Impact of the "Make in India" : A Study

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Abstract

"Make In India" one of the dream child of our Prime Minister Narendra Modi. Uttishta Bharata known for developing patriotism and awakening the youth came up with an unique idea to support this and organised a seminar "Make In India – A Dream Come True for Young Entrepreneurs".

Make in India is an initiative program of the Government of India to encourage Multinational Companies and domestic companies to manufacture their products in India. It was launched by Prime Minister, Narendra Modi on 25 September 2014.

KEYWORDS*:* Advantages of Make in India, Response of Make in India.

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1. INTRODUCTION

Prime Minister Narendra Modi launched the Make in India program on 25 September 2014 in a function at the Vigyan Bhawan.] On 29 December 2014, a workshop was organised by the Department of Industrial Policy and Promotion which was attended by Modi, his Cabinet ministers, chief secretaries of states and various industry leaders.

E- Government is committed to chart out a new path wherein business entities are extended red carpet welcome in a spirit of active cooperation. Invest India will act as the first reference point for guiding foreign investors on all aspects of regulatory and policy issues and to assist them in obtaining regulatory clearances. The Government is closely looking into all regulatory processes with a view to making them simple and reducing the burden of compliance on investors.

The 'Make in India' initiative also aims at identifying select domestic companies having leadership in innovation and new technology for turning them into global champions. The focus will be on promoting green and advanced manufacturing and helping these companies to become an important part of the global value chain.

The Government has identified 25 key sectors in which our country has the potential of becoming a world leader. The Prime Minister will be releasing separate brochures for these sectors along with a general brochure. The brochures covering sectors like automobiles, chemicals, IT, pharmaceuticals, textiles, ports, aviation, leather, tourism and hospitality, wellness, railways among others will provide details of growth drivers, investment opportunities, sector specific FDI and other policies and related agencies.

Since the new Government took over, a series of initiatives have been taken to revitalise the industrial sector in general and manufacturing sector in particular. To mention a few:

The process of applying for Industrial License and Industrial Entrepreneur Memorandum has been made online on the e-Biz website 24*7;

- A vast number of Defence items have been de-licensed;
- The validity of Industrial license has been extended to three years;
- With a view to providing flexibility in working hours and increased intake of apprentices for on the job training, the Government has decided to amend a number of labour laws;
- An advisory has been sent to all Departments/ State Governments to simplify and rationalize regulatory environment which includes: on-line filing of all returns in a unified form; no inspection without the approval of the Head of the Department, etc.

In August 2014, the Cabinet of India allowed 49% foreign direct investment (FDI) in the defence sector and 100% in railways infrastructure. The defence sector previously allowed 26% FDI and FDI was not allowed in railways. This was in hope of bringing down the military imports of India. Earlier, one Indian company would have held the 51% stake, this was changed so that multiple companies could hold the 51%.

FDI Inflows :

- M-o-M FDI Inflows increased from USD 1.4 bn in June 2013 to USD 1.9 bn in June 2014 recording an increase of 33%
- Foreign Direct Investment inflows have increased 75% in the nonths of June-July 2014(combined) over the same time period in the preceding year.

Out of 25 sectors, except Space(74%), Defence(49%) and News Media(26%), 100% FDI is allowed in rest of sectors. Between September 2014 and August 2015, the government received □1.10 lakh crore (US$17 billion) worth of proposals from companies interested in manufacturing electronics in India. 24.8% of smart phones shipped in the country in the April-June quarter of 2015 were made in India, up from 19.9% the previous quarter.

The major objective behind the initiative is to focus on 25 sectors of the economy for job creation and skill enhancement. Some of these sectors are: automobiles, chemicals, IT, pharmaceuticals, textiles, ports, aviation, leather, tourism and hospitality, wellness,railways, design manufacturing, renewable energy, mining, bio-technology, and electronics. The initiative hopes to increase GDP growth and tax revenue. The initiative also aims at high quality standards and mini mising the impact on the environment. The initiative hopes to attract capital and technological investment in India.

Recently the Foreign Direct Investment policy has been liberalized. 100% FDI under automatic route has been permitted in construction, operation and maintenance in specified Rail Infrastructure projects; FDI in Defence liberalized from 26% to 49%. In cases of modernization of state-of-art proposals, FDI can go up to 100%; the norms for

FDI in the Construction Development sector are being eased.

The government is committed to improving the physical infrastructure. Development of dedicated freight corridors and investment in improving our ports and airports are underway. These corridors would house Industrial agglomerations along with smart cities. The private sector would be playing a significant role in these developmental works.

For the manufacturing sector to take advantage of the improved physical infrastructure, the need for having a strong human capital is recognized. Government's effort would be to equip the working age population with the right kinds of skill so that the manufacturing sector finds them employable. One of the first decisions that the new Government has taken is to set up a separate Department of Skill Development and Entrepreneurship.

2. ADVANTAGES:

- Manufacturing sector led growth of nominal and per capita gdp. While India ranks 7th in terms of nominal GDP, it ranks a dismal 131st in terms of per capita GDP.
- Employment will increase manifold. This will augment the purchasing power of the common Indian, mitigate poverty and expand the consumer base for companies. Besides, it will help in reducing brain drain.
- Export-oriented growth model will improve India's Balance of Payments and help in accumulating foreign exchange reserves (which is very important given the volatility in the global economy with multiple rounds of Quantitative Easing announced by major economies).
- Foreign investment will bring technical expertise and creative skills along with foreign capital. The concomitant credit rating upgrade will further woo investors.
- FIIs play a dominant role (relative to FDI) in the Indian markets. However, FIIs are highly volatile in nature and a sudden exodus of hot money from India can effect a nosedive in the bellwether indices. Make in India will give an unprecedented boost to FDI flows, bringing India back to the global investment radar.
- The urge to attract investors will actuate substantial policies towards improving the Ease of Doing Business in India. The Government of the day will have to keep its house in order (by undertaking groundbreaking economic, political and social reforms) to market Brand India to the world at large.

3. DISADVANTAGES

- From a theoretical perspective, Make in India will tend to violate the theory of comparative advantage. If it is not economically feasible to manufacture a commodity in India, it is best to import the same from a country which enjoys comparative advantage in its production. International trade, after all, is welfare augmenting.

- Reiterating the point made by Dr. Raghuram Rajan, India, unlike China, does not have the time advantage as it undertakes a manufacturing spree. The essential question is - Is the world ready for a second China?
- Make in India will lead to an unsustainable focus on export promotion measures. One such measure is artificially undervaluing the rupee. This will have devastating consequences for the import bill.
- A relative neglect of the world economic scenario may not augur well for Make in India. With the US and Japan economies yet to recover from their economic crises and with the EU floundering, one needs to be wary about the demand side of Make in India. The clairvoyance of the incumbent RBI governor to Make for India should be put to good use.
- Make in India is intended to make India a manufacturing hub of the world (atleast Asia, for that matter). The idea was to increase the contribution of the manufacturing sector to India's GDP.
- To accommodate the 300 million people who will join India's workforce between 2010 and 2040, each year 10 million jobs are needed. The thrust on the manufacturing sector will create about 100 million jobs by 2022.

4. RESPONCE OF MAKE IN INDIA PROGRAM:

In January 2015, the Spice Group said it would start a mobile phone manufacturing unit in Uttar Pradesh with an investment of □500crore. A memorandum of understanding was signed between the Spice Group and the Government of Uttar Pradesh.

In January 2015, Hyun Chil Hong, the President & CEO of Samsung South Asia, met with Kalraj Mishra, Union Minister for Micro, Small and Medium Enterprises (MSME), to discuss a joint initiative under which 10 "MSME-Samsung Technical Schools" will be established in India. In February, Samsung said that will manufacture the Samsung Z1 in its plant in Noida.

In February 2015, Hitachi said it was committed to the initiative. It said that it would increase its employees in India from 10,000 to 13,000 and it would try to increase its revenues from India from ¥100 billion in 2013 to ¥210 billion. It said that an auto-component plant will be set up in Chennai in 2016.

In February 2015, Huawei opened a new research and development (R&D) campus in Bangalore. It had invested US$170 million to establish the research and development center.[17][18] It is also in the process of setting up a Telecom hardware manufacturing plant in Chennai, the approvals of which have been granted by the central government.

Also in February, Marine Products Export Development Authority said that it was interested in supplying shrimp eggs to shrimp farmers in India under the initiative.

In June 2015, France-based LH Aviation signed an MoU with OIS Advanced Technologies to set up a manufacturing plant in India to manufacture drones.

In February 2015, Xiaomi began initial talks with the Andhra Pradesh government to begin manufacturing smart phones at a Foxconn-run facility in Sri City. On 11 August

2015, the company announced that the first manufacturing unit was operational and introduced the Xiaomi Redmi 2 Prime, a smart phone that was assembled at the facility.

On 18 August 2015, Lenovo announced that it had begun manufacturing Motorola smart phones at a plant in Sriperumbudur near Chennai, run by Singapore-based contract manufacturer Flextronics International Ltd. The plant has separate manufacturing lines for Lenovo and Motorola, as well as quality assurance, and product testing. The first smartphone manufactured at the facility was the 4G variant of the Motorola Moto E (2nd generation).

5. CONCLUSION

Make in India is an ambitious project, but it is one that India desperately needs to kickstart 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.

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