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# **IMPACT OF GLOBALISATION ON INDIAN BUSINESS LAWS**

AUTHORED BY- RISHIKA VAISHALIK

## **ABSTRACT**

The impact of globalization on Indian business laws is profound as well as multifaceted. Evolution of Indian business laws in response to globalization and important legal reforms, policy changes and international agreements that have influenced the law are examined in this study. Trade liberalization measures such as enabling foreign direct investment (FDI) and signing trade agreements have brought several changes to the regulatory framework of India. Even corporate governance practices and regulatory bodies have been influenced by globalisation thereby affecting areas such as securities markets, investor protection among others. Nevertheless, there are still barriers such as regulatory compliance, intellectual property rights and labour laws.

This study also argues that through case studies and examples the viable practical implications of globalisation on Indian businesses' legal environment can be highlighted. In addition, perspectives will be provided for overcoming these issues including those associated with the changing global economy going forward. Policymakers, businesses and legal practitioners need to pay attention to how globalization affects Indian business laws so that they can deal with the intricacies involved in international trade and investment.

**Key words:** Globalization; Indian business law; Liberalization; FDI

## **INTRODUCTION**

Globalization has become a defining power in today's world, fundamentally changing the dynamics of global economies, communities and jurisdictions. In the context of India, globalization has made significant inroads into various aspects of business laws that have reshaped regulatory frameworks, influenced policy decisions and disrupted traditional practices. This introductory part attempts to define globalization, describe how it impacts on Indian business laws by examining its economic and technological facets.

Globalization is a process of unity between countries achieved through developments in technology and means of transport that has enhanced integration of societies. It incorporates economies, cultures and societies leading to increased movements of goods, services capital information and people across national borders. While globalization often relates to economic aspects such as liberalization of trade as well as flows of investments; its impact transcends beyond the economic sector into areas like cultural exchange, diffusion of technology as well as societal metamorphoses.<sup>1</sup>

Fundamentally, globalization is a product of economic phenomena characterized by liberalization in terms of international trade and investment barriers, the rise of global supplies chains, and growth of multinational corporations (MNCs). In India, economical globalization started picked up pace when economic reforms were initiated in 1990s whose objective was to make the Indian economy part of the global market. These reforms which came to be known as Liberalization Privatization Globalization (LPG) consisted in removing trade barriers, deregulating industries and opening up the economy to foreign investors.

Businesses can obtain raw resources at a lower cost thanks to globalisation, giving them a competitive edge. Additionally, firms can benefit from lower labour costs in developing nations by utilising the technological know-how and experience of more established economies thanks to globalisation.<sup>2</sup>

Additionally, globalization has enabled cultural communication and mixing resulting in the global diffusion of ideas, beliefs and ways of life. Through Bollywood films, Indian cuisine, yoga and festivals such as Diwali and Holi; India's rich heritage and multiculturalism have gained global recognition.

Moreover, Indians in diaspora communities across different nations have been instrumental to the promotion of their culture as well as expanded relations between India and other parts of the globe.

The cultural aspect of globalization has implications for business practices and legal frameworks in India because firms have to navigate through differences in cultures, consumer preferences as

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<sup>1</sup> <https://education.nationalgeographic.org/resource/globalization/>

<sup>2</sup> <https://education.nationalgeographic.org/resource/effects-economic-globalization>

well as global marketing trends, branding strategies and product localization. Furthermore, there is a relationship between cultural exchange with respect to international markets leading to changes within various legal aspects that include consumer protection advertising regulations intellectual property rights among others.<sup>3</sup>

Globalization has been propelled by technological breakthroughs, especially in the field of information and communication technologies (ICTs), which have made it possible for instantaneous communication, smooth transactions, and worldwide connectivity. The way businesses function, engage with clients, and handle supply chains has changed dramatically as a result of the widespread use of mobile devices, digital platforms, and the internet. For instance, e-commerce has grown to be a major force behind international trade, providing companies with fresh chances for growth and innovation.

The digital revolution in India has resulted in the establishment of a thriving technology sector, with IT corporations and startups achieving global reputation for their offerings. The regulatory frameworks have been impacted by the use of digital technology, leading governments to pass laws and policies addressing new concerns like cybersecurity, data privacy, and e-commerce regulation.<sup>4</sup>

### **Significance of globalisation in business**

The exchange of cultural characteristics, goods, services, and ideas with the goal of uniting governments, corporations, and individuals worldwide is known as globalization. Its goal is to facilitate unrestricted and simple business dealings between various people and entities in various parts of the globe. Globalization provides firms with access to a broader market and relatively inexpensive labor, allowing them to develop tactics that boost market share and maintain a competitive edge in the global marketplace.

Companies can make the most of the opportunities presented by globalization by forging close links and alliances with pertinent foreign businesses and organizations. While globalisation has helped us in interconnectedness between countries through which people have become aware of establishing businesses among different countries. Where we have come long way in bringing

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<sup>3</sup> <https://academic.oup.com/book/28418/chapter-abstract/228869447?redirectedFrom=fulltext>

<sup>4</sup> <https://egyankosh.ac.in/bitstream/123456789/76732/1/Unit-6.pdf>

modern technologies which has made easier in maintaining relations with other countries relations. The problems with technology transfer in international markets are comparable to this idea. Because technology is always changing, we need a system that makes it easier for knowledge and information to be transferred across national borders so that businesses can adjust to new developments in technology and improve their production processes. Multinational corporations must implement systems that facilitate the rapid sharing of information and the effective application of that knowledge and information due to the dynamic nature of global marketplaces. Because of this, companies can take full advantage of globalization by implementing systems that expose them to new data and expertise related to their industry.<sup>5</sup>

### **Historical context**

Indian commercial businesses, innovation, and entrepreneurship have experienced significant changes, especially in the last thirty years. These significant changes reached a tipping point throughout the 1990s. Indian industry witnessed a phenomenal influx of fervour and energy unseen in the post-Independence era. India moved from an inward-looking democratic socialist economy in the 1990s—one that frequently discouraged foreign trade and investment and allowed private enterprise but overregulated it—to a set of market reforms that attracted foreign capital, linked India to the world market, and gave Indian businesses the chance to expand internationally. For Indian industry, the post-1947 era (post-Independence) brought a new political environment. The "socialistic" outlook of Nehru, the first Indian prime minister, contributed to the developing hostility against private enterprise and capitalistic freedom (which is frequently associated with colonialism). The next fifty years were marked by the "licence raj," during which time government supervision shaped the prevailing perception of Indian business.<sup>6</sup>

The owners of many indigenous commercial establishments quickly left as a result of political and economic shifts, leaving behind prosperous, primarily British foreign enterprises. New names that started from nothing and succeeded were also starting to emerge. One such example is Dhirubhai Ambani, the founder of Reliance Industries, who initially worked in the textile industry before branching out into petrochemicals, communications, and a host of other industries.<sup>7</sup>

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<sup>5</sup> <https://www.grabmyessay.com/samples/globalization-a-future-business-opportunity>

<sup>6</sup> <https://www.asianstudies.org/publications/eaa/archives/the-story-of-indian-business-the-great-transition-into-the-new-millennium/>

<sup>7</sup> <https://studycorgi.com/importance-of-globalization-on-international-business/>

## **Influence of Globalisation In business laws**

India has liberalised its foreign investment laws in response to globalisation, hoping to draw in cash and boost economic expansion. Traditionally marked by strong guidelines and limitations on foreign ownership, India's Foreign Direct Investment (FDI) system experienced substantial modifications to conform to worldwide patterns. The steps aimed at liberalisation encompass reducing sectoral ceilings, optimising approval procedures, and establishing automated pathways for foreign direct investment (FDI) inflows across many industries.

India's attempts to compete for foreign capital and technology demonstrate how globalisation has impacted the country's FDI laws. India is attempting to establish itself as a desirable location for multinational corporations (MNCs) looking to gain access to its large market and highly qualified labour by embracing liberalisation. It is still difficult for politicians to strike a balance between the demands of globalisation and domestic socioeconomic goals, though.

India has implemented significant legislative changes in response to globalisation, with the goal of facilitating international trade and facilitating company operations. These changes cover a broad range of topics, such as taxation, labour regulations, corporate governance, and dispute settlement procedures. For example, the implementation of the Goods and Services Tax (GST) is a major step towards harmonising India's tax system with international best practices and uniting the country's markets. Laws have also been amended to improve the ease of doing business by streamlining regulatory procedures, lowering administrative barriers, and increasing transparency.

India's endeavours to fortify investor protection systems and elevate corporate governance standards are indicative of its dedication to international standards and conventions. In addition, the creation of specialised commercial courts and arbitration centres demonstrates India's understanding of the value of effective dispute resolution procedures in drawing in foreign capital and creating a favourable business climate.

### **Impact of globalisation various types of Indian business laws**

#### 1. Labour law

The reach of labour regulations has had to expand internationally. The right to a minimum wage, the freedom to organise, and the right to safe working conditions are just a few of the

labour rights and protections that nations have united to establish. Numerous businesses have established shell corporations in nations with laxer rules and lower taxes in order to evade paying taxes and dodge labour restrictions.<sup>8</sup>

## 2. Tax Law

The pricing of transactions within and between businesses that share ownership or control is known as transfer pricing, and it has grown to be a contentious topic. Base Erosion and Profit Shifting (BEPS) is the practice of firms moving their profits to low-tax jurisdictions in order to reduce their overall tax liability. This is made possible by globalisation. International commerce and investment may also be discouraged by the problem of double taxation, which is the same income being taxed in two separate jurisdictions. Differences in national tax laws continue to be an issue, despite the fact that tax treaties and international tax credits are tools to prevent such a situation.

## 3. Contract Laws

Contract laws are being impacted by globalisation in three ways: by making more conformity with international norms necessary, by making cross-border transactions easier, and by making complicated contractual arrangements more common. Furthermore, new forms of contracts have emerged as a result of globalisation, including digital contracts and international trade agreements, necessitating modifications to legal frameworks

## 4. Companies Act

Many businesses have been prompted by globalisation to establish transnational or multinational firms by growing their activities internationally. Businesses must negotiate various regulatory frameworks, cultural norms, and regulatory contexts, which presents governance issues. International corporations frequently have a wide range of foreign shareholders. Because of this diversity, the governance structure must be modified to accommodate the demands and interests of many shareholders, including institutional investors and foreign governments.

## 5. Competition Laws

The field of competition law has once again gained significant interest at the national and

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<sup>8</sup> <https://taxguru.in/corporate-law/impact-globalization-labor-law.html>

international levels. Both the total number of states having competition statutes and the severity of their enforcement have grown. Proposals for some sort of international cooperation in competition law have once again gained prominence and controversy as a result of the growing dispute, uncertainty, and compliance costs that have resulted from this. Though these issues have raised awareness of the jurisdiction-based regime's shortcomings, they have not yet resulted in significant alterations to the jurisdictional system.

## 6. ARBITRATION AND DISPUTE RESOLUTION

The way international law operates and the procedures by which international conflicts and disputes are settled have both been impacted by globalisation. The development of law aimed at promoting peace was inextricably tied to the establishment of institutions for the peaceful settlement of disputes. International law is evolving together with the world order due to globalisation. First, there has been a shift in the kind, extent, and significance of global conflict.<sup>9</sup> Formerly, armed conflict that seriously jeopardises world peace mostly happened between states.

The advent of worldwide collective issues that jeopardise peace and security, like climate change, is the second trend. A third modification is the emergence of a new global community of active non-State actors who call for greater access to and participation in IDR. Fourth, there are now many different and accessible dispute resolution platforms, which presents opportunities as well as drawbacks like fragmentation and ambiguity. Fifth, managing and resolving conflicts has given way to resolving them and fostering societal reconciliation in the paradigm of peace promotion. These five areas of change offer fresh chances to strengthen the IDR regime's capabilities in the context of globalisation while also posing difficulties to it.

### Case studies

#### 1. Satyam Scandal (2009)

The vast corporate fraud that Ramalinga Raju, the founder and chairman of Satyam Computer Services, committed in 2009 is referred to as the "Satyam scam". He admitted to inflating cash balances, employee counts, sales, earnings, and earnings in the company's accounts. He also acknowledged that he had stolen money from the business

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<sup>9</sup> <https://lawweb.colorado.edu/profiles/pubpdfs/spain/IntlDispRes-EraGlobalization.pdf>

for personal use. With a reported value of approximately Rs. 7800 crores, the Satyam scam was formerly regarded as the largest business scandal in India.

One of the largest IT businesses in India has a weakness in its corporate governance, auditing standards, regulatory monitoring, and ethical behaviour that was made public by the Satyam case. It also damaged the faith and confidence that investors, workers, consumers, and stakeholders in the Indian IT sector had in the industry.

The Satyam Computers scam had major consequences for the business. The Satyam scandal eroded the confidence that both foreign and domestic investors had in India's business sector and brought into question transparency, accountability, and ethical norms. The Indian government intervened after the catastrophe to safeguard stakeholders' interests and keep Satyam from failing. The company began a long path to recovery when Tech Mahindra eventually acquired it. Indian regulators took note of the situation and altered their audit protocols, corporate governance structures, and accounting standards accordingly.

## 2. Competition Commission of India (CCI) vs. Google (2018)

Due to Google's restrictions on rival applications' access to the Google Play Store, CCI accused Google of engaging in unfair trade practices. In five words, the CCI summed up Google's policies in India: "chokepoint capitalism," "digital slavery," "digital feudalism," "technological captivity," and "consumer exploitation." CCI noticed that Google was keeping rival search engines out of its market by utilising its strong position in the online search space. It was also mentioned that the incentive and capacity of device manufacturers to create and market devices running different versions of Android was significantly diminished by mandating pre-installations of Google's proprietary apps on Android phones.<sup>10</sup> Thus, CCI instructed Google to refrain from requiring Original Equipment Manufacturers ("OEMs") to pre-install a variety of applications and to refrain from providing OEMs with any financial or other incentives. As a result, CCI ordered Google to refrain from requiring Original Equipment Manufacturers ("OEMs") to pre-install a variety of apps, to provide OEMs with no financial or other incentives in exchange for maintaining the exclusivity of its search services, and to allow users to remove the pre-installed apps.

Google is to "stop engaging in anti-competitive practices that have been determined to be

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<sup>10</sup> <https://www.mondaq.com/india/antitrust-eu-competition-/>

in violation of Section 4 of the Act, as described in this order," according to a directive issued by the Commission. Here are a few instances of actions taken in this respect:

Manufacturers are not obligated to pre-install any of Google's proprietary apps on their smart devices, but they are allowed to (a) decide which apps to do so and (b) decide where to put those pre-installed apps. When licencing Play Store (including Google Play Services) to OEMs, a requirement to pre-install Google search services, the Chrome browser, You Tube, Google Maps, Gmail, or any other Google application is not allowed.

## CONCLUSION

Globalization's effects on Indian business laws show a complicated web of opportunities and difficulties. On the one hand, globalisation has made it easier for Indian companies to operate in the global market, encouraging foreign investment, the development of new technologies, and economic expansion. Alongside this integration, legal reforms have been implemented to bring Indian laws into compliance with global norms, promote transparency, and make conducting business easier.

Significant regulatory changes have also been sparked by globalisation, especially in areas like trade laws, intellectual property rights (IPR), and foreign direct investment (FDI) policies, among many others. While stronger IPR regulations have promoted innovation and knowledge transfer, liberalisation measures have offered up new opportunities for foreign investors. Furthermore, the general business environment in India has improved due to the streamlining of bureaucratic procedures, reduction of compliance burdens, and improvement of the ease of doing business.

Globalisation has affected Indian company laws, but there are drawbacks as well. Businesses functioning in a globalised economy face substantial challenges due to regulatory complexities, compliance burdens, and concerns over national interests and sovereignty. Furthermore, globalisation has made socioeconomic gaps worse, creating concerns about fair access to opportunities and advantages.

Although there is no denying that globalisation has changed Indian business laws, legislators still need to be on the lookout for ways to close regulatory loopholes, encourage inclusive

growth, and protect the interests of the country. It is imperative that forthcoming regulatory modifications give precedence to sustainability, social accountability, and fair allocation of advantages in order to guarantee that globalisation fosters the enduring well-being of Indian enterprises and the community at large.

