

Globalization and its impact on the Jamnagar Brass Parts Industry

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Abstract

The aim of this paper is to examine the impact of globalization on the Jamnagar brass parts industry. In order to analyse the impact, a survey of 50 brass parts units was conducted. The findings of this research show that globalization is not a threat but an opportunity for brass parts units in Jamnagar. The paper is divided into five sections. The first section of the paper, the introductory part, focuses on objectives, methodology and meaning of globalization. The second section focuses on the Jamnagar brass parts industry. The third section shows the impact on this industry. The fourth section describes the opportunities for and threats to the Jamnagar brass parts industry in the era of globalization. The last and fifth section narrates findings of the paper, limitations of the study, policy recommendations and offers concluding remarks.

SECTION I

GLOBALIZATION OF INDIAN ECONOMY

Globalization in a fundamental sense is not a new phenomenon for the Indian economy. Indian history records that the Indus civilization had one of the most globalized economies of that time. Some cities specialized in the production of copper, others in beads and textiles, all meant for the export market. Even Hindu epics like Ramayana and Mahabharata indicate that business operations existed across countries even in those days. The period of the Gupta Empire saw huge exports from India. India was described as the "golden bird". Globalization is, so to say, in our blood.

Since India became part of the global economy and underwent economic reforms in 1991, its economy is growing at a faster rate

of nearly 9% per cent per annum (except during the recession years). India achieved record annual Gross Domestic Product (GDP) growth, averaging 8.45%, in the five years, 2004-2005 to 2008-09.¹ During the July-September second quarter 2009-2010, GDP expanded at a surprisingly strong rate of 7.9%.² Prime Minister, Dr Manmohan Singh said on 9th January 2010 that he was optimistic of returning to sustained growth of 9 to 10% in a couple of years.³ The economy of India, measured in USD exchange-rate terms, is the twelfth largest in the world, with a GDP of around \$1.2 trillion (2010).⁴ It recorded a GDP growth rate of 9.1% for the fiscal year 2007-2008 which makes it the second fastest emerging economy, after China, in the world. At this rate of sustained growth, economists forecast that India would, over the coming decades, have a more pronounced economic effect on the world stage.



OBJECTIVES

The broad objectives of this research paper are:

- To study the impact of globalization on the Jamnagar brass parts industry;
- To study the competitiveness of the Jamnagar brass parts industry in the era of globalization.

RESEARCH METHODOLOGY

The present study is mainly based on primary data. For the purpose, the brass parts owners belonging to Jamnagar City of Jamnagar District, Gujarat, India were also examined.

- **METHOD OF RESEARCH:** Survey Method.
- **TYPE OF RESEARCH:** Empirical Nature.
- **DATA TYPE:** The present study is mainly based on primary data from Jamnagar City, but secondary data has also been collected from various published sources as per the requirements of the study.
- **DATA COLLECTION TOOLS:** Structured Interviews.
- **SAMPLING PLAN**
 - a) **SAMPLING UNIT:** One brass part unit has been considered as one sampling unit for the purpose of collecting primary data.
 - b) **SAMPLING SIZE:** A sample of around 50 brass parts units were covered to know the impact of globalization on their respective units.
 - c) **SAMPLING METHOD:** Probability random sampling method is used for survey purposes.

GLOBALIZATION

Many scholars have attempted to define globalization from their own perspectives. Consequently, close to one hundred

definitions of globalization – some simple while others, elaborate – exist. Given the degree of interest in the phenomenon, this is not surprising. Some of the definitions are given below :

- ⇒ According to Stiglitz (Noble Prize winner for Economics (2001) and Chief Economist of the World Bank), "Globalization is the closer integration of the countries and peoples of the world which has been brought about by the enormous reduction of costs of transportation and communications, and the breaking down of artificial barriers for the flow of goods and services, capital, knowledge, and (to a lesser extent) people across borders".ⁱ
- ⇒ International Monetary Fund defines globalization as "the growing economic interdependence of countries worldwide through increasing volume and variety of cross border transactions in goods and services and of international capital flow and also through the more rapid and widespread diffusion of technology".ⁱⁱ
- ⇒ According to World Bank, "Globalization means (a) gradual abolishment of import control over all items including consumer goods; (b) reducing the rate of import duties and, (c) privatizing public sector enterprises".ⁱⁱⁱ
- ⇒ Jagdish Bhagwati states that "Economic globalization constitutes integration of national economies into the international economy through trade, direct foreign investment (by corporations and multinationals), short-term capital flow, international flow of workers and humanity generally, and flow of technology".^{iv}

SECTION II

JAMNAGAR BRASS PARTS INDUSTRY

The development of the brass parts industry in Jamnagar, Gujarat, dates back to the year 1952. In Gujarat, the brass parts industry is

mainly concentrated in the Jamnagar district of Saurashtra. Jamnagar is one of the largest manufacturers of brass parts and 70% of the machined brass components of the country are produced here. There are approximately 4,500 to 5,000 units manufacturing about 10,000 varieties of brass parts items in this city, which provide direct employment to 50,000 people and indirect employment to 1,50,000 people. The brass parts manufactured in Jamnagar find their place in the overseas market to such an extent that the area is considered to be one of the largest manufacturers of automobile and cycle tube valves in the world.

The products manufactured in Jamnagar can be classified as :

- ❑ Building Hardware like Door and Window Stoppers, Handles etc.
- ❑ Sanitary and Bathroom Fittings like Hangers, Taps, Curtain Fittings
- ❑ Electronic and Electrical Accessories like Socket Pin, Battery Terminal, Switches, Tester and Computer Sockets
- ❑ Automobile and Cycle Tube Valves, Industrial Control Valves
- ❑ Agricultural Implements like Tractor Accessories
- ❑ Brass Jewellery and Buttons like Necklaces, Ear Rings, Bracelets, Rings, Bangles
- ❑ Various other Precision Machine Components as per customers' specifications.

The brass parts manufactured in Jamnagar find their place in the overseas market to such an extent that the area is considered to be one of the largest automobile and cycle tube valve manufacturers in the world. Because of their precision and quality, these tube valves are mainly exported in European and North American markets. The products are marketed through various marketing channels to countries like U K, USA, Canada,

Middle East, Europe, Africa, Sri Lanka, Pakistan, Indonesia, Malaysia, Singapore, Japan, Bangladesh, etc. Because of their precision and quality, these tube valves are mainly exported to the European and North American markets. The products are marketed through various marketing channels to countries like U K, USA, Canada, Middle East, Europe, Africa, Sri Lanka, Pakistan, Indonesia, Malaysia, Singapore, Japan, Bangladesh, etc.

SECTION III

IMPACTS OF GLOBALIZATION ON THE JAMNAGAR BRASS PARTS INDUSTRY – A SURVEY

In order to know the impact of globalization on the Jamnagar brass parts industry, 50 brass part units in Jamnagar were surveyed as part of this research exercise. Some of the findings are discussed below:

Devi Turnomatics Pvt Ltd, producing electronic and electrical accessories, automobile instrumentals etc. and exporting to Europe, U K, Gulf and Middle East countries, felt that globalization is an opportunity for them and that their brass parts unit is highly competitive in the world market. They have benefited due to the globalization of the Indian economy.

Peshavaria Exports Pvt Ltd is a small-scale enterprise involved in the manufacturing and export of brass and steel electrical wiring accessories, conduit pipe fittings and brass cable glands etc in Europe and US. The unit feels that the global market will offer opportunities to those companies, which are fully committed to innovation, with high production capacity, flexibility and technical requirements. The owner of this unit sees huge opportunities for the unit in the globalized world.

Parmar Button Clip Works, produces imitation jewellery items, main fashion accessories, etc and exports to Europe, Italy, USA etc. The production unit feels that they



are very competitive in the world market and globalization has opened up a huge opportunity for them.

Weltech Electronics has been producing products like Connectors, Audio-Video, CATV-MATV Accessories and Components used in Satellite and Cable TV, Consumer Electronics, Telecom, Control and Instrumentation Electronics. The owner of the unit feels that there is no problem due to globalization of Indian economy. The owner said that they were very competitive in the brass part market.

Modern Enterprise has been producing Brass Sanitary Fittings, Brass Hardware and Oil Fittings. The unit exports to countries like UAE, Malaysia, Dubai, Kuwait etc. According to the owner, "after globalization, competition has increased in the market, therefore the unit had to reduce prices in order to increase sales and was also forced to think about the quality of the products."

Rajhans Metals Pvt Ltd has been producing extruded brass rods, extruded brass sections etc and was exporting to USA, Canada, Poland, Malaysia etc. According to the owner, "we have a monopoly in our segment. After we entered the global market we have to be more quality conscious and price conscious. But we see a bright future for our business."

Pooja Metal Industries has been producing bathroom accessories since 1991 and exporting its products to Dubai, Jordan, Saudi Arabia, China, Taiwan, Korea, etc. The unit has been exporting since the last 10 years. According to the owner, "after globalization, it is easy to get customers from the overseas markets. We participate in international fairs and find more customers. We see a bright future for our unit after globalization."

Sonal Enterprise was established in 1994. The unit is producing electronic parts and exporting its output to Singapore. According to the owner, before globalization,

imports and exports were restricted and procedures related to exports and imports were also complex, but after globalization it became easy to export and import brass part items. So globalization has benefited its production unit.

SECTION IV

JAMNAGAR BRASS PARTS INDUSTRY - OPPORTUNITIES AND THREATS

Globalization has changed the current economic landscape and while it has opened up a box of opportunities, it also exposes the industry to several challenges. Some of the significant opportunities and threats related to the Jamnagar brass parts industry are listed below.

A. OPPORTUNITIES

1. Markets:

- Growing EU market.
- Globalization can usher in a tremendous market potential.
- Tariff and non-tariff barriers are depleting.
- Quality and productivity are the rule of the game.
- Enterprises can join hands together for international marketing and brand building.
- Opportunity of mass production, which will lower the price of the commodity.
- Awareness of demand of international customers.

2. Technology:

- Easy availability of technology from the international market.
- Advent of latest technology through intervention.
- Increasing technological awareness among entrepreneurs.
- Tremendous enthusiasm on the part of the cluster actors.
- Brighter prospects of establishing Common Facility Centre.
- Possibility of establishing R&D institutions or laboratory.

3. Inputs availability:

- Competition is going to make availability of inputs cheaper and sufficient.
- Easy availability of capital.
- B.P.O.

4. Innovation capability:

- Exposure visits, participating in exhibitions making the entrepreneurs and technicians more innovative.
- Demonstration effect.

5. Skills:

- ◆ Increased awareness is likely to improve the skill base of the workers.
- ◆ Management style of the business has changed.
- ◆ Productivity of workers has improved.

6. Other factors:

- ⊕ Benefit of difference in currencies.
- ⊕ Tax burden is reduced.
- ⊕ Governmental export support.

B. THREATS

1. Markets:

- ➔ Emerging suppliers from China and Eastern Europe.

- ➔ Unknown or weak country reputation (unfamiliarity of Western buyers).

- ➔ EU recession reduces general purchasing power.

- ➔ Global political uncertainties.

- ➔ Stringent and time-consuming selection process by buyers.

- ➔ Competition is increasing, which may affect negatively on small units.

- ➔ Overseas importers suddenly change their sourcing country, which may reduce exports.

- ➔ Imports increasing in the coming years.

2. Technology:

- Low level of technological development can cause a major threat unless it is modernized.

- Technology is an ever-changing process.

3. Inputs availability:

- ⊙ Difficulty in encountering competition unless import of raw material is made cheaper.

- ⊙ Quality of raw material.

- ⊙ Hike in the price of raw material frequently.

- ⊙ With the change in technology if labour force is not improving it may hamper the growth of brass parts units.

- ⊙ Shipping costs.

4. Innovation capability:

- ✖ Innovation is required in every facet of business operations, if brass parts units are unable to generate innovation facility, they may lose the market.

5. Skills:

- ✖ Availability of skilled workers is inadequate.

- ✖ Skill base of the workers needs up-gradation to adopt the latest technology.

6. Other factors:

- The changing business environment is always a problem for the less enterprising firms.

- Exchange rate fluctuations.

SECTION V

FINDINGS

- Most of the owners of brass parts industry feel that globalization has created more opportunities than threats for them.

- Most of the respondents feel that due to globalization it is very easy for them to find customers even from outside the country.

- Most of the respondents feel that imports and exports are easier now than during pre-globalization.

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The brass parts manufactured in Jamnagar find their place in the overseas market to such an extent that the area is considered to be one of the largest manufacturers of automobile and cycle tube valves in the world.

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- Most of the respondents replied that they are more quality and price conscious after globalization.

LIMITATIONS

The present study is confined to Jamnagar brass parts industry only and the findings may not be applicable to the other states of the country. Further, Jamnagar brass parts industry and business environment of our country is dynamic in nature; there is every possibility that over time and space findings of today may become invalid tomorrow.

POLICY RECOMMENDATIONS

In the area of globalization, the marketing activities of the entrepreneurs need to be integrated in order to capture the global market. As the units are small (with the exception of a few vertically integrated units), it is almost imperative that networking is done in order to capture the largest export orders. This will not only ensure economies of scale but also develop accountability of the entrepreneurs. Export consortia can be formed to ensure brand building, participating in international fairs, negotiating with buyers, competing with other countries on quality and price fronts. In the present scenario, entrepreneurs can join hands together, form a consortium and grab large export orders. There can be a brand building initiative where all the Jamnagar products are projected under one brand name.

CONCLUSION

For many developing countries, globalization is often not the main cause of their problems, contrary to the claim of the critics of globalization; just as globalization is often not the main solution of these problems. There are several policies, which may be needed for higher growth and development.

We have no soft options, but government policy makers and planners should formulate economic policy in such a way so that we can minimize the losses and maximize gains from globalization.

In order to utilize the immense potential of globalization, brass parts companies need to develop specific marketing strategies and action plans taking into account the complex set of factors that influence consumers' behaviour. Innovative companies which adopted an integrated approach have succeeded in better utilizing market opportunities that globalization offers.

ENDNOTES

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"The Sun, the Moon,
and the Stars would have
disappeared long ago,
had they happened to be
within reach of predatory
human hands."

Havelock Ellis