

Make in India: Issues and Challenges - A Paradigm Shift

Prof. J. K. Nathani¹ Prof. V. A. Parikh²

^{1,2}Faculty

¹Department of Civil Engineering ²Department of Production Engineering
^{1,2}Shantilal Shah Engineering College, (a Govt. of Gujarat Institute), Bhavnagar

Abstract— ‘Make in India’ is an international campaign slogan coined by Hon’ble Prime Minister to promote India as a destination for foreign investment. The authors have made an attempt to identify major issues and challenges that may be tackled swiftly and smartly to feature India as a global manufacturing hub for addressing its multi-socio economic issues. At the end authors also hope to provide big thrust to this campaign in the Union budget 2015-16 for boosting manufacturing sector, reviving economy and making the Prime Minister’s vision of helping the ‘poor reach to middle class faster’, a reality.

Key words: Make in India, Manufacturing Sector, Skill Development, Issues and Challenges, Infrastructure

I. INTRODUCTION

‘Make in India’ is an international campaign slogan coined by our Hon’ble Prime Minister to promote India as a destination for foreign investment, thereby featuring India as a global manufacturing hub for addressing country’s multi-socio economic issues.

‘Make in India’ concept was already in existence in India right from the times of East India Company when the SKF Bearings Company had started its manufacturing plant in Calcutta before 150 years. Thus, this campaign is to boost up Indian manufacturing sector by attracting business from around the world to generate huge employment, increase trade and spur economic growth.

Just one simple example is enough to understand this concept. Ferrari - a Sports and Luxurious Car Company is at present manufacturing all its units outside India. If anyone desires to purchase its car, the customer has to import it, by paying several exorbitant duties. Looking towards the current Indian market potential, if the car company establishes its manufacturing plant in India, besides generating employment and the customer getting the car at very competitive rates, the company will also be benefited.

In the words of Hon’ble PM Narendra Modi, the FDI does not merely mean ‘Foreign Direct Investment’, but it should be considered as ‘First Develop India’ concept as well. It is asserted that India should not only be viewed as a market but it should be considered as a holistic opportunity for making India a global economic giant.



Fig. 1: Logo of ‘Make in India’

The logo of ‘Make in India’ depicts a ‘Lion’ which refers to ‘King of Forest’. In the same way, India can become ‘King in Manufacturing Sector’ by converting herself to a self-reliant and self-sufficient country and to give the Indian economy a global recognition.

II. MAJOR ISSUES AND CHALLENGES

The concept could face the following major issues and challenges.

- Creating healthy business environment will be possible only when the administrative machinery is efficient and prompt. India has been very stringent when it comes to procedural mechanisms and regulatory clearances. A business-friendly environment can only be created if India can signal easier approval of projects and set-up hassle-free clearance mechanism. For the issue of unnecessary defunct laws and regulations and making stringent bureaucratic processes easier, shorter, transparent and responsive as well as accountable proceedings, it has emphasized the concept of ‘single online portal’. This is an extension policy of exiting ‘single window system’ employed under the Vibrant Gujarat Summit and banking sector as well. As contemplated by the authorities, the system will be lead by an eight member team dedicated to answer investor queries which will facilitate the clearance of projects in a time bound framework.
- India should be ready to tackle elements that adversely affect competitiveness of manufacturing. To make the country a manufacturing hub, the unfavorable factors must be removed. India should also be ready to give tax concessions to companies which come and set up units in the country.
- India’s small and medium-sized industries can play a vital role in making the country take the next big leap in the manufacturing sector. India should be more focused towards novelty and innovations for these industries. The government has to chart out plans to give special soaps and privileges to these industries. Further, good infrastructure is a heartfelt requirement of successful ‘Make in India’ program. Golden quadrilateral, DMIC (Delhi Metro Industrial Corridor) for roadways, linked river for waterways, express highways, vibrant sea-ports etc. are required since manufacturing would require free flow of raw materials and finished goods. Furthermore, a direct tax exemption during the initial years of operations for micro, small and medium enterprises (MSME) will give much needed impetus to the manufacturing sector.
- India’s ‘Make in India’ campaign will always be compared with standard products from other countries. India should constantly keep its strength so

as to outpace such supremacy from other countries in the manufacturing sector. For this challenge, the quality of products should be of world-class standards which could be achieved by adhering to international quality standards with highly skilled work force.

- India must also give boost to high-tech imports of specialized equipment and research and development (R & D) to upgrade 'Make in India' campaign and thus give an edge-to-edge competition. To achieve this, India has to be better prepared and motivated to accelerate world class R & D programs. The government must ensure that it provides appropriate platform with liberal financial aid for such research and development projects in basic sciences and technologies.

III. ALLIED ISSUES

A. Privatization:

To enforce the inflow of FDI in the country and improve services, it requires to fully or partially privatizing loss making government units. First, identifying those manufacturing units and second, to privatize those with foreign companies may create issues such as percentage holding, management, resistance to change, labour union opposition, etc. However, as the whole campaign brief is solely under the control of government, such issues can be resolved progressively through proper reforms and initiatives.

B. Skill Development:

Skills and knowledge are the driving forces for economic growth and social development for any country. As per our worthy Prime Minister, any country in the world that offers a unique 3D combination known as Democracy, Demography and Demand initiatives must focus on skill development. In India, labour requirement in the primary sector is falling quickly as mechanization increases. As per CII survey, roughly 16 percentages of labour is still in the primary sector compared to 6 percentages of BRIC countries. Through skill development initiatives, this labour force can be converted into secondary manufacturing sector. Semi-skilled labour can also be absorbed by manufacturing sector with the help of skill development programs. The authorities are sensitive to this issue and to give thrust to skill development, besides adopting skill development as a national priority the Government has created a new Skill Development Department under a full-fledged cabinet minister.

C. Labour:

This is an important factor in economic development of a country. China as a Marxists Country attracted outside business by meeting all the requirements of industries with liberal laws and incentives but in India it is difficult as it is a democratic country. India has some of the most restrictive labour laws. Both the federal and state governments will have to implement labour reforms which will ease these laws in a way that fosters more employment and industrial activity in labour-intensive sectors. Labour reforms which will help labour rights, human resource management, and worker and management relationship with proper safety

norms and efficient transport facilities, is the need of the hour.

D. Good Infrastructure Facility:

The major objective behind 'Make in India' initiative is to focus on heavy industries and empowering secondary and tertiary sectors. If authorities facilitate the requirements of the national programmes of 100 "Smart Cities" and "Industrial Corridors", we can truly fulfill the 'Make in India' concept and make it a worth. We will have to provide internet connectivity with LAN, WAN with high speed data transfer as Information Technology is also a part of Infrastructure now. Further, under the 'Make in India' campaign, the rural infrastructure, which is an important ingredient for ensuring sustainable rural economic development, needs to be given a fillip.

E. Foreign Investment and Trade:

With foreign investment, the imports from the foreign investment will be reduced. The best way to ensure foreign investment is of providing qualitative framework that is required to be operated in a competitive environment, without the aid of subsidies and not with any importing restrictions.

F. World-Class Standards:

After all, foreign companies demand highest level of qualitative work which is known as "world class standards". The quality of product under 'Make in India' initiative should not differ with foreign product. Here the Issue is to make Indian labour achieve such competencies to make high quality products through skill development programs.

G. Ownership and Control:

When FDI comes to our country, there will be an issue of ownership and control. How much percentage of ownership of the company established at Indian location? What should be the managerial functions? How board of directors should be formed? Whether any MoU (Memorandum of Understanding) should be signed with Indian companies in order to form a joint venture? Whether Indian law can protect if any issue will crop up in this regard? This issue is being addressed through required reforms by the present government.

H. Enterprise Specific Performance Requirements (ESPR):

Some of the enterprises require several performance standards. Special efforts are needed to achieve such specific performance standards without interference with the internal commercial decisions of the enterprises.

I. Land Acquisition:

Land acquisition is a major issue and challengeable as the existing laws have made the acquisition of land more complex and costly. These laws create hurdles in investment into preferred sectors like manufacturing, construction, infrastructure and mining. The difficult balancing act between providing sufficient rights and safeguards to landowners and easing land acquisition procedures has been introduced through the proclamation of the Presidential Ordinance.

J. Retaining Talent (Reverse Brain Drain):

Whenever human talent goes in some foreign country, it is known as Brain Drain. Several reasons like lethargic beauracracy, lower salary structure and less employment opportunity may be some of the causes. But due to 'Make in India' campaign, a condusive environment can be created once again Indian talented youth can be retained and a new trend of reverse brain drain can be established i.e. foreign talent of Indian origin will again start to seek opportunities in India. Thus, the slogan "stay in India" can be made realistic. The talented youth migrating to foreign countries can come back and make our mission of 'Make in India' more effective and powerful.

IV. UPDATES ON 'MAKE IN INDIA'

- News from social media is reflecting that 'Make in India' Campaign is getting the highest popularity on Facebook and Twitter. Hon'ble Commerce Minister, Nirmal Sitaraman has announced that this campaign has registered 2.1 Million tweets and 30 lacs 'Likes' on Facebook wall. Government is committed to end License Raj by effectively implementing 'Make in India' campaign through proper legislations and reforms.
- Union Budget of F.Y. 2015-16 is expected to provide a big thrust to 'Make in India' concept and a blue print of 25 identified sectors was presented to PM in January, 2015 by the Union Secretaries. The government's 'Make in India' initiative could get top billing in the Union Budget with tax breaks and other incentives for several sectors. As per the reports of a leading news-paper, the 'Make in India' concept is the centrepiece of Narendra Modi administration's bid to revive the sluggish manufacturing activities and create millions of jobs.

V. CONCLUSION

The issues and challenges involved in the concept of 'Make in India' are being resolved through big thrust in policy initiatives and further commitment by the government to ease rules of doing business, boost manufacturing and provide a stable non-adversarial tax regime to ultimately revive the otherwise sluggish economy which is critical to generate jobs. The forthcoming Union Budget is a big tool in the hands of government for bringing such major reforms and thereby making the Prime Minister's vision of helping the 'poor reach to middle class faster', a reality.

REFERENCES

- [1] Government of India, Make In India Official website.
- [2] Updates from News Channels
- [3] A. Bhattacharya, A. Bruce and A. Mukharjee, "Make In India: Turning Vision Into Reality, CII Report, November 2014