



11108CH09

## CHAPTER 9

# MSME AND BUSINESS ENTREPRENEURSHIP

### LEARNING OBJECTIVES

After studying this chapter, you should be able to:

- explain the meaning and nature of MSME in India;
- appreciate the role of MSME in India;
- analyse the problems faced by of MSME in India; and
- discuss the role of innovation and entrepreneurship for MSMEs

### **Romi Bags of Manipur**

Khumbongmayum Dhanachandra Singh didn't have much in life. The son of a poor tailor, he wasn't brought up with many privileges. He saw his father working day and night to earn a meagre income. He saw the rich getting richer and the poor remaining poor. The boy wanted to do something more in life. He couldn't imagine a life of stitching clothes relentlessly and earn just enough to survive.

Imphal is a small city in Manipur. Hardworking men and women send their children away to bigger cities so they can have opportunities to progress. Khumbongmayum's father couldn't afford to send him or even educate him. He just taught him what he knew— tailoring. Fabrics, stitching and clothing styles was what the boy grew up with. There was only one sewing machine and the boy used it when his father wasn't using it. He learnt it silently because he knew it was what his father wanted, but his heart wasn't in it.

Sometimes an incident can change your life. This happened to Khumbongmayum when he stitched a purse made out of leftover fabrics from his father's scraps. Khumbongmayum offered the purse to his friend who marvelled at the unique design. The friend in turn showed the interesting purse to his other friends. They asked Khumbongmayum if he could make such purses for them also. It led him to wonder if there was a market for his designs. And he knew he had stumbled on to his business venture. He made a business plan and launched a purse making venture 'Romi Bags' in 1996. Khumbongmayum was not one to do anything on a whim. He noticed the demands of his product and he calculated his costs, expenses and expected income. In 2007, he received the National Award for bag making under Micro and Medium Enterprises. For him, though it's just the beginning, Khumbongmayum Dhanachandra Singh has changed his life by sheer grit, perseverance and hard work. You can't let anything stop you from moving forward. You can't become successful or reach the top if you don't listen and hear effectively.

## **9.1 INTRODUCTION**

Micro, Small and Medium Enterprises (MSME) 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. MSME dominate the industrial scenario in the country with sizeable proportion of labour force and tremendous export potential.

MSMEs play a significant role in the economic growth and contribute approximately 29.7 per cent of GDP and 49.66 per cent of exports. The sector offers employment to nearly 60 million people through 28.5 million enterprises, after the agriculture sector. MSMEs are complementary to large industries as ancillary units and form an integral part of value chain for building a conducive environment for indigenous skills, grass root innovations and entrepreneurship development. This sector produces a wide range of

products, from simple consumer goods to high-precision, sophisticated finished products.

Recognising the potential of this sector for the national development, this segment of industry is encouraged in both in pre-reform and post-reform period for fulfilling the objective of self-reliance and rural industrialisation.

In India, the MSME 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 powerlooms. The Khadi and Village Industries and Coir segment is another major contributor to the growth of the MSME. Many global companies are increasingly looking to Indian MSMEs for strategic partnerships of mutual benefit due to the innovative capabilities in niche of low-cost manufacturing and local skills and capabilities.

### **The Diversity of the Indian MSME Sector**

MSME Tool Rooms have been credited to provide at least 10 components for Mangalyaan (Mars Orbiter Mission probe), India's first inter-planetary space mission. It has contributed vital inputs for other space satellites such as the Chandrayan. India's second moon mission. Chandrayaan-2, which was successfully launched on July 22, 2019 the moon mission of India, acknowledges the contribution Central Tool Room and Training Centre (CTTC) Bhubaneswar and Institute for Design of Electrical Measuring Instruments (IDEMI) Mumbai in developing several vital components for the Cryogenic engine of the Launch Vehicle, Navigational assemblies of the Lunar Orbiter and the wheel assemblies for the Moon Launch. MSMEs are now only not limited up to small business but their contribution starts from ground level which directly creates a major effect on such big missions. This sector, thus, holds key to inclusive growth and plays a critical role in India's future.

**Source:** Ministry of MSME, *MSME Insider*, 2019, Government of India.

## **9.2 MICRO, SMALL AND MEDIUM ENTERPRISES**

It is important to know how size is defined in our country, with reference to MSME establishments. Several parameters can be used to measure the size of business units. These include the number of persons employed in business, capital invested in business, turnover of business, etc.

The definition used by the Government of India to describe MSME is based on the investment in plant and machinery and turnover. This measure seeks to keep in view the socio-economic environment in India where capital is scarce and labour is abundant.

Type of Units	Investment in Plant and Machinery	Turnover
Micro Enterprises	1 Crore	Does not exceed 5 crore
Small Enterprises	10 Crore	Does not exceed 50 crore
Medium Enterprises	50 Crore	Does not exceed 250 crore
<b>% share of MSMEs in</b>		
Micro Enterprises		99.4%
Small Enterprises		0.52%
Medium Enterprises		0.1%

The emergence of a large service sector has necessitated the government to include other enterprises covering both Small Scale Industries (SSI) sector and related service entities under the same umbrella. Expansion of the small enterprises was taking place growing into medium enterprises and they were required to adopt higher levels of technologies in order to remain competitive in a fast globalising world. Thus, it was necessary to address the

concerns of such enterprises as micro, small and medium and provide them with a single legal framework. The MSMED Act, 2006 came into force w.e.f., October, 2006. The Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 addressed these issues relating to its definition, credit, marketing and technology up gradation. Medium scale enterprises and service related enterprises also come under the purview of this Act.

#### **Village Industries**

Village industry has been defined as any industry located in a rural area which produces any goods, renders any service with or without the use of power and in which the fixed capital investment per head or artisan or worker is specified by the central government, from time to time.

#### **Cottage Industries**

Cottage industries are also known as rural industries or traditional industries. They are not defined by capital investment criteria as in the case of other small scale industries.

### 9.3 ROLE OF MSME

MSME in India enjoy a distinct position in view of their contribution to the socio-economic development of the country. The emphasis on MSME has always been an integral part of India's industrial strategy. Development of MSME prevents migration of rural population to urban areas in search of employment and contributes to other socio-economic aspects, such as reduction in income inequalities, dispersed development of industries and linkage with other sectors of the economy.

In fact promotion of MSME 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.'

The following points highlight their contribution.

- (i) The contribution of these industries to the balanced regional development of our country is noteworthy. Small industries in India account for 95 per cent of the industrial units in the country.
- (ii) MSME are the second largest employers of human resources, after agriculture. They generate more number of employment opportunities per unit of capital invested compared to large industries. They are, therefore, considered to be more labour intensive and less capital intensive. This is a boon for a labour surplus country like India.
- (iii) MSME in our country supply an enormous variety of products which include mass consumption goods, readymade garments, hosiery goods, stationery items, soaps and detergents, domestic utensils, leather, plastic and rubber goods, processed foods and vegetables, wood and steel furniture, paints, varnishes, safety matches, etc. Among the sophisticated items manufactured are electric and electronic goods like televisions, calculators, electro-medical equipment, electronic teaching aids like overhead projectors, air conditioning equipment, drugs and pharmaceuticals, agricultural tools and equipment and several other engineering products. A special mention should be made of handlooms, handicrafts and other products from traditional village industries in view of their export value.
- (iv) MSME which produce simple products using simple technologies and depend on locally available resources both material and labour can be set up anywhere in the country. Since they can be widely spread without any locational constraints, the benefits of industrialisation can be reaped by every region. They, thus, contribute significantly to the balanced development of the country.

- (v) MSME 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 capital investment and almost nil formalities to start a small business.
- (vi) MSME also enjoy the advantage of low cost of production. Locally available resources are less expensive. Establishment and running costs of small industries are on the lower side because of low overhead expenses. Infact, the low cost of production which small industries enjoy is their competitive strength.
- (vii) Due to the small size of the organisations, quick and timely decisions can be taken without consulting many people as it happens in large sized organisations. New business opportunities can be captured at the right time.

### 9.5 PROBLEMS ASSOCIATED WITH MSME

The potential of MSME is often not realised fully, because of several problems related to size and operations. We shall now examine some of the major problems that small businesses whether in urban or in rural areas are encountering in their day-to-day functioning.

MSMEs are at a distinct disadvantage as compared to largescale 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.

The problems majorly include remote location with less developed infrastructural facilities, lack of managerial talent, poor quality, traditional technology and inadequate availability of finance. The problems of exporting small scale units include lack of adequate data on foreign markets, lack of market intelligence, exchange rate fluctuations, quality standards, and pre-shipment finance. In general the small businesses are faced with the following problems:

**(i) Finance:** One of the severe problems faced by MSME is that of non-availability of adequate finance to carry out its operations. Generally these businesses begin 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 markets. As a result, they heavily depend on local financial resources and are frequently the victims of exploitation by the money lenders. These units frequently suffer from lack of adequate working capital, either due to delayed payment of dues to them or locking up of their capital in unsold stocks. Banks also do not lend money without adequate collateral security or guarantees and margin money, which many of them are not in a position to provide.

**(ii) Raw materials:** Another major problem of MSME 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. Also, they cannot afford to take the risk of buying in bulk as they have no facilities to store the materials. Because of general scarcity of metals, chemicals and extractive raw materials in the economy, the small scale sector suffers the most. This also means a waste of production capacity for the economy and loss of further units.

**(iii) Managerial skills:** These businesses are 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. Moreover, they may not find enough time to take care of all functional activities. At the same time they are not in a position to afford professional managers.

**(iv) Marketing:** Marketing is one of the most important activities as it generates revenue. Effective marketing of goods requires a thorough understanding of the customer's needs and requirements. In most cases, marketing is a weaker area of small organisations. These organisations have, therefore, to depend excessively on middlemen, who at times exploit them by paying low price and delayed payments. Further, direct marketing

may not be feasible for small business firms as they lack the necessary infrastructure.

**(v) Quality:** Many MSMEs do not adhere to desired standards of quality. Instead they concentrate on cutting the cost and keeping the prices low. They do not have adequate resources to invest in quality research and maintain the standards of the industry, nor do they have the expertise to upgrade technology. In fact maintaining quality is their weakest point, when competing in global markets.

**(vi) Capacity utilisation:** Due to lack of marketing skills or lack of demand, many 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.

**(vii) Global competition:** Apart from the problems stated above MSME are not without fears, especially in the present context of globalisation. These enterprises face competition is not only from medium and large industries, but also from multinational companies which are giants in terms of their size and business volumes.

## 9.7 MSME AND ENTREPRENEURSHIP DEVELOPMENT

Entrepreneurship is the process of setting up one's own business as distinct from pursuing any other economic activity, be it employment or practising some profession. The

person who set-up his business is called an entrepreneur. The output of the process, that is, the business unit is called an enterprise. It is interesting to note that entrepreneurship besides providing self-employment to the entrepreneur is responsible to a great extent for creation and expansion of opportunities for the other two economic activities, that is, employment and profession. And, in the process, entrepreneurship becomes crucial for overall economic development of a nation.

Every country, whether developed or developing, needs entrepreneurs. Whereas, a developing country needs entrepreneurs to initiate the process of development, the developed one needs entrepreneurship to sustain it. In the present Indian context, where on the one hand, employment opportunities in public sector and large-scale sector are shrinking, and on the other, vast opportunities arising from globalisation are waiting to be exploited; entrepreneurship can really take India to the heights of becoming a super economic power. Thus, the need for entrepreneurship arises from the functions the entrepreneurs perform in relation to the process of economic development and in relation to the business enterprise.

The following are the characteristics of entrepreneurship:

**(i) Systematic Activity:** Entrepreneurship is not a mysterious gift or charm and something that happens by chance! It is a systematic,

step-by-step and purposeful activity. It 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. Such an understanding of the process of entrepreneurship is crucial for dispelling the myth that entrepreneurs are born rather than made.

**(ii) Lawful and Purposeful Activity:**

The object of entrepreneurship is lawful business. It is important to take note of this as one may try to legitimise unlawful actions as entrepreneurship on the grounds that just as entrepreneurship entails risk, so does illicit businesses. Purpose of entrepreneurship is creation of value for personal profit and social gain.

**(iii) Innovation:** From the point of view of the firm, innovation may be cost saving or revenue-enhancing. If it does both it is more than welcome. Even if it does none, it is still welcome as innovation must become a habit!

Entrepreneurship is creative in the sense that it involves creation of value. By combining the various factors of production, entrepreneurs produce goods and services that meet the needs and wants of the society. Every entrepreneurial act results in income and wealth generation. Entrepreneurship is creative also 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:**

Production, implying creation of form, place, time personal utility, requires the combined utilisation of diverse factors of production, land, labour, capital and technology. Entrepreneur, in response to a perceived business opportunity mobilises these resources into a productive enterprise or firm. It may be pointed out that the entrepreneur may not be possessing any of these resources; he may just have the 'idea' that he promotes among the resource providers. 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. What lies at the core of organisation of production is the knowledge about availability and location of the resources as well as the optimum way to combine them. An entrepreneur needs negotiation skills to raise these in the best interests of the enterprise.

**(v) Risk-taking:** It is generally believed that entrepreneurs take high risks. Yes, individuals opting for a career in entrepreneurship take a bigger risk that involved in a career in

employment or practice of a profession as there is no "assured" payoff. In practice, for example, when a person quits a job to start on his own, he tries to calculate whether he or she would be able to earn the same level of income or not. To an observer, the risk of quitting a well-entrenched and promising career seems a "high" risk, but what the person has taken is a calculated risk. They are so sure of their capabilities that they convert 50 per cent chances into 100 per cent success. They avoid situations with higher risks as they hate failure as anyone would do; they dislike lower risk situations as business ceases to be a game/fun! Risk as such more than a financial stake, becomes a matter of personal stake, where less than expected performance causes displeasure and distress.

## 9.9 INTELLECTUAL PROPERTY RIGHTS (IPR)

Over the past two decades, intellectual property rights have grown to a stature from where it plays a major role in the development of global economy. Intellectual property is everywhere, i.e., the music you listen to, the technology that makes your phone work, the design of your favourite car, the logo on your sneakers, etc. It exists in all the things you can see—all are the products of human creativity and skill, such as inventions, books, paintings, songs, symbols, names, images, or designs used in business, etc. All inventions of creations begin with an 'idea'. Once the idea becomes

### **Startup India Scheme**

The objective of Startup India Scheme is to build a strong ecosystem for nurturing innovation and startups in the country. The scheme specifically aims to:

- (i) trigger an entrepreneurial culture and 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.
- (iii) encourage more dynamic startups by motivating educated youth, scientists and technologists to consider entrepreneurship as a lucrative, preferred and viable career, and
- (iv) Broad base the entrepreneurial supply by meeting specific needs of under represented target groups, like women, socially and economically backward communities, under represented regions to achieve inclusiveness and sustainable development to address the needs of the population at the bottom of the pyramid.

an actual product, i.e., Intellectual Property, one can apply to the authority concerned under the Government of India for protection. Legal rights conferred on such products are called 'Intellectual Property Rights' (IPR). Hence Intellectual property (IP) refers to products of human mind, hence, just like other types of property, the owners of IP can rent, give or sell it to other people.

Specifically, Intellectual property (IP) refers to the creations of the human mind, like inventions, literary and artistic works, symbols, names, images and designs used in business.

Intellectual property is divided into two broad categories: industrial property, which includes inventions (patents), trademarks, industrial designs and geographical indications, while the other is copyrights, which includes literary and artistic works, such as novels, poems, plays, films,

musical works, artistic works, such as drawings, paintings, photographs and sculptures and architectural designs.

The most noticeable difference between intellectual property and other forms of property is that intellectual property is intangible, i.e., it cannot be defined or indentified by its own physical parameters. The scope and definition of intellectual property is constantly evolving with the inclusion of newer forms. In recent times, geographical integrated circuits and undisclosed indications, protection of plant varieties, information have been brought under the protection of semi-conductors and umbrella of intellectual property. The following types of Intellectual Property Rights are recognised in India: Copyright, Trademark, Geographical Indication, Patent, Design, Plant Variety, Semiconductor Integrated Circuit Layout Design. In addition to this,

traditional knowledge also fall under IP. You must have often taken homely remedies passed on from your grandparents and great-grandparents as cure for an ailment. These homely remedies are traditional medicines that have been practiced in India for past several centuries. They are also known as 'Traditional Knowledge'. Some examples of Indian traditional medicinal systems are Ayurveda, Unani, Siddha and Yoga. Traditional Knowledge (TK) means the knowledge, systems, innovations and practices of local communities across the globe. Such wisdom has been developed and accumulated over the years and has been used and passed down through several generations. A Traditional Knowledge Digital Library (TKDL) has been developed by Government of India, which is essentially a digital knowledge repository of Traditional Knowledge that has existed in our ancient civilization, especially about medicinal plants and formulations used in Indian systems of medicine. This rich body of knowledge helps prevent wrongful patenting of our traditional knowledge.

Another type of IP is Trade Secrets. You must have heard about the popular beverage, Coca Cola. But do you know that the recipe of this beverage is only known to three people in the whole world? This secret information is termed as a 'Trade Secret'. A trade secret is basically any confidential information which provides a competitive edge. Trade secrets in India are protected under the Indian Contract Act, 1872 and acts enacted by the Government of India from time to time.

### **9.9.1 Why is IPR Important for Entrepreneurs?**

It encourages creation of new, path-breaking inventions, such as cancer cure medicines. It incentivises inventors, authors, creators, etc., for their work. It allows the work created by a person to be distributed and communicated to the public only with his/her permission. Therefore, it helps in the prevention of loss of income. It helps authors, creators, developers and owners to get recognition for their works.

### **9.9.2 TYPES OF IPRs**

IPRs are extremely essential for fostering creativity and contribute towards the economic growth of a nation. Such rights allow creators and inventors to have control over their creations and inventions. These rights create incentives for artists, entrepreneurs and inventors to further commit the necessary resources to research, develop, and market new technology and creative works. The changing global economy is creating unprecedented challenges and opportunities for continued progress in human development. There are business opportunities to market or sell IP worldwide. Geographical borders present no impediments—consumers enjoy near immediate access to almost everything. At such exciting times, it is critical that we are aware about the importance of IPRs and how it affects daily life.

### Let's understand each IP now.

#### Copyright

Copyright is the right to “not copy”. It is offered when an original idea is expressed by the creator or author. It is a right conferred upon the creators of literary, artistic, musical, sound recording and cinematographic film. The copyright is an exclusive right of the creator to prohibit the unauthorised

use of the content which includes reproducing and distributing copies of the subject matter. The unique feature of copyright is that, the protection of work arises automatically as soon as the work comes into existence. The registration of the content is not mandatory but is essential to exercise exclusive rights in case of an infringement.

What is protected under Copyright?	
Literary work	Pamphlets, Brochures, Novels, Books, Poems, Song Lyrics, Computer Programme
Artistic work	Drawings, Paintings, Sculpture, Architectural Drawings, Technical Drawings, Maps, Logos
Dramatic work	Including Dance or Mime, Screenplay, Musical Work, Sound Recording, Cinetographic films

#### Trademark

A trademark is any word, name, or symbol (or their combination) that lets us identify the goods made by an individual, company, organization, etc. Trademarks also let us differentiate the goods of one company from another. In a single brand or logo, trademarks can let you know many things about a company's reputation, goodwill, products and services. A trademark helps in distinguishing similar products in the market from its competitors. A competitor cannot use the same, or similar trademark to sell their product in the market as the same fall under the concept

of deceptive similarity which may be defined as phonetic, structural or visual similarity. Trademark may be categorised as Conventional and Non-Conventional trademark—

- (i) Conventional Trademark: Words, colour combination, label, logo, packaging, shape of goods, etc.
- (ii) Non-Conventional Trademark: Under this category those marks are considered which were not considered distinctive previously but started getting recognition with the passage of time, i.e., sound mark, dynamic mark, etc.

Besides these, smell and taste are also considered for protection as trademarks, in some parts of the

world, but they are not recognised as trademarks in India. The registration of trademark is not mandatory under the Trademark Act 1999, but registration of trademark helps establish exclusive rights over the mark. To register the mark you can visit <http://www.ipindia.nic.in> which is the website of the Indian Trademark Registry.

### Geographical Indication

A Geographical Indication (GI) is primarily an indication which identifies agricultural, natural or manufactured products (handicrafts, industrial goods and food stuffs) originating from a definite geographical territory, where a given quality, reputation or other characteristic are essentially attributable to its geographical origin. GIs are part of our collective and intellectual heritage that need to be protected and promoted. Goods protected and registered as GI are categorised into agricultural products, natural, handicrafts, manufactured goods and food stuffs. Naga Mircha, Mizo Chilli, Shaphee Lanphee, Moirangphee and Chakhesang Shawl, Bastar Dhokra, Warli Paintings, Darjeeling Tea, Kangra Painting, Nagpur Orange, Banaras Brocades and Sarees, and Kashmir Pashmina are some of the examples of GIs. The importance of GIs has increasingly grown over the past few decades. GI represents collective goodwill of a geographical region, which has built itself over centuries. Today, consumers are paying more and more attention

to the geographical origin of products and accord much care to the specific characteristics present in the products that they purchase. In some cases, there is a difference between “place of origin” and “geographical indications” which suggests to consumers, that the product will have a particular quality or characteristic, that they may value.

### Patent

A patent is a type of IPR which protects the scientific inventions (products and or process) which shows technical advancement over the already known products. A ‘patent’ is an exclusive right granted by the Government which provides the exclusive ‘right to exclude’ all others and prevent them from making, using, offering for sale, selling or importing the invention.

For an invention to be patentable, it must be new, non-obvious to any person who is skilled in the relevant field of technology and must be capable of industrial application.

- (i) It must be new, i.e., it should not already exist in the current knowledge anywhere in the world.
- (ii) It must be non-obvious to any person who is skilled in the relevant field of technology. That is, the standard is a person reasonably skilled in such field of study (Inventive Step).
- (iii) Finally, it must be capable of industrial application, i.e., capable of being used or manufactured in the industry.

Patent can only be filed to get rights over an invention and not

discovery. Newton saw the apple fall and discovered gravity which is considered to be a discovery. On the other hand, the father of telephone Alexander Graham Bell invented telephone. Thus when we use our ability to create something novel, or something unique into existence, it is called an invention, whereas the process of highlighting the existence of an already existing thing is called discovery.

#### **What cannot be patented?**

Scientific principles, contrary to well established natural laws, formulation of abstract theory, frivolous inventions, prejudicial to morality or injurious to public health, method of agriculture or horticulture, method of treatment, admixtures, traditional knowledge, incremental inventions without increase in efficacy and inventions related to atomic energy are some of the inventions not patentable under Sections 3 and 4 of the Patents Act, 1970.

The purpose of patent is to encourage innovation in the scientific field. A patent grants exclusive rights to the inventor for a period of 20 years, during which anybody else who wishes to use the patented subject-matter needs to seek permission from the patentee, by paying certain costs for the commercial use of such an invention. This process of seeking exclusive rights of the patentee for a fee is called Licensing.

Patent creates a temporary monopoly. Once the term of a patent expires, the invention is in public domain which means it is free for use by people. This prevents the patentee from involving in anti-competitive practices like creating monopoly, etc.

#### **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.

#### **Plant Variety**

Plant Variety 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. Such protection promotes investment in R&D, recognizes Indian farmers as cultivators, conservers and breeders as well as facilitates high quality seeds and planting material. This leads to the growth of the seed industry.

### **Semiconductor Integrated Circuits Layout Design**

Have you ever seen a computer chip? Are you aware of integrated circuits also known as 'ICs'? A semiconductor is an integral part of every computer chip. Any product that contains 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.

Whether a business is establishing its presence in the marketplace or is already well-entrenched, protecting and managing its intellectual property is critical in taking the business ahead. Any business has to continuously innovate and think ahead, otherwise it will simply stagnate and wither away. It is equally essential to respect others'

IP, not only on ethical grounds, but also legal. After all, respect for others' IP begets respect for one's IP. Start-up is an entrepreneurial venture that capitalises on developing, improving and innovating new products, processes and services for the target audience. Start-ups today are responsible for several disruptive technologies that have changed the very way we think and live. With 20,000+ start-ups, India is said to have the third largest start-up ecosystem in the world. The Start-up India initiative seeks to capture the entrepreneurial streak in Indians, and create a nation of job-creators, not job-seekers. Intellectual property rights can be critical in aiding new ventures monetise their ideas and establish competitiveness in the market by extending the protective umbrella offered by IPRs.

#### **Key Terms**

Small scale industries

Cottage industries

Tiny industries

Micro business industries

Khadi industries

Entrepreneurship

#### **SUMMARY**

**Role of small business in India:** Small Scale Industries play a very important role in the socio-economic development of the country. These industries account for 95 per cent of industrial units, contributing up to 40 per cent of the gross industrial value added and 45 per cent of the total exports. SSIs are the second largest employers of human resources, after agriculture and produce a variety of products for the economy. These units contribute to the balanced regional development of the country by using locally available material and indigenous technology. These provide ample scope for entrepreneurship; enjoy the advantage of low cost of production; quick decision making, and have quick adaptability and are best suited to customised production.

**Role of small business in rural India:** Small business units provide multiple source of income, in wide range of non-agricultural activities and provide employment opportunities in rural areas, especially for the traditional artisan and weaker sections of the society.

**Entrepreneur:** The terms 'entrepreneur,' 'entrepreneurship' and 'enterprises' can be understood by drawing an analogy with the structure of a sentence in English language. Entrepreneur is the person (the subject), entrepreneurship is the process (the verb) and enterprise is the creation of the person and the output of the process (the object).

### EXERCISES

#### Very Short Answer Questions

1. Which year the MSMED Act passed?
2. What is the micro enterprise?
3. What is a cottage industry?
4. What is meant by Village and Khadi Industry?
5. Give any two characteristics of entrepreneurship development.

#### Short Answer Questions

1. What is MSME?
2. State the meaning of entrepreneurship.
3. MSME and Entrepreneurship are connected. Do you agree? Give two reasons.
4. State the role of MSME in development of a country.
5. What are the different parameters used to measure the size of MSME?
6. State the meaning of Village and Khadi industries.
7. State any three major problems faced by MSMEs.

#### Long Answer Questions

1. How do small scale industries contribute to the socio-economic development of india? Discuss.
2. Describe the role of small business in rural India.
3. Discuss the problems faced by small scale industries.
4. What measures has the government taken to solve the problem of finance and marketing in the small scale sector?
5. 'Innovation is integral to MSME'. Discuss giving reasons to your answer.
6. 'Creativity and Innovation is the key to MSME'. Justify the statement.

**Projects/Assignments**

1. Prepare a profile of anyone MSME operating locally in your area. Prepare a questionnaire to find out:
  - (a) The growth prospects of the unit.
  - (b) Use of local resources and indigenous skills used.
  - (c) The actual problems faced by an owner of a MSME. Prepare a project report on it.
  - (d) Marketing of products and services
2. Find out the GI tag(s) for your state. Prepare a chart showing its unique attributes. Discuss in the class how GI tag for the product has led to regional development.

© NCERT  
not to be republished