

Indian Organizations and Challenge of Sustainability in Changing Global Economic Scenario

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Abstract Indian corporate sector has envisaged tremendous change during last few decades, be it the services being provided by the organizations or the products being manufactured or even the processes involved in doing so. There have been changes in the choices of consumers, incredible enhancement in the range of products and services, many fold increase in the number of operators in the market, modes of accessibility to and availability of the markets, behavioural pattern of the customers and the payment modes. All such and many other small changes have converged into bigger challenge of sustainability and Indian organizations are facing this challenge with the advancement of time. It is true that the world has turned into global village. Now, it is not necessary to have a physical market. Internet and World Wide Web has provided the platform to all buyers and sellers to interact globally, beyond national boundaries. The business models have changed significantly, in global era. Now, it is not so that any change in some other country's economy is not going to affect an Indian organization. This is so because of fast communication and fast exchange of data and information throughout the globe immediately. The global economy undergoing changes every moment poses the challenge of sustainability in front of Indian organizations. As it is known that the global economy comprises of a number of components, it is very difficult to gain control on any one or the other factor. Rather, with change in any of the factor, a new challenge emerges for Indian organizations. Different factors keep on changing or interacting on 24X7 basis and thus, Indian organizations have to be cautious as to how a specific change would affect their business. This paper plans to find out as to what challenges are being posed by the global economy and how the sustainability of Indian organization gets endangered.

Keywords — Economic challenge, economic issues, global economy, Indian economy, Indian organizations, sustainability.

I. INTRODUCTION

Times are gone when one use to say that with the advent of technology, the world is undergoing changes. The world has already changed now and of course credit is also to the technology, which has served its role in each and every sphere. Technology has made the communication faster. It has also digitalized a number of processes. Technology has transformed many of the manual processes into computerized ones. Advent of websites has made most of the business activities really faster.

The corporate sector has also transformed into a totally different form. Indian organizations too have not been left behind and are changing at a very fast pace with the changes in global economy. Gone are the days when one

use to discuss about the economic reforms of 90s. Today, the buzz word is 'glocalization'. The Indian business organizations are facing the challenge of glocalizing their business. Indian organizations have a long way in recent decades. Tradition business models have changed tremendously and newer business models have emerged in their places. Even the products and services have undergone radical changes. The methods of selling have also changed fundamentally. The organization of sales team, their relations with other organizational teams and other such issues have culminated into newer formations. Methods of transactions and method of making and receiving the payments have turned to digital mode. All these changes have posed a number of challenges in front of the Indian organizations. Indian organizations also got the opportunity

to spread into other countries. The cultural differences have also posed challenges to the Indian organizations operating in different nations. The increased web visibility and high speed of communication along with accessibility to global customers are also some factors that have pressurized Indian organizations to undergo changes. Indian organizations have successfully adapted to the changes offered by global economy and have been effectively sustaining the challenges of glocalization.

II. INDIAN AND GLOBAL ECONOMY

Indian corporate sector is not a small entity now. It has grown many folds during recent decades. Indian corporate sector is the largest contributor to our nation's economy as on date. During the pre independence era, the private sector was unorganized and government was the major investor in the corporate sector. It was mostly after the incorporation of Industrial Finance Corporation of India during the tenure of Nehru government that the industrial revolution took momentum. It is noticeable here that the names like Tata and Birla are still there in the Indian corporate sector but many names which were there few decades ago, are not there and new names like Ambani, Chhabriya, Dhoot, Mittal etc. have emerged in the Indian corporate sector. During the LPG reforms of 1990, the government of India disinvested from many public organizations and also allowed privatization in many sectors. From this measure the journey of private organizations in corporate sector started strengthening and today private operators are quite strong in Indian corporate sector. Today, Indian organizations are easily raising funds from other countries and also they are operating in foreign countries. Even the foreign organizations are investing in India and are posing competition for indigenous companies. It would be worth mentioning that 45 years after the independence of India, the Indian corporate sector was just trying to manage the things but after the economic reforms of 1990, Indian business corporations started progressing. Even the foreign companies and multinational companies also posed challenges to the Indian companies. Post these reforms Indian corporate sector has become large and economically strong. Today, there are a number of success stories from Indian corporate sector like Flipkart, cardekho.com, Jio, Uber, Ola, Swiggy etc. Indigenous organizations being funded by foreign banks, is the latest trend. SoftBank funding Flipkart by providing \$2.6 billion is the recent example. Many Indian corporate organizations remained family owned though there has been increase in institution owned and government owned businesses during last many years and today Indian corporate sector is mainly owned by private players or in PPP mode. New age entrepreneurs have emerged and even the first generation of businessman is succeeding in today's techno based business environment. Boost given to startups by the present government has played an important role in changing the face of Indian corporate sector. Even the very nature of

entrepreneurship has undergone changes now-a-days. Internet plays a vital role in conducting business today, which was not so during yester years. As on date one can observe many Indian organizations doing business on the basis of internet only, for example, Paytm. Digital marketing has gained importance and it is being more difficult to run the business physically. Virtual presence is necessary to some extent and it is also seen that businesses are operating more efficiently with technical support. Indian corporate sector has grown manifold since independence. Manufacturing has emerged as a growing sector in our nation. By the end of the year 2020, India is expected to become 5th largest manufacturing economy. Indian economy maintained a CAGR of 4.34% during FY 2012 to FY 2018. The share of manufacturing is expected to increase to 25% to GDP by the year 2022. In banking sector State Bank of India which a state owned multinational financial services company employs around 2.80 Lakhs employees with revenue of around \$ 42000 million. It is included in Fortune Global 500, along with Indian Oil Corporation, Reliance Industries, Tata Motors and Rajesh Exports. Along with these, the major private players in Indian corporate sector are Tata Consultancy Services, Infosys Technologies, Wipro, Bharti Tele-Ventures, ICICI Bank, ITC, Birla, Hindustan Unilever, HDFC, Ranbaxy, Larson & Toubro, Satyam Computer, Maruti Udyog, Bajaj Auto, HCL, Hero Hindalco etc. It is observed that the names range from banking, finance, housing, steel, auto, pharmaceutical to communication, techno based services etc. The importance of private sector in Indian economy has been very commendable in generating employment and thus eliminating poverty. Further, it also affected the following -

- Increased quality of life
- Increased access to essential items
- Increased production opportunities
- Lowered prices of essential items
- Increased value of human capital
- Improved social life of the middle class Indian
- Decreased the percentage of people living below the poverty line in India
- Changed the age old perception of poor agriculture based country to a rising manufacturing based country
- Effected increased research and development activity and spending
- Effected better higher education facilities especially in technical fields
- Ensured fair competition amongst market players

- Dissolved the concept of monopoly and thus neutralized market manipulation practices

The importance of private sector in Indian economy can be witnessed from the tremendous growth of Indian BPOs, Indian software companies, Indian private banks and financial service companies. The manufacturing industry of India is flooded with private Indian companies and in fact they dominate the said industry. Manufacturing companies covering sectors like automobile, chemicals, textiles, agri-foods, computer hardware, telecommunication equipment, and petrochemical products were the main driver of growth.

Indian economy is a developing mixed economy. As per the figures of 2017-18, Indian economy stands at 15th position in terms of GDP growth rate, at 6th position in the world in terms of nominal GDP and 3rd in terms of GDP. On the basis of the figures of the year 2017, India ranks 12th for imports, 21st for exports and 31st for received FDI. It is appreciable that India ranks 3rd in the world considering GNI PPP and 9th for GNI nominal. India stands at position 36th for intellectual property index and at 107th for globalization index. India's rank for ease of doing business is 77th during the year 2018. Its financial development index is 51st and India's global innovation index is 57th for the year 2018 while global competitiveness index is 40th. India stands 2nd in steel production for the year 2018 and 3rd in electricity production, in the world. As per the report for the year 2017, India ranks at 8th position for foreign exchange reserve and 10th for gold reserves. India is among first 10 countries in the world looking by the projected GDP ranking by UMF for the year 2019. India is expected to rank 5th with growth rate of 7.44% amongst these 10 nations. Thus, it is observed that India economy has full potential to grow as the largest economy of the world. In the year 2018, India has been identified as 2nd emerging and developing economy in Asia, in terms of nominal GDP while Canada, France, Germany, Italy, Japan, UK and US are the most advanced economies in the world. Growth in global economy is expected to be 3% in the year 2019 and 2020.

III. CHALLENGES OF SUSTAINABILITY

Indian organizations are facing the challenges of sustainability in the global economy due to various developments during recent years. Some major challenges in this line are as follows:

Technology and digitalization: Digitalization has affected almost every sphere of business activities. It would not be wrong to mention that technology has changed the methodologies in each and every field may it be production, ordering, selling or even payments. It is also worthy to mention here that even the basic management functions processes have undergone tremendous change due to invasion of technology in almost all functional areas of the organizations. Today, reporting can be done by using excel

sheet and via internet to almost any person in any corner of the globe. There is less physical selling in global market. Almost all selling has been converted into digital mode. Even the payments are made through virtual modes. The communication modes have changed. WhatsApp empowers an individual to communicate with anyone on the globe. Indian organizations had to develop their websites and also start receiving payments through digital mode. It is a challenge due to lack of awareness and knowledge.

Timing: Another challenge being faced by Indian organizations is the timing of the organizations in other countries of the globe. It is known that different countries are in different time zones and in many countries there is night when Indians are working in day time and vice-versa. Now if Indian organizations plan to work with or for the organizations in such countries, they need to work in night hours. Working in night time in India poses a number of problems for the organizations. These are related to manpower commutation, safety and security of staff and also issues related to the fact that other organizations are not working at that time like banks, courier companies, shops etc.. That means this type of organization may have to work in day time as well. Running an organization on 24X7 basis is the biggest challenge specially when the business is not fully web based.

Language: An unavoidable challenge being faced by Indian organizations in global economy is the language used in other countries. A number of languages are spoken and written in different countries and different geographical regions. If the people working in organizations from two different geographical regions do not know a common language it is not possible to communicate. Language is the biggest barrier in effective communication. Usually it is thought that English can serve the purpose for communication with other organizations in different countries, but it is not so. Only 50 countries have English as their native language. French is spoken in 29 countries. German is spoken in only 6 countries. Spanish language is spoken in 20 countries. 18 Countries speak Russian. China speaks Chinese. Besides, India speaks Hindi as its major language. Even dialect and accent are different in different countries for the same language spoken in different geographical areas. This way communication becomes difficult between two organizations from two different countries. The challenge of language will always be there while dealing with organizations in different countries.

Purchasing power: The United Nations recognized around 180 currencies circulating in the world. It is not possible to deal in this large number of currencies. Moreover, the purchasing power of different currencies is different. Indian organizations are facing the challenge of purchasing power parity in nations. Purchasing power of currencies affects the exchange rate and exchange rate keeps on fluctuating over time. Proper hedging and forward contracting needs to be done in order to combat the foreign exchange risk.

Government policies: As Indian organizations operate in other nations, they have the challenge of dealing with policies of different governments. It becomes challenging to cope with various policies on taxation, marketing, import – export, money transfer etc. Same organization has to follow different policies on same point in different countries. In fact, government plays a major role in boosting the business in any country whether through its own organizations or through organizations from other countries. The import – export policies, establishment of economic zones, export promotion zones etc. are decided by the government which helps in business growth of the nation.

Banking policies: Central bank of any country decide upon the repo rate, reverse repo rate, interest rate etc. All these decisions also affect the loan providing strategies of the banks and financial institutions. It also affects the availability of cash in the economy of that country. Banking policies of any country will have bearing on the trade and business conditions in that country as banks and FIs serve as the foundation for flourishing of trade and business activities.

FDI norms: Rules and regulations pertaining to foreign direct investment (FDI) are different in different countries in different sectors. Indian organizations are facing this challenge when they wish to move to another nation as in India they are number one in one sector but in the country they wish to move may not allow FDI in that particular sector. Thus, an organization may then be pressurized to enter into another business in another sector.

Product differentiation: When an organization is operating in different countries the challenge of product differentiation is very common. International product differentiation strategy has successfully been adapted by Nestle India. It is challenging to differentiate the product on the basis of need identification of target groups in different countries.

Pricing policies: Pricing policies can also be challenging in different countries depending upon the cost of various elements of raw material, their availability, transportation of raw material or finished goods, wage rate, overheads etc. Pricing also has to be competitive with the other products available in that country in the same product group.

Glocalization: Glocalization is nothing but presence of global organizations locally. Indian organizations have to face the challenge of competing with the organizations from other countries already operating in that country or well established organizations present glocally.

Economies of scale: In an organization is operating in several countries, it definitely has advantage of economies of scale. When an Indian organization enters into another nation, it has to face the challenge of dealing with other organization taking advantage of economies of scale, as there would be substantial effect on the competitive pricing of the product.

Experience curve effect: Indian organizations also face the challenge of experience curve effect that is being enjoyed

by an old firm which is having an established business being operated from years in that country.

Religion and Culture: Yet another challenge being faced by Indian organizations in global economy is the challenge of religion and cultural differences amongst the nations. As many types of religions are followed in different countries, the rituals, ceremonies and festivals are also different. When India is celebrating Diwali or Holi, the organizations in other countries are working and similarly if there is a major festival in other nation, Indian organizations are working. This is a situation of mismatch and many festivals are not common. Even cultural differences are posing challenges to Indian organizations. Cow is considered as a religious animal in India while in other nations consumption of beef is normal. That simply means that Indian organizations will not indulge in any business related to beef. Many examples are there similar to this one. Cultural diversity even within the organization is difficult to manage and here it is the matter of dealing with different cultures being followed in different geographical areas. Indian organizations are facing this challenge since they have started operating in global economy.

Political environment: Political environment of any country is very important for flourishing the business in any country. One can look at the economic condition of United States because of the political environment and the decision being made by their President. Political stability and good governance are must, in order to establish business in any country.

Type of economy: Whether the country is having a developed economy or it's a developing economy or even under developed economy, is going to affect the business operations. The type of business that can operate in these types of economies also becomes a challenge for Indian organizations. It would also be worth mentioning here that public or private or mixed economy type very much challenges the Indian organization to carry business in that country.

Ease of doing business: The ease of doing business index gives an idea about the business environment in that country. Indian organizations would be facing less number of challenges if the ease of doing business rank is higher for a specific country.

Pace of industrialization: Indian organizations also have to face the challenge of pace of industrialization in a particular nation as the whole environment of that country would be according to the growth rate of industrialization. In an industrialized economy, the chances for business would definitely be higher.

Acceptance in the country: There is also the challenge of acceptance by the business community and in general, in the country where the Indian organizations wish to operate their business. In few countries it may not be possible to adjust in society or in business community. Social security must be considered while making a decision to operate a business in a particular country.

IV. CONCLUSION

Indian Indian organizations are facing different challenges in global economy. It is envisaged that Indian organizations have very successfully ventured into newer areas of business. There is emergence of new business organizations in such areas like Paytm. Indian organizations have also been able to grow not only within the country but also in other nations as well like Maruti Udyog, Reliance Industries etc. On global front Indian organizations have successfully over come various challenges offered to them in different countries. Indian organizations have been successful to fight global competition effectively. The challenges in global economy are mostly related to politics, banking and monetary regulations, organizational culture, working style and working hours, religion and culture of the country, different quality parameters and other such factors. Any Indian organization opting for operations in different nations faces challenges pertaining to these factors. Various International Economic Organizations like The World Bank (WB), International Development Association (IDA), The Multilateral Guarantee Agency MIGA), IFC, International Monetary Fund (IMF), Asian Development Bank (ADB) etc. have all been speaking positive about Indian economy in recent years. The pace of growth of Indian economy has been announced satisfactory by such agencies. Indian organizations are actually doing well in global economy. Globalization of Indian organizations has been challenging but at the same time these organizations have proved their credentials in global economy.

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