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Rejuvenation of 'Make in India'

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Abstract

Initially, Covid-19 outbreak drew the progressive economy towards regression, but later with India being seen as a prime investment destination over China exacerbating the current scenario, there is a comeback of the failed campaign 'Make In India' to light, with global pharmaceuticals companies eyeing on India. Therefore there emerges a need for Make In India to be catering not just the pharmaceutical companies, but it is the right time to cater to other companies, as well, in various sectors to look at India as a profitable destination.

Keywords: Make in India; Investment Destination; Privatization; Disinvestment; Global Attention; COVID

1. Introduction

Nations across, go out of their way to attract FDIs by reviving their policies to suit the expectations of capitalists. India, a developing country, is portrayed and perceived, as a nation with orthodox citizens, corrupt system adversely affecting investor's interests and rich in natural resources, nonetheless, remains a developing country. India, being an investor friendly nation, is assessed erroneously by the International Rating Agencies, regardless of the potential it possess. The very visit of the Portugal sailor to India is self-explanatory to speak about India's richness in resources.

Conceptualizing the comeback of Make In India, the paper deals with the promotion of India as an 'Top Investment Destination' not among SAARC, but across nations. India, few instances, suffered diametrically conflicting political ideologies and overtones, but Governance has remained commendable over the years, especially the period 1991 leading towards LPG.

The new government has to put the economy back on the growth trajectory in the wake of COVID outbreak and economic sabotages India suffered, which is in the reckoning.

For a developing country like India, FDIs and FIIs play a significant role in increasing the labour productivity, decline of unemployment and poverty ratio, strengthen foreign exchange reserves and eventually causing positive impact on BOT and BOP. Reasons for the inflow and withdrawals of foreign funds must be explicitly comprehended by the policy makers.

The fundamental point of this mission is to bring overall development across various sectors in India like, Infrastructure, Power Sector, Banking, Oil and Gas, Metals and Mining and so on. This campaign intended to impact the India manufacturing sector positively, leading the economy towards development, job creation and recovery of the position in Asia' Investors perception.

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2. Comeback

'Make for the World' was an appeal by the Prime Minister from the ramparts of the Red Fort in his 74th Independence Day speech. The graduation from 'Make in India' to 'Make for World' despite yet to recover to the pre-lockdown stage reflects his confidence in achieving the set target. The Covid19 pandemic has not left unscathed any country across the world. The International Monetary Fund (IMF) in June 2020 predicted that the global economy would contract at (-) 4.9% and the Indian economy at (-) 4.5%. In response to the negative impact of the coronavirus on the healthcare of citizens and the economic impact on the Indian economy, the Government under the leadership of the Prime Minister, Narendra Modi gave a clarion call for an 'Atmanirbhar Bharat' ie a 'self-reliant' India. He also propounded the term 'Vocal for Local'.

Does an Atmanirbhar Bharat mean being protectionist and anti-trade? If yes, considering that we are in a globalised world this would contradict the 'Law of Comparative Advantage' advocated by David Ricardo in 1817. The law simply means that if countries have a comparative advantage in producing a good in terms of efficiency and price over others then they should utilize their resources in the production of this commodity and subsequently trade with others. The net effect will be that countries across the world would stand to be gainers from international trade. Thus, in our perspective too, even with the existing geopolitical tensions the call by the Prime Minister was not for contradicting the law of comparative advantage and being protectionist or anti-trade. But by being Atmanirbhar, the endeavour is to build a self-reliant India. While emphasising on export promotion focusing on indigenous strengths as per the comparative cost advantage, the PM showed his interests in acquiring state of the art technology as modern international trade suggests. Advance in nuclear, space technology, IT is just a few cases of pride. After all, security was monitored by indigenous drones while the PM was addressing the nation.

A self-reliant India would mean an India reducing its over-dependence on imports by focusing on 'Make in India'. Self-reliance means strengthening the country's competitive power in the long run unlike import substitution of the seventies. The natural evolution of any economy has been from an agricultural state to an industrialized nation to a services dominated nation. Industrialization generates employment opportunities, encourages better utilization of resources, provides a variety of goods and services at cheaper prices and of better quality to its citizens. However, as is widely known India largely moved from being an agricultural state till late 1980s-early 1990s to being a services dominated nation post-1990s. Thus, we largely jumped the industrialization phase and lost out on its benefits.

In today's date, an Atmanirbhar Bharat will help us regain the lost ground of industrialization. A self-reliant India would be an India which is built on the pillar of ease of doing business and better infrastructure facilities available for industrialists to invest in manufacturing. This would help generate jobs and employment taking advantage of the demographic dividend and leading to more income in the hands of individual resulting in higher demand for products and services. Higher demand will incentivise producers to further expand and diversify, once again propelling India in the growth trajectory path.

An 'Atmanirbhar Bharat' is envisioned as one where trade imbalances are reduced by identifying industries where it has a comparative advantage and the potential and capability to scale up and be globally competitive. The endeavour of the Government by way of structural measures should identify certain industries for special treatment in terms of technological up-gradation, taxation, clearances etc. and evolve and engineer a shift from low-end manufacturing to a high-end producer of goods. The Government should create an environment to reduce dependence on global suppliers and encourage domestic industries to develop so that they are able to withstand global competition instead of operating in a protectionist environment.

A self-reliant India will be a country building on its existing skillsets and being 'Vocal for Local' in areas where it has a comparative advantage such as handicrafts and other labour-intensive industries ie apparel, leather, food processing etc. To take an example, the Khadi brand which used to be the politicians' attire has converted its brand image to a fashion item and promoted itself through an appropriate marketing strategy. It is necessary to ensure that India ensures balanced regional development by encouraging local products and being 'Vocal for Local' on the one hand while on the other it should work towards industrialising itself and moving up the value chain. "An India should not be one which keeps exporting raw material and importing finished products" as said by the Prime Minister. Rather, it should also be

a technology-driven country encouraging innovation resulting in value addition and moving up the manufacturing value chain to capital intensive manufacturing. This will ensure that we are able to move towards a better standard of living and improve on per capita income. To put the same in perspective, India's per capita income (nominal) is approx. US\$ 2,388 while that of China and USA is US\$10,872 and US\$ 67,000 resp. So does India have considerable catching up to do? Yes, it does. Policies and structural reforms such as the New Education Policy, building its infrastructure by integrating key modes of transportation ie air, road, rail and waterways etc. will go a long way.

This is an opportune time for the Government and fellow Indians to reboot, redraw and reinvent the wheel of progress and paint a new standing in the World Economic Order. A few structural measures which would help us on move on this path would be:

2.1. Land and labour reforms

Which are on the anvil and have been indicated by the Prime Minister. With regards to ease of doing business, land and labour are still the two existing challenges for any industrialist. Structural reforms in land and labour around transparency and acquisition of ownership, over 200 state labour laws and 50 central labour laws making it cumbersome for industrialists to operate etc are needed. Encashing on his tremendous goodwill which is still 78%, the PM should go ahead with big-ticket reforms especially land and labour. In order to attract investment foreign and domestic investors, it is crucial to reform the Industrial Disputes Act 1947 and Contracts labour acts. Similarly, Insolvency and Bankruptcy Code should be made operational again at the earliest.

2.2. Reforming of the judiciary

The next area for the Government to focus on should be the judiciary. Even under the ease of doing business rankings, India ranks at 163rd on the parameter of Enforcing Contracts. This is a reflection of the state of the judiciary in India and is a major negative for investors. In the Economic Survey Of 2017-18, it was stated that India needs to address "pendency, delays and backlogs in the appellate and judicial arenas". Should dispute resolution like out of court settlement, mediation and arbitration be permitted as is in other nations across the World?"

2.3. Research and Development

India spends 0.7% of GDP on research and development which is far lower than other BRIC nations, Israel (4.6%), USA (2.8%), Japan (3.2%), UK (1.7%), Canada (1.6%), Brazil (1.3%), China (2.1%) etc. This is abysmally low when compared to developed and developing nations. Thus, if India wants to reposition itself in the global economic order and ensure that it is able to produce products of a global standard it needs to put in more money in research and development.

2.4. Federal State

While the roadmap for a federal state ie Centre and States working together has already been put in place, the pandemic has shown that for an effective outcome on the ground level and for the country to be able to defeat the virus both the Centre and States needed to work hand in hand. With regards to economic growth also, it should be kept in mind that GDP is not only a Centre subject. The State should bear equal responsibility and create a conducive environment for wooing of industries into its geography, thereby creating livelihood for its people and decongesting cities and metros. The same will be a panacea for the overall economic development of the country.

2.5. Skillset Mapping

What the country needs now is to map the skill set of its citizens and attract entrepreneurs and foreign investors accordingly. Skill sets should be mapped region-wise and industries should be set up there itself which will take care of a three-point agenda: the first being providing livelihood to its people and generating income, the second being the production of goods and services and the third being balanced regional development.

2.6. Quality Education

Yes, the focus of the New Education Policy moving away from rote learning to more meaningful learning is certainly going to be positive for the country. With universal primary education being compulsory (schemes such as midday meal etc. have worked positively in ensuring that students attend school), India still needs to ensure that it is quality education which is provided for in the Government and public schools. Centres of excellence should be built by identifying brilliant students from families irrespective of caste and creed. The government should aim for special grooming of talented kids right from an elementary stage. With vocational training being provided in the initial years the country would have already started moving on the path of skill development.

2.7. Healthcare Sector

Another area where India needs to work on is the healthcare sector. To be able to cover lost ground in terms of per capita income the country needs to ensure that not only health for all i.e. Aayushman Bharat scheme is prevalent but quality health is available to its citizens. Yes, initiatives like National Health Digital Mission will play a catalyst role but improving on the quality of healthcare provided and better existing infrastructure will optimise healthcare indicators such as mortality rate etc.

2.8. Science-based Industrial Parks

In reaching the set target, NRIs can play a pivotal with their talents and resources. India should create the required environment to attract them back home. Best practices on the lines of Taiwan's experiment of building exclusive townships can be seriously deliberated upon and executed with all facilities such as state of housing, world-class schools for children, R&D facilities, banking, clearance process, healthcare and entertainment avenue etc.

2.9. Administrative Reforms

Perhaps one of the toughest to undertake as the task has to be achieved using the very same bureaucracy. But the incumbent PM with determination backed by stable government and goodwill of the people can venture into implementing recommendations getting dust over four decades. After all, the Government has been able to successfully build a faceless tax system, an unimaginable reform sometime back.

Last but not the least, these measures will pave the path for an Atmanirbhar Bharat” and ‘Make in India’ to ‘Make for World’ as declared by the Prime Minister in his Independence Day Speech 2020 from the Red Fort. [1]

Modi’s message to investors presenting India as destination they cannot ignore comes at a time many multinational corporations are exploring a China plus one strategy for developing their value chain, to de-risk any disruption in the future. Modi also said that because of the advantages India is enjoying, the country is becoming one of the leading destinations for foreign investment.

“Be it America, or the Gulf, be it Europe or Australia, the world believed in us. We have received over \$ 20 billion of foreign investment flows during this year,” the Prime Minister said, adding that companies like Google and Amazon have announced long term plans for India.

Among the advantages that India offered to investors are transparent and predictable tax regime, a tax system that encourages and supports honest tax payers and a bankruptcy code that reduced the risks in the financial system. “Our labour reforms will reduce compliance burden for employers and provide social security protection to workers,” Modi said.

Modi also said that a self reliant and peaceful India ensures a better world. India has political stability, policy continuity and commitment to democracy, he said.

Modi’s call to the US body comes just days after the trade ministers of India, Australia, and Japan in a meeting on Tuesday deciding to launch an initiative on supply chain resilience and invited like-minded countries in the Indo-Pacific region to join the initiative. The move aims to counter China’s dominance of global trade and supply chains.

India has been looking to establish itself as a manufacturing base for some years. In 2014, Modi unveiled the Make in India programme aimed at making India a manufacturing hub but investors have been seen as reluctant to come to the country. But with the pandemic putting question marks on China’s reliability as a supplier, India has been making efforts to woo investors and companies looking to exit China.[2]

3. Right Place for Global Investments

In such unprecedented times, agile but decisive investment decisions can be the key to unlocking superior returns. Foreign institutional investors are now looking to not only diversify their supply chains but also invest in well-grounded economies. India provides this platform through its friendly foreign investment policies and availability of inexpensive skilled labour.

Post the dotcom bubble burst in 2002, India proved to be an excellent destination for foreign companies to outsource their software functions, thus setting up the ‘world’s back office’. Fast forward to 2020, the 400 million-strong workforce

of India provides a strong resource for companies to employ at inexpensive rates as even the once labour-intensive manufacturing industry will transition to automated machinery over the next decade. This will require a different skill set to operate and India possesses this in abundance. In 2019, due to China's demographic features, its workforce decreased in size. India's growing skilled workforce provides a much more sustainable resource.

Another major factor of production, i.e land, is being offered at favourable rates to foreign companies which are looking to diversify their supply chain processes to India. The Indian government is in the process of identifying 4.6 lakh hectares of land, of which 24% is in industrial areas. This along with other financial incentives like tax breaks, tax holidays, etc. are all being looked at in a bid to attract foreign investment.

India witnessed an FDI inflow of \$51 billion in 2019 which was a 20% year-on-year increase. While the United Nations Conference on Trade and Development (UNCTAD) has projected a decrease in inflows through 2020, it also foresees foreign investment to pick up and increase exponentially over the next decade. Signs of early investment which have the potential to effectively augment the economic output of the country comes in the form of Google's plan to invest \$10 billion over the next 5 to 7 years.

While FDI investments are made with the expectation to drive macro-economic growth over many decades, FPI investments are comparatively much smaller in size and are invested in liquid assets in search of capital gains over a much shorter term. These investments generally follow FDI investments and are affected by factors such as interest rates, real estate markets and stock market volatility. In the current economic climate with falling interest rates and low rental yields, equity markets are a more lucrative investment option for investors hoping to beat inflation.

The benchmark indices returned 16% CAGR from the start of the bull market in October 2008 till the peak of the markets in January 2020. As an emerging market, similar growth in the equity markets can be expected over the next decade with accelerated economic growth. With near-zero interest rates in developed countries like the USA as well as in Asian countries like Japan, India offers foreign investors an opportunity for interest rate arbitrage. Investors in Indian sovereign bonds stand to reap healthy returns from one of the highest credits rated countries in the world.^[3]

Current Challenges and Improvement Areas India is definitely a lucrative place for FDI, but there are certainly some challenges and areas for improvement still present. Until, these areas are honed to perfection, India will not become the number one place for FDI.

India is focusing on maximizing political and social stability along with a regulatory environment. In spite of the obvious advantages of FDIs, there are quite a few challenges facing larger FDIs in India, such as:

- Resource challenge: India is known to have huge amounts of resources. There is manpower and significant availability of fixed and working capital. At the same time, there are some underexploited or unexploited resources. The Foreign Direct Investment: Impact on Indian Economy 23 resources are well available in the rural as well as the urban areas. The focus is to increase infrastructure 10 years down the line, for which the requirement will be an amount of about US\$ 150 billion. This is the first step to overcome challenges facing larger FDI.
- Equity challenge: India is definitely developing in a much faster pace now than before but in spite of that it can be identified that developments have taken place unevenly. This means that while the more urban areas have been tapped, the poorer sections are inadequately exploited. To get the complete picture of growth, it is essential to make sure that the rural section has more or less the same amount of development as the urbanized ones. Thus, fostering social equality and at the same time, a balanced economic growth.
- Political Challenge: The support of the political structure has to be there towards the investing countries abroad. This can be worked out when foreign investors put forward their persuasion for increasing FDI capital in various sectors like banking, and insurance. So, there has to be a common ground between the Parliament and the Foreign countries investing in India. This would increase the reforms in the FDI area of the country.
- Federal Challenge: Very important among the major challenges facing larger FDI, is the need to speed up the implementation of policies, rules, and regulations. The vital part is to keep the implementation of policies in all the states of India at par. Thus, asking for equal speed in policy implementation among the states in India is important.
- India must also focus on areas of poverty reduction, trade liberalization, and banking and insurance liberalization. Challenges facing larger FDI are not just restricted to the ones mentioned above, because trade relations with foreign investors will always bring in new challenges in investments. [4]

4. Conclusion

Undoubtedly, at an unpropitious time, India was battered by pandemic effects oneconomy in last few months . Disregarding this pandemic effect, Government has to make a cautionary move in reviving the whole economy with the global pharmaceuticals companies eyeing on India to expand their profitability and to meet the forecasted global demand.

Seems to be the right time and opportunity for the government in attracting foreign investors to concentrate not just on Pharmaceutical Sector, but other sectors as well. To enable this every district in India has to be improvised on par with the global standards, especially tier-I and tier-II cities in India. In the name of rural development, the concentration and improvising tier-I and tier-II has been gradual not substantial.

Compliance with ethical standards

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