

ROLE OF MSME IN ENTREPRENEURSHIP

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ABSTRACT: *Every organization has a story of aspiration, tenacity, and creativity. These little businesses are powerful in their own right because of all of this. The ways in which these Micro, Small, and Medium-Sized Enterprises (MSMEs) foster their passion, provide employment, and propel growth are astounding. MSMEs and entrepreneurship are crucial drivers of economic growth, contributing significantly to GDP, job creation, and innovation. While the MSME sector faces obstacles like restricted access to capital and markets, a conclusion on the subject emphasizes that improving market access, formalization, and sustainable practices, as well as strengthening policy interventions, are essential to maximizing the sector's potential and guaranteeing long-term economic growth and national competitiveness..*

KEYWORDS: *MSME, Entrepreneurship, Employment generation, Economic growth*

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1. INTRODUCTION

MSMEs play a vital role in the Indian economy for a number of reasons. It contributes to inclusive growth and poverty reduction by providing a sizable amount of jobs, especially in areas with low economic standing. MSMEs promote global commerce and economic stability by enhancing the nation's export potential. They encourage innovation and entrepreneurship, which boosts the economy's competitiveness and productivity. Through initiatives and support from the government, the MSME sector continues to thrive, making substantial contributions to India's GDP and overall economic development.

2. MSME SECTOR AND ITS CLASSIFICATION

The MSME sector encompasses businesses engaged in various economic activities, including manufacturing, processing, and services. Traditionally, MSMEs were classified based on whether they were manufacturing or service-based entities.

The classification of MSMEs is now primarily based on their investment amount and annual turnover. As per the latest criteria:

- **Micro Enterprise:** Businesses with an investment of less than Rs 1 crore and turnover of less than Rs 5 crore fall under this category.
- **Small Enterprise:** Entities with an investment of less than Rs 10 crore and turnover of less than Rs 50 crore are classified as small enterprises.
- **Medium Enterprise:** Businesses with an investment of less than Rs 50 crore and turnover less than or equal to Rs 250 crore fall into the medium-scale category.

This classification system is pivotal as it allows companies to access government subsidies, schemes, and other benefits specifically tailored for MSMEs. Kotak Mahindra Bank offers Business Loans ranging from Rs. 3 lakh to Rs. 1 crore for small, medium, or large enterprises

The definition and classification of MSME are as per the MSMED (Micro, Small, and Medium Enterprises Development) Act of 2006, (Revised Classification applicable w.e.f 1st July 2020):

Table 1: Classifications of MSME are as per the MSMED (Micro, Small, and Medium Enterprises Development)

Manufacturing Enterprises and Enterprises rendering Services	Micro: Investment in Plant and Machinery or Equipment: Not more than Rs.1 crore and Annual Turnover: Not more than Rs. 5 crore	Small :Investment in Plant and Machinery or Equipment: Not more than Rs.10 crore and Annual Turnover: Not more than Rs. 50 crore	Medium: Investment in Plant and Machinery or Equipment: Not more than Rs.50 crore and Annual Turnover: Not more than Rs. 250 crore

Revised Classification applicable w.e.f. 1st April 2025

Table 2: Composite Criteria: Investment in Plant & Machinery/equipment and Annual Turnover

Classification	Micro	Small	Medium
Manufacturing Enterprises and Enterprises rendering Services	Investment in Plant and Machinery or Equipment: Not more than Rs. 2.5 crore and Annual Turnover not more than Rs. 10 crore	Investment in Plant and Machinery or Equipment: Not more than Rs. 25 crore and Annual Turnover not more than Rs. 100 crore	Investment in Plant and Machinery or Equipment: Not more than Rs. 125 crore and Annual Turnover not more than Rs. 500 crore

3. IMPORTANCE OF MSME IN THE ECONOMIC DEVELOPMENT OF INDIA

1. Employment Generation

MSMEs serve as significant sources of employment, particularly in economically disadvantaged regions. They provide opportunities for both skilled and unskilled labour, thereby contributing to job creation and reducing unemployment rates.

2. Promotion of Entrepreneurship

MSMEs foster entrepreneurship by providing a platform for individuals to start and grow their businesses with relatively low investment requirements. They encourage innovation and creativity, driving economic dynamism and fostering a culture of entrepreneurship within the society.

3. Regional Development

MSMEs play a crucial role in regional development by establishing businesses in remote or underdeveloped areas, thereby promoting balanced economic growth across different regions. They decentralise economic activities, reducing the concentration of industries in urban centres and spreading economic opportunities to rural and semi-urban areas.

4. Export Promotion

MSMEs contribute significantly to export promotion by manufacturing a wide range of goods and services for international markets. They often specialise in niche products and cater to specific market demands, enhancing the country's export competitiveness and widening its global market reach.

5. Diversification

MSMEs contribute to economic diversification by operating in various sectors such as manufacturing, services, agribusiness, and technology. They reduce the reliance on a single sector or industry, thereby enhancing the resilience of the economy to external shocks and market fluctuations.

6. Innovation

MSMEs are hotbeds of innovation, constantly developing new products, processes, and technologies to stay competitive in the market. They drive technological advancements, improve productivity, and facilitate the adoption of innovative practices across industries, contributing to overall economic growth and development.

7. Reduction of Income Disparities

MSMEs play a crucial role in reducing income disparities by providing opportunities for wealth creation and income generation among diverse sections of society.

8. Support for Large Industries

MSMEs often serve as suppliers and subcontractors to large industries, providing them with essential goods, components, and services. They contribute to the value chain of large industries by offering specialised products, customised solutions, and cost-effective services.

4. HOW DO MSMES CONTRIBUTE TO THE INDIAN ECONOMY?

MSMEs are of great importance in India's economic development, serving as engines of growth and drivers of socio-economic progress. These enterprises are integral to job creation, particularly in rural and backward areas, contributing significantly to the reduction of unemployment and poverty. With nearly 63 million MSMEs spread across the country, they account for approximately 8% of India's GDP, 45% of manufacturing output, and about 40% of exports, solidifying their status as the backbone of the economy.

The MSME sector, overseen by the Ministry of Micro, Small, and Medium Enterprises, has received substantial support from various stakeholders, including government bodies and state governments, facilitating its growth and development. By fostering the growth of the Khadi, Village, and Coir industries, MSMEs have contributed to rural industrialisation and the empowerment of local communities.

Moreover, MSMEs have demonstrated resilience, even during challenging times such as the COVID-19 pandemic, playing a crucial role in India's economic recovery. Government

interventions, such as relief measures and financial support schemes, have further bolstered the sector's ability to withstand economic shocks and continue driving growth.

4.1 Role of Micro, Small and Medium Enterprises

Provide Employment: Being labour-intensive, MSMEs provide additional employment to men and women. After agriculture, MSMEs constitute the most employed people in India. The farmers and other landless labours who remain unemployed or idle during a part of the year have also been provided with employment in any micro, small or medium business around them.

1. **Variety of Products:** MSMEs offer a variety of products to the consumers, such as mass consumption goods, stationery, readymade garments, plastic and rubber goods, soaps and detergents, etc.
2. **Improves Economic Condition:** MSMEs are established mainly in rural and semi-urban areas, which generally belong to the economically poor section of society. The establishment of industries around these sections leads to improvement in employment, which helps in improving the overall economic condition.
3. **Low Cost of Production:** Generally, MSMEs produce simple products with the help of simple technology and take local resources, both labour and material, into consideration, which helps them to maintain a low cost of production.
4. **Promotion of Artistic and Creative Sense:** Businesses set up in rural area promotes the artistic and creative sense of rural people, which has been suppressed for all these years. The use of natural products and the rural sense of using those products are promoted by MSMEs.
5. **Rural Development:** Establishment of industries around economically weaker sections leads to improvement in infrastructure, health facilities, safe drinking water, etc. It also results in sustained growth and regional disparity.
6. **Mobilisation of Local Resources:** Local resources can remain unutilized if the number of industries and businesses around them is low. MSMEs help in the mobilization of local resources, like entrepreneurship skills or small savings or even some natural resources around rural areas.

4.2 Problems associated with Micro, Small, and Medium Enterprises

- **Finance:** One of the major problems for MSMEs is the arrangement of funds required for the business. They do not have enough creditworthiness for taking funds from the capital market, so they heavily rely on local financial resources that charge them heavy interest.
- **Raw Materials:** Being relatively small, MSMEs cannot buy raw materials in bulk, as they do not have their production unit at big scale, and due to the small quantity of purchase, their bargaining power becomes relatively low. Often, sellers take large orders and in the situation of scarcity, small business suffers the most as they do not get the raw materials.
- **Managerial Skills:** MSMEs are generally managed by a single person having limited managerial skill, which is not enough to run a business.
- **Labour:** Due to the low level of salary, employees are less willing to work hard and produce more. MSMEs cannot afford to pay high salaries and due to this reason, they fail to hire talented people.
- **Marketing:** Marketing of the products is the most prominent activity as it holds the responsibility to generate revenue. In most cases, marketing is the weaker area of MSMEs as they lack the amount of money and infrastructure required for marketing.

- **Quality:** MSMEs mainly focus on cutting costs and keeping prices low. It does not concentrate on meeting the quality standards, which leads to dissatisfaction in consumers with the company and the product.
- **Capacity Utilisation:** MSMEs fail to operate at full capacity due to a lack of marketing or lack of demand. It increases their operating cost and leads to sickness.
- **Technology:** The use of outdated technology is often a reason why MSMEs fail to do well in the market. It leads to low productivity and uneconomical production.
- **Sickness:** Due to some internal and external reasons, MSMEs are gradually turning out to be sick. Lack of skilled labour, low salary, shortage of funds, etc. leads to sickness in the industry.
- **Global Competition:** Competitors of MSMEs are not only from the local or national market, but also from the global market. It often becomes very difficult for small businesses with outdated technology and a lack of marketing to compete with big giants.

5. MSME AND ENTREPRENEURSHIP DEVELOPMENT

Entrepreneurship can be defined as a process of setting up a new business or profession, bearing most of the risk, and enjoying most of the rewards. The person or group of people who set up such businesses are called entrepreneurs. It is setting up a business with some innovative and new idea that is directly related to solving some sort of problem in society. It also plays a very significant role in the overall economic development of a nation, creates employment and expands the various professions prevailing in the economy.

5.1 Characteristics of Entrepreneurship:

- **Systematic Activity:** Being an entrepreneur is a methodical process. Entrepreneurs should possess certain abilities, a certain temperament, knowledge, and—above all—a reason for starting their own business. This isn't something that can just happen.
- **Lawful and Purposeful Activity:** It is not appropriate to continue entrepreneurship firms by unlawful means. The company should operate legally and in accordance with all laws and regulations. There is no justification for attempting to justify illegal activity as enterprise.
- **Innovation:** At the core of entrepreneurship is innovation. Creating value by providing something fresh and inventive that can address more significant societal issues is the essence of entrepreneurship.
- **Production Organization:** Entrepreneurship entails combining the use of several production resources, including labor, capital, land, and technology. Entrepreneurs are responsible to mobilize these resources into a productive unit or firm in a response to a perceived business opportunity.
- **Risk-taking:** Entrepreneurs are thought to take more risks than those in other industries. An entrepreneur's position is extremely dangerous due to factors like uncertain payoffs, loss of employment, difficult market conditions, difficulties upon entry etc.

5.2 Role of Micro, Small and Medium Enterprises (MSME) in Entrepreneurship Development

Some of the roles are described below:

1. **Provide Employment:** This is an opportunity when additional employment can be generated. MSMEs are labour intensive so they involve maximum men and women and employ the agricultural sector in India. Usually, the farmers and landless labourers remain unemployed for a part of the year and it is good that the Micro, Small, and Medium Enterprises (MSME) can employ them for their work.

2. **Variety of Products:** A whole gamut of products is offered by SMES for the use of masses like stationery, readymade garments, plastic and rubber goods, soaps, detergents, etc.
3. **Improves Economic Condition:** MSMEs improve the economic condition of people around it as more and more people are employed. They usually are established in rural and semi-urban areas and mostly belong to the economically poor section of the society.
4. **Low Cost of Production:** Simple products with the help of simple technology and local resources like labour and materials, lower the cost of production in MSME. This creates a sustainable model for the enterprise as well.
5. **Promotion of Artistic and Creative Sense:** MSMEs are platforms where the artistic and creative sense of rural people come forth and are nurtured for betterment. MSMEs ensure that the natural products and the actual rural sense of using them is promoted widely.
6. **Rural Development:** The establishment of MSMEs around economically weaker sections ensures improvement in many things like infrastructure, health facilities, safe drinking eaters, etc forging sustained growth and regional differences.
7. **Mobilisation of Local Resources:** The establishment of more MSMEs can help in the maximum utilisation of local resources like entrepreneurship skills, small savings, or natural resources around rural areas.

MSMEs are vital for entrepreneurship, offering accessible platforms with lower investment requirements for new businesses, fostering innovation, and promoting a culture of self-employment. They act as key drivers of economic activity, create widespread employment, support larger industries by providing components, and contribute significantly to GDP, manufacturing output, and exports. Government initiatives and policies also provide crucial support to MSMEs, enabling them to grow and contribute to socio-economic development.

5.3 MSME Schemes for Entrepreneurship development

Ministry of Micro, Small and Medium Enterprises (MSME) has designed various policies & programmes for the development of entrepreneurs so as to eradicate unemployment and also towards economic development of the country. The schemes/programmes undertaken by the Ministry and its organizations towards entrepreneurs avail/facilitate:

1. adequate flow of credit from financial institutions/banks;
2. support technology up gradation and modernization;
3. integrated infrastructural facilities;
4. modern testing facilities and quality certification;
5. access to modern management practices;
6. entrepreneurship development and skill up gradation through appropriate training facilities;
7. support for product development, design intervention and packaging;
8. welfare of artisans and workers;
9. Assistance for better access to domestic and export markets.
10. Cluster-wise measures to promote capacity building and empowerment of the units and their collectives.

6. MSME SCHEMES FOR ENTREPRENEURSHIP

6.1 Credit & Finance Schemes

- Prime Minister Employment Generation Programme (PMEGP): Aims to create employment opportunities by promoting micro and small enterprises.
- Credit Guarantee Scheme for Micro & Small Enterprises (CGTMSE): Provides collateral-free loans to Micro and Small Enterprises (MSEs) to support their growth.

- Credit Linked Capital Subsidy Scheme: Offers subsidies for technology upgradation to help MSMEs become more competitive.

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6.2 Entrepreneurship & Skill Development

- Entrepreneurship Skill Development Programmes (ESDP): Offers various programs, including short Entrepreneurship Awareness Programmes (EAP) and longer Entrepreneurship cum Skill Development Programmes (E-SDP) to build entrepreneurial and technical skills.
- Scheme of Fund for Regeneration of Traditional Industries (SFURTI): Aims to support traditional industries and improve their market competitiveness through cluster development.

6.3 Marketing & Promotion

- Procurement and Marketing Support Scheme: Provides assistance to MSMEs to help them secure procurement and expand their marketing reach.
- International Cooperation (IC) Scheme: Supports MSMEs in participating in international fairs and exhibitions to promote their products globally.

6.4 Other Support Schemes

- TREAD Scheme: Focuses on promoting entrepreneurship among women through specific initiatives.
- Assistance to Training Institutions (ATI) Scheme: Supports training institutions that conduct entrepreneurship development programs.

7. CONCLUSION

MSMEs and a focus on their growth are critical for the long-term prosperity of India's economy. MSMEs play a crucial role in the GDP growth, industrial production, and job creation in the nation's economy, and the various initiatives and regulatory reforms fostering them are a step in the right direction to ensure that untapped talent, resources, and growth opportunities are brought to the foreground. MSMEs in entrepreneurship are a driver of growth and innovation in economic progress. They face several challenges like partial access to capital and market competition, but MSMEs thrive by leveraging their dexterity and customer relationships. Supporting and fostering MSMEs will bring about sustained economic development and a more inclusive business network.

8. REFERENCES:

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