



# Growth Performance and Employment Responsiveness of Small Scale Industries: An Analysis of Srinagar District, Jammu and Kashmir

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**ABSTRACT:** *Small Scale Industries play a key role in industrial development and employment generation, particularly in regionally constrained economies. The present study examines the growth performance and employment responsiveness of the small-scale industrial sector in Srinagar district of Jammu and Kashmir over the period 2005-06 to 2020-21. The study is based on secondary data relating to the number of units and employment generated in the sector. To analyze the relationship between industrial expansion and employment generation, the study employs annual growth rates and employment elasticity. The results indicate that the number of small scale industrial units increased steadily from 8,870 in 2005-06 to 11,041 in 2017-18, reflecting stable industrial growth. Similarly, employment increased from 43,073 to 54,015 persons during the same period, indicating a balanced growth pattern. The employment elasticity values remained close to unity during the normal period, suggesting that industrial growth was moderately labour-intensive and capable of generating proportionate employment.*

*However, a structural break is observed in the later years, particularly after 2017-18, when both units and employment declined sharply. The abnormal elasticity values in recent years indicate instability and the presence of external shocks affecting the sector. The study concludes that while the Small-scale industrial sector in Srinagar district has experienced steady growth under normal conditions, its employment-generating capacity remains vulnerable to fluctuations. Therefore, policy measures are required to enhance employment stability and strengthen the resilience of the sector.*

**KEYWORDS:** *Small Scale Industries, Employment Elasticity, Industrial Growth, Srinagar*

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## I. INTRODUCTION

Small Scale Industries (hereafter abbreviated as SSI) constitute a vital component of the industrial structure in developing economies like India, playing a pivotal role in promoting economic growth, employment generation, and balanced regional development. The sector is widely recognized for its low capital intensity and high labour absorption capacity, making it an effective instrument for inclusive and sustainable development. In India, the SSI sector contributes substantially to industrial output, exports, and employment, thereby acting as a backbone of the national economy (Chowdappa, 2024). Empirical evidence suggests that the sector accounts for a significant proportion of industrial production and provides employment opportunities to millions, particularly in rural and semi-urban areas. The importance of SSI extends beyond economic growth to broader socio-economic transformation. The sector is instrumental in reducing poverty, minimizing regional disparities, and promoting a more equitable distribution of income and wealth (Banik, 2018). Similarly, studies have highlighted that small scale industrial units contribute significantly to GDP, employment generation, and export performance while fostering entrepreneurship and efficient resource utilization (Kumari, 2021). Due to their widespread presence and operational flexibility, SSI acts as a catalyst for rural industrialization and local economic development.

However, despite these contributions, the sector faces several structural challenges that affect its performance and sustainability. These include limited access to finance, lack of skilled labour, inadequate infrastructure, and technological constraints, which often reduce competitiveness in a liberalized economic environment (Prabakaran, 2020). Moreover, issues such as restricted market access, managerial inefficiencies,

and vulnerability to external economic shocks continue to hinder the growth potential of the sector (Gajendra, 2019). These constraints underline the need for continuous policy support and institutional strengthening.

In this broader context, the role of SSI in Jammu and Kashmir (hereafter abbreviated as J&K) becomes particularly significant due to geographical constraints and the limited presence of large-scale industries. The SSI sector serves as a key source of employment and income generation, contributing to regional economic stability. Recent district-level studies in Jammu and Kashmir have also highlighted the important role of SSI in industrial growth and employment generation. A longitudinal study conducted in Pulwama district revealed that the growth of small-scale industrial units contributed significantly to employment creation and regional economic development, while also indicating the vulnerability of the sector to structural disruptions and external shocks (Ganaie et al., 2024). Similarly, evidence from Anantnag district showed that although SSI units experienced steady industrial growth, employment generation remained comparatively uneven, suggesting that industrial expansion does not always translate proportionately into employment opportunities (Ganaie & Kaur, 2024). Srinagar district, being one of the major economic centres of the J&K, has witnessed a gradual expansion in its small-scale industrial base. However, while the growth in the number of industrial units reflects structural development, it is essential to examine whether such expansion has translated into proportionate employment generation.

The relationship between industrial growth and employment generation has been widely debated in economic literature. Although an increase in the number of industrial units generally indicates economic progress, it does not necessarily ensure a corresponding rise in employment. Factors such as technological change, productivity improvements, and structural adjustments often influence the labour absorption capacity of industries. In this context, employment elasticity emerges as an important analytical tool to assess the responsiveness of employment to industrial growth. Existing empirical studies on SSI in J&K have primarily focused on districts such as Pulwama and Anantnag, where researchers examined industrial growth patterns, employment trends, and employment elasticity (Ganaie et al., 2024; Ganaie & Kaur, 2024). These studies found that SSI growth generally supported employment generation under normal conditions, although recent years reflected instability and structural disturbances affecting the sector. However, similar district-level evidence for Srinagar district remains limited. Despite the growing importance of the SSI sector, limited empirical evidence exists on the relationship between industrial growth and employment responsiveness at the district level, particularly in Srinagar. Most existing studies focus on aggregate or state-level trends, leaving a gap in understanding localized industrial dynamics and employment outcomes. Against this backdrop, the present study examines the growth performance and employment responsiveness of SSI in Srinagar district of J&K over the period 2005-06 to 2020-21. By employing growth analysis and employment elasticity, the study aims to evaluate whether industrial expansion has led to proportional employment generation and to identify structural shifts affecting the stability and employment-generating capacity of the sector.

## **II. OBJECTIVES OF THE STUDY**

- To examine the growth pattern of SSI in Srinagar district in terms of number of units and employment generation.
- To analyze the employment responsiveness of industrial growth using employment elasticity.

## **III. DATABASE AND METHODOLOGY**

### **3.1 Database**

The present study is based on secondary data relating to the performance of SSI in Srinagar district of J&K. The data covers the period from 2005-06 to 2020-21 and includes information on the number of SSI units and employment generated in the sector. The data has been compiled from Digest of Statistics 2020-21, Directorate of Economics and Statistics, Government of J&K. The dataset is used to examine the growth pattern and employment generation of the SSI sector in the study area. For comparative analysis, state-level data (J&K) has also been used to compute the share of Srinagar district in total units and employment.

### **3.2 Methodology**

The study adopts a quantitative and analytical approach to examine the growth and performance of the SSI sector. Various statistical and econometric techniques have been employed to analyze the data.

#### **3.2.1 Growth Analysis**

The annual growth rate has been calculated to measure year-to-year changes in the variables using the formula:

$$\text{Growth Rate} = \frac{X_t - X_{t-1}}{X_{t-1}} \times 100$$

Where:

- $X_t$  = current year value
- $X_{t-1}$  = previous year value.

### 3.2.2 Employment Elasticity

Employment elasticity has been estimated to examine the responsiveness of employment generation to changes in SSI units. It is calculated using the following formula:

$$\text{Employment Elasticity} = \frac{\% \Delta E}{\% \Delta U}$$

Where:

- %ΔE = Percentage change in employment
- %ΔU = Percentage change in SSI units

The following section presents the empirical findings relating to the growth performance, employment pattern, and employment responsiveness of SSI in Srinagar district.

## IV. RESULTS AND DISCUSSION

### 4.1 Contribution of Srinagarto J&K SSI Sector

Table 1 presents the year-wise share of Srinagar district in the total number of SSI units and employment in J&K over the period 2005-06 to 2020-21. The table provides insights into the relative contribution of Srinagar district to the overall industrial and employment structure of the J&K. A careful examination of the data reveals that Srinagar district has consistently maintained a significant share in both SSI units and employment throughout the study period. In terms of the number of units, Srinagar's share remained relatively stable around 18 percent during the initial phase from 2005-06 to 2017-18. For instance, the share was 18.39 percent in 2005-06, slightly declined to 17.90 percent in 2006-07, and then gradually stabilized between 18.4 to 18.7 percent up to 2017-18 (18.43%). This indicates that the growth of SSI units in Srinagar was broadly in line with the overall growth of the sector in J&K, reflecting a stable and consistent industrial presence in the region.

Similarly, the share of Srinagar in total employment also remained relatively stable during this period. It stood at 19.66 percent in 2005-06 and remained close to 18-20 percent throughout the years up to 2017-18 (18.29%). The slight decline in percentage share over time, despite an increase in absolute employment from 43,073 to 54,015 persons, suggests that employment in other districts of J&K was growing at a comparable or slightly higher pace. However, a notable structural shift is observed in the later years, particularly after 2017-18. The share of Srinagar in total units declined sharply to 16.15 percent in 2018-19, and remained relatively lower at 16.82 percent in 2019-20 and 16.24 percent in 2020-21. A similar declining trend is evident in employment share, which dropped from 18.29 percent in 2017-18 to 16.18 percent in 2018-19, and further remained around 16-17 percent in subsequent years.

It is important to note that this decline in share does not necessarily indicate a significant reduction in Srinagar's industrial performance alone. Rather, it reflects broader structural changes in the overall SSI sector of J&K. During this period, there was a substantial decline in the total number of units and employment at the state level (e.g., total units dropped from 59,899 in 2017-18 to 33,845 in 2018-19), which altered the relative distribution across districts. Although the number of units and employment in Srinagar also declined (from 11,041 units to 5,467 units and 54,015 to 33,811 persons), the proportional decline in the state totals influenced the share dynamics. Overall, the table indicates that Srinagar district has been a major contributor to the SSI sector, maintaining a relatively high and stable share in both industrial units and employment for a substantial part of the study period. The observed decline in recent years reflects structural disruptions or external shocks affecting the entire industrial sector, rather than a complete weakening of Srinagar's industrial base. Therefore, while the district's relative share has decreased in recent years, its role in the industrial economy of J&K remains significant.

**Table 1: Year-wise Share of Srinagar District in SSI Units and Employment in J&K (2005-06 to 2020-21)**

Sr. No	Year	Number of Units		Share of Srinagar in J&K (%)	Employment (Number of Persons)		Share of Srinagar in J&K (%)
		J&K	Srinagar		J&K	Srinagar	
1	2005-06	48224	8870	18.39	219127	43073	19.66
2	2006-07	51077	9141	17.90	224312	44412	19.80
3	2007-08	50470	9368	18.56	232915	45565	19.56
4	2008-09	51441	9605	18.67	238281	46548	19.53
5	2009-10	52629	9869	18.75	245774	47640	19.38
6	2010-11	53544	10021	18.72	251251	48403	19.26
7	2011-12	54714	10163	18.57	260393	49054	18.84
8	2012-13	55742	10313	18.50	267194	49961	18.70
9	2013-14	56660	10462	18.46	274011	50931	18.59

10	2014-15	57788	10642	18.42	276680	51075	18.46
11	2015-16	58596	10787	18.41	283105	52000	18.37
12	2016-17	59223	10912	18.43	288524	52799	18.30
13	2017-18	59899	11041	18.43	295348	54015	18.29
14	2018-19	33845	5467	16.15	208977	33811	16.18
15	2019-20	32766	5510	16.82	204062	34352	16.83
16	2020-21	32726	5315	16.24	178579	29826	16.70
Total		809344	147486	18.22	3948533	733465	18.58

Source: Author's calculations based on data from Digest of Statistics 2020-21, Directorate of Economics and Statistics, Government of Jammu and Kashmir.

## **4.2 Growth Performance, Employment Pattern and Employment Elasticity of SSI in Srinagar District**

### **4.2.1 Growth Performance of SSI Units**

Table 2 presents the growth performance of SSI units, employment growth pattern, and employment elasticity in Srinagar district during the period 2005-06 to 2020-21. The growth performance of SSI units in Srinagar district shows a steady and sustained expansion during the initial phase of the study period. The number of units increased from 8,870 in 2005-06 to 11,041 in 2017-18, indicating a gradual strengthening of the industrial base. The annual growth rates remained moderate and stable, generally ranging between 1.16 percent and 3.05 percent. For instance, growth was 3.05 percent in 2006-07, 2.75 percent in 2009-10, and gradually moderated to around 1.18 percent in 2017-18, reflecting a transition from relatively higher to more stable growth.

The absence of sharp volatility during this phase suggests a consistent and resilient pattern of industrial development, supported by steady expansion rather than sporadic changes. Similar patterns of stable industrial expansion were also observed in Pulwama and Anantnag districts, where SSI units recorded gradual growth during the normal period before experiencing disruptions in recent years (Ganaie et al., 2024; Ganaie & Kaur, 2024). However, this stability is disrupted in the later years. A significant decline of -50.48 percent in 2018-19 indicates a major structural break in the sector. Although a marginal recovery is observed in 2019-20 (0.79%), the growth again turns negative in 2020-21 (-3.54%). Overall, the growth pattern of SSI units can be broadly divided into two phases: a stable growth phase (2005-06 to 2017-18) and a disturbance phase (post-2017-18), highlighting the impact of external or structural factors in recent years.

### **4.2.2 Employment Growth Pattern**

In contrast to the relatively stable growth of SSI units, the pattern of employment generation exhibits a more fluctuating and uneven trend. Employment increased from 43,073 persons in 2005-06 to 54,015 persons in 2017-18, indicating an overall upward movement during the initial phase. The growth rate of employment during this period ranged between 1.34 percent and 3.11 percent, broadly corresponding with the growth in industrial units. For example, employment grew by 3.11 percent in 2006-07, 2.87 percent in 2012-13, and 2.30 percent in 2017-18, suggesting that employment generation was largely aligned with industrial expansion. This reflects a balanced growth pattern, where increases in industrial activity translated into corresponding increases in employment.

Comparable findings were reported in the studies conducted in Pulwama and Anantnag districts, where employment growth generally corresponded with industrial expansion during the initial years but became unstable in the later period due to external shocks and structural disturbances (Ganaie et al., 2024; Ganaie & Kaur, 2024). However, the later years show significant instability. Employment declined sharply by -37.41 percent in 2018-19, followed by a slight recovery in 2019-20 (1.60%), and again a substantial decline of -13.17 percent in 2020-21. Compared to the growth of units, employment appears more sensitive to external disturbances, indicating that job creation is less stable than industrial expansion. Thus, while the overall trend remains positive, the employment pattern reveals greater volatility, especially in the recent period, suggesting that industrial growth alone is not sufficient to ensure stable employment generation.

### **4.2.3 Employment Elasticity Analysis**

To assess the responsiveness of employment to industrial growth, employment elasticity has been estimated using the growth rates of units and employment. The results indicate that during the normal period from 2006-07 to 2017-18, elasticity values mostly ranged between 0.85 and 1.34, reflecting a moderate and proportionate relationship between the growth of SSI units and employment generation. Elasticity values close to unity, such as 1.02 in 2006-07, 1.05 in 2007-08, and 1.04 in 2010-11, suggest that a one percent increase in industrial units led to a nearly equivalent increase in employment. This indicates that the SSI sector in Srinagar district is moderately labour-intensive, with a reasonably strong capacity to generate employment alongside industrial expansion. The findings are broadly consistent with earlier district-level studies in J&K, particularly in Pulwama and Anantnag, where employment elasticity values remained close to unity during the normal growth

phase, indicating a proportionate relationship between industrial growth and employment generation (Ganaie et al., 2024; Ganaie & Kaur, 2024).

However, some deviations are observed within this period. For instance, in 2014-15, despite a unit growth of 1.72 percent, employment increased by only 0.28 percent, resulting in a low elasticity value of 0.16. This implies that the expansion of units did not effectively translate into employment generation, possibly due to productivity improvements or changes in production practices.

A clear structural shift is observed after 2017-18, where elasticity values become highly unstable. In 2018-19, both units and employment declined sharply, with elasticity at 0.74, indicating that employment declined less proportionately than units. In 2019-20, elasticity increased to 2.03, suggesting a stronger employment response during the recovery phase. However, in 2020-21, elasticity rose sharply to 3.72, reflecting a disproportionate decline in employment relative to units. These extreme values indicate abnormal conditions rather than normal economic behaviour, likely caused by external shocks or structural disruptions. Overall, the elasticity analysis highlights two distinct phases: a stable and labour-responsive phase (2005-06 to 2017-18) and an unstable phase (post-2017-18) characterized by irregular and unpredictable employment responses. This underscores the need for policy measures aimed at improving the stability and employment-generating capacity of the SSI sector.

**Table 2: Growth Performance and Employment Elasticity of SSI in Srinagar District**

Sr. No	Year	Units (In Numbers)	Growth Units (%)	Employment (Numbers of Persons)	Growth Employment (%)	Elasticity
1	2005-06	8870	-	43073	-	-
2	2006-07	9141	3.05	44412	3.11	1.02
3	2007-08	9368	2.48	45565	2.60	1.05
4	2008-09	9605	2.53	46548	2.16	0.85
5	2009-10	9869	2.75	47640	2.35	0.85
6	2010-11	10021	1.54	48403	1.60	1.04
7	2011-12	10163	1.42	49054	1.34	0.94
8	2012-13	10313	1.48	49961	1.85	1.25
9	2013-14	10462	1.45	50931	1.94	1.34
10	2014-15	10642	1.72	51075	0.28	0.16
11	2015-16	10787	1.36	52000	1.81	1.33
12	2016-17	10912	1.16	52799	1.54	1.33
13	2017-18	11041	1.18	54015	2.30	1.95
14	2018-19	5467	-50.48	33811	-37.41	0.74
15	2019-20	5510	0.79	34352	1.60	2.03
16	2020-21	5315	-3.54	29826	-13.17	3.72

Source: Author’s calculations based on data from Digest of Statistics 2020-21, Directorate of Economics and Statistics, Government of Jammu and Kashmir.

## V. CONCLUSION AND POLICY IMPLICATIONS

The study examines the growth performance and employment responsiveness of SSI in Srinagar district from 2005-06 to 2020-21. The findings reveal that the sector experienced steady and balanced growth during the initial phase, with both the number of units and employment increasing consistently. The close alignment between industrial expansion and employment generation, supported by elasticity values near unity, indicates that the sector remained moderately labour-intensive and capable of generating proportionate employment under stable conditions. However, a clear structural break is observed after 2017-18, marked by a sharp decline in both units and employment along with highly volatile elasticity values. This shift reflects the impact of external shocks and structural disruptions, highlighting the vulnerability of the sector despite its earlier stability. The results suggest that industrial growth alone is insufficient to ensure sustained employment generation, particularly in periods of economic uncertainty.

From a policy perspective, there is a need to strengthen the resilience and employment orientation of the SSI sector. This can be achieved by promoting labour-intensive industries, improving access to credit and infrastructure, and enhancing market linkages. Skill development initiatives should be aligned with industrial requirements to improve productivity without reducing employment potential. Additionally, policies should focus on diversification and institutional support mechanisms to protect the sector during economic disruptions. Strengthening these aspects will help ensure stable, inclusive, and sustainable industrial development in the region.

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