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Global view of Business Operations

Introduction

This  essay  concentrates  on  the  economic  situation  prevailing  in  India.

In  the  later  half  of  the  twentieth  century, after  its  independence, India  has  made remarkable  progress  in  industrial, academic, medical, agriculture  and  the  IT  sector.  India, with  a  population  of  over  1. 095  billion  which  makes  it  the  second  most populated  country  on  this  world,(demographics, economy of India) with  a  vibrant  economy, a  very  vast  middle  class having strong  purchasing  power, coupled  with  Government  policies  which  are slowly  shifting  from  a  very  closed  protected  model  to  opening  for  foreign investors, must  be  an  ideal  choice  for  anybody  who  is  looking  for  study  of  an  economy  outside  the USA. ( Economy of India)

This  essay  briefly  describes  the  various  aspects  of  the  Indian  economy.

The  Indian  Economy

By  and  large  the  Indian  economy  can  be  divided  into  three  phases, the  pre- colonial, the  colonial  and  the  post  independence. The  pre-colonial  era, deals  with  the economy  before  the  British  rule  started  in  the  17th  century. The  colonial  economy is  classified  as  the  economic  situation  during  the  British  regime  in  India, and   the post  colonial  era  starts  from  1947, when  India  gained  its  independence.(History, economy of India) This  essay  deals  with  the  economy  after  1947, especially after  the  1990s.

The  economy  of  India  is  the  third  largest  in  the  world, as  measured  by  the purchasing  power  parity, with  a  gross  domestic  product  of  US  $ 3. 611  trillion. It  is the  second  fastest  growing major economy in the world, with a GDP growth of 9. 2 percent, at  the  end  of  the  second  quarter  of   the  year  2006-2007. Due  to  India’s huge   population , the  per  capita  income  is   $ 3200  at  PPP  or  $ 714  at  nominal.

The  economy  is  diverse  and  ps  from  agriculture, handicrafts, textiles, manufacturing  and  a  wide  range  of  services. Two  thirds  of  the  Indian  work-force is  still  earning  its  livelihood  through  agriculture, services  is  the  fastest  developing sector  and  is  playing  an  increasingly  powerful  role  in  the  economy.

India  took  the  route  of  socialist  economy, after  its  independence. There  was strict   government  control  over  the  private  sector  participation, foreign  trade  and foreign  direct  investment. Since  early  1990s, the  government  controls  have  been reduced  as  a  part  of  the  economic  reforms, and  privatization  of  public  ventures has  been  initiated.

India  currently  faces  the  challenge  of  huge  population, social  and  economic inequality .( economy of India)

The  most  significant  achievement  of  the  Indian  economy  in  the  post independence  era  is  its  becoming  a  software  giant  and  a  most  favored  destination for  out-sourcing  from  the  USA  and  European  countries. This  has  been  possible, partly  due  to  the  natural  forces  like  its  geographic  position  and  partly  due  to  the five  year  plans  of  the  Indian  Government  in  the  post  independence  years, which laid  substantialstresson  technical  and  professionaleducationalong  with   the conventional  branches  of  education.

A  night  in  the  USA  coincides  exactly  with  a  day  in  India. So, a  medical institution  can  pass  over  the  cases  for  medical  transcription  of  a  given  day  to  its  contractor  in  India  when  the  office  closes, and  receive  the  transcribed  file, when the  office  opens  next morning. This  is  combined  with  a  very  well  qualified, huge, young  work  force, which  is  perhaps  more  fluent  in  English  than  their  counterparts in  UK  or  USA. As  a  result  of  the  British  legacy, India  already  had  sufficient number  of  missionary  schools which  trained  the  new  generation  of  small  Indian children  in  English  as  a  medium. Most   important   of   all, the   five  year   plans of  the  Indian  Government  in  the  post  independence  era, laid  more  stress  on  technical  and  professional  education. These  efforts  saw  the  birth  and  blossoming  of  many medical, engineering, technology, management  and  design  institutes  in  India, and  producing  a  very  high  quality  of  technically  qualified  work  force. One more  reason  is  that  such  highly  qualified  work  force  is  still  cheaper  to  the  companies  in

Europe  and  the  USA, when  compared  to  the  actual  cost  in  their  country. A  mix  of  all  these  reasons  have  enabled  India  to  emerge  as  an  undisputed  software  giant  and  the  most  favored  destination  for  outsourcing.

During  the  freedom  struggle, from  1915  to  1947, India  was  rightly  perceived  as an  agrarian  country, and  the  concept  of  cottage  industry  which  would  benefit  thesmallest  man  in  the  remotest  corner  of  the  nation, was  highly  advocated  by Mahatma  Gandhiji. His  ideals  were  soon forgotten  and  a  socialist  model  with  huge public  and  private  sector  undertakings, with  direct and  indirect  control  of  the Government was established. (post independence, economy of India)

The  character  of  the  Indian  economy  is  slowly  but  surely  changing  from  a socialist  model  to  a  capitalist  model. 1980s  saw  the  first  signs  when  Indira  Gandhi nationalized  many  private  sector  banks. This  pro-business  move  continued  and  in 1991, the Government opened its gates for foreign investments and  participation with reduced  Government  interventions. Since then, India has become a favorite destination for  many  major  multinationals  like  Macdonalds, Googleand  Microsoft.

Povertyis  the  major  problem  faced   by  the  Government. The  recent  economic reforms  have  helped  the  middle  and  the upper  class  of  India. A  good  amount  of its   population  still  lives  under  the  poverty  line. Since  independence, many successive  governments  have  implemented  various  schemes  to  deal  with  this problem, but  met  with  partial  or  no  success. Thefoodfor  work  and  National  Rural Employment   Program of  1980s  aimed  at  using  the  unemployed to  generate productive  assets  and  build  rural  infra  structure. In August 2005, The  Rural Employment  Guarantee  bill  was  passed, which  assured  a  minimum  wage  of  100 days  in  a  year  to  every  rural  household  in  200  out  of  600  districts  of  India.  Whether  any  of  the  steps  taken  by  the  Government  have  resulted  in  decreasing poverty  is  a  matter  of  severe  debate, but  there  are  political  pressures  on  further economic  reforms, especially  related  to  downsizing  of  labor  and  cutting  agricultural subsidies. ( poverty, socio-economic characteristics)

India and the world trade

India  is  gifted  with  many  natural  resources, due  to  its  vast  land  and  sea territory. This, coupled  with  the  monsoon  type  climatic  zone, enables  it  to  be  a  land  of  abundance.

Till  1991, India  was  largely  a  closed  economy, to  protect  the  fledging  economy and  achieve self-reliance. Foreign  trade  and  investment  was  subject  to  many government  restrictions. These  restrictions  averaged  annually   to $ 200 million  only. India  is  a  founder  member  of  GATT  and  WTO. It  is  active  in  effectively presenting  the  case  of  the  developing  nations  before  WTO. For  instance, it  has continued  its  opposition  to  issues  like  labor  andenvironment, and  other  non-tariff barriers  in  WTO  policies. (global trade relations, economy of  India)

Indian exports and imports

During  the  year  2005, Indian  exports  were  $76. 23 billion  and  the  major  goods exported  were  textiles, gems  and  jewellery, engineering , chemicals  and  leather goods. Tea, jute  and  cotton  form  the  backbone  of   Indian  exports. The  maincountries  to  which  Indian  goods  are  exported  are, USA, China, UAE, UK  and Hongkong.

During  the  same  year, India  imported  crude  oil, machinery, gems, fertilizer  and chemicals, from  countries  like  China, USA, Belgium, Singapore, Australia, and Germany. The  total  value  of   imports  was  $ 113. 1  billion.(trading partners, economy of India). India’s global trade has gone up to $ 185 billion. (Financial Express).

One  of  the  major  changes  that  the  Indian  economy  will  undergo  in  the  next  5 years  or  so, is  that  the  foreign  multi-nationals  may  be  allowed  to  have  an  access to  the  gigantic  retail  sector  of  India, which is ever growing, because  the  population is  ever  growing. Wal-mart  does  not  exist  anywhere  in  India  in  2006  but  in  2010, major  Indian  urban  centers  may  have  wal-mart outlets !!!

Impact of IT

The  advent  of  IT  has  had  a  very  major  impact  on  India’s  role  in  the  world trade. In  fact, one  of  the  major  achievements  of  Indian  economy  is  that  it  has succeeded  in  becoming  an  IT  giant, directly  competing  with  USA. India’s  software and  BPO  related  earnings were, $ 17. 2  billion, an  upward  jump  of  34  percent, as  on March  2005. ( Outsourcing boom in India)

Conclusion

India  is  a  fast  growing  economy  with  a  very  huge  purchase  power  of  the  ever growing  middle  class. The  Government   policies  which  were closed  towardsglobalizationand  international  participation, have  now  started  changing, and  since 1991, when  India  opened  its  gates  to  foreigners, many  companies  have  already started  their  operations  in  India.

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