

A Review on Make in India on the Consumer Durable Industry

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I INTRODUCTION

Prime Minister Narendra Modi launched the Make in India programme on 25 September 2014 in a function at the Vigyan Bhawan. Make in India is an initiative of the Government of India to encourage multinational and domestic companies to manufacture their products in India. Urging global investors to make India an industrial hub is the eye-catching feature. The prime minister is urging investors to set up industries in India instead of just Foreign Direct Investment. This includes making India a destination for production of goods and exporting the same to the world over. Unlike others the consumer durable industry is also betting big on Prime Minister Narendra Modi's 'Make in India' campaign. India has been the third fastest share in retail marketing among the BRIC (Brazil, Russia, India, China) nations, and with the launch of this movement the consumer durable industry is expected to grow even more. The industry, which is pegged at Rs 45,000 crore in FY14, is expecting the government to focus on developing infrastructural sector, which in turn will cut down on the high input cost that most companies bear. The Centre's decisive measures to make manufacturing in India more competitive and attractive in order to enable industry players domestically manufacture consumer products such as washing machine, air conditioner and others. Manufacturing domestically will not just slash our input costs but is more economically viable than importing finished goods from other countries.

According to market estimates, the consumer durable industry is expected to grow by 20% year on year. While the industry is on growth track, the rate of growth can certainly be doubled, if correct policy reforms are implemented. The industry can certainly grow by multi fold if the government focuses on making India a manufacturing hub in the global market.

II OBJECTIVES & METHODOLOGY

(a) Objectives

- (i) To study that Make in India project will accelerate the growth of the consumer durable industry.
- (ii) To study the major constraints in application of Make in India in consumer durable industry.

- (iii) What measures will be applied by the government to help the industry to flourish.

(b) Research Methodology

The research is qualitative. An analysis is done on the key features of Make in India and its expected outcome on the growth of consumer durable industry as said in the make in India project. The data used is secondary; the sources have been the government reports and market survey of the past quarters of the industry.

III ANALYSIS

(a) Background of Consumer Durables

Consumer durables refer to those consumer goods that do not quickly wear out and yields utility over a long period of time. Some of the popular and common examples of these kinds of items are electronic goods, kitchen appliances, home furnishings and leisure equipments etc. Consumer durables can be broadly categorized into the following 3 heads:

- (i) White Goods: White goods mainly include air conditioners, refrigerators, washing machines, audio equipments and speakers.
- (ii) Brown Goods: This kind of consumer durables mostly include kitchen appliances like chimneys, electric fans, grinders, iron, microwave ovens, mixers and varied other cooking ranges.
- (iii) Consumer Electronics: Some of the mostly used consumer electronic goods are DVD players, MP3 players, mobile telephones, telephones, VCD players etc.

(b) Major Constraints

Though the Make in India project will boost up the consumer durable industry but there are limitations:

- (i) The major consumer durable industries have announced local production plans as the chorus around make in India gets louder day by day. However, the constraint is the lack of an enabling environment that prevents players from making firm commitments.
- (ii) India's taxation system is unusually complex, especially where Indirect taxes are concerned. While the recent budget did take the first few steps in this direction by rationalising customs duty on a few key components, more needs to be done in this approach.

- (iii) According to the Consumer Electronics and Appliance Manufacturers' Association (CEAMA), almost 30-40 per cent of all goods sold in the consumer durables and electronics markets in India are imported. Those that are made here are basically assembled using parts that are imported. Most of the suppliers of raw material and components in India do not have the scale to meet the substantial demand of the industry, making them less competitive from imports.
- (iv) Indian manufacturers face strong competition from the Chinese and other south East Asian counterparts. They have huge supply base and installed capacities as a result cost of production in India is more which lacks the country to create demand for their product in their domestic market.
- (v) Lack of infrastructural capacities is also a major constraint to local manufacturing within the country.

(c) Government Initiatives

The make in India project will carry the following objectives

- (i) Government of India is building a pentagon of corridors across the country to boost manufacturing and to project India as a Global Manufacturing destination of the world. The objective is to increase the share of manufacturing in the GDP of the country and to create smart sustainable cities where manufacturing will be the key economic driver.
- (ii) The government plans to develop new manufacturing cities, logistic hubs and residential townships along the DFC incorporating the philosophy of sustainability, connectivity and

development; each manufacturing city will have world-class infrastructure, convenient public transport, power management and an efficient water and waste management system.

- (iii) Twenty four manufacturing cities are envisaged in the perspective plan of the DMIC project. In the first phase, seven cities are being developed, one each in the states of Uttar Pradesh, Haryana, Rajasthan, Madhya Pradesh and Gujarat and two in Maharashtra. The manufacturing cities will provide international and domestic investors with a diverse set of vast investment opportunities.
- (iv) The plan focuses on sectors of general manufacturing; IT/ITES; electronics including high-tech industries; automobiles and auto ancillary; agro and food processing; heavy engineering; metals and metallurgical products; pharmaceuticals and biotech; and services sector.

(d) Present Scenario

Consumer durables revenues have been growing at a healthy pace

- (i) The consumer durables sector ranked in revenues worth US\$ 7.3 billion in FY12.
- (ii) Growth has been healthy over the years; the sector recorded a CAGR of 10.8 per cent over financial year 2003-2012
- (iii) Consumer durables market is expected to double at 14.7 per cent CAGR to US\$ 12.5 billion in financial year 2015 from US\$ 6.3 billion in financial year 2010.

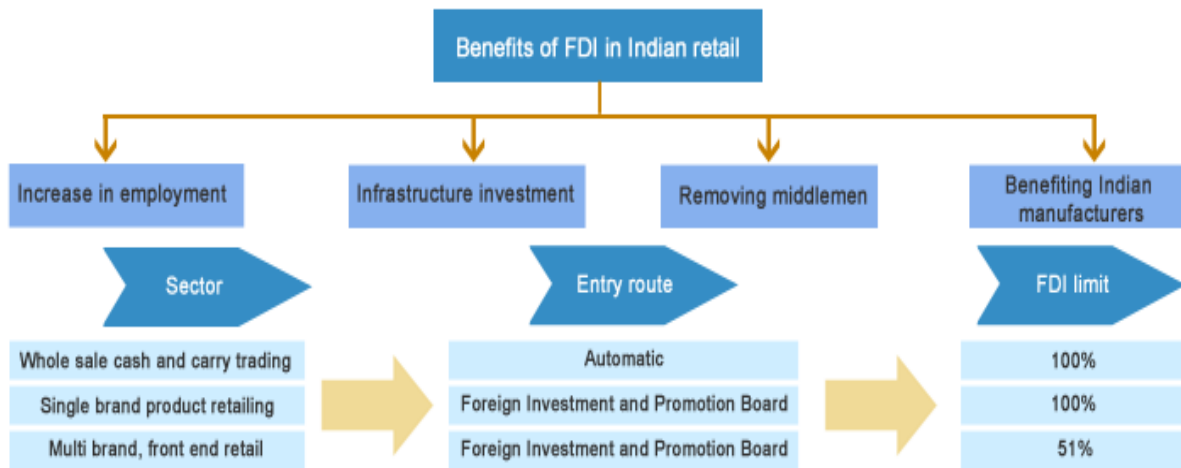
Size of the consumer durables market (US\$ billion)



Source: Electronic Industries Association of India, CAGR – Compound Annual Growth Rate, * Estimates

(e) Future Prospects

The following chart shows the benefits that the consumer durable industry will have with the Foreign Direct Investment in India:



Source: DIPP, TechSci Research

IV INFERENCES

The Make in India initiative will welcome emphasis in our foreign investment policy on efficient and competitive domestic manufacturing will serve multiple objectives.

- First and foremost, it will minimize the imports of such products into the country, thereby mitigating the pressure on our trade deficit;
- Second, in the long run, if not in the near-term, it will help augment and diversify our exports from the manufacturing sector;
- Third, it will help in bringing latest technologies into the country.

- Lastly, such domestic manufacturing will help minimize some of the trade frictions we have with other countries and all this will result a firm base for the consumer durable sector to expand more and more.

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