

Vol 3 Issue 11 Dec 2013

ISSN No : 2230-7850

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International Multidisciplinary  
Research Journal

*Indian Streams  
Research Journal*

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**RNI MAHMUL/2011/38595**

**ISSN No.2230-7850**

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**Cell : 9595 359 435, Ph No: 02172372010 Email: ayisrj@yahoo.in Website: www.isrj.net**



## AN ECONOMIC ANALYSIS OF MICRO, SMALL AND MEDIUM ENTERPRISES (MSMES) IN JAMMU AND KASHMIR.



Mudasir Ahmad And A. S. Bhat

Ph.D Scholar, P.G. Department of Economics, University of Kashmir, Srinagar.  
Professor, P.G. Department of Economics, University of Kashmir, Srinagar.

**Abs tract:** *There is a growing and worldwide appreciation that the Micro, Small and Medium Enterprises play a catalytic role in the development process of most economies. This position gets reflected in the form of their increasing number and rising proportion in the overall product manufacturing, exports, manpower employment, technical innovations and promotion of entrepreneurial skills. The main objective of this paper is to make an analysis of the development of MSMEs in the Jammu and Kashmir. The MSMEs are studied in terms of change in the number of enterprises and employees, type of organization, nature of activity, women enterprises and sickness. MSMEs provide more employment opportunities with less investment and can play a major role in solving Jammu and Kashmir's unemployment problem. More than ninety-one per cent of SSI/MSME units are proprietary concerns and has a mass entrepreneurial base. In Jammu and Kashmir, growth of women enterprises in SSI/MSME sector is remarkable. This is a positive sign of women empowerment and gender equity. However, the growth rate of sick units is more in Jammu and Kashmir than the All India level. Prevention of sickness and rehabilitation of sick SSI Units requires more attention while framing the future programs of MSMEs development.*

**Keyw ords:** All India Census of SSIs/MSMEs, Jammu and Kashmir, Performance, Growth Rate.

### 1. INTRODUCTION

Micro, Small and Medium Enterprises (MSMEs) are one of the vibrant sectors and has emerged as a jewel in crown of Indian economy. Today, MSMEs comprises of 95 percent of the total industrial enterprises in the country, accounting for 45 percent of total industrial production, generating over 80 percent of industrial employment, about 40 percent of country's export and contributes 8 percent of the country's GDP (Sunil 2011). The government of India as well as the state governments have been adopting a number of initiatives for the development of MSMEs for increasing income generating activities, solving acute unemployment problem, utilizing all natural and human resources optimally, earning more foreign exchanges and eradicating the regional imbalance in the country. They also play a key role in the development of economies with their effective, efficient, flexible and innovative entrepreneurial spirit. Moreover, MSMEs are better dispersed, and are the second largest employer of human resources after the agriculture sector (Economic Survey, 2011). Prior to the enactment of MSME Development Act 2006, which has come in effect from 2nd October 2006, this sector was known as Small Scale Industries (SSIs).

An expanding industrial sector is an indispensable pre-request to speedy development of the state like Jammu and Kashmir where industrial activity is mostly concentrated in MSMEs. The government of state properly realized the importance of MSMEs as a harbinger of economic growth

and efforts are being made to assign appropriate place to these industries in the plans of state. Large industries are almost absent in the state. MSMEs dovetail well with the economic imperatives of the state. As a result of various policy measures taken from time to time, there has been marked growth in the proliferation of numbers of MSMEs in the state. As per Fourth All India census report, 2006-2007, the total number of functional MSMEs units in Jammu and Kashmir are 14,993 (with micro 14572, small 408, medium 13) generating employment for 90,158 (with micro 71438, small 16201, medium 2519) persons.

### OBJECTIVES

1. To investigate the present position of MSMEs in Jammu and Kashmir.
2. Evaluate the demographics of MSMEs at the state and national level

### RESEARCH METHODOLOGY

This study uses descriptive research methodology based on secondary data collected from books, journals, periodicals, newspapers, reports of SIDBI and websites. The second and third census of SSI and fourth Census on MSMEs were mainly referred for data analyses. The data collected was tabulated, analyzed and interpreted for drawing conclusion. The data helps in knowing about the position of Jammu and Kashmir in the overall national MSMEs scenario.

**PERFORMANCE OF MICRO SMALL AND MEDIUM ENTERPRISES**

Prior to 2006, the small-scale sector included Tiny and Small Scale Industries (SSIs). Thereafter, the scope of the sector has broadened to include Medium Scale Industries and Enterprises too. Presently it is named as Micro, Small and Medium Enterprises (MSMEs). MSMEs can be registered or unregistered. Registered MSMEs are those units registered with the Directorate of Industries and Commerce, and those not registered with the Directorate are known as unregistered MSMEs.

**REGISTERED SSI/ MSME UNITS.**

Deriving much of its strength from the state policy of protection and promotion, MSMEs has emerged over the years as a vibrant and a dynamic sector of Jammu and Kashmir economy. At the time of accession there was no worthwhile industrial base in the state. The industrial sector was consisting of some cottage industries and a few factories. However, handicraft was the main industry in the state and continuously occupied a place of pride in the state economy. As per first census of SSIs initiated by the government of India in the year 1972-73, there were 1,232 registered working SSI units in Jammu and Kashmir. In the same period, the number of registered working SSI units at the national level was 1,39,577. The Second All India Census of SSI Units conducted in the year 1987-88 presented a figure of 9,080 working units in Jammu and Kashmir as against 5,82,368 working units in India. These figures reveals a growth rate of 317.23 percent at the national level and 637 percent that is double than national level in Jammu and Kashmir. The third census conducted in the year 2001-2002 showed that the total number of working SSI units at the state level grew to 14,625 units and 13,74,974 units at the national level. It is found that the share of SSI of Jammu and Kashmir at the national level has increased from 0.88 percent to 1.55 percent in the second census and decreased to 1.06 percent in the third census. A comparison of growth rate of SSI units of Jammu and Kashmir with national level shows more decline in Jammu and Kashmir in the third census. This decline can be attributed to the impact of political disturbance in the state.

As per the latest statistics published, based on the fourth All India Census of MSMEs there are 14,993 registered working MSMEs with 14,572 micro, 408 small and 13 medium enterprises in Jammu and Kashmir. In India the figures stands at 15, 63, 974 registered working MSMEs with 14,84,768 micro, 76,523 small and 2,683 medium enterprises. The latest figure shows that Jammu and Kashmir has 0.96 percent of the total MSMEs at national level. It is significant to note that the growth rate of working MSMEs at the all India level is 13.74 percent, while that of Jammu and Kashmir is a mere 2.51 percent. The growth rate as well as share of MSMEs of Jammu and Kashmir at all India level has shown a continuous decline despite industrial Policy 1998-2003 and J & K Industrial Policy 2004-2015. Comparative data of working SSIs/MSMEs in the registered sector is shown in table 1

**Table.1. WORKING SSIs/MSMEs IN THE REGISTERED SECTOR**

Name of census	SSI/MSMEs in J& K	Percentage Growth	SSIs/MSMEs in India	Percentage Growth	Percentage of SSIs/MSMEs in J & K to India
First census(1972)	1,232		13,9577		0.88
Second census(1988)	9,080	637	5,82,368	317.23	1.55
Third census(2001)	14,625	61	13,74,974	136.1	1.06
Fourth census(2006)	14,993	2.51	15,63,974	13.74	0.96

Source: Second, Third & Fourth All India census of SSIs/MSMEs, SIDBI report on MSMEs,2010.

**UNREGISTERED SSIs/MSMEs**

The unregistered SSI sector was not surveyed prior to the third census. They constitute a major component of this sector. From the third census they were also included. This practice has continued in the fourth census also. The growth of unregistered units is depicted in the table 2.

**Table 2.WORKING SSIs/MSMEs IN THE UNREGISTERED SECTOR**

Name of census	SSI/MSMEs in J& K	Percentage Growth	SSIs/MSMEs in India	Percentage Growth	Percentage of SSIs/MSMEs in J & K to India
Third census(2001)	58,500		91,46,216		0.64
Fourth census(2006)	1,18,000	102	1,98,74,000	117	0.59

Source: Second, Third & Fourth All India census of SSIs/MSMEs

Perusal of third census-to-fourth census of unregistered SSIs/MSMEs share of Jammu and Kashmir in total unregistered SSIs/MSMEs at national level as contained in Table 2 exhibits decreasing trend from 0.64 percent to 0.59 percent. As per third census, there were 58,500 unregistered SSI units in Jammu & Kashmir while in India the number of unregistered SSI units were 91,46,216. However, in the fourth census the number of unregistered MSMEs in Jammu and Kashmir has increased to 1,18, 000 showing a growth rate of 102 percent. During the same period MSMEs in India grew to 1,98,74,000 with growth rate of 117 percent.

**EMPLOYMENT GENERATED**

The MSMEs provide employment to about 60 million persons through over 26 million enterprises producing 6,000 products. A major strength of this sector is its potential for greater innovation both in terms of products and processes and its ability to create more employment with less investment compared to large scale sector. Considering the problem of large scale unemployment, underemployment, and scarcity of capital, central and state government has always provided special priority through different programmes for the growth of this sector (Mathur 1999).

As per first census conducted in 1972-73, there were 9,614 persons employed in registered SSIs of Jammu and Kashmir and in India 16,53,178 persons were working in this sector in the same period. However, in second, third and fourth census their number rose to 40,655, 50,643 and

90,158 at the state level while at national level 36,65,810, 61,63,479 and 93,09,486 persons were employed in SSIs/MSMEs in the corresponding censuses. Out of total employment generated at national level, Jammu and Kashmir's share as per these censuses is 0.58 percent, 1.12 percent 0.82 percent and 0.97 percent in chronological order of censuses. Comparing the figures of first and second census the growth rate of employment in Jammu and Kashmir was 322.87 percent and at all India level it was 121.74 percent. According to third census results, the growth rate of employment in Jammu and Kashmir was 24.56 percent and at the national level the growth rate was 68.13 percent. In the fourth census conducted in 2006-07, it increased to 78.02 percent in Jammu and Kashmir and declined to 51.02 percent at the national level. (Table 3)

**Table 3.EMPLOYMENT GENERATED IN THE WORKING REGISTERED MSMEs**

Name of census	J&K (in Nos.)	Percentage growth	India (in Nos.)	Percentage growth	Percentage of emp. in J&K to total emp. in SSIs/MSMEs
First census(1972)	9,614		16,53,178		0.58
Second census(1988)	40,655	322.87	36,65,810	121.74	1.12
Third census(2001)	50,643	24.56	61,63,479	68.13	0.82
Fourth census(2006)	90,158	78.02	93,09,486	51.04	0.97

Source: Second, Third & Fourth All India census of SSIs/MSMEs, SIDBI report on MSMEs, 2010

Table 4 reveals the share of Jammu and Kashmir in total employment of unregistered SSIs/MSMEs at All India Level which has drifted down to 0.53 percent from 0.61 percent. As per third and fourth census the growth rate of employment in the unregistered sector was 89.63 percent and 117.82 percent in Jammu and Kashmir and at national level respectively.

**Table 4.EMPLOYMENT GENERATED IN THE WORKING UNREGISTERED SSIs/MSMEs**

Name of census	J & K (in Nos.)	Percentage growth	India (in Nos.)	Percentage growth	Percentage emp. in J&K to total emp. In SSIs/MSMEs
Third census(2001)	1,14,432		1,87,69,284		0.61
Fourth census(2006)	2,17,000	89.63	4,08,84,000	117.82	0.53

Source: Third & Fourth All India census of SSIs/MSMEs

Comparing the employment generated in the registered and unregistered sectors, it has been found that in Jammu and Kashmir unregistered units generate more employment than the registered ones. It is three times more than the registered segments as per fourth census. At national level unregistered units creates three times more employment than the registered segment as per third census results. It is more than four times as per fourth census.

#### WOMEN ENTERPRISES

Entrepreneurship is assumed to be sex-neutral

(Sharma, 1979). Women Entrepreneurs are those enterprises where a woman or a group of women, initiate, organize and operate a business enterprise. The position of women and their status in any society is an index of its civilization. Women are to be considered as equal partners in the process of development. But, because of centuries of exploitation and subjugation, Indian women have remained at the receiving end. Women constitute nearly half of the Indian population. Central and State governments are giving much attention for integrating women into development process through various programmes. Women status can be elevated only when they participate equally with men in the public work and they have economic control over production. Women participation in business is considered as a major indicator of gender development.

**Table 5. WOMEN ENTERPRISES**

Name of the census	J&K (in Nos.)	% of Women in total registered SSIs/MSMEs of J & K	India (in Nos.)	% of Women in total registered SSIs/MSMEs of India	Percentage share of J&K in India
Second census(1988)	73	0.80	29992	5.15	0.24
Third census(2001)	841	5.75	137534	10	0.61
Fourth census(2006)	3090	20.6	214650	13.72	1.44

Source: Second, Third & Fourth All India census of SSIs/MSMEs

The share of women entrepreneurs in total SSIs/MSMEs as compiled in table 5 demonstrates upward trend both in Jammu and Kashmir and at all India level. As per the census reports women entrepreneurs constituted 0.80 percent in 1988, 5.75 percent in 2001 and 20.6 percent in 2006 in Jammu and Kashmir. However, at national level, these figures were 5.15 percent, 10 percent and 13.72 percent during the same period. These figures show more growth rate of women enterprises in Jammu and Kashmir than at the national level, which is a positive sign. The remarkable growth of women enterprises in Jammu and Kashmir is largely due to the implementation of women industries programme that offers various types of financial incentives to SSIs/MSMEs units started by women. The percentage share of women enterprises in Jammu and Kashmir at the national levels also reveals an increasing trend from 0.24 percent, 0.61 percent and further to 1.44 percent in second, third and fourth censuses. This is a welcome sign as it denotes increasing participation of women in the industrial economy of the state.

#### TYPE OF ORGANIZATION

Table 6 demonstrates a census wise numbers as well as percentage distribution of SSIs/MSMEs by the type of organization. Ownership pattern of SSIs units are broadly proprietary concerns in nature (SIDBI Report on SSI 2001).

**Table 6. TYPE OF ORGANIZATION**

Organisation	Second census				Third census				Fourth census			
	J & K		India		J& K		India		J & K		India	
	No.s	%	No.s	%	No.s	%	No.s	%	No.s	%	No.s	%
Proprietary	83427	91.87	454247	78	136731	93.51	1221702	88.85	13651	91.04	14087607	90.07
Partnership	691	7.61	933543	16.03	1721	5.43	99190	7.21	815	5.44	62723	4.01
Private company					121	0.81	33284	2.42	161	1.07	43412	2.77
Public Ltd.Co			22013	3.78					123	0.82	8392	0.54
Cooperatives	8	0.08			16	0.11	4715	0.34	12	0.08	4722	0.30
Other	41	0.45	12754	2.19	21	0.14	16083	1.16	231	1.54	35965	2.30

Source: Second, Third & Fourth All India census of SSIs/MSMEs

Most of the SSIs/MSMEs in India as well as Jammu and Kashmir belong to sole proprietary type of organization. In fact, more than 91 percent of SSIs/MSMEs in Jammu and Kashmir are under the control and ownership of a single person known as sole proprietor in the entire three censuses given above in the table. The percentage of sole proprietorship type of organization at all India level which is, 78 percent, 88.8 percent and 90.07 percent in 2nd, 3rd and 4th census is less than that of Jammu and Kashmir. In Jammu and Kashmir about 7.61 percent (in 2nd census), 5.43 percent (in 3rd census) and 5.44 percent (in 4th census) of the enterprises are run by partnership which is lower than that at national level. The rest were owned by private companies, public limited companies, cooperatives/trusts or others. The reason why there is overwhelming concentration of sole proprietorship form of organization can be attributed to the fact that starting a sole proprietorship form of organization is much easier than partnership or any other form of organization. Starting and establishing a proprietorship form of organization requires less capital, there is business secrecy, the proprietor is the sole owner of the organization besides having full control over management and profit of the firm.

#### NATURE OF ACTIVITY

Analysis of working enterprises by nature of their activities indicates that, as per third census, 71.23 percent of registered and 45.24 percent of unregistered SSI Units were engaged in Manufacturing / processing activity in Jammu and Kashmir while it is 63.45 percent of registered and 36.11 percent of unregistered SSI units at national level. However, in the fourth census the percentage growth of registered as well as unregistered SSI/MSMEs units engaged in manufacturing/processing activity has increased both in Jammu and Kashmir and at national level. In the registered sector, units engaged in repairing and maintenance in Jammu and Kashmir was 3.15 percent in 2001 which increased to 12.28 percent during 2006 but at the national level their share has increased from 2.1 percent to 16.11 percent during the same period.

**Table 7. REGISTERED MSME**

Activity	Third census				Fourth census			
	J&K	% Share	India	% Share	J&K	% Share	India	% Share
Manufacturing & processing	10865	71.23	872449	63.45	11295	75.33	1050000	67.14
Repair & Maintenance	480	3.15	28843	2.1	1841	12.28	252000	16.11
Service	3908	25.62	473682	34.45	1857	12.39	262000	16.75

Source: Third & Fourth All India census of SSIs/MSMEs

In the unregistered SSIs/MSMEs the share of repairing and maintenance has declined both in Jammu and Kashmir and at national level. Second major activity is service sector. As per third census conducted in 2001-002, in Jammu and Kashmir there were 25.62 percent of SSIs/MSMEs doing service activity in the registered sector which declined to 12.39 percent in the 4th census conducted in 2006-007. However, at national level their percentage declined from 34.45 percent to 16.75 percent during the same period. In the unregistered SSIs/MSMEs, 41.34 percent in 3rd census and 27.97 percent in 4th census at the state level and 45.38 percent in 3rd census and 41.22 percent in 4th census at national level are engaged in service activity. At the national and state level majority of the units are engaged in manufacturing activity. From above, it is clear that SSIs/MSMEs have a dominant place in the manufacturing sector both at national and state level.

**Table 8. UNREGISTERED SSIs/ MSMEs.**

Activity	Third census				Fourth census			
	J&K	%	India	%	J&K	%	India	%
Manufacturing & processing	26465	45.24	3303366	36.11	81000	68.64	10450000	52.58
Repair & Maintenance	7851	13.16	1692663	18.50	5000	4.24	1231000	6.2
Service	24184	41.34	4150187	45.38	33000	27.97	8193000	41.22

Source: Third & Fourth All India census of SSIs/MSMEs

#### SICKNESS IN MSME

The term industrial sickness goes beyond bankruptcy. It is described as the extreme state where accumulated losses exceed the net worth (Anant, 1995). High incidence of industrial sickness has the affect of blocking of scarce financial resources, loss of production and employment. Protection of employment, scarcity of foreign exchange, need to restrict imports and encouragement of import substituting industrialization have been mainly responsible for India not taking steps to close down unviable units. Indeed, a number of chronically loss making private sector units were absorbed in the public sector through nationalization and management takeovers (Kabra, 1992). Sickness in the SSI sector is a serious concern of policy makers. The definition of sick units has been undergoing changes. The Reserve Bank of India (RBI) has appointing committees from time to time to assess the sickness in the SSI

sector. Third and fourth census adopted the definition of sick units given by Kohile Committee –the working group on rehabilitation of sick units appointed by RBI. Central and State governments have introduced several programmes for the revival of sick SSI units. RBI has been issuing detailed guidelines to Banks and Government agencies regarding the steps to be followed for rehabilitation of sick units.

**Table 9.SICKNESS IN REGISTERED SSIs/MSMEs IN J&K AND INDIA#**

Name of census	J & K	% Share	India	% Share	Percentage of J&K in India
Third census(2001)	519	3.4	192328	13.98	0.27
Fourth census(2006)	1315	8.06	101536	6.1	1.3

Source: Third & Fourth All India census of SSIs/MSMEs

#with erosion of net worth by more than 50% or delay in repayment of institutional loan by more than 12 months or decline in gross output over three consecutive years

As per Third All India census of SSIs units, there were 3.4 percent sick units in the registered segment of Jammu and Kashmir where as at the national level it was 13.98 percent. In the fourth All India Census of MSMEs conducted in 2006-2007, the percentage of sick enterprises has increased to 8.6 percent in Jammu and Kashmir while as their percentage has decreased to 6.1 percent at national level. The share of sickness of Jammu and Kashmir among MSMEs at national level has also shown upward movement from 0.27 percent to 1.3 percent in the same period which is a matter of concern for policy makers of the state.

From the above analysis, it has been inferred that sizable magnitude of sickness has been a serious concern for the Government, the banks and the financial institutions in view of the responsibility taken up by the Government in industrializing the state in various forms particularly through J &K Industrial Policy (1998-2003) and Industrial policy 2004.

#### MAJOR FINDINGS OF THE STUDY

Based on the data presented above, followings are the major findings of the study.

1. There has been a continuous growth in the registered as well as unregistered SSIs/MSMEs in Jammu and Kashmir and at all India level. The percentage share of SSIs of Jammu and Kashmir at the national level has increased in the second All India census of SSI but after that, their share declined in the third and fourth census. This decline can be attributed to the changes implemented as part of new economic policy as well as political disturbance during the period under review.

2. According to the study, there has been a continuous decline in the growth rate of employment in registered SSIs/MSMEs at national level. However, in Jammu and Kashmir the growth rate of employment in registered SSI/MSMEs drifted down during third census from 322.87 percent to 24.56 percent but gained momentum to 78.02 percent during fourth census. This increase in employment can be attributed to the impact of J&K industrial policy (1998-2003) and industrial policy 2004.

3. The growth rate of women enterprises in Jammu and Kashmir as well their share in SSIs/MSMEs at national level exhibits continuous improvement during the period under study. This shows Jammu and Kashmir has attained better progress in gender equity and women empowerment.

4. Proprietary concerns dominate at the national and state level, which is more than 91 percent in the SSIs/MSMEs of Jammu and Kashmir. This is because starting a sole proprietorship form of organization is much easier and requires less capital than partnership or any other form of organization.

5. Manufacturing is the major activity of SSIs/MSMEs both at state level as well as at national level and shows that SSIs/MSMEs has a strong presence in the manufacturing sector

6 Sickness of MSMEs is a major problem at the state and national level. In the registered SSIs/MSMEs the growth rate of sick enterprises has increased in Jammu and Kashmir while at All India level this figure declined. Major causes of sickness, both at the national and state level, may be attributed to lack of demand, shortage of working capital and marketing problems.

#### CONCLUSION

Sustained growth of MSMEs is crucial for overall performance of the economy. Jammu and Kashmir has achieved remarkable growth in this direction. Unemployment is a serious problem facing Jammu and Kashmir economy. As per the official figure, 5,94,172 unemployed youth have been registered at the district level employment exchange across the state till September 2012 ( Greater Kashmir, 2013) Since MSMEs creates more employment opportunities with less investment, it can play a major role in solving Jammu and Kashmir's unemployment problem. More than ninety-one per cent of SSI/MSME units are proprietary concerns and there by this sector has a mass entrepreneurial base. In Jammu and Kashmir, growth of women enterprises in SSI/MSME sector is remarkable. This is a positive sign of women empowerment and gender equity. However, the growth rate of sick units is more in Jammu and Kashmir than at all India level. Thus, necessitates future promotional policies of Jammu and Kashmir for this sector should address the problem of sickness among the SSI/MSMEs.

#### LIMITATIONS OF THE STUDY

The study is based on secondary data collected from books, articles in newspapers, magazines, journals, census reports and websites only.

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