

An Analysis of Promotion and Performance of MSMEs : A Study of Jammu and Srinagar Districts

THESIS

**SUBMITTED TO
BABASAHEB BHIMRAO AMBEDKAR UNIVERSITY
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LUCKNOW**

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Prof. NMP VERMA

Submitted by

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*Dedicated
To My
Parents*

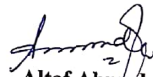
DECLARATION

I hereby, declare that this thesis entitled "An Analysis of Promotion and Performance of MSMEs : A Study of Jammu and Srinagar Districts" submitted to Babasaheb Bhimrao Ambedkar University in fulfillment for the award of Doctor of Philosophy in Economics is my original work. It has not been submitted in part or full for any other diploma or degree of any other University. The indebtedness of the candidate to others has been duly acknowledged at relevant places.

This study is carried out under the supervision of Prof. NMP Verma, Department of Economics, Babasaheb Bhimrao Ambedkar University Lucknow, Uttar Pradesh, India. This is also declared that the thesis is essentially free from all kinds of plagiarism.

Place: Lucknow

Date: 18-03-2020


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18/03/2020

CERTIFICATE

This is to certify that the Thesis entitled "An Analysis of Promotion and Performance of MSMEs : A Study of Jammu and Srinagar Districts" submitted by Mr. Altaf Ahmed is and original research work and has not been previously submitted in part or full for the award of any other degree or diploma to this or any other university.

The Thesis submitted to Babasaheb Bhimrao Ambedkar University, Lucknow satisfies all the requirements as stipulated in the *Doctor of Philosophy Ph.D. Regulations- 1999* as amended in 2013 and it is fit from submission and evaluation for the award of the degree of Doctor of Philosophy of the University.

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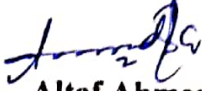
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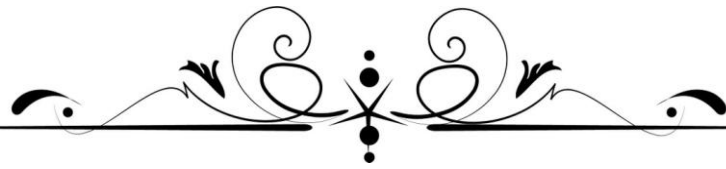
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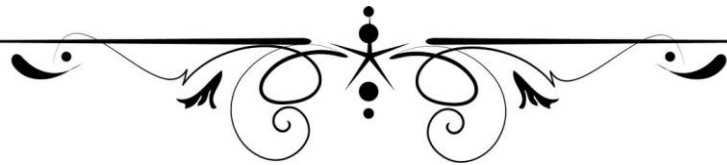
LIST OF ABBREVIATIONS

MSME	Micro, Small and Medium Enterprises
MSME-DI	Micro, Small and Medium Enterprises – Development Institute
MSME-DA	Micro, Small and Medium Enterprises – Development Act
GDP	Gross Domestic Product
GNP	Gross National Product
RBI	Reserve Bank of India
CII	Confederation of Indian Industry
ASSOCHAM	Associated Chambers of Commerce and Industry of India
SSI	Small Scale Industry
DIC	District Industry Centre
JKEDI	Jammu and Kashmir Entrepreneurship Development Institute
ICSB	International Council of Small Business
KVI	Khadi and Village Industries
KVIC	Khadi and Village Industries Commission
GST	Goods and Services Tax
GSTN	Goods and Services Tax Network
FDI	Foreign Direct Investment
WTO	World Trade Organisation
SIDBI	Small Industries Development Bank
MRTTP	Monopolies and Restrictive Trade Practices
SEFC	Small Enterprises Financial Centre
UAM	Udyog Aadhaar Memorandum
SME	Small and Medium Enterprises
ARI	Agro Rural Industry
NSIC	National Small Industries Corporation
PMEGP	Prime Minister Employment Generation Programme
MGIRI	Mahatma Gandhi Institute for Rural Industrialization
ICT	Information and Communication Tools
EET	Energy Efficient Technologies
CCA	Carbon Credit Aggregation Centre
DC-MSME	Development Commissioner-Micro, Small and Medium

	Enterprises
QSM	Quality Management Standards
QTT	Quality Technology Tools
IPR	Intellectual Property Rights
CGTMSE	Credit Guarantee Fund Trust for micro & small enterprises
MLI	Member Lending Institutions
CLCSS	Credit Linked Capital Subsidy Scheme
RGUMY	Rajiv Gandhi Udyami Mitra Yojana
SFURTI	Scheme of Fund for Regeneration of Traditional Industries
ASPIRE	A Scheme for Promoting Innovation and Rural Entrepreneurship
VAT	Value Added Tax
IPFC	Intellectual Property Facilitation Centre



Chapter 1
Introduction



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1.1 Introduction

In the post-independent era, the government of India realized the importance of the small scale industries and exposed it. Every possible step has been taking to uplift small enterprises by providing financial and non-financial support. From 1947 the government of India officially started the industrial promotions and activities especially with the industrial policy resolution of 1948. On 6th April 1948, in the resolution, the government offers the policy which is pursued in the industrial field. The resolution stress on the importance of economy of securing a continuous increase in production and its equal distribution and also state must play a dynamic role in the development of our industries. On 30th April 1956, the government of India passed another resolution in paragraph 8 of the industrial policy resolution 1948. 128 items have been reserved only for small scale industrial production. The objective of the resolution was to make the small scale industrial sector self-reliant and also reserved 166 items for exclusive purchase by the government from the small scale sector. Again on 23rd December 1977, the industrial policy report for improved the reservation item 504 from 128 and district centres was established for the development of small and cottage industries. In 1980, the central government declared another policy for continued the items for the reservation, strengthened and also to increase financial support for small-scale areas. In the policy 1990 and 1991, the industrial policy has taken steps for the upliftment of the small scale industries.

In 2006 the micro, small and medium enterprises development Act (MSME-DA) taken new initiatives for promoting the development of the small scale industry sector also June 2006 the government passed an Act about the Micro, Small and medium enterprises. The Act was the product of a consultative process involves over 300 industry associations including some government bodies and some multiple stakeholders in the vast subcontinent. "The Act, which came into force w.e.f. 02-10-2006 confers not only certain privileges upon the MSMEs but also casts certain obligations on the persons buying products and services from such enterprises." Thus

in the post-independence era, the government of India has taken all the possible steps to uplift the small scale industries. The government fully stressed that the small is not only beautiful but also essential. Both developed and developing countries are seen to develop a set of policy measures and also provide support for small-scale units. India has framed some unique policies to protect and support the small scale industrial sector. The India government set up several agencies for the development of small scale industries. Among these agencies, the small industries services institute (SISIs), have a unique and wide range of promotional activities in the field. The SISIs, as hinted and then later the name has changed as the Micro, Small and Medium Enterprises – Development Institutes (MSME-DIs) were set up in 1955.

On 9 May 2007, an amendment of the govt. of India Rules, 1961 erstwhile The Ministry of Agro Rural Industries and The Ministry of Small Scale Industries were merged into a single ministry namely "Micro, Small and Medium Enterprises" (MSMEs). The role of the ministry is to assist the state Govt. for promoting growth and development of MSMEs for enhancing their competitiveness in this changing scenario. The ministry frames the policies and facilitates programs, projects, schemes and monitors them for implementation. MSMEs play a crucial role in the industrialization of developing countries.

Micro, Small and Medium Enterprises (MSMEs) plays a key role in the industrialisation, especially in the developing countries. These provide immediate large scale employment and plays an important role in the elimination of poverty and economics backwardness of the underdeveloped countries. The Micro, Small and Medium Enterprises (MSMEs) sector forms an important segment of the Indian economy in terms of its contribution to production, exports, employment and the creation of entrepreneurship. MSMEs not only play a crucial role in providing large employment opportunities at comparatively lower capital cost than large industries but also help in the industrialization of rural & backwards areas, thereby, reducing regional imbalances, assuring more equitable distribution of national income and wealth. MSME build an entrepreneurial ecosystem and also promote to use of indigenous technology. This sector is continuously growing from last few years. MSME has faced many challenges in the path of growth and development, inadequate finance is a key bottleneck in the path of development. MSME sector is supporting start-up initiatives in many fields like manufacturing, infrastructure and IT services

sector. The government is fully supported and providing financial services to the start-up industries to achieve the 'Make in India' missions of the government. Ministry of Micro, Small & Medium Enterprises envision a vibrant MSME sector by providing growth and development of the MSME sector through providing support to existing enterprises and encouraging the creation of new enterprises.

In this changing global economic scenario has put light on various opportunities and challenges faced by MSMEs in India. On one hand, many opportunities have opened up for this sector to enhance productivity and look for new markets at the national and international level, and on the other hand, it faces many obligations to upgrade their competencies in various fields like marketing, finance, business development, operations, technology etc. It attains the self-reliance and reduces the regional imbalances. MSMEs play an important role by assisting the bigger industries and projects to complete the development works timely. These industries also develop entrepreneurs which play an important role in development works in future. By supporting the big and agriculture industries, MSMEs can use full resources to improve the output of these industries and services for the ultimate raising up of the Gross National Product(GNP).

According to RBI expert committee report on MSMEs 2019, MSMEs highly contributes to the growth of Indian economy with the wide network of about 63.38 million enterprises, providing employment to about 111 million people and manufacturing more than 6000 products. The sector contributes 8 percent to the national GDP, which contributes about 6.11 percent of the manufacturing GDP and 24.63 percent of the service's activities (CII-MSME report 2018). It is estimated that the sector is contributing about 45 percent in gross manufacturing output and more than 40 percent in export (RBI report 2019). In recent years the MSME sector has registered a higher growth rate than the overall industrial sector. The importance of MSME is increasing as the country is moving towards faster and inclusive growth agenda.

1.2 MSME- Jammu and Kashmir

Jammu and Kashmir is one of the most beautiful part of the world and it is blessed with natural resources and the healthy climate. Jammu and Kashmir is the

northernmost state of India and it is located in the Himalayan Mountains. It shares borders with Himachal Pradesh and Punjab and the state also has an international border with China and Pakistan. The state has three regions Jammu, Kashmir and Ladakh. In the early period, there was no any valuable industrial base in the state. Few silk and cottage industries were consisting of the industrial sector. However, the handicraft industry places a dominant role in the state.

The economy of Jammu and Kashmir primarily depends on agriculture and allied activities. The valley of Kashmir is famous for its sericulture and cold-water fisheries. The high quality of cricket bats made up of Kashmiri wood is known as Kashmir Willow. Kashmiri saffron is very famous and its demand in the international market is very high which gives a good amount of return to the state. Jammu and Kashmir export its agriculture products which include apples, cherries, barley, corn, millet, oranges, rice, peaches, pears, saffron, sorghum, vegetables and wheat. It also exports its manufactured products like handicrafts, shawls and rugs. In the development of the state, horticulture plays a key role. Whose annual turnover is over Rs. 300 crores, apart from foreign exchange of over Rs. 80 crores Horticulture sector is the next biggest sector of the source of income for the state. In Jammu and Kashmir state Kashmir region is known for its horticulture industry which produces apples, apricots, cherries, pears, plums, almonds and walnuts.

In Jammu division manufacturing and services sector is also growing very rapidly and the Doda district had deposited a high-grade Sapphire. Many new services and consumer goods industries are opened in this region. Several industrial sectors are identified by the Associated Chambers of Commerce and Industry of India (ASSOCHAM) which can attract investment in the state and also it is working with the state and union governments to set up industrial parks and special economic zones.

Natural factors are very beneficial for Village, Handicrafts and Small-Scale Industries. The Handicrafts sector of the state is very strong whose products like Shawls, Carpets, Paper Machine and wood carving products are famous all over the world. In 1970 the process of new industrialization started in J&K, without many industrial difficulties a good infrastructure was set up to attract investors. The industrial sector becomes the key factor to accelerate economic activities in the state.

During the last few years, a special focus has been taken for the development of industrial infrastructure. Presently the state has 51 industrial estates and many others are in the developing stage. The state has established the Industries and Commerce Department for industrial growth and run its activities smoothly. The J&K Industries and Commerce department was established in 1970 with its 4 Directorates, 8 Corporations and 4 Training Institutes. These are Directorate of Industries and Commerce, Directorate of Handlooms Development Department, Directorate of Handicrafts Development Department and Directorate of Geology and Mining. Industries and Commerce Department was bifurcated in 2007, into two directorates, one in Jammu and other in Kashmir.

1.3 Statement of the Problem

Micro, Small and Medium is an integral part of the Indian economy. It provides large number of employment to the weaker and the poorer section of the society. MSMEs not only play a crucial role in providing large employment opportunities at comparatively lower capital cost than large industries but also help in the industrialization of rural & backwards areas, thereby, reducing regional imbalances, assuring more equitable distribution of national income and wealth. The Jammu and Kashmir state is on the path of industrialization and it accelerates the economic activities of the state by providing employment opportunities to the unemployed youth of the state. The industrial scenario of the state is lagging behind as compared to other states of India. However, despite of government support to enhance the growth Micro, Small and Medium Enterprises fallen short of their expectations. MSMEs are facing many challenges that compromise their ability to function and to contribute optimally to the state economy. The prospectus of MSMEs should be properly evaluated to identify the scope of MSMEs in the state economy. The prospectus and challenges of this sector should be equally examined to study the future scope.

1.4 Scope of the Study

Micro Small and Medium Enterprises is one of the apt to up bring the issues of employment. State of Jammu and Kashmir one of the under developing states of India, demands higher employment generations. Therefore, Role of MSMEs is

considered as a suitable model to emphasis to yield the increasing demands of jobs in the State. This study is an attempt to high light the strength of MSME in Jammu and Kashmir. This study is one of the unique studies which have looked in the micro analytical Approach by comparing two districts of the state (Srinagar and Jammu). This is first study which have highlighted all the bottle necks which are prevailing in the development of MSME in the state and also provided a greater insight for policy makers and academicians to understand the existing issues and business options of MSME in J&K. this study will also help to change the mind set of investors to understand the real issues of numerous business which can be work with less efforts by taking help of suitable public and private institutions who are providing financial as well infrastructural support to develop business.

1.5 Literature Review

The study analyzes both National and International literature about Growth and Performance of MSMEs, the problem faced by MSMEs and their prospects, entrepreneurship development and the Start-Up regime. The following area covered under the literature review:

1. Growth and Performance of MSME.
2. Prospectus and Challenges of MSMEs.
3. Start-up a new initiative.

Mudasir Ahmad and A. S. Bhat (2013), analyzed the development of MSMEs in the J&K and found that sustained growth of MSMEs is crucial for the overall performance of the economy. MSME creates more employment at low cost and solve the problem of unemployment in the state. But there is need of promotional policies to remove the sickness of this sector.

Kumar, D. S., K. Prasad, and P. Rao. (2013), closely analyses the growth and development of the Indian MSME sector from the opening of the economy in 1991. The MSME Act, 2006 is intended to boost the sector. The provisions of the Act are examined closely. And also provides some future policy framework for the sustainability of the sector. They found that MSME's contribution to the development of our economy is significant as it evident in terms of MSMEs being the major

constituent sector in the production system, employment generation, GDP etc. If government policies towards MSMEs are closer towards its various problems and the prospect it can be nearer contributors with agriculture in all respect in future.

Khaksar, Sadeq. (2011), evaluates the government policies concerning the MSMEs and the performance of these enterprises concerning these policies and assistance. In particular, the article concentrates on the growth of entrepreneurship within the Micro, Small and Medium-sized Enterprises (MSMEs) in India. It has been observed that in India a large number of micro, small and medium enterprises (1,035,102 out of 1,552,492) concentrate on the manufacturing sector. The micro, small and medium enterprises (MSME) sector contributes significantly to the manufacturing output, employment and exports of the country. It is estimated that in terms of value, the sector accounts for about 45 per cent of the manufacturing output and 40 per cent of the total exports of the country. The sector is estimated to employ about 65.9 million persons in over 28.5 million units throughout the country. Further, this sector has consistently registered a higher growth rate than the rest of the industrial sector.

Dar, Bilal Ahmad, and Bhat Fayaz Ahmad (2013) want to know the performance of SSIs in J&K by generating self-employment and income and also tried to find the challenges faces by these industries. They found that there is still a need to improve these industries to come out of the state from backwardness. There is an immense need to remove the different bottlenecks that are coming in the way of sustained industrial development in the state. The small scale industrial sector in the state has an incredible and fantastic potential of absorbing thousands and thousands of unemployed educated youth. Therefore the time has come to take bold steps to improve the industrial environment of large-scale investment, which calls for a pragmatic and long-term result oriented policy initiative on the part of the government. After many years of independence these industries are still backwards, there is a need for huge investment by state and central govt to improve the economic condition of the state.

Singh R (2012), the study analyzed the performance of small scale industry in India and also focused on policy changes which have opened new opportunities for this sector. The study concluded that the SSI sector has made good progress in terms of a number of SSI units, production & employment levels. The study has recommended

the need for technology development and strengthening of financial infrastructure to boost SSI for achieving the growth target.

Srinivas K T (2013), studied the performance of micro, small and medium enterprises, and their contribution to India's economic growth. The study revealed that according to the final report of the fourth census of MSMEs 2006-2007, 93.09 lakhs peoples in the registered sector and 732.17 lakhs peoples registered in the year 2010-2011. The study identified the number of enterprises, employment in MSMEs and concluded that MSMEs play a significant role in the inclusive growth of the Indian economy. The study also suggests that both central and state government should take major steps to further improvements in this sector.

Syed, Anwar Ali Shah G., Faiz M. Shaikh, and Abdul Sattar Shah (2014) the study revealed the efficiency of MSMEs in Pakistan. In this study, the data is collected from 200 firms of Micro, Small and Medium Enterprises and analyzed through SPSS software. The researchers framed the questionnaire to check the consistency and validity of the data. The study analyzed the relationship between labour and capital with gross firm output by using the Cobb Douglas production function. The study found that both labour and capital form a significant part of gross output in MSMEs.

Chandraiah, M., and R. Vani (2014), MSMEs in India is performing as supremacy and strength of economic growth in this era. The paper evaluates the role and performance of MSMEs and also problems faced by them. The paper concluded that the growth of SSI is evaluated on the base of employment, output and export of this sector. Despite facing many challenges the MSMEs has shown venerable innovation, flexibility and pliability to face the economic ups and downs. The study also explored that in this era of liberation and globalization MSME sector has played an important role in the Indian economy. In the industrial sector, MSME is playing a crucial role in the development of the Indian economy in future.

Ministry of Micro, Small and Medium enterprises (2013), published the Inter-Ministerial Committee for Accelerating Manufacturing in MSMEs' the study found to slow down in the overall growth of MSMEs in recent years, especially post 2009. This has highlighted the significance of MSMEs, its changing trends in employment

growth in this sector and addressed concerns regarding establishing an enterprise and run it successfully. It also recommended support systems for encouraging start-ups, doing and expanding the business. It also suggested changes in labour laws and gives product-specific recommendations.

Mahlawat, Seema (2015), analyzed the development of MSMEs in the Jammu and Kashmir and also tried to find out the problems and remedies for the development of MSME in Jammu & Kashmir. The study observed that MSME units are decreased in Jammu & Kashmir continuously. So it needs more attention to prevent the sickness and rehabilitation of sick MSMEs Units while framing the future policy of MSMEs development. Govt should take effective steps for the growth of more MSMEs unit in the state.

Kaur, Simanpreet, and Sandeep Singh Viridi (2015) focus on the Progress of MSMEs in northern India evaluated based on a number of units assisted. Margin money utilized and estimated employment generation. They examined that the trends in MSMEs over the past five previous years concerning a number of units assisted and Margin money utilized. There were significant differences found in the data over the years 2011-12 to 2015-16 among these five states concerning these two aspects. The paper concluded that the trends in MSMEs regarding the above-mentioned aspects have shown upward and downward trends over the last five years.

Shiralashetti, A. S. (2012), points out the prospects and problems of MSMEs in India". And concluded that to empower the MSME sector to take its rightful place as the growth engine of the Indian economy, it is necessary to support the MSMEs, educate and empower them to make optimum utilization of the resources, both human and economic, to achieve success. There is a need for improved technology to connect the MSMEs with the current scenario.

Singh, Jaskaran, and Davinder Singh (2014) focused on identifying the factor affecting financial management of MSMEs. It is found that the MSMEs depended much of their initial capital on internal sources as they have accessibility problems in getting external debt or equity financing. Even if they are offered with debts, they will be charged with high rates of interest as smaller enterprises are perceived to be riskier and more likely to fail than larger firms are. As MSMEs are the backbone of the

Indian economy but due to lack of proper finance, they can't give their better performance.

Mansoor, Ahmad Dar (2013), focuses on the contemporary challenges as well as the scope of the handicraft sector in the state of Jammu & Kashmir and thereby providing suitable suggestions to make the industry more market-oriented and sustainable in future. And then found that there is a unique position of J&K handicrafts in improving social and economic conditions of Jammu & Kashmir. In economic terms, it helps in the generation of aggregate employment and raising per capita income of state and hence contributes to State Gross Domestic Product (SGDP) in particular and National Income in general. J&K handicraft industry facilitates technical know-how between state skilled manpower and international market players through foreign exchange.

Mali (1998), the study observed that MSMEs will face increasing competition in the present scenario of globalization, they have to improve themselves in the fields of management, marketing, product diversification, infrastructural development and technological up-gradation. Moreover, new MSMEs have to move from a slow-growth area to the high growth area and they have to form a strategic alliance with entrepreneurs in neighbouring countries. Data bank on industries is also needed to guide the prospective entrepreneurs including investors from abroad.

Export-Import Bank of India(2012), has studied and documented the current situation of MSMEs and the support systems to set up for them in India. It has studied the MSMEs in the Indian and global context. It explains the evolution of MSME policies in India over time. During 1948-1990 the objective of the industry was to increase employment opportunities and equitable distribution of national income. The objective during 1991-1999 was to make the MSMEs more competitive to the face of liberalization and after 1999 the objective has changed to development and promotion of the sector by addressing the challenges relating to credit, infrastructure, marketing and technology. The studied also stated the current challenges faced by the Indian MSMEs and the strategies for their Development based on past experiences of India and other countries such as China, Japan, Malaysia, Thailand, Mexico, and the Philippines. It suggests that Indian MSMEs should have access to alternative sources of capital like angel funds capital etc, the existing legislatures need to be developed to handle insolvencies and bankruptcies. It is also suggested that the ceiling limits need

to be redefined to encourage MSMEs to move up the value chain and the policies needed a cluster development approach to increase the level of competitiveness.

Abdul Naser V (2013), the study critically examined the contributions made by the micro, small and medium enterprises in the balanced growth of the Indian economy. The study explained that 55 percent of the total enterprises operate in rural areas and they promote inclusive growth and regional equity. They play a key role in employment generation and contribute a commendable portion to the GDP, industrial production and export of the country. The paper also highlights the challenges faced by the MSMEs and its need for structural support.

Sudan, F. K. (2005), explained the challenges of Micro and Small Scale Enterprises Development and policy issues by raising different questions related to Micro and Small Enterprises. The study explained the meaning, advantages, problems and policy options of the MSME sector. The study concluded that all the policies which were opted by the government of India were the efforts to form a dynamic MSME sector. It forms a diversified economy providing expanded employment opportunities to absorb all labour force and offer exciting career opportunities.

Katyal and Xaviour (2015), focused on the HR operations and systems in MSMEs along with other challenges faced by this sector. He found that there were very few MSMEs that had a separate HR department and especially in new units the owners were handling the HR practices.

Vasu and Jayachandra (2014), analyzed the growth and development of micro, small and medium enterprises in India. They also studied the problems and prospects of this sector. It found out that this sector has performed continuously well over years and with proper emphasis and government initiations, the problems could be overcome.

Venkatesh and Muthiah(2012), the paper explores the significance and the contribution of Small Medium Enterprises in India. The study exposed that the Indian SMEs playing a vital role in the development of Indian economy. As the Indian market is growing and the industrial sector of the country making progress in the various fields. Furthermore, the government support of national as well as state is not

sufficient for the SMEs. The sector needs to support the growth and development of the nation. However, the paper also suggested that the government should take necessary steps for the development of this sector and which leads to the economic well-being of the nation.

Rajeevan, N., M. M. Sulphay, and S. Rajasekar(2015), the study reveals the role of MSMEs by generating employment opportunities in the Indian economy. The study found that the MSME sector employing 60 million peoples. The study also explores the unregistered enterprises generating employment higher than 80 per cent. The study concluded that MSMEs are playing a key role in developing countries. Unregistered enterprises from this sector are providing maximum employment. There is also a need for more future policies and plans for the promotion of this sector. And the study finally concluded that all the developing countries must adopt the strategy of MSMEs in the generation of more employment.

Dahale, Ms Shweta, et al (2015), the study explored the role of the financial institution for the development of MSMEs in the nation. The study also evaluates the opportunities and challenges faced by MSMEs for raising funds from financial institutions. The study concluded that the MSME has a big contribution to the growth and development of the nation and the financial institution are playing a key role in the development of MSMEs. But there is a need for improvement in the financial sector. MSMEs are also facing challenges which hinder the growth of this sector. The government should frame the good policies and take steps to develop this sector. The bank should also play an important role in the growth of this sector.

Sarkar, Abhrajit (2016), Entrepreneurs gives the strength to the economic growth but it is also true that current economics have a large number of young ideas, which provide a platform for the business in the market. A start-up needs support and encouragement from various institutions in the initial phase and subsequently the growth phase till establishment on a firm footing. IT-based start-ups have significant importance in India. It is concluded that Start-up India is a collaborative approach for Young Entrepreneurs & Youth Empowerment. This study is the conceptually based study and it signifies that what is the Govt. schemes to finance the start-up enterprises but it does not mention the problems of entrepreneurs faced and how much these Government schemes are giving benefit to the entrepreneurs.

Subrahmanya, MH Bala (2015), an increasing number of new generation start-ups in the knowledge-intensive industries have created something of "euphoria" in major cities of India. This paper discusses the salient features of the start-up ecosystem that has emerged in our country. Moreover, the paper traces the origin and phases of start-up growth in India, and its employment contribution, relative to the organized sector. The paper concluded that the need for a steady increase in new generation start-ups as a means of productive employment generation, economic transformation and growth. But the paper does not discuss the start-up promotion scheme, and the measures needed to strengthen this.

Naidu, S., & Chand, A. (2012), explores the financial problem faced by MSMEs in Fiji and Tonga and how its effects on the growth and existence of MSMEs in the study area. The study is conducted through the 200 MSMEs surveyed in the study area, the study analysed 19 financial problems and it concluded that financing, operational and administrative and sales and debtors are the three categories in which these 19 financial problems are categorized.

Zamberi Ahmad, S. (2012), the study aims to analyze the obstacles and difficulties faced by MSMEs in Saudi Arabia. The study analyzed that there are many hindrances in the path of growth of MSMEs in the study area. These are like finance for the establishment and running of MSMEs units, proper availability of business information, lack of entrepreneur and management skill, lack of proper market for the products, proper guidance and support from government and inconsistency of rules and regulation. The study suggests the need for organization support by the chamber of commerce and support agencies through adequate financial management and training facilities.

Omid Sharifi, Bentolhoda Karbalaei Hossain (2015), in their paper tried to explore the difficulties and the various financial challenges faced by the start-up in India. They define the start-up in the context of the Indian economy. The paper figures out the solution for start-up financing problem. Which can encourage graduate's entrepreneurship and launch support to the development of start-ups? The paper concludes and finds that funding is a major concern for start-ups and small businesses, intensifying the challenge of raising funds. They also find out that a major

leap in technology has led investors to raise the bar in terms of how much leg work entrepreneurs are expected to do before even pitching their companies.

Dr Shailja Badra1, Vivek Sharma (2016), Start-up India is the flagship initiative of the Government amidst fanfare and euphoria. The success of the Silicon Valley start-ups has many indomitable and resolute Indians in the heart of it. India aspires to contribute to 15-20 percent global GDP. It happens when the Start-up movement attains critical mass. The study is conducted on 135 respondents in Mumbai. A random sampling technique is used to collect the sample. The objective of the study is to understand the initiative for start-up India and to know the awareness about the start-up in the light of recent changes announced by the govt. They also tried to find out the respondents expectation from the start-up initiative. The paper found that respondents supported the idea of funding for incubation centre. The promise of the initial capital of 10,000 crores over four years from the govt. is capable of attracting tenfold investment by 2022. He said that credit guarantee for start-up lending is important to speed-up the Indian industry, incentives in the form of tax holiday for three years and exemption from capital gain tax benefit worth considering. The study concluded that making capital more accessible and cheaper, easier patent filing, giving research and development credits, and easier entry and exits are critical to the success of Start-up India. The present study is limited only to 135 respondents of Mumbai. There is a need for broader-based of respondents and the research could be conducted in other metropolitan cities also.

Nikhil, N. K., Varghese Joy, and S. Santha (2015), Problem and Prospectus of start-ups in Kerala, revealed that young youth play a prominent role in the start-up with high gender disparity with 86.7 percent male and only 13.3 percent female. The start-up companies are engaged in the B to B business. Most of the founders of a start-up are from science and IT background, which are competent enough to come up with innovative ideas. It takes more than 6 months to come up with a favourable product meeting product-market fit for most of the start-ups with less dependence on start-up funds. They found that the majority of the start-ups operating in Cochin start-up village are non-revenue generating units due to poor product-market fit and lack of proper mentoring aid. It is found that 90 percent of the founder deployed their fund and they have high family support. Return of investment on time, poor market fit and

lack of funds were the major constraint in the path of a start-up. In his study, they use respondents and adopt the Conventional sampling technique. Both primary and secondary data collected and analyzed by using Rank test and T-test. The study is limited to Cochin start-up village. The data collected and evaluated with the founders of start-ups operating in business condition but failed to incorporate the views of start-up operating in the private domain. The efficiency of start-ups village is evaluated to the extent of 5 constraints but it could be evaluated in multidimensional angles.

Manikandan, S., The study is on start-up and its impact on MSME in India with special reference to Maharashtra state. MSME sector emerges as a highly vibrant and dynamic sector of the Indian economy. MSME plays a crucial role in providing large employment opportunities at a lower cost and also help in the industrialization of the rural & backwards area, thereby, reducing regional imbalances, assuring more equitable distribution of national income and wealth. Start-up India is a flagship initiative of the govt. of India in building a strong ecosystem for nurturing innovation and start-up in the country that will drive sustainable economic growth and generate large scale employment opportunities. The need for study is to avenues of the financial sector of SMEs & start-up in India. In his study he has use sample of 50 experts and simple random techniques is used to collect the samples. The paper finds out that the emergence of various SMEs faces many financial problems in Maharashtra region. And the young entrepreneurs want to do business through the service sector due to available growth in the service sector with the help of India's start-up make in India initiative. The study is conducted in Maharashtra region only but there is a need to study in other regions also where SMEs and start-ups are also facing financial problems.

Mir, Uzma Amin, and Sana Bala (2016), Women are an important part of society and play a significant role in nation-building. Women constitute around 48 percent of the population of India. This is of vital importance especially in the state of Jammu and Kashmir where unemployment has assumed menacing proportions. The trend of development in J&K remains far from satisfactory. Though female literacy has increased from 42.22 percent in the 2001 Census to 58.01 percent in 2011 gender differential still exists both in rural and urban areas. Govt has been trying to encourage the women in J&K to take up new ventures and start self-employment by

implementing various programs which support women. JKEDI has launched various programs in this regard. Using empirical data from JKEDI, the paper tries to highlight their role in empowering women by assessing the assistance provided to women entrepreneurs, the various units set up and employment generated by them, highlighting their success. The study found that the majority of women entrepreneurs who have set up their ventures with support from JKEDI belong to Kashmir division constituting 56.39 percent of total beneficiaries. Women from OBC, SC/ST has very less participation only 3 percent while the general category has 93 percent participation. Out of 22 districts, only Srinagar and Jammu have a substantial share of 30 & 12 percent. About 84 percent of the beneficiary's entrepreneurs are either 10+2 or graduate. The service sector, fashion technology, animal husbandry are the preferred areas for the establishment of the entrepreneurial venture by women constituting 69 percent of such ventures. In addition to this, the problems they face their role in economic development if the state has also been highlighted. Adequate efforts should be made in all areas for the development of women entrepreneurs and to ensure their increased participation in entrepreneurship. There is a need to work on those districts of J&K which has a very little contribution and also SC, ST, and OBC women should be motivated for upliftment. The paper does not discuss the govt. schemes for the upliftment of backwards class and weaker section of the society.

Bilal Dar (2015), the paper examines the challenges of entrepreneurship development in state Jammu and Kashmir. This paper shows that entrepreneurship as the process of creating something new with value by devoting the necessary time and effort, with the accompanying financial and social risks, and receiving in return monetary rewards, personal satisfaction and independence. The paper also suggests that in this era of shrinking economic activities, the government should endeavour to provide the necessary infrastructures required for skills acquisition among its citizenry. Technological skills and the entrepreneurial spirit are important elements of job creation which drive the economy to develop. The paper concludes that entrepreneurship is essential for rapid and sustained economic growth but there is urgent need to change the mind-set of the Average Jammu and Kashmir especially the youths towards embracing self-employment and de-emphasize the search for non-existent white-collar jobs. Entrepreneurship as a means of self-employment suffers many great challenges", and these challenges are what this research work would

identify. The paper has many loops, it does not exactly define the challenges faced by entrepreneurs and also does not explain the schemes for the promotion of entrepreneurship skills for economic growth and development of the state.

Caliendo, Kunn, Wiebner and Hogenager(2015), finds the difference between subsidised start-ups out of unemployment and non-subsidized start-ups out of non-employment. It reveals that the initiator of the subsidised start-ups has no lack of conventional education, although, they have fewer employment opportunities in the industry. And finally, they concluded that the wealth stock restriction among the unemployed concerning the availability of personal equity and outbreak of loans is the major constraint.

Singh et al. (2012), has analyzed the performance and pay attention to the policy changes in the small scale industry sector in India. The study concluded that the small scale industry sector has enormous progress in employment, production and addition of new small scale industry units. The study tried to boost the small scale industry sector by recommending technology development and strengthening the financial sector.

Venkatesh and Muthiah (2012), analyzed that small and medium enterprises (SMEs) sector played an important role in the industrial sector and also made an enormous future growth. The study suggested that the promotion of SMEs is essential for the economic growth of the country.

Goyal, Parkash,(2011), the educated Indian women have to go a long way to achieve equal rights and position. Despite all the social hurdles, Indian women stand tall from the rest of the crowd and are applauded for the achievements in their respective field. The present paper discusses the concept of women entrepreneur, reasons for the slow growth of women entrepreneurs, suggestions and the Govt schemes for the promotion and development of women entrepreneurs in India. The paper concluded that today we are in a better position wherein women participation in the field of entrepreneurship is increasing at a considerable rate. Efforts are being taken to provide equal opportunities in all spheres to the Indian women also their participation in political progress and equal opportunities and right in education and employment. Women entrepreneurship must be moulded properly with entrepreneurial traits and

skills to meet the changes intend global markets and also are competent enough to sustain and strive for excellence in the entrepreneurial arena. The paper signifies the policies of govt. for the women and many suggestions for the upliftment of women in the country but it does not try to attempt the number of women entrepreneurs benefited from these policies and started their new start-up businesses. Start-ups must be configured properly with the business expertise to encounter the latest trends and changes in the environment and capable enough for aspiring the supremacy in the entrepreneurial coliseum.

Anjum, Darakhshan (2011), this paper provides a complete look at scope, opportunities and challenges for rural entrepreneurs in agriculture, horticulture, handicraft, handloom and sericulture in the state of Jammu and Kashmir. Rural Entrepreneurship has an important role to play in the development of a country. It is one of the most important inputs in economic development. The number and competence of entrepreneurs affect the economic growth of the country. Entrepreneurship has been termed as the fuel of economic progress and the prime mover of economic growth and development. Finally, the study concludes with the observation that rural entrepreneurship is a prestigious area in the rural development of the nation. They are playing a pivotal role in India's economic development. Thus entrepreneurship is the best way to fight the evil of unemployment.

Parihar, Poonam(2008), The investigation was carried out in Jammu district of Jammu & Kashmir State to know the impact of motivational factors and role stress on women entrepreneurs. Total of 240 respondents was interviewed with the help of pre-tested structured interview questionnaire. The study was designed to cover women entrepreneurs operating small-scale commercial enterprises in Jammu district. It was found that 'Liking for having an independent occupation' (82.5 percent) ranked first amongst personal motivational factors followed by 'Monotony of housework" (77.01 percent). "Existence of business already in the family" (97.5 percent) ranked first amongst non-personal motivational factors followed by "need to get over financial difficulty" (92.08 percent). Women were subjected to greater stress as the demands of home and career at times caused conflicts, striving for multi-role duties had resulted in conflict stress, ambivalence and overload. Though the conflicts existed, women had realised the advantages of being businesswomen.

Gupta, Vipin, Neelu Rohmetra and Dinesh Sharma (2002), *Entrepreneurial Strategy: The Case of Jammu and Kashmir* signifies that effective entrepreneurship in emerging markets is a strategic process, and strategic management in emerging markets can hardly succeed without entrepreneurial orientation. Therefore, integrating the entrepreneurship and the strategic perspectives, we develop a construct of entrepreneurial strategy. Using managerial data from Jammu—an emerging market within India—the reliability of the construct is established. The construct provides a sound characterization of the relationship between contextual conditions and the opportunities for the entrepreneurial strategy in the sample.

Bhat, Shabir A., and Riyaz Ahmad Khan (2014), *Entrepreneurship education* comprises of the activities mostly undertaken by the educational institutions to enlighten the mind-set of the students towards the better understanding and knowledge about the subject of entrepreneurship. The objective of the study is to generate a cadre of entrepreneurs and entrepreneurs among the educated youth for the overall development of the economies. Given the important role of the vocational, professional and continuing education systems towards the development of 'Entrepreneurship Education Ecosystem' in any economy, the present study has been undertaken to assess the contribution of existing state government of Jammu and Kashmir run educational institutions towards the development of this ecosystem. The assessment is based on the survey involving 250 students enrolled in these institutions across the three regions of the state against the parameters of entrepreneurship education as a curriculum component in all the existing systems of education, enough entrepreneurship education course offerings, and research & need-based entrepreneurship education. The study found that the contributions of the state-run educational institutions towards the development of Entrepreneurship Education Ecosystem are not significant. But the scope of the present study is limited and does not deal with the assessment of entrepreneurship education ecosystem in the non-government educational institutions. The study does not deal with the impact of the poor enterprise development scenario existing in the state on the development of entrepreneurship education ecosystem due to the non-availability of data in this regard. The study also does not cover the accreditation, system and legal hiccups in the way of offering entrepreneurship courses in the different educational institution.

Gaikwad, Ms Surabhi, and Suryakant B. Patil(2016), In the era of make in India where rather than Inventions the focus shifted to Innovations; the technological institutions like SGI are playing a key role by initiating start-ups at in-house incubators to provide services or to launch the product. The talent bank of the students and academicians will be utilized to educate, to identify, to train, and to provide the support for the same by understanding the start-up ecosystem in India and addresses the challenges faced by the start-up in the incubators at educational institutions. Software start-ups are newly created companies with no operating history and oriented towards producing cutting-edge products and services in the recent trends. This paper is based on the analysis of the various case studies in India as well as worldwide and the proposal of Open Source Hybrid Operating System and other software start-ups for development to deployment followed by training. The study focuses on the start-ups and incubators current status in India, Scope of made in India and the role of educational institutions at SGI several such ventures initiated and one of them is to design and development of the Open Source Hybrid Operating System is proposed here with a customized version for students and professionals. Many such software product start-ups fail to achieve a worthwhile return on the investments of their financiers, founders and employees. Failures of execution in sales, marketing and delivery are commonly recognized, but failures in product development are less obvious. This paper explores such critical issues at all front and discusses the possible platforms to such start-ups and incubators from funding agencies, Govt. Agencies, Corporate CSR additional to the host institution and continuous support by a mentor which will lead such start-ups to the success story like Flipkart. The study has shown that to avoid the failure of the software start-ups, host institute must focus on the model for the evolution of product development from start-up to maturity by providing support and facilities consisting of three phases: start-up; stabilization; and growth. As the stakeholders are amateur and new in the field of Profession and Market, the host Institutional Mentor has to play the key role start with the polishing the ideas, setup, infrastructure, outside resources, funding, launching, marketing etc. The paper has tried to focus on the start-up ecosystem in India and address the challenges faced by start-up Alliance India, especially an educational institution to establish the incubators to build up the start-up ecosystem in India.

1.6 Research Gap

During the last five decades, the Union government has given incentives and encouragements to enable a substantial growth of the small scale Industries. But these developments are not sufficient with the potentialities. Moreover, Question Arises that still development is facing challenges which are working just like an invisible hand which shakes the business in the state. In the context of Jammu and Kashmir from the limited available literature on MSME We find most of the studies are done at all India level, the issues of JK state are different from rest of the country therefore those studies can't be generalised with the state which is different in geographically, politically and what not?. Most of the programs and schemes remain unutilized due to political disturbances. Besides, this Jammu and Kashmir is facing the challenges of Regional Differences in the development of MSMEs.

1.6 Objectives

1. To analyze the schemes, programmes and new initiatives of MSMEs in India.
2. To analyze the growth and performance of the MSMEs in J&K.
3. To analyze the comparative study of MSMEs in Jammu and Srinagar District.
4. To study the prospects and challenges faced by MSMEs in Jammu and Srinagar Districts.

1.8 Hypothesis

1. There is a significant improvement in the performance of MSMEs in J&K.
2. MSMEs are facing regional development differences between Jammu and Srinagar.

1.9 Methodology

The research methodology contains different tools which are discussed as below:

I. Research Design

The study is descriptive in nature. The data is collected from both primary and secondary sources. Primary data is collected directly from the respondents through a

well-designed research schedule and questionnaire. The data collected from secondary sources are through Annual Reports published by the Ministry of Micro, Small and Medium Enterprises, Annual reports of state industries boards, Jammu and Kashmir Directorate of Industries and Commerce and the Reserve Bank of India.

II. Sample Design

A multistage random sampling technique is used for the collection of data from the respondents. The data is collected from MSMEs entrepreneurs by using interviews and questionnaires.

III. Selection of sample units

The study has covered two districts of Jammu & Kashmir state namely Jammu and Srinagar. The study has taken 400 MSMEs unit 200 from each district. During the survey, four Industrial estates have taken from each district and 50 MSME units are taken from each Industrial estate.

IV. Secondary Data Sources

The study is based on the secondary data is collected from the official records of Districts Industries Centres, Directorate of Industries and Commerce J&K government, Annual reports of Ministry of Micro, Small and Medium Enterprises, Economic Survey, Journals, articles, Survey of Planning and Development Department and various reports of Directorate of Industries and Commerce government of Jammu and Kashmir and many others Directories of Commerce Department.

V. Data Processing;

Data processing has been done in MS Excel, STATA Software and SPSS Software.

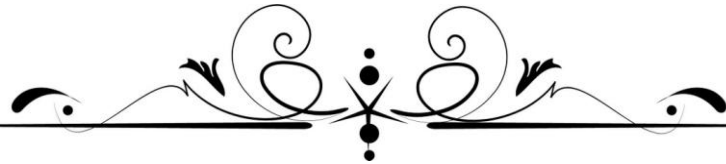
VI. Methods: Tools and Techniques

1. Compound Annual Growth Rate
2. Binary Regression Model

3. Chi square test
4. Multiple logistic Regression Model
5. Factor Analysis
6. Garret's Ranking Technique
7. Histograms and Pie Charts

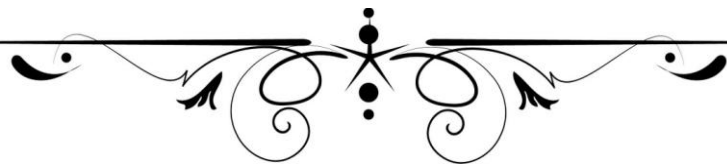
Outline of the Thesis

- Chapter 1 Introduction
- Chapter 2 Conceptual and Theoretical Framework
- Chapter 3 Framework of MSMEs in India: An Overview
- Chapter 4 Growth and Performance of MSMEs in J&K
- Chapter 5 Comparative Analysis of MSMEs in Jammu and Srinagar Districts
- Chapter 6 MSMEs: Prospects and challenges
- Chapter 7 Conclusion, Findings and Suggestions
- Bibliography
- Appendix



Chapter 2

Conceptual and Theoretical Framework



Chapter 2

Conceptual and Theoretical Framework

2.1 Introduction

This chapter covers the conceptual and theoretical framework of the study of MSMEs. It outlines the concepts of MSMEs and the theories related to MSMEs.

2.1.1 MSMEs in Global Scenario

Micro, Small and Medium Enterprises (MSMEs) are the backbone of a country's economy. It helps in employment generation, sustainable growth, contribute to export earnings and develop the entrepreneurship skill. Acceleration of MSMEs growth covers the socio-economic objectives by creating more jobs and poverty alleviation. MSMEs are works close to the locality which provides a large number of employment opportunities to the local people. A large number of people benefited directly or indirectly through these enterprises and provide sustainability in the economy as a whole. Empirical studies show that in high-income countries the sector contributes over 55 percent of GDP and 65 percent of total employment and in low-income countries, it accounts for over 60 percent of GDP and 70 percent of employment. While in middle-income countries it contributes to 70 percent of GDP and 95 percent of total employment.

World Bank defines MSMEs based on the number of employees, annual turnover and asset in the US dollar. Which state that Micro Enterprises include 0-10 employees, annual turnover is 100\$ and has an asset of 10\$. Small enterprise is those in which 10-49 employees and annual turnover and asset are 3000\$. Medium Enterprises include 50-299 employees and annual turnover and assets are 15000\$. According to IFC Report-2010 shows that total world level MSMEs was estimated between 420 million to 510 million, whereas in the developing world its size was estimated 365 million to 445 million. IFC report 2016 shows that 132 countries estimated around 31 MSMEs per 1000 peoples working. MSMEs growth rate was lower in high-income countries compared to low-income countries. It is found that one-third of the world labour force

is working under MSMEs, which is providing 60 percent of employment in the private sector.

According to the 2014 report of Bank of International Settlements MSMEs in developed countries accounts for 95 percent of the total enterprises, 60 percent of employment and 50 percent value-added. MSMEs produced on average of 51 percent of GDP in these economies. MSMEs have a significant contribution in developing countries which is difficult to measure due to the informal sector. It is estimated that in developing economies 16 percent of contribution in GDP is from formal MSMEs and 40 percent are from Informal MSMEs.

International Council of Small Business (ICSB) provide the data that both formal and informal MSMEs make up over 90 percent of all firms and provide an average of 70 percent employment and half of GDP. Micro, Small and Medium Enterprises play a strategic role in the economy of each country. These employ unskilled, semi-skilled and skilled labour. The MSME units work at the low capital cost and are labour intensive. Many of the products of MSMEs are produced in rural areas, which promote the rural economy and the products are as unique as they get good potential in the international market. Micro, Small and Medium Enterprise is a most energetic and budding sector in all most all economies over the world. (Levy et al, 2005). Development of MSME and Entrepreneurship becomes the important concerns of all most all the nations of the world. (Audretsch et al.2006). MSME contributes 50 per cent in the GDP and 60 per cent in employment generation in Developed countries. But it contributes only 30 per cent in exports or even less in terms of international investment. (Lester et al.- 2007). MSME sector develops the economic activities and performs a crucial role to abolish economic backwardness of the underdeveloped and developing parts of the country. The sector also supports the large industries and eliminates the economies disparities in income and wealth.

2.1.2 MSMEs in Indian Scenario

Starting from the Independence, the father of nation “Mahatma Gandhi” express the importance of small scale industries with the first Industrial Policy Resolution 1948. In 1950, the definition of small scale sector was based on gross investment in fixed assets and workforce, where the investment limit was Rs. 5 lakh and the ranges of

labour employed was 50 to 100. In 1960, the limit of investment was fixed at Rs. 7.5 lakh and it is by the limit of investment in Plant and Machinery. Further, it rose to Rs. 10 lakh in 1975 and Rs. 20 lakh in 1980. Also, one of provision attached with definition to provide the special benefits to SSIs and prevent from medium/ large scale industries, whether he has own land, lease or hire for the production. Moreover, certain more changes take place in SSIs like price indices, emerging needs of industrial equipment and more investment in plant and machinery, also in 1985 the investment raised to Rs. 35 lakh. In 1991, liberalization has drawn a great achievement in this sector, it also raises the investment in plant and machinery. According to the SIDBI Report 2010 on MSMEs, the investment limit was raised to Rs. 60 lakh. In 1997, a sharp change in investment has seen and it rose to Rs. 300 lakh. This sharp increase in investment attracted most of the small scale industries all over the country. Then in 1999, the government of India has again declined the investment limit to Rs. 100 lakh.

2.2 MSMEs Concepts

2.2.1 Ancillary Industrial Units

In 1960, the concept of Ancillary Industrial Units was introduced to manufacture parts, components, tools and intermediaries. These industries were established to engage in the manufacturing of parts, components and render not less than 50 percent of its products or services. Its investment limit was Rs. 10 lakh. Further its investment also raised Rs. 45 lakh in 1985 and Rs. 75 lakh in 1991.

2.2.2 Tiny Units

Tiny units are those which are located in a village whose population is less than 50,000 and has an investment in plant and machinery is Rs. 1 lakh. Later on after 1991, these units are treated as Micro units and its investment ceiling increased to less than Rs. 5 lakh and then in 2006 the investment in P&M increased to 25 lakh.

Khadi is the proud legacy of our national freedom movement and the father of the nation. Khadi and Village Industries are two national heritages of India. One of the most significant aspects of Khadi and Village Industries (KVI) in the Indian

economy is that it creates employment at a very low per capita investment. The KVI Sector not only serves the basic needs of processed goods of the vast rural sector of the country but also provides sustainable employment to rural artisans. Khadi and Village Industries today represent an exquisite, heritage product, which is 'ethnic' as well as ethical. It has a potentially strong clientele among the middle and upper echelons of the society. 3. Coir Industry is an agro-based traditional industry, which originated in the state of Kerala and proliferated to the other coconut producing states like Tamil Nadu, Karnataka, Andhra Pradesh, Orissa, West Bengal, Maharashtra, Assam, Tripura, etc. It is an export-oriented industry with annual exports of over Rs.800 crore and having greater potential to enhance exports by value addition through technological interventions and diversified products like Coir Geotextiles etc. The acceptability of Coir products has increased rapidly due to its 'environment-friendly' image.

2.2.3 Udyog Aadhar Memorandum

This is a process under which all the previous registration processes of SSIs and MSMEs are replaced. The earlier system of registration with lots of paperwork is replaced with a completely online system. Under this process, the registration is done with entrepreneur memorandum-I and entrepreneur memorandum-II. MSMEs are registered under this process using Aadhar and get all the benefits of MSMEs schemes, loans and hassle-free bank account.

2.2.4 Incubation

Incubation is the new and innovative ideas under which government support the new innovative and exploring ideas to develop and implement. These are recent technologies based on new designs and products.

2.2.5 Women Entrepreneurs

These are small scale industrial units which are run one or more women entrepreneurs. She/they individually or jointly share the capital as a partner not less than 51 per cent.

2.2.6 Export-Oriented Units

In 1991, Export Oriented Units concept was introduced in small scale industries and the units have the compulsion of at least 30 percent of its annual production to export. Over time, many changes take place in SSIs and Ancillary Units in investment and in similar way export Oriented Units also speed up the exports.

2.2.7 Registered Sector

Registered are those enterprises which are registered with DIC in the state/UTs, KVIC, and Coir Board on 31-03-2007. These also cover the Factories Act-1948 and having investment in P&M of Rs. 10 crores. The growth rate of registered sector is 3.76 percent in the manufacturing sector and 0.47 percent in the services sector during 2001-02 to 2006-07. According to Fourth All India Census of MSME 2006-07, growth rate of the estimated number of MSME was 2.61 percent and the employment growth rate increased from 2001-02 to 2006-07 9.84 percent in the manufacturing sector and 2.06 percent for the services sector.

2.2.8 Unregistered Sector

Those enterprises which are engaged in manufacturing and services activities but not permanently registered with DICs, Directorate of Industries or any other on 31-03-2007. These are also those enterprises, which had not filled EM-II on 31-03-2007 or they have filled after 31-03-2007. Growth Rate of the estimated number of enterprises was 30.05 percent and employment is 30.56 percent during 2001-02 to 2006-07.

2.3 Micro Enterprises

Micro Enterprises is a small business which runs with a small quantity of capital investment and mostly unregistered. Micro Enterprises is defined as a small business whose initial capital is not more than \$35000 and also has five or fewer employees. Micro Enterprises and Micro Business are similar words with similar meaning. When a small business is financed by a microcredit scheme it is known as micro-enterprises. Micro Enterprises is a small business started by using a smaller amount of capital and also in most countries the micro word is used to refer a business to a single owner. At

international level most of the micro-enterprises family businesses with one or two employees. These enterprises are mostly used to raise their standard of living and support families.

The concept of micro-enterprises was given by a Nobel Prize winner Muhammad Yunus in 1976. He was the founder of Grameen Bank (Bank of Poor) in Bangladesh. The purpose of the establishment of a bank was to provide small loans to poor especially women for their upliftment and obtain self-sufficiency. This process becomes more effective when the bank grew exponentially: from less than 15,000 borrowers in 1980, the bank had 2034 million members in 1998, at the end of 2008 it was 7.67 million out of which 97 percent were women and it reached on 9.4 million today.

2.3.1 Global Definition of Micro Enterprises

- In Australia the business owned by more than one and up to 5 employees.
- In the European Union, micro-enterprises are defined I which has less the 10 employees and the turnover of the business does not exceed 2 million Euro.
- In the United Kingdom, the micro-enterprises is defined in which a number of employees are between 0-9 and the annual turnover is less than 2 million Euro.
- In Kenya, micro-enterprises employ less than 10 employees in their business.
- In South Africa, the micro-enterprise varies from manufacture to retail sector and defined it as up to 5 employees and annual turnover is Rs1 lakh.

2.4 Small Scale Enterprise

Small Scale Enterprises definition varies from country to country. In the United State it has less than 100 employees; In the European Union, it has fewer than 50 employees and fewer than this in the developing countries. Small Scale Industries are privately owned or partnership companies. In India, small and large industries are distinguished based on capital investment in plant and machinery.

- A production unit is considered as a small-scale unit if it has \$30 million since 1996.

- Production units are known as small-scale units if they sell 50 per cent of their products to industrial units.

Small Scale Industry contributes highly to the Indian Economy. It shares 40 per cent in national industrial output, 80 per cent of the industrial employment and about 50 per cent of exports. Small Scale Industries comprises of Micro, Small and Medium Enterprises.

The modern small scale Enterprises produces modern products by using modern techniques and technology. In the current scenario, small scale enterprises are also located in large towns which hired labour and purchase raw material from large scale enterprises to take advantage of external production economies. Also, their market is spread throughout the country.

2.5 Small and Medium Enterprises

Small and Medium Enterprises are not identical across the world. They are defined according to economic development and policy measures in the country. The survey of 75 countries shows that there are more than 60 definitions of small and medium enterprises (Kim Seung Jin and Suh Jang-Won, 1992). The most commonly used definition related based on size, employment, and capital investment/fixed investment.

2.5.1 Global Definitions of Small and Medium Enterprises

- In Egypt, small enterprises are defined in which 97 per cent employing fewer than 10 employees and in medium enterprises, the number increases from 10 to 50 employees.
- In Kenya, the number of employees in small enterprises is 10 to 50 and in medium enterprises, its size is 50 to 100 employees.
- In Nigeria, small and medium enterprises are defined based on base asset and the number of persons of employees. The base asset is between 5 million to 500 million NGN (Nigerian Naira) and the numbers of the person employed are lies between 11 and 100 employees.

- In South Africa National Small Business Amendment Act 26 of 2003 defines Micro, Small and Medium Enterprises. Small Business employs 21 to 50 employees and the annual turnover is with a maximum of R 32 million including the entire trade sector. The combine definition of Small and Medium Enterprises is the one in which less than 200 employees employ and the annual turnover is fewer than R 64 million.
- European Union in 2012, defined Micro, Small and Medium enterprises as which employs less than 250 employees and whose annual turnover not exceed 50 million Euros.
- In the United Kingdom, small and medium enterprises are defined based on the number of persons employed, turnover and gross assets. SMEs are defined in which less than 250 employees with annual turnover is less than £25 million and gross assets are fewer than £12.5 million.
- Switzerland defined the micro and small enterprises based on the number of people employed and it defined the business in which less 250 employees.
- United Nations Report (1958) defined that development small scale industries in Egypt, Israel and Turkey are those which are employing less than 10 workers.

2.6 Micro, Small and Medium Enterprise

2.6.1 Definition and Classification of MSMEs:

There is no globally accepted definition of MSMEs. Different countries have used different criteria to define the MSMEs, most of the countries use investment ceiling and the number of people employed. European Union defined MSMEs based on the number of employees and the annual turnover. They defined micro-enterprises in the number of employees is fewer than 10 and the annual turnover is less than 2 million euro. Small enterprises are those in which numbers of employees are fewer than 50 and annual turnover is below then 10 million euro. According to EU medium enterprises are those in the number of employees is less than 250 and the annual turnover is below 50 million euro.

In India, MSMEs are defined by Micro, Small and Medium Enterprises Development Act-2006. Before this MSMED Act, small industries include tiny, cottage, traditional, village and modern small enterprises were in India. These enterprises were

fragmented into various ministries of the govt of India for the promotion of the development of schemes. Some of these enterprises face many challenges and neglected than manufacturing and service-based enterprises. To remove these negligence and challenges faced by enterprises, Micro, Small and Medium Enterprises Development Act was enacted in June 2006. The provision of MSMED is the establishment of the national board for MSMEs which is headed by the Ministry of MSMEs. The key role of the board is to examine the factors affecting the promotion and development of MSMEs and review the policies and programmes sanctions by central govt. to enhance competitiveness. It was the first time when the concept "enterprises" is added which include both manufacturing and services.

According to the MSMEs Act-2006, the MSMEs are classified into two categories:

- 1) Enterprises engaged in the manufacturing or production of goods of any industry specified in the first schedule to the Industries (Development and Regulation) Act, 1951.
- 2) Enterprises in providing or rendering services.

Enterprises are defined based on their investment in plant and machinery and on investment in equipment for enterprises providing or rendering services. Table 2.1 given below defines the MSMEs in both these sectors.

Table 2.1: Classification of Micro, Small and Medium Enterprises

Enterprises	Manufacturing and Services	
	Manufacturing Enterprises	Service Enterprises
Micro	₹ 25 lakh	₹ 10 lakh
Small	₹ 5 crore	₹ 2 crore
Medium	₹ 10 crore	₹ 5 crore

Source: Annual Report of MSMEs, 2006-07

2.6.2 Proposed Definition

According to the **RBI Expert Committee Report on MSMEs**, the investment on plant and machinery based definition was given during the formulation of MSME Act 2006. Recently the government of India has a proposed new turnover based definition

of MSMEs. It classifies the MSMEs which defines that micro-enterprises are those whose annual turnover does not surpass five crore rupees, whereas small enterprises are those whose annual turnover is more than five crores but does not surpass 75 crores and the medium enterprises are those whose annual turnover is more than 75 crore but does not surpass the 250 crores. The committee has discussed it with various ministries, association and stakeholders. The committee has discussed the various merits of proposed definition like after the introduction of GST, turnover of MSMEs is easily captured by the GSTN (Goods and Services Tax Network). Therefore the turnover based definition is transparent, progressive and biasedness.

2.6.3 Main Provisions of the MSME Act-2006

The legislation started working from 2 Oct. 2006 to make easier promotion, development and to lift the competitiveness of micro, small and medium organization.

- 1 The Act determines organization in place of any industry to give due recognition to the service sector or zone
- 2 The Act defines the nature of surrounding of the organization and makes possible technology into successive stages and systematic progression
- 3 The second-stage signing up or registration process of small scale industry with an elective filling of reminder with DICS by all micro and small organization.
- 4 Filling of a memorandum by manufacturing medium enterprises with District Industries Centres.
- 5 The act provides the enacted basis to obtainment and selection policies of central and state government for wares and trade stipulated by micro and small enterprises.
- 6 The power of the legal suppliers to check delayed payment to micro and small enterprises
- 7 The representatives of the company of an affiliation included in the MSE to make easy councils for reaching a judgment on the cases of delayed payment.
- 8 Provision to make sure the timely and easy flow of credit to MSMEs.
- 9 All schemes/programmes of aid/help to be notified under the act.
- 10 The act of necessities for an enacted National Board for micro, small and medium enterprises to advise the central government of matters under the act.

Indian MSME sector is the backbone of the national economy and has continuously acted as a rampart for the India economy. Around 36.1 million MSMEs units are working throughout the country. It contributes around 6.11 percent of the manufacturing GDP, 24.63 percent of the GDP from the services sector and 33.4 percent of manufacturing output. MSME sector is employing around 120 million peoples and around 45 percent of overall contribution in exports of the country. MSMEs play a crucial role in the social and economic development of India by starting the new economic planning and also ample stress is given by policymakers and politicians for the development of this sector. (Report of the Task Force on MSME, 2010). It helps in generating revenue, promote the export and stop the migration of workers. It promotes entrepreneurship and makes them skilled. MSME affords the livelihood and supports the marginalized people of the nation. An objective of sufficient industrial output, more employment and entrepreneurship development is met through the transmission of MSMEs (Gupta-2006). MSME is the key to entrepreneurship which run through single mind creativity and innovation. The sector contributes 8 per cent of the country's GDP, 45 per cent of the manufactured output and 40 per cent of its exports. The MSMEs employ about 60 million persons through 26 million enterprises. (Banerjee, 2005). The labour to the capital ratio in MSMEs and the overall growth in the MSME sector is much higher than in the large industries. (Report of the Task Force on MSME, 2010).

2.7 Economies of Scale:

Economies of scale are the cost enterprises that is obtained by the output produced, cost per unit of output decreases with the increase in scale. It explains the competitive advantage that large industries have over the smaller industries. This shows largely the business less its costs. A small scale industry produces less so that they cannot get the benefit of economies of scale in production, marketing and purchases. It is difficult for them to compete with large industries due to the high cost. After the economic liberalization policy, it becomes difficult for small scale industries to survive because of the deserved of many products which were earlier only produced by small industries. Due to this small industries become unable to compete with large industries, they are closing down or importing cheap products from other countries. To prevent these small industries and increase their a production government of India

has established a separate Ministry in 2006, Ministry of Micro, Small and Medium Enterprises (Mo MSME) to promote these small enterprises.

2.8 Theoretical Framework

2.8.1 Introduction

Industrialization is an essential part of economic development and a solution to tackle the problem of economic backwardness. It increases the real per capita income and reduces the per-unit costs of goods and services. Industrialization is an essential catalyst of a large transformation of the economy through linkages (Hirschman, 1958) and the creation of external economies (R. Rodan, 1961).

The concept of industrial location is very important and profitable for every economy. Every entrepreneur tries to maximize his business profit and minimize cost. In the perversion scenario, there were very fewer industries and the concept of industrial location was not much acceptable. At that time people produce in villages only for consumption. Over time, industrial location concept becomes more popular. The scenario of industrialization started and it spread in all economies. Every businessman or entrepreneur tries to achieve the maximum profit with low cost and industrial location becomes an important part of it.

It is well known that the location of large-scale industrial units is influenced by different factors. An industrial unit is generally attracted to a region where most of the factors are favourable for its location. The main considerations in the location of an industry are the availability of raw materials for production and the market to sell the final products. There are many theories developed in the past to find out the location factors to establish an industry. The present study examines here whether these influencing factors apply to Micro, Small and Medium Enterprises units, which are established in Jammu and Kashmir State.

2.8.2 Alfred Weber (1909), a German Economist who formulated first time a systematic exposition to the theory of industrial location in 1909 in German language and later on in 1929, it translated by Friedrich in the English language. His theory is also known as “pure theory” and it fills the theoretical gap created by the classical

economist. His analysis was based on the deductive approach and only modern theory of location of theory after 1929. He tried to find the causes which influence the location of the industry through cost analysis. He classified these causes into two parts that are the primary cause (regional factors) and secondary cause (agglomerative and degenerative factors) of distribution of industry. Weber analysis stress on the location of the industrial unit's by taking transportation cost, labour cost and land cost due to agglomeration pressure of industrial location. Weber has a view that the industry is located in the area where it has a minimum cost and maximum profit. Despite various shortcomings and criticism, Weber theory is enjoying universal acceptance and application. The present study has tried to examine the Weber theory concerning the location of MSMEs units in Jammu and Kashmir State. Location of theory plays an important role to set up an industry in a place like J&K where there are many barriers and geographical condition of the state.

Weber theory is criticized on different grounds by Sargent Florence, Andreas Predohl, S.R. Dennison and A Robinson.

Weber theory is criticized by **Sargent Florence** based on the unrealistic approach and deductive reasoning. According to Florence Weber has an unclear approach regarding the location of industry. He has not mentioned the explanation of the location of industry. There are also many non-economic factors which affect the location of industry. In his approach, Weber has focused on the two elements of the cost of transportation that is weight and distance. **Dennison** criticized the ground that there are many other factors which affect the cost of transportation like mode of transportation. He also criticized the lacks price consideration. **Austin Robinson** said that Weber analysis is artificial, furthermore, he also defined that consumption centres provide cause and effect to the location change. According to **Andreas Predohl**, Weber approach is selective theory. He said that primary and secondary factors are divided properly there division is fake and illogical.

2.8.3 Sargent Florence (1948), gave an inductive location theory in which he has elaborated the statistical measures of the degree of the location of different industries in the sense of production. In location theory, he declines the meaning of location as a relationship between industry and geographical area. He found that the relation of the

industry with the area is not as important as the relation of the industry to the distribution of the occupied population as a whole.

2.8.4 Edgar Hoover (1937) has elaborated a theory of location in his book "Location Theory and the Shoe Leather Industries". Furthermore, in 1948, he gave another selective approach in his book "The Location of Economic Activity" in which he defined the transport cost in detail. He categorized that Production Cost and Transportation cost are two important factors for industrial location. He stressed that transportation cost does not increase proportionately with distance rather than the addition to such costs are less than proportional as the distance increases. Hoover starts with the assumption of perfect competition between producers at any one location and perfect mobility of factors of production and takes the transportation cost and extractive cost as the determinants of location and any other developments.

2.8.5 August Losch (1940), has given theory in the market area, which explains the theory of location based on demand and the size of the market for the particular product. He believes that the best location for the industry would be one which covers the large area and collect the maximum sales revenue.

2.8.6 Melvin Greenhut (1955) has given the integrated approach for location analysis. He combines the least cost and location interdependence theories. His main aim was to maximize the profit rather than minimize the costs. The Industrial location theory of Greenhut's includes many factors like cost factor, demand factor, cost-reducing factor, revenue increasing cost and many others. Greenhut explained that transportation cost influence location only when it forms a part of the total cost. His analysis is a more general theory of location because it includes two major elements demand and cost of location.

To set up an industry the raw material plays an important role in that area. Availability of raw material in the particular area reduces the cost of transportation and easy accessibility. Easy and cheap transportation facilities help the industry to develop in every region. Every owner of the industry always interested to maximize its revenue, which is possible by minimization the cost of production. An industrial unit is a set-up in those sites, which are more favourable transportation condition both for the raw material and markets. (GM Gaonkar – 2000)

Labour cost is important for the cost of production even though the adequate availability of labour is there at a cheaper rate will have to be considered. In moving from the least cost to the place where cheap labour is an available additional cost incurred on transportation is considered for saving the labour cost. The industry will tend to locate in the region where cheaper labour is available if the additional cost of transportation is more than compensated by the saving on the cost of labour. In the present era, the use of electricity for heat and power is continuously increasing. Therefore, it is also one of the factors that can influence the location of the industry. Therefore, the industry will be located in the area where there is adequate availability of electricity with favourable conditions for other factors. In this context, it is important to note that industries could not grow much in rural India due to bad condition of electricity. In the case of Jammu and Kashmir state, these all factors are responsible for the low growth of industries. Only a few industries are established in some rural area of the state.

2.8.7 Mensah (2004), Owner or Manager as a single person controls the MSMEs and takes all decisions. An entrepreneur has less formal education and knowledge about new technology, market opportunities and access to credit from the banking sector due to which they have weak strategic management. The development of a strategic plan for sustainable growth, they experienced severe running capital instability and lack of technical knowledge. It fails to adopt the skills and modern technology which hinder the growth and development opportunities. (GM Gaonkar-2000)

The **Prebish Singer** model explores the trade relation between primary and manufactured products, whereas primary products are exported and manufactured goods are imported by developing countries tend to depreciate over time. This takes place due to the income elasticity of demand. As income elasticity of demand for manufactured goods is higher than the primary products. Thus with the rise in income, the demand for manufacturing goods rises more than the primary products and create trade deficits in developing countries. The theory reveals the need for rapid industrialization in developing countries by import substitution and reduces the dependence on developed countries for manufacturing goods. The theory also explains the infant industry argument under which the domestic industry is protected from tariffs and quotas to produce the product of higher quality on a lower price. By

following these arguments, India adopts the capital intensive industrialization during 2nd and 3rd five-year plan but could not solve the problem of unemployment. One of the earliest exercise of the Karle Committee Report (1955) which recommends the protective measure for the growth of SSI in India. Adoption of liberalization in the country the attitude of the government towards MSMEs had changed and many of the products which were exclusively manufactured by these units are deserved. No more MSMEs are treated as an Infant industry. Only a few items are kept reserved for exclusive manufacturing in the MSMEs. In the present scenario, the MSME sector faces a competitive environment due to adopting the liberalization investment regime, FDI, formation of WTO, domestic economic reform and labour market flexibility.

2.8.8 Big Push Theory (1943), by Paul Rosenstein Rodan, emphasizes that underdeveloped countries need large amounts of investment to put the economy on the path of development. The theory state that bit by bit investment will not impact the growth but it is only the wastage of resources. Rosenstein Rodan stated that whole industry which is proposed to form should be treated and planned as a massive unit. He supported his theory with three indivisibilities production function, demand and savings. A production function is defined by taking the economies of scale which requires a high optimum size of the firm. Which state that with the optimum scale of the firm investment in social overhead capital which comprises of all basic industries. Indivisibility of demand state that developing has low per capita income and purchasing power which leads to small markets. There is a need to set up a large number of industries simultaneously so that people employed in one industry demand and consume the products of other industry. Indivisibility of savings shows that for the high level of investment high level of savings is required. Domestic savings are necessary for the investment in multiple times without depending on foreign aids. The theory is linking with the present study by stating that J&K is an industrially backward state and there is need to huge investment and establishment of many new industries. There are many tiny industries are working also with the establishment of new industries and investment in these industries tiny and small industries are not ignored. Due to geographical condition and political instability in the state, there is also a need for investment in social overhead capital to promote the industrial sector in the state.

2.8.9 Walt Whitman Rostow (1960), has built a historical pattern of the developed countries and claimed that the transformation from underdeveloped or developing to develop has to pass through five stages. These stages are the traditional society, the pre-condition for take-off, the take-off, the drive to maturity and the high mass consumption. The important stage is the take-off, through which transformation of underdeveloped or developing to developed state take place. An increasing rate of investment is considered to be necessary to induce per capita growth. Like Rostow's stages of the growth model, the Harrod Domar model of growth also describes the key shift of the economy is an investment. Therefore every country has to need a huge capital to generate more investment. The main focus of Rostow, Harrod, and Domar that Investment plays a key role in the economic growth of a country. There are many weaknesses in the assumptions of these models. A single production function is simply assumed for all countries (Adelman 2000). The path of economic growth where it is assumed that same necessary conditions and have to pass through the same phase and stages historically followed by developed countries. This is not the only pathway. The development process is highly nonlinear (Chenery 1960). Countries followed different development paths (Morris and Adelman 1988). It is not necessary that economies followed every stage of Rostow growth model; they may miss stages, stopped on single-stage or regress. These depend on many other complementary factors like managerial skills, technology and availability of skilled labour for the development projects (Todaro and Smith 2009). During 1960 and 1970, economists elaborate on the development process as the structural change where the shift of labour from agriculture sector to the industrial sector was considered as a key source for economic growth.

2.8.10 Lewis (1954) has given the two-sector model, where surplus labour moved away from the agriculture sector to the industrial sector. These unlimited supplies of labour from agriculture sector get only subsistence wages. The industrial sector gets maximum profit over wages of surplus labour. These profit of industrial sector expand continuously and leads to economic growth, also this profit is reinvested. Both the transfer labour and modern sector get the benefit and leads to the expansion of output.

The competitive world demands increasing employment of labour which not only needs investment but also industries which will regenerate huge employment,

investment, profits with sustainability. Above the theory has targeted transfer of labour due to sustainable rate of wages but it lacks the question of availability of unlimited growth of labour force which is willing to get a job with higher wages etc. The imbalances of market disequilibrium due to increasing population, the modernity of industrialization which demands skilled and smart labour force and also questions related to using of technology and opportunities to invest in or the burning issues which are demanding new initiatives to develop MSME sector as per demand and supply of prevailing labour force etc.

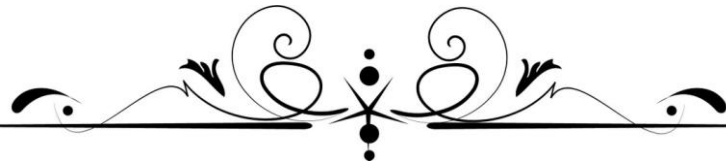
2.8.11 (Romer 1986, Lucas 1988) has given the New Growth theory where technology change is linked with the production of knowledge. The theory described that economic growth is the result of the use of knowledge instead of labour and capital. The new growth theory prescribed that the lower level of investments in education, infrastructure and Research and Development crumble the higher expected return in the Solow model. Knowledge is different from other economic factors, it can grow larger. Knowledge and innovation can be reused at zero additional cost. Therefore investment in the creation of knowledge brings sustainable growth. When the knowledge is obtained it will create the spillover positive effect on other firms also. But the theory is not more relevant in all developing economies. There are many other economic factors like infrastructure, skilled labour and inadequate goods market which limit economic growth. The new growth theory shows underperformance in developing countries like India and especially in (J&K) state. Due to geographical differences, skilled labour problem, a technological barrier, competence of market, poor investment and lack of knowledge to deal with sustainable market processes.

2.9 Conclusion

Micro, Small and Medium Enterprises play a crucial role in overall industrial development in the country. MSMEs Act-2006 is the most significant contributor in facilitating, promoting, developing and enhancing the competitiveness of micro, small and medium enterprises. MSME sector is the backbone of any country. In developing countries like India MSMEs plays a pivotal role in improving the economy of the state. Jammu and Kashmir are the most backward state of the country and it has a huge number of unemployment. Despite the presence of a large number of natural

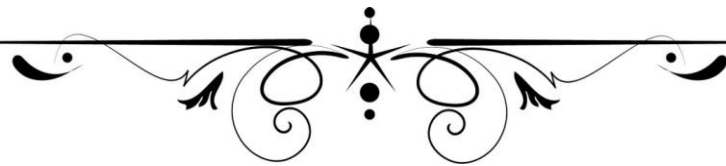
resources and raw material, the state is industrially backward. MSME sector is contributing largely to the development of the economy of the state. The first MSMEs development institute was established in 1958 in Srinagar. Khadi and village industry is the most significant part of industrial in the state. In the current scenario, the role of MSMEs is growing rapidly.

The theoretical review shows that theories are underperforming due to various gaps at different stages of enterprises processes. Most of the theories are developed in the area where the availability of skilled labour, capital, infrastructure and product markets. Contrary to these same phenomena held in India and especially J&K state in which there is a shortage of skilled labour, capital, infrastructure and markets for the product. Therefore keeping other constant we can say that these theories can be applied in a given with an advanced formation. The J&K state is industrially backward because of non-availability of skilled labour, capital, infrastructure, markets and also the geographical conditions of the state. From the above findings, the study is recommending some reforms based on the geographical condition as well as the industrial mechanism of Jammu and Kashmir State that industries should be work as per prevailing geography and according to the needs of all other factors of these industries in the state. We need special attention for the use of technology, labour, products keeping in mind demand and supply constraints of the area.



Chapter 3

Framework of MSMEs in India: An Overview



Chapter 3

Framework of MSMEs in India: An Overview

3.1 Introduction:

This chapter deals with the various Policies, Programs, New initiatives taken by Government for MSMEs development and the Institutional Support provided to the MSMEs in India. The chapter also discusses the performance of MSMEs in India.

Micro, Small and Medium Enterprises sector is globally reorganized as the highest contributor to GDP. Providing large scale employment, fostering entrepreneurship and leading growth are the key factors of the sector. MSME sector occupies a strategic importance in Indian economy. About 90 per cent of industrial units belong to this sector which employs 40 per cent of peoples. More than 8000 products both traditional and modern are produced by this sector. And it is also estimated that the Indian economy will become \$5 trillion economies by 2025. So to strengthen the MSME sector government is devising innovative Policies, Programmes, Schemes and many New Initiatives.

3.2 Historical Review of MSMEs

3.2.1 Background

Since independence government of India realized to promote the industrial sector. They had undertaken many policies to accelerate the industrial sector. The policy resolution 1948 emphasis the role of the cottage and small industries and ensure the best utilize the local resources to achieve the local self-sufficiency and provide large scale employment. The policy made clear that government will welcome the foreign capital and also it laid down the foundation of mixed economy. The industrial policy statement 1977 was introduced by Janta Government to promote the growth of cottage and small scale industries as a remedy to the widespread problem of unemployment and regional inequalities. The policy had introduced the concept of District Industries Centres (DIC) to support the cottage and small scale industries. It guarantees the supply of raw material and machinery, generates the new business ideas, maintain the

quality of products and arrange the credit facility. When the congress government returns in power they have announced the new industrial policy 1980. The policy has stress to increase the investment limit of tiny, small and ancillary units. The policy also removes the industrial location, eliminate the provisions regarding expansion and increase in private participation. Without it, various small industries services institute were established to train the youth and tools rooms were established to provide the training and make skilled. Various District Industries Centres established in all over the country.

The New Industrial Policy for small, tiny and village enterprises was led by Mr P.B. Narasimha Rao in 1991. The policy aimed to release free the industrial sector of the country from the needless bureaucrats and also introduce the liberalization to incorporate the country's economy with the world economy. The policy also eliminates the restrictions on foreign investment and makes free the domestic entrepreneur from MRTP Act restrictions. The policy has raised the ceiling limit of investment in tiny enterprises from Rs. 2 lakh to Rs. 5 lakh. Equity participation in small scale industries is 24 percent for large industries. This promotes modernization and technology up-gradation. Up to 1999 the policy worked with an appropriate manner and provides a supportive measure to develop infrastructure, technology and the quality of products. Small Industries Development Bank (SIDBI) was created to finance this sector.

To assist the problem of credit, infrastructure, technology and marketing facility a new policy "A Credit Linked Capital Subsidies Scheme" was announced in August 2000. In which a free loan is provided to small, medium and especially first hand entrepreneurs. The policy had increased the exemption of excise duties limit from Rs 50 lakhs to Rs 1 crore. Many of the products are reserved for MSE and which are gradually declined every year.

An act of Micro, Small and Medium Enterprises was passed in 2006. In which micro, small and medium enterprises are defined separately based on investment in both infrastructure and services sector. The Act had started working on 2 Oct. 2006 with the objective of promotion and development of micro, small and medium enterprises.

3.2.2 Latest Reforms in MSMEs Policies:

- A new promotional package National Manufacturing Competitiveness Council was established to ease the path of growth and pace the development of the manufacturing industry.
- Micro, Small and Medium Enterprises Development (MSMED) Act-2006 was established, as sole legislation for the development of competitiveness in MSME Sector.
- Establishment of Small Enterprises Financial Centre (SEFC) to make an association between various banks and SIDBI.
- Promotion of Credit cum Performance Rating to assist an easy flow of credit from banks to MSMEs.
- Speed up the initiatives to support the MSMEs in 11th FYP.
- Credit Guarantee Fund Scheme extended the guarantee for small enterprises.
- Promotion of technology through the Credit Linked Capital Subsidy Scheme.
- Improve the Delayed Payments to MSEs.
- Establishment of Udyog Aadhaar Memorandum (UAM) under the MSMED - Act 2006. It is a one-page online registration and has removed Entrepreneur's Memorandum (EM- I & EM-II)

3.3 MSMEs- Schemes

The business climate is an informal nature in India. The country is culturally rich from many years except it the entrepreneurs are not ready to register their business or start any new businesses. People prefer doing jobs instead for doing businesses. India is budding as a youth power which demands job opportunities. The median of the age in India is 27.6 years and it is estimated that it would be 28.2 by 2020. In this growing population and pressure of aspiring youths, the country has needed a lot of jobs to full fill their desires. So to take the age dividend advantage, the country needs to improve the business climate. Presently India rank 130 as per World Bank report of "ease of doing business" where New Zealand stood 1st rank and Singapore has 2nd rank in the ranking of 2017. The Indian government had taken various steps to promote the business by providing them with various incentives and subsidies to make the

business as part of Indian culture. Several schemes and assistance are provided by the government to entrepreneurs through different ministries. This was a revolutionary attempt to combine all the MSME related schemes under a single umbrella.

3.4 Promotional Package

From March 2007 onwards, the government of India has announced several packages for the promotion of MSMEs. These packages comprise of various schemes and programmes which help in the promotion of MSMEs in India. These include competitiveness among MSMEs, reduction of manufacturing cost, adoptions of information and communication tools, technology and marketing support, strengthen the infrastructure, quality improvement and various credit-related schemes which developed the MSME sector.

3.5 Role of Ministry of MSME

Ministry of MSMEs visualizes as a vital sector through promoting growth and development of the MSME sector. The sector also includes Khadi, Village and Coir Industries which develop with the concerned and collaboration of various ministries and departments by supporting existing enterprises and creation of new enterprises.

To supervise, administer and implementation of various MSME scheme, Ministry of MSME divided into two divisions, Small & Medium Enterprise (SME) Division and Agro & Rural Industry (ARI) Division. These are responsible for the administrative supervision of National Small Industries Corporation (NSIC) Ltd., Khadi and Village Industries Commission (KVIC), Coir Board and many other govt. and national level training institution. ARI Division also supervises the Mahatma Gandhi Institute for Rural Industrialization (MGIRI) and Prime Minister Employment Generation Programme (PMEGP).

Ministry of MSME has encouraged the state to promote the entrepreneurship, employment, opportunities and enhance the competitiveness among MSMEs in this current scenario. The implementation and process of MSMEs schemes and programmes supervise under the following subdivisions.

1. SME Division Scheme
2. DC-MSME Scheme
3. ARI Division Scheme

3.6 National Manufacturing Competitiveness Programme

Government of India has launched the National Manufacturing Competitiveness Programme for the MSMEs and it is started in the financial year 2007-2008. Ministry of MSMEs is implementing this programme to build the MSME to overcome the upcoming global competitions and face challenges. The programme aims to enhance the competitiveness among MSMEs through boosting their processes, designs technology and market access. The programme predicts the considerable investments by improving the whole value chain of the MEME sector. The programme aims to enhance the value chain of the MSMEs through the following components.

- Leans Manufacturing Competitiveness Scheme
- Promotion of Information and Communication Tools
- Technology Upgradation and Quality Certification Support
- Support for Entrepreneurial and Management Development for SMEs through Incubators
- Design Clinic Scheme for MSMEs
- Enabling Manufacturing Sector to be Competitive through Quality Management Standards and Quality Technology Tools
- Marketing Assistance and Technology Upgradation Scheme for MSMEs
- Building Awareness on Intellectual Property Rights for the MSMEs
- Setting-Up of New Mini Tool Rooms

3.6.1 Lean Manufacturing Competitiveness Scheme

Lean Manufacturing Competitiveness scheme was implemented by the Development Commissioner, Micro, Small and Medium Enterprises for the benefit of MSMEs in 11th and 12th five-year plan. The scheme aims to boost the manufacturing competitiveness of MSMEs with Lean Manufacturing techniques. The scheme was developed with a motive that it will be implemented in 500 mini clusters during 12th FYP with the project cost of Rs 240.94 crores. Lean Manufacturing Competitiveness

scheme is undertaken by MSMEs to enhance the productivity and competitiveness by reducing the wastage in manufacturing, inventory, space management and energy consumption. The Lean Manufacturing techniques also lead to better design of machines, improved process flows and reduction of transportation and manufacturing costs in MSMEs. The scheme also improve the labour training, quality of product, creation of knowledge, lower input cost and manufacturing of new products which is essential for competing at global level. Up to 2015 188 New Clusters are identified and selected for Lean Manufacturing interventions. The schemes also have been initiated in 359 units and had organized 63 Awareness Programmes. Lean Manufacturing Technology leads to increasing return to scale. That increases the productivity in enterprises, reduces per unit cost and enhanced competitiveness in the domestic and overseas market.

3.6.2 Promotion of Information and Communication Tools (ICT) in MSME Sector

The main objective of Information and Communication Tool scheme is to promote and aid the potential of MSME to improve their productivity and competitiveness at global level by adopting ICT tools and applications in the production and business processes. The ICT scheme is an on-going scheme from 11th FYP, but it has been tailored under 12th FYP in the emergence of view of Cloud Computing Concept. The total sum of the budget of the scheme during 11th FYP was 105 crores including 47.70 crores of the government of India (GOI) contribution. However, the total budget for a tailored scheme is Rs. 82.33 crore including 65.08 crores of GOI contribution. MSMEs are getting benefit through cloud computing scheme by accessing IT infrastructure including software through internet. The scheme had planned the following activities.

- To identify the potential MSME manufacturing clusters for ICT intervention.
- Setting up of E – readiness centre.
- Developing a web portal for MSME clusters.
- Skill development of MSME's employees.
- Preparation of local software solutions for MSMEs to boost their competitiveness.
- Construction of e-catalogue and e-commerce and

- Networking MSME cluster portals on the national level portals to outreach MSMEs into global markets.

3.6.3 Technology Up-gradation and Quality Certification Support to MSMEs

Quality and Technology Up-gradation is an important factor in enabling competitiveness in the manufacturing sector. Large industries are well aware of market condition and they use the quality and technology up-gradation scheme. Whereas MSMEs have limited information about the market condition and they use less capital investment to reduce the cost. So that their supplies in international market is very less which makes them uncompetitive. The main objective of this scheme is to encourage the MSMEs to adopt the quality and technology aspects in the manufacturing industry. Energy cost is an important component of the cost of the manufacturing industry. So as to reduce the cost of production MSMEs is also need to focus on energy usage. To preserve the energy resources GOI has passed an act known as Energy Conservation Act, 2001. The present scheme also has an important aim to promote and support energy resources by MSMEs. The objective of the present scheme is to encourage the MSMEs to promote the energy resources and to adopt the energy-efficient technology in manufacturing processes. This will reduce the cost of production and emissions of greenhouse gases. The 2nd objective of the scheme is to improve the quality and encourage the MSMEs to get the product certification to make the product globally competitive. The objectives of the scheme are achieved through the following activities.

- Capacity building of MSME clusters for energy efficiency/ clean environment interventions.
- Implementation of Energy Efficient Technologies (EET) in MSMEs units.
- Setting up of Carbon Credit Aggregation Centre (CCA) for the introduction and popularizing clean development mechanism in MSME clusters.

3.6.4 Support for Entrepreneurial and Managerial Development of SMEs through Incubators

The component aim of the scheme is to promote the technological and knowledge-based innovative ventures that seek to nurture the innovative business ideas which

could be commercialized in a year. These innovative ideas are fostered and developed in a supportive environment. Thus there is a need arises for Incubation Centres to promote and endorse the individual's ideas and make them technology-based entrepreneurs. Ministry of MSME is using this initiative to develop entrepreneurship and create more employment opportunities.

Various engineering and management institutes are supporting these incubators and provide a fund of Rs 6.25 lakh for new hand holder entrepreneurs. They also provide them special guidance, modern technology and various research laboratories and also workshops for their guidance and successfully launching a business.

3.6.5 Design Clinic Scheme for MSMEs

The DC-MSMEs has implemented the Design Clinic Scheme in 11th plan to enhance the design awareness in MSMEs. The main aim of the scheme is to gather the MSMEs and design experts on a dynamic platform for continuous improvement and value addition for existing products by providing them advice and solutions for real-time design problems. This scheme promotes the cluster of MSMEs and makes them advantageous. The activities under this scheme are seminars, workshops and various design projects in MSMEs.

3.6.6 Enabling Manufacturing Sector to be Competitive through Quality Management Standards and Quality Technology Tools

The schemes enable the Manufacturing sector to help the MSMEs to understand and adopt the latest Quality Management Standards (QSM) and Quality Technology Tools (QTT) to become competitive and produce a better quality of products at competitive prices. The main objective of the scheme is to improve the quality of the products in the MSME sector and install quality awareness in enterprises in this sector. The main activities under this scheme are as follows:

- Introduction of appropriate modules for technical institutions
- Organizing awareness campaigns for MSEs
- Organizing Competition Watch (C-Watch)
- Implementation of Quality Management Standards and Quality Technology Tools in selected MSMEs

- Monitoring International Study Mission, and
- Impact studies on the application of QMS/QTT.

3.6.7 Marketing Assistance and Technology Up-gradation Scheme for MSMEs

Marketing is a strategic implement for business development and critical for the magnification and survival of MSMEs. MSME sector often faces quandaries in exploring incipient markets and retaining subsisting ones, due to improper information, scarcity of resources and unorganized ways of selling. Asymmetric information in both buyer and seller related to new markets and product manufactured by MSMEs lead to a serve hindrance in the growth and survival of MSMEs in a competitive environment. MSMEs have limited resources so there is a need for institutional support for providing these inputs in the area of marketing. The main objective of the scheme is to identify and encourage the quality production and export potential MSMEs and also assist them to achieve competitiveness in the global market through technology up-gradation in packaging, skill development and development of modern marketing techniques.

3.6.8 Building Awareness and on Intellectual Property Rights for the MSMEs

In this era of globalization, Intellectual Property Rights had got special importance for the MSMEs. It enhances the competitiveness in MSMEs and achieves higher economic growth. Most of the countries had adopted the IPR scheme to protect and strengthen their industries. Indian MSMEs are also implementing the IPR to adopt the competitiveness in their business. The main objectives of the scheme are as follows:

- To boost the knowledge of IPRs among MSMEs.
- To adopt the measures and strategies for protecting their business ideas.
- To encourage the MSMEs to adopt the technology up-gradation techniques and improve the competitiveness for effective utilization of IPR.

3.6.9 Credit Guarantee Scheme for Micro and Small Enterprises

The most important problem of Micro and Small Enterprises is non-availability of timely adequate credit facilities. This is because banks avoid lending to this sector to make risk-averse due to less availability of securities with these institutions.

Credit Guarantee Scheme for MSE is established by Government of India to provide collateral-free credit for micro and small enterprises. Ministry of MSME and SIDBI have collectively established a trust namely Credit Guarantee Fund Trust for micro & small enterprises (CGTMSE) for the implementation of credit Guarantee Scheme for Micro and Small Enterprises. It facilitates easy to access credit to first-generation enterprises in the MSE sector from an organized banking sector. CGTMSE also provides a guarantee to its registered Member Lending Institutions (MLIs) against the loans of up to 100 lakh without taking any collateral security. The scheme was launched in 2000. The amount contributed to CGTMSE by Ministry of MSME and SIDBI in ratio 4:1 and Rs. 2477.78 crore amounts were contributed by trust up to May 2016. The Trust has achieved an important segment in the financial year (FY) 2016-2017. The total guarantee of 4, 52,127 accounts had approved for an amount of 19,931 crores. As 27, 72,744 had been guarantee approvals for 1, 28,787 crore on 31 March, 2017. CGTMSE always plays a positive role to full fill the needs of the MSE sectors. On 31 December 2016, Prime Minister announced to boost the Credit Guarantee Scheme and the trust improve the credit guarantee from 100 lakh to 200 lakh per borrower.

3.6.10 Credit Linked Capital Subsidy Scheme (CLCSS)

Credit Linked Capital Subsidy Scheme (CLCSS) facilitate technology up-gradation in Micro, Small and Medium Enterprises and providing a capital subsidy of 15 percent for induction of well-established and improved technology approve under this scheme. The subsidy is provided under this scheme for the purchase of plant and machinery. Maximum limit of the loan under this scheme also rose from Rs 40 lakhs to Rs. 100 lakhs and the scheme is currently implemented by 12 Nodal banks. Further modification of this scheme (CLCSS) leads to the modernization of MSMEs.

3.6.11 MSE Cluster Development Programme

Ministry of MSME had implemented the Cluster Development Programme to increase the productivity and enhance the competitiveness in Micro and Small Enterprises. A cluster defined the group of enterprises located or identifies in a given area. The important features of the Cluster Development Programme are similarity in all the programmes like similar methods of production, similar technology and marketing strategies and common challenges in all enterprises.

3.6.12 Rajiv Gandhi Udyami Mitra Yojana (RGUMY)

Rajiv Gandhi Udyami Mitra Yojana was launched on 7th Feb. 2008 in 11th FYP. This scheme is for the promotion hand handholding of micro, small and medium enterprises. The scheme aims to develop, uplift and support first-generation entrepreneurs of micro and small enterprises.

3.7 New Schemes of the Government

3.7.1 Scheme of Fund for Regeneration of Traditional Industries (SFURTI)

Khadi and Village Industries Commission (KVIC) and Coir Board had implemented Scheme, Scheme of Fund for Regeneration of Traditional Industries (SFURTI), to arrange the traditional and artisans into a group, provide them long term sustainability, support and make them competitive. The scheme is revamped in 1st Aug. 2014 with an outlay of Rs 149, 44. The future aim of the scheme is 800 new cluster of KVI and Coir Industries will be set up with an outlay of 850 crores to masking 4 lakh artisans.

3.7.2 Stand Up India Scheme

Stand up India scheme has been launched on 5th April 2016 to promote entrepreneurship among women and SC/ST's. The scheme was launched to facilitate bank loans between Rs 10 lakh to Rs 100 lakh in which at least one SC/ST borrower and one women borrower is there in each bank. The scheme is launched to facilitate the problems of SC/ST and women's in getting the loan and other support to start and enterprise.

3.7.3 A Scheme for Promoting Innovation and Rural Entrepreneurship (ASPIRE)

A Scheme for Promoting Innovation and Rural Entrepreneurship (ASPIRE) was launched in 2015, to set up a system of technology centres and incubation centres. The centres were established to speed up the entrepreneurship and start-up for innovation and entrepreneurship in the agro-based industry.

3.8 MSME Scheme Division Wise Data

Ministry of MSME has allocated fund for all the above schemes of Micro, Small and Medium Enterprises under the three subdivisions, Small and Medium Enterprises (SME) Division (NSIC, EDCs), Agro and Rural Industries (ARI) Division (KVIC, Coir Board, MGIRI, SFURTI) and Development Commissioner (DC-MSME) Schemes. These are presented below with data and graph.

Table 3.1 MSMEs Division Wise Budget Allocated and Expenditure in India

Items	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
SME Division								
Budget Estimate	326.02	237.00	296.83	200.00	143.82	160.73	106.20	143.03
Expenditure	300.12	205.34	263.63	192.42	131.11	121.50	94.69	135.61
Gap	34.88	31.66	33.20	7.58	12.71	39.23	11.51	7.42
ARI Division								
Budget Estimate	1537.68	1588.30	1463.74	1500.00	1744.18	1717.54	2517.71	3488.4
Expenditure	1289.00	1488.60	1257.99	1427.08	1655.03	1686.39	2249.67	3578.28
Gap	248.68	99.7	205.75	72.92	89.15	31.54	268.04	-89.88
DC (MSME)								
Budget Estimate	593.30	716.65	839.43	800.00	732.00	3107.93	3858.05	3074.08
Expenditure	430.43	542.53	759.53	771.69	661.42	1365.12	3877.82	2921.18
Gap	162.87	174.12	79.9	28.31	70.58	1742.81	763.57	124.21
Total								
Budget Estimate	2457.00	2541.95	2600.00	2500.00	2620.00	4986.20	6481.96	6552.61
Expenditure	2019.55	2236.47	2281.15	2389.90	2447.56	3173.01	6222.18	6510.86
Gap	437.45	305.48	318.85	110.0	172.44	1813.19	259.78	41.75

Source: India stat, MSME Report 201-19

Table 3.5 shows the gap between expenditure and budget in three different divisions from 2011 to 2018. The above figure 3.2 shows the gap between budget and expenditure and shows that how much budget is not invested. The SME Division has

fewer gaps as compared to the other two divisions. One more thing is common that all the three divisions have fewer gaps and in 2011-12 to 2015-16. The figure shows that DC-MSME division shows the highest gap in 2016-17 and it is also higher in 2017-18 from others but not much earlier. In SME division the gap is very low and it is almost similar over the years. It means the budget which is allocated by the government for these MSMEs schemes in all the division is not properly utilized on the ground level. Many of the programmes and schemes are failed due to improper utilization of funds at the ground level. MSMEs are facing many problems related to finance due to corruption and mismanagement between funds allocation and expenditure.

3.9 Policies, Schemes and Incentives of MSME in J&K

Jammu and Kashmir remained an industrial backward state due to ambiguous polity, poor connectivity with other states. To set up a business and industries is just the endeavour of the people of J&K state due to less exposure in the field. The main causes of its backwardness are superficial markets, poor connectivity and less economic sources. People of the state are mostly keen interested in the government sector. They preferred to join government jobs instead of business. Devoid of industrial area in the state people have less opportunities of private jobs, therefore they prefer government sector. People have mind-set that the government sector has job security and only source to survive it is the main reason the economy of the state J&K is comparatively less than others. One of the main causes of its backwardness is the tense situation of the valley due to terrorism, frequently strikes, stone-pelting and shelling remains of loss in industrialization.

Despite all these issues Jammu and Kashmir is on the path of industrialization in a modest way. Many small and medium scale industries is arising basically in the traditional sector along with some new areas like food processing, agro-based units and metallic and non-metallic products. Industrial development always remained a thrust area in the government agenda. Government try to provide efficient infrastructure, skilled human resources, stable environment and good governance which are primarily needed for creating a proper investment environment for sustainable industrial growth. Dispersal of industries to the underdeveloped areas in the state through the creation of necessary infrastructure and providing financial incentives is focused.

The industrial sector of the state is confined to small and medium scale industries and is dominated by small scale industries. The large scale industries and heavy industries are almost ignored. This slothful industrial growth is mainly attributed to a lack of sufficient infrastructure and geographical location of the state. The cost of raw materials and transportation adds to manufacturing cost. The main reason for lagging in large and heavy industrialization is that it cost more to set a big plant if we see there is abundant of raw material but only lack of machinery and poor connectivity. To offset the above-mentioned disadvantages continuous support is being provided to industrial sector special to small scale industries by both the central and state government.

1. In 1971 for the first time, the state government was made to have its industrial policy, on the line of industrial policy of the central government.
2. The industrial policy was modified and amended several times until 2004.
3. Then the new industrial policy was implemented in the J&K state which was amended up to 31st March 2015. Under which special packages were provided by both central and state government to encourage and raise the industrial activity in the state.

Jammu and Kashmir Industries and Commerce department had formulated a New Industrial Policy-2016, under the chairmanship of Governor N.N. Vohra. The policy will work up to 31st March 2026. The aim of the Industrial Policy-2016, employment generation, full utilization of available resources, promotion of labour-intensive industries (Handloom and Handicraft) and promote the Hi-tech industries. Also one of the objectives of the industrial policy-2016 is to make the business-friendly environment through 'Ease of Doing Business' and achieve the goal of Make in India Programme. The targets of the policy are to attract then investment of at least Rs 2000 crore per annum, create over 15000 direct and indirect employment through up-gradation and establishment of new industries and the creation of a land bank of 20,000 kanals across the state (J&K Industrial Policy-2016).

3.9.1 Subsidies and Tax Incentives in J&K

Subsidies and tax incentives are the two important measures found in most of the government industrial policies. Subsidies and tax incentives are the main policy tools

at government disposal that link the internal efforts of firms with public funding stimulus. To stand the business in backward regions can lead to an increase in employment and capital investments. There are at least two reasons to suspect positive connections to stand the business and productivity.

1. A subsidy facilitates the advancement in technology to increase productivity.
2. As the subsidies help the firm to full use of economies of scale it will lead the productivity (Bergstrom-2000).
3. A tax incentive (not govt.) decides the distribution of investment in different sectors and shows fewer hindrances in the market.

The Industrial sector in state Jammu and Kashmir get two kinds of incentives packages, one is Central Package which is provided by Central Government and 2nd is State Package which is provided by State Government. (MSME-DI, J&K-Annual Report, 2012-13).

3.9.2 Central Packages

Government of India (Central Government) is providing lots of incentives and subsidies to the states for the promotion of the industrial sector in the state. The central government is providing subsidies to the J&K state. The special packages provided by the central government to Jammu and Kashmir are similar to packages of North East Region. However, under Capital Investment Scheme 15 per cent of the subsidy provided to J&K in plant and machinery subject to a maximum of Rs 30 lakh. Furthermore, 3 per cent interest subsidy on the working capital limit and 100 per cent insurance which covers the industrial units. Except this many incentives are also provided by the central government in which 90 per cent transport subsidy tax incentives and 100 per cent excise duty refund.

3.9.3 State Packages

With the central state government is also providing various subsidies to the state for the promotion and development of the industrial sector. In which 100 per cent subsidy on purchase of new diesel generating sets and installation of quality testing equipment whose limit is up to Rs 25 lakh. However, a 75 per cent subsidy on Research and

Development and 30 per cent capital investment subsidy on land building plant and machinery subject to the limit of Rs 30 lakh. J&K also getting the incentives like Toll tax exemption on import and export, exemption of central sales tax and VAT.

3.10 Performance of Various Programmes and Schemes of MSMEs

3.10.1 Number of Awareness Programmes Organised

State / Union-Territories wise number of awareness programmes organised under Lean Manufacturing Scheme, Quality Management Standard / Quality Technology Tools and Intellectual Property Facilitation Centre in 2014-15 and 2015-16 is mentioned in a given table.

Table 3.2 Number of Awareness Programmes Organized Under different schemes

State/ Union Territories	Lean Manufacturing Competitiveness Scheme		Quality Management Standards / Quality Technology Tools		Intellectual Property Facilitation Centre (IPFC)	
	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16
Andhra Pradesh	17	01	6	3	0	2
Arunachal Pradesh	0	0	0	0	0	0
Assam	4	3	7	2	0	2
Bihar	12	0	6	6	2	7
Chhattisgarh	0	0	4	2	0	1
Goa	0	0	2	1	1	1
Gujarat	29	17	6	4	1	1
Haryana	36	18	3	5	2	4
Himachal Pradesh	6	7	4	4	0	1
Jammu & Kashmir	0	2	2	1	0	2
Jharkhand	6	2	2	5	1	1
Karnataka	16	5	6	4	0	5

Kerala	7	2	2	2	0	5
Madhya Pradesh	8	18	6	3	0	2
Maharashtra	35	29	7	7	0	6
Manipur	0	1	1	0	0	0
Meghalaya	0	1	1	0	0	0
Mizoram	0	3	0	0	0	0
Nagaland	0	1	1	1	0	0
Odisha	21	10	6	4	0	7
Punjab	20	26	3	5	1	2
Rajasthan	26	7	5	3	0	3
Sikkim	0	1	2	1	0	0
Tamil Nadu	45	11	3	4	3	6
Telangana	5	1	0	2	0	0
Tripura	0	1	0	0	0	0
Uttar Pradesh	11	26	7	9	8	4
Uttarakhand	15	3	2	2	2	0
West Bengal	26	9	3	4	0	3
Union Territories						
Andaman and Nicobar	0	0	0	0	0	-
Chandigarh	0	1	0	0	0	-
Dadra and Nagar Haveli	0	0	0	0	0	-
Daman & Diu	0	1	0	0	0	-
Delhi	9	6	1	3	0	4
Lakshadweep	0	0	0	0	0	-
Pondicherry	0	0	0	0	0	0
Total	354	213	98	8	21	69

Source: Ministry of Micro, Small and Medium Enterprises

Table 3.2 shows the state-wise number of Awareness programme organised by the government of India under various MSME schemes in 2014-2015 and 2015-16. Under Lean Manufacturing Competitiveness scheme most of the programmes are organised in Tamil Nadu state (45), than Haryana 36 and Maharashtra (35), in 2014-15 but in Jammu and Kashmir not a single programme is organised. Whereas in 2015-16, most

of the programmes organised in Maharashtra (29), Punjab (26) and Uttar Pradesh (26) but again in Jammu and Kashmir, only two programmes are organised. Similarly, in 2014-15, the government has organised programmes under Quality Management Standard / Quality Technology Tools scheme and highest programmes organised under this scheme is 7 in Uttar Pradesh, Maharashtra and Assam but in Jammu Kashmir, only 2 programmes are organised. Whereas in 2015-16, the government has organised highest programmes in Uttar Pradesh (9) and Maharashtra (7) under Quality Management Standard / Quality Technology Tools scheme but Jammu and Kashmir only one programme is organised. Under Intellectual Property Facilitation Centre, the government has organised various programmes and in 2014-15 highest programmes are organised in Uttar Pradesh (9) and in Jammu Kashmir, no any programme is organised. Whereas in 2015-16, the government has organised the highest programme in Odisha (7) and Bihar (7) states but in J&K only single programme is organised.

3.10.2 Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)

Ministry of MSMEs and SIDBI together established a trust CGTMSE to avail the free credit to the micro and small enterprises. States and Union Territories wise number of credit proposal approved and amount approved under CGTMSE scheme is as follows:

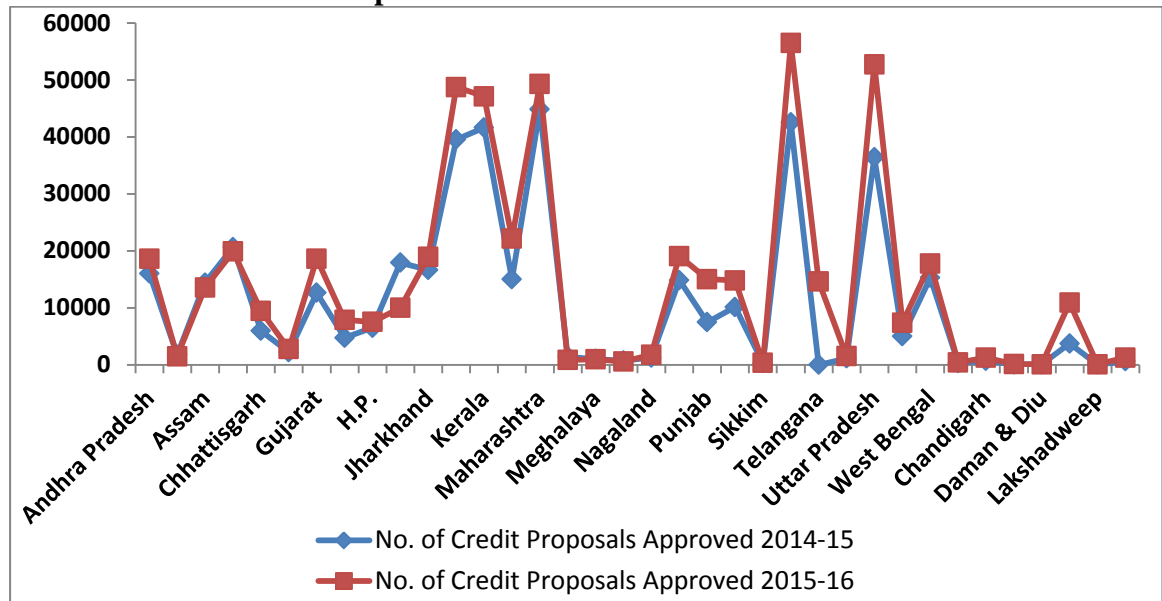
Table 3.3 Credit Guarantee Fund Trust for Micro and Small Enterprises

States / Union Territories	No. of Credit Proposals Approved		Approved Amount (in Rs. crore)	
	2014-15	2015-16	2014-15	2015-16
Andhra Pradesh	16043	18627	787.12	392.92
Arunachal Pradesh	1749	1482	73.76	57.70
Assam	14405	13543	512.29	378.75
Bihar	20650	19878	1028.17	877.10
Chhattisgarh	5945	9468	336.77	282.50
Goa	2204	2736	129.07	125.54
Gujarat	12632	18636	1209.63	1210.52
Haryana	4748	7896	437.94	400.10
Himachal Pradesh	6481	7533	371.14	291.40

Jammu & Kashmir	17912	10005	360.85	242.38
Jharkhand	16653	18935	1145.49	898.56
Karnataka	39561	48731	2248.17	2345.11
Kerala	41624	47120	1124.74	932.79
Madhya Pradesh	14999	22150	821.34	1015.46
Maharashtra	44835	49279	2668.7	2551.17
Manipur	1389	849	31.44	27.62
Meghalaya	1000	976	43.21	31.36
Mizoram	717	569	27.29	14.82
Nagaland	1251	1765	35.46	41.15
Odisha	14845	19060	783.84	710.17
Punjab	7458	15016	533.99	485.75
Rajasthan	10145	14796	793.13	580.29
Sikkim	304	335	13.67	15.88
Tamil Nadu	42557	56472	1720.44	1784.91
Telangana	-	14636	-	578.97
Tripura	1111	1512	42.48	38.42
Uttar Pradesh	36418	52739	2050.09	1815.52
Uttarakhand	5011	7387	270.26	277.19
West Bengal	15273	17792	997.69	781.04
Union Territories				
Andaman and Nicobar	299	385	19.21	18.74
Chandigarh	669	1246	66.75	45.00
Dadra and Nagar Haveli	73	100	17.78	23.70
Daman & Diu	80	76	20.75	25.18
Delhi	3719	10899	529.83	623.16
Lakshadweep	56	88	2.01	2.67
Pondicherry	606	1261	20.33	25.87
Total	403422	513978	21274.83	19949.39

Source: Ministry of Micro, Small and Medium Enterprises

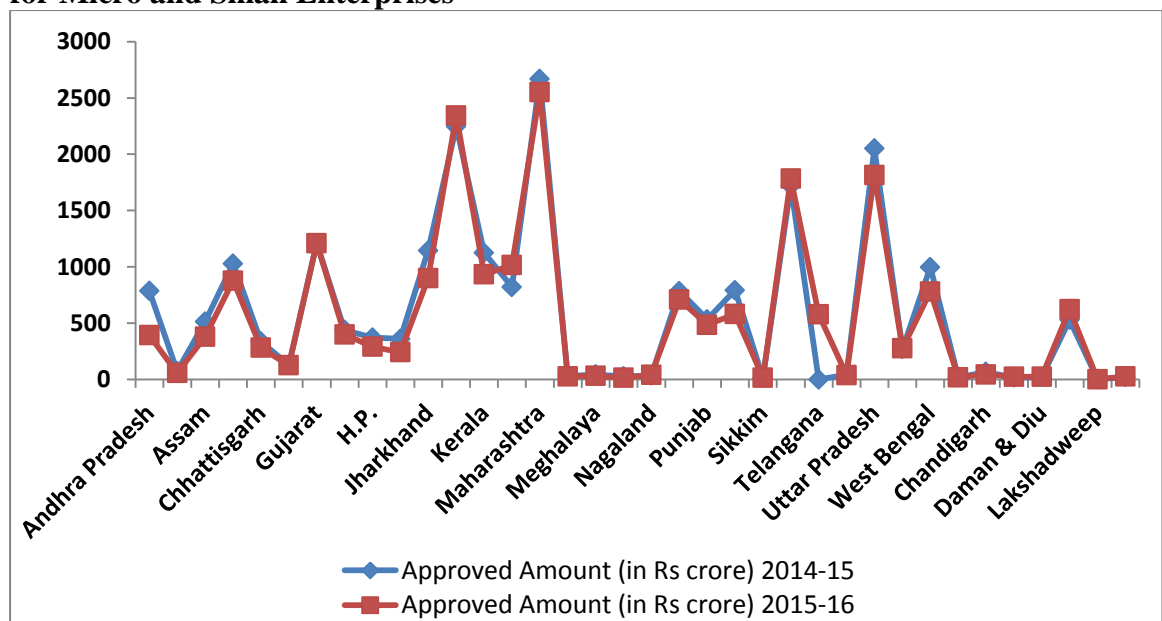
Figure 3.1 No. of Credit Proposals Approved under Credit Guarantee Fund Trust for Micro and Small Enterprises



Source: Computed by Researcher

In table 3.3 and Figure 3.2 shows that under Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) scheme number of credit proposal approved highest in Maharashtra (44835) and then Tamil Nadu (42557) in 2014-15 whereas in Jammu and Kashmir it is (17912). Similarly in 2015-16, it is highest in Tamil Nadu (56472) and then Maharashtra (49279) whereas in J&K it is (10005).

Figure 3.2 Approved Amount (Rs. crore) under Credit Guarantee Fund Trust for Micro and Small Enterprises



Source: Computed by Researcher

In table 3.3 and Figure 3.2 shows that under Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) scheme number of the amount approved highest in Maharashtra is Rs 2668.7 crore and then Karnataka Rs 2248.17 crore in 2014-15 whereas in Jammu and Kashmir it is Rs 360.85 crore. Similarly in 2015-16, it is highest in Maharashtra is Rs 2551.17 crore and then Karnataka Rs 2345.11 crore, whereas in Jammu and Kashmir it is Rs 242.38 crore.

3.10.3 Number of MSMEs Benefited under Various Schemes

State and Union Territories a wise number of MSMEs benefited under the Credit Linked Capital Subsidy Scheme, Marketing Assistance and Technology Up-gradation scheme, Design Clinics Scheme and ISO 9000/14001 Certification Reimbursement Scheme in 2014-2015 and 2015-16.

Table 3.4 Number of MSMEs Benefited under Various Schemes

State/ Union Territories	Credit Linked Capital Subsidy Scheme		Marketing Assistance and Technology Up-gradation		Design Clinics Scheme		ISO 9000/14001 Certification Reimbursement Scheme	
	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16
Andhra Pradesh	129	38	16	3	0	0	99	90
Arunachal Pradesh	0	0	0	0	290	59	-	0
Assam	0	4	0	0	14	0	0	1
Bihar	0	4	30	13	566	84	7	0
Chhattisgarh	59	38	0	0	1485	83	0	0
Goa	6	2	0	0	71	0	0	0
Gujarat	3060	2046	8	7	1	0	442	481
Haryana	512	314	2	6	0	60	18	23
Himachal Pradesh	8	2	5	7	225	0	18	10
Jammu & Kashmir	0	0	0	0	0	2	0	8
Jharkhand	15	16	0	0	95	0	4	2
Karnataka	491	318	21	24	312	18	76	82
Kerala	33	20	70	0	238	36	6	23

Madhya Pradesh	42	31	22	30	1	57	1	3
Maharashtra	1201	976	5	81	0	67	59	74
Manipur	0	0	-	2	209	3	-	0
Meghalaya	0	0	0	0	165	30	-	0
Mizoram	0	0	0	0	101	17	-	0
Nagaland	0	0	0	1	0	0	1	0
Odisha	19	7	27	15	180	1	4	7
Punjab	561	447	32	33	78	6	30	15
Rajasthan	362	240	3	2	0	0	22	8
Sikkim	0	0	0	0	119	0	0	0
Tamil Nadu	377	228	19	0	0	0	92	41
Telangana	31	80	0	0	82	10	-	0
Tripura	1	0	0	0	15	14	0	0
Uttar Pradesh	174	129	26	54	1	0	23	33
Uttarakhand	17	14	0	0	121	4	13	11
West Bengal	27	27	73	25	341	41	55	27
Union Territories								
Andaman and Nicobar	0	0	0	0	30	0	-	0
Chandigarh	22	14	0	0	128	7	-	0
Dadra and Nagar Haveli	24	8	0	0	75	1	-	0
Daman & Diu	25	22	0	0	86	71	-	0
Delhi	47	22	0	0	57	3	0	23
Lakshadweep	0	0	0	0	1	133	-	0
Pondicherry	3	0	0	0	319	60	-	0
Total	7246	5047	359	303	5406	867	970	962

Source: Ministry of Micro, Small and Medium Enterprises

Table 3.4 shows the state and Union Territories a wise number of MSMEs benefited under Credit Linked Capital Subsidy Scheme, Marketing Assistance and Technology Up-gradation scheme, Design Clinics Scheme and ISO 9000/14001 Certification Reimbursement Scheme in 2014-2015 and 2015-16. Under the Credit Linked Capital

Subsidy Scheme in 2014-15, most of the MSMEs are benefited in Gujarat state (3060) and then Maharashtra (1201) but in Jammu and Kashmir not a single MSME is benefited. Whereas, in year 2015-16 most of the MSMEs are benefited in Gujarat (2046) and Maharashtra (976) but no any MSME is benefited in Jammu and Kashmir. Similarly, in 2014-15, MSMEs benefited under Marketing Assistance and Technology Up-gradation scheme, are highest in Maharashtra (81) and Uttar Pradesh (54) but not a single MSME is benefited in Jammu Kashmir. Whereas in 2015-16, MSMEs benefited under Marketing Assistance and Technology Up-gradation scheme, are highest in West Bengal (73) and Kerala (70) but in Jammu Kashmir, no any MSME is benefited. Under Design Clinics Scheme, MSMEs benefited in 2014-15 highest in Chhattisgarh (1485) and Jammu Kashmir no programme is organised. Whereas in 2015-16, MSMEs benefited in Design Clinics Scheme is highest in Lakshadweep (133) and Bihar (84) states but in J&K only two MSMEs are benefited under this scheme. And MSMEs benefited under ISO 9000/14001 Certification Reimbursement Scheme in 2014-15 are highest in Gujarat (442) and Andhra Pradesh (99) but no any programme is organised in Jammu and Kashmir. Similarly in 2015-16, MSMEs benefited under ISO 9000/14001 Certification Reimbursement Scheme are highest in Gujarat (481) and Andhra Pradesh 90 whereas in Jammu and Kashmir only 8 MSMEs are benefited.

3.11 Performance of MSMEs in India

Micro, Small and Medium Enterprises play a significant role in social and economic development of a country like India. It promotes entrepreneurship development and develops the industrialization in the country through promotion of labour-intensive industries, un-skilled labour and economic efficiency. It uses low capital and stimulates the growth of indigenous industries by the proper utilisation of local and natural resources. Therefore development of MSMEs leads to economic development of a country.

3.11.1 Introduction

MSMEs are considered as an engine of economic growth in the worldwide economies. Today World Bank is helping worldwide millions of MSMEs through financial services to enhance the employment and income. It plays an enormous role

in India by generating employment, reducing cost and developing entrepreneurship. According to NSS-73rd round during the period 2015-16, 633.88 lakh independent MSMEs in the country are engaged in Manufacturing 196.64 lakh (31 percent), Trade 230.35 lakh (36 percent) and 206.87 lakh (33 percent) in other services. The report also shows that India MSMEs are creating 11.10 crore jobs out of which 360.41 lakh in manufacturing sector, 387.18 lakh in trade sector and 368.89 in other services in both rural and urban India.

3.11.2 Contribution of MSMEs in Indian Economy

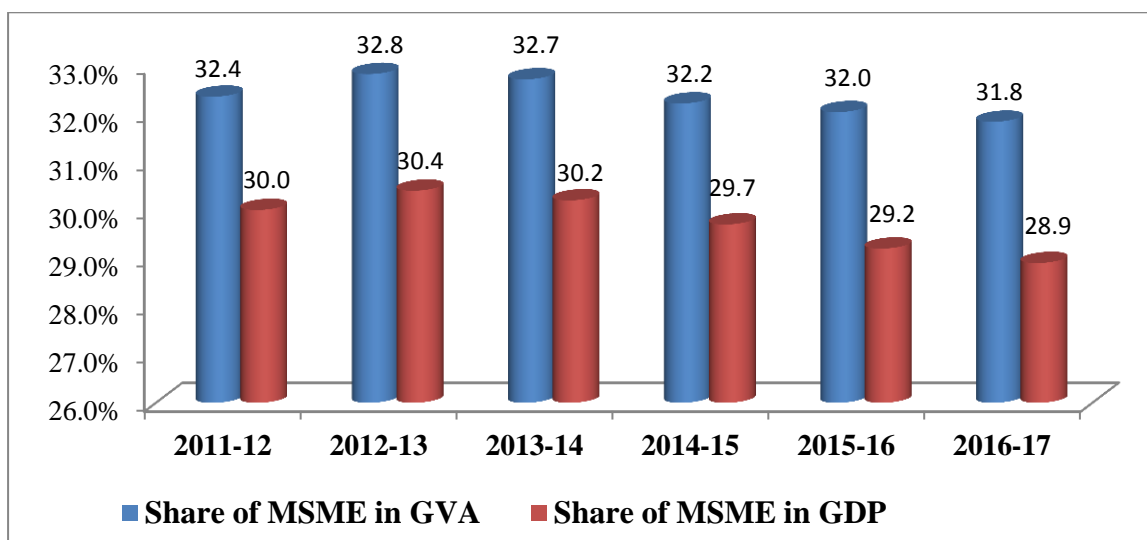
The Micro, Small and Medium Enterprises (MSMEs) have been contributing significantly to the expansion of entrepreneurial endeavours through business innovations. The MSMEs are widening their domain across sectors of the economy, producing a diverse range of products and services to meet demands of domestic as well as global markets.

Table 3.5: Contribution of MSMEs in Country's Economy at Current Price

Year	Share of MSME in GVA	Share of MSME in GDP
2011-12	32.35 percent	30.00 percent
2012-13	32.82 percent	30.40 percent
2013-14	32.71 percent	30.20 percent
2014-15	32.21 percent	29.70 percent
2015-16	32.03 percent	29.20 percent
2016-17	31.83 percent	28.90 percent

Source: CSO, MSMEs Annual Report 2018-19

The table 3.5 and figure 3.3, shows the percentage share of MSMEs in the country's GVA and GDP. The table shows that in 2012-13 the MSME sector recorded the highest share in GVA (32.8 percent) and GDP (30.4 percent). However, there is almost a similar pattern of MSMEs share in GVA and GDP of the Indian economy.

Figure: 3.3; Percentage share of MSMEs in-country GVA and GDP

Source: Computed by Researcher

Figure 3.3 highlight, the year-wise share of MSMEs in economic GVA and GDP. It is clear from the figure that the overall pattern is similar from 2011-12 to 2016-17 in both GVA and GDP in India.

3.11.3. Estimated Number of MSMEs in India

Table 2.1 shows the Activity wise Estimated Number of MSMEs units and it is clear that the highest percentage share of MSME units is in the manufacturing sector with 58.08 per cent in rural areas and 42.0 per cent in urban areas.

Table 3.6; Activity wise Estimated Number of MSMEs units

Activity	Rural	Urban	Total
Manufacturing	114.14	82.5	196.65
	58.0 %	42.0 %	100 %
	35.1 %	26.6 %	31.0 %
Trade	108.71	121.64	230.35
	47.2 %	52.8 %	100 %
	33.5 %	39.2 %	36.3 %
Other Services	102	104.85	206.85
	49.3 %	50.7 %	100 %
	31.4 %	33.8 %	32.6 %
Total	324.85	309.99	633.85
	51.3 %	48.9 %	100 %
	100 %	100 %	100 %

The first row has frequencies (in lakh); the second row has row percentages and the third row has column percentages

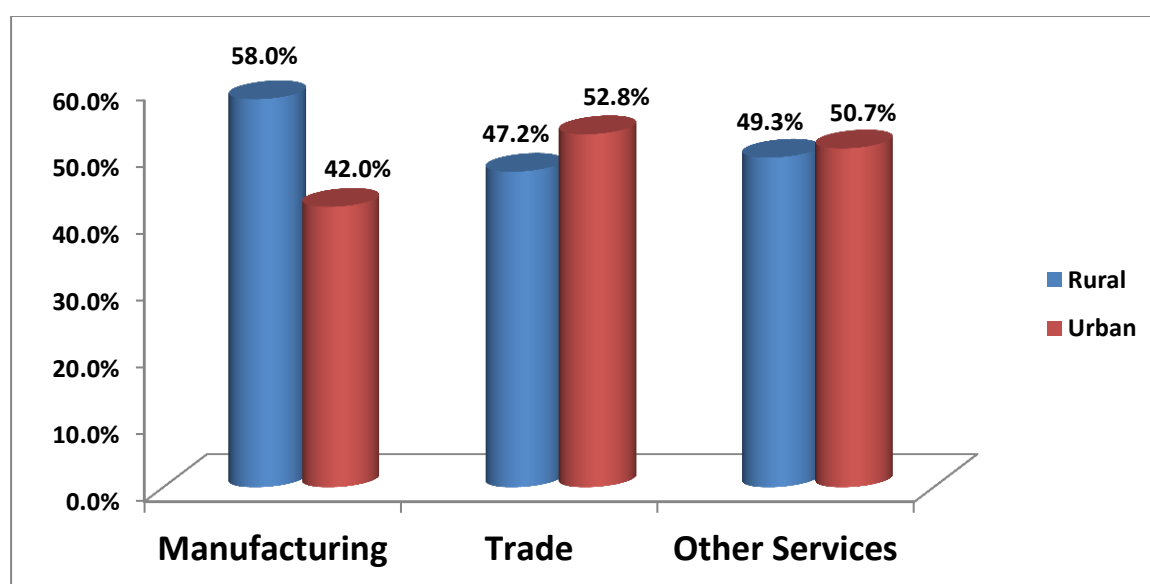
Source: National Sample Survey 73rd Rounds

Table 3.6 also highlights that the first row in the table shows the frequency wise activity distribution of MSMEs in rural and urban areas in India. Row second and third shows the row and column-wise percentage above frequency. The table shows that 35.1 percent MSMEs are engaged in manufacturing activity in rural area, 33.5 percent in trade and 31.4 percent are in other services in rural area. Whereas in urban area 26.6 percent of MSMEs are engaged in manufacturing activity, 39.2 percent in trade activity and 33.8 percent in other services activities. It shows that most of the MSMEs are engaged manufacturing activities of are in rural area and trade activities in urban area. Trade and other services activity of MSMEs is engaged in urban India. The overall participation of MSMEs in the rural area is more than the urban area.

3.11.4 Activity wise percentage distribution of MSMEs units in Rural and Urban Area.

The present section explores the activity-wise percentage distribution of MSMEs units in Rural and Urban areas in India. Therefore, the table 2.2 shows that the Micro sector with 630.52 lakh estimated enterprises accounts 99 percent of total estimated number of MSMEs in India., while, the Small sector with 3.31 lakh and Medium sector with 0.05 lakh accounts 0.52 percent and 0.01 percent of total estimated MSMEs in India. The table 2-3 depicts the distribution of different categories of enterprises in rural and urban areas.

Figure 3.4; Percentage of MSMEs units engaged in Urban and Rural



Source: Computed by Researcher

Figure 3.4, shows that out of 633.88 estimated number of MSMEs, 324.88 lakh MSMEs (51.3 percent) were in the rural area and 309 lakh MSMEs (48.9 percent) were in the urban areas.

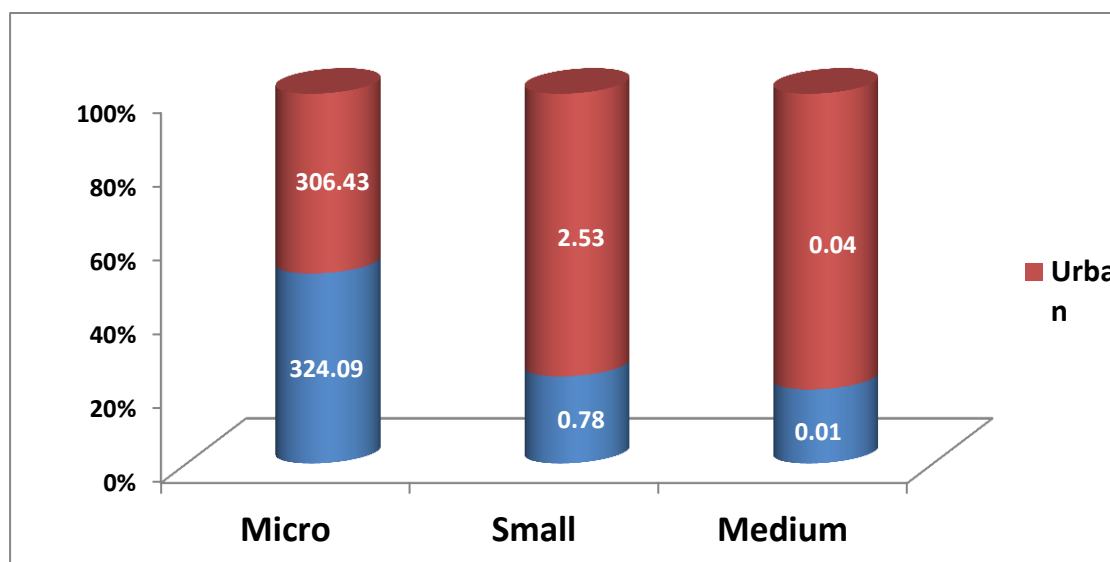
Table 3.7: Distribution of MSMEs in Rural and Urban (in Lakhs)

Sector	Micro	Small	Medium	Total
Rural	324.09	0.78	0.01	324.88
Urban	306.43	2.53	0.04	309
Total	630.52	3.31	0.05	633.88

Source: MSMEs Annual Report 2017-18 & 2018-19

Table 3.7 shows that the Micro sector with 630.52 lakh estimated enterprises accounts for more than 99 percent of the total estimated number of MSMEs. A small sector with 3.31 lakh and Medium sector with 0.05 lakh estimated MSMEs accounts for 0.52 percent and 0.01 percent of total estimated MSMEs, respectively. Table 2-3 depicts the distribution of different categories of enterprises in rural and urban areas.

Figure 3.5: Estimated Number of MSMEs in Rural & Urban (in Lakh)



Source: Computed by Researcher

Figure 3.5, depicts that Micro Enterprises are maximum in both Rural & Urban area of the country, then small and medium enterprises are very less. It shows Micro enterprises are 630.52 (in which 324.09 are in Rural area and 306.43 in the Urban area), Small enterprises recorded 3.31 (in which 0.78 lies in Rural area and 2.53 in the

Urban area) and Medium enterprises show 0.01 lies in Rural area and 0.04 in the Urban area). The figure 2.3 shows that more number of Micro enterprises are lies in Rural area (324.09) and fewer lies in the Urban area (306.43), whereas in case of Small and Medium enterprises very less number of enterprises are lies in Rural area and most of the enterprises lie in Urban area.

3.11.5 Male and Female Ownership in MSMEs

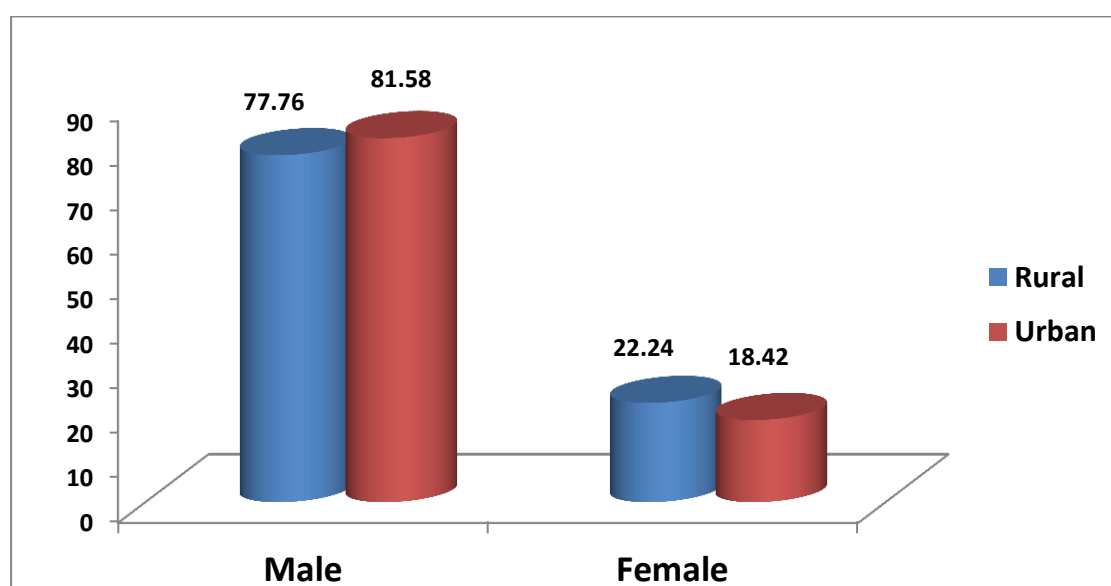
The present section explores the male, female wise ownership of MSMEs in India and the table shows that out of 633.88 lakh MSMEs, 608.41 lakh (95.98 percent) MSMEs were proprietary enterprises. There has been an overwhelming predominance of male owners in proprietary MSMEs. Thus, for proprietary MSMEs as a whole, male-owned 79.63 percent of enterprises as compared to 20.37 percent owned by female. There is no significant deviation in this pattern in urban and rural areas, although the dominance of male-owned enterprises was slightly more pronounced in urban areas as compared to rural areas (81.58 percent as compared to 77.76 percent), as shown in table 2.3 and figure 2.3

Table 3.8, Gender wise distribution of MSMEs Ownership in Rural and Urban

Sector	Male	Female	Total
Rural	77.76 %	22.24 %	100 %
Urban	81.58 %	18.42 %	100 %
Total	79.63 %	20.37 %	100 %

Source: MSMEs Annual Report 2017-18 & 2018-19

Figure 3.6, Gender wise distribution of MSMEs in Rural & Urban



Source: Computed by Researcher

Table 3.8 and Figure 3.6 shows that male dominance in ownership has been more pronounced for small and medium enterprises with 95 percent or more enterprises being owned by them, as compared to micro-enterprises where 77.76 percent were owned by males.

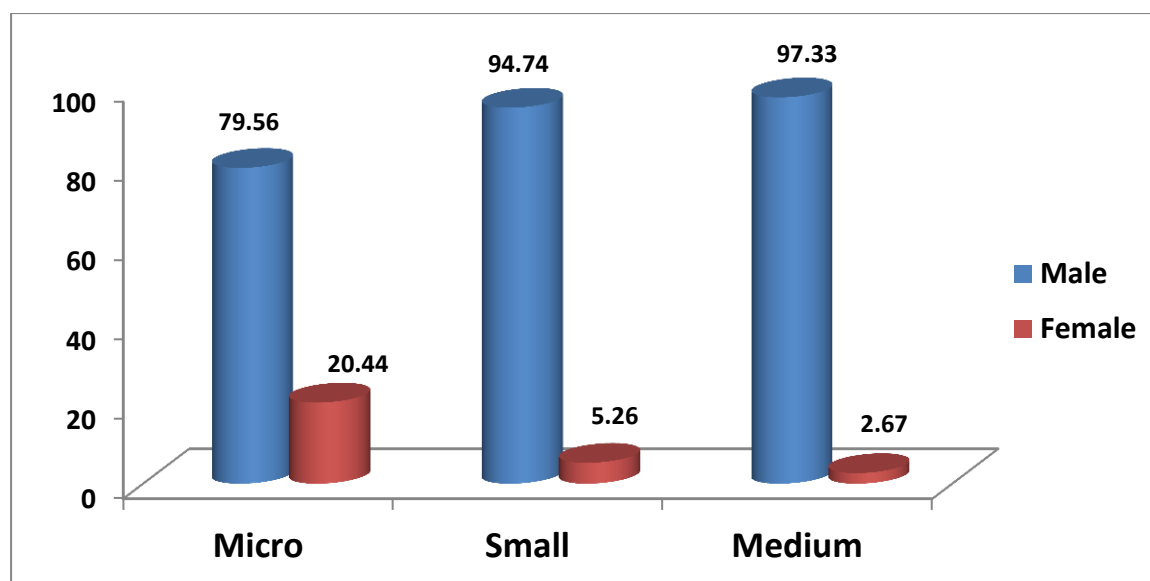
3.11.6. Gender wise distribution of Micro, Small and Medium Enterprises

Table 3.9 Gender wise distribution of Micro, Small and Medium Enterprises

Sector	Male	Female	Total
Micro	79.56	20.44	100
Small	94.74	5.26	100
Medium	97.33	2.67	100
Total	79.63	20.37	100

Source: MSMEs Annual Report 2017-18 & 2018-19

Figure 3.7, Category wise distribution of Enterprises with Gender



Source: Computed by Researcher

Table 3.9 and Figure 3.7, shows that male ownership in Micro Enterprises is 79.56 percent whereas the female has 20.44 percent, male ownership in small enterprises is 94.74 percent and the female has 5.26 percent ownership, similarly male ownership in Medium Enterprises is 97.33 percent which is highest and female ownership is 2.67 percent which is lowest.

3.11.7. Social Category wise ownership of Enterprises

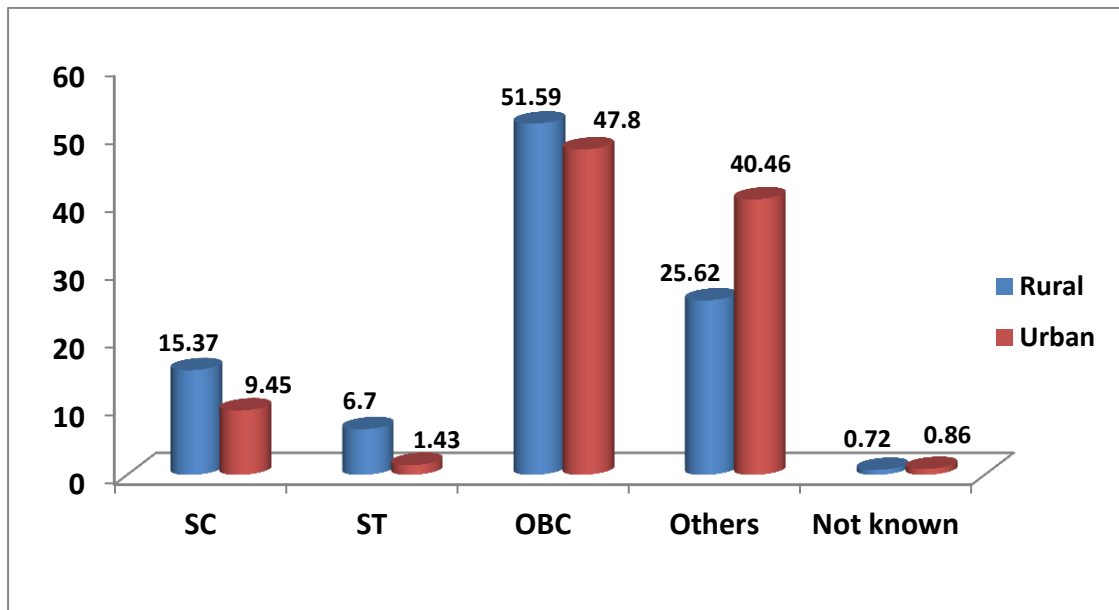
The present section explores the social category wise of ownership in India and the table highlights that the highest number of enterprises in rural areas are owned by OBC category i.e. 25.62 lakh enterprises, and the lowest is among the ST category, which comprises only 6.70 lakh enterprises only. Similarly, in case of urban areas, the highest number of enterprises is also belonging by OBC category which comprises 47.80 lakhs, followed by 40.46 lakhs by other category and the lowest ownership is among the ST category, which comprises only 1.43 lakh enterprises.

Table 3.10, Social Category Wise percentage ownership of Enterprises

Sector	SC	ST	OBC	Others	Not known	Total
Rural	15.37	6.70	51.59	25.62	0.72	100
Urban	9.45	1.43	47.80	40.46	0.86	100
Total	12.45	4.10	49.72	32.95	0.79	100

Source: MSMEs Annual Report 2017-18 & 2018-19

Figure 3.8, Ownership of Social Categories in Rural and Urban



Source: Computed by Researcher

Table 3.10 & Figure 3.8, shows that most of the Entrepreneurs in both rural and urban area are belong to OBC category. Entrepreneurs belongs to ST category are very less in urban area. The entrepreneurs belongs to other categories are more in urban area than rural area. In other cases (SC, ST, OBC) most of the entrepreneurs are belongs to rural area.

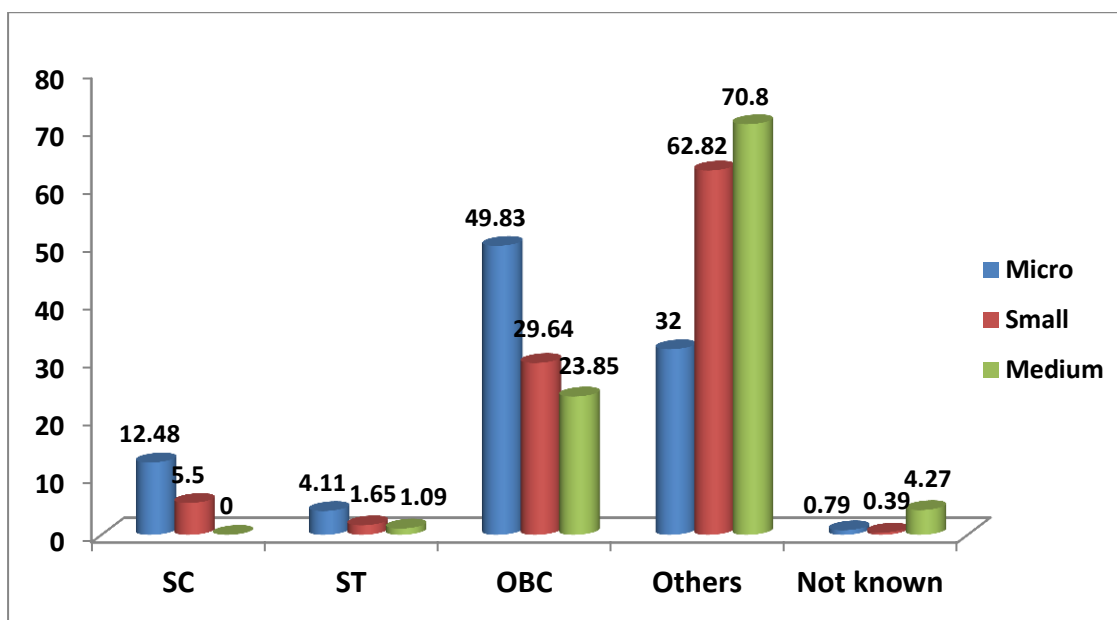
3.11.8. Social Category wise distribution of Micro, Small and Medium Enterprises

Table 3.11 Percentage Distribution of Enterprises by the social group of owners

Sector	SC	ST	OBC	Others	Not known	Total
Micro	12.48	4.11	49.83	32.	0.79	100
Small	5.50	1.65	29.64	62.82	0.39	100
Medium	0.00	1.09	23.85	70.80	4.27	100
Total	12.45	4.10	49.72	32.95	0.79	100

Source: MSMEs Annual Report 2017-18 & 2018-19

Figure 3.9, Enterprises wise ownership of Social Categories in India



Source: Computed by Researcher

As per the National Sample Survey (NSS) 73rd round conducted during the period 2015-16, MSME sector has been creating 11.10 crore jobs (360.42 lakh in Manufacturing, 387.18 lakh in Trade and 362.22 lakh in Other Services in the rural and the urban areas across the country. Table 3.1 and Figure 3.1 show the distribution of MSMEs activity-wise.

3.12 Status of Employment through MSMEs in India

Right from the independence India the employment has remained a principal objective in the economy. However, the problem of employment generation has

remained a gigantic issue. Therefore, to generate a large chunk of employment opportunities in the economy, at very low capital cost the MSME act was passed in 2006-07 in India, to increase the manufacturing output and to create a bulk of employment in the country. Therefore, the present section will explore the employment generation by MSMEs in rural and urban India. The table 5.1 shows that manufacturing sector of MSMEs has created the highest number of jobs in rural India i.e. in the rural area the MSMEs has created 186.56 lakh jobs, while in case of urban areas 173.86 lakh has been created in India.

3.12.1 Nature of Operation wise Employment in Rural and Urban Area

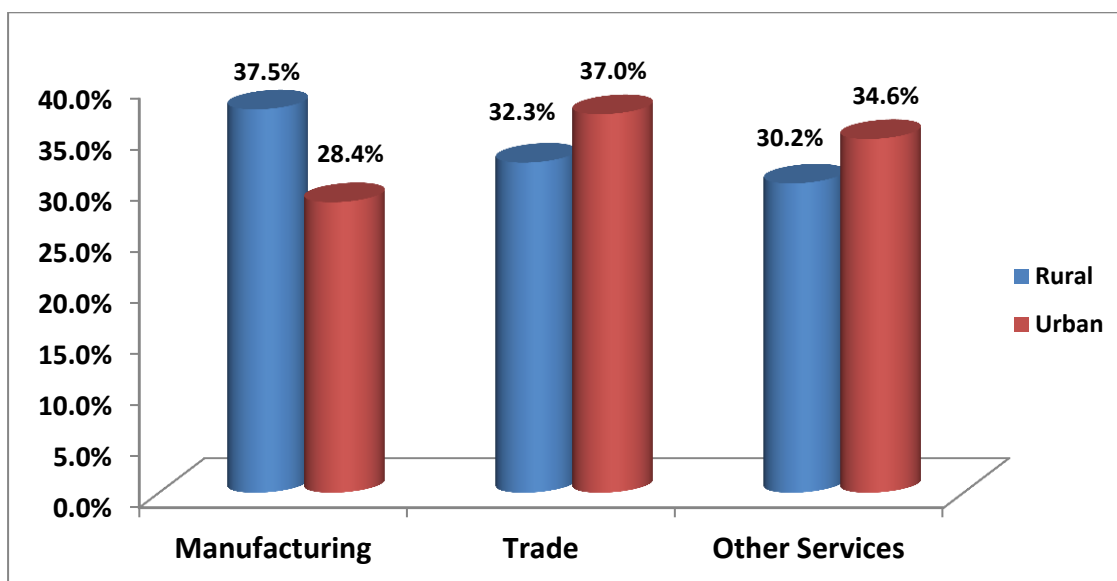
Table 3.12, Activity wise estimated Employment in Rural and Urban area

Activity	Employment		Total
	Rural	Urban	
Manufacturing	186.56	173.86	360.42
	51.8 %	48.2 %	100.0 %
	37.5 %	28.4 %	32.5 %
Trade	160.64	226.54	387.18
	41.5 %	58.5 %	100.0 %
	32.3 %	37.0 %	34.9 %
Other Services	150.53	211.69	362.22
	41.6 %	58.4 %	100.0 %
	30.2 %	34.6 %	32.6 %
Total	497.73	612.09	1109.82
	44.8 %	55.2 %	100.0 %
	100.0 %	100.0 %	100.0 %

The first row has *frequencies (in lakh)*; the second row has *row percentages* and the third row has *column percentages*

Source: MSMEs Annual Report 2017-18

Table 3.12 shows that the manufacturing sector of MSME provides 32.5 percent employment from the total, the trade sector provides 34.9 percent and 32.6 percent of employment is generated from other services. Trade sector provide the highest employment, it has a share percentage share in total.

Figure 3.10, Activity wise of the percentage of Employment in Rural and Urban

Source: Computed by Researcher

Figure 3.10, shows the percentage share of employment of MSMEs in Urban and Rural areas. It shows that 37.5 per cent of employment is generated by Rural MSME in manufacturing sector and 28.4 per cent generated by urban MSMEs in manufacturing sector. Whereas 37 per cent of employment is generated by Urban MSMEs in Trade sector and 32.3 per cent employment is generated by rural MSMEs in trade sector. And 34.6 per cent of employment generated by urban MSMEs in other services and 30.2 per cent of employment is generated by rural MSMEs in Other services.

3.13 Policy Implication

Against the background of the above discussion, there is a need for a critical examination of the recent policy initiatives of the government of India, about their impact on MSMEs. The government of India has, through the above various programmes, gives a direction and way forward for the MSME sector. Informalism is a major characteristic of the MSME sector of the country. In this context there is a critical policy question regarding the further course of action. Should the MSME sector of the country remain largely informal as in the past, or should we move forward with careful strategies towards formalization? The term formalization involves a variety of steps including infusion of better technology, better organization, better managerial practices and more advanced development programmes. The

government of India has chosen the path of accelerating innovation in the MSME sector.

Having chosen the path of innovation, it is necessary to consider the short term and long term implications of such a change. MSMEs have a dual character of significant vulnerability on the one hand, and the substantial inherent strength which can be used to reduce the pains of a radical change. The results of a group of major policy initiatives, including GST, demonetization etc. have been widely debated. In most countries of the world, such radical policy decisions have contributed to short term shocks in the economy. While we wish the long term benefits to offset the short term shocks, public policy cannot remain passive. There is a need for a special package for MSMEs to supplement the formalization attempts that are in progress.

3.14 Conclusion

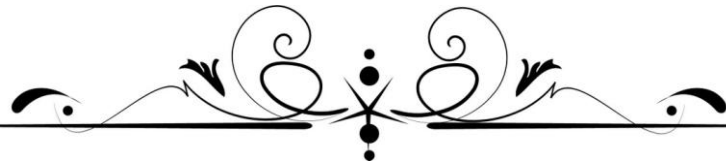
Micro, Small and Medium Enterprises has great importance in the development of the economy of the country. Both state and central government is trying to promote the MSMEs to generate more employment. Government has framed different policies for the upliftment of this sector. From 1948 onwards different policies are undertaken to promote the small scale industries. New economic policy 1991 becomes a new revolution in the industrial system. It has finished the policy of reservation. Policy reservation is vanished to promote foreign investors. After that government has also launched many programmes for the development of this sector. In 2006 Micro, Small and Medium Enterprises Act is established. Several new credits linked and technology up-gradation schemes are launched. These various schemes have been promote by ministry of MSME to the MSME sector under three different departments SME Division Schemes, ARI Division Schemes and DC-MSME Schemes. After 2014 new government has launched many new schemes like Start-Up India, Stand-Up India and many other to make a technology revolution in this sector. These schemes give an outlet to this sector. Government is continuously reviving the developments in the MSME sector and had taken recently new initiatives. This had made a framework for revival and rehabilitation of MSMEs to revive and rehabilitate sick MSMEs.

MSMEs are suffering from the poor delivery of services at ground level. The government programme and schemes have limited outreach with a large number of

very small schemes. There are imbalance and lack of coordination between the various central and state organisations involved in the promotion of MSMEs and entrepreneur and stakeholders. So due to non-availability of proper mechanism MSME sector entrepreneurs are major constraint and growth of units is not up to mark.

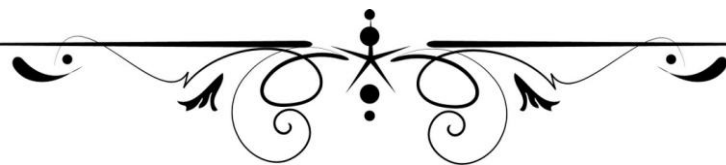
The importance of MSMEs in local economic development, as also the need for local economic development, is indisputable today. However, the policy perception and the detail of strategic approach need much more clarity. However, while shaping a new approach in this area, it can. By no means, be a partial approach. It is important to focus on the macroeconomic policy in general, as also an understanding of the context in which regional diversity of the country is treated as a potential setting for enterprise development.

MSMEs are playing a key role in generating a large number of employment opportunities at a lower cost in both rural and urban India. There are 633.88 lakh independent MSMEs in the country are engaged in Manufacturing 196.64 lakh (31 percent), Trade 230.35 lakh (36 percent) and 206.87 lakh (33 percent) in other services. MSMEs are creating 11.10 crore jobs out of which 360.41 lakh in the manufacturing sector, 387.18 lakh in the trade sector and 368.89 in other services in both rural and urban India.



Chapter 4

Growth and Performance of MSMEs in J&K



Chapter 4

Growth and Performance of MSMEs in J&K

4.1 Introduction

The chapter deals with trend analysis and growth pattern of MSMEs. The study will show the contribution of MSMEs in generating employment in the economy. As, this sector is the backbone of Indian economy and plays an important role in economic growth, by the creation of employment, upholding the entrepreneurial spirit and fostering the competitiveness in the economy.

4.2 Trend Analysis and Growth Pattern of MSMEs in India

Micro, Small and Medium Enterprises (MSMEs) performs an enormous function in the economic growth and development in both developing and developed countries that is why it known as engines of economic growth. Indian economy is the most emerging economy and needs many jobs to fulfil the desire of a large population, the MSME sector is generation lots of job opportunities in the economy. Government is taking initiatives to upgrade this sector; they had passed MSMED-Act, 2006, to provide financial assistance to this sector and taken many other initiatives to boost the entrepreneurship and growth. Recently the government had launched many new schemes like a start-up, skill India and many other to upgrade this sector.

Khadi, Small scale and Artisans are working since independence and always been an integral part of Indian Industries. These employ a large number of people to rural areas and promote socio-economic development in the country. Government of India realised the importance of these industries and provides the credit flow to upgrade this sector.

We have already mentioned in the previous chapter the regulation of MSMEs and the government agencies/ organization, which are assisting the MSMEs. These agencies/organizations encourage entrepreneurship development, promote employment and enhance competitiveness in MSMEs. There are many schemes for MSMEs, which provide the flow of credit to achieve modernization by technology

up-gradation and promote infrastructure facilities. Both centre and state government are assisting in the form of incentives and subsidies, which promote the growth pattern of MSMEs at the major level. The growth pattern of MSMEs revolves around 4 major aspects Number of MSMEs Units, Investment, Production and Employment. These also lead to sharing in GDP and exports promotion.

4.3 MSMEs Distribution in India

The number of MSMEs Registered and Un-Registered units is shown in the following table:

Table 4.1 MSMEs Registered and Unregistered Units

S. No.	Parameters	Registered Units	Un-Registered Units	Total
1	Total Number of Enterprises (in lakh)	15.64	198.74	214.38
2	No. of Rural Enterprises (in lakh)	7.07	119.69	126.76
3	No. of Women Enterprises (in lakh)	2.15	18.06	20.21
4	Total Employment (in lakh)	93.09	408.84	501.93
6	Fixed Assets	44913840	24081646	68995486
7	Gross Output	70751027	36970259	107721286

Source: MSME Annual Report 2015-2016

Table 1 shows the number of registered and unregistered MSME units in India. According to the MSME annual report 2015-16, the total number of MSMEs units in India is 214.38 lakh out of which 15.64 are registered units and 198.74 are unregistered units. A total number of rural enterprises is 126.76 lakh units out of which 7.07 lakh are registered and 119.69 lakh are unregistered. The number of Women's enterprises is 20.21 lakh out of which 2.15 lakh are and 18.06 are unregistered units. Total employment generated is 501.93 lakh out of which registered units generate 93.09 lakh and unregistered units generate 408.84 lakh.

4.4 Growth of MSMEs in India

A depth study of MSMEs had taken in following table 2. The study shows the performance of MSMEs in Number of MSMEs units, Employment and Fixed Assets. The study had taken from the financial year 2002-03 to 2014-15. The data shows that a continuous increase in Number of MSMEs Units, Investment and Employment. Table 2 shows that there is a sharp increase in all the variable in 2006-07 and thereafter.

Table 4.2 Performance of MSMEs in India

S. No.	Year	Total Units (in lakh)	Employment (in lakh)	Fixed Investment (in crore)
1	2002-03	109.49	260.21	162317.00
2	2003-04	113.95	271.42	170219.00
3	2004-05	118.59	282.57	178699.00
4	2005-06	123.42	294.91	188113.00
5	2006-07	361.76	805.23	868543.79
6	2007-08	377.37	842.23	917437.46
7	2008-09	393.70	881.14	971407.49
8	2009-10	410.82	922.19	1029331.46
9	2010-11	428.77	965.69	1094893.42
10	2011-12	447.73	1012.59	1176939.36
11	2012-13	467.56	1061.52	1269338.02
12	2013-14	488.46	1114.29	1363700.54
13	2014-15	510.57	1171.32	1471912.94
14	2015-16	453.63	1901.42	763847.80
15	2016-17	361.76	1370.24	947693.00
16	2017-18	633.88	1109.89	1014761.10
Average		362.59	891.67	849322.14
CAGR		12.4 percent	10.2 percent	13.0 percent

Source: India stat & MSME Annual Report 2017-18

Table 2 shows that Average of Number of MSMEs unit over 16 years is 362.59 whereas Average of Employment is 891.67 and Average of Investment is 849322.14. Similarly CAGR (Compound Annual Growth Rate) of the last 16 years of Number of

MSMEs units is 12.4 per cent whereas CAGR of employment is 10.2 per cent and CAGR of Investment is 13.0 per cent per year.

4.5 Growth Rate of MSMEs

The percentage growth rate of MSMEs Number of Units, Investment and Employment is shown in the following table and graphs.

Table 4.3 Growth Rate of MSMEs Units, Investment and Employment

S. No.	Year	Growth Rate of Number of Units	Growth Rate of Employment	Growth Rate of Fixed Investment
1.	2003-04	4.07	4.31	4.87
2.	2004-05	4.07	4.11	4.98
3.	2005-06	4.07	4.37	5.27
4.	2006-07	193.11	173.04	361.71
5.	2007-08	4.32	4.59	5.63
6.	2008-09	4.33	4.62	5.88
7.	2009-10	4.35	4.66	5.96
8.	2010-11	4.37	4.72	6.37
9.	2011-12	4.42	4.86	7.49
10.	2012-13	4.43	4.83	7.85
11.	2013-14	4.47	4.97	7.43
12.	2014-15	4.53	5.12	7.94
13.	2015-16	-11.15	62.33	-48.11
14.	2016-17	-20.25	-27.94	24.07
15.	2017-18 (up-to Dec 2017)	75.22	-19.00	7.08

Source: Computed by Researcher

The above table 3 shows the percentage growth rate of the number of MSME units, Employment and Investment in India from 2001-02 to 2016-17. The growth trend of the number of MSME units is almost constant (4 per cent) in all years except 2006-07, in which growth rate rise to 193.11 per cent and it is due to the enactment of MSMED Act, 2006, in which the definition of small scale sector is changed due to inclusion of medium and service sector.

MSMEs are playing a crucial role in employment generation and it is known as a labour-intensive sector. Whereas employment growth rate in the above table was almost constant at 4-5 per cent except 2006-07 in which growth rate rise to 173.04 per cent and it rises due to the inclusion of Medium and services sector in MSME Act.

There is a yearly increased in the investment in MSME sector from Rs 162317 crore in 2001-02 to Rs 1014761.10 crore in 2017-18. But the growth rate of MSMEs investments was fluctuating throughout the years. The highest increase in the investment (361.71 per cent) was shown in 2006-07, it is due to the addition of medium and services sector. The investment was low around 4-5 per cent before 2006-07 but after that, it increased to around 6-7 per cent growth of investment each year.

4.6 MSMEs in Jammu and Kashmir

The Jammu and Kashmir state like other states of India primarily depends on agriculture. The state is having Micro, Small and Medium Industries whereas large industries are absent in the state. These industries are working from last many years based on traditional methods. In this era of modernization and digitalization, these industries have adopted some new methods and policies of the government to support and upgrade the Industrial units. After the adoption of Industrial policy 2004 and MSME Act 2006, the performance of MSMEs has improved. Nowadays besides many problems faced by units and saturation in employment, the sector has become an accelerating economic growth of the state. The industries in the state are facing many challenges and issues. According to Annual Report 2016-17 of MSME-DI Jammu, it is stated that industries in the Kashmir valley have suffered estimated loss during curfews of 130 days is Rs 13291.00 crore that is comprised of both private and government sector. Whereas, various Jammu based industrial units has also suffered the loss of Rs 1800.0 crore due to the turmoil in the valley. The below data has taken from Directorate of Industries and Commerce Jammu for Jammu Division and Directorate of Industries and Commerce Srinagar for Kashmir Division. Due to the limitation of data only three variables namely Number of Units, Investment and Employments has taken for consideration. Data is analyzed through Regression analysis by using SPSS statistical package.

4.7 Status of MSMEs in Jammu Division

Table 4.4 Details of MSME Units, Investment and Employment in Jammu Division

Year	Units (in Numbers)	Investment (in Crore)	Employment (in Numbers)
2001-02	443	116.66	2297
2002-03	355	101.03	2261
2003-04	327	104.02	2451
2004-05	375	113.38	2476
2005-06	577	100.28	3704
2006-07	369	130.01	2703
2007-08	304	141.84	3396
2008-09	197	125.1	2049
2009-10	278	118.02	3377
2010-11	257	111.01	2594
2011-12	423	318.53	4952
2012-13	255	120.03	2585
2013-14	216	131.71	2663
2014-15	176	101.23	1965
2015-16	226	130.62	2915
2016-17	253	186.18	2830

Source: Directorate of Industries and Commerce Jammu & District Industries Centre

4.8 Regression Analysis

Here we choose the Capital Investment and Number of MSMEs Unit as two independent variables and Employment as a dependent variable. The purpose of regression is to understand the relationship between dependent and independent variables. To explain the variation of the dependent variable Employment by its covariance with independent variables Number of MSMEs Unit and capital Investment, we use multiple regression model defined as

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \dots + \beta_N X_N + \varepsilon \dots \dots \dots (1)$$

Where

Y = Explained Variable

X_1 = Explanatory Variable 1

X_2 = Explanatory Variable 2

N = Number of Observation

$\beta_0 \beta_1 \dots \beta_N$ = Model Parameters

ε = Specification Error

Multiple Regressions is used to check the variables are linear and normally distributed. Before proceeding for analysis we will check our assumption. So to check the Normality of data we have used One-Sample Kolmogorov Smirnov Test. From Table 4.7, it is found the variables are normally distributed. The significance value of the variable should be greater than .05, whereas from the table it is found that p-value of the number of MSMEs unit is 200 greater than 0.5, Employment is (p-value = .079) that is also greater than .05 and the Investment (p-value = .61) which is greater than .05. Therefore we can say that the data is normally distributed.

Table 4.5 One-Sample Kolmogorov-Smirnov Test

		Investment	Employment	Units
N		16	16	16
Normal Parameters	Mean	134.35	2826.13	314.44
	Std. Deviation	53.446	743.328	105.897
Most Extreme Differences	Absolute	.332	.202	.144
	Positive	.332	.202	.144
	Negative	-.262	-.123	-.096
Test Statistic		.332	.202	.144
Asymp. Sig. (2-tailed)		.061	.079	.200

Sources: Computed by Researcher

4.8.1 Multicollinearity Test

After getting the normality of the regression model, the next step is to determine the weather there is a similarity between the independent variables in the model. So to check it we use the multicollinearity test. Multicollinearity test is used to avoid the habits in the decision-making process regarding the partial effect of independent variables on the dependent variable. Process of multicollinearity is if the value of VIF (variance inflation factor) lies in between 1 to 10.

VIF (variance inflation factor) = $1 / \text{Tolerance}$

Table 4.6 Coefficients

Independent Variables	Tolerance	VIF	Note
Units	.982	1.018	There is no multicollinearity
Investment	.982	1.018	There is no multicollinearity

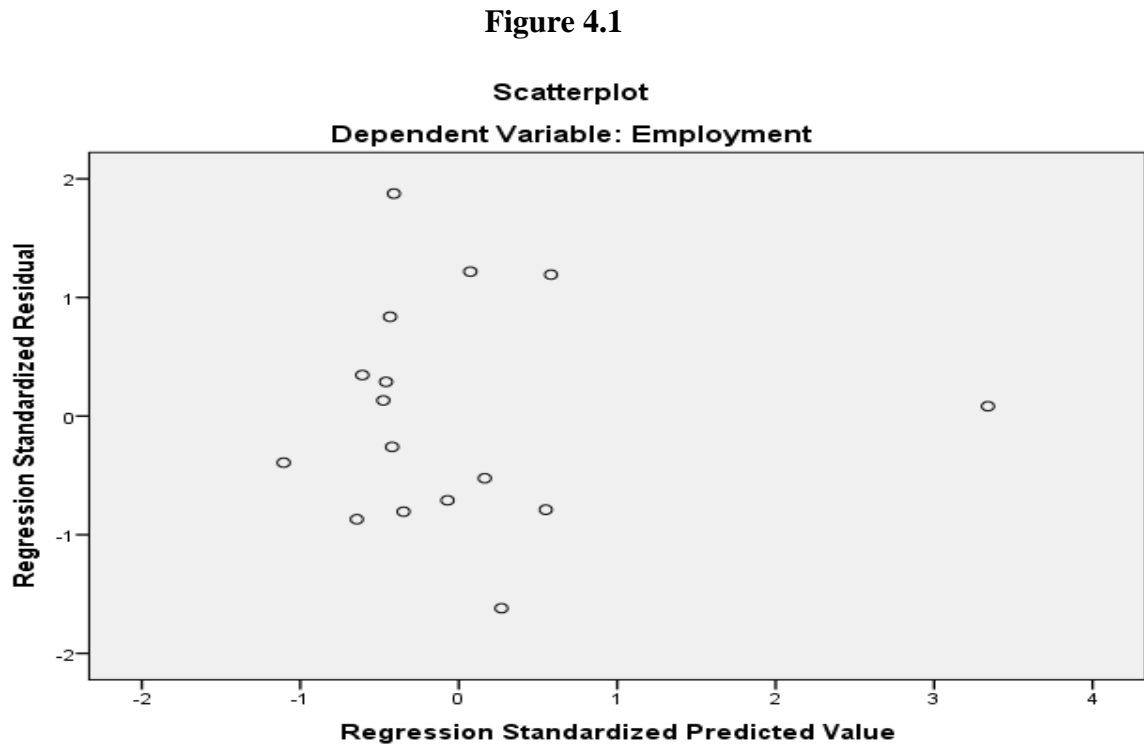
Dependent Variable: Employment

Source: Computed by Researcher

Table 4.9 shows that value of VIF is less the 10, so the relationship between Independent variables does not occur. According to Sanusi (2003), multicollinearity problem is detected by looking the variance value, if the VIF value is greater than 10 it means there is multicollinearity problem but if it is less than 10 than the model is free from multicollinearity problem. Therefore our model shows no multicollinearity problem.

4.8.2 Heteroskedasticity

Heteroskedasticity test has done through the Scatterplot Chart that shows the variable indicator points. It shows that if the points are spread and does not form a particular pattern then there is no Heteroskedasticity problem.



Source: Computed by Researcher

Figure 4.1 shows the scatterplot for Heteroskedasticity and it shows that the points are spreads on the scatter plot and it does not form a specific pattern, this indicates that Heteroskedasticity does not occur in the model.

4.9 Results and Analysis

Multiple Regression technique is used to examine the relationships among variables. Statistical analysis is used to know the behaviour of the known variables by developing an equation and describe the relationship among the variables.

Based on the multiple regression test table 4.4 shows that Number of MSMEs units and Investment has p-values (p-value .026 & .000) less than .05. The β values are (β values - .379 & .703) that shows a positive relationship between the number of MSMEs units and Investment.

Table 4.7 Descriptive Statistics

	Mean	Std. Deviation	N
Employment	2826.13	743.328	16
Units	314.44	105.897	16
Investment	134.34	53.450	16

Source: Computed by Researcher

Table 4.5 shows the Descriptive statistics of the model. It shows that mean of employment is 2826.13 and the standard deviation is 743.328, the number of MSMEs units mean is 314.44 and the standard deviation is 105.897 and the mean of Investment is 134.34 and standard deviation of Investment is 53.450.

Table 4.8 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.842	.709	.664	430.579	2.285

Predictors: (Constant), Investment, Units, Dependent Variable: Employment

Source: Computed by Researcher

Table 4.6 shows the summary of the Model, its shows that R has a value of .842 this value represents the correlation between dependent and independent variables. R-square is 0.709, which shows that 70.9 percent of the variation in the dependent variable explained by independent variables jointly and left 29.1 percent are error terms. Therefore it shows that there must be some other factors which influence the dependent variables. Also in table 4.6, the value of Durbin Watson is 2.285 which lie between 1 and 4, therefore there is no autocorrelation.

Table 4.9 ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	5877863.191	2	2938931.596	15.852	.000 ^b
	Residual	2410178.559	13	185398.351		
	Total	8288041.750	15			

Dependent Variable: Employment, Predictors: (Constant), Investment, Units

Source: Computed by Researcher

Table 4.7 depicts the ANOVA result that shows the Average Sum of Square (Mean Square) is calculate by dividing the Sum of Square with the associated degree of freedom. The significance of the value of the table is (p-value -.000) which is less than .05. The results found that the value of significance is less than 5 percent, it means the dependent variable (Employment) is significantly predicted by Independent Variables (Capital Investment & Number of Units).

Table 4.10 Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95.0 percent Confidence Interval for β		
	B	Std. Error	Beta			Lower Bound	Upper Bound	
1	(Constant)	676.44	420.66		1.608	.132	-232.35	1585.24
	Units	2.657	1.059	.379	2.508	.026	.368	4.945
	Investment	9.783	2.099	.703	4.661	.000	5.249	14.317
Dependent Variable: Employment								

Source: Computed by Researcher

Table 4.8 shows the co-efficient of the SPSS output table that provides the details of Parameters and (β value), the significance of these values and confidence interval of β .

Using SPSS, we get the regression equation from this model is:

$$Y = 676.44 + 2.657X_1 + 9.783X_2 + \varepsilon \dots \dots \dots (2)$$

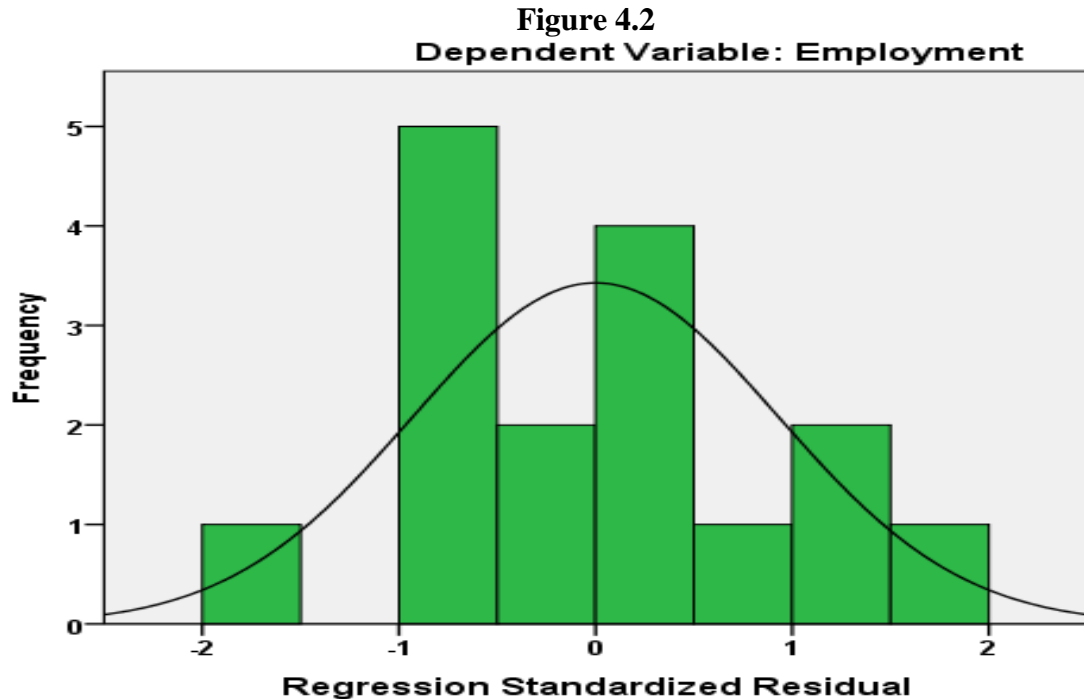
In this case, our regression model says that employment is a linear function of both the number of MSME units and investment. Therefore, we can say that with a 1 percent change in Number of MSME units 2.657 percent change in employment and with a 1 percent change in Investment 9.783 percent change in employment. Here P-value is less than 5 percent, so it is independent variables are explaining the dependent variable. Coefficients of the model are also positive. Therefore, the independent and dependent variables have a positive association.

Table 4.11 Residuals Statistics

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	2134.39	4916.48	2826.13	625.985	16
Residual	-697.721	807.355	.000	400.847	16
Std. Predicted Value	-1.105	3.339	.000	1.000	16
Std. Residual	-1.620	1.875	.000	.931	16
Dependent Variable: Employment					

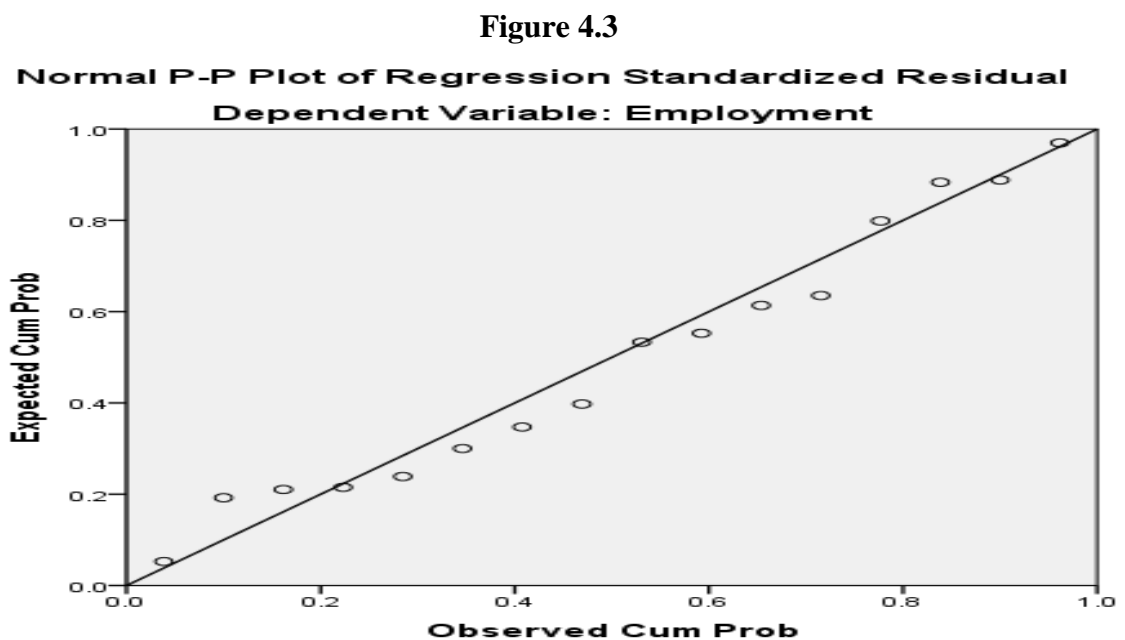
Source: Computed by Researcher

Table 4.9 summarises the predicted values and residuals in unstandardized and standardised forms. Mostly we use standardised residuals for the ease of interpretation. The outliers are identified for those residuals whose values are above 3.3 or below -3.3. From the above table, we do not find any such type of outlier.



Source: Computed by Researcher

The plot 4.2 is used to check the normality, the histogram should be normal. A fitted normal distribution curve is considered. The plot shows a positive skewness by considering the only 17 data points.



Source: Computed by Researcher

The plot 4.4 is used to check the normality and the plotted points should follow the straight line. Here the plot shows that plotted points follow the straight line. Therefore it follows the normality assumption.

4.10 Status of MSMEs in Kashmir Division

Kashmir Valley has occupied a topmost place in Indian map covered with Himalayan Mountains. The political, climatic and geographical condition of the valley differentiates it from other states of the country. The valley is not able to attract investment in the secondary sector due to poor infrastructure and political instability. The unemployment rate in the state is growing day by day due to the backwardness of the manufacturing sector. Large scale industries are absent in the valley only Micro, Small and Medium-scale industries are working with the support of state and central government. The number of MSMEs registered with Directorate of Industries and Commerce is 973 in 2001-02, it rises continuously and reached 1406 in 2005-06. After that due to political instability in Kashmir valley, the valley registered less number of MSMEs. The number of MSMEs declined continuously and it reaches 360 in 2016-17. Both state and the Central government have made many efforts to develop the MSMEs in the state, which leads to an increase in Investment in the valley. The employment generated by MSMEs in the valley also declined.

Table 4.12 Details of MSME Units, Investment and Employment in Kashmir Division

Year	No. of MSME Units	Investment	Employment
2001-02	973	10586	5485
2002-03	941	8452	4642
2003-04	966	10211	5038
2004-05	1146	11621	5894
2005-06	1406	19588	9850
2006-07	1202	13821	6836
2007-08	740	7422	3556
2008-09	774	6834	3176

2009-10	910	8541	4113
2010-11	658	6576	3183
2011-12	747	9024	3890
2012-13	773	16088	4216
2013-14	702	16748	4154
2014-15	704	11078	3841
2015-16	582	13592	3510
2016-17	360	10301	2385
2017-18	464	46380	4192

Source: Directorate of Industries and Commerce Srinagar, District Industries Centre

4.11 Regression Analysis

Here we choose the Capital Investment and Number of MSMEs Unit as two independent variables and Employment as a dependent variable. The purpose of regression is to understand the relationship between dependent and independent variables. To explain the variation of the dependent variable Employment by its covariance with independent variables Number of MSMEs Unit and capital Investment, we use multiple regression model defined as

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \epsilon \dots \dots \dots (3)$$

Where

Y = Explained Variable

X_1 = Explanatory Variable 1

X_2 = Explanatory Variable 2

β_0, β_1 & β_2 = Model Parameters

ϵ = Specification Error

4.11.1 Classical Assumption Tests

The Normality assumption is checked by using the Kolmogorov Smirnov and Shapiro -Wilk Tests.

Table 4.13 Tests of Normality

	Kolmogorov-Smirnov			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Employment	.231	17	.016	.830	17	.005

Source: Computed by Researcher

Table 4.12 depicts the test of Normality and it shows that significant value in Kolmogorov Smirnov test is .016 and Shapiro Wilk test is .005 which is less than .05 in both the cases. Therefore data is normally distributed.

4.11.2 Multicollinearity Test

Multicollinearity test is used to check that whether there is relationship between the Explained variables or not.

Table 4.14 Multicollinearity

Explained Variables	Tolerance	VIF	Note
Units	.967	1.034	There is no multicollinearity
Investment	.967	1.034	There is no multicollinearity

Source: Computed by Researcher

Multicollinearity test is used to avoid the habits in the decision-making process regarding the partial effect of independent variables on the dependent variable. Process of multicollinearity is if the value of VIF (variance inflation factor) lies in between 1 to 10.

$$VIF = \frac{1}{\text{Tolerance}} \dots \dots \dots (4)$$

Where “VIF” refers to (variance inflation factor)

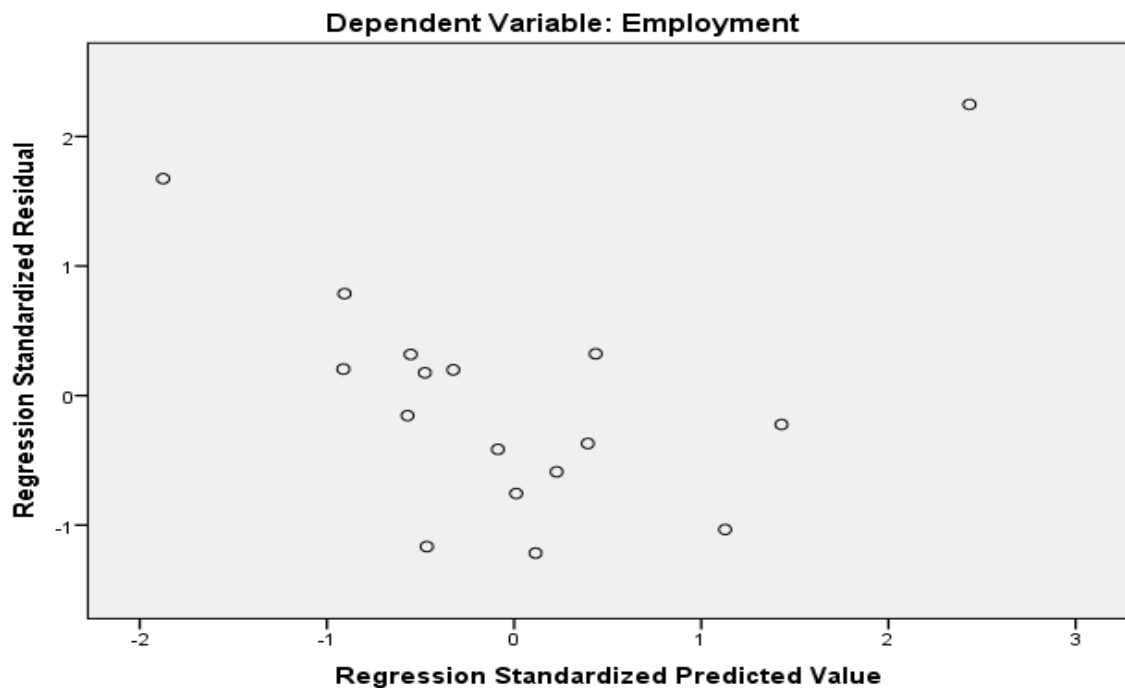
Table 4.9 shows that value of VIF is less than 10, so the relationship between Independent variables does not occur. According to Sanusi (2003), multicollinearity problem is detected by looking the variance value, if the VIF value is greater than 10 it means there is multicollinearity problem but if it is less than 10 then the model is free from multicollinearity problem. Therefore our model shows no multicollinearity problem.

4.11.3 Heteroskedasticity

Heteroskedasticity test has done through the Scatterplot Chart that shows the variable indicator points. It shows that if the points are spread and does not form a particular pattern then there is no Heteroskedasticity problem.

Figure 4.4

Scatterplot



Source: Computed by Researcher

Figure 4.4 shows the scatterplot for Heteroskedasticity and it shows that the points are spread on the scatter plot and it does not form a specific pattern, this indicates that Heteroskedasticity does not occur in the model.

4.12 Results and Analysis

Multiple Regression technique is used to examine the relationships among variables. Statistical analysis is used to know the behaviour of the known variables by developing an equation and describe the relationship among the variables.

Table 4.15 Descriptive Statistics

Variables	Mean	Std. Deviation	N
Employment	4585.94	1736.74	17
Units	826.35	265.40	17
Investment	13344.84	9265.04	17

Source: Computed by Researcher

Table 4.5 shows the Descriptive statistics of the model. It shows that mean of employment is 4585.94 and the standard deviation is 1736.74, the number of MSMEs units mean is 826.35 and the standard deviation is 265.40 and the mean of Investment is 13344.84 and standard deviation of Investment is 9265.04.

Table 4.16 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.956 ^a	.914	.902	545.04009	2.064
Predictors: (Constant), Investment, Units Dependent Variable: Employment					

Source: Computed by Researcher

Table 4.6 shows the summary of the Model, its shows that R has a value of .956 this value represents the correlation between dependent and independent variables. R-square is 0.914, which shows that 91.4 percent of the variation in the dependent variable explained by independent variables jointly and left 8.6 percent are error terms. Therefore it shows that there must be some other factors which influence the dependent variables. Also in table 4.6, the value of Durbin Watson is 2.064 which lies between 1 and 4, which shows that there is no autocorrelation problem in the model.

Table 4.17 ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	44101255.215	2	22050627.607	74.227	.000 ^b
	Residual	4158961.726	14	297068.695		
	Total	48260216.941	16			

Predictors: (Constant), Investment, Units, Dependent Variable: Employment

Source: Computed by Researcher

Table 4.7 depicts the ANOVA result that shows the Average Sum of Square (Mean Square) is calculate by dividing the Sum of Square with the associated degree of freedom. The significance of the value of the table is (p-value -.000) which is less than .05. The results found that the value of significance is less than 5 percent , it means the dependent variable (Employment) is significantly predicted by Independent Variables (Capital Investment & Number of Units).

Table 4.18 Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0 percent Confidence Interval for β		
	B	Std. Error	Beta			Lower Bound	Upper Bound	
1	(Constant)	- 1478.61	524.01		- 2.822	.014	- 2602.5	- 354.71
	Units	6.227	.522	.952	11.92	.000	5.107	7.347
	Investment	.069	.015	.367	4.604	.000	.037	.101

Source: Computed by Researcher

Table 4.8 shows the co-efficient of the SPSS output table that provides the details of Parameters and (β value), the significance of these values and confidence interval of β .

Using SPSS, we get the regression equation from this model is:

$$Y = -1478.61 + 6.227X_1 + .069X_2 + \varepsilon \dots \dots \dots (5)$$

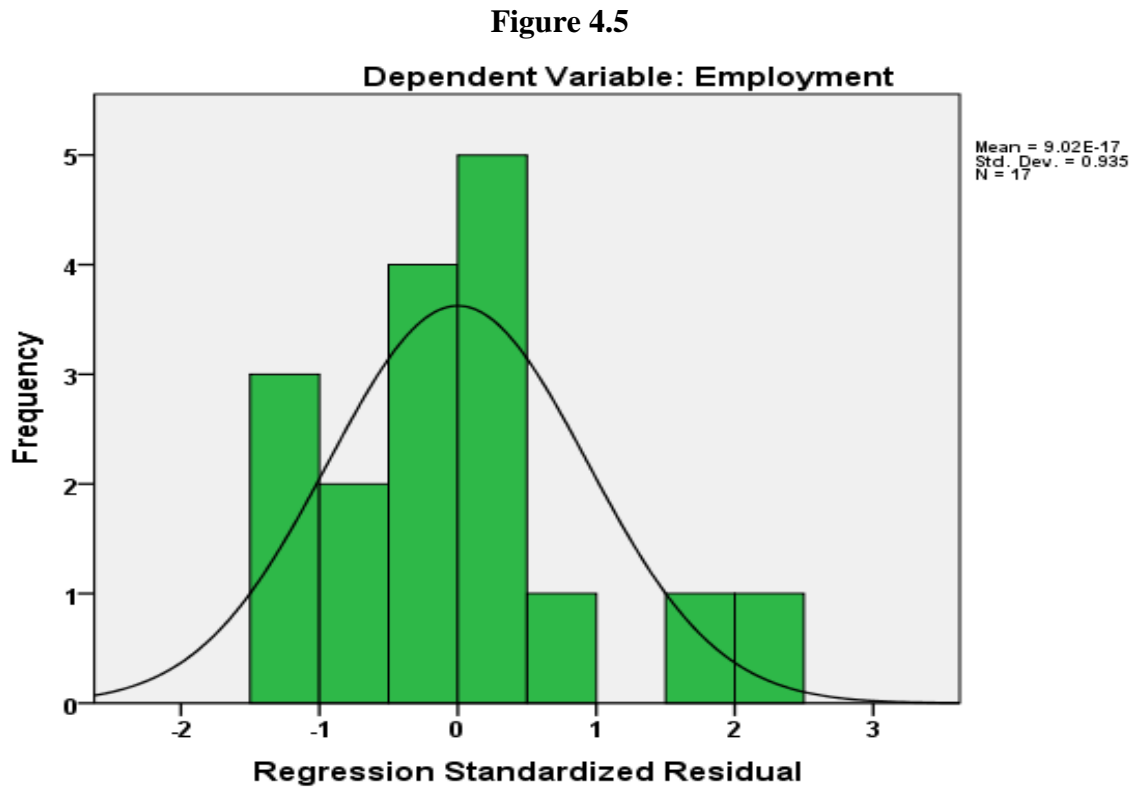
In this case, our regression model says that employment is a linear function of both the number of MSME units and investment. Therefore, we can say that with a 1 percent change in Number of MSME units 6.227 percent change in employment and with a 1 percent change in Investment 0.069 percent change in employment. Here P-value is less than 1 percent, so it is independent variables are explaining the dependent variable. Coefficients of the model are also positive. Therefore, the independent and dependent variables have a positive association.

Table 4.19 Residuals Statistics

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	1472.4108	8625.2734	4585.9412	1660.21940	17
Residual	-663.04755	1224.72620	.00000	509.83832	17
Std. Predicted Value	-1.875	2.433	.000	1.000	17
Std. Residual	-1.217	2.247	.000	.935	17
Dependent Variable: Employment					

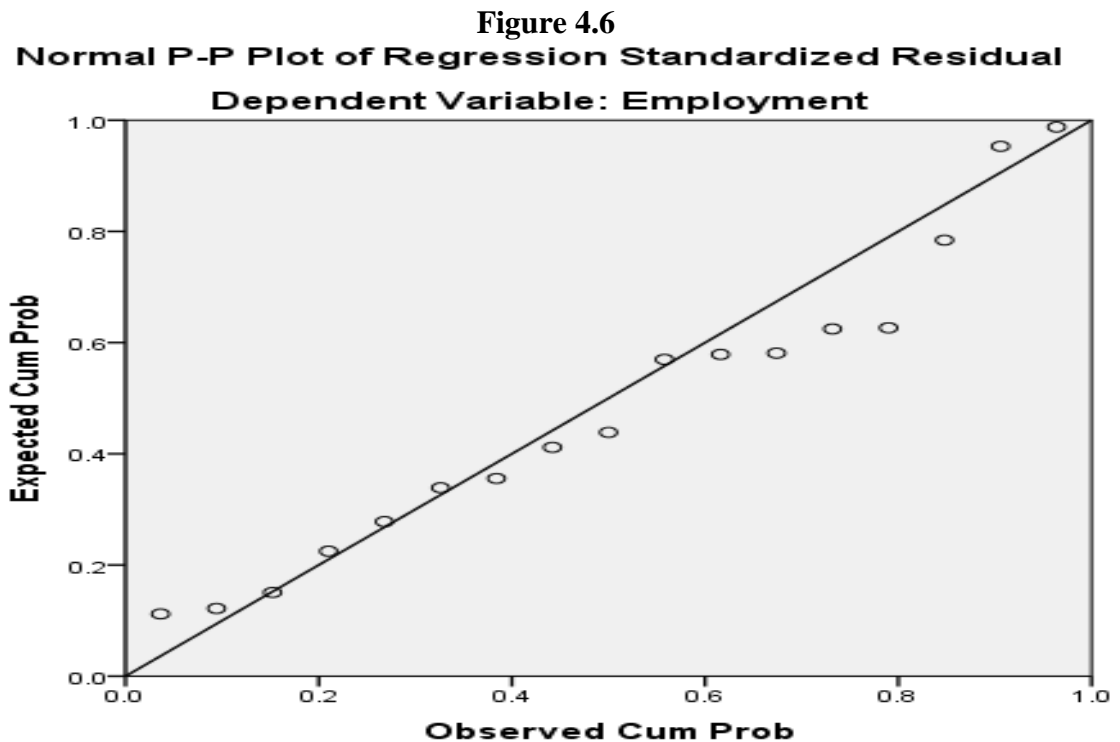
Source: Computed by Researcher

Table 4.9 summarises the predicted values and residuals in unstandardized and standardised forms. Mostly we use standardised residuals for the ease of interpretation. The outliers are identified for those residuals whose values are above 3.3 or below -3.3. From the above table, we do not find any such type of outlier.



Source: Computed by Researcher

The plot 4.2 is used to check the normality, the histogram should be normal. A fitted normal distribution curve is considered. The plot shows a positive skewness by considering the only 17 data points.

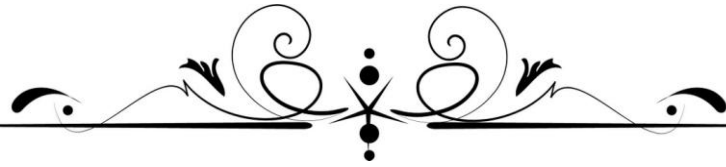


Source: Computed by Researcher

The plot 4.4 is used to check the normality and the plotted points should follow the straight line. Here the plot shows that plotted points follow the straight line. Therefore it follows the normality assumption.

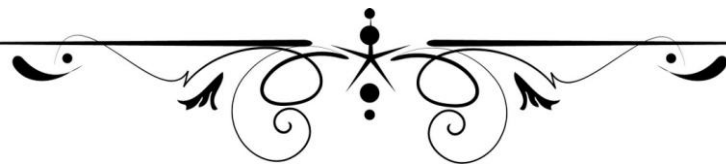
4.13 Conclusion

The overall growth rate of India MSMEs sector was less before 2006-07 but after the inclusion of Medium of and Services sector under Micro, Small and Medium Development Act-2006, the growth rate rise. According to the Multiple Regression model in the data of Jammu division and Kashmir division, both the model's results showed that there is a significant positive relationship between the dependent variable (Employment) and independent variables (Number of MSME units & Investment). R-square is higher in Kashmir division (91.4 percent) than Jammu division (70.9 percent). Also in both the division number of MSME units and Investment are effecting the employment provided all other remaining the same.



Chapter 5

Comparative Analysis of MSMEs in Jammu and Srinagar Districts

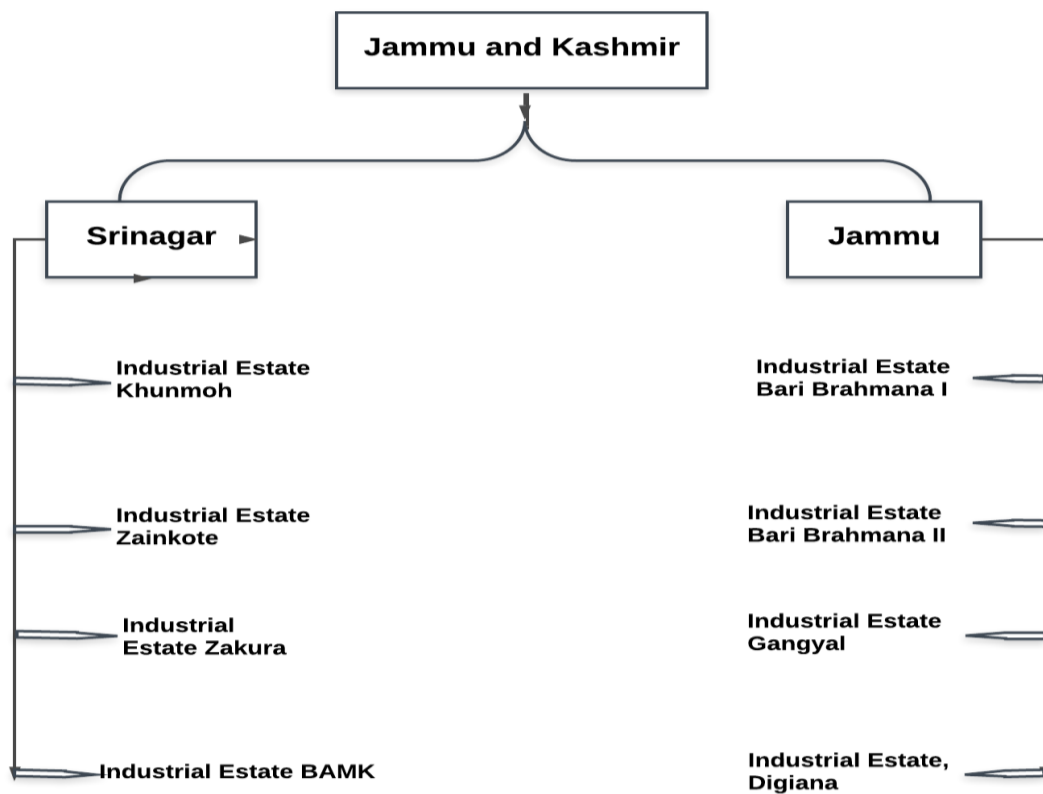


Chapter 5

Comparative Analysis of MSMEs in Jammu and Srinagar Districts

5.1 Introduction

This chapter is designed to analyse the comparative study of MSMEs in Srinagar and Jammu districts of Jammu and Kashmir state. A detailed field survey has been conducted through a questionnaire in both districts separately. The survey is conducted to study the socio-economic status of an entrepreneur, economic, financial and employment profile of the MSME units and entrepreneur satisfaction with the units. The study is conducted through the district wise comparison of the status of MSME units and entrepreneurship development in Srinagar and Jammu district. The survey covers a sample of 400 units that contains 200 units from each district. The furthermore multistage random sampling method is used in the survey in which 4 industrial estates are selected from each district and then 50 random samples are collected from each industrial estate. Which are as follows:



MSME sector is heterogeneous that consists of several types of industries and services units. Samples are randomly collected from various registered MSMEs units only. The study has taken the sample randomly, so it includes a sample from both rural and urban units. The samples are taken from both manufacturing and services sector which include Agro-based, jute based, wooden based, paper-based, leather-based, woollen based, spices based, silk-based, chemical-based, fruits based, repairing, cold storage and services.

There were several studies which show that socio-economic factors play an important role in an individual to become an entrepreneur. There are many factors that positively or negatively influence an individual in starting or running an industrial unit. Factors are encouraging or discouraging an entrepreneur to develop or closure the industrial unit. Therefore it is important to examine whether there is any significant difference in socio-economic factors influencing the entrepreneur's units between Srinagar and Jammu district. In this chapter two types of analysis has carried out as follows;

1. Analysis of most important socio-economic factors affecting entrepreneurs in Srinagar and Jammu districts. In this socio-economic profile of an entrepreneur, profile of the unit, financial profile of the unit, and the employment status of workers in the units. The analysis is carried out by using frequencies, percentages and hypothesis are tested by using Chi-square and p-value.
2. Analysis of the factors encouraging/discouraging entrepreneurs between the Srinagar and Jammu districts. In this factor like Individual, Family, Government and Finance encourage or discourage an individual to become an entrepreneur and how entrepreneurs are satisfied with his business. The analysis is carried out by using percentage, mean, standard deviation, Pearson Chi-square Test, z test and regression analysis.

Hypothesis for the present study are as follows;

1. The socio-economic factors affecting entrepreneurs in MSMEs are different in the Srinagar and Jammu districts.
2. The status of MSMEs units in Srinagar and Jammu districts.

3. The factors affecting entrepreneurs in MSMEs are less favorable in the Srinagar district than that in the Jammu district.

Null hypotheses are tested in this study are as follows;

1. There is no significant difference between the Srinagar and Jammu districts concerning socio-economic factors affecting entrepreneurs in MSMEs.
2. There is no significant difference in the status of MSMEs units in the Srinagar and Jammu district.
3. There is no significant difference in the factors encouraging/discouraging an individual to become an entrepreneur in MSMEs between the Srinagar and Jammu districts.

5.2 Analysis of Socio-Economic Factors of Entrepreneurs and the status of MSME units in the Srinagar and Jammu districts of J&K.

Socio-economic theories on entrepreneurship are arguing that it is favourable socioeconomic factors that permit an individual to become an entrepreneur. Thus the major socio-economic factors are analysed between the Srinagar and Jammu district. The major factors analysed are age, religion, education. Similarly, the status (Economic, Financial and Employment) of MSME units are analysed between Srinagar and Jammu district. The major factors are Category of Enterprises, Location of the Unit, Years of Establishment of Units, Nature of Unit, Nature of Operation of the Unit, Nature of Enterprises Factor influenced to start a Unit, Loan taken by Entrepreneur, Nature of Loan, Purpose of Loan, Time of sanctioning Loan, Satisfaction from the loan, Fixed Capital Assets, Working Capital Assets, Total Capital Assets, Total Workers of the Unit, Skilled Workers in the Unit, Semi-skilled Workers in the Unit, Un-skilled workers in the Unit, Salary Mode of the Unit, EDPs attended and its satisfaction

Null Hypothesis (H0): There is no significant difference between the Srinagar district and Jammu district in respect of socio-economic factors of entrepreneurs and the status of MSME Units.

The hypothesis is analysed using percentages of the socioeconomic factors of entrepreneurship and status of MSME units. The significance of their difference between the Srinagar and Jammu districts is tested using the Pearson Chi-Square test.

5.2.1 Age of the Entrepreneur

The age of the entrepreneur has its importance in different aspect of the business. It is agreed that the young entrepreneurs (middle age) may be high-risk takers to adventurous the profit. The old age and new entrepreneurs avoid taking the additional risk to expand his unit or more production. Hence age is an important factor for entrepreneur development in the districts. The age is categorised here as below 30, 30-40, 40-50 and above 50. The table shows the age-wise comparison of entrepreneurs between Srinagar and Jammu district.

Table 5.1: Age of the Entrepreneurs in Srinagar and Jammu Districts

Age of Entrepreneur	District		
	Srinagar	Jammu	Total
Below 30	24	8	32
	75.00	25.00	100.00
	12.00	4.00	8.00
30-40	67	85	152
	44.08	55.92	100.00
	33.50	42.50	38.00
40-50	80	93	173
	46.24	53.76	100.00
	40.00	46.50	43.25
Above 50	29	14	43
	67.44	32.56	100.00
	14.50	7.00	10.75
Total	200	200	400
	50.00	50.00	100.00
	100.00	100.00	100.00
Pearson chi-square = 16.340, df=3, P-value = 0.001, H₀ = Rejected			
The first row has frequencies; the second row has row percentages and the third row has column percentages			

Source: Primary Data

Significant at 0.05 level

The table and figure 5.1 shows that middle-age entrepreneurs (age 40-50) are highest in both the districts but it is more in Jammu district (46.50 per cent) than in Srinagar district (40.0 per cent). Similarly, the entrepreneurs between the ages 30-40 are more in Jammu district (42.5 per cent) than in Srinagar district (33.5 per cent). The below 30 age entrepreneurs are more in Srinagar district (12.0 per cent) than in Jammu district (4.0 per cent) and old age entrepreneur more than 50 are also more in Srinagar district (14.5 per cent) than in Jammu district (7.0 per cent). Pearson Chi-Square Test shows that $p\text{-value} = 0.0001 < 0.05$, therefore there is a significant difference between the Srinagar district and Jammu district in respect of age of entrepreneurs. It can be observed that young and middle-age entrepreneurs are more in the Jammu district than that in the Srinagar district and the difference between them is significant.

5.2.2 Religion of the Entrepreneur

Religion influence the Entrepreneurship decision in different ways like shaping ethical preferences, demonstrating good behaviour and providing and conducive environment to support entrepreneurship (Binita Topno, Dr R.A.J. Syngkon, 2019). Religion shapes the entrepreneurship decisions, Islam and Christianity found to be conducive to entrepreneurship development also caste system influence the propensity to become an entrepreneur (Audretsch, Boente, & Tamvada, 2007). The study found Muslim, Hindu and Sikh religion for the study. Table 5.2 shows the religion-wise comparison of the entrepreneurs in the Srinagar and Jammu districts of J&K.

Table 5.2:- Religion of the entrepreneurs in the Srinagar and Jammu Districts

Religion	District		
	Srinagar	Jammu	Total
Muslim	200	16	216
	92.59	7.41	100.00
	100.00	8.00	54.00
Hindu	0	148	148
	0.00	100.02	100.00
	0.00	74.00	37.00
	0	36	36

Sikh	0.00	100.00	100.00
	0.00	18.00	9.00
Total	200	200	400
	50.00	50.00	100.00
	100.00	100.00	100.00
Pearson chi-square = 340.7407, df=2, P-value = 0.000, H₀ = Rejected			
The first row has frequencies; the second row has row percentages and the third row has column percentages			

Source: Primary Data

Significant at 0.05 level

Table 5.2 shows that in the Srinagar district(100.0 per cent) of the entrepreneurs are belonged to the Muslim religion, whereas in the Jammu district they are only (8.0 per cent). In Srinagar districts, all the entrepreneurs are Muslim whereas in Jammu district(74.0 per cent) of the entrepreneurs are belongs to Hindu religion and (18.0 per cent) belong to Sikh religion. It shows that in Srinagar district entrepreneurship is concentrated with persons belongs to Muslim religion whereas in Jammu district Hindu, Muslim and Sikh are there but most of the entrepreneurs are belonging to Hindu religion. Pearson Chi-square test shows that ($p\text{-value} = 0.000 < 0.05$), therefore there is a significant difference between the districts in respect of entrepreneurs' religious faith.

5.2.3 Education of the Entrepreneur

Entrepreneurship is determined by the education process and there is a positive and upward relationship between education and entrepreneurship (Vakili, F., Tahmasebi, N., Tahmasebi, S., & Tahmasebi, D. (2017). There is a large impact of education on the profits of at least some group of entrepreneurs (Ivar Kolstad Arne Wiig, 2011). Knowledge-based factors have a strong impact in the decision of startup entrepreneurs and also there are a cross country differences in the growth process of these start-ups (Clercq, D. D., & Arenius, P. (2006). Education may influence individual decision regarding their business activity. Education imparts skills and positive attitude in individuals and explores the opportunities (Peters 2002). Education promotes the cultural values of an individual and raises the level of entrepreneurship (Cohen, L., & Manion, L. K. Morrison, 2000). Education of the entrepreneurs is classified for the current study as a metric, higher secondary, professional education, graduation and

post-graduation. Table 5.3 shows the education of the entrepreneurs in Srinagar and Jammu districts of J&K.

Table 5.3:- Education Status of Entrepreneurs in the Srinagar and Jammu Districts

Education	District		
	Srinagar	Jammu	Total
Metric	6	14	20
	30.00	70.00	100.00
	3.00	7.00	5.00
Higher Secondary	8	22	30
	26.67	73.33	100.00
	4.00	11.00	7.50
Professional	60	56	116
	51.72	48.28	100.00
	30.00	28.00	29.00
Graduation	94	70	164
	57.32	42.68	100.00
	47.00	35.00	41.00
Post-Graduation	32	38	70
	45.71	54.29	100.00
	16.00	19.00	17.50
Total	200	200	400
	50.00	50.00	100.00
	100.00	100.00	100.00
Pearson chi-square = 13.8977, df=4, P-value = 0.008, H₀ = Rejected			
The first row has frequencies; the second row has row percentages and the third row has column percentages			

Source: Primary Data

Significant at 0.05 level

Table 5.3 shows that as compared to the Srinagar district, the education level of entrepreneurs in the Jammu district is low. The entrepreneurs having metric (7.0 per cent) and higher secondary (11.0 per cent) level education is higher in Jammu district than in Srinagar district (3.0 per cent) and (4.0 per cent). Whereas, the entrepreneurs having professional/technical education (30.0 per cent) and graduation (47.0 per cent)

is higher in Srinagar district than, professional/technical education (28.0 per cent) and graduation (35.0 per cent) in Jammu district. Similarly, the post-graduate level entrepreneurs are almost similar in both the district. The Pearson Chi-Square Test is (p-value = 0.00 < 0.05) that shows a significant difference between the districts in respect of the education of the entrepreneurs. Thus the results show that there is a significant difference in the education of entrepreneurs in Srinagar and Jammu district. The table shows that most of the entrepreneurs are having a professional and graduate-level qualification in both the districts but it is higher in Srinagar district than in Jammu district.

5.3 General Profile of the MSMEs Units

5.3.1 Category of Enterprises

MSME Development Act 2006 states the enterprises based on investment in plant and machinery. These are classified based on investment in plant and machinery. The table shows the category-wise distribution of MSMEs in Jammu and Srinagar district.

Table 5.4:- Category of Enterprises in the Srinagar and Jammu Districts

Category_unit_01	District		
	Srinagar	Jammu	Total
Micro	57	44	101
	56.44	43.56	100.00
	28.50	22.00	25.25
Small	125	129	254
	49.21	50.79	100.00
	62.50	64.50	63.50
Medium	18	27	45
	40.00	60.00	100.00
	9.00	13.50	11.25
Total	200	200	400
	50.00	50.00	100.00
	100.00	100.00	100.00
Pearson chi-square = 3.5363, df=2, P-value = 0.171, H₀=Accepted			
The first row has frequencies; the second row has row percentages and the third row has column percentages			

Source: Primary Data

Not significant at 0.05 level

Table 5.4, shows that most of the enterprises in both the Srinagar and Jammu districts are belonging to the 'small' category. In the Srinagar district, the percentage of small enterprises is lesser (62.5 per cent) than that in the Jammu district (64.5 per cent). In the Srinagar district, micro-enterprises are more (28.5 per cent) as against (22.0 per cent) than in the Jammu district. Medium enterprise requires higher investment and are also lower in the Srinagar district (9.0 per cent) than that in the Jammu district (13.5 per cent). Pearson Chi-Square Test shows that a degree of freedom 2, P-value = **0.171** > 0.05, there is no significant difference between the districts in respect of the category of enterprises. It can be concluded that small enterprises are more dominant in both districts than micro and medium enterprises.

5.3.2 Nature of Operation

There are different types of operation of Industries and the selection of industrial operation by entrepreneur depends upon various factors such as Market (Highest responsible factor), availability of Raw material, finance and prior experience. Various operations of industries are Manufacturing, Assembling and Processing. Table 5.10 shows the Nature of Operation of Industrial units in Srinagar and Jammu district of J&K.

Table 5.5:- Nature of Operation of Industrial units in Srinagar and Jammu District

Nature Operation	District		
	Srinagar	Jammu	Total
Manufacturing	146	171	317
	46.06	53.94	100.00
	73.00	85.50	79.25
Assembling	14	11	25
	56.00	44.00	100.00
	7.00	5.50	6.25
Processing	40	18	58
	68.97	31.03	100.00
	20.00	9.00	14.50
Total	200	200	400
	50.00	50.00	100.00

	100.00	100.00	100.00
Pearson chi-square = 10.6764, df=2, P-value = 0.005, H₀ = Rejected			
The first row has frequencies; the second row has row percentages and the third row has column percentages			

Source: Primary Data

Significant at 0.05 level

Table 5.5 shows that in the Jammu district, manufacturing industries (85.5 per cent) are more dominant than in Srinagar district (73.0 per cent). In the Srinagar district MSMEs busy in assembling (7.0 per cent) and processing (20.0 per cent) category are more dominant than in Jammu district (5.0 per cent) and (9.0 per cent). Pearson Chi-Square Test shows that a degree of freedom 2, P-value = 0.005 < 0.05, thus there is a significant difference between the districts in respect of nature of operation of units chosen by entrepreneurs. This shows that in both Srinagar and Jammu districts most of the MSMEs units are busy in manufacturing activities but the units are higher in Jammu district than Srinagar district. Thus there is a significant difference in the nature of operation in both Srinagar and Jammu district.

Table 5.6:- Category wise Nature of Operation of MSME Units

Nature Operation	Category of Units			
	Micro	Small	Medium	Total
Manufacturing	83	201	33	317
	26.18	63.41	10.41	100.00
	73.00	79.13	73.33	79.25
Assembling	6	14	5	25
	24.00	56.00	20.00	100.00
	5.94	5.51	11.11	6.25
Processing	12	39	7	58
	20.69	67.24	12.07	100.00
	11.88	15.35	15.56	14.50
Total	101	254	45	400
	25.25	63.50	11.25	100.00
	100.00	100.00	100.00	100.00

Source: Primary Data

Table 5.6 shows that all of the three Micro (73.0 per cent), Small (79.1 per cent) and Medium (73.3 per cent) Enterprises are mostly busy in manufacturing activities. Whereas (5.9 per cent) of Micro is busy in Assembling and (11.8 per cent) in processing activities, (5.5 per cent) of small enterprises are busy in Assembling and (15.3 per cent) in processing activities. Medium Enterprises (11.1 per cent) are busy in Assembling and (15.5 per cent) in processing activities.

5.3.3 Establishment years of Enterprises

An enterprise start is an operation and over time, it learns many things. Learning experience gets the ability to bare market pressure. After a few years, a unit recovers all its expenditures and start earning profit. It expands its size, employs more workers and adopts new technologies. In this study, enterprises are categorized into 1-5 years, 6-10 years, 11-15 years, 16-20 years, 21-30 years and 31-50 years. The table shows the existence of a number of years of enterprises in Jammu and Srinagar district of J&K.

Table 5.7:- Establishment years of the Industrial units in Srinagar and Jammu Districts

Establishment Years	District		
	Srinagar	Jammu	Total
1-5 years	34	4	38
	89.47	10.53	100.00
	17.00	2.00	9.50
6-10 years	53	41	94
	56.38	43.62	100.00
	26.50	20.50	23.50
11-15 years	41	84	125
	32.80	67.20	100.00
	20.50	42.00	31.25
16-20 years	35	41	76
	46.05	53.95	100.00
	17.50	20.50	19.00
	18	21	39

21-30 years	46.15	53.85	100.00
	9.00	10.50	9.75
31-50 years	19	9	28
	67.86	32.14	100.00
	9.50	4.50	7.00
Total	200	200	400
	50.00	50.00	100.00
	100.00	100.00	100.00
Pearson chi-square = 44.2840, df=5, P-value = 0.000, H₀ = Rejected			
The first row has frequencies; the second row has row percentages and the third row has column percentages			

Source: Primary Data

Significant at 0.05 level

Table 5.7 shows that the enterprises in Srinagar district are younger than in the Jammu district. In the Srinagar district, (26.5 per cent) of enterprises are 6-10 years old and it is the highest percentage of enterprises in this district. Whereas in Jammu district (42.0 per cent) of the enterprises are 11-15 years old and it is the highest share of percentage in this district. Similarly, (17.0 per cent) of enterprises are 1-5 years old in Srinagar district and (2.0 per cent) enterprises in Jammu district belong to this category. Also, 16–20 years old enterprises in Srinagar district are (17.5 per cent) and (20.5 per cent) in Jammu district belongs to this category. Therefore the table shows that enterprises in Srinagar district are younger than in the Jammu district. Pearson Chi-Square Test shows that $P\text{-value} = 0.0000 < 0.05$, thus there is a significant difference between the districts in respect of the number of years of existence of enterprises.

5.3.4 Location of Units

The location of the unit is important for business development. Many factors are responsible for choosing the location of the unit. An entrepreneur chooses the location of a unit which is more convenient to him in respect of nearness of market, cheap and easy availability of raw material, less transportation cost, availability of land, availability of skilled labour and safety of the unit. The geographical agglomeration

of industrial units is an enclosed area that affects the export intensity significantly (Becchetti & Rossi, S. P. 2000). Role of the location of firms shifted from factor endowments and size of productivity to growth productivity (Porter, M. E. 1998). Location of the unit influences the business opportunities for an entrepreneur. There are locations are classified as rural and urban, urban areas are connected with the improved market, infrastructure, transportation and new technologies, whereas rural areas have fewer opportunities and face many challenges. Table 5.7 shows the location of the units in the Srinagar and Jammu districts of Jammu and Kashmir.

Table 5.8:- Location of Units in the Srinagar and Jammu Districts

Location of Units	District		
	Srinagar	Jammu	Total
Urban	150	100	250
	60.00	40.00	100.00
	75.00	50.00	62.50
Rural	50	100	150
	33.33	66.67	100.00
	25.00	50.00	37.50
Total	200	200	400
	50.00	50.00	100.00
	100.00	100.00	100.00
Pearson chi-square = 26.6667, df=1, P-value = 0.000, H₀ = Rejected			
The first row has frequencies; the second row has row percentages and the third row has column percentages			

Source: Primary Data

Significant at 0.05 level

Table 5.8 shows that urban industrial units dominate in the Srinagar district (75.0 per cent) than that in Jammu district (50.0 per cent). Whereas industrial units lie in the rural area is less in Srinagar district (25.0 per cent) compared to that in Jammu district (50.0 per cent). The Pearson Chi-Square Test reveals that (p-value = 0.000 < 0.05), therefore there is a significant difference between the districts in respect to the location of the industrial units. Thus, it can be concluded that most of the entrepreneurs in the Srinagar district belongs to the urban area, as against the Jammu

district and this depicts the significant difference.

5.3.5 Nature of Unit

Table 5.9:- Nature of Units in the Srinagar and Jammu Districts

Nature of Units	District		
	Srinagar	Jammu	Total
Inherited	43	23	66
	65.15	34.85	100.00
	21.50	11.50	16.50
Self-Started	157	177	334
	47.01	52.99	100.00
	78.50	88.50	83.50
Total	200	200	400
	50.00	50.00	100.00
	100.00	100.00	100.00
Pearson chi-square = 7.2582, df=1, P-value = 0.007, H₀ = Rejected			
The first row has frequencies; the second row has row percentages and the third row has column percentages			

Source: Primary Data

Significant at 0.05 level

Table 5.9 shows that in both Srinagar and Jammu district self-started is the most popular form of nature of units. In the Srinagar district, less number of entrepreneurs (78.5 per cent) has self-started the units than that in Jammu district (88.5 per cent). However, the inherited nature of units is more in Srinagar district (21.5 per cent) than in Jammu district (11.5 per cent). The Pearson Chi-Square test shows (p-value = 0.007 < 0.05, therefore there is a significant difference between the districts in respect of nature of units started by entrepreneurs.

5.3.6 Forms of Organisation/ Nature of Enterprises

Enterprises have different forms regarding the liability of ownership, partnership and the sources of capital rose. Sole partnership/proprietary units are those that have only one owner with unlimited liabilities and the decisions are taken by a single person.

These enterprises have limited funds and it has transferable ownership with the sale of the unit. Partnership firms are those that have more than one owner with unlimited liabilities. Ownership does not transfer by an individual but with the consent of all the partners. Firm's decisions are taken with the consent of all the partners. The table shows the nature of enterprises started by entrepreneurs in the Srinagar and Jammu districts.

Table 5.10:- Nature of Enterprises in the Srinagar and Jammu Districts

Nature of Enterprises	District		
	Srinagar	Jammu	Total
Proprietary	127	131	258
	49.22	50.78	100.00
	63.50	65.50	64.50
Partnership	73	69	142
	51.41	48.59	100.00
	36.50	34.50	35.50
Total	200	200	400
	50.00	50.00	100.00
	100.00	100.00	100.00
Pearson chi-square = 0,1747, df=1, P-value = 0.676, H₀ = Accepted			
The first row has frequencies; the second row has row percentages and the third row has column percentages			

Source: Primary Data

Not Significant at 0.05 level

Table 5.10 shows that sole proprietorship is the most popular form of enterprises in both the Srinagar and Jammu districts. In the Srinagar district (63.5 per cent) entrepreneurs have chosen sole proprietorships and in Jammu district (65.5 per cent) has chosen sole proprietorships, which is highest than the partnership in both the district. Similarly (36.5 per cent) entrepreneurs have chosen partnership in Srinagar district and (34.5 per cent) has chosen in Jammu district. Pearson Chi-Square Test shows that a degree of freedom 1, P-value = 0.676 > 0.05, thus there is no significant difference between the regions in respect of nature of enterprises started by entrepreneurs. Therefore, it can be observed that sole proprietorship is dominant in both districts.

5.3.7 Factors to start a Unit in the particular District

Various factors influence the Entrepreneur to start a unit in a particular area (Industrial Estate). These factors like availability of Raw Material, Market of Market, Skill of the entrepreneur and assistance get from relative or friends. According to the present study Market is the most important factor in starting a unit by the entrepreneur in both the districts. The entrepreneur also elaborates that at the time of starting a unit the market for the product was very good but with the passage of time competition raise and the demand of product reduces in the reduces. There are many other factors like skill and raw material which are also important for an entrepreneur in starting a unit in both the districts. The table shows the reasons for starting a unit in a particular district.

Table 5.11:- Factors to start Unit in the Srinagar and Jammu Districts

Factors to start Unit	District		
	Srinagar	Jammu	Total
Raw Material	51	46	97
	52.58	47.42	100.00
	25.50	23.00	24.25
Market	91	75	166
	54.82	45.18	100.00
	45.50	37.50	41.50
Skill	50	65	115
	42.98	57.02	100.00
	25.00	32.50	28.75
Assistance	8	14	22
	36.36	63.64	100.00
	4.00	7.00	5.50
Total	200	200	400
	50.00	50.00	100.00
	100.00	100.00	100.00
Pearson chi-square = 5.3928, df=3, P-value = 0.145, H₀ = Accepted			
The first row has frequencies; the second row has row percentages and the third row has column percentages			

Source: Primary Data

Not Significant at 0.05 level

Table 5.11 shows that the most important reason for starting a unit is "Market" factor in both the districts. Srinagar district has more number of entrepreneurs (45.50 per cent) whereas (37.50 per cent) in the Jammu district has started its enterprise due to the availability of the market. Similarly, the raw material (30.0 per cent) is the second major reason for starting enterprises in Srinagar district and skill (32.5 per cent) is the second major reason in Jammu district. The Pearson Chi-Square Test shows that, P-value = 0.145 < 0.05, therefore we accept the null hypothesis and it shows that there is no significant difference between the districts in respect of reason for starting units by entrepreneurs. Thus the table shows that both Jammu and Srinagar districts have the same reason "Market" is the most important reason for an entrepreneur to start a unit and there is no any significant difference in this regard.

5.4 Financial Profile of the Units

Finance is the lifeblood of any Industry (Pattabiraman, 2017). Micro, Small and Medium requires money to fulfil their needs. Many of the entrepreneurs are economically weaker and they have limited capital formation. Both modern and traditional entrepreneurs in Srinagar and Jammu districts are facing the problem of finance. Due to the industrially backward state capital formation is very less in the state. The local peoples do not have sufficient finance to start or run the business and entrepreneurs from other state are not much attracted to the J&K due to low facilities and geographical condition of the state. It is impossible to run the units without capital. Capitals are required to meet the expenses of land, building and installation of plant and machinery. It is also required to purchase the raw material, wages of labour, fuel, production and marketing of the product etc. there are generally two types of capital requirement fixed capital and working capital. Also, entrepreneur's takes two types of loans commonly short term loans and long term loans. The table shows the loans taken by entrepreneurs in Srinagar and Jammu districts of J&K.

5.4.1 Indebted/ Loan Taken

Table 5.12:- Indebted by entrepreneurs in Srinagar and Jammu Districts

Indebted	District		
	Srinagar	Jammu	Total
Yes	157	161	318
	49.37	50.63	100.00
	78.50	80.50	79.50
No	43	39	82
	52.44	47.56	100.00
	21.50	19.50	20.50
Total	200	200	400
	50.00	50.00	100.00
	100.00	100.00	100.00

The first row has frequencies; the second row has row percentages and the third row has column percentages

Source: Primary Data

Table 5.12 shows that (78.5 per cent) of entrepreneurs have taken a loan in Srinagar district and whereas (80.5 per cent) has taken in Jammu district. Similarly, (21.5 per cent) of entrepreneurs have not taken a loan in Srinagar district and (19.5 per cent) in Jammu district they have started their unit by self-finance, taken from family members, relatives or any other.

5.4.2 Amount of Debit/Loan

Table 5.13:- Loans are taken by entrepreneurs in Srinagar and Jammu Districts

Loan	District		
	Srinagar	Jammu	Total
6-10lakh	10	0	10
	100.00	0.00	100.00
	6.37	0.00	3.14
11-20lakh	22	22	44
	50.00	50.00	100.00
	14.01	13.66	13.84
21-30lakh	40	39	79
	50.63	49.37	100.00
	25.48	24.22	24.84

31-50lakh	25	44	69
	36.23	63.77	100.00
	15.92	27.33	21.70
51-99 lakh	37	27	64
	57.81	42.19	100.00
	23.57	16.77	20.13
1-5crore	23	29	52
	44.23	55.77	100.00
	14.65	18.01	16.35
Total	157	161	318
	49.37	50.63	100.00
	100.00	100.00	100.00
Pearson chi-square = 17.4518, df=5, P-value = 0.004, H₀ = Rejected			
The first row has frequencies; the second row has row percentages and the third row has column percentages			

Source: Primary Data

Significant at 0.05 level

Table 5.13 shows the range of loan taken by entrepreneurs in Srinagar and Jammu district. It shows that the range of 6-10 lakh of loan is taken by (6.37 per cent) of the entrepreneurs in Srinagar district (0.0 per cent) in Jammu district. Similarly, the range of 11-20 lakh the entrepreneurs are similar in both the districts and 21-30 lakh Srinagar district is more than Jammu district. Thereafter the range of loan from 31-50 lakh taken by entrepreneurs in Srinagar district (15.92 per cent) is less than Jammu district (27.33 per cent). Whereas the range of loan 51- 99 lakh taken by entrepreneurs in Srinagar district is (23.57 per cent) and in Jammu district (16.77 per cent) also 1-5 crore (14.65 per cent) in Srinagar district and (18.1 per cent) in Jammu district. The Pearson chi-square shows that $p\text{-value} = 0.004 < 0.05$, therefore we reject the null hypothesis and it shows that there is a significant difference in Srinagar and Jammu district in respect of Loan taken by entrepreneurs.

5.4.3 Nature of Finance

Long term debt is positively related to the structure of asset and the size of the company but negatively related to age whereas short term debt is negatively related to profit, the structure of asset, age and size but positively related to the growth of the unit (Hall, Hutchinson, & Michaelas, 2000).

5.4.4 Fixed Capital or Long Term Loans

Fixed capital finance is those that meet the fixed asset requirements such as plants and machinery for an entrepreneur to start a unit. It is a long term loan that is repayable after 10 to 20 years. The entrepreneurs may raise their loans from various lending institutions but in J&K most of the entrepreneurs raise their loans from commercial banks especially Jammu and Kashmir Bank.

5.4.5 Working Capital or Short Term Loan

Working capital or short term loan is to fulfil the daily requirement of the units. An entrepreneur needs short term loans to meet day to day operations such as buying of raw material, stock of finished products, advance payment for goods or services, daily wages of the labour and other expenses. The table shows the Nature of Loan (Short term and Long term) incurred by entrepreneurs in Srinagar and Jammu district.

Table 5.14:- Nature of Loan in Srinagar and Jammu Districts

Nature of Loan	District		
	Srinagar	Jammu	Total
Short Term	90	71	161
	55.90	44.10	100.00
	57.32	44.10	50.63
Long Term	32	59	91
	35.16	65.56	100.00
	20.38	36.65	28.62
Both	35	31	66
	53.03	46.97	100.00
	22.29	19.25	20.75
Total	157	161	318
	49.37	50.63	100.00
	100.00	100.00	100.00
Pearson chi-square = 10.4470, df=2, P-value = 0.005, H₀ = Rejected			
The first row has frequencies; the second row has row percentages and the third row has column percentages			

Source: Primary Data

Not Significant at 0.05 level

Table 5.14 shows the nature of the loan and it shows that short term loan is taken by (57.32 per cent) of the entrepreneurs in Srinagar district and (44.10 per cent) in Jammu district. Similarly, (20.38 per cent) of the entrepreneurs have taken long term loan in Srinagar district and (36.65 per cent) of the entrepreneurs has taken in long term loans in Jammu district. And (22.29 per cent) of the entrepreneurs have taken for both short term and long term in Srinagar district and (19.25 per cent) in Jammu district. The Pearson chi-square shows that $p\text{-value} = 0.005 < 0.05$, therefore we reject the null hypothesis and it shows that there is a significant difference between in the nature of loan in Srinagar and Jammu district.

5.4.6 Purpose of Debit/Loan

Table 5.15:- Purpose of Loan in Srinagar and Jammu Districts

Purpose of Loan	District		
	Srinagar	Jammu	Total
Fixed Asset	24	48	72
	33.33	66.67	100.00
	15.29	29.81	22.64
Working Capital	93	71	164
	56.71	43.29	100.00
	89.24	44.10	51.57
Both	40	42	82
	48.78	51.22	100.00
	25.48	26.09	25.79
Total	157	161	318
	49.37	50.63	100.00
	100.00	100.00	100.00
Pearson chi-square = 10.9514, df=2, P-value = 0.004, H₀ = Rejected			
The first row has frequencies; the second row has row percentages and the third row has column percentages			

Source: Primary Data

Significant at 0.05 level

Table 5.15 shows that purpose of loan taken by entrepreneurs in Srinagar and Jammu districts either for a fixed asset, working assets or both. The table shows that both the district entrepreneurs have taken loan for working capital but entrepreneurs of Srinagar district (89.24 per cent) have taken more than the entrepreneurs of Jammu district (44.10 per cent). It also shows that (15.29 per cent) of entrepreneurs have taken loan for the fixed asset in Srinagar district and (29.81 per cent) in Jammu district. Whereas (25.48 per cent) of the entrepreneurs have taken loan for both in Srinagar district and (26.09 per cent) of the entrepreneurs have taken in Jammu district. The Pearson chi-square test shows that $p\text{-value} = 0.011 < 0.05$, which shows that there is a significant difference in Srinagar and Jammu district with respect to the purpose of the loan.

5.4.7 Time of Sanctioning Loan

Time taken by the financial institution in sanctioning of loan shows the lending performance of an institution. Delaying of sanction of loan leads to delay in the production of units and it raises the cost of production and reduction of profit. The time gap is shown through the application submitted by entrepreneurs for loan and loan sanctioned by the financial institution. The time gap in sanctioning of loan is shown in the table given below.

Table 5.16:- Time of Loan sanctioned in Srinagar and Jammu Districts

Time of sanctioning Loan	District		
	Srinagar	Jammu	Total
Less than Two weeks	8	18	26
	30.77	69.23	100.00
	5.100	11.18	8.18
2-5 Weeks	51	50	101
	50.50	49.50	100.00
	32.48	31.06	31.76
6-10 Weeks	67	45	112
	59.82	40.18	100.00
	42.68	27.95	35.22
	31	48	79

Above 10 Weeks	39.24	60.76	100.00
	19.75	29.81	24.84
Total	157	161	318
	49.37	50.63	100.00
	100.00	100.00	100.00
Pearson chi-square = 11.7873, df=3, P-value = 0.008, H₀ = Rejected			
The first row has frequencies; the second row has row percentages and the third row has column percentages			

Source: Primary Data

Significant at 0.05 level

Table 5.16 shows that (9.0 per cent) of the enterprises were sanctioned loan amount in Srinagar district and (4.0 per cent) in Jammu district during the time limit of fewer than 2 weeks. Around (25.5 per cent) of the enterprises were sanctioned loan amount in Srinagar district and (25.0 per cent) in Jammu district between 2-5 weeks. Similarly, (33.5 per cent) of the enterprises were sanctioned loan amount in Srinagar district and 22.5 per cent in Jammu district between 6-10 weeks. In Srinagar district (15.50 per cent) of the enterprises was sanctioned loan amount but less than Jammu district (24.0 per cent) in above 10 weeks. The Pearson chi-square shows that p-value = 0.017 < 0.05, that shows the significant difference between the Srinagar and Jammu district.

5.4.8 Satisfaction of Entrepreneurs from Loan

Commercial banks should make efforts to improve the banking policy that influenced the satisfaction level of SMEs as it is an important deterrent of customer satisfaction (Jurevičienė, D., & Skvarciany, V. 2015). The relationship marketing strategies improve the banking relationship that affects the customer satisfaction and it is also suggested that for a long term business relationship between SME owners and banks, trust bonding and shared values should be developed (Fernando, Algunaid, & Zailani, 2013). Islamic banks are playing an important role through reliability, compliance, assurance, tangibility empathy and responsiveness (Maswadeh, S. N. (2015). The table given below shows the entrepreneur satisfaction through the bank loan in Srinagar and Jammu district of Jammu and Kashmir.

Table 5.17:- Satisfaction from Loan in Srinagar and Jammu Districts

Satisfaction from Loan	District		
	Srinagar	Jammu	Total
0-49 percent	105	100	205
	51.22	48.78	100.00
	66.88	62.11	64.47
50-90 percent	52	61	122
	46.00	54.46	100.00
	33.12	37.89	35.53
Total	157	161	318
	49.37	50.63	100.00
	100.00	100.00	100.00
Pearson chi-square = 0.7886, df=1, P-value = 0.375, H₀ = Accepted			
The first row has frequencies; the second row has row percentages and the third row has column percentages			

Source: Primary Data

Table 5.17 shows the satisfaction level of entrepreneur from the loan in Srinagar and Jammu district and it shows that most of the entrepreneurs are satisfied in the range of 0-50 percent in both the districts. It shows that the range of satisfaction 0-50 percent level of entrepreneurs in Srinagar district (52.5 per cent) and (50.0 per cent) in Jammu district. Whereas, the entrepreneurs lies in the range of 51-99 percent are (26.0 per cent) in Srinagar district and (30.5 per cent) in Jammu district. The Pearson chi-square shows that p-value = 0.518 > 0.05, therefore we accept the null hypothesis and it shows that there is no significant difference between the districts in respect of the satisfaction of entrepreneurs from the loan. Thus the table shows that most of the entrepreneurs in both Srinagar and Jammu districts lie in the range of 0-50 percent.

5.5 Investment Pattern of MSME Units

5.5.1 Fixed Capital Assets

Finance is a key factor/lifeblood of any business. A fixed asset is a long term asset that a firm owns for its operation. It is not expected to get a return or converted into a profit/cash within a year. Fixed capital assets are an investment on land, plant,

machinery etc. The table given below shows the fixed capital assets of entrepreneurs on their units in Srinagar and Jammu districts of Jammu and Kashmir.

Table 5.18:-Fixed Capital Assets of MSMEs in Srinagar and Jammu Districts

Fixed Capital Assets	District		
	Srinagar	Jammu	Total
1-5 lakh	32	54	86
	37.21	62.79	100.00
	16.00	27.00	21.50
6-10 lakh	45	15	60
	75.00	25.00	100.00
	22.50	7.50	15.00
11-20 lakh	45	49	94
	47.87	52.13	100.00
	22.50	24.50	23.50
21-30 lakh	27	50	77
	35.06	64.94	100.00
	13.50	25.00	19.25
31-50 lakh	14	15	29
	48.28	51.72	100.00
	7.00	7.50	7.25
51-99 lakh	20	5	25
	80.00	20.00	100.00
	10.00	2.50	6.25
1-5 crore	17	12	29
	58.62	41.38	100.00
	8.50	6.00	7.20
Total	200	200	400
	50.00	50.00	100.00
	100.00	100.00	100.00
Pearson chi-square = 37.5648, df=6, P-value = 0.000, H₀ = Rejected			
The first row has frequencies; the second row has row percentages and the third row has column percentages			

Source: Primary Data

Table 5.18 shows that there is a difference in the fixed capital assets by entrepreneurs in Srinagar and Jammu district. The table shows that range of fixed capital assets 6-10 lakh is higher in Srinagar district (22.5 per cent) than in Jammu district (7.5 per cent). But the range of fixed capital assets 1-5 lakh is higher in Jammu district (27.0 per cent) than in Srinagar district (16.0 per cent). Similarly, the range of fixed capital assets 11-20 lakh (24.5 per cent), 21-30 lakh (25.0 per cent) and 31-50 lakh (7.5 per cent) is higher in Jammu districts than in Srinagar district 11-20 lakh (22.5 per cent), 21-30 lakh (13.5 per cent) and 31-50 lakh (7.0 per cent). Whereas fixed capital assets in the range of 51-99 lakh (10.0 per cent) and 1-5 crore (8.5 per cent) is higher in Srinagar district than in Jammu district 51-99 lakh (2.5 per cent) and 1-5 crore (6.0 per cent). The Pearson chi-square shows that $p\text{-value} = 0.000 < 0.05$, therefore we reject the null hypothesis and it shows that there is a significant difference in the fixed capital assets by entrepreneurs in the unit.

5.5.2 Working Capital Assets

Working capital assets are used for daily operations in the unit. It plays an important role in the smooth functioning of a unit and improves the unit profit. Working capital assets have a positive impact on firms profit, risk and its values (Smith, 1980). Working capital level and the firm's profitability have a concave relationship as it indicates that it maximises the profit of SMEs through the optimal working capital level (Baños-Caballero, García-Teruel, & Martínez-Solano, 2012). Working capital management plays an important role in the firm's output as it generates a high rate of returns for stakeholders (Afza, & Nazir, 2008). Entrepreneurs should mobilize the adequate working capital assets otherwise it does not only affect the term operation of the business but also impact the future operation of the enterprises. The table given below shows the working capital assets of MSMEs in Srinagar and Jammu districts of Jammu and Kashmir.

Table 5.19:- Working Capital Assets of MSMEs in Srinagar and Jammu Districts

Working Capital Assets	District		
	Srinagar	Jammu	Total
1-5 lakh	42	52	94
	44.68	55.32	100.00
	21.00	26.00	23.50
6-10 lakh	56	29	85
	65.88	34.12	100.00
	28.00	14.50	21.25
11-20 lakh	35	42	77
	45.45	54.55	100.00
	17.50	21.00	19.25
21-30 lakh	19	34	53
	35.85	64.15	100.00
	9.50	17.00	13.25
31-50 lakh	14	13	27
	51.85	48.15	100.00
	7.00	6.50	6.75
51-99 lakh	14	11	25
	56.00	44.00	100.00
	7.00	5.50	6.25
1-5 crore	11	8	19
	57.89	42.11	100.00
	5.50	4.00	4.75
6-10 crore	9	11	20
	45.00	55.00	100.00
	4.50	5.50	5.00
Total	200	200	400
	50.00	50.00	100.00
	100.00	100.00	100.00
Pearson chi-square = 15.5927, df=7, P-value = 0.029, H₀ = Rejected			
The first row has frequencies; the second row has row percentages and the third row has column percentages			

Source: Primary Data

Table 5.19 shows that there is a difference in the working capital assets by entrepreneurs in Srinagar and Jammu district. The table shows that range of working capital assets 6-10 lakh is higher in Srinagar district (28.0 per cent) than in Jammu district (14.5 per cent). But the range of working capital assets 1-5 lakh is higher in Jammu district (26.0 per cent) than in Srinagar district (21.0 per cent). Similarly, the range of working capital assets 11-20 lakh (21.0 per cent) and 21-30 lakh (17.0 per cent) is higher in Jammu districts than in Srinagar district 11-20 lakh (17.5 per cent) and 21-30 lakh (9.5 per cent). Whereas working capital assets in the range of 31-50 lakh (7.0 per cent), 51-99 lakh (7.0 per cent) and 1-5 crore (5.5 per cent) is higher in Srinagar district than in Jammu district 31-50 lakh (6.5 per cent) 51-99 lakh (5.5 per cent) and 1-5 crore (4.0 per cent). Lastly, the range of working capital assets lies between 6-10 lakh (5.5 per cent) is higher in Jammu district than 6-10 lakh (4.5 per cent) in Srinagar district. The Pearson chi-square shows that $p\text{-value} = 0.029 < 0.05$, therefore we reject the null hypothesis and it shows that there is a significant difference in the working capital assets of MSMEs in Srinagar and Jammu district.

5.5.3 Total Capital Assets

Table 5.20:-Total Capital Assets of MSMEs in Srinagar and Jammu Districts

Total Capital Assets	District		
	Srinagar	Jammu	Total
5-10 lakh	24	34	58
	41.38	58.62	100.00
	12.00	17.00	14.50
10-20 lakh	60	31	91
	65.93	34.07	100.00
	30.00	15.50	22.75
21-50 lakh	53	93	146
	36.30	63.70	100.00
	26.50	46.50	36.50
50-99 lakh	17	12	29
	58.62	41.38	100.00
	8.50	6.00	7.25
	44	19	63

1-5 crore	69.84	30.16	100.00
	22.00	9.50	15.75
6-10 crore	2	11	11
	15.38	84.62	100.00
	1.00	5.50	3.25
Total	200	200	400
	50.00	50.00	100.00
	100.00	100.00	100.00
Pearson chi-square = 38.9383, df=5, P-value = 0.000, H₀ = Rejected			
The first row has frequencies; the second row has row percentages and the third row has column percentages			

Source: Primary Data

Table 5.20 shows that there is a difference in the total capital assets by entrepreneurs in Srinagar and Jammu district. The table shows that range of total capital assets 10-20 lakh is higher in Srinagar district (30.0 per cent) than in Jammu district (15.5 per cent). But the range of total capital assets 21-50 lakh is higher in Jammu district (46.5 per cent) than in Srinagar district (26.5 per cent). Similarly, the range of total capital assets 50-99 lakh (8.5 per cent) and 1-5 crore (22.0 per cent) is higher in Srinagar districts than in Jammu district 50-99 lakh (6.0 per cent) and 1-5 crore (9.5 per cent). Whereas total capital assets in the range of 5-10 lakh (17.0 per cent) and 6-10 crore (5.5 per cent) is higher in Jammu district than in Srinagar district 5-10 lakh (12.0 per cent) and 6-10 crore (1.0 per cent). The Pearson chi-square shows that $p\text{-value} = 0.000 < 0.05$, therefore we reject the null hypothesis and it shows that there is a significant difference in the total capital assets of MSMEs in Srinagar and Jammu district.

5.6 Employment Status of MSME Units

5.6.1 Workers of the Units

The number of workers in an enterprise indicates the operational activities in the firm and its rationality. The large volume of operation depends on a large number of employees in the firm. Small firms with a limited volume of operation have lesser number of workers. The table shows the total of workers in enterprises in the Srinagar and Jammu district.

Table 5.21:- Number of workers in Enterprises in the Srinagar and Jammu Districts

Workers	District		
	Srinagar	Jammu	Total
1-5	22	35	57
	38.60	6.40	100.00
	11.00	17.50	14.25
6-10	51	45	96
	53.13	46.88	100.00
	25.50	22.50	24.00
11-15	53	42	88
	55.79	44.21	100.00
	26.50	21.00	23.75
16-20	44	29	73
	60.27	39.73	100.00
	22.00	14.50	18.25
21-30	13	18	31
	41.94	58.06	100.00
	6.50	9.00	7.75
31-50	9	18	27
	33.33	66.67	100.00
	4.50	9.00	6.75
51-100	8	6	14
	57.14	42.86	100.00
	4.00	3.00	3.50
101-500	0	7	7
	0.00	100.00	100.00
	4.50	3.50	1.75
Total	200	200	400
	50.00	50.00	100.00
	100.00	100.00	100.00
Pearson chi-square = 18.7880, df=7, P-value = 0.009, H₀ = Rejected			
The first row has frequencies; the second row has row percentages and the third row has column percentages			

Source: Primary Data

The table 5.21 shows that in the Srinagar district enterprises are working with more number of workers compared to that of Jammu district. In Jammu district, more number of enterprises (18.50 percent) is working with 5 or less than 5 workers than that in Srinagar district (11 percent). In other categories 6-10, 11-15, 16-20 and 51-100, the Srinagar district has more number of enterprises than in Jammu district. In the Srinagar district (25.50 per cent) of the enterprises have 6-10 workers, (23.0 per cent) of the enterprises have 11-15, (22.0 per cent) of the enterprises have 15-20 workers and (4.0 per cent) enterprises have 51-100 workers as compared to the Jammu district (22.5 per cent), (21.0 per cent), (14.5 per cent) and (3.0 per cent) respectively. Similarly, 21-30 and 101-500 categories of workers have slightly more of the percentage of enterprises in Jammu district than in Srinagar district. Pearson Chi-Square Test shows that a degree of freedom 7 P-value = 0.030 < 0.05, thus there is a significant difference between the districts in respect of a number of workers in enterprises. Therefore the table shows that there is a significant difference in different categories of workers in both the districts. Lower and upper category Jammu district-based enterprises have more number of workers, whereas in-between categories Srinagar district-based enterprises have more number of workers. It is due to the reason that Srinagar district has more number of small enterprises whereas Jammu district has also micro and medium enterprises with small enterprises.

Table 5.22:- Category-wise Number of Workers in Srinagar and Jammu Districts

Workers	Category Unit			
	Micro	Small	Medium	Total
1-5	48	0	0	48
	100.00	0.00	0.00	100.00
	47.52	0.00	0.00	12.00
6-10	53	34	0	87
	60.92	39.08	0.00	100.00
	52.48	13.39	0.00	21.75
11-15	0	89	0	89
	0.00	100.00	0.00	100.00
	0.00	35.04	0.00	22.25

16-20	0	78	0	78
	0.00	100.00	0.00	100.00
	0.00	30.71	0.00	19.50
21-30	0	32	0	32
	0.00	100.00	0.00	100.00
	0.00	12.59	0.00	8.00
31-50	0	21	10	31
	0.00	67.74	32.26	100.00
	0.00	8.27	22.22	7.75
51-100	0	0	25	25
	0.00	0.00	100.00	100.00
	0.00	0.00	55.56	6.25
101-500	0	0	10	10
	0.00	0.00	100.00	100.00
	0.00	0.00	22.22	2.50
Total	101	254	45	400
	25.25	63.50	11.25	100.00
	100.00	100.00	100.00	100.00
The first row has frequencies; the second row has row percentages and the third row has column percentages				

Source: Primary Data

Table 5.22 shows that the workers lie under Micro enterprises are in between the range from 1-5 are 48(47.52 per cent) and range from 6-10 is 53(52.48 per cent). Whereas, workers lie under small enterprises are ranges from 6-10 are 34(13.39 per cent), 11-15 are 89(35.04 per cent), 16-20 are 78(30.71 per cent), 21-30 are 32 (12.59 per cent) and workers range 31-50 are 21(8.27 per cent). And workers lies under Medium enterprises are ranges 31-50 are 10 (22.22 per cent), 51-100 are 25(55.56 per cent) and ranges 101-500 are 10(22.22 per cent). This shows that most of the workers lies under micro-enterprises are lies in the range of 6-10, small enterprises are lies in the range of 11-15 and the workers lies under medium enterprises are ranged 51-100. That is well defined the definition of MSMEs Act 2006.

5.6.2 Mode of the Salary of Workers

Table 5.23:- Salary Mode of workers of MSMEs in Srinagar and Jammu Districts

Salary Mode	District		
	Srinagar	Jammu	Total
Cash	95	120	215
	44.19	55.81	100.00
	47.50	60.00	53.75
Online	60	45	105
	57.14	42.86	100.00
	30.00	22.50	26.25
Both Cash & Cheque	45	35	80
	56.25	43.75	100.00
	20.50	17.50	20.00
Total	200	200	400
	50.00	50.00	100.00
	100.00	100.00	100.00
Pearson chi-square = 6.2988, df=2, P-value = 0.043, H₀ = Rejected			
The first row has frequencies; the second row has row percentages and the third row has column percentages			

Source: Primary Data

Table 5.23 shows the mode of payment to the workers of MSMEs in both Srinagar and Jammu district. The table shows that maximum enterprises are giving payment in cash to the workers in both the districts, whereas in Jammu district percentage of enterprises 120(60.0 per cent) in giving cash is more than the Srinagar district 95(47.50 per cent). Online payment to the workers by enterprises is more in Srinagar district 60(30.0 per cent) than the Jammu district 45(22.5 per cent). The enterprises that give payment to the workers through the cash and cheque both are 45(20.5 per cent) in Srinagar district and 35(17.5 per cent) in Jammu district. Pearson Chi-Square Test shows that a degree of freedom 2 P-value = 0.043 < 0.05, thus there is a significant difference between the districts in respect of mode of payment to the workers by enterprises. Therefore the table shows that there is a significant difference in the mode of payment by enterprises to the workers in both the districts.

5.7 Entrepreneurship Development Programme

EDP (Entrepreneurship Development Programme) is a programme started by various government and non-government agencies for developing entrepreneurial skill through imparting the training for new and existing entrepreneurs to form and run a business. The skill required to run a business is developed, polished and incubate among the peoples through these programmes. Its aim to promote and developed the entrepreneurship and also makes a long term relationship with the training agencies for future updating technological development. David C. McClelland(1961) has given significant conclusions on his experiment that traditional philosophies do not hinder an entrepreneur but with that suitable training programmes are an important drive for them to run the business (McClelland & Winter 1969). Entrepreneurship development programmes are an effort to make an individual an entrepreneur through various suitable training (NISIET, Hyderabad)

5.7.1 EDPs (Entrepreneurship Development Programmes) Attended

Entrepreneurship is an accelerator for economic growth and development to classify the country as a developing or developed (Okon, E. O., 2018). Entrepreneurship forms an important place in the contemporary world (Stefanovic et al, 2011). Small and medium enterprises (SMEs) are the important basis of industrial development and entrepreneurship plays an important role in SMEs, as these are the emerging force of the developed market (Stefanovic et al., 2009).

Table 5.24:- Participation of Entrepreneurs in EDPs

Programme Attended	Srinagar		Jammu		Total	
	Frequency	Percentage	Frequency	Percentage	Frequency	Percentage
Yes	64	32.00	57	28.50	121	30.25
No	136	68.00	143	71.50	279	69.75
Total	200	100.00	200	100.00	400	100.00
Pearson chi-square = 0.5806, df=1, P-value = 0.446, H₀ = Accepted						

Source: Primary Data

Table 5.24 shows that in both the districts Srinagar and Jammu, most of the entrepreneurs have not attended any entrepreneurship development programme. In Srinagar district (68.0 per cent) and Jammu district (71.50 per cent) of the

entrepreneurs have not attended the EDP. The table shows that Jammu district has a lesser number of people has attended EDPs (28.5 per cent) than that in Srinagar district (32.0 per cent). Pearson Chi-square test shows that $p = 0.446 > 0.05$, therefore there is no significant difference between the districts in respect of attending EDPs. Thus we can conclude that EDPs has not many roles in entrepreneurship generation.

5.7.2 EDPs (Entrepreneurship Development Programmes) Satisfaction

Entrepreneurship Development Programmes aim to train potential trainees and satisfy their requirements. Its objective is to promote the important knowledge and skill among the entrepreneurs. These programmes provide a satisfaction level among entrepreneurs. Therefore its satisfaction level is measured on a five-point scale. The table shows the satisfaction level of entrepreneur those attended the programme.

Table 5.25:-Satisfaction of Entrepreneurs from EDPs

Programme Satisfaction	Srinagar		Jammu		Total	
	Frequency	Percentage	Frequency	Percentage	Frequency	Percentage
Highly Satisfied	3	4.69	2	3.51	5	4.13
Satisfied	25	39.06	23	40.35	48	39.67
Neutral	16	25.00	12	21.05	28	23.14
Dissatisfied	15	23.44	13	22.81	28	23.14
Highly Dissatisfied	5	7.81	7	12.28	12	9.92
Total	64	100.00	57	100.00	121	100.00

Source: Primary Data

Table 5.25 shows that in both Srinagar and Jammu district most of the entrepreneurs are satisfied with the EDPs they attended. In the Jammu district more number (40.35 per cent) are satisfied than that in Srinagar district (39.06 per cent). Therefore it is found that EDPs are providing a satisfactory performance in entrepreneurs. Similarly, many of the entrepreneurs are dissatisfied with the EDPs and many are neutral. Only a few entrepreneurs are highly satisfied with the EDPs.

5.8 Summary of Testing of Hypotheses

The alternate hypotheses set up for the study is, there is a significant difference in the status of MSMEs between the Srinagar and Jammu district. The null hypothesis is, there is no significant difference in the status of MSMEs between the Srinagar and

Jammu districts. Pearson Chi-Square test is used to test the significance of difference at 5 percent level of significance. When the calculated p-value is less than 0.05, the alternate hypothesis (H_1) is accepted and the null hypothesis is rejected. Otherwise, the alternate hypothesis (H_1) is rejected and the null hypothesis is accepted.

Table 5.26:- Summary of Hypothesis testing on the status of MSMEs

S. No.	Variables	P-value	The decision of the Null Hypothesis
1	Socio-Economic Profile of the Entrepreneur		
1.1	Age of the Entrepreneur	*0.001	Rejected
1.2	Education of the Entrepreneur	*0.008	Rejected
1.3	The religion of the Entrepreneur	*0.000	Rejected
2	Profile of the MSME units		
2.1	Category of the Unit		
2.2	Location of the Unit	*0.000	Rejected
2.3	Year of Establishment of Unit	*0.000	Rejected
2.4	Nature of Unit	*0.007	Rejected
2.5	Nature of Operation of the Unit	*0.005	Rejected
2.6	Nature of Enterprises	**0.676	Accepted
2.7	Factor Influenced to start a Unit	**0.145	Accepted
3	Financial Profile of MSME units		
3.1	A loan is taken by Entrepreneur	*0.007	Rejected
3.2	Nature of Loan	*0.009	Rejected
3.3	Purpose of Loan	*0.011	Rejected
3.4	Time of sanctioning Loan	*0.016	Rejected
3.5	Satisfaction from loan	**0.518	Accepted
3.6	Fixed Capital Assets	*0.00	Rejected
3.7	Working Capital Assets	*0.029	Rejected
3.8	Total Capital Assets	*0.000	Rejected
4	Employment Profile of MSME Units		
4.1	Workers of the Unit	*0.009	Rejected
4.5	Salary Mode of the Unit	*0.043	Rejected
4.6	EDPs Attended	**0.446	Accepted

Source: Computed by Researcher

* Significant at 0.05 level

**Not Significant at 0.05 level

The table 5.26 summarises results of the analysis in respect of the null hypothesis (H₀) set for the study that, there is no significant difference in the status of MSME units between the Srinagar and Jammu district of Jammu and Kashmir. The table shows that 19 variables among all define the status of MSME units in Srinagar and Jammu district in respect of Entrepreneur profile, the general profile of MSME unit, Financial profile of MSME unit and Employment profile of MSME unit. These includes the Age of the Entrepreneur, Education of the Entrepreneur, Religion of the Entrepreneur, Category of the Unit, Location of the Unit, Year of Establishment of Unit, Nature of Unit, Nature of Operation of the Unit, Loan taken by Entrepreneur, Nature of Loan, Purpose of Loan, Time of sanctioning Loan, Fixed Capital Assets, Working Capital Assets, Total Capital Assets, Total Workers of the Unit and Salary Mode of the Unit.

However there is no significant difference between the districts in respect to the variables such as nature of Enterprises, Factor Influenced to start a Unit starting an enterprise, nature of location and Satisfaction from the loan. Thus it shows that in respect of the majority of the variables there is a significant difference between the Srinagar and Jammu districts. Hence, it is concluded that there is a significant difference between the Srinagar and Jammu district with respect to the status of the MSME units.

5.9 Logistic Regression Model

Logistic regression is a regression that is used to test whether the probability of the occurrence of the dependent variable can be predicted by its independent variables (Ghozali, 2006). Regression models in this study are as follows:

$$\log (p/1-p) = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + \beta_8 X_8 + U_i$$

Where

p = probability of Total Capital (Upto 10 lakh (0) More than 10 lakh (1))

X₁ = Age (Upto 30 years (0) More than 30 years (1))

X₂ = Education (Upto 12th (0) Above 12th (1))

X₃ = Category of Units (Micro (0) Small and Medium (1))

X₄ = Nature of Units (Inherited (0) Self-started (1))

X5 = Debt (Upto 10 lakh (0) More than 10 lakh (1))

X6 = Workers (Upto 10 (0) More than 10 (1))

X7 = Old Unit (Upto 10 years (0) More than 10 years (1))

X8 = Location of Unit (Rural (0) Urban (1))

U_i = Error term

U_i is the residual error, which is normally distributed with the expected mean value of zero.

5.9.1 Results Estimated from data analysis

Binary logistic regression analysis was performed on eight dichotomous independent variables that affect the total Investment of Entrepreneurs. The outcome variable of the study has two categories 0 and 1. The value 1 indicates that the entrepreneur has a high investment. The value 0 indicates that the entrepreneur has a low investment. Results obtained from binary logistic regression analysis are shown in Table 3 below:

Table 5.27 Logistic Regression Results

Variables	Coefficients	Odds ratios	Std. Err	Z	P-value	Confidence Interval	
Age	.3530786	1.423443	.6290016	0.80	0.424	.5986938	3.384351
Education	.073592	1.076368	.1337193	0.59	0.554	.8437506	1.373116
Category of Units	.5225254	.593021	.1915485	1.62	0.106	.3148677	1.116894
Nature of Unit	.4663708	1.594198	.5231879	1.42	0.155	.8379012	3.033135
Debt	.8161802	2.261844	.7446228	2.48	0.013	1.186419	4.312083
Workers	.4634351	1.589525	.4053699	1.82	0.069	.9642483	2.620268
Old Unit	.1754225	1.19175	.3199187	0.65	0.513	.7041815	2.016905
Location of Unit	1.427523	4.168363	1.338809	4.44	0.000	2.221129	7.822712
Constant	.8986772	4071078	.3469964	1.05	0.292	.0765935	2.163849

Source; Computed by Researcher

In a logistic regression independent variables are explained by odds ratios that are significant at 5 percent level of significance different from 1 (Odd ratio does not contain 1) at 95 percent confidence interval (Bekele, E., & Muchie, M., 2009). Table

5.27, shows that most influential independent variable over the investment decision of an entrepreneur is “Location of the Unit” as it has estimated odd ratio of 4.168363 at p-value 0.000 and 95 percent confidence interval of odds ratio is (2.221129, 7.822712). Debt is the second influential variable of entrepreneur investment with an odds ratio of 2.298938 at p-value of 0.014 and 95 percent confidence interval of odds ratio is (1.179477, 4.480898).

5.9.2 Logistic Regression Equation

$$\log (p/1-p) = -.8986772 + .3530786 \text{ Age} + .073592 \text{ Education} + .5225254 \text{ Category of Units} + .4663708 \text{ Nature of Units} + .8161802 \text{ Debt} + .4634351 \text{ Workers} + .1754225 \text{ Old Unit} + 1.427523 \text{ Location of Unit.}$$

The above estimates show the relationship between dependent and independent variables, where the dependent variable is on the logit scale. The estimates show the increase in the predicted log odds of total capital = 1 that would be predicted by a 1 unit increase in the independent variable keeping all other variables constant. Here most of the independent variables are not significant except debt and location of unit and the coefficients of all those independent variables is not different from 0, that are not significant. The significant variables like debt show that one unit increase in debt (going from low debt to high) we expect a .8161802 increase in the log-odds of the dependent variable total capital keeping all other independent variables constant. Similarly location of the unit for one unit change in the location of the unit (going from rural to urban), we expect a 1.427523 increase in the log-odds of total capital keeping all other independent variables constant. Constant is the expected value of the log-odds of total capital when all the independent variables are equal to zero.

5.9.3 Model Summary

Table 5.28 Model Summary

Log-likelihood	Number of Obs.	LR chi2(7)	Prob > chi2	Pseudo R2
-194.03117	400	43.36	0.0000	0.1005

Source: Computed by Researcher

In binary data the predicted probabilities of the dependent variables in a fitted model are predicted through, $Y = 1$ if $\hat{\pi} > c$ and $Y = 0$ otherwise, where c is some cut-off point (Sharma, D. R. 2006). In Logistic regression there is complication arises in the R-square as a tool to accessing the model adequacy due to the existence of several possible residual criteria in binary dependent variables than the one residual variation criterion in OLS (Sharma, D. R. 2006). Whereas (p-value $0.000 < 0.05$), shows the jointly effective role of the predictor in the investment decision of entrepreneur in the survival of MSMEs.

5.9.4 Hosmer and Lemeshow's (Goodness of Fit Test)

Hosmer and Lemeshow's Goodness-of-Fit Test is used to check the feasibility of the regression model (Siswanto, Arifin & Cavin, 2019). Significant goodness of fit is the Hosmer and Lemeshow chi-square that is non-significant since its significance value is more than 0.05 (Hair et al., 1998). A non-significant chi-square indicates that the data fit the model well (Burns and Burns, 2008)

Table 5.29 The Result of Hosmer and Lemeshow's Goodness of Fit Test

Hosmer Lemeshow chi2	Degree of Freedom	P-value
10.04	8	0.2625

Source: Computed by Researcher

Table 5.29 shows the Goodness of Fit of the logistic model through Hosmer and Lemeshow's test, the results show that the Chi-square value is 10.04 with significance value = 0.2625 and degree of freedom = 8. It shows that the significance value is greater than 0.05, hence we reject the Null hypothesis. Thus there is no significant difference between the model and the observed value and model are capable of predicting the observed value. Therefore we accept the model due to the fitness of the observed data.

5.10 Multinomial Logistic Regression Model

The concept of multinomial logistic regression composed from binary logistic regression (Aldrich & Nelson 1984, Hosmer & Lemeshow 2000). Multinomial logistic regression is defined as the regression analysis in which dependent variable is nominal with not less than two levels and it is a generalization of binary logistic

regression. A multinomial logistic regression model is used when the dependent variable has multiple categories. In multiple logistic regression, parameters are estimated that can be identified through the baseline category (Long, 1997).

Table 5.30 Multinomial Logistic Regression Result

Variables	5-10 lakh	11-20 lakh	51-99 lakh	1-5 crore	6-10 crore
Age	-0.387 (0.246)	-0.431** (0.192)	0.478* (0.283)	0.428** (0.223)	-0.186 (0.377)
Education	-0.030 (0.180)	-0.032 (0.144)	0.411* (0.224)	-0.096 (0.171)	0.585 (0.358)
Category of Unit	-0.232 (0.313)	0.185 (0.258)	-0.637* (0.385)	0.104 (0.299)	-0.265 (0.509)
Nature Unit	-0.282 (0.530)	-0.650* (0.375)	0.088 (0.589)	0.741 (0.509)	0.234 (0.839)
Debt	0.357*** (0.105)	0.133* (0.084)	0.190 (0.132)	0.611*** (0.115)	0.566*** (0.191)
Workers	-1.155*** (0.190)	-0.491*** (0.120)	-0.113** (0.152)	-0.413*** (0.108)	0.022 (0.187)
Old Unit	-0.111 (0.136)	-0.192* (0.115)	0.210 (0.162)	0.039 (0.128)	0.109 (0.213)
Location of Unit	-0.980** (0.454)	-1.156*** (0.355)	1.894*** (0.534)	-0.393 (0.358)	-0.131 (0.632)
Constant	3.681** (1.859)	4.435*** (1.387)	-8.320*** (2.325)	-8.65*** (1.864)	-8.068** (3.255)

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Source: Computed by Researcher

Table 5.30 shows a clearer picture of the effect of independent variables on the dependent variable. It shows the significant level of independent variables at different range/level of total capital (dependent variable). The significant level is checked at 1 percent, 5 percent and 10 percent level keeping 21-50 lakh as a base outcome. The result shows that debt, workers and location of the unit are almost all the level of investment. These three are affecting the investment decision of the entrepreneur in the unit. Age of the entrepreneur is little bit affecting the investment decision level of an entrepreneur, the young entrepreneur is more risk-taker than the older one. Whereas other independent variables like education, category of the unit, nature of the unit and the year of establishment of units are not affecting the investment decision level of an entrepreneur in the units.

5.11 Encouraging/Discouraging Factors of an Individual to become an Entrepreneur

Many factors encourage/discourage an individual to become an entrepreneur broadly, we categorised it into four categories namely Individual Factors, Family Factors, Government Factors and Financial Factors. Individual factors include Education level of an individual, Skill, Previous Experienced and Income of an individual. Family factors include Family support, Family business, Family Wealth and Parental Occupation. Government factors include Government policies and Schemes, Training Programmes organised by the government to train the entrepreneurs, Subsidies and Incentives provided by the government and Internal Disturbances in the region. Financial factors include Easy availability of Finance, Proper guidance from financial institutions, Low-Interest Rate on loan provided by financial institution and Availability of both short and long term credit.

Table 5.31 Descriptive Statistics

Variables	Mean	Std. Deviation	Minimum	Maximum
Education Attained	1.70	.831	1	3
Previous Experience	2.80	1.175	1	4
Skill	1.87	.771	1	3
Income	2.91	1.524	1	5
Influenced Family Members	2.64	1.039	1	4
Family Business	2.62	1.113	1	4
Family Wealth	2.65	1.145	1	4
Parental Occupation	2.70	1.168	1	4
Policies Schemes	2.64	1.546	1	5
Training Programme	2.73	1.156	1	4
Subsidies Incentives	2.46	.980	1	4
Internal Disturbances	2.50	1.313	1	4
Easy Availability Finance	2.54	1.141	1	4
Proper Guidance Financial Institution	2.41	1.537	1	5
Low-Interest Rate	2.38	1.262	1	4
Short Long Credit	2.64	1.155	1	4

Source: Computed by Researcher

The table 5.31 shows the descriptive statistics of various factors that encourage/discourage an individual to become an entrepreneur since their mean scores are above the 1, all the factors influence persons favourably to become an entrepreneur. Among the sixteen factors, a person is most encouraged by individual factors (Income and Previous Experience) to become an entrepreneur (the highest mean score of 2.91 & 2.80). The second most encouraging is family factors (Parental Occupation, Family Wealth, Influenced and Family Business) with a mean score (2.70, 2.65, 2.64 & 2.62). The table shows that government financial related factors are least encouraging people in becoming an entrepreneur.

5.12 Factor Analysis

Factor analysis is developed in 1904 by Spearman and explains it as a relation among the test scores that are generated through modelling with a single common factor (Luisa Cutillo, 2019). Factor analysis is a single technique with no dependent variable and it explains that among the many variables it reduces it in the smaller set of factors (Luisa Cutillo, 2019). Beattie et al (2002), used factor analysis for his study to find out the validation of a satisfaction level of outpatient physical therapy. Factor analysis motive is to identify the correlation matrix (Kline, 1998).

Factor analysis is based on two methods Principal component analysis and common factor analysis. The principal component analysis method is based on the extraction of factors based on the total variance whereas the common factor analysis method is based on the total variance shared by the factors. PCA is used to identify the least number of factors that explains the highest variance and common factor method is used to identify the latent underlying factors.

Most of the variance is explained by the first extracted factor.

The factor analysis method is mainly based on four steps

1. Check the Dimensionality (correlation) among the variables. It shows that whether data is appropriate for factor analysis or not. To check it we KMO or Bartlet Test.
2. How many factors are to be extracted with Eigenvalue greater than 1?

3. Profiling of the factors extracted (to know the name of the factors) through the rotated component matrix.
4. To check the validity of the reproduce correlation (small values).

5.12.1 KMO and Bartlett's Test

The KMO statistic is used to measure of Sampling Adequacy and KMO value $> .5$ is good and it considers factor analysis will be useful for these variables. (Kaiser 1970; Dziuban & Shirkey, 1974; Cerny and Kaiser 1977).

Table 5.32 KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		.573
Bartlett's Test of Sphericity	Approx. Chi-Square	1811.566
	Df	120
	Sig.	.000

Source: Computed by Researcher

KMO test is used to check whether the data is suitable for factor analysis or not. Table 5.32, shows that Kaiser Meyer Olkin value is 0573 which is greater than .5, therefore data is suitable for factor analysis and further analysis is possible here. Also, the significance value is .000 that is less than .05, therefore we can say that the correlation matrix is significant and we can perform the factor analysis.

5.12.2 Communalities

Principal components technique of factor extraction is used to compute communalities that show how much of the variance in the variables has been accounted for by the extracted factors. Communalities symbolize the proportion of the variance in the original values that is accounted for by the factor solution. Communality is defined as the squaring and adding of the loadings for every variable that indicates the proportion of each variable that is accounted for by each factor (Emma K. Stokes, 2011).

Table 5.33 Communalities

Factors	Initial	Extraction
Education Attained	1.000	.641
Previous Experience	1.000	.572
Skill	1.000	.748
Income	1.000	.570
Influenced Family Members	1.000	.778
Family Business	1.000	.667
Family Wealth	1.000	.698
Parental Occupation	1.000	.682
Policies Schemes	1.000	.808
Training Programme	1.000	.871
Subsidies Incentives	1.000	.697
Internal Disturbances	1.000	.680
Easy Availability Finance	1.000	.507
Proper Guidance Financial Institution	1.000	.568
Low-Interest Rate	1.000	.740
Short Long Term Credit	1.000	.601

Source: Computed by Author

Extraction Method: Principal Component Analysis

Table 5.33, presents the results of Principal Component analysis that confirms the discriminant validity and most of the extracted communalities are more than 0.5 that shows the greater significance of factors. Variance estimate in each factor is indicated by communalities (Copper and Schindler, 2006).

5.12.3 Total Variance Explained

Total variance explained is an extraction method of factors into a fewer number for further analysis. Though the components with an eigenvalue greater than one are extracted (Pallant, 2007). Eigen Value is the measurement of the variance of an observed variable that is explained by a factor. Kaiser (1960), the factors whose Eigenvalue is greater than one are rotated.

Table 5.34 Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	percent of Variance	Cumulative percent	Total	percent of Variance	Cumulative percent	Total	percent of Variance	Cumulative percent
1	3.232	20.200	20.200	3.232	20.200	20.200	2.726	17.035	17.035
2	2.356	14.726	34.926	2.356	14.726	34.926	2.453	15.332	32.367
3	1.684	10.528	45.454	1.684	10.528	45.454	1.644	10.272	42.639
4	1.315	8.221	53.675	1.315	8.221	53.675	1.481	9.259	51.898
5	1.186	7.413	61.088	1.186	7.413	61.088	1.271	7.943	59.841
6	1.055	6.592	67.680	1.055	6.592	67.680	1.254	7.839	67.680
7	.921	5.754	73.433						
8	.820	5.126	78.559						
9	.669	4.181	82.740						
10	.581	3.632	86.372						
11	.505	3.156	89.528						
12	.480	3.001	92.528						
13	.398	2.488	95.016						
14	.336	2.103	97.119						
15	.291	1.821	98.940						
16	.170	1.060	100.000						

Source: Computed by Researcher

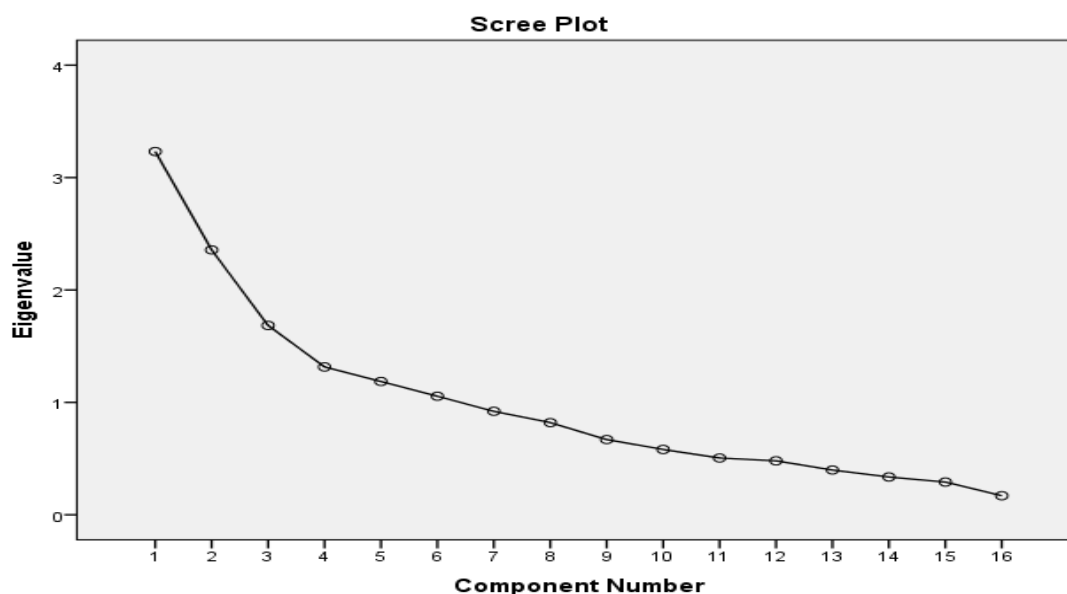
Extraction Method: Principal Component Analysis.

Table 5.34, reveals that the Extraction Factor Analysis has extracted six components with eigenvalue 3.232 for 1st component, 2.356 for 2nd component, 1.684 for 3rd component, 1.315 for 4th component, 1.186 for 5th component and 1.055 for 6th component respectively. This shows that items are grouped into six components are these six will be considered for further analysis. The table shows the sixteen factors are computed and all the 16 factors are not useful for the representation of all the variables. So only those factors are extracted whose Eigenvalue is greater than 1. These factors constitute the cumulative percentage (17.0 percent , 32.4 percent , 42.6 percent , 51.9 percent , 59.8 percent and 67.7 percent). The cumulative proportion of variance of 6 factors explaining 67.7 percent of the total variance.

5.12.4 Screen Test

The screen tests are used to plot the Eigenvalues associated with each component and identify the break between the large components of large and small Eigenvalues, the components appear before the break are useful and retained for rotation and the components appear after the break are not important for analysis (Rourke, & Hatcher, 2013).

Figure 5.1 Screen Plot



Source: Computed by Researcher

Figure 5.1 presents the fictitious screen plot from the principal component analysis of 16 variables. There is no clear break in the plot that separates the important component from the unimportant components.

5.12.5 Rotated Component Matrix

Table 5.35 Rotated Component Matrix1

	Component					
	1	2	3	4	5	6
Education Attained	-.536	-.065	.418	.129	-.199	-.345
Previous Experience	-.747	-.006	.077	.012	.067	-.061
Skill	.287	.012	-.047	.803	.116	.076
Income	.200	.300	-.544	-.294	-.131	.201
Influenced Family Members	.010	.850	.040	.161	-.124	-.113
Family Business	-.754	.039	-.116	-.109	.214	.158
Family Wealth	.749	.128	-.306	.035	.147	-.062
Parental Occupation	.177	-.744	.154	.266	.032	-.048
Policies Schemes	-.066	.114	.882	.020	-.055	.099
Training Programme	-.020	-.031	.013	.040	-.020	.931
Subsidies Incentives	-.102	.088	-.119	.145	.802	.008
Internal Disturbances	.310	.723	-.084	-.086	.030	.214
Easy Availability Finance	-.263	-.013	.215	.625	.011	-.032
Proper Guidance Financial Institution	.188	-.363	.355	-.147	.503	-.008
Low Interest Rate	.614	.005	.157	-.404	.303	.288
Short Long Term Credit	.052	.624	.192	.136	.346	-.187

Source: Computed by Researcher

Extraction Method: Principal Component Analysis.
 Rotation Method: Varimax with Kaiser Normalization.
 Rotation converged in 8 iterations.

Table 5.36 Rotated Component Matrix2

	Component					
	1	2	3	4	5	6
Family Business	-.754					
Family Wealth	.749					
Previous Experience	-.747					
Low-Interest Rate	.614					
Education Attained	-.536					
Influenced by Family Members		.850				
Parental Occupation		-.744				
Internal Disturbances		.723				
Short & Long Term Credit		.624				
Policies Schemes			.882			
Income			-.544			
Skill				.803		
Easy Availability Finance				.625		
Subsidies Incentives					.802	
Proper Guidance Financial Institution					.503	
Training Programme						.931

Source: Computed by Researcher

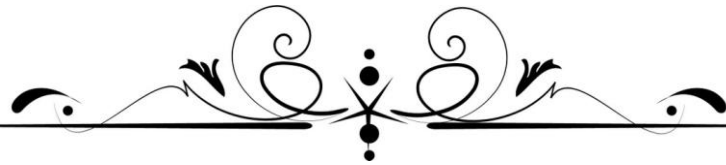
The factor loadings presented in the Rotated Component Matrix shows the results of sixteen variables. Once we acquire the variable corresponding to particular factors, given appropriate names to the factors. In the first factor there are five variables, in second factor four variables, third factor two variables, fourth factor two variables, fifth factor two variables and sixth factor only one variable. These three factors can be named as Factor 1, Factor 2, Factor 3, Factor 4, Factor 5, and Factor 6. The first factor of 400 entrepreneurs in Jammu and Srinagar district, includes with high factor loading (0.754) of Family Business, followed by Family Wealth (0.749), Previous Experience (0.747), Low-Interest Rate (0.614) and Education Attained (0.536). The second factor has high factor loading for an entrepreneur is influenced by Family Members (0.850), followed by Parental Occupation (0.744), Internal Disturbances (0.723) and short and

long term Credit (0.624). The third factor has a high loading factor for Policies and Schemes (0.882) and Income (0.544). The fourth factor has a high loading factors are Skill (0.803) and Easy Availability of Finance (0.625). The fifth factor has a high loading factors are Subsidies and Incentives (0.802) and Proper Guidance from Financial Institution (0.503). And the sixth-factor loading factor is Training Programme (0.931).

So most of the factors that encourage an individual to become an entrepreneur are Individual and family factors, this includes the individual skill, income, family support, family wealth etc. After that some of the government and financial factors are there that encourage an individual to become an entrepreneur, all other factors discourage an individual to become an entrepreneur.

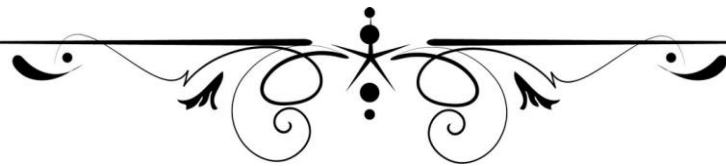
5.13 Conclusion

In this chapter testing of hypothesis has proved that in respect of the majority of the variables, there is a significant difference between the Srinagar and Jammu districts in the characteristics of entrepreneurship and status of MSME units. The logistic regression model found that investment in MSMEs is affected by Debt taken by an entrepreneur from financial and non-financial institutions and the Location of the unit rest of the variables are not affecting the investment pattern of an entrepreneur. The factor analysis technique is used to analyse the factors encouraging/discouraging an individual to become an entrepreneur. The study found that majority of the factors that encourage an individual to become an entrepreneur are individual factors and family factors and most of the factors that discourage an individual to become an entrepreneur are government supportive factors and financial factors.



Chapter 6

MSMEs: Prospects and Challenges



Chapter 6

MSMEs: Prospects and Challenges

6.1 Introduction

Micro, Small and Medium Enterprises has controlled the whole business formation in all around the world. Its play an important role in the creation of wealth apart from its rate of business failure is very high due to various problems faced by these enterprises. The business failure rate is at 60 per cent in Malaysia (Nordin, Hamid & Woon, 2011). The failure of SMEs rate is rising despite various steps taken by the government (Chong, 2012). Lacking awareness in entrepreneurs is the main cause of business failure or closure of SMEs (Beh, 2013). SMEs are facing major financial constraints like lack of capital and access to credit (Nurbani, Chin, Yeow and Asyikin, 2011). Despite financial constraint, there are other management skills and marketing problems hinder the growth and survival of SMEs (Rahman, N. A., Yaacob, Z., & Radzi, R. M. (2016). The objective of the government is to promote the small scale industries on the path of development to ensure the survival and establishment of efficient economic activities (Sule, E. I. K.1986). There is a need to consider the challenges of small and medium enterprises for the better exploration of its potential (Rahman, N. A., Yaacob, Z., & Radzi, R. M. (2016). Financial institutions and government agencies want the only borrower to complete the formalities and take a loan but various entrepreneurs (micro-enterprises entrepreneur) have lack of financial-related knowledge, so the government should provide them training so that they understand the financial procedure and loan application (Hassan, N. B., Chin, S. T. S., Yeow, J. A., & Rom, N. M. 2011).

Indian MSMEs are facing tough situation due to a large number of problems such as lack of finance, infrastructure, market, transportation, antidumping policy, GST etc. The country's relation with global level forms competitiveness in MSMEs but despite it, Indian MSMEs are still facing competition and unable to compete with the global level. Lahiri, R. (2012, October), the government should promote the policy framework towards the MSMEs and ensure the proper implementation policies and schemes, so that the challenges of globalization can be converted into opportunities.

Wijaya, T., Nurhadi, N., & Kuncoro, A. M. (2017), MSMEs are facing both internal and external constraints in their business. Government plays an important role to remove these constraints through easy availability of a business license, adoption of new technologies, proper financial management, training facilities to the unskilled workers, check the quality control and awareness programmes for the market promotion. Despite many government schemes these enterprises are facing huge problems due to unaware and improper understating these schemes and its benefits. Though the government should make simple and clear policies, schemes and Acts for the proper understating and implementation of these schemes by entrepreneurs and get benefits (Aruna, N. 2015).

This chapter is designed to analyse the problems faced by MSMEs at a large in Jammu and Srinagar Districts. The similar problems faced by these units in the state, country and also world level. The chapter discussed in details the problem from starting a unit to the sale of the product and return in profit or loss. The chapter discussed every problem like getting raw material, finance, infrastructure, marketing, export and other social and political disturbances. Data is collected through a survey questionnaire from the entrepreneurs/owners and it is analysed through using various statistics and econometric tools. During the survey, the researcher also interviewed the entrepreneurs especially the president of all the industrial associations and discussed the working condition of the units. During the discussion, it is found that various industries are shut down and some are fulfilling their cost only. The government policies are not implemented on the ground level and many of the new schemes like GST has broken the backbone of Industrialists. After the implementation of GST, the profit of the units is reduced.

6.2 Data Analysis

6.2.1 Are you facing any difficulty in getting Raw Material?

Table 6.1 Area wise difficulties in getting Raw Material

Sources of Raw Material	Are you facing difficulties in getting Raw-Material?		
	Yes	No	Total
Within District	118	99	217
	54.38	45.62	100.00
	41.11	87.61	54.25
Within State	132	14	146
	90.41	9.59	100.00
	45.99	12.39	36.50
Outside State	37	0	37
	100.00	0.00	100.00
	12.89	0.00	9.25
Total	287	113	400
	71.75	28.25	100.00
	100.00	100.00	100.00

The first Row has Frequency Second Row has Row Percentage Third Row has column percentage

Source: Primary Data

In Table 6.1, we analysed the cross-tabulation of Area wise difficulties of enterprises in getting raw material. The area-wise percentage shows that out of the 400 sample enterprises, 287 (71.75 per cent) enterprises are facing problems in getting raw material and 113 (28.25 per cent) enterprises are not facing any problem in getting raw material. If we see the area wise difficulties in getting raw material where 118 (41.11 per cent) enterprises are facing difficulties within the district, 132 (45.99 per cent) are facing within the state and 37(12.89 per cent) are facing problem from outside state.

6.2.2 Area wise Types of Difficulties in getting Raw Material

Table 6.2, Area wise types Raw Material problems

Type of difficulties in getting Raw Material	Sources of Raw material			
	Within District	Within State	Outside State	Total
Local Security	36	14	0	50
	72.00	28.00	0.00	100.00
	30.77	10.53	0.00	17.42
Government Control	12	8	0	20
	60.00	40.00	0.00	100.00
	10.26	6.02	0.00	6.97
Inability to Bulk Purchase	21	17	0	38
	55.26	44.74	0.00	100.00
	17.95	12.78	0.00	13.24
Un-organised Nature of Market	22	13	0	35
	62.86	37.14	0.00	100.00
	18.80	9.77	0.00	12.20
Transportation	10	53	6	69
	14.49	76.81	8.70	100.00
	8.55	39.85	16.22	24.04
High Taxes (GST)	16	28	31	75
	21.33	37.33	41.33	100.00
	13.68	21.05	83.78	26.13
Total	177	133	37	287
	40.77	46.34	12.89	100.00
	100.00	100.00	100.00	100.00

The first Row has Frequency Second Row has Row Percentage Third Row has column percentage

Source: Primary Data

In Table 6.2, we analysed the cross-tabulation of Area wise problem faced by enterprises in the raw material. The table shows that 17.42 per cent enterprises are facing difficulties due to local security, 6.97 per cent due to government control,

13.24 per cent is due in bulk purchase, 12.2 per cent due to un-organised types of market, 24.04 per cent problems in transportation and 26.13 per cent in high taxes. Also, 40.77 per cent of enterprises are facing problems within the district, 46.34 per cent are facing within the state and 12.89 per cent are facing outside the state.

6.2.3 Category of MSMEs wise Problems of Raw Material

Table 6.3 Category of MSME unit wise difficulties in getting Raw Material

Are you facing difficulties in getting Raw Material?	Category of Units			
	Micro	Small	Medium	Total
Yes	62	190	35	287
	21.60	66.20	12.20	100.00
	61.39	74.80	77.78	71.75
No	39	64	10	113
	34.51	56.64	8.85	100.00
	38.61	25.20	22.22	28.25
Total	101	254	45	400
	25.25	63.50	11.25	100.00
	100.00	100.00	100.00	100.00

The first Row has Frequency Second Row has Row Percentage Third Row has column percentage

Source: Primary Data

In Table 6.3, we analysed the cross-tabulation of Area wise problem faced by enterprises in the raw material. The table shows that out of total 400 samples 287 enterprises are facing the problems in getting raw material, in which 62 (21.60 per cent) micro-enterprises, 190 (66.20 per cent) small enterprises and 35 (12.20 per cent) medium enterprises are facing problems in getting raw material. Also out of 400 samples, 113 enterprises are not facing any problem in getting raw material in which 39 (34.51 per cent) are micro, 64 (56.64 per cent) are small and 10 (8.85 per cent) are medium enterprises.

6.2.4 Category of MSMEs wise types of Raw Material Problems

Table 6.4 Category of MSME unit wise types of difficulties in getting Raw Material

Type of difficulties in getting Raw Material	Category of Units			
	Micro	Small	Medium	Total
Local Security	9	35	6	50
	18.00	70.00	12.00	100.00
	14.52	18.42	17.14	17.42
Government Control	6	12	2	20
	60.00	40.00	10.00	100.00
	9.68	6.32	5.71	6.97
Inability to Bulk Purchase	14	20	4	38
	36.84	52.63	10.53	100.00
	22.58	10.53	11.43	13.24
Un-organised Nature of Market	2	29	4	35
	5.71	82.86	11.43	100.00
	3.23	15.26	11.43	12.20
Transportation	14	49	6	69
	20.29	71.01	8.70	100.00
	22.58	25.79	17.14	24.04
High Taxes (GST)	17	45	13	75
	22.67	60.00	17.33	100.00
	27.42	23.68	37.14	26.13
Total	62	190	35	287
	21.60	66.20	12.20	100.00
	100.00	100.00	100.00	100.00

The first Row has Frequency Second Row has Row Percentage Third Row has column percentage

Source: Primary Data

In Table 6.4, we analysed the cross-tabulation of the category of Units wise problem faced by enterprises in the raw material. The table shows that 50 (12.50 per cent) enterprises are facing difficulties due to local security, 20 (5 per cent) due to government control, 38 (9.50 per cent) in bulk purchase, 35 (8.50 per cent) due to un-organised types of market, 70 (17.50 per cent) problems in transportation. 75 (18.75 per cent) in high taxes and 112 (28.25 per cent) had not replied. Whereas out of 50

enterprises who faced the problem of local security 9 (18 per cent) are micro-enterprises, 36 (72 per cent) are small enterprises and 5 (10 per cent) are medium enterprises similarly 20 enterprises are facing the problem of government control out of which 6 (5.94 per cent) are micro-enterprises, 12 (4.72 per cent) are small enterprises and 2 (4.4 per cent) are medium enterprises, 38 enterprises are facing the bulk purchase problem out of which 14 (36.84 per cent) are micro-enterprises, 20 (52.63 per cent) are small enterprises and 4 (10.53 per cent) are medium enterprises, 30 enterprises are facing the problem of un-organised nature of market out of which 2(5.71 per cent)are micro-enterprises, 29 (82.86 per cent) are small enterprises and 4 (11.43 per cent) are medium enterprise, 70 enterprises are facing the problem of transportation out of which 15 (20.29 per cent) are micro-enterprises. 49 (71.01 per cent) are small enterprises and 6 (8.70 per cent) are medium enterprises, 75 enterprises are facing the problem of High Taxes out of which 17 (22.67 per cent) are micro-enterprises, 45 (60 per cent) are small enterprises and 13 (17.33 per cent) are medium enterprises and 113 enterprise had not given any response.

6.2.5 Are you facing any Market Problem?

Table 6.5 Category of MSME unit wise Market Problems

Are you facing any Market Problem?	Category of Units			
	Micro	Small	Medium	Total
Yes	64	174	36	274
	23.36	63.50	13.14	100.00
	63.37	68.50	80.00	68.50
No	37	80	9	126
	29.37	63.49	7.14	100.00
	36.63	31.50	20.00	31.50
Total	101	254	45	400
	25.25	63.50	11.25	100.00
	100.00	100.00	100.00	100.00

The first Row has Frequency Second Row has Row Percentage Third Row has column percentage

Source: Primary Data

In Table 6.5, we analysed the cross-tabulation of Category of MSMEs units wise problem faced by enterprises in the Market. The table shows that out of total 400 samples 274 enterprises are facing the problems in marketing the product, in which 64 (23.36 per cent) micro-enterprises, 174 (63.50 per cent) small enterprises and 36

(13.14 per cent) medium enterprises are facing problems in getting raw material. Also out of 400 samples, 126 enterprises are not facing any problem in getting raw material in which 37 (29.37 per cent) are micro, 80 (63.49 per cent) are small and 9 (7.14 per cent) are medium enterprises.

6.2.6 Types of Market Problem faced by MSME units

Table 6.6 Category of MSME unit wise types of Market problems

Types of Market Problems	Category of Units			
	Micro	Small	Medium	Total
Low price	14	35	1	50
	28.00	70.00	2.00	100.00
	21.88	20.11	2.78	18.25
Insufficient demand	6	22	5	33
	18.18	66.67	15.15	100.00
	9.38	12.64	13.89	12.04
Transportation	2	23	12	37
	5.41	62.16	32.43	100.00
	3.13	13.22	33.33	13.50
Delayed payments	19	35	5	59
	32.20	59.32	8.47	100.00
	29.69	20.11	13.89	21.53
Mediator	17	39	6	62
	27.42	62.90	9.68	100.00
	26.56	22.41	16.67	22.63
Administration difficulties	0	16	5	21
	0.00	76.19	23.81	100.00
	0.00	9.20	13.89	7.66
High Taxes (GST)	6	4	2	12
	50.00	33.33	16.67	100.00
	9.38	2.30	5.56	4.38
Total	64	174	36	274
	23.36	63.50	13.14	100.00
	100.00	100.00	100.00	100.00

The first Row has Frequency Second Row has Row Percentage Third Row has column percentage

Source: Primary Data

In Table 6.6, we analysed the cross-tabulation of the category of MSMEs Unit wise types of problems faced by enterprises in the Market. The table shows that 50 (18.25 per cent) enterprises are facing difficulties due to low price, 33 (12.04 per cent) due to insufficient demand, 37 (13.50 per cent) due to transportation, 59 (21.53 per cent) due to delayed payments, 62 (22.63 per cent) problems faced because of mediators. 21 (7.66 per cent) is due to administrative difficulties and 12 (4.38 per cent) is due to high taxes (GST). Whereas out of 51 enterprises who faced the problem of low price 14 (28.0 per cent) are micro-enterprises, 36 (70.0 per cent) are small enterprises and 1 (2.0 per cent) are medium enterprises similarly 33 enterprises are facing the problem of insufficient demand out of which 6 (18.18 per cent) are micro-enterprises, 22 (66.67 per cent) are small enterprises and 5 (15.15 per cent) are medium enterprises, 37 enterprises are facing the transportation problem out of which 2 (5.41 per cent) are micro-enterprises, 23 (62.16 per cent) are small enterprises and 12 (32.43 per cent) are medium enterprises, 59 enterprises are facing the problem of delayed payments out of which 19 (32.20 per cent) are micro-enterprises, 35 (59.32 per cent) are small enterprises and 5 (8.47 per cent) are medium enterprise, 62 enterprises are facing the problem of mediator out of which 17 (27.42 per cent) are micro-enterprises. 39 (62.90 per cent) are small enterprises and 6 (9.68 per cent) are medium enterprises, 21 enterprises are facing the problem of Administrative difficulties out of which 0 (0.00 per cent) are micro-enterprises, 16 (76.19 per cent) are small enterprises and 5 (23.81 per cent) are medium enterprises, 12 enterprises are facing the problem of high taxes (GST) out of which 6 (50.00 per cent) are micro-enterprises, 4 (33.33 per cent) are small enterprises and 2 (16.67 per cent) are medium enterprises.

6.2.7 Are you facing any Financial Problem?

Table 6.7 Category of MSME unit wise Financial Problems

Are you facing any difficulties in Finance?	Category of Units			
	Micro	Small	Medium	Total
Yes	62	166	36	264
	23.48	62.88	13.64	100.00
	61.39	65.35	80.00	66.00
No	39	88	9	136
	28.68	64.71	6.62	100.00
	38.61	34.65	20.00	34.00
Total	101	254	45	400
	25.25	63.50	11.25	100.00
	100.00	100.00	100.00	100.00
<i>The first Row has Frequency Second Row has Row Percentage Third Row has column percentage</i>				

Source: Primary Data

In Table 6.7, we analysed the cross-tabulation of Category of MSMEs units wise problem faced by enterprises in getting finance. The table shows that out of total 400 samples 274 enterprises are facing the problems in marketing the product, in which 62 (23.48 per cent) micro-enterprises, 166 (62.88 per cent) small enterprises and 36 (13.64 per cent) medium enterprises are facing problems in getting raw material. Also out of 400 samples, 136 enterprises are not facing any problem in getting raw material in which 39 (28.68 per cent) are micro, 88 (64.71 per cent) are small and 9 (6.62 per cent) are medium enterprises. MSMEs faced many difficulties in getting finance from the banks and other financial institutions (Biswas, A. 2014).

6.2.8 Types of Financial Problems

Table 6.8 Category of MSME unit wise types of Financial Problems

Type of difficulties in Finance	Category of Units			
	Micro	Small	Medium	Total
High-Interest rate	13	49	16	78
	16.67	62.82	20.51	100.00
	20.97	29.52	44.44	29.55
Lots of paperwork	29	36	6	71
	40.85	50.70	8.45	100.00
	46.77	21.69	16.67	26.89
Mortgage	20	81	14	115
	17.39	70.43	12.17	100.00
	32.26	48.80	38.89	43.56
Total	62	166	36	264
	23.48	62.88	13.64	100.00
	100.00	100.00	100.00	100.00

The first Row has Frequency Second Row has Row Percentage Third Row has column percentage

Source: Primary Data

In Table 6.8, we analysed the cross-tabulation of the category of MSMEs Unit wise types of problems faced by enterprises in Marketing the product. The table shows that 78 (29.55 per cent) enterprises are facing difficulties due to high-interest rate, 71 (26.89 per cent) due to lots of paperwork and 115 (43.56 per cent) due to mortgage. Whereas out of 78 enterprises who faced the problem of low price 13 (16.67 per cent) are micro-enterprises, 49 (62.82 per cent) are small enterprises and 16 (20.51 per cent) are medium enterprises similarly 71 enterprises are facing the problem of lots of paperwork out of which 29 (40.85 per cent) are micro-enterprises, 36 (50.70 per cent) are small enterprises and 6 (8.45 per cent) are medium enterprises, 115 enterprises are facing the mortgage problem out of which 20 (17.39 per cent) are micro-enterprises, 81 (70.43 per cent) are small enterprises and 14 (12.17 per cent) are medium and 136 enterprise had not given any response.

6.2.9 Are you facing any Infrastructural Problems?

Table 6.9 Category of MSME unit wise Infrastructural Problems

Are you facing any Infrastructural Problems?	Category of Units			
	Micro	Small	Medium	Total
Yes	46	123	27	196
	23.47	62.76	13.78	100.00
	45.54	48.43	60.00	49.00
No	55	131	18	204
	26.96	64.22	8.82	100.00
	54.46	51.57	40.00	51.00
Total	101	254	45	400
	25.25	63.50	11.25	100.00
	100.00	100.00	100.00	100.00

The first Row has Frequency Second Row has Row Percentage Third Row has column percentage

Source: Primary Data

In Table 6.9, we analysed the cross-tabulation of Category of MSMEs units wise problem faced by enterprises in infrastructure. The table shows that out of total 400 samples 196 enterprises are facing the problems in infrastructure in which 46 (23.47 per cent) micro-enterprises, 123 (62.76 per cent) small enterprises and 27 (13.78 per cent) medium enterprises. Also out of 400 samples, 204 enterprises are not facing any problem in getting raw material in which 55 (26.96 per cent) are micro, 131 (64.22 per cent) are small and 18 (8.82 per cent) are medium enterprises.

6.2.10 Types of Infrastructural Problems

Table 6.10 Category of MSME unit wise types of Infrastructural problems

Type of Infrastructural Problems	Category of Units			
	Micro	Small	Medium	Total
Transportation and Communication	1	13	11	25
	4.00	52.00	44.00	100.00
	2.17	10.57	40.74	12.76
Power	45	110	16	171
	26.32	64.33	9.36	100.00
	97.83	89.43	59.26	87.24
Total	46	123	27	196
	23.47	62.76	13.78	100.00
	100.00	100.00	100.00	100.00

The first Row has Frequency Second Row has Row Percentage Third Row has column percentage

Source: Primary Data

In Table 6.10, we analysed the cross-tabulation of the category of MSMEs Unit wise types of problems faced by enterprises in infrastructure. The table shows that 25 (12.76 per cent) enterprises are facing difficulties in transportation and communication and 171 (87.24 per cent) are facing problems in power. Whereas out of 25 enterprises who faced the problem of transportation and communication out of which 1 (4.00 per cent) are micro-enterprises, 13 (52.00 per cent) are small enterprises and 11 (44.00 per cent) are medium enterprises similarly 171 enterprises are facing the problem of power out of which 45(26.32 per cent) are micro-enterprises, 110 (64.33 per cent) are small enterprises and 16 (9.36 per cent) are medium enterprises.

6.2.11 Are you facing any problem of Internal Disturbances?

Table 6.11 District wise Internal Disturbances Problems

Are you facing any Internal Disturbances problem?	District		
	Srinagar	Jammu	Total
Yes	177	157	334
	53.13	46.87	100.00
	89.00	78.50	83.75
No	23	43	66
	33.85	66.15	100.00
	11.00	21.50	16.25
Total	200	200	400
	50.00	50.00	100.00
	100.00	100.00	100.00

The first Row has Frequency Second Row has Row Percentage Third Row has column percentage

Source: Primary Data

In Table 6.11, we analysed the cross-tabulation of district wise problem faced by enterprises due to political instability. The table shows that out of total 400 samples 334 (83.75) enterprises are facing the problems political instability in which 177 (53.13 per cent) are facing in Srinagar district and 157 (46.87 per cent) are facing Jammu district. Also out of 400 samples 66 (16.25) enterprises are not facing any problem of political instability.

6.2.12 Types of Internal Disturbances Problems

Table 6.12 District wise types of Internal Disturbances Problems

Type of Internal Disturbances Problem	District		
	Jammu	Srinagar	Total
Complete Shutdown	150	128	278
	53.96	46.04	100.00
	84.75	81.53	83.23
Selling or Production	27	29	56
	48.21	51.79	100.00
	15.25	18.47	16.77
Total	177	157	334
	52.99	47.01	100.00
	100.00	100.00	100.00

The first Row has Frequency Second Row has Row Percentage Third Row has column percentage

Source: Primary Data

In Table 6.12, we analysed the cross-tabulation of district wise types of political instability problems faced by enterprises. The table shows that 278 (69.50 per cent) enterprises are facing the problems of complete shutdown, 56 (14.00 per cent) are facing problems in selling or production and 66 (16.50 per cent) not answered. Whereas out of 278 enterprises who faced the problem of complete shutdown out of which 150 (53.96 per cent) in Jammu district and 128 (46.04 per cent) in Srinagar district, 56 enterprises are facing the problem of selling or production out of which 27 (48.21 per cent) in Jammu district and 29 (51.79 per cent) in Srinagar district.

6.3 Hypothesis Testing

In this section, the various hypotheses are tested by statistical tools through the data collected by the researcher and results are analysed by using the STATA software.

6.3.1 Hypothesis 1

H₀: There is no relationship in the educational qualification of the entrepreneur and the problem faced by him to start a unit.

H₁: There is a significant relationship between education qualification of the entrepreneur and the problem faced by him to start a unit.

Table 6.13, Tabulation of Education of Entrepreneur wise Problems faced

Problem Faced by Entrepreneurs	Education of Entrepreneur					
	Metric	Higher Secondary	Professional	Graduation	Post- Graduation	Total
Lack of Family Support	0	8	7	6	6	27
	1.4	1.9	0.0	1.1	0.6	5.0
Finance	14	15	25	28	15	97
	17.3	0.4	0.0	0.8	0.0	18.5
License	6	15	9	20	8	58
	3.3	1.8	2.5	0.0	0.2	7.9
Logistic & Transportation	0	7	8	17	1	33
	1.6	0.2	0.1	2.9	3.5	8.3
Raw Material	0	7	19	20	9	55
	2.8	0.9	1.4	0.1	0.0	5.2
Unavailability of Market	0	13	15	22	12	62
	3.4	0.3	0.1	0.0	0.4	3.8
Competition	0	8	22	24	14	68
	3.4	1.6	1.0	0.0	0.8	6.7
Total	20	73	105	137	65	400
	32.8	7.1	5.1	5.0	5.5	55.5

Source: Primary Data

Pearson chi2 (24) = 55.5089 P-value = 0.000

Hence, at 25 degrees of freedom, the P-value (0.000) which is less than 1 per cent level of significance i.e. $0.000 < 0.01$, we reject the null hypothesis and accept the alternative hypothesis. Therefore, we conclude that there is a significant relationship between education of the entrepreneur and the problems faced by him to start the unit.

6.3.2 Hypothesis 2

H₀: There is no relationship in the category of MSME units and the problem faced by an entrepreneur to start a unit.

H₁: There is a significant relationship category of MSME units and the problem faced by an entrepreneur to start a unit.

Table 6.14, Tabulate of the category of unit and problems faced by an entrepreneur

Problem Faced By Entrepreneurs	Category of Unit			
	Micro	Small	Medium	Total
Lack of Family Support	6	21	0	27
	0.1	0.9	3.0	4.0
Finance	25	60	12	97
	0.0	0.0	0.1	0.2
License	16	41	1	58
	0.1	0.5	4.7	5.3
Logistic & Transportation	8	16	9	33
	0.0	1.2	7.5	8.7
Raw Material	16	38	1	55
	0.3	0.3	4.3	4.9
Unavailability of Market	14	37	11	62
	0.2	0.1	2.3	2.6
Competition	16	41	11	68
	0.1	0.1	1.5	1.7
Total	101	254	45	400
	0.8	3.1	23.5	27.4

Source: Primary Data

Pearson chi² (12) = 27.3922 P-value = 0.007

Hence, at 12 degrees of freedom, the P-value (0.007) which is less than 1 per cent level of significance i.e. $0.007 < 0.01$, we reject the null hypothesis and accept the alternative hypothesis. Therefore, we conclude that there is a significant relationship between the category of MSME units and problems faced by the entrepreneur to start the unit.

6.3.3 Hypothesis 3

H0: There is no significant relationship between Nature of operation of the unit and the problem faced by the entrepreneur.

H1: There is a significant relationship between Nature of operation of the unit and the problem faced by the entrepreneur.

Table 6.15, Tabulation of Nature of Operation and Problem of Entrepreneur

Problem Faced By Entrepreneurs	Nature of Operation				
	Manufacturing	Assembling	Processing	Repairing & Services	Total
Lack of Family Support	27	0	0	0	27
	1.5	1.6	3.9	0.2	7.2
Finance	69	11	16	1	97
	0.8	5.3	0.3	0.1	6.4
License	49	2	7	0	58
	0.2	0.5	0.2	0.4	1.4
Logistic & Transportation	25	2	6	0	33
	0.0	0.0	0.3	0.2	0.6
Raw Material	55	0	1	0	55
	3.1	3.2	4.3	0.4	14.6
Unavailability of Market	39	8	13	0	62
	2.0	5.5	1.8	5.1	14.4
Competition	52	0	16	0	68
	0.1	3.9	3.8	0.5	8.3
Total	316	23	58	3	400
	7.7	20.0	18.3	7.0	52.2

Source: Primary Data

Pearson chi2 (18) = 52.9344 P-value = 0.000

Hence, at 18 degrees of freedom, the P-value (0.000) which is less than 1 per cent level of significance i.e. $0.000 < 0.01$, we reject the null hypothesis and accept the alternative hypothesis. Therefore, we conclude that there is a significant relationship between the nature of the operation of the units and problems faced by an entrepreneur to start the unit.

6.3.4 Hypothesis 4

H₀: There is no relationship in the location of the unit and the problems faced by an entrepreneur.

H₁: There is a significant relationship between the location of the unit and the problem faced by the entrepreneurs.

Table 6.16 Tabulation of Location of unit and Problem of Entrepreneur

Problem Faced By Entrepreneurs	Location		
	Srinagar District	Jammu District	Total
Lack of Family Support	12	15	27
	0.2	0.2	0.3
Finance	49	48	97
	0.0	0.0	0.0
License	32	26	58
	0.3	0.3	0.6
Logistic & Transportation	22	11	33
	1.8	1.8	3.7
Raw Material	29	26	55
	0.1	0.1	0.2
Unavailability of Market	39	23	62
	2.1	2.1	4.1
Competition	17	51	68
	8.5	8.5	17.0
Total	200	200	400
	13.0	13.0	25.9

Source: Primary Data

Pearson chi2 (6) = 25.9237 P-value = 0.000

Hence, at 6 degrees of freedom, the P-value (0.000) which is less than 1 per cent level of significance i.e. $0.000 < 0.01$, we reject the null hypothesis and accept the alternative hypothesis. Therefore, we conclude that there is a significant relationship between the location of the units and problems faced by an entrepreneur to start the unit.

6.3.5 Hypothesis 5

H₀: There is no relationship in Category of MSME unit and the problem of Marketing faced by the entrepreneur.

H₁: There is a significant relationship between the Category of MSME unit and the problem of marketing faced by an entrepreneur.

Table 6.17 Tabulation of Category of units and Problem of Marketing

Types of Marketing Problems	Category of Units			
	Micro	Small	Medium	Total
Low price	14	35	1	50
	0.1	0.3	3.8	4.3
Insufficient demand	6	22	5	33
	0.7	0.1	0.4	1.2
Transportation	2	23	12	37
	5.8	0.0	14.8	20.5
Delayed payments	19	35	5	59
	1.1	0.2	0.4	1.7
Mediator	17	39	6	62
	0.1	0.0	0.1	0.3
Administration difficulties	0	16	5	21
	5.3	0.5	2.9	8.8
High Taxes (GST)	6	4	2	12
	2.9	1.7	0.3	4.9
Not Answered	37	80	9	126
	0.8	0.0	1.9	2.7
Total	101	254	45	400
	16.9	2.8	24.7	44.4

Source: Primary Data

Pearson chi2(14) = 44.3840 P-value = 0.000

Hence, at 14 degrees of freedom, the P-value (0.000) which is less than 1 per cent level of significance i.e. $0.000 < 0.01$, we reject the null hypothesis and accept the alternative hypothesis. Therefore, we conclude that there is a significant relationship between the category of MSME units and problems of marketing faced by entrepreneurs.

6.3.6 Hypothesis 6

H₀: There is no relationship in the Category of MSME unit and the financial problem faced by the entrepreneur.

H₁: There is a significant relationship between the Category of MSME unit and the financial problem faced by an entrepreneur.

Table 6.18 Tabulation of Category of units and Problem of Finance

Types of Financial Problems	Category of Units			
	Micro	Small	Medium	Total
High-Interest rate	13	49	16	78
	2.3	0.0	5.9	8.2
Lots of paperwork	29	36	6	71
	6.8	1.8	0.5	9.2
Mortgage	20	81	14	115
	2.8	0.9	0.1	3.8
Not Answered	39	88	9	136
	0.6	0.0	2.6	3.3
Total	101	254	45	400
	12.6	2.7	9.1	24.4

Source: Primary Data

Pearson chi2(6) = 24.4229 Pr = 0.000

Hence, at 6 degrees of freedom, the P-value (0.000) which is less than 1 per cent level of significance i.e. $0.000 < 0.01$, we reject the null hypothesis and accept the alternative hypothesis. Therefore, we conclude that there is a significant relationship between the category of MSME units and problems of finance faced by entrepreneurs.

6.4 Henry Garrett's Ranking Technique

Henry Garrett's Ranking Technique is used to analyse the problems faced by entrepreneurs. To rank the problems faced by MSMEs in Jammu and Kashmir Henry Garrett's Ranking Technique (Hamid, W. 2017). The order of preferences given by entrepreneurs is converted into ranks by using Garret's formula. This technique is used to find out the most significant problem. As under this technique, the respondents are asked to give the rank's to all the factors and then these ranks are converted into scores by using Garret's formula.

$$\text{Percent Position} = 100 \frac{(R_{ij} - 0.5)}{N_j}$$

R_{ij} = Rank of an i th variable by j th entrepreneur

N_j = Number of Variable by j th entrepreneur

The calculated Percent Position is converted into scores with the help of Garret's Conversion Table. The score of individual are added and total scores as well as the mean value of scores are calculated. The highest mean factor is considered as the most precious factor.

6.4.1 Ranking given by Entrepreneurs

The preferences and ranking of entrepreneurs to the Problems that they face in their business are shown in the table.

Table 6.19, Ranking given by Entrepreneurs

S. No.	Problems	Rank Given by the Entrepreneurs								
		1st	2nd	3rd	4th	5th	6th	7th	8th	9 th
1	Marketing	89	153	0	72	67	19	0	0	0
2	Power	0	140	120	119	21	0	0	0	0
3	Political Instability	220	30	0	0	50	0	100	0	0
4	Financial	41	43	50	86	99	81	0	0	0
5	Transport	50	0	86	44	49	0	91	80	0
6	Raw Material	0	28	114	0	19	129	110	0	0
7	Skilled Labour	0	0	30	79	1	121	20	100	49
8	Market	0	0	0	0	51	30	79	169	71
9	Machinery	0	19	0	0	30	20	0	51	280

Source: Computed by Researcher

The table shows the preference and Ranking of problems of MSMEs in Jammu and Srinagar Districts. Among the 400 entrepreneurs, Political Instability ranked 1st by 220 entrepreneurs. Similarly, Marketing has Marketing 89 entrepreneurs in ranked 1st and 153 in 2nd rank and so on.

6.4.2 The Percent Position and Garret Value

The Garret ranks are calculated through Garret's Ranking formula. Garret's values are collected based on Garret ranks. The Percent Position is obtained by using below formula and Garret value is obtained from Garret Ranking conversion table by using calculated value or Percent Position value.

$$\text{Percent Position} = 100 \frac{(R_{ij}-0.5)}{N_j}$$

R_{ij} = Rank of an i th variable by j th entrepreneur

N_j = Number of Variable by j th entrepreneur

The result is obtained in table

Table 6.20, Percent Position and Garret Value

S. No.	$100 (R_{ij}- 0.5)/ N_j$	Calculated Value	Garret Value
1	$100(1-0.5)/9$	5.5	81
2	$100(2-0.5)/9$	16.6	69
3	$100(3-0.5)/9$	27.7	62
4	$100(4-0.5)/9$	38.8	56
5	$100(5-0.5)/9$	50	50
6	$100(6-0.5)/9$	61.1	44
7	$100(7-0.5)/9$	72.2	38
8	$100(8-0.5)/9$	83.3	31
9	$100(9-0.5)/9$	94.4	19

Source: Computed by Researcher

6.4.3 Calculation of Garret Total Value

The rank wise Garret values and Garret's total aggregate value of Problems of MSMEs in both the districts are calculated in the table. The Garret rank values are calculated by multiplying Garret value obtained in the table with the number of ranks given by respondents to each problem.

Table 6.21, Rank by the Entrepreneur to the Problems

Problems	Rank Given by the Entrepreneurs									Total Value
	1st	2 nd	3rd	4 th	5th	6th	7th	8 th	9 th	
Internal Disturbance	17820	2070	0	0	2500	0	3800	0	0	26190
Marketing	7209	10557	0	4032	3350	836	0	0	0	25984
Power	0	9660	7440	6664	1050	0	0	0	0	24814
Financial	3321	2967	3100	4816	4950	3564	0	0	0	22718
Transport	4050	0	5332	2464	2450	0	3458	2480	0	20234
Raw Material	0	1932	7068	0	950	5676	4180	0	0	19806
Skilled Labour	0	0	1860	4424	50	5324	760	3100	931	16449
Market	0	0	0	0	2550	1320	3002	5239	1343	13454
Machinery	0	1311	0	0	1500	800	0	1581	5320	10512

Source: Computed by Researcher

6.4.4 Calculation of Average Score and Ranking

The calculation of Average score and ranking of the problems of MSMEs in Jammu and Srinagar districts accessed are shown in table 3. The Average scores are obtained by dividing the total number of respondents with the total score and the on basis of average score ranks is allotted to the problems.

Table 6.22, Calculation of Average Score and Ranking

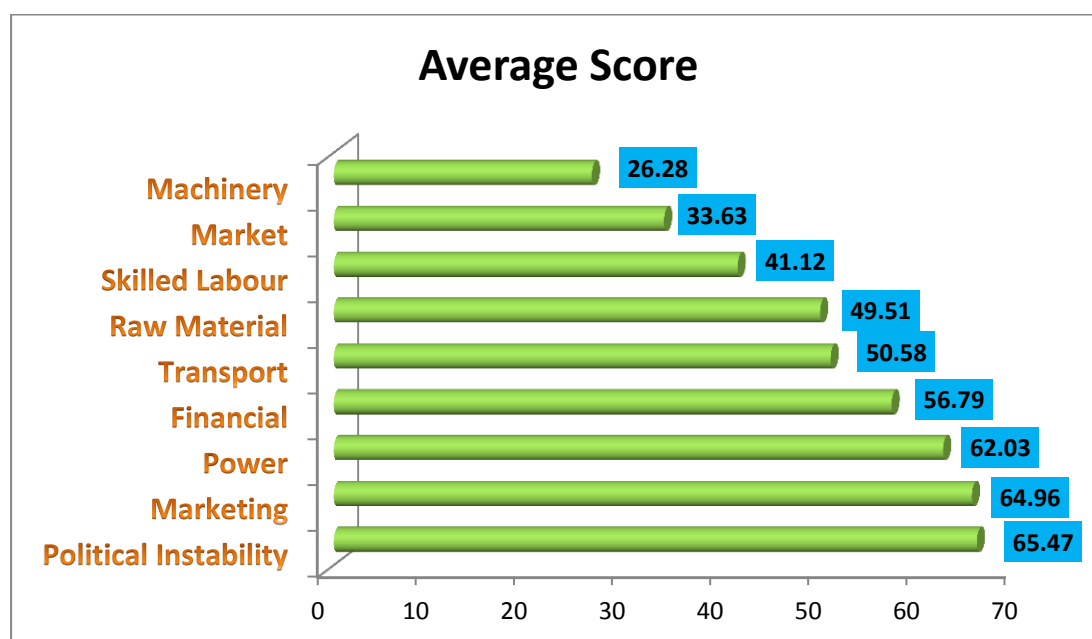
S. No.	Problems	Total Score	Average Score	Garrett's Rank
1	Political Instability	26190	65.47	I.
2	Marketing	25984	64.96	II.
3	Power	24814	62.03	III.
4	Financial	22718	56.79	IV.
5	Transport	20234	50.58	V.
6	Raw Material	19806	49.51	VI.
7	Skilled Labour	16449	41.12	VII.
8	Market	13454	33.63	VIII.
9	Machinery	10512	26.28	IX.

Source: Computed by Researcher

The table and figure show that Political Instability has got rank 1st, Marketing rank 2nd, Power rank 3rd, Finance rank 4th, Transport rank 5th, Raw Material rank 6th, Skilled

Labour rank 7th, Market rank 8th and Machinery rank 9th. It shows that Political Instability is most problematic in Jammu and Srinagar for MSMEs. Whereas, Marketing, Power Finance and Transport are also the main problems of MSMEs in the study area. Hamid, W. (2017), problems of MSMEs in Jammu and Kashmir are ranked through Garret's Ranking technique that found that infrastructure is ranked 1st, Political Instability (Internal disturbances) has 2nd rank, shortage of power has 3rd rank and the problem Marketing has 4th rank.

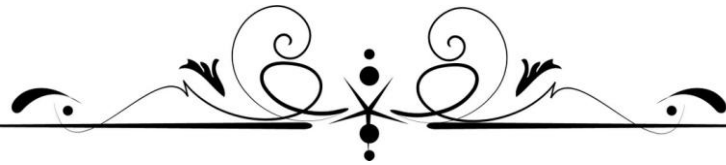
Figure 6.1, Average Score of Entrepreneurs



Source: Computed by Researcher

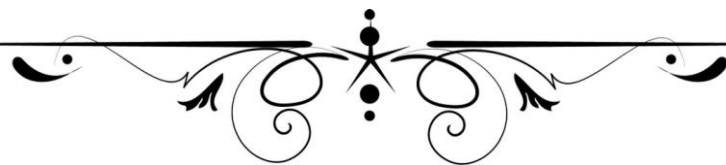
6.5 Conclusion

The chapter discussed the various Problem faced by MSMEs in Jammu and Srinagar district. The results find out that most of the entrepreneurs in both the districts are facing the problems of Raw Material, Market, Finance, Infrastructure and Internal Disturbances. Most of the problems are facing by entrepreneurs in Srinagar district than in Jammu district especially the problem of internal disturbances. Various hypotheses are test and results shows that there is a significant relationship between districts, Category of Units, Nature of Operation and Various problems faced by entrepreneurs. Garret Ranking Technique is used to rank the various problems faced by entrepreneurs. The technique found that internal disturbances are the most problematic for the entrepreneur and Machinery is the least problematic for the entrepreneur in a given area.



Chapter 7

Conclusion, Findings and Suggestions



Chapter 7

Conclusion, Findings and Suggestions

7.1 Conclusion

The MSME sector plays a significant role in the Indian economy. A catalyst for socio-economic transformation of the country, the sector is critical in meeting the national objectives of generating employment, reducing poverty, and discouraging rural-urban migration. These enterprises help to build a thriving entrepreneurial ecosystem, in addition to promoting the use of indigenous technologies. Indian Micro Small and Medium Enterprises (MSME) sector have emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. SMEs not only play a crucial role in providing large employment opportunities at comparatively lower capital cost than large industries but also help in industrialization of rural areas. MSMEs are complementary to large industries as ancillary units and this sector contributes enormously to the socio-economic development of the country. The Sector consisting of 36 million units, as of today, employs over 80 million persons. The Sector through more than 6,000 products contributes about 8 percent to GDP besides 45 percent to the total manufacturing output and 40 percent to the exports from the country. The MSME sector has the potential to spread industrial growth across the country and can be a major partner in the process of inclusive growth.

The Jammu and Kashmir state is on the path of industrialization and it accelerates the economic activities of the state by providing employment opportunities to the unemployed youth of the state. The industrial scenario of the state is lagging as compared to other states of India. However, despite government support to enhance the growth Micro, Small and Medium Enterprises fallen short of their expectations. MSMEs are facing many challenges that compromise their ability to function and to contribute optimally to the state economy. The prospectus of MSMEs should be properly evaluated to identify the scope of MSMEs in the state economy. The prospectus and challenges of this sector should be equally examined to study the future scope. In this study, we tried to analyse the promotion and performance of MSMEs in Jammu and Srinagar districts. The study is analytical in nature using both primary and secondary data. It is empirical in nature based on the survey method.

Jammu and Kashmir State geographically, out of which only two districts Jammu and Srinagar are selected for purpose of the study. Secondary data is collected from Annual reports of MSMEs, CSO, India stat and Directorate of Industries and Commerce both from Jammu and Kashmir division. Primary data is collected directly from the respondents through a structured interview or questionnaire method from both Jammu and Srinagar district. Multistage random sampling technique is used for the collection of data from the respondents. The data is collected from MSMEs entrepreneurs by using interviews and questionnaires. The study has taken 400 MSMEs unit 200 from each district. During the survey, four Industrial estates have taken from each district and 50 MSME units are taken from each industrial estate. For the analysis of the data growth rate, CAGR and regression model is used for the analysis of secondary data. Whereas various statistical tools like averages, percentages and ratios are extensively used for the cross-examination of the primary data. Chi-square test is used for analysing the tables drawn from the primary data. One of the most powerful multivariate techniques, Logistic Model, Factor Analysis will be applied for the assessment of the performance of the MSMEs and Garret's Ranking Technique. Along with these, time graphs, charts and segmental representations will also use for analytical purposes.

Micro, Small and Medium Enterprises (MSMEs) plays a key role in the industrialisation, especially in the developing countries. These provide immediate large scale employment and plays an important role in the elimination of poverty and economic backwardness of the underdeveloped countries. The Micro, Small and Medium Enterprises (MSMEs) sector forms an important segment of the Indian economy in terms of its contribution to production, exports, employment and the creation of entrepreneurship. The government of India has given a direction and way forward for the MSME sector through various programmes and schemes. The study found that the performance of government programmes and schemes is not as good as it should be. Very less number of the MSMEs is got the benefit of these programmes and schemes in a few states of India only. The performance of these schemes and programmes in Jammu and Kashmir is very low. Having chosen the path of innovation, it is necessary to consider the short term and long term implications of such a change. MSMEs have a dual character of significant vulnerability on the one hand, and the substantial inherent strength which can be used to reduce the pains of a

radical change. The results of a group of major policy initiatives, including GST, demonetization etc. have been widely debated. In most countries of the world, such radical policy decisions have contributed to short term shocks in the economy. While we wish the long term benefits to offset the short term shocks, public policy cannot remain passive. There is a need for a special package for MSMEs to supplement the formalization attempts that are in progress. The overall growth rate of India MSMEs sector has been increased after 2006-07 and it is due to the inclusion of Medium and Services sector under Micro, Small and Medium Development Act-2006. The performance of MSMEs in Jammu and Kashmir is checked through both primary and secondary data and it shows that there are ups and downs in the performance due to various problems faced by MSMEs and improper implementation of government schemes and programmes. Various hypotheses are tested that shows in respect of the majority of the variables, there is a significant difference between the Srinagar and Jammu districts in the characteristics of entrepreneurship and status of MSME units. Investment pattern of MSMEs is analysed through logistic regression model that shows investment in MSMEs is affected by Debt taken by an entrepreneur from financial and non-financial institutions and the Location of the unit rest of the variables are not affecting the investment pattern of an entrepreneur. The factor analysis technique is used to analyse the factors Encouraging and discouraging factors of an individual to become an entrepreneur is analysed through the factor analysis technique and it shows that majority of the factors that encourage an individual to become an entrepreneur are individual factors and family factors and most of the factors that discourage an individual to become an entrepreneur are government supportive factors and financial factors. Various problems are faced by MSMEs in Jammu and Srinagar district. The results find out that most of the entrepreneurs in both the districts are facing the problems of Raw Material, Market, Finance, Infrastructure and Internal Disturbances. Most of the problems are facing by entrepreneurs in Srinagar district than in Jammu district especially the problem of internal disturbances. Various hypotheses are test and results shows that there is a significant relationship between districts, Category of Units, Nature of Operation and Various problems faced by entrepreneurs. Garret Ranking Technique is used to rank the various problems faced by entrepreneurs. The technique found that internal disturbances are the most problematic for the entrepreneur and Machinery is the least problematic for the entrepreneur in the given area.

7.2 Findings of the Study

Major findings of the study are as follows

- Micro, Small and Medium Enterprises has great importance in the development of the economy of the country. Both the state and the central government is trying to promote the MSMEs to generate more employment. Government has framed different policies for the upliftment of this sector. From 1948 onwards different policies are undertaken to promote the small scale industries. The new economic policy of 1991 becomes a new revolution in the industrial system. It has finished the policy of reservation. Policy reservation is vanished to promote foreign investors. After that, the government has also launched many programmes for the development of this sector. In 2006 Micro, Small and Medium Enterprises Act is established. Several new credits linked and technology up-gradation schemes are launched. These various schemes have been promoted by ministry of MSME to the MSME sector under three different departments SME Division Schemes, ARI Division Schemes and DC-MSME Schemes. After 2014 new government has launched many new schemes like Start-Up India, Stand-Up India and many other to make a technology revolution in this sector. These schemes give an outlet to this sector. Government is continuously reviving the developments in the MSME sector and had taken new initiatives. This had made a framework for revival and rehabilitation of MSMEs to revive and rehabilitate sick MSMEs. The available data and the performance of various schemes and programmes show that MSMEs are suffering from the poor delivery of services at ground level. The government programme and schemes have limited outreach with a large number of very small schemes. There are imbalance and lack of coordination between the various central and state organisations involved in the promotion of MSMEs and entrepreneur and stakeholders. So due to non-availability of proper mechanism MSME sector entrepreneurs are major constraint and growth of units is not up to mark. MSMEs are playing a key role in generating a large number of employment opportunities at a lower cost in both rural and urban India. There are 633.88 lakh independent MSMEs in the country are engaged in Manufacturing 196.64

lakh (31 percent), Trade 230.35 lakh (36 percent) and 206.87 lakh (33 percent) in other services. MSMEs are creating 11.10 crore jobs out of which 360.41 lakh in the manufacturing sector, 387.18 lakh in the trade sector and 368.89 in other services in both rural and urban India.

- The overall growth rate MSMEs in India was less before 2006-07 but after the inclusion of Medium of and Services sector under Micro, Small and Medium Development Act-2006, the growth rate rises. The CAGR of MSME units from 2002 to 2018 is 12.4 percent , Investment is 13.0 percent and Employment is 10.2 percent . The study shows the performance of MSMEs in Jammu and Kashmir. MSMEs in both the division Jammu division and Kashmir division is analyzed separately, multiple regression technique is used to analyze the data and results showed that there is a significant positive relationship between the dependent variable (Employment) and independent variables (Number of MSME units & Investment) in both the divisions. R-square is higher in Kashmir division (91.4 percent) than Jammu division (70.9 percent) but the coefficient value of the investment is less than the Jammu division it is due a long turmoil from past few years in Kashmir division and also geographical conditions of the Kashmir division is different from Jammu division.
- Primary data is analyzed through descriptive statistics. The chapter analyzed the comparative analysis of MSMEs in Srinagar and Jammu districts. Hypotheses are tested to check the significant difference between two districts in respect of socio-economic profile of entrepreneurs, the profile of MSME units, the financial status of MSME units, Investment pattern of MSME units and Employment status of MSME units. The result shows that middle-age entrepreneurs age 40-50 are more in Jammu district (46.5 per cent) than in Srinagar district (40.0 per cent). Similarly, the entrepreneurs between the ages 30-40 are more in Jammu district (42.5 per cent) than in Srinagar district (33.5 per cent). The below 30 age entrepreneurs are more in Srinagar district (12.0 per cent) than in Jammu district (4.0 per cent) and old age entrepreneur more than 50 are also more in Srinagar district (14.0 per cent) than in Jammu district (7.0 per cent). Pearson Chi-Square Test shows that $p\text{-value} = 0.0001 < 0.05$, therefore there is a significant difference between the Srinagar district and

Jammu district in respect of age of entrepreneurs. The religion of the entrepreneur shows that in the Srinagar district, (100.0 per cent) of the entrepreneurs are belonged to the Muslim religion, whereas in the Jammu district they are only (8.0 per cent). In Srinagar districts, all the entrepreneurs are Muslim whereas in Jammu district (74.0 per cent) of the entrepreneurs are belongs to Hindu religion and (18.0 per cent) belong to Sikh religion. It shows that in Srinagar district entrepreneurship is concentrated with persons belongs to Muslim religion whereas in Jammu district Hindu, Muslim and Sikh are there but most of the entrepreneurs are belonging to Hindu religion. Pearson Chi-square test shows that ($p\text{-value} = 0.000 < 0.05$), therefore there is a significant difference between the districts in respect of entrepreneurs' religious faith. Education qualification of the entrepreneur shows that entrepreneurs having metric (7.0 per cent) and higher secondary (11.0 per cent) level education is higher in Jammu district than in Srinagar district (3.0 per cent) and (4.0 per cent). Whereas, the entrepreneurs having professional/technical education (30.0 per cent) and graduation (47.0 per cent) is higher in Srinagar district than, professional/technical education (28.0 per cent) and graduation (35.0 per cent) in Jammu district. Similarly, the post-graduate level entrepreneurs are almost similar in both the district. The Pearson Chi-Square Test is ($p\text{-value} = 0.00 < 0.05$) that shows a significant difference between the districts in respect of the education of the entrepreneurs. Profile of the MSME units shows that the percentage of small enterprises is 62.50 per cent in Srinagar district and 64.5 per cent in Jammu district. Micro enterprises are more 28.5 per cent in Srinagar district and 22.0 per cent in the Jammu district. Medium enterprises are 9.0 per cent in Srinagar district and 13.5 per cent in Jammu district. Pearson Chi-Square Test shows that a degree of freedom 2, $P\text{-value} = 0.171 > 0.05$, there is no significant difference between the districts in respect of the category of enterprises. Nature of operation of the units shows that 85.5 per cent of the MSME are manufacturing units in the Jammu district and 73.0 per cent of the manufacturing units are working in Srinagar district. Whereas 7.0 per cent in MSMEs busy in assembling and 20.0 per cent processing in the Srinagar district and 5.0 per cent in MSMEs busy in assembling and 9.0 per cent processing in the Jammu district Pearson Chi-Square Test shows that a degree

of freedom 2, $P\text{-value} = 0.005 < 0.05$, thus there is a significant difference between the districts in respect of nature of operation of units chosen by entrepreneurs. If we see the category of MSMEs wise nature of operation of the enterprises it shows that 73.0 per cent are micro-enterprises, 79.1 per cent are small and 73.3 per cent are medium enterprises are busy in manufacturing activities. Whereas 5.9 per cent are micro, 5.5 per cent are small and 11.1 per cent are medium enterprises are busy in Assembling activities and 11.8 per cent are micro, 5.5 per cent are small and 15.5 per cent are medium enterprises are busy in processing activities. Location of the units shows that 75.0 per cent of the enterprises belong to the rural area and 25.0 per cent in the Urban area in Srinagar district. Whereas 50.0 per cent of the enterprises belong to the rural area and 50.0 per cent in the urban area in Jammu district. The Pearson Chi-Square Test reveals that ($p\text{-value} = 0.000 < 0.05$), therefore there is a significant difference between the districts in respect to the location of the industrial units. Nature of the units shows that 78.5 per cent has self-started their units and 21.5 per cent has inherited their units in Srinagar district whereas 88.5 per cent has self-started their units and 11.5 per cent has inherited their units in Jammu district. The Pearson Chi-Square test shows ($p\text{-value} = 0.007 < 0.05$, therefore there is a significant difference between the districts in respect of nature of units started by entrepreneurs. The study shows that 78.5 per cent of entrepreneurs has indebted in Srinagar district out of which 6.37 per cent of entrepreneurs has indebted 6-10 lakh, 14.02 per cent has 11-20 lakh, 25.48 per cent has 21-30 per cent, 15.92 per cent has 31-50 lakh, 23.57 per cent has 51-99 lakh and 14.65 per cent has indebted 1-5 crore. Whereas, 88.5 per cent of entrepreneurs has indebted in Jammu district out of which 0.0 per cent of entrepreneurs has indebted 6-10 lakh, 13.66 per cent has 11-20 lakh, 24.22 per cent has 21-30 per cent, 27.33 per cent has 31-50 lakh, 16.77 per cent has 51-99 lakh and 18.1 per cent has indebted 1-5 crore. The Pearson chi-square shows that $p\text{-value} = 0.004 < 0.05$, therefore we reject the null hypothesis and it shows that there is a significant difference in Srinagar and Jammu district in respect of Loan taken by entrepreneurs. Total Capital of the MSME units shows that 30 per cent of the MSME units has total capital assets is 10-20 lakh in Srinagar district 15.0 per cent in Jammu district. 46.5 per cent has total capital 21-50lakh in Jammu district and 26.5 per cent in

Srinagar district. 8.5 per cent has total capital 50-99 lakh in Srinagar district and 6 per cent in Jammu district. 22 per cent has 1-5 crore total capital Srinagar district and 9.5 per cent in Jammu district. Whereas 1 per cent of enterprises have total capital between 6-10 crore in Srinagar district and 6 per cent has in Jammu district. The Pearson chi-square shows that $p\text{-value} = 0.000 < 0.05$, therefore we reject the null hypothesis and it shows that there is a significant difference in the total capital assets of MSMEs in Srinagar and Jammu district. The results show that MSMEs are in a better position in Srinagar district than in Jammu district but the investment pattern of MSMEs in both the district shows that there is low investment in Srinagar district than in Jammu district that links the study with the last chapter analysis based on secondary data. The investment pattern of an entrepreneur is analyzed through the logistic regression model through which independent variables (Age of the Entrepreneur, Education of the Entrepreneur, Category of the Unit, Nature of the Unit, Debt taken by Entrepreneur, Workers of the unit, Age of the unit and Location of the Unit) are effecting the Dependent Variable (investment decision of entrepreneur). The study found that the total capital/Investment is affected by the debt and the location of the unit, not any other variable is affecting the total capital/investment of the entrepreneur. The study found that most influential independent variable over the investment decision of an entrepreneur is "Location of the Unit" with an odds ratio of 3.226216 at the p-value of 0.000 and 95 percent confidence interval of the odds ratio is (1.679958, 6.1657991 and the second influential variable of entrepreneur investment decision is debt with an odds ratio of 2.298938 at a p-value of 0.014 and 95 percent confidence interval of the odds ratio is (1.179477, 4.480898). Also, $p\text{-value} 0.000 < 0.05$, shows the jointly effective role of the predictor in the investment decision of the entrepreneur in the survival of MSMEs. There are various factors that encourage /discourage an individual to become an entrepreneur broadly that are categorized into four categories namely Individual Factors, Family Factors, Government Factors and Financial Factors. Individual factors include Education level of an individual, Skill, Previous Experienced and Income of an individual. Family factors include Family support, Family business, Family Wealth and Parental Occupation. Government factors include Government policies and Schemes, Training

Programmes organized by the government to train the entrepreneurs, Subsidies and Incentives provided by the government and Internal Disturbances in the region. Financial factors include Easy availability of Finance, Proper guidance from financial institutions, Low-Interest Rate on loan provided by financial institution and Availability of both short and long term credit. The factor analysis technique is used to analyze the factors encouraging/ discouraging an individual to become an entrepreneur. The study found that individual and family factors are the most influencing factor of encouraging an individual to become an entrepreneur whereas most of the government and financial factors are discouraging an individual to become an entrepreneur.

- MSMEs are facing many problems and challenges in Jammu and Kashmir. These problems are almost similar in whole Jammu and Kashmir state. Some of the major problems faced by MSMEs in the state are the problem of Raw Material, the problem of Market, the problem of Finance, the problem of Infrastructure and problem of Internal disturbances. The results of shows that 71.75 per cent of the MSMEs are facing the problem of Raw material out of which 54.25 per cent are facing within the district, 36.5 per cent within the state and 9.25 per cent are facing the problem of raw material outside the state. Also out of these problems of raw material faced by MSMEs 21.6 per cent are micro-enterprises, 66.2 per cent are small enterprises and 12.2 per cent are medium enterprises. Problems of Market are faced by 68.5 per cent of enterprises out of which 23.36 per cent are micro-enterprises, 63.5 per cent are small enterprises and 13.4 are medium enterprises. Various types of market problems faced by enterprises are low price (12.5 per cent), Insufficient demand (8.25 per cent), Transportation (9.25 per cent), delayed payments (14.75 per cent), mediator (15.5 per cent), administrative difficulties (5.25 per cent), High Taxes (3 per cent) and 31.5 per cent are not facing any market problems. The results show that 66 per cent of MSMEs are facing the problem of finance out of which 23.48 per cent are micro-enterprises, 62.88 per cent are small and 13.64 per cent are medium enterprises. The problem of infrastructure is faced by 49.0 per cent MSMEs and 51.0 per cent are not facing. Among the problem facing 45.54 per cent are micro-enterprises, 48.43 per cent are small enterprises and 60.0 per cent are medium enterprises.

Problems faced by infrastructure are Power (87.24 per cent) and transportation & Communication (12.76 per cent). Various hypotheses are tested and found that there is a significant relationship between the problem faced by an entrepreneur in starting a unit and education of entrepreneur, Category of Unit, Nature of Operation of the unit and location of the unit. The study has used Garret's Ranking technique to find out the rank of the problems that show which is most problematic and which is less faced by entrepreneurs in the study area. The preference of the respondents are converted into ranks by using Garret's Ranking Formula and the study found that Internal Disturbance is on 1st rank, Marketing 2nd, Finance 3rd and so on.

7.3 Key Findings

The Jammu and Kashmir state is on the path of industrialization and it accelerates the economic activities of the state by providing employment opportunities to the unemployed youth of the state. The industrial scenario of the state is lagging as compared to other states of India. However, despite government support to enhance the growth Micro, Small and Medium Enterprises fallen short of their expectations. MSMEs are facing many challenges that compromise their ability to function and to contribute optimally to the state economy. The study of Jammu and Srinagar district found that there are significant differences in the performance of MSMEs and Entrepreneurship Development in both the districts. The government programmes, policies and schemes are not properly implemented on the ground level. There are various hindrances on the path of industrialisation in the state like transportation and communication, marketing and market, political instability, skilled worker, financial constraints, new technologies etc. The study found that due to very less export of MSME products in the state especially in Kashmir division these products are consumed within the region only. There are still many areas in the industrialization (Fruit based Industries, wood-based industries, spices industries and Homoeopathy based industries) that have a wide range of scope but due to political instability, poor facilities, improper implementation of policies and schemes, bad condition of transportation and communication etc. entrepreneurs are not able to start their units due to the fear of business failure.

7.4 Summing-up Results

- Innovation and Digitalization are important for a business and it is possible through the demand of innovative technology and digitalization of businesses that are mainly dependent on need-based suitable infrastructure (Availability of Internet Facilities, Skilled based Training Programmes, sufficient Public funding etc.)
- Environment place a significant role in the development of an individual, similarly peaceful environment helps to achieve the growth & development of under developing enterprises in the state.
- Geo-geographical differences within the region are the main bottleneck in the development of entrepreneurship in the state. Within the districts, we are still lacking basic infrastructure for business and industrial development like poor road connectivity & poor transportation facilities.
- Regional indifferences based on the commercialization of regions within the country are highly unequal. As among of all J&K is core state that generates sufficient electricity to supply in the whole region but due political hierarchy most of the districts in J&K are still lacking proper availability of electricity. Due to which core businesses units are facing the challenges of power supply to run their business units.

7.5 Recommendations

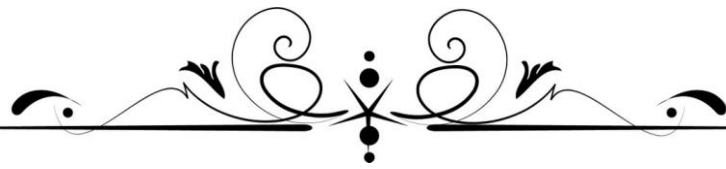
- Due to Internal disturbances in the state, MSMEs are bearing the costs of limited demand for their products. To tackle this problem both state and central government should give special attention for the development of MSMEs by providing the basic facilities for the development of the market, creation of demand, and provide them easy access to credit. So that they can generate employment and create sufficient supply of their products to get benefitted.
- Programmes of MSMEs a question mark to development? Plans/Programmes/Policies/Schemes have insignificant contribution

towards the development that is due to inappropriate, exclusive, corruptive and inefficient with the ground-level situation. Therefore to solve all these problems we need an inclusive and bias-free public distribution that is suitable for the region as per the needs and demands of entrepreneurship.

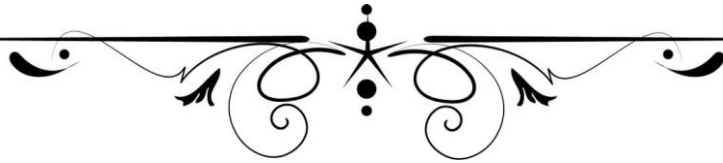
- There are abundant natural resources in the state that are mostly located in the districts i.e. Shopian, Poonch, Rajouri, Doda and Kishtwar. These districts are rich in forests that are capable to develop natural medicines (Homeopathic) and forest-based un-nourished businesses.

7.6 Limitation of the Study

The study is limited only two districts of Jammu and Kashmir, we cannot generalise the results to represent the whole state. The sample size is also confined to 400 samples only due to time constraint and cost of the study. This study is a micro level study which lacks broad representation of Micro, Small and Medium Enterprises, which could have been done by macro level study to cover all the essentials and suitable areas of MSMEs in the state. Due to non-availability of secondary data it is difficult to draw real inferences of the sector.



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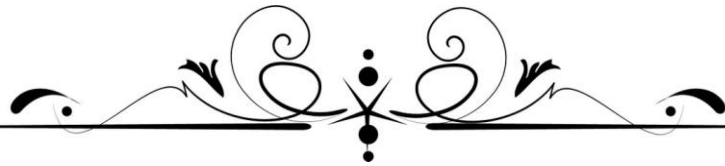
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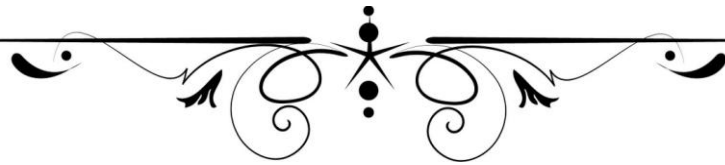
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Appendix



Appendix

Questionnaire/Interview Schedule

“An Analysis of Promotion and Performance of MSMEs: A Study of Jammu and Srinagar Districts”

Section – A

Social and Economic Profile of Entrepreneurs

- 1) Name of the respondent/owner: Sri/Smt _____
- 2) Qualification of the Respondent: - 1) Below 10th 2) 10th 3) HSC 4) Graduate 4) PG
- 3) Nativity of respondent (Local-1; Migrant-2)
- 4) Name of the unit _____
- 5) Category of the unit:-1) Micro, 2) Small, 3) Medium
- 6) Location of the unit:-1) District, 2) Block, 3) Village
- 7) Nature of Unit: - 1) Inherited, 2) Self-started, (3) Others
- 8) How old your Business Enterprises (in years):-1) Upto 5 years 2) 6-10 years 3) Above 10 years
- 9) Nature of the enterprise: - (1) Proprietary, (2) Partnership, (3) private, (4) public
- 10) Place of unit: - (1) Urban, (2) Rural
- 11) Full time workers in the Unit: - 1) Less than 10, (2) 10-30, (3) 30-50, (4) 50-100
- 12) How do you keep your records: - (1) Manually, (2) Electronically
- 13) Location of the business: -1) Commercial Premises 2) Industrial Site 3) Market stall (4) Other (Specify)
- 14) Who provides security for your business:-1) Govt. 2) Community (3) Personal Security 5) other (specify)
- 15) Type of Unit Structure: - 1) Permanent 2) Semi-permanent 3) Temporary 4) Other

16) Nature of Operation:-1) Manufacturing 2) Assembling 3) Processing 4)
Repairing and Servicing 5) Others

17) Name of the Products produced by the unit: _____

18) Which factors influenced to start this Unit: - 1) Raw material 2) Market
(3) Skill 4) Assistance 5) other (specify)

19) Are you indebted (Yes-1; No-2)?

20) If yes amount of debt: - 1) Below 1 lakh 2) 1 to 5 lakh 3) 5 to 10lakh, 4)
Above 10 lakh

21) Nature of Debt: - 1) Short Term 2) Long Term 3) Both

22) The purpose for which loan is taken: - 1) Fixed Assets 2) working capital
3) both

23) How much time is taken in sanction of loan: - 1) Less than 2 weeks 2) 2-5
weeks 3) 5-10 weeks 5) above 10 weeks

24) To what extent the loan sanctioned by the financial institution was
sufficient to meet the requirement: - 1) 0-49% 2) 50- 89% 3) more than 90%

25) Capital rose for the Business: - 1) Own Investment 2) Friends and
Relatives 3) Through Govt. support 4) Bank Loan 5) any other (specify)

26) Capital Assets in the Industrial Units:

Fixed Capital		Working Capital (Annual)	
Items	Rs	Items	Rs
1) Land and Building		1) Cost raw materials	
2) Plant and Machinery		2) Rent	
3) Furniture and fittings		3) Labour	
4) Machinery		4)Interest	
5) Others		5)Others	

27) What is the total amount of investment in your business: - (1) Up to 30 lakh (2) 31 lakh –2 core (3) 2.1 crore – 5 crore (4) 5.1 crore – 10 crore (5) Above 10 crore

28) Source of Finance: - (1) Institutional, (2) Non-Institutional

29) If you borrowed from institutional source, give the details:

S.no	Source	Borrowed Money	Rate of Interest	Repayment	Loan Outstanding
01	MSME-DI				
02	Commercial Banks (Specify)				
03	Cooperative Banks (Specify)				
04	JKDFC				
05	SICCOOP				
06	Others (Specify)				

30) Annual profit earned from the business in last financial year_____

31) If, your business is under loss what is the reason for that: - 1) Financial issues

2) Production issues 3) Political issue 4) Marketing issues 5) others (specify)

32) Mention the scheme though which you are getting finance: _____

33) Employment conditions in Industrial units:

S. No	Staff	Skilled	Semi-skilled	Unskilled
01	Management staff			
02	Workers			
03	Labours			

34) Working hours in the Unit:-1) Below 8 hours 2) 8 hours 3) 8 to 12 hours 4) Above 12 hours

35) Total working days in the month: - 1) 15 to 20 days 2) 20 to 25 days 3) 25 to 30 days

36) The wage rate of Skilled workers: - **1)** 1 to 5 thousand. **2)** 5 to 10 thousand. **3)** 10 to 15 thousand. **4)** 15 to 20 thousand.

37) The wage rate of Semi-skilled workers: -**1)** 1 to 5 thousand. **2)** 5 to 10 thousand. **3)** 10 to 15 thousand. **4)** 15 to 20 thousand.

38) The wage rate of Un-skilled workers: -**1)** 1 to 5 thousand. **2)** 5 to 10 thousand. **3)** 10 to 15 thousand. **4)** 15 to 20 thousand.

39) Salary payment mode: - 1) Cash 2) Cheque 3) Online 4) Both 1 &2

40) Do you give any social security benefits to employees (specify) _____

41) Source of energy utilise -1) Electricity 2) Petrol/Diesel 3) Solar Energy 4) Both 1&2

42) Have you covered any central/state government beneficial scheme: - 1) Yes 2) No

43) If Yes, Specify _____

45) Do you know about entrepreneurship development Programme: - 1) Yes 2) No

46) Have you attended any Programme: - 1) Yes, 2) No

47) If yes, specify the name of Programme _____

48) What is your opinion about the Programme:-1) Satisfactory 2) Somewhat satisfactory (3) Not satisfactory

49) Annually Production, Exports, Profit and Loss in the Unit:

	Production	Exports	Profit	Loss
Rs				

50) To become an entrepreneur, how the following factors encouraged/discouraged you?

S. No	Factors	Highly Encouraged	Encouraged	Neutral	Discouraged	Highly Discouraged
		1	2	3	4	5
1	Individual factors					

1.1	Education attained					
1.2	Previous Exp.					
1.3	Skill					
1.4	Income					
2	Family Factor					
2.1	Influence of Family Members					
2.2	Influence of Family Business					
2.3	Family Wealth					
2.4	Parental Occupation					
3	Government Factor					
3.1	Policies & Schemes					
3.2	Training Prog.					
3.3	Subsidies & Incentives					
3.4	Internal Disturbances.					
4	Financial Factor					
4.1	Easy Availability of Finance					
4.2	Proper Guidance from Financial Inst.					
4.3	Low-Interest Rate					
4.4	Both Short & Long Term Finance					

51) Are you satisfied with present performance:- 1) Highly satisfied 2)
 Satisfied 3) Neutral 4) Dissatisfied 5) Highly Dissatisfied

SECTION-B

Problems in Establishing and maintaining the unit**Problems in Raw Materials:**

- 52) Specify the sources of raw materials: - 1) Within the District 2) Within the state 3) Outside the state
- 53) Are you facing any difficulty in getting Raw Materials: - 1) Yes 2) No
- 54) If Yes, what type of difficulties:-1) Local scarcity 2) Government control 3) Inability to make a bulk purchase 4) Un-organized nature of the market, (5) others
- 55) The price of Raw Materials is -1) Very high, (2) High, (3) Reasonable

Marketing:

- 56) What type of marketing mode you used for your products:-1) Direct marketing 2) Through Advertisements, 3) Through dealers and distributors, 4) Marketing Programmes arranged by the government agencies 5) All of the above
- 57) Are you facing any difficulties in the market for your product: - 1) Yes, 2) No
- 58) If yes, what types of difficulties:-1) Low price 2) Insufficient demand 3) Storage (4) Transportation 5) Delayed payment 6) Mediator 7) Administration difficulties
- 59) Do you face competition in the market: - 1) Yes, 2) No

Finance

- 60) Are you facing any finance-related problem: - 1) Yes, 2) No
- 61) If yes, what type of problem:-1) Non-availability of finance 2) High-Interest rate (3) Lots of paperwork (4) others (specify)
- 62) Is there any default in repayment of the loan: - 1) Agree 2) Neutral 3) Disagree
- 63) The reason for the default in repayment of the loan:- 1) Poor Demand 2) Lack of Modern Tools and Equipment 3) Working Capital Problems
- 64) There is a lack of proper guidance from Financial Institutions: - 1) Agree 2) Neutral 3) Disagree

- 65) The profitability of the organization is reduced due to high financial charges:- 1) Agree 2) Neutral 3) Disagree
- 66) There are too many formalities and procedure in getting the loan:- 1) Agree 2) Neutral 3) Disagree
- 67) Institutions are taking more time in sanctioning the loan: - 1) Agree 2) Neutral 3) Disagree
- 68) Production and other activities are hampered due to shortage of fund: - 1) Agree 2) Neutral 3) Disagree
- 69) Do you agree that Commercial Banks are more convenient than any other financial Institutions: - 1) Agree 2) Neutral 3) Disagree
- 70) Overall, do you think that financial institution is playing an important role in the Development of MSME: - 1) Agree 2) Neutral 3) Disagree
- Infrastructure facilities:**
- 71) Are you facing the problem of Infrastructure: - 1) Yes, 2) No
- 72) If yes, what type of Problem: - 1) Transportation and Communication, 2) Power, 3) Others (specify)
- Export:**
- 73) Do you face problems in exporting your product: - 1) Yes, (2) No
- 74) If yes, then which type of problem: - 1) Less demand, 2) High transportation cost, 3) Low rate of the product, 4) High Competition, 5) others (Specify)
- Political Instability:**
- 75) Do you face any disturbances due to political instability in the state:-1) Yes (2) No
- 76) If yes, then which type of problem: - 1) Complete Shutdown (2) Selling or Production decreases (3) Other (specify)

77) Rank the problems unit faced:

Problems	High Problematic	Problematic	Low Problematic	Not Problematic
Machinery				
Political instability				
Power				
Financial				
Raw material				
Marketing				
Transport				
Market				
Skilled Labour				
Other(specify)				