

Make In India for Inclusive Growth Initiative & Challenges

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Abstract: The government of India is making a huge effort in order to reduce any type of burden on the investors. There is an arrangement of a dedicated team ready to answer all the queries from business entities through the web portal (makeinindia.com). There is a back-end support team also in order to response specific queries within 72 hours of duration. Almost 25 key sectors (such as aviation, chemicals, IT, automobiles, textiles, ports, pharmaceuticals, leather, hospitality, tourism, wellness, railways, etc) have been identified by the government to work for the investors and become a world leader.

Introduction

Make in India is an ambitious campaign launched by the Prime Minister Narendra Modi on 25th of September in 2014 in New Delhi. The purpose of launching this campaign is to make India a destination of global manufacturing hub. In order to make this campaign a successful one, the PM of India met to the top 40 CEOs of several Fortune 500 companies. This plan was launched in the presence of top CEOs from India Inc, ambassadors, international industry leaders, ministers, government officials, etc. This campaign has targeted to make a call to top companies of well identified countries. Some selected domestic companies who are leading in the field of innovation and new technologies have also been invited. There is a special unit in the Commerce Ministry named “Invest India” which helps in guiding all the top foreign investors in terms of regulatory and policy issues as well as assists in obtaining the regulatory clearances. India emerged, after initiation of the programme in 2015 as the top destination globally for foreign direct investment, surpassing the United States of America as well as the People’s Republic of China. In 2015, India received US\$63 billion in FDI.

Make in India focuses on the following twenty-five sectors of the economy:

- Automobiles
- Automobile Components
- Aviation
- Biotechnology
- Chemicals
- Construction
- Defence manufacturing
- Electrical Machinery
- Electronic systems
- Food Processing
- Information Technology and Business process management
- Leather
- Providing skilled Manpowers to all sectors.
- Media and Entertainment
- Mining
- Oil and Gas
- Pharmaceuticals
- Ports and Shipping
- Railways
- Renewable Energy
- Roads and Highways
- Space and astronomy
- Textiles and Garments
- Thermal Power
- Tourism and Hospitality
- Wellness

As per the new Govt. Policy 100% FDI is permitted in all the above sectors, except for space (74%), defence (49%) and news media(26%).

In August 2015, Hindustan Aeronautics Limited (HAL) began talks with Russia's Irkut Corp to transfer technology of 332 components of the Sukhoi Su-30MKI fighter aircraft under the Make in India program. These components, also called line replacement units (LRUs) refer to both critical and non-critical components and fall into four major heads such as Radio and Radar; Electrical & Electronics System; Mechanical System and Instrument System.

The Ministry of Defence is auctioning a 600 billion (US\$8.9 billion) contract to design and build a Fighting Infantry Combat Vehicle (FICV) in India. The contract will be awarded in 2016.

"FDI" should be understood as "First Develop India" along with "Foreign Direct Investment." **Make in India** is an initiative of the [Government of India](#) to encourage [multinational](#), as well as domestic, companies to manufacture their products in [India](#). Manufacturing 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 major objective behind the initiative is to focus on job creation and skill enhancement in twenty-five sectors of the economy. The initiative also aims at high quality standards and minimising the impact on the environment. The initiative hopes to attract capital and technological investment in India.

India is a country rich in natural resources. Labour is aplenty 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. Mae 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.

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. 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.

"Here is a government that is dedicated to development...it is an article of faith", intoned Mr Modi, admitting that some constraints will persist. So far much of his emphasis has been on making officials work more efficiently. "We want effective government", he repeated in his extempore talk. In India, however, there are several layers of government. He pointed to the fact that political decisions might be taken in the centre, in Delhi, but then they had to be implemented by states (too many of which are dreadfully badly run). So the centre and states have to learn to co-operate better. To that he, and others, point out how Rajasthan and Madhya Pradesh have begun to liberalise restrictive labour laws, with support from the centre. He obviously wants others to follow suit. In a typical rhetorical flourish, he noted how India was, before the industrial revolution, known abroad as a Golden Bird, suggesting it could once again be famous as being a golden opportunity.

Current Scenario

The Increase In Year-on-year Growth In Foreign Direct Investment Inflows Recorded For The Period October 2014 To April 2015 – PIB, India, 2015

India's Position in the Rating of The World's Fastest Growing Economies – IMF report, April 2015.

India's Rank Amongst The World's Topmost Investment Destinations, From 110 Countries polled – Baseline profitability Index, 2015 .

India's Position Amongst 100 Countries On The Growth, Innovation And Leadership Index – Frost & Sullivan, 2015.

India's Position Amongst World's Best Prospective Investment Destinations – UNCTAD report, 2015

The Number Of Government Services That Can Be Availed Of By An Investor At A Single Window Online Portal.

Challenges

Yet it is troubling what still goes unsaid. Mr Modi and his ministers are right to try to persuade investors that India can be an attractive place to do manufacturing. Where they fall short is in pretending that they have done more than tinker at the margins to open up. For example, in bragging that the defence sector is more willing to accept foreign investment, a salient fact is that no foreigner can have a controlling share of any joint venture in India (since the cap on foreign ownership remains at 49% after local firms lobbied against outsiders). Nor was any mention made of sectors, such as retail, where more severe limits on foreign capital are kept in place; nor that in insurance, which is supposed to be opening up too, reforms seem to have stalled.

As for wanting to boost India's place as a site for exports, it would have been helpful if Mr Modi, or his colleagues, had explained how India will become an enthusiast at the World Trade Organisation, where it scuppered a global trade facilitation deal in July that could have been worth \$1 trillion. India remains isolated as a trading partner, with little prospect of a free trade deal any time soon with the European Union, for example; no ambition to be part of the Trans-Pacific Partnership agreement; and an anti-trade stance at the WTO. That hardly meshes with aspirations to fit into global supply chains.

Even some matters that were brought out as examples of progress, while welcome, should be judged with caution. One or two businessmen—but no politicians—mentioned the transformative potential of achieving a national Goods and Services Tax (GST) that would help to make India into a more attractive single market. That would indeed be hugely welcome. Getting that agreed and implemented was expected to be one of Mr Modi's early acts, but progress appears to have stalled. Similarly, there was no mention by anyone of India's tangled laws on land acquisition, which make it hard in many states for manufacturers merely to find space to put up factories. Yet Mr Modi's government appears to have no immediate plan to fix that law. Talk of foreign-funded industrial corridors, and getting manufacturing to account for 25% of the national economy, would be more convincing if Mr Modi spelled out how he would fix such problems.

Still, Mr Modi deserves praise for his frank style and his ambition. He is conscious that sceptical observers accuse him, so far, of not yet acting decisively. He mentioned a bureaucratic change he has enforced, allowing more "self-certification" (that is making certain businesses less exposed to corrupt government inspectors). He admitted that "you may not feel it is a big vision" but said, convincingly, how happy it makes small businesses. Broadly, he wants to build confidence and trust, to make India a less hostile place for investors, both local and foreign. In his aspirations he is absolutely spot on. He sounds passionate when he says it "pains my heart" that investors prefer to leave India than set up factories at home, and when he argues that must change. With luck it will begin to do so. But to speed it along, he could by now have been pushing for more radical changes.

Conclusion

The successful implementation of this plan will help in the 100 smart cities project and affordable housing in India. The main objective is to ensure solid growth and valuable employment creation in the country with the help of top investors. It will benefit both parties, the investors and our country. The government of India has created a dedicated help team and an online portal (makeinindia.com) for the easy and effective communication of investors. A dedicated cell is committed to answer all the queries from business entities anytime.

References:

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