

## **GLOBALISATION AND SMALL SCALE INDUSTRIES**

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### **Introduction :**

From an isolated and protective environment , the Indian economy is passing through the transitional period of integrating itself with the global economies.

With the opening up of the economy and on going liberalisation process there have been dramatic changes in the economic environment in India. Besides, at the global level, there is a technological revolution and a market orientation affecting every aspect of business and its operations. A significant development worldwide is the trade expansion and the formation of regional groupings. All these events are making a profound impact on the existence and growth of small enterprises who now have to face new challenges and opportunities. So far, the Indian industry had the benefit of operating in a protected environment , shielded from imports due to tariff and non-tariff barriers. With global liberalisation, the protective framework has given way to greater competition from the large sector with in the country and imports from abroad.

Small scale enterprises can no longer afford remain isolated nor can they allow redundancy in technology, management and marketing techniques, More than normal the time has now come to think, work and act globally not only for tapping the global markets and increasing our share of exports but also to meet competition arising in the domestic arena as a result of the entry of multinational companies.

## **PRESENT POSITION OF SMALL SCALE INDUSTRIES**

The number of small scale units has been increasing in the comprehensive manner in recent years, more particularly after the introduction of economic reforms from 1991. The following table shows the present position of SSI units in India.

**Table 01 : overall performance of SSI sector**

<b>Year</b>	<b>No. of unit (in Lakh)</b>	<b>Output at Current Prices Rs.Crores</b>	<b>Employment Lakh Nos.</b>	<b>Export at Current prices Rs.Crores</b>
1991-92	20.82 (6.9)	1,78,699 (15.0)	129.80 (3.6)	13,883 (43.7)
1992-93	22.46 (7.9)	2,09,300 (17.1)	134.06 (3.3)	17,785 (28.1)
1993-94	23.81 (6.0)	2,41,648 (15.5)	139.38 (4.0)	25,307 (42.3)
1994-95	25.71 (8.0)	2,93,990 (21.7)	146.56 (5.2)	29,068 (14.9)
1995-96	27.24 (6.0)	3,56,213 (21.2)	156.61 (4.1)	36,470 (25.5)
1996-97	28.57 (4.9)	4,12,636 (15.8)	160.00 (4.8)	39,249 (7.6)
1997-98	30.14 (5.5)	4,65,171 (12.7)	167.20 (4.5)	43,946 (12.0)
1998-99	31.21 (3.6)	5,27,515 (13.4)	171.58 (2.6)	48,979 (11.5)
1999-2000	32.25 (3.3)	5,78,470 (9.7)	178.50 (4.0)	53,975 (10.2)

Note : Figures the brackets give the increase over previous year

Source : Economic Survey, Government of India. ( 2000-2001)

The above table reveals that the total number of SSI units in India has increased from 20.82 lakhs in 1991-92 to 32.25 lakhs in 1999-2000 which shows a 3.3 percent increase in 1998-99 over the previous years figures or 31.21 lakhs

The Indian Small Sector has recorded a phenomenal growth not only in a protected environment but also in the open economic market. It produced 8,000/- items from simple ones to the most sophisticated ones, covering all the segments of industry. The growth of small industries sector since the initiation of liberalisation process on July, 1991, has shown much better response compared to the overall growth of industrial sector. The growth rate of small industries after liberalisation has gone up from 3.1% to about 12% as compare to .6% to 5.3 % total industrial sector growth during 1991-92 to 1997-98.

**Aim to achieve global competitiveness:**

The Indian Small Scale Industry faces several challenges due to its technological obsolescence, product quality, information technology and inadequate management quality, information technology and inadequate management system. The achievement of the next millennium mission demands that the small industry adopt coherent strategies and equip itself with strategic business tools like,

- 1) Understanding the role of partnership and new corporate alliances
- 2) Partnership sourcing
- 3) Capitalising on Exports
- 4) Technology at competitive tool
- 5) Understanding the E-Zone
- 6) Understanding WTO and its imperatives.

**1) Corporate Alliance**

Small companies embark on joint ventures (JVs) to tackle gaps in their competitiveness that are either too expensive, or too time consuming or both, to fill with home-growth competencies, Indian companies can use JVs when they need to attain global standards of quality, technology management practices and strategic thinking since these are transferred by their transitional partners directly to the alliance. The lower is the level of vertical integration in the industry, the more are the opportunities for finding partners with competencies in parts of the value-chain different from your own which maximize the changes of succeeding with joint Ventures.

The most crucial aspects of picking the right partner, however the process of paring of profiles for joint ventures work only if the partner fit certain pairprofiles. The ideal combination between long-time business associates, between customers and suppliers, and between companies with distinct geographical markets. Similarly, it is dangerous to choose direct competitors, or a company that is either much weaker or much stronger than yours, or even one that is as weak as weak you are.

## 2) **Partnership Sourcing**

Partnership sourcing marks a shift from this traditional practice towards a situation where the supplier is treated as an associate all the buying organisation power is altered into co-operation whereas price competitiveness is complemented by quality, innovation and share value and ambition. The focus in on long – term based on trust and mutual supports.

### **Advantages of Partnership Sourcing**

- Creates a stable trading relationship
  - Allows the development of strategies that are focussed on customer satisfaction.
  - Creates trust between the two companies and for informal interaction.
  - Allows the suppliers to participate in the removal of waste by integration in the design process.
  - Allows the use of pooled or shared resources which if they were on their own, neither company could gain entry to.
  - Creates an environment where doing business is made easier and can be streamlined to the demands of customer business
- Every small enterprise in a power-based relationship needs to persuade its customers of the above benefits.

Before offering itself as a potential partner to anyone, every small business must carry out a simple self analysis technique, draw up lists of its strengths, weakness, opportunities and threats (SWOT) relevant to partnership sourcing.

## 3) **Capitalising On Exports**

The 1990s have witnessed a growing and irreversible trend towards globalisation, which has blurred the lines between domestic and international trading. The protective tariff and non-tariff walls, which integrated domestic markets from international markets are slowly coming down. The gradual lowering of these walls, accompanied by other liberalisation measures, has taken the decision on whether to go global or not out of the hands of enterprises.

India exported goods worth Rs.11,88170 million in 1996-97, goods worth Rs.3,02,480 million emanated from the small industries alone. However, there remains a vast potential in the Indian SSI waiting to find expression.

The Indian Small Sector which is contributing about 40% total exports from the country has the potential in the following areas for boosting exports:

- Computer Software
- Leather and Leather products
- Light Engineering Products
- Hand tools and implements
- Auto-components and ancillaries
- Garments including hosiery
- Handlooms and handicrafts
- Food and agro based industries
- Builders, Hardware-steel, brass, aluminium
- Pharmaceutical and Chemicals

#### IV **Technology- A Competitive Tool**

Technology provides the cutting edge of success and trying to improve the quality of life through better products and services while protecting environment. The Indian small industry, which already accounts for 40 percent of industrial output and 35 percent of the total exports of the country, can play a far more active role in the country's economy by focussing on technology upgradation. The need of the hour for this sector, therefore, is to be technology sensitive and follow a technology plan in its vision for a globally competitive enterprise. This will result in making the 'Made in India' brand a reality.

In order to fully exploit the potential and capabilities of the Indian small industry and to integrate them with world economies there is a need for evolving integrated polisation and modernisation.

### **Under Standing E-Zone**

Technology is reshaping this economy and transforming or e-mail or e-trades or e-files. It is about the 'a' in economic opportunity.

Here in the edge of the twenty-first century, a fundamental rule of business is the Internet which tends to change everything . At the minimum, Internet technologies are altering the way every company, even a small one deals with its employees, partners and suppliers.

### **Role Of Internet- Reshaping a Business World.**

The Internet is driving down costs for transaction and distribution and reshaping the relationship of companies with their customers. The net produces more competition among vendors and more access to vendor by potential customers.

Any company can dispense valuable information on affordable by means of the Internet and without any branch office. The Internet make it is for a buyer to get back ground information about a product how its rated by consumer organisation and will sellers be able to target their wares to the people most interested and to cross sell related products.

### **VI) Under Standing WTO & Its imperative (WTO & SSI)**

The world Trade Organisation (WTO) is an international dealing with international trade rules. IT aims at facilitating trade among countries by creating conditions end, it encourages countries to enter into negotiation for the reduction of tariffs and the removal of other barriers trade and required them to apply a common set of rules ;to goods and service products imported and exported.

Fundamental changes are taking place in the international changes. Indian industry must keep itself abreast of these changes and must take an active and long term approach to the emerging issues.

Indian SSIs account for over 35 percent of the country's total exports and hence are the major foreign exchange contributors to the Country's exchequer. The exporters have already felt the Impact of the growing environmental agenda in the international trading area.

The Indian small industry, which is a dominant player in these sectors will have to ensure that it meets the requisite environmental norms and standards if it was to retain its share in the world market.

The WTO legal system benefits SSIs both as exporters and importers. As exporters, the major advantages that the system provides are. Security of Access: In trade in goods, almost all tariffs of developed countries and a high proportion of those of the developing and transition economies have been bound against further increases by the Uruguay Round.

In trade in services, countries have made binding commitments not to restrict access to service products and foreign service suppliers beyond the condition and limitation specified in their national schedules.

Stability of Access: By requiring all countries to apply at the border the uniform set of rules elaborated by the various agreements, the WTO system provides stability of access to export markets.

Importers of raw materials, intermediate products and services used in production, SSIs benefit from the rules of the system. Its basic rules requiring imports to be allowed in without further restrictions upon payment of duties and the obligation to ensure that the other national regulation applied at the border conform to the uniform rules laid down by the agreements facilitate importing. Furthermore, the tariff bindings assure the importers that their import costs will not be inflated by the imposition of higher customs duty.

## **Rights in favour of SSIs by WTO**

Right to enterprises to request their governments to take action to restrict imports, in the face of increased competition resulting from liberalisation measures.

Right to enterprises to request for the levy of antidumping duties on imports that are being dumped and for imposition of countervailing duties on products that are entering the country at extremely low prices because of the subsidies that they are receiving.

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