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Manufacturing Sectors in India: Outlook and Challenges

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Abstract

India is fast becoming one of the most lucrative options for manufacturing industry to prosper. This research was carried out to study the current manufacturing strategies implied by India for its growth in the manufacturing sector. An analysis was done on the factors which affect the manufacturing sector in different states across the country. Good infrastructure, compliance to tax & labour laws and meeting the desired environmental standards were some of the factors responsible for better performance of states like Gujarat and Andhra Pradesh.” International Monetary Fund (IMF) raised a concern about the pace of the reforms which are being passed. They pointed out that Indian economy is facing “decelerating pace of reforms”. Recently the long waited GST bill had been passed by the government of India which would enable an easy and a cost cutting flow of goods across different states of the country. It presents a wonderful opportunity for the manufacturing sector to re-establish the logistic sector of the country. A strong infrastructure is an essential ingredient for any manufacturing sector to grow. Keeping that in mind the government of India is investing a lot of funds in building a strong network of roads, rails and transport to foster the growth of the manufacturing sector. As many industrial corridors and road networks rapidly are being formed, this paper focuses on how these networks are catering to the growth of this sector. From this research we found out how new laws especially on land and labour coupled with constant improvement in the infrastructure is aiding India to emerge as the new manufacturing sector hub.

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1. Introduction

Post-independence, Indian economy was heavily dependent on the agricultural sector. It contributed to more than 50% to the GDP. Over the years India gradually shifted from agriculture based economy to the service based economy. Many economists believe that skipping the secondary sector is the main reason as to why Indian economy has not developed as fast as other economies of the world.

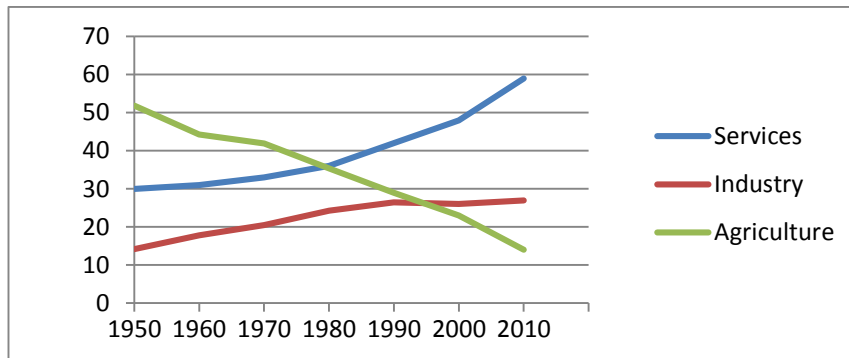


Fig 1 Sector-wise contribution to GDP

In recent years the manufacturing sector has been the major focus for the government of India. Realising the importance of manufacturing sector and the amount of employment it can generate, many initiatives are being taken up by the current government to foster the growth of this sector. Having the benefit of a high amount of educated population & skilled labour, there is enough scope for the manufacturing sector to further develop in the country. The ‘Make in India’ campaign started by the current government is one of the biggest initiatives taken by any government in order to attract foreign investors to invest and start manufacturing in India. The government is providing adequate infrastructure like electricity and strong network of roads and railways for easy transportation of goods and services. Many laws favouring the labours and land acquisition are being implemented so that it is easier for the foreign investors to start their business in India. Their main motive is to manufacture goods with zero defects so that none of the exported goods are returned back to India. With ‘Make in India’ campaign, the government doesn’t want to compromise on the environmental standards. They want to follow a sustainable and environmentally sensitive path to prosperity. Some of the major industries which are on a high rise are the automobile industry, electronic & semiconductor industries, machinery, chemical, pharmaceutical industries and aviation industries [1]G.S.Dangayach et.al (2007). Many foreign investors are looking to invest in the defence sector of the country as well. Along with foreign investors, domestic companies having good leadership and manufacturing technology are also encouraged to invest, so that they can compete with the global leaders. [2]

2. State-wise analysis

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