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Socio economic development versus ceramic industry in western Uttar Pradesh

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Abstract

Ceramic Sector is one of the emerging sectors playing a very important role in the economic development of Uttar Pradesh. The ceramic products has great opportunities in the economic growth and development as each and every one has the capacity as well as the capability to do something creative by his or her inherent talent. The growth potential of U.P. is that it is one of the fastest developing states in India and how ceramic sector possesses opportunities which can help in the economic development of the state and therefore it requires a great amount of support from the government to be fully equipped and developed. Since this sector is labour intensive, it gives a great deal of employment opportunities as well as key to further enhancement of living standard and thus bringing in more positive impact on economic development of the state.

Keywords: ceramic sector, economic zones

Introductions

Ceramics also known as fire clay is an inorganic, non-metallic solid article, which is produced by the art or technique of heat and subsequent cooling ^[1]. Ceramics is a diverse industry and contains several categories of products, including sanitary ware, refractories ^[2], cement, advanced ceramics and ceramic tiles ^[3]. Ceramic products like crockery, sanitary ware, tiles etc play a very important role in our daily life. This is because, apart from their decorative look, ceramic products are primarily hygiene products. This is also one of the chief reasons for their wide usage in bathrooms and kitchens in modern households to medical centres, laboratories, milk booths, schools, public conveniences etc. The ceramic industry has a long history, with the first instance of functional pottery vessels being used for storing water and food, being thought to be around since 9,000 or 10,000 BC. Clay bricks were also made around the same time. The ceramic industry has been modernising continuously, by newer innovations in product design, quality etc. Section I: Global Scenario

Global trade profile

During the period from 2001 to 2008, total ceramics trade grew at a CAGR of 9.8%, from US\$ 39.6 billion to US\$ 83.5 billion. During the period exports increased from US\$ 19.8 billion to US\$ 41.3 billion (CAGR of 9.7%), while imports increased from US\$ 19.9 billion to US\$ 42.2 billion (CAGR of 9.9%).

China is the largest trader of ceramics in the world, with total trade of US\$ 8.5 billion during 2008, followed by Italy, US and Germany with total trade of US\$ 7.4 billion, US\$ 6.9 billion and US\$ 6.8 billion, respectively.

Major exporters

China was the largest ceramic exporter during 2008, with exports of US\$ 8 billion. Italy, Germany and Spain followed China with annual exports of US\$ 6.3 billion, US\$ 4.2 billion and US\$ 3.9 billion, respectively. The top ten countries together accounted for close to 72% of total ceramics exports during 2008.

Major importers

United States was the world's largest ceramic importer during 2008, with imports worth US\$ 5.4 billion. US rely heavily on imports of ceramic to meet its domestic ceramics consumption. This is also reflected in its high ceramics trade deficit of close to US\$ 4 billion. US is followed by France, Germany and United Kingdom with annual imports of

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US\$ 2.7 billion, US\$ 2.6 billion and US\$ 2.0 billion, respectively.

Trade situation in emerging markets

The global ceramic industry has undergone a period of significant change over the years, driven by the demands of a globalised economy. While the traditional markets of Europe and the US continue to grow, primarily led by public sector investment, the most significant developments are however to be found in the emerging economies. They have, in recent years become the most significant players in the ceramic market, in terms of consumption, growth and investment. Since the future of the ceramic sector is so intricately linked with the continued economic growth in emerging economies, the paper assesses the trade situation in emerging markets, excluding India^[4].

Methodology

The present study is theoretical in nature. The scope of the study extends to the ceramic sector of India where a case of Uttar Pradesh State has been taken into consideration. The major motive behind the present study is the eminent prospects of Uttar Pradesh ceramic sector in contributing towards economic development of the state and the nation as a whole. The data for the present study has been collected from secondary sources. The data analysis has been done through secondary review and content analysis has been performed to arrive at conclusions and discussion. The secondary sources of the data includes books, journals, newspapers, published and unpublished research work, various search engines, etc.

Results and Discussion

Ceramic sector in Uttar Pradesh

Ceramics is one of the oldest materials used by various civilisations to make crockery and decorative items. The process of making it is complex — it involves churning specially prepared clay on a potter's wheel, followed by moulding and firing. Chemical pigments are added to enhance colour, after which the wares are glazed. Pottery demands the expert use of hands to be able to craft pots to the desired shapes. Fuelled by growing demand, the Indian ceramic industry is looking to double its turnover by 2021, according to news reports. Frenzied activity to meet the rising demand is visible on the ground as well the dust-laden highway from Delhi to Bulandshahr in Uttar Pradesh passes through pockets of lush-green fields and the occasional small town. One of these towns is Khurja, located about 200 km from the Capital. This is a potters' town, which has thrived for over 500 years. One can find a workshop or a factory with an attached shop in almost every nook and corner of this town. Each workshop produces a wide range of ceramic products, which are popular buys among the tourists and businessmen visiting here. The products range from everyday items such as crockery and planter pots to decorative miniatures and wind chimes. There is sufficient domestic demand too, but the industry continues to be largely driven by exports^[5].

The nature of the ceramics industry makes it highly lucrative for India. Small and medium enterprises (SMEs). Raw material is not too hard to come by, the production technology is not very complicated, a robust domestic market awaits them and the cost of setting up a company is not high when compared with other sectors. In India, the

major part of ceramic tiles manufacturing is undertaken by the SMEs. The ceramic tiles industry is worth about Rs 6000 crore, and dominated by medium. In India, the major part of ceramic tiles manufacturing is undertaken by the SMEs. Ceramic tiles industry is worth about Rs 6000 crore, and dominated by medium scale players, says Mr KM Pai, CEO of Bell Ceramics. There are more than 100 players today. The compound annual growth rate (CAGR) of the industry in the last eight or nine years has been about 14%. The entry of smaller players during the last three years has made the industry more competitive, especially in the lower priced segments. The economic downturn has hit ceramic tile manufacturers, large and small alike. However, due to the nature of the industry, the effect has been gradual. The construction industry has a longer cycle than that of most other industries. We are into a finishing product and an almost-complete project would be completed regardless of the economic scenario. Ceramic Tiles today have become an integral part of home improvement. It can make a huge difference to the way your interiors and outdoors look and express. The Indian tile industry, despite an overall slowdown of the economy continues to grow at a healthy 15% per annum. Investments in the last 5 years have aggregated over Rs. 5000 crores. The overall size of the Indian ceramic tile industry is approximately Rs 18,000 crore (FY12). The production during 2011-12 stood at approx. 600 million square meters.

Overall picture of the industry

Ceramic tiles as a product segment has grown to a sizeable chunk today at approximately 680 Millions Square meters production per annum. However, the potential seems to be great, particularly as the housing sector, retail, IT & BPO sectors have been witnessing an unprecedented boom in recent times.

The key drivers for the ceramic tiles in India are the boom in housing sector coupled by government policies fuelling strong growth in housing sector. The retail boom in the Indian economy has also influenced the demand for higher end products. Overall the bullish growth estimates in the Indian economy has significantly influenced the growth of the Indian Ceramic tile industry.

The main product segments are the Wall tile, Floor tile, Vitrified tile and Industrial tile segments. The market shares (in value terms) are 20%, 23% 50%, and 7% respectively for Wall, Floor, Vitrified, and Industrial tiles. The tiles are available in a wide variety of designs, textures and surface effects. They cater to tastes as varied from rustics to contemporary marble designs in super glossy mirror finishes.

Both, traditional methods of manufacturing (tunnel) and the latest single fast firing methods are deployed in manufacturing. Some of the latest trends in manufacturing methods can be seen in India.

The industry also enjoys the unique distinction of being highly indigenous with an abundance of raw materials, technical skills, infrastructural facilities despite being fairly capital intensive. A total of over 5,50,000 people are employed in the sector. Out of this, 50,000 people are directly employed and 5,00,000 are indirectly associated. The potential is huge considering the per capita consumption of ceramic tiles in India. Currently it is at 0.50 square meters per person in comparison to over 2 square

meters per person for like countries like China, Brazil and Malaysia.

As a foreign exchange earner or a global player, Indian Tile industry has captured the attention of the world in the ceramic tiles segment. To compete internationally, our plants must be geared up to large units currently operating in China and Turkey are driven by economies of scale. These will also help us in lowering our cost of production significantly. Also, infrastructural support is a key factor that determines the speed of growth. Better infrastructure will bring in better growth in terms of consistency and sustenance. Freight, supply of power and gas remains the key cost-related issues impacting the industry. Availability, consistent supply and reasonable rates are extremely important for the growth of the ceramic tile industry.

Also, the prevailing anomalies pertaining to Basic Customs Duty on import of ceramic tiles from China and raw materials imported from abroad need to be corrected to prevent dumping of tiles from China. Rural thrust should be enhanced by favorable excise duty and MRP structure

Current status of the industry

The ceramic tiles industry in India has followed similar trends internationally which have been characterized by excess capacities and falling margins. Countries like Malaysia, Thailand, Indonesia, Sri Lanka and Vietnam are setting up their own plants. China has emerged as a major competitor. Producers from Spain and Italy have the advantage of lower transportation costs while exporting to USA and Germany. In India, the per capita consumption is as low as 0.50 square meters per person compared to China (2.6 square meters per person), Europe (5 to 6 square meters per person) or Brazil (3.4 square meters per person). Rising disposable incomes of the growing middle class and 40 million units of housing shortage hold out a great potential.

A major change that took over the ceramic tiles industry, was the introduction of vitrified and porcelain tiles. These new entrant product types are said to be the tiles of the future. Internationally these tiles are already the major sellers. These category of products account for almost 50% of total tile sales by value in this industry.

These new products and the conventional wall & floor tiles have together made the organized industry grow to a formidable Rs. 7,200 crores industry. This coupled with a spate of expansions by many players make the industry look very promising in the future.

The Indian Industry has developed an export market although at the lower end. In volume it constitutes less than half a percent of the global market. (Presently India does not figure in the list of major exporting countries). But this reality could change as Indian exports are rising at an accelerating growth annually. The top-end of the global export market is presently dominated by China (36.8%) and Italy (15.1%)

Conclusion

Industrialization leads to a trail of development. It greatly enhances the economy of a place. Poverty reduction, rise in income level and improved living standard of people are all results of industrialisation. Industrialization is the best way to creates employment opportunities. In Uttar Pradesh the abovementioned influence of industrialization is at the point of neutralization. Deduced from the response of the respondents it can be clearly stated that there is space for the

socio-economic standards to expand. Poverty can be curtailed in better ways with the betterment of industrialization. Industrialization has reached half its prospective in Uttar Pradesh but there is still far reaching ways to be covered by it. Industrial development creates in a society a new intellectual environment, which being less bound by tradition, is more conducive to the rise of entrepreneurial class and through such a class expansion can come by capital formation, financial management and technological expansion. Economic growth, therefore, entails the movement of resources from a low productivity sector-ceramic, to a high productivity Sector-Industry.

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3. Tiles could be further segmented into wall tiles, floor tiles, vitrified and porcelain tiles.
4. The paper uses the World Bank list of emerging economies. The emerging economies as identified in the paper are Ukraine, Nigeria, Vietnam, Egypt, Philippines, Russia, Malaysia, China, South Africa, Thailand, Venezuela, Chile, Singapore, Colombia, Brazil, Argentina, Mexico, and Indonesia.
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