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Make in India through Unorganized Manufacturing Sector: SWOT Analysis

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Abstract

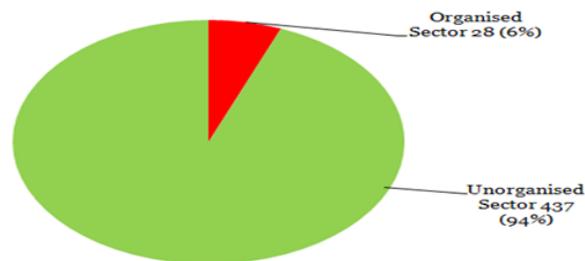
The paper highlights importance of unorganized sector and analyses the key strength, weakness, opportunities and threats. It also analyses recently launched government policy "Make in India". How this policy can change present conditions of unorganized manufacturing sector. It can locate as prominent area for India as leader in manufacturing which can contribute in government call "Make in India" to move India as manufacturing hub in world market.

Keywords: Unorganized Sector, Manufacturing, Make in India, Manufacturing Policy, Competitiveness

1. Introduction

Prime minister of India has recently been launched the "Make in India" policy Campaign he assured the global investor and domestic investor for safety of their investment vision of this policy is increase contribution in GDP through manufacturing, Creation of appropriate skill, enhancing global competitiveness of Indian manufacturing. It can say it is a New Manufacturing policy of India manufacturing sector can be divide in two part organized and unorganized in India. Both are different to each other in terms of business volume, employment, technologies as well as their contribution in GDP. But word Informal sector and Unorganized sector meaning exchange each other. National Commission for Enterprise has accepted definition for Unorganized Sector which is measurable in numerical term "The unorganized sector consists of all unincorporated private enterprises owned by individuals or households engaged in the sale and production of goods and services operated on a proprietary or partnership Basis and with less than 10 total workers." But International Conference of Labor Statisticians has not given any maximum limit for labor in unorganized sector. And discussed some feature Informal workers whose employment relationship is not subject to labor legislation social protection and certain employment benefits. (International labor organization 2002) As per NSSO data 2009-10 unorganized sector contribute 94 % in employment.

Total Employment During 2009-10



Total Employment: 465 million

Figures in million
Source: NSSO 2009-10

Growth of unorganized sector was 10% in last few years. Which infer that for remarkable positive changes in manufacturing sector there will need unorganized sector on high priority in “Make in India Policy “unorganized sector can be major component of GDP same like service sector There are several challenges and opportunity which need to account for significant implementation of this policy. Informal sector contribute in employment and GDP share of

informal Units in other than agriculture in GDP varies for example 27% in North America and 47% in Sub Sharan area in Combodia Informal Sector contribute in 80% non agricultural GDP so it has notice by policy makers and researchers for development of Unorganized Sector (Majumdar, 2014).

SWOT-Analysis



2. Key Strength

1. Demographic: As per census data 2011 India, s population is 1.21cr is second largest country of world in term of population it will help as good and productive manpower. Proper availability manpower lead cheaper manpower cost. which reduces over cost burden for small scale or unorganized industry.

2. Demand: India is consumer oriented market because it demographic population pattern more favorable because age group of 25 to 55 is major part of Indian population this strata of population always fallow consumerism and this age group population is also income oriented so demand of product and services will be in favorable condition in comparison to other emerging market like China Nepal and Sri Lanka.

3. Democratic country: India is democratic country mean Indian constitution is supreme legal document which prime motive is equal justice and equal opportunity for each person or entity in country. this given motive of constitution have been developed best transparency practices in economy in comparison to other emerging market.

4. Presence of organized Sector or Big houses: In India there are big houses or big industries they can be also good consumer for unorganized sector for their product. and there many success story exist in Indian economy where organized sector has worked with unorganized sector. AMUL is

example good example in dairy industry and proved cooperation between organized and unorganized sector as win –win policy.

5. Network or Strong financial institutions: For promotion of small and medium scale industry government has established SIDBI (small industrial development bank) which objective is promotion on of small scale industry apart this ICICI BANK, IDFC, and Commercial bank also support for development of small scale or unorganized sector. Government also have given many relaxation in this policy(Make in India) like easing caps of FDI 100% under automatic route in rail in rain sets and locomotives/coaches manufacturing and maintenance facilities. Also established The SME platform of the Exchange is intended for small and medium sized companies with high growth potential.

3. Key Weakness

1. Availability of technology: In India Unorganized sector (small and medium enterprise) face major challenge in technological aspect. Due to lack of updated technology most of unorganized sector has been ruined

2. Infrastructure Facility: Unorganized industry exists in very scatter manner. It exists in different regional areas because most of people use their house premises as production unit so they face problem of infrastructure problem like road and transport etc. Informal Sector, s product are not able to face competition in open market due

to poor quality of product in comparison to global market players, product this is also reason low export of manufacturing products.(Mitra, 2014)

3. Managerial Competence: Due to lack of fund availability as well low brand recognition good intellectual does not like to join small scale or unorganized industry. So good talent acquisition is challenge of for unorganized.

4. Imperfect Competition: In unorganized sector there is no any set parameter for production or quality assurance so they produce different kind of product and they vary in features and quality they create imperfect competition in market which is highly cut-throatmarket. Most of Unorganized depend on intermediaries which reduce profitability of production unit (Mitra, 2014).

5. Unable to invest in Research and Development: Due to lack of fund small scale industry does not invest in R&D. which very clear in below data

Source R&D	Year 2001	Year 2005
Abroad	0.67	0.80
Domestic collaboration	5.58	2.11
Domestic R&D	4.84	3.23
NO Any Source	88.91	92.82

Source: Third census of SSI 2000-01 and forth census of Micro Small and medium enterprises 2006-07

6. Skill gap: Between the organized sector and unorganized sector their skill gap in employee this gap effect productivity and production cost of unit

4. Key opportunities

1. Employment generation: Intervention of government in manufacturing sector through this policy will help to develop unorganized sector and development would be create pool of job in country.

2. Enhancement of export: Through the enhancement production through this policy will help to promote export at cheaper cost this and cheaper cost product will be help to compete in global market.

3. As supplier for organized Units: emergence of Unorganized sector could be a good role as supplier of raw material

4. Reduction of Inequality: Through development of Unorganized Sector in parallel Organized Sector would be help full in reduction the gap of wealth and Income of Indian people because disparity is also a challenge for welfare of society and sustainable development.

5. Product at optimum price for low income group: To reach low income in product at optimum price is possible through development of different tiny units or Unorganized units because due to lack of proper branding they sale their product at very low price in comparison to Organized Sector product.

6. Building of Nation: India lives in villages and most of product, s demand and employment are from unorganized sector therefore developing Unorganized Sector would be lead building of Nation as manufacturing leader at global level.

5. Threats

1. General view: In this policy government have given general view not any specific plan to make viable of policy (“Make in India policy”) for each and every industry at micro level.

2. Global Competition: Which country is cheaper for manufacturing in terms of labor and raw material is more important for a global investor. Worldwide manufacturing countries have been adopted hi-tech technology for example Robotics and Artificial intelligence and in other terms there are many cheaper countries for example China for raw material and Nepal is cheaper for labor.

3. Multifunctional politics: In India there is multifunctional politics which create hurdle for example dispute between center and state as well as other side intervention of court all affect the operation of business for example recently Supreme court of India have ordered to canceled 221 coal block deal. Due to dispute center and state many time polices of government become insignificant.

4. Social Security: Main reasonof backwardness of unorganized sector there is lack of social security for employee as well as entrepreneur so it de-motivates the people for unorganized sector.

5. Lack of branding: Unorganized sector face problem of branding against organized sector.

6. Lack of skill development institution: In India there is very little skill development institution and there availability at village level community level or regional level not possible in effective way for skill development. NCEUS (2009) has also discuss about quality of existing government institutions those provide vocational training they are unable to coordinate informal workers and entrepreneurs.

6. Inter-linkage between Unorganized sector and Make in India policy

For development of Unorganized Sector it is responsibility of government to support the wide area for growth of economy but they are incapable due to skill knowledge and resources so if government introduce any policy development he must have to ensure the work & livelihood of the people working in Unorganized sector is not displaced petty traders ricksawala, panwala small vendor who are engage in minor activities should not consider as hurdles in development because when expressway, new cites or special economic zone introduce they are horsed and charged fine. these small economic activities have to be part of policy for inclusive growth of Urban development or any government policy for economic development he also concluded that policy of economic development of government should be decide on the basis of informal sector and their strength should not be avoided (Bhosale, 2014).

In past Pre – liberalization era P.C Mahlonobis,s model second Five Year plan made the provision of reservation of small and household industries products this type also need in this policy (Make IN India) to enhance manufacturing and inclusive growth (Bhattacharya, 2014). Unorganized sector can be develop by help of this policy through co-ordination between unorganized sector and organized sector because drastic changes can be bring only if each and every strata of

Indian population would be engage whatever it is directly or indirectly. Unorganized sector include 94% of manufacturing industry so it can be avoid it's development only can be full fill dream of "Make in India".

In this policy there is need to make some provision to buy unorganized sector's product these product not only in from of raw material but also in from of finished goods for sale under umbrella of or brand of organized sector participant forexample: Wall mart can sale some product of unorganized sector in there retail store. Success story of AMUL was possible only with cooperation between unorganized dairy and organized Cooperative dairy. So as per this in pattern change would be require combining Unorganized Sector into organized sector or co-operative this would be work as leader as well as it will help to invest to create a brand and supply chain that can compete best at global level.

7. Recommendation

1. In this policy government has been made provision for regional unit these in these regional unit should be some establish promoted and protected for unorganized sector according to local level expertise.
2. To solve problem skill gap of manpower government should establish regional institutions for specific skill development.
3. For purpose of full fill research and development gap in this policy Government should establish institutions for R&D same like agriculture universities how their R&D help to farmer of our country in same pattern government can full fill research and development gap between organized and unorganized sector.
4. 93% of small scale units are self-dependent in in finance so there need relaxation in norms for financing and role of SIDBI require more wide and effective.
5. Infrastructure development is more important for proper implementation of this policy in effective way because unorganized sector face infrastructure problem as major challenge.
6. To solve the problem of multifunctional politics like dispute between center and state government for policy implementation and execution. policy makers need clear and unambiguous norms for organized sector as well as unorganized sector.
7. Unorganized sector face branding problem in comparison to organized sector so government should adopt some promotional activity to promote unorganized sector products. because unorganized product branding help to capture market opportunities for example Mumbai Dabbawala have created his branding by Owen and a given a lesson for Unorganized sector.
8. Unorganized sector face the problem of social security there should some provision as life insurance health insurance and wages from duration of unemployed.
9. Through this policy government has to make provision for minimum support price of unorganized sector, product.

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