

## IMPACT OF GLOBALIZATION ON SMALL SCALE INDUSTRIES

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### ABSTRACT

*Remember the ancient time when people was limited to their own area which could be a city or a state of probable a country, for their trade and service, in all material respect that is for Gods and services they deal, the finance as well as the labour which they suppose to use for their business. What was the impact of it? The whole business was limited to particular span. The globalization gives an opportunity for cross boarder movement of trade & Services, capital and finance. To define the globalization, the better words will be, share of knowledge, Technology, information, and finance, through cultural integration of two or more economies with intention to go cross border. It converts the small market into a huge one by making it international and by removing the all Trade Barriers. It also results in the form of availability of several things to several people. However looking into so many numbers of positive traits we forgot to look into the darkest part of the Globalization for India. India's business industry is still dominated by the Small scale industries. Around forty five percent portion of total business including exports is through small scale industries and same for employment generation through industries. However due to the process of globalization an unequal competition has generated between the Giant MNC's and small scale industries. Hence a study becomes essential need to find out the impact of Globalization on small scale industries. This research paper light the impact of Globalization on small scale industries in respect to employment, production, investment and exports.*

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**Keywords:** *Globalization, Cross Boarder Competition, Employment Effect, Empirical Evaluation.*

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### Introduction

Globalization is a process of increasing the interdependence and interconnectedness of economies of various countries with each other. It is an advanced stage of the development of business. In globalisation to whole world opens for exchange of capital, Technologies, Labour, Information, transportation and the most important the marketing without any barriers or hindrances. It helps in bringing the world closer to economies of the world which helps in removing the differences of developing and developed countries. Globalization takes place in three modes which are exchange of Trade of Goods and services, movement of capital and Flow of finance through exchange of capital of the world. In common parlance the globalization is limited up to integration of world economies, however the real meaning of Globalization was defined by the Economic policy of India introduced in 1990.

In all developing countries, the small scale industries play a significant role. Since the resources available and the amount of the capital to be invested in businesses are quite low, hence establishment and development of large size industries is not an easy task for such economies. Since India is a developing country, the role of small sector is not need to justify. It just do not contribute to the GDP of the country, but the other indirect role of small scale industry is it provides huge employment opportunity. The Small Scale Industries contributes for around forty five percent of the manufacturing output and around forty percent of the total export of the country in addition to generating employment in the country. However over the period, the share of small scale industry is slightly decreasing but, During the year 2002-03, the small scale sector contributed for about thirty nine percent of the total industrial production and accounted for about thirty eight percent of the industrial production in the year 2007-08.

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### Objective of Study

The study have been conducted with the view to achieve following objectives:

- To find out the growth and development of small scale industries before and after the globalization,
- To find out the impact of globalisation on employment generation in small scale industries,
- To assess the available opportunities and threats of Small scale industries in India during the globalization period.
- To provide with the recommendations on improvement of small scale industries,
- To provide with the recommendations on how small scale industries can be developed and grow in era of Globalization.

### Review of Literature

**Rajy Lakshmi, N. (2004)** Keeping the base of Visakhapatnam district of Andhra Pradesh state, he has conducted a study to review the productivity in small scale industries at the micro level and has find out that how small scale industries owners measures the productivity in their units. The whole study was conducted using the personal interview technique for round two hundred selected units. He observed that from the point of capital intensity, the chemical units found more intensive compare to Food and agro units.

**Biswanath (1988)** he has conducted a study of small scale industries to analyze whether the productivity level of these industries is up to their optimum level or not. He observed that small scale industries have very lower labour productivity; however capital productivity is very high. He overall productivity is found to be very low.

**Ramsingha (1987)** while his study is related to small scale industry development and growth, the object is far boarder than the object of similar studies and research. The object of study was to find out value added on the fixed investment made in the business. His observation clearly stated that value added by small scale industries on fixed investment made is at least three times as compare to large sized industries.

**Sudan, F. K. (2005)** the researcher has conducted the study through various questions related to Micro and small enterprises, to describe the challenges in Micro and small scale enterprises Development and policies. His study explained the meaning, Advantage and other options of Medium, small enterprises. He concluded that the nature of policies as adopted by Government of India were put forward with the view to prepare and develop a dynamic micro small enterprise sector and a diversified economy with more opportunities for employment can be established, so that new employment opportunities can also be generated to absorb the new generation unemployment.

**Shetty M.C (2008)** Researcher has conducted the study on selected sample of Household manufacturing units of few small town and villages of Maharashtra state. At the conclusion of his research, he concluded that the biggest cause of constraint on the efficiency of such small scale industries is shortage or lack of capital specially the working capital.

**Ghanshyam Panda (2008)** the object of the study was to find out whether the small scale industries effectively uses the working capital facility obtained by them specially by those units which are in the backward area. The final conclusion of his study found that these units specially their industries in the backward area misutilises the funds provided to them and do not use the same for the purpose for which they obtained it. This becomes the reason for non development of such industries.

**Rakesh Basant, Sebastain. Morris (2006)** their conclusion has given a new thought to find out the reason of non development of the small scale industries along with the increased globalisation. They stressed that the major problem faced by the small scale industries is their inefficiency to deal with government policies and framework, to satisfy the requirements of Laws and Regulations.

### Rational of Study

After going through with the literature review, it is observed that many Researchers and authors have conducted studies with their best efforts on the analyzing the impact of globalization on small scale industries, but the actual impact is still not certainised. The reason being, globalization is impacted by number of factors which globally generated. The second thing is, the studies which have been conducted till date, do not provide recommendations for improvement in the efforts to be made to develop the small scale industries in pace with globalization. Hence a study was needed to enlighten the above aspects. This research paper is undertaken to find out the answer of these question along with proposed recommendations.

### Hypothesis for Study

**H<sub>01</sub>** There is no significant impact of Globalization on growth and development of small scale industries.

**H<sub>02</sub>** There is no significant impact of Globalization on employment generation in small scale industries

### Nature of Study

The present study is undertaken to examine the performance of Small Scale Industries in India during the period 1992 to 2011 with the identification of distinction between the pre and post globalization period reforms.

### Research Methodology

- **Sampling Technique**

For the purpose of the study the data have been collected from secondary sources through various publications such as Reserve Bank of India, other matter published in Various Journals and Research papers. For analysis portion, Average, Percentage and Growth Rates techniques of statistics have been used.

- **Sampling Design**

The present study is based upon the secondary data analysis by using the data from annual reports of Small Scale Industries issues by Ministry of small scale industries and Reserve Bank of India. The study covers a period from 1992 to 2011. Various parameters such as Total Number of Micro, Small and medium industries established, Amount invested, production achieved, Exports made and Employment generated in this period has been used to analyze the performance of Small scale Industries. During post and pre Globalization.

### Results and Analysis

India has seen the impact of Globalization after the last decade of Nineteenth Century or from the beginning of Twentieth Century. Hence to evaluate the impact of Globalization, following two tables are presented to show the data related to Small Scale industries for two decades. One is of pre Globalization (i.e. for the period of nineties) and the second one is for Post Globalization (i.e. for the period of first decade of twentieth Century).

**Table 1: Development of MSME's during the 1990's**

Year	Total MSMEs (lakh numbers)	Fixed Investment (Rs. Crore)	Production (Rs. crore)	Employment (lakh person)	Exports (Rs. crore)
1992-93	73.51 (4.07)	109623 (9.24)	84413 (4.71)	174.84 (5.33)	17784 (28.10)
1993-94	76.49 (4.07)	115795 (5.63)	98796 (17.04)	182.64 (4.46)	25307 (42.30)
1994-95	79.60 (4.07)	123790 (6.9)	122154 (23.64)	191.40 (4.79)	29068 (14.86)
1995-96	82.84 (4.07)	125750 (1.58)	147712 (20.92)	197.93 (3.42)	36470 (25.46)
1996-97	86.21 (4.07)	130560 (3.82)	167805 (13.60)	205.86 (4.00)	39248 (7.62)
1997-98	89.71 (4.07)	133242 (2.05)	187217 (11.57)	213.16 (3.55)	44442 (13.23)
1998-99	93.36 (4.07)	135482 (1.68)	210454 (12.41)	220.55 (3.46)	48979 (10.21)
1999-00	97.15 (4.07)	139982 (3.32)	233760 (11.07)	229.10 (3.88)	54200 (10.66)

Source: Annual report, 2010-2011, Ministry of Micro, Small and Medium Enterprises. The figures in Bracket are showing growth in comparison to previous year.

**Table 2: Development of MSME's during the 2000's**

Year	Total MSMEs (lakh number)	Fixed Investment (Rs. Crore)	Production (Rs. crore)	Employment (lakh person)	Exports (Rs. crore)
2001-02	105.21 (4.07)	154349 (5.11)	282270 (8.03)	249.33 (4.44)	71244 (2.07)
2002-03	109.49 (4.07)	162317 (5.16)	314850 (11.54)	260.21 (4.36)	86013 (20.73)
2003-04	113.95 (4.07)	170219 (4.87)	364547 (15.78)	271.42 (4.31)	97644 (13.52)
2004-05	118.59 (4.07)	178699 (4.98)	429796 (17.90)	282.57 (4.11)	124417 (27.42)
2005-06	123.42 (4.07)	188113 (5.27)	497842 (15.83)	294.91 (4.37)	150242 (20.76)
2006-07	261.01 (111.48)	500758 (166.20)	709398 (42.49)	594.61 (101.62)	182538 (21.50)
2007-08	272.79 (4.51)	558190 (11.47)	790759 (11.47)	626.34 (5.34)	202017 (10.67)
2008-09	285.16 (4.53)	621753 (11.39)	880805 (11.39)	659.35 (5.35)	N. A.
2009-10	298.08 (4.53)	693835 (11.59)	982919 (11.59)	695.38 (5.47)	N. A.
2010-11	311.52 (4.51)	773487 (11.48)	1095758 (11.47)	732.7 (5.29)	N.A
<b>Average growth rate</b>	16.1	24.1	14.5	14.4	16.6

Source: Annual report, 2010-2011, Ministry of Micro, Small and Medium Enterprises.

From the above two tables followings observations has been made:

- The total number of small scale industries are increasing every year with a pace of around four percent every year except in year 2006-07 and 2007-08, where it increased with a blasting rate.
- Total investment in Small Scale industries has reached from the level of 109623 crores in 1992-93 to 773487 in 2010-11.
- The production has shown a drastic improvement and results increase up to a level of 1095758 up to year 2010-11.
- The major impact of Globalization on small scale industries has been saw in the form of increase in employment level. Where only 174.84 lakhs people were given employment in 1992-93, 732.70 people have been employed through Small Scale industries in 2010-11.
- The contribution of Small Scale industries in Exports has also increased considerable.

Now lets have a look the recent developments made and contribution earned by Small Scale Industries after 2010-11 i.e. from 2011-12 to 2016-17

**Table 3: Contributions of MSMEs in Country's Economy at Current Price**

Year	MSME GVA	Growth (%) from PY	Total GVA	Share of MSME in GVA (%)	Total GDP	Share of MSME in GDP (in %)
2011-12	2622574	-	8106946	32.35	8736329	30.00
2012-13	3020528	15.17	9202692	32.82	9944013	30.40
2013-14	3389922	12.23	10363153	32.71	11233522	30.20
2014-15	3704956	9.29	11504279	32.21	12467959	29.70
2015-16	4025595	8.65	12566646	32.03	13764037	29.20
2016-17	4405753	9.44	13841591	31.83	15253714	28.90

Source: Annual report, 2018-19, Ministry of Micro, Small and Medium Enterprises.

The above Table depicts the details of Growth of Small Scale Industries in the given six years starting from 2011-12 to 2016-17. As we can see the total growth of Small scale industries has decreased since 2011-12. However after 2014-15 it found to be constant near to nine percent. Same as share of small scale industries in total GDP of the country has also decreased slightly but still the decrease is not considerable, as it is quite low.

**Table 4: Contribution of MSME in Rural Sector Growth in the Latest Years**

Year	Production	Sales	Employment
2014 – 15	26689.39	31965.52	123.19
2015 – 16	33424.62	40384.56	126.76
2016 – 17	41110.26	49991.61	131.84
2017 – 18	46454.75	56672.22	135.71
2018 – 19 (Provisional)	56255.18	71113.68	142.03

Source: Annual report, 2018-19, Ministry of Micro, Small and Medium Enterprises.

Table 4 depicts the role of small scale industries in the rural sector. As we can see in spite of decrease in overall Growth rate of Small Scale Industries, the production, Sales as well as Employment is continuously increasing in the Rural sector due to small scale industries. The small scale industries have also performed considerably better in employment generation.

### Conclusion and Recommendations

#### Conclusions

Due to Globalization the number of small Scale industries has increased however not with a good pace rate. Due to globalization the MNC's has expanded their business in India, which has crippled the business of small scale industries. The increase in investment level has shown that the keen interest of small business is increasing. People with skills and small capital are now becoming more independent and ready to start their business. The increase in production has also indicates that the role of Small Scale industries is increasing in the total GDP of company though with a slight low rate but still appreciable. The growth ratio in the rural area of small scale industries is quite better compare to overall. However the decrease in growth rate as depicted by table 3, of Small Scale Industries is a matter of worry.

#### Recommendations

It has been observed from above analysis that due to globalization, impact has been not found to be very significant, yet the same cannot be ignored all together. It is undoubtedly has impacted the small scale industries. However with the few small changes and efforts small scale units can be developed in a better manner, such as establishing one window concept in all districts to provide the needed services and facilities to small scale industries, increased inter communication between small scale industries and Large scale industries, increasing the flow of finance by the government to the Small scale industries, and supporting them through various refund schemes on exports.

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