# Mains Practice Question

**Q.** Make in India, which was envisaged to boost manufacturing in India, has failed to meet its objective. Critically examine. (150 words)

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## Approach

- Briefly mention the aims and objectives of 'Make in India' campaign.
- Give a comparative analysis of its objectives and respective outcomes achieved.
- Mention the issues faced by Indian manufacturing sector.
- Conclude by mentioning a few steps taken by government and suggestions to improve the situation.

## Introduction

- The 'Make in India' initiative was launched in 2014 with the objective of promoting India as an important investment destination and a global hub in manufacturing, design and innovation.
- This initiative aims to create a conducive environment for investment, development of modern and efficient infrastructure, opening up new sectors for foreign investment and forging a partnership between government and industry through a positive mind set.

## Body

The key outcomes in the last 5 years with respect to the desired objectives can be analyzed in the following manner:

| Parameters | Objectives/ Targets | Outcomes |
|---|---|---|
| Manufacturing sector growth: | Increasing it to 12-14% per annum over the medium term. | 6.9% (2018-19) |
| Share of manufacturing sector in GDP | 25% by 2022 | 16.4% (2018-19) |
| Additional jobs creation | 100 million by 2022 | Unemployment Rate = 6.1%<br>Highest in last 45 years (PLFS) |

Other objectives include **skill development, technological upgradation,** enhancing the **global competitiveness** and adopting environmentally friendly policies to achieve **sustainable growth.**

However, apart from the above parameters, there are a number of missed opportunities:

- **FDIs in the manufacturing sector** are becoming weaker than before. It has come down to **$7 billion** in **2017-18** as compared to **$9.6 billion in 2014-15.**

- **India's share in the global exports** of manufactured products remains **around 2%** which is far less than **18% share of China.**

## Issues faced by Indian manufacturing sector:

- **Low Productivity: McKinsey report** states that Indian workers in the manufacturing sector are, on average, almost four and five times less productive than their counterparts in Thailand and China.
- **Disproportionate size and age of industrial units:** Indian MSMEs suffer from the **'bane of dwarfism'** as mentioned in Economic Survey 2018-19.
  - Dwarfs (firms employing less than 100 employees but in existence for more than 10 years) account for **half of all the firms,** their **share in employment is 14.1%** only and **share in NVA is 7.6%** only.
  - Thus, firms that remain small despite becoming older remain the lowest contributors to employment and productivity in the economy.
- **Complicated Labour Laws:** Government approval is required under the **Industrial Disputes Act of 1947** before laying off any employees and the **Contract Labour Act of 1970** requires government and employee approval for simple changes in an employee's job description or duties.
- **Poor Infrastructure:** Electricity costs are almost the same in India and China but power outages are much higher in India. Similarly, Indian transportation sector also needs significant upgradation.
- **Red Tapism:** Bureaucratic procedures and corruption make India less attractive for investors. India ranks 78 out of 180 countries in Transparency International's **Corruption Perception Index.**

## Conclusion

- The current status of Indian manufacturing sector indicates that the 'Make in India' campaign did not have much success till now.
- Thus, significant policy initiatives are needed to revive manufacturing growth such as:
  - Directing credit flow to MSMEs by re-orienting Priority Sector Lending(PSL) norms,
  - focussing on High Employment Elastic Sectors such as rubber, plastic products, electronic , transport equipment, chemicals, textile , leather, etc.
- Government's move to **rationalize FDI norms and reduction of corporate tax rates** to 25% are significant steps that could boost manufacturing growth in India.
- Indian government has to take more initiatives to create a conducive environment for the growth of industries and especially manufacturing systems. A targeted approach towards specific goal can be used to address the issue.