



Impact of Globalization in Employment Opportunities of small scale industries in Kerala.

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Abstract

Globalization has led to an 'Unequal Competition'- a competition between 'giant MNC's and dwarf Indian 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 SSI after globalization and its effect on employment.

Keywords:- *Globalization, Small Scale Industries, Exponential Growth, and Employment.*

Introduction

The development of any economy depends on the development of the secondary sector or industrial sector along with other sectors. The small scale industries sector has emerged as a vibrant and dynamic sector of the Kerala economy MSMEs have been known to the world as Engine of economic growth and for promoting equitable development. MSMEs play a crucial role in providing large employment opportunities given their comparatively low capital costs and their forward-backward linkages with other sectors. The MSME sector helps in industrialization of rural and backward areas and provides employment to youth and socially disadvantaged groups such as SC, ST, women and physically challenged persons. The sector contributes to the socio-economic development of the State. The sector consisting around 2 lakhs units, as of today, provides employment to over 10 lakhs persons

Indian scenario

The MSME sector in India is diverse in terms of size, levels of technology employed, and products .It consisting 36 million units, as of today, provides employment to over 80 million persons. MSME contributes 6 per cent to the country's GDP, 33.0 per cent to value added by the manufacturing sector and 45 per cent to the country's exports. In order to impart more vitality and growth to small scale sector, a separate policy statement is announced by Government of India for small, tiny and village enterprises on 6th August, 1991. This policy statement was a leap-forward because it was the first time that Government had issued a separate policy statement for the small and decentralized sector. In the past, small scale sector merited only two or three paragraphs in the more general industrial policy statements. The fact that Government considered it necessary to make a separate policy statement for small enterprises was a welcome recognition to the dynamic and vibrant nature of the sector. This policy statement proposed some path-breaking measures to mitigate the handicaps that were faced up by small enterprises in respect. Government of India introduced a large number of innovative promotional measures to uplift the growth of small scale sector.

Kerala profile

The MSME play a very important role in providing employment as well as overall rural and economic development. At the time of the formation of Kerala State in 1956, there was a weak modern industrial base. Industry was mainly confined to the traditional cottage and processing industries and a very few modern industrial units which could have attracted and encouraged industrial expansion and diversification. The Industrial Policy, 1960 gave maximum trust to promotion of Small Scale Industries Sector for creating more employment opportunities to the rising educated people in the state. Industrial Policy Statement of Kerala in 1983 envisaged an inter-linked industrial system of small scale, medium and large industries, so as to have an optimum use of state's available natural and manpower resources to generate maximum income and employment. After the implementation of new economic policy small scale industries can be set up in any sector. Now a days Kerala a



state with Kerala, with its excellent connectivity, communication network, availability of highly skilled human resources and relatively good industrial infrastructure, is highly suited for the growth of the MSME Sector. The MSME sector helps in industrialization of rural and backward areas and provides employment to youth and socially disadvantaged groups such as SC, ST, women and physically challenged persons. The sector contributes to the socio-economic development of the State.

Globalization

Globalization is a process by which the products, capital and labour are moving to and fro linking all parts of the world. This condition has made the world into a single market. The progress in the areas of transportation and information technology has eroded the borders of nations. When capital becomes more dynamic it transcends all the limits and limitations caused by distance, time, space and policies. One can say that the global capital travels at a lightning speed. In the age of globalization, the process of production of commodities takes place across the borders of different nations. Production has changed its mode altogether. It has undergone transformation from production and distribution from one place to production being distributed in various countries, and assembling it in one place.

Objective of The Study :

- 1:- To analyze the growth of MSMEs in Kerala context.
- 2:- To analyses the performance of MSMEs after globalization
- 3:- To critical examine the opportunities of employment created by the MSMEs.
- 4:- To examine the competitiveness in market place
- 5:- To ascertain the Balanced Regional Development.

Data base and Methodology

These study an attempt has been made to analyze the impact of globalization on the Growth of micro small medium scale industries in Kerala. For this, the growth pattern and some aspects of productivity in SSI sector in Kerala up to the year of 2006 were calculated. After 2007 the data related to the micro, small and medium industries are also included in the study. Study has been conducted with reference to the data related to Performance of Small Scale Industries in Kerala. The SSI sector has been studied with the belief that they hold the largest share of Industrial Sector in Kerala. The reference period for the analysis of the data has been taken from 1990-91 to 2010-11. Base year of the study is 1990-91. The study conducted to know the impact of globalization after liberalization. For this, a comparative analysis of Average Annual Growth Rates at different post globalization periods has been carried out for key growth and performance parameters like number of units, production, employment and exports. The study has been based on secondary information. The data for the study purpose has been taken mainly from the economic review published by Kerala state planning board.

Growth of Small Scale Industries in Kerala : After Globalization

The small scale industries play a significant role in boosting the overall economic growth of an economy. The small scale industries set-up by the entrepreneurs have contributed to the increased shares in overall production, fixed investment, Employment and capacity Utilization of SSI Units, etc. The importance of SSI sector in providing large scale employment is of paramount importance. The policy framework right from the first plan has highlighted the need for the development of SSI sector keeping in view its strategic importance in the overall economic development of the state. The impact of Industrial liberalization and deregulatory policies on the growth of small scale industries has been captured by computing and subsequently comparing the growth rate.

Number Of Small Enterprise

There has been an increase in the number of micro, small and medium establishments in the state after 1991. Instead of directly carrying out the production, larger establishments now a days used to divide and outsource such works to smaller units and arrange assembling of these finished parts in one unit. The main intension behind dividing the production work is to lower the collective bargaining capacity of the labor as smaller units are characterized by fewer number of employees.



Year	No. of small enterprises	% increase to previous period
1991	73,522	-
1996	1,87,676	155.27
2001	2,39,896	27.82
2006	1,93,302	-19.422
2011	1,94,908	00.83

Source: economic review, Government of Kerala

Analysis: It is clear from the above table that, in the initial period of globalization, the growth rate of small scale industries increased in Kerala. During 1996 the growth rate increased to 155.27 percent. After 2001 the growth rate was decreased and going negative during the period of 2001 to 2006. World economic crises slightly affected the small scale industries in Kerala. After 2011, number of small scale industries slightly increases.

Effect on Employment

The MSME's in the area of food processing in the state have shown considerable growth. Fruits, vegetables, sweets, spices, fish products, pickles, marine products, cashew nuts, coffee, tea etc., are being exported by the MSME's. Another characteristic feature of the state is that most of the small establishments are owned by Kudumbasree units and women entrepreneurs. About two third of the export of the state is from the food processing sector. During 1991 there were 4,45,195 labours in among 73,552 small initiatives in the state and the same has increased to 941981 labours in 1,94,908 units by the year 2011. As such the employment has been increased twice during this period.

Year	No of Small Enterprises	Labour
1991	73,522	4,45,195
1995	1,87,676	6,82,380
2001	2,39,896	11,14,495
2006	1,93,302	7,10,506
2011	1,94,908	9,41,981

Source: economic review, Government of Kerala

Difference between the number of Registered and Functional Units

Each year 20% of the registered micro and small enterprises in Kerala close down their business. The statistics of such closed units are not available with the Directorate of industries and Commerce. As per the survey 2006, the number of registered units in Kerala is 2,86,210. But the number of functional units is only 1, 93,302.

Year	No of Registered units	No of functional units	No of nonfunctional units
2001	2,59,952	2,39,896	20,056
2006	2,83,210	1,93,302	89,908
2011	2,55,374	1,94,908	60,466

Source: economic review, Government of Kerala

Conclusion and Findings

The MSME's could not withstand the competition in the open market evolved consequent on the implementation of the globalized economic policies in the country. The Small scale enterprises are not able to compete with the capital, technology or rather management technics possessed by the larger firms. While the larger ones could produce more economically with minimum cost of production the small scale units are not able to do so. It is



evident from the breakdown of smaller units in food processing sector. However, the unemployment issue could only be mitigated through small scale enterprises.

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