

IMPACT OF MAKE IN INDIA PROGRAM- IS LION MOVING BACKWARD?

Sandeep Kumar*
Sweta Bakshi**

Abstract: The Centre is functioning on a 'compliance report' of its flagship 'Make In India' (MII) initiative that attempts to transform India into a global design and manufacturing hub as well as create large-scale employment. The MII scheme covers 25 focus sectors ranging from automobiles to wellness. The 'MII Action Plan' had set short-term (one year) and medium-term (three years) targets "to boost investments in the 25 sectors" and to "raise the contribution of the manufacturing sector to 25% of the GDP by 2020". "FDI inflows in India's manufacturing sector grew by 82% year-on-year to \$16.13 billion during April-November 2016," according to the IBEF, a trust formed by the Commerce Ministry to promote of the 'Made in India' label overseas

Make in India opened new doors for investment. Relaxation of Foreign Direct Investment (FDI) norms enhanced the investor perception, and the industry observed a rush in automotive and electronics manufacturing investments. The liberalization of FDI policy permitted for over 50 percent of the investments in 25 sectors

1. Introduction

The Centre is functioning on a 'compliance report' of its flagship 'Make In India' (MII) initiative that attempts to transform India into a global design and manufacturing hub as well as create large-scale employment. The average GDP growth in the manufacturing sector was 9.5 per cent in the early nineties when the economic reform process was initiated. Thereafter, from 1996-97 onwards a decline in manufacturing sector GDP was witnessed till 2001-02. From 2002-03 there was a resurgence and the sector recorded an average double digit growth of 10.1 per cent during the period from 2005-06 to 2009-10. But from 2010-11 onwards again a decline in GDP growth was witnessed with the sector recording a negative growth of 0.7 per cent in 2013-14. To give a boost to the manufacturing sector growth and to make the sector globally competitive, the government had announced the National Manufacturing Policy in 2011. The policy visualized enhancing the share of manufacturing to GDP from 16 to 25 per cent and to create 100 million jobs by 2022. The policy visualized

the Centre to provide an enabling framework and incentives for infrastructure development on a PPP mode and the State Governments to be encouraged to adopt the instrumentalities provided in the policy viz; setting up of National Investment and Manufacturing Zones, rationalization and simplification of business regulations, incentives for small & medium enterprises, industrial training and skill up gradation measures among others. However, the manufacturing sector growth continued to be a cause of concern. With nearly 63 per cent of the population in the working age group (15-64 years) the Prime Minister in his Independence Day Speech in 2014 invited the world to 'Make in India', 'Manufacture in India' and indicated that growth of manufacturing sector is must for employment generation of the youth. The Make in India initiative announced officially in September 2014, aims to facilitate investment, foster innovation, enhance skill development, protect intellectual property and build best in class manufacturing infrastructure and convert India into a manufacturing hub of the world.

*Dr. Sandeep Kumar, Professor, Tecnia Institute of Advanced Studies Delhi

**Sweta Bakshi, Assistant Professor, ITS Mohan Nagar, Ghaziabad

In this paper an attempt has been made to see the employment potential of the Make in India initiative. The objective of the exercise, among other things, is to determine whether the government departments and agencies implementing the MII programme are meeting the deadlines visualize in the 'MII Action Plan' of December 2014.

2. Research Methodology.

The present study is based on secondary data. The data has been extracted from various sources like research articles, publications from Ministry of Commerce, Government of India, various bulletins of RBI and authenticated websites.

3. Make in India Initiative (MII)

The MII scheme covers 25 focus sectors ranging from automobiles to wellness. The 'MII Action Plan' had set short-term (one year) and medium-term (three years) targets "to boost investments in the 25 sectors" and to "raise the contribution of the manufacturing sector to 25% of the GDP by 2020".

At a national workshop held in December 2014 on these 25 sectors, an Action Plan was confirmed with the assistance of Secretaries to the Indian Government as well as industry leaders.

According to National Manufacturing Policy, "the share of manufacturing in India's GDP has stagnated at 15%-16% since 1980 while the contribution of similar economies in Asia is much higher at 25%-34%."

Government sources said a comprehensive study is also being undertaken on the impact of the MII initiative including a sector-wise evaluation regarding job creation and foreign direct investment inflows using the National Industrial Classification Code.

4. RBI, CSO data

Data from the Reserve Bank of India and the Central Statistics Office are also being looked into in this regard, they said, adding that inputs are being required from the State governments as well.

The compliance report is being monitored and evaluated at the highest level, including by the Prime Minister's Office, the sources said. Recently, the Parliamentary Standing Committee on Commerce wanted an appraisal to be done on how the MII initiative has helped the country's micro, small and medium enterprises.

It recommended that dedicated steps should be taken to make sure that FDI endorses the MSME sector, and required to know the factors behind the Foreign Portfolio Investments turning negative and its impact

on the Indian industry. The panel also wanted to study if the MII initiative has seized the opportunity of demographic dividend in the country.

5. \$1 trillion by 2025

According to the India Brand Equity Foundation (IBEF), "India's manufacturing sector has the potential to touch \$1 trillion by 2025. There is potential for the sector to account for 25-30% of the country's GDP and generate up to 90 million domestic jobs by 2025."

"FDI inflows in India's manufacturing sector grew by 82% year-on-year to \$16.13 billion during April-November 2016," according to the IBEF, a trust formed by the Commerce Ministry to promote of the 'Made in India' label overseas.

It said, "The government has an ambitious plan to locally manufacture as many as 181 products. The move could facilitate infrastructure sectors ... that entail large capital expenditure and revive the \$27.75 billion Indian capital goods business."

6. The Parliamentary

Standing Committee on Commerce's recent report had also said manufacturing growth in the country has to become healthy, adding that "the manufacturing sector has grown only by an average of 1.6% in the last five years till 2015-16." Underlining the significance of the capital goods sector for the country's industrial growth, the panel said, "Appropriate measures may be taken to revitalize the growth of capital goods sector."

A December 2016 a 'policy brief' prepared by K.S. Chapatti Rao, Professor (Retd.), Institute for Studies in Industrial Development, and Biswajit Dhar, Professor, Jawaharlal Nehru University, had suggested the examination of FDI in the 25 sectors under the MII initiative "from the points of (i) adding fresh domestic production capacities (including meaningful indigenisation), (ii) net addition to capital instead of round-tripping of funds remitted abroad on one pretext or the other, (iii) the monetary value of all the incentives and exemptions availed and (iv) ...delayed reporting and gross inaccuracies."

According to a report, Future of Jobs in India by EY and NASSCOM highlighted India's two challenges: the 17 million new entrants into the workforce year-on-year against the 5.5 million jobs created. According to a recent data published by Centre for Monitoring Indian Economy (CMIE), the unemployment rate has doubled between July 2017 and April 2018. It also states that the number of jobs in the country in the last financial year 2017-18 has also fallen from 406.7 million to 406 million.

Make in India, launched in 2014, was one of the

flagship programs of the Indian Government. The program will celebrate its fourth anniversary this year. However, is the initiative falling shortly after four years? During its launch, Prime Minister quoted the initiative as the "lion step" towards promoting the manufacturing sector and generating millions of jobs. Is the lion really moving forward? Can we achieve 25% of the GDP by 2020 and create 100 million jobs through this program?

7. The successes and the disappointments: Make in India

Narendra Modi, Prime Minister of India, with the view to invigorating the country's manufacturing sector announced his plan to launch Make in India in September 2014. The focus of the program was the National Manufacturing Policy, the purpose of which is to make India a global manufacturing center. The key objective of the program is to:

- Make India a manufacturing center
- Augment manufacturing's share in the country's GDP from 16 percent to 25 percent by 2022
- Generate 100 million jobs

8. The policy identified 25 key sectors namely:

The spotlight of Make in India programme is on 25 sectors. These include: automobiles, aviation, chemicals, IT & BPM, pharmaceuticals, construction, defence manufacturing, electrical machinery, food processing, textiles and garments, ports, leather, media and entertainment, wellness, mining, tourism and hospitality, railways, automobile components, renewable energy, biotechnology, space, thermal power, roads and highways and electronics systems. In order to magnetize foreign investment, improve the sector's growth and generate employment, the government implemented new policies and processes to deconstruct the old system and bring in the new system to promote business partnerships and ease of doing businesses.

9. The Hits of Make in India:

Make in India opened new doors for investment. Relaxation of Foreign Direct Investment (FDI) norms enhanced the investor perception, and the industry observed a rush in automotive and electronics manufacturing investments. The liberalization of FDI policy permitted for over 50 percent of the investments in 25 sectors.

The FDI inflow grew by 20 percent each in 2014-15 and 2015-16. However, in 2016-17, the country attracted the highest ever FDI inflow of 60 billion USD. In 2017-18, the nation saw the FDI equity inflow

of worth \$33.75 in the first half of this fiscal, and the country is poised to see FDI inflows in 2017-18 surpassing even the record \$60 billion it received in the last financial year.

According to the data published by Department of Industrial Policy & Promotion (DIPP) in December 2016, highlighted that the industrial activity rose by 29 percent. Much of this growth was concentrated in three states- Karnataka, Madhya Pradesh, and Maharashtra.

India jumped up 30 notches in the top 100 rankings on the World Bank's ease of doing business' index.

Alain Spohr, Managing Director, India & South Asia, Alstom shares, "The Government's visionary Make-in-India programme brought together businesses and consumers towards a common goal of nation-building. This added to the Prime Minister's push to simplify investments and procurements in the country enabled most sectors to create business opportunities within the country and even attract international businesses. India's rank in the ease of doing business was an affirmation of this very change. Not only did this create a momentum in the creation of jobs, but also brought the focus back to the need to bridge the gap between the skill imparted in college vis-à-vis that required in the market. We see the Government's Skill India initiative working to bridge this gap in partnership with private players. Public-Private Partnership is the most effective tool to empower such movements and Alstom has been committed to supporting both these Government initiatives."

10. The Misses:

The country's Gross Domestic Product (GDP) growth rate has fall from a high of 9.2 percent in the third quarter of 2016 to 5.7 percent in the third quarter of 2017. Economist attributes this mostly to the government's demonetization drive and poor implementation of the new Goods and Service Tax (GST).

As per the economic survey (2015-16), the rate of unemployment has augmented from 3.8 percent (2011-12) to 5 percent (2015-16). Additionally, in 2015 only 1.35 lakh jobs were added in eight labor-intensive sectors, compared to 9.3 lakh jobs that were added in 2011-12.

From July 2014 to December 2016, in the eight major sectors i.e. manufacturing, trade, construction, education, health, IT, transportation, and accommodation and restaurants, only 6,41,000 jobs were produced.

In comparison, these same sectors added a total of 128 lakh jobs from July 2011 to Dec 2013. The

Economic Survey 2016-17 indicated a shift in the pattern of employment from permanent jobs to casual and contract jobs. This temporary nature of work has adversely affected the wages, employment stability and social security of the workers.

Table: Unemployment rates from 2013-14 to 2015-16

| Gender | Year | Unemployment Rate |
|--------|---------|-------------------|
| Total | 2013-14 | 4.9 |
| Male | 2013-14 | 4.1 |
| Female | 2013-14 | 7.7 |
| Total | 2015-16 | 5 |
| Male | 2015-16 | 4 |
| Female | 2015-16 | 8.7 |

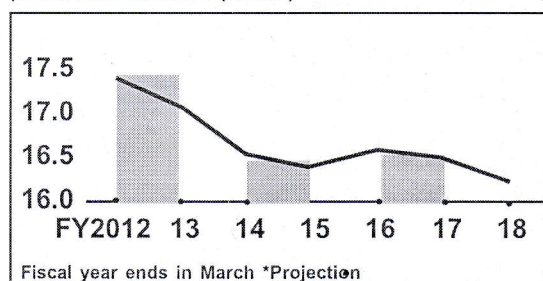
Source: Ministry of Labour and Employment

According to reports, 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, according to the CMIE data.

11. Conclusion:

While the Modi government has taken triumphant action in some areas, by cutting red tape, India jumped 30 places in the World Bank's Ease of Doing Business rankings to enter into the top 100 nations. However, as per economists, manufacturing in India's economic output has tapered in the wake of demonetization and the confused launch of a goods and services tax (GST). While manufacturing has come out as one of the fastest growing sectors in India but with services sector picking up in the early 2000s, manufacturing saw a fall in its contribution to overall GDP..

Manufacturing's share of Indian GDP has been falling (Gross value added, in percent)



Sources: Societe Generale Cross Asset

Experts think unavailability of skills is a key obstruction in creating employment. According to the National Institute of Public Finance and Policy,

only about two percent of Indian workers are competent for certificates documenting their mastery of professional skills in comparison with about 70 percent of workers in Europe and 80-90 percent in East Asian countries like Japan and South Korea. Hence, the genuine challenge is not employment but employability. As mentioned in the World Economic Outlook and the Economic Survey, a single-minded approach to increasing country's manufacturing base might not yield the results. Hence, there is a requirement to align Skill India and Make-in-India which can create a significant impact on the industry and the economy.

References

- K. Kalaivani "A Study on the Impact of Make in India on HRM Practices –An overview". Indian Journal of applied research, Volume 5 Issue 4 April 2015
- Dr. K. V. Ramana "Make in India Illusion or Possible Reality Project? International Journal of Academic Research, April-June, 2015
- Dr. Rajeshwari M. Shettar Impact of Make in India campaign: a global perspective. Journal of Research in Business and Management, Volume 5 ~ Issue 2 (2017)
- S. Soundharyya "Make in India Scheme for transforming India" Global Journal for Research Analysis (GJRA), September, 2015
- Dr. Puneet Aneja "Make in India: New Paradigm for Socio Economic Growth in India", PARIPEX Indian Journal of research, April, 2016.
- Seema Sangwan Making "Make in India" realism: role of FDI, International Journal of Applied research, 2015. Dr. T. Vijayragavan Make in India and its Strength to Become India's Manufacturing Hub, International Journal of Engineering, Business and Enterprise Applications, (IJEBA), 2015.
- Seema Sangwan "Making Make in India a realism: role of FDI", International Journal of Applied Research, 2015.
- Samridhi Goyal, Prabhjot Kaur and Kawalpreet Singh "Role of HR and Financial Services in Making Make in India Campaign a success", IOSR Journal of Business and Management (IOSR-JBM), February, 2
- <https://www.peoplesmatters.in/article/jobs/is-the-lion-moving-backward-hits-and-misses-of-make-in-india-program-18308>