MAKE IN INDIA PROGRAM – AN ANALYTICAL REVIEW

ANAND SAGAR

Research Scholar, Department of Management, Shri Jagdishprasad Jhabarmal Tibrewala University, Jhunjhunu, Rajasthan, India
E-mail: anandsagar1973@gmail.com

Abstract- Make in India program was initially launched in September, 2014 in Delhi and “Make in India” week was organized between 13-18 February, 2016 in Mumbai. The primary motive behind this program was to make India a manufacturing hub like China. India is a big market and any MNCs would not like to lose the opportunity of selling their products here. Hence, they can be compelled to set up their manufacturing units in India or to increase the production capacities of the existing ones. But it would rather be better if there is a kind of atmosphere in India, where the MNCs are not compelled through such drives but queue up on their own to get the permission of setting up more and more plants in India.

Index terms- Make in India, Manufacturing Hub, Make in India week, Bonanza to Manufacturers

I. INTRODUCTION

The Make in India program was initially launched in September, 2014 in Delhi and “Make in India week” was organized from 13th February, 2016 to 18th February, 2016 in the Commercial Capital of India, Mumbai. Both received a good response from a varied range of companies across the globe. It is also learnt that the government has by now received more than Rs. 1.00 lac crores of proposals. The basic idea behind this program was to make India a manufacturing hub like China. The other purposes were to give a boost to the GDP and tax revenues. One the one hand foreign companies were asked to set up their manufacturing facilities in India and on the other hand Indian companies were persuaded to enhance their existing production capacity. The manufacturing sector in India is contribution around 15% to its GDP and the target is to raise is up to 25%. While.

While persuading the MNCs and the Indian companies to maximize their production in India, there was also an emphasis on maintaining the quality of the product without adversely affecting the natural environment in the country. Employment generation and skill development were other motives behind this program. Moreover, to check the exodus of the existing industries was also one of the aims to launch this program. To sum up, providing an alternative destination to the MNCs presently have factories in China and also transforming our country into a “Manufacturing Hub” was the first and foremost aim of the program. It was conceived that Manufacturing will lead to employment generation and employment generation will in turn lead to the poverty elimination – the main aim of the present Government.

II. REVIEW OF LITERATURE

Dr. Raghuram Rajan’s view: “I am not advocating export pessimism here – India has been extremely successful at carving out its own areas of comparative advantage, and will continue to do so. Instead, I am counseling against an export led strategy that involves subsidizing exporters with cheap inputs as well as an undervalued exchange rate, simply because it is unlikely to be as effective at this juncture. I am also cautioning against picking a particular sector such as manufacturing for encouragement, simply because it has worked well for China. India is different, and developing at a different time, and we should be agnostic about what will work”.

We are more dependent on the global economy than we think. That it is growing more slowly, and is more inward looking, than in the past means that we have to look to regional and domestic demand for our growth – to make in India primarily for India. Domestic-demand-led growth is notoriously difficult to manage, and typically leads to excess. This is why we need to strengthen domestic macroeconomic institutions, so that we can foster sustainable and stable growth. At the same time, we cannot let foreign markets shrink further, and we have to take up the fight for an open global system. Rather than being reactive, we have to be active in setting the agenda. That requires investment in our idea-producing institutions – research departments of official bodies, think tanks, as well as universities. In sum, the diminished expectations in the world at large should not be a reason for us to lower our sights.

Government’s argument about Make in India: Manufacturing is key to employment at the lower levels. You are not going to get the rural poor work for Facebook or McKinsey. They need to be employed by factories, so that their next generation can move up and grow up in the ladder. Manufacturing is key to technology & service prowess. Superiority in that sector will have spillover effects through R&D etc. To accelerate manufacturing, we will provide more incentives to industrialists - including a weak rupee and incentives to export.
III. FINDINGS

Encouraged by the initiatives and the incentives announced by the government of India, state governments and the Indian Industry partners during this program, the following Indian companies and MNCs expressed their desire to set up their next production unit or at least enhance the capacity of the existing ones in India: –

- Xiomi has already launched mobile handsets which were manufactured by Foxconn in India. Company also launched “Redmi Note Prime”.
- Micromax will set up three manufacturing units in India with an investment of Rs. 300 crores.
- Japan will import cars from Maruti Suzuki’s manufacturing units located in India.
- Volkswagen invested Rs 720 crore to ramp up the production of new compact sedan. Production will commence in 2016 itself.
- US Giant, General Electric has signed a deal with Indian Railways to supply 1000 Locomotives. It will therefore invest USD 200 million to set up and factory in Bihar and tow maintenance yards one each in Punjab and Gujarat.
- Acer will start manufacturing smartphones at its Pondicherry Plant.
- Chinese company OnePlus will start manufacturing its smartphones in India by Dec, 2015.
- Lava has promised to set up manufacturing unit in Tirupati, AP with an investment of Rs. 500 crores. Plant is expected to be operational by 2017.
- Sony India will increase its production capacity in India starting from manufacturing flat TV panels and other electronics items.
- Gionee and Foxconn will invest around USD 50 million to manufacture handsets in India.
- Siemens, an Engineering giant from German will invest one million Euro in India.
- Meizu (backed by Alibaba) will set up manufacturing unit in India.
- Taiwan based company Foxconn will manufacture LED TVs and other electronic products in India.

Lack of infrastructure and manufacturing atmosphere

The government has been trying its best to lure the foreign investors to invest in India, but apart from the problem of infrastructure, a few things have gone wrong in the recent past are as under: –

1. Lack of investor-friendly atmosphere and infrastructure – transportation, electricity, water and also wide-spread corruption, too many bureaucratic red-tapes during the previous regime chocked the flow of FDI in setting up their manufacturing units.
2. China has been a hub for manufacturing for years now and is in direct competition with India when it comes to an option of setting up manufacturing units. Today China is having an edge over India and offers better infrastructure and conducive atmosphere for manufacturing, it will take some more years for India to come at par with china.
3. Many projects have been stuck up in red-tapes for want of timely land acquisition, the fact not unknown to the Indian companies as well as to the MNCs.
4. Labour laws in India are not conducive to the manufacturing. TATA’s nano project, thrown out of West Bengal has been a burning example in the industry.
5. When it comes to the safety norms and the R&D facilities available in India, there has been a recent report from the CAG of India. It has criticized everyone and every organization involved in R&D and manufacturing of Parachutes. Leave aside the ordinary manufacturing units, it happen with the product (parachutes), designed by such a premier and reputed organization like DRDO Lab. The products failed 75% of the trials and were classified as seriously life threatening in the report of CAG.
6. Scarcity of Water: Recently, Punjab and Haryana High Court directed “Haryana Urban Development Authority” not to issue new license for construction activities due to shortage of water in the state. Similarly, due to acute shortage of water in Maharashtra, many IPL venues were shifted elsewhere. Moreover, the drinking water was carried to Latur and Usmanabad districts of Maharashtra in railway tankers.
7. Almost every state has to resort to power/load shedding ranging from 4 hours to 12 hours every day. Do we think that the Indian Companies and MNCs are not aware of these ground realities.
8. Ban by the Supreme Court on registration of Diesel Vehicle in Delhi, specially the vehicles over 2000 cc. The ban got effective from 16th December, 2015. Our Defense Minister had also lamented upon this. He was quoted saying that because of this ban the German Car major, “Mercedes Banz” has taken back its decision to invest in our market. This ban has resulted in 5000 jobs losses in this sector. If the ban is further extended across the country, it will result in around 50 thousand job losses.
9. Ongoing standoff between the Judiciary and the Central Government on the appointment of
Judges - where the one side is proposing and the other side is bent upon disposing it off.
10. Non-passage of landmark GST bill by the Parliament even after a lapse of two years due to lack of numbers in the Rajyasabha. Indian Industries and the MNCs have put on hold their decision to set up any new manufacturing unit till the time the bill is passed.

**Evaluation of the Make in India Program**

On the one hand we have witnessed the initial successes of the “Make in India” program which has been able to encourage the foreign companies in setting up their manufacturing unit in India itself or at least increase the production capacity of their existing plants. Indian companies have also promised to manufacture as much as possible in India, instead of setting up their plants elsewhere.

But On the other hand the eminent Economist and RBI Governor, Dr. Raghuram Rajan, has suggested something more than just concentrating on export oriented strategy and manufacturing. His suggestions in nutshell are as under :-

- It is good to make India more business and investment friendly but instead of encouraging manufacturing alone, we must push all kinds of entrepreneurship.
- Today, the world economy is slowing down, hence, export oriented strategy would not be very lucrative.
- We might get deeper into the debt by providing too much incentives to the manufacturing sector.
- It would be very risky to devaluate the rupee with a view to discourage imports and encourage exports.
- It is very difficult to compete with China, we should therefore focus on creating domestic markets and boost domestic demands.

The warnings of an economist of his stature cannot be totally ignored. Way back in 2005, Dr. Rajan, the then economic counselor at IMF predicted something unbelievable. That time the financial conditions were stable around the world and the economies were registering high growth rates. But based on his studies of global financial markets, he termed the global financial system a riskier place. That time he was not taken seriously, however, three years later his predictions proved prophetic in 2008.

**CONCLUSION**

Keeping in mind the conflicting views expressed from different quarters, the analysts are divided about the success of Make in India Program. On the one hand there is a group of people which expresses its satisfaction and having a high expectations of the success. They are expecting more and more investments by free flow of capital. On the other side there are people who are of the opinion that instead of giving incentives to export centric industries and encouraging manufacturing alone, we must push all kinds of entrepreneurship and increase the domestic demands.

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