



## A STUDY ON MAKE IN INDIA PROGRAMME: PROBLEMS AND PROSPECTUS

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### ARTICLE INFO

#### Article History:

Received 11<sup>th</sup> October, 2017

Received in revised form 10<sup>th</sup>

November, 2017

Accepted 26<sup>th</sup> December, 2017

Published online 28<sup>th</sup> January, 2018

#### Key words:

Employment, Manufacturing, Poverty, Skill India, Services.

### ABSTRACT

The 'Make in India' campaign has its origin in the Prime Minister's Independence Day speech in which he gave a clarion call for "Make in India" and "Zero Defect; Zero Effect" policies. The campaign aims to facilitate investment, foster innovation, enrich skill development, shield intellectual property, and build best-in-class producing infrastructure in India. The initiative seeks to woo domestic and foreign investors by promising a business atmosphere contributory to them. The present study is descriptive in nature, primarily based on secondary sources of data. This paper studies the concept of Make in India, present status, challenges, hurdles, differences between Made in India and Make in India, and finally gives suggestions for the smooth functioning of this flagship program of NDA government. In a nutshell, the Centre's ambitious 'Make in India' initiative cannot succeed if 'Skill India' does not succeed. 'Skill India' can, in turn, triumph only when many alternative parameters, as well as those associated with education and research, were developed on par with international standards.

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### INTRODUCTION

*"If we have to put in use the education, the capability of the youth, we will have to go for the manufacturing sector and for this Hindustan also will have to lend its full strength, but we also invite world powers. Therefore I want to appeal the entire people world over, from the ramparts of the Red Fort, come, make in India, come, manufacture in India. Sell in any country of the world but manufacture here. We have got the skill, talent, discipline, and determination to do something. We want to give the world a favorable opportunity that comes here, come, make in India..."*

- Prime Minister Narendra Modi, 15 August 2014

The Indian Prime Minister, Mr. Narendra Modi 1st mentioned the key phrase in his maiden Independence Day address from the ramparts of the Red Fort associated over a month later launched the campaign in Sept 2014 with an intention of restoring manufacturing businesses and accenting key sectors in India amidst growing considerations that the majority entrepreneurs are moving out of the country attributable to its low rank in easy doing business ratings. Manufacturing presently contributes simply over 15% to the national GDP value. The aim of this campaign is to grow this to a twenty-five percent contribution as seen with other developing nations of Asia. Within the process, the govt expects to come up with jobs, attract a lot of foreign direct investment, and remodel

India into a manufacturing hub most popular around the globe. "The Prime Minister entailed all those related to the campaign, particularly the entrepreneurs and also the corporate, to step and discharge their duties as Indian nationals by 1st Developing India and for investors to endow the country with foreign direct investments. The Prime Minister conjointly promised that his administration would aid the investors by making India a pleasing expertise which his government thought of overall development of the state a commentary on faith instead of a political agenda. He conjointly arranged a sturdy foundation for his vision of a technology-savvy Digital India as complementary to Make in India. He stressed on the employment generation and poverty alleviation that would inevitably accompany the success of this campaign<sup>[1]</sup>,"

#### Concept of Make in India

Since the onset of the industrial revolution, the bulk of countries that have transitioned from low financial gain to high financial gain have done therefore by undergoing industrial enterprise and reducing their dependence on agriculture and natural resources. The newest samples of this trend are India's neighbors' within the Indian Ocean - the "East Asian Tigers". Solely a couple of smaller countries with valuable natural resources and tiny populations have had a period of a sustained economic process of growth while not advancing in manufacturing. India, on the opposite hand, appeared to be charting a totally own course by following a services-led growth within the past twenty years. This approach has paid dividends in the short-run as India has come to be known as

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the back-office of the world. The share of services in the Indian economy has risen to 57% in 2013, which is comparable to India's more developed peers in the BRIC grouping such as Brazil and Russia and also South Korea. However, even a casual look at the share of services employment can draw your attention to a contradictory datum. With the exception of China, services contribute nearly a similar relative share in these four economies however whereas quite more than 60% of the manpower in Brazil, Russia, and South Korea is utilized in the services sector, the corresponding figure for India is just 28%. Even China with a smaller share of services within the total economy encompasses a larger share of the labor force utilized in services as compared to India. The reason lies within the indisputable that India, somehow, as a result of historical policy decisions and technological accidents has developed a bonus in comparatively skill-intensive activities like info technologies (IT) and business process outsourcing (BPO). The place otherwise, India has defied its "natural" comparative advantage, that in all probability lay within the "jeans" mode of escape thanks to its copious unskilled and low-skilled labor. Most significantly, the datum points to the actual fact that the demographic dividend that the country is witnessing cannot be accommodated within the services sector alone. Currently, the arena has low absorption potential because the IT and BPO sectors have fewer jobs to supply. There is additionally a 'skill gap', i.e. even once jobs are on provide, the overwhelming majority of the young manpower isn't skilled enough to be absorbed into these relatively-skilled jobs.

Over the past twenty years, Indian manufacturing has grown up at nearly a similar pace because of the overall economy. However, its share within the overall economy has stagnated at around 15% and even this modest figure has declined within the previous few years as a result of retardation in manufacturing growth. "The share of manufacturing as a percentage of Gross Domestic Product in select East Asian countries in 2013: Countries like Thailand, China, Malaysia, Indonesia, and Philippines Share of Manufacturing in Gross Domestic Product 34%, 32%, 24%, 24%, and 31% The amount of contribution of manufacturing within the Indian economy, as we are able to see is far below than our East Asian neighbors' and is usually in line with the degree witnessed in post-industrialized economies. India's share of world merchandise exports has grown up from 0.5% to 1.7% within the past twenty years however there's an overall trade deficit in products. The abundant-vaunted trade surplus in services barely covers the fifth part of India's trade deficit in products. This is often a balance of trade constraint that the country can have to be compelled to tackle eventually and once-more a services-led growth doesn't appear to be the answer"<sup>[2]</sup>. The balance of trade aside, there's a lot of compelling argument for promoting manufacturing growth in India. Various studies have shown convincingly that no different sector will lot of to get broad-scale economic growth and, ultimately, higher standards of living than manufacturing. The magic lies within the linkages that manufacturing has with different economic sectors. The substantial links with dozens of different sectors throughout the economy ensure that producing output stimulates a lot of economic activity across the broader economy than the other sector. "This is termed because of the multiplier effect of manufacturing. However, this manufacturing cannot be unregistered manufacturing that suffers from low productivity additionally as the low rate of

growth of productivity. Rather, its registered manufacturing that has the potential to soak up the country's massive pool of unskilled labor and is adding a lot of attuned to export-oriented production. At a similar time, the efforts to push labor-intensive manufacturing ought to be complemented with speedy and continuous skill up gradation of the manpower because skill-intensive sectors are dynamic sectors and sustaining their dynamism will require that the supply of skills keeps pace with the rising demand for these skills"<sup>[3]</sup>.

### **Objectives of the Study**

1. To explain the concept and key elements of Make in India Program.
2. To analyze the current status and progress of the Make in India program.
3. To study the Challenges of the Make in India Program.
4. To make some suggestions for smooth functioning of the scheme.

### **Methodology of the Study**

The present study is descriptive in nature. The present paper is primarily based on secondary sources of data. The information and data for the research has been collected from government publications, published articles, journals, newspapers, reports, books, and official websites of Government of India.

### **Why India Lags in Manufacturing**

We have underlined the importance of manufacturing however before we have a tendency to precede to any extent further; we've to grasp the key barriers to manufacturing growth in India. The explanations for India's low level of business on industrial growth are manifold, however, we will check up on the key barriers that are inside the domain of policymakers to deal with. These are:

- No 'ease of doing businesses,
- Inadequate Infrastructure,
- Investment rules and Regulations,
- Inflexible labor laws,
- The Skill or ability Gap.

Within the following sections, we are going to see however to Make in India initiative seeks to beat these barriers. However before that, allow us to initial of all perceive what Make in India very is. The 'Make in India' campaign has its origin within the Prime Minister's Independence Day speech within which he gave a clarion necessitate for "Make in India" and "Zero Defect; Zero Effect" policies. The campaign aims to facilitate investment, foster innovation, enhance ability and skill development, defend intellectual property, and build best-in-class producing in manufacture infrastructure in India. The initiative seeks to woo domestic and foreign investors by promising a business atmosphere contributing to them. Within the PM's words, India can provide a red carpet to an investor rather than the until now red tape that they faced. The central government, numerous state governments, business chambers and overseas Indian Missions are all expected to play a key role in the booming operation of this initiative.

### **Focusing sectors of Make in India policy**

For the Make in India campaign, the govt of India has identified twenty-five priority sectors that shall be promoted adequately. These are the sectors wherever the chance of FDI (foreign direct investment) is that the highest and investment

shall be promoted by the govt of India. On the campaign launch, the Prime Minister Narendra Modi aforementioned that the development of those sectors would make sure that the globe shall promptly return to Asia, notably to India wherever the provision of each democratic conditions and manufacturing superiority created it the most effective destinations, particularly once combined with the effective governance supposed by his administration.

**Table.1** Focus sectors in Make in India policy.

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

Source: <https://www.mapsofindia.com/government-of-india/make-in->

**Made in India and Make in India**

Most of the people think that ‘Made in India’ and ‘Make in India’ are the same Programs, but both have a lot of differences. ‘Made in India’ means fully country made products by the country only, including land, labor, capital, technology and so on everything and anything from India only. Whereas coming to the ‘Make in India’ policy, it is an invitation to foreign investors for utilizing their capital, technology, using land and labor from India to sell their products worldwide markets. “When we talk about ‘Make in India’, we inevitably stumble upon ‘Made in India’, because for more than two decades from now; we have been striving to get recognition to Made in India products or brand India. There is one more angle. It is called ‘Made for India’. In my opinion all these three thoughts different qualities and dimensions. I think,

- Made in India’ is a pride,
- Make in India’ is the process, whereas
- Made for India’ is a compromise.

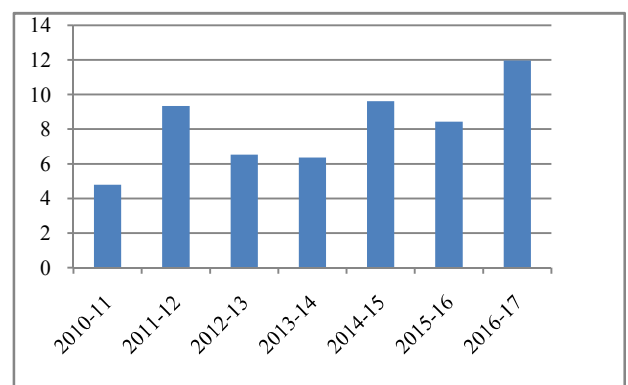
Obviously, the first two concepts are seen in a positive light, while the third one is viewed in the negative sense<sup>[4]</sup>”.

**Present status of Make in India program**

Make in India, a sort of Swadeshi movement covering twenty-five sectors of the economy<sup>[5]</sup>, was launched by the Govt of India in 2014 to encourage firms to manufacture their merchandise in India. As per this current policy, 100 percent FDI is permissible all told the twenty-five sectors, apart from space (74%), defense (49%) and news media(26%)<sup>[6][7]</sup>. Japan and India proclaimed a US\$12 billion "Japan-India Make-in-India Special Finance Facility" fund<sup>[8]</sup>. When the launch, Bharat received 16.40 lakh crore (US\$260 billion) value of investment commitments and investment inquiries value 1.5 lakh crore (US\$24 billion) between September 2014 to February 2016<sup>[9]</sup>. As a result, Bharat emerged as the prime destination globally in 2015 for foreign direct investment (FDI), surpassing the USA and China, with US\$63 billion FDI. Many states launched their own and unique Make in India initiatives, such as Vibrant Gujarat, "Make in Haryana" and "Make in Maharashtra<sup>[10]</sup>".

The ‘Make in India’ campaign aims to create India a worldwide manufacturing hub, but in line with recent RBI information, both FDI in manufacturing and also the share in the percentage of FDI flowing to manufacturing declined in 2015-16 and slightly accrued in 2016-17. The logic behind the government’s Build in Bharat initiative is obvious. As Prime Minister Narendra Modi explicit in his speech at the launch of “Make in India Week” in Mumbai city on February 13, 2016: ‘We launched the Build in Bharat campaign to form employment and self-employment opportunities for our youth. We tend to are operating aggressively towards making India a worldwide manufacture producing hub. We wish the share of manufacturing in our GDP to go up to twenty-five percent in the near future. And also the thanks to doing that in line with Build in Bharat, is to extend the share of manufacturing in India’s GDP to 25% by 2022, that is anticipated to get approximately 100 million jobs for Indian workers’.

“So how are we doing so far? If you believe the headlines, pretty well. Responding to the lifting of foreign direct investment (FDI) caps in several sectors, efforts to improve the ease of doing business and of course Prime Minister Modi’s frenetic wooing of investment in foreign travels, gross FDI flows to India jumped 27% to \$45 billion in 2015-16, an all-time high. Even the Finance Ministry’s typically measured Economic Survey 2015-16 touted the FDI increase as successful for Build in Bharat. With our social media feeds choked with stories regarding this or that investment, clearly, the #MakeInIndia lion is roaring”<sup>[11]</sup>. But the nearer you get to the lion, the additional the roar seems like a meow. Think about the foremost recent FDI information from the Reserve Bank of India (RBI), jerky by sector, since Make in India specifically considerations manufacturing. When an encouraging jump to a record \$9.6 billion in 2014-15, FDI in manufacturing truly fell to \$8.4 billion in 2015-16 (below the \$9.3 billion it had reached in 2011-12), and slightly increased in 2016-17 to 11.97 billion.

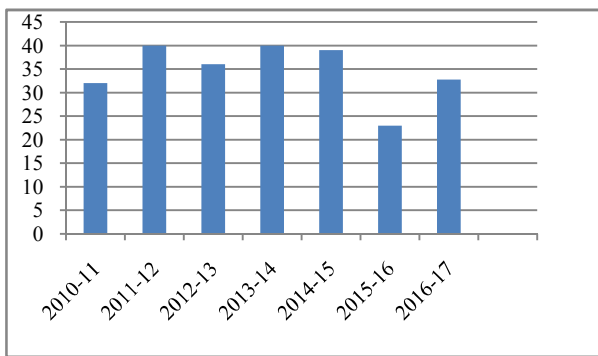


**Chart 1** Annual FDI inflows to India in manufacturing (US \$ billions)

Source: Reserve Bank of India 2016-17 annual report. Data for 2016-17 are provisional, but generally do not change.

Note that these numbers cover inflows approved by the RBI and other agencies and exclude share purchases, reinvested earnings and so on. This pattern is consistent with data from the Department of Industrial Policy and Promotion, analyzed here. What is more, a share in the percentage of FDI flowing to manufacturing, that has been within the vary of 35-40% for the past four years, dropped to 23% in 2015-16, and in 2016-17 slightly accumulated to 32.77%. Instead of manufacturing, services – assume e-commerce suppliers like Amazon,

Snapdeal, and Flipkart, ride-sharing services like Uber and Ola – appear to be drawing a larger share of the investment.



**Chart 2** FDI in manufacturing as a percentage of total annual FDI to India.

Source: Reserve Bank of India 2016-17 annual report

What concerning the broader economy? In the end, Make in India’s main objective is to lift the share of manufacturing within the economy as a method of generating jobs. Sadly, no significant modification yet: the share of manufacturing has been flat for the past decade, with a small downward trend. Here’s the rub: there’s no doubt that building infrastructure, liberalizing land and labor laws and improving the ease of doing business is difficult and time-consuming and will take time to play out. But the Modi government needs to convince voters that change is happening and fast. Which is that the genius of the Make in India campaign – it’s basically a stigmatization exercise beneath that the govt claims credit for just about everything. Each manufacturing plant inaugurated, each defense deal signed, each shovel stuck into the bottom can currently be in the midst of the hash tag #MakeInIndia, notwithstanding the share of GDP arising from manufacturing stays precisely wherever it’s been for the past decade.

### **Prospectus of Make in India**

The extremely experienced in skill prime layer of the Indian population can still notice a world marketplace for their services, the large mass of the population can struggle to search out jobs. Recall the recent news concerning 2.3 million applicants, together with post-graduates, and doctorates, vying for the post of 368 jobs for government peons in Uttar Pradesh. The issue is that inequalities in Indian society, already high with 1% of the population hogging 53% of its wealth according to a Credit Suisse report, can widen even further, with widespread disaffection among the plenty masses. We tend to all recognize India must chop-chop produce a lot of manufacturing jobs for the masses, for the demographic dividend to not become a demographic nightmare. That was the target behind the National Manufacturing Policies of past governments, repackaged into the “Make in India” program. The favored consensus is that everyone in India must-do is to create its land, tax and labor laws a lot of business-friendly, improve its infrastructure and slash bureaucratic procedure for a manufacturing revival and for making jobs for its mostly unskilled manpower. “Consider the chapter on “What to Make in India: Manufacturing or Services?” in the Economic Survey for 2014-15, ready beneath the stewardship of Arvind Subramanian, the present government’s chief economic advisory authority. It discusses the explanations for the shortage of success within the manufacturing sector and focuses on one in all them: “inappropriate specialization far

from India’s natural comparative advantage and toward the ability of skill-intensive activities”. India’s natural comparative advantage lies in creating use of its large pool of unskilled labor. Rather than doing that, Indian manufacturing, further services, is skill intensive. That automatically suggests that there aren’t enough decent or good jobs for the unskilled masses”<sup>[12]</sup>.

### **Challenges of #Make in India**

- Getting faith in foreign investors.
- Environmental clearances.
- Competition with China.
- Bribery and corruption at various levels of Government.
- Red-tapism in permission of investments.
- Pollution mitigation activities by the Government.
- Funding related problems.
- Role of Trade Unions.
- Land allotment related problems, and,
- Infrastructure related problems.

### **Bottlenecks of #Make in India**

- The deficit in highly skilled labor.
- Lack of proper infrastructure facilities like roads, water, electricity etc...
- Lack of proper laws and permissions.
- Environmental clearances.
- Lack of political will.
- Lack of good governance.
- Political corruption.
- Problems in land acquisition for industries.
- High pollution.
- Red-tapism while giving permissions for industries etc...

### **Major victories so far**

- 48% recorded growth in foreign direct investments.
- Provided a favorable atmosphere for investors and investments.
- Transparency in administration.
- Increase in exports.
- Foreign investments started to coming sectors like automobiles, electronics, and defense.
- Bids (orders) invited in Indian railways.
- Aviation sector started to make MOUs with foreign countries, ex. Raffle deal with France.
- Encouraged online applications, permissions to check the corruption and red-tapism.
- Encouraged digitalization for land records and municipalities taxes etc...
- Radical growth in software services exports.

### **Some suggestion for better improvement of #Make in India**

- Provide proper infrastructure facilities and credit for all investors.
- Tax holidays for startups and more liberalize the investment policies.
- Check the delay in permission process.
- Make simple rules and regulations for easy implementation of Laws.
- Establish fast-track window for the delay in environmental clearances.

- Providing fast track facilities for all types of investments.
- Check the policy defects.
- Establishing good governance practices.
- Providing training centers for required people.
- Giving first priority to solving the problems of investors.
- Friendly, cooperative, guidance and immediate actions for needy investors (both foreign and Indian) should be encouraged.
- Establish and encourage more skilling centers for unskilled labor.

## CONCLUSION

Former Union finance minister P Chidambaram said the Centre's ambitious 'Make in India' initiative cannot succeed if 'Skill India' does not succeed. 'Skill India' can, in turn, triumph only many alternative parameters, as well as those associated with education and research, were developed "on par with global standards", he added. Asked if the Republic of India was jumping into a service Sector-led economy, Chidambaram aforesaid that was "inevitable". "That is inevitable. If China can make firecrackers those are cheaper and safer than your crackers, Chinese crackers can come to India...that is inevitable," he said. , "Unless you develop a competitive draw close production, you can't outcompete the opposite producers."

Why are we have a tendency to turn into a service economy quite an industrial economy? It's as a result of we've acquired a competitive edge in providing and producing in services. Therefore, Make in India can succeed, providing Skill India succeeds, and Skill India can succeed only when our academic educational standards meet the global standards. So, if India desires to become an industrial economy, India cannot say this is often what I manufacture and thus, you consume it. No one can consume it today; the country should produce manufacture merchandise that is "equal to the global goods". "Because we have a tendency to produce services that are up to or higher than the world's services...our economy is quick turning into a service economy, that this can be reversed "only once India can invest in education, particularly technical education, research, development, skills in Indian workforce and then making in India and for the planet.

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### How to cite this article:

MSR Krishna Prasada Rao (2018) 'A Study on Make in India Programme: Problems and Prospectus', *International Journal of Current Advanced Research*, 07(1), pp. 9314-9318. DOI: <http://dx.doi.org/10.24327/ijcar.2018.9318.1535>

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