

Role of Small Scale Industries in Globalisation

Syed Zuber Ali¹, Shaik Khuteeja², Chigurupalli Likhitha³

^{1,2,3}Department of Management Studies, R.K. College of Engineering, Kethanakonda, Ibrahimpatnam(M), Vijayawada, Andhra Pradesh (India)

ABSTRACT

Globalization refers to the process of integration of the world into one huge market. It provides several things to several people with removal of all trade barriers among countries. Globalization happens through three channels: trade in goods and services, movement of capital and flow of finance. Globalization in India is generally taken to mean 'integrating' the economy of the country with the world economy. The real thrust to the globalization process was provided by the new economic policy introduced by the Government of India in July 1991 at the behest of the IMF and the World Bank. 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. The small scale sector forms a dominant part of Indian industry and contributing to a significant proportion of production, exports and employment. Therefore, the present study analyzes the impact of globalization on Indian Small Scale Industries. The main theme of the paper is to evaluate the performance of SSI, before and after liberalization and compare them with average annual growth rates, to know their impact of Globalization on the performance of SSI. The period of the study is 2000-2016 and based on secondary information.

Keywords: Globalization, Small Scale Industries, Exponential Growth, Production, No. of Units, Export and Employment.

I. INTRODUCTION

Globalization signifies a process of internationalization plus liberalization, in which the world has become a small village due to the concept of globalization. The competition has become intense in every field. Nations fight with game plan to sustain their economy, by introducing new policies and announcing incentives to support mainly their economic- indicators. After the world economy was open to attack, the Indian economy has initiate to concentrate on the development of small industrial base, which had contribute positively to the India's GDP; India's GDP growth is better than other developing countries with the developed small industrial sector.

In order to impart more vitality and growth to small scale sector, a separate policy statement has been announced for small, tiny and village enterprises on 6th August, 1991. This policy statement was a leap-forward because it was the first time that Government had issued a separate policy statement for the small and decentralized sector. In the past, small scale sector merited only two or three paragraphs in the more general industrial policy statements. The fact that Government considered it necessary to make a separate policy statement for small enterprises was a welcome recognition to the dynamic and vibrant nature of the sector. This policy statement proposed some path-breaking measures to mitigate the handicaps that were faced up by small enterprises in respect. Government of India introduced a large number of innovative promotional measures to uplift the growth of small scale sector. Major features of the Small Industrial policy of 1991:

1. Emphasis to shift from cheap credit to adequate credit.
2. Equity participation by other undertakings (both domestic and foreign) upto 24%
3. Introducing of factoring services by banks.
4. Marketing of mass consumption goods under common brand name.
5. Setting up of sub- contracting exchanges.
6. Establishment of technology development cell.
7. Opening of quality counselling and technology information centres.
8. New technology up gradation programmes.

II. GLOBALIZATION

Globalization refers to an advanced stage of development where capital, technology, labour, raw materials, information and transportation, distribution and marketing are integrated or interdependent on a globe scale. This gives rise to the economy that works as a unit in real time on a planetary basis (Kuper and Kuper, 1996: 345-46). Thus, globalization is a "process" of integration with the world economy; liberalization is the "means" of such a process and growth is the "end" of both liberalization and globalization (Shrestha, 1999: 170).

Globalization is not a new phenomenon. In the immediate post-World War-II period, globalization was mainly driven by rapid growth in foreign trade while in the 1950s and 1960s, foreign direct investment (FDI) started to play an increasingly important role in this process. Over the last three decades and based on a global trend of trade and investment liberalization, the world economy has evolved into a highly integrated system. Today, globalization involves numerous features, but the following three seem to be the main engine driving global economic integration:

- Internationalization of production accompanied by changes in the structure of production
- Expansion of international trade in trade and services, and
- Widening and deepening of international capital flows.

III. FOREIGN TRADE GLOBALIZATION

Foreign trade Globalization opens the economic borders of the countries and emphasizes to remove the trade barriers and curtail in import tariffs of the countries. In the context of globalization and being the member of WTO, the member should not discriminate the foreign product. The countries with the comparative advantages in the products can be benefited. But, in Nepal the trade balance is worsening year by year. Export is shrinking and import has been expanding nowadays. The trade deficit has been widened and the import/export ratio is about 3:1. The trade dependency has been significantly increasing with India comprising 61 percent of total volume of trade in fiscal year 2008/09 (Economic Survey, 2009/10).

IV. PRIVATIZATION AND INDUSTRIAL GROWTH

Globalization always favors private sectors. Privatization and less role of state in business activities can increase the quality and working efficiency. It reduces the government burden on unnecessary economic activities and budget deficit. In Nepal, Privatization Act, 1993 has been introduced and 27 public enterprises have been privatized till the date. But, most of the privatized enterprises have not run efficiently, some have already been closed down. The process has somehow become irrational in Nepal. Globalization and liberalization in the industrial sector has negligible impact on industrial growth in Nepal. Manufacturing sector only contributes 7-8 percent in GDP. In general, the private sector in Nepal has a trade-oriented character rather than an industrial character and hence it is reluctant to bear high risks. It seeks to harvest larger profits from a short period investment, often through small amount of share capital and big volume of institutional loans. Secondly, the private sector is in the form of family groups that has recently taken a shape of 'Business Houses'.

V. PERFORMANCE OF SMALL SCALE INDUSTRIES IN THE GLOBALIZATION ERA

SSI is considered as the backbone of the private sector all over the world, which assures their role in production, employment and sales. In addition to their role in economic development they play a vital role in social, political, and cultural development as well. However, the notable spread of SSI contributed to the increased severity of competition between these industries that often leads to the failure of these industries. Most SSI fail during the first year of establishment, and 90% of these industries are subject to failure during a period not exceeding their first 5 years.

Year	No. of SSIs	No. of All Industries	Relative Importance
2000	52496	58984	89%
2001	54696	61388	89%
2002	64752	74369	87%

2003	66160	75920	87%
2004	66100	80363	81%
2005	74896	91520	82%
2006	76468	93432	82%
2007	78580	95856	82%
2008	81856	98768	83%
2009	92923	109532	84%
2010	106730	118271	90%
2011	103753	115820	89%
2012	105662	118492	89%
2013	130149	140338	92%
2014	126196	141944	88%
2015	132166	145699	90%
2016	135732	150222	90%

Source: Department of Statistics, Yearly Statistical Bulletins, Various Issues.

Furthermore, discrepancy in the relative importance of the spread of the SSI in the districts can be attributed to many factors. However, the geographic distribution of the spread of the SSI may not relate to other economic indicators, but it is possible to accept it as an indicator to express the strength of most of these indicators in favor of the middle district. On the other hand, the lack of data and information about the geographic distribution of all the economic and social indicators concerning the SSI – such as investment , employment , production , salesetc. - led to making the analysis inclusive for all the districts without dealing with details at the district level.

CONCLUSION

The findings of this study revealed:

1. Generally, the SSI plays an important role in achieving social and economic development. The average invested capital in these industries reached 4.8% of the total invested capital in all industries, during the period 2000-2016. Also, the SSI provided 22% of the total job opportunities and contributed in achieving nearly 8.5% of the total value added. Lastly, their share of the total sales in the industrial sector was 4.8%, and most of the sales were in the domestic market.
2. Despite the positive effects of the SSI in the Jordanian economy, the SSI still suffer from many weaknesses such as low average employment of women which is due to the socio-culture. The percentage of women working in the SSI was only 1.7%. Also, the percentage of foreign labor in the SSI is relatively high.
3. The financial institutions are characterized by their wide spread. There are 17 banks providing finance for this category of industry and more than 24 programs have been accredited. Some programs are oriented towards a specific

age category such as youths, and some institutional activities are exclusively for specific district or specific geographic regions.

4. There is an increase in the productivity of labor in the SSI, which indicates that the training programs directed towards these industries have increased.

5. Increasing the investment in SSI by 1% lead to an increase of the value added by 0.78%, production growth by 0.81%, and employment by 0.67%.

6. All the results of the statistical analysis of the SSI were statistically acceptable and no differences were noticed between the effect of SSI and other industries on the economic development of the Jordanian economy.

7. Marketing has been identified as one of the major problem areas of the small scale industries and it has been ranked as the second most important reason for the closure of small scale businesses. Accordingly, small firms will not be able to penetrate markets, national or international, even if marketing support is given by government agencies.

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