

Tesla Market Entry and Business Environment in India

Posted on September 28, 2018

India is one of the countries where the rule of law prevails, and the government is headed by the Prime Minister elected by the people. According to Goyal (15), India is the largest democracy in the world and it has been having free and fair elections. The political stability attracts investors since the chances of India's political situation changing to unrest are nil. India practices a parliamentary system of government, and politics usually plays a critical role in shaping the business activities in the country (Goyal 12). However, it also attracts investors because of its population it has almost 1.2 billion. This is a huge market for investors and it would be the first key component investors will look before business is about customers.

Technology

India is regarded as one of the nations that have implemented various technologies that can support different businesses. It has better infrastructure in most parts of the country, especially in major urban centers where the majority of Indians live. India has better roads that connect cities and major towns, and therefore, better roads facilitate faster delivery or distribution of products to the market. A study has also revealed that India has a good rail network covering almost all urban centers. The communication system in India is faster and more affordable; this is because there are many telecommunication firms in India, and these firms are independent with no control from the government. It makes communication faster and cheap as well and therefore, it makes it possible for businesses to encourage or communicate with customers and other investors.

The rail network facilitates the delivery of products to the market and other stores and warehouses located outside the major cities like New Delhi. As stated by Gayal (5), India has good ports and an aviation industry that is managed efficiently. This makes it faster and more efficient to export and import goods to or from India. Therefore, Tesla would find it easy and convenient to import most of its products from China, the United States and other regions where they produce their products to India without having much difficulty in transportation.

Economic

Unemployment rate

Studies have established that the unemployment rate is low in India compared to other nations within

the region. According to Rogerson (15), the unemployment rate is estimated to be 3.9% by the end of December 2017. This means the majority of Indians have stable incomes, which is good for business since businesses are more likely to experience high sales returns. Statistics indicate that the majority of people aged 22-45 years are employed, and this is almost 60% of the population. It is simple; any company with an invested in India is exposed to almost one billion potential customers (Rogerson 23). The inflation rate is also low, and according to the OECD Economic Survey (12), the inflation rate of India stands at 4.8%, which is among the lowest inflation rates globally (Rogerson 25).

Business Growth

There is a high potential for business growth in India because of urbanization, the rising middle class, and the increased consumer spending, which is a good business environment for companies, and it can be the reason my companies prefer India for business investment. Research conducted by McKinsey & Company indicates that India is about to become the largest economy by 2230, and it continues to experience steady growth more than other countries globally. However, other studies from reputable firms indicate India has opened its door to international business and created opportunities for international companies to grow. The country has liberated its economy, which is good for business development, and as a result of this, many companies prefer to invest in India.

National Growth Domestic Product (GDP)

India is the eighth largest economy worldwide and it is expected to be the third largest economic by 2030, therefore, it present an opportunity for companies to grow and earn better returns. India's economy has been stable since 1991 after the government initiated several reforms that stimulated growth (Ahluwalia 12). The National GDP of India is estimated to be USD 1,743. Eighty-one per capita and most economic analysts have noted that the per capita of India is likely to increase over the next ten years. It is, therefore, a present opportunity for companies to invest since an increase in per capita is likely to increase the spending rate of customers, which in return will increase sales returns for companies (Ahluwalia 34).

Financial Capital structure

Research indicates that India has several banks, and most of them are stable; hence can support companies financially and commit to long-term loans, which investors normally seek. The Bank of India, which is one of the Indigenous banks, has never experienced financial downtown, and therefore, the chances of banks experiencing the financial problem are nil now. There are other banks, such as Standard Chartered, Barclays and even Citibank, which are international banks. It is almost important to note that the interest rate charged by banks is not exaggerated.

A study indicates that most banks charge an interest rate of 5% to 7%, which is one of the lowest

worldwide (Nuruzzaman 25). The exchange rate of the rupee is 1 USD is equal to 65 rupee, and the exchange rate has been constant for the last decades. It is expected to continue being stable, and this will facilitate steady growth of the economy. According to Nuruzzanman (30), a stable exchange rate and the value of currency facilitate the easy way of doing business. This is because when the exchange rate is stable, companies are likely not to lose money during imports and exports, which depends on the stability of the exchange rate. Therefore, a stable exchange rate and a strong rupee are likely to make Tesla register high profits since the company will spend less on imports.

Internal Factors Pertinent to Tesla

Tesla is a global icon firm with strong financial backing, and therefore, it can make huge investments in the Indian market. It is also a technology-driven company with several products in the market. India shall be the best place for Tesla, where it can connect its technologically driven mind with the high technological opportunities available in India (Farre And Victor 10). However, India has competition laws and tax regulations, which can make the company initiate growth. The fact that in India, there are employment and counterfeit laws is a positive thing for Tesla since it would be able to compete with the existing companies without any bias.

Corporate controllable variables

Businesses do not operate in a vacuum. They operate in an environment that usually controls their performance. Tesla can change the market by introducing more technological products and adding value addition to certain products similar to what is already in the market. It is possible to change the target market by creating products for youths and women to drive them to Tesla stores, and this is likely to change the market. It is also advisable for Tesla to improve quality and introduce more customer-made products, which can change the market perspective and enhance Tesla's performance in the market. Tesla can decide to produce low gas emissions into the atmosphere, targeting specific classes in the market, especially the business class and the rich in India. It will be a game changer for Tesla and uplift the performance of Tesla. This is because environmental problems, which include the emission of gas, are some of the problems that India faces, and any product that helps the country address the problem would be a plus and make good business in the market, hence making competitors irrelevant.

Works Cited

- Ahluwalia, Isher Judge. "Indian Council For Research On International Economic Relations." <https://icrier.org/pdf/aradhna68.pdf> (2001): 2-35.
- Farre, Felix Gaya And Tresserras Victor. "Brand valuation – Tesla." Research Analysis of Tesla firms operations (2014): 2-15.
- Goyal, Seema. "Analysis of national income in India." International Journal of Applied Research

13.7 (2015): 2-45.

Nuruzzaman, Agha. "Indian Futures Market: An Analysis." Research Scholar, Department Business Administration, Aligarh Muslim University, Aligarh, Uttar Pradesh (2011): 10-38.

Rogerson, Simon. "Is professional practice at risk following the Volkswagen and Tesla motors revelations?" file:///C:/Users/Masterpiece/Downloads/34-Article%20Text-89-1-10-20170920.pdf (2013): 2-34.