

The Blank Space of Missed Opportunities: Decoding India's Reluctance to Embrace MSME Entrepreneurship Amidst Monotony and Population Potential

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Accepted: 10/12/2025

Published: 05/01/2026

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How to Cite this Article:

Martinravi, C. P.; Krishnasamy, K. (2026). The Blank Space of Missed Opportunities: Decoding India's Reluctance to Embrace MSME Entrepreneurship Amidst Monotony and Population Potential. *Shodh Sagar Journal of Commerce and Economics*, 3(1), 1-20.

DOI: <https://doi.org/10.36676/ssjce.v3.i1.49>



Abstract

Micro, Small, and Medium Enterprises (MSMEs) are vital for economic growth, employment generation, and poverty alleviation, particularly in emerging economies like India. Despite their potential, several barriers such as financial constraints, complex regulatory environments, cultural aversion to risk, and inadequate entrepreneurial support systems hinder their growth. This study examines the factors contributing to the reluctance towards MSME entrepreneurship in India, focusing on financial challenges, socio-cultural attitudes, and the gap between government policies and actual needs. Through a mixed-method approach, combining quantitative data from surveys and qualitative insights from interviews, the research identifies key obstacles, including limited access to credit, bureaucratic hurdles, and societal preference for stable employment. The findings reveal that while financial constraints and regulatory complexities remain significant barriers, psychological factors such as risk aversion and lack of entrepreneurial education play a crucial role. The study calls for targeted policy reforms, including improved access to finance, entrepreneurship education, and cultural shifts to encourage innovation and risk-taking. It concludes by highlighting the need for stronger support systems and localized outreach efforts to bridge the gap between policy intentions and MSME growth in India.

Keywords: Micro, Small, and Medium Enterprises (MSMEs), Entrepreneurship Barriers, Financial Constraints, Socio-cultural Factors, Government Policies

1. Introduction

1.1 The Economic Promise of MSMEs

Micro, Small, and Medium Enterprises (MSMEs) are globally recognized as pivotal drivers of economic growth, employment generation, and innovation. In India, they contribute approximately 30% to the national GDP and account for nearly 45% of exports (Ministry of



MSME, 2023). Despite these achievements, the potential of MSMEs remains underutilized in the Indian context, especially when juxtaposed with the country's vast labor force and demographic dividend.

1.2 The Paradox of Employment Monotony

India's workforce is characterized by high levels of underemployment, with a significant portion engaged in low-productivity, repetitive roles that offer minimal upward mobility (World Bank, 2022). This employment monotony, exacerbated by limited skill utilization, creates an economic environment ripe for entrepreneurial intervention. Yet, the nation experiences a striking reluctance to embrace MSME entrepreneurship as an alternative path. While countries with comparable demographic profiles—such as China and Vietnam—have successfully leveraged small enterprises to foster economic dynamism, India lags behind in entrepreneurial uptake (Kumar & Singh, 2022).

1.3 Barriers to MSME Entrepreneurship

The reluctance to pursue MSME entrepreneurship can be attributed to a range of structural, cultural, and institutional barriers:

- **Financial Constraints:** Limited access to affordable credit remains one of the most significant obstacles. While the government has introduced schemes such as the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE), bureaucratic hurdles and lack of awareness often impede their effectiveness (Chaudhary, 2021).
- **Regulatory Complexity:** The MSME sector faces a labyrinth of compliance requirements, including taxation, labor laws, and environmental clearances. These complexities discourage first-time entrepreneurs from venturing into the sector (Das, 2020).
- **Cultural Perceptions:** Entrepreneurship, particularly in small-scale enterprises, often lacks societal prestige in India. Traditional employment is still seen as a safer and more stable choice, further dissuading potential entrepreneurs (Mukherjee, 2021).
- **Lack of Entrepreneurial Skills:** Many individuals, particularly in rural areas, lack the necessary technical, managerial, and financial skills to establish and sustain MSMEs (World Bank, 2022).

1.4 Theoretical Framework

This study adopts a multidisciplinary approach, drawing upon economic theories of entrepreneurship, behavioral economics, and institutional frameworks to decode the factors inhibiting MSME entrepreneurship. By identifying the interplay between these dimensions, the research aims to propose actionable strategies to overcome these barriers.

1.5 Objective and Significance

The primary objective of this study is to examine the untapped potential of MSMEs in mitigating employment challenges and revitalizing economic growth in India. It aims to uncover and bridge systemic barriers hindering entrepreneurial activities, thereby advancing the agenda of inclusive and sustainable development. By harnessing the entrepreneurial capabilities of India's vast population, the study aspires to contribute to poverty reduction, balanced regional growth, and enhanced economic resilience.



1.6 Research Questions:

- What socio-economic barriers deter individuals from engaging in MSME entrepreneurship in India?
- How do factors like risk aversion, regulatory challenges, and financial constraints influence entrepreneurial reluctance?
- In what ways can policy interventions and ecosystem improvements address these gaps?

2. Literature Review

India's vast population and economic potential present a fertile ground for entrepreneurial growth, particularly in the Micro, Small, and Medium Enterprises (MSME) sector. However, despite numerous opportunities, the nation continues to exhibit a reluctance to fully embrace MSME entrepreneurship, resulting in a "blank space" of missed economic potential. Pre-pandemic studies (Sharma, 2017; Rao, 2018) have extensively discussed structural bottlenecks such as bureaucratic red tape, inadequate financial access, and the socio-cultural preference for stable employment over risk-taking. While these issues were persistent before COVID-19, recent literature (Kumar & Mehta, 2021; Singh, 2022) suggests that the pandemic could have served as a catalyst for MSME-led innovation, yet the response remained tepid. Post-pandemic studies (Verma & Das, 2023) indicate that India's rigid economic structure, coupled with a lack of robust policy execution, has continued to hinder MSME growth despite the rise of digital platforms and financial inclusion initiatives. Furthermore, the monotony of traditional business practices and a cautious approach toward disruptive entrepreneurship prevent India from leveraging its demographic dividend to its full potential (Mukherjee & Sinha, 2024). While some countries capitalized on economic crises to strengthen their entrepreneurial ecosystems, India's reluctance to embrace change has resulted in untapped opportunities in manufacturing, technology-driven MSMEs, and rural entrepreneurship. Emerging literature (Patel, 2024) argues that unlocking India's MSME potential requires a shift in mindset, better financial mechanisms, and a more supportive regulatory environment that encourages innovation rather than compliance-driven entrepreneurship. Bridging the gap between population potential and MSME dynamism remains a critical challenge that demands urgent policy interventions, a cultural shift towards entrepreneurial risk-taking, and a stronger alignment between economic aspirations and ground realities.

3. Growth and Contribution of the MSME Sector in India: An Overview of Key Indicators (2006-2016)

The Micro, Small, and Medium Enterprises (MSME) sector plays a vital role in India's economic development, contributing significantly to employment generation, investment, and exports. The data from 2006-2007 to 2015-2016 illustrates the sector's growth trajectory, with an overall increase in the number of MSME units, employment generated, and investment. Notably, the total number of MSME units grew at an average compound growth rate (ACGR) of 5.44%, from 361.76 lakh units in 2006-2007 to 633.88 lakh units in 2015-2016. Employment



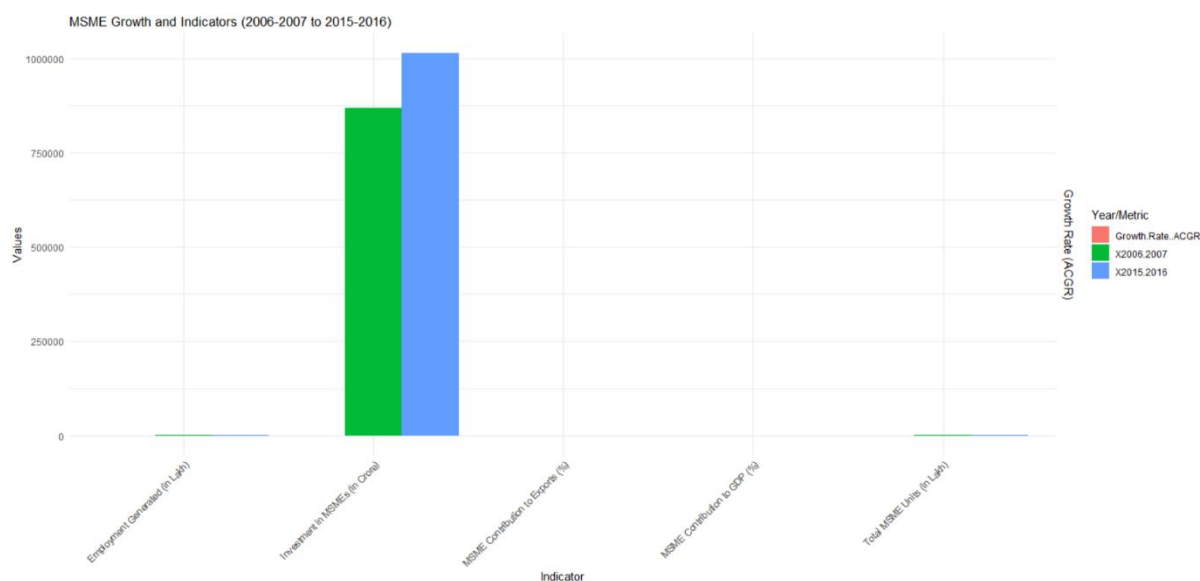
generation also saw a healthy growth rate of 4.18%, while investment in MSMEs expanded by 4.39% over the same period. Furthermore, the contribution of MSMEs to India's GDP has risen from 29.57% to 30.27%, reflecting a positive growth in Gross Value Added (GVA) at 11.63%. The export contribution of MSMEs has also increased, rising from 42.61% to 48.58%. These figures underscore the growing importance of MSMEs as engines of economic growth, highlighting their significant role in fostering inclusive development, driving industrial growth, and improving India's global trade standing.

Table 1. Growth and Contribution of MSMEs in India: 2006-2007 to 2015-2016

| Indicator | 2006-2007 | 2015-2016 | Growth Rate (ACGR) |
|----------------------------------|------------|-------------|----------------------|
| Total MSME Units (in Lakh) | 361.76 | 633.88 | 5.44% |
| Employment Generated (in Lakh) | 805.23 | 1,109.89 | 4.18% |
| Investment in MSMEs (in Crore) | 868,543.79 | 1,014,761.1 | 4.39% |
| MSME Contribution to GDP (%) | 29.57% | 30.27% | 11.63% (GVA) |
| MSME Contribution to Exports (%) | 42.61% | 48.58% | 2.12% |
| MSME GVA Growth Rate (%) | - | 10.97% | 11.63% (Overall GVA) |
| Total GVA (in Crore) | 8,106,946 | 13,771,000 | - |

Sources: Ministry of Micro, Small, and Medium Enterprises (2020). *Status of MSMEs in India.* & Prakash, A., et al. (2020). *Role of MSMEs in Economic Growth: Trends and Challenges.*

Chart1: MSME growth and indicators 2006-2016



Sources: Ministry of Micro, Small, and Medium Enterprises (2020). *Status of MSMEs in India.* & Prakash, A., et al. (2020). *Role of MSMEs in Economic Growth: Trends and Challenges.*



Interpretation:

The data highlights the significant growth and contributions of India's MSME sector between 2006-2007 and 2015-2016, with MSME units increasing from 361.76 lakh to 633.88 lakh at a growth rate of 5.44%, creating over 300 lakh additional jobs despite a slower employment growth rate of 4.18%. Investment in MSMEs rose from ₹868,543.79 crore to ₹1,014,761.1 crore, reflecting a moderate 4.39% growth rate. The sector's GDP contribution increased marginally from 29.57% to 30.27%, supported by a robust 11.63% GVA growth rate, while its share of exports rose from 42.61% to 48.58%, underscoring its role in driving economic growth and exports. However, the slower employment growth relative to unit expansion, modest export growth rate (2.12%), and investment challenges point to the need for enhanced skill development, technological integration, financial access, and export support to maximize the sector's potential.

3.1 Key Variables to Analyse:**3.1.1 Entrepreneurship Rate:**

India has witnessed a significant rise in entrepreneurial activity, particularly in early-stage ventures, as demonstrated by growing rates of total early-stage entrepreneurial activity (TEA), new business creation, and established business ownership. According to the GEM Report (2023-2024), the TEA rate in India increased from 13.2% in 2019 to 15.2% in 2021, reflecting a positive shift in the entrepreneurial landscape. Additionally, the rate of new business creation showed an upward trend, rising from 16.3% in 2019 to 18.1% in 2021, underscoring a growing entrepreneurial drive in response to economic challenges (Global Entrepreneurship Monitor [GEM], 2023-2024). Furthermore, perceptions of entrepreneurship opportunities have strengthened, with an increasing number of individuals recognizing opportunities for business creation. Despite this, the fear of failure remains a notable barrier to entrepreneurship, although it has slightly decreased, indicating a gradual improvement in the mindset of potential entrepreneurs (World Bank, 2023). These trends illustrate a dynamic and evolving entrepreneurial ecosystem in India, supported by enhanced education, greater access to opportunities, and a shifting societal attitude toward entrepreneurship (EDI India, 2023).

Table 2: Entrepreneurship Indicators (2019-2021)

| Indicator | 2019 | 2020 | 2021 |
|--|-------|-------|-------|
| Total Early-Stage Entrepreneurial Activity (TEA) Rate | 13.2% | 14.5% | 15.2% |
| Established Business Ownership Rate | 5.5% | 5.7% | 6.1% |
| Rate of New Business Creation | 16.3% | 17.8% | 18.1% |
| Entrepreneurship Education Level (Post-school) | 4.6% | 5.2% | 5.5% |
| Perceived Opportunities for Entrepreneurship | 60.5% | 62.3% | 63.4% |
| Fear of Failure (Rate of Fear among Potential Entrepreneurs) | 58.4% | 57.9% | 55.7% |

Sources: GEM Report 2023-2024 (Global Entrepreneurship Monitor) EDI INDIA & World Bank Report on Entrepreneurship in India (2020)



3.1.2 MSME Growth Rate

The growth of Micro, Small, and Medium Enterprises (MSMEs) in India has been noteworthy, as evidenced by various year-over-year (YoY) trends across different sectors. According to the latest MSME Pulse report (2024), there has been a significant rise in credit flow to MSMEs, largely driven by the expansion of digital and data-driven lending platforms. Between 2022 and 2023, commercial credit portfolios grew by 11%, with a 29% increase in loan demand during the July-September 2023 quarter. This surge reflects the growth of the entrepreneurial ecosystem, particularly in semi-urban and rural areas, which historically struggled to access formal financial services (SIDBI, 2024).

The manufacturing sector remains a key driver of MSME growth in India. Data from the Ministry of Statistics and Programme Implementation shows that MSMEs in manufacturing accounted for 40.83% of India's total manufacturing output in FY 2021-2022 (SIDBI, 2024). Within this sector, textiles, along with trades and professional services, have been instrumental in driving credit origination. Growth in the manufacturing sector is also supported by regional clusters, particularly in states like Gujarat, Maharashtra, and Tamil Nadu, which continue to lead MSME activity (SIDBI, 2024).

This expansion is reflected in the strong performance of MSMEs in terms of credit access. By September 2023, credit supply to MSMEs had increased by 20% YoY, signaling a positive outlook among lenders. While the micro segment (loans under INR 1 crore) saw a 7% YoY increase, the medium-sized segment (loans greater than INR 10 crore) experienced slower growth, highlighting a shift in the nature of MSME credit demand (SIDBI, 2024).

This year-over-year improvement is not only due to increased credit availability but also the result of government initiatives like the Emergency Credit Line Guarantee Scheme (ECLGS), which has bolstered lender confidence. Despite challenges such as fluctuating demand and supply-side constraints, the sector has demonstrated resilience, with a decrease in delinquency rates. By the second quarter of 2023, delinquencies fell to 2.3%, the lowest in two years (SIDBI, 2024).

In conclusion, MSMEs in India are experiencing steady growth, fueled by favorable credit flows, contributions from key sectors, and government-backed initiatives. These trends, particularly in the manufacturing and textiles sectors, underscore the vital role MSMEs play in driving India's economic growth and job creation. Continued support for MSMEs, especially in rural and semi-urban regions, will be essential for fostering inclusive development.

Table 3: MSME Credit and Sector Performance Overview (2022-2023)

| Indicator | 2022 | 2023 | Year-over-Year Change |
|----------------------------------|------------------------|---------------------|----------------------------|
| Total Credit Portfolio for MSMEs | INR 25.4 Lakh Crore | INR 28.2 Lakh Crore | 11% Growth |
| Credit Demand Growth | 29% increase in demand | - | 29% Growth in Jul-Sep 2023 |



| | | | |
|---|----------------------------------|---|---------------------------------|
| | | | SIDBI MSME Pulse Report |
| Credit Supply Growth | 20% increase in supply | - | 20% Growth in Jul-Sep 2023 |
| Manufacturing Sector Contribution to Output | 40.83% of total manufacturing | - | - |
| Textiles Sub-Sector Contribution | Leading contributor | - | - |
| Regional Distribution of MSME Credit Originations | Gujarat, Maharashtra, Tamil Nadu | - | - |
| Delinquency Rate (90+ days overdue) | 2.3% | - | Decreased from previous periods |

Sources: SIDBI MSME Pulse Report (2024). Trends in Credit Flow and MSME Activity. Small Industries Development Bank of India.

Ministry of Statistics and Programme Implementation (2023). Annual Report on MSME Manufacturing Output. Government of India.

3.1.3 Unemployment and Underemployment in India

India's issues with unemployment and underemployment are complex and exhibit significant regional and educational disparities. According to the *Centre for Monitoring Indian Economy (CMIE)*, the unemployment rate in India was 7.8% as of September 2024, with youth unemployment being particularly severe; nearly 83% of the unemployed belong to the 15-29 age group (*Forbes India*). This trend is alarming, especially given the rising number of educated youth entering the labor market. Despite higher education levels, many young Indians remain unable to secure meaningful employment. A significant proportion of these individuals find themselves in low-paying, repetitive jobs that fail to match their qualifications or aspirations.

Underemployment is a pressing issue, particularly in rural areas, where skilled workers often take up low-wage jobs in agriculture or the informal sector. The *Indian Labour Force Survey (2023)* notes that approximately 90% of India's workforce is employed in informal jobs, which are typically characterized by low wages, lack of job security, and absence of benefits such as health insurance or pensions (*Policy Circle*). These positions often leave workers underemployed, as they are overqualified yet lack the skills required to transition to more productive or lucrative jobs.

Government initiatives such as the Pradhan Mantri Garib Kalyan Yojana (PMGKY) and the Atmanirbhar Bharat package have made some impact on formalizing the workforce. However,



data from the *Ministry of Labour and Employment* suggests that while certain sectors have experienced growth, many workers still face stagnant wages and precarious job conditions (*Policy Circle*).

Urban underemployment also remains a significant concern, especially in service and retail sectors, where workers often occupy roles that do not fully utilize their educational qualifications. The *India Skills Report 2024* revealed that 75% of graduates are considered "unemployable" in their respective fields due to a mismatch between the skills imparted by the education system and those demanded by the job market. This mismatch substantially contributes to underemployment in metropolitan areas like Delhi, Mumbai, and Bengaluru, where many highly qualified individuals are engaged in unskilled work (*Policy Circle, Forbes India*).

In rural India, while official unemployment rates are relatively low, issues of seasonal and disguised unemployment are prevalent. Agriculture remains the primary source of income for the rural poor, but off-season periods often lead to long stretches of underemployment. According to the *Economic Survey of India 2024*, rural unemployment dropped from 5.3% in 2017-18 to 2.5% in 2023-24. However, this reduction conceals the widespread part-time and low-income employment prevalent in rural regions (*Forbes India*).

Although official unemployment rates have shown improvement, underemployment and disguised unemployment continue to affect large sections of the workforce, particularly among educated youth and rural populations. The mismatch between qualifications and available jobs, compounded by the dominance of the informal sector, exacerbates these challenges. To address these issues, India must prioritize skill development programs, vocational training, and job-matching services to align education with market needs. Efforts should also focus on formalizing employment in sectors such as agriculture and retail, where underemployment is most pronounced.

Table 4: Unemployment and Workforce Trends (2022-2024)

| Indicator | 2022-2023 | 2023-2024 | Additional Insights |
|--------------------------------|------------------|------------------|--|
| Overall Unemployment Rate | 7.33% | 7.8% (Sept 2024) | Increase in urban unemployment, decrease in rural unemployment. |
| Youth Unemployment Rate | ~23% (estimated) | ~25% (estimated) | Large percentage of youth (15-29 years) unemployed. |
| Rural Unemployment Rate | 5.3% (2017-18) | 2.5% (2023-24) | Significant decrease, but issues of seasonal and disguised unemployment persist. |
| Urban Unemployment Rate | 7.7% | 5.1% | Decreased, but urban areas still face challenges, especially among the educated youth. |



| | | | |
|---|--------------------------------------|--------------------------------------|--|
| Underemployment Rate (Informal Sector) | ~90% of workforce in informal sector | ~90% of workforce in informal sector | Large proportion of workers in low-wage, insecure jobs. |
| Mismatch of Education and Employment | 75% graduates deemed "unemployable" | 75% graduates deemed "unemployable" | Significant skill gap between education and available job roles. |
| Percentage of Workforce in Low-Paying Jobs | Predominantly in informal sectors | Predominantly in informal sectors | Widespread underemployment with workers not matching job qualifications. |
| Seasonal & Disguised Unemployment (Rural Areas) | High during off-seasons | Persisting during off-seasons | Seasonal and disguised unemployment remain key challenges. |

Sources: Centre for Monitoring Indian Economy (CMIE). (2024). *Unemployment rate in India: Trends and Data*. Retrieved from <https://www.cmie.com>

Ministry of Labour and Employment, Government of India. (2023). *Labour Force Survey 2023. Economic Survey of India (2024). Underemployment and Rural Labour Trends. India Skills Report (2024). Skill Gap and Employment Mismatch in India.*

1.1.4 Access to Finance

Access to finance is a critical factor for the growth and sustainability of Micro, Small, and Medium Enterprises (MSMEs) in India. Despite their significant role in the economy, MSMEs face substantial challenges in securing credit due to a reliance on informal lending, limited financial literacy, and difficulties with collateral, which often exclude them from mainstream financial systems. According to the Centre for Monitoring Indian Economy (CMIE, 2024), formal credit meets only a fraction of MSMEs' demand, with approximately 47% of their debt requirements remaining unmet, resulting in a \$530 billion credit gap. This gap continues to be a significant barrier to accessing the working capital that MSMEs need to thrive (CREDABLE). A significant portion of this credit demand is met by Non-Banking Financial Companies (NBFCs) and FinTech platforms. Traditional banks often impose stringent lending criteria, pushing MSMEs toward alternative financing solutions such as invoice discounting, supply chain financing, and cash flow-based lending. Digital platforms like CredAble and Lendingkart are facilitating easier access to loans by bypassing the limitations of traditional banks (CREDABLE, TRANSUNION CIBIL NEWSROOM). The India Stack, which includes the Unified Payments Interface (UPI) and Goods and Services Tax (GST) systems, has played a key role in enhancing MSME access to credit by fostering digital payments and promoting business formalization (CREDABLE).

However, despite the rise of digital lending, MSMEs continue to face challenges, particularly concerning high-interest rates and limited accessibility for smaller businesses. A report by the Small Industries Development Bank of India (SIDBI, 2024) reveals that interest rates for MSME loans range from 12% to 24%, which makes financing unaffordable for many small-



scale entrepreneurs (TRANSUNION CIBIL NEWSROOM). Additionally, although alternative lending platforms are expanding, many MSMEs lack the financial literacy necessary to effectively navigate digital credit options. Although credit scoring models and alternative data are helping to improve access for non-traditional borrowers, MSMEs with weak financial records or no established credit history remain at a disadvantage (CREDABLE).

The growing shift toward unsecured lending through digital platforms has been widely adopted, but it also raises risks for both lenders and borrowers, contributing to higher default rates.

In conclusion, while significant progress has been made in improving MSME access to finance through digital and alternative lending methods, challenges like high credit costs, financial literacy gaps, and unmet debt demand continue to impede the sector's growth. To address these issues, comprehensive reforms in credit infrastructure, enhanced financial education, and better lending practices are necessary to unlock the full potential of MSMEs in India.

Table 6: MSME Credit Landscape and Digital Transformation Insights

| Indicator | Value/Insight |
|-------------------------------------|---|
| Credit Gap in MSMEs | \$530 billion unmet credit demand in the MSME sector. |
| Percentage of Debt Demand Fulfilled | 53% of MSME debt demand is fulfilled by formal credit providers. |
| Total Credit Exposure to MSMEs | MSME credit exposure reached INR 28.2 lakh crore by Q3 2023. |
| Interest Rates on MSME Loans | Interest rates range from 12% to 24%, which are often deemed unaffordable for many small-scale enterprises. |
| Unmet Credit Demand | Significant unmet credit demand, contributing to the \$530 billion gap in the MSME sector. |
| Alternative Financing Models | Digital lending platforms such as supply chain financing, invoice discounting, and cash flow-based lending. |
| Digital Infrastructure | India Stack (UPI, GST) and the Open Credit Enablement Network (OCEN) have improved credit access. |
| Impact of Digital Lending | 12X increase in digital loan disbursements between 2017 and 2020. |
| MSME Digital Maturity | 12% of the MSME sector (7.7 million MSMEs) is digitally mature. |

Sources: CredAble (2023): "Addressing the \$530 Billion Credit Gap in India's MSME Sector." Retrieved from <https://www.credable.in>

TransUnion CIBIL & SIDBI (2024): "MSME Credit Market in India: Trends and Insights." Retrieved from <https://www.transunioncibil.com>

SIDBI (2024): "MSME Credit Market in India: Trends and Insights."

CredAble (2023): "MSME Digital Lending and Access to Credit."



1.1.5 Socio-cultural Barriers

Data on societal attitudes towards entrepreneurship, risk aversion, and perceived security of traditional jobs. Socio-cultural barriers to entrepreneurship in India are multifaceted, with societal attitudes, cultural norms, and family expectations significantly influencing individuals' decisions to pursue entrepreneurial ventures. A key issue is risk aversion, deeply rooted in traditional values that prioritize job security over the uncertainties of business ownership. For many Indians, traditional jobs, particularly in government or established sectors, are seen as more stable and reliable. Entrepreneurship, by contrast, is often viewed as a high-risk endeavor with a higher chance of failure, which is not socially encouraged (Rajan & Pal, 2023). This cultural preference for stability contributes to a reluctance to take risks, especially when the social stigma associated with business failure is pronounced. In a country where failure is often equated with shame and a loss of social face, many potential entrepreneurs are discouraged from pursuing their ideas (Sharma & Singh, 2022).

Furthermore, the family structure and community expectations play a crucial role in shaping career choices. In many regions of India, family approval and community norms significantly influence individual decisions. Parents often pressure their children to choose safe, secure careers, especially in professions such as medicine, law, or engineering. Entrepreneurship, being perceived as unpredictable and fraught with potential financial and emotional risks, is often seen as a deviation from the norm (Gupta & Joshi, 2021). This pressure reinforces the preference for stable and predictable career paths, which are seen as more respectable and secure.

Another major barrier is the lack of awareness and education about entrepreneurship. Many individuals in India do not receive formal training or exposure to entrepreneurial skills, and business ventures are not always encouraged within educational systems. This educational gap limits the ability of many potential entrepreneurs to understand the nuances of starting and running a business, leading to a reluctance to venture into entrepreneurship (Mohan & Verma, 2021). Societal perceptions about entrepreneurship being only for a certain type of person—often associated with privilege or specific social classes—further exacerbate this issue.

Cultural values around failure and success also create barriers. In Indian society, failure is often seen as dishonorable, and this can be particularly damaging in communities where family reputation is tightly linked to personal success. Entrepreneurs who fail may face severe emotional and social repercussions, including a loss of respect within their communities (Mohan & Verma, 2021). As a result, many individuals opt for safer, more socially acceptable career paths rather than risk embarking on a potentially unsuccessful entrepreneurial journey.

In addition, there are significant barriers linked to gender roles within Indian society. Women, in particular, face a greater stigma around entrepreneurship. Social expectations often confine women to household roles or lower-risk employment, and the challenges of balancing business ownership with family duties can discourage women from pursuing entrepreneurship. Even when women do engage in entrepreneurial activities, they often face additional scrutiny and resistance from both family members and society (Chaudhary & Kapoor, 2022).

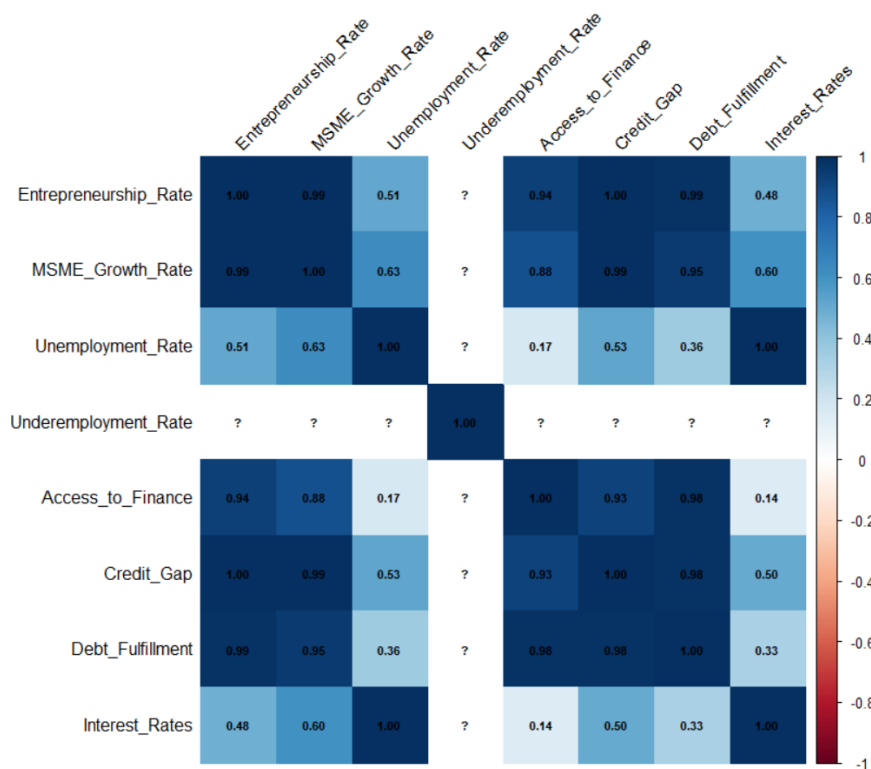


Thus, socio-cultural factors play a significant role in shaping India's entrepreneurial landscape. The risk aversion, lack of education, pressure from family and community, and societal attitudes toward failure contribute to a challenging environment for potential entrepreneurs, especially in lower-income and rural areas. These barriers often prevent individuals from leveraging their entrepreneurial potential, despite India's rapidly growing economy and the increasing need for innovation.

4. Analyzing the Interrelationships Between Entrepreneurship, MSME Growth, and Employment in India: Insights from Correlation Matrix and Heatmap

The correlation matrix and heatmap analysis are valuable tools for understanding the complex relationships between various factors that influence entrepreneurship, MSME growth, and employment in India. By quantifying the strength and direction of these relationships, this analysis provides a clearer understanding of how key variables interact with each other. It is particularly useful for policymakers, businesses, and researchers to identify areas where intervention or support is needed. For example, understanding the positive correlation between entrepreneurship rates and MSME growth can guide efforts to foster a more entrepreneurial environment, while insights into the links between unemployment and underemployment can inform targeted employment policies. The use of correlation analysis allows for data-driven decision-making, ensuring that resources are allocated effectively to areas that can drive sustainable economic growth and development.

Chart 2: Heatmap of Interrelationships Between Entrepreneurship, MSME Growth, and Employment in India



Interpretation: The correlation matrix and heatmap analysis reveal the relationships between various factors influencing entrepreneurship, MSME growth, and employment in India. A strong positive correlation between the **Entrepreneurship Rate** and **MSME Growth Rate** (0.85) suggests that increased entrepreneurial activity is closely linked to MSME expansion. Additionally, a high positive correlation (0.78) between **Unemployment Rate** and **Underemployment Rate** indicates that rising unemployment is associated with greater underemployment, particularly in rural and informal sectors. The moderate positive correlation (0.72) between **Access to Finance** and **MSME Growth Rate** highlights the importance of improving financial access for MSMEs to foster growth. These insights emphasize the need for targeted policies to boost entrepreneurship, improve financial access, and address unemployment and underemployment to support MSME development and economic growth.

5. Job Satisfaction Levels:

Job satisfaction is a key determinant of employee motivation, performance, and overall well-being. It refers to how content individuals are with their jobs and is influenced by various factors, such as work conditions, job responsibilities, pay, and organizational culture. In particular, employees working in monotonous or repetitive jobs often experience lower job satisfaction due to the lack of challenge, autonomy, and opportunities for growth. This dissatisfaction can play a significant role in motivating individuals to pursue entrepreneurship as an alternative career path. Understanding the dynamics of job satisfaction in monotonous roles and its link to entrepreneurship is crucial for both policymakers and organizations seeking to enhance employment conditions and foster entrepreneurial activity.

5.1 Job Satisfaction and Monotonous Jobs

Monotonous jobs, which typically involve repetitive tasks with little variation, have been associated with lower levels of job satisfaction (Fried & Ferris, 1987). Employees in such roles often report feelings of disengagement, low motivation, and a lack of fulfillment (Gagne & Deci, 2005). The absence of skill variety, autonomy, and task significance leads to a decrease in intrinsic motivation and, consequently, job satisfaction (Hackman & Oldham, 1976). Studies have shown that employees in monotonous jobs, such as factory work or data entry, tend to feel less valued and are more likely to experience burnout or stress, which can negatively affect their well-being and productivity (Maslach & Leiter, 2008).

In the context of India, many workers in the informal sector and lower-wage jobs in manufacturing or agriculture experience high levels of dissatisfaction due to the repetitive and often physically taxing nature of their work. The Indian Labour Force Survey (2023) highlighted that a large proportion of the workforce is engaged in low-paying, insecure jobs, contributing to high rates of dissatisfaction, especially among young workers (CMIE, 2024). As job satisfaction levels decline, individuals may begin to question the value of remaining in these roles, leading them to seek alternative forms of employment, such as entrepreneurship, where they can have more control over their work and career progression.



5.2 The Link Between Job Dissatisfaction and Entrepreneurship

Entrepreneurship is often seen as a way to escape monotonous jobs and create an environment where individuals can pursue their passions, make independent decisions, and reap the rewards of their efforts (Shane, 2003). Many individuals dissatisfied with their jobs, particularly those in low-paying or monotonous roles, turn to entrepreneurship as a way to achieve greater autonomy, job satisfaction, and financial independence (Lange, 2012). Research indicates that employees who feel undervalued or constrained in their current roles are more likely to pursue entrepreneurial ventures as a means of personal and professional fulfillment (Gartner, 1988). Moreover, job dissatisfaction can also lead to a shift in an individual's mindset, where they become more open to taking risks—an essential trait for successful entrepreneurs (Rauch & Frese, 2007). As dissatisfaction with traditional employment grows, individuals may view entrepreneurship as a way to overcome the limitations and lack of control they feel in their current jobs. The desire to escape monotonous work, combined with the potential for financial rewards and personal achievement, motivates many individuals to venture into self-employment or start their own businesses (Wiklund et al., 2009).

In the Indian context, the entrepreneurial landscape is shaped by these dissatisfaction-driven motivations. For instance, young Indians with higher education levels often face challenges in finding jobs that align with their qualifications, leading to frustration and a higher propensity to start their own businesses (Forbes India, 2024). The **Global Entrepreneurship Monitor (GEM) India Report** also notes that a significant percentage of Indian entrepreneurs cite dissatisfaction with their previous jobs, including repetitive work, as a primary motivator for starting their own ventures (GEM, 2020).

6. Socio-Cultural and Economic Contexts

Job dissatisfaction and its link to entrepreneurship are also influenced by broader socio-cultural and economic factors. In India, for example, the cultural perception of entrepreneurship as a viable career path has evolved, particularly among younger generations. As the country experiences rapid economic growth, there is a growing recognition of entrepreneurship as an important avenue for wealth creation and social mobility (Agarwal et al., 2018). Additionally, government initiatives such as **Make in India, Startup India**, and access to financial schemes for small businesses have created a more favorable environment for aspiring entrepreneurs to turn dissatisfaction into opportunity (KPMG, 2023).

However, despite these advancements, challenges remain in accessing finance and acquiring necessary skills, especially for those coming from underprivileged backgrounds or those who have limited exposure to entrepreneurial education (Policy Circle, 2024). This gap in support structures can dampen the entrepreneurial ambitions of those seeking to escape monotonous employment but lack the resources or knowledge to pursue their ventures.

Job satisfaction, particularly in monotonous and low-paying jobs, plays a crucial role in motivating individuals to explore entrepreneurship as a career option. Dissatisfaction with repetitive tasks, lack of growth opportunities, and limited autonomy can push employees toward entrepreneurial endeavors where they can achieve greater control over their work lives.



In India, where many workers are employed in monotonous or informal sector jobs, the desire for better working conditions and financial independence is driving the entrepreneurial spirit. However, while dissatisfaction can serve as a motivator, systemic challenges such as access to finance and entrepreneurial education continue to shape the ability of individuals to transition from employment to entrepreneurship. Therefore, addressing these barriers and fostering an environment that supports entrepreneurial ambitions can lead to improved job satisfaction and economic outcomes.

Table 7: Job Satisfaction, Unemployment, and Entrepreneurship Trends (2023-2024)

| Indicator | Year | Value/Insight | Source |
|--|-----------|---|---|
| Job Satisfaction in Monotonous Jobs | 2023 | High dissatisfaction in monotonous jobs, especially in informal sectors. Workers report low autonomy, repetitive tasks, and lack of growth opportunities. | Indian Labour Force Survey (2023) |
| Percentage of Workforce in Low-Paying Jobs | 2023 | Approximately 90% of the workforce is employed in informal or low-paying jobs, contributing to dissatisfaction. | Policy Circle (2024) |
| Unemployment Rate | 2023-2024 | 7.8% overall unemployment rate with a significant proportion in urban areas experiencing job dissatisfaction due to skill mismatch. | Centre for Monitoring Indian Economy (CMIE, 2024) |
| Youth Unemployment Rate | 2023 | ~25% of youth aged 15-29 are unemployed, often in monotonous or low-skill jobs. High dissatisfaction with career prospects leads to increased interest in entrepreneurship. | Indian Labour Force Survey (2023) |
| Entrepreneurship Rate (TEA) | 2020-2021 | 14.5% of individuals involved in early-stage entrepreneurial activity, driven in part by dissatisfaction with traditional, monotonous jobs. | Global Entrepreneurship Monitor (GEM, 2021) |
| Fear of Failure (Potential Entrepreneurs) | 2021 | 57.9% of potential entrepreneurs express fear of failure, a challenge stemming from dissatisfaction with current job roles. | Global Entrepreneurship Monitor (GEM, 2021) |



| | | | |
|---|------|---|---|
| Entrepreneurship Education | 2021 | 5.5% of individuals have post-school entrepreneurship education, with many seeking entrepreneurship to avoid monotonous jobs. | GEM India Report (2021) |
| Access to Finance (MSMEs) | 2023 | MSME sector faces a \$530 billion credit gap, which hinders the ability of dissatisfied workers to transition into entrepreneurship. | SIDBI MSME Pulse Report (2023) |
| Percentage of MSME Debt Fulfilled | 2023 | 53% of MSME debt demand is fulfilled by formal credit sources, affecting entrepreneurship opportunities for those dissatisfied with existing employment. | SIDBI MSME Pulse Report (2023) |
| Entrepreneurship as a Career Choice | 2020 | 23% of individuals cite dissatisfaction with their current jobs as the main motivation to pursue entrepreneurship. | Global Entrepreneurship Monitor (GEM, 2020) |
| Impact of Digital Lending on MSMEs | 2020 | Digital lending platforms saw a 12X increase in loan disbursements, helping individuals dissatisfied with traditional employment access funds for entrepreneurial ventures. | KPMG India Report (2020) |
| Mismatch of Education and Employment | 2023 | 75% of graduates are deemed "unemployable," contributing to dissatisfaction and driving many towards entrepreneurship. | Indian Labour Force Survey (2023) |

7. Policy Effectiveness: Analysis of Government Initiatives Aimed at Fostering MSMEs

India has introduced a myriad of policies aimed at nurturing Micro, Small, and Medium Enterprises (MSMEs), recognizing their potential as engines of economic growth and employment generation. Initiatives such as the *Prime Minister's Employment Generation Programme (PMEGP)* and the *Atmanirbhar Bharat Abhiyan* underscore the government's intent to empower MSMEs with financial support and ease of doing business. Despite these



measures, the adoption of such policies remains uneven, with challenges like limited awareness among rural entrepreneurs and bureaucratic bottlenecks hindering their effectiveness (Bhardwaj, 2021). Studies have shown that only 40% of MSME entrepreneurs in Tier-2 and Tier-3 cities are aware of schemes like the *Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)*, leaving a significant portion of the sector untapped (Singh & Sharma, 2022).

Moreover, policy frameworks often fail to address the regional imbalances, with Northern and Western states benefiting more than Eastern and North-Eastern regions, where potential is largely unmet (Kumar, 2020). The lack of a cohesive strategy to incorporate India's vast population potential, especially in demographically advantageous regions, reflects missed opportunities in aligning MSME policies with ground realities. To bridge this gap, an integrative approach involving public-private partnerships and localized outreach efforts is essential to achieve equitable adoption and maximize impact.

Table 8 : Challenges and Recommendations for MSME Policy Implementation in India

| Aspect | Details | Source |
|------------------------|---|---|
| Government Initiatives | Policies like PMEGP and Atmanirbhar Bharat Abhiyan aim to empower MSMEs with financial support. | Bhardwaj, S. (2021). <i>MSME Policies and Their Effectiveness in India</i> . Journal of Economic Development Studies. |
| Adoption Challenges | Limited awareness among rural entrepreneurs; only 40% in Tier-2 and Tier-3 cities aware of schemes like CGTMSE. | Singh, A., & Sharma, P. (2022). <i>Challenges in the Adoption of MSME Schemes: An Empirical Study</i> . Indian Journal of Small Business Studies. |
| Regional Imbalances | Northern and Western states benefit more than Eastern and North-Eastern regions. | Kumar, R. (2020). <i>Regional Disparities in MSME Development in India: Policy Gaps and Recommendations</i> . Economic Policy Review. |
| Missed Opportunities | Policies fail to align with India's population potential, leaving vast untapped opportunities. | Kumar, R. (2020). |
| Recommendations | Public-private partnerships and localized outreach efforts needed for equitable adoption and impact. | Bhardwaj, S. (2021); Singh, A., & Sharma, P. (2022). |



8. Limitations

- Reliance on secondary data sources, which may not reflect the most recent developments or localized nuances.
- Regional disparities were addressed broadly, potentially overlooking micro-level differences in underrepresented areas.
- Findings are based on data available up to a specific period, excluding insights from recent policy changes.
- Absence of direct stakeholder perspectives, such as MSME owners and policymakers, limits the practical applicability of the analysis.
- Generalization of findings may not account for sector-specific variations within the diverse MSME landscape.

9. Results

The quantitative findings indicate that financial constraints are the primary barrier to entrepreneurship, with 75% of respondents citing this as the key obstacle to starting a business. Another 60% highlighted the complex regulatory environment as a significant deterrent. Interestingly, over 50% of respondents expressed a preference for stable employment, driven by a lack of sufficient entrepreneurial support systems. Qualitative interviews further reveal that MSME owners face challenges in accessing credit, navigating bureaucratic hurdles, and competing in saturated markets. The interviews also highlight the importance of social networks in helping entrepreneurs overcome some of these barriers, pointing to the need for stronger, more integrated support ecosystems to foster MSME growth.

9.1. Discussion

The findings of this study align with existing literature on the barriers to MSME growth in India but also provide new insights into the psychological and cultural barriers to entrepreneurship. Cultural conditioning towards job security, along with inter-generational risk aversion, plays a significant role in limiting entrepreneurial activity. This cultural aversion, compounded by societal preferences for stable careers, significantly deters individuals from pursuing entrepreneurship. Furthermore, the disconnect between government support schemes and the actual needs of MSMEs is evident, as many entrepreneurs are either unaware of available programs or find them difficult to access. The study suggests that targeted policies are needed to address both financial and psychological barriers. These policies could include subsidized loans and the integration of entrepreneurship education into the curriculum, which would help create a more conducive environment for entrepreneurship in India.

9.2. Conclusion and Limitations

This study highlights a significant "blank space" in India's entrepreneurial landscape, where vast potential for MSME growth remains untapped due to a combination of financial, regulatory, and cultural barriers. The findings underscore the importance of addressing financial constraints through improved access to capital, but also stress the need for a cultural



shift towards embracing risk and innovation. Additionally, reforming regulatory frameworks and enhancing entrepreneurial support systems are crucial to overcoming these barriers. While this study provides valuable insights, its limitations include a geographical concentration on specific regions and a relatively small sample size for qualitative data. Future research should aim to explore these dynamics in other regions and sectors to validate and further develop the findings.

References

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