

Small To Medium Enterprises

Unit 8

Small Business and Entrepreneurship

CBSE Syllabus

- Entrepreneurship Development (ED): Concept, Characteristics and Need.
- Process of Entrepreneurship Development: Start-up India Scheme, ways to fund start-up.
- Intellectual Property Rights and Entrepreneurship
- Small scale enterprise as defined by MSMED Act 2006 (Micro, Small and Medium Enterprise Development Act)
- Role of small business in India with special reference to rural areas
- Government schemes and agencies for small scale industries: National Small Industries Corporation (NSIC) and District Industrial Centre (DIC) with special reference to rural, backward areas

Learning Outcomes

After going through this unit, the student/ learner would be able to:

- Understand the concept of Entrepreneurship Development (ED), Intellectual Property Rights
- Understand the meaning of small business
- Discuss the role of small business in India
- Appreciate the various Government schemes and agencies for development of small scale industries. NSIC and DIC with special reference to rural, backward area.

Small-Scale Enterprises as defined by MSMED Act, 2006

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 powerlooms.

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. Before understanding the nature and meaning of small business, it is important to know how size is defined in our country, with reference to small industries and small business 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
- volume of output or value of output of business
- power consumed for business activities.

However, there is no parameter which is without limitations. Depending on the need the measures can vary.

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

The emergence of a large services 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 scale enterprises was taking place growing into medium scale 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 micro, small and medium and provide them with a single legal framework.

The Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 addresses these issues relating to definition, credit, marketing and technology upgradation. Medium scale enterprises and service related enterprises also come under the purview of this Act. The MSMED Act, 2006 came into force w.e.f., October, 2006. Accordingly, enterprises are classified into two major categories viz., manufacturing and services.

Manufacturing Enterprises

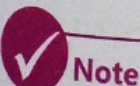
In the case of enterprises engaged in the manufacture or production of goods pertaining to any industries specified in the first schedule to the Industries (Development and Regulation) Act, 1951, there are three types of enterprises:

1. **Micro Enterprises**— where the investment in plant and machinery does not exceed ₹25 lakh.
2. **Small Enterprises**—where the investment in plant and machinery is more than ₹25 lakh but does not exceed ₹5 crore.
3. **Medium Enterprises**— where the investment in plant and machinery is more than ₹5 crore but does not exceed ₹10 crore.

Service Enterprises

In the case of enterprises engaged in providing or rendering of services there are three types of enterprises:

1. **Micro Enterprises**— where the investment in equipment does not exceed ₹10 lakh.
2. **Small Enterprises**— where the investment in equipment is more than ₹10 lakh but does not exceed ₹2 crore.
3. **Medium Enterprises**—where the investment in equipment is more than ₹2 crore but does not exceed ₹5 crore.



Note

While calculating the investment in plant and machinery, the cost of pollution control, research and development, industrial safety devices and such other items shall be excluded.

Category	Manufacturing Investment Limit	Providing of Services Investment Limit
Micro enterprise	₹25 lakh	₹10 lakh
Small enterprise	Between ₹25 lakh and ₹5 crore	Between ₹10 lakh and ₹2 crore
Medium enterprise	Between ₹5 crore and ₹10 crore	Between ₹2 crore and ₹5 crore

Extra Shots**Major Industry Groups in the Small Scale Sector**

(under the purview of small industries as per the classification laid down by the government)

- Food Products
- Chemical and Chemical Products
- Basic Metal Industries
- Metal Products
- Electrical Machinery and Parts
- Rubber and Plastic Products
- Machinery and Parts except Electrical Goods
- Hosiery and Garments — Wool Products
- Non-metallic Mineral Products
- Other Services
- Transport Equipment and Parts
- Leather and Leather Products
- Miscellaneous Manufacturing Industries
- Beverages, Tobacco and Tobacco Products
- Repair Services
- Cotton Textiles
- Wool, Silk, Synthetic Fibre and Textiles
- Jute, Hemp and Mesta Textiles
- Paper Products and Printing

Role of Small Business**Role of small business in the socio-economic development of India**

Small Scale Industries in India enjoy a distinct position in view of their contribution to the socio-economic development of the country. The following points highlight their contribution:

1. Output generation

Small industries in India contribute almost 40 per cent of the gross industrial value added and 45 per cent of the total exports (direct and indirect exports) from India.

2. Generation of employment

Small industries are the second largest employers of human resources, after agriculture. They account for 95 per cent of the industrial units in the country. 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.

3. Supply an enormous variety of products

Small industries in our country supply an enormous variety of products which include mass consumption goods, ready made 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.

4. Balanced regional development

Small industries 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.

5. Provide ample opportunity entrepreneurship

Small industries 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.

6. Advantage of low cost of production

Small industries 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.

7. Quick and timely decision-making

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.

Role of small business in rural India

1. Multiple source of income

Small businesses generate multiple source of income to the rural households. They engage in wide range of non-agricultural activities such as self-employment in commerce, manufacturing and services, along with traditional rural activities of farming and agriculture.

2. Mobilisation of local resources

Small business facilitates mobilisation and utilisation of local resources and skills which might otherwise remain unutilised.

3. Prevent migration

Development of rural and village industries can also prevent migration of rural population to urban areas in search of employment.

4. Reduction in poverty unemployment and income inequalities

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.

5. Accelerated industrial growth and creating employment potential in rural and backward areas

Promotion of small scale industries 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.'

Government Schemes and Agencies for Small-Scale Industries

Institutions setup by the government of India to promote small-scale industries in rural India

1. 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.

2. The District Industries Centers (DICs)

The District Industries Center was launched on 1 May 1978, with a view to providing an integrated administrative framework at the district level, which would look at the problems of industrialisation in the district, in a composite manner.

The main activities undertaken by the District Industries Centers (DICs) are as follows:

- Identification of suitable schemes,
- Preparation of feasibility reports,
- Arranging for credit,
- Machinery and equipment,
- Provision of raw materials and
- Other extension services

Incentives offered by the government of India for small scale industries, especially in rural, backward, tribal and hilly areas

1. 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.

2. Power

Power is supplied at a concessional rate of 50 per cent, while some states exempt such units from payment in the initial years.

3. Water

Water is supplied on a no-profit, no-loss basis or with 50 per cent concession or exemption from water charges for a period of 5 years.

4. Goods and Services Taxes (GST)

Small industries with less than ₹20 lakh turnover are completely exempted, whether they register or not.

5. 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.

6. Finance

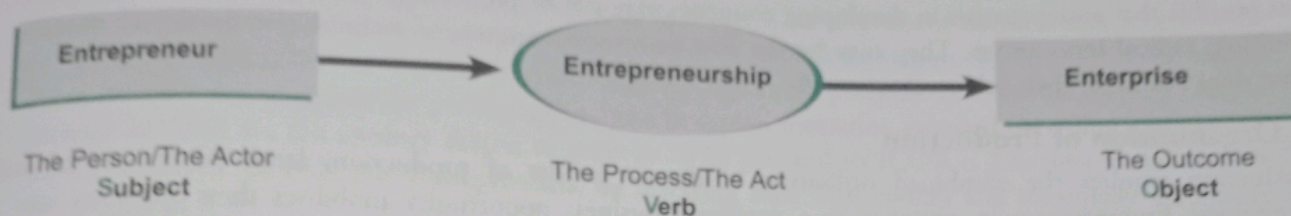
Subsidy of 10-15 per cent is given for building capital assets. Loans are also offered at concessional rates.

Entrepreneurship Development: Concept, Characteristics & Need

Concept of 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. We may invoke 'Subject-Verb-Object (SVO)' relationship in English grammar to clearly understand these terms. 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. Further, each business gives rise to other businesses— the suppliers of raw materials and components, service providers (be it transport, courier, telecom, distributor middlemen and advertising firms, accounting firms and advocates etc.



SVO Analogy

Entrepreneurship becomes crucial for overall economic development of a nation. Despite its important role in the economic development, not many persons opt for a career in entrepreneurship. Traditionally, it was believed that entrepreneurs are born. No society can wait for the chance of 'birth' of entrepreneurs to pursue its developmental plans. In fact, plans for economic development would bear little fruit unless entrepreneurship development is regarded as a deliberate process of making people aware of entrepreneurship as a career at an early age and creating situations where they may actually make a choice to become entrepreneurs. When one makes this choice, he/she becomes a job-provider rather than a job-seeker, besides enjoying a host of other financial and psychological rewards.

DEFINITION OF ENTREPRENEURSHIP

Entrepreneurship is defined as a systematic, purposeful and creative activity of identifying a need, mobilising resources and organising production with a view to delivering value to the customers, returns for the investors and profits for the self in accordance with the risks and uncertainties associated with business.

Characteristics of Entrepreneurship

1. Systematic Activity

Entrepreneurship 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.

2. Lawful and Purposeful Activity

The object of entrepreneurship is lawful business. Purpose of entrepreneurship is creation of value for personal profit and social gain.

3. 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. In the absence of entrepreneurship 'matter' does not become a "resource." 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.

Even when innovations destroy the existing industries (for example, zerox machines destroyed carbon paper industry, mobile telephony threatens landline/ basic telephony) net gains accruing to the economy lend such entrepreneurial actions as commendable as the acts of creative destruction.

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.

It is possible that entrepreneurs in developing countries may not be pioneering/ innovative in introducing path-breaking, radical innovations. They may be the first or second adopters of technologies developed elsewhere. That does not make their achievement small.

4. Organisation of Production

Production 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.

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. Organisation of production also involves product development and development of the market for the product.

5. Risk-taking

As the entrepreneur contracts for an assured supply of the various inputs for his project, he incurs the risk of paying them off whether or not the venture succeeds. Thus, landowner gets the contracted rent, capital providers gets the contracted interest, and the workforce gets the contracted wages and salaries. However, there is no assurance of profit to the entrepreneur.

It may be pointed out that the possibility of absolute ruin may be rare as the entrepreneur does everything within his control to de-risk the business. What is generally implied by risk-taking is that realised profit may be less than the expected profit. 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.

It is said that the entrepreneurs thrive on circumstances where odds favouring and against success are a even, that is 50:50 situations. They are so sure of their capabilities that they convert 50% chances into 100% 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.

Need for Entrepreneurship

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 hand, vast opportunities arising from globalisation are waiting to be exploited; entrepreneurship can really take India to the heights of becoming a super economic power. 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.

Functions of Entrepreneurs in Relation to Economic Development

1. **Contribution to GDP:** Increase in the Gross Domestic Product or GDP is the most common indicator of economic development. Income is generated in the process of production, which is distributed among the factors of production where land gets rent, labour gets wages and salaries, capital gets interest and the residual income accrues to the entrepreneur in the form of profits. As rent and interest accrue to those few who have land and capital respectively whereas larger masses are destined to earn their incomes via wage employment, the biggest contribution of the entrepreneurship lies in capital formation and generation of employment.
2. **Capital Formation:** The entrepreneurial decision, in effect, is an investment decision that increases the productive capacity of the economy and hence results in capital formation. In fact, GDP formation are related to each other via Capital Output Ratio (COR); more precisely Incremental Capital Output Ratio (ICOR) that measures the percentage increase in capital formation required obtaining a percentage increase in GDP. So, if a country desires to grow @ 10 % p.a. and its ICOR is 2.5, then it must ensure capital formation @ 25% p.a. Entrepreneurs, by investing their own savings and informally mobilising the savings of their friends and relatives contribute to the process of capital formation. These informal funding supplements the funds made available by the formal means of raising resources from banks, financial institutions etc.
3. **Generation of Employment:** Every new business is a source of employment to people with different abilities, skills and qualifications. As such entrepreneurship becomes a source of livelihood to those who do neither have capital to earn interest on nor have the land to earn rent.
4. **Generation of Business Opportunities for Others:** Every new business creates opportunities for the suppliers of inputs (this is referred to as 'backward linkages') and the marketers of the output (what is referred to as 'forward linkages'). For example, a pen manufacturer would create opportunities for refill manufacturers as well as wholesalers and retailers of stationery products.
5. **Improvement in Economic Efficiency:** Efficiency means to have greater output from the same input. Entrepreneurs improve economic efficiency by:
 - (a) Improving processes, reducing wastes, increasing yield, and
 - (b) Bringing about technical progress, that is, by altering labour-capital ratios. If labour is provided with good implements (capital), its productivity increases.
6. **Increasing the Spectrum and Scope of Economic Activities:** Development does not merely mean 'more' and 'better' of the existing, it also and more crucially means diversification of economic activities—across the geographic, sectoral and technological scope. Entrepreneurs mobilise local and even overseas resources to augment the productive capacity of a country. Indian Multinational Giants is fast becoming a reality.

Process of Entrepreneurship Development

Entrepreneurship does not emerge spontaneously. Rather, it is the outcome of a dynamic process of interaction between a person and his/ her environment. Ultimately, the choice of entrepreneurship as a career lies with an individual, yet he/she must see it as a desirable, as well as, a feasible option. In this regard, it becomes imperative to look at both—factors in the environment, as well as, factors in the individual's perception of desirability and feasibility.

Opportunity Scouting

Entrepreneurial opportunities have to be actively searched for. One may rely on personal observation, discovery or invention. Personal/professional contacts/networks and experience may help in identifying business opportunities. Alternatively, one may rely on published reports, surveys etc.

Most of us have a consumer's mindset. If we see any object of desire, may be a pen, laptop, latest model of the mobile phone or somebody eating pizza or burger, we crave to have the same thing for ourselves. The entrepreneurial mind, on the other hand starts working out, what would be the market size, where to process it, from, at what price to sell it, etc.

Entrepreneurial opportunities may also be identified through a process of research of international, domestic sectoral/ industrial analysis. For example, post WTO, international trade and investment have become free of restrictions. Textile quotas are being phased out, and, there are greater opportunities for textile and textile made-ups from India. Global outsourcing is on the rise and India offers a huge and varied pool of technical manpower that makes it a cost effective destination for in-bound global outsourcing in manufacturing as well as Information Technology Enabled Services (ITES).

Identification of Specific Product Offering

While the environment scan leads to the discovery of more generalised business opportunities, there is a need to identify a specific product or service idea.

Deciding on the product offering makes the highest demand on the entrepreneur's creativity and innovativeness. Yet, in a competitive environment, it is possible to differentiate your product offering even if the generic product is the same and serves the same need. Clearly decision on specific product offering necessitates decisions on what is buying, why, and what are the value expectations. You will be able to succeed when the value delivered not only meets but also exceeds customers' expectations and create a 'Wow!' impact.

Feasibility Analysis

The product offering idea must be technically feasible, that is it should be possible with the available technology to convert the idea into a reality. In other words, the idea must be economically feasible too. The project cost should be within the resources available and the resource providers should be reasonably sure of an appropriate return on (profit) and return of (safety and liquidity) of their investments. That is, the idea must be financially viable as well. There should be enough sales in the immediate and the prospect of growth in the foreseeable future. There should be adequate assurance on the commercial viability of the chosen product offering. Now a day, it is also important to be sure that there aren't any environmental and other legal restrictions/necessity of prior approval for setting up the business.

It is also to be decided as to whether the business will be organised as a proprietary concern/partnership firm, company or cooperative entity.

An entrepreneur must compile these findings in the form of a business plan that would have to be submitted to the funding authorities, in the Indian context, the State Finance Corporation of the area. They may be having a prescribed proforma in which the details of the business plan are required to be furnished and, as such there may be a need to adapt the contents accordingly.

The business plan may be appraised by the funding institution, and upon satisfying itself about the desirability of assisting the project and upon the furnishing of some margin money it may sanction the loan amount. Upon the project approval, the entrepreneur can proceed for project commissioning, that is putting up the factory premises, installing the equipment, obtaining the supplies of the input materials with a view to starting the manufacture and marketing the product.

Entrepreneurial functions do not come to an end with the business start-up. He often looks after its day-to-day operations and strives for its stability and growth.

Startup India Scheme and Ways to Fund Startup

Startup India Scheme

The Startup India Scheme is a flagship initiative of the Government of India with an objective to carve a strong ecosystem for nurturing innovation and startups in the country. This drive will lead towards sustainable economic

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growth and generate large-scale employment opportunities. The Government of India aims to empower startups to grow through innovation and design. The scheme specifically aims to:

1. trigger an entrepreneurial culture and inculcate entrepreneurial values in the society at large and influence the mindset of people towards entrepreneurship,
2. create awareness about the charms of being an entrepreneur and the process of entrepreneurship, especially among the youth,
3. encourage more dynamic startups by motivating educated youth, scientists and technologists to consider entrepreneurship as a lucrative, preferred and viable career, and
4. support the early phase of entrepreneurship development, including the pre-startup, nascent, as well as, early post startup phase and growth enterprises.
5. Broad base the entrepreneurial supply by meeting specific needs of under represented target groups, like women, socially and economically backward communities, scheduled castes and scheduled tribes; under represented regions to achieve inclusiveness and sustainable development to address the needs of the population at the bottom of the pyramid.

As per the notification dated February 17, 2017, issued by the Ministry of Commerce and Industry, a startup means:

- An entity incorporated or registered in India;
- Not older than five years;
- Annual turnover does not exceed ₹25 crore in any preceding year;
- Working towards innovation, development or commercialisation of products/service/processes driven by technology or Intellectual Property Rights (IPRs) and patent.

Ways to fund startup

In addition to the government plans that offer startup capital and bank loans, the funding for startups can also be availed in the following ways:

1. Boot Strapping

Commonly known as self financing, it is considered as the first funding option because by stretching out your personal savings and resources, you are tied to your business. Also, at a later stage, investors consider it as your merit. However, it is a good option of funding only if the initial requirement is small and handy.

2. Crowd funding

It is the pooling of resources by a group of people for a common goal. Crowdfunding is not new to India. There are many instances of organisations reaching out to common people for funding. However, the emergence of platforms that promote crowdfunding is fairly recent to India. These platforms help startups or small businesses to meet their funding requirements.

3. Angel Investment

Angel investors are individuals with surplus cash who have keen interest to invest in upcoming startups. They also offer mentoring or advice alongside capital.

4. Venture capital

There are professionally managed funds which are invested in companies that have huge potential. Venture capitalists provide expertise and mentorship.

5. Business Incubators and Accelerators

Early stage business can consider incubator and accelerator programmes as a funding option. These programmes assist hundreds of startup businesses every year. These two are generally used interchangeably. However, incubator is like a parent who nurtures the business (child), whereas, accelerator helps to run or take a giant leap in

business. Incubators and accelerators ably connect the startups with mentors, investors and fellow startups using this platform.

6. Micro finance and NFBCs

Micro finance is basically access to financial services to those who either do not have access to conventional banking services or have not qualified for a bank loan. Similarly, NBFCs (Non Banking Financial Corporation) provides banking services without meeting legal requirement/definition of a bank.

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 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).

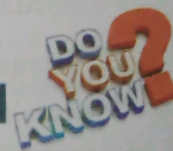
DEFINITIONS OF INTELLECTUAL PROPERTY (IP)

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Note

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 identified 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 semiconductors and umbrella of intellectual property.



In history, you must have come across the historic 'Battle of Haldighati', which took place between the then Rajput ruler, Rana Pratap Singh of Mewar, Rajasthan and the Mughal emperor Akbar in 1567 A.D. A similar Battle of Haldighati was hotly contested in the year 1997. The issue was the patent granted by the US Patent Office on turmeric (haldi) to University of Mississippi medical centre in 1995 for its wound healing properties; implying that this was a new invention, when we have been using haldi since times immemorial for healing injuries. The Government of India vehemently opposed this patent, and ultimately, India won this battle—the patent was cancelled!

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Types of Intellectual Property

1. Industrial property

It includes inventions (patents), trademarks, industrial designs and geographical indications.

2. Copyrights

It 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.



Note

The following types of Intellectual Property Rights are recognized in India:

- Copyright
- Geographical Indication
- Design
- Semiconductor Integrated Circuit Layout Design
- Trademark
- Patent
- Plant Variety

Extra Shots

- **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 prevents 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.

DEFINITION OF INTELLECTUAL PROPERTY RIGHTS (IPR)

Intellectual Property Rights are legal rights conferred upon the creator/IP owner to prevent others from using the protected subject matter. It is a legal watch guard of knowledge.

Why Is IPR Important for Entrepreneurs?

1. It encourages creation of new, pathbreaking inventions, such as cancer cure medicines. It incentivises inventors, authors, creators, etc., for their work.
2. 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.
3. It helps authors, creators, developers and owners to get recognition for their works.

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.

**Note**

With the establishment of the World Trade Organisation (WTO), the importance and role of intellectual property protection has been crystallised in the Trade-Related Intellectual Property Systems (TRIPS) Agreement. With the establishment of WTO, and India being a signatory to the agreement on TRIPS, several legislations were passed for the protection of intellectual property rights to meet the international obligations. These included:

- Trade Mark Act 1999
- The Geographical Indications of Goods (Registration and Protection) Act 1999
- Designs Act 2000
- Protection of Plant Varieties and Farmers' Rights Act 2001
- The Patents Act 2005
- The Copyright (Amendment) Act 2012

Types of Intellectual Property Rights

1. Copyright

Copyright is the right to "not copy". It is offered when an original idea is expressed by the creator or author.

Copyright 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 unauthorized 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.

**Note**

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

2. 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.

Categories of 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 recognized as trademarks in India.

**Note**

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.

3. Geographical Indication (GI)

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 categorized into agricultural products, natural, handicrafts, manufactured goods and food stuffs.

Examples of GIs: Naga Mircha, Mizo Chilli, Shaphee Lanphee, Moirang pheeand Chakhesang Shawl, Bastar Dhokra, Warli Paintings, Darjeeling Tea, Kangra Painting, Nagpur Orange, Banaras Brocades and Sarees, and Kashmir Pashmina

Importance 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.

4. 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.

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.

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, i.e. not in public domain in any form, before the filing of patent application (Novelty).
- (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.

**Top Tip**

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 & 4 of the Patents Act, 1970.

5. 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.

6. 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.

7. 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.

Extra Shots

Intellectual Property (IP) and Business

We have already discussed the importance of intellectual property and the ways to protect it as intellectual property rights. Let us now see how this helps a business. Recall the old proverb 'necessity is the mother of all inventions'? If we were to trace the development of a wheel from the Stone Ages, the round wheel was invented as there was felt a need to increase the efficiency of work. This wheel underwent various technological advancements, and today, we know successful business tyre giants like CEAT, JK Tyres, Bridgestone, etc. 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 capitalizes 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.

Objective Type Questions

1. Investment limit in plant and machinery for micro manufacturing enterprises is _____. (Choose the correct alternative)
 - (a) ₹1 crore
 - (b) ₹25 lakh
 - (c) ₹1 lakh
 - (d) ₹10 lakh
2. Investment limit in equipment for medium service enterprises is _____. (Choose the correct alternative)
 - (a) above ₹10 lakh and up to ₹2 crore
 - (b) above ₹25 lakh and up to ₹5 crore
 - (c) above ₹2 crore and up to ₹5 crore
 - (d) above ₹5 crore and up to ₹10 crore
3. SSIs contribute to gross industrial value added of India about _____. (Choose the correct alternative)
 - (a) 95 per cent
 - (b) 40 per cent
 - (c) 45 per cent
 - (d) 50 per cent
4. For the industrial development of backward, tribal and hilly areas, power is supplied at a concessional rate of _____. (Choose the correct alternative)
 - (a) 95 per cent
 - (b) 40 per cent
 - (c) 45 per cent
 - (d) 50 per cent
5. Incentive which is not given by government to industries in backward, tribal and hilly areas, is _____. (Choose the correct alternative)
 - (a) Exemption from GST
 - (b) Power at concessional rates
 - (c) Preferential allotment of raw materials
 - (d) Free advertising in TV and newspapers
6. It was set up in 1955 to promote, aid and foster the growth of small business units in India. It provides technology to SSIs and creates awareness on technological upgradation. (Choose the correct alternative)
 - (a) Small Industries Development Bank of India (SIDBI)
 - (b) National Bank for Agriculture and Rural Development (NABARD)
 - (c) National Small Industries Corporation (NSIC)
 - (d) District Industrial Centres (DICs)
7. Entrepreneurs undertake _____. (Choose the correct alternative)
 - (a) Calculated risks
 - (b) High risks
 - (c) Low risks
 - (d) Moderate and calculated risks
8. In economics, which of the following is not a function of the entrepreneur? (Choose the correct alternative)
 - (a) Risk-taking
 - (b) Provision of capital and organisation of production
 - (c) Innovation
 - (d) Day to day conduct of business
9. Which of the following cannot be protected under copyright? (Choose the correct alternative)
 - (a) Music
 - (b) Drawings
 - (c) Video games
 - (d) Actors
10. Which of these is a geographical indication? (Choose the correct alternative)
 - (a) Mona Lisa Painting
 - (b) IRCTC logo
 - (c) Darjeeling tea
 - (d) Light bulb
11. What is the role of an entrepreneur in contributing towards Intellectual Property Rights? (Choose the correct alternative)
 - (a) Recognise and respect others' Intellectual Property Rights
 - (b) Be creative and innovative
 - (c) Protect their own Intellectual Property
 - (d) All these
12. All small industries are highly labour-intensive. True/False? Give reason.
13. The Government of India has defined small industries on the basis of volume and value of output. True/False? Give reason.
14. Investment limit in plant and machinery for small-scale enterprises is ₹5 crore. True/False? Give reason.
15. What is the parameter used by the government to identify manufacturing enterprises?
16. What is the parameter used by the government to identify service enterprises?
17. What is the investment limit in plant and machinery for medium manufacturing enterprises?
18. What is the investment limit in equipment for micro service enterprises?
19. How much do small industries in India account for the total industrial units?
20. Name the institution which provides an integrated administrative framework for small-scale industries at the district level.

Case Studies

Analysing, Evaluating & Creating Type Questions

Q.1 Ram, Kabir and Gurpreet are three friends who belong to the same village. They have completed their MBA education from IIM, Ahmedabad. They want that the country should benefit from their education. With this aim they want to do such a business which will generate more employment and output, mobilise local resources, and contribute to balanced regional development. For this they set up a small-scale industrial unit in their own village.

Do you think they will be able to contribute to the development of rural, backward areas of the country? Explain. (4 marks)

Ans. Yes, Ram, Kabir and Gurpreet will be able to contribute to the development of rural, backward areas of the country by setting up a small-scale industrial unit in their own village.

The small-scale businesses play a significant role from the socio-economic development point of view of the Indian economy. The following points highlight their contribution, especially in rural, backward areas:

- (i) Generation of employment: Small-scale industries (SSIs) provide employment opportunities in the rural areas, especially for the traditional artisans and the weaker sections of society.
- (ii) Output generation: SSIs contribute almost 40 per cent of the gross industrial value added. Small industries in our country supply an enormous variety of products, e.g., ready-made garments, stationery items, soaps and detergents, domestic utensils, leather, plastic and rubber goods, etc.
- (iii) Rural industrialisation and balanced regional development: The development of village and rural industries leads to industrialisation in rural areas. SSIs produce simple products by using simple technology and local resources. They can be set anywhere in the country. Thus, balanced regional development is possible.
- (iv) Mobilisation of local resources: Small business facilitates mobilisation and utilisation of local resources and skills which might otherwise remain unutilised.

Q.2 Rajan wants to start a business unit manufacturing Khadhi items. His friend who makes craft items, suggests him to start a small-scale industrial unit in some rural, backward area since the government is offering various incentives to small-scale industries.

- (a) State any four incentives offered by the government for small-scale industries.
- (b) Name two institutions set up by the government of India to promote small-scale industries in rural India. Explain their role. (6 marks)

Ans. (a) The Government of India provides a number of incentives to the small-scale industries (SSIs) in India for the industrial development of rural, backward areas.

- (i) Availability of land at concessional rates
- (ii) Supply of power at a concessional rate of 50%
- (iii) Supply of water on no profit, no loss basis or with 50% concession
- (iv) Loans at concessional rates.

(b) Two institutions set up by the government of India to promote small-scale industries in rural India are:

- (i) National Small Industries Corporation (NSIC): This was set up in 1955 to promote, aid and foster the growth of small business units in India. It supplies indigenous and imported machines and raw materials to SSIs on easy hire-purchase schemes. It exports the products of SSIs. It provides technology to SSIs and creates awareness on technological upgradation.
- (ii) District Industrial Centres (DICs): They provide an integrated administrative framework at the district level. They provide all the services and support facilities to the entrepreneurs for setting up small and village industries.

Q.3 Anshuman was a very industrious sales executive with a small herbal cosmetic manufacturer. He earned a good salary and commission on the business he brought for the firm and had very good command over the Delhi market for which he had virtually become indispensable. He was aware of the enviable position he held in the firm and thought aloud:

“The key to success in any business is the sale of its products. The beginning and end of the business cycle is nothing but sale and “other” people working in the factory to manufacture products are mere

"The key to success in any business is the sale of its products. The beginning and end of the business cycle is nothing but sale and "other" people working in the factory to manufacture products are mere cogs in the business machine set in motion by sales people. So why carry this burden and get only a tiny share of the prosperity of the firm? Instead others enjoying the fruits of my labour, why should I not start my own business?"

- (a) Should Anshuman take a leap? Give reasons for your answer.
 (b) State any four functions Anshuman will perform as an entrepreneurs in relation to economic development.

- Ans. (a) Yes, Anshuman should start his own business because as an entrepreneur, he will become a job-provider rather than a job-seeker, besides enjoying a host of other financial and psychological rewards. (5 marks)
 (b) Functions of Anshuman as an entrepreneur in relation to economic development: (Explain)
 (i) Contribution to GDP
 (ii) Capital formation
 (iii) Generation of employment
 (iv) Generation of business opportunities for others

RECAP



Small-scale Enterprises as Defined by MSMED Act, 2006

Manufacturing Enterprises

- (i) *Micro Enterprises*— where the investment in plant and machinery does not exceed ₹25 lakh.
 (ii) *Small Enterprises*— where the investment in plant and machinery is more than ₹25 lakh but does not exceed ₹5 crore.
 (iii) *Medium Enterprises*— where the investment in plant and machinery is more than ₹5 crore but does not exceed ₹10 crore.

Service Enterprises

- (i) *Micro Enterprises*— where the investment in equipment does not exceed ₹10 lakh.
 (ii) *Small Enterprises*— where the investment in equipment is more than ₹10 lakh but does not exceed ₹2 crore.
 (iii) *Medium Enterprises*— where the investment in equipment is more than ₹2 crore but does not exceed ₹5 crore.

Role of Small Business in India

1. Output generation
2. Generation of employment
3. Supply an enormous variety of products
4. Balanced regional development
5. Provide ample opportunity entrepreneurship
6. Advantage of low cost of production
7. Quick and timely decision-making

Role of Small Business in Rural India

1. Multiple source of income
2. Mobilisation of local resources
3. Prevent migration
4. Reduction in poverty unemployment and income inequalities
5. Accelerated industrial growth and creating employment potential in rural and backward areas

Government Agencies for Small-Scale Industries (SSIs)

National Small Industries Corporation (NSIC): It supplies indigenous and imported machines and raw materials to SSIs on easy hire-purchase schemes and exports the products of SSIs.

District Industrial Centres (DICs): They provide all the services and support facilities to the entrepreneurs for setting up small and village industries.

Incentives offered to the small scale industries in rural, backward areas

- (i) **Land**— Some states don't charge rent in the initial years, while some allow payment in instalments.
 (ii) **Power**— Power is supplied at a concessional rate of 50 per cent
 (iii) **Water**— Water is supplied on a no-profit, no-loss basis or with 50 per cent concession
 (iv) **Goods and Services Taxes (GST)**— Small industries with less than ₹20 lakh turnover are completely exempted.
 (v) **Finance**— Subsidy of 10-15 per cent is given for building capital assets.

Concept of Entrepreneurship Development

Entrepreneurship is defined as a systematic, purposeful and creative activity of identifying a need, mobilising resources and organising production with a view to delivering value to the customers, returns for the investors and profits for the self in accordance with the risks and uncertainties associated with business.

Characteristics of Entrepreneurship

1. Systematic Activity
2. Lawful and Purposeful Activity
3. Innovation
4. Organisation of Production
5. Risk-taking

Need for Entrepreneurship

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.

1. Contribution to GDP
2. Capital Formation
3. Generation of Employment
4. Generation of Business Opportunities for Others
5. Improvement in Economic Efficiency
6. Increasing the Spectrum and Scope of Economic Activities

Process Of Entrepreneurship Development

Opportunity Scouting: Entrepreneurial opportunities have to be actively searched for. One may rely on personal observation, discovery or invention.

Identification of Specific Product Offering: While the environment scan leads to the discovery of more generalised business opportunities, there is a need to identify a specific product or service idea.

Feasibility Analysis: The product offering idea must be technically feasible, that is it should be possible with the available technology to convert the idea into a reality. The idea must be financially viable as well.

Startup India Scheme

As per the notification dated February 17, 2017, issued by the Ministry of Commerce and Industry, a startup means:

- (i) An entity incorporated or registered in India.
- (ii) Not older than five years.
- (iii) Annual turnover does not exceed ₹25 crore in any preceding year.
- (iv) Working towards innovation, development or commercialisation of products/service/processes driven by technology or Intellectual Property Rights (IPRs) and patent.

Ways to fund startup

1. Boot Strapping
2. Crowd funding
3. Angel Investment
4. Venture capital
5. Business Incubators and Accelerators
6. Micro finance and NFBCs

Intellectual Property Rights (IPR)

Legal rights conferred on products (such as inventions, books, paintings, songs, symbols, names, images, or designs used in business, etc) are called 'Intellectual Property Rights' (IPR).

Intellectual property is divided into two broad categories:

- (i) **Industrial property**, which includes inventions (patents), trademarks, industrial designs and geographical indications.
- (ii) **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.

Why is IPR Important?

1. It encourages creation of new, path breaking inventions, such as cancer cure medicines. It incentivises inventors, authors, creators, etc., for their work.
2. 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.
3. It helps authors, creators, developers and owners to get recognition for their works.

Types of Intellectual Property Rights (IPR)

1. **Copyright:** Copyright is the right to "not copy". It is offered when an original idea is expressed by the creator or author. Copyright is a right conferred upon the creators of literary, artistic, musical, sound recording and cinematographic film.
2. **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.
3. **Geographical Indication (GI):** 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.
4. **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. 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.
5. **Design:** A 'design' includes shape, pattern, and arrangement of lines or colour combination that is applied to any article.
6. **Plant Variety:** Plant Variety is essentially grouping plants into categories based on their botanical characteristics.

Key Terms

Entrepreneurship is defined as a systematic, purposeful and creative activity of identifying a need, mobilising resources and organising production with a view to delivering value to the customers, returns for the investors and profits for the self in accordance with the risks and uncertainties associated with business.

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.

Intellectual Property Rights are legal rights conferred upon the creator/IP owner to prevent others from using the protected subject matter. It is a legal watch guard of knowledge.

Copyright is a right conferred upon the creators of literary, artistic, musical, sound recording and cinematographic film.

Trademark is any word, name, or symbol (or their combination) that lets us identify the goods made by an individual, company, organization, etc.

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.

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.

Self Assessment Test 1

Small Business and Entrepreneurship

Maximum Marks : 25

Time allowed : 1 hour

- Q.1 Which repository has been designed by our Indian Government to safe and wrongful patenting of our traditional knowledge? (1 mark)
- Q.2 Government of India opposed and won against a patent granted by US Patent Office in 1995 for a product for its wound healing properties, which was the product? (Choose the correct alternative) (1 mark)
- (a) Haldi (b) Dhaniya
(c) Antiseptic cream (d) None of these
- Q.3 Lalit is a great artist. He wants that none of his paintings should be copied without his permission. What should he do to do so? (1 mark)
- Q.4 Recipe of Coca Cola comes under which type of Intellectual Property Right? (Choose the correct alternative) (1 mark)
- (a) Trade secret (b) Patent
(c) Copyright (d) None of these
- Q.5 Explain briefly the following types of Intellectual Property Rights (IPR): (3 marks)
- (a) Patent (b) Trademark (c) Copyright
- Q.6 Give the classification of manufacturing enterprises in terms of investment in plant and machinery in accordance with the provisions of Micro, Small and Medium Enterprises Development Act, 2006. (3 marks)
- Q.7 State the role of small business in rural India by giving any four points. (4 marks)
- Q.8 What are the incentives provided by the Government for industries in backward and hilly areas? (5 marks)
- Q.9 Give the meaning of Intellectual Property Rights (IPR). Why is IPR important? (6 marks)

Self Assessment Test 2

Small Business and Entrepreneurship

Maximum Marks : 25

Time allowed : 1 hour

- Q.1 Yoga is a part of Indian traditional medicine system. If some other country wants to get it patented then can we challenge its copy? (1 mark)
- Q.2 Which agreement with WTO defines the role and importance of IPR? (1 mark)
- Q.3 Copyright is the right to 'not copy'. (True/False) (1 mark)
- Q.4 Which of the following are considered for protection as trademarks in some parts of the world but all not recognised as trademarks in India? (1 mark)
- (a) Smell & taste (b) Logo
(c) Label (d) Colour combination
- Q.5 Preet food Industries set up food and beverages processing plant in the rural area of Haryana and opted for labour intensive technique due to easy availability of labour and to provide employment to local people. Board of director decided to invest 50 lakhs to acquire plant & machinery, ₹1 crore to buy land, ₹20 Lakhs to buy raw material and ₹20 lakhs to maintain day to day expenses. (3 marks)
- (a) Name the Act of Industries which is applicable to the above industry.
(b) Which category of part (a) will the above industry come?
(c) State the investment limit in this category.
- Q.6 One day Ravi Dubey noticed his wife cleaning the refrigerator with vinegar and water. She was struggling to remove a stain. He got an idea of making wet tissue papers with good grade concentrates to solve the problem. Do you think startup India Scheme initiated by government will help him? How? (3 marks)
- Q.7 Describe the role of following in promotion of small industries in India. (4 marks)
- (a) National Small Industries Corporation (NSIC) (b) District Industrial Centres (DICs)
- Q.8 Explain the various ways to fund startups. (5 marks)
- Q.9 How do small-scale industries contribute to the socio-economic development of India, especially in rural areas? (6 marks)

Unit 7: Sources of Business Finance

Unit 8: Small Business and Entrepreneurship

Time allowed : 1 hour 30 min.

Maximum Marks : 40

- Q.1 Patent can only be filed to get rights over an invention and not discovery. (True or False) (1 mark)
- Q.2 ADR's are issued by
(a) USA
(c) India
(b) Canada
(d) Japan (1 mark)
- Q.3 Which of the following is fixed capital?
(a) Equity share
(c) Public deposit
(b) Debenture
(d) Retained earning (1 mark)
- Q.4 For how many years does a patents allows exclusive rights to the inventor?
(a) 10 years
(c) 20 years
(b) 15 years
(d) 25 years (1 mark)
- Q.5 Patent is a _____ monopoly. (Temporary/permanent). (Fill up the blank with correct answer) (1 mark)
- Q.6 A design comes in public domain after a period of 5 years. (True/False) (1 mark)
- Q.7 Give the classification of service enterprises in terms of investment in equipment in accordance with the provisions of Micro, Small and Medium Enterprises Development Act, 2006. (3 marks)
- Q.8 Board of Directors of "Bio Pure water Ltd." decides to set up its first unit in the hilly area of Himachal Pradesh. The company requires ₹3 crores for it and ₹50 Lakhs for working capital. The company has earn marked 15% of its profit for Educational and Health needs of its employees and their family members.
(a) The above company comes under which category as per MSMED Act 2006?
(b) Write any one commercial reason for setting up of unit in the hilly region.
(c) According to you, what are the options available to the company for meeting its long term and short term needs? (3 marks)
- Q.9 Mr. Arun has retired from his Govt. Job. He wants a part of his savings to invest in some company. He want a fixed and regular income without any risks.
Name the type of shares in which he should invest. State any two features of such shares. (3 marks)
- Q.10 'Rudra Limited' is a successful company dealing in shoe making. Though it has enough reserves yet the directors of the company opted for debentures as a source of finance. Is the decision right? Give reasons to support your answer. (4 marks)
- Q.11 Discuss the features of the Startup India Scheme of the Government of India. (4 marks)
- Q.12 Explain the role of small business in rural India. (5 marks)
- Q.13 Give the meaning of Entrepreneurship. State any five characteristics of entrepreneurship. (6 marks)
- Q.14 Rajan wants to start a business unit manufacturing Khadi items. His friend who makes craft items, suggests him to start-scale industrial unit in some rural, backward area since the government is offering various incentives to small-scale industries.
(a) Explain any four incentives offered by the government for small-scale industries.
(b) Name two institutions set up by the government of India to promote small scale industries in rural India. (6 marks)

Check List to Objective Type Questions

1. (b)
2. (c)
3. (b)
4. (d)
5. (d)
6. (c)
7. (a) Calculated risks
8. (d) Day to day conduct of business
9. (c) Video games
10. (c) Darjeeling tea
11. (d) All the above
12. False: Only traditional small industries (Handlooms, Handicrafts, etc.) are highly labour-intensive while modern small industries (small-scale industries and powerlooms) make use of highly sophisticated machinery and equipment to produce simple items (e.g., plastic and rubber goods) as well as sophisticated items (e.g., TV, calculators).
13. False: The Government of India had defined small industries on the basis of investment in plant and machinery and equipment.
14. False: For small-scale manufacturing enterprises – investment above ₹25 lakh and up to ₹5 crore. For small-scale service enterprises – investment above ₹10 lakh and up to ₹2 crore.
15. Investment in plant and machinery (excluding land and buildings)
16. Investment in equipment.
17. Above ₹5 crore and up to ₹10 crore.
18. Up to ₹10 lakh.
19. 95%.
20. District Industrial Centre (DIC).