'Make in India' A Possible Reality or a Mere Illusion

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ABSTRACT

The Indian economy stands at the door of opportunity. Although the growth has slowed down in the last five years but it is still more than OCED Market and BRICS countries. Make in India Campaign can provide boost to the staggering Indian economy. India has potential to become a manufacturing powerhouse and use its demographic dividend to its advantage.It has natural benefits of having a large pool of labour and large domestic market. Some policy matters like having a proper Tax Regime, Infrastructure development, Labor Reforms, investment in Skill Development and easy land acquisition laws will facilitate the ease of doing business in India. The 'Make in India' also attempts to enforce the inflow of FDI in the country and improve services by partial privatization of loss-making government firms. The campaign is under control of the Central Government of India. The 'Make in India' campaign aims at making India a manufacturing centre with an all-out government effort to encourage businesses and also setting up a dedicated cell to answer business queries within 72 hours. It will also closely look into all regulatory procedures and make them simple to reduce the burden of compliance.

Key Words: Make In India, Foreign Direct Investment, Skill Development, Stable Taxation Regime

1. Introduction

Make in India slogan was coined by the Prime Minister of India, Mr. Narendra Modi on September 25, 2014 to bring businesses from around the world for investment and manufacturing in India. The campaign has been designed for the purpose of job creation, nurturing the secondary and tertiary sectors , giving aboostto the national economy and converting India to a self-reliant country having global recognition. The 'Make in India' also attempts to enforce the inflow of FDI in the country and improve services by partial privatization of loss-making government firms. The campaign is under the tutelage of the Central Government of India. The 'Make in India' campaign is aimed at making India a manufacturing hub and facilitating ease of doing business in India. The aim is to monitor all regulatory processes and make them simple and facilitating ease of compliance.

2. Theoretical background and Literature Review

Make in India is an inspiring slogan. It represents a comprehensive shift to do away with out-dated rules and policies. It represents a dream of our Prime minister of "Minimum Government, Maximum Governance "which represents a paradigm shift in the government's mindset- ie. a shift from issuing authority to business partner. DIPP (Department of Industrial Policy and Promotion) commenced this process by inviting participation from Union Ministers, Secretaries to the GOI, state governments, industry leaders and various knowledge partners and organizing workshops in December 2014 to bring ministers, secretaries to government of India and industry leaders together forbrainstorming sessions and formulating an action plan for implementation in the next three years. These efforts resulted in a road map for the single largest manufacturing initiative undertaken by a nation in recent past.

Make in India has created a business buzz in the country and the positioning of the concept is to be attributed to the thought process of the Prime Minister of the country Shri Narendra Modi. The overall impact of the concept is manifold and a lot is being spoken and discussed about how it contributes to the economy.

According to Chattopadhyay (2015), 'Make in India' is a dream for India initiated by the Prime Minister of India to bring about a turnaround in economic fortunes and give a boost to the manufacturing sector which will strengthen India's claim of becoming a Global Leader .

Research has proved that the growth of the manufacturing sector greatly depends on its quality of infrastructure. The World Economic Forum's Global Competitiveness Report (2015-16) has given 81st rank to India out of 140 countries for its deficiency in infrastructure, which means that India has to work hard to overcome its deficiency on the infrastructure front.

As per Shah (2013),India has to focus on its manufacturing sector for a strong sustainable growth to be achieved and it will bring it closer to its desire of becoming a super power by the year 2030 .

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As per Bhattacharya, Bruce, & Mukherjee (2014), research in the field shows that managers at a senior level in different manufacturing companies when asked reported that land acquisition is a concern and should be tackled by the government.

According to Singh et al.(2012), in a study highlighted the performance of Small Scale Industry in India and threw light on the policy changes in that year that opened new horizons for this sector. The conclusion of the study was that the SSI sector is deemed to make progress in terms of number of SSI units, production & employment levels. Taking this study and the ambitious 'Make in India' Campaign, one can say that the manufacturing sector has potential to make a significant contribution to the economy of the country.

The Make in India campaign which caters to the growth of different sectors has always been the subject of study as to whether it can create jobs or not. One such interesting study by Green in 2014 found that the present modern service sector and the formal manufacturing sector are the major reasons behind the true growth in India. In manufacturing sector, the researcher has shown that it has highest potential for transformation but only if there is a supportive policy

2.1 Why "Make In India" Campaign?

i. The main objective of this initiative is to lay emphasis on the heavy industries,public enterprises ,generation of employment, strengthening secondary and tertiary sectors and optimum utilization of the human resource in India.

ii. To bring about economic transformation by eliminating out dated laws, easing the bureaucratic processes and making the government responsive and transparent.

iii. To provide a framework for the time-bound clearances of project through a single online portal.The eight member committee will address key issues including labour laws, skill development and infrastructure and will ensure swift clearance of projects.

3. Objectives of the study

i. To analyze the "Make in India" Campaign and its importance in the economic transformation of India.

ii. To study the impact of the campaign on manufacturing sector

iii. To study how the campaign would impact Foreign Direct investment scenario in India.

iv. To understand and evaluate the challenges faced by the Make in India program.

4. ResearchMethodology

This study is a secondary research. The required data has been collected from various sources i.e. research papers, Reserve Bank Of India bulletin, Publications from Ministry Of Commerce, Govt. Of India Department of Industrial Policy and Promotion (DIPP) and other government agencies.The study aims to describe the implementation of the programme and its aftereffects on Indian economy and industrial growth and to study whether we are moving in the right path.

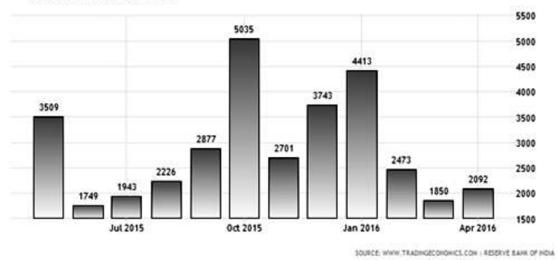
5. Discussion

5.1 Make In India: The Story So Far

India is ranked second in the fastest growing countries in terms of economy in the year of 2015. It is behind China. The Make in India scheme's main objective is to grow and strengthen the country's economy and to make India a leading player in global trading market. According to the Economic Survey 2015-16, the Indian economy will keep growing by more than 7 per cent in 2016-17.The improvement in India's economic fundamentals has gained momentum in the year 2015 with the combined impact of strong government reforms coupled with RBI's inflation focus supported by stable global commodity prices.

India was ranked the highest globally in terms of consumer confidence during October-December quarter of 2015, continuing its earlier trend of being ranked the highest during first three quarters of 2015, As per the global consumer confidence index by Nielsen, an expected growth of 7.5 per cent in the India's GDP in this financial year is going to happen. The current GDP of our country stands at 2.40 trillion dollars (USD). A total of 25 sectors have been targeted by the government for the implementation of the Make in India scheme like aviation, automobile, biotechnology, chemicals, construction, railways, electronics, ,mining, oil and gas, defense manufacturing, information Technology(IT),etc. Guidelines regarding the investment policies in each and every sector have been set under this scheme. There are unbounded opportunities for growth in all the 25 sectors of

Figure 1: Foreign Direct Investment in India



the Make in India plan. India as it stands is a high potential market for global trading. Full implementation of the Make in India scheme in each and every sector will make India a manufacturing powerhouse with millions of job opportunities for the youth of the country. There is also a huge opportunity for foreign investors in the 25 sectors that have been earmarked to get smart returns on their investments.

5.2 Make In India: Impact on FDI

Figure 1 shows the inflow of FDI between July2015 and April 2016. After the September 2014 launch of the make in India initiative, there was an almost 40% increase in FDI inflows from October 2014 to June 2015.There was a huge increase in FDI inflows which has given impetus to many sectors.. According to the reports by RBI, the total FDI investments which India received by January 2016 was US$ 44.13 billion, showing that the government's effort to improve ease of doing business and relaxation in FDI norms were yielding results. The sincerity of government efforts in relaxing the FDI norms was bearing fruits which are evident from the figure 1. According to the Department of Industrial Policy and Promotion, FDI inflows under the approval route (which requires prior government permission) increased by 87% during 2014-15 with total inflow of $2.22 billion. More than 90% of FDI was through the automatic route. A state-wise analysis of FDI inflows by the economic survey shows that Delhi, Haryana, Maharashtra, Karnataka, Tamil Nadu, Gujarat and Andhra Pradesh together attracted more than 70% of total FDI inflows to India. So these states received the bulk of FDI inflows and the countries contributing these inflows included Singapore, Mauritius, Netherlands and US. Out of FDI equity inflows of $24.8 billion during 2015-16 (April-November), more than 60% came from two geographically small countries like Singapore and Mauritius. Healthy inflow of foreign investments into the country helped to stabilize the value of rupee in India and improved the balance of payments (BoP) situation.

5.3 Impact on manufacturing sector

India is on the verge of major reforms and is poised to become the third-largest economy of the world by 2030. In the words of our Hon'ble Prime Minister, India has three distinct advantages of the 3 'Ds' for business to flourish and grow— democracy, demography and demand. There are three sectors which contribute to GDP of any country are (a) Agriculture (b) Industry / Manufacturing & (c) Services. Current contribution of these sectors to the GDP of Indian economy are as follows(a) Agriculture: 28%(b) Industry / Manufacturing: 16% (Lowest)(c) Services: 56% (Highest).

Figure 2: Response of IT Sector under the Make in India Programme.

Sl. No.	Name of company or investor	Sector of investment	Investment idea
1	Xiaomi & Foxconn	Electronics System	Launch of smart phones totally manufactured in the manufacturing plants of India by the tie ups of these two companies.
2	Micromax	Electronics System	Total investment of Rs. 300 crore to set up three mobile manufacturing units in Rajasthan, Andhra Pradesh and Telangana.
3	Maruti Suzuki	Automobiles	Total manufacture of Maruti Suzuki cars in India and export in Japan
4	Volkswagen	Automobiles	Invested Rs. 750 crore to set up a manufacturing plant in Pune to manufacture Volkswagen sedans.
5	Siemens	Electrical Machinery, Constructions	Investment of Rs. 7,400 crore in engineering field to generate 4,000 job opportunities
6	Intel India	Electronics System	Launch of Intel India Maker lab and Intel India Maker showcase in Bangalore
7	Meizu	Electronics System	All Smartphone of Meizu will be manufactured in plants of India
8	Lava	Electronics System	Rs. 500 crore plant in Tirupati

The list is not exhaustive and there are many more companies like Vivo, Hyundai, and Vodafone etc. Who are investing through the FDI mode. As a result of increased investments, the industrial productions have also increased. Big players like Foxconn, General Motors Co., Uber, Xiaomi, Apple, Lenovo, etc .have already made huge investments inseveral sectors. Several other foreign investors and MNCs are waiting in the ranks for making investments in India. They want to set up manufacturing units for their products and use the manpower and resources of India. In the past 14 months, the government has received proposals worth Rs1.20 lakh crore from companies who are interested in manufacturing electronic goods in India. Already the production of smartphones made in India rose to 24.8 percent of total handset sales in April-June 2015, from 19.9 percent in the prior quarter. In January 2016, Spice group signed an MoU with the UP government to setup a mobile phone manufacturing unit in the state. Samsung in February, announced that the Samsung Z1 would be made at its Noida plant. Huawei opened a new research and development (R&D) campus in Bengaluru later in the year. Other handset makers such as Xiaomi, Wistron Corp., and Vivo mobile, among others, have set up or announced the setting up of manufacturing facilities in India. Networking major Cisco recently has unveiled three new products that have been conceptualized and made in India. Indian phone manufacturing major Micromax announced that it had begun shifting production from China to India. The company is setting up manufacturing facilities in Uttarakhand, Andhra Pradesh, Rajasthan, Madhya Pradesh and Telangana in an attempt to increase domestic production and reduce its dependence on imports from China. Under the programme, the government has awarded 56 defense manufacturing permits to private sector entities in the past one year, after allowing 49% FDI in the defense sector in August 2014, compared with 47 granted in the preceding three years. Companies from several countries such as Japan, China, France and South Korea announced their intention to invest in India in various industrial and infrastructure projects.

According to India Brand Equity Foundation, India's manufacturing sector could touch $1 trillion by 2025. The sector has the potential to contribute 25-30 percent of the country's GDP and create up to 90 million domestic jobs in the next 10 years. It should be ensured that those who have risen to the challenge are not left frustrated by policy paralysis, bureaucratic bottlenecks and impediments to execution that can be the undoing of the best laid plans and intentions.

5.4 Challenges and road blocks ahead

According to A.T.Kearny's Global Excellence in Operations is taken as a relatively comprehensive benchmark diagnosis in order to assess and estimate the efficiency and effectiveness of organizations involved in the business of manufacturing and is compared with the world's best in the category of companies. In India also this exercise of benchmarking was conducted across diverse companies from diverse sectors. According to this study there are four factors that are creating limitations for India's manufacturing competitiveness. These factors include (a) low productivity (b)shortage in talent and skill set (c) Inefficiency in supply chains (d)lower levels of suppliers competence. These limitations ideally need to be managed and worked upon in order to advance the level of consumer satisfaction, product and service quality and thus manage profitability

It is said that manufacturing activities require infrastructure and infrastructure has been backbone for any economy and India is no exception. The rise in the cost of capital in recent times is a major factor that has contributed significantly towards the slowdown in the growth of the manufacturing sector. Further, certain challenges that need to be addressed at this stage in see the accomplishment of the goal 'Make in India' are mentioned below:

1 Infrastructure: Infrastructural issues in terms of strengthening of rail, road network and betterment of the rural and urban India along with the basic need of providing electricity to villages. Communication too has become an integral part of infrastructure and thus needs to be improved for better results.

2. Smart Control versus Physical control: Import of goods for mass consumption is critical. Goods like food, essential consumer goods, electrical products and light engineering goods needs to be managed properly and thus controlled. Indian markets have witnessed the availability of Chinese chocolates since there are no guidelines where the importer has to formally take permission from FDA. So in such cases there comes a need for a smarter control over just physical control in order to restrict such import and thus significantly strengthen manufacturing.

3. Smartcities connected with manufacturing clusters: Smart cities should be ideally connected with areas and clusters that are so called 'manufacturing clusters'. This connection would help and support places for workforce which would be worth living in and will have an ease of access to markets. This will create an ecosystem for workforce which will be deemed to be healthy and stable.

4. Smart Taxation: In the present times, manufacturing contributes to just about 16 per cent of the GDP. In

actual terms the sector ends up paying more excise duty than paid by services that constitutes 60 per cent of GDP. The major issue with excise tax today is that it leads to the distortion of the entire manufacturing setting and this doesn't practically help anybody.This needs to change in order bring about a positive substantial change in manufacturing sector.In an ideal situation such excise benefits should to be linked to the total number of jobs created as a percentage of turnover and should not be put specific to a region. This would bring parity in taxation and at the same time allow labour intensive SMEs to take benefits of such facility.

5. Other Tax implications: Sales tax, octroi and entry tax are other taxes that have to be borne by the manufacturing units. These incidentally will go away when GST is implemented. These taxes too pose a challenge to the manufacturing sector.
6. High cost of electricity to industry: Value addition is directly proportional to the usage of electricity. It is thus said that higher the value addition, the greater is the usage of electricity in manufacturing. There is a 60 per cent extra charge put on industry so that for agriculture purpose the farmers can get free power. It is thus seen that lack of power or captive power supplies add to the overall cost of production, leading to the reduction in the level of competitiveness. This serious problem has to be soon addressed.
7. Others Issues: Issues like freight rates and land are important from the point of view of the manufacturing sector. Another pertinent issue that affects both current and new manufacturing units is land. With the land acquisition bill in place the land acquisition will become a distant dream especially for the manufacturing sector.

6. Conclusion

The launch of Make in India campaign was done with noble intentions and as we say work well begun is half done, so in our journey to realizing the goals we are on the right track. The FDI inflows have grown incomparison to last few years, the manufacturing activity is picking up and more and more companies are finding India as a favorite destination due to ease of doing business. There is a need to eliminate obstacles in areas such as land acquisition, infrastructure bottlenecks, labour regulation, licensing and taxation. The success of Make in India mission will put India on the top of the global trade and economy but also more foreign investors will put their investments in the goods and services of the nation and thereby strengthening the country's economy and will create as many as 100 million employment opportunities for the youths of the country by the end of 2022. Make in India initiative is an honest attempt to revive the fortunes of Industry / Manufacturing sector. Revival of Industry sector is key to revival of Indian economy. In short, we need to increase the contribution of Industry / Manufacturing sector in Indian GDP. It doesn't mean that Government will ignore Service sector. Digital India will help to maintain contribution of Service sector but manufacturing / industry sector has to grow at much faster pace to out-pace service sector. It is not an easy task. Government is targeting to increase contribution of Industry / manufacturing from existing 16% to 35% in next 5 years. Make in India will help to achieve this goal but it comes with its own set of challenges. Manufacturing is capital and resources intensive sector which will require conducive environment for business. Labour issues will be major hurdle which the government is trying to handle through labour reforms. Government has also set up 10,000 crore start up fund to encourage entrepreneurship. Basically objective is to create ecosystem of small industries in periphery of manufacturing hub similar to Maruti model. Make in India campaign is not mere illusion but is turning into reality

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