

Impact of Globalisation on MSMEs in Kozhikode District of Kerala State

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Abstract

Micro, Small, Medium Enterprises sector is the backbone of every economy whether it is developed or developing or under developed. The sector plays a remarkable role in an economy by accelerating growth, employment, industrial production, exports, etc. As far as our country is concerned, MSME sector has continuously acted as a fort to protect our economy by providing capacity to defend against global economic adversities. It contributes 37.5 percent of GDP, 45 percent of the manufacturing output and 40 percent of the exports of our country. Today, the sector produces more than 6,000 products, ranging from traditional to high tech items. As per fourth MSME Census survey, 5.62 percent of MSMEs in India is in Kerala.

The phenomenon of globalization impacted every sector of economies across the world. The MSME sector was not an exception. Even though the globalisation has made the MSME sector highly competitive, the phenomenon impacted the sector both positively and negatively. Before the implementation of liberalisation policies, the Government provided many facilities such as incentives, subsidies, concessions, etc. for the development of SSI/MSME sector because of its remarkable contribution in the growth of the economy. But with the implementation of economic liberalisation policy in July 1991, the government started to curtail such amenities one by one. Since then, the sector is facing hyper competition from large domestic firms and multi-national companies. It is in this milieu the researcher wants to make an investigation about the impact of globalisation on MSMEs in Kozhikode District of Kerala.

Key words: Globalisation, Liberalisation, MSME, Number of registered units, Employment, OGR and CAGR.

Introduction

Micro, Small and Medium Enterprises play a remarkable role in the growth of any economy. They have been considered as the growth engine of economies across the world. MSME sector is the backbone of every economy irrespective of its type such as developed, developing or under developed. They perform a key role in accelerating the rates of growth, employment generation, industrial production and exports.

Well planned and systematic measures taken by the Governments have brought about a substantial progress in various sectors of the national economy. However, it failed to find a solution to the problem of poverty. Unemployment is the root cause of mass poverty in India. The only panacea to abolish poverty is to generate quality employment opportunities. But the quality employment opportunities are made possible only through rapid industrialisation. That is why our Governments focused their attention on the development of basic and heavy industries. But such a strategy of the Government could not generate adequate employment opportunities as needed by the economy. Therefore, attention has been put for eradicating unemployment problem in rural areas of the country by setting up of large number of small scale industrial units.

The main advantage of MSME sector is its employment potential with low investment. Statistics shows that nearly 45% of the total work force of India is generated by MSMEs. The fact that the MSMEs contribute 37.5% of India's GDP, is a strong indication that the sector has a crucial role in boosting industrial growth.

In Kerala, MSME sector produces large varieties of products ranging from traditional to modern. As per the MSME survey of 4th Census, 5.62% of all India share of MSMEs is in Kerala. Government of Kerala provides manifold schemes in MSME sector, targeting various social groups such as Scheduled Castes, Scheduled Tribes, Women, Youth, Physically Challenged, etc. The sector produces more than 6,000 products ranging from traditional to high tech items.

Statement of the Problem

Kozhikode, with all its achievements in physical quality of life of people, quality of infrastructure, availability of qualified manpower, natural resources, agricultural resources and good climate present a paradox in the industrial front. It remains industrially backward compared to other districts such as Ernakulam, Thiruvananthapuram, Thrissur, Palakkad, etc.

The industrial policy of the government aimed at making the state an investor friendly one. On one hand, the available capital, skilled man power, and other resources are not being tapped adequately. On the other, there is a large educated unemployed youth. This is a paradox. To reduce the size of unemployment by exploiting the local resources to the maximum extent, the only way is the growth of MSME sector.

No doubt, the phenomenon of globalization impacted every sector, including MSME, of economies across the world. During the period prior to economic liberalisation (i.e.; the period before July 1991), the Government provided many facilities such as incentives, subsidies, concessions, etc. for the development of SSI/MSME sector because of its remarkable contribution in the growth of the economy. But with the implementation of economic liberalisation policy in July 1991, the government started to curtail such amenities one by one. Since then, the sector is facing hyper competition from large domestic firms and multi-national companies. It is in this milieu the researcher wants to make an investigation about the impact of globalisation on MSMEs in Kozhikode District.

Significance of the Study

In India, SSI/MSME sector has continuously acted as the wall for our economy by providing capacity to defend against global economic adversities. It contributes 45 percent of the manufacturing output and 40 percent of the exports of our country. There are 346.12 lakh units spread across the country which provide employment to 805.24 lakh workers. SSIs/MSMEs contribute the second largest share of employment after agriculture. MSME sector is an effective means for the progress of entrepreneurship. This research work has undertaken to determine the extent of influence that globalisation exerted on the performance of MSMEs in Kozhikode district.

Objectives of the Study

Following specific objectives are formulated for the purpose of this study:

1. To study the impact of globalisation on MSMEs in Kozhikode District in terms of number of registered units
2. To study the impact of globalisation on MSMEs in Kozhikode District in terms of employment generation.
3. To examine the industrial picture of Kozhikode district and identify the Strengths, Weaknesses, Opportunities and Threats of the district.

Scope of the Study

The study of the impact of globalisation on MSME Sector in Kozhikode district is done by taking only two parameters, namely, the number of registered MSME units and the employment generation.

Methodology

(i)Research Design: The descriptive research design is used for this study.

(ii)Source of Data: The entire data required for the present study have been collected from secondary sources only. They are collected from various publications of Directorate of Industries and Commerce (DIC)- Thiruvananthapuram, Kerala State Planning Board-Thiruvananthapuram, Department of Economics and Statistics- Thiruvananthapuram, etc. Books, Reports, Journals, Periodicals, etc. are also used as the valuable sources of data.

(iii)Variables used for the study: Two variables are used for analysing the performance of MSME sector in Kozhikode district. They are:

1. Number of Registered SSIs/MSMEs
2. Number of Employment Generated

(iv)Period of Study

The study covers a period of 32 years for analysing the impact of globalisation on MSMEs in Kozhikode district in terms of number of registered units and employment generation. Of the total period of thirty two years, 8 years from 1982-83 to 1989-90, is selected for studying the pre globalisation performance and the remaining 24 years period, from 1990-91 to 2013-14, is drawn for analysing the post globalisation performance. The post globalisation performance is analysed by dividing the 24 years period into three phases of eight years each. They are:

a.)	First Phase	:	1990-91 to 1997-98 (8 years)
b.)	Second Phase	:	1999-00 to 2005-06 (8 years)
c.)	Third Phase	:	2006-07 to 2013-14 (8 years)

(v) Tools used for data analysis

The statistical tools used for analysis and interpretation of data include simple percentages, overall growth rate, compound annual growth rate, and charts.

Literature Review

Gunasekaran.A, Forker.L and Kobu.B (1998) Small & medium enterprises (SMEs) play a vital role in modern economics because of their flexibilities & ability to innovate. In every economy, SMEs play a significant role in providing employment opportunities & supporting large scale manufacturing firms. The study narrates the experience of a small company to highlight how productivity can be improved with limited resources.

Bala Subramanya (2004) concluded that small scale industries in India are serving in a global competitive environment after liberalisation and the removal of protective measures. As a result, the growth of the sector in terms of number of units, employment, output, and export has relatively declined. He further proposed that the sector is in need of financial, and market support to overcome the taut competition.

Anand and Murugaiah (2006), examined the performance of small scale industrial units during the post-liberalisation period. He observed that employment intensity, low factor cost and equity size are important factors that make SSIs more competitive to meet the competition.

Bargal et al. (2009) analysed the causal relationship among the three variables GDP, SSI output and SSI exports. He also compared the performance parameters of SSIs in the pre and post liberalization periods. The study found that the annual average growth rate of different parameters of SSIs have declined in the period of nineties in comparison with those during the pre-liberalisation era.

Sonia and Kansai Rajeev (2009) analysed the situation of MSME sector before and after the era of liberalization. They studied the MSMEs on the basis of growth in the number of units, total output, employment generation and exports. Their study concluded that the MSME sector has shown a better growth rate in the pre liberalization era as compared to post liberalization era in respect of all these parameters.

Shastri, et al. (2011) analysed the effects of globalisation on small scale industrial sector and studied its growth performance in terms of number of units, employment, output and export.

Venkatesh and Muthiah (2012) found that the role of small and medium enterprises in the industrial sector is growing rapidly and they have become a driving force for future growth. They also emphasised that fostering MSME sector is essential for the economic well-being of the country.

Dr. Padmasani, S. Karthika (2013) examined the problems of MSMEs in the era of worldwide economy. The study also analysed the factors affecting MSMEs and the socio-economic conditions of MSMEs. The study revealed that the MSMEs can overcome all the problems and challenges by standardising their business process. They can also adopt latest technology to improve the productivity. It was said that banks can hold the industry by providing the credit facilities at low interest rate. The Government and other related machineries should take effective measures to improve the export performance of MSMEs in order to develop economy.

Chandraiah, M. (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 Indian economy with global economy. The policy shift at the behest of International Monetary Fund and World Bank has led to unequal competition between multinational companies and small Indian enterprises. As MSME sector is a vital constituent of overall industrial sector of any country particularly India, the promotion of this sector is a necessity.

Vasu and Jayachandra (2014) observed that MSME sector pays a significant role in term of balanced and inclusive growth. They also highlighted the prospects of this sector in India.

The present study is an endeavour to describe the impact of globalisation on MSMEs in Kozhikode district in terms of number of registered units and number of employment generated.

MSME Sector in India

India is an economy having scarce resource and idle manpower. So, it identified that the micro, small and medium scale industrial sector can play a crucial role in bringing economic development throughout the country.

Mahatma Gandhi once said: “the poor of the world cannot be helped by mass production, only by the production by the masses. If large number of producers were to exist for wider markets, the entities that produce necessarily be small. It is only the earth that is large. All else is small”.

The Micro Small and Medium Enterprises Development Act, 2006 defines micro, small and medium enterprises as follows:

Nature	Manufacturing Enterprises	Service Enterprises
Micro	Not exceeding Rs.25.00 Lakhs	Not exceeding Rs.10.00 Lakhs
Small	More than Rs.25.00 lakhs but does not exceed Rs.5 Crore	More than Rs.10.00 lakhs but does not exceed Rs.2 Crore
Medium	More than Rs.5 Crore but does not exceed Rs.10 Crore	More than Rs.2 Crore but does not exceed Rs.5 Crore

MSME Sector in Kerala

In Kerala, MSME sector contributes to the process of economic growth, employment generation and balanced regional development. It has the potential to emerge as a strong, vibrant and globally competitive sector in the State's economy. Kerala, with its excellent connectivity, communication net work and availability of manpower, is the best suited for the growth of MSME sector.

The MSME sector targets mainly the various social groups in rural areas like Scheduled Castes, Scheduled Tribes, Women, Youth, Physically Challenged, etc. This helps to reduce the social and regional imbalances and thereby ensures more equitable distribution of income and wealth.

Profile of Kozhikode District

Kozhikode District has a total land area of 2,344 sq.km. and a coastal line of about 71 km. Even though the district has so many plus points such as physical quality of life of people, quality of infrastructure, availability of qualified manpower, natural and agricultural resources, good climate, etc.; it remains industrially backward, compared to Ernakulam, Thiruvananthapuram, Thrissur, Palakkad, etc. Not only had a good part of its manpower went outside the state for employment but its entrepreneurship also went outside Kerala for investment. In order to promote investment and employment, an aggressive repositioning strategy has become the need of the hour. The government has taken a series of measures in this regard. The Malabar Spinning Mill, Kerala Soap Factory, Steel Complex, etc. are revitalised by the appropriate action of government in the right time. The industrial policy of the Government is aimed at making the State an investor friendly one.

Existing Industrial Scenario of Kozhikode District

The following table gives a summary about the existing industrial scenario of Kozhikode district:

Table No.1: Existing Industrial Scenario of Kozhikode District

Sl. No.	Particulars	Size
1	Registered working SSI/MSME units as on 31/03/2014 (Nos.)	15,982
2	Employment generated by the above SSIs	78,471
3	Investments in plant and machinery (Rs: in lakh)	95,173.4
4	Employment in large and medium industries	560
5	Number of industrial land	2
6	Number of mini industrial estates	12

Source: Industrial potential survey 2014, Kozhikode District, Department of Industries and Commerce, Kerala

Working MSME Units in Kozhikode as on 31st December 2014

The following table shows the details of working MSMEs in Kozhikode district which are coming under manufacturing sector:

Table No.2: Working MSMEs in Kozhikode (Manufacturing Enterprises)

Area	Type	No. of Units	Investment (Rs in lakh)	No. of Employment
Kozhikode Taluk	Micro	4,115	25,374.08	25,230
	Small	194	13,667.54	4,314
	Medium	2	1,350.00	103
	Total	4,311	40,391.62	29,647
Koyilandy Taluk	Micro	1,074	4,392.48	4,871
	Small	23	2,066.56	803
	Medium	0	0	0
	Total	1,097	6,459.04	5,674
Vatakara Taluk	Micro	957	4,690.59	4,314
	Small	26	2,041.87	284
	Medium	0	0	0
	Total	983	6,732.46	4,598
Kozhikode District	Micro	6,146	34,457.15	34,415
	Small	243	17,775.97	5401
	Medium	2	1,350.00	103
	Total	6,391	53,583.12	39,919

Source: Industrial Potential Survey of Kozhikode 2014, Department of Industries and Commerce, Kerala

The following table shows the details of working MSMEs in Kozhikode District which are coming under service sector:

Table No.3: Working MSMEs in Kozhikode (Service Enterprises)

Area	Type	No. of Units	Investment (Rs in lakh)	No. of Employment
Kozhikode Taluk	Micro	471	996.12	2779
	Small	58	2,410.88	265
	Medium	1	300.00	3
	Total	530	3707.00	3,047
Koyilandy Taluk	Micro	115	259.77	760
	Small	10	254.00	86
	Medium	0	0	0
	Total	125	513.77	846
Vatakara Taluk	Micro	121	226.22	1,939
	Small	10	221.00	31
	Medium	0	0	0
	Total	131	447.22	1970

Kozhikode District	Micro	707	1524.51	5,478
	Small	78	2,885.87	382
	Medium	1	300.00	3
	Total	786	4,710.38	5,863

Source: Industrial Potential Survey 2014, Kozhikode District, Department of Industries and Commerce, Kerala

Gender wise Distribution of MSMEs in Kozhikode District

The following table shows the gender wise distribution of MSMEs in Kozhikode District as on 31st December 2014:

Table No.4: Distribution of MSMEs in Kozhikode District on the Basis of Gender

Gender	Micro	Small	Medium	Total	Total Investment (Rs: in lakh)
Male	5,755	289	3	6,047 (84.26%)	53,152.78 (91.18%)
Female	1,098	32	0	1,130 (15.74%)	5,140.72 (8.82%)
Total	6,853	321	3	7,177 (100%)	58,293.50 (100%)

Source: Industrial potential survey 2014, Kozhikode District, Department of Industries and Commerce, Kerala

Sector wise Details of MSME Units in Kozhikode District

Following table shows the distribution of MSMEs in Kozhikode district on 28th December 2015, on the basis of sector in which they falling:

Table No.5: Sector-wise Distribution of MSMEs in Kozhikode District as on 28-12-2015

Sl. No.	Sector	No. of Units	Investment (Rs: in lakhs)	No. of Employment
1	Agro & Food based	1,374(18.98%)	9,350.27	6,328
2	Textile, Readymade Garments	562 (7.76%)	2,555.28	4,699
3	IT Industries	224 (3.09%)	1357.71	1,674
4	Wood/Wooden based Furniture	1,136 (15.70%)	5,771.16	6,239
5	Paper & Paper Products	143 (1.98%)	3,498.49	998
6	Rein/leather based	222 (3.07%)	4,063.52	3,989
7	Chemical based	402 (5.56%)	3,181.38	2,457
8	Rubber & Plastic Products	359 (4.96%)	4,535.11	2,383
9	Glass & Ceramics	488 (6.74%)	2,841.04	3,048
10	Mining & Quarrying	56 (0.77%)	2,375.70	426
11	General Engineering	680 (9.39%)	2,875.53	3,924
12	Service Activities	572 (7.90%)	5,135.46	4,056
13	Printing & Publishing	329 (4.55%)	5,476.24	1,714
14	Machinery & Equipment	343 (4.74%)	2,783.24	1,717
15	Miscellaneous	348 (4.81%)	2,640.50	2,430
Total		7,238 (100%)	58,440.63	46,082

Source: Industrial potential survey 2014, Kozhikode District, Department of Industries and Commerce, Kerala

SWOT Analysis

The attraction of Kozhikode has been growing, especially among the residential and commercial developers seeking opportunities in the greater Kozhikode area. The developments such as ULCC Cyber Park and Kozhikode Cyber Park; and the investments in residential and commercial developments are solid indicators of aggressive growth of the district.

Kozhikode is one of the main commercial centres of Kerala. The economy is mainly business oriented. A large portion of the male population is employed in the Middle Eastern countries, and their remittances to home are an important part of the local economy. Kozhikode has witnessed a building boom in recent years. This is particularly evident in the number of malls recently built in the District.

Real estate sector has witnessed heightened activity due to perceptible demand in many sectors such as hospitality, residential, retail and office space. Traditionally, the demand from leisure travellers to tourist destinations to Wayanad and northern region of Kerala has been fuelling the growth and development of hospitality industry.

The availability of low cost highly skilled manpower, high literacy, female IT professionals, low cost of living, etc. are expected to attract many IT companies and other knowledge based industries to Kozhikode in the next 5 years.

The industrial scenario reveals the following strengths, weaknesses, opportunities and threats of the district:

a) Strengths:

1. Availability of good infrastructure
2. Availability of agricultural and natural resources
3. Very good tradition in industry, trade and commerce
4. Presence of unemployed educated youth
5. Presence of technical and high end institutions (IIM, NIT, etc)
6. People having entrepreneurial culture
7. Good climate
8. Availability of banking facilities
9. Potential of NRIs
10. Availability of industrial estates, industrial parks, mini industrial estates, etc.
11. Good market prospects for all consumer goods
12. Availability of skilled labour at comparatively low cost
13. LSGDs are showing keen interest for the promotion of MSMEs

b) Weaknesses

1. Absence of large scale industries
2. Non availability of land at reasonable rates
3. Scattered input resources
4. Inadequate work culture
5. Seasonal availability of input resources
6. Most of the industrial units are micro units having poor economic viability
7. Non availability of highly skilled labour
8. Irregular power supply
9. High density of population

10. Inadequate availability of technical consultants

c) Opportunities

1. Investment climate
2. Growth in tourism sector
3. Global market due to liberalisation, privatisation and globalisation
4. Reduction in Gulf opportunities

d) Threats

1. Lack of standardisation of products
2. Competition from outside state and outside the country
3. Lack of technology training facilities
4. Lack of co-ordination between line departments and financial institutions
5. Lack of confidence among entrepreneurs
6. Lack of professional managers and project consultants
7. High cost of land
8. Lack of awareness about industrial opportunities and technology
9. Inability to achieve technical standards and scale
10. Lack of entrepreneurship training facilities

By identifying the strength and weaknesses following programmes are planned by the authorities to exploit the opportunities and to face the threats:

1. Sensitisation programmes are to be conducted to impart the importance of standardisation of the products
2. It is proposed to conduct various awareness programmes and entrepreneurship development programmes including skill development programmes to motivate and improve the confidence level of entrepreneurs
3. It is proposed to motivate the entrepreneurs to produce competitive products through various technology development programmes.
4. Continual improvement in the Single Window Clearance System.

Analysis of Performance of MSME sector in Kozhikode District

The performance of SSI/MSME sector in Kozhikode district during pre and post globalisation periods is analysed on the basis of two important parameters, namely; (1) number of registered units and (2) number of employment generated.

Performance of SSI sector in Kozhikode District during pre-globalisation period from 1982-83 to 1989-90

(a) Number of Registered Units

The total number of registered SSI units in Kozhikode district during pre globalisation period from 1982-83 to 1989-90 is detailed in the following table:

Table No.6: Number of registered SSI Units in Kozhikode District during 1982-83 to 1989-90

Year	No. of units registered during the year	% change over previous year	Total No. units as on 31 st March	% change over previous year
1982-83	254	--	2,241	--
1983-84	266	+ 4.72	2,507	+ 11.87
1984-85	249	-- 6.39	2,756	+ 9.93
1985-86	375	+ 66.27	3,131	+ 13.61
1986-87	392	+4.53	3,523	+ 12.52
1987-88	455	+16.07	3,978	+ 12.92
1988-89	674	+48.13	4,652	+ 16.94
1989-90	970	+43.92	5,622	+ 20.85
Overall Growth Rate for the period from 1982-83 to 1989-90				+ 150.87 %
CAGR for the period from 1982-83 to 1989-90 (CAGR)				+ 14.04 %

Source: Compiled from various issues of Economic Review, State Planning Board, Kerala.

The table shows that there is a continuous increase in the total number of registered SSI units in Kozhikode district during pre globalisation period from 1982-83 to 1989-90. In the year 1982-83 the number of registered SSI units in Kozhikode district was 2,241 which increased to 5,622 in 1989-90 with an overall growth of 150.87% and a compound annual growth rate of 14.04%.

(b) Employment Generated

The number of employment generated in each year and the total number of employment provided by SSI sector in Kozhikode district during pre-globalisation period is given in the following table:

Table No.7: Number of employment provided by SSI sector in Kozhikode District during 1982-83 to 1989-90

Year	No. of Employment	% change over previous year	Total No. units as on 31 st March	% change over previous year
1982-83	1,187	--	9,076	--
1983-84	1,474	+24.18	10,550	+16.24
1984-85	2,409	+63.43	12,959	+22.83
1985-86	2,304	--4.36	15,263	+17.78
1986-87	2,352	+2.08	17,615	+15.41
1987-88	2,275	--3.27	19,890	+12.92
1988-89	3,370	+48.13	30,750	+54.60
1989-90	3,641	+8.04	34,391	+11.84
Overall Growth Rate for the period from 1982-83 to 1989-90				+ 278.92 %
CAGR for the period from 1982-83 to 1989-90 (CAGR)				+ 20.96 %

Source: Compiled from various issues of Economic Review, State Planning Board, Kerala

The table shows that the total number of employment in Kozhikode district is increased year after year during the pre-globalisation period of 1982-83 to 1989-90. In the year 1982-83, 1,187 new employment opportunities are created and the total number of employment became 9,076. By the end of the pre-globalisation period, the total number of employment became 34,391 with an overall growth rate of 278.92% and a Compound Annual Growth Rate of 20.96%.

Performance of SSI sector in Kozhikode District during post-globalisation period from 1990-91 to 1997-98 (First Phase)

(a) Number of Registered Units

The total number of registered SSI units in Kozhikode district during first phase of post globalisation period from 1990-91 to 1997-98 is detailed in the following table:

Table No.8 : No. of Registered SSI Units in Kozhikode District during 1990-91 to 1997-98

Year	No. of units registered during the year	% change over previous year	Total No. units as on 31 st March	% change over previous year
1990-91	604	--62.27	6,226	+10.74
1991-92	620	+ 2.65	6,846	+9.96
1992-93	651	+ 5.00	7,497	+9.51
1993-94	733	+ 12.60	8,230	+9.78
1994-95	1,221	+ 66.58	9,451	+14.84
1995-96	1,136	--6.96	10,587	+12.02
1996-97	1,275	+ 12.24	11,862	+12.04
1997-98	1,550	+ 21.57	13,412	+13.07
Overall Growth Rate for the period from 1990-91 to 1997-98				+ 115.42 %
CAGR for the period from 1990-91 to 1997-98 (CAGR)				+ 11.59 %

Source: Compiled from various issues of Economic Review, State Planning Board, Kerala

The table shows that there is a continuous increase in the total number of registered SSI/MSME units in Kozhikode district during first phase of post globalisation period from 1990-91 to 1997-98. In the year 1990-91 the number of registered SSI units in Kozhikode district was 6,226 which increased to 13,412 in 1997-98 with an overall growth of 115.42% and a compound annual growth rate of 11.59%.

(b) Employment Generated

The number of employment generated in each year and the total number of employment provided by SSI sector in Kozhikode district during first phase of post globalisation period is given in the following table:

Table No.9: Number of employment provided by SSI sector in Kozhikode District during 1990-91 to 1997-98

Year	No. of units registered during the year	% change over previous year	Total No. units as on 31 st March	% change over previous year
1990-91	2,398	--34.14	36,789	--6.97
1991-92	2,312	--3.59	39,101	+6.28
1992-93	2,277	--1.51	41,378	+5.82
1993-94	3,199	+40.49	44,577	+7.73
1994-95	7,429	+132.23	52,006	+16.67
1995-96	5,136	--30.87	57,142	+9.88
1996-97	4,204	--18.15	61,346	+7.36
1997-98	3,855	--8.30	65,201	+6.28
Overall Growth Rate for the period from 1990-91 to 1997-98				+ 77.23 %
CAGR for the period from 1990-91 to 1997-98 (CAGR)				+ 8.52 %

Source: Compiled from various issues of Economic Review, State Planning Board, Kerala

The table shows that the total number of employment in Kozhikode district is increased year after year during the first phase of post globalisation period from 1990-91 to 1997-98. In the year 1990-91, 2,398 new employment opportunities were created and the total number of employment became 36,789. By the end of the first phase of post globalisation period, the total number of employment became 65,201 with an overall growth rate of 77.23% and a Compound Annual Growth Rate of 8.52%.

Performance of SSI sector in Kozhikode District during post-globalisation period from 1998-99 to 2005-06 (Second Phase)

(a) Number of Registered Units

The total number of registered SSI/MSME units in Kozhikode district during second phase of post globalisation period from 1998-99 to 2005-06 is detailed in the following table:

Table No. 10: No. of Registered SSI Units in Kozhikode District during 1998-99 to 2005-06

Year	No. of units registered during the year	% change over previous year	Total No. units as on 31 st March	% change over previous year
1998-99	1,510	--2.58	14,922	+11.26
1999-00	1,516	+0.40	16,438	+10.16
2000-01	1,390	--8.31	17,828	+8.46
2001-02	1,159	--16.62	18,987	+6.50
2002-03	908	--21.66	19,895	+4.78
2003-04	477	--47.47	20,372	+2.40
2004-05	448	--6.08	20,820	+2.20
2005-06	272	--39.29	21,092	+1.31
Overall Growth Rate for the period from 1998-99 to 2005-06				+ 41.35
CAGR for the period from 1998-99 to 2005-06 (CAGR)				+ 5.07 %

Source: Compiled from various issues of Economic Review, State Planning Board, Kerala

The table shows that there is a continuous increase in the total number of registered SSI/MSME units in Kozhikode district during second phase of post globalisation period from 1998-99 to 2005-06. In the year 1998-99 the number of registered SSI units in Kozhikode district was 14,922 which increased to 21,092 in 2005-06 with an overall growth of 41.35% and a compound annual growth rate of 5.07%.

(b) Employment Generated

The number of employment generated in each year and the total number of employment provided by SSI sector in Kozhikode district during second phase of post globalisation period is given in the following table:

Table No. 11 : Number of employment provided by SSI Units in Kozhikode District during 1998-99 to 2005-06

Year	No. of employment provided during the year	% change over previous year	Total No. of employment provided as on 31 st March	% change over previous year
1998-99	3,389	--12.09	68,590	+5.20
1999-00	4,243	+25.20	72,833	+6.19
2000-01	5,350	+26.09	78,183	+7.35
2001-02	2,840	--46.92	81,023	+3.63
2002-03	2,671	--5.95	83,694	+3.30
2003-04	1,799	--32.65	85,493	+2.15
2004-05	1,673	--7.00	87,166	+1.96
2005-06	986	--41.06	88,152	+1.13
Overall Growth Rate for the period from 1998-99 to 2005-06				+ 28.52 %
CAGR for the period from 1998-99 to 2005-06 (CAGR)				+ 3.65 %

Source: Compiled from various issues of Economic Review, State Planning Board, Kerala

The table shows that the growth rate in the total number of units during second phase of globalisation period is too low during the ending years. In the year 1998-99, 3,389 number of new employment opportunities were created and the total number of employment became 68,590. By the end of the second phase of post globalisation period, the total

number of employment became 88,152 with an overall growth rate of 28.52% and a Compound Annual Growth Rate of 3.65%.

Performance of SSI/MSME sector in Kozhikode District during post-globalisation period from 2006-07 to 2013-14 (Third Phase)

(a) Number of Registered Units

The total number of registered SSI/MSME units in Kozhikode district during third phase of post globalisation period from 2006-07 to 2013-14 is given in the following table:

Table No. 12: Number of registered SSI Units in Kozhikode District during 2006-07 to 2013-14

Year	No. of units registered during the year	% change over previous year	Total No. working units as on 31 st March	% change over previous year
2006-07	230	--15.44	15,620	--25.94
2007-08	380	+65.22	16,000	+2.43
2008-09	406	+6.84	16,406	+2.54
2009-10	602	+48.28	17,008	+3.67
2010-11	941	+56.31	17,949	+5.53
2011-12	818	--13.07	18,767	+4.56
2012-13	1041	+27.26	19,808	+5.55
2013-14	925	--11.14	20,733	+4.67
Overall Growth Rate for the period from 2006-07 to 2013-14				+ 32.73 %
CAGR for the period from 2006-07 to 2013-14 (CAGR)				+ 4.13 %

Source: Compiled from various issues of Economic Review, State Planning Board, Kerala

The table describes that there is a continuous increase in the total number of registered SSI/MSME units in Kozhikode district during third phase of post globalisation period from 2006-07 to 2013-14. In the year 2006-07, the number of working SSI units in Kozhikode district was 15,620 which increased to 20,733 in 2013-14 with an overall growth of 32.73% and a compound annual growth rate of 4.13%.

(b) Number of Employment

The number of employment generated in each year and the total number of employment provided by SSI sector in Kozhikode district during third phase of post globalisation period is given in the following table:

Table No. 13 : Number of employment provided by SSI Units in Kozhikode District during 2006-07 to 2013-14

Year	No. of units registered during the year	% change over previous year	Total No. units as on 31 st March	% change over previous year
2006-07	1,106	+12.17	89,258	+1.25
2007-08	2,701	+144.21	91,959	+3.03
2008-09	2,243	--16.96	94,202	+2.44
2009-10	2,395	+6.78	96,597	+2.54
2010-11	6,551	+173.53	1,03,148	+6.78
2011-12	5,082	+77.58	1,08,230	+4.93
2012-13	6,790	33.61	1,15,020	+6.27
2013-14	6,092	--10.28	1,21,112	+5.30
Overall Growth Rate for the period from 2006-07 to 2013-14				+ 35.69 %
CAGR for the period from 2006-07 to 2013-14 (CAGR)				+ 4.46 %

Source: Compiled from various issues of Economic Review, State Planning Board, Kerala

The table shows that the total number of employment provided by SSIs/MEMEs is increased every year during the third phase of post globalisation from 2006-07 to 2013-14. In the year 2006-07, 1,106 new employment opportunities were created and the total number of employment became 89,258. By the end of the third phase of post globalisation period, the total number of employment became 1,21,112 with an overall growth rate of 35.69% and a Compound Annual Growth Rate of 4.46%.

Comparison of performance of SSI/MSME Sector in Kozhikode District during pre and post globalisation periods on the basis of number of units

A Comparison of performance of SSI/MSME Sector in Kozhikode District during pre and post liberalisation periods on the basis of number of units is given in the following table:

Table No.14 : Comparison of performance of SSI/MSME Sector in Kozhikode District during pre and post globalisation periods on the basis of number of units

Pre Globalisation Period		Post Globalisation Periods					
1982-83 to 1989-90		Phase I		Phase II		Phase III	
		1990-91 to 1997-98		1998-99 to 2005-06		2006-07 to 2013-14	
Year	A G R	Year	A G R	Year	A G R	Year	A G R
1982-83	--	1990-91	+10.74	1998-99	+11.26	2006-07	--25.94
1983-84	+11.87	1991-92	+9.96	1999-00	+10.16	2007-08	+2.43
1984-85	+9.93	1992-93	+9.51	2000-01	+8.46	2008-09	+2.54
1985-86	+13.61	1993-94	+9.78	2001-02	+6.50	2009-10	+3.67
1986-87	+12.52	1994-95	+14.84	2002-03	+4.78	2010-11	+5.53
1987-88	+12.92	1995-96	+12.02	2003-04	+2.40	2011-12	+4.56
1988-89	+16.94	1996-97	+12.04	2004-05	+2.20	2012-13	+5.55
1989-90	+20.85	1997-98	+13.07	2005-06	+1.31	2013-14	+4.67
OGR	+150.87	OGR	+115.42	OGR	+41.35	OGR	+32.73
CAGR	14.04	CAGR	11.59	CAGR	+5.07	CAGR	+4.13

OGR = Overall Growth Rate,

CAGR = Compound Annual Growth Rate

The table shows that the overall growth rate in number of registered units in Kozhikode District during pre globalisation was 150.87%, which reduced to 115.42% during the first phase of post globalisation period. Overall growth rate in respect of number of registered units again decreased to 41.35 % during the second phase and became 32.73% during the third phase of post globalisation period. The table further reveals that the CAGR in respect of number of units are declining throughout the post globalisation period. So, we may conclude that globalisation has a great negative impact on the SSI/MSME sector in Kozhikode district.

Comparison of performance of SSI/MSME Sector in Kozhikode District during pre and post globalisation periods on the basis of number of employment generated

A Comparison of performance of SSI/MSME Sector in Kozhikode District during pre and post liberalisation periods on the basis of number of employment potential is given in the following table:

Table No.15 : Comparison of performance of SSI/MSME Sector in Kozhikode District during pre and post globalisation periods on the basis of number of employment generated

Pre Globalisation Period		Post Globalisation Periods					
1982-83 to 1989-90		Phase I		Phase II		Phase III	
		1990-91 to 1997-98		1998-99 to 2005-06		2006-07 to 2013-14	
Year	A G R	Year	A G R	Year	A G R	Year	A G R
1982-83	--	1990-91	+6.97	1998-99	+5.20	2006-07	+1.25
1983-84	+16.24	1991-92	+6.28	1999-00	+6.19	2007-08	+3.03
1984-85	+22.83	1992-93	+5.82	2000-01	+7.35	2008-09	+2.44
1985-86	+17.78	1993-94	+7.73	2001-02	+3.63	2009-10	+2.54
1986-87	+15.41	1994-95	+16.67	2002-03	+3.30	2010-11	+6.78
1987-88	+12.92	1995-96	+9.88	2003-04	+2.15	2011-12	+4.93
1988-89	+54.60	1996-97	+7.36	2004-05	+1.96	2012-13	+6.27
1989-90	+11.84	1997-98	+6.28	2005-06	+1.13	2013-14	+5.30
OGR	+278.92	OGR	+77.23	OGR	+28.52	OGR	+35.69
CAGR	+20.96	CAGR	+8.52	CAGR	+3.65	CAGR	+4.46

The table shows that the overall growth rate in the employment potential of SSI/MSME sector in Kozhikode District during pre globalisation was 278.92%, which decreased to 77.23% during the first phase of post globalisation period. Overall growth rate in respect of employment potential further decreased to 28.52% during the second phase of post globalisation. It showed a slight increase during the third phase and thus it became 32.73% at the end of the period. It is also seen from the table that the CAGR in respect of employment potential are also declining throughout the post globalisation period, except during the third phase. During the third phase of post globalisation, both the CAGR and overall growth rate showed a slight increase. They are increased to 35.69% & 4.46% respectively.

Comparison of performance of SSI/MSME sector in Kozhikode District during pre and post globalisation periods based on selected parameters

A comparison of compound annual growth rates in number of registered units and number of employment of SSI/MSME sector in Kozhikode district during pre and post globalisation periods is given in the following table:

Table No.16 : Comparison of growth rates in respect of selected parameters of SSI/MSME sector during pre and post globalisation periods

Parameter	Compound Annual Growth Rate (CAGR)			
	Pre-globalisation period	Post globalisation periods		
		Phase I	Phase II	Phase III
	1982-83 to 1989-90	1990-91 to 1997-98	1998-99 to 2005-06	2006-07 to 2013-14
No. of Units	+ 14.04 %	+ 11.59 %	+ 5.07 %	+ 4.13 %
Employment provided	+ 20.96 %	+ 8.52 %	+ 3.65 %	+ 4.46 %

Comparison of the performance of SSI/MSME sector in Kerala and Kozhikode District during pre and post globalisation periods

Following table shows a comparison of performance of SSI/MSME sector in Kerala state and Kozhikode district on the basis of the selected parameters during pre and post globalisation periods in terms of CAGR:

Table No.17 : Comparison of performance of SSI/MSME sector in Kerala and Kozhikode District during pre and post globalisation periods in terms of CAGR :

Parameter	Area Covered (Kozhikode/ Kerala)	Compound Annual Growth Rate (CAGR)			
		Pre-globalisation period	Post globalisation periods		
			Phase I	Phase II	Phase III
		1982-83 to 1989-90	1990-91 to 1997-98	1998-99 to 2005-06	2006-07 to 2013-14
Number of Units	Kozhikode	14.04 %	11.59 %	5.07%	4.13 %
	Kerala	14.37 %	13.65 %	5.27 %	2.59 %
Number of employment	Kozhikode	20.96 %	8.52 %	3.65 %	4.46 %
	Kerala	23.35 %	11.49 %	3.96 %	4.38 %

The table shows that there is significant difference in the performance of SSI/MSME sector in Kerala and Kozhikode district during pre and post globalisation periods. The compound annual growth rate in respect of number of units and number of employment opportunities during all the three phases of post globalisation period are too less than those during the pre globalisation period.

Findings, Suggestions and Conclusion

Findings

The study has been undertaken to examine the impact of globalisation on MSMEs/SSIs in Kerala. The comparative analysis of compound annual growth rates in respect of number of SSIs/MSMEs and employment generation during pre and post globalisation periods show that the globalisation had a negative impact on the MSME/SSI sector in Kerala. The fall in growth rate of number of units and employment generation in all the three phases of post globalisation period is a matter of serious discussions for policy-makers, administrators and planners.

The major findings of the study are:

- The Compound Annual Growth Rate of number of MSME/SSI units in Kozhikode District during pre-globalisation period from 1982-83 to 1989-90 was 14.04%. The rate has been declined during all the three phases of post globalisation period. During the first phase it became 11.59 %. This has been further declined to 5.07% and 4.13 % during second and third phases respectively.
- The Overall Growth Rate (OGR) of number of MSME/SSI units in Kozhikode District shows continuous decline during all the three phases of post globalisation period. During pre –globalisation period from 1982-83 to 1989-90, it was 150.87%. It has been declined to 115.42%, 41.35% and 32.73% respectively during the first, second and third phase of post globalisation period.
- The performance of MSME/SSI sector in respect of employment generation also shows the negative impact of globalisation. The CAGR of employment generation in Kozhikode district was 20.96% during pre-globalisation period. During the first phase of post globalisation, it became 8.52%. This was again declined to 3.65% and 4.46% respectively during the second and third phases of post globalisation.

- The OGR in respect of employment generation in Kozhikode district has also declined continuously during the three phases of post globalisation period. During pre-globalisation period, the OGR of employment creation was 278.92%. Then, it has been declined as 77.23%, 28.52% and 35.69% during the three phases of post globalisation respectively.
- Of the total 7,177 number of working MSMEs/SSIs in Kozhikode district, 4841 units (67.45%) are situated in Kozhikode taluk. The number of units in Koyilandy and Vatakara taluks are 1222 (17.03%) and 1114 (15.52%) respectively.
- Of the total number of employment generated by MSME sector in Kozhikode district, 71.41% is generated by MSMEs in Kozhikode taluk. The contribution of Koyilandy and Vatakara taluks are only 14.24% and 14.35% respectively.
- Of the total investment in MSME sector of Kozhikode district, 75.7% are in Kozhikode taluk, 11.97% are in Koyilandy taluk and 12.33% are in Vatakara taluk.
- Of the total MSME units in Kozhikode district, 95.49% (6853 Nos.) are micro units, 4.47% (321 Nos.) are small units and only 0.04% (3 Nos.) is medium enterprises.
- In Kozhikode district, 89.05% of the total MSMEs are manufacturing enterprises (6391 Nos.) and remaining 10.95% are service enterprises (786 Nos.)
- Of the total number of MSMEs in Kozhikode district, 6047 units (84.26%) are run by male and 1130 units (15.74%) are owned by female.
- Out of the total investment in MSMEs in Kozhikode district, Rs: 53152.78 lakhs (91.18%) are invested in the units run by male and Rs: 5140.72 lakhs (8.82%) are invested in units run by females.
- Majority of MSMEs in Kozhikode District are falling under agro and food industries sector (18.98%). Wood based furniture industries (15.7%) and General engineering industries (9.39%) hold the second and third places respectively.
- The strength of MSME sector in Kozhikode district includes availability of good infrastructure; availability of agricultural and natural resources; very good tradition in industry, trade and commerce; presence of unemployed educated youth; presence of technical and high end institutions; people having entrepreneurial culture; good climate; availability of banking facilities; potential of NRIs; availability of industrial estates, industrial parks, mini industrial estates, etc.; good market prospects for all consumer goods; availability of skilled labour at comparatively low cost; and keen interest of LSGDs for the promotion of MSMEs.
- The important weaknesses of MSME sector in Kozhikode district are absence of large scale industries; non availability of land at reasonable rates; scattered input resources; inadequate work culture; seasonal availability of input resources; non availability of highly skilled labour; irregular power supply; high density of population, inadequate availability of technical consultants.
- The important opportunities available to MSME sector in Kozhikode district are investment climate; growth in tourism sector; global market due to liberalisation, privatisation and globalisation; and reduction in Gulf opportunities.
- The major threats of MSME sector in Kozhikode district are lack of standardisation of products; competition from outside state and outside the country; lack of technology training facilities; lack of co-ordination between line departments and financial institutions; lack of confidence among entrepreneurs; lack of professional managers and project consultants; high cost of land; lack of awareness about industrial opportunities and technology; inability to achieve technical standards and scale; and lack of entrepreneurship training facilities.

To conclude, both the parameters show the negative impact of globalisation on MSME sector of Kozhikode district. The growth rates during all the three phases of post globalisation period are very low when comparing with the growth rates during pre-globalisation period.

Suggestions

For removal of the negative impact of globalisation and for overall promotion of MSME sector in Kerala, following measures are suggested:

- Consumer awareness camps may be organised in rural and semi urban areas of Kerala for familiarising the products of MSME sector.
- More number of MSME units may be promoted among weaker sections like women, Scheduled Caste, Scheduled Tribe, minorities, backward castes, etc. in order to streamline the society.
- Entrepreneurship Development Clubs may be established in Schools, Colleges and other educational institutions to spread the message on entrepreneurship among young blood.
- Measures may be taken to reopen sick/closed units by adding partners or by changing management or by diversification of activities, or through modernisation, or through bank support.
- District level exhibition cum trade fair may be conducted at regular intervals.
- Financial support to entrepreneurs may be granted through Entrepreneurs' Support Scheme (ESS) and Prime Minister's Employment Generation Programme (PMEGP).
- To improve the performance of their distribute system the MSME units may be entered into tie-ups with the organised retail stores.
- The information dissemination system may be strengthened so as to propagate the benefits of various schemes and incentives of DIC and other departments playing in the field of MSME sector, self employment sector and in entrepreneurship sector to the entrepreneurs and public and thereby attract them towards MSME sector.

- Measures may be taken to make access to all entrepreneurs to avail the eligible grants, subsidies and other services of the DIC, other state and central departments and agencies and institutions playing in the field of MSME sector.
- Measures may be taken to join the hands of all MSMEs in Kerala with national and international MSMEs.
- Proper human management techniques may be implemented By MSMEs to acquire, train, motivate and retain the employees.

Conclusion

Micro, Small Medium sector in India finds itself in an extremely competitive environment since 1991, due to globalization and economic liberalization policies of the government. Therefore, the growth of the sector in terms of number of units and employment generation has come down. Consequently, its contribution to national income has become less remarkable. But at the same time, national and international policy changes have thrown new opportunities to Indian MSME sector. Concerted efforts of government departments and MSME sector itself are needed to exploit all these opportunities. The crucial role of technological up-gradation, in-house technological innovations and inter-firm linkages should be emphasised consciously in the light of dimensions of global competition and its negative fallouts as well as positive opportunities. Measures should be taken for making the entrepreneurs aware in this respect through seminars and workshops at local level. No doubt, the joint efforts of all the various agencies in the field of MSME sector can make the sector as one bringing sustainable contribution to national income, employment and exports.

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