

# Changing Scenario of India's Business Environment: A Lesson To Bangladesh

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***Abstract:** India is poised to become the world's fastest growing major economy in 2015, reports our 2015 India Attractiveness survey. Economic fundamentals stand strong, and global interest is on a steady upswing. The election of a pro-reform Government and its various initiatives - Make in India, Digital India and 100 Smart Cities - have added to increased optimism. India has emerged as the number one FDI destination in the world during the first half of 2015. With FDI capital inflows of US\$30.8b, India has outpaced all other economies, moving up to the premier position from being in the fifth spot during the corresponding period of the previous year. A leading 32% of the investors ranked India as the most attractive market this year, while 60% placed the country among the top three investment destinations. Manufacturing has regained its share in FDI capital flows in 2014, amounting to approximately 46%. Investors are most optimistic about the sector, with 62% of those interested to expand or enter India over the next year, saying that they plan manufacturing activities. Within six months of its announcement, 55% of our survey's respondents were aware of the Make in India program and 69% of those who are aware of the initiative are likely to invest in manufacturing in the next five years. Business leaders find India's macroeconomic and political stability, FDI policy and ease of doing business more attractive in 2015, compared with EY's 2014 India attractiveness survey. Investors see India speeding up pace toward becoming one of the world's top destinations for manufacturing, as well as a regional hub for operations. A number of recent government reforms are being well received by investors, who expect them to increase India's FDI attractiveness significantly.*

*Bangladesh offers opportunities for investment under its liberalized Industrial Policy and export-oriented, private sector-led growth strategy. All but four sectors (i.e. arms and ammunition and other defence equipment and machinery, forest plantation and mechanized extraction within the bounds of reserved forests, production of nuclear energy, and security printing and mining) are open for private investment in Bangladesh. Therefore India has got opportunity to invest in Bangladesh.*

**Keywords:** FDI, Make in India, Business Environment, Government Reforms, Bullet Train, Industrial Corridor, Economic Corridor.

## Introduction

By the end of 2016, India is set to emerge as the fastest-growing economy in the world, even ahead of China, as per a report by The World Bank. The GDP of the country is expected to grow at a rate of 7.5 per cent during the current year, prompting many prominent global companies to create a niche in this emerging market. Further, the

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Government is making several policy announcements and changes to facilitate ease of doing business in India.

The last decade has shown rapid development in the information technology and its application. This has helped changed the way we look at the world as well as the way business is conducted. Both business and trade have gained under the wave of information technology with improvement in efficiency, productivity and bottom line. Productivity improvement has facilitated speedy and accurate production in large volumes. Indian financial sector has also benefited from advancement in information technology.

Current global and competitive business environment constantly asks for innovation, existing knowledge base is getting obsolete, continuously thriving for advancement in process improvement. The learning curve is always put to test, and every company is striving to remain ahead of the curve. Due to this shift in the way business is getting conducted has thrown out new reality of ever shortening product and service life cycle. More and more companies are coming out with customized products and finding ways to differentiate from competition.

### **Business Process Outsourcing**

Business Process Outsourcing involves contracting one or many front end (customer related) or back end (finance, HR, accounting, etc.) activities within a company to a third party service provider. The number of jobs within BPO industry has increased exponentially in last decade. BPO is one of the new faces in business environment.

India has seen tremendous growth in BPO industry within function like customer care, finance/accounts, payroll, high end financial services, human-resource, etc.

### **Emerging Trends**

The recent explosion of information technology has seen few but significant emerging trends, for example, mobile platform for doing business, cloud computing, technology to handle a large volume of data, etc. These fresh technologies and platforms are offering numerous opportunities for companies to drive strategic business advantage and stay ahead of the competition. Companies need to work on new plans as to maintain flexibility and deliver customer satisfying products and services.

### **Changes took place in the Business Environment of India Essentials**

#### **of the 3Ds – Democracy, Demography and Demand**

Despite a diverse demography, India's democratic system has been integral for the progress in the country, helping bind its 65 per cent young population with the India growth story. With a population base of more than 1.25 billion, stable parliamentary system, technological advancement, and quality resources at competitive price, India has over the years emerged as a preferred investment destination for manufacturers and service providers alike. In the recent past, the Government has also been playing a crucial

role in highlighting the above advantages – the essential Ds – Democracy, Demography and Demand – in the global arena, inviting foreign companies to set shop in India.

## **Benefit of manufacturing in Make in India Campaign**

Taking the growth story forward, India is being projected as a manufacturing hub through the Make in India campaign, with the Government promising to provide a conducive environment for investors. Panels have been formed to help fast-track investment proposals, overcome bottlenecks that obstruct the efforts for investing in India and provide consistent efforts in creating investor-friendly environment. It is expected that the manufacturing sector in the country could reach USD 1 trillion by 2025, with the sector accounting for around 25 per cent of the GDP and creating 90 million domestic jobs by that period.

## **Easy to set business operation**

Setting up operations in India is now becoming far more flexible, thanks to the policy changes initiated by the Government. With most of the information and submission options available online, India is providing easier and flexible programs for investors ready to ship their operations in the country. One of the myths, that one needs an Indian partner to root themselves in India, is a fallacy of the past, as major companies are now setting up their hubs in the country on their own.

## **Easy Industrial Policy Guidelines**

The Department of Industrial Policy and Promotion (DIPP) has been focused at improving policies and guidelines for doing business in India. The emphasis has been mainly to rationalise and simplify the existing rules, along with introducing technology for making governance more effective and efficient. A prominent change had been online availability of applying for Industrial License and Industrial Entrepreneur Memorandum 24\*7.

## **Breaking red tapism / corrupt Practices**

The Government has progressed on environmental clearances for more than 300 projects and has made sure that it would be red carpet in India rather than red tapism. Also committed to fast-track reform process, Government has been able to take ordinance route for increasing foreign investment limit in various sectors such as insurance.

## **Developing Smart cities and industrial corridors**

Being an emerging economy, major emphasis is given on developing infrastructure in the country. With the Government announcing an outlay of around USD 8 billion for creating 100 smart cities, many international companies may express interest to collaborate with Indian companies and the Government to build infrastructure, transportation, renewable energy and other Greenfield projects in the country. With regards to industrial corridors, Delhi Mumbai Industrial Corridor, Ahmedabad-Dholera Special Investment Region,

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Chennai Bangalore Industrial Corridor, Bengaluru-Mumbai Economic Corridor and Vizag-Chennai Industrial Corridor are now showing great progress.

## **Offering strategic locations for doing business in India**

Along with the major industrial cities and towns, India is rapidly developing various strategic locations for companies to establish their base in the country. With the availability of multiple clusters for centres of excellence for manufacturing, engineering & design, and skilled talent at competitive cost, India is at an advantageous position for establishing manufacturing facilities,

engineering design and development centres as well as for sourcing from the country. Further, the country is emerging as one of the best global locations for talent arbitrage, as foreign companies are hiring Indians for top leadership positions for their global operations.

### **India's Vision To Run Bullet Train**

Railway Minister Sadananda Gowda, while presenting the railway budget last year, had opined that every Indian has a dream that the bullet train would be launched in the country at the earliest. Stating that the Indian Railways is on the right path to fulfil that dream, he proposed India's first bullet train to run from Ahmedabad-Mumbai. The proposal envisaged by the minister is set to cost around USD 9.17 billion or INR 60,000 crore per train. And since then, the Government has been engaged with investors for raising funds as a part of alternative sourcing for the project.

With that, a lot of feasibility studies were conducted by the Government to understand the economics of running the train between the two cities as mentioned above. As of the current status, the fastest train to run between cities is Shatabdi Express. It has been estimated by the analysts that these high-speed bullet trains would run at a speed of 320 km per hour – maximum speed.

In the budget, the minister had also said that other routes proposed for the bullet train include Delhi-Agra, Mysore-Bangalore-Chennai, Delhi-Chandigarh, Hyderabad- Secunderabad and Mumbai-Goa.

Launching the bullet train in India had been a key campaign for Narendra Modi. He had also announced diamond quadrilateral for bullet trains which would connect the major metros in the countries – Delhi, Mumbai, Chennai and Kolkata. The speed of the trains would be around 160km-200km per hour. This was as per the announcement made by the railway minister.

With this, India has seen a lot of investment interest from countries such as China, Japan, Korea, France, Germany as well as Spain.

### **Japan runs ahead**

Companies from Japan have become too keen to collaborate with the Indian counterparts on these rail projects. This is under the 'Make In India' initiative launched by the Prime Minister of India. Japan has been able to finance the first bullet train in India. The

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estimated cost of the project is around USD 15 billion, given at an interest rate of less than 1 per cent.

Japan has been able to offer 80 per cent of the project cost for Mumbai-Ahmedabad route. This is under the condition that India is able to buy nearly 30 per cent of the equipments which also includes coaches as well as locomotives from Japanese firms. The Cabinet in India would be taking a decision on this soon.

JICA – Japan International Cooperation Agency – has given a report to the Railway Ministry and has said that the time taken for travelling 505-km long corridor between two cities would reduce to two hours from the present seven hours or more. And this bullet train would run at a speed of approximately 300-350 km/hour.

The agency was able to conduct the feasibility survey and had revealed that travelling time between Ahmedabad and Mumbai would come down drastically from the seven hours. This route would require 11 new tunnels and one undersea near Mumbai.

### **China is not far behind**

In the recent past, even China was able to secure a contract for assessing high-speed train from Delhi to Mumbai. The distance of 1,200-km route would be double the cost for Ahmedabad-Delhi route. No companies or countries have given their offer as yet.

Subsidiary of China Railway Corporation – Third Railway Survey and Design Institute Group Corporation – would be working with Indian firms and dispatching experts for initiating study for this route.

India has also been able to invite global tenders for three high-speed rails which includes New Delhi-Mumbai sector. This has attracted 12 consortiums to show interest from seven countries looking for the contracts.

And along with this, China has been conducting feasibility study for the section between New Delhi-Chennai.

### **France signing pact**

The Government of France would be signing a pact with the Indian Government in November for developing semi-high speed train track from Delhi to Chandigarh. This project would be completed within the period of five years. After the corridor comes to place, the distance between the two cities would be cut to two hours.

Representatives from the Government had visited the city railway station and were able to collect data from the platforms. The data included passenger footfall as well as the services being offered at the stations. This was done to understand the estimated cost as well as time span by which this project could be completed.

### **Germany looking for high speed train contract with India**

A delegation from Germany has recently come to India, and there had been a deal for German initiative on high-speed rail. This would help in getting collaboration on various fronts, including technology, financing, training and operation.

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Also, high-speed trains were one of the top priorities of India during German chancellor Angela Merkel's visit to the country in October 2015.

### **Spain in the fray to get high speed train project**

Spain would be undertaking a feasibility study as well. It would be able to find the cost and project timeline for running high-speed trains on the high demand sector of Delhi- Kolkata. Spain company, Ineco would be undertaking this exercise for the route. And, this would be a part of the Diamond Quadrilateral project. Railways in the year 2012, had signed a MoU with Spain for cooperating in building high-speed rail.

On the other hand, Talgo – which is also a Spain based company – plans to launch its lighter as well as faster trains in the country. In principal, the company has already got consent. And, if everything goes in accordance to the plan, fast train sets might be imported inside the country by the end of the current year. Tango which is a manufacturer of intercity passenger trains – that runs on high-speed, was able to suggest that they would be using legacy network for Railways in India for providing connectivity at a faster pace.

### **Future to come on fast track**

Transport industry in India is looking bright with the announcement of launching high-speed trains. And if they are introduced, it would give a tough competition to domestic airline companies, as in the countries like Italy.

But, a lot of investments might be needed for making this a reality. With new tracks to be laid down, advanced automatic signalling systems to be introduced for seeking higher success for high-speed trains, the Government has been inviting tenders for foreign participation.

With the introduction of high-speed trains in India, the railways industry in the country is poised to provide many investment opportunities to foreign companies – in infrastructure, rail components and railways, technology transfer and other areas.

### **India-UK Bilateral Trade Opens Investment Opportunity**

Prime Minister Narendra Modi in his recent visit to the UK agreed with his counterpart David Cameron for continuing to work together for creating sustainable, strong, as well as balanced growth, by further improving investments and bilateral trade. India over the period of time has been able to invest more in Britain in comparison to the combined investment made in European Union. And, for India, Britain has been the largest G20 investor. For ease of doing business, Modi was able to define some key developments with the UK. The two countries were able to talk on various issues and topic for promoting higher investments.

Some key industries to benefit from Modi's visit to the UK are as under:

#### **Information Technology**

India and UK were able to underline the importance of IT and digital industries. The Prime Ministers agreed on the progress made on 2015 India-UK Cyber Dialogue. Both the countries propagated inclusive, open, transparent and multi-stakeholder system on

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Internet governance. Agreeing to working together for promoting cyber security, advance voluntary norms and curbing cyber crimes, both the countries now want to promote responsible state behaviour. Both the countries have also agreed to promote public-private partnerships for supporting every aspects of cyber security.

As per Gartner Inc., with Indian Government increasing its spending on the sector – information technology – specifically on services and products by around 5.2 per cent and would touch USD 6.88 billion by this year, it would create higher avenues for digitally-connecting the country. It would also give immense opportunity for people to connect with the Government through the use of mobile devices.

#### **Infrastructure Sector**

Prime Minister Narendra Modi and David Cameroon have opined that London would play a pivotal role in channelling investments in India focusing on infrastructure and railways.

They agreed on a new MoU for Technical Cooperation in railways, this would boost business opportunities in India in the sector. They also agreed that institutions in the both the countries would be encouraged to develop infrastructure financing, deepening research and development as well as on sharing knowledge. P.M. N. Modi also announced that Indian Government was intending to launch the Government backed rupee bond in London for funding the developing railway infrastructure.

Both the prime ministers were also able to recognise the importance of infrastructure for sustainable development. In the view of this, they launched Low Income State Infrastructure

Equity Partnership which is being co-invested by the UK Department of International Development and SBI – State Bank of India. This would provide equity partnerships for infrastructural development of smaller size. Sectors that would get benefitted would be water and sanitation, urban infrastructure and others.

### **Financial services Sector**

With the announcements made by Bharti Airtel, HDFC, State Bank of India as well as Yes Bank for raising funds through the City of London, it also opens up a lot of opportunity for other Indian private sector players to raise capital from the UK.

Cameron and Modi were happy with the collaboration that was witnessed in the financial domain for helping key business and creating new Financial Services course that was sponsored by Standard Chartered. This course has been instituted for mid-career professionals who want to study in Britain. In terms of policy making, both the prime ministers also agreed to launch exchange programme – for the first time – with the economic services for supporting in the making of economic policy.

### **Defense Sector**

The UK and India announced deals close to GBP 9 billion, along with signing the civil nuclear pact. They have also decided to collaborate in the sectors such as cyber security and defence. The UK would now become a strong partner with India for plans regarding modernization, which includes ‘Make in India’ initiative, particularly in the defence sector.

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### **Energy Sector and Climate Change**

Britain and India agreed on a comprehensive package for collaborating on climate change and energy sector. Commercials worth of GBP 3.2 billion has been agreed upon. Joint research programs as well as sharing scientific, technical, and financial expertise have been envisaged in the future.

In this package, Britain was able to announce joint venture for UK Climate Investments with Green Investment Bank. They would invest up to GBP 200 million in energy efficiency and renewable energy in Africa and India.

### **Automotive Sector**

The leaders expressed their thoughts on promoting innovation leading to growth in the Indian automotive sector. They also agreed on exchanging and collaborating technical knowledge in the field of research and development, testing systems for automobiles in India. Both the countries agreed to share expertise for developing knowledge as well as experience. They plan to achieve this by signing a MoU between the departments as well as agencies under Indian Government and the UK.

### **Investment Commitments**

- Vodafone announced GBP 1.3-billion investment package for India. GBP 800 million of the total money has been allocated for upgrading and expanding network coverage; GBP 300 million would be invested in centres that are located in Ahmedabad and Pune, thus, creating 6,000 more jobs. GBP 100 million would be invested for creating Tier-4 data centre for providing communication services for businesses.
- King's College Hospital NHS Foundation Trust and India-UK Healthcare Pvt Ltd would open King's College Hospital in Chandigarh.

- Genus ABS would be investing nearly GBP 1 million in India. They would be providing latest dairy genetics as well as opening facility near Pune.
- Lightsources – the Solar PV generator in Europe, would be investing GBP 2 billion in India.
- CloudBuy – cloud platform provider for E-commerce business – signed a contract with CII for creating a marketplace for online business-to-business.
- Holland & Barrett International partnered with Apollo Hospitals for opening 1,000 outlets in the country in the next five years.
- Standard Life, Bupa as well as Aviva committed for investing a total of GBP 238 million in FDI in the Indian joint ventures.
- London Stock Exchange Group and Yes Bank signed MoU for fostering development in the issuance of bond and equity. This is basically focused around Green Infrastructure Finance.
- OPG Power Ventures plc would invest GBP 2.9 billion.

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- Kloudpad Mobility Research would invest GBP 100 million in the country. They would be manufacturing smart watches, tablets and wearables in South India.

While, deals worth GBP 9 billion were signed between India and the UK, the number is expected to get on a much higher side with India opening its door and easing policies for the UK investors and companies to set shop in the country.

### **The Changes in the Automotive Safety Sector**

The automotive sector is looking to generate nearly USD 300 billion in terms of annual revenue by the year 2026, increasing its share to more than 12 per cent to the gross domestic product (GDP) of the country. Together with this, it would be able to create over 65 million jobs, as per the Automotive Mission Plan 2016-26. As per the Mission Plan document, India's automotive industry is projected to touch over 70 million units in a year by 2026, helping the country get into the league of the US and China. It would also be one of the driving forces for 'Make in India' initiative taken up by the government in the country.

However, along with the growth in the Indian automotive industry, demand for better safety measures has also seen a remarkable increase over the last few years in the country. In fact, consumers in India and ASEAN countries are also looking at safety innovation as purchasing criteria, found a survey by a leading consulting firm, which saw an increase from 42 per cent in 2013 to 74 per cent in 2015.

A roadmap is being planned by Government of India in the next decade which would lead to vehicles and auto components manufacturers, to comply along-side the global standards for safety. This would be in accordance to World Forum for Harmonization of Vehicle Regulations. In the draft Road Transport and Safety Bill, the Government has proposed setting up Bharat New Vehicle Safety Assessment Programme – BNVSAP. Under this program, cars would be tested for safety for front-on and side-on crash tests. Additionally, cars which are being sold in the country currently would also have to adhere to the basic global safety measures. Along with other safety measures, cars would have to be equipped with seat-belt alerts, child lock and anti-lock braking system – these are now going to be compulsory.

Apparently, cars would also get star rating which would be in sync with the safety norms. The Government is setting up an administrative body under BNVSAP that would have the authority to choose new vehicle models for assessing them on the compliance issues. The star rating is



going to be mandatory for any new models which would be launched in India. With that, voluntary star rating for old and new models would be also undertaken/allowed.

By the year 2017, India would get approximately seven centres for carrying out all safety tests. This also includes side crash test.

- In all the future models, air bags would be mandatory. The vehicles would have to pass through crash test and air bags would be an important component for the new vehicles going forward.

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- Mandatory use of anti-lock braking system (ABS) and speed limiters on all the commercial vehicles sold in the country, to be in effect from October 1, 2015.
- Automatic headlamps would be required in all two wheelers – which are similar to Daytime Running Lights as in the cars – from April 2017.
- The Road Safety Bill, that is pending now, will allow the Government at directing the manufacturer for recalling vehicles that might have any defect, which might cause harm to the driver or to the passenger or any other motorist on the road.
- Crash test norms would be made stringent going forward and would be mandatory for all the new cars from October 2017. Minimum safety norms – which are new – would also include frontal as well as side crash tests and would be applicable to all the cars. This would also include entry level cars that are low-cost and small. According to the new order, cars would now be tested for frontal crash norms at 56 kmph and for the side crash test, it would be at 50 kmph.

#### **Easy Emission Norms**

SIAM – Society of Indian Automobile Manufacturers – called for the Government to initiate single set of emission norms for the country. This would help simplifying operations for car manufacturers who would then have the opportunity to sell the same car across majority of states in India.

Uniform norms would definitely help the manufacturers in conducting their business in a seamless manner going forward.

Almost all the manufacturers in the country – selling vehicles in cities – follow Bharat Stage IV norms which is equivalent to Euro IV controls. While in the smaller cities, they follow Bharat Stage III norms. The Government has announced in the earlier part of this year that by April 1, 2017 cars that would be sold in the cities should meet Bharat Stage IV norms.

Industry analysts opine that the Government might be looking at adopting strict BS-VI norm, which is equivalent to Euro-VI, and this would place the country India at par with global economies of the world.

Some of the industry experts also state that if the Government is planning to skip BS-V and move towards BS-VI norms directly, it would be an increase in just three years time slot. But, this would definitely increase the price of the commodity in the market that might not be a recommended effort.

With this, refineries in India have now agreed that they would be to provide BS-V compliant fuel by the year 2019. The Government might now be looking at announcing the volumes and predicting the quantity the refineries would be providing for BS-V compliant fuel.

Additionally, Ministry of Transport is also focusing on adopting bio-diesel as well as ethanol as an alternative fuel. This would definitely help in curtailing cost and help in reducing oil import bill.

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### **Business Opportunities: Airbag Sector**

Companies that are largest airbag suppliers such as Autoliv Inc, TRW Automotive Inc, Takata Corp, and Toyoda Gosei Co are now planning to set up plants in India. They are looking at increasing their capacity in the country, as the nation is able to provide USD 2 billion opportunity due to stringent rules for improving road safety in India. These changes would also create opportunities for safety equipment manufacturers as cars that do not have airbags would only get lowest safety ratings after passing through the test.

It has been predicted that by the year 2020, the overall revenues from the sale of airbags from the country would rise by 11 per cent in a year and would touch USD 2 billion, which would be higher than China's growth figure in the segment at 9 per cent, as per Transparency Market Research.

Some companies expanding in this segment are:

- Rane TRW Steering Systems Ltd – Air bag maker – had opened a new assembly plant in the month of August in the southern part of the country with a capacity for making nearly 500,000 units per year. They invested around USD 2.7 million.
- Toyoda Gosei Minda India, which is a joint venture between Uno Minda and the Japanese company, is now planning to increase the capacity by six times to touch 150,000 air bags in the next two to three years.

In addition, India would be third largest market for cars by the year 2020. Car sales were high in the month of September – higher by 9.5per cent – with new vehicle launch and the economy now getting into a recovery path. Sales of vehicle are expected to grow by nearly 6-8 per cent by the financial year March 2016.

### **The Profile of Bangladesh**

Bangladesh is one of the world's most densely populated countries, with its people crammed into a delta of rivers that empties into the Bay of Bengal. Poverty is deep and widespread, but Bangladesh has in recent years reduced population growth and improved health and education. Formerly East Pakistan, Bangladesh came into being only in 1971, when the two parts of Pakistan split after a bitter war which drew in neighbouring India. Bangladesh spent 15 years under military rule and, although democracy was restored in 1990, the political scene remains volatile. Islamist extremism has been rising in the usually tolerant country. The low-lying country is vulnerable to flooding and cyclones, and stands to be badly affected by any rises in sea levels.

Some economists see it as one of the "Next Eleven" tier of developing countries with potential for serious foreign-investment-led growth.

The major employer is agriculture, but it is unable to meet the demand for jobs. So, many Bangladeshis - in common with citizens from other countries in the region - seek work abroad, sometimes illegally.

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The country is trying to diversify its economy, with industrial development a priority. Overseas investors have pumped money into manufacturing and the energy sector. The collapse of a garment factory in 2013 with the loss of more than 1,000 lives brought workers out onto the streets to demand better conditions.

Onshore and offshore gas reserves could provide a chance for future prosperity. There has been a debate about whether the reserves should be kept for domestic use or exported. International companies are involved in the gas sector.

#### **Bangladesh Business Opportunities To India**

Bangladesh is not only India's neighbour, but also offers huge business and investment opportunities for Indian businesses.

However, investment opportunities for Indian industrialists in Bangladesh had not been explored in depth so far.

The Confederation of Indian Industry (CII) took the initiative to correct this disparity when it organised the first ever 'India-Bangladesh Investor's' Meet' in the country.

Kris Gopalakrishnan, President, Confederation Of Indian Industry (CII) and Co-Founder and Executive Vice Chairman, Infosys Limited, highlighted the positive points in the bilateral talks between the two countries when he said, "The interesting feature in bilateral economic engagement between India and Bangladesh is that despite common economic advantages, our two nations have evolved in different industry sectors. While garments and agricultural products are exported from Bangladesh, Indian exports include automobiles and pharmaceuticals. We feel that Indian investment in Bangladesh with the possibilities of re-export to India would help in diversifying the exports of Bangladesh and thereby reduce the trade gap between India and Bangladesh."

He put forth what was on offer: "This meet offers Investment opportunities in the Joint Venture mode in 23 projects with a net value of USD 186.5 million. The 13 important sectors for the Joint venture partnerships include Agro Processing, Automobiles, Ceramics, Chemicals, Gems and Jewellery, Light Engineering, ICT, Hospital and Medical Equipment, Pharmaceuticals, Plastics, Professional Services, Tourism, Textiles (including home textile) etc to attract foreign investments in the country. "

He highlighted that India has offered Bangladesh the facility of zero-duty exports under the Least Developed Country initiative. He urged the Indian companies to take advantage of this facility to export to India and other countries.

Adi Godrej, Past President Confederation of Indian Industry and Chairman, Godrej Group said, "Bangladesh is a winning combination of competitive market, business - friendly environment and competitive cost structure. The Risk factors for FDI are minimum and the country has consistently grown at 6% GDP over the years. Bangladesh offers a well educated, highly adaptive and industrious workforce with the lowest labour cost in the Region. It offers the most liberal FDI regime in South Asia allowing 100% foreign equity ownership with unrestricted exit policy, remittance of royalty and repatriation of equity and dividend. In addition to this,

Bangladesh enjoys duty free access to India, European Union, Canada and Japan and is an attractive destination for

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potential exporters. India and Bangladesh have signed the Bilateral Investment Promotion and Protection Agreement and Avoidance of Double Taxation Agreement. This encourages us to explore the opportunities in Bangladesh."

He informed the gathering that a large number of Indian firms from both public and private sector have been working on different turnkey projects in Bangladesh. The sectors include power, transmission lines, telecom, textiles, chemicals and pharmaceutical, glass, plastics and engineering.

He added, "During my interactions in Dhaka, I felt that the Government of Bangladesh facilitates and provides all the support to the potential investors from India with the facilities for land allocation, gas / power/ electricity connection, working capital, and fast track documentation including visa facilitation. We are happy to note that with this encouragement, there are 270 direct and joint venture proposals from India constituting US \$2.5 billion that have been registered with Board of Investment till December 2012. The major sectors of Indian interest include Agro- Based, Textile, Chemical industries, Engineering and Service Industries which in turn have created 51,653 jobs in Bangladesh. Yet I strongly believe that at USD 2.5 billion, the Indian Investment into Bangladesh is far below the actual potential."

Dr. Syed Abdus Samad, Executive Chairman, Board Of Investment Bangladesh Govt of Bangladesh, said, "India could do lot more in Bangladesh given how complementary the two countries are in the economic, cultural, historical and political spheres. It is hence disappointing that we do so little in trade and investment. It can multiply manifold if mental and physical barriers can be removed between the two countries."

He added that, "Matching inputs can be mobilized in joint ventures. If India has capital, Bangladesh has labour. India has technology and our people find it easier to do business with Indians. It is but natural that we would like more Indian investment and would like to export more to India."

Matlub Ahmad, President, India-Bangladesh Chamber Of Commerce and Industry (IBCCI), highlighted, "We need Indian industry to look at huge opportunities just across the border. Bangladesh has one of the best mix for low cost production base like a competitively priced and hard working labour force, excellent financial and infrastructure support, sufficient land water and power, friendly and forward business people and an extremely FDI friendly prime minister."

Chandrajit Banerjee, Director General, Confederation of Indian Industry (CII) said, "Our geostrategic location offers much potential for partnership as we are close to the vibrant and rapidly growing economies of East and South East Asia. Further, India's North East is a Region of vast natural resources and human talent. Leveraging the opportunities in the North East in infrastructure and industry as well as services makes eminent sense for Bangladesh. In the context of global economic and trade slowdown, it is necessary for neighbors like India and Bangladesh to tap their inherent advantages for cooperation."

Mohammad Habibur Rahman Khan, Minister (Commercial), High Commission Of Peoples Republic Of Bangladesh informed the gathering that a lot of steps have been taken to reduce the huge trade imbalances between the two countries that include

decreasing visa norms for business people and opening a deputy high commission in Mumbai.

### **Lesson To Bangladesh From India**

Bangladesh must take Lesson from India in the following field since lot of work is going on :

- Infrastructural Development viz., good roads, schools, colleges, medical infrastructure, industrial estates etc;
- Education Expansion among girls;
- Medical Facilities to common people;
- Business Relations with Advanced countries;
- Control on corruption at all level;
- Implementation of Economic Reforms;
- Women Empowerment: to take contribution in industry, film, TV, business, farming, education, piloting aircraft, NGO, Panchayat, etc;
- Power & Energy specially solar energy;
- Focus on Research & Developments, Technological Development, Skill Development, etc.
- Programme like Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA)

In South Asia itself, the much poorer economy of Bangladesh has caught up with and overtaken India in terms of many social indicators (including life expectancy, immunization of children, infant mortality, child undernourishment and girls' schooling). Even Nepal has been catching up, to the extent that it now has many social indicators similar to India's, in spite of its per capita GDP being just about one third. Whereas twenty years ago India generally had the second-best social indicators among the six South Asian countries (India, Pakistan, Bangladesh, Sri Lanka, Nepal and Bhutan), it now looks second worst (ahead only of problem-ridden Pakistan). India has been climbing up the ladder of per capita income while slipping down the slope of social indicators.

Given the objectives of development and equity that India championed as it fought for independence, there is surely a huge failure here. It is not only that the new income generated by economic growth has been very unequally shared, but also that the resources newly created have not been utilized adequately to relieve the gigantic social deprivations of the underdogs of society. Democratic pressures have gone in other directions rather than rectifying the major injustices that characterize contemporary India. There is work to be done both in making good use of the fruits of economic growth to enhance the living conditions of the people and in reducing the massive inequalities that characterize India's economy and society. Maintaining- and if possible increasing-the pace of economic growth will have to be only one part of a larger- much larger-commitment.

India's record of rapid economic growth in recent decades, particularly in the last ten years or so, has tended to cause some understandable excitement. The living standards of the 'middle classes' (which tends to mean the top 20 per cent or so of the population by

income) have improved well beyond what was expected-or could be anticipated-in the previous decades. But the story is more complex for many others such as the rickshaw puller, domestic worker or brick-kiln labourer. For them, and other underprivileged groups, the reform period has not been so exciting. It is not that their lives have not improved at all, but the pace of change has been excruciatingly slow and has barely altered their abysmal living conditions.

To illustrate, according to National Sample Survey data average per capita expenditure in rural areas rose at the exceedingly low rate of about 1 per cent per year between 1993-4 and 2009-10, and even in urban areas, average per capita expenditure grew at only 2 per cent per year in this period. The corresponding growth rates of per capita expenditure for poor households in both areas would have been even lower, since there was growing inequality of per capita expenditures in that period. Similarly, there has been a major slowdown in the growth of real agricultural wages in the post-reform period: from about 5 per cent per year in the 1980s to 2 per cent or so in the 1990s and virtually zero in the early 2000s. It is only after 2006, when the National Rural Employment Guarantee Act (NREGA) came into force, that the growth of real agricultural wages picked up again, especially for women.

The growth of real wages in other parts of the economy has also been relatively slow, especially for casual or (so-called) 'unskilled' workers. The contrast with China in this respect is really striking. According to comparable international data from the International Labour Organization, real wages in manufacturing in China grew at an astonishing 12 per cent per year or so in the first decade of this century, compared with about 2.5 per cent per year in India. There is some possibility of exaggeration in the official Chinese figures, but many independent studies corroborate the fact that real wages in China have been rising rapidly over the last twenty or thirty years. In India, by contrast the growth rate of real wages has been much lower than that of per capita GDP over the same period. Consistently with this, there has been a steep decline in the share of wages in value added.

These facts may surprise some of those who are used to looking at official poverty estimates to assess how poor people are doing. For instance, according to the Planning Commission, the 'head-count ratio' of rural poverty (the proportion of the rural population below the poverty line) declined from about 50 per cent in 1993-4 to 34 per cent in 2009-

10. This looks like a big improvement. How does it square with the fact that the growth of real per capita expenditure has been so low? The clue lies in the so-called 'density effect': the fact that many people are just a little below the official poverty line, so that a small increase in per capita expenditure is enough to 'lift' them above the line. And the density effect, in turn, reflects the fact that the official poverty line is abysmally low.

The comparison between Bangladesh and India is a good place to start. During the last twenty years or so, India has grown much richer than Bangladesh: India's per capita income, already 60 per cent higher than Bangladesh's in 1990, was estimated to be about double that of Bangladesh by 2011. However, during the same period, Bangladesh has overtaken India in terms of a wide range of basic social indicators, including life

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expectancy, child survival, enhanced immunization rates, reduced fertility rates, and even some (not all) schooling indicators. For instance, life expectancy was more or less the same in both countries in 1990, but was estimated to be four years higher in Bangladesh than in India by 2010 (69 and 65 years respectively). Similarly, child mortality, a tragic indicator, was estimated to be about 20 per cent higher in Bangladesh than in India in 1990, but has fallen rapidly in

Bangladesh to now being 25 per cent lower than in India by 2011. Most social indicators now look better in Bangladesh than in India, despite Bangladesh having less than half of India's per capita income.

### **Obstacles to India's Business Environment**

- **Government policy and procedures:** Government policy and procedures in India are among the most complex, confusing and cumbersome in the world. Even after the much publicised liberalisation, they do not present a very conducive situation. One prerequisite for success in globalisation is swift and efficient action. Government policy and the bureaucratic culture in India in this respect are not that encouraging.

However, fast changes are being done by the present government hence the policy and procedures are being simplified and relaxed.

- **High Cost:** High cost of many vital inputs and other factors like raw materials and intermediates, power, finance infrastructural facilities like port etc., tend to reduce the international competitiveness of the Indian Business.
- **Poor Infrastructure:** Infrastructure in India is generally inadequate and inefficient and therefore very costly. This is a serious problem affecting the growth as well as competitiveness. The present Government is trying its level best to improve infrastructure through smart cities concept.
- **Obsolescence:** The technology employed, mode and style of operations etc., are, in general, obsolete and these seriously affect the competitiveness.
- **Resistance to Change:** There are several socio-political factors which resist change and this comes in the way of modernisation, rationalisation and efficiency improvement. Technological modernisation is resisted due to fear of unemployment. The extent of excess labour employed by the Indian industry is alarming. Because of this labour productivity is very low and this in some cases more than offsets the advantages of cheap labour.
- **Poor Quality Image:** Due to various reasons, the quality of many India products is poor. Even when the quality is good, the poor quality image India has becomes a handicap.
- **Supply Problems:** Due to various reasons like low production capacity, shortages of raw materials and infrastructures like power and port facilities, Indian companies in many instances are not able to accept large orders or to keep up delivery schedules.
- **Small Size:** Because of the small size and the low level of resources, in many cases Indian firms are not able to compete with the giants of other countries. Even the largest of the Indian companies are small compared to the multinational giants.

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- **Lack of Experience:** The general lack of experience in managing international business is another important problem.
- **Limited R&D and Marketing Research:** Marketing Research and R&D in other areas are vital inputs of development of international business. However, these are poor in Indian Business. Expenditure on R&D in India is less than one per cent of GNP while it is two to three per cent in most of the developed countries.
- **Growing Competition:** The competition is growing not only from the firms in the developed countries but also from the developing country firms. Indeed, the growing competition from the developing country firms is a serious challenge to India's international business.

- **Trade Barriers:** Although the tariff barriers to trade have been progressively reduced thanks to the GATT/WTO, the non-tariff barriers have been increasing, particularly in the developed countries. Further, the trading blocs like the NAFTA, EC etc., could also adversely affect India's business.

#### **Factors Favouring India's Business Environment**

- **Human Resources:** Apart from the low cost of labour, there are several other aspects of human resources to India's favour. India has one of the largest pool of scientific and technical manpower. The number of management graduates is also surging. It is widely recognised that given the right environment, Indian scientists and technical personnel can do excellently. Similarly, although the labour productivity in India is generally low, given the right environment it will be good. While several countries are facing labour shortage and may face diminishing labour supply, India presents the opposite picture. Cheap labour has particular attraction for several industries.
- **Wide Base:** India has a very broad resource and industrial base which can support a variety of business.
- **Growing Entrepreneurship:** Many of the established industries are planning to go international in a big way. Added to this is the considerable growth of new and dynamic entrepreneurs who could make a significant contribution to the globalisation of Indian business.
- **Growing Domestic Market:** The growing domestic market enables the Indian companies to consolidate their position and to gain more strength to make foray into the foreign market or to expand their foreign business.
- **Niche Markets:** There are many marketing opportunities abroad present in the form of market niches.
- **Expanding Markets:** The growing population and disposable income and the resultant expanding internal market provide enormous business opportunities.
- **Transnationalisation of World Economy:** Transnationalisation of the world economy. i.e., the integration of the national economies into a single world economy as evinced by the growing interdependence and globalisation of markets is an external factor encouraging globalisation of India Business.
- **NRIs:** The large number of non-resident Indians who are resourceful – in terms of capital, skill, experience, exposure, ideas etc.– is an asset which can contribute to the

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globalisation of Indian Business. The contribution of the overseas Chinese to the recent impressive industrial development of China may be noted here.

- **Economic Liberalisation:** The economic liberalisation in India is an encouraging factor of globalisation. The delicensing of industries, removal of restrictions on growth, opening up of industries earlier reserved for the public sector, import liberalisations, liberalisation of policy towards foreign capital and technology etc., could encourage globalisation of Indian Business.
- **Competition:** The growing competition, both from within the country and abroad, provokes many Indian companies to look to foreign markets seriously to improve their competitive position and to increase the business.

#### **Conclusion and Implications**



The present Government at the centre is committed towards increasing road safety and is looking at an 'accident-free India'. As India now accounts for one of the highest numbers of road accidents in the world – wherein, 0.5 million road accidents in a year are recorded with 0.15 million fatalities, the Government is pledging to reduce road accidents by at least half of the current figures .

In order to make Indian roads safer, the Government will implement stringent regulations over the next few years, making them in line with global standards practiced worldwide. For automobile companies planning to expand their footprints or making a market entry in India, it is imperative to keep a close watch on the changing regulatory environment with regards to automotive sector in the country. India could do lot more in Bangladesh given how complementary the two countries are in the economic, cultural, historical and political spheres. It is hence disappointing that we do so little in trade and investment. It can multiply manifold if mental and physical barriers can be removed between the two countries.

Matching inputs can be mobilized in joint ventures. If India has capital, Bangladesh has labour. India has technology and our people find it easier to do business with Indians. It is but natural that we would like more Indian investment and would like to export more to India.

Bangladesh needs Indian industry to look at huge opportunities just across the border. Bangladesh has one of the best mix for low cost production base like a competitively priced and hard working labour force, excellent financial and infrastructure support, sufficient land water and power, friendly and forward business people and an extremely FDI friendly prime minister.

Bangladesh geostrategic location offers much potential for partnership as we are close to the vibrant and rapidly growing economies of East and South East Asia. Further, India's North East is a Region of vast natural resources and human talent. Leveraging the opportunities in the North East in infrastructure and industry as well as services makes eminent sense for Bangladesh. In the context of global economic and trade slowdown, it is necessary for neighbours like India and Bangladesh to tap their inherent advantages for cooperation. It is seen that a lot of steps have been taken to reduce the huge trade

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imbalances between the two countries that include decreasing visa norms for businesspeople and opening a deputy high commission in Mumbai.

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