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**Impact of Globalisation on Political, Socio-
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Impact of globalization on micro, small and medium enterprises in India

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Abstract:

MSMEs are a very important segment in the Indian industrial sector and would continue to play a crucial role in the Indian Economy in the future. It also brought in huge amounts of foreign investments into the country and provided employment opportunities for many people in the country which in its turn helped reduce the level of poverty in the country. A rewarding feature of economic development in India is due to impressive growth of modern MSMEs. Globalization is 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 1991 at the behest of the IMF and the World Bank. This paper focuses on the implication of Globalization; analyze the performance of small scale industries based on number of units, employment, production, investment and exports on post liberalization.

Keywords: Globalization, Economic Growth, GDP, MSMEs performance.

Introduction:

Micro, Small and Medium Enterprises (MSME) have been the backbone of the Indian Economy. It contributes significantly in the economic and social development of the country by fostering entrepreneurship and generating largest employment opportunities at comparatively lower capital cost, next only to agriculture. MSMEs are complementary to large industries as ancillary units and this sector contributes significantly in the inclusive industrial development of the country. The MSMEs are widening their domain across sectors of the economy, producing diverse range of products and services to meet demands of domestic as well as global markets. The MSME sector is highly heterogeneous.

There are different size of the enterprises, variety of products and services and level of technology. It helps in the industrialization of rural and backward areas. It reduces regional imbalances. It provides equitable distribution of national income and wealth.

Definitions: In accordance with the provision of Micro, Small & Medium Enterprises Development (MSMED) Act, 2006, The Micro, Small and Medium Enterprises is classified as two categories. 1) Manufacturing sector and 2) Service sector

Manufacturing Sector		
Sr. no.	Enterprise Category	Investment in plant and machinery
1	Micro Enterprises	Does not exceed 25 lakh rupees
2	Small Enterprises	More than 25 lakh rupees but does not exceed 5 crore rupees.
3	Medium Enterprises	More than 5 crore rupees but does not exceed 10 crore rupees.

Service Sector		
Sr. no.	Enterprise Category	Investment in equipment
1	Micro Enterprises	Does not exceed 10 lakh rupees
2	Small Enterprises	More than 10 lakh rupees but does not exceed 2 crore rupees
3	Medium Enterprises	More than 2 crore rupees but does not exceed 5 crore rupees

Objectives of the study:

1. To study fundamental concepts of MSMEs
2. To establish the extent to which the challenges affect MSMEs in globalization and competitiveness.
3. To evaluate the opportunities in India

Methodology

The study involves a critical analysis of functioning of some micro, small and medium scale enterprises in the country both in manufacturing and service sector and intends to identify the potentialities for growth, opportunities, major challenges experienced by these enterprises. The data are collected mostly from secondary sources by way of access to various Government policies/ programs including published Annual Reports, Journals, Books and available official websites.

Globalization

“Globalization is a process that encompasses the causes, course, and consequences of transnational and transcultural integration of human and non-human activities.”

Globalization can be defined as the process of change, increasing interconnectedness and interdependence among countries and economies, bringing the world closer through better world-wide communication, transport and trade links. This process is changing the world dramatically and quickly, affecting economic, social, political and cultural aspects of life. 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.

Performance of the MSME Sector in Indian Economy:

The Micro, Small & Medium Enterprises (MSMEs) have been contributing significantly to the expansion of entrepreneurial endeavors through business innovations. The MSMEs are widening their domain across sectors of the economy, producing diverse range of products and services to meet demands of domestic as well as global markets. As per the data available with Central Statistics Office (CSO), Ministry of Statistics & Programme Implementation, the contribution of MSME Sector in country's Gross Value Added (GVA) and Gross Domestic Product (GDP), at current prices for the last five years is as below:

Contribution of MSMEs in country's economy at current price

Years	MSME GVA	Growth (%)	Total GVA	Share of MSME in GVA (%)	Total GDP	Share of MSME in GDP (in %)
2011-12	2583263	-	8106946	31.86	8736329	29.57
2012-13	2977623	15.27	9202692	32.36	9944013	29.94
2013-14	3343009	12.27	10363153	32.26	11233522	29.76
2014-15	3658196	9.43	11481794	31.86	12445128	29.39
2015-16	3936788	7.62	12458642	31.60	13682035	28.17

Source: central statistics office, ministry, of statistics and programme implementation.

Statistics reveal that the number of such enterprises set-up, employment generated and the investments made in the MSME sector in India has shown an increasing trend over the years as evident from

Performance of MSME sector in India

Year	Total Working Enterprises	Employment Generated (In Lakh)
2010-11	428.73	965.15
2011-12	447.64	1,011.69
2012-13	447.54	1,061.40
2013-14	488.46	1,114.29
2014-15	510.57	1,171.32

Source: Annual Report of MSME, Government of India, 2015-16.

Estimated Number of MSMEs in the Country:

As per the National Sample Survey (NSS) 73rd round, conducted by National Sample Survey Office, Ministry of Statistics & Programme Implementation during the period 2015-16, there were 633.88 lakh unincorporated non-agriculture MSMEs in the country engaged in different economic activities (196.64 lakh in Manufacturing, 230.35 lakh in Trade and 206.84 lakh in Other Services and 0.03 lakh in Non-captive Electricity Generation and Transmission. the distribution of MSMEs activity category wise.

Estimated Number of Enterprises (in lakh)

Activity Category	Urban	Rural	Total	Share (%)
Manufacturing	114.14	82.50	196.65	31
Trade	108.71	121.64	230.35	36
Other Services	102.00	104.85	206.85	33
Electricity	0.03	0.01	0.03	0
All	324.88	309.00	633.88	100

Source: Annual Report of MSME, Government of India, 2015-16.

It is seen that 31% MSMEs were found to be engaged in manufacturing activities, while 36% were in Trade and 33% in Other Services. Again out of 633.88 estimated numbers of MSMEs, 324.88 lakh MSMEs (51.25%) were in rural area and 309 lakh MSMEs (48.75%) were in the urban areas.

The Micro sector with 630.52 lakh estimated enterprises accounts for more than 99% of total estimated number of MSMEs. Small sector with 3.31 lakh and Medium sector with 0.05 lakh estimated MSMEs accounts for 0.52% and 0.01% of total estimated MSMEs, respectively. The distribution of different categories of enterprises in rural and urban areas.

Distribution of Enterprises Category Wise (Numbers in lakh)

Sector	Micro	Small	Medium	Total	Share (%)
Rural	324.09	0.78	0.01	324.88	51
Urban	306.43	2.53	0.04	309.00	49
All	630.52	3.31	0.05	633.88	100

Source: Annual Report of MSME, Government of India, 2015-16.

State-wise Distribution of estimated MSMEs State of Uttar Pradesh had the largest number of estimated MSMEs with a share of 14.20% of MSMEs in the country. West Bengal comes as close second with a share of 14% again. The top 10 States together accounted for a share of 74.05% of the total estimated number of MSMEs in the country.

State-wise Distribution of enterprises

Sr. No	State	Estimate Number of MSMEs in lakh	Share (in %)
1	Uttar Pradesh	89.99	14
2	West Bengal	8.67	14
3	Tamil Nadu	49.48	8
4	Maharashtra	47.78	8
5	Karnataka	38.34	6
6	Bihar	34.46	5
7	Andhra Pradesh	33.87	5
8	Gujarat	33.16	5
9	Rajasthan	26.87	4
10	Madhya Pradesh	26.74	4
Total of above ten States		469.36	74
Other State		164.52	13
All		633.88	100

Source: Annual Report of MSME, Government of India, 2015-16.

Opportunities in MSMEs

1. To improve the Better industrial relations.
2. Flow of foreign investment and technology.
3. Finance and subsidies are provided by the government.
4. Employment generation and expanding industrial network in rural areas.
5. It is extensively promoted and supported by the Government.
6. 40% exports in India are through MSME channel.
7. Globalization has offered new opportunities for the MSMEs.
8. After globalization Better performance by the MSMEs.
9. As the domestic market gets competitive, small and medium firms try to Better Customer Satisfaction in every possible way.

Challenges of MSMEs:

1. Lack of Access to New Technology.
2. Absence of adequate and timely banking finance.
3. Lack of Skilled Human Resource.
4. Limited capital and knowledge.

5. Ineffective marketing strategy.
6. Lack of skilled man power for manufacturing, services, marketing etc.
7. Lack of access to global markets.
8. Problems of storage, designing, packing and product display.
9. In adequate infrastructure facilities, including power, water, roads.

Some highlights of the MSME sector:

1. MSMEs sector 45 % of the manufactured output and 40 % of its total exports of the country.
2. This sector provides employment nearly to 73 million people, in over 26 million units throughout the country.
3. MSME manufactures more than 6,000 products.
4. MSMEs are the backbone of the GDP in India. Their contribution to GDP is 8%.

Conclusion

MSMEs over the years have assumed greater significance in our burgeoning national economy by contributing to employment generation and rural industrialization. This sector possesses enough potential and possibilities to pushbutton accelerated industrial growth in our developing economy and well poised to support national programme like 'Make in India'. This sector has exhibited enough resilience to sustain itself on the strength of our traditional skills and expertise and by infusion of new technologies, capital and innovative marketing strategies. The Govt. has taken several policy initiatives but needs to ensure proper co-ordination and implementation of such schemes. The MSMEs must convert the threats of globalization into opportunities through increased productivity, product diversification, supply chain management, Research and Development activities.

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