

# REVIEW OF MAKE IN INDIA POLICY

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## 1.1 INTRODUCTION

Make in India is a major new national programme of the Government of India designed to facilitate investment, foster innovation, enhance skill development, protect intellectual property and build best in class manufacturing infrastructure in the country. The primary objective of this initiative is to attract investments from across the globe and strengthen India's manufacturing sector. It is being led by the Department of Industrial Policy and Promotion (DIPP), Ministry of Commerce and Industry, Government of India. The Make in India programme is very important for the economic growth of India as it aims at utilising the existing Indian talent base, creating additional employment opportunities and empowering secondary and tertiary sector. The programme also aims at improving India's rank on the Ease of Doing Business index by eliminating the unnecessary laws and regulations, making bureaucratic processes easier, making the government more transparent, responsive and accountable.

"I want to tell the people of the whole world: Come, make in India. Come and manufacture in India. Go and sell in any country of the world, but manufacture here. We have skill, talent, discipline and the desire to do something. We want to give the world an opportunity that come make in India," Prime Minister of India, Mr Narendra Modi said while introducing the programme in his maiden Independence Day speech from the ramparts of the Red Fort on August 15, 2014. The initiative was formally introduced on September 25, 2014 by Mr Modi at Vigyan Bhawan, New Delhi, in the presence of business giants from India.

The focus of Make in India programme is on 25 sectors. These include: automobiles, aviation, chemicals, IT & BPM, pharmaceuticals, construction, defence manufacturing, electrical machinery, food processing, textiles and garments, ports, leather, media and entertainment, wellness, mining, tourism and hospitality, railways, automobile components, renewable energy, biotechnology, space, thermal power, roads and highways and electronics systems.

The dedicated website for this initiative ([www.makeinindia.com](http://www.makeinindia.com)) not only showcases the 25 sectors but also puts focus on the live projects like industrial corridors and policies in the area of foreign direct investment, national manufacturing, intellectual property and new initiatives. The Investor Facilitation Cell is an integral part of this website, which aims at providing all information/data analysis to investors across sectors.

The objective is to make India a manufacturing hub for key sectors. Companies across the globe would be invited to make investment and set up factories and expand their facilities in India and use India's highly talented and skilled manpower to create world class zero defect products. Programme is quite ambitious as it intends to create 100 million jobs and to bring manufacturing sector up to 25% of India's GDP.

According to World Bank report, India ranks 142 out of 189 countries in the category for ease 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. The required action on the part of government can be put into two categories; one, that requires legislative actions, and two, the policy initiatives and administrative actions. The former particularly includes amendment in the land Acquisition Act of 2013 and labour / industrial legislations. The latter requires not only policy initiatives but also improving the delivery system so that benefits from the policy initiatives reach the intended target without leakage.

## 1.2 POLICY

There are 4 Policies of Make in India, namely

1. National Manufacturing Policy
2. National Intellectual Property Rights (IPR) Policy
3. Foreign Direct Investment (FDI) Policy
4. New Initiatives

### 1.2.1 Motive of National Manufacturing Policy

The prime motive of this policy is to encourage the development of the business sector, create employment opportunities, and bring more and more investment in the manufacturing sector. Other motives are as follows:

1. 12-14% increase in the growth of manufacturing sector.
2. By 2022, the share of manufacturing sector in the Gross Domestic Product to be increased from 16% to 25%.
3. To create 100 million jobs in the manufacturing sector by 2022.
4. Establishing National Investment and Manufacturing Zones (NIMZ) that will be equipped with superior infrastructure, self-regulated, and will be in partnership with the private sectors.
5. To create the perfect opportunities for the poor and urban migrant to learn the skills used in the manufacturing sector.
6. Increasing domestic value addition and technology in this sector.
7. Enhancing the competitive power of Indian manufacturing sector in the global market.

8. Ensuring proper growth in the sector.
9. Organisation of industrial training and skill development programs.
10. More focus on the sectors that generate employment, strategic development, capital goods, and competitive sector.

#### 1.2.2 National Intellectual Property Rights (IPR) Policy

This policy is the first ever single policy that covers every sort of intellectual property in one framework. This policy focuses on creating, facilitating, promoting, and commercializing Intellectual Property assets in India. Motives of the National Intellectual Property Rights (IPR) Policy are as follows:

1. Creating awareness among every section of the society regarding the economic, cultural, and social benefits of IPRs.
2. Stimulating the generation of IPRs.
3. Creating strong and efficient IPRs laws.
4. Strengthening and modernizing IPRs administration.
5. Strengthening institutions and capacities for teaching, research, skill-building, and training; as well as expanding human resources.
6. Enhancing access to environmental protection, food security, and healthcare.

#### 1.2.3 Foreign Direct Investment (FDI) Policy

The Foreign direct investment policy is nothing new, but there have been some changes made by the current government of the country. This policy is the supreme source of foreign investment that helps the economy of India a lot. The researcher has listed the changes made due to Foreign Direct Investment Policy as below:

1. The FDI inflow was increased from 26% to 49% in the sector of insurance.
2. The norms of policy for 25 sectors were made easier.
3. FDI for the defense sector will be used in producing small arms and ammunitions for the army.
4. Changes in the entry of new companies were made and now it is easier for people to start their ventures.
5. Changes in the tax policies were made.

#### 1.2.4 New Initiatives Policy

The new initiatives by the government of India are designed to facilitate investment, protect intellectual property, foster innovation. New Initiatives Policy can be divided in to two parts i.e., New Infrastructure in New Initiative Policy and New Sectors in New Initiative Policy.

#### 1.2.4.1 New Infrastructure in New Initiative Policy

1. Smart City Mission for 19 cities.
2. Delhi-Mumbai Industrial corridor.
3. 14 national investment and manufacturing zone.
4. Industrial projects.

#### 1.2.4.2 New Sectors in New Initiative Policy

1. In Defense, 49% automatic route, FDI above 49% through government route.
2. In Civil Aviation,  
In Greenfield projects, 100% FDI under automatic route.  
In Brownfield projects, 74% FDI under the automatic route.  
In Brownfield projects, FDI is beyond 74% under government route.

### 1.3 VISION

The website of the Make in India program states that its goal is to

- (a) inspire confidence in India's capabilities amongst potential partners abroad, the Indian business community and citizens at large;
- (b) provide a framework for a vast amount of technical information on 25 industry sectors; and
- (c) reach out to a vast local and global audience via social media and constantly keep them updated about opportunities, reforms, etc.

The goal is to make the Make in India program a medium to overhaul outdated processes and policies and have change in Governments mindset - a shift from issuing authority to become a business partner.

Beyond the above statements there is no formal vision or mission statement stated either in content or in terms of a time line. Possibly this is because the entire program is being implemented not through visible or formal program management but as part of operational activity as part of the Department of Policy and Promotion (DIPP).

Since the major focus of the Make in India initiative is in manufacturing sector, let us look at this area.

The vision is stated in the National Manufacturing Policy or MMP (Boston Consulting Group, 2014). It looks at a growth rate of 12-14% in the medium term, Increase of share of manufacturing towards GDP to 25% by 2022 and 100 million jobs by 2022. It also considers creation of appropriate skill sets, technological depth, enhancing global competitiveness and ensuring sustainability of growth.

The policy and vision as stated in the Make in India website is considers a wide range of goals some explicit while others at high level and specifying broad parameters. Therefore, some effort will be required



to translate these into actionable objectives and in that sense it becomes somewhat difficult to scope the implementation of the initiative.

The challenge is also to translate the policy and vision through various initiatives comprising programs and projects. Formal project management knowledge and practice can provide considerable value in ensuring that goals and outcomes are achieved. This paper reviews and examines the current practices in the government with regard to project management standards and processes and provides suggestions on how they could be applied in practice.

#### 1.4 REQUIRED LEGISLATIVE ACTIONS

There is general perception that in order to create business friendly environment land acquisition needs to be made easy which the Land Acquisition Act of 2013 made difficult especially two provisions of it. One that requires the consent of 80 percent of the farmers whose land is to be acquired and another one that concerns social impact assessment of the acquisition. In order to remove this impediment present government attempted to amend the Land Acquisition Act 2013. It might have given right signals to the potential investors but the failure to get it passed so far must dampened it. Secondly, the move (of the government) has unwittingly created a general impression as if it is industry versus agriculture. Probably it ended up causing more harm than good. In fact land acquisition had already become a major political issue following some of the bloody clashes between farmers and police in different parts of the country, Uttar Pradesh, Haryana West Bengal and Odisha to name few. The question that arises is if land acquisition indeed is such a big requirement to attract investors. The issue needs examination. The Act that made acquisition a bit stringent came only in 2013. Prior to that the land acquisition used to be governed by the Land Acquisition Act 1894 (with minor amendments in 1960). So land acquisition was not that difficult but still it has not been the cause for major projects getting stalled (Bhardwaj, 2015). Vast amount of land acquired could not be used for the purpose for which it was acquired. Some of the acquired land still remains unutilized. These things made land acquisition vicious in the perception of the farmers. Meagre compensation to the farmers further compounded the problem.

Yet another question that arises, is it is a good economics to develop industry at the cost of agriculture? Since various acquisitions were of the fertile land with better infrastructure there is trade-off between agriculture and manufacturing. With extremely low employment elasticity in manufacturing (Mazumdar and Sarkar, 2007) acquisition of fertile land may not be good economics either. Thus there is need to allay the atmosphere of mistrust amongst the farmers.

Another area where legislative intervention is required is labour reform. Labour policy reforms in India are due for a long time, as the context in which they were framed has changed drastically. The Laws framed

mainly to cater the manufacturing sector, do not address the problems of the service sector, which today, accounts for 55 per cent of our GDP. The outdated and inflexible nature of labour laws protects a handful of say 6-7 percent of the workforce, seriously hampering employment generation capacity of the organized sector and most of the 10-12 million youth joining labour force every year, are forced to join informal economy, where the working conditions are pathetic and earnings are also abysmally. In the market economy of today, average self-life of a product is less than 6 months. Companies are under pressure to innovate, redesign and technologically upgrade the products to suit consumers' choices which is not possible without restructuring and rightsizing. Chapter V-B of the Industrial Disputes Act, 1947 enacted during emergency puts all these processes under Government purview which, it is assumed, has promoted industrial sickness. Further, India is perhaps losing investments to its neighboring countries.

The lack of easier norms for hiring and firing has been one of the major stumbling blocks for the National Manufacturing and Investment Zones, where the labour ministry and department of industrial policy and promotion have time and again tried to revisit the controversial Industrial Disputes Act, But with trade unions unwilling to budge on any such review, the labour ministry is thinking in terms of a more comprehensive review of the Act. "We want each amendment to be based on tripartite consultations where both employers as well as employees are on board.

India's labour laws - numbering around 250 both at central and state level - are restrictive in nature and hurt investments in the manufacturing sector. For example, the Industrial Disputes Act (1947) has rigid provisions such as compulsory and prior government approval in the case of layoffs, retrenchment and closure of industrial establishments employing more than 100 workers. This clause applies even when there is a good reason to shut shop, or worker productivity is seriously low.

If the job or the nature of work of an employee or group of employees needs to be changed 21 days' notice must be given under Indian law. While not particularly restrictive, in practice the changes also require the consent of the employees, and this can be tricky.

While the right of workers to associate is important, the Trade Union Act allows even outsiders to be union office bearers, leading to strikes and lockouts without any genuine grievances. This hurts investor faith in the process and restricts economic growth, which in turn results in a lack of jobs and rising unemployment. Rigid labour laws discourage firms from introducing new technology that would require some workers to be retrenched. Foreign investors are put off, worried they would be unable to dismiss unproductive workers or downsize during a downturn.

So there is no doubt some of these legislations need to be revisited but again things need to be handled carefully so as to ensure the legitimate rights of the workers are not taken away. It too has potentials to create labour unrest. The atmosphere of mutual mistrust must not allowed to develop.

## References.

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