
EXPLORING THE INFORMAL ECONOMY: ANALYSIS OF UNINCORPORATED ENTERPRISES IN JAMMU & KASHMIR, INDIA

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Abstract

This paper aims to present a descriptive analysis of unincorporated non-agricultural enterprises (excluding construction) in the Jammu & Kashmir region, highlighting the unique dynamics of the informal sector in the area. Specifically, it seeks to address key research questions regarding the drivers of growth in this sector, the extent of its divergence from national trends, and its implications for local economic development. Through the use of unit-level data from the National Sample Survey Office (NSSO) for the period 2010-11 and 2015-16, the study provides a descriptive analysis that underscores the rapid growth of such enterprises in Jammu & Kashmir compared to the national level. The findings indicate that unincorporated enterprises in Jammu & Kashmir have grown at a significantly faster rate than the all-India average, driven by factors such as supportive local policies, increased entrepreneurial initiatives, and socio-economic conditions unique to the region. This expansion signifies a trend towards increased self-employment and diversified income sources for the local population. However, the growth of the informal sector in Jammu & Kashmir also reveals that the region's economy is still heavily reliant on this sector, in contrast to the overall contraction of the informal sector across India. This divergence points to a structural transformation gap between the Jammu & Kashmir region and the national economy, which warrants further investigation through policy analysis, sector-specific studies, and socio-economic evaluations to better understand the underlying causes and potential solutions. Understanding this gap is crucial for formulating policies aimed at fostering inclusive and sustainable economic development in the region.

Keywords: Establishments, Informal Sector, Non-agricultural Enterprises, Unincorporated Enterprises, Structural Transformation

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INTRODUCTION

Jammu & Kashmir is a region in India with a unique socio-political and economic context, making it a compelling area for studying the informal economy. Despite the region's strategic importance and rich cultural heritage, it has historically lagged in India's developmental trajectory due to political instability and policy constraints. This paper aims to address the significant gap in understanding the dynamics of unincorporated non-agricultural enterprises in Jammu & Kashmir, particularly in the informal sector, which plays a critical role in employment generation and economic diversification.

The informal economy, characterized by unincorporated enterprises operating outside formal regulatory frameworks, remains a key driver of livelihoods in many developing regions (Chen, 2012). In Jammu & Kashmir, this sector has shown rapid growth despite the region's political and economic challenges. Understanding the factors driving this growth and its divergence from national trends is crucial for formulating inclusive and sustainable development policies. However, existing literature on India's informal economy has largely focused on more industrialized states, leaving a research gap concerning peripheral regions like Jammu & Kashmir (Bhowmik, 2019). This study seeks to fill this gap by offering a detailed analysis of unincorporated enterprises in the region.

While the historical context of Articles 370 and 35A, which granted special autonomous status to Jammu & Kashmir, is essential to understanding the region's economic development, the emphasis on these political dimensions often overshadows economic analyses. Following the abrogation of these articles on August 5, 2021, the region began receiving direct policy interventions from the Government of India. This shift has created new opportunities for economic integration and growth, yet the informal sector remains a dominant force, reflecting the region's ongoing structural transformation challenges (Ahmad, 2022). This paper examines pre-abrogation data to capture the informal sector's characteristics and growth trends before this policy shift.

The study utilizes unit-level data from the National Sample Survey Office (NSSO), specifically from the 67th and 73rd rounds conducted between July 2010 to June 2011 and

July 2015 to June 2016, respectively. These data sets were chosen for their comprehensive coverage of unincorporated non-agricultural enterprises (excluding construction) and their focus on economic and operational characteristics. The use of these rounds allows for a comparative analysis of growth trends and structural changes over time. Nevertheless, the study would benefit from justifying the selection of these specific rounds concerning policy shifts and economic events during the period (NSSO, 2016).

The informal sector's theoretical underpinnings are grounded in dual-economy models, which emphasize the coexistence of formal and informal economic activities (Lewis, 1954). Applying this framework, the study investigates how informal enterprises in Jammu & Kashmir contribute to employment, income diversification, and economic resilience. By analyzing the distribution of enterprises based on ownership type, growth trends, challenges faced, and registration status, the paper provides insights into the sector's role in the regional economy.

Despite the study's broad objectives, it lacks articulated research questions and hypotheses. Formulating these would enhance the paper's analytical focus and provide a structured approach to investigating the informal sector's dynamics. Potential questions include: What factors drive the growth of unincorporated enterprises in Jammu & Kashmir? How do these enterprises differ from national trends in terms of operational characteristics and economic contributions? Addressing these questions would strengthen the study's empirical and theoretical contributions.

The informal sector's economic significance cannot be overstated, with small and medium-sized enterprises (SMEs) playing a crucial role in GDP contribution and employment generation (Meressa, 2020; Slávik et al., 2023). In Jammu & Kashmir, the predominance of proprietary and partnership enterprises highlights the sector's adaptability and entrepreneurial spirit. However, the region's industrial underdevelopment, as noted in the Jammu & Kashmir Development Report, underscores the need for targeted policy interventions to support informal enterprises' formalization and growth.

To enhance the study's policy relevance, the paper should engage more extensively with recent literature on informal economies, regional development, and structural transformation. Integrating perspectives from contemporary studies would provide a more nuanced understanding of the informal sector's challenges and opportunities. Furthermore, aligning the study's findings with existing policy frameworks would facilitate practical recommendations for fostering inclusive economic development in Jammu & Kashmir.

Finally, the scope of the study must be clearly defined to set appropriate expectations for its findings. While the paper mentions a wide range of variables, prioritizing key aspects such as growth drivers, operational challenges, and policy implications would improve the narrative's coherence and depth. Consistent terminology and well-defined concepts are also essential to avoid confusion and enhance readability.

REVIEW OF LITERATURE

The informal economy has been widely studied as a critical component of employment generation and economic diversification, especially in developing countries (Chen, 2012). However, its dynamics in peripheral regions like Jammu & Kashmir remain underexplored. This literature review aims to contextualize the study by examining existing research on informal economies, regional development, and the specific socio-economic conditions of Jammu & Kashmir.

Informal Economy and Regional Development The informal sector, characterized by unincorporated enterprises operating outside formal regulatory frameworks, plays a significant role in many developing economies (ILO, 2018). Research has demonstrated the sector's contribution to employment, income diversification, and economic resilience, especially where formal job opportunities are limited (Meagher, 2013). Dual-economy models, such as those proposed by Lewis (1954), highlight the coexistence of formal and informal activities, emphasizing the informal sector's adaptability amid economic shifts.

Despite its importance, the informal economy in India has been largely studied in industrialized states, with limited attention given to regions like Jammu & Kashmir

(Bhowmik, 2019). This oversight leaves a critical gap in understanding how political instability and unique socio-economic conditions shape informal enterprise development.

Historical and Policy Context of Jammu & Kashmir the historical context of Articles 370 and 35A, which granted Jammu & Kashmir special autonomous status, significantly influenced the region's economic trajectory (Ahmad, 2022). These provisions limited direct policy interventions from the central government, resulting in slower development and economic isolation (Zutshi, 2019). The abrogation of these articles on August 5, 2021, marked a turning point, enabling more direct economic policies and integration with national development programs.

Despite these policy shifts, the informal sector continues to dominate Jammu & Kashmir's economy. Studies suggest that this persistence underscores the region's structural transformation challenges and reliance on small and medium-sized enterprises (SMEs) (Jammu & Kashmir Development Report, 2020). Understanding the factors driving this sector's growth and divergence from national trends is essential for informed policy formulation.

Empirical Studies on Informal Enterprises Empirical analyses of India's informal sector often utilize data from the National Sample Survey Office (NSSO), known for its comprehensive coverage of non-agricultural enterprises (NSSO, 2016). The 67th and 73rd rounds of the NSS provide detailed insights into enterprise distribution, ownership types, growth trends, and operational challenges (NSSO, 2016). However, studies leveraging this data have rarely focused on Jammu & Kashmir, limiting the broader applicability of their findings.

The informal sector's resilience and adaptability have been well-documented, with research indicating its capacity to absorb economic shocks and sustain livelihoods (Meagher, 2013; Meressa, 2020). In Jammu & Kashmir, this sector's rapid growth amid political and economic uncertainty suggests unique drivers that merit further investigation.

Gaps in Existing Literature While existing studies highlight the informal sector's significance, few address the specific dynamics of Jammu & Kashmir. The limited focus on

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peripheral regions creates an incomplete understanding of India's informal economy. Furthermore, the emphasis on political dimensions often overshadows economic analyses, restricting the development of comprehensive policy recommendations.

To bridge this gap, future research should prioritize the region's economic characteristics, examining factors such as entrepreneurial initiatives, local policies, and socio-economic conditions. Addressing these elements will provide a nuanced understanding of the informal sector's role in regional development and inform targeted policy interventions.

RESEARCH METHOD

This study adopts a descriptive and analytical research design to explore the dynamics of unincorporated non-agricultural enterprises in the informal sector of Jammu & Kashmir. Given the complexity of the region's socio-political and economic landscape, this approach enables a comprehensive examination of the sector's growth, operational characteristics, and divergence from national trends. The study's primary objective is to identify the drivers of growth within this sector and assess its implications for local economic development.

The study relies on secondary data from the National Sample Survey Office (NSSO), specifically the 67th and 73rd rounds conducted between July 2010 to June 2011 and July 2015 to June 2016. These datasets provide detailed information on unincorporated non-agricultural enterprises (excluding construction) and their economic and operational characteristics. The selection of these rounds is justified by their comprehensive coverage and relevance to understanding growth trends and structural transformations in the informal economy.

The NSSO data were obtained from publicly available national databases and official government sources. The datasets include variables such as enterprise ownership type, employment size, registration status, revenue generation, and operational challenges. Additional policy documents and development reports for Jammu & Kashmir were consulted to contextualize the region's economic conditions and policy interventions following the abrogation of Articles 370 and 35A.

The study employs descriptive statistical techniques to analyze growth trends, enterprise distribution, and operational characteristics of the informal sector in Jammu &

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Kashmir. Comparative analysis is conducted to identify divergences between the region's informal economy and national trends. Key indicators such as enterprise growth rate, employment contribution, and income diversification are examined to understand the sector's role in local economic resilience.

To ensure the validity and reliability of findings, the study uses official NSSO data, recognized for its methodological rigor and comprehensive coverage. Cross-referencing with policy documents and development reports strengthens the contextual analysis and supports the robustness of the study's conclusions. Consistent data interpretation techniques and comparative analysis enhance the reliability of results.

RESULTS AND DISCUSSION

The operational characteristics of unincorporated non-agricultural enterprises have been undertaken particularly for the Jammu & Kashmir region. To provide the base for the Jammu & Kashmir statistics, all India-level pictures of unincorporated enterprises were also incorporated. The details are depicted as follows:

Estimation of Unincorporated Non-agricultural (Excluding Construction) Enterprises

Table 1 presents the estimated number of enterprises and their percentage distribution, highlighting the operational characteristics of unincorporated enterprises across broad activity categories and enterprise types. At the national level, the total number of enterprises increased by 9.9% between 2010-11 and 2015-16. In contrast, Jammu & Kashmir experienced a significantly higher growth rate of 18.58%, nearly double the national average. Own Account Enterprises (OAEs) grew by 9.32% across India, while in Jammu & Kashmir, the growth rate was 17.00% during the same period. Similarly, establishments (Estt.) grew by 13.20% at the national level and by an impressive 25.55% in Jammu & Kashmir. The comparison between OAEs and establishments indicates that the latter experienced a higher growth rate. The rapid expansion of establishments compared to OAEs suggests a shift towards a more structured and systematized operation of unincorporated enterprises.

While the estimated number of enterprises increased in the 73rd round of the survey, the informal sector's contribution to GDP declined from 52% to approximately 15-20% by 2020-21 (Patnaik & Pandey, 2021). This continuous decline in the informal sector's share may indicate progress toward the formalization of the economy. The 73rd round survey further reveals the distribution of enterprises across broad activity categories. At the national level, 31.02% of enterprises were engaged in manufacturing, 36.34% in trade, and 32.64% in other service activities. In comparison, in Jammu & Kashmir, 33.06% of enterprises operated in manufacturing, 41.70% in trade, and 25.23% in other services. Notably, the proportion of enterprises engaged in trade was significantly higher in Jammu & Kashmir than the national average.

Growth trends between the two survey periods also show distinct regional variations. At the national level, manufacturing enterprises grew by 14.96%, whereas in Jammu & Kashmir, the growth was only 5.06%. In contrast, trading enterprises expanded by 11.00% at the national level but surged by 33.65% in Jammu & Kashmir, indicating a remarkable rise in trading activities in the region. Additionally, enterprises in the "other services" category grew by 4.96% nationally, while in Jammu & Kashmir, the growth was significantly higher at 16.50%. These trends suggest that, in Jammu & Kashmir, trade and other services sectors have greater growth potential compared to manufacturing.

Overall, the growth of unincorporated enterprises in the Jammu & Kashmir region was significantly higher than at the national level between the 67th and 73rd round surveys. Sector-wise analysis revealed that, at the national level, manufacturing experienced the highest growth, while other services saw the least expansion. In contrast, in Jammu & Kashmir, trade was the fastest-growing sector, whereas manufacturing showed the slowest growth during this period. From the perspective of unincorporated non-agricultural enterprises, this sector is expanding at a much faster rate in Jammu & Kashmir, with its growth nearly double that of the national average. Given that Jammu & Kashmir is a hilly region with a climate-driven economy, the rise of unincorporated enterprises is a positive indicator for improving livelihoods in the area.

Table 1
Estimated Number of Enterprises by Enterprise Types and Broad Activity Categories

Broad activity category	India			Jammu & Kashmir		
	OAEs	Estt.	Total	OAEs	Estt.	Total
67th round survey-2010-11						
Manufacturing	14429989 (29.56)	2780280 (31.37)	17210269 (29.84)	193230 (39.66)	29874 (27.00)	223103 (37.32)
Trade	17824242 (36.52)	2926462 (33.02)	20750704 (35.98)	189123 (38.82)	32072 (28.99)	221196 (37.00)
Other services	16556256 (33.92)	3156076 (35.61)	19712332 (34.18)	104853 (21.52)	48678 (44.00)	153531 (25.68)
Total	48810487 (100.00)	8862819 (100.00)	57673306 (100.00)	487206 (100.00)	110624 (100.00)	597830 (100.00)
73rd round survey-2015-16						
Manufacturing	16813853 (31.51)	2851022 (28.42)	19664875 (31.02)	194418 (34.11)	39975 (28.78)	234393 (33.06)
Trade	19470331 (36.49)	3565531 (35.54)	23035862 (36.34)	240685 (42.22)	54944 (39.56)	295629 (41.70)
Other services	17075123 (32.00)	3616114 (36.04)	20691237 (32.64)	134906 (23.67)	43968 (31.66)	178874 (25.23)
Total	53359308 (100.00)	10032667 (100.00)	63391974 (100.00)	570009 (100.00)	138888 (100.00)	708897 (100.00)
Growth Rate (percentage)	9.32%	13.20%	9.91%	17.00%	25.55%	18.58%

Source: Calculations from unit-level data of unincorporated non-agricultural enterprises surveys [Note: Figures in parentheses represent percentage]

However, the expansion of unincorporated enterprises also highlights the continued growth of the informal sector, which has broader economic implications. Nevertheless, in Jammu & Kashmir, this growth presents an opportunity for increased employment and self-employment. In addition to attracting large-scale investments, both the central and state governments should focus on supporting unincorporated enterprises by providing better infrastructure and facilities. Government initiatives such as the Micro Units Development & Refinance Agency (MUDRA) Yojana and the Atmanirbhar Bharat scheme have created opportunities for these enterprises to expand. The current administration has implemented several measures to promote and strengthen Jammu & Kashmir's economy, which will ultimately contribute to the nation's overall economic growth.

Distribution of Ownership Types

Table 2 presents the estimated number of enterprises and their percentage distribution based on ownership type and enterprise category. According to the 73rd round survey, at the national level, 76.42% of enterprises were owned by proprietary males, while 19.54% were owned by proprietary females. The remaining 4.03% were owned by partnerships (both within and outside the same household), self-help groups, trusts, and other entities. This indicates that enterprise ownership is predominantly male-dominated, with female ownership significantly lower, highlighting a clear gender disparity.

In Jammu & Kashmir, 88.04% of enterprises were owned by proprietary males, whereas only 10.56% were owned by proprietary females. Partnerships and other ownership types accounted for less than 2% of enterprises. Notably, the share of female ownership in Jammu & Kashmir was half that of the national average, indicating even lower participation of women in enterprise ownership compared to the rest of India.

When comparing own account enterprises (OAEs) and establishments, the share of female ownership was higher in OAEs than in establishments. At the national level, 22.31% of OAEs were owned by proprietary females, compared to just 4.82% of establishments. A similar pattern was observed in Jammu & Kashmir, where 12.50% of OAEs were owned by women, while female ownership of establishments stood at only 2.63%. This suggests that female participation in enterprise ownership, particularly in establishments, remains exceptionally low both nationally and in Jammu & Kashmir.

Between the 67th and 73rd round surveys, proprietary male ownership at the national level increased by 7.19%, while proprietary female ownership grew by 23.80%, indicating a more rapid rise in female ownership—a positive trend for gender inclusivity in business. However, in Jammu & Kashmir, while proprietary male ownership increased by 25.56%, proprietary female ownership declined by 3.40%, signaling a decline in women's participation in enterprise ownership.

Table 2 Estimated Number of Enterprises by Types of Ownership and Types of Enterprises		
Ownership types	India	Jammu & Kashmir

	OAEs	Estt.	Total	OAEs	Estt.	Total
67th round survey-2010-11						
Proprietary male	37279768 (76.38)	7916856 (89.33)	45196623 (78.37)	397836 (81.66)	99218 (89.69)	497054 (83.14)
Proprietary female	9583372 (19.63)	424037 (4.78)	10007409 (17.35)	73914 (15.17)	3601 (3.26)	77516 (12.97)
With partnership	733134 (1.50)	394755 (4.45)	1127890 (1.96)	15209 (3.12)	6573 (5.94)	21781 (3.64)
Others, including SHGs and trusts	1214152 (2.49)	127170 (1.43)	1341322 (2.33)	247 (0.5)	1232 (1.11)	1479 (0.25)
Total	48810426 (100.00)	8862818 (100.00)	57673244 (100.00)	487206 (100.00)	110624 (100.00)	597830 (100.00)
73rd round survey-2015-16						
Proprietary male	39449673 (73.93)	8996850 (89.68)	48446523 (76.42)	491411 (86.21)	132689 (95.54)	624100 (88.04)
Proprietary female	11905632 (22.31)	483739 (4.82)	12389371 (19.54)	71229 (12.50)	3655 (2.63)	74884 (10.56)
Transgender	3683 (0.01)	1361 (0.01)	5044 (0.01)	-	25 (0.02)	25 (0.01)
With partnership	839123 (1.57)	435983 (4.35)	1275106 (2.01)	7368 (1.29)	1082 (0.78)	8450 (1.19)
Others, including SHGs and trusts	1161196 (2.18)	114733 (1.14)	1275930 (2.01)	-	1438 (1.04)	1438 (0.20)
Total	53359308 (100.00)	10032667 (100.00)	63391974 (100.00)	570009 (100.00)	138888 (100.00)	708897 (100.00)

Source: Calculations from unit-level data of unincorporated non-agricultural enterprises surveys [Note: Figures in parentheses represent percentage]

These findings suggest that gender disparity in enterprise ownership is more pronounced in Jammu & Kashmir compared to the national average, particularly in the ownership of unincorporated non-agricultural enterprises. Addressing this gap requires targeted policy measures to encourage and support female entrepreneurship in the region.

Growth Status of Enterprises

The perceived growth status of an enterprise reflects its overall performance and sustainability over a given period. In these surveys, three years was considered to assess the enterprise's status. Information on the growth status, as reported by enterprise owners, was collected for unincorporated non-agricultural enterprises (excluding construction) during 2010-11 and 2015-16. Table 3 presents the growth status of enterprises over the past three

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years. According to the 73rd round survey, at the national level, 28.26% of enterprises were expanding, 43.30% remained stagnant, and 11.04% were contracting. In contrast, in Jammu & Kashmir, 49.20% of enterprises were expanding, 35.16% remained stagnant, and only 7.51% were contracting. These figures indicate that unincorporated non-agricultural enterprises in Jammu & Kashmir have experienced significantly higher growth and resilience compared to the national average.

For own-account enterprises (OAEs), the 73rd round survey revealed that at the national level, 26.78% were expanding, 44.74% remained stagnant, and 11.65% were contracting. In Jammu & Kashmir, 46.81% of OAEs were expanding, 37.15% were stagnant, and only 8.31% were contracting, indicating a stronger growth trend compared to the national average. Similarly, for establishments, the survey found that at the national level, 38.41% were expanding, 35.64% were stagnant, and 7.79% were contracting. In contrast, in Jammu & Kashmir, 59.00% of establishments were expanding, 26.99% were stagnant, and only 4.19% were contracting. This suggests that both OAEs and establishments in Jammu & Kashmir have shown significantly stronger growth compared to the national level.

Between the 67th and 73rd survey rounds, the number of expanding enterprises in Jammu & Kashmir increased by 45.62%, whereas at the national level, it declined by 1.27%. The number of stagnant enterprises in Jammu & Kashmir rose by 2.26% while contracting enterprises increased by 12.92%. At the national level, stagnant enterprises grew by 10.62%, and contracting enterprises surged by 39.32%, indicating a rapid contraction of unincorporated enterprises across India. Pasanen (2007) identified several factors influencing a firm's growth, including the entrepreneur's growth orientation, market growth opportunities, and the availability of adequate resources for expansion.

Table 3
Estimated Number of Enterprises by Growth Status of Enterprises Over the Last Three Years and Types of Enterprises

Growth status	India			Jammu & Kashmir		
	OAEs	Estt.	Total	OAEs	Estt.	Total
67th round survey-2010-11						
Expanding	14715769 (30.15)	3659224 (41.29)	18374992 (31.86)	185544 (38.08)	53957 (48.77)	239501 (40.06)

Stagnant	21810837 (44.68)	3001095 (33.86)	24811932 (43.02)	207798 (42.65)	35949 (32.50)	243746 (40.77)
Contracting	4263773 (8.74)	560817 (6.33)	4824590 (8.37)	41606 (8.54)	5512 (4.98)	47118 (7.88)
Operated for less than Three Years	8019930 (16.43)	1641624 (18.52)	9661554 (16.75)	52258 (10.73)	15207 (13.75)	67465 (11.28)
Not Reported	178 (0.0)	59 (0.0)	238 (0.0)	0	0	0
Total	48810487 (100.00)	8862819 (100.00)	57673306 (100.00)	487206 (100.00)	110624 (100.00)	597830 (100.00)
73rd round survey-2015-16						
Expanding	14287780 (26.78)	3854012 (38.41)	18141792 (28.62)	266813 (46.81)	81947 (59.00)	348760 (49.20)
Stagnant	23872682 (44.74)	3575736 (35.64)	27448418 (43.30)	211773 (37.15)	37480 (26.99)	249253 (35.16)
Contracting	6215874 (11.65)	781321 (7.79)	6997196 (11.04)	47382 (8.31)	5824 (4.19)	53206 (7.51)
Operated for less than Three Years	6473210 (12.13)	1354162 (13.50)	7827372 (12.35)	33022 (5.79)	10913 (7.86)	43936 (6.20)
Not reported	2509761 (4.70)	467435 (4.66)	2977196 (4.70)	11019 (1.93)	2724 (1.96)	13743 (1.94)
Total	53359308 (100.00)	10032667 (100.00)	63391974 (100.00)	570009 (100.00)	138888 (100.00)	708897 (100.00)

Source: Calculations from unit-level data of unincorporated non-agricultural enterprises surveys [Note: Figures in parentheses represent percentage]

These trends suggest that India's economy is gradually transitioning towards a more formal structure, as evidenced by the contraction of unincorporated enterprises. Economic growth patterns typically show that an initial expansion of the informal sector is followed by a shift toward formalization. However, Jammu & Kashmir's economy continues to experience strong growth in the informal sector, providing substantial opportunities for economic development, self-employment, and income generation. To sustain and enhance this growth, the government should actively support and promote unincorporated enterprises in Jammu & Kashmir through financial assistance and training programs, ensuring a more inclusive and resilient economic environment in the region.

Whether the Enterprises Faced Problems in their Operations?

Enterprises often encounter various operational challenges that hinder their efficiency and growth. These challenges can be broadly categorized into key areas: issues related to raw materials, power cuts, labor shortages, and deficiencies in other basic facilities.

Table 4
Estimated Number of Enterprises Which Faced Problems in Operations

Types of enterprises	India			Jammu & Kashmir		
	Did the enterprise face any problems in its operation?					
	Yes	No	Total	Yes	No	Total
67 th round survey-2010-11						
Own account enterprises	16573466 (33.95)	32236983 (66.05)	48810450 (100.00)	238239 (48.90)	248967 (51.10)	487206 (100.00)
Establishments	3021396 (34.09)	5841419 (65.91)	8862816 (100.00)	60385 (54.59)	50240 (45.41)	110624 (100.00)
Total	19594862 (33.98)	38078403 (66.02)	57673265 (100.00)	298624 (49.95)	299206 (50.05)	597830 (100.00)
73 rd round survey-2015-16						
Own account enterprises	20976390 (39.31)	32381520 (60.69)	53357910 (100.00)	217802 (38.21)	352207 (61.79)	570009 (100.00)
Establishments	4007638 (39.95)	6025029 (60.05)	10032667 (100.00)	49679 (35.77)	89208 (64.23)	138888 (100.00)
Total	24984028 (39.41)	38406549 (60.59)	63390577 (100.00)	267481 (37.73)	441415 (62.27)	708897 (100.00)

Source: Calculations from unit-level data of unincorporated non-agricultural enterprises surveys

Note: Figures in parentheses represent the percentage

Table 4 illustrates the number of enterprises that encountered operational challenges. According to data from the 73rd round survey, approximately 39.40% of enterprises across India faced difficulties in their operations, while in Jammu & Kashmir, this figure stood at 37.73%. Notably, a significant proportion of enterprises—nearly four out of ten—experienced operational issues. Within the categories of own-account enterprises and establishments, the percentage of affected enterprises remains nearly identical at both the national level and in Jammu & Kashmir. Therefore, it is essential to provide support and assistance to these enterprises to ensure their sustained functioning and operational stability.

In the 67th round survey, 33.98% of enterprises in India reported operational challenges, which increased to 39.41% in the 73rd round survey. This represents a 27.50% growth in absolute numbers at the national level. In contrast, in Jammu & Kashmir, 49.95% of enterprises faced difficulties in the 67th round survey, but this figure declined to 37.73% in

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the 73rd round, indicating a 10.10% reduction. Despite this decline, unincorporated enterprises in Jammu & Kashmir were in a relatively better position compared to the national average.

The Nature of Problems Faced by Enterprises

Enterprises across India face several operational challenges, including erratic power supply, raw material shortages, declining demand, financial constraints, and labor-related issues. At the national level, 19.14% of enterprises reported difficulties due to power cuts and raw material shortages, but this figure declined to 12.12% in the 73rd round survey, suggesting an overall improvement. However, in Jammu & Kashmir, the percentage of enterprises facing these issues increased from 15.25% to 27.24%, indicating that power supply disruptions and raw material shortages remain critical concerns in the region.

Financial constraints, particularly difficulties in accessing credit and recovering dues, have intensified in Jammu & Kashmir compared to the national trend. While the proportion of enterprises facing financial challenges in India slightly declined from 32.01% to 30.67%, it surged from 18.58% to 38.03% in Jammu & Kashmir, signaling a severe problem requiring urgent intervention.

Demand-related issues have also worsened at the national level, with 26.28% of enterprises facing declining demand in the 67th round survey, increasing to 37.29% in the 73rd round. Conversely, in Jammu & Kashmir, the proportion of enterprises struggling with demand fluctuations decreased from 26.24% to 17.60%, suggesting some improvement, though market instability remains a concern. Labor shortages, including the unavailability of skilled workers and labor disputes, affected only a small percentage of enterprises, with 3.23% reporting such issues at the national level and 1.82% in Jammu & Kashmir.

Table 5
Estimated Number of Enterprises Over Nature of Problems Faced in Last 365 Days

Nature of problem	India			Jammu & Kashmir		
	OAEs	Estt.	Total	OAEs	Estt.	Total
67 th round survey-2010-11						

Power cuts and shortage of raw materials	2860600 (17.26)	889765 (29.45)	3750365 (19.14)	32059 (13.48)	13387 (22.22)	45446 (15.25)
Fall of demand	4637674 (27.99)	511003 (16.92)	5148677 (26.28)	63476 (26.69)	14733 (24.45)	78209 (26.24)
Finance and recovery-related problems	5554837 (33.52)	715939 (23.70)	6270776 (32.01)	48684 (20.47)	6691 (11.10)	55375 (18.58)
Labour related problems	186184 (1.12)	494022 (16.35)	680206 (3.47)	2349 (0.99)	3870 (6.42)	6219 (2.09)
Others	3332592 (20.11)	410249 (13.58)	3742841 (19.10)	91225 (38.36)	21574 (35.80)	112799 (37.85)
Total	16571887 (100.00)	3020978 (100.00)	19592866 (100.00)	237794 (100.00)	60255 (100.00)	298049 (100.00)
73rd round survey-2015-16						
Power cuts and shortage of raw materials	2327845 (11.10)	699289 (17.45)	3027133 (12.12)	57193 (26.26)	15679 (31.56)	72872 (27.24)
Fall of demand	8137788 (38.80)	1179279 (29.43)	9317067 (37.29)	40804 (18.73)	6284 (12.65)	47089 (17.60)
Finance and recovery-related problems	6601176 (31.47)	1062205 (26.50)	7663381 (30.67)	82358 (37.81)	19371 (38.99)	101729 (38.03)
Labour related problems	238898 (1.14)	568617 (14.19)	807515 (3.23)	1551 (0.71)	3327 (6.70)	4878 (1.82)
Others	3670666 (17.50)	498247 (12.43)	4168912 (16.69)	35896 (16.48)	5018 (10.10)	40914 (15.30)
Total	20976372 (100.00)	4007636 (100.00)	24984008 (100.00)	217802 (100.00)	49679 (100.00)	267481 (100.00)

Source: Calculations from unit-level data of unincorporated non-agricultural enterprises surveys

Note: Figures in parentheses represent the percentage

However, these concerns were more pronounced in establishments than in own-account enterprises. Beyond these major challenges, 16.69% of enterprises in India and 15.30% in Jammu & Kashmir reported other operational difficulties, such as regulatory hurdles and infrastructure deficiencies. Addressing these issues through policy support, improved credit access, and enhanced infrastructure can help sustain enterprise growth, particularly in Jammu & Kashmir.

The findings highlight the need for targeted interventions to address demand fluctuations, financial access, and skilled labor shortages, particularly in Jammu & Kashmir, where financial and credit-related problems have escalated significantly. Strengthening

institutional support, improving credit accessibility, and enhancing skill development initiatives could play a crucial role in mitigating these challenges.

Whether the Enterprises Receive any Assistance from the Government?

The 73rd round survey reveals that only a small percentage of enterprises received government assistance. At the national level, less than 2% of enterprises benefited from any form of support, while in Jammu & Kashmir, this figure was even lower, at less than 0.5%.

Table 6
Estimated Number of Enterprises Which Received Any Assistance from Government

Types of enterprises	India			Jammu & Kashmir		
	Did the enterprise receive any assistance from the government?					
	Yes	No	Total	Yes	No	Total
67 th round survey-2010-11						
Own account enterprises	849748 (1.74)	47960721 (98.26)	48810469 (100.00)	3076 (0.63)	484130 (99.37)	487206 (100.00)
Establishments	226334 (2.55)	8636448 (97.45)	8862782 (100.00)	3140 (2.84)	107484 (97.16)	110624 (100.00)
Total	1076082 (1.87)	56597169 (98.13)	57673251 (100.00)	6216 (1.04)	591614 (98.96)	597830 (100.00)
73 rd round survey-2015-16						
Own account enterprises	894667 (1.68)	52464613 (98.32)	53359280 (100.00)	1615 (0.28)	568394 (99.72)	570009 (100.00)
Establishments	185199 (1.85)	9847468 (98.15)	10032667 (100.00)	1178 (0.85)	137710 (99.15)	138888 (100.00)
Total	1079866 (1.70)	62312081 (98.30)	63391947 (100.00)	2793 (0.39)	706104 (99.61)	708897 (100.00)

Source: Calculations from unit-level data of unincorporated non-agricultural enterprises surveys

Note: Figures in parentheses represent the percentage

Among them, 894,667 own-account enterprises and 185,199 establishments in India received assistance, compared to just 1,615 own-account enterprises and 1,178 establishments in Jammu & Kashmir. Overall, government support for enterprises remains minimal across India, including in Jammu & Kashmir. Although a slight increase was observed in the total number of enterprises receiving assistance at the national level (from 1,076,082 to 1,079,866), Jammu & Kashmir experienced a decline (from 6,216 to 2,793). This indicates a lack of adequate financial and technical support.

Despite various government initiatives to promote MSMEs, no substantial data supports claims of significant financial assistance in previous administrations. Additionally, enterprises continue to struggle with financial issues, with 31% at the national level and 38% in Jammu & Kashmir facing difficulties. The findings highlight the urgent need for more effective government interventions to support small and medium enterprises, particularly in financially constrained regions like Jammu & Kashmir.

Whether the enterprises Registered Under any Act or Authority?

The 73rd round survey highlights enterprise registration trends across India and Jammu & Kashmir. Nationally, 30.91% of enterprises were registered under some legal authority, indicating that nearly one in three enterprises had formal registration. In contrast, Jammu & Kashmir had a higher registration rate of 55.85%, with more than half of its enterprises formally registered. Among own-account enterprises, only 24.27% were registered at the national level, compared to 49.88% in Jammu & Kashmir. Similarly, 66.23% of establishments were registered across India, while the figure was significantly higher in Jammu & Kashmir at 80.36%. This suggests that enterprise registration in Jammu & Kashmir is progressing at a faster rate compared to the national level.

Between the two survey periods, the percentage growth of registered own-account enterprises was 15.29% across India and 60.0% in Jammu & Kashmir, indicating that the latter's growth rate was four times higher. Similarly, establishment registration grew by 18.75% at the national level and 43.19% in Jammu & Kashmir. The overall growth of unincorporated non-agricultural enterprise registration was 16.44% in India, while Jammu & Kashmir experienced a significantly higher growth rate of 54.90%.

Table 7
Estimated Number of Enterprises Which Registered Under any Act/ Authority

Types of enterprises	India			Jammu & Kashmir		
	Whether registered under any act/ authority?					
	Yes	No	Total	Yes	No	Total
67 th round survey-2010-11						
Own account enterprises	11231264 (23.01)	37579223 (76.99)	48810487 (100.00)	177640 (36.46)	309566 (63.54)	487206 (100.00)
Establishments	5595375 (63.13)	3267444 (36.87)	8862819 (100.00)	77941 (70.46)	32683 (29.54)	110624 (100.00)

Total	16826639 (29.18)	40846667 (70.82)	57673306 (100.00)	255581 (42.75)	342249 (57.25)	597830 (100.00)
73rd round survey-2015-16						
Own account enterprises	12948188 (24.27)	40411120 (75.73)	53359308 (100.00)	284314 (49.88)	285695 (50.12)	570009 (100.00)
Establishments	6644366 (66.23)	3388301 (33.77)	10032667 (100.00)	111606 (80.36)	27282 (19.64)	138888 (100.00)
Total	19592554 (30.91)	43799421 (69.09)	63391974 (100.00)	395920 (55.85)	312977 (44.15)	708897 (100.00)

Source: Calculations from unit-level data of unincorporated non-agricultural enterprises surveys

Note: Figures in parentheses represent percentage

While this rapid growth in enterprise registration is a positive indicator for economic development in Jammu & Kashmir, it does not necessarily imply a stronger economy than India's. However, the region's vibrant registration trends suggest a promising business environment and potential for future economic expansion.

CONCLUSION

This study presents empirical data that highlight the status of unincorporated enterprises at both the national level and in the Jammu & Kashmir region of India. The findings indicate that such enterprises are expanding at a significantly higher rate in Jammu & Kashmir compared to the national average. This growth carries distinct economic implications, particularly in terms of employment generation and income opportunities. Given the unique socio-cultural and geographical characteristics of Jammu & Kashmir, the rapid expansion of unincorporated enterprises in the region has the potential to create substantial employment and income sources, thereby contributing meaningfully to the overall economic development of the state.

To sustain and enhance this growth, it is imperative for the government to provide targeted technical and financial support to these enterprises. Additionally, the central government must take proactive measures to uplift marginalized communities in the region. The higher rate of enterprise registration in Jammu & Kashmir compared to the national level further underscores the necessity for infrastructural improvements to facilitate business

operations. Key areas requiring government intervention include mitigating power shortages, ensuring the consistent availability of raw materials, and addressing finance-related constraints.

Furthermore, there is a pressing need to promote women's participation in these enterprises, as their representation remains significantly lower than that of men. Encouraging greater involvement of women, including housewives, in entrepreneurial activities can foster economic inclusivity and empowerment. To achieve this, policies supporting women's access to resources, training, and financial assistance are crucial. Ultimately, the continued growth of unincorporated enterprises in Jammu & Kashmir has the potential to generate widespread employment opportunities and foster self-reliance, thereby reducing dependence on government-supported jobs and promoting a more resilient local economy.

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