

Make in India Campaign: a step towards making India a Global Manufacturing Hub

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Abstract

After the launch of the ‘Make in India’ campaign in September 2014, there have been extensive discussions, debates, conferences and seminars on what is needed to execute this movement. This campaign envisages significant investments in key manufacturing sectors to manufacture in India for domestic as well as exports markets. The goals laid out for the campaign are ambitious and when we do achieve them, it will have put India on the global manufacturing map as a significant player in the chosen 25 sectors, in addition to providing livelihood and improving the lives of millions of people directly or indirectly. The current paper focuses on what exactly are the steps required by Indian government to facilitate the implementation of the campaign and the key changes needed to make the campaign successful.

Key words- Make in India, Government, Campaign

Introduction

With an aim to make manufacturing a key engine for India’s economic growth, Prime Minister Narendra Modi launched the Make in India initiative on September 25, 2014 in New Delhi. The Prime Minister also unveiled the Make in India logo, and launched the website makeinindia.com.

It may be said that the campaign has come at an opportune time. The drop in global oil prices, the slowdown in China, the expectation from a stable government to be able to drive reforms and policies, augurs well for India while pursuing these objectives. Other positives for India include an abundance of natural resources, a large young workforce, a low per capita consumption of almost every product or commodity in comparison with other developing / developed nations and certain manufacturing sectors are already amongst the better placed in the world. Recently, there have been positive announcements by the government and the much awaited GST is now expected to be rolled-out by April 2016.

Key Challenges

However, significant challenges remain. key ingredients for making India attractive for businesses can be, ease of setting-up business, access to low cost finance, ease of acquiring land for setting-up manufacturing facilities, development of technical and managerial skills and the ability to quickly and cheaply move products to domestic and export markets. Challenges are being faced on these fronts.

On the World Bank's 'Ease of doing Business' ranking ('Doing Business 2015: Going beyond Efficiency' published by the World Bank Group in October 2014), India ranks 142 out of 189 countries, with an even more alarming ranking on some of the constituent dimensions: 158 on starting a business, 186 on enforcing contracts, 184 on dealing with construction permits. While the government has begun easing the procedure for starting a business, work on other dimensions has to gain momentum. **Interest costs remain high and can be a significant deterrent for investments** for Indian associates to support global players.

While an ordinance to the Land Acquisition Act of 2013 has been introduced by the government which may be positive from an investor's point of view, there are questions which have been raised from a land owner's perspective which need to be debated and resolved.

There is a **significant deficit on the skills required** in manufacturing and a widening gap in terms of managerial skills with talented young people pursuing other lucrative careers. India has amongst the highest logistics costs in the world, significant wastages and also one of the highest lead times for products to reach markets or ports.

Significant policies and regulatory reforms required for overcoming the challenges

- 1. The budget can be a wonderful lever to enable the campaign, provided it strikes a balance between the present and the future**

As a starting point, we need to understand the strengths and the opportunities in each sector and create a roadmap for the next ten years with clearly laid out growth targets for each year. The roadmap should drive the policy and regulatory changes as well as budgetary incentives and sops which need to be

provided or discontinued each year. Once this is laid out, the budget can derive the right actions that need to be taken for each sector.

2. Focus on mature sectors required to deliver results

Sectors which are more mature relative to others can be focused on in the near term to deliver results. The automotive sector is such a sector which has been struggling for the last two years from both lower demand as well as high tax rates and can get a fillip if rates are rationalized. With the possibility of softening interest rates, demand can significantly grow benefiting not only the automotive sector but also associated sectors such as metals and mining.

A number of sectors which are in their nascent stages have also been identified, including defence and electronics. These sectors may require significant investments and may need to be nurtured over the next few years. Tax holidays for such sectors can attract investors and these can be discontinued as they achieve growth and become mature. Also, incentives for small and medium enterprises and seeding fund for small entrepreneurs can help these sectors grow.

Sectors such as mining and power which can be the backbone of a successful ‘Make in India’ campaign may need large scale policy and regulatory reforms and it could be better to pursue this route rather than the budgetary route to help these sectors grow and make them more competitive.

3. Significant allocation required for infrastructure sector

While industrial corridors and manufacturing zones are already being planned, significant allocation in the budget needs to be provided to the infrastructure sector including roads, rail, ports over the next few years to improve connectivity of manufacturing plants with markets. Incentives for public-private partnership and foreign direct investment into these sectors can ease the situation further.

4. Emphasis on Education and Skill Building

Another area where the government needs to allocate a sizeable portion of its expenditure is can be education and skill building.

5. Need for Brand Building

Finally, the manufacturing sector in India needs a brand image for it to thrive. Just like German manufacturing is known for its superior engineering, Japanese for its quality and China for its low cost production, India needs to create a brand for its manufacturing sector. It is important to allocate funds in each budget to create a brand. For example, if we want the Indian manufacturing sector to be known for innovation, it is essential to build a brand beginning now, with funds allocated for building a culture of innovation.

6. Reforms in Labour laws

To realise this goal, reforms in labour laws, special economic zone policy, foreign direct investment rules, taxation policy, and land acquisition policy are very crucial. Though India has missed the bus, the country can still make an impact on the global manufacturing sector through innovation and reducing costs taking a giant step forward by making its manufacturing sector the main engine of its economy.

According to Confederation of Indian Industry (CII), issues related to taxation, including introduction of a goods and services tax, easy land acquisition, faster approvals and trade policy need to be addressed to boost the manufacturing sector.

Conclusion

Prime Minister Narendra Modi's plan to launch a new manufacturing policy could transform India into an international manufacturing hub, giving tough competition to China. Modi's 'Make in India' campaign aims to boost manufacturing sector. Promises to build trust among investors and create a favorable environment to ease manufacturer's woes with effective governance.

It is also 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 the middle class, the more opportunity will there be for global business. Therefore, investors from abroad need to create jobs. Cost effective manufacturing and a

handsome buyer - one who has purchasing power - are both required. More employment means more purchasing power.

'Make in India' initiative aimed at promoting manufacturing in the country and reduce dependence on exports. He, however, indicated that instead of providing sops the government would provide an enabling environment to the industry to invest and grow in India. Incentives can't attract business. We have to create development and growth oriented environment.

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