

# India-A Newly Industrialised Country (NIC)

## Urbanisation in India

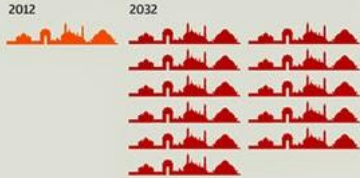
Urbanisation is the **physical growth** of cities and an **increase in their population**. India is typical of an NIC in that its population has rapidly urbanised as a result of **migration** from rural areas where there are many push factors and **natural increase** (more people being born than the number dying). There are also pull factors that attract people to move to urban areas in India.

	Push or Pull Factor?
Opportunities for work	
Jobs are limited to farming	
Water supplies are unreliable due to drought	
There is access to basic healthcare quickly	
There are family members already living in the city of Mumbai	
There is poor access to schools in rural India	

## The Urban Effect

### Cities

In 20 years, India's cities will have to accommodate 250 million to 300 million more people than they do today. That's the equivalent of 11 New Delhis.



### Electricity

Of the 1.4 billion people of the world who have no access to electricity in the world, India accounts for over 300 million.

### Water

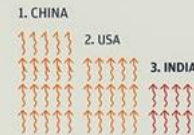
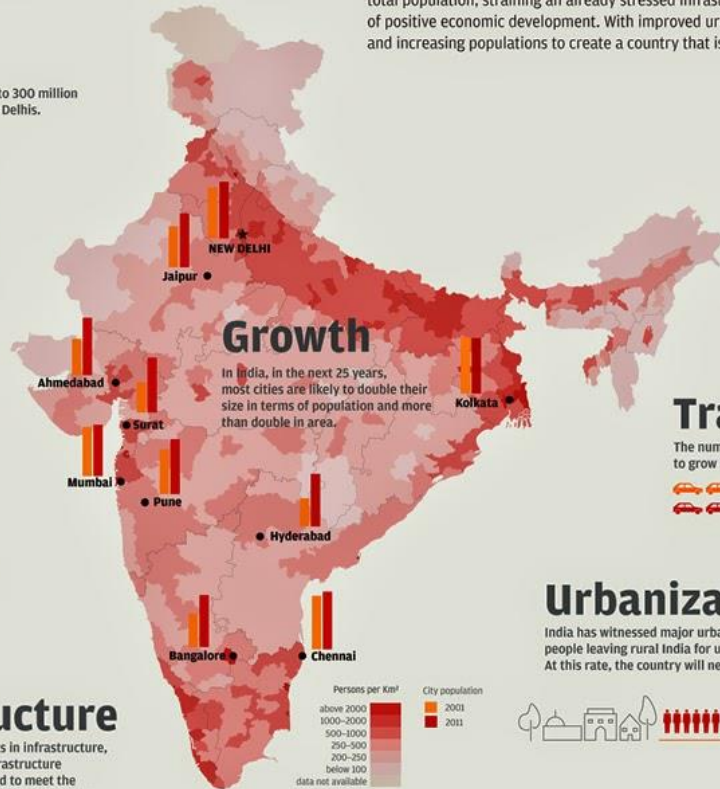
Only 74% of urban households in India are served by piped water supply. No Indian city has piped water 24 hours a day, seven days a week—4 to 5 hours of supply per day is the average.

### Infrastructure

Despite increased investments in infrastructure, an estimated \$1 trillion in infrastructure improvements will be required to meet the country's resource needs over the next 5 years.

### Sustaining Growth in India through Better Urban Planning

With a population of more than 1.2 billion, India is projected to be the world's most populous country by 2025. By 2050, it is estimated that India's urban population will constitute nearly half of the country's total population, straining an already stressed infrastructure. The good news: urbanization is an indicator of positive economic development. With improved urban planning, India can tackle urbanization challenges and increasing populations to create a country that is poised for sustainable growth.



### Pollution

By 2015, India is expected to become the world's third largest emitter of carbon dioxide—it ranked fifth in 2005.

### Transportation

The number of private vehicles in India is expected to grow by more than 3 times by 2021.



### Urbanization

India has witnessed major urbanization in recent times, with an estimated 30 people leaving rural India for urban areas every minute during the next 20 years. At this rate, the country will need some 500 new cities in the next two decades.



## Problems for Planners with Urbanisation

With higher urban populations, planners in India's cities face problems with **increased demands on transport systems, pollution, sanitation and services** as shown left.

# Multinational Companies (MNCs) in India

India is typical of an NIC because it has seen **rapid economic growth** in the last 20-30 years. One reason for this is the location of multinational companies (MNCs) in India. This has happened as a result of NIC governments giving **financial tax incentives** to encourage MNCs to locate their factories in their country. Other reasons that MNCs have located their factories in NICs include:

- A large **cheap supply of labour** where there is often no legal minimum wage enforced
- **Cheaper costs of raw materials** (e.g. water, electricity, land)
- **Less unionised** workforce where strikes are less likely
- **Less strict** environmental and health and safety laws reducing additional costs to the MNC

## Coca-Cola in India

Coca-Cola first opened a bottling plant in India in 1993. In the first ten years, Coca-Cola invested US\$1 billion in their Indian business. By 2008 it employed 6,000 people, with a further 125,000 people indirectly employed in jobs such as distribution, e.g. lorry drivers. By 2015, it had 24 separate manufacturing locations (see Figure 29).



▲ Figure 29 Map of Coca-Cola manufacturing locations in India.



▲ Figure 30 Local people protesting about falling water levels in their wells after Coca-Cola opened a bottling plant in Kerala, India.

Coca-Cola is one of many foreign-owned MNCs investing in India. Their investments are examples of global interdependence because:

- money spent by an American company creates jobs in another country
- manufacturing and distribution are done locally, not in the USA
- profits go back to the home country, i.e. the USA, where most decision making takes place.

## Problems faced by Coca-Cola

However, not all has gone well. Large companies often face opposition, and Indian protest groups are unhappy with the way in which big MNCs sometimes operate. They claim that big business ignores the needs of poorer communities and disadvantaged groups. In the case of Coca-Cola, there have been protests against the soft drinks firm. Most protests have been by local people (see Figure 30) claiming that their wells are running dry as the company takes water out of the ground for the production of soft drinks. Some have complained about pollution from factories. Coca-Cola deny that they have caused any such problems and are trying hard to win over local people by getting involved in local community aid projects to improve the company's image.

## IKEA in India

IKEA is planning on opening 23 stores in India over the next 10 years. The manufacturing of the products is being moved from Sweden to India in order to save transport costs and to take advantage of the cheaper raw materials. This will create **a positive multiplier effect** in that jobs will be created **indirectly** for the companies that are manufacturing the products for the Indian IKEA stores.



## Why is India an attractive place for IKEA to locate its stores?

- India has a large amount of **emerging middle classes** (1) that are well educated (1) who have more disposable income (1) to spend on products improving their home (1)
- So it has a **large market** to sell its products (1) and make a large profit (1)
- **half of the population is under 25** (1) meaning they will be more willing to embrace modern products and ideas (1)



## Social and Cultural Impacts of an MNC-IKEA in India

	Positive	Negative	explanation
Some Indian people may worry that the traditional Indian home may be lost			
India is a young market with half its population under 25			
There is the opportunity for Indian people to have a more modern home and lifestyle			
IKEA is trying to ensure that its products also reflect the culture and Indian traditions			
IKEA is a European MNC which may be perceived as a foreign influence changing Indian culture too quickly			
Modern furniture and technology means lives will be more efficient and help people to save time			
In other countries IKEA has been too expensive and not had products that reflect the traditional lifestyle			
People working for IKEA can develop new skills so			



# India's Trade Patterns

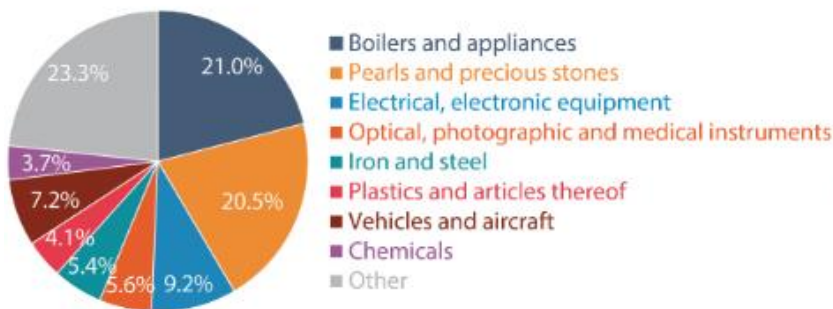
## India's Exports

India is typical of an NIC in that a high % of its exports are clothing as many MNCs have located their factories there due to cheaper labour costs. In addition, primary products such as tea are a large part of India's exports to the EU as the conditions to grow this product do not exist in EU countries.

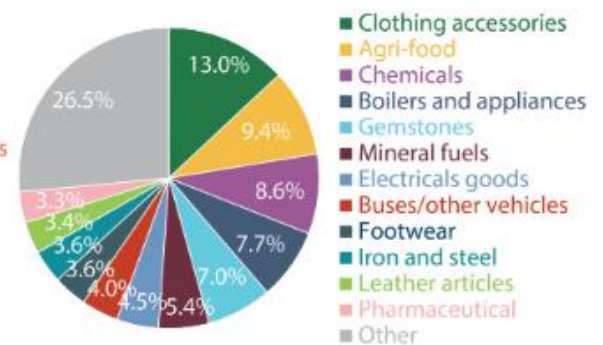
## India's Imports

India imports high tech appliances and medical equipment from HICs in the EU as many of the high tech factories do not locate in India. The growth of the emerging middle class in India means there is now a higher demand for high tech foreign produced goods such as cars which many people can now afford. This has meant a rapid increase in the number of cars India imports from HICs around the world.

EU exports to India (2015)



Indian exports to EU (2015)



**Space for Revision Notes on India (an NIC you have studied)**

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