# *Reformation in Indian Business and Industry*

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## Abstract

The most populous democracy in the world, India attracting many global majors for strategic investments owing to the presence of vast range of industries, investment avenues and a supportive government. Huge population, mostly comprising the youth, is a strong driver for demand and an ample source of manpower. To speed its economic growth and take advantage of its "demographic dividend", the country has embarked on drastic policy reforms to accelerate skills development. These reforms have led to important changes, both in the national institutional framework and at the institutional level. Apart from these, foreign direct investment (FDI), a major source of non-debt financial resource, Make in India, a major new national program of the government of India , are critical drivers of economic growth. Even though India has been a latecomer to the FDI scene compared to other East Asian countries, its considerable market potential and liberalized policy regime has sustained its attraction as a favorable destination for foreign investors. Make in India is an answer to the most debated question of the global investors whether the world's largest democracy was a risk or an opportunity. The Digital India vision provides the intensified impetus for further momentum and progress and this would inclusive growth. The Digital India program aims to transform India into a digitally empowered society and make Indian economy more transparent and speedy. The study aims to provide insights into the reasons of business and industry growth in India as per the current scenario.

# Introduction

The economic development of a nation depends on its ability to overcome challenges and availing opportunities before it. Doing business in India can be challenging. This is partly because bureaucracy is still flying high, sometimes unfortunately accompanied by corruption.

However the present government is trying to tackle these two issues. Besides the challenges, India is a country with great opportunities and a growing economy.

# Opportunities:

Some of the opportunities are discussed below:

1. **Vast range of industries**:
   In July 1991, India launched a major economic reform program. The government committed itself to promoting a competitive economy that would be open to trade and foreign investment. A vast range of industries come into existence. Economic reforms brought foreign competition in the industrial scenario, led to privatization of certain public sector industries, opened up sectors hitherto reserved for the public sector and led to an expansion in the production of fast moving consumer goods. Textile industry is the second largest source for employment after agriculture. Information Technology is one among the fastest growing sector contributing to one third of the total services. Industrialization did have good outcomes. Material well-being and improved health care came to our door-steps. New goods, new choices and new comforts came about. It also led the way for other ideas such as Woman's right, Human Right, Right to Information and Child Labor Laws. Foreign investment was suddenly welcomed. Many global investors attracted towards India for strategic investment.

2. **Huge population**:
   If we talk of India in the context of population it is the second largest country in the world after China. India also faces challenges with such a huge population. Students and graduates have to take important decisions and work very hard to reach higher levels and achieve standards of excellences. But India with such a huge population has the human resource to manage and contribute towards Indian economy which differentiates it from other countries.

   Human resource is the backbone of our nation as far as business is concerned. According to the new vision of Ministry of Human Resource Development, Government of India, "The future belongs to India—the largest vibrant democracy in the world, teeming with opportunities. With hope in their eyes and a yearning to learn, the youth of this great nation awaits a new paradigm of education that fosters knowledge with analytical skills, logical reasoning and the ability to imagine beyond the given".

Almost 34 per cent of Indian population consists of youth. They have the power to the nation. Young mind will be more fresh and innovative which helps in progress of the country. The role of youth in the nation building is crucial. They are problem solvers, have a positive influence on other young people and the nation, and are extremely ambitious. It is expected that, in 2020, the average age of an Indian will be 29 years, compared to 37 year for China and 48 years for Japan according to the data from global market research firm Euro monitor. Younger nation means that maximum population is in the working age with dynamic, innovative qualities of youth. This generally implies a better workforce. As per one of the studies in 2012, the average age of employees at Indian top software service exporter- Tata Consultancy Services (TCS), one of the country's largest private sector employers- is 28. This is 10 years less than the median age at American Technology giant ORACLE, according to the data from pay scale an online provider of employee compensation data. India's "demographic dividend" is the window of opportunity that a large young innovative workforce creates to strengthen an economy. A growing workforce is an advantage for both the manufacturing and service sectors in India. Huge population, especially, its young population is India's secret weapon.

## 3. Make in India :

Make in India is an initiative launched by government of India to encourage national, as well as multi- national companies to manufacture their products in India. It was launched in September, 2014 with an aim to promote to promote India as an investment destination and a global hub for manufacturing, design and innovation. Under this program, the government of India is focusing on job creation and skill enhancement on 25 sectors including defense manufacturing, food processing, leather, automobiles, aviation, biotechnology, electrical machinery, oil & gas and pharmaceuticals, among others. It is one of the flagship programs of government intended to boost the domestic manufacturing industry and attract foreign investors to invest in India. Manufacturing currently contributes approximately 16% to the national GDP and target is to take it to 25% by 2025. This emphasis on manufacturing has several objectives. First, it will create job opportunities within the country. Second, it will boost FDI thereby bringing development. Third, it will minimize the imports of various products and so it will mitigate the pressure on our trade deficit. Fourth, it will augment our exports. And lastly, it will help in bringing latest technologies into the country. We have resources, natural resources, labor is available plenty and skilled labor is also readily available. Only capital is needed and that is being provided by FDI. There are several challenges in the way of this highly beneficial program. The investors are wary of prevalent laws and the bureaucratic hassles in India. At present, we are also lagging in terms of technological advancement and quality of our products. A report prepared by the NITI Aayog, a policy body that advises the Indian government, and IDFC Institute, a Mumbai-based think-tank, reckons that "workers in manufacturing in India are overwhelmingly stuck in low wage jobs," besides being "disproportionately employed". The government had recently approved a new labor code on wages, which is expected to significantly improve the ease of doing business and ensure a minimum wage to all. Infrastructure is also a major concern. Chronic deficiencies in transportation and power impose prohibitive costs.

Government has taken a number of steps to improve the cases of doing business in the country. Rules and procedures are being simplified. A number of sectors have been opened for FDI. And investor's facilitation cell has been created to guide the first time investors.

Sound sustained and coherent policies are required to help the youth get good job opportunities, and increase and diversify the manufacturing base and being economic prosperity to the nation.

As per International Monetary Fund (IMF) post the launch of Make in India initiative, India has emerged as the fastest growing major economy with Gross Domestic Product (GDP) growth rate above 7.6% in 2015-16 and projected growth rate above 7% till 2020.

## 4. Foreign Direct Investment (FDI):

FDI has been a vital non-debt financial force behind the economic upsurge in India. Special investment vantages like cheap cost wages and tax exemptions on the amounts being invested attract foreign companies to invest in India. FDI in India is done across a wide range of industries and its relentless influence reflects the tremendous scope, faith and trust that foreign investors have in Indian economy. According to department of industrial policy and promotion (DIPP), the total FDI investments India received during April-June 2017 stood at US $ 14.55 billion, indicating that government's effort to improve case of doing business and relaxation in FDI norms is yielding results.

India has become the most attractive emerging market for global partner investment for the coming 12 months as per a recent market attractiveness survey conducted by emerging market equity association (EMPEA). The world bank has stated that private investments in India is expected to grow by 8.8 per cent in FY 2018-2019 to overtake private consumption growth of 7.4 per cent, and thereby drive the growth in India's Gross Domestic Product (GDP) in FY 2018-2019.

On August 28th, 2017, the Department of Industrial Policy and Promotion (**DIPP**) had issued the updated and revised Foreign Direct Investment Policy, 2017 – 2018 (**FDI Policy 2017**). New Streamlined Procedure for Government Approval is*:*

1. *Abolition of the Foreign Investment Promotion Board* (**FIPB**)
2. *Introduction of 'Competent Authorities*
3. Introduction *of 'Standard Operating Procedure'* (**SOP**) *to process FDI proposals*:

The changes in the FDI Policy 2017 display the efforts of the Indian Government to remove of multiple layers of bureaucracy, and to process proposals for FDI under the government approval route in a more streamlined, positive and expeditious manner. The Government has eased 87 FDI rules across 21 sectors in the last 3 years, opening up traditionally conservative sectors like rail infrastructure and defense. Even India's agriculture sector has received FDI worth INR 515.49 crore in 2016-17. It is expected that the Government will continue to bring about liberalization of the FDI regime in India in the months to come. All in all, we intend to maintain our trajectory towards remaining the world's most attractive destinations for foreign investment.

5. **Digital India**:

On 1st July 2014, Indian Government started a new "Digital India" program. The three key areas where the vision of the program centered on are:

i. Digital Infrastructure as a utility to every citizen
ii. Digital empowerment of citizens
iii. Governance and services on demand

Government of India through Digital India program want to ensure that government services are made available to people online by increasing internet connectivity. Digital India aims to take the GDP to 1 trillion by 2025.

The program is helpful in increasing job opportunities, improving the socio and economic condition of people living in rural areas if they are connected digitally. 70% of Indian population live in rural areas and are depend on agriculture. So it is important to provide them digital infrastructure and financial literacy. Through this program all government services and information are available anywhere, anytime, on any easy to use device that is highly available and secured.

People are using digital payment facility which is reducing hard cash requirement which resulting in the reduction of cost of printing and reducing the cost of producing that cash. Secondly cash holding by consumer has an impact on the decision of their wish to purchase products and services. When they hold less cash they tend to postpone their purchasing decision. But digital payment helps them to purchase immediately without any time delay. It ultimately results in the enlargement of consumption in the economy as a whole because of availability of funds digitally; consumers are able to make purchase decisions more quickly. Various cashless modes of payments are available like debit card transaction, mobile banking, RTGS, NEFT, ECS, etc.

Digital India is a dynamic move of the government and it needs all the factors like literacy, infrastructure, overall business environment, regulatory framework, etc should work simultaneously.

## Conclusions

This paper analyses the positive effects of various initiatives taken by government of India for the economic development of the country.

India has the potential to grow like a developed economy. The growth rate has accelerated with higher productivity and improved living standards. Industries are contributing to the path of economic development. The large population of our country is providing manpower to the industries. The active role of Foreign Direct Investment cannot be ignored. Make in India scheme initiated by government of India has potential of making India as a global manufacturing hub, poverty alleviation through employment generation on a mass scale. Finally, the impact of Digital India can play an important role.

India, despite of discrimination from the society based upon caste, gender or religion is progressing in global business scenario and achieving sustainable development.

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