

Challenges and Impact of Globalization on Indian Economy

The Role and Relevance in Indian Economy.

ABSTRACT

The world has become a small village, thanks to the rapid means of transportation and telecommunications. Satellite transmission has widened the geographical markets. The countries have become interdependent in terms of technology, capital, purchases and sales. Global companies buy from the cheapest markets and sell where they can get maximum prices i.e. globalization calls for reduction of costs, improvement of quality, expansion of markets and diversification into new areas and market. Indian companies use not only imported components but are also selling their finished products to market abroad. To take advantage of global markets, Indian companies are making strategic alliances with foreign companies. The most successful companies will rely more and more on global integration and networking.

1. INTRODUCTION

When business exceeds the local focus, the management began to recognize the global focus. Thus, business now becomes global orientation. It is brought by-

- The globe has shrunk and become one due to best means of communication.
- There is no problem of sound and vision throughout the globe due to television, Video and telecommunication.
- Advanced technology caters to the global market. Global brands, their production, finance and location are all now globalize.
- Now, companies have developed global attitude in business.

2. TRANSITION TO GLOBALIZATION

In the present century, transition to the global society took place due to

- increasing science and technology. Thus,
- all aspects of our life on this planet are
- changing into a process of globalization
- through constant change. Now, no
- individual can monopolize in economics,
- commerce, and trade and in industry
- decisions.

Economics and commerce are far exceeding and transcending national barriers as they are rapidly becoming global. The environment has also become global. Eg. Attention of ozone layer or deforestation or pollution is now have become on global dimensions.

- The communication is the most
- important thing today. Information and
- technology, internet interaction, e-mail,
- satellite technology and breaking of the
- space barrier are the main sources of
- globalization. Now millions of people
- throughout the world can concentrate their
- attention on one single event (T.V./Video)
- at a single moment of time, making us
- global citizens. A new kind of civilization is
- developing throughout the world.

Globalization of business has a world-wide approach as the entire world is viewed as one entity, one people and one market.

The competition now is no longer remained in the national market but it has become global. Example-USA monopoly in automobile market has decreased as the production facilities in other countries are relatively cheaper. In present era, most of the radical changes are brought about by globalization.

A company first starts its international business by exporting then by subsidiaries abroad. After becoming an International company it can then turn into a multinational company before finally becoming a global one.

3. CHALLENGES & IMPACT OF GLOBALIZATION

Challenges to be faced by the business world in India and abroad i.e., global economy :

- The challenges of survival due to fast changing technology.
- Consumerism for new products, new services.
- Concern for total quality control and cost effectiveness.
- Internationalization of social costs due to industrialization.
- Customer satisfaction and fulfillment of psycho emotional needs of customers.
- Employ empowerment.

Globalization has emerged in the realm of business in recent years. It is an important matter in all business conferences all over the world. Now, globalization has attained a very important place in the business environment for example Japan has achieved a spectacular success through their global approach to business. Companies are now trying to establish their corporate identity as corporate citizens.

In this century it has become necessary to adopt corporate strategies to operate in global business environment for all business organizations. Every organization must have a global approach in business whether it is for local or regional or world market.

4. NATURE OF GLOBALIZATION

Most thinkers consider globalization as international as multinational or translational. Levitt called it as "Globalization of market". Though globalization of business may include all of those but it is matter of these.

Globalization of business is a state of mind viewing ones business in a global perspective. It requires global outlook, globally viable technology and maintaining global quality standards so that it can offer the products and services satisfying the customers' needs in a global environment. Further, it should maintain global quality standards, global corporate identity and a global business culture. Thus, globalization requires an integration of various countries with different economic systems with each other.

The world Trade agreements and formation of economic block have provided ample scope for the companies to operate throughout the world. Globalization of business has a world-wide approach as the entire world is viewed as one entity, one people and one market.

The recent trend all over the globe reveal a move for privatization backed by environmental complexities, large scale operation ,dynamic technological development, operation of market forces ,homogeneity in demand and supply have encouraged globalization.

Thus a global business and market philosophy has been fast emerging. Most countries are trying to integrate themselves with the global business relaxing control and regulatory measures and privatization introduced in a big way. India, too, is also following it not only to keep herself integrated with the rest of the world but also to maintain economic viability of business organization.

The political and economic changes in the recent socialist and communist countries together with liberalization of multilateral trade and investment have compelled to adopt globalization of business. Now a days companies are becoming more globalize in their production, marketing and other functions. For example Toyota, Japan second largest automobile company in the world has it's more than two third of business doing outside Japan. Thus, a global corporation considers the entire world as a single market. It does not distinguish between domestic and foreign markets but considers only one global market.

Hence raw materials, components, machinery, technology and finance etc are obtained from the cheapest source from any part of the world. Further product development and production planning are considered on the basis of global market. The manifest global orientation of organizational structure and management culture. More and more companies are adopting such a global strategic orientation. A company has to pass through various stages before it adopts globalization.

5. GLOBALIZATION IN INDIA

Due to restrictive economic policies, India's economic integration globally was very low. Most of the firms

were confined only to the home market. Thus foreign investment was negligible. The new economic policy in 1991 due to globalization saw the Indian firms expanding their business globally using different strategies.

6. OBSTACLES

- Government policy: It is complex and confusing.
- Cost: High cost of the materials, power, finance, infrastructural facilities etc has made it less competitive globally.
- Infrastructure: it is very costly due to insufficient and inadequate methods. It thus retards the growth and makes the firm uncompetitive.
- Poor quality: The Indian products are of poor quality in comparison with other countries due to various reasons.
- Lack of Experience: Small size and supply problems is a handicap for Indian companies.
- Competition: Due to growing competition from the developed and developing countries, Indian firms are facing more problems.

7. FAVORABLE CONDITIONS

- Manpower: Human resources due to low cost of labour and having a large number of scientific and technical people are in India's favour.
- Increasing Entrepreneurship: Many of the present together with new emerging dynamic entrepreneurs will make a significant contribution to the globalization of Indian business.
- Domestic Market: The Indian domestic market is growing considerably to give strength to its foreign market.

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- Liberalization: The economic liberalization in India also assisting it for globalization.

8. CONDITIONS FOR GLOBALIZATION

The following essential conditions must be fulfilled before a company become global:

- Freedom of Business: There should be no unnecessary restrictions from the government of that country i.e on import or finance or finance investment etc.. economic liberalization is required for globalization.
- Facilities: Infrastructural facilities are required for any firm to develop globally.

- Support from respective government: Government support can encourage globalization in the form of policy and procedural reforms.
- Resources: It is the most important factor for a firm to become globalize. It includes finances, technology, managerial expertise and human resources etc.
- Competition: Competitive advantage of the company will take the firm for a successful global business. It can be achieved by low cost and price, product quality, technology superiority after sales service and marketing strength etc.

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