

Make in India: From Philosophy to Practical**Manish Dadhich**

Research Scholar

Department of EAFM

University of Rajasthan, Jaipur

Abstract: India's manufacturing sector is on a high growth trajectory. As targeted by the National Manufacturing Competitiveness Council (NMCC), it is set to contribute 25 percent to the GDP by 2025 compared to the current share nearly 18 percent. India's economy has grown at an impressive pace over the last two decades as a result of wide-ranging structural reforms to open up the economy and make it more competitive. The crux of 'Make in India' includes making India a manufacturing hub while eliminating the unnecessary laws and regulations, making bureaucratic processes easier and shorter and make government more transparent, responsive and accountable. This paper tried to attempt stumbling blocks and corrective measures to groom India as a manufacturing leader.

Key Words: Infrastructure development, Special Economic Zones, Globalization, Export promotion

1. Introduction

The world is looking at India as it begins a new phase in its journey towards being a global economic power house. As the world looks on, it realizes that there is no product or service that does not have a significant market in India, and all of them without exception with a growth potential that is staggering. Therein lays the perplexing dichotomy of India, a country that has the world's youngest and largest workforce along with the world's greatest potential market for many years to come. The country's recent focus is on easing and enabling the requisite infrastructure and regulatory frameworks across the board, which includes both manufacturing as well as market access, is an opportunity for all entrepreneurs and companies to participate and contribute to the India story from the very onset of a new dawn.

The Government recently launched the Make in India campaign on 25 September 2014 to attract business from around the world to invest and manufacture in India. It 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 10% on a sustainable basis. The launch of Make in India program

would go a long way to establish India as a major manufacturing hub that will generate millions of employment opportunities and push India on a high and sustainable growth trajectory in the coming times.

The major objectives behind this initiative is to focus upon the heavy industries and public enterprises while generating employment, empowering secondary sector, tertiary sector and utilizing the human resource present in India. 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.

Moreover time bound projects clearance through a single online portal which will be further aided by the eight members team dedicated the answering investors queries within 72 hours and addressing key issues including labor laws, skill development and infrastructure. As a supportive instrument Organization for Economic Co-operation and Development (OECD) has also recommended the following key points:

- 1.1 Strengthen fiscal frameworks through legislative and institutional reforms.
- 1.2 Improve spending efficiency, especially on subsidies, by improving targeting and delivery mechanisms.
- 1.3 Proceed with the implementation of the GST, minimizing exemptions to keep the base as broad as possible while also aiming for a single rate within each state.
- 1.4 Implement a revised Direct Tax Code which streamlines collection and reduces the overall burden of direct taxes.
- 1.5 Push reforms in the area of international taxation in order to boost investor sentiment and provide a stable and certain tax environment for businesses.

2. An Overview of Indian Economy

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.

During the last two 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. Further, the announcements made in Union Budget 2014-15 are inspiring as focus on industrial infrastructure and plan to establish 100 smart cities would enhance industrialization and create employment opportunities in the economy. The launch of Make in India is expected to inspire the investors to look at India for their future investments which would improve the ease of doing business and spur manufacturing growth, going ahead.

Major Macroeconomic Indicators of India

Table 1

S. No	Parameters	FY14	FY15
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	1.70%	1.9%!
7	Current Account Deficit as % of GDP	1.70%	1.9%!
8	FDI Inflows	8%	15%

Source: PHD Research Bureau, compiled from various sources

Asian Development Bank predicts India's gross domestic product (GDP) to grow by 6 per cent for 2015-16. Moreover, World Bank sees 6.7 per cent GDP growth for India by 2015.

The current Gross Domestic Product (GDP) Composed of Services: 65 per cent, Industry: 18 per cent, Agriculture: 17 per cent. [India](#) is the second fastest growing [services sector](#) with its Compound annual growth rate at 8.0 per cent, just below China's 10.9 per cent, during 2001 to 2012.

3. Need of the Study

The need of the study is to unfold the various dimension of manufacturing in India and give them concrete form. Moreover Government makes sure proper implementation of policy rather than a kind of initiation. At present India is in position to attract the foreign manufacturing investors with lucrative schemes but at this juncture is also vital to assess the problems and their corrective measures.

4. Review of Literature

Balasubramanyam (2013) described the progress of EPZ/SEZ in Indian economy. The second part would assess the SEZ administration and various aspects of SEZ policy. Third part brings out a discussion of the problems in implementation of SEZ in the economy. Fourth part adds the

international comparison of SEZs in China, Bangladesh and Sri Lanka emerging issues for discussion of policy makers/administrators and further research are posed in the conclusion.¹

Agrawal (2012) found that India has been emerging as a global leader for past few decades. India's increase in share in world services exports from 0.6 per cent in 1990 to 3.3 per cent in 2013 was faster than in merchandise exports. Exports of software services, accounting for 46 per cent of India's total services exports, decelerated to 5.4 per cent in 2013-14, travel, accounting for a nearly 12 per cent share, witnessed negative growth of 0.4 percent.²

Rao, Achalpathi (2012) discussed that unbalanced growth led to formation of special economic zone to order to support the Indian economy while doing SWOT analysis, they concluded that infrastructure development and globalization help in employment generation, competitiveness and shifting burden from agriculture to manufacturing & service sectors.³

5. Objectives of the Study

In the light of above review of literature and the issues raised, the following are the objectives of the present study:

- a. To analyze the present status of manufacturing sectors of the nation.
- d. To point out the problems faced by manufacturing Industrialists.
- c. To explore corrective remedies for making India as a manufacturing hub.

6. Research Methodology

a. Collection of Data: The study based on an empirical research and the primary data collected through a structured questionnaire and by holding interview with various categories of convenience sample.

b. Tools of Analysis: The collected data recorded, analyzed and interpreted in the significant manner with the help of SPSS version 20 and excel sheet. The statistical tools used for the study included Garrett's rank test etc.

$$\text{Garrett's Rank Test} = 100(R_{ij}-0.5)/N_j$$

c. Sample Size: For the purpose of study Pali district (Falna, Sumerpur Industrial Area) selected in the state of Rajasthan. A total of 32 respondents were covered by the study.

d. Period of Study: The data was collected during the month of Jan 2015 to April 2015.

7. Analysis and Interpretation

Table-1 Types of Industry

Types	No of Respondents	Percentage
Iron and Steel	08	25.00
Umbrella	14	43.75
Chemical	05	15.60
Food Products	05	15.60
Total	32	100

Table-2 Export or Non-export Units

Types	No of Respondents	Percentage
Export Industries	08	25.00
Non-export Industries	24	75.00
Total	32	100

Table-3 Problems face by Industries

Problems	Total Score	Mean Score	Rank
Inadequate infrastructure of manufacturing	2950	59.00	II
High rate of loan interests	2602	52.04	IX
High production cost	2918	58.36	V
Ineffective consultancy service provided by Govt.	3044	60.88	I
Lack of R&D	2936	58.72	III
Ineffective human factor	2908	58.16	VI
Absence of organized market	2932	58.64	IV
Power shortage	2641	58.82	VIII
High price of raw material	2380	47.60	XI
Lack of spirit of entrepreneurship	2421	48.42	X
Brain drain	2272	45.44	XII
Lack of technology	2701	54.02	VII

Table-4 Corrective Measures for techno sound Make in India

Corrective Measures	Total Score	Mean Score	Rank
Simplification of licensing system	2916	58.32	I
Reducing trade barriers and FDI inflow	2322	46.44	IX
Changes in public enterprise policy	2665	53.30	VI
Financial incentives	2245	44.90	X
Reforms in tax structures for industries	2688	53.76	V
Liberalization for foreign technology agreements	2779	55.60	IV
Infrastructure development	2801	56.02	III
Open desk clearing process	2826	56.52	II
Human development	2562	51.24	VII
Export promotion schemes	2438	48.76	VIII

India considers growth in the manufacturing sector which is quite vital for its overall development of economy that is why the government adopted SEZ (Special Economic Zone) model in order to yield more than ever before. Same MII (Make in India) will also further act as a catalyst and it is expected that it will yield a synergistic effect in manufacturing industry. India's experience with SEZs actually predates that of China. In 1965 the first special export processing zone was set up at Kandla in Gujarat state, seven more later began operations. The Indian SEZ model however has been far less successful than the Chinese Model. The Indian zones have had difficulty in attracting foreign and domestic investors for a variety of reasons. An important difference has been the lack of a natural gateway that could serve as a source of capital and a conduit for the movement of goods in the manner that Hong Kong and Taiwan function for China.

India	China
Inadequate infrastructure and development handed over to private real estate.	Government invested heavily in infrastructure development and modernization.
There are stringent labor laws.	Flexible labor laws providing contract appointment for a specific period
Almost 568 SEZs were given formal approval spread across all over the country.	Only seven zones selected very big in size and specified area.
Focus was more on service sectors like ICT.	Focus was more on manufacturing sector.
Inadequate employment opportunities for local people.	Manufacturing and service sector both rational utilized by local people
SEZs were set up even in land locked areas based on developers convenient.	Manufacturing areas were setup near to coastal areas making exports and import easy.

In table-1 there are total 32 manufacturing units considered for further analysis, eight are Iron and Steel, fourteen are Umbrella, five are Chemical and five are Food Product industries. In table-2 eight industries are export oriented units whereas twenty four are domestic units only.

According to the table-3 there are lot stumbling blocks to make India as a manufacturing hub. The respondents just ranked the problems which they actually came across during their routine operational process. It is very interesting to observed that ineffective consultancy service provided by Government having the rank first with highest Mean score 60.88, inadequate infrastructure of manufacturing rank second with Mean score 59.00 and followed by lack of R& D rank third with Mean score 58.72, absence of organized market of manufacturing product rank fourth with Mean score 58.64 and high production cost having rank fifth with Mean score 58.36. Besides there are many other factors i.e. brain drain, lack of technology, inefficient human factors, high price of raw material, high rates of interest loan, power shortage etc. are also crucial factors which influence the Mission 'Make in India' directly and indirectly.

In table 4 respondents ranked the above corrective measure and it is very impetus to analyze that simplification of licensing system of government has rank first with highest Mean score 58.32, open desk clearing process having the rank second with Mean score 56.62, Infrastructure development rank third with Mean score 56.02, liberalization for foreign technology agreements rank fourth with Mean score 55.60 followed by reforms in tax structures for industries rank fifth with Mean score 53.76. Moreover there are several other corrective measures which cannot be ignored while making a concrete policy for 'Make in India' i.e. development of human resource, export promotion schemes by government, reducing trade barriers and FDI inflow, some radical changes in public enterprise policy, financial incentives and even more than above.

8. Conclusion

Improve manufacturing innovation systems includes research and development, technology adoption & transfer and free flow of human resource. A key challenge for India is to make its manufacturing sector more productive and more sustainable is the inadequate implementation of policy. Manufacturing still accounts for 18% of India's GDP and the Indian authorities have recently renewed their reform impetus 'Make in India'. They are working to liberalize foreign investment in some keys areas and to reform the tax system and the delivery of subsidies. These are important steps, but further reforms are also essential for India to make the most of its assets: a young and dynamic population, an entrepreneurial and increasingly innovative business sector, and proximity to one of the most dynamic regions in the world. The manufacturing sector as a whole has to, and

will grow in India for the foreseeable future. There are many areas in which India has significant potential advantages. The law of competition is that, alas, threats hit faster, by others' momentum. Opportunities need momentum to capture from Indian industry and government. The success of mission 'Make in India' is bound to happen with concrete firm policy and proper implementation at grass root level. In nut shell, it is a collective responsibility to take the plunge and come out with possible solution to make India as a manufacturing hub.

9. References

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