

## Globalisation: Impact on Indian Small and Medium Enterprises

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### Key Words

Indian Small and Medium Enterprises, globalization, contribution MSMEs, prospects and problems, World Trade Organisation.

### Abstract

*Micro, Small and Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. MSMEs not only play crucial role in providing large employment opportunities at comparatively lower capital cost than large industries but also help in industrialization of rural & backward areas, thereby, reducing regional imbalances, assuring more equitable distribution of national income and wealth. MSMEs are complementary to large industries as ancillary units and this sector contributes enormously to the socioeconomic development of the country. Micro, Small and Medium Enterprises (MSME) contribute nearly 8 percent of the country's GDP, 45 percent of the manufacturing output and 40 percent of the exports. They provide the largest share of employment after agriculture. They are the nurseries for entrepreneurship and innovation. They are widely dispersed across the country and produce a diverse range of products and services to meet the needs of the local markets, the global market and the national and international value chains.*

*Globalisation is bound to impact every economic activity – the small-scale sector is no exception. Along with that World Trade Organisation (W.T.O) agreements and negotiations have thrown up a variety of challenges. The disturbing factor is that most of the small units are unaware of these agreements and negotiations and have no idea as to how they are going to affect them. With a view to build the capacity of the Indian micro, small and medium manufacturing enterprises for overcoming competition in the global markets and facing challenges being posed by the entry of the multi-nationals in the domestic markets Government of India (GoI) has taken various policy measures. The current paper focuses on the contribution of MSMEs, prospects and problems for MSMEs in this highly competitive global era.*

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### Introduction

Micro, Small and Medium Enterprises (MSME) sector has proved as a highly significant, growing and dynamic sector of the Indian economy since Independence. MSMEs play important role in providing employment opportunities to the masses and they also help in industrialization of rural & backward areas, therefore, reducing national imbalances, ensure equal distribution of national income and wealth. They are complementary to large industries as ancillary units and this sector contributes enormously to the socioeconomic development of the country. They contribute nearly 8 percent of the country's GDP, 45 percent of the manufacturing output and 40 percent of the exports. They provide the largest share of employment after agriculture.

Globalisation is bound to impact and affect every economic activity – the MSME sector is no exception. Globalisation has thrown up a variety of challenges. The disturbing factor is that most of the small units are unaware of these changes around them and have no idea as to how they are going to affect them. It is a fact that most of the small units are single man shows. They do not have the money, the enterprise and the manpower to deal with the situation. Even if they have in a few cases, they are mostly unaware of what is happening

and what is to be done.

The Micro, Small and Medium Enterprises Development (MSMED) Act was notified in 2006 to address policy issues affecting MSMEs as well as the coverage and investment ceiling of the sector. The Act seeks to facilitate the development of these enterprises as also enhance their competitiveness. It provides the first-ever legal framework for recognition of the concept of “enterprise” which comprises both manufacturing and service entities. It defines medium enterprises for the first time and seeks to integrate the three tiers of these enterprises, namely, micro, small and medium. The Act also provides for a statutory consultative mechanism at the national level with balanced representation of all sections of stakeholders, particularly the three classes of enterprises; and with a wide range of advisory functions.

Establishment of specific funds for the promotion, development and enhancing competitiveness of these enterprises, notification of schemes/program memes for this purpose, progressive credit policies and practices, preference in Government procurements to products and services of the micro and small enterprises, more effective mechanisms for mitigating the problems of delayed payments to micro and small enterprises and assurance of a scheme for easing the closure of business by these enterprises are some of the other features of the Act.

On 9 May 2007, subsequent to an amendment of the Government of India (Allocation of Business) Rules, 1961, erstwhile Ministry of Small Scale Industries and the Ministry of Agro and Rural Industries were merged to form the Ministry of Micro, Small and Medium Enterprises (M/o MSME). This Ministry now designs policies and promotes/ facilitates program memes, projects and schemes and monitors their implementation with a view to assisting MSMEs and helps them to scale up. The primary responsibility of promotion and development of MSMEs is of the State Governments. However, the Government of India, supplements the efforts of the State Governments through various initiatives. The role of the M/o MSME and its organisations is to assist the States in their efforts to encourage entrepreneurship, employment and livelihood opportunities and enhance the competitiveness of MSMEs in the changed economic scenario. The schemes/programmemes undertaken by the Ministry and its organisations seek to facilitate/provide: i) adequate flow of credit from financial institutions/banks; ii) support for technology upgradation and modernization; iii) integrated infrastructural facilities; iv) modern testing facilities and quality certification; v) access to modern management practices; vi) entrepreneurship development and skill upgradation through appropriate training facilities; vii) support for product development, design intervention and packaging; viii) welfare of artisans and workers; ix) assistance for better access to domestic and export markets and x) cluster-wise measures to promote capacity building and empowerment of the units and their collectives.

### **Definition**

As definition given by Ministry of Micro, Small and Medium Enterprises (M/o MSMEs)

(i) Registered Sector: Enterprises registered with District Industries Centres in the State/UTs., KVIC/ Khadi and Village Industries Board, Coir Board as on 31.03.2007 and factories under the coverage of section 2m(i) and 2m(ii) of the Factories Act 1948 used for Annual Survey of Industry having investment in plant and machinery upto Rs 10 crore were considered to belong to registered sector.

(ii) Unregistered Sector: All enterprises engaged in the activities of manufacturing

or in providing/rendering of services, not registered permanently or not filed EM with State Directorates of Industries/District Industries Centers on or before 31-3-2007 are called unregistered enterprises.

(iii) Small Scale Industrial Unit: An industrial undertaking in which the investment in fixed assets in plant & machinery, whether held on ownership terms, or on lease, or by hire purchase, does not exceed Rs. 100 lakhs as on 31-03-2001 is to be treated as a Small Scale Industrial Unit.

(iv) Micro Small Medium Enterprises (MSME): MSME Sector consists of any enterprises, whether proprietorship, Hindu undivided family, association of persons, co-operative society, partnership or undertaking or any other legal entity, by whatever name called, engaged in production of goods pertaining to any industry specified in the first schedule of Industries Development and Regulation Act, 1951 & other enterprises engaged in production and rendering services, subject to limiting factor of investment in plant and machinery and equipment respectively as noted below:

A. For manufacturing sector, an enterprise is classified as:

- a) Micro enterprise, if investment in plant and machinery does not exceed twenty five lakh rupees;
- b) Small enterprise, if investment in plant and machinery is more than twenty five lakh rupees but does not exceed five crore rupees; or
- (c) Medium enterprise, if investment in plant and machinery is more than five crore rupees but does not exceed ten crore rupees;

B. In case, enterprise is engaged in providing or rendering of services, it is classified as:

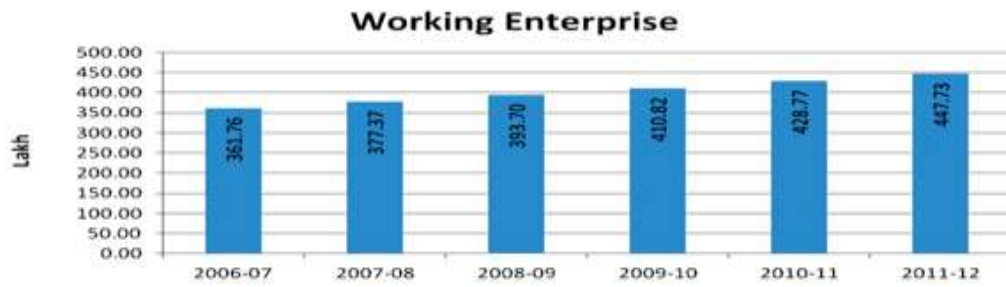
- (a) Micro enterprise, if investment in equipment does not exceed ten lakh rupees;
- (b) Small enterprise, if investment in equipment is more than ten lakh rupees but does not exceed two crore rupees; or
- (c) Medium enterprise, if investment in equipment is more than two crore rupees but does not exceed five crore rupees.

#### Current Status of MSME's

| Sl. No. | Year    | Total Working | Employment | Market Value of |              |
|---------|---------|---------------|------------|-----------------|--------------|
|         |         | Enterprise    |            | Fixed Assets    | Gross Output |
|         |         | (In Lakh)     | (In Lakh)  | (In Crore)      | (In Crore)   |
| 1       | 2001-02 | 105.21        | 249.33     | 154349.00       | 282270.00    |
| 2       | 2002-03 | 109.49        | 260.21     | 162317.00       | 314850.00    |
| 3       | 2003-04 | 113.95        | 271.42     | 170219.00       | 364547.00    |
| 4       | 2004-05 | 118.59        | 282.57     | 178699.00       | 429796.00    |
| 5       | 2005-06 | 123.42        | 294.91     | 188113.00       | 497842.00    |
| 6       | 2006-07 | 361.76        | 805.23     | 868543.79       | 1351383.45   |
| 7       | 2007-08 | 377.37        | 842.23     | 917437.46       | 1435179.26   |
| 8       | 2008-09 | 393.70        | 881.14     | 971407.49       | 1524234.83   |
| 9       | 2009-10 | 410.82        | 922.19     | 1029331.46      | 1619355.53   |
| 10      | 2010-11 | 428.77        | 965.69     | 1094893.42      | 1721553.42   |
| 11      | 2011-12 | 447.73        | 1012.59    | 1176939.36      | 1834332.05   |

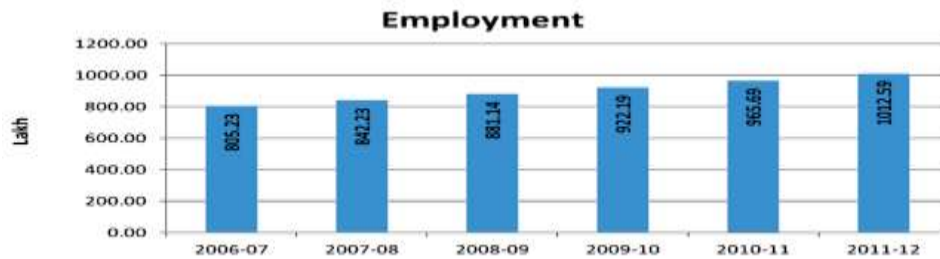
Source: Annual Report Ministry of MSME, 2012-13

**A) Number of Enterprises in MSME Sector**



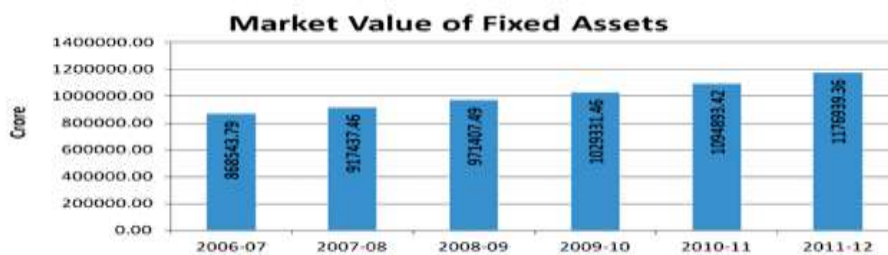
Source: Annual Report Ministry of MSME, 2012-13

**B) Employment in MSME Sector**



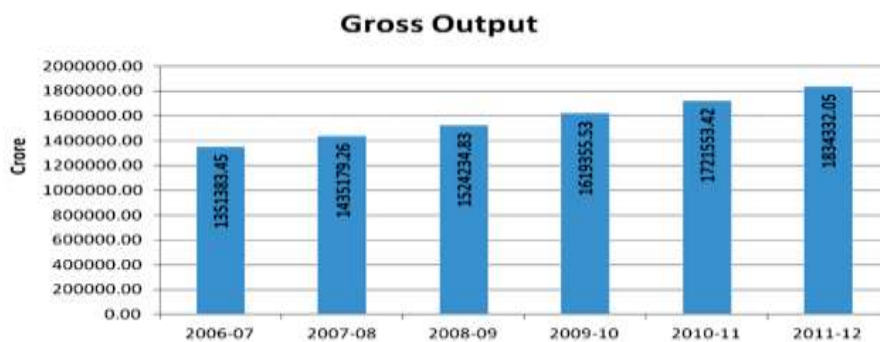
Source: Annual Report Ministry of MSME, 2012-13

**C) Fixed Investment in MSME Sector**

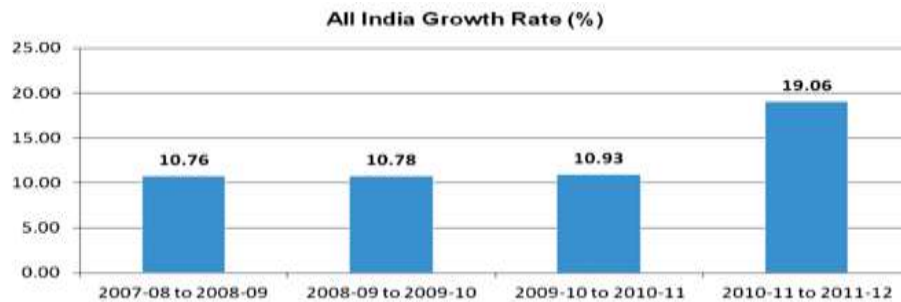


Source: Annual Report Ministry of MSME, 2012-13

**d) Gross Output in MSME Sector**



Source: Annual Report Ministry of MSME, 2012-13



Source: Annual Report Ministry of MSME, 2012-13

MSMEs has shown constant growth rate of more than 10% every year till 2010-11, Where as in year 2011-12 growth rate was 19% which is approximately twice of the growth rate recorded for previous years.

There are over 6000 products ranging from traditional to high-tech items, which are being manufactured by the MSME sector in addition to provide wide range of services. The leading industries with their respective shares are as depicted below:



Source: Annual Report Ministry of MSME, 2012-13

## Review of Literature

The concerned literature with the research work is presented below to highlight the work done on the subject in India and abroad, which will prove useful to delineate the various issues and methodologies. Balasubrahmanya, M.H. (2000) in his study, "India's Small Industry policy in the 90s: Waning Protection:", attempts to probe the implicitly, redefined India's small industry policy in the 90s, review the evolving strategy for small industry development and proposes a few policy measures. Bhide, Sheela (2000), in her study, "Development of Small-Scale Industries: A collaborative approach," presents that the recent enunciation of the long awaited new policy for small scale industries by the Prime Minister at the National Conference on small-scale industries in New Delhi has been widely welcomed by the industries. The small entrepreneurs nurture a genuine fear that the market oriented WTO reforms have not only adversely affected their interests, but are a threat to their very existence.

Ghosh, Arun (2000) in his paper, "The WTO and the New International Economic Order", points out essentially three issues: the relation between trade and development, the relation between a tight regime of intellectual Property Rights and trade: and finally, the



nexus between trade and investment. For, essentially, it is round these three pillars that the new trade regime under the WTO revolves, and since the rules of the game in the WTO are such that the industrially developed countries can effectively calls all the shots.

Mukhrejee Neela (2001) in her paper, "World Trade Organisation and Small and Medium Enterprises from a Developing Country's perspective: A study of Indian Small Scale Industries." presents an overview of the role of SME's, challenges posed by the global forces, changes in policy environment of SME's, selected WTO agreements in the context of SME's, possibilities of legitimate cover of protection under WTO rules and policy recommendations. Naik, S.D. (2002), in his study "Small-Scale Industries: Preparing for the WTO Challenges", analyse the post-liberalisation business environment for the SSIs and mentioned that the present global scenario has become harsh for the SSIs sector because of the increased internal and external competition. Mathew, M.C. (2004) highlighted the reason for panic in all India census report on smallscale industries. The study observed that the vibrancy and dynamical of the sector anticipated under an era of deregulation and de-reservation remaining largely unrealized. The study stated that the country needs a strong small and medium enterprises policy, which was closely linked to its international commitments. The study suggested that at the strategy level, there were need to be mechanism by which the demography of small and medium enterprises sector itself becomes a matter of public security.

Rajyalakshmi, N. (2004) reviewed the productivity awareness among SSI units in Visakhapatnam district of Andhra Pradesh at micro level and explored small- scale entrepreneurs, how they measured productivity in their units. The study based on primary data collected by using structured schedule through personal interviews. A sample of 200 SSI units has been selected for the study. The study found that Chemical units were more capital intensive and it was low in food and agro units. Productivity awareness was not noticed in the SSI units. The study concluded that Success in small industry will be best achieved if the productivity culture will be clearly understood by all the employees.

Subrahmanyabala, M.H. (2004) highlighted the impact of globalization and domestic reforms on small-scale industries sector. The study stated that small industry had suffered in terms of growth of units, employment, output and exports. Researcher highlighted that the policy changes had also thrown open new opportunities and markets for the small-scale industries sector. The author suggested that the focus must be turned to technology development and strengthening of financial infrastructure in order to make Indian small industry internationally competitive and contribute to national income and employment.

Sudan, F. K. (2005) described the challenges in Micro and Small Scale Enterprises Development and policy issues by arising different questions related to Micro and Small Enterprises. The study explained the meaning, advantages, problems and policy options of MSE sector. The study concluded that all the policies which were opted by GOI were the efforts to form a dynamic MSE sector and a diversified economy providing expanded employment opportunities to absorb all new labour force and offer exciting career opportunities. Rathod, C. B. (2007) described the importance of small scale industrial sector and also the contribution of Indian small scale entrepreneurs in world economy. The main objective of the study was to study the growth and pattern of the SSI sector and identify the reasons for success/ failures, to evaluate the impact of globalization on SSIs and export opportunity, to identify the barriers and constraints that SSIs were facing to cope with globalization. The study analysed that SSI sector in India has been exhibiting a striking export performance; export had grown up to double digit from the last ten years. The study

concluded that both opportunities and challenges were raised as the impact of globalization on Indian Industry as a whole and the small scale sector in particular. The study found that a major portion of our exports would have to gear up to the new era of boundary less economy. The study has suggested that there was need for simplified legal and regulatory framework, good governance, sufficient and accessible finance, suitable infrastructure and competitive environment.

### **Research Methodology**

In the current study an attempt has been made to analyze the impact of globalization on the growth of MSMEs. For this, the growth of MSMEs over the period has been considered and the major factors affecting MSMEs has been analysed. The study has been conducted with reference to the data available related to employment, no. of units and productivity of MSMEs in India. The SSI sector has been studied with the proven fact that they hold the largest share of Industrial Sector in India. For this, period after globalization has been taken into consideration. The relevant data have been collected from different sources viz. Ministry of Commerce and industry, Ministry of Micro, Small and Medium Enterprises, Office of the Development Commissioner (SSI), Government of India, New Delhi, Annual Survey of Industries (Central Statistical Organisation), Ministry of planning (GOI), Census of Small Scale Industries (GOI), Yojna, Monthly Commentary on Indian economic conditions, The Journal of Entrepreneurship, various bulletin of Reserve Bank of India, etc.

### **Objectives:**

1. To study the impact of liberalization on Indian MSMEs.
2. To analyse the factors affecting Indian MSMEs.

### **Limitations**

It is hardly true that any study is free of limitations, so is the case with the present study. At many stages, the basic objectives of the study suffered due to inadequacy of time series data from related agencies. There has also been problems faced related to sufficient homogeneous data from different sources. However, the time, money and place constraints have restricted to pursue only the small-scale sector in the present study.

### **Data Analysis and Interpretation**

#### **Growth Of Small Scale Industries In India: Pre And Post Globalization**

The MSMEs play a significant role in boosting the overall economic growth of an economy. These industries set- up by the ambitious entrepreneurs in different states have contributed to the increased shares in overall production, fixed investment, exports, employment of MSMEs. This sector in providing large scale employment and is highly important for Indian economy. The policy framework right from the Independence has indicated the need for the development of these units keeping in view its significance in the overall economic development of India. The impact of LPG phenomenon on the growth and development of small scale industries has been discussed by analysing and comparing the growth rates between pre and post globalization period. In this section, the overall contribution of this sector has been studied in detail on the basis of the different parameters such as number of units, production, employment and exports.

## NUMBER OF UNITS

| Table No. 1            |             |                             |             |             |                             |
|------------------------|-------------|-----------------------------|-------------|-------------|-----------------------------|
| (Units = Million Nos.) |             |                             |             |             |                             |
| Year                   | Units       | % Increase<br>to prev. year | Year        | Units       | % Increase<br>to prev. year |
| 1973-74                | 0.42        | -                           | 1990-91     | 6.79        | 273.08                      |
| 1974-75                | 0.50        | 19.05                       | 1991-92     | 7.06        | 3.98                        |
| 1975-76                | 0.55        | 10.00                       | 1992-93     | 7.35        | 4.11                        |
| 1976-77                | 0.59        | 7.27                        | 1993-94     | 7.65        | 4.08                        |
| 1977-78                | 0.67        | 13.56                       | 1994-95     | 7.96        | 4.05                        |
| 1978-79                | 0.73        | 8.96                        | 1995-96     | 8.28        | 4.02                        |
| 1979-80                | 0.81        | 10.96                       | 1996-97     | 8.62        | 4.11                        |
| 1980-81                | 0.87        | 7.41                        | 1997-98     | 8.97        | 4.06                        |
| 1981-82                | 0.96        | 10.34                       | 1998-99     | 9.34        | 4.12                        |
| 1982-83                | 1.06        | 10.42                       | 1999-00     | 9.72        | 4.07                        |
| 1983-84                | 1.16        | 9.43                        | 2000-01     | 10.11       | 4.01                        |
| 1984-85                | 1.24        | 6.90                        | 2001-02     | 10.52       | 4.06                        |
| 1985-86                | 1.35        | 8.87                        | 2002-03     | 10.95       | 4.09                        |
| 1986-87                | 1.46        | 8.15                        | 2003-04     | 11.40       | 4.11                        |
| 1987-88                | 1.58        | 8.22                        | 2004-05     | 11.86       | 4.04                        |
| 1988-89                | 1.71        | 8.23                        | 2005-06     | 12.34       | 4.05                        |
| 1989-90                | 1.82        | 6.43                        | 2006-07     | 12.84       | 4.05                        |
| <b>AAGR</b>            | <b>9.36</b> |                             | <b>AAGR</b> | <b>4.07</b> |                             |

Source: Ministry of Micro, Small and Medium Enterprises, GOI.

The working number of units in small scale sector in Pre and Post Globalization Period in India is show in the following table:

**Analysis:** It is very much clear from the above figures that the Annual Average Growth Rate of number of SSI units in the pre- liberalisation period, from 1973-74 to 1989-90 was 9.36 percent and in post- liberalisation it was 4.07 percent. In pre- liberalised period, the yearly growth rate was higher and than average growth rate was less in the early years and from 1984-85 to 1989-90; the reverse was observed that is the yearly growth rate was less than average growth rate. In 1989-90, the yearly growth rate was least in the pre- liberalisation period. In the post- liberalisation period, in 1990-91 it was quite high and after that it was seen fluctuating between 3.98 percent and 4.12 percent. Almost, the yearly growth rate was less than average growth rate. In 1999-00 the yearly growth rate and average growth rate was same. The numbers of SSI units were increasing in the period of study but the average and yearly growth rate was higher in pre- liberalised period than post liberalized period.

## Production

| Table No. 2          |            |               |      |            |               |
|----------------------|------------|---------------|------|------------|---------------|
| (Production= Crores) |            |               |      |            |               |
| Year                 | Production | % Increase to | Year | Production | % Increase    |
|                      | (current   | prev. year    |      | (current   | to prev. year |



|             | Prices)      |       |             | Prices)      |        |
|-------------|--------------|-------|-------------|--------------|--------|
| 1973-74     | 7200         | -     | 1990-91     | 78802        | -40.44 |
| 1974-75     | 9200         | 27.78 | 1991-92     | 80615        | 2.30   |
| 1975-76     | 11000        | 19.57 | 1992-93     | 84413        | 4.71   |
| 1976-77     | 12400        | 12.73 | 1993-94     | 98796        | 17.04  |
| 1977-78     | 14300        | 15.32 | 1994-95     | 122154       | 23.64  |
| 1978-79     | 15800        | 10.49 | 1995-96     | 147712       | 20.92  |
| 1979-80     | 21600        | 36.71 | 1996-97     | 167805       | 13.60  |
| 1980-81     | 28100        | 30.09 | 1997-98     | 187217       | 11.57  |
| 1981-82     | 32600        | 16.01 | 1998-99     | 210454       | 12.41  |
| 1982-83     | 35000        | 7.36  | 1999-00     | 233760       | 11.07  |
| 1983-84     | 41600        | 18.86 | 2000-01     | 261297       | 11.78  |
| 1984-85     | 50500        | 21.39 | 2001-02     | 282270       | 8.03   |
| 1985-86     | 61200        | 21.19 | 2002-03     | 314850       | 11.54  |
| 1986-87     | 72300        | 18.14 | 2003-04     | 364547       | 15.78  |
| 1987-88     | 87300        | 20.75 | 2004-05     | 429796       | 17.90  |
| 1988-89     | 106400       | 21.88 | 2005-06     | 497842       | 15.83  |
| 1989-90     | 132300       | 24.34 | 2006-07     | 585112       | 17.53  |
| <b>AAGR</b> | <b>19.45</b> |       | <b>AAGR</b> | <b>13.57</b> |        |

Source: Ministry of Micro, Small and Medium Enterprises, GOI.

**Analysis:** It is obvious from the above table that the Annual Average Growth Rate(AARG) of production by these units in the pre- liberalisation period, from 1973-74 to 1989-90 was 19.45 percent and in post- liberalisation it was 13.57 percent. In pre- liberalised period, the yearly growth rate was somewhat decreasing in the earlier years and from 1973-74 to 1978-79; the yearly growth rate had seen fluctuations during 1980-81 to 1983-84, after that it started showing increasing trend. In the post- liberalisation period, in 1990-91 the yearly growth rate was quite low, it was rather negative and after that it has again shown increasing trend from 1991-92 to 1994-95. The yearly growth rate was indicating decreasing trend from 1995-96 to 2002-03 except in 1998-99 and 2001-02. Mostly, the yearly growth rate was less than average growth rate. The production was increasing during the study period but the average and yearly growth rate was higher in pre- liberalised period than post liberalised period.

## Employment

| Table No. 2          |            |               |         |            |               |
|----------------------|------------|---------------|---------|------------|---------------|
| (Production= Crores) |            |               |         |            |               |
| Year                 | Production | % Increase to | Year    | Production | % Increase    |
|                      | (current   | prev. year    |         | (current   | to prev. year |
|                      | Prices)    |               |         | Prices)    |               |
| 1973-74              | 7200       | -             | 1990-91 | 78802      | -40.44        |
| 1974-75              | 9200       | 27.78         | 1991-92 | 80615      | 2.30          |
| 1975-76              | 11000      | 19.57         | 1992-93 | 84413      | 4.71          |
| 1976-77              | 12400      | 12.73         | 1993-94 | 98796      | 17.04         |
| 1977-78              | 14300      | 15.32         | 1994-95 | 122154     | 23.64         |

|             |              |       |             |              |       |
|-------------|--------------|-------|-------------|--------------|-------|
| 1978-79     | 15800        | 10.49 | 1995-96     | 147712       | 20.92 |
| 1979-80     | 21600        | 36.71 | 1996-97     | 167805       | 13.60 |
| 1980-81     | 28100        | 30.09 | 1997-98     | 187217       | 11.57 |
| 1981-82     | 32600        | 16.01 | 1998-99     | 210454       | 12.41 |
| 1982-83     | 35000        | 7.36  | 1999-00     | 233760       | 11.07 |
| 1983-84     | 41600        | 18.86 | 2000-01     | 261297       | 11.78 |
| 1984-85     | 50500        | 21.39 | 2001-02     | 282270       | 8.03  |
| 1985-86     | 61200        | 21.19 | 2002-03     | 314850       | 11.54 |
| 1986-87     | 72300        | 18.14 | 2003-04     | 364547       | 15.78 |
| 1987-88     | 87300        | 20.75 | 2004-05     | 429796       | 17.90 |
| 1988-89     | 106400       | 21.88 | 2005-06     | 497842       | 15.83 |
| 1989-90     | 132300       | 24.34 | 2006-07     | 585112       | 17.53 |
| <b>AAGR</b> | <b>19.45</b> |       | <b>AAGR</b> | <b>13.57</b> |       |

Source: Ministry of Micro, Small and Medium Enterprises, GOI.

In developing country like India, the major support for promoting SSI sector is that they significant opportunities for employment of skilled and semi-skilled people. The contribution of these units in creating employment opportunities is really commendable and cannot be ignored. The table below provides the data of small scale sector related to employment:

**Analysis:** It can be seen from the above table that the Annual Average Growth Rate (AAGR) of employment in the pre- liberalisation period, from 1973-74 to 1989-90 was 7.25 percent and in post- liberalisation it was 4.26 percent. In pre- liberalised period, the yearly growth rate was higher than average growth rate in the starting years and during 1973-74 to 1978-79; after that the yearly growth rate was very much declined from 1978-79 to 1989-90, it was quite fluctuating between 5.02 percent and 6.89 percent. In the post- liberalisation period, in 1990-91 the yearly growth rate was very high than average growth rate. After that the yearly growth rate was fluctuating during 1991-92 to 2003-04. Mostly, the yearly growth rate was lower than average growth rate. In the last seven years, the annual growth rate was declining. The employment was increasing during the entire study period but the average and yearly growth rate was quite high in pre- liberalised period than post liberalised period.

## Exports

|             |                | <b>Table No. 4</b>              |             | (Exports= Million Nos.) |                                 |
|-------------|----------------|---------------------------------|-------------|-------------------------|---------------------------------|
| <b>Year</b> | <b>Exports</b> | <b>% Increase to prev. year</b> | <b>Year</b> | <b>Exports</b>          | <b>% Increase to prev. Year</b> |
| 1973-74     | 400            | -                               | 1990-91     | 9664                    | 27.16                           |
| 1974-75     | 500            | 25.00                           | 1991-92     | 13883                   | 43.66                           |
| 1975-76     | 500            | 0                               | 1992-93     | 17784                   | 28.10                           |
| 1976-77     | 800            | 60.00                           | 1993-94     | 25307                   | 42.30                           |
| 1977-78     | 800            | 0                               | 1994-95     | 29068                   | 14.86                           |
| 1978-79     | 1100           | 37.50                           | 1995-96     | 36470                   | 25.46                           |
| 1979-80     | 1200           | 9.09                            | 1996-97     | 39248                   | 7.62                            |
| 1980-81     | 1600           | 33.33                           | 1997-98     | 44442                   | 13.23                           |

|             |              |       |             |              |       |
|-------------|--------------|-------|-------------|--------------|-------|
| 1981-82     | 2100         | 31.25 | 1998-99     | 48979        | 10.21 |
| 1982-83     | 2000         | -4.76 | 1999-00     | 54200        | 10.66 |
| 1983-84     | 2200         | 10.00 | 2000-01     | 69797        | 28.78 |
| 1984-85     | 2500         | 13.64 | 2001-02     | 71244        | 2.07  |
| 1985-86     | 2800         | 12.00 | 2002-03     | 86013        | 20.73 |
| 1986-87     | 3600         | 28.57 | 2003-04     | 97644        | 13.52 |
| 1987-88     | 4400         | 22.22 | 2004-05     | 124417       | 27.42 |
| 1988-89     | 5500         | 25.00 | 2005-06     | 150242       | 20.76 |
| 1989-90     | 7600         | 38.18 | 2006-07     | -            | -     |
| <b>AAGR</b> | <b>18.66</b> |       | <b>AAGR</b> | <b>17.56</b> |       |

Source: Ministry of Micro, Small and Medium Enterprises, GOI.

In the current discussion of liberalization and globalization of Indian economy, the efforts and contribution of small scale units in our exports needs keen eye observation. The exports from this sector alone are more than the total exports from different sectors of our country. The performance of small scale sector for exports is:

**Analysis:** It is cleared from the above table that the Annual Average Growth Rate (AAGR) of exports in the pre- liberalisation period, from 1973-74 to 1989-90 was 18.66 percent and in post liberalisation it was 17.56 percent. In pre- liberalised period, it is evident that the yearly growth rate was very much fluctuating; it was quite high sometimes than average growth rate. In 1976-77, the yearly growth rate was around 60 percent. It was highest when the economy was not liberal. From 1978-79 to 1984-85 the AAGR was yearly increasing or decreasing, in 1982-83 it was on the lowest side and showed decreasing and negative trend. After this from 1985-86 to 1989-90, the yearly growth rate has started increasing and able to reach at 38.18 percent. In the post- liberalisation period, from 1990-91 the yearly growth rate was changed its trend and it was quite fluctuating. It was least in 2001-02 and highest in 1991-92. The exports were increasing during the entire period of study but the average and yearly growth rate was higher in pre- liberal India than post liberal Indian Economy.

### Conclusion and Findings

In the current study, an effort has been made to examine the impact of globalization on Indian MSMEs sector. The analysis of growth pattern of significant parameters between Pre- and Post - Globalization periods of Indian Economy states that the "globalization" had a negative effect on the growth of this sector studies in terms of number of units, production, employment and exports. The study gives clear indication that globalization is putting major threats and big challenges for MSMEs. A decline in the rate of growth of number of units and employment in post liberalisation period is really a very serious matter and Indian Government needs to pay special attention towards this.

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