

MSMES IN JAMMU AND KASHMIR – AN EXPLORATORY STUDY

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ABSTRACT

In every developing economy Micro, Small and Medium Enterprises (MSMEs) play a significant role. A growing economy has to be backed by strong MSMEs which not only helps in generating employment and exports but also act as nursery of entrepreneurship and innovation. This paper is an attempt to study the contribution of MSMEs towards the economy in India and in particular the state of Jammu and Kashmir (J&K). The paper further provides an insight about the condition of this sector and the efforts made to promote the industrial units in J&K. A SWOT analysis has been carried out to present a brief picture of the present scenario, future scope and the problems faced by MSMEs. Finally an attempt has been made to offer few suggestions to augment the growth of MSMEs in J&K.

Keywords: Micro, Small and Medium Enterprise (MSMEs), Employment, Entrepreneurship, Innovation.

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Introduction

One of the major achievement of Independent India has been the growth of a strong Micro, Small and Medium Enterprise (MSME). The MSME sector has helped India in generating employment, promoting exports, fostering innovation and entrepreneurship. The contribution of this sector towards the country's GDP is 8%, it has contributed 45% of the manufactured output and 40% of exports. The employment generation by MSMEs has been a staggering 6 crore persons through 2.6 crore enterprises (Task Force on MSME, 2010). MSME have a very high labour to capital ratio when compared to the large enterprise. Also MSMEs are geographically evenly distributed with compared to the large enterprises. Thus for ensuring equitable and inclusive growth and development of the nation MSMEs perform a major function, not only do they foster development they also act as a nursery for innovation and development of entrepreneurship and for the industrially developing regions in particular. The Government has been consistently since Independence promoting investment in this sector. Various policy measures, and incentives have been provided to promote and induce investment in this sector and in those states which are industrially backward. Due to the pressures from global companies and in compliance to the trading agreements with the world trade bodies it is becoming difficult for the government to protect this sector, but the government still provides incentives to promote investments in the in this sector and in particular the industrially backward areas particularly the state of Jammu & Kashmir. Central Government has framed a separate industrial policy for industrially backward states which is applicable to all the state of Jammu and Kashmir

Comparative Growth Rate Of MSME Sector To Industrial Sector

The comparative growth rate of MSME sector with respect to the industrial sector is given below. It can be seen that MSME sector has a higher growth rate than that of the overall industrial sector:

Contribution of MSME sector (other than services) to the Gross Domestic Product (GDP)

Year	Total Industrial production (%)	Gross Domestic Product (%)
1999-00	39.74	5.86
2000-01	39.71	6.04
2001-02	39.12	5.77
2002-03	38.89	5.91
2003-04	38.74	5.79

2004-05	38.62	5.84
2005-06	38.56	5.83
2006-07	42.02	7.73
2007-08	41.98	7.81
2008-09	40.79	7.52
2009-10	39.63	7.49
2010-11	38.48	7.42
2011-12	37.52	7.28

Source: 1. Fourth All India Census of MSMEs 2006-07,
2. National Account Statistics 2013, CSO, M/O SPI and
3. Annual Survey of Industries, CSO, M/O SPI

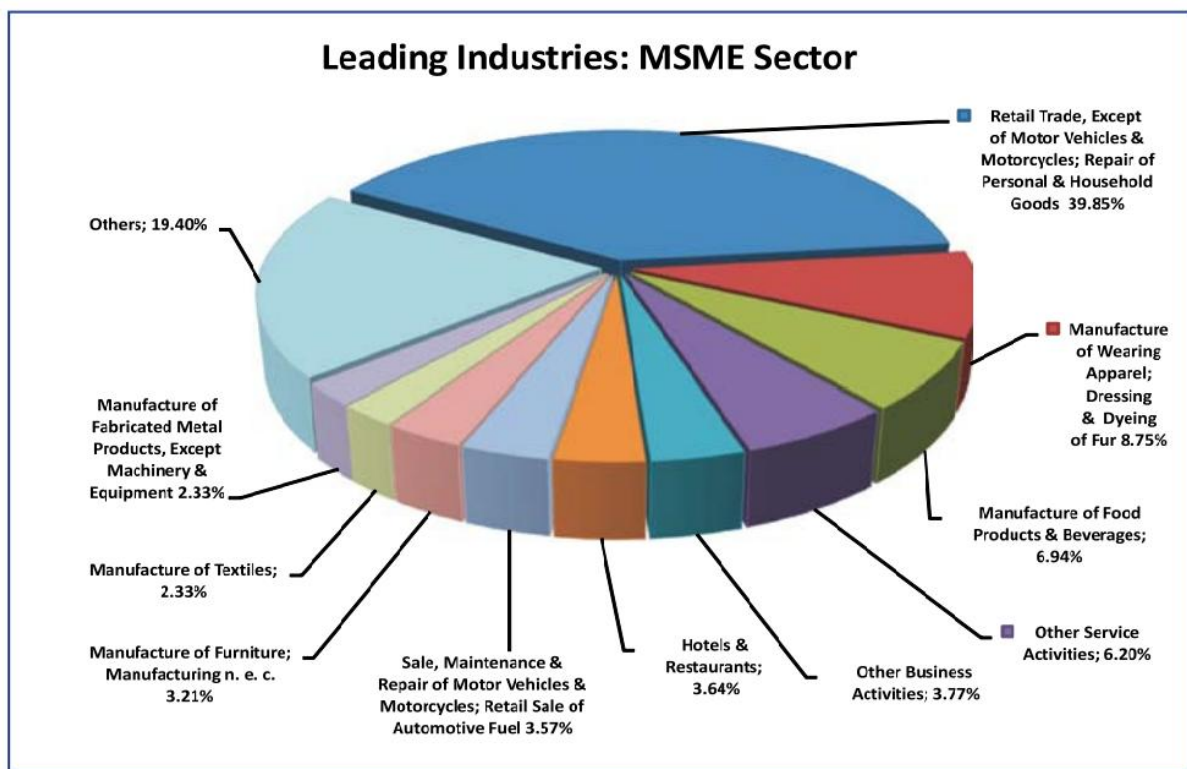
Year	Growth Rate of MSME Sector (%)	Growth rate of overall Industrial Sector (%)
2002-03	8.68	5.70
2003- 04	9.64	7.00
2004-05	10.88	8.40
2005-06	12.32	8.20
2006-07	12.60	11.60
2007-08	13.00	8.50
2008-09	NA	10.40
2009-10	NA	13.00

Performance Of MSMEs: Investments,Employment

Sl. No.	Year	Total Working Enterprises (in Lakh)	Employment (in Lakh)	Market Value of Fixed Assets (Rs. in Crore)
I	II	III	IV	V
1.	2001-02	105.21	249.33	154,349.00
2.	2002-03	109.49	260.21	162,317.00
3.	2003-04	113.95	271.42	170,219.00
4.	2004-05	118.59	282.57	178,699.00
5.	2005-06	123.42	294.91	188,113.00
6.	2006-07	361.76	805.23	868,543.79
7.	2007-08 [#]	377.36	842.00	920,459.84
8.	2008-09 [#]	393.70	880.84	977,114.72
9.	2009-10 [#]	410.80	921.79	1,038,546.08
10.	2010-11 [#]	428.73	965.15	1,105,934.09
11.	2011-12 [#]	447.66	1,011.80	1,183,332.00
12.	2012-13 [#]	467.56	1,061.52	1,269,338.02

- Including activities of wholesale/retail trade, legal, education & social services, hotel & restaurants, transport and storage & warehousing (except cold storage) for which data was extracted from Economic Census 2005, Central Statistics Office, MOSPI.
- Estimated on the basis of per enterprises value obtained from sample survey of unregistered sector for activities of wholesale/retail trade, legal, education & social services, hotel & restaurants, transports and storage & warehousing(except cold storage) which were excluded from Fourth All India Census of MSMEs, unregistered sector .
- # - Projected.

Source: Fourth All India Census of MSME 2006-07



Source: Fourth All India Census of MSME 2006-07

Industrial Profile Of Jammu & Kashmir State

J&K has not been able to attract investments and has remained an industrially backward state due to the reason that J&K is a land locked region, it has shallow markets, unavailability of railway network makes it difficult and expensive to procure raw material and sell finished products, poor infrastructure also the most important factor of political instability hampers the development of this sector. Moreover the natural factors in J&K are more favourable for handicrafts and less to medium and heavy industries. However, notwithstanding the limitations the Jammu & Kashmir State is on the track of industrial development in a modest way. A number of industries are coming up in the traditional areas along with new areas like cold storage, food processing, agricultural units and metallic and non-metallic products. Also due to lack of employment in government sector and an almost extinct private sector. MSME sector has emerged as a vehicle for solving the problem of employment and an avenue to accelerating economic growth of the state. To achieve industrial development within the state the government has to come forward and provide various facilities including that of quality infrastructure, availability of skilled human resources, stable political environment and good governance which are essential for building a proper environment for viable industrial growth.

Directorate Of Industries J&K

Directorate of Industries is located at Jawaher Udyog Bhavan Complex Jammu & near Partap Park Srinagar is the Head office of all the DICs and is responsible for the industrial development of the State. There are 22 districts in the state and they are all covered under the plan of District Industries Centres. In DIC, General Manager is the Head of the Office and is abetted by an Assistant General Manager and Project Manager for matters for the development of industries within the district. The main activities of DICs are registration of units, sanction of subsidy, implementation of scheme etc.

The Industries and Commerce Department is directed to attract investment in the State for developing world class infrastructure to achieve objectives like:

1. To explore the available resources within the State.
2. To create favourable industrial employment.
3. To promote labour intensive industries to lessen the pressure on unemployment market within the State.
4. To improve industrial performance by providing necessary inputs so as to reduce the dependence of the State on imports.

Industrial Scenario Of Srinagar

S.No	Name of the Ind. Area	Land Acquired (in hectre)	Land developed (in hectare)	Prevailing Rate per Sqm (Rs)	No of Plots	No of Plots Allotted	No of Vacant Plots	No of Units in production
1	IE BAMK	144	144	2 Lac / Kanal	104	104	Nil	88
2.	IE Khunmoh	2037	2037	2 Lac / Kanal	137	137	Nil	94
3.	IE Zakura	128	128	2 Lac / Kanal	55	55	Nil	19
4.	IE Zainakote	525.08	525.08	2 Lac / Kanal	133	133	Nil	77
5.	IE Shalteng	94.12	94.12	2 Lac / Kanal	30	30	Nil	23
	Total	2928.20	2928.20	-	459	459	0	301

Source:- DIC Srinagar

S.No	Head	Unit	Particulars
1	Registered industrial units	No.	4701
2	Total industrial unit	No.	5829
3	Registered medium & large unit	No.	Med= 03 Large= NA
4	Estimated avg. No. Of daily worker employed in small scale industries	No.	22022 Average 4
5	Employment in large & medium scale industries	No.	Approx. 1000 in medium scale
6	No of industrial areas	No.	5
7	Turn over of Small Scale Units	In lacs	29027.00
8	Turn over of medium and large industries	No.	Not available

Source: DIC Srinagar

Industrial Scenario Of Jammu

S.No	Name of Ind. Area	Land acquired (hectare)	Land developed (hectare)	Prevailing rate /Sqm (Rs)	No of Plots	No of allotted plots	No of vacant Plots	No of units in production
1.	Industrial Estate, Digiana, Jammu	137 Kanal	137 Kanal	1 Lakh/ Kanal & 2 lakh upto 4 kanals	106	106	-	63
2.	IE Akhnoor	29.05 Kanal	29.05 Kanal	1 Lakh/ Kanal & 2 lakh upto 4 kanals	21	21	-	10
3.	IE Bari Brahmin	7152 Kanal	7152 kanal	2 Lakh upto 4 kanal 3 lakh above 4 Kanal	459	459	-	250
4.	IE Gangyal	988 Kanal	988 Kanal	-Do-	331	331	-	222
5.	IE Birpur	306.035 Kanal	306.035 Kanal	-Do-	155	-	-	91
6.	IE Satwari	96 Kanal	96 kanal	1 lakh/ Kanal & 2 Lakh upto 4 kanal	34	34	-	32
7.	Total	8708.085	8708.085		1106	1106	-	668

S.No	Head	Unit	Particulars
1	Registered industrial units	No.	10531
2	Total industrial unit	No.	10531
3	Registered medium & large unit	No.	39
4	Estimated avg. No. Of daily worker employed in small scale industries	No.	56246 Average 5.34
5	Employment in large & medium scale industries	No.	6379
6	No of industrial areas	No.	3
7	Turn over of Small Scale Units	In lacs	1349046.53
8	Turn over of medium and large industries	No.	40201.00

Source DIC Jammu

SWOT ANALYSIS OF MSME IN J&K

STRENGTHS

The factors mentioned below add up to be the strength of MSMEs in J&K

1. The capital requirement for starting an MSME is less and various schemes are available to assist the setting up of new units and promotion and development of existing ones
2. **Price /Purchase Preference:** Up-to 15% Preference on price is available to the local industrial unit, in all government purchases.
3. **Easy Availability Of Local Raw Material:** The government ensures easy access to raw material to be used by MSMEs with support in terms of tax benefits, single window clearing systems and price preferences for acquiring the same
4. **Capital Investment Subsidy (CIS)** Government of India has announced a new scheme of capital investment subsidy for the State of Jammu & Kashmir.
5. **Marketing Assistance:** The assistance is in the form of subsidy for promotion of the brand at the rate of upto 50% of expenditures in the first year to a maximum of Rupees 20 Lacs, 30% of expenditure incurred in the following year, to a maximum of Rupees 15 lacs and upto 10% of expenses incurred in the third year to a maximum limit of Rs.10 lakhs
6. **Land Allotment:** The government earmarks land to unit holders on long lease of 90 years in the industrial estates and developed areas.
7. **Tax Incentives:** The MSMEs are exempted from the payment of toll tax on the raw materials bought from outside the state.
8. **Sales Tax:** The industrial units enjoy an exemption on the payment of sales tax on raw material procured.
9. **Interest Subsidy:** Up to 3% subsidy is payable by the industrial department to unit holders on the working capital loans and advances obtained from various commercial banks.
10. **Air Freight Subsidy:** MSMEs enjoy an air freight subsidy on finished goods and raw materials for any destination subject to a maximum of Rupees 5 Lacs per year per unit
11. **Earnest Money Security Deposit:** MSMEs are required to pay only 50% of the amount of earnest money/CDR prescribed by the tendering authority within the state or a maximum amount of Rs.5000.

WEAKNESS

1. Limited access to equity capital
2. Inadequate working capital
3. Competition from Large Industries

4. Poor Technical support
5. Marketing and Distribution problems
6. Lack of proper Storage and warehousing
7. Inadequate infrastructure facilities, including power, water, roads, etc.
8. Lack of Skilled and Trained manpower
9. Lack of knowledge of foreign markets.
10. Increased cost of production and productivity due to limited market, expensive raw material and escalated freight charges due to unavailability of rail connectivity.
11. Low technology levels and lack of access to modern technology

OPPORTUNITIES

1. Provides Self Employment
2. Employment Generation
3. Use of vast available local Resources like untapped Hydro power , tourism sector, mineral resources, Food Processing and Agro-Based Industries
4. Export Contribution and Export Promotion
5. Removal of Regional imbalances
6. Less Government Intervention
7. Less capital intensive
8. Support from Government
9. Availability of Manpower
10. Availability of Raw materials
11. More demand in Domestic market.

THREATS

1. Uncertain political conditions.
2. Power shortage
3. Land locked region
4. Limited market access and access to raw material only through Delhi
5. Over dependency on subsidies from Government
6. Extreme mountainous landscape
7. MNC's and foreign and national products as cheap and quality alternatives

CONCLUSION

The MSMEs in Jammu and Kashmir are growing at a slow pace faced by tough situation due to unfavourable geographic locations, lack of infrastructural facilities and uncertain political conditions which are beyond the scope of the individual unit holders. Though government is playing its role in promoting and protecting MSMEs through various schemes but still lot needs to be done in order to make this sector vibrant. The Govt. has taken several policy initiatives but needs to ensure proper co-ordination and implementation of such schemes. The

MSMEs must convert the threats they face into opportunities by improving productivity, enhancing market research activities, proper logistics management, using management practices, taking advantage of the local raw materials available.

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