

## **Make in India: A Critical Analysis**

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### **Make in India:**

Make in India is a type of movement where the main objective is to avoid foreign made product and start manufacture product within the country. Make in India movement is covering around 25 sectors of the economy and was lunched on 25 September 2014. The Make in India initiative is based on four pillars which has been identified to give boost to entrepreneurship In India, not only in manufacturing but also other sectors. Make in India recognises ease of doing business as the single most important factor to promote entrepreneurship. Availability of modern and facilitating infrastructure is a very important requirement for the growth of industry. The logo for the campaign is an elegant, inspired by the Ashok chakra and designed to represent India's success in all spheres.

### **New Mindset:**

Industry is accustomed to see Government as a regulator. 'Make in India' intends to change this by bringing a paradigm shift in how Government interacts with industry. The Government will partner industry in economic development of the country. The approach will be that of a facilitator and not regulator. The Make in India program has been built on layers of collaborative effort. There has been from Union Ministers, Secretaries to the Government of India, state governments, industry leaders, and various knowledge partners. A National Workshop on sector specific industries in December 2014 brought Secretaries to the Government of India and industry leaders together to debate and formulate an action plan for the next three years, aimed at raising the contribution of the manufacturing sector to 25% of the GDP in the coming years.

### **Is the Lion moving backward ?**

As stated by a report, future of jobs in India by EY and NASSCOM, highlighted India's two challenges: the 17 million new freshers into workforce year-on-year against the 5.5 million jobs created<sup>1</sup>. According to a recent data, the unemployed rate has doubled between July 2017 and April 2018. It also stated that the number of jobs in country in the last financial year 2017-18 has also fallen from 406.7 million<sup>2</sup>. In December 2016, highlighted that the industrial activity rose by 29 percent. Much of this growth was concentrated in three- Karnataka, Madhya Pradesh and Maharashtra<sup>3</sup>. India jumped up 30 notches in the top 100 ranking on World Bank's ease of doing business' index<sup>4</sup>. The country's Gross Domestic Product growth rate has plunged from a high of 9.2 in the third quarter of 2016 to 5.7 percent in the third quarter of 2017<sup>5</sup>. Economist attributes this mainly to the government's demonization drive and poor implementation of the new Goods and service tax<sup>6</sup>. As per the economic survey, the rate of unemployment has increased from 3.8 percent (2011-12) to 5 % (2015-16)<sup>7</sup>. From July 2014 to December 2016, in the eight major sector that is manufacturing, trading, construction, education, health, IT, transportation, and accommodation and restaurants, 6,41,000 jobs were created<sup>8</sup>. In comparison, these same sectors added a total of 128 lakh jobs from July 2011 to December 2013. The Economic Survey 2016-17 indicated a shift in the pattern of employment from permanent jobs to casual and

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<sup>1</sup>*Future of Jobs in India*, A 2022 Perspective available at <https://www.ey.com/Publication/vwLUAssets/ey-future-of-jobs-in-india/%24FILE/ey-future-of-jobs-in-india.pdf>

<sup>2</sup>*Economic Outlook*, available at <https://www.cmie.com/>

<sup>3</sup>*Annual Report 2017-18*, Ministry of Government available at [https://dipp.gov.in/sites/default/files/annualReport\\_English\\_08March2018.pdf](https://dipp.gov.in/sites/default/files/annualReport_English_08March2018.pdf)

<sup>4</sup>*Ranking and Doing Ease of Business*, TheWorld Bank, available at <http://www.doingbusiness.org/en/rankings>

<sup>5</sup>*Central Statistic Office*, Ministry of Statistics and Program Implementation, available at <http://www.mospi.gov.in/central-statistics-office-cso-0>

<sup>6</sup>*Future of Consumption Fast Growth Consumer Market*, World Economic Forum, available at <https://www.weforum.org/reports/future-of-consumption-in-fast-growth-consumer-markets-india>

<sup>7</sup>*Economic Survey Report*, Ministry of Finance, available at <http://mofapp.nic.in:8080/economicsurvey/>

<sup>8</sup>:id

contract jobs<sup>9</sup>. As claimed by the report, the unemployment rate in the country rose from 3.39% in July 2017 to 6.23% in March 2018 and is projected to reach 6.75% in April 2018<sup>10</sup>.

### **Modi's "Make in India" has failed to inspire FDI in manufacturing?**

A bulk of the \$40 billion that India attracted by way of FDI during the financial year of 2015-16, did not go into manufacturing, thereby putting a question mark over the efficiency of the "Make in India" initiative<sup>11</sup>. The report shows that during 2015-16, the first full financial year of the Modi government, three non-manufacture sectors- services, computer software and hardware, and trading- attracted more than 41.5% of the FDI inflow, whereas core manufacturing sectors such as automobiles, chemical, power, pharma and construction got only 14% of FDI<sup>12</sup>. In comparison, during the financial year 2014-15, India had received nearly \$31 billion in FDI<sup>13</sup>. Out of this, services, computer software and hardware and trading together received 30% of the total inflow whereas the core manufacturing sectors accounted for only 21% of the investment flowing in<sup>14</sup>. Inflows into the automobile industry, for instance, fell from a little over \$2.7 billion to \$ 2.5 billion in the period<sup>15</sup>. The pharma and construction sectors saw even sharper falls. While foreign investment into pharma companies nearly halved, the construction sector attracted less than a sixth of foreign money in 2015-16<sup>16</sup>. In December 2015, The Financial Times reported that FDI inflows in India, during the first half of 2015 has topped \$31 billion, surpassing both the USA and China. The annual pre-budget said that FDI inflows had risen 40% between October 2014 and June 2015<sup>17</sup>. In fact, several economists including the Reserve Bank of India governor Raghuram Rajan have been critical of 'Make in India'. In December 2014, he said that an import substitution strategy or an incentive driven export led growth mechanism will not work for India. N R Bhanumurthy, a professor at the New Delhi based National Institute of Public Finance and Policy (NIPFP) says that for Make in India to attract greater levels of foreign investment, the Modi government needs to do more by way of overhauling labour and land acquisition laws in the country. "I agree with Rajan, this cannot be a strategy for import substitution," Bhanumurthy told VCCircle over the phone. "State governments need to look into these issues. Having said that, overall, there is a sense of optimism, since the ease of doing business seems to be improving. My view is that things will be better next year," he added.

### **Making sense of "Make in India":**

Even as government charts out a roadmap to give a significant push to its flagship programme Make in India, country's top bureaucrats and multinational companies feel a lot needs to be done still to make it a success such that more and more companies are willing to set up manufacturing base here. "Lot still needs to be done in Make in India and focus on defence manufacturing will go a long way in doing that," NITI Aayog CEO Amitabh Kant said. According to Kant, enforcement of contracts is one of the weak areas of doing business in India and this needs to be improved. "India has shown significant improvement in nine out of 10 parameters of ease of doing business. The only place where we need to improve is the enforcement of contracts in which judiciary and not the executive has a major role to play<sup>18</sup>". Boeing has entered into a joint venture with Tata Advanced Systems to co-produce Boeing AH-64 Apache helicopter fuselages and other aerostructures as well as to pursue integrated systems in aerospace<sup>19</sup>. Rahul Sharma, co-founder of Micromax mobile phones, is of the view that both government and industry needs to collectively work together to lay a roadmap that will help India compete with China. The government is striving to make India a better place to do business with an aim to be in

<sup>9</sup> Rob Smith, *worlds Biggest Economies*, available at <https://www.weforum.org/agenda/2018/04/the-worlds-biggest-economies-in-2018/>

<sup>10</sup> *Unemployment Scenario*, Ministry of Labour and Employment, available at <https://labour.gov.in/sites/default/files/Report%20Vol%205%20final.pdf>

<sup>11</sup> *Foreign Direct Investment*, IBEF, <https://www.ibef.org/economy/foreign-direct-investment.aspx>

<sup>12</sup>;id

<sup>13</sup>;id

<sup>14</sup> *Foreign Trade Policy*, Ministry Of Information and Technology, available at <http://meity.gov.in/electronic-hardware-policies#FTP>

<sup>15</sup> *Automobile Industry India*, IBEF, available at <https://www.ibef.org/industry/india-automobiles.aspx>

<sup>16</sup>;id

<sup>17</sup> *Economic Survey 2015-16*, Ministry of Finance, available at <https://www.indiabudget.gov.in/budget2016-2017/survey.asp>

<sup>18</sup> *Economy Survey*, The World Bank, available at <http://www.doingbusiness.org/en/rankings>

<sup>19</sup> <https://boeing.mediaroom.com/2015-11-09-Boeing-and-Tata-Announce-Aerospace-Joint-Venture-in-India>

top 50 nations in the World Bank's ease of doing business report. For the first time in 2017, India move up 30 positions to be among top 100 nations after persistent efforts over the last three years to improve upon ease of doing parameters<sup>20</sup>.

### **Problem in keeping “Make in India” from attaining the success of “Made in China”?**

India is chasing some serious manufacturing dreams, looking to increase its share in the country's GDP from 16% today to 25% by 2025. This dovetails with prime minister Narendra Modi's successful Make in India campaign. A policy body that advises the Indian government, and IDFC institute, a Mumbai based think tank, reckons that “workers in manufacturing in India are overwhelming stuck in low wage jobs,” besides being “disproportionate employed<sup>21</sup>.” In China, average hourly wages for factory workers hit \$3.60 in 2016, which is more than five times the hourly manufacturing wages in India. The report underlines its point by making its own comparison with China. While small-sized manufacturing firms employ 84% of the workers in India, in China it is the medium-and large-sized ones that employ 75.1% of the workers<sup>22</sup>. As a large, labour-abundant economy, one would expect India to have a comparative advantage in large-scale, labour-intensive manufacturing. Yet, India has not done well in this sector. Instead, successful sectors in India have been either capital or skilled labour-intensive, and most prominently include auto, auto-parts, two-wheelers, automobiles, engineering goods, petroleum refining, pharmaceuticals, and software<sup>23</sup>.

On the back of Modi government's ‘Make in India’ initiative, the domestic mobile handsets and components manufacturing industry has helped save the country a whopping Rs 3 lakh crore of possible outflow in the last four years, by replacing import of completely-built units (CBUs) with domestically manufactured and assembled handsets<sup>24</sup>. In the financial year 2014-15, of the total domestic requirement of mobile handsets, nearly 78% was met through imports. The net foreign exchange savings are already estimated to be over Rs 60,000 crore. As per the report, more than 120 new manufacturing units were set up in the past four years, providing employment to over 4.5 lakh people. In the last financial year 2017-18 itself, over 225 million mobile phones were manufactured and assembled in India, which is about 80% of the total market demand<sup>25</sup>. For the first two quarters of the current financial year, the industry is expected to be Rs 75,000 crore in value terms and volume turnover of about 130 million handsets. ICEA chairman and national president Pankaj Mohindroo said in the report that India is now moving towards almost zero imports for mobile handsets. Last year, India became the second largest smartphone market after China by overtaking the USA<sup>26</sup>. Indian government also pushes for zero electronics imports by 2020. The amendment which was introduced in July 2012 have been made to create employment opportunities and to achieve goal of “Net zero Import” in electronics by 2020. The latest amendments include providing sops of up to ₹ 10000 crore and clearing of eligible application within 120 days<sup>27</sup>. The government had approved the M-SIPS to provide a special incentive package for promoting large scale manufacturing in Electronic System Design and Manufacturing sector<sup>28</sup>.

### **Conclusion**

The future trajectory of Indian economic development therefore rests in the government's ability to showcase the country as one with a wealth of untapped resources that deserve to be taken advantage of. There is, however, a lot of work that still needs to be done before investors shift their attention away from decades of

<sup>20</sup> <http://www.doingbusiness.org/en/doingbusiness>

<sup>21</sup> <https://www.niti.gov.in/>

<sup>22</sup> [http://www.idfcinstitute.org/projects/state-capacity/nitiaayog-idfcinstitute\\_enterprise-survey/](http://www.idfcinstitute.org/projects/state-capacity/nitiaayog-idfcinstitute_enterprise-survey/)

<sup>23</sup> <https://blogs.worldbank.org/developmenttalk/economic-development-in-resource-rich-labor-abundant-economies>

<sup>24</sup> <http://www.tcoe.in/?q=content/ica>

<sup>25</sup> *Annual Report 2016 - 2017*, DEPARTMENT OF TELECOMMUNICATIONS, MINISTRY OF COMMUNICATION, Government of India (2017), available at <http://www.tcoe.in/sites/default/files/Annual-Report-of-TCOEIndia-2016-17.pdf>.

<sup>26</sup> *Sudhir Singh Dungarpur*, Making Digital a Reality, available at <https://www.pwc.in/consulting/digital-services/8th-digital-iq-survey.html>

<sup>27</sup> *Electronics and Information Technology 2017-2018*, Ministry of Electronics and Information Technology, available at [http://meity.gov.in/writereaddata/files/Annual\\_Report\\_2017%E2%80%9318.pdf](http://meity.gov.in/writereaddata/files/Annual_Report_2017%E2%80%9318.pdf)

<sup>28</sup> *Electronics Sector Skills Council of India*, Ministry of Electronics and Information Technology, available at [https://esdm-skill.deity.gov.in/\(S\(0d2sfqphjg0v0berqluk1yfj\)\)/essci.aspx](https://esdm-skill.deity.gov.in/(S(0d2sfqphjg0v0berqluk1yfj))/essci.aspx)

goods being 'Made in China' to PM Modi's vision for the world to "Make in India". Today, India's credibility is stronger than ever. There is visible momentum, energy and optimism. Make in India is opening investment doors. Multiple enterprises are adopting its mantra. The world's largest democracy is well on its way to becoming the world's most powerful economy. Through its commitment to a cooperative federalism, promotion of citizen engagement, egalitarian access to opportunity, participative and adaptive governance and continuously increasing use of developing technology, the NITI Aayog will seek to provide a critical directional and strategic input into the governance process. At last I want to be noted that Make in India initiative has mixed responses and the government of India as well as people of India need to work on it to make it successful.