

# **Challenges and Opportunities: Globalization's Impact on Small-Scale Industries in India**

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## **Abstract**

After independence, Prime Minister Pandit Jawaharlal Nehru has adopted mixed economy, and planned economic development, considering the prevailing economic situation of the nation. It was only the economy policy which he thought would be useful and essential for the development of the nation. The country was fully exploited by the British empire. It was the timely need that the Government should take interest in economic activity and start those industries which are responsible for creating infrastructure facilities. It was the basic need for the development of the nation.

Indian problems like poverty, unemployment, industrial development, electricity, clean drinking water, construction of roads and establishment of efficient transportation facilities, establishment of hospitals, education problems, etc., were remain unsolved upto 1990. Government was striving to develop Public Sector Undertakings working for the creation of infrastructure by 'providing huge amount of the budget even though the performance of these units was not satisfactory. Major Public Sector Undertakings are working under performance and running in losses and unable to achieve the expectations. Hence, the Government is facing financial crisis for solving basic needs. The products produced by any company using advanced technology are produced at low cost and may capture wide market by its low price. Hence, if such product enters into wide spread market it will definitely challenge existence of SSI-Units. The foreign industries have achieved their maximum efficiency and succeeded in cost reduction. They have the problem of market. Due to globalization the product produced by the foreign companies may be launched in Indian market. Hence, it is to observe that how far such products would be able to enter the Indian rural market.

## **Introduction**

After independence, Prime Minister Pandit Jawaharlal Nehru has adopted mixed economy, and planned economic development, considering the prevailing economic situation of the nation. It was only the economy policy which he thought would be useful and essential for the development of the nation. The country was fully exploited by the British empire. It was the timely need that the Government should take interest in economic activity and start those industries which are responsible for creating infrastructure facilities. It was the basic need for the development of the nation. Government started different Public Sector Units so as to produce goods and services like iron and steel, fertilizer, air transport, railway, power and electricity, etc., the benefits of such Public Sector Undertakings had been really enjoyed by private business giants. The fact was admitted by industrialist Naval Tata saying that, "If the Government would have not been taken responsibility of the industries creating infrastructure facilities like manufacturing of electricity, coal, heavy industries, fertilizers, railway and air transportation, etc., the businessman like Tata, Birla, Goyaka, Kirloskar would have been failed to develop the industrial units." The existence of Public Sector Undertakings and its work has been only responsible for India in the list of first twelve industrially developed countries in the world.

## **Globalisation**

The concept globalization has comprehensive meaning and different connotations. It is the process of extending market for the goods produced any where to sale it freely at any market in any country. Moreover, concept globalization means to allow foreign capital and technology for the development

of the country. In order to achieve the globalization effect it is essential for the concern country to accept privatization and liberalization process. Hence, the concept globalization is termed as LPG. Globalization is the process to create world market, eliminating restrictions on free trade imposed by the respective government. The concept has been generated from the minds of developed and capitalist countries in order to create wide benefit opportunities for their investments. It is not a new concept. In the year 1994 capitalist countries like America and Britain have formed the World Bank and the International Monetary Fund. The object for it was determined to create stability in international economy and to help for the development of international trade. These institutions will help under developed countries by extending loans for their development in contest to the above objective. Initially loans were sanctioned with intention to help the under developed countries. But after 1973, the objective of above institutions have been influenced by intrinsic views of capitalist (members of WB and IMF) countries in order to establish control over the world. Hence, such loans were used to sanction imposing conditions favorable to the capitalist countries. The undeveloped countries that had already been indebtedness of above institutions had no alternative but to accept their terms.

### **Globalization and India**

Indian problems like poverty, unemployment, industrial development, electricity, clean drinking water, construction of roads and establishment of efficient transportation facilities, establishment of hospitals, education problems, etc., were remain unsolved upto 1990. Government was striving to develop Public Sector Undertakings working for the creation of infrastructure by 'providing huge amount of the budget even though the performance of these units was not satisfactory. Major Public Sector Undertakings are working under performance and running in losses and unable to achieve the expectations. Hence, the Government is facing financial crisis for solving basic needs.

In the year 1991, during the Rao Government, the Finance Minister Dr. Manmohan Singh had accepted the process of globalization. It was because, Indian economy was taking different track. The problems like unemployment and indebtedness was increasing day-by-day. The Government was forced to take loan for the repayment of interest on previous loan. There was no alternative before the government rather than accepting globalization and signing GATT in the new economic policy. It was accepted with the intention that foreign capital will be invested in the projects related to create infrastructure facilities like production of electricity, construction of roads, water project, etc., which would be helpful for the nation for further development.

Developed countries have played their role for introduction of globalization, it is now up to the developing countries to take the benefits of it and turn their policies to make globalization process favorable to the country.

After acceptance of globalization, following are the highlights of implementations of globalization, which India has experienced:

- a) Flow of foreign investment started to come in India.
- b) Interest rates have been deregulated,
- c) Banking is following international accounting practices and income recognition standard.
- d) Distribution of essential goods through government regulated shops.
- e) Conversion of 6,000 km. meter gauge railway track into broad gauge, which has been firstly taken after independence.
- f) In agriculture, price security for the government purchase policy for rice and wheat.
- g) Special incentive for palm production.
- h) Economic restructuring for reduction of poverty through higher growth and employment. Several programmes aiming to generate self-employment and wage employment, both in urban and rural areas, have been redesigned and introduced the following schemes: Pant Pradhan Rozgar Yojna. (ii) Swam Jayanti Gram Swarozgar Yojna (SGSY). (iii) Pradhan Mantri Gramodaya Yojna. (PMGY).

and (iv) Swarna Jayanti Shashri Rozgar Yojna.

Prime Minister Atal Bihari Vajpai has introduced a scheme of Rs.10,000 crore Sampoom Gramin Yojna, providing additional and guaranteed employment in rural areas. Policies adopted by the government are helping to the young and enthusiastic entrepreneurs of our country. The good example of this is the information technology sector where we have shown our extreme ability. We are going to become IT super power in the near future.

### **Impact of Globalization**

1. Globalization has been accepted by India, with the consideration that foreign investment would be invested in the projects, which leads to develop the infrastructure facilities like: road, water, electricity, etc. It will facilitate the government to divert their funds for the development of education, social health care and other social welfare activities. Moreover, industrial development would be useful to solve unemployment problem. But the actual experience of globalization is different. The experience of last ten years is different, i.e., foreign capital has been invested not in infrastructure project, but invested in the industries producing tooth paste, toilet soaps. TV, washing machines, motor cars, shampoo, computers and information technology, mobile, internet and other luxurious products which have mass consumers and have certainty of profit.
2. The process of globalization forced the government to curtail expenditure on non-productive activities. Hence, it forced to reduce the expenditure on health and medicine, which will affect the health of poor people and will leads to increase death rate.
3. As an impact of globalization, the government is curtailing their responsibility towards higher education day by day, which will lead to increase illiteracy or rate of education. Moreover, it will also lead to increase rate of child labor in India.
4. Globalization has badly affected the women, which induced them to become sex-worker, which hurtled our culture.
5. The process of globalization is responsible for the introduction of incurable disease like AIDS and unhuman activities like terrorism.
6. The process of privatization insists on the efficiency of business. Hence adoption of new technology and modernization of plant reduce the number of labors. It will create unemployment problem.
7. It is responsible to reduce rate of interest on investment.
8. It is responsible to reduce the responsibility of the government in Public Sector Undertakings.

### **Small Scale Industry and Globalization**

Small scale industry has vital importance in Indian economy. Development of SSI-Units is the acute need for all round industrial development of the nation. Existence and development of any industrial unit depends on market for its product.

**Products of Small Scale Industries:** Generally the nature of products produced by such units are the products based on agricultural products like mango pickle, potato chips, chilly or turmeric powder, edible oil, jam, jelly, jaggery, mushroom, dairy and milk products, bread, wafer, popcorn, etc., or consumable products like chalk, wax candle, detergent soap and powder, liquid soap, phenol, petroleum jelly, etc., consumable durable products like wooden furniture, steel furniture, tiles, cement pipes, lighting fixtures, etc.

**Market:** Generally the market for the products produced by SSI-Units is 500 km. orbit surrounding area where it is located. The market for such product depends on its quality, price and goodwill of the unit. The unit has to adopt effective marketing strategy to sale its products in the market and maintain it. The price and quality generally affect the market for the product. Moreover it has to face the

competition with the products produced by large units. Such units may be able to market their product at low price maintaining high quality. It is due to their mass production and use of advanced technology. Even then, SSI-Units should adopt a different marketing strategy and try to maintain and widen their market area. It is difficult for any company to introduce or launch the product in the unknown or market at long distance.

**Impact of Globalization:** The products produced by any company using advanced technology are produced at low cost and may capture wide market by its low price. Hence, if such product enters into wide spread market it will definitely challenge existence of SSI-Units. The foreign industries have achieved their maximum efficiency and succeeded in cost reduction. They have the problem of market. Due to globalization the product produced by the foreign companies may be launched in Indian market. Hence, it is to observe that how far such products would be able to enter the Indian rural market.

### Measures to Check the Impact

There are many influencing factors, which affects the market for the products. The consumer behaviour, confidence, alertness, attraction for the foreign goods, cost and quality, consciousness, consideration for after-sell services, etc., are some influencing factors which influences the market for products. Moreover, for the existence and acquiring and maintaining the market, it is essential for SSI-Units to perform manufacturing process efficiently and reduce cost of production improving product quality. Considering the entry of foreign products, the consideration of cost and quality are important factors to be considered by every SSI-Unit. It is also important to consider or think that how far Indian consumers are mentally prepared to believe in the quality of the goods produced by the company located in abroad. On the contrary, it is important to inculcate the confidence in the mind of consumers towards faith for the quality of products produced by the Indian companies. To check the impact of globalization following measures are suggested:

- i. The SSI-Unit should care of quality of product and strive for cost control.
- ii. The SSI-Units that have already created market should strive to maintain it.
- iii. The SSI-Unit which totally depends on agricultural products for which India has monopoly due to natural climate, should take advantage of it, as the process of globalization will not affect it.
- iv. It is essential to undertake R&D for the products to stand in the competitive market.
- v. Let consumers have an experience of foreign substandard goods and feel them that they are deceived by the cheap price, e.g., as many Indian consumers had an experience of such substandard goods launched by China in the Indian market. When some consumers have bad experience and are deceived, others get alert and will not dare to purchase imported goods.
- vi. In the marketing strategy SSI-Units should highlight the point regarding foreign goods after sale service difficulties, that it would be difficult for them to approach the dealer (as no dealer gives the guarantee for the quality of foreign goods) or manufacturer for their complaints regarding the product standard and have after sale services.

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