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MAKE IN INDIA: A GATEWAY FOR INDIA AS ECONOMIC SUPER POWER - A PRIMER

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Abstract

Make in India is a revolutionary and visionary initiative to boost the growth of manufacturing industry. Growth of any country is gauged by the booming economy budding in the country. India is one of the world's fastest rising economies, the tenth largest in the world by notable GDP and the third largest by purchasing power parity (PPP). Make in India is a chief innovative national programme of the Government of India designed to assist investment, cultivate innovation, enhance skill development, guard intellectual property and build best in class manufacturing infrastructure in the country. The primary objective of this initiative is to attract investments from across the globe and fortify India's manufacturing sector. The Make in India programme is vital for the economic growth of India as it intends at make use of the existing Indian talent base, creating supplementary employment opportunities and empower secondary and tertiary sector. This paper reviews the vision mission and possibilities of this revolutionary initiative.

Key Words: Economic Growth, development, Vision, Pros and Cons.

Introduction

Prime Minister Narendra Modi launched the Make in India initiative on September 25, 2014, with the primary goal of making India a global manufacturing hub, by encouraging both multinational as well as domestic companies to manufacture their products within the country. Led by the Department of Industrial Policy and Promotion, the initiative aims to raise the contribution of the manufacturing sector to 25% of the Gross Domestic Product (GDP) by the year 2025 from its current 16%. Make in India has introduced multiple new initiatives, promoting foreign direct investment, implementing intellectual property rights and

developing the manufacturing sector. It targets 25 sectors of the economy which range from automobile to Information Technology (IT) & Business Process Management (BPM), the details of each can be viewed on the official site (www.makeinindia.com). It also seeks to facilitate job creation, foster innovation, enhance skill development and protect intellectual property. The logo of 'Make in India' – a lion made of gear wheels – itself reflects the integral role of manufacturing in government's vision and national development.

It is being led by the Department of Industrial Policy and Promotion (DIPP), Ministry of Commerce and Industry,

Government of India. The programme also aims at improving India's rank on the Ease of Doing Business index by eliminating the unnecessary laws and regulations, making bureaucratic processes easier, making the government more transparent, responsive and accountable. India needs to identify the steps being taken to give more financial powers to states, increased investment on infrastructure, emphasis on manufacturing which enables to open the door for investment. This Make in India campaign guides the foreign investors, prompt response, assistance to foreign investors and provide relevant information and proactive approach.

Initiation of Make in India

The visionary scheme is well supported by Ministry of Commerce, Government of India, various small scale and medium industry consortiums, Subsets of RBI Make in India will bring a drastic change in the fields like automobiles, aviation, biotechnology, defense, media, thermal power, oil, gas and manufacturing sectors.

1. **New Processes:** The government is introducing several reforms to create possibilities for getting Foreign Direct Investment (FDI) and foster business partnerships. Some initiatives have already been undertaken to alleviate the business environment from outdated policies and regulations. This reform is also aligned with parameters of World Bank's 'Ease of Doing Business' index to improve India's ranking on it.
2. **New Infrastructure:** Infrastructure is integral to the growth of any industry. The government intends to develop industrial corridors and build smart cities with state-of-the-art technology and high-speed communication. Innovation and research activities are supported by a fast-paced registration system and improved infrastructure for Intellectual Property Rights (IPR) registrations. Along with the development of infrastructure, the training for the skilled workforce for the sectors is also being addressed.
3. **New Sectors:** 'Make in India' has identified 25 sectors to promote with the detailed information being shared through an interactive web-portal.¹ The Government has allowed 100% FDI in Railway² and removed restrictions in Construction.³ It has also recently

increased the cap of FDI to 100% in Defense and Pharmaceutical.⁴

4. **New Mindset:** Government in India has always been seen as a regulator and not a facilitator. This initiative intends to change this by bringing a paradigm shift in the way Government interacts with various industries. It will focus on acting as a partner in the economic development of the country alongside the corporate sector.

Since the launch of Make in India in September 2014, FDI inflows of USD 77 billion including a equity inflows of USD 56 billion has been received for the period October 2014 to March 2016. This represents about a 44% increase in FDI Equity inflows over the same corresponding period. 'Zero defect zero effect' is a key phrase which has come to be associated with the Make in India campaign. In the words of Prime Minister Narendra Modi, "Let's think about making our product which has 'zero defect'... and 'zero effect' so that the manufacturing does not have an adverse effect on our environment".⁵ Thus, sustainable development in the country is being made possible by imposing high-quality manufacturing standards while minimising environmental and ecological impact. Within the short span of time, there are many instances of the initiative's success. In December 2015, Micromax announced that it would put up three new manufacturing units in Rajasthan, Telangana and Andhra Pradesh. Japan announced it would set up a USD 12 billion fund for Make in India-related projects, called the "Japan-India Make-in-India Special Finance Facility" after the Japanese Prime Minister Shinzo Abe's visit to the country. Huawei opened a new Research and Development (R&D) campus in Bengaluru and is in the process of setting up a telecom hardware manufacturing plant in Chennai. France-based LH Aviation signed a Memorandum of Understanding (MoU) with OIS Advanced Technologies to set up a manufacturing facility in India for producing drones. Foxconn announced it would invest USD 5 billion over five years for R&D and creating a hi-tech semiconductor manufacturing facility in Maharashtra. Samsung said it would manufacture the Samsung Z1 in its plant in Noida while General Motors declared that it would invest USD 1 billion to begin producing automobiles in the capital state.⁶ And this is only the tip of

the iceberg as there are many more proposals in the pipeline. “Come make in India. Sell anywhere, make in India.” Prime Minister NarendraModi said while introducing his vision to the public. And it seems that the world is more than ready to embrace this vision, which is already set on a path to become a reality.

Pros and Cons of Make in India Campaign

Automobiles	Automobile Components	Aviation
Biotechnology	Chemicals	Construction
Defense Manufacturing	Electronic Systems	Electrical Machinery
Food Processing	IT and BPM	Railways
Media and Entertainment	Mining	Leather
Oil and Gas	Ports and Shipping	Wellness
Pharmaceuticals	Roads and highways	Space and Astronomy
Renewable Energy	Textiles and Garments	Tourism and Hospitality

Creates a policy framework to ease foreign investment, ease of business and management of intellectualproperty. This helps industries to establish their manufacturing bases in India. In turn, this helps create employment in India. Industries tend to develop a support ecosystem around them, thus empowering small businesses. Exports from such industries help in contributing to our foreign exchange reserve. Most importantly, such an initiative helps bring critical knowledge about manufacturing and production into the Indian population. This initiative, by Prime-minister Mr.NarendraModi is literally inviting the rich and semi-rich countries to step in India and invest their money for the future of India. It’s like inviting the countries to set up their companies in India and manufacture in the territory of our country. Now, this initiative has a great impact on the economy of our country.

Obviously, if the big companies will setup their branches here, it will directly affect the GDP of India. The supreme objectives of Make inIndia are as follow: The main focus of Make in India Campaign is mainly on 25 sectors. Almost every sector is capital-intensive and demands a lot of skill. So, with the more and more investment in these sectors, the main focus will be on

increasing employment and the use of advanced technology.

Pros of Make in India Campaign:

- As Prime Minister NarendraModi emphasized on the development of labour intensive manufacturing sector. So, this campaign will generate a lot of employment opportunities in Manufacturing, number expected to be around 100 million jobs by 2022.
- This campaign will help in achieving objectives of National Manufacturing policy i.e to increase the share of manufacturing sector in GDP from current 15- 16% to 25% till 2022.
- Employment will increase people’s purchasing power which ultimately helps in poverty eradication and expansion of consumer base for companies.
- The model of “look east and link west” policy will strength the industrial linkages as well as bilateral ties with many countries.
- Export- oriented growth model will improve India’s Balance of Payment and help in accumulating foreign exchange reserves (which is very important given the volatility in the global economy with multiple rounds of Quantitative Easing announced by major economies).
- Government has decided to formulate an auto response mechanism and issues pertaining to procedural clearings will be resolved at different levels in a given time frame, which is a positive step in making industrial friendly environment.
- Foreign investment will bring technical expertise and creative skills along with foreign capital. The concomitant credit rating upgrade will further woo investors.
- FIIs play a dominant role (relative to FDI) in the Indian markets. However, FIIs are highly volatile in nature and a sudden exodus of hot money from India can effect a nosedive in the bellwether indices. Make in India will give an unprecedented boost to FDI flows, bringing India back to the global investment radar.

Cons of Make in India Campaign:

The negative impact and the probabilities

of failure of this campaign cannot be ignored. There are some constraints and limitations to this campaign as well. The main thing is that the focus is on the manufacturing sector, and the population of India is majorly middle-class or lower middle-class. So, the products manufactured by the foreign companies will be entirely for the upper section of the society. Hence, it is possible that the goals and aspirations of Make in India may not find much success. Make in India initiative is an honest attempt to revive the fortunes of Industry / Manufacturing sector. The notable factors must be viewed with the following,

- From a theoretical perspective, Make in India will tend to violate the theory of comparative advantage. If it is not economically feasible to manufacture a commodity in India, it is best to import the same from a country which enjoys comparative advantage in its production.
- Make in India will lead to an unsustainable focus on export promotion measures. One such measure is artificially undervaluing the rupee. This will have devastating consequences for the import bill.
- A relative neglect of the world economic scenario may not augur well for Make in India. With the US and Japan economies yet to recover from their economic crises and with the EU floundering, one needs to be wary about the demand side of Make in India. The clairvoyance of the incumbent RBI governor to Make for India should be put to good use.
- India has a myriad of infrastructural bottlenecks and to overcome these it needs to invest \$ 1 trillion during 12th year plan. Generating such a huge capital will be a daunting task.
- Another contentious issue is of environmental clearance, which has been surfaced in many projects especially related to mining sector.
- Uncertainty in tax regime (highlighted by Vodafone case) and delay in implementation of GST is also a matter of concern for industries.
- Manufacturing sector demands highly skilled labour whereas India lacks highly skilled labour force.

- Complex processes have proved to be hurdles in getting procedural and regulatory clearness especially for new entrepreneurs. This also reflects in World Bank's "Ease of Doing Business" report which ranked India at 134 out of 189 countries in 2013. However, the step taken by NDA Government under the leadership of Prime Minister Narendra Modi has helped India to improve this rank by few notches to current 130.

Conclusion

This paper covers overview of the Make in India campaign, sectors covered, Initiatives taken by companies, growth cycles, challenges, opportunities and foreign investment in Indian manufacturing. It can be wrapped up that, in spite of the fact that "Make in India" though arrived at a right time, its implementation remains a big challenge. The proposal of making in India will boost manufacturing the electronic manufacturing market in the country. This in turn will focus on electronic manufacturing and plans to set up electronic clusters across various towns and cities. The large investment in manufacturing will bring in more capacity creation in the country. The tax reliefs given to start ups and MSME's will boost sustainable employment and the quality of startups in the design led manufacturing sector. Make in India mission is a long term scheme which will realize the dream of transforming India into manufacturing hub and thereby helping India reach a economic super power.

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