

## Role of Government in Make in India Campaign

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### Abstract:

In India service sector contributes more to GDP than manufacturing sector. To solve the various problem relating to cheap labor, raw material, infrastructure and to make India a manufacturing hub Prime Minister of India has launched a program 'Make in India' to ensure that manufacturing sector which contributes around 15% of the country's Gross Domestic Products will be increased to 25% in next few years. This program will encourage innovation, skill development, generate employment opportunities, prevent brain drain and use of international standardized technology for Indian citizen. This paper discusses the concept, challenges, opportunities and various support of government for 'Make in India' program. This paper is fully based on secondary data. The study concludes that 'Make in India' program will surely make India an investment destination and global hub for manufacturing and innovation. This study suggests that awareness among manufacturers regarding rules and regulation will help the 'Make in India' campaign successful.

**Keywords:** Make in India, Manufacturing sector, GDP, Problem, Advantages & Disadvantages of Make in India Campaign.

### 1) Introduction:

In India labor is plenty and skilled labor is easily available but unemployment rates are high among the educated class of the country. To solve this problem and to make India a manufacturing hub Prime Minister of India Mr. Narendra Modi launched Make in India campaign and this will take manufacturing growth to 10% on sustainable basis. This campaign promotes 25 priority sectors as these are the sector where FDI is highest. Make in India is designed to facilitate investment, foster innovation, enhance skill-development, protect intellectual property and build world class manufacturing infrastructure. For industrial development Make in India campaign give focus to cluster development of industries i.e. printing cluster, auto cluster, packaging cluster, textile cluster and general engineering cluster.

This campaign does not only attract overseas companies but also encourage domestic companies to increase production within the country. Aim of producing products of high quality standards and minimizing the impact on the environment is of increasing the GDP and tax revenues in the country.

As small businesses contribute about 17% of India's GDP and employed about 60 million people and it is the second largest employer after the agricultural sector. Within the manufacturing sector SMEs consist of 90% of all industrial units and accounts for half of India's total industrial output and 40% of export. There is a big question whether Make in India will benefit the small business or not.

#### 1.1) Purpose of Make in India Campaign in India are:

During 2014-15 the manufacturing sector in India grew at 0.7% from -0.1% in the corresponding period of 2013-14. The sector grew only 0.2% on average during the last two years. To enhance the share of

manufacturing sector in GDP from 16% to 25% by 2022 the government has design the new Manufacturing Policy 2011. The manufacturing sector fail to rise because of following reasons:

High Input Costs

Inadequate infrastructure framework

Lack of single window clearance facilities

Inadequate availability of land for industrial purposes

Unbalanced growth in logistics sector

Keeping the above failures in mind of manufacturing sector the government of India has launched the Make in India Campaign with certain purpose:

a) Job creation

b) Economic Development

c) Global Recognition

d) Invest in manufacturing

e) Creation of competitive industrial environment

f) Development of infrastructure

g) Use of latest technologies

h) Skill formation

i) Encourage FDI

j) Foster innovation

k) Protect intellectual property

## 2) GDP, Manufacturing Sector and Make in India Campaign:

Three sector contribute to GDP of any country are Agriculture, manufacturing and services. Agriculture sector contribute 28%, manufacturing sectors contribute to 16% and service sector contribute to 56% to GDP of the country. Through Make in India initiative contribution of Manufacturing sector will increase. It does not mean that Government will not focus in Service sector. Contribution of service sector will be maintained by Digital India. Government is targeting contribution of manufacturing sector to 16% to 35% in next 5 years. Manufacturing require conducive environment for business as it is capital and resources intensive sector. Government has a challenge to handle labour through labour reforms and upgrade infrastructure of country. To encourage entrepreneurship government has also set up 10,000 crore start up fund. In a time bound manner through single online portal government will provide all the approvals under Make in India initiative.

## 3) Advantage of Make in India Campaign:

**3.1) Employment of Low skilled workers:** This campaign will generate large number of jobs for low skilled workforce.

**3.2) FDI:** India has to depend on FDI to keep the economy alive. As manufacturing is capital intensive industry that's why Make in India will attract huge inflows of FDI. FDI inflow will help to revive Indian economy.

**3.3) Small and Medium Enterprises:** Any manufacturing hub needs supply of parts which is an advantage for SME's. Through SME's Make in India help in generating indirect employment.

**3.4) Reduce Trade Deficit:** Manufacturing sector has multiplier effect on exports than service sector which help the government to reduce the India's trade deficit. Reduction in trade deficit has positive impact on the finance and economy of the country. It will stop devaluation of currency and increase sovereign rating which will attract FDI more.

**3.5) India as Consumer Market:** Under Make in India campaign any company investing in India will directly get access to huge market of 125 crore people. This advantage is not available for investment in service sector.

**3.6) Focus to Defence:** India is big market for defense equipments. Big manufacturing projects related to defense will give the environment for Make in India initiative to take off.

**3.7) Increase the share of Manufacturing in GDP:** Make in India will increase share of manufacturing from 15 per cent of Gross Domestic Product to 25 per cent and will create additional employment opportunity of ten million per year.

**3.8) Creation of Investor Facilitation Cell:** This program will change the attitude of investor an Investor Facilitation Cell has been created to guide and assist first-time investors.

## 4) Government Support towards Make in India:

**4.1) Ease of doing business:** India has to improve the ranking in the world in ease of doing business this is possible as government is taking steps towards transparency in its decisions and rules. Rules and procedures have been simplified and a number of products have been taken off licensing requirements. The efforts of the

government of India will boost the Indian economy. For increasing investor the government is working on improving the various components of Doing Business indicators like starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. Some of the reforms regarding ease of doing business are:

**4.1.1) Starting a Business:** Government has made easier to start business like making simpler procedures by introducing information technology and reducing or eliminating minimum capital requirements. India is working for registered businesses, looking for more financial resources and job opportunities.

**4.1.2) Dealing with construction permits:** To protect the public government has to regulate the construction sector. Problems related to construction sector may force companies to pay bribes to pass inspections. India has to regulate smartly to ensure that standards are met. To keep compliance costs reasonable government have to adopt coherent and transparent rules, efficient processes and adequate allocation of resources.

**4.1.3) Paying taxes:** For government taxes are the essential source of revenue. Taxation should be exercised with caution and judiciousness so it does not affect negatively to economy and investment climate. Policies should be designed in such a way that it favors the investors. Online tax filing and payment should be introduced by the government. The implementation of the Goods and Services Tax will encourage investment and growth by bringing about benefits like broadening the tax base, eliminating indirect taxes, central sales tax, state-level sales tax, entry tax, stamp duty, tax on transportation of goods and services etc. Government should build a transparent and corruption-free tax administration. GST will be levied only at the destination point and not at various points.

**4.1.4) Enforcing Contracts:** In India settling commercial disputes is an extremely costly and time consuming process. The court should enforce short and strict deadlines for dispute settlement and reduce the number of unnecessary formalities associated with dispute settlements.

**4.2) Decrease the cost of production:** With delay in getting regulatory clearances cost of production increases. In India cost of production increases because of various government policies, procedures, regulations and laws. The government of India is taking appropriate steps to face this challenge. India is facing big constraint relating to land acquisition as better infrastructure is essential for the industry.

**4.3) Lowering tax and focus on innovation:** In the age of globalization even in the domestic market Indian manufacturers have to compete with the best and cheapest the rest of the world. To solve this problem government is providing tax concessions to any industry which will set up manufacturing facility in the country. Small and medium sized industries play a critical role in the area of manufacturing. For the success of Make in India programme government of India is focusing on innovation for carrying out research and development.

**4.4) Skill development & focus on education:** Focus should be on quality education and not just skill development. To meet the need of the economy people have to learn new skills. Industrial Training Institutes are training manpower as per their needs. Training help in getting employment and better purchasing power will help the economy. From the past few years National Skill Development Agency started creating a labour market information system which will help industry in getting their manpower requirement. Through this information government will provide accreditation to manpower agencies so that the industry can access information on the manpower requirement.

**4.5) Reforms in the labour laws:** Besides the skill development for the success of this campaign labour law flexibility is a key element for increasing manufacturing in the country. Through Make in India employment level will increase and economic situation of even poor family will improve as well as purchasing power will improve. This will lead to manufacturing growth and growth of the market.

**4.6) Land Acquisition:** One of the important challenges before manufacturing sectors is acquiring land. According to new land acquisition act developers need the consent of up to 80 per cent of people whose land is

acquired for private projects and of 70 per cent of land owners in the case of public-private partnership projects. The government has to identify and devise strategies for the rehabilitation and resettlement of the displaced people. Moreover, the rehabilitation and resettlement also becomes a costly venture. For industrialization purpose government has to acquire only wasteland. This will eliminate the cost of rehabilitation and resettlement and therefore lead to speedier execution of projects. Wasteland has the huge potential for the manufacturing facilities after appropriate engineering and geographical assessments of areas.

**4.7) Improving the employability of graduates:** Human resource is the greatest asset of any firm. In India manufacturing facilities will be set up by the companies only when they find good quality skilled labour in the country. Its time now to think government why India has got low employability of Indian graduates in general and engineering graduates in particular. The course curriculum of the engineering institutions is big and large it is more theoretical in nature and students are not made aware of the applications of the theoretical knowledge in industry. There is lack of interaction among academic institutions and industries. The curriculum fails to meet the needs of the industries. Unfortunately with rapid development in the field of science and technology curriculum has not changed yet. The concepts of the semester system are not understood by the students and also by the faculty members. With this semester system students concentrate on grades and not learning. All this creates severe mismatch between employer needs and the skills of the graduates. Since job requirements are continuously changing so there should be regular and structured interaction between academia and industries.

Most entrance tests focus on speed and memory and not calm and collected thinking of the institution. Companies want technical man power in the country. There is a need to improve infrastructure, redesign curricula, improvement of teaching-learning methods and attracting well qualified teachers to bring in industry interaction along with academies. Institutions can help in making the Make in India campaign a success:

**4.7.1)** Setting up industry-led research centres which will complement the academic practices with implementation/execution experience. Also, such centres can serve as knowledge bases for disseminating best practices across the world to the industry .

**4.7.2)** The government can fund Centres of Excellence in IIM and IITs for creating value-adding processes from business strategy to technology management, thus focusing on the full-range of manufacturing research bringing world-leading industries, academia together in India. This is essential to build a competitive advantage in Indian manufacturing.

**4.8) Infrastructure development of major roads and highways in the country:** Well developed and well maintained infrastructure like roads and highways is essential for an efficient logistics of a manufacturing firm to ensure efficient movement of raw materials and finished goods across the country.

For business government will provide a robust infrastructure through development of various facilities and institutions. To provide a favorable working environment government aims at developing industrial corridors and smart cities. Efforts are being made to provide skilled manpower through a national skill development programme. Innovation is encouraged through better management of patent and trademarks registration.

With increase in vehicular traffic and congestion in the major cities of India and for smooth movement of large container trucks it is imperative that the Government in association with private parties through public-private partnerships convert the single-lane or double-lane national and state highways to four or six lane roads to cater to the growing congestion problem in India. However, most of these conversion projects are stuck at various stages of bureaucratic delays. With the new government at the centre, we can hope for faster execution of projects by removal of unnecessary approval stages and thereby leading faster clearances.

Government is focusing on creation of physical infrastructure as well as creating a digital network for making India a hub for global manufacturing of goods.

**4.9) Capacity addition in the power sector to meet industrial energy demand:** Government should have cooperation between the center and the state so that the funds given by the center are effectively utilized by the state towards power projects. To make campaign successful the industry should invest in developing skills, research & technology, set-up plants in rural belts, should work with local government to improve infrastructure, emphasis given on quality education in rural areas.

**4.10) Illicit trade:** Illicit trade is one of the disturbing factor that slows the growth of India's manufacturing industry. In 2013-2014, illicit trade resulted in an estimated loss of Rs 1,05,381 crore in India's manufacturing industry. This is 44% increase compared to 2011-2012. To solve this problem new laws should be implemented against illicit trade.

**4.11) Taxes for foreign companies:** India to become the global hub for manufacturing design and innovation it should attract more foreign knowledge in the country. To make this campaign successful India lower the taxes for companies who want to set up a manufacturing base in India. This shows that countries tax income will decrease but the knowledge in its manufacturing industry will expand.

There are four major policies under the 'Make in India' program:

**New Initiatives:** To improve the ease of doing business in India, this includes increasing the speed with which protocols are met with and increasing transparency. Government has already rolled out:

- a) Environment clearances can be sought online.
- b) Approval of the head of the department is necessary to undertake an inspection.
- c) Process of applying for Industrial License & Industrial Entrepreneur Memorandum have been made online on 24x7 basis and industrial license validity is extended to three years.
- d) Services of all Central Government Departments & Ministries will be integrated with a single window IT platform.
- e) Online filing of returns and a check-list of required compliances to be placed on Ministry's/Department's web portal
- f) Paper work has been replaced by single electronic register for businesses.

**Foreign Direct Investment:** To create an investor-friendly atmosphere and to encourage FDI in India by relaxing the regulatory environment. The government has allowed 100% FDI in all the sectors except Space(74%), Defense (49%) and News Media (26%). FDI restrictions in tea plantation has been removed while the FDI limit in defense sector has been raised from the earlier 26% to 49% currently. Government has allowed fixed percent of FDI in various fields:

- a) Allowed 100 percent FDI in medical devices.
- b) Increased FDI cap in insurance and sub-activities from 26 percent to 49 percent.
- c) Allowed 100 percent FDI in the telecom sector.
- d) Allowed 100 percent FDI in single-brand retail.
- e) FDI in commodity exchanges, stock exchanges and depositories, power exchanges, petroleum refining by PSUs and courier services under the government route has now been brought under the automatic route.
- f) Raised FDI limit to 74 percent in credit information and to 100 percent in asset reconstruction companies.
- g) Raised FDI limit of 26 percent in the defense sector to 49 percent under the government approval route. h) Foreign Portfolio Investment up to 24 percent permitted under automatic route. FDI beyond 49 percent is also allowed on a case-by-case basis with the approval of Cabinet Committee on Security.
- i) Construction, operation and maintenance of specified activities of the Railway sector opened to 100 percent foreign direct investment under automatic route.

**Intellectual Property Facts:** By bringing about change in legislative and in policy level to create a conducive environment for the protection of intellectual property rights of innovators and creators and lay specific focus on upgrading infrastructure, building capacity and using state-of-the-art technology in the functioning of intellectual property in the country. The government has decided to improve and protect the intellectual property rights of innovators and creators by upgrading infrastructure and using state-of-the-art technology. The main aim of intellectual property rights is to establish a vibrant intellectual property regime in the country.

**National manufacturing:** Adopted the 'National Manufacturing' policy in the area of infrastructure, regulation, technology, skill development, financial feasibility, exit mechanism and various other factors pertaining to the manufacturing sector. Vision of Make in India Campaign is:

- a) To increase manufacturing sector growth to 12-14% per annum over the medium term.
- b) To increase the share of manufacturing in the country's Gross Domestic Product from 16% to 25% by 2022.

- c) To create 100 million additional jobs by 2022 in manufacturing sector.
- d) To create appropriate skill sets among rural migrants and the urban poor for inclusive growth.
- e) To increase the domestic value addition and technological depth in manufacturing.
- f) To enhance the global competitiveness of the Indian manufacturing sector.
- g) To ensure sustainability of growth with regard to environment.

### 5) Problems before Make in India Campaign:

**5.1)** India is not having healthy business environment problems arises because of procedural and regulatory clearances. India can create business friendly environment only when there is easier procedure in approving projects and set hassle free clearance mechanism.

**5.2)** India should be capable enough to deal with the elements which adversely affect competitiveness of manufacturing. India to be manufacturing hub the unfavorable factors must be removed. Companies will be attracted towards India in setting up unit only when India gives tax concession to companies.

**5.3)** India should concentrate on innovation and novelty in manufacturing sectors and SMEs play an important role in manufacturing.

**5.4)** There will be always comparison between Make in India and Made in China campaign on manufacturing targets. For the success of Make in India campaign creating healthy business environment and getting procedural and regulatory clearances easy is one of the biggest challenges for India. India should concentrate on the strength of manufacturing sector to outpace China's supremacy in the manufacturing sector.

**5.5)** India can face the competition of china campaign only when India encourages high-tech imports, research and development. India has to be involved in world class R & D. The government must ensure that it provides platform for research and development activities.

**5.6)** India rank low on "ease of doing business index. For make in India campaign labour laws are not still conducive and these are the disadvantage of manufacturing sector in India.

**5.7)** India face competition when it comes to outsourcing, manufacturing and service related business. India lacks in infrastructure and logistics this make India to achieve an elite status as a manufacturing hub. The government bureaucratic approach, lack of transport networks, and corruption spread in almost all parts of the country makes it difficult for manufacturers to achieve timely and adequate production. The Modi government is trying hard to remove these hurdles and make the nation an ideal destination for investors to set up industries.

**6) Conclusion :** With the constant effort of government of India Make in India campaign will be successful though it will take time but from this campaign manufacturing sector will be improved and contribute more to GDP, generate employment. To solve the problem of companies the central government has to facilitate licenses and clearance. India lacks in infrastructure, logistics, and transport networks. Government of India is trying hard to remove these hurdles and make the nation an ideal destination for investors to set up industries. India should focus on innovation and novelty in manufacturing sectors. India should encourage high-tech imports, research and development.

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