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MICRO SMALL AND MEDIUM ENTERPRISES IN JAMMU AND KASHMIR: OPPORTUNITIES AND CHALLENGES

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ABSTRACT

India is expected to emerge as one of the leading economies in the world over the next decade in the light of a positive political and economic scenario. The Micro, Small & Medium Enterprises (MSME) segment is expected to play a significant role in the emergence of the Indian economy. It plays a vital role in the economic and social development of the country and often acting as a nursery of entrepreneurship and innovation. It is equally important that the MSME segment develops in all areas of agriculture, manufacturing and services sectors because each of these sectors will continue to be very relevant to the overall GDP growth as well as employment generation. The MSME sector will act as a catalyst to bring about this socio-economic transformation. It is well known that the MSME sector constitute the spine of nation as well as state. Small scale industries have been one of the major pillars of economic development strategy since independence. But the state of Jammu and Kashmir is still lagging behind from other states in terms of industrial development. There are many challenges faced by MSME sector in the state of Jammu and Kashmir which resulted that the state is still considered as industrially backward and have a poor industrial base. This paper is an attempt to find out these challenges faced by MSME sector in Jammu And Kashmir State.

KEYWORDS: MSME, performance, opportunities, challenges, J&k.

INTRODUCTION

Indian MSME sector plays a pivotal role in growth of industrial economy. In recent year MSME sector has consistently registered a higher growth rate than overall industrial sector. The major advantages of this sector are generating employment at lower capital cost. According to new statistics (fourth census of MSME sector) sector employs about 59.7 million people in 26.1 million enterprises. There are over 6000 products ranging from traditional to high-tech items which are being manufactured by MSMEs in the country. Before 2006, the small-scale sector included Tiny and Small Scale Industries and it was called SSIs. But after 2006, the scope of the sector

has broadened to include Medium Scale Industries and Enterprises too. According to MSME ACT 2006 presently it is named as Micro, Small and Medium Enterprises (MSMEs). MSMEs can be registered or unregistered. Registered MSMEs are those units which are registered with the Directorate of Industries and Commerce, and those not registered with the Directorate are known as unregistered MSMEs. MSMEs have been declared as the main vehicle for accelerating economic activity in all the states of India. It contributes nearly 8 percent of country's GDP, 45 percent of the manufacturing output and 40 percent of the exports. They provide the largest share of employment after agriculture

sector. But 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. Like all other states J&K has a high rate of unemployment particularly among the educated youth. Almost 6 lakh people are unemployed in the state. The problem has been further accentuated due to the fact that avenues for private employment are restricted to almost nil. This causes a strain on the resources of the state and hampers developmental activities. The State of J&K is less attractive for investment due to political instability and geographical conditions. 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.

REVIEW OF LITERATURE

In order to gain background knowledge and to identify the problem precisely, it seems logical to present a brief review of the available literature relating directly or indirectly to the field under study.

Mali (1998) observed that small and medium enterprises (SMEs) and micro enterprises have to face increasing competition in the present scenario of globalization, they have to specifically improve themselves in the fields of management, marketing, product diversification, infrastructural development, technological up gradation. Moreover, new small and medium enterprises may have to move from slow growth area to the high growth area and they have to form strategic alliance with entrepreneurs of neighboring countries. Data bank on industries to guide the prospective entrepreneurs including investors from abroad is also needed.

Singh R (2012) analyzed the performance of Small scale industry in India and focused on policy changes which have opened new opportunities for this sector. Their study concluded that SSI sector has made good progress in terms of number of SSI units, production & employment levels. The study recommended the emergence of technology development and strengthening of financial infrastructure to boost SSI and to achieve growth target.

Ahmad, Mudasir and Bhat, A. S. (2013) concluded that sustained growth of MSMEs is crucial for overall performance of the economy. Unemployment is a serious problem facing Jammu and Kashmir economy. As per the official figure, 594172 unemployed youth have been registered at the district level employment exchange across the state till September 2012. It is also observed that growth of women enterprises in SSI/MSME sector is remarkable in Jammu and Kashmir and this is a positive sign of women empowerment and gender equity. However, the growth rate of sick units is high

in Jammu and Kashmir. Thus, necessitates future promotional policies of Jammu and Kashmir are suggested for this sector to overcome the problem of sickness among the SSI/MSMEs.

Anjum, Darakhshan (2011) concluded that Rural Entrepreneurship has an important role to play in the development of a country. The number and competence of entrepreneurs affect the economic growth of the country. Entrepreneurship has been termed as the fuel of economic progress and the prime mover of economic growth and development. The study concludes with the observation that rural entrepreneurship is a prestigious area in the rural development of the nation. They are playing a pivotal role in India's economic development. Thus entrepreneurship is the best way to fight the evil of unemployment.

OBJECTIVES

1. To examine the performance of MSME in the state.
2. To study the opportunities for MSMEs.
3. To find out the Key challenges faced by MSMEs.
4. To suggest the suitable measures for the development of small scale industries in J&K.

METHODOLOGY

The study is largely based on the secondary sources. The secondary data is mainly collected from published and unpublished works on the related topic Census reports, economic surveys, journals, newspapers, government and non-government organizations (NGOs) associated with the industrial sector especially the directorate of industries, directorate of economics and statistics, Directorate of industries and Commerce J & K Government, Economic Review, DICs, SIDBI, MKVIB etc. various issues of handbook of J&K, various reports of development commissioner, ministry of SSI, Survey of Planning and Development Department, and various reports of Directorate of Industries and Commerce government of J&K are also the major sources for secondary information.

PERFORMANCE OF MSMES IN J&K

Jammu and Kashmir is a northern state of the country. It is located mostly in Himalayan Mountains, and shares borders with the states of Himachal Pradesh and Punjab to the south. The state has also the international border with china and Pakistan. There are three regions of the state Jammu, Kashmir and Ladakh. In early stage there was no worthwhile industrial base in the state. The industrial sector was consisting of few cottage industries and factories. However, handicraft was the main industry in the state and continuously occupied a dominant role in the state (Mahlawat,2015). As per census

conducted in 1972-73, there were 9,614 persons employed in registered SSIs of Jammu and Kashmir and 16,53,178 persons were working in this sector in India. However, in second, third and fourth census their number rose to 40,655, 50,643 and 90,158 at the state level while at national level 36,65,810, 61,63,479 and 93,09,486 persons were employed in

SSIs/MSMEs in the corresponding censuses. As a result of various policy measures taken from time to time, there has been marked growth in the creation of numbers of enterprises in the state. According to third census results, the growth rate of employment in Jammu and Kashmir was 24.56 percent and at the national level the growth rate was 68.13 percent.

Table 1 Growth of SSIs in Jammu and Kashmir

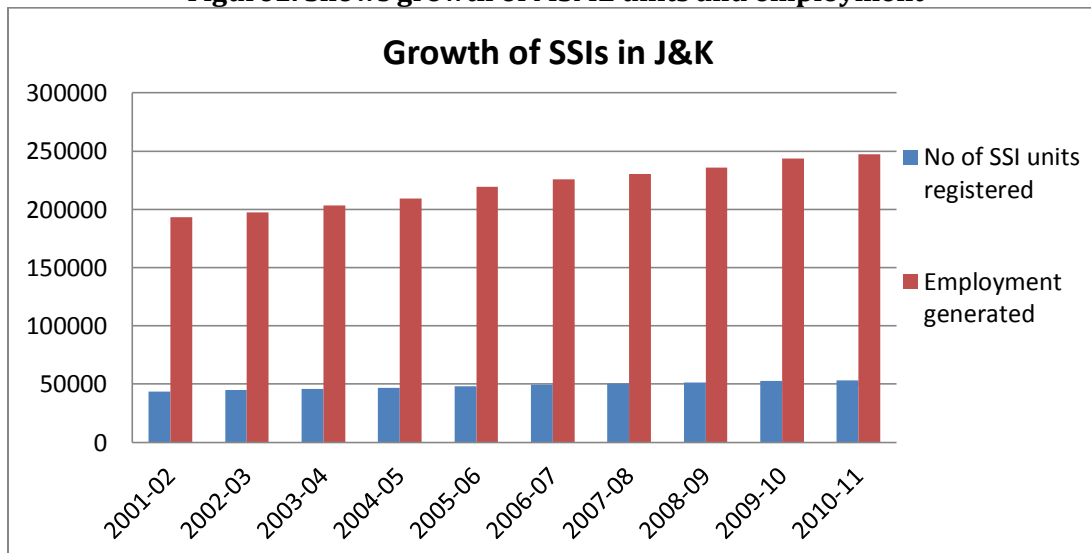
Year	No of SSI units registered	Employment generated	% of increase on units	% increase in employment
2001-02	43689	193285	-	-
2002-03	44701	197578	2.31	2.22
2003-04	45672	203428	2.17	2.96
2004-05	46818	209322	2.50	2.89
2005-06	48224	219127	3.00	4.68
2006-07	49426	225963	2.49	3.11
2007-08	50472	230552	2.12	2.03
2008-09	51443	235918	1.92	2.32
2009-10	52631	243411	2.25	3.00
2010-11	53157	247065	0.98	1.47

Source: Directorate of Industries and Commerce, J&K Government.

From the above table it is clearly seen that the number of units and the employment level is continuously increasing but the rate of growth of

these two is continuously fluctuating. There are ups and downs in the growth rate.

Figure1. Shows growth of MSME units and employment



We have seen that there is a continuous increase in the number of units and the employment level. The number of units increased from 43689 in 2001-02 to 53157 in 2010-11 whereas the employment has increased from 193285 in 2001-02 to 247065 in 2010-11. So there is positive growth of MSME units and employment generation in the state but still the state is lacking behind from the other part of the country in terms of industrial development.

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 Centre is to provide all services to the entrepreneurs under one roof. The District Industries Centre is also arranging required Credit facilities and the implementing agencies for the “Prime Minister Employment Generation

programme” (PMEGP) for the educated unemployed youth. In ending Nov., 2012 the total number of permanently registered MSMEs are 54716, generating 258030 employment opportunities.

OPPORTUNITIES

As the state of Jammu and Kashmir is rich in natural resources there is a plenty of opportunities for the entrepreneur to setup small scale industries in the state. It helps in increasing production level export and employment opportunities.

1. The state has borders with Pakistan, Tibet and china which offers excellent opportunities for pursuing trade with these countries. Restoration of old trade links and opening of new trade links will certainly help the state economy.
2. The state has huge number of skilled manpower. This skilled manpower is available particularly in handicrafts, handlooms, sericulture and other export oriented sectors of the economy.
3. The natural factors are more conducive for handicrafts, setting-up of small and medium scale industries in the traditional sector along with some new areas like food processing, agro based units.
4. Handicraft sector has a tremendous potential for foreign exchange earning and creating more employment opportunities in the state.
5. Food processing offers tremendous opportunity for small industries.
6. Opportunity in modern packaging.
7. Manufacturing of sports goods like cricket bats.
8. Handicraft is more labour intensive and less capital intensive in nature.
9. In absence of large scale industries in the State, handicrafts remained an opportunity for small enterprises.
10. Untapped natural resources.
11. A natural environment which can be utilized by the entrepreneurs in the field of sericulture, fisheries, floriculture, livestock, handlooms etc.
12. Setup of small scale industries can reduce the migration of skilled labours from J&K to another state.
13. Opportunities in the field of making Taat, Grass Taat, Kangri, etc.

CHALLENGES

The MSMEs continue to face problems in their day-to-day operations that are in production and marketing of their products. Despite its commendable contribution to the nation’s economy, SMEs sector does not get the required support from the concerned Governments, departments, banks, financial

institutions and corporate, which is a handicap in becoming more competitive in the national and international markets. Although Indian MSMEs are a diverse and heterogeneous group, they face some common problems. In the Scenario of Jammu & Kashmir some constitutional problems also create hurdles. The following are the major issues concerning the MSME sector in Jammu & Kashmir. The State is often termed as industrially backward state. There are so many factors responsible for this backwardness which acts as barriers in the way of development of this sector in the state.

1. The Jammu & Kashmir State has suffered badly from disturbed condition prevailing in the state for almost more than two decades.
2. The Jammu and Kashmir State with its varied and diversified geographic, agro-climatic and topographic features poses very peculiar and unique problems for rural entrepreneurs.
3. Closed corner location, remoteness and isolation from major markets, scattered population, and lack of economic infrastructure and dislocation of normal civic life during the last two decades all these factors and characteristics define special developmental challenges.
4. Remoteness and isolation is a major challenge. It is landlock and located far from the major markets.
5. High transport costs make it harder to turn to the major markets to compensate for the drawbacks of the small size of its domestic markets.
6. Due to adverse climatic conditions during winters, agricultural activities remain suspended as a result of which, only one crop is sown during the year in most path of the state.
7. Because of its small domestic markets J&K is relatively un-diversified in its production structure and exports.
8. Inadequate double cropping due to lack of irrigation facility in some areas and climatic difficulty in others
9. Inadequate research in the field of agriculture in the state.
10. Horticulture is no doubt contributing substantially to the State GDP but there are certain problems which are providing as hindrances for further growth of this sector. The problem areas are:
 - Absence of post Harvest infrastructure non-establishment of cold storages has locked the growth of Horticulture.

- Surprisingly there is not even a single cold storage facility for apple preservation in the valley. The lack of this facility forces the entrepreneurs to sell their produce at cheaper rates.
- 11. There is inadequacy of agro-processing facility 30% of apple produced in the state are of low grade which can be processed for value addition rather than direct sale.
- 12. Locational disadvantage is another issue of concern. The main consumption markets of the country are far away from production centers in the state. Lack of modern and efficient infrastructure like fast means of connectivity aggravates the problem of transporting the fruits especially of perishable nature to the main markets of the country.
- 13. A major constraint to the development of agriculture in J&K is the fact that only 50% of the ultimate irrigation potential of the state has been harnessed.
- 14. J&K state is also deficient in rainfall;
- 15. Hilly terrain.
- 16. Small and fragmented land holdings.
- 17. Fragile soil in hilly areas susceptible to soil erosions.
- 18. Lack of training and awareness.
- 19. Lack of market links and tie up.
- 20. Distant market and higher air freight.
- 21. Less market accessibility due to poor communication/road links.
- 22. The handloom sector adversely affected by the machine made fabrics and trade liberalization is facing multifaceted challenges from the textile sector. Poor productivity of weavers increased cost of production of handloom cloth, cheaper synthetic substitutes in textile sector and changing consumer tastes has given a serious blow to the handloom sector.
- 23. The production of quality bivoltine silk is still a challenge.

In addition to the problems enumerated above, the small scale industries face a number of other problems like insufficient management, unchanging and unresponsive production pattern, burden of local taxes, competition from large scale industries, etc. According to seventh five year plan, growth of the small scale and village industries has been constrained by a number of factors” including technological obsolescence, inadequate and irregular supply of raw materials, lack of organized market channels, imperfect knowledge of market conditions, unorganized nature of operations, inadequate availability of credit, constraints of infrastructure

facilities including power etc. and deficient managerial and technical skills. There has been a lack of effective coordination among the various support organizations set up over the period for the promotion and development of these industries. Quality consciousness has not been generated to the desired level despite various measures taken in this regard. Some of the fiscal policies pursued have resulted in unintended splitting up of these capacities into uneconomic operations and have inhibited there smooth transfer to the medium sector.

SUGGESTIONS

- ✧ Favorable MSME and Industrial Policy should be made. All Policies, act and laws of India like MSME act, Industrial policy, labour law, GST, Income Tax etc. laws should implement in Jammu & Kashmir.
- ✧ Suitable training arrangement should be made through Skill training Center and Development institutions for training to develop skills related to entrepreneurship, manufacturing, services, marketing etc.
- ✧ Infrastructure facilities like electricity, water, roads and bank etc. facilities are very necessary to develop the MSME.
- ✧ Subsidies and low cost credit facilities, global markets, modern technology should be provided by Government.
- ✧ All procedure related to establishment of MSME, direct and indirect tax, Licences etc. should be made easy. Government should exempt or at least minimize the sales tax on MSME which will reduce the cost of products and thereby increase the sales.
- ✧ Suitable mechanism can be developed in Jammu and Kashmir which enables the quick revival of viable sick enterprises and allows unviable entities to close down speedily.
- ✧ For the sustainable growth, the MSME industries should be advertised by government both at national and international level through publicity, exhibition, printing of brochures and participation in fairs which will help in boosting this industry.

CONCLUSION

It needs more attention to prevention of sickness and rehabilitation of sick MSMEs Units while framing the future policy of MSMEs development. The slow growth of MSMEs 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. The industrial sector of the state is much deprived as compared to other states. With a view to generate a lasting solution and overcoming the problem of educated unemployed youth, various schemes to provide fruitful self-employment opportunities, especially to the educated youth, were devised and launched by both central and state Govt. 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. So now there is a need to restructure the policies and programmes to remove the problems coming in way of development of MSMEs in the state. Attractive Investment policy should be framed by state government. More Development Institutions should be opened in Jammu & Kashmir. Both state and central Government must take step to growth the units of MSMEs to generate employment and Investment. 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's specific problem.

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