

IMPACT OF GLOBALISATION ON SMALL BUSINESSES



Vocabulary

Chaotic -in a state of complete confusion and lack of order

Vulnerable - weak and easily hurt physically or emotionally

Impetus – something that encourages a process or activity to develop more quickly

Snatch- to take somebody/something away from a person or place, especially by force

Indispensable - too important to be without

Confront - to deal with a problem or difficult situation

Penetrate - to succeed in entering or joining an organization, a group, etc. especially when this is difficult to do

GLOBALIZATION is the process by which the people of the world are unified into a single society. It is the integration of national economies into the international economy through trade, foreign direct investment, capital flows, migration & spread of technology.



Benefits and disadvantages

While globalization is a catalyst for human progress, it is also a chaotic process which offers both benefits and disadvantages to people across the world.

Positive consequences of globalization include:

- (i) Improvements in local productivity can promote prosperity
- (ii) The movement and sharing of information, knowledge and expertise
- (iii) The improvement of international standards for variables such as education and health
- (iv) Increases the variety of goods available to the world market and provides a bigger range of markets for internationally sourced products

Negative consequences of globalization include:

- (i) The loss of employment in manufacturing in developed countries
- (ii) A drift towards a more homogenized culture and society internationally
- (iii) Local economies may be more vulnerable to fast changes in the international economy
- (iv) Increased centralization of power in the hands of large transnational corporations
- (v) The location of industry in less developed countries, for many reasons, often leads to environmental degradation

Small Scale Industry / business is a project or firm created on a small budget or for a small group of people. The classification of the industry as large or small scale depends on the rate of production and the number of employees. An industry with a low rate of production and fewer employees is a small-scale industry.

The small-scale industry play an important role in employment creation, resource utilization and income generation and helping to promote changes in gradual and phased manner. Therefore most governments implement policies that strengthen this sector.



Impact of Globalization on SSIs

While globalization is a large scale phenomenon, small scale enterprises are a local phenomenon but both have very important effect on the economy of a country. Both globalization and small scale industries are the two wheels of the vehicle of economic growth and prosperity.

Globalization can be called as ‘a friend and foe’ of Small Scale Industry.

Friend- because a lot of foreign entrepreneurs outsource the manufacturing to the local small scale industries, thus it leads to more labour absorption and growth of SSIs;

Foe- because some argue that in the developing nations, Small Scale Industries(SSIs) can suffer and strangulate to death by the fierce competition put up by globalization.

In general, SSIs are confronted with an increasingly competitive environment due to globalization.

Measures to Withstand the Competition

- There is a need to explicitly recognize and exploit the ‘innovation potential’ of small enterprises. Small enterprises have the specific advantages of flexibility, concentration and internal communications for carrying out technological innovations which contribute to competitiveness.
- Since globalization process is exposing small enterprises to market competition to a greater extent, therefore it is imperative to examine and understand the strengths, weaknesses, opportunities and threats, confronting this sector in the changing economic scenario.
- The small enterprises need to look at the possible market expansion within the country since outside competition can never snatch the full market from small enterprises. Improvement in product quality and reduction in manufacturing costs through productivity increase are two indispensable conditions for the survival of small enterprises in both domestic and world markets.

Positive Impact of Globalization on SSIs

- Globalization has also brought opportunities for the SSIs in the form of access to better technology, availability of a variety of raw materials and components, impetus to quality, efficiency and opportunity to restructure and to diversify.
- Globalization has thrown a number of opportunities in many areas of the service sector where small and medium enterprises can play a significant role in utilizing these opportunities. One such sector is information technology.
- It has also open up new opportunities for sub-contracting/outsourcing. Many efficient and export oriented small firms would have got benefits out of this development. Such global opportunities should act as an incentive to many a small firm in a developing country to enhance their competitiveness to penetrate the global market.

Conclusion

So basically we can say that both globalization and SSIs are the essentials of any economy & all the countries must make efforts to promote, sustain and aid both in a fair and unbiased way. A fruitful measure would be to reserve certain goods for production exclusively by the SSIs and their intelligent outsourcing by the govt. to ensure maximum benefits.

Both the factors go hand in hand and can be beneficial to each other & the entire economy.



Exercises:

- 1) In your own words, explain the meaning of globalization.
- 2) What benefits do small scale industries get due to globalization? Write down any 3.
- 3) Write down any 2 aims of globalization.

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