

Review Article

Exploration of 'Make in India': A Lift to Indian Economy?

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Abstract

India is one of the fastest growing economies in the world. But the economy is mostly service driven and the service sector is contributing almost 60% to the country's GDP. To strengthen the financial power of the nation government of India has emphasized on manufacturing, which will open the door for investment. The Government launched the "Make in India" initiative. Key thrust of the program was that the initiative will make India a manufacturing hub and will eliminating the unnecessary laws and regulations, making bureaucratic processes easier, and ultimately will add to the country's economy.

The study undertaken is qualitative in nature. The purpose of the study is to explore the growth dynamics and the opportunities for manufacturing sector with the light of government's initiative "Make in India".

Keywords: Make in India, Manufacturing Sector, GDP, Indian Economy

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Introduction

"Make in India: this is the step of a Lion."

Mr. Narendra Modi (Prime Minister of India)

The prospect of the world fastest growing economy India lies in manufacturing. Domestic manufacturing is one of the vital ways for achieving faster, more comprehensive and sustainable growth of any country. Only a sharp increase in the Indian manufacturing sector workforce will increase overall income levels of the country which in turn will ensure inclusive and sustainable growth (Bhattacharjee, K., 2015).(1)

"Make in India" is an initiative program of the Government of India, to encourage companies to manufacture their products in India.

It was launched by Prime Minister Shri. Narendra Modi on 25 September 2014.

The major objective behind the initiative is to focus on 25 sectors of the economy for job creation and skill enhancement. Some of these sectors are: automobiles, chemicals, IT, pharmaceuticals, textiles, ports, aviation, leather, tourism and hospitality, wellness, railways, auto components, design manufacturing, renewable energy, mining, bio-technology, and electronics. 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. (2)

The objective of the mega program is to ensure that manufacturing sector which contributes around 15% of the country's Gross Domestic Products will increase to 25% in the coming years.

Speaking to more than 500 top global CEOs along with captains of Indian industry at the event in Vigyan Bhawan, New Delhi on September 25th, Prime Minister termed 'Make in India' initiative a lion step to usher in increased manufacturing in the country, which will ultimately generate more employment opportunities for the poor and give greater purchasing power in their hands. Soundharya. S. (2015) opined that the initiative will make India an investment destination and global hub for manufacturing and innovation.

Prime Minister urged the domestic as well as global investors not to look at India merely as a market, but instead see it as an opportunity. Make in India, is not just offering a competitive situation but also providing an opportunity to create a huge market for the products. (3)

Objectives of the Study

1. To know the dynamics of Make in India initiatives.
2. To study the initiatives taken by various companies and various growth cycles of Make in India.
3. To study the major challenges, opportunities of Make in India initiative.
4. To offer useful suggestions in the light of findings.

Methodology

The study undertaken is qualitative in nature and based on secondary data. The data has been extracted from various sources like research articles, publications from Ministry of Commerce, Government

of India, various bulletins of RBI etc. on the basis of detail exploration of the existing literature a conceptual framework has been developed. (4)

Limitations

1. The findings of the study have no empirical evidence and based on subjected evaluation.
2. The number of literatures reviewed might not be exhaustive to reach the objectives of the study.
3. Detailed and long-term evaluation is required to unveil the effectiveness of Make in India initiative.

Indian Manufacturing Sector an overview

The manufacturing sector in India faces acute challenges. From problems with power, ports, railroads and roads to shortage of human capital, manufacturing in India has long lagged behind targeted goals. Indian manufacturing sector currently contributes close to 15% of GDP which is almost half when compared to “factory of the world” China, whereas service sector contributes almost 60% to GDP.

In most rapidly developing economies, manufacturing sector contributes 25-40% to the GDP such as Thailand's manufacturing sector value added to GDP is around 34%, China 32%, South Korea 31%, Indonesia 24% and Germany 22%. This huge mismatch in terms of contribution to GDP makes it imperative for India to focus on manufacturing and bring it close to 25% over next decade. (5)

Table 1: - Contribution of Indian Service sector and Manufacturing sector to countries GDP

Contribution to GDP (%)	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Services	56.11 %	57.09 %	57.48 %	57.42 %	58.79 %	59.93 %
Manufacturing	15.78 %	16.17 %	16.17 %	16.28 %	15.76 %	14.94 %

Source: Ministry of Statistics & Programme Implementation

In spite of the boom in the services sector, 75% of India's working population is educated only to middle school or below. This staggering figure of approximately 600 million people is not even equipped to benefit from the opportunities in the flourishing knowledge sector. It is only the labor intensive manufacturing sector that has the capability to generate employment in adequate numbers to absorb the larger labor pool.

In a ten point agenda that encompasses factors such as entry of more private sector investors in important infrastructure sectors like electricity distribution, aviation, roads, railways, ports and a new bill for improving India's labor laws including encouraging contract labor, FICCI has laid down certain guidelines to the government. The purpose was to accelerate growth and improve competitiveness of Indian manufacturing.

Through Make in India initiative, government will focus on building more physical infrastructure as well as creating a digital network to make India a global hub for manufacturing of goods ranging from cars to software's, satellites to submarines, pharmaceuticals to ports and paper to power. (6)

“Make in India”- an initiative by the Government:

The connotation of “Make in India”, does suggest the previously used connotation “Made in India”. In simple words ‘Make’ implies that the process to be carried out in India while opening out door for the outsiders. Key thrust of the program would be on cutting down delays in manufacturing projects clearance, develop adequate infrastructure and make it easier for companies to do business in India. The 25 key sectors identified under the program include automobiles, auto components, bio-technology, chemicals, defense manufacturing, electronic systems, food processing, leather, mining, oil & gas, ports, railways, ports and textile. (7)

The objective of the mega program is to ensure that manufacturing sector which contributes around 15% of the country's Gross Domestic Products is increased to 25% in the coming years. The government of India has taken certain initiatives under the program to boost the manufacturing scenario of the country.

Major highlights of the “Make in India” plans are as follows-

1. Invest India cell: An investor facilitation cell set up by the government will act as the first reference point for guiding foreign investors on all aspects of regulatory and policy issues and to assist

them in obtaining regulatory clearances. The cell will also provide assistance to foreign investors from the time of their arrival in the country to the time of their departure. The information & facts that potential investors need for each sector have been compiled in brochures. (8)

2. Consolidated services and faster security clearances: All central government services are being integrated with an e-Biz single window online portal while states have been advised to introduce self-certification. The ministry of home affairs has been asked to give all security clearances to investment proposals within 3 months.

3. Dedicated portal for business queries: A dedicated cell has been created to answer queries from business entities through a newly created web portal

(<http://www.makeinindia.com>). The back-end support team of the cell would answer specific queries within 72 hours. The portal also boasts of an exhaustive list of FAQs answers. (9)

4. Interactions with the users/visitors: A pro-active approach will be deployed to track visitors for their geographical location, interest and real time user behavior. Subsequent visits will be customized for the visitor based on the information collected. Visitors registered on the website or raising queries will be followed up with relevant information and newsletter. (10)

5. Easing policies and laws: A vast number of defense items have been de-licensed and the validity of industrial license has been extended to three years.

Response to the Initiative:

Table 2:- Response of various companies to the initiative “Mae in India”

Spice Group	The company decided to start a mobile phone manufacturing unit in Uttar Pradesh with an investment of ₹500 crore (US\$75 million).
Samsung	A joint initiative undertaken to establish 10 "MSME-Samsung Technical Schools" in India.
Hitachi	The company has taken the initiative to set up an auto-component plant will be set up in Chennai .
Huawei	Opened a new research and development (R&D) campus in Bengaluru .
France-based LH Aviation	Signed a MoU with OIS Advanced Technologies to set up a manufacturing plant in India to manufacture drones.
Xiaomi	The company began initial talks with the Andhra Pradesh government to begin manufacturing smartphones at a Foxconn -run facility in Sri City .
Lenovo	The company has announced that it had begun manufacturing Motorola smartphones at a plant in Sriperumbudur near Chennai, run by Singapore-based contract manufacturer Flextronics International Ltd.
Boeing	The chairman of Boeing, James McNerney said that the company could assemble fighter planes and either the Apache or Chinook defense helicopter in India

Expected contribution of “Make in India” initiative:

1. Manufacturing sector led growth of nominal and per capita GDP. While India ranks 7th in terms of nominal GDP, it ranks a dismal 131st in terms of per capita GDP. The initiative hopes to increase GDP growth and tax revenue.
2. Employment will increase manifold. This will augment the purchasing power of the common Indian, mitigate poverty and expand the consumer base for companies. Besides, it will help in reducing brain drain. (11)
3. Export-oriented growth model will improve India's Balance of Payments and help in accumulating foreign exchange reserves (which is very important given the volatility in the global economy with multiple rounds of Quantitative Easing announced by major economies).
4. Foreign investment will bring technical expertise and creative skills along with foreign capital. The concomitant credit rating upgrade will further woo investors. (12)
5. FIIs play a dominant role (relative to FDI) in the Indian markets. However, FIIs are highly volatile in nature and a sudden exodus of hot money from India can affect a nosedive in the bellwether indices. Make in India will give an unprecedented boost to FDI flows, bringing India back to the global investment radar.
6. The urge to attract investors will actuate substantial policies towards improving the Ease of Doing Business in India. The Government of the day will have to

keep its house in order (by undertaking groundbreaking economic, political and social reforms) to market Brand India to the world at large.

7. The initiative also aims at high quality standards and minimizing the impact on the environment. (13)

Conclusion

There are surely lots of opportunities to be tapped as far as Indian manufacturing sector is concerned, however, the initiation practice is required to be replaced with innovation. With a right ecosystem it is expected that the initiative will fuel the spirit of innovation. It would be heartening to see domestic companies leading the innovation and making India an innovation champion.

The Government of India has taken a number of steps to further encourage investment and improve business climate. “Make in India” mission is one such long term initiative which will help to realize the dream of transforming India into a “manufacturing hub”. India’s expanding economy offers equal investment opportunities to domestic entrepreneurs and international players. It is our responsibility to leverage emerging opportunities and work towards shaping this ‘manufacturing vision’.

Indian Manufacturing is slowly but surely sweeping back in the national economic space. In a study by Ramana. K.V. (2015), it was found that this campaign attracts foreign investments and boost the manufacturing sector of India. In another study by Sangwan. S. (2015) also it was viewed in the similar way and expected a smoother flow of FDI to countries economy. On the basis of detail review of

literature the following conceptual framework has been developed which actually depicts the expected contribution

of the initiative taken by the government of India-

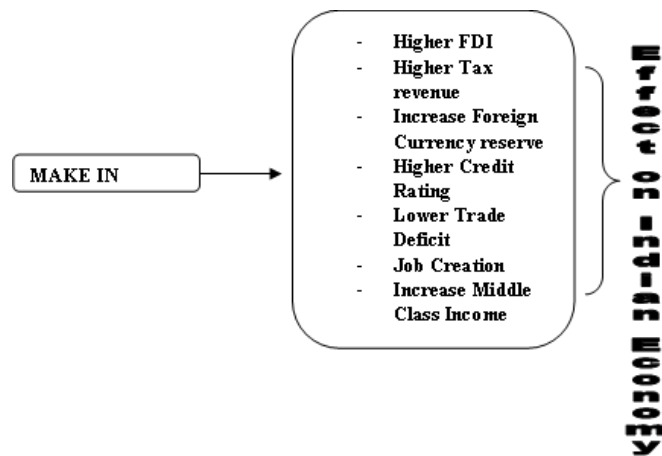


Figure: Conceptual Framework (Expected Contribution)

However, for making India an investment hub, the first and foremost important step would be to create efficient administrative mechanism which would ultimately cut down the delays in project clearances and will fuel up the economic functions. Further the initiative taken by the government is long term by its nature and the evaluation of the actual effect is possible in forthcoming years only.

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