

## **Analysis of Socio-Economic Background of Entrepreneurs: A Case Study of Select MSMES in J & K**

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### **ABSTRACT**

*Small size enterprises have been recognized as an engine of growth all over the world. India has a vibrant micro, small and medium enterprise sector that plays a vital role in sustaining economic growth. The entrepreneur facilitates economic growth by creating jobs and adding value to the economy. The MSME sector in India is highly heterogeneous in terms of the size of the enterprises, variety of products and services, and levels of technology. The MSMEs sector not only plays a critical role in providing employment opportunities at comparatively lower capital cost than large industries but also helps in industrialization of rural and backward areas, reducing regional imbalances and assuring more equitable distribution of national income and wealth. The present research involves the analysis to know the influence of Socio-Economic background on entrepreneurs in the J&K state, extensively with the help of scientific research methodology. Thus with such a target in mind, a detailed study through primary and secondary information shall be taken up to examine the socio economic background of the entrepreneurs and provide inputs to policy makers to formulate the new industrial policy for the state.*

**Keywords:** Entrepreneurship, Socio-Economic Background, Entrepreneurs, Socio-Economic Development.

### **INTRODUCTION:**

In the 21<sup>st</sup> century, especially after the acceptance of the new economic policy (NEP), entrepreneurship played an important role in India's economic development. Influenced by the rapidly changing economic environment, the role of entrepreneurship is beyond production and per capita income growth. It is expected to act as a catalyst for economic development (G. Tamizharasi et al, 2011). Entrepreneurship is also the ability to find investment opportunities and create enterprises that contributes to real social economic growth.

The importance of entrepreneurship in India has recently intensified. New entrepreneurs who do not belong to the traditional business community are in large numbers. Entrepreneurship has been growing rapidly, especially in the past twenty years, wealth and jobs have been created. Serious efforts have been made after economic liberalization, including systematic planning to reduce "license raj", to provide finance to entrepreneurs and other institutional support for entrepreneurs.

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In India, about 12% of nascent entrepreneurs and 10.5% of owners of new firms expect to hire at least five employees within the next five years (GEM, 2010). This will translate into a huge number of jobs and revenue generation for our country. However, surprisingly, India is behind less developed countries like Angola and Algeria on this job growth parameter. Economic liberalization has been a key catalyst to encourage entrepreneurship. There are a number of initiatives at the central and state levels which aim to improve the ease of doing business. Infact, the Doing Business Report (2008), states that India can jump 55 places from its current rank of 120th if some of the local best practices are adopted nationwide.

Out of 29 states in India, the state of Jammu and Kashmir (J&K) is also industrially backward and its limited industrial base mainly lies in tourism and handicrafts but it does not alone strengthen the economic development of the State. The State occupies 13th position in terms of the number of small scale industries established and 19<sup>th</sup> position in terms of the percentage of units working in 2002 as compared to the other states. Per capita income of Jammu Kashmir is approximately twenty two thousand rupees which is quite low as compared to the national average which is nearly thirty three thousand rupees. According to the latest comparable data, Jammu and Kashmir is ranked at the 21st position in terms of the per capita income among all the Indian states (PHD Chamber, 2011).

The government of J&K has conceived ambitious plan for development of the industry but few constraints such as the geographical conditions, limited communication facilities and constraint on the capital investment for tapping its natural resources etc. contain it from achieving the objective of growth of the industrial development. In addition, the economy has also been shattered due to turmoil during the last twenty eight years and as a result the industrial sector has been affected badly on account of fresh investment, reluctance of the financial institutions in providing financial assistance, limited market for the finished goods and, inadequate raw materials etc. Government has taken various steps to bring its economy back on the track and take it to new heights in terms of peace and prosperity vis-a-vis ensuring equitable economic development of all the regions of the State (PHD Chamber, 2011).

A lot more needs to be done to improve the income levels of the people in the State as the per capita income of the State is among the lowest in the country. So, it is important to study the socio-economic background of entrepreneurs to help policy makers to formulate industrial policy for the state.

## **REVIEW OF LITERATURE:**

Most of the studies on the role of entrepreneurship in socio-economic development suggest that there is a strong relationship between performance of the entrepreneurs and socio economic background of the entrepreneurs.

### **Entrepreneurship and Socio-Economic Background:**

Many scholars have exhibit that entrepreneurship is not only advantageous but essential for a healthy economy (Henry et al., 2003). Acs et.al.(1992), said that the contribution of small enterprises in modern economies. He claims that small enterprises play an important role in the economy as they are agents of change by their entrepreneurial activity as they are a source of considerable innovative activity, they stimulate industry evolution thus create an important share of the newly generated jobs.

GEM data also suggests, no country has high levels of entrepreneurship growth and reverse trend of economical growth (Reynolds et al, 2002). There is a similar trend in Indian context also. On the basis of a cross section of data for 17 major states of the country, the study found that the Index of Entrepreneurship has positive impact on per capita income. It has been widely accepted that there is an association of national or regional economic development with new firms creation frequency. Formation of new firms is considered as a vital indicator of entrepreneurial movement and a important component in the socio-economic development, which has been explained new capacities created into the market and through progress of the competitiveness of the economy, industry or region (Fritsch & Mueller, 2004). Several empirical studies show that new firms have an important role to play in the generation of employment (e.g. Baptista et al, 2005; Stel & Suddle, 2005), innovation (eg Fritsch e tal, 2005) economic growth and reversal of unemployment. Fast changes and progress across wide range of industries has taken place (G. Tamizharasi and Dr. N. Panchanatham, 2011). In the wake of employment saturation opportunities, manufacturing sector has been declared as the main vehicle for accelerating economic activity in J&K (Butt, 2005).

## **RESEARCH GAP & OBJECTIVES:**

The literature review on entrepreneurship and socio-economic background indicates that the Analysis of Socio-Economic background of entrepreneurs in the state extensively with scientific research methodology having

wider research dimensions and quality data. Thus with such a target in mind, a detailed study through primary and secondary information shall be taken up to examine the socio economic background of the entrepreneurs and provide inputs to formulate the industrial policy for the state.

## RESEARCH METHODS:

### Instrument Development:

Based upon the previous studies conducted in the field of entrepreneurship. Nineteen (19) items have been identified to measure the socio-economic background of the entrepreneurs. The questionnaire developed from these 19 items was shared with two economics professors and one sociology professor to evaluate the face validity of questionnaire. As desired by the experts small changes were made in wording of the items.

### Data Collection:

Entrepreneurs of Various MSMEs were included in the study from across the J&K state and the 373 units were surveyed and selected on the basis of random sampling and conducted personal interviews through the structured questionnaire. The analysis involved statistical tools like mean and percentage.

## DATA PRESENTATION AND ANALYSIS:

The data collected using questionnaire is presented and analysed below

**Table 5.1 Assessment of Socio-economic Background of the Entrepreneurs N=373**

	Variable		No.	Percent
1	Gender	Male	306	82.0%
		Female	67	18.0%
2	Marital status	Married	176	47.2%
		Single	197	52.8%
3	Level of education and training	Post Graduate	108	29.0%
		Graduate	124	33.2%
		Under Graduate	96	25.7%
		Diploma	21	5.6%
		Below 12 <sup>th</sup>	24	6.4%
4	Do you have any previous entrepreneurial education?	Yes	79	21.2%
		No	294	78.8%
5	Do you have any previous work experience?	Yes	250	67.0%
		No	123	33.0%
6	Was your previous work experience related to your current business?	Yes	187	50.1%
		No	186	49.9%
7	Did you receive any formal training before the start up?	No	270	72.4%
		Yes	103	27.6%
8	Did you attend any formal training after the start up?	No	174	46.6%
		Yes	199	53.4%
9	Your age, when you started this business?	25 or under	44	11.8%
		26-35	236	63.3%
		36-45	83	22.3%
		>45	10	2.7%
10	Family size	Less than 3	25	6.7%
		4-5	181	48.5%
		More than 5	167	44.8%
11	What sector is your business in?	Trade	73	19.6%
		Production	138	37.0%
		Services	135	36.2%
		Hand-craft	9	2.4%
		Other	18	4.8%

	Variable		No.	Percent
12	Number of employees in the enterprise?	Less than 5	202	54.2%
		6-10	101	27.1%
		11-15	37	9.9%
		More than 15	33	8.8%
13	What is the legal ownership status of the establishment?	Sole ownership	245	65.7%
		Partnership	80	21.4%
		Pvt ltd	44	11.8%
		Cooperative	2	0.5%
		Other	2	0.5%
14	Why did you prefer to start your own business?	Family tradition	40	10.7%
		Small investment is required	40	10.7%
		To be self-employed	207	55.5%
		No other alternative for income	42	11.3%
		Brings high income	44	11.8%
		Others	0	0.0%
15	Who initiated and started the business?	Myself alone	215	57.6%
		With the family	108	29.0%
		With a friend/partner	50	13.4%
		Other	0	0.0%
16	How did you acquire the skill for running your enterprise?	Through formal training	184	49.3%
		From past experience	98	26.3%
		From family	74	19.8%
		Other	17	4.6%
17	Is there anyone in the family who was entrepreneur or owner of some related business activities?	Yes	154	41.3%
18	If yes, what is your family relation with him/her?	No	219	58.7%
19	What was your main source of start-up funding?	Personal	179	48.0
		Bank credit	150	40.2
		Equity	5	1.3
		Govt schemes	39	10.5%

#### **Analysis of Socio-Economic background of Entrepreneurs:**

The table above summarizes the demographic profile of respondents by age, level of education, work experience and marital status. The profile of the respondents (entrepreneurs) was discussed in select MSMEs of J & K state, on the basis to their percentage values as per the table . The gender ratio of respondents indicates that male respondents are 306 (82%) and female respondents are 67 (18%). As shown in the table above, the majority of respondents in the age group of 26-35 years 236 (63.3%) and those under the category 36-45 years are 83 (22.3%) and 25 or below are 44 (11.8%). The other 2.7% of respondents are over 45 years old. When we see the respondents' level of education, the table shows that the graduates are over 124 (33.2%). Subsequently, those who completed post graduate 108 (29.0%). The table also shows that under graduates are 96 (25.7%) and below 12th are 24 (6.4%). The remaining 21 (5.6%) of the remaining interviewees are holders of diplomas.

### **Characteristics of Entrepreneurs in MSMEs:**

The characteristics of respondents shown in the above table by family size, sector they are working, source of skill for starting the enterprise, legal ownership of the business, reasons to start own business, who initiates the business idea, source of starting fund and the number of employees working

### **Family sizes of respondents:**

The above table clearly shows, majority of the respondents 181(48.5%) have a family size of 4-5. The table also shows that 167(44.8%) of the respondents have a house hold size of more than 5 and remaining 25(6.7%) respondents have a family size less than 3.

### **Sector:**

It is clearly seen from above table that majority of the respondents 138 (37.0%) are involved in the production sector. The service sector accounts 135(36.2%) of the respondents and trade accounts 73(19.6%). The hand crafts and other take the remaining 9(2.4%) and 18(4.8%) respectively.

### **Number of employees in the enterprise:**

MSMEs provide a large numbers of employment opportunities to the jobless people. As you can see from the table above, majority of the respondents 202(54.2%) hire less than 5 employees in their enterprise. 101(27.1%) respondents say that they employ 6-10 workers in their enterprise. The above table also shows that 37(9.9%) and 33(8.8%) of the respondents hire from 11-15 employees and more than 15 employees respectively.

### **Legal status the establishment:**

Enterprises are having different legal ownership statuses and the following table shows the respondents legal ownership statuses. As one can see from the table above, majority of the respondents 245 (65.7%) establish their enterprise in the form of Sole ownership followed by Partnership 80(21.4%). 44(11.8%) respondents have legal ownership of Pvt ltd. The respondents having least number of respondents have a legal ownership of 2(0.5%) cooperatives and 2(0.5%) others.

### **Reasons to start own business:**

Motivation to establish own business can be internal or external and these can be many in number and vary from individual to individual. The above table shows the reasons that entrepreneurs in MSMEs of J&K are motivated to start their own enterprises. Table above clearly shows that most of the respondent entrepreneurs 207(55.5%) establish their own business for the reason that they want to be self employed followed by 44(11.8%) respondents say they established their own business because it helps to bring high income. 42(11.3%) of the respondents start their own business, since they have no other alternative for income and remaining 40(10.7%) of the respondents establish their own business because they think that it requires a small investment.

### **Who initiated and started the business?**

It has been commonly seen that some start their own enterprise with their own initiation and some others establish enterprises with family or friends as a partner. The table below shows the initiators of entrepreneurs to start own business. The above table clearly depicted that majority of the respondents 215(57.6%) start enterprises with their own initiation. Similarly, 108(29.0%) of the respondents start businesses with their family initiation and remaining 50(13.4%) of the entrepreneurs establish business with an initiation of a friend or partner.

### **Source of skill for running your enterprise:**

The necessary skills are required to run any business, it is logical that these skills can be learned from different sources. The above table shows the respondents source of skills to run their enterprises, family entrepreneurial history and source of skill for starting the enterprise. It is possible to see from the table above that, 219(58.7%) of the entrepreneurs respond that they have no family member who was an entrepreneur. Followed by 154 (41.3%) who have an entrepreneurs in their family. It is also indicated in the table above that 184(49.3%) of the respondents acquire the necessary skill for their business from formal trainings and 98(26.3%) respondents acquired training from past experience. Moreover, 74(19.8%) of the entrepreneurs acquire their skills from their family and only 17(4.6%) of the respondent entrepreneurs acquire the skill from sources other than those stated.

### **The main source of start-up funding:**

Only ideas does help to start a business, capital also required to execute the idea. The above table shows the main sources of start-up fund. The table above shows that majority respondents 179 (48.0%) use personal savings as main source of start-up funding in financing and 150(40.2%) of the entrepreneurs use Bank credit as their main source of funding. Remaining 39(10.5%) used Government schemes for the funding of their enterprise and remaining 5(1.3%) used equity as source of finance.

### **CONCLUSION:**

From the above analysis, it can be concluded that the socio-economic background of the entrepreneurs has huge influence on the entrepreneurs. Factors like age, gender, family size, sector they are working, source of skill for starting the enterprise, legal ownership of the business, reasons to start own business, who initiates the business idea, source of starting fund and the number of employees working, all plays important role in motivating the nascent entrepreneurs to make decision in selecting entrepreneurship as a career. So, it is important for the policy makers to take these factors into consideration while framing the policies for MSMEs in the state.

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