INDIAN BUSINESS VENTURES ABROAD

Ritu Srivastava
Research Assistant
Indian Institute of Management, Lucknow (India)

Prof. Krishna Kumar
Indian Institute of Management, Lucknow (India)

ABSTRACT

India started opening its economy a decade ago to integrate with global economy. Several economic reforms have been undertaken during this period with the hope that India will soon merge as a global player. There is a need to review the developments and take necessary corrective action. It is necessary because globalisation and integration with the world economy is a double-edged sword. If necessary care is not taken the country may become only a global market rather than emerging as a global player.

This paper examines the patterns of ***India Business Ventures Abroad***, both in the form of subsidiaries and joint ventures over a period of 50 years since independence. The analysis reveals that ***there has been a significant increase in the activity***. The ventures, however, have ***been concentrated to only a few, about a dozen, countries***. The study also shows that there is a ***noticeable preference towards subsidiary mode of operation***. Further, there are country-wise patterns of preferences towards use of joint ventures and subsidiary modes. The study also reveals that ***there is a significant shift in the mix of activities***, tilting from high risk manufacturing to low risk trading and software development. It is also observed that there is a ***wide gap between the number of ventures approved and actually implemented***. A comparison has also been drawn between Indian Business Ventures Abroad and the Foreign Business Ventures in India during the pre and the post-liberalisation era. This is complemented with the patterns of export/ import ratio in the respective periods. The two together indicate that the ***reforms in economic policies undertaken so far seem to be leading to India fast becoming a global market rather than emerging as a global player***. The paper then suggests that there is a need for intensive studies for developing policy and strategic interventions to strengthen India's business ventures abroad and to help India emerge as a global player.

5.0 INDIAN BUSINESS VENTURES ABROAD

India started opening its economy a decade ago to integrate with global economy. Several economic reforms have been undertaken during this period with the hope that India will soon emerge as a global player. There is a need to review the developments and take necessary corrective action, because globalisation and integration with the world economy is a double-edged sword. ***If due care is not taken, the country may become only a global market, rather than emerging as a global player.***

5.1 Introduction

The business ventures abroad is not a new phenomenon in the independent India. The initiatives were taken way back in the 1960s with the first ventures of Birlas in Ethopia in the year 1964 (1). However, it has assumed specific significance after the Indian government started economic reforms in the year 1991, making globalization of Indian business an integral part of economic reforms (2). Since the economic reforms were initiated due to a serious foreign exchange crisis and globalization was considered as a key element of reforms to mitigate the same, there is a need for sustained research efforts to asses and monitor developments in this area. Unfortunately the studies on this subject are few and far between and more or less in the pre-liberalisation era (3,4,5). This study is a step in this direction.

5.2 Stages of Globalisation

Globalisation of a country's business typically takes place in several stages. At the first stage, it is in the form of export of the country's products and commodities, either directly to the large/ high value customers or through some agents in the importer's country. At the next stage, it manifests in the form of presence of the firms in the foreign country for limited manufacturing and sales, either independently or jointly with a partner in the host country. At the highest level of globalization of a firm, foreign business becomes an integral part of the firms' growth strategy as well as the sourcing of raw material, funds and human resources (6)

Globalisation of a country is an outcome of combined efforts of the firms of a country. How domestic players internationalise their business is thus an important parameter for measuring he level of globalization of a country's business.

5.3 Significance of Indian Business Ventures Abroad

International trade is considered to be imperative for economic development. Economic borders of various countries have been opened on this premise under the aegis of world trade organization (7). Protagonists of the view in the economically developed countries may be right in this assertion on account of their perception of harsh realities there. In countries, whose economy has moved from the level of necessity to comforts and luxuries levels, there are increasing pressures for newer, better and superior products with consistent quality, high reliability and attractive finish etc. Further, with the labour becoming increasingly costly, the firms have to go for development of capital intensive technologies. The huge investments in new product and technology development demands higher levels of production to ensure operations of the firms above the breakeven point. The scale of operations required over a period of time reaches a level that is well above the entire domestic demand in most of the developed countries, which generally have small population. The firms thus face the problem of searching new markets and cheaper sources of raw material, labour and other resources. Their growth and development, thus, depends upon internationalization of the business. The large firms in the developed countries, thus, globalize as much on account of these pressures, as due to their desire to globalize. The foreign trade of all the developed countries (except U.S.A.) thus has a favourable trade balance (8). Foreign exchange gets earned in such countries and they do not face the balance of payment problems, neither the government is under pressure to arrange foreign exchange for them as is the case with the developing countries.

The need for globalization in the case of developing countries like India is of a different kind. They at times import goods, services and technology to meet the demands that are necessities not comfort and luxuries and therefore, have to earn enough foreign exchange/ take loan in foreign exchange to pay the import bills. They are not under the pressures to look for foreign markets or cheaper sources of inputs. They earn foreign exchange through export routes. But they are hardly ever able to reach an export / import ratio of 100% or more (8) and face perennial problem of foreign exchange.

The movement to the next level of globalization i.e., physical presence in the other country is becoming necessary for India to have a closer idea of the market that could be served, and the product that could be developed with unique natural resource endowments of the home country for serving the global markets. This can also help in reducing the exploitation by the host country middlemen. Indeed, without moving out, the firms can not appreciate well and evaluate correctly the worth of the home country natural resource endowments, a fact that has not been realised well so far.

This study aims at understanding the level of globalisation achieved by India, measured at the second stage of globalization i.e., Indian Business Ventures Abroad. There are several authentic studies being done regarding the first level of globalization (i.e., exports) by agencies like Reserve Bank of India, Centre for Monitoring Indian Economy etc. and the relevant information is easily available in public domain on a regular basis (9). However, there is a paucity of studies on second level of globalisation. This study is aimed to bridge this gap.

5.4 Nature and Scope of the Study

The study ***analyses all the business ventures of India abroad*** since independence up to the year 1999. It covers both the routes of business ventures abroad, namely joint ventures & subsidiaries. The study analyses the business ventures up to 1991 and yearwise patterns from 1992-1999

The study examines the *patterns of Indian Business Ventures Abroad,* both in the form of wholly owned subsidiaries ***(WOS)*** and the joint ventures ***(JV)***, over a period of 50 years since independence. The study also examines the patterns of WOS and JVs by country. The analysis has been done both in terms of the ***number of business ventures, as well as their value*** (in terms of equity participation). The nature of activities undertaken by Indian Business Abroad by ***type*** i.e., manufacturing, trading & services; have also been studied. Another significant issue examined here is the level of implementation of the Indian Business Ventures Approved. The study then compares the magnitude of Indian Business Ventures Abroad and Foreign Business Ventures in India and complements it further with the analysis of export / import performance of India to draw conclusions on whether India is emerging as a global player or likely to become global market only. It has been suggested that there is a need for strategic shift to strengthen India's business ventures abroad to help India emerge as a global player.

The study is a descriptive one, based upon on secondary data, namely publications of Indian Investment Centre, related to India's joint ventures and subsidiaries abroad as well as foreign collaborations in India

5.5 The Overall Scenario

Indian business ventures abroad had been at a very low key in the pre-liberalisation era i.e., before 1991. As per the records available Tata Sons undertook the first business venture abroad in 1961 setting up a subsidiary. However, ***till 1991 there were only 75 WOS*** abroad approved (see table 1), confined primarily to two ***countries*** namely; U.S.A. (20), U.K. (18). The country-wise details of wholly owned subsidiaries in different years have been shown in exhibit 1.

The first joint venture was initiated in 1970. The number of ***JVs*** approved up to 1991, however, was ***substantially higher, at 244***. The joint ventures were concentrated, besides the above 2 countries, in Malaysia (22), Thailand (17), Srilanka (15), Nigeria (14), Singapore (14), Indonesia (13), Russia (13), Nepal (13), UAE (11), Kenya (10) also. The number of joint ventures in U.S.A. and U.K. having concentration of WOS as mentioned above, were 13 and 19 respectively.

The ***scenario changed dramatically*** in the post liberalisation era (see table 2). The number of WOS, approved during 1992-99 period, increased from 28 in 1992 to peak at 143 in 1996 and stabilised thereafter at around 120 subsidiaries per year, soaring again to 238 in 1999. ***Thus, the average number of WOS approved per year in post liberalisation era is twice of total number of WOS up to 1991 (the pre-liberalisaton era).*** The concentration of WOS (i.e., countries having 10 or more WOS) also spread from 2 countries to 14, with Singapore (114), Mauritius (81), Hongkong (36), Germany (33), UAE (27), Netherlands (24), Srilanka (20), Russia (18), Nepal (17), Switzerland (16), Malayesia (12), and Belgium (11) joining the favoured destinations of Indian business. The number of WOS approved during the period 1992-99, in the two major countries, which were significant in pre-liberalised era, also increased, with USA (293) and UK (156) having much larger number of WOS.

Table 1
Indian Business Ventures Abroad Over the Years (Up to 1999)

	Upto 1991	92	93	94	95	96	97	98	99	TOTAL
Wholly Owned Subsidiaries (WOS)	75	28	79	122	119	143	122	154	233	1075
Joint Ventures (JVs)	244	72	104	92	82	116	101	101	103	1015
Total	**319**	**100**	**183**	**214**	**201**	**259**	**223**	**255**	**336**	**2090**

The total number of JVs in the post- liberalised era too recorded an increase, from 72 in 1992 to peak at 116 in 1996 and stabilised thereafter at around 100 per year. The quantum was however, less then WOS. The number of ***JVs approved per year in the post- liberalised is almost half of the total number of JVs before in the entire pre-liberalisation period***. The concentration also spread from 12 to 19 countries, with Mauritius(24), Germany (22), Hongkong(21), S. Arabia(15)Bahrain (15), Netherlands (13), Australia (12) also getting more than 10 JVs. U.S.A.(119), U.K. (89), U.A.E. (79), Srilanka (69), Singapore (55), Malaysia (54), Nepal (53), Russia (36), Thailand (34), Indonesia ((21), Nigeria (19) and Kenya (14) also had increased numbers of JVs. (15),

The ***WOS and JVs*** approved up to 1999 have been mainly confined to 21 (see table 2) out of 103 countries, where India has business venture. Approximately 86% (926/1080) of the WOS and 77% (781/1015) of JVs approved have been concentrated in these countries.

5.6 Monetary Value of Business Ventures Abroad

The monetary value (equity participation) of Indian ventures abroad approved as in 1998 stand at U.S.$ 2006.37 (see table 3, comprising US$ 1182.64 million in the form of WOS and US$ 823.7 million through JVs (for details see exhibit 2). The table does not give details of the investments up to 1991, and between 1991 and 1995, as the data was not available to give an idea of impact of liberaliation.

It will be noted that while the investment has increased between 1996-97, it has tapered thereafter. The sharp rise in 1999 noticed is on account of single huge investment made in one WOS and JV each, in British Virgin Island and Iran respectively, which does not represent a general trend. This could also be interpreted as Indian business has started taking bold initiatives, though it is too early to draw any conclusion.

Table 2

Patterns of Partnership by Countries having more than 10 Subsidiaries or Joint Ventures (upto 1999)

Wholly Owned Subsidiaries (Nos.)										
Country	Upto 1991	92	93	94	95	96	97	98	99	Total
Australia	1						1		7	**9**
Bahrain	1					1				**2**
Belgium	3		1		1	3	3			**11**
Germany	5	2		6	3	5	1	2	8	**32**
Hongkong	3	2	3	10	4	2	4	3	5	**36**
Indonesia	1				1	1		1	2	**6**
Kenya			2					2		**4**
Malaysia	4				2	2	1	2	1	**12**
Mauritius		2	6	11	12	21	8	2	19	**81**
Nigeria						1	1			**2**
Nepal	1			2		2	3	4	5	**17**
Netherlands			4	3	1	3	5	2	6	**24**
Russia			5	5	4	2	2			**18**
Saudi Arabia										
Singapore	6	6	12	16	16	19	15	10	11	**111**
Srilanka	1	1		4	2	2	1	2	8	**21**
Switzerland	2		2	3	2	2	2	1	2	**16**
Thailand	2									**2**
U.K	18	6	13	22	23	24	20	12	36	**174**
U.S.A	20	8	20	26	30	35	36	53	93	**321**
UAE	1	1	1	3	4		6	3	8	**27**
Total	69	28	69	111	105	125	109	99	211	926

Joint Ventures (Nos.)										
Country	Upto 1991	92	93	94	95	96	97	98		Total
Australia	7					1	2	1	1	**12**
Bahrain	3	1	1	4	3	1		1	1	**15**
Belgium			5						2	**7**
Germany	4		5			3	2	2	6	**22**
Hongkong	5		4	3	3	2	2	2		**21**
Indonesia	13		1	3	1	1	2		2	**23**
Kenya	10					1		2	1	**14**
Malaysia	22	7	2	7	1	4	9	2	5	**59**
Mauritius	4	1	3	3	3	6	4	2	2	**28**
Nigeria	14		1		1	2	1			**19**
Nepal	13	3	5	6	3	4	5	9	5	**53**
Netherlands	2	1	1	1	2	1	2	1	2	**13**
Russia	13	5	7	3	7			1		**36**
Saudi Arabia	**5**	1	1	1	2	2		1	2	**15**
Singapore	14	5	6	8	4	3	7	6	2	**55**
Srilanka	15	8	5	6	4	12	8	6	5	**69**
Switzerland	1			1		1		2	1	**6**
Thailand	17	3	3		1	3	2		5	**34**
U.K	19	10	10	7	5	11	7	14	6	**89**
U.S.A	13	4	10	10	8	12	20	14	28	**119**
UAE	11	7	10	8	6	9	5	10	13	**79**
Total	205	56	80	71	54	79	78	76	89	788

Table 3
Indian Business Ventures Abroad

(U.S.$ miilion)

	Upto 95		97	98	99	**TOTAL**
Wholly Owned Subsidiaries (WOS)	158.65	135.60	153.73	85.39	649.26	1182. 63
Joint Ventures (JVs)	177.55	90.02	351.37	62.19	142.61	823.74
Total	**336.20**	**225.62**	**505.10**	**147.58**	**791.87**	**2006.37**

Another interesting feature is that the focus of Indian business is on U.S.A. and U.K. Comparatively there is very little focus on Europe, Japan and other South -east Asian countries. For example, Germany, France, Italy, Belgium, Switzerland, Sweden, Denmark, Norway, Austria etc. have very little Indian ventures. These are the countries from where India imports a lot and has very large number of technical collaborations. Is Indian business catering to Indians only, or is it on account of familiarity with those countries as a large number of Indians are settled there. If so, there is a need for major initiatives to support them in developing familiarity with these countries and there markets for Indian goods.

5.7 Preference of Mode by Countries

It will be observed that there is an apparent preference for the mode of business ventures abroad by country. Indian business has preference for putting up WOS in the developed countries and JV in the developing countries (see table 5). For example, with Egypt, Nigeria, Indonesia, Malaysia, Thailand, Russia, Uzbekistan, Bangladesh, Nepal, Srilanka, Bahrain, Oman, Saudi Arabia, UAE, India has more of JVs.

Table 4

Share of Different Countries in Indian Investment Abroad by Mode and Value

Wholly Owned Subsidiaries				Joint Ventures				Wholly Owned Sub.+ Jt. Ventures			
Country	% hare	Country	% hare	Country	% Share	Country	% hare	Country	% Share	Country	% hare
Britishvirgin Island	68.27%	Argentina	0.04%	Oman	18.32%	Zambia	0.27%	Britishvirgin Island	24.33%	Switzerland	0.23%
U.S.A	20.07%	Israel	0.04%	U.K	12.83%	Britishvirgin Island	0.26%	U.S.A	11.56%	Belgium	0.22%
U.K	18.69%	Uzbekistan	0.03%	U.S.A	11.64%	Germany	0.25%	U.K	11.52%	Tanzania	0.17%
Mauritius	10.65%	Maldives	0.03%	Iran	7.77%	Mexico	0.21%	Oman	6.98%	Uganda	0.16%
UAE	6.79%	Kenya	0.03%	UAE	6.90%	Australia	0.21%	UAE	5.04%	Myanmar	0.16%
Singapore	6.42%	Czeck	0.02%	Srilanka	4.36%	Tanzania	0.19%	Mauritius	4.06%	Greece	0.15%
Netherlands	6.28%	Ukraine	0.02%	Morocco	4.25%	Belgium	0.18%	Srilanka	3.19%	Turkey	0.13%
Austria	4.53%	Fiji	0.02%	Thailand	3.42%	Panama	0.18%	Singapore	3.18%	Nigeria	0.13%
Srilanka	4.30%	Namibia	0.02%	Senegal	3.09%	Hungary	0.17%	Iran	2.96%	Australia	0.13%
Hongkong	3.30%	Mozambique	0.01%	Uzbekistan	2.56%	Bahrain	0.16%	Netherlands	2.25%	Zambia	0.13%
Ireland	3.21%	Bishkekkyshan	0.01%	Singapore	2.37%	Zimbabwe	0.15%	Morocco	1.62%	Finland	0.12%
Nepal	1.70%	Bulgaria	0.01%	S.Africa	1.96%	Turkmeinistan	0.12%	Austria	1.61%	Kuwait	0.11%
Bermuda	1.69%	Nigeria	0.01%	Caymanisland	1.86%	Vietnam	0.09%	Thailand	1.31%	W.Indies	0.10%
Bahrain	1.20%	Kazakhastan	0.01%	Malayesia	1.69%	Ukraine	0.08%	Hongkong	1.28%	Mexico	0.08%
Luxemberg	1.03%	Thailand	0.01%	Bangladesh	1.66%	Switzerland	0.07%	Ireland	1.25%	Panama	0.07%
Cyprus	0.99%			Kenya	1.65%	Cyprus	0.07%	Nepal	1.19%	Vietnam	0.07%
Germany	0.97%			Nepal	1.54%	Canada	0.06%	Senegal	1.18%	Hungary	0.07%
China	0.95%			Liechteinstein	1.33%	S.Korea	0.06%	Uzbekistan	0.99%	Zimbabwe	0.06%
Malayesia	0.66%			Kazakhastan	1.22%	Tadjikztan	0.06%	Malayesia	0.88%	Canada	0.06%
Switzerland	0.56%			Indonesia	1.15%	Netherlands	0.05%	S.Africa	0.85%	Turkmeinistan	0.05%
Belgium	0.43%			Jordan	1.06%	Sychelles	0.04%	China	0.74%	Channel Island	0.04%
Russia	0.42%			Israel	1.05%	Bahamas	0.04%	Caymanisland	0.71%	Ukraine	0.04%
Turkey	0.38%			China	1.05%	Liberia	0.04%	Bangladesh	0.66%	Sweden	0.04%
Tanzania	0.29%			Saudi Arabia	0.98%	Latvia	0.04%	Kenya	0.64%	Poland	0.03%
Japan	0.28%			Russia	0.83%	Georgia	0.03%	Bermuda	0.60%	S.Korea	0.02%
S.Africa	0.28%			Jersey island	0.77%	Channel Island	0.03%	Liechteinstein	0.51%	Tadjikztan	0.02%
Brazil	0.15%			Mauritius	0.74%	Azerbaizan	0.03%	Indonesia	0.49%	Maldives	0.02%
Indonesia	0.14%			Italy	0.68%	Yugoslavia	0.03%	Bahrain	0.48%	Belize	0.02%
Egypt	0.14%			Krygystan	0.65%	Botswana	0.02%	Kazakhastan	0.47%	France	0.02%
Australia	0.14%			Egypt	0.61%	Poland	0.02%	Russia	0.46%	Bahamas	0.02%
Channel Island	0.10%			Brazil	0.59%	Maldives	0.02%	Germany	0.44%	Sychelles	0.02%
Uganda	0.09%			Columbia	0.52%	Phillippines	0.02%	Israel	0.41%	Liberia	0.01%
Vietnam	0.09%			Japan	0.43%	Sweden	0.02%	Jordan	0.40%	Latvia	0.01%
Canada	0.09%			Myanmar	0.41%	Spain	0.02%	Cyprus	0.38%	Georgia	0.01%
Sweden	0.08%			Greece	0.40%	Turkey	0.01%	Saudi Arabia	0.38%	Azerbaizan	0.01%
Bangladesh	0.08%			Nigeria	0.34%	Belorussia	0.01%	Luxemberg	0.37%	Yugoslavia	0.01%
Zambia	0.07%			Uganda	0.33%	Guyana	0.01%	Jersey island	0.31%	Botswana	0.01%
Krygystan	0.07%			Finland	0.32%			Egypt	0.28%	Czeck	0.01%
Belize	0.05%			Ireland	0.29%			Brazil	0.28%	Fiji	0.01%
France	0.05%			Hongkong	0.28%			Krygystan	0.27%	Phillippines	0.01%
Poland	0.05%			Kuwait	0.28%			Japan	0.26%	Namibia	0.01%
Jersey island	0.04%			W.Indies	0.27%			Italy	0.26%	Spain	0.01%

Table 5
Preference by Country (No. of Business Ventures > 10)

COUNTRY	WOS+JV	RANK	COUNTRY	WOS+ JV	RANK
U.S.A	440	1	Thailand	34	12
U.K	263	2	Bangladesh	24	13
Singapore	156	3	Indonesia	21	14
Mauritius	109	4	Nigeria	19	15
UAE	106	5	Uzbekistan	18	16
Srilanka	90	6	Bahrain	15	17
Nepal	70	7	Saudi Arabia	15	18
Hongkong	57	8	Kenya	14	19
Germany	54	9	Australia	12	20
Netherlands	37	10	Oman	12	21
Malaysia	34	11	Others	10	22

Table 5(a)
Preference of Mode WOS

COUNTRY	WOS	RANK	COUNTRY	WOS	RANK
U.S.A	321	1	UAE	27	8
U.K	174	2	Srilanka	21	9
Singapore	111	3	Russia	18	10
Mauritius	81	4	Nepal	17	11
Hongkong	36	5	Switzerland	16	12
Germany	32	6	Malaysia	12	13
Netherlands	24	7	Belgium	11	14

Table 5(b)
Preference of Mode JV

COUNTRY	JV	RANK	COUNTRY	JV	RANK
U.S.A	119	1	Hongkong	21	12
U.K	89	2	Indonesia	21	13
UAE	79	3	Nigeria	19	14
Srilanka	69	4	Uzbekistan	18	15
Singapore	55	5	Bahrain	15	16
Malaysia	54	6	Saudi Arabia	15	17
Nepal	53	7	Kenya	14	18
Thailand	34	8	Netherlands	13	19
Mauritius	28	9	Australia	12	20
Bangladesh	24	10	Oman	12	21
Germany	22	11	Others	10	22

On the other hand in Austria, Belgium, Germany, Netherlands, Switzerland, it has more of WOS. In the countries, where it has gone for both the routes heavily; namely, Malaysia, Mauritius, USA, Hongkong, Singapore, Germany, Netherlands, Russia, UK, Srilanka & UAE, there too is preponderance of WOS, except Malaysia, Russia, Srilanka and U.A.E. where a preponderance of JVs is observed. In monetary terms too, the same pattern is observed as shown in table 6

In a nutshell; there is a preference towards subsidiary form in the developed countries and joint ventured form in the developing countries.

Table 6
Countries having More than 1% Share in Total Investment

	WOS	JVs	Total
Developed Countries	9	4	13
Developing Countries	6	19	25
Total	15	23	38

There could be several reasons for this behaviour. The developed countries may have comparatively more liberal policies for putting subsidiaries of small size. The Indian venturists may be finding it more risky to do business in developing countries, hence opting for joint ventures. The nature of business may also be influencing. The decision for trading and services may not be so much welcome by the developing countries as the developed countries. The secondary data available however does not provide answer to such questions.

5.8 Business Ventures in Operation and Under Implementation

It would be in order at this stage to clarify that the discussion here so far has been based upon the number of foreign collaboration approved and not actually operational. Table 7 gives the status of WOS and JV as in 1995. The data for the subsequent period was not available.

Table 7
Status of WOS and JVs Approved in various years (as in December 1995)

Status	Year																
	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	Total
JVs in Opera -tion	78	12	9	7	5	3	4	6	8	6	13	2	14	12	4	1	106
JVs Under Imple menta tion	2	3	-	-	2	3	1	3	-	10	17	29	57	97	98	86	405
WOS In Opera -tion	13	-	3	4	4	2	2	7	3	4	1	1	11	7	7	5	74
WOS Under Imple menta tion	-	-	-	-	-	1	-	4	-	-	3	12	17	75	115	115	346

The data shows that there were only about 26% (106/405) of JVs approved and 21.4% (74/346) of WOS approved, which were in operation in 1995. The data is not available for the period after 1995. The data indicates that there are still certain difficulties in setting up business ventures abroad, be it WOS or JV, especially the latter. Although one would agree that there is a gestation period involved, but it should not be to the tune of 4 years or more for those WOS and JVs, which are more of trading and service oriented (see details in the subsequent section), rather than manufacturing units which involve longer gestation period. The issues needs a closure examination as there could be other non business reasons also responsible for the Indian business firms to seek approval for business ventures abroad, but not completing implementation.

5.9 Nature of Business by WOSs and JVs

The business ventures could be of various types. These are broadly classified here in five categories; namely, manufacturing, trading, service, software development and others like construction, film making etc. The software development could be classified in the service category. However, it has been taken out as a separate category because it formed a significant number in the recently year. The classification is attempted here for data during 1996 onwards. This is so because the WTO agreement on services was signed in 1996 that could give impetus to service business. The trends in the nature of JVs and WOSs are depicted in table 8.

Table 8a
Nature of Activities of Indian Business Ventures Abroad

Nature of Activity	Up to 1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Manufacturing	99	6	31	29	29	13	70	75	32	39
Trading	56	17	36	87	116	88	89	72	96	132
Services	59	7	19	28	33	30	44	38	38	46
Software	8	4	7	15	21	27	38	39	53	118
Others	14	-	4	3	9	1	3	-	-	8
Total	236	134	97	163	208	159	241	224	219	343

Table 8b
Nature of Activities of Indian Business Ventures Abroad (WOS)

Nature of Activity	Up to 1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Manufacturing	4	1	4	-	9	4	14	22	10	22
Trading	27	7	14	32	73	33	62	55	58	95
Services	13	3	1	7	11	14	22	16	19	30
Software	3	1	4	11	16	24	31	29	43	89
Others	1	-		1	-	-	3	-	-	2
Total	48	12	23	51	109	75	1323	122	130	238

Table 8c
Nature of Activities of Indian Business Ventures Abroad (JVs)

Nature of Activity	Up to 1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Manufacturing	95	5	27	29	20	9	53	53	22	17
Trading	29	10	22	55	43	55	29	17	48	37
Services	46	4	18	22	22	16	22	22	19	16
Software	5	3	3	4	5	3	7	10	10	29
Others	13	0	4	2	9	1	-	-	-	6
Total	188	22	74	112	99	84	109	102	99	105

5.10 Ventures Abroad by the Corporate Leaders

The total number of ventures has increased to 2368 by the year 2001. Further investigations undertaken in this study based upon the revised number (2368), reveal that of the above mentioned total number of ventures, the number of ventures undertaken by the 399 listed companies in the CMIE database (PROWESS) was only 909 as shown in table 9. It will also be noted that among the Top 1000 leaders i.e., companies having sales more than 125 crores in the year 2000, there are only 74 companies that have 3 or more business ventures abroad and only 153 companies, which have 2 or more ventures. Only 12 companies have 10 or more business ventures abroad.

Table 9
Corporate Leader's Venturing Abroad

Total No.of Business Ventures Abroad	Total No. of Cos. having Business Ventures Abroad	No. of Companies among Top 1000	Other Smaller Companies	Cumulative Frequency Distribution of Ventures	
1	171	74	104	1+	909
2	154	77	77	2+	738
3	25	25	-	3+	430
4	17	17	-	4+	355
5	6	6	-	5+	287
6	6	6	-	6+	257
7	2	2	-	7+	221
8	4	4	-	8+	207
9	2	2	-	9+	175
10	2	2	-	10+	157
11	3	3	-	11+	137
12	3	3	-	12+	104
15	2	2	-	15+	68
18	1	1	-	18+	38
20	1	1	-	20+	20
909	**399**	**218**	**181**		

A more disturbing feature is the role so far played by the corporate leaders. The analysis shows (see table 10)that among the Top 100 leaders, with sales mores than Rs. 1677 crores in the year 2000, only 16 had 3 or more ventures abroad. Among the Top 500 industry leaders, having sales over Rs. 300 crores, only 74 companies had 3 or more ventures. There is no other company that has 3 or more ventures abroad. Similarly, the number of corporate leaders having 2 or more ventures was only 6 among the Top 100, 32 among the Top 500, and 55 among the Top 1000 companies.

Table 10
Industry Leaders with Business Ventures Abroad

No. of Business Ventures Abroad	Top 100 (# of Cos.)	Top 101-500 (# of Cos.)	Top 501-1000 (# of Cos.)	Top 1001-1740 (# of Cos.)	Total (# of Cos.)	Smaller Cos. (# of Cos.)
≥ 3	16	58	-	-	74	-
2	6	26	23	22	77	77
1	2	20	34	11	67	104
Total	24	104	57	33	218	181

Even if one considers one venture only, the number of companies having some ventures abroad is only 24 (24%) among Top 100, 128 (26%) among Top 500, and 185 (19%) among the Top1000. These 218 corporate leaders have 651 ventures abroad. Thus, 258 out of 909 ventures are from 181 small companies with less than Rs. 50 crores sales in the year 2000. Further, a large number of ventures 1459 (2368-909) are from small private enterprises (not found in PROWESS database), which could not be expected to have very strong muscle to sustain business abroad. As pointed out in the study, many of these are small trading or software enterprises firms (10), who need enormous nurturing, rather than manufacturing giants, a pattern that is opposite to that in the case of developed countries

It will thus be noticed that a ***preponderance of corporate leaders in India are still not imbibing globalisation philosophy (by venturing abroad) and making global operations as an integral part of their corporate strategy.*** Considering that it is only the number of ventures approved (and not those which are actually implemented), one tends to conclude that not much effort have been made by the industry leaders to make India a global player, at least not as much as the effort made by the international giants for entering the Indian market.

5.11 Indian Business Ventures Abroad and Foreign Collaborations in India

Table 11 gives a comparative picture of Indian Business Venture Abroad and Foreign Collaborations in India in the pre and post- liberalisation era (10). From the table it will be observed that the number of Foreign Collaboration (i.e. foreign business ventures in India) in the post liberalisation era have increased at much faster rate than in the pre-liberalisation era. ***The total number of Foreign Collaborations approved during the 7-year period from 1992-99 (15836) is almost as many as the total number of foreign collaborations in the 40-year period between1951-91.***

The number of foreign collaborations in the pre-liberalisation era, on the whole were approximately 53 times (16836/319) the number of Indian business ventures abroad.

This ratio has reduced to 15 times (32672/2103) in the post liberalised era. ***However, it is still a long way to go.*** The gap is still very large in terms of number of business venture and is still widening, although at somewhat reduced rate. In a nutshell it can be said that though liberalisation and globalisation policies have given an impetus to the Indian business moving out to become a global player. ***However, the country has not benefited, at least so far. The opening of India economy has helped foreigners getting into India more than Indian business getting global in true sense***

Table 11
Indian Business Ventures Abroad and Foreign Collaborations in India

	Upto 1991	'92	'93	'94	'95	'96	'97	'98	'99	Total Upto 1999
Foreign Collaboration in India	16836	1531	1476	1854	2337	2303	2325	1786	2224	32672
Indian JV Abroad	244	72	104	92	82	116	101	101	111	1023
Indian Wholly Owned Subsidiaries Abroad	75	28	79	122	119	143	122	154	238	1080
Total Indian Business Ventures Abroad	319	100	183	214	201	259	223	255	349	2103

The above findings when seen in conjunction with the export import ratio of India, gives an idea in totality about how well India is progressing towards achievement of globalisation objectives.

The export import ratio of India for the period 1971-2000 has been shown in table 10. It will be observed from the table that the export/ import ratio has taken a U- turn in 1995-2000 period. A detailed analysis will show that the country is having an increasingly large trade and services deficit, which being funded by borrowings and change in the portfolio of borrowing from short term to long terms, whose incidence is not being felt today but will bite in the future. ***The stage seems to be setting for India becoming a global market rather than emerging as a global player.***

Table 12

India's Foreign Trade (1971-2000)

Year	Export	Import	Net	Export/ Import Ratio (%)	Year	Export	Import	Net	Export/ Import Ratio (%)
1970-71	2047	2179	-132	94	1985-86	8905	16067	-7162	55
1971-72	2161	2453	-292	88	1986-87	9745	15727	-5982	62
1972-73	2566	2431	135	106	1987-88	12088	17156	-5068	70
1973-74	3239	3793	-554	85	1988-89	13970	19497	-5527	72
1974-75	3835	5206	-1371	74	1989-90	16626	21272	-4646	78
1975-76	4501	5863	-1362	77	1990-91	18145	24073	-5928	75
1976-77	5726	5650	76	101	1991-92	17866	19411	-1545	92
1977-78	6296	7008	-712	90	1992-93	18537	21882	-3345	85
1978-79	6958	8275	-1317	84	1993-94	22238	23306	-1068	95
1979-80	7924	11287	-3363	70	1994-95	26331	28654	-2323	92
1980-81	8486	15868	-7382	53	1995-96	31797	36678	-4881	87
1981-82	8704	15173	-6469	57	1996-97	33106	38548	-5442	86
1982-83	9108	14788	-5680	62	1997-98	35680	51187	-15507	70
1983-84	9449	15311	-5862	62	1998-99	34298	47544	-13246	72
1984-85	9878	14412	-4534	69	1999-2000	38285	55383	-17098	69

5.12 Research and Policy Issues

Although a country like India can't bank heavily upon globalization of Indian business (inwards and outwards) for solving domestic economic issues, unemployment problem and prosperity of masses***. But, it has to attain certain level of globalization necessary to support at least essential imports and to correct imbalances in Balance of Trade and Balance of Payment. Globalisation in the form of business ventures abroad is also necessary to have a first hand feel of the global markets, supplier base and cultures***.

Table 13
Corporate Leader's Venturing Abroad and Foreign Collaboration

Total No. of Business Ventures Abroad				Foreign Collaborations between 1992-2000	
No.of Ventures	No. of Cos.	Cumulative Frequency	Distribution of Ventures	No. of Collaborations	No. of Companies
1	171	1+	909	1	73
2	154	2+	738	2	42
3	25	3+	430	3	29
4	17	4+	355	4	21
5	6	5+	287	5	20
6	6	6+	257	6	13
7	2	7+	221	7	12
8	4	8+	207	8	6
9	2	9+	175	9	10
10	2	10+	157	10	6
11	3	11+	137	11	5
12	3	12+	104	12	1
				13	3
				14	3
15	2	15+	68	15	3
				16	1
				17	2
18	1	18+	38	18	3
				19	1
20	1	20+	20	20	
				23	1
				24	1
				27	3
				28	1
				29	1
				36	1
				38	1

				60	1
				71	1
				74	1

The findings of the study raise certain important issues for consideration for the policy makers, researchers and industry professional. The analysis here indicates that the total number of Indian business ventures abroad approved is growing**. *At the same time the data indicates that enormous delay in implementation or mortality rate may be high. Up to 1995 only about 24% of the ventures approved were implemented***. An analysis is required for the subsequent period, which could not be done due to paucity of data.

The patterns might have changed somewhat between 1995 and 1999, but it can not be said on the basis of data available that any radical change in situation would have taken place. ***It is, therefore, necessary to study the reasons for the delays in implementation: what are the problems, difficulties, roadblocks that are being faced by the Indian business, to come out with concrete policy and strategic interventions.***

It has also been observed that Indian business, both WOS and JVs modes ***are heavily concentrated in USA and U.K. What could be reasons for it? Will it be desirable to concentrate only on these countries and ignore others, especially the European and ASEAN countries***. There is also a ***need for a study on the issues of "preferred destinations", whether it is happening by default or by design*** and what policy and strategic interventions are needed to effect necessary modifications for aligning Indian Business Ventures Abroad with the significant developments in the world trade.

The study also indicates that there is ***wide difference between the Indian Business Ventures Abroad and Foreign Business Ventures in India***. The analysis is limited to the number of ventures only. There is a need to cover monetary value also in due course. However, it is not difficult to see that there is a ***serious imbalance between the Indian Business Ventures Abroad and Foreign Business Ventures in India***. There is need to ***critically reexamine the policies of globalisation.*** If the purpose of globalisation was to see India emerging as a ***global player, the data indicates that things are shaping up in reverse way.*** It is necessary that the ***objectives of globalisation be made emphatic and clear, and suitable mechanism for monitoring the progress on globalisation is developed.*** Such an exercise is imperative instead of allowing a laissez-faire attitude to prevail, if India has to derive the benefits of globalisation.

Industry and policy makers need scholarly support in terms of extensive and in-depth studies to understand what else holds Indian business to go global and be a key player. In the last one decade, the government has introduced many policy reforms like liberal policies on investment and movement of natural persons etc. to encourage firms to go for foreign venture. But the activity has not picked up as much as expected, is limited to few sectors and not commensurate wit the levels foreign ventures in India. What can be done to push the globalization agenda and efforts? What are the problems, difficulties and roadblocks still being experienced? Is there any lack of competitive skills? If so, what are they? Or, there are more fundamental issues of lack of desire or mindsets of remaining a domestic player? These are some critical issues that need closer examination for offering remedial measures.

Another issue that needs immediate examination is whether the ***strategies of globalization of Indian business have to be different from those of MNCs from the developed countries, in the face of high costs of international operations and adverse foreign exchange ratios vis-à-vis developed countries***. ***India looks that perhaps has to proceed through strategic alliances among the domestic players to share the costs and information about the foreign markets.*** This difference in strategic approaches must be appreciated to make any headway. The efficacy of such strategies needs to be closely examined and the modalities for operationalising the strategy have to be thought through. ***Following the approaches of MNCs from the developed countries may not work and may indeed prove to be counter productive.***

It is also necessary to accept and realize that opening of economy without developing necessary competencies to have two-way, balanced trade at equal pedestal is not sustainable in the long term without compromising on national sovereignty. This ***mutuality aspect is not being fully realized at the micro and macro levels. Nor it is being appreciated by the developed countries, although the WTO has this underlying principle of negotiations.***

5.13 Conclusions

This paper examines the patterns of ***India Business Ventures Abroad***, both in the form of subsidiaries and joint ventures over a period of 50 years since independence. The analysis reveals that although ***there has been a significant increase in the activity***. The ventures, however, have ***been concentrated to only a few, about a dozen, countries***. The study also shows that there is a ***noticeable preference towards subsidiary mode of operation***. Further, there are country-wise patterns of preferences towards use of joint ventures and subsidiary modes. The study also reveals that ***there is a significant shift in the mix of activities***, tilting from high risk manufacturing to low risk trading and software development. It is also observed that there is a ***wide gap between the number of ventures approved and actually implemented***. A comparison has also been drawn between Indian Business Ventures Abroad and the Foreign Business Ventures in India during the pre and the post-liberalisation era. This is complemented with the patterns of export/ import ratio in the respective periods. The two together indicate that the reforms in economic policies undertaken so far seems to be leading to India fast becoming a global market rather than emerging as a global player. The paper then suggests that there is a need for intensive studies for developing policy and strategic interventions to strengthen India's business ventures abroad and to help India emerge as a global player.

5.14 References

1. Ranganathan, K.V. "Indian Joint Ventures Abroad", New Delhi (1986) Institute for Studies in Industrial Development (http://.isidev.delhi.nic.in)
2. **Competing Globally**, New Delhi (1994) Allied Publishers
3. Morris, Sebastian, Foreign Direct Investment from India 1964-83, Fellow Programme Dissertation, Calcutta (1988), Indian Institute of Management
4. Morris, Sebastian, **Study of Indian Joint Ventures Abroad**, Hyderabad (1990), Institute of Public Enterprises
5. Ranganathan, K.V**. *op.cit.***
6. **Innovative Leaders in Globalisation,** (1999) World Economic Forum, Geneva
7. Goyal Arun & Noor Mohammed; **WTO in the New Millenium** (New Delhi) Academy of Business Studies, (4th Ed.) January 2000
8. Goyal Arun & Noor Mohammed; **WTO in the New Millenium** (New Delhi) Academy of Business Studies, (4th Ed.) January 2000 pp. XXVIII- XXIX.

9. Reserve Bank of India, “Monthly Bulletins”; Centre for Monitoring India Economy, Monthly Reviews.
10. Kumar, Krishna; “Foreign Collaborations in India”, WP No. 2002/ 14, Indian Institute of Management, Lucknow