

Make in India

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1 Introduction

The 'Make in India' program is an initiative launched to encourage companies to increase manufacturing in India. This not only includes attracting overseas companies to set up shop in India, but also encouraging domestic companies to increase production within the country.

- 'Make in India' aims at increasing the GDP and tax revenues in the country, by producing products that meet high quality standards, and minimising the impact on the environment.
- Fostering innovation, protecting intellectual property, and enhancing skill development are the other aims of the program.
- The programme lays emphasis on 25 sectors with focus on job creation and skill enhancement.

2 Policies under 'Make in India' initiative

There are 4 major policies under the 'Make in India' program:

1. Ease of doing business: This initiative is to improve the ease of doing business in India, which includes increasing the speed with which protocols are met with, and increasing transparency. Under this following steps have been taken:

- Environment clearances can be sought online.
- All income tax returns can be filed online.
- Validity of industrial licence is extended to three years.
- Paper registers are replaced by electronic registers by businessmen.
- Approval of the head of the department is necessary to undertake an inspection.
- States asked to introduce self-certification and third party certification under Boilers Act.
- Services of all Central Govt. Departments & Ministries will be integrated with the eBiz – a single window IT platform for services by 31 Dec. 2014.
- The investor facilitation cell will provide assistance to foreign investors from the time of their arrival in the country to the time of their departure.
- A dedicated cell has been created to answer queries from business entities through a newly created web portal (<http://www.makeinindia.com>).

2. Foreign Direct Investment (FDI): The government has allowed 100% FDI in all the sectors except Space (74%), Defence (49%) and News Media (26%). FDI restrictions in tea plantation has been removed, while the FDI limit in defence sector has been raised from the earlier 26% to 49% currently.

3. Intellectual Property Rights: 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 (IPR) initiatives is to establish a vibrant intellectual property regime in the country.

4. National manufacturing: Here the vision is-

- to increase manufacturing sector growth to 12-14% per annum over the medium term.
- to increase the share of manufacturing in the country's Gross Domestic Product from 16% to 25% by 2022.
- to create 100 million additional jobs by 2022 in manufacturing sector.
- to create appropriate skill sets among rural migrants and the urban poor for inclusive growth.
- to increase the domestic value addition and technological depth in manufacturing.
- to enhance the global competitiveness of the Indian manufacturing sector.
- to ensure sustainability of growth, particularly with regard to environment.

3 Need for Make in India

- Difficult business environment: Global investors have been unsparing in their criticism about complex rules and bureaucratic red tape that delay investment decisions. India ranks 134 out of 189 countries in the World Bank's ease of doing business index in 2014.
- Slow growth of manufacturing sector: Since the late 1970s, even as its peers in East Asia have greatly diversified into manufacturing, the sector's share has stagnated at around 15 per cent of the 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.
- Need to create jobs: During 2005-12 India added only 15 million jobs, a quarter of the figure added in the previous six years. Assuming 7-8% annual growth, 2025 will see GDP double. India will add over 80 million net new job seekers. But at current rates only 30 million net new jobs – mostly informal, and low-wage ones – will be created. A focus on labour-intensive sectors in manufacturing will lead to creation of numerous job opportunities.
- The government's push for manufacturing comes at a time when many big companies are seeking an alternative to China as costs and risks there rise.

Make in India

Transforming India into a Manufacturing Hub
Launched September 25th 2014

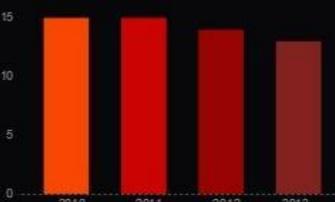


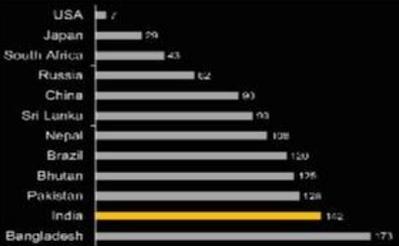
The Need to Rejuvenate Manufacturing in India

In 2013, India's manufacturing sector contributed only 13% to National GDP.

In comparison, China's manufacturing sector accounted for 32% of the GDP

India ranks an abysmal 142 on a World Bank index comparing 'ease of doing business' across 189 countries globally





3 Pillars to Achieve the 'Make in India' Objectives

1. De-Licensing
De-Regulation

2. Infrastructure
Development

3. Foreign Direct
Investment

25 Focus Sectors

Automobiles + Components (2)

Aviation

Biotechnology

Chemicals

Construction

Defense

Electrical Machinery

Electronics

Food Processing

IT & BPM

Leather

Media

Mining

Oil & Gas

Pharmaceuticals

Ports

Railways

Renewables

Roads

Space

Textiles

Thermal Power

Tourism

Wellness

4 Challenges to implementation of Make in India

- Job-Skill Mismatch: 75% of IT graduates are deemed 'unemployable', 55% in manufacturing, 55% in healthcare and 50% in banking and insurance, as pointed out in a report produced by FICCI and Ernst and Young, called Higher Education in India: Vision 2030. The government should start analysing the quality of education soon and industry interface needs to be built in schools and colleges so that students are apprised about the current trends and requirements in the job they hope to take up right from the beginning of their courses.
- Multiple Taxation: There is a need for simplification of tax laws and earliest implementation of GST to remove multiple taxation and to rationalize the tax system.
- Labour Laws: India's labour laws are found to be rigid and inflexible, this needs to be addressed. Progressive labour laws would create more job opportunities in the market and would contribute towards the growth of manufacturing sector. Government has initiated labour reforms under 'Shramave Jayate Kayakram'.

- **Land Acquisition:** The current laws make acquisition costly as well as tedious. A robust Land Acquisition policy which would make acquisition much easier along with an attractive R&R package is essential for investment in infrastructure and manufacturing.
- **Infrastructure constraint:** Due to poor infrastructural facility foreign investors are less interested to invest in India. As per the Global Competitiveness Report 2013-14 of World Economic Forum India ranked 85 out of 148 countries for its infrastructure. The Government needs to take necessary steps in right direction as building ports, highways, power generation centres and so on to make India a manufacturing hub.
- **Problems faced by MSMEs:** India's small and medium-sized industries can play a big role in making the country take the next big leap in manufacturing. India should be more focused towards novelty and innovation for these sectors. The government has to chart out plans to give special sops and privileges to these sectors.

5 Response to the 'Make in India' initiative

- **Surge in Foreign direct investment:** Foreign direct investment between October, 2014 and May, 2015 was up 40% to \$23.7 billion from the same period a year earlier. Net investments by foreign institutional investors, or the money coming through financial markets, totalled \$40.92 billion in the fiscal year ended March 31, roughly seven times as much as in the prior year.
- **Boost to industrial production:** Official data show India's industrial production rose an average 2.7% year-over-year in the seven-month period from October to May. A significant step up from the measly 0.6% increase during the comparable period a year earlier.
- **New manufacturing units being set up:** The government has said that it has, so far, received Rs 1,10 lakh crore worth of proposals from various companies that are interested in manufacturing electronics in India.
 - Companies like Xiaomi, Huawei have already set up manufacturing units in India, while iPhone, iPad manufacturer Foxconn is expected to open a manufacturing unit soon. Lenovo also announced that it has started manufacturing Motorola smartphones in a plant near Chennai.
 - In December 2015, Qualcomm announced that it was starting a "Design in India" programme to help mentor up to 10 Indian hardware companies with the potential to come up with innovative solutions and help them reach scale.
 - Following Japanese Prime Minister Shinzo Abe's visit to India in December 2015, it was announced that Japan would set up a US\$12 billion fund for Make in India related projects called the "Japan-India Make-in-India Special Finance Facility".

6 Make in India or Make for India?

- Make in India is seen as export-led growth strategy for India, as was the case with South Korea, Taiwan, Singapore and Hong Kong, leveraging the vast pool of unskilled labour in India that can be adapted to low-wage products like garments, shoes and sports goods.
- However, Reserve Bank of India (RBI) governor Raghuram Rajan has cautioned against Make in India pointing out either an incentive-driven, export-led growth or import-substitution strategy may not work for the country in the current global economic scenario. Therefore, India should look to manufacturing for its internal market.
 - It has also been pointed out that government should not pick a particular sector such as manufacturing for encouragement simply because it has worked well for China. The government should rather focus on creating an environment where all sorts of enterprise can flourish, and then leaving entrepreneurs to choose what they want to do.
 - Raghuram Rajan has pointed out that strategy for import substitution or trying to manufacture items domestically rather than importing them has been tried and it has not worked because it ended up reducing domestic competition, making producers inefficient and increasing costs to consumers.

- Instead of subsidizing inputs to specific industries because they are deemed important or labour-intensive, a strategy that has not really paid off for us over the years, let us figure out the public goods each sector needs, and strive to provide them
- With external demand growth likely to be muted for at least the next five years, India has to produce for the internal market. It needs to work on creating the strongest sustainable unified market, which requires a reduction in the transaction costs of buying and selling throughout the country, improvements in the physical transportation network, more efficient and competitive intermediaries in the supply chain from producer to the consumer. A well-designed GST (goods and services tax) Bill, by reducing state border taxes, will have the important consequence of creating a truly national market for goods and services, which will be critical for our growth in years to come.

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