

# Industrialisation agenda: The Case Study of India

India's economic reform began in the 1990's and was as a result of severe political instability that caused internal and external economic difficulties.

As a result, the country initiated radical reforms aiming at changing India's economic landscape to attract foreign investments and gain access to global markets. The key objectives were geared to facilitate transformation of the Indian economy into a 'market-based economy synchronised with the global economic system.

The strategy was focused on maximisation of foreign direct investment by means of favourable industrial policy offered to foreign investors and Indian companies seeking joint ventures operations. As a result of economic policy changes, India has made its mark on the global entrepreneurial scene, playing a significant role in global software development.

Strategic technological entrepreneurship

After Independence in 1947, India heavily depended on imported technology to stimulate trade and industrialisation.

Between 1948 and 1958, the Indian Government formulated many industrial policies to drive industrialisation and economic independence — with little success.

In the 1990s, the import-substitution policy led to awakening India's industrial revolution, whereby Indians were forced to start their own manufacturing facilities to remain sustainable.

In 1968, India established the India Institute of Technology, which was based on the model of the Massachusetts Institute of Technology. Thereafter, many re-



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search and engineering institutes were established to support industrialisation in various regions of the country.

Furthermore, the technology policy of 1993 developed a better system of interaction between the government and the private industrial sector.

After the technology policy, India recorded significant growth in the information technology and communication industries.

### TECHNOLOGICAL INNOVATIONS

From 2000, India has progressively gained footholds in technological innovations and providing outsourcing software solutions to the global markets, especially to US companies. Bangalore, also known as the Silicon Valley of India, has become the centre of high-tech business and industrialisation.

To diversify industrialisation strategy and to address poverty and food production and energy issues, India has started investing in research of biotechnology applications in medicine and agriculture and research of renewable energy sources.

It is the eighth largest investor in Research and Development activities, according to the Organisation for Economic Cooperation and Development in its working report of 2008 entitled, India's National System: Key Elements and Cooperate Perspectives.

Lately, India is researching the convergence of bio-informat-

### SUCCESS FACTORS IN INDUSTRIALISATION TRENDS

**Competitive higher education with a focus on technological and scientific specialities, which has given India the competitive edge in knowledge-driven service industries such as the outsourcing of software processing;**

**The establishment of a Ministry of Science and Technology in the late 1980s; a change in the of industrialisation policies of the 1990s; and government led economic reforms afterwards, which stimulated FDIs and joint-ventures engagements;**

**Exploitation of competitive dynamics of the Information and communication technology sector and the software industries which led to the offering of competitive outsourcing services globally and boosting national foreign currency reserves;**

**The competitive application of technology and innovation as drivers of national industrialisation and economic growth.**

ics and nanotechnologies as applications in the pharmaceutical industry.

To use industrialisation as the platform for economic growth, India is shifting its economy from services to manufacturing, accelerating growth rate.

With a technological balance between services and manufacturing; and intensive R&D activities, India will not only remain competitive in global markets, but also address its domestic issues like poverty and food production.

### ENTREPRENEURSHIP

Financing technological entrepreneurship Although India's national savings are low compared to other emerging economies like China, it compensates for lack of savings with its natural affinity for entrepreneurship in the population.

India is second among all nations in Total Entrepreneurship Activity as per Global Entrepreneurship Monitor Report 2002.

Also after economic reforms in 1990s, Foreign Direct Investments started significantly trickling into the economy.

In addition, outsourcing contracts became another source of financing industrialisation especially in the information and communication industries.

Even though in outsourcing arrangement the intellectual property of the contractual work belongs to the foreign companies, the innovation and ability in

the execution skills of contracts spread and penetrate into other local industries, broadening the base of industrialisation.

According to the Goldman Sachs report 2008 'Dreaming the BRICS' (Brazil, Russia, India, and China), India could be one of the world's most dominant economies by 2050.

The comparatively soaring Indian stock market has demonstrated an extraordinary level of confidence in the country's economic potential.

Development of human capital for industrialisation Education in India at all levels is overseen by the Ministry of Human Resource Development.

It is a highly subsidised system. Universal compulsory primary education has strived to keep poor children in school, but it has not been able to maintain a high quality of education at primary school level.

The Indian education system is essentially suffering from basic problems of 'outreach' and 'quality' at the primary school level.

There is a deliberate focus on high school education, where there is an opportunity for specialisation geared towards science and technology education and skills.

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## Bharti & MTN work on finalising deal, issues linger

MUMBAI

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India's Bharti Airtel and South Africa's MTN hope to finalise by mid this month a deal that could lead to a full merger, with the Indian firm adding another adviser and getting closer to lining up loans, three sources said.

The telecoms firms have extended exclusive talks until the end of September, and the sources said a proposal could be ready to be placed before shareholders and regulators before then.

Unresolved differences over valuation and management rights

are still a risk, even as a broader consensus on the need for a sweetener from Bharti and other structures has emerged.

In a sign that the talks, announced in late May and extended twice, may be gathering momentum, Bharti has shortlisted eight banks for a five-year offshore loan of up to \$4 billion (Sh304 billion), Reuters Basis Point reported.

Standard Chartered, ANZ, Barclays Capital, Bank of Tokyo-Mitsubishi UFJ, BNP Paribas,

Citigroup, DBS, and State Bank of India are the lenders on the short list, Basis Point said. Bharti has also hired Barclays recently as a co-adviser on the deal, alongside Standard Chartered, banking sources said. Deutsche Bank and Bank of America Merrill Lynch are advising MTN on the deal.

### PROGRESS SO FAR

In another possible sign of progress, Bharti Chairman Sunil Mittal and MTN Group Chief Ex-

ecutive Phuthuma Nhleko met the Indian finance minister and corporate affairs minister earlier this week, officials said. "Things are falling into place. Broad consensus is emerging on valuation and management sharing. Now we need to clear up the finer points," one source with direct knowledge of the deal said. A Bharti spokesman said the firm would not comment on anything beyond the statements it has issued.

Under the deal, MTN and its shareholders would take a 36 percent economic interest in Bharti by paying cash and stock, and the

Indian firm would pay cash and issue global depositary receipts (GDRs) to end up with 49 percent of MTN. "A sweetener is most likely but it is not going to be big," one source said.

Earlier, a source familiar with the negotiations had told Reuters that Bharti might increase its offer by between five and 10 per cent.

The room to drastically alter the terms of the deal was weakening, the source said, as the South African rand has appreciated against the dollar since the transactions was announced, making the deal costlier for Bharti. —Reuters