

## **MAKE IN INDIA: AN INITIATIVE TOWARDS BOOSTING ECONOMY**

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### **Abstract**

The manufacturing industry currently contributes just over 15% to the national GDP. The aim of this campaign “Make in India” 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. The Prime Minister called for all those associated with the campaign, especially the entrepreneurs and the corporate, to step and discharge their duties as Indian nationals by First Developing India and for investors to endow the country with foreign direct Investments. The Prime Minister also promised that his administration would aid the investors by making India a pleasant experience and that his government considered overall development of the nation. He also laid a robust foundation for his vision of a technology-savvy Digital India as complementary to make in India. He stressed on the employment generation and poverty alleviation that would inevitably accompany the success of this campaign. The major objective behind the initiative is to focus on 25 sectors of the economy for job creation and skill enhancement. The initiative hopes to increase GDP growth and tax revenue. The initiative also aims at high quality standards and minimizing the impact on the environment. The initiative hopes to attract capital and technological investment in India. The campaign was designed by the Wieden +Kennedy (W+K) group which had previously worked on the Incredible India campaign and a campaign for the Indian Air Force.

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## Introduction

‘**Make in India**’ initiative was launched globally in September 2014 as a part of India’s renewed focus on Manufacturing. The objective of the Initiative is to promote India as the most preferred global manufacturing destination.

Since the launch of this landmark initiative, the Government of India has taken several reform initiatives to create an enabling environment for providing an impetus to manufacturing, design, innovation and startups. India has emerged as the fastest growing economy globally. India’s rate of growth of 7.5% is accelerating and it remains an oasis of growth in the midst of a subdued economic landscape across the world. The Hon’ble Prime Minister has given impetus to growth with several innovative initiatives such as “**Make in India**”, “**Digital India**”, “**100 Smart Cities**” and “**Skill India**”.

The Make in India initiative aims to make India an integral part of the global supply chain. It is about making Indian companies excel in a globalized workspace. India has vigorously opened up its economy – Defence, Railways, Construction, Insurance, Pension Funds, Medical Devices have all been rapidly opened up for Foreign Direct Investment. India today is one of the most open economies of the world.

In order to achieve this, the Government of India has taken up a series of measures to radically improve Ease of Doing Business. Its objective – make the regulatory environment easy and simple for business to flourish. It has effectively used technology to converge and integrate departments. 14 services are integrated with eBiz portal which will function as a single window portal for obtaining clearances from various government agencies.

**Table 1. Key sectors allowed making in India**

Automobiles	Food Processing	Renewable Energy
Automobile Components	IT and BPM	Roads and highways
Aviation	Leather	Space

Biotechnology	Media and Entertainment	Textiles and garments
Chemicals	Mining	Thermal Power
Construction	Oil and Gas	Tourism and Hospitality
Defence manufacturing	Pharmaceuticals	Wellness
Electrical Machinery	Ports	Railways
Electronic Systems		

Make in India has already created a strong impact in form of improved business environment and economic growth, as follows:

- *India is now 1<sup>st</sup> amongst the world's most attractive investment destinations*
- *1<sup>st</sup> amongst world's fastest growing economies*
- *1<sup>st</sup> among 100 countries on the growth, innovation, and leadership index*
- *1<sup>st</sup> amongst 110 investment destinations polled globally*
- *7<sup>th</sup> most valued national brand in the world*
- *India's rank jumped 12 positions in Ease of Doing Business 2016 list by World Bank*
- *India moved 16 places in the Global Competitiveness Index 2015-16*

#### **Some success stories of Make in India so far:**

##### **Electronics:**

- Foxconn announces 10-12 facilities in India
- Oppo, ZTE, Phicomm invest in India
- One Plus, ASUS announces mobile manufacturing

**Automobiles**

- Mercedes Benz invest aggressively in India
- BMW increases 50% localization
- Volvo, Ford in with R&D facility

**Defence**

- Hyundai to build warships
- Sun Group to build Russian helicopters
- Reliance and international partners to build nuclear submarines and stealth warships

**Aviation**

- Airbus to increase its exports from India upto \$ 2 bn USD
- Pratt & Whitney evinced interest to Makae in India

The clarion call “Come Make in India” has transformed into an effective strategy and has become a huge success in creating a buzz globally. In order to provide greater momentum to the ‘Make in India’ initiative, Government of India is organizing a landmark event called the “Make in India Week” in Mumbai on February 13 – 18, 2016. The week-long event will be inaugurated by the Prime Minister of India.

**The Vision of Make in India**

The manufacturing industry currently contributes just over 15% to the national 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. The Prime Minister called for all those associated with the campaign, especially the entrepreneurs and the corporate, to step and discharge their duties as Indian nationals by First Developing India and for investors to endow the country with foreign direct Investments. The Prime Minister also promised that his administration would aid the investors by making India a pleasant experience and that his government considered overall development of the nation an article of faith rather than a political agenda. He also laid a robust foundation for his vision of a technology-savvy Digital India as complementary to make in India. He stressed on the employment generation and

poverty alleviation that would inevitably accompany the success of this campaign. The major objective behind the initiative is to focus on 25 sectors of the economy for job creation and skill enhancement. The initiative hopes to increase GDP growth and tax revenue. The initiative also aims at high quality standards and minimizing the impact on the environment. The initiative hopes to attract capital and technological investment in India. The campaign was designed by the Wieden +Kennedy (W+K) group which had previously worked on the Incredible India campaign and a campaign for the Indian Air Force.

**Table 2. Launched particulars**

	Campaign Name	Make In India
	Launch Date	09/25/14
	Launched By	PM Mr. Narendra Modi
	Number of Sectors	25
	Investment Proposals Received	INR 2000 crore (till 9-Oct-2014)

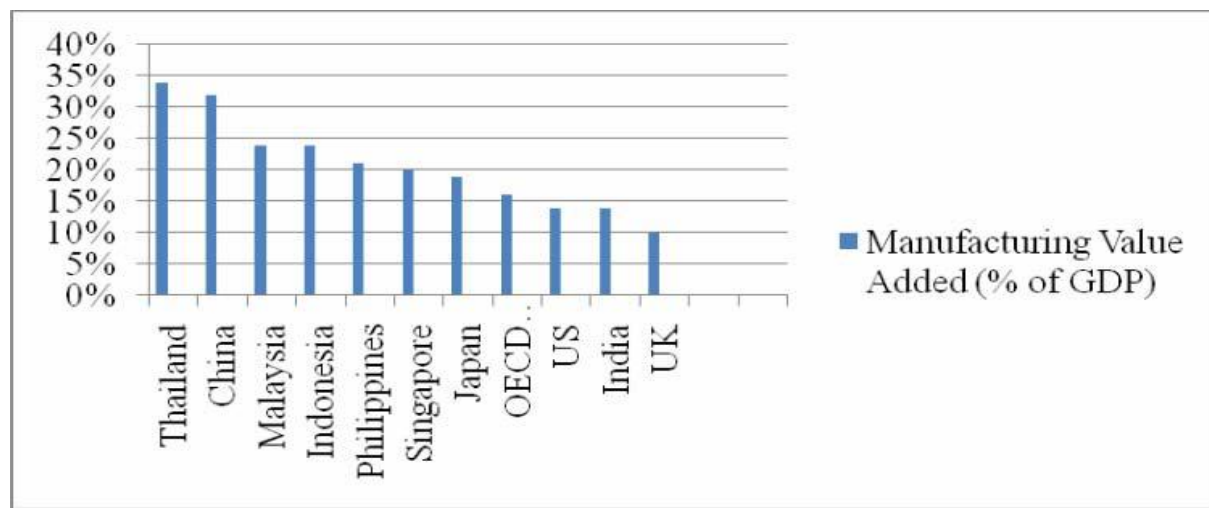
### **Expectations on make India: Make in India' for Big Boost to Industry & Employment**

The launch of the 'Make in India' campaign by Prime Minister Narendra Modi to attract foreign investments and boost the manufacturing sector of India has been timed to perfection. It comes a day after India's indigenously manufactured satellite Mangalyaan was successfully put in the Martian orbit, showing to the world the progress India has made in manufacturing processes, technology, science and innovation. It also comes a day ahead of the PM's visit to the US. 'Make in India' is intended to provide a major fillip to India's manufacturing industry which currently contributes about 15% of the national GDP. For the Make in India campaign, the government of India has identified 25 priority sectors (table 2) that shall be promoted adequately. These are the sectors where likelihood of FDI (foreign direct investment) is the highest and investment shall be

promoted by the government of India. It is aimed the development of these sectors would ensure that the world shall readily come to Asia, particularly to India where the availability of both democratic conditions and manufacturing superiority made it the best destinations, especially when combined with the effective governance.

The picture of the manufacturing sector of India is very gloomy with its low productivity, low exports, low employment, low contribution to GDP, etc. It is contributing around 15% to the GDP which is quite low when compared with other rapidly developing economies of the world like in the table shown below it is 34% in Thailand, 32% in China, 24% in Malaysia, etc.:

**Figure 1 : Share of Manufacturing lags Advanced Economies and Emerging Market Economies**



**Source: (“Make in India’- Pressing the Pedal,” 2015, p.6)**

With such a poor performance it seems quite difficult to achieve the target of 25% contribution to GDP by the year 2022 fixed by National Manufacturing Policy (2012). The “Make in India” campaign was launched by the Prime Minister of India, Mr. Narindra Modi to give the manufacturing sectors’ shabby performance a U-turn. The main objective of the mission is to make India a manufacturing hub and to generate more than 100 million jobs by the year 2022 (Bhattacharya, Bruce, & Mukherjee, 2014, p. 14). With the launch of “Make in India” a ray of hope for the upliftment of the performance of this sector is slowly emerging. The campaign has started showing its positive colours with various steps taken to encourage the investment in this sector but there are various challenges that hinder the growth of this sector.

## Ease of Doing Business

Major Initiatives have been taken up in the last one year for improving „Ease of Doing Business“ in India through simplification and rationalization of the existing rules and introduction of information technology to make governance more efficient and effective.

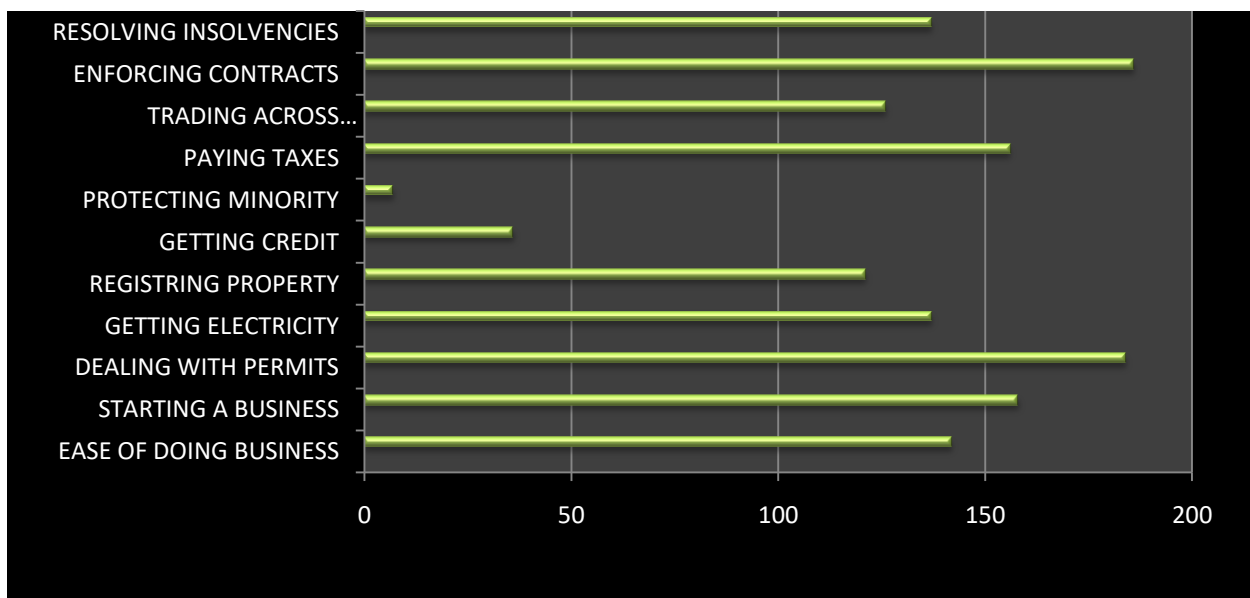
A comparative study of practices followed by the States for grant of clearance and ensuring compliances was conducted through M/s Accenture Services (P) Ltd. As a result of this study, six best practices were identified. These best practices were circulated among all the States for peer evaluation.

An Advisory has been sent to all Secretaries of Government of India and Chief Secretaries of the States/UT to simplify and rationalize the regulatory environment. In order to improve the regulatory business environment all departments/State Governments have been requested to take the following measures on priority:

- All returns should be filed on-line through a unified form.
- All registers required to be maintained by the business should be replaced with a single electronic register.
- No inspection should be undertaken without the approval of the Head of the Department.
- For all non-risk, non-hazardous businesses a system of self-certification should be introduced.

A check-list of required compliances should be placed on Ministry's/Department's web portal.

**Figure 2: Ranking of India on the overall ease of doing business, 2015.**



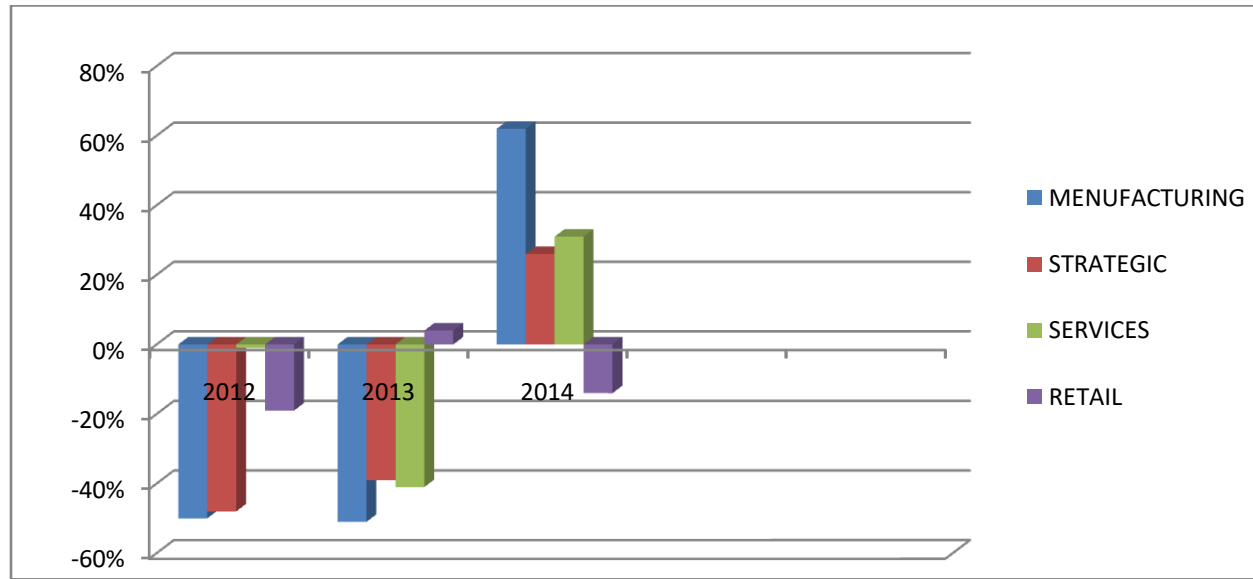
**Source: (Gupta, H., Kapoor, T. & Asudani, J., 2015, p.3)**

The “ease of doing business” covers ease in starting a business, enforcing contracts, registering property, gaining access to electricity, paying taxes, etc. The easier and simple process gives a country a good rank. The more the complex and time consuming process the poorer is the rank given. It is a matter of great concern that more than two decades have passed since the commencement of economic reforms and still India lags behind in providing business encouraging environment and the other facilities as are provided by other countries of the world. Like the average time consumed in acquiring a land is 14 months (“Ease of Doing Business,” 2014, p. 12). It requires 1420 days to enforce a contract in India as compared to 527 days in OECD nations and 655 days in Low and Middle income nations (‘Make in India’ - Pressing the Pedal,” 2015, p. 28). Construction permits are also a costly pursuit, involving 34 procedures and taking 196 days (“Top 10 Challenges,”). In the exports section also, getting approvals require long time and huge cost (Bhattacharya, Bruce, & Mukherjee, 2014, p. 21). All these obstacles discourage the growth of manufacturing sector.

### **Concluding Remarks:**

The poor condition of India’s manufacturing sector has been slowly improving with the efforts of PM Narendra Modi’s “Make in India” campaign. Moreover his one after another visits to other countries have brought commitments to investments in India. Like Japan has committed to invest USD 35 billion, and US committed to a USD 42 billion investment over the next two to three years (Bhattacharya, Bruce, & Mukherjee, 2014, p.8). As per the CIIBCG manufacturing survey 2014 85% of the respondents expect manufacturing growth between 5 and 10% over the next five years versus only 65% in 2013. So the optimism and the expectation among the CEOs of manufacturing companies is getting a boost. In another survey, a leading 32% of international Investors ranked India as the most attractive market, while 60% placed the country among the top three Investment destinations. Respondents believe that ongoing economic reforms are increasing opportunities for them to develop their companies profitably in India. Enthusiasm is strongest among companies with annual revenue exceeding US\$2b (“EY’s Attractiveness,” 2015, p. 41). Also Foreign Direct Investment in manufacturing sector during the first half of 2015 witnessed a 221% increase as compared to the first half of 2014 with US\$ 24.8 billion Equity. Manufacturing’s share of FDI raised to 80% and FDI projects raised by 22% .



**Figure 3: Growth in FDI capital % inflows in Manufacturing**

**Source:** (*“EY’s Attractiveness Survey India,” 2015, p. 15*)

The Figure 3 shows that FDIs in India is reversing its trend from negative growth to positive one with manufacturing sector attracting it the most. FDI in manufacturing sector has risen sharply from -51% to whopping 62% in 2014. The credit goes to “Make in India” campaign’s boost to the confidence of the investors.

The government is taking various positive steps to make the campaign successful like making its functions more efficient, reforms of the processes required in getting approvals and environment clearance by introducing the use of online system to speed up the process, policies to help the expansion of MSMEs, enhancing the business ease, attracting FDIs, actions to improve skill and thereby strengthening the hope of achieving the manufacturing target growth of 25% share to GDP by the year 2022 but still there is a long way to go. There is an urgent need to clear all the hurdles in the way of growth of this sector before getting assured of the targets. India is still ranked at 142nd place out of 189 economies of the world for its ease of doing business (World Bank Report, 2015). There is a lot of work to be done in providing the ease to the investors in areas like starting a business, dealing with construction permits, payment of taxes, enforcing contracts, etc. A business-friendly environment is a base for the growth of an economy. So the

government of India is required to address the various issues that creates hurdles in the way of the growth of the manufacturing sector for making Make in India” a success.

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