



Impact of Liberalization, Privatization And Globalization on Smes In Karnataka

Dr. Ali Akbar
Kadivar

DOS in Economics and Cooperation, University of Mysore.

Leila Bastani

Main, Near Panchavati Circle, Jayalakshmpuram, Mysore – 570012, Karnataka.

ABSTRACT

Liberalizations Privatization and Globalization are continuing trend in many parts of the world. Liberalization, privatization and globalization together have changed the Indian marketing operations. The Indian economy embarked its journey on LPG with adoption of new economic policy in 1991. The movement of globalization is persisting and continuing. It is no longer a choice; it is a fact. It is spreading its arms everywhere and the developed nations are using it as a means to control world economy. Few researcher's label it as yet another form of economic colonialism. In this background, the present study made an attempt to analyze the influence of LPG policies on the performance of entrepreneurship among SMEs. The present study is based on primary and secondary data. The study shows that the influence of LPG policies on the performance of entrepreneurship among SMEs was studied through correlation. In correlation, the scores on variables like innovativeness, pro-activeness, autonomy, competitive aggressiveness, and total entrepreneurship scores, total SMEs performance, sales growth, customer satisfaction, market share and profitability when increased, scores on LPG policies also increased linearly and significantly.

KEYWORDS :

Introduction

Over the last few years, SMEs and MSMEs sectors have emerged to be highly vibrant and dynamic sectors in the Indian economy. MSMEs have a momentous role in not only providing employment opportunities at comparatively lower capital cost compared to large industries but also helping the rural areas to move towards industrialization, which in turn reduces regional imbalances and causes equitable distribution of national wealth and income. According to the Union Ministry of Small and Medium Enterprises (2012-2013), MSMEs are complementary to large industries as additional units which can contribute greatly to the socio-economic development of the country.

Liberalizations denote looseness in the rule and regulations. When Government removes the restrictions from the fields of production exchange and distribution through its industrial export-import and taxation policies, it is called the Policy of liberalization (Sinha & Srivastava, 2012). Privatization is the process of converting an enterprise or industry from the public sector to the private sector. Privatization may involve either sale of government-held assets or removal of restrictions ending private individuals and businesses from participating in a given industry.

Privatization is a continuing trend in many parts of the world. Supporters of privatization maintain that the competition in the private sector adopts more efficient practices, which ultimately yield better service and products, lower prices and less fraud. Privatization connotes a wide range of ideas. Privatization implies induction of private ownership, management and control of organizations. Privatization can imply regulation meaning thereby lesser control of the government. It refers to expansion of private sector and reduction of public sector. The shift towards privatization reduces the role of the government and increases the role of the private, cooperative and local government.

"Globalization can be defined as the strengthening of worldwide social relations which link distant localities in such a way that local events are shaped by events occurring several miles away and vice versa." (Cambridge: Polity Press, 1990 p.64)

The closing decade of 20th century saw major social, political and economic transformations on a global stage. Globalization as the name suggests is a global economic measure which involves all national and international economic players including the all-pervasive administration. It is a multi-role, multi-layered occurrence in which everyone adds his bit. Globalization entails privatization and marketization of economic and political structures in which ability of the

state to control all the activities within its borders is becoming limited. Simply put, globalization in fact is a combination of free exchange of goods services and capital.

Objective and Methodology

In this background, the present study made an attempt to analyze the influence of LPG policies on the performance of entrepreneurship among SMEs. The present study is based on primary and secondary data. Primary data were collected from entrepreneurs in Mysore district. Secondary data were collected from various annual reports of DIS, Karnataka at a glance, books and journals.

Liberalization, privatization and globalization of Indian Economy

Liberalization, privatization and globalization together have changed the Indian marketing operations. The Indian economy embarked its journey on LPG with adoption of new economic policy in 1991. Under the globalization of Indian economy the following schemes are included:

- To avoid the foreign exchange control by and by to facilitate the multinational companies for investing in India;
- To allow foreign companies to invest in different economic activities in India;
- In place of quantitative restrictions tariffs should be substituted so that import liberalization program may be applied on a wider scale;
- To promote the exports by introducing changes in the exchange rate; and
- To allow Indian companies to work with the foreign companies.

The movement of globalization is persisting and continuing. It is no longer a choice; it is a fact. It is spreading its arms everywhere and the developed nations are using it as a means to control world economy. Few researcher's label it as yet another form of economic colonialism. In this context, the following table shows the correlation results for SME performance, entrepreneurship and LPG policies.

Table 1: Correlation Results for SME performance, entrepreneurship and LPG Policies

Entrepreneurship and performance variables		LPG policies
Innovativeness	Pearson Correlation	.573
	P value	.000
Risk -Taking	Pearson Correlation	-.032
	P value	.000

Pro-activeness	Pearson Correlation	.402
	P value	.000
Autonomy	Pearson Correlation	.717
	P value	.000
Competitive Aggressiveness	Pearson Correlation	.667
	P value	.000
entp_char_tot	Pearson Correlation	.732
	P value	.000
SMe_PERF_TOT	Pearson Correlation	.705
	P value	.000
perf_sales growth	Pearson Correlation	.559
	P value	.000
perf_cust_sat	Pearson Correlation	.470
	P value	.000
perf_market share	Pearson Correlation	.472
	P value	.000
perf_profit	Pearson Correlation	.632
	P value	.000

Note: N=252; DF=250; Source: Field data and SPSS output for correlation analysis

From the table 1 it is clear that all the sub variables of entrepreneurship and SMEs performance are correlated significantly and positively with scores on LPG policies except for risk-taking variable of entrepreneurship. All the remaining correlation coefficients obtained between these variables were found to be highly significant. In other words, as the scores in Innovativeness, pro-activeness, autonomy, competitive aggressiveness, and total entrepreneurship scores, total SMEs performance, sales growth, customer satisfaction, market share and profitability/s are increased, scores on LPG policies, also increased linearly and significantly. We can definitely say that there is linear and direct relationship between entrepreneurship, SMEs performance and LPG policies.

Table 2: Results of stepwise multiple regression

Variables Entered/Removed						
Model	Variables Entered	Variables Removed	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	Autonomy	.	.717 ^a	.514	.512	3.12500
2	SMe_PERF_TOT	.	.776	.603	.600	2.83128
3	Risk-Taking	.	.807	.652	.647	2.65710
4	Innovativeness	.	.822	.676	.671	2.56673
5	Competitive Aggressiveness	.	.835	.697	.691	2.48597
6	perf_profitability	.	.839	.704	.696	2.46502

Method: Stepwise (Criteria: Probability-of-F-to-enter <= .050, Probability-of-F-to-remove >= .100). Data Source: Field data and SPSS output for regression; Note: Dependent variable-LPG policies and Independent variables -Entrepreneurship and SMEs performance

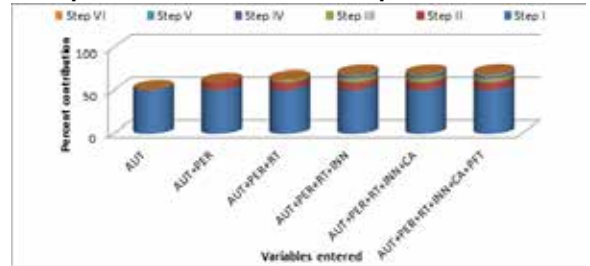
When components of entrepreneurship and SMEs performance variables were regressed on scores of LPG policies, using stepwise multiple regressions, following results were obtained. Of the 9 components of entrepreneurship and SMEs performance regressed on LPG policies, 6 variables best predicted SMEs performance (Table 2).

The first component to enter into the equation was autonomy scores, with correlation coefficient of .717, and squared r value of .514. The variance was 51.2%. The second variable to enter into the equation along with the first one was total performance scores with the combined correlation coefficient of .776, and squared r value of .603. The contribution of first and second variables together was 60.0%. The third variable to enter into the equation was risk-taking along with previous 2 variables with the combined correlation coefficient of .807, and squared r value of .652. The contribution of first, second and third variables together was 64.7%. The fourth variable to enter

into the equation was risk-taking along with previous 3 variables was innovativeness with the combined correlation coefficient of .822 and squared r value of .676. The contribution of first, second, third and fourth variables together was 67.1%. The fifth variable to enter into the equation was competitive aggressiveness along with previous 4 variables with the combined correlation coefficient of .835, and squared r value of .697. The last variable to enter into the equation was profitability along with previous 5 variables with the combined correlation coefficient of .839, and squared r value of .704.

All these six variables predicted SMEs performance to the extent of 69.6%. Remaining contribution for the LPG policies was unaccounted for. Further, the following figure 1 shows the percent contribution of entrepreneurship and SMEs performance variables to LPG policies.

Figure 1: Percent contribution of entrepreneurship and SMEs performance variables to LPG policies



Source: Field data and SPSS output for regression

Summary and Conclusion

The study shows that the influence of LPG policies on the performance of entrepreneurship among SMEs was studied through correlation. In correlation, the scores on variables like innovativeness, pro-activeness, autonomy, competitive aggressiveness, and total entrepreneurship scores, total SMEs performance, sales growth, customer satisfaction, market share and profitability when increased, scores on LPG policies also increased linearly and significantly. Of the 9 components of entrepreneurship and SMEs performance regressed on LPG policies, 6 variables best predicted SMEs performance to the extent of 69.6 percent. Hence, promoting enterprise clusters can also enhance SMEs performance and competitiveness. Small firms working in clusters can attain the advantages of large firms while retaining the benefits of specialization and flexibility. Local, regional and national governments can foster small firm's linkages through providing the framework for public/ private and inter-firm partnerships. More support is needed from the Government India for entrepreneurs of SMEs in the form of priority sector lending, government procurement program, credit and performance ratings and marketing support. Technology transfers, such as green technology and networking can revive the growth of SMEs.

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