

MAKE IN INDIA-PROSPECTS AND HURDLES

¹ Mrs. Tasleema.M Jorum
 Assistant Professor
 Department ofr Commerce
 S.S.G.F.G College & P.G.Studies, Centre,
 Nargund-582207

Abstract:

India offers significant demographic dividend with nearly 50% of population under 25 years and about 200 million expected to enter workforce over the next decade. India is ranked 142nd out of 189 economies in Doing Business 2013 by the World Bank. India's restrictions on foreign equity ownership are greater than the average of the countries covered by the Investing across Sectors indicators in the South Asia region and of the BRIC (Brazil, Russian Federation, India, and China) countries.

Make in India has the purpose of inviting foreign investors to set up manufacturing unit in India for the global markets, thereby to provide employment opportunity to the labour force of India. It aims to make India as its export hub for the South East Asian region. It encourages the host country to manufacture in the area of automobile, IT, textile, pharmaceutical, engineering, railway, defense, renewable energy, tourism and hospitality. The initiative also aims to transform India from highly potential market to the powerhouse of manufacturing, thereby creating millions of job opportunity. In short make in India conceived to achieve multiple objectives and for reaching impact on economy.

The make in India campaign launched on September 25, 2014. by Prime Minister Narendra Modi attracted many countries to invest in different sectors are facing the problem of infrastructure, land acquisition, land related approvals, skilled labourers. Considering the intensity of make in India campaign, we need to study its objectives, prospects and challenges

Key words: BRIC, GDP, IT, FDI, Industrial production, Infrastructure, Make in India.

INTRODUCTION :

India is aimed at making India a manufacturing hub and economic transformation while eliminating the unnecessary laws and regulations, making bureaucratic processes easier, make government more transparent, responsive and accountable and to take manufacturing growth to 10% on a sustainable basis. Make in India-zero defects and zero effect have an objective of producing the product which does not come back from the world market and does not have an adverse effect on environment. The Indian economy has been witnessing positive sentiments during the past few months. The macroeconomic indicators have also displayed an encouraging trend in the recent times. However, the situation of the manufacturing sector in India is a cause of concern. At 16% value added to GDP, the sector does not seem representative of its potential which should have been 25%. However, the industrial growth scenario is improving and is estimated at 1.9% in the period April-October 2014-15. The recent measures undertaken by the new government in terms of facilitation to industrial sector, creation of conducive environment for the manufacturing activities, focus on improving industrial policies and procedures and reforming labor laws have facilitated recovery in industrial sector. Apart from initiatives such as development of smart cities, skill development, National Investment and Manufacturing zones, FDI enhancement, the government is building a pentagon of corridors across the country to boost manufacturing and to project India as a Global Manufacturing destination of the world.

Objectives of the Study:

- To make investing in manufacturing more attractive to domestic and foreign investors
- To give the Indian economy global recognition
- To create competitive industrial environment
- To development infrastructure
- To invite latest technologies
- To generate employment and skill formation

Research Methodology:

The study is based on secondary data. The required data has been collected from various sources i.e. research papers, various Bulletins Of Reserve Bank Of India, Publications from Ministry Of Commerce, Govt. Of India that are available on internet.

Why Companies were in India not manufacturing

Make in India campaign is at zones, FDI enhancement, the government is building a pentagon of corridors across the country to boost manufacturing and to project India as a Global Manufacturing destination of the world.

loggerheads with the Make in China ideal that has gained momentum over the past decade. China is a major rival to India when it comes to the outsourcing, manufacturing, and services business. India's ailing infrastructure scenario and defunct logistics facilities make it difficult for the country to achieve an elite status as a manufacturing hub. The bureaucratic approach of former governments, lack of robust transport networks, and widespread corruption makes it difficult for manufacturers to achieve timely and adequate production. The Modi government has vowed to remove these hurdles and make the nation an ideal destination for investors to set up industries.

Make in India

Make in India is aimed at making India a manufacturing hub and economic transformation while eliminating the unnecessary laws and regulations, making bureaucratic processes easier, make government more transparent, responsive and accountable and to take manufacturing growth to 10% on a sustainable basis.

Objectives of Make in India

- To make investing in manufacturing more attractive to domestic and foreign investors
- To give the Indian economy global recognition
- To create competitive industrial environment
- To develop infrastructure
- To invite latest technologies
- To generate employment and skill formation

The Make in India focuses on new ideas and initiatives such as-

- First Develop India and then Foreign Direct Investment,
- Look-East on one side and Link-West on the other,
- Highways and 'I-ways.
- Facilitate investment
- Foster innovation
- Protect intellectual property
- Build best-in-class manufacturing infrastructure.

(A) Major Initiatives Undertaken

- Process of applying for Industrial License & Industrial Entrepreneur Memorandum have been made online on 24x7 basis
- Services of all Central Government Departments & Ministries will be integrated with a single window IT platform
- Online filing of returns and a check-list of required compliances to be placed on Ministry's/ Department's web portal
- Single electronic register for businesses

(B) Initiatives Undertaken to Facilitate the Ease of Doing Business

- De-licensing and deregulation measures to reduce complexity and ensure increased transparency.
- Online applications for Industrial License & Industrial Entrepreneur Memorandum have been on 24x7 basis. Industrial license have been extended to three years, state governments asked to introduce self-certification.
- Services of all Central Government Departments & Ministries will be integrated with the eBiz – a single window IT platform for services by 31 December 2014.
- The process of obtaining environmental clearances has also been made online.
- All returns should be filed on-line through a unified form and a check-list of required compliances should be placed on Ministry's/Department's web portal.
- Center has advised all the departments that all registers maintained by the businesses should be replaced with a single electronic register
- No inspection to be undertaken without the approval of the Head of the Department.

The Vision of Make in India

The manufacturing industry currently contributes just over 15% to the national GDP. The aim of this campaign is to grow this to a 25% contribution as seen with other developing nations of Asia. In the process, the government expects to generate jobs, attract much foreign direct investment, and transform India into a manufacturing hub preferred around the globe. The Prime Minister called for all those associated with the campaign, especially the entrepreneurs and the corporates, to step and discharge their duties as Indian nationals by First Developing India and for investors to endow the country with foreign direct investments. The Prime Minister also promised that his administration would aid the investors by making India a pleasant experience and that his government considered overall development of the nation an article of faith rather than a political agenda. He also laid a robust foundation for his vision of a technology-savvy Digital India as complementary to make in India. He stressed on the employment generation and poverty alleviation that would inevitably accompany the success of this campaign. The major objective behind the initiative is to focus on 25 sectors of the economy for job creation and skill enhancement. The initiative hopes to increase GDP growth and tax revenue. The initiative also aims at high quality standards and minimizing the impact on the environment. The initiative hopes to attract capital and technological investment in India. The campaign was designed by the Wieden + Kennedy (W+K) group which had previously worked on the Incredible India campaign and a campaign for the Indian Air Force

Figure: 1. Logo of make in India



©

Department of Industrial Policy & Promotion, Ministry of Commerce and Industry, India
– Official 'Make in India' logo

Description on logo (**Figure-1**): 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. Wheel denotes peaceful progress and dynamism. lion has been the official emblem of India" and it stands for "courage, tenacity and wisdom -- all Indian values The campaign was dedicated by the Prime Minister to the eminent patriot, philosopher and political personality, Pandit Deen Dayal Upadhyaya who had been born on the same date in 1916

Table 1: Key sectors allowed making in India

Automobiles	Food Processing	Renewable Energy
Automobile Components	IT and BPM	Roads and highways
Aviation	Leather	Space
Biotechnology	Media and Entertainment	Textiles and garments
Chemicals	Mining	Thermal Power
Construction	Oil and Gas	Tourism and Hospitality
Defence manufacturing	Pharmaceuticals	Wellness
Electrical Machinery	Ports	
Electronic Systems	Railways	

Advantages of Investing in Industry Sector

- Make in India scheme will create large scale employment opportunities to low skill workforce since majority of workforce in India are low skilled.
- India is hugely dependent on FDI to keep the economy positive. Make in India scheme will attract more FDI to revitalize Indian economy.
- Any manufacturing hub needs supply of parts which is boon for SME's. Make in India will help to generate indirect employment through SME's.
- Manufacturing sector helps to reduce India's trade deficit through exports.
- India is the largest consumer market. Any company investing in India under Make in India initiative will directly get access to huge market of 125 Cr people.
- Job Creation, Enforcement to Secondary and Tertiary sector, boosting national economy.
- Converting the India to a self-reliant country and to give the Indian economy global recognition.

Road Ahead

- Plan to develop new smart cities and industrial clusters in selected industrial corridors
- Work on 5 smart cities- Dholera, Shendra-Bidkin, Greater Noida, Ujjain and Gurgaon, is in progress as a part of the Delhi-Mumbai Industrial Corridor
- New youth-oriented programs to develop specialized skills
- Impetus has also been given on developing Industrial Corridors
- 'National Industrial Corridor Development Authority' has been created to coordinate, integrate, monitor and supervise development of all Industrial Corridors
- New Industrial Clusters have been proposed.
- 21 Industrial projects under Modified Industrial Infrastructure Upgradation Scheme have been approved with an increased emphasis on use of recycled water
- Approval accorded to 17 National Investment and Manufacturing zones (NIMZ).
- 100% FDI under automatic route in construction and operation and maintenance in specified Rail Infrastructure projects.
- Government of India is building a pentagon of corridors across the country to boost manufacturing and to project India as a Global Manufacturing destination of the world.

Prospects:

The Indian economy has been witnessing positive sentiments during the past few months. The real GDP growth is estimated at 5.5% in the first half of 2014-15 as against 5% in the corresponding period of last year. The macroeconomic indicators have also displayed an encouraging trend in the recent times.

(i) Employment for Low skilled workers: As majority of workforce in India is low skilled therefore Make in India initiative will provide large scale employment opportunities for this particular segment. Make in India will generate millions of jobs.

(ii) FDI: India has huge dependence on FDI to keep economy alive. As mentioned industry / manufacturing is capital intensive industry therefore Make in India will attract huge inflows of FDI. FDI inflow will help to revive Indian economy.

(iii) Small and Medium Enterprises: Any manufacturing hub needs supply of parts which is boon for SME's. Make in India will help to generate indirect employment through SME's.

(iv) Reduce Trade Deficit: Compared to Service sector, Industry / Manufacturing sector has multiplier effect on Exports which will help the government to wipe off India's trade deficit. Reduction in trade deficit will have large scale positive impact on the finances and economy of the country. It will stop

devaluation of currency and increase sovereign rating which in turn will attract more FDI. FDI inflow is cyclic chain with positive ripple effects.

(v) **India as Consumer Market:** India is one of the largest markets in world which cannot be ignored by developed economies. Any company investing in India under Make in India initiative will directly get access to huge market of 125 Cr people. This advantage is not available for investment in service sector e.g. India is not a big market for IT services, it is mostly outsourced from USA.

(vi) **Benefit to Defense:** For the success of any initiative, it is crucial to set up an example to showcase. India is big market for defence equipments. China and Pakistan Big manufacturing projects related to Defence will set a right tone and environment for Make in India initiative to take off.

Challenges:

‘Made in India’ is a pride,

Make in India’ is the process, whereas

Made for India’ is a compromise.’

Obviously, the first two concepts are seen in a positive light, while the third one is viewed in the negative sense. However, if the ‘Make in India’ has to succeed, we need to see the challenges and limitations in India.

India’s small and medium-sized industries can play a big role in making the country take the next big leap in manufacturing. India should be more focused towards novelty and innovation for these sectors. The government has to chart out plans to give special privileges to these sectors. According to World Bank, India ranks 142 out of 189 countries in terms of ease of doing business. India has complex taxation system and poor infrastructure facilities. Rapid skill up gradation is needed because skill intensive sectors are dynamic sectors in India, otherwise these sectors would become uncompetitive. India should motivate research and development which is currently less in India and should give more room for innovation.

Obstacles:

⊕ **Internal/domestic demand is necessarily constrained:** Demand from the developed world for Indian exports is likely to be low as well, particularly in the context of a global recessionary climate.

⊕ **Infrastructure deficiency:** India faces in terms of infrastructure. Infrastructural development requires performing the overall process involved in getting a new entity set up. Intellectual property, research and development, market friendly atmosphere with transparency, which requires thousands of crore rupees. : Underdeveloped Infrastructure ranked 1st among issues faced by Japanese Manufacturers in India Power and Transport Infrastructure cited as major bottlenecks .

⊕ **High input cost:** In order to attract global capital the Indian state needs to undertake certain measures that ensure the cheap manufacturing costs: giving capital access to cheap labour and natural resources – as has already manifested itself in recent changes in the labour laws, in the land acquisition act, and in the flexibility of environmental clearances. Social resistance to such measures is inevitable. Other developing economies are also competing to be low-cost manufacturing locations, and the state will have to work doubly hard to ensure a favorable investment climate and having to suppress resistance and social struggles as and when they arise.

⊕ **Land acquisition:** Land acquisition is major hurdle to the manufacturer. It involve selection of area, getting approval from the Industrial authority for that they have to fulfill legal requirement. Such procedural delays in Land acquisition is a key bottleneck for the investor. The average time taken to acquire land is 14 months.

⊕ **Land related approvals post acquisition:** India ranked 121 on indicator pertaining to property registration and end use conversion may take more than 6 months .On an Average it takes 47 days to register a property.

⊕ **Job skill mismatch:** Most of the foreign company’s production is techno based. It hires IT graduates, but India is having huge traditional graduates, only 10-15% of the regular graduates are employable. Instead they have to get training it requires invest huge amount of many, but investor not ready to spend. Labour problems feature among the top 5 issues reported by Japanese Manufacturer in India.

Conclusion:

Creating healthy business environment will be possible only when the administrative machinery is efficient. India has been very stringent when it comes to procedural and regulatory clearances. A business-friendly environment will only be created if India can signal easier approval of projects and set up hassle-free clearance mechanism. India should also be ready to tackle elements that adversely affect competitiveness of manufacturing. To make the country a manufacturing hub the unfavorable factors must be removed. India should also be ready to give tax concessions to companies who come and set up unit in the country.

India's small and medium-sized industries can play a big role in making the country take the next big leap in manufacturing. India should be more focused towards innovation for these sectors. The government has to chart out plans to give special privileges to these sectors. India's make in India campaign will be constantly compared with China's 'Made in China' campaign. The dragon launched the campaign at the same day as India seeking to retain its manufacturing prowess. India should constantly keep up its strength so as to outpace China's supremacy in the manufacturing sector.

India must also encourage high-tech imports; research and development (R&D) to upgrade 'Make in India' give edge-to-edge competition to the Chinese counterpart's campaign. To do so, India has to be better prepared and motivated to do world class R&D. The government must ensure that it provides platform for such research and development.

Abbreviation:

BRIC: Brazil Russia India China

GDP: Gross Domestic Product

IT : Information and Technology

FDI : Foreign Direct Investment

SME: Small and Medium Enterprise

USA: United States of America

R & D: Research and Development

References:

- 2011 Deloitte Toche Tohmatsu India pvt ltd.
<https://forums.bharat-rakshak.co.in>
- www.makeinindia.com
- <http://www.hindustantimes.com/business-news/barry-callebaut-to-set-up-manufacturing-unit-in-india/article1-1268547.aspx>
- http://articles.economictimes.indiatimes.com/2014-08-26/news/53243490_1_indian-prime-minister-kenichiro-hibi-manufacturing-plant
- <http://www.thehindubusinessline.com/companies/bosch-siemens-manufacturing-plant-coming-up-near-chennai/article4462677.ece>
- http://phdcci.in/file/thematic_pdf/Exploring%20Prospects%20for%20Make%20in%20India%20and%20Made%20in%20India%20A%20Study.pdf