

A STUDY OF ENGINEERING SMEs IN GUJARAT: PROSPECTS OF SUSTAINABILITY AND CHALLENGES TO GLOBALISE IN THE WAKE OF MAKE IN INDIA INITIATIVE

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ABSTRACT

“Make in India” is a burgeoning concept. It is helping entrepreneurs in exploiting their business potential. Despite various challenges and drawbacks Micro, Small and Medium Enterprises (MSME) have evolved as a competent and promising contributor to Indian economy over past more than 6 decades. The current paper is an attempt to find out the impact of globalization on the MSME working in India.

Key Words: MSME, Globalization.

INTRODUCTION

India is an economy with large number of enterprises having low levels of capital investment. These enterprises account for considerable output and employment in the economy despite the fact that they are less efficient and do not necessarily adhere to various international quality and governance standards. Despite various challenges and drawbacks Micro, Small and Medium Enterprises (MSME) have evolved as a competent and promising contributor to Indian economy over past more than 6 decades. Government was providing a lot of protection and incentives to small enterprises during pre liberalization era; however this protection has been considerably reduced and removed except for production of a very small number of goods in the economy.

However, MSMEs not only have a larger role in providing great opportunities of

employment at relatively lower capital than large industries but also assist in economic advancement of rural and backward areas. Subsequently, these help in reducing regional imbalances and assuring more justifiable distribution of national income and wealth while providing employment in rural and backward areas of the country. The MSMEs in India contribute 8 per cent to its GDP, creating one hundred million jobs with the help of forty six million units from the non-urban and the urban areas across of the Country. They also have significant contribution to 90 per cent of the overall industrial output and 45 per cent of the manufacturing output of India and boast of having 6000+ products across the spectrum. MSMEs are credited for adding 36 per cent of the total value of exports from the country and the sector has observed a persistent year on year growth of over 10 per cent and thus making this sector as the stronghold of our country's economy (CII, MSME Conclave, 2014).

The Gujarat state has clocked a magnificent industrial growth since its formation in 1960. At present, industrial sector has over twelve hundred large industries and over 4 Lac MSMEs. According to the outcome of the Annual Survey of Industry (ASI), 2009-10

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conducted by the Central Statistical Organization (CSO), the state of Gujarat contributes upto 18% of fixed capital investment, 17.22% of gross output and 15.20% of net value added in industrial sector in our country. This Survey subsequently strengthened the position of Gujarat as India's most economically advanced state substantiated by having 1st ranking in industrial investment and 2nd for production value and value addition in industrial sector.

In due course of time, Gujarat has diversified its industrial activities to a great extent. In 1960-61, textiles sector was one of the biggest donors to the industrial economy of the state. During the time frame of 52 years, the industrial scenario has been completely revamped in the state and as of now 13 major industrial bodies collectively amount to 83% of factories, 94% of fixed capital investment, 93% of value of output and 93% of value addition in the state's industrial economy. In the recent time, the refined version of petroleum products has come up as one of the biggest industrial contributor having a share of about 37% , followed by chemicals, which claim to have 14% share. Other important contributors are basic metals (8%), food products (7.14%), textiles (5%), machinery and equipment (3.36%), non-metallic mineral based products (2.8%), plastic and rubber products (1.81%), fabricated metal products (2.74%). Industries in the state of Gujarat are into the production of eclectic products. The product output which have significant contribution towards nation level production include: Soda Ash having 94% share, Salt (80%), Processed Diamond (80%), Polyester Filament Yarn (63%), Caustic Soda (42%), Phosphatic Fertilizers (37%), Sponge iron (35%), Textile Fabrics (34%), Refined Petroleum Products (33%), Nitrogenous Fertilizers (19.5%), Cement (10%) and so on.

The MSMEs in Gujarat have experienced varying degree of success. The state of Gujarat is one of more industrialised one in India. However, various firms are affected by winds of globalisation in the state as well. Huge number of industrial set ups are located in Gujarat Industrial Development Corporation (GIDC) developed industrial estates which are spread over in different regions of Gujarat in all the districts. One of such GIDC promoted area is located in Anand district in central Gujarat. This industrial area in Anand is named as Vitthal Udyognagar GIDC. The present paper focuses on study of industrial units located in this industrial area. A majority of units in this industrial area are engineering firms. These firms are responding to as well as getting influenced by globalisation in a variety of ways.

The present paper examines selected industrial units from Vitthal Udyognagar GIDC, Anand in Gujarat with respect to challenges faced by these units and nature of response to globalisation. It focuses on aspects of sustainability and challenges faced in the wake of Make in India initiative. It further attempts to bring out the issues and aspects required to be adopted by various firms for being successful under the "Make in India" initiative to face challenges of globalisation, among SMEs.

IMPACT OF GLOBALISATION AND NEED FOR SUSTAINABILITY

Despite changes in business environment, resulting in increased competition, MSMEs continue to play a crucial role by way of contributing to GDP, providing employment to local population, contributing to sizable exports from country. Besides, fostering balanced development and entrepreneurial qualities it use locally available resources and provide other benefits to economy at comparatively lower capital cost. It also help

in industrialization of rural and backward areas, equitable distribution of income and wealth and provide employment in rural and backward areas thereby, reducing regional imbalances (Joshi, Yogesh C. 2015). In Vitthal Udyog the engineering enterprises account for provision of a considerable employment creation leading to healthy development of the regional economy.

In an era when India is on a threshold of furthering its promise of emerging as one of economic powers in the world, it is important that MSMEs become responsible corporate citizens. It is important therefore for MSMEs to operate through focusing on nine principles of sustainability (Furman L. J. (2009) in the form of Ethics, Governance, Transparency, Business Relationships, Financial Return, Community Involvement, Values of Products and Services, Employment Practices and Protection of the Environment.

The prominent firms in the region are listed on the stock exchanges as well. They are of medium scale. Many of the other firms in this GIDC are dependent on these large sized medium scale firms. Some of these are

1. Elecon Engineering Co. Ltd.

Years ago in 1951, Elecon started its journey to attain greater heights of excellence in technology, creating benchmarks at every stage, from elevators and conveyors, to high quality gears and material handling equipments. In 1976, Elecon established a separate Gear Division. Elecon is also renowned for its pioneering concept, case-hardened and ground gear technology in fledged departments having a strong and competent work force. It has delivered hi-tech equipments to major core sectors such as Fertilizer Plants, Cement Plants, Coal & Lignite Mines, Power Plants, Textile Plastic, Steel Plants, etc in India and abroad.

Elecon Engineering is the work horse of GIDC in true sense. It is the largest firm in the region, providing for large employment to workforce. However, in order to become a lean organization it laid off around 1000 employees in the year 2014 and is taking desperate steps to continue to be the flag bearer of Make in India efforts for many years in the country. In its product line, in particular, it has carved out an excellent name for itself, throughout India and in export market as well.

2. GMM Pfauder Ltd.

GMM Pfauder Limited is a major supplier of engineering equipments and systems for typical applications in the global chemical and pharmaceutical markets. Its accomplishments are based on close and intensive interaction with its customers, application engineering expertise, dedicated customer support and highly competitive cost structure. As a customer oriented organization, it tirelessly efforts to fully understand customer's needs in order to better anticipate their future requirements. Simultaneously, they offer process solutions with in house application of engineering and technical support services to unleash greater competitive advantage.

A truly world class organization, GMM Pfauder is an ISO 9001:2008 company. They have been accredited by ASME for the manufacture and repair of pressure vessels under 'U' Stamp, 'U2' Stamp and 'R' Stamp, by TUV Nord for the manufacture of pressure vessels under CE 0045 (PED 97/23/EC, Module H/H1) and AD 2000-Merkblatt HP0. They have also been approved by Special Equipment Licensing Office (SELO) for the supply of pressure vessels to the People's Republic of China. Its welding workshop has been verified and recognized based on the requirements of the

standard DIN EN ISO 3834-2 (EN 729-2) by TUV Nord.

GMM Pfaudler Limited has its headquarter located in Mumbai, India with its manufacturing facilities located in Gujarat, India. In order to remain ahead in its business since waves of globalization started sweeping Indian shores, it correctly collaborated with Pfaudler, the leader in manufacturing its type of glass lined vessels which are anti-corrosive and used in chemical, pharmaceutical and related industrial activities.

3. Rolcon Engineering Company Limited

Its web site mentions that they are among forefront manufacturers of eclectic range of chains and sprockets to serve the customized needs of different industries. Since established, they have been producing quality products. Cutting edge quality products and world-class manufacturing are backed by the rich resources and long experience necessary to put forth the promise of new age technology.

Rolcon believes its customer's continuous accomplishments depend on the development of ever more evolving and state of the art technologies to produce, manage, and exhibit performance. Rolcon believes that the promising way to achieve that mission is to keep the entire process starting from fundamental research to concluding production under its direct control through complete vertical integration.

Rolcon's strengthened its network of distributors and sales outlets to cover whole country. It helps its esteemed customers, in better communications, quick deliveries, and prompts customer care services.

Supported by thirty four years of experience in its field Rolcon has also earned vast amount of on the ground experience through its customers who have been using Rolcon

chain and sprockets. This experience is regularly given back to Rolcon's production department, which makes effort for the high quality standard for its products. A team of technical experts including dedicated engineers are continuously exploring and incorporating updated technologies to improve the quality of its products.

It is clear from above discussion that firms in the GIDC of Vitthal Udyog Nagar, Anand are doing well till now. It is imperative that they remain ahead of further increasing and intensifying globalisation. They should be ready to exploit opportunities presented in order to expand in export market and to reduce risk of international exposure. Another factor gaining importance is changing domestic business environment which is in turn influenced by need of global markets. The Companies act's (2013) requirement of CSR activities is one such change introduced in India. This will need firms to introspect themselves and be positively involved with their surroundings and stakeholders. In the end they have to be more socially responsible citizens. They will be required to be more transparent and open to scrutiny of society as well. In other words they need to amend themselves to be more proactive and adopt more sustainable ways of operations and interacting with society.

The Economic Survey, (2013-14) of Government of India mentions sustainable development as an imperative for achieving intergenerational equity and as a public good which has a large global dimension. It mentions that India has accommodated sustainability concerns in its development path but is constrained in its efforts as many needs are competing for a small amount of resources. It mentions that the goals of economic and social development must be defined in terms of sustainability in all countries and the present and future

consumption balance within nations has to be seen in relation to historical patterns of consumption. Appropriate legislations have been passed in India to undertake sustainable production like conservation of forests and ecosystems, waste management, and pollution control. The recently launched “Swachh Bharat Mission” is also for ensuring hygiene, waste management and sanitation across nation. Joshi Yogesh C. and Kurulkar Rajiv (2004) have emphasised role of various other stakeholders in ‘greening the golden corridor’ and transforming industrial estates of Ankleshwar and Vapi GIDCs to become sustainable.

However, in terms of corporate sustainability, Epstein (2008) works upon 9 principles of sustainability to be followed and adhered to by a business organisation. These are:

- i) Ethics: Company establishes, promotes, observes and monitors ethical standards and practices in its dealings with different company stakeholders.
- ii) Governance: Company organises all its resources in accordance with the rules or standards for right conduct or practice, recognising the duty of management, board and managers to focus on genuine concerns of all company stakeholders
- iii) Transparency: Company attempts time bound revealance of products, services or activities related information.
- iv) Business Relationships: The company exercises and promotes equitable trading practices with suppliers, distributors and all of its partners
- v) Financial Return: The company provides capital with fair returns on investment and the proper security of company assets

- vi) Community Involvement/ Development: Company works out a one to one attributable relationship between the organisation and community in such a way that it is sensitive to the priorities and the needs of the community.
- vii) Values of Production and Services: The company honours the rights and requirements of its customers and is determined to provide all possible highest levels of product and service values.
- viii) Employment Practices: The company engages in human resource management practices that foster professional and personal employee growth and empowerment.
- ix) Protection of Environment: The company sincerely attempts to protect and preserve the environment and promote sustainable development with products, processes, services and other business related activities.

Thus, it is clear that in order to pursue sustainability the corporate needs to take care of interests of all the stakeholders. In fact it requires a complete change in the way the corporate thinks and acts, it is a complete change of its culture which is required to bring about sustainability in overall operations of the corporate. It is obvious that the once the corporate becomes sustainable, it is likely to lead to accrual of large number of benefits for itself. Hitchcock and Willard (2009) mentions a few of them, which are: i) Reduction in energy use, waste and costs i.e. fewer trips to landfill sites are required, thereby saving fuel and cutting costs, ii) Differentiate yourself i.e. undertake to stand out of the crowd, it may be price premium or by value premium. It is likely that consumers prefer and like environmentally friendly or

green producer, iii) Sidestep future regulations, if the corporate can envisage and expect forthcoming regulations they are able to get ahead of competitors. Such corporate can also play a role in formulations of green policies by the government, and can enjoy competitive advantage over competitors. In a globalised economy such practices and image of a corporate can play a useful role in its future success, iv) Create innovative new products and processes. Productivity improvements and energy saving steps taken regularly make an organisation increasingly competitive, v) Open new markets: Being green and competitive allows a corporate to venture in a new market, which could be worthwhile in non-industrialised and developing country. Thus it enhances market reach and profitability for the corporate (Joshi Yogesh C. 2015).

A study through administering of a questionnaire was undertaken in early 2015 to get response from SMEs of Vitthal Udyognagar GIDC in Anand district of Gujarat to elicit information on exiting status of these firms with regard to sustainability aspects of business and whether they are conscious and how they perform on benchmark of sustainability. Broad conclusions are discussed below:-

Firms surveyed included respondents belonging to micro, small and medium scale. In order to face competition and survive, firms have started producing new products i.e. diversifying into new but related products. Many of these firms have been supplying their products to industrialised countries like Australia, USA, UK and others as well. For majority of firms number of customers increased and they are supplying their products to different states in India.

The firms in Vitthal Udyog are also having labour force from other states as well. They have also been sending some of the

employees to undertake training at outside institutions. Most of the producers directly approach their customers and very few use other means like advertising through media, internet and others. Only a handful of them have collaborated with foreign producers or other Indian producers. The firms are taking measures to improve efficiency in the form of regular maintenance, waste management and other activities like following standards prescribed by electricity supply companies in varying modes to save energy.

Ethical standards and practices relating to HR practices are not used in a formal manner and are mostly informal in nature. Only some of the medium sized firms have formal HR practices in place. However, standard practices of increments in wages and salary, welfare initiatives for workforce as per international standard in the form of involving workforce and family in a socially responsible manner is not done at all or is rarely being done by firms in GIDC. Further, not all senior managers or board members take steps to focus on interest of all stakeholders. In general, firms follow fair trade practices (business relationships) with suppliers, distributors, partners etc. and elicit suggestions to improve performance. Practice of community involvement are not significantly prevalent among firms in this region, however, many other are engaged in, educating children of employees, organising community activities, and others. But these firms are exceptions only. In order to save environment and conserve energy, use of solar lights, & LED lights, tree plantation, reduction of waste, up gradation of machinery, reduction in plastic use and other practices are being used by MSMEs. Again this is not being done by majority of firms.

CONCLUSION

Thus, based on above discussion it can be concluded that firms in Vitthal Udyognagar

GIDC in Gujarat, are slow in adopting sustainability related measures. Only small proportions of firms have started adopting socially responsible posture, that too in partial manner. In an era of globalisation it is imperative for firms to become socially responsible citizens and there by ensure their own sustainability. Thus, it is evident that globalisation is affecting gradually Udyogannar GIDC in Gujarat.

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