

# Medium Business Sector goes India

Guest contribution by Rajnish Tiwari: Indo-German cooperation forums enable broader market entry and an ideal win-win situation for German medium-sized businesses and Indian consumers.



Rajnish Tiwari (fifth from left) at a cooperation forum

**Hamburg.** India has observed considerable and continuous economic growth since the start of economic reforms at the beginning of the 1990s. India's gross domestic product (GDP) increased six-fold from approx. USD 300 billion to over USD 1.8 trillion between 1991 and 2011. Measured in terms of purchasing power parity, the Indian economy is already the third largest economy in the world, after the USA and China. The country's future prospects are also very promising: According to the Interna-

tional Monetary Fund's latest estimates, India's GDP is likely to almost double by the end of 2017 and will presumably reach USD 3.2 trillion.

This steady growth has had a positive effect on the per-capita disposable income in India so that considerable consumer purchasing power has been released despite continuing social imbalance. Investments are also being made in infrastructure development, with the result that the demand for capital goods is increasing in

India, too. India's role as an increasingly significant global growth engine will in all probability be strengthened further due to its location advantages, e.g. a favourable demographic situation and a market that is far from saturated.

## Making intelligent use of Indian economic potential

Germany and German companies have recognised the enormous economic potential that the Indian subcontinent

holds, as trade and investment figures show. The German medium business sector is increasingly participating in the economic development in India, for example in areas such as the automotive industry, renewable energies and machinery and plant engineering. Nevertheless, there are still numerous unused opportunities for medium-sized German companies in India due to a lack of market knowledge, resource constraints and, in some cases, strong uncertainty avoidance. Two typical examples of 'misjudgement' in connection with the Indian market are described below.

1. The evaluation of market potential on the basis of per-capita income: Consulting the per-capita index when making important product decisions for the Indian market can prove problematic. Despite considerable developments, the average individual income in India is still at a low level (USD 1,600 per year). However, a one-sided focus on this index neglects two significant factors:

- More than 80% of the labour force in India work in the so-called 'informal' economy, which means that the state statistic authorities do not have exact information regarding their income levels.
- With an average of five persons in a typical household, the family's purchasing power could be much higher.

2. Considering India purely as a sales market: Medium-sized businesses are often tempted to introduce their existing products to the Indian market without substantial adaptations. But things often work differently in the Indian market. The up-and-coming middle class wants to buy quality products with a good image and market value, but is not able or not willing to pay the customary international price. Some medium-sized German businesses have recognised this 'demand' and developed market-specific products which are then also offered for sale in other comparable markets – in some cases in the global market, too. Products that are in line with market requirements instead of being purely technology-driven are a critical success factor in India. As several owners of medium-sized businesses have reported at the German-Indian Round Table

## German-Indian Round Table (GIRT)



The German-Indian Round Table (GIRT) was founded in 2001 as an association of people with strong economic and personal interest in India. GIRT's objective is to spread information about India and facilitate German-Indian business relations.

Participants at the German-Indian round table meetings also support cultural, business and social activities in India. They get together at regular intervals in a number of German and Indian cities. GIRT has grown to include around 3,000 participants from the German-Indian business community, some who volunteer as directors and speakers for GIRT. Dr Rajnish Tiwari heads up the Hamburg GIRT division.

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(GIRT), the 'made in Germany' brand is only an advantage for being successful beyond niche markets if prices are also in line with the market.

These two typical examples of 'misjudgement' can be most easily avoided through

cooperation with reliable and competent local partners, who often have a sound knowledge of the market as well as their own resources and an extensive business network. Small and medium-sized enterprises (SMEs) in India are often ambitious and want to expand at national and international levels. However, they not only often have too few resources, but also lack a thorough understanding of the German market and work culture in Germany.

## Medium-sized German businesses and Indian partners

But striving for expansion can form a good basis for mutually advantageous cooperation ('win-win') with medium-sized German businesses. Within the scope of the Indo-German BMWi Manager Training Programme in June 2012, two cooperation forums for German and Indian SMEs were organised in Hamburg and Leipzig to promote an even more effective use of market potential by the medium business sector. GIRT also participated as a co-organiser. With the aid of these two cooperation forums, a group of 20 decision-makers from eight different branches of industry in India was able to have 63 individually scheduled discussions with representatives of German companies (Hamburg: 49, Leipzig: 14). In preparation for these meetings, the participants received detailed information on the companies involved. Many of these discussions led to follow-up meetings and paved the way for business transactions. Both events were very well received by the participants.

This example shows the importance of personal contacts, particularly for SMEs, which often do not have their own extensive business network in the particular partner country. This way market entry can be achieved for both sides and, at the same time, the market risk reduced. Cooperation forums could be a suitable means for intensifying Indo-German cooperation and forming a broader basis for such cooperation through the participation of SMEs. ■ Rajnish Tiwari (GIRT)

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