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OVERVIEWS ON SMALL SCALE INDUSTRIES IN THE GLOBAL INDIA

Ashwani Lochan
Research Scholar
Shri Venkateshwara University
Uttar Pradesh

Dr. Vijay Pal Singh Arora
Research Supervisor
Shri Venkateshwara University
Uttar Pradesh

Global, National andsectored policy changes- Implications for small industries The 2000s was an eventful decade in terms of policy changes, nationally as well as internationally. Since the beginning of 2000s policy changes have been taking place at three different levels- global, national and sectored, which have in implications for small industry functioning and performance in India. The first and the foremost development is the „Globalization" process at the international level. Globalization would mean free movement of factor inputs (both labour and capital) as well as output between countries. Small Industries performance in the globalization era-

The overall performance and contribution of small industry to Indian economy is generally described in terms of its absolute growth in units, employment, production and exports. Equally important is its relative contribution, which can be analyzed in terms of small industries share in national income, total exports and total organized sector employment. Thus, the growth performance of small industries can be evaluated in two ways-

1- To compare the growth rates of units, employment, output and exports of small industry in the 2000s with that of the 1990s.
2- To ascertain the change in small industry"s relative contribution of GDP, exports and organized sector employment in the 2000s with that of the 1990s.

Small-scale units in India have assumed significance not only for their contribution to the economy especially in the creation of employment but also for the special patronage they enjoy from the government. Despite numerous policy measures for the past four decades, Indian small-scale units have remained mostly tiny, technologically backward and lacking in competitive strength.

1- Notwithstanding their lack of competitive strength, small-scale industrial units of India could survive so far due to product and geographical market segmentation and policy protection. The business environment has been changing drastically in the recent times reducing the importance of these three factors. For instance, economic policy reforms of the 90s that have aimed at liberalization of domestic"s economic transactions and opening of the economy are slowly taking away the policy protection to the small scale units. In this context, it is important to gauge the future scenario for these units and the ways of dealing with it. Accordingly, this paper analyses the on-going changes in the business environment, the consequent structural transformation of industries and their implications for the small scale units. At the beginning itself, I would like to assert that protection can never be a viable alternative to the inherent competitive strength of any economic organization as it is neither possible nor feasible in the long run. Protection is a transitory measure and can be used only to give time to industrial units to improve their competitive strength.
2- All industrial units, small or large have to sustain themselves on their own competitive strength by successfully facing competition in the market economics.

It was implicit in the Mahalanobis (1963) that formed the basis for the development strategy of India and explicit in the famous Karve Committee which provided an immediate base to the policies on small scale industries. Despite this, perpetual protection of small scale industries had become a goal of the policies relating to small scale industries overriding the primary objectives, namely improvement in the competitive strength of these industries. Sustainable way and at higher wages, industrial units have to be competitive and commercially viable. Hence, we focus on the possible ways of improving the competitive strength and commercial viability of small scale unit‟s keepings the requirements of the changing context in mind. Apart from the general purpose analysis meant for the small scale sector at large. We examine the implications of the changing context with reference to the small scale units in three industries, m=namely, garments, electronics and auto components. Of these, garments being a reserved product till very recently, this industry has only small scale units. Both the electronic and auto component industries have a large number of small scale units. In addition all the three industries have developed into global commodity chain at the international level, which has significant implications for the small scale units. In India, a major reform process has been under way since July 1991 to liberalize the regulations on domestic economic transactions. Some of these reforms are the abolition of licensing requirements for investments for majority of industries, opening of hitherto reserved areas of public sector to the private sector, reduction in price controls, reforms in capital markets etc. All these policies reforms are taking away the closed and assured markets of the Indian industry exposing it more and more to market competition. Through the reforms are yet to touch the policies directly relating to the small-scale sector, new economic policies have already exposed this sector to market competition indirectly. For example, overall reduction in excise duties has automatically reduced the major benefits of the small scale units, i.e. excise duty exemption. Finance sector reforms have squeezed the benefits of lower interest rates, credit guarantee schemes and priority sector lending. De-licensing along with the reduction in price controls has taken away the special advantage of obtaining scares raw materials at nominal prices. Feeling the pressure of competition, large-scale units are trying to expand their markets by getting into the lower end as well as rural segments of the product market for many consumers goods and thus opening the sheltered markets of small-scale units created by the product and geographical market segmentation. Globalization whether taken in a limited way in terms of „multilateral trade liberalization‟ or in the broader sense of increasing internationalization of production, distribution and marketing of goods and services, has resulted in the opening of the markets and thus leading to intense competition. For example, the World Trade Organization (WTO) that regulates multilateral trade enforcing its member countries to remove import quotas and other import restrictions, and to reduce import tariffs. In addition, countries, especially the developing countries, are asked to stop subsidies to exports as well as to domestic‟s goods.

Small industries in India find itself in an intensely competitive environment since 2000, thanks top globalization, domestic economic liberalization and dilution of sector specific protective measures. As a result, its growth in terms of units, employments, output and exports has come down. This has resulted in less impressive growth in its contribution to national income and exports through not in terms of employment in the 20s. Lack of reliable and stable economic infrastructure, reduced growth of credit inflow and technological obsolescence, which together would have led to inferior quality and low productivity are the major banes of small industry in India. But at the same time, international and national policy changes have thrown open new opportunities and markets to Indian small industries. Concerted efforts are needed both from the government and more importantly, from small industry itself to imbibe technological dynamism into Indian small industry. Technological up gradation and in-house technological innovations and promotion of inter-firm linkages need to be encouraged consciously and consistently. The benefits and need to go for technology development through either technology transfer or technologicalinnovations or inter-firm linkages should be emphasized in the light of dimensions of global competition and its negative fallows as well as positive opportunities, to small industry entrepreneurs through seminars and workshops at the local level. Financial infrastructure need to be broadened and adequate inflow of credit to the sector be ensured taking into consideration the growing investment demand including the requirements of technological transformation. Small industry should be allowed to come up only in designated industrial areas for better monitoring and periodic surveys through DICs should enable policy corrections from time to time. A technologically vibrant, internationally competitive small industry should be encouraged to emerged, to make a sustainable contribution to national income, employment and export.

The rules of the game for economic assistance programs have undergone fundamental changes in the past several years. The end of the Cold War era has removed much of the political rationale for foreign assistance and donor largesse. Economic arguments-including a renewed emphasis on cost-effective approaches and a growing emphasized on self-sustaining program- now rule the day. As consequences, development assistance programs are being forced to operate in much more business-like ways. These pressures are causing both program designers and program implementers to behave in much different ways. Instead of being set up to „move money" and account in acceptable ways for official expenditures, development organizations are being forced to consider the nature of client demands for particular services and bottom-line issues, such as client" willingness to pays for service and the prospects for covering operating costs from program revenues or other non-donor sources. Although the jury is still out with respect to the most effective roles for development assistance programs in supporting business development services to MSEs, experience suggests that the premium being placed on demand-oriented services and sustainability is providing a positive impetus for the developments of more effective programs and services. Wholly subsidized programs in the past have led to services that were not particularly responsive to client needs and produced little in the way of cost-effective results. New approaches that attempt to apply the best of commercial practices, including tested business replication techniques such as franchising, market opportunity and demand analyses and information technology applications, offer potentially promising avenues for advancing the state of the art an identifying an array of programs and services that would q2ualify as best practices. Given the numerical importance and growth trends in the MSE sector, the demand for business development services by microenterprises offers an untapped market that is potentially huge. Clarifying the nature of these markets- along with effective ways of meeting its demands and business practices needed to sustain successful service operations and program- is a challenge that warrants serious attention by the development community. Ultimately, it may prove to be a challenge and an opportunity that will justify private commercial investments as well and lead to a new era of public private cooperation in addressing the needs of the poor majority throughout the world.

The SMEs have been one of the fastest growing sectors in the world. A watershed in the performance of the SMEs has been observed while comparing the SMEs of the developed and the developing nations. While the SMEs of the developed countries continued to contribute substantially to the economy, the SMEs of developing countries have not fared at par with their developed country counterparts. However, not all of them fared badly. The high performers among the developing nations are those who are able to modify their sectors according to the need. The successful integration of the SMEs through global production network to the world economy has opened up huge potential in future.

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