

## **10. Make in India Scheme – A Boon for the Manufacturing Sector**

**Dr. Sonal Revankar**

Assistant Professor,  
Department of Management,  
Government First Grade College,  
Khanapur.

### ***Abstract:***

*The Make in India initiative of the NDA government made a lot of news as its main focus was on the development of the manufacturing sector of Indian Economy. Since its launch lot of research is being conducted to review the success of the scheme and its impact on the Indian economy.*

*The current research is an attempt to study the basic outlook of the scheme with special reference to manufacturing sector of India. It also highlights the benefits and challenges of the make in India initiative. The paper concludes that the government needs to work on implementation of the scheme. It should strive for better implementation of the decided policies. The problems on the grassroots level needs to be understood and addressed.*

### **10.1 Introduction:**

The Indian economy has been witnessing positive sentiments during the past few years. The macroeconomic indicators have also displayed an encouraging trend in the recent times. The Make in India initiative launched by Government is expected to make India a manufacturing hub while eliminating the unnecessary laws and regulations, making bureaucratic processes easier, make government more transparent, responsive and accountable and to take manufacturing growth to a sustainable level. Apart from initiatives such as development of smart cities, skill development, National Investment and Manufacturing zones, FDI enhancement, the government is building a pentagon of corridors across the country to boost manufacturing and to project India as a Global Manufacturing destination of the world.

The manufacturing sector of Indian economy provides an excellent opportunity to international investors to collaborate with existing businesses as most of the businesses have plans to expand through various options. Businesses are actively participating in the Make in India mission of the government.

With various initiatives being implemented by the government to facilitate the ease of doing business, the manufacturing sector in India is picking up pace and providing immense opportunities to domestic and international investors to come and make in India.

## **10.2 Objectives of Study:**

- To understand the concept and vision of Make in India initiative with special reference to manufacturing sector of India.
- To study the benefits and challenges of Make in India Initiative

### **10.2.1 Make in India Initiative – The Concept:**

Prime Minister Narendra Modi launched the Make in India initiative on September 25, 2014, with the primary goal of making India a global manufacturing hub, by encouraging both multinational as well as domestic companies to manufacture their products within the country.

It is being led by the Department of Industrial Policy and Promotion (DIPP), Ministry of Commerce and Industry, Government of India, of Industrial Policy and Promotion. The initiative aims to raise the contribution of the manufacturing sector to 25% of the Gross

Domestic Product (GDP) by the year 2025 from its current 16%. Make in India has introduced multiple new initiatives, promoting foreign direct investment, implementing intellectual property rights and developing the manufacturing sector. It targets 25 sectors of the economy which range from automobile to Information Technology (IT) & Business Process Management (BPM), the details of each can be viewed on the official site. It also seeks to facilitate job creation, foster innovation, enhance skill development and protect intellectual property. The logo of 'Make in India' – a lion made of gear wheels – itself reflects the integral role of manufacturing in government's vision and national development.

The national program is designed to facilitate investment by eliminating red-tapism, promoting innovation by major bureaucratic reforms, deregulations and public-private partnerships. It targets to build best-in-class manufacturing infrastructure and enhance skill development so as to create environment favorable to that of setting up of business ventures in India.

However, the vision though laudable is not easy to attain. There are a number of obstructions which the government will have to resolve before it can hope to achieve its dream of making India a global manufacturing hub.

### **10.3 Literature Review:**

(Bhatia & Agrawal, 2018) States that the government has been successful to a great degree in terms of positioning India as international manufacturing hub not only on the basis of slogans and propaganda, but on the basis of the small steps taken in every sphere of the economy. These small actions, from reducing the export formalities to setting up an Investor Facilitation Cell, have been the real catalysts behind this campaign and are at its core. It is also evident that the campaign has great opportunities for India's future and hence must be pursued with equal vigour in the coming years.

(Sahoo, 2018) The measures taken by the Government are directed to open new sectors for foreign direct investment, increase the sectoral limit of existing sectors and simplifying other conditions of the FDI policy. FDI policy reforms are meant to provide ease of doing business and accelerate the pace of foreign investment in the country.

Over all scenario of make in India and FDI was a positive summon to prospective investors from all over the world. It represents a wide-ranging refurbish of processes and policies. Earlier, Indian Government was working with a mindset of an issuing authority, but now with the launch of Make in India, it has started working as a Business Partner (Aneja, 2016) has stated that make in India is an ambitious project, but it is the one that India urgently needs to kick start and sustain its growth momentum. With relentless policies towards this end, it is possible to make India the powerhouse of manufacturing sector in the world.

He concluded that the concept of Make in India will certainly going to lift up the Indian economy and will aid in meeting the major challenges of poverty, unemployment, low per capita income and help in sharing the burden of government.

India is considered a challenging nation to start a new venture as its business environment presents too many barriers (Nally, Kapoor, & Juan 2015). Rigid licensing norms, elongated approval processes, poor infrastructure, stringent land and labor laws, were few of the many reasons, which ranked India at 142nd position among 189 nations in ease of doing business (World Bank Report on Ease of Doing Business 2015). Through, this initiative the government also aims at easing out the ways business is done in India and hopes to improve its position in the global ranking and bring it to the top 50 in the next 5 years.

To attain the above, the Make in India initiative strategizes to simplify the laws and policies of doing business in India. (Sindhu, 2015). As a part of the initiative the government has already relaxed the FDI norms and increased its cap in various industries in controlled manner. Efforts are also on to make the county's tax system transparent and predictable. (Parthasarthy, and Agarwal 2016).

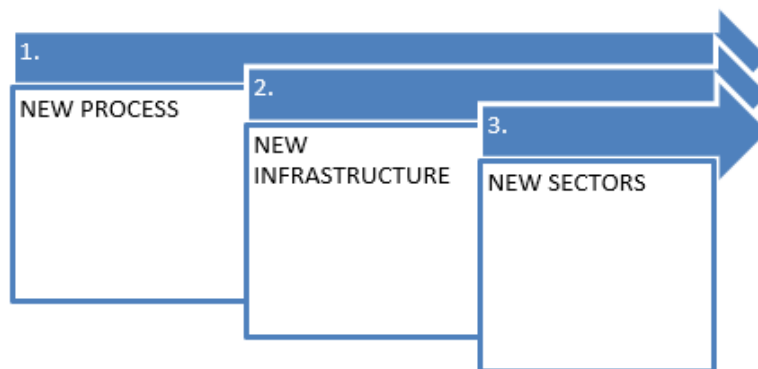
Skill India is another project launched so as to have synergy between the objectives of the government, the industry and job (Das, 2015). Development of 100 smart cities, digital India, pentagon of corridors and manufacturing zones are all efforts to stimulate Make in India. The dream of making India a global manufacturing hub, though, sounds very rosy but is full of challenges and roadblocks. Anarchic laws, tedious and costly land acquisition; rigid and inflexible labor laws are the three Ls that pose the biggest challenge to the successful implementation of Make in India (Jagannath, 2014).

Besides the above, multiple taxation, poor governance and police raj and Companies Act 2013 are some of the other impediments that the initiative has to resolve. (PHD Chamber Study, 2016). No country in the world has achieved high income status without developing manufacturing to a point where it accounts for at least a high share (around 30 per cent) of GDP. (Ghose, 2015).

The initiatives of the government aim at easing out the way business is done in India and hopes to improve its position in the global ranking and bring it to the top 50 in the next 5 years.

#### **10.4 New Initiatives under Make in India – The Vision:**

The Make in India Initiative has proposed the following new initiatives



##### **10.4.1 New Process:**

New Improved business processes and procedures were developed to facilitate the ease of doing business in India and create confidence among entrepreneurs as a result of which India moved up 12 places in the World Bank's Doing Business ranking 2016 released in October, 2015. Some of the key highlights of these procedures were

- Incorporation of a company reduced to 1 day instead of 10 days
- Power connection provided within a mandated time frame of 15 days instead of 180 days
- No. of documents for exports and imports reduced from 11 to 3
- Validity of industrial license extended to 7 years from 3 years
- Bankruptcy Code 2015 – New bankruptcy law, providing for simple and time-bound insolvency process to be operational by 2017
- Goods and Services Tax – Single tax framework by April, 2017
- Permanent Residency Status for foreign investors for 10 years

### **10.4.2 New Infrastructure:**

New transport and Digital Infrastructure is developed to support the economic development and improve the quality of life of citizens. Following is the list of new infrastructure development projects being carried out

- Industrial Corridors and 21 new nodal Industrial Cities to be developed
- Doubling of Network of Roads by 2020 and Construction of 15,000 km new roads by 2017 is targeted under various projects
- Railway projects such as Setting up of New Railway Stations, Modernisation of Rolling stock, High Speed Railways, Port Mine connectivity etc. have been initiated for Modernising and better connectivity of Indian Railways.
- Eastern Dedicated Freight Corridor of 1840 km length and Western Dedicated Freight Corridor of 1504 km length is under construction as well as many projects are under planning stage.
- Sagar Mala project is started by the Govt. of India to modernize India's Ports and Inland waterways so that port-led development can be augmented and coastlines can be developed to contribute in India's growth, providing a project outlay of \$10 Bn
- The Smart Cities Mission having a project outlay of \$7.69 Bn is progressing, with Special Purpose Vehicles for 19 cities already set up.
- Aviation industry with target of becoming 3<sup>rd</sup> largest by 2030 and to cater international and domestic traffic.
- 3<sup>rd</sup> largest tech driven Start-up ecosystem globally and Tech Startups in India are expected to reach 11,500 in 2020 from 4,300 in 2015
- “Start-up India” initiative was launched aiming at fostering entrepreneurship and promoting innovation by creating an ecosystem that is conducive for growth of Start-ups.

### **10.4.3 New Sectors:**

The Make in India initiative targeted 25 economic sectors for job creation and skill development, and aimed "to transform India into a global design and manufacturing hub".

FDI Reforms were carried out in the following sectors

- Defence: Up to 49% under automatic route and above 49% through Government route
- Civil Aviation: 100% FDI under automatic route in Greenfield Projects and 74% FDI in Brownfield Projects under automatic route beyond 74% for Brownfield Projects is under government route.
- Broadcasting: New sectoral caps and entry routes are as under: o Broadcasting Carriage Services & down-linking of news channels: 100% FDI o Cable Networks: 100% FDI and in News channels: 49% FDI
- Banking: FDI up to 74% with 49% under automatic route rest through government route
- Railways: 100% FDI under automatic route permitted in construction, operation and maintenance of Rail Infrastructure projects
- Construction: 100% FDI through automatic route and Removal of minimum floor area & minimum capital requirement
- Pharmaceuticals: The extant FDI policy on pharmaceutical sector provides for 100% FDI under automatic route in Greenfield pharma and FDI up to 74% under automatic route and 100% under government approval in Brownfield pharma.
- Plantation: Certain plantation activities namely; coffee, rubber, cardamom, palm oil tree and olive oil tree plantations has opened for 100% foreign investment under automatic route.
- Telecom: FDI up to 100% with 49% under automatic route
- Insurance & Pension: FDI Policy has been reviewed to increase the sectoral cap of foreign investment from 26% to 49% with foreign investment up to 26% to be under automatic route.
- Medical Devices: 100% FDI under automatic route for manufacturing of medical devices has been permitted.
- E-Commerce: 100% FDI in B2B e-commerce, Single brand retail trading entity permitted for B2C e-commerce and e-commerce food retailing
- Retail: 100% FDI and 49% under automatic route is allowed. In case of “state-of-art” and cutting-edge technology” sourcing norms can be relaxed subject to Government approval. 100% FDI is now permitted under automatic route in Duty Free Shops located and operated in the Customs bonded areas.

#### **10.4.4 Benefits of Make in India:**

- a. **Create Employment:** One of the main objectives of Make in India campaign is to provide job opportunities to as many citizens of India as possible. It has targeted the youth of the country as its prime recipient. The investments in the targeted sectors, i.e. telecommunications, pharmaceuticals, tourism etc. will encourage the Indian youth to come forward with their innovative concepts.
- b. **Increase GDP:** Due to the manufacturing of products in India, economic growth is unavoidable, which will not only boost the trade sector but also will increase the GDP of Indian economy as with the setting up of new factories Various sectors such as exportation, architecture, textiles, telecommunications etc. are likely to flourish inevitably, strengthening the Indian economy which is already the seventh largest in the world.
- c. **FDI Inflow and Strengthen Rupee:** The advent of the manufacturing industries would automatically convert India into a hub for the manufacture of various commercial products; as a result, there would be a grand collection of the FDI, which, in turn, would strengthen the rupee against the American dollar.
- d. **Foster Ease of Doing Business:-** New Improved business processes and procedures were developed to facilitate the ease of doing business in India and create confidence among entrepreneurs as a result of which India moved up 12 places in the World Bank's Doing Business ranking 2016 released in October, 2015.
- e. **Technology Upgradation:** India being an underdeveloped country obviously lack various latest mechanization, which, is a big hurdle in the path to development of the nation. Hence, with the myriad of countries coming forth by the make In India crusade, India will be given the opportunity to make use of the latest technology these countries bring along. Not only will India benefit from the knowledge and use of the technology but also, the concerned nations will be provided with a skilled manpower

#### **10.4.5 Challenges for Make in India:**

Manufacturing plays a vital role in India. But there is need of sound policies and facilities for land procurement, labour laws, power tariffs, transport, and logistics.



Government has shown intent to ease the processes but the actual implementation is very slow. The infrastructure development in India is extremely slow which halts the economic development.

Thus, until these facilities are developed to cater the needs of the multinational companies, the effect of make in India cannot be seen practically.

### **10.5 Conclusion:**

The Make in India campaign launched by the government of India shows a positive result. However, there are certain challenges for make in India to become completely successful and the success to get reflected in the nations GDP. A Nation can develop only if it meets the domestic demand of goods and services is catered on its own and the country exports on considerable amount. Manufacturing plays a very important and vital role for this purpose. But, for that sound policies and facilities for land procurement, labour laws, power tariffs, transport, and logistics etc. are the primary requirements. The implementation of GST system and demonetization created problems for the small-scale sector. After the turbulence, the value of rupee decreased. It ultimately reduced the value of our exports. Government in between also levied long term capital gains tax on investment in India which was earlier exempt. All these issues reduce the confidence of private players, and there is a lack of investments. For the success of Make in India program, mere willingness to spend on infrastructure and attracting FDIs will not serve. The government needs to work on implementation. It should strive for better implementation of the decided policies. The problems on the grass root level needs to be understood and addressed.

### **10.6 References:**

1. Aneja, D. P. (2016). Make in India: New Paradigm for Socio-Economic. Paripex- Indian Journal of Research, 295-297
2. Bhatia, R., & Agrawal, S. (2018). Make in India: A quantitative approach. International Journal of Applied Research, 152-156
3. Das, Sandip. (2015). Make in India"- A Boost to the Manufacturing Sector. Retrieved from <http://employmentnews.gov.in/webmake.pdf> on 6.9.2015

4. Ghose, Ajit. (2015, May 23). The dual economic logic for 'Make in India. Business Standard, 7 Jagannath, K. T. (2014). Hurdles to Make in India. retrieved from <http://www.thehindu.com/business/Industry/hurdles-to-make-in-India/article6324344.ece> on 16.7. 2016.
5. Nally, D., Kapoor, D., & Juan, P. (2015). Future of India the Winning Leap, PWC Report. Retrieved from [http://www.pwc.in/en\\_in/in/assets/pdfs/future-of-india/future-of-india-the-winning-leap.pdf](http://www.pwc.in/en_in/in/assets/pdfs/future-of-india/future-of-india-the-winning-leap.pdf) on 20.7.2015.
6. Parthasarthy, Jaishree, and Agarwal, Dhiraj. (2016) For Make in India to succeed Harness Technology and Foster Innovation. retrieved from <http://indianexpress.com/article/india/india-news-india/for-make-in-india-to-succeed-harness-technology-foster-innovation/> on 16. 7. 2016.
7. PHD Chamber Report. (2016). Exploring prospects for Make in India and Made in India retrieved from [http://phdcci.in/file/thematic\\_pdf/Exploring%20Prospects%20for%20Make%20in%20India%20and%20Made%20in%20India%20A%20Study.pdf](http://phdcci.in/file/thematic_pdf/Exploring%20Prospects%20for%20Make%20in%20India%20and%20Made%20in%20India%20A%20Study.pdf). On 17. 7. 2016
8. Sahoo, B. B. (2018). Make in India: Impact on Indian Economy. International Journal of Research Culture Society, 483-489.
9. Sindhu, M.V. (2016). Make in India Reinforces Brand India a look at how key Indian sectors Present Huge Opportunities for Investment and Growth. Retrieved from <http://yourstory.com/2016/02/make-in-india-2/> on 21.7. 2016.
10. World Bank. (2015) Agricultural land (% of land area) retrieved from <http://www.makeinindia.com/http://www.doingbusiness.org/~media/GIAWB/Doing%20Business/Documents/Annual-Reports/English/DB15-Full-Report.pdf> on 24.6. 2015..