

## Brexit its impact on Indian economy

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### Abstract

The united kingdom wanted to withdraw from the European Union for it took the 'BREXIT' and it resulted 51.9% people voted to leave it. It resulted that the then prime minister Cameron resigned and Theresa May took the charge. The law of EU applied to all the countries and in it included free movement of people, goods, services and capital. Though UK left eh EU but UK will continue to abide by EU treaties and laws but not take part in any decision making.

**Keywords:** BREXIT, lisbon treaty

### Introduction

The United Kingdom (UK) intends to withdraw from the European Union (EU), A Process commonly known as Brexit, as a result of June 2016 referendum in which 51.9% voted to leave the E.U. The separation process is complex, causing political and Economic Change for the U.K. and other countries.

### What is 'Brexit'

Brexit is an abbreviation for "British exit," which refers to the June 23, 2016, referendum whereby British citizens voted to exit the European Union. The referendum roiled global markets, including currencies, causing the British pound to fall to its lowest level in decades. Prime Minister David Cameron, who supported the United Kingdom remaining in the European Union, resigned on July 13 as a result. Home Secretary Theresa May, leader of the Conservative Party, became Prime Minister.

### What is European Union?

European Union is an economic and political partnership involving 28 European countries. European Union has developed an internal single market through a standardised system of laws that apply in all member states, allowing free movement of people, goods, services and capital. It was created with the idea that countries which trade together are more likely to avoid going to war with each other. It has its own currency, the Euro, which is used by 19 of the member countries, its own parliament and it now sets rules in a wide range of areas – including on the environment, transport, consumer rights and even things such as mobile phone charges.

### What Happens now after BREXIT?

For the UK to leave the EU it has to invoke an agreement called Article 50 of the Lisbon Treaty. Once decided by UK Head of the State when to invoke Lisbon Treaty, legal process will be initiated to withdraw from EU, and two years will be

given to UK to negotiate the withdrawal. Outgoing UK Head of the State Cameron has left it on his successor to initiate the process.

From now, till the withdrawal is completed, UK will continue to abide by EU treaties and laws, but not take part in any decision making. Reason being UK will negotiate a withdrawal agreement and the terms of its relationship with the now 27 nation bloc.

### Why Britain wanted to Exit?

Britain felt that it too many rules are being imposed on its business due to being the member of European Union. Also, Britain had to pay billions of pounds a year in membership fee, with a meager return on this fee. Also, EU membership reduced the control which Britain had on its border. While Britain wanted a better control of its borders as well as prevent the large number of non-British people coming in to Britain to live and work.

Reason for free flow of external people to Britain was due to the Free Movement policy of European Union which eradicated any need to have a visa while moving within the EU Countries.

### Britain's Reasons to Exit from European Union

1. **Increase of problem in Tourist in Britain:** According to one reports daily No. of tourist involved in Britain is near about 500. In the 1990 to 2015 in Central Britain the no of tourist population is increased by 37 lack to 85 lack. In which India is on first and Pakistan placed second Ranked. But in recent East Europe Country 20 lacks people lived in Britain.
2. **Not-Compensate the large amount to E.U.:** The Britain has saved yearly 99,300 Cr. Rupees because of membership fees. Of E.U. which can be saved after the separation.
3. **Freedom of E.U. from Demonstrative administration:** According to Britain's the E.U. officers have despotism behavior which is hastiest the people of European Country. Only some Bureaucracy member decided the

future of 28 countries. According to a report in E.U. 10 thousand officers are working who get heavy salary for that work.

4. **Open-way for new and free Economy:** Britain is free from every way of economically free Business in fact the Britain freely performed their Business with country like India and America. But in Britain still 50% law of E.U. and as compared to E.U., Britain condense two time more Export Business.
5. **Britain create own legal Entities:** The Britain solved its problems by creating their own rules and laws. As per that the country saved heavy financial amount from the E.U. burdens.

#### Where are the effects?

**Share Market:** As an impact of Brexit there occurs recession in global. As a result of it invest decide to secure themselves for further investment.

**Export:** As for as export is concern Europe is the most important market for Indian. But it Europe is affected then export of India also Vice versa.

**Corporate:** Companies' base on share market like IT, Farma, Auto Sector will get affected as insecurely occur in share market.

**Truism:** Brexit creates positive impact on truism to tourist travelling in Europe becomes cheap. Education cost also get lesser as compared it now.

**Money Market:** As compare to dollar, Euro will get devaluation. Even Indian rupee also get negatively affected.

#### What is the Impact of BREXIT on Indian Economy?

For Indian Industrialist Britain is a good way to enter in European Union for Business. India's near about 800 business offices are situated in Britain from that place Indian Industrialist run their business successfully. Now because of Brexit Indian Industrialist are not able to do business in European region. Now only that Business which are financing strong will transfer to Europe early as possible. For that new agreement with European countries will happen & those industrialist which are weak (financing & from other aspect) are now not allowed to take part in Business.

1. Effect on Industries: It is NASSCOM opinion that Automobiles, farma & I.T. sectors will greatly affect by this Brexit. At present IT sectors business reached to 108 billion dollar. It is must for IT Industries to more new agreements with Europe. But after that which type of later effects are their on there business we can't predict.
2. Effect on Investment: Few Indian Industrialist invest their money in European market. Due to Brexit, European Market will collapse in future for safe investment, now a day's people invest their money in Gold. Due to that effects today 10 grams gold's cost is 32,000 and above.
3. Devaluation of pound & its effects: At one side devaluation of pound effects Import business due to Brexit Import Business decrease their cost of business, but at the same time Indian Industrialist will receive low benefits. Specially IT sector will affect on ground level. On the country dollars rate will increase and affect Import system strongly.
4. Effects on Garments Business: India's 20% Garments

export business of 100% is with Britain. But now in future due to Brexit effect new agreements will important to sign & if free trade we aspect then automatically export business will increase.

5. Import-Export Business: At Present India's export to Britain is up to 3500 million pound and on the contrary Britain's import to India is 10,000 million pound. In new business agreements so many new change will occur.
6. Effect on Employment: In Britain 69,218 workers who are working in Tata Group of industries may lose their job because of Brexit.
7. There will be no immediate effect. It will take time for the UK to officially break all the ties with the EU. EU rules were stopping Britain from striking a deal with India, but now the UK would be free to negotiate its own far reaching trade deals with India. It will be a boost to India-UK ties
8. UK Visa Aspirants Presently, the impact on Immigration will be a case of assumptions; it is believed that India may benefit from it, as labour does come at a lower cost unlike that from the EU. So far, work related visa restrictions have already resulted in a fall in the number of Indian students studying in British Universities from 22,385 in 2012-13 to 18,320 in 2014-15, according to the UK council for international student affairs (UKCISA). Given their tough stance on cutting immigration, a Brexit government could be expected to make such curbs more stringent.
9. What about 800 India Company In Britain-Indian Companies are growing by 10% in Britain. Most of these companies invested in UK, particularly to have a access in the European market, but now they have to deal EU and UK, separately. Brexit will have a bearing on future Indian Investment in UK.
10. Impact on IT industries In short term negative, but in long term it will neutral. "Competition for India will be slightly less. It will be positive. Overall it will be neutral over the next four years". The impact of Brexit will certainly be negative in the short-term on account of volatility in the exchange rate, uncertainty in the markets and the terms on which Britian will leave the EU.
11. Impact on Indian Economy and Markets-initially, Indian stock and currency market show some turbulence, which may prevail for some days. According to President Arun Jaitley impact on financial markets should not last beyond a few days and vowed to steadfastly pursue growth-oriented reform agenda including, early passage of GST Bill, while RBI Governor Raghuram Rajan promised to provide liquidity and correct any disorderly market behavior.
12. Impact on India's Trade with EU and UK Trade is expected to go down after Brexit, as the EU is among the largest trade partner of India, embracing 13% of its trade, which surpasses China (9.6%) and US (8.5%). Even if trade with Britain increases, there is no certainty that a UK outside of Europe would drive bilateral trade. But, at this point, such an argument is mere speculation. A renegotiation of the EU-UK agreement following Brexit would mean further uncertainty for India since a conflict of interest could arise.

13. Impact on Gold Price in India Gold prices in India could cross Rs. 32,500 per 10 gms following Britain's exit from EU. Gold rose for the second day on 27th June 2016 by Rs.140 per 10 gms at the billion market in tandem with firming global trend amid increased buying by traders and stockiest. On the global front, gold rose sticking close to a more than two year peak reached in the previous session, as uncertainty over Britain's vote to leave the EU forced investors to sell equities and seek safer assets.
14. It is Indian Economist opinion that Brexit is important for world. May be it affect European Nations Economy but on the country Indian Economy will develop positively.

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