

'MAKE IN INDIA' - A DREAM OR POLITICAL PLATITUDE?

Make in India is one of the key initiatives of the Prime Minister, Narendra Modi which were formed to promote industrialization in India and reduce the import goods by establishing import substitutes company in India itself. The Make in India project was built with the aim of facilitating investment, fostering innovation, enhancing skill development, protecting intellectual property and building best in class manufacturing infrastructure. The eventual aim is to ensure that India becomes a preferred destination for manufacturing across the world.

A reason for initiation of this initiative was: the contribution of India's manufacturing sector to GDP was lower than most Asian economies, including that of poorer neighbours such as Bangladesh and Pakistan. The share of the manufacturing sector was a little smaller than the average for lower middle-income countries, and significantly lower than the average for upper middle-income countries such as China.¹

The goal of the Make in India project was to reach the manufacturing sector contribution to 25 percent of the GDP as compared to 14 percent of the GDP in 2014.²

Achievements of the Policy

The policy has been able to garner international attention. From the technical hub of the world- Silicon Valley to a small town of Europe, there is interest and investment flowing from all corners.³ Through his travels, Narendra Modi has become a messenger of the initiative of 'Make in India'.

There has been considerable growth in the FDI Indian states are receiving. India was among the top 10 countries who received the maximum FDI by attracting \$49 billion in inflows.⁴

Negatives of the Policy

¹ Dipti Jain, Pramiit Bhattacharya, The Make in India dream, LiveMint <https://www.livemint.com/Home-Page/FV4D1N28gnEIRp4v42IZnI/The-Make-in-India-dream.html>.

² Make in India : Objectives, Target, Funding, Stakeholders & Progress card, The Indian Wire, <https://www.theindianwire.com/politics/make-in-india-215144/>.

³ The Make in India dream: Facts vs ambition, Economic Times, https://economictimes.indiatimes.com/small-biz/hr-leadership/leadership/the-make-in-india-dream-facts-vs-ambition/articleshow/49827058.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst.

⁴ Kritika Suneja, India attracted \$49 billion FDI in 2019, among top 10 recipients of overseas investment: UNCTAD, Economic Times, https://economictimes.indiatimes.com/news/economy/indicators/india-attracted-49-billion-fdi-in-2019-among-top-10-recipients-of-overseas-investment-unctad/articleshow/73441481.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst.

Since the policy got introduced in 2014, till now, there was slow growth in the investment in the economy. Output growth has also not seen much stark growth, mostly in single digits. The employment growth rate has not been released by government sources but there is no substantial changes that are expected. This shows that the policy did not perform well on these three important frontiers.⁵

According to the World Bank, thrust on healthcare and education are considered to be the key to the success of the programme. However, the healthcare sector of India is deteriorating and is ranked at 150th in the world as per the report of the World Economic Forum.⁶ The healthcare system cannot provide affordable healthcare to 60 percent of the Indian population.⁷

Make in India- Post- Covid-19 Situation

China's Actions impact Make in India

Recent events surrounding China's aggressive political and business tactics coupled with its poor handling of the containment of the corona virus spread have made global economies wary of the nation, making them look for other avenues for their business and trade. Moreover, after the recent incident at the India-China border which led to the death of 20 soldiers⁸, has also sparked aversive feeling among Indians towards Chinese products and services. The government also took a strong action and has banned 59 apps of Chinese origin.⁹

In these times, India is emerging for the spot of Asia's superpower. With International companies focus on expanding business in India, Mergers and Acquisitions are considered the most effective tool to increase the strength of Manufacturing Sector in India. Mergers and Acquisitions are an effective tool to harness the advanced technical know-how and larger pool of financial resources of foreign

⁵ M. Suresh Babu, Why 'Make in India' has failed?, The Hindu, <https://www.thehindu.com/opinion/op-ed/why-make-in-india-has-failed/article30601269.ece>.

⁶ Medical Dialogues Bar, India Slips To 150th Rank In Healthcare: World Economic Forum, <https://medicaldialogues.in/india-slips-to-150th-rank-in-healthcare-world-economic-forum>.

⁷ Dr. GSK Velu, Make in India- a dream or reality, Health Economic Times, <https://health.economictimes.indiatimes.com/health-files/make-in-india-a-dream-or-reality/2068>.

⁸ Indian Army confirms 20 soldiers killed in action in the stand off, DD News, <http://ddnews.gov.in/national/indian-army-confirms-20-soldiers-killed-action-stand>.

⁹ India bans 59 Chinese apps including TikTok, WeChat, Helo, Economic Times, <https://economictimes.indiatimes.com/tech/software/india-bans-59-chinese-apps-including-tiktok-helo-wechat/articleshow/76694814.cms>.

businesses along with the Indian manufacturers' deeper understanding of the complex local market and wider network of customers and suppliers.¹⁰

Self Reliant Dream of the Prime Minister

The newly launched Aatmanirbhar Bharat Abhiyaan has been like a breath of fresh air for Indian manufacturers. Increase in the state governments' borrowing limits, privatisation of Public Sector Enterprise (PSEs), collateral-free business loans, MSME corpus and subordinate debt, disallowing of foreign firms in government tenders up to Rs 200 crore, and reduction in tax rates serve as being the major policy highlights. Moreover, ease of doing business has been another focus of this program that is set to rectify the challenges in the current business environment of India.¹¹

The PM's vision statement had four elements. First, a step up in public spending and investment, aimed at promoting welfare and raising the investment rate; second, policy reforms aimed at making the domestic economy more globally competitive; third, a long-term structural shift making the economy more "self-reliant" and less dependent on the world economy. The fourth wheel of this new growth engine will be Lockdown Model 4.

Self reliancy can be the future

Increased public spending will certainly boost demand and generate employment in the short term and add to infrastructure capacity in the medium term. Policy reform, including changes in land, labour and other policies, could yield results in the medium term. But for the current situation, investors will wait and watch in order to test the sincerity and efficiency of governments at the Centre and in the states. They will wait to see how the various policy steps being announced by the Finance Minister get implemented — how quickly and how efficiently. The government can meet success if investors, consumers and other economic agents believe in the commitment of the political leadership and the capability of the administration to deliver.

Conclusion

¹⁰ Make in India: Indian, global companies can make PM Modi's dream true by Mergers and Acquisitions, Financial Express, <https://www.financialexpress.com/economy/make-in-india-indian-global-companies-can-make-pm-modis-dream-true-by-mergers-and-acquisitions/2027001/>.

¹¹ Summary of announcements : Aatma Nirbhar Bharat Abhiyaan, PRS India, <https://www.prsindia.org/report-summaries/summary-announcements-aatma-nirbhar-bharat-abhiyaan>.

In order to make India a global manufacturing hub in the near future, India should make administrative machinery as effective as possible. India, in the past, always became stringent when it came to regulatory clearances. A healthy business can be observed if India is able to create better procedural management and is able to provide easier approval of projects. India's SME sector has great potential and can play a big role in making the country take the next big leap in manufacturing. India also focused on making this sector viable to fulfil its dream. To provide a strong challenge to Chinese counterparts, India also needs to give impetus to the research and developments.

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