



## Brexit and Indian Economy

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### ABSTRACT

The objective of this paper is determining the concept of Brexit and its impact on Indian economy. The European Union is a group of 28 countries in which mostly countries are located in Europe. The European Union existed to ensure free movement of materials, money, labour and services within the countries. "Brexit" consist of two words i.e. Britain and exit. Britain's exit from the European Union is known as Brexit. Brexit will affect to Indian economy by hammering the local market, Increase investment options, Employment opportunity, Attracting FDI and fluctuations in sales volume of different sectors of Indian economy.

### KEYWORDS

Brexit, Impact, Indian Economy

**INTRODUCTION:** After World War II France and Germany decided to cooperate with each other to economical and political stability. This alignment led to other nations for joining them. In 1957, the European Economic Community formed and slowly become into the European Union.

The European Union is a group of 28 countries in which mostly countries are located in Europe. The European Union existed to ensure free movement of materials, money, labour and services within the countries. Great Britain is commonly known as United Kingdom in which consist of four countries i.e. England, Scotland, Wales and Northern Ireland. The United Kingdom joined the European Union in 1973. From 28 countries of European Union, 19 countries have adopted a common currency called Euro to smooth the progress of trade and economy. But United Kingdom has adopted separate currency called Pound to functioning of economy.

The United Kingdom had disturbed relations with the European Union since the joining and after the euro-zone debt crisis; the United Kingdom has become unsure with the European Union. The United Kingdom was held public voting just two years after its joining in the year 1975. The United Kingdom had voted to stay in the European Union. Recently, United Kingdom voted on stay or not to stay in the European Union on June 2016 and resulted in United Kingdom will exit from group of 28 countries i.e. European Union. "Brexit" consist of two words i.e. Britain and exit. Britain's exit from the European Union is known as Brexit.

The exists of United Kingdom from European Union has some reasons in which primarily is United Kingdom is one of the larger contributors of money supply to European Union to development of countries which are part of United Kingdom but European Union has increased its administration view to reduction in governance of UK. One of the reasons is liberal migrant rules also which led to migrants from the poorer EU countries. The membership fees of European union have huge burden on UK economy because UK bounded to pay 350 million pounds membership fees weekly to EU.

### RESEARCH METHODOLOGY:

This paper is based on secondary data which collected from different news papers and magazines. The objective of this paper is determining the concept of Brexit and its impact on Indian economy. Indian economy consists of numbers of sectors but here researcher has considered selected sectors for study.

### PRESENT SCENARIO OF INDIAN COMPANIES IN EU:

In United Kingdom more than 800 Indian organizations are operating their businesses with generating more than 26 billion Pounds yearly. In these organizations consists of Banking, Insurance, pharmaceuticals, Information technology industries, Automobiles, tourism and education sector. Most of the Indian companies are operated from United Kingdom to performing business in entire European Union without any trade barriers. United Kingdom is gateway for the Indians who want to travel in any European Union state. India is second biggest source of Foreign Direct Investment for United Kingdom because the top five Indian firms operating in the United Kingdom. United Kingdom is one of the biggest markets for Indian pharmaceuticals companies.

### IMPACT OF "BREXIT" ON INDIAN ECONOMY

**Hammering of Local Market:** Brexit will hammering the local market of Indian companies from European Union because Most of the Indian companies are operated from United Kingdom to performing business in entire European Union without any trade barriers.

**Real estate is investment prominent option:** Brexit will makes real estate as prominent option to investment for Indian business due to huge reduction in market values of Pound relative to Indian currency.

**Employment opportunity:** After the exits from European Union, the United Kingdom will need of stable and talented workforce to smoothly running of various sectors of economy. India has English speaking youth population in massive volume so India will definitely take the benefit of this situation.

**Risk Avoidance:** Brexit will leads to increase in risk aversion strategy of investors because devaluation of pounds, loss of local market, new rules and regulations and scarcity of resources. But it can positively impact on India through Foreign Direct Investment.

### Sector wise Impacts:

**Pharmaceuticals Sector:** Brexit will slightly shock to Indian pharmaceuticals companies because in European Union and United Kingdom has different rules and regulations for this sector. As per analysis of economists Brexit will hardly 15 - 20% changes can happen in this sector.

**Information Technology Industries:** Brexit will mostly shock to Indian Information Technology Industries because one-third revenue of this sector acquiring from European Union. The devaluation of Pound is also one of the threats for this sector due to devaluation of existing infrastructures and future IT projects.

**Automobile industry:** United Kingdom and the European Union account respectively 4% and 16% of India's automobiles exports. Brexit will lead to reduction in profits of Indian automobile companies due to handling single market, devaluation of currency, competition and payment of different duties.

**Education Sector:** British universities are obligated to offer scholarships for citizens of the United Kingdom and the European Union. But Brexit will free up these obligations and result in extra funds will available to give scholarship for students from other countries. Most of the Indian students are give preferences to United Kingdom for further study so it will be beneficial.

**Tourism Sector:** The travel and tourism sector will be affected positively as well as negatively. The negative impact will reduction in currency value which will reduce travelling cost of the United Kingdom and positive sign will make it a good travel destination.

**Garments Industry:** European Union is accounting nearly 25-30% of garment exports and United Kingdom is having largest contribution in it. Brexit will negatively impact to this sector due to volatility in currency, market and implementation of Generalized System of Preferences.

**Tea Industry:** Brexit may slightly impact to Indian Tea exports because in European Union and United Kingdom has nearly equal consumption level which accounting 15-20% of exports of Tea.

**Oil and Lubricants Sector:** Brexit may adversely affect on Indian economy in terms of oil and lubricants sector. Currency fluctuations, setup new infrastructure and need of massive finance will lead to outflow of foreign fund from exchequer which may result in devaluation of Rupee.

#### CONCLUSION:

Brexit will affect to Indian economy for short term due to fluctuation in currency value, loss of local market, volatility in exchanges rate etc. but it will positively impact to Indian economy after establishment of new rules and regulations, infrastructure, new market. Brexit will provide new opportunities to India like employment generation, new customer, trade contracts and exchanges of technology.

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