

Engineering Industry in India: Essay and SWOT Analysis

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Abstract: *The manufacturing sector, so called backbone of developed and developing economies and the most dominant sector within industry witnessed a decline in growth to 2.7 per cent in 2011-12 and 1.9 per cent in 2012-13 compared to 11.3 per cent and 9.7 per cent in 2009-10 and 2010-11, respectively. The moderation in industrial growth, particularly in the manufacturing sector, is largely attributed to sluggish growth of investment, squeezed margins of the corporate sector, deceleration in the rate of growth of credit flows and the fragile global economic recovery.. Industrial growth remained vulnerable due to several domestic factors and external shocks. Infrastructure and energy constraints, decline in demand for India's exports, and fragile recovery in investment are the risk factors. The policy initiatives taken by the government in the recent past have generated some optimism. In the present chapter opportunities and challenges before engineering industries have been discussed in the present industrial scenario.*

1. Introduction

The back-bone of any developing economy is manufacturing; nothing parallels a robust manufacturing sector. Countries like China, Germany, Japan and South Korea, which have strong manufacturing and engineering sectors are virtually the only major economies that run Current Account Surpluses. (1)

Although engineering does form a part of the Services sector also, as in designing, software solutions, knowledge banks, etc., it is in the manufacturing sector where its heart lies. Since manufacturing units, especially large ones employ people on a large scale, their bearing on the region's economic welfare is more inclusive and more influential. Nonetheless, nowhere do my words imply the Services Sector, such as Banking, Knowledge Processing, etc are any less important. India's engineering industry accounts for 27 per cent of the total factories in the industrial sector and represents 63 per cent of the overall foreign collaborations. It has emerged as the largest contributor to the country's total merchandise exports. (2)

The de-licensing of the Engineering Industry and the nod for cent percent FDI has spurred the industry; (3) however, the growth is at times marred by interventionist government policies.

2. Exports

Engineering exports in India constituted about USD 56.7 billion in 2012-13 (; the total exports were around 313 billion (4); the engineering sector thereby contributes the largest to the exports i.e., almost 18 percent. Engineering exports from India include transport equipments, capital goods, industrial machinery like boilers, turbines, etc and light engineering products like castings, forgings etc.

Engineering exports to India's Free Trade Agreement (FTA) partners such as Japan, South Korea, Sri Lanka and the Association of Southeast Asian Nations (ASEAN) bloc have witnessed robust growth. Shipments to Japan grew 17 per cent during April-November, 2013-14 to US\$ 568 million as compared to the same period last year. Exports

to South Korea increased by over 13 per cent to US\$ 739 million during the period. (5)

The United States (US) and Europe account for over 60 per cent of India's total engineering exports. (6) Several European giants find India as a destination of economically efficient out-sourcing. Huge contributors to the Indian Engineering Industry are Micro, Small and Medium Enterprises or the MSMEs. Micro, Small and Medium Enterprises (MSME) contribute nearly 8 percent of the country's GDP, 45 percent of the manufacturing output and 40 percent of the exports.(7)

3. Engineering Industry: Basics and Types

The Engineering Industry is divided into two types:

1. Heavy Engineering
2. Light Engineering

Heavy Engineering includes Metallurgy, Large-scale Dairy Plants, Power Plants, etc. while Light Engineering employs medium to low level of Technology to produce goods such as nails, steel forgings, etc.

Indian Engineering Industry finds itself unable to realise its full potential in the wake of sagging infrastructure and improper means.

Indian Engineering Industry: SWOT Analysis

Strengths	Opportunities
1. Abundant Human Resources	1. Huge domestic market
2. Geographic location conducive to Global Trade	2. Huge scope of development
3. Entrepreneurial Excellence: Success of Big Corporate runs parallel with success and innovation of MSMEs	3. Foreign direct investments
4. Growing Domestic Economy	4. Developing world: Africa & Latin America
	5. Developed World: A strategic option for outsourcing

Weaknesses	Threats
1. Lack-lustre government policies: 2. Corruption-conducive bureaucratic hurdles 3. Still-existent Legacy of the License: e.g. Labour laws, opposition to privatisation, etc. 4. Unskilled labour 5. Lack of professionalism	1. Chinese domination and proved establishment in the International Market 2. Slowing Economy of Europe: Key Trade partner 3. Weaker Trade Relations with South-East Asian countries 4. Lack of Market-Diversification: Heavy dependence on Europe and USA.

References

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Major Trading Partners

The US and Europe account for about 60 percent of India's engineering exports (8)

Indian companies like Airtel are scouting for markets like Africa. Relatively unexplored markets like Latin America are also viewed as potential markets.

Government's Initiative

Government's key focus on Infrastructure development has spurred the growth of this sector.

Engineering Services Outsourced from India has a potential to grow to \$40 billion by 2020. (9)

Key Initiatives by the Government are as follows:

1. Focus on Infrastructure development
2. Doing away with licensing
3. FDI limit being increased to 100 percent in Engineering Industry
4. Creation of Special Economic Zones or SEZs to boost engineering output

4. Conclusion

The field of engineering is omnipresent; from a fan to a scissors, every object is a feat of engineering. It is crucial for the Government to boost this sector as it creates jobs and spurs development in every sense. The Government while has promoted the sector, a large chunk of illegal activities that primarily owe their being to corruption-conducive political framework hinder the progress of this sector. The Government also has many laws of the License Raj standing intact; labour laws are an example. The country still offers corporate loan at an Interest Rate of 15 percent, a figure higher than the developed countries; this law is a hindrance to expansion of MSMEs which are the pith of any Engineering Market in the World.