Globalisation and Indian Industries

(Important Points)

P.G Semester-III, Unit-IV

- The process of reforms started in 1991, liberalisation of trade and industrial controls like freer access to imports, a considerable dismantling of the industrial licensing system and the abolition of MRTP, reform of the public sector including gradual privatisation, reform of the capital markets and the financial sector, removing a large number of restrictions on multinational corporations and foreign investment and welcoming them, particularly foreign direct investment and so on. It was an attempt to free the economy from stifling internal controls as well as equip it to participate in the worldwide globalization process to its advantage.
- Industrial production which showed a dismal less then one percent growth rate in 1991-92, picked up to 2.3 percent in 1992-93 and 6 percent in 1993-94, peaking at an unprecedented 12.8 percent during 1995-96. The external sector also showed considerable improvement. Exports, too increased considerably. The encouragement to foreign investment bore fruit with foreign direct investment increasing at nearly 100 percent per year between 1991-1996.
- The Indian Government time and again have ensured that the environment in the country be conducive for multinational companies so that foreign capital keeps on flowing to India. In 2015, the approval rate of FDI rose up to 162 percent to become the US $1.9 billion in the first 10 months. This was possible only because of relaxing the policies like the ease of use of doing

business and easy FDI policies. The sectors which received FDI'S the most have been automobile, telecommunications, pharmaceutical, IT, services etc.

- Delicensing, removal of government restrictions on industries and liberalization of foreign investments have reduced the time and money spent in formal procedures for obtaining approvals from the government. This has shifted the focus of enterprises to the actual business of production thus lowering project costs. Policies in areas of foreign investments have attracted inflow of foreign capital especially in sectors like electrical equipment's, services and telecommunication. Indian industries and financial institutions have undertaken investments abroad. Several Indian companies have entered into joint ventures with foreign companies. They are becoming internationally competitive. India is increasing it's export orientation through setting up of SEZs (Special Economic Zones) and they are making their international presence felt through mergers and acquisitions. The small scale sector is growing more robust with preferential loans, microfinance and other forms of credit being made available. Some SSEs have grown into medium scale operations. Industrial labour has become more efficient and skilled due to increased competition and inflow of foreign knowledge.
- Since the globalization process started, Indian industry has undergone a sea-change in terms of the basic parameters governing its structure and functioning. The reforms undertaken since LPG era are namely, wide scale reduction in the scope of industrial licensing, simplification of procedural rules and regulations, reduction of areas exclusively reserved for public sector, disinvestment of equity of selected public sector undertakings. The reforms concerning the domestic sector relate to industry, financial system and fiscal policy.
- However globalisation has its share of negative effects too. With disinvestment of some public sector units, employment in these sectors

has reduced. The most affected sectors are manufacturing, construction, electricity, gas and water supply. MNCs have exported jobs from developed countries to developing countries through foreign investments. Moreover they offer higher pay than what is offered by employers of local enterprises adding to the inequalities in income. Through trade liberalization the government has actually encouraged substitution of domestic goods by imports which has reduced the market size for goods manufactured by domestic labour bringing down their wages and putting their jobs in danger. The organized sectors have become profit-driven and there is a lot of emphasis on cost-cutting and have therefore gone in for downsizing policy.

- Government is now promoting the concept of Atmanirbhar Bharat. Government has decided to soon initiate procurement from local industries to reduce import dependence. A new PSE (Privatising of Public Sector Enterprise) policy has been announced with plans to privatise PSEs, except the ones functioning in certain strategic sectors which will be notified by the government. In strategic sectors, at least one PSE will remain, but private sector will also be allowed. To minimise wasteful administrative costs, number of enterprises in strategic sectors will ordinarily be only one to four; others will be privatised/ merged/ brought under holding companies. To achieve self-reliance, government has announced economic package which focuses on land, labour, liquidity and laws. The economic package will help cottage industries, home industry, small-scale industries, MSMEs, which are the means of livelihood for crores of people.