



ORDER 3920



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1. Introduction

The global business environment has various implications for the every economy. With the globalization, the interdependence along with the competition among different countries has become intense. Now, the interdependence is also visible in the trade of goods and services and capital movement (Mellahi and Frynas, 2015). Due to this interdependence, the domestic policies and economic conditions are influenced with the global business environment. It could be said that the economic position of one country is heavily influenced with the global business environment. In turn, all of the businesses including small and medium businesses are heavily influenced with the domestic and global economic conditions. From this, it becomes clearer that in this globalized economy, it is not possible and advisable for businesses from any economy to ignore the global business environment (Richards et al., 2012). The purpose of this essay is to do an assessment of the current economic conditions of India which is a developing economy. It also analyses how the economic performance is influenced or is likely to be influenced with the wider global business environment. Further to this, this essay presents the implications for small/medium sized enterprises which are currently working in India.

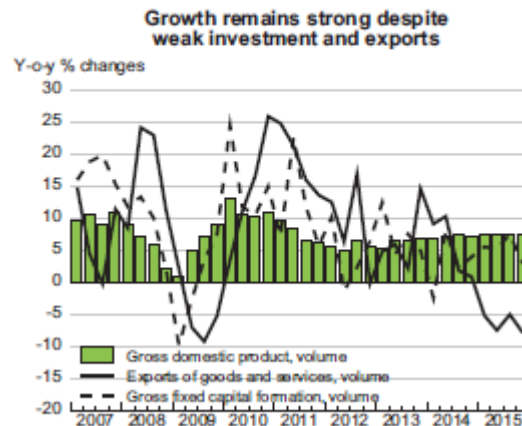
2. Main Body

In terms of GDP, the seventh largest economy of the world is economy of India. It is a newly industrialized country and it is also in the list of G-20 major economies. The Indian economy is a member of BRICS and it is considered a developing economy which has the average growth of 7% in the last twenty years. In the last quarter of 2014, India actually gained the ranking of world's fastest growing major economy and it replaced the People's Republic of China (Pomfret, 2014).

The global business environment is experiencing the growth. All over the globe, countries are expected to have the growth in their GDP. This is also said by International Monetary Fund that growth trend of all countries will remain mediocre and similar is observed for the Indian economy. This global economic environment has also influenced the Indian economy GDP. International Monetary Fund World Economic Outlook (April, 2015) reported India had the nominal GDP of \$2,049.5 billion in 2014 and it contributed 2.65% in the global GDP. OECD

forecast has stated indeed currently investment and exports are weak in India but growth of GDP volume is significantly observed in this economy.

Figure: Overview of Indian Economy



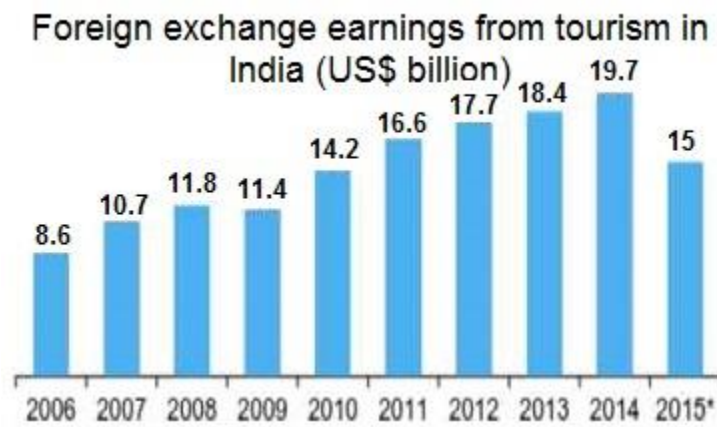
Source: OECD (2016a)

Owing to the young population of India, this economy has long term growth perspective. Moreover, this economy has low dependency ratio, favorable investment rates, healthy saving along with the improved integration into the global economy. By the next decade, it is forecasted that India will become world's third largest economy (Bremman, 2013). Moreover, by the mid-century it could be the one of two largest economies and this shows the tremendous potential of this economy (Knox, Agnew and McCarthy, 2014). Further to this, IMF has reported that its outlook for short term growth are also favorable and IMF declared this economy has the 'bright spot' in the global landscape, showing its importance in the global landscape International Monetary Fund, 2015). In 2015-2016, India is ranked as the number one economy by the World Bank's growth outlook. For the first time, this economy showed the growth of 7.6% in the year of 2015-2016. It is expected that it will become more than 8.0% in the year of 2016-2017 (Schneider, 2015).

The service sector of this economy is also one the fastest growing service sector across the world. In 2012-2013, the service sector contributed to 57 percent of the total gross domestic production (Bhargava, 2015). It is also exporting its services to other countries which has the worth of around \$167.0 billion and these services include BPO, IT and software services (Jain,

2015). For small and medium industries, there is a huge potential for growth, as Business Standard (2015) stated that it is considered as the fourth largest start-up hub in the world. This shows that small and medium enterprises of India could easily grow in India. Moreover, tourism and hospitality sector is an important part of service sector of India. Though, it was not that much important few years back, but now it has become quite important for Indian economy. This is also depicted in below figure.

Figure: Foreign exchange earnings from tourism in India (US \$ billion)



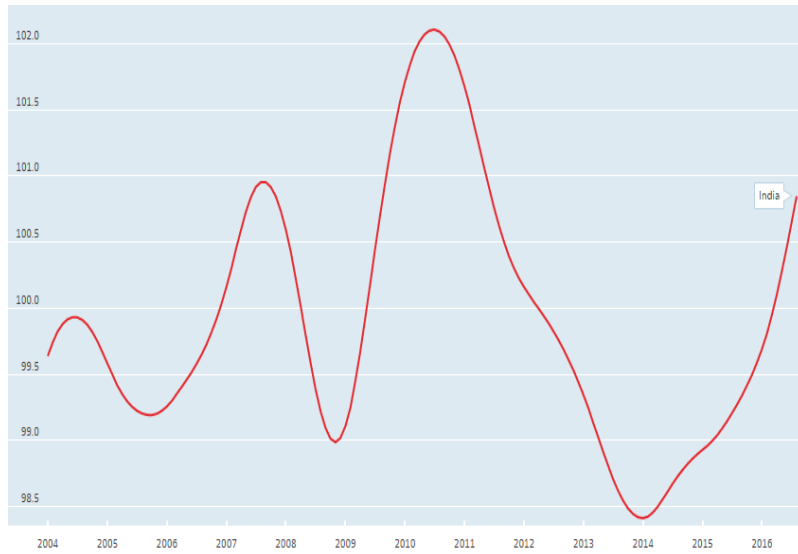
Source: Ministry of Tourism (2015).

With the flourishing global economic trends, demand for tourism is also increasing, therefore, it could be said that small and medium enterprises should opt for those services which are attractive for tourists. Pomfret (2014) stated the current trend of economic growth shows that in coming few years the role of service sector especially the tourism and hospitality sector will increase more. Hence, it is appropriate for small and medium enterprises to invest in such services which could be offered to tourists.

According to Puah et al., (2016), for economic assessment, composite leading indicator (CLI) is another measurement which helps to give the overview of the turning points in the business cycle and it also provides the fluctuations that are taking place in the economic activity in the long run. OECD (2016b) has provided the CLI measure for India. It could be analyzed that CLI has started to improve showing the favorable economic outlook of India. For small and medium enterprises, it could be suggested that composite leading indicator of India is quite favorable and it is moving towards boom of the business cycle. Therefore, they are in position to earn more and increase

their profitability. As per the economic business cycle's condition, there are good opportunities for small and medium enterprises to expand and flourish in India.

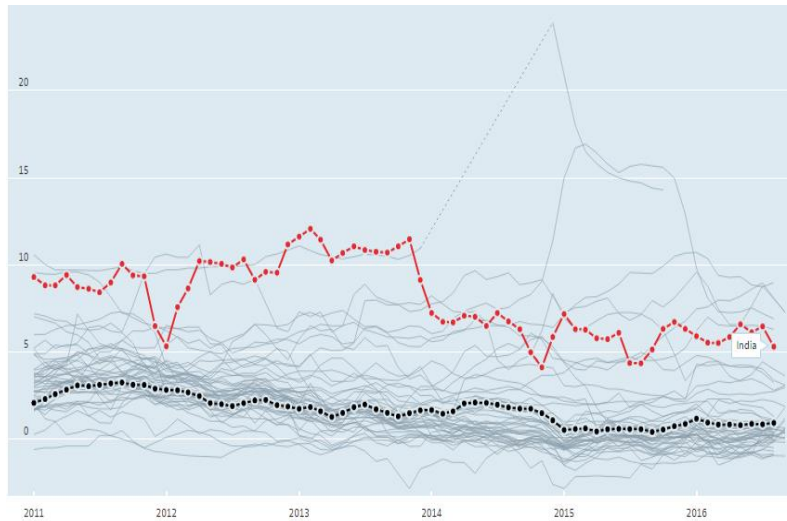
Figure: Composite Leading Indicator of India



Source: OECD (2016b)

Moreover, the current economic condition is also assessed through the level of inflation which is going in an economy. For measuring economy, consumer price index (CPI) is an important measurement. This is referred to change in prices of services and goods which are bought by the specific household groups in an economy. According to OECD (2016c) Using, 2010 as the base year, the CPI is being depicted. This also gives overview of the living standards. The below figure presents the CPI for Indian economy, which is showing the favorable economic condition. The global business environment says that inflation of the emerging economies will remain as fast as in the history. This has an implication for small and medium enterprises that inflation rate is fluctuating, therefore, it needs to adjust their pricing accordingly. Indian small and medium enterprises should not neglect the purchasing power of the customers to whom they are offering their products or services (Ilnu, A., 2012.)

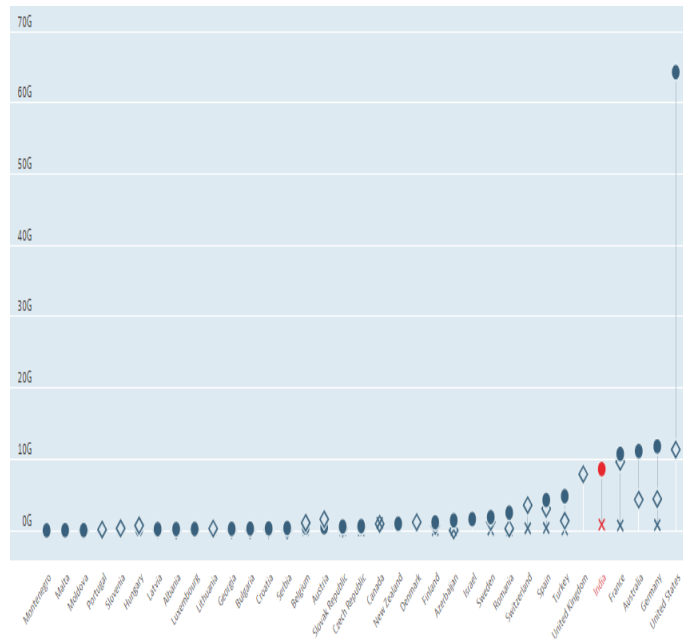
Figure: Consumer Price Index for India



Source: OECD (2016c)

The economic condition of India is also assessed through the current infrastructure investment which is incurred on the improvement of existing network and new transport construction. This is measured as a share of GDP for infrastructure development (OECD, 2016d). The comparison of India with other OECD member countries show that it is ranked as 5th in infrastructure development. This provides the positive outlook for tourism sector (Pomfret, 2014). Tourism industry is influenced with the infrastructure development of an economy, so the positive investment in infrastructure is favorable. Usually, when infrastructure is properly developed, it becomes a source of attracting international travelers as well. Therefore, there is a huge scope for small and medium enterprises to attract the international tourists to India through making their offers more attractive to them (Mustonen and Mustonen, 2014).

Figure: Infrastructure Development Investment in India



Source: OECD (2016d)

Global environment is changing continuously which is having the influence over the tourism and hospitality industry of India. Now the millennial are the important segment in the global business environment which is growing faster in India as well. Overall, it is expected to represent 50% of all travelers by 2025 (Subrahmanya, 2015). Therefore, now the needs of customers has become more transparent and tech savvy which has the implication for small and medium businesses from hospitality and tourism service sector as now they have to ensure that technology is integrated into the hospitality services offered by them; examples include check-in, shopping, eating and payment heavily influenced by technology. Moreover focus should be on novel and unique experiences to the customers (Ranga and Pradhan, 2014).

At the global level, political tensions and terrorism is increasing, and the involvement of government has increased for making the political environment stable. Similar is observed in the economy of India, there exists political tension which has an influence over the economy of the India. It has become challenging for governments to deliver the social services in an effective manner. When there is lack of stability and ineffective delivery of social services, it has implication for hospitality and tourism businesses that it attracts lesser or fewer travelers from other countries (Allard, Martinez and Williams, 2012). Currently, the existing political tensions and terrorism existing at global level has an influence over the economy of India, which eventually proves unfavorable for tourism and hospitality service businesses. For small and

medium enterprises, they need to develop such strategies where they are not adversely influenced with such political conditions. They need to take initiative at organizational level to attract the tourists from other countries. With their service quality level, they should improve the level of trust of their customers. That is how they can deal with the insecurities of their customers which has taken place due to the political instability (Wiener, 2015).

As depicted over the global trends, there is a wide income inequality and the working poor has become further deepen. Inequality in income has become a common characteristic of global business environment which is also observed in Indian economy. According to OECD (2016e) South Asian countries are most affected by the income inequality. With the global recession, the consumers are struggling to pay down their debt due to the inflation adjust incomes which are already decreased since 2007-2009 session of globe. Therefore, small and medium enterprises should do the segmentation of their targeted market in a proper manner. They should make sure that they target the appropriate segment for their products and services. They can also introduce different products and services for people who belongs to different social class as it will help them to exploit the available opportunities (Venkatesh and Muthiah, 2012).

The global business environment has become more technology oriented. All over the world, business is heavily dependent on the innovative technologies. Indian economy is also influenced with global business environment trend and it has made improvements in its technology. Moreover, the share of information technology in GDP has increased from 1.2% in 1998 to 7.5% in 2012 (IT Statistics, 2012). NASSCOM (2015) reported that this information technology sector contributed US\$147 billion which shows that this sector is flourishing in Indian economy. In 2015, the growth of technology sector was 13%. In economy of India, technology is playing a crucial role and its government has taken such steps which are effective for the economy. Recently, the prime minister of India started 'Digital India' project where the focus is on fostering the technology sector of India in a significant manner (Agarwal and Malhotra, 2016). As this is mentioned by Saraswati (2016), this economic trend has implication for the tourism and hospitality businesses. It is expected by tourists to receive more digital concierge services in India. Therefore, even the small and medium businesses has to ensure the integration of technology in their offered services. Mobile check-in, geo-location software availability,

connectivity, integrated outlets, wireless technology integration in hotel services has become mandatory for small and medium hospitality and tourism businesses.

As said by McGuire (2015), in the global business environment, sustainability and resource constraints are giving rise to eco-friendly practices and they are becoming the norm of many hospitality businesses. At global level, various types of environmental programs has been introduced. The resources like water and power are decreasing which is resulting in shortages, volatility and price increases. Another trend of global business environment is related to energy use and global warming. Therefore, Indian economy is also working on issues of resource scarcity, global warming, sustainable resources which are not only required for tourism and hospitality sector but for all small and medium businesses as well (Sloan, Legrand and Chen, 2013).

It is observed by Malik (2013) that Indian economy is heavily influenced with the global environment. The economy consists of various sectors and almost every sector is influenced with it. As the agricultural sector of India is important for its economy. With the liberalization, this economy had to face the economic crisis and it had to take the loan from IMF under the structural adjustment loans. As a result of this loan, the economy of India had to face various structural changes. As a result of this global level reform, the role of government is minimized while more public sector organizations became private. Now, there are reduced export subsidies in India while there is free trade. With the help of free trade, the standard of living has increased. The poverty is alleviated and food security is assured. The national economic growth has improved, hence economic condition is improved with such efforts (Tseng and Cowen, 2013).

Gammeltoft and Kokko (2013) stated that with the global business environment, industrial sector of Indian economy is also influenced. With the foreign direct investment in India, various industries has flourished. There are many developed countries now. Other countries' investors has seen a potential in the Indian economy and they have invested there. The most well developed industries are steel, petroleum, cement, BPO, textile, chemical and retail. In the today's global environment, there are no trade barriers between nations. As said by Baer and Sirohi (2013), With the help of communication and transport technology, it has become possible for Indian economy to attract the foreign companies. Therefore, many multinationals are also attracted towards the India. This has intensified the competition for small and medium

enterprises. Therefore, the implication of current economic environment for them is that they must need to become more vigilant. As now they have to consider the competition from other global companies as well, hence they will have to make more effective strategies.

3. Conclusion

In this essay, it is analyzed that global business environment has influenced the economic condition of India in a significant manner. In this globalized world, it is not possible to ignore the fact that global business environment shapes the economies of the countries. This is also observed in this essay where the economic assessment of India has showed that there is a great role of global environment. India is one of the fastest growing economies, hence, it is observed in this essay that small and medium enterprises has good opportunity to flourish. Moreover, this essay has provided suggestions for small/medium enterprises especially for tourism and hospitality organizations. This will help them to deal with the challenges.

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