

# Impact of Globalization on Small Scale Industries With special reference to Candle Industry in Nainital Town

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## Abstract

Globalization is the process of international integration arising from the interchange of world views, products, ideas and other aspects of culture. Economic Globalization is the increasing of economic interdependence of national economies across the world through a rapid increase in cross border movement of goods, services, technology and capital. In India MSMEs play a pivotal role in the overall industrial economy for the country. The MSME sector has been contributing significantly to the manufacturing output, employment and exports. However, globalization is largely affecting these small scale and cottage industries, although, the intensity of its effects are different and found to be positive as well as negative. The purpose of the present is to find out the effect of globalization on the candle industry of Nainital. A souvenir and attraction for tourists the candle industry is facing a severe setback due to globalization. This paper aims to find out the impact and reasons for this downfall of these famous souvenirs.

**Keywords:** globalization, candle industry, small-scale industry

## Introduction

Globalization signifies the process of internationalization plus liberalization in which the world has become a small village due to the concept of globalization. Globalization is the process of international integration arising from the interchange of world views, products, ideas and other aspects of culture. Though many scholar place the origins of globalization in modern times, others trace its history long before the European Age of Discovery and Voyages to the New World. Some even trace the origins to the third millennium BC. Large scale globalization began in the 19<sup>th</sup> century. In the late 19<sup>th</sup> century and early 20<sup>th</sup> century, the connectivity of the world's economies and cultures grew very quickly. (Lambregts and et.al., 2015)

In the year 2000, the International Monetary Fund identified 4 basic aspects of globalization:

- Trade and transactions
- Capital and investment movements
- Migration and movements of people
- Dissemination of knowledge

Further, environmental challenges such as global warming, cross-boundary water and air pollution and over fishing of the ocean are linked with globalization. (IMF Annual Report, 2001).

Economic Globalization is the increasing of economic interdependence of national economies across the world through a rapid increase in cross border movement of goods, services, technology and capital. Globalization can be negative as

well as positive. Current globalization trends can be largely accounted for by developed economies by means of Foreign Direct Investment, the reduction of trade barriers as well as other economic reforms and in many cases immigration. Globalization is also largely affecting small scale and cottage industries, however, the intensity of effects are different.

### Small Scale Industries

In Indian economy small-scale and cottage industries occupy an important place, because of their employment potential and their contribution to total industrial output and exports. The differences between the small-scale and cottage industries are:

- While small-scale industries are mainly located in urban centres as separate establishments, the cottage industries are generally associated with agriculture and provide subsidiary employment in rural areas; and
- Small-scale industries produce goods with partially or wholly mechanised equipment employing outside labour, the cottage industries involve operations mostly by hand which are carried on primarily with the help of the members of the family. The basis for this distinction between the small-scale and cottage industries was laid down by the Fiscal commission in 1950 when it stated, "A cottage industry is thus one which is carried on wholly or primarily with the help of members of the family either as a whole or a part-time occupation. A small-scale industry, on the other hand, is one which is operated mainly with hired labour, usually 10 to 50 hands." (Pal, 2004)

The performance of the small-scale sector, therefore, has a direct impact on the growth of the overall economy. The small-scale industries sector has been given a strategic position in our planned economy towards the fulfillment of the socio-economic objectives particularly in achieving equitable growth. **P.N. Dhar** and **H.F. Lydall** in introduction to their book, "The role of Small enterprise in Indian Economic Development" have observed that "The promotion of small scale industries has been widely recommended as one of the most appropriate means of developing industry in over populated backward countries".

Reserve Bank of India uses an expanded definition of small-scale industries which include:

- Small scale industrial undertaking which are engaged in the manufacturing, processing and preservation of goods in which the investment in plant and machinery not to exceed Rs. 5 crore. These would include units engaged in mining or quarrying, servicing and repairing of machinery.
- Tiny enterprises whose investment in plant and machinery do not exceed Rs 25 lacs.
- Power looms.
- Traditional industries which require high workmanship and techniques and also village and household industries producing common goods of consumption predominantly by using simple tools.
- The decentralized and informal sector like handlooms and handicrafts.
- The industry related to services/business/enterprises.
- Food and agro based industries.
- Software industries. (Reserve Bank of India report, 2016)

Despite the global and domestic recession, small scale industries registered a higher growth rate than the overall industrial sector in terms of number of units, production, employment and exports. Worldwide, the micro, small and medium enterprises (MSMEs) has been accepted as the engine of economic growth and for promoting equitable development. The MSMEs constitute over 90% of total enterprises in most of the economies and are credited with generating the highest rates of employment growth and account for a major share of industrial production and exports.

In India too, MSMEs play a pivotal role in the overall industrial economy for the country. The MSME sector has been contributing significantly to the manufacturing output, employment and exports. MSMEs contribute about 8% of the GDP of the country, about 45% of manufactured output and about 40% for exports. This, coupled with a high labour to capital ratio, high growth and high dispersion makes them crucial for achieving the objective of inclusive growth. (4<sup>th</sup> All India Census of MSME 2006-2007). There were 26 million MSMEs in the country, which provided employment to about 60 million persons. Of the total, 28% were in the manufacturing sector and 72% in the service sector. This was the first census after the enactment of the MSMED Act 2006 and includes for the first-time medium enterprises.

Similar kind of small-scale industries are also in Nainital that are famous for candle making. However, despite many steps the industry is facing a downfall facing severe competition due to globalization.

### Development of Candle Industry in Nainital Town

Candle making has been an age-old business in Nainital Town and has significant fraction of small-scale industry in Nainital. A variety of candles are available with the manufacturers. Decorative candles in beautiful shapes and sizes have emerged as the most popular souvenirs of Nainital Town, although ordinary candles have always existed as a cottage industry. However, the main problem facing this industry is lack of availability of good quality raw material at local level, outdated technology and high making charges, which increases the cost. The raw material needs to be either imported or transported from other parts of India raising the cost further. In addition, this traditional business is facing a tough competition with the Chinese candles flooding the market at cheap rates. The present study has been conducted keeping these factors in consideration.

### Objectives of the study

- To analyze the tough competition faced by the industry with similar other products.
- To analyze the problems faced by these industries during production and marketing process.

### The Methodology

Nainital Town is one of the unique hill stations in the state of Uttarakhand, which is widely acclaimed for its serene and spick and span beauty. Located 304 kms from the capital of India, the hill station is a wonderland for innumerable tourists from across the world. Situated at an altitude of 1,938 meters, this paradise town with its unending beauty has many popular tourist resorts of the country.

The District of Nainital occupies the eastern portion of the Kumaon division. It is divided into two parts, one plain comprises Tarai and Bhabar area and the second part is Hill area. The Tarai-Bhabar area has big industries and multinational companies, promoted by SIDCUL. This area is highly fertile and well irrigated, where agriculture is highly mechanized (Joshi, 2004). In hilly areas the agriculture is backward and there are no big industries. But the town is full of small-scale industries. Be it Handicrafts, Handlooms, Handmade Woolens, Candle industry, the market is always flooded with these types of goods.

For the present study, seven Candle industries of Nainital town were selected using the census method (data available from KVIC Government of India) and 12 shops at prime location that sell candles were selected again using the census method. Although no official data is available for the number of shops the researcher has tried best that no unit is left out from the selection.

### Material used for Production of Candle

- **Wax-** Wax is a byproduct of petroleum. This is known for its accurate composition, purity, low velocity, high melting point and insolubility in water. They also meet customized requirement for their entire range. This includes (Ginwal, 2021):
  - a) **Paraffin wax-** It is a white or colourless soft solid derivable from petroleum, coal or oilshale, that consists of a mixture of hydrocarbon molecules containing between twenty and forty carbon atoms. It is solid at room temperature and begins to melt above approximately 37 °C (99 °F). Common applications for paraffin wax include lubrication, electrical insulation, and candles.
  - b) **Bee's wax-** Range of bee's wax is extensively used in cosmetics, painting and candle industry across the globe. The different types of bee's wax are crude bees wax, commercial wax pharmaceutical grade. It contains myricyl palmitate cerotic acid and some hydrocarbons. The natural wax is yellow and may be bleached by the action of sunlight or after treatment with oxidizing agent. This bleached wax is used in cosmetics, creams, lipsticks, candle making etc.

- c) **Polythylene Wax** – Range of high-quality polyethylene wax are imported from Germany, Spain, Thailand and Indonesia. This is widely used in Fabric softening additives, traffic cane paints, additive in printing and paint and as additive of jelly components of electric cable.
- d) **Gel wax** – Range of gel wax that is mainly used in candles, pharmaceuticals and cosmetics. It is widely demanded owing to their quality feature of low velocity, excellent hardness and insolubility in water.
- e) **Palm Wax**- It is the residue of natural palm wax and can be used for industrial applications where less of quality and more of price competitiveness matters.
- **Stearic acid** – To make the candles stiff and hard 5% of stearic acid is added to the wax. It is only required when low quality of wax is used.
- **Thread** – Thread that are used for candle product they are common cotton white thread that are found in market. It cost around 200-500Rs per kg.
- **Colour** – The good quality colour for the manufacturing of candle product are especially imported from other state as well as from other countries. The price of the colour depends upon the quality of the colour. The top most quality of the colour cost of Rs400-700 per litres. The low quality colour cost Rs 300-400 per litres. Type of colour used for making candle are Oil colour and Fluorescent colour.
- **Tools used** – Aluminium moulds
  - Mud Moulds
  - Corrosion resistance
  - Oil burners

## Key Findings

Candle industry forms a significant fraction of small-scale industry in Nainital as the topographical hurdles are a challenge to set up large-scale industries. A wide variety of candle products with an annual production of about 50-60 lakh pieces is remunerative and employment generating. (Primary data) These industries produce decorative candles like ethnic brick candle, natural flower candle, diffuses round crackle, glowing candle, finish candle, ball candle, rustic finish candle, animal candle, gel candle, chips candle, floating candle, fragrance candle etc.

The inflow of Chinese goods has affected the micro, small and medium enterprises in a big way during the last few years. The market in Nainital is flooded with Chinese candles which is giving a tough competition to the local made candles. The handmade candle industry began in the city of Nainital in the early 1970's, but the number of candles making units has dwindled drastically from an erstwhile figure of 115 to as low as 20. (News Track India, 2016) The number has further declined to 07 in the year 2024. (KVIC, 2024)

A lot of Chinese candles have come into the market and it is very difficult for a common person to identify the material being used for them. Though, they look pretty, but our local candles are handmade and as far as the material is concerned, they cannot match up to the standards.

Moreover, the cost of Chinese candles is far less than the local candles. In fact, one of the candle manufacturers said that there is a difference of 50% in the cost of Chinese candles and the local candles that they make. The cost of raw material of local candle is same as the selling cost of Chinese candles. This makes a huge difference and a huge problem for the candle makers. Even the shop keepers are finding it difficult to sell the handmade candles. Some are even forced to change their business as their units have closed down due to heavy losses.

## Challenges Faced by Candle Manufacturers and Retailers

In this study, an attempt has been made to analyze the impact of globalization on candle industry. A fall in the number of units and employment generation in the recent years is a matter of serious concern for the local people, which may lead to vanishing of this traditional business. Some common challenges faced by candle manufacturers and retailers are as follows:

1. Raw material and packaging is one of the major problems that the candle industry face. The majority of the raw materials are imported from nations like China and Germany. Also, within the country they have to bring the

material from Delhi. The locally made raw material is available in less quantity. Along with that the cost of raw material is very high. The candle makers say that even for a packaging box they have to go to Delhi.

2. Another important problem faced by industries is that of finance. This is mainly due to two reasons:

- a) Firstly, due to scarcity of capital with the owner.
- b) Secondly, they have to depend on external finance from banks and other agencies which often becomes a lengthy and tiresome task.

3. Basically, the age of technology for candle industry is for a short span of time of 20-30 years. In Nainital Town technology is out dated, due to which their production capacity is low as compared to Chinese industries. In the absence of modern technology, their quantity and quality of products and productivity tend to be low and cost of per unit remains high.

4. One of the biggest issues facing manufacturers is marketing. They can only sell their goods in the local market. Market outside Uttarakhand is not regularly available to them. Because of the lack of markets, their output is high during the busiest times of the year and low during the slow ones. Because manufacturers hire some additional workers during peak seasons, this also has an impact on the employment level.

5. The high cost of candle makes it difficult for the retailers to sell the products in local market. However, a popular souvenir from Nainital it is the attraction for tourists but the sales are very limited.

6. Only a few of the candle industries in Nainital are organized by local entrepreneurs through Government support, but most of them are sick and have become dormant. They lack finance and do not get any help from the government.

7. There are only 2-5 industries in proper existence, rest around 20 of them are producing at home and that too only seasonally. Only family members are involved in the production process. The similar is the case with retailers as well. More than 60 shops have closed or changed their business.

## **Remedial Measures**

In the light of above discussions, some suggestions may be put forward for the improvement in future, because the candle industry has large export and employment potential.

The government, MSME- Development Institute, Uttarakhand should take candle industry in its purview. It should provide them credit facility and work for revival of this industry.

For better functioning of the candle industry and to overcome their financial position more capital is needed by them. In this regard banks should come forward and more finance should be given to these entrepreneurs.

The industry owners should also form a union to seek help from government and other agencies like DIC, Nagar Palika etc.

Marketing is an important factor, particularly in case of cottage and small-scale units producing goods and services. It will be simply disastrous if the products and services fail to find sustained and steady market, which not only spells financial loss but also leads to eventual closures of the units. For the survival of these small units the Government should create marketing facilities through different channels, which purchase the products of cottage and small units and also make arrangements for its exports.

It is also advisable that Government should make arrangements for packaging and raw materials locally, so that the unit owners do not bear high transportation cost.

The tourism department should also make arrangements for advertising of the candles to attract more customers. Facility of online selling through various sites should also be made available to them.

Even though the candle items have high export potential, but a small quantity is exported from the country. As this export needs to be encouraged to not only, increase production of candles as well as improve the income of owner and the labour and also the employment.



## Conclusion

To preserve and promote this craft-based industry, it is imperative for both the Central and State Governments to offer targeted support in the form of subsidies, training programs, and easy access to credit and raw materials. Equally important is the need for protective policies that shield these small-scale producers from unfair competition posed by artificial substitutes. Designating candle making as a priority sector for skill development, innovation, and export promotion could also greatly enhance its prospects. Furthermore, greater market exposure through e-commerce platforms, trade fairs, and exhibitions can help artisans and entrepreneurs reach a broader consumer base. By doing so, not only can the traditional candle industry be preserved, but it can also be transformed into a vibrant sector capable of generating sustainable livelihoods, preserving cultural heritage, and contributing significantly to local economies.

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