

# Doing Business in India

**By Nishant Ahlawat**

## **India: An Overview**

With 1.2 billion people and being one of the world's largest economies, India's recent growth and development has been one of the most significant achievements of our times.

Close to seven decades since independence, the country has brought about a landmark agricultural revolution that has transformed the nation from chronic dependence on grain imports into a global agricultural powerhouse that is now a net exporter of food.

Life expectancy has more than doubled, literacy rates have quadrupled, health conditions have improved, and a sizeable middle class has emerged. India is now home to globally recognized companies in pharmaceuticals and steel and information and space technologies, and a growing voice on the international stage that is more in keeping with its enormous size and potential.

## Economy

The economy of India is the seventh-largest economy in the world measured by nominal GDP and the third-largest by purchasing power parity (PPP). The country is classified as a newly industrialised country, one of the G-20 major economies, a member of BRICS and a developing economy with an average growth rate of approximately 7% over the last two decades.

Maharashtra is the wealthiest Indian state and has an annual nominal GDP of US\$250 billion, nearly equal to that of Portugal and Pakistan and accounts for 12% of the Indian GDP followed by the states of Tamil Nadu (US\$150 billion) and Uttar Pradesh (US\$130 billion). India's economy became the world's fastest growing major economy in the last quarter of 2014, replacing the People's Republic of China.

According to Goldman Sachs, Indian economy is set to overtake that of Western Europe by 2030 and by 2050 it is set to overtake the US economy to become the second largest economy in the world, (next only to China). In terms of Purchasing Power Parity (PPP) India is already the third largest economy in the world.

## Indian Legal System

The Indian Constitution which came about in 1950 was drafted on the basis of English Common law and incorporating important US court decisions.

The Constitution of India guarantees equal rights to all citizens, and prohibits discrimination on the basis of race, ethnicity, gender, caste, and religion; it also allows universal franchise, thereby making the Indian electorate the largest in the world.

The Fourth Part of the Constitution contains what are called "directive principles of state policy", which require the government to set goals for the welfare of the people, such as a minimum wage, jobs for people from disadvantaged backgrounds, and subsidized medical care.

The Indian Constitution is one of the largest in the world, and comprehensive and sweeping in its scope.

A unique feature of the Indian Constitution is that, despite its Federal system and the existence of the Central and State laws with their predefined spheres of application, there exists a single integrated system of Courts which administers both the central and the state laws.

## **Court system of India**

- The three-tiered system of Indian judiciary comprises of Supreme Court (New Delhi) at its helm;
- High Courts standing at the head of state judicial system;
- Followed by District and Sessions courts in the judicial districts, into which the states are divided.

The lower rung of the system then comprises of courts of civil (civil judges) & criminal (judicial/metropolitan magistrates) jurisdiction.

## **As a Foreign Investment Destination**

Indian markets have significant potential offering prospects of high profitability and favorable regulatory regime for investors. Investors are considering India for developing both services and manufacturing supply chain. For investments to materialize, economic environment has to become more enabling and measures on major competitive issues, including currency stability and ease of doing business, must be implemented.

The consumer products, industrials, technology, media and telecom (TMT) and life-sciences sectors are set to attract massive foreign direct and indirect investment which will drive India's growth to a much higher level over the next two years.

According to United Nations Conference on Trade and Development (UNCTAD) World Investment Report 2015, India acquired ninth slot in the top 10 countries attracting highest FDI in 2014 as compared to 15th position last year. The report also mentioned that the FDI inflows to India are likely to exhibit an upward trend in 2015 on account of economic recovery. India also jumped 16 notches to 55 among 140 countries in the World Economic Forum's Global Competitiveness Index that ranks countries on the basis of parameters such as institutions, macroeconomic environment, education, market size and infrastructure among others.

India will require around US\$ 1 trillion in the 12th Five-Year Plan (2012–17), to fund infrastructure growth covering sectors such as highways, ports and airways. This would require support from FDI flows. During 2014, foreign investment was witnessed in sectors such as services, telecommunications, computer software and hardware, construction development, power, trading, and automobile, among others.

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