

Performance of Small Scale industry in Jammu and Kashmir- A Case Study

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ABSTRACT:

Small Scale Industries (SSIs) are essential for Jammu and Kashmir economy in terms of output, employment generation, foreign exchange earnings and contribution to Gross State Domestic Product (GSDP). The SSI sector has enormous potential, and is a crucial aspect of an economy. However, for the sector to fully realize its potential in a state like J&K there is need to basic infrastructural, financial, marketing, raw material and other facilities. As a special category state with unique features and a strategic location, the speedy industrial development of Jammu and Kashmir needs an integrated approach. The government provides a number of special facilities and incentives to these SSIs. The incentives not only motivate entrepreneurs to set up industries in the small-scale sector, but also strengthen the entrepreneurial base in the economy. The government offers a package of services through its specialized institutions and motivates entrepreneurs to take advantage of the various facilities and establish enterprises and ensure their self-sustained growth. However, the new entrepreneurs face a number of problems on account of inadequate infrastructure facilities and other support services. The paper looks both into the prospects and problems of SSIs in the state.

Keywords: Employment Generation, Gross Domestic Product, Entrepreneurs, Small-Scale Industries, Prospects and Problems

INTRODUCTION

The industrial sector plays a significant role in economic development and employment generation of an economy. It has been a major contributor to the Gross National Product (GNP) after services sector in India. It has been declared as the main vehicle for accelerating economic activity in all the states of India. Unfortunately, J&K has not been able to attract investments in industries and remained as an industrially backward state. The state does not have a strong industrial base. In spite of number of steps taken by government of India to promote industrialization in the state, we find J&K still lagging behind as compared to other parts of the country. The State of J&K is less attractive for investment due to political instability and geographical conditions. The geographical location of the state is such that the setting up of large industries with a large capital base is not feasible. Nevertheless, many small and medium- scale industries have come up both in the traditional and new areas in the state. With the government's support in the form of loans and incentives to set up industrial units, their number increased but their growth and performance is not encouraging. The slow growth of SSIs can be attributed to various factors.

The climate of armed militancy in Kashmir during the two decade has been a major factor. Poor industrial infrastructure along with the poor investment climate has left the industrial sector in its infant stage. Despite difficulties, there is a hope that the State will come out from the quagmire of industrial backwardness and the day is not far when the State will find place in the industrial map of India. An extra effort is needed to address this sector specific problem. It is against this backdrop that an attempt has been made in the present paper to: Study the growth and performance of small scale industry in terms of numbers, employment and investment in J&K in last two decades; and to highlight the problems and prospects of SSIs in J&K.

A Brief Review of Related Literature

Industrial sector has been declared as the main vehicle for accelerating economic activity in the state. To see how far this sector has been successful in achieving this objective and providing employment opportunities to unemployed educated youth let us have a look on some of the studies conducted in J&K on small scale industrial sector.

The industrial development committee report (1975) states that small scale industries made a reasonably good contribution to the state. As the entrepreneurship culture is developing the state should provide guidance by identifying projects and getting techno-economic studies prepared to encourage more and more men to enter this field. Finally, the committee has expressed the view that once a start is made and right policies are adopted, the state can speedily

Peter (1996) attributed prevalence of sickness among SSI units to lack of coordination between Directorate of Industries and Commerce (DIC) and other supporting agencies/institutions. The other factors identified were: inadequate technical support to the entrepreneurs, delay in the provision of infrastructural facilities, delays in payment of bills, low recovery of bank funds, innumerable laws etc. Khursheed A, (1998) found that the factors like Lack of entrepreneurship, insufficient factorial endowments viz. finances in particular, working capital, faulty initial planning and implementation, low key market development effort, in-fractionous government policies and inefficient management practice are

main factors responsible for bringing sickness in modern small scale industries in the state.

Pooja (2009) while suggesting measures to rehabilitate sick SSIs says that an effective rehabilitation programme must focus on analysing prospective market, appropriate technology, financial assistance through rehabilitation packages, enhancing proximity to supportive infrastructure and operational resources and making suitable entrepreneurial arrangements through chairs, clusters and strategic partnership for ensuring long-term sustainability and growth of SSIs.

Methodology and Sources of data

This study is descriptive and analytical. It is based on secondary data. The required secondary data has been collected from various issues of Digest of Statistics J& K Economic Review and Economic Survey and various reports of Directorate of Industries and Commerce government of J&K.

Status and Performance of Small Scale Industries in Jammu & Kashmir

For speedy growth of Small-scale Industrial sector in the state, the Government has brought about simplification in the registration procedure. One District Industries Centre has been set up in each district of the state. The primary objective of the District Industries Centres is to provide all services to the entrepreneurs under one roof. They serve as the nodal agency in the District for the orderly development of the Industries. The District Industries Centres have been entrusted with the responsibility of providing all approvals/clearances needed for setting up an industry. The SSI Units are initially given the provisional registration and after commencement of production they are given formal registration.

The exponential equation is used to find the decadal growth rate in number of units and employment generation.

The compound growth rate found in number of SSI units is 65.90 percent and for employment it is 61.20 percent. By calculating compound growth, we come to know the decadal growth rate of number of SSI units and employment generated by these units. As per Third All India census report, 2001 the total number of functional units in the State were 15253 generating employment for 50643 persons. The annual turnover of these functional SSI units was estimated to be Rs2062.27 crore with an investment of Rs937.56 crore. A total number of units of the order of 25694 SSI units are functioning in the State providing employment opportunities to 110178 persons up to ending Nov. 2010. The total investment in these functional units are to the order of Rs3016 crore. The increase in investment from reference year 2001 has registered a growth of 69% and in employment generation 54% increase has been witnessed. This is in fact a cumulative increase in employment and investment; however, year on year on growth is also encouraging as discussed above. On an average, more than 4 persons are employed in each MSME's industry. Features of these MSME units are shown here under:

Table 6: Status of SSI Sector in the State

S. No.	Year	No of Functional Units (in No)	Employment Generated (in No)	Investment (Rs in crores)	Annual Turnover (Rs in crores)
1	2001-02	937	5485	198.54	231.52
2	2002-03	1012	5053	466.47	496.25
3	2003-04	971	5090	247.79	321.96
4	2004-05	1146	5894	381.71	1319.50
5	2005-06	1406	9805	128.29	180.27
6	2006-07	1202	6836	101.81	1493.64
7	2007-08	1046	4859	82.53	-
8	2008-09	971	5366	145.01	-
9	2009-10	1188	7493	198.00	-
10	2010-11	915	5777	176.78	-
11	2011-12	1170	8842	408.77	
12	2012-13	1028	6801	256.65	
13	2013-14	918	6817	299.18	
14	2014-15	880	5806	211.19	
15	2015-16	808	6425	266.54	
16	2016-17	627	5419	291.09	
17	2017-18	357	3657	254.10	

Source: Directorate of Economics & Statistics, J&K.

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Industrial Sickness in Jammu & Kashmir

Although the number of Small-scale Industrial units in the State has gone up, there are cases of sickness of units with some of them having become non-functional and others simply untraceable due to a number of reasons like financial crunch, law and order problem, marketing problem, non-availability of raw material and migration. The comparison of functional units thrown out by industrial census 2001-02 and 2006-07 are indicated in the table below: -

Table 7: Status of SSI Units

S. No.	Particulars	Census 2001-02	Census 2006-07 (quick estimates)
1.	Total Units Surveyed	37334	20359
2.	Functional Units	14625	14534
3.	Closed/ untraceable Units	22709	5825

Source: Directorate of Economics & Statistics, J&K.

Rehabilitation of Sick SSI units

As per the Reserve Bank of India, the number of sick units as on 2006-07 in the State is 3151 which constitutes 16.06 percent of the total 19621 SSI units financed by Banks and other financial Institutions so far. For rehabilitation of sick units, the State Govt. has accepted to provide soft loan to the extent of 30% of total requirement to potentially viable Sick units for their revival under Rehabilitation Policy. The number of such units has been identified to be 418. Out of these units, 66 units have been approved by SLRC involving an amount of Rs876.3 lac. Out of these, 31 cases have been sanctioned and disbursed a soft loan of Rs366.36 lac by the State Level Rehabilitation Committee.

Reasons for sickness/incipient sickness

The following table indicates the reasons given by the units suffering from sickness/incipient sickness. 'Lack of demand' and 'Shortage of raw materials' were the main reasons for sickness/incipient sickness. The table 4.10 reveals that about 71.6 percent reason of sickness is lack of demand of product of SSI unit, 48 percent reason of sickness is the shortage of working capital, 15.1 percent is the non-availability of raw materials, 21.4 percent is the power shortage, 7.4 percent is the labour problems, 44.5percent is the marketing problems, 10.6 percent is the equipment problems and 5.5 percent is the management problems.

Table 3: Reasons of Sickness/Incipient Sickness

S. No.	Reasons for Sickness/incipient sickness	Proportion of sickness/incipient sickness * ¹ (in Percentage)
1.	Lack of demand	71.6
2.	Shortage of working capital	48
3.	Non-availability of raw material	15.1
4.	Power shortage	21.4
5.	Labour problem	7.4
6.	Marketing problem	44.5
7.	Equipments problem	10.6
8.	Management problem	5.5

Source: Fourth All India census of Small Scale Enterprises Report (2006-07).

Conclusion

Undoubtedly the small scale industrial sector has enormous potential, and is a crucial aspect of an economy. However, for the sector to fully realize its potential in a state like J&K there is need to basic infrastructural, financial, marketing, raw material and other facilities. As a special category state with unique features and a strategic location, the speedy industrial development of Jammu and Kashmir needs an integrated approach. The top priority of the government should be to create a secure environment by improving the law-and-order situation in the state. State finance should also receive proper attention in order to ensure better fiscal management. A sound policy should be devised to exploit the potential in the sectors of strength. The development of potential SSIs such as, handloom and handicrafts, with sound policy and good governance can lead the state of Jammu and Kashmir to a faster industrial development path.

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