

INDIA'S POTENTIAL TO BE SUPERPOWER: ISSUES AND CHALLENGES

Nilesh S. Kale
Gogte College of Commerce
Belagavi

Sanjay S. Hadimani
Gogte College of Commerce
Belagavi

Abstract:

Considering India's run towards global super power, country still have to face challenges which are bigger in itself. India is known for its diversity and demography. With such more other difficulties, it still has untold story of issues. Few of such issues are being discussed here. Indeed, we have made a lot of developments, government initiatives from launching satellites to green revolution, operation flood to atomic power plants. Will all these make us a developed country? What makes a country fully developed? And other such unanswered questions need to be answered.

Keywords: Economy, infrastructure, inflation, reforms, culture.

Objectives of the study:

- To throw a light on different sectors of Indian economy that help India grow.
- To generalize the topics
- To brief the topics

Introduction:

Presently India is leading towards fastest developing countries of the world. India ranks 130th in ease of doing business out of 180 countries. Human development index of India is 130 out of other 187 countries. India ranks 81 among 141 countries on the Global Innovation Index. Scope for growth of education in India is immense because no university/college in India ranks in top 200 in the world. Unemployment rate is 9.4%. Inflation rate is 5.18% as of February 2016. Stability of Indian economy is high and strong. Literacy ranking is 168 out of 234 countries. Military funding is 8th out of 170 countries. If we compare above categories with the rest of the world, India stands apart. Therefore there is a need to look inside India and know the potential and it's will to grow throughout. Here is a brief study of India and all those factors which help and affect India's growth potential.

Economy of India: The Economic Survey speaks of India as the fastest growing major economy in the world. The estimated growth of 7-7.75 per cent for FY17 projected by the survey seems realistic given the fact that the country was able to achieve 7.2 per cent in FY15 and looks set to achieve 7.6 per cent in FY16. The growth figures, though commendable given the fragile global economic environment, still lag India's medium-term growth potential of 8-10 per cent. To fill the gap and replicate China's growth trajectory, India will have to improve its business competitiveness. Major factors that constrain India's competitiveness are inadequate infrastructure, a non-conducive business environment and lack of skilled manpower despite India's large population. The country needs substantial measures to address these three problem areas.

The government seems cognisant of these as is evident from its 'Make in India' and 'Skill India' initiatives. Make in India has been credited in the survey for increasing FDI flows by 40 per cent on a year-on-year basis since the launch of the programme. This will intern help make a lighter BOP. Infrastructure investment will ensure that by the time the global economic cycle turns, India would have significantly eliminated infrastructure bottlenecks that hinder its manufacturing competitiveness. Therefore, there is a need to balance fiscal deficit targets with economic growth needs in the short term. Private investment continues to lag on account of stress in corporate and bank balance sheets.

The Survey indicates that growth of bank credit off-take by industry has slowed to 5.3 per cent. Without private investment, full-fledged economic recovery is not possible. The banking sector is facing a challenge of stressed assets. The Survey suggests that public sector banks need recapitalisation of Rs 1,80,000 crore by the end of FY19. On other hand, Indradhanush, the government banking reform initiative has earmarked Rs 70,000 crore for PSU banks recapitalisation. Given the current precarious financial condition of PSU banks, it appears difficult that they will be able to garner these additional funds. Power Discoms and Gencos are significant contributors of stress in the banks' balance sheets. The government's UDAY scheme appears good on paper, but we will have to wait and watch how it pans out.

The Survey rightly lays emphasis on the needs of the farm sector which is reeling under stress for two successive years due to lower than expected monsoons. It calls for key investment in irrigation infrastructure, which currently covers just 33.9 per cent of the total cropped areas, to de-risk agriculture. De-risking agriculture will not only have a positive impact on rural consumption but also reduce stress on the balance sheets of financial institutions that have lent heavily to agriculture. The finance minister will do well to listen to these positive suggestions made in the Economic Survey.

Natural Resource: India makes up 2.4 percent of the world's land, while supporting 16 percent of the world's population. The compounding result is a severely unsustainable use of natural resources for several generations. Currently, India is experiencing rapid and widespread environmental degradation at alarming rates. Tremendous pressure is placed upon the country's land and natural resources to support the massive overpopulation. Mismanagement and overuse of India's once abundant forests has resulted in desertification, contamination, and soil depletion throughout the sub-continent. This has serious repercussions for the livelihoods of hundreds of millions of Indians that live off the land. Drought is having severe consequences for the people of Rajasthan who have endured chronic shortages of water. This affects the availability of safe drinking water, the success of the livestock population, and the security of basic food sources.

Environmental Issues: According to data collection and environment assessment studies of World Bank experts, between 1995 through 2010, India has made one of the fastest progress in the world, in addressing its environmental issues and improving its environmental quality. Still, India has a long way to go to reach environmental quality similar to those enjoyed in developed economies. Pollution remains a major challenge and opportunity for India. Environmental issues are one of the primary causes of disease, health issues and long term livelihood impact for India.

There is still a need of changes to be made in different laws in India. Indian laws from recent history include the Water (Prevention and Control of Pollution) Act of 1974, the Forest (Conservation) Act of 1980, and the Air (Prevention and Control of Pollution) Act of 1981. The Air Act was inspired by the decisions made at Stockholm Conference. The Bhopal gas tragedy triggered the Government of India to enact the Environment (Protection) Act of 1986. India has also enacted a set of Noise Pollution (Regulation & Control) Rules in 2000. In 1985, Indian government created the Ministry of Environment and Forests. This ministry is the central administrative organisation in India for regulating and ensuring environmental protection.

Ultimate result of this turned into formality. The state governments of India often regarded environmental laws enacted by the central government as a mere paperwork formality. Air emissions increased, water pollution worsened, forest cover decreased. India's population growth adds pressure to environmental issues and its resources. Other data suggests that population density has little correlation to environmental quality and human quality of life. India's population density, in 2011, was about 368 human beings per square kilometre. Many countries with population density similar or higher than India enjoy environmental quality as well as human quality of life far superior than India. For example: Singapore (7148 /km²), Hong Kong (6349 /km²), South Korea (487 /km²), Netherlands (403 /km²), Belgium (355 / km²), England (395 /km²) and Japan (337/ km²).

Forest Cover: defined as all lands, more than one hectare in area, with a tree canopy density of more than 10 percent. (Such lands may or may not be statutorily notified as forest area). The first satellite recorded forest coverage data for India became available in 1987. India and the United States co-operated in 2001, using Landsat MSS with spatial resolution of 80 metres, to get accurate Indian forest distribution data. India thereafter switched to digital image and advanced satellites with 23 metres resolution and software processing of images to get more refined data on forest quantity and forest quality. India now assesses its forest distribution data biennially. The 2007 forest census data thus obtained and published by the Government of India suggests the five states with largest area under forest cover as the following:

- Madhya Pradesh: 7.64 million hectares
- Arunachal Pradesh: 6.8 million hectares
- Chhattisgarh: 5.6 million hectares
- Orissa: 4.83 million hectares
- Maharashtra: 4.68 million hectares

India hosts significant biodiversity; it is home to 7.6% of all mammalian, 12.6% of avian, 6.2% of reptilian, and 6.0% of flowering plant species.

In recent decades, human encroachment has posed a threat to India's wildlife; in response, a system of national parks and protected areas, first established in 1935, was substantially expanded. In 1972, India enacted the Wildlife Protection Act and Project Tiger to safeguard crucial habitat; further federal protections were promulgated in the 1980s. Along with over 500 wildlife sanctuaries, India now hosts 14 biosphere reserves, four of which are part of the World Network of Biosphere Reserves; 25 wetlands are registered under the Ramsar Convention.

Over the last 20 years, India has reversed the deforestation trend. Specialists of the United Nations report India's forest as well as woodland cover has increased. A 2010 study by the Food and Agriculture Organisation ranks India amongst the 10 countries with the largest forest area coverage in the world (the other nine being Russian Federation, Brazil, Canada, United States of America, China, Democratic Republic of the Congo, Australia, Indonesia and Sudan. India is also one of the top 10 countries with the largest primary forest coverage in the world, according to this study. From 1990 to 2000, FAO finds India was the fifth largest gainer in forest coverage in the world; whilst from 2000 to 2010, FAO considers India as the third largest gainer in forest coverage. India's national forest policy expects to invest US\$26.7 billion by 2020, to pursue nationwide afforestation coupled with forest conservation, with the goal of increasing India's forest cover from 20% to 33%.

Infrastructure: The only way to tap the competitors by way of development is Infrastructure. On infrastructure front, there has been a significant pick-up of activity in both the highway and railway sectors. The government's capital expenditure figures for FY16 show an increase of 0.6 per cent of GDP, which is very encouraging from a long-term perspective. However, India has a great opportunity to further ramp up investment in infrastructure development taking advantage of weak global commodity prices.

Infrastructure sector is a key driver for the Indian economy. The sector is highly responsible for propelling India's overall development and enjoys intense focus from Government for initiating policies that would ensure time-bound creation of world class infrastructure in the country. Infrastructure sector includes power, bridges, dams, roads and urban infrastructure development. **Market Size:** India needs Rs 31 trillion (US\$ 465 billion) to be spent on infrastructure development over the next five years, with 70 per cent of funds needed for power, roads and urban infrastructure segments¹.

The Indian power sector itself has an investment potential of US\$ 250 billion in the next 4-5 years, providing immense opportunities in power generation, distribution, transmission and equipment, according to Mr Piyush Goyal, Union minister of coal, power and renewable energy. The Indian construction equipment industry is reviving after a gap of four years and is expected to grow to US\$ 5 billion by FY2019-20 from current size of US\$ 2.8 billion, according to a report² released by the Indian Construction Equipment Manufacturers' Association (Icema). Foreign direct investment (FDI) received in construction development sector from April 2000 to September 2015 stood at US\$ 24.16 billion, according to the Department of Industrial Policy and Promotion (DIPP).

Government Initiatives: The Government of India is taking every possible initiative to boost the infrastructure sector. Some of the steps taken in the recent past are being discussed hereafter. Prime Minister of India Mr Narendra Modi indicated that the government has rolled out stuck projects worth Rs 4 lakh crore (US\$ 60 billion) in the past six months (ending November 2015), while stating that infrastructure development is the government's top priority in order to improve economic growth. The Union Cabinet has approved several reforms such as allowing National Highways Authority of India (NHAI), National Infrastructure Investment Fund (NIFF), Atal Mission for Urban Rejuvenation and Transformation (AMRUT), Industrial Infrastructure Upgradation Scheme, PPP projects.

Indian socio-cultural environment: With a population of over one billion, 3.29 million square kilometres of landmass to cover and a multitude of languages and customs, the Indian market can be a daunting place for businessmen. Business success can depend to a large extent on an understanding of the culture, the people, the land and the business environment that a foreign company and investor would be expected to operate within. The answer lies in gaining a general understanding of the culture. India is diverse with varied and distinct geographical regions each having its own language, customs and festivals. The country is comprised of a rapidly developing population. At present, 70% still live in villages and work in agriculture, 13% work in the industry sector and 17% in services. Literacy is highest in the South at almost 90%. This is contrasted with Northern regions where the literacy rate is only about 45%.

It is critical to also note the importance religion plays amongst all communities. The four principle religions are Hinduism (80%), Islam (14%), Christianity, and Sikhism with a small fraction of the population also practicing Buddhism, Zoroastrianism, and Judaism. Festivals are celebrated with much fanfare, so it is important to respect the major festivals too.

There are several idiosyncrasies attaching to the country which also vary from state to state. Consider the following:

- Indian society remains patriarchal and thus it is important to understand the importance of hierarchy. When dealing with Indian businesses it is important to ascertain who is the authority figure and who has the final say. Many businesses are still family run and thus power vests at the top.
- Hierarchy also runs within middle and junior management. An understanding of this culture of dependence expected by a boss from his subordinate is important when running a team of local staff. There is often a tendency to seek support and advice in situations that may not warrant this level of dependency by junior staff on his superiors.
- Indian time keeping is better known for its lack of punctuality. Indian Standard Time (IST) or better known as Indian Stretchable Time means that deadlines are not always strictly adhered to in the work environment. Hence strict guidelines and enforcement may be necessary to adhere to western style fixed deadlines.
- It is important for a foreign visitor to understand gestures, body language and non verbal communication. The well known Indian rolling of heads is often a sign of acknowledgement and affirmation and not a negative. It is also not meant as a sign of any disrespect and should thus be acknowledged appropriately.
- Use of mobile phones, even during meetings, is customary and not intended to be a sign of disrespect.
- Giving and receiving business cards is also common and expected even at social gatherings!
- Religious sentiment runs high and many Indian businessmen may defer business decisions based on what may be considered “good and auspicious” days. Superstitions may also have to be accounted for in various business dealings.
- Allow enough lead-time for projects and budget for unexpected costs – everything takes longer in India and therefore can be more expensive. Similarly, it is advisable to handle red tape with caution – exchange controls do exist and regulatory procedures can be highly bureaucratic. Exit strategies must also be considered up front.

With any foray into India it is imperative to ensure one creates and maintains a paper trail. Unlike the UK, India has a written contract act, namely the Indian Contract Act of 1872. This legislation applies to all agreements in India including letters of intent and memorandum of understandings. The position in relation to enforceability of letters of intent/memorandum of understandings can be ambiguous. It is advisable that any intention of making a preliminary understanding enforceable is clearly reflected in the documentation. An ‘agreement to agree’ is, in principle, not enforceable under Indian law. Indian tax implications also require attention. Often foreign companies inadvertently create a permanent establishment [“PE”] in India without realizing the regulatory and tax consequences of doing so. India continues to have exchange controls and any movement of foreign exchange into or out of the country is regulated by the RBI. As with most countries, India has its own unique and subtle manner in which business is conducted. Success can depend on an appreciation and understanding of the cultural aspects in addition to patience and a high level of long-term commitment and personal attention and involvement. Establishing and maintaining strong relationships with Indian business associates is fundamental to successful business in India.

Conclusion: India, despite having a healthy economic growth rate of 7.7% as of February 2016, still has a long way to go. Indian economy one of the biggest success stories of the world as its economic foundations are strong enough to bear world’s economic setbacks. On the other front, natural resources are available abundantly unutilized. It is just a matter of utilization of these resources. Environmental issues are one of the primary causes of disease, health issues and long term livelihood impact for India. Infrastructure wise, Indian government has made significant progress and has paid much attention to develop at good pace. As with most countries, India has its own unique and subtle manner in which business is conducted. Success can depend on an appreciation and understanding of the cultural aspects in addition to patience and a high level of long-term commitment and personal attention and involvement. Establishing and maintaining strong relationships with Indian business associates is fundamental to successful business in India. To conclude, India have enormous potential itself to compete and win the race with other countries only if all the challenges are sincerely attended

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