



Full Length Research

## A Study of Financial Performance of Small-Scale Industries in Kashmir

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**Abstract:** Small scale industries are very important for economic growth and promotion of equitable development. They make up a large part of Kashmir's economy. These units manufacture food products, beverages, machinery, plastic goods, chemicals, drugs, paper products, silk, brick and tiles, cement and automobile equipments. Small scale industries help in generating employment opportunities and labor intensity is much higher than that of the large enterprises. From the last two decades small scale industries sector have been growing in a satisfactory pace after a long gap of disturbance. Small scale industries are important for the well-being of the people of every country and helps in growth both economically and socially. It also contributes to the Gross State Domestic Product, that is, it contributes about 12.55% to the gross domestic product of the economy. The focus of this paper is to study the impact of financial performance of small - scale industries in Kashmir.

**Keywords:** Small Scale Industries: Financial Performance: Growth: Employment: Economy: Labor Intensity: Kashmir.

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## **10 Introduction of the Study**

Industrialization is a key to economic development of a country (Waseem, 2017; Zondi et al., 2021). However, the method of manufacturing helps in harnessing and remodeling the raw resources into helpful shopper products and effectively suggests that, and the tools of production and within the development of infrastructure. Small scale industries are an important sector of an economy because it increases employment and economic development. It improves the expansion of the country by increasing urban and rural growth. The roles of small and medium scale enterprises square up to assist the government in increasing infrastructures and producing industries, reducing problems like pollution, slums, poverty, and lots of developmental issues in the country. Small scale producing industries and cottage industries play a really necessary role within the economic development of a country (Effat & Bhat, 2013; Islam, 2014). If any quantity of capital is invested within small scale industries it will facilitate in reducing the level of poverty in the Republic of India and increasing self-employment. The trade and investment could such that the sector is involved in the assembly of products and could be a growth phase of the economy. The Small-scale industries are enjoying a very important role within the overall economic development of Kashmir. However, most of individuals square measure fired or part-time. Small scale industrial sector play a very important role in minimizing the issues of poverty and unemployment through increasing employment opportunities by the involvement of low investment companies. Manufacturing is crucial for rural areas as a result of majority of the population lives there. If manufacture is started from villages then the impact of development is big. The economic development of any country primarily depends upon the institution of industries (Aluko et al., 2021; Ajagbe et al., 2021). Small scale industries comprises of a big chunk of the Kashmir's economy. These units manufacture food product, beverages, machinery, plastic merchandise, chemicals, drugs, paper product, silk, brick and tiles, cement and automobile instrumentality.

The Kashmiris have won a good name as artisans and were celebrated within the previous days for his or her talent in art producing (Kumar & Kamal, 2013). Yet, the Kashmiris have associated old tradition within the production of carpets, silk textiles, shawls, raffle, woodwork and handicrafts. within the rural areas, animal skin trade, oil-crushing, pottery, black forge, carpentry, paper machine, willow-wicker, soap production, food processing, bat and toys production occupy certain number of the small and medium sized sector of the economy which give full or part-time employment to the citizens. Aluko et al. (2021) stressed that industrialisation has come to be regarded as synonymous with economic development. Not much distinction is made between the two terms that is, industrialisation and economic development and both are used interchangeably. The essential criteria that are being used to distinguish a developed economy from an underdeveloped one relate to proportion of workforce engaged in industrial activity (Ajagbe et al., 2021). There is no denying of the fact that industrialisation is of utmost importance to the developing economies like ours for solving the problems of economic backwardness. Establishing of wide variety of industries, however, alone is not important but what matters most is their survival and growth. To draw a total and candid picture of the state's industrial potential, it will be obviously essential to have a close view of resource endowments, infrastructural capital, geo-physical features, economic policies and systems, political leadership with vision and mission, peace and stability and true democracy. Waseem (2017) concluded that all these will help in the development of industrial units 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	2012-2013		2013-2014		2014-2015		2015-2016		2016-2017
		Units	Employment	Units	Employment	Units	Employment	Units	Employment	Units
1	Anantnag	4560	19871	4688	20314	4853	20473	4912	20771	4940
2	Kulgam	226	1159	265	1316	315	1349	344	1478	352
3	Pulwama	2997	14344	3086	15003	3216	15058	3281	15529	3336
4	Shopian	169	715	182	787	212	799	218	818	221
5	Srinagar	10313	49961	10462	50931	10642	51075	10787	52000	10912
6	Ganderbal	202	1128	235	1378	280	1404	309	1559	333
7	Budgam	4297	29076	4358	29645	4438	29715	4490	29984	4532
8	Baramulla	4369	18015	4446	18518	4566	18582	4619	18929	4646
9	Bandipora	199	786	240	968	285	1010	332	1331	337
10	Kupwara	1917	6744	1970	6978	2040	7038	2080	7279	2114
11	Leh	977	2776	982	2819	994	2839	1025	3026	1038
12	Kargil	692	1970	706	2042	731	2061	757	2209	767
13	Jammu	10671	73121	10765	74139	10823	74634	10942	76081	11064
14	Samba	179	2513	206	2892	239	2937	279	3392	312
15	Udhampur	3920	10969	3928	11046	3933	11766	3938	11808	3963
16	Reasi	8	75	10	82	13	103	14	107	20
17	Doda	1741	4328	1748	4361	1759	4417	1766	4456	1769
18	Kishtawar	18	108	22	124	25	131	30	179	34
19	Ramban	11	68	13	81	16	113	17	120	19
20	Kathua	4969	21240	5024	22153	5070	22643	5108	23428	5148
21	Rajouri	1596	4352	1606	4481	1616	4501	1623	4547	1638
22	Poonch	1711	3875	1718	3953	1722	4032	1725	4074	1728
<b>Total</b>	<b>J&amp;K</b>	<b>55742</b>	<b>267194</b>	<b>56660</b>	<b>274011</b>	<b>57788</b>	<b>276680</b>	<b>58596</b>	<b>283105</b>	<b>59223</b>

Source: Digest of statistics 2017-2018

## 2.0 Review of Literature

### 2.1 Background Study of Small Scale Industries

In order to gain background knowledge of problem and to identify appropriate methodology, research design, methods of measuring concepts and techniques of analysis or to be able to formulate the problem precisely, it seems logical to present a brief review of the available literature relating directly or indirectly to the field under study (Abdullah et al., 2008; Baqual, 2008). However, Bhat & Malik (2014) while studying “The strategy for the development of Hilly areas of Jammu region with particular reference to district Kathua” evolved a developmental strategy based on a primary data collected from 6 villages of Bari and Lohai-Malhar of district Kathua. The constraints outlined in the development of hilly areas were lack of infrastructure, mass illiteracy, limited business opportunities, existence of rain fed agriculture. The study suggested a planned dispersal of local raw materials based on the small and cottage industries and the support of agri-allied activities.

Sharma et al. (2015) pointed out the Industrial Policy Resolution (IPR) 1948 accepted the importance of small scale industries in industrial development. These industries are particularly suited for the utilization of local resources and for creation of employment opportunities. The results of the study of Onukwuli et al. (2014) show that female ownership and a sole proprietorship have negative effects on enterprise productivity. Rural based irregularly operated enterprises are less productive than that of urban based and regularly operated productivity generally increases with the age educational attainment of enterprise (Butt, 2005).

Manyathi et al. (2021) 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. Dar & Bhat (2013) focused on economic policy introduced by government of India in 1991 that gave thrust towards Globalization process. Globalization in India was adopted to integrate the economy of the country with world economy. The policy shift at the behest of IMF and World Bank has led to Unequal competition between Multinational companies and small Indian enterprises. As Small sector is a vital constituent of overall industrial sector of any country Particularly India there is need promote this sector.

Bilal & Bhat (2013) studied the effects of globalization on Micro, Small and Medium Enterprises (MSMEs) during pre and post liberalization from 1973- 74 to 2008-09. They used four economic parameters namely number of units, production, employment and export and interpreted study results based on Annual Average Growth Rate (AAGR) calculation. AAGR in pre liberalization period (1973-74 to 1989-90) was higher in all selected parameters than that of post liberalization period (1991-92 to 2007-08). They concluded that MSMEs failed to put up an impressive performance in post reform era (Effat & Bhat, 2013). In another study, Islam (2014) conducted a similar study in north east part of India to find out the challenges of SSI units. Researchers explained the various aspects of entrepreneurship in these states. Government is promoting this at bigger leel but in line with the earlier studies, they also concluded the lack of technical assistance and credit facilities as a one of the biggest challenges. Mohandas (2014) conducted a study on financing SSI and concluded that low credit worthiness make these units vulnerable for denial of credits and even difficult for government to finance fully. One suggestion was also given by the author to make use of institutional investors for the same purpose.

## **2.2 Problems of Small-Scale Industries in Kashmir**

Industrial sector does not play only an important role in providing employment to the educated youths but it also the solution of unemployment crisis in the state and contribute to raise the per capita productivity of the state (Mahapatra, 2007; Madonda et al., 2021). Small scale industries are facing many challenges in its growth; few of its challenges are discussed below:

**Skilled Labour:** The state is facing the problem of the skilled workforce. Most of the labour working in Small sector industrial units is unskilled. There are no proper training facilities to make the youth skilled and entrepreneur (Zondi et al., 2021).

**Marketing for Finished Products:** Marketing is an important factor for small scale industries (SSI) to survive. Despite large domestic markets in the country, SSI are facing marketing problem. To check the performance of SSI market, play an important role, where finished products are sold. In spite, the sector is facing this problem.

**Procurement of Raw Material:** Raw material is the basic element for the industrial units but SSI is facing the acute shortage of this. Infrastructure and transportation problem are also the reasons of the shortage of raw material.

**Expensive Transport:** High transportation cost reduces the growth rate of SSI in the district. Railway connectivity with between the regions is not available, only road facilities are available there and even very worse condition of road in many districts of the state. Easy and low transportation cost is necessary for SSI growth, which is non-existing in Kashmir.

**Erratic Electric Power Supply:** The electric power supply is irregular in the state. State produce electricity and it is exported to many other states of India. Without it is not regular in the state.

**Political Instability:** This is the most challenging aspect for the industrial sector. The state is facing disturbing condition of violence since more than a decade.

**Problem of Finance:** Finance is a major aspect for the establishment of a business but Indian SSI is facing the major problem of credits. Banks have raises interest rate that is a major challenge for borrower. They charge high transaction and administrative costs to take small loans.

**New Technology:** India SSI are facing dualism, only few enterprises are operated with modern technology and majority of them are operated with absolute technology. As a result, low productivity and poor quality is observed.

## **2.3 Objectives of the Study**

- 1.) To study the impact of financial performance of the small industries in Kashmir.
- 2.) To study the potential of growth and prosperity of small-scale industries in Kashmir.
- 3.) To generate strategies to create employment opportunities in small scale industries.
- 4.) To implement suggestive policies in order to increase the performance productivity and efficiency of the small-scale industries.

### **3.0 Research Methodology**

This research paper is descriptive and analytical, based on the secondary data. The required secondary data has been collected from various old research papers, journals, books internet, some of the governmental data etc. The data has also been taken from various documents such as books, newsletters, reports, magazines, journals, newspaper, internet, as well as from existing literature to understand the importance and contribution of small scale industries.

### **4.0 Results of the Study**

Small scale industries have a special socio-economic significance in Kashmir. Main focus is on financial performance of small-scale industries. These industries help in improving the social and economic conditions of Kashmir. Industrialisation play a very important role in economic development of a country. Being eco-friendly and more labor intensive and less capital intensive in nature they provide employment opportunities to the local unemployed youth of the Kashmir. Small scale industries have a special socio-economic significance in Kashmir. These industries help in improving the social and economic conditions of Kashmir. Small scale industries have been the engine and growth for every country and play an important role in economic development of a country. It is quick means of creating jobs with minimum capital. SSI comprise of small enterprises who manufacture goods or services with the help of relatively smaller machines and a few workers and are the lifeline of the economy. They do a one- time investment in machinery, plants, and industries which could be on an ownership basis, hire purchase or lease basis. They have been identified as a high potential sector for employment generation and source of livelihood to millions of people in Asian, African and Latin American countries. A large number of poor and marginalized sections of the population depend on them for their sustenance. These industries not only reduce poverty and income inequality but also raise the standard of living. Furthermore, they enable people to make a living with dignity. Procuring manpower and raw materials is easy for them. Even the government's export policies favor them easily. Industrial sector does not play only an important role in providing employment to the educated youths but it also the solution of unemployment crisis in the state and contribute to raise the per capita productivity of the state. The rapid development of capital goods industries promotes the growth of agriculture, transport and communication. Despite of having lot of improvements, government should take initiative towards betterment of small-scale industries. Awareness policies and programs should be organized to remove unemployment in the state, which is the main concern.

### **5.0 Conclusion of the Study**

Small-scale industries have gained international recognition for their role in restructuring and reshaping Kashmir's economy. Small-scale industries constitute the backbone of the state's industrial economy. The small-scale industrial sector makes a major contribution to the state economy and serves as a solid support for it. It encourages people in the nation to start their own businesses. These sectors encourage economic growth and equitable development by providing job opportunities at cheap capital costs, a greater labor intensity than big firms, and assisting rural backward regions in becoming industrialized. However, there is still a long way to go in terms of industrialization, and some hurdles to general growth and development, such as poor infrastructure, energy shortages, political instability, and financial difficulties, must be overcome. Infrastructure, transportation, and a large investment in SSI are all ways to boost the state's industrial scene. The state's small-scale manufacturing sector has remarkable and outstanding potential to absorb thousands and thousands of jobless educated youth.

As a result, the moment has come for the government to take strong actions to strengthen the industrial climate for large-scale investment, which necessitates a realistic and long-term policy effort. With the expansion of this industry, unemployment will naturally diminish. Policies and initiatives for the development of the small-scale industrial sector should be adopted by both the state and central government. This study suggests that there should be adequate stock of raw materials. There should be correct promoting support. There should be internal control centres, for guaranteeing the standard of raw materials and for the finished product. There should be a discount within the trade restrictions and improvement for the transformation of production pattern and method. There should be a social incentive for these industrial units for attracting contemporary investments. There should be development of infrastructure such as wide roads networks, telecommunication infrastructures, clean and adequate pipe born water, electricity supply both in the city and rural areas. There should be variety of incentives for the small and medium sized industries as financial incentives, tax incentives, and above all ease of doing business should be a matter of public policy.

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