

Foreign technology and Indian business

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Abstract

The discussion segment of this paper emphasises that there is great scope of foreign technology in India by the use of which the industrial sector can grow in the wonderful way. Foreign technology has the great impact on indigenous industries. A business firm that wants to be successful at global level needs to be familiar with the new business trends at international level. Modern business is largely based on latest technology. Import of technology is a very important feature of foreign technology.

Keywords: Foreign Technology, Foreign Direct Investment, Foreign Technology Collaborations

Introduction

Foreign technology has great importance in the modern competitive business environment. The concept of globalisation has created new opportunities for international business. A business firm that wants to be successful at global level needs to be familiar with the new business trends at international level. Modern business is largely based on latest technology. Many Indian firms are doing internal business very well at international level. The importance of foreign technology cannot be ignored in Indian business in today's scenario. Technology facilitates the business organisations to develop new business practices for attaining better performance.

Foreign technology can be understood as the sharing of the technology of another country for the growth of indigenous knowledge. Import of technology is a very important feature of foreign technology. The indigenous firms in various ways such as Collaborations of Technology, Foreign Direct Investment (FDI), Joint ventures, Contract of Technology, Licensing, Technology Franchising and Strategic Alliances etc. can use foreign technology. Foreign technology enhances the level of technological application in indigenous industry with the benefit of dynamic business approach.

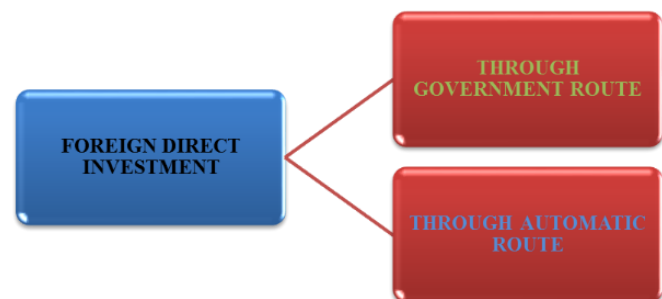
Research Methodology

Present paper includes three main parts of the paper. First part is based on introduction and meaning of foreign technology. Medium part of the study describes the status of foreign technology in India with respect to its magnitude in Indian Industry. Ending part of this paper represents the discussion based on the nature and scope of the study. For drawing the inferences in this paper, the secondary data have been used which is the main limitation of this study.

Status of Foreign Technology in India

Government of India adopted the process of liberalisation in 1991. Liberalisation process has facilitated the import of technology in a significant manner. Many Indian firms are using foreign technology for the expansion of their business. Foreign direct investment (FDI) is the main source of foreign technology in the country. Foreign investors invest this capital

directly in the industry. FDI is also known as portfolio investment, overseas investment and rentier investment. Foreign direct investment has two routes namely, the Government route and automatic route.



FDI is considered under the category of Government Route requires permission of the Government. The overseas investor can obtain the permission for the investment from the Foreign Investment Promotion Board (FIPB). Automatic route of FDI does not require prior permission of the Central Government. Another source of foreign technology includes the portfolio investment. Following table reflects the foreign investment trends in India.

Table 1: Foreign Investment in India (Rs. In Crore)

Year	Foreign Direct Investment (Inward FDI)	Portfolio Investment (Net)
2000-01	18404	11820
2009-10	157819	153967
2010-11	132358	139381
2011-12	154961	85571
2012-13	146954	146467
2013-14 PR	186830	29680
2014-15 P	215893	257853
2015-16 (Apr.-Sept.) P	126142	-56472

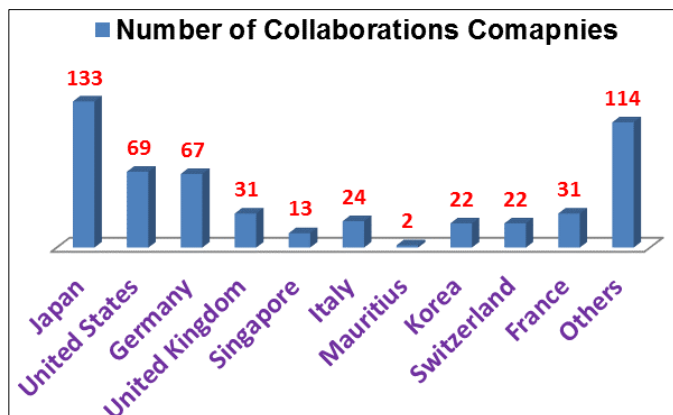
P: Preliminary, PR: Partially Revised

Source: Economic Survey, 2015-16

The Table 1 is reflecting that the major increase in the foreign direct investment has been perceived by the economy of India

since the year 2001-02. A large chunk of foreign investment was received in the country in the year 2014-15, which shows that the foreign investors are taking interest in the Indian economy.

Foreign technology from the advanced countries facilitates the latest and more developed knowledge in the area of technological aspects. The transfer of technology from abroad helps the research and development activities of the Indian organisations in various sectors. Figure 1 reflects the viewpoint of different countries for which the Indian companies have entered the foreign technological agreements.



Source: Tenth Round of Survey on Foreign Collaboration in Indian Industry, 2012-13 & 2013-14, Reserve Bank of India

Fig 1: Country-Wise Distribution of Agreements of Foreign Technology Collaboration Companies

The above figure demonstrates that Indian companies have signed the maximum foreign technology collaborations with Japan, United States and Germany. The collaboration with these developed economies will be useful for the expansion of indigenous technology in the sophisticated manner.

Foreign technology can help the economic development by playing a positive role in the technologically backward developing nations. Government of India has adopted various promotional measures for importing the foreign technology so that indigenous firms can take the advantage of foreign technical expertise. Various encouraging measures have been taken by the Government of India for promoting the foreign direct investment in the country in the various sectors like public sector oil refineries, telecom, defence, power exchanges, stock exchanges and other sectors. Union budget of 2016-17 has proposed the reforms in the FDI policy in the area of asset reconstruction companies, insurance, pensions and stock exchanges etc. Now foreign institutional investment can be increased in the private banking sector up to 74 percent.

Discussion

Foreign technology has very important role in giving the boost to Indian industrial sector. Indian small scale sector is suffering a lot of competition from the Chinese industries due to lack of latest technology and expertise. In India the import and use of foreign technology is limited due to monopoly of public sector in dominant areas. The usage of foreign technology should be promoted in small as well as other important industrial areas. In 1994, Government presented the bill of Foreign Exchange Management Act (FEMA) in the Parliament by considering the new age requirements of the international trade. Before that,

Foreign Exchange Regulation Act was regulating the foreign exchange matters. The Foreign Exchange Management Act (FEMA), 1999 on June 1, 2000, replaced Foreign Exchange Regulation Act (FERA). “FEMA” is playing important role for encouraging foreign investments. Mr. Arvind Sethi, MD and CEO of TATA Asset Management has pointed out that India is among the few markets where interest rates are expected to drop with fair visibility that would attract flow from Foreign Institutional Investors. There is great scope of foreign technology in India by the use of which the industrial sector can grow in the wonderful way.

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