

Title :Impact of globalisation on Indian Economy
Sub Theme: Impact of globalisation on Small scale industries in India

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Abstract

Globalization refers to the process of integration of the world into one huge market. It provides huge opportunities to several people with removal of all trade barriers among countries. Globalization happens through three channels: trade in goods & services, movement of capital and flow of finance. It is the modern renaissance that makes ideas, goods, services, trade, technology and culture spread into the entire geography of the world thus turning it into a global village. While globalization is a large scale phenomenon and small scale enterprises are a local phenomenon but having wide effects as large as it's global 'friend and foe'. Friend- because both globalization and small scale industries are the two wheels of the vehicle of economic growth and prosperity; foe- because some argue that given the developing nation that India is, Small Scale Industries(SSIs) can suffer and strangle to death by fierce competition put up by globalisation. Globalization has led to an 'Unequal Competition'- a competition between 'giant MNC's and dwarf Indian enterprises'. The small scale sector is a vital constituent of overall industrial sector of the country and forms a dominant part of Indian industry contributing to a significant proportion of production, exports and employment. **The present study focus on the impact of globalisation on growth rate, production and employment in the pre and post globalised era on Indian Small Scale Industries.**

Key words: Globalisation, SSI, Unequal Competition ,Production, Employment, Economic growth.

Introduction

Globalisation is a process of interaction and integration among the people companies and government of different nation. It is centered on the integration of international market for goods services and technology, finance and labour .This process has brought radical changes in the economical, social and political wellbeing. India was self reliant and self sufficient but with the march of the world towards industrialization , India found its closed policy of trade leading to an impending economic crisis. The main reason behind this was the focus of efforts on heavy industries and lack of it on the consumption goods. From 1991 India witnessed a major change as the govt. introduced liberalization, privatization and globalization reforms to pep up the economy. Soon the world realized what a big one billion-population-market India was. They brought their goods to India which were mass produced and therefore cheaper and of better quality than the local goods. They started challenging the

SSI as the MNCs were facilitated with areas with liberal economic and trade laws, round the clock facilities and concessions to enhance foreign investments and promote exports. This endangered the existence and survival of SSIs. But this is not the complete picture. A lot of foreign entrepreneurs who do not have the time or funds to build the infrastructure for their own manufacturing unit in India engage a number of SSI owners to produce goods for them in a short span of time and sell them to cater to the international demand. In other words they outsource the manufacturing to the Indians. Thus it leads to more labour absorption and growth of SSIs. Many of the SSIs have turned into LSIs this way. Also the demand for SSI goods will never finish as a lot of their products are not lucrative options for the MNCs. For example, the incense sticks or agarbatties, bangles, pickles, etc. are not a catch for LSIs but have a constant demand and thus SSIs have a great opportunity in identifying such areas. Thus small scale Industries experienced opportunities as well as threat from globalisation.

Objectives Of The Study-

- To study the growth and development of SSI units in India
- To study the impact of globalization on SSI units unit in terms of growth rate employment and Industrial sickness.
- To full fill the gaps so as to increase the productivity of the SSI units

Methodology: The present study is based upon the secondary data analysis by referring annual report of SSI issues by Ministry of small scale industries and RBI.

Small Industry : Performance in the Globalisation Era

THE SMALL SCALE SECTOR IN INDIA embraces various types of units, ranging from ancient household industries to modern small scale units, which are mainly located in the urban areas and produce goods using wholly or partly the mechanised equipment. This sector has considerably diversified its production and is manufacturing a wide variety of products and services, which includes the sophisticated items, which are either export oriented or import substitution based products. The small scale sector has occupied a prominent place in the socio-economic development of the country since independence. It has contributed to the overall growth of the Gross Domestic Products [GDP] as well as in the terms of employment generation. The small scale industries have an essential component of the development strategy in most of the developing countries, especially in India where most of the population are below poverty line. The small scale industry sector, as an important segment of the Indian economy, accounts for around 95 per cent of the industrial units, 40 per cent of the

manufacturing sector output,36 per cent of exports .This sector enjoys the pride of being second largest employer in the country and offers a wide spectrum of products for consumers and industry-users. The sector serves as a Greenfield for the nurturing of entrepreneurial talent enabling the small scale units to graduate into medium and large scale over a period of a time. Table 1 highlights the growth of small scale industries since post globalisation.

Table 1 Small Scale Industries in India

Sr no	Year	SSI units(in lakhs)	Production (crores)	Employment (in lakhs)
1	1990-91	67.87	78802	158.34
2	1991-92	70.63	80615	165.19
3	1992-93	73.51	84413	174.84
4	1993-94	76.49	98796	182.64
5	1994-95	79.6	122154	191.4
6	1995-96	82.84	147712	197.93
7	1996-97	86.21	167805	205.86
8	1997-98	89.71	187217	213.16
9	1998-99	93.36	210454	220.55
10	1999-2000	97.15	233760	229.1
11	2000-01	101.1	282270	238.83
12	2001-02	105.2	314850	249.33
13	2002-03	109.49	364547	260.21
14	2003-04	113.95	429796	271.42
15	2004-05	118.59	429796	2.82.57
16	2005-06	123.42	497842	294.91
17	2006-07	128.44	562356	312.55
18	2007-08	132.4	624586	326.25

Source: Annual Reports MSME.

Table 1 shows the performance of small scale unit in term of units, production and employment since 1991 .In 2007-08 there were 132.4 lakh units which were approximately 100 percent more than 1990-91, when the number of units was only 67.87 lakh units. Further the total number of the persons employed in this sector has also been increased from 158.34 lakh persons in 1990-91 to 238.73 lakh persons in 2000-01 to 326.25 lakh persons in 2007-

08. It has also been revealed that production at constant prices have been increased from Rs 78802 crores in 1990-91 to Rs 624582 crores in 2007-08. It indicates that SSI sector has made good progress after globalisation.

Table 2 Average growth rate of SSI in pre and post globalised period

SSI Element	Pre globalised era	Post globalised era
Growth rate	4.07	9.36
Production	19.45	13.57
Employment	7.25	4.26

Source: Sania and kansal 2006

Table 2 highlights growth rate, production rate and employment rate of SSI in pre globalised and post globalised era. According to Table 1, globalisation has given benefits to the small scale industry since 1991 in value term. While a comparative analysis between pre globalised and post globalised era revealed the effect on production and employment which is showing a declining trend in post globalised era. Small scale industries in India are facing great threats and competition due to liberalized policies. The robust and vibrant small scale industries sector (now MSE) can derive the benefits of the new opportunities provided by the supporting policies which aim not only to protect but also to promote this segment.

Table 3 Position Of Sick SSI Units Financed By Scheduled Commercial Banks

Sr.no.	Year	Sick SSI(number Of units)	% change	Amount outstanding to SSI units	% change
1	1991	221472	100	2792	100
2	2008	85187	38.47	3083	110.42
	Decrease		61.53	Increase	10.42

Source: Compiled by the Researcher

Table 3 revealed that the number of Sick SSI units reduced from 221472 units in 1991 to 85187 units in 2008¹, that is 61.53% (Table 3) decrease in number of Sick SSI units which inferred Increase in growth rate as shown in Table 2 whereas the amount outstanding to sick units increased from 2792 crores in 1991 to 3083 crores in 2008, revealed increase of 10.42% amount outstanding to commercial banks. The increased outstanding amount as computed in Table 3 confirms that the production and employment opportunities of SSI needs special

¹rbidocs.rbi.org.in_rdocs_Publications_PDFs_036T_HBS120911

upliftment to the pre-globalised era 19.45% and 7.25% respectively(Table 2)

Recommendation

So it can be said that both globalization and SSIs are the essentials of Indian economy and India must make efforts to promote, sustain and aid both in a fair and unbiased way. A fruitful measure would be to reserve certain goods for production exclusively by the SSIs and their intelligent outsourcing by the govt. to ensure maximum benefits. Also the govt. should advertise the indigenous goods worldwide so that the foreign folk also go in for the ethnic items produced here like khadi, silk, wool, statues, gems, ornaments, etc. as these represent the traditional art form and culture of the region. As far as the financial aids are concerned, the govt. is doing good work to make things simple and possible for the interested individuals by funding and financial support. Also the setting up of institutes for technical training and skill enhancement of the workforce is helping in a big way. Following are some of the measures to enhance the performance of SSI.

- The financial institutions need to be streamline the procedure and provide instant credit.
- To provide continuous power supply to SSI units as provided to export units for smooth flow of production.
- To provide proper training inputs from professional institute and international trainees.
- To prevent of industrial sickness, quick revival steps need to be taken by the government.
- To provide essential infrastructure facilities to units located in rural areas.
- There is a need to promote professionalism in SSI units by adopting Total quality Management, Quality circles, ISO certification.
- 100% encouragement for Foreign Direct Investment.
- Encouragement of Research and development centres to update the product information.

Conclusion

While globalization has put us on the map of superpower countries, SSIs have empowered the common man to walk with the same stride as the big-wigs. For India to be a superpower, it must make efforts to strengthen each and every thread of its economic fabric to make the flag of its success fly high

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