

A Study On The Growth Insights Of MSMEs in the Era Of Globalization

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Accepted: 6 September 2021 **Abstract**

Purpose: This paper examines the global scenario of MSMEs, the impact of globalization, the role of MSMEs in India, the growth perspectives of MSMEs during the pre-and post-globalization period, the critical challenges, and the role of the Government in encouraging and developing MSMEs.

Methodology: The study considers the secondary data related to the pre-and post-globalization period and analyzes the growth perspectives. In addition, the study examines the critical challenges and also Government initiatives in the development of MSMEs.

Findings: The aids of a globalized and digital economy depend to an excessive extent on favourable business environments and healthy competition. The performance of MSMEs depends on accessibility to various strategic resources like abilities, technical know-how, innovativeness, and finance. Thus, it is imperative to consider the factors influencing work conditions firm level, and the strategies formulated at the national level are organized to local business perspectives.

Practical Implications: The study will be beneficial to the micro, small and medium enterprises and practitioners who play a pivotal role in the establishment of enterprises and start-ups. It explores the various challenges faced by MSMEs and plan necessary strategies to sustain the competition in local as well as global markets.

Originality: The study articulates the MSMEs scenario at the global and Indian levels. It also analyzes the growth insights of MSMEs during the pre-and post-globalization period. It can be observed that MSMEs need to analyze the market opportunities in the rapidly-growing economy and emerging markets.

Keywords: *Economy, Enterprises, Entrepreneurship, Globalization, Innovation, Performance*

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1. Introduction

The growth of the Micro, Small and Medium Enterprises (MSMEs) is vital for both developed and developing economies. MSMEs are one of the sources of creating employment opportunities, economic dynamism, and innovation, as the enterprises inspire the entrepreneurial spirit and the diffusion of skills (Panitchpakdi, 2006). The MSME sector helps in promoting competition and entrepreneurial culture among the nations for economic development. As the contribution of MSMEs to the national income, employment generation and the development of different regions across the country including rural areas is significant, it is necessary to protect and promote this sector. Contributions from intellectuals pave the way for SMEs to reach their potential.

MSMEs proved that they can upscale activities from a humble beginning to extremely greater heights. The business enterprises such as Microsoft and Apple are live examples proving that MSMEs can grow to a global level when proper resources are provided with good market conditions. The Indian business enterprises like Infosys that was established with an investment of USD 250 has generated revenues of USD 4 billion over a while and has also been listed on NASDAQ in the USA. The emergence of online business also provides ample evidence that risks also prosper for new MSMEs that pursue innovative business models (UNESCAP, 2006). MSMEs, by number, dominate the business scenario of the world. The approximations advocate that more than 95 percent of business enterprises all over the globe are MSMEs. It is estimated that 60 percent of the MSMEs are of the private sector approximately (Ayyagari et al., 2011).

Amid the industrialized countries across the world, Japan has the maximum share of MSMEs of total enterprises across the world (EIU, 2010). Bestowing to the Ministry of MSMEs, India had 633.88 lakh Micro, Small and Medium Enterprises during 2016. This is equal to 80 percent of all the nation's businesses (MSME, 2018). Similarly, it is assessed that 91 percent of the formal business enterprises in South Africa are MSMEs (Abor & Quartey, 2010). The approximate statistics related to the 27 nations of the European Union (the EU-27) exemplify the significance of MSMEs. These countries account for about 99.8 percent of the total business enterprises, hire 67 percent of the total employees and also contribute 58 percent of the gross value added (GVA).

In developing countries, more than 90 percent of all business enterprises are MSMEs contributing a majority share to the GDP. In Morocco, 93 percent of industry-related enterprises are MSMEs. The estimates state that these enterprises account for 38 percent of production, 32 percent of the investment and 30 percent of the exports. The contribution of MSMEs to the South Africa economy is considerably higher



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compared to other nations. Similarly, Ghana is well-known for MSMEs accounting for about 92 percent and contributing more than 70 percent to the nation's GDP (Abor & Quartey, 2010).

MSMEs are highly employee concentrated businesses and these enterprises can offer an extensive contribution towards employability at the macro level. The World Bank's study across 99 nations with 47,745 business enterprises stated that the enterprises having employees between five to 250 account for about 67 percent of the total full-time employment (Ayyagari et al., 2011). However, the major number of employment generated by the MSMEs are comparatively more than the large business enterprises (de Kok et al., 2011). The main objective of the study is to examine the impact of globalization on MSMEs in India, the growth perspectives of MSMEs during the pre and post-globalization period, the critical challenges faced by the MSMEs in the market, and the role of the Government in encouraging and developing MSMEs.

2. Review of Literature

Globalization involves the integration of businesses, marketplaces, economies, policy-making and values diffusing the geographical extent (Subhan et al., 2013). Hence, globalization refers to the process in which national and regional economies have become integrated and interdependent through global network trade, immigration, communication and transportation (Samad, 2007). Globalization has fetched several benefits like sharing of skills, ideas and technology, as well as challenges (Kohut & Wike, 2008). Globalization in business has diversified opportunities in the business ecosphere. Most developed **economy's** growth in the world has thrived through well-managed and strengthened Small Medium Enterprises (SMEs). Though SMEs have been the key drivers of economic growth in most emerging economies, the economic impact of globalization has affected their prosperity positively and negatively (Mwika et al., 2018).

Dikova et al., (2016) found that a diversified export strategy is positively related to performance in terms of market, intensity and product despite being with decreasing returns. Ghosh (2017) identified that the banking sectors are exposed to reduce economic growth and that overseas banks condensed private credit flows in host nations. It indicates that the overseas banks experiencing informational holdups that prevent them from lending money to a huge population of would-be client-base in host markets in which many SMEs would fall. Ezcurra & Rodriguez-Pose (2013) found a positive significant association between the magnitude of the regional disparities and economic globalization. Regional inequality is more distinct in nations with a greater degree of economic integration compared to the rest of the world. Moreover, the spatial effect of economic globalization is more in lower and middle



revenue-generating nations with sophisticated regional inequalities than in higher-income nations.

Globalization has brought about competitiveness in markets, which have reduced monopoly profits and incentive by enabling the business to find cost-reducing innovations. Globalization has also unlocked capital markets allowing the developing nations to borrow funds that cover the gap in domestic investments (Ocloo, et al., 2014). Aris (2007) stated that globalization has brought many challenges including inequality in wealth and income with poor people not benefiting from basic technologies and public goods. Further, globalization has also led to inflation due to strong demand for food and energy causing a rise in commodity prices (Abu Bakar, et al., 2006). It is largely accepted in both advanced and developing countries the significance of SME's in stimulating the economic growth of the nation. SME's are more relevant in the aspect of globalization which has become increasingly an influential force in worldwide trade. However, in the globalization era, SMEs are facing several challenges like the absence of adequate funds, limited capital, and accessibility to the international market and knowledge (Anand, 2015).

Sharma et al. (2015) reported that MSMEs are the backbone of the Indian manufacturing sector and have been an engine of economic growth in India. MSMEs as compare with big enterprises are providing employment opportunities with minimum capital cost. MSMEs are facing different problems like the sub-optimal scale of operation, technological obsolescence, supply chain insufficiencies, increasing domestic and global completion, fund shortages, change in manufacturing strategies and turbulent and uncertain market scenarios. Bhavani (2010) argues that employment generation by the SSIs may be high in the quantitative term but very low in quality. Technological upgradation would enable the small business units to create quality employment improving remuneration, time and skill. This structural shift may reduce the rate of employment generation in the short run but would ensure a high-income employment generation in the long run. Due to globalization, the developing nations are being underprivileged, as they fall victim to export dumping by manufacturers in developed nations which affect their local small and medium enterprises (Wafa et al., 2005).

Savrul et al. (2014) analysed the fact that the size of the MSMEs has put them in a disadvantageous position. However, to compete in a global platform, e-commerce can help MSMEs to overcome the challenges that are preventing them from getting into the digital platform. MSMEs need to improve their standards and quality, cost competitiveness and other management practices (Hwang 2007). Harvie (2010) articulated that MSMEs need to improve their international competitiveness, in terms of research & development, better quality control, and skills. He also argues that governments should promote the development of local parts and supplier



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industries. This is likely to be an effective strategy to expand the domestic content of multinational companies functioning in the nation. The enhanced domestic supplier's network, accessibility to financing, together with the improved association between MSMEs and large business units are essential. Mukherjee (2018) stated that more efforts in the form of higher investment in advanced technology and research and development, higher usage of the digital and technology-enabled platform, transfer of technology, more investment in human resources, improved access to finance, reduced infrastructural gaps, lesser stringent business regulations can help in improving the competitiveness of the MSMEs.

Globalization has forced SMEs to change business models to include innovative capabilities (Lee, et al., 2012). The increased competition and rising technological advancements as the persuasive challenges affecting MSMEs due to globalization. Therefore, SMEs must set the right strategies that would embrace the ever-changing global marketplace.

3. Impact of Globalization on MSMEs

Globalization is the most desirable phenomenon that is bound to impact and affect every economic activity including the MSME sector. Organizations have faced a variety of challenges due to globalization. The disturbing factor is that most of the small units are unaware of these changes, challenges, and opportunities and have no idea how they are going to affect them. They do not have adequate financial resources, the organizational setup and the skilled human resource to deal with the variety of situations emerging due to globalization (Deveshwar, 2014).

The global financial crisis that hit the world in 2008 left many larger and stronger economies to struggle for survival. The economy of the USA crashed and crumbled down, because of the burst of their subprime mortgage bubble. The European economy followed, with an international banking crisis hitting the European nations towards the end of 2009. All the major economies of the world were finding it extremely difficult to revive back and get their country's GDP back on track. Despite the global financial crisis, India stood tall, not so severely affected by this financial catastrophe. This was largely because the Indian economy was not heavily dependent on the export markets and more importantly, there was a major contribution to GDP from domestic sources particularly the MSME sector (UNDP, 2009).

The vast majority of India's local producers are MSMEs. The breakthrough industrial policy resolution of 1991 with a focus on liberalisation, privatisation, and globalization, oriented to bridge the gap between exports and imports. It had relaxed the taxation and other policies for the exports. MSMEs held the Indian economy tight and strong during the global financial crisis. The analysts at World Bank and IMF expected that with this global financial collapse, India's growth will also collapse

down to four percent in the immediate time, and will recover up to 5 – 5.5 percent over a medium time duration. This high-level generalisation of the global analysis done to India was bitter. India performed to the surprise of many international forecasters and achieved a GDP growth rate of 7.8 percent in 2008. India as one of the high countries is the largest consumer of its produce. MSMEs are the major contributors to the local markets. Therefore, MSMEs have not only held the economy of India strong during times of global financial crisis but also provided huge employment opportunities to individuals, with relatively at much lower capital cost than large business enterprises (Offbusiness, 2018).

4. Role of MSMEs in the Indian Economy

MSME's are extremely important to the Indian economy, where the gap between the rich and the poor is widening day by day and the unemployment problem is getting intense. The recent Oxfam survey stated that MSME's contribute to the Indian economy by creating decent jobs to participate in the development of the mainstream economy (Oxfam, 2018). Apart from boosting the local economies, MSMEs provide the solution for big organizations by doing their outsourced work at a low cost. Thus, MSMEs development will act as a panacea for economic woes like poverty, unemployment, income inequality, and regional imbalances.

MSMEs have been the basic foundation for the economy of India for the last several decades in manufacturing as well as services. After 1991, when the Indian government introduced major reforms, MSMEs too picked up the pace and many started setting up their own business. The last three years have seen some drastic changes for the SMEs sector on many fronts. Be it the government's policies supporting and encouraging SMEs growth, like Make in India, **Startup India**, and Skill India (Narayan, 2016). These policies and programs have been implemented to boost the MSMEs growth by the Indian government. At the same time, the present government's other focus area – Digital India is also helping the small players get aligned with m-payments and e-commerce (Smeventure, 2018).

MSMEs play an important role in safeguarding equal distribution of national income and reducing disparities among rural and backward areas. These enterprises contribute almost eight percent to GDP, 40 percent towards exports, and 45 percent towards manufacturing. The MSMEs provide a major share of employment opportunities next to the agricultural sector (Deveshwar, 2014). As the world's fastest developing economy, the Indian MSME sector has outperformed China to end up the 6th largest economy during the financial year 2017-18 (OECD, 2018).

5. Growth Perspectives of MSMEs During Pre & Post Globalization Period

The annual reports published by the Ministry of MSMEs from 1971-72 to



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1990-91 (pre-globalization period) and 1991-92 to 2017-18 (post-globalization period) concerning the change in annual growth rates in terms of the number of units, production, employment, fixed investment, and exports reveals that the MSMEs have achieved an impressive growth rate during the post-globalization period.

Please refer to table-1 at the end of the paper

The number of enterprises established during the pre-globalization and post-globalization periods is shown in Table 1. During the pre-globalized era, the MSMEs shows an increasing trend in all the 20 years from 1970-71 to 1989-90 periods. The number of units registered during 1970-71 was 0.32 lakhs which increased to 0.81 lakh units in 1979-80 with a growth rate of 9.84 percent. After ten years, it increased to 1.82 lakh units in 1989-90 with a growth rate of 8.44 percent. In the post-globalization period, the number of enterprises increased with a growth rate of 3.97 with 9.72 lakh enterprises during 1999-00 from 6.79 lakh units in 1990-91. Further, during 2016-17 the number of units registered was 63.52 lakhs with a growth rate of 6.65. There witnessed no downfall in the number of the establishment during this period. There was steady progress in the number of MSME units all these years.

Please refer to table-2 at the end of the paper

The growth rate of production during the pre-globalization and post-globalization era is shown in Table 2. In the pre-globalization era, the production was 364.18 crore during 1970-71 which increased to 710.45 with an annual growth rate of 7.32 in 1979-80. In 1989-90, the production increased to 1,323 crores with a decadal growth rate of 8.09. In the post-globalization period, the decadal growth rate is 30.91 with 42,631 crores compared to 1557.4 crores in 1990-91. It can be observed that the production value has increased throughout the pre and post-globalization period.

Please refer to table-3 at the end of the paper

Table 3 **shows** the decadal average annual growth rate of employment during the pre and post-globalization period. The decadal growth rate was 6.48 during 1970-80 which has shown a decline of 8 percent in the growth rate with 5.97 during 1980-90. In the post-globalization period, the decadal growth rate was 7.01 during 1990-00 which has increased greatly to 21.27 during 2000-10, whereas during 2010-16 the growth rate is only 3.22.

Please refer to table-4 at the end of the paper

The decadal average annual growth rate of the fixed investment during pre and post-globalization is shown in Table 4. It reveals that the decadal growth rate during 1970-80 was 6.48 and 5.97 during 1980-1990. In the post-globalization period, the decadal average annual growth rate of fixed investments is 41.04 as compared to

1.79 in 1990-91. It can be observed that there is a slight growth in fixed investment with 7.22 during 2010-15 where the value has increased throughout the pre and post-globalization period.

Please refer to table-5 at the end of the paper

Table 5 reveals the decadal average annual growth rate of the exports during the pre and post-globalization period. The decadal growth rate was 20.99 during 1970-80 and 20.94 during 1980-90 which has shown consistent growth during the twenty years. In the post-globalization period, the decadal growth rate was 22.16 during 1990-00 which has increased a slight increase of 5.89 during 2000-10.

Please refer to table-6 at the end of the paper

The average annual growth rate (AAGR) during the pre and post-globalization period is shown in Table 6. The average annual growth rate in the number of establishments during the pre-globalization period was 9.14 percent, whereas, the same during the post-globalization period was 20.22 percent. The decadal growth rate of the establishments has decreased during the post-globalization period from 30.94 during 1990-2000 to 23.05 during 2000-2010 and 6.65 during 2010-2017. Concerning the production of MSMEs, the AAGR during the pre-globalization period was 8.45 percent and the same in the post-globalization period was 16.15 percent. The decadal average annual growth rate of production was 16.06 during 1990-2000 which decreased by 2.86 during 2000-2010, whereas during 2010-2017 the growth rate increased upto 30.91. The AAGR in employment in SMEs during the pre-globalization period was 6.23 per cent and in the post-globalization period, it was 10.50 per cent. The growth rate during 2010-2016 has decreased compared to the decadal growth rate of 21.27 during 2000-2010. The AAGR of fixed investments which were at 6.23 percent during the pre-globalization period increased to 16.74 percent during the post-globalization period. The AAGR during 2010-2015 declined compared to the decadal growth rate of 41.04 during 2000-2010. In the case of exports of SMEs, the AAGR during the pre-globalization period was 20.97 percent and the same in the post-globalization period was 14.03 percent (MSME, 1971-2018).

It can be inferred from the statistical data that globalization has certainly not affected negatively the growth of MSMEs in India. The improvements in AAGR cannot be attributed only to globalization. There can be many reasons for recording such growth rates. However, it can be understood that government policy towards MSMEs is the major determinant for the growth and success of these enterprises. The MSMEs should be provided adequate support to consolidate and strengthen their position to face challenges that emerge due to globalization.



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6. The Critical Challenges

Many countries are having certain challenges in the development of the MSME sector like limited growth rate, inadequate investment, and intensifying disparity (OECD, 2016). These economies are facing higher discontent among the public for the current business conditions as they are establishing themselves in contradiction of globalization and technological changes. Therefore, it is necessary to adopt such situations which empower the advantages of open markets and technical advancements. These aspects need to be enhanced and shared across the society and economy. MSMEs have an imperative part to play in the progress of the economy and the wider eco-system of business enterprises. MSMEs also help in the promotion of sustainable industrialisation, fostering innovation, and reducing income inequalities (WTR, 2016).

The challenges for the MSMEs to make their presence globally and prove successful are:

6.1 *Competition Among Enterprises:*

Competition among the enterprises is increasing and so in the case of MSMEs, as they have to face strong rivalry not only from their group of enterprises but also from large companies. Large companies will have scale economies, whereas, local companies will have a cost advantage over logistics. To become competitive, MSMEs have very few options. The challenges faced by MSMEs to become competitive can be organisation specific and/or system-specific. A series of problems are encountered by MSMEs due to their small size. According to Hussain, et al. (2011), small entrepreneurs have limited funds, derisory human resources, and lack technical abilities. Certain other factors are influencing the growth of MSMEs. These factors include poor managerial competencies, lack of technological improvements, ineffective marketing strategies, lack of emphasis on research and development activities and focus on innovative technology (Grimsholm& Poblete, 2010).

According to Mahmood (2008), the other imperative challenge for MSMEs is not having a proper governance structure in the enterprises. Corruption and trade blocks are the major system-specific factors hindering the development of MSMEs (Grimsholm& Poblete, 2010). It will be difficult for the MSMEs to have a competitive advantage by confrontation but may win over through innovations. Policy support from the respective local governments is essential for making inroads into global markets (Pandya, 2012).



6.2 *Productivity:*

The transformation of MSMEs towards more admissible business models, production patterns and consumption aspects has been dynamic for economic development. Although the distinct environmental track of micro, small and medium enterprises might be less their collective efforts can rise compared to that of large business enterprises. The MSMEs can achieve success in the green transformation by moving beyond the environmental amenability with the prevailing standards in both manufacturing and services (OECD, 2013a). The report of OECD states that the MSMEs are 70 per cent less productive than large enterprises in developing countries. The lower productivity of these enterprises is often attributed to their inability to take advantage of economies of scale, the difficulties they face in getting access to credit or investment, the lack of appropriate skills, and their informality (WTR, 2016).

6.3 *Access to Resources:*

MSMEs have fewer competencies, limited resources and skilled human resources when compared with large enterprises to engage in international trade. Good regulatory practices, institutionalising transparency, and promotion of MSME competitiveness in global and emerging markets are the real challenges. Fulfilling the assorted values, technical standards, and conventionality assessment actions are possibly high-priced for MSMEs. However, to reach international markets it is imperative to invest in such perspectives (USITC, 2014).

6.4 *Skilled Human Resources:*

MSME The involvement of MSMEs in the knowledge-based economy have certain shortages such as technical skills, poor managerial practices, and lack of proper training for the employees. According to the survey by OECD, MSMEs suffer from major skill deficiencies and expertise compared to that of large enterprises. The investments made by the MSMEs in training the workforce and research & development activities are also significantly low (OECD, 2013b). Generally, MSMEs have to face the challenges of attracting and retaining qualified human resources with higher capabilities and skills. They also face more difficulties in recognising employees with desirable skills in the market (OECD, 2015). Lack of investments in this area also limits the uptake of digital technologies and their effective use to enhance productivity and access markets (Mohandass&Subramaniyan, 2014).



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6.5 *Technology:*

In recent years, there have been many advancements in technology and communication aspects like the Internet and the usage of mobiles. Due to lack of funds, the MSMEs use low-level technology resulting in less productivity which has been a major challenge to be competitive in the continuously changing market environment. Technological innovations happen quickly and progressions will change each industry. Big data, Cloud Computing, artificial intelligence, the Internet of things, smart wearable devices are now widespread and less in the cost structure. The selection of such powerful advancements can cut costs, incremental profitability, advise business methodologies and upgrade the customer experience (OECD, 2017).

6.6 *Innovation:*

MSMEs can make room distinctively in the international marketplace/space through innovation. MSMEs in the service sector need to be innovative to attract and retain global clients. The innovative abilities of a firm offset all other limitations to reach effectively the international markets. It requires investment capability, high-quality human resources, risk-taking abilities and a strategic approach to overpower the competition. Many success stories are available, particularly in the software sector. Many enterprises in Silicon Valley stand as examples of innovative products and practices (Qrius, 2018).

6.7 *The Role of Government of India*

Political support amalgamated with financial aid is helping the MSMEs to grow. The Government of India announced a special initiative 'Make in India' and Start-up India, to communicate the government's commitment for the MSMEs development. Government initiatives have been majorly trying to cover the key areas of current importance for MSMEs. They are offering credit for technology upgrades, helping manufacturing units with national manufacturing competitiveness programs, with better awareness of intellectual property rights increasing the competitiveness, and helping the MSMEs tap and develop the overseas market for further growth (PIB, 2018).

The Government of India (GoI) announced a separate policy statement in August 1991 for the development of small, tiny and village enterprises. The important characteristics of the Industrial Policy are focusing on moving from cheap credit to passable credit, participating in equity by the domestic as well as international undertakings up to 24 per cent, instigation of factoring services

among banks, launching sub-contracting exchanges, promotion of mass consumption products under a common brand name, establishing technology development cell, and introducing quality counselling and technology information centers (Amudhan et al., 2012). The various programmes launched by the Ministry of Micro, Small and Medium Enterprises (MSMEs) are:

- 6.7.1 Prime Minister's Employment Generation Programme (PMEGP) was introduced to generate employment opportunities for people of rural and urban areas by establishing novel self-employment ventures and micro-enterprises. This scheme is executed by Khadi and Village Industries Commission (KVIC) at the national level and Khadi and Village Industries Boards (KVIBs) at the state level, and District Industries Centres (DICs) and recognised banks at the district level (MSME, 2018).
- 6.7.2 Credit Linked Capital Subsidy Scheme (CLCSS) scheme was announced for up-gradation of technology in MSMEs by providing a subsidy of 15 percent, limited to a maximum of Rs.15.00 lakhs on the capital availed for the establishment of advanced technology. The implementation of this facility by MSMEs has increased productivity and revenue.
- 6.7.3 Credit Guarantee Fund Scheme (CGFS) scheme was introduced to provide collateral-free credit to the MSMEs. The Ministry of MSMEs and Small Industries Development Bank of India (SIDBI) jointly established a Trust intended for executing the credit guarantee fund scheme for micro and small enterprises.
- 6.7.4 Market Development Assistance (MDA) scheme was announced for encouraging micro and small exporters to reach international markets, increase MSMEs participation at overseas trade fairs/exhibitions, improve export business and popularise the adoption of barcoding system on a large scale. The government will compensate 75 percent of airfare by economy class and 50 percent of space rental charges for entrepreneurs (MSME, 2016).
- 6.7.5 Cluster Development Programme (CDP) was introduced for supporting the sustainability and progress of MSMEs addressing common problems like technology upgradation, skill development, quality enhancement, accessibility to domestic and national markets, availability of capital, and so on. The MSMEs competitiveness can be enhanced by formulating supportive action plans through self-help groups, associations, and also upgrade infrastructural services.



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- 6.7.6 Lean manufacturing (LM) scheme was launched to enhance the competitiveness of the Micro, Small and Micro Enterprises segment by adopting certain techniques like reducing wastages, increasing productivity, adopting innovative practices, introduce better management schemes, and imbibe the continuous improvement culture.
- 6.7.7 The intellectual property rights (IPR) scheme was launched to increase the awareness of intellectual properties among business enterprises. Effective utilisation of intellectual property tools by Micro, Small and Micro Enterprises may help the enterprises in technological advancement, enhancing competitiveness and market sustainability (MSME, 2018).
- 6.7.8 The promotion of the Information & Communication Technology (ICT) scheme encourages and assists the potential manufacturing MSME clusters to adopt information and communication technology (ICT) applications and tools in the manufacturing processes and business models. The advanced ICT tools will help in improving the efficiency and competitiveness in national as well as international markets.
- 6.7.9 A Scheme for Promotion of Innovation, Rural Industry & Entrepreneurship (ASPIRE) was launched to generate more job opportunities and decrease redundancy. This scheme also helps in promoting entrepreneurial culture, grass-root economic growth, enable innovative business opportunities, and promote novelty to support the competitiveness of MSMEs (NSTEDB, 2018).
- 6.7.10 The Scheme of Fund for Regeneration of Traditional Industries (SFURTI) was introduced to organise conventional businesses and artisans into clusters for making them competitive. This scheme grant funding to the MSMEs for long-term sustainability, continuous employability, enhance the marketability of products or services, train traditional artisans with superior skills, provide common facilities and better-quality equipment for artisans, strengthen the cluster governance systems, and develop innovative products, advanced technology and processes, market intelligence and new models of public-private partnerships.
- 6.7.11 Startup India is an utmost initiative promoted by the Government of India to develop a strong eco-system for the conducive growth of startups, drive sustainable economic development and generate large scale employment opportunities for individuals. Numerous programmes were conducted since the introduction of the scheme to contribute towards the vision of transforming India into a country of job creators. The 19-Point Startup India Action Plan

visualizes several incubation centers, a simple patent filing process, tax exemptions, ease in setting up of enterprises (StartupIndia, 2018).

- 6.7.12 Fintech startups are the new-age digital platforms aimed at offering unsecured business loans and credit lines to SMEs with precise credit processing. The data-based algorithms will provide a faster view of SMEs health and assist with impartial credit distribution. The long application procedures, having a lot of paperwork and collaterals get cut down to minimal, with the use of technology-driven scientific data tools that can assess the creditworthiness. With the help of data mining technologies Fintech, start-ups can better serve the customer with more precise data-driven results. Fintech start-ups are further helping SMEs by offering them collateral-free working capital (EG, 2014).
- 6.7.13 Stand-Up India programme was started to enable financial support of Rs. 10 lakh to Rs. 1 crore for scheduled caste (SC) or scheduled tribe (ST). This scheme facilitates bank loans for woman entrepreneurs to set up greenfield enterprises in the manufacturing, services, or trading sector. In the case of non-individual enterprises, at least 51% of the shareholding and controlling stake should be held by either an SC/ST or a woman entrepreneur (Standupmitra, 2018).
- 6.7.14 Pradhan Mantri MUDRA Yojana (PMMY) scheme was introduced to enhance financial support of Rs.10 lakh to the non-corporate, non-farm small/micro-enterprises. The enterprises are provided loans by the Commercial Banks, Regional Rural Banks (RRBs), Small Finance Banks (SFB), Cooperative Banks, Monetary Financial Institutions (MFIs) and Non-Banking Financial Companies (NBFCs). This scheme provides three products like Shishu, Kishore and Tarun to indicate the development stages and funding requirements to the beneficiary micro unit/entrepreneur (Mudra, 2018).

7. Future Research Direction

The study articulates the impact of globalization on the MSMEs and analyzes the growth insights during the pre-and post-globalization period. However, the influence of Government initiatives, policies on MSMEs is not examined. Further studies can fill the gap by examining such aspects. The other factors like impact technology, innovation, human resource, and capital on the growth of MSMEs can also be analyzed. Moreover, the perceptions regarding the barriers faced by the MSMEs in adopting the e-business applications can be analyzed. Further, future studies can examine the impact of e-business applications on adopters and non-adopters on organizational performance.



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8. Conclusion

With the Indian economy becoming USD 5 trillion by the year 2025, MSMEs are bound to be the largest contributor to that grown economy; not just with the economic contribution, but also with more jobs, more skills and talent, the betterment of the entire region and towns, and hence the socio-economic health of our country. The initiatives of the present government are certainly in the right direction and help in protecting the interests of the MSMEs and also promote them as international players. Considering the potential to transform the country as a hub of production of goods and services to reach the global markets through MSMEs, much more needs to be done.

It is necessary to promote the culture of entrepreneurship at educational institutions, guidance on marketing and exporting to external markets, training for employers, employees, and women entrepreneurs. Micro-loans, support structures such as incubators, clusters and technology centers, capacity-building for new and existing business associations are also needed to make them sustainable and grow. MSMEs in India have great potential given the resources and strategic support to make their strong presence in the global markets. Globalization creates opportunities as well as challenges. The Indian MSMEs sector has been learning at a faster rate to capitalise on the opportunities and ways to face challenges. Through this, a great future for Indian MSMEs can be visualized.

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Table 1. Number of Enterprises During Pre and Post Globalization Period														
Pre-Globalization Period							Post-Globalization Period							
Year	No. (in lakhs)	Growth (%)	Year	No. (in lakhs)	Growth (%)	Year	No. (in lakhs)	Growth (%)	Year	No. (in lakhs)	Growth (%)	Year	No. (in lakhs)	Growth (%)
1970-71	0.32	0.00	1980-81	0.87	7.41	1990-91	6.79	273.08	2000-01	10.11	4.01	2010-11	42.87	4.36
1971-72	0.36	12.50	1981-82	0.96	10.34	1991-92	7.06	3.98	2001-02	10.52	4.06	2011-12	44.77	4.43
1972-73	0.38	5.56	1982-83	1.06	10.42	1992-93	7.35	4.11	2002-03	10.95	4.09	2012-13	46.76	4.44
1973-74	0.42	10.53	1983-84	1.16	9.43	1993-94	7.65	4.08	2003-04	11.40	4.11	2013-14	48.85	4.47
1974-75	0.50	19.05	1984-85	1.24	6.9	1994-95	7.96	4.05	2004-05	11.86	4.04	2014-15	51.05	4.50
1975-76	0.55	10.00	1985-86	1.35	8.87	1995-96	8.28	4.02	2005-06	12.34	4.05	2015-16	63.39	24.17
1976-77	0.59	7.27	1986-87	1.46	8.15	1996-97	8.62	4.11	2006-07	36.17	193.11	2016-17	63.52	0.21
1977-78	0.67	13.56	1987-88	1.58	8.22	1997-98	8.97	4.06	2007-08	37.74	4.34			
1978-79	0.73	8.96	1988-89	1.71	8.23	1998-99	9.34	4.12	2008-09	39.37	4.32			
1979-80	0.81	10.96	1989-90	1.82	6.43	1999-00	9.72	4.07	2009-10	41.08	4.34			
AAGR	9.84		AAGR	8.44		AAGR	30.97		AAGR	23.05		AAGR	6.65	

Source: Annual Reports, Ministry of MSME, GOI (1971-2018)



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Table 2. Production During Pre and Post Globalization Period														
Pre-Globalization Period						Post-Globalization Period								
Year	Value (Crore)	Growth (%)	Year	Value (Crore)	Growth (%)	Year	Value (Crore)	Growth (%)	Year	Value (Crore)	Growth (%)	Year	Value (Crore)	Growth (%)
1970-71	302	0	1980-81	722	8.73	1990-91	1557.4	3.90	2000-01	5454.96	-5.70	2010-11	10957.58	44.04
1971-72	306	1	1981-82	783	8.45	1991-92	1786.99	14.74	2001-02	5975.52	9.54	2011-12	21852.04	99.42
1972-73	328	7	1982-83	847	8.17	1992-93	2093	17.12	2002-03	5975.52	0.00	2012-13	24024.24	9.94
1973-74	342	4	1983-84	935	10.39	1993-94	2416.48	15.46	2003-04	6534.21	9.35	2013-14	26109.08	8.68
1974-75	361	6	1984-85	1040	11.23	1994-95	2939.9	21.66	2004-05	6843.28	4.73	2014-15	27569.37	5.59
1975-76	425	18	1985-86	1181	13.56	1995-96	3562.13	21.17	2005-06	6984.45	2.06	2015-16	34490.22	25.10
1976-77	468	10	1986-87	1356	14.82	1996-97	4126.36	15.84	2006-07	7102.24	1.69	2016-17	42631.09	23.60
1977-78	528	13	1987-88	1446.8	6.70	1997-98	4651.73	12.73	2007-08	7203.58	1.43			
1978-79	582	10	1988-89	1452.5	0.39	1998-99	5725.15	23.08	2008-09	7406.45	2.82			
1979-80	664	14	1989-90	1499	3.20	1999-00	5784.7	1.04	2009-10	7607.27	2.71			
AAGR		8.33	AAGR		8.56	AAGR		14.67	AAGR		2.86	AAGR		30.91

Source: Annual Reports, Ministry of MSME, GOI (1971-2018)

Table 3. Employment during Pre and Post Globalization Period													
Pre-Globalization Period							Post-Globalization Period						
Year	Person (lakh)	Growth (%)	Year	Person (lakh)	Growth (%)	Per-son (lakh)	Year	Person (lakh)	Growth (%)	Year	Person (lakh)	Growth (%)	Year
1970-71	36.2	0	1980-81	71	5.97	1990-91	158.34	32.39	2000-01	238.73	4.20	2010-11	965.15
1971-72	37.5	3.59	1981-82	75	5.63	1991-92	165.99	4.83	2001-02	249.33	4.44	2011-12	1011.80
1972-73	38.6	2.93	1982-83	79	5.33	1992-93	174.84	5.33	2002-03	260.21	4.36	2012-13	1061.52
1973-74	39.7	2.85	1983-84	84.2	6.58	1993-94	182.64	4.46	2003-04	271.42	4.31	2013-14	1114.29
1974-75	40.4	1.76	1984-85	90	6.89	1994-95	191.4	4.80	2004-05	282.57	4.11	2014-15	1171.32
1975-76	45.9	13.61	1985-86	96	6.67	1995-96	197.93	3.41	2005-06	294.91	4.37	2015-16	1109.89
1976-77	49.8	8.50	1986-87	101.4	5.63	1996-97	205.86	4.01	2006-07	805.23	173.04		
1977-78	54	8.43	1987-88	107	5.52	1997-98	213.16	3.55	2007-08	842	4.57		
1978-79	63.8	18.15	1988-89	113	5.61	1998-99	220.55	3.47	2008-09	880.84	4.61		
1979-80	67	5.02	1989-90	119.6	5.84	1999-00	229.1	3.88	2009-10	921.79	4.65		
AAGR	6.48	5.97	AAGR	7.01	AAGR	21.27	AAGR	3.22	AAGR	3.22	AAGR	3.22	3.22

Source: Annual Reports, Ministry of MSME, GOI (1971-2017)



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Table 4. Fixed Investment During Pre and Post Globalization Period

Pre-Globalization Period					Post-Globalization Period						
Year	Amount (Crores)	Growth (%)	Year	Amount (Crores)	Growth (%)	Year	Amount (Crores)	Growth (%)	Year	Amount (Crores)	Growth (%)
1970-71	36200	0.00	1980-81	71000	5.97	1990-91	93555	-21.78	2000-01	146845	4.90
1971-72	37500	3.59	1981-82	75000	5.63	1991-92	100351	7.26	2001-02	154349	5.11
1972-73	38600	2.93	1982-83	79000	5.33	1992-93	109623	9.24	2002-03	162317	5.16
1973-74	39700	2.85	1983-84	84200	6.58	1993-94	115795	5.63	2003-04	170219	4.87
1974-75	40400	1.76	1984-85	90000	6.89	1994-95	123790	6.90	2004-05	178699	4.98
1975-76	45900	13.61	1985-86	96000	6.67	1995-96	125750	1.58	2005-06	188113	5.27
1976-77	49800	8.50	1986-87	101400	5.63	1996-97	130560	3.83	2006-07	868544	361.71
1977-78	54000	8.43	1987-88	107000	5.52	1997-98	133242	2.05	2007-08	920460	5.98
1978-79	63800	18.15	1988-89	113000	5.61	1998-99	135482	1.68	2008-09	977115	6.16
1979-80	67000	5.02	1989-90	119600	5.84	1999-00	139982	3.32	2009-10	1038546	6.29
AAGR		6.48	AAGR		5.97	AAGR		1.97	AAGR		41.04
										AAGR	7.22

Source: Annual Reports, Ministry of MSME, GOI (1971-2016)

Table 5. Exports During Pre and Post Globalization Period

Pre-Globalization Period						Post-Globalization Period						
Year	Exports (crore)	Growth (%)	Year	Exports (crore)	Growth (%)	Year	Exports (crore)	Growth (%)	Year	Exports (crore)	Growth (%)	
1970-71	200	0.00	1980-81	1600	33.33	1990-91	9664	27.16	2000-01	59978	12.37	
1971-72	250	25.00	1981-82	2100	31.25	1991-92	13883	43.66	2001-02	62377	4.00	
1972-73	300	20.00	1982-83	2000	-4.76	1992-93	17784	28.10	2002-03	65265	4.63	
1973-74	400	33.33	1983-84	2200	10.00	1993-94	25307	42.30	2003-04	68454	4.89	
1974-75	500	25.00	1984-85	2500	13.64	1994-95	29068	14.86	2004-05	72268	5.57	
1975-76	500	0.00	1985-86	2800	12.00	1995-96	36470	25.46	2005-06	74355	2.89	
1976-77	800	60.00	1986-87	3600	28.57	1996-97	39248	7.62	2006-07	78658	5.79	
1977-78	800	0.00	1987-88	4400	22.22	1997-98	44437	13.22	2007-08	82925	5.42	
1978-79	1100	37.50	1988-89	5500	25.00	1998-99	49481	11.35	2008-09	83676	0.91	
1979-80	1200	9.09	1989-90	7600	38.18	1999-00	53375	7.87	2009-10	84255	0.69	
AAGR			20.99	AAGR			20.94	AAGR			22.16	5.89

Source: Annual Reports, Ministry of MSME, GOI (1971-2011)



Table 6. Average Annual Growth Rate (AAGR) During Pre and Post Globalization Period

Description	Pre Globalization			Post Globalization		
	Year	AAGR	Total	Year	AAGR	Total
Total Enterprises (No. in lakhs)	1970-1980	9.84	9.14	1990-2000	30.97	20.22
	1980-1990	8.44		2000-2010	23.05	
				2010-2017	6.65	
Production (Rs. Crores)	1970-1980	8.33	8.45	1990-2000	14.67	16.15
	1980-1990	8.56		2000-2010	2.86	
				2010-2017	30.91	
Employment (lakh person)	1970-1980	6.48	6.23	1990-2001	7.01	10.50
	1980-1990	5.97		2000-2011	21.27	
				2010-2016	3.22	
Fixed Invest- ments (Rs. Crores)	1970-1980	6.48	6.23	1990-2002	1.97	16.74
	1980-1990	5.97		2000-2012	41.04	
				2010-2015	7.22	
Exports (Rs. Crores)	1970-1980	20.99	20.97	1990-2003	22.16	14.03
	1980-1990	20.94		2000-2008	5.89	

Source: Annual Reports, Ministry of MSME, GOI (1971-2018)