

# Comparing india and china essay sample

[Economics](#)



## Introduction

History is repeating itself again, with the emergence of India and China to the world economic center. More than 250 years ago, China and India was the hub of Industrial production in the world. United States and Europe were appendages of the two giants but the balance was tipped with the industrial revolution in England. This shifted industrial production from human labor driven to mechanized production. Consequently, China and India were left to the bottom in the industrial production from 1850s to 1950s. However, there have been a systematic emergence of these two civilizations of artisans and its is estimated that within 20-30 years from the turn of the millennium, there will be four major economic powerhouses in the world including China, United States, India, and European Union where each will commanded 15% to 20% of the world economic output.

The changing economic landscape and emergence of the importance of consumer market puts China and India at an advantageous position due to their large population. China and India holds 37% of the world population and have been experiencing more than 9% growth in their Gross Domestic Product (GDP). Both countries attained independence with two year difference but change in regimes, economic reforms, bureaucratic control, fiscal reforms, and other aspects has seen China surge ahead of India in different social economic indicators. While India has an FDI of 3.4% of the FDI flows, China has a percentage FDI of 8.2%. On the other hand, China has been faced by different political and environmental issues that India has not faced. In order to understand doing business in both countries, we need to compare business profiles for the two countries.

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## Doing business in India and China

Both countries account for more than 37% of world population. India has 1.06 billion people while China has 1.3 billion people which show that both countries have a large domestic market and labor force. In case of failure of international market, products can be diverted to the domestic market. However India has higher population growth rate of 1.44% while China has taken population control measure and one child policy slowing the population growth rate to 0.57%. In term of purchasing power parity, India has a purchasing power of \$2,900 while China has purchasing power of \$5,000 which makes it a lucrative market. The geography of both country show regions of tropical and arctic climate and while India covers 3.3 sq km, China covers 9.6 sq km. While majority of Indians can speak English, standard Chinese and Cantonese are the main language in China which makes communication a little difficult of investors in China. Knowledge in English language has led to emergence of India as a call center hub. However the literacy level in India is only 59.95% while is 90.9% in China. Both countries have reaped forward in embracing modern technology. For example there are 18.481 million internet users in India compared to 79.5 million in China. (Shanthappa, 2007)

The two most important factors to consider when investing is political and economic environment of a country. While India is considered the largest democracy in the world, China is still under the grip of socialism. However the political environment in China has been considered stable since there are few political conflicts like in India. The political serenity has made China an attractive foreign investment destination unlike India which experience

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religious and political fights now and then. However China has on the other hand been criticized for human rights abuse. In economic terms, China has maintained a double digit economic growth for the last one decade while India is still experiencing fluctuating economic growth rate. China is switching between third and fourth largest economy in the world while India is the 12<sup>th</sup> largest economy in the world. (Shanthappa, 2007)

However there is a different business environment in both countries. A country snapshot for India shows that the country has a total GNI per capita (US\$) of 820. To start a business in India, it would take you an approximate 33 days. This would involve number of steps consulting about 13 procedures. In any country, investor protection is very important. Investors take into consideration the level of their personal protection and protection of their investment. In an investor protection index of 10 points, India can score 6 points out of 10. In business practices, India has been improving in several ways. For example the country has seen reduction in the number of days taken to enforce a contract to 1, 420. The recovery rate of closed business rated on US\$1 cents is 11. 6. (MCA, 2008a)

China presents an almost similar business report environment with India as we have seen above. The country has a GNI per capita (US\$) of 2, 010 which is almost triple that of India. The time and procedure taken for starting a business are almost similar. It would take 33 days to start a business in China which takes you through 13 procedures. On investor protection, the two countries are not far apart as China scores 5 points out 10. This shows that level of security in China is a higher than in India. Unlike in India where

it takes 1, 420 days to enforce a contract, it takes on 406 days in China. The recovery rate of closed business in China is also higher in China at 35. 9 compared to 11. 6 in India. (MCA, 2008b)

## Conclusion

From the above analysis it is clear that the two countries are rising to global economic power. China, which as a population of 1. 33 billion people has the fourth largest economy in the world and has been experiencing a double digit economic growth for the last one decade. In terms of business environment, China has an attractive investment package and a stable political environment. On the other hand, India has a population of 1. 06 billion people and the 12<sup>th</sup> largest economy in the world. However business operation environment is still bureaucratic and the political environment has experienced instability in some areas. China remains by far the most attractive investment destination between the two countries.

## References

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