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MARKETING, STRATEGY AND INVESTMENTS UNDER MAKE IN INDIA

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ABSTRACT

Purpose*- The paper aims to make aware the construction firms about the investments proposed under Make in India initiative and how they can maximize benefit out of the proposed investments. To avail these benefits, a detailed study of investments announced and their geographical distribution over various regions has been illustrated in this study.*

Design/methodology/approach*- A detailed study was carried out by referring to various sources of secondary data which included major online platforms. Further the data was used to categorize upcoming projects based on sector, geography, year of announcement and investments proposed. The construction sector is selected for the study because of direct relation of construction industry, project management, business strategy and the need of infrastructure projects for India being a developing country. The study is focused majorly on 25 proposed sectors of economy under the initiative. The sectors covered were decided based on the hypothetical construction firm selected for the case.*

Findings*- The data analysis is used to rank the upcoming investments and then giving the scores based on the investments. This study focuses on determining the selected firm's competitive advantage for reaping the benefits under "make in India" initiative.*

Originality/Value*- The study carried out considers a hypothetical firm having competency in various domains of construction sector. The competencies were calculated using various strategic frameworks.*

Key words- Make in India, marketing, strategic management, frameworks, competency, project management

INTRODUCTION

Indian Economy is the seventh-largest economy in the world measured by nominal GDP of USD million 2,250,990 (IMF 2016) and the third-largest by purchasing power parity (PPP) of value international USD million 8,720,758 (IMF 2016). The country is one of the G-20 major economies, BRICS member and a developing economy with an average growth rate of approximately 7% over the last two decades. India's economy is the world's fastest growing major economy since last quarter of 2014, followed by People's Republic of

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China. Maharashtra with an annual nominal GDP of USD 250 billion, is the wealthiest state of India and accounts for 14.42% of the country's GDP followed by the states of Tamil Nadu 8.42% and Uttar Pradesh with contribution of 8.16% (Statistics times, August,2015).

India due to its young population, low dependency ratio, healthy savings and investment rates has a prospective of long-term growth. India also topped the World Bank's growth outlook for 2015-16 for the first time with the economy having grown 7.6% in 2015-16 and expected to grow 8.0%+ in 2016-17 (IBEF.org). The service sector plays a dominant role in India's GDP, has attracted significant foreign investment, contributed significantly to exports as well as provided large-scale employment. The sector covers a wide variety of activities such as transport, trade, storage, financing, insurance, hotel and restaurants, transport, communication, real estate, business services, community, social and personal services and construction services. (IBEF.org).

Agriculture sector plays a vital role in Indian economy. About 58% of the rural households depend on agriculture as their primary means of livelihood. Not only agriculture, but fisheries and forestry, are also the largest contributors to the Gross Domestic Product (GDP). As per the estimates by Central Statistics Office (CSO), the share of agriculture and allied was 15.35% of the Gross Value Added (GVA) during 2015-16. India ranks third in farm and agriculture outputs. It is one of the largest producer, consumer and exporter of spices and spice products. India's horticulture output, comprises of fruits, spices and vegetables is estimated to be 283.4 MT in 2015-16. Agricultural export is the fourth-largest exported principal commodity and constitutes 10% of the country's exports. The agro- industry in India is divided into several sub segments such as processed, meat, frozen food, canned, dairy, fisheries, food grains and poultry. (IBEF.org).

The program laid the base of India's new national manufacturing policy and showed the way to both domestic and international industrialists with an aim to boost the employment and overall growth of India. The program lays emphasis on 25 sectors of economy namely automobiles, auto components, chemicals, IT, ports, pharmaceuticals, textiles, aviation, leather, tourism and hospitality, wellness, railways, design manufacturing, mining, bio-technology, pharmaceuticals, renewable energy electronics, etc. with focus on job creation, skill enhancement, economic, technical as well as overall infrastructure development. (Goyal et. al., 2015). The focus is given to manufacturing sector because of its potential to contribute to Indian

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GDP by 25% till 2020. According to World Bank Data, the contribution of Indian Manufacturing sector to Indian Economy was merely 13% in 2013. India ranks very low in contributing to the world manufacturing, with its overall share standing at a meager 1.8%. These statistics explain clearly that India has a lot to do in the manufacturing sector. (Samridhi et. al., 2015)

Transformation of India into a manufacturing hub will help strengthen, develop and modernize the Indian infrastructure. Such advancement will revive the health of other sectors such as service, agriculture, hospitality, medical, tourism, etc. To make this dream come true, India should analyze the significance of its financial services and human resource. (Samridhi et. al., 2015)

Indian manufacturing sector has a lot of potential to grow (S. Soundhariya, 2015). The manufacturing sector currently contributes around 16% of country's GDP and is consistent from past few years to nearly 16% only. The objective of Make in India is to increase the share of manufacturing sector to the country's GDP to 25% by 2020. The initiative by Government of India aims to encourage various Indian and multi-national companies to manufacture their products in India. The flagship program is intended to boost the domestic manufacturing industry and attract foreign investors to invest into the Indian economy to revive the manufacturing businesses.

A lot of literature is available on Make in India initiative and its impact on the Indian economy. However, the paper aims to show how a hypothetical firm can maximize the potential of investments proposed and how other firms in the construction sector can leverage the data given in the research paper & the frameworks defined. Also, the frameworks identified can be used by the firms as a guide to map their competencies and enter a suitable sector per their competency.

This paper carries extensive research on the investments been proposed under 25 sectors of economy proposed under Make in India. The program was started as a part of nation-building initiatives. Make in India was a response to a critical situation- by 2013, the evolving market bubble had burst and it had become a necessity to transform India into a worldwide manufacturing hub, since India's growth rate had fallen to its lowest level in a decade. India was tagged as one of the so-called 'Fragile Five' and the promise of the BRICS nations had faded. (Make in India, 2015).

The paper covers the objective of the program, its impact on the Indian business sector, advantages of investing in the India and how a firm can maximize the opportunities available in the

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construction sector for setting up manufacturing hubs.

RESEARCH GAP

A lot of research study have been published on Make in India initiative. This research paper contributes to identifying the total investments announced under this initiative between September 2014 to May 2016 and how a construction and services industry can be benefitted from it.

This paper will focus on need of the construction companies looking for expanding their business considering the complete value chain. Also, the focus is on the market research, strategy, project management & financial aspects to guide the reader for their approach to grab the volumes of upcoming business.

LITERATURE REVIEW

MAKE IN INDIA

According to (S. Soundhariya, 2015), Indian manufacturing sector has a lot of potential to grow. The manufacturing sector currently contributes around 16% of country's GDP and is consistent from past few years to nearly 16% only. The objective of the program is to increase the share of manufacturing sector to the country's GDP to 25% by 2020. The scheme aims to eliminate unnecessary laws and regulations. Three major sectors which contribute to major portion of the GDP of any country are agriculture, manufacturing and services. According to the present scenario, the current contributions of these sectors to Indian economy are 16%, 14% and 60% for manufacturing, agriculture and services sector respectively. There are lots of opportunities that can be maximized as far as Indian manufacturing sector is concerned. These opportunities can be tapped by entrepreneurs, MSMEs and many business men for betterment of our economy. Various other initiatives like smart cities, ease of doing business, digital India have supported the Make in India campaign to boost the investment in the country. Major objective of this scheme focuses on 25 sectors. The sectors focused are automobiles, automobile components, aviation, pharmaceuticals, ports and shipping, biotechnology, chemicals, construction, renewable energy, roads and highways, electrical machinery, defense manufacturing, textiles and garments, electronic systems, thermal power, food processing, leather, IT and BPM, wellness, space and astronomy, mining, oil and gas, media and entertainment, railways & tourism and hospitality.

OBJECTIVES OF THE PROGRAM

The main objectives in line with the program are to: provide employment, transform India into worldwide manufacturing hub, and boost economic growth, urge national and international

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companies to invest in India (S. Soundhariya, 2015)

WHY INDIA

Indian Economy is the seventh-largest economy in the world measured by nominal GDP of USD million 2,250,990 (Source IMF 2016), is one of the G-20 major economies, BRICS member and a developing economy with an average growth rate of approximately 7% over the last two decades, has young population, low dependency ratio and has a prospective of long-term growth (IBEF.org)

India has a youngest population and is one of the largest populated country of the world. Fifty per cent of the population lies in the age group of 0-25 and 66% below the age of 35. Also, about 65 % of Indians are in the working age group of 15 to 64 years. India's labor force has a strong knowledge base with significant English speaking population, making it a top destination for MNCs that are looking to expand their overseas operations for market and talent. Due to lower food prices, better policy reforms and improved investor confidence, The International Monetary Fund (IMF) and the Moody's Investors Service have forecasted that India will witness a GDP growth rate of 7.5 per cent in 2016 and 7.7 % in 2017. Also with GST coming into force the GDP of India is expected to increase by 2-3%. As per the latest Global Economic Prospects (GEP) report by World Bank, India is leading The World Bank's growth chart for major economies. The Bank believes India to become the fastest growing major economy growing at 7.5 per cent. Indian economy would continue to grow at 7 to 9 per cent and would double in size to USD 4–5 trillion in a decade, becoming the third largest economy in absolute terms. Furthermore, initiatives like Make in India and Digital India will play a vital role in the driving the Indian economy. Since the launch of this initiative, India has improved a lot in ranking in ease of doing business, starting a new business, dealing with construction permits and getting electricity.

It can be clearly observed from the GDP share of various sectors in the Indian economy that services sector is growing much faster than the agriculture sector. With this huge talent force and need for job creation in the Indian market, it is difficult to generate jobs in the agriculture sector. Also, the need for workforce is more in service sector is more, but there are limited jobs in the market.

For this the move for Make in India was initiated in September 2014. This move was created to generate jobs in the manufacturing sector and to reach zero imports of electronics by 2020. India has the potential to manufacture and export the manufactured products because of the exchange

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rate with USD. Also, the companies investing will easily get the cheaper labor force.

Make in India campaign focuses on helping and attracting companies to invest and put up their units of manufacturing in India. This campaign's initiative is to promote sectors targeting the youths who are coming up with new innovations and new entrepreneurship skills that will lead to investing and manufacturing in India. Companies across the world are called upon to create factories, make investments and expand their businesses in India.

PROBLEMS BEING FACED BY INDUSTRY

According to Dr, T.V. Ramanna, IJAR, 2015, make in India campaign is facing a huge competition with the Made in China ideal that has gained momentum over the past decade. When it comes to the outsourcing, manufacturing, and services business, China is a major rival to India. India's poor infrastructure scenario and outdated logistics facilities make it difficult for the country to make it a manufacturing hub. The government policies, lack of robust transport networks, and widespread corruption makes it difficult for manufacturers to achieve timely and adequate production.

ADVANTAGES OF INVESTING IN MANUFACTURING SECTOR

Make in India program will create huge employment opportunities to unskilled/low skilled workforce since major workforce in India is low skilled. Moreover, India is largely dependent on FDI to keep the economy positive. The scheme will attract more FDI investments to renew Indian economy. Any manufacturing hub needs supply of parts which is boon for SME's. The program will help generate indirect employment through SME's. Manufacturing sector helps in reducing India's trade deficit through exports. Indian market is one of the largest consumer market and the companies investing in India under this initiative will directly get access to huge potential market of 125 crore people. (S. Soundhariya, 2015)

RESOURCE BASED VIEW, CAPABILITIES AND VALUE CHAIN

The main principle of Resource Based View (RBV) addresses the fundamental question of why firms are different and how firms achieve and sustain competitive advantage by deploying their resources. Clearly, the ideas are not novel. During the last 50 years, many management researchers have contributed to the improvement of this topic. For example, Selznick's (1957) idea of an organization's 'distinctive competence' is directed related to the RBV. Also, Chandler's (1962) notion of 'structure follows strategy', as well as Andrews' (1971) proposal of an internal appraisal of strengths and weaknesses, led to the

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identification of unique competencies. (Kostopouloset. et. al)

Capabilities, in contrast, refers to a firm's capacity to deploy and coordinate different resources, usually in combination, using organizational processes, to affect a desired end (Amit et.al, 1993; Grant, 1996; Prahalad & Hamel, 1990). They are information-based, intrinsically intangible processes that are firm specific and are developed over time through complex interactions among the firm's resources (Amit et.al, 1993; Grant, 1996; Prahalad & Hamel, 1990; Itami & Rohel, 1987; Kogut & Zander, 1992; Leodard-Barton, 1992; Winter, 1987). They can abstractly be thought of as 'intermediate goods' generated by the firm to provide enhanced productivity of its resources, as well as strategic flexibility and protection for its final product or service (Kostopouloset. et. al)

The value chain explains the full range of activities that are required to bring a product or service from onset, through different phases of production (involving a combination of physical transformation and the input of various producer services), delivery to final consumers, and disposal after use.

METHODOLOGY

The paper focus on the market trends of the investments announced under this initiative since 2014 to date collected from secondary research from various sources like ibef.org , newsonprojects.com and various other portals.

The data here has been used on a hypothetical firm. The firm's competencies were determined using the RBV and core competency analysis and by using core competency framework. With the analysis, it was found that the firm has competencies in construction and project management. The resources and the capabilities of the firms were plotted into the core competency matrix and a scoring was given to them on a 10-pointer scale. The scoring was then compared with the strategic importance of the defined resources and the capabilities. Finally, the core competencies of the firm are found out and are plotted on the value chain matrix. For example, consider a firm with core competencies in construction and project management only. If we plot the competencies into the value chain then we can see that with these competencies, the firm is not into pre-construction and post-construction activities. With so much of investments comping up under Make in India, if a company must grab the major chunk of investment then, the firm has to realize the activities involved in complete value chain. If a firm provides all the activities involved in complete value chain then, there are very high chances of a firm getting the turnkey projects.

Let us assume that a Multi-National Company (MNC) is coming up with investments worth INR

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1000 crores. The major activities involved in the setting up of a plant are land acquisition, construction, (Mechanical, Electrical and Piping) MEP, equipment supply, technical and engineering fees, preliminary operating expenses and contingency allowances. The overall cost of the project is divided into these activities. It is expected that the MNC might outsource all the activities involved in the setup of manufacturing plant to some constructing firm having expertise in all the above defined activities of the value chain and capable of providing the turnkey solutions for the upcoming projects in India.

Hence, if a company wants to increase its market share then it should focus on increasing its capabilities and try to cover all the activities involved in the value chain. If a company doesn't have the capabilities to enter the complete value chain, then also it can improve its capabilities by having JV or subcontracting other firms that can provide solutions in those areas.

INVESTMENTS & DATA ANALYSIS

An extensive secondary market research was carried out and the data collected from the research was divided into various segments like year of investment, state of investment, status of investment and investment value.

This data is collected and analyzed for of 25 sectors of the economy under consideration. The analysis showed that services sector attracted the highest FDI of USD 5.29 billion followed by telecom sector worth 2.79 billion. In September 2016, the Foreign Direct Investment (FDI) in the electronics sector reached the level of USD 18.36 billion.

A state wise analysis shows that Delhi, Maharashtra, Haryana, Karnataka & Tamil Nadu alone share 70% of the investments announced under Make in India during last 15 years.

Thus, based on the above analysis, and by using RBV theory, the companies can find their core competencies and their target markets to grab the upcoming opportunities under this initiative. The firms can enter the various sectors of the economy by identifying their core competencies & then mapping them in the value chain to penetrate a market in which they are competent.

CONCLUSION

The aim of this study was to explore how Make in India can support improved investment opportunities for construction/ contracting firms and help various entrepreneurs, MSMEs and MNCs to setup a plant in India and to maximize their profits.

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A firm can maximize the opportunities identified in various sectors after industrial analysis & competency analysis of the firm various using various strategic frameworks like value chain analysis, core competency analysis and VRIN analysis. From VRIN, the firm can get the detailed information of their valuable, reliable, inimitable and non- substitutable competencies. These frameworks will help the firm to understand their position in the market compared to its peers. The company can do a detailed analysis on the industry in which they want to enter. The firm can benchmark themselves with the competitors based on the resources and their capabilities. This will help the firm to get a detailed information on the competencies on which they should focus upon. Once the sector and the competencies are identified then the firm can make decisions to enter the sector by mapping their skills and competencies on the value chain and the need to have tie-up with some other firm by having joint venture or by merger & acquisition.

Construction sector being the highly competitive sector, the paper provides the information beneficial for a contracting firm to maximize the business potential in the identified sector by utilizing the frameworks and the approach listed in the paper.

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