes food

processing, soft toys making, ready- made garments, candle making, incense stick making, two-wheeler repairing and servicing, vermicomposting, and non conventional building materials.

National Small Industries Corporation (NSIC) : National Small Industries Corporation was set up in 1955 with a view to promote, aid and foster the growth of small business units in the country.

This focuses on the commercial aspects of these functions.

(i) Supply indigenous and imported machines on easy hire-purchase terms.

(ii) Procure, supply and distribute indigenous and imported raw materials.

(iii) Export the products of small business units and develop export-worthiness.

(iv) Mentoring and advisory services.

(a) Serve as technology business Incubators.

(b) Creating awareness on technological upgradation.

(c) Developing software technology parks and technology transfer centres.

Rural and Women Entrepreneurship Development (RWED) : The Rural and Women Entrepreneurship Development programme aims at promoting a conducive business environment and at building institutional and human capacities that will encourage and support the entrepreneurial initiatives of rural people and women. RWE provides the following services:

(i) Creating a business environment that encourages initiatives of rural and women entrepreneurs.

(ii) Enhancing the human and institutional capacities required to foster entrepreneurial dynamism and enhance productivity.

(iii) Providing training manuals for women entrepreneurs and training them.

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Q5 What are the incentives provided by the Government for industries in backward and hilly areas?

Answer. Some of the common incentives provided by the Government tor industries in backward and hilly areas are as follows

- ➔ 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.
- ➔ Power is supplied at a concessional rate of 50%, while some states exempt such units from payment in the initial years.
- ➔ Water is supplied on no-profit. no-loss basis or with 50% concession or exemption from water charges for a period of 5 years.
- ➔ Sales Tax In all union territories, industries are exempted from sales tax, while some states extend exemptions for 5 years period.
- ➔ Octroi Most states have abolished octroi.
- ➔ Raw Materials Units located in backward areas get preferential treatment in the matter of allotment of scarce raw materials like cement, iron and steel etc.
- ➔ Finance Subsidy of 10-15% is given tor building capital assets. Loans are also offered at concessional rates.
- ➔ Industrial Estates Some states encourage setting up of industrial estates in backward areas.

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