
Impact of Globalisation on Small and Medium Enterprises (SMEs)

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Abstract

Globalisation has significantly reshaped the business landscape, presenting both opportunities and challenges for Small and Medium Enterprises (SMEs). As drivers of economic growth, employment, and innovation, SMEs play a vital role in national and global economies. This research explores the impact of globalisation on SMEs, examining how international trade, technological advancement, and increased market integration influence their competitiveness, growth, and sustainability. While globalisation provides SMEs access to wider markets, advanced technologies, and global supply chains, it also exposes them to intense competition, regulatory complexities, and resource constraints. The study highlights key areas such as innovation, digitalisation, cross-border collaboration, and capacity-building as essential strategies for SMEs to thrive in a globalised environment. Findings suggest that the extent of globalisation's impact depends on the adaptability, strategic orientation, and policy support available to SMEs. Ultimately, the research underscores the need for SMEs to balance global opportunities with local strengths to ensure sustainable development.

Keywords: Globalisation, SMEs, competitiveness, innovation, digitalisation, policy support

Introduction

Globalisation has emerged as one of the most transformative forces shaping the modern economy, creating both opportunities and challenges for businesses across the globe.

Over the past few decades, liberalisation of trade, advances in information and communication technology (ICT), and deeper integration of markets have altered the way organisations operate. Large multinational corporations (MNCs) have often been the most visible beneficiaries of these changes, but small and medium-sized enterprises (SMEs) have increasingly become central players in this global ecosystem. SMEs represent more than 90% of businesses worldwide and account for over 50% of global employment, making them vital contributors to inclusive economic development (OECD, 2019).

In emerging economies such as India, SMEs form the backbone of economic growth by fostering entrepreneurship, generating employment, and promoting regional development. Globalisation has expanded opportunities for these firms to access international markets, technologies, and supply chains. Through participation in cross-border trade, Indian SMEs have been able to integrate with global value chains, gain exposure to international standards, and develop new competencies (UNCTAD, 2021). At the same time, globalisation has introduced serious challenges. SMEs must contend with intensified competition from global firms, vulnerability to economic shocks, and the constant need to innovate to remain competitive (Hashim, 2012).

Understanding the dual impact of globalisation on SMEs is therefore crucial for policymakers, entrepreneurs, and researchers. This paper examines how globalisation has reshaped SME strategies, competitiveness, and sustainability by analysing both opportunities and challenges. It also identifies the policy frameworks and adaptive strategies required for SMEs to survive and thrive in a globalised economy.

Literature Review

The relationship between globalisation and SMEs has been widely explored in academic and policy literature. Prasad and Tata (2003) examined cross-cultural perspectives on

globalisation and found that while SMEs benefit from expanded markets, they struggle with compliance requirements and cross-border complexities. Hashim (2012) highlighted how globalisation exposed Malaysian SMEs to intense international competition but also provided new opportunities for export growth. Similarly, Knight and Cavusgil (2004) introduced the concept of ‘born-global firms,’ SMEs that internationalise rapidly by leveraging innovation and organisational capabilities.

Dana (2010) argues that SMEs in emerging economies face unique challenges in the globalisation process, including resource limitations and lack of managerial expertise. Taneja (2012) also notes that while globalisation fosters innovation, SMEs often require institutional support in the form of credit facilities, skill development, and infrastructure to maximise benefits. Reports from the World Bank (2020) and the International Trade Centre (2018) emphasise the importance of enabling ecosystems—finance, technology, and policies—to support SME competitiveness in the digital age.

The OECD (2019) further underlines that digitalisation is central to SME integration into global markets. Adoption of e-commerce, cloud computing, and fintech tools can reduce transaction costs, increase market reach, and enhance efficiency. However, disparities in digital access and literacy remain significant barriers. UNCTAD (2021) points out that globalisation may also deepen inequalities, as SMEs with better resources adapt faster than those in rural or underserved regions. Hence, while globalisation presents opportunities for growth, the literature consistently stresses the need for policy interventions and support mechanisms tailored to SME needs.

Results and Discussion

Findings from both academic literature and policy reports suggest that the impact of globalisation on SMEs is multifaceted, offering significant benefits but also presenting formidable challenges. On the opportunity side, globalisation provides SMEs with

unprecedented access to international markets. Through participation in global supply chains, SMEs are able to diversify their customer base, increase revenues, and enhance competitiveness. For instance, Indian SMEs in textiles and IT services have successfully leveraged globalisation to expand exports and gain international recognition (World Bank, 2020).

Technological advancement is another major benefit. With the spread of digital tools and platforms, SMEs can adopt e-commerce, digital marketing, and enterprise resource planning systems to streamline operations and reach global consumers (OECD, 2019). Digitalisation enables cost-effective scaling and allows SMEs to compete with larger firms in niche markets. Innovation, supported by research and development incentives, also emerges as a crucial strategy for SMEs seeking to thrive under global competition (Knight & Cavusgil, 2004).

However, globalisation also exposes SMEs to significant risks. Intense competition from multinational corporations places pressure on SMEs to continuously innovate and reduce costs. Many smaller firms lack the financial and managerial resources to compete effectively, making them vulnerable to displacement. Regulatory complexities, such as compliance with international standards, intellectual property rights, and varying tax regimes, pose additional challenges (Hashim, 2012). Moreover, access to finance remains a critical barrier, as SMEs often face difficulties in securing affordable credit and venture capital.

Globalisation also heightens exposure to external shocks. Events such as the COVID-19 pandemic demonstrated the fragility of global supply chains, where SMEs faced disruptions in production and logistics. Similarly, global financial crises and trade disputes can disproportionately affect SMEs due to their smaller financial buffers. Policymakers therefore play a critical role in designing risk mitigation strategies,

including access to credit guarantees, subsidies, and supportive trade policies (UNCTAD, 2021).

A holistic approach is necessary for SMEs to leverage globalisation while safeguarding against risks. Building digital capacity, fostering innovation, and enhancing workforce competence through continuous training are vital steps. Equally important is improving infrastructure, such as logistics, warehousing, and digital connectivity, to facilitate integration into global value chains. Policy frameworks that simplify compliance, reduce bureaucratic hurdles, and incentivise exports are also essential (ITC, 2018). At the same time, inclusive strategies should ensure that women-led, minority-owned, and rural SMEs are not left behind. Ultimately, SMEs that are adaptable, resilient, and strategically oriented are best positioned to harness globalisation as a driver of sustainable growth.

Conclusion

Globalisation has emerged as both a catalyst and a challenge for small and medium-sized enterprises (SMEs). On the one hand, it creates vast opportunities by providing access to international markets, technologies, and collaborative networks. On the other hand, it exposes SMEs to competitive pressures, regulatory complexities, and external shocks. For SMEs in emerging economies such as India, the overall impact of globalisation is contingent on their ability to adopt digital tools, foster innovation, and build partnerships while relying on supportive policy frameworks.

Policymakers and institutions must therefore prioritise SME-friendly strategies that include improving infrastructure, expanding access to finance, and encouraging inclusive participation. Entrepreneurs must embrace a forward-looking approach by integrating technology, pursuing global certifications, and investing in skills and knowledge. In this way, SMEs can transform globalisation into an opportunity for growth and sustainability, thereby strengthening their contribution to national and global development.

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