



Economic administration and financial management an evaluative study of impact of globalization in Rajasthan economy special reference to small scale industries in Rajasthan

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Abstract

Globalization signifies a process of international plus liberalization. It is process of integrating various economies of the world with out creating hindrances in the free flow of goods and services, technology, capital even labour or human capital Globalization happens through three channels, trade in goods & services, trade, technology and culture spread into the entire Geography of the world thus turning it into a global village. While globalization is a large scale phenomenon and small scale enterprises are a local phenomenon but having wide effects as large as it's global ' friend and foe'. Friend -because both globalization and small scale industries are the two wheels of the vehicle of economic growth and prosperity. foe-because some argue that given the developing nation that India is Small Scale Industries (SSIs) can suffer and strangulate to death by fierce competition put up globalization. has led to an 'Unequal Competition' -a competition between giant MNCs and dwarf Indian enterprises`. The small scale sector is a vital constituent of overall industrial sector of the country and forms a dominant part of Indian industry contributing to a significant proportion of production, exports and employment. The present study focus on the impact of globalization Rajasthan Small Scale and also focuses on the performance of before and after globalization (1).

Keywords: globalization, SSI, production, employment, economic growth

Introduction

Globalization is a process of interaction and integration among the people companies and government of different nation. It is centered on the integration of international market for goods services and technology, finance and labour. This process has brought radical changes in the economical, social and political wellbeing. Rajasthan was self reliant and special quant but with the march of the India and world towards industrialization, state found its closed policy of trade leading to an impending economic crisis. The main reason behind this was the focus of efforts on heavy industries and lack of it on the consumption goods. From 1991 India witnessed a major change as the govt. introduced liberalization, privatization and globalization reforms to pep up the economy. Soon the world realized what a big one billion population market India was. brought their good to India were mass produced and therefore cheaper and of better quality than the local goods. they started challenging the SSI as the MNCs were facilitated with areas with liberal economic and trade laws, round the clock facilities and concessions to enhance foreign investments and promote exports ^[4].

This endangered the existence and survival of SSIs. But this is not the complete picture. A lot of foreign entrepreneurs who do not have the time or funds to build the infrastructure for their own Manufacturing unit in Rajasthan engage a number of SSI owners to produce goods for them in a short span of time and sell them to cater to the international demand. In other words they outsource the manufacturing to the Indians. Thus it leads to more labour absorption and growth of SSIs Many of the SSIs have turned into LSIs this way. Also the

demand for SSI goods will never finish as a lot of their products are not lucrative options for the MNCs. For example, the incense sticks or Agarbatties, bangles, pickles, etc. are not a catch for LSIs areas. This small scale Industries experienced opportunities as well as threat from globalization. Small industries occupy a strategic place in Rajasthan economic structure due to its considerable contribution in terms of output, promotion of exports, creation of employment and alleviation of poverty. This is a fact that small scale industries have been accepted as the engine of economic growth and equitable development at global level SSI contributes almost 40 percent of the gross industrial value added in the Indian economy. It has been estimated that a million rupees of investment in fixed assets in the small scale sector produces 4.62 million worth of goods or services with an appropriate value addition 10 percent points. The small scale sector has increased vastly over the years. During various five year plans the growth rates in SSI has been very impressive. The number of SSI has also risen at a reasonable rate. The SSI sector has emerged during the last five decades as a highly vibrant and dynamic sector of the Rajasthan economy. This sector now account for about 95 percent of industrial units is contributing about 40 percent of value addition in the manufacturing sector nearly.

Objectives of the study

- To study the growth and development of SSI units in Rajasthan
- To study the impact of globalization on SSI units in terms of growth rate employment and Industrial sickness.

- To fill the gaps so as to increase the productivity of the SSI units.

Methodology

The present study is based upon the secondary data analysis by referring annual report of SSI issues by Ministry of small scale industries and RBI. Small scale Industry: Performance in the Globalization Era.

The Small Scale Sector in Rajasthan embraces various types of units, ranging from ancient household industries to modern small scale units, which are mainly located in the urban areas and produce goods using wholly or partly the mechanized equipment. This sector has considerably diversified its production and is manufacturing a wide variety of products and services which includes the sophisticated items, which are either export oriented or import substitution based products. The small scale sector has occupied a prominent place in the socio-economic development of the country since independence. It has contributed to the overall growth of the Gross Domestic products (GDP) as well as in the terms of employment generation. The small scale industries have an essential component of the development strategy in most of the developing countries, especially in Rajasthan where most of the population are below poverty line. The small scale industry as an important segment of the Rajasthan economy, accounts for around 45 per cent of the industrial units, 26 per cent of the manufacturing sector output 8.5 per cent of exports. This sector enjoys the pride of being second largest employer in the country and offers a wide spectrum of products for consumers and industry-users. The sector serves as a Greenfield of the nurturing of entrepreneurial talent enabling the small scale units to graduate into medium and large scale over a period of a time [6].

Impact of globalisation on small scale industries

Small scale industries have an essential role to play in socio-economic upliftment of developing state like Rajasthan. India initiated the economic reforms in 1991 with the objective of faster economic growth. Since the globalization process has been in vogue for the past 22 years, it becomes important to analyse whether the new economic order has had a positive or negative impact on the performance of SSIs in Rajasthan. The decade of 1990s was marked by considerable de-regulation of industrial economy through de licensing and dereservation, opening up industrial sector to internal external competition, lowering up of tariffs, removal of quantitative restrictions etc. These reforms have an adverse effect on the small scale sector. Cheaper and good quality of imported goods are posing a serious threat to small scale units operating in various industries like toys, sports goods footwear, auto parts silk etc. The most serious threat is being posed by cheap Chinese imports as the so called.

"China price" is forcing many small scale units to close down. The costs of production in China are indeed very less as compared to India; It is no doubt correct to say that China is resorting to dumping to eliminate its competitor in other markets [7].

Globalization had a negative impact on small scale industries. SSIs were not in fashion as they produced goods on small scale and their markets too were little. They are less priced.

But with coming the wave of globalization, the entire scenario changed. Globalization has ultimately led to the demise of the SSIs in Rajasthan. Large factories produced the goods on much large scale to get economies of scale and made the process much cheaper or reasonable and as a result, small scale industries started shutting down because they could not have the capability to face competition by the large producers [8].

Performance of SSIS in Rajasthan: Pre and post globalisation

The SSIs play a significant role in enhancing the overall economic growth of an economy. The SSIs set up in different states and union territories of India have contributed to the increased share in overall production, fixed investment, exports, employment and capacity utilization of SSI units, etc. The significance of SSI sector in generation large job opportunities of paramount importance. The policy framework right from 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 on the basis of different parameters such as number of SSI units, production and employments, in 2007-08 there were 132.4 lakh units, which were approximately 100 percent more than 1990-91, when the number of units was only 67.87 lakh units, Further the total number of the persons employed in this sector has also been increased. (source: Annual Reports (2) MSME)

Average growth rate of SSIS in pre and post globalised period

- Growth rate of SSIs in pre globalised era was 4.04 on per cent contrary on the post globalized era it is 9.36
- production in SSIs in pre globalised era was 19.4 on the one hand; on the other hand on the post globalized it is reduced to 13.17
- In pre globalized era, the employment growth rate in SSIs was 7.21 which is declined to 4.26 on the post globalized era.

Source: Sanla and Kansal, 2015 on the basis of above data, globalization has given advantages to the SSIs since 1991 in value term. While a comparative analysis between pre globalized and post globalized era highlighted the effect on production and employment which is showing a falling trend in post globalised era SSIs in Rajasthan are facing great challenges and competition due to liberalized policies, The robust and vibrant SSIs (now MSE) can derive the advantages of the new opportunities provided by the supporting policies which aim not only to protect but also to promote this segment.

Conclusion

In this paper, an attempt has been made to analyse the impact of globalization on the growth of small scale industries. The comparative analysis of growth pattern of key parameters

between pre and post globalization periods reveals that 'globalization' had a negative impact on the average growth of SSI showed a positive outlook. But in absolute terms it depicted that globalization made a positive impact on the growth of SSI in Rajasthan economy. since 1991, the Rajasthani market has started opening up for India giants and, in turn, exposed the SSI to serve competition. The major challenges faced by SSIs are industrial sickness, non-availability of concessional loans, technological up gradation, delayed payments 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. But this fact cannot be denied that if the government will advertise the domestic products worldwide so that the foreign folk also go in for the ethnic items produced here like khadi, wool, gems, ornaments, silk etc. This step helps to enhance the foreign exchange reserve of Indian economy. The government is doing various efforts to make things simple and provides financial support to interested individuals.

The government should channelize the latent skills and talents of people into business ideas which can be transformed into reality with small capital investment and almost nil formalities to start a small business. I personally feel that proper and adequate degree of globalization can prove boost to small scale industrial growth of Rajasthan economy.

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