



IMPACT OF GLOBALISATION ON MICRO, SMALL AND MEDIUM ENTERPRISES IN INDIA

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Abstract: Micro, Small and Medium Enterprises are one of the most dynamic and important sectors in the Indian economy. It contributes a significant percentage to both the country's GDP and employment. With low capital costs, it provides a large number of people with direct and indirect employment. In a liberal economic scenario, it faces large competition and also faces problems like a shortage of cheap capital, upgraded technology, and skilled labour supply. In number of MSME, West Bengal is in the second position after UP.

Key Words: MSME, ERP, GVA, WTO, OECD

Globalisation is the process of integrating various economies of the world without creating any hindrances in the free flow of goods and services, technology, capital and even labour or human capital. The term globalization has, therefore, four parameters: 1. Reduction of trade barriers to permit free flow of goods and services among nation-states; 2. Creation of environment in which free flow of capital can take place among nation-stated; 3. Creation of environment, permitting free flow of technology; and 4. Last, but not the least, from the point of view of developing countries, creation of environment in which free movement of labour can take place in different countries of the world.

Small-scale industries in India have been confronted with an increasingly competitive environment due to: (i) liberalisation of the investment regime in the 1990s, favouring foreign direct investment at the international level, particularly in socialistic and developing countries; (ii) the formation of the World Trade Organisation (WTO) in 1995, forcing its member- countries (including India) to drastically scale down quantitative and non- quantitative restrictions on imports, and (iii) domestic economic reforms. The cumulative impact of all these developments is a remarkable transformation of the economic environment in which small industry operates, implying that the sector has no option but to 'compete'. To compete in the international market, the Indian Government announced a separate Industrial Policy for Small, Tiny, and Village Industries on 6th August, 1991 and started

some development programmes for the development of the small-scale sector. The main objective of the present study is to analyze the impact of globalization on the growth of small scale industries.

It has framed various policies aimed at development of industries in the public and private sectors. Special emphasis has been laid on small-scale industries. Small scale industries play a key role in our planned development with its advantages of low investment, high potential for employment generation, diversification of the industrial base, and dispersal of industries to rural and semi urban areas. The small-scale industries sector has been appropriately give a strategic position in our planned economy towards the fulfilment of the socio economic objectives particularly in achieving equitable growth.

Major features of the Small Industrial policy of 1991.

The emphasis is to shift from cheap credit to adequate credit.

Equity participation by other undertakings (both domestic and foreign) up to 24 percent.

Introducing of factoring services by banks.

Marketing of mass consumption goods under a common brand name.

Setting up of sub- contracting exchanges.

Establishment of technology development cell.

Opening of quality counselling and technology information centres.

New technology upgradation programmes. establishment of 15 new technology centres and the upgradation/modernization of existing technology centres.

Establish a Web Portal for creating a technology platform to meet the various needs of MSMEs in addition to the implementation of ERP in Technology Centres.

Literature review: A number of studies on the role of MSMEs in a competitive environment have been done. Some of them are briefly discussed below.

Mesut Savrul et al. (2014) had mentioned that due to small size MSME has faced a lot of problems in competitive market ,but through the described the fact that the size of the MSMEs had put them in a disadvantageous position in global market; but with the help of E-Commerce they are competing in the global platform. In competitive market for survival they need to cost curtailment, quality improvement of their products and services.

Chandraiah (2013) had focused on economic policy introduced by government of India in 1991 to make MSME sector more competitive in globalised era. He further stated that the policy shift at the command of IMF and World Bank has led to unequal competition between the Multinational companies and small Indian enterprises and there is a need to promote the MSME sector.

Grant Thornton and FICCI (2013) had emphasised on development of value chain to make the MSME sector more competitive in the liberalised environment.

Das and Joseph (2013) had mentioned that India has large number of SMEs and subcontracting has been promoted through a number of measures such as learning, innovation and competitive building systems. However, the real outcome is yet to come.

Lahiri (2012) had discussed the opportunities and the constraints faced by the MSME sector in India in the era of globalization. Further, he had mentioned that MSMEs in India faced a tough competition from large industries.

Shastri et al. (2011) had discussed the impact of globalization and liberalization on small-scale industries performance in terms of units, employment, output and exports. They had also suggested some measures for survival and development of performances of small scale industries in India.

Dalberg (2011), had mentioned that MSME accounted near about 95% of firms and 60–70% of total employment, 55% of GDP in the Organization for Economic Cooperation and Development (OECD) economies.

Harvie (2010) had emphasized that SMEs need to improve restrictions affecting MSMEs are access to credit, technology and red tapism and concluded that the key matters should be removed to make the MSMEs their international competitiveness, particularly in terms of Research & Development, improved quality control, and skills. He also argued that governments should promote the development of local parts and supplier industries. This is likely to be an effective strategy to expand the domestic content of Multinational Company operating in a country. The development of networks of domestic suppliers, along with access to and availability of finance, together with increased linkages between SMEs and large firms, are critical.

Rathod (2007) had studied the impact of globalization on SSIs, identified the problems of SSI. For survival they need legal safeguard, adequate capital, and sufficient infrastructure.

Sudan (2005) had mentioned the challenges of small scale industries in present competitive situation and the measures taken by Government of India for their survival.

Subrahmanya (2004a, b) had mentioned the impact of globalisation on the performance of small scale industries. He advised technological development and financial restructuring can survive the SSI.

Subrahmanya (2004a) had found the impact of economic reforms on small scale industries performances. He recommended technological up gradation and financial restructuring for the development of small scale industries in India .

Naik (2002) had mentioned the competition faced by the small scale industries in liberal period.

Mukherjee (2001) had mentioned the role of small scale industries in liberalised economy, the challenges to be faced and the legitimate protection available to them under WTO rules. Mukherjee Journal of Global Entrepreneurship Research (2018) 8:28 Page 4 of 19

Mali (1998) had found that SMEs and micro enterprises had faced increasing competition in the present scenario of globalization. To cope with the current scenario, they have to improve themselves in the fields of management, marketing, product diversification, infrastructural development, technological up gradation. Lastly, new small and medium enterprises moving from slow growth area to the high growth area have to form strategic alliance with the entrepreneurs of the adjoining countries.

Progress of MSME in India:

MSME have contributed significantly both to the country's Gross Value Addition (more than 32% and it is on a rising trend) and Gross Domestic Product (more than 29%) over the study period 2011-12 to 2020-2021. In MSME businesses, the share of trading businesses is highest, followed by other services, the manufacturing sector, and the electricity sector, respectively. If we compare statewise then number of MSME in Uttarpradesh (12%) is highest followed by West Bengal (10%), Tamil Nadu (9%), Maharastra (8%), Andhrapradesh including Telengana (7%), Karnataka (6%), Gujrat (6%), Rajasthan and Madhyapradesh (5%) (4%). In MSME, the share of the number of Micro enterprises is the highest, followed by small and medium enterprises, and from a locational point of view, the number of MSME in the rural sector is higher than in the urban sector. Most of the MSME (more than 66%) are owned by backward group; in which OBC categories (49.72%) owners are highest followed by SC (12.45%) and ST categories (4.10%). Further, from an ownership point of view, most of the owners are in the male category (79.63%) and the female category are few (20.37%).

Conclusion: MSME sector is an important sector in the economy to generate a large volume of employment in the country with small investment and small time. But they are facing a lot of problems at the time of liberalisation and globalisation like competition from large industries, shortage of capital at low cost, lack of upgraded technologies, etc. In the Corona period, due to lockdown problems with labour supply (migrant workers returning to their homes), shortages of demand for products, lack of communication facilities etc. Recently in unlock period gradually products demand have risen, migrant workers return to job, communication facilities started, some facilities in loan capital supply like repayment period extended, some amount of interest waived, additional capital at low cost given for the survival of MSMEs in India.

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