

# Chapter – 21

## Micro, Small & Medium Enterprises (MSME) & Self Help Groups (SHGs)

---

### I. Choose the Correct Answer

#### Question 1.

MSMED Act was enacted in the year .....

- (a) 2004
- (b) 2007
- (c) 2006
- (d) 2008

**Answer:**

- (c) 2006

#### Question 2.

MSMEs are important for the nation's economy because they significantly contribute to .....

- (a) industrial production
- (b) exports
- (c) employment
- (d) all the above

**Answer:**

- (d) all the above

#### Question 3.

Self-help groups convert the savings into a common fund known as .....

- (a) Common fund
- (b) Group corpus fund
- (c) Group fund
- (d) none of the above

**Answer:**

- (b) Group corpus fund

**Question 4.**

There are ..... distinct modes of credit to Self Help Groups.

- (a) 1
- (b) 2
- (c) 3
- (d) 4

**Answer:**

- (c) 3

**Question 5.**

The investment limit of a micro-enterprise under the manufacturing sector does not exceed ..... lakhs.

- (a) 10
- (b) 20
- (c) 25
- (d) 50

**Answer:**

- (c) 25

## II. Very Short Answer Questions

**Question 1.**

What do you understand by the manufacturing enterprises?

**Answer:**

The enterprises engaged in the manufacturing or production of goods pertaining to any industry specified in the first schedule to the Industries Development and Regulation Act, 1951 are known as manufacturing enterprises.

**Question 2.**

Give some examples for micro-enterprises.

**Answer:**

Micro enterprises are engaged in low scale activities such as clay pot making, fruits and vegetable vendors, transport (three-wheeler tempos and autos),

repair shops, cottage industries, small industries, handlooms, handicraft works, etc.

**Question 3.**

What is the aim of NEEDS?

**Answer:**

The aim of NEEDS is to provide entrepreneurship development training to educated young entrepreneurs, preparing business plans, and helping them to tie up with financial institutions to set up new business ventures.

**Question 4.**

What is a Self Help Group?

**Answer:**

Rural development is one of the main pillars of the progress of India. It has lagged behind in many aspects of development even after six decades of the independence of India. Self Help Group has emerged as a new model for combating poverty.

**Question 5.**

State the investment limit for small enterprises in the manufacturing and service sectors.

**Answer:**

<b>Enterprise</b>	<b>Manufacturing Sector</b>	<b>Service Sector</b>
Small Enterprise	More than Rs.25 Lakhs, but not exceeding Rs. 5 Crores.	More than Rs.10 Lakhs, but not exceeding Rs. 2 Crores.

### III. Short Answer Questions

**Question 1.**

State the investment limit for a medium enterprise engaged in the Manufacturing and service sector.

**Answer:**

<b>Enterprise</b>	<b>Manufacturing Sector</b>	<b>Service Sector</b>
Medium Enterprise	More than Rs. 5 Crores, but not exceeding Rs. 10 Crores.	More than Rs.2 Crores, but not exceeding Rs. 5 Crores.

**Question 2.**

List out the products produced by MSME in Tamil Nadu?

**Answer:**

In Tamil Nadu, the MSMEs sector produces textile, electronic products, engineering products, auto ancillaries, leather products, chemicals, plastics, garments, jewellery etc.

**Question 3.**

What is the role and significance of MSMEs in the Indian Economy?

**Answer:**

Entrepreneurship is the key to the economic development of any country. By empowering entrepreneurs, the MSME sector provides more employment opportunities to the people of India. It helps towards the industrialization of rural and backward areas. This sector reduces regional imbalance. It provides equality distribution of national' income and wealth.

**Question 4.**

Explain any three features of the Self Help Group.

**Answer:**

**The following are the main features of Self Help Group:**

1. The motto of every group members should be "saving first — credit later"
2. Self Help Group is homogeneous in terms of economic status.
3. The ideal size of a Self Help Group ranges between 10 and 20 members.

### **Question 5.**

What are the different ways in which banks fund Self Help Groups?

#### **Answer:**

There are three distinct modes of credit to SHGs. Under the first mode, banks lend directly to the SHGs. In the second mode, banks provide loans to the NGOs for onward lending to the SHGs and ultimately to micro-entrepreneurs. Under the third mode, banks extend credit to the SHGs with the NGOs serving as facilitators. Out of these three methods, the last method of direct lending by bank with NGOs facilitation is widely practised.

## **IV. Long Answer Questions**

### **Question 1.**

What is the definition of MSME?

#### **Answer:**

The Government of India has enacted the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 in terms of which the definition of micro, small and medium enterprises is as under:

- Enterprises engaged in the manufacture or production, processing, or preservation of goods as specified below:
- A microenterprise is an enterprise where investment in plant and machinery does not exceed Rs. 25 lakh;
- A small enterprise is an enterprise where the investment in plant and machinery is ' more than Rs. 25 lakh but does not exceed Rs. 5 crores;
- A medium enterprise is an enterprise where the investment in plant and machinery is more than Rs.5crore but does not exceed Rs.10 crore.
- In the case of the above enterprises, investment in plant and machinery is the original cost excluding land and building and the items specified by the Ministry of Small Scale Industries vide its notification No.S.0.1722 (E) dated October 5, 2006.

**Question 2.**

Explain the advantages of MSMEs?

**Answer:**

1. **Employment Potential:** MSMEs generate more employment opportunities than large business concerns.
2. **Low Production Cost:** MSMEs do not require skilled laborers or professionals to run the organization. It employs cheap labour and thus minimizes the overhead.
3. **Low Investment:** MSMEs do not require huge capital to start the unit. It can employ locally available resources within the reach of the owner.
4. **Quick Decision Making:** MSMEs need not hire professional managers to run the management on a day-to-day basis.
5. **Supplementary Role:** MSMEs play a complementary role to serve as a feeder to large-scale industries.
6. **Establishment of Socialistic Pattern of Society:** MSME sector contributes towards the establishment of a socialistic, pattern of society by reducing the concentration of income and wealth.
7. **Balanced Regional Development:** By encouraging MSMEs in industrially backward areas of India, balanced development can be achieved across all regions.
8. **Promotion of Self Employment and Self Reliance Spirit:** MSMEs help to a great deal in developing a class of entrepreneurs.
9. **Higher Contribution to Manufacturing and Export:** MSMEs contribute 45% to the total manufacturing output and 40% to the exports from the country. It helps in earning precious foreign exchange in various countries across the world.

**Question 3.**

What are the objectives of SHGs?

**Answer:**

**The following are the objectives of Self Help Groups:**

- Focusing on the empowerment of women.
- Saving people from the clutches of money lenders

- Building capacity of women and enabling them to participate in generating activities.
- Creating the habit of saving in the minds of the people who are economically backward.
- Promoting entrepreneurship skills among women.
- Creating awareness about the importance of credit circle or revolving credit and the payment of the circle.
- Elevating the economic standard of the member's families.
- Developing skills and facilitating credit' linkages for eventual economic empowerment:
- Promoting awareness among the members about finding solutions for their economic problems.
- Identifying the common interest of the group members and carrying out their operations in the most efficient and economical way.
- Enabling the members to overcome all social and economic barriers.
- Promising and ensuring human rights to women at all stages of their life cycle.