



# Industrialization: A key to Foster Economic Growth and Development in Jammu & Kashmir.

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## Abstract

Small-scale companies have a critical role in fostering fair development and economic progress. They contribute significantly to Jammu & Kashmir's economy. These factories produce food items, drinks, machinery, plastics, chemicals, medications, paper goods, silk, cement, bricks and tiles, and car parts. Compared to major firms, small scale industries have a much greater labour intensity and contribute to the creation of job possibilities. After a protracted period of disruption, the small-scale industry sector has been expanding well during the past 20 years. Small-scale enterprises are critical to the welfare of the populace in any nation and aid in the expansion of the economy and society. Additionally, it makes up around 12% of the Gross State Domestic Product.

**Keywords:** *Small Scale Industries, Financial Performance, Growth, Employment, Economy, Labour Intensity, Jammu & Kashmir UT.*

## Introduction

A nation's ability to develop economically depends on its level of industrialization (Waseem, 2017; Zondi et al., 2021). Nonetheless, the manufacturing process aids in using and transforming raw materials into beneficial consumer goods and persuasively implies that, as well as the instruments of production and inside the establishment of infrastructure. Because they boost employment and economic growth, small-scale enterprises are a vital component of an economy. It enhances the nation's progress by accelerating both urban and rural development. Small and medium-sized businesses play a vital part in helping the government build the nation's industries and infrastructure while also assisting in the reduction of difficulties like poverty, slums, pollution, and several other developmental concerns. Cottage and small-scale manufacturing sectors are extremely important within a nation's economic progress (Effat & Bhat, 2013; Islam, 2014). The Republic of India's poverty rate will decline and the rate of self-employment will rise if any amount of money is put in small-scale businesses.

Trade and investment may be such that the industry is engaged in product assembly and may represent an economic growth stage. The expansion of Jammu & Kashmir's small-scale enterprises is contributing significantly to the country's overall economic growth. But the majority of them are either part-time or dismissed. Through the engagement of low-investment enterprises, the small-scale industrial sector plays a very essential role in minimizing the concerns of poverty and unemployment by providing job possibilities. Because the majority of people reside in rural regions, manufacturing is essential to these communities. If manufacturing begins in a hamlet, growth will have a significant influence. Any nation's ability to develop economically is largely dependent on its industrial base (Aluko et al., 2021; Ajagbe et al., 2021). A sizable portion of Jammu & Kashmir's economy is made up of small businesses. These factories produce food items, drinks, equipment, plastic goods, chemicals, medications, paper goods, bricks and tiles, cement, and automotive parts.

The Jammu & Kashmir UT has gained recognition as skilled artists have recently been honoured for their artistic abilities (Kumar & Kamal, 2013). However, the Jammu & Kashmir has linked ancient customs to the making of handicrafts, woodwork, shawls, carpets, and silk fabrics. The production of toys, animal skins, oil-crushing, pottery, black forging, carpentry, paper machines, willow wicker, soap, food processing, and bats and toys make up a portion of the small and medium-sized economic sectors in rural areas that employ people full- or part-time. Aluko et al. (2021) emphasised that the concept of industrialization has become associated with economic progress. Economic development and industrialization are two phrases that are used interchangeably and are not often distinguished from one another. The percentage of the workers involved in industrial activity is one of the key indicators used to differentiate between an undeveloped and developed economy (Ajagbe et al., 2021). It is indisputable that industrialization plays a critical role in helping emerging countries such as ours overcome the challenges of economic regression.

However, the establishment of a wide range of enterprises is not crucial in and of itself; rather, what counts most is their survival and expansion. It will obviously be crucial to have a close examination of resource endowments, infrastructural capital, geophysical features, economic policies and systems, political leadership with a clear vision and mission, peace and stability, and true democracy in order to paint a complete and honest picture of the state's industrial potential. According to Waseem (2017), all of these would support the growth of industrial facilities in the state of Jammu and Kashmir.

Table 1: Number of SSI units registered with the Directorate of Industries & Commerce Kashmir/Jammu

S.No.	District	2018-19		2019-20 (UT of J&K)	
		Units	Employment	Units	Employment
1	Anantnag	4953	29547	4971	29685
2	Kulgam	315	1920	320	1943
3	Pulwama	2061	13456	2082	13686
4	Shopian	217	1323	221	1362
5	Srinagar	5467	33811	5510	34352
6	Ganderbal	345	2189	349	2212
7	Budgam	2040	12495	2060	12685
8	Baramulla	2733	16698	2743	16815
9	Bandipora	355	2149	362	2198
10	Kupwara	1060	6390	1062	6399
11	Jammu	4640	38155	4695	39044
12	Samba	819	10561	863	10848
13	Udhampur	2541	4607	2550	4670
14	Reasi	27	393	31	495
15	Doda	321	834	324	855
16	Kishtwar	192	471	193	477
17	Ramban	24	194	24	194
18	Kathua	2666	21099	2689	21647
19	Rajori	952	1939	966	2044
20	Poonch	731	2318	751	2451
	<b>Total UT of J&amp;K</b>	<b>32459</b>	<b>200549</b>	<b>32766</b>	<b>204062</b>

Source: Directorate of Industries & Commerce, Jammu & Kashmir

## 2. Literature Review

It would seem reasonable to give a brief review of the literature that is currently available and directly or indirectly related to the field of study in order to acquire background information on the issue, identify appropriate methodology, research design, methods of measuring concepts and techniques of analysis, or to be able to formulate the problem precisely (Abdullah et al., 2008; Baqual, 2008). But in their study of "The strategy for the development of Hilly areas of Jammu region with particular reference to district Kathua," Bhat & Malik (2014) developed a developmental plan based on primary data gathered from six villages in the district Kathua: Bari and Lohai-Malhar. The development of mountainous areas was hampered by a number of factors, including a lack of infrastructure, widespread illiteracy, a lack of commercial prospects, and rain-fed agriculture. Based on the small and cottage industries and the encouragement of agri-allied activities, the research recommended a planned distribution of local raw resources. Sharma et al. (2015) emphasized that the 1948 Industrial Policy Resolution (IPR) acknowledged the significance of small-scale companies in the advancement of industry. These sectors are especially well-suited to leveraging regional resources and generating job opportunities. The findings of the Onukwuli et al. (2014) study demonstrate that sole proprietorships and female ownership have a detrimental impact on the productivity of businesses. The productivity of sporadically run rural businesses is lower than that of regularly operated urban businesses, and productivity typically grows with the enterprise's age and level of education (Butt, 2005).

The success of India's small-scale industry was examined by Manyathi et al. (2021), with a particular emphasis on the legislative changes that have created new prospects for this industry. According to their analysis, the SSI sector has achieved considerable development in terms of employment, production, and SSI unit count. To increase SSI and meet growth targets, the report suggested bolstering the financial system and advancing technological development. Dar & Bhat (2013) concentrated on the economic policies that the Indian government enacted in 1991 and accelerated the trend of globalization. India embraced globalization in order to link its economy with the global economy. The World Bank and IMF-instigated policy change has resulted in unequal competition between small Indian businesses and multinational corporations. Since the small sector plays a crucial role in the nation's whole industrial sector India in particular needs to support this industry.

The effects of globalization on Micro, Small, and Medium-Sized Enterprises (MSMEs) were examined by Bilal & Bhat (2013) from 1973–1974 to 2008–2009, both before and after liberalization. The study employed four economic factors, namely unit count, output, employment, and export, and the results were interpreted using the computation of the Annual Average Growth

Rate (AAGR). AAGR was greater in all chosen criteria during the pre-liberalization era (1973–74 to 1989–90) than it was during the post-liberalization era (1991–92 to 2007–08). They came to the conclusion that MSMEs did not fare particularly well in the post-reform era (Effat&Bhat, 2013). Islam (2014) carried out a similar study in the northeastern region of India to ascertain the difficulties faced by SSI units. Scholars elucidated the several facets of entrepreneurship among these states. The government is encouraging this with more latitude, but consistent with past research, they also found that one of the main obstacles is the lack of finance facilities and technical support. In a research on SSI financing, Mohandas (2014) found that low credit worthiness leaves these units open to credit refusal and even makes it challenging for the government to finance them entirely. The author also offered the notion to employ institutional investors for the same objective.

## 2.2 Issues with Kashmir's Small-Scale Industries

In addition to playing a significant role in giving educated youth jobs, the industrial sector also helps the state resolve its unemployment crisis and increases per capita productivity (Mahapatra, 2007; Madonda et al., 2021). Numerous obstacles stand in the way of small-scale industries' expansion; a few of these are addressed below:

- **Skilled Labor:** A shortage of skilled labour is a concern for the state. The majority of laborers at small-scale industrial facilities lack formal training. Youth cannot receive the necessary training to become competent workers and entrepreneurs (Zondi et al., 2021).
- **Marketing for Finished Products:** Small and medium-sized businesses (SSI) depend on marketing to thrive. SSI is having marketing issues despite the country's vast domestic markets. In order to assess the success of the SSI market, the location of completed product sales is crucial. Despite this, the industry is dealing with this issue.
- **Purchasing of Raw Materials:** Although raw materials are essential to industrial units, SSI is now experiencing a severe lack of them. The lack of raw materials is also a result of transportation and infrastructure issues. Expensive Transport: The district's SSI development rate is slowed down by high transportation costs. There is no railway connection between the areas; the only possible transportation is via road, with several state districts having even poorer road conditions. SSI expansion requires easy and affordable transportation, which is non-existent in Jammu & Kashmir.
- **Unreliable Electric Power Supply:** The state's electric power supply is unreliable. The state produces power, which is exported to several other Indian states. In the state, it is irregular without it.
- **Instability of Political System:** The most difficult factor facing the manufacturing sector is political instability. The state has been dealing with an unsettling level of violence for more than ten years.
- **Issue with Finance:** While funding is important for starting a firm, Indian SSI is mostly dealing with credit issues. Bank interest rates have increased, which is a significant obstacle for borrowers. For taking modest loans, they impose significant transaction and administrative expenses.
- **Introduction of Technology:** India's New Technology SSI's are dealing with dualism; the most of their businesses are run on absolute technology, while very few are run on current technology. Low productivity and subpar quality are the outcome.

## 2.3 The Study's Objectives

- 1.) To research how performance of Industrialization in Jammu & Kashmir affects the region.
- 2.) Researching the potential for small-scale industries in Kashmir to expand and develop.
- 3.) To come up with plans for expanding job prospects in small-scale businesses.
- 4.) To put suggested policies into practice in an effort to boost the productivity and efficiency of small-scale industries.

## 3 Research Techniques

Based on secondary data, this study work is analytical and descriptive. The necessary secondary data has been gathered from a variety of sources, including historical research papers, journals, books, websites, certain government data, etc. The information has also been gathered from a variety of sources, including books, newsletters, reports, magazines, journals, newspapers, websites, and existing literature, in order to comprehend the significance and contribution of small-scale industries.

## 4 The Study's Findings

In Kashmir, small-scale enterprises hold particular socio-economic importance. The financial performance of small-scale industries is the primary emphasis. These businesses aid in enhancing Kashmir's social and economic circumstances. A significant factor in a nation's economic progress is industrialization. They give local jobless kids in Jammu & Kashmir UT job options since they are eco-friendly, labour-intensive, and less capital-intensive. In Jammu & Kashmir UT, small-scale enterprises hold particular socio-economic importance.

These businesses aid in enhancing Jammu & Kashmir's social and economic circumstances. Every nation's small-scale enterprises have been its growth engine and are crucial to its overall economic development. It is an efficient way to generate jobs with few start-up costs. SSI's which are the backbone of the economy, are small businesses that produce goods or services using comparatively smaller machinery and a small workforce. They make a one-time investment in industries, machines, and facilities, which may be done on a lease, hire buy, or ownership basis. They have been recognized as a very promising industry for creating jobs and providing a living for millions of people in Latin American, Asian, and African nations.

They provide for the needs of a sizable portion of the underprivileged and disenfranchised people. These industries improve living standards while also lowering poverty and economic disparity. They also allow individuals to earn a life with respect. For them, obtaining labour and raw supplies is simple. They even readily benefit from government export policies. The industrial sector not only plays a significant role in giving educated young jobs, but it also helps the state solve its unemployment issue and increases per capita production. Agriculture, transportation, and communication are all encouraged by the capital goods sectors' explosive expansion.

Even with all of these advancements, government action is still needed to help small-scale enterprises. The primary goal should be to eliminate unemployment in the Union Territory, hence awareness campaigns and programs should be set up.

## 5 The Study's Conclusion

The significance of small-scale industries in the restructuring and rebuilding of Jammu & Kashmir's economy has been acknowledged globally. The industrial sector of the state is based mostly on small-scale industries. The state economy depends heavily on the small-scale industrial sector, which also provides strong support for it. It inspires citizens of the country to launch their own companies.

These industries support fair development and economic expansion by creating jobs at low capital costs, employing more people than large corporations, and helping industrialize rural, underdeveloped areas. Industrialization still has a long way to go, and challenges including inadequate infrastructure, energy scarcity, unstable political environments, and financial constraints must be addressed if overall growth and development are to be achieved. To improve the state's industrial landscape, there are three main strategies: infrastructure, transportation, and significant investments in SSI. The state's small-scale manufacturing industry has an incredible potential to employ tens of thousands of educated youth without jobs.

The time has thus come for the government to move forcefully to improve the industrial climate for significant investment, which calls for a practical and long-term policy effort. The unemployment rate will inevitably decline as this industry grows. Both the state and the federal governments should implement programs and policies to support the growth of the small-scale industrial sector. According to this analysis, there should be a sufficient supply of raw materials on hand. Appropriate assistance for promotion should exist. Internal control centres are necessary to ensure the quality of both the final product and the raw materials. A reduction in trade barriers and an enhancement for the modification of manufacturing pattern and technique should be there. For these industrial entities to draw in modern capital, there must be a social incentive. Infrastructure such as extensive road networks, telecommunication systems, sufficient and clean piped water supplies, and electrical supply for both urban and rural regions should be developed. Small and medium-sized businesses should have access to a range of incentives, including tax breaks, cash rewards, and most importantly, ease of doing business. These should be governed by public policy.

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