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INDIAN MANUFACTURING INDUSTRY: ANALYSIS ON POLICY FACTORS IN INDIAN MANUFACTURING INDUSTRY IN CURRENT SCENARIO

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Indian Manufacturing Industry: Analysis on Policy Factors in Indian Manufacturing Industry in Current Scenario

M. D. Sreekumar

Research Scholar, OPJS University, Rajasthan

Abstract – The growth in manufacturing sector is dependent on the investment climate. The structural reforms since 1990s have made some progress. Despite recent setbacks, it is universally acknowledged that the reforms process in India cannot be reversed and sooner or later these reforms will be implemented. However, the long term competitive ability of Indian firms would depend on production efficiency. Production efficiency, in turn, is dependent on ability to develop, import and adapt new technologies among other factors.

Keywords: Indian Manufacturing Industry, Policy Factors

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INTRODUCTION

Identification and evaluation of factors affecting labour construction productivity have become a critical issue facing project managers for a long time in order to increase productivity in construction. Understanding critical factors affecting productivity of both positive and negative can be used to prepare a strategy to reduce inefficiencies and to improve the effectiveness of project performance [1].

Knowledge and understanding of the various factors affecting construction labour productivity is needed to determine the focus of the necessary steps in an effort to reduce project cost overrun and project completion delay, thereby increasing productivity and overall project performance [2-3].

Based on the study & survey, Factors affecting construction labour productivity have been identified and are grouped into 15 categories according to their characteristics, namely [4-7]:

- Design factors
- Execution plan factors
- Material factors
- Equipment factors
- Labour factors
- Health and safety factors
- Supervision factors
- Working time factors
- Project factors
- Quality factors
- Financial factors
- Leadership and coordination factors
- Organization factors
- Owner/consultant factors
- External factors

REVIEW OF LITERATURES:

India started her quest for industrial development after independence in 1947. The industrial backwardness of Indian economy was evident as only 6.6 % of the national income was earned by Factory Establishments, employing just 1.8 % (i.e. about 2-4 million) of the total of the working population of the country in 1948-49. The Industrial Policy Resolution of 1948 marked the beginning of the evolution of the Indian Industrial Policy. The Resolution not only defined the broad contours of the policy; it delineated the role of the State in industrial development both as an entrepreneur and as an authority. Successive policy resolutions also reiterated this basic tilt in favour of the public sector.

The Industrial Policy Resolution of 1956 gave the public sector a strategic role in the economy. It categorised industries, which would be the exclusive responsibility of the State or would progressively come under State control and others. Earmarking the pre-eminent position of the public sector, it envisaged private sector co-existing with the State and thus attempted to give the policy framework flexibility.

Since then, the industrial development in the country, in terms of industrial policy and the framework has seen many changes befitting the growing globalization and liberalization of the economy. Besides, industry being in Concurrent List of the Constitution, a simultaneous effort is also made in this direction by the respective State Government. The industrial policy has been deeply embedded into the Five Year Plan (FYP) framework for the industrial development.

India›s strategy for industrial development witnessed a paradigm shift in 1991. Industrial development until then was largely based on product market regulations, with capacity licensing being its principal instrument. Though this strategy had successfully created an industrial base, it had encouraged rent seeking to a considerable extent. There were limited incentives for product innovation and for a competitive push. Economic reforms initiated in 1991 gradually removed these product market licenses. The new industrial development strategy, therefore, envisaged a significantly bigger role for private initiatives.

Industrial Policy since 1991 has been more for facilitating the industrial development rather than anchoring it through permits and controls. Industrial licensing has, therefore, been abolished for most of the industries and there are only 5 industries related to security, strategic and environmental concerns where an industrial license is currently required:

i. Distillation and brewing of alcoholic drinks;

ii. Cigars and cigarettes of tobacco and manufactured tobacco substitutes;

iii. Electronic aerospace and defence equipment: all types;

iv. Industrial explosives including detonating fuses, safety fuses, gunpowder, nitrocellulose and matches;

v. Specified Hazardous chemicals i.e.(i) Hydrocyanic acid and its derivatives, (ii) Phosgene and its derivatives and (iii) Isocyanates & disocyanates of hydrocarbon, not elsewhere specified (example Methyl Isocyanate)

For all other industries, a non-SSI entrepreneur is to file an Industrial Entrepreneurs› Memorandum (IEM) to the Secretariat for Industrial Assistance (SIA), Department of Industrial Policy & Promotion (DIPP).

Along with the removal of the industrial licensing, reform has also been initiated in areas of reservation of products for exclusive production in the small scale sector. Consistent with the policy of liberalization of domestic industry, the numbers of industries reserved for public sector have also been reduced. Presently there are only two areas which are reserved for public sector viz. Atomic Energy and Rail Transport.

Policy factors in Indian manufacturing industry in current scenario [5]:

The technology competitiveness of a country is determined by a combination of policy factors and industry specific factors. This section outlines the factors and their status In Indian context.

➢ ***Import Substitution***

The import strategy of the Indian government, which fostered the development of a wide range of industries, also facilitated the unpack aging of technology imports, and hence helped absorption and accumulation of technological learning. Though India achieved self -reliance in technologies for local production and consumption owing to the policy of import -substitution and self -reliance, it could not build capacity to create internationally competitive technologies to produce for international markets. As a result, export competitiveness capabilities could not be acquired.

➢ ***Human Resource Development and Technology Infrastructure***

The expansion of infrastructure for technical and higher education under the Scientific Policy Resolution, 1958 has ensured an adequate supply of qualified technical personnel and high degree of self-reliance – facilitating quick replacement of foreign personnel and absorption of imported technology. Although Indian organizations are served by a network of national laboratories and institutional infrastructure, these institutions generally fall short of quality when compared to those in industrialized countries – putting India at a comparative disadvantage. The role of national laboratories in designing and innovations varies from industry to industry. The main determinants of success of national R&D institutes appear to be the nature and extent of laboratory -industry interaction, the extent of market orientation of products and accessibility. Since most of the R&D effort is limited to specialized institutes, rather than in-house, market orientation is a weak link.

Some key R&D institutes and testing facilities directly related to manufacturing industry are:

- Central Manufacturing Technology Institute (CMTI)

- Council of Scientific & Industrial Research (CSIR)
- Central Mechanical Engineering Research Institute (CMERI)
- Central Power Research Institute (CPRI)
- Indian Institute of Petroleum (IIP)
- National Institute of Foundry & Forge Technology (NIFFT)
- Bureau of Indian Standards (BIS)
- In-house R&D units of large enterprises

The range of activities of these institutes includes education/training (both academic and practical), research and development (academic, practical, product, process and input material related), provision of information services, and provision of services like testing & inspection etc. Although the range of activities undertaken by these institutes is quite wide, resource constraints with respect to budget, staffing and equipment limit their effectiveness in both quantitative and qualitative terms. Some of them are located in areas away from the industrialized zones like Mumbai, Delhi etc.

Apart from R&D institutes, a number of engineering colleges - Regional Engineering Colleges (RECs) and Indian Institute of Technology (IITs) – provide a steady stream of engineering graduates, while the Bureau of Indian Standards (BIS) is responsible for activities related to the development, promulgation and maintenance of industrial and other standards.

The culture of collaborative research involving different institutes has not been promoted in past and the limited resources are not pooled through networking to develop core technologies in sectors where Indian industry has potential. Another vital link missing is the isolation of universities from R&D. While universities are the major research centres in almost all developed countries, especially Germany, Taiwan and Korea, in India they are isolated from scientific research and advancements. This is largely because government funding of the research institutes does not goad them to seek funding from industry and industry associations through fees and royalties charged for work performed. This results in low commercial orientation. This has also affected the quality of higher scientific education, which is becoming increasingly irrelevant over the years.

➢ ***Direct intervention***

Public sector enterprises - i.e. HMT, EIL, BHEL etc. – initially emerged to be the nuclei for technological development. Public sector industrial enterprises, because of the relatively large scale of their operations, were able to finance and coordinate the requisite level of technological activity – thereby overcoming high entry barriers for innovation.

CONCLUSION:

For process industries, the choice of unit size has an important bearing on the development of local technological capability. Standardization of unit sizes by the government in the case of power equipment, petroleum refining, and fertilizers has helped rapid absorption and mastery of technologies because it has made possible the frequent replication of similar plants.

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