

1 Make in India Initiative: Reigniting Indian Manufacturing Sector

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6 **Abstract**

7 Over the decades when major reforms and policies were introduced the manufacturing sector

8 could not keep up compared to the countries with similar development/growth phase and size.

9 National manufacturing policy aims at enhancing the share of manufacturing in GDP to 25

10

11 **Index terms**— manufacturing, simplification, rationalization, digitization and innovation.

12 **1 Introduction**

13 The rapid expansion of manufacturing sector has been a major objective of economic policy in India. Starting
14 with the second five year plan in 1956 and with the contemporary launching of 'Make in India' approach, policy
15 makers always stressed the need to expand India's manufacturing sector.

16 Manufacturing is the backbone of the economy in most countries, especially so in fast growing emerging
17 markets. Historical evidence from different parts of the world demonstrates the indispensable role that
18 industrialization plays in the economic development process of countries. The experience of East Asian countries,
19 in particular, shows that export led industrialization is crucial for the attainment of sustained employment
20 generation and poverty reduction.

21 Indian economy which has traditionally been agriculture based, is taking big leaps towards promoting
22 manufacturing which constitutes 16% of GDP in India. But its contribution to employment sector and growth
23 is well below its true potential. Restrictive and rigid labour laws, abundance of unskilled workforce over skilled
24 workforce, lack of technology innovations are some of the factors contributing to this.

25 **2 II.**

26 **3 Rationality and Methodology**

27 Over the decades when major reforms and policies were introduced the manufacturing sector could not keep up
28 compared to the countries with similar development/growth phase and size. National manufacturing policy aims
29 at enhancing the share of manufacturing in GDP to 25 % within a decade and creating 100 million jobs. The
30 government has made efforts to provide favourable by simplification, rationalization and digitization of process.
31 In this regard, 'Make in India' initiative is aimed at encouraging the spirit of entrepreneurship and making India
32 the manufacturing hub of the world. This article takes a look at what has been done so far and what more needs
33 to be done to give much needed force to the manufacturing sector. Secondary data has been utilized taken from
34 various sources to advocate the views expressed in this article.

35 **4 a) Make in India-new perspective and objectives**

36 'Make in India' initiative launched in September, 2014 to give an impetus to the manufacturing sector and seek
37 foreign investment. The aim is to improve India's ranking from 142 (among 149 countries) to 50 in the World
38 Bank's Ease of Doing Business Index in three years. For this purpose the government has charted out 25 key
39 sectors out of which the main sectors are automobile, aviation, information technology, construction, textile etc.
40 Five smart cities to be built around high employment generating industrial clusters such as textiles, leather and
41 food processing. The 'Make in India' initiative assumes significance for its sheer criticality and ambition. The
42 aim is to increase share of manufacturing in GDP and create more jobs by initiating reforms in key sectors. In a

5 CONCLUSION

43 nutshell in can be presented in following way:- b) Ground realities for 'Make in India' program India is a country
44 which has experienced a growth in GDP driven by its service sector throughout the last few decades; however the
45 service sector led growth has largely been jobless, thereby creating large segments of unemployed population. The
46 manufacturing growth has lagged which can be seen in the following table ??- We must consider that the Index of
47 /industrial production has languished in some previous years, dipping into negative territory in 2013-14, as mega
48 projects got stuck in huge time and cost over runs. As on March 2014, out of total 721 projects monitored by ET,
49 only 136 were on schedule with another 218 delayed. 238 projects across different sectors show a cost overrun of
50 around ' 1.94 lakh crore in the last three decades. The original cost of these 238 projects was pegged at Rupees
51 2, 51,198.1 crore while the anticipated cost has now shot up to ' 4, 45,267 crore, a difference of 1, 94,069 which
52 is around 77%. The difficulty in getting projects moving is reflected in India's abysmal ranking in the World
53 Bank's Ease of Doing Business Index -142 out of 189 countries. The following table shows the same:- c) 'Make
54 in India' the positive aspects to revive manufacturing 'Make in India' is a timely policy initiative to convert
55 India into a manufacturing super power by encouraging and inviting manufacturers to set their bases in India.
56 It is a program that aims to boost investment and encourage innovation by creating world class manufacturing
57 infrastructure and making it easier to do business in transparent and credit friendly environment. It is clear that
58 only a labour intensive manufacturing sector can meet with the increasing employment needs in India and cater
59 to the needs of increasing local demand. In a young nation with over 800 million people under the age of 35
60 and a median population of around 26 years, the initiative would definitely provide sufficient opportunities and
61 a clear headway towards employment and fulfilling the demands of the available talent and labour pool. Much
62 has also been said about the initiative's key objective of attracting foreign investors and increasing FDI inflows
63 into India through the manufacturing sector. The government has already made investor friendly policies on FDI
64 and 100 percent FDI schemes under the automatic route in many sectors. The following points are important in
65 this regard:- d) Areas for improvement While a good start has been made towards promoting the 'Make in India'
66 initiative and inviting global companies to look at India as a potential manufacturing destination. It is clear
67 that the Indian economy to successfully distribute wealth across its population, manufacturing has to grow. This
68 growth will require several significant changes including significant increase in productivity and quality at the
69 plant levels, pursuit of worldwide competitive manufacturing strategies and operations and successful integration
70 into the global supply chains.

71 While there are significant challenges for Indian manufacturing entering the global arena whether through
72 the expansion of domestic enterprises or investment by global manufacturers from abroad the opportunities are
73 arguably more than worth the effort? Global competitiveness in manufacturing fosters growth, productivity and
74 employment, and strengthens the agriculture and service sectors. The Make in India initiative need to relook
75 India's ability to continue to develop its manufacturing sector to the point where it might revolutionize global
76 industry. For the same the following information is important:-e) Need to be done for success of Make in India
77 initiative

78 5 Conclusion

79 The importance of manufacturing sector is reviving the fortunes of the economy is well understood. What is
80 less noticeable, however, is what prevents the manufacturing industry from growing faster. The five focus areas
81 are:-capacity utilization, encouraging alternative technologies, power sector, incentivizing utilization, and defense
82 production and localization. 'Make in India' calls for clear vision, detailed planning, strong determination, vast
83 resources, and efficient administrative instruments to achieve this monumental task. It will automatically lead
84 to more or more employment opportunities and a better quality of life.

85 To conclude one can say that manufacturing sector has the potential to play a crucial role for India to achieve
86 its goal of becoming the fastest growing economy in the world. And the right mix of strong commitment from
87 the government as well as the industry can make this a reality. ^{1 2 3}

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	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
% share to GDP	15.78	16.17	16.17	16.28	15.76	14.94	Projected
By initiating Reforms	Ease in Environment approvals	Single unit clearance for units in National Manufacturing Investment Zones			Time lines defined for all clearances		Pr
In sectors	keyAuto	Aviation	IT	Construction	Textile	Leather	To

Source: The Economic Times Magazine, Feb 22-28, 2015, p-06.

Figure 1: Table 1 :

2

Year

Figure 2: Table 2 :

3

Year	Agriculture and allied	Industry	Services
1951	72.1	10.6	17.3
1991	66.9	12.7	20.4
2009-10	53.2	21.5	25.3

Source: Economic Survey 2014 -15*

Figure 3: Table 3 :

4

Year

[Note: Source: The Economic Times Magazine, Feb 22-28, 2015, p-06.]

Figure 4: Table 4 :

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Projects	Anticipated cost (' crore)	Cost over-run (%)	Time over-run (months)
KUSMUNDA EXPANSION (Coal)	7,612	541	120
BHAIRABI SAIRONG, NEFR (Rlys)	2,393	286	35
TEHRI STORAGE PLANT (Power)	2,979	80	79
SEVOK RANGPO, NEFR (Rlys)	3,375	152	15
POOLING STATION & NETWORK WITH DVC, MAITHOB RBC (Power)	7,075	0	22

Source: The Economic Times Magazine, Feb 22-28, 2015, p-06.

Figure 5: Table 5 :

6

Parameter	Previous rank	Latest rank
OVERALL RANK	140	142
Starting a business	156	158
Dealing with permits	183	184
Getting electricity	134	137
Registering property	115	121
Getting credit	30	36
Paying taxes	154	156
Enforcing contracts	186	186

Source: Doing Business 2015, World Bank. (A total of 189 countries were considered)

Figure 6: Table 6 :

7

The Global Manufacturers want to know most	Top five global cities to show interest
Guidance on pre-investment consultation on sectors, taxation etc.	London , UK.
Delays being faced by existing investors.	Granada, Spain.
Subsidy schemes that could be availed.	Singapore.
Queries on seeking funds from the government.	New York, USA.
Policy changes, policy clarification.	Dubai , UAE

[Note: Source: based on queries received on Make in India website, log in to same on Oct 21, 2014]

Figure 7: Table 7 :

1. Need to give a push to the core infrastructure sectors like?*

Figure 8: Table 8 :

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