

# COMPETITIVE LANDSCAPE OF INDIA'S INDUSTRIAL SECTOR EXAMINING THREE SECTORS IN THE MIDST OF CHANGES

Poonam

student MA, MDU Rohtak

**Abstract:** India's industrial sector stands at a pivotal juncture, propelled by technological advancements, policy reforms, and shifting market dynamics. This abstract offers a comprehensive analysis of the competitive landscape within three critical sectors of India's industrial domain: manufacturing, automotive, and pharmaceuticals. Despite enduring challenges like infrastructural limitations and regulatory complexities, the sector is witnessing a paradigm shift towards advanced manufacturing methodologies. The abstract underscores the rise of smart factories and the adoption of Industry 4.0 principles, driving unprecedented improvements in productivity and competitiveness. Secondly, it scrutinizes the automotive sector, a cornerstone of India's industrial prowess and employment generation. Faced with the imperatives of electric vehicle (EV) adoption, evolving mobility trends, and stringent emission regulations, the automotive landscape is undergoing rapid transformation. By dissecting the competitive dynamics within these pivotal sectors, this abstract provides actionable insights for stakeholders navigating India's industrial landscape. Understanding the nuanced shifts and strategic imperatives enables informed decision-making, fostering agility and resilience amidst the transformative changes reshaping India's industrial ecosystem.

**Keywords:** India, industrial sector, manufacturing, automotive, pharmaceuticals, technological advancements, policy reforms, shifting market dynamics, advanced manufacturing, smart factories, Industry 4.0,

## Introduction

India's industrial sector stands as a crucible of innovation and transformation, fueled by a confluence of technological breakthroughs, policy reforms, and dynamic market forces. At this pivotal juncture, understanding the competitive dynamics within key sectors is paramount for stakeholders seeking to navigate the evolving landscape effectively. This introduction sets the stage for a comprehensive exploration of three critical sectors—manufacturing, automotive, and pharmaceuticals—within India's industrial domain[1][2]. The manufacturing sector, long regarded as the backbone of India's economy, faces enduring challenges such as infrastructural limitations and regulatory complexities. However, amidst these obstacles, a seismic shift is underway towards advanced manufacturing methodologies. This shift, characterized by the ascendancy of smart factories and the adoption of Industry 4.0 principles, heralds unprecedented improvements in productivity and competitiveness. Meanwhile, the automotive sector, a cornerstone of India's industrial prowess and a significant contributor to employment generation,

is undergoing rapid transformation[3][4]. The imperatives of electric vehicle (EV) adoption, evolving mobility trends, and stringent emission regulations are reshaping the automotive landscape. This transformation demands a meticulous examination of the sector's competitive dynamics and strategic imperatives[5].

Simultaneously, the pharmaceutical sector, instrumental in ensuring public health and driving innovation, is experiencing profound shifts. Patent expirations, burgeoning demand for generics, and the burgeoning influence of biotechnology are reshaping the sector's contours. In response, pharmaceutical firms are recalibrating their strategies, prioritizing investments in research and development (R&D), expanding global footprints, and embracing digital healthcare solutions. By delving into the competitive landscape of these pivotal sectors, stakeholders gain invaluable insights to inform strategic decision-making[6]. Understanding the nuanced shifts and imperatives within each sector enables stakeholders to foster agility and resilience amidst the transformative changes sweeping India's industrial ecosystem. Thus, this examination serves as a compass for navigating the complex and dynamic terrain of India's industrial sector[7].

The competitive landscape of India's industrial sector is undergoing significant transformations across various sectors, driven by technological advancements, innovation, and government initiatives to boost local manufacturing. Here is an overview of the competitive landscape in three key sectors:

#### **Automotive Sector:**

India's automotive sector is witnessing substantial growth and transformation, with key players like Tata Motors Ltd, Mahindra & Mahindra Limited, and Maruti Suzuki Limited playing significant roles

The sector is experiencing a shift towards electric vehicles, with the government promoting domestic manufacturing of electric vehicles through incentives and schemes[8]

The automotive industry in India is poised for growth, with a focus on innovation, technology adoption, and meeting the increasing demand for electric vehicles and smart mobility solutions

#### **Electronics and Semiconductor Sector:**

India is making strides in the electronics and semiconductor industry, aiming to reduce its reliance on imports and become self-sufficient in semiconductor production[9]

The Production Linked Incentive (PLI) scheme launched by the government is driving investments in electronics manufacturing, including semiconductors, batteries, and display systems

The semiconductor market in India is projected to grow significantly, with a focus on smartphones, automotive components, and data storage, offering lucrative opportunities for global and domestic players

#### **Manufacturing Sector:**

The manufacturing sector in India is a key contributor to the economy, with major players like Tata Motors Ltd, Hindustan Unilever Limited, and Larsen & Toubro Limited shaping the competitive landscape[10]

Initiatives like 'Make in India' and Production Linked Incentives (PLIs) are boosting domestic production, attracting investments, and promoting indigenous manufacturing across various industries

India aims to increase the manufacturing sector's contribution to the GDP to 25% by 2025, emphasizing automation, innovation, and reducing reliance on services for economic growth[11]

The initiation of economic reforms in India marked a significant shift from the principles of import substitution and a move towards building an economy where policy initiatives are so designed to attain competitive advantage. Economic reforms had its origin in industrial reforms in the early 1980s with subsequent trade reforms since mid-1980s. It was only since 1991 that economic reforms became comprehensive encompassing different sectors of the economy. Significant policy changes included dismantling policy induced constraints which by acting as barriers to entry and expansion were restricting domestic and foreign competition in the Indian industrial sector[12]. Apart from the introduction of wide ranging trade reforms measures, industrial sector reforms were deepened in 1991 through opening up of the sector for foreign investment, which was expected to lead to an increase in the levels of competition and consequent efficiency-seeking industrial restructuring. The initial industrialisation strategy since the mid-1950s accorded prime importance to the production of capital goods. With changes in policy regime since[13]. The early 1980s, it was the capital goods sector which experienced changes through dismantling of quantitative restrictions and reduction of tariffs on imports. It is thus of considerable interest as to how the sector has responded to the pro-competitive policy changes initiated in the Indian industry through liberalization in industrial and trade sectors. In particular, it is important to understand the changes in levels of concentration and competition in the capital goods industry following reforms in India since 1991. At this juncture, it is important to take recourse to the existing literature, theoretical and empirical, to understand the nuances of competition[14].

### **Competition Policy in India**

In the years after its independence, India adopted a development strategy that was inwardly focused and heavily supported by the public sector. In the mid-1950s, India instituted an industrial licensing system to safeguard its industries from private domestic and international competition. The system included stringent restrictions on foreign investment and trade, particularly imports, as well as prohibitive tariffs and discretionary quantitative controls over large private investments. Industrial licencing policy had good intentions of helping the country make better use of its limited capital resources, but it ended up leading to a market structure where only a small number of large industrial houses owned most of the private sector's

industries. A number of government agencies established monopolies in various industries, while large private companies often coordinated their strategies to avoid competition. Furthermore, there were a plethora of rules that limited competitiveness by restricting entrance. To avoid economic monopolization, the Monopolies and Restrictive Trade Practices Act (MRTP) was passed in 1969. Additionally, in the event that established businesses sought to diversify, the industrial policy included a myriad of regulations. The Foreign Exchange Regulation Act of 1973 went so far as to limit foreign investment in Indian businesses and technology imports. Policy tools like this slowed down industrial project rollouts and limited new entrants and capacity expansions (Ahluwalia, 1994). It has come to light that the MRTP Act primarily addressed the structural elements, such as the definition of a dominant undertaking and the criteria for determining investment limits and market shares. Abuse of the dominating position was often disregarded by the Act. The MRTP Act of 1969 addressed unfair and restrictive trade practices to a greater extent than monopoly, as pointed out by Bhattacharjea (2008) and Bhavani and Bhanumurthy (2007). Due to the sector's continued concentration, the MRTP Act had little effect on industrial output. The MRTP Act, on the other hand, hindered the achievement of production efficiency and economies of scale due to its limitations on expanding productive capacity. As for the outflow of foreign currency due to repatriation of earnings, it was noted that the Foreign Exchange Regulation Act (FERA) was unable to stop multinational corporations from owning a controlling ownership in their subsidiaries. The elimination of the industrial licensing system occurred in the early 1980s as a result of these policy changes. The removal of production capacity constraints and the authorization of private sector involvement in industrial output followed the 1980 and 1982 Industrial Policy Statements. On top of that, there were less restrictions on how businesses might enter and grow. Foreign enterprises with an export focus alone were not subject to the equity participation ban. There was a slow but steady loosening of restrictions on the import of capital goods and technology and foreign investment during the 1980s, particularly after 1985. In particular, trade liberalization was started in India since the mid-1980s, and the country's growth strategy shifted from relying on imports to looking outside. There have been two shifts in Indian policy toward the international sector: changes to the currency rate and changes to tradeable goods since the mid-1980s. Therefore, in the instance of India, the apparent difference between trade policy and currency rate policy is unclear. Export promotion via the reduction of economic distortions was another goal of the trade sector reforms that followed industrial decontrol. The elimination of quantitative restrictions (QRs) on imports and their replacement with tariffs was one step toward trade reform. Other steps included rationalizing the tariff system and simplifying trade processes. The open general license began to permit the import of capital goods from the mid-1980s. Although average tariff rates increased substantially over the period, import levies on equipment were subsequently rationalized. Although these tariff hikes did not impose new obstacles to imports, they advanced trade reforms by serving as the effective barriers to imports in conjunction with delicensing. Prior to the

elimination of all quantitative trade barriers and the rationalization of the tariff system, trade policy changes in the 1990s primarily aimed at expanding trade ties with other countries.

### **Objectives of the Study**

Even though there have been studies on the behaviour of price-cost margins in Indian industries during the post-reforms period, there is an inadequacy of concerted studies towards assessing the nature of relationship prevailing between the different entry barriers and the price-cost margins in Indian industry. Further, industry case studies on response of barriers to entry in India using firm-level information in the post-1991 period are not many. Such deficiencies underline the scope for further studies devoted towards assessing the impact of the entire gamut of competition enhancing policy measures on the entry barriers and state of concentration and competition in different Indian industries. This will help us to understand how the entry barriers actually influence price-cost margins, the key indicator of competition, which subsequently can be of help in designing sector specific competition and regulation policies. Accordingly, the study proposes to

- a) Identify the factors which possibly influence the entry and expansion of firms in an industry;
- b) Trace the behaviour of each of the entry barriers till 2009-10;
- c) Examine the nature of concentration and behavioural pattern of the price-cost margins during the first two decades of the post-reforms period;
- d) Analyse the impact of each entry barrier on the price-cost margins in each industry. For empirical investigation, three sub-sectors, namely heavy electrical machinery, communication equipment and auto components and parts, have been identified in the capital goods sector, which have been dynamic in the post-reforms period experiencing high growth. These three industrial sub-sectors can be prototype for the capital goods sector as a whole where reforms had significant effects

The main aim of industrial and trade reforms, which began in 1980's, followed by the comprehensive economic reforms initiated since 1991 was to increase competition in Indian industry at large as it was established in the literature that an enhancement of the level of competition enables Indian industry to become more efficient and deliver the desired benefits to the end-users. In fact, Indian industry has progressed through a period spanning well over two decades since the initiation of economic reforms. In this background, an analysis of the state of competition prevailing in different sectors of Indian industry is necessary to carry the process of reforms forward. Capital goods sector assumes particular significance as far as analyses of the impact of competition enhancing policy changes on Indian industry is concerned. The earlier chapter has established that wide ranging reforms in the capital goods sector, especially as observed in the three subsectors, have resulted in an increase in the incidence of barriers to entry in the sector. This defies the entire purpose of reforms for enhancing competition. It is now important to understand the levels of concentration and competition in the capital goods sector. The experience which this emerging capital goods sector has with regard to competition and

related issues in course of two decades since the initiation of comprehensive reforms in 1991 may serve as a good indicator for having a look at the state of competition policy with respect to this very important sector.

### Conclusion

The competitive landscape of India's industrial sector is undergoing profound changes driven by technological advancements, policy reforms, and shifting market dynamics. Through a comprehensive examination of three critical sectors—manufacturing, automotive, and pharmaceuticals—it becomes evident that each sector is navigating its unique set of challenges and opportunities amidst this transformative era. As India's industrial sector continues to evolve, embracing innovation, collaboration, and adaptability will be critical for stakeholders to thrive in an increasingly competitive global landscape. By harnessing the potential of technological advancements and policy reforms, India's industrial sector can chart a course towards sustained growth, prosperity, and global leadership.

### References

- [1] Ministry of Commerce and Industry, Government of India. (2020). Make in India: National Manufacturing Policy. Retrieved from <https://www.makeinindia.com/policy/national-manufacturing-policy>
- [2] Das, S., & Maheshwari, A. (2020). Industry 4.0 and Its Impact on the Indian Manufacturing Sector. *International Journal of Information Technology & Business Management*, 116-121.
- [3] Society of Indian Automobile Manufacturers (SIAM). (2021). Annual Report 2020-2021. Retrieved from <https://www.siam.in/siamreports.aspx>
- [4] Ghosh, A., & Banerjee, P. (2020). The Future of Automotive Sector in India: Challenges and Opportunities. *Procedia Manufacturing*, 47, 1220-1227.
- [5] Indian Brand Equity Foundation (IBEF). (2021). Pharmaceuticals Industry in India. Retrieved from <https://www.ibef.org/industry/pharmaceutical-india.aspx>
- [6] Rao, P., & Lekshmi, M. (2020). Indian Pharmaceutical Industry: Opportunities and Challenges. *International Journal of Science, Technology & Management*, 143-151.
- [7] Kalra, A. (2020). Exploring Emerging Trends in the Indian Pharmaceutical Industry. *International Journal of Scientific Research and Modern Education*, 5(2), 474-484.
- [8] Dasgupta, A., & Choudhury, S. K. (2020). Industry 4.0: Opportunities and Challenges for the Indian Manufacturing Sector. *International Journal of Information Technology & Business Management*, 121-126.
- [9] Narayanan, R., & Gupta, M. (2019). Industry 4.0: Impact on Manufacturing Sector in India. *Procedia Manufacturing*, 39, 922-929.
- [10] Mishra, D. R., & Mehta, A. (2021). Electric Vehicles Market in India: Opportunities and Challenges. *Journal of Advanced Research in Dynamical and Control Systems*, 13(1), 907-913.

- [11] Kalra, A., & Jain, N. (2019). Electric Vehicles: Emerging Trends and Challenges in India. *Journal of Emerging Technologies and Innovative Research*, 6(6), 36-40.
- [12] Khadka, R., & Shrestha, R. (2020). Challenges and Opportunities of Pharmaceutical Industry in India. *Journal of Management and Operation Research*, 1(2), 23-29.
- [13] Government of India. (2021). National Automotive Board: Automotive Mission Plan 2026. Retrieved from [https://niti.gov.in/sites/default/files/2021-06/National\\_Automotive\\_Board.pdf](https://niti.gov.in/sites/default/files/2021-06/National_Automotive_Board.pdf)
- [14] Indian Pharmaceutical Alliance (IPA). (2021). Annual Report 2020-2021. Retrieved from <https://www.ipapharma.org/pdf/IPA-Annual-Report-2020-21.pdf>