Make in India

Perspectives, Tasks and Challenges

JIM Jaipur (Oct 26, 2015)

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Why the Issue Detailing is Important?



Case 1

In 1991, the newly elected Prime Minister of India Mr. P.V. Narasimha Rao, announced major changes in government's regulatory policies, to overcome deficiencies in the Indian economic system. The measures aimed at

Reducing the restrictions imposed on the Indian industry through reservation licensing etc., andOpening up the Indian economy to the foreign companies. The foreign investors were also encouraged to invest their capital.

These measures were expected to make Indian industry more competitive, not only nationally but internationally

It was expected that with the economic reform, the country's export/import imbalance would be corrected, the country's balance of payment position would improve and the country will have sufficient balance of foreign exchange to meet the growing requirements of Indian economy.

The latter was especially a very attractive proposition.

Liberalisation and globalisation became the buzz words, expected to take India to commanding heights in world economy.

Comparative Profit Performance of Pre and Post Reform Corporate Leaders

			1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Total N0. of Cos	1991	2151	1696	1669	1573	1645	1691	1619	1461	1327	1203	1160	1000
New Cos. Entering	1992	403		293	298	289	304	285	261	225	194	191	165
New Cos. Entering	1993	658			448	501	518	457	374	340	287	289	241
New Cos. Entering	1994	962				685	760	675	561	477	438	441	342
New Cos. Entering	1995	1128					764	786	593	516	476	503	366
New Cos. Entering	1996	584						351	339	270	269	274	216
New Cos. Entering	1997	431							235	236	188	201	146
New Cos. Entering	1998	328								193	205	150	106
New Cos. Entering	1999	488									303	304	230
New Cos. Entering	2000	316										217	208
New Cos. Entering	2001	38											19
		5336					92.	-2001 C	DS.				2039

			1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Total N0. of Cos	1991	2151	79%	78%	73%	76%	79%	75%	68%	62%	56%	54%	46%
New Cos. Entering	1992	403		73%	74%	72%	75%	71%	65%	56%	48%	47%	41%
New Cos. Entering	1993	658			68%	76%	79%	69%	57%	52%	44%	44%	37%
New Cos. Entering	1994	962				71%	79%	70%	58%	50%	46%	46%	36%
New Cos. Entering	1995	1128					68%	70%	53%	46%	42%	45%	32%
New Cos. Entering	1996	584						60%	58%	46%	46%	47%	37%
New Cos. Entering	1997	431							55%	55%	44%	47%	34%
New Cos. Entering	1998	328								59%	63%	46%	32%
New Cos. Entering	1999	488									62%	62%	47%
New Cos. Entering		316										69%	66%
New Cos. Entering	2.001	38											<u>50%</u>



Case 2

Coal Block Allocation Scam



Case 3

Economic Reforms

India Facing Economic Emergency

 Balance of Trade ----> Increasing Adverse Balance of Trade ----> Non oil items
 Globalisation ----> Inward than outward

•Competitiveness of India Corporates? No Indian

Co. in Aviation

- •Forex Crisis ---->
- •Economic Emergency 2012
- •Scams ----> Coal, 2G spectrum and so on

Increasing Foreign dependence

Technology

Forex

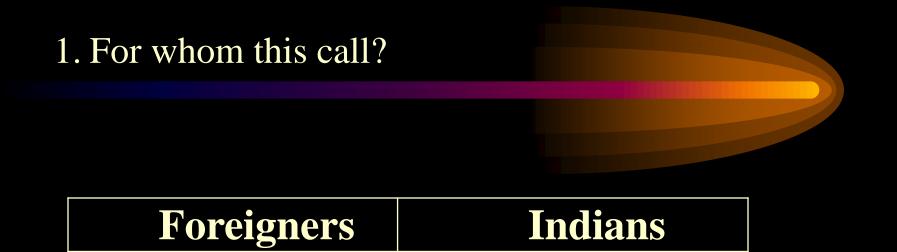
Money

Equity FDI Inflows to India

Sectors	2006	2007	2008-	2009-	2010-
Sectors	-07	-08	09	10	11
Sectoral s	hares (Perce	nt)		
Manufactures	17.6	19.2	21	22.9	32.1
Services	56.9	41.2	45.1	32.8	30.1
Construction, Real estate and mining	15.5	22.4	18.6	26.6	17.6
Others	9.9	17.2	15.2	17.7	20.1
Total	100	100	100	100	100

Need for clarity and judicious & emphatic focus on complementarity

- •What do we do in detailing?
- •Why
- Whom
- What
- How
- Who
- Where
- When





Why this call?

For better products/ services? For finance? For growth? For employment? ?????

What for this call?

For manufacturing here?

OR

For Manufacturing & Selling here

OR

Design Manufacturing & Selling here

Design For Foreigners For Indian Manufacturing & Selling here

	Foreigners (Do it)			Indians Do it)
Design	Abroad	In India	Abroad	In India
For Abroad	1	2	3	4
For India	5	6	7	8
Manufacture	9	10	11	12
Sell	13	14	15	16

Outcome/ Consequences	1,10,13,14	8,12,16.15
Availability of products/ services	Yes	No
present anywhere in the world		
Growth in GDP	Yes	Yes
Employment	L	H
Mismatch with societal needs	Possible	No
Dependence		
Technological	Yes	No
Forex	Yes	No
Financial	Yes	No
Sustainability	?	Yes
Need and pressure on corporates	Competing	Cooperating

	1,10,13,14
1.	Decide which product(s)
2.	Decide industry/ sectors
3.	Avoid wasteful FDI/ FII
4.	Save Indian industry (trade protection)
5	Absorb and leverage technology
6.	Be careful of foreign consultants

8,12,16.15

Develop design/ business development skills

Develop technology development ability

Develop scaling up ability

Increase holistic view (3D Integrative Thinking)

Make private sector socially responsible

Stop sell outs of Indian companies

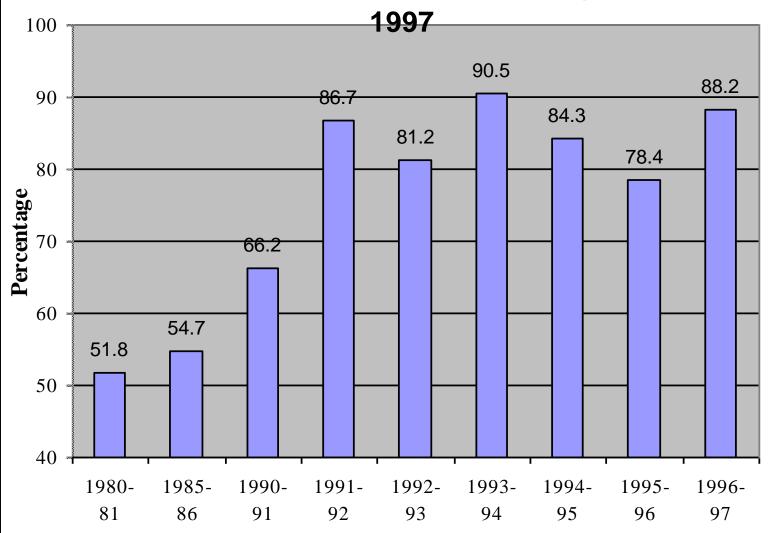
Protect public sector to save domestic private sector

	1,10,13,14		8,12,16.15
1.	Decide which product(s)	•	Develop design/ business
			development skills
	Decide industry/ sectors		Develop technology development
			ability
1.	Avoid wasteful FDI/ FII		Develop scaling up ability
1.	Save Indian industry		* Increase holistic view (3D
	(trade protection)		Integrative Thinking)
1.	Absorb and leverage		Make private sector socially
	technology		responsible
1.	Be careful of foreign		Stop sell outs of Indian
	consultants		companies
1.			Protect public sector to save
			domestic private sector

	1,10,13,14		8,12,16.15
1.	Decide which product(s)	•	Develop design/ business
			development skills
	Decide industry/ sectors	•	Develop technology development
			ability
1.	Avoid wasteful FDI/ FII		Develop scaling up ability
1.	Save Indian industry		* Increase holistic view (3D
	(trade protection)		Integrative Thinking)
1.	Absorb and leverage		Make private sector socially
	technology		responsible
1.	Be careful of foreign		Stop sell outs of Indian
	consultants		companies
1.			Protect public sector to save
			domestic private sector

1,10,13,14	8,12,16.15					
Decide which product(s)	Develop design/ business development					
	skills					
Decide industry/ sectors	Develop technology development					
	ability					
Avoid wasteful FDI/ FII	Develop scaling up ability					
Save Indian industry	Increase holistic view (3D Integrative					
(trade protection)	Thinking)					
Absorb and leverage	Make private sector socially					
technology	responsible					
Be careful of foreign	Stop sell outs of Indian companies					
consultants						
	Protect public sector to save domestic					
	private sector					
Agenda	/ Challenge of Research					
Perspective Building	(Telescopic/ Microscopic) Research					
Teachin	g / Training Challenge					
Increase Focus on Strategy Implementation						

Import Export Relationship During 1981-



Year	Export/	Year	Year Export/		Export/
	Import		Import		Import
	Ratio (%)		Ratio (%)		Ratio (%)
1970-71	78%	1980-81	52%	1990-91	66%
1971-72	77%	1981-82	54%	1991-92	87%
1972-73	92%	1982-83	58%	1992-93	78%
1973-74	82%	1983-84	59%	1993-94	85%
1974-75	71%	1984-85	64%	1994-95	75%
1975-76	78%	1985-86	55%	1995-96	74%
1976-77	94%	1986-87	59%	1996-97	70%
1977-78	90%	1987-88	64%	1997-98	86%
1978-79	72%	1988-89	60%	1998-99	72%
1979-80	65%	1989-90	69%	1999 -	68%
				2000	

India' Export- Import Performance during 1971-2000

India's Export/ Import Over the Years

In U.S.\$ million

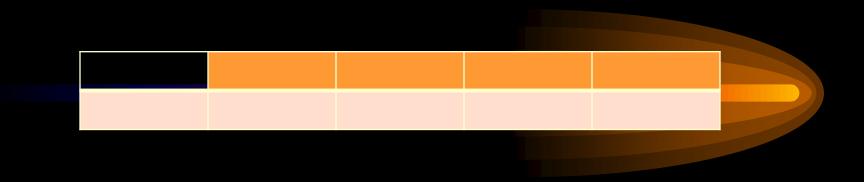
Year	Export	Import	Net	Year	Export	Import	Net
1971	1890	2435	-545	1986	9461	17294	-7833
1972	2122	2759	-637	1987	10413	17729	-7316
1973	2579	2796	-217	1988	12644	19812	-7168
1974	2997	3646	-649	1989	14257	23618	-9361
1975	4006	5620	-1614	1990	16955	24411	-7456
1976	4830	6197	-1367	1991	18477	27915	-9438
1877	5750	6097	-347	1992	18266	21064	-2798
1978	6354	7051	-697	1993	18869	24316	-5447
1979	6817	9512	-2695	1994	22683	26739	-4056
1980	7817	12076	-4259	1995	26855	35904	-9049
1981	8445	16314	-7869	1996	32311	43670	-11359
1982	8697	15970	-7273	1997	34133	48948	-14815
1983	9490	16468	-6978	1998	35680	41535	-5855
1984	9861	16575	-6714	1999	34298	47544	-13246
1985	10061	15715	-5654	2000	37542	55383	-17841

India Facing Economic Emergency

No. of Companies making Profit or Loss in various years

Year	Cos. Making Profit	Cos. Making loss	Cos. Neither making Profit nor Loss	Year	Cos. Making Profit	Cos. Making loss	Cos. Neither making Profit nor Loss
1991	1750	376	71	1996	4281	1151	270
1992	2025	420	105	1997	3906	1751	256
1993	2418	577	173	1998	3632	2105	249
1994	3288	499	247	1999	3571	2266	207
1995	4169	727	324	2000	3176	1725	194

Study on Foreign Collaborations in India *International Conference on Management of R & D*, IIT Delhi, January 10-11, 2003



Year-wise no. of Foreign Collaboration in India

Year	# of Coll ab	Year	# of Colla borati	Year	# of Colla borat	Year	# of Coll abor	year	# of Collabo rations
			ons		ions				
1951	44	1961	592	1971	232	1981	388	1991	891
1952	40	1962	452	1972	263	1982	579	1992	1407
1953	53	1963	443	1973	264	1983	653	1993	1476
1954	61	1964	521	1974	374	1984	955	1994	1864
1955	81	1965	343	1975	274	1985	798	1995	2337
1956	92	1966	203	1976	273	1986	906	1996	2303
1957	119	1967	179	1977	268	1987	590	1997	2325
1958	169	1968	131	1978	307	1988	648	1998	1786
1959	368	1969	138	1979	268	1989	979	1999	2224
1960	478	1970	185	1980	527	1990	1481	2000	2098
Total	1505		3187		3055		7976	16614	18709

Number of Collaborating Countries in the Pre and Post-liberalisation Era

# coll	aborations	Pre-liberali (1951-91)	sation	Post-liberalisation (1992-2000)		
		No.of Countries	Cumulat ive	No.of Countries	Cumulat ve	
≥ 3000		2	2	1	1	
≥ 1000	but <3000	2	4	4*	5*	
<u>≥ 500</u>	but <1000	3	7	6	11	
<u>> 100</u>	but <500	6	13	13	24	
<u>≥ 50</u>	but <100	6	19	8	31	
≥ 10	but <50	4	23	27	59	
<u>> 1</u>	but <10	2	25	55	113	

including NR's which was nil in pre-liberalization era.

Corporate Leaders and Foreign Collaborations

	Sales in year 2000						
		Listed		Unlisted			
Rank	(Rs. in Cr)	Companie	S	Comapnie	S	Total	
			No. of		No. of		No. of
		No. of	Colla	No. of	Colla	No. of	Colla
	>	Firms	borat.	Firms	borat.	Firms	borat.
Тор							
100	1731.1	51	475	9	32	60	507
Тор							
500	315.4	301	1486	54	214	354	1700
Тор							
1000	137.4	545	2260	113	361	658	2621
Тор							
2000	44.6	859	2981	317	767	1176	3768
Тор							
5000	1	1331	3763	1168	2225	2499	5998

Is India's Technological Dependence on the Increase?

* Is India Emerging as a Global (Main) Player or becoming Global Market?

* What is the Performance of Post-Liberalisation Leaders as Compared to Pre-liberalisation Leaders?

Types of Foreign Collaborations Over the Years

Year	Technical	Financial	Total	Year	Technical	Financial	Total
1992	10	7	17	1999	428	1422	1850
1993	691	786	1477	2000	316	1730	2046
1994	791	1039	1830	2001	291	1972	2263
1995	984	1350	2334	2002	304	1947	2251
1996	744	1594	2338	2003	292	1421	1713
1997	660	1652	2312	2004	102	1437	1539
1998	603	1176	1779	2005	20	191	211
Total					6236	17724	23960

Types of Foreign Collaborations Over the Years

Year	Technical	Financial	Fin. %	Year	Technical	Financial	Fin. %
1992	10	7	41%	1999	428	1422	77%
1993	691	786	53%	2000	316	1730	85%
1994	791	1039	57%	2001	291	1972	87%
1995	984	1350	58%	2002	304	1947	86%
1996	744	1594	68%	2003	292	1421	83%
1997	660	1652	71%	2004	102	1437	93%
1998	603	1176	66%	2005	20	191	91%

Indian Business Ventures Abroad Over the Years (Up to 1999)

	Upto 1991	92	93	94	95	96	97	98	99	TOTAL
Wholly Owned Subsidiaries (WOS)	75	28	79	122	119	143	122	154	233	1075
Joint Ventures (JVs)	244	72	104	92	82	116	101	101	103	1015
Total	319	100	183	214	201	259	223	255	336	2090

Total No.of Business Ventures Abroad	Total No. of Cos. having Business Ventures Abroad	No. of Companies among Top 1000	Other Smaller Companies		e Frequency n of Ventures
1	171	74	104	1+	909
2	154	77	77	2+	738
3	25	25	-	3+	430
4	17	17		4+	355
5	6	6	-	5+	287
6	6	6	-	6+	257
7	2	2	-	7+	221
8	4	4	-	8+	207
9	2	2	-	9+	175
10	2	2	-	10+	157
11	3	3	-	11+	137
12	3	3	-	12+	104
15	2	2	-	15+	68
18	1	1	-	18+	38
20	1	1	-	20+	20
909	399	218	181		

Indian Business Ventures Abroad and Foreign Collaborations in India

	Upto 1991	'92	'93	'94	' 95	'96	' 97	'98	'99	Total Upto 1999
Foreign Collaboration in India	16836	1531	1476	1854	2337	2303	2325	1786	2224	32672
Indian JV Abroad	244	72	104	92	82	116	101	101	111	1023
Indian Wholly Owned Subsidiaries Abroad	75	28	79	122	119	143	122	154	238	1080
Total Indian Business Ventures Abroad	319	100	183	214	201	259	223	255	349	2103

Is India Globalising Inwardly?

Sorry Data not Available any more in Public Domain For Indian Business Ventures Abroad in any Structure Database For analysis purpose If Indian Companies are following the same strategy after liberalisation as in the preliberalisation era, do we expect a different performance pattern?

* What is the Performance of Post-Liberalisation Leaders as Compared to Pre-liberalisation Leaders

Fragility of Indian Companies Increasing

Trends in Fragility

Rising fragility of the firms in the Indian Corporate Sector

	Fragility Index of 1991 Cos.	Fragility Index of 1992-2000 Cos.
Overall Fragility Index	33%	48%
Fragility Index during 1991- 1996	21%	29%
Fragility Index during 1997- 2003	43%	53%

(In Different Performance Categories)

	Co	Cos. Making Profit			Cos. Making Loss			Cos. Not Reporting		
		GFA	GFA		GFA	GFA	•	GFA	GFA	
Year			Cumulati ve			Cumulati ve			Cumulati ve	
	No. of	(Rs. in	(Rs. in	No. of	(Rs. in	(Rs. in	No. of	(Rs. in	(Rs. in	
	Cos	Cror	Cror	Cos	Cror	Cror	Cos	Cror	Cror	
	•	es)	es)	•	es)	es)	•	es)	es)	
1991	1000	533505		688	172923		465	73290		
1992	168	21344		120	12391		115	16814		
1993	250	50289	71633	181	10282	22673	227	8851	25665	
1994	350	15943	87576	270	18692	41366	342	8850	34516	
1995	382	14594	102170	275	11434	52800	471	8929	43445	
1996	229	8762	110933	124	2934	55734	231	8664	52109	
1997	155	6405	117338	92	2970	58704	184	4194	56303	
1998	112	3597	120936	62	8455	67160	154	2468	58771	
1999	247	10964	131900	95	6053	73213	146	2812	61583	
2000	219	4163	136063	86	2418	75631	11	816	62399	
2001	25	5794	141857	13	420	76051				
Total	2112	141857		1305	76051		1881	62399		
Grand Tota										
l	3112	675362		1993	248973		2346	135689		

Total Assets Locked in the

Companies Making Loss/ Not Reporting Performance

(Rs. In Crores)

GFA	GFA	GFA	GFA
Profit			
Making	Loss Making	Not reporting	Total (LM & NR)
675362	248973	135689	384662 (36.2%)

Collapse of Financial Institutions 2001-02

IFCI, IDBI,UTI, ICICI



118% 91% 102% 99%

2198 2271 1840 1869 1848

\$ mn

Secondary /Tertiary Impacts

- 1. Collapse of Development Banks (IFCI, IDBI,UTI,ICICI etc) Increasing dependence on external funds
- 2. Reduction in interest rate- inflation rate difference Pensioners, retired persons not taken care EPF rates down (few investment opportunities for ordinary persons)
- 3. Unsustainable deficits now even in central government
- 4. Where the investment is going, if not in corporate sector

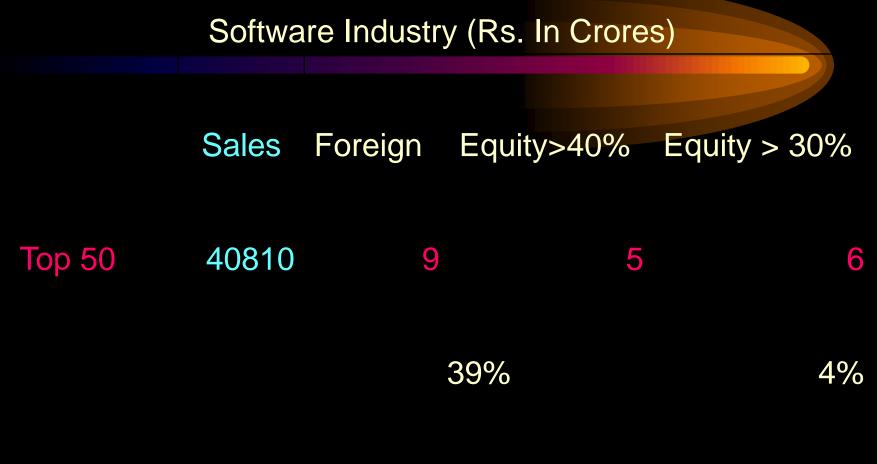
Year	Trade Gap	US\$ mn)
2,001	-6633	Rise
2,002	-7208	109%
2,003	-13729	207%
2,004	-21661	327%
2,005	-38721	584%
2,006	-51370	774%
2,007	-64764	976%



The Emerging Patterns on Balance of Payment



Will software industry be able to support trade gap?



Total 242 43761



Study on Corporate Tax Payment Patterns

Performance of Corporate Sector During 1990-2005

(Rs. in Crores)

Year	Compan y	income Tax		PBT	Divid end	Total income	Tax	PBT	Tax/ PBT
	Reporti			visio			Provisi		
						% Rise	% Rise	% Rise	
1990	1471	221798	2751	11048	1755				25%
1991	2074	282667	3168	12385	2078	127%	115%	112%	26%
1992	2379	341561	4546	15620	2578	121%	143%	126%	29%
1993	2930	400031	4752	14822	3025	117%	105%	95%	32%
1994	3873	456958	5606	22798	4255	114%	118%	154%	25%
1995	4972	594400	7236	43386	6052	130%	129%	190%	17%
1996	5429	731804	10683	52319	7688	123%	148%	121%	20%
1997	5567	824782	15013	52656	8841	113%	141%	101%	29%
1998	5767	906976	16870	57123	9923	110%	112%	108%	30%
1999	6253	1006054	16631	50941	11329	111%	99%	89%	33%
2000	6628	1185984	19825	60648	13122	118%	119%	119%	33%
2001	6890	1419459	23008	65401	16072	120%	116%	108%	35%
2002	7527	1477116	33121	82419	18280	104%	144%	126%	40%
2003	7720	1638635	45335	122506	24455	111%	137%	149%	37%
2004	6806	1780649	54268	177693	29222	109%	120%	145%	31%
2005	5057	1973190	60180	220031	35859	111%	111%	124%	27%
		Average Rise				116%	124%	124%	

CI/PBT Ration of Profit Making Companies Only												
	CT/ PBT Ratio						PBT/ TI Ratio					
	2002	2003	2004	2005	2006	2002	2003	2004	2005	2006		
Manufacturing	28%	29%	26%	27%	22%	9%	10%	10%	11%	11%		
Banking	33%	36%	29%	27%	23%	33%	30%	29%	27%	23%		
Financial	21%	26%	17%	14%	14%	26%	27%	38%	57%	45%		
Services	19%	28%	26%	17%	17%	13%	10%	12%	13%	13%		
IT Sector	10%	13%	12%	12%	12%	24%	22%	22%	23%	23%		
Others	19%	28%	26%	17%	17%	13%	10%	12%	13%	13%		
Total Profit Making Cos.	4326	4668	4577	3701	3356							

CT/PBT Ration of Profit Making Companies Only

Year	TAX/PBT		Estimated
	Ratio		Tax Loss
		Estimated Tax at Tax / PBT Ratio 40%	
200	2 40%		
200	3 37%	49003	3668
200	4 31%	71077	16809
200	5 27%	88012	27832
Estimated 7	Fall		48309
Increase in	Tax 2002-05		27059

Net Tax Fall

21251



The Next Generation Reform?

FDI Chai

The Balance of Payment Issues

Forex Reserves Rising? How

Forex Exchange Reserves are by and large created by Investments, Loans and Banking Capitals (i.e. through Capital Account), not by Current Account (i.e. Merchandise Trade, Software or even Private transfers) Even in Capital Account **48.5% is constituted by** Loans and Banking Capital (which are to be returned).

It is incidence is to be fully realized

30% of Total Forex reserves come from Portfolio Investments, which is vulnerable to flight overnight happened in 1991 Software services were giving hopes in 2000-04 period that they shall be able to meet the challenge of trade deficit, but that hope has been belied as the software service share has fallen from 90% (in 2003-04) to 43% (in 2006-07) of the bugeoning trade deficit. The contribution of Private Transfers has been to the tune of 105% of Forex Reserve It is to be seen what % of this (if any) is transferable, through current account A sum of U.S.\$ 171 bn (almost 40% of annual budget) of the Government of India has entered the country in the last 4 years

which has affected the real estate, financial markets, to make India look shining, which is not the true picture (!).

India is increasingly dependent for every day affair to outsiders

	India's Balance of Trade				Co	rporate S	Corporates' Contribution				
Year	Amount in Rs. Crores				A						
Jan- Dec	Export	Import	Balance	Ex/i m Ratio	Export	Import	Balanc e	Ex/im Ratio	Expo rt	Impor t	Balan ce
2001	150177	181539	-31362	83%	111080	194227	-83147	57%	74%	107%	-265%
2002	239686	274672	-34986	87%	117007	194744	-77737	60%	49%	71%	-222%
2003	267380	331167	-63788	81%	140439	230233	-89794	61%	53%	70%	-141%
2004	342284	440480	-98195	78%	179270	280367	- 101097	64%	52%	64%	-103%
2005	438264	609000	-170737	72%	249712	405608	- 155896	62%	57%	67%	-91%
2006 2007	548066 395625	781669 576107	-233602 -180482	70% 69%	294543	506457	- 211914	58%	54%	65%	-91%
	Source:Source: ProwRBI171007)						t.				

2007 figures are only for 8

Other Corporates (Outside Prowess) and Non- Corporate Sector which was supporting balancing adverse merchandise related adversity, is losing ground. Fast growth (following philosophy of catching up by latching up use external resources) is making India increasingly dependent on foreign resources bases (technology and financial).

It is also resulting in distortions in payment terms (initiated by software industry), and resources allocation

Skilled Manpower not going to desired sectors (IIM & IIT boys for financial, consulting and software sectors). IIMs IITs unable to increase intake?

Choking of supply side resulting in extraordinary hikes in costs (construction costs up 50% due to shortage of steel and cement, caused partly by exports) Crude prices hitting the roof. How India is going to cope with balance of payment issue?

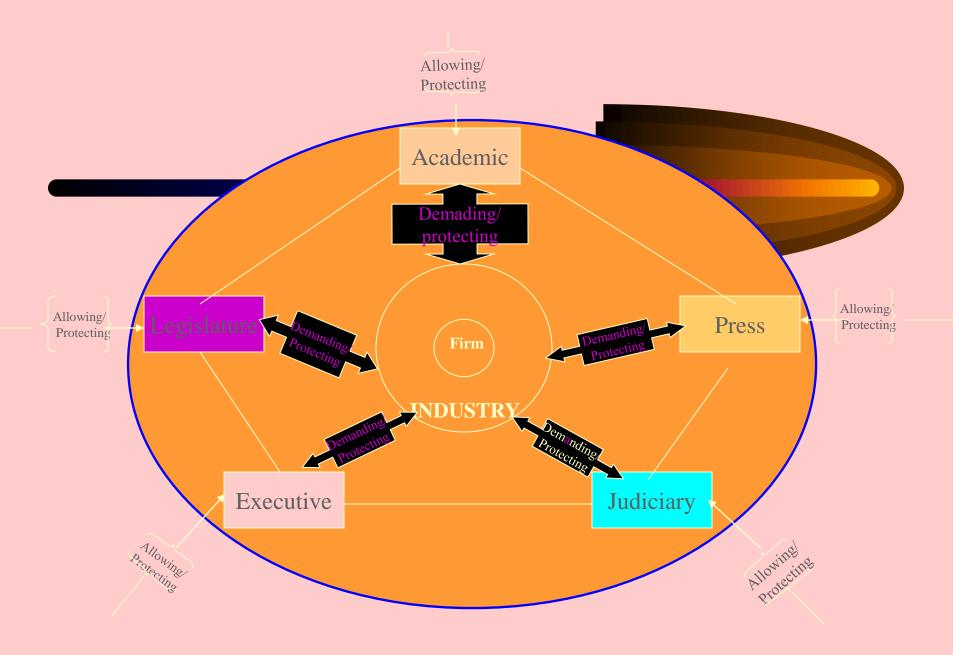
Cost of infrastructure extremely high, making among individuals richest in the world but prices sour due to demand supply gap

Inflation going out of control. Fin. Minister washes off hand. Everyone hoping god will help it contain.

When country is facing crisis, Media is busy keeping people engrossed in cricket or murder cases



Return of Wazid Ali Shah Days



External determinants of competitiveness

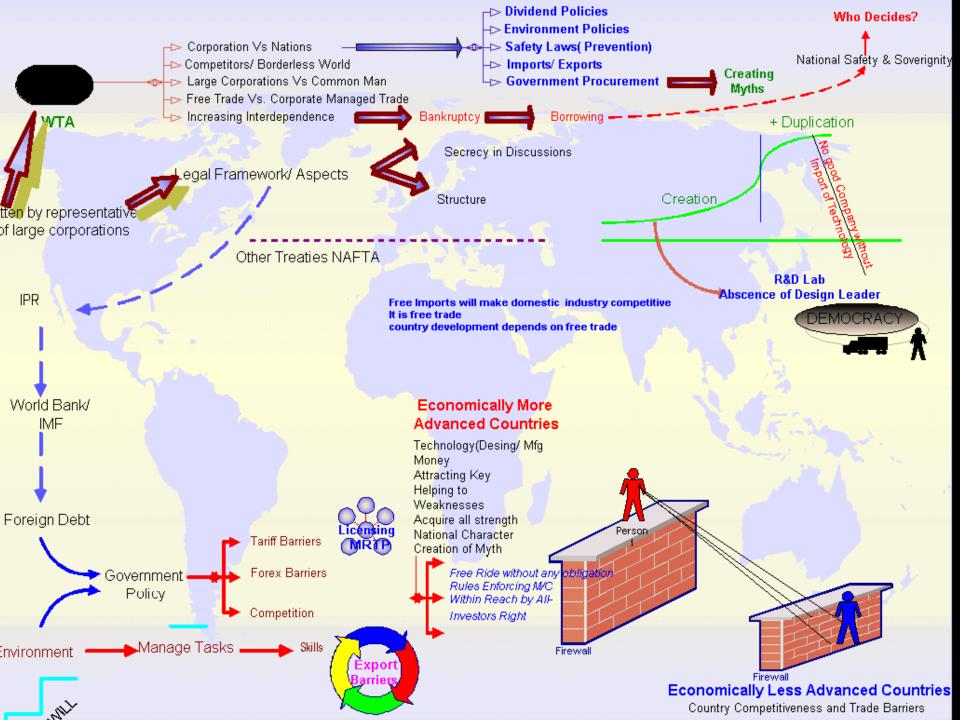




Table 5

Share of Leaders in the Different Parameters in the year 2001

Sales	Profits	Gross	Exports	Imports	Net Export
		Fixed			
		Assets			
59%	91%	53%	42%	67%	-98%
83%	119%	77%	71%	88%	-107%
91%	122%	86%	84%	94%	-106%
97%	113%	92%	96%	95%	-101%
100%	100%	100%	100%	100%	100%
12,28,927	41,216	9,24,336	1,05,077	1,91,150	-86,073
	59% 83% 91% 97% 100%	59% 91% 83% 119% 91% 122% 97% 113% 100% 100%	Fixed Ssets 59% 91% 53% 53% 83% 119% 91% 22% 91% 113% 97% 113% 100% 100%	Fixed Fixed 59% 91% 53% 42% 83% 119% 77% 71% 91% 122% 86% 84% 97% 113% 92% 96% 100% 100% 100% 100%	Fixed Assets 59% 91% 53% 42% 67% 83% 119% 77% 71% 88% 91% 122% 86% 84% 94% 97% 113% 92% 96% 95% 100% 100% 100% 100% 100%

Crores)

The government of India initiated economic reforms as an aftermath of a serious foreign exchange crisis in 1991, which were further accelerated when the World Trade Organization came in existence in 1995 with India as a founder member.

The three major planks (LPG) of the economic reforms have been:

- (a) Internal and External Liberalization
- (b) Privatization and
- (c) Globalization.

It was assumed/ expected, inter-alia, that these reforms will increase the global competitiveness of Indian industry, improve the economic prosperity of masses and avert possibility of any foreign exchange crisis in the future.

Issues For Discussion

- 1. Competition in the Indian Corporate Sector has increased manifold since economic reform and external liberalisation started in 1991.
- 2. How is that impacting the Indian Corporate sector?
- 3. What are secondary and tertiary effects of the same?
- 4. Are there trends, which need careful watched and policy measures taken so that fruits of liberalisation are realised in a sustainable manner?
- 5. What is the role of academicians in this?

The intensity of competition in the Indian Industry is increasing and existing Indian players have to work hard at staving off foreign competition as well as increased competition locally

The competition is not merely on an increasing trajectory, the very nature of this competition is also changing. Changing Nature and Intensity of Competition

- 1. Rapid increase in number of competitors. (3- 50 times, average 12 times from 1991-2001)
- 2. Competitors emerging from unexpected quarters.
- 3. Increase in number of foreign players.
- 4. Increase in number of countries of foreign players
- 5. Foreign players are serious to do business, interest not limited to investment only.
- 6. Foreign players have strong technical, financial and managerial power.
- 7. Innovation is name of the game, and it is not limited to product or service, but permeates the entire value chain and all the functional areas

Table 1									
Increase in Intensity of Competition									
Increase in No. of Players (times)	No. of Industry Sectors								
1-2	22								
2-3	8								
3-4	7								
4-5	4								
5-10	5								
10-20	1								
20	1								





Number of Collaborating Countries in the Pre and Post-liberalisation Era

# coll	aborations	Pre-liberali (1951-91)	sation	Post-liberalisation (1992-2000)			
		No.of Countries	Cumulat ive	No.of Countries	Cumulat ve		
≥ 3000		2	2	1	1		
≥ 1000	but <3000	2	4	4*	5*		
<u>≥ 500</u>	but <1000	3	7	6	11		
<u>> 100</u>	but <500	6	13	13	24		
<u>≥ 50</u>	but <100	6	19	8	31		
≥10	but <50	4	23	27	59		
<u>> 1</u>	but <10	2	25	55	113		

including NR's which was nil in pre-liberalization era.

Foreign Collaboration s in the Post-liberalisation Era by Type

YEAR	TYPE		TOTAL	FIN
	FIN	TECH		%
1992	639	768	1407	45%
1993	785	691	1476	53%
1994	1062	792	1854	57%
1995	1353	984	2337	58%
1996	1557	746	2303	68%
1997	1664	661	2325	72%
1998	1185	601	1786	66%
1999	1726	498	2224	78%
2000	1684	414	2098	80%
TOTAL	11642	6155	17810	65%

What is the Impact on Firms Indian Corporate Sector ? Data used is from PROWESS Developed by CMIE Mumbai

Whole Industry set is used than sample

	% of profit making companies 1991-2003													
	# of	199	199	199	199	199	199	199	199	199	2000	200	200	200
	co.s	1	2	3	4	5	6	7	8	9		1	2	3
1991 companies	2025							70	63	58	56	52	50	48
1992 companies	391							66		49	49	45	45	41
1993 companies	619							58	51	45	46	42	38	36
1994 companies	953							59	49	46	47	40	41	40
1995 companies	1164							51	43	40	44	37	36	33
1996 companies	596							55	43	43	45	42	42	37
1997 companies	394							52	52	44	49	42	42	33
1998 companies	264								56	62	53	50	47	39
1999 companies	424									63	64	58	49	42
2000 companies	374										70	70	54	47
2001 companies	268											62	59	46
2002	230												51	55

Sectoral Performance — Overall (1991-2003)

		Loss making	Not Repor ting	Profit Making
Central Govt. PSUs	A	28%	16%	57%
State Govt. PSUs	B	28%	35%	37%
State & Pvt. Sector (Joint Sector)	С	25%	33%	42%
Private (Foreign)	D	22%	25%	53%
Taken over PSU	G	59%	18%	23%
Cooperative Sector	J	0%	24%	76%
Private Sector (Individual)	Р	29%	35%	36%
Private Sector (Business Groups)	P Gr.	29%	26%	44%
NRI Business Houses	H	67%	33%	0%

Profit Making

	1991	92-2003
Central Govt. PSUs	56%	60%
State Govt. PSUs	36%	38%
State & Pvt. Sector (Joint Sector)	44%	40 %
Private (Foreign)	63%	45%
Taken over PSU	19%	100%
Cooperative Sector	33%	83%
Private Sector (Individual)	39%	36%
Private Sector (Business Groups)	50%	40%

(In Different Performance Categories)

	Co	os. Making P	rofit	C	os. Making I	Loss	Cos. Not Reporting		
		GFA	GFA		GFA	GFA	•	GFA	GFA
Year			Cumulati ve			Cumulati ve			Cumulati ve
	No. of	(Rs. in	(Rs. in	No. of	(Rs. in	(Rs. in	No. of	(Rs. in	(Rs. in
	Cos	Cror	Cror	Cos	Cror	Cror	Cos	Cror	Cror
	•	es)	es)	•	es)	es)	•	es)	es)
1991	1000	533505		688	172923		465	73290	
1992	168	21344		120	12391		115	16814	
1993	250	50289	71633	181	10282	22673	227	8851	25665
1994	350	15943	87576	270	18692	41366	342	8850	34516
1995	382	14594	102170	275	11434	52800	471	8929	43445
1996	229	8762	110933	124	2934	55734	231	8664	52109
1997	155	6405	117338	92	2970	58704	184	4194	56303
1998	112	3597	120936	62	8455	67160	154	2468	58771
1999	247	10964	131900	95	6053	73213	146	2812	61583
2000	219	4163	136063	86	2418	75631	11	816	62399
2001	25	5794	141857	13	420	76051			
Total	2112	141857		1305	76051		1881	62399	
Grand Tota									
l	3112	675362		1993	248973		2346	135689	

There is need for a tool to identify and measure cases of instability

The fragility' index is defined as the ratio of the number of years a company was not reporting profit (x) to the total number of years since the company came into the database Performance of Private vs. Public Sector-Fragility Index

Measure	F1
Average of Private (Indian-Individual)	47.4
Average of Private (Indian-Group) Private	39.66
Average of Private (Foreign)	32.86
Average of Private sector overall	44.03
Average of Central govt	38.26
Average of State govt	56.51
Average of Public sector overall	43.15

Performance of Groups-Fragility Index

Measure	Overall- Groups	Indian Groups	Foreign Groups
Overall Average	39.58	39.66	37.78
Average of pre 1991 firms	30.01	29.94	31.35
Average of post 1991 firms*	46.14	46.32	44.22
Average of post 1996 firms*	49.91	50.08	46.22

Year wise Performance of groups-Fragility Index

	GROUPS		GROUPS-Indian G		GROU	PS-Foreign
Year	no of firms	Fl		Fl		Fl
1991	1098	30.05	1045	29.94	53	31.35
1992	179	36.83	175	37.05	4	27.08
1993	220	41.07	215	41.01		43.64
1994	212	42.83	208	43.22	4	22.50
1995	228	49.95	222	49.7	6	59.26
1996	166	47.97	160	48.36	6	37.50
1997	137	56.41	132	56.49	5	54.29
1998	127	49.21	117	49.57	10	50.00
1999	124	49.19	119	48.74	5	60.00
2000	75	49.00	71	50.7	4	18.75
2001	55	44.85	52	45.5	3	33.33
2002	49	47.96	48	46.87	1	100
2003	6	50.00	6	50.00	0	NA

Siz	e	# of cos.	GFA	GFA				Fragilit	y Catego	ry	
GFA	Sizs			%	NN	LL	MM	HH	VV	EE	Total
Rs. in Cr.s	Cat				0%	0-10	10-25	25-50	50-75	75-100	
>10,000	MI	16	456519	35%	11	1	1	1	0	2	16
5000-10000	EI	24	162369	13%	9	2	3	4	1	5	24
1000-5000	VI	124	264764	21%	43	19	23	13	8	18	124
500-1000	Π	167	117314	9%	52	17	26	34	18	20	167
100-500	SI	840	180934	14%	223	100	134	200	93	90	840
50-100	LI	696	48474	4%	140	66	110	211	95	74	696
25-50	OK	807	28455	2%	141	61	108	228	174	95	807
10-25	SK	1315	21314	2%	176	66	188	339	296	250	1315
5-10	00	972	7029	1%	117	35	136	267	218	199	972
0-5	TI	2423	4086	0%	252	46	296	614	608	607	2423
0	GC	335	0	0%						335	335
		7719	1291258								7719
	100 crs +	1171	1181900								

15.17% 91.53% %

			Fragility Category						
		•		<25 but	<50 but	<75 but	<100 but >75		
Size		U	0 <10 but >0 >10		>25	>25 >50			
GFA Rs.in Cr.s	Sizs Cat	NN	LL	MM	НН	VV	EE		
>10000	MI	360418	21536	14542	27919		32103		
5000-10000	EI	57999	17375	21302	25554	6752	33387		
1000-5000	VI	95311	44363	46816	21949	15829	40497		
500-1000	II	37557	12448	17754	24059	11786	13710		
100-500	SI	49890	21626	26624	42082	20255	20457		
50-100	LI	9673	4501	7571	14935	6433	5362		
25-50	OK	5020	2126	3850	8161	6088	3210		
10-25	SK	2779	1058	3146	5528	4858	3945		
5-10	00	876	241	987	1920	1574	1431		
0-5	TI	386	76	523	1048	1051	1002		
0	GC	0	0	0	0	0	0		
		619908	125350	143116	173154	74625	155105		
	Total		1291258						

Fragility	GFA Rs. in	# of		
Index	crores	Companies		

Fragile (Index >50%)

229730 18% 3074 40%

Fragile (Index >25%)

402884 31% 5046 65%

		1000.00			2002-03		1001 01		
		1999-00	2000-01	2001-02	(R)	2003-04 (P)	1991-04	00-04	
Dire	ct Investment								
(+	+111)	2,155	4,029	6,130	5,035	4,673			
I.	Equity (a+b+c+d+e)	2,155	2,400	4,095	2,764	2,387	27129	13,801	
Port	folio Investment								
(a+k	0+C)	3,026	2,760	2,021	979	11,377	35629	20,163	
a.	GDRs/ADRs # #	768	831	477	600	459			
b.	FIIs **	2,135	1,847	1,505	377	10,918	24475	16,782	
C.	Offshore funds								
	and others	123	8 2	39	2				
	(A+B)	5,181	6,789	8,151	6,014	16,050	87233	42,185	



118% 91% 102% 99%

2198 2271 1840 1869 1848

\$ mn

Secondary /Tertiary Impacts

- 1. Collapse of Development Banks (IFCI, IDBI,UTI,ICICI etc) Increasing dependence on external funds
- 2. Reduction in interest rate- inflation rate difference Pensioners, retired persons not taken care EPF rates down (few investment opportunities for ordinary persons)
- 3. Unsustainable deficits now even in central government
- 4. Where the investment is going, if not in corporate sector

• TECHNOLOGICAL DISADVANTAGES

The technological competence stems for three centuries old Industrial revolution. The MNcs take the lead in invention and then develop technology to scaling up the level of operations.

• EXCHANGE RATE DISADVANTAGES

puts a disadvantage for creating infrastructure for business in a developed country. Disadvantage in terms of losing local supply of the domestic companies also figures clearly.

• SIZE DISADVANTAHES

A typical international player is several hundred times larger than the domestic players.

• POWER TO DECIDE THE RULES OF GAME

The size of MNCs also influences the trade negotiations, as the international trade by major players in the developing countries form an insignificant amount to let them have a major say in the negotiations

•POWER TO CREATE MYTHS LIKE

-INTERNATIONAL TRADE IS IMPERATIVE FOR DEVELOPMENT

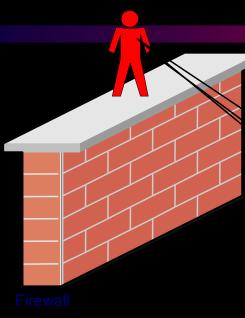
-FREE FLOW OF GOODS IS ESSENTIAL

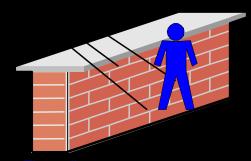
-ONLY DEVELOPED COUNTRIES ARE GOOD AT INNOVATING

–THE DEVELOPED COUNTRIES' WOULD PROVIDE TECHNICAL ASSISTANCE TO DEVELOPING COUNTRIES FOR CAPABILITY BUILDING

Technology(Desing/ Mfg) Money Attracting Key Players Helping to Weaken Acquire all strengths National Character Creation of Myths

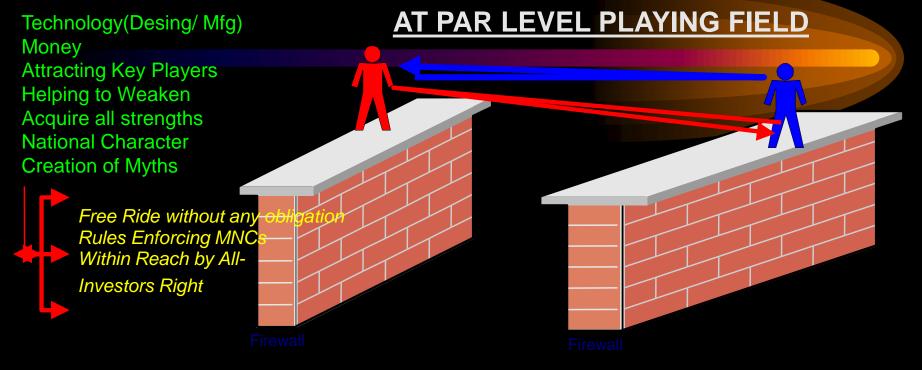
Free Ride without any obligation Rules Enforcing MNCs Within Reach by All-Investors Right





Economically Less Advanced Countries

Country Competitiveness and Trade Barriers Population



Economically Less Advanced Countries

Country Competitiveness and Trade Barriers

ISSUES FOR RESEARCH

- There is a need for extensive, ongoing comprehensive work on nature, scope and magnitude of innovation being carried out in the country. It is also necessary to conduct sectoral studies on innovation, to understand how much of the innovations are being done by domestic efforts and how much by/ with the assistance of foreign players.
- It is important to study how much of the value of innovation is being captured and dominated by the foreign players. How much of the investment in infrastructure and intellectual capital is being made by domestic and foreign players and how it is being apportioned.

A critical ongoing research agenda also has to be on the degree of dependence or independence in innovations, as the dependence is directly related to the issue of sovereignty of the country.

The magnitude and task of the research work is so onerous, that traditional methods of research will be grossly inadequate, inefficient and may give partial or even misleading/ lopsided view of the situation. New, innovative appropriate research approaches have to be thought of for such large-scale coordinated research.

The enormity of the research tasks associated with the above issues suggests that individual, sporadic and piecemeal research efforts are inadequate to meet the challenge. *Time* has come to attend to it through large scale, coordinated research by mobilizing and unifying the national efforts with active industry involvement at various stages of research. • Such *coordinated studies* with close industry association are important from two other angles. Firstly, these would pave way for *relevant*, meaningful, rich and sound research outputs in a cost effective *manner*. Secondly, the association in the process of research will facilitate necessary perspective building among the academicians and *managers and common masses* which would eventually be reflected in the way they will fine tune their approaches and strategies to meet the emerging challenges

Measuring Competitiveness

Developing Measurements of Competitiveness Measuring Competitiveness

- * Firms
- * Industry
- * Country

Determinants of Competitiveness

Socio-cultural-political impact on Competitiveness Impact of Trade Agreements/ Regional Trade Blocks Economic Reforms & Competitiveness Strategic Disadvantages of Developing Countries Impact of Multinational organisations on competitiveness

Enhancing Competitivenes

Strategies for Enhancing Competitiveness New Product Developments Organisation Innovations Strategic Alliances/ JVs Internationalisation of Business Acquisitions/ Mergers & Divestitures Managing Change & Transformation Roadblocks to Competitiveness

Roles of Various Estates

Legislature

Executive

Judiciary

Press/ Media

Wider Ramifications of Loss/ Gain of Competitiveness

Social

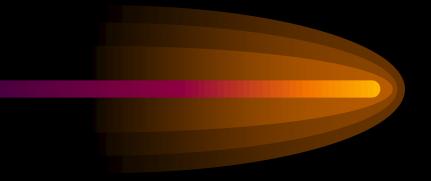
Political

Economic

Cultural

Technological





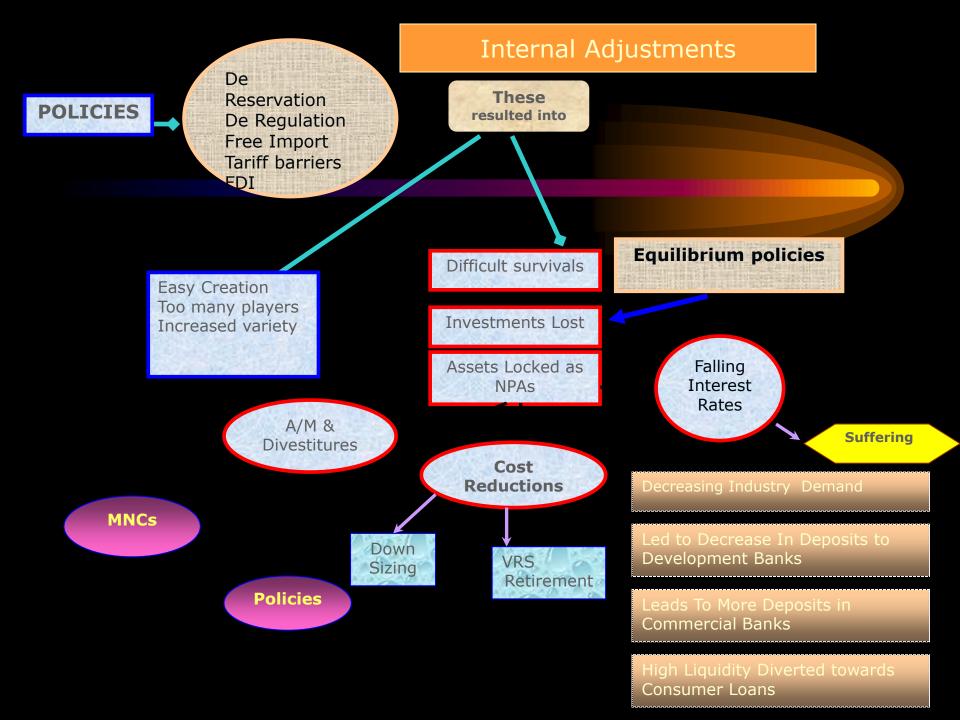
THANK YOU

WHAT NEEDS TO BE DONE

Bringing awareness among common masses about various developments

Giving a holistic/ coherent picture
Giving longitudinal patterns of developments
Highlighting/ analysing wider ramifications
Mobilising public opinion for national decisions in desirable directions/ to benefit larger masses, and protecting long term interest of the country

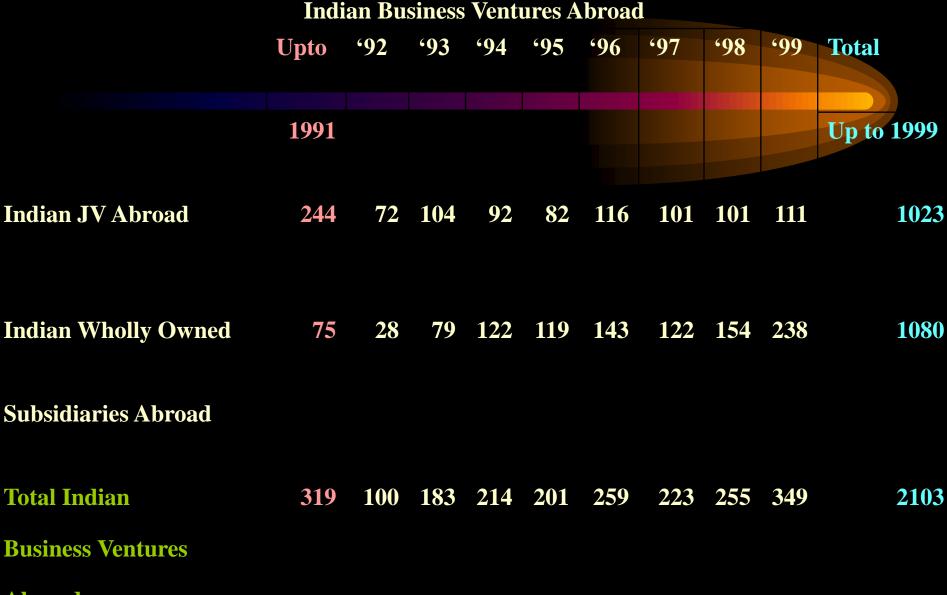
Publishing data backed analytical articles



Major Upheavels in the form of Corporate Restructuring

No. of Mergers between 1997-2003 = 653

No. of Divestiture cases (more than 30% of Assets) = 736 between 1997-2000



Abroad

Contribution to Export/ Import by Size of the Companies in 2001

	Top 100 Top To		Тор	Тор	Тор	Total
		101- 500	501-1000	1001-2000	2001-5141	Firms
Positive Net Export						
# of Firms	22	143	188	412	775	154(
Amount (Rs. In Crs.)	13825	12397	7304	8054	3085	
Negative Net Export						
# of Firms	53	216	279	455	812	1815
Amount (Rs. In Crs.)	-98433	-20255	-6170	-3355	-2524	
No Export/Import						
# of Firms	25	41	33	133	1554	1786
Total Net (Rs. crs.)	-84608	-7858	1134	4698	561	5141

		import i on			
Year	Export/	Year	Year Export/		Export/
	Import		Import		Import
	Ratio (%)		Ratio (%)		Ratio (%)
1970-71	78%	1980-81	52%	1990-91	66%
1971-72	77%	1981-82	54%	1991-92	87%
1972-73	92%	1982-83	58%	1992-93	78%
1973-74	82%	1983-84	59%	1993-94	85%
1974-75	71%	1984-85	64%	1994-95	75%
1975-76	78%	1985-86	55%	1995-96	74%
1976-77	94%	1986-87	59%	1996-97	70%
1977-78	90%	1987-88	64%	1997-98	86%
1978-79	72%	1988-89	60%	1998-99	72%
1979-80	65%	1989-90	69%	1999-	68%
				2000	

India' Export- Import Performance during 1971-2000

Indian Business Ventures Abroad and Foreign Collaborations in India '93 ·94 '95 '96 ·97 ·98 '99 Upto **'92** Total **Upto 1999 Indian JV Abroad Indian Wholly Owned Subsidiaries Abroad Total Indian Business Ventures Abroad Foreign Collaboration** 16836 1531 in India

Corporate Leaders and Foreign Collaborations

	Sales in year 2000						
		Listed		Unlisted			
Rank	(Rs. in Cr)	Companie	S	Comapnie	S	Total	
			No. of		No. of		No. of
		No. of	Colla	No. of	Colla	No. of	Colla
	>	Firms	borat.	Firms	borat.	Firms	borat.
Тор							
100	1731.1	51	475	9	32	60	507
Тор							
500	315.4	301	1486	54	214	354	1700
Тор							
1000	137.4	545	2260	113	361	658	2621
Тор							
2000	44.6	859	2981	317	767	1176	3768
Тор							
5000	1	1331	3763	1168	2225	2499	5998

Share of Leaders in the Different Parameters in the year 2001

Тор	Sales	Profits	Gross	Exports	Imports	Net Export
			Fixed			
			Assets			
100	59%	91%	53%	42%	67%	-98%
500	83%	119%	77%	71%	88%	-107%
1000	91%	122%	86%	84%	94%	-106%
2000	97%	113%	92%	96%	95%	-101%
5141	100%	100%	100%	100%	100%	100%
otal 5141	12,28,927	41,216	9,24,336	1,05,077	1,91,150	-86,073
Rs. in						

Crores)

	Profit Position	of Pre Reform (Corporate Lea	ders in 2001	
Year	No Profit No	Profit	Loss	Not	Total
	Loss	Making	Making	Reporti	
	Companies			ng	
		Companies	Companies		Compani
1991	67	1686 (79%)	388	-	2151
2001	7	1000 (46%)	679	465	2151

Performance of Pre- Reform (1991) Corporate Leaders in the Post Liberalisation Era

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Cos. In											
Profit	1696	1669	1573	1645	1691	1619	1461	1327	1203	1160	1000
Co. in No Profit No Los Conditio n	67	40	16	14	10	11	10	14	8	10	7
Co. in Loss	388	355	403	351	312	369	520	632	713	714	679
Cos. Not Repo											
rting	0	87	159	141	138	152	160	178	227	267	465
	2151	2151	2151	2151	2151	2151	2151	2151	2151	2151	2151

India's Export/ Import Over the Years

In U.S.\$ million

Year	Export	Import	Net	Year	Export	Import	Net
1971	1890	2435	-545	1986	9461	17294	-7833
1972	2122	2759	-637	1987	10413	17729	-7316
1973	2579	2796	-217	1988	12644	19812	-7168
1974	2997	3646	-649	1989	14257	23618	-9361
1975	4006	5620	-1614	1990	16955	24411	-7456
1976	4830	6197	-1367	1991	18477	27915	-9438
1877	5750	6097	-347	1992	18266	21064	-2798
1978	6354	7051	-697	1993	18869	24316	-5447
1979	6817	9512	-2695	1994	22683	26739	-4056
1980	7817	12076	-4259	1995	26855	35904	-9049
1981	8445	16314	-7869	1996	32311	43670	-11359
1982	8697	15970	-7273	1997	34133	48948	-14815
1983	9490	16468	-6978	1998	35680	41535	-5855
1984	9861	16575	-6714	1999	34298	47544	-13246
1985	10061	15715	-5654	2000	37542	55383	-17841

No. 41 : FOREIGN TRADE

Year/ Month		US dollar million	
	Export	Import	Balance
1	5	6	7
1990-91	18,145	24,073	-5,927
1991-92	17,865	19,411	-1,545
1992-93	18,537	21,882	-3,344
1993-94	22,238	23,306	-1,068
1994-95	26,331	28,654	-2,324
1995-96	31,795	36,675	-4,880
1996-97	33,470	39,132	-5,663
1997-98	35,006	41,484	-6,478
1998-99	33,219	42,389	-9,170
1999-00	36,822	49,671	-12,848
2000-01	44,560	50,536	-5,976
2001-02	43,827	51,413	-7,587
2002-03	52,719	61,412	-8,693
2003-04	63,843	78,149	-14,307
2004-5 Apr-			
Feb	69,747	94,509	-24,761

Poor Performance is Not Prerogative of Any Particular Sector

	loss	s 9 1	loss92	2-2001	notre	oort91	otrepor	t92-200	prot	fit91	profit9	2-2001	Total	Total	Grand
													1991	92-01	Total
		Total		Total		Total		Total		Total		Total			
Central Govt. PSUs	А	47	А	7	А	77	А	21	А	73	А	25	197	53	250
State Govt. PSUs	B	10	В	12	В	19	В	43	В	10	В	17	39	72	111
State & Pvt. Sector (J	С	3	С	5	С	4	С	7	С	2	С	3	9	15	24
Private (Foreign)	D	26	D	54	D	9	D	34	D	106	D	103	141	191	332
Takenover PSU	G	14	G	1	G	14	G	0	G	2	G	0	30	1	31
PSU Banks	H	2	H	3	H	1	Н	2	Н	8	Н	16	11	21	32
Cooperative Sector	J	0	J	0	J	7	J	45	J	2	J	2	9	47	56
Private Sector (Indivi	Р	227	Р	787	Р	171	Р	1326	Р	238	Р	1310	636	3423	4059
Private Sector (Busin	P Gr.	688	P Gr.	1306	P Gr.	464	P Gr.	1880	P Gr.	999	P Gr.	2111	2151	5297	7448
	Grand '	688	Grand '	1306	Grand '	464	Grand '	1880	Grand '	999	Grand '	2111	2151	5297	7448

Poor Performance is Not Prerogative of Any Sector

