

An Emperical Study on the Impact of Liberalization In Small Industries in India (With Reference To State Of Andhra Pradesh)

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I. INTRODUCTION

Liberalization process in various countries has affected business especially in developing countries. Das (2010) observed that country groups like East Asia in the past and China and India in the present have benefited immensely from economic and financial globalization. Rapid growth in these emerging markets is the result of economic and financial globalization. The growing integration of economies and societies around the world has been one of the most hotly debated topics in international economics over the past few years. Rapid growth and poverty reduction in China, India, and other countries that were poor 20 years ago, has been a positive aspect of Liberalization Privatization and Globalization (LPG). But this process has also generated significant international opposition over concerns that it has increased inequality and environmental degradation. India opened up the economy in the early nineties following a major crisis that led by a foreign exchange crunch that dragged the economy close to defaulting on loans (Goyal,2010). Faiz (2009) believed that in the era of liberalization, SAFTA will be operative when there will be free trade between India and Pakistan. Each country has to give most favored nations (MFN) status to each other. It is also important that both countries should remove the barriers of trade such as tariffs and customs duties for normal trade relation.

Due to liberalization, inequality and poverty among the self-employed increased in Mexico; as the economy stabilized inequality started to go down, but poverty kept increasing (Popli,2010). The study by (Obokoh, 2008) shows that most Nigerian SMEs still find it difficult to compete and merely struggle to survive the liberalized economic environment in Nigeria in spite of the policies to assist the development of manufacturing small and medium sized enterprises (SMEs). Political and economic liberalization and stability of political system have a significant effect on the financial development of the African continents. (Michael and Sylvaine,2010)

In the Less Developed Countries (LDC;s) small and medium companies has been affected and facing new challenges but on the other side these companies have new opportunities also. The firms capabilities can be enhanced with innovation, learning, internationalization and strong relationship with government and non-government institutions to increase its competitiveness in the market.(Gabriel and Mohammed, 2011). The companies need to understand the layer of environment from national to international environments (Olga and Castellano, 2011).

II. LIBERALIZATION AND INDIAN SMALL INDUSTRY

Indian business scenario changed in the post-liberalization period which started after 1991. The new industrial, foreign trade and economic policies encouraged the foreign companies entry into Indian market. Due to this the manufacturing sector of India faced stiff competition in almost all the sectors. After liberalization process started, the Government of India aimed at deregulations in various sectors, encouragement to foreign direct investment and privatization in the manufacturing sectors restricted for government and public sector undertakings. This initiative of the government resulted in opening of the economy and created competition among the manufacturing sectors comprising large, medium and small-scale sector.

Small Scale Industry (SSI) constitutes a vibrant and dynamic sector of the industrial economy of India. In India, SSI is defined on the basis of limit of historical value of investment in plant and machinery, which at present is up to (Indian Rupees. 50 million = USD 1099143*). SSI has been divided into two categories:

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Category I, units engaged in manufacturing or production.
Category II, units engaged in providing or rendering services.

The Ministry of Small and Medium Enterprises Development (MSMED) Act, 2006 defines the small unit in category I (manufacturing sector), as an industrial unit in which the investment in plant and machinery is more than (Rupees 2.5 million = USD 54950) but does not exceed (Rupees 50 million = USD 1099150). In category II (service sector), The MSMED Act, 2006 defines the small unit as an enterprise, where the investment in equipment is more than (Rupees 1 million =USD 21985) but does not exceed (Rupees 20 million = USD 439650). * (Exchange rate, 1 USD = Rupees 45.50, figures have been rounded off).

The small scale sector has recorded consistently good growth in terms of production, creation of employment and phenomenal growth in exports over the years. The post-liberalization era in the Indian economy has enhanced the opportunities and challenges for the SSI sector. With their dynamism, flexibility and innovative drive they are increasingly focusing on improved production methods, penetrative marketing strategies and management capabilities to sustain and strengthen their operations. They are thus poised for global partnership to absorb and more importantly to impart latest technologies in diverse fields. In the light of globalization, liberalization and privatization, the SSI has been undergoing rapid transaction in India. The speed of transition of small-scale sector has increased due to economic reforms by both central and state governments and the World Trade Organization (Krishna, 2004). In the post-liberalization period, business environment is changing dramatically. All countries are being exposed to the fierce competition both from domestic as well as international competition. Moreover, being member of the WTO, India is committed to further liberalizing economy (Nag, 2000). The SSI sector takes priority as an instrument of industrialization in India. The industrial scenario of the world is changing very fast. In the liberalization process, around 58 countries have introduced changes in their investment regime annually during the period 1991-2000. In 2000 alone, 69 countries made a total of 150 regulatory changes, of which 147 (98%) were more favourable to foreign investors. As a result, global FDI inflow increased to USD 1271 billion in 2000 from USD 209 billion in 1990 (Subrahmanya, 2004).

The central and state Governments in India have taken certain measures for improving the small-scale sector's performance in the era of liberalization. The era of globalization will benefit mostly the industrialized countries or multinational companies operating in developing countries like India. Globalization will bring prosperity to the country only if government and multinational companies are willing to adopt a code of conduct which permits their profit motives to be harmonized with the self-reliant interest of the developing nations like India.

Objectives of the Study

The specific objectives of the study are:

1. To ascertain the overall impact of liberalization on the performance of selected small sector units manufacturing textiles, industrial parts, food products and beverages and leather and leather products.
2. To identify the factors for boosting the SSIs in the era of liberalization.

Research Methodology

For the purpose of present study, selected SSI units manufacturing textiles, Industrialparts, leather and leather products, and food products and beverages in the state of Andhra Pradesh have been considered. The planned sample of 200 units comprised 50 small-scale units each selected from manufacturing areas such as textiles, leather and leather products, Industrial parts, and food products and beverages. However, as the information provided by the respondent entrepreneurs of 27 units was not complete, therefore, they were excluded from the final analysis. Thus, the final sample comprised of 173 SSI units of Andhra Pradesh. The study is based on primary data which has been collected by a structured, non-disguised and pre-tested questionnaire. The analysis has been done on the basis of three variables, viz. Industry, Age of the units and Turnover of the units. Industry-wise analysis has been done on the basis of four industries, viz. textiles (TX), Industrial parts (BBP), food products and beverages (FPB), and leather and leather products (LLP), and food products and beverages (FPB). On the basis of age, units have been categorized into three age-groups, viz. A1 (up to 10 years), A2 (10 to 20 years), and A3 (above 20 years). Turnover-wise units have been classified into three categories, that is T1 (up to Rs. 2 crore), T2 (Rs.2 to 4 crore) and T3 (above Rs. 4 crore).

Analysis

The sample comprising 173 units includes 43 textiles units, 46 Industrial parts units, 43 food products and beverages units, and 41 leather and leather products units. It has been observed that 82 units fall into age group A2, 54 units belong to A1 and 37 units relate to age group of A3. It has also been seen that 66 units relate to turnover-group T1 followed by group T3 (65) and T2 (42).

A number of statements indicating the impact of liberalization on SSI have been developed and the respondents were asked to express their level of agreement/disagreement with these statements on five-point Likert scale. Kruskal-Wallis test has been applied to know the significant differences among the respondents relating to different industries, age and turnover groups with respect to these statements. The test has been applied at assumed *p-value* =0.05. The statements with less than 0.05 *p-value* are considered significant and those with *p-value* more than the assumed value are considered to be insignificant. The data obtained from the respondents has been presented in Tables 1, 2 and 3.

Table 1: Impact of Liberalization (Industry-wise Mean Scores)

Statements	Total	TX	BBP	FPB	LLP	K.W. Statistics	P-Value
(a) Liberalization resulted in more competition	4.61	4.58	4.48	4.63	4.78	7.809	.050
(b) Liberalization resulted in more quality consciousness and maintenance	4.54	4.37	4.46	4.56	4.78	15.667	.001*
(c) Liberalization has led to reduction in profit margin	4.25	4.30	4.35	4.05	4.32	3.880	.275
(d) Liberalization has created new opportunities	4.09	4.00	3.63	4.09	4.68	35.583	.000*
(e) Attitude of employees has changed because of liberalization	3.68	3.77	3.59	3.77	3.59	1.134	.769
(f) Marketing is more difficult in era of liberalization	4.28	4.33	3.85	4.42	4.56	34.055	.000*
(g) Customer satisfaction level have increased	4.06	4.12	3.67	4.16	4.32	23.261	.000*
(h) Liberalization has led to inconsistency in production	3.65	3.74	3.43	3.63	3.83	8.874	.031
(i) Liberalization has led to dumping of cheaper goods by other countries	4.31	4.30	4.30	4.16	4.49	7.453	.059

Table 1 shows that most of the respondents from different industries agree with the statements ‘liberalization resulted in more competition’, ‘liberalization resulted in more quality consciousness and maintenance’, ‘liberalization has led to dumping of cheaper goods by other countries’, ‘marketing is more difficult in era of liberalization’, ‘liberalization has led to reduction in profit margin’, ‘liberalization has created new opportunities’, and ‘customer satisfaction level have increased’(mean scores being more than 4 in all).

The table further reveals that most of the respondents agree or were neutral with the statements ‘attitude of employees has changed because of liberalization’, ‘liberalization has led to inconsistency in production, and ‘liberalization is the right step of Govt of India’ (mean scores being more than 3).

Industry-wise analysis reveals that units relating to textiles industry agree with the statements, ‘liberalization resulted in more competition’(mean score 4.58), ‘liberalization resulted in more quality consciousness and maintenance’(mean score 4.37), ‘marketing is more difficult in era of liberalization’(mean score 4.33) ‘liberalization has led to dumping of cheaper goods by other countries’, ‘liberalization has led to

reduction in profit margin’ (mean score 4.30 in both), and ‘customer satisfaction level have increased’(mean score 4.12).

Majority of the units from Industrial parts are of the strong opinion that ‘liberalization resulted in more competition’ (mean score 4.48), ‘liberalization resulted in more quality consciousness and maintenance’ (mean score 4.46), ‘liberalization has led to reduction in profit margin’ (mean score 4.35), ‘liberalization has led to dumping of cheaper goods by other countries’ (mean score 4.30). The respondents belonging to food products and beverages also agree with statements ‘liberalization resulted in more competition’(mean score 4.63), ‘liberalization resulted in more quality consciousness and maintenance’(mean score 4.56), ‘marketing is more difficult in era of liberalization’(mean score 4.42), ‘customer satisfaction level have increased’(mean score 4.16), ‘liberalization has led to dumping of cheaper goods by other countries’ (mean score 4.16), ‘liberalization has created new opportunities’(mean score 4.09) and ‘customer satisfaction level have increased’(mean score 4.05).

Further, the units relating to leather and leather products have strongly felt that ‘liberalization resulted in more competition’, ‘liberalization resulted in more quality consciousness and maintenance’ (mean scores 4.78 in both), ‘liberalization has created new opportunities’(mean score 4.68), ‘marketing is more difficult in era of liberalization’(mean score 4.56), ‘liberalization has led to dumping of cheaper goods by other countries’ (mean score 4.49), ‘liberalization has led to reduction in profit margin’ and ‘customer satisfaction level have increased’(mean scores 4.32 in both).

The foregoing analysis reveals that relatively more units belonging to leather and leather products are of the opinion that ‘liberalization resulted in more quality consciousness and maintenance’, ‘liberalization has created new opportunities’, ‘marketing is more difficult in era of liberalization’ and ‘customer satisfaction level have increased’ as compared to the units relating to other surveyed industries. Statistically, significant differences have emerged among the units relating to different industries with respect to the various beliefs regarding liberalization.

K-W statistics shows that there are significant differences among the units relating to different industries with respect to the statements liberalization resulted in more quality consciousness and maintenance’, ‘liberalization has created new opportunities’, ‘marketing is more difficult in era of liberalization’, and ‘customer satisfaction level have increased’ as the p-values are lower than the assumed p-value of 0.05.

Age groups wise information relating to impact of liberalization is presented in Table 2.

Table 2: Impact of Liberalization (Age-wise Mean Scores)

Statements	Total	A1	A2	A3	K.W. Statistics	P-Value
(a) Liberalization resulted in more competition	4.61	4.67	4.59	4.59	.710	.701
(b) Liberalization resulted in more quality consciousness and maintenance	4.54	4.54	4.49	4.65	2.638	.267
(c) Liberalization has led to reduction in Profit margin	4.25	4.28	4.26	4.22	.014	.993
(d) Liberalization has created new opportunities	4.09	3.96	4.12	4.19	2.339	.310
(e) Attitude of employees has changed because of liberalization	3.68	3.81	3.68	3.46	3.478	.176
(f) Marketing is more difficult in era of liberalization	4.28	4.35	4.28	4.16	.563	.755
(g) Customer satisfaction level have increased	4.06	4.13	4.09	3.89	1.667	.435
(h) Liberalization has led to inconsistency in production	3.65	3.61	3.78	3.43	4.713	.095
(i) Liberalization has led to dumping of cheaper goods by other countries.	4.31	4.19	4.30	4.51	8.140	.017
(j) Liberalization is the right step of Govt. of India	3.61	3.57	3.67	3.51	1.065	.587
(k) Shift in labor and capital is easy due to liberalization	2.93	2.85	2.99	2.92	.748	.688

(l) Any other	1.05	1.00	1.11	1.00	4.517	.104
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Age-wise analysis in the above table shows that majority of the respondents belonging to different age groups strongly consented that ‘liberalization resulted in more competition’, ‘liberalization resulted in more quality consciousness and maintenance’, ‘liberalization has led to reduction in profit margin’, ‘marketing is more difficult in era of liberalization’ and ‘liberalization has led to dumping of cheaper goods by other countries’ (mean scores being more than 4).

Further, the respondents from category A1 agree that ‘liberalization has created new opportunities’ (mean score 3.96), whereas the respondents relating to category A3 also agree that ‘customer satisfaction level have increased’ (mean score 3.89). It can also be observed from the table that the respondents from all age categories are neutral with the statement ‘shift in labour and capital is easy due to liberalization’ (mean score less than 3).

K-W statistics reveals that there are no significant differences in the perception of units relating to different age groups with respect to various statements relating to impact of liberalization.

In nutshell, it has been revealed that units belonging to all three age groups do not differ in their opinions regarding the impact of liberalization. The information with respect to impact of liberalization has also been analyzed across turnover categories and the responses are presented in Table 3.

Table 3: Impact of Liberalization (Turnover-wise Mean Score)

Statements	Total	A1	A2	A3	K.W. Statistics	P-Value
(a) Liberalization resulted in more competition	4.61	4.59	4.62	4.63	.216	.898
(b) Liberalization resulted in more quality consciousness and maintenance	4.54	4.47	4.60	4.57	2.035	.361
(c) Liberalization has led to reduction in profit margin	4.25	4.29	4.19	4.26	.668	.716
(d) Liberalization has created new opportunities	4.09	4.08	3.76	4.31	8.480	.014
(e) Attitude of employees has changed because of liberalization	3.68	3.74	3.60	3.66	.554	.758
(f) Marketing is more difficult in era of liberalization	4.28	4.38	4.24	4.20	1.369	.504
(g) Customer satisfaction level have increased	4.06	4.14	3.95	4.05	1.620	.445
(h) Liberalization has led to inconsistency in production	3.65	3.70	3.71	3.57	.786	.675
(i) Liberalization has led to dumping of cheaper goods by other countries	4.31	4.33	4.19	4.37	2.968	.227
(j) Liberalization is the right step of Govt. of India	3.61	3.64	3.43	3.69	2.596	.273

The table depicts that most of the respondents belonging to turnover group T1 feel that ‘liberalization resulted in more competition’ (mean score 4.59), ‘liberalization resulted in more quality consciousness and maintenance’ (mean score 4.47), ‘marketing is more difficult in era of liberalization’ (mean score 4.38), ‘liberalization has led to dumping of cheaper goods by other countries’ (mean score 4.33), ‘liberalization has led to reduction in profit margin’ (mean score 4.29), ‘customer satisfaction levels have increased’ (mean score 4.14), and ‘liberalization has created new opportunities’ (mean score 4.08). The units relating to age group T2 have strong opinion that ‘liberalization resulted in more competition’ (mean score 4.62), ‘liberalization resulted in more quality consciousness and maintenance’ (mean score 4.47), ‘marketing is more difficult in era of liberalization’ (mean score 4.24), ‘liberalization has led to dumping of cheaper goods by other countries’ (mean score 4.19), and ‘liberalization has led to reduction in profit margin’ (mean score 4.19).

Majority of the respondents from category T3 also strongly felt that ‘liberalization resulted in more competition’ (mean score 4.63), ‘liberalization resulted in more quality consciousness and maintenance’ (mean score 4.57), ‘liberalization has led to dumping of cheaper goods by other countries’ (mean score 4.37), ‘liberalization has created new opportunities’ (mean score 4.31), ‘liberalization has led to reduction in profit margin’ (mean score 4.26) ‘marketing is more difficult in era of liberalization’ (mean score 4.20), and ‘customer satisfaction levels have increased’ (mean scores 4.05). The table further reveals that the respondents relating to all turnover groups also agree that ‘attitude of employees has changed because of liberalization’, ‘liberalization is the right step of Govt of India’ (mean score being more than 3). Further, units from categories T2 and T3 are indifferent to the statement ‘shift in labour and capital is easy due to liberalization’ (mean score being less than 3).

In brief, it has been found that majority of the units relating to different turnover groups opined that their businesses have been affected but do not differ in their opinions regarding the impact of liberalization. It has also been noticed that relatively more units from the category T3 agreed with the statement that ‘liberalization has created new opportunities’ as compared to units from the categories T1 and T2.

K-W statistics reveals that statistically, no significant differences have been found among the units relating to different age and turnover groups with respect to various beliefs relating to liberalization.

Factors for Boosting the SSI

The respondents were further asked to rate the importance of factors which can boost the functioning of the small-scale industry on five-point rating scale. Kruskal-Wallis test has been applied to know the differences in perception of the respondents belonging to different industries, age and turnover groups. Industry-wise, age-wise and turnover-wise information has been presented in Tables, 4, 5, and 6.

Table 4: Factors for Boosting the SSI (Industry-wise Mean Scores)

Factors	Total	TX	BBP	FPB	LLP	K.W. Statistics	P-Value
(a) Latest machinery	4.87	4.84	4.78	4.88	4.98	9.828	.020
(b) Quality improvement	4.69	4.77	4.76	4.47	4.78	5.310	.150
(c) Cheaper finance facilities	4.55	4.70	4.46	4.49	4.59	4.439	.218
(d) Exploring global partnership possibilities	4.08	4.02	3.91	4.00	4.41	5.849	.119
(e) Product reservation for SSI	4.09	4.07	4.09	4.21	3.98	1.349	.717
(f) More Govt. incentives	4.26	4.09	4.30	4.35	4.29	2.435	.487
(g) Using computer aided management	4.34	4.42	3.89	4.47	4.61	34.523	.000*
(h) Being innovative, pro-active and aggressive	4.45	4.58	4.17	4.58	4.49	16.592	.001*
(i) Any other	1.15	1.19	1.39	1.00	1.00	13.609	.003

Table 4 shows that most of the respondents belonging to all the surveyed industries considered ‘latest machinery’, ‘quality improvement’, ‘cheaper finance facilities’, (mean score being more than 4.5) as the most important factors for boosting the small units. The other factors such as ‘exploring global partnership possibilities’, ‘product reservation for SSI’, ‘more government incentives’, ‘using computer aided management’ and ‘being innovative, pro-active and aggressive’ (mean score being more than 4) have also been considered important for boosting the SSI by the units relating to different industries.

Industry-wise analysis shows that units relating to textiles considered ‘latest machinery’ (mean score 4.84), ‘quality improvement’ (mean score 4.77), ‘cheaper finance facilities’ (mean score 4.70), ‘being innovative, pro-active and aggressive’ (mean score 4.58), as the most important factors and other factors like ‘using computer aided management’ (mean score 4.42), ‘more government incentives’ (mean score 4.09), ‘product reservation for SSI’ (mean score 4.07) and ‘exploring global partnership possibilities’ (mean score 4.02) important for boosting the SSIs. The respondents belonging to Industrial parts believed ‘latest machinery’ (mean score 4.78), ‘quality improvement’ (mean score 4.76), ‘cheaper finance facilities’ (mean score 4.46), ‘more government incentives’ (mean score 4.30) and ‘product reservation for SSI’ (mean score 4.09) as the important factors for boosting the SSIs.

However, the units from food products and beverages considered ‘latest machinery’ (mean score 4.88), ‘being innovative, pro-active and aggressive’ (mean score 4.58), ‘cheaper finance facilities’ (mean score 4.49),

‘quality improvement’ and ‘using computer aided management’ (mean score 4.47 in both), ‘more government incentives’ (mean score 4.35) and ‘product reservation for SSI’ (mean score 4.21) and ‘exploring global partnership possibilities’ (mean score 4.0) as the important factors for improving the functioning of small scale sector. Similarly, the respondents relating to leather and leather product have evaluated ‘latest machinery’ (mean score 4.98), ‘quality improvement’ (mean score 4.78), ‘using computer aided management’ (mean score 4.61), ‘cheaper finance facilities’ (mean score 4.59), ‘exploring global partnership possibilities’ (mean score 4.41) and ‘more government incentives’ (mean score 4.21) as the important factors to uplift the small scale units. The table further shows that the respondents from leather and leather products as compared to other industries have not considered ‘product reservation for SSI’(mean score being less than 4) as the most important factors for boosting the SSI.

The foregoing analysis reveals that units belonging to Industrial parts do not attach much importance to ‘exploring global partnership possibilities’ and ‘using computer aided management’. Further, the units relating to leather and leather products also do not give much importance to ‘product reservation for SSI’ in comparison to units belonging to other industries.

It can be observed from K-W statistics that significant differences exist among the units from different industries regarding the factors ‘using computer aided management’ and ‘being innovative, proactive and aggressive’ for boosting the SSI.

The responses of the respondents from different age groups are presented in Table 5.

Table 5: Factors for Boosting the SSI (Age-wise Mean Scores)

Statements	Total	A1	A2	A3	K.W. Statistics	P-Value
(a) Latest machinery	4.87	4.80	4.89	4.95	4.828	.089
(b) Quality improvement	4.69	4.52	4.74	4.84	5.605	.061
(c) Cheaper finance facilities	4.55	4.41	4.57	4.73	7.188	.027
(d) Exploring global Partnership possibilities	4.08	3.98	4.18	4.00	1.455	.483
(e) Product reservation for SSI	4.09	4.24	3.96	4.14	1.507	.471
(f) More Govt. incentives	4.26	4.31	4.20	4.32	.448	.799
(g) Using computer aided management	4.34	4.35	4.30	4.38	.232	.890
(h) Being innovative, pro- active and aggressive	4.45	4.37	4.51	4.43	3.585	.167
(i) Any other	1.15	1.07	1.20	1.16	1.888	.389

Age-wise analysis in the Table 5 shows that majority of the respondents relating to different age groups considered ‘latest machinery’, ‘quality improvement’, ‘cheaper finance facilities’, ‘using Computer aided management’, ‘more government incentives’, and ‘being innovative, pro-active and aggressive’(mean scores being more than 4) as the important factors for boosting the SSI. However, the units in the category A1 ranked ‘exploring global partnership’ (mean score 3.98) important for improving the SSI. Similarly, the respondents from age group A2 considered ‘product reservation’ (mean score 3.96) as the important factor for boosting of SSI.

In brief, it has been found that relatively higher number of units in age categories A1 and A3 rated ‘product reservation for SSI’ as the most important factor as compared to the units in category A2.

K-W statistics reveals that there is no significant difference among the units relating to different age groups with respect to various factors for boosting the SSIs.

Table 6 shows the information with respect to the factors for boosting the SSI given by the respondents belonging to different turnover groups.

Table 6: Factors for Boosting the SSI (Turnover-wise Mean Scores)

Factors	Total	T1	T2	T3	K.W. Statistics	P-Value
(a) Latest machinery	4.87	4.83	4.86	4.92	2.485	.289
(b) Quality improvement	4.69	4.59	4.71	4.78	2.125	.346
(c) Cheaper finance facilities	4.55	4.58	4.43	4.62	3.772	.152

(d) Exploring global Partnership possibilities	4.08	4.09	4.17	4.02	1.119	.571
(e) Product reservation for SSI	4.09	4.23	4.00	4.00	.505	.777
(f) More Govt. incentives	4.26	4.33	4.21	4.22	.353	.838
(g) Using computer aided management	4.34	4.36	4.31	4.32	1.162	.559
(h) Being innovative, pro-active and aggressive	4.45	4.44	4.29	4.57	5.763	.056
(i) Any other	1.15	1.32	1.07	4.57	3.491	.175

The responses of the respondents shown in Table 6 reveals that majority of the respondents belonging to different turnover groups considered 'latest machinery', 'quality improvement', 'cheaper finance facilities', 'exploring global partnership possibilities', 'product reservation for SSI', 'more government incentives', 'using computer aided management', and 'being innovative, pro-active and aggressive' (mean score being more than 4) as the most important for boosting the small scale sector.

It has been observed that respondents relating to all turnover groups considered all the factors important for boosting the small-scale sector.

K-W statistics reveals that there is no significant difference among the units relating to different turnover groups regarding the different factors for boosting the SSIs.

Conclusion

The findings of the study indicate that small manufacturers are affected in the liberalized era and facing lot of problems to run their businesses. It has been observed that units from all surveyed industries irrespective of age and turnover believed that liberalization has resulted into more competition, increased quality consciousness, difficulty in marketing, dumping of cheaper goods by other countries, reduction in profit margin and high level of customer satisfaction. But units from food products and beverages and leather and leather products believed that new opportunities have come up after liberalization. Units relating to higher turnover group also opined that liberalization have opened new opportunities for them.

The main reasons of these problems are lack of infrastructural and operational facilities in comparison with large, medium and foreign companies. Small units are not using latest machinery to manufacturer quality product with latest design as per international standards.

There is absence of clear policies relating to marketing and human resource management. Most of the units do not have separate marketing and human resource departments. Small manufacturers are unable to attract the professionals because of their financial limitations.

Units operating at small level are lacking behind in obtaining relevant international quality certification which is restricting their entry into foreign markets. Small entrepreneurs are not advertising their products through electronic and print media which further limits market coverage. Another problem of the small units is that there is lack of cluster association for the small industry.

The operational cluster associations are ineffective and not helping much to the industry. Though in India there are government organizations to promote and to assist the industry but still these manufacturers are facing financial and other operational difficulties due to time consuming lengthy procedural methods of these agencies. Industry is no longer enjoying the protection from the government as very few items are reserved exclusively for production by small manufacturers. Due to these reasons the industry is finding difficult in shift of capital and labour. This is resulting in closure of small units which is not healthy sign for the Indian manufacturing sector as the small scale sector is the largest employer after agriculture in India.

The domestic and foreign markets have become highly competitive due to the process of liberalization and globalization. The consumers are becoming more and more quality conscious as well as demanding for different product categories. The small industry should realize the need of modification and diversification of their production as per international standards.

Therefore, manufacturers need to improve the existing products and develop new products as per market trends. The small manufacturing units must obtain relevant quality certification as per international

standards which would be beneficial to operate in foreign markets. Small entrepreneurs also have to explore the possibilities of collaborative manufacturing and marketing with other foreign units of their size and nature.

In the modern business scenario, it is the technology which makes the industry competitive. There is urgent need to update the technology by the small manufacturers as the machinery they have been using is slow and outdated. This ultimately is affecting the quality of the product and delayed production schedule.

Installation of new computerized machines, skilled supervisors to operate these machines is the need of the hour for more productivity in the SSIs. It is also important that small manufacturers should understand the importance and relevance of innovative and creative ideas right from manufacturing to sale of their products. Small industry should also understand that if liberalization has created competition then it has also opened new markets and business opportunities for them in the long run.

It is also important that Government of India must focus on policies for infrastructure development such as power, roads, railways and modern technology up-gradation for the growth and survival of the small scale sector. The small entrepreneurs have to be more innovative and aggressive in identify their competitive advantage. The usage of latest technology and modern management techniques would help them to compete in the market and also to face the impact of new challenges in future.

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