

# MAKE IN INDIA - AN INITIATIVE TO CHANGE THE ECONOMIC LANDSCAPE OF THE COUNTRY

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## ABSTRACT

Manufacturing is believed to be the key to the development of a nation. Whereas, in case of India it is the services which has lead the development. However, if India wants to unlock the of growth and wants to provide employment to the millions of income seekers, manufacturing is the key. Realizing the imperativeness of the sector, the Prime Minister of India- Mr. Narendra Modi on 25<sup>th</sup> September 2014, launched the initiative 'Make in India'. The new policy is launched with the objective of making India the manufacturing hub of the world.

The research paper is written with the intention to expound the concept of 'make in India' campaign, It's importance and impact on the Indian economy. The paper also proposes to identify and elucidate the work done so far, the key challenges and recommend possible solutions to deal with the same.

**Key words:** Make, India, Manufacturing, FDI, Modi

## INTRODUCTION

The general elections of 2014 were a watershed moment in the Indian political history in many ways. Firstly, almost after three decades these were the first elections which gave a clear majority to a single party. Secondly, these elections were fought in a presidential style and gave a clear mandate to Mr. Narendra

Damodardas Modi who was till then was the chief minister of one of the fastest growing state in the country; Gujarat.

Mr Modi, the chief minister of Gujarat from 2002 to 2014, was widely popular among the business community for his progressive approach towards commerce

and industry. In fact these elections were also largely contested (and won) on the issue of development, rather than on cast, community and social issues. Keeping with his theme of development, in less than three months of his joining office, the Indian Prime Minister in his Independence Day speech on 15<sup>th</sup> August 2014, veiled towards the initiative of, making India, a manufacturing hub of the world. This thought gave birth to the initiative “Make in India” which was formally launched on 25<sup>th</sup> of September, 2014 in a function held at the national capital.

The major objective of this initiative is to get the manufacturing sector of our country to grow over ten percent on a sustainable basis in the long run. Accompanying this objective is the vision of providing at least 100 million jobs which in turn is expected to boost the sagging GDP of our country. The government desires to accomplish this objective by focusing on sectors like Automobiles, power, railways, textiles, media and entertainment, aviation, leather, electronics etc.

The national program is designed to facilitate investment by eliminating red-tapism, foster innovation by major bureaucratic reforms, deregulations and

public-private partnerships. It targets to build best-in-class manufacturing infrastructure and enhance skill development so as to create a milieu favorable to that of setting up of business ventures in India. However, the vision though laudable is not easy to achieve. There are a number of bottlenecks which the government will have to address before it can hope to achieve its dream of making India a global manufacturing hub.

The research paper is written with the intention to expound the concept of ‘make in India’ campaign, its importance and impact on the Indian economy. The paper also proposes to identify and elucidate the work done so far; the key challenges and recommend possible solutions to deal with the same.

## **OBJECTIVES**

Based on the above the paper has the following objectives:

- To understand the concept of make in India and its relevance in the Indian context.
- To pinpoint the road blocks and recommend possible solutions to deal with the same.

- To identify the work done so far by the central government towards the initiative.

## **MANUFACTURING: THE MISSING LINK IN INDIA'S GROWTH STORY**

The Indian manufacturing sector is a classic example of an industry that has a great potential but one that has been systematically done in by political ineffectiveness, entrepreneurial myopia

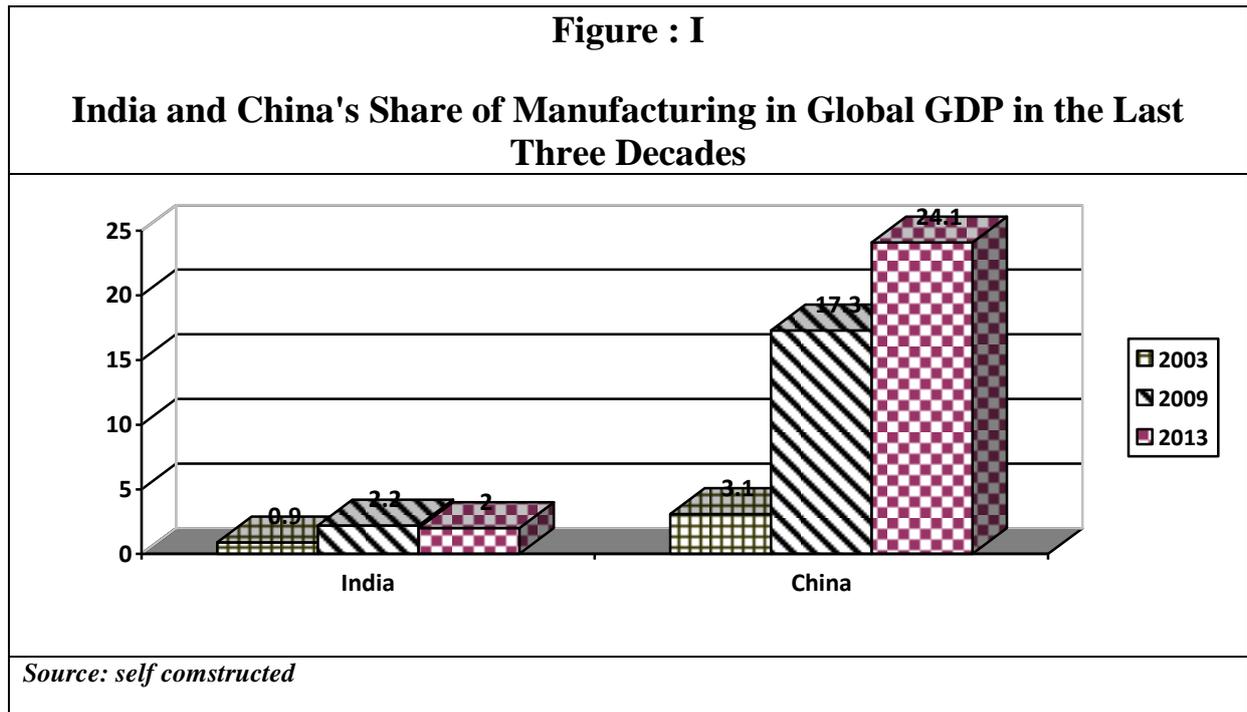
and sheer ignorance of what it takes to succeed.

In 1993, the share of the manufacturing sector in the Indian GDP was 15 percent, and today, after twenty five years of industrial liberalization its share is still the same. This figure sounds even more disappointing when compared to the several rapidly developing economies (RDE) of the world that have already increased their share of manufacturing above 20 percent of their GDP.

<b>S. No</b>	<b>Country</b>	<b>Share of Manufacturing (in percentage)</b>
1.	Thailand	34
2.	China	32
3.	Malaysia	24
4.	Indonesia	24
5.	Philippines	31
6.	India	15

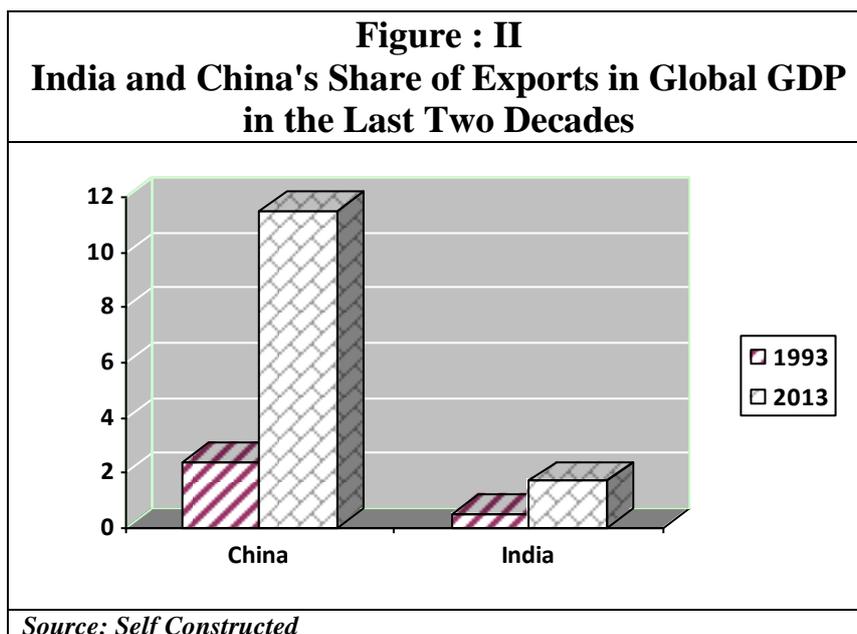
*Source-Self Constructed*

In the last five years from the year 2009 to 2013 the situation has become even bleaker. There has actually been a downfall in the share of Indian manufacturing sector in the global GDP from 2.2 percent to 2 percent. Whereas, the GDP of Peoples Republic China in half a decade has augmented by almost 8 percent from 17.3 to 24 percent (*Figure :I*) and so has the share of many other countries like Russia , Thailand, South Korea , Malaysia and so on.



Not only is its share low in the country's economy, even its contribution towards nations employment is quite unsatisfactory. In the last two decades the total employment in the manufacturing sector in India has grown only by 1.8 percent from 37 million to 53 million jobs. Exports are said to be the mirror of success or failure, of a manufacturing nation.

India's shares in global exports at 1.7 percent, tells us the sorry story of this sector. Whereas, China, who over the years has positioned itself as the work shop of the world, has increased its exports from a mere 2.4 percent in 1993 to 11.5 percent in 2013 ( a staggering 379 percent increase). (Figure: II).



Till now India economy was being led by the service sector which is significantly less labour-intensive than manufacturing. In 2011-12, services accounted for 32 percent of the total employment in the country even though its contribution towards country's Gross domestic Product was more than 55 percent.

## RELEVANCE OF THE INITIATIVE

The above statistics go on to prove that the manufacturing sector has till date not shared the dynamism of the economy. The country from a decade or so has had a rapid services-led growth. However, economists have tended to view this as incidental and transitory. Experts in the industry are of the view that, manufacturing has always led the growth process at every stage of development.

This is evident not only in the developed countries like Europe and North America but also in late-developers like a Japan, Taiwan and South Korea, and most recently in China. Thus, no country in the world has achieved high-income status without developing manufacturing to a point where it accounts for at least a high share (around 30 per cent) of GDP. (*Gosh , 2015*).

Evaluation of the performance of several developed countries shows, that those countries that managed to catch up with the earlier industrialised, high-income countries were the ones whose governments proactively encouraged structural changes and development of the manufacturing sector. Thus focus on manufacturing, is back on the national agendas of many countries including that of India.

The prime minister's 'Make in India' campaign for a rapid manufacturing-led growth is also the upshot of the above premise. The movement not just endorses a rapid growth of manufacturing, but also advocates a lead role for manufacturing in India's growth process. However, it is to be well-known that it does not call for discouragement or lowering of services growth; rather it calls for services growth to be pulled by manufacturing growth and not *vice versa*.

Thus based on all the above data it is well understood that rapid manufacturing-led growth is what India needs and must seek to promote.

### **MAKE IN INDIA- "THE POLICY"**

The make in India website defines 'Make in India' as a major new national program designed to facilitate investment, foster innovation, enhance skill development, protect intellectual property and build best-in-class manufacturing infrastructure. There's never been a better time to make in india.

### **Objectives of the Programme**

The National Manufacturing Policy 2011 had set out a few objectives to be achieved in a long term period of 15 years. These

same underlying objectives the National Programme aims to achieve. The objectives are as follows:

1. Increasing manufacturing growth to around 12 to 14 percent.
2. To make manufacturing sector the engine of growth for the economy.
3. To develop manufacturing sector so as to enable it to contribute a minimum of 25 percent to the country's GDP by the year 2025.
4. The policy also aims to create at least 100 million additional jobs in the manufacturing sector by the year 2025.
5. To increase the global competitiveness of the Indian manufacturing sector.
6. Ensuring stability of growth particularly with regards to environment.

### **MAKING 'MAKE IN INDIA' A SUCCESS**

In the report published by the World Banks on Ease of Doing Business, 2015 India ranked a paltry 142<sup>nd</sup> among 189 nations (*Table : II*). With the exception of two parameters like getting credit and

protecting minority investors India did not feature in any other parameter in top 100.

(Ease of Doing Business, 2015).

<b>Table : II</b>				
<b>World Bank Doing Business 2015 Report- Rankings for India</b>				
<b>S. No.</b>	<b>Parameter</b>	<b>DBS 2015 Rank</b>	<b>DBS 2014 Rank</b>	<b>Change in Rank</b>
1.	Starting a Business	158	↓ 156 -2	-2
2.	Dealing with Construction Permits	184	183	-1
3.	Getting Electricity	137	134	-3
4.	Registering Property	121	115	-6
5.	Getting Credit	36	30	-6
6.	Protecting Minority Investors	7	21	14
7.	Paying Taxes	156	154	-2
8.	Trading Across Borders	126	122	-4
9.	Enforcing Contracts	186	186	No change
10.	Resolving Insolvency	137	135	-2
11.	<b>Overall Rank</b>	<b>142</b>	<b>140</b>	<b>-2</b>
<i>Source: <a href="http://www.doingbusiness.org/data/exploreeconomies/india">http://www.doingbusiness.org/data/exploreeconomies/india</a></i>				

India's overall ranking and the individual rankings in various parameters clearly indicates that India is in crucial need of transformation to unravel the huge manufacturing potential of the nation. However, the reforms need to be initiated at various levels; local, state and

central so as to bring India into the top ranks in the 'ease of doing businesses. Some of the parameters that need modifications are as follows:

**1. Business Regulatory Framework (BRF):** Business regulatory

framework (BRF) of any country is requisite for creating and promoting an efficacious business environment. The aim of the framework should be to simplify the regulatory system so as to ensure speedy business startup, ease of contract implementation and registration, reduced cost of compliances of doing business and so on. In short the business regulatory framework should make the process of doing business in a country easy. A strong correlation is found between economic growth and the ease of doing business in a country India ranks at 142 among 189 countries in the ease of doing business, in fact in certain parameters it ranks near the very bottom of 189.

## **2. Human Resources Development:**

India is expected to have one of the youngest populations in the world with about 65 percent of its people lying in the working age group 14 to 65 years. It is said that due to this demographic dividend (as it is popularly referred as) India is expected to increase its annual growth rate by 2 percent every year. It is estimated that India will

add approximately 2 to 3 billion people every year in its population taking the total count of young population to more than a billion by 2030.

- 3. Land:** Manufacturing of any product requires setting up of an industry which requires land. India ranks seventh in the world in terms of total land area. Even with massive industrialization shortage of land is not expected in the country. According to World Bank report 2014 India currently has 60.3 percent agricultural land.
- 4. Infrastructure:** India growth has always been stifled by its poor infrastructure. The United Nations 'Global Competitiveness Report' ranked India at 85<sup>th</sup> position among 148 countries for its infrastructure.

## **GOVERNMENT'S INITIATIVES TO GET THE BALL ROLLING**

As the make in India policy comes closer to completing one year of its launch. We analyses and study some of the major initiatives taken by the government so far.

## A. General Initiatives

➤ **Streamlining the processes:** As an initiative to bring in ease in doing business in the central government has deregulated and de-licensed a number of sector . it has tried to reduce the complexities of initiating news ventures in the country thereby attempting to enhance the speed and transparency in the processes. Some of the important measures undertaken are as follows:

1. The services of central government department and ministries have been integrated from the 3st of December 2014 under one single IT window – the e-BIZ.
2. Through this 24 x 7 e-Biz portal, the entrepreneurs can apply online for industrial licenses and memorandum.
3. State governments have been asked to introduce self-certification and third party certification.
4. The industrial licenses given will be valid for three years.

5. Advisors are being sent to all department (both state and central) to rationalize and simplify the regulatory process of doing business in India.

6. A checklist of all the compliance to be uploaded by all ministries/ departments web portal.

7. Environmental clearance can also be obtained online.

8. Returns can also be filed online.

➤ **Encouraging foreign direct investment:** In order to boost foreign investment in India, the current government has increased FDI limits in a number of industries like insurance and defense from 26 to 49 percent. 100 percent FDI has been allowed in medical devices, telecom, and single brand retail, in asset reconstruction companies, operations, construction, operations and maintenance of certain specific activities of railways. Many industries where FDI was already permitted have now been brought under automatic route like petroleum refining by public sector units, courier services, stock

exchanges and depositories, power exchange.

### . **Industry Specific Initiatives**

- **Automobile Industry:** The Indian Automobile sector accounts for 7 percent of the country's GDP and employees nearly 19 million people. India is currently seventh largest automobile manufacturer in the world and produces 17.2 million vehicles annually. The government in order to promote research in this sector has proposed to give a number of tax incentives to the private players to set up R&D centers. The government itself has also set up research and development centers called *NATRIP* (National Automotive Testing and R&D Infrastructure Projects) to boost R&D and growth in this sector. Further 100 percent FDI under the automatic route has been allowed to boost foreign investment in the sector.
- **Aviation:** The aviation market of India is one of the least penetrated in the world. The per capita trips in India are approximately 0.04 which is a minuscule when compared to the per capita trips of

USA which stands at approximately 2 trips. However, with the rising middle class population, from 160 million to approximately 260 million in 2016, the Indian aviation market is expected to boom. The market which is currently ninth largest in the world is expected to grow to become third largest by the year 2020. To boost the development of the aviation sector under the make in India initiative the GOI has permitted 100 percent.

- **Defence:** India is said to have the third largest armed forces in the world. Every year almost INR 30 to 40 billion is allocated to the defense sector. Out of this nearly forty percent is spent on capital acquisition for defence. India is one of the biggest importers of defence equipment's with almost sixty percent of its requirements being met through imports. Thus there is a huge scope and need for domestic manufacturing of defence products. Accordingly in the budget of 2015 the government has allocated INR 2200 billion for the development of Indian defence services.

➤ **Energy:** India ranks fifth in the world, both in terms of energy production and consumption. Currently India produces 1108 TW of electricity. This production is expected to increase further as the demand for electricity is projected to reach 1905 TW by 2022. Energy and power sector attract almost one fourth of the total investments done in infrastructure in the country. Recognizing the importance of the sector for the development of the nation, the government in the budget of 2015 has announced a number of financial and institution support to the sector.

## “MAKE IN INDIA”- REPORT CARD

Just as, Rome was not built in a day this initiative too will take some time to mature. However, there are still quite a few examples across various sectors which reiterate the fact that this initiative is moving in the right direction.

**1. Automobiles:** Mercedes Benz, world's biggest German luxury car maker has committed to increase localization in its car manufacturing to up to sixty percent. Which are to be sold in

Indian market It has also announced to make its luxury buses in India which will be exported to Africa and South East Asian market.

**2. Defence:** Hyundai Heavy Industries (HHI) of South Korea has announced that it will work with Hindustan Shipyard Limited, Vizag to build warships in India to reduce delivery period from six years to two years. It has also decided to make small and medium size ships in India. Another South Korean major, Samsung, will be building LNG tankers with Kochi Shipyard. Similarly Gurgaon based Sun Group, is in discussion with Russia, to manufacture two 100 'Kamov Ka (they are single seat military helicopters) and two 100 twenty six light helicopters in Punjab.

**3. Aviation:** There are two parts in this segment military aviation and civil aviation. A success for government's Make in India initiative came in the form of the recent deal with France on 'Rafale Fighter Jets' where it was agreed that India would import thirty six

fighter jets from France and the rest would be made in India by Hindustan Aeronautics Limited (HAL). In civil aviation, Airbus has also joined the “Make in India” bandwagon by announcing to increase its sourcing of aerospace parts from India to two billion dollar in the next five years.

- 4. Energy and Power:** For the “Make in India” program to succeed, uninterrupted, quality power is necessary. To make this possible government has recently invited major global power producers to set up facilities in India to make clean and sufficient power to run our industries. Accordingly Alstom T&D India will manufacture electricity from two substations one in Betul in the state of Madhya Pradesh and other in Navsari in Gujrat. It will also be manufacturing power components exclusively in India for the first time.

## CONCLUSION

Mr. Modi’s government has ridden to power with a lot of expectations from its people especially the youth of the nation who believe that this make in India

initiative will empower them, encourage them to dream big and will provide a medium to turn their dream into reality. The government has the number and heart at the right place to make this dream turn into reality. This is the time where the odds of driving breakout growth are high with global economy coming out of recession and our fundamentals and core advantages still strong.

Still there is a long journey ahead of us. The manufacturing industry which has been neglected for the last sixty odd years have not only to be revived but also have to be brought to such a level that it not only becomes globally competitive, but a global leader too. The roadblocks of stringent business regulations, lack of unanimity on land acquisition laws, non-availability of skilled manpower still drag us down. However, with government having shown the commitment to overcome these hurdles by introducing programs like e-governance, skill India, development of smart cities and various other industry specific initiatives there is a light at the end of tunnel. If these initiatives are implemented in its true spirit we surely will have many more success stories to write about.

Make in India if implemented efficiently could usher a new revolution in this country which can spring bolt India to the list of economically successful nations of the world.

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