

**GLOBALIZATION AND ITS IMPACT ON SMALL SCALE SECTOR IN INDIA****Dr .N. Thyaga Raju***Vice-Principal & Head, Dept. of Commerce, Sri VSSC Government Degree College, Sullurpet, SPSR Nellore.***INTRODUCTION**

Economic Development of a country depends upon the creation of added values in agriculture, mining and industry through exploitation of natural resources. There is enough empirical evidences to show that industrialization which involves the development of manufacturing and other non-agricultural sectors, holds the key to economic development. Studies carried out by **UNIDO** shows that “the most significant structural change accompanied by a fall in the share of agriculture and a rise in the share of manufacturing in a countries output is an index of Industrial development”. Industrialization plays a greater role in the process of economic development in harnessing of natural resources of various types by value addition, employment generation, equitable distribution of national income, regional dispersal of industries, and mobilization of capital and entrepreneur skills and contribution to nations wealth in the form of exports etc., and it is obvious that without industrialization the natural resources and inherent skills of the people remain unutilized or underutilized. “Industrialization is an economic and social process affecting not only the technological standards of the given country but also the habits of the consumers, the way of public thinking and the organization of the actions, process and events in the life of the given society”. If the industrialization drive is to be successful it should be promoted upward from the grass-root level, further the most important pre-condition for the success of industrialization is that its basis must be widened geographically by giving priority to the expansion and modernization of agriculture and the development of small and medium sized small centres in rural areas. The shift could be promoted effectively only if a strong and broad based institutional frame work is created to meet the various needs of the industrial sector. It is known fact that Industrialization can be hardly effective if the plan for industrial development do not receive the support of a combination of appropriate fiscal, financial, trade and general economic policies of the government.

**GROWTH & PROGRESS OF SMALL SCALE SECTOR IN INDIA**

Table shows data relating to growth of small scale industries in India during 1980-81 to 2013-2014. Thus a significant progress has been achieved by small scale industries in India during the last two decades as indicated by liner growth rates and compound growth rates see Table 1.1.

**Table - Progress of Small Scale Sector in India(Units, Production, Employment, Investment and Exports)**

Year	No. of units (Lakhs)	Employment (Nos. in Lakhs)	Investment (Rs. Crores)	Production ( Crores)	Export ( Crores)	Share in total exports (percent)
1980-81	8.74	71.00	5850	28060	1643	24.5
1984-85	8,98	75.00	6280	32600	2071	26.5
1990-91	11.58	84.10	7360	41620	2164	22.1
1994-95	12.48	90.00	8380	50520	2553	21.7
2000-01	16.12	96.00	9585	61228	2769	25.4
2004-05	25.27	119.60	18196	132320	7990	28.9
2006-07	30.82	129.80	20438	178699	13883	31.5
2007-08	32.46	134.10	21816	209300	17785	33.1
2008-09	33.85	139.40	22934	241648	25307	36.3



*Research Paper*

2009-10	35.71	146.60	24874	2,93,990	29068	35.2
2010-11	41.24	152.60	26726	3,56,213	36470	34.3
2011-12	43.60	160.00	30250	4,12,640	39250	33.4
2012-13	48.10	167.50	33455	4,65,257	44442	33.0
2013-14	54.00	213.65	75,654	10,36,437	74,857	45.6

Source: Government of India, “Small Industries in India” - Hand book of statistics, Small scale Industries Development Commissioner, New Delhi, 2014.

### **ROLE OF SMALL SCALE SECTOR IN ECONOMIC DEVELOPMENT**

Economic development of a country is directly related to the level of industrial growth. The expansion of industrial sector leads to a greater utilization of natural resources, production of goods and services, creation of employment opportunities and improvement in the general standard of living. India has also been striving to develop the country’s industrial base over since independence. 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 fulfillment of the socio economic objectives particularly in achieving equitable growth.

The definition of small scale sector is broadened from small-scale industries to small scale enterprises that include all business enterprises in the services sector which provide service to industrial sector in addition to small scale industries taking into account all these factors, at present, Reserve Bank of India uses an expanded definition of small scale industries which include:

1. Small scale industrial undertaking which are engaged in the manufacturing, processing and preservation of goods in which the investment in plant and machinery not to exceed Rs. 5crore. These would include units engaged in mining or quarrying servicing and repairing of machinery.
2. Tiny enterprises whose investment in plant and machinery do not exceed Rs.25 lacs.
3. Power looms.
4. Traditional industries which require high workmanship and techniques and also village and household industries producing common goods of consumption predominantly by using simple tools.
5. The decentralized and informal sector like handlooms and handicrafts.
6. The industry related to services/ business enterprises.
7. Food and agro-based industries.
8. Software industry.

The development of small scale industries is being given due importance by the Government in order to achieve the following objectives:-

1. To provide additional employment opportunities.
2. To mobilize resources of capital and skill from various parts of the country.
3. To provide a more equitable distribution of national income.
4. To provide a helping hand to large industries and facilitate them in their work.

### **CONCEPTUAL FRAMEWORK OF “GLOBALIZATION”**

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 & 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'.

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) up to 24 percent.
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 counseling and technology information centers.
8. New technology up gradation programmes.

### **PROGRESS OF SMALL SCALE INDUSTRIES IN INDIA:PRE AND POST GLOBALIZATION PERIOD**

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 small scale industries play a significant role in boosting the overall economic growth of an economy. The small scale industries set- up by the entrepreneurs in different states and Union Territories of India have contributed to the increased shares in overall production, fixed investment, exports, Employment and capacity Utilization of SSI Units, etc. The importance of SSI sector in providing large scale employment is of paramount importance. The policy framework right from the first plan has highlighted the need for the development of SSI sector keeping in view its strategic importance in the overall economic development of India. The impact of Industrial liberalization and deregulatory policies on the growth of small scale industries has been captured by computing and subsequently comparing the growth rates between pre and post globalization period. In this section, the overall performance of SSI sector has been examined in depth on the basis of the different parameters such as number of units, production, employment and exports.

For the purpose of as well as understanding some of the responses to globalization, it is important to define what mean by globalization. This is all the more crucial because even if we leave out the unambiguous supporters of globalization in its present form- those who hold that it is purely beneficial, and the benefits will 'trickle down' automatically to the poor- there are still widely differing conceptions of this process. Those who either oppose



*Research Paper*

globalization, or are anxious about its potentially detrimental effects on employment and poverty, encompass a wide political spectrum. The extreme right opposes it from the standpoint of economic and cultural nationalism, and liberals might deplore the loss of national sovereignty because it reduces the effectiveness of state intervention to regulate capital and labour, alleviate poverty and so forth. Globalization 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-states;
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 Industry in India has been confronted with an increasingly competitive environment due to:

- I. liberalization of the investment regime in the 1990s, favoring 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 Small scale Sector.

## CONCLUSION

Industrial sector is complex, the needs are complicated too, hence the process of economic development through industrialization involves the provision of new methods of production institutional arrangements to encourage enterprises and investment, development of social and economic infrastructure, transport and communications, power and training facilities for enlarging vocational and managerial skills etc. Developed infrastructure is a catalytic agent for industrial development; it is the dynamiting factor in backward areas and functions as an incentive to level out the regional differences. Growth of a network of infrastructure is an essential pre-requisite for rapid industrialization and certainly will speed up the tempo of industrialization. An attempt has been made to analyze the impact of globalization on the growth of small scale industries. The comparative analysis of growth pattern of key parameters between Pre- and Post – Globalization periods reveals that the “globalization” had a negative impact on the growth of small scale sector measured in terms of number of units, production, employment and exports. To conclude, we can say that the recent trend of growth of SSI sector showed the trust of Indian economy on globalization and liberalization, which has failed to render a positive impact on the growth of Indian Small Scale Sector. No indicator shows the positive impact, in each case the average growth rate is less in post- globalization period than pre- globalization period. So the basic responsibility of the government at state and central level should take initiation for prepare the action plan for development of small scale sector in Indian scenario.

## REFERENCES

1. Bala, N, (2007), Economic Reforms and Growth of Small Scale Industries, Deep & Deep Publications, New Delhi.
2. Datt, R. And Sundaram, K. P. M. (1999), *Indian Economy*, 39th Edition, S.Chand & Company, New Delhi.
3. Government of India (1971), *Small Scale Industries: A Guide and Reference Hand Book*, Nabhi Publications, New Delhi.
4. Krishna, M. J. (2004), “World Trade Organisation and Its Implications on Small Scale Industries in Karnataka”, SEDME, Vol. 31, No. 2, June 2004, PP: 91- 102.



*Research Paper*

5. Mathew, M.(2004), “ Small Industry and Globalization”, Economic and Political Weekly, Vol. XXXIX, No. 20, 15 May 2004, Pg: 1999-2000.
6. Nag, B. (2000), “WTO Regime and Its Implications for Indian Small and Medium Enterprises Sector”, SEDME, Vol. 27, No. 3, September 2000, PP: 1- 17.
7. Raghurama, A. (2004), “Small Scale Industries in Kerala- Competitiveness and Challenges under Globalization”, SEDME, Vol. 31, No. 2, June 2004, PP: 7- 17.
8. Rajyalakshmi, N. (2004), “Productivity Awareness among SSI Units: A Case Study”, The Indian Journal of Commerce, Vol. 57, No. 2, April- June 2004, PP: 64- 72.
9. Subrahmanya, M.H. (2004), “Small Industry and Globalization: Implications, Performance and Prospects”, Economic and Political Weekly, Vol. XXXIX, No. 18, 1 May 2004, Pg:1826-1834.
10. Sudan, F. K. (2005), “Challenges in Micro and Small Scale Enterprises Development: Some Policy Issues”, Synergy: I. T. S. Journal of IT and Management, Vol. 3, No. 2, July 2005, PP: 67-81.
11. Varadarajan, D. B. (2008), “Kyoto Protocol,s Clean Development Mechanism- It’s Feasibility to Indian Small Scale Industries Under Globalization”, Political Economy Journal of India, Vol: 17, No. 1, January-June 2008, PP: 36- 44.