

Unit – II

SMALL SCALE INDUSTRIES

Small-Scale Industries in India: Definition, Characteristic and Objectives:

In Indian economy small-scale and cottage industries occupy an important place, because of their employment potential and their contribution to total industrial output and exports.

Government of India has taken a number of steps to promote them. However, with the recent measures, small-scale and cottage industries facing both internal competition as well as external competition.

There is no clear distinction between small-scale and cottage industries. However it is generally believed that cottage industry is one which is carried on wholly or primarily with the help of the members of the family. As against this, small-scale industry employs hired labour.

Moreover industries are generally associated with agriculture and provide subsidiary employment in rural areas. As against this, small scale units are mainly located in urban areas as separate establishments.

Definition:

The official definitions of a small scale unit are as follows:

(i) Small-Scale Industries:

These are the industrial undertakings having fixed investment in plant and machinery, whether held on ownership basis or lease basis or hire purchase basis not exceeding Rs. 1 crore.

(ii) Ancillary Industries:

These are industrial undertakings having fixed investment in plant and machinery not exceeding Rs. 1 crore engaged in or proposed to engage in,

- (a) The manufacture of parts, components, sub-assemblies, tooling or intermediaries, or
- (b) The rendering of services supplying 30 percent of their production or services as the case may be, to other units for production of other articles.

(iii) Tiny Units:

These refer to undertakings having fixed investment in plant and machinery not exceeding Rs. 23 lakhs. These also include undertakings providing services such as laundry, Xeroxing, repairs and maintenance of customer equipment and machinery, hatching and poultry etc. Located in towns with population less than 50,000.

(iv) Small-Scale Service Establishments:

These mean enterprises engaged in personal or household services in rural areas and town with population not exceeding 50000 and having fixed investment in plant and machinery not exceeding Rs. 25 lakhs.

(v) Household Industries:

These cover artisans skilled craftsman and technicians who can work in their own houses if their work requires less than 300 square feet space, less than 1 Kw power, less than 5 workers and no

pollution is caused. Handicrafts, toys, dolls, small plastic and paper products electronic and electrical gadgets are some examples of these industries.

Characteristics of Small-Scale Industries:

(i) Ownership:

Ownership of small scale unit is with one individual in sole-proprietorship or it can be with a few individuals in partnership.

(ii) Management and control:

A small-scale unit is normally a one man show and even in case of partnership the activities are mainly carried out by the active partner and the rest are generally sleeping partners. These units are managed in a personalised fashion. The owner is activity involved in all the decisions concerning business.

(iii) Area of operation:

The area of operation of small units is generally localised catering to the local or regional demand. The overall resources at the disposal of small scale units are limited and as a result of this, it is forced to confine its activities to the local level.

(iv) Technology:

Small industries are fairly labour intensive with comparatively smaller capital investment than the larger units. Therefore, these units are more suited for economics where capital is scarce and there is abundant supply of labour.

(v) Gestation period:

Gestation period is that period after which teething problems are over and return on investment starts. Gestation period of small scale unit is less as compared to large scale unit.

(vi) Flexibility:

Small scale units as compared to large scale units are more change susceptible and highly reactive and responsive to socio-economic conditions.

They are more flexible to adopt changes like new method of production, introduction of new products etc.

(vii) Resources:

Small scale units use local or indigenous resources and as such can be located anywhere subject to the availability of these resources like labour and raw materials.

(viii) Dispersal of units:

Small scale units use local resources and can be dispersed over a wide territory. The development of small scale units in rural and backward areas promotes more balanced regional development and can prevent the influx of job seekers from rural areas to cities.

Objectives of Small Scale Industries:

The objectives of small scale industries are:

1. To create more employment opportunities with less investment.
2. To remove economic backwardness of rural and less developed regions of the economy.
3. To reduce regional imbalances.
4. To mobilise and ensure optimum utilisation of unexploited resources of the country.
5. To improve standard of living of people.
6. To ensure equitable distribution of income and wealth.
7. To solve unemployment problem.

8. To attain self-reliance.
9. To adopt latest technology aimed at producing better quality products at lower costs.

Definitions of Micro, Small & Medium Enterprises In accordance with the provision of Micro, Small & Medium Enterprises Development (MSMED) Act, 2006 the Micro, Small and Medium Enterprises (MSME) are classified in two Classes:

1. **Manufacturing Enterprises**-he enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the first schedule to the industries (Development and regulation) Act, 1951) or employing plant and machinery in the process of value addition to the final product having a distinct name or character or use. The Manufacturing Enterprise are **defined in terms of investment in Plant & Machinery.**
2. **Service Enterprises**:-The enterprises engaged in providing or rendering of services and are **defined in terms of investment in equipment.**

Manufacturing Sector	
Enterprises	Investment in plant & machinery
Micro Enterprises	Does not exceed twenty five lakh rupees
Small Enterprises	More than twenty five lakh rupees but does not exceed five crore rupees
Medium Enterprises	More than five crore rupees but does not exceed ten crore rupees
Service Sector	
Enterprises	Investment in equipments
Micro Enterprises	Does not exceed ten lakh rupees:
Small Enterprises	More than ten lakh rupees but does not exceed two crore rupees
Medium Enterprises	More than two crore rupees but does not exceed five core rupees

Govt. of India
Development Commissioner (MSME)
Ministry of Micro, Small & Medium Enterprises

The Product Group Matrix

There are about twenty-one major industry groups in the small scale sector. These are listed below :

1. Food Products
2. Chemical & Chemical Products
3. Basic Metal Industries
4. Metal Products
5. Electrical Machinery & Parts
6. Rubber & Plastic Products
7. Machinery & Parts Except Electrical goods

8. Hosiery & Garments - Wood Products
9. Non-metallic Mineral Products
10. Paper Products & Printing
11. Transport Equipments & Parts
12. Leather & Leather Products
13. Miscellaneous Manufacturing Industries
14. Other Services & Products
15. Beverages, Tobacco & Tobacco Products
16. Repair Services
17. Cotton Textiles
18. Wool, Silk, Synthetic Fiber Textiles
19. Jute, Hemp and Mesta Textiles
20. Other Services

A survey of indices of industrial production (IIP) maintained for these major industry groups reveals what the sunrise industries are and on what segments the sun has set. SSI units produce an amazing variety and type of products. Over 7500 products are known to be manufactured in this sector. Even in a particular product, there would exist a wide range of qualities or specifications catering to different market segments, particularly in consumer/household products. Small Scale sector has emerged as a major supplier of mass consumption items like

1. Leather And Leather Goods
2. Plastic And Rubber Goods
3. Ready-Made Garments
4. Hosiery Goods, Sheet Metal Goods
5. Stationery Items - Soap And Detergents
6. Domestic Utensils
7. Toothpaste And Toothpowder
8. Safety Matches
9. Preserved Foods And Vegetables
10. Wooden And Steel Furniture
11. Paints And varnishes etc.,

Among the sophisticated items mention may also be made of

1. Television sets
2. Calculators
3. Microwave Components
4. Plastic Film Capacitors
5. Carbon Film Registers
6. Electro Medical Equipments
7. Electronic Teaching Aids
8. Digital Measuring Equipments
9. Air-Conditioning Equipments
10. Optical Lenses
11. Drugs And Pharmaceuticals

12. Electric Motors
13. Pesticide Formulators
14. Photographic Sensitised Paper
15. Razor Blades
16. Collapsible Tubes, Etc.

COTTAGE INDUSTRIES

Definition

An industry where the creation of products and services is home-based, rather than factory-based. While products and services created by cottage industry are often unique and distinctive given the fact that they are usually not mass-produced, producers in this sector often face numerous disadvantages when trying to compete with much larger factory-based companies.

1. an industry whose labor force consists of family units or individuals working at home with their own equipment
2. a small and often informally organized industry
3. a limited but enthusiastically pursued activity or subject

Examples of cottage industry

Weaving, Pottery, and other cottage industries

Products for Small Scale Units

In India, the present policy of encouraging growth of small scale industries is based on several promotional measures, one of which is reservation of products for exclusive manufacture in the small scale sector. Large/Medium units can, however, manufacture such reserved items provided they undertake to export 50% or more of their production. The reason for special emphasis on this sector is that it plays a vital role in the growth of the country. It contributes almost 40% of the gross industrial value added in the Indian economy. The opportunities in the small-scale sector are enormous due to the following factors:-

- Less Capital Intensive
- Extensive Promotion & Support by Government
- Reservation for Exclusive Manufacture by small scale sector
- Funding - Finance & Subsidies
- Machinery Procurement
- Raw Material Procurement
- Manpower Training

- Technical & Managerial skills
- Tooling & Testing support
- Reservation for Exclusive Purchase by Government
- Export Promotion
- Growth in demand in the domestic market size due to overall economic growth
- Increasing Export Potential for Indian products
- Growth in Requirements for ancillary units due to the increase in number of green field units coming up in the large scale sector. Small industry sector has performed exceedingly well and enabled our country to achieve a wide measure of industrial growth and diversification

INVESTMENT CEILINGS FOR SSIs & SSSBEs

Small scale industries were first defined in 1950. At that time, in addition to a limit on investment in fixed assets, there was also an employment stipulation. The employment condition was deleted in 1960. In 1966, the limit on investment in fixed assets was changed to a limit on investment in plant and machinery (original value) only. The Table below indicates the historical evolution of the definition of small scale and ancillary units.

TABLE

YEAR	SMALL SCALE INDUSTRIES	ANCILLARY INDUSTRIES*
1955	Upto Rs. 5 lacs in fixed assets and employment less than 50/ 100 workers with / without power.	---
1960	Upto Rs. 5 lacs in fixed assets	---
1966	Upto Rs. 7.5 lacs in plant and machinery	Upto Rs. 10 lacs in plant and machinery
1975	Upto Rs. 10 lacs in plant and machinery	Upto Rs. 15 lacs in plant and machinery
1980	Upto Rs. 20 lacs in plant and machinery	Rs. 25 lacs
1985	Upto Rs. 35 lacs in plant and machinery	Rs. 45 lacs
1991	Upto Rs. 60 lacs in plant and machinery	Rs. 75 lacs
1997	Upto Rs. 300 lacs in plant and machinery	Rs. 300 lacs
1999	Upto Rs. 100 lacs in plant and machinery **	Rs. 100 lacs

- * *For ancillary industries, an additional condition is that the unit must supply or render not less than fifty per cent of its production or services to other (parent) industrial units. In April 1991, a third category of unit, viz. Export oriented Unit has also been introduced (Reference: Notification No. S.O 232 (E) dt. 2nd April, 1991).*
- ** *The investment ceiling for SSI units manufacturing reserved items in the hosiery and hand tools sectors has been enhanced to Rs. 500 lacs since October 2002 and for reserved items in the stationary and pharmaceutical sectors since June 2003.*

ServiceEnterprises

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Service oriented enterprises were recognized as Small Scale Service Establishments (SSSE) from 1982 onwards. These included specified service related enterprises with an investment in fixed assets, excluding land and building, upto Rs. 2 lacs provided they were located in rural areas or in towns with a population upto 5 lacs. This category was reorganized in 1991 as industry related Small Scale Service and Business Enterprises (SSSBE's). SSSBE's were units with investment in fixed assets, excluding land and building, upto Rs. 5 lacs irrespective of location. SSSBE's are entitled to all the incentives and facilities that are available to small scale units. Since September 2000, the investment ceiling for SSSBE's has been enhanced to Rs. 10 lacs.

Enhancement of Investment Ceilings

Requests have been periodically received from stakeholders for suitable enhancement in investment ceiling for both SSIs and SSSBEs. Requests have also been received for extending the ceiling of Rs. 5 crore to the specified industry sector as a whole instead of only the reserved items in that sector.

Role and Importance of Small Scale Industry in India :

In a developing country like India, the role and importance of small-scale industries is very significant towards poverty eradication, employment generation, rural development and creating regional balance in promotion and growth of various development activities.

It is estimated that this sector has been contributing about 40% of the gross value of output produced in the manufacturing sector and the generation of employment by the small-scale sector is more than five times to that of the large-scale sector.

This clearly shows the importance of small-scale industries in the economic development of the country. The small-scale industry have been playing an important role in the growth

process of Indian economy since independence in spite of stiff competition from the large sector and not very encouraging support from the government.

The following are some of the important role played by small- scale industries in India.

1. Employment generation:

The basic problem that is confronting the Indian economy is increasing pressure of population on the land and the need to create massive employment opportunities. This problem is solved to larger extent by small-scale industries because small- scale industries are labour intensive in character. They generate huge number of employment opportunities. Employment generation by this sector has shown a phenomenal growth. It is a powerful tool of job creation.

2. Mobilisation of resources and entrepreneurial skill:

Small-scale industries can mobilize a good amount of savings and entrepreneurial skill from rural and semi-urban areas remain untouched from the clutches of large industries and put them into productive use by investing in small-scale units. Small entrepreneurs also improve social welfare of a country by harnessing dormant, previously overlooked talent. Thus, a huge amount of latent resources are being mobilised by the small-scale sector for the development of the economy.

3. Equitable distribution of income:

Small entrepreneurs stimulate a redistribution of wealth, income and political power within societies in ways that are economically positive and without being politically disruptive.

Thus small-scale industries ensures equitable distribution of income and wealth in the Indian society which is largely characterised by more concentration of income and wealth in the organised section keeping unorganised sector undeveloped. This is mainly due to the fact that small industries are widespread as compared to large industries and are having large employment potential.

4. Regional dispersal of industries:

There has been massive concentration of industries in a few large cities of different states of Indian union. People migrate from rural and semi urban areas to these highly developed centres in search of employment and sometimes to earn a better living which ultimately leads to many evil consequences of over-crowding, pollution, creation of slums, etc. This problem of Indian economy is better solved by small- scale industries which utilise local resources and brings about dispersion of industries in the various parts of the country thus promotes balanced regional development.

5. Provides opportunities for development of technology:

Small-scale industries have tremendous capacity to generate or absorb innovations. They provide ample opportunities for the development of technology and technology in return, creates an environment conducive to the development of small units. The entrepreneurs of small units play a strategic role in commercialising new inventions and products. It also facilitates the transfer of technology from one to the other. As a result, the economy reaps the benefit of improved technology.

6. Indigenization: Small-scale industries make better use of indigenous organisational and management capabilities by drawing on a pool of entrepreneurial talent that is limited in the early stages of economic development. They provide productive outlets for the enterprising independent people. They also provide a seed bed for entrepreneurial talent and a testing round for new ventures.

7. Promotes exports:

Small-scale industries have registered a phenomenal growth in export over the years. The value of exports of products of small-scale industries has increased to Rs. 393 crores in 1973-74 to Rs. 71, 244 crores in 2002-03. This contributes about 35% India's total export. Thus they help in increasing the country's foreign exchange reserves thereby reduces the pressure on country's balance of payment.

8. Supports the growth of large industries:

The small-scale industries play an important role in assisting bigger industries and projects so that the planned activity of development work is timely attended. They support the growth of large industries by providing, components, accessories and semi finished goods required by them. In fact, small industries can breath vitality into the life of large industries.

9. Better industrial relations:

Better industrial relations between the employer and employees helps in increasing the efficiency of employees and reducing the frequency of industrial disputes. The loss of production and man-days are comparatively less in small- scale industries. There is hardly any strikes and lock out in these industries due to good employee-employer relationship.

Of course, increase in number of units, production, employment and exports of small- scale industries over the years are considered essential for the economic growth and development of the country. It is encouraging to mention that the small-scale enterprises accounts for 35% of the gross value of the output in the manufacturing sector, about 80% of the total industrial employment and about 40% of total export of the country.

Policies Governing SSI's

SMALL SCALE SECTOR

2.0 Policy Support :

2.1 The investment limit for the Tiny Sector will continue to be Rs. 25 lakhs. ([Annexure-III](#))

2.2 The investment limit for the SSI sector will continue to be at Rs. 1 crore. ([Annexure-IV](#))

2.3 The Ministry of SSI & ARI will bring out a specific list of hi-tech and export oriented industries which would require the investment limit to be raised upto Rs. 5 crores to admit of suitable technology upgradation and to enable them to maintain their competitive edge.

2.4 The Limited Partnership Act will be drafted quickly and got enacted. Attempt will be made to bring the Bill before the next session of the Parliament.

3.0 Fiscal Support

3.1 To improve the competitiveness of Small Scale Sector, the exemption for excise duty limit raised from Rs. 50 lakhs to Rs. 1 crore. ([Annexure-V](#))

4.0 Credit Support

4.1 The composite loans limit raised from Rs. 10 lakhs to Rs.25 lakhs. ([Annexure-VI](#))

4.2 The Small Scale Service and Business (Industry Related) Enterprises (SSSBs) with a maximum investment of Rs. 10 lakhs will qualify for priority lending. ([Annexure-VII](#))

4.3 In the National Equity Fund Scheme, the project cost limit will be raised from Rs. 25 lakhs to Rs. 50 lakhs. The soft loan limit will be retained at 25 per cent of the project cost subject to a maximum of Rs. 10 lakhs per project. Assistance under the NEF will be provided at a service charge of 5 per cent per annum. ([Annexure-VIII](#))

4.4 The eligibility limit for coverage under the recently launched (August 2000) Credit Guarantee Scheme has been revised to Rs.25 lakhs from the present limit of Rs. 10 lakhs. (*Annexure-IX*)

4.5 The Department of Economic Affairs will appoint a Task Force to suggest revitalisation/restructuring of the State Finance Corporations. (*Annexure-X*)

4.6 The Nayak Committee's recommendations regarding provision of 20 per cent of the projected turnover as working capital is being recommended to the financial institutions and banks. (*Annexure-XI*)

5.0 Infrastructural Support

5.1 The Integrated Infrastructure Development (IID) Scheme will progressively cover all areas in the country with 50 per cent reservation for rural areas. (*Annexure-XII*)

5.2 Regarding upgrading the Industrial Estates, which are languishing, the Ministry of SSI & ARI will draw up a detailed scheme for the consideration of the Planning Commission.

5.3 A Plan Scheme for Cluster Development will be drawn up.

5.4 The funds available under the non-lapsable pool for the North-East will be used for Industrial Infrastructure Development, setting up of incubation centres, for Cluster Development and for setting up of IIDs in the North-East including Sikkim. (*Annexure-XIII*)

6.0 Technological Support and Quality Improvement

6.1 Capital Subsidy of 12 per cent for investment in technology in select sectors. An interministerial Committee of Experts will be set up to define the scope of technology upgradation and sectorial priorities. (*Annexure-XIV*)

6.2 To encourage Total Quality Management, the Scheme of granting Rs.75,000/- to each unit for opting ISO-9000 Certification will continue for the next six years i.e. till the end of the 10th plan. (*Annexure-XV*)

TINY SECTOR

14.0 Policy Support

14.1 The investment limit for the tiny sector will continue to be Rs. 25 lakhs.

14.2 Under the Prime Minister's Rozgar Yojna, which finances setting up of micro enterprises and generates employment for the educated unemployed, the family income eligibility limit of Rs. 24,000 per annum being revised to Rs. 40,000 per annum. (*Annexure-XXIII*)

15.0 Credit Support

15.1 The Nayak Committee's recommendations regarding provision of 20 per cent of the projected turnover as working capital is being recommended to the Financial Institutions and Banks. In respect of Tiny units also 20 per cent of the projected annual turnover would qualify for working capital loan.

15.2 The National Small Industries Corporation will continue to give composite loans upto Rs.

25 lakhs to the Tiny Sector and continue to charge one per cent concessional interest rate.

15.3 SIDBI will continue to give concessional rate of refinance to the tiny sector which is now at 10.5 per cent as compared to 12 per cent for the SSI sector. This policy will continue.

15.4 In the National Equity Fund Scheme, the project cost limit will be raised from Rs. 25 lakhs to Rs. 50 lakhs. The soft loan limit will be retained at 25 per cent of the project cost subject to a maximum of Rs. 10 lakhs per project. Assistance under the NEF will be provided at a service charge of 5 per cent per annum. Under the National Equity Fund Scheme, 30 per cent of the investment will be earmarked for the Tiny Sector.

16.0 Infrastructure Support

16.1 The Integrated Infrastructure Development (IID) Scheme will progressively cover all areas in the country with 50 per cent reservation for rural areas. Under this Scheme, 50 per cent of the plots will be earmarked for the tiny sector (as against 40 per cent done earlier). (*Annexure-VII*)

16.2 Under the National Programme for Rural Industrialisation, cluster development is being taken up by KVIC, SIDO, SIDBI and NABARD. The major beneficiaries of Cluster Development Programme will be Tiny Sector Units. The sponsoring organisation for each cluster will provide for design development, capacity building, technology intervention and consortium marketing. A Cluster Development Fund will be created under the Plan.

17.0 Technological Support

17.1 Under the Scheme of Capital Subsidy of 12 per cent for investment in technology upgradation in select sectors, preference will be given to the Tiny Sector.

18.0 Marketing Support

18.1 Preference will be given to the Tiny Sector while organising Buyer-Seller Meets, Vendor Development Programmes and Exhibitions.

Ownership Structures

Three different types of social enterprise ownership structures exist: private, public and collective. Ownership can be either a driver for a social enterprise's legal structure or a determinate of it. In most countries nonprofits are considered "public good" or property of the public, thus calling into question the *legal ownership* of their assets, goodwill, brand, etc.

Public ownership may be practiced in the form of decision-making and participation as long as the organization is a going concern. Similar to traditional nonprofits, a public ownership structure indicates that governing board of directors directs strategy and financial oversight. Legally, nonprofit ownership becomes an issue if the owner(s) wants to sell the social enterprise, or close it and liquidates the assets.

Private ownership of a social enterprise offers benefits of equity financing, unambiguous asset ownership and valuation, and the freedom to sell the enterprise. Conflict can arise between fundamental motives of profit-making and mission. For-profits must minimally breakeven and often have tax liabilities, limiting the type and purpose of the enterprise to more productive and financially driven models than those that may serve a social need, yet run at a deficit.

Public

Nonprofit Organizations -- the classic nonprofit organization is considered "public good," or property of the public. Nonprofits may own a for-profit or nonprofit social enterprise subsidiary. In the case of the for-profit, the nonprofit may sell the subsidiary or its assets, or raise equity for new investments; whereas the nonprofit subsidiary may raise charitable funds, but not equity and is subject to donor requirements and nonprofit law regarding ownership of assets and use of revenue. The nonprofit parent of the nonprofit subsidiary may acquire the assets of the social enterprise if the business fails or is closed.

Public Shareholders -- a consortium of nonprofit stakeholders that "hold shares" in a social enterprise (nonprofit or for-profit). Often the shareholders are comprised of parent organizations, partners and donors that have *an existing program or financial stake* in the social enterprise. Legal issues are similar for other public entities under this ownership structure. The public shareholder model is frequently used as an exit strategy when a parent organization seeks to spin off a social enterprise into an autonomous legal entity, yet wants to maintain some decision making power and preserve the mission during the transitional period to independence.

Cooperative

Nonprofit cooperatives are a common form of social enterprise particularly in developing countries. Driven by their social mission, most nonprofit cooperatives have a legal incorporation similar to other types of nonprofits, and are thus entitled to similar benefits as well as limited by similar restrictions as nonprofits. In practice, owners are "members" of the nonprofit cooperative and though they may have programmatic and business decision-making authority and realize certain advantages, they do not actually own the brand, infrastructure, assets, methodology, programs, revenue, etc. and do not enjoy private property ownership rights. The nonprofit cooperative requires oversight by a board of directors. The target population is the nonprofit cooperative's membership; members realize social benefits, but do not receive income distributed from business activities.

For-profit cooperatives -- "cooperatively" or group owned social enterprise registered as a for-profit is age-old structure in both developing and industrialized countries. These cooperatives are profit-driven structures whose social contribution is aimed at improving economic conditions of a particular group, such as farmer or artisan cooperative. Often for-profit cooperatives (such as Equal Exchange, our example of Embedded Social Enterprise) are worker owned. Owners may also be called members and exercise legal rights and decision-making authority tied to property ownership: to sell, dissolve, liquidate the business and its assets, or expand the business and use revenue as they see fit. Owners may elect distribute profits to themselves or retain earning to

reinvest in their business.

Private

Sole proprietorship -- in several emerging-market countries social enterprises are owned by a single individual to bypass laws restricting nonprofit commercial activity. In this situation the social enterprise owner is often the parent organization's executive director or a member of its board of directors. This structure introduces a risk of the business being cannibalized by an unscrupulous owner. Unfortunately in many countries, until the legal environment becomes more enabling, this is the only ownership option available. These entities though created to support a nonprofit are subject to local taxes and laws governing private businesses.

Private Shareholders -- in developing countries, the financial service industry is the leading example of shareholders and investor ownership of social enterprises (microfinance institutions, community or rural banks, credit unions, etc). Microfinance organizations that successfully commercialize their services and transform into for-profit financial institutions may sell shares to individuals, the government, other nonprofit organizations and donors to raise equity. Public sector owners are not required to be stakeholders in the parent organization or social enterprise other than as a social investor. Ownership shares may also be distributed to the target population as part of the social model. For example, when the Grameen Bank project transformed into an independent bank, it distributed 90% of its ownership to the poor rural borrowers it serves, while the remaining 10% was purchased by the government.

Benevolent Owners -- private ownership of social enterprises generally falls under the rubric of socially responsible business. In industrialized countries there are a growing number of small businesses created for the purpose of contributing to a social cause and generating revenue for their owners. In the United States, practitioners have formed their own industry organization: Social Venture Network. These businesses operate in accordance to standard laws for small business..