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An evaluative study on impact of globalization in Rajasthan economy (Special reference to importance of small scale industries in Rajasthan)

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Abstract

Globalization refers to the process of integration in to the world market. It provides several things to several people with removal of all trade barriers among countries. Globalization happens through three channels: trade in goods & 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 24 July 1991 at the behest of the IMF and the World Bank.

Globalization has led to an ‘Unequal Competition’- a competition between ‘giant MNC’s and dwarf Rajasthan enterprises’. The small scale sector is a vital constituent of overall industrial sector of the country. The small scale sector forms a dominant part of Indian industry and contributing to a significant proportion of production, exports and employment. Therefore, the present study analyzes the impact of globalization on Indian Small Scale Industries. The main theme of the paper is to evaluate the performance of SSI, before and after liberalization and compare them with average annual growth rates, to know the impact of Globalization on the performance of SSI. The period of the study is 1991-2015 and based on secondary information.

Keywords: Small scale industries, exponential growth

Introduction

Globalization signifies a process of internationalization plus liberalization, in which the world has become a small village due to the concept of globalization. The competition has become intense in every field. Nations fight with game plan to sustain their economy, by introducing new policies and announcing incentives to support mainly their economic-indicators. After the world economy was open to attack, the Indian economy has initiate to concentrate on the development of small industrial base ,which had contribute positively to the India’s GDP growth is better than other developing countries with the developed small industrial sector special references to Rajasthan.

Globalization

For the purpose of the argument in this paper, as well as understanding some of the responses to globalization, it is important to define what mean by globalization. This is all the more crucial because even if we leave out the unambiguous supporters of globalization in its present form- those who hold that it is purely beneficial, and the benefits will ‘trickle down ’automatically to the poor- there are still widely differing conceptions of this process. Those who either oppose globalization, or are anxious about its potentially detrimental effects on employment and poverty, encompass a wide political spectrum. The extreme rights oppose it from the standpoint of economic and cultural nationalism, and liberals might deplore the loss of national sovereignty because it reduces the effectiveness of state intervention to regulate capital and labour, alleviate poverty and so forth. Globalization is the process of integrating various economies of the world without creating any hindrances in the free flow of goods and services, technology, capital and even labour or human capital.

The term globalization has, therefore, four parameters

- Creation of Environment, permitting free flow of technology.
- Reduction of trade barriers to permit free goods and services among nation and states.
- Creation of environment in which free flow of capital can take place among nations and

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- Creation of environment in which free flow of labour can take place in different countries of the world

Small Scale Industry and Its Importance

Economic development of a country is directly related to the level of industrial growth. The expansion of industrial sector leads to a greater utilization of natural resources, production of goods and services, creation of employment opportunities and improvement in the general standard of living. India has also been striving to develop the country's industrial base over since independence. It has framed various policies aimed at development of industries in the public and private sectors. Special emphasis has been laid on small-scale industries. Small scale industries play a key role in our planned development with its advantages of low investment, high potential for employment generation, diversification of the industrial base and dispersal of industries to rural and semi urban areas. The small-scale industries sector has been appropriately give a strategic position in our planned economy towards the fulfillment of the socio economic objectives particularly in achieving equitable growth. Development have observed that 'The promotion of small scale industries has been widely recommended as one of the most appropriate means of developing industry in over populated Backward countries'. The definition of small scale sector is broadened from small-scale industries to small scale enterprises that include all business enterprises in the services sector which provide service to industrial sector in addition to small scale industries taking into account all these factors, at present, Reserve Bank of India uses an expanded definition of small scale industries which include: (i) Small scale industrial undertaking which are engaged in the manufacturing ,processing and preservation of goods in which the investment in plant and machinery not to exceed Rs. 5crore. These would include units engaged in mining or quarrying servicing and repairing of machinery, (ii) Tiny enterprises whose investment in plant and machinery do not exceed Rs.25 lacs, (iii) Power looms, (iv) Traditional industries which require high workmanship and technology etc. The development of small scale industries is being given due Importance by the Government in order to achieve the following objectives:-

- To mobilize resources of capital and skill from various parts of the country.
- To provide a more equitable distribution of national income.
- To provide additional employment opportunities.
- To provide a helping hand to large industries and facilitate them in their work.

Objectives

1. To study of impact of globalization on SSI units in term of growth rate of employment.
2. To study of domestic economic reforms.
3. To study of a competitive environment of SSI in units
4. To provide with the recommendations on Improvement of small scale industries.
5. To find out the growth and development of small scale Industries before and after the globalization.

Methodology

The study has been conducted upon the secondary data. by referring annual report of SSI issues by ministry of MSME`S. in the present study an attempt has been made to

analyze the impact of globalization on the growth of SSI.

Review of Literature

Sudan F.K. (2005) the researcher has conducted the study through various question related micro and small enterprises. His study explained the meaning, advantage and other options of medium, small enterprises. He concluded that the nature of policies adopted by government of Rajasthan put forwarded with view to prepare and development dynamic micro small Enterprise.

Rakesh Bashant, Sebastain, Morris (2006) there conclusion has given a new thought to find out the reason of non-development of the small scale industries along with the increased globalization.

Ghanshyam Panda (2008) the object of the study was to find out whether the small scale industries effectively uses the working capital facility obtained by them specially by those unit with are in the backward area.

Shetty M. C. (2008) researcher has conducted the study on selected sample of household manufacturing units of few small town and village of Rajasthan state.

Hypothesis

H₁ - There is no significant impact of globalization on employment generation in MSME's.

H₂ - There is no impact of globalization on development and growth of MSME's.

Performance of SSIS in Rajasthan

The policy framework right Form the first five year plan has highlighted the need for development of SSI sector keeping in view its strategic importance in the overall economic development of Rajasthan. The impact of industrial liberalization and deregulatory policies on the growth of SSI has been captured by computing and subsequently comparing the growth rates between pre and post globalization period. In this part, the performance of SSI sector has been examined in on the basis of different parameters such as number of SSI units, production and employments, in 2007-08 there were 132.4 lack units, which were approximately 100 percent more than 1990-91, when the number of units was only 67.87 lack units Further the total number of the persons employed in this sector has also been increased. (Source: Annual Reports (2) MSME)

Conclusion

In this study, an attempt has been made to analyze the impact of globalization on small scale industries. The major challenges faced by SSIs are industrial sickness, non-availability of concessional loan, technological up gradation, which are clearly seen through the reduction of their overall performance. The process of LPG has opened up new avenues and challenges for the SSIs. No indicator shows the positive impact; in each the average growth rate is very low. The study gives clear indication that globalization is putting major threats and big challenges for SSIs. A decline in the rate of growth of number of units and employment in post globalization period is really a very serious matter and Rajasthan Government needs to pay special attention towards this.

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