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India@ 100: Looking For A Ripple Effect

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Despite lagging behind in the past, the manufacturing sector is set to surge owing to technology and flexibility of doing business

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23 August, 2017 by Clifford Alvares

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Has the Indian manufacturing story missed the growth bus over the last decade or so? Take a look at the contribution of the manufacturing sector to the GDP. Statistics show the sector expanded from below 15 per cent back in the 1950s to about 30 per cent of GDP till about 2010.

However, the last few years of the Indian manufacturing story has turned sour with the sector's contribution declining from 30 per cent to approximately 25 per cent of GDP at present. It is a story that has not resonated with the growing Indian population, because one thing is for sure, a bigger manufacturing sector creates more job growth.

While for most of the past few decades, manufacturing chugged decently, a larger growth in manufacturing, which led to an increase in jobs, picked up speed only after the liberalisation of the 1990s. India began to see the impact of manufacturing in the jobs market. Sectors such as automobiles, auto components, chemicals, metals & mining and pharma particularly stood out in growth over the last decade.

"The manufacturing sector has undergone a tremendous change over the last 70 years. Where the first industrial revolution was all about factories and workers, today a conversation on manufacturing is about innovation, technology and product development at a higher consistency," says Ullas Kamath, Joint MD, Jyothy Labs. Company heads are almost unanimous in their opinion that job creation is closely linked to this sector. "India has definitely evolved in manufacturing world class products. It is well-known fact that the thrust on creating jobs will be led by the manufacturing sector," says Rajesh Mokashi, MD, CARE Ratings.

While India has done well in many sectors, in some like electronics, the stagnation is obvious. India imports a large number of electronic items including mobile phones from countries such as China and Taiwan, which have overtaken us. In textiles, India

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But while we have winners and also-rais, what will it take for Indian manufacturing to catch up, and become a large manufactured goods supplier to the world, when India turns 100? Experts reckon that this is not easy. But perhaps a new age of Indian manufacturing is probably just getting started, just that we haven't realised it yet, thanks to the technological innovations. What we can say for sure is this: the levers to set the manufacturing ball rolling have moved to first gear because of various government initiatives.

Of course, there are no easy silver bullets. Over the next three decades, the government's initiatives like that of ease of doing business and efforts in increasing manufacturing of, say, defence products in the domestic economy can have ripple effects on Indian manufacturing.

Over the past few years, the global manufacturing winds are blowing towards digitisation, Internet of Things, machine learning, and technological innovation, which is expected to leapfrog and optimise manufacturing. Globally, events like Industrial Revolution 4.0 are going to propel manufacturing processes, and India's inexpensive labour, and its huge markets, can make Indian manufacturing globally competitive.

"Globally manufacturing is about offering products at lowest cost through usage of varied technologies like 'Internet of Things', big data and robotics. While I feel India is still to get there (in the real sense of the word) there is a clear bend in that direction," says Kamath.

In many ways, Indian companies are not lagging behind in adopting digital technologies. A small example for instance is Essel Propack, which is adopting digital technology to seamlessly integrate the customers' artwork in production lines to reduce timelines in introducing new products.

Kamath also explains that the aspirations of Indians are changing, and that will lead to better manufacturing prowess. "The aspirational levels of the Indian youth too are on a rise. Where the middle class Indian was content with a government job, today they have a different idea about the future," he says. "There are a lot of startups working towards digital enhancement aided by conscious push by the government. Initiatives such as Startup India, Make in India, Digital India are all testimony of a fact that manufacturing is changing slowly but surely," adds Kamath.

On the other hand, India's leapfrogging on the global investment map. In foreign direct investment, India has outpaced China. In 2015, India became the foremost FDI destination in the Asia-Pacific region leapfrogging China and attracting capital investment of \$63 billion as compared to China's \$56.6 billion, according to fDi Intelligence, a division of the *Financial Times*.

Some of the tools for India to become a manufacturing powerhouse such as technology, capital, a huge and growing market that allows for innovation are readily available. Some factors that boost manufacturing in India such as technology, if not available inhouse, could be easily imported.

However, the only Achilles' heel of India becoming a manufacturing powerhouse destination for the global economy is perhaps the flexibility of doing business and some archaic labour laws. "We have the skills and the know-how. But where we lack is the flexibility to do business and the logistics," says Mokashi. "If we can unshackle these, there's no reason why we cannot become a global manufacturing hub in the coming decades," he adds.

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