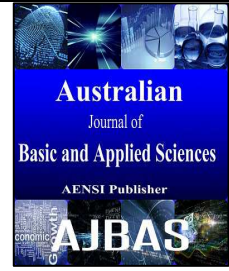




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Analyzing the Indian Manufacturing Sector Beside with Competitiveness

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ABSTRACT

Globalization given a challenge to play with the arrival of cheap importable along with opportunities of availing outsourced operation and subcontracting. The idea of competitiveness will make the individual firm as well as the sector strong and succeeding the Indian economy globally competitive. The existent learning has been done with the objective to analyze the determinants of competitiveness of India's manufacturing sectors. The analyses in this study are intended to derive recommendation and suggestions for enhancing and strengthening of national and global level competitiveness of manufacturing units by way of improving business environment through identifying prime factors of constraints and pressures under which manufacturing units are operating. The study basically based on the field survey of manufacturing sectors in different geographical locations with focuses on many sectors like Chemicals, Food Processing, Handlooms and Knitwear etc along with the business outlooks. The survey was conducted using snowball technique in some specific clusters where units of such industries were located. The general Economic survey graph on yearly bases exposes the status of India's Manufacturing sectors. The discussions were conducted with manufacturing units from the clusters located in and around Tamilnadu along with general statistics. It has been found that the factors responsible for the competitiveness are not universal. It highly depends upon the nature of industry and units, factor intensity of production process, production system, and characteristics of clusters etc. that is sector specific.

INTRODUCTION

The 'Indian Manufacturing' sector has the potential to elevate much of the Indian population above poverty by shifting the majority of the workforce out of low-wage agriculture. It fuels growth, productivity, employment, and strengthens agriculture and service sectors. Manufacturing Industry in India has gone through various phases of development over the period of time. Since independence in 1947, the Indian manufacturing sector has traveled from the initial phase of building the industrial foundation in 1950's and early 1960's, to the license-permit Raj in the period of 1965-1980, to a phase of liberalization of 1990's, emerge competitiveness. Indian Manufacturing sector currently contributes ~15-16% to GDP (2015) and gives employment to ~12% (2014) of the country's workforce. Studies have estimated that every job created in manufacturing has a multiplier effect, creating 2-3 jobs in the services sector. In a country like India, where employment generation is one of the key policy issues, this makes this sector a critical sector to achieve inclusiveness in growth. India contributes ~2.2 per cent of the global manufacturing output which is at par with developed economies of the world such as U.K and France. Astronomical growth in worldwide distribution systems and IT, coupled with opening of trade barriers, has led to stupendous growth of global manufacturing networks, designed to take advantage of low-waged yet efficient work force of India. 'Indian Manufacturing' sector is broadly divided into -

- Capital Goods & Engineering.

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- Consumer non-Durables.
- Electronics, IT Hardware & peripherals.
- Gems & Jewelry.
- Leather & Leather Products.
- Mining.
- Steel & non-Ferrous Metals.
- Textiles & Apparels.
- Water Equipment.

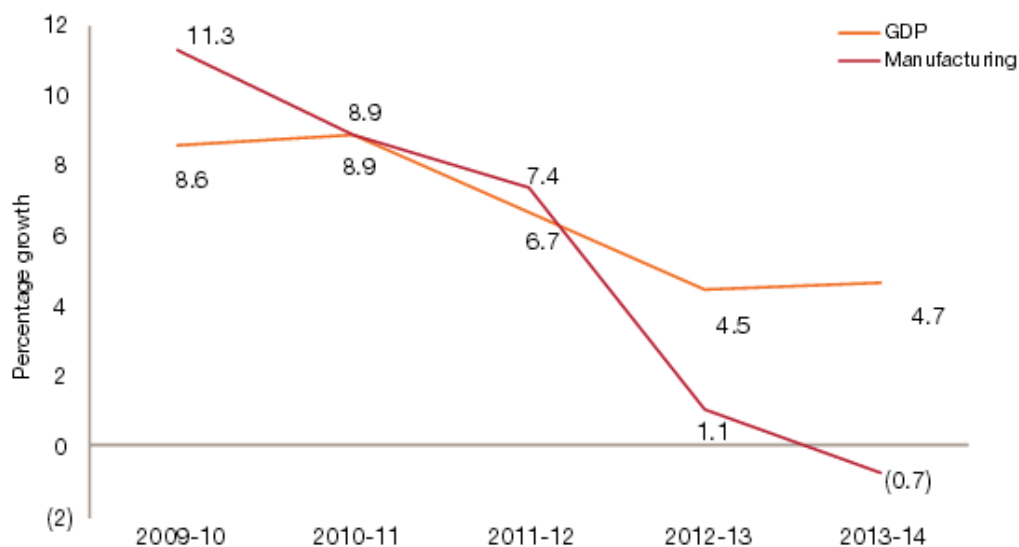
Indian Manufacturing Industry is successfully competing in the global marketplace and registering high growth on YoY basis, but large sections of 'Indian manufacturing' sector still suffers from bottlenecks like -

- Use of primitive technology or underutilization of technology.
- Poor infrastructure.
- Over staffed operations.
- Expensive financing and bureaucracy.

Further, 'Indian Manufacturing' sector must focus on areas like improving the urban infrastructure, ensuring fair competition and access to markets, reduction of import duties, quality improvements in vocational and higher education, increased investment in R&D and support of SMEs. Government leaders, experts, and researchers focusing towards making Indian manufacturing globally competitive and to have a sustained growth, which contributes significantly to GDP growth, employment generation and overall economic development. It also aims to identify factors hampering industrial growth and seeks to redress these factors (Han, S.B., *et al.*, 2007). The research study is follows based on the surveys and business outlooks.

Research study:

Growth in the manufacturing sector had fallen to a negative 0.7% in FY14, significantly below its five-year average of 5.6%. A reduction in spending by the government as it strove to meet fiscal consolidation objectives, hurdles in the implementation of ongoing projects, and a postponement of investment by the private sector due to an uncertain economic and political environment appeared to bode ill for the sector in India. The share of the sector, in GDP, had declined from 15.8% in FY13 to 14.9% in FY14. Additionally, in the last couple of years, slowdown in construction activity resulted in capacity underutilization in the steel and cement sectors. Besides, there had been a contraction in mining activities (Hill, E., 2014).



Source: The Economic Survey 2013-14

Fig. 1: Sector in India

2.1. Industry on an upturn:

- Managing reasonable margins kept their hopes high

- A larger number of companies could keep prices up; although costs were higher too
- Increased international sales

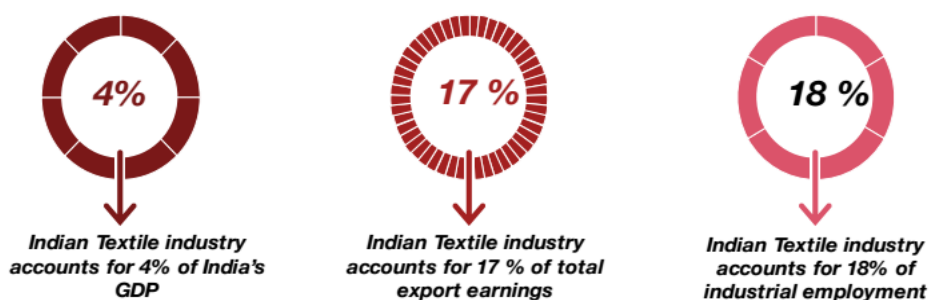
Table 1: The Business outlook for the manufacturing sectors

Business outlook for next 12 months	2014	2013
Condition of Indian economy today		
Significant economic growth	6%	2%
Moderate economic growth	75%	22%
No noticeable change	19%	38%
Moderate economic decline	0%	30%
Significant economic decline	0%	8%
Prospects about Indian economy		
Very optimistic	26%	0%
Somewhat optimistic	68%	28%
Uncertain	4%	54%
Somewhat pessimistic	2%	14%
Very pessimistic	0%	4%
Prospects about Indian manufacturing businesses		
Margins increased in the past 6 months	37%	30%
Margins expected to increase in the next 12 months	47%	54%
Key future business activities		
Expansion to new markets abroad	61%	57%
Start at least one new strategic alliance or JV	39%	43%
Planning to hire	35%	35%
Planning major investments	55%	40%
Expected barriers to growth		
2014		
Unavailability or high price of raw materials		50%
Oil or energy prices		40%
Competition from foreign markets		36%
2013		
Higher interest rates		56%
Lack of domestic demand		52%
Competition from foreign markets		21%

Approach to manufacturing sectors growth:

The Government has an ambitious plan to locally manufacture as many as 181 products. The move could help infrastructure sectors such as power, oil and gas, and automobile manufacturing that require large capital expenditure and revive the Rs 1,85,000 crore (US\$ 28.42 billion) Indian capital goods business. (Robb, D. and B. Xie, 2003) India is an attractive hub for foreign investments in the manufacturing sector. Several mobile phone, luxury and automobile brands, among others, have set up or are looking to establish their manufacturing bases in the country. (Sengupta, A. and S. Nundy, 2005)

With impetus on developing industrial corridors and smart cities, the government aims to ensure holistic development of the nation. The corridors would further assist in integrating, monitoring and developing a conducive environment for the industrial development and will promote advance practices in manufacturing. on December, 2015. (Zhao, X., *et al.*, 2003; Ward, P.T. and R. Duray, 2000). Textile Industry forms an important segment of the Indian economy in terms of contribution to GDP, employment and exports, and will be a major driver in country's growth in near future. With over direct employment of 45 million people, the industry is one of the largest source of employment generation in the country.

**Fig. 2:** Development of the nation

The size of India's textile market in 2013-14 was USD 100 billion which is expected to touch USD 226 billion market by 2023



Availability of Raw materials for Major textile and apparel zone in India are as follows:

- Major Investment destinations: Punjab, Haryana, Gujarat, Maharashtra, Tamil Nadu, Karnataka, Bihar, West Bengal.
- North : Kashmir, Ludhiana and Panipat account for 80% of woolens in India
- East: Bihar for Jute, parts of Uttar Pradesh for woolen and Bengal for Cotton and Jute industry
- West: Ahmedabad, Mumbai, Surat, Rajkot, Indore and Vadodara are the key places for cotton industry
- South: Tirupur, Coimbatore and Madurai for hosiery. Bengaluru, Mysore and Chennai for silk.

Government's focus on 'Make in India', the manufacturing sector continues to be paid the least at Rs 254.04/hour, less than the median salary of the Indian economy, the Monster Salary Index has revealed. The just-released Monster Salary Index' (MSI) sectoral reports for Manufacturing, IT and BFSI highlighted that employees in this manufacturing sector are paid about 9% lesser than the median salary for the entire Indian economy taken together. (12) IT is the highest paid sector in India with the median gross hourly salary pegged at Rs 346.42. For the BFSI sector, it is R300.23. Despite being paid about 24% higher than the media salary of country, only 57.4% employees in the IT sector are satisfied with their pay. The report finds that in the BFSI sector the relatively higher remuneration reflects the high level education of workers with 16-17 years of schooling. India's GDP stands roughly around USD 2 trillion, in which the manufacturing sector's contribution is just about 15-16%. Manufacturing therefore must take off in a big way, if India needs to grow exponentially and transform itself into an industrial economy. The findings of MSI prove that immediate measures are required to rectify the salary standards, especially since this sector is highly people intensive Major national initiative, designed to facilitate investment, foster innovation, enhance skill development, protect intellectual property and build best-in-class. The objective of Make in India initiative is to promote India as the most preferred global manufacturing destination manufacturing infrastructure and competitiveness.

A model of competitive priorities and manufacturing strategic decisions:

The model indicates that customer satisfaction is the ultimate goal of competitive priorities which, from the manufacturing viewpoint, are achieved by successful deployment and implementation of both structural and infrastructural decisions.(5,6)

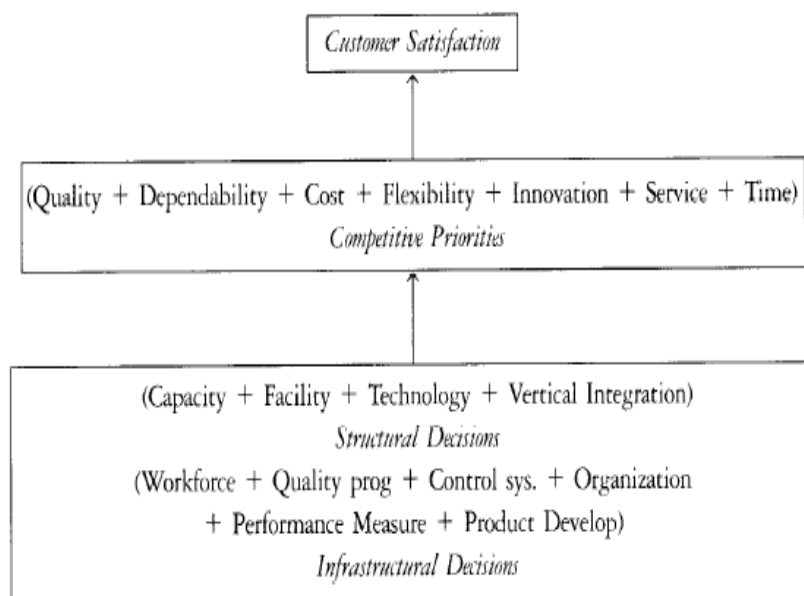


Fig. 3: A model of competitive priorities and manufacturing strategic decisions

Manufacturing competitive priorities:

They are the foundations of customer satisfaction and serve as a guidance for manufacturing strategic decisions. The five competitive factors, namely, quality, cost, flexibility, innovation, and dependable and fast delivery. (Phusavat, K. and R. Kanchana, 2008; Koufteros, X.A., *et al.*, 2002)

Competitive priority	Description
Quality	producing products with high quality performance standards
Dependability	honoring promises, meeting delivery schedules
Cost	producing and distributing products at low cost
Flexibility	responding to or conforming to new situations such as changes in product mix, volume, material.
Innovation	introducing new products and processes constantly
Service	providing pre-sales and after-sales support
Time	designing, producing, and distributing products faster than competitors

Conclusion:

In india's Manufacturing sector the growth and development is to identifying the global manufacturing destination, manufacturing infrastructure and competitive priorities components, among the components identifying most important components and ranking all the components in order of importance for success of organization and setting the same (competitive priorities) and then mobilizing, or reorganizing, reallocating or reorienting entire organizational internal resources to achieve necessary competitive advantage. For external resources, having necessary strategy in relation to competitor and external business environment, so as to orient them to create necessary competitive advantage and finally achieving your competitive priority and success of organization, since competitive priorities are characterized by attributes of customer satisfaction. The government future schemes and regularly made statistical study to makes the manufacturing sectors with success in new schemes and with competitiveness factors.

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