CHALLENGES TO MANUFACTURING SECTOR - TO MAKE "MAKE IN INDIA" MISSION SUCCESSFUL

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ABSTRACT

Make in India is the best innovative idea to create a huge foreign investment for the country. The initiative taken to create the job opportunities and increase the Gross Domestic Product of the country and competition in the developing world. Make in India is proposed to make India a manufacturing hub of the world. The idea is to increase the involvement of the manufacturing sector to India's GDP. The paper also focuses on the challenges of Make in India Campaign and the strategies which can be used to make the Make in India Campaign successful. We wish to analyze how this campaign can improve upon the present conditions of manufacturing sector as well as for India. Make in India is the key to revitalization of Indian economy. It is one of the schemes to pull back the economy from clutches of recession. Make in India initiative aims to correct the composition of Indian GDP which is the root cause of recession. Currently India's GDP is heavily tilted in favour of service sector. Manufacturing sector of a country plays a major role in the growth of an economy. The development of this sector is an indicator of the economic strength of a country. It helps in raising productivity, generating employment and also supports other sectors of the economy. There are miles and 'miles to go' before celebrating the success of this campaign as there are huge obstacles that need to be overcome like simplifying the stringent laws and regulations, introducing the transparency in the process, building the best infrastructure, reforming labour laws, improving labour skill, etc.

Keywords :

Manufacturing Sector,
Make in India,
GDP,
Job employment

I. INTRODUCTION

The ambitious "Make in India" program aims to decrease hurdles of doing business and encourages foreign investment. It hopes to make India, Asia's third-largest economy into a manufacturing powerhouse through increase the contribution of the manufacturing sector to India's GDP. 'Make in India' project is designed to transform India into a global manufacturing hub invite international and domestic capital to start manufacture their products in India by providing more technology, more physical infrastructure, cost effective, promised and easy governance to help achieve high growth, creation of more job opportunities for unemployed educated youth in India and creating a digital network for making a global manufacturing hub for different products ranging from cars to software's and paper to power.

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. The new government initiating a new ways for free flows of capital.

II. LITERATURE REVIEW

Since the year 2009, manufacturing sector of India is showing reverse trend with its share of GDP falling from 2.2 to 2.0 (Bhattacharya, Bruce, & Mukherjee, 2014, p. 4). It is undoubtedly true that, if India aspires to be a powerful nation by 2030, it needs a strong sustainable growth which can only be achieved if India creates a strong manufacturing base (Shah, 2013, p.1).The existing labour laws are less employment friendly and biased towards the organized labour force; they protect employment and do not encourage employment or employability; they give scope for illegitimate demands of the Trade Unions and are a major cause for greater acceptance of capital-intensive methods in the organized sector (Datta & Milly, 2007, p. 2). Employers complain of major skills gaps, and fewer than 25% of graduates are estimated to be employable in manufacturing ("The Manufacturing Plan," n.d., p. 65).India's underdeveloped infrastructure is the top most issue faced by Japanese manufacturers ("Make In India: Opportunities and Challenges," 2015, p. 9).Senior managers of manufacturing companies consistently rank difficulties in acquiring land as one of the top priority areas to be tackled by the government (Bhattacharya, Bruce, & Mukherjee, 2014, p. 34). The share of manufactured goods in total merchandise exports fell from 77% in 2003 to 65% in 2013 (Joumard, Sila, & Morgavi, 2015, p. 9). 'Make in India' is a dream campaign launched by the Prime Minister of India to boost this sector so that India can present its candidature for becoming the Global Leader (Chattopadhyay, 2015, para. 3).

III. OBJECTIVE OF THE STUDY

- To build best-in-class manufacturing infrastructure.
- To focus on Job Creation, Skill Development and Enhancement.

IV. RESEARCH METHODOLOGY

Secondary research is used for the purpose of the study and this paper discusses about Make in India scheme, its opportunities, challenges and changes needed. Make in India campaign surely makes India an investment destination and global hub for manufacturing and innovation.

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Analysis

The picture of the manufacturing sector of India is very gloomy with its low productivity, low exports, low employment, low contribution to GDP, etc. It is contributing around 15% to the GDP which is quite low when compared with other rapidly developing economies of the world like in the table shown below it is 34% in Thailand, 32% in China, 24% in Malaysia, etc.:

Table 1: Share of Manufacturing lags Advanced Economies and Emerging Market Economies

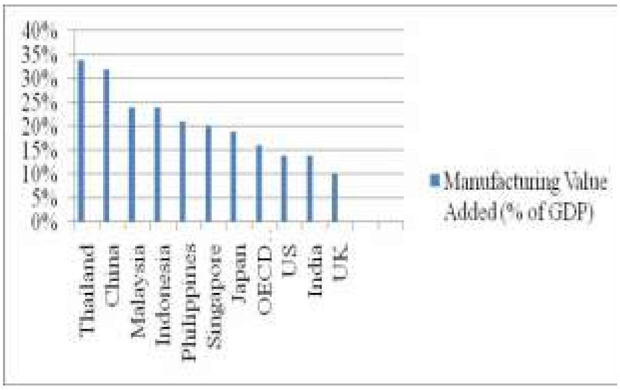
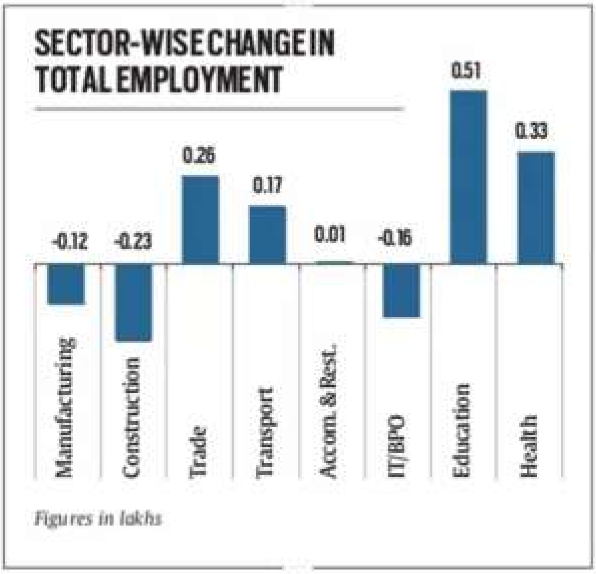


Table 2: India's GDP From Manhufacturing

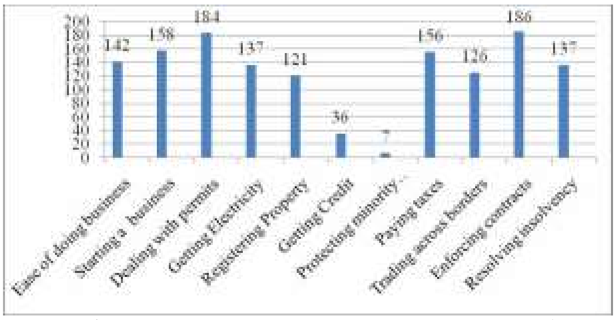
Table 3: sector – wise change in employment



Ease of Doing Business:

Ease of doing business is the major obstacle to the growth of the manufacturing sector. The World Bank's "Ease of doing Business 2015" report has ranked India at 142ndout of 189 countries for its ease of doing business.

Table3: Ranking of India on the overall ease of doing business, 2015.

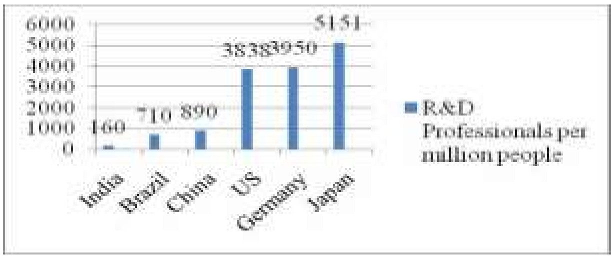


Source: (Gupta, H., Kapoor, T. &Asudani, J., 2015, p.3)

The "ease of doing business" covers ease in starting a business, enforcing contracts ,registering property, gaining access to electricity, paying taxes, etc. The easier and simple process gives a country a good rank. The more the complex and time consuming process the poorer is the rank given. It is a matter of great concern that more than two decades have passed since the commencement of economic reforms and still India lags behind in providing business encouraging environment and the other facilities as are provided by other countries of the world. Like the average time consumed in acquiring a land is 14 months ("Ease of Doing Business," 2014, p. 12). It requires 1420 days to enforce a contract in India as compared to 527 days in OECD nations and 655 days in Low and Middle income nations("'Make in India'- Pressing the Pedal," 2015, p. 28).Construction permits are also a costly pursuit, involving 34 procedures and taking 196 days ("Top 10 Challenges,"n.d., p. 1). In the exports section also, getting approvals require long time and huge cost (Bhattacharya, Bruce, & Mukherjee, 2014, p. 21).All these obstacles discourage the growth of manufacturing sector.

Research and Development: The expenditure on Research and Development in India is just 0.9 of GDP. Moreover around 3/4th the share comes from public sector and just 1/4th is invested by private sector showing severe contrast to the trends followed in US and China("The Manufacturing Plan,"n.d., p. 49). The credit of the faded growth of manufacturing goes to the low technological depth of the sector. Indian R&D sector is still under explored as India lags behind her competitors in infrastructural and technological development. Therefore it poses a big challenge to the investors to improve further in skill and standardisation of the issues.

Table4: R&D Professionals per million people



Source: (Bhattacharya, A., Bruce, A., & Mukherjee, A., 2014, p. 24)

The table shows that in India there are only 160 R&D professionals after every one million people which is very low as compare with Japan having 5151 R&D professionals in everyone million people. India has one-fifth the number of researchers per million as compared to China and even lesser proportion as compared to developed countries. Also high-technology exports from India form less than 7% of the total exports, while for most other countries the number is in mid-twenties (Bhattacharya, Bruce, & Mukherjee, 2014, p. 24).

V. CHALLENGES FOR MANUFACTURING SECTOR

There are many challenges that hinder the smooth progress of the manufacturing sector which in turn adversely affect the 'Make in India' campaign. Some of them have been listed below:

Infrastructure: The growth of manufacturing sector is highly dependent on its quality of Infrastructure**.** Quality infrastructure is one of the top requirements for the success of "Make in India". India's underdeveloped infrastructure is the top most issue faced by Japanese manufacturers. Roadways in India pose a big challenge for the growth of the country and successive governments are continuously failing to implement their electoral promises. The projects of railways department suffer from even longer delays as compared to road sector. Also, rail transport is 70% more expensive in India as compared to the United States which makes it inefficient. There is a nationwide scarcity in terms of power generation. About 48% of firms suffer from power cuts for more than 5 hours in a week and around 60% of firms are ready to pay more for continuous and reliable supply. In order to promote the foreign trade, ports play a very important role. There is a scarcity of modernised ports and those that exist, are using 90% of their capacity as against an average of 70% international usage (28).

Skill: Education and skill are the key forces for the growth and development of a country.

The countries with high skilled labour can do much better than others. But the situation in India is very gloomy with huge skill gaps. 75% of IT graduates are deemed *'unemployable'*, 55% in manufacturing, 55% in healthcare and 50% in banking and insurance graduates are deemed unemployable. As per NAAC report "the quality of education in 90% of the Universities and 70% of the colleges is below par.

MSME: The Micro, Small and Medium Enterprises of India play an important role in providing huge employment and contributing considerably in manufacturing output. Their presence in the rural areas checks the migration of workforce to urban areas. They are the ancillary units to the large industries providing them various consumables and other services.

This sector contributes nearly 45% of manufacturing output and 40% of total exports of the country and employs around 69 million persons in over 29 million units throughout the country. Despite such a big contribution from MSMEs there are various challenges still suffered by them in the areas of skill, credit, infrastructure, technology, etc. MSMEs are the highest credit defaulters which accounts for 5% of advances for the last three years (Bhattacharya, Bruce, & Mukherjee, 2014, p. 23). Even the process of providing loans to these enterprises is costly as there is a need of intensive field work and high levels of scrutiny for the processing of each application. The US based Entrepreneurial Finance Lab (EFL) states that there is a credit gap of 56% in the MSME finance sector in India. The Demand for the credit is around Rs. 28.03 trillion and the supply is just Rs. 10.39 trillion, as of July 2014 (33).

Exports: Exports play a major role in the growth of the manufacturing sector. But the share of India in global merchandise exports has been very low as compared to other countries like it rose from 0.5% in 1990 to 1% in 2006 and 1.8% in 2013. Whereas the developing countries' share in global merchandise exports rose from 24% in 1990 to 38% in 2006 and 45% in 2013 (Frances, 2015, p. 2).Of India's export basket, 62% comprise of manufacturing exports (as of 2013) which is the lowest among most Asian economies with China having 94%, Japan 88%, Philippines 77%, Singapore 70% and

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Thailand having 74% ("'Make in India'- Pressing the Pedal," 2015, p. 5).The major reasons behind the declining manufacturing exports are the slow rate of growth of the sector, the small share of high tech exports, inadequate infrastructure, etc.

"Make in India" encourage manufacturing trade and economy. Over 10,000 training centers open within 2 years. It creates job market for over 10 million people. Make in India raises the share of the manufacturing sector in gross domestic product (GDP) from its current level of around 16 per cent to 25 per cent by 2022, and creating 100 million new manufacturing jobs over the same period. Indians should need a wakeup call for consuming Indian made products. More than 30,000 crore rupees of foreign exchange is being drawn or transferred out of our country on products such as cosmetics, snacks, tea, beverages, etc. which are grown, produced and consumed here. In 1970, 1$ = Rs. 4 Today 1$ = Rs. 68 .Estimated 1$ by end of the year = Rs. 72. Dollar is getting stronger, rupee is getting weaker and nobody else is responsible for the fall, except us.

VI. CONCLUSION

The government of India has taken number of steps to further encourage investment and further improve business climate. "Make in India" mission is one such long term initiative which will realize the dream of transforming India into manufacturing Hub. Start-ups in the core manufacturing sectors are poised to play a crucial role in the success of 'Make in India' ambitions. "Start-ups in the fields of telecom, defence manufacturing, automobile, Internet of Things, financial technology modules and mobile internet have immense potential to succeed in the scheme of 'Make in India'. Make in India scheme also focuses on producing products with zero defects and zero effects on environment.

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