



Cost Competitiveness: India's Present Scenario

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Abstract:

India and other developing economies need to address poverty alleviation as well as sustainable routes to development, while addressing cost issues. Resource-efficient solutions will help companies contribute to this task, as well as add to their global competitiveness. Sustainability can drive cost savings through efficiencies, creating new markets and securing competitive advantage. Although it is widely acknowledged that economic growth and competitiveness involve a complex interactive process of social, political, and institutional change, no single general theory supports this phenomenon. Perspectives from various disciplines reveal that competitiveness is a comprehensive concept. We can regard the notion of competitiveness as associated with three major groups of thought. These are:

- *Comparative advantage and/or price competitiveness perspective,*
- *A strategy and management perspective, &*
- *A historical and socio-cultural perspective.*

Keywords: *Cost, Cost competitiveness, Developing economics, Growth*

1. Introduction

Market is a place where buyers and sellers meet and needs of both the groups are satisfied. Markets include not only physical places but can well be expanded to online spaces. Normally we do cost-benefit analysis before buying a product or availing remained the domain of people having some kind of financial and technical literacy However, with the availability of internet, People can simply utilize the service offered by a host of websites for doing cost benefit-analysis. Generally, people give thumbs up to a product that offers around the world are having one thing in common that is competition. Since, markets are characterized by fierce competition and buyers are armed with information and analytical tools to make informed decisions thanks to the World Wide Web, organization have no choice but to remain competitive.

2. Favorable of Gemmany

2.1 Telent Drive Innovation

- Presence of umpteen number of R & D institutes.
- Government support to Science and Technology.
- Close links between industry and universities.
- Dual System of vocational training which bridges the gap between class-room instruction and work-experience.
- Neavly half of German high school students take up dual training in one of the 344 trades in the country.
- Household incomes are on the raise.
- Law inflation

- Government encourages the growth of SMES (Small and Medium Enterprise) popularly known as Mittlestand by way of tax breaks and depreciation allowance.

2.2 Supplier Network

- Germany dominates the field of “mechatronics a multi disciplinary field of Science and engineering that merges mechanics, electronics control theory and computer Science to improve and optimize product design and manufacturing.
- German Mittlestand produces sophisticated machine tools that the emerging markets need as the develop their manufacturing capabilities.
- High and German cars are in demand from affluent consumers all across the new emerging markets.

2.3 Government Investment in Manufacturing and Innovation

- Over 2011-2015 the government will likely continue to develop talent recruitment through education reforms, open up the country’s service sector and strengthen the intellectual property regime.
- China has been increasing its R & D spend growing from 1.3 percent of GDP in 2001-2005 to 1.75 percent in 2006-2010. The target for 2011-2015 stands at 2.2 percent.
- Under the 12th, FYP, the Government is focusing on improving the innovation capacity of the country.
- Having studies the favorable factors of the two most competitive countries in the world, We not turn our attention on India’s present scenario.

For this, we can take stock of the situation in the form of SWOT Analysis.

3. SWOT Analysis of Indian Scenario

3.1 Strengths

- Despite turbulences in economy all over the world, India is doing smarchy, with an achievement of 5 years compound Annual Growth Rate of Economy of 7.5% till 2011.
- Manufacturing exports posted a strong growth at a CAGR of 17.1% between 2006 and 2011.
- India is the sixth largest manufacturer of auto mobile in the world in 2011.
- Availability of highly talented scientists and researchers resulting in cost efficient R & D activities.
- Presence of large number of engineers and English speaking work force aid in the growth of both service and manufacturing sector.
- Labour costs are among the lowest in the world.
- High Economic growth rate results in huge domestic market for manufactures to be more competitive than their global counterparts.
- Government has allowed FDI in multi-brand retail and aviation sectors.
- Nearly half the additions to the Indian labour force over the period 2011-2030 will be in the age.
- Indian agriculture is broadly a story of success. In the eleventh five year plan (2007-2012) witnessed an average growth rate of 3.6% against the target of 4%. Through the performance has fallen short of the target, production has improved remarkably, growing twice as fast as population.

3.2 Weaknesses

- Logistics cost in India is high at 13-14 percent of GDP compared to 7-8 percent in developed countries. Hence, huge investments are needed to remain competitive on this account.
- The growth rate showed to 6.2% in 2011-2012 and 5% in 2012-13.
- Between March 2010 and October 2011 the RBI raised the repo rate by 375 basis point thus raising the cost of borrowings in a bid to reduce demand.
- Policy reforms are very tough to make because of the prevalence of coalition politics in centre.
- More than half our population depends on agriculture.

3.3 Opportunities

- With the global economy likely to recover somewhat in 2013. Several measures announced recently to restore fiscal health of the government and to reduce CAD (Current Account Deficit) are expected to yield results.
- National Manufacturing Policy aims to bring down inflation through favourable supply side responses.
- Progress on the Delhi – Mumbai industrial corridor has the potential of providing a fillip to the investment climate of the country.
- Government's priority is to provide health and education for all.
- New National Health Mission will get an allocation of 21,239 crore.
- Tax Administration Reforms Commission to be set up.
- Investment allowance at the rate of 15% to manufacturing companies that invest more than 100 crore in plant and machinery during the period 1-4-2013 to 31-03-2015.
- Handmade carpets and textile floor coverings of coir and jute totally exempt from excise duty. No CVD on imported ships and vessels.

3.4 Threats

- India's sovereign credit rating has been downgraded by agencies such as Moody's Investo services.
- India's growing integration with global financial markets makes it vulnerable to global shocks.
- Exports have declined while imports have not fallen significantly resulting in increasing trade and current account deficit.
- Growth of value added in the industrial sector slowed to 3.1% in 2012-2013.
- Strong competition from other emerging Asian economies like Taiwan.
- As the Euro-Zone crisis has worsened growth in service sector has also taken a hit.

Reference

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