



Indian Business Environment and Foreign Dependencies

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ABSTRACT:

Natural resources in India are unlimited and agriculture is main revenue generating sector. Due to this, we are independent for our food consumption. Essential commodities like Milk, Vegetables and other living items are also easily available. We mainly depend on Oil products like Petrol, Diesel and Kerosene which we are importing from other countries. We do good amount of export of items.

For healthy and secured life, we have to have insurance coverage for life, building, crops, and many other commodities. We can have foreign participation in these areas and get benefits. We have large retail business which generate second largest revenue in India.

Considering all factors of secured life and living, FDI (Foreign Direct Investment) is helpful for all sectors except retailing business. The question is not 51% or 49%. It is either permitted or not permitted. Detailed exercise and study is required to decide entry of FDI in opted business sector or not.

Keywords: Business, Cash and Carry Business, Foreign Direct Investment, Retail, Revenue, Wal-Mart

INTRODUCTION:

Business strategy varies from person to person, states to states and country to country depending on many local and other conditions. However, principle to make profit remain same. Organizations that are ready to accommodate any conditions and to balance between demand and supply are only likely to survive. There is good impact of change weather and political position as well.

The concept of supply chain management is getting older and we see emerging of demand chain management to cater customer's aspiration with high level of satisfaction. There are many business sectors in India and World. But the study of agricultural and retail sectors is much necessary in present day situation in India.

Agricultural Sector – Case study of India and China: (Desai, Subhash, 2012)

In Asia, agriculture has been neglected during the past twenty years. In Africa the situation is much worse since more decades. Now, from China to South-East and South Asia, governments are rediscovering their farmers. In Beijing, as in New Delhi, one hears the same worries: growing income disparities between towns and villages, rising imports of agricultural commodities, social malaises leading in China to violent clashes between local authorities and farmers.

In India, farmers' suicides and acute poverty prevailing in several regions. Put in a nutshell, the future of both countries offers similarities and differences: a limited and shrinking cropped area, the need for massive public funds and recurrent expenditure.

The Present Situation

Both countries face big regional differences: wide tracts of peninsular India and hilly areas in China suffer from a low and erratic rainfall and the irrigation potential is limited. From the 1980s onwards, agriculture was neglected in India, with falling public investments as well as maintenance and operations expenditures, which could not be compensated by rising private investments. As a result there has been a slowdown of agricultural growth. Food grains and oilseeds have been fluctuating during the past ten years. Only cotton enjoyed a fast growth in the past four years.

In addition to gaps in output and yields, other differences are worth mentioning. The share of non-agricultural activities in rural areas has grown much faster in China thanks to the TVE (township and village enterprises), that is, small and medium local industries. In advanced areas of India one comes across a similar combination of agriculture, small industries, and services.

The Main Weaknesses

Although a number of defects and shortcomings are rather similar, it is difficult to know which country is worse off, but their overall impact on the economy and society is bound to be higher in India because of the heavier weight of agriculture.

Irrigation, though so crucial, is in a poor shape. In India, the huge canal networks (much less widespread in China) have suffered practically since independence due to a weak administration and leakages of all sorts, poor maintenance, and lack of replacement of structures. The shortage of water leads to repeated complaints.

New medium and major surface irrigation projects proceed very slowly. In spite of constant complaints, new projects keep on being started instead of first completing the ones under construction. Shortages of funds add to further delays.

Ground water through tube wells, which has been a major factor of growth, has become a stumbling block in spite of many alarm bells heard for more than ten years. Excess of pumping in the Indo-Ganges Basin as well as in peninsular India is lowering the water table and reducing the amount of water because of lack of recharge. In addition, tube wells suffer from the lack of electricity often limited to eight hours or less, power cuts, falls of voltage which damages the engines. Power thefts are widespread. Here again we come across shortage of funds and thoroughly insufficient investments in new power plants and networks.

Good rains may compensate irrigation defects. At the moment, when agriculture is becoming more sophisticated, especially in the fruit and vegetables sectors, research and extension services have fallen behind. Research institutes are short of money.

China has been saturated with tube wells. Due to excess pumping the water level is falling as well as the supply of water. There are also serious problems in water supply to cities and industries. In central and southern China the rainfall is higher and there are plenty of rivers, ponds and lakes used for irrigation by low lift pumps elsewhere one may come across tube wells.

Flood control, a very serious problem in central and southern China, relies on strong traditions since ages. As in India, there are countless complaints on fertilizer and pesticide adulterations, not infrequently with the connivance of local authorities.

Towards the Future

Agricultural requirements, mostly food and textiles, are determined by population increase and by changes in consumption. Both countries follow the pattern of most countries enjoying a substantial rise in income. Food grain demand is falling, when people begin to afford a better diet: increased consumption of edible oil, sugar, fruit and vegetables, meat and fish in China, milk and eggs in India.

India can, like China, push further the output and exports of fruit, vegetables, marine fish, flowers, but there is also considerable room for increasing food grain and cotton yields, even if it may prove difficult or not possible to reach the present Chinese yields when considering Chinese traditions.

In spite of these defects, China has become the world's number one producer of apples ahead of the USA and is flooding the East Asian markets. Clever Chinese farmers in the neighborhood of Shanghai have started growing broccolis. Their exports to Singapore and Japan have wiped out the previous supplies from the USA. Chinese marine fish exports to the latter have reached one quarter of the total outside supplies.

Retail Sector – Case study of Wal-Mart: (Dicken. P, 1998)

There are 2.2 million employees working in world giant Wal-Mart supermarket in 50 states of USA. The slogan is “Save Money Live Better”. Customer satisfaction in terms of values for their money is at top priority for Wal-Mart. Many salient features attract new and existing customers. Total number of Wal-Mart stores in USA is approximately 3615.

Wal-Mart, the US-based, \$405 billion multi-brand big box retailer, which began its operations in 1962 from Bentonville, Arkansas, United States, currently operates in 15 countries across the world. Worldwide operates more than 7,800 retail units under 55 different banners. The discount retailer serves around 30 million customers and members every day.

The first store named “Best Price Modern Wholesale” is a Cash & Carry format based store. Known in the US as 'club' formats are based on large warehouse-like structures that cater only to

the need of bulk customers. In India, under this format only those customers, who are licensed by some statutory authorities, are allowed to make purchases from such stores.

“Best Price Modern Wholesale” has promised to offer a range of 6,000 items, 90 per cent of which are sourced locally, at competitive prices compared to the prices offered by traditional wholesale traders. Apart from prices, Bharti Wal-Mart also promises better quality and convenience to its customers, without creating any pricing discrimination between small and large traders.

The role of Wal-Mart is restricted to providing back-end advisor services in the area of technology, logistics, and supply chain, among others. Bharti Retail has set up a 50:50 joint venture with Wal-Mart to set up a chain of Cash & Carry wholesale stores.

Interestingly, Indian consumers will not benefit directly from the opening of this chain as they will not be allowed to buy merchandise of their choice from the stores as this format exclusively caters to the needs of wholesale (bulk) consumers like small traders, hotels & restaurants, hospitals, hostels, caterers, vegetable vendors, and other institutional customers who are registered with some statutory authorities. (Christopher. M, 1998)

Wal-Mart operates a wholesale ‘Cash & Carry’ chain in the US under the ‘Sam’s Club’ brand name. Even household consumers, subject their having registered as members, are also allowed to make purchases from this chain. In India, authorities are, however, strict on direct household consumers being not allowed to make purchases on account of prevailing policy guidelines for FDI investment in retail by foreigners in India.

While, no foreign investment is currently possible in multi-brand retail, the Indian government has allowed up to 51 per cent foreign investment in single-brand retail. Taking advantage of this, many single-brand foreign retailers like Nike, Pearle, M&S, Staples, etc, have tied up with local corporate to set up single-brand retail chains in India.

Wal-Mart fails to make profit in China! . After closing down its operations in South Korea and Germany, and downsizing operations in Japan, Wal-Mart is finding the going to be tough in mainland China as well. The giant retailer has failed to make profits in its 12 years long existence in the world’s most populated and fastest growing country.

In China, organized retail trade amounts to 30 per cent of the total retail trade, in India it is only four per cent, which shows the high potential, particularly in the food and agribusiness sector. Cutting the number of intermediaries between the farm and the final market would reduce costs while assuring a better quality of the products. The higher quality would also stimulate exports. Besides, it is well known that fruit and vegetables give a much higher return than the main crops. (Brown. S, 1990)

In a significant move, Wal-Mart has announced to locate its Asia headquarters in Hong Kong. This was in contrast to earlier belief that its China headquarter in Shenzhen would also be chosen to act as its Asia headquarters. Shenzhen will continue to act as Wal-Mart's Global Procurement Center. Safety concerns make Wal-Mart to enforce RFID tagging on supplies from China.

Chinese suppliers of Wal-Mart will now be required to incur 20 times the current cost of providing identification on their products being supplied by them to the world's largest retailer. The move comes in the wake of recent safety concerns surrounding products originating from China.

Wal-Mart has instructed its vendors in China to use RFID tagging instead of standard bar-coding to provide information not only about the name and factory but also the details on any sub-contractors involved in production. Wal-Mart has clarified that any suppliers who fail to meet the new information standards will be dropped from Wal-Mart's supply chain.

Conclusion:

There are more job opportunities for the poor in India if improving the administration, especially at the district level, could bring plenty of benefits without many costs in both countries: curbing malpractices and corruption, abuses of local authorities, carelessness of officials not properly supervised. Irrigation departments in India would need thorough overhauling especially now when surface water (canals, reservoirs) should become more prominent.

There is much room for agricultural development in spite of its growing complexity. A faster and more diversified growth would stimulate pull and push effects between agriculture, industries, and services and thus accelerate the overall growth of the economy. No less important would be the reduction of poverty through more job creation. As for the farmers, they have shown

remarkable resilience in the past. With adequate government support there is no reason why they should not proceed further. Finally, the issues are even more important in India where agriculture carries more weight than in China on GDP and labor force.

I have often come across landless agricultural workers who would much prefer expenditures than anti-poverty programs. Money is only part of the issues. We must also bear in mind that in China and in India, expansion of agriculture is much more complex and more expansive. The future of groundwater use is limited, except in the eastern plains, so that one should concentrate on the promotion of reservoirs and canals, a much more costly, and complex task than encouraging private tube wells. As for China, there are still many possibilities to tap surface water in the central and southern provinces but I wonder how the groundwater shortage in the northern plains will be solved.

There is a crying need for a cash-and-carry business in India to reduce wastages and inefficiencies in the wholesale business, passing the benefits to customers. There are challenges and hence to survive in local and / or export market, we have to be strong enough to meet global competitions ahead. We can also adopt “Bhagvad Geeta” concepts in our personal and professional life. Modern management should bring new ideas for creating competitive advantage. (Desai Subhash, 2016) The similar study can now be extended for other sectors of business and find new approach to handle critical business conditions.

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