

India

International Business Report 2008 – Country focus

The Grant Thornton IBR 2008 reveals that privately held businesses (PHBs) in most economies remain optimistic about economic prospects for the year ahead. For the fifth consecutive year, India tops the league table as the most optimistic economy with an optimism/pessimism balance¹ of +95 per cent with the Philippines joining them at the top for the first time (also +95 per cent). Japan is still at the bottom this year with a balance of -49 per cent whilst PHBs in India are very optimistic about 2008 (+95 per cent), although marginally less so than in 2007 (+97 per cent).

The Indian economy

The Indian economy expanded in real terms by an estimated 8.6 per cent in fiscal year 2007/08, marking the fourth year of exceptionally strong growth. GDP data for the last quarter in 2007 revealed that the economy is still softening, with growth of 8.6 per cent year-on-year following a rise of 8.9 per cent in the previous three months (measured at factor cost). However, risks are on the rise with the return of high inflation and a sharp slowdown in manufacturing. Higher food prices are hitting consumers, with the government actually taking the step of implementing export controls to prevent shortages of rice. Some modest, further tightening in official interest rates are expected. The risk is that market rates will remain elevated given strong inflationary pressures in the economy.



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¹ the balance is the proportion of businesses reporting they are optimistic less those reporting they are pessimistic.

Business expectations/revenue

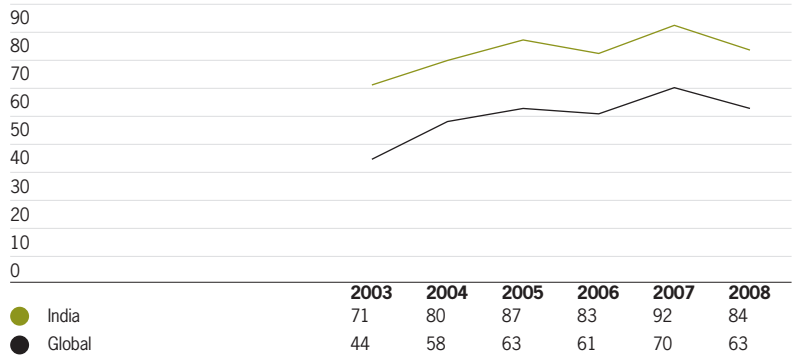
- PHBs in India are less optimistic about their revenue prospects in 2008 (+84 per cent) compared to 2007 (+92 per cent).
- However, their levels of optimism regarding revenue performance remain above the global average (+63 per cent).
- The level of optimism regarding exports (+37 per cent) is above the global average (+18 per cent), and is up from +23 per cent in 2007.

Employment

- Whilst expected growth in employment globally has fallen from +45 per cent in 2007 to +33 per cent, in 2008, it has remained level in India (+74 per cent).
- Actual reported employment growth in India was marginally lower than expected in 2007, in line with the global trend, but was up to +72 per cent from +24 per cent in 2002.

Figure 1: Revenue expectations for India and the global average 2003-2008

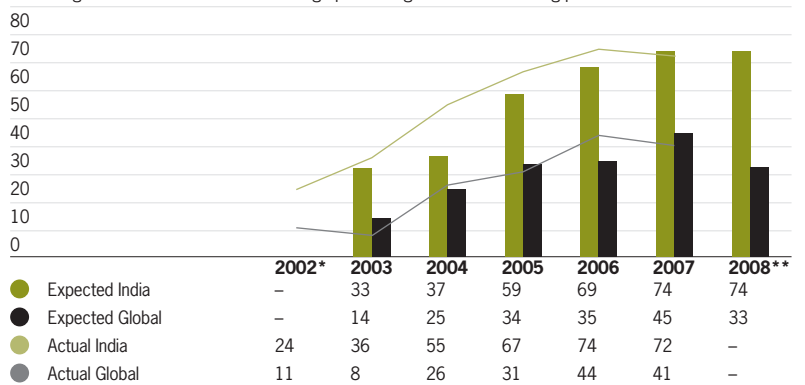
Percentage balance of businesses indicating optimism against those indicating pessimism



Source: Grant Thornton IBR 2008

Figure 2: Employment history of India and the global average 2002-2008

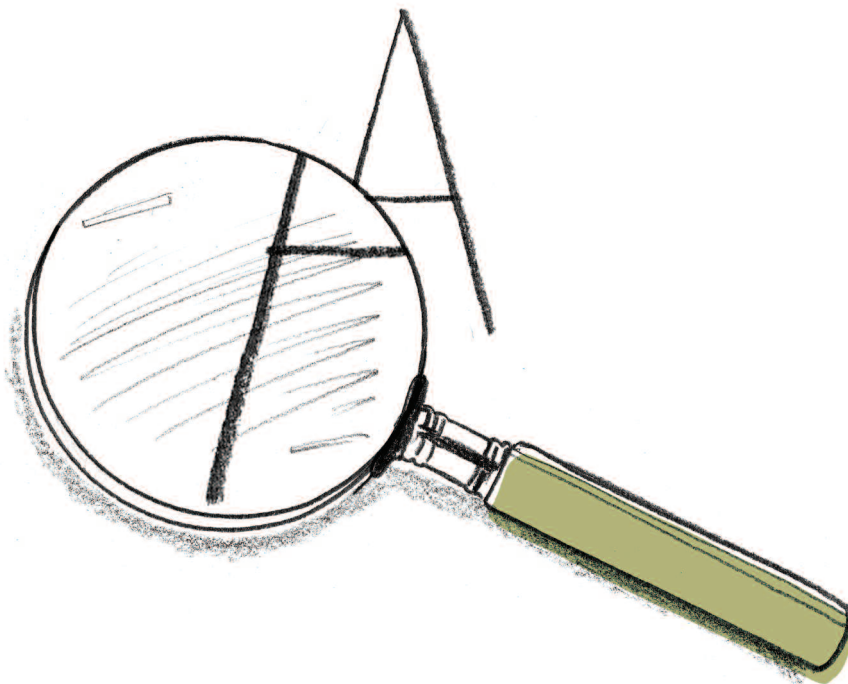
Percentage balance of businesses indicating optimism against those indicating pessimism



*no data available

**2008 data will be documented in IBR 2009

Source: Grant Thornton IBR 2008



Constraints

- The availability of a skilled workforce is the constraint restricting expansion cited most by businesses in India (38 per cent).
- Regulations/red tape is cited by 36 per cent of businesses in India, above the global business average (31 per cent).
- Around seven per cent more PHBs in India cite the cost of finance, shortage of working capital and shortage of long-term finance as constraints, compared with businesses globally.
- Similarly to businesses globally, over half of PHBs in India see their main source of competition coming nationally.

Emerging markets

- The most important factor for Indian businesses when determining whether to invest internationally, as is the case for businesses globally, is market size and growth potential (78 per cent).
- The number of Indian businesses which export (44 per cent) is higher than the global average (39 per cent) and up from 31 per cent in 2007.
- 31 per cent of Indian businesses import, which is below the global average of 39 per cent.
- 29 per cent of PHBs in India see their main source of competition coming internationally, above the global business average (22 per cent).

Competitiveness

- PHBs in India see their greatest source of competitive advantage as brand strength (81 per cent), much higher than the global business average (58 per cent).
- The most important source of competitive advantage for businesses globally is product/service quality, and this is viewed as important by over three-quarters of PHBs in India.
- In general, PHBs in India view all sources of competitive advantage as much more important than businesses globally.

Figure 3: Largest constraints on growth for Indian businesses compared to the global average

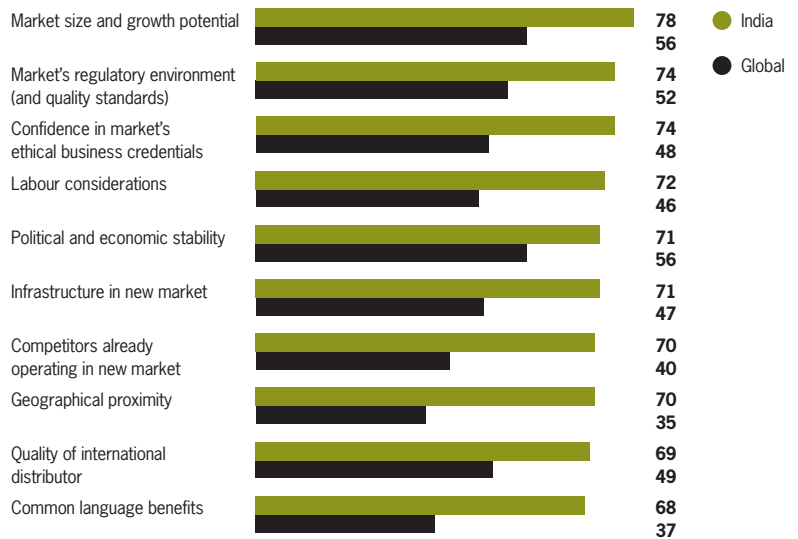
Percentage of businesses rating constraint 4 or 5 on a scale of 1 to 5 where 1 is not a constraint and 5 is a major constraint



Source: Grant Thornton IBR 2008

Figure 4: Importance of factors determining foreign investment

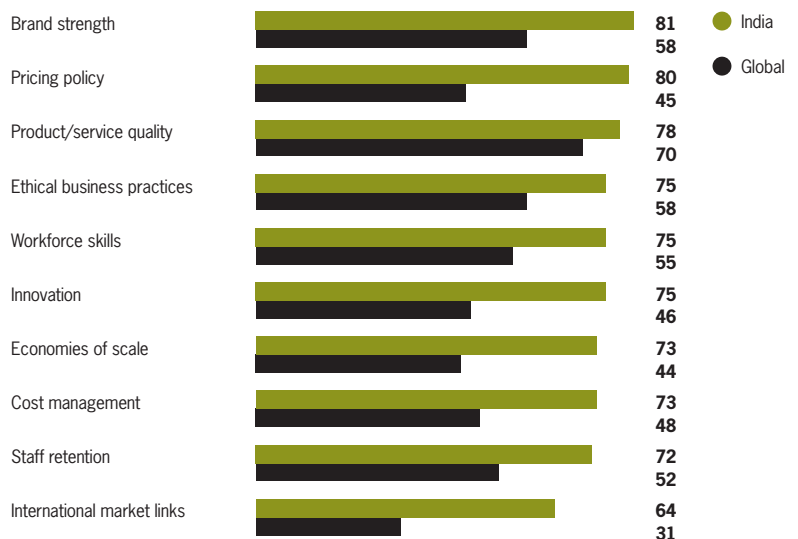
Percentage of businesses rating level 4 or 5 on a scale of 1 to 5 where 1 is a low priority and 5 is a high priority



Source: Grant Thornton IBR 2008

Figure 5: Main sources of competitive advantage for Indian businesses compared to the global average

Percentage of businesses rating strength of the advantage 4 or 5 on a scale of 1 to 5 where 1 is not very strong and 5 is very strong



Source: Grant Thornton IBR 2008

Corporate social responsibility (CSR)

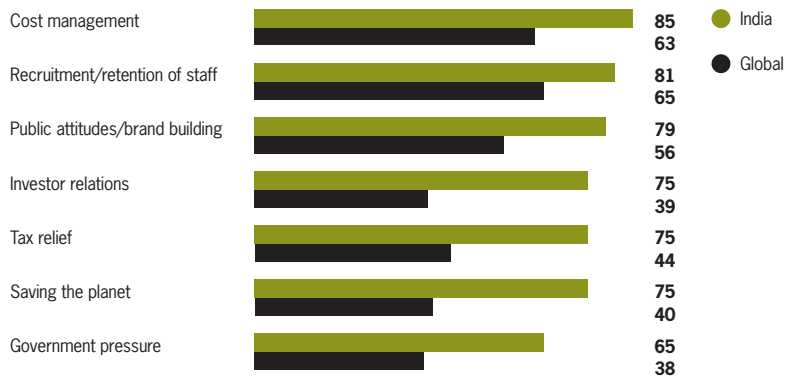
- Cost management is viewed as the biggest driver towards more ethical practices by PHBs in India (85 per cent) higher than the global average (63 per cent).
- 40 per cent of Indian businesses improved energy efficiency and waste management in the past year, although this was below the global average of 57 per cent.
- Half of Indian businesses have incorporated their policies in to a written CSR document, below the global average of 56 per cent.

Recruitment and retention

- The balance of PHBs in India more focused on retention than those one year ago is at the same level as in 2005 (+79 per cent), much higher than the global business average (+59 per cent).
- 71 per cent of Indian businesses ensure that all employees understand the company's core values, mission and goals to aid recruitment/retention. This is higher than the global average of 64 per cent.
- Cited by 33 per cent of Indian businesses, increased operating costs are viewed as the major problem staff retention issues have caused.
- It is costing 85 per cent of Indian businesses significantly more to pay their staff than it was 12 months ago, above the global average of 63 per cent.

Figure 6: Importance of drivers to more ethical practices for Indian businesses compared to the global average

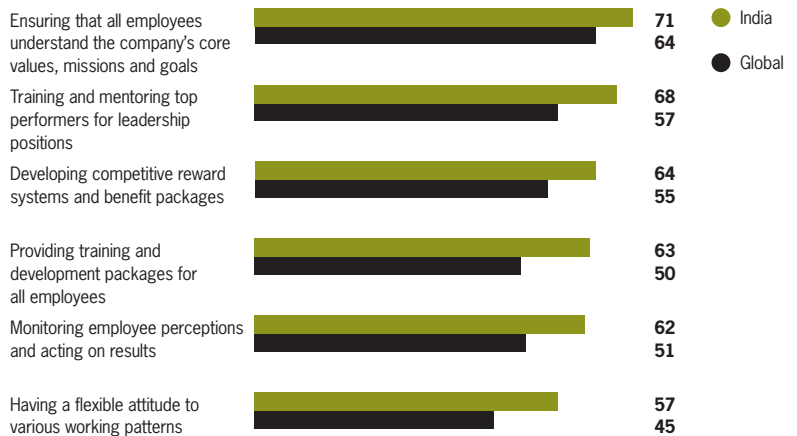
Percentage of businesses rating the importance 4 or 5 on a scale of 1 to 5 where 1 is not very important and 5 is very important



Source: Grant Thornton IBR 2008

Figure 7: Usage of recruitment and retention tools for Indian businesses compared to the global average

Percentage of businesses rating the level 4 or 5 on a scale of 1 to 5 where 1 is not at all and 5 is a great deal



Source: Grant Thornton IBR 2008

Outlook for the Indian economy

Economic growth is expected to ease back in the coming quarters and years. Growth is projected to ease from 8.6 per cent in fiscal year 2007/08 to 7.9 per cent in 2008/09 and 7.5 per cent in 2009/10. The economy has been slowing since the middle of 2007/08 and growth will continue to ease as the recent rounds of policy tightening and the impact of recent currency appreciation continues to feed through.

Domestic demand will continue to drive growth in the short-term, supported by strengthening exports as this sector continues to gain competitiveness, although short-term gains may be more moderate owing to the weaker global economy. However, import growth will remain very strong going forward, reflecting the continued strength of domestic demand. Consequently, net exports will drag on economic growth in the coming quarters.

The Grant Thornton International Business Report (IBR) 2008 examines the attitudes, plans and trends of 7,800 privately held businesses in 34 economies across six continents. The Grant Thornton IBR builds on data collected in previous surveys and boasts 16-year trend data for European Union (EU) countries and six year trend data for international economies.

To find out more about the Grant Thornton IBR and to obtain copies of reports, including focuses on emerging markets, corporate social responsibility and recruitment and retention, please visit www.internationalbusinessreport.com.

Focus reports are also available for each of the 34 participating economies, as well as regional and global summaries. You can also complete the questionnaire online and benchmark your answers against PHBs around the world by industry, size and geographical location.

Participating economies

Argentina	Hong Kong	Singapore
Armenia	India	South Africa
Australia	Ireland	Spain
Belgium	Italy	Sweden
Botswana	Japan	Taiwan
Brazil	Malaysia	Thailand
Canada	Mexico	Turkey
Mainland China	Netherlands	United Kingdom
Denmark	New Zealand	United States
France	Philippines	Vietnam
Germany	Poland	
Greece	Russia	



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