REVIVIFYING MANUFACTURING SECTOR THROUGH MAKE IN INDIA

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Abstract: Make in India is an international campaign by the Indian government to attract businesses from the world to invest and manufacture in India. It aims to boost the national economy by making India self-reliant with global recognition. India is trying to encash its asset of a young workforce. Make in India also focuses on zero defects with zero effects on the environment. The present study is based on secondary data. The study signifies that to make this initiative a success, we need to be par with the latest technology and there is a need to have more clarity, maturity and intensity on product quality aspects. The paper highlights the various barriers, major initiatives taken by the corporate sector and discuss FDI (Foreign Direct Investment), Skill India Programme and GST (Goods and Services Tax) with Make in India campaign.

Index Terms: Manufacturing Sector, Make in India Campaign, FDI, GST, Skill India, Infrastructure, Digital India, Ease of doing business

I. INTRODUCTION

India recently has emerged as the sixth-largest economy in terms of GDP and third largest in terms of purchasing power parity. The International Monetary Fund (IMF) describes India as the “bright spot” in the global arena due to its growth rate as compared to developed nations. Keeping in view the demographic features of the Indian population which is majority young, The Prime Minister of India Sh. Narender Modi introduced The Make in India campaign on 25th September 2014. It aimed to transform India into a global design and manufacturing hub in the world. It includes initiatives designed for facilitating investment encouraging innovation, protection of intellectual property and further strengthening the manufacturing sector by raising its contribution to 25% from 15% of GDP by 2020. Thus, the manufacturing sector will play an important role in realizing the projected growth of 7.9% in 2017-18 and henceforth 25 key sectors have been chosen in which emphasis will be laid including automobiles, IT, railways, biotechnology, electronics, pharmaceuticals etc. The idea behind this program is job creation, skill development among youth, the innovation of processes, making India economic self-sufficient and development of infrastructure. The logo of Make in India campaign is a moving lion representing India’s success in all spheres. The campaign highlights the following opportunities:

1. Setting up an Indian infrastructure fund and tax-free infrastructure bonds for project in rail, road and other sectors.
2. Opening up of more sectors to FDI building 50 million houses and setting up 100 smart cities.
3. Modernising the railway network and redeveloping railway stations, new railway corridors, generating 175GW of renewable energy for transmission and distribution networks, national highways etc.

1.1 Probable positives and negatives of Make in India Initiative:

Probable positive impact on Indian economy:

- Generation of Job Opportunities
- Increase in contribution to GDP
- Increase in brand value of Indian merchandise
- Business can be carried out at ease
- Retention of youth in the country
- Development of backward areas
- Capital inflow in the form of foreign exchange due to FDI
• Junking of old laws and systems

Probable negative impact on Indian economy:

• Anti-competitive as it may remove competition from foreign brands
• WTO dispute may arise due to trade distortion by making/manufacturing in India
• Exploitation of country’s resources
• May lead to more pollution
• Effect small entrepreneurs as international commercial companies may pose threat.

II. NEED FOR THE STUDY:

India needs to develop its infrastructure to make its presence in the global picture and to match the rising demands and the living standards of its citizens. The most easy and important way to keep pace with the environment for a country is to develop its manufacturing sector. When more global and local players will invest in a country, it will boost the trade and economic growth, develop its infrastructure and generate more employment opportunities for its citizens leading to balanced growth. Hence the present study is on Impact of Make in India Campaign in light of GST, Skill India and FDI. The topic chosen for the study is of current relevance.

III. OBJECTIVES OF STUDY:

• To study the concept of Make in India campaign.
• To understand the impact of GST, Skill Development, Digital India and FDI on Make in India
• To review the challenges and hurdles for the campaign in manufacturing sector.

IV. METHODOLOGY:

The study involves the data collected from secondary sources comprising of mainly newspapers, available literature, various websites, research papers, articles and reports of both government and private research agencies like PWC. An exploratory research has been done for understanding the research topic and its impact on Indian economy keeping in view this national campaign of Make in India for revival of manufacturing sector.

V. REVIEW OF LITERATURE:

Dr. K. V. Ramana (2015) - Article entitled, “Make in India Illusion or Possible Reality Project?” The paper covers issues of the make in India, sectors covered, worldwide and positive responses and some critics. The study also covers the challenges that the project and movement will face. The study found that, this campaign attracts foreign investments and boost the manufacturing sector of India has been timed to perfection.

S. Soundhariya (2015) - Article entitled, “Make in India - Scheme for transforming India” The paper discusses about Make in India scheme, its opportunities, challenges, and changes needed and some examples of different investors invested so far. The study found that, Make in India campaign surely makes India an investment destination and global hub for manufacturing and innovation.

Seema Sangwan (2015) - article entitled, “Making Make in India realism: role of FDI”. This study focuses on the changes in FDI rate after introduction of Make in India by Modi and growth due to increase in the FDI rate. The study states that there is high correlation between industrial production and FDI inflows. The study also found that, the effect of FDI on economic development ranges from increased productivity to enable greater technology transfer.

Dr. Vijaybhai K. Patel (2017)-Article entitled, “From IDT to GST; A movement to bring success for Make in India”. The paper discusses that GST is likely to bring all the indirect taxes under one roof and it will further help in creating a smooth international market for trade. The study states that Make in India aims at making manufacturing at India a reliable source of high quality goods for the world. Also the author claims that adopting GST will make a heavy impact on manufacturing sector.

Dr. Aftab Anwar Shaikh, Eram Khan (2017)- Article entitled, “Make in India campaign-Pros, Cons and impact on Indian economy”. The paper elaborates that Make in India is aimed at fulfilling the purpose of job creation,
enforcement to secondary and tertiary sector, boosting national economy and to give Indian economy global recognition. The author attempted to discuss advantages, disadvantages and challenges of Make in India campaign. According to him this campaign appear to be an imaginative marketing campaign which needs serious efforts to turn it into reality.

VI. KEY INITIATIVES UNDER MAKE IN INDIA CAMPAIGN:

Five major initiatives have been taken to overcome challenges and Make In India a success as explained below:

- Infrastructure
- Ease of doing business
- Skill India
- Digital India
- FDI
- GST

6.1 Infrastructure- The government intends to develop industrial corridors and build smart cities, create world class infrastructure with state of the art technology and high-speed communication connecting rural and urban India. Innovation and research activities are supported by a fast-paced registration system and improved infrastructure for IPR registrations in the country itself. The govt. has increased allocation in the budget to improve infrastructure, which is critical in facilitating future growth and has undertaken several initiatives. Some of them are listed below:

Sagarmala Project: The project includes modernization of ports, setting up of coastal economic zones, new major ports and fish harbours. Capital outlay of USD 10 billion will be spent for this. (Ministry of Shipping)

SMART Cities Mission: Developing 100 smart cities as satellite towns of larger cities and by modernizing existing cities. Capital outlay of USD 15 billion will be invested.

AMRUT: To recast urban landscape and make urban centres more liveable and inclusive capital outlay of USD 7.69 billion is projected in this regard.

Roads & Highways: Development of about 7000 km of national highways under Bharatmala Pariyojana involving capital outlay of USD 12 billion

Railways: Dedicated freight corridor for decongesting existing network with an estimated capital outlay of USD 12.3 billion

Strategic location: India’s 7500 km coastline has 12 major ports, over 200 minor ports and is strategically located on world trade routes. Some of the emerging and established markets such as Middle-East and South East Asian countries are closely located. India is surrounded by the Bay of Bengal, the Arabian Sea and the Indian Ocean, an arrangement that facilitates most its overseas trade in all main directions.

6.2 Ease of doing business- India was ranked 77 in May 2018 on the World Bank’s Doing Business index. Continuous efforts are being made to record remarkable improvement. In 2014, the Government of India launched an ambitious program of regulatory reform aimed at making it easier to do business in India. The program represents a great deal of effort to create a more business-friendly environment. The efforts have yielded substantial results with India jumping 4 places on the World Bank’s Doing Business rankings i.e. it now stands at 130 rank. India’s ranking in terms of starting a business has improved from 164 in 2015 to 155 in 2016. This improvement has been mainly on account of decrease in number of procedures and time taken to start a business in India. The number of days taken to get a permanent electricity connection for a business is just 53 days, which is less than the average time taken in South East Asian and OECD member countries. But in UK it takes only 17 minutes on an average to start a company which still makes India an unfavourable destination in terms of ease of doing business. Apart from this, India stands upfront in terms of ‘Protecting interests of Minority Investors’, where it ranks 8 among the 189 countries which are part of this index.
6.3 Skill India: Skills and knowledge are the two major contributors for the success of ‘Make in India’ mission. Since India has 65% of youth in working age group with an average age of 29 years by the year 2022, there has been a need to provide skill set and adequate training to make them employable and contribute substantially towards economic growth through manufacturing. For developing the skill ecosystem across different sectors, the government has embarked on the journey to bring policy changes for skilling initiatives with quality deliverables. Major policy initiatives undertaken by government are listed below:

- Pradhan Mantri Kaushal Vikas Yojana (PMKVY) launched in July 2015.
- National Skills qualifications framework has been developed.
- Apprenticeship Act reformed in December 2014 and hence the employer can now engage up to 10% of total workforce as apprentices.
- The number of ITI’s in country has increased from 10,750 in May 2014 to 13,105 in May 2016.
- National Skill Development Corporation with major industry initiatives like UDAAN to strengthen PMKK (Pradhan Mantri Kaushal Kendra).
- Set up of sector skills councils (SSC’s).
- Special focus on skilling and empowerment of women by reserving 30% of all seats in government and private ITI’s.

![Graph showing employability talent change](image)

**Employability talent in India as per India skills report 2019**

6.4 Digital India: Digital India as launched on 2nd July 2015 is an initiative by the government to ensure that Government services can be made available to its citizens electronically through online infrastructure by developing broadband etc. The Digital India programme will lead to growth in the area of electronic services, products. Its flagship programme on internet of things will encourage smart manufacturing through technology.

6.5 GST: The idea of moving towards GST (Goods and Services Tax) was first mooted by Union Finance Minister in the budget 2006-07 but it was implemented from 1 July 2017 in India. The proposed framework is likely to impact overall business operations, including production, business processes, business models and geographical locations and is expected to be beneficial to economy and industry. The salient features of GST which are related to manufacturing sector are:
1. GST is applicable on supply of goods and services as against the previous concept of tax on manufacturing of goods or on sale of goods or provision of services.
2. GST is based on principle of destination based consumption taxation as against the previous principle of origin based taxation.
3. It is dual GST i.e. CGST and SGST with four tax rates 5%, 12%, 18% and 28%.
4. An integrated GST (IGST) is levied on inter-state supply of goods and services.
5. Import of goods and services is treated as inter-state supplies and IGST in addition to applicable custom duties is levied.
6. GST is applicable to all goods and services except alcohol for human consumption.
7. Taxpayers with annual turnover of Rs. 20 lakhs are exempt from GST.
8. Exports are zero rated which may further strengthen the manufacturing sector.

GST stands as one of the most significant tax reforms in India and is likely to serve as a crucial enabler for Make in India campaign. With diminishing importance of state boundaries and cascading impact of taxes in supply chain decisions it can serve as an opportunity for a company to carve a new and an efficient operating model to give it that distinctive servicing advantage.

6.6 FDI: - In India FDI can be done through two ways i.e. automatic and government route. In automatic route RBI has no role to play but in government route the standard operating procedure of FDI application must be followed. The govt. has amended FDI policy from time to time especially post ‘Make in India’ initiative since Sept. 2014 as a result of which we can say that India is now seen a favourable destination for FDI by other countries. Also, the banking system and two fully functional stock exchanges make FDI possible. Below are the statistics showing FDI in India during last one year:

![India Foreign Direct Investment](source:tradingeconomics.com | Reserve Bank of India)

Foreign Direct Investment in India fell to 2544.00 USD Million from 3405.00 USD Million and Foreign Exchange Reserves went up to 393610.00 USD Million from 393449.00 USD Million in 08/04/2017 (ieconomics.com).

Foreign Direct Investment in India increased by 7001 USD Million in June of 2019. Foreign Direct Investment in India averaged 1375.81 USD Million from 1995 until 2019, reaching an all-time high of 8569 USD Million in August of 2017 and a record low of -1336 USD Million in November of 2017.
Foreign direct investment in India till April 2019 as per RBI

Table 1. Foreign direct investment flows to India: country-wise and industry-wise

The above table reveals that, the percentage of FDI flowing to the manufacturing sector, which has been in the range of 25-30% for the past four years, dropped to 18.92% in 2017-18. Rather than the manufacturing sector, services like...
e-commerce providers i.e. Amazon, Snapdeal and Flipkart, ride sharing services like Uber and Ola, OYO seem to be drawing a greater share of the investment. However, this drop can be due to market forces and delay in start-up projects. The government has released FDI caps from various sectors and now there are only few sectors where FDI is limited to some extent such as Space-74%, Defence- 49% and News Media 26%.

**VII. KEY CHALLENGES OF MAKE IN INDIA CAMPAIGN**

- India needs funds to build manufacturing hubs, which in turn need infrastructure. This requires more finance which itself is a major challenge. India’s banking systems are not able to lend many funds to industries from the fear of creating NPAs for themselves. If the government pumps more funds to bank, that leads to less investment in infrastructure.
- By starting manufacturing in India more jobs cannot be created because robots may take over the manufacture worldwide and still stay competitive. The world is on the robotic threat, as new kind of industrial revolution won’t require many humans. There will be self-driven and automated machines.
- Many companies like Maruti, Nokia, Ford and Hyundai have had strikes and protests in India at their manufacturing plants in the past two years alone. India has labour laws and organized unions that can
hinder smooth expansion. The Congress affiliated Indian National Trade Union Congress controlled more than 33 million workers. The BJP friendly Bharatiya Mazdoor Sangh (BMS) controlled 17 million workers. Communist party run unions had 20 million workers. There is a strong need to amend labour laws and Factories Act.

- India is still lagging behind in imparting skills training to workers. Lack of vocational education facilities and poor training facilities are the major challenges of India’s industrial labour force.
- Long term global competitiveness in industry requires huge investments in research and development, but Indian companies have been slow to embrace innovation.
- India has been very slow in application of procedures and regulations. Creating healthy business environment will be possible only when the administrative machinery is corruption free and efficient. A business-friendly environment can only be created with easier approval of project through hassle free set up and standard clearance mechanism.
- India should be ready to tackle elements that adversely affect competitiveness of manufacturing. India should also be ready to give tax concessions to companies who set up unit in the country.
- India’s Make in India campaign will be constantly compared with China’s Make in China campaign. India should constantly keep up its strength so as to outpace china’s supremacy in the manufacturing sector which is tough challenge in itself.

VIII. SOME OF THE RECENT INITIATIVES TAKEN BY ORGANISATIONS:

- In electronics, the Spice Group has planned to start a mobile phone manufacturing unit in Uttar Pradesh with a capital investment of 500 crore. A memorandum of understanding was signed between the Spice Group and the Government of Uttar Pradesh.
- Since January 2015 Samsung electronics have set up 10 MSME Samsung Technology schools for training youth in repair and maintenance of Samsung products.
- In February 2015 Huawei opened a new research and development (R and D) campus in Bengaluru by investing 170 million to establish research and development centre.
- In April 2015 Air Bus Company will manufacture its products in India and invest 2 billion US dollars.
- In June 2015, France based LH Aviation signed an MOU with OIS Advanced Technologies to set up a manufacturing plant in India to manufacture drones.
- The Ministry of Defence is auctioning a Rs.600 billion contract in 2016 to design and build a Fighting Infantry Combat Vehicle (FICV) in India.
- Steel Authority of India Ltd. Has undertaken modernisation and expansion of its integrated steel plants at Bhilai, Durgapur, Bokaro, Rourkela and Bumpur.
- MeitY has approved 67 proposals worth Rs. 16845 crores from Tata Power SED, Continental Automotive, Samsung, Bosch and many other companies.
- As of December 2018, premium smartphone maker OnePlus is anticipating that India will become its largest Research and Development (R&D) base within the next three years.
- India’s manufacturing PMI stood at 51.7 in May 2019. Also companies start to spend more on hiring and anticipate good growth in future prospects.
- As of October 2018, Filatex India, a polymer manufacturer, is planning to undertake forward integration by setting up a fabric manufacturing and processing unit.
- As of August 2018, IISC’s Society of Innovation and Development (SID) and WIPRO 3D are collaborating to produce India’s first industrial scale 3D printing machine.
- For its Commercial Vehicles, Ashok Leyland is utilising machine learning algorithms and its newly created telematics unit to improve the performance of the vehicle, driver and so on.

8.2 Government Initiatives

- In October 2018, the Government of India released the draft National Policy on Electronics (NPE) which has envisaged creation of a US$ 400 billion electronics manufacturing industry in the country by 2025.
- In September 2018, the Government of India exempted 35 machine parts from basic custom duty in order to boost mobile handset production in the country.
- Government of India is in the process of coming up with a new industrial policy which envisions development of a globally competitive Indian industry. As of December 2018, the policy has been sent to the Union Cabinet for approval.
In Union Budget 2018-19, the Government of India reduced the income tax rate to 25 per cent for all companies having a turnover of up to Rs 250 crore (US$ 38.75 million).

Under the Mid-Term Review of Foreign Trade Policy (2015-20), the Government of India increased export incentives available to labour intensive MSME sectors by 2 per cent.

The Government of India has launched a phased manufacturing programme (PMP) aimed at adding more smartphone components under the Make in India initiative thereby giving a push to the domestic manufacturing of mobile handsets.

The Government of India is in talks with stakeholders to further ease foreign direct investment (FDI) in defence under the automatic route to 51 per cent from the current 49 per cent, in order to give a boost to the Make in India initiative and to generate employment.

The Ministry of Defence, Government of India, approved the “Strategic Partnership” model which will enable private companies to tie up with foreign players for manufacturing submarines, fighter jets, helicopters and armoured vehicles.

The Union Cabinet has approved the Modified Special Incentive Package Scheme (M-SIPS) in which, proposals will be accepted till December 2018 or up to an incentive commitment limit of Rs 10,000 crore (US$ 1.5 billion).

8.3 Excerpts from industrialists and others on Make in India campaign

- Mr Ashok Gupta, India’s Secretary of Defence Production declared that 100% FDI in defence may be permitted to United States only with full technology transfer as proposed in USISPF (US India Strategic Partnership Forum).
- As per HR Consultancy Manpower Group, India is expected to rebound as third most optimistic market for skilled workforce after Japan and Taiwan in 2017. (Financial Express 18 Sept,2017)
- Rajesh Uttamchandani, director, Syska Group, says, “Now the processes have been simplified such as obtaining licenses and clearances that have brought in more transparency into the system. Further streamlining of these processes have encouraged more companies to participate in the Make in India initiative and make a positive contribution to the growth of the Indian economy. Many companies have set up several manufacturing units throughout the country that produce electrical equipment and product such as bulbs, tube lights, panel lights, industrial lights, wires and cables and others.” (www.economictimes.com, June14,2019)

IX. BARRIERS TO GROWTH OF MAKE IN INDIA CAMPAIGN

Barriers which can’t be resolved just by Government Intervention

- Lack of domestic demand
- Competition from foreign markets
- High input costs
- Decreasing profitability

Barriers which can be resolved by Government Intervention

- Legislative or regulatory pressure
- Taxation Policies
- Higher interest rates

X. FINDINGS OF THE STUDY:

- Make in India will bring a drastic change in the fields like automobiles, aviation, biotechnology, defence, media, thermal power, oil and gas and manufacturing sector.
- The job opportunities will rise in multiples and open the doors to skilled workforce without any limitations.
Through continuous foreign investments, the progress of the Indian economy can become more sustainable.
This initiative has been helpful in creating more awareness about the growing need of technology and innovation.

XI. SUGGESTIONS:
- The government should take more initiatives towards skill development, innovative methods of manufacturing, liberalising clearance points for starting a business to provide essential support to make in India to thrive.
- The manufacturing sector should manufacture goods in such a way that they carry zero defects and zero effect on environment. The growth should never be achieved on the cost of environmental pollution. Waste management by Industries should also be encouraged.
- Reforms like bringing more sectors under the automatic route, increasing the FDI cap and simplifying the procedural delays has to be initiated.
- India should consciously work towards Research and Development as innovation and automation is the need of the hour due to global competition.

XII. CONCLUSION:
Policy paralysis, logjams in the implementation of key reforms, bureaucratic hurdles, weak supply chain as well as high input costs have been affecting the Indian manufacturing so far. As said by Dr. Raghuram G Rajan, Ex-Governor, Reserve Bank of India- “Implementation remains a major challenge for Indian economy and if it can deliver on its promises, the country will be the place to be. The gap in India has always been between the promise and the execution” the campaign is still far from achieving its targets. To achieve a manufacturing led transformation India would need to undertake a structural and planned approach in innovation manufacturing to gain global competitive advantage and global leadership. As per PWC’s 19th Annual Global CEO survey 75% of Indian CEO’s believe that there are more growth opportunities for their company today than 3 years ago. So, we can conclude that, despite the fact that “Make in India” though came at a right time, when India needs a growth lift but its execution remains a big challenge.

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