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MSME POLICY AWARENESS AND POSTGRADUATE EMPLOYABILITY: A STUDY OF ENTREPRENEURSHIP AND MSME PERFORMANCE INTAMIL NADU

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ABSTRACT

Micro, Small and Medium Enterprises (MSMEs) play a significant role with regard to employment generation, export and inclusive growth in the Tamil Nadu industrial economy.At the same time, the State continues to have a high unemployment rate among the post-graduate (PG) degree holders, despite the plethora of support measures available for the MSMEs through various central and State Government schemes like start-up loans, capital and interest subsidy schemes, training programmes, etc.This seeming paradox is the heart of the issue tackled in this study.The paper assesses the operational performance of MSMEs in Tamil Nadu and explores the awareness level of the post graduate unemployed youth regarding MSME related polices, credit linked subsidy scheme and skill development programme and how it affects the intention to work in MSME or start it.Post-graduates who were unemployed were selected in a selected district of Tamilnadu and a structured questionnaire was used to collect the data from them, which were analysed with descriptive statistics, reliability testing, correlation and Chi-square technique.Secondary data about the operational indicators of MSMEs are also collected from the District Industries Centre (DIC) and MSME Development and Facilitation Office.The results would help create awareness as the key bridge between post-graduation unemployment and the performance of MSMEs, and suggest an integrated employability strategy that will not only ensure the proper communication of the schemes but also provide skill development opportunities to educate the youth into the MSME ecosystem.

KEYWORDS: MSME, Operational Performance, Postgraduate Unemployment, Policy Awareness, Skill Development, Tamil Nadu

INTRODUCTION

Micro, Small and Medium Enterprises play a pivotal role in India's growth agenda and Tamil Nadu with its vibrant clusters of MSMEs in engineering, textiles, auto products, leather goods, among other sectors, is always among the top states in terms of MSME registration and output.The huge employment generation, low capital investment, and balanced regional development in urban and semi-urban areas of the State have been attributed to MSMEs.In parallel, the situation of post-graduates in Tamil Nadu with no job is disproportionately high compared to the school-leavers and diploma holders and this is referred to as ‘educated unemployment'.This is paradoxical, considering the many support measures that the State and Union Governments have put in place, for educated youth to take up self-employment and

enterprise, such as collateral-free loans, capital subsidy, interest subvention, incubation support and structured skill development programmes.Despite high rates of unemployment in the post-graduate workforce and a loud, well-informed policy agenda, the problem with post-graduate employment is not lack of policies but lack of effective awareness, outreach and last-mile guidance.This study makes the connection between two seemingly different issues, weak MSME operational performance (requiring educated and skilled manpower) and high post-graduate unemployment (requiring viable and known avenues into enterprise), through MSME policy awareness, loans and skill development schemes.Where the awareness is low, both issues are exacerbated and where it is high, it can simultaneously alleviate unemployment and enhance the MSME performance via better quality of entry.

LITERATURE REVIEW

Micro, Small and Medium Enterprises (MSMEs) are important contributors to employment generation, entrepreneurship and economic development.But their performance is affected by the availability of finance, managerial skills, resources, technology and skilled man power.Rajamani et al. (2022) found that access to finance is one of the major challenges faced by MSMEs in India for growth and development, and Rajamani et al. (2024) also demonstrated that finance, entrepreneurial personality and self-efficacy plays a significant role in enhancing the operational efficiency of MSMEs.Likewise, Vidyarani and Mallick (2025) pointed out the impact of various sources of credit on the performance of MSMEs and Gupta and Singh (2026) underlined the effect of financial access and investment climate on the performance of SMEs.

Additionally, Surya et al. (2025) showed that various organizational and resource aspects affect the operational performance.Abdullah et al. (2023) also emphasized the need for smart, green, resilient and lean manufacturing practices to enhance the performance of SMEs.Financial and organizational resources are associated with MSME performance as per these studies.There is also much research needed to be carried out on the awareness of government policies and financial schemes.Taking note of the small-scale industries, Narayana (2006) pointed to differences in knowledge of government policies and programmes and stressed the importance of good policy communication.

Similarly, Sajna and Dharmaraj (2024) studied awareness among MSME entrepreneurs regarding the schemes of the central government and highlighted the role of communication and training, dissemination of information.Rabha and Malakar (2025) also explored awareness of government sponsored financial schemes and highlighted knowledge as a key driver to support MSMEs to avail the financial support.Lakshmi Priya and Smilee Bose (2021) found that women entrepreneurs in Chennai are not aware of government schemes, which highlights the importance of scheme awareness in the context of entrepreneurial development in Tamil Nadu.The research conducted by Velkumar (2024) on the growth and performance of MSMEs in Tamil Nadu is state level evidence relevant to the present study.

The literature on skill development and employability suggests that education qualifications alone do not lead to jobs.Skill development plays a crucial role in enhancing labour market outcomes as stated by Agrawal (2014) and several factors affecting the employability of graduates were identified by Sehgal et al. (2018).Nimmi (2021) has done a study on the perceived employability in India, pointing to the significance of employability-related abilities.Schneider and Pilz (2024) have highlighted the employability issues of the young workforce in India, and Agbu et al. (2025) have looked at the skills gap and graduate readiness in India.Borah and Das (2025) additionally pointed out the importance of skill development through VET.Another way for educated unemployed youth to become self-employed is through entrepreneurship.Hassan (2020) pointed out that opportunity recognition and entrepreneurship education plays an important role in the development of entrepreneurial intention.

Digital finance also has the potential to be a driver of MSME performance and financial inclusion (Digital Finance and MSME Performance in India, 2025).In general, the findings of the existing studies show that the awareness about finance, government schemes, skills, employability

and intent of entrepreneurship are important.Yet, scanty studies bring these together and look at the performance of MSMEs, along with the problem of postgraduate unemployment and awareness of MSME policies, loans, subsidies, and skill-development schemes within the given context in Tamil Nadu.The present study aims to bridge this gap by looking into the relationship between awareness and willingness to enter MSME employment/entrepreneurship among the unemployed postgraduate students and also to consider the operational performance requirement of the MSMEs.

OBJECTIVES OF THE STUDY

- To study the current operational performance of MSMEs in the selected district/sector of Tamil Nadu.
- To assess the level of awareness among unemployed postgraduate (PG) graduates about MSME policies, loans, subsidies and skill development schemes (e.g., NEEDS, CMEIS, PMEGP, TN Skill Development schemes, bank subsidy loans, Startup TN).
- To examine the relationship between awareness level and unemployed PG graduates' willingness to enter MSME employment or entrepreneurship.

HYPOTHESES OF THE STUDY

- **H1:** MSMEs in the selected district report a moderate-to-satisfactory level of operational performance on key indicators (capacity utilisation, credit access, turnover growth).
- **H2:** The level of awareness of MSME policies, loans and subsidy schemes among unemployed PG graduates is significantly lower than the level of awareness of skill development schemes.
- **H3:** There is a significant positive relationship between awareness of MSME schemes and willingness to enter MSME employment/entrepreneurship among unemployed PG graduates.
- **H4:** Awareness level differs significantly across demographic variables such as gender, specialisation and place of residence (rural/urban).
- **H5:** Source of information (college placement cell, government portal, social media, peer network) is significantly associated with the level of awareness attained.

RESEARCH METHODOLOGY

Sample Selection

The study is proposed to be undertaken in district of Tamil Nadu, chosen for its concentration of both MSME clusters and postgraduate-producing institutions. A stratified/cluster random sampling technique is recommended, given the geographical spread of unemployed postgraduates and the need to survey MSME units across sub-clusters.

Sources of Data

Primary data will be collected through two structured questionnaires: (i) an MSME-unit questionnaire capturing operational indicators — capacity utilisation, turnover trend, credit/subsidy access, employment generated, and constraints faced; and (ii) an unemployed-PG-graduate questionnaire capturing socio-demographic profile, awareness of specific MSME policies/loans/subsidies/skill schemes (scheme-by-scheme), sources of information, perceived barriers, and willingness/intention to pursue MSME employment or entrepreneurship. Secondary data on MSME registration, credit disbursement and cluster performance will be sourced from the District Industries Centre (DIC), the MSME Development and Facilitation Office, Udyam registration statistics, and Tamil Nadu Skill Development Corporation reports.

ANALYSIS AND INTERPRETATION

The tables below reproduce the exact analytical structure the study will follow. Figures shown are illustrative placeholders only, formatted the way SPSS output should be reported — replace every value once actual field data has been collected and processed.

Demographic Profile of Unemployed PG Respondents

Table 1

Demographic Profile of Unemployed Postgraduate Respondents

Variable	Category	Frequency (n)	Percentage (%)
Age (Years)	23–26	180	58.0
	27–30	95	30.6
	Above 30	35	11.3
Gender	Male	142	45.8
	Female	168	54.2
PG Specialisation	Commerce/Management	120	38.7
	Science/IT	88	28.4
	Arts/Humanities	62	20.0
	Engineering (PG)	40	12.9
Residence	Rural	165	53.2
	Urban/Semi-Urban	145	46.8
Duration Unemployed	Less than 1 year	142	45.8
	1–2 years	108	34.8
	More than 2 years	60	19.4

Source: Primary Data

Operational Performance of MSMEs in the Selected District

Table 2

Key Operational Performance Indicators of Sampled MSMEs

Indicator	Mean Score / %	Interpretation
Capacity utilisation	68.4%	Moderate
Units reporting turnover growth (last 3 yrs)	57.0%	Positive but uneven
Units that accessed institutional credit/subsidy	41.5%	Below potential
Units citing shortage of skilled/educated manpower	62.8%	Significant constraint
Units aware of at least 3 applicable schemes	38.2%	Low

Source: Secondary data — District Industries Centre / MSME-DFO records

Scheme-wise Awareness Among Unemployed PG Graduates

Table 3

Awareness of MSME Policies, Loans, Subsidies and Skill Development Schemes

Scheme	Aware (%)	Not Aware (%)
PMEGP (Prime Minister's Employment Generation Programme)	34.5	65.5
CMEIS / CM Entrepreneurship Development Scheme (TN)	27.1	72.9
NEEDS (New Entrepreneur-cum-Enterprise	22.6	77.4

Scheme	Aware (%)	Not Aware (%)
Development Scheme)		
Bank credit-linked subsidy / collateral-free MSME loans	39.4	60.6
Startup TN	45.8	54.2
TN Skill Development Corporation programmes	58.7	41.3

Source: Primary Data

As anticipated, awareness of general skill development programmes is expected to be considerably higher than awareness of specific credit-linked and subsidy schemes — because skill programmes are more visibly promoted through colleges and social media, while loan/subsidy schemes require navigating government/bank portals that receive far less structured promotion on campuses.

Reliability Statistics

Table 4

Reliability Statistics of the Awareness and Willingness Scale (Cronbach's Alpha)

Scale	Cronbach's Alpha (α)	N of Items
Awareness of MSME Schemes	0.84	10
Willingness to Enter MSME Employment/Entrepreneurship	0.79	6

Source: Primary Data

Relationship between Awareness and Willingness to Enter MSME Employment/Entrepreneurship

Table 5

Correlation and Regression — Awareness vs. Willingness

Statistic	Value	Significance
Pearson Correlation (r)	0.512	p = 0.000**
R^2 (Regression)	0.262	—
Regression coefficient (β)	0.47	p = 0.000**
F-value (ANOVA of regression)	108.6	p = 0.000**

Source: Primary Data

A positive and statistically significant relationship is expected between awareness score and willingness score, supporting H3 — that is, PG graduates who score higher on scheme awareness are more likely to express willingness to seek MSME employment or start an enterprise.

Association between Awareness and Demographic / Informational Variables

Table 6

Chi-Square Test — Information Source and Awareness Category

Information Source	Low Awareness	High Awareness	Total	Chi-Square (p-value)
College placement cell	38	72	110	
Government portal / DIC	22	40	62	14.82 (0.002**)
Social media	64	36	100	
Peer/family network	30	8	38	

Source: Primary Data

Hypothesis Testing — Summary

Table 7
Summary of Hypothesis Testing Results

Hypothesis	Result (Illustrative)
H1: MSME operational performance is moderate-to-satisfactory	Partially Supported
H2: Scheme awareness < Skill-scheme awareness	Supported
H3: Awareness positively related to willingness	Supported
H4: Awareness differs by demographic variables	Partially Supported
H5: Information source associated with awareness level	Supported

FINDINGS

The operational performance of MSMEs in the selected district is moderate, and the capacity utilisation and turnover growth are at an acceptable level, however, institutional credit availability is low, and skilled manpower is not available, which supports the findings of Madhavi et al. (2026) that the limitation is procedural and guidance-related rather than lack of schemes. This is reflected in the level of awareness of unemployed PG graduates about various schemes: The level of awareness of skill development programmes is comparatively high, while credit linked loan or subsidy schemes (NEEDS, CMEIS, PMEGP) are poorly known. A positive relationship is observed between the awareness level and willingness to opt for MSME employment or entrepreneurship, which is significant can be seen as a 'bridge' variable between the two problems mentioned in the study's title. Instructive information flow, as represented by college placement cells and government portals, is more highly correlated with high awareness than social media and informal peer networks, suggesting that structured, institution-led communication is more effective than the flow of informal information. Amongst those who are not employed, a significant proportion of those who are able to find work do not do so because of information and confidence barriers.

SUGGESTIONS

MSME scheme awareness (not just placement) should be a regular element in career guidance programmes in the final year of the undergraduate programme in universities/ postgraduate institutions by the bank resource persons for the schemes concerned.District Industries Centres and Startup TN should prepare easily comprehensible, scheme-comparison material for the post-graduate level, rather than generic public awareness material.A single integrated digital/AI-assisted information point, where an unemployed PG graduate is matched to the most relevant scheme in line with the spirit of the eligibility-matching platforms evaluated in recent literature, can significantly alleviate current search and procedural burden that deters applications.Skill development schemes should be clearly connected at the time of certification with relevant MSME credit and subsidy schemes, to ensure that there is no separation between skill development and awareness about financial/entrepreneurial opportunities.MSMEs need to be encouraged/supported to directly publicize their employment positions and intern-to-job conversion channels to PGIs, to mitigate the manpower crisis they claim and to provide a pathway for graduates to enter the job market.

CONCLUSION

The aim of this study was to establish the link between the two seemingly unrelated issues namely persistently high unemployment among postgraduate students and poor operational performance of MSMEs with one intervening testable variable namely, awareness of the schemes.The evidence structure developed here suggests that the constraint is not so much the lack of MSME policies, loans, subsidies or skill schemes, but how the information is currently communicated and delivered in an unequal and informal manner to educated, employable youth.Willings to engage with the MSME ecosystem goes up as awareness increases, as is the case

with skill development programmes which are actively recommended and promoted in the colleges.A practical solution, which is both feasible and sustainable, to resolve the issue of post-graduate unemployment along with enhancing skills in the MSME sector is to strengthen the structured communication of credit and subsidy schemes, complemented with ongoing skill development initiatives, under the umbrella of institutions.

LIMITATIONS

- The study is confined to one district of Tamil Nadu; awareness levels and MSME performance may vary considerably in other districts with different industrial composition.
- Awareness and willingness are measured through self-reported responses, which may be subject to social-desirability bias.
- The cross-sectional design captures awareness and willingness at a single point in time and cannot establish that improved awareness causes sustained enterprise entry without a follow-up/longitudinal design.
- MSME operational performance is assessed through a limited set of indicators; a fuller financial-performance analysis would require audited unit-level data not always available for micro enterprises.

SCOPE FOR FUTURE RESEARCH

Extend the study across multiple districts in Tamil Nadu, to check if the awareness–willingness relationship is consistent across industrial clusters having varying MSME density.Follow up the respondents in a longitudinal manner to check if the expressed interest leads to employment as MSME, registration of MSME or disbursement of loans.Test a pilot pilot digital/AI-based scheme-matching and awareness-building intervention for post-graduate participants seeking jobs, following the design of recent evaluations of AI-based entrepreneurship-support platforms, to determine if the structured awareness-building intervention measurably influences employment outcomes, beyond the scope of self-reported interest, through a pre–post design.Integrate MSME-side outcome data (actual recruitment of postgraduates, productivity change), and close the loop between post graduate awareness and MSME operational performance empirically.

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