



## DOING BUSINESS IN INDIA

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## Introduction



**CAPITAL: NEW DELHI**



**POPULATION**

**Total Population:** 1,352,617,328

**Natural Increase:** 1.0%

**Density:** 455 Inhabitants/km<sup>2</sup>

**Urban Population:** 34.0%

**Population of main agglomerations:** Mumbai (Bombay) (18,394,912); Delhi (16,349,831); Kolkata (14,057,991); Chennai (Madras) (8,653,521); Bangalore (8,520,435); Hyderabad (7,677,018); Ahmadabad (6,357,693); Poona (5,057,709); Surat (4,591,246); Jaipur (3,046,163)

**Ethnic Origins:** Hundreds of ethnic groups, dominated by Indo-Aryans (Assamese, Bengali, Punjabi, Koli, etc.), which comprise about 72% of the population, and Dravidians (Tamils, Kannadigas, Malayalis, Telugus, etc.), which make up about 25%. Mongoloid and Others account for about 3% of the population. ([Ministry of Statistics](#))

**Official Language:** Hindi (spoken by more than 50% of the country's population) and English.

**Other Languages Spoken:** 22 languages are recognised by the Constitution of India: Hindi, Urdu, Bengali, Nepali, Telugu, Marathi, Tamil, Gujarati, Malayalam, Kannada, Oriya, Punjabi, Assamese, Kashmiri, Sindhi, Manipuri, Konkani and Sanskrit are among them. Around 2000 dialects have been identified.

**Business Language(s):** English

**Religion:** Hindu 79.8%, Muslim 14.2%, Christian 2.3%, Sikh 1.7%, other and unspecified 2% (2011 est.)

**Literacy Rate:** 61.0%

**National Currency:** Indian Rupee (INR)



**COUNTRY OVERVIEW**

**Area:** 3,287,259 km<sup>2</sup>

**Type of State:** India is a federal Republic state based on parliamentary democracy.

**Type of Economy:** Low-income economy, Emerging Financial Market.

Second largest population and largest liberal democracy in the world. Importance of agriculture and the IT sector in the economy.

**HDI\*:** 0.609/1

**HDI (World Rank):** 130/188

*Note: (\*) [The HDI](#), Human Development Index, is an Indicator Which Synthesizes Several Data Such as Life Expectancy, Level of Education, Professional Careers, Access to Culture etc.*



**TELECOMMUNICATION**

**Telephone Code:**

To call from India, dial 00

To call India, dial +91

**Internet Suffix:** .in

**Computers:** 1.5 per 100 Inhabitants

**Telephone Lines:** 2.5 per 100 Inhabitants

**Internet Users:** 12.6 per 100 Inhabitants

**Access to Electricity:** 78.7% of the Population

### Foreign Trade in Figures

<b>Foreign Trade Indicators</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Imports of Goods <i>(million USD)</i>	462,910	391,977	359,065	447,241	514,464
Exports of Goods <i>(million USD)</i>	322,694	267,147	264,020	298,376	324,778
Imports of Services <i>(million USD)</i>	126,710	122,225	133,710	153,378	175,448
Exports of Services <i>(million USD)</i>	155,670	155,288	161,845	183,359	204,475

Source: WTO - World Trade Organisation, 2017

[See the latest updates in the Country Profile for India.](#)

Latest Update: December 2019

## Economic and Political Overview

### ECONOMIC OUTLINE

#### Economic Overview

The Indian economy has held up better than other emerging countries to the global economic slowdown and has benefited from low oil prices in recent years. According to the IMF, the Indian economy grew by 7.3% in 2018, which is the highest growth in two years and strongest since the first quarter of 2016, driven by a rebound in industrial activity, especially manufacturing and construction, and an expansion in agriculture. Sectors which registered growth of over 7% include manufacturing; electricity, gas and water supply; construction, and public administration and defence. India also registered the third highest growth in the world in 2018. Growth is expected to remain strong in the next couple of years, reaching 7.4% in 2019 and 7.7% in 2020.

India's fiscal deficit stood at USD 101.93 billion by the end of November 2018. That amounted to 114.8% of the budgeted target for that year, mainly due to lower revenue realization and rise in expenditure, with the debt to GDP ratio remaining high (67%). That was a slight increase from the previous year's 112% of the budgeted target. The inflation rate increased from 3.6% in 2017, to 4.7% in 2018. However, the economy is aiming to move towards a more stable price regime. Also, in 2018 the government deficit stood at -6.6% of the GDP and is expected to remain at the similar level in coming years. In 2018, Prime Minister Narendra Modi continued his programme of reforms aimed at consolidating public accounts, promoting investment and industrial development and improving the business climate. The government has passed a key goods and services tax bill (which aims at turning the 29 states into a common market) and raised foreign direct investment caps in some sectors, with various economic reforms focusing on administrative and governance changes. In case Prime Minister Narendra Modi continues in power after the 2019 elections, the foundations upon which new policies would be built should remain largely unchanged. Modi's biggest reform push, with the greatest impact to public finances, and the strongest tool against tax evasion was the introduction of the goods and services tax (GST). Another major decision taken by the government was to suddenly declare that India's highest-denomination banknotes – accounting for 86% of cash – would no longer be legal tender and so they had to be deposited in banks. This policy aimed at tackling the black economy and, after a first period of uncertainty, it is expected to have positive effects on the country's economy (as an example, since April 2017 over twice as many Indians have filed tax returns than in the same period of the previous year). However, long-term challenges remain significant, including: India's discrimination against women and girls, an inefficient power generation and distribution system, ineffective enforcement of intellectual property rights, inadequate transport and agricultural infrastructure, limited non-agricultural employment opportunities, high spending and poorly targeted subsidies, insufficient availability of quality basic and higher education, constant rural-to-urban migration.

India is expected to overtake China as the world's most populous country by 2024. It has the world's largest youth population, nevertheless according to the OECD over 30% of India's youth are NEETs (not in employment, education or training). India continues to suffer from a low GDP per capita, almost 25% of the population still lives below the poverty line (about one-third of the world's population living on under USD 1.90/day lives in India) and the country's inequalities are very strong: the richest 1% of the population own 53% of the country's wealth. According to ILO reports, the unemployment rate stood at 3.5% in 2018 and should remain unchanged in 2019.

Main Indicators	2017	2018	2019 (e)	2020 (e)	2021 (e)
GDP (billions USD)	2,652.25	2,718.73e	2,935.57	3,202.18	3,509.65
GDP (Constant Prices, Annual % Change)	7.2	6.8e	6.1	7.0	7.4
GDP per Capita (USD)	2,014e	2,038e	2,172	2,338	2,529
General Government Balance (in % of GDP)	-6.8	-6.6	-7.4	-7.0	-7.0

Main Indicators	2017	2018	2019 (e)	2020 (e)	2021 (e)
General Government Gross Debt <i>(in % of GDP)</i>	67.8	68.1	69.0	68.5	67.7
Inflation Rate (%)	3.6	3.4	3.4	4.1	4.1
Current Account <i>(billions USD)</i>	-48.66	-57.18	-57.81	-73.54	-80.45
Current Account <i>(in % of GDP)</i>	-1.8	-2.1	-2.0	-2.3	-2.3

Source: IMF – World Economic Outlook Database, Latest available data

Note: (e) Estimated Data

### Main Sectors of Industry

India is the world's fourth agricultural power. Agriculture contributes 15.5% of the GDP and employs 41.6% of the active population, both percentages of which have diminished in recent years. The country's main agricultural products are wheat, millet, rice, corn, sugar cane, tea, potatoes and cotton. India is also the second largest producer of cattle, the third largest producer of sheep and the fourth largest in fishing production in the world.

The industry sector employs almost a quarter of the workforce and accounts for 26.3% of GDP. Coal is the country's main energy source (India is the world's third largest producer of coal). In the manufacturing industry, textile plays a predominant role. In terms of size, the chemical industry is the second largest industrial sector.

The services sector is the most dynamic part of the Indian economy. It contributes to almost half of its GDP (48.9%) and it only employs around one-third of its workforce. The rapidly growing software sector has been boosting the export of services and modernising the Indian economy: the country has capitalized on its large educated English-speaking population to become a major exporter of IT services, business outsourcing services and software workers. Nevertheless, according to a recent McKinsey & Company report, more than half of the 3.9 million people employed in the Indian IT sector could become “irrelevant” in the next three to four years due to the growing ability of machine learning to replace human workers.

Breakdown of Economic Activity By Sector	Agriculture	Industry	Services
Employment By Sector <i>(in % of Total Employment)</i>	43.2	24.9	31.9
Value Added <i>(in % of GDP)</i>	14.6	26.7	48.9
Value Added <i>(Annual % Change)</i>	2.9	6.9	7.7

Source: World Bank, Latest available data.

Learn more about [Market Analyses about India](#) on Globaltrade.net, the Directory for [International Trade Service Providers](#).

### Indicator of Economic Freedom

Score: 55,2/100

World Rank: 129

Regional Rank: 31

[Economic freedom in the world \(interactive map\)](#)

Source: [2019 Index of Economic Freedom, Heritage Foundation](#)

## Business environment ranking

Score: 6.08  
World Rank: 57/82

Source: *The Economist - Business Environment Rankings 2014-2018*

## Country Risk

See the country [risk analysis](#) provided by [Coface](#).

## Sources of General Economic Information

Ministries	<a href="#">Ministry of Finance</a> <a href="#">Ministry of Agriculture</a> <a href="#">Ministry of Commerce and Industry</a> <a href="#">Ministry of Micro, Small and Medium Enterprises</a>
Statistical Office	<a href="#">Directorate General of Commercial Intelligence &amp; Statistics</a>
Central Bank	<a href="#">Reserve Bank of India</a>
Stock Exchange	<a href="#">National Stock Exchange</a> <a href="#">Bombay Stock Exchange</a>
Other Useful Resources	<a href="#">Official National Portal of India</a> <a href="#">Ministry of Corporate Affairs</a>
Main Online Newspapers	<a href="#">The Times of India</a> <a href="#">Hindustan Times</a> <a href="#">Economic Times</a> <a href="#">The Hindu</a> <a href="#">Dainik Suprovaat - Hindi</a> <a href="#">Cybernoon</a>
Economic Portals	<a href="#">Indian Trade Portal (Ministry of Commerce &amp; Industry)</a> <a href="#">Business World</a> <a href="#">Business Line</a> <a href="#">Business Standard</a> <a href="#">Business Today</a>

## POLITICAL OUTLINE

Type of State	India is a federal Republic state based on parliamentary democracy.
Executive Power	<p>The President is the Chief of State and is elected by an electoral college consisting of elected members of both houses of Parliament and the legislatures of the provinces for a five-year term.</p> <p>The Prime Minister is the head of Government and is chosen by parliamentary members of the majority party, following legislative elections, to serve a term of five years. The President, on the recommendation of the Prime Minister, appoints the Cabinet.</p>
Legislative Power	The legislature is bicameral. The Parliament consists of: Council of States and the People's Assembly. People of India enjoy considerable political rights.
Main Political Parties	- <a href="#">Bharatiya Janata Party</a> (BJP): right-wing, pro-Hindu, nationalist ideology; heads the National Democratic Alliance (NDA) coalition; more than doubled its number of seats in the 2014 elections, securing its first majority victory;

- [Indian National Congress](#) (INC): centre-left; a major party involved in the independence movement; heads the United Progressive Alliance (UPA) opposition coalition; recently suffered from a number of corruption scandals and accusations of economic mismanagement;

- [Bahujan Samaj Party](#) (BSP): India's third major political party whose electorate is mainly composed of Dalits and low castes.

Other notable parties:

- [All India Anna Dravida Munnetra Kazhagam](#) (AIADMK): centrist

- [All India Trinamool Congress](#) (AITC): centre-left

- [Biju Janata Dal](#) (BJD): centre-left

- [Shiv Sena](#) (SS): far-right

- [Telugu Desam Party](#) (TDP)

- [Telengana Rashtra Samithi](#) (TRS)

- Communist Party of India (CPI)

- Nationalist Congress Party (NCP)

Current Political  
Leaders

President: Ram Nath Kovind (since 25 July 2017) - BJP  
Prime Minister: Narendra Modi (since 26 May 2014) - BJP

Next Election Dates

Presidential: July 2022  
Legislative elections: 2024

### Indicator of Freedom of the Press

World Rank: 140/180

Source: [2019 World Press Freedom Index, Reporters Without Borders](#)

### Indicator of Political Freedom

Ranking: Free

Political Freedom: 2/7

Civil Liberties: 3/7

[Political freedom in the world \(interactive map\)](#)

Source: [Freedom in the World 2019, Freedom House](#)

Latest Update: December 2019

## Trade Profile

### FOREIGN TRADE IN FIGURES

India was a protectionist state for a long time, but the country has become progressively more open to international trade. Currently, trade represents 40.6% of the country's GDP. The country mainly exports petroleum oils (11.8%), diamonds (8.4%), articles of jewellery (4.3%), medicaments (3.9%), and rice (2.4%), while it imports petroleum oils (18.5%), gold (8.1%), diamonds (6.1%), coal and similar solid fuels (4.5%), petroleum gas and other gaseous hydrocarbons (2.9%).

India's main partners are United States, the United Arab Emirates, Hong Kong, China, Singapore, Saudi Arabia, and Switzerland. The country has recently signed free trade agreements with South Korea and ASEAN, and has entered into negotiations with several partners (EU, MERCOSUR, Australia, New Zealand and South Africa). India is the world's eighth largest exporter and tenth largest importer of commercial services. However, India's trade regime and regulatory environment still remains relatively restrictive.

Its trade balance is structurally negative, given that the country imports nearly 80% of its energy needs. India benefited from the decline in world hydrocarbon prices for its imports, which led to a slight reduction in the trade deficit. In 2017, India exported USD 298 billion worth of goods, while imports accounted for USD 447 billion, resulting in a negative trade balance of USD 149 billion.

Foreign Trade Indicators	2014	2015	2016	2017	2018
Imports of Goods ( <i>million USD</i> )	462,910	391,977	359,065	447,241	514,464
Exports of Goods ( <i>million USD</i> )	322,694	267,147	264,020	298,376	324,778
Imports of Services ( <i>million USD</i> )	126,710	122,225	133,710	153,378	175,448
Exports of Services ( <i>million USD</i> )	155,670	155,288	161,845	183,359	204,475
Imports of Goods and Services ( <i>Annual % Change</i> )	0.9	-5.9	4.4	17.6	15.4
Exports of Goods and Services ( <i>Annual % Change</i> )	1.8	-5.6	5.1	4.7	12.5
Imports of Goods and Services ( <i>in % of GDP</i> )	26.0	22.1	21.0	22.0	23.6
Exports of Goods and Services ( <i>in % of GDP</i> )	23.0	19.8	19.2	18.8	19.7
Trade Balance ( <i>million USD</i> )	-144,047	-136,884	-107,476	-148,134	-186,692
Trade Balance (Including Service) ( <i>million USD</i> )	-67,970	-63,249	-41,579	-72,212	-105,918
Foreign Trade ( <i>in % of GDP</i> )	48.9	41.9	40.2	40.8	43.4

Source: World Trade Organisation (WTO) - 2017; World Bank - 2017

### Main Partner Countries

Main Customers (% of Exports)	2018	Main Suppliers (% of Imports)	2018
United States	16.0%	China	14.5%
United Arab Emirates	8.8%	United States	6.4%
China	5.1%	Saudi Arabia	5.6%
Hong Kong	4.1%	United Arab Emirates	5.3%
Singapore	3.2%	Iraq	4.5%



<b>Main Customers</b> (% of Exports)	<b>2018</b>	<b>Main Suppliers</b> (% of Imports)	<b>2018</b>
United Kingdom	3.0%	Switzerland	3.6%
Germany	2.8%	South Korea	3.2%
Bangladesh	2.7%	Hong Kong	3.2%
Netherlands	2.7%	Indonesia	3.2%
Nepal	2.3%	Iran	2.9%

Source: Comtrade, 2017

See More Products [More imports \(Intracen Data\)](#)  
[More exports \(Intracen Data\)](#)

## MAIN SERVICES

<b>154.2 bn USD of services exported in 2015</b>		<b>76.3 bn USD of services imported in 2015</b>	
Computer and information services	48.17%	Other business services	39.05%
Other business services	20.36%	Transportation	20.14%
Travel	13.63%	Travel	19.44%
Transportation	9.27%	Royalties and license fees	6.56%
Financial services	3.47%	Financial services	4.08%
Communications services	1.37%	Computer and information services	3.87%
Insurance services	1.29%	Cultural and recreational services	1.79%
Construction services	0.96%	Insurance services	1.50%
Cultural and recreational services	0.82%	Construction services	1.25%
Government services	0.36%	Communications services	1.16%
Royalties and license fees	0.30%	Government services	1.15%

Source: United Nations Statistics Division, Latest Available Data

## Exchange Rate System

Local Currency                      Indian Rupee (INR)

Exchange Rate                      Managed floating exchange regime with no pre-determined path for the exchange  
 Regime                                      rate.

Level of Currency                      Low. The Indian rupee is one of the most stable among emerging market currencies,  
 Instability                                      but it is exposed to short-term volatility.

Exchange Rate on :

<b>Monetary Indicators</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Indian Rupee (INR) - Average Annual Exchange Rate For 1 USD	61.03	64.15	67.20	65.12	68.39

Source: World Bank - Latest available data.

## TRADE COMPLIANCE

International Conventions	<p>Member of <a href="#">World Trade Organisation</a></p> <p>Party to the <a href="#">Washington Convention</a> on International Trade in Endangered Species of Wild Fauna and Flora</p> <p>Party to the <a href="#">Basel Convention</a> on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal</p> <p>Party to the <a href="#">Montreal Protocol</a> on Substances That Deplete the Ozone Layer</p> <p>Party of the <a href="#">International Coffee Agreement 2007</a></p>
Main International Economic Cooperation	<p>India is a member of the <a href="#">South Asian Association for Regional Cooperation (SAARC)</a> and has <a href="#">multilateral and bilateral trade agreements</a> with many countries. The country signed a <a href="#">trade agreement</a> with 21 other countries in the São Paulo Round of the Global System of Trade Preferences among Developing Countries (GSTP). India also signed in March 2011 a Tariff-Cutting Trade Treaty with Japan that will eliminate or reduce about 94% of tariffs on the countries' bilateral trade over a ten-year period.</p>
Party of the ATA Convention on Temporary Admissions and Use of the Carnets	<p>Yes</p> <p><i>As a Reminder, the ATA is a System Allowing the Free Movement of Goods Across Frontiers and Their Temporary Admission Into a Customs Territory With Relief From Duties and Taxes. The Goods Are Covered By a Single Document Known as the ATA Carnet That is Secured By an International Guarantee System.</i></p> <p><a href="#">Look Up the Other Member Countries And Read the Web Pages of the World Customs Organization Devoted to the ATA Carnet.</a></p>
Party of the TIR Convention	<p>No</p> <p><i>As a Reminder, the TIR Convention and its Transit Regime Contribute to the Facilitation of International Transport, Especially International Road Transport, Not Only in Europe and the Middle East, But Also in Other Parts of the World, Such as Africa and Latin America.</i></p> <p><i>The UNCTAD Website Allows You to <a href="#">Read the TIR Convention</a>, <a href="#">See the List of Member Countries</a> And to <a href="#">Find Further Information</a>.</i></p>
Accompanying Documents For Imports	<ul style="list-style-type: none"> <li>- Manufacturer's Commercial Invoice duly Signed and if possible Bank Attested</li> <li>- Price list of the commodities in shipment</li> <li>- Manual and Catalogue , write ups or Technical Literature for laboratory or Electronic equipment</li> <li>- Import declaration and GATT Declaration sign and stamp by consignee (Two copies)</li> <li>- Packing List duly signed</li> <li>- Purchase Order</li> <li>- Authority letter from Consignee</li> <li>- Import Duty/ Warehouse / Octroi/ D.O Charges in advance</li> <li>- Any applicable Special Import License</li> <li>- Certificate of origin, mill test certificate, test report (applicable for metal and chemical groups only)</li> <li>- Copy of IEC/BIN Number required from importer.</li> </ul>

For clearance of all live plant and flower, a phytosanitary certificate is required from Plant Quarantine Officer.

In case of Drugs and Medicines, prior approval of assistant Drug Controller is necessary.

Delivery of radioactive materials and explosives can only be cleared if bill of entry is accompanied by NOC from the department of atomic energy or the Controller of Explosives.

Free Zones

Called Export Processing Zone-EPZ to promote exports. For details visit : [Special Economic Zones](#).

For Further Information

[Central Board of Excise and Customs](#)  
[Ministry of Commerce and Industry](#)  
[Ministry of Finance](#)  
[Directorate General of Foreign Trade](#)

Non Tariff Barriers

Import Licensing: Though India has eliminated its import licensing requirements for most consumer goods, certain products like motorcycles and vehicles still require import licenses.

Anti-dumping and countervailing measures: Such measures are imposed from time-to-time to protect the domestic manufacturers from dumping.

Export subsidies and domestic support: Several export subsidies and other domestic support is provided to several industries to make them competitive internationally.

Procurement: The Indian government allows a price preference for local suppliers in government contracts and generally discriminates against foreign suppliers.

Service barriers: There are still some restrictions for foreign companies to enter some service-oriented sectors like insurance, banking, securities, motion pictures, accounting, construction, architecture and engineering, retailing, legal services, express delivery services and telecommunication.

Other barriers: Equity restrictions and other trade-related investment measures are in place to give an unfair advantage to domestic companies.

For the most current information on India's Prohibited Import List, please see [this document](#).

Sectors or Products For Which Commercial Disagreements Have Been Registered With the WTO

For details, refer to the section "India and WTO" on the website of [Ministry of Commerce](#).

Assessment of Commercial Policy

[The WTO pages dedicated to India](#)  
[Barriers to exchanges](#), inventoried by the United States  
[Barriers to exchanges](#), inventoried by the EU  
[Sanitary and phytosanitary barriers](#), inventoried by the EU

Learn more about [How to Export to India](#) on Globaltrade.net, the Directory for [International Trade Service Providers](#).

## STANDARDS

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National Standards Organisations	<a href="#">Bureau of Indian Standards(BIS) - Earlier called as Indian Standards Institute (ISI)</a>
Integration in the International Standards Network	<p>The BIS is a founder member of the <a href="#">International Standard organization (ISO)</a> and of the <a href="#">International Electrotechnical Commission (IEC)</a></p> <p>For more details consult the <a href="#">Bureau of Indian Standards</a> website.</p>
Obligation to Use Standards	<p>Although the standards proposed by the BIS are 'voluntary' in nature and are not at all mandatory, the Government of India has enforced mandatory certification on various products.</p> <p>For the list of items brought under mandatory certification please <a href="#">consult the website of the Bureau of Indian Standards</a>.</p>
Classification of Standards	<p>The symbol of the standard is ISI. Every ISI mark has a fixed format that carries the Indian Standard number on top of the mark based on the type of product.</p>
Assessment of the System of Standardization	<p>Certification by the BIS is highly regarded in India, and it can increase the sales potential in this market.</p> <p>Click here for '<a href="#">Procedure for Granting BIS Certification</a>'</p>
Online Consultation of Standards	<a href="#">Bureau of Indian Standards (BIS)</a>
Certification Organisations	<a href="#">Quality Council of India</a>

Latest Update: December 2019

## Tax System

### CORPORATE TAXES

**Tax Base For Resident and Foreign Companies** A corporation is resident if it is incorporated in India or if its place of effective management is in India during a certain year.

#### Tax Rate

Corporate tax rate	Domestic companies and partnerships 30%; Foreign companies (and branches) 40%
Surcharge	Domestic companies at 7% if income above INR 10 million and 12% if income above INR 100 million; Foreign companies at 2% and 5% respectively
Education Cess	3% (2% Education Cess and 1% Secondary & Higher Education Cess)
Effective tax rate	
Net income below INR 10 million	Domestic companies 31.2%; Foreign companies 41.6%
Net income between INR 10 - 100 million	Domestic companies 33.38%; Foreign companies 42.43%
Net income above INR 100 million	Domestic companies 34.94%; Foreign companies 43.68%
Turnover below INR 2,500 million during the tax years 2016-17 or 2017-18 (for a payment during the tax year 2018-19 or 2019-20, respectively)	25% (plus the surcharge and education cess)
Minimum Alternative Tax (MAT)	Applicable at a rate of 18.5% (plus any applicable surcharge and cess) on the adjusted book profits of companies whose tax liability is less than 18.5% of their book profits.  For local companies, the effective tax can range from 19.24% (income below INR 10 million); 20.586% (income between INR 10 and 100 million); and 21.548% (income over INR 100 million).

**Tax Rate For Foreign Companies** A resident company is taxed on its worldwide income. A non-resident company is taxed only on its Indian-sourced income. Non-resident companies and branches of foreign companies are taxed at a rate of 40% and 3% cess, plus a surcharge depending on the turnover value (consult corporate income rates section for further details). Non-resident companies engaged in specific businesses are taxed at 10% (e.g. extraction and production of mineral oils, civil construction), 7.5% (operating ships) and 5% (operating aircrafts) of amounts specified in the Income Tax Act. Income tax relief is provided as part of international tax treaties.

**Capital Gains Taxation** Tax treatment varies on long term (assets held for more than 3 years, listed shares and certain securities for more than 1 year, unquoted shares and real estate held for more than two years) and short-term capital gains. Long-term gains on listed shares and securities are taxed at 10% (with no inflation adjustment) or exempt for the first INR 100,000 if subject to the securities transaction tax (STT). Long-term gains obtained by a non-resident on unquoted shares are also taxed at 10% (with no

inflation or exchange rate adjustment). Long-term gains on other types of assets are taxed at 20% with inflation adjustment. Short-term gains are taxed at ordinary tax rates or at 15% if subject to the STT (a surcharge and an education cess apply to these gains).

Main Allowable Deductions and Tax Credits

In general, expenses are deductible if they are incurred wholly and exclusively for the business or professional purposes, not in the nature of a personal expense, and not in the nature of a capital expense.

Allowable deductions include wages and salaries, bonuses and commissions, rent, repairs, insurance, royalty payments, certain taxes (sales, municipal, road, property and expenditure taxes, customs duties), interest, lease payments, depreciation, expenditure for materials and scientific research, etc. One-fifth of start-up expenditure is allowed as an yearly deduction, over a period of five years. Bad debts can be allowed as a tax-deductible write-off if they have been written off as irrecoverable. Any charitable contribution made by a company to any charity is allowed as a tax-deductible expense, subject to certain conditions. The tax deductibility ranges from 50% to 100% of the charitable contribution, depending upon the nature of charity. Losses can be carried forward and set off against income from subsequent year (business and capital losses for 8 years), while carrybacks are not allowed.

Various incentives are provided for companies carrying out specific business activities in India, for example:

- A 10-year tax holiday on 100% profits for developing, operating or maintaining infrastructure, power or network and distribution facilities;
- A 7-year tax holiday on 100% profits for qualifying production of mineral oil and natural gas;
- A 10-year tax holiday on 100% profits for developing a Special Economic Zone (SEZ);
- A 5-year tax holiday on 100% profits for operating and maintaining hospitals in rural areas;
- A 3-year tax holiday on 100% profits for firms incorporated after 31 March 2016 and before 1 April 2019 in the first seven years of their existence.
- A tax exemption up to 150% (reduced to 100% starting from the 2020-21 tax year) for expenditure incurred for agricultural extension projects or development of agricultural assets
- A tax exemption up to 150% (reduced to 100% starting from the 2020-21 tax year) for financial contribution to research institutes (restricted to certain industries)
- A concessionary tax rate of 10% on income by way of royalty in respect of a patent developed and registered in India by a resident in India

Other Corporate Taxes

A Minimum Alternate Tax (MAT) is imposed at 18.5% of adjusted book profit on companies. Effective rates, including surcharge and cess, (i) for domestic companies are 19.06% (where total income is below INR 10 million), 20.39% (where income is between INR 10 and 100 million) or 21.34% (where income is above INR 100 million); and (ii) for foreign companies are 19.06% (where total income is below INR 10 million), 19.44% (where income is between INR 10 and 100 million) or 20.01% (where income is above INR 100 million).

Indian companies distributing or declaring dividends are liable to pay DDT (dividend distribution tax) at 15%. This rate is required to be grossed up; consequently, the effective rate of DDT is 20.36%.

A Securities transaction tax (STT) is applicable to transactions involving the purchase/sale of equity shares, derivatives, units of equity-oriented funds through a recognised stock exchange, or the purchase/sale of a unit of an equity-oriented fund to any mutual fund. The rates vary from 0.01% to 0.125%, depending upon the type of securities.

Other Domestic Resources

[Income Tax Department](#)

[Consult Doing Business Website](#), to obtain a summary of the taxes and mandatory contributions.

**Country Comparison For Corporate Taxation**

	India
Number of Payments of Taxes per Year	11.9
Time Taken For Administrative Formalities (Hours)	275.4
Total Share of Taxes (% of Profit)	52.1

Source: *Doing Business - 2017*.

Note: \*The Greater the Index, the More Transparent the Conditions of Transactions. \*\*The Greater the Index, the More the Manager is Personally Responsible. \*\*\* The Greater the Index, the Easier it Will Be For Shareholders to Take Legal Action. \*\*\*\* The Greater the Index, the Higher the Level of Investor Protection.

**ACCOUNTING RULES**

**Accounting System**

**Accounting Standards** Accounting standards issued by the Institute of Chartered Accountants of India (ICAI), which largely are based substantially and converged with IFRS standards, apply. Financial statements must be prepared annually, in accordance with the accounting standards prescribed under the Companies Act. There are differences between these accounting standards and IFRS. India has committed to converge its accounting standards with IFRS (subject to a few carve-outs); these standards are called the Indian Accounting Standards or the Ind AS. For accounting periods commencing on or after 1 April 2016, these standards are mandatory for listed and unlisted companies meeting certain net worth thresholds.

**Accounting Regulation Bodies** [Institute of Chartered Accounts of India](#)

**Accounting Law** - [Income Tax Act](#);  
 - [Indian Companies Act](#);  
 - [Regulations from Reserve Bank of India](#) (RBI), Securities & Exchange Board of India (SEBI).

**Difference Between National and International Standards (IAS/IFRS)** India originally intended to converge with IFRSs in a phased approach beginning in 2011, but transition to Ind AS was postponed. In January 2015, the Indian Ministry of Corporate Affairs (MCA) released a revised roadmap that reflects that, in essence, companies with a net worth of Rs. 500 crore or more have to mandatorily follow Indian Accounting Standards (Ind AS), which are largely converged with International

Financial Reporting Standards (IFRSs), from 1 April 2016. Corporates having a net worth of less than Rs. 500 crore but are listed, or in the process of getting listed, and companies with a net worth of Rs. 250 crore or more have to follow the new norms from 1 April 2017. For banking, insurance and non-banking finance companies, which were exempt from the general roadmap, a separate one has been drawn up in January 2016 that will see a phased approach with Ind AS adoption beginning from 1 April 2018.

Accounting News [Accounting news in India](#)

## Accounting Practices

Tax Year	The fiscal year begins on 1 April and ends on the 31 March of the following year.
Accounting Reports	'Balance Sheet' and 'Profit & Loss' report. Companies are required to prepare their financial statements each year, as per the provisions of the Companies Act, and to have them audited by a practicing chartered accountant or a firm of chartered accountants registered with the ICAI. The audited financial statements must be approved by the members in an annual general meeting. All companies are required to file their audited financial statements with the ROC after they have been approved by the members.
Publication Requirements	The "balance sheet" and 'profit and loss account' need to be published every fiscal year.

## Accountancy Profession

Accountants	In order to become a certified accountant, one needs to become member of ' <a href="#">The Institute of Chartered Accountants of India</a> (ICAI)' by passing a 3-tier examination conducted by ICAI. The qualified accountant is then named "Chartered Accountant (CA)".
Professional Accountancy Bodies	<a href="#">ICAI</a> , Institute of Chartered Accounts of India
Member of the International Federation of Accountants (IFAC)	Yes
Member of Other Federation of Accountants	Member of the <a href="#">Confederation of Asian and Pacific Accountants (CAPA)</a>
Audit Bodies	Companies have to seek a statutory auditor to conduct an annual audit of the financial health of their organization. For more information, consult the <a href="#">Institute of Internal Auditors-India</a> and The <a href="#">Institute of Chartered Accountants of India</a> (ICAI)

## CONSUMPTION TAXES

Nature of the Tax	Goods and Services Tax (effective from 1 July 2017)
Standard Rate	Goods and services can be subject to five different rates: 0%, 5%, 12%, 18% and 28%, the most common rate being 18%.
Reduced Tax Rate	Reduced rates of 5%, 12% and 18% apply to various goods and services. Rough



precious and semi-precious stones are subject to a 0.25% GST whereas a 3% rate applies to gold. Several commodities including food grains, milk and cereals as well as basic services such as education and healthcare are exempt from GST. A GST compensation cess of 15% to 96% applies on some demerit and luxury items, including carbonated drinks, automobiles and tobacco products.

**Exclusion From Taxation** Export of goods and services are zero rated and exporters can apply for a refund of input tax. The supplies to a special Economic Zone for authorised operations are also zero-rated.

**Method of Calculation, Declaration and Settlement** As of July 2017, all Indian States apply a General Sales Tax (GST) system, which replaces central taxes and duties, local state taxes as well as state cesses and surcharges. GST has three components that apply depending on the transaction: CGST: collected by the Central Government on an intra-state sale; SGST: collected by the State Government on an intra-state sale; IGST: collected by the Central Government for inter-state sale.  
Registration is state-specific. Two threshold limits of INR 4million and INR 2million of aggregate turnover have been prescribed for exemption from registration and payment of GST for suppliers of goods (INR 2 million for the supply of services). Monthly return filings and tax payments are due by the 20th day of the following month. An e-way bill system for the inter-and intra-state movement of goods became effective in 2018.

**Other Consumption Taxes** The Goods and Services Tax (GST) system replaced the following indirect taxes : Excise duty, CVD/ADC, Service tax, VAT/CST, Entertainment tax, Luxury tax, Lottery taxes, State cesses and surcharges, Entry tax not in lieu of octroi.  
Stamp duties and real estate taxes are imposed by municipal authorities and vary across states. A separate securities transaction tax (varying between 0.01% and 0.125%) continues to apply.

**INDIVIDUAL TAXES**

**Tax Base For Residents and Non-Residents** Individuals can be divided according to their type of residential:

- Resident in India, which is further divided in to two categories:
  - o Resident and ordinarily resident (ROR): physically present for 182 days in a given year, or 60 days in a given year and more than 364 days in the preceding 4 years. He/she is subject to tax in India on their worldwide income
  - o Resident but not ordinarily resident (RNOR): non-resident for 9 out of 10 preceding years or stayed in India for 729 days or less in the preceding 7 years. He/she is subject to tax in India only in respect to income that arises or is deemed to arise in India, or is received or deemed to be received in India, or is from a business controlled in or a profession set up in India
- Non-resident in India (NR): subject to tax in India only in respect to income that arises or is deemed to arise, or is received or deemed to be received in India.

**Tax Rate**

Taxation Income (INR)	Progressive Tax Rate up to 30%
Less than 250,000	0% (exempt from income tax and the 3% education cess; exemption limit raised to INR 300,000 for resident senior citizens with ages 60-80 and INR 500,000 for ages above 80)
250,001 - 500,000	5%
500,001 - 1,000,000	20%

1,000,001 and above	30%
Surcharge	In addition to the income-tax, a surcharge (SC) of 10% is to be levied where the total income of individuals is between INR 5 to 10 million; 15% where the total income of individuals is above INR 10 million.
Health and education cess	4% of the income tax and surcharge.
Alternative minimum tax (AMT) Applicable to business or profession income	18.5% (plus surcharge and health and education cess) on the adjusted total income.

**Allowable Deductions and Tax Credits**

Deductions are allowed for contributions to life insurance, recognised provident funds, national savings certificates, the national savings scheme, income from certain mutual funds and dividends, certain educational expenses up to INR 150,000, life insurance premium on the life of self, spouse, or any child (up to INR 150,000), health insurance premiums up to INR 30,000, health insurance premiums paid for dependent parents up to INR 30,000 and more (50,000 where any of the insured persons is a senior citizen). In case of partial withdrawal from National Pension Scheme by employees, 25% of their own contribution is exempt from tax in the year of withdrawal.

A basic exemption limit of INR 300,000 applies for resident individuals who are 60 to 80 years of age at any time during the tax year. For resident individuals who are 80 years of age or more, the exemption is INR 500,000. Resident individuals are eligible for a tax rebate of the lower of the income tax or INR 2,500 where the total income does not exceed INR 350,000.

An individual can claim a deduction for interest paid on a loan taken for the purpose of their higher education or of their relative.

On donation of a certain amount to certain approved funds, charitable institutions, etc., an individual can claim a deduction of 50% to 100% of the amount donated, subject to restrictions provided by the law. Deduction for funds, charitable institutions in excess of INR 2,000 to be allowed only when the donation is not made in cash. Expenses relating to business income are deductible.

**Special Expatriate Tax Regime**

No special exemptions or deductions, as remuneration for foreign expatriates working in India is deemed to be earned as salary in Indian territory. However, foreigners who visit India on short-term business trips can claim an exemption under domestic tax law or a relevant tax treaty.

**Capital Tax Rate**

Wealth tax abolished on 1 Apr 2015. No inheritance tax is levied in India. Real estate tax varies by state. Generally, capital gains from the disposal of capital assets are liable to tax in the tax year in which such assets are sold or transferred. Employees (including foreign nationals) working with an establishment in India that employes 20 or more people are liable to contribute towards the provident fund at the fixed rate of 12% of salary.

**DOUBLE TAXATION TREATIES**

**Withholding Taxes**

No withholding tax applies on dividends since dividends declared by an Indian company are tax-free for all shareholders. Nevertheless, since 1 April 2017, an additional 10% income tax applies on dividend income declared, distributed or paid by a local business to a resident, a Hindu Undivided Family (HUF) or a business (if the annual sum of this income exceeds INR 1 million).

Interest paid to anyone not residing in India is subject to various withholding tax rates, depending on certain conditions. The basic gross rate of withholding tax on interest on a foreign currency loan, paid by an Indian holding company to a non-resident is 20%, which, with applicable surcharge and education cess, results in a withholding tax rate of either 20.60% or 21.01% or 22.63% in the case of a foreign company. If the interest income derived by a nonresident does not fulfill the conditions prescribed by the law for concessional WHT rates, a rate of 30% (for individuals and entities other than a foreign company) or 40% (for a foreign company), plus the applicable surcharge and cess, will apply.

Royalties/Fees for Technical Services (FTS) paid to anyone not residing in India are subject to a basic gross withholding tax rate of 10% (plus surcharges and cess). Taking into account the applicable surcharge, the effective withholding tax rate is either 10.30%, 10.51% or 10.82% in the case of a foreign company. The effective withholding tax rate is either 10.30% or 11.54% in case of other taxable entities, including individuals.

The rates may be reduced under a tax treaty.

## SOURCES OF FISCAL INFORMATION

Tax Authorities	<a href="#">Income Tax Department</a> <a href="#">Ministry of Finance</a>
Other Domestic Resources	<a href="#">Tax and Corporate Laws of India</a> <a href="#">Ministry of Commerce &amp; Industry</a> <a href="#">Central Board of Excise and Customs, Department of Revenue, MOF, Government of India</a>

Learn more about [Service Providers in India](#) on Globaltrade.net, the Directory for [International Trade Service Providers](#).

Learn more about [Taxes and Accounting in India](#) on Globaltrade.net, the Directory for [International Trade Service Providers](#).

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## Legal Environment

### BUSINESS CONTRACT

General Observation	A contract may be oral or in writing. However, certain contracts are required to be in writing and may even require registration.
Law Applicable to the Contract	Contained in the <a href="#">Indian Contract Act, 1872</a> . India is not a signatory to the <a href="#">Vienna Convention on International Contracts</a> . <a href="#">Click here to visualize the list of signatory countries</a> .
Advisable Incoterms	Choose <a href="#">FOB</a> or <a href="#">CIF</a> , or more. Avoid <a href="#">EXW</a> if you do not want to be involved in organizing domestic transport in India.
Language of Domestic Contract	English or Hindi (other local official languages are also sometimes used)

### INTELLECTUAL PROPERTY

National Organisations	<a href="#">Controller-General of Patents, Designs and Trademarks</a> <a href="#">Copyright Office</a> <a href="#">Protection of Plant Varieties and Farmers' Rights Authority</a> <a href="#">Department of Information Technology</a> <a href="#">National Intellectual Property Organization (NIPO)</a>
Regional Organisations	None
International Membership	Member of the <a href="#">WIPO</a> (World Intellectual Property Organization) Signatory to the <a href="#">Paris Convention</a> For the Protection of Intellectual Property Membership to the <a href="#">TRIPS agreement</a> - Trade-Related Aspects of Intellectual Property Rights (TRIPS)

### National Regulation and International Agreements

Type of property and law	Validity	International Agreements Signed
Patent <a href="#">Patents Act, 1970</a>	20 years	<a href="#">Patent Cooperation Treaty (PCT)</a>
Trademark <a href="#">Trade Marks Act, 1999</a>	10 years, renewable every 10 years with a grace period of 6 months for renewal.	<a href="#">Trademark Law Treaty</a> <a href="#">Protocol Relating to the Madrid Agreement</a> Concerning the International Registration of Marks
Design <a href="#">Designs Act, 2000</a>	10 years, renewable for another 5 years.	

Type of property and law	Validity	International Agreements Signed
<p>Copyright</p> <p><a href="#">Copyright Act, 1957</a></p>	<p>60 years, varies for different works.</p>	<p><a href="#">Berne convention</a> For the Protection of Literary and Artistic Works</p> <p><a href="#">Convention for the Protection of Producers of Phonograms</a> Against Unauthorized Duplication of Their Phonograms</p> <p><a href="#">Rome Convention</a> For the Protection of Performers, Producers of Phonograms and Broadcasting Organizations</p> <p><a href="#">WIPO Copyright Treaty</a></p> <p><a href="#">WIPO Performances and Phonograms Treaty</a></p>
<p>Industrial Models</p> <p><a href="#">Semi-Conductor Integrated Circuits Layout-Design Act,2000</a></p>	<p>10 years, non-renewable.</p>	

LEGAL FRAMEWORK OF BUSINESS

**Equity of Judgments**

Equal Treatment of Nationals and Foreigners	India is ruled by law and non-discriminatory treatment of all cases is dictated by the constitution. However in practice, fair trial cannot be always guaranteed.
The Language of Justice	Hindi.
Recourse to an Interpreter	Interpreters in other foreign languages are easily available.
Legal Similarities	<p><a href="#">The Constitution of India - 1950</a></p> <p>The country also has separate personal law codes for Muslims, Christians, and Hindus.</p>

**The Different Legal Codes**

<p>The Indian legal codes could be categorized as follows. For details, visit the site <a href="#">India Code</a> website.</p>	<ol style="list-style-type: none"> <li>1. Constitutional Law</li> <li>2. Criminal Law</li> <li>3. Civil Law</li> <li>4. Human Rights Law</li> <li>5. Commercial Law</li> <li>6. Company Law</li> <li>7. Labor Law</li> <li>8. Health Law</li> <li>9. Mining Law</li> <li>10. Tax Law</li> <li>11. Banking Law</li> <li>12. Communication and Media Law</li> <li>13. Transport and Maritime Law</li> <li>14. Environmental Law</li> <li>15. Intellectual Property Law</li> <li>16. Arbitration Law</li> <li>17. Energy Law</li> <li>18. Agriculture Law</li> <li>19. e-commerce Law</li> </ol>
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Checking National Laws Online      [Legislation India](#)  
[Laws for India](#)  
[India Laws](#)

Country Guides      [Lexmundi](#), Legal information about India

Learn more about [Lawyers and Legal in India](#) on Globaltrade.net, the Directory for [International Trade Service Providers](#).

### The Jurisdictions

<p>The Supreme Court</p>	<p>It is the guardian of the Constitution and the highest court of appeal.</p> <p>Its exclusive original jurisdiction extends to any dispute between the Government of India and one or more States.</p> <p>For details, visit the web site: <a href="#">Supreme Court of India</a></p>
<p>21 High courts</p>	<p>There are 18 High Courts in the country, three having jurisdiction over more than one State, taking the total number to 21. Only Delhi alone has a High Court of its own. Other six Union Territories come under the jurisdiction of different State High Courts.</p> <p>Works of High Courts mostly consist of appeals from lowers courts.</p> <p>For details, visit the web site: <a href="#">Indian Courts</a></p>
<p>District courts</p>	<p>District Courts administer justice at a district level.</p> <p>The highest court in each district is that of the District and Sessions Judge.</p> <p>For details, visit the web site: <a href="#">Indian Courts</a></p>

Sub-ordinate courts	<p>Low level: the court of Civil Judge (Junior Division) and the court of Judicial Magistrate.</p> <p>Middle level: the Court of Civil Judge (Senior Division) and the Court of the Chief Judicial Magistrate.</p> <p>Top level: At the top level there may be one or more courts of additional district and sessions judge with the same judicial power as that of the District and Sessions judge.</p>
Tribunal	<p>It is a generic term for anybody acting judicially, whether or not it is called a tribunal in its title. For example, an advocate appearing before a Court on which a single Judge was sitting could describe that judge as 'their tribunal'.</p> <p>For details, visit the web site: <a href="#">Indian Courts</a></p>

**Court Officials**

- Attorney General of India

It's the Indian government's chief legal advisor, and its primary lawyer in the [Supreme Court of India](#). The person to occupy this position must be eligible for becoming a judge in the Supreme Court of India.
- Practicing advocates

A student after completing bachelors' degree in law in India needs to enroll with the [State Bar Council](#) to register himself as a Member of the Bar, in order to practice in the District Court and High Court.

However, the Supreme Court of India insists upon passing of a separate examination conducted by it after having a minimum of 5 years experience at the Bar enrolment.
- Public prosecutors

It's the equivalent of the US District Attorney. The Public Prosecutor represents the state in court.

Learn more about [Legal and Compliance in India](#) on Globaltrade.net, the Directory for [International Trade Service Providers](#).

**INTERNATIONAL DISPUTE RESOLUTION**

- Arbitration

Recognized under Indian law as a legitimate method for settling disputes, used both in the domestic and international transactions.

However, foreign investors frequently complain about a lack of "sanctity of contracts." Critics say that liquidating a bankrupt company may take as long as 20 years.
- Arbitration Law

Arbitration and Conciliation Act of 1996 (for details visit [Indian Council of Arbitration](#)), based on the UNCITRAL (United Nations Commission on International Trade Law) Model Law on international Commercial Arbitration.
- Conformity to International Commercial Arbitration Rules

Party to the [New York Convention](#) on the Recognition and Enforcement of Foreign Arbitral Awards.

Party to the [Geneva Protocol](#) on Arbitration Clauses.

Party to the [Geneva Convention](#) of the Execution of Foreign Arbitral Awards.
- Appointment of Arbitrators

The number of arbitrators to hear a dispute shall be determined as under:

1. In case the claimed amount does not exceed INR 10 million and the arbitration agreement does not specify three arbitrators, the dispute will be heard and settled by a single arbitrator.

2. In case the claimed amount exceeds INR 10 million, the dispute will be heard and determined by three arbitrators, unless the parties to the dispute agree to refer the dispute to a sole arbitrator.

Arbitration Procedure

After hearing both parties, the arbitrator makes an award.

When an award has been made, the arbitrator shall furnish a true copy of the award to all the concerned parties by registered mail.

To avoid delays and further litigation, the arbitrator shall ask the parties to agree that the award made by the arbitrators/s shall be final and binding on the parties and neither party shall be entitled to challenge it in the Court of law.

Permanent Arbitration Bodies

[International Center for Alternative Dispute Resolution \(ICADR\)](#)

(Sectors Covered: ICADR has been established as an autonomous organization under the Ministry of Law and Justice and Company Affairs to promote settlement of domestic and international disputes through different modes of alternate dispute resolution.)

[Indian Council of Arbitration \(ICA\)](#) (Sectors Covered: ICA 's objective is to propagate and popularize the idea of arbitration in disputes.)

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Latest Update: December 2019



## Reaching the Consumers

### CONSUMER PROFILE

#### Consumer Profile

The population of India in 2019 is estimated at 1.37 billion according to the latest UN data. The largest city in India is Mumbai, with a population of 12.5 million, followed closely by Delhi with a population of over 11 million. Overall, there are more than 50 areas India with a population of more than one million. While the number of Indians living in urban areas has increased over the past two decades, about 67% of the population still lives in rural areas. India is a vast country, marked by a great diversity of religions, languages, literacy levels, traditions, social customs and economic status. There are therefore several types of Indian consumers. There are five categories of Indian homes: elite, well-off, aspiring, future billionaires, strivers. The first two classes of income are those that grow the fastest. However, the largest consumption expenditure is concentrated on categories including people with undergraduate degrees (skilled employees), blue-collar workers and migrant workers. In India, these categories represent about 129 million workers with incomes of more than 3,200 USD per year on average. In 2011, India had a literacy rate of 74%: 82% for men and 62% for women. However, the literacy rate varies enormously from one state to another. The expansion of this category of population - both in terms of size and income - is expected to be the main driver of consumption in India over the next few years. Nevertheless rising incomes influence spending patterns in the various consumer categories.

#### Purchasing Power

In 2017, annual growth in consumer spending was 12% and India is expected to become the third largest consumer market by 2025. Fundamental changes in Indian family structure are a determining factor in consumption patterns: extended family gives way to nuclear homes - a couple or a single person, with or without children who tend to spend more.

According to World Bank data for 2017, per capita GDP (Purchasing Power Parity) in India was US \$ 7059.32, up 7.33% from 2016. According to the World Organisation of Labour, the Gross National Income per capita was 1,800 USD for the same period.

According to the International Labor Organisation, gender income inequality in 2018 widened to 34%. The GINI coefficient was 35.7 in 2011 for India. ■

#### Consumer Behaviour

Indian consumer behaviour is strongly influenced by the caste system that compartmentalises society. It creates social differences and makes it possible to strengthen bonds between people from the same social group. Thus, a brand will be much easier to advertise via the recommendations of parents and word of mouth. In general, Indian consumers are attached to a particular brand, but are not exclusive. Indeed, they seek above all the added value of the purchase and the brand, more than its reputation. Companies wishing to reach as many consumers as possible must make significant efforts in terms of market penetration. Indian consumers tend to buy fresh produce (dairy products, fruits and vegetables) at least every two or three days, an advantage for traditional "kirana" stores compared to so-called modern stores like supermarkets. In recent years, rural consumers have grown in importance. Broader Internet access is driving a growing demand for streaming services as well as significant growth in e-commerce. According to data from the IBEF, by 2025, India will be the 5th largest consumer goods market in the

world (currently 12th). The durable goods market is expected to reach \$ 20.6 billion by 2020. The shared economy has undergone a tremendous development in India and has grown exponentially in the past five years. Services like MERU Cab are used as an alternative for Uber or BlaBlaCar.

### Household Consumption Expenditure

Sector	Percentage
Food and drink	30.0%
Goods and services	15.3%
Transport	15.0%
Water, gas and electricity	14.4%
Clothing	6.4%
Health	4.5%
Education	4.1%
Household equipment	2.9%
Communication	2.4%
Tobacco, alcoholics drinks	2.3%
Restaurants and hotels	2.0%
Culture and leisure	0.8%

Source: [Ministry of statistics](#); [Interior Ministry-Census Division](#); [UN statistics](#); [World Bank statistics](#).

#### Consumer Recourse to Credit

Credit financing is becoming less and less popular in India, especially in urban areas as most households would prefer to buy with their own income. Nevertheless, the use of credit cards in India has been steadily increasing in 2017 partly due to the demonetisation decision declared by the Indian government in November 2016. As a result, and because of the demonetisation, a large number of retailers have started to accept card payments.

As a result the use of credit cards by Indian consumers has increased as has the frequency of use of their cards regardless of the amount. The number of credit and debit cards in India is steadily increasing but debit card issuance exceeds credit cards. According to the Reserve Bank of India, a total of nearly 31 million credit cards and 880 million debit cards were in service in May 2017.

#### Growing Sectors

Infrastructure, financial services, ICT, automotive, health, transport and hotels, real estate, education services, production, distribution of electrical energy, machinery and equipment, water and clean energy, franchise and retail.

#### Consumers Associations

[Association of Indian Consumers](#)  
[Consumer Advice Company for India](#)

### Population in Figures

Total Population: 1,352,617,328  
 Urban Population: 34.0%  
 Rural Population: 66.0%

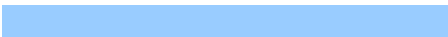

Density of Population:	455 Inhab./km <sup>2</sup>
Men (in %)	51.8%
Women (in %)	48.0%
Natural increase:	1.04%
Medium Age:	24.0
Ethnic Origins:	Hundreds of ethnic groups, dominated by Indo-Aryans (Assamese, Bengali, Punjabi, Koli, etc.), which comprise about 72% of the population, and Dravidians (Tamils, Kannadigas, Malayalis, Telugus, etc.), which make up about 25%. Mongoloid and Others account for about 3% of the population. ( <a href="#">Ministry of Statistics</a> )

### Population of main agglomerations







Name	Population
Mumbai (Bombay)	18,394,912
Delhi	16,349,831
Kolkata	14,057,991
Chennai (Madras)	8,653,521
Bangalore	8,520,435
Hyderabad	7,677,018
Ahmadabad	6,357,693
Poona	5,057,709
Surat	4,591,246
Jaipur	3,046,163

Source: [Citypopulation.de](#), 2011 - Latest available data.

### Age of the Population

Life Expectancy in Years	
Men:	68.0 
Women:	70.4 

Source: [World Bank](#), last available data, 2009 - Latest available data.

Distribution of the Population By Age Bracket in %	
Under 5:	10.3% 
6 to 14:	20.5% 
16 to 24:	19.3% 
25 to 69:	47.0% 
Over 70:	3.0% 
Over 80:	0.7% 

Source: [United Nations, Department of Economic and Social Affairs, Population Division, Prospects 2010](#)- Latest available data.

### Household Composition

Total Number of Households (in million)	194.0
Average Size of the Households	5.3 Persons
Percent of Households of 1 Person	0.0%
Percent of Households of 2 Persons	8.2%
Percent of Households of 3 or 4 Persons	30.9%
Percent of Households of 5 Persons and More	57.0%

Source: [Census of India](#), 2001 - Latest available data.

### Consumption Expenditure

Purchasing Power Parity	2017	2018	2019	2020 (e)	2021 (e)
Purchasing Power Parity (Local Currency Unit per USD)	17.84	18.13	18.45	18.81	19.14

Source: IMF – World Economic Outlook Database, 2015

Definition: Purchasing Power Parity is the Number of Units of a Country's Currency Required to Buy the Same Amounts of Goods and Services in the Domestic Market as USD Would Buy in the United States.

Note: (e) Estimated Data

Household Final Consumption Expenditure	2016	2017	2018
Household Final Consumption Expenditure (Million USD, Constant Price 2000)	1,384,960	1,487,949	1,608,145
Household Final Consumption Expenditure (Annual Growth, %)	8.2	7.4	8.1
Household Final Consumption Expenditure per Capita (USD, Constant Price 2000)	1,046	1,112	1,189
Household Final Consumption Expenditure (% of GDP)	59.0	58.9	n/a

Source: World Bank, 2015

Consumption Expenditure By Product Category as % of Total Expenditure	2016
Food and non-alcoholic beverages	30.0%
Miscellaneous goods and services	15.3%
Transport	15.0%
Housing, water, electricity, gas and other fuels	14.4%
Clothing and footwear	6.4%
Health	4.5%
Education	4.1%
Furnishings, household equipment and routine maintenance of the house	2.9%

<b>Consumption Expenditure By Product Category as % of Total Expenditure</b>	<b>2016</b>
Communication	2.4%
Alcoholic beverages, tobacco and narcotics	2.3%
Restaurants and hotels	2.0%
Recreation and culture	0.8%

Source: [UN Data](#), Latest available data

<b>Information Technology and Communication Equipment, per 100 Inhabitants</b>	<b>2012</b>
Telephone Subscribers	72.0
Main Telephone Lines	2.5
Cellular mobile subscribers	72.0
Internet Users	12.6
PCs	1.5

Source: [International Telecommunication Union](#), Latest available data

## MARKETING OPPORTUNITIES

### Media in Which to Advertise

**Television** Expensive but the most popular media of advertising in the country. Nearly 70% of the households in India have TV sets, which represent over 180 million households with a TV set, many of them using satellite or cable. Doordarshan, the public TV, operates multiple services, including flagship DD1, which reaches hundreds of millions of viewers. Multichannel satellite TV has enjoyed a huge success in India. Major platforms Dish TV, Tata-Sky, Sun Direct, Big TV and Airtel Digital TV have millions of subscribers. In 2017, TV contributed 38.2% of the Indian advertising market. Traditional advertising spends will still remain strong in India. India is one of the few large markets where all traditional media platforms will grow. Television is expected to grow over 10.3%, with Free to Air (FTA) channels gaining significant ad spends (GroupM).

Main Televisions  
[Doordarshan](#)  
[ZEE TV](#)  
[Star TV](#)  
[Sony Entertainment TV](#)  
[Aaj Tak](#)  
[New Delhi TV \(NDTV\)](#)  
[Sun Network](#)

**Press** According to the National Readership Survey (NRS), the print media reaches 70% of urban adults. Further, the number of readers in rural India is now roughly equal to that in urban India. There are approximately 12,000 newspaper titles in India. Newspaper circulations have increased due to a growing middle-class. Print contributes a significant portion to the total advertising revenue, accounting for almost 41.2%. In 2018, the print ad market may grow by over 5.7% with higher spends from automobile, telecom and education.

	<p>Main Newspapers  <a href="#">The Times of India</a>  <a href="#">Madhyamam Daily</a>  <a href="#">Divya Bhaskar</a></p>
Mail	<p>In India, mail-order companies are the main sector still using mail advertising, as mail has a higher cost per person reached than other forms of advertising (also due to weak postal services).</p>
In Transportation Venues	<p>Advertising space is available on rails, buses, taxis and other specialized mobile vehicles and is an effective promotion tool. The Indian Railways are working on a new advertising policy aimed at installing 100,000 big digital screens at 2,175 railway stations across the country. The OOH sector had an estimated growth of over 12% in 2017.</p>
Radio	<p>Market Leaders:  <a href="#">OOH Media</a></p> <p>The least expensive and most traditional form of mass entertainment in the country. It reaches over 99% of the population. In 2018, the radio sector is likely to see a large growth of over 13%.</p>
Web	<p>Main Radios  <a href="#">All India Radio</a>  <a href="#">Radio Mirchi</a>  <a href="#">Radio City</a></p> <p>There were over 462 million internet users in India in 2016 according to Internet LiveStats, which makes India the second largest online market after China. Internet advertising is growing although its reach is still low. Digital contributes 11% of the total revenue of the advertising market. Nevertheless, India's digital advertisement market is expected to grow at a compound annual growth rate of 33.5%, reaching USD 3.8 billion by 2020, according to IBEF (Indian Brand Equity Foundation).</p>
Main Advertising Agencies	<p>Market Leaders:  <a href="#">A list of advertising agencies in India</a>  <a href="#">JWT (Hindustan Thompson Associates)</a>  <a href="#">Ogilvy &amp; Mather</a>  <a href="#">Saatchi &amp; Saatchi Pvt Ltd</a>  <a href="#">DDB Mudra</a></p>

**Main Principles of Advertising Regulations**

Beverages/Alcohol	<p>Advertising alcoholic beverages has been banned in India as per the Cable Television Network Regulation Amendment Bill which came into effect in 2000. Private channels often permit alcohol companies to advertise using surrogate means like selling the brand name for soda or water or music ("surrogate advertisement"). The excessive pressure of the ban forced companies to focus more on brand building and thus liquor companies started sponsoring and hosting glamorous events, yet many others started distributing t-shirts, caps, key chains, drinking glasses with the brand name displayed on these products. Lately, social media proved to be an ideal promoting platform for these sectors.</p>
Cigarettes	<p>Advertising tobacco products through most forms of mass media is prohibited. The Cigarettes and Other Tobacco Products Act, 2003 (COTPA) is the principal</p>

comprehensive law governing tobacco control in India. Refer to [TobaccoContoLLaws](#) for further info.

**Pharmaceuticals/Drugs** In India, the system of regulation for the advertisement of drugs is provided in the Drugs and Magical Remedies (Objectionable Advertisements) Act of 1954, which states that the publication of any advertisement referring to any drug in terms which suggest or are calculated to lead to the use of that drug for the diagnosis, cure, mitigation, treatment or prevention of any disease, disorder or condition specified in the schedule or rules of the Act are prohibited in India. Consult the [pharmaceuticals advertising guide from ICLG](#).

**Other Rules** Restrictions of direction/attitude are placed on children's commercials. No baby food advertising is acceptable. Overseas commercials are accepted.

**Use of Foreign Languages in Advertisement** Generally English, Hindi and all regional languages are used.

**Organizations Regulating Advertising** [Advertising Standards Council of India](#)  
[Advertising Agencies Association of India \(AAAI\)](#)

Learn more about [Sales in India](#) on Globaltrade.net, the Directory for [International Trade Service Providers](#).

Latest Update: December 2019

## Selling

### MARKET ACCESS PROCEDURES

#### Customs Procedures

Import Procedures	<p>Traders intending to import goods must submit an application to the Directorate General of Foreign Trade and obtain an Importer and Exporter Code (IEC) number. If the trading firm is considered an EOU/EPZ (Export Oriented Units - Export Processing Zone) (100% of the production is exported), the IEC is issued by the Development Commissioner of the Export Processing Zone. This number has to be indicated on all documents filed with the Indian Customs for customs clearance procedure. This number is not required for the import of gifts and suitcases.</p> <p>All imported goods must meet the terms of the Article 11 of the 1962 Customs Act, the Foreign Trade (Development and Regulation) Act and the EXIM policy in force. Goods that do not fall under the purview of the EXIM policy are generally confiscated or may be reimbursed in exchange for the payment of a fine.</p> <p>For more information, please visit the <a href="#">Indian Trade Portal</a>.</p>
Specific Import Procedures	<p>Schemes and procedures that facilitate customs clearance include: Electronic Data Interface (EDI), enabling e-payment of duties, implementation of customs Risk Management System (RMS), automation of customs formalities to Special Economic Zones (SEZ).</p> <p>Certain goods are prohibited under the <a href="#">Foreign Trade (Development and Regulation) Act, 1992</a>.</p>
Importing Samples	<p>Samples for non-commercial use are allowed in case the goods are supplied free of charge.</p> <p>For duty free clearance, the value of individual sample should not exceed Rs.5000/- and aggregate value should not exceed Rs.60 000/- per year or 15 units of samples in a year. However, the Prototypes of engineering goods can be imported even if the value is more than Rs.5000/-.</p>

#### Customs Duties and Taxes on Imports

Customs threshold (from which tariffs are required)	No customs threshold.
Average Customs Duty (Excluding Agricultural Products)	<p>The average customs duty is around 15%.</p> <p>Though this is relatively high, according to the WTO commitments India is going to slowly reduce it.</p> <p>The <a href="#">Central Board of Excise &amp; Customs- CBEC</a> is the apex body for customs matters.</p>
Products Having a Higher Customs Tariff	Alcohol, wines, pet foods, some processed food products, and some manufactured goods are attracting higher customs tariff; however the tariff rate keeps on changing although the general trend is downwards.
Preferential Rates	Some customs preferences are granted to certain goods imported, subject to



conditions. You can consult [a list](#) on the website of the Ministry of Finance of India. Preferential rates also apply to imports from those countries with which India has signed special Trade Agreements. For details on Trade Agreements, visit the site of [Ministry of Commerce](#).

Customs Classification	India uses the <a href="#">harmonised system</a> .
Method of Calculation of Duties	Customs duties are levied either as a Specific Rate (prescribed per unit of item) or Ad-valorem (a percentage on CIF value of item), or, sometimes, as a combination of both.
Method of Payment of Customs Duties	Consignment Purchase, cash-in-advance (pre-payment), down Payment, open account, documentary collections, letters of credit. For more information, visit the site: <a href="#">Indian Customs &amp; Excise Gateway -ICEGATE</a> .
Import Taxes (Excluding Consumer Taxes)	Education Cess: This is chargeable at 2% on the aggregate of customs duties. It has been introduced as a special interim measure to raise special resources for investment in education.

### Labeling and Packaging Rules

Packaging	All pre-packaged commodities imported into India must carry the following declarations on the label: <ul style="list-style-type: none"> <li>- name and address of the importer,</li> <li>- generic or common name of the commodity packed,</li> <li>- net quantity in terms of standard unit of weights and measurement,</li> <li>- month and year of packing in which the commodity is manufactured, packed or imported,</li> <li>- the maximum retail sales price (MRP) at which the commodity in packaged form may be sold to the end consumer.</li> </ul>
Languages Permitted on Packaging and Labeling	English and/or Hindi.
Unit of Measurement	All imported goods as well as transport documents must show standard units of measurement and weight.
Mark of Origin "Made In"	Not mandatory, except in the case of foodstuffs and drinks and also where preferential import duties are claimed.
Labeling Requirements	The packaging and labeling requirements for packaged food products is laid down in the <a href="#">Part VII of the Prevention of Food Adulteration (PFA) Rules, 1955</a> , and the <a href="#">Standards of Weights and Measures (Packaged Commodities) Rules of 1977</a> .
Specific Regulations	In specific cases, the product label also has to contain: <ul style="list-style-type: none"> <li>The purpose of irradiation and license number in case of irradiated food</li> <li>Extraneous addition of coloring material</li> <li>Non-vegetarian food – must have a symbol of a brown color-filled circle inside a brown square outline prominently displayed on the package</li> <li>Vegetarian food must have a similar symbol of green color-filled circle inside a square with a green outline prominently displayed</li> </ul>

## DISTRIBUTING A PRODUCT

### Distribution Network

#### Types of Outlet

Department stores	Large scale retail establishments comprising of a number of departments in the same building: clothes, electronic items, home appliances, cosmetics, jewelry, food items. Located in central places of big cities. <a href="#">Vishal Mega Mart</a> ,
Supermarkets or self service store	Large scale retail shops operating at lower costs, selling at lower price. <a href="#">Spencer's</a> , <a href="#">Subhiksha</a> .
Convenience stores or General stores or Variety stores	All types of goods of regular use. They provide services like goods on credit and home delivery to their customers. Some of them may remain open 24/7.
Super Bazaars	These are large retail stores organized by cooperative societies.  They sell a variety of products under a single roof and at reasonable prices. Super bazaars.
Multiple Shops or chain stores	These are a group of retail stores of the same type under one common ownership and centralized management but are located at various locations.
Specialized stores	These are the shops that deal in only one or two special types of goods. They are generally located in shopping centers. <a href="#">Shoppers' Stop</a> , <a href="#">Globus</a> , <a href="#">Fabindia</a> , <a href="#">Westside</a> .
Street stalls	These are the small shops on the roadside, street-crossing, bus stops, etc.

**Evolution of the Retail Sector**

**Growth and Regulation** There has been a significant expansion in distribution channels in India during the past few years. The Indian retail market, currently estimated at \$490 billion, is projected to grow at a compounded annual growth rate of 6% to reach \$865 billion by 2023, according to *Oxford Economics*. The total number of retail distribution outlets in the country is estimated at over 12 million, mostly family owned businesses. An annual growth rate for the fast moving consumer goods (FMCG) sector is predicted at 11% during the next 10 years.

Most Indian manufacturers use a three-tier selling and distribution structure that has evolved over the years. This structure involves redistribution stockists, wholesalers, and retailers. As an example, an FMCG company operating on an all-India basis could have between 40 and 80 redistribution stockists (RS). The RS will sell the product to between 100 and 450 wholesalers. Finally, both the RS and wholesalers will service between 250,000-750,000 retailers throughout the country. The RS will sell to both large and small retailers in the cities as well as interior parts of India. Depending on how a company chooses to manage and supervise these relations, its sales staff may vary from 75 to 500 employees. Wholesaling is profitable by maintaining low costs with high turnover, with typical FMCG product margins anywhere from 4-5%. Many wholesalers operate out of wholesale markets. In urban areas, the more enterprising retailers provide credit and home-delivery. Now, with the advent of shopping malls, companies talk of direct delivery and discounts for large retail outlets.

The Government of India has taken various initiatives to improve the retail industry in India. Some of them are listed below:

The Government of India may change the Foreign Direct Investment (FDI) rules in food processing, in a bid to permit e-commerce companies and foreign retailers to sell Made in India consumer products.

Government of India has allowed 100% Foreign Direct Investment (FDI) in online retail of goods and services through the automatic route, thereby providing clarity

on the existing businesses of e-commerce companies operating in India.

India's Business to Business (B2B) e-commerce market is expected to reach US \$700 billion by 2020. Indian e-commerce retail sales are expected to reach US \$120 billion by 2020 from US \$30 billion in 2016. Online retail is expected to be at par with the physical stores in the next five years. India is expected to become the world's fastest growing e-commerce market, driven by robust investment in the sector and rapid increase in the number of internet users.

Market share

The Indian retail market is still in its nascent stage. The total (food and non-food) retail sector was valued at US \$600 billion in 2015. Retail food sales are estimated at US \$360 billion or about 60% of total retail sales.

The food retail sector in India is comprised of organised modern retail (3% of the market share) and unorganised retail - with 12 million shopkeepers who account for 97% of all retail sales; their opposition to liberalisation in the retail sector is vigorous.

According to *India Retailing*, the organised retail market is valued at US \$60 billion, which constitutes about 9% of the total retail sector and the unorganised retail market represents the remaining 91% of the sector. The same is the case with the food retail market where the organised market constitutes only 3% in comparison to the unorganised segment that forms 97% of the food retailing market. Organised retail in India is growing at a CAGR of 20-25% per year, which is a strong indicator of its growth potential in the years to come. The unorganised sector in food retail is predominantly dominated by general stores, kirana stores, convenience stores and street markets. There are more than 15 million mom-and-pop stores. On the other hand, the organised sector includes gourmet stores, department stores, discount stores, supermarkets and hypermarkets, e-tailers and cash-and-carry formats.

Key groups in the organised grocery retail sector are the following (source: *The Economist*): Future Group (Big Bazaar, Food Bazaar, Foodhall, KB's Fairprice) dominates the market with 1% value share, Reliance Industries (Reliance Fresh), Aditya Birla Group (More), Rei Agro Ltd (6Ten), Bharti Group (Easyday), RP Sanjiv Geonka Group (Spencer's), Avenue Supermarkets (D-Mart), Godrej Group (Nature's Basket) and Tata Sons (Star Bazaar).

The modern retail sector includes a mix of supermarkets, hypermarkets, specialty and gourmet stores and convenience stores; it is dominated by large Indian companies. The unorganised retail sector is composed of convenience stores, kirana stores, streets markets and general stores.

The two most significant trends emerging rapidly in the Indian food market are:

- The expansion of imported food categories and products
- The incremental popularity of gourmet food market amongst Indian consumers

Retail Sector Organisations

[Retailers Association of India](#)

**E-commerce**

Internet access

As of December 2017, India had an estimated 481 million internet users, 11.3% more than the previous year. While internet penetration in urban India is at 64.84% (up from 60.6% in 2016), in rural areas internet penetration has grown only a little - from 18% in 2016 to 20.2% in 2017. Delhi, Mumbai and Kolkata are the cities with the highest penetration. Online communication remained the top activity among urban users, whereas in rural areas entertainment is the most common reason for browsing the

internet. The majority of internet users in India are male, with women estimated to represent only about 30% of total users. According to data released by the Telecom Regulatory Authority of India (TRAI), India's mobile phone subscriber base has reached the one billion users mark, with a smartphone user base of over 300 million. India has topped the U.S. to become the second largest market for smartphones after China. Google is by far the most common search engine, with a market share of 97.6%, followed by Bing (1.4%) and Yahoo (0.9%).

E-commerce market

Indian e-commerce is growing at an annual rate of 51%, the highest in the world, and is expected to jump from US\$ 30 billion in 2016 to US\$ 120 billion in 2020. According to a Morgan Stanley report, India's e-commerce market will be worth US\$ 200 billion by 2026. As per industry body NASSCOM's latest estimates, India's e-commerce market was worth US\$ 33 billion in the financial year 2017. India's e-commerce sector is highly competitive, as it sees the presence of international marketplace players like Amazon, eBay, Alibaba and others competing alongside the domestic marketplace operators such as Flipkart, Snapdeal, TataCliq. Since 2014, the Government of India has announced various initiatives to propel e-commerce and internet usage in general, namely, Digital India, Make in India, Start-up India, Skill India and Innovation Fund. Technology enabled innovations like digital payments, hyper-local logistics, analytics driven customer engagement and digital advertisements will likely support the growth in the sector. Cross-border B2C e-commerce is growing fast, with automotive, baby supplies, toys, clothing, footwear, wearables and accessories, jewelry, watches, cosmetics, health products and digital entertainment and educational services being the leading product categories for international purchases. The major challenges restricting growth of cross-border e-commerce are high shipping costs, import duties and complexities in returns and exchanges. The Indian B2B eCommerce market is also expected to grow, reaching US\$ 700 billion by 2020. In order to exploit the huge potential in the B2B e-commerce market in India, leading B2B companies have started to build their own platforms for small business owners and traders.

E-commerce sales and customers

Fashion is currently the leading product category in India, followed by electronics, home and furnishing and entertainment. E-commerce is increasingly attracting customers from 2nd and 3rd tier cities, where people have limited access to brands but have high aspirations. The Associated Chambers of Commerce of India estimated the number of online shoppers to have crossed 100 million in 2017, compared with 69 million in the previous year. 56% of online shoppers in India buy using desktops, compared to 29% using smartphones and 10% preferring tablets. The main reason why Indian consumers are adopting e-commerce is because of price convenience. The possibility to access an expanded basket of goods is also one of the main drivers. Thanks to rising income levels and increased awareness, there is growing interest for international brands and better quality foreign products. Due to transport infrastructure difficulties, consumers often prefer the service providers that offer the fastest delivery. Cash on Delivery (COD) payments accounted for 45% of online payments and remained a popular mode of payment for Indian e-commerce transactions. Nevertheless the demonetisation process started in November 2016 by the government affected this trend, with cash on delivery quickly changing into "card on delivery". The shift away from the cash is evident by the growth in payments by credit cards and mobile wallets. The launch of a Unified Payments Interface (UPI) by the Reserve Bank of India is expected to be a game changer, as it will enable e-commerce delivery staff to collect money electronically even for COD transactions.

Social media

Social networks' penetration rate in India - at only 14% of the population - is one of the lowest rates in the world. Facebook is the most popular social network: India is the country with most Facebook users in the world (270 million) ahead of the US. Key Facebook users from India are aged 18-24, with more than three-fourth of the users being male. WhatsApp has more than 200 million users, followed by Messenger,

Instagram (59 million), Google+ and Twitter (10.1 million) (Statista). The professional social networking platform LinkedIn has over 42 million users. Most active users on LinkedIn in India are in age group 24-35, with an almost even share of men and women.

## Direct Selling

**Evolution of the Sector** The [World Federation of Direct Selling Associations \(WFDSA\)](#) 2017 report shows direct selling in India grew 7%, was valued at USD 1.513 billion, and involves 5,102,231 independent representatives. 2017 retail sales by product category were divided as follows: wellness (53%); cosmetics and personal care (30%); household goods and durables (9%); and home care (4%) according to WFDSA.

According to [Euromonitor International](#), direct selling in India is dominated by beauty and consumer health products (nutrition and well-being) offered by companies such as Amway India Enterprises, Herbalife International, Oriflame India, Eureka Forbes, and Avon Beauty Products India. Internet retailing increasingly pressures direct selling as a more convenient purchasing option, a trend that is most evident in metropolitan areas but not in semi-urban areas. Amway remained the leading direct selling company in 2017.

The [Indian Direct Selling Association \(IDSA\)](#) promotes best practices in the industry.

## Commercial Intermediaries

### Trading Companies

**Type of Organization** A distributor acts as an importer and typically purchases the product on his own account and stocks the products before selling it to the retailer or even to an end user.

### Wholesalers

**Type of Organization** Import-export wholesalers are particularly useful for their logistic organization, information processing, product promotion and selection. Normal wholesalers who mainly offer a logistic service, stocking goods so as to supply retailers, as they need them.

Nevertheless with competition increasing in the Indian distribution market, manufacturers are directly getting in touch with the retailers, leading to an evolution in wholesaling. As a result many wholesalers have opted for a more vertical integration of their activity by even developing their own brand names and retailing goods themselves.

## Using a Commercial Agent

**The Advantages** To have on-the-ground presence an agent, representative, or a distributor could be appointed. It is advisable to appoint regional representatives & dealers, considering the fact that India is a diverse country with 30 local languages. Moreover, a small distributor may be ideal for implementing a flexible distribution strategy because of India is a vast nation.

**Where to Be Vigilant** When evaluating a distributor or agent, the Indian firm's business reputation, financial resources, willingness and ability to invest, marketing strength should be checked.

In addition, one should be aware of:

1. The long-list syndrome: The potential representative offers you a long list of foreign clients, which may be outdated and the relationships may no longer exist.
2. The no follow-through syndrome: Generally the Indian agent projects a professional image in terms of having a qualified workforce and countrywide presence. A foreign company should make sure that such an agent should not leave everything on its network and sales should not suffer due to lack of follow-up.

Elements of Motivation	Exclusivity, higher sales commissions, incentives for achieving sales targets, foreign trips, frequent communication per fax, mail, phone, plus regular visits to India .
The Average Amount of Commission	<ul style="list-style-type: none"> <li>- From 5 to 15% for regular business transactions, and from 10 to 25% for occasional transactions.</li> <li>- From 1 to 4% in the case of bulk materials (iron ore or coal).</li> <li>- Up to 40% in the case of medical, laboratory, scientific analytical instruments, and software products.</li> </ul>
Breach of Contract	It depends upon the terms and conditions of the contract. But, in case the local agent goes to court, it may be time consuming for the foreign company and favorable results cannot be always guaranteed.
Finding a Commercial Agent	<a href="#">Infobanc</a> , Agents in India <a href="#">Alibaba</a> <a href="#">Global representation</a>

Learn more about [Traders, Agents in India](#) on Globaltrade.net, the Directory for [International Trade Service Providers](#).

### Setting Up a Commercial Unit

The Advantages	Setting up a commercial unit in India should be considered in case the foreign company has long-term business interests in the country.
Where to Be Vigilant	State government support and flexibility, cost and availability of power, law & order situation. Other factors to take into account include labor availability and cost, labor relations and work culture, and proximity to resources and/or markets. In the area of labor law, an employer with more than 100 workers cannot fire them without permission from a government labor commissioner -- something usually not so easy to obtain.
Different Possible Forms of Settlement	
A Representative Office	<p>Most of the foreign companies initially establish a presence in India with a representative office that is not directly engaged in commercial transactions in India to obtain market information, provide necessary promotional &amp; service support, and explore further opportunities for business and investments.</p> <p>A liaison office is not allowed to undertake any commercial activity and cannot earn any revenue in India.</p>
A Branch Office	A branch of a foreign company is limited to the following activities by the RBI: representing the parent company and acting as its buying/selling agent; conducting research for the parent company, carrying out import and export trading activities; promoting technical and financial collaborations between Indian and foreign

companies, rendering professional or consulting services, rendering services in Information Technology and development of software in India, and rendering technical support to the products supplied by the parent/group companies.

The branch office is allowed to repatriate the profits generated from the Indian operations to the parent company after payment of taxes. However, a branch office is not allowed to carry out manufacturing and processing activities directly (it can only sub-contract such activities to an Indian manufacturer).

A Company

It can offer an effective means of guaranteeing better protection for proprietary information, obtaining credit, and penetrating the Indian market more effectively. For setting up of an office in India, a foreign company needs an approval of the [Reserve Bank of India](#) (RBI).

A foreign company also needs to register with the Registrar of Companies (ROC) within 30 days of setting up a place of business in India.

## Franchising

Evolution of the Sector

Franchising in India is in its early stages of development, but accounts for only 3% of India's total retail market. Today, India has around 40,000 franchisees, growing at a rate of 40% per annum. The annual turnover from franchising is approximately USD 3.3 billion. Franchising in India is growing fast and is expected to witness an impressive growth rate of approximately 30%. Over 1,200 franchise systems are already operating in India, and approximately 25% are run by international companies.

Some of the challenges faced by the franchising system in India are:

**Lack of Legal Framework:** no specific law on franchising.

**Expensive Real Estate:** retail space is extremely expensive and the quality is relatively poor.

**Understanding local Culture and Tastes:** "Indianization" of products is vital to a franchise success.

**Resistance to Fees & Cap on Royalty:** The foreign franchisers should also be prepared to face stiff resistance from prospective Indian franchisees toward the franchisee fees/royalty payments, which are considered high.

Some Big Franchises

- [Hertz](#), car rentals
- [Avis](#), car rentals
- [Radisson](#), hotels
- [Kentucky Fried Chicken](#), restaurant
- [Domino's Pizza](#), restaurant
- [TGI Friday](#), restaurant
- [Ruby Tuesday](#), fast food
- [Subway](#), fast food
- [Baskin Robbins](#), fast food
- [Pizza Hut](#), restaurant
- [NII](#), computer training schools
- [Apollo](#), Hospitals for healthcare

For Further Information

- [FAI](#), Franchising Association of India
- [The official directory of FAI Franchise in India](#)

Learn more about [Sales in India](#) on Globaltrade.net, the Directory for [International Trade Service Providers](#).

Latest Update: December 2019



## Buying

### CUSTOMS PROCEDURES

Export Clearance	<p>After the receipt of the goods in the dock, the exporter may contact the Customs Officer designated for the purpose and present the checklist with the endorsement of Port Authority and other declarations along with all original documents. Customs Officer may verify the quantity of the goods actually received and thereafter mark the Electronic Shipping Bill and also hand over all original documents to the Dock Appraiser, who may assign a customs officer for the examination of the goods. If the Dock Appraiser is satisfied that the particulars entered in the system conform to the description given in the original documents, he may proceed to allow "let export" for the shipment.</p> <p>For more information, visit: <a href="#">Indian Customs and Excise Gateway (ICEGATE)</a> and <a href="#">Central Board of Excise and Customs</a>.</p>
Necessary Declaration	In case of export by sea or air, the exporter must submit the 'Shipping Bill', and in case of export by road he must submit 'Bill of Export'.
Restrictions	<p>You need to obtain a Business Identification Number(BIN) from the Directorate General of Foreign Trade prior to filing of shipping bill for clearance of export goods.</p> <p>You have to get authorized foreign exchange dealer code (through which export proceeds are expected to be realized) and open a current account in the designated bank for credit of any drawback incentive.</p> <p>Whenever a new Airline, Shipping Line, Steamer Agent, port or airport comes into operation, they have to be registered into the Customs System.</p> <p>Those exporters intending to export under the export promotion scheme need to get their licenses/DEEC book etc, registered at the Customs Station.</p>
Export Taxes	<p>No tax.</p> <p>Exports are also exempt from consumption tax.</p>

### INDUSTRIAL AND MANUFACTURING PROFILE

Type of Production	The main sectors are heavy and light engineering, steel, automotive, cement, biotechnology, drugs and pharmaceuticals, food processing, mines & minerals, textiles and fertilizers. Automotive is one of the largest industrial sectors in the country. Food processing sector is another high potential area.
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#### Type of Manufacturers

Original Equipment Manufacturers	A large number of OEMs have established themselves in the country: in sectors like automobile, electronics, and engineering equipment because of the availability of low-cost but skilled manpower in the country.
Original Design Manufacturers	There are very few ODMs. There are very good R&D professionals available in India which could be an asset for multinational companies setting up their design centers in the country.
Subcontractors	Subcontracting is well established in sectors like automobile ancillaries, textile & garment, and mechanical engineering.

Useful Resources      [Confederation of Indian Industry \(CII\)](#)

## IDENTIFYING A SUPPLIER

### Business Directories

Multi-sector Directories      [All.biz - India](#) - Directory of companies in India.  
[E-indiabusiness](#) - Global B2B trade opportunities.  
[Exporters India](#) - Database of Indian companies, classified by activity (importers, exporters, manufacturers, etc.)  
[Indiae.in](#) - A search engine for companies in India.  
[Indiamart](#) - Find a business in India.  
[Indian Industry](#) - Directory of Indian suppliers.  
[Indian Yellow Pages](#) - Online B2B database.  
[InfoDriveIndia Business Directory](#) - Find actual buyers and suppliers from three countries. Export-import customs data.  
[Trade India](#) - Database of Indian companies.  
[Yellow Pages](#) - India's Yellow Pages.  
[Yellow Pages](#) - India's Yellow Pages.  
[Ziplleaf](#) - Business directory for several countries in the world.

### Marketplaces

Domestic Marketplaces      [IndiaMarkets](#)  
[Trade India](#)  
[SeekandSource.com](#)  
[Expomarkets Web Directory](#)

Regional Marketplaces      [Asian Manufacturers](#)  
[EE Times Asia](#)  
[AsiaNet](#)  
[TradeInfo AsianNet](#)

### Other Useful Resources

Trade Agencies and Their Representations Abroad      [Federation of Indian Chambers of Commerce and Industry \(FICCI\)](#)  
[Ministry of Commerce & Industry](#)  
[The Associated Chamber of Commerce and Industry of India](#)  
[Federation of Indian Export Organization \(FIEO\)](#)  
[Directorate of International Trade](#)

Fairs and Trade Shows      [India Trade Promotion Organization \(ITPO\)](#)  
[Trade Shows in India](#)

Learn more about [Service Providers in India](#) on [Globaltrade.net](#), the Directory for [International Trade Service Providers](#).

## CONTROLLING THE QUALITY OF THE PRODUCTS

Quality Control Organizations      [Bureau of Indian Standards \(BIS\)](#)  
[Quality Council of India \(QCI\)](#)

## ORGANIZING GOODS TRANSPORT TO AND FROM INDIA

**Main Useful Means of Transport** About 95% of the country’s trade by volume and 70% by value are moved through maritime transport.

India's new international status as IT and manufacturing hub has led to the growth of international air traffic. India has one of the largest road networks in the world, the National Highways (NHs), with a total length of 66 590 km, serve as the arterial network of the country, connecting the State capitals, ports and big cities. In terms of railway, India plans to include 25,000 km of new lines, 12,000 km of double tracks and 30,000 km of multiple tracks. Additionally, 14,000 km of lines will be electrified.

### By Sea

**Ports** [Ports in India: Kolkata, Paradip, Visakhapatnam, Chennai, Ennore, Cochin, New Mangalore, Mormugao, Mumbai, Kandla](#)

**Transport Professionals** [Indian Ports Association](#)

**Government Transport Organisations** [Department of Shipping](#)  
[Shipping Corporation of India](#)

### By Air

**Airports** [Delhi airport](#)  
[Kolkata airport](#)  
[Mumbai airport](#)  
[Chennai airport](#)

**Transport Professionals**

**Government Transport Organisations** [Directorate General of Civil Aviation \(DGCA\)](#)  
[Airports Authority of India \(AAI\)](#)

### By Road

**Government Transport Organisations** [Department of Road Transport and Highways](#)  
[National Highways Authority of India \(NHAI\)](#)  
[Border Roads Organization \(BRO\)](#)

Learn more about [Sourcing in India](#) on Globaltrade.net, the Directory for [International Trade Service Providers](#).

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## Operating a Business

### LEGAL FORMS OF COMPANIES

Sole Proprietorship	Number of partners: One Capital (max/min): No minimum capital Shareholders and liability: Unlimited liability.
Partnership	Number of partners: Minimum number is 2, while as the maximum number can be 20 in case of a General Partnersip and with no maximum for all Limited companies. Capital (max/min): No minimum capital Shareholders and liability: Liability of the partners is unlimited.
Private Limited Company	Number of partners: Minimum number is 1, while as the maximum number can be 50 Capital (max/min): Minimum paid up capital of INR 100,000 Shareholders and liability: Limited liability to the amount contributed.
Public Limited Company	Number of partners: Minimum number is 7; while as there is no limit on the maximum number of members/shareholders. Capital (max/min): Minimum paid up capital of INR 500,000 Shareholders and liability: The liability of a member is limited to the face value of the shares he owns.
Co-operative	Number of partners: Minimum number is 10; while as there is no limit on the maximum number of members. However, the members must be residing or working in the same locality. Capital (max/min): No minimum capital requirement Shareholders and liability: The liability of a member is limited to the extent of his capital contribution.
Joint Hindu family business	Number of partners: All members of a Hindu undivided family can do business jointly under the control of the head of the family who is known as the 'Karta'. The members of the family are known as 'Co-partners'. Capital (max/min): No minimum capital Shareholders and liability: The Karta has unlimited liability while the liability of the other members is limited to the value of their individual interests in the joint family.
Enterprises Federation	<a href="#">Federation of Indian Micro and Small &amp; Medium Enterprises</a> <a href="#">The Associated Chamber of Commerce and Industry of India</a> <a href="#">Indian Industries Association (IIA)</a>

### BUSINESS SETUP PROCEDURES

<b>Setting Up a Company</b>	<b>India</b>
Procedures (number)	10.00
Time (days)	16.50

Source: *Doing Business*.

For Further Information [Consult Doing Business Website](#), to know about procedures to start a Business in India.  
[Ministry of Corporate Affairs](#), List of registered Certified Filing Centers.

The Competent Organisation [Ministry of Corporate Affairs](#)  
[Company Law Board](#)

THE ACTIVE POPULATION IN FIGURES

	2012	2013	2015
Labour Force	-575,341,824	-586,441,824	-571,641,824

Source: CIA - The World Factbook

	2015	2016	2017
Total activity rate	53.73%	53.77%	53.82%
Men activity rate	83.67%	83.68%	83.65%
Women activity rate	26.80%	26.91%	27.01%

Source: ILO, Laborstat - Yearly Statistics

- For Further Statistics [Ministry of Statistics and Program Implementation](#)
- For Further Information [Employees State Insurance Corporation, New Delhi](#)
- About the Labour [Employees' Provident Fund Organization, New Delhi](#)
- Market [ILO, The representation of the International Labor Organization in India](#)

WORKING CONDITIONS

Opening Hours

- Legal Weekly Duration: Maximum 48 hours (9 hours a day).
- Maximum Duration: The total number of working hours (including overtime) should not exceed 60 in a week and the total overtime hours should not exceed 50 in a quarter.
- Night Hours: 10 pm until 7 am.  
Women are banned from working in night except in certain sectors like Information Technology and Medical services.

- Working Rest Day: In general, Saturday and Sunday are not working days, but this is not the case in all companies.
- Paid Annual Vacation: The number of leave days varies from State to State. The total number of leaves may vary from 15 days to 30 days in a year.
- Retirement Age: It varies from 58 to 65 years. Early retirement schemes called Voluntary Retirement Scheme (VRS) also exist in the country.
- Child Labour and Minimum Age For Employment: Though the Child Labor Act -1986 prohibits work by children under 14 years in factories, mines, domestic work, roadside eateries and other hazardous industries. However, a child assisting his/her family is exempt from the provisions of the Act.
- Informal Labour Market: The informal labor is called 'unorganized labor' in India. As per the latest report (Year 2007) of National Commission for Enterprises in the Unorganized Sector -NCEUS, there are 396 million workers in India's unorganized sector, which constitute 93% of the total labor force available in India.

THE COST OF LABOUR

## Pay

Minimum Wage	<p>The national floor-level minimum wage was INR 2 990 per month in 2013 (source: ILO, latest available data). It is estimated that it varies between INR 4 500 and 9 500 in 2018. NB: the minimum wage fluctuates a lot between states, sectors and skill levels. Nevertheless, a project for a universal minimum wage about at least INR 15 000 is regularly covered.</p>
Average Wage	<p>The ILO does not have data about average wages in India. According to the French Embassy in New Delhi, it is estimated at INE 17 800 per month in 2018. NB: the average wage fluctuates a lot depending on activity sectors and States.</p>
Other Forms of Pay	
Pay For Overtime	<p>Any worker working for more than the maximum prescribed time is entitled to wages in respect of such overtime work at twice the ordinary rate of wages.</p> <p>Industrial units are required to pay a minimum bonus to his employees even if the unit suffers losses during the fiscal year.</p>

## Social Security Costs

The Areas Covered      Provident fund, pension, survivor deposit-linked schemes and gratuity for long-service workers (five years or more)

Contributions      Contributions Paid By the Employer:

	<b>Contributions by Employer</b>
<b>Provident Fund</b>	3.67%
<b>Pension</b>	8.33% (if employee monthly pay exceeds INR 15,000, this contribution is allocated to the Provident Fund)
<b>State Insurance</b>	4.75%
<b>Gratuity (at point of retirement/resignation/annuation etc. to workers who have served for 5 years or more continuously)</b>	15 days of salary for each year of service up to INR 1 million

Contributions Paid By the Employee:

	<b>Contributions by employee</b>
<b>Provident fund</b>	12%
<b>State insurance</b>	1.75%

Competent Organization      [Ministry of Labor and Employment](#)  
[Employees' Provident Fund Organisation](#)  
[Employees' State Insurance Corporation](#)

## Recruitment

Method of Recruitment	Advertising, Employment Exchanges, Educational Institutions, Direct recruitment.
Recruitment Agencies	National Employment Exchanges (Public), Employment Agencies (Private), Labor Contractors (Private)
Recruitment Websites	<a href="#">The Directorate General of Employment and Training (DGET)</a> <a href="#">Naukri.com</a> (a web-based private job site in India) <a href="#">MonsterIndia.com</a> (a web-based private job site in India) <a href="#">JobsAhead.com</a> (a web-based private job site in India) <a href="#">Careerjet</a> (an employment search engine for India)

## The Contract

Type of Contract	1. Permanent (more than 90%) 2. Temporary 3. Fixed-term
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## Breach of Contracts

Retirement	Several forms: general resignation, resignation for one's own convenience, resignation by agreement, resignation by employee's request, voluntary retirement, etc.
Dismissals	According to the Indian law, an employer has a right to terminate the services of an employee without giving a reason, though this position has been weakened through various court orders.  However, employees cannot be dismissed while they are on sickness leave or disablement leave or on maternity leave.
Other Possible Methods	Collective dismissals due to economic reasons, disciplinary dismissals, resignation as per the terms of contract.
Labour Laws	<a href="#">Consult Doing Business Website</a> , to obtain a summary of the labor regulations that apply to local enterprises.

## Dispute Settlement

### Conciliation Process

Cases of Dispute	Wages and allowance (21.5%), Personnel (9.4%), Indiscipline (41%), Bonus (3.5%), Retrenchment and lay-offs (0.6%), Charter of demands (7%), Work norms (1.1%).
Legal Framework	Under sec. 2(a) of the IESA, a worker dissatisfied with his or her termination of employment is entitled to raise the matter as a labor dispute with an officer from the conciliation department of the Ministry of Labor. The officer will attempt to conciliate the matter and must submit a report to the Government if conciliation fails, pending a decision from the governmental authority on whether the matter merits adjudication before the Labor Court or Tribunal.
Procedure	<a href="#">The Industrial Employment (Standing Orders) Act (IESA), 1946</a> , and <a href="#">the Industrial Disputes Act (IDA), 1947</a> .

## Judicial Structures

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Legal Framework	<a href="#">IESA</a> and <a href="#">IDA</a>
Competent Legal Body	The Labor Court, Industrial Tribunal and National Tribunal.

**Social Partners**

Social Dialogue and Involvement of Social Partners	With some exceptions, India has company unions rather than trade unions. These are often affiliated with national labor organizations. Political parties promote various trade unions. The bargaining power of the unions is declining as the government pushes forward its reform agenda.
Unionisation Rate	Although there are more than 20 million unionized workers, unions represent less than 25% of the workers in the organized sector (primarily in state-owned organizations), and less than 5% percent of the total work force.
Regulation Bodies	<a href="#">Ministry of Labor and Employment</a> <a href="#">Labor Bureau</a>

Learn more about [Operating a Business in India](#) on Globaltrade.net, the Directory for [International Trade Service Providers](#).

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## Investing

### FDI IN FIGURES

India ranks among the top 10 host economies for FDI, according to the United Nations Conference on Trade and Development ([UNCTAD](#)) [2019 World Investment Report](#). Foreign direct investment inflows hit an all-time high of USD 44.5 billion in 2016; however, following the global downward trend, flows to India declined in 2017 to USD 39.9 billion. In 2018, that number increased to \$42.3 billion. The country historically accounts for 70 to 80% of inflows in the region. FDI were strong in manufacturing, communication and financial services. During the year, India knew transaction in retail trade (\$16 bn). One of the biggest deal was the acquisition of Flipkart by Walmart. The overall growth of FDI in India is thanks to its many assets, especially its high degree of specialisation in services, with a skilled, English-speaking and inexpensive labour force and a potential market of one billion inhabitants. FDI stock reached \$ 386 billion in 2018, a 2.4% increase, or 14.2% of the GDP. In 2018, Singapore, Mauritius, the Netherlands, the U.S., Japan, the U.K., Germany, France, the U.A.E., and Cyprus were the main investing countries in India. Investments were mainly oriented towards chemicals, services, computer software and hardware, trade, telecommunications, the automobile industry, construction, power, and pharmaceuticals.

In 2019, India ranked 77<sup>th</sup> out of 190 countries in the [Doing Business report](#) published by the World Bank, a significant improvement from the previous year's spot, when it ranked 100<sup>th</sup>. Despite short-term uncertainty over the political climate, like state or federal election, global investors typically focus on India mainly because of its demographics, but also for its stable barometers, whether it be inflation, fiscal deficit or growth. Given India's growing demographics, and huge ecommerce and technological markets, activity in both areas are expected to grow in the following years. In 2018, American giant, Walmart, purchased Flipkart for USD 16 billion, in the country's biggest M&A deal that year. Walmart took over 77% of the company, buying out a number of prior investors in the process and expanding its rivalry with Amazon.

<b>Foreign Direct Investment</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
FDI Inward Flow <i>(million USD)</i>	44,481	39,904	42,286
FDI Stock <i>(million USD)</i>	318,320	377,287	386,354
Number of Greenfield Investments***	844	705	802
FDI Inwards <i>(in % of GFCF****)</i>	7.0	n/a	n/a
FDI Stock <i>(in % of GDP)</i>	14.1	n/a	n/a

Source: UNCTAD, Latest available data.

Note: \* The UNCTAD Inward FDI Performance Index is Based on a Ratio of the Country's Share in Global FDI Inflows and its Share in Global GDP. \*\* The UNCTAD Inward FDI Potential Index is Based on 12 Economic and Structural Variables Such as GDP, Foreign Trade, FDI, Infrastructures, Energy Use, R&D, Education, Country Risk. \*\*\* Green Field Investments Are a Form of Foreign Direct Investment Where a Parent Company Starts a New Venture in a Foreign Country By Constructing New Operational Facilities From the Ground Up. \*\*\*\* Gross Fixed Capital Formation (GFCF) Measures the Value of Additions to Fixed Assets Purchased By Business, Government and Households Less Disposals of Fixed Assets Sold Off or Scrapped.

### FDI EQUITY INFLOWS BY COUNTRY AND INDUSTRY

<b>Main Investing Countries</b>	<b>2018, in %</b>	<b>Main Invested Sectors</b>	<b>2018, in %</b>
Singapore	38.3	Chemicals	23.5
Mauritius	18.2	Services sector	22.7
Netherlands	8.8	Computer software and hardware	18.6

Main Investing Countries	2018, in %	Main Invested Sectors	2018, in %
United States	7.1	Trade	8.8
Japan	6.5	Telecommunications	8.7
United Kingdom	3.1	Automobile industry	6.9
Germany	1.7	Construction	5.9
France	1.0	Power	3.6
United Arab Emirates	0.9	Drugs and pharmaceuticals	0.8
Cyprus	0.8		

Source: [Department of Industrial Policy and Promotion, Ministry of Commerce and Industry](#) - Latest available data.

Form of Company Preferred By Foreign Investors: Partnership or Private Limited.

Form of Establishment Preferred By Foreign Investors: Joint Venture company

Sources of Statistics: [Investment Commission](#), [Ministry of Finance](#), [Department of Industrial Policy and Promotion](#), [India Brand Equity Foundation](#)

## WHAT TO CONSIDER IF YOU INVEST IN INDIA

### Strong Points

#### Advantages for FDI in India:

- Deep-rooted and highly effective democratic regime, which ensures a calm and stable political environment
- Well-developed administration and an independent judicial system, along with a vast geography, making the country a repository of resources
- Work force is educated, hard-working and skilled (engineers, management staff, accountants and lawyers).
- India hosts an ever-growing consumer base, making it one of the world's largest markets for manufactured goods and services.
- Proximity to key manufacturing sites, key suppliers and low development costs. These factors make it an effective base from which multi-national companies can export to other high-growth emerging markets.
- Transparency International gave Indian companies the top ranking among emerging market multinationals in terms of transparency and compliance.

### Weak Points

#### Disadvantages for FDI in India:

- Persistent uncertainties regarding Kashmir province
- A glaring lack of infrastructure that slows the development of this country-continent
- Cumbersome and slow administrative procedures at the federal level make it difficult to carry out any economic reform
- The vastness of its territory makes India a country vulnerable to natural disasters which can at any time paralyse an entire part of the national economy.
- Problems related to corruption (especially at the federal level) and political pressures, depending on the party in power, both at regional and national level

Labour regulations remain rigid and among the most complex in the world.

Government Measures to Motivate or Restrict FDI

The Government of India provides tax and non-tax investment incentives in specific sectors (e.g. electronics) and regions (Northeast region, Jammu & Kashmir, Himachal Pradesh and Uttarakhand). It has also created incentives for manufacturing companies to set up in Special Economic Zones (SEZ), National Investment & Manufacturing Zones (NIMZ) and Export Oriented Units (EOUs). In addition, each state government has its own policy, providing additional investment incentives, including subsidised land prices, attractive interest rates on loans, reduced tariffs on electric power supply, tax concessions, etc. The central government development banks and state industrial development banks offer medium to long-term loans for new projects.

The Government has recently relaxed FDI policy in a variety of sectors by such measures as raising the foreign investment limit, easing conditions for investment and putting many sectors on the 'automatic route' (as opposed to the 'Government route', which requires approval from the Foreign Investment Promotion Board). Reforms to clean up the banking system have been implemented, but they take time and may impact the supply of credit. On the other hand, while the fiscal deficit and public debt remain large, the government has taken steps to reduce them. The most notable of these initiatives is the introduction of the GST (Good and Services Tax), which aims to boost tax revenues and make the economy more competitive in the long run. Sectors that have benefited from the expansion include real estate, private banking, defence, civil aviation, single-brand retail and television news. For more information, consult the website of [Invest India](#), the official Investment Promotion and Facilitation Agency of the Government of India.

PROTECTION OF FOREIGN INVESTMENT

Bilateral Investment Conventions Signed By India

India has bilateral investment treaties with the United Kingdom, France, Germany, Canada, Malaysia, and Mauritius. UNCTAD has an updated [list of conventions signed by India](#).

International Controversies Registered By UNCTAD

Foreign investors frequently complain about a lack of "sanctity of contracts." UNCTAD offers [a database listing disagreements and the countries involved](#).

Organizations Offering Their Assistance in Case of Disagreement

[ICCWBO](#) , International court of arbitration, International chamber of commerce [ICSID](#) , International Center for settlement of Investment Disputes [United States Council for international Business](#)

Member of the Multilateral Investment Guarantee Agency

Yes.

Country Comparison For the Protection of Investors

	India
Index of Transaction Transparency*	8.0
Index of Manager's Responsibility**	7.0
Index of Shareholders' Power***	7.0

Source: Doing Business - Latest available data.

*Note: \*The Greater the Index, the More Transparent the Conditions of Transactions. \*\*The Greater the Index, the More the Manager is Personally Responsible. \*\*\* The Greater the Index, the Easier it Will Be For Shareholders to Take Legal Action. \*\*\*\* The Greater the Index, the Higher the Level of Investor Protection.*

## PROCEDURES RELATIVE TO FOREIGN INVESTMENT

Freedom of Establishment	Various approvals and clearances are required such as permission for land use in case the factory is located outside an industrial area. An environmental site approval might also be required along with registration under State Sales Tax Act and Central and State Excise Acts and consent under Water and Air Pollution Control Acts.
Acquisition of Holdings	Acquisitions by private arrangement are considered contractual agreements between the parties and would take the form of share acquisitions, asset transfers, or slump sale.
Obligation to Declare	Mergers and acquisitions are generally governed by the Companies Act, 1956 and the sector-specific law. In the case of listed companies, provisions of Listing Agreements with the stock exchange SEBI (Disclosure & Investor Protection Guidelines)-2000, SEBI (Substantial Acquisition of Shares and Takeovers) Regulations- 1997 must be complied with. If a merger has cross-border aspects, the parties must comply with among others the foreign direct investment policy of the Government - the Foreign Exchange Management.
Competent Organisation For the Declaration	<a href="#">Department of Industrial Policy and Promotion</a>
Requests For Specific Authorisations	Environment clearance from the Ministry of Environment and Forest for investment of foreign capital in fields like petrochemicals complexes, petroleum refineries, cement thermal power plants and bulk drugs is required.

Learn more about [Foreign Investment in India](#) on Globaltrade.net, the Directory for [International Trade Service Providers](#).

## OFFICE REAL ESTATE AND LAND OWNERSHIP

Possible Temporary Solutions	Offices, showrooms, warehouses, industrial premises. Visit the website <a href="#">Offices Mumbai</a> for further information.
The Possibility of Buying Land and Industrial and Commercial Buildings	Foreign companies can buy land and building space for business purpose.
Risk of Expropriation	There have been few instances of direct expropriation since the 1970s (Coca Cola in seventies and Dabhol Power).

## INVESTMENT AID

Forms of Aid	Several measures and incentives, to attract investments into the country: Tax holiday, tax concessions, and import of capital goods at concessional customs duty, Special Economic Zones (SEZs), bilateral investment protection agreements with investing countries; etc.
Privileged Domains	Power, ports, highways, electronics and software, scientific R&D, manufacturing of energy-saving, environmental-protection and pollution-control equipment.

Privileged Geographical Zones	Consult the list of the <a href="#">Special Economic Zones (SEZ) in India</a> .
Free Zones	None
Organizations Which Finance	<a href="#">Industrial Development Bank of India (IDBI)</a> <a href="#">Industrial Investment Bank of India Limited (IIBI)</a> <a href="#">Power Finance Corporation Limited</a> <a href="#">Credit Guarantee Fund Trust for Small Industries (CGTSI)</a> <a href="#">Export-Import Bank of India</a> <a href="#">Indian Renewable Energy Development Agency Ltd.</a> <a href="#">Asian Development Bank</a> <a href="#">The World Bank</a> <a href="#">Multilateral Investment Guarantee Agency</a> <a href="#">International finance Corporation</a>

## INVESTMENT OPPORTUNITIES

The Key Sectors of the National Economy	The services sector is by far the most dynamic in India. It accounts for 53.8% of GDP. India is the fourth largest agricultural power in the world. Agriculture accounts for 17.4% of GDP and employs 44% of the active population. The country is also the fourth largest coal producer in the world. In the manufacturing industry, textiles play a predominant role. The chemical industry is the second largest industrial sector (12% of GNP). Finally, the sectors of new technologies (software) and telecommunications are booming.
High Potential Sectors	Airport services, ground handling, computers and devices, educational services, electrical power, transmission equipment, food processing, machine tools, medical equipment, equipment for mining and mineral processing, machinery for oil and gas fields, pollution control equipment, security, telecommunications equipment, textile machinery, water, renewable energy, urban infrastructure and services (access to water, waste treatment), electricity, cosmetics, and luxury goods.
Privatization Programmes	<p>India has been privatising its large, mostly non-profitable public sector: telecommunications, public infrastructure, airways, ports, etc.</p> <p>The <a href="#">Department of Disinvestments</a> looks after the disinvestment privatization program in the country.</p>
Tenders, Projects and Public Procurement	<a href="#">Tenders Info</a> , <a href="#">Tenders in India</a> <a href="#">Asian Development Bank</a> , <a href="#">Procurement Plans in Asia</a> <a href="#">DgMarket</a> , <a href="#">Tenders Worldwide</a>

## SECTORS WHERE INVESTMENT OPPORTUNITIES ARE FEWER

Monopolistic Sectors	Railways, power generation & distribution (though it is being slowly privatised now), life and medical insurance (though it is also slowly opening up), manufacturing of arms, explosives, atomic energy and aerospace.
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## FINDING ASSISTANCE FOR FURTHER INFORMATION

Investment Aid Agency	<a href="#">Department of Industrial Policy &amp; Promotion</a> <a href="#">India Brand Equity Foundation (IBEF)</a>
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