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Role of Make in India as driver of growth in manufacturing sector

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Abstract

Make in India Campaign is an initiative of Prime Minister Narendra Modi on 25 September 2014 by addressing a mass audience including both national and international entrepreneurs in New Delhi. This is an international marketing strategy conceptualized by the PM of India to attract investments from businesses all over the world and transforming India into a global manufacturing Hub. For promoting this campaign the web portal, logo and brochures are used for detailing 25 priority sectors of the economy. The objective behind this initiative is to focus on job creation, skill development and innovation and to align India's manufacturing sector into the Global Value Chain by encouraging Public Private Partnership (PPP), Joint Ventures (JV), Foreign Direct Investment (FDI) inflow, and advancing Ease in Doing Business (EDB). Higher education will also play a significant role in improving the quality of Research and Development (R&D). This scheme focuses on acceleration of economic growth to the new heights and to pull back the economy from clutches of recession. Currently India's GDP is heavily tilted in favour of service sector. In this paper my objective is to study the role of Make in India as a driver of growth in different sectors and its opportunities, challenges, changes needed and used the Secondary data for the purpose of the study. The secondary data collected from journals, magazines articles, brochures, annual report etc.

Keywords: Job creation, Skill Development, Research and Development, Manufacturing Hub.

Introduction

What is Make in India Campaign

The Make in India campaign was launched and started by Prime Minister Narendra Modi in India on September 25, 2014 in a function at the Vigyan Bhavan. Basically it is an initiative of the Government of India to encourage multinational, domestic as well as, companies to manufacture their products in India. Indeed, it hopes to make India a major manufacturing hub. India has emerged, after first quarter of 2015, as the top destination globally for investment, beating our next to door neighbour as well as the States. During the end of 2014 on 29th December the Department of Industry Policy and Promotion conducted a workshop, which was attended by Modi, his cabinet ministers and chief representatives of states as well as various industry tycoons. The major expectation from this campaign is that it will create around 100 million job opportunities for youths in India over time. The aim is to take a share of manufacturing in country's gross domestic product from 16% to 25% by 2022, as stated in national manufacturing policy. 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.

Why Make in India Campaign is important

For the purpose of reinforcing the traditional practices and creating the new vision for converting the India into a global manufacturing hub, the NDA government last year initiated a program that is run nationwide by the slogan of "Make in India" with the motive to facilitate investments, faster innovation and build world class manufacturing infrastructure. Now the question arises? why it's important to focus upon manufacturing sector, as we all know that it does makes a great sense as far as India is concerned it's always in mind that

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India is primarily and foremost an agriculture oriented economy but the industry which has the most prominent contribution in the economy has also held its place quite firmly, but it was the manufacturing sector which was having the less taken care of although it is the most driving force or the one which needed gear up! We have always been blessed by nature for the necessary raw materials, India is still a country who is having ample resources, the human resource is most dynamic, extraordinary and the service sector is touching another level of heights. The one and the only thing amiss was the manufacturing sector – a sector which could integrate the raw materials of the produce and the end service.

Objectives of the Study

- ❖ To study the role of Make in India scheme as a driver for growth in different sectors
- ❖ To study how India is converting into global manufacturing hub
- ❖ To generate employment in the country and its impact on economic growth
- ❖ To motivate domestic and multinational companies to invest in India

Changing Paradigm in Manufacturing Sector after the initiation of Make in India Campaign

India before 1991 was a much less developed and underutilized economy in terms of globalization. FDI (foreign Direct Investment) before 1991 globalization reform was 97 (U.S. million \$) with a GDP growth less than 3%, but then came the globalization phase for India, which opened Indian market for the rest of the world thus increasing the FDI to 129 (U.S. million \$) in 1991-1992 financial year, with GDP as 4.2%, this was the time when Indian economy witnessed a high growth rate as compared to previous year (before globalization). And the trend went on of increasing FDI and increasing growth of GDP. Sectors like retail, FMCG, automobile, software, health sector etc saw a healthy FDI. In 2008 after the market crisis in India growth rate went down to 6.7% than 7.1 percent of previous years. Till 2013 FDI in India was 31,731 (U.S. million \$). In 2014 after winning the general election Mr. Modi, announced a dynamic campaign called MAKE IN INDIA, which brought about 41,223 (U.S. million \$) up-till mid of 2015 with GDP growth of 8.1 % brought smiles in Indian economy, world renowned manufacturers like SUZUKI MOTORS, POSCO STEEL, TETRA PACK etc, came to India with smiling faces for investment. Thus Modi's MAKE IN INDIA campaign became famous all over the world such that India was ranked 7th among the top ten FDI most promising source of economy in 2015. "MAKE IN INDIA's" main objective is to attract the potential manufactures from all over the world to invest in Indian economy which will result in huge employment generation, better productivity, new technology generation, safeguarding local market and farmers, development of MSME etc. So from the above info it can be concluded that this campaign's main motive is to attract various developed countries to invest in India in such a way that a Product produced or manufactured in India is being used by the whole world.

There are following foreign companies which have started making plan to invest in India:

- Oppo, a mobile manufacturer, to start India plant by August' 15 said Oppo's vice president Sky Li

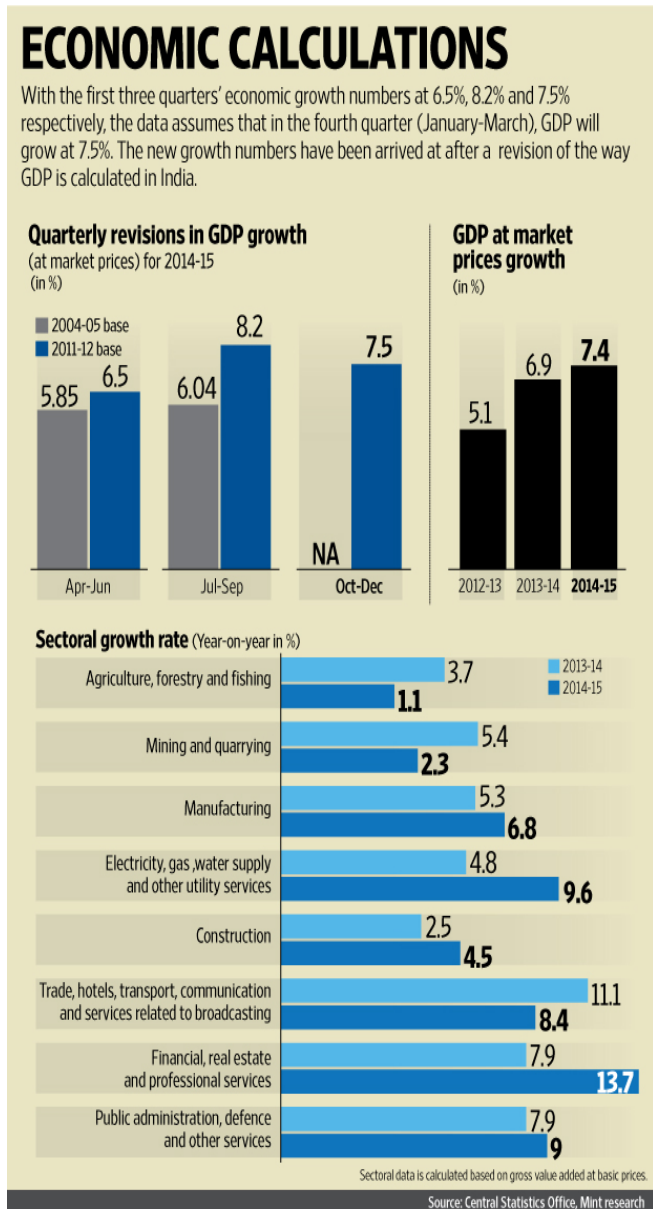
- Fiat Chrysler Automobiles will be manufacturing has range of C-segment Jeep brand premium sports utility vehicles in India for exporting it countries such as UK, South Asia and Australia. This manufacturing (export) unit might within a year start running and shall bring in an investment of about INR 1,500-2,500 cr.
- Hitachi has agreed to set up a Bup auto-component plant in and Huawei might invest 170 million \$ to set up Research & Development center in India.
- World famous Swedish companies namely Tetrapak, Scania, Ericsson, and Volvo India will actively in make in India and strengthening their 10 year old manufacturing relationship with India.
- The seasonally adjusted Nikkei India Manufacturing Purchasing Managers' Index (PMI) stood at 50.3, which pointed at an expansion of consecutive twenty-fifth month. The services PMI was at 50.1 points in November 2015
- Shantha Biotechnics Pvt. Ltd. has initiated a program to manufacture Insuman, an insulin product to cure disease like diabetes. Sanofi SA, which acquired Shantha Biotechnics, will invest Rs 460 crore (US\$ 69.24 million) to build the facility.
- BMW and Mercedes-Benz have trying to manufacture cars locally to be part of 'Make in India' initiative. This will lessen the waiting period of products in India as well as overseas.
- Suzuki Motor Corp playing its cards by manufacturing it products for African countries in its upcoming plant in Gujrat.
- Taiwan-based HTC has decided to manufacture products in India. HTC is deduced to form a new partnership with GDN Enterprises, which has an massed set up in Greater Noida.
- Foxconn is drafting a plan to expand in India, building approx. 12 new factories and employing as many as one million workers by 2020.

Additional Reasons for the New Initiative

1. Various persisting issues prompted the launch of this campaign. First and foremost, India needs to reboot its economy. The GNP (Gross National Product) during the FY 2013 and 2014 was estimated around 5.5% which has been declined in comparison to the time period of 2002 to 2011 which was averaging around 7.7% and it was on a higher side.
2. Secondly the demanding factor for India is to create job opportunities for the young generation. In recent time on an average, 5 million new jobs have been created annually; on contrary near about 12 million people join the workforce every year. This is the another aspect of demographic dividend: By 2022 it is expected that the labour workforce will grow up to 600 million. Hence employment will resolve the problem of poverty to certain extent and will shift people's mind set from agriculture, which has a low capacity to sustain their livelihood.
3. Third, economic development model of India is quite complex, rather than giving preference to Indian people they are offering privileges to skilled labour which were employed by foreign companies. On the other hand the success mantra of some developed economies is to incentivize the manufacturing industries for generating the job opportunities for own people first. Today, this is

the reason why manufacturing sector in China makes up 34% of gross domestic product. The Chinese have positioned themselves as the 'workshop' of the world, accounting for 22.4% of global manufacturing, while India accounts for only 2%. India's manufacturing sector is less productive compared to its competitors and accounts for only 15% of its GDP. The government has set a target of 25% of GDP by 2022.

India's GDP growth from 2014 to 2015



Moments of Change

The expansion in productivity & increment in the manufacturing trade and economy is the result of Make in India initiative. Within 2 years, Over 10,000 training centres opened, thus creating job opportunities for around million people. Make in India raises the share from current 16 % to 25 % of the GDP by 2022, and creating 100 million new manufacturing jobs over the same period. Indians should understand that there is a need to consume the products which are manufactured in India. More than 30000 crore rupees of foreign exchange are being phoned out of our country on products such as beverages, tea, snacks, cosmetics, etc. which are grown, produced and consumed

here. In 1970 1\$ = Rs. 4 but today 1\$ = Rs. 68. Estimated 1\$ by end of the year = Rs. 72, for this downfall of rupee we are only responsible. Prefer fruit juices, lassi etc instead of these cold drinks which are being produced at 70-80 paisa and sold to us at 7-10 rs. Make a habit of Indian produced goods. Today more than half of the products we use come from other countries thus government has to pay in dollars for these products as a result value of rupee decreases. Taking an example of mobile of Rs 17k with same are rejected by consumers because they prefer to buy a 24k mobile with same features because it is from other country, and this 24k will not come to India, it will go to concerned country. Youngsters should start using more Indian websites for online purchases.

OFFERING NEW ENVIRONMENT TO INVESTORS
 KEY PLAYERS OF GLOBAL CORPORATE SECTOR INVITED FOR LAUNCH

THE MODUS OPERANDI | 8-member expert panel set up jointly by Department of Industrial Policy & Promotion and FICCI

TEAM INVEST INDIA WILL

- 1 Interface with global investors
- 2 Redress grievances, act as helpdesk
- 3 Suggest reforms to Centre, States
- 4 Resolve policy issues

World Bank report ranks India 134th out of 189 nations on ease-of-doing-business parameters

- Invites to be sent to 30,000 top firms
- Digital India Campaign to give push to manufacturing
- 25 identified sectors including auto, food processing, IT, defence and entertainment
- Get manufacturing growth to sustainable 10% over long term
- Centre to work with States to de-bureaucratise and deregulate
- Help simplify business procedures, usher in mindset changes

The team will try to resolve issues within 48 hours. [Otherwise] it will go to the dept.'s nodal officer [to fix] within 72 hours. — DIPP OFFICIAL

The above picture is taken from a famous newspaper, it can be concluded that how the conditions in India is improving for boosting up of manufacturing sector after “make in India” campaign announcement.

Building new skills and focuses on vocational education

Skill development as their top priority, PM Modi had said the government is currently doing mapping for assessing skill manpower demand for specific sectors. He found synchronization between the government’s objective, academic world, industry and job seekers to make sure that industries’ specific skills are imparted correctly. Quality education along with skill development is point to be focused according to the experts. “In the emerging economy, people will need to continuously acquire new set of skills to meet out the economy’s evolving dynamic needs”, observed by official with an industry association. Further Prime Minister has also promised that the manpower located locally will be given training by the Industrial Training Institutes (ITI) with the help of different sectors. “A skilled worker will be provided and our ITI will be functioning as a result it will strengthen its family and improve its purchasing power,” Mr. Modi told top industrialists. National Skill Development Agency (NSDA), in the last couple of years, commenced work on creating an information system of labour market which would be beneficial to industry sourcing their manpower requirements. After this, the government would provide accreditation to agencies concerned with manpower in such a way that manpower requirement information can be accessed.

Emphasising on Innovative ideas and Advanced Technology

With global market getting globalized, Indian manufacturer will have to face serious competition to the high in quality and less in rate products from around the world even in home market of India. Tax concessions to industry which will set

up its work in India are suggested by them. Huge, small and medium-sized industries are very much important to take country to achieve its manufacturing hub goal.

Recent policy measures and projects to open up India's manufacturing sector:

- 100 % FDI for telecom sector;
- 100 % FDI for single-brand retail;
- Expiry dates of licenses increased to 3 years ;
- For all non-risk, non-hazardous businesses, a system of self-certification to be introduced;
- Online obtaining of environmental clearance through a process.
- Development of the Delhi-Mumbai Industrial Corridor (DMIC) is under process to make it a global manufacturing and an investment destination utilising the 1,483 km-long, high-capacity western Dedicated Railway Freight Corridor (DFC) as the backbone.

Merits of Investing in Industry Sector

- FDI is one of the important sector through which Indian economy is able to make itself stable, so this scheme will boost up FDI in the country.
- All big manufacturing units need various small parts, which are created by various small scale industries, so as result of new large industry opening various small industries will also be created thus creating more employment opportunities.
- Exports done by manufacturing unit helps in lowering the trade deficit.
- As India's population is about 125 crore so it is a huge market for any industry around the world.
- Converting the India to a self-dependent nation and giving Indian economy a global recognition.
- Manufacturing projected to generate 100 million new domestic jobs and contribute 25% of national GDP by 2025, from existing ~15% 6
- Reduction in manufacturing imports from USD 127 billion in FY14 to USD 40-50 billion possible in next 5 years 4
- Productivity improvement to boost skill intensive manufacturing in India by 2025 • One of the top 2 low cost exporters in auto components, power equipment, pharma • Among the top 5 low cost exporters in machinery, electronics, automobiles, textiles 7
- 28 million new jobs in hi-tech and electronic hardware sector to cater to USD 400 billion domestic market by 2020.

Challenges

For making India a global manufacturing hub, government need to clear out certain bottlenecks. This research paper contains important challenges and solutions for the same. Through secondary research and data obtained from various authenticated sources. This paper underlines the following major challenges that hamper India to become global manufacturing hub and accordingly make:

- Improving the ease of doing business in India
- Giving more opportunities for the improvement general and engineering graduates.
- Building up infrastructure of various buildings and highways.
- Improving the power capacity of the electricity plants for better supply to industrial sector.

There are certain other challenges also in the way of making India o global hub for manufacturing. However keeping in mind these issues and taking adequate measures to deal with the same will go a long way towards turning the "Make in India" vision from dream to a reality.

Conclusions

India has that capability to push the GDP to 25% in next coming years. The government of India has taken tremendous steps to encourage investment and to improve further business climate. "Make in India" mission is one such long run initiative which will accomplish 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 in the fields like telecom, defense 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. The various measures undertaken by the NDA Government to address issues related to economic growth, delay in Government decisions and reforms in the Labour law, Land law and taxation have kick started the manufacturing sector and upliftment in the growth of GDP by 5.7 in last quarter. If governance will remain continue in this current manner, we can definitely hope to see a significant and sustainable growth in the manufacturing sector and progress towards India becoming a global manufacturing hub.

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