



4. Impact of Globalization on Small Businesses

Dr. Vimmi Behal

*Assistant Professor,
Department of Commerce and Management,
Atal Bihari Vajpayee, Hindi Vishwavidyalaya,
Bhopal (M.P), India.*

ABSTRACT

The term "economic globalization" refers to the growing interdependence of national economies around the globe due to a sharp rise in the cross-border movement of capital, products, services, and technology. While economic globalization is driven by marketization, the rapid growth of information's significance in all forms of productive activity, and the advancement of science and technology, globalization is primarily focused on the rapid development of science and technology as well as the increasing cross-border division of labor. With the removal of all trade obstacles between nations, it offers multiple benefits to multiple individuals. The present liberal, capitalist, and economic action is a jumble of information, analysis, means, channels, aptitudes, and predispositions. Business activities and the unavoidable process of globalization constitute initiatives that have both risk and failure potentials, as well as success potentials, in terms of reduced obstacles and increased global openness. Cross-border movement of capital, finance, and trade is made possible by globalization.

The sharing of knowledge, technology, information, and finance through the cultural integration of two or more economies with the aim to cross borders would be a better way to characterize globalization. By opening it up to the world and eliminating all trade barriers, it grows the small market into a massive one. It also has the effect of making several items available to multiple individuals. But in the process of examining so many good aspects, we neglected to examine the negative aspects of globalization as they affected India. Small-scale industries continue to dominate India's business sector. Small-scale industries account for about 45% of all business, including exports, and they also provide a similar percentage of jobs. We will talk about in this essay. The effects of globalization on small companies.

KEYWORDS

Globalization, Small Businesses, Economic, National Technology, Capital, Marketization, Countries, Trade, Finance, Small-Scale Industry,

Introduction:

Globalization:

When borders are opened and mutually beneficial partnerships are strengthened, the term "globalization" refers to the unrestricted movement of products and services across nations. This suggests that harmonious coalitions will emerge in the wake of a more robust world economy and, dare we say it, worldwide peace. For small business owners, growing globalization has numerous benefits, but it also has certain disadvantages. Globalization, defined as the cross-border integration and interdependence of economies, has changed the global commercial environment. This phenomenon has had a particularly big impact on small firms. The purpose of this article is to investigate how globalization has affected small enterprises, looking at both the advantages and disadvantages of this interconnectedness on a worldwide scale. [1]

The small-scale industries are important in all developing nations. Large-scale industry setup and development are difficult tasks for such economies because of the limited resources available and the capital required to engage in firms. India is a developing nation, hence there is no need to justify the tiny sector's importance. Although small-scale industry does not directly contribute to the GDP of the nation, it does indirectly provide a great deal of jobs. In addition to creating jobs within the nation, small-scale industries account for about 45% of the nation's manufacturing output and 40% of its overall exports. Although the small-scale industry's share of total industrial production has been gradually declining over time, in the years 2002–03 and 2007–08, respectively, the small-scale sector contributed roughly 39% and 38% of all industrial production, respectively.

1. Increased Market Access:

Increased market access is among the most important advantages of globalization for small enterprises. Small firms can now contact clients outside of their local communities and enter international markets because to developments in communication and technology. With the use of the internet, small businesses can now effectively promote their goods and services to a global clientele, growing both their clientele and prospective earnings.

2. International Trade Opportunities:

Small firms can now conduct cross-border transactions thanks to the facilitation of international trade brought about by globalization. Today, small firms may access a greater selection of suppliers and benefit from cost reductions by sourcing materials, components, and completed goods from diverse regions of the world.

3. Access to Resources and Talent:

Access to important resources and skills has become easier for small enterprises as a result of globalization. worldwide supply chains provide small enterprises with access to a worldwide pool of raw resources, technologies, and knowledge.

Additionally, they can work together with foreign partners to exchange expertise and gain access to best practices, innovation, and creative solutions.

4. Technological Advancements:

Globalization has been propelled by technological breakthroughs, which have proven extremely beneficial to small firms. Due to the leveling of the playing field brought about by the digital revolution, small firms may now compete with larger ones.

Without having to make large upfront investments, small firms can promote their goods and services abroad by utilizing social media, digital marketing techniques, and e-commerce platforms.

5. Competitive Challenges:

Although there are many benefits to small firms from globalization, there are drawbacks as well. With more resources, economies of scale, and established global networks, larger multinational organizations frequently pose a serious threat to small businesses.

6. Regulatory and Legal Complexities:

Small enterprises have to traverse a complicated web of international legislation and legal frameworks brought up by globalization. Due to the differences in laws, cultures, and business practices between nations, small firms must devote time and resources to comprehend and abide by these restrictions.

7. Cultural and Language Barriers:

Small firms looking to expand into foreign markets may face difficulties due to linguistic and cultural differences. Success requires an understanding of cultural quirks and the ability to tailor goods, services, and marketing tactics to particular target markets.

8. Economic and Political Instability:

Small firms are more vulnerable to political and economic unrest across the globe as a result of globalization. Trade disputes, currency fluctuations, geopolitical tensions, and economic downturns can all have a big impact on the operations and profitability of small firms. [2]

Globalization Impact Small Scale Industries:

1) Technology and Innovation:

You always have access to the internet, which makes it simple to access knowledge and the latest technical developments. International businesses contribute newer technology, creativity, and experience that can reduce prices through economies of scale.

2) Lower costs for products:

As was already established, globalization introduces new technology and enables businesses to find more affordable ways to produce their goods. It also results in lower prices and a wider range of options for customers.

In the end, lower costs enable people live better lives with less money in both emerging and developed nations, which is beneficial for small-scale businesses.

3) Access to new skills:

Globalization opens up new markets for small businesses and gives them access to specialized talents that are unavailable in their current market.

Companies now have the chance to look for talent in thriving markets like Silicon Valley because to globalization. Once again, hiring staff is easier for firms worldwide.

4) Scope of the market increases:

Selling within your own organization can help you expand your business internationally and minimize the globalization of your commodities. Globalization gives you access to a wider spectrum of consumers and increases the visibility and market reach of your brand.

5) Expansion of business:

There are some businesses that require the chance to expand globally. Business networks are a result of globalization and sufficient efforts to open trade lines.

Without having to make the significant financial expenditure needed to launch a worldwide branch of an established company, companies of all sizes can target foreign markets to generate new revenue streams.

6) Budget marketing:

These days, social media and worldwide ad targeting have made marketing simple thanks to the internet. Tools for gathering data and strategies for budget-conscious marketing benefit even the smallest company.

7) Made the hiring process easy:

The availability of remote workers has been impacted by globalization as well. where we may recruit workers worldwide. Small firms are now able to employ people in offices across the globe, as opposed to just having physical staff.

As an alternative, they may employ a whole department of the company to operate remotely.

Advantages of Globalization for small businesses:

1. Scope of market increases:

Investing in and operating in markets where the drawbacks of local business no longer signal doom for the individual proprietor is worthwhile, even though not every company can sell a good to the far corners of the world.

2. Expansion of business:

Some businesses require the chance to appeal to a wide audience. Whether it's as simple as becoming a big fish in a small pond or as complicated as filling a niche that is literally incapable of existing in a static position for very long before collapsing, globalization and enough trade line opening efforts have produced business networks that were unimaginable even a century ago.

3. Easy and budgeted marketing:

In the past, our inability to finance international marketing was both expected and a result of the conditions in which we lived. These days, there's little to no excuse for a company to not get its name out there given the internet and the relative ease of marketing that comes with social media and global ad targeting.

4. Employing personnel all across the world:

The availability of remote workers in other regions of the world has also been impacted by globalization. Small businesses can now employ people in offices throughout the world, when in the past they could only employ people physically.

5. Equalizing businesses:

Globalization has made everything more equitable. Thanks to the Internet, small businesses may now access marketing resources, business expertise, and all the other tools they need to compete with larger, more established enterprises.

6. Boosting the travel and tourism industry:

Finally, small enterprises have been greatly impacted by the growth of the travel and tourism sector. The availability of inexpensive airfares has led to a rise in the number of individuals taking international trips. [3]

Small Scale Industry and Its Importance:

A nation's level of industrial growth is directly correlated with its economic development. Every field now faces fierce competition. Governments battle to keep their economies afloat by offering incentives and enacting new laws that primarily boost economic metrics.

Following the opening of the global economy to criticism, the Indian economy began to focus on building a small industrial base, which had a favorable impact on GDP growth; India's GDP growth is superior to that of other emerging nations with developed small-scale industrial sectors. On August 6, 1991, a distinct policy statement for small, tiny, and village firms was launched in an effort to give the small-scale sector more life and growth.

Since the government had never released a separate policy statement for the small and decentralized sector, this policy statement represented a significant advancement. The Indian government implemented numerous creative promotional initiatives aimed at stimulating the expansion of the small-scale industry. Principal components of the 1991 Small Industrial Policy:

- Emphasis to shift from cheap credit to adequate credit.
- Equity participation by other undertakings (both domestic and foreign) up to 24 percent.
- Introducing of factoring services by banks.
- Marketing of mass consumption goods under common brand name.
- Setting up of sub- contracting exchanges.
- Establishment of technology development cell.
- Opening of quality counseling and technology information centers.
- New technology up gradation programs. [4]

Review of Literature:

The process by which economies throughout the globe dissolve national boundaries and become interconnected is known as globalization. Now free to conduct a broad variety of business operations globally, the corporations are no longer restricted to their national borders. In addition to being present in global marketplaces, numerous businesses also source their raw materials and carry out global research and development. International trade in products and services is expanding at a faster rate than domestic output as trade barriers are falling. Companies therefore cannot afford to take the luxury of assuming that long-term profitability will follow from the success of the home market (Cullen, 2010). Money is moving more freely across borders, businesses are searching globally for lower financing rates, and investors are seeking higher rates of return on their investments. [5]

In the census report on small-scale industries for all of India, Mathew, M.C. (2004), emphasized the cause of the panic. The study found that the industry's predicted liveliness and activity at a time of deregulation and de-reservation had not materialized to a large extent. The study concluded that the government requires a robust policy for small and medium-sized businesses that is closely aligned with its foreign policy objectives. According to the report, there should be a system in place at the strategy level that turns the demographics of the small and medium-sized business sector into a public security issue. [6]

The significance of the small-scale industrial sector and the role played by Indian small-scale entrepreneurs in the global economy were discussed by Rathod, C. B. (2007). The study's primary goals were to examine the development and trends in the SSI sector, pinpoint the causes of successes and failures, assess the effects of globalization on SSIs and

export prospects, and pinpoint the obstacles and limitations that SSIs had to overcome in order to adapt to the changing global landscape. According to the report, India's SSI industry has been performing remarkably well in terms of exports; throughout the past 10 years, exports have increased to double digits.

The study found that the effects of globalization on Indian industry in general and the small-scale sector in particular presented both opportunities and problems. According to the report, a significant amount of our exports would need to adapt to the new, boundary-less economic future. According to the study, there was a need for an environment that was conducive to competition, a simplified legal and regulatory framework, effective governance, adequate and easily accessible financing, and appropriate infrastructure. [7]

Objectives:

- To find out the impact of globalization on employment generation in small scale industries,
- To assess the available opportunities and threats of small-scale industries in India during the globalization period.
- To provide with the recommendations on improvement of small-scale industries,
- To provide with the recommendations on how small-scale industries can be developed and grow in era of Globalization.

Research Methodology:

This study's overall design was exploratory. The research paper is an endeavor that is founded on secondary data that was obtained from reliable online resources, newspapers, textbooks, journals, and publications. The research design of the study is mostly descriptive in nature.

Result and Discussion:

Globalization Driver Framework:

Markets and industries vary greatly in how much they are globalized. The consumer electronics sector and its marketplaces, for instance, have become increasingly international. In contrast, the personal banking market and the related industry that provides banking services are still primarily localized, operating within restricted geographic areas. The study concluded that in order to assess the level of globalization within an industry, one must examine four kinds of drivers: market, cost, government, and competitive.

Each of these drivers will have varying strengths depending on the market and industry. It is important to note that there is a close connection between the forces driving globalization and the macro environmental issues, even though this framework is considered inside the framework of the macro environmental study. Figure 1 shows this link and shows how changes in the macro environment will impact both the overall level of globalization and the level of globalization in particular industries. [8]

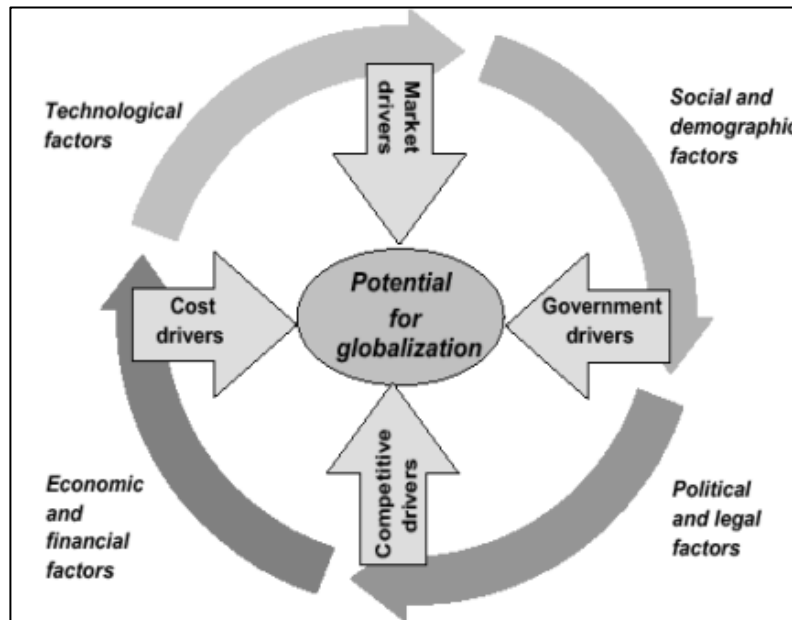


Figure 1: The macro environment and globalization drivers

India first noticed the effects of globalization in the latter half of the 19th century or at the start of the 20th century. In order to assess the effects of globalization, the data pertaining to small-scale industries during the past 20 years is displayed in the following two tables. One covers the pre-globalization era, or the 1990s, and the other the post-globalization era, or the first ten years of the 20th century.

Table 1: Development of MSME's during the 1990's [9]

Year	Total MSMEs (lakh numbers)	Fixed Investment (Rs. Crore)	Production (Rs. crore)	Employment (lakh person)	Exports (Rs. crore)
1992-93	73.51 (4.07)	109623 (9.24)	84413 (4.71)	174.84 (5.33)	17784 (28.10)
1993-94	76.49 (4.07)	115795 (5.63)	98796 (17.04)	182.64 (4.46)	25307 (42.30)
1994-95	79.60 (4.07)	123790 (6.9)	122154 (23.64)	191.40 (4.79)	29068 (14.86)
1995-96	82.84 (4.07)	125750 (1.58)	147712 (20.92)	197.93 (3.42)	36470 (25.46)
1996-97	86.21 (4.07)	130560 (3.82)	167805 (13.60)	205.86 (4.00)	39248 (7.62)
1997-98	89.71 (4.07)	133242 (2.05)	187217 (11.57)	213.16 (3.55)	44442 (13.23)
1998-99	93.36 (4.07)	135482 (1.68)	210454 (12.41)	220.55 (3.46)	48979 (10.21)
1999-00	97.15 (4.07)	139982 (3.32)	233760 (11.07)	229.10 (3.88)	54200 (10.66)

Source: Annual report, 2010-2011, Ministry of Micro, Small and Medium Enterprises. The figures in Bracket are showing growth in comparison to previous year.

Table 2: Development of MSME's during the 2000's

Year	Total MSMEs (lakh number)	Fixed Investment (Rs. Crore)	Production (Rs. crore)	Employment (lakh person)	Exports (Rs. crore)
2001-02	105.21 (4.07)	154349 (5.11)	282270 (8.03)	249.33 (4.44)	71244 (2.07)
2002-03	109.49 (4.07)	162317 (5.16)	314850 (11.54)	260.21 (4.36)	86013 (20.73)
2003-04	113.95 (4.07)	170219 (4.87)	364547 (15.78)	271.42 (4.31)	97644 (13.52)
2004-05	118.59 (4.07)	178699 (4.98)	429796 (17.90)	282.57 (4.11)	124417 (27.42)
2005-06	123.42 (4.07)	188113 (5.27)	497842 (15.83)	294.91 (4.37)	150242 (20.76)
2006-07	261.01 (111.48)	500758 (166.20)	709398 (42.49)	594.61 (101.62)	182538 (21.50)
2007-08	272.79 (4.51)	558190 (11.47)	790759 (11.47)	626.34 (5.34)	202017 (10.67)
2008-09	285.16 (4.53)	621753 (11.39)	880805 (11.39)	659.35 (5.35)	N. A.
2009-10	298.08 (4.53)	693835 (11.59)	982919 (11.59)	695.38 (5.47)	N. A.
2010-11	311.52 (4.51)	773487 (11.48)	1095758 (11.47)	732.7 (5.29)	N.A
Average growth rate	16.1	24.1	14.5	14.4	16.6

Source: Annual report, 2010-2011, Ministry of Micro, Small and Medium Enterprises.

The two tables above have led to the following observations:

- The overall number of small-scale industries is growing annually at a rate of about 4%, with the exception of the years 2006–07 and 2007–08, when it increased at an exponential rate.
- The total amount invested in small-scale industries has increased from 109623 crores in 1992–1993 to 773487 crores in 2010–2011.
- Between 2010 and 2011, there was a notable improvement in production, with results reaching a peak of 1095758.
- The growth in employment level has been the main effect of globalization on small-scale industries. In 2010–11, 732.70 individuals were employed through small-scale companies, compared to just 174.84 lakhs in 1992–1993.
- Additionally, small-scale industries now contribute significantly more to exports. [10]

The Contemporary Environment:

International businesses and entrepreneurial ventures have always functioned primarily in different domains. Table I provides a summary and characterization of this dichotomy. But the boundaries that enforced the two solitudes and divided domestic markets and businesses from their foreign equivalents are starting to fall apart as a result of globalization. While technology advancements in production, transportation, and telecommunications—including the Internet allow even the tiniest businesses new access to consumers, suppliers, and collaborators throughout the world, government-imposed hurdles and structural constraints are dropping quickly.

The way SMEs and larger enterprises operate is evolving as market segmentation fades. SMEs can now compete with MNEs or work together with them both domestically (in a subsidiary's market) and internationally by utilizing the expanded marketplaces. MNEs are simultaneously embracing new strategic stances in order to collaborate and/or compete with recently internationalizing SMEs. There are several important areas where their tactics and functioning features are convergent.

A Comparison of Past Distinguishing Features: Table 3 [11]

Distinguishing Characteristics	SMEs	MNEs
1. Size	Small to medium	Large
2. Access	Generally limited to local or regional markets	Regional and global markets
3. Reach	Limited	Worldwide
4. Resource Reliance	On small base, mostly outsourced and leveraged	On large base, mostly sourced internally
5. Risk and Exposure	<ul style="list-style-type: none"> - high risks emanate mainly from operations - high-risk exposure relative to size of the enterprise - risks mostly shared with associates - high probability of insolvency or failure 	<ul style="list-style-type: none"> - high risks mainly because of foreignness in the environment - high risks for each subsidiary - low risks for MNE as a whole because of diversification of worldwide resources
6. Risk-Taking Capacity	<ul style="list-style-type: none"> - high propensity to take risk - low capacity to absorb risk 	<ul style="list-style-type: none"> - low propensity to take risk - high capacity for the MNE as a whole to absorb risk
7. Source of Strategic Vision/Direction	Vision of the entrepreneur or small group of executives; mostly new, innovative, and proactive	Strategic aims of globally oriented boards or CEOs; mostly reactive and responsive to governments and societies within which they operate
8. Focus of Responsiveness	Their primary segments, and local markets	More profitable markets worldwide and international or subsidiary markets
9. Expansion Mechanisms	Pooling and leveraging own and others' capabilities/expertise	Leveraging local incentives and coordinating them among subsidiaries
10. Network Characteristics	Loose and synergistic interlinking of independent agents with mutual interests	Tight and complete linkages between mostly-owned subsidiaries and the headquarters
11. Control Characteristics	Self-control, mostly horizontal, synergistic, and mutual coordination when a network of SAs and CAs are involved	Hierarchical, mostly vertical control, for maximization of worldwide profits
<p><i>Legend:</i> CA = collaborative arrangement MNE = multinational enterprise/large firm SA = strategic alliance SNE = small and medium enterprise</p>		

Business globalization will undoubtedly have an impact on you. You'll probably interact and do business with people from different nations and cultures as suppliers, coworkers, employees, or employers in addition to purchasing goods made elsewhere.

In summary, the impact of globalization on trade is felt by all of us, as shown by the Expanded Circular Flow Model graphic below. It makes sense to learn more about the mechanisms underlying globalization.

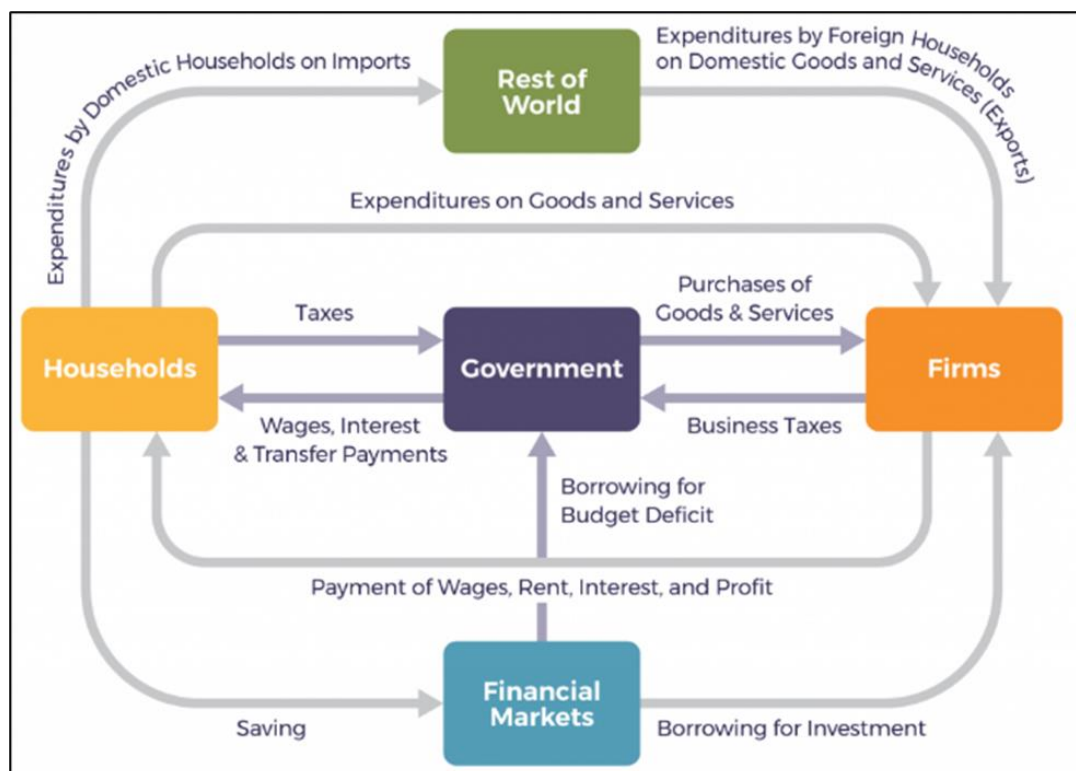


Figure 2: Diagram illustrating the reciprocal inputs and outputs from businesses to households. [12]

Conclusion:

Globalization has led to an expansion in small-scale industries, but not at a particularly rapid rate. Small-scale industries have suffered greatly as a result of MNCs expanding their operations in India as a result of globalization.

The rise in investment level indicates a growing level of small business interest. Globalization generally lowers the cost of manufacturing, allowing small businesses to provide consumers with items at a lesser cost.

One important factor that raises society's level of living is the average cost of commodities and products. Also, a vast array of products is available to consumers.

References:

1. Oobayashi, H. (2018), Chushoukigyō no Haigyōmondai to “Kokuminteki Keizairyoku” no Saikenn (Closing down Small Businesses and the Re-construction of “National Economic Power”), in; Keizai (Political Economy), No. 271.
2. Uwonda G, Okello N, Okello NG (2013). Cash flow management utilisation by Small Medium Enterprises (SMEs) in Northern Uganda. *Merit Research Journal of Accounting, Auditing, Economics and Finance* 1(5):67-80.
3. Kusi A, Opata NC, Tettey-Wayo NJ (2015). Exploring the Factors That Hinder the Growth and Survival of Small Businesses in Ghana (A Case Study of Small Businesses within the Kumasi Metropolitan Area). *American Journal of Industrial and Business Management* 5(11):705-723.
4. Kumar R (2017). Targeted SME Financing and Employment Effects: What Do We Know and What Can We Do Differently. *Jobs working paper*; issue no. 3. Washington, DC: World Bank Group.
5. Das, K. Dilip ((2010), ‘Another Perspective of Globalization’, *Journal of International Trade Law and Policy*, 9(1),46-63.
6. Cullen, B. J., Parboteeah, K. P. 2010. *International Business, Strategy and The Multinational Company*. Taylor & Francis.
7. Mathew, M. (2004), “Small Industry and Globalization”, *Economic and Political Weekly*, Vol. XXXIX, No. 20, 15 May 2004, Pg: 1999-2000.
8. Rathod, C. B. (2007), “Contribution of Indian Small-Scale Entrepreneurs to Economic Growth in India: Opportunities and Challenges in Global Economy”, *Prabandh- Journal of Management & Research*, Vol. 23, June 2007, PP: 1- 12
9. Faiz, M. Shaikh (2009), *Analysis of bilateral trade liberalization and South Asian Free Trade*.
10. Burange, L.G. and Shruti Yamini (2011), “A Review of India’s Industrial Policy and Performance”, Working Paper. No. UDE 34/1/2011, Department of Economics, University of Mumbai, January.
11. Pandey, Adya Prasad and Shivesh (2007), *Routes of Survival of SSI in India and its Futurity – A Study of Pre and Post Reform Period*, MPRA Paper No. 965, University Library of Munich, Germany.
12. Amabile, I, Conti, R., Coon, H., Lambency, J. & Herron, M. (1996) *Assessing the Work Environment for Creativity*, *Academy of Management Review* 39: 1154- 1164.