

MAKE IN INDIA: A NEW INITIATIVE FOR TRANSFORMING INDIA

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ABSTRACT

Manufacturing sector is the backbone of any economy as it fuels growth, productivity, employment, and strengthens other sectors of the economy. Developing countries like India for their growth and employment are largely dependent on manufacturing. These are exciting times in India from the standpoint of economic growth and rapid development standpoint. The last year has been marked by a number of remarkable initiatives from the government of India such as “Make in India”, Skill India”, Digital India”, etc., which are committed to ensuring improvement in the business environment in India and making it the pre-eminent destination for global foreign direct investment. “Make in India” is an initiative of the Government of India to encourage Multinational and domestic companies to manufacture their products in India. It was launched by Prime Minister Narendra Modi on 25 September 2014 with an aim of providing global recognition to the Indian economy. The program includes major new initiatives designed to facilitate investment, foster innovation, protect intellectual property, and build best-in-class manufacturing infrastructure. The major objective behind the initiative is to focus on 25 sectors of the economy for job creation and skill enhancement. The initiative hopes to attract capital and technological investment in India. Through this paper I describe the initiative taken by the government of India for achieving the goals of “Make in India”.

KEYWORDS: Make in India, Skill India, Digital India, Manufacturing Sector

INTRODUCTION

Manufacturing sector is the backbone of any economy as it fuels growth, productivity, employment, and strengthens other sectors of the economy. Developing countries like India for their growth and employment are largely dependent on manufacturing. Indian economy is traditionally based on agriculture, now it moves to manufacturing sector which contributes 16 % in economy but its contribution is lesser in employment and development as their capacity. Rigid and inflexible labour laws, unskilled labour force and lack of technology are the major region for this. 25% contribution in GDP by manufacturing sector is target of national manufacturing policy. The objective of achieve target is one decade which generate ten crore employment.

The last year has been marked by a number of remarkable initiatives from the government of India such as “**Make in India**”, **Skill India**”, **Digital India**”, etc., which are committed to ensuring improvement in the business environment in India and making it the pre-eminent destination for global foreign direct investment.

Make in India is an initiative of the Government of India to encourage Multinational and domestic companies to manufacture their products in India. It was launched by Prime Minister Narendra Modi on 25 September 2014. The program includes major new initiatives designed to facilitate investment, foster innovation, protect intellectual property,

and build best-in-class manufacturing infrastructure. The major objective behind the initiative is to focus on 25 sectors of the economy for job creation and skill enhancement. Some of these sectors are: automobiles, chemicals, IT, pharmaceuticals, textiles, ports, aviation, leather, tourism and hospitality, wellness, railways, design manufacturing, renewable energy, mining, bio-technology, electronics etc. The initiative hopes to increase GDP growth and tax revenue. 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.

Make in India is aimed at making India a manufacturing hub and economic transformation while eliminating the unnecessary laws and regulations, making bureaucratic processes easier, make government more transparent, responsive and accountable and to take manufacturing growth to 10% on a sustainable basis.

OBJECTIVES OF MAKE IN INDIA

- To make investing in manufacturing more attractive to domestic and foreign investors
- To give the Indian economy global recognition
- To create competitive industrial environment
- To development infrastructure
- To invite latest technologies
- To generate employment and skill formation

The Make in India Focuses On New Ideas and Initiatives Such As-

- First Develop India and then Foreign Direct Investment,
- Look-East on one side and Link-West on the other,
- Highways and 'I'-ways.
- facilitate investment
- foster innovation
- protect intellectual property
- Build best-in-class manufacturing infrastructure.

Major Initiatives Undertaken

- Process of applying for Industrial License & Industrial Entrepreneur Memorandum have been madeonline on 24×7 basis
- Services of all Central Government Departments & Ministries will be integrated with a single window ITplatform
- Online filing of returns and a check-list of required compliances to be placed on Ministry's/Department's web portal

- Single electronic register for businesses

Focus Sectors

Automobiles, Automobile Component, Aviation, Biotechnology, Chemicals, Construction, Defense Manufacturing, Electrical Machinery, Electronics Systems, Food Processing, IT & BPM, Leather, Media and Entertainment, Mining, Oil and Gas, Pharmaceuticals, Ports, Railways, Renewable Energy, Roads and Highways, Space, Textiles and Garments, Thermal Power, Tourism, Hospitality and Wellness etc.

Recent Foreign Direct Investment Policy Measures

The government has put in place an investor-friendly policy on foreign direct investment (FDI), under which FDI up to 100% is permitted under the automatic route in most sectors/activities. Under this route, no permission from the Central Government is required for FDI inflow, but the same is subject to applicable laws/regulations, security and other conditions.

DEFENCE

The government, vide Press Note 7 (2014) dated the 26th of August, 2014, has allowed FDI up to 49% on approval route in Defence sector with certain conditions, for e.g., the applicant company seeking FIPB approval be an Indian company owned and controlled by resident Indian citizens. Above 49% the proposal will be routed to the Cabinet Committee on Security on a case-to case basis, wherever it is likely to result in access to modern and state-of-the-art technology in the country. Portfolio investments have been permitted in the Defence sector for up to 24% on automatic route. A number of conditions have been relaxed or removed, making the sector more investor-friendly.

The provision is expected to result in technology transfer which would help in increasing the production base and providing impetus to the manufacturing sector and job creation in India. The measure is expected to not only reduce the heavy burden of imports and conserve foreign exchange reserves but also make domestic manufacturing an integral part of India's GDP growth.

Reasons to Invest

- India's current requirements on defence are catered largely by imports. The opening of the strategic defence sector for private sector participation will help foreign original equipment manufacturers to enter into strategic partnerships with Indian companies and leverage the domestic markets and also aim at global business. Besides helping build domestic capabilities, this will bolster exports in the long term.
- Opportunities to avail defence offset obligations to the tune of approximately USD 4000 million during the next 7-8 years.
- The government policy of promoting self-reliance, indigenization, technology upgradation and achieving economies of scale and developing capabilities for exports in the defence sector.
- The country's extensive modernization plans, an increased focus on homeland security and India's growing attractiveness as a defence sourcing hub.
- High government allocation for defence expenditure.

Railways

The government, vide Press Note 8(2014) dated 27 August, 2014, has allowed 100% private and foreign direct investment under the automatic route in construction, operation and maintenance of the following rail infrastructure projects:

- Suburban corridor projects through PPP
- High speed train projects
- Dedicated freight lines
- Rolling stock including train sets and locomotive/ coach manufacture and maintenance facilities
- Railway Electrification
- Signaling systems
- Freight terminals
- Passenger terminals
- Infrastructure in industrial parks pertaining to railway line/sidings including electrified railway lines and connectivity to main railway lines
- Mass Rapid Transport Systems

Subject to meeting sectoral laws and with the condition that FDI beyond 49% in sensitive areas from a security point of view will be approved by the Cabinet Committee on Security on a case-to-case basis.

The provision will facilitate private investment including FDI inflows into infrastructure projects including elevated rail corridor project in Mumbai, High Speed Train project, port connectivity projects, dedicated freight corridors, logistic parks, station development, locomotive manufacturing units and power plants, through public-private partnerships which would not only bring in the much needed capital but also technology and best global practices.

Construction Development

The Government has issued Press Note No. 10 (2014 Series) on 3rd December, 2014 amending the FDI policy regarding Construction Development Sector. Amended policy includes easing of area restriction norms, reduction of minimum capitalization and easy exit from project. Further, in order to boost low-cost affordable housing, provisions for conditions of area restriction and minimum capitalization will not apply to cases committing 30% of the project cost towards affordable housing.

Pharmaceutical Sector-Carve Out for Medical Devices

The Government, vide Press Note No. 2 (2015), dated 6th January, 2015, has reviewed the FDI policy in Pharma Sector and has allowed FDI up to 100%, under the automatic route for manufacturing of medical devices.

Reasons to Invest

- FDI limit in Insurance sector has been raised from 26% to 49%. India is expected to rank amongst the top three pharmaceutical markets in terms of incremental growth by 2020.
- India is the sixth largest market globally in terms of size.
- India's generic drugs account for 20% of global exports in terms of volume, making the country the largest provider of generic medicines globally.
- India is expected to be the third largest global market for active pharmaceutical ingredients by 2016, with a 7.2% increase in market share.
- Indian pharma companies registered 49% of overall Drug Master Filings (DMF) filed in the US in 2012.
- India's cost of production is significantly lower than that of the USA and almost half of that of Europe.
- Economic prosperity is likely to improve affordability for generic drugs in the market.

INSURANCE SECTOR

Other Policy Initiatives

- 100% FDI is allowed in the telecom sector.
- 100% FDI in single-brand retail.
- FDI in commodity exchanges, stock exchanges & depositories, power exchanges, petroleum refining by PSUs, courier services under the government route has now been brought under the automatic route.
- Removal of restriction in tea plantation sector.
- FDI limit raised to 74% in credit information & 100% in asset reconstruction companies.

Sectors with Restrictions

- Lottery Business including Government/ private lottery, online lotteries, etc.
- Gambling and betting including casinos etc.
- Chit funds.
- Nidhi company-(borrowing from members and lending to members only)
- Trading in Transferable Development Rights (TDRs).
- Real Estate Business (other than construction development) or Construction of Farm Houses.
- Manufacturing of Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes.
- Activities/ sectors not open to private sector investment e.g. Atomic Energy and Railway Transport (other than construction, operation and maintenance of:
 - Suburban corridor projects through PPP

- High speed train projects
- Dedicated freight lines
- Rolling stock including train sets, and locomotives/ coaches manufacturing and maintenance facilities
- Railway electrification
- Signaling systems
- Freight terminals
- Passenger terminals
- Infrastructure in industrial parks pertaining to railway line/sidings including electrified railway lines and connectivity to main railway lines
- Mass Rapid Transport Systems
- Legal services, bookkeeping, accounting & auditing.

Initiatives Undertaken to Facilitate the Ease of Doing Business

- De-licensing and deregulation measures to reduce complexity and ensure increased transparency.
- Online applications for Industrial License & Industrial Entrepreneur Memorandum have been on 24×7basis. Industrial license have been extended to three years, state governments asked to introduce self-certification.
- Services of all Central Government Departments & Ministries will be integrated with the eBiz– a single window IT platform for services by 31 December 2014.
- The process of obtaining environmental clearances has also been made online.
- All returns should be filed on-line through a unified form and a check-list of required compliances should be placed on Ministry's/Department's web portal.
- Center has advised all the departments that all registers maintained by the businesses should be replaced with a single electronic register
- No inspection to be undertaken without the approval of the Head of the Department.

Factors Impacting the Ease of Doing Business in India

- Delays in land acquisition
- Delays in municipal permission
- Delays in supply of materials
- Delays in award of work
- Operational issues dragging down the implementation of the projects

- Movement of projects through multiple departments at the state and Central levels
- Involvement of multiple agencies
- Requirement of various approvals across different stages of the project cycle

Common Solutions to Improve the Ease of Doing Business

- Single window clearances
- Effective coordination between center and state governments
- Digitization of all the government departments
- Electronic filing and fulfillment of procedures
- Creation of a central cloud where all States should have access
- Making all approvals electronically.

SKILL INDIA

Success does not come through magic. It needs necessary skills to succeed. This universal truth is equally applicable for the young generation. Youth energy can be the driving force for social and economic development of any country provided it is channelized effectively. Skill development and Employment are the best means to mobilize this force.

The Indian employers have been struggling with acute shortage of skilled manpower despite India having the largest pool of young population in the world. Reason: Lack of required expertise for specific jobs. As per the Labour Bureau Report 2014, the current size of India's formally skilled workforce is only 2 percent. The Skill India mission launched by the government aims to provide a solution to this problem through creation of a job ready and skilled workforce by equipping it with employable skills. The Mission aims to skill over 40 crore people by 2022 and enhance their employability by training them in skill sets of their choice.

DIGITAL INDIA

Digital India is another initiative of Government of India to integrate the government's departments and the people of India and to ensure effective governance. It also aims at ensuring government services made available to citizens electronically by reducing paperwork. The initiative also includes plan to connect rural areas under high-speed internet networks. All these initiatives open up numerous opportunities for investments across various sectors, including infrastructure.

CONCLUSIONS

The Government of India has taken a number of steps to further encourage investment and improve business climate. "Make in India" mission is one such long term initiative which will help to realize the dream of transforming India into a manufacturing hub. It is expected that the new government would undertake additional measures under its ambitious programme "Make in India" which will create more conducive environment for the growth of business in the coming

times. Going ahead, the Indian manufacturing sector provide an excellent opportunity to international investors to collaborate with existing businesses as most of the businesses have plans to expand through various options. With various initiatives being implemented by the government to facilitate the ease of doing business, the manufacturing sector in India is expected to pick up pace and will provide immense opportunities to domestic and international investors to come and make in India in the coming times.

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