



OPPORTUNITY & CHALLENGES OF MAKE IN INDIA

Dr. Krishna Kumar Singh

Assistant Professor, Department of Commerce, MLK (PG) College, Balrampur.

Abstract

Make in India is an international marketing strategy, conceptualized by the Prime Minister of India, Narendra Modi on 25 September 2014 to attract investments from businesses around the world and make India the manufacturing Hub. The aim is to take a share of manufacturing in country's gross domestic product from stagnant 16% currently to 25% by 2022, as stated in national manufacturing policy, and to create 100 million jobs by 2022. The major objective behind the initiative is to focus on 25 sectors of the economy for job creation and skill enhancement. Make in India is the key to revitalization of Indian economy. It is one of the schemes to pull back the economy from clutches of recession. Make in India initiative aims to correct the composition of Indian GDP which is the root cause of recession. Currently India's GDP is heavily tilted in favour of service sector. Secondary research is used for the purpose of the study and this paper discusses about Make in India scheme, its opportunities, challenges, changes needed and some examples of different investors, invested so far. Make in India campaign surely makes India an investment destination and global hub for manufacturing and innovation. There is no doubt that many of our archaic laws need serious relook but more than that there is a need to bring about political consensus as otherwise it creates an atmosphere of mutual mistrust and present as if industry and agriculture are competitors rather than complimentary to each other. As far as administrative actions are concerned merely policy change may not be sufficient unless accompanied by enabling administrative reforms at the ground level so as to implement the policy without dilution. "Make in India" programme is basically launched to boost the manufacturing sector which is in a very bad shape over past 3 decades. For making "Make in India" successful in real sense we have to make policy reforms in labour market as well as in land acquisition. Unless and until reforms are not made in these sectors we cannot dream of successful "Make in India" initiative.

Key Words: *Make in India, Manufacturing Sector, Reforms and Policy.*

Introduction

The slogan of the early 80s was: "Make in India", a phrase that implied that we should, as far as possible, buy goods manufactured in our home country. This was supposed to reduce the foreign imports and thus help our Balance-of-Payments situation. However, come 1990s and we learned the concepts of Liberalization, Privatization and Globalization, and with this we learned the importance of opening up our trade in both exports and imports. The present need however, is to attract foreign investment to India. This will not only help our Balance-of-Payments position, but will also establish India as lucrative destination in the global market sector. Hence the new slogan Make in India. So, not only are we using home made goods now, but also inviting other international firms (like General Motors, Heinz, ABN Ambro, etc.) to come and setup India as a manufacturing base. Not only will the cost of production be lower here (as labour is cheaper in India compared to other countries), but lots of people in our country will also get Employment because of this.¹ The Indian manufacturing sector is the classic example of an industry that has great potential. 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. Make in India scheme Eliminates Unnecessary laws and regulations. Three sectors which contribute to GDP of any country are agriculture, manufacturing and services. According to the current contributions of these sectors to Indian economy manufacturing occupies 16% which is lowest. There are lots of opportunities to be tapped as far as Indian manufacturing sector is concerned. Many business man and entrepreneurs view make in India initiative for betterment of our economy. VNS Global Services group CEO Keshav Murugesh said " digitization campaign such as digital India, Make in India, creating smart cities and other digitization projects initiated by the Indian Government in the past one year has been made for the betterment of India. Major objective of this scheme focuses on 25 sectors. The sectors are Automobiles, textiles and Garments, Biotechnology, Wellness, Defence, Manufacturing, Ports, Food Processing, Mining, Media and Entertainment, IT and BPM, Pharmaceuticals, Renewable Energy, Roads and Highways, Railways, Thermal Power, Oil and Gas, Space, Leather, Construction, Aviation, automobile components, chemicals and Electronic System.²

Objectives

- To convert India into Global Manufacturing Hub;
- To Provide Employment;
- Boost Economic Growth;
- To urge both local and foreign companies to invest in India.



Research Methodology

The paper seeks to deconstruct whole concept of “Make in India”. For this purpose we went into the economics of “Make in India” and the factors that are the impediments for this purpose and the efforts/intended actions of the government to remove these impediments in order to make “Make in India” reality. For this purpose we have analysed the legislative actions underway to point out where the things might drift as the actions are required on the part of government as to make the atmosphere clear that has been crapped somehow. The said mistrust has the potentiality to derail the whole “Make in India” initiative. For administrative actions ground level governance needed to be streamlined so as to ensure proper functioning of the initiative.

The Role of Social Media in Indian Politics

Social media is not only confined to you and me but to politicians as well. Through different activities politics and politicians in India have brought social media into the limelight. It is expected that social media will play a huge role and influence the coming general elections to a great extent. The study by IRIS Knowledge Foundation and supported by the Internet and Mobile Association of India (IAMAI) has indicated this fact. Social media will be real game changer with political leaders having millions of fans on Twitter and supporters on Facebook as well as Google+. In order to build a certain image, most of the politicians also have their own websites. A few examples: All the recent lectures by Gujarat chief minister Narendra Modi got huge social media attention. He even hosted a political conference on Google+ hangouts and this makes him the third politician across the globe to do this after Obama and Australian PM Julia Gillard. Ajay Degan hosted his Google+ Hangout in which the common man was free to ask live questions from him. He has a strong presence on YouTube, Facebook and Twitter. ShashiTharoor is very active on Twitter and his tweets are quoted in mainstream media. Few months back, you must have seen a page on Facebook seeking Dr. Abdul Kalam as president of India. Then there is Anna Hazare’s Social Media Campaign against corruption in India. Many researchers have indicated that social media would be stronger and more persuasive than television in influencing people.

Social Media Enhancing Make in India Campaign

Role of social media in business and consumer market in India cannot be undermined. It is the change in consumers’ behaviour that is changing the role of social media in India. With time, use of social media has seen a drastic change from just used for fun to fun plus knowledge and marketing. For business purposes, Facebook is the most important social media platform as there is customers’ engagement, followed by Twitter, YouTube and blogging. Social media is used by brands to build communities for interaction and spreading news. So not only individuals but every organization, be it big or small, has an online presence on Facebook, Twitter, Pinterst, YouTube channels and other related social media platforms. 95.7% of organizations in India use social media to build communities, 76.1% for highlighting brand news, platform specific parameters such as number of likes, share, comments, and people taking about the company are considered by 81% of the organizations to measure their success. As far as the budget is concerned, most of the organizations set budget below INR 10 million on their social media spending that makes 1-5% of their total marketing budget. Social media interaction provides useful information about the behaviour of the customers to the organization on regular basis.

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. “Make in India” The major objective behind this initiative is to focus upon the heavy industries and public enterprises while generating employment in India. “Make in India” campaign aimed at making India a manufacturing hub and economic transformation in India while eliminating the unnecessary laws and regulations, making bureaucratic processes easier and shorter, and make government more transparent, responsive and accountable.³ This campaign basically gives hope to the unemployed to find a decent job if not big jobs as manufacturing leads to creation of lot of service sector activity. But India will have to make sure to focus on quality education rather than just skill development. 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.⁴

Investors in Different Sectors for Make in India

Foxcon is set to invest over \$2 billion (Rs 12,800 crore) initially to establish manufacturing plants in India over the next five years to photonic components, among others, which could make it the biggest foreign investor in the government’s ‘Make in India’ programme so far. They are planning to make some 400 million handsets here. Half of these will be manufactured for the Indian market and the rest for exports to Middle East, Africa and Russia. Automobile makers with manufacturing facilities



in India are looking beyond South Asia, Africa and Latin American markets for exports. Swedish commercial vehicle (CV) maker Volvo Bus Corporation on Tuesday said that it will export 'Made in India' buses to developed markets in Europe, a move that will enhance prime minister Narendra Modi's 'Make in India' campaign. The company plans to unveil the first such bus in Europe by the end of the year. Japan's Sony Corp. will start making its popular Bravia television sets in India as part of the government's Make in India initiative. "India has been an important strategic market for Sony. Sony sees huge potential in television business as more and more Indian customers are expected to switch from CRT (cathode ray tube) to LCD televisions over the next few years. Bravia televisions account for more than 40% of Sony India's overall sales. With products now being manufactured locally, Sony plans to strengthen its distribution channel in India. After global competitors like Xiaomi and Motorola, smartphone maker Asus is now mulling manufacturing in India and has set up an internal team to study the prospects of domestic manufacturing. The Taiwanese firm, which currently has a share of about 2% in the Indian smartphone market, aims to raise it to 5% by 2016. India offers a huge opportunity but current smartphone penetration is just 10%. Home appliances manufacturer Bosch and Siemens is starting first manufacturing plant in the country, to be set up at a cost of Rs. 350 crore. The facility, aimed at making India as an export hub for the South East Asian region. Switzerland-based chocolate maker Barry Callebaut is looking at setting up a manufacturing unit in India as part of its global expansion plans to cash in on the Rs. 3,000 crore domestic market. Barry Callebaut currently has only commercial operations in the country. At present, the \$5.2 billion Swiss chocolate maker has 50 manufacturing facilities across Europe, Africa, North and South America as well as Asia-Pacific.⁵

Moments of Change "Make in India" boosts manufacturing trade and economy. Over 10,000 training centers open within 2 years. It Creates job market for over 10 million people. Make in India raises the share of the manufacturing sector in gross domestic product (GDP) from its current level of around 16 per cent to 25 per cent by 2022, and creating 100 million new manufacturing jobs over the same period. Indians should need a wakeup call for consuming Indian made products. More than 30000 crore rupees of foreign exchange is being siphoned out of our country on products such as cosmetics, snacks, tea, beverages, etc. which are grown, produced and consumed here. In 1970 1\$ = Rs. 4 Today 1\$ = Rs. 68 .Estimated 1\$ by end of the year = Rs. 72. Dollar is not getting stronger, rupee is getting weaker and nobody else is responsible for the fall, except us. A Cold Drink produced for 70-80 paisa sold at Rs. 9-10. Stop drinking them, Drink Lemon juice, Lassi, Fruit juice, butter milk etc instead of foreign drinks. Likewise start to use Indian made products in all needs. If we check most of the products we use, half of the things are foreign made. People use these foreign made products & Government has to pay in dollars for the same, thus value of rupee Decreases, same features comes at Indian mobile Rs 17k means we waste Rs 24k and these 24k go to south Korea in dollars .None of the Indian products are inferior in quality, they might look a bit less fancy. Youngsters should start using more Indian websites for online purchases.

Policies Under 'Make in India' Initiative

There are 4 major policies under the 'Make in India' program:

New Initiatives: This initiative is to improve the ease of doing business in India, which includes increasing the speed with which protocols are met with, and increasing transparency. Here's what the government has already rolled out.

1. Environment clearances can be sought online.
2. All income tax returns can be filed online.
3. Validity of industrial licence is extended to three years.
4. Paper registers are replaced by electronic registers by businessmen.
5. Approval of the head of the department is necessary to undertake an inspection.

Foreign Direct Investment: The government has allowed 100% FDI in all the sectors except Space (74%), Defence (49%) and News Media (26%). FDI restrictions in tea plantation has been removed, while the FDI limit in defence sector has been raised from the earlier 26% to 49% currently.⁷

Intellectual Property Facts: The government has decided to improve and protect the intellectual property rights of innovators and creators by upgrading infrastructure, and using state-of-the-art technology. The main aim of intellectual property rights (IPR) is to establish a vibrant intellectual property regime in the country, according to the website. These are the various types of IPR:

- Patent: A patent is granted to a new product in the industry.
- Design: It refers to the shape, configuration, pattern, colour of the article.
- Trade mark: A design, label, heading, sign, word, letter, number, emblem, picture, which is a representation of the goods or service.
- Geographical Indications: According to the website, it is the indication that identifies the region or the country where the goods are manufactured.



- Copyright: A right given to creators of literary, dramatic, musical and artistic works. Plant variety Protection: Protection granted for plant varieties, the rights of farmers and plant breeders and to encourage the development of new varieties of plants.
- Semiconductor Integrated Circuits Layout-Design: The aim of the Semiconductor Integrated Circuits Layout-Design Act 2000 is to provide protection of Intellectual Property Right (IPR) in the area of Semiconductor.

National Manufacturing

1. To increase manufacturing sector growth to 12-14% per annum over the medium term.
2. To increase the share of manufacturing in the country's Gross Domestic Product from 16% to 25% by 2022.
3. To create 100 million additional jobs by 2022 in manufacturing sector.
4. To create appropriate skill sets among rural migrants and the urban poor for inclusive growth.
5. To increase the domestic value addition and technological depth in manufacturing.
6. To enhance the global competitiveness of the Indian manufacturing sector.
7. To ensure sustainability of growth, particularly with regard to environment.

Response to the 'Make in India' Initiative

The government has said that it has, so far, received Rs 1. 10 lakh crore worth of proposals from various companies that are interested in manufacturing electronics in India. Companies like Xiaomi, Huawei have already set up manufacturing units in India, while iPhone, iPad manufacturer Foxconn is expected to open a manufacturing unit soon. Recently, Lenovo also announced that it has started manufacturing Motorola smartphones in a plant near Chennai.

Challenges of 'Make In India' Campaign

Government has launched the 'Make in India' initiative which aims at promoting India as an investment destination and to establish India as a global hub for manufacturing design and innovation. The initiative aims to provide a congenial environment to the business community so that they can devote their effort, resources and energy in productive work. A number of steps have been taken by the Government to improve ease of doing business. Rules and procedures have been simplified and a number of products has been taken off licensing requirements. The Government intends to provide a robust infrastructure to business through development of various facilities and institutions. Government aims at developing industrial corridors and smart cities to provide a conducive working environment with state-of-the-art technology.⁸ Efforts are being made to provide skilled manpower through a national skill development programme. Innovation is encouraged through better management of patent and trademarks registration. Government has opened up a number of sectors for FDI. The Policy in defence sector has been liberalized and FDI cap has been raised from 26% to 49%. 100% FDI has been allowed in defence sector for modern & state of the art technology on case to case basis. 100% FDI under automatic route has been permitted in construction, operation and maintenance in Rail Infrastructure projects. Further, liberalization norms for Insurance and Medical Devices has been done.

Opportunities in 'Make in India'

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. India should also be ready to tackle elements that adversely affect competitiveness of manufacturing. Unfavourable 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 novelty and innovation for 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.⁹ 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.¹⁰

Conclusion

Five industrial corridor projects have been identified, planned and launched by the Government of India in the Union Budget of 2014-2015, to provide an impetus to industrialisation and planned urbanisation. In each of these corridors, manufacturing



will be a key economic driver and these projects are seen as critical in raising the share of manufacturing in India's Gross Domestic Product from the current levels of 15% to 16% to 25% by 2022. Along these corridors, the development of 100 Smart Cities has also been envisaged in the Union Budget of 2014-2015. These cities are being developed to integrate the new workforce that will power manufacturing along the industrial corridors and to decongest India's urban housing scenario. A National Industrial Corridor Development Authority (NICDA) is being established to converge and integrate the development of all industrial corridors. India has the capacity to push the GDP to 25% in next few years. The government of India has taken number of steps to further encourage investment and further improve business climate. "Make in India" mission is one such long term initiative which will realize the dream of transforming India into manufacturing Hub. Start-ups in the core manufacturing sectors are poised to play a crucial role in the success of 'Make in India' ambitions, said experts at a panel discussion at the 11th India Innovation Summit 2015. "Start-ups in the fields of telecom, defence manufacturing, automobile, Internet of Things, financial technology modules and mobile internet have immense potential to succeed in the scheme of 'Make in India'," said Siddhartha Das, general partner, Venture East addressing aspiring entrepreneurs at the discussion on "Entrepreneurship - Role of Start-ups towards Make in India". Make in India scheme also focuses on producing products with zero defects and zero effects on environment.

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