

CUET · BUSINESS STUDIES · CLASS XI · CODE 305

MSME and Business Entrepreneurship

CUET unit: Internal Trade (Note: this NCERT chapter actually covers MSME and Business Entrepreneurship)

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Snapshot

- Defines Micro, Small and Medium Enterprises (MSMEs) in India based on investment in plant and machinery and turnover under the MSME Act, 2006.
- Explains the eight subgroups of the MSME sector and the contribution of MSMEs to GDP (~29.7%), exports (~49.66%) and employment (~60 million people through 28.5 million enterprises).
- Discusses the role of MSMEs in balanced regional development, employment generation, low-cost production and entrepreneurship.
- Identifies seven major problems faced by MSMEs — finance, raw materials, managerial skills, marketing, quality, capacity utilisation and global competition.
- Introduces entrepreneurship (characteristics) and Intellectual Property Rights (IPR) — Copyright, Trademark, GI, Patent, Design, Plant Variety, Semiconductor Integrated Circuit Layout Design, plus Traditional Knowledge and Trade Secrets.

Detailed Notes

2.1 Core concepts

- MSMEs contribute significantly to development, acting as a vital link in industrialisation through production, employment and exports, widening the entrepreneurial base and using local raw materials and indigenous skills (NCERT §9.1, p. 198).
- MSMEs contribute approximately 29.7 per cent of GDP and 49.66 per cent of exports, and provide employment to nearly 60 million people through 28.5 million enterprises — second only to agriculture (NCERT §9.1, p. 198).
- The MSME sector in India has eight subgroups: handlooms, handicrafts, coir, sericulture, khadi and village industries, small scale industries and powerlooms (NCERT §9.1, p. 199).
- The Government of India defines MSME based on investment in plant and machinery and turnover, keeping in view India's socio-economic environment where capital is scarce and labour is abundant (NCERT §9.2, p. 199).
- Classification: Micro — investment up to Rs 1 crore, turnover up to Rs 5 crore; Small — investment up to Rs 10 crore, turnover up to Rs 50 crore; Medium — investment up to Rs 50 crore, turnover up to Rs 250 crore (NCERT §9.2, p. 200).

- Share of MSMEs: Micro Enterprises — 99.4%, Small Enterprises — 0.52%, Medium Enterprises — 0.1% (NCERT §9.2, p. 200).
- The MSMED Act, 2006 came into force w.e.f. October 2006 and addressed issues of definition, credit, marketing and technology up-gradation, bringing medium scale enterprises and service-related enterprises under its purview (NCERT §9.2, p. 200).
- Village industry is defined as any industry located in a rural area which produces any goods or renders any service, with or without the use of power, and in which the fixed capital investment per head or artisan or worker is specified by the central government (NCERT §9.2, p. 200).
- Cottage industries (also known as rural or traditional industries) are NOT defined by capital investment criteria as in the case of other small scale industries (NCERT §9.2, p. 200).
- Role of MSMEs: (i) balanced regional development — small industries account for 95% of industrial units; (ii) second largest employers after agriculture, more labour-intensive and less capital-intensive; (iii) supply enormous variety of products from mass consumption goods to sophisticated electronics; (iv) can be set up anywhere due to use of simple technologies and local resources; (v) ample opportunity for entrepreneurship with little capital and almost nil formalities; (vi) low cost of production due to local resources and low overheads; (vii) quick and timely decisions due to small size (NCERT §9.3, p. 201–202).
- Problems faced by MSMEs: (i) Finance — non-availability of adequate finance, dependence on local lenders, lack of collateral; (ii) Raw materials — low bargaining power, no storage, scarcity of metals/chemicals; (iii) Managerial skills — single-person operation, technical knowledge but weak marketing; (iv) Marketing — dependence on middlemen who exploit them; (v) Quality — focus on cutting cost, weak in global competition; (vi) Capacity utilisation — operating below capacity leads to sickness/closure; (vii) Global competition — from medium, large industries and multinational companies (NCERT §9.5, p. 202–203).
- Entrepreneurship is the process of setting up one's own business as distinct from employment or profession; the person is the entrepreneur and the output (business unit) is the enterprise (NCERT §9.7, p. 203–204).
- Characteristics of entrepreneurship: (i) Systematic Activity — not mysterious gift; can be learnt; (ii) Lawful and Purposeful Activity — purpose is creation of value for personal profit and social gain; (iii) Innovation — cost saving or revenue enhancing; creation of value; (iv) Organisation of Production — combining land, labour, capital and technology; (v) Risk-taking — calculated risk, more than financial stake, becomes personal stake (NCERT §9.7, p. 204–205).
- Intellectual Property (IP) refers to creations of the human mind — inventions, literary and artistic works, symbols, names, images and designs used in business; legal rights conferred on such products are called Intellectual Property Rights (IPR) (NCERT §9.9, p. 205–206).

- IP is divided into two broad categories: (a) Industrial property — inventions (patents), trademarks, industrial designs, geographical indications; (b) Copyrights — literary and artistic works such as novels, poems, plays, films, musical works, paintings, photographs, sculptures, architectural designs (NCERT §9.9, p. 206).
- Types of IPR recognised in India: Copyright, Trademark, Geographical Indication, Patent, Design, Plant Variety, Semiconductor Integrated Circuit Layout Design; additionally Traditional Knowledge and Trade Secrets (NCERT §9.9, p. 206–207).
- Traditional Knowledge (TK) refers to knowledge, systems, innovations and practices of local communities; examples — Ayurveda, Unani, Siddha and Yoga; the Traditional Knowledge Digital Library (TKDL) has been developed by Government of India (NCERT §9.9, p. 207).
- Trade Secrets — confidential information providing competitive edge; example — Coca Cola recipe known to only three people; protected in India under the Indian Contract Act, 1872 (NCERT §9.9, p. 207).
- Copyright is the right to "not copy" — conferred on creators of literary, artistic, musical, sound recording and cinematographic film; protection arises automatically once work comes into existence; registration is not mandatory but essential for exercising exclusive rights in infringement (NCERT §9.9, p. 208).
- Trademark — any word, name or symbol identifying goods of a person/company; registration not mandatory under Trademark Act 1999 but registration helps establish exclusive rights; categorised as Conventional (words, colours, label, logo, packaging, shape) and Non-Conventional (sound, dynamic marks); smell and taste are NOT recognised as trademarks in India (NCERT §9.9, p. 208–209).
- Geographical Indication (GI) identifies agricultural, natural or manufactured products originating from a definite geographical territory; examples — Naga Mircha, Mizo Chilli, Darjeeling Tea, Banaras Brocades, Kashmir Pashmina, Nagpur Orange (NCERT §9.9, p. 209).
- Patent — exclusive right for scientific inventions; invention must be (i) new, (ii) non-obvious (inventive step), (iii) capable of industrial application; granted for 20 years; commercial use by others requires licensing; not granted for discoveries (NCERT §9.9, p. 209–210).
- Design — protection given to aesthetic appearance (shape, pattern, lines/colour combination); valid for 10 years, renewable for further 5 years (NCERT §9.9, p. 210).
- Plant Variety — grouping plants into categories based on botanical characteristics; bred and developed by farmers; example — hybrid potatoes (NCERT §9.9, p. 210).
- Semiconductor Integrated Circuit Layout Design — protection for design of ICs and circuitry on semiconductor material (NCERT §9.9, p. 211).
- Startup India Scheme aims to build a strong ecosystem for nurturing innovation and startups, trigger entrepreneurial culture, create awareness, encourage dynamic startups, and broad-base entrepreneurial supply by addressing under-represented groups (NCERT §9.9 box, p. 206).

- India has the third largest start-up ecosystem in the world with 20,000+ start-ups (NCERT §9.9, p. 211).

2.2 Definitions to memorise

Term	Definition	Page
MSME	Micro, Small and Medium Enterprises — defined by investment in plant and machinery and turnover	199
Micro Enterprise	Investment up to Rs 1 crore; turnover does not exceed Rs 5 crore	200
Small Enterprise	Investment up to Rs 10 crore; turnover does not exceed Rs 50 crore	200
Medium Enterprise	Investment up to Rs 50 crore; turnover does not exceed Rs 250 crore	200
MSMED Act	Micro, Small and Medium Enterprises Development Act, 2006 (w.e.f. October 2006)	200
Village Industry	Industry in a rural area producing goods/rendering services, with or without power, with fixed capital investment per head specified by central government	200
Cottage Industry	Rural/traditional industries NOT defined by capital investment criteria	200
Entrepreneurship	Process of setting up one's own business as distinct from employment or profession	203
Entrepreneur	The person who sets up his business	204
Enterprise	The output of the entrepreneurial process — the business unit	204
Intellectual Property	Creations of the human mind — inventions, literary/artistic works, symbols, names, images, designs used in business	206
IPR	Legal rights conferred on intellectual property	206
Traditional Knowledge	Knowledge, systems, innovations and practices of local communities passed down through generations (e.g., Ayurveda, Unani, Siddha, Yoga)	207
Trade Secret	Confidential information providing competitive edge (protected under Indian Contract Act, 1872)	207
Copyright	The right to "not copy" — conferred on creators of literary, artistic, musical, sound recording and cinematographic film	208
Trademark	Any word, name or symbol (or combination) identifying goods of a person/company	208
Geographical Indication (GI)		209

Term	Definition	Page
	Indication identifying products originating from a definite geographical territory with given quality/reputation attributable to that origin	
Patent	Exclusive right granted to inventor of a new, non-obvious, industrially-applicable invention for 20 years	209–210
Design	Protection for shape, pattern, lines/colour combination applied to an article; 10 years + 5 years renewal	210
Licensing	Process of seeking exclusive rights of the patentee for a fee	210
Industrial Property	Subcategory of IP — inventions (patents), trademarks, industrial designs, geographical indications.	206
Plant Variety	Grouping of plants into categories based on botanical characteristics, bred and developed by farmers; e.g., hybrid potatoes.	210
Semiconductor IC Layout Design	Protection for design of ICs and circuitry on semiconductor material.	211
TKDL	Traditional Knowledge Digital Library developed by Government of India to protect traditional knowledge.	207
Conventional Trademark	Word, colour, label, logo, packaging or shape that identifies goods.	209
Non-Conventional Trademark	Sound or dynamic mark — but smell and taste are NOT recognised as trademarks in India.	209
Startup India	Government scheme to build a strong ecosystem for nurturing innovation and startups; broad-base entrepreneurial supply.	206

2.3 Diagrams / processes to remember

- Investment and turnover table for Micro/Small/Medium Enterprises (p. 200).
- Bar chart showing % share of MSMEs: Micro 99.4%, Small 0.52%, Medium 0.1% (p. 200).
- Table on "What is protected under Copyright?" — Literary work (novels, books, poems, song lyrics, computer programme), Artistic work (drawings, paintings, sculpture, architectural drawings, technical drawings, maps, logos), Dramatic work (dance/mime, screenplay, musical work, sound recording, cinematographic films) (p. 208).
- "What cannot be patented?" box — scientific principles, contrary to natural laws, abstract theory, frivolous inventions, immoral/injurious to health, methods of agriculture/horticulture, methods of treatment, admixtures, traditional knowledge, incremental inventions without efficacy increase, atomic energy inventions (Sections 3 and 4 of Patents Act, 1970) (p. 210).

- Startup India Scheme objectives box (p. 206).
- Romi Bags of Manipur case study — Khumbongmayum Dhanachandra Singh, National Award 2007 (p. 198).

2.4 Common confusions / NTA trap points

- Cottage industries are NOT defined by capital investment — unlike village industries which have fixed capital investment per head specified by the central government. NTA loves swapping these.
- Patent term is 20 years; Design protection is 10 years + 5 years renewal. Don't mix up.
- Invention vs Discovery — Newton discovered gravity (already existed); Alexander Graham Bell invented the telephone (created something novel). Only inventions can be patented, not discoveries.
- Trademark registration is NOT mandatory under the Trademark Act 1999 but is recommended to establish exclusive rights. Same for copyright registration.
- Smell and taste trademarks are recognised in some parts of the world but NOT in India.
- Trade Secrets in India are protected under the Indian Contract Act, 1872 — not under a specific IPR act.
- MSME definition uses BOTH investment in plant and machinery AND turnover — not just one. Many students forget the turnover ceiling.
- The MSME sector contributes ~29.7% to GDP and ~49.66% to exports — these specific figures are favourite NTA picks.
- **20 vs 10 vs 5 years** — Patent (20 years, non-renewable); Design (10 years + 5 years renewal); Copyright (lifetime of author + 60 years in India for most works). CUET regularly mixes these terms up.
- **Eight subgroups of MSME** — handlooms, handicrafts, coir, sericulture, khadi, village industries, small scale industries, powerlooms. NTA distractors include petrochemicals, automobiles or pharmaceuticals.
- **Eight characteristics of entrepreneurship vs functions of management** — these are unrelated lists. Entrepreneurship has five characteristics: systematic activity, lawful and purposeful, innovation, organisation of production, risk-taking.
- **Investment vs Turnover for MSME** — both criteria apply. Micro: ≤Rs 1 crore investment, ≤Rs 5 crore turnover. Small: ≤Rs 10 crore investment, ≤Rs 50 crore turnover. Medium: ≤Rs 50 crore investment, ≤Rs 250 crore turnover.

2.5 Case examples

- **Romi Bags of Manipur — Khumbongmayum Dhanachandra Singh (NCERT Activity, p. 198)** — National Award 2007 case study of an entrepreneur whose bags from Manipur won national recognition, illustrating the role of MSMEs in

widening the entrepreneurial base and using local raw materials and indigenous skills.

- **Ayurveda, Unani, Siddha and Yoga (NCERT §9.9, p. 207)** — the named examples of Traditional Knowledge. The Traditional Knowledge Digital Library (TKDL) was developed to defend these from being patented abroad — a famous example being the Neem and Turmeric patent battles.
- **Coca Cola recipe (NCERT §9.9, p. 207)** — the canonical Trade Secret example: known to only three people, protected under the Indian Contract Act 1872 rather than a specific IPR statute. CUET stems on trade secrets almost always use this case.
- **Darjeeling Tea, Kashmir Pashmina, Nagpur Orange, Banaras Brocades, Naga Mircha, Mizo Chilli (NCERT §9.9, p. 209)** — six NCERT GI examples. These illustrate how a geographical indication ties product quality to a definite territory, and NTA picks one of these names for any GI question.
- **Alexander Graham Bell's telephone vs Newton's gravity (NCERT §9.9, p. 210)** — the textbook invention-vs-discovery contrast: Bell **invented** the telephone (patentable); Newton **discovered** gravity (not patentable, since it already existed in nature).

Practice MCQs

Q1. As per the MSMED classification, the investment limit in plant and machinery for a Medium Enterprise is up to:

- A. Rs 1 crore
- B. Rs 10 crore
- C. Rs 50 crore
- D. Rs 250 crore

Q2. The MSMED Act came into force with effect from:

- A. October 2006
- B. April 2006
- C. October 2005
- D. April 2007

Q3. Which of the following is NOT one of the eight subgroups of the MSME sector?

- A. Handlooms
- B. Coir
- C. Sericulture
- D. Petrochemicals

 **8 more MCQs + answer key**

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PYQ Alignment

This NCERT chapter is a high-yield chapter for CUET (UG) Business Studies — MSME classification (investment and turnover limits), MSMED Act 2006, characteristics of entrepreneurship and types of IPR (especially patent term, design term, copyright/trademark scope, GI examples) are frequently tested as direct factual recall, statement-based and match-the-following items. Expect ~6–8 MCQs per year drawn from the MSME classification table, problems of small business, characteristics of entrepreneurship and IPR types.

CUET 2023 — Actual PYQs from this chapter

Q.3 (CUET 2023) Choose the correct sequence of first five steps of setting up a business: A. Appraisal by funding agencies B. Scanning for entrepreneurial opportunities C. Assessment of feasibility and preparation of business plan D. Resource mobilisation E. Development of product/service idea Options:

- A) B, D, A, C, E B) D, B, A, E, C C) D, B, E, C, A D) D, B, C, E, A **Tests:** Process of setting up a business / Entrepreneurship steps **Answer:** Not in extracted key

Q.19 (CUET 2023) Characteristics of entrepreneurship include: A. Lawful and purposeful activity B. Low level of risk C. Innovation D. Systematic activity E. Organisation of production Options:

- A) A, B, C only B) B, C, D only C) A, B, E and D only D) A, C, D and E only **Tests:** Characteristics of Entrepreneurship **Answer:** Not in extracted key

CUET 2024 — Actual PYQs from this chapter

Q.30 (CUET 2024) Qualities of successful entrepreneur do not include:

- A) Initiative B) Self-confidence C) Risk avoider D) Wealth creator **Tests:** Qualities of a successful Entrepreneur **Answer:** Not in extracted key

CUET 2025 — Actual PYQs from this chapter

Q.21 (CUET 2025) Which of the following cannot be a characteristic of an entrepreneur?

- A) Desire to succeed B) Risk averse C) Innovative D) Leader **Tests:** Characteristics of Entrepreneur **Answer:** Not in extracted key

Q.22 (CUET 2025) Which factor is NOT responsible for emergence of entrepreneurship?

- A) Education B) Family background C) Government support D) Future certainty **Tests:** Factors responsible for emergence of Entrepreneurship **Answer:** Not in extracted key

