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Make in India- Will This Mantra Work Now?

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Abstract:

Generating employment for youngsters is a major challenge around the world, which has been further exacerbated by the global financial crisis that hit this group hard. Poverty and low level of human capital are causes of the barriers that are being faced by youngsters of our country. "Make in India" movement to "make over India into a universal manufacturing core" aims to use manufacturing as a mode to create job opportunities. Is this approach rational? This paper facilitates answer the query by describing the positive and negative sides of this scheme. It is assumed that the impact of this scheme on employment and output is significant, yet the campaign objective of 100 million new manufacturing jobs seems to be difficult to attain due to lot of hurdles in achieving proper output. The paper then describes a set of reforms that can be taken to set free a manufacturing growth boom.

Keywords: *Employment, manufacturing*

1. Introduction

Economic and political analysts have continually noted their alarm about the recent slow-down in the Indian economy. A major challenge that is being faced not only by India but other countries of world is generation of employment opportunities. World's largest youth population in India is in front of the dilemma of unemployment due to lack of expertise, work practice and financial resources to find employment. In developing countries like India, such state is getting worse by poverty and the cutthroat pressure that result from a fast mounting man power. According to 2010 population figures, one in five young people in the world is an Indian (world's population prospectus). According to the United National population research, during the last four decades the countries of Asia and Latin America have been the main beneficiaries of the demographic dividend (Arthapedia). India is also one of the beneficiaries of demographic dividend. Undoubtedly, it is in the early stage of economic dividend but if lesson regarding creation of employment opportunities will not be taken from those countries that have already crossed this stage, India can face demographic disaster.

From last many years, main concern is given to service sector and manufacturing sector is facing neglected behaviour by the government. The service sector provides only 26% employment but contributes 58% of GDP. So, service sector is only contributing in income share not in employment status of country, which can't be appreciated. On the other hand, most worrying part is that the producing sector of country is experiencing increasing output but diminishing value added in its total output. It can be said that decreasing value added and productivity of labour is not a positive sign for economy of India.

To overcome this situation, Prime Minister Modi announced mantra "Make in India". This formula is not new one as this experiment of making in India was done earlier also but it failed. In 1991, India adopted liberalisation policy and as a result share of primary sector in GDP declined but between 1979 to early 2014, share of industry remained stagnant at about 25 per cent. Infact, within industrial sector, share of manufacturing in GDP is only about 15 per cent (GOI, 2014). The question arises, will this mantra work now? Implementation of this policy does not seem so easy and it will have to face several bottlenecks.

1.1. Objectives of the Study

- To find out objectives of "Make in India"
- To identify advantages that country can achieve.
- To identify some of the key challenges in the path of implementation of the scheme.
- To recommend possible solutions.

1.2. Research Methodology

Secondary data have been obtained from various authenticated sources, articles from leading news papers and journals.

2. Review of Literature

Bal (2014) clarified a more liberal Foreign Direct Investment (FDI) ethos, vibrant Joint Venture (JV) & Public Private Partnership (PPP) and greater Ease of Doing Business are the sub texts of this euphoria. Higher education will play the role of force multiplier to

realize this mission as it will improve the skill quotient, pave the way for research, quicker technology absorption, and provide an ideal platform for global connect with top class universities.

R Rajan (2014) viewed that physically linking every corner of the country to domestic and international markets through roads, railways, ports and airports. The kind of economic activity that is generated when a pukka all-weather road is built into a village—the explosion of horticulture, poultry, and dairy farming, the opening of clothing and assorted goods shops, the increasing use of powered vehicles—is extraordinary, as is the kind of activity that emerges around national highways.

THE HINDU (2014) remarked that recent sporadic instances of the odd Chinese manufacturer setting up shop in India and a few Indian companies moving production bases back home from China are encouraging. Havells, Godrej, Micromax and auto-components maker Bosch are amongst a handful of companies that have recently moved back to India some part of their manufacturing or outsourcing in China owing to currency, labour and other cost advantages.

Deodhar (2015) opined that even with moderate increases in savings rate, India's savings rate is very low compared to East Asian countries. In stark contrast, however, the need for domestic investments is too large. Hence, India will have to attract foreign direct investments (FDI) and institutional portfolio investment. For some time now, 100 per cent FDI is allowed in a whole range of activities. This includes activities such as Greenfield airport projects, townships, oil and natural gas exploration, high-speed train projects, rail terminals and electrification, power sector (except nuclear), telecom, biotechnology, and single brand retail.

Mitra (2015) explained that the objective should be to establish strong linkages between micro enterprises and big industries in manufacturing zones. Large scale initiatives such as in the upcoming economic and industrial corridors should be viewed in this light. The Make in India should create an enabling environment for developing strong linkages between smaller and big enterprises.

2.1. Objectives of Make in India

Eventual objective is to create India a prominent manufacturing core. Companies from all over the world would be encouraged for setting up manufacturing units with their advanced technique and use trained or skilled human resource of our country to produce a handsome measure of eminence product. Main aim behind this programme is to produce within the boundaries of country and sell those products all over the world. Sectors that are under consideration are mining, electronics, hospitality, renewable energy, wellness, railways, auto components, pharmaceuticals, leather, tourism, design manufacturing and ports. (Hindustan Times). This will not only create job opportunities with skill enhancement but hopefully it will increase GDP growth rate and tax revenue. The initiative also aims at high quality standards and minimising the impact on the environment (Hindu Business Line).

2.2. Feasible Advantages

Benefits or advantage that are expected from this programme are as under-

- Employment- From last so many years, planners are trying to remove this chronic problem and from this step again we are expecting reduction in unemployment level of country. With the increase in employment status, purchasing power will increase which will enhance market for consumer goods. Not only this, it is expected that with the establishment of foreign companies in India, problem of brain drain will also be reduced.
- Increase in GDP- Establishment of manufacturing sector will directly affect GDP growth rate of country. At present India ranks 131 in terms of per capita GDP. It needs improvement for development of country. There is possibility that such programme will bring a positive change in GDP status of country.
- Foreign Investment- Foreign investment plays a foremost position in the Indian market. Though foreign investments are highly unpredictable in nature but Make in India is expected to give an unparalleled increase to FDI flows which will help India back to the radar of global investment.
- Technical Expertise- Along with foreign capital, foreign investments will fetch technical and resourceful expertise.
- Balance of Payment- Model for promoting export will be helpful in improving India's balance of payment status by accumulating foreign exchange reserves.
- Proper sequel- From history of developed countries it is clear that these economies first took step of development in agriculture sector, afterwards secondary and finally in the direction of tertiary. But India put its step directly from primary to tertiary, leaving secondary sector undeveloped. Therefore we need Industrial sector to improve. A nation cannot jump directly to service sector. There is a call for to build up both sectors at the same time to generate larger economic growth. It can be supposed that Make in India can fulfil this prerequisite.

2.3. Key Challenges

It is already discussed that this mantra is not a new concept. It has been brought once again with new challenges. It's become necessary to identify those challenges that implementation of this scheme will have to face.

1. Ecological approval has been a arguable question for industrial projects. Land acquisition for industries is a pre-requisite, and present government is fighting to pass this bill in parliament which seems not so easy as it has brought the eternal debate of development vs displacement.
2. According to the theory of International trade, Make in India will be inclined to go against the theory of comparative advantage. It is always best to import that good from a country which enjoys comparative advantage in its production, if it is not reasonably viable to produce a product in India.

3. Make in India will go ahead towards an indefensible focal point on export promotion way. From these measures one measure is unnaturally lowering down the value of the Indian rupee. This will directly hit the increasing import bill of country.
4. Make in India programme needs skilled labour force and though India is rich in labour force but unfortunately only 12% of India's population is unskilled as compared to Japan and Germany that are having 80% skilled population.
5. Make in India is similar to Information Technology services provided to International corporate from India. Under this concept we will manufacture domestically for international market but we will get competition from China and Bangladesh in terms of cost. Presently, we are manufacturing all the way through China due to less cost. For make in India we will have to stop imports from China. Is it possible to compete with China in terms of cost?
6. To get the success in Make in India mantra, there is an urge need to have huge investment in infrastructure like highways, ports, housing, railways and other related sectors. Savings generated within domestic economy of India is not sufficient at all as compared to the required investment for this purpose.
7. India along with unfortunate road and rail network is not appropriate for the delivery string of workings and supplies mandatory for continuous functioning of manufacturing industries.
8. Make In India seems to be like IT industry of India which are providing service to other international business community from India, in the same way Make in India also is a step to manufacture in India for worldwide sell where we will have to contend with China and Bangladesh in terms of cost which will not be an easy task.
9. In present scenario mostly Indian companies are manufacturing with the help of Chinese cheap products. Now the question arises that can India can reach up to that lowest cost. Secondly, if we want production in our domestic territory, then we will have to stop buying cheap Chinese products.
10. Establishment of production unit in India is not an easy process as it requires lot of signatures from higher authorities; legal processes etc and corruption exist in India at large scale. All these issues will hinder the path of success of this scheme. This also reflects in World Bank's "Ease of Doing Business" report which ranked India at 142 out of 189 countries in 2014. (The Hindu)
11. It is in a way import substitution policy and in past also we failed by adopting this policy. To promote import substitution, government will impose tariff barriers and ultimately it will reduce competition among domestic producers which will create inefficiency and cost will go up.
12. A bigger constraint may be labour-related taxes. They not only impose prohibitive costs on employers but also an unbearable burden on employees, thereby forcing both sides into informal contracting. (Indian Express)
13. The FDI's won't drive growth. We need domestic investments to come up and that's where small and medium enterprises, suffer the most. How easy is it for them to get going? That's where the real challenge lies. (Live Mint)

2.4. Suggestions

1. There is a strong need to opt the policies towards improving Ease of doing Business in India.
2. India is still an agrarian economy and we directly jumped to service sector rather than industrial and we are in waiting to improve industrial sector. Therefore, stress should be given to simultaneous development of industrial and service sector for large economic growth.
3. To attract MNC's our government has already removed labour laws in SEZ. It is must that government should innovate new techniques in tax structure to avoid exploitation of labour like in China and Bangladesh did to minimise comparative cost.
4. Government should identify young of our country who can be good entrepreneur. It can also provide financial assistance to these youngsters.
5. 65 percent of the labour force works in small and medium enterprises and this is the most inefficient sector in India. Government should encourage this sector by providing special treatment to this sector. It will promote domestic investment also.
6. It is an urge requirement to make new labour laws as it is must that wages should match productivity. If we want to go long way, we can't ignore benefits of labours.
7. Sound Macroeconomic policies are necessary to create a low inflation, less interest rate and high growth environment is essential for the country to be competent in manufacturing.
8. The focus must be on the labour-intensive sectors such as food processing, textile, leather, etc. We have had very antiquated labour laws, we need to radically overhaul them. If the country needs to grow at 9-10%, if we want to talk about 100 million jobs by 2025, the key is to scrap rules procedures and simplify them.
9. Manufacturing should not be done by keeping in mind the demand pattern of global level, stress should be given on domestic market. Firms will get a wide market domestically which is covered by Chinese product.
10. India's small and medium-sized industries can play a big role in making the country take the next big leap in manufacturing. India should be more focused towards novelty and innovation for these sectors. The government has to chart out plans to give special sops and privileges to these sectors.
11. India boasts a nearly 500-million-strong labour force comprising unskilled workers and English-speaking scientists, researchers, and engineers, making it a potential destination for cost-effective research and development-oriented manufacturing. (THE HINDU, 26 oct 2014 Make in India vs Make in China) Need is to utilise these resources in a proper manner.

12. With increase in vehicular traffic and congestion in the major cities of India and for smooth movement of large container trucks, it is imperative that the Government in association with private parties through public-private partnerships convert the single-lane or double-lane national and state highways to four or six lane roads to cater to the growing congestion problem in India. However, most of these conversion projects are stuck at various stages of bureaucratic delays. With the new government at the centre, we can hope for faster execution of projects by removal of unnecessary approval stages and thereby leading faster clearances. Moreover, to improve the flow of traffic, Government should work to introduce smart traffic control systems whereby real time data on vehicular traffic flow can be obtained through sources like traffic cameras and can be used to control the sequence and duration of traffic signals at major junctions across India.

2.5. Conclusion

The idea of Make in India has received the concentration of a good number of reviewers. Though, a deeper scrutiny of the issue presents a different picture. Make-in-India should not be just about mechanized but about production of innovative commodities also and we have to work out on improvement of infrastructure issues to provide space to capital and good market to grow. Make in India call has given a positive energy to all the stakeholders and it can give surprised outcome that will prove all the critics wrong.

Fact can't be ignored that country is not prepared in terms appropriate head in capital-intensive industries, but there is remarkable capacity of being a forge in skill-intensive sectors if intensive efforts will be acquired by the government, industry-associations and international agencies. Mingled informational and communication expertise, excellence and highly developed skilfulness will enhance the growth of the country.

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