

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

**ABSTRACT  
OF  
THESIS**

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## **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 6<sup>th</sup> 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 30<sup>th</sup> 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 23<sup>rd</sup> 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% to the national GDP, which contributes about 6.11% of the manufacturing GDP and 24.63% of the service's activities (CII-MSME report 2018). It is estimated that the sector is contributing about 45% in gross manufacturing output and more than 40% 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.

### **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.

### **STATEMENT OF THE PROBLEM**

Micro, Small and Medium is an integral part of the Indian economy. It provides employment to the large number of peoples of 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.

### **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.

### **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.

### **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.

### **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.

### **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.

### **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

#### **Major Findings**

- 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 huge 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.
- 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%), Trade 230.35 lakh (36%) and 206.87 lakh (33%) 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%, Investment is 13.0% and Employment is 10.2%. 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%) than Jammu division (70.9%) 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 is 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% 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% confidence interval of the odds ratio is (1.179477, 4.480898). Also, p-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 1<sup>st</sup> rank, Marketing 2<sup>nd</sup>, Finance 3<sup>rd</sup> and so on.

### **Conclusion of the Study**

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 hypothesis 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.

### **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.

### **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.