



JOURNAL OF EMERGING TECHNOLOGIES AND INNOVATIVE RESEARCH (JETIR)

An International Scholarly Open Access, Peer-reviewed, Refereed Journal

The Effects of Market Structure on Industry Growth in India

Dr. Peepa Ram

Assistant Professor

Department of EAFM

Shri Rajender Suri Kundan Jain

Rajkiya mahila Mahavidhalaya Jalore

Jalore Rajasthan India

ABSTRACT

The structure of the market affects how firm price and supply their goods and services, the entry and exit barriers, and how efficiently a seller carries out its business operations. Market structure refers to the way that various industries are classified and differentiated in accordance with their degree and nature of competition for products and services. It consists of four types: perfect competition, oligopolistic markets, monopolistic markets, and monopolistic competition. The industrial sector consists of three broad sub-sectors manufacturing and mining and quarrying and (iii) electricity, gas and water supply. The manufacturing sub-sector, with its output share of about 80 percent in the total industrial sector, has two broad sub-divisions. there is competition between firms to produce the best product and gain a competitive advantage in an industry. Contrary, in a market, different buyers and sellers compete to buy the best product and get the maximum share in the market.

Keywords : Backdrop, Factors, Current Situation, Evaluation and Conclusion

Backdrop

Market structure refers to the way that various industries are classified and differentiated in accordance with their degree and nature of competition for products and services. It consists of four types: perfect competition, oligopolistic markets, monopolistic markets, and monopolistic competition. The Structural change refers to a dramatic shift in the way an industry or market functions, usually brought on by major economic developments. Structural change can be driven by a range of factors, including the advent of technology, geopolitical conflict, natural disasters, and more.. The long-term average annual growth of industries comprising mining, manufacturing, and electricity, during the post-reform period between 1991-2 and 2011-12, averaged 6.7 per cent as against GDP growth of 6.9 per cent. Inclusion of construction in industry raises this growth to 7.0 per cent. the growth of industries in India has been a result of various factors, including the increasing purchasing power of the expanding middle-class population, the rise of e-commerce and online shopping, improved logistics infrastructure due to government initiatives, and the process of urbanization.

The growth of industries in India can be attributed to the process of urbanization, which has led to the concentration of economic activities in urban areas. Urbanization has been a significant driver of industrial growth, as it has led to the creation of large markets, increased access to resources, and enhanced connectivity. The growth of urban areas has facilitated the development of industrial clusters, with businesses and industries specializing in specific products and services, thereby promoting economic growth. Additionally, urbanization has led to the growth of services such as transportation, communication, and finance, which are essential for the smooth functioning of businesses, further contributing to the growth of industries in India. The growth of industries in India can be attributed to the expanding middle-class population, which has been a significant driver of consumer demand. The increasing purchasing power of the middle class has led to a surge in demand for a wide range of products and services, ranging from consumer goods to real estate and healthcare. This has created ample opportunities for businesses to cater to the needs of the growing middle class, thus contributing to the overall growth of industries in India.

Factors Influencing Market Structure

The extent to which products are differentiated or similar within a market also impacts its structure. Markets with highly differentiated products (such as luxury goods) often have fewer competitors compared to markets with homogeneous products (such as basic commodities).

Policymakers need to identify the existing market structure accurately to determine if any regulatory intervention is necessary to promote fair competition or protect consumer interests.

A monopoly occurs when a single firm dominates an entire market without any close substitutes or competitors. This means that they have complete control over pricing and supply. Without competition, monopolies can sometimes abuse their power by charging higher prices or providing lower quality of products or services.

The number of firms operating within a market plays a significant role in determining its structure. Markets can range from having just a few dominant firms (oligopoly) to many small firms (perfect competition).

Entry barriers refer to obstacles that make it difficult for new firms to enter a particular market. High entry barriers, such as high capital requirements or strict regulations, tend to result in fewer competitors and more concentrated markets.

Manufacturing is emerging as an integral pillar in the country's economic growth, thanks to the performance of key sectors like automotive, engineering, chemicals, pharmaceuticals, and consumer durables. The Indian manufacturing industry generated 16-17% of India's GDP pre-pandemic and is projected to be one of the fastest growing sectors.

globally competitive manufacturing sector is India's greatest potential to drive economic growth and job creation this decade. Due to factors like power growth, long-term employment prospects, and skill routes for millions of people, India has a significant potential to engage in international markets. Several factors contribute to their potential. First off, these value chains are well positioned to benefit from India's advantages in terms of raw materials, industrial expertise, and entrepreneurship.

Industry in India and Current Situation

India is the third most sought-after manufacturing destination in the world and has the potential to export goods worth US\$ 1 trillion by 2030.

During FY24, India's merchandise exports reached US\$ 437.06 billion, down from US\$ 451.07 billion in the previous fiscal.

By 2030, Indian middle class is expected to have the second-largest share in global consumption at 17%.

Propelled by growth in priority sectors and driven by favourable megatrends, India's manufacturing sector has opened itself into new geographies and segments.

Building on the competitive advantage of a skilled workforce and lower cost of labour, the manufacturing sector is also witnessing an increased inflow of capex and heightened M&A activity, leading to a surge in manufacturing output and resultant increased contribution to exports.

India's manufacturing sector is poised to reach US\$ 1 trillion by 2025-26, led by Gujarat, Maharashtra, and Tamil Nadu, fueled by investments in automobile, electronics, and textile industries. Government initiatives like Make in India and PLI schemes drive growth, attracting FDI and enhancing industrial infrastructure.

DPIIT is boosting India's startup ecosystem and manufacturing sector by developing incubators to foster innovation, enhance competitiveness, create jobs, and strengthen the country's self-reliance and global trade position, with support from government initiatives and collaborations between corporates and startups.

The positive developments in the manufacturing sector, driven by production capacity expansion, government policy support, heightened M&A activity, and PE/VC-led investment, are creating a robust pipeline for the country's sustained economic growth in the years to come.

Manufacturing is emerging as an integral pillar in the country's economic growth, thanks to the performance of key sectors like automotive, engineering, chemicals, pharmaceuticals, and consumer durables. The Indian manufacturing industry generated 16-17% of India's GDP pre-pandemic and is projected to be one of the fastest growing sectors.

The machine tool industry was literally the nuts and bolts of the manufacturing industry in India. Today, technology has stimulated innovation with digital transformation a key aspect in gaining an edge in this highly competitive market.

Technology has today encouraged creativity, with digital transformation being a critical element in gaining an advantage in this increasingly competitive industry. The Indian manufacturing sector is steadily moving toward more automated and process-driven manufacturing, which is projected to improve efficiency and enhance productivity.

India has the capacity to export goods worth US\$ 1 trillion by 2030 and is on the road to becoming a major global manufacturing hub.

With 17% of the nation's GDP and over 27.3 million workers, the manufacturing sector plays a significant role in the Indian economy. Through the implementation of different programmes and policies, the Indian government hopes to have 25% of the economy's output come from manufacturing by 2025.

India now has the physical and digital infrastructure to raise the share of the manufacturing sector in the economy and make a realistic bid to be an important player in global supply chains.

A globally competitive manufacturing sector is India's greatest potential to drive economic growth and job creation this decade. Due to factors like power growth, long-term employment prospects, and skill routes for millions of people, India has a significant potential to engage in international markets. Several factors contribute to their potential. First off, these value chains are well positioned to benefit from India's advantages in terms of raw materials, industrial expertise, and entrepreneurship.

They can take advantage of four market opportunities: expanding exports, localising imports, internal demand, and contract manufacturing. With digital transformation being a crucial component in achieving an advantage in this fiercely competitive industry, technology has today sparked creativity. Manufacturing sector in India is gradually shifting to a more automated and process driven manufacturing which is expected to increase the efficiency and boost production of the manufacturing industry.

India is gradually progressing on the road to Industry 4.0 through the Government of India's initiatives like the National Manufacturing Policy which aims to increase the share of manufacturing in GDP to 25 percent by 2025 and the PLI scheme for manufacturing which was launched in 2022 to develop the core manufacturing sector at par with global manufacturing standards.

India is planning to offer incentives of up to Rs. 18,000 crore (US\$ 2.2 billion) to spur local manufacturing in six new sectors including chemicals, shipping containers, and inputs for vaccines. As per the economic survey reports, estimated employment in manufacturing sector in India was 5.7 crore in 2017-18, 6.12 crore in 2018-19 which was further increased to 6.24 crore in 2019-20. India's display panel market is estimated to grow from ~US\$ 7 billion in 2021 to US\$ 15 billion in 2025.

The manufacturing GVA at current prices was estimated at US\$ 110.48 billion in the first quarter of FY24. Union Minister of Education and Skill Development & Entrepreneurship, Mr. Dharmendra Pradhan inaugurates Rashtriya Udyamita Vikas Pariyojana under Skill India Mission, empowering PM SVANidhi beneficiaries with comprehensive 22-week entrepreneurship training, including theoretical and practical components, in collaboration with Flipkart and focusing on 40% women participation.

The machine tool industry was literally the nuts and bolts of the manufacturing industry in India. Today, technology has stimulated innovation with digital transformation a key aspect in gaining an edge in this highly competitive market.

India's manufacturing sector is poised to reach US\$ 1 trillion by 2025-26, led by Gujarat, Maharashtra, and Tamil Nadu, fueled by investments in automobile, electronics, and textile industries. Government initiatives like Make in India and PLI schemes drive growth, attracting FDI and enhancing industrial infrastructure.

India is an attractive hub for foreign investments in the manufacturing sector. Several mobile phone, luxury, and automobile brands, among others, have set up or are looking to establish their manufacturing bases in the country. The manufacturing sector of India has the potential to reach US\$ 1 trillion by 2025. The implementation of the Goods and Services Tax (GST) will make India a common market with a GDP of US\$ 3.4 trillion along with a population of 1.48 billion people, which will be a big draw for investors. The Indian Cellular and Electronics Association (ICEA) predicts that India has the potential to scale up its cumulative laptop and tablet manufacturing capacity to US\$ 100 billion by 2025 through policy interventions.

DPIIT is boosting India's startup ecosystem and manufacturing sector by developing incubators to foster innovation, enhance competitiveness, create jobs, and strengthen the country's self-reliance and global trade position, with support from government initiatives and collaborations between corporates and startups.

The Evolution Of India's Market Structure

The impact of a few dominant players in the market on consumers depends largely on how effectively the government regulates cartelization. For instance, China boasts of being a manufacturing giant, where dominant public sector manufacturing units, by scaling up production, effectively pass on the benefits to consumers in the form of lower per unit prices.

A lower per unit price also ensures that the government generates more revenue as consumers purchase larger quantities of goods at a reduced price. When the government realises more tax revenue from economies of scale in production and formalisation of economic activities, it can plough back part of the revenue collected towards incentivising and making domestic production more competitive.

On the flip side, the emergence of a few dominant players, especially in the presence of weak institutions like a monopoly regulating authority and with government favouring large industry players may lead to price rises that adversely affect consumers. This may be the case with India.

In India, the GDP growth rate is between 2% to 3%. To measure the economic growth of India, we look at the GDP growth rate. Within perfect markets, the sellers increase their profits and have complete control over the quantity or price. Imperfect markets have many implications on the Indian economy and also have negative results as well if not controlled properly. Imperfect markets affect the GDP growth of a country and also result in Monopoly over the prices and products. In imperfect markets, there are high barriers to entry and exit and the consumers get incomplete information about the prices of different products. Along with this, there are small sections of buyers and sellers in imperfect markets.

Perfect markets are almost impossible to be completely achieved but are very useful because they help the companies think through the logic of prices and also take into consideration the GDP growth rate of the country. However, the ideology of perfect competition can be theoretically assumed but can never be dynamically reached. Three types of strategies are needed in particular. One is to develop and expand the incentive system for export-sensitive industries so that they can compete more easily in the world markets. On the domestic front new markets have to be fostered and developed. Second, the IT sector, with its software network and various 'outsourcing' services sold abroad, needs to adopt strategies that will sustain and improve competitive and comparative advantage in the world market. As in the other NICs (newly industrializing countries) of Southeast Asia, also known as growth miracle countries, India's IT sector has to actively pursue a strategy of technology diffusion to other sectors, such as manufacturing and services like retailing, real estate development and rural development

Conclusion

Market structure refers to how different industries are classified and differentiated based on their degree and nature of competition for services and goods. The four popular types of market structures include perfect competition, oligopoly market, monopoly market, and monopolistic competition. There are good opportunities for profit in growth markets since demand tends to be stronger than supply. Because of these profit opportunities, new companies enter the market to try and capture those profits, resulting in a market with competition based more on product differentiation than price. Industrialization can be driven by a combination of factors including government policy, labor-saving inventions, entrepreneurial ambitions, and a demand for goods and services.

References

- Alamgir, Jalal (2008). *India's Open-Economy Policy: Globalism, Rivalry, Continuity*. Routledge. p. 176
- Datt, Ruddar; Sundharam, K.P.M. (2009). *Indian Economy*. New Delhi: S. Chand Group. p. 976. ISBN 978-81-219-0298-4.
- Final consumption expenditure (% of GDP) – India". World Bank. Archived from the original on 18 May 2022
- Jayal, Niraja Gopal. "The Gentle Leviathan: Welfare and the Indian State." *Social Scientist*, vol. 22, no. 9/12, 1994, pp. 18–26
- Kanungo, Rama P.; Rowley, Chris; Banerjee, Anurag N. (2018). *Changing the Indian Economy: Renewal, Reform and Revival*. Elsevier. p. 24.
- Micro sector should become the key employment generator in the country: Report". 19 January 2023. Archived from the original on 15 March 2024
- Paul Bairoch (1995). *Economics and World History: Myths and Paradoxes*. University of Chicago Press. pp. 95–104
- Ruddar Datt (1 January 2008). *Growth, Poverty, and Equity: Story of India's Economic Development*. Deep & Deep. p. 134

Vivek Suneja (2000). Understanding Business: A Multidimensional Approach to the Market Economy. Psychology Press. p. 13.

World Trade Statistical Review 2022" (PDF). World Trade Organization. p. 58

[https://paapos.com/blogs/what-are-the-factors-driving-the-growth-of-industries-in-india/#:~:text=To conclude%2C the growth of,and the process of urbanization](https://paapos.com/blogs/what-are-the-factors-driving-the-growth-of-industries-in-india/#:~:text=To%20conclude%2C%20the%20growth%20of%2C%20and%20the%20process%20of%20urbanization)

<https://thesecretariat.in/article/the-evolution-of-india-s-market-structure-oligopoly-on-the-horizon>

<https://unacademy.com/content/railway-exam/study-material/economics/indian-economy-and-the-imperfect-market>

https://link.springer.com/chapter/10.1057/9780230228245_2

<https://www.simplilearn.com/market-structures-rar188-article>

<https://www.google.com/amp/s/unstop.com/blog/types-of-market-structures/amp>

