ROLE AND SIGNIFICANCE OF INTERNATIONAL BUSINESS ON THE INDIAN ECONOMY

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Abstract

International Business in today's world has occupied a vital place among the economies of the world, particularly among the fastest growing economies like the BRICS nations. The annual rate of growth in the international business sector in India is more than 8%. With rich resources available in India, it has a huge advantage over other nations and is regarded as the right nation for exploring business opportunities. Like highly skilled and semiskilled manpower, technologies available within the country, rich natural resources, willingness on part of government to take the world along with and budding middle class segment. The findings of the paper are expected to help in boosting the economy.

Keywords: SAARC, Indian economy, techno-friendly, international business.

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Introduction

The word, International business is glamorous and tempting to all those who are interested in expanding their market across the globe or are interested in giving national economy a new height and dimension. International Business across the globe has become a word of debate and discussion in today’s rapidly growing economy. The firms, small or big are willing to cross the frontiers of nation in order to have wider access to the markets and all other resources available across the boundary of a country. International business is becoming more and more interesting in today’s world as it is bringing raw materials, human skills, technology, creativity, Innovations and other resources to the host nations. International business in 21st century is growing very rapidly and touching the shores of every country. The lowering down of international barriers through good relationships with the governments across the boundary wall of the nations has added glamour and glory to the international business. The domestic business and international business are targeting the business within and outside the country. But they are different in many ways. However the basic tasks, principles and functions of both kinds of businesses are the same. International business in simplest term is the business undertaken across the frontiers of a nation. (Khan M .S.-2006)Or in other words, international business may be defined as the business which normally takes place between two or more than two nations. Specifically, the internationalization of business can be seen from the following wider perspectives:

- Market Globalisation Mechanism
- Supply Chain Globalisation Mechanism
- Capital Globalisation Mechanism
- Human Skills Globalisation Mechanism

**Market Globalisation Mechanism:** Globalization of market mechanization explains the reach and access of a company to all key
markets both tapped and untapped across the globe. In this kind of internationalization the focus of the firms is customers who are widely and extensively dispersed across the globe. For example, before 1991, the major corporate of the world were having very small presence in India but after 1991 all the major corporate like IBM, LG Canon, and Samsung are having their presence in every corner of the country. In recent years many more new global corporate have entered Indian market particularly in the fields of computers, mobile phones, automobiles industry, real estate etc and these corporate have also been targeting the customers in other parts of the country.

**Supply Chain Globalisation Mechanism:** Globalisation of Supply Chain is attached with the exploitation and the access of highly accurate location for performing various activities in supply chain. There are a number of firms which have regional market presence but global supply chain. For instance, Toyota produced 66% of its car in Japan and the rest of the cars were designed and produced in other countries like America, Europe and Asia.

**Capital Globalization Mechanism:** The other dimension, capital base generally means to refer the limit to which a company is exploiting and accessing the right amount of sources of capital on both a worldwide and nationwide basis.

**Human Skills Globalization Mechanism:** The globalization of human mind refers to the acquisition and knowledge of the social and cultural values prevailing in different markets. The best example in this regard is that of GE capital which is highly globalised in character.

**Role and Significance of International Business**

There are a number of factors which have directly or indirectly helped international business in its growth. The dimension and texture of international business has changed a lot in recent times. The international business has occupied a central place in all
kinds of economies across the globe. There is no single country on earth which can deny the impact and influence of international business on its economy. The driving forces which have given international business a new height, aroma, texture and dimension can be best illustrated by the following diagrams.

**Business Dimension:** The major advantage of international business can be seen in terms of growth of business in formats. This has given nations a wide variety to do business and has expanded market from one nation to another nation. This can be in the form of Merger and Acquisition (M&A), Joint Ventures (JVs), Collaboration, Overseas show rooms, etc. Export-Imports have been the most traditional and conventional form of doing business across the globe.

**Financial Resources:** Another biggest advantage that has resulted as consequence of internationalization of business is financial gain by the countries engaged in international business. International business has helped in improving the standard of production, more financial margins to the companies, optimum utilization of resources, more profits and maximization on ROI (Return on Investment). The fast developing nations like Singapore, Malaysia, Taiwan, are gaining more and more financial advantages through international business.
Technology: The paradigm shifts in technology is the outcome of international business. The improvement in technology has given new products, new inventions, diversification and improved quality of product. Technology has brought revolution in the field of production, design, colour, shape, quality and has added a large pool of products to the armory of manufacturers. Even the developing nations like India, Pakistan, Srilanka are reaping the benefits of technological transfers through international business. Technology has also brought down the Manufacturing cost and as a consequence of this reduction in manufacturing cost the countries are crossing the frontiers in order to have wider access to markets. Technology has added pace to the growth of economies of the world. A number of improved items, like mobile, washing machine, microwave oven, cars, are the result of the improved technology.

Innovation & Creation: The international business has given another dimension to the countries of the world in the form of new inventions and creations. Everyday new products are launched to suit the demand of international customers. The liking and disliking of local customers are always given priority. This became reality only through international business.

Economic Growth: World economic trends are driving for growth of international business. The three reasons for this growth can be cited as (i) world economic growth has created new market opportunities (ii) economic growth has reduced local resistance to the entry of foreign countries and (iii) worldwide movement towards deregulation and privatization. The best example in this regard may be of the expansion of private telephone business in India.

Quality Improvement: the easy and wide access to larger markets across the globe always results into improvement in quality. These accesses to the market have improved the training skills of the workers who ultimately affect the quality of the products. Quality
improvements give larger market gains and the cycle continues for a longer period of time.

**Competition.** The best advantage from the international business point of view is the emergence of competition across the globe. International business brings competition which is healthy for improving the level of production and the quality of products. This competition has given wide option to the customers. In today's age if a customer wants to buy mobile phone, he has plenty of option to choose from. Similar is the case with very products. Competition mantra has added a new horizon to the world of business. It helps in improving the quality of the products, reducing the price and manufacturing cost, better planning and maintaining quality that is quality control.

**Living Standards:** increased production and access to market lead to improvement in gross domestic product (GDP) of the nations and as a consequence of this there is an increase in per capita income of the masses. The increment in per capita income of the people gives them buying power and hence they go for more and more buying. This buying capacity helps in improving the standard of living of common man/woman.

**Economic Integration.** The rapid growth of Liberalisation, Privatisation and Globalisation (LPG) is opening up the new and free market. There is huge and fast movement of goods from one country to another country. The companies have started looking for free market in order to have wider access to free market. This search by the companies is giving birth to a new economic congregation and integration. Example, a vast number of companies like Samsung, LG from Korea are shifting their bases to India.

**Objectives of the Study**

The basic objectives of the study under discussion can be enumerated under the following heads:
To find out the role and significance of International Business in Indian Economy.
- To find out the possibilities of expanding Indian business across the frontiers of international market
- To find out the possibilities of opening market for foreign players

**Literature Review**

Both the words, Liberalization and Privatization have enormous impact and influence on world economy in today’s fastest growing world. Liberal Economy is the most crucial element in the relative wealth of nations. In Indian context, the advent of globalization had remarkable cascade of influences moulding the shape of Indian contribution to the world market. The most notable and critical challenges that the organizations normally face in international business comprise of Political, Legal, Social, Regional, Technological and Cultural Structures and most importantly the opportunities and risks involved in Global and International markets (Shaomin Li 2009). The risks that is political in character refers to the possibility of expropriation of property by an outside the nation’s Government or changes in public policy while importing on tariffs and quotas. (Ghemawat & Reiche, 2011). The most notable and striking changes in today’s fastest growing economy is that a vast majority of the nations across the globe have suddenly started to design and encourage decentralization, adopting free market culture in order to manage a global economy with high level of competition, techno based industrialization, creative and innovative system of communication and ultra modern form of Technology. The emergence of Globalisations is putting a large number of crucial challenges to modern business attempting to establish Global Presence. A number of strategic factors are to be considered before committing any international commitment at an international level and post activity. Sustainable flexibility is very much needed to adapt to ever changing patterns at all levels including local, regional and international levels. The rapid advancement in the field of information technology has
completely transformed the Global business today. This is paving way for developmental opportunities to pour in. The pace and the correctness of information transmission have shaken the geographic boundaries and information can now no longer be controlled centrally or secretly by the countries / Governments. In today’s age the Organizations are quite sensitive to the social and ethical issues of the society and huge pressure from the public, legal and governmental concerns and from media coverage (Brooks & Weatherston 2000). When a firm’s international presence increases then a multi-domestic or localisation strategy develops. The company starts setting up a number of subsidiaries in many parts of the countries under these strategies which starts operating as an independent unit and are relatively independently from the headquarters (Briscoe & Schuler 2004). This kind of strategy puts emphasis on local responsiveness, but the cost and quality often becomes victim of this strategy. However, the avoidance of uncertainty can also translate into unethical practices as individuals need to achieve a more fixed outcome through malpractices and corruption (Husted 1999). As far as the entry mode of a nation is concerned, a large number of uncertainty avoidant like established subsidiaries or local ownership, which are more costly and risky are always there. The other risks like the difference in culture, absence of knowledge, markets across the frontiers of a nation, Lingual differences, corruption in business and natural risks are risks which create the problems for the foreign investors (Games, 2011). The change in tariff barriers is also due to Political risks that make a firm globally competitive at different level either big or small. The main reforms and measures which were implemented after the liberalisation have made India a more attractive destination for foreign investment (Siddharthan and Pandit, 1998; Thomas, 1994). The paper by Khalilzadeh-Shirazi and Zagha (1994) explored what remained to be done after these reforms, and stressed that continuous political support was critical for sustainability of reform. The implications of the liberalisation in different fields are also studied and found that the foreign market, in which various measures such as the development and maintenance of infrastructures, reduction of bureaucracy and increased collaboration
between public and private organisations are proposed (Ahluwalia, 1994; Naidu, Cavusgil, Murthy and Sarkar, 1997); macroeconomic stability, by exploring the changes introduced in the industrial policy and the public sector (Ahluwalia, 1994); changes in attitude and evolution of the Indian consumer (Gopal and Srinivasan, 2006); and the financial market, where stringent prudential norms will go together with improved supervision (Vaghul, 1994). The situation in India prior to becoming a member of SAFTA (South Asia Free Trade Agreement) in 1995, with particular reference to relations with Bangladesh, Bhutan, Maldives, Nepal, Pakistan and Sri Lanka (Jain, 1999). The low level of mutual trust, spillover effects of religious and ethnic conflicts, and the magnitude of bilateral disputes in South Asia hamper efforts to reach agreement on free trade.

Research Methodology

There are two main research approaches, Deductive and Inductive that can be adopted to reach the purpose of a study. A deductive approach is identifying theories and ideas using the literature, which is then tested by using data. In short it means testing theory. Here I have used quantitative data, which is the opposite of an inductive approach where researchers usually use qualitative data. An inductive approach is one, which intends to develop theories from analyzing the data collected. After developing theories, one relates them to the literature. In short it means building theory. To be able to reach the aim with my study, the deductive approach was the most appropriate one to use. This means to start with reviewing literature and to find relevant factors that were then tested empirically, by collecting quantitative data. Since my intention was not to develop a new theory, the inductive approach was not relevant and hence the method used is deductive in character and nature. The research topic under discussion is mainly based on secondary data and involves Explanatory research design. The data are collected mostly from the secondary sources viz, Books, magazines, research journals and websites.
Results and Discussion

As the study is fully based on deductive methods so the results drawn are based on analytical study of the facts and figures collected from various resources. International business in 21st century has occupied a pivotal place in all forms of business. It is not only a subject of interest rather is also a major source of economy which is taking economy forward at a rapid pace. It has become an integral part of all management course curriculums. Even the institutions both national and international have started separate and exclusively course on international business. This also reflects the growing popularity of the subject. There are various factors that can be attributed for the success of international business. The movement and relocation of the human skill has become the culture of the modern business. Every company now is outsourcing human resource requirement globally in order to meet the growing demand of increased skill. For instance, Sony has employed just about 55% employees from Japan and the rest are hired from across the globe. Even students completing courses on international business are finding best and the most suitable employment across the country and even overseas. MNCs and Global companies are hiring large number to those students who are well versed with the international business. International business prepares students for accepting the challenges in global market. The exceptional growth in the field of telecommunication and transportation has added another feather to world of international business. The customers of today’s age are having wide and easy access to information. One can buy products from across the globe within no time. The cost of communication and transportation has reduced considerably. With increment in demand, the international business transactions are also increasing and subsequently the business is growing. The management control and leadership has also become less taxing and easy just because of the improved communication system. These all have added weightage to the international business. Most of the products that we use and consume in today’s age are the outcome of international business. A vast number of international companies have
entered into our country and at the same the domestic companies have international in nature and character. Toothpaste, cosmetics, washing machine, TV, fabrics, bikes, cars, toys and other products are now available at the doorsteps of common customers. The credit for these transformations goes to the global and multinational companies. These products are reaching to the remotest corner of the world with quality assurances. The names like Sony, Samsung, LG, Toyota, HLL, are the passport to quality. For better knowledge of these brands and the products, the knowledge of international business is a must. Liberalisation and Globalization have given another dimension to international business. Every country restricts the movement of goods, services, human skills, technology, and materials across the borders. The governments in today’s age have fewer restrictions on cross border because of the following reasons.

- Internal & Local customers want fast and easier access to wider ranges of products at lower prices.
- The foreign competition will help domestic products in improving their quality, design, shapes, colour and prices.
- The customers compel the foreign players to reduce the export-import barriers in order to have smooth flow of goods.

Emerging Trends in Supporting Facilities: There has been tremendous growth in the services across the globe which facilitates the flow of goods. For instance, the telecom sector has been rising at an alarming pace and helping the business to grow and move fastly from one corner of the world to another corner of the world. Similarly banks are opening up their branches across the border which is helping in all forms of bank transactions. the companies now can trade with minimum risk and maximum opportunities. Customer’s Expectations. With increased telecommunications and transportation facilities the expectation of the customers have increased manifold. Today’s customers want much more improved product because of the
knowledge they have through internet, trade journals, trade fairs, and easy foreign trip. Companies are now opening up their research and development centers in each and every country. These centers are helping in understanding the interests, liking and disliking of the local customers. International Business in India seems to be highly glamorous and attractive and more and more possibilities are coming up with each passing day. The rate of annual growth of international business sector in India is about 8%. The opportunity of vast improvement in international business sectors becomes more and more if the relationships with neighbor countries are systematized and stabilized. The Sizzling and mind-blowing performances of the Indian Stock Market has attracted the attention of the whole world in recent past. India surely is a right place for exploring the business avenues and opportunities, with its highly semi skilled and skilled human resources and fastest emerging middle class segment of the Indian society. Keeping in mind the diverse cultural setup, uniform business strategy would not be an ideal option for firms operating in India or willing to operate in India. This country is divided into larger parts and each part of the country is known for its own character and traits like, the Eastern part of the country is best known as the “Land of the Intellectuals”, whereas the Southern part of the country is as regarded as the “land of Technology Acumen”. On the other hand, the Western part is known as the “commercial-Hub of the country”, while the Northern part is called as the “Hub of Political Power”. Looking at these diversities in all the four segments of the country, the opportunities for international business in India is huge and enormous. The most notable sectors that can flourish and have huge potential in India include; Information Technology and Electronics Hardware, Automobiles, Telecommunication, Pharmaceuticals and Biotechnology, R&D, Banking, Financial Institutions and Insurance & Pensions, Capital Market, Chemicals and Hydrocarbons, Infrastructure, Agriculture and Food Processing, Retailing, Logistics, Manufacturing, Power and Non-conventional Energy, Sectors like Health, Education, Housing, Resource Conservation & Management Group, Water Resources, Environment, Rural Development, Small and
Medium Enterprises (SME) and Urban Development are still not tapped properly and thus the huge scope should be exploited.

To foster the pace of development of international business situation in India, central and government bodies like CII, FICCI and the various Chambers of Commerce, offer a vast number of activities. In order to infuse more business development in India, these bodies work very closely and in greater association with the government and different business promotion organizations. They also help in building strong business relationships with the global business organizations and other multinational and transnational corporations. These bodies cooperate and help in identifying the bilateral business co-operation opportunities and subsequently make and suggest right kind of policy recommendations to the different overseas Governments. Due to huge business opportunities available in India the International Business trend in India is increasing manifold. India International Business community along with the domestic business community is striving towards a steady path to be the Knowledge Capital of the world. Until a few years back it was crystal clear that India enjoyed a distinct and marginal role in the international affairs. The country’s rating was brought down by the credit rating agencies drastically. But, today post Liberalization process and the accepting the Open economy – international business in India is growing at a faster pace. The world will gain more by the emergence of International Business in India more now. The visits of a business delegation led by the late Commerce Secretary Ron Brown to India having proposals worth $4 billion were signed. These proposals included a $25 million financing agreement by the Soros Chatterjee Group of New York for a $1.25 billion petrochemical complex at Haldia near Calcutta. Texas-based Petrodyne Inc. signed a Memorandum of Understanding with its Madras-based subsidiary Petro Energy Products India Limited and the state-owned Indian Oil Corporation to move an existing U.S.-built oil refinery from Naples, Italy to Karaikal, south of Madras. Identical Proposals were also chalked up by the Energy Secretary Hazel O’Leary led delegation, which signed 23 deals involving
investments totaling $1.4 billion. The firms from U.S. and other developed nations are showing more interest in India now. Being the largest democracy of the world, this country has evolved and emerged as a new and promising player on the international horizon. Until 1991, the doors for the foreign firms were closed but post industrial reforms in 1991, the country has opened up the doors for the foreign players as a result of which more and more investment are coming to this country. It is a well accepted fact that the role of India in international affairs was very marginal prior to 1991. Its worldwide image was in pathetic condition; the economy was plodding along at the “Hindu growth rate” of 3.5 percent for much of the time after the country gained its independence in 1947. This situation became more serious in mid-1991, when India seemed that it is on the verge of defaulting on its international loans. The country’s rating was drastically lowered down by the credit rating agencies. The Gulf War added fuel to the fire. Profligate spending during the 1980s resulted in huge budget deficits and runaway inflation.

Due to political uncertainty in the country, the whole nation was in the grip of sectarian violence, became witness to the collapse of two unstable governments run under coalition and was shattered and traumatized by the untimely assassination of the former Prime Minister, Rajiv Gandhi. This was the really crisis phase for India and the country was passing through huge difficulties. There were only two options before the country either to be blind to the realities of world economy and face disaster in the long run, or act promptly and swiftly in order to bring her house in systematic order. Luckily India opted for the second option for bringing its economy on track. The complete outlook of Indian economy underwent a huge change. The old fashioned concepts of economy were discarded and Modern concepts of economies were accepted like capitalism, profits, privatization, and consumption were no longer considered dirty words. “India started looking to its neighbor, China, to realize that its isolationist policies were misguided.” After a long period of unrest, lull economic condition, shattered states and huge uncertainty, India has started the economic
progress in right direction. During 1991, when P.V. Narasimha Rao, was in power, Dr. Manmohan Singh who was regarded as Technocrat Finance Minister of India started the herculean task of rebuilding and reforming the economy which was affected by decades of socialism, state planning, red tapism, and Economic Protectionism. It is apparent that India is very serious and curious about this task and wants economy to move forward. Despite huge pressure and opposition from other vested interest like individuals and groups to bring down the track of economic reforms, the Government of Indian has largely pushed forward and continued its economic reform movement. Even after the defeats suffered by his Congress party in state elections for which numerous reasons were cited against the government like economic reform process initiated by the government, the then Indian Prime Minister emphasized that the process of economic reform will continue and will not be rolled back. India started bringing many changes to its old fashioned industrial statutes, regulations and ordinances and started creating an environment friendly, business friendly, customer friendly and society friendly environment for both the internal and external businesses. As a result of these reforms, many developments have taken place and are still evolving and emerging. The developments have been categorized under wide classifications such as: Economic reforms at larger level known as Macroeconomic reforms, Reforms in Taxation called as tax reforms, Reforms in financial structure called as financial reforms and setting capital market free, bringing reforms in the regulation of business firms which are solely responsible for running the business, encouraging private sectors and framing regulations to give them freedom to chose business on their own, Minimising the controls over exchange and convertibility, Framing regulations related to trade and trade practices known as Trade Reforms and Direct Foreign Investment. The current account deficit in the balance of payments is now under control and exports have surged marginally during the current financial year.
Conclusion

The findings of the study clearly show a positive trend between the Indian economy and international business. India going abroad on larger scale with the sole purpose of doing business and expanding business will bring economic prosperity and sustainable development. The study further explains the urgency of expanding international business in order to counter attack the growing influence of Brazil, China and Russia. The present Prime Minister of India Mr. Narendra Modi has assured the world delegates that India wants to be an equal and just partner in all forms of development. The first visit to attend BRICS meeting is a clear indication that now India wants to dominate international business by not only inviting foreign investors to the country rather by making exports and establishing Indian ventures across the globe. However the major emphasis is on to establish business relationship with neighboring countries like China, Pakistan, Nepal, Malaysia and Bangladesh.
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