Bridging the 5014 km gap between India & South Korea
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Trade and economic relations between India and the Republic of Korea (Korea) have gathered momentum in recent years with annual bilateral trade reaching $21.5 billion in 2018, crossing the $20 billion mark for the first time. Bilateral trade in Jan - Nov 2019 recorded $19.05 billion. During President Jae-in Moon’s visit to India in July 2018, it was agreed that India and South Korea would work to leverage opportunities arising from complementation and work to increase bilateral trade to $50 Billion by 2030. We are constantly driving to strengthen trade and economic ties.

Understanding the cultural gaps and business practices between India and South Korea is essential for Indian and Korean business persons to succeed in these two complex markets and societies. I am sure this report will be of relevance to business enterprises in India and South Korea. I wish you all the very best.

H. E. Sripriya Ranganathan
Ambassador of India to Republic of Korea
Introduction

THE GAIN is a global accelerator based in Bangalore, India with a vision to enable cross-border collaboration for startups. THE GAIN has been working closely with the South Korean startup ecosystem over the past couple of years. Both markets are not easy to access for foreign entrepreneurs. Hence, We felt the need of a reference guide to bridge the cultural gap and enable stronger business collaboration between the two countries, especially at the startup level. This white paper, “Bridging the 5014 km gap between India & South Korea”, addresses the areas of growth, business collaboration and cultural practices in the two countries.

We would like to acknowledge the efforts of several individuals in the creation of this paper. Firstly, our thanks to the Indian Embassy to Republic of Korea under the leadership of Ambassador H. E. Sripriya Ranganathan for their guidance and continued support.

We would like to thank Dharmik Sai Mikkilineni, Korea Country Manager at THE GAIN, Pratham Bhat, Management Intern at THE GAIN & MBA student at T A Pai Management Institute, Prof. Dr Anirban Ghatak, Institute of Management, Christ University along with MBA students Arkaprabha Das, Rida Ahmed & Lopamudra Dash, who have all played a role in creating the white paper.

Poornima Shenoy
Co-Founder, THE GAIN
May 2020
1. Startup Ecosystem Overview

**Indian Ecosystem**
- **39,000+** Active Startups\(^1\)
- **24** Unicorns\(^2\)
- **335+** Accelerators & Incubators\(^2\)
- **192** Venture Capital (VC)* Firms\(^3\)
- **13,045** IPRs granted in 2018\(^4\)
- **$11 Billion** investment raised by startups in 2018\(^5\)

*Note: All $ are US Dollars*

**South Korean Ecosystem**
- **36,000+** Startups\(^6\)
- **11** Unicorns\(^7\)
- **47+** Accelerators & Incubators\(^8\)
- **165** Venture Capital (VC)** Firms\(^9\)
- **119,012** IPRs granted in 2018\(^10\)
- **$2.9 Billion** investment raised by startups in 2018\(^9\)

*Domestic VC firms listed with SEBI, India  **Domestic VC firms listed with KVCA, South Korea*

Sources:
India has seen a growth in technology startups which use AI, IoT, Data Analytics and AR/VR.

Source: NASSCOM Report 2019 across 1265 startups
Digital & ICT technology startups continue to lead the way for innovation in South Korea.

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**Major investment themes for 2019**

<table>
<thead>
<tr>
<th>Technology</th>
<th>Investment %</th>
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<tbody>
<tr>
<td>Blockchain</td>
<td>2.8%</td>
</tr>
<tr>
<td>Cyber security</td>
<td>3.0%</td>
</tr>
<tr>
<td>Digital Healthcare</td>
<td>6.0%</td>
</tr>
<tr>
<td>Smart space</td>
<td>6.0%</td>
</tr>
<tr>
<td>VR/AR/MR</td>
<td>7.5%</td>
</tr>
<tr>
<td>Cloud Technology</td>
<td>7.8%</td>
</tr>
<tr>
<td>Automation</td>
<td>8.2%</td>
</tr>
<tr>
<td>Artificial Intelligence</td>
<td>10.8%</td>
</tr>
<tr>
<td>IoT</td>
<td>12.7%</td>
</tr>
<tr>
<td>3D printing &amp; Others**</td>
<td>13.2%</td>
</tr>
<tr>
<td>Mobile Internet</td>
<td>19.4%</td>
</tr>
</tbody>
</table>

**Across 464 Startups**

**Others include Anyang, Suwon, Yeonsu-gu, Goyang, Ansan, etc.**

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**Startups by location**

- **Seoul**: 64%
- **Seongnam**: 17%
- **Yongin**: 3%
- **Others***: 16%

*Others include Anyang, Suwon, Yeonsu-gu, Goyang, Ansan, etc.
3.1 Indian Business Landscape

Some key sectors

E-commerce¹
- India is the fastest growing E-commerce market globally at 30% CAGR till 2026
- India's E-commerce market to reach $200 Billion by 2026
- Walmart's acquisition of Flipkart for $16 Billion has opened up entry into the India market

Fintech²
- India is Asia's leading fintech funding target market with $286 Million across 29 deals in Q1 of 2019
- India is ranked the 3rd largest fintech ecosystem globally
- India's projected fintech transaction value will be $137.8 Billion by 2023; growing at ~ 20% CAGR from 2019

Healthcare³
- India's healthcare market will be $372 Billion by 2022
- Telemedicine is legal in India and a fast emerging segment having seen 20% CAGR during 2016-2020
- India has the world's largest government funded health scheme - Ayushman Bharat with 121 Million health cards issued as of February 2020³.¹

Some key sectors

### E-commerce
- 5th largest E-commerce market in the world
- Internet penetration of ~93% and highest average internet connection speed globally
- 61.5% of E-commerce sales happen on mobile devices

### Information & Communications Technology (ICT)
- Global leader in semiconductor, mobile phone and 5G industries
- Ranked #4 in digital transformation index & #2 in industry connectivity index in Asia in 2018
- Setup a national artificial intelligence (AI) strategy with $1.95 Billion investment plan by 2022

### Gaming
- South Korea’s gaming industry is the 4th largest in the world
- $5.6 Billion in revenue in 2018 with ~29 Million players
- In 2018, Bluehole raised $500 Million to become a unicorn. In 2017, Netmarble raised $2.3 Billion via the country’s 2nd largest IPO
3.3 Government Initiatives In India For Indian Companies

India is the 2nd largest economy globally in terms of population as of 2019 (1.37 billion+)^1
India is the 5th largest economy globally in terms of nominal GDP as of 2019 ($2.94 trillion+)\(^2\)

**Self Certification**
- Self-compliance under 3 environmental & 6 labor laws

**Income Tax Exemption**
- 3 consecutive years
- Exemptions on capital gains
- Investments above Fair Market Value

**Patent Application & IPR Protections**
- New fast track process
- Up to 80% rebate in filing patents
- Financial support to MSMEs for international patent filing

**Potential $1.4 Billion\(^3\) fund for MSMEs**
Reserve Bank of India (RBI) has proposed a ~$1.4 Billion Fund Of Funds to support Venture Capital VC and Private Equity PE funds investing in MSME sector

**Easier Public Procurement Norms**
- Get listed as seller to the government through one-stop portal online
- More startup-friendly policies such as exemptions on prior experience and prior turnover

**Visa On Arrival**
- South Korean Citizens can avail Visa On Arrival in India
- Visa On Arrival provided is 60 days for business visitors

Sources: Startup India, Govt. of India 1 - Worldometer 2 - Investopedia 3 - CNBC TV18
3.4 Government Initiatives in South Korea

South Korea ranks 28 globally in terms of population as of 2019 (51 million+)¹
South Korea is the 12th largest economy globally in terms of nominal GDP as of 2019 ($1.63 trillion+)²

Global Pipeline for Talent
- Expedited startup visa
- Accommodation voucher for expats
- One-stop support agency

Techspace 1000
- Building new cluster facilities for 1000 startups focusing on Biotech, AI, VR/AR & Advanced Manufacturing

To address Virus outbreak
- Tax benefits to SMEs with outbreak of COVID-19
- Tax payment due date extended up to 12 months

Strategic Investment for Growth
- Seed investment with public fund as a catalyst
- Seoul Future Growth Fund for early stage startups ($1.2 Billion)

Private-led Accelerating Platform
- “Seoul Startup Platform” to connect startups with investors and public agencies domestically and globally

Seoul Testbed
- 500 innovative products to be tested by 2023

Multi-level support being provided by Korean Government for startups starting from Ideation level entrepreneurs

Sources: Seoul Startup Ecosystem At a Glance 2019 by Economic Policy Office, SMG, South Korea 1 - Worldometers 2 - Investopedia
4. Trade agreements & impact: India & South Korea

- Oldest preferential tariff agreement between 6 countries in the Asia Pacific region
- Top five sectors for preferential tariffs:
  - Aquaculture
  - Hand woven textiles
  - Iron & Manganese ore
  - Communication equipment
  - 2D/3D Computer Graphics
- The agreement contributes to 28.09% share of Korea’s total exports and 9.72% of India’s total exports\(^4\,^5\)

- Avoids double taxation for business
- Reduction in withholding tax from 15% to 10% on royalties/fees for technical services and from 15% to 10% on interest income
- Transfer pricing adjustments are now possible through bilateral advance pricing arrangements (APA) or Mutual Agreement Procedures (MAP)

- Free trade agreement between India and South Korea signed in 2009
- Commits to lower or eliminate import tariffs in trade for goods & services
- Over the next decade, the CEPA will cover 90% of Indian goods and 85% of Korean goods
- Indian exports to South Korea was $5.89 billion in 2018
- South Korean exports to India was $15.61 billion in 2018

Sources: 1. Indian Trade Portal 2. Ministry of Finance, Govt. of India 3. Ministry of Commerce, Govt. of India 4. UNESCAP - India 5. UNESCAP - Rok
5.1 Corporate Case Study

- First smartphone and consumer electronics company to achieve $10 billion in India
- 20% jump in revenue in FY18-19 from FY17-18
- Five R&D centers and one design center in India
- 70,000 employees in India
- Samsung holds 20%+ of Indian smartphone market share as of FY 18-19; 2nd largest market share after Xiaomi in India
- Samsung R&D Bangalore wins the National Intellectual Property Award 2018
- 250-300 patents filed every year
- Samsung has set up the largest mobile manufacturing facility in entire world in India.

- Acquired Daewoo Commercial Vehicle Company for $102 Million
- Tata Daewoo is the second-largest heavy commercial vehicle manufacturer in South Korea
- Tata Daewoo has exported over 14,000 heavy duty trucks to over 40 countries
- Received “1 Billion dollars export” and “2 Billion dollars export” award by the Government of South Korea
- Tata Daewoo’s large-sized truck market share in South Korea is estimated at 30% plus

Samsung and Tata Motors are two successful examples of successful cross-border enterprise between India and South Korea.

Sources: 1- Business Standard 2- TATA Daewoo Website 3- Hindustan Times
5.2 Cultural Practices – An Overview

**India**
- Traditional companies are hierarchical
- Tolerance for the unexpected is high
- Indian culture values humility
- Work & family are the center of one's life
- Acceptance of imperfection
- “Jugaad” mentality - an innovative short term fix to a problem using limited resources; “Adjust” is the word often used
- Seeks profit faster; preference to price over value
- There is less emphasis on leisure

**South Korea**
- Leans towards a hierarchical society
- Employees depend/wait for orders
- Commit to long-term relationships
- Loyalty is important
- Strong need for rules and regulations
- Motivation is having job security; there has been a gradual shift towards entrepreneurship
- Seek steady market share growth instead of faster profits
- Objective is to stay in business long-term
5.3 Business Practices In India

- Etiquette typically requires a handshake.
- People nodding their heads can mean “Yes”, “No” or “Maybe”.
- Usual norm is for meetings to start & finish late and for interruptions to occur.
- Showing the soles of feet or shoes, or pointing feet towards anyone is considered disrespectful & insulting.
- English is the preferred language of business.
- Indians base their decisions on data as much as on trust and intuition.
- Gift giving & receiving with overseas partners is considered acceptable.
- Interference of work in personal life is common.

Source: Commissio Global India
5.4 Business Practices In South Korea

- Punctuality is absolutely essential
- Meeting cancellations or changes are not considered professional
- Shaking hands is common with a bow
- Preserving “kibun” (face, honor, and personal dignity) is important
- Decision making follows formal procedure with approval from senior executives
- Building connection and trust is considered essential for business relations
- Exchanging business cards is a vital part of the first meeting
- Exchanging gifts is a common practice

Source: Commisceo Global India
In order to validate the critical points in this report, a survey was conducted with ~10 respondents each from South Korea and India. The respondents were primarily startups who have had experience in cross border business in the respective countries.

**6. Insights From Primary Research**

South Korean companies typically prefer to do a thorough background check and weigh other options before evaluating a potential business opportunity.

Indian companies are comfortable meeting the prospect and/or evaluating other options before making a business decision.

South Korean businesses prefer to work with Korean consultants or government references to expand to the India market. It is important to note the need of having local Indian partners to work effectively in India.

Indians on the other hand are comfortable with direct Joint Ventures with Korean consultants/companies.

South Korean enterprises require their government support to explore India market.
6. Insights From Primary Research

Business Communication & Hierarchy

- Both Indians and Koreans are comfortable to follow up via Email and “WhatsApp”/“KakaoTalk”
- Both Indian and Korean companies adhere to time to start business meetings but are flexible by 5-10 minutes
- South Korean companies tend to be more hierarchical with CEOs/CXOs taking the final business decisions of the company. In India, experienced/trusted employees are also empowered to take business decisions
- Both Indian and Korean companies are comfortable with business in formal or informal settings and comfortable with business meetings starting with an informal talk and transitioning to the business agenda

Government

- Most Korean companies said they needed government support and funding to explore the India market
- Indian companies on the other hand do not rely on government to explore other markets
- Most Indian companies look at the Japanese market as an alternate to Korea. It is important to note that different strategies need to be adopted for Japanese and Korean markets
- Korean companies on the other hand look at Vietnam as their primary market of choice
7.1.1 Checkpoints To Do Business In India

- Informal talk at the beginning of a meeting is common
- Talks can include topics about family

- Gifts should be given with both hands
- Gifts are typically not opened when received; they are opened at a later time

- Important to identify the “right” decision-maker
- Decisions are generally taken by senior management whose presence is needed at the meeting(s) to close the deal(s)

- To seek a positive answer, rephrase the question. For example: if unable to secure a meeting, ask what day and time would be convenient to meet
7.1.2 Checkpoints To Do Business In India

**Time**
- Usual norm is to be flexible
- Interruption during meetings is not uncommon
- Cancellation or postponement of meetings not unusual

**Follow-up Methodology**
- The best way to follow-up is through email, WhatsApp or through a direct call
- It is common for multiple follow-ups without waiting for response
- MoU documents are given less importance in India as compared to South Korea

**Communication**
- Indians indirectly express disagreement to avoid conflict
- Culturally, saying “no” is considered rude
- Indians prefer saying “we’ll see” or “I will try” when they likely mean “no”
- Bring business and finance related discussions early into the discussions
7.2.1 Checkpoints To Do Business In South Korea

- Cold calls tend to work in South Korea
- Direct and face-to-face introductions can go a long way for successful partnerships

- Share visiting cards, brochures and marketing collateral during first meeting
- It is preferable to have the documents in Korean as well
- Knowing Korean language is a significant advantage to do business

- Disagreement should be handled smoothly
- Avoid contradicting someone in public

- Check the title and designation of the executive prior to the meeting
7.2.2 Checkpoints To Do Business In South Korea

**Time**
- Appointments to be made in advance
- Reschedule/Cancellation not considered professional
- Do not exceed the scheduled time limit of the meeting

**Follow-up Methodology**
- Email is the preferred mode to follow-up
- It is recommended to wait for response before following up multiple times
- “KakaoTalk” is a preferred communication medium

**Communication**
- South Koreans mean what they say
- Words must be chosen carefully as their literal meaning is often considered
- There should be no ambiguity while speaking. It is better to communicate simply and straightforward.
India is a large and diverse country with many complexities. Companies looking to expand to India should come with a long-term mindset and strategy. Market segmentation and pricing strategy often play a pivotal role for the company to be successful. Efforts should be made in identifying and developing relationships with local Indian partners.

South Korea is a technologically highly advanced country with a densely populated and dynamic consumer market. Korea is not an easy market for foreigners. Companies looking to expand to Korea need to identify a Korean partner to navigate legal issues and business relations and access government grants. Learning the Korean culture and business practices is imperative to successfully enter the South Korean market.