Empowering Entrepreneurial Ecosystem in Manufacturing Sector to Support “Make In India”

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Abstract:

“Believe you can and you are half way there”
Theodore Roosevelt

The world economy is recovering from an extended slowdown expecting higher growths over the next few years. India is known for its services exports, but many doubt its ability to export manufactures, to change this perception and keep up the theme of development, our Prime Minister Narendra Modi launched the ‘Make In India’ campaign which aims at transforming India into a manufacturing leader and ensuring a smooth sailing for investors. The Indian industrial sector is important for country’s economic progress. This sector facilitates not only in meeting domestic demand but also reducing import dependence and providing employment opportunities to millions of people.

The objective of this mega campaign is to ensure that manufacturing sector which contributes around 15% of the country’s Gross Domestic Products is increased to 25% in next few years. It intends to facilitate investments, foster innovation and build best-in-class manufacturing infrastructure. The recent measures announced by the new government such as the focus on clearing stalled projects, new institute to replace Planning Commission and amendments in labor laws would be instrumental in fostering growth and going ahead.

This paper aims at taking an overview about Make in India initiative and the central and state government’s attempt to achieve the dream of “Make In India”

Keywords: Indian industrial sector, economic progress, ‘Make In India’ campaign.

Introduction: Manufacturing sector is the backbone of any economy as it fuels growth, productivity, employment and strengthens other sectors of the economy. The situation of manufacturing sector in India is a cause of concern especially when seen in comparison to the massive transformation registered in this sector by other Asian countries in similar stages of development such as Thailand’s manufacturing sector value added to GDP is around 34%, China 32%, South Korea 31%, Indonesia 24% and Germany 22%. With just 16% value added of manufacturing to India’s GDP, this sector does not seem representative of its potential which should have been 25%. India is rated at 134th out of 189 economies on Doing Business Index 2014 by World Bank and IFC. According to ‘2013 Global Manufacturing Competitiveness Index (GMCI)’, India’s ranking slipped to 4th from 2nd rank in the 2009-10 Global manufacturing competitiveness Index after China. However, according to the projections for 2017-18, India is expected to register an index of 8.49 and reach 2nd rank after China.
The Prime Minister Narendra Modi, prior to the commencement of his maiden US visit, launched ‘Make in India’, a major national initiative which focuses on making India a global manufacturing hub with an aims to make global investors look at India not merely as a market, but as an opportunity. Key thrust of the programme is on cutting down delays in manufacturing projects clearance, developing adequate infrastructure and make it easier for companies to do business in India. The national programme aims at time-bound project clearances through a single online portal and also aims at addressing key issues including labor laws, skill development and infrastructure.

What is 'Make in India' program?
The Hon’ble Prime Minister, Shri Narendra Modi envisions a breakthrough in the manufacturing Sector. He talked about a concept of ‘Make in India’ as a major indication of his focus to drive the manufacturing sector. The launch of Make in India is expected to turnaround India’s growth story by facilitating the inflow of new technology and capital, while creating millions of jobs and putting India prominently on the global manufacturing map. The “Make in India” program has come up with new initiatives intended to facilitate investment, foster innovation and build best-in-class manufacturing infrastructure. It aims to encourage overseas companies to go for manufacturing in India and also encourage domestic companies to increase production within the country. Fostering innovation, protecting intellectual property and enhancing skill development are the other aims of the initiative 'Make in India'.

Twenty Five Major 'Make In India' Focus Areas:

<table>
<thead>
<tr>
<th>Automobiles</th>
<th>Automobile Components</th>
<th>Aviation</th>
<th>Biotechnology</th>
<th>Chemicals</th>
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<tbody>
<tr>
<td>Construction</td>
<td>Defence manufacturing</td>
<td>Electrical Machinery</td>
<td>Electronic systems</td>
<td>Food Processing</td>
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<td>IT and BPM</td>
<td>Leather</td>
<td>Media and Entertainment</td>
<td>Mining</td>
<td>Oil and Gas</td>
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<td>Pharmaceuticals</td>
<td>Ports and Shipping</td>
<td>Railways</td>
<td>Renewable Energy</td>
<td>Roads and Highways</td>
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<tr>
<td>Space</td>
<td>Textiles and Garments</td>
<td>Thermal Power</td>
<td>Tourism and Hospitality</td>
<td>Wellness</td>
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Major Policies Under The 'Make In India' Initiative:
1. New Initiatives: This initiative aims to improve the Ease of Doing Business in India, which includes increasing the speed with which protocols are met and increasing transparency. Here's what the government has already rolled out

Environment Clearances Can Be Sought Online.
All Income Tax Returns Can Be Filed Online.
Validity Of Industrial License Is Extended To Three Years.
Paper Registers Are Replaced By Electronic Registers By Businessmen.
2. Foreign Direct Investment (FDI): The government has allowed 100% FDI in all the sectors except Space (74%), Defence (49%) and News Media (26%). FDI restrictions in tea plantation has been removed, while the FDI limit in defence sector has been raised from the earlier 26% to 49% currently.

3. National Manufacturing:
Here the vision is
- To increase manufacturing sector growth to 12-14% per annum over the medium term.
- To increase the share of manufacturing in the country’s gross domestic product from 16% to 25% by 2022.
- To create 100 million additional jobs by 2022 in manufacturing sector.
- To create appropriate skill sets among rural migrants and the urban poor for inclusive growth.
- To increase the domestic value addition and technological depth in manufacturing.
- To enhance the global competitiveness of the Indian manufacturing sector.
- To ensure sustainability of growth, particularly with regard to environment.

Make In India - Central Government Initiatives

Action Completed

Unified online portal (Shram Suvidha) for:
- Registration of Labour Identification Number (LIN)
- Submission of returns
- Grievance redressal
- Combined returns under 8 labour laws

Online portals for Employees State Insurance Corporation (ESIC) and Employees Provident Fund Organization (EPFO) for:
- Real-time registration
- Payments through 56 accredited banks
- Online application process for environmental and forest clearances
- 14 government services delivered via eBiz, a single-window online portal
- Investor Facilitation Cell established
- Consent to Establish/NOC no longer required for new electricity connections
- Documents reduced from 7 to 3 for exports and imports

Option to obtain company name and DIN at the time of incorporation

Simplified forms for:
- Industrial License
- Industrial Entrepreneurs Memorandum
- Many defense sector dual-use products no longer require licenses
- Validity of security clearance from Ministry of Home Affairs extended to 3 years
- Extended validity for implementing industrial licenses
- No distinction between partial and full commencement of production for all products
- Color-coded maps for locations requiring NOC from the Airports Authority of India hosted online
Measures Underway

- Eliminate requirement of minimum paid-up capital and common seal
- Integrate processes for obtaining PAN, TAN, ESIC and EPFO registration with incorporation of company
- Single-window clearance for import and export

State Government Initiatives

Action Completed

- GIS-based land identification system (Gujarat)
- Online consent system for Pollution Control Board (Gujarat)
- Online consent system for environmental clearances (Chhattisgarh)
- Extended validity of consent under environmental provisions (Chhattisgarh)
- Unified process with single ID for VAT and Professional Tax registration (Maharashtra)
- Number of procedures and time for getting an electricity connection reduced (Maharashtra)
- Commercial benches established in Mumbai High Court (Maharashtra)
- Creation of Invest Punjab, as a one-stop clearance system for investment projects (Punjab)
- 131 industries exempted from consent requirement by Pollution Control Board (Punjab)
- Real-time allotment of TIN - Taxpayer Identification Number (Delhi)
- Online application portal for residential and industrial building permits (Delhi)
- Commercial benches established in High Court (Delhi)
- Online portal for construction permits for institutional and commercial buildings (Delhi)
- Static check posts replaced by mobile squads (Uttarakhand)
- Green industries exempted from inspection by Pollution Control Committee (Puducherry)
- Checklist for 86 government services and delivery timelines across 23 departments/organizations made available on Karnataka Udyog Mitra, an online portal (Karnataka)

Measures Underway

- Online portal for the grant of construction permits (Mumbai)
- Joint inspection by all departments to grant NOCs for construction permits (Mumbai and Delhi)
- Simplified procedure to install electricity connection in 15 days (Delhi)

The Ph.D. Chamber Suggests Few Measures To Enhance Growth And Productivity Of Manufacturing Sector And To Increase Its Share In GDP.

Improve the Ease of Doing Business

India has been placed at 134th position in Doing Business Index 2014 by World Bank and IFC while it stands at 179 in the ranking of 189 economies on the ease of starting a business which is below those of the neighbors like Sri Lanka at 85th position, Nepal at 105th, Pakistan at 110th and Bangladesh at 130th.

Factors which impact the ease of doing business

- Delays in land acquisition, municipal permission, supply of materials, award of work, operational issues, drag down implementation of the projects.
Complex and prolonged clearance mechanism for projects pertaining to the environment.

Project moves through multiple departments and processes at the state and Central levels, which considerably delays the processes.

Multiple agencies are involved and various approvals required across different stages of the project cycle.

**Solutions which will improve the ease of doing business**

- Single window clearances with effective coordination between centre and state governments.
- In some states such as Tamil Nadu, there are single window clearances, similar model should be adopted by different states across the country as well.
- Digitization of all the departments of the Government of India with electronic filing and fulfillment of procedures.
- Create a central cloud where all States should have access and all approvals should be done electronically.

**Enhance R&D activity**

- India spends less than 1% on R&D which is much lower in comparison to 3.5% for Japan, 3.5% for South Korea, 2.7% for the US, and 1.6% for China.
- Even with its large population, which is estimated to become the largest in the world by 2025, there is an estimated 25% shortage of engineers in the country. This is different than China and South Korea that produce large number of engineers each year, more than any other country in the world.

**Suggestions**

The R&D activity helps in strengthening global competitiveness with productivity improvements and product innovations. It is seen that competitiveness in technology intensive industries cannot be secured on the basis of import of technology alone, therefore for technological upgrading of India's manufacturing sector emphasis should be laid by the corporate sector to in-house R&D activity aiming at efficiency, innovations and new product developments.

**Improve MSMEs’ competitiveness**

The financial and manpower definition of MSMEs is far away from the global standards and probably due to this our MSMEs contribution towards the economy is not that much significant as been observed by many advanced, emerging and developing economies. The following suggestions could improve the competitiveness of the MSMEs sector and help its increased participation in the economic system.

**Suggestions**

- MSMEs scale should be increased manifold in terms of financials and manpower so that
more and more companies come under MSMEs and existing MSMEs are also able to expand their capital base. It should be comparable with the global standards.

- The new companies act has been observed a deterrent to the competitiveness of the MSMEs sector as the sector may not be able to comply with the provisions made in the act. It can have impact on the ease of doing business which is already in weak trajectory. So, the new companies act needs to be revisited in consideration with the various issues and challenges to the small scale sector.

- Apprenticeship Act needs to be amended to facilitate the employment scenario. Each factory should be considered as a skill development centre with the enhanced limit of apprentices.

**Upgrade infrastructure**
Building a high class infrastructure is crucial for the effective functioning of the industrial sector especially for the manufacturing competitiveness. It is widely acknowledged that infrastructure deficit is by far one of the most binding constraints in accelerating manufacturing sector growth. We should aim to improve current state of the art infrastructure that would be critical to fasten the industrialization process.

**Reforms in Power Sector**
Availability of power is a major issue in almost all states of northern India and should be addressed by the government. Coal plays significant role in India’s industrial output growth, as our industries are largely dependent on indigenous coal production and around 66% of India’s power generation is coal based.

**Suggestions**
- Energy infrastructure should be developed with upgradation of technology and strengthening of high capacity national transmission grid.
- Transportation of power is far cheaper than transportation of coal. As 53% of railway freight is used in transportation of coal, new power plants should be located within the radius of 50 to 100 km of coal pits
- Availability of power and reduced power rates
- Idle Power generation capacity should be utilized
- Restructuring of discoms need to be implemented in spirit
- Drip irrigation has to be given top most priority to save 15% power and saving of precious water.

**Availability of land**
The cost of acquiring land is increasingly affecting the viability of industrial projects. High consent rates will also make acquisitions very difficult thereby eroding the competitiveness of Indian manufacturing sector.

**Suggestions**
- The Land Acquisition Act should be revisited.
To tackle the problem of land acquisition, there should be creation of land banks at the State level which is similar to clusters approach of the government.

Gujarat model of land acquisition can be followed.

Reforms in labor laws
The current market scenario demands flexible form of employment and flexibility in handling workforce to address sudden upsurge and downturn in the cyclic demands of the market, as well as, hiring manpower to execute time bound projects/export commitments. Rigidity in labor laws in India does not allow flexibility as a result; industry is inclined to take capital intensive routes to production and services, which is not in the socio-economic interest of the country as we have a backlog of 40mn unemployment which is further added by 13mn youth joining the labor force every year.

Suggestions
- Repeal the existing labor laws which put unnecessary regulatory burden on businesses.
- Simplify the exit rules for Indian and foreign entities
- Single comprehensive law related to labour's safety, welfare and rights would be critical to industrial expansion and job creation.
- The Contract Labour (Regulation & Abolition) Act, 1970 puts a number of conditions on industry’s demand for hiring contract labor. To enable industry to engage contract labor freely, such act should be revisited and revised

Addressing the tax concerns
Taxation in India needs structural, operational and administrative reforms as the Indian tax regime is not conducive to fostering growth. According to World Bank, India ranks 158th in terms of overall ease in tax payment out of 189 countries.

Suggestions
- Simplified, rationalized and long term stable taxation system is required.
- The implementation of GST will also provide a more enabling environment for India’s trade and industry and lead to a single common market across the Indian states.

Improving governance with digitization- electronic filing
There should be digitization in all departments of the government with electronic filing. There is a need for creation of a central cloud where all states should have access and all approvals should be done electronically. Information technology in public service delivery should be promoted as this will ensure greater accountability and transparency in the service delivery mechanism. There is a need for minimizing discretionary interface/interpretation in the government. The contracts already entered into with PSUs, submission of execution reports and request for payments due should be brought into e-governance mode.

Skill Development
Improving factor productivity depends significantly on raising the skill endowment of the labor force. The skills gap is no longer just a handicap; it is turning out to be a crisis. Our
industry is facing an acute shortage of skilled manpower in various sectors including ITES, biotechnology, healthcare, food processing and construction among others.

Suggestions

- Encourage private sector to have approved training programs.
- National campaign on skill development by increasing the centers from 9500 to minimum 1,00,000 in 3 years

Manufacturing growth amongst Indian states

Growth of manufacturing sector is significantly better in the states of Himachal Pradesh (12%), Uttarakhand (11.7%), Tamil Nadu (9.7%), Gujarat (8%) and Assam (7.7%) as compared to the states experiencing low growth in the manufacturing sector namely Jammu & Kashmir (4.3%), Chandigarh (3.3%), Bihar (3%), Rajasthan (2.5%), Madhya Pradesh (2.4%) and Chhattisgarh (-3.4%).

Average Manufacturing Growth from FY 2009 to FY 2014

<table>
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<tr>
<th>Sr. No.</th>
<th>State</th>
<th>Average Manufacturing Growth From FY 2009 To FY 2014</th>
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<tbody>
<tr>
<td>1.)</td>
<td>Himachal Pradesh</td>
<td>12.0</td>
</tr>
<tr>
<td>2.)</td>
<td>Uttarakhand</td>
<td>11.7</td>
</tr>
<tr>
<td>3.)</td>
<td>Tamil Nadu</td>
<td>9.7</td>
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<tr>
<td>4.)</td>
<td>Gujarat *</td>
<td>8.0</td>
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<tr>
<td>5.)</td>
<td>Assam</td>
<td>7.7</td>
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<tr>
<td>6.)</td>
<td>Andhra Pradesh</td>
<td>6.9</td>
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<tr>
<td>7.)</td>
<td>Punjab</td>
<td>6.0</td>
</tr>
<tr>
<td>8.)</td>
<td>Odisha</td>
<td>5.8</td>
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<tr>
<td>9.)</td>
<td>Haryana</td>
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<tr>
<td>10.)</td>
<td>Kerala *</td>
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<td>11.)</td>
<td>West Bengal</td>
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<tr>
<td>12.)</td>
<td>Jharkhand</td>
<td>4.8</td>
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<td>13.)</td>
<td>Maharashtra</td>
<td>4.7</td>
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<tr>
<td>14.)</td>
<td>Uttar Pradesh</td>
<td>4.6</td>
</tr>
<tr>
<td>15.)</td>
<td>Jammu &amp; Kashmir</td>
<td>4.3</td>
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<tr>
<td>16.)</td>
<td>Arunachal Pradesh</td>
<td>4.2</td>
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<tr>
<td>17.)</td>
<td>Chandigarh</td>
<td>3.3</td>
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<td>18.)</td>
<td>Puducherry</td>
<td>3.1</td>
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<td>19.)</td>
<td>Bihar</td>
<td>3.0</td>
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<tr>
<td>20.)</td>
<td>Rajasthan</td>
<td>2.5</td>
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<td>21.)</td>
<td>Madhya Pradesh</td>
<td>2.4</td>
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<tr>
<td>22.)</td>
<td>Karnataka</td>
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<tr>
<td>23.)</td>
<td>Andaman &amp; Nicobar</td>
<td>0.6</td>
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<tr>
<td>24.)</td>
<td>Chhattisgarh -</td>
<td>3.4</td>
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Source: Ph.D. Research Bureau, compiled from CSO, MOSPI, Government of India
The states witnessing higher growth in the manufacturing sector should be considered as model states and the growth strategies followed by these states should be adopted by other states also in order to boost growth of the manufacturing sector.

**Industry and The Government can Contribute To Actualizing The ‘Make In India’ Campaign:** The rules and regulations that any manufacturer needs to follow are simply humongous. As Ninan writes: “A policy statement issued in 2011 (two full decades after 1991) recognized that the average manufacturing company has to comply with seventy laws, face multiple inspections and file as many as 100 returns in a year. Bear in mind that these returns were being filed (or not filed) by small and medium enterprises that accounted for 45 per cent of manufacturing output and 40 per cent of merchandise exports.”

The typical roadblocks are difficulty in setting up business, unfavorable policies like retrospective tax, delay in project set up, litigations related to land, poor infrastructure, a lack of available skills and corruption. The industry should invest in developing skills and research on technology, set-up plants in rural belts, work with local government to improve infrastructure, adapt villages, schools and colleges as part of their CSR to impart quality education in rural areas. Bring in the required reforms like labor reforms, make good infrastructure available, reduce red tape for clearances; Build the required skills in the workforce and offer strong vocational training and skill-building; Invest in R&D; create world-class quality, achieve mastery in technological advancements and develop research-oriented curriculums.

**Conclusion:** The government can fund Centres of Excellence in IIM and IITs for creating value-adding processes from business strategy to technology management, thus focusing on the full-range of manufacturing research bringing world-leading industries, academia together in India. This is essential to build a competitive advantage in Indian manufacturing. It will certainly be refreshing to see the ‘made in India’ label on every product on the shelf, for the consumers and professionals in the manufacturing industry.

The Make in India Strategy adopted by the Indian Prime Minister Shri Narendra Modi aims to facilitate investment, foster innovation, enhance skill development and build a sustainable eco-system for the manufacturing infrastructure in the country. These measures have succeeded in raising the business confidence in India. The stage has been set through these industry and MSME interventions for a larger share of global business in India which presents opportunities for MSME integration in almost all industry sectors.

**Take Care:** Although a sound beginning has been made for the ‘Make in India’ campaign, now the ball is in the government’s court to ensure its success. Caution should be taken that, while it is great to ‘Make In India’, **what to make?** The foreign designs for foreign marketers to loot the cheap starving labors of their fair and deserving Wages? We need to ensure that India does not become the low-cost, low-value assembly line of the world. If that happens, the growth will come at a heavy price and pain to our countrymen. It should not make the great India once again a slave to serve them. India should also do original research & design virgin products with global patents registered for “Make in India”
with proper skill training with deserving wages paid to all, using the ideas of the youth, the wisdom of the ages and the vibrancy of a democracy.

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- Make in India Bolstering Manufacturing Sector pdf