

Make in India Programme-Impact on manufacturing sector

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Abstract

” It is important for the purchasing power of the common man to increase, as this would further boost demand, and hence spur development in addition to benefiting investors”. The faster people are pulled out of poverty and brought into middle class, the more opportunity will be there for global business”. These were the words of Prime Minister Narendra Modi who stated the reason for the launch of Make in India Project.

He further added that Trust is essential for investors who will then feel secured to invest and this trust should turn out to be a transformative force which involves growth and development and that is the responsibility of the government.

The launch of Make in India is a dynamic move for proving India as a true destination for manufacturing hub in true sense. India’s success largely relies on the success of Make in India Programme.

The present paper tries to highlight on the effects of make in India programme on manufacturing sector.

KEYWORDS: Make in India programme, manufacturing

Introduction:

Make in India is a major national initiative which focuses on making India a global manufacturing hub. The key intention or thrust of the programme is to cut down the delays in manufacturing and developing adequate infrastructure and make companies do business in India, or make India a destination of manufacturing.

The programme intends to cover 25 companies including automobiles, auto-components, biotechnology, chemicals, defence, manufacturing, electronic systems, food processing, leather, mining, oil and gas, railways and textiles.

It is said that this programme is an international campaign started with the initiative of Prime Minister Narendra Modi to attract businesses from all over the world. The basic purpose of the campaign is to create jobs, help economy to boost and make India a self reliant country and get recognition for India in the global world.

Objectives of the Study:

1. To find out how this programme will help in boosting the manufacturing sector.
2. To find out the challenges of Make in India Programme.
3. To find the effects of Make in India programme on manufacturing sector.
4. To Study the success stories of Make in India Programme.

Research Methodology:

It is a desk research. The analysis of the paper is based on the views and opinions of experts using secondary data.

Key policies of the programme:

The key intention for coining the programme is as follows:

1. **Ease of Business:** India lies 142nd place in the business index which is quite below many Asian and African countries. To raise India and make it a place of business is the key intention. Business in India has to be made more reliable.

2. **Create jobs for the youth:** This programme will give opportunity to 25 key industries to create job opportunities to youth in India. This programme open avenues to different jobs in manufacturing sector.

3. **Making India a manufacturing Hub:** India should be a lucrative destination for other countries for investment. Instead of just FDI it will give chance to invite investors from other countries.

4. **Trying to get rid of the ancient laws:** Keeping away from unlawful things like red tapism and other restrictions is what needs to be eliminated.

5. **Create 100 smart cities:** Create place to stay with affordable Housing schemes and create smart cities was the intention of the programme.

6. **Disinvestment of PSU:** Disinvestment of PSU and redirect the investment in profitable ventures is the idea of Make in India programme.

PRIME MINISTER NARENDRA MODI'S AMBITIOUS 'MAKE IN INDIA' CAMPAIGN AIMS TO TURN THE COUNTRY INTO A MANUFACTURING HUB BY SLASHING RED TAPE, SETTING UP INFRASTRUCTURE AND TWEAKING POLICIES. THE DETAILS

- To provide flexibility in working hours, labour laws being amended
 - Portal www.makeinindia.com, created for companies to seek policy clarifications within 72 hours
- Services of all govt depts, ministries to be integrated with E-Biz, a single window IT platform, by Dec 31
- Process of applying for industrial license simplified with e-Biz portal
- Validity of industrial license extended to three years

24 Manufacturing cities envisaged. In first phase, seven cities to be completed by 2019

10% Capital subsidy for production of equipment for controlling pollution, reducing energy consumption, water conservation

25% Targeted share of manufacturing in the economy (currently 15%)

25 Growth sectors identified, including IT, automobile, pharma, infrastructure, renewable energy



Why Manufacturing is needed:

Manufacturing is needed in India especially for the following reasons:

- Create job avenues to the jobless
- Create jobs for uneducated too

- iii) Create jobs for all classes
- iv) Create diverse jobs
- v) Help for the growth of the economy
- vi) Bring superiority in manufacturing
- vii) Develop R & D within the country
- viii) To bring infrastructural growth within the country
- ix) Make investment flow very simple

Impact of Make in India on Manufacturing:

Make in India programme will make India more service driven and there will be a shift from labour intensive manufacturing to capital extensive manufacturing. It will have impact in the following ways:

- a. Will help in promoting and boosting innovation quotient of Indian suppliers.
- b. It will help in making customs process more efficient and help in land acquisition for new business initiatives.
- c. It will help in bringing quick licensing processes and create a foundation for corruption laws and companies to develop better culture.
- d. It will an boost to FDI as investment in the sector will get a better boost . Investors would normally prefer to minimize the associated risks, so that they will be a better understanding and government direction and vision involved in it.
- e. It will help in the growth of infrastructure and the campaign is expected to give a major boost to public policy making and planning.
- f. It will help in diversifying the experts from the manufacturing sector.
- g. It will help in developing latest technologies into the country.
- h. It will help to reduce the trade conflicts.
- i. It will help in urbanization and creating of smart cities.
- j. It will help to unlock rural demand for vehicles and help India release its true potential in personal mobility.
- k. It will help to develop new mobility solutions(Intelligent transportation system, congestion and road changing system, alternative fuel vehicles, car sharing, smart and connected vehicles) targeted at small cities of the future.
- l. It will help to skill the labour according to the needs of the industry for the next 10 years.

The Challenges of Make in India Programme:

1. In order to create a health business environment India should be very stringent and specific about the procedures and regulatory clearances.
2. The attitudinal approach of the business houses has to be changed, the attitude of low investment means low manufacturing cost has to be changed.
3. Indian industries hesitate to adopt advanced technology instead choose manual labourers to carry out the work which needs to be changed.
4. Strong obligation and restriction should be emphasized on business houses who prevent labour laws and bureaucratic hassles in India.

5. Illegal trade is one factor which slows the growth rate of India’s manufacturing industry.

6.Indias make in India campaign will be constantly compared with China’s Made in China campaign. Chinese launched the dragon on the same day as that of India and hence India should constantly keep up its strength so as to outpace China’s supremacy in the manufacturing sector.

7.India’s small and medium size enterprise play a big role in making the country the next big leap manufacturing. India should be more focused towards novel

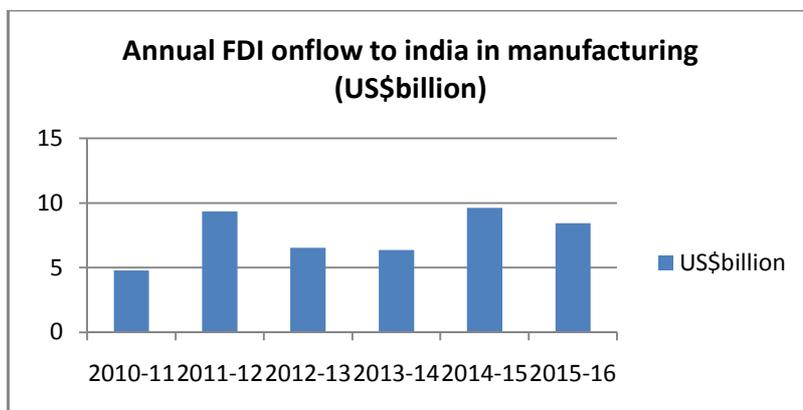
8.Make investment flows very simple

9.Fix infrastructural problems in the country.:

Present Status of Make in India Programme and its effects on Manufacturing:

Basically the plan was initiated to increase the share of manufacturing in our GDP up to 25% in the near future i.e till 2022. It was also estimated that it will generate employment to around 100 million Indians. This has led to lifting the caps on FDI in all sectors. Gross FDI flows to India jumped to 27% to 45% in 2015-16 and it is all time high. This in fact is a great success for Make in India Programme.

Following Statistics shows the **foreign investment in Indian manufacturing:**

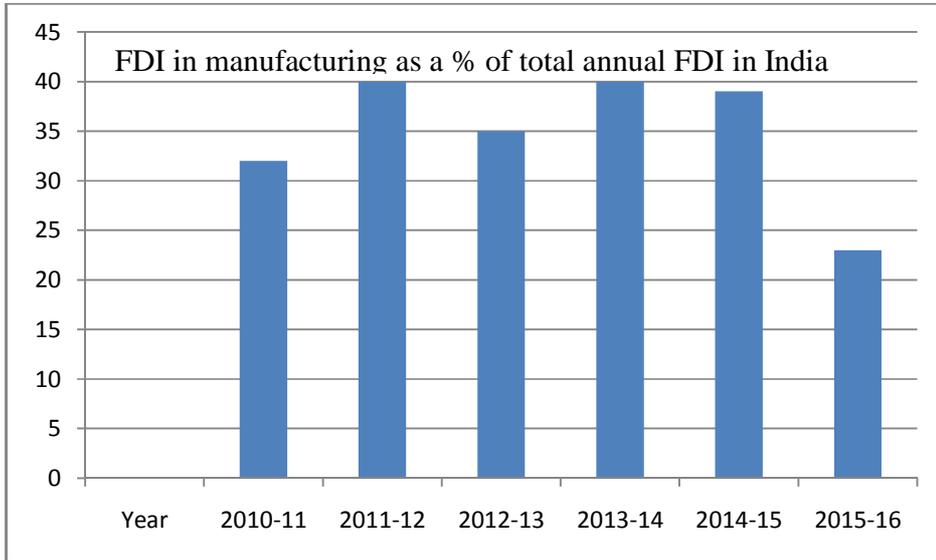


Source:RBI-Annual Report

The statistics shows that the FDI in manufacturing actually fell to \$8.44 billion in 2015-16 below the \$9.3 billion it had reached in 2011-12. Furthermore the percentage of FDI flowing into manufacturing which has been in the range of 35-40 for the past four years dropped to 23% in 2015-16.

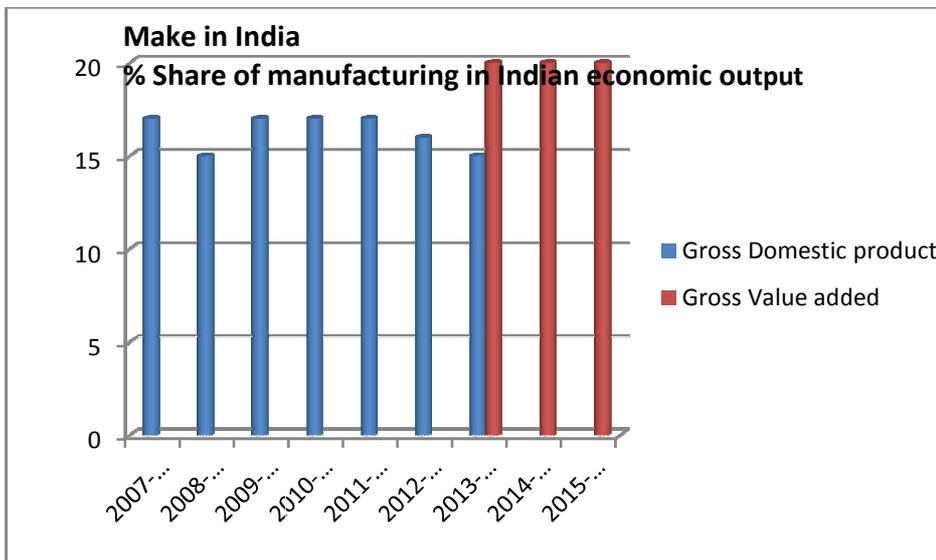
It is also seen that rather than manufacturing sector, service sector has picked up especially the e-commerce provider like Amazon, Flipkart, Snapdeal .Sharin services like Uber and Ola seems to be drawing better share of the investment.

Proportion of FDI going to manufacturing is as follows:



Source:RBI-Annual Report

FDI in manufacturing as a percentage of total annual FDI in India has not been consistent at all. It shows only 23% of total annual FDI in the year 2015-16 .



Source:RBI-Annual Report

The GDP has been not so consistent but GVA is around 20% over the past three years consistently.

Success Stories of Make in India Programme¹:

Make in India programme has definitely brought success to Manufacturing organisations. Thought it has been reported that manufacturing has slowed down in the last fiscal. It still shown a good move in manufacturing especially Automobile, Electronics, Defense, Railways and Aviation.

Following as the success stories of Make in India Programme:

Electronics:

1. Foxconn, the manufacturer of Apple iPhones has announced plans for creating 10-12 facilities in India which factories and data centres.
2. Oppo mobiles started its manufacturing in August 2016.
3. ZTE Corporation a Chinese telecom major is planning to open up its manufacturing plant
4. Chinese mobile handset maker PhiComm has also committed to invest \$100mn in the next 3 years.

Automobiles:

1. Mercedes Benz decided to manufacturer its luxury cars segment in India. They have also decided to manufacturing more of its components in India.
2. They have also decided to manufacture buses which is to be exported to Africa and south East Asian markets.
3. BMW the German car manufacturer has also increased its localization in to 50%.
4. Volvo is in its development stage of manufacturing its buses and exporting them.
5. Renault the French major has also improved on its localization to its KWID model in India.
6. US major Ford has also committed to invest Rs 4000 to Rs 5000 crs for R&D in Chennai facility.

Defense:

1. Hyundai Heavy Industries of South Korea will work with Hindustan Shipyard Ltd, Vizag to build warships in India. The time for delivering the order ususally take 6 yrs which now has reduced to 2.5 Yrs.

¹www.opindia.com/2015/06/success-stories-of-make-in-india-campaign-part-1/

2. Other South Korean major Samsung has agreed to build LNG tanks with Kochi Shipyard

3. Goa Shipyard will construct 12 minesweepers for Indian Navy

4. Sun Group of Gurgaon are in discussion with Russian to manufacture helicopter in Punjab.

Railways:

Indian Railway has invited international suppliers for manufacturing of 15 train sets. Only 2 train sets will be imported while the rest will be manufactured in India. 40 coaches will be imported and 275 coaches will be manufactured in India.

Aviation:

1. Trying to achieve success over the deal with France on Rafale Jet.

2. Air bus announcing its participation in Make in India programme.

3. Pratt and Whitney, US based firms sharing interest in setting up their facilities in India.

As reported by the Times of India Net FDI inflows into India hit an all-time high in January 2016 at \$3 billion on a 12-month moving average basis. India's current account deficit is now more than covered by its FDI inflows. The basic balance (the sum of the current account balance and net FDI) returned to a surplus in 2015 after being in deficit from 2003 to end-2014.

Conclusion:

Make in India is a dynamic move by the Modi government. There is a long way for Make in India programme to be successful. It has opened up gates to many multinational in different sectors to start their operations in India. It shows a positive and encouraging growth of manufacturing sector in years to come.

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