Make In India- The Pros and Cons

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ABSTRACT

Make in India is an international marketing strategy, conceived by the Prime Minister of India, Narendra Modi on 25 September 2014 to attract investments from commercial enterprises around the universe and make India the manufacturing Hub. The aim is to generate a percentage 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 tear back the economy from the clutches of recession. Manufacturing business in India initiative aims to adjust the composition of Indian GDP, which is the base cause of the recessional. Currently India's GDP is heavily weighted in favor of the service sector. Secondary research is practiced in the design of the work and this paper discusses about Make in India scheme, its opportunities, challenges, changes needed and some lessons of different investors, invested so far. Make in India campaign surely makes India an investment destination and global hub for manufacturing and innovation. Major hurdle is from environmental issues and clearances.

Key words: Make in India, challenges, invest India and pros and cons introduction

I - INTRODUCTION

The Indian manufacturing sector is the classic case of an industry that bears great potency. The purpose of the scheme is to assure the manufacturing sector, which contributes around 16% of country's GDP is increased to 25% in next 5 years. [1] Make in India scheme Eliminates Unnecessary laws and rules. Three sectors which contribute to the GDP of any country are agriculture, manufacturing and services. According to the current contributions of these sectors to the 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 men and entrepreneurs view make in India initiative for improvement of our economic arrangement. 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 established for the betterment of India. The Major objective of this scheme focuses on 25 sectors. The sectors are Automobiles, textiles and Garments, Biotechnology, Wellness, Defense, 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.

II - OBJECTIVES OF MAKE IN INDIA CAMPAIGN

To convert India into the global manufacturing hub, to provide employment and to promote economic growth, to urge both local and foreign companies to invest in India advantages of investing in the industry sector and to create large scale employment opportunities to the low skill workforce since the majority of the workforce in India are low skilled. India is enormously dependent on FDI to keep the economy positively. Work in India scheme will attract more FDI to revitalize the Indian economic system; any manufacturing hub needs a supply of shares which is a 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 greatest consumer market. Any company investing in India under Make in India initiative will directly get access to a huge market of 125 Cr people. It aims at job creation, enforcement to secondary and tertiary sector, boosting national economy.

III - THE SCHEME

Major highlights of Make in India:

- Easing policies and laws: A comprehensive approach is envisaged, including amending labor laws, acquiring skills, easing FDI policies and up-scaling infrastructure.

- An Invest India team and a dedicated portal for business queries: An investor facilitation team set up by the government will behave as the first reference point for leading foreign investors on all aspects of regulatory and policy issues and to assist them in obtaining regulatory clearances. The information and facts that potential investors require for each sector have been amassed in the brochures. A dedicated team has been created to answer queries from companies through a newly created web portal, pledging to answer inquiries within 72 hours.

- Consolidated services and faster security clearances: All central government inspections and repairs are being incorporated into an e-Biz single window online portal. The Ministry of Home Affairs will act over all security clearances to investment proposals within 3 months and government departments are needed to streamline approval procedures. [2], [3]

- Now 25 sectors where India can be a world leader have been identified: Make in India will focus on making jobs and enhance skills in these sectors, which include capital goods and engineering, defense equipment, pharmaceuticals, food processing, auto and automobile components, textiles and electronics. Basically the campaign of Make in India builds on the NMP (National Manufacturing Policy) 2011, former Prime Minister Dr Manmohan Singh declared NMP for boosting manufacturing sector. This was the inaugural attempt to concentrate on this essential sector. DMIC was also one of the initiatives of former UPA regime. The manufacturing policy aims to create 100 million jobs by 2021 by increasing the share of the manufacturing sector in GDP to 25 per cent from the current 16 per cent. But the trouble comes up when one gets down to analyze what to manufacture, where and how? [4], [5]

A glance at the official website of the campaign lists 25 sectors that will be in focus for manufacturing. Of these, 22 are related to heavy industries and need specialized technology that India currently depends on others to provide. India can reach from this enterprise but if these companies start down their manufacturing plants in India and start exporting from these facilities.

IV - RESEARCH METHODOLOGY

The paper is based on secondary data and the study of the pros and cons of Make in India campaign - 2014, researchers have compared Indian manufacturing sector with Chinese, this is an exploratory case study. Based on secondary data, an effort has been constituted to evaluate possible benefits and opportunities along with challenges in front of the poly makers in view of the proposed mark in India movement.

V - THE CHINESE EXPERIENCE

Granting to the PM India is the sole nation in the globe which puts up the unparalleled combination of democracy, demography, and demand. He said the new Government was taking initiatives for skill development to ensure that skilled manpower was available for manufacturing. He also referred to the Digital India mission, putting forward this would assure that Government processes remained in line with corporate operations. The Prime Minister noted that India ranks low on the "ease of doing business" and added that he has sensitized Government officials in this regard. The latest numbers from the World Bank, Group of ease of doing business, India ranks 130, in 2016. It was 134 in 2015. It seems India has improved on some parameters like getting the electricity, getting building permits and getting down a business. But it has shown negative rank for getting credit and paying taxes. Some key highlights of modifications in policy are, as follows, [6]

India made starting a business easier by getting rid of the minimum capital requirement and the need to obtain a certificate to commence business operations. India made starting a business easier by considerably reducing the registration fees, but also made it more difficult by getting out a demand to file a declaration before the commencement of business operations. This reform applies to both Delhi and Mumbai. Getting electricity becomes easy; the utility in Delhi made the procedure for making an electricity connection simpler and quicker by doing away with the internal wiring inspection by the Electrical Inspectorate. The utility in Mumbai reduced the procedures and time needed to connect to electricity by improving internal work procedures and coordination. [7]

We can observe that, all developed economic systems are listed in the top ranks of ease of doing business, from the ranking China, which is India's main competitor, ranks 84 in 2016, it was 83 in 2015. India can learn from Chinese economic system, how they manage the value string, starting with research and development, Design, Supply chain, Production, Distribution and after sales help.

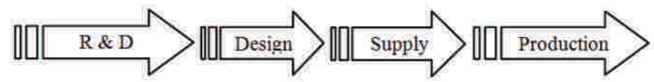

Figure-01: The Value Chain
Source: Understanding China Value Chain

After examining the manufacturing value chain of China, we can infer that, research and development focus on incremental changes, with the secondary innovation which is endemic. China has altered their design scheme from the copycats to the innovators, in case of supply chain Government is actively involved by appointing agents, which helps the OEMs to grow access to lower cost raw materials or elements. This approach has increased FDI in manufacturing in China. In case of production, China has developed modern industries with mass production capacity, which ensued in the competitive advantage of local industries with lowest cost and international character. The Chinese have unrestricted their retail sector, so that there is great amount of FDI in retails, distribution and logistics. Dedicated international trade centers are made up for SSI, they focused exclusively on international trade and exports eg Yiwu International trade City. After sales service has improved due to investments in IT infrastructure, outsourcing activities, Indian economy can learn from the Chinese experience with SEZ and low cost manufacturing coupled with introduction and policy of FDI.

In the past century manufactured lead growth countries like Japan, South Korea, and Taiwan had succeeded due to policies of aggressive FDI, small public sectors, export orientation, labor market competition and governmental interventions in economic affairs. [8], [9]

TABLE NO 01- Comparing Chinese manufacturing with the Indian manufacturing sector:

SN	Parameter	China	India
1	Average labor cost/ Hr-2014	$ 0.92	$ 3.52
2	Employment in manufacturing -2013	9.4 %	14.5 %
3	Labor force in Million	487	798
4	Global rank for labor force size	2	1
5	GDP / worker – labor productivity	7%	4%

Source: World Bank, Euro monitor (Bloomberg business week)

VI - THE CHALLENGE

According to Rusella Green, (2014) India sits so far off the course that it can be hard to envisage how it can make it. Economies with a dominant service sector have not seen manufacturing return to dominance. Since the beginning of the Industrial Revolution, competitiveness in manufacturing has meant scaling, both in size and sophistication of firms. India's informal manufacturing sector holds little hope for the sort of rapid growth needed for structural transformation. Indian economic system needs a cost increase in the large scale manufacturing sector, particularly the formal sector like electronics components; textiles which are basically labor intensive sectors, where direct FDI results in the use of latest technologies and determining benefits of competitive labor cost in India. [10], [11], [12] Manufacturing sector contributes around 34% to the GDP in China as compared to India 14% [08] [13] Currently India contributes only 2.1 % to world manufacturing output while China gives 22.4 % (see table no-02). India's major challenge is the competition from China.

TABLE NO-02 (World Manufacturing Rankings)

Rank	% of World Manufacturing in 2012	2012	2002	1992
1	22.4	China	United States	United States
2	17.4	United States	Japan	Japan
3	9.7	Japan	China	Germany
4	6.0	Germany	Germany	Italy
5	2.8	Korea	Italy	France
6	2.4	Italy	United Kingdom	United Kingdom
7	2.3	Russia	France	China
8	2.2	Brazil	Korea	Russia
9	2.1	India	Mexico	Spain
10	2.0	France	Canada	Canada
11	1.9	United Kingdom	Spain	Brazil
12	1.8	Indonesia	Brazil	Mexico
13	1.8	Mexico	India	Korea
14	1.6	Canada	Indonesia	Turkey
15	1.4	Spain	Netherlands	Netherlands

Note: Valued in U.S. dollars
Source(s): United Nations and MAPI

Key Economic Indicators of Economic

The Indian economic system has been witnessing positive sentiments during the past few months. The actual GDP increase is estimated at 5.5% in the beginning half of 2014-15 as against 5% in the comparable period of final yr. The macroeconomic indicators have also displayed an encouraging trend in the recent times.

Key Macroeconomic indicators

S. No.	Parameters	FY14	H1FY15
1	Real GDP Growth	4.70%	5.5%~
2	WPI Inflation	6%	4.2%*
3	CPI Inflation	9.50%	7.4%*
4	Industry Growth	(-)0.1%	1.9%*
5	Exports	4%	4.7%*
6	Fiscal Deficit as % of GDP	84.4%^	89.6%^
7	Current Account Deficit as % of GDP	1.70%	1.9%!
8	FDI Inflows	8%	15%
9	Exchange rate	60.50	59.7#

TABLE NO-03, Source: PHD research Bureau

The Way Ahead

In a major boost to the 'Make in India' initiative, the Government of India has received investment proposals of over US$ 3.05 billion till end of August 2015 from various fellowships.

India has become one of the most attractive destinations for investments in the manufacturing sector. Some of the major investments and developments in this sector in the recent past are:

Canada's Magna International Incorporated has started production at two facilities in Gujarat's Sanand, which will supply auto parts to Ford Motor Co in India and will employ around 600 people at both units. Swedish home furnishing brand Ikea has got a long-term plan of opening 25 stores in India by producing an investment worth Rs 12,500 crore (US$ 1.9 billion). [13]

Siemens has announced that it will invest € 1 billion (US$ 1.13 billion) in India to add 4,000 jobs to its existing workforce of 16,000 in the nation. US-based First Solar Inc and China's Trina Solar have plans to put up manufacturing facilities in India. Clean energy investments in India increased to US$ 7.9 billion in 2014, helping the country maintain its position as the seventh largest clean energy investor in the world.

Samsung Electronics has invested Rs 517 crore (US$ 77.82 million) towards the expansion of its manufacturing plant in Noida, Uttar Pradesh (UP). "Samsung India Electronics is committed to strengthen its manufacturing infrastructure and will gradually expand capacity at this plant to fulfill the growing domestic demand for mobile handsets, as per the company. To manufacture Insuman, an insulin product to care for 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 intensified their localization efforts to be comprised of 'Make in India' initiative.

Suzuki Motor Corp plans to produce machines for Africa, the company's next big bet, as considerably as for India at its upcoming factory in Hansalpur, near Ahmedabad, Gujarat. Taiwan-based HTC has decided to manufacture products in India. HTC is believed to have partnered GDN Enterprises, which has got an assembly set up in Noida. Foxconn is planning an aggressive expansion in India, establishing up to 12 new factories and employing as many as one million workers by 2020.

VII - GOVERNMENT INITIATIVES

The Government plans to organize a 'Make in India week' in Mumbai between February 13-18, 2016 to boost the 'Make in India' initiative and expects 1,000 companies from 10 key sectors to participate in the exhibition of innovative products and processes. The National Institution for Transforming India Aayog (NITI Aayog) plans to issue a blueprint for various technological interventions which require to be comprised by the Indian manufacturing economy, with a view to have a sustainable edge over competing neighbors like Bangladesh and Vietnam over the long term.

Entrepreneurs of small-scale businesses in India will soon be capable to avail loans under Pradhan Mantri MUDRA Yojana (PMMY). The three products available under the PMMY include: Shishu - covering loans up to Rs 50,000 (US$ 752), Kishor - covering loans between Rs 50,000 (US$ 752) to Rs 0.5 million (US$ 7,520), and Tarun - covering loans between Rs 0.5 million (US$ 7,520) and Rs 1 million (US$ 15,052).

India is an attractive hub for foreign investments in the manufacturing sector. Several mobile phone, luxury and automobile brands, among others, have set up or are looking to establish their manufacturing bases in the country.

With impetus in developing industrial corridors and smart cities, the government aims to ensure holistic development of the nation. The corridors would further assist in integrating, monitoring and developing a conducive environment for the industrial development and will promote advance practices in manufacturing.

There are two priorities for India one is to create 15 to 20 million jobs and another is to maintain GDP growth pace of 10 to 15% [14]

PROS TO MAKE IN INDIA

a) As Mr. Modi emphasized in the development of labor intensive manufacturing sector. Therefore, this effort will generate a lot of work opportunities.

b) Exercise will increase people's purchasing power which finally helps in poverty eradication and the elaboration of the consumer base for companies.

c) The poser of "look east and link west" policy will strengthen the industrial linkages as well as bilateral ties with many countries.

d) The government has decided to develop an auto response mechanism and issues relating to procedural clearings will be answered at different points in a given time frame, which is a confident step in making industrial friendly environment.

e) Foreign investment will bring technical expertise and innovative skills along with the much needed foreign capital.

f) This safari will make India a key share of global value chain and opens numerous opportunities for other nations as well.

CONS TO MAKE IN INDIA

a) The greatest challenge is to restore the broken trust between industry and government, which was hampered by the policy paralysis.

b) India holds a myriad of infrastructural bottlenecks and to overcome these it needs to invest $ 1trillion during 12th five year plan. Generating such a huge capital will be an intimidating project.

c) Another contentious topic is on environmental clearance, which has been surfaced in many projects especially related to the mining sector.

d) Uncertainty in tax regime (highlighted by Vodafone case) and delay in implementation of GST is also a matter of concern for industries.

e) India along with poor infrastructure lacks a proper logistical network for the supply chain of components and materials required in manufacturing industries.

f) Manufacturing sector demands highly skilled task, whereas India lacks highly skilled task power.

g) Complex processes have built to be hurdles in making procedural and regulatory clearances especially for new entrepreneurs.

h) Land acquisition for establishing manufacturing industries will try to be a tedious task for the successful unfolding of this trend.

I) Labor reforms which are favored by the large MNCs for the FDI decision, in case of India it is difficult to modify various acts related to labor reforms.

VIII - CONCLUSIONS

The apprehensions of the industrial sector are genuine. But the government's effort will represent as the catalyst in mitigating these apprehensions. Besides, the PM has clearly mentioned that India is seeking long term capital investment because the short term investment is volatile in nature and only aims at profit making. This view is likewise contemplated in the PM's definition of FDI i.e. "First Develop India". Hence, these efforts will give the much needed initial thrust to this cause and its winner will make India the powerhouse of the manufacturing sector in the world. Every new initiate has their own pros and cons and the spirit is there to inhabit through the challenges at every pace. We should be ready to hold hands with each other and putting our best attempts to make this campaign a tremendous winner.

India can surely rise in the gray area of infrastructure, efficient and economical transportations services and policies related to FDI in India.

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