

# “MAKE IN INDIA”- A BOOST TO THE MANUFACTURING SECTOR.

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The Prime Minister Narendra Modi, prior to the commencement of his maiden US visit, last month launched ‘Make in India’, a major national initiative which focuses on making India a global manufacturing hub.

Key thrust of the programme would be on cutting down in delays in manufacturing projects clearance, develop adequate infrastructure and make it easier for companies to do business in India. The 25 key sectors identified under the programme include automobiles, auto components, bio-technology, chemicals, defence manufacturing, electronic systems, food processing, leather, mining, oil & gas, ports, railways, ports and textile.

The national programme aims at time-bound project clearances through a single online portal which will be further supported by the eight-member team dedicated to answering investor queries within 48 hours and addressing key issues including labor laws, skill development and infrastructure.

The objective of the mega programme is to ensure that manufacturing sector which contributes around 15% of the country’s Gross Domestic Products is increased to 25% in next few years.

Speaking to more than 500 top global CEOs along with captains of Indian industry at the event in Vigyan Bhawan, New Delhi on September 25<sup>th</sup>, Prime Minister termed 'Make in India' initiative a lion step to usher in increased manufacturing in the country, which will ultimately generate more employment opportunities for the poor and give greater purchasing power in their hands. The mega even was watched live in several cities in India and abroad through video conferencing,

He urged the domestic as well as global investors not to look at India merely as a market, but instead see it as an opportunity. “When we talk of Make in India, we are not just offering a competitive situation and we give you an opportunity to create a huge market for your product. After all, handsome buyer is equally important as cost effective manufacturing.,” Modi told a packed audience.

## Cutting down on procedural delay

However, for making India an investment hub, the first and foremost importance step would be to create a efficient administrative machinery which would cut down on delays in project clearances. Economists say that India has been very stringent when it comes to giving procedural and regulatory clearances. Besides a time bound clearance from all regulatory authority would create a conducive environment for business.

The Prime Minister acknowledged that India being ranked low on the ‘ease of doing business’ ranking by World Bank and added that he has started to sensitize the Government officials in this regard. On his recent meeting with World Bank President Jim Yong Kim, Modi said “World Bank President was also expressing this worry. Probably we were 135th in the world at that time. If we have to come to 50 from 135 then Government alone can do this. If Government brings transparency in its decisions and rules, pushes works with simplicity we can occupy number 50 from 135 in ease of doing business,”.

Delay in getting regulatory clearances lead to rise in cost of production. A leading multinational automobile major said "costs of production in India increase because of various government policies, procedures, regulations and the way some of the laws are implemented,". The quicker the government addresses these challenges its better for the industry to set up facilities in the country.

For providing better infrastructure for the industry, there has been a big constraint in term of land acquisition. Often land acquisition for the industrial purpose run into trouble at the local level.

## Tax sops & focus on innovation

Economists have noted that with the globalization becoming a reality, Indian manufacturers will have to compete with the best and cheapest the rest of the world has to offer even in the domestic market.

They urged for providing tax concessions to any industry which would set up manufacturing facility in the country. Besides a critical aspect is the country's huge small and medium-sized industries which could 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 the sectors identified and integration with the country's premier institute for carrying out research and development would be critical to the success of the make in India programme,” a leading industrialist said.

## Skill development & thrust on education

Stressing that his government has given top priority to skill development, Prime Minister had said the government is currently doing mapping for assessing skill manpower demand for specific sectors. He noted that there has to be synchronization between the objectives of the government, academic world, industry and job seekers for ensuring that industry specific skills are imparted.

Experts argue that the country needs to focus on quality education not just skill development. “In the emerging economy, people will need to continuously learn new skills to meet the economy's changing requirements,” an official with an industry association observed.

Prime Minister also promised that specific sectors would be asked to access Industrial Training Institutes (ITIs) located across the country to train manpower locally as per their needs. “You will get a good worker for your industry and our ITI will start running. Our youngsters will get employment, his family will be strengthened and better purchasing power will help the economy. ,” Modi told top industrialists.

In the last couple of years, National Skill Development Agency (NSDA) initiated work on creating a labour market information system which would help industry sourcing their manpower requirement.

After getting information on labour market, the government would provide accreditation to manpower agencies so that the industry can access information on the manpower requirement.

## Reforms in the labour laws

Besides the skill development, labour law flexibility is a key element for the success of this campaign for increasing manufacturing in the country. Economists say that “labour law flexibility does not imply ‘hire and fire’ policy, it's about providing a sound social safety net to workers.”

Experts say that the country has some of the most comprehensive labour laws at the same time a large parts of working population do not have access to social security net.

Prime Minister had stressed the faster the bulk of Indian middle class increases, the faster people move from poverty to middle class, the faster will be their conversion into a favourable market for the world. He said his government's focus will be on physical infrastructure creation as well as creating a digital network for making India a hub for global manufacturing of goods ranging from cars to softwares, satellites to submarines and paper to power.

A leading Economist said the big challenge for ‘Make in India’ campaign would face constant comparison with China's 'Made in China' campaign. The China launched the campaign at the same day as India seeking to retain

its manufacturing prowess. "India should constantly keep up its strength so as to outpace China's supremacy in the manufacturing sector," he noted.

Categorically stating that there is a need for some fundamental changes in Indian economy so that the country emerges as global manufacturing base, Modi explained "on the one hand, manufacturing growth is to be promoted, at the same time we need to ensure that direct benefit goes to the youngsters of India. He should get employment so that there is improvement in the economic situation of even the poorest family. These poor should move towards middle class and their purchasing power should improve. This will lead to manufacturing growth and growth of the market,".

### Demographic dividend

Notwithstanding the challenges faced in making India a manufacturing hub, the country is poised to reap rich dividend for being one of the youngest nations in the world.

According to reports by 2020, India is set to become the world's youngest country with 64% of its population in the working age group.

With the Western countries, Japan and even China aging, this demographic potential offers India and its growing economy an edge that economists believe could add a significant 2% to the GDP growth rate annually.

Prime Minister also had said that India is the only country in the world which offers the unique combination of democracy, demography, and demand from a rising middle class.

Besides, the campaign would ensure closer centre and states relations for promoting India as a global manufacturing hub. "If investment comes in the States, it comes in India also. States and Centre should work collectively, shoulder to shoulder as a team. they should find solution together and things move forward,". Modi urged.

Although a sound beginning has been made for the Make in India campaign, now the ball is in the government's court to ensure its success.