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Fostering Entrepreneurship and MSME Growth in Emerging Economies with special reference to India

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Abstract
Micro, small, and medium enterprises (MSMEs) have been universally considered the major types of business and are regarded as crucial to any nation's economic growth and development, especially for developing countries. It is fundamental to understand that these enterprises are central to enabling innovation, and advancing exclusive economic development through ample opportunities. However, due to various challenging factors emanating from their environment, MSMEs in developing countries are strangled. Entrepreneurship and the development of Micro, Small, and Medium Enterprises (MSMEs) play a pivotal role in driving economic growth, fostering innovation, and creating employment in emerging economies. In the context of India, these sectors contribute significantly to GDP, exports, and inclusive development. This study examines the dynamics of entrepreneurship and MSME growth in emerging economies, with a particular focus on India's strategies, challenges, and opportunities. This research explores how targeted policy interventions, access to digital tools, and enhanced market linkages can accelerate the growth of MSMEs in India. It highlights successful case studies where innovative practices and public-private partnerships have enabled MSMEs to scale operations and expand market reach. Additionally, the study discusses the role of entrepreneurship in addressing social and environmental challenges, emphasizing the importance of sustainable business models. By analyzing India's unique context, this research aims to provide insights into replicable strategies for fostering entrepreneurship and MSME development in other emerging economies, underscoring their potential to drive inclusive and sustainable growth in the global landscape.
Keywords: *MSMEs, Entrepreneurship, Sustainable Growth.*

1. Introduction
Micro, small, and medium enterprises (MSMEs) have been universally considered the major types of business and are regarded as crucial to any nation's economic growth and development, especially for developing countries. It is fundamental to understand that these enterprises are central to enabling innovation, enhancing employment, and advancing exclusive economic development. However, due to various challenging factors emanating from their environment, MSMEs in developing countries are strangled. This paper aims to explore the development of entrepreneurship and MSMEs in India Micro, Small, and Medium Enterprises (MSMEs) have been universally recognized as vital contributors to economic growth and development, particularly in developing nations. These enterprises play a crucial role in fostering innovation, driving inclusive economic development, and providing ample opportunities for employment. However, MSMEs in developing countries face numerous challenges arising from their environment, which often hinder their growth and potential. Entrepreneurship and the development of MSMEs are pivotal in promoting economic growth, innovation, and job creation, especially in emerging economies. In the context of India, these sectors contribute significantly to the nation's GDP, exports, and inclusive development. This study explores the dynamics of entrepreneurship and MSME growth in emerging economies, with a particular focus on India's strategies, challenges, and opportunities. The research delves into how targeted policy interventions, access to digital tools, and enhanced market linkages can accelerate the growth of

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MSMEs in India. It highlights successful case studies where innovative practices and public-private partnerships have enabled MSMEs to scale their operations and expand their market reach. Furthermore, the study discusses the role of entrepreneurship in addressing social and environmental challenges, emphasizing the need for sustainable business models. By analyzing India's unique context, this research aims to offer insights into replicable strategies for fostering entrepreneurship and MSME development in other emerging economies. It underscores the potential of these enterprises to drive inclusive and sustainable growth on a global scale [1-3].

1.1 Objective of the Study

- Examine the contribution of MSMEs to GDP through employment generation, and overall economic development, particularly in emerging economies like India.
- Assess the effectiveness of government initiatives, policies, and support programs aimed at promoting the growth and sustainability of MSMEs in India.
- Explore the role of entrepreneurship in driving innovation, enhancing competitiveness, and accelerating the expansion of MSMEs in emerging economies.

2. Research Methodology

This exploratory study relies on secondary sources, including research papers, books, and reviews. Based on the study of available literature, a model has been derived to show linkages between social, economic, and environmental factors responsible for entrepreneurship and MSMEs in India leading to sustainable development.

3. Literature Review

MSMEs in developing countries, have been the subject of numerous studies and research works, highlighting their growth, challenges, and opportunities. Here are some of the key findings and insights from the literature review: Growth of MSMEs: A study by Singh and Kumar (2019) found that the number of small-scale industries in India has been steadily increasing over the years, with many of these units located in India[4]. The study attributed this growth to the supportive policies of the central and state government, increased access to credit and finance, and the availability of skilled labour [5]. A study by Kumar et al. (2020) identified several challenges faced by MSMEs including inadequate infrastructure, lack of access to technology and innovation, low productivity, and limited marketing opportunities [6]. The study called for policy interventions to address these challenges and create a more enabling environment for Micro and small-scale industries. Several studies have highlighted the role of industrial clusters in the growth and development of small scale industries in India [7]. A study by Tripathi and Sharma (2016) found that industrial clusters in Patna, such as the leather cluster, have helped Micro and small scale industries to access markets, reduce costs through shared facilities and services, and improve their productivity and competitiveness [8]. A study by Sharma and Thakur (2021) examined the participation of women entrepreneurs in Micro and small scale industries in India The study found that women entrepreneurs face several challenges, including social and cultural barriers, limited access to finance and credit, and a lack of support from the government [9]. The study recommended policy interventions to address these challenges and promote women entrepreneurship in the state. A study by Khan et al. (2021) examined the role of innovation and technology adoption in the growth and development of MSMEs industries [10]. The study found that small scale industries that invest in new technologies, such as automation, digitalization, and e-commerce, are more likely to grow and succeed in the market [11]. The study recommended policy interventions to promote technology adoption and innovation among small scale industries in the state. While MSMEs have been growing in numbers, they still need to overcome several challenges, including inadequate infrastructure, limited access to technology and innovation, low productivity, and limited marketing opportunities [12-15].

4. Research Gap

While existing literature recognizes the significance of government interventions, such as the MSME Development Act and various policy initiatives, there

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Issue:03 March 2025
Page No: 701 - 706

remains a gap in assessing their actual impact on employment generation, entrepreneurship growth, and overall MSME sustainability in India. Although several studies highlight the role of these policies in providing financial assistance, infrastructure support, and market linkages, there is limited empirical analysis on their long-term effectiveness in fostering innovation, improving competitiveness, and ensuring inclusive growth. This study aims to bridge these gaps by critically evaluating the effectiveness of government measures, identifying the challenges MSMEs face despite policy support, and providing insights into how entrepreneurship can act as a catalyst for MSME development in India and other emerging economies.

5. Data Analysis and Interpretation

In India, MSMEs are a cornerstone of the country's economy, particularly in terms of employment generation. MSMEs significantly contribute to employment generation for several reasons. They often employ labor-intensive production methods, which not only boost employment but also contribute to a more equitable distribution of income. MSMEs create livelihood opportunities by engaging in simple yet value-adding processing activities, particularly in agriculturally based economies. These enterprises foster entrepreneurship and provide a platform for individuals to pursue their business ventures. By establishing linkages between MSMEs and large enterprises (LEs), MSMEs contribute to the development of systemic productive capacities and the creation of resilient economic systems. The presence of MSMEs is pivotal for achieving balanced and holistic industrial development in a country. These enterprises not only generate employment opportunities but also add value to products and services while nurturing entrepreneurship. As per the Annual Report of the MSME ministry for FY 2021-22, MSMEs are concentrated mainly in the top ten states. Figure 1 shows the distribution of estimated enterprises in the top 10 States. Figure 1 clearly illustrates the growth trajectory of these enterprises in the country, highlighting their direct impact on employment growth, Shown in Figure 1.

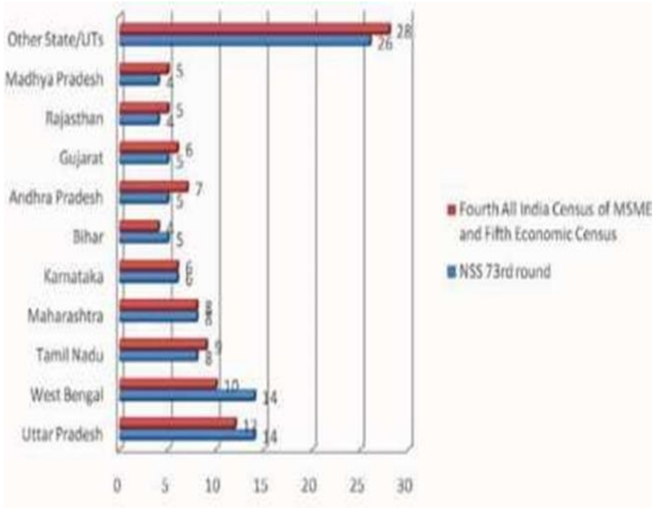

Figure 1 Comparative Percentage Distribution of MSMEs

Entrepreneurship Source: Government of India's. Within the MSME sector, about 31% of jobs are in manufacturing, 36% in trade, and 33% in services, reflecting the diverse nature of employment opportunities provided by MSMEs.

6. Policy Measures

Measures taken by the government of India in its policies for the MSMEs are generally meant for growth, innovation, and improvement in the competitiveness of the MSMEs, and also to simplify the formalities for doing business. Some key policies and initiatives include:

- **MSMEs Development Act, 2006:** it acts as a legal framework for MSME recognition, promotion, and development for India since it is a landmark legislation. There is a need to set up the Micro and Small Enterprises Facilitation Councils (MSEFCs) to help in solving the problems faced and to resolve issues that may affect the operations of the MSMEs positively.
- **Prime Minister's Employment Generation Program (PMEGP):** the program was launched by the Ministry responsible for MSME, that aims at the promotion of self-employment through the creation of micro-enterprises in both rural and urban areas of the country. It gives loans to start new businesses or new estates or to expand the already existing business.

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- **Credit Guarantee Fund Trust for MSMEs (CGTMSME):** it buys several credit risks from financial institutions so that it can support credit facilities to the MSMEs without requiring any collateral. It helps MSMEs to borrow cash on slightly simpler terms and promotes enterprise development.
- **Technology Upgradation Fund Scheme (TUFS):** the scheme has made a purposeful effort to help the modernization and upgradation of the MSMEs by offering them concessional finance related to the purchase of state-of-the-art technology, tools, and machinery. Other benefits observed include the increased efficiency and effectiveness of the firms, improved quality, and competitive edge in the industry among the MSMEs.
- **Public Procurement Policy for MSMEs:** some key initiatives for boosting the development of MSMEs are as follows. To promote businesses of MSMEs, the government of India has made it mandatory for the central government ministries, departments, and public sector units and undertakings to source a certain percentage of their requirement of products, goods, and services from the MSME sector. His policy has the effect of opening up markets and providing business opportunities for MSMEs.
- **Cluster Development Program:** this involves the formation of MSME clusters to enhance competitiveness, and innovation and developing the capacity of the clusters through the sharing of limited infrastructure, marketing, and facilities. The policy fosters teamwork and association among the companies since each would benefit from the association.
- **Startup India Initiative:** it was launched to invest in startup businesses and the development of early- stage companies, giving them various incentives and support measures such as the taxation policy, funding opportunities, less regulatory burdens, and incubators. It has the effects of catalysing the
- growth of MSMEs and enhancing them capacity to fully compete internationally.

Apart from the above-mentioned schemes, the Union Budget 2023-24 focused on ease of doing business for MSMEs. The most important measures include:

- Emergency Credit Line Guarantee Scheme (ECLGS) has delivered additional credit to more than 130 lakh MSMEs. The ECLGS will be extended up to March 2023 expanding the guarantee cover by INR 50,000 Cr to a total cover of INR 5 Lakh Cr.
- INR 2 Lakh Cr additional credit for micro and small enterprises (MSEs) to be facilitated under the Credit Guarantee Trust for MSEs (CGTMSE).
- Raising and Accelerating the MSME Performance Program (RAMPP) with an outlay of INR 6,000 Cr to be rolled out.
- INR 50,000 Cr equity infusion through MSME Self-Reliant India Fund.
- Udyam, e-Shram, National Career Service (NCS), and Aatamanirbhar Skilled Employee Employer Mapping (ASEEM) portals will be interlinked.
- Launch of Udyam Assist Platform (UAP) to bring the informal micro-enterprises under the formal ambit for availing the benefit under Priority Sector Lending (PSL).

7. Entrepreneurship: The Catalyst for MSMEs

Entrepreneurship plays a pivotal role in the growth and development of MSMEs. It serves as the engine that propels these businesses forward, fostering innovation, creating employment, and driving economic growth. The entrepreneurial spirit brings with it a unique blend of creativity, risk-taking, and determination that is essential for the success and sustainability of MSMEs. Entrepreneurs are often the visionaries who identify gaps in the market and develop innovative solutions to address them. This creativity is crucial for MSMEs, which typically operate in highly competitive environments. By introducing new products, services, or processes, entrepreneurs enable MSMEs to differentiate themselves from competitors and meet the evolving needs of their customers. Innovation not only helps in attracting and retaining customers but also opens up new markets, thereby expanding the business's reach and potential for growth. Entrepreneurship involves a significant degree of risk-taking. Entrepreneurs invest their time, money, and resources into their ventures with the hope of reaping future benefits. This willingness to take risks is particularly important for MSMEs, which often lack the financial backing and safety nets that larger corporations enjoy. The entrepreneurial mindset is one of resilience and perseverance; entrepreneurs are adept at navigating challenges, learning from failures, and adapting to changing circumstances. This resilience is crucial for MSMEs, which frequently face hurdles such as limited access to finance, market volatility, and regulatory constraints. One of the most significant contributions of entrepreneurship to MSMEs is employment generation. MSMEs are often labor-intensive, and their growth directly translates to job creation. Entrepreneurs who establish and expand MSMEs provide employment opportunities for a diverse range of individuals, from skilled professionals to unskilled laborers. This job creation is particularly important in developing economies, where MSMEs can play a crucial role in alleviating unemployment and underemployment. Furthermore, the economic impact of MSMEs extends beyond job creation. By fostering local production and consumption, MSMEs contribute to the development of regional economies. They help in the equitable distribution of income and resources, thereby reducing economic disparities. The success of MSMEs also stimulates demand for ancillary industries, creating a multiplier effect that benefits the broader economy. Entrepreneurs in the MSME sector often possess the ingenuity to leverage available resources effectively. They utilize local materials, labour, and technology to maximize efficiency and productivity. Additionally, entrepreneurial ventures in MSMEs often have a deep understanding of local markets, enabling them to cater to specific customer preferences and needs. This localized approach helps MSMEs build strong relationships with their customers and suppliers, fostering loyalty and trust. Moreover, entrepreneurs are adept at seeking out and capitalizing on growth opportunities. They explore various avenues such as digital platforms, export markets, and strategic partnerships to expand their market presence. This proactive approach to market access is vital for the sustainability and expansion of MSMEs. Government Support and Initiatives Regarding credit and financial assistance, under the Pradhan Mantri Mudra Yojana (PMMY), over 62 million loans have been sanctioned to MSMEs, amounting to approximately INR 15.75 lakh crore (as of March 2021). This financial support helps set up new enterprises and expand existing ones, leading to increased employment. Regarding skill development, initiatives like the Skill India Mission aim to train millions of youth, enhancing their employability and supporting MSMEs in meeting their skilled workforce requirements.

Conclusion

Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in driving economic growth, fostering innovation, and generating employment, especially in emerging economies like India. Despite their significance, MSMEs continue to face numerous challenges, including financial constraints, regulatory burdens, limited access to markets, and technological gaps. The Indian government has implemented various policy measures, such as the MSME Development Act, to support and promote this sector. However, the effectiveness of these interventions in ensuring long-term growth, employment generation, and entrepreneurship development remains an area of concern. Entrepreneurship has emerged as a key catalyst for MSME growth, driving innovation and market expansion. However, the interaction between government policies and entrepreneurial efforts needs further exploration to maximize the sector's potential. Additionally, digital transformation and technology adoption present new opportunities for MSMEs to enhance their competitiveness and global reach. This study highlights the importance of a more integrated approach, where government policies, entrepreneurial initiatives, and technological advancements work together to create a robust

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MSME ecosystem. By addressing the existing challenges and leveraging innovative strategies, India and other emerging economies can foster sustainable and inclusive economic growth through the development of MSMEs. The growth of the country has been greatly aided by the MSME sector, which has increased opportunities for banks to provide more credit to businesses in this sector while leveraging exports, creating a large number of jobs for the underemployed and the unskilled, as well as for fresh graduates. A revolutionary reform like the Goods and Services Tax (GST) has aided in the formalisation of the informal economy by bringing numerous Micro, Small & Medium Enterprises (MSMEs) there. The fact that these small enterprises are utilising Digital India and the internet to sell themselves, establish an online presence, and drive India's digital revolution is one of the reasons why they are seeing such great success

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