



Role of MSMEs in the Economic Activities of J&K State with Special Reference to Employment

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ABSTRACT:

Micro, Small, and Medium-Sized Enterprises (MSMEs) have been crucial to the economic development of sophisticated industrialised nations including the United States, Great Britain, Germany, and Japan. Due to their high level employment potential and low capital costs, these sectors or enterprises are extremely significant in emerging nations like India. MSMEs aid in the industrialization of rural, underdeveloped areas. This industry is sometimes referred to as the entrepreneurship's nursery. This research focuses on Jammu and Kashmir (J&K), an underdeveloped industrial state in India. Large-scale industries are few in J&K; the only ones expanding after a protracted period of disruption are MSMEs/SSI units. According to the state's conditions, MSMEs/SSI have been expanding at a respectable rate over the past two decades. However, these businesses face a variety of obstacles to their general growth and development, including inadequate infrastructure, a lack of energy, unstable political conditions, and financial issues. The government is laying out various policies and programmes to encourage the growth of this industry, but they regrettably fall short of their goals.

Key words: Entrepreneurship, J&K, MSMEs, development etc.

Introduction

Micro, Small, and Medium-Sized Enterprises (MSMEs) have been crucial to the economic development of highly industrialised nations like Japan, Germany, the United Kingdom, and the United States. In a developing country like India, where agriculture is the primary means of subsistence, poverty and unemployment are pervasive. Manufacturing industries must grow if poverty and unemployment are to be eliminated. Small scale industries, also known as micro, small, and medium-sized businesses, have been identified as significant enablers of a number of socioeconomic goals, including increased job growth, export promotion, and entrepreneurial development, in both developed and developing nations. These businesses serve as a breeding ground for entrepreneurs and a foundation for future development. An important pillar of the Indian economy is the MSMEs sector.

The Himalayan Mountains surround the northern Indian state of Jammu & Kashmir. The state's political, climatic, and topographical characteristics are wholly unique compared to those of other states. Sadly, J&K is unable to draw in investment in the secondary sector and has continued to be an industrially backward state. The two main factors contributing to industrial backwardness are political unrest and a lack of infrastructure. Not only has the armed war claimed many valuable lives, but it has also completely upended the state's economy. The state's educated unemployment rate is rising daily as a result of the industrial sector's sluggishness. Large scale industries are absent in state. Only micro, small and medium enterprises are growing with the efforts of centre and state governments. The number of small scale industrial units as on November, 2014 registered with the State Directorate of Industries and Commerce is more than fifty seven thousands providing employment opportunities to 2.77 lakh people. The opportunities for MSMEs are adequate in the state, the availability of raw material and cultural conditions are supporting those enterprises. But the blockages in path of industrialization like climatic conditions, poor infrastructure, political instability, shortage of raw material, lack of skilled labour, financial problems etc. are main hurdles in the swiftness of industrial sector in state. Micro, Small and Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. MSMEs not only play crucial role in providing large employment opportunities at comparatively lower capital cost than large industries but also help in industrialization of rural & backward areas, thereby, reducing regional imbalances, assuring more equitable distribution of national income and wealth. MSMEs are complementary to large industries as ancillary units and this sector contributes enormously to the socio-economic development of the country.

Review of Literature

Bhat and Malik (2014) concluded their study with- that industrial sector plays an important role in economic development and employment generation of an economy. They also highlighted that industrial sector is major contributor to the gross national product (GNP) after service sector in India. Suggestion was provided in their study that development of Micro, small and medium enterprises (MSMEs) are necessary for the Jammu and Kashmir economy in terms of output, employment generation, and foreign exchange earnings in national income.

Kumar and Kamal (2013) have suggested that technology will help small manufacturer to connect with larger number of buyers. They also highlighted that small industries need to improve their distribution channels for maximum coverage of buyer.

Nalabala Kalyan, Kumar. Sardar, Gugloth. (2011) the study focuses on the growth pattern of the MSMEs, Employment generation (1992-2009). The study further reveals the symptoms and steps involved in the industrial sickness. The study gives the ample information about the various credit schemes launched by the government viz. Laghu udyami credit card scheme, credit guarantee fund trust for small scale industries, Swarojgar credit card scheme, credit linked capital subsidy scheme and credit through commercial banks are the sources and schemes available to fulfill the financial needs as well as financially strengthen to the MSMEs.

Viswanatha Reddy and Himachalam (2006) have suggested that the financial institutions should take efforts to reduce the time gap between the submission of loan application and sanction and disbursement of loans for the purpose of extending credit to improve the SME sector. He also emphasis that Small Scale Industries also lack adequate fund from the banks and consequently leads to shortage of working capital.

Jaya sing (2003) stated that credit is the main area which most of the entrepreneurs find it challenging. Banks have to tune policies and services in consonance with needs of small industries. He also points out that the government of India has constituted a national award for banks to motivate them for providing financial assistance.

Ramachandra (2001) examine the reviewing the sick Small and Medium Enterprises (SMEs) in various aspects, such as providing technology, management training, skilled labour, export promotion and giving finance. The root cause for all the above problems is the financial problems. The public sector banks should provide sufficient amount on easy disbursal system to promote the SMEs. The research focuses more on the credit facility awareness and availability of several schemes for SMEs.

Basheer Ahmed (2000) stated that one of DIC (District Industrial Centre) is to help the entrepreneurs in providing financial assistance to SSI units. In providing financial assistance to the units, DICs are supported to liaise with public sector banks and other government departments and agencies. It is found that a few members approached the DIC to get financial assistance.

Nirmal K Gupta (1995) stated that a large number of central government organization have been established in the country to provide organizational, technical, marketing, raw material, training and other forms of assistance required by the small scale cottage and village industries. More importantly, Industrial Development Bank of India (IDBI), National Bank for Agriculture and Rural Development (NABARD) and Small Industrial Development of India (SIDBI) are among them etc. These organizations found to have been playing very significant role in the development of small scale and cottage industries in particular through financial assistance and consultancy services.

Objectives of the study

1. To know the impact of MSMEs on the employment and investment.
2. To know the challenges faced by the MSMEs in the J&K state.

Research Methodology

The methodology of the study is secondary in nature. The data related to this study were collected from journals, statistics and digest of J&K Govt. and from various websites etc. further the data were analysed with the help of regression model.

Empirics of the study:

Year wise achievement under small scale industries

Year	No. of SSI units registered	Employment generated	Average per unit employment generation by registered small scale industries	Investment (in crores)	Average per unit investment by small scale industries
2014-15	880	5806	6.59	211.19	0.23
2015-16	808	6425	7.95	266.54	0.32
2016-17	627	5419	8.64	291.09	0.46
2017-18	357	3657	10.24	254.10	0.71
2018-19	409	4708	11.51	301.15	0.73
Total	3081	26012	8.44	1324.07	0.42

Source: Economic Survey 2017, Directorate of Economics and Statistics J&K.

Multiple regression model.

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	R ² 0.98
Intercept	337.2015	249.8891	1.349405	0.406011	
Employment	0.180107	0.023323	7.722466	0.081981	
Investment	2.45801	0.828533	2.9667	0.206974	

Analysis:

From the above table it clearly revealed that p- value of the employment 0.081 and investment 0.20 is significant at 5% significant level. It means that no. of small scale units had a positive impact on the generation of employment and investment. The model further shows that if 1% increase in the no. of registered units there will be 0.18% change in the employment and 2.45% change in the investment. R² value of the model is 0.98 which shows that 98% of variation in independent variable is explained by dependent variables.

Year wise achievement under large and medium industries

year	No. of units registered	Employment generated	Per unit employment generation by registered small scale industries	investment	per unit investment by small scale industries
2014-15	0	0	-	0	-
2015-16	14	3769	269	627.54	44.82
2016-17	3	3313	1104	201.72	67.24
2017-18	14	2066	147	289.38	20.67
2018-19	07	1125	106	209.31	29.90
Total	38	10273	270	1327.95	34.94

Source: Economic Survey 2017, Directorate of Economics and Statistics J&K.

Multiple regression model

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	R ² 0.42
Intercept	5.678254	7.803714	0.727635	0.599545	
Employment	0.00053	0.00311	0.17055	0.892462	
Investment	0.004213	0.005235	0.80486	0.568564	

Analysis:

The above table depicts that p-value of the employment and investment is 0.89 and 0.56 respectively and they are significant at 5% level of significance. It means that no. of large scale units had positive impact on the generation of employment and investment. The model further shows that if 1% change in the no. of registered units there will be 0.00053% change in the employment and 0.004213% change in the investment. R² of the model is 0.42 which shows that 42% of variation in independent variable is explained by dependent variables.

Challenges of MSMEs in Jammu and Kashmir

The SSI encountered several problems from different angles that greatly hampered the successful functioning of the units. The major problems they faced are Marketing, Power Shortage, and Raw material, Financial, Infrastructure, Political Instability, Climate and Labour Problem. Through questionnaire the magnitude of different problems was identified by Garrett's ranking technique. In this method, the respondents were asked to rank the given problem according to the magnitude of the problem. The order of merit given by the respondents was converted into ranks by using the Garrett's formula

$$\text{Percentage Position} = \frac{100 (R_{ij} - 0.5)}{N_j}$$

Here,

R_{ij} = Rank given for ith item by Jth individual

N_j = Number of items ranked by Jth individual

The problems faced by SSI according ranks are given below with the help of table.

Problems	$100 (R_{ij} - 0.5) / 8$	Percent position	Garret Value	Average Score	Garrett's Rank
Marketing	$100 (1-0.5)/8$	6.25	80	52.93	VI
Power Shortage	$100 (2-0.5)/8$	18.75	68	62.88	III
Raw Material	$100 (3-0.5)/8$	31.25	60	57.04	V
Financial	$100 (4-0.5)/8$	43.75	53	59.84	IV
Infrastructure	$100 (5-0.5)/8$	56.25	47	70.24	I
Political Instability	$100 (6-0.5)/8$	68.75	40	66.29	II
Climate	$100 (7-0.5)/8$	81.25	33	48.92	VII
Labour	$100 (8-0.5)/8$	93.75	20	46.58	VIII

The table representing the problems faced by SSI enterprises according their ranks by Garrett's Rank technique. The Infrastructure has maximum average score (70.29), ranked first problem and Political stability has 66.29 average score, ranked second Problem. Then third problem Power Shortage and Forth Problem is Finance, Raw material problem as Firth Problem, Marketing Problem as sixth, Climate Problem as seventh and Eighth Problem identified by this rank method is Labour.

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