Class 11 Business Studies Chapter 9: MSME and Business Entrepreneurship - Notes, Important Questions and MCQs (2026-27)

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Class 11 Business Studies Chapter 9, MSME and Business Entrepreneurship, explains the role of micro, small and medium enterprises in India and the process of entrepreneurship.

These notes cover the MSMED Act and classification of MSMEs, the role and problems of small business, government assistance, the concept, characteristics and process of entrepreneurship, Startup India and intellectual property rights.

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Chapter Overview

Small businesses are a major part of the Indian economy, contributing to employment, production and exports. The Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 provides the legal framework for them.

Entrepreneurship is the process of setting up one’s own business by identifying an opportunity, mobilising resources and bearing risk.

Important Topics and Concepts

MSME Classification

- The MSMED Act, 2006 originally classified enterprises by investment in plant and machinery (manufacturing) or equipment (services).
- From 2020 a composite criterion of investment and annual turnover applies to both manufacturing and services.
- The limits were revised again with effect from 1 April 2025 (see table). The NCERT book may show older limits; for current affairs use the revised figures.

Role of Small Business in India

- Small industries account for a large share of industrial units, production and exports.
- They are the second-largest employer after agriculture and use labour-intensive techniques.
- They promote balanced regional development by setting up in rural and backward areas.
- They provide opportunities for entrepreneurship, need low capital, offer flexibility and personalised products, and help in mobilising local resources.

Role in Rural India

- Village and cottage industries provide employment in rural areas and reduce migration to cities.
- They help reduce poverty and income inequality and promote self-reliance.
- They use local skills and raw materials, such as handloom, handicrafts and khadi.

Problems of Small Business

- Finance – lack of adequate capital and creditworthiness.
- Raw materials – difficulty in getting quality inputs at reasonable prices.
- Managerial skills – owner-managers may lack professional management.
- Marketing – weak distribution and dependence on middlemen.
- Quality, capacity utilisation, technology, sickness and global competition are other challenges.

Government Assistance to Small Industries

- National Small Industries Corporation (NSIC) – supplies machinery on hire-purchase, helps in marketing and technology.
- District Industries Centres (DICs) – single-window support at the district level.
- National Bank for Agriculture and Rural Development (NABARD) – credit for rural industries.
- Small Industries Development Bank of India (SIDBI) – the principal financial institution for MSMEs.
- Other schemes include the Rural Small Business Development Centre, KVIC for khadi and village industries, and the Scheme of Fund for Regeneration of Traditional Industries (SFURTI), along with credit guarantee and Udyam registration.

Entrepreneurship: Concept and Characteristics

- Entrepreneurship is the process of setting up one’s own business as distinct from pursuing other economic activity; the person is an entrepreneur and the output is an enterprise.
- Characteristics: systematic activity; lawful and purposeful; innovation; organisation of production; risk-taking.

- Need: entrepreneurship creates jobs, raises productivity, promotes innovation, and spurs economic growth.

Entrepreneurship Development and Startup India

- Process: identifying an opportunity, assessing resources, preparing a business plan, mobilising funds, starting operations and managing growth.
- Startup India (launched 2016) promotes entrepreneurship through simplification, handholding, funding support and incentives; recognised startups get tax benefits and easier compliance.
- Ways to fund startups: bootstrapping, crowdfunding, angel investment, venture capital, business incubators and accelerators, microfinance and government schemes.

Intellectual Property Rights

- IPR are legal rights over creations of the mind – inventions, designs, brand names and creative works.
- Types: copyright (literary and artistic works), trademark (brand names and logos), patent (inventions), geographical indication (e.g. Darjeeling tea), industrial design, plant variety and semiconductor integrated circuit layout design.
- IPR protects innovation and encourages entrepreneurs to invest in new ideas.

Earlier Limits (2020 notification)

Many textbooks and older notes show these:

Enterprise	Investment	Turnover
Micro	₹1 crore	₹5 crore
Small	₹10 crore	₹50 crore
Medium	₹50 crore	₹250 crore

MSME Classification (Composite Criteria, revised w.e.f. 1 April 2025)

Enterprise	Investment up to	Annual turnover up to
Micro	₹2.5 crore	₹10 crore
Small	₹25 crore	₹100 crore
Medium	₹125 crore	₹500 crore

Important Definitions and Terms

Term	Meaning
MSME	Micro, Small and Medium Enterprises.
MSMED Act	Micro, Small and Medium Enterprises Development Act, 2006.
Composite criteria	Classification based on both investment and turnover.
Entrepreneur	A person who sets up a business and bears its risk.

Term	Meaning
Entrepreneurship	The process of setting up one’s own business.
Startup	A new enterprise working on innovation or scalable ideas.
Bootstrapping	Starting a business with personal savings and revenue.
Venture capital	Funding by investors in high-growth startups for equity.
Patent	Exclusive right granted for an invention.
Geographical indication	Sign identifying a product from a specific place.

Short Answer Questions

Q1. What is the MSMED Act?

The Micro, Small and Medium Enterprises Development Act, 2006 provides the legal framework for defining and promoting MSMEs.

Q2. How are MSMEs classified now?

On composite criteria of investment and turnover; from 1 April 2025, micro up to ₹2.5 crore investment and ₹10 crore turnover, small up to ₹25/₹100 crore, medium up to ₹125/₹500 crore.

Q3. State two roles of small business in India.

They provide large-scale employment and promote balanced regional development.

Q4. What is the role of NSIC?

It supplies machinery on hire-purchase, helps in marketing and provides technology support to small industries.

Q5. Give two problems faced by small businesses.

Lack of finance and difficulty in marketing their products.

Q6. What is entrepreneurship?

The process of setting up one’s own business by identifying opportunities, organising resources and taking risks.

Q7. What is Startup India?

A government initiative launched in 2016 to encourage startups through simplified rules, funding support and tax benefits.

Q8. Name any three types of IPR.

Copyright, trademark and patent.

Long Answer Questions

Q1. Explain the role of small business in India.

Small businesses account for a large share of industrial units, production and exports, and are the second-largest employer after agriculture.

They promote balanced regional development by operating in rural and backward areas and

They need low capital, encourage entrepreneurship, offer flexibility and personalised products, and are vital for rural livelihoods.

Q2. Discuss the problems of small businesses.

Small firms face shortage of finance due to low creditworthiness and difficulty in getting raw materials at fair prices.

Owner-managers often lack managerial skills, and marketing is weak due to dependence on middlemen.

They also struggle with quality, technology upgradation, sickness and global competition.

Q3. Explain the characteristics of entrepreneurship.

Entrepreneurship is a systematic activity requiring knowledge and skills.

It is lawful and purposeful, aimed at creating value and profit; it involves innovation and organisation of factors of production.

It always involves risk-taking, as the entrepreneur invests resources under uncertainty.

MCQs with Answers

1. The MSMED Act was passed in:(a) 1999 (b) 2006 (c) 2016 (d) 2020Answer: (b) 2006

2. Composite criteria for MSMEs use:(a) Investment only (b) Turnover only (c) Investment and turnover (d) EmployeesAnswer: (c) Investment and turnover

3. Revised micro enterprise investment limit (2025) is:(a) ₹1 crore (b) ₹2.5 crore (c) ₹10 crore (d) ₹25 croreAnswer: (b) ₹2.5 crore

4. SIDBI mainly finances:(a) Large industries (b) MSMEs (c) Agriculture (d) ExportsAnswer: (b) MSMEs

5. DIC stands for:(a) District Industries Centre (b) Development Industrial Corporation (c) District Investment Cell (d) Directorate of IndustriesAnswer: (a) District Industries Centre

6. Startup India was launched in:(a) 2014 (b) 2015 (c) 2016 (d) 2019Answer: (c) 2016

7. Darjeeling tea is protected as a:(a) Patent (b) Trademark (c) Geographical indication (d) CopyrightAnswer: (c) Geographical indication

8. Starting with personal savings is called:(a) Crowdfunding (b) Bootstrapping (c) Venture capital (d) Angel fundingAnswer: (b) Bootstrapping

9. Which is a characteristic of entrepreneurship?(a) No risk (b) Innovation (c) Fixed salary (d) Government ownershipAnswer: (b) Innovation

10. Exclusive right on an invention is a:(a) Copyright (b) Patent (c) Trademark (d) DesignAnswer: (b) Patent

Quick Revision Points

- MSMED Act 2006; composite criteria from 2020.
- Revised limits from 1 April 2025: micro ₹2.5/10 cr, small ₹25/100 cr, medium ₹125/500 cr.
- Role: employment, exports, regional balance, low capital, local resources.

- Rural role: cottage and village industries.
- Problems: finance, raw materials, management, marketing, quality, technology.
- Support: NSIC, DIC, NABARD, SIDBI, KVIC, SFURTI.
- Entrepreneurship: systematic, lawful, innovative, organising, risk-taking.
- Process: opportunity → resources → plan → funds → start → grow.
- Startup India 2016; funding: bootstrapping, crowdfunding, angels, VC.
- IPR: copyright, trademark, patent, GI, design, plant variety.

Chapter Summary

MSMEs, defined by the MSMED Act 2006 on composite criteria of investment and turnover, are central to India's employment, production and exports, especially in rural areas. They face problems of finance, marketing, technology and competition, and receive support from NSIC, DICs, NABARD, SIDBI and other schemes.

Entrepreneurship is the process of starting a business through innovation and risk-taking. Initiatives such as Startup India and protection of intellectual property rights encourage new enterprises and economic growth.

Exam Tips and PYQ Pattern

- Learn the MSME classification table – note that NCERT may show older limits.
- Case studies may ask you to identify the government body helping a small firm.
- Write characteristics of entrepreneurship in five points.
- Learn types of IPR with one example each.
- Mention Startup India and funding options for application-based questions.
- Link small business role to employment and regional balance.

Frequently Asked Questions

Is this chapter in the 2026-27 CBSE syllabus?

Yes. It is part of the Class 11 Business Studies Part B of the NCERT Class 11 Business Studies textbook, prescribed in the CBSE 2026-27 syllabus.

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What are the current MSME limits?

From 1 April 2025, micro: investment up to ₹2.5 crore and turnover up to ₹10 crore; small: ₹25 crore and ₹100 crore; medium: ₹125 crore and ₹500 crore.

What is the difference between an entrepreneur and entrepreneurship?

The entrepreneur is the person; entrepreneurship is the process of setting up the business.

Which institutions help small businesses?

NSIC, DICs, NABARD, SIDBI and KVIC, among others.

Conclusion

MSME and Business Entrepreneurship links business studies with India’s growth story. Revise the classification, support bodies and entrepreneurship features, and download the free PDF.

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Author Bio: Written and reviewed by the Nextoper Editorial Team, a group of CBSE business studies educators who build chapter notes directly from the NCERT textbook and past board paper patterns.

Freshness Note: These notes follow the NCERT Class 11 Business Studies textbook, Business Studies (Class XI) (NCERT reprint 2026-27, rationalised syllabus), and the CBSE syllabus for the 2026-27 session. Last checked on 28 November 2026.