

## Make in India – A Review on the Possibilities & Hindrances

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### Abstract:

Make in India is a brave initiative of the Government of India to encourage multinational, as well as domestic, companies to manufacture their products in India, which would revive the recession in the country. It was launched by Prime Minister Narendra Modi on 25 September 2014. The experts comment that India would emerge, after initiation of the programme in 2015, as the top destination globally for foreign direct investment, surpassing the People's Republic of China as well as the United States. India has planned to expedite 13<sup>th</sup> – 18<sup>th</sup> February 2016 as the “Make in India” week at Mumbai which include sectors in Automobiles, auto components, aviation, biotechnology, chemicals, construction, defence mfg., electrical machinery, electronic systems, food processing, IT & BPM, leather, Media & Ent., mining, oil & gas, pharmaceuticals, ports & shipping, railways, renewable energy, roads & highways, space, textiles & garments, thermal power, tourism & hospitality and wellness. This research revision is to screen and diagnose whether the targeted objective would be well satisfied & what it would contribute to the country's GDP. This mini review is to identify the possible positive feasibilities and what hindrances could be envisaged & visualized in the path of progress.

**Keywords** - growth economy, development, sector, initiative, objective etc.

### Introduction

The main purpose and objective of make in India would be Job creation, economic development & above all global recognition. Within the short span of 11 months, it had achieved global attention and has taken its space in as the one among the “100 Most Innovative Global Projects”. As per reports coming from TOI daily, while this paper is being prepared, American aviation major Boeing is joining the bandwagon of Modi's Make in India campaign. As per reports Boeing chairman James Mc Nerney commented that the company could assemble fighter planes and either the Apache or Chinook defence helicopter in India. He even added to the point that they could start thinking of building commercial aircraft wings and fuselage in India as part of the campaign mission if adequate doors of infrastructural policies and operational windows are open.

Main sectors, which contribute to the GDP in any world economy, are Agriculture, Industry/mfg. sector & services. In India our GDP is majoritarily dependent upon the service sector which is 56% contribution. If the industry and manufacturing can out pass the contribution made by the service sector it would earmark a strong consistent economy. Make in India will definitely contribute for the growth of this sector and the country may move from the present 5% to 7.5% GDP before the closing of the Y2015. For primary proof on the cause of recession is the fact that except for China many developed country's GDP is dependent primarily on service sector. Finger pointed examples are UK, France, Germany, Japan and USA which would lead to one fact that too much dependency on the service sector is the prime factor the world economies are not able to escape from the disastrous nightmare of global recession. If India is able to achieve a substantial growth in the goods & commodities, she may have a bright opportunity to skip the sinking boat and grips of recession.

### **Advantages of Industry Sector over Service Sector in the Vicinity of Growing GDP**

Opportunities for meager skilled workers – The Economic times daily dated Feb 27, 2015 says that an economic survey on the period 2014-15 stated that as per the Labour Bureau Report 2014, the present skilled workforce in India is only 2 %, which is much lower when compared to the developing nations which would be a major threat in the job market and that the number of persons aged 15 years who are being trained on specialized skills are just a meager 6.8 percent. Hence if the industry sector grows rapidly it would create a brighter opportunity for the major chunk of more than 95% low skilled labour to earn their bread.

Forced FDI thrust – The present government which upholds a major thrust on welcoming the global MNCs with a red carpet to manufacture in India and sell in the world would give way to an uplifted figure on the development of the Industrial sector which would be an added blessing to make our GDP figures impressive and explosive on the face of the corporate world.

Boost for SMEs & MSMEs – Saudi Aramco has nearly more than ten thousand suppliers throughout the region, which exclusively depend on the giant oil company for their operations, revenue, survival and growth. These parasites companies suffer at every impact of oil price hike and demand. Similarly, large industrial houses in India will be a safe haven for the mushroom small companies and medium sized enterprises. This denotes an inverse proportion to the development and growth of a huge number of SMEs, which inturn would contribute towards the GDP.

India, an Oasis for MNCs – the exhorbant population size of 1.3 billion people with more than 80% middle class families is an ocean of opportunity for any MNC to land up and make a strong foothold. India is considered as one among the largest consumer market where the spending habit is on the rise day by day due to the expanded size of disposable income. Our strength is our human resource, which will definitely be an opportunity for any new entrant after their analysis of studies to enter the nation. No nation or no conglomerate would set back from the idea of going back on establishing a business as a green field or brown field investment.

Herculean Defence department – India's interim defence budget 2014-15 analysis shows a figure of 2, 24,000 crores INR and the scope of a defence equipment supplier would be at large. Any large global defence equipment supplier if establish their one operating center in India it will never have an opportunity to look back in supply and demand.

The above factors highlighted would give way to the consistent growth of Indian GDP as economists say that a country should never be dependent on the service sector for its contributions towards the economic development.

### **Recent Initiatives to Boost Industrial Growth**

Impact of tight control of the financial strength of the world's largest democracy led to appreciable control on the fiscal deficit, trade deficit & current account deficit (CAD). Increase in the direct and indirect tax collection also was a major propaganda of the MoF under the honorable minister Mr. Arun Jaitley. Improved FDI, large FII inflows, inflation control also needs to be highlighted as the present government's efficiency and ability. These factors have helped strongly the domestic industrial growth, which would significantly welcome the global corporations for a smooth functioning.

Ease of doing business – liberalization in licensing, exclusive operational corridors for simplified formalities and deregulation of a large number of defence equipments were some of the important measures taken up by the Make in India campaign for cultivating the ease of doing business in India. Simplified Land Acquisition Process: Large Industrial Zones or estates or at the extensive side FREE ZONES with pre-clearances readily

available, Single window registration and single window mutation process to be initiated, implementation of Torrens System (shift of deed based registration to title based registration), structured process for land use conversion, an uniform market based price structure system for every piece of land across the nation ( to be fixed precisely by an autonomous independent government body)

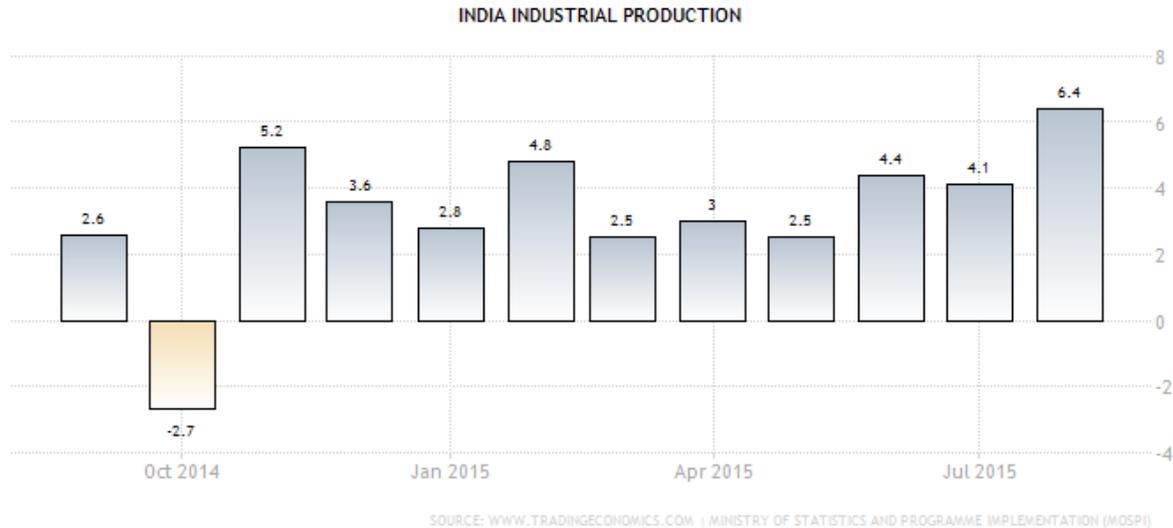
eBiz project - Immediate application of eBiz portal (with clarity and transparency), coding of deemed approval principle, auto approvals in basics such as power, water, sewerage, allotments of adequate funds for MSMEs, department centered approach to business centered approach.

Skill development –The newly established Ministry of Skill Development And Entrepreneurship under the auspicious control of the Union minister Mr. Rajiv Pratap Rudy is responsible for co-ordination of all skill development efforts across the country. The added value points are removal of disconnect between demand and supply of skilled manpower, building the vocational and technical training framework, skill up-gradation, building of new skills, and innovative thinking for jobs. This ministry has given shape to NSDC- national skill development corporation, NSDA & NSDF. Mr. Modi the honorable PM has orated to the Indian population in his own jargons declaring and requesting such as “I call upon the nation to take a pledge to make India the skill capital of the world”. To create a uniform code of conduct pressure is on the move to integrate NCVT (national council for vocational training), the school boards and the UGC – university grants commission.

#### **Five important reasons to show that the campaign of Make in India is working**

FDI is billowing: As per figures available from March 2015, the FDI inflow totaled to a phenomenal figure of 40.92 billion US\$ which is remarked to be seven times more than the figures of the previous year, but simultaneously the adverse metaphor is that India’s FDI flows in 2014 were easily dwarfed by China (\$128 billion), Brazil (\$62 billion) and Singapore (\$81 billion). But among the south Asian countries we were able to lead the row with 41 billion followed by Iran, Pakistan, and Bangladesh & Srilanka.

Industrial production is heading up the ladder – Keen focus by the ministry of industries surged the industrial production in India to a far better or better-than-expected 6.4 percent year-on-year in August of 2015, and the highest since October of 2012. An in depth observation would give an analysis of the manufacturing sector jumping to a 6.9 percent, electricity running upto 5.6 percent and mining output rose up to greater heights of 3.8 percent. Considering the fiscal period of April to August, industrial production increased 4.1 percent. The most admirable point to remember is the truth of industrial Production in India averaging at only 6.50 percent from 1994 till 2015, reached an all-time high of 20 percent in November of 2006 and a record low of -7.20 percent in February of 2009. The source of these figures is from the empirical reports of Industrial Production in India, reported by the Ministry of Statistics and Programme Implementation (MOSPI).



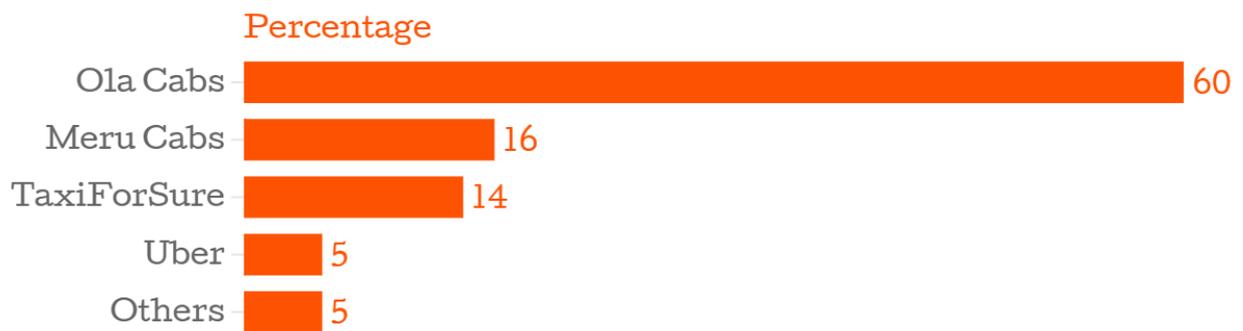
Source: India industrial production <http://www.tradingeconomics.com/india/industrial-production>

Foxconn Mega project announced–Foxconn one of the largest Taiwanese conglomerate in the computer, communications & the consumer appliances sector has shown deep interest to invest in India. Depending upon their interest the MIDC of Maharashtra had shown them a green field investment site of 1500 acres which is under the scrutiny of their 90 member supply chain vendors. If found approved Foxconn has committed a giant investment figure of 5 billion US\$ in the state of Maharashtra and Navi Mumbai. They had similarly committed such kind of investment proposals to countries like Vietnam, Brazil and Indonesia but finally turned out to be an over-promise & under-delivery. Taiwan a small island nation around 180 km east of China has a strong technology manufacturing base, with Taiwanese firms making semiconductor chips for computers, servers for IT solutions , smartphones and television sets both locally and in neighboring China. However let us keep our fingers crossed on the assured sum. If materialized it would lead to a high margin potential in the industrial production index of India.

Boeing takes the initiative talks – In order to manufacture commercial aircraft wings and fuselage, the Boeing is expanding its research Centre in Bengaluru and added infrastructure that would be attached to the global supply chain they mobilize. Boeing Company has evinced interest in investing in Indian companies manufacturing aeronautical components with a strategically incorporated view to bolster its supply chain.

Uber is flourishing – The Sanfrancisco based Uber Taxi Company within a short span of time from 2009 has expanded to 60 countries in the world and one of them being India. Ola the first entrant in the sector and Uber the latter which are particularly backed by global venture capitalists are threatening to make every other taxi company in India irrelevant and out of business. Uber is active in 18 cities of India presently and Uber although presently has a share of 5% is thriving to head gear to as the leader in the sector. It does not matter for the war between Ola, Uber&Meru the attraction now which concerns our topic is that the taxi hailing service Uber Technologies Inc. has decalred that it will invest as much as \$1 billion in India signaling its ambition to catch up with local rival Ola, Meruetc and become the dominant taxi service app in the country with a handful offer of jobs to 2 lakh people in India by 2016.

Market share of taxi-service companies in India



Source: According to a report from lead Softbank, Ola

General motors’ drop more money in India – Although General Motors is not able to make a valuable position in the passenger car market share of India which is self-explanatory from the table below. GM also has announced an investment figure of 5 billion US\$ in India with an additional 1 billion by 2020. GM has plans to make India as an export hub similar to what Ford and VW did in the country. Ford Ambattur plant in Chennai is catering to 84 Ford plants throughout the world as a central sourcing unit. GM cannot keep silent since the market experts say that by 2020 India is expected to become the world's third-largest passenger vehicle market after China and the United States and this large potential has to be effectively tapped by GM and they will not have a hesitation to keep away from the promised figure of 5 billion.

HOW APRIL 2015 SALES STACK UP				
CARS	April '15	April '14	Difference	
			Value	% growth
Ashok Leyland	0	32	-32	-
Fiat India	640	828	-188	-22.71%
Force Motors	128	224	-96	-42.86%
Ford India	4,931	6,651	-1,720	-25.86%
GM India	3,423	5,302	-1,879	-35.44%
Hindustan Motor Finance	204	233	-29	-12.45%
Honda Cars India	12,636	11,040	1,596	14.46%
Hyundai Motor India	38,601	35,248	3,353	9.51%
Isuzu Motors India	13	15	-2	-13.33%
Mahindra & Mahindra	19,464	19,551	-87	-0.44%
Maruti Suzuki	1,00,709	79,119	21,590	27.29%
Nissan Motor India	4,259	5,301	-1,042	-19.66%
Renault India	4,001	3,333	668	20.04%
Skoda Auto India	1,220	1,014	206	20.32%
Tata Motors	11,823	10,055	1,768	17.58%
Toyota Kirloskar Motor	12,325	7,562	4,763	62.99%
Volkswagen India	3,572	3,033	539	17.77%

Source: www.autocarpro.in

### **Hazards expected in the Make in India promotional Campaign**

It was an all-time studies since the inception of globalization from 1991 how the domestic traders would face this situation. We need to identify & design viable and practical strategies for the Indian corporates to stay alive in the world of MNCs. Perfect crafting of vital, exclusively for the domestic, ideas and gimmicks has to be undertaken by the slimming Indian sector to keep the MNCs at bay if the government does not take adequate steps to keep both the sectors balanced. Since 1947 after the first MNC, the east India company left us in the dark by looting the mighty wealth of India, it was the Indian industry sector supported us for three and half decades. They cannot be ignored just like that. To keep them intact our government needs to pass ordinance bills declaring subsidies, tax holidays and free zones to keep the domestic sector strong & healthy.

Another hook on the net would be equal thrust which will emphasized and enforced by other developing nations of Asia to attract the global MNCs and make their domestic GDP high and benevolent.

In addition, a change in the government after three years from now may have a totally different ideology towards the campaign. Since it emanates from an opposition party the then ruling party would only try it out see that it is a total failure and may try out all possibilities to sweep it out deliberately.

### **Conclusion**

The Indian economy struggling to come out of recession, develop a competent infrastructure, manifest healthy habits, provide clean streets, hospital and healthcare, etc. are on the edge of climbing to international standards. Jointly by the citizens of the country and the government infrastructure needs to churn out the dream to reality. To achieve the milestone let us join our hands forgetting the difference between haves and have-nots, caste & creed, religion & ideologies and make this land a better one enabling the foreigners to look us at with an appreciable graded citizen. The expatriates' earning their bread in middle east, US and European countries know the real pulse of getting insulted, ashamed, ignored and neglected at situations where we are downgraded as inferior citizens. If the Make in India campaign can bring the nation to cast out all that irregularities and establish a better place to live let us raise our voice to make it a grand success.

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