



Globalization's Influence on MSME's & Their Role in Economic Development: A Comparative Analysis

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Authors' contributions

This work was carried out in collaboration between both authors. Both authors read and approved the final manuscript.

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ABSTRACT

This study critically examines the dual-edged impact of globalization on Micro, Small, & Medium Enterprises (MSMEs) & their consequential role in fostering economic development. Despite globalization offering unparalleled opportunities for market expansion, technological advancements, & cross-border partnerships, MSMEs face exacerbated issues, including intense competition from multinational corporations, regulatory complexities, & the volatility of global markets. This research underscores the critical importance of governmental support & intervention in ensuring the survival & growth of MSMEs in this globalized landscape. Through a comparative analysis, the study highlights various schemes such as the Credit Guarantee Fund Scheme for Micro & Small Enterprises, the Micro Units Development & Refinance Agency (MUDRA) loans, & the recent focus on digital empowerment initiatives that aim to enhance competitiveness & operational efficiency among MSMEs. This paper argues that while globalization presents significant issues for MSMEs,

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strategic government policies & support schemes are vital in leveraging the benefits of globalization, ultimately contributing to sustainable economic development. The findings aim to inform policymakers & stakeholders about the nuanced role of MSMEs in the global economy, advocating for a balanced approach that nurtures growth while mitigating risks associated with globalization.

Keywords: Globalization; MSME development; economic growth; government schemes; market issues.

1. INTRODUCTION

The advent of globalization has undoubtedly reshaped the landscape of economic activity, presenting both opportunities & issues for Micro, Small, & Medium Enterprises (MSMEs) worldwide. Globalization, characterized by the increasing interconnectedness of economies through trade, investment, & technology, has opened up new avenues for MSMEs to expand their markets beyond national boundaries. However, this expansion has come with its own set of complexities, as MSMEs navigate the intricacies of global markets & contend with heightened competition from multinational corporations. In this context, it is crucial to critically examine the implications of globalization on MSMEs, understanding the multifaceted nature of its impact on their operations, growth prospects, & overall contribution to economic development.

One of the primary opportunities presented by globalization is the access to larger markets, enabling MSMEs to reach a broader customer base & diversify their revenue streams. Additionally, advancements in technology & communication have facilitated easier access to information, allowing MSMEs to streamline their operations, innovate, & adapt to changing market demands more effectively. However, alongside these opportunities, MSMEs face numerous issues that stem from globalization, including heightened competition, supply chain disruptions, & regulatory complexities. Multinational corporations often possess greater resources & bargaining power, placing MSMEs at a disadvantage in terms of market access & pricing.

1.1 Objectives of the Research

1. To analyze the impact of globalization on Micro, Small, & Medium Enterprises (MSMEs) and identify the opportunities and challenges they face in the globalized market.
2. To examine the role of governmental support and intervention in fostering the

survival and growth of MSMEs amidst the forces of globalization.

3. To evaluate the effectiveness of various schemes and initiatives, such as the Credit Guarantee Fund Scheme for Micro & Small Enterprises and digital empowerment initiatives, in enhancing the competitiveness and operational efficiency of MSMEs.

2. METHODOLOGY

This research employs a comparative analysis approach to assess the dual-edged impact of globalization on MSMEs and their role in economic development. It involves a comprehensive review of existing literature, government policies, and schemes related to MSMEs and globalization. Additionally, qualitative data will be gathered through interviews and surveys with MSME owners, policymakers, and industry experts to gain insights into the practical implications of globalization on MSMEs and the effectiveness of governmental support initiatives. The data collected will be analyzed using qualitative research techniques to draw conclusions and make recommendations for policymakers and stakeholders.

3. LITERATURE REVIEW

Sonia and Kansal (2009) delves into the effects of globalization on small-scale industries in India. It examines how globalization has influenced the growth, competitiveness, and challenges faced by these industries. Through empirical analysis and case studies, the authors explore the various dimensions of globalization and its implications for the small-scale sector in India.

Mathew, M. (2004) discusses the relationship between small industries and globalization. It analyzes the opportunities and threats posed by globalization to small-scale enterprises and provides insights into strategies for adaptation and growth in the globalized economy.

Bala, N. (2007) focuses on the impact of economic reforms on the growth trajectory of small-scale industries in India. It examines the policy changes and structural adjustments undertaken to promote the development of these industries in the context of globalization.

Annual reports of the Ministry of MSMEs (2011) provide comprehensive data and analysis on the performance and challenges faced by Micro, Small, and Medium Enterprises (MSMEs) in India. They offer insights into government initiatives, policy interventions, and the overall economic environment affecting MSMEs.

Rathod, C. B. (2007) examines the contribution of small-scale entrepreneurs to economic growth in India. It explores the opportunities and challenges faced by these entrepreneurs in the global economy and suggests measures for enhancing their role in driving economic development.

Naik, S.D. (2002) discusses the challenges and opportunities for small-scale industries in India in the context of the World Trade Organization (WTO). It explores the implications of WTO agreements and trade policies on the competitiveness and sustainability of small-scale enterprises and proposes strategies for preparing them to navigate the evolving global trade landscape.

Mukherjee, Neela (2001) examines the impact of the World Trade Organization (WTO) on small and medium enterprises (SMEs) in developing countries, with a focus on India. It analyzes the opportunities and challenges arising from WTO agreements and trade liberalization measures for SMEs and provides insights into policy recommendations to enhance their participation in international trade.

Ghosh, Arun (2000) explores the implications of the World Trade Organization (WTO) for the new international economic order. It discusses the challenges and prospects for developing countries, including India, in the context of WTO agreements and their impact on small-scale industries and economic development.

Bhide, Sheela (2000) examines the development trajectory of small-scale industries in India. It discusses the historical evolution, policy interventions, and challenges faced by small-scale enterprises in the context of globalization and economic reforms, offering insights into

strategies for their sustainable development and growth.

3.1 Impact of Globalization on MSMEs: A Comparative Analysis

A comparative analysis of the impact of globalization on Micro, Small, & Medium Enterprises (MSMEs) reveals a complex landscape characterized by both opportunities & issues. On one hand, globalization has opened up unprecedented avenues for MSMEs to access larger markets, tap into global supply chains, & leverage technological advancements. However, this increased interconnectedness also exposes MSMEs to intensified competition from multinational corporations & heightened market volatility. Compared to larger firms, MSMEs often lack the resources & capacity to navigate these issues effectively, placing them at a disadvantage in the global marketplace.

Furthermore, the effects of globalization vary significantly across different regions & industries, highlighting the need for a nuanced understanding of its impact on MSMEs. While certain sectors may benefit from increased access to international markets & technology transfer, others may struggle to compete against low-cost imports or face regulatory barriers that impede their ability to expand globally. This disparity underscores the importance of tailored policy interventions & support mechanisms to address the specific needs of MSMEs in different contexts.

In addition to economic issues, globalization also poses social & environmental implications for MSMEs, particularly in developing countries. Rapid globalization can lead to the displacement of traditional industries, loss of cultural heritage, & environmental degradation as MSMEs strive to meet global demand & remain competitive. As such, policymakers must consider the broader societal impact of globalization on MSMEs & adopt inclusive strategies that prioritize sustainable development & social equity.

3.2 Regulatory Complexities & Market Volatility

Regulatory complexities & market volatility represent formidable issues for Micro, Small, & Medium Enterprises (MSMEs) operating in the globalized economy. One of the primary issues faced by MSMEs is the intricate web of regulations imposed by various national &

international bodies. Compliance with these regulations often demands significant resources & expertise, placing a disproportionate burden on smaller businesses with limited capacities. Moreover, the dynamic nature of global markets introduces unprecedented levels of volatility, making it difficult for MSMEs to predict & adapt to sudden changes in demand, prices, or supply chain disruptions. This volatility amplifies the inherent risks associated with business operations, constraining the growth prospects of MSMEs & undermining their long-term sustainability.

Furthermore, regulatory structures across different jurisdictions vary widely, complicating matters for MSMEs engaged in cross-border trade or seeking to expand their market presence internationally. Navigating this regulatory maze requires substantial investments in legal counsel & compliance infrastructure, which often exceed the financial capabilities of small & medium-sized enterprises. Additionally, the lack of harmonization & consistency in regulatory standards can lead to disparities in market access & competitive disadvantages for MSMEs compared to larger corporations with greater resources & bargaining power.

3.3 Credit Guarantee Fund Scheme for Micro & Small Enterprises

The Credit Guarantee Fund Scheme for Micro & Small Enterprises (CGTMSE) was introduced by the Government of India with the aim of facilitating credit flow to MSMEs without the need for collateral. While on the surface, this scheme appears to be a commendable effort to support the growth of small businesses, its effectiveness has been subject to scrutiny. One critical issue with the CGTMSE is the bureaucratic hurdles & delays that MSMEs often encounter when accessing credit under this scheme. Despite its noble intentions, the cumbersome application process & lengthy approval timelines hinder the timely disbursement of funds, thereby limiting its impact on the ground.

Furthermore, the CGTMSE's coverage ceiling imposes constraints on the amount of credit that can be availed by MSMEs, which may fall short of their actual financing requirements. This limitation renders many small enterprises unable to fully capitalize on the opportunities presented by the scheme. Additionally, the stringent eligibility criteria imposed by financial institutions participating in the CGTMSE often result in the

exclusion of deserving MSMEs, particularly those operating in sectors deemed risky or unconventional.

3.4 Micro Units Development & Refinance Agency (MUDRA) Loans

The Micro Units Development & Refinance Agency (MUDRA) loans have been lauded as a transformative initiative aimed at empowering micro & small enterprises (MSEs) in India. However, a critical examination reveals several issues & limitations associated with the implementation of MUDRA loans. Firstly, while MUDRA loans aim to provide financial assistance to MSMEs, the distribution of these loans often lacks proper targeting & monitoring mechanisms, leading to potential misuse & diversion of funds. Moreover, there are concerns regarding the quality of credit appraisal & risk management practices employed by financial institutions disbursing MUDRA loans, which could result in a higher default rate & financial instability within the sector.

Furthermore, the emphasis on collateral-free loans under MUDRA may inadvertently encourage riskier lending practices by financial institutions, potentially exacerbating the problem of non-performing assets (NPAs) in the banking sector. Additionally, the lack of adequate financial literacy & business management skills among MSEs receiving MUDRA loans poses a significant issue to the sustainability & growth of these enterprises. Without proper guidance & support, many beneficiaries may struggle to effectively utilize the loan funds, leading to limited business expansion & long-term viability. Therefore, while MUDRA loans represent a well-intentioned effort to support MSEs, addressing these critical issues is imperative to maximize their impact & ensure the long-term success of micro & small enterprises in India.

3.5 Digital Empowerment Initiatives for MSMEs

Digital empowerment initiatives for MSMEs play a pivotal role in enhancing their competitiveness & operational efficiency in the globalized landscape. However, while such initiatives offer promising avenues for growth, their effectiveness hinges upon addressing the multifaceted issues faced by MSMEs in adopting digital technologies. One critical aspect is ensuring accessibility & affordability of digital infrastructure & tools, particularly in regions with limited resources or

inadequate connectivity. Without robust infrastructure & affordable access to technology, MSMEs risk being marginalized & unable to fully capitalize on the benefits of digitalization, perpetuating existing disparities between larger corporations & smaller enterprises.

Moreover, digital empowerment initiatives must go beyond mere provision of technology to encompass comprehensive capacity building & skill development programs tailored to the specific needs of MSMEs. Many small businesses lack the expertise & resources to harness the full potential of digital tools for optimizing their operations, marketing their products, or accessing new markets. Therefore, initiatives should focus on offering practical training, technical assistance, & mentorship to empower MSMEs with the knowledge & skills necessary to navigate the digital realm effectively. By fostering a culture of digital literacy & entrepreneurship, these initiatives can empower MSMEs to adapt to evolving market dynamics & seize opportunities in the digital economy.

3.6 Leveraging Government Policies to Enhance MSME Competitiveness

Leveraging government policies to enhance MSME competitiveness requires a nuanced approach that addresses the multifaceted issues faced by these enterprises in the global market. While governments often implement various support schemes & initiatives, the effectiveness of these policies hinges on their alignment with the specific needs & dynamics of MSMEs. Simply offering financial assistance or regulatory relief may not suffice; policymakers must also consider factors such as access to technology, skill development, & market intelligence. For instance, targeted subsidies or tax incentives can incentivize MSMEs to adopt innovative technologies & practices, thereby enhancing their competitiveness on a global scale. However, without adequate training programs or knowledge-sharing platforms, MSMEs may struggle to fully capitalize on these opportunities.

Moreover, government policies must be agile & adaptable to evolving market conditions & technological advancements. In the fast-paced global economy, MSMEs face constant pressure to innovate & upgrade their operations to remain competitive. Therefore, policies that facilitate continuous learning & adaptation are crucial for the sustained growth of these enterprises. This

might involve establishing collaborative networks between MSMEs, research institutions, & larger corporations to foster knowledge exchange & technological transfer. Additionally, regulatory structures should be streamlined to reduce bureaucratic hurdles & encourage experimentation & entrepreneurship among MSMEs. By fostering a conducive environment for innovation & growth, governments can empower MSMEs to thrive in the global marketplace.

3.7 Impact of Globalization on MSMEs

Globalization has presented both opportunities & issues for Micro, Small, & Medium Enterprises (MSMEs) worldwide. According to recent data collected by the World Bank, MSMEs account for approximately 90% of all businesses globally & contribute significantly to employment & GDP growth in both developed & developing economies. However, despite their importance, MSMEs face numerous issues in the globalized market. For instance, a study conducted by the International Labour Organization (ILO) found that MSMEs often struggle to compete with multinational corporations due to limited access to capital & resources. Additionally, data from the International Trade Centre (ITC) reveals that MSMEs frequently encounter regulatory barriers & trade complexities when attempting to enter international markets, hindering their ability to fully capitalize on globalization's benefits.

Governmental support & intervention play a crucial role in addressing the issues faced by MSMEs in the globalized economy. Data from the Small Industries Development Bank of India (SIDBI) indicates that schemes such as the Credit Guarantee Fund Scheme for Micro & Small Enterprises have been instrumental in providing financial assistance & risk mitigation measures to MSMEs, enabling them to expand their operations domestically & internationally. Similarly, the implementation of the Micro Units Development & Refinance Agency (MUDRA) loans scheme has facilitated access to credit for MSMEs, fostering entrepreneurship & innovation.

In response to the digital revolution brought about by globalization, governments worldwide have increasingly focused on digital empowerment initiatives for MSMEs. Research conducted by the United Nations Conference on Trade & Development (UNCTAD) highlights the importance of digitalization in enhancing MSME

competitiveness & operational efficiency. Data from the Ministry of Micro, Small & Medium Enterprises in India indicates that initiatives such as the Digital India program have enabled MSMEs to leverage e-commerce platforms, adopt digital marketing strategies, & streamline business processes, thereby improving their resilience in the global marketplace.

4. CONCLUSION

In conclusion, navigating the complexities of a globalized economy demands a delicate balance between fostering growth & mitigating risks, particularly for Micro, Small, & Medium Enterprises (MSMEs). While globalization offers unprecedented opportunities for market expansion & technological advancement, it simultaneously exposes MSMEs to intensified competition, regulatory hurdles, & the unpredictable fluctuations of global markets. Without strategic intervention & support from governments, MSMEs risk being overshadowed or marginalized by larger multinational corporations, hindering their potential contribution to economic development.

Effective policies & initiatives aimed at bolstering MSMEs are imperative for sustaining their competitiveness & resilience in the face of globalization. Measures such as the Credit Guarantee Fund Scheme for Micro & Small Enterprises & the Micro Units Development & Refinance Agency (MUDRA) loans play a crucial role in providing financial support & stability to MSMEs. Additionally, digital empowerment initiatives hold promise in enhancing operational efficiency & market access for MSMEs in the global arena.

DISCLAIMER (ARTIFICIAL INTELLIGENCE)

Author(s) hereby declare that NO generative AI technologies such as Large Language Models (ChatGPT, COPILOT, etc) and text-to-image

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generators have been used during writing or editing of this manuscript.

COMPETING INTERESTS

Authors have declared that no competing interests exist.

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