



## MAKE IN INDIA'- A BOOST TO THE MANUFACTURING SECTOR- ADVANTAGES AND DISADVANTAGES

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### **Abstract**

*Make in India campaign was launched by Prime Minister, Narendra Modi on 25 September 2014, to encourage companies to manufacture their products in India and to attract investments from businesses around the world and aimed at promoting manufacturing in the country to reduce dependence on exports. He has launched this ambitious campaign with an aim to turn the country into a global manufacturing hub. The objective of this mega programme is to ensure that manufacturing sector which contributes around 15% of the country's Gross Domestic Product is increased to 25% in next few years. The main purpose of the study is to understand the scheme, to focus on the advantages as well as disadvantages of the program. The Secondary research is used for the purpose of the study and this paper discusses about Make in India scheme, its opportunities, challenges, worldwide positive responses, critics and some examples of different investors. Make in India campaign surely makes India an investment destination and global hub for manufacturing and innovation.*

**Key words:** Global manufacturing hub, Gross Domestic Product, Make in India

### **Introduction:**

India is a country with rich natural resources. The Indian manufacturing sector is the classic example of an industry with great potential. Labour is plenty and skilled labour is easily available given the high rates of unemployment among the educated class of the country. With Asia developing as the outsourcing hub of the world, India is soon becoming the preferred manufacturing destination of most investors across the globe.

The recent launch of the "Make in India" campaign by Prime Minister Mr. Narendra Modi where leading businessmen and CEOs of about 3000 companies from 30 countries were present is an impressive effort on the part of the new Government to boost investor confidence in the country. Make in India is the Indian government's effort to harness this demand and boost the Indian economy. The objective of the scheme is to ensure the manufacturing sector which contributes around 16% of country's GDP is increased to 25% in next 5 years. Three sectors which contribute to GDP of any country are agriculture, manufacturing and services. Major objective of this scheme focuses on 25 sectors. India ranks low on the "ease of doing business index". Labour laws in the country are still not conducive to the Make in India campaign. This is one of the universally noted disadvantages of manufacturing and investing in India. Make in India scheme eliminates unnecessary laws and regulations.

Moreover, Mr. Modi's recent US visit and meeting with CEOs of some of the top global firms like Goldman Sachs, Google, General Electric, Cargill, Boeing and many others definitely set the ground for investment in India. This research paper aims to analyse the key



issues and challenges facing the “Make in India” vision and to throw light on the critiques of the scheme based on the secondary data.

### **Objectives of the study**

The health of India's Manufacturing Sector cannot be revived only by announcing campaigns or focusing on fiscal policy. The objective of the study is

1. To focus on the major insights of Make In India campaign.
2. To explain the issues and challenges faced in making this campaign success.
3. To focus on the critiques of this campaign.

### **Research Methodology**

**Research Type:** Descriptive Research

**Type of Data/Data Source used:** Secondary Data/Data source. The present study is based on **secondary data**. Basically, the required information has been derived from

1. Various books.
2. Articles from Newspapers, Magazines and Journals, and
3. From the various related web-sites which deal directly or indirectly with the Make in India campaign Indian retail sector. After searching the important web-sites, relevant information was down loaded and analyzed to address the objectives of present study.

### **Limitations of the study :**

1. The study is based on published data and information. No primary data is being collected.
2. The objectives, nature and methods used to collect secondary data may not be appropriate to the present situation.
3. Secondary data may be lacking in accuracy, or they may not be completely current or dependable.
4. Time constraint remained the major limitation in the study.

### **Reason for companies not manufacturing in India**

China is a major rival to India when it comes to the outsourcing, manufacturing, and services business. 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 through Make in India initiative.

### **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 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. The major objective behind the initiative is to focus on 25 sectors of the economy (table) 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.

**Table: Key sectors allowed making in India**

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

**Key insights of Make in India**

- **Creating transparency and Cutting down on procedural delay:** The first and foremost importance step would be to create efficient administrative machinery which would cut down on delays in project clearances. According to World Bank report, India ranks 142 out of 189 countries in the category for ease of doing business. Therefore, Government has to bring transparency in its decisions and rules and push works with simplicity.
- **Focus on innovation and tax payments:** The success of Make in India lies in fostering innovation for which integration with the country's premier institute for carrying out research and development is critical. According to World Bank report, India ranks 154 in paying taxes. Therefore providing tax concessions to any industry would set up manufacturing facility in the country.
- **Skill development & quest for education:** The country needs to focus on quality education. "In the emerging economy, people will need to continuously learn new skills to meet the economy's changing requirements." The government is currently doing mapping for assessing skill manpower demand for specific sectors. There has to be synchronization between the objectives of the government, academic world, industry and job seekers for ensuring that industry specific skills are imparted. National Skill Development Agency (NSDA) initiated work on creating a labour market information system which would help industry sourcing their manpower requirement.
- **Labour and Policy reforms:** "labour law flexibility does not imply 'hire and fire' policy, it's about providing a sound social safety net to workers." labour law flexibility is a key element for the success of this campaign for increasing manufacturing in the country. The government's focus will be on physical infrastructure creation as well as creating a digital network for making India a hub for global manufacturing of goods ranging from cars to softwares, satellites to submarines and paper to power.



- **Young India's demographic dividend:** According to reports by 2020, India is set to become the world's youngest country with 64% of its population in the working age group. India offers the unique combination of democracy, demography, and demand from a rising middle class. If investment comes in the States, it comes in India also. States and Centre should work collectively as a team to find solution together.

#### **Make in India Week' 13-18 thfebruary:**

The Make in India week inaugurated on 13<sup>th</sup> February approximately got Rs 15.2 lakh crore investment commitments from which around 8 lakh crore was from Maharashtra and out of the total commitment pie, 30 per cent have come from foreign players. The success of the Make in India week can be viewed from the number of deals made. Around 20 huge deals from different sectors were formalized and are estimated to create around 10 lakh employment opportunities all around the country.

#### **Criticisms and concerns about make in India**

The NDA government's Make in India campaign has attracted more than INR 2000 crore worth investment proposals. The campaign has, despite this, found its fair share of critics. The topmost of these criticisms is leveled against the incumbent government that - labour reforms and policy reforms which are fundamental for the success of the Make in India campaign have not yet been implemented. A number of layoffs in companies such as Nokia India cast long shadows over the campaign. A number of technology based companies have not been enthused by the campaign launch and have professed to continue getting their components manufactured by China. Another critic is "making India the next china". China is a huge manufacturing hub from many decades and a living example of an **overly industrialized country** which is economically well off but is a masterpiece of pollution where people die and suffer from serious lung diseases. India is exceptionally gifted with a sector called agriculture which is considered as a dead sector from few decades. It is the 2nd largest country with arable land (60.3 percent of land is agriculture land), variety of climates and ecological parameter to support the growth of various crops. Instead to erect more factories the employment may be created by using advanced technologies in agriculture and conducting various skill development programs, workshops where farmers can participate.

Providing the strongest critique to the government's Make in India strategy, Reserve Bank of India (RBI) governor Raghuram Rajan said India rather needs to **make for India**, adding that either an incentive-driven, export led growth or import-substitution strategy may not work for the country in the current global economic scenario. Speaking at an event organized by industry lobby Federation of Indian Chambers of Commerce and Industry, Rajan said an export-led growth strategy will not pay for India as it did for Asian economies, including China, due to the tepid global economic recovery, especially in the industrial countries. "Other emerging markets certainly could absorb more, and a regional focus for exports will pay off. But the world as a whole is unlikely to be able to accommodate another export-led China," he said. Rajan said the government should rather focus on creating an environment where all sorts of enterprise can flourish, and then leaving entrepreneurs to choose what they want to produce. "Instead of subsidizing inputs to specific industries because they are deemed important



orlabour-intensive, a strategy that has not really paid off for us over the years, we need to identify what each industry needs in terms of support structures like quality certifying agencies, IT support and give it to them," he added. "India does not have comparative advantage. India's demographic dividend is of less use without comparative advantage. Indian policy makers think that India will capitalize on the manufacturing that leaves China while ignoring the fact that manufacturing has been leaving China for quite some time now, it is not moving to India but to Bangladesh, Vietnam, Thailand etc, nations that have comparative advantage over India. That apart, India does not have first mover advantage in manufacturing that China had" he said.

Speaking at the same event, former Prime Minister Manmohan Singh said India can achieve a growth rate of 8-9% provided there is a "national consensus" on methods to take advantage of globalized world. "I think that even though many other emerging economies are not doing too well, India has an opportunity to move towards a growth rate of 6-7% and thereafter to 8%," Singh said. DMK Treasurer and former Tamil Nadu deputy chief minister Stalin told PTI in an interview here. "We see indications of the poor being handed out a pittance and corporate honchos and huge investors appearing all set to receive a bonanza of sorts". Instead, Modi should focus on making business as easy and honest as possible, avoiding artificial props, curbing inflation and fiscal deficits, ensuring a realistic exchange rate, and letting the market decide which sectors should flourish. Investors from everywhere will then rush in to make in India.

#### Conclusion:

The analysis shows two ultimate dimensions where one side is optimistic nature that is expecting more investment by free flow of capital. On the other side, it has criticized as the economy; it is adopting what look like neo-Nehruvian ideas. Instead, Modi should focus on making business as easy and honest as possible, avoiding artificial props, curbing inflation and fiscal deficits, ensuring a realistic exchange rate, and letting the market decide which sectors should flourish. Investors will then rush in to make in India. The new Government should focus on manufacturing for the domestic market first. Emulating China is a bad idea. Economic and political conditions are different this time around and China had first mover advantage. There is a need for policy reforms and better infrastructure to promote local entrepreneurship.

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