

Indian business environment

Business, Business Environment



In the business map of the world, India has a place of prominence as a developing country and an emerging prosperous business location for coming years. Since its independence as a democratic country, India has witnessed many milestones in the history of its business. The opening up of the economy and resultant liberalization has accelerated the pace of economic growth and development and paved the way for the present business climate as an internationally acclaimed and investible country.

Indian economy has been growing by more than 9% for the last three years except some share market fluctuations due to the economic turmoil in the global market. It reduced poverty by 10% by virtue of the endless efforts and poverty alleviation programs for many years. Basically, India is an agrarian economy and 60% of the total population are engaged in agriculture and allied activities. However, the country has been concentrating now-a-days more on industrialization and developing talented human resources to meet the global man power requirements.

The present essay tries to investigate into the business prospects of India as a developing country. The essay takes a descriptive approach where the strengths weaknesses of the country as a business location have been described in the context of the opportunities and threats of the larger external environment of the country. Economic Environment Despite the economy has been growing since the last several years, there have been growing concerns about rising inflation and stock market slow down due to the impact of the economic downturn across the world.

The economic survey of India 2007 reveals that the economy has been showing a rising trend over the last 20 years; however there are issues for <https://assignbuster.com/indian-business-environment/>

the country to bother about for business enterprise. The survey reports that though the service sector in the country is witnessing a growth pattern and finding opportunities across the world, especially in the Information and Communication Technology, the manufacturing sector does not seem to be prosperous and promising.

The growing population is an attracting factor for business organization as the country has been emerged as the second largest country in terms of population among the rest in the world. Cultural and Sociological Environment When we talk about the cultural aspects of the country as an opportunity or otherwise for doing business in the country, it is well known to all that the country has a long and well admired culture as a reflection of various norms, values and standards and status and religious matters.

Therefore, it is imperative that one visiting the country must have some idea regarding the business ethics and customs followed by the Indian people in doing and managing business organizations. Having a good grasp on Indian business culture ensures that one should achieve in maintaining a well-earned affinity with his business counterparts or competitors with a positive attitude. In India general rule to accept the strangers as a norm 'namaste' forms an important part of Indian etiquette and is generally used while greeting and saying good-bye.

The folded hands are positioned under the chin and accompanied with an obeisance. But, educated Indian men and women, who are familiar with western civilization, have a preference shaking hands. It is the means of treating the acquaints by Indians. Good treatment of and consideration to women does play a crucial role in India. A man should give respect to women

in the society. When we are in public places, societal conventions dictate that you don't make the first move towards a conversation with a woman. Political and legal environment It mainly affects the Indian business culture.

When you are planning to start a multinational company business, some sort of political patronage is an absolute necessity to get the permission and for registration procedure. Not only for safeguarding the interest of the company but even to begin the process of getting the required sanctions, one requires hold in the high officials of politics and administrative sections. Indian economy is highly plural and optimistic. It is the biggest democracy in the world with multi party political system. In population, India is second to China, with nearly 1300 million people. This is the most important consumer market in the world.

It is a fast developing world. India is the third largest economy in the world and second fast growing economy in Asia. It has the tremendous potential of development with huge intellectual human force. With all these advantages and the huge market potential, world super entrepreneurs are looking for business establishments in India. When talking about legal environment of business in the country, it is better to say that the rules and regulations are not so rigid as compared to other countries. Governments impose laws to protect the home industry from cut-throat competition and to survive the domestic players in the country.

They impose different kinds of tariffs, enter into agreements and sign treaties to protect indigenous industry and promote local trade. Infrastructural Environment Infrastructure is fundamental to the growth and development of any country. The business operations and its smooth flow

depend largely on a country's infrastructural environment and its development. Comparing to the developed countries of the world, India's infrastructural environment is not conducive for businesses, especially for ones that aim for global operations. In a recent survey, India is ranked the highest inadequate infrastructure country conducted in Vietnam in 2008.

When talking about technological developments in the country, it is growing as new market players are coming to the Indian market and bringing their technologies to the Indian market. It helps to the foreign players to do the business in India to improve business relationships and communications through a better understanding of the management culture of Indian organizations. India does have a pool of well trained and high skilled work force; she also houses a 350 million strong middle class which commands a formidable spending power.

Increasing the high net worth people in India has the fourth largest billionaire population in the world - makes it even more attractive as a high end products and luxury goods in to the market. More than this a vibrant democracy, it has enjoyed relatively higher firmness than other countries in its neighborhood. From an entrepreneur's perspective, bureaucratic issues like company registration period, paper work, licensing issues and tax and other incentives also plays an important role in the global business environment. Impact of Globalization

Globalization has brought many challenges for the Indian economy as a whole, especially in business. The biggest and ever ending challenge is global competition. In order to overcome this challenge the organization should have the required skill and resource to compete with the global firms,

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which are competent enough to face any challenges and obstacles. As far as the business structure is concerned, there are different players in the country such as public, private, multinational companies, international consulting firms.

The Impact of the Globalization of economy, politics, information, and technology, results in the globalization of culture and the country has become a well structured and passing the information as a whole. The present day TV channels, movies and advertisements are open to all parts of the world imparting modern education that transforms the values, ethics, religion, and thought processes of the mankind irrespective of the region and religion. The Globalization mainly influences on the financial condition as well as the industrial sector of a particular nation especially developing countries like India.

Globalization gives birth to markets based on industrial productions across the world. This will lead to widen the access to a diverse variety of foreign commodities for consumption of the customers, owing to the marketing strategies undertaken by different corporate world. Privatization came in to force in the year 1991. The main impact of privatization is that it has changed the structure of the national economy. Privatization involves denationalizing the economy and passing state-owned enterprises into private hands.

Ownership change has also necessitated the changing the system of industrial relations and the structure of corporate. More than one-third of the indirectly privatized companies were privatized with the participation of foreign capital. A majority of these enterprises operated in the area of <https://assignbuster.com/indian-business-environment/>

industrial processing and, in particular, food and beverage production. Those operating directly as privatized enterprises in the country comprises of industrial processing, construction and commerce. The assets of privatized enterprises were usually transferred to employee-owned companies for use against remuneration.

The largest number of enterprises liquidated for economic reasons were those operating in the area of industrial processing and the construction industry (Effects of Globalisation) After the liberalization of Indian economy, many international players have entered the market. After identifying the opportunities in the Indian market they have also started showing interest in the Indian business environment and in finding out effective ways of doing business as well as managing people in their Indian operations.

They have understood that many of the management practices and managerial styles as applied in their home country cannot be transplanted exactly in the same manner in the Indian market. The role of culture as it relates to norms, values and behavior patterns has become increasingly important in the field of management issues and doing business in India. The Indian constitution provides the freedom for religion and the Government respects this practices. The foreigners suggested that India is a best country to expanding the business.