

**Make in India
New India Government
Initiatives And Challenges
(Making India , a manufacturing Hub)**

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Abstract

The stock market boom at the clear mandate given to BJP in the 2014 Lok Sabha elections and the current stock market scenario was a clear indicator of investor confidence in the Narendra Modi Government. Further steps by Mr. Modi like the “Make in India” and “Digital India” campaigns, invitation to the leaders of all the SAARC countries, US and Japan visit and various business friendly reforms have significantly created a positive business environment in the country.

However there are certain bottlenecks in the economy which the Government needs to address towards making India a global manufacturing hub. This research paper aims to identify some of the key challenges in the path of development and recommend possible solutions to deal with the same.

Through secondary research and data obtained from various authenticated sources like World Bank, Wasteland Atlas of India, Ministry of Road Transport and Highways website, www.infraline.com website, reports from Ernst and Young and various news articles from some of the leading newspapers, this paper has been able to identify the following major challenges in the path of making India a global manufacturing hub and accordingly make a few suggestions regarding possible solutions to deal with each of the issues: Improving the ease of doing business in India Land acquisition challenges Improving the employability of general and engineering graduates Infrastructure development of major roads and highways in the country

It is to be noted that the above list is not exhaustive and there are lot of other ample challenges towards making India a global manufacturing hub. However, focussing on these issues and taking adequate measures to deal with the same will go a long way towards turning the “Make in India” vision into a dream come true.

Introduction

The recent launch of the “Make in India” campaign by Prime Minister Mr. Narendra Modi where leading businessmen and CEOs of about 3000 companies from 30 countries were present is an impressive effort on the part of the new Government to boost investor confidence in the country. Moreover, Mr. Modi’s recent US visit and meeting with CEOs of some of the top global firms like Goldman Sachs, Google, General Electric, Cargill, Boeing and many others definitely set the ground for



investment in India. But at the ground level, there are a lot of challenges that the government has to overcome in order to turn the vision of achieving a sustainable 10% growth in the manufacturing sector into reality. This research paper aims to analyse the key issues facing the “Make in India” vision and recommend possible strategies to deal with the same.

Below are highlighted some of the issues which the new Government has to take care of for turning the “Make in India” vision into a reality:

1. Improving the ease of doing business in India:

According to World Bank report, India ranks 142 out of 189 countries in the category forease of doing business based on surveys conducted in the two major cities of India, Mumbai and Delhi prior to the new Government came to power. To increase investor sentiment, it is necessary that the Government works to improve the various components of Doing Business indicators like starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency because it is the seindicators that a firm looks at before going forward with an investment decision in a country. The Ease of Doing Business score is obtained by conducting surveys of start ups inthe largest business cities of India. While calculating scores for each parameter the Doing Business (DB) group takes into consideration the time taken and the cost incurred by a company to complete the various legal formalities for each parameter. The break-up oft he Ease of Doing Business score parameter wise is given below for Mumbai:

1.1 Starting a Business: Rapidly developing economies around the world have taken step sto make it easier for starting a business, like streamlining procedures by setting up a one stop shop, making procedures simpler or faster by introducing information technology and reducing or eliminating minimum capital requirements. India should therefore implement similar reforms to reap benefits like greater firm satisfaction and savings and more registered businesses, more financial resources and job opportunities.

1.2 Dealing with construction permits: Regulation of the construction sector is critical to protect the public. However excessive constraints on the construction sector may compel companies to pay bribes to pass inspections or simply build illegally to avoid the excessive costs in time and money incurred for compliance to regulations leading to hazardous constructions that put public safety at risk. Therefore, smart regulations ensure that standards are met while making compliance easy and accessible to all. In an effort to ensure building safety while keeping compliance costs reasonable, governments around the world have adopted coherent and transparent rules, efficient processes, stricter deadlines and adequate allocation of resources.



1.3 Paying taxes: Taxes are essential sources of revenue for the Government.

However, the power of taxation should be exercised with extreme caution and judiciousness so that it does not negatively impact the economy and the investment climate. Policies like retrospective taxation which negatively impact investor confidence must be done away with.

Online tax filing and payment should be introduced in as many tax parameters as possible. Also, taxes on essential and elastic goods and services should be kept low so that there is not a heavy tax burden on either the consumer or the producer. The implementation of the Goods and Services Tax will foster a climate of investment and growth by bringing about myriad benefits like broadening the tax base, eliminating indirect taxes, central sales tax, state-level sales tax, entry tax, stamp duty, taxes on transportation of goods and services ,et cetera. It is expected to help build a transparent and corruption-free tax administration. GST will be levied only at the destination point and not at various points unlike the current tax system where a manufacturer needs to pay tax when a finished product moves out from the factory and it is again taxed at the retail outlet when sold. It is estimated that India will gain \$15 billion a year by implementing GST as it would promote exports, raise employment and boost growth.

1.4 Enforcing Contracts: In India, settling commercial disputes is an extremely costly and time consuming process. According to data collected by Doing Business, contract enforcement takes on the average 1420 days, costs 39.6 % of the value of the claim and requires 46 procedures. The Supreme court should enforce short and strict deadlines for dispute settlement and reduce the number of unnecessary formalities associated with dispute settlements.

2. Land Acquisition challenges:

One of the very important initial steps for establishment of manufacturing facilities by a firm is acquiring land. Under the new Land acquisition act, developers would require the consent of up to 80 per cent of people whose land is acquired for private projects and of 70 per cent of land owners in the case of public-private partnership projects. But the greatest concern in acquiring such land is the proper rehabilitation and resettlement of affected inhabitants of those lands. The government has to identify and devise strategies for the rehabilitation and resettlement of the displaced people failing which the result can be serious conflicts. Moreover, the rehabilitation and resettlement also becomes a costly venture.

Land acquisitions for factories, roads and housing projects in states like Haryana and UP have sparked clashes between farmers and state authorities, resulting in huge project delays. One alternative for the government is to acquire only wasteland for industrialization purposes. This will eliminate the requirement of the consents and the



costs of rehabilitation and resettlement and therefore lead to speedier execution of projects. The following categories of land have been classified as wasteland as per the Wasteland Atlas of India in association with National Remote Sensing Centre, Indian Space Research Organisation:

- Barren
- Degraded forest
- Gullied land
- Ravenous land
- Salt affected land
- Salt encrustation
- Shifting cultivation
- Snow covered area
- Steep sloping area
- Waterlogged area
- Upland without scrub
- Land with scrub

According to data available in Wasteland atlas of India as per 2003 figures, a total of **552692.26** square kilometres of wasteland exist in India out of the total geographical area of **3287263** square kilometer. This vast amount of wasteland presents a huge potential for setting up manufacturing facilities after appropriate engineering and geographical assessments of these areas. Moreover, acquisition of these wastelands is unlikely to invite any criticism and hence we can look at speedier execution of development projects.

3. Improving the employability of general and engineering graduates:

The greatest asset of any firm is its human resource. Companies will set up manufacturing facilities in India only if it is able to find requisite amount of good quality skilled labour in the country. Around 51% of the workforce is employed in the agricultural sector which contributes to only about 17% of the GDP and around 22% of the workforce is employed in the manufacturing sector which contributes to around 26% of GDP. However, various surveys conducted on employability reveals a vast skills gap between graduate skills and market needs. According to **Higher Education in India: Vision 2030**, a report produced by international consultants Ernst and Young for the Federation of Indian Chambers of Commerce and Industry (FICCI), 75% of IT graduates, 55% of manufacturing, 55% of healthcare and 50% of Banking and Insurance graduates are deemed unemployable. Moreover, the National Association of Software and Services Companies (NASSCOM) maintains that of around 3 million graduates each year, less than a third of graduates of engineering colleges and only 10% to 15% of regular graduates are employable. It is therefore important to dwell upon the possible reasons which cause low employability of Indian graduates in general and engineering graduates in particular. In most of the



engineering institutions the course curriculum is by and large, theoretical in nature and students are not made aware of the applications of the theories in industry. The programmes and their course content reflect lack of interaction among academic institutions and industries. In the process, the curriculum quite often fails to meet the needs of the industries. Not many structural changes have taken place in the curriculum even though rapid developments have been taking place continuously in the field of science and technology.

Moreover, the evaluation system has not been made robust enough to find out the knowledge level of the students. The philosophy of the semester system and the continuous evaluation process are not being understood by the students and also by the faculty members. Thus they are applied in a routine manner and the students concentrate only on the grades and not on learning. Since there is a lack of interaction between academic learnings and industries, graduates coming out of technical institutions do not have the adequate knowledge to implement projects or carry out research independently. This creates a severe mismatch between employer needs and the skills of the graduates. Since job requirements are continuously changing it is quite difficult to produce tailor made engineers unless there is regular and structured interaction between academia and industries. In this regard, to facilitate technical institutions to respond to the need of providing state of art Telecom equipment based operational skill to engineering graduates to enhance their qualification, competence and employability by enhanced skill up-gradation, AICTE has signed an MoU with BSNL to use the training facilities and faculty of BSNL for the benefit of students of AICTE approved institutions under its Employability Enhancement Training Programme (EETP). Likewise, similar enhancement programmes can be carried out by MoUs with companies in various other sectors like automobile, power, consumer electronics, heavy machinery, construction as well as defence. Similar measures already exist in some of the top of the world universities like MIT, Harvard and Stanford. Also, since most of the future processes are going to be integrated through Information Technology, Government should make computer education compulsory starting from the school level itself so that the country is able to produce enough computer educated labour to cater to the demand in IT and ITESBPOs. Such measures on the part of the Government will go a long way in bridging the gap between graduate skills and market needs.

However all above mentioned points sound relevant when we look at higher education in isolation only. If we see the whole education system starting from the elementary level we find that the problems lie at every stage of our education system. At the school level we find that the present day syllabus does not stress simple and subtle concepts, but involves tire some details. Most entrance tests for admission to better known institutions emphasise speed and memory and not calm and collected thinking. Thus an all out effort is needed to produce readily- employable technical man power in

the country. The improvement of infrastructure, redesign of curricula, improvement of teaching-learning methods and attracting well qualified teachers, along with the above mentioned measures to bring in industry interaction along with academics , are only a few steps that could be initiated by individual institutions.

4. Infrastructure development of major roads and highways in the country:

It is needless to say that well developed and well maintained infrastructure, particularly, roads and highways is vital for an efficient inbound and outbound logistics of a manufacturing firm to ensure efficient movement of raw materials and finished goods across the country as roads carry 65% of its freight in the country. India has a total of 48.65 lakh kilometre of road network comprising National Highways (92,851 Km), State Highways(1,38,489 Km), Major District Roads, Rural roads and Urban roads (All together 46.34 Lakh kilometre) as per figures from website of Ministry of Road Transport and Highways as on 31st March, 2014. National Highways comprise 1.7% of India's total road network but carry 40% of road traffic. Most of these highways are two lane highways. Only 10,000 Km of highways have been widened to four lanes with two lanes in each direction as of August, 2011. Moreover, as of 2010, 19064 Km of NH were still single-laned roads. With increase in vehicular traffic and congestion in the major cities of India and for smooth movement of large container trucks, it is imperative that the Government in association with private parties through public-private partnerships convert the single-lane or double-lane

national and state highways to four or six lane roads to cater to the growing congestion problem in India. However, most of these conversion projects are stuck at various stages of bureaucratic delays. With the new government at the centre, we can hope for faster execution of projects by removal of unnecessary approval stages and thereby leading faster clearances. Moreover, to improve the flow of traffic, Government should work to introduce smart traffic control systems whereby real time data on vehicular traffic flow can be obtained through sources like traffic cameras and can be used to control the sequence and duration of traffic signals

Conclusion:

Although the ease of doing business score went down to 142 from 134 last year, the World Bank has taken care to distance this downslide from the NDA government which took charge barely a week earlier and World Bank has used data till May 2014 whereas most measures to improve doing business were undertaken subsequent to that. The various measures undertaken by the NDA Government to address issues related to economic growth, delay in Government decisions and reforms in the Labour



law, Land law and taxation have kick started the manufacturing sector and shot the GDP growth by 5.7 % in the last quarter. The Modi Government has also signed a staggering USD 35 Billion investment deal with Japan for infrastructure development. If governance continues in the current manner, we can definitely hope to see significant and sustainable growth in the manufacturing sector and progress towards India becoming a global manufacturing hub.

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