

Make In India: Points That Matter

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Abstract

Make in India campaign of Government of India has stimulated a lot of professional and academic interest since its declaration locally as well as globally. Focusing upon industrial and commercial activity, the stakeholders are looking towards it with promise and challenge altogether. The present article is an attempt to describe various pros and cons of the initiative by looking into its precedents, both political and economical, thereby the emergence of its need and untiring efforts being put into its take off with full vigor. There seems a blending of the campaign side and the initiative side of the scheme, which happens to be certainly long term but yielding immediate gains too. The role, the manufacturing sector plays into the GDP of any economy is cardinal and bringing it to the core of national economy is perhaps the appropriate step the country was looking for. Its fruit are likely to be availed by different sections of the society but ultimately by all. In the paper, seeming challenges in its happening have been identified and listed. Relevant efforts and steps being taken and has been taken by relevant government departments to meet these challenges have been dealt upon. It is however realized that there are many grey areas which may demotivate the investors and entrepreneurs along with lessons learned from other world economies. It shall not be unrealistic optimism to say the scene shall ride over resilient Indian economy and vast local and global market.

Keywords: Make in India, Manufacturing sector, GDP, Indian economy

Introduction

The world economies are recovering from extended slowdown including different groups like US, Euro Zone, BRICS and are expected to stage higher growth rates. India experienced emphatic election verdict last year by choosing Narendra Modi for his growth agenda. The sentiments of investors are positive and industrial leaders are expecting more improved environment for doing business. Although, manufacturing sector is witnessing stagnancy for the last many years and UPA's policy paralysis has been one of the prime cause for this catastrophic condition. But newly elected government is working hard to revive the manufacturing sector. There is huge mismatch between sectoral contribution in GDP and dependence of population upon the sectors. To reduce this gap and to boost the manufacturing sector a new initiative Make In India has been launched which aims India to become export-based manufacturing leader. Thus the campaign is attracting investments across the world. China, manufacturing leader is losing its cost advantage slowly and therefore eager to invest in India because of cheaper work force. Other leading developed economies like USA, Japan are also investing here due to India's youthful human resource.

PM Modi's vision of making India manufacturing leader is laudable but not easy to achieve. To achieve target of annual growth of 10 % in manufacturing sector (in regard to Make In India) is having a lot of hurdles – political, practical or legal in its path. The paper focuses on identifying such

challenges in making this campaign a reality and recommends such measures to adopt which can help in overcoming various difficulties. The objective of this paper is to know the need and possible contribution of make in India campaign in growth of India's economy and to analyse steps being taken by the government, and what further course of action govt. may take to help in making this ambitious campaign feasible and successful.

Manufacturing Sector the Ground Reality

The manufacturing sector is backbone for any economy which boosts growth, productivity and services, and supports both sectors- agriculture as well as tertiary, generates employment and contributes significantly in GDP of the nation. The Manufacturing Industry in India has experienced various phases of development over the period of time. Since independence, the Indian manufacturing sector started from the initial phase of building the industrial foundation in 1950's and early 1960's, to the license-permit or Inspector Raj in the period of 1965–1980, to a phase of liberalization, globalization and privatization in 1990's. However it has grown at a robust rate over the past ten years and has been one of the best performing manufacturing economy but investments and low growth in this sector has been a very challenging task. Advanced estimates released by the Central Statistics Office peg India's overall GDP growth in 2013-14 at 4.9 per cent, marginally above 4.5 per cent in 2012-2013. But manufacturing output was seen declining 0.2 per cent in 2013-14 compared with 1.1 per cent

growth the previous year, dragging down the overall economy. It was one of the worst years for manufacturing since 1999-2000. The sector has grown with excellent pace over the years, with growth of around 10 per cent CAGR between 2005 and 2011. Manufacturing sector contributes about 15% of India's GDP and 50% to the country's exports. The Manufacturing sector employed 58 million people

(about 12% of the workforce) in 2008. By 2012, it was estimated to generate further 12–13 million jobs. In India, employment generation is one of the key policy issues, thus making this sector a critical sector to achieve inclusiveness in growth.

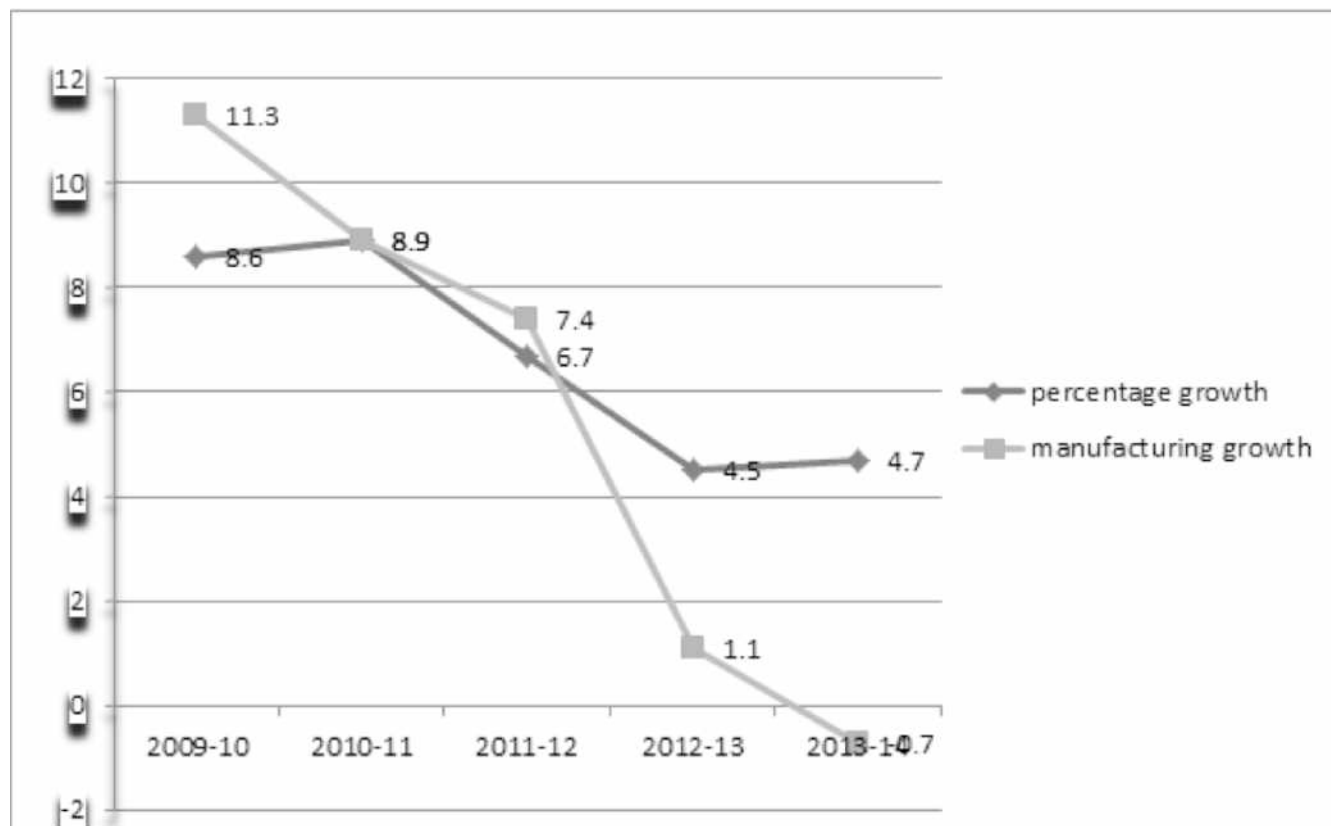


Figure 1 Source Economic Survey 2013-14

The figure portrays the growth rate in manufacturing sector as compared to percentage growth in GDP from 2009 to 2014. The growth rate has fallen substantially from 11.3% in 2009 to 7.4% 2011-12 and fell even to negative in 2013-14. Thus in 2014 finance minister P.Chidambaram mentioned in budget speech “Manufacturing is the Achilles heel of the Indian economy. The deceleration in investment is particularly worrying. Consequently, there is no uptick yet in manufacturing.”

Make in India: Concept

'A major new national program designed to facilitate investment ,foster innovation, enhance skill development, protect intellectual property and build best class manufacturing infrastructure there's never been a better time to Make In India.'

Make in India is an initiative program of Government of

India which was launched in September 2014. The main objective behind this initiative is to encourage businesses to manufacture their goods in India so as to boost up employment generation and to focus on skill development. It is one of the prime initiatives of Modi government which aims to make India a manufacturing hub. “From electrical to electronics to, come 'Make in India'. From chemicals to pharma, come make in India, from auto to value-addition, come make in India. Paper or plastic, come make in India. Satellites or submarines, come make in India,” Prime Minister invited investors. **'Come, Make in India'!** PM Modi's aggressive push to revive an ailing manufacturing sector, has found resonance with Indian companies. Minimal procedures cutting out of any red-tapism & single-window clearances - PM Modi sees Make in India as vital impetus for his growth agenda, rise in GDP and improved quality life. For this purpose twenty five sectors were selected among which some of these sectors are:

automobiles, pharmaceuticals, chemicals, IT, textiles, aviation, leather, ports, railways, tourism and hospitality, wellness, auto components, mining, design manufacturing, bio-technology, renewable energy and electronics.

Manufacturing currently contributes just over 15% to the national GDP. The aim of this campaign is to grow this to a 25% as seen in other developing nations of Asia. In this process, the government expects to generate jobs, attract much foreign direct investment, and transform India into a manufacturing hub preferred around the globe. The logo for the Make in India campaign is an elegant lion, inspired by the Ashoka Chakra and designed to represent India's success in all spheres.

Challenges Ahead 'Make in India' Success

Poor infrastructure is the foremost necessity for making India a manufacturing hub and 'Make in India' a success. Any firm requires good infrastructure for manufacturing and performing its operations. But at present it is very robust and is not sufficient for making such an ambitious program a reality. Government needs to make efforts in improving such a poor situation.

Unease of doing business-India ranks 142 out of 189 countries in ease of doing business index of World Bank group. There are numerous of factors which contribute such a poor ranking despite of being one of the biggest economies of the world. The Inspector Raj corruption license system, time consuming processes because of lethargy of officials and government, and political dissension on key reforms.

Complex tax structure and ineffective single window complicated tax structure is one of the major obstacle in doing business with ease. Multiple tax system and issue of retrospective taxes are major issues which are needed to be sought out for attracting foreign investments. Single window system is not that efficient. Multiple permissions for a single project have to be taken from various departments which delays the time and increases the cost.

Delayed reforms – due to political dissension Modi government is not able to actualize the expectations of industry in bringing major economic reforms like GST and Land acquisition bill. GST Bill is a revolutionary bill which simplifies the whole complicated indirect tax system. Land acquisition bill is one of the foremost requirement for manufacturing as it can simplify the whole process of availing land to industry. Although government is not able to overcome all the roadblocks but it has yet not been able to succeed in making consensus on the bill.

Human resource manpower- Manpower is a major challenge before any business to be successful. Despite manpower being abundant lack of skills and mismatch of demand and supply of human resource is the major challenge.

Make in India: Government in Action

The make in India- an innovative and growth booster, includes major new initiatives which are designed to foster innovation, facilitate investments, protect intellectual property and to build world class manufacturing infrastructure. To achieve its aim, government is taking several measures like new de-licensing and deregulation measures, steps for increasing speed and transparency. Government has simplified various processes to simplify the business such as

- making application of industrial licensing online through eBiz portal on 24*7 basis, extending validity to three years for industrial license,
- states are asked to introduce self certification and third party certification under Boilers Act,
- major components of defence have been excluded from industrial licensing, deregulation of dual use items having both military and civilian uses,
- making process of environmental clearances online, filing of returns online through one unified form
- businesses must manage an electronic register in place of various registers to keep record of all transactions

Government is initiating various schemes so as to emphasize on infrastructure and to boost up innovation and is integrating those with that of Make in India to foster GDP growth. Manufacturing infrastructure is poised for phenomenal growth. To infuse vigor for accelerated growth in infrastructure, government has started smart city project in which 98 cities or towns have been shortlisted for modernization and technology to simplify living. Along with it, Digital India campaign has been initiated to boost electronics sector and to provide platform for innovation and technology advancements. National Industrial Corridor Development Authority- a new authority is being created to coordinate, integrate, supervise and monitor the development of all industrial corridors. Another key program- Skill India is also a major booster for Make in India as it helps in developing skills which are useful for competing with world in manufacturing, services, textiles and leather products and exports oriented sectors.

Achievements so far

Some of the major sectors have been judged in this article. Although number of sectors and its achievements is quite long, thus to make study simple and feasible, following major sectors have been shortlisted in which major

investments have come under this campaign.

Defence sector

The Defence Acquisition Council which is chaired by Mr. Arun Jaitley cleared defence projects worth Rs. 80,000 crores. A big leap and probably for the first time that six submarines are to be built indigenously in India at the cost of Rs 50,000 crore. A committee will now be formed by the Defence Ministry to study both public and private shipyards for the purpose of building submarines in India and will ensure that a port has the capacity and manpower, apart from meeting other parameters.

Hyundai Heavy Industries (HHI) of South Korea will collaborate with Hindustan Shipyard Limited, Vishakhapatnam to build warships in India so as to reduce the time-gap for delivery to 2.5 years from 6 years. Another Korean company Kang Nam Corporation will construct 12 minesweepers for the Indian Navy in Goa Shipyard at a cost of \$1 billion. The Electronics giants Samsung will associate with Cochin Shipyard to build LNG tankers.

Sun Group of Gurgaon and Reliance Infrastructure are in talks with Russia to manufacture 2– Kamov Ka-226 light helicopters in Punjab and nuclear submarines and stealth warships in India respectively.

Electronics

Foxconn, the contract manufacturers of Apple iPhones will start 10-12 production facilities in India the first contract of which will be signed by the end of 2015. Lava, India's fourth largest cell phone maker is shifting its base from China to India and is planning to spend Rs 500 crore in local operations over three years. After which it will shift most or all of its production for which. The central government is giving 25% subsidy and offers of VAT-free operations from various states.

Oppo, Chinese Electronics manufacturer is reported to be starting a facility in India and Chinese telecommunication major ZTE Corporation is setting up its manufacturing facility. Smartphone Company Phicomm is investing \$100 million in 3-years to market its products in India and also plans to set-up a production facility here.

Automobiles Sector

Mercedes Benz's two-fold association with "Make In India" will see manufacturing its components in India, and will increase the localization of its C220 CDI model to 60%. Also, the trials of its luxury buses for Africa and South-East Asian markets are on-going and it will be manufactured in India aiming at an early 2016 full-fledged export. BMW will raise its localization to 50% in India and for the purpose it has already signed deals with 20 companies to supply components. Volvo too is seeking to manufacture its buses in

India for other suitable markets.

Renault's small-car Kwid- a new one, is 98% Indian and the company used "frugal engineering" an innovative method to achieve such a level of localization. Ford is also believed to invest Rs.4000 to 5000 crore for Research and Development purpose in its Chennai division. Fiat Chrysler Automobiles has started working on plans to manufacture a premium SUV under the Jeep brand as part of Rs 1,500-2,500 crore investment in India and to export it to markets like UK, Australia and South Africa in next two years.

Railways and Aviation Sectors

Indian Railway has invited international suppliers for procurement and manufacture of 15 train sets in a bid. A total of 40 coaches will be imported and rest of 275 coaches will be manufactured in India which is estimated to be worth around Rs. 2500 crore.

India signed the major military aviation deal which is of French fighter jet Rafale of which 50% will be invested in India (appoz. \$4 billion). Pratt&Whitney, a United Technologies Group, will start a training facility in Hyderabad, in the second half of 2015 to meet global training demand for its Geared Turbofan (GTF) engines.

Airbus and Mahindra have already reached an agreement to manufacture various metallic components for Premium AEROTEC of Germany, an Airbus Group Company and Mahindra Aerospace, a Mahindra Group subsidiary.

Energy and Power Sector

China's Trina Solar, the fourth largest manufacturer of photovoltaic modules, plans to set up a facility over the next few years and to export these modules to other parts of the world. Alstom T&D India will manufacture 2 substations, and its components, entirely here for the first time. One will be in Betul (Madhya Pradesh) and other in Navsari in Gujarat.

Azure Power India has announced its largest (100 MW) solar photovoltaic (PV) plant in Jodhpur, Rajasthan under the National Solar Mission of India. Essel Group and JA Solar of China will setup a solar cell and module company in India. Bajaj Group commissioned 660 MW thermal power plant at Lalitpur in Uttar Pradesh. Odisha Government will set up a 3 GW renewable energy capacity to contribute government's aim to produce 175 GW power by 2022. Maharashtra will increase the current capacity of 6.7 GW to 14.4 GW of renewable energy.

Mining

Karnataka Iron Ore Corporation Limited (KIOCL) will associate with overseas companies to allow the use of its pellet plant and blast furnace units as a tolling plant. It will convert imported ore or concentrate into pellets for these

overseas suppliers. National Aluminium Company (NALCO) will setup 1-million tonne refinery at Koraput, Damanjodi, Odisha and thus proposes investment of Rs. 5540 crore.

Suggestions

To make the vision into reality, government has to address all the concerns of various stakeholders and to take appropriate measures to fix the issues. Very first government must identify the various hinderances while doing business, which may include red tapism, inspector raj, government clearance delays corruption, environmental clearance and many more. India stands quiet behind in ease of doing business index, thus indicating urgent actions to be taken to facilitate good business environment and to revive the investment sentiments. For this purpose various actions are being taken such as eBiz portal, simplified tax returns, formation of committee to redress grievances of investors, simplification of business processes and industrial licensing. Government has tried to start single window but it needs to be more efficient, reliable and time saving which could facilitate investors. More simplified tax structure, putting check on lethargic administration, addressing grievances immediately, removal of overlapping provisions or laws, abolishing inspector raj, check on corruption by using maximum technology and internet, and many such measures must be taken to provide investor friendly environment and ease in doing business..

Good infrastructure is the basic necessity for making India a manufacturing hub. At present it is one of the major concern for the government, this is focusing on building world class infrastructure. However govt. is trying to push it by smart city project but it is not showing much favourable outcomes because of it being in initial phase only. Projects of infrastructure need to be speeded up and must comply with requirements of various projects. Good infrastructure is must to attract foreign investors. Along with it, govt. has to speed up its key reforms such as land acquisition bill and GST bill. Government has to work more hard to make consensus among different stakeholders in regard to land bill which is facing too much fire because of its some controversial provisions. Govt. needs to find a midway to satisfy both farmers and industry guarding their interests. GST bill could be presented in parliament but not passed because of political wrangles. However after washout of monsoon session govt. is thinking to call special session for the purpose but it also seems to be in vain since major opposition party is opposing the bill due to its political interests. It is important to make consensus as soon as possible so as to meet its deadline of 2016. For providing land for manufacturing and simplified indirect tax structure, these reforms must be passed soon. There is lack of skilled labour to meet requirements in such a large scale project.

Although Skill India has been pushed for the purpose but it will take a long time in its application. Human resource is in plenty in India but govt. must take appropriate steps to remove this mismatch and to reduce the deviations among skilled labour.

Conclusion

Make in India campaign is the calling card for investors to come, invest, manufacture in India and exporting to the world. Although this campaign is not just an influx of capital being targeted or attracted but the impetus is further the manufacturing capabilities of India. Since the manufacturing sector has faced a creeping rut over last few years, it was very important to infuse some positive energy in such a crucial sector and thus was done in the form of 'Make in India'. Aiming the export oriented manufacturing; it has several roadblocks or challenges ahead to achieve 10% additional growth in manufacturing. Govt. is trying hard to change the mindsets of bureaucrats, of states, of employees, of the people (to become entrepreneurs) and of investors. Positive response can be seen as portrayed by number of MoUs being signed between different foreign companies with governments or local investors in different sectors. More time must be given to see the fruits of such a hopeful idea. The idea of 'make in India' is no doubt suitably fit the growth story of India but it is a long term prospective. The 'make in India' initiative conceived as a comprehensive and holistic production centered scheme has already started taking shape with lot many promises ultimately enhancing the living standards of the masses, directly or/and indirectly. However, relevant agencies have to be constantly vigilant to not astray the concentrated effort towards the objectives of the scheme that is to make India a manufacturing giant with the maximum harnessing of indigenous potential.

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