

India more prudently, this leads to more folks

[Business](#), [Strategy](#)



India is a country known for being among the world's leading democratic countries, as well as being culturally diverse. The country also has the second largest population in the world with more than 1.2 billion people. Many multinational companies looking to enter India to conduct business face a few risks, such as the lack of preparation and patients.

Many companies assume that doing business in India will be very similar to doing business in China, seeing as they are both Asian countries. However, the business culture in India and China are very dissimilar. India has one of the largest democracies in the world, but that doesn't necessarily mean it's the best. For one, there is a slowdown in government decisions due to the political instability that is taking place. One of the biggest political risks for a multinational company that is looking to enter India would be the consumer market risk. A consumer market risk is "possibility for an investor to experience losses due to factors that affect the overall performance of the financial markets in which he is involved.

"(Staff, 2016) Market risk can also be described as systematic risk. This could be a problem for the reason that consumer demands can vary from country to country, which could cause problems for a number of companies. This would mean that a company would have to enter niche markets. They have to make sure there is a market in India for the product they are trying to sell. For instance, the United States has the same consumer demands across the entire country, preference will vary, but it's not a significant difference.

However, India is so large that consumer demands will vary from state to state. For example, Northern India prefers wheat, while Southern India

prefers rice. Some companies might not like how big the economies of scale are for selling a single product across the entire country. Another major political risk for a business looking to enter India is weak law enforcement.

Corporate frauds, bribery, and corruptions are now 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 departments throughout the country. "The Department of Justice (DOJ) would say the risk is high because of the number of licenses and permits required.

More prudently, this leads to more folks having their collective hand out looking to speed things up." (Fox, 2014) A lot of companies start to look for ways around these constraints being that there is a lengthy process to obtain permits, licenses, and other regulatory approvals so businesses do whatever they can to speed the process up. "A host of regulatory hurdles exists in India, including the need to obtain permits, licenses, and other regulatory approvals and to pay various application and registration fees.

These types of low-level transactions provide opportunities for bribery." (Fox, 2014) There have been instances of companies providing money in order to overlook incorrect paperwork. Companies will even go to the extent of paying a local health regulator to overlook health code violations.

Not only does obtaining licenses and permits take long, but the revision of laws in India takes several years as well. The labor laws are strictly set in place for the manufacturing sector or the blue-collar employees; however, the laws are slightly 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 are looking to enter the country.

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

Doing business in India also involves unpredictability, unfavorable changes on foreign investment or even pricing and tax issues. The political risks are high and without a proper plan to successfully deal with political risks, the investment plans a multinational company would make can get out of control. India provides extensive growth opportunities to any company that is looking to enter the market.

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