



Make in India: Illusion or Possible Reality project?

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Abstract: In this paper, a challenging effort was made to present the new investment project of Prime Minister Mr. Narendra Modi that 'Make in India' is the new mantra and the objective was to encourage the production of goods within the country and Making India the manufacturing hub of the world economy. The aim of the project showing a pure classical economics there is going to be a demand and then there would be producers who would be incentivized to supply goods and Services to meet that demand. This paper covers issues of the make in India, sectors covered, worldwide and positive responses and some critics. However, this paper is concluded as optimistic manner that the Make in India' economically viable? What are the challenges that the project and movement will face? What about the projects that are currently running under 'Make in India'? Can India compete in the global market? We will try to find the answers to all of these questions in the next couple of years.

Key words: business index, Making India, Labour laws, manufacturing

1. Introduction

India is a country rich in natural resources. Labour is plenty and skilled labour is easily available given the high rates of unemployment among the educated class of the country. With Asia developing as the outsourcing hub of the world, India is soon becoming the preferred manufacturing destination of most investors across the globe. Make in India is the Indian government's effort to harness this demand and boost the Indian economy. India ranks low on the "ease of doing business index". Labour laws in the country are still not conducive to the Make in India campaign. This is one of the universally noted disadvantages of manufacturing and investing in India. The new government initiating a new ways for free flows of capital.

Make in India is an initiative of the Government of India, to encourage companies to manufacture their products in India. The government's flagship campaign intended to boost the domestic

manufacturing industry and attract foreign investors to invest into the Indian economy with an intention of reviving manufacturing businesses and emphasizing key sectors in India amidst growing concerns that most entrepreneurs are moving out of the country due to its low rank in ease of doing business ratings.

Prime Minister Mr. Narendra Modi launched the Make in India campaign on September 25, 2014. The date of the launch was chosen to be of maximum advantage. Coming right after the successful insertion of Mangalyaan - a wholly indigenously built low-cost probe into the Martian orbit - the event highlighted India's success in manufacturing, science and technology, and all this at inexpensive costs. It also came just a day ahead of the Prime Minister's maiden US visit. Calculated to enhance India's attractiveness as an investment destination, the launch ceremony was held at the Vigyan Bhavan



in New Delhi. The hall thronged with attendees, a number of who did not even find seats. Leading entrepreneurs and the CEOs of about 3000 companies from across 30 countries were invited to attend the launch.

2. Why Companies were not manufacturing in India

Make in India campaign is at loggerheads with the Make in China ideal that has gained momentum over the past decade. China is a major rival to India when it comes to the outsourcing, manufacturing, and services business. India's ailing infrastructure scenario and defunct logistics facilities make it difficult for the country to achieve an elite status as a manufacturing hub. The bureaucratic approach of former governments, lack of robust transport networks, and widespread corruption makes it difficult for manufacturers to achieve timely and adequate production. The Modi government has vowed to remove these hurdles and make the nation an ideal destination for investors to set up industries.

3. The Vision of Make in India

The manufacturing industry currently contributes just over 15% to the national GDP. The aim of this campaign is to grow this to a 25% contribution as seen with other developing nations of Asia. In the process, the government expects to generate jobs, attract much

foreign direct investment, and transform India into a manufacturing hub preferred around the globe. The Prime Minister called for all those associated with the campaign, especially the entrepreneurs and the corporates, to step and discharge their duties as Indian nationals by First Developing India and for investors to endow the country with foreign direct investments. The Prime Minister also promised that his administration would aid the investors by making India a pleasant experience and that his government considered overall development of the nation an article of faith rather than a political agenda. He also laid a robust foundation for his vision of a technology-savvy Digital India as complementary to make in India. He stressed on the employment generation and poverty alleviation that would inevitably accompany the success of this campaign. The major objective behind the initiative is to focus on 25 sectors of the economy (table 2) for job creation and skill enhancement. The initiative hopes to increase GDP growth and tax revenue. The initiative also aims at high quality standards and minimizing the impact on the environment. The initiative hopes to attract capital and technological investment in India. The campaign was designed by the Wieden + Kennedy (W+K) group which had previously worked on the Incredible India campaign and a campaign for the Indian Air Force

Table 1. Launched particulars

Campaign Name	Make In India
Launch Date	09/25/14
Launched By	PM Mr. Narendra Modi
Number of Sectors	25
Investment Proposals Received	INR 2000 crore (till 9-Oct-2014)

Figure: 1. Logo of make in India

MAKE IN INDIA

Description on logo

The logo for the Make In India campaign is an elegant lion, inspired by the Ashoka Chakra and designed to represent India's success in all spheres. Wheel denotes peaceful progress and dynamism. lion has been the official emblem of India" and it stands for "courage, tenacity and wisdom -- all Indian values The campaign was dedicated by the Prime Minister to the eminent patriot, philosopher and political personality, Pandit Deen Dayal Upadhyaya who had been born on the same date in 1916.

4. Some key takeaways from the Prime Minister's speech at the launch ceremony.

- We do not want to see any company or enterprise leave India due to business constraints
- An environment of trust will convince industry leaders of the government's commitment to developing industry
- FDI is a responsibility for the people and an opportunity for the global investors; FDI for Indians should be "First Develop India" and Foreign Direct Investment for the investors
- Only when India moves away from poverty will purchasing power in the country increase and when this happens the country will start to bloom as a grand huge market for industries
- The movement away from poverty will come from increase in employment; employment will come only when we start developing the manufacturing sector in India.
- Investors are not attracted by incentives; investment will be attracted only by friendly policies and a secure environment
- Ease of business is important for development; India has slipped low in the list of countries in terms of ease of doing business
- Scrutiny and red tape should not create barriers for development; simplification of processes should be the focus and redundancy done away with
- The world is looking to invest in Asia, particularly in Asian democracies, and in places with high demand – India fits the bill perfectly
- Effective governance is a key factor in attracting investors; the government needs to reassure investors of its effectiveness in promoting business and industry
- Skilled manpower mapped to the natural potential and creation of sustainable growth will be the focus of 'Make in India'
- Private-public partnership must be the basis of skills development in the country



- It is the government's responsibility to facilitate the creation of an environment conducive to development
- 65% population of the country is less than 35 years of age – there is immense manpower. After the indigenous development of Mangalyaan, India's talent and skills too cannot be questioned
- Digital India is the crux of effective governance; if this is not achieved, the governance and society will stay divergent. Ease of governance will come only with use of technology
- For years we have been emphasizing on Look East; only when we link West to this will we develop
- There are numerous opportunities in manufacturing and to develop this sector we will require a whole new world of infrastructure – from highways to I(nformation) ways, gas, water pipelines, ports, and a lot many more
- This government does not have a political agenda; it is dedicated to development as an article of faith
- The life and destiny of India can and will be changed for the better
- May Indian companies become multinational organizations but only when they grow and develop with India
- Only when the Centre and the state governments work together in tandem can India's true development potential be tapped into; development of states is the development of the country
- 'Make in India' is our responsibility; may India garner strength with this mission
- The 'Make in India' campaign is dedicated to Pandit Deendayal Upadhyaya, the patriotic thinker and philosopher

5. Expectations on make India: 'Make in India' for Big Boost to Industry & Employment

The launch of the 'Make in India' campaign by Prime Minister Narendra Modi to attract foreign investments and boost the manufacturing sector of India has been timed to perfection. It comes a day after India's indigenously manufactured satellite Mangalyaan was successfully put in the Martian orbit, showing to the world the progress India has made in manufacturing processes, technology, science and innovation. It also comes a day ahead of the PM's visit to the US. 'Make in India' is intended to provide a major fillip to India's manufacturing industry which currently contributes about 15% of the national GDP.

For the Make in India campaign, the government of India has identified 25 priority sectors (table 2) that shall be promoted adequately. These are the sectors where likelihood of FDI (foreign direct investment) is the highest and investment shall be promoted by the government of India. It is aimed the development of these sectors would ensure that the world shall readily come to Asia, particularly to India where the availability of both democratic conditions and manufacturing superiority made it the best destinations, especially when combined with the effective governance intended by his administration.



Table 1. Key sectors allowed making in India

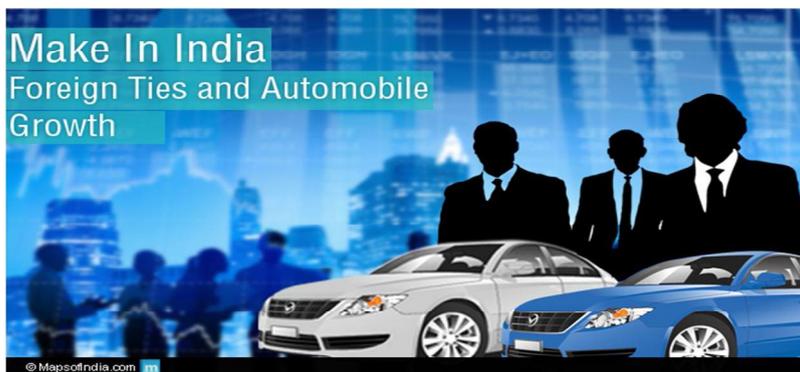
Automobiles	Food Processing	Renewable Energy
Automobile Components	IT and BPM	Roads and highways
Aviation	Leather	Space
Biotechnology	Media and Entertainment	Textiles and garments
Chemicals	Mining	Thermal Power
Construction	Oil and Gas	Tourism and Hospitality
Defence manufacturing	Pharmaceuticals	Wellness
Electrical Machinery	Ports	
Electronic Systems	Railways	

Make in India’ Call Gets Smart Response from Abroad

Make in India program started by Modi Government to transform India into a global manufacturing hub. Twenty five key sectors were marked out as priority sectors and foreign investors have been promised all assistance and information required to set up businesses in India. The Prime Minister followed up on the Make in India campaign with a

series of labour reforms that were long overdue. The response to make in India call has been quite promising, domestic as well as foreign, although it’s not time yet to see the impact of these reforms. Tying it up with Digital India and the expansion targets of the economy, the Government is certainly working on what seems to be a comprehensive plan to rope in foreign investments to boost the economy and growth.

Figure 2: expectation on foreign ties and automobile growth



Make in India to strengthen India-Oman ties

The President of India, Pranab Mukherjee, extended an invitation to all the private and public sector companies



of Oman to set up manufacturing units in India and enter into close ties with the 25 priority sectors. The seventh joint commission meeting between India and Oman is likely to provide both the nations a perfect platform to strengthen trade ties and for investors from Oman to explore investment opportunities in India country.

Fiat plans for 'Make in India'

Modi's call to make in India has had things moving in the automobile sector. Fiat Chrysler Automobiles has come up with a plan to manufacture a range of C-segment Jeep brand premium sports utility vehicles in India and export these SUVs to countries such as Australia, South Africa, and the United Kingdom. This manufacturing (export) unit is likely to be up and running within two years and shall bring in an investment of about INR 1,500-2,500 cr. The project has been called M6 or 556 and will see the production of the first SUVs in the country. Fiat Chrysler has hitherto been sustaining losses due to low sales numbers in their Indian operations and the exports are likely to reverse this trend.

Defence boost to Indian manufacturers

In a major boost to the Indian defence manufacturing sector, the Indian Government has cleared INR 80,000 cr worth of defence deals including the construction of six submarines. The Defence Acquisition Council (DAC) approved the manufacturing of these diesel-electric submarines in a single domestic shipyard. The entire project is likely to cost the Government INR 50,000 crore. Defense manufacturing is one of the core sectors identified by the Make in India campaign. This acquisition is also likely to boost the morale of the Indian

Navy which has been hurt due to a series of accidents over the past year.

Sweden praises 'Make in India'

The NDA Government's Make in India campaign has become the key highlight at the Sweden India Nobel Memorial Week which is currently being held across 10 different Indian cities – Ahmedabad, Bangalore, Chennai, Delhi, Guwahati, Hyderabad, Indore, Kolkata, Mumbai and Pune. This is the eighth such memorial week being held by the Swedish Embassy in India. Swedish companies such as Tetrapak, Scania, Ericsson, and Volvo India have committed to successfully participating in Make in India and strengthening their decade old relationship with the Indian manufacturing sector.

Healthcare through 'Make in India'

Make in India is not only for foreign investors, says Modi. The Indian healthcare industry must utilize the full potential of India's burgeoning manufacturing industry and produce world class medical devices indigenously. This will bring quality healthcare to the doorstep of the poor masses of the nation, he said at the inaugural ceremony of the HN Reliance Foundation Hospital in Mumbai. Want of affordable primary healthcare is of primary importance in a populous country like India, said the PM. The only means to achieving this end is by cutting costs and manufacturing in domestic units. With the help of technology and Digital India, the quality standards of such products can be raised as well.

6. Recent Investment trends: Make in India

- In January 2015, the Spice Group said it would start a mobile phone manufacturing unit in Uttar



- Pradesh with an investment of ₹500 crore. A memorandum of understanding was signed between the Spice Group and the Government of Uttar Pradesh.
- In January 2015, HyunChil Hong, the President and CEO of Samsung South West Asia, met with Kalraj Mishra, Union Minister for Micro, Small and Medium Enterprises (MSME), to discuss a joint initiative under which 10 "MSME-Samsung Technical Schools" will be established in India. In February, Samsung said that will manufacture the Samsung Z1 in its plant in Noida.
 - In February 2015, Hitachi said it was committed to the initiative. It said that it would increase its employees in India from 10,000 to 13,000 and it would try to increase its revenues from India from ₹100 billion in 2013 to ₹210 billion. It said that an auto-component plant will be set up in Chennai in 2016.
 - In February 2015, Huawei opened a new research and development (R&D) campus in Bengaluru. It had invested US\$170 million to establish the research and development center
 - In April 2015, Airbus said that it will manufacture its products in India and invest \$ 2 Billion US dollars.
 - Also in February, Marine Products Export Development Authority said that it was interested in supplying shrimp eggs to shrimp farmers in India under the initiative.
 - In May, 2015 Tata JLR (Jaguar Land-Rover) announced that it will move its production of the Land Rover Defender to its Pune facility in India in 2016.
 - Shiv Kumar Rungta, president, FTAPCCI, stressed on key sectors like services (mainly in IT), mechanization of Agriculture sector for achieving increased productivity, among others, for the success of 'Make in India

7. Ways and means of make in India

A major new national program designed to facilitate investment, foster innovation, enhance skill development. Protect intellectual property and build best-in-class manufacturing infrastructure. There's never been a better time to make in India." This means in pure classical economics there is going to be a demand and then there would be producers who would be incentivized to supply goods and Services to meet that demand. So let's look at **Demand first**. Demand can be global or national.

Global Demand: The global demand seems to increasing day by day. We have started consuming goods and services like never before. According to worldwatch.org there are 1.7 billion members of "the consumer class"—nearly half of them in the developing world. A lifestyle and culture that became common in Europe, North America, Japan, and a few other pockets of the world in the twentieth century is going global in the twenty-first. In addition, there are continents that are developing, particularly Africa, where the growth of demand for goods and services has been phenomenal in the last decade. Also assuming that the fighting in the Middle East would finally come to an end, this region would also get to a path of rebuilding and this will help create further demand for MII



National Demand- According to the Asian Development bank *the services sector, which constituted around 49% of the GDP in 1990–91, now, contributes 64.5% of the GDP (2008–09). Of this, the export of services comprises around 16% of the services GDP and is less than 10% of the total GDP.* So, it can notice something interesting here – most of our domestics demand is actually services oriented and not so much products oriented. Thus there is a healthy domestic demand for services but what about the

Also not to forget the 300 Million odd people below poverty line who might be the direct beneficiary of the Make in India Initiative. Henry Ford started Model T and paid his workers more than \$5 a week in order to spur demand and create the American middle class. Make In India in a way, would model to do that and help generate more demand.

Producer Incentives: The producer incentives can come from four factors

1. Cheaper costs of production & Movement of goods
2. Ease of doing business
3. Market with the ability to pay that improves margin
4. Finding the right skill set

It is expect and think it is looking at the producer incentives that you realize that we fall flat on our faces. All 4 factors mentioned above are a suspect. Even if we say that the market would finally take

notice of our quality and pay the price for a Make in India product. Cheaper costs of production and movement of goods alone will expose the lack of infrastructure in the country. Raw materials have to make their way into the factory and finished goods have to move out. In the middle of this the processing of materials into goods would take water, electricity, real estate, clinics and hospitals to support this facility. The lack of them obviously increases the costs of production. In absence of electricity there is loss of production, or the alternative is to set up your own unit and incur more costs on it. Some others depend on Diesel generator sets to run factories. The current energy deficiency in India is around 5 % according to the Central Energy Agency. Basically apart from the west of the country and Gujarat in particular all regions are energy deficient. This is despite India being the third largest producer of electricity in the world and having one of the cheapest electricity rates per unit.

Water is another short resource and the indiscriminate use of ground water and lack of perennial rivers especially in the Deccan is a major issue as well. If we look at India's industrial production over the last year, one notices that there are variations. Please read this graph on the industrial output as a reference. There are major variations across the same year. This could be due to fluctuation in the demand but does not bode well for a project like 'Make in India'

Figure: 2 Industrial production in India , 2014



All of this is leading to a situation where we can't invest in manufacturing based on domestic demand only and this would require us to look at exports for sustaining the right kind of investments. Now exports in not really India's strong point and that would make Make in India even more difficult.

Finally on the right skill set. It remembers reading an article where a polytechnic was training students on the use and fixing a carburetor. The challenge today is that not too many cars use a carburetor and training our talent on something like this is a total waste of time.

So is 'Make in India' economically viable? What are the challenges that the project and movement will face? What about the projects that are currently running under 'Make in India'? Can India compete in the global market? We will try to find the answers to all of these questions in the next couple of issues.

8. Criticisms and concerns

The NDA government's Make in India campaign has till early October attracted INR 2000 crore worth

investment proposals. The campaign has, despite this, found its fair share of critics. The topmost of these criticisms is leveled against the incumbent government. It has been felt that the government does not walk its talk - labour reforms and policy reforms which are fundamental for the success of the Make in India campaign have not yet been implemented. A number of layoffs in companies such as Nokia India cast long shadows over the campaign. A number of technology based companies have not been enthused by the campaign launch and have professed to continue getting their components manufactured by China.

Providing the strongest critique to the government's Make in India strategy, Reserve Bank of India (RBI) governor Raghuram Rajan said India rather needs to make for India, adding that either an incentive-driven, export-led growth or import-substitution strategy may not work for the country in the current global economic scenario.

Speaking at an event organized by industry lobby Federation of Indian Chambers of Commerce and Industry,



Rajan said an export-led growth strategy will not pay for India as it did for Asian economies, including China, due to the tepid global economic recovery, especially in the industrial countries. "Other emerging markets certainly could absorb more, and a regional focus for exports will pay off. But the world as a whole is unlikely to be able to accommodate another export-led China," he said.

Rajan said the government should rather focus on creating an environment where all sorts of enterprise can flourish, and then leaving entrepreneurs to choose what they want to do. "Instead of subsidizing inputs to specific industries because they are deemed important or labour-intensive, a strategy that has not really paid off for us over the years, let us figure out the public goods each sector needs, and strive to provide them," he added.

Speaking at the same event, former Prime Minister Manmohan Singh said India can achieve a growth rate of 8-9% provided there is a "national consensus" on methods to take advantage of globalized world. "I think that even though many other emerging economies are not doing too well, India has an opportunity to move towards a growth rate of 6-7% and thereafter to 8%," Singh said.

Taking a swipe at the economic policy of the Narendra Modi government, DMK leader M K Stalin on Sunday said the country is moving away from a mixed to a capitalist economy with corporate honchos appearing set to get a "bonanza of sorts" and the poor a "pittance". "It appears that the path towards capitalist economy is being refurbished, switching from a mixed economy under the Modi government," DMK Treasurer and former Tamil Nadu deputy chief minister Stalin

told PTI in an interview here. "We see indications of the poor being handed out a pittance and corporate honchos and huge investors appearing all set to receive a bonanza of sorts," he said answering a question on his assessment of Modi government.

Make in India is being confused with Make in Coal India, Make in Air India, Make in MSMEs, Make in SEZs and so on. Even as the BJP castigates Nehru, it is adopting what look like neo-Nehruvian ideas. Instead, Modi should focus on making business as easy and honest as possible, avoiding artificial props, curbing inflation and fiscal deficits, ensuring a realistic exchange rate, and letting the market decide which sectors should flourish. Investors from everywhere will then rush in to make in India.

The proverbial cat, however, is now finally out of the bag, for the slogan to 'Make in India' is an invitation to global corporate capital to come loot and plunder the natural commons, to destroy the environment, to dispossess populations made dispensable and to exploit cheap Indian labour; it is an invitation to global corporations who are being forced out of their home countries because high environmental and labour costs have been long been eating into their profits ([Aditya igam](#)). Now **exports in not really India's strong point** and that would make in India even more difficult.

9. Conclusions:

The analysis shows two dimensions of arguments. One side is optimistic nature which expecting more investment by free flow of capital. On the other side, it has criticized as the economy; it is adopting what look like neo-Nehruvian ideas. Instead, Modi should focus on making



business as easy and honest as possible, avoiding artificial props, curbing inflation and fiscal deficits, ensuring a realistic exchange rate, and letting the market decide which sectors should flourish. Investors from everywhere will then rush in to make in India. The country is moving away from a mixed to a capitalist economy with corporate honchos appearing set to get a "bonanza of sorts" and the poor a "pittance. Whatever, we can allow constructive criticisms rather than political gimmicks. Because, there was evidence in the earlier that In 1983 Illustrated Weekly ran an article criticizing Operation Flood or what we in India commonly call as the 'White Revolution'. The piece went to say how National Dairy Development Board (NDDB) and the IDC had totally lost the plot and India would never become self-sufficient in dairy products.

The article created a storm in India and the noise reached the parliament. It was a high and a low for Indian industry. At one end the news and media industry prided itself on uncovering the truth and reporting it to the common man. On the other end it was a low for the dairy industry and for one man in particular Dr Verghese Kurien. By 1987 the Illustrated Weekly findings were proven to be wrong and the entire furor died down. The same year the Jha Committee report found that the NDDB had taken the right steps and we were well on our way to success. India has since then become the largest producer of milk in the world. In 2014 Prime Minister Shri Narendra Modi launched what would be another revolution in the making. 'Make in

India' is the new mantra and the objective was to encourage the production of goods within the country.

Thus is 'Make in India' economically viable? What are the challenges that the project and movement will face? What about the projects that are currently running under 'Make in India'? Can India compete in the global market? We will try to find the answers to all of these questions in the next couple of years.

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