

## Major role of make in India as driver of growth in manufacturing sector

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### Abstract

It is a well known fact for many of us that Digital India is the outcome of major innovations and technological advancements which will transform the lives of people in many ways and also will empower the society at large in a better manner. Make in India campaign is an initiative of Prime Minister Narendra Modi who addressed the nation on 25<sup>th</sup> September 2014 in front of mass audience including both national and international entrepreneurs in New Delhi. To attract investments from businesses all over the world and transforming India to a global manufacturing hub this was an International marketing strategy conceptualized by the P.M of India. However for promoting this campaign logo and brochures, the web portal are used for detailing 25 priority sectors of the economy. The major objective behind this initiative is to focus on Job creation, innovation and skill development and also to align India's manufacturing sector into the global value chain by encouraging Public Private Partnership (PPP), foreign direct investment (FDI), Joint ventures and advancing ease in doing business (EDB). Besides higher education will also play a significant role in improving the quality of research and development (R&D). The aim of Make in India is to take a share of manufacturing in country's gross domestic product from stagnant 16% currently to 25% by 2022, as stated in national manufacturing policy and also to create 100 million jobs by 2022. Make in India scheme focuses on acceleration of economic growth to new heights and also to pull back the economy from clutches of recession. As of now India's GDP is heavily tilted in favour of service sector. Make in India initiative aims to correct the composition of Indian GDP which is the root cause of recession. In this paper an effort has been made to study the role of Make in India as a driver of growth in different sectors w.r.t its challenges, opportunities, changes needed and secondary data is used for the purpose of the study. Secondary data is collected from magazines, journals, brochures, articles, annual reports etc. Make in India campaign certainly makes India a global investment destination and global hub for manufacturing as well as innovation.

**Keywords:** skill enhancement, innovation, economic growth, make in India, technological advancements, value chain

### Introduction

#### What exactly is Make in India campaign?

Make in India campaign was launched and started by Prime Minister Narendra Modi in India on September 25, 2014 in a function at Vigyan Bhavan. Basically it is an initiative of the Government of India to encourage multinational, domestic companies to manufacture their products in India. Make in India campaign hopes to make India a major manufacturing hub. After first quarter of 2015, India has emerged as the top destination globally for Investment, beating next to door neighbor as well as United States. During the end of 2014 on 29<sup>th</sup> December the Department of Industry Policy and Promotion conducted a workshop, which was attended by Modi, his cabinet ministers and chief representatives of states as well as various industry tycoons. The major expectation from this campaign is that it will create around 100 million job opportunities for youths in India over time. The aim is to take a share of manufacturing in country's gross domestic product from 16% to 25% by 2022, as stated in national manufacturing policy. Major objective of this scheme focuses on 25 sectors. The sectors are Automobiles, textiles and Garments, Biotechnology, Wellness, Defence, Manufacturing, Ports, Food Processing, Media and Entertainment, Mining, IT and BPO, Pharmaceuticals, Renewable Energy, Roads and Highways, Railways, Thermal Power, Oil and Gas, Space, Leather, Construction, Aviation, automobile components, chemicals and Electronic System.

#### Why is Make in India Campaign important?

For the purpose of reinforcing the major traditional practices as well as creating the new vision for converting India into a global manufacturing hub, NDA government last year initiated a program which is run nationwide by the slogan "Make in India" with the motive to facilitate investments, building world class manufacturing infrastructure and faster innovation. Now the important question arises as to why it's important to focus upon manufacturing sector as well as to know whether it makes sense as far as India is concerned its always springs in mind that India primarily and forefront an agriculture oriented economy which has the most prominent contribution in the economy has also held its place quite firmly, but it was indeed manufacturing sector which has been less taken care of although it is probably the most driving force or the one that which needs to be geared up. India as a country is still having ample resources, possessing most dynamic human resources; service sector too is extraordinary toughing another level of heights. However manufacturing sector is the only sector which could integrate raw materials of the produce and provide end service.

#### Major objectives of the present study

- To study the role of Make in India scheme as a major driver of growth in different sectors
- To generate employment opportunities in India and also impact on economic growth

- To know how India is converting itself and marching towards becoming a global manufacturing hub
- To motivate and drive domestic as well as multinational companies to invest in India

### **Major Changing Paradigm shift in manufacturing sector after the initiation of Make in India Campaign**

In terms of globalization India before 1991 was a much developed and underutilized economy. FDI (foreign Direct Investment) before 1991 globalization reform was 97 (U.S. million \$) with a GDP growth less than 3%, but then came the globalization phase for India, which opened Indian market for the rest of the world thus increasing the FDI to 129 (U.S. million \$) in 1991-1992 financial year, with GDP as 4.2%, this was the time when Indian economy witnessed a high growth rate as compared to previous year (before globalization). And the trend went on of increasing FDI and increasing growth of GDP. Sectors like retail, FMCG, automobile, software, health sector etc saw a healthy FDI. In 2008 after the market crisis in India growth rate went down to 6.7% than 7.1 percent of previous years. Till 2013 FDI in India was 31,731 (U.S. million \$). In 2014 after winning the general election Mr. Modi, announced a dynamic campaign called MAKE IN INDIA, which brought about 41,223 (U.S. million \$) up-till mid of 2015 with GDP growth of 8.1 % brought smiles in Indian economy, world renowned manufacturers like SUZUKI MOTORS, POSCO STEEL, TETRA PACK etc, came to India with smiling faces for investment. Thus Modi's MAKE IN INDIA campaign became famous all over the world such that India was ranked 7th among the top ten FDI most promising source of economy in 2015. "MAKE IN INDIA's" main objective is to attract the potential manufactures from all over the world to invest in Indian economy which will result in huge employment generation, better productivity and new technology generation, safeguarding local market and farmers, development of MSME etc. So from the above info it can be concluded that this campaign's main motive is to attract various developed countries to invest in India in such a way that a Product produced or manufactured in India is being used by the whole world.

Some of the major foreign companies which have started making plan to invest in India are as follows:

- Oppo, a mobile manufacturer company has already started its India plant in August 15 which was announced by oppo's vice-president Sky-Li
- Fiat Chrysler automobiles to manufacture range of C-Segment Jeep brand premium sports utility vehicles in India for exporting it countries such as UK, South Asia and Australia. The manufacturing (export) unit has already started running and has brought in an overall investment of about INR 1500-2,500 Crores
- Hitachi has agreed to set up a Bup auto-component plant in and Huawei might invest 170 million \$ to set up Research & Development center in India.
- World famous Swedish companies namely Tetrapak, Scania, Ericsson, and Volvo India will actively participate in make in India and strengthen their 10 year old manufacturing relationship with India.
- The seasonally adjusted Nikkei India Manufacturing Purchasing Managers' Index (PMI) stood at 50.3, which pointed at an expansion of consecutive twenty-fifth month. The services PMI was at 50.1 points in November 2015

- Shantha Biotechnics Pvt. Ltd. has initiated a program to manufacture Insuman, an insulin product to cure disease like diabetes. Sanofi SA, which acquired Shantha Biotechnics, will invest Rs 460 crore (US\$ 69.24 million) to build the facility.
- BMW and Mercedes-Benz have trying to manufacture cars locally to be part of 'Make in India' initiative. This will lessen the waiting period of products in India as well as overseas.
- Suzuki Motor Corp playing its cards by manufacturing it products for African countries in its upcoming plant in Gujarat.
- Taiwan-based HTC has decided to manufacture products in India. HTC is deduced to form a new partnership with GDN Enterprises, which has a massed set up in Greater Noida.
- Foxconn is drafting a plan to expand in India, building approx. 12 new factories and employing as many as one million workers by 2020.

### **Some of the major additional reasons for the new initiative**

1. Various prolonged and persisting issues prompted the launch of Make in India Campaign. Rebooting India's economy was the first and foremost priority. The GNP (Gross National Product) during the FY 2013 and 2014 was estimated to be around 5.5% which when compared to time period of 2002 to 2011 was declining and also averaged around 7.7% on a higher side
2. Second foremost demanding factor for India was to create job opportunities for the younger generation. On an average in recent times, 5 million new jobs have been created annually; also on contrary near about 12 million people join the workforce every year. Another major aspect of demographic dividend is that by 2022 it is expected that the labour workforce will almost grow upto 600 million. Besides employment Make in India also intends to resolve and curb the problem of poverty to certain extent and also will shift people's mindset from agriculture which certainly has a low capacity to sustain their livelihood.
3. Thirdly economic development model of India is quite very complex, rather than giving preference to Indian people they are offering privileges to skilled labour which are employed by foreign companies. Success mantra on the other hand of some developed economies is to incentivize the manufacturing and production industries for generating job opportunities for domestic people first. This is probably on the major reasons today as to why manufacturing sector in China makes up 34% of the gross domestic product. Accounting to nearly 22.4% of Global Manufacturing, Chinese have positioned themselves as the 'workshop' of the world, while India accounts for only 2%. India's manufacturing sector is very much less productive compared to their competitors and account only 15% of its GDP. However Indian Government has set a target of 25% of GDP BY 2022.

### **Major Moments of Change**

Expansion both in productivity and increment in the manufacturing trade as well as economy is the result of Make in India initiative by Indian government. Within two years after the inception of Make in India over 10,000 training

centres have been opened, thus creating job opportunities for around more than million people. Make in India however raises the share from current 16% to 25% of the GDP by 2022 and also creating 100 million new manufacturing jobs over the same period. Indians should understand and realize that there is a need to consume the products which are manufactured in India. More than 30,000 crore rupees of foreign exchange are being phoned out of our country on various products such as beverages, snacks, tea, cosmetics etc. which are grown, produced and even consumed in India. Back in 1970, 1\$ was equivalent to Rs.4 but today 1\$ is equivalent to Rs.68, besides estimated 1\$ by the end of 2018 is predicted to be Rs.72 and for this downfall of rupee we Indians are only responsible. Being Indians we always should prefer fruit juices, lassi, and sugarcane juice, tender coconut instead of cold drinks which are produced at 70-80 paisa and sold to us at 7-10 Rs.

Indians should make a habit of producing and consuming Indian goods only. The value of rupee is constantly decreasing because more than half of the consumer goods which we use on daily basis comes from other countries wherein the government has to pay in dollars for these products imported. Indian youngsters should go ahead and start using more Indian websites for online purchases. However the conditions in India are improving for boosting up of manufacturing sector after 'Make in India' announcement.

### **Building new innovative skills and focusing on Vocational education**

Skill development certainly is on top priority as P.M Modi had said that the government is currently doing mapping for assessing skill manpower demand for specific sectors. He found synchronization between the government's objective, academic world, industry and job seekers to make sure that industries' specific skills are imparted correctly. Quality education along with skill development is point to be focused according to the experts. "In the emerging economy, people will need to continuously acquire new set of skills to meet out the economy's evolving dynamic needs", observed by official with an industry association. Further Prime Minister has also promised that the manpower located locally will be given training by the Industrial Training Institutes (ITI) with the help of different sectors. "A skilled worker will be provided and our ITI will be functioning as a result it will strengthen its family and improve its purchasing power," Mr. Modi told top industrialists in his speech that National Skill Development Agency (NSDA), in the last couple of years, commenced work on creating an information system of labour market which would be beneficial to industry sourcing their manpower requirements. After this, the government would provide accreditation to agencies concerned with manpower in such a way that manpower requirement information can be accessed.

### **Emphasizing on Advanced technology and Innovative ideas**

As Global markets are getting globalized day by day, Indian manufacturers will have to face serious competition to produce high quality products and less rate products from around the world even in home market of India. Concessions in tax are given to those industries which will set up its work location in India. Overall small, medium and huge sized industries are very much vital and important to take forward the country to achieve its status of manufacturing Hub goal.

Some of the major recent policy measures and projects to open up India's manufacturing sector are as follows:

- 100% FDI for telecom sectors
- 100% FDI for single brand retail
- Online obtaining of environmental clearance through proper process
- Expiry dates of licenses increased to 3 years
- A system of self certification to be introduced for all non-risk, non-hazardous businesses
- Development of Delhi-Mumbai industrial corridor (DMIC) under process to make it an global manufacturing and investment destination utilizing 1,483 km long, high capacity western dedicated railway freight corridor (DFC) as backbone for this ambitious project

### **Merits of Investing in Industry sector**

- As such FDI is one of the very important sector through which Indian economy is able to make itself stable, hence this scheme might boost up FDI in the country in coming years
- Exports which are done by production and manufacturing units helps in lowering the trade deficit
- All big manufacturing units need various small parts, which are created by various small scale industries so as a result of new large industry openings various small industries will also be created thus creating more employment opportunities for youths of the country
- As India's overall population is nearing about 129 crore certainly it is a huge market for any industry around the globe
- Converting India as a self- dependent nation and also giving Indian economy a global recognition
- Production and manufacturing hub projected to generate around 100 million new domestic jobs and also contribute around 25% of National GDP by 2025 from existing 15%
- Productivity and quality improvement to boost skill intensive manufacturing in India by 2025. More importantly top 2 low cost exporters namely auto components, power equipment can be exported. Low cost exporters like electronics, machinery, automobiles and textiles should also be taken into consideration
- Almost 28 million new jobs in hi-tech and electronic hardware sectors to cater to USD 400billion domestic market by 2020.

### **Major challenges of Make in India campaign**

Government should certainly clear certain bottlenecks for making India a global manufacturing hub. Keeping this in mind this research paper contains important challenges and solutions for the same. Data obtained from various authenticated sources and secondary research this paper underlines the following major challenges for India to become global manufacturing hub in days to come. Challenges and opportunities confronted are as follows:

- Improving the ease of doing business in India
- Building up major infrastructure of various buildings and highways
- Giving more opportunities for the improvement general and engineering graduates
- Improving electricity plants and power capacity for better supply to Industrial sector

Besides the above mentioned challenges there are certain other

challenges also in the way of making India a global hub for manufacturing. However keeping in mind these issues and also taking adequate measures necessarily deal with same will also go a long way towards turning “Make in India” vision from dream to reality

### Conclusion

India indeed has the capacity and capability to push the GDP to 25% in the next coming few years. To encourage investment opportunities and also to improve further business climate the government of India has taken tremendous steps. Make in India is probably one such long run initiative which will accomplish the dream of transforming India into a major manufacturing Hub. Startups in the core manufacturing sector are poised to play a very crucial role in the success of ‘Make in India’ ambitions said experts at a panel discussion at the 11<sup>th</sup> India Innovation Summit 2015 in the field like telecom, defense manufacturing, automobile, Internet of things, financial technology modules and mobile internet have immense potential to succeed in the scheme of ‘Make in India’ said Siddhartha das, general partner, Venture east addressing aspiring entrepreneurs at the discussion on ‘Entrepreneurship’- Role of start up towards Make in India. Make in India scheme also focuses on producing those products with zero defects and zero effects on environment. Various measures undertaken by the NDA Government to address issues related to economic growth. Delay in Government reforms and decisions in the labour law, Land law and taxation have kicked started manufacturing sector and also upliftment in growth of GDP by 5.7 percent in last quarter. If governance will continue to remain in this current manner, we can definitely hope to see a significant and sustainable growth in production and manufacturing sector and also progress towards India becoming a global manufacturing hub.

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