

Teerthanker Mahaveer University

Make In India

"Challenges, Issue and Practices"

Authors:

Aman Jain, Arpit Jain

B.Com. LL.B.

02-04-2016

MAKE IN INDIA

Abstract

Make in India is the government's flagship campaign intended to boost the domestic manufacturing industry and attract foreign investors to invest into the Indian economy. The Indian Prime Minister first mentioned the key phrase in his maiden Independence Day address from the ramparts of the Red Fort and over a month later launched the campaign in September 2014 with an intention of reviving manufacturing businesses and emphasizing key sectors in India amidst growing concerns that most entrepreneurs are moving out of the country due to its low rank in ease of doing business ratings. Manufacturing 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. The logo for the Make In India campaign is a an elegant lion, inspired by the Ashoka Chakra and designed to represent India's success in all spheres. This conference is aimed at gathering ideas and implementation strategy for making “Make in India” successful and enhancing the creation of jobs.

Keywords: Modi, Lion, Make in India, Production, Digital India, India, Growth, Development.

What is “MAKE IN INDIA?”

Make in India initiative launched by Prime Minister Narendra Modi on 25th September, 2014 was an initiative aimed at making India a global manufacturing hub. It was also rolled out with the aim of creating millions of jobs in the country.

Under the 'Make in India' initiative, the government has, in the last one year, announced several steps to improve the business environment by easing processes to do business in the country, and attract foreign investments. India would emerge, after initiation of the programme in 2015, as the top destination globally for foreign direct investment, surpassing United States of America as well as the China.

Sectors

Make in India focuses on the following 25 sectors of the economy:

- Automobiles
- Automobile Components
- Aviation
- Biotechnology
- Chemicals
- Construction
- Defence manufacturing
- Electrical Machinery
- Electronic systems
- Food Processing
- Information Technology and Business process management
- Leather
- Media and Entertainment
- Mining
- Oil and Gas
- Pharmaceuticals
- Ports and Shipping

- Railways
- Renewable Energy
- Roads and Highways
- Space and astronomy
- Textiles and Garments
- Thermal Power
- Tourism and Hospitality
- Wellness

100% FDI is permitted in all the above sectors, except for space (74%), defence (49%) and news media (26%).

MII -CIP in Economy

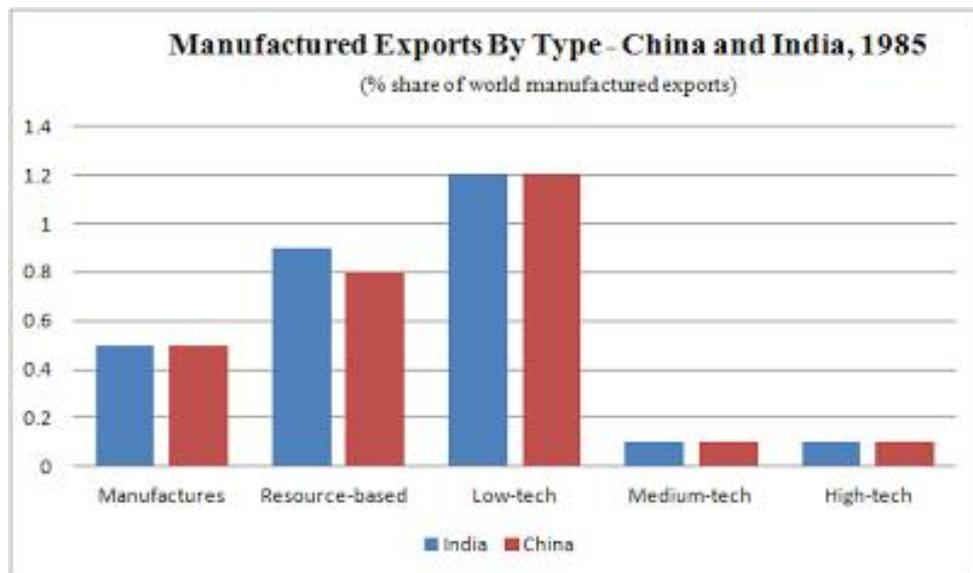


Figure 1

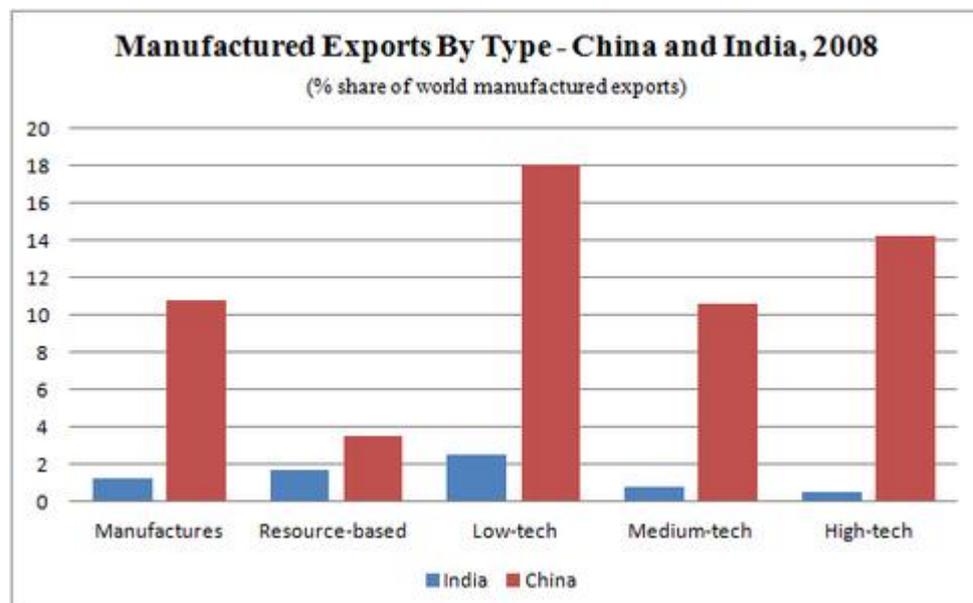


Figure 2

Look at China & India over time:

In 1985 - India & China were both equally bad in manufacturing

By 2008, China has grown insanely high to be a world leader in manufacturing. India grew too [look at the change in scales] but nothing closer to China.

In just 20 years, China has caused all that change. If China can make all that change in the previous 20 years, why can't India too in the next 20? It is possible. If we can put all our weight in manufacturing.

Why do we need manufacturing?

1. Manufacturing can create a lot of jobs. TCS and Infosys can employ only so many people. We need 1000s of large factories.
2. Manufacturing can create jobs for uneducated too. Not all in India are engineers. Jobs are needed for every class, every education level. Manufacturing is usually the best for providing diverse jobs.
3. It can really complement our service industry and can create a double dynamo of growth.
4. Manufacturing superiority is essential for research to national security.

How can India use its strength?

1. Chinese **wages** are already moved up quite high and big manufacturers are moving to the next cheap thing - Vietnam, Philippines etc. India could easily fit the bill - we are a lot poorer than China.

2. India has a large pool of educated people that is not fully tapped yet. We have an army of mechanical, electrical and industrial **engineers** who are underutilized in IT. Many of them want to work in manufacturing. They can produce a high-tech manufacturing hub.

MII -CIP in Human Resource

Make in India: A tectonic shift for human resources

In a global market, where the competition is intense and customers demand continuous improvement, we must vigorously compete to get “Top Talent”. Technology is rapidly spreading everywhere, thus the need of the competitive advantage is determined by people with right skills. It’s a great challenge for the human resource managers as the demand for skilled employees now exceeds the supply.

The changes in the Hr practices

Talent becomes the critical resource because Innovation comes from people, World class processes are developed by World class people and world class HR practices are required to win the war of talents. The success of Make in India is also reliable on job creation and skill enhancement. As the world is becoming more competitive and unstable than ever before, manufacturing-based industries are seeking to gain competitive advantage at all cost and are turning to more innovative sources through HRM practices.

India can become human resources capital of the world

The opening up of areas like Defence and Railways is likely to bring forth more private partnerships with the public sector that could infuse a new work manufacturing work culture in these traditionally staid companies.

With increasing recognition for diversity in companies, women and the youth could get a leg up. Skills and vocational training could ensure larger numbers of youth being absorbed into manufacturing facilities which could also help alleviate youth unemployment in different parts of the country.

Supply chain management and vendor development that had lost some of their relevance in the efforts of manufacturing companies to cut costs may make a comeback with industry committing greater investments in these areas. On the other hand, the promise of greater use of technology in Indian manufacturing as posited by Microsoft’s Nadella could see the need for retraining workers at factories to bring them up to date on global technology and innovation practices.

MII -CIP in Production & Manufacturing

“MAKE IN INDIA”- A BOOST TO THE MANUFACTURING SECTOR.

- The need to raise the global competitiveness of the Indian manufacturing sector is imperative for the country's long term-growth. The National Manufacturing Policy is by far the most comprehensive and significant policy initiative taken by the Government. The policy is the first of its kind for the manufacturing sector as it addresses areas of regulation, infrastructure, skill development, technology, availability of finance, exit mechanism and other pertinent factors related to the growth of the sector.

VISION

- An increase in manufacturing sector growth to 12-14% per annum over the medium term.
- An increase in 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.
- Creation of appropriate skill sets among rural migrants and the urban poor for inclusive growth.
- An increase in domestic value addition and technological depth in manufacturing.
- Enhancing the global competitiveness of the Indian manufacturing sector.
- Ensuring sustainability of growth, particularly with regard to environment.

India is on the threshold of major reforms and is poised to become the third-largest economy of the world by 2030. In the words of our Hon'ble Prime Minister, India offers the 3 'Ds' for business to thrive— democracy, demography and demand. Add to that a tech-savvy and educated population, skilled labour, robust legal and IPR regime, and a strong commitment to calibrated liberalization — India is a destination that German investors cannot overlook. India's manufacturing sector has evolved through several phases - from the initial industrialisation and the license raj to liberalisation and the current phase of global competitiveness. Today, Indian manufacturing companies in several sectors are targeting global markets and are becoming formidable global competitors. Many are already amongst the most competitive in their sectors.

Demographics Advantage:

- The country is expected to rank amongst the world's top three growth economies and amongst the top three manufacturing destinations by 2020.
- Favourable demographic dividends for the next 2-3 decades. Sustained availability of quality workforce.
- Strong consumerism in the domestic market.
- Strong technical and engineering capabilities backed by top-notch scientific and technical institutes.
- The cost of manpower is relatively low as compared to other countries.

Electronics Systems Design & Manufacturing

- Heavy industries
- Machineries
- Engines
- Tools
- Steel products
- Industrial equipment's
- Electrical and Home Appliances
- Builders Hardware
- Railway and related products and equipment's

The Indian electronics system design and manufacturing (ESDM) industry is at a huge inflection point. From being predominantly consumption driven, the Indian ESDM industry has a major potential to become a design led manufacturing industry. The industry is one of the fastest growing sectors in the country. The Indian ESDM industry was estimated to be \$68.31 billion in 2012. The impressive guidance between 2011 and 2015 for this industry is expected to result in a Compound Annual Growth Rate (CAGR) of 9.88 percent. The corresponding size of the industry by 2015 is anticipated to be \$94.2 billion.

MII -CIP in Information Technology

REASONS TO INVEST

- The IT-BPM sector constitutes 9.5% of the country's GDP and contributes significantly to public welfare.
- India's IT industry amounts to 55% of the global market, largely due to exports.
- 60% of firms use India for testing services.
- Rapidly growing urban infrastructure has fostered several IT centres in the country.
- The Indian IT industry has saved clients USD 200 Billion in the past five years.

STATISTICS

- IT-BPM revenues are expected to reach USD 146 Billion in 2015.
- Exports from the IT-BPM industry are expected to reach USD 98.5 Billion in 2015.
- IT Services exports are USD 55 Billion.
- The BPM industry exports are USD 20 Billion.
- The hardware industry exports are USD 0.4 Billion.
- The IT industry has more than 15,000 firms; of which 1000+ are large firms.

- The IT-BPM industry is the largest private sector employer – delivering 3.5 Million jobs.
- The sector accounts for 38% of India's services exports.
- The sector includes 640 offshore development centres (ODCs) across around 78 countries.

India is ranked as the 9th largest start-up hub in the world with over 3100 start-ups in the country.

FOREIGN IT INVESTORS

- Accenture (Ireland)
- Cognizant (USA)
- HP (USA)
- Capgemini (France)
- IBM (USA)
- Atos (France)
- Microsoft (USA)
- CDNS (USA)
- Intel (USA)
- Dell International (USA)
- Agilent Technologies (USA)
- Mentor Graphics (USA)
- Oracle Corporation (USA)
- Qualcomm (USA)
- Steria (France)
- Ricoh (Japan)
- SAP (Germany)
- TIBCO (USA)
- Philips (Netherlands)

OTHER AGENCIES OF INDIA

- Department of Electronics & Information Technology, Ministry of Communications & Information Technology, Government of India
- National Association of Software and Services Companies
- Indian Software Product Industry Round Table
- Other Service Providers Association of India
- Data Security Council of India

MII -CIP in Environment

- At the root of economic development lies a robust manufacturing economy. Over the years, global economic development has been driving on vigorous innovation and on sustainable industrialization of the advanced economies. It started off with the steam engine and progressed on to advanced chipsets and technology that are now remotely controlled. Good manufacturing practices has seen the most productive agricultural farms across the world use the best farm machinery, and critical sectors such as healthcare use sophisticated medical equipment.
- India missed the power of having a strong manufacturing base in its economic history as software leaped to the centre stage and steered the economy for much of the past two decades. As a result, manufacturing has been stagnating at around 16-18% of the gross domestic product (GDP), despite the liberalization in the 1990s, while services sector has ballooned to around 55% of GDP.
- With renewed initiative on manufacturing, the Indian government is planning to boost the share of manufacturing to about 25% of GDP in the next decade. With a host of follow-up initiatives such as liberalizing foreign direct investment (FDI) to a large extent (100% in sectors such as rail transportation), it has opened the gates for more business and investment opportunities in the country. As a result, India's manufacturing share could accelerate to 25-30% of GDP, and touch \$1 trillion in value in the next decade, as per a McKinsey report.
- Manufacturing is also important for creating jobs. India will have one of the largest working age populations in the world over the next two decades, and a robust manufacturing sector is a must for creating skilled workers in labour intensive industries. According to the International Labour Organization, countries with a high share of employees in industry usually have people earning regular wages in skilled jobs against holding temporary, informal jobs. With the "Make in India" initiative, the country could add 40-60 million jobs over the next decade, adding 8-12% to the current employment base.
- Questions about whether India can become a manufacturing powerhouse should be laid to rest. Aside from cheap, abundant and skilled labour, and a technologically savvy workforce, India also has an abundance of natural resources. That Indians can harness the strengths of technology has been proved over the years. This advantage will prove vital as India improves its manufacturing process along with bringing in efficiency.
- Boosting manufacturing and laying the foundations for a better infrastructure go together. Infrastructure spend has been largely stagnant at 5.0-5.5% of GDP over the past decade compared with, say, China which has been spending close to 15% of GDP on infrastructure. To boost global competitiveness, infrastructure plays a critical role as it streamlines

movement of goods. With a good manufacturing base, investments in infrastructure will improve.

- One area that needs to be addressed is smooth movement of goods in the country. The cost of logistics eats into the effort that can make India a manufacturing powerhouse. With the introduction of goods and services tax (GST), productivity can improve tremendously, which will, in turn, reduce costs in the manufacturing process. It can boost India’s manufacturing image globally as a producer of quality goods at considerably lower costs.
- A strong manufacturing sector also needs a robust investment environment. The Indian investment rate has decreased to around 34% in financial year (FY) 2013, and needs a strong recovery in the coming years. Capital availability is the biggest factor that can lead to investments into the manufacturing sector. India has to not only improve the investment rate, but also improve the utilization of capital so that the most productive and priority sectors get the right capital funding. However, new manufacturing capacities may take a little while to get started as the balance sheets of many companies are stretched with the weight of loans. The banking system, too, is facing high amounts of non-performing assets, which includes restructured assets, and tots up to nearly 12% of gross advances.
- For now, manufacturing can be revived through FDI (which has picked up) and through the fiscal consolidation of the government as it helps save resources that can be used for productive purposes. As announced in the recent budget, the government has committed to bringing down the fiscal deficit to 3% of GDP by FY18.
- Another area that can help is household savings. Indian households had been hit by high inflation and had moved to physical assets as choice of investing. They are now gradually being drawn to financial assets. Real rates have become positive after many years of being negative.
- It is essential that the government’s “Make in India” manufacturing initiative is linked to a strong investment environment as this is one of the ways to attract households and other segments of society to play a part, and a crucial one at that.

5 Things That Show PM Modi’s ‘Make in India’ Campaign Is Working

Indian Prime Minister Narendra Modi launched his ambitious “Make in India” program last September, pledging to lower barriers to doing business and promote foreign investment. He is hoping to transform Asia’s third-largest economy into a manufacturing powerhouse like China.

It has been almost a year since the program was launched, so it's fair to ask if it has yielded any results.

While many international executives and investors have complained Mr. Modi and his party have not used their rare majority in Parliament to ram through some much-needed reforms, that hasn't stopped them from making big new bets on India as other emerging markets have fallen out of favour. Here are five things that show Mr. Modi's campaign is gaining traction.

➤ **FDI is surging**

Foreign direct investment between October and May 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, totaled \$40.92 billion in the fiscal year ended March 31, roughly seven times as much as in the prior year.

➤ **Industrial production is warming**

The pick-up in investments is starting to show in the country's industrial production numbers. Official data show India's industrial production rose an average 2.7% year-over-year in the seven month period from October to May. Nothing spectacular one may say. But it is a significant step up from the measly 0.6% increase during the comparable period a year earlier.

➤ **Foxconn bet billions**

Contract-manufacturing giant Foxconn last weekend announced plans to spend \$5 billion on factories and research and development in the western Indian state of Maharashtra. The company is one of the many looking to produce in India as the country's consumers spend more on electronics.

➤ **GM doubled down**

General Motors Co. recently announced it will invest another \$1 billion. It has struggled to gain market share in India but its decision to pour in more funds and retool so it can make cars for domestic consumption and export shows it expects things to improve.

➤ **Uber is ramping up its roll out**

While it is a services company and not a manufacturer, ride-hailing app Uber Technologies is ramping up its commitment to India. India is already its second-largest market in terms of cities served. To meet growing demand, Uber recently announced will invest \$1 billion over nine months to build its network in India.

MII -Scope for India to lead (Start up)

We are all agog to see Prime Minister Modi launch the Startup India Programme under the Startup Action Plan on the 16th of January 2016. After Make in India and Digital India, this is one of the seminal initiatives undertaken by the Government of India to celebrate the entrepreneurial spirit of the nation. The vision of this programme is to foster native startups, formulate favorable policies for them

and to promote technological innovation. The measure is reflective of the efforts being taken by the Union Government to check brain drain and encourage young entrepreneurs to 'Start in India and Stay in India'. The move has undeniably planted some serious hope in the hearts of budding entrepreneurs. As they wait for the launch of this programme with bated breath, check out what their expectations are and what opinion do they hold on the initiative.

III -Growth & Rise with Technology (Digital India)

The Digital India programme is a flagship programme of the Government of India with a vision to transform India into a digitally empowered society and knowledge economy.

The journey of e-Governance initiatives in India took a broader dimension in mid 90s for wider sectoral applications with emphasis on citizen-centric services. Later on, many States/UTs started various e-Governance projects. Though these e-Governance projects were citizen-centric, they could make lesser than the desired impact. Government of India launched National e-Governance Plan (NeGP) in 2006. 31 Mission Mode Projects covering various domains were initiated. Despite the successful implementation of many e-Governance projects across the country, e-Governance as a whole has not been able to make the desired impact and fulfil all its objectives.

It has been felt that a lot more thrust is required to ensure e-Governance in the country promote inclusive growth that covers electronic services, products, devices and job opportunities. Moreover, electronic manufacturing in the country needs to be strengthened.

In order to transform the entire ecosystem of public services through the use of information technology, the Government of India has launched the Digital India programme with the vision to transform India into a digitally empowered society and knowledge economy.

References

<http://www.dnaindia.com/money/report-pm-modi-s-make-in-india-turns-one-all-you-need-to-know-about-the-initiative-2128448>

<http://www.firstpost.com/business/pay-off-time-for-pm-modi-india-displaces-china-us-as-the-top-fdi-destination-in-2015-2449770.html>

<http://profit.ndtv.com/news/economy/article-india-pips-china-us-to-emerge-as-favourite-foreign-investment-destination-report-1224530>

<http://timesofindia.indiatimes.com/India/India-pips-US-China-as-No-1-foreign-direct-investment-destination/articleshow/49160838.cms>

<http://www.economist.com/blogs/banyan/2014/09/india-s-big-manufacturing-push>

<http://profit.ndtv.com/news/cheat-sheet/article-pm-modis-make-in-india-campaign-10-things-to-know-670377>

<http://www.thehindubusinessline.com/specials/new-manager/make-in-india-a-tectonic-shiftfor-human-resources/article6760718.ece>

<http://www.makeinindia.com/policy/national-manufacturing>

<http://www.makeinindia.com/sector/it-and-bpm>

<https://mygov.in/group/digital-india/>