

VEER NARMAD SOUTH GUJARAT UNIVERSITY

S.Y. BBA-SEM -IV

SUBJECT: 402- Management of MSME

Unit-1 Introduction to Small Scale Industries and Enterprise

(35%)

Concept and definition of Micro, Small and Medium enterprise, Registration Process of MSMEs, Evolution of MSME, Objectives and characteristics of MSMEs, Scope and trends of small enterprises in India, Small Business - The Driving force for National Growth, Types of Enterprises.

MSME – An Introduction

MSME stands for Micro, Small, and Medium Enterprises. Headquartered in New Delhi, the Ministry of MSME is a branch of the Indian Government, which is the apex body for the formulation and administration of rules, and laws, pertaining to micro, small, and medium-sized enterprises in the country.

Having created 11 crore job opportunities in India while contributing to the GDP by 29%, we can say that MSMEs are the heart of the Indian economy.

MSME definition

On 13th May 2020, Wednesday, the center officially revised the MSME definition.

In October 2019, Union Minister Nitin Gadkari had said that the revised definition of micro, small, and medium enterprises may grant a unified description for all things related to taxation, investment, and more. The changed definition was to be implemented via an amendment that would further refine the business scenario for Indian enterprises. The Union Cabinet had approved the amendment to change the criteria to classify MSMEs from “**investment in plant and machinery**” to “**annual turnover**.”

On 13th May 2020, Finance Minister Nirmala Sitharaman added the additional principle of turnover along with the investment.

MSME definition from 2006 to 2020 was changed as mentioned below in the table.

Table 1: A comparison of criteria used for defining MSMEs

	2006 Act		2015 Bill		2018 Bill	Cabinet (June 2020)
Criteria	Investment		Investment		Turnover	Investment and Turnover
Type	Manufacturing	Services	Manufacturing	Services	Both	Both
Micro	Up to Rs 25 lakh	Up to Rs 10 lakh	Up to Rs 50 lakh	Up to Rs 20 lakh	Up to Rs 5 crore	Investment: Upto Rs 1 crore Turnover: Upto Rs 5 crore
Small	Rs 25 lakh to Rs 5 crore	Rs 10 lakh to Rs 2 crore	Rs 50 lakh to Rs 10 crore	Rs 20 lakh to Rs 5 crore	Rs 5 crore to Rs 75 crore	Investment: Rs 1 crore to Rs 10 crore Turnover: Rs 5 crore to Rs 50 crore
Medium	Rs 5 crore to Rs 10 crore	Rs 2 crore to Rs 5 crore	Rs 10 crore to Rs 30 crore	Rs 5 crore to Rs 15 crore	Rs 75 crore to Rs 250 crore	Investment: Rs 10 crore to Rs 50 crore Turnover: Rs 50 crore to Rs 250 crore

Sources: MSME Development 2006 Act, MSME Development Amendment Bills 2015 and 2018, PIB update on cabinet approval; PRS.

LATEST 2020 DEFINITION OF MSME: (AS MENTIONRD IN ABOVE TABLE)

Define MSME. (2 marks)

MSME means Micro, Small and Medium Enterprise. It is defined as under.

- (i) a micro enterprise, where the investment in Plant and Machinery or Equipment does not exceed one crore rupees and turnover does not exceed five crore rupees;
- (ii) a small enterprise, where the investment in Plant and Machinery or Equipment does not exceed ten crore rupees and turnover does not exceed fifty crore rupees;
- (iii) a medium enterprise, where the investment in Plant and Machinery or Equipment does not exceed fifty crore rupees and turnover does not exceed two hundred and fifty crore rupees.

Inception of MSMEs OR Filing of Entrepreneurs Memorandum

Memoranda means a form that is required to register MSMEs. Businesses who want to avail benefits announced by the Government for MSMEs will need to register their business on the ‘Udyog Aadhaar Memorandum (UAM) portal’. The registration process is quite simple and free for every user.

a. MSME Udyam Registration Procedure

- It is an online process and application is required to be filed on official Udyam Registration portal which is www.udyamregistration.gov.in
- As per the official webpage of the ministry, some other domains are also diverted to above portal. These are – <https://msmereregistration.gov.in>, <https://udyam.gov.in>, udyamregistration.co.in,

udyamregistration.biz, udyamregistration.com, udyamregistration.in, udyamregistration.org, udyamregistration.info

- Any enterprise falling under any of the category of Micro or Small or Medium Enterprise and want to avail benefits as provided to MSME under MSMED Act & by the Government from time to time is required to get itself registered.
- Registration is required by both New as well as Existing registered enterprises.
- One of the basic requirement for registration is Aadhaar number.
- Depending upon the constitution of the enterprises, Aadhaar number of Proprietor / Managing Partner / Karta is required.
- In case where the applicant enterprise is a Company or LLP or Cooperative Society or Society or Trust, PAN & GSTIN is mandatory along with Aadhaar number of its authorized signatory
- Any number of activities, whether manufacturing or services or both, can be included in same registration.
- Registration Form is a self-declaration basis with no requirement to upload the documents, papers, certificates or proof. However it is highly advisable that only correct data should be provided for all the information sought in the Form otherwise penal consequences will follow.
- On registration, an enterprise (referred to as “Udyam” in the Udyam Registration portal) is assigned a Permanent Identity Number known as “Udyam Registration Number”.
- On completion of successful registration process an e-certificate, namely, “Udyam Registration Certificate” is issued.
- There is no fee to be deposited for filing Udyam Registration
- One enterprise can file only one registration.
- In case where enterprise is registered with PAN, any deficiency or information of previous years when it did not have PAN shall be filled up on self-declaration basis.

b. MSME Udyam Registration of Existing Enterprises

- Now that definition of MSME has been changed w.e.f 1st July, 2020, it is specifically provided that all the existing registered enterprises are required to get themselves registered as Udyam on Udyam Registration Portal
- So all the existing enterprises registered under EM-Part-II or UAM (Udyog Adhaar Memorandum) have to register again under Udyam Registration
- Validity of Existing Registration: All those existing enterprises registered till 30th June, 2020, shall continue to be valid only for a period up to the 31st March, 2021. Therefore

these enterprises have to get themselves registered under Udyam Registration on or before 31st March, 2021.

- Reclassification: All those existing enterprises are reclassified in accordance with this notification.
- An enterprise registered with any other organization under the Ministry of Micro, Small and Medium Enterprises also have to register itself under Udyam Registration.

c. Process of Registration of an MSME Online

Businesses who want to avail benefits announced by the Government for MSMEs will need to register their business on the 'Udyog Aadhaar Memorandum (UAM) portal'. The registration process is quite simple and free for every user. Follow the below steps to register your business online:

Follow the below steps to register your business online:

1. Visit the UAM portal where you will be required to fill a form.
2. If you are registering your business as an MSME for the first time, click on the first link on the page.



3. Enter the Aadhaar Number and Name and click on 'Validate & Generate OTP'.

सूक्ष्म, लघु और मध्यम उद्यम मंत्रालय
Ministry of Micro, Small Medium Enterprises

Home NIC Code Useful Documents Print / Verify Update Details Login

UDYAM REGISTRATION FORM - For New Enterprise who are not Registered yet as MSME

Sample form for registration with PAN YES / Sample form for registration with NO PAN

Aadhaar Verification With OTP

1. Aadhaar Number/ आधार संख्या
Your Aadhaar No

2. Name of Entrepreneur / उद्यमी का नाम
Name as per Aadhaar

- Aadhaar number shall be required for Udyam Registration.
- The Aadhaar number shall be of the proprietor in the case of a proprietorship firm, of the managing partner in the case of a partnership firm and of a karta in the case of a Hindu Undivided Family (HUF).
- In case of a Company or a Limited Liability Partnership or a Cooperative Society or a Society or a Trust, the organisation or its authorised signatory shall provide its GSTIN and PAN along with its Aadhaar number.

☒ I, the holder of the above Aadhaar, hereby give my consent to Ministry of MSME, Government of India, for using my Aadhaar number as allotted by UIDAI for Udyam Registration. NIC / Ministry of MSME, Government of India, have informed me that my aadhaar data will not be stored/shared. / मैं, आधार धारक, इस प्रकार उद्यम पंजीकरण के लिए यूआईआईआई के साथ अपने आधार संख्या का उपयोग करने के लिए यूएमएमएसएमई मंत्रालय, भारत सरकार को अपनी सहमति देता हूँ। एनआईसी / यूएमएमएसएमई मंत्रालय, भारत सरकार ने मुझे सूचित किया है कि मेरा आधार डेटा संग्रहीत / साझा नहीं किया जाएगा।

Validate & Generate OTP

4. Once verification is done, you will have to fill in the PAN details. You can select the No option if you don't have a PAN card yet.

PAN Verification

3. Type of Organisation / संगठन के प्रकार
1. Proprietary / एकल स्वामित्व

4. Do you have PAN?
☐ Yes ☒ No

Next

Please fill-in all the fields in the form on 'Self declaration basis'. Having PAN and GSTIN is mandatory for Udyam Registration from 01.04.2021. You are advised to apply for GSTIN immediately and update on this website by 31.03.2021, so as to continue with Udyam Registration from 01.04.2021

The enterprises having exports and wanting to avail of the benefits accruing to the MSME sector must provide their PAN. Having PAN would be made mandatory even otherwise for all, with effect from 01.04.2021.

5. Post this, you will have to fill the form having field numbers 5-24.

5. Name of Entrepreneur as per PAN/Aadhaar (If enterprise does not have PAN)
 SANJIV KUMAR

6. Mobile Number / मोबाइल नंबर +91-

7. Email / ईमेल

Categorization of ownership of the MSMEs on the basis of %age Share/Member/Contribution of amount

Sl. No.	Hindu Undivided Family (HUF)	Partnership (By Share)	Co-Operative (By Member)	Private Limited Company (By Share)	Public Limited Company (By Share)	Self Help Group (By Contribution)	Society (By Member)	Trust (By Contribution)
OBC	As per the category	51%	51%	51%	51%	51%	51%	51%
SC	As per the category	51%	51%	51%	51%	51%	51%	51%
ST	As per the category	51%	51%	51%	51%	51%	51%	51%
Women	If she is Karta	51%	51%	51%	51%	51%	51%	51%

8. Social Category / सामाजिक वर्ग
☒ General / सामान्य ☐ SC / अनुसूचित जाति ☐ ST / अनुसूचित जनजाति ☐ OBC / अन्य पिछड़ा वर्ग

9. Gender / लिंग
☒ Male / पुरुष ☐ Female / स्त्री ☐ Others / अन्य

6. At the end of the form, an OTP request will be sent to your phone again. Enter the OTP and verification code to submit the form successfully.

24. District Industries Centre / जिला उद्योग कार्यालय

1.DELHI / दिल्ली

☒ I hereby declare that information given above are true to the best of my knowledge. For any information, that may be required to be verified, proof/evidence shall be produced immediately before the concerned authority. / मैं एतद्वारा घोषणा करता हूँ कि उपर्युक्त सूचना मेरी जानकारी में सही है। कोई सूचना जिसको सत्यापित किया जाना अपेक्षित हो, उसे संबंधित प्राधिकारी के समक्ष तत्काल उपलब्ध कराया जाएगा।

*Enter One Time Password(OTP) Code

*Verification Code / सत्यापन कोड :

YKV1 VZ 

[Code is case sensitive]

One Time Password (OTP) code has been sent to your mobile

7. After successful registration, a “Thank You” message will appear with a Registration

Number. Keep that number handy for future

Thank you for visiting Udyam Registration Portal



Thank you for visiting Udyam Registration Portal of Ministry of MSME. Your Registration Number is **UDYAM-DL-02-0000402**.

You are also informed that PAN and GSTIN Number are mandatory for Udyam Registration from 01.04.2021. You are advised to apply for PAN and GSTIN Number immediately and update the same on this website by 31.03.2021, to avoid suspension of Udyam Registration.

[Print](#) [Home](#)

8. Once the application form is submitted, it can take 2-3 days for the approval and registration to complete.
9. If the application gets approved, the registration will be done and the MSME certificate will be delivered to you via email.

Please note that the MSME registration on the government portal is free of cost.

How to register an MSME without Aadhaar Card?

According to the section-3 act, the applicant who doesn't have an Aadhaar card, UAM registration shall be filed by the respective DIC or MSME-DE for the enterprise or business, till the time the individual receives the Aadhaar.

Meanwhile, the individual can provide the below documents as an alternative for identification.

- Aadhaar enrolment copy
- Aadhaar enrolment request copy
- Anyone of the following: Voter Id, passport, driving license, PAN card, employee ID, and bank passbook

Benefits of MSME registration

Registration of MSME is not mandatory. If you choose to register, then your business can enjoy an excise exemption scheme from direct taxes, avail special schemes from banks custom made for MSMEs and many more.

Also, registered businesses with an MSME certificate will benefit from various government departments, including electricity.

Here are some of the benefits:

- Lowest interest rates on bank loans
- Avail tax rebates customised for MSMEs credit for Minimum Alternate Tax (MAT)
- Very easily accessible credit for MSMEs
- Reimbursement of ISO Certification
- Avail special rebates and concessions on patents and industry set-ups
- One time settlement fee for the amount unpaid
- Government preference to MSMEs
- Concession in electricity bills
- Get credit guarantee schemes from the Government
- Special consideration on International Trade fairs
- Bar code registration subsidy
- Support from your state government

Documents required for MSME registration

- Aadhar number
- PAN number
- Address of the business
- Bank account number
- The basic business activity
- NIC 2-digit code (National Industrial Classification)
- Investment details (Plant/equipment details)
- Turnover details (as per new MSME definition)
- Partnership deed
- Sales and purchase bill copies
- Copies of licenses and bills of purchased machinery

EVOLUTION OF MSMEs

From small scale industries to MSMEs

Micro, Small and Medium Enterprises (MSMEs) in India have evolved considerably since independence. From being referred to merely as the Small-Scale Industries (SSI) sector in the 60s and 70s, the MSME sector has progressed in scale and in the scope of business activities over the years.

The MSME sector remains a key driving force for India's complete transition from an agrarian economy to an industrialised one.

The basis of distinction between the large-scale, medium-scale and small-scale industries is generally the size, capital resources and labour of the individual unit. The Micro, Small and Medium Enterprises (MSME) sector has been recognized as engine of growth all over the world.

The definition of a small-scale unit has evolved over the years and has undergone through a number of modifications as depicted in below table.

YEAR	INVESTMENT LIMITS			ADDITIONAL CONDITIONS
1950	Upto Rs 5 lacs in fixed assets			Less than 50/100 persons with or without power
1960	Upto Rs 5 lacs in Plant & Machinery			No condition
1966	Upto Rs 7.5 lacs in Plant & Machinery			No condition
1975	Upto Rs 10 lacs in Plant & Machinery			No condition
1980	Upto Rs 20 lacs in Plant & Machinery			No condition
1985	Upto Rs 35 lacs in Plant & Machinery			No condition
1991	Upto Rs. 60 lacs in Plant & Machinery			No condition
1997	Upto Rs 100 lacs in Plant & Machinery			No condition
1999	Upto Rs 300 lacs in Plant & Machinery			No condition
2006 MSMED ACT	Classification of enterprises based on investment in Pant & Machinery and Equipment			
	Type of enterprise	Manufacturing Sector	Service Sector	
	Micro	Upto Rs 25 lakhs	Upto Rs 10 lakhs	
	Small	Rs 25 lakhs to Rs 5 crore	Rs 10 lakhs to Rs 2 crore	
	Medium	Rs 5 crore to Rs 10 crore	Rs 2 crore to Rs 5 crore	
2015 MSMED AMENDMENT BILL	Classification of enterprises based on investment in Pant & Machinery and Equipment			
	Type of enterprise	Manufacturing Sector	Service Sector	
	Micro	Upto Rs 50 lakhs	Upto Rs 20 lakhs	
	Small	Rs 50 lakhs to Rs 10 crore	Rs 20 lakhs to Rs 5 crore	
	Medium	Rs 10 crore to Rs 30 crore	Rs 5 crore to Rs 15 crore	
2018 MSMED AMENDMENT BILL	Classification of enterprises based on Turnover for both Manufacturing and Service Enterprises			

	Type of enterprise	Annual Turnover		
	Micro	Upto Rs 5 crore		
	Small	Rs 5 crore to Rs 75 crore		
	Medium	Rs 75 crore to Rs 250 crore		
2020 CABINET	Updated definition June 2020			
	Type of enterprise	Investment	Annual Turnover	
	Micro	Upto Rs 1 crore	Upto Rs 5 crore	
	Small	Rs 1 crore to Rs 10 crore	Rs 5 crore to Rs 50 crore	
	Medium	Rs 10 crore to Rs 50 crore	Rs 50 crore to Rs 250 crore	

Apart from the above, in 1977, small units with a capital investment up to Rs. 1 lakh each (Raised to Rs. 2 lakhs in July 1980) in plant and machinery and located in small towns and villages, were singled out as units belonging to the tiny sector. Since the 1970s, a separate mention of ancillary units has been made. The ceiling on capital investment in ancillaries was Rs. 15 lakhs in 1974. This was raised to Rs. 25 lakhs in 1980 & to Rs. 45 lakhs in March 1985.

OBJECTIVES OF MSME

- To create more employment opportunities.
- To help develop the rural and less developed regions of the economy.
- To reduce regional imbalances.
- To ensure optimum utilisation of unexploited resources of the country.
- To improve the standard of living of people.
- To ensure equal distribution of income and wealth.
- To solve the unemployment problem.
- To attain self-reliance.
- To adopt the latest technology aimed at producing better quality products at lower costs.

FEATURES/CHARACTERISTICS OF MSME

- **Ownership:** SSI generally is under single ownership. So, it can either be a sole proprietorship or sometimes a partnership.
- **Short gestation period:** The time between investment made and before the production occurs is said to be **gestation period**. This time **period** is quite long in large scale

manufacturing companies. More the time **period** more the business becomes risky, but this gestation period is very short in MSMEs.

- **Requires small capital investment:** With small amount of capital MSME company can be established as it operates on a very small scale with limited production of goods and services.
- **Production of goods using indigenous technology:** Most of the MSMEs use Indigenous technology machines for production of goods. Imported technology is very costly and they cant afford to install such plants.
- **Simple management structure:** Generally, both the management and the control are with the owner/owners. Hence the owner is actively involved in the day-to-day activities of the business and as such involves simple management structure.
- **Labour Intensive:** SSI's dependence on technology is pretty limited. Hence, they tend to use labour and manpower for their production activities.
- **Flexibility:** SSIs are more adaptable to their changing business environment. So, in case of amendments or unexpected developments, they are flexible enough to adapt and carry on, unlike large industries.
- **Limited Reach:** Small scale industries have a restricted zone of operations. Hence, they can meet their local and regional demand.
- **Resources utilisation:** They use local and readily available resources which helps the economy fully utilise natural resources with minimum wastage.
- **Development without destruction:** Mostly MSMEs use resources that are naturally available in their surroundings. Hence manufacturing a product from such natural resources don't cause any harm to environment. Thus, MSMEs develop without causing destruction to natural environment.
- **Capacity to generates more employment opportunities:** MSMEs are labour intensive in nature. They don't install heavy plant and machinery to carry out production but most of production work is done manually by labourers and workers. Hence it has capacity of providing more employment opportunities.
- **Complements large scale industries:** Most MSMEs operate as a supporting unit manufacturing goods required by large scale companies. Hence it complements large scale industries.

- **Economic development:** MSMEs are considered as a back bone of Indian economy because it contributes in increasing exports of country, increase in GDP and reducing unemployment. Hence if MSMEs flourishes, country achieves economic development.

SCOPE AND TRENDS OF MSMES IN INDIAN ECONOMY

Since its formation, the MSME segment has proven to be **highly dynamic** in Indian economy sector. MSMEs **produce and manufacture a variety of products** for both **domestic as well as international markets**.

They have helped **promote the growth and development of khadi, village, and coir industries**.

They have collaborated and worked with the concerned ministries, state governments, and stakeholders towards the upbringing of rural areas.

MSMEs have played an essential role in providing **employment opportunities** in rural areas. They have helped in the industrialization of these areas with a low capital cost compared to the large industries.

Acting as a **complementary unit** to large sectors, the MSME sector has enormously contributed to its socio-economic development.

MSMEs also contribute and play an essential role in the country's development in different areas like the requirement of low investment, flexibility in operations, mobility through the locations, low rate of imports, and a high contribution to domestic production.

With the capability and capacity to develop appropriate local technology, provide fierce competition in domestic and international markets, technology-savvy industries, a contribution towards creating defense materials, and generating new entrepreneurs by providing knowledge, training, and skill up-gradation through specialized training centers across the globe, MSMEs are accepted as a means of economic growth and for promoting equitable development.

They are known to generate the highest rate of growth in the economy. MSMEs have driven India to new heights through requirements of low investment, flexible operations, and the capacity to develop appropriate native technology.

1. MSMEs employ around 120 million persons, becoming the second-largest employment generating sector after agriculture.
2. With approximately 45 lac units throughout the country, it contributes about 6.11% of GDP from manufacturing and 24.63% of the GDP from service activities.

3. MSME ministry targets to increase its contribution towards GDP by up to 50% by 2025 as India moves ahead to become a \$5 trillion economy
4. Contributing around 45% of overall Indian exports
5. MSMEs promote all-inclusive growth by providing employment opportunities, especially to people belonging to weaker sections of the society in rural areas.
6. MSMEs in tier-2 (with population between 50,000 to 1,00,000) and tier-3(with population between 20,000 to 50,000) cities help in creating opportunities for people to use banking services and products, which can amount to the final inclusion of the contribution of MSMEs for the economy.
7. MSMEs promote innovation by providing an opportunity to budding entrepreneurs to help them build creative products and thereby boost competition in business and fuel the growth.

The Indian MSME sector provides silent support to the national economy and **acts as a defense against global economic shock and adversities**. Hence, we can say that India is propelling towards a robust global economy through a silent revolution powered by MSMEs. With all these developments, **there is a huge potential for MSMEs to enter the international markets and create an upsurge in the employment opportunities for India**. It also provides an opportunity for the sector to go international and market its 'Made in India' brand in order to explore more opportunities and enhance possibilities globally.

SMALL BUSINESS (MSMEs) – THE DRIVING FORCE FOR NATIONAL GROWTH

How Indian Economy depends on MSME (Small Business)

Micro, Small and Medium Enterprises (MSME) have become one of the most significant sectors in the Indian economy lately and for all the good reasons. Its contribution to the country's Gross Domestic Production has been significantly higher than others and it stands at around 6 per cent from manufacturing sector and around 24% from service sector. Besides, the sector accounts for 33 per cent of the merchandise exports. This is the reason why this sector is often called as the growth engine of the Indian economy.

One of the pillars of Indian Economy

Indian economy basically depends on two sectors, agriculture and manufacturing. While the first has largely remained unorganized since the beginning, the latter too has not been so till recently. Manufacturing is handled by both small and big industries. In a large number of cases, these small enterprises feed raw material or semi-finished raw material to the big ones. For example, Maruti Suzuki, the largest Indian automobile manufacturer procures finished automobile parts from several small enterprises and assembles them in its vehicles. Thus, the existence of a lot of big players largely depend on SMEs. Thus, it can be said that the real players in the Indian economy are the small enterprises and they hold a prominent position.

1. Indian Economy Depends A Lot on MSMEs

Contribution of MSMEs to the economy is immense. Not only do they contribute to the bigger picture like GDP, they also help solve workforce

employment crisis to a large extent. So, what is there in MSMEs that makes them so dependable and unshakable.

- First, it is their nature of having a strong ground-connect with workforce. Having connection to the roots and having direct connection with the workforce is unique feature of MSMEs. This gives boost to the economy and provides it the necessary support.
- Secondly, it is their nature to adapt to the changes. Small industries are driven by a mix of sustenance and profit motives. They do not hesitate to bring changes in the process if they are assured that it would positively impact their production. Besides, being highly savvy to changes, Small businesses are the most flexible and one of the most change- driven enterprises in the Indian economy.
- On the other hand, there are a lot of excellent opportunities available for the MSMEs. The Indian economy offers them a lot of scope to settle and grow. This has all been possible following the demand for products and services which are satisfactorily fulfilled by MSMEs only.
- Another great characteristic of Small Business which enables them to boost the country's economy is that despite having informal sources of funding, the small and medium enterprises do their best to perform based on the available resources. They often, or say in most of the cases fall short of resources but they try to manage the situation with small credits arranged from personal or collaterals, if available. As per an estimate, around 90 per cent of the MSMEs depend on informal sources of credit and funding and this percent is much higher than expected. Thus, if an economy has such a driving force behind it which is determined to do everything and manage all obstacles, it can play their role, then that

economy is sure to have a bright future.

Role of MSMEs in Indian Economy

- Since its formation, the MSME segment has proven to be a highly dynamic in Indian economy.
- MSMEs produce and manufacture a variety of products for both domestic as well as international markets.
- They have helped promote the growth and development of khadi, village, and coir industries.
- They have collaborated and worked with the concerned ministries, state governments, and stakeholders towards the upbringing of rural areas.
- MSMEs have played an essential role in providing employment opportunities in rural areas.
- They have helped in the industrialization of these areas with a low capital cost compared to the large industries.
- Acting as a complementary unit to large sectors, the MSME sector has enormously contributed to its socio-economic development.
- MSMEs also contribute and play an essential role in the country's development in different areas like the requirement of low investment, flexibility in operations, mobility through the locations, low rate of imports, and a high contribution to domestic production.

- With the capability and capacity to develop appropriate local technology, provide fierce competition in domestic and international markets, technology-savvy industries, a contribution towards creating defense materials, and generating new entrepreneurs by providing knowledge, training, and skill up-gradation through specialized training centers.

Types of Enterprise

There are several types of enterprise, each one distinguished by its legal ownership, including:

Private enterprise

- Sole traders

Sole traders are the life-blood of a market economy. Sole traders are common in retailing and local services like plumbing and catering. With limited demand of local services, the scope for expansion is also limited. The sole trader owns the assets of the business, makes all the business decisions, bears all the risks, and, of course, retains all the profits.

- Partnerships

Partnerships are owned, and usually managed, by a small number of partners, each of whom can specialise in a particular aspect of the business. Decisions will be jointly arrived at, and the risks and rewards will be spread between the partners. In certain types of partnership, not all partners bear equal risks, and some partners may have a limited liability for debts incurred by the businesses. Partnerships are common in professional and financial services such as Solicitors, Accountants, Estate agents.

- Private Limited Companies (Ltd)

Limited companies are legally ‘incorporated’ firms, which means that they have their own legal identity, and are owned by shareholders who have limited liability

for the firm's debts. Unlike sole traders and ordinary partnerships, limited, or joint-stock companies, are set up to take advantage of the principle of limited liability.

The rapid development of limited companies in the 18th Century provided a stimulus to the growth of private enterprise and the spread of free-market capitalism. This was because limited liability encouraged ordinary individuals to part their savings, and so provide finance for small or growing enterprises, without the risk of losing any more than the initial outlay. Today, private limited companies are common in all areas of economic activity in all sectors of the economy; from screenwriters and film producers, to restaurants and hotels.

In a limited company, shareholders appoint directors to take the key business decisions, though often the directors are also shareholders. Directors make decisions collectively as members of the Board of Directors.

Most of the significant risk taking is made by the Board of Directors, though day-to-day decision-making is devolved to professional managers.

Public Limited Companies (plc)

Like private limited companies, public limited companies are also legally incorporated and are owned by shareholders who have limited liability for the firm's debts, the difference being that 'public' companies are allowed to sell shares to the general public.

To enable them to 'go public', and 'list' their shares on the stock exchange they must satisfy strict criteria laid down by law covering the liquidity of the business, publication of financial accounts, and number of previous years trading.

The regulations governing public limited companies in the UK are increasingly complex, and this partly explains the recent trend towards 'de-listing' and returning to private limited status.

The main advantage of being a 'plc' is that it is much easier to raise funds because shares can be offered for sale to any member of the public. Shares can also be re-

sold to other members of the public via stock exchanges, so it is easy for investors to regain their liquidity.

Despite the tough regulations, most large firms prefer to remain 'plc's, or their equivalent in other countries.

Public enterprise

- **Public Corporations**

Public corporations, such as the British Broadcasting Corporation (BBC), are organisations owned by the state. They are funded in a number of ways, including: Government grants and subsidies, License fees, Charges for supplying their service.

A Board of Governors rather than a Board of Directors usually control public corporations. If their income is greater than their costs they make a 'surplus' rather than a profit.

Widespread privatisation between 1980 and 2000 led to a reduction in the number of public corporations. Despite being owned by the state, public corporations are frequently managed along 'commercial' lines, as in the case of the BBC.

- **Not-for-profit organisations**

In addition to public corporations, many other organisations are not established to make a profit, though they may earn revenue and be run on commercial lines.

Examples of not-for-profit organisations include Network Rail, charities like Oxfam, universities, and government sponsored organisations like the Office of National Statistics.

COURSE: B.B.A
YEAR: S.Y. BBA-SEM –IV
Subject: Management of MSMEs

Unit 2: Challenges and Opportunities of MSMEs (35%)

Topics

2.1 Advantages of MSMEs	2
2.2 Role of MSMEs in Indian Economy.....	5
2.3 Role of Government in Promoting Small Business	11
2.4 Policies for MSME	12
2.6 Challenges in the MSME sector in the current scenario	16
2.7 Opportunities of MSMEs in current scenario.....	17
2.8 Problems of SSI/ MSME	19

Introduction:

MSME (Micro, Small and Medium Enterprises) are the business entities that drive our economy at the most basic level and contribute to its growth. In a developing country like India, MSMEs are the backbone of the economy and contribute largely in the socio-economic development of the country. The government has always encouraged small and medium industries and always been in favor of providing benefits to them. That's why there are many benefits of MSME registration. There are many benefits of MSME registration in India, which can be only availed if the business had registered itself as an MSME/SSI under MSME Act. As per revised definition, MSMEs are classified in two categories, such as manufacturing and service enterprises.

2.1 Advantages of MSMEs

1. Potential for large employment

MSME have potential to create employment opportunities on a massive scale. They are labor intensive in character. They use more labor than other factors of production. They can be set up in short time and can provide employment opportunities to more number of people. This is important for a labor abundant country like India.

2. Requirement of less capital

MSME require less capital when compared to large scale industries. India is a capital scarce country and therefore MSME are more suitable in the Indian context. They can be started and run by small entrepreneurs who have limited capital resources

3. Contribution to industrial output

Products manufactured by MSME form a significant portion of the industrial output of the country. They produce a number of consumer goods as well as industrial components in large quantities and satisfy the needs of consumers. The consumer goods produced by MSME are cheaper and satisfy the requirements of the poorer sections.

4. Contribution to exports

MSME contribute nearly 40 per cent to the industrial exports of the country. Products such as hosiery, knitwear, hand loom, gems and jewellery, handicrafts, coir products, textiles, sports goods, finished leather, leather products, woolen garments, processed food, chemicals and allied products and a large number of engineering goods produced by the MSME sector contribute substantially to India's exports. Further products produced by MSME are used in the manufacture of products manufactured and exported by large scale industries. Therefore they contribute both directly and indirectly to exports and earn valuable foreign exchange.

5. Earning foreign exchange

MSME earn valuable foreign exchange for the country by exporting products to different countries of the world. At the same time, their imports are very little and so there is less foreign exchange outgo. Therefore MSME are net foreign exchange earners. For e.g. MSME in Tiruppur contribute to a substantial portion of India's textile exports and earn valuable foreign exchange for the country.

6. Equitable distribution

Large scale industries lead to inequalities in income distribution and concentration of economic power. But MSME distribute resources and wealth more equitably. It is because income is distributed among more number of workers since it is labor intensive. This results in both economic and social welfare.

7. Use of domestic resources

MSME use locally available resources in a productive manner which would have otherwise gone waste. Small amounts of savings which would have remained idle is channelized into setting up of small enterprises. This increases capital formation and investment in the economy.

8. Opportunities for entrepreneurship

MSME provide opportunities for entrepreneurs with limited capital. Setting up of an MSME requires less capital and lower investment in technology and machines when compared to large scale enterprises. Therefore small entrepreneurs can start MSME easily and succeed. Japan which was devastated by the Second World War became a major economic power because of many small entrepreneurs, who contributed greatly to the nation's development.

9. Cost efficiency

Small scale units can adopt lean production method which offer better quality and more variety at a lower cost. They can be more cost efficient when compared to large scale units because their expenses are lower.

10. Reducing migration

Migration happens when people living in rural areas are not able to find employment and therefore migrate to urban areas seeking employment. Large scale migration puts tremendous pressure on land, water and other resources in urban areas leading to poor quality of life. MSME use the skills and talents of rural craftsmen, artisans etc. They provide gainful employment to those with inherited skills resulting in their economic upliftment. Thus MSME help in reducing migration.

11. Suitable for non-standardized products

Large scale enterprises are suitable for manufacturing standardized products on a large scale whereas MSME are more suitable for manufacturing non-standardized products.

12. Flexibility in operation

Small scale enterprises are more flexible. They can adapt themselves to changing market requirements very fast and benefit from new opportunities.

13. Quick decisions

Since the enterprise is small and there is not much hierarchy, quick decisions can be taken. Quick decisions are helpful in solving problems in the initial stages and also to exploit market opportunities.

14. Adaptability to change

MSME can understand the changing requirements of the customers and adapt themselves much quickly. They can change their procedures, methods and techniques faster and cater to new requirements of their customers.

15. Small market size

In case the market size is small, producing products on a large scale would not be feasible. In such cases, MSME are more suitable since they produce limited quantities.

16. Customization

Today customers prefer products tailored to their specific needs. They demand unique products. In such cases where products have to be customized to individual customer needs large scale production would not be suitable. MSME are better suited in case products have to be customized.

17. Low social costs

In the case of large scale enterprises, society has to incur high social costs in terms of air and water pollution and environmental degradation. But in the case of small enterprises, such social costs are less.

18. Opportunity for talent

MSME provide opportunity for talented individuals who do not have huge funds, to start enterprises on a small scale. Dhirubhai Ambani of Reliance, Karsanbhai Patel of Nirma, Brij

Mohan Munjal of Hero Honda, Venugopal Dhoot of Videocon, Sunil Mittal of Bharti Enterprises (Airtel), Narayanamurthy and his co-promoters of Infosys, Ramalinga Raju of Satyam are all examples of entrepreneurs who started their business on a small scale, and through intelligence, determination and commitment have transformed their small companies into large world class players.

19. Lesser industrial disputes

In large scale enterprises workers are more organized and in many large scale enterprises there are strong trade unions. The trade unions fight for the workers rights. If the management fails to accept the demands of the trade unions, the trade unions gherao the management, adopt go slow tactics and strike work. But in small scale enterprises, workers are not well organized and union activity is less. So there is very little possibility of industrial disputes to occur.

20. Personal contact with employees

Businesses engaged in small scale production have less number of employees. It is easy to maintain personal contact with employees. Grievances and problems would be known immediately and solved. Therefore there is very little possibility of any industrial dispute.

21. Personal contact with customers

The number of customers is limited and the small scale entrepreneur would be directly involved in the business. Personal contact can be maintained with customers. Their needs and requirements can be understood and satisfied. This results in satisfied customers leading to stable demand.

22. Self interest

Small business is generally run by the sole proprietor of the business. He earns all and risks all. Self interest act as a strong motivator. Therefore he would put in his best efforts to make the business a success

2.2 Role of MSMEs in Indian Economy

❖ Role of MSMEs in Indian Economy

- Since its formation, the MSME segment has proven to be a highly **dynamic** Indian economy sector.
- MSMEs produce and **manufacture a variety of products** for both domestic as well as international markets.
- They have helped promote the growth and **development of khadi, village, and coir industries.**
- They have **collaborated and worked with the concerned ministries, state governments, and stakeholders** towards the upbringing of rural areas.

In order to revive the Indian economy amid Covid-19 pandemic, the government has announced an economic package under **Atmanirbhar Bharat Abhiyan**. The main thrust of the announcements has been the massive **₹3-lakh crore collateral-free assistance** or sovereign **credit guarantee** to the Micro, small and medium enterprises (MSMEs). Like other sectors of the Indian economy, MSMEs have been hit badly due to lockdown imposed by the government to tackle Covid-19 pandemic. However, even before the current crisis, MSMEs growth has been marred by several challenges. In such a situation, providing merely a stimulus package may not be effective, until adequate reforms are carried out to solve its pressing problems and to utilize its potential.

Reason for Giving Credit Guarantees : A credit guarantee by the government helps as it assures the bank that its loan will be repaid by the government in case the MSME falters. Efforts to pump liquidity via the bank have not been successful in the past, because banks simply do not want to lend any new money. Banks, quite justifiably, suspect that any new loans will only add to their growing mountain of non-performing assets. So the issue was banks had the money but were not willing to lend to the credit starved sections of the economy. Thus, as part of the solution, credit guarantees are chosen by the government.

- MSMEs have played an essential role in providing **employment opportunities** in rural areas.
- They have helped in the **industrialization of these areas** with a low capital cost compared to the large industries.
- **Acting as a complementary unit to large sectors**, the MSME sector has enormously contributed to its socio-economic development.
- MSMEs also contribute and play an essential role in the country's development in different areas like the requirement of low investment, flexibility in operations, mobility through the locations, low rate of imports, and a high contribution to domestic production.
- With the capability and capacity to develop appropriate local technology, provide fierce competition in domestic and international markets, technology-savvy industries, a contribution towards creating defence materials, and generating new entrepreneurs by providing knowledge, training, and skill up-gradation through specialized training centres.
- The **MSMEs** constitute over 90% of total enterprises in most of the economies and are credited with generating the highest rates of employment growth and account for a major share of industrial production and exports.

Thus, **MSMEs** play a vital **role** in the overall growth of industrial economy of the country.

2.3 Significance of MSMEs in Economic development

The significance of the MSMEs sector can be noted from the fact that it is the second largest employment provider, after agriculture in India. 1/5 In India, at present, there are nearly 56 million such enterprises in various industries, employing close to 124 million people. Of these, nearly 14% are women-led enterprises, and close to 60% are based in rural areas. In all, the MSME sector accounts for 8% of India's GDP and 45% of merchandise exports. Due to this, the MSME sector is called the growth engine of the nation.

With the introduction of the MSME Act in the year 2006, the service sector that was not yet included in this sector was included in the definition of the Micro, Small & Medium sized Enterprises making a historic change to this Act, thus leveraging the scope of the sector even now government simplified the MSME Registration Online with the paperless work.

Let us take a look at some of the key importance of this sector in the development of India both in terms of economic, and social development:

1. Creates large scale employment:

Since the enterprises falling in this sector require low capital to start the business, it creates huge employment opportunities for many unemployed youths. India produces about 1.2 million graduates per year, of the total number about 0.8 million are engineers. And, there is no economy in the world that can provide jobs to so many fresh graduates in one year. MSME is the boon for many of these fresh manpower.

2. Economic stability in terms of Growth and leverage Exports:

MSME is a significant growth driver in India, with it contributing to the tune of 8% to GDP. Exports sector in India constitutes about 40% of contribution from MSME alone. Looking at the kind of contribution of MSME to manufacturing, exports and employment, other sectors are also benefitting from MSME. MNCs today are buying semi-finished, and auxiliary products from small enterprises, for example, buying of clutches, and brakes by automobile companies. It helps create a linkage between MSME and big companies. Even after the implementation of the GST 40% MSME sector also applied GST Registration which increase the government revenue by 11%.

3. Encourages Inclusive Growth:

About 50% of wealth in India is owned by just 100 people which is due to unequal distribution of wealth. Inclusive growth is on top of the agenda of Ministry for Micro, Small, and Medium sized enterprises for several years. While poverty and deprivation are a deterrent to the development of India, including marginalized sections of society is a key challenge lying before the Ministry of MSME.

4. Cheap Labor and minimum overhead:

In large scale organizations, one of the key challenges is to retain the human resource through an effective human resource management professional manager. But in case of an MSME, the requirement of labour is less, and it does not need a highly skilled labourer. Hence, the indirect expenses incurred by the owner is also low.

5. Simple Management Structure for Enterprises:

MSMEs do not require a huge capital to start. With limited resources available within the control of the owner, decision-making becomes easy and efficient. As in case of a large corporation wherein a specialist is required for every departmental functioning because of complex organizational structure, a small enterprise does not need to hire an external specialist for its management. The owner himself/herself can manage it. Therefore, it can be run single-handedly.

6. Plays an important role in making “Make in India” possible:

Post the inception of ‘Make in India’, a signature initiative by the prime minister of India, the process of incorporating a new business has been made easy. Since the MSME is the backbone in making this dream a possibility, the government has directed the financial institution to lend more credit to enterprises in MSME sector.

❖ Other:

1. MSME Provides Employment

- MSME uses labour intensive techniques. Hence, it provides employment opportunities to a large number of people. Thus, it reduces the unemployment problem to a great extent.

- MSME provides employment to artisans, technically qualified persons and professionals. It also provides employment opportunities to people engaged in traditional arts in India.
- MSME accounts for employment of people in rural sector and unorganized sector.
- It provides employment to skilled and unskilled people in India.
- The employment capital ratio is high for the MSME.

2. MSME Facilitates Women Growth

- It provides employment opportunities to women in India.
- It promotes entrepreneurial skills among women as special incentives are given to women entrepreneurs.

3. MSME Brings Balanced Regional Development

- MSME promotes decentralized development of industries as most of the MSME are set up in backward and rural areas.
- It removes regional disparities by industrializing rural and backward areas and brings balanced regional development.
- It promotes urban and rural growth in India.
- It helps to reduce the problems of congestion, slums, sanitation and pollution in cities by providing employment and income to people living in rural areas. It plays an important role by initiating the government to build the infrastructural facilities in rural areas.
- It helps in improving the standard of living of people residing in suburban and rural areas in India.
- The entrepreneurial talent is tapped in different regions and the income is also distributed instead of being concentrated in the hands of a few individuals or business families.

4. MSME Helps in Mobilization of Local Resources

- It helps to mobilize and utilize local resources like small savings, entrepreneurial talent, etc., of the entrepreneurs, which might otherwise remain idle and unutilized. Thus it helps in effective utilization of resources.
- It paves way for promoting traditional family skills and handicrafts. There is a great demand for handicraft goods in foreign countries.
- It helps to improve the growth of local entrepreneurs and self-employed professionals in small towns and villages in India.

5. MSME Paves way for Optimisation of Capital

- MSME requires less capital per unit of output. It provides quick return on investment due to shorter gestation period. The pay back period is quite short in MSME.
- MSME functions as a stabilizing force by providing high output capital ratio as well as high employment capital ratio.
- It encourages the people living in rural areas and small towns to mobilize savings and channelize them into industrial activities.

6. MSME Promotes Exports

- MSME does not require sophisticated machinery. Hence, it is not necessary to import the machines from abroad. On the other hand, there is a great demand for goods produced by small scale sector. Thus it reduces the pressure on the country's balance of payments.
- MSME earns valuable foreign exchange through exports from India.

7. MSME Complements Large Scale Industries

- MSME plays a complementary role to large scale sector and supports the large scale industries.
- MSME provides parts, components, accessories to large scale industries and meets the requirements of large scale industries through setting up units near the large scale units.
- It serves as ancillaries to large Scale units.

8. MSME Meets Consumer Demands

- MSME produces wide range of products required by consumers in India.
- MSME meets the demand of the consumers without creating a shortage for goods. Hence, it serves as an anti-inflationary force by providing goods of daily use.

9. MSME Ensures Social Advantage

- MSME helps in the development of the society by reducing concentration of income and wealth in few hands.
- MSME provides employment to people and pave for independent living.
- MSME helps the people living in rural and backward sector to participate in the process of development.
- It encourages democracy and self-governance.

10. Develops Entrepreneurship

- It helps to develop a class of entrepreneurs in the society. It helps the job seekers to turn out as job givers.
- It promotes self-employment and spirit of self-reliance in the society.
- Development of MSME helps to increase the per capita income of India in various ways.
- It facilitates development of backward areas and weaker sections of the society.
- MSME are adept in distributing national income in more efficient and equitable manner among the various participants of the society.

Final Conclusion on MSME Sector:

Micro, Small and Medium-sized Enterprises (MSME) are one among the most important sectors, forming the backbone of the Indian economy. This sector has been instrumental in the growth of the nation, leveraging exports, creating huge employment opportunities for the unskilled, fresh graduates, and the underemployed, also extending the opportunities to banks for giving more credit to enterprises in this sector. The government should take utmost care of this sector in terms of providing more and more MSME Registration benefits through better regulations, Government simply, and enabling financial institutions to lend more credit at less interest rate for sustainability of this sector.

2.3 Role of Government in Promoting Small Business

Helping small businesses start and thrive is a win-win situation for the government. Local businesses help support the tax base through businesses taxes and through the wages provided to employees. The possibility of workforce expansion and economic growth prompts municipalities, states and the central government to offer various forms of assistance, such as grants, research opportunities, beneficial legislation and worker training programs. To find out what services are available in your area, contact your local DIC and ask about business incentives in your area.

1. Economic Development Programs:

Some government programs help businesses start, grow and relocate to specific areas. In some ways, district and state governments compete with each other for jobs. They do this by offering start-up incentives and taking steps to create a “business-friendly” environment. These steps include tax credits, worker training, free land, zoning changes, low-interest loans, infrastructure improvements and help with fast-tracking licensing and permitting.

2. Loan Guarantee Programs:

Government agencies along with SIDBI and IDBI provide loan guarantees to small businesses and encourage local banks to work with start-ups or established companies that want to expand. Talk to your banker about state/central loan programs that offer low interest rates. If you are a woman, minority or operate a business in select industries, additional loan opportunities also may be available. Contact your local DIC or SIDBI to learn if it has loan programs.

3. Research and Development:

The central government provides grants to academic institutions working to develop new technologies that will benefit industry with the caveat that the institutions share the technologies with industry. In some instances, the government provides grants to private companies making a new product or service that will improve a vital area of an economy, such as transportation, energy, agriculture or communications. Some states also fund research and development projects and work with private investors and the central government to raise funds.

4. Infrastructure Improvement Funding:

Business does better when it can move raw materials to factories efficiently and get finished goods to plants and markets quickly. Governments help improve the infrastructure needed for businesses to succeed. This includes building and maintaining roads, bridges, rail lines, airports, seaports, and energy transmission lines and telecommunications systems.

5. Education and Training Programs:

To ensure businesses have access to trained workers, governments provide free schooling for primary and secondary students, grants and loans for higher education and worker training programs. Governments often work with trade schools, community colleges and universities to provide free worker training.

2.4 Policies for MSME

1. Scheme for providing financial assistance on international cooperation:

IC scheme provides financial assistance of up to 95% of airfare and space rent of entrepreneurs. Assistance is provided on the basis of size and type of the enterprise. It also provides assistance for common expenses of delegation like freight & insurance, local transport, secretarial/communication services, printing of common catalogue etc

2. Scheme for providing establishment of new institutions (EDIs), strengthening the infrastructure for EDIs under ATI (Assistance to Training Institutes) scheme:

The assistance shall be provided to training institutions in the form of capital grant for creation/strengthening of infrastructure and programme support for conducting entrepreneurship development and skill development programmes.

3. Credit guarantee scheme:

Ministry of Micro, Small and Medium Enterprises, Government of India (GoI) and Small Industries Development Bank of India (SIDBI), established a trust named Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) to implement Credit Guarantee Fund Scheme for Micro and Small Enterprises. The corpus of CGTMSE is being contributed by GoI and SIDBI.

4. Credit linked capital subsidy scheme for technology up gradation:

The revised scheme aims at facilitating technology up-gradation by providing 15% up-front capital subsidy to SSI units, including tiny, khadi, village and coir industrial units, on institutional finance availed by them for induction of well-established and improved technologies in specified sub-sectors/products approved under the scheme.

5. Micro and small enterprises cluster development programme (MSE-CDP)-

This programme supports sustainability and growth of MSEs by addressing common issues such as improvement of technology, skills and quality, market access, access to capital, etc. It builds capacity of MSEs for common supportive action through formation of self-help groups, consortia, up gradation of associations" etc. At the same time, it aims to create/upgrade infrastructural facilities in the new/existing industrial areas/clusters of MSEs. The programme also focuses on setting up common facility centres (for testing, training centre, raw material depot, effluent treatment, complementing production processes, etc.).

6. Micro Finance Programme:

Government of India provides funds for Micro Finance Programme to SIDBI, which is called Portfolio Risk Fund (PRF). At present SIDBI takes fixed deposit equal to 10% of loan amount. The share of MFIs/NGOs is 2.5% of loan amount (i.e., 25% of security deposit) and balance 7.5% (i.e., 75% of security deposit) is adjusted from funds provided by the Government of India.

7. MSME Market Development Assistance (MDA)-

The scheme offers funding up to 75% in respect of to and fro air fare for participation by MSME entrepreneurs in overseas fairs/trade delegations. The scheme also provides for funding for producing publicity material (up to 25% of costs). Sector specific studies (up to Rs.2 lakhs) and for contesting anti-dumping cases (50% up to Rs.1 lakh) for individual MSMEs & associations Source: <http://msme.gov.in/sites/default/files/Sch-vol1-151214.pdf-sri.pdf>.

8. Various Other Policy Initiatives Taken by Government for MSMEs

- Ease of Registration Process of MSMEs- (UDYAM)
- Framework for Revival and Rehabilitation of MSMEs
- ASPIRE - A Scheme for Promotion of Innovation, Rural Industry and Entrepreneurship was launched on March 16, .2015 to set up a network of technology centres and to set up incubation centres to accelerate entrepreneurship and also to promote start-ups for innovation and entrepreneurship in rural and agriculture based industry.
- E-Governance Initiatives/Digital Initiatives
- Public Procurement Policy for Goods Produced and Services Rendered By Micro and Small Enterprises (MSEs).

2.6 Challenges in the MSME sector in the current scenario

Currently, there are more than 50 million SMEs exist in our country India. The SME sector has developed powerfully by contributing 40% of the nation's exports and generating millions of occupations every year.

The SME sector has a great deal of potential for development in the coming years with respect to entrepreneurial spirit, technology and job creation in the country. However, the SME sector has been struggling because of the burden of challenges.

1. Infrastructure bottlenecks

Though, MSME`S are developing so rapidly but their infrastructure is very poor. With poor infrastructure, their production capacity is very low while production cost is very high.

The MSME clusters, especially micro enterprises, are inadequately equipped with necessary support systems which not only Slowdown their day to-day business operations but also their future growth prospects also.

2. Lack of required credit

The largest requirement for the development of SMEs in our nation identifies with deficient capital and credit facilities. In the coming year additionally, SMEs will undoubtedly confront the circumstances of complex securities by the banks, delay in payment and high rate of interest on the SME credit. Trouble in getting a simple and auspicious credit is a vital factor hampering the SME development.

3. Delayed Payments:

MSME often face the problem of delayed payments, affecting their cash flow and working capital availability. Most of the time, delay in realisation of such receivables increases their operating cycle and reduces their ability to procure new orders or fulfil the existing ones

4. Poor access and marketing platform

SMEs in India has been exposed to weak marketing linkages. Because of factors like deficient government support, the absence of satisfactory marketing facilities, the way for the marketing of SME products will keep on being a challenging one in the future.

For promoting of products or services universally, SMEs is constantly obliged by the shortage of budget, which thusly has controlled their development.

5. Quality Human Resource-

The training and development programs in respect of MSME`S development concern is very low. So, skilled manpower is not being available to MSMEs. The owners are aware of the innovative methods of production. The skill developmental schemes conducted by the government are not sufficient.

6. Lack of access to new technology

Despite the fact that technology has progressed in the ongoing years, because of the multiplication of mobiles and web, the continuation of low innovation used by SMEs dependably brought about low profitability. This has rendered them uncompetitive in the consistently augmenting business sector.

In spite of the fact that SMEs in metropolitan cities has now appeared uplifting disposition towards the innovative take-up, the rural destinations are as yet not progressed. This will keep on challenging.

7. Burdensome regulatory practices

The regulatory practices, for example, development licenses, settling bankruptcy, insurance, securities/certifications, and tax assessment and so on will keep on being the compelling variables for some SMEs in the future

The absence of a common regulatory body and sufficient provisions for startups will influence the development of such enterprises

8. Lack of credit from banks-

The MSME`S are presently facing the problems of credit from the banks. The banks are not providing the adequate amount of loan to the MSMEs. The loan providing process of the banks is very long and formalistic. The owners of the MSME`S has to produce different types of documents to prove their worthiness.

9. Competition from multinational companies-

In present era of globalization, the MSME'S are facing the great from the international manufacturing companies who are proving quality goods at cheapest price. Therefore, it is very difficult to compete with the multinational companies.

10. Unavailability of raw material and other inputs-

For MSME's required raw material skilled work force and other inputs, which are not available in the market. Due to unavailability of these essentials, it is very difficult to produce the products at affordable prices.

11. Lack of advanced technology-

The owners of MSMEs are not aware of advanced technologies of production. Their methodology of production is outdated. The owners are using older method in the field of fabricated metal and textile.

12. Lack of distribution of marketing channels-

The MSMEs are not adopting the innovative channels of marketing. Their advertisement and sales promotion are comparatively weaker than the multinational companies. The ineffective advertisement and poor marketing channels leads to a very poor selling.

13. Complex labour laws and red-tape-

All the laws related to the all aspects of manufacturing and service concern are very complex and compliance with these laws are practically difficult . The various decisions of factory" are depend upon the factory commissioner and inspector, so there are so many chances of red tape in the operation of MSMEs.

14. Problems of storage, designing, packing and product display also are challenges faced due to ever shortage of funds.

2.7 Opportunities of MSMEs in current scenario

1. Employment opportunities:

With the increase in MSME contribution to the GDP, there is a potential to increase its contribution to employment to over 50 per cent over the next decade. Typically, MSME sector can provide comparatively larger employment opportunities at comparatively lower capital cost especially in the rural and remote areas, by becoming part of the industrial ecosystem and act as ancillary units for large enterprises to support the system in growth.

India needs to create 10 to 15 million job opportunities per year over the next decade to provide gainful employment to its population. Current MSME employment is at 28 per cent of the overall employment.

2. Value added products:

The average technology value-addition in manufactured products exported by the Indian industry is around 8 per cent, significantly low when compared to that of other emerging developing nations. There is a clear opportunity white space in terms of global demand for value added products and services. One example of positive movement to address this gap is the setting up of the Technology Upgradation Fund for the plastic processing sector.

3. Building Brand India:

With efforts in the direction of promoting and creating international awareness of the 'Make in India' label in markets overseas well underway, demand for goods and services is likely to increase over the next decade. Schemes to market Indian products / brands in international trade fairs are in place for the MSME to avail. Participation in global markets will not only help MSME grow their business, but also become globally competitive enterprises.

4. E-Commerce:

Availability of online trade platforms is also emerging as a key enabler for MSME exports. Traditional handicraft clusters and independent artisans, entrepreneurs are today connected to

the world and operate in the global market via e-commerce platforms. The penetration of e-commerce in trade to the urban, rural MSMEs is increasing and is expected to boost exports further.

5. Indigenisation and import substitution:

India is heavily dependent on imports for a large number of goods and services. While import of certain goods like crude is inevitable, many other products across consumer sectors like electronic white goods, lighting, and consumables which are not technology intensive, have a significant potential to be substituted by local enterprises. Further, there is potential to incentivise investments in high technology areas in order to develop capabilities in high engineering import substitution and indigenisation in many areas of healthcare, automotive, defence, electronics and telecom.

6. Taking the preferred standpoint of Government plans:

SMEs need to get advantages of Government activities, for example, 'Make in India', 'Startup India' and 'Skill India'. These plans presented by the government are expected to elevate an enterprising society to develop the current SME status.

7. Abundance of Fintech firms:

With the number of Fintech firms and lenders on the rise, SMEs will have the opportunity to get accessible and affordable financing options.

SMEs always had to worry about the gap in their cash flows while taking the SME loan from the traditional lender. But now, they will be able to focus on their business entirely, as enhanced speed, transparency, and quick SME loan facilities are about to increase significantly.

SME loans have always helped the enterprises to meet all their business needs that arise from time to time without facing any difficulty.

2.8 Problems of SSI/ MSME

1. Poor capacity utilization:

In many of the Small Scale Industries, the capacity utilization is not even 50% of the installed capacity. Nearly half of the machinery remains idle. Capital is unnecessarily locked up and idle machinery also occupies space and needs to be serviced resulting in increased costs.

2. Incompetent management:

Many Small Scale Industries are run in an incompetent manner by poorly qualified entrepreneurs without much skill or experience. Very little thought has gone into matters such as demand, production level and techniques, financial availability, plant location, future prospects etc. According to one official study, the major reason for SSI sickness is deficiency in project Management i.e., inexperience of promoters in the basic processes of production, cash flow etc.

3. Inadequate Finance:

Many Small Scale Industries face the problem of scarcity of funds. They are not able to access the domestic capital market to raise resources. They are also not able to tap foreign markets by issuing ADR's (American Depositary Receipts) GDR's (Global Depositary Receipts) etc because of their small capital base. Banks and financial institutions require various procedures and formalities to be completed. Even after a long delay, the funds allocated are inadequate.

4. Raw material shortages:

Raw materials are not available at the required quantity and quality. Since demand for raw materials is more than the supply, the prices of raw materials are quite high which pushes up the cost. Scarcity of raw materials results in idle capacity, low production, inability to meet demand and loss of customers.

5. Lack of economies of scale:

SSI's produce in small quantities. Therefore they **do not enjoy economies of scale** in purchases, production and marketing. Their costs are consequently higher and they are not able to compete with large scale units. They were able to survive when many of the items were reserved for production by SSI's. But after the economic liberalization policy followed by the government, many of the items have been De-reservad. Therefore large scale units can also produce products which were earlier produced only by small scale units. Many of the SSI's have closed down unable to compete with large scale producers and cheap imports from other countries, especially China.

6. **Low wages:** Though SSI's are labor intensive, the **wages paid in SSI's are low** when compared to those paid in large scale industries. In many SSI's because of **lack of safety measures** and proper training to workers, accidents and injuries are common occurrences.
7. **Lack of modernization:** Due to their small scale of operations and limited capital resources, SSI's are not able to invest in modernization. They **do not have access to latest technology** and therefore cannot improve their efficiency of operations.
8. **Sickness:** Due to the ease of setting up and because of the incentives available, many unemployed youth set up SSI's with very little business knowledge and skills. They find it difficult to survive in the business and close down their operations. Further because of the **problems of procuring finance**, use of **outdated technology** and **lack of marketing expertise** many SSI's incur losses and are forced to close down.
9. **Lack of marketing support:**

Small Scale Industries lack market knowledge with regard to competitors, consumer preferences, market trends. Since their production volume is small and cannot meet demand for large quantities their market is very restricted. Now with the process of liberalization and globalization they are facing competition from local industries as well as foreign competitors who sell better quality products at lower prices. For e.g. heavily subsidized but better quality imports from China has made most of the Indian SSI units producing toys, electronic goods, machine tools, chemicals, locks and paper etc., unviable.

10. Problem of working capital:

Many Small Scale Industries face the problem of inadequate working capital. Due to lack of market knowledge their production exceeds demand, and capital gets locked in unsold stock. They do not have enough funds to meet operational expenses and run the business.

11. Problems in Export:

They lack knowledge about the export procedures, demand patterns, product preferences, international currency rates and foreign buyer behaviour. Small Scale Industries are not able to penetrate foreign markets because of their poor quality and lack of cost competitiveness. In countries like Taiwan, Japan etc. products produced by Small Scale Industries are exported to many foreign countries. But in India not much thought and focus has gone into improving the export competitiveness of Small Scale Industries.

12. Poor industrial relations:

Many Small Scale Industries are not able to match the pay and benefits offered by large enterprises, because their revenues and profitability are low and uncertain. This leads to labour problems. Employees fight for higher wages and benefits, which the SSI is not able to provide. This may lead to strikes, resulting in damage to property in case of violence by employees, production losses etc.

13. Lack of Skilled Manpower:

A Small Scale Unit located in a remote backward area may not have problem with respect to unskilled workers, but skilled workers are not available there. Firstly, skilled workers may be reluctant to work in these areas and secondly, the enterprise may not afford to pay the wages and other facilities demanded by these workers.

Unit 3: Managing Intellectual Property (30%)

Introduction and types of Intellectual property, Patents Introduction, Expiry of patent and patent extensions, Trademarks-Introduction, Duration of registration, infringement and passing off, registered designs, Copyright- Introduction, remedy, Counterfeit goods and IP

3.1 INTELLECTUAL PROPERTY RIGHTS (IPR) and MSME's

3.1.1 Introduction:

Intellectual Property (IP) refers to creations of the mind, such as inventions; literary and artistic works; designs; and symbols, names and images used in commerce.

Intellectual Property Rights (IPR) are legal rights that protect creations and/or inventions resulting from intellectual activity in the industrial, scientific, literary or artistic fields. The most common IPRs include patents, copyright, trademarks and trade secrets.

Micro, Small and Medium Enterprises are actually helping in the economic development of the country by providing employment, income generation, exports etc. These industries are important for the country but due to lack of financial resources, skilled manpower etc, and these industries become sick. Therefore, for the survival, such industries should become competitive and should strive for the competitive advantages through innovations. Innovations play an important role in improving the enterprises and for innovation IPR is must. There are several reasons, why India needs IPR:

1. Indian competitiveness is based more on the cheap labour and raw material but it can be a knowledge based economy. For that there is a need of IPR to convince and protect the originators about their work. This will boost and motivate to bring knowledge to the country.

2. Moreover, India is WTO nation and all 149 WTO nations have agreed for the IPR protection by including Trade Related Intellectual Property Rights (TRIPS). IPR has proved to be helpful and useful in various economies and therefore can also be helpful for the MSME's as follows:

- a. It can prevent the competitors from imitating other's product and services.
- b. can help in making a corporate image through trademarks.
- c. can help in preventing the resources invested uselessly in Research and Development.
- d. IPR helps in increasing the market value of the company.
- e. Uniqueness and innovations can help in reaping more profits.
- f. Patents, trademarks, copyrights can help in protecting the entrepreneurs and gaining competitive advantage.
- g. helps in generating money by issuing license, commercialization and sale of the Intellectual Property.

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 bike, the logo on your chocolate, 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.

❖ **Intellectual Property (IP)**

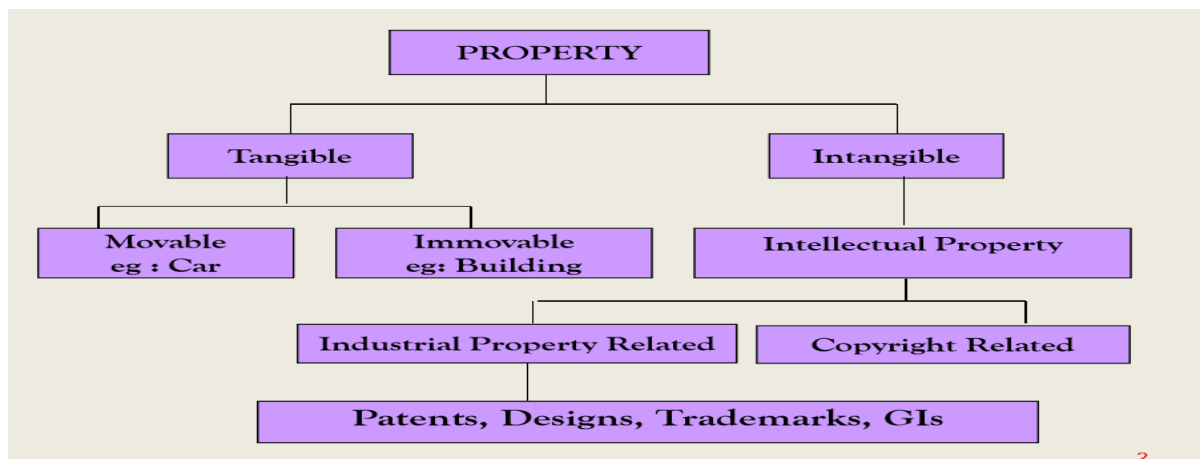
IP means the property, which is created with intellect such as inventions, books, paintings, songs, symbols, names, images, or designs used in business, etc.

❖ **Intellectual Property Right (IPR)**

Exclusive rights given to person over the creation of their minds for certain periods of time.

3.2 Major Laws for the Protection of Intellectual Property in India

1. The Patents Act 1970 as amended by the patents (Amendment) Act, 1999, 2002 & 2005.
2. The Trademarks Act. 1999.
3. The Copyright Act, 1957 as amend by the copyright (Amendment) Acts , 1994, 1999 & 2012
4. The Designs Act 2000.
5. The Geographical Indication of Goods (Registration and Protection) Act, 1999.
6. The protection of Plant Varieties and Farmers rights Act, 2000.
7. The Semiconductor Integrated Circuits Layout Designs Act, 2000.



3.3 Types of IP

Intellectual Property Rights as a collective term includes the following independent IP rights which can be collectively used for protecting different aspects of an inventive work for multiple protection

Types Intellectual Property	
INDUSTRIAL PROPERTIES • PATENTS • INDUSTRIAL DESIGNS • TRADEMARKS • TRADE SECRETS • PLANT VARIETIES • INTEGRATED CIRCUITS • GEOGRAPHICAL INDICATORS	COPYRIGHT • LITERARY ○ NOVEL ○ POEM ○ PLAYS ▪ FILMS ▪ MUSICAL ▪ ARTISTIC • DRAWINGS • PHOTOGRAHS • PERFORMING ARTS • SCULPTURES • SOFTWARE

1. PATENT

A Patent is an exclusive right granted by law to applicants for an invention, which is a product or a process that provides a new way of doing something, or offers a new technical solution to a problem.

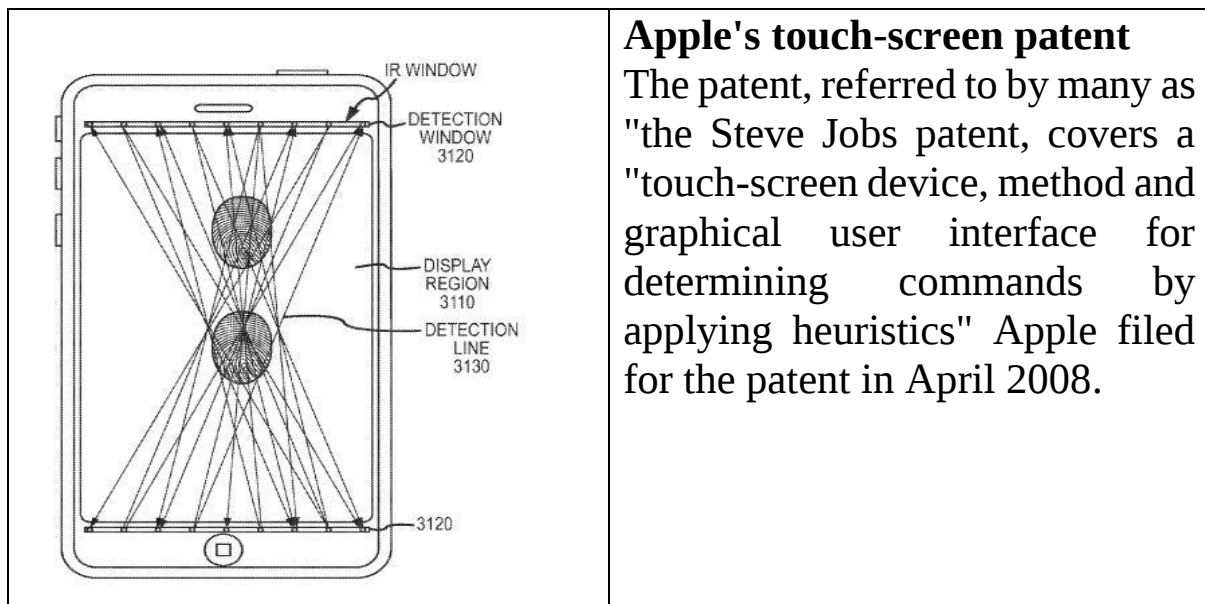
A Patent gives monopolistic rights to its owner to exclude others, from making, using, selling, offering for sale or importing the product or the process for producing the product without his consent.

Any product or process which is new, non-obvious and capable of industrial application can be patented.

The term of every patent in India is twenty years from the date of filing the Patent application.

The Patents Act, 1970 and the Patents Rules 1972 subsequently amended in 1999, 2002, 2005 and 2016 govern the provisions relating to Patents in India.

For Example



2. DESIGN

Industrial Designs are the features of shape, configuration, pattern, ornament or composition of lines or colours applied to the product which makes it look different from other articles in the market.

The purpose of industrial designs is to add on to the aesthetic value of the product to increase the marketability while making our life easier.

The owner of a registered industrial design has the right to prevent third parties from making, selling or importing articles bearing or embodying a design which is a copy of the protected design.

The design must be new and distinct. The design protection is provided for 10 years. The period of protection is extendable to 5 years after the expiry of 10 years' duration.

The Designs Act 2000 governs the provisions relating to designs in India and specifically mentions that the design to be registered must be visible on the finished article.

For example:

	Piaggio Vespa Scooter The classic Vespa scooter design is associated heavily with the Italian design aesthetic, but it was actually heavily influenced by pre-World-War-11 Cushman scooters. Such scooter design can definitely be considered as an Industrial Design
---	---

3. TRADEMARKS

A trademark is any sign that individualizes the goods of a given enterprise and distinguishes them from the goods of its competitors.

A trademark is a mark which is unique, distinctive, made up of names, symbols, signs, sounds, images, shape, packaging, colour combination, and capable of distinguishing one product from another.

Term of registration of a trademark is ten years, which may be renewed for a further period of ten years on payment of prescribed renewal fees.

The Trade Marks Registry was established in India in 1940 and presently it administers the Trade Marks Act, 1999 and the rules thereunder.

	Starbucks Coffee Company In January 2011, Starbucks announced that they would make changes to the company's logo, by enlarging the siren image, and making it green. So, this logo comes into existence, which is a Trademark of Starbucks.
---	---

Kinds of trademarks that can be registered

1. Trademarks may be one or a combination of words, letters and numerals.
2. They may consist of drawings, symbols or three dimensional signs, such as the shape and packaging of goods.
3. Non-traditional marks may be registered for distinguishing features such as holograms, motion and colour.

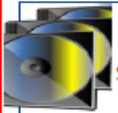
4. Non-visible signs may also be registered such as sound, smell or taste

4. COPYRIGHT

Copyright is a right given by the law to creators of literary, dramatic, musical and artistic works and producers of cinematograph films and sound recordings.”

Copyright is an exclusive legal right granted to the creators of intellectual work. Copyright protects “original works of authorship” that are fixed in “a tangible form of expression.” Copyright owner has rights to reproduce, translate, adapt, perform, distribute and publicly display the work, etc.

The Copyright Act, 1957 governs the provisions relating to copyrights in India.

 Literary including Software – Books, Essay, Compilations, Computer Programs	 Artistic – Drawing, Painting, Logo, Map, Chart, Photographs, Work of Architecture
 Dramatic – Screenplay, Drama	 Musical – Musical Notations
 Sound Recording – Compact Disc	 Cinematograph Films – Visual Recording which includes sound recording

Literary, Dramatic, Musical or Artistic Works – Lifetime of the author until 60 years from the death of the author.

For others – 60 years from the year in which the recording was published.

	Cartoon Image of Satish Acharya Here, the cartoon image shown is the creation of Cartoonist Satish Acharya, which is protected by him through copyright. So, no one can use this cartoon image without his permission, because it is copyrighted by its creator.
---	---

5. GEOGRAPHICAL INDICATIONS

"A **Geographical Indication** (GI) is a sign used on products that have a specific geographical origin and possess qualities or a reputation that are due to that origin."

In addition, the qualities, characteristics or reputation of the product should be essentially due to the place of origin. Since the qualities depend on the geographical place of production, there is a clear link between the product and its original place of production.

Type of products, for which geographical indications be used

1. **Agricultural products** such as Nagpur Orange, Gir Kesar Mango
2. **Handicrafts** such as Kutch Embroidery, Surat Zari Craft
3. **Industrial products** Such as Morbi Watches

Geographical Indications in India is protected under the Geographical Indications of Goods (Registration & Protection) Act, 1999 and the Geographical Indications of Goods (Registration & Protection) Rules, 2002.

	Darjeeling Tea Darjeeling tea is a tea grown in the Darjeeling district in West Bengal, India, and widely exported and known. It is processed as black, green, white and oolong tea. When properly brewed, it yields a thin-bodied, light-coloured infusion with a floral aroma.
--	--

6. PLANT VARIETY PROTECTION

Protection granted for plant varieties, the rights of farmers and plant breeders and to encourage the development of new varieties of plants

7. LAYOUT-DESIGN PROTECTION

The Semiconductor Integrated Circuits Layout Design Act, 2000, describes a Semiconductor Integrated Circuit as a product with transistors and other circuitry elements which are inseparably formed on a semiconductor material, insulating material or inside the semiconductor material and designed to perform an electronic circuitry function Layout Design (topography) means the three-dimensional layout of transistors and disposition of other circuitry elements. It includes lead wires connecting such elements and expressed in any manner in a semiconductor integrated circuit.

Period of ten years from the date of filing of an application.

Semiconductor Integrated Circuits Layout Design Act 2000, Semiconductor Integrated Circuits Layout Design Rules 2001

Types of layout designs are eligible for protection:

A layout design of an integrated circuit can be protected if it is original in the sense that it is the result of the creators' own intellectual effort and not commonplace among creators of layout designs and manufacturers of integrated circuits at the time of the creation

In general, protection of the topography requires that an integrated circuit be registered or commercially exploited.



Lay-out designs of integrated circuits of Sony

Sony Company Ltd is involved in manufacturing of Integrated Circuits. So it can be considered as its intellectual Property

8. TRADE SECRET

"Any confidential business information which provides an enterprise a competitive edge and is kept secret may be protected as a **Trade Secret**."

In general, to qualify as a trade secret, the information must be **commercially valuable** because it is secret, be known only to a limited group of persons, and be subject to reasonable steps taken by the rightful holder of the information to keep it secret.

Software Algorithms, Inventions, Designs, Formulas, Financial Records, Ingredients, Lists of Customers, Devices, Methods, Consumer Profiles and Advertising Strategies or Policies of a Company, etc.

Types of information protected by trade secrets:

1. **Technical Information**, such as information manufacturing processes, pharmaceutical test data, and drawings of computer programs,
2. **Commercial Information**, such as distribution methods, list of suppliers and clients, and advertising strategies.

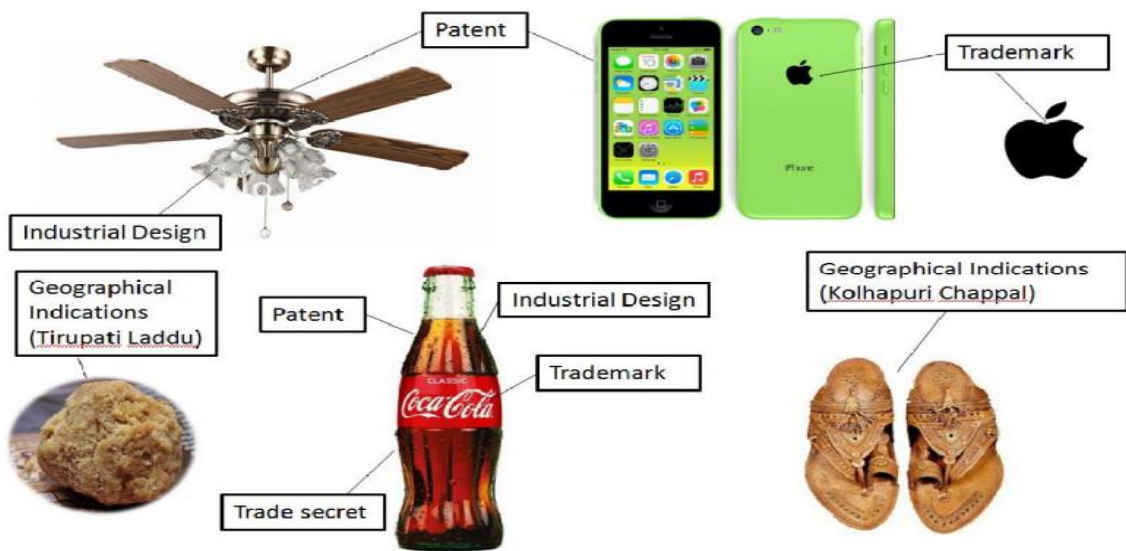
3. **Combination of Elements**, each of which by itself is in the public domain, but where the combination, which is kept secret provides a competitive advantage.
4. **Other examples** of information that may be protected by trade secrets include financial information, formulas and recipes and source codes.

	Recipe of Coca-Cola The secret formula for Coca-Cola, which is locked in a vault, is an example of a trade secret that is a formula or recipe. Coca Cola made a choice to brand the recipe a trade secret, which would have led to the disclosure of only the ingredients. Coca Cola decided to keep the recipe as confidential information to that extent, that even its employees are also not aware of it.
---	--

Terms of different Intellectual Property Right

		Protects	Infringement	Registration Process	Term	Comparative Costs
Patent	Utility Patent	Functional Aspects	Make, Use, Offer, Sale, Import	Yes	20 years upon filing	Expensive
	Design Patent	Ornamental Features	Make, Use, Offer, Sale, Import	Yes	15 years upon filing	Moderate
Trademarks		Brands	Used in commerce	Optional	Potentially indefinite, limited by use	Inexpensive
Copyrights		Works of Authorship	Copying, etc.	Optional	Life Plus 70 Years	Inexpensive
Trade Secrets		Information	Misappropriation	No	Potentially indefinite, limited by secrecy	Depends

Examples of IP



3.5 PATENT

3.5.1 Introduction of Patent:

These are the oldest form of the intellectual Property Rights and are enforced to promote technological and economic development by recognizing the individual's creativity and intellect. According to the act, patent is the allowance from the government to the inventors and giving them the exclusive right to make and use their invention and it is for a limited period of the time. According to the Trade Related Intellectual Property Rights, this exclusive right is for a period of 20 years and after that Government has the right to publish it. Government publishes it so that new and better ideas can be generated and the better products can be made so that old one can be replaced. Intellectuals have the right to commercialise, transfer or to sell the license of their invention during this time period.

The Indian Patent act, 1970 has classified the patentable inventions as follows:

Process: According to the law, process means new methods of production, research, testing analysis or the technological process that can be validated as new or unique. These are not the physical objects are in documented form.

Machines: In the patent law, machines are physical objects. It can be any product, instrument, or any other physical item that is new or useful.

Manufacture: According to the patent law, manufacture means any physical item has been made up by a new and unique way or materials.

Composition of matter: Composition of matter in a patent law refers to the mixture of the chemical compounds, medicines and botanical compositions which are new, unique and are useful and do not exist in the nature in that particular state

- The Patents Act 1970, along with the Patents Rules 1972, came into force on 20th April 1972, replacing the Indian Patents and Designs Act 1911.
- India also became signatory of the Paris Convention and the Patent Cooperation Treaty on 7th December 1998 and thereafter signed the Budapest Treaty on 17th December 2001.

3.5.2 Definition:

A Patent is an exclusive right granted by law to applicants for an invention, which is a product or a process that provides a new way of doing something, or offers a new technical solution to a problem.

“A Patent is an intellectual property right relating to inventions and is the grant of exclusive right, for limited period, provided by the Government to the patentee, in exchange of full disclosure of their invention, for excluding others, from making, using, selling, importing the patented product or process producing that product for those purposes.”

The word “Patent” refers to a monopoly right over an invention. Not all inventions are patentable nor it is essential to protect inventions solely through patent. The final product that results from an invention may be protected through other forms of intellectual property rights.

The purpose of this system is to encourage inventions by promoting their protection and utilization so as to contribute to the development of industries, which in turn, contributes to the promotion of technological innovation and to the transfer and dissemination of technology.

Patent right is territorial in nature and a patent obtained in one country is not enforceable in other country. The inventors/their assignees are required to file separate patent applications in different countries for obtaining the patent in those countries. In other words, if you have not been granted a patent with effect in a given country, your invention will not be protected in that country enabling anybody else to make, use, import or sell your invention in that country.

3.5.3 Patentability Criteria

A new product or process which involves an inventive step and capable of being made or used in an industry and should meet following criteria.

a) Novelty: Novelty means the matter disclosed in the specification is neither published in India nor anywhere else where before the date of filing of patent application in India. The invention must be novel, meaning thereby that the Invention must not be in existence.

b) Non-obvious: The Invention must be non- obvious, i.e. the Invention must be a significant improvement to the previous one; mere change in technology will not give the right of the patent to the inventor. Example: Camera + Phone

c) Utility: Industrially applicable means the invention should possess utility, so that it can be made or used in an industry.

Some famous example of patent:

A) The entire Mach 3 system of Gillette protected by 35 patents, costs \$35 billion just to bring to market.

B) Tata Motors had file 34 patents for Tata Nano to make it cheapest car of the world.

3.5.4 What Inventions are not patentable?

Non-patentable inventions are enumerated under Section 3 and 4 of the Patent Act. Such inventions are delineated below:

- **Harmful to human, animal or plant life or to environment.**

E.g. The genetically modified mouse to develop cancer for the purpose of medical research is not patentable because cancer can be transmitted to public.

- **Discovery of living things or non living substances in nature.**
Eg. Newton's law. discovery of microorganism.
- **New use or new property of known substance .**
Eg. New use of neem, turmeric. new use of aspirin for heart ailments.
- **Mere admixture resulting only in the aggregation of the properties of the components.**
Eg. Solution of sugar and color additives of water to form a soft drink.
- **Mere arrangement or arrangement of or duplication of known devices**
Eg: an umbrella with fan bucket fitted with torch
- **Methods of agriculture or horticulture.**
Eg. Cultivation of algae, producing new form of known plant.
- **Method of medical treatment.**
Eg. application of medical composition for removal of warts or moles.
- **Plants & animals in whole; Parts of plants & animals; Seeds; Varieties & species;**
- **Essentially biological processes for propagation or production of the animals & plants.**
- **Mathematical method, computer program, algorithms, business method.**
Eg. Online chatting method.
- **Method of performing mental act or method of playing game.**
Eg: scheme for learning a language, method of solving a cross word puzzle.
- **Presentation of information.**
- **Traditional knowledge.**
Eg. Wound healing property of turmeric.
- **Inventions falling under atomic energy.**

3.6 TRADEMARK

3.6.1 Introduction:

A trade mark (popularly known as brand name) in layman's language is a visual symbol which may be a word signature, name, device, label, numerals or combination of colours used by one undertaking on goods or services or other articles of commerce to distinguish it from other similar goods or services originating from a different undertaking. The trademark owner will have monopoly over the usage of that symbol. It includes Brands, Logos, Service marks, Trade name etc.

3.6.2 Definition:

“A trademark is any sign that individualizes the goods of a given enterprise and distinguishes them from the goods of its competitors.”

The Trademarks Act, 1999 defines Trademark as following: “Section 2 (zb) “Trademark” means a mark capable of being represented graphically and which is capable of distinguishing the goods and services of one from those of others and may include shape of goods, their packaging and combination of colours

“A trademark is a symbol or word that characterizes your product or service and distinguishes it from other products or services on the market. It makes your customers recognize your product or service.”

3.6.3 Types of Trademark that can be registered

There are many forms of trademark, which can be registered:

- Any name (including personal or surname of the applicant or predecessor in business or the signature of the person), which is not unusual for trade to adopt as a mark.
- An invented word or any arbitrary dictionary word or words, not being directly descriptive of the character or quality of the goods/service.
- Letters or numerals or any combination thereof.
- The right to proprietorship of a trade mark may be acquired by either registration under the Act or by use in relation to particular goods or service.
- Devices, including fancy devices or symbols
- Monograms
- Combination of colours or even a single colour in combination with a word or device
- Shape of goods or their packaging
- Marks constituting a 3- dimensional sign.
- Sound marks when represented in conventional notation or described in words by being graphically represented.

A trademark can be a word, expression, logo, letter, number, slogan, combination of colors, sound, smell or a hologram.

Sound



Letters



Words



Names



Number



Expression



Logo



What can be *Trademarked*?



Product



Service



Shape



Pattern



Collective



Certification



Sound



Colour



Word



Letters / Numbers



Device



Packaging

3.6.4 Procedure/Steps for Trademark Registration



Trademark registration is not mandatory in India unlike other countries.

1. Trademark Search:

A Trademark search is the first step in determining the uniqueness of your mark, and its similarity to other, pre-existing marks. Without a search there may be a greater risk of being sued for Trademark infringement, the rejection of your Trademark application, and a third-party challenging your Trademark application.

2. Application for Registration of Trademark:

Applications for registration of a trademark are to be filed by a person claiming to be the proprietor of a trademark, in the office of the Trade mark Registry, within the territorial limits of the place of business in India.

Example : Trademark Registry, Ahmedabad,

Trademark Jurisdiction: The state of Gujarat and Rajasthan and Union Territory of Damman, Diu, Dadra and Nagar Haveli.

3. Examination of application by the registry: Examination of the application by the Registrar to ascertain whether it is distinctive and does not conflict with existing registered or pending trademarks and examination report is issued.

4. Acceptance of application or refusal to accept:

An application for registration of a trademark is accepted only if the formal requirements are fulfilled.

Before issuing a total or partial refusal of the application, the office should give the applicant an opportunity to make corrections.

5. Advertisement of application

When an application is absolutely accepted or subject to some conditions, the registrar should advertise the application. The purpose of advertisement is any interested person can oppose the trademark within stipulated time.

6. Opposition to registration

Within three months from date of advertisement with prescribed fee in prescribed manner, the registrar waits for opposition if any.

7. **Certificate of Registration:** Final step in the Trademark registration procedure is the issuance of Trademark registration certificate. After the application for Registration of Trademark is accepted by the Registrar, the Registrar shall issue to the applicant a Certificate of Registration under the seal of the Trademark Registry.

Time Duration: If there is no objection and /or opposition raised, the process of Registration of Trademark usually takes 15 to 18 months.

A trademark is designated by the following symbols:

- ™ (for an unregistered trade mark)
- SM (for an unregistered service mark)
- ® (for a registered trademark)

Generally, one who has filed an application (pending registration) can use the TM (trademark) SM (Service Mark) designation with the mark to alert the public of his exclusive claim. The claim may or may not be valid. The registration symbol, ®, may only be used when the mark is registered.

8. **Trademark Renewal :** The validity period of registration certificate is for ten years and after that the same can be renewed, subject to the payment of renewal fees.

3.6.5 Term/Duration of a Trademark in India

The duration of a registered trademark is ten years subject to renewals after payment of prescribed fee. Failure to renew can lead to removal of trademark from the register.

An application for renewal of a trademark can be filed within six months from Constantia (Body) the expiry of the last registration of trademark.

3.6.6 Government fees for major Trade Mark Activities

1. Where the applicant is an Individual / Startup/Small Enterprise --Rs.5,000 (physical) Rs.4,500 (online)

In all other cases (**Note: Fee is for each class and for each mark**) ---Rs.10,000 (physical) Rs.9,000 (online)

2. To file a Notice of Opposition to oppose an application published in the Trade Marks Journal
Fees: Rs.2,500/-

3. For renewal of registration of a trademark under section 25 for each class Rs.10,000 (physical) Rs.9,000(online) and the form is TM-R.

3.6.7 Trademark Infringement

A registered trade mark is infringed by a person who, not being a registered proprietor or a person using by way of permitted use, uses in the course of trade

- which is identical with, or deceptively similar to, the trade mark in relation to goods or services in respect of which the trade mark is registered
- cause confusion on the part of the public
- use as their trade name or part of their trade name, or name is their business concern or part of the name, of their business concern dealing in goods or services
- used for labeling or packaging goods, as a business paper, or for advertising goods or services

Examples



There are two types of remedies available for the infringement of Trademark.

These remedies are:-

1. **Infringement Action:** An action for infringement, which is a statutory right, is dependent on the validity of the registration of the mark.

Injunction: (Warning or Order)

- Restraining(Warning) the future use of the mark;
 - Order for delivery of the infringing labels and marks for destruction;
 - Seizure infringing goods by the police department;
 - Arrest of the infringers;
 - Fines and penalties.: Offences shall be punishable with imprisonment for a term of minimum of six (6) months but which may extend to three (3) years and with a minimum fine of fifty thousand (50,000) rupees but which may extend to two lakh (2,00,000) rupees or more.
2. **Passing Off:** An action of passing off is a direct subject matter of or common law of right. Passing off is not defined in The Trade and Merchandise Marks Act, but it provides the rules of procedure and the remedies available.
In the case of unregistered yet well-known marks, the owner of the mark can initiate a passing off action in the appropriate Court of law.

Trademark Infringement Example Case

Amul won trademark case in Gujarat HC in 2007.

It was concluded that Utterly Buttery Delicious Amul's name cannot be used by any other proprietor even if the company is selling goods other than that sold by the proprietor, who has registered the trademark. In a significant judgment, the Gujarat High Court has ruled that a registered trademark user has the right to restrict others using their trademark for different class or goods.

HC's judgment was in connection with a case where the Kaira District Co-operative Milk Producers' Union popularly Amul Dairy and the Gujarat Co-operative Milk Marketing Federation (GCMMF) had filed trademark infringement cases against two local shop owners, Amul Chasmaghar and Amul Cut Piece Stores in the district court. While Kaira Union owns brand Amul, GCMMF manages the brand.

It was on April 25, in 2007 year that the district court had passed an order that it was a clear case of infringement and restrained the two from using Amul trademark. Amul Chasmaghar however had challenged the district court's interim injunction in the HC, where justice D N Patel upheld ruling of the district court.

3.7 INDUSTRIAL DESIGN

Meaning

A design refers to the features of shape, configuration, pattern, ornamentation or composition of lines or colours applied to any article. A design should be new and original.

The owner of a registered industrial design has the right to prevent third parties from making, selling or importing articles bearing or embodying a design which is a copy of the protected design.

- **The word “article” refers to any article manufactured and any substance, artificial, or partly artificial and partly natural, and includes any part of an article capable of being made and sold separately.**
- **Design office is located at Kolkata.**



Who may apply for Industrial Design?

An applicant who created the design or if working under contract, his employer, can apply for registration. The applicant can be either an individual (e.g: a designer) or a legal entity (e.g: company). In either case, the application may be made directly or through an agent. If you are a foreign applicant you may be required to be represented by an agent duly authorized by the Intellectual Property office of that country.

Duration of Industrial Design:

- An Industrial design is registered for a period of 10 years and is extendable for another 5 years if an application in Form-3 with a fee of Rs. 2,000/- is filed before the expiry of 1st year.

Criteria of Registrability

- Design should be new or original
- It should not be published in any country
- Not contrary to public order or morality
- Should not attract the provision of section 4 of Designs Act,2000.



3.8 COPYRIGHTS

3.8.1 Introduction:

The advent of the internet has posed a threat to people in different ways. One of them is Copyright infringement. People can have access to millions of websites with just a click, post something on social media networks by altering somebody's original work, a popular example of such alteration is the submission of research papers where researchers often use different sources to produce their work. People often copy someone else's original work without having any authority to do so.

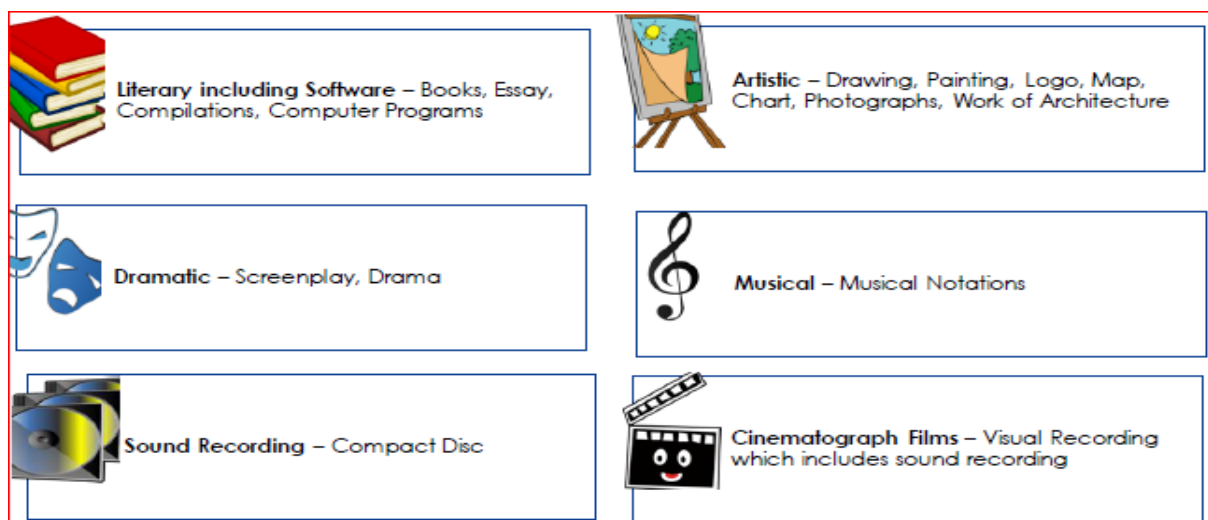
3.8.2 Definition

The word copyright is a mixture of two words – ‘copy’ and ‘right’. To be more precise copyright means ‘right to copy’, wherein only the creator or his authorised person has a right to reproduce a work. In simple words, a legal right which is possessed by the owner of Intellectual property is a copyright.

“Copyright is a right given by the law to creators of literary, dramatic, musical and artistic works and producers of cinematograph films and sound recordings.”

3.8.3 Types of Work Protected by Copyright:

- Copyright is provided for a wide range of expressions like literary works, Artistic work, music and Cinematography.
- Literary works include novels, books, newspaper articles, journals, research papers, magazines, instruction manuals.
- Artistic work includes painting, sculpture, diagrammatic representation, drawing.
- Music includes original music work and a specific combination of melody and harmony.
- Cinematography includes movies, tv shows, documentaries, television recording of events.
- It is provided for work and not for ideas.



Examples of Copyright

- Someone publishes the novel, then he gets the copyright for the novel.
- The makers of the film have a copyright over the film.

❖ Why is copyright important

Copyright is important for various reasons, namely,

- Copyright **legally protects** the creator's work
- Copyright helps the author **to exercise control** over his work
- It **provides ownership** to the creator of the work.

❖ Registration of Copyright

It is not mandatory to register the work to claim copyright and it commences the moment the work is created. However, it is advised to register the work for better protection, it will serve as proof in a matter of dispute.

Section 13 of the Copyright Act, 1957 states that the copyright can be given only for the original work. Copyright is usually provided for 60 years.

3.8.4 Term of Copyright

The general rule is that copyright lasts for 60 years. In the case of original literary, dramatic, musical and artistic works the 60-year period is counted from the year following the death of the author. In the case of cinematograph films, sound recordings, photographs, posthumous publications, anonymous and pseudonymous publications, works of government and works of international organizations, the 60-year period is counted from the date of publication.

3.8.5 Copyright Infringement

❖ What is Copyright Infringement?

Copyright infringement refers to the *unauthorized use of someone's copyrighted work*. Thus, it is the use of someone's copyrighted work without permission thereby infringing certain rights of the copyright holder, such as the right to reproduce, distribute, display or perform the protected work.

Section 51 of the Copyright Act specifies when a copyright is infringed. According to Section 51 of the Act, Copyright is deemed to be infringed if:

- A person without obtaining the permission of the copyright holder does any act which only the copyright holder is authorised to do.
- A person permits the place to be used for communication, selling, distribution or exhibition of an infringing work unless he was not aware or has no reason to believe that such permission will result in the violation of copyright.
- A person imports infringing copies of a work

- A person without obtaining the authority from the copyright holder reproduces his work in any form.

❖ **Copyright Infringement examples**

- If a person uses someone's song as background music in his/her music video then he could be made liable for copyright infringement.
- If a person downloads movies or songs from an unauthorized source then it will amount to copyright infringement.
- A person is free to record a TV program to view it later, but if he transfers or distributes it to others then it becomes a copyright infringement.

3.8.6 Copyright Issues

There are a number of issues that can arise in Copyright. These are discussed below:

▪ **Plagiarism**

Someone may copy the copyrighted material and pretend it to be his original work. People are allowed to quote the work or refer the work but the person who is using the copyrighted work has to give the credit to the copyright holder.

▪ **Ownership**

The issue of ownership may arise when an employer works for an organisation. In such case who has the copyright over the work? If a person is an employer then it is the organisation which has the copyright over the material but if a person is a freelance writer then it is the person himself who is the sole owner of the copyrighted material.

▪ **Derivative Works**

Derivative works use the already existing work of someone. It is a new version of already existing material. For example, translating a book into another language. A person requires a license for it but if he has not obtained the license for it then he can be made liable for copyright infringement.

3.8.7 Remedies for Infringement of Copyright

Refer Point Number 3.9 (Remedies of Infringement)

3.9 Counterfeit goods and IP

In general parlance the term counterfeit is used in reference to trademark infringement and piracy for infringement of copyrights. In simple words counterfeit means to imitate something with the intention to practice deception. Piracy means making an unauthorized exact copy not a simple imitation of an item covered by an intellectual property right generally in the context of music, motion pictures, computer software etc.

Definition:

A workable definition in the context of Intellectual Property Rights for Counterfeit/Pirated goods can be as follows

A counterfeit is:

- An unauthorized copy;
- Not conforming to the original manufacturer's design, model, and/or performance standards;
- Not produced by the stated manufacturer or produced by unauthorised contractors;
- An off-specification, defective or used product sold as "new" or working; or
- Has incorrect or false markings and/or documentation

"A counterfeit is Illegal goods infringing upon genuine goods that are legally protected under Industrial Property Law i.e. Trademark, Design, Patent, Geographical Indication and Copyright Law."

3.9.1 Modes of Counterfeiting and Piracy

According to a report by the Office of the United States Trade Representative (USTR, an executive agency) counterfeit goods and other commodities, especially fuel oil, and pirated software and optical media continue to thrive in India . The report named Nehru Place and Palika Bazaar in New Delhi, Richie Street and Burma Bazaar in Chennai, Manish Market, Heera Panna, Lamington Road and Fort District in Mumbai, and ChandniChowk in Kolkata as notorious markets for the illicit drug trade.

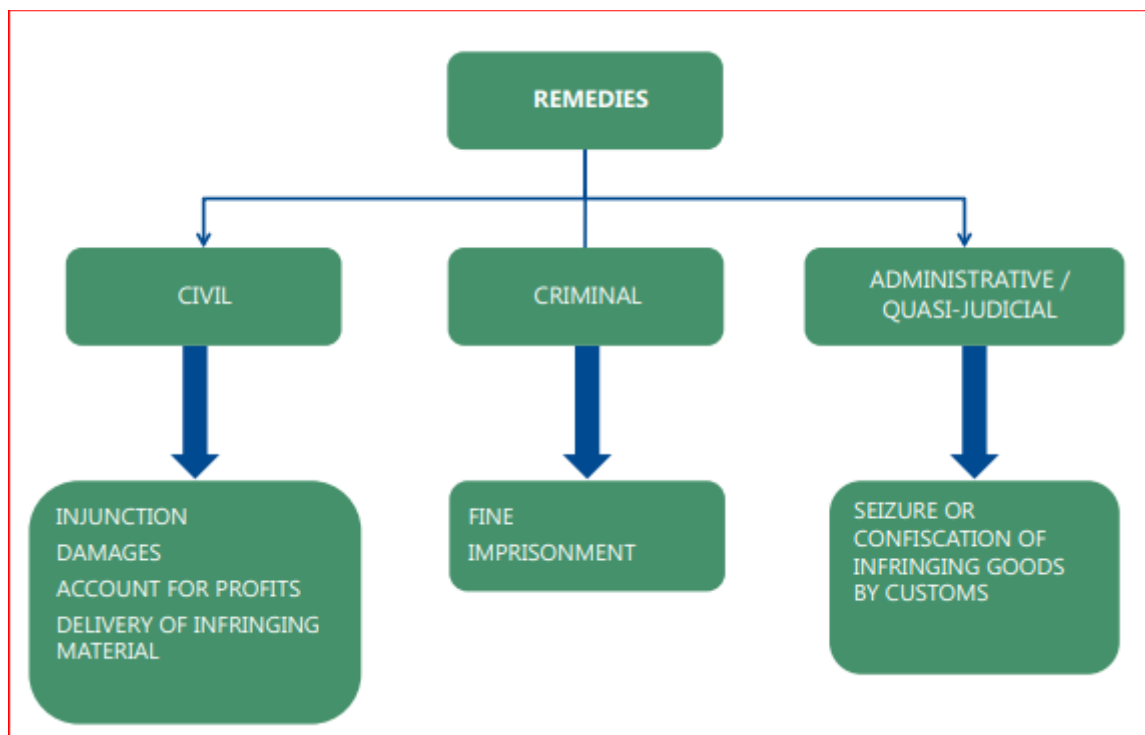
Stages	
Manufacture /Production	Authorized packaging facilities that sell fake goods in genuine packaging.
	Recycling and remarking is a process by which the used components are removed from package and is repackaged and remarked.
Distribution	Defective piece is sold instead of being destroyed. This mode of counterfeiting is very common in apparels, shoes, bags etc.
Import	Mixing fake products with genuine products Non mention of brand name and adding counterfeit trademark i.e. logos once it crosses the border. Falsification Tampering with documents relating to goods Re-labeling/ Reclassification labelling of high-tariff products as low-tariff ones to reduce tax liability or change the name of the country of origin to take advantage of favorable economic relations with a country

3.9.3 Remedies:

Counterfeiting, also referred to as the act of copying brands. It is due to the growing instances of counterfeit, passing off and piracy leading to economic damages. Statues such as Trademarks Act, the Copyright Act, and the Geographical Indications Act provide criminal remedies.

The punishment varies from 6 months to 3 years of imprisonment and fine ranging from INR Rs. 50,000 to 200,000/-.

The statutes acknowledge counterfeit as cognizable crime, wherein the police can take action and carry out search and seizure court warrant to counterfeiters as provided in the following statutes.



(A) Criminal Enforcement of IP

(a) Indian Penal Code, 1860: The Penal Code sets out punishments for cheating, counterfeiting and possession of instruments for making counterfeits etc. and criminal actions, in addition to the provisions of specific statutes.

(b) Copyright Act, 1957: Provides power to the Police to seize the infringed copies of copyrighted work. The Act provides for imprisonment up to three years and fine for indulging in activities of infringement.

(c) The Trade Marks Act, 1999: provides penalty for applying false trademark and/or trade description, etc. with imprisonment up to three years and fine ranging from fifty thousand to two lakh rupees.

(d) The Patents Act, 1970: The Patents Act does not provide criminal remedies. However, criminal liability arises where an article is wrongfully represented to be patented or secrecy requirements under the act are breached.

(e) Geographical Indications Act, 1999: provides for criminal remedies where the term of imprisonment varies from 6 months to 3 years and fine from ₹ 50,000 to ₹ 2 lacs.

(B) Civil Enforcement

- a) Injunction: Injunction (Warning) is a Court order by which a person is required to perform or is restrained (stop) from performing, a particular act.
- b) Damages or Accounts for profits: Damages means the compensation for the injury suffered. Account of profit means the actual amount of profit made by the opposite party due to unauthorised use of the trademark in question.
- c) Delivery-Up: Goods produced in breach of intellectual property that has been damaged and which must be replaced.
- d) Anton Pillar Orders: Order by the court to allow an applicant to enter the respondent's premises to inspect, search and seize in **order** to preserve and prevent damage of evidence.
- e) **John Doe Order:** It is similar to Anton Pillar order, These orders are issued by the Court to search and seize against unknown defendants.

(C) Administrative (Accounts)

Administrative remedies include moving to the Registrar of copyrights office to ask him to ban the import of infringing copies into India in case the infringement is through

such importation and the infringing copies must be delivered to the owner of the copyright. This is a useful alternative for the plaintiff in that it enables access to the profits made from the infringement of copyright. This is useful, especially if the amount is likely to exceed that which might be expected from an award of damages.

3.10 CONCLUSIONS:

Micro, Small and Medium scale industries are the support for the Indian manufacturing sector. There are about 26 million MSMEs which employ more than 60 million people, and shares about 45% in manufacturing sector and hold about 40% of exports and contribute to the 8% GDP of the country. But they face several challenges like technological problems, lack of finance, IPR related issues, unawareness etc, therefore unable to register for the patents, copyrights, trademarks and Intellectual property because of which they are losing their competitive advantage. Therefore, to gain the competitive strength, they should be aware of the Intellectual property Rights and Government should take steps to promote the importance of IPR for the entrepreneurs because IPR can help them in gaining competitive advantage by being unique and innovative and moreover by commercializing these IP's they can generate good profits from the business. Therefore, IP has the potential to raise the business value of the entrepreneurs and help in making them more competitive and financially strong.