



GLOBALIZATION AND GROWTH OF MSMES IN INDIA

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ABSTRACT

Globalisation is a process of interaction and integration among the people of different countries, governments, industries, companies etc motivated by international trade and investment, nowadays, aided by information technology. The practice has its own effects on economic development, on political system, on culture of the soil, on the environment and on human physical well-being in societies across the globe.

INTRODUCTION

After globalization of the Indian economy in 1991, the environment of SSI has also changed drastically as SSI has been experiencing severe competition from foreign firms. As a result of Liberalization in 1990s, the government has liberalised the industrial licensing policy and permitted foreign investment. Moreover, 73 items reserved exclusively for the SSI sector were de-reserved in June 2003 and further 85 items reserved for the SSI sector were de-reserved in October 2004 (Burange and Shruti Yamini, 2011).

As per the MSMED Act, 2006, the field of small scale industries in India widened and called Micro, Small and Medium enterprise. The investment limits for defining “small” have been raised and the sector encompasses medium enterprise and service sector also. According to the Micro, Small and Medium Enterprises (MSME) Development Act of 2006, (India) a micro enterprise is where the investment in plant and machinery does not exceed twenty five lakh rupees. A medium enterprise is where the investment in plant and machinery is more than five crore rupees but does not exceed ten crore rupees. A small enterprise is where the investment in plant and machinery is more than twenty five lakh rupees but does not exceed five crore rupees. In the case of the enterprises engaged in providing or rendering of services, as (a) a micro enterprise is where the investment in equipment does not exceed ten lakh rupees. (b) a small enterprise is where the investment in equipment is more than ten lakh rupees but not does exceed two crore rupees. (c) a medium enterprise is where the investment in equipment is more than two crore rupees but does not exceed five crore rupees.

In a developing country like India, the role and importance of small-scale industries is very significant towards poverty eradication, employment generation, rural development and creating regional balance in promotion and growth of various development activities (Shivani Misra, 2012) Therefore, India after entering in to globalization in 1991, the role of MSMEs increased in many fold, policies of MSMEs were changed at least certain level and dimensions to make the sector more vibrant and competitive in the world economy. . In the light of the above issues and developments the paper tries to throw light upon how is India's MSMEs sector indicated growth in the globalization era.

Objectives:

1. To know the trend of investment and number of units in MSME sector of India during the globalization period
2. To know the intensification of employment opportunities in the MSME sector of India during the globalization period.
3. To know the growth of Production and exports from MSME sector of India during the globalization period

Methodology:

The study is based on the available secondary data, to compare the growth the period of study is divided into early phase of globalization from 1992-93 to 1999-00. And later 2001-02 to 2010-11 and used simple statistical tools like tables, percentage, averages, and graphs.

Analysis:

The economic progress of a country primarily depends upon the development of industries, may be large or small So the performance of the MSME sector during globalization period has a direct impact on the augmentation of the overall economy of the country.

1) Trends in The Establishment of Number of Units and Employment Opportunities During the Early Phase of Globalization

The number of units in 1992-93, at the beginning of the globalization, was 73.51 lakhs and it increased to 97.15 lakhs in 1999-00, the average growth rate was 3.56% (Table no. I). Trend in the establishment of units is positive and progressive in the early period of globalization and at the same time employment opportunities increased from 174.84 lakhs in

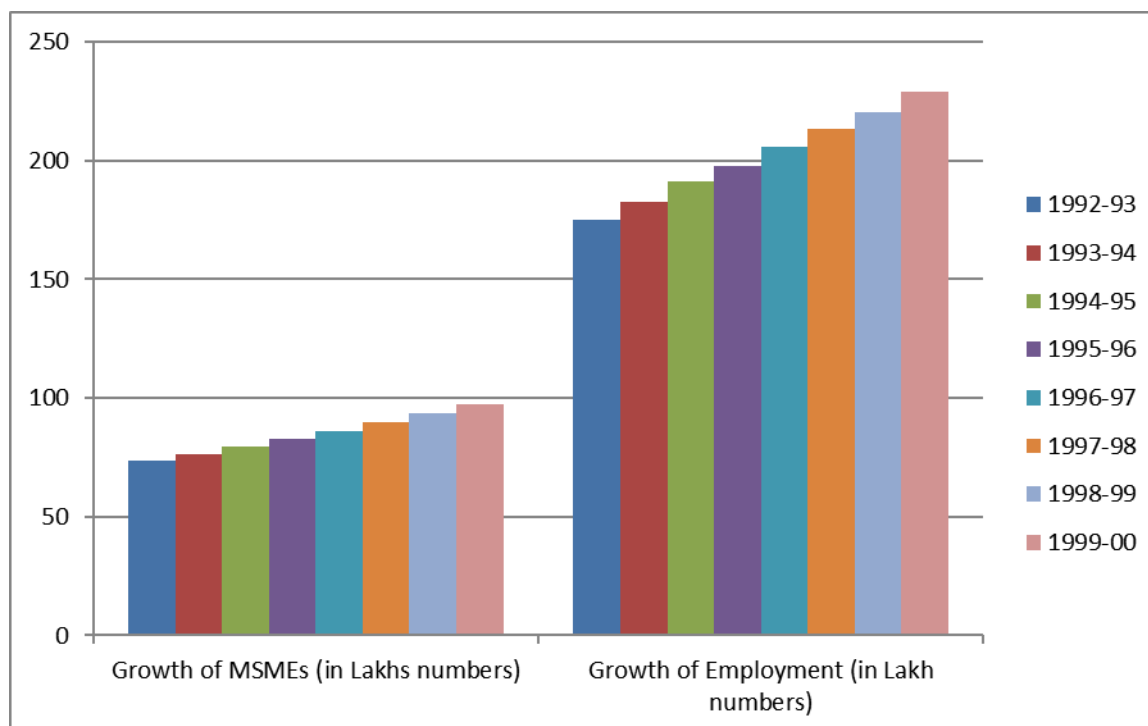
1992-93 to 229.10 lakhs in 1999-00. The average growth rate in employment opportunities is considerable i.e. 4.11% (Table.no.I) the same is explained in the graph no.1.

Table no. I: Growth of MSMEs during the Early Phase of Globalization.

Year	Total MSMEs (lakh numbers)	% of growth over the previous year	Employment (lakh person)	%of growth over the previous year
1992-93	73.51	-----	174.84	5.33
1993-94	76.49	4.07	182.64	4.46
1994-95	79.60	4.07	191.40	4.79
1995-96	82.84	4.07	197.93	3.42
1996-97	86.21	4.07	205.86	4.00
1997-98	89.71	4.07	213.16	3.55
1998-99	93.36	4.07	220.55	3.46
1999-00	97.15	4.07	229.10	3.88
Average Growth rate.		3.56		4.11

Source: 1. Reserve Bank of India and Ministry of Micro, Small and Medium Enterprises, Govt. of India.

Graph no.1. : Growth of MSMEs during the Early Phase of Globalization



2. Increase in the Investment and Growth in the Production and Exports of MSMEs during the Early Phase of Globalization:

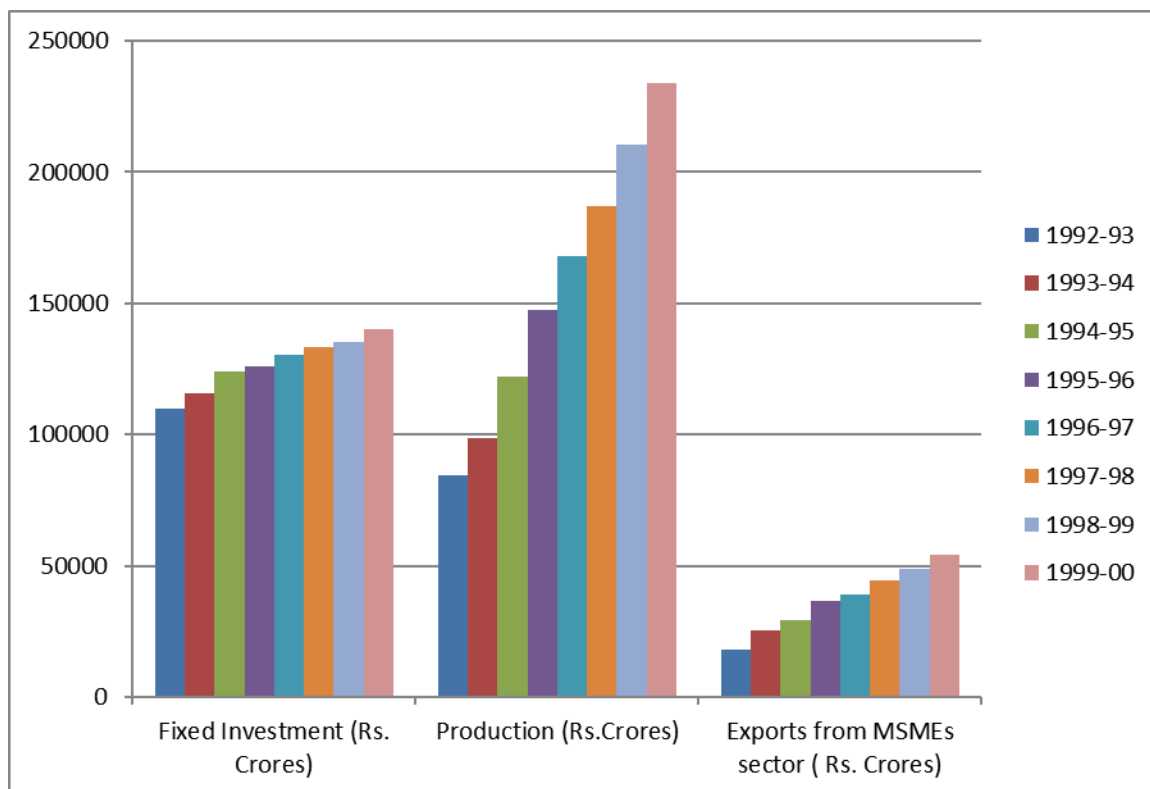
For the growth of MSMEs more and more investment is inevitable. During the early phase of globalization investment in MSMEs sector is increased from Rs.109623 crores in 1992-93 to Rs.139982 in 1999-00. (Table no. II) in turn ,at the same time the growth of production and exports from MSMEs sector increased. It was Rs.84413 crores in production and Rs.17784 crores in exports in 1992-93 respectively and it increased to Rs.233760 crores in production and Rs.54200 crores in exports in 1999-00 (Table no.II) average growth rate also on positive note. The same is explained in the graph no.2.

Table no. II: Growth of MSMEs during the Early Phase of Globalization.

Year	Fixed Investment (Rs. Crore)	% of growth over the previous year	Production (Rs. crore)	% of growth over the previous year	Exports (Rs. crore)	% of growth over the previous year
1992-93	109623	9.24	84413	4.71	17784	28.10
1993-94	115795	5.63	98796	17.04	25307	42.30
1994-95	123790	6.9	122154	23.64	29068	14.86
1995-96	125750	1.58	147712	20.92	36470	25.46
1996-97	130560	3.82	167805	13.60	39248	7.62
1997-98	133242	2.05	187217	11.57	44442	13.23
1998-99	135482	1.68	210454	12.41	48979	10.21
1999-00	139982	3.32	233760	11.07	54200	10.66
Average Growth rate		4.28		14.37		19.06

Source: Reserve Bank of India and Ministry of Micro, Small and Medium Enterprises, Govt. of India.

Graph no. 2: Growth of MSMEs during the Early Phase of Globalization



3) Trends in the Establishment of Number of Units and Employment Opportunities during The 2000's:

There were 105.21 lakhs units in 2001-02, the number has increased to 311.52 lakhs in 2010-11. The average growth rate of number of units is 14.99% (Table no.III) It indicates more growth in the number of units of MSMEs during the later period of globalization. The employment also increased from 249.33 lakhs in 2001-02 to 732.7 lakhs in 2010-11, as per average growth rate i.e.14.47% (Table no.III) employment opportunities also growing speedily. Graph no.3 depicts the growth in MSMEs in number and employment opportunities.

Table no. III: Growth of MSMEs During The 2000's

Year	Total MSMEs (lakh numbers)	% of growth over the previous year	Employment (lakh person)	% of growth over the previous year
2001-02	105.21	4.07	249.33	4.44
2002-03	109.21	4.07	260.21	4.36
2003-04	113.95	4.07	271.42	4.31
2004-05	118.59	4.07	282.57	4.11
2005-06	123.42	4.07	294.91	4.37
2006-07	261.01	111.48	594.61	101.62
2007-08	272.79	4.51	626.34	5.34
2008-09	285.16	4.53	659.35	5.35
2009-10	298.08	4.53	695.38	5.47
2010-11	311.52	4.51	732.7	5.29
Average Growth rate.		14.99		14.47

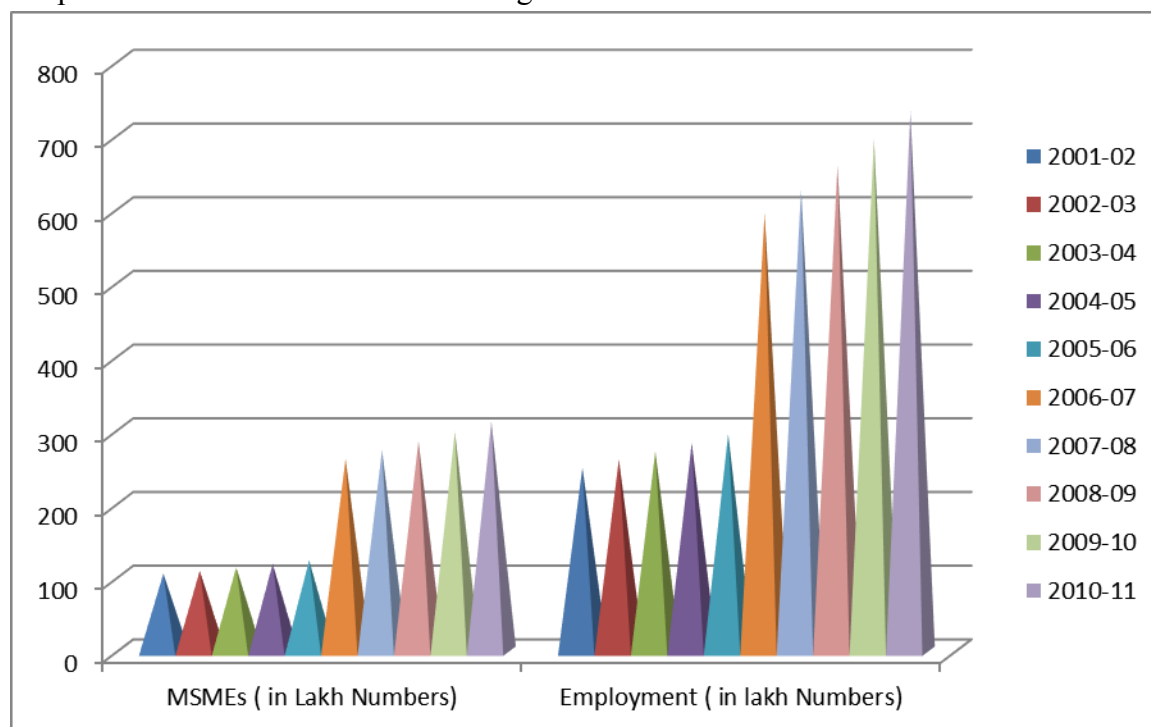
Source: 1. Annual report, 2010-2011, Ministry of Micro, Small and Medium Enterprises. Fourth All

India Census of MSME 2006-07,

2. National Accounts Statistics , CSO, MOSPI and

3. Annual Survey of Industries, CSO MOSPI

Graph no. 3: Growth of MSMEs During The 2000's



4. Increase in the Investment and Growth in the Production and Exports of MSMEs during The 2000's:

Timely Investment leads to growth of any sectors, the investment in MSMEs during this period is considerable, it was Rs.154349 crores in 2001-02 and it has increased to Rs.773487 crores in 2010-11. and the average growth rate of investment during this period is 23.75% (Table no. IV) Production growth is also notable one, it was Rs.282270 crores in 2001-02, increased to Rs.1095758 crores in 2010-11 and the average growth rate was 15.75 % (Table no. IV) Majority of the time importance of the sector is measured on the bases of its contribution to export also. MSMEs sector exported Rs. 71244 crores of products in 2001-02 and it has increased to Rs.202017 crores in 2007-08. And the average growth rate was 16.67% (Table no. IV) The same is depicted in Graph no.4.

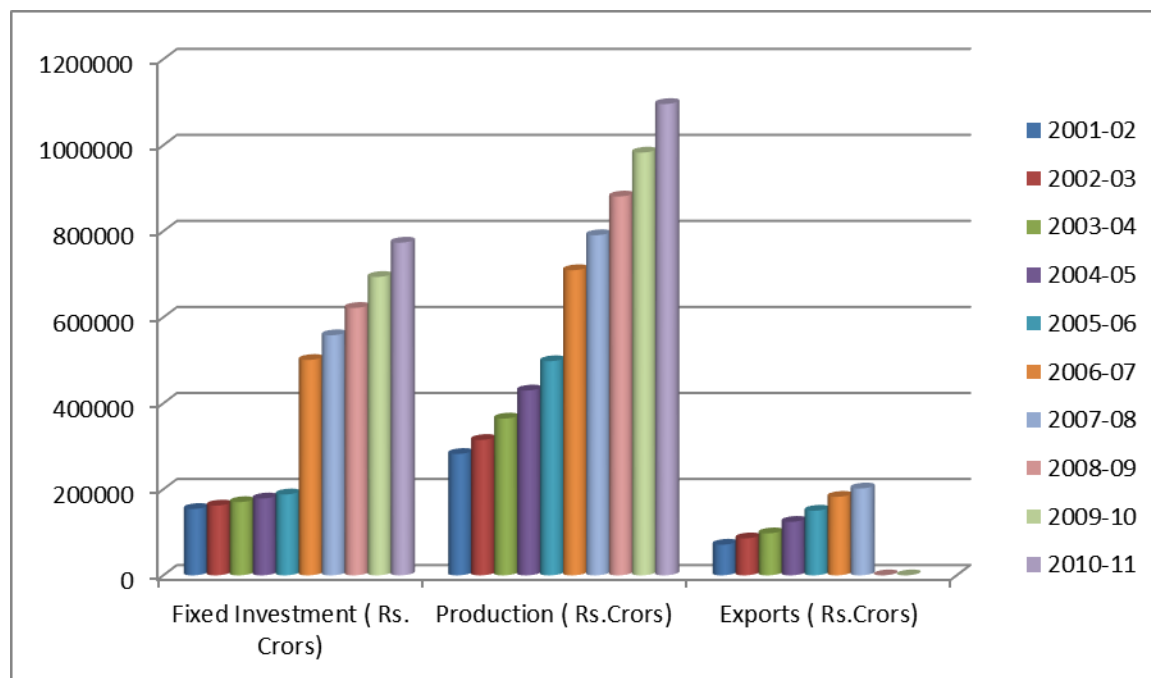
Table no.IV: Growth of MSMEs during The 2000's

Year	Fixed Investment (Rs. Crore)	% of growth over the previous year	Production (Rs. crore)	% of growth over the previous year	Exports (Rs. crore)	% of growth over the previous year
2001-02	154349	5.11	282270	8.03	71244	2.07
2002-03	162317	5.16	314850	11.54	86013	20.73
2003-04	170219	4.87	364547	15.78	97644	13.52
2004-05	178699	4.98	429796	17.90	124417	27.42
2005-06	188113	5.27	497842	15.83	150242	20.76
2006-07	500758	166.20	709398	42.49	182538	21.50
2007-08	558190	11.47	790759	11.47	202017	10.67
2008-09	621753	11.39	880805	11.39	N. A.	N. A.
2009-10	693835	11.59	982919	11.59	N. A.	N. A.
2010-11	773487	11.48	1095758	11.47	N.A	N.A
Average Growth rate.		23.75		15.75		16.67

Source: 1 Annual report, 2010-2011, Ministry of Micro, Small and Medium Enterprises. Fourth All

- India Census of MSME 2006-07,
2. National Accounts Statistics , CSO, MOSPI and
- 3.. Annual Survey of Industries, CSO MOSPI

Graph no.4: Growth of MSMEs During The 2000's



Overall growth of Indian MSMEs sector during the globalization period is highly appreciable and considerable. As per the study, the growth of number of units, investment, employment, production and exports are more during the 2000s decades, compare to earlier phase of globalization. It may be because of MSMEs consolidated their competitive capacity in the markets in the later part of the globalization. However MSMEs are not free from certain problems like, lack of up-to-date technology, shortage of highly skilled manpower, lack of access to global markets, lack of timely credit, shortage of storage facilities, Etc.

Conclusion:

In view of the above analysis, one can conclude, that the contribution of the MSMEs to Indian economy is considerable. And even after globalization the growth of the sector is in many fold and dimensions. If the policy gives even more importance to MSMEs it will grow even more robust way and contribute more to the growth of Indian Economy.

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