

# [India more pruriently, this leads to more folks](https://assignbuster.com/india-more-pruriently-this-leads-to-more-folks/)

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India is a country known for being amongthe world’s leading democratic countries, as well as being culturallydiverse.  The country also has the secondlargest population in the world with more than 1. 2 billion people. Many multinationalcompanies looking enter India to conduct business oppose a few risks, such asthe lack of preparation and patients.

Many companies assume that doing businessin India will be very similar to doing business in China, seeing as they areboth Asian countries. However, the business culture in India and China are verydissimilar. India has one of the largest democracies in the world, but that doesn’tnecessarily mean it’s the best. For one, there is a slowdownin government decisions due to the political instability that is taking place. One of the biggest political risks for a multinationalcompany that is looking to enter India would be the consumer market risk. Aconsumer market risk is “ possibility for aninvestor to experience losses due to factors that affect the overallperformance of the financial markets in which he is involved.

“(Staff, 2016) Market risk canalso be described as systematic risk. This could be a problem for the reasonthat consumer demands can vary from country to country, which could causeproblems for a number of companies. This would mean that a company would haveto enter niche markets. They have to make sure there is a market in India forthe product they are trying to sell. For instance, the United States has thesame consumer demands across the entire country, preference will vary, but it’snot a significant difference.

However, India is so large that consumer demandswill vary from state to state. For example, Northern India prefers wheat, whileSouthern India prefers rice. Some companies might not like how big theeconomies of scale are for selling a single product across the entire county. Another major political risk for a business looking to enterIndia is weak law enforcement.

Corporate frauds, bribery, and corruptions arenow being recognized as one of the highest risks for doing business in India. (Pinkerton, 2014) There is plenty of corruption in the police and judiciary departmentsthroughout the country. “ The Department of Justice (DOJ) would say the risk ishigh because of the number of licenses and permits required.

More pruriently, thisleads to more folks having their collective hand out looking to speed thingsup.”(Fox, 2014) A lot of companies start to look for ways around these constraintsbeing that there is a lengthy process to obtain permits, licenses, and otherregulatory approvals so businesses do whatever they can to speed the processup.  “ A host of regulatory hurdles existsin India, including the need to obtain permits, licenses, and other regulatoryapprovals and to pay various application and registration fees.

These types oflow-level transactions provide opportunities for bribery.” (Fox, 2014) Therehave been instances of companies providing money in order to overlook incorrectpaperwork. Companies will even go to the extent of paying a local healthregulator to overlook health code violations.

Not only doesobtaining licenses and permits take long, but the revision of laws in Indiatakes several years as well. The labor laws are strictly set in place for themanufacturing sector or the blue-collar employees; however, the laws areslightly different for the service sector of white-collar employees. The economy of India has been a stable one for quite sometime now however; India has plenty of economic risk for businesses that arelooking to enter the country.

“ Huge transfer payments to the rural poor, subsidies for food and fuel, and disproportionate raises for state employeesand retirees have bled the economy from time to time.” (CommonRisks, n. d) Companiesneed to pay attention to the exchange rates as well as interest rates beingthat they can cause risks when deciding to do business in India. The economicrisk mainly has to do with inflation, and the lack of fiscal discipline. Thereis also variation in interest, and currency rates.

Doing business in India alsoinvolves unpredictability, unfavorable changes on foreign investment or even pricingand tax issues. The political risks are high and without a proper plan to successfullydeal with political risks, the investment plans a multinational company wouldmake can get out of control. Indiaprovides extensive growth opportunities to any company that is looking to enterthe market.

In order for a multinational company to be successful it would bebest if they prepared the appropriate business strategy for such a market. India has plenty of opportunities for a multinational company that is willingto learn the interests and preferences of the country they plan to penetrate.