

MAKE IN INDIA-A SUCCESS OR A FAILURE

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Abstract: Make in India an initiative of Modi's Government was launched by PM Narendra Modi on 25 September, 2014 as a campaign to boost the FDI in India and make India a manufacturing hub. Under Make in India, 25 key sectors are identified and special emphasis is given on these sectors. The main idea of the campaign is to make India a manufacturing hub by inviting as many foreign investors to start up their business units in India. Despite of various efforts made by the Government of India, Make in India is unable to achieve its success. It has been observed that all the foreign investors hesitate to invest in India. This paper discusses about the achievements and failures of make in India campaign. Secondary research is used for the purpose of the study.

Key words: Manufacturing hub, FDI, Foreign investors, business.

1. Introduction

Make in India is an initiative taken by the government of India to promote national as well as international companies to invest in India. It is the effort made by the PM to bring employment in India. It includes major new initiatives designed to facilitate investment, promote innovation and build best-in-class manufacturing infrastructure.

According to World Bank, India ranks 142 out of 189 countries in terms of ease of doing business. India has complex taxation system and poor infrastructure facilities. (1)

According to government reports, the 'Make in India' initiative received remarkably good response from the mobile manufacturers to car makers of the world over. During one year from the launch of this campaign (till September 2015), the Indian Government received proposals worth Rs. 1.10 Lakh Cr. for investments in various economic sectors. The major sectors which received FDI proposals since April 2014 to February 2016, are the following are Computer Software & Hardware and Electronics; Automotive; Services Sector; Trading; Construction Activities; Hotel & Tourism; Chemicals; Telecommunications; Mining; Power; Metallurgical Industries; Non-Conventional Energy; Drugs & Pharmaceuticals; Food Processing; Hospitals & Diagnostic Centers; etc. The major and most notable countries in respect of making these investment proposals to India have been Mauritius, Singapore, USA, Japan, and Netherlands. Asia's biggest manufacturing powerhouses China and Japan have also committed to make an investment of US\$ 20 Billion and US\$ 35 Billion, respectively, over the next five years. Transformation of India into a Manufacturing hub will help develop, strengthen and modernize the Indian infrastructure. (2) Make in India is project is inspired by the Chinese project 'Make in China', which raised china's GDP considerably. (3)

2. Things Showing Success of 'Make in India'

FDI is rising

According to the reports from the Ministry of Commerce & Industry, from October 2014 to June 2015, the total FDI inflow to India was around US\$ 26 Billion, showing about 40% rise against the same period a year ago.

Industrial Production

As per the official data, India's industrial production between October 2014 and May 2015 attained an average increment of 2.7% year-over-year. Again, during the last quarter of the year 2015, the manufacturing sector of India grew remarkably by 12.6 percent.

Mounting Confidence of Investors

As per the UNCTAD World Investment Report 2015, India acquired 9th position in respect of attracting FDI in the year 2014, rising from 15th position in the year 2013. And, in the year 2015 India emerged out as the top investment destination in the whole world.

Expanding Indian Economy

The annual growth rate of Indian economy during the financial year 2015-16 has been estimated at 7.6% by the Government of India, as compared with 7.2% in the previous financial year. Here, it is noteworthy that after the launch of 'Make in India' initiative, India fast gained prominence as being the brightest spot in the global economy from IMF, World Bank, and many global institutions, in respect of FDI.

3. Sector wise increase in investment flow due to make in India:

Due to make in India, Various foreign companies are showing their interest to invest in India like German companies are inclined to invest in the Indian High-Tech market.

Telecom

Spice Group: In January 2015, Spice announces a Rs 500-crore investment in setting up a manufacturing unit in Uttar Pradesh. The company also signs a Memorandum of Understanding (MoU) with the state government for setting up the factory.

Huawei: In February 2015, Chinese handset major Huawei launched a 5,000-seater research & development (R&D) centre in Bengaluru, the company's largest such facility outside China and the first R&D centre set up by a Chinese company in India. The investment in setting up the centre was more than \$170 million (around Rs 1,050 crore).

Samsung: In May 2015, Samsung India signed an agreement with the micro, small and medium enterprises ministry to open MSME-Samsung Digital Academy. Under this, the company will offer the digital academy courses in collaboration with the ministry and train young minds on developing apps that run on the Tizen OS across a multitude of devices like smart phones, televisions and tablets.

Xiaomi-Foxconn: In August 2015, the first India-made smartphone of Xiaomi, the world's third-largest handset manufacturer, was rolled out from an assembly line of Foxconn's manufacturing unit at Sri City, on the Andhra Pradesh-Tamil Nadu border.

Foxconn: In August 2015, Foxconn, the world's largest contract-manufacturing firm for consumer electronics, signed an MoU with the Maharashtra government to invest \$5 billion over three years in setting up a manufacturing unit in the state.

Lenovo: In August 2015, Chinese personal computer and smartphone maker Lenovo said it would start local manufacturing of Lenovo and Motorola smartphones in Sriperumbudur, near Chennai. The company had roped in Flextronics, a large electronics contract manufacturer and a competitor of Foxconn's, to manufacture the phones at its unit.

Optimus-Wistron: In November 2015, India-based Optimus Infracom, a \$650-million telecom equipment maker, tied up with Taiwan's Wistron Corporation to set up a facility in India to make smartphones. Over the next five years, the two are expected to invest \$200 million in the manufacturing facility in Noida. Optimus manufactures handsets for HTC.

Automobile

General Motors: In July 2015, General Motors, the world's third-largest automobile maker signed a letter of offer with the Maharashtra government to invest Rs 6,400 crore at its existing Talegaon facility in Pune for further expansion, to export its various models.

Mercedes Benz has brought into the “Make in India” program in two different areas. Firstly, in the luxury car segments, it has decided to manufacture more of its components in India – thus increasing the localization of its new model C220 CDI to 60%. Secondly, Mercedes Benz has also decided to manufacture its luxury buses in India, to be exported to Africa and South East Asian markets.

Railways

General Electric Alstom Transport: In December 2015, Indian Railways signed two joint venture agreements with global transport majors General Electric and Alstom Transport for setting up two locomotive factories in Bihar with an investment of Rs 40,000 crore.

Aviation/Defence

Wayne Burt-GE Aviation: In March 2015, Wayne Burt Group entered into several MOUs with GE Aviation through its group company Kerns Aero Products. The company manufactures high precision, complex, special process aircraft engine components for aircraft and rocket engines. The special process factory is located in the industrial hub of Sriperumbudur, near Chennai in collaboration with GE Aviation. The investment in this venture is \$25 million and expected to have revenues of \$50 million in the next three years.

LH Aviation-OIS: In June 2015, France-based LH Aviation signed an MoU with OIS Advanced Technologies to set up a manufacturing plant in India to manufacture drones.

HAL-Irkut Corp: In August 2015, Hindustan Aeronautics Ltd (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 programme.

Boeing: In October 2015, US aviation manufacturer Boeing decided to assemble one of its two helicopters — Chinook heavy-lift and Apache attack types — in India.

Reliance Defence-Almaz-Antey: In December 2015, Reliance Defence said it had signed a manufacturing and maintenance deal, potentially worth \$6 billion, with Russia’s Almaz-Antey, the maker of an air defence system that sources said the military was poised to buy.

Rostech-HAL: In December 2015, Russia’s Rostech State Corporation tied up with Hindustan Aeronautics Ltd for manufacture of at least 200 Kamov 226T light helicopters to replace the ageing fleet of Cheetah and Chetak, in a deal estimated to be worth \$1 billion under the ‘Make in India’ initiative.

4. Obstacles in the way of Make in India program:

All above specified points clearly show that Make in India campaign is really working fast and receiving warm responses from foreign investors. But to make India a Manufacturing hub, There are various issues before the Government of India.

- More improvement in the Ease-of-Doing-Business initiative
- Simple tax Environment
- Improvements in the rules regarding Land Acquisition
- Reforms in the Labor Laws
- Improvement in Infrastructure and Logistics
- More Efficient and Transparent Administration and Regulation System
- Promotion of SMEs
- Promotion of Innovation
- Gaining Global Competitiveness and Global Leadership

5. Analysis of Make in India campaign:

It can be seen in the picture that Make in India was framed to boost manufacturing activities in India but it doesn't achieve the success in its objectives.

The data show that during 2015-16, three non-manufacturing sectors - services, computer software and hardware, and trading - attracted more than 41.5% of the FDI inflow, whereas core manufacturing sectors such as automobiles, chemicals, power, pharma and construction got only 14% of the FDI.

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. (4)

6. Conclusion:

Make in India was framed to increase the manufacturing activities in India and represent India before the world as the most attractive place for the investment activities. No doubt, it has been successful in attracting various companies to invest in India. But there are some deficiencies in this program. It needs various improvements. It has been discussed in the paper that Service sector is growing at a faster pace than the manufacturing sector for which Make in India was launched.

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