



## Growth of Msmes in India During The Pre- And Post-Globalization Period

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### ABSTRACT

Globalisation has its own effects on economic development, on political system, on culture of the soil, on the environment and on human physical well-being in societies across the globe, including MSMEs sector. In India after entering in to globalization in 1991, policies of MSMEs were changed at least certain level and dimensions to make the sector more vibrant and competitive in the world economy. The policy change made certain impact on the Overall growth of Indian MSMEs sector compare to the pre-globalization period . As per the study, the growth of number of units, investment, employment, production and exports are more during post-globalization period, compare to pre-globalization period. It may be because of MSMEs consolidated their competitive spirit and capacity in the markets in the post- globalization era. In spite of this growth and prosperity, MSMEs are not free from certain problems like, lack of up-to-date technology, shortage of highly skilled manpower, lack of access to global markets, lack of timely credit, shortage of storage facilities, etc.

### KEYWORDS

Globalization, MSMEs , Employment, Production, Export.

### I.Introduction:

Globalisation is a process of interaction and integration among the people of different countries, governments, industries, companies etc motivated by international trade and investment, nowadays, aided by information technology. The practice has its own effects on economic development, on political system, on culture of the soil, on the environment and on human physical well-being in societies across the globe, including MSMEs sector.

As per the MSMED Act, 2006, the field of small scale industries in India widened and called Micro, Small and Medium enterprise .The investment limits for defining "small" have been raised and the sector encompasses medium enterprise and service sector also. According to the Micro, Small and Medium Enterprises (MSME) Development Act of 2006, (India) a micro enterprise is where the investment in plant and machinery does not exceed twenty five lakh rupees. A medium enterprise is where the investment in plant and machinery is more than five crore rupees but does not exceed ten crore rupees. A small enterprise is where the investment in plant and machinery is more than twenty five lakh rupees but does not exceed five crore rupees.

After globalization of the Indian economy in 1991, the environment of SSI has also changed drastically as SSI has been experiencing severe competition from foreign firms. As a result of Liberalization in 1990s, the government has liberalised the industrial licensing policy and permitted foreign investment. Moreover, 73 items reserved exclusively for the SSI sector were de-reserved in June 2003 and further 85 items reserved for the SSI sector were de-reserved in October 2004 (Burange and Shruti Yamini, 2011).

In a developing country like India, the role and importance of small-scale industries is very significant towards poverty eradication, employment generation, rural development and creating regional balance in promotion and growth of various development activities (Shivani Misra, 2012) since independence. India after entering in to globalization in 1991, policies of MSMEs were changed at least certain level and dimensions to make the sector more vibrant and competitive in the world economy. Therefore, in the light of the above issues and develop-

ments the paper tries to throw light upon to know the changes and its impact on the growth of MSMEs in different dimensions comparatively between pre and post globalization period.

### II.Objectives:

1. To know the trend of establishment of number of units in MSME sector of India during the pre and post -globalization period
2. To know the intensification of employment opportunities in the MSME sector of India during the pre and post-globalization period
3. To know the growth of Production and exports from MSME sector of India during the pre and post- globalization period.

### III.Methodology:

The study is based on the available secondary data, to compare the growth the period of study is divided into pre globalization period from 1980-81 to 1989-90. And Post-globalization period from 2001-02 to 2010-11 and used the simple statistical tools like tables, percentage, averages, and graphs.

### IV.Analysis:

The economic progress of a country primarily depends upon the development of industries, may be large or small so the performance of the MSME sector has a direct impact on the augmentation of the overall economy of the country.

### 1) Trends in the Establishment of Number of Units and Employment Opportunities during the Pre-Globalization period.

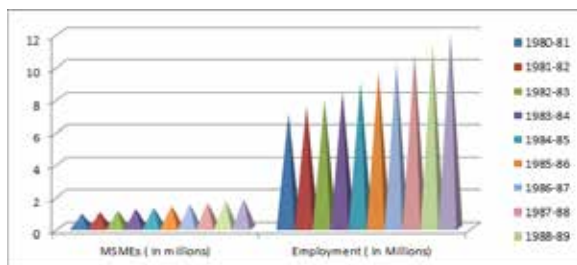
The number of units in 1980-81 was 0.87 million and it increased to 1.82 million in 1989-90, the average growth rate during this Pre-Globalization period was 7.70% ( Table no. I). Trend in the establishment of units is, no doubt, positive and progressive in the Pre-Globalization period and at the same time employment opportunities increased from 7.10million in 1980-81 to 11.96 million in 1989-90. The average growth rate in employment opportunities is considerable i.e. 5.37% ( Table.no.I) the same is explained in the graph no.1

**Table no. I: Growth of MSMEs during the Pre-Globalization period**

Year	Total MSMEs (million numbers)	% of growth over the previous year	Employment (million numbers)	% of growth over the previous year
1980-81	0.87	---	7.10	---
1981-82	0.96	10.34	7.50	5.63
1982-83	1.06	10.42	7.90	5.33
1983-84	1.16	9.43	8.42	6.58
1984-85	1.24	6.90	9.00	6.89
1985-86	1.35	8.87	9.60	6.67
1986-87	1.46	8.15	10.14	5.63
1987-88	1.58	8.22	10.70	5.52
1988-89	1.71	8.23	11.30	5.61
1989-90	1.82	6.43	11.96	5.84
Average Growth rate		7.70		5.37

Source: 1. Reserve Bank of India and Ministry of Micro, Small and Medium Enterprises, Govt. of India.

**Graph no.1. : Growth of MSMEs during the Pre-Globalization period.**



**2. Growth in the Production and Exports of MSMEs during the Pre-Globalization period:**

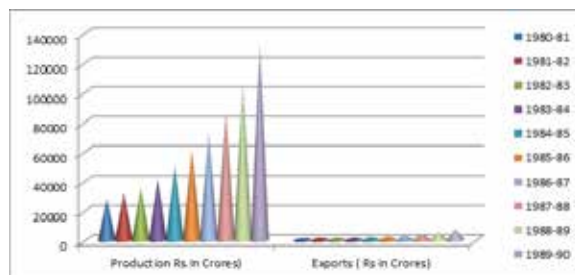
An investment in any sector should increase production, export etc. Therefore, the growth of production and exports from MSMEs sector is important during this period. It was Rs. 28100 crores in production and Rs. 1600 crores in exports in 1980-81 respectively and it increased to Rs. 132300 crores in production and Rs. 7600 crores in exports in 1989-90 ( Table no.II) average growth rate also on positive note and considerable during this Pre-Globalization period. The same is explained in the graph no.2.

**Table no. II: Growth of MSMEs during the Pre-Globalization period.**

Year	Production (Rs. Crore, Current prices)	% of growth over the previous year	Exports (Rs. crore)	% of growth over the previous year
1980-81	28100	---	1600	---
1981-82	32600	16.01	2100	31.25
1982-83	35000	7.36	2000	-4.76
1983-84	41600	18.86	2200	10.00
1984-85	50500	21.39	2500	13.64
1985-86	61200	21.19	2800	12.00
1986-87	72300	18.14	3600	28.57
1987-88	87300	20.75	4400	22.22
1988-89	106400	21.88	5500	25.00
1989-90	132300	24.34	7600	38.18
Average Growth rate		16.99		17.61

Source: Reserve Bank of India and Ministry of Micro, Small and Medium Enterprises, Govt. of India.

**Graph no. 2: Growth of MSMEs during the Pre-Globalization period.**



**3) Trends in the Establishment of Number of Units and Employment Opportunities during the Post-Globalization period:**

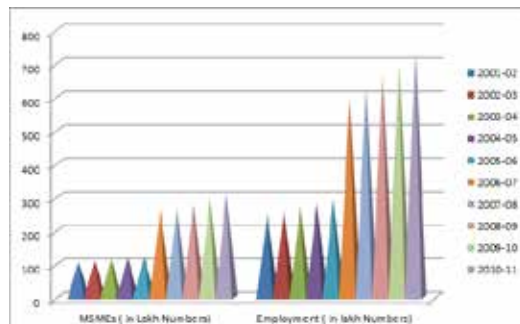
There were 105.21lakhs units in 2001-02 the number has increased to 311.52 lakhs in 2010-11. The average growth rate of number of units is 14.99% ( Table no.III) It indicates more growth in the number of units of MSMEs during the Post-Globalization period. The employment also increased from 249.33lakhs in 2001-02 to 732.7lakhs in 2010-11, as per average growth rate i.e.14.47% ( Table no.III) employment opportunities also growing speedily during the Post-Globalization period. Graph no.3 depicts the growth in MSMEs in number and employment opportunities.

**Table no. III: Growth of MSMEs during the Post-Globalization period.**

Year	Total MSMEs (lakh numbers)	% of growth over the previous year	Employment (lakh person )	% of growth over the previous year
2001-02	105.21	4.07	249.33	4.44
2002-03	109.21	4.07	260.21	4.36
2003-04	113.95	4.07	271.42	4.31
2004-05	118.59	4.07	282.57	4.11
2005-06	123.42	4.07	294.91	4.37
2006-07	261.01	111.48	594.61	101.62
2007-08	272.79	4.51	626.34	5.34
2008-09	285.16	4.53	659.35	5.35
2009-10	298.08	4.53	695.38	5.47
2010-11	311.52	4.51	732.7	5.29
Average Growth rate.		14.99		14.47

Source: 1. Annual report, 2010-2011, Ministry of Micro, Small and Medium Enterprises. Fourth All India Census of MSME 2006-07, 2. National Accounts Statistics , CSO, MOSPI and 3. Annual Survey of Industries, CSO MOSP

**Graph no. 3: Growth of MSMEs during the Post-Globalization period.**



**4. Increase in the Investment and Growth in the Production and Exports of MSMEs during the Post-Globalization period:**

Timely Investment leads to growth of any sectors, the investment in MSMEs during this period is considerable, it was Rs.154349 crores in 2001-02 and it has increased to Rs.773487 crores in 2010-11.and the average growth rate of investment during this period is 23.75% (Table no. IV) Production growth is also notable one, it was Rs.282270 crores in 2001-02, increased to Rs.1095758 crores in 2010-11 and the average growth rate was 15.75 % ( Table no. IV) Majority of the time, importance of the sector is measured on the bases of its contribution to export also. MSMEs sector exported Rs. 71244 crores of products in 2001-02 and it has increased to Rs.202017 crores in 2007-08. And the average growth rate was 16.67%(Table no. IV) The same is depicted in Graph no.4.

**Table no.IV: Growth of MSMEs during the Post-Globalization period.**

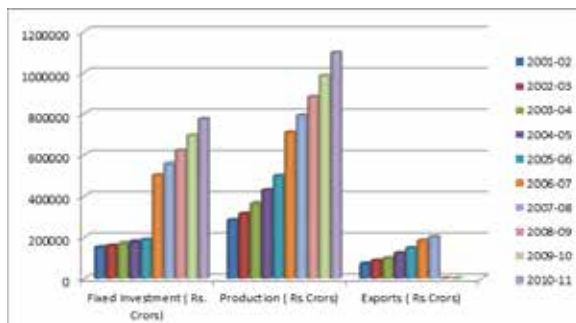
Year	Fixed Investment (Rs. Crore)	% of growth over the previous year	Production (Rs. crore)	% of-growth over the previous year	Exports (Rs. crore)	% of-growth over the previous year
2001-02	154349	5.11	282270	8.03	71244	2.07
2002-03	162317	5.16	314850	11.54	86013	20.73
2003-04	170219	4.87	364547	15.78	97644	13.52
2004-05	178699	4.98	429796	17.90	124417	27.42
2005-06	188113	5.27	497842	15.83	150242	20.76
2006-07	500758	166.20	709398	42.49	182538	21.50
2007-08	558190	11.47	790759	11.47	202017	10.67
2008-09	621753	11.39	880805	11.39	N. A.	N. A.
2009-10	693835	11.59	982919	11.59	N. A.	N. A.
2010-11	773487	11.48		11.47	N.A	N.A
Average Growth rate.		23.75		15.75		16.67

Source: 1 Annual report, 2010-2011, Ministry of Micro, Small and Medium Enterprises. Fourth All India Census of MSME 2006-07,

2. National Accounts Statistics , CSO, MOSPI and

3.. Annual Survey of Industries, CSO MOSPI

**Graph no.4: Growth of MSMEs during the Post-Globalization period.**



Overall growth of Indian MSMEs sector during the pre-globalization period is highly appreciable and considerable. However, As per the study, the growth of number of units, investment, employment, production and exports are more during post-globalization period, compare to pre-globalization period. It may be because of MSMEs consolidated their competitive

spirit and capacity in the markets in the post- globalization era. In spite of this growth and prosperity, MSMEs are not free from certain problems like, lack of up-to-date technology, shortage of highly skilled manpower, lack of access to global markets, lack of timely credit, shortage of storage facilities, etc.

**V,Conclusion:**

In view of the above analysis, one can conclude, that the contribution of the MSMEs to Indian economy is considerable. And even after globalization the growth of the sector is in many fold and dimensions. If the policy gives even more importance to MSMEs it will grow even more robust way and contribute more to the growth of Indian Economy.

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