

## MAKE IN INDIA AND ECONOMIC DEVELOPMENT

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Make In India is an initiative that focuses on encouraging companies to manufacture in India. It was launched on 25th September 2014 by our Prime Minister Shri Narendra Modi, the major objective suggested by the Government is to facilitate skill development and job creation. The initiative has identified 25 sectors in which manufacturing will be promoted. The initiative also hopes to increase GDP growth and tax revenues. It also focuses on improving quality of products and ensuring minimum environmental effect. All these things ultimately drive towards something known as Economic Development – which focuses on sustained long-term growth and improvement in the health of the economy. The term economic development is used in different contexts but the central idea remains the same- Sustained Positive Growth.

This paper shall focus on deciphering the important details of the Make In India initiative. It will highlight on new aspects that the Government is bringing up in order to attract investment. There are new initiatives, new processes and whole new mindset that is being put in place, this paper shall analyze and present them in an easy and simple manner. The progress of the initiatives and their effect shall also be studied to highlight their contribution towards overall economic development.

The paper will conclude by drawing a summary on the whole idea of the campaign, its importance and how its minute goals are adding up the larger picture and making it a force to reckon with in the improvement of economy. Although several other factors add up to the development of economy, this paper will highlight on how Make In India will probably be the single most important thing to do the goods.

### Meaning & Important Features

Among the many campaigns launched by His Excellency Mr. Narendra Modi, Prime Minister of India, perhaps the most high-profile has been the Make in India campaign. **Make in India** is an initiative program of the Government of India to encourage companies to manufacture their products in India.

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, auto components, design manufacturing, renewable energy, mining, bio-technology, and electronics. 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 Wieden+Kennedy.

Under the initiative, brochures on the 25 sectors and a web portal were released. Before the initiative was launched, foreign equity caps in various sectors had been relaxed. The application for licenses was made available online and the validity of licenses was increased to 3 years. Various other norms and procedures were also relaxed.

In August 2014, the Cabinet of India allowed 49% foreign direct investment (FDI) in the defense sector and 100% in railways infrastructure. The defense sector previously allowed 26% FDI and FDI was not allowed in railways.

This was in hope of bringing down the military imports of India. Earlier, one Indian company would have held the 51% stake; this was

changed so that multiple companies could hold the 51%. Out of 25 sectors, except Space (74%), Defense (49%) and News Media (26%), 100% FDI

is allowed in rest of sectors.

### Policies

#### ► New Initiatives

**The Make in India program includes major new initiatives designed to facilitate investment, foster innovation, protect intellectual property, and build best-in-class manufacturing infrastructure.**

- o Doing business in India just got easier – new de-licensing and deregulation measures are reducing complexity, and significantly increasing speed and transparency.
- o Process of applying for Industrial License & Industrial Entrepreneur Memorandum made online on 24x7 basis through eBiz portal.
- o Validity of Industrial license extended to three years.
- o States asked to introduce self-certification and third party certification under Boilers Act.
- o Major components of Defense products' list excluded from industrial licensing.
- o Dual use items having military as well as civilian applications deregulated.
- o Services of all Central Govt. Departments & Ministries will be integrated with the eBiz – a single window IT platform for services by 31 Dec. 2014.
- o Process of obtaining environmental clearances made online.
- o Following advisories sent to all Departments/ State Governments to simplify and rationalize regulatory environment.
- o All returns should be filed on-line through a unified form.
- o A check-list of required compliances should be placed on Ministry's/Department's web portal.
- o All registers required to be maintained by the business should be replaced with a single electronic register.
- o No inspection should be undertaken without the approval of the Head of the Department.
- o For all non-risk, non-hazardous businesses a system of self-certification to be introduced.

**India's manufacturing infrastructure and capacity for innovation is poised for phenomenal growth: new smart cities and industrial clusters, being developed in identified industrial corridors having connectivity, new youth-focused programs and institutions dedicated to developing specialized skills.**

- o Impetus on developing Industrial Corridors and Smart Cities.
- o A new 'National Industrial Corridor Development Authority' is being created to coordinate, integrate, monitor and supervise development of all Industrial Corridors.
- o Work on 5 smart cities in progress as a part of the Delhi-Mumbai Industrial Corridor: Dholera, Shendra-Bidkin, Greater Noida, Ujjain and Gurgaon .
- o Chennai-Bengaluru Industrial Corridor: master Planning

for 3 new Industrial Nodes [Ponneri (TN), Krishnapatnam (AP), Tumkur (Karnataka)] in progress.

- o The East Coast Economic Corridor (ECEC) with Chennai-Vizag Industrial Corridor as the first phase of this project: Feasibility Study commissioned by ADB.
- o Amritsar-Kolkata Industrial Corridor: DMICDC selected as Nodal Agency for doing Feasibility Study, which is being conducted at fast pace.
- o North-eastern part of India planned to be linked with other Industrial corridors in cooperation with government in Japan.
- o New Industrial Clusters for promoting advance practices in manufacturing.
- o Approval accorded to 21 Industrial projects under Modified Industrial Infrastructure Upgradation Scheme with an emphasis on:
  - o 1. Use of recycled water through zero liquid discharging systems.
  - o 2. Central Effluent Treatment plants.
- o Approval accorded to 17 National Investment and Manufacturing zones.
- o Nurturing Innovation – approval obtained for strengthening Intellectual Property regime in the country through:
  - o Creation of 1,033 posts.
  - o Further up gradation of IT facilities.
  - o Compliance with global standards.
  - o Application processes made online.
- o An Act recognizing National Institute of Design (NID), Ahmedabad, as an institute of National Importance notified. This will enable NID to confer degrees, promote research and function as an Apex body in Design Education. Four more NIDs are being developed.
- o Major impetus given to skill development through Indian Leather Development Programme:
  - o Training imparted to 51,216 youth in the last 100 days.
  - o It is further planned to train 1,44,000 youth annually.
  - o For augmentation of training infrastructure, funds released for establishment of 4 new branches of Footwear Design & Development Institute at Hyderabad, Patna, Banur (Punjab) and Ankleshwar (Gujarat).

**With the easing of investment caps and controls, India's high- value industrial sectors – defense, construction and railways – are now open to global participation.**

- o Policy in Defence sector liberalised and FDI cap raised from 26% to 49%.
- o Portfolio investment in Defence sector permitted up to 24% under the automatic route.
- o 100% FDI allowed in Defence sector for modern and state of the art technology on case to case basis.
- o 100% FDI under automatic route permitted in construction, operation and maintenance in specified Rail Infrastructure projects such as:
  - o Suburban corridor projects through PPP
  - o High speed train projects
  - o Dedicated freight lines
  - o Rolling stock including train sets and locomotives/

coaches manufacturing and maintenance facilities

- o Railway electrification
- o Signaling systems
- o Freight terminals
- o Passenger terminals
- o Infrastructure in industrial park pertaining to railway line/sidings including electrified railway lines and connectivity to main railway line
- o Mass Rapid Transport Systems
- o Easing of norms underway for FDI in the Construction Development sector.

**Most importantly, the Make in India program represents an attitudinal shift in how India relates to investors: not as a permit-issuing authority, but as a true business partner.**

- o Dedicated teams that will guide and assist first-time investors, from time of arrival.
- o Focused targeting of companies across sectors.

#### ► FDI

India has already marked its presence as one of the fastest growing economies of the world. It has been ranked among the top 3 attractive destinations for inbound investments. Since 1991, the regulatory environment in terms of foreign investment has been consistently eased to make it investor-friendly.

#### RECENT POLICY MEASURES

- o 100% FDI allowed in medical devices
- o FDI cap increased in insurance & sub-activities from 26% to 49%
- o 100% FDI allowed in the telecom sector.
- o 100% FDI in single-brand retail.
- o 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.
- o Removal of restriction in tea plantation sector.
- o FDI limit rose to 74% in credit information & 100% in asset reconstruction companies.
- o FDI limit of 26% in defense sector rose to 49% under Government approval route. Foreign Portfolio Investment up to 24% permitted under automatic route. FDI beyond 49% is also allowed on a case to case basis with the approval of Cabinet Committee on Security.
- o Construction, operation and maintenance of specified activities of Railway sector opened to 100% foreign direct investment under automatic route.

#### FDI Entry Routes

##### AUTOMATIC ROUTE:

Under this route no Central Government permission is required.

##### GOVERNMENT ROUTE:

Under this route applications are considered by the Foreign Investment Promotion Board (FIPB). Approval from Cabinet Committee on Security is required for more than 49% FDI in defense. The proposals involving investments of more than INR 12 billion are considered by Cabinet committee on economic affairs.

The Indian company receiving FDI either under the

automatic route or the government route is required to comply with provisions of the FDI policy including reporting the FDI and issue of shares to the Reserve Bank of India.

#### **SPECIAL DISPENSATION**

Special dispensations have been envisaged for NRI investments in the following:

- o Construction development
- o Ground Handling & Air transport services
- o NRI investing on non repatriable basis
- o FDI from NEPAL & BHUTAN is allowed in Indian rupees

#### **► IPR**

##### **SUMMARY**

- o The Indian government has taken several initiatives to create a conducive environment for the protection of intellectual property rights of innovators and creators by bringing about changes at legislative and policy level.
- o In addition, specific focus has been placed on improved service delivery by upgrading infrastructure, building capacity and using state-of-the-art technology in the functioning of intellectual property offices in the country. This measure has resulted in sweeping changes in IP administration within the country.

##### **AIMS**

- o Establishing a vibrant IP regime in the country.
- o Efficient processing of IP applications by inducting additional manpower, augment IT facilities and automation in Intellectual Property Offices.
- o Adopt best practices in IP processing.
- o Strengthening public delivery of IP services.
- o Highest levels of transparency and user-friendliness.

#### **► National Manufacturing**

##### **SUMMARY**

The need to raise the global competitiveness of the Indian manufacturing sector is imperative for the country's long term-growth. The National Manufacturing Policy is by far the most comprehensive and significant policy initiative taken by the Government. The policy is the first of its kind for the manufacturing sector as it addresses areas of regulation, infrastructure, skill development, technology, availability of finance, exit mechanism and other pertinent factors related to the growth of the sector.

#### **VISION**

- o An increase in manufacturing sector growth to 12-14% per annum over the medium term.
- o An increase in the share of manufacturing in the country's Gross Domestic Product from 16% to 25% by 2022.
- o To create 100 million additional jobs by 2022 in manufacturing sector.
- o Creation of appropriate skill sets among rural migrants and the urban poor for inclusive growth.
- o An increase in domestic value addition and technological depth in manufacturing.
- o Enhancing the global competitiveness of the Indian manufacturing sector.
- o Ensuring sustainability of growth, particularly with regard to environment.

#### **STRENGTHS OF INDIAN MANUFACTURING**

- o India has already marked its presence as one of the fastest growing economies of the world.
- o The country is expected to rank amongst the world's top three growth economies and amongst the top three manufacturing destinations by 2020.
- o Favorable demographic dividends for the next 2-3 decades. Sustained availability of quality workforce.
- o The cost of manpower is relatively low as compared to other countries.
- o Responsible business houses operating with credibility and professionalism.
- o Strong consumerism in the domestic market.
- o Strong technical and engineering capabilities backed by top-notch scientific and technical institutes.
- o Well-regulated and stable financial markets open to foreign investors.

#### **Economic Development**

Meaning Economic development is the sustained, concerted actions of policy makers and communities that promote the standard of living and economic health of a specific area. Economic development can also be referred to as the quantitative and qualitative changes in the economy. Such acts can involve multiple areas including development of human capital, critical infrastructure, regional competitiveness, social inclusion, health, safety, literacy, and other initiatives. Economic development differs from economic growth. Whereas economic development is a policy intervention endeavor with aims of economic and social well-being of people, economic growth is a phenomenon of market productivity and rise in GDP. Consequently, as economist Amartya Sen points out, "economic growth is one aspect of the process of economic development."

#### **Impact of Make In India – Development Projects**

- The Government of India is developing the Delhi-Mumbai Industrial Corridor (DMIC) as a global manufacturing and investment destination utilizing the 1,483 km-long, high-capacity western Dedicated Railway Freight Corridor (DFC) as the backbone. The objective is to increase the share of manufacturing in the GDP of the country and to create smart sustainable cities where manufacturing will be the key economic driver.
- The plan is to develop new manufacturing cities, logistic hubs and residential townships along the DFC incorporating the philosophy of sustainability, connectivity and development; each manufacturing city will have world-class infrastructure, convenient public transport, power management and an efficient water and waste management system.
- Twenty four manufacturing cities are envisaged in the perspective plan of the DMIC project. In the first phase, seven cities are being developed, one each in the states of Uttar Pradesh, Haryana, Rajasthan, Madhya Pradesh and Gujarat and two in Maharashtra. The manufacturing cities will provide international and domestic investors with a diverse set of vast investment opportunities. The initial phase of the new cities is expected to be completed by 2019.
- Sectors of focus include general manufacturing; IT/ITES; electronics including high-tech industries; automobiles and auto ancillary; agro and food processing; heavy engineering; metals and metallurgical products; pharmaceuticals and biotech; and services sector.

- DMIC states (Uttar Pradesh, Haryana, Rajasthan, Madhya Pradesh, Gujarat & Maharashtra) contribute 43% to the country's GDP; more than half of India's industrial production & exports; account for over 40% of workers & number of factories across India.
- The project has been conceptualized in partnership and collaboration with the Government of Japan and is being implemented by the Delhi-Mumbai Industrial Corridor Development Corporation (DMICDC), an autonomous body with shareholding of Government of India through Department of Industrial Policy & Promotion (DIPP) (49%), Japan Bank for International Cooperation (JBIC) (26%) and Public Financial Institutions (HUDCO -19.9%, IIFCL -4.1% and LIC-1%).
- The project is featured in KPMG's "100 Most Innovative Global Projects" and is one of the world's most innovative and inspiring infrastructure projects.
- Government of India is building a pentagon of corridors across the country to boost manufacturing and to project India as a Global Manufacturing destination of the world.
- Other four corridors which have been conceptualized are Bengaluru-Mumbai Economic Corridor (BMEC); Amritsar – Kolkata Industrial Development Corridor (AKIC); Chennai-Bengaluru Industrial Corridor (CBIC), East Coast Economic Corridor (ECEC) with Chennai Vizag Industrial Corridor as the first phase of the project (CVIC).
- A total of 25 priority projects across various sectors have been identified for debottlenecking infrastructure bottlenecks in the CBIC region in the preliminary study conducted by the Japan International Cooperation Agency (JICA).
- The following three nodes will be taken up for Master Planning by JICA in the CBIC region: Tumkur in Karnataka, Ponneri in Tamil Nadu and Krishnapatnam in Andhra Pradesh and the Master Planning will be completed by March, 2015.

### Conclusion

To conclude, Mr. Modis' "Make In India" has everything in it to offer to a country like India and to further its economic development. The campaign furthers growth and development from automobiles, aviation, and wellness to biotechnology and electronics. It is a 360\* holistic approach which promises growth and development in every aspect of nations economy.

The new initiatives taken in this regard will help the investors, foster innovation, provide better infrastructure and protect intellectual property. The simplified licensing and regulation measures will encourage the first generation entrepreneurs to setup business. The new smart cities, industrial clusters and corridors ease connectivity and the increased thrust given to skill enhancement programs will provide impetus to the growth and development of the economy.

Allowing FDI in India high value industrial sectors ensure global participations will further the economic growth. The conducive environment created for IPR of innovators & creators will ensure security to them. The new National Manufacturing Policy initiative taken by the Indian Government ensures global competitiveness of the manufacturing sector.

In short, the Make In India initiative taken by Modi Govt. is a vital force to reckon with in the improvement of economy.

### References

#### ✓ Websites

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- [www.wikipedia.org](http://www.wikipedia.org)