MSME and Entrepreneurship Development in the context of Globalization and Emerging Economies.

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Micro, Small and Medium Enterprises (MSME s) and entrepreneurship have emerged as important drivers of economic transformation, employment generation, innovation, and inclusive development, particularly in emerging economies. In the context of globalization, MSME s are increasingly exposed to new markets, advanced technologies, international competition, changing consumer preferences, and global value chains. These developments create significant growth opportunities while simultaneously presenting challenges related to limited finance, technological capability, managerial competence, infrastructure, market access, and regulatory compliance. This paper examines the role of MSMEs and entrepreneurship development in strengthening the competitiveness and resilience of emerging economies under rapidly changing global conditions. It highlights how entrepreneurial orientation, innovation, digitization, skill development, institutional support, and access to finance can enhance the capacity of MSME s to participate effectively in domestic and international markets. The study also discusses the importance of supportive government policies, entrepreneurship ecosystems, financial institutions, incubation facilities, and public–private collaboration in encouraging sustainable enterprise development. Particular attention is given to the ability of MSME s to generate employment, promote regional development, support local innovation, and contribute to economic diversification. The paper argues that emerging economies can gain greater benefits from globalization when MSME development is integrated with entrepreneurship promotion, technological adoption, sustainable business practices, and improved market connectivity. Strengthening these dimensions can help create competitive, innovative, resilient, and inclusive entrepreneurial ecosystems capable of contributing to long-term economic and social development.

Keywords: MSMEs, Entrepreneurship Development, Globalisation, Emerging Economies, Innovation, Digitalisation, Economic Development, Competitiveness, Employment Generation, Sustainable Entrepreneurship.

1 Introduction

Globalisation changes the opportunities available to small enterprises and the conditions under which they compete. International customers, imported technologies and cross-border production networks can extend the economic possibilities of a local business. The same connections can expose that business to unfamiliar standards, concentrated buying power and disruptions originating far beyond its domestic market. Understanding MSME development therefore requires attention to the terms of international engagement and to the capabilities that allow enterprises to respond.

The economic significance of small firms is well established, although widely cited estimates use different definitions and populations. The World Bank describes small and medium enterprises as accounting for approximately 90 per cent of businesses and more than half of global employment (World Bank, n.d.). These figures concern SMEs as defined in that source and should not be treated as a harmonised estimate for every national MSME category. The International Labour Organization's analysis of surveys from 99 countries also demonstrates the importance of self-employment and small economic units while identifying persistent problems of informality and employment quality (ILO, 2019). Enterprise prevalence alone consequently provides an incomplete measure of development.

This paper asks: under what conditions does global economic integration support productive, inclusive and resilient entrepreneurship among MSMEs in emerging economies? The question links business strategy to development policy. An enterprise may increase turnover without improving its operating surplus; an export cluster may expand without raising workers' real earnings; and digital participation may increase customer access while reducing commercial autonomy. Each outcome requires a different explanation and a different policy response.

The paper advances three objectives. It first clarifies the channels connecting globalisation with enterprise development. It then constructs a framework explaining the roles of capabilities, institutions and commercial governance. Finally, it derives propositions and policy recommendations that can guide empirical research and programme design. The contribution is integrative: it connects bodies of scholarship that illuminate different stages between receiving a market opportunity and achieving a durable developmental gain.

2 Scope and review approach

This is a conceptual review based on purposively selected academic and institutional sources. It does not report fieldwork, estimate causal effects or conduct a statistical meta-analysis. The academic selection covers foundational contributions on firm resources, learning, entrepreneurial opportunities, institutions and value chain governance, together with research on digital entrepreneurship and small-firm business practices. Institutional material covers employment, trade, finance, enterprise networks and environmental aspects of digitalisation.

Sources were located through targeted web searches using combinations of MSME or SME, entrepreneurship, global value chains, business practices, finance and digitalisation. Publication details and substantive claims were checked against publisher pages, author or university records, and official institutional publications. Selection emphasised direct relevance to the mechanisms examined and identifiable authorship. The reference set draws principally on works published between 1990 and 2024, supplemented by an undated World Bank overview. This is a selective synthesis, rather than an exhaustive account of scholarship available in 2026. Where full texts were unavailable, interpretation was confined to accessible abstracts or official summaries.

The analysis groups the selected contributions around market entry, organisational learning, resource constraints, governance and developmental outcomes. This thematic organisation supports conceptual inference but cannot establish the frequency or magnitude of particular effects. The review does not claim a preregistered search protocol, comprehensive database coverage or formal quality scoring. Its propositions identify relationships for subsequent testing.

MSMEs are treated as heterogeneous enterprises that fall within national definitions based on employment, turnover, investment or combinations of these criteria. No common numerical threshold is imposed across countries. Emerging economies are discussed as a broad analytical context characterised by economic transformation and uneven enterprise conditions, rather than as a single, homogeneous country group. Informal businesses, established small manufacturers and internationally oriented medium enterprises should therefore be distinguished in applying the argument.

3 Conceptual foundations and literature review

Entrepreneurship and enterprise development

Shane and Venkataraman (2000) place the relationship between opportunities and the individuals who discover, evaluate and exploit them at the centre of entrepreneurship research. This perspective helps separate entrepreneurship from the administrative act of business registration. For the present analysis, entrepreneurship development includes improvements in opportunity assessment, resource mobilisation and the organisation of commercially viable activity. It may occur within an existing firm as well as through the establishment of a new venture.

Development is defined here more broadly than numerical enterprise growth. It includes productive capability, the ability to withstand disruption and the capacity to generate satisfactory livelihoods. These dimensions can move in different directions. A household enterprise may choose stable local income over expansion, while a specialist supplier may pursue rapid growth through international contracts. Both require analysis on terms appropriate to their objectives, resources and exposure to risk.

Firm resources and organisational adaptation

Barney (1991) explains sustained competitive advantage through the characteristics of firm resources, including their value, rarity and difficulty of imitation or substitution. Applied to MSMEs, this perspective directs attention to specialised knowledge, trusted relationships and organisational routines, rather than enterprise size alone. It also raises a distributional question: an enterprise can possess a valuable capability yet receive a limited return if its customers control market access.

Teece, Pisano and Shuen (1997) extend the analysis towards the processes through which firms integrate and reconfigure competencies in changing environments. Their framework provides a basis for examining adaptation when customer requirements, technologies or supply arrangements change. In this paper, dynamic capability means the capacity to revise how resources are organised; it is distinct from the routine ability to produce an existing product reliably. This distinction matters because international engagement may require both consistent execution and changes to established methods.

Learning and business practices

Cohen and Levinthal (1990) identify absorptive capacity as the ability to recognise the value of external information, assimilate it and apply it commercially. Access to international knowledge is therefore insufficient if an enterprise lacks the prior knowledge and internal processes required to use it. For a small supplier, learning may depend on technical staff, production records and the opportunity to discuss defects with customers.

McKenzie and Woodruff (2017) provide empirical evidence linking business practices to small-firm performance in developing countries. Their analysis associates stronger practices with outcomes including sales, profits and productivity; panel evidence also links better practices with subsequent survival and sales growth. These relationships support attention to managerial capability, but they should not be converted into a universal causal estimate of the benefits of training. The policy implication developed here is to assess whether assistance changes actual business routines, rather than recording attendance alone.

Institutions and commercial governance

North (1990) explains how institutions structure incentives and shape economic performance. This approach brings contract reliability, administrative predictability and informal norms into the analysis of enterprise decisions. A firm's willingness to invest depends partly on whether it can reasonably expect to receive payment and retain the returns from investment. Institutional quality therefore influences which opportunities appear commercially credible.

Gereffi, Humphrey and Sturgeon (2005) explain global value chain governance through transaction complexity, the codifiability of information and supplier capabilities. Their distinction among market, modular, relational, captive and hierarchical arrangements helps explain differences in coordination and power. For the present framework, participation in an international chain and autonomy within that chain are separate variables. The opportunity to supply a buyer does not, by itself, establish that the supplier can negotiate favourable conditions or move into more valuable activities.

Trade networks and digital entrepreneurship

The World Trade Organization (2016) identifies disproportionate trade barriers facing SMEs and considers how more coherent policy can improve participation. The World Bank (2020) similarly presents global value chains as a potential route to development, conditional on complementary reforms and predictable international cooperation. These accounts support a

conditional understanding of internationalisation: the availability of trade opportunities must be considered together with firms' ability to use them.

OECD (2023) emphasises the networks through which SMEs obtain knowledge, skills and access to production relationships. Its evidence is useful for identifying mechanisms, although conclusions drawn from OECD settings require scrutiny before transfer to lower-capacity institutional contexts. Nambisan (2017) adds that digital technologies alter entrepreneurial processes and the location of entrepreneurial agency. Together, these perspectives suggest that enterprise outcomes depend partly on resources and decisions outside the legal boundaries of the individual firm.

The analytical problem addressed

The reviewed approaches explain different elements of enterprise development. Resource and learning theories concentrate on what firms can do; institutional analysis examines the conditions surrounding their decisions; and value chain governance clarifies the relationships through which activity is coordinated. The analytical problem addressed here is how these elements jointly determine whether market participation produces benefits that enterprises and workers can retain. This is a focused conceptual contribution, not a claim that earlier scholarship has ignored their interaction.

4 Globalisation and the development of MSMEs

Market access and the economics of participation

An MSME can engage internationally through direct exports, subcontracting, services supplied remotely, imported inputs or domestic sales to internationally connected firms. These routes involve different demands. A direct exporter may need to manage documentation and overseas customer acquisition, whereas a subcontractor may rely on an intermediary for those functions. Evaluation should therefore identify the route of engagement before interpreting its effects.

The WTO's account of SME trade barriers provides the basis for examining fixed entry costs such as obtaining market information and meeting standards (WTO, 2016). The present paper reasons that commercial readiness should be assessed at the level of the proposed transaction. A larger order can become unviable when certification expenditure, rejected shipments, delivery charges and payment delays are included. Revenue growth is consequently an inadequate stand-alone indicator of successful internationalisation.

Consider an illustrative small food processor receiving its first overseas enquiry. The enquiry establishes potential demand, but profitability also depends on packaging, testing, spoilage allowances and the time between production and payment. It demonstrates why export assistance should connect customer access with costing and production planning.

Learning and productive upgrading

The World Bank (2020) argues that value chain participation can support productivity and development when appropriate conditions are present. Building on this conditional account, the paper distinguishes exposure to new requirements from the internal learning needed to meet them. A demanding customer may provide useful feedback, but the supplier must diagnose problems, allocate staff time and finance corrective changes.

The proposed mechanism is cumulative. Firms that record failures can identify recurring causes; firms that train workers can implement corrections; and firms that retain knowledge can apply those improvements to subsequent orders. Where these steps are absent, repeated international transactions may increase workload without deepening capability. Future research should therefore measure changes in routines and technical competence alongside export participation.

Digital participation and commercial dependence

Digital entrepreneurship research challenges the assumption that entrepreneurial activity occurs entirely within a clearly bounded organisation (Nambisan, 2017). Applying this insight to MSMEs, the paper argues that a platform-mediated business should be analysed together with the rules of the platform on which it depends. The proposed analytical questions concern who controls visibility, access to customers and commercially useful transaction data.

Digital participation should consequently be distinguished from effective digital capability. Opening an online account is an observable act, but it does not demonstrate accurate inventory management, profitable customer acquisition or reliable fulfilment. A useful evaluation would examine net contribution per order, repeat purchases, failed deliveries and the proportion of revenue dependent on one channel. These are proposed assessment measures, rather than findings from the reviewed studies.

Environmental effects also require attention. UNCTAD (2024) examines the material and environmental consequences of digitalisation, including resource use and electronic waste. Digital business activity should therefore not automatically be classified as environmentally

benign. For MSMEs, the relevant assessment would consider equipment replacement, packaging and delivery arrangements as well as any reductions in travel or material use.

Finance and the timing of growth

The IFC's 2017 assessment estimated a US$5.2 trillion financing gap for formal MSMEs in developing economies (IFC, 2017). This is a historical estimate with a specified population, not a current figure for all formal and informal enterprises. Its relevance here is to establish the scale of financing constraints documented in that assessment, rather than to estimate conditions in any particular country today.

The conceptual implication is that financing needs should be matched to the timing and purpose of investment. Machinery, market testing and working capital involve different repayment horizons. International orders may require expenditure before revenues arrive, while process improvements may generate returns gradually. A programme that increases loan availability without examining cash flow could expand financial exposure without resolving the underlying business constraint. Conversely, viable enterprises may be unable to accept profitable orders when funds cannot be obtained at the required stage.

Distribution and employment quality

The ILO's treatment of small economic units highlights the importance of informal employment, gender disparities and job quality (ILO, 2019). This establishes a reason to examine who receives the benefits of enterprise growth. The present framework therefore separates owner income, retained business surplus and worker outcomes. Their relationship is an empirical question rather than an assumed consequence of higher sales.

For policy evaluation, inclusion should mean more than counting participants from under-represented groups. Relevant questions concern control over business decisions, access to remunerative customers and changes in income security. A programme may increase the number of women selling products while leaving purchasing decisions and profits under someone else's control. Evaluation should be designed to detect such differences without presuming that they occur in every setting.

5 An integrated conceptual framework

The framework proposed in this paper distinguishes three stages: access to commercially relevant opportunities, conversion of those opportunities into productive capability, and retention of the resulting benefits. Global engagement supplies potential customers,

information and competitive pressures. Enterprise routines determine how the firm responds. Financial conditions, institutions and the governance of commercial relationships influence which responses are feasible and how benefits are distributed.

The stages are analytically distinct but may interact over time. Retained profits can finance learning, and improved capabilities can strengthen bargaining positions. Conversely, dependence on a single buyer may limit funds available for adaptation. These feedback relationships imply that a one-time survey cannot fully explain the process. The framework is intended as a guide to research design and policy diagnosis, not as an empirically established causal model.

Proposition one on learning

P1. International engagement is more likely to support subsequent enterprise upgrading when firms develop routines that translate external information into operational changes.

This proposition applies the learning mechanism discussed by Cohen and Levinthal (1990) to the paper's specific setting. It predicts a mediating role for organisational learning between engagement and upgrading. Researchers should distinguish pre-existing capability from learning acquired after engagement, because more capable firms may already be more likely to enter international markets.

Proposition two on finance and institutions

P2. The relationship between learning-based capability improvements and enterprise growth is stronger when firms can obtain appropriate finance and rely on predictable commercial institutions.

This is a proposed complementarity, rather than an estimate derived from existing data. A technically feasible improvement may not be implemented without funds; investment may also be deferred if payment is uncertain. Testing should examine whether finance and institutional conditions modify the relationship between capability development and outcomes, while allowing for sector and firm-size differences.

Proposition three on digital dependence

P3. Digital market participation is more likely to improve retained enterprise income when firms possess operational digital skills and maintain access to more than one viable sales channel.

The proposition separates the number of online transactions from the financial benefits retained by the enterprise. It would be weakened if concentration consistently produced higher net returns without increasing vulnerability, or if the cost of maintaining multiple channels exceeded their benefits. Channel diversity should therefore be assessed economically, rather than assumed to be desirable at any cost.

Proposition four on collective services

P4. Shared access to commercially relevant testing, logistics and technical services reduces the disadvantage associated with small scale, provided that service quality and access arrangements are reliable.

The proposed mechanism is the distribution of indivisible costs across multiple users. A shared facility can also fail through low utilisation, inconvenient location or weak maintenance. Empirical assessment should compare actual use and changes in delivered costs, rather than treating the establishment of a facility as evidence of enterprise improvement.

Proposition five on developmental outcomes

P5. Enterprise sales growth is more likely to produce inclusive developmental outcomes when commercial arrangements permit investment in productive capacity and employment conditions.

This proposition directs attention to retained margins, worker remuneration and decision-making authority. It allows for the possibility that sales growth and inclusion diverge. Testing would require information from workers as well as owners and should distinguish paid employment from unpaid household labour. No proposition in this section has been tested within the present paper.

6 Policy and managerial implications

The following recommendations are deductions from the conceptual synthesis. Their effectiveness will depend on local diagnosis and evaluation; they are not presented as uniformly successful interventions.

Match assistance to enterprise conditions

Public support should distinguish livelihood-oriented micro enterprises, firms consolidating domestic markets and enterprises preparing for international expansion. A livelihood business may benefit most from reliable local trading conditions and basic bookkeeping. An export-oriented manufacturer may require technical certification or supplier qualification. Using one

programme for both can impose costs without addressing either enterprise's principal constraint.

Eligibility and progression should be based on the problem being addressed. Where assistance involves substantial public expenditure, programme managers should document the expected change in enterprise behaviour and the reason commercial providers cannot adequately supply the service. This would make it easier to identify when support should be revised, withdrawn or extended.

Connect finance with operational diagnosis

Financial assistance should begin with analysis of the enterprise's cash cycle and the intended use of funds. Advisory support can help separate weak margins, delayed payment and investment needs, which require different responses. Any public risk-sharing arrangement should specify which financing constraint it addresses and how additional economic activity will be assessed.

Evaluation should consider repayment performance alongside enterprise survival, productive investment and retained income. A larger lending portfolio is not sufficient evidence of better development outcomes. Equally, a programme serving financially excluded enterprises should not be judged only by criteria that favour already established borrowers. The evaluation design must reflect the programme s stated purpose.

Build learning into commercial relationships

Enterprise support organizations should link training to identifiable operational problems. For example, a technical mentor could help a firm reduce rejection rates and then assess whether improvements persist after the assistance ends. Management education institutions can contribute supervised diagnostic projects, provided businesses receive useful outputs and commercially sensitive information is protected.

Lead firms and purchasing organizations should be encouraged to provide clear specifications, timely feedback and realistic implementation periods. Where suppliers are expected to make dedicated investments, both parties should clarify responsibility for changes and cancellation. These recommendations follow from the paper's attention to the conditions under which learning can be financed and sustained.

Provide shared services with accountable management

Common testing facilities, technical extension and consolidated logistics are potential responses to scale disadvantages. Their design should begin with verified demand, expected utilization and maintenance arrangements. A facility that is affordable to access but unable to provide dependable results may add delay rather than reduce costs.

Universities, industry associations and specialist providers can contribute expertise, but participation should be tied to service standards. Programme evaluation should report waiting times, repeat use, delivered costs and improvements in the problems the service was intended to address. Such measures would allow public authorities to distinguish a useful common resource from an underused asset.

Integrate inclusion and environmental performance

Support for under-represented entrepreneurs should examine practical barriers such as time availability, access to information and control over financial resources. Programme design should be informed by the intended participants rather than relying only on intermediaries. Outcomes should include retained earnings and effective business control, with results dis aggregated where appropriate and collected with informed consent.

Environmental support should similarly focus on measurable operational changes. Enterprises could receive help assessing energy use, avoidable waste and the commercial case for cleaner processes. Targets should account for differences among sectors and enterprise capacities. Expensive reporting obligations without technical assistance may divert resources from the improvements they are intended to encourage.

7 Relevance to India and Telangana

The framework offers a way to formulate research and programme questions for India and Telangana without assuming uniform conditions across enterprises. This section proposes an application; it does not present state-level findings. A district or cluster study could begin by distinguishing enterprise size, formality, ownership, sector and type of market engagement. It should also establish whether the main constraint concerns demand, production, finance or the reliability of commercial relationships.

For example, a proposed study could compare locally oriented micro enterprises with small suppliers serving larger national or international buyers. Owners could be interviewed about payment cycles, customer concentration and changes in business routines. Worker

interviews and selected records could provide additional evidence on earnings, working conditions and operational performance. Any sampling frame would need to account for enterprises absent from formal registration lists.

Management departments and local enterprise organizations could pilot diagnostic assistance in a defined cluster, with clear entry criteria and baseline measures. The objective would be to establish whether assistance changes specific practices and outcomes. No claim about the effectiveness of a Telangana programme is made here; the application requires original data and an appropriate comparison design.

8 Limitations and future research

The paper's principal limitation is its selective evidence base. It integrates influential theories and institutional analyses but does not establish the overall balance of findings across all relevant studies. Accessible summaries sometimes restrict the detail available for assessing research methods. Publication and selection bias may favour formal, visible or internationally connected enterprises over informal businesses that remain outside major datasets.

The breadth of the emerging-economy category also limits direct generalization. Institutional conditions, sector characteristics and household arrangements differ substantially. A framework that explains export manufacturing may require adaptation for local services or home-based production. Empirical work should identify these boundaries before combining enterprise groups.

Longitudinal research could distinguish selection into international engagement from changes occurring afterwards. A panel should measure initial capabilities, commercial relationships and subsequent outcomes, while tracking closures to reduce survivor ship bias. Where feasible, phased programme introduction or credible comparison groups could strengthen causal assessment. A single cross-sectional structural equation model could examine associations, but would not establish the causal ordering proposed here.

Future studies should combine financial and non-financial measures. Sales per worker, retained operating surplus, customer concentration, payment delays and survival would illuminate enterprise outcomes. Real earnings, job stability and access to protection would address worker outcomes. Qualitative interviews could explain why similar enterprises respond differently to comparable opportunities. These measures should be adapted to accounting capacity and sector characteristics rather than imposed mechanically.

9 Conclusion

Globalisation creates potential routes through which MSMEs can access customers, knowledge and productive relationships. Whether those routes support entrepreneurship development depends on the ability to convert opportunities into capability and to retain a sufficient share of the resulting benefits. The paper's framework explains this process through the interaction of organisational learning, financial conditions, institutions and commercial governance.

The practical implication is that enterprise development policy should assess more than entry, registration or export participation. It should examine whether businesses improve their operations, sustain viable margins and contribute to better livelihoods. The five propositions provide a basis for testing these relationships, including situations in which market participation expands without corresponding developmental gains. Further empirical research is required to establish their magnitude, causal ordering and relevance across different emerging-economy settings.

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