

## An Indian Opportunity

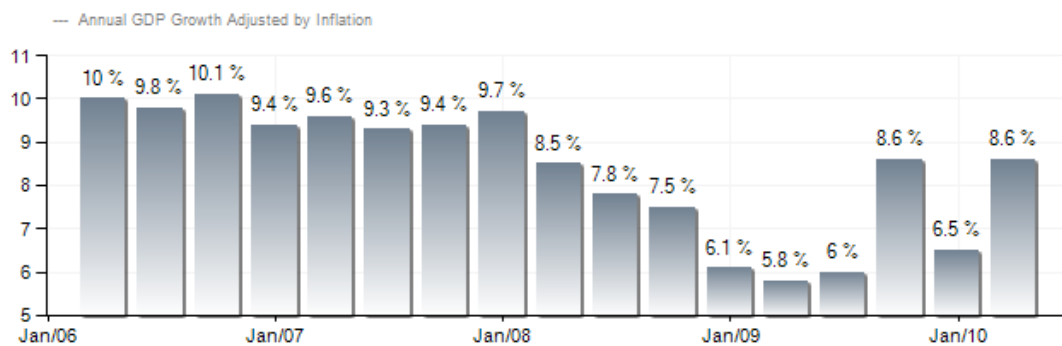
Part 3 of our exploring opportunities in Asia, we now look specifically at India. Once known as the “Jewel in the Crown”, this may yet again be the case for British Business and the economy as a whole, whilst the UK economy, in fact the European and US economies go in to a never ending melt down.

As a nation we built our world presence on Import and Export and a balance between the two, since moving to a service based economy for most this is an opportunity and skill we have largely forgotten. For the first time in a number of decades we now hear our government talking about the opportunities and as such they have a focus on Asia and Brazil for our economic recovery and long term future. So let us take a look at what India has to offer as a market.

India is the second largest country behind China, with an estimated population at more than 1.14 billion. The Indian economy is the Eleventh largest in the world by nominal GDP and the fourth largest by purchasing power parity. India's vast and growing market presents itself as a huge competitor in the global market.

India has weathered the economic storm to post robust growth numbers of 7.4 percent in 2009-10 more than the estimated 7.2 percent leading to impressive growth in its GDP. The major reason cited for this improvement is the double digit expansion in the manufacturing sector and average performance by the farming sector. Improvement in customer spending and business investments and rural economy growth despite the worst drought has enabled India to

India GDP Growth Rate



source: India Central Statistical Orga

www.tradingeconomics.com

grow at its fastest pace in nearly two years.

During the Fourth Quarter the Indian economy grew by 8.6 percent with increased consumer spending. According to the India Central

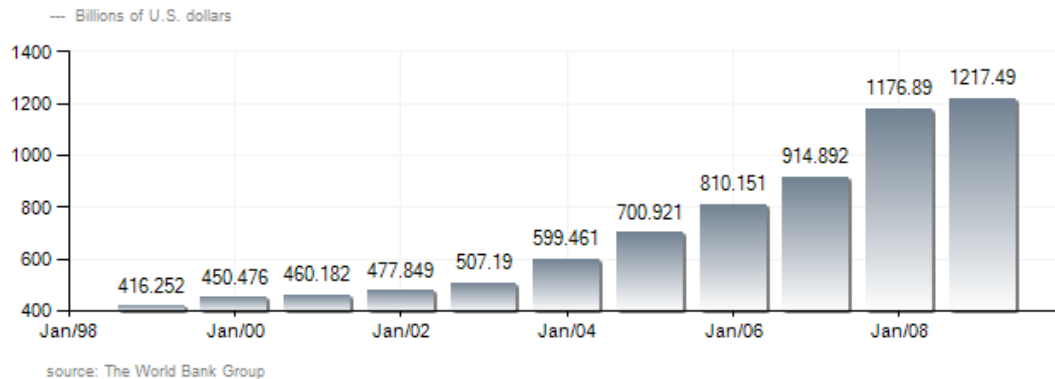
Statistical Organization (CSO), this growth is attributed to a growth in manufacturing by 16.3 percent and mining and quarrying by 14 percent.

Interest Rate	Inflation Rate	Jobless Rate	Current Account	Exchange Rate
<a href="#">3.75%</a>	<a href="#">13.33%</a>	<a href="#">7.32%</a>	<a href="#">-12</a>	<a href="#">46.8450</a>

The industrial growth also increased at about 13.3 percent while the services sector witnessed a growth of 8.4 percent and agriculture grew by 0.7 percent.

According to the World Bank Group, India had a GDP of US \$1.217 trillion in 2008, achieving 6.6% GDP growth. The per capita income of India is US \$4,542 in the context of Purchasing Power Parity.

India Gross Domestic Product (GDP)



India's large service industry accounts for 62.5% of the country's GDP while the industrial and agricultural sector contribute 20% and 17.5% respectively. Agriculture is the predominant occupation in India, accounting for about 52% of employment. The service sector makes up a further 34%, and industrial sector around 14%.

India's planning commission deputy chairman Montek Singh Ahluwalia, addressing a "The Indian Economy: The Outlook 2010" conference said that he hopes to get over 8 percent growth in 2010-11 and 9 percent in 2011-2012. He further said India would have grown at 9 percent last year if not for the recession.

The Indian economy has been stable and reliable in recent times, while in the last few years it's experienced a positive upward growth trend. It has consistently produced 8-9% annual growth rate which is supported by a huge inflow of foreign funds, growing reserves in the foreign exchange sector, both an IT and real estate boom, and a thriving capital market.

Based on statistics from the Department of State, there is a large and growing middle class of more than 50 million Indians with disposable income ranging from 200,000 to 1,000,000 rupees per year (US\$4,166-20,833). Because of the weakening of the US dollar for the last two years, the Indian Rupee has steadily appreciated vis-à-vis US dollar with 0.020837 USD equal to 1 Indian Rupee (x-rates.com).

### **Best Industry Segments**

The economy of India is as diverse as it is large, with a number of major sectors including manufacturing industries, agriculture, textiles and handicrafts, and services. Data shows from economywatch.com that agriculture is a major component of the Indian economy, as over 66% of the Indian population earns its livelihood from this area. As reported by CIA Factbook, major imports are textiles and ready-made garments, Internet-enabled services, agricultural and related products, gems and jewellery, leather products, and chemicals.

Furthermore, the English speaking population in India is growing by the day, which means that India has become the centre of outsourcing activities for some of the major economies of the world including the United Kingdom and the United States. Outsourcing to India has been primarily in the areas of technical support and customer services.

### **Regulatory and Tariff Landscape**

Tariff spikes in sensitive categories, including agriculture, and incremental progress on economic reforms still hinder foreign access to India's vast and growing market. According to export.gov, on April 1, 2007, India lowered the tariff applied to most non-agricultural goods from 12.5 to 10 percent. It also lowered the tariff on medical equipment from 12.5 to 7.5 percent. Since India's economy thrives on agriculture, there are many laws that govern the food processing sector. The food laws in India are enforced by the Director General of Health Services, Ministry of Health and Family Welfare, Government of India (GOI). The Prevention of Food Adulteration Act (PFA), 1954 focuses primarily on the establishment of regulatory standards for primary food products.

### **Online Marketing**

Signalling a gradual growth, the total Internet population of India for the year 2008 stands strongly at 81 million Internet users estimates internetworldstats.com, placing 4th place globally after the United States, China, and Japan. Over the span of the past 8 years (2000-2008), India has experienced a 1,520% growth rate. Yet, the

penetration of Internet is only 7.1%, notably lower compared to the other top twenty countries.

Many of India's biggest companies are flourishing in the global IT market, and its executives are becoming increasingly influential. India, it would seem, is well placed to become a major force in the online world. Still, as reported by BBC News, compared to the mobile phone market, where some 350 million people are using wireless handsets, and it is clear that the online market has a long way to go before it reaches saturation.

### **Online Language Preferences**

Although there are fifteen official languages in India, Hindi is the most widely spoken and primary tongue of 41% of the population. Hindustani is a popular variant of Hindi/Urdu spoken widely throughout northern India but is not an official language. English is used extensively in business and administration and holds the status of a subsidiary official language; those able to speak English usually received higher education.

JuxtConsult reports users of vernacular language websites have increase to 34% from last year's 12%. English is the most preferred language of reading for only 28% of Internet users, which indicates the potential for vernacular language content. With English rapidly gaining popularity in India, we can expect to see an increase usage of English-based websites by the Indian population.

### **Search Engine Profile**

Data from a recent comScore release shows Google India (Google.co.in) reigns as the top search engine among online Indians. Google follows at second spot with Yahoo, Ask.com, and Rediff ranked 3rd, 4th, and 5th.

### **Summary**

One of the major challenges before the Indian economy is to remove the economic inequalities. Although poverty still poses an issue, these levels have dropped considerably in recent years. However, with growth and advances in its economy, services, and technology, India is gradually emerging as a world leader. All of these positive changes have resulted in establishing the Indian economy as one of the largest and fastest growing in the world. Based on the current and future potential of the market, India ranks as a Tier I market for the global online market opportunities.

The Indian market cries out for European goods. There is a hunger for our products and services, and the average Indian will pay a premium for them. At the forefront are; technology, IT, media, food, fashion and education. In our next part we will explore how to capitalise on the Indian market, before we then explore other locations such as China.