



# **ROHINI**

**COLLEGE OF ENGINEERING & TECHNOLOGY**

## UNIT-V

### SUPPORT TO ENTREPRENEURS.

#### Small Scale Industry (SSI):

A SSI is an industry with investment limit up to Rs. 5 Crores in plant & machinery.

#### Types of SSI:

1. Manufacturing Industries
2. Feeder Industries
3. Servicing Industries
4. Ancillary to large Industries
5. Mining (or) quarrying:

#### Characteristics of SSI:

- a) A small scale industry is generally a one-man show.
- b) SSI has lesser gestation period.
- c) Small industrial undertakings is

generally localised catering to the regional demands.

d) Small industries are fairly labour intensive with comparatively smaller capital investment.

### Classification of SSI:

1. Employment Argument.
2. Equality argument.
3. Decentralisation Argument.
4. Latent Resources Argument.

### Objectives of SSI:

a) To generate immediate and large scale employment opportunities with relatively low investment.

b) To ensure more equitable distribution of financial income.

c) To improve the local quality of living of people in the country.

Economic development:

They are two types,

a) Internal growth strategy.

b) External growth strategy

(i) Expansion

(ii) Diversification

(iii) Joint Venture

(iv) Mergers

(v) Sub Contracting

(vi) Franchising

Problems of SEI:

1. Problem of Raw-material

2. Problem of finance

3. Problem of Marketing

4. Problem of under-utilisation of Capacity

5. Problem of technology.

6. Problem of managerial skills.

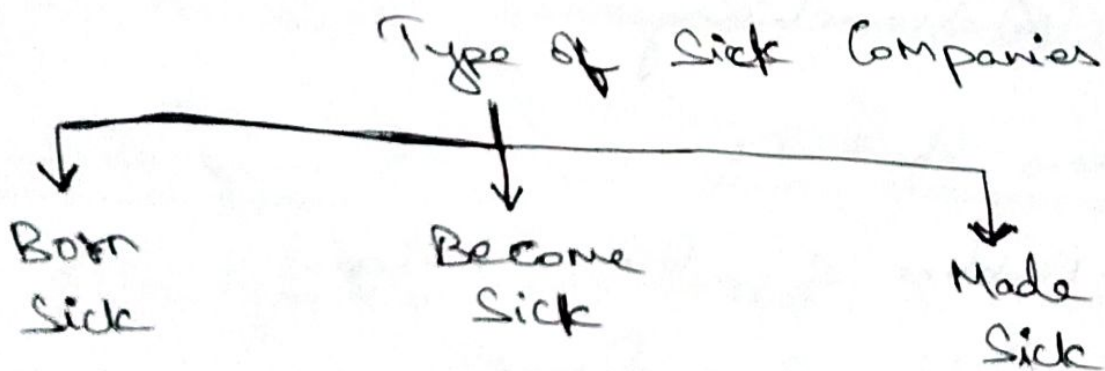
## Industrial Sickness:

An industrial unit tends to show signs of financial distress starting with

- a) short-term liquidity problems.
- b) Revenue losses.
- c) Operating losses.
- d) Moving in the direction of over use of external credit.

1. External  
2. Exter  
1. Int

## Type of Sick Companies:



## Causes of Small Scale Industrial Sickness:

The causes which are responsible for industrial sickness in India, are broadly classified into;

1. Internal Causes

2. External causes

### 1. Internal Causes:

- a) Mismanagement
- b) Wrong location of a unit
- c) Overestimation.
- d) Faculty planning
- e) Defective selection
- f) Adoption of obsolete Technology
- g) Poor Implementation of Projects.
- h) Poor Inventory Management.
- i) Unassorted expansion and diversion of resources.
- j) Failure to modernise.
- k) Poor labour management Relationship.
- l) Incompetent Entrepreneurs.

## 2. External Causes:

- a) Energy crisis.
- b) Irregular supply of inputs.
- c) Infrastructural problems.
- d) Shortage of working capital
- e) Recession.
- f) Artificial Economic constraints.
- g) Official (or) government policy.

## Consequences of small scale Industries

### Sickness:

1. Adverse impact on Society
2. Fear of Industrial unrest.
3. Wastage of resources.
4. Adverse impact on related units.
5. Adverse effect on investor & Entrepreneur.
6. Losses to banks & financial Institution.
7. Losses of revenue to government.

## revival Measure / Remedial measures for

### Sickness:

\* SSI Sickness is a serious of Problem faced by the Country at Present.

\* This affected the health of industries working under both public and private sector.

\* So various incentives, Concessions, doles etc, has been offered to these Sick units for their revival.

These measures for revival and rehabilitation are discussed below,

### 1. Measures taken by Banks:

In order to revive and rehabilitate the sick industrial units, the Commercial bank grants



Various Concessions to these units includes,

\* correct side.

1. Granting additional working capital.
  2. Recovery of interest at reduced rate
  3. Freezing a part of understanding in the accounts of these units.
  4. Side industrial undertaking cell.
  5. State level inter institutional Committees.
- b. Defining the special cell within rehabilitation finance division of IDBI.

## 2. Measures taken by Government:

\* Administrators and ministers in government have been given specific responsibility for taking remedial action and preventing industrial sickness.

\* Corrective action for preventing incipient sickness, the financial institution will strengthen the monitoring system.

\* In order to nationalise the undertaking, the management of the unit may be taken over under the provisions of Industries.

3. Concessions Provided by the government:

Certain concessions are;

\* Tax benefit to healthy unit who take over sick units for its revival.

\* Intro of margin money scheme for revival of sick units.

~~4. Introduction~~

4. Industrial Investment Bank of India (IIBI):

To receive and rehabilitate

Sick units government set up the ICI  
with its authorised capital of 45 for economic growth.

### 5. steps for early detection of sickness:

\* Giving advice to the banks in respect of any industrial unit.

\* Monitoring certain industries through its standing committees.

### Excise loan:

It is introduced to government in Oct 1989, the grant of excise loan to weak and sick industrial units.

### Magnitude of Sickness:

\* The extent of the problem of sickness of Indian Industry has

11  
seen growing in serious proportion  
economic survey 1989-90.

\* Growing incident of sickness has been  
one of the persisting problems faced  
by the industrial sector of the country.

\* Sickness in industries such as  
mostly textile, electrical, iron and steel,  
engineering and chemicals.

\* Small Scale Sector companies play  
a major role in the development of  
economy.

\* It will help the economy to  
create employment, development of  
entrepreneurial skills for gaining  
export earnings.

# Government Policies for development

## Promotion of small scale enterprises.

Equity  
and

The policies are given below;

1. Industrial Policy Resolution (IPR) 1948
2. Industrial Policy Resolution (IPR) 1956.
3. Industrial Policy Resolution (IPR) 1977.
4. Industrial Policy Resolution (IPR) 1980.
5. Industrial Policy Resolution (IPR) 1990.

### Important features of this policy:

- a) SSI were exempted from licensing for all articles of manufacture.
- b) The investment limit for tiny enterprises was raised to Rs. 5 lakhs irrespective of location.

c) Equity Participation by other industrial undertaking was permitted up to a limit of 24 percent of shareholding in SSI's.

d) factoring services were to launch to solve the problem of delayed payments to SSI's.

e) Priority was accorded to small and tiny units in allocation of indigenous and raw materials.

f) Market promotion of products was highlighted through co-operatives, public institutions and other marketing agencies and co-operations.

## Contemporary Policy Measures for Small

### Scale and Cottage Industries:

1. Comprehensive Policy Package for Small Scale and tiny sector, 2000;
2. Industrial Policy Packages for Small - scale Industries, 2001-02.
3. Policy Package for small and medium enterprises 2005-06.
4. Enactment of Micro, Small and Medium Enterprises Development Act, 2006.
5. North East Industrial and Investment Promotion Policy, 2007.

## Growth Strategies in Small Industry:

15

\* A successful new entry provides the opportunity for the entrepreneur to grow his (or) her business.

\* Introducing new product to an existing market provides the opportunity to take market share from competitors, entry into a new market provides the opportunity to service a new group of customers and a new organisation has a chance to make, and build upon on its first sales.

### Objectives of growth:

\* Growth ensures the survival of the business even in adverse and hard times.



\* The big size of business facilitates the use of technology

\* The benefits of business motivate a small enterprise to grow bigger.

\* The personal factor of the entrepreneurs also led the growth of business.

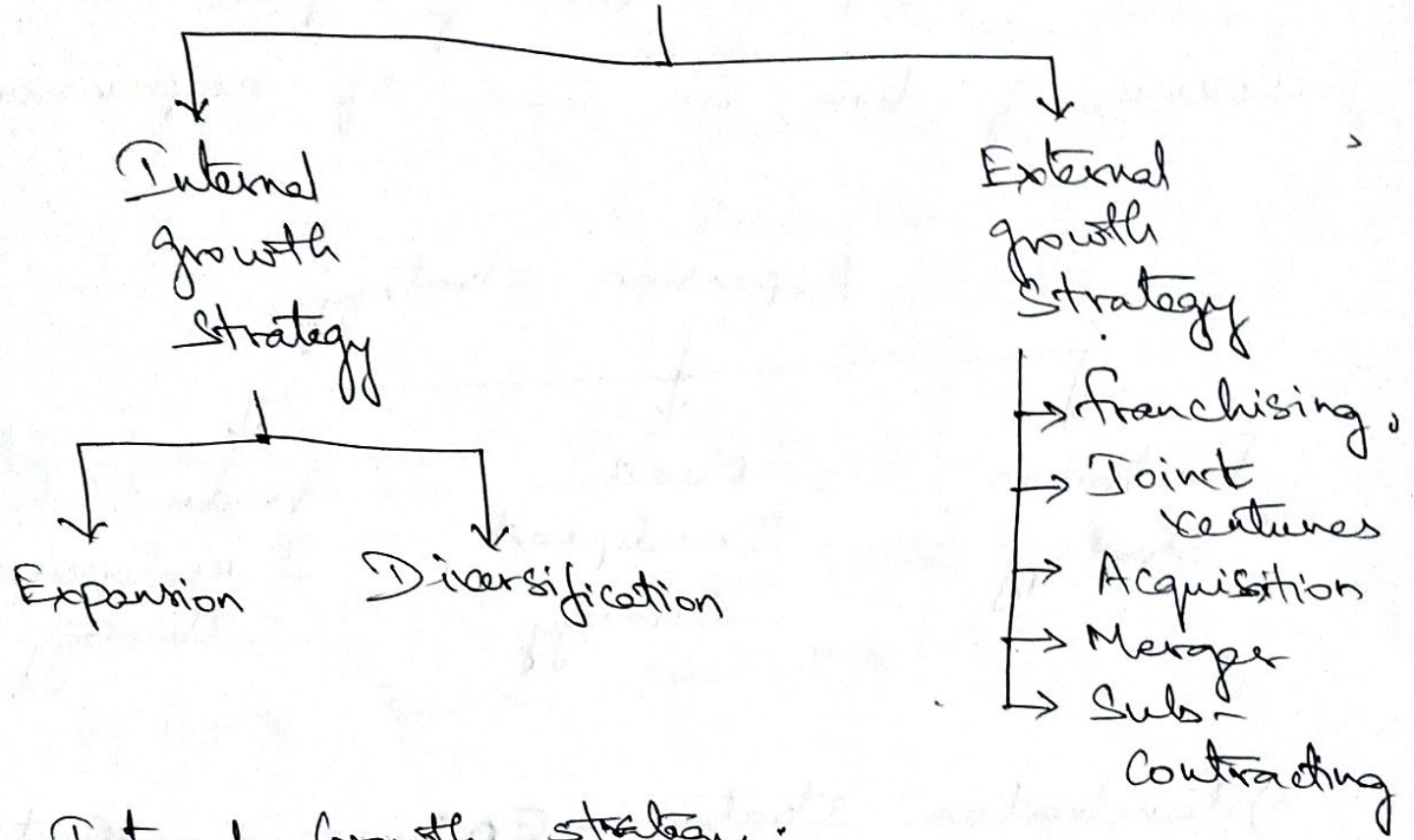
### Stages of Growth:

1. Start up
2. Growth
3. Expansion
4. Maturity
5. Decline.

Work

Types of growth strategies:

Growth strategy



Internal Growth strategy:

- a) Expansion.
- b) Diversification.

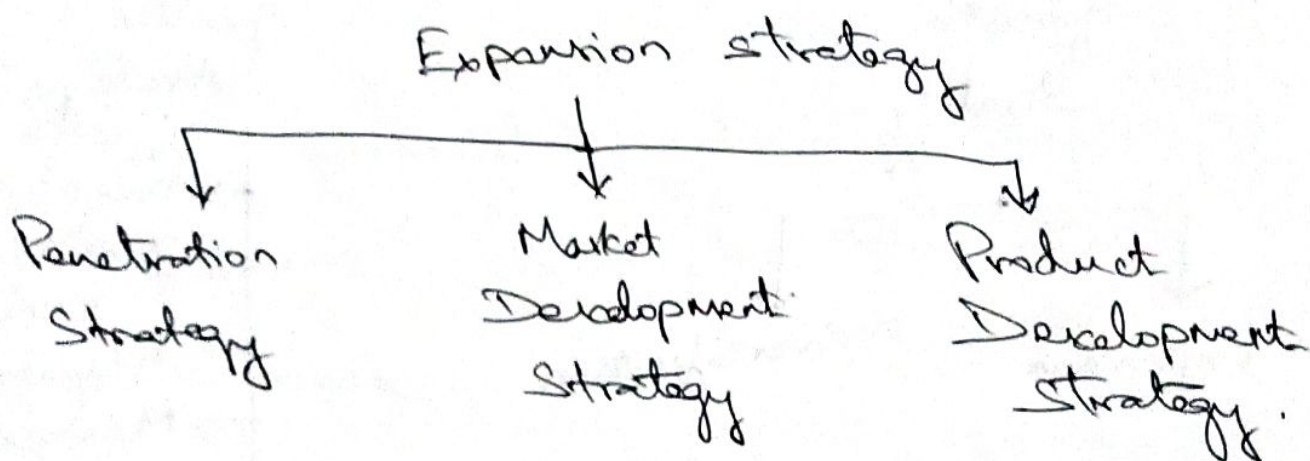
a) Expansion strategy:

\* It is one of the forms of internal growth of business.

\* It means enlargement (or)

increase in the same line of activities

\* Expansion is a natural growth of business enterprise taking place in course of time, in case of expansion,



a) Penetration strategy - Encouraging repeat purchase.

b) Market Development strategy - Selling the firm's existing product to new customer groups

a) New geographical market

b) New Demographic market.

c) New Product use.

28  
9

Product

Product Development Strategy - growth  
 involve developing and  
 selling new products to  
 people who are already  
 purchasing the firm existing  
 products.

b) Diversification Strategy:

\* It involves selling a new  
 product to a new market.

Types of Diversification:

- a) Backward Integration
- b) forward Integration
- c) Horizontal Integration.

Value added Chain for Product-I

Raw Material



Raw material  
Wholesaler



Manufacturer



Finished goods  
Wholesaler



Retailer



Customer

Backward  
Integration



Value added Chain for Product-II

Raw material



Raw material  
Wholesaler



Manufacturer



Finished goods  
Wholesaler



Retailer



Customer

Horizontal



Forward  
Integration



External growth strategy:-

The growth strategy in small industry can be achieved by using external strategy.

The external strategy are,

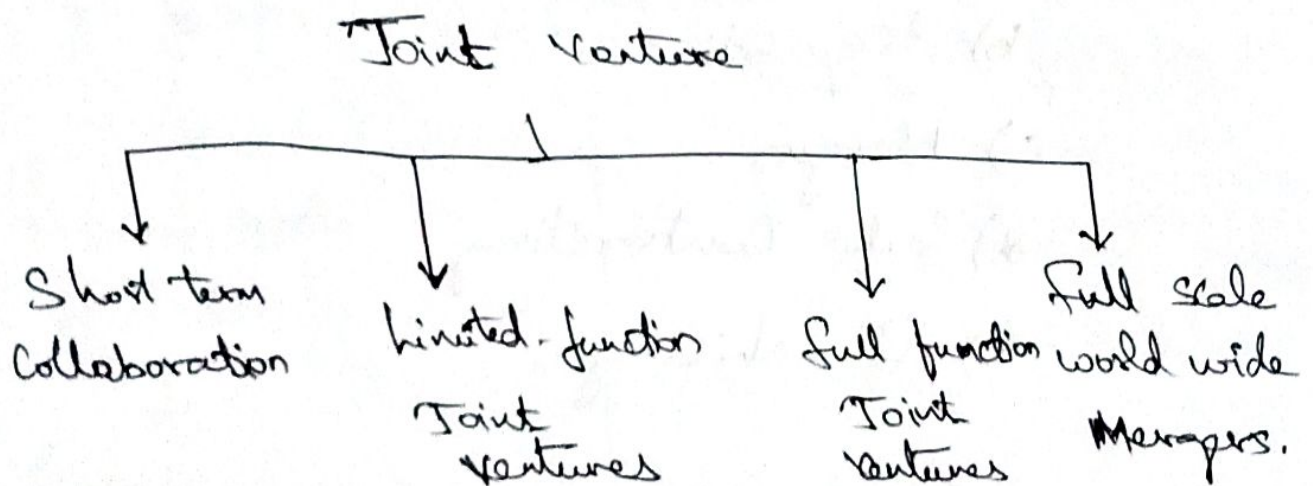
- a) Joint Ventures.
- b) Acquisition
- c) Mergers
- d) Sub-Contracting.
- e) Franchising.

a) Joint Ventures :

"A joint venture involves two (or) more business pooling their resources and expertise to achieve a Particular goal".

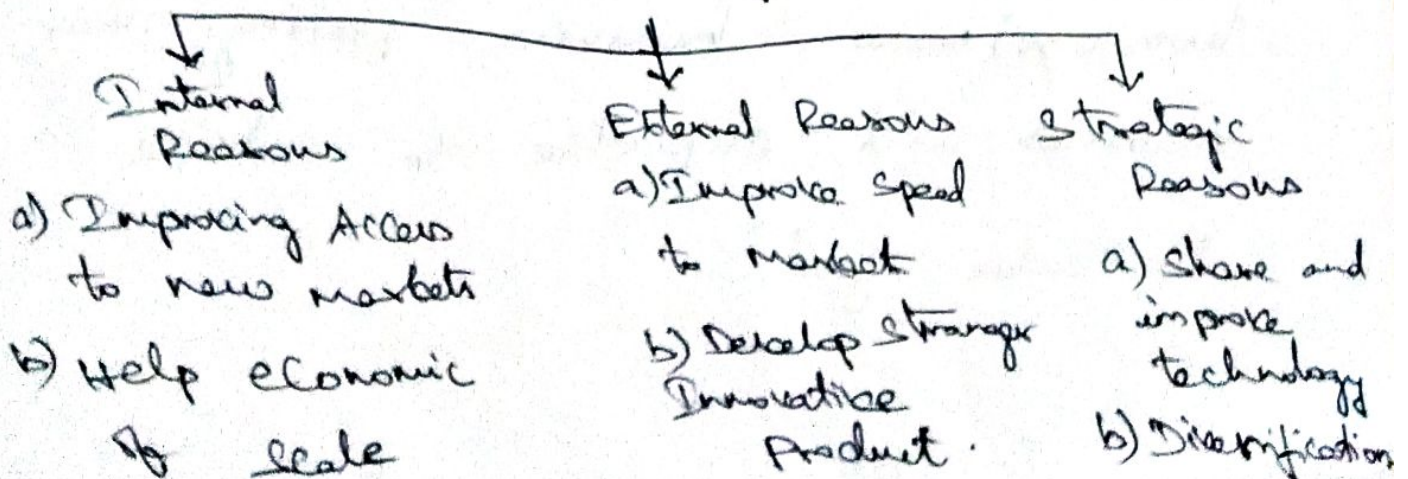
"A joint venture is a strategic alliance where two (or) more people (or) companies agree to contribute goods, service and capital to a common commercial enterprise".

### Types of Joint Ventures:



### Reasons for Joint Ventures:

#### Reasons for Joint Ventures



## Joint Ventures vs Partnership:

\* Joint Venture have teamed together for a particular purpose (or) project.

\* Partnership have joined together to run "a business in common."

## Acquisition:

\* Entrepreneur can expand the venture is by acquiring an existing business.

\* Acquisition provide an excellent means of expanding a business by entering new markets (or) new product areas.

\* An acquisition is the purchase of an entire company (or) part of a company.



## Merger:

\* "A merger (or) a transaction involving two (or) possibly more, companies in which only one company survives" is another method of expanding a venture.

\* Merger motivation ranges from survival of protection and diversification to growth.

## Types of Merger:

- a) Horizontal Merger
- b) Vertical Merger
- c) Conglomerate Merger

Horizontal Merger - The purpose is diminution (or) reduction in competition, putting an end to price cutting, economies of sale in production, research and development, marketing and management etc.

vertical merger  
which

Vertical Merger - upstream from and  
~~Down~~ stream happens.

upstream - extends to the suppliers of raw materials and in the case.

Downstream - It extends to those firms that sell eventually to the consumer.

Conglomerate Merger - a type of combination which a firm established in one industry which combines with another firm in another unrelated industry.

Reasons for Merger:

- a) Economics of Scale.
- b) Diversification of Risk
- c) Growth
- d) Reduction in tax liability.
- e) To increase market power and to kill competition.
- f) financial Synergy.
- g) Corporate Restructuring.
- h) financial Consideration in Merger.

## Sub-Contracting:

\* Sub-contracting is a type of work contract that seeks to outsource certain types of work to other companies.

\* Sub-contracting is done when the general contractor does not have the time (or) skills to perform certain tasks.

## Franchising:

Franchising is as "an arrangement whereby the manufacturer (or) sole distributor of a trade marked product (or) service gives exclusive rights of local distribution to independent retailers in return for their payment of royalties and conformance

# standardised operating Procedures?

## Franchiser:

The person offering the franchise is known as the franchiser.

## Franchisee:

The franchisee is the person who purchases the franchise.

## Types of franchising:

1. Territorial franchise

\* city (or) state (or) country.

2. Operating franchise:

\* Independent business

3. Mobile franchise

\* selling products from a moving vehicles.

4. Distributorship

\* geographical area for distributing the products.

5. Co-ownership:

Franchiser and franchisee share the investment and form partnership.

6. Co management:

→ Share Profit Proportionately

7. Leasing:

→ lease the land, building, equipments.

8. Licensing:

Licence to use the franchiser's trademarks and business techniques.

9. Manufacturing:

Licence to manufacture and distribute the franchiser's product.

10. Service:

Franchiser provide a pattern of Professional service which a franchiser Supplier.

Share for

Franchiser:

Franchising transactions can involve different levels in the manufacturing and distribution of goods and services.

There are four types of franchises;

- a) Manufacturers and Wholesalers.
- b) Manufacturers and Retailers
- c) Wholesalers and Retailers.
- d) Retailers and Retailers.

Franchise Agreement:

A franchise agreement should provide details about the following;

1. Premises
2. Legal Requirements
3. Building and Construction
4. Equipment
5. Signs.

b. operation.

7. Book-keeping finance and organisation.

8. General Information.

9. Organisation

10. others  $\rightarrow$  Job descriptions, Position, Reporting level, Common responsibilities and Managerial Duties.

3,4/5 units ok

Note: Should Arrange Half Day Workshop / guest lecture  
(EDC Govt coll Konam) people and file it.

~~21/12/2019~~

~~21/12/19~~