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CHALLENGES FACED BY VARIOUS INDUSTRIAL SECTOR

Businesses make up a significant portion of a country's economy. They help people live the lives they want to live and encourage productivity that leads to huge profits and growing revenues. The economy of a country is literary a backbone to its existence. The economy of a country helps determine overall health and growth of a nation. It shows how well people can spend, save and grow their resources overtime. It also shows effects of supply and demand; what products and services are in demand contributing to growth and stability of the country in question. Economic growth in modern times is a crucial element part of global development. Even small businesses can impact how people abroad spend their hard earned money. Businesses thrive when they are able to provide a product people want. People create their living situations based on resources available and what they can afford. Businesses offer a number of elements highly important to a country's economy such as employment, productivity and a form of financial security. Think of it this way; when a business is doing well they are likely contributing to a country's economy that makes it beneficial for everyone involved.

Although India is an agro-based economy, but lot of emphasis has been given on the development of industries (both consumer goods and capital goods), service sector (including construction, trade, commerce, banking system etc.) and socio-economic infrastructure (like education, health, housing power, energy, transport, communication etc). Indian economy can broadly be divided into three heads:

(i) Primary or Agricultural Sector:

This sector consists of agriculture and its allied activities including dairy, poultry, cattle rearing, fishing, forestry, animal husbandry etc. In the primary sector, most of the goods are produced by using natural resources, since India is a overpopulated agro based economy, therefore, this sector plays an important role for economic growth.

(ii) Secondary or Manufacturing Sector:

This sector is also known as industrial sector. In this category, all types of manufacturing sector like large scale, small scale and tiny scale are included. Small and tiny scale industries include clothes, candle, poultry, match box, handloom, toys etc. These units provide huge employment. On the other hand, large scale industries like iron and steel, heavy engineering, chemicals, fertilizers, shipbuilding etc. contribute a huge amount in our gross domestic production.

(iii) Service or Tertiary Sector:

This sector produces different services like transport, communication, banking, insurance, trade and commerce, including both national and international trade. Moreover, all the professional services like doctors, engineers, teachers, lawyers etc. come under service sector. Again the services provided by the government itself for the welfare of citizens are also included in the tertiary sector.

PRIMARY SECTOR

This sector comprises of 2 industries which are Oil Industry and Agriculture Industry.

OIL INDUSTRY

India is the sixth largest consumer of oil in the world and the ninth largest crude oil importer. India's oil and gas sector contributes over 15% to the Gross Domestic Product (GDP). As per the Business Monitor International (BMI) forecast, India will account for 12.4% of Asia Pacific regional oil demand by 2015, while satisfying 11.2% of the supply. Due to increasing refining capacities, exports of petroleum products are high in terms of the foreign currency amassed and accounts for 17% of the total exports. Currently the position of Indian oil market is driven by four major companies, as given below:

1. Hindustan Petroleum Limited
2. Bharat Petroleum Corporation (BPCL)
3. Indian Oil Corporation (IOC)
4. Oil and Natural Gas Corporation

Major factors which influenced price of crude in 2016 include oversupply, strengthening of US dollar, increase in US crude stock, and delayed production decision of the OPEC. Fall in crude prices resulted in lower revenue realization for oil exporting countries. As a result most of the OPEC countries suffered severe financial loss. To keep their economic activities going OPEC countries were forced to maintain the production level beyond expectation.

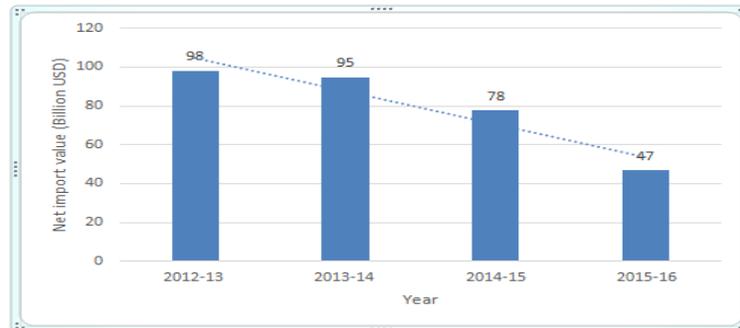


Figure 1: Falling net petroleum import in India

Source: Prepared by the author based on PPAC data

Graph 1- Showing the fall of net petroleum in India

Falling oil price proved absolutely beneficial for India. Net import of crude and petroleum products has fallen from \$98 billion in 2012-13 to \$47 billion in 2015-16 (Graph 1), 52 percent drop in net import value. During the period, net import volume increased from 138 million tons to 171 million tons registering about 24% net import volume growth.

The benefit of lower oil and LNG prices continued to benefit in the ongoing financial year too. Lower oil & gas prices in the international market are helpful for the Indian economy as the cost of energy becomes affordable, which serves as enabling factors for greater availability and accessibility.

CHALLENGES FACED:

1. Oil Storage: The Oil Storage Capacity of Indian Industry is only for two weeks which makes it difficult in case of disasters.
2. Increased Cess: The cess on Petroleum Products was increased to 20% based on ad valorem tax introduced recently.

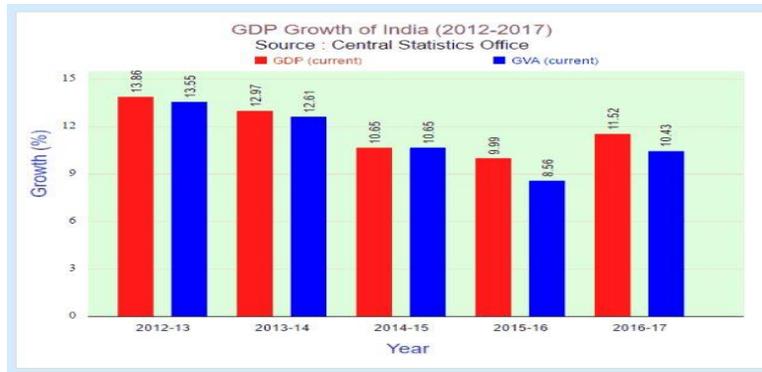
3. Investments: With Global Crude oil Price Coming Down, Indian companies are reluctant to invest in Petroleum exploration as it is becoming uneconomical.
4. R&D: Research and development on petroleum sector is abysmally low. Industries are using obsolete forms of technology compared to developed countries.
5. Alternative fuel: Multiple sectors and government agencies are now continuously focusing more and more in alternate fuels like bio-fuel, solar electricity etc.
6. Value of rupee: Due to inflation and instability, value of rupee fluctuates in international market.

AGRICULTURE INDUSTRY

Agriculture maybe defined as an integrated system of techniques to control the growth and harvesting of animals and vegetables. Agriculture known also as husbandry or farming is the science of cultivating plants, animals, and other life forms for fuel, food and fiber. Agriculture was the key development in the rise of sedentary human civilization, whereby farming of domesticated species created food surpluses that nurtured the development of civilization.



Agriculture, the backbone of Indian economy, contributes to the overall economic growth of the country and determines the standard of life for more than 50% of Indian population as it contributes only about 14% to the overall GDP (graph 2).



Graph 2- Showing the GDP of India

The backpacker tax debacle started to shed some light on the challenges facing agriculture in terms of ensuring a steady supply of workers also the problem of small and fragmented holdings is more serious in densely populated and intensively cultivated states like Kerala, West Bengal, Bihar and eastern part of Uttar Pradesh where the average size of land holdings is less than one hectare and in certain parts it is less than even 0.5 hectare.

CHALLENGES FACED:

1. Sustaining investment
2. Climate change
3. High fluctuations in prices and production
4. Undeveloped markets
5. Relative profitability of agriculture vis-a-vis other sectors

SECONDARY SECTOR

Secondary activities add value to natural resources by transforming raw materials into valuable products. Secondary activities, therefore, are concerned with manufacturing, processing and construction industries. People engaged in secondary activities are called blue collar workers. This sector comprises of 2 industries which are Construction Industry and Food Industry.

CONSTRUCTION INDUSTRY

The Construction industry of India is an important indicator of the development as it creates investment opportunities across various related sectors. Construction as an industry comprises six to nine percent of the gross domestic product of developed countries. Construction starts with planning, design, and financing; and continues until the project is built and ready for use. Today, construction sector of most emerging economies, including India, is witnessing sharp growth prospects on the one hand and pressure to effectively and efficiently contribute to the national development on the other. The Indian construction industry is one of the major stimulants of the economic and social growth of the nation.

Construction is confronted by challenges such as time and cost overruns, wastage, low levels of standardization, fragmentation, inconsistent procurement practices and low use of technology. Poor risk management is among major challenges facing the construction industry on issues of timely project completion. Although risk factors are numerous, the nature of construction projects being prone to changes during execution makes it difficult to adequately capture risk aspects related to scheduling and timely project completion.

CHALLENGES FACED:

1. **Undercapitalization**-Operating money is critical to achieve success, many bad decisions are made while company are in panic.
2. **Bad cash flow**-We all know that getting paid gets harder all the time. Submitting for draws and having an understanding client and maintaining a positive cash flow into the balance sheet. A poor paying client causes many problems in industry.
3. **Inadequate planning**-Understanding manpower and cash issue can determine the success or failure of any project. Do not overestimate capabilities or underestimate cash flow.

4. **Inflexibility**-The changes when the present plan is falling can help to overcome the issue. Have a willingness to plan and learn. If you have not failed you have not done much.

FOOD INDUSTRY

The food industry is a complex, global collective of diverse businesses that supplies most of the food consumed by the world population. Only subsistence farmers, those who survive on what they grow, and hunter-gatherers can be considered outside the scope of the modern food industry.

Modern food production is defined by sophisticated technologies. These include many areas. Agricultural machinery, originally led by the tractor, has practically eliminated human labour in many areas of production. Biotechnology is driving much change, in areas as diverse as agrochemicals, plant breeding and food processing. Many other types of technology are also involved, to the point where it is hard to find an area that does not have a direct impact on the food industry. As in other fields, computer technology is also a central force, with computer networks and specialized software providing the support infrastructure to allow global movement of the myriad components involved.

Given the huge agriculture base, food processing industry has a good future in India. Food processing industry requires a large number of skilled workforce for various purposes. Currently India is enjoying a huge workable population but the skilling programs are slower than the needs of the industries. Government has taken several measures to boost the FPI in India such a decision to set up mega food park and mini food park through hub and spoke model. This is expected to provide all the necessary facilities and the state-of-art facilities at a single place. However the pace of execution is very slow in this direction and needs to speed up FDI in FPI can be really helpful in mitigating the current challenges of funding, training and skilling of people and meeting technological gap. FDI can also be helpful in making the supply chain efficient and thus reducing the wastage of argi-produce.

CHALLENGES FACED:

1. Consumer avoiding center of store products.
2. Healthy and clean label vs diet friendly.
3. Rise of natural and organic product.
4. Adapting to shift toward e commerce.
5. Slow product innovation cycle.
6. Making product more convenient.

TERTIARY SECTOR

This sector comprises of Aviation Industry, Telecommunication Industry and Hospitality Industry.

AVIATION INDUSTRY

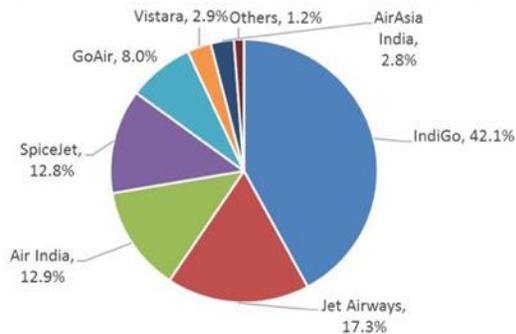
Indian Aviation Industry has been one of the fastest-growing aviation industries in the world with private airlines accounting for more than 75 % of the sector of the domestic aviation market. With a compound annual growth rate (CAGR) of 18 % and 454 airports and airstrips in place in the country, of which 16 are designated as international airports, it has been stated that the aviation sector will witness revival by 2011. India is among the five fastest-growing aviation markets globally with 275 million new passengers, the airlines operating in India are projected to record a collective operating profit of Rs 8,100 crore (US\$ 1.29 billion) in fiscal year 2016, according to Crisil Ltd.



The Indian aviation sector can be broadly divided into the following main categories:

- **Scheduled air transport service:** It is an air transport service undertaken between two or more places and operated according to a published timetable. It includes domestic and international airlines.
 - i. **Domestic airlines:** which provide scheduled flights within India and to select international destinations. Air Deccan, Spice Jet, Kingfisher Airline and IndiGo are some of the domestic players in the industry.
 - ii. **International airlines:** operate from scheduled international air services to and from India.
- **Non-scheduled air transport service:** It is an air transport service other than the scheduled one and may be on charter basis and/or non-scheduled basis.
- **Air cargo services:** It is an air transportation of cargo and mail. It may be on scheduled or non-scheduled basis. These operations are to destinations within India.

India Domestic Airline Market Share Nov-2016



Source: CAPA - Centre for Aviation, Directorate General of Civil Aviation

Graph 3- Showing the Indian domestic airline market share

The difficulty is with regard to aviation petrol as India, having very small supply of indigenous petroleum, has to depend on foreign sources for fuel, especially for aviation purposes. Whenever there is any bottleneck in the regular supply of aviation spirit, even the regular scheduled services, have to be cut off temporarily. Expected higher oil prices will have the biggest impact on the outlook

for 2017 as it will push jet fuel prices from \$52.1/barrel (2016) to \$64.9/barrel (2017). Fuel is expected to account for 18.7% of the industry's cost structure in 2017, which is significantly below the recent peak of 33.2% in 2012-2013. The increase in petrol price leads to lowering the global passenger load factor.

CHALLENGES FACED:

1. **Fuel Price:** Fuel accounts for 30-40% of the operating cost on the average. Drop in fuel prices is one of the reasons airline industry has been able to rebound, but there is no certainty that fuel prices would remain stable.
2. **Technology:** New technology aircraft like B-787 and A350 consume 20-30% less fuel than the aircraft they would replace. However, not all airlines would be able to replace their fleet with modern technology aircraft for the want of capital.
3. **Environment:** Growth in airline capacity also means more environmental damage-carbon emission. Old technology aircraft do, relatively, more damage to the environment than new technology aircraft.
4. **Airspace and airport capacity:** Arriving aircraft at busy airports have to wait in the air for their turn to land. Holding in the air costs upto 12% extra fuel on the average. Runway capacity needs to be enhanced using modern technology such as reducing separation distances between successive arrivals/departures, rapid exit taxiways at proper distances.

TELECOMMUNICATION INDUSTRY

India is currently the world's second-largest telecommunications market with a subscriber base of 1.05 billion and has registered strong growth in the past decade and half. The Indian mobile economy is growing rapidly and will contribute substantially to India's Gross Domestic Product (GDP), according to report prepared by GSM Association (GSMA) in collaboration with the Boston Consulting Group (BCG). The country is the fourth largest app economy in the world. The Indian telecom sector is expected to generate four million direct and indirect jobs over the next five years according to estimates by Randstad India.

The employment opportunities are expected to be created due to combination of government’s efforts to increase penetration in rural areas and the rapid increase in smartphone sales and rising internet usage.



Graph 4 – Showing the growth of total subscribers

India will emerge as a leading player in the virtual world by having 700 million internet users of the 4.7 billion global users by 2025, as per a Microsoft report. Internet economy expected to touch Rs 10 trillion (US\$ 155 billion) by 2018, contributing around 5 per cent to the country’s GDP. With the government’s favourable regulation policies and 4G services hitting the market, the Indian telecommunication sector is expected to witness fast growth in the next few years. The Government of India also plans to auction the 5G spectrum in bands like 3,300 MHz and 3,400 MHz to promote initiatives like Internet of Things (IoT), machine-to-machine communications, instant high definition video transfer as well as its Smart Cities initiative

CHALLENGES FACED:

1. Data segment:

In India the voice contributes to 80% of the total revenue and the balance 20% is contributed by data. In matured markets like Japan the data contributes to 50% of the revenue.

2. Network:

Sometimes the telecom companies do not address the catastrophe level incident like fire, earth quake etc. This is because in telecom, the network equipments are located across the country and at multi-occupancy premises which are shared with third parties.

3. Security clearance for procurement of telecom equipment:

The Government has not given the clearance for procuring equipments particularly from the Chinese manufacturers due to security reasons. This has impacted the network roll out in the country.

4. Number of operators:

The total number of operator now stands at 15. With several operators operating at tariffs lower than cost, the eventual consolidation of the operators is inevitable and expected very soon.

 **HOSPITALITY INDUSTRY**

Hospitality industry main aim is to provide service to the customer, focuses on the satisfaction of the customers and provide specific experience for them. This industry is exciting, always innovative and offers and unlimited opportunities. It offers employment to different personalities, background and skills through a wide diversity of type of outlets like serving food and beverages.

The Hospitality Industry is witnessing heightened competition with the arrival of new players, new products and new systems. The competition from neighboring countries and negative perception about Indian tourism product constraints the growth of tourism. The image of India as a country overrun by poverty, political instability, safety concerns and diseases also harms the tourism industry.

CHALLENGES FACED:

1. **Customer expectation-** As India is emerging as a destination on the global travel map, expectations of customer are raising. The companies have to focus on customer's loyalty and repeated purchase.
2. **Global Financial Crisis-**The GFC hit the hotel industry hard. In a time when host house hold have had tighten their financial belts, luxury like holidays have been forced on to the back burner for the fore seeable future at least.

3. **Manual back end-** Though most expected have enabled system for property management, reservation etc. almost all the data which actually make the company work are filled in manual log backs or are simply not tracked.
4. **Human resource development-**Some of the service required in tourism and hotel industry are highly personalized and no amount of automation can substitute for personalized, and no amount of automation can substitute for personal service provider. India is focusing more on white collar job than blue collar job.

CONCLUSION

As we witness the issues above, few had a positive impact because India has its 3 main sectors of the economy, providing its share towards the gross domestic product and development of the country as it belongs to be from one of the medium developed countries. With new technologies coming up we could be facing more challenges and come up with a solution because business is a vast dimension and without business there is absolute no growth of the economy or people and leads to no invention or innovation of talent or resources.

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