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What is Business Environment?

A business is run in an environment where it is surrounded and affected by a number of factors. These factors add up to make the overall business environment for the organization. Any entity has to adapt quickly to the changes in the environment if it wants to succeed. The main subject of this document is the external environment that Tesla Motor will have to face in India. The country presents a lucrative opportunity being an emerging market.

Characteristics of Indian Business environment

The major characteristic of the business environment in the country is the presence of both private and public sector organizations in the scenario. Both these sectors do participate actively in the business activity in the country. The government policies are promoting both kinds of businesses in the country. Tesla Company will benefit from the initiatives offered by the government.

The people of the country generally have lower income levels. The GDP per capita in the country is $1929 per annum (World Bank). This implies important aspects of the economic activity as people are the basic unit in any country’s economic activity. For the Tesla Company, this will imply that the prices have to be lowered in order to increase the revenues. Current prices of the cars offered by the company are too high and it should try and bring the prices down in order to be successful in a market like India.

The major supplier to the company would be Adient pvt Ltd which is also a big supplier to the Tata Company. It provides the majority of seats and other security components to the various big companies manufacturing cars in the country. Tesla will be able to make use of the expertise of this and other relevant suppliers. The company can also manage the bargaining power of suppliers by keeping a large number of suppliers associated with itself.

The rate of capital formation in the country was 31% as of 2017 (World Bank). The shortage of capital is one of the major aspects of the business environment in India. The capital available per head is low as well as the rate of capital formation in the country. The people are seldom induced to invest. The people also do not have the tendency and capacity to save any amounts of money. The business environment does not play the adequate role in the overall development of the country. Tesla being a huge company will be able to bring in considerable capital on its own. The shortage may be filled in by some bank loans and other similar arrangements.

The level of technology usage is also quite high in the country. This is parallel to the higher usage of technology in the business field. The various sectors of the country apply up dated techniques to produce the output which is due to the availability of latest technology. The other aspect is that the people are much educated to use the available technology properly. All these factors will help Tesla company to start the production in the country.

The company will offer a huge number of jobs to the local people. The company will be able to find labor at a lower rate in India. It will offer a higher rate of compensation to the employees as compared to the competitors. It will also make sure that equal contribution is put in by the company in terms of employee benefits. In addition to these, the labor will be provided with extensive training and skill development courses. The training will be given to the employees regarding every aspect of the process. This will help the company to convert the workforce into a strategic asset or advantage. This will help the company to gain an advantage over the competitors who give lesser pay to the employees.

The country has an emerging economy which attracts many of the largest companies in the world. This economy will offer a brilliant opportunity for the company to do the business. Most of the inputs that are needed by the company will be available from inside the country.

The company can cash in the environmental aspects of the business as well as the society. The government aims to shift to the renewable energy resources completely by the year 2030. This presents a lucrative opportunity for the company to come in and take the benefit from it.

The company has a very good reputation all around the world which will mean that the financial institutions will not hesitate to forward any loans to the company.

The environment shows a slow pace of reforms from the point of view of the labor as well as the industrial disputes resolution. The industrial disputes have much negative effects on the business as they can lead to strikes and other related stoppages to the work.

The government in the country takes an unwanted stance regarding the business activity. This stance shows the weaknesses of the system. There is a lack of quick facilities available for the solution of problems faced by the businesses. There is a lot of delay in the offices that involve the government officials.

The markets of the country do not have enough access to the foreign markets. Although the country exports a lot of products, the markets that are being covered are very limited. There is however great room for the country to improve the situation especially in the agricultural products.

Some relevant data for the company

The most relevant data for the company is related to the various aspects of the economy. On the global level, there will be a continuous increase in the sales of vehicles. The country will become the biggest user of renewable energy resources by the year 2020. One of the largest cities New Delhi aims to have 25% electric Vehicles by the year 2023. The development of the solar and wind energy sectors will mean that these two can account for 75% of the total energy capacity in the country. The battery storage limit may increase to 40 Gw by 2040. There has been a huge trend of change that is visible in the energy market of the country. The renewable energy sector has emerged because of major issues raised against the pollution. The government has aimed to produce 175 gigawatts of renewable energy by March 2022. This will account for 40% of the total energy needs of the country. The new technology may increase the revenues of the automotive industry by 30%. These revenues may increase the growth rate of the industry by 4.4% (Springer India- New Delhi).

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