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# CRITICAL ANALYSIS OF MAKE IN INDIA EFFORTS

**Varun Saini**

Ph.D Research Scholar, Department of Commerce H.P.University, Shimla

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## Abstract

'Make In India' , which was initiated by the Prime Minister of India, Narendra Modi on 25 September 2014, is an international marketing strategy. The purpose behind this marketing strategy is to make India a Manufacturing Hub by attracting the investment from businesses around the world. It is a new national program designed to open doors for domestic and foreign investment in India, encouraging innovation, reinforcing skill development, generating employment opportunities, preventing brain drain and making internationally standardized technology accessible to Indian citizens. The aim of the study is to increase a share of manufacturing sector in country's gross domestic product from current stagnant 16% to 25% by 2022, as stated in national manufacturing policy to create 100 million jobs by 2022. Objective of Job creation and skill enhancement behind this initiative is to focus on 25 sectors of the economy .At present, India's GDP is heavily tilted in favor of service sector. Result of the study shows that reforms in industrial strategies are required to make India a manufacturing hub .In realizing the dream of transforming India into manufacturing Hub, "Make In India" mission is a long term initiative taken by Indian Government. There is a need for financial service providers and advisors who could work for these industrialists' rights from the beginning i.e. right from clearance of the project. Improved quality and better performance management system need to be in place to guide, monitor and enhance the skill set of its work force.

**Keywords:** Make in India, investment, manufacturing, development, businesses.

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## Introduction

The recent launch of the "Make in India" campaign by Prime Minister, Mr. Narendra Modi, where leading businessmen and CEOs of about 3000 companies from 30 countries were present, is an impressive effort on the part of the new government to boost investors' confidence in the country. The Indian manufacturing sector is the classic example of an industry that has great potential. The objective of the scheme is to ensure the share of manufacturing sector is increased from current 16% of country's GDP 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.

India's new national manufacturing policy was formed under 'Make in India' program and welcomed the domestic and international

industrialists with an aim to make India a manufacturing hub that will in turn boost the employment and overall growth of India. The program lays emphasis on 25 sectors with focus on job creation, skill enhancement, economic, technical as well as overall infrastructure development. It also focuses on giving Indian industry a global recognition. Manufacturing industry requires heavy finance to facilitate the purchase of latest modern technology, setting up and development of required infrastructure, developing skill set of its human resource to produce best quality products and survive in ever increasing global competition.

But at the ground level, there are a lot of challenges that the government has to overcome in order to realize the vision of achieving a sustainable 10% growth in the manufacturing sector into reality. This research paper aims to study the key issues affecting “Make in India” vision and recommend possible strategies to deal with the same. Below are highlighted some of such issues which the new Government has to review and deal with for turning the “Make in India” vision into a reality.

#### **Literature review**

Bhagovaty (2014) concluded that the ease of doing business score went down to 142 from 134 last year, the World Bank has taken care to distance this downslide from the government which took charge barely a week earlier and World Bank has used data till May 2014 whereas most measures to improve doing business were undertaken subsequent to that. The various measures undertaken by the Government of India 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 shot the GDP growth by 5.7 % in the last quarter. The study further revealed that If governance continues in the current manner, we can definitely hope to see significant and sustainable growth in the manufacturing sector and progress towards India becoming a global hub.

Green (2014) revealed that a new “Make in India” campaign to “transform India into a global manufacturing hub” aims to use manufacturing as a vehicle for job growth. This study helps answer the question by describing the job growth potential of the Indian economy. Formal-sector manufacturing demonstrates the most potential for job growth under a more supportive policy regime. Assuming sufficient

reforms to generate East Asia-style manufacturing growth, the impact on employment and output is substantial, even if the campaign target of 100 million new manufacturing jobs remains difficult to achieve. The study also describes a set of reforms sufficient to unleash such a manufacturing growth boom.

Soundhariya (2015) concluded that Indian 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. Make in India scheme also focuses on producing products with zero Defects and zero effects on environment.

Anand *et. al.* (2015) revealed that structural transformation depends not only on how much countries export but also on what they export and with whom they trade. This study breaks new ground in analyzing India’s exports by the technological content, quality, sophistication, and complexity of the export basket. The study identify five priority areas for policies: reduction of trade costs ; further liberalization of FDI including through simplification of regulations and procedures; improving infrastructure including in urban areas to enhance manufacturing and services in cities; preparing labor resources (skills) and markets (flexibility) for the technological progress that will shape jobs in the years ahead; and creating an enabling environment for innovation and entrepreneurship to draw the economy into higher productivity activities.

Goyal *et.al.* (2015) studied that there is a need for financial service providers and advisors who could work for these industrialists right from the beginning i.e. right from clearance of the project. Improved quality and better performance management system needs to be in place to guide, monitor and enhance the skill set of its work force. On the basis of the study it can rightfully concluded that People and money, both are the organization’s greatest competitive edge. This study both empirically and rationally explained the patterns through which India can become a manufacturing hub. Favorable investment climate, assistance of financial services, relaxes and industry favorable government policies are the essential ingredients of “MAKE IN INDIA”.

## Current State of Indian Economy

### Key Economic Indicators

The Indian economy has been witnessing positive sentiments during the past few months. The real GDP growth is estimated at 5.5% in the first half of 2014-15 as against 5% in the corresponding period of last year. The macroeconomic indicators have also displayed an encouraging trend in the recent times.

#### Key Macroeconomic indicators

SN	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 #

**Source:** P.H.D. Research Bureau, compiled from various sources.

~ Real GDP growth is average of Q1 and Q2 2014-15

\* Data pertains to April-October 2014-15

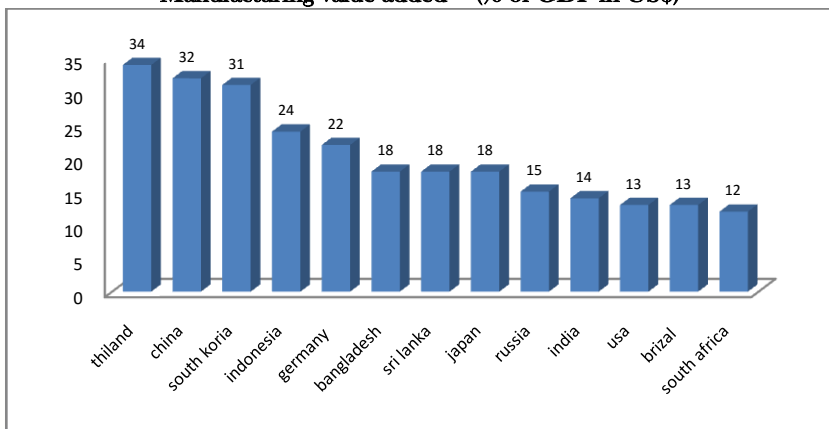
^ Data pertains to percentage of actual to budget estimates for the month of Oct. in respective years

! Figure is average of Current Account Deficit of Q1 and Q2 of year 2014-15

# Data pertains to Q2 2014-15.

**Status of Manufacturing Sector:** The situation of the manufacturing sector in India is a cause of concern. At 16% value added to GDP, the sector does not seem representative of its potential which should have been 25%. In most rapidly developing economies, manufacturing sector contributes 25-40% to the GDP such as Thailand's manufacturing sector value added to GDP is around 34%, China 32%, South Korea 31%, Indonesia 24% and Germany 22%.

### Manufacturing value added (% of GDP in US\$)

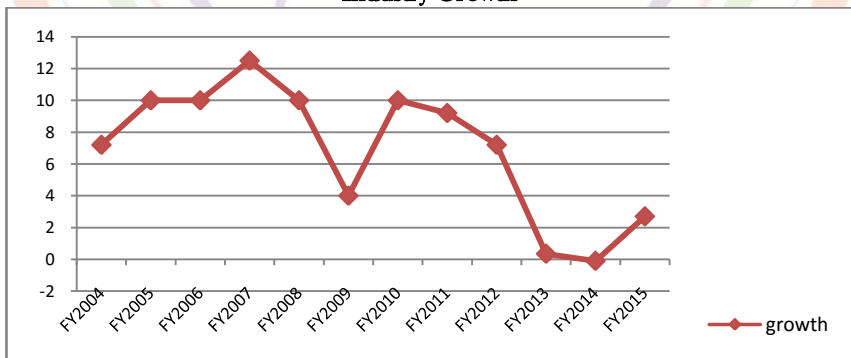


**Source:** PH.D. Research Bureau, compiled from World Bank and Trading economics, Note: Data pertains to 2012.

During the last 2-3 years, the Indian industry has seen a rough patch, decelerating considerably. The industrial growth fell from 9.2% (average) in 10th five year plan period to 7.2% in the 11th five year plan period and 0.35% in the first two years of 12th five year plan (FY13 & FY14). However, with the new government in power, the industrial growth picked up from -0.1% in FY2014 to an average growth of 2.7% during the first half of 2014-15.

### Industry growth from FY2004 to FY2015H1 (in percentage)

#### Industry Growth



**Source:** PH.D Research Bureau, compiled from MOSPI.

The manufacturing sector in India grew at 0.7% during the period April-October 2014-15 from (-) 0.1% in the corresponding period of 2013-14.



The sector grew only 0.2% (average) YoY during the last two years. Though policy has been formulated (New Manufacturing Policy 2011) to enhance its share in GDP from 16% to 25% by 2022, the sector is impacted by multiple factors

### **Objectives of Make In India**

- To attract investment in manufacturing sector from domestic and foreign investors
- To give the Indian economy global recognition
- To create competitive industrial environment
- To develop infrastructure
- To invite latest technologies
- To generate employment and skill formation

### **The Make In India Focuses on New Ideas and Initiatives**

- First to develop India and then focus on Foreign Direct Investment
- Look-East on one side and Link-West on the other
- Highways and 'I-ways'.
- Facilitate investment
- Foster innovation
- Protect intellectual property
- Build best-in-class manufacturing infrastructure.

### **The Make In India Vision**

As mentioned above, Manufacturing sector currently contributes just over 15% to the national GDP. The aim of this campaign is to grow this to a 25% contribution as seen with other developing nations of Asia. In the process, the government expects to generate jobs, attract much foreign direct investment, and transform India into a manufacturing hub preferred around the globe.

The logo for the Make In India campaign is an elegant lion, inspired by the Ashoka Chakra and designed to represent India's success in all spheres. The campaign was dedicated by the Prime Minister to the eminent patriot, philosopher and political personality, Pandit Deen Dayal Upadhyaya who had been born on the same date in 1916.

### **Sectors in Focus**

For the Make in India campaign, the government of India has identified 25 priority sectors that shall be promoted adequately. These are the

sectors where likelihood of FDI (foreign direct investment) is the highest and investment shall be promoted by the government of India. On the campaign launch, the Prime Minister Mr. Modi said that the development of these sectors would ensure that the world shall readily come to Asia, particularly to India where the availability of both democratic conditions and manufacturing superiority made it the best destinations, especially when combined with the effective governance intended by his administration.

Automobiles	Food Processing	Automobile Components	IT and BPM	Mining
Renewable Energy	Roads and highways	Aviation	Leather	Space
Biotechnology	Media and Entertainment	Textiles and garments	Chemicals	Thermal Power
Construction	Oil and Gas	Tourism and Hospitality	Defence manufacturing	Wellness
Pharmaceuticals	Electrical Machinery	Ports	Electronic Systems	Railways

### Research Methodology

Basically, the required information has been derived from

1. Various books.
2. Articles from Newspapers, Magazines and Journals, and
3. From the various related web-sites which deal directly or indirectly with the topics related to FDI and Indian retail sector. After searching the important web-sites, relevant information was downloaded and analyzed to address the objectives of present study.

### Challenges that the 'Make In India' could Face

- 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. A business-friendly environment will only be created if India can signal easier approval of projects and set up hassle-free clearance mechanism.
- India should also be ready to tackle elements that adversely affect competitiveness of manufacturing. To make the country a manufacturing hub, the unfavorable 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 helping the country to take the next big leap in manufacturing. India should be more focused towards novelty and innovation for these sectors. The government has to initiate new plans to give special rights and privileges to 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 enhance 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 achieve this, India has to be better prepared and motivated to do world class Research & Development. The government must ensure that it provides platform for such research and development.

#### **Limitations of the Study**

- The study is based on published data and information. No primary data is being collected.
- Every care has been taken to entice qualitative and correct data; still secondary data have collected for the purposes other than problem at hand.
- The objectives, nature and methods used to collect secondary data may not be appropriate to the present situation.
- Secondary data may be lacking in accuracy, or they may not be completely current or dependable.
- Time constraint remained the major limitation in the study
- The biases can always be there.
- Before using secondary data, it is important to evaluate them on above mentioned factors. So, it consumes the same time as the primary data.



## Suggestions

- More awareness required in realizing the dream of ‘Make In India’ in reality.
- Preference should be given to local participants or manufactures to realize the main objective of Make in India
- Improved quality and better performance management system needs to be in place to guide, monitor and enhance the skill set of its work force.
- This scheme also focuses on producing products with zero defects and zero effects on environment.
- It is essential to unlock the human talent for the success and sustainability of any organization.

## Conclusion

To make India a manufacturing hub, industrial strategies are required to be reworked. Indian government has contributed in this direction by taking number of steps for reassuring investment and bettering business milieu. India has potential to accelerate the GDP to 25% in the next few years. And to achieve this dream of transforming India into a manufacturing hub, “Make in India” mission can be instrumental. Right from the initial stage of business or project, i.e. clearance of the project, the role of financial service providers and advisors who could work for these industrialists’ rights is required to be strengthened. To guide, monitor and enhance the skill set of its work force, the efforts to improve quality and better performance management should be in place. Producing products with zero defects is also one of the objectives of this scheme. It also focuses on zero adverse effects on environment. For the success and sustainability of any organization, it is an essential to fully unlock the human talent. The development, prosperity and sustainability of India as a Manufacturing hub clearly depend upon the immense potential of its human resources and the financial services that are available for the domestic and foreign players. Favorable investment milieu, assistance of financial services, relaxes and industry favorable government policies are the essential ingredients of “MAKE IN INDIA”.

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