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CONTENTS

INDEX

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GLOBALIZATION AND ITS IMPACT ON THE INVESTMENT CLIMATE OF INDIA

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Abstract

Globalization signifies a process of internationalization and liberalization, in which the world has come under a single canopy. Foreign direct investment (FDI) is the key factor that initializes the growth of any economy. It has been revealed by many researchers that a lot of work has been done on this front still more to be unveiled. This article will analyse the shape and trend of trade, business and investment climate in India in the recent years. Through this paper the government policies and practices that are conducive for improving the investment climate, including the public sector enterprises and the private sector companies, will be highlighted. The driving forces that propagate the technological reliance, growing liberalization, autonomy to the industrial sector within the national regulatory framework that attracts the foreign direct investment (FDI) will be highlighted. The gray areas will also be identified to accentuate both the sides of coin. Globalization is a complicated issue. It is necessary to evaluate the pros and cons before drawing any conclusions. Hence SWOT (Strength- Weaknesses- Opportunity- Threats) analysis technique will be used to analyse the impact of globalization on the investment climate of India.

Keywords: Globalization, investment, liberalization, technological reliance, SWOT analysis

1. Introduction

Globalization is a general term, used to describe the cross country flows of information, ideas, technologies, goods, services, capital, finance and people etc. It has gained the huge importance, especially in the last 20 years. Some experts reveal that the process of globalization is an inevitable phenomenon in human history which has been bringing the world closer since the time of early trade and exploration, through the exchange of goods, products, information, jobs, knowledge and culture. In this way it can be stated that globalization is the process of integration of the world into one huge market. It opens several channels to several people with removal of all trade barriers around the globe. Globalization has opened up new and tremendous opportunities. Under the influence of the process of globalization, India in 1991 introduced reformation of economic policy and integrated its economy to the international economy. India liberalizes its industrial and trade policies to improve its efficiency, productivity and competitiveness. Besides, it also brought liberalization in industrial licensing, foreign collaborations and domestic as well as foreign institutional investment in different industrial domains such as import- export business, telecommunication, e-commerce, IT sector, banking and insurance etc. Indian economy not only has become more open and gained competitiveness in the world economic scenario but also it has able to maintain an annual average growth rate between five to seven per cent.

Globalization in real sense is a matter of great concern today. Large number of researchers and analysts have analysed the impact of globalization and investment climate in India. Rangarajan (2000) has highlighted the significance of globalization and revealed that risks of an open economy are well known but the opportunities that the global system can offer must not be missed.

According to the Economic Survey (2011-12) published by Government of India at its national portal reports that the globalization of India has given rise to new opportunities but it has also brought with the new challenges and responsibilities. Every time there is a major financial crisis anywhere in the world, there is need to take brace position. And, in turn, the rise and fall of India’s growth rate has an impact on global growth and there is need for India to take this responsibility seriously.

The country presents a wide area of investment opportunities for the investors and increasingly promoting the country as the place to invest. The investors cannot ignore India anymore due to its potentiality to become third largest economy and the second largest emerging nation in the world within short span of time. India is also one of the few markets in the world which offers high prospects for growth and earning potential in practically all areas of business still China is attracting FDIs at a greater pace. In this study SWOT (Strength- Weakness- Opportunity- Threats) analysis has been used to highlight the bright and grey shades of global Indian economy. An effort has also been made to draw attention towards the investment climate in the country.

2. Strengths (S)

India is the second largest country in the world after China in terms of population. Currently the total population is about 1.32 billion. This huge population base itself makes a huge market for the global business enterprises. According to the World Bank Report (2004), the economy of India is also moving at faster pace than most of the economy of the world and inhabitants of the country also obtaining purchasing power at the same rate. The huge advantage every company gets by investing in India is the availability of diversified resources in terms of material, technology and human recourse etc. India is a huge country and has forest as well as mining and oil reserve as well.

PPP (Public- Private- Partnership) is another significant factor of Indian economy. PPP model is available in different important sectors like energy, transportation, mining, oil industry etc. It is advantageous in several ways as it has eliminated the traditional tirade barriers and also joint venture with government is risk free up to the great extent.

Over the years India has developed its IT (Information Technology) sectors immensely and as of today many leading firms outsource their IT tasks in India. Because of IT advancement the firm which invests in India get cheap information access and IT capabilities as Indian firms are global leader. Along with that Indian youth are energetic and very capable in English language which is obligatory in modern business conduction. This capability gives India an edge over others. Foreign firms also find it profitable and worthy investment by recruiting Indian human resource.

In recent years the Government of India has liberalized their policies and increased the FDI limits in different sectors and also made the approval system far easier and accessible. Unlike the historical tradition, today for investing in India government approval do not require in the special cases of investing in various important sectors like energy, transportation, telecommunications etc.

According to World Bank report (2004) after liberalization of Indian economy the Indian manufacturers have become more competitive. Their exports have grown in real at a pace faster than the growth of world trade itself. The liberal taxes and regulatory conditions make India as one of the attractive investment destinations as compare to emerging economies- China and Brazil. Abundant and cheap labour in India has always been the point of attraction for the foreign enterprises but after globalization the availability of skilled but still cheap labour even reduces the second thought for the investment in India. Over the last three years the government initiative towards start-ups and stand-ups has created the competitive but industry friendly environment in the country. Digitalization and control on red- tapizm has also created business environment in India.

According to the Economic Survey (2011-12) published by Government of India at its national portal that India has over the years become a more open economy. The total share of imports and exports accounts for close to 50 per cent of GDP while that of capital inflows and outflows measures up to 54 per cent of GDP.

3. Weaknesses (W)

No doubt, India is a huge market due to its large population base but a major portion of it is a lower and middle class person who still suffers from budget shortage. India has 17 official languages, 6 major religions, and ethnic diversity as wide as all of Europe. This makes the tasks difficult for the companies to make appropriate product or service portfolio. As far as international legal bindings are concern, India is not a member of the International Centre for the Settlement of Investment Disputes (ICSID) and also not of the New York Convention of 1958. That make life bit difficult for the foreign investors.

Availability of basic infrastructure and business environment are the essential attributes to attract foreign investments in any country. India, being a developing country is still in its reformation phase and facing challenges at certain fronts of infrastructure including one of the basic elements of economy- energy management. Energy prices for the commercial bodies are considerably higher in India than in many industrial and developing countries. Energy costs increase consistently and significantly thereby lowering the benefits of investors. Competitiveness is another area where Indian industries fail to comply with international standards. The competitiveness depends on how quickly labor productivity in the sector would grow. On the other hand, the countries like China and Brazil are focusing on the cluster production system to improve labour productivity.

Availability of energy is one of the major characteristic for the investors in the particular country. India is characterized by a relatively lower energy intensity of GDP as compared to China, South Africa, and Russia but higher than that of Brazil.

4. Opportunity

In the first half of the 1990s alone exports grew 30 percent faster, and more, than world trade in manufactures. There are certain major attributes that affects the investment environment in the country. Figure 2 compares some major attributes between India and one of the emerging economies - Brazil. Regulation and corruption is significantly less in India than Brazil. However, the infrastructure is as par. Custom administration and taxes are liberal in India and the policies are comparatively more stable than Brazil. India can be one of the attractive avenues due to availability of skilled man power.

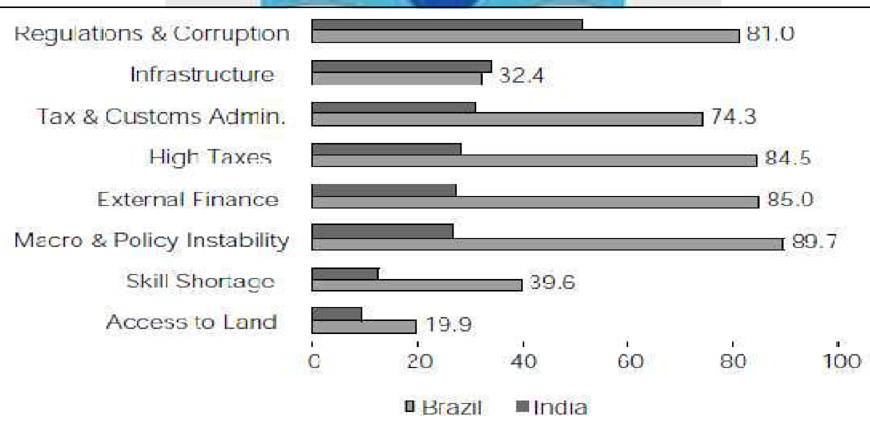

Figure 1: Percent Identifying Factor As a Major or Severe Obstacle to Growth: India vs. Brazil (World Bank Report, 2004)

India, traditionally is the major producer of agriculture, machinery, pharmaceuticals, IT solutions and garments etc but now in the changing socio- economic scenario large number of business sectors have immerged which include petroleum products, gems & jewellery, automobile and its spares, banking solutions, insurance solutions, investment solutions, academic institutions and universities, gold and silver, electronic goods, pearl and precious stones, inorganic and organic chemicals, military equipments, telecommunication sector, event management, tourism and in last but not the least the aerospace program are having the enough potential to attract the foreign investments.

5. Threats

Comparisons of the investment-climate survey conducted for India with similar surveys for other countries show that when entrepreneurs rate regulatory quality and corruption, and these are treated as indicators of reform priorities, then India’s industrial entrepreneurs are similar to those in China’s private sector. The reform priorities also seem to overlap considerably with those identified in Brazil and Bangladesh. Yet in regulation and corruption subcategories, for example, tax and administration, one finds vast differences between India and China. The World Bank’s Database shows, on the one hand, that in China the average time taken to secure the necessary clearances for a startup, or to complete a bankruptcy procedure, is much smaller than in India. Also, Indian labor laws allow firms far less latitude with their employees than the labor code does in China, Brazil, Mexico, or the Russian Federation.

The situation is most alarming for power supply in India, beset with power shortages, high costs, and unreliability. Different reports found that on average, manufacturers in India face nearly 17 significant power outages per month, versus one per month in Malaysia and fewer than five in China. Approximately 9 percent of the total value of firm output is lost due to power breakdowns- compared to 2.6 percent in Malaysia and 2.0 percent in China. The frequency and average duration of outages are such that generators are standard industrial equipment in India, accounting for as much as 30 percent of a business’s power consumption in many cases. Almost 61 percent of Indian manufacturing firms own generator sets; the figure for Malaysia is 20 percent, 27 percent in China, and 17 percent in Brazil. Moreover, India’s combined real cost of power is 74 percent higher than Malaysia’s and 39 percent higher than China’s.

Disparity in labour productivity is also one of major threat for inviting foreign investment in India. Large proportion of FDI is concentrated to the fewer states like Gujrat, Maharashtra, Karnataka, Delhi NCR Region, Tamilnadu, Telangana and Kerala due to

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better demographic, geographic and law and order situations. Over the past decade China's GDP has grown at an average annual rate of around 10 percent. Combined with its slower population growth, rising GDP in China has produced higher per capita incomes. The ratio of FDI to GDP also stands at more than 4 percent in China compared with well below 1 percent in India.

Figure 2 compares the essential attributes of India and its major counterpart- China. The Regulation and corruptions are reported to be more in India. Lack of infrastructure, high taxes and poor custom administrations, instability in policies and shortage of skilled man power and access to land in India as compare to China are some of the threats that must be addressed at an earliest to invite the FDI in India.

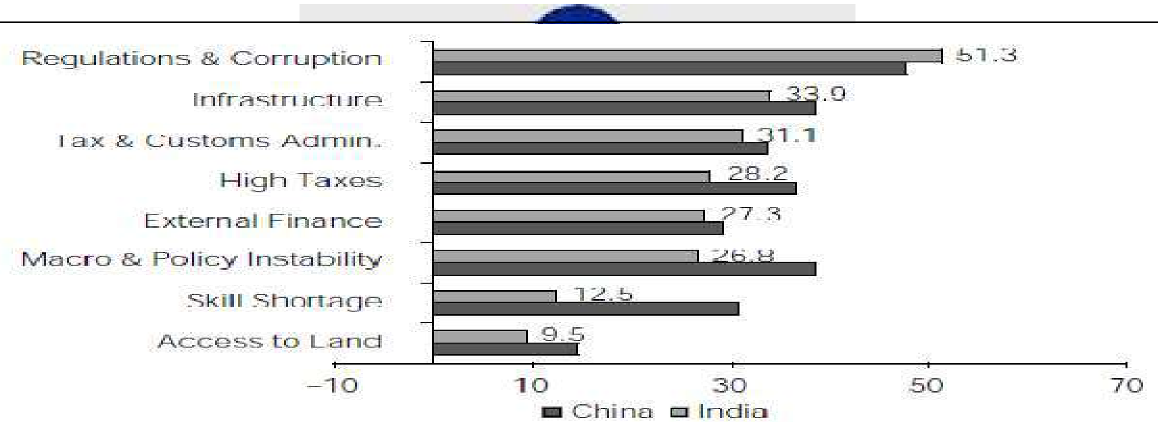

Figure 2: Percent Identifying Factor As a Major or Severe Obstacle to Growth: India vs. China (World Bank Report, 2004)

Though India has emerged as the fourth largest economy globally with a high growth rate and has also improved its global ranking in terms of per capita income yet the fact remains that its per capita income continues to be quite low. Addressing this is perhaps the most visible challenge.

Human Development Index (HDI) is another threat where India has to work a lot to showcase its investment environment to the foreign investors. Though, India has shown some improvement in terms of its HDI. The UNDP's HDI, which captures the progress of a country in terms of economic indicators as well as education and health indicators increased from 0.344 in 1980 to 0.547 in 2011. India moved up from a rank of 82 in 1980 to 72 in 2011 (in a group of 100 countries for which HDI is available for these points of time). According to a news published in a daily news paper (The Hindu, 22nd March 2017) referring the Human Development Reports released by the United Nations Development Program (UNDP) in 2016, the HDI value is 0.624 which puts it in the "medium human development" category alongside countries such as Congo, Namibia and Pakistan. It is ranked third among the SAARC countries, behind Sri Lanka, ranked 73; and Maldives ranked 105, both of which figure in "high human development" category. Even though India's score has improved, but its HDI rank has not moved very significantly. A possible reason could be that some other countries may have registered faster improvement in these indices.

The World Bank Study titled 'Unleashing India's Innovation' (2007) observed that India had increasingly become a top global innovator in high–tech products and services. Yet the country is underperforming in terms of its innovation potential. This cold attitude of India towards the novel innovations and R&D is another challenging area that creates a bit of hesitation among the foreign investors. According to the official information centre report of Government of China (2015), it spent 2.1 percent of its GDP on R&D where as India spends less than 0.9 per cent of its GDP, which covers basic research, applied research, and experimental development. This fact emerges from the Wikipedia that lists 87 countries with South Korea with 4.29 percent expenditure of GDP on R&D activities topping the list on this count and most developed countries spending over 2 per cent of their GDP on R&D.

6. Conclusion

India enjoys at this juncture the unique advantage of having multiple drivers of growth-demographic, investment (backed by domestic savings), domestic consumption, as well as exports and ample scope for FDI – all within a pluralistic and democratic system. This unique combination more or less assures it of strong and sustained growth with the caveat that at every stage and for every section of society, positive economic outcomes in a tangible way will be required.

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AN IMPACT OF CONFLICT MANAGEMENT ON EMOTIONAL INTELLIGENCE

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Abstract

In the past decades, traditional qualities associated with leadership, such as intelligence, toughness, determination, and vision, appeared to be sufficient to be considered successful. In1983, Howard and Gardner had challenged the idea and proposed the multiple intelligence theory that consists of seven categories in order to accurately define the concepts of intelligence and to succeed in the field. Two of them are intrapersonal intelligence**,** the ability to under standone self and act on the basis of self-knowledge, and interpersonal intelligence*,* the ability to work cooperatively and communicate with other people effectively. Today, they are now often referred to in association with emotional intelligence*,* which is the ability to comprehend, perceive and manage the feelings, emotions and motivation of one's self and of others .

On the other hand Conflict is a situation where there are at least two differing perspectives, which can lead to nonproductive results or can be beneficially resolved and lead to quality final products. Therefore, learning to resolve conflict is integral to high performance teams and profit Achievements. The paper is based on conceptual study and secondary data is used here which are mainly collected through internet, journals, books and newspaper articles.

Keywords: Emotional intelligence, conflict management, social intelligence, performance.

Introduction

Conflict is a phenomenon in which positive and negative effects on the performance of individuals and organizations. Proper and effective use of conflict and improve the performance of the organization is to promote performance and health and non-effective use of that, reduce the performance and create conflict and tension in the organization. Ability to deal with the conflict and its important role in the success of the organization's managers has creative roles. If conflicts are constructive, creative and new ideas are triggered constructive change and innovation and developments in the field and provide and ultimately help management to gain their goals Conflict is a natural part of human interaction that is considering how to manage can be beneficial ordetrimental consequences. In these days human resource is one the most valuable organization asset providing competitive advantages for organization. Complex relationships in organization which cause interaction between employees (action and reaction) and employees' co-dependence along with their different thoughts, conceptions and believes make "conflict" an inevitable part of today organizations life. Conflict is the result of different opinions to achieve organizational goals which is existing in intra-group relations strategic decision making and other organizational parts. Although conflict foster innovation, creativity and alteration, but sometime it wastes organization resources and energy. Therefore conflict management and control are one of the most essential skills for managers. For conflict management, Emotional intelligence plays a very important role. Emotional intelligence is a new concept emerging in management literature since 1990. This concept explains place of feeling and emotion in human abilities. An individual's emotional competency increases his power to deal with environmental challenges which consequently enhance his mental health.

Emotional Intelligence

Emotional intelligence plays a vital role in the organizations because 1) emotions that are handle deffectively may contribute to how one handles the needs of individuals, 2) how one motivates employees and 3) how comfortable the employees feel at work. Employees who have high levels of emotional intelligence are able to accurately perceive, understand and appraise others' emotions and build supportive networks.

According to Goleman, the five components of emotional intelligence are self-awareness, self regulation social skills, motivation and empathy. Self-awareness is associated with the ability to recognize one's internal state, resources, preference and intuitions, e.g., a supervisor is aware of which emotions he or she is experiencing. Self-regulation refers to the ability to manage one's internal states, resources and impulses e.g., a supervisor remains calm despite having to deal with violent situations. Motivation represents the emotional tendencies that assist in reaching goals, for example, a supervisor sets his or her motivation high and attains challenging goals while empathy refers to the ability of being aware of other's situations,e.g., a supervisor understands the feelings transmitted via verbal and non-verbal language. Social skills are associated with one's ability to encourage desirable feedback in others, e.g., a supervisor does not let his negative feelings restrain collaboration

Conflict Management Styles

The management of conflict can lead to desired organizational outcomes such as fairness, satisfaction, effectiveness, and efficiency.

According to Rahim , conflict is defined as an "interactive state manifested in incompatibility, disagreement, or difference within or between socialentities". He explained that there are five management styles for resolving conflicts: integrating, obliging, compromising, avoiding and dominating. Integrating engages both parties to examine differences, exchange information and create openness to reach an effective satisfactory solution, e.g., both supervisor and subordinates encourage mutual commitment to a project through incorporating each others' ideas into the final agreement. Obliging is identified with one party attempt to minimize the differences and emphasize shared aims for the other party approval, e.g., a supervisor's thoughts are more important than thesubordinates in reaching a consensus. Dominating is identified with a win-lose situation, for example a supervisor takes advantage of his or her position in making a business decision while avoiding is recognized with withdrawal solutions e.g., a subordinate refuses to co-operate with his supervisor in a project physically and mentally. Compromising is when both parties involve in give-and-take situation to reach a consensuse.g., both supervisor and subordinates need a fast but temporary solution for a complex issue.

Gross and Guerro rated the integrating style as the most effective while the avoiding style wasthe least effective. Graham supported that integration will always be greater than compromise in managing disputes. The dominating style provokes conflicts in organization, while integrating, accommodating, and obliging lessen conflicts and prove to be effective.

Anorganization that encourages participation (integrating) and problem solving (compromising) behaviorattains a higher level of performance. Other studies reported positive results of theintegrating style of handling conflict, such as high benefits for the parties, better and greater satisfaction of the partner and higherperformance for teams that adopt this style in comparison to teams that use less integrative styles. Dominating and avoiding are two styles that can lead to disastrous financial results and personal lossif they are driven by less ethical motives.

Literature Review

Emotional intelligence was first proposed in the management literature by Salovey and Mayer. They refer emotional intelligence to emotional construction and regulation, andto some emotional processing aspects (Mayer &Salovey). Researchers have begun toconstruct what components improve the moods of people, such as individuals' coping styles andtheir mood regulation. They also described emotional intelligence as a set of abilities that referin part to how one effectively deals with emotions within oneself and others.

Emotional intelligence

Guttmann Divided Emotional Intelligence into FiveComponents:-Self-awareness, self-regulation, Motivation, Empathy and Social skills. Guttmann believe these skillsinemotional intelligence are essential for successfulleadership. A manager with emotional intelligence, identify the stress extreme that is imposed on theemployees and improve their ability to decrease thestress. So the more emotional intelligence, leading tobetter manages conflict and will result in betterperformance. Studies showed that greater consistency inthe higher levels of emotional intelligence led in closecooperation and desire for forgiveness is in conflict. The ability to use emotions to facilitate problem solving or generating excitement in the performance group plays an important role. Progression of positive emotions within the group, facilitates collaboration and group participation and reduces conflict and also improves the efficiency of group members.

Goleman (1998), the five components of emotional intelligence are self-awareness, selfregulation,social skills, motivation and empathy.

1. Self-awareness (SA) is associated with the ability to know one's internal state, preferences, resources, and intuitions, e.g., a supervisor is aware of whichemotions he is experiencing.

2. Self regulation(SR) refers to the ability to manage one's internal states, impulses, and resources, e.g., a supervisor remains calm despite having to deal with violentsituations.

3. Motivation (MO) represents the emotional tendencies that guide or facilitatereaching goals, e.g., a supervisor sets his motivation high and attains challenginggoals.

4.Empathy (EM) refers to the ability of being aware of other's feelings, needs andconcerns, e.g., a supervisor understands the feelings transmitted via verbal andnon-verbal language.

5.Social skills (SS) are associated with one's ability to induce desirable response inothers, e.g., a supervisor does not let his negative feelings restrain collaboration.

There is a difference between emotional intelligence and Emotional Competence. Emotional intelligence refers to the capacity for recognizing our own feelings and thoseof others, for motivating ourselves, and for managing emotions well in ourselves and inour relationships .

Emotional competence on the other hand is "a learned capability based on emotionalintelligence that results in outstanding performance at work". Thus, the emotional competence demonstrates how much of the potential we have translated into on-thejobcapabilities.

Since we are in the new millennium, new ideas about measuring management potential inemotional intelligence skills are emerging. These new ideas do not solely relyon IQ and technical abilities alone. People can become more effective participants throughsocial interaction. The workplace is one of the environments in which people learn aboutbehavior and emotions which take on a greater significance in organizational life. In a study ofemotional intelligence and interpersonal relations, Schutte's conducted sevenstudies to test Gardner's theory of multiple intelligences, Averill and Nunley'semotionalcreativitytheoryand Saami'stheory0f emotional competence.Results from Schutte's research showed that people with higher emotional intelligence have:-

•Higher empathetic perspective taking and self-monitoring in social situations

Higher social skills

• Higher cooperation toward partner's .Higher levels of affection in relationships

• Higher marital satisfaction, and

• Higher satisfaction in relationships

Conflict management

According to Rahim , the five styles for resolving conflicts in preparation for negotiationare integrating, obliging, compromising, avoiding and dominating.

1. Integrating involves openness, exchange of information, and examination of differences to reach an effective solution acceptable to both parties, e.g., bothsupervisor and subordinates encourage mutual commitment to a project throughincorporating each others' ideas into the final agreement.

2. Obliging (OB) is associated with attempting to play down the differences andemphasizing commonalities to satisfy the concerns of the other party, e.g., asupervisor's thoughts are more important than the subordinates in reaching a consensus.

3.Domlnatlng (DO) is identifiedwith a win-lose orientation or with forcingbehaviors to Win one's position, e.g., a supervisor takes advantage of his positionin making a business decision.

4. Avoiding (A V) is identified with withdrawal, buck-passing, or sidesteppingsolutions, e.g., a subordinate refuse to co-operate with his supervisor in a projectphysically and mentally.

5. Compromising (CO) involves give-and-take whereby both parties give upsomething to make a mutually acceptable decision, e.g., both supervisor andsubordinates needs a fast but temporary solution for a complex issue.

Research methodology

The secondary data is used here to collect all information. The source of data is mainly internet, journal and newspapers. The paper is trying to establish relationship between emotional intelligence and conflict management.

Conclusion

1. Increase emotional intelligence through team-building, training, activities and socialhours between the supervisors and their subordinates.

2. Provide effective orientation and on the job training for new subordinates orcurrent subordinates in introducing new job routines so there will be no conflict arisenfrom job tasks.

3. Emphasize the importance of emotional intelligence rather than IQ and technical skillsalone to be successful leaders and to promote better work performance to bothsupervisors and subordinates.

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