

MAKE IN INDIA: ISSUES AND CHALLENGES

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ABSTRACT

Make in India is one of the major campaigns started by the Prime Minister of India, in September, 2014, the main objective of which was set manufacturing units and to increase the export rate and lower the import rate in India with the help of foreign investors. Requirement of skilled labor, ease of doing business, good infrastructure and low manufacturing cost are some basic Pre-requisites for the success of the Make in India campaign. In this review article the major challenges in the way of the campaign such as political stalemate, role of Indian states in the implementation of the concept, taxation, provision of basic and better infrastructure, power supply, skilled manpower, reduced and easy paper work for getting relevant permissions etc. are discussed. Further, some major and recent breakthroughs and achievements in some of the sectors including automobile, aviation, defence, construction, tourism and hospitality of Make in India campaign are also reviewed.

Keywords:- Indian economy, make in India, challenges, sectors.

I. INTRODUCTION

Very major country like England, United State, Japan and China has a very strong manufacturing sector. The global export share of China is remarkably much higher than India. In India manufacturing contributes 2% of GDP globally1 . For small countries like Thailand, the contribution of the manufacturing sector to their GDP is 36%, Indonesia and Malaysia it is approximately 25%2 . In order to increase the GDP share, the Make in India campaign was inaugurated by Prime Minister Narendra Modi in September, 2014 to revive the Indian economy. This wide ambitious campaign gained a wide range of popularity nationally as well as across the borders. The concept of Make in India is quite different from the concept of Made in India. Made in India refers to the goods which are manufactured in India, whereas the concept of Make in India is of different perspectives. In India, we import more as compared to export. As a result, a lot of money is going outside the country. India has a great potential to be a great manufacturing hub as far as the resources are concerned.

II. OBJECTIVES

Through Make in India, an open invitation to the foreign companies is made to invest and set manufacturing units in India. The main concept of Make in India is to manufacture more in India and increase the export rate and lower the import rate. To be a potential manufacturing hub, there are four basic requirements; skilled labor, ease of doing business, good infrastructure and low manufacturing cost. A number of students throughout the country enroll themselves in various technical and job- oriented diploma and degree courses such as mechanical, engineering, electronics etc. Moreover present government is also setting and supporting skill development centre in the country to

2nd International Conference on Recent Innovations in Management and Engineering

IIMT College of Engineering, Greater Noida

24th June 2017, www.conferenceworld.in

(ICRIME-17)

ISBN: 978-93-86171-50-4

provide highly skilled workforces- the basic requirement of the Make in India concept. The creating infrastructure of global standards is possible in India. Global standards mean creating an environment to operate technology intensive manufacturing units³. The main problems which persist in India for doing business are the strict rules and regulations, a lot of documentation, getting different types of permissions from different government agencies and regulators which delay the process of setting manufacturing units along with a great deal of humiliation and wasting valuable time. These problems are thoroughly addressed in Make in India. For ease of doing business, paperwork is reduced to a minimum, easy approvals from different regulators, minimum human intervention, and maximum response and help when it comes to support and grievance redressal. Thus, the role of the government will be a facilitator rather than a regulator. Another important issue addressed in Make in India concept is the manufacturing cost. As compared to China, India is a better option for labor at low cost. Significant tax incentives, subsidies, enabling the conditions to make industries to do well in manufacturing will reduce the manufacturing cost, ultimately leading to increase the rates of export. Through this campaign, there will be a critical evaluation of selected domestic companies having leadership in innovations and new technologies for turning them into global champions, boosting trade and economic growth. The direct and indirect outputs of the Make in India concept are; more job opportunities reducing unemployment, high purchasing power to better-living styles, better state of the art of infrastructure, smart cities etc. The major 25 sectors identified to give a trust and push and the focus centers of the Make in India campaign are automobiles, food processing, renewable energy, automobile components, IT and BPM, roads and highways, aviation, leather industries, space, biotechnology, media and entertainment, textiles and garments, chemicals, mining, thermal power, construction, oil and gas, tourism and hospitality, defence, manufacturing pharmaceuticals, electrical machinery, ports, electronic systems and railways etc. The Indian government has set an ambitious target of enhancing the manufacturing output contribution to 25% of GDP by 2025 along with 90 million domestic jobs⁴. According to a Washington-based development institution, India is going to overtake China to clinch the position of the world's fastest growing, big economy by 2016-17. According to World Bank, India is going to be Asia's third-largest economy in spite of declining GDP globally.

III. CHALLENGES IN THE WAY OF MAKE IN INDIA

The concept of Make in India is undoubtedly an inspiring initiative of the Indian government which has reduced the risk factors for investing in India for many big foreign industries, but the pace of the progress is slower as decided and predicted^{5,6}. In this section, the main hurdles and barriers which are responsible for this slow pace are discussed.

3.1 Political Stalemate

Political stalemate or gridlock is of major concern among the policymakers, analysts and investors. Session by session the working of the parliamentary affairs is interrupted and delaying the approval of important bills in the parliament houses owing to political gridlock. As a result, the economy and the mindsets of the investors are confused. Important bills and reforms such as land acquisition and labor and Goods and Services Tax (GST) are some examples. GST is the most important and critical reform, required for smooth and efficient business for ensuring low cost and improve tax revenues. Critical economic reforms required for the implementation of Make in India programme still need approvals from both houses of the Indian parliament. Foreign investors, who are attracted by ambitious promises, may opt for

other options after getting frustrated by this political stalemate. Global rating agencies are also worried about the slow pace of reforms in India. The political logjam may lead to uncertainties and low interest of the overseas investors.

3.2 Role of Indian States

The role of the Indian states is very crucial in the implementations and success of the Make in India initiative. India with a federal political system like the United States has a large and versatile geographical and demographical distribution. The involvement and cooperation of state-level decision-makers, political leaders and authorities in a positive way is the basic requirement for the grand success of the new initiative. But it seems to be a dream as many of the now-NDA governed states are hesitating in its implementations. In contrast, many of the NDA led states have implemented this concept and even developed some copycat state-led investment schemes such as “Make in Madhya Pradesh” by BJP led Madhya Pradesh state government. Thus to make this concept of Make in India a success, a common consensus among the states is to be made to achieve national progress.

3.3 Basic And Better Infrastructure

No business can succeed without the availability of high quality and modern infrastructure. Industrial zone equipped with basic needs of modern and high-speed communication technologies, integrated logistic arrangements, regular power supplies, connectivity to transporting areas, ease of availability of raw materials etc. No infrastructure is possible without the availability of land. This requires a new, transparent, effective and equitable land acquisition law. However, the approval of such laws is interrupted due to political gridlock.

3.4 Power Supply

There are many villages in many of the Indian states where still there is either the limited power supply or no power supply. Thus providing the basic need of the industry i.e. power supply is the major issues to be dealt with. Throughout the country, power failures and brownouts are very common endemic particularly in summers, making Make in India a challenge. India is running short of power with a deficit of ~ 5.1%. The Comptroller and Auditor General (CAG) recently claimed a loss of \$37 billion due to lack of transparency in the allocation of the coal blocks⁷. Under these conditions, the government first should plan to reduce the nationwide deficit in power generation.

3.5 Skilled Manpower

Another hurdle in the path of Make in India is the shortage of skilled manpower. A nation requires skilled human resources in order to prosper and move atop in the global scenario. India comes second after China as far as its population statistics are concerned. In spite of this, India is still in the list of developing countries. No doubt the power of the India is its youth, but this power is not utilized in a fruitful manner. The youth is not skilled in a right way and the major reason for this is our education system. In spite of mushrooming of educational institutions in the last two decades, skilled manpower is limited. The curriculum is not updated according to the needs and demands. Even no skilled trainers, teachers and instructors are employed in these educational institutions. The students are educated theoretically rather than practically. The majority of the talented students passing out from the different universities and colleges move to foreign countries as the incentives are three to four time in foreign countries as compared to

India. This issue of brain drain and migration is still another cause of the shortage of skilled manpower in India. The inadequacy of the skilled manpower has a direct effect on the country's GDP and economic progress. However, in order to tackle this problem Indian government have started 'SKILL INDIA program' the main aim of which is to develop multi-skill development programme with a mission for better and highly payable employment and entrepreneurship for all socio-economic classes.

3.6 Taxation

India is ranked 142nd in the list of 189 countries when it is assessed for ease of doing business. The complex taxation system, a huge amount of paperwork and corruption may be the main cause of worries among the investors. Although, various steps have been taken to provide a conducive environment and platform for doing business through Make in India initiative though still beyond realities.

VI. SECTOR WISE DEVELOPMENTS

In a major boost to the 'Make in India' initiative, the Government has received confirmation from top technology firms such as GE, Bosch, Tejas and Panasonic regarding their decision to invest in the electronic, medical, automotive and telecom manufacturing clusters in India. "We have received 57 investment proposals of over Rs 19,000 crore (US\$ 3.05 billion) of which 30 proposals worth Rs 6,500 crore (US\$ 1.04 billion) have been approved," said Ravi Shankar Prasad, Union Minister of Communications and Information Technology, Government of India.

4.1. Automobile Sector

Being the 7th largest producer of vehicles, 2nd largest two-wheeler manufacturer, and fifth largest commercial vehicle manufacturer in world, Indian auto industry contributes approximately 7.1 per cent of the GDP and is expected to rise to impressive 3rd position by 2016. India is also a prominent auto exporter and has strong export growth expectations for the near future. As compared to April 2014-January 2015, the registration of export commercial vehicles grew by 18.36 % in April 2015-January 2016. With the collaborative efforts of the Indian Government and major automobile manufactures, India is expected to be the world leader in the manufacturing and export of two and four wheelers in the world by 2020. Some of the paramount initiative taken by Indian government include; setting up of an independent Department for Transport, to resolve issues related to fuel technologies, motor body specifications and fuel emissions; 100% FDI to encourage foreign investors to invest in the automobile sector; 'Make in India' initiative and Auto Mission Plan (AMP) 2016-26 to triplicate passenger vehicle units by 2026; announcement of US\$ 124.71 billion in agriculture sector in the Union budget of 2015-16 to increase the tractor segment sales; inculcation of Industry/private sponsored research programs; tax incentives for companies with in-house research and development centre; promotion of eco-friendly CNG based, hybrid and electric vehicle to reduce carbon dioxide emission under National Electric Mobility Mission 2020 along with exempted basic custom duty (BCD) on lithium ion automotive battery manufacturers; establishment of Regulatory Framework under the Ministry of Shipping, Road Transport and Highways and incentives provision in rebates in land cost, stamp duty relaxations on sale, subsidized power tariffs, concessional interest rates on loans etc^{10,11}. The recent developments and the investments which are being either made or expected to be made under 'Make in India' campaign are given below. Suzuki, Toyota and Nissan (Japan) -

2nd International Conference on Recent Innovations in Management and Engineering

IIMT College of Engineering, Greater Noida

24th June 2017, www.conferenceworld.in

(ICRIME-17)

ISBN: 978-93-86171-50-4

For make in India campaign about \$11-12 billion is expected to be invested by Japan in India. From April 2000 to September 2015, India has received \$19.16 billion FDI from Japan. Many car manufacturing companies like Suzuki, Toyota and Nissan are already well known names. For the first time Suzuki company, in collaboration with Indian Maruti company will manufacture car in India and will export them to Japan from January 2016. According to R C Bhargava, the chairman of Maruti Suzuki company the export will be of 'Baleno' at a rate of 20,000 to 30,000 per annum¹². Toyota Motor Corporation will invest Rs 1,000 crore in coming years for setting up new plants in India¹³. Renault-Nissan-a collaboration of French Renault SA and Nissan Motor Japan is expected to invest Rs 4,200 crore in Chennai (Tamilnadu) for the expansion of its already existing plant¹⁴. General Motors and Ford (USA) - General Motors from USA is expected to invest \$1 billion in India at its Talegaon plant situated in Maharashtra to launch 10 new Chevrolet models during the next five years as announced by General Motors CEO Mary Barra. The company has set a target of exporting 40,000 units in 2016¹⁵. Ford Motor Corporation another USA car manufacturer will increase its present capacity from 200,000 cars and 340,000 engines at its Chennai based manufacturing plant. For this, the company has planned to invest

Rs. 2.4 lakh crore. The company has also started a new manufacturing unit at Sanand, Gujarat in March 2015 with an investment of about \$1 billion to produce Ford Aspire sedan and Figo hatch¹⁶. Volkswagen and BMW (Germany) - Volkswagen a German car making company has planned to invest 15 billion rupees (\$250 million) during next 5-6 years to increase its plant capacity from 130,000 to 200,000 cars per year. Another renowned car making company from Germany, BMW has increased its investment from 5.3 billion Indian Rupees in 2012 to 6.4 billion Indian Rupees in 2015¹⁷.

4.2. Aviation

Aviation market of India is one of the fastest growing markets. At present India is the ninth largest Aviation market of the world where its market size is about US \$ 16 billion¹⁸. India has set the target of becoming 3rd largest aviation market by 2020 and then to be the largest aviation market of the world by 2030¹⁹. For majority of the Indian population air transport is still a luxurious but expensive mode of travelling. So there is a big untapped market where so much growth opportunities are available and this target can be achieved with proper focus on quality, cost, passenger interest and appropriate policies. In order to achieve these targets, Foreign direct investment limit was raised in the defence sector by the NDA government from 26 per cent to 49 per cent. An agreement was signed between Shelley Lavender, the president of Boeing Military Aircraft and Sukaran Singh, director of Tata Advanced Systems Limited (TASL) regarding collaboration of aerostructures for Boeing's commercial and military aircraft manufacturing²⁰. Honeywell Aerospace India is going to invest in the next generation of Indian aerospace engineers and pilots. A licence has given by Honeywell Aerospace to Tata Power Strategic Engineering Division to manufacture Honeywell's Tactical Advanced Land Invigatator in India²¹. Jeff Immelt, the Chairman and CEO of General Electric describe India as the 'growth engine for Asia'. The company has made the investment of \$3 billion in the country in the last 5 years. Company is very much interested to invest in india in rail, power and healthcare to develop its infrastructure. The company announced a \$200 million investment in its multi-modal manufacturing facility in Pune, Maharashtra²². VOLUME NO. 7 (2016), ISSUE NO. 08 (AUGUST) ISSN 0976-2183 INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE & MANAGEMENT A Monthly Double-Blind Peer Reviewed

2nd International Conference on Recent Innovations in Management and Engineering

IIMT College of Engineering, Greater Noida

24th June 2017, www.conferenceworld.in

(ICRIME-17)

ISBN: 978-93-86171-50-4

(Refereed/Juried) Open Access International e-Journal - Included in the International Serial Directories <http://ijrcm.org.in/> 49 4.3 CONSTRUCTION Construction industry is the 2nd largest Indian industry after agriculture. It contributes about 11% of India's GDP. This sector provides employment to more than 35 million people in India²³. It has three main segments i.e. real estate construction, infrastructure and other industrial activities. Under Make in india campaign the requirement of minimum area and capitalization have been waived which means that FDI is allowed in very small projects also. Swachh Bharat Mission, Smart cities project and 'Housing for All by 2022' like projects of Indian government are definitely going to increase the pace of growth of construction industry²⁴. Following companies have shown their keen interest in construction industry of India. Hines-ADIA: A residential project having a capacity of 600 apartments is going to be constructed by Hines-ADIA and Conscient Developers with an investment of about 400-500 crore in the Golf Course Extension Road area, Gurgaon²⁵. Tishman Speyer (USA): In a joint venture, Singapore's sovereign wealth fund GIC and Tishman Speyer- New York-based real estate firm, through Tishman Speyer's Waverock office development project invested Rs. 1,000 crores in Gachibowli- a Special Economic Zone promoted by the TSIIC (Telangana State Industrial Infrastructure Corporation, Hyderabad) comprising 2.5 million square feet area for over 20,000 professionals from companies like TCS, Accenture, DuPont, Cap Gemini and BirlaSoft. It is noteworthy to mention that the 1.5 million square feet area has already been constructed²⁶. Another Singapore based IT park specialist-Ascendas Group will invest about 1 billion USD to expand its technology parks in major cities like Pune, Bangalore and Hyderabad along with setting up new IT park in Gurugram.

4.4. Defence

India has the third largest armed force in the world. 60% of the defence equipments is imported. In order to foreshorten the import, foreign exchange and security issues concerned there is tremendous requirement to manufacture these equipments in India. Through defence procurement policy, in make in India initiative, the manufacturing share is to be increased from 15% of Gross Domestic Product (GDP) to 25 % along with generating employment opportunities of ten million per annum. Here is a brief detail about the companies which have either invested or are going to invest in the defence sector. Lockheed Martin: Phil Shaw, chief executive, Lockheed Martin India, has expressed his keen interest to manufacture F-16 aircraft in India²⁸. Boeing India: An offer of manufacturing F/A-18 fighter jets is made by Boeing. A research centre is going to be expanded by Boeing in Bengaluru. Boeing has also given indication of making investment in those Indian companies which are engaged in the production of aeronautical components²⁹. Raytheon: Negotiations are going on between The Indian Air Force (IAF) and Raytheon for buying two intelligence, surveillance, target acquisition reconnaissance (ISTAR) aircraft for about \$350 million each so that ground detection capabilities of India can be increased³⁰.

4.5. Tourism and Hospitality

One of the fastest and biggest growing sector in the economy is the Tourism sector in the global economy having several positive and negative effects like cultural, economic, social and environmental etc. It contributes remarkably to the GDP of a country through the growth of transport, hotels, shopping, restaurants and entertainment etc. In India tourism and hospitality contributed nearly US\$ 187.9 billion or 12.5 per cent to the GDP in 2014-15³¹. Due to a rich

historical culture and heritage, Indian tourism has huge potential to attract tourists from around the globe. Additionally, this sector is also helpful in earning foreign exchange and creating numerous employment opportunities. Accor: Accor, a French hospitality chain has plan of opening approximately 12 hotels across brands in India and to invest \$ 280 million for adopting a new digital technology which would improve the database of its customers worldwide³². Embassy: Embassy Group, which is the promoters of Embassy Office Parks is going to invest Rs. 1,100 crore in Bengaluru for hotel, commercial and residential project renamed as “EmbassyONE”³³. Starwood: Starwood Hotels and Resorts have plan of opening five new properties in India in Tier 1 and Tier 2 markets which will make India 3rd largest market for Starwood in terms of number of hotels³⁴. Jumeirah: Jumeirah Group, a Dubai based luxury hotel chain has plan to establish its first property of about \$2.5 billion in Mumbai, India by 2019 under the brand name of Jumeirah³⁵.

V. CONCLUSION

To conclude, the concept of Make in India is a very promising and innovative initiative started by Indian government. The direct and indirect outputs of the Make in India concept include more job opportunities reducing unemployment, high purchasing power to better-living styles, better state of the art of infrastructure, smart cities etc. The role of the government is to be a facilitator rather than a regulator. Through this campaign, selected domestic companies with leadership in innovations and new technologies are also evaluated for boosting trade and economic growth and for turning them into global champions. The campaign is still in its initial stages so it will be very early to predict its success.

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24th June 2017, www.conferenceworld.in

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