

NATIONAL INSTITUTE OF TECHNOLOGY
DEPARTMENT OF HUMANITIES AND SOCIAL SCIENCES

BASIC ENTREPRENEURSHIP FOR ENGINEERS
GLOBALIZATION AND ITS IMPACT ON SMALL SCALE INDUSTRIES

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Abstract

Globalisation refers to the process of integrating the world into one huge market. The growing inter-dependence of the world countries, their economies, cultures and populations, happening because of the cross border trades in good and services; and the flow of finance and capital. The opening up of world trade, advanced means of communication development and the internationalism of financial markets, etc, have led the countries to globalisation. Globalisation wave hit India in the last decade and for so long has and is playing an important part in the country's economical growth. But there are two sides to every coin, and similarly globalisation, eventually, led to an 'Unequal Competition' around us - since it was a competition between 'giant and established MNC's and a dwarf Indian Enterprises'. The small scale industries were shadowed because of the globalisation, since the MNCs always stood in limelight. The small scale sector plays a vital part in the overall industry sector of the country by forming a dominant part of Indian Industries and contributing to a significant proportion of production, exports, and employment.

Introduction

Globalization is a process of increasing the interdependence and inter-connectivity of economies of various nations with each other. The whole world is open for the exchange of capital, technologies, labour, information, etc. without the any hindrance or barriers. This internationalization and liberalization has eventually led the world to become a small village thereby increasing the competition in the market in every field. In order to sustain their economies, countries are getting knee deep into introducing new policies to support their economic indicators.

With respect to the developing countries, small scale industries play a significant role in their industrial sector as well as economy. And the reason for this is because the establishment of a large scale industry requires a large capital and investment; hence small scale industries play a vital role for the Indian industry sector - because of the country being still in its growing phase. The Indian economy has initiated to concentrate on the small industrial bases, which, undoubtedly, contribute positively to India's GDP. According to the stats, small scale industries contribute to about 40 percent of India's GDP, 45 percent of the manufacturing output, 40 percent to the total export of the country, and generating huge employment opportunities, at present. Also, in order to impart more vitality and growth to small sector, a policy statement was announced for small, tiny and village enterprises on August 6th 1991, by the Government Of India, which was the first time the Government looked at the small and decentralized sector. Some notable features of the policy were:

1. Emphasis to shift from cheap credit to adequate credit.
2. Equity participation by other undertakings (both domestic and foreign) upto 24 percent.
3. Introducing of factoring services by banks.
4. Setting up of sub-contracting exchanges.
5. Need for developing a strong Entrepreneurship Development Programme (EDP) and developing a pool of trainers for EDP was also felt.

The Need for Globalization

Globalization is, undoubtedly, extremely important economic phenomenon for any country - either developing or developed; since it is the most significant contributor to increasing the country's GDP. But how does Globalization affect GDP? In simple words, foreign direct investment - or the money invested by the foreign companies in our country - directly affects the GDP (the living standard of any country), and Globalization is an easy way for this phenomenon.

The significance of Globalization in India follows back its root in Ancient India. As a matter of fact a significant number of the parts of globalization are a lot more established than the ascent of free enterprise itself. In old India, movement and relocation of the races and networks were incessant undertakings. As human development progressed and people got the hang of exchanging, exchange and business started between the nation's trade of money capital was likewise a deep-rooted undertaking. With the ascent of private enterprise, numerous parts of globalization rose to the top and turned into an acknowledged practice. Without globalization, it would be truly challenging for refugees to escape war-torn nations like current Syria and Yemen. It plays a vital role in the diversifying countries and enhancing the cultural aspects - since a lot of people gathered from all over the world in developed cities. Without International Trade, it would have been tremendously difficult to grow large cities, use international items, etc. The term Globalization is based on four parameters:

- Decrease of exchange hindrances to allow free progression of labor and products among country states;
- Making of conditions in which free progression of capital can occur among country expressed;
- Formation of situations, allowing free progression of innovation; and
- An environment supporting the free movement of labor in different countries of the world - important from the perspective of a developing country.

Importance of Small Scale industries

Before diving into the importance of these industries, the first question is - What are *Small Scale Industries*. An Industry refers to a group of companies related to each other, primarily based on the business they undertake. Small-Scale industries, hence, are the partnerships, corporations, or sole proprietor-ships which function on a lower scale, with less number of employees or workforce and generate less revenue in comparison to the normal-sized businesses. It also refers to any enterprises or businesses that are cut out for government support or enjoy preferential tax policies, depending on their operational area.

Small-Scale Industries can further be classified on the basis of:

- Manufacturing
- Service
- Ancillary
- Export Units
- Cottage
- Village

IMPORTANCE OF THESE INDUSTRIES

The first and foremost important factor of these industries is their Employability. Small-Scale Industries create various employment opportunities, thus contribute to the country's economic development. These industries also help in the urban and rural growth of the country - especially for a country like India. Other important factors of these industries are, increasing the manufacturing and production, export, advances welfare, etc. Thus the development of these industries are being given importance by the Government so as to achieve some objectives, such as:

- Providing additional employment opportunities

- Mobilize resources of capital and skill from various parts of the country
- Proving more equitable distribution of national income
- Providing a helping hand to large industries by facilitating them at their work.

But if these industries are so important for the growth factor of a country, what was the objective of this report? It is to reflect on how Globalization has affected - both positively and adversely - the working of small-scale industries.

Effect of Globalization on SSI (Small Scale Industries)

As previously stated, Globalization has subjugated the SSI to highly intense competitive environment, and these eventually increasing with advancement of time. The main cause of this is:

- Liberalization of the investment regime in the 1990s favoured the foreign investment level, especially in developing countries.
- World Trade Organization (WTO) was formed in 1995; India being a member country was forced to scale down the quantitative and non-quantitative restrictions on imports.

These developments, eventually, led to the remarkable transformation of economic environment - but at the same time, producing a 'competitive' atmosphere for the small scale industries.

Growth of SSI: Pre and Post Globalization

It is no doubt that SSIs have played an important role in boosting the country's economy - the industries set up in various parts of the country by entrepreneurs have contributed to the increased shares in India's overall production, fixed investment, employment capacities, etc. The significance of SSI area in giving enormous scope work is of central significance. The supporting policy right from the primary plan, featured the requirement for the turn of events of SSI area keeping in view, its essential significance

in the generally monetary advancement of India. The effect of Industrial advancement and de-regulatory arrangements on the development of small scale ventures has been caught by processing and therefore contrasting the development rates among pre and post globalization period

Number of SSI units in India

Growth of SSIs in India (1990-2014)

Year	Number of SSI (in millions)	Production (in Rs millions)	Employment (in millions)	Export (in Rs millions)
1990-93	7.067	740,570	16.639	137,73
1993-96	7.964	1,231,013	19.066	302,816
1996-99	8.976	1,901,640	21.319	442,140
1999-02	10.11	2,592,713	23.909	650,803
2002-05	11.421	3,687,786	27.171	1,026,913
2005-08	21.912	3,036,013	50.566	1,701,266
2008-11	29.825	9,864,940	69.563	2,235,720
2011-14	32.56	12,214,420	77.127	3,691,520

Source: Economic Survey of India

In the post liberalization period, the yearly growth of employment has seen a sharp rise, with having a high jump reaching a milestone of about 50.566 millions i.e. a rise of about 85 percent. The production can be seen gradually increasing with time in this time frame, with a sudden rise in the year 2008-11 when it bloomed and hit a percentage increase of about 220 percent. The export in this time frame did increase, but with not much percentage as the previous items. Despite this, the average yearly growth rate decreased in the post liberalization period.

Positive Effects of Globalization

But as we cited earlier, every coin has two sides, here are some ways by which globalization affected the SSIs with positive results.

- **Scope Increase of Market:** Despite the chances of slowdown of local markets in international field, there is always a positive chance of local businesses entering

the international market - since they aren't aware of the local issues.

- **Expansion of Business:** Businesses of all sizes can target international markets with similar preferences to those they already serve, resulting in new revenue streams, without the substantial investment required to open a global branch of an established business.
- **Easy and Budget Marketing:** Nowadays, thanks to the internet and the relative simplicity of marketing that comes with social media and global ad targeting, everyone has a good chance of getting their name out there globally. Even the smallest business will benefit from data collection tools and methods.
- **Employing all across the world:** Because of Globalization, availability of remote workers has drastically increased. Small companies now have the versatility they need to cut costs and increase sales as a result of this.

CONCLUSION

With this report, it is tried to analyze the impact of globalization on the growth of SSIs in India. The comparative analysis shows that Globalization has adversely affected the small scale industries in terms of production and exports, with the pre-liberalization period. To conclude, it can be said that Globalization, despite its silver-lining of having an advanced and positive impact on the overall market, yet it failed to provide a shelter of opportunities to the small scale industries - by driving their opportunities and giving more share to the MNCs and large scale industries. Globalization forced the countries to reduce their prices in order to compete with the rising market demands. One of the most generally voiced inquiries regarding enormous business' worldwide reach is the difficulty more modest organizations have rivaling huge scope buyer merchandise tasks. Be that as it may, being aware of specialized advances and utilizing everything available to one, it is crucial to getting by and prevailing in this continuous level.

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