

Employment Performance Of Small Scale Industries In Jammu And Kashmir

¹*Suhail Ahmad Bhat*

²*Surendra Meher*

Email: bhatsuhail2000@gmail.com

Abstract

Small scale industries are regarded as the engine of economic growth and the promotion of equitable development throughout the globe. The major advantage of this sector is large employment potential at very low capital cost. Small scale industries are labour intensive in nature and the need of such industries is indispensable for the country like India where the employment growth is very low and the population growth is much higher. The role of small industries in economic and social development of a country is well established. The sector is a nursery of entrepreneurship, often driven by individual creativity and innovation. Therefore, the present paper examines the growth potential of small scale industrial sector and its critical role in terms of providing employment opportunities in Jammu and Kashmir. The small scale industrial sectors contribute 12.55% to the Gross State Domestic Product (GSDP) of the state. The state of Jammu and Kashmir is landlocked and low income state, which is relying wholly on the informal sector. Therefore, it is necessary to analyze the role of small scale industries in terms of providing employment in the landlocked state of India.

Key words: Small Scale Industries, Growth, and Employment.

Introduction

Industrialization is a principal objective of every country, as it plays a key role for economic development. The industrialization involves production of manufacturing goods at large scale which simply leads to increase in the Gross Domestic Product, Per-Capita Income and expands

¹Suhail Ahmad Bhat Ph.D. Scholar Department of Economics BBAU

² Dr Surendra Meher Assistant professor Department of Economics BBAU

employment opportunities in the economy. Nonetheless, the industrialization has played a pivotal in the economic development of developed nations. Developed nations have achieved a higher and sustained economic growth through industrialization and their economies has grown with manifold during the last few decades (Kniivila2007). Therefore, industrialization occupies a prominent place for developed countries in general and under-developed countries in particular. The developing countries needs to overcome from the challenges of importing manufacturing goods, poverty, unemployment, low per capita income and low gross domestic product in their economies therefore, the industrialization plays an essential role in transforming the developing economics into developed ones.(Agarwal and Singh 2008).

Industrial sector is a combination of large, medium, small and micro enterprises. Large industries are capital intensive in nature which requires huge capital and also the establishment of such industries is viable at the location which is having well transportation and other facilities. Moreover, these industries need high technology and high investment. While, small scale industries are labour insensitive in nature and can be established at any location at both rural and urban areas at very low capital (Dey2014). These industries are contributing significantly in terms of employment generation, industrial production and industrial good exports of the country(Garg andAgarwal2017).The most advantage of small scale industries are that these industries can be established at a very low investment with short gestation period, with a low cost technology, and are mainly depending on local raw material (Singh andSinghal 2009).

The small scale industries are having a long history of providing employment to a vast chunk of people in both developed and developing nations of the world. In Brazil 59 percent of the employed population are working in the small scale industries, similarly in Japan 70 per cent of the wage earners are working in the small scale industries (Small Industries Development Bank of India 2010). In developed countries such as Germany, Greece, Italy, and France, small scale industries are playing vital role in industrial production and employment generation (Bala 2007). Therefore, the small scale industries have emerged as an engine of growth in the new Millennium, not only for developed nations but also for developing nations of the world and same is true in case with India (Prasad, 2004). In India the small scale industries are having an utmost importance, because there appears to have state wise economic disparities (Katyal

andXaviour 2015). Some states are developed because of the availability of natural resources in these states and some are still backward and the state of Jammu and Kashmir is one among the economically backward states.

The Jammu and Kashmir is landlocked state of India and due to which the state is facing a huge challenges of unemployment problems, low income and is also having a low State Gross Domestic Product(GSDP) as compared to other states of the country. The economic backwardness of the state is because of the various factors like geographical location insecurity, poor investment,poor infrastructure, poor industrial sector and many other conditions (Baqual 2008). However, in order to overcome from the economic backwardness the state government has laid much emphasis to develop the industrial sector of the state so that the economy of the state can be boosted and the structural transformation can beachieved,(Chib 2012), which can play an importance role in transforming the traditional economy to modern economy. So, in order to overcome from the rising unemployment and economic challenges the state government has taken various policy measures to boost the small scale industrial sector in the state and to make this sector much vibrant (Dar and Ahmad 2013).Therefore, the present paper analyses the performance of small scale industries in terms of employment in Jammu and Kashmir.

Methodology

The study is based on the secondary data of small scale industrial sector of Jammu and Kashmir.The secondary datahas been collected from Directorate of Industries and Commerce J & K Government from 1990-2016. However, for calculating the annual average growth rate of small scale industrial units, the study is divided into three periods. The first period comprises from 1990 to 1998, the second period comprises from 1999-2008 and the third period comprises from 2009-2016. Moreover, the study also analyses the growth and performance of Prime Minister's Employment Generation Programme (PMEGP) in Jammu and Kashmir. However, for calculating the Average Annual Growth Rate the following formula has been used

$$\frac{1}{T} * LN = \frac{Yt}{Y0} * 100$$

Where $1/T$ = is Time Period------(1)

*LN= is Multiplication of Natural Logarithm Number -----(2)

Y_t = is Value at the Present time------(3)

Y_0 = is Value at Base Period------(4)

Units and Employment Growth of Small Scale Industries in Jammu and Kashmir

The small scale industries are known as the engine of economic growth and development. The distinctions between developed and under-developing countries are made on the basis of their industrial infrastructure and the proportion of workforce engaged in the industrial activities (Sharma 2014). In a developed nation large chunk of people are engaged in industrial activities while, in under developed nations, a majority of the workforce are engaged in traditional sector. Nonetheless, the state of Jammu and Kashmir is a landlocked state in India. The economy of the Jammu and Kashmir is mostly informal one, where a large chunk of people are relying on street vending, handicrafts, and tourism etc. Therefore, the industrialization is having an utmost importance for eradicating economic backwardness and to solve the unemployment problems of the state. However, the state of Jammu and Kashmir is not having a favorable condition particularly for Kashmir and Ladakh division for creating large scale industries because of its geographical location. Therefore, major focus has been given to establish the small scale industrial sector in the state.

The table 1 depicted below shows the growth of small scale industrial units and employment in Jammu and Kashmir. The table highlights that from 1990 to 2016 the number of units has increased from 29963 to 59223 thousands. Similarly, in case of employment it has increased from 131164 in 1990 to 288524 in 2016. Nonetheless, for calculating the average annual growth rate the study has been divided into three periods. The first period consists from 1990 to 1998, the second period consists from 1999 to 2007 and the third period consists from 2008 to 2016. The first thing which table point out is that both small scale industrial units and employment are highly correlated with each other, with a strong correlation of 0.99 percent, which means that with the increase in industrial units, the employment is also increasing directly with it. Nonetheless, the first period of 1990 to 1999 shows that the growth of both small scale

industrial units and employment were high, during this period the average annual growth rate of industrial units and employment has remained 3.69 percent and 3.82 percent respectively. However, in second period of 1999-2007, the average annual growth rate of both industrial units and employment has declined to 2.31 percent and 2.84 percent respectively. Moreover, in third period, which comprises from 2008-2016, in this period the average annual growth rate of industrial units has declined drastically i.e. the average annual growth rate of industrial units has declined to 1.76 percent, while for employment it has declined to 2.52 percent respectively. However, the overall average annual growth rate of industrial units and employment from 1990 to 2016 has remained 2.62 percent and 3.03 percent respectively. The reason for the declining growth for both SSI units and employment is mainly attributed with the ongoing disturbances in the state, which obstructs the private investment opportunities in the SSI sector in the state.

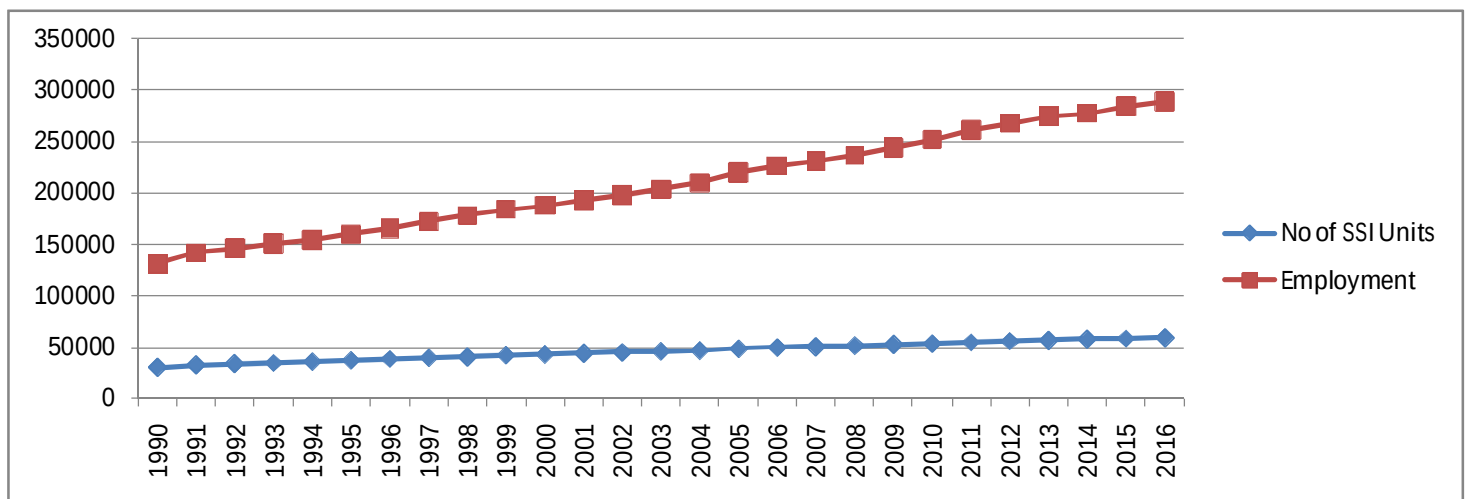
Table 1: Units and Employment Growth of Small Scale Industries in Jammu and Kashmir

Year	No of SSI Units	% Change	Employment	% Change
1990	29963		131164	
1991	32250	7.63	141791	8.10
1992	33445	3.71	146143	3.07
1993	34548	3.30	150628	3.07
1994	35592	3.02	154692	2.70
1995	36821	3.45	159617	3.18
1996	38029	3.28	165064	3.41
1997	39436	3.70	171962	4.18
1998	40267	2.11	178004	3.51
AAGR	3.69	-	3.82	-
1999	41950	4.18	183698	3.20
2000	42808	2.05	187399	2.01
2001	43689	2.06	193285	3.14
2002	44707	2.33	197578	2.22
2003	45672	2.16	203428	2.96
2004	46818	2.51	209322	2.90
2005	48224	3.00	219127	4.68
2006	49426	2.49	225963	3.12
2007	50472	2.12	230552	2.03
AAGR	2.31	-	2.84	-
2008	51443	1.92	235918	2.33
2009	52631	2.31	243411	3.18
2010	53544	1.73	251551	3.34

2011	54714	2.19	260393	3.51
2012	55742	1.88	267194	2.61
2013	56660	1.65	274011	2.55
2014	57788	1.99	276680	0.97
2015	58596	1.40	283105	2.32
2016	59223	1.07	288524	1.91
AAGR	1.76	-	2.52	-
AAGR 1990-2016	2.62		3.03	
Correlation	0.99 percent	Note: Units and Employment are in Numbers		

Source: Directorate of Economics & Statistics Government of Jammu & Kashmir

Graph1: Small Scale Industrial units in Jammu and Kashmir



Source: Computed from table 1 above.

Performance of Prime Minister Employment Generation Programme by Industry in the State

The Government of India has implemented a credit linked subsidy Programme which is known as Prime Minister's Employment Generation Programme (PMEGP). The PMEGP was introduced in 2008 by merging two schemes namely Prime Minister's Rojgar Yojana (PMRY) and Rural Employment Generation Programme (REGP) in the country. The PMEGP scheme is meant to empower the first generation of entrepreneurs and to generate employment through the establishment of micro enterprises in India (Choudhury and Ghosh 2015). The scheme is administered by the Ministry of Micro, Small & Medium Enterprises, under this scheme loan is provided by banks in conjunction with margin money assistance from the Khadi and Village

Industries Commission board. The Village Industries Commission and District Industries & Commerce Centre (DICC) are the implementing agencies of the Prime Minister's Employment Generation Programme (PMEGP) at the State level.

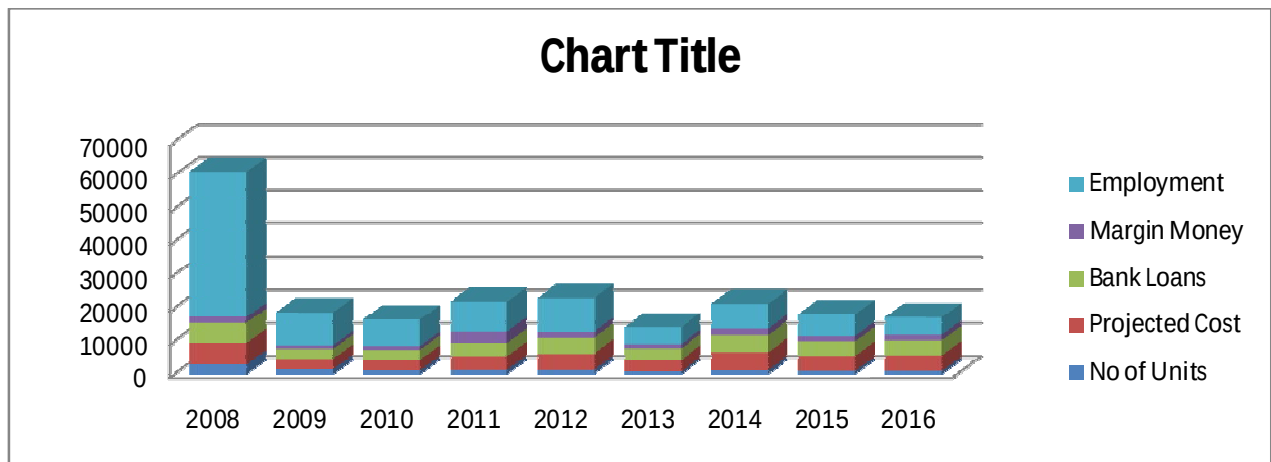
Nonetheless, Under PMEGP scheme, the General category beneficiaries can avail a margin money subsidy of 25 percent on project cost. However, for the beneficiary who belongs to special categories such as Scheduled Castes, Scheduled Tribes, OBCs, minorities, women, ex-servicemen and beneficiaries belonging from North Eastern Region, Hill and Border areas will get a margin money subsidy of 35 percent. Under this scheme, the maximum cost of project is rupees 25 lakh in the manufacturing sector and rupees 10 lakh in the service sector. Nonetheless, the PMEGP has played a vital role in providing employment in India. However, in case of Jammu and Kashmir the PMEGP has not shown a positive impact on Jammu and Kashmir economy. The role of PMEGP in terms of creating new industrial units and also for creating new employment opportunities is not showing a satisfactory trend. The number of units has declined from 2999 in 2008 to 950 in 2016. Similarly, in case of employment it has declined from 43865 persons in 2008 to 5248 persons in 2016. Therefore, the table 2 depicted below shows that the highest number of Industrial units under this scheme was established in 2008 i.e. 2999 lakh units with an employment of 43865 persons were created in the state, and after that the growth of both industrial units and employment has declined drastically. Nonetheless, the average annual growth rate of units from 2008 to 2016 is showing a negative growth of -14.36 percent, while in case of employment it is showing a drastic decline of -26.50 percent. Similarly, in case of Project Cost and Bank Loans both of these are showing a negative average annual growth of -3.70 and -3.67 percent respectively in the recall period. Moreover, in case of Margin Money it is showing a negative growth of -0.83 percent. Nonetheless, the overall table shows that after 2008 the PMREGP scheme has underwent in a sluggish growth in Jammu and Kashmir. Therefore, the Khadi and Village Industries Board of Jammu and Kashmir must pay a special focus to revamp its growth and performance in the state. So that PMREGP scheme can help to create more employment opportunities and entrepreneurship development in the state.

Table 2: Performance of Prime Minister Rural Employment Generation Programme by Industry in the State

Units and Employment is in Numbers						Amount is in Lakh				
Year	No of Units	% Change	Project cost	% Change	Bank Loans	% Change	Margin Money	% Change	Employment	% Change
2008	2999		6447.38		6081.39		1753.54		43865	
2009	1544	-48.52	3176	-50.74	2986.76	-50.89	1085.77	-38.08	9966	-77.28
2010	1150	-25.52	3227.58	1.62	3053.71	2.24	1093.13	0.68	7989	-19.84
2011	1282	11.48	4196.86	30.03	3971.27	30.05	3435.02	214.24	9020	12.91
2012	1224	-4.52	5029.73	19.85	4766.44	20.02	1736.78	-49.44	10251	13.65
2013	738	-39.71	3653.75	-27.36	3457.77	-27.46	1251.23	-27.96	5063	-50.61
2014	1173	58.94	5479.83	49.98	5187.46	50.02	1875.72	49.91	7621	50.52
2015	949	-19.10	4637.46	-15.37	4385.68	-15.46	1588.6	-15.31	6542	-14.16
2016	950	0.11	4793.07	3.36	4532.42	3.35	1640.83	3.29	5248	-19.78
CAGR	-14.36		-3.70		-3.67		-0.83		-26.50	

Source: Directorate of Economics & Statistics Government of Jammu & Kashmir

Graph: Performance of Prime Minister Rural Employment Generation Programme by Industry in the state



Source: Computed from Table 2 above.

Conclusion

From the above discussion it has been concluded that the state of Jammu and Kashmir has followed the pathway of industrialization for removing the economic backwardness through small scale industrial sector in the state. Despite the instability in the state of Jammu and Kashmir the small scale industries are playing an indispensable role for the economic development as well as in the economic reconstruction of the state. However, in case of PMEGY scheme, it has not proven much successful in the state. Therefore, the KVIC Board and also the Government of India must provide much emphasis in the PMEGY scheme in the state of Jammu and Kashmir so that the new industrial units under this scheme can be increased with, large chunk of employment, which further will help to create rural entrepreneurship in the State.

References

- ❖ Agarwal, B., & Singh, S. (2008). Small-Scale Industries in India in the Globalisation Era: Performance and Prospects. Impact Of Globalisation On Development, 29.
- ❖ Bala, N. (2007). Economic reforms and Growth of small scale Industries. Deep and Deep Publications.

- ❖ Baqual GM (2008). Entrepreneurship development and SSIs. KitabMahal Publishers and Distributors Kashmir.
- ❖ Chib, S. S. (2012). Prospects and Problems in Micro, Small and Medium Enterprises in Rural Districts of Jammu and Kashmir (J&K). International Journal of Entrepreneurship & Business Environment Perspectives, 1(2), 147.
- ❖ Choudhury, S., & Ghosh, A. (2015). Economic Development through Prime Minister Employment Generation Programme in India: An Analysis. Mediterranean Journal of Social Sciences, 6(3), 435
- ❖ Dar, B. A., & Bhat, F. A. (2013). Small scale industries in Jammu and Kashmir (J & K): Growth, performance and challenges. International NGO Journal, 8(2), 38-43.
- ❖ Dey, S. K. (2014). MSMEs in India: It's Growth and Prospects. Abhinav National Monthly Refereed Journal of Research in Commerce & Management, 3(8), 26-33.
- ❖ Directorate of Economics & Statistics Government of Jammu & Kashmir
- ❖ Garg, S., & Agarwal, P. (2017). Micro, Small and Medium Enterprises in India: A Review of Growth and Challenges in the Present Scenario. International Journal of Applied Business and Economic Research (Serials Publications). Recuperadopor: https://www.researchgate.net/publication/316009384_Micro_small_and_medium_enterprises_in_India_A_review_of_growth_and_challenges_in_the_present_scenario.
- ❖ Katyal, A., & Xaviour, B. 2015). A study on MSMEs'-role in propelling economic development of India & a discussion on current HR issues in MSMEs' in India. International Journal of Scientific and Research Publications, 5(2), 1-11.

- ❖ Kniivilä, M. (2007). Industrial development and economic growth: Implications for poverty reduction and income inequality. *Industrial development for the 21st century: Sustainable development perspectives*, 1(3), 295-333.
- ❖ Krueger, J. I., & DiDonato, T. E. (2008). Social categorization and the perception of groups and group differences. *Social and Personality Psychology Compass*, 2(2), 733-750.
- ❖ Sharma, R. K. (2014). Industrial Development of India in Pre and Post Reform Period. *IOSR Journal of Humanities and Social Science*, 19(10), 01-07.
- ❖ Sharma, R. K., & Dash, A. (2006). Labour productivity in Small Scale Industries in India: A State-Wise Analysis. *The Indian Journal of Labour Economics*, 49(3), 407-427.
- ❖ Singh, G., Rana, P. S., & Singhal, C. (2009). Role of Industrialization in Economic Development in India. *IME Journal*, 3(1), 15-19.
- ❖ Small Industries Development Bank of India Report on MSMEs Sector. (SIDBI 2010).