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"Make in India" Campaign, its relevance and revelations with special reference to Electronics Industry in India

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ABSTRACT
On 15 th august 2014 New Prime Minister's First Independence Day speech gave a clarion call to 'Make In India' with an 'Zero Defect; Zero Effect' policy, aiming to make India a renowned manufacturing hub for key sectors such as electronics. Companies across the globe would be welcomed to make investment in India and set up their factories and expand their facilities in this country by using country's highly talented and skilled manpower to create world class zero defect products. The primary motive was to convert this country into a global manufacturing hub that helps create jobs and boost economic growth. While some major MNCs are assessing manufacturing ecosystem in India, large-scale component manufacturing still remain a long-term goal. The present "Make in India" campaign reminds us on 1983 NDDB issue on "Operation Flood" news article came in Illustrated Weekly. There are various inhibitors to the growth of electronic component manufacturing in India such as the absence of favorable ecosystem compared to other manufacturing hubs in countries such as Taiwan, China and South Korea. Electronic items require high capital investment and non-availability of raw material such as molding component, lead frames. Some critics feel that the country is moving away from a mixed to a capitalist economy with corporate honchos appearing set to get a "bonanza of sorts" and the poor a "pittance".
Whatever may be scenario, we can allow constructive criticisms rather than political gimmicks on this campaign like "Make in India". In this study we honestly attempt to analyze the two sides of the programme in the light of its implication and relevance.
Key Words: Skilled Manpower, Manufacturing Hub, Investment Trends, Ecosystem,

I. INTRODUCTION

The three sectors that contribute to GDP of any country are agriculture, manufacturing and services. The aim of Make in India was to take a share of manufacturing in country's gross domestic product from staggering 16% currently to 25% by 2022, as stated in national manufacturing policy, and to create 120 million jobs by this time. India has lots of opportunities to be utilized for Indian manufacturing sector that can make it rebust and resilience. However, India's local production of electronics products is not sufficient to meet the overall demand in the country. Currently the electronics demand is largely being met through imports and there is a widening demand-supply gap. Hence, the GoI is focusing on establishing a robust ecosystem to boost local manufacturing. Key thrust of the programme "Make in India "was on cutting down in delays in manufacturing projects clearance, create adequate infrastructure and make it easier for companies to do business in India. The programme identified 25 key sectors that include bio-technology, chemicals, defense manufacturing, electronic systems, food processing, leather, mining, oil & gas, ports, railways, ports and textile in addition to automobile, auto components etc. This national program also aims at time-bound project clearances through a single online portal that will be further supported by an eight-member team which will be dedicated to answering investor queries within 48 hours and even addressing key issues including labor laws, skill development and infrastructure.

On electronic sector, global market was valued at around US$ 1.86 trillion in 2015 amid a weak world economy. The demand for electronic products such as smartphones, tablets and PCs was reduced compared to the growth observed between 2012 and 2014. In 2015, the industry has seen one of the largest falls in new manufacturing orders, since 2013. That is why companies were forced to cut output and compelled major semiconductor vendors to remain cautious on their capital investment plans. As a result, the world semiconductor sales dipped to 0.2% YoY in 2015 to reach US$ 35 5 billion, after posting record sales growth at 9 .9 % in 2014. Global economic growth is projected at 3.4% in 2016, compared to 3.1 in 2015.

II. OBJECTIVE OF THE STUDY

Asian countries such as India, Vietnam and Indonesia, are emerging as attractive manufacturing destinations due to multiple factors including low labor costs, substantial domestic demand and government support on electronics sector in a mission mode. Our study tries to understand the ground reality of the "Make in India" campaign on Electronics Goods. For the study we conducted secondary survey of various reports such as Assocham report, World Bank report and other related articles, on the following objectives,

1. Why there is again a campaign, when lots of GoI Initiatives to boost manufacturing sectors are available?
2. What makes Campaign "Make in India" so special?
3. What could be the factors that could play spoil sport?
4. What are the current Report of ASSOCHAM members on Effectiveness of "Make in India" so far?

III. INDIAN MANUFACTURING SECTOR: AN OVER VIEW

India has overall trade deficit in goods although its merchandise exports share has increased from 0.5% to 1.7% in the past 20 years. The much required trade surplus in services only covers one-fifth of India's trade deficit in goods. This is a balance of trade obstacle that the country will have to tackle eventually and again a services-led growth does not seem to be the answer for this hurdle. There is one more sound reason for promoting manufacturing growth in India particularly, electronic goods. Demand for electronic products in India is expected for significant growth in the next few years, driven by a strong economic fundamental. In year 2015, Indian electronics and hardware market increased by 8.6% YoY to reach US$ 75 billion, seems to be caused by rising local demand and growing disposable incomes of Indians.

Over the last 20 years, Indian manufacturing has grown at nearly the same pace as the entire economy has. However, its share in the GDP has stagnated at around 16% and even this low figure has reduced further in the last few years due to a slowdown in economy. The following table shows the share of manufacturing as a percentage of GDP in select East Asian countries in the year 2013. These are in contrast to Indian manufacturing contribution at around 15% of GDP.

Country	Thailand	China	Malaysia	Indonesia	Philippines
Share % of Manufacturing In GDP	34	32	24	24	31

Various reports have concluded strongly that no other sector can do more to generate broad-scale economic growth and, ultimately, higher standards of living as manufacturing sector are capable of what is called as the multiplying effect of manufacturing sector. But this is not possible with uncertified manufacturing which suffers from low productivity as well as low rate of growth. It is the certified manufacturing sector which has the potential to give jobs the country's large pool of unskilled labour and is also more focused to export-oriented production.

The labour-intensive manufacturing should be complemented with rapid and continuous skill up gradation of the workforce as skill-intensive sectors are very dynamic and continuing with their dynamism requires that the supply of skills keeps growing with the rising demand for higher levels of skills. As we proceed any further, we need to know the key barriers for growth manufacture sectors in India. The basic reasons for India's low level of industrial growth are manifold but we have deal key barriers that are within the domain of policymakers to address. These are:

1. The 'Ease of doing business' is very tough and cumbersome
2. The Infrastructure that fulfill the requirement of the sector are inadequate
3. The Investment Regulations are not conducive
4. The labour laws are very discouraging and are very inflexible
5. There exists Skill Gap between required and available skills.

IV. "MAKE IN INDIA" IT'S THE RELEVANCE

An unthinkable criticism of 'Make in India' campaign has come from Former RBI Governor Dr.Raghuram Rajan, who comments that an incentive-driven, export-led growth or import-substitution strategy may not work for the country in the current global scenario where developed nations are witnessing a low economic recovery to accommodate new players like India is either limited or absent. He also opined. "subsidizing inputs to specific industries because they are deemed important or labour-intensive, is a strategy that has not really paid off for us over the years, instead of searching out the public goods each sector needs, and strive to provide them" is not useful. Dr. Rajan also cautioned Government against focusing on a particular sector such as manufacturing for growth just because it has worked well for China. He clarifies, India is different and moreover the circumstances of its development are different in this country. He suggests that the government should focus on creating an environment where all sorts of enterprise can flourish, and leave businesses to choose what they want to do. India here should rather focus on producing for the internal market and a well-designed GST (goods and services tax) Bill, should be higher up on the priority list of the Government, as he observes, the external demand growth likely to be muted for at least the next five years. In this scenario India should rather focus on producing for the internal market and a well-designed GST (goods and services tax) Bill, should be higher up on the priority list of the Government.

Other critics have contributed that the potential benefits from such a campaign in terms of industrial advance are exaggerated. The integration of India to a global manufacturing value chain may result in a significant increase in the gross value of manufacturing production, but little in terms of increased value addition in domestic manufacturing. We can take the example of the iPhone or Barbie doll exports from China, which are huge in terms of value but value addition is low because much of the kit that is assembled is imported from abroad. China's industrial success could not be attributed to exports alone, but also because of manufacturing driven by domestic investment.

The opposition party people commented this campaign of being an "old wine in new bottle". They say the campaign, as such, is nothing new and successive governments at the Centre have been putting in places such policies with no proof of success. Now the only difference the new regime can make is to accelerate the pace of introduction and implementation of such measures. But even with a proactive regime success is not guaranteed because many countries in the past have failed to become a "manufacturing hub". For India, the major obstacles that come are the inadequate infrastructure, especially in power generation and distribution capacities, roads, ports, and transportation and communication facilities. The prospect of quickly reducing this infrastructure deficit is slim with the fiscal reform aimed to curtail government expenditures in order to reduce deficits, would further hamper the ability of the state to invest in infrastructure. Private capital to build the supporting infrastructure has not been forthcoming despite the focus on PPP investments in recent times. Social activists are also worried about the implications of a manufacturing policy which would require vast tracts of land for setting up new industrial towns. They fear of large-scale displacement and environmental deterioration and damage following this policy. Another big worry is India would have to keep wages low and ensure labour discipline with laws that may have to be anti-labour to emerge as a favored low-cost manufacturing location much to the discontentment of Labour Unions.

V. "MAKE IN INDIA" – THE CAMPAIGN

The "Make in India" campaign is dedicated and designed to facilitate investment in manufacturing by fostering innovation in manufacturing, enhancing skill development of the skilled and unskilled working class, protecting intellectual property with appropriate policy guidelines, and building best-in-class manufacturing infrastructure in India. This initiative aims to attract domestic and foreign investors by offering a conducive business environment to grow in India. In the PM's words, instead of the hitherto red tape that India will offer a red carpet to an investor investing in India. All Government agencies including the central government, various state governments, business chambers and overseas Indian Missions are all expected to play a key supportive role in the successful implementation of the campaign. One more proposed agency called Invest India is for investment promotion and facilitation is to act as the initial reference point for guiding foreign investors on all aspects of regulatory and policy issues and would also to help the investors to do business here. The Government is closely looking for ways to overhaul regulatory processes fit and fine to make them simple and reduce the burden of compliance on investors. Accordingly a web portal has been created to provide back up support to the investors. In addition an Investor Facilitation Cell is been set to assist foreign investors from beginning to end of the process.

For Indian Houses, the 'Make in India' initiative aims to identify domestic companies having leadership in innovation and new technology and to make them global players, with a focus on promoting green and advanced manufacturing and to help these companies to become an important part of the global value chain. The Government of India has identified 25 important industrial sectors in which Indian industries have the strength and advantage to compete with the best in the world. These sectors have been listed on the 'Make in India' web portal and separate brochures for these sectors are released along with a general brochure to guide such companies. The sectors selected under 'make in India' are automobiles, aviation, chemicals, IT, leather, pharmaceuticals, ports, textiles, tourism and hospitality, wellness and railways and electronics among others that are considered as growth drivers.

VI. RECENT DEVELOPMENTS ON "MAKE IN INDIA"

The Central government recently has undertaken a series of initiatives to remove the stumbling blocks to manufacturing sectors growth and promote their brain child 'Make in India" as a means to make India a manufacturing hub. Some of the key recent developments include:

1. On Ease of Doing Business: In this index India ranked 100 ranking in 2016, up from 140 in 2013. The ranking is significant because it reflects the perceptions of the global business people about attractiveness of India as a favorable destination for doing business. A comparative World Bank study of various provisions of doing business report 2016 is given to show its relevance today. For this, many reforms are being undertaken in areas such as while starting a business, obtaining sanctions for construction , registration of property , provisions uninterrupted power supply, payment of taxes, contracts enforcement , and in resolving insolvency. It also stresses on time bound clearance of licence for application in case of Foreign Investors, automatic registration with Employees provident Fund Organization and Employees State Insurance corporation by reducing numbers of document for exporting, adopting the best practices by states by ensuring compliance through peer evaluation, self evaluation etc.

Rankings in World Bank's "Doing Business" Report, 2016

Parameters	India
Ease of doing business	130
Starting a business	155
Getting electricity	70
Getting credit	42
Paying taxes	157
Dealing with construction permit	183

Source: World Bank

2. On service delivery: A Government to Business (G2B) portal is being set up in the name of E-Biz, to act as a one-stop shop for delivery of services to investors and to fulfill the needs of business from beginning through to the entire life cycle of the business. On a 24x7 basis the process of applying for industrial licence (IL) and industrial entrepreneur memorandum (IEM) is now available to businessmen at the E-Biz website in addition to the other services of central government.

3. On Environmental clearances: As per new provision applications can be submitted online for scrutiny for environment, coastal regulation zone (CRZ), and forest clearances. The decision-making process for clearances has been decentralized with automatic no objection for projects such as Industrial shed that house plant and

machinery, educational institutions and hostels has been added.

4. On Infrastructure: The government is intends to improve the physical infrastructure in the country primarily through the PPP mode of investment. There have been increased investment commitments in Roadways, Railways Ports and Airport including the proposal for development of dedicated freight corridors. These corridors are expected to house industrial clusters and smart cities to augment the infrastructure facility for the investors.

5. On Regulations of Investment: The government has a liberalized FDI policy now: a. 100% FDI under automatic route has been allowed in construction, operation and maintenance of specified rail infrastructure projects. b. FDI cap in Defense has been raised from 26% to 49%. c. The norms for FDI in the construction development sector are being eased.

6. On Labour-sector reforms: Multiple overlapping and inflexible labour laws have been understood as obstacles to the growth of manufacturing sector in India. These laws were tried to plunge. Now government has initiated a set of labour reform proposals such as:

a. A Shram Suvidha portal has been operated for online registration of units, filing of self-certified online return by units, computerized labour inspection scheme, online uploading of inspection reports within seventy-two hours and timely redressal of grievances so that there is benefits of simplification in labor laws.

b. A Universal Account Number has been initiated to ensure portability of Provident Fund accounts for employees. With a view to providing flexibility in working hours and increased intake of apprentices for on the job training, the Apprentices Act, 1961 has been amended. An Apprentice Protsahan Yojana has been lunched for the micro, small and medium enterprises (MSME) sector to create a huge pool of skilled people.

7. On Skill Development: We can't believe that 'Make in India' will be possible without 'Skill India', by ignoring skilled people of India. However, the magnitude of the enterprise in implementing a nation-wide skilling programme can be gauged from the fact that the current size of India's formally skilled workforce is contributing just 2%, while that for countries like South Korea and Japan it is 96% and 80% respectively. According to the National Skill Development Corporation (NSDC), India would require an estimated 120 million skilled persons in the non-farm sector between 2013 and 2022 by way of making the people skilled.

For the manufacturing sector to take advantage of the improved business environment and physical infrastructure, the need for having a strong human capital has been recognized by policy makers.

THE POINTERS: The Assocham Recent Observation On Electronic Sector: Here are some of the Key recent indications of ASSOCHAM on the fate of "Make in India" campaign in Electronic manufacturing sector are-

1. Limited local demand for components: Limited scale of operations and local component demand due to the nascent electronic product manufacturing in India. Component demand in India is muted due to very limited value addition as primarily last-mile assembly takes place here.

2. Lower primary sales resulting in limited penetration: The current market is dominated by secondary sales and primary sales are limited due to reduced disposable income in semi-urban and rural markets. The market penetration for most of the

consumer appliances and electronics is currently lagging behind global average by up to 60% in certain categories and there lies huge untapped potential in rural markets (approximately 69 % of India's households)

3. Absence of industry Specific Standard: Norms such as safety regulations for automotive, medical and industrial sectors have driven the uptake of electronic content globally. However, electronics manufacturers in India do not add high electronic content in the products due to limited industry-specific standards.

4.Price sensitivity: Although global markets are witnessing rapid consumer uptake as electronic content increases across verticals (e.g., automotive with applications around safety, connectivity, infotainment, consumer electronics, smart homes, etc.); India has a slower adoption as consumers remain highly sensitive to even a marginal increase in product prices.

5. Infrastructure: The basic infrastructure for any industry comprises good roads, power, water, telecommunications, ports and logistics. In India, availability of these facilities still is not up to the mark, even in established industrial cities like Pune, Gurgaon, and Noida etc. Even the Government notified Greenfield electronic manufacturing clusters, remain un-operational due to infrastructure issues.

6. Limited Manufacturing Skill set: Availability of relevant manpower is crucial to the development of any industry. Since the electronics manufacturing industry has high dependence on skilled manpower, especially for highly specialized activities such as electronics system design, IC design and manufacturing etc., the availability of talent with relevant skill sets assumes considerable importance. In electronics sector both SKD and CKD are labor intensive and require delicate handling and process adherence during the manufacturing process. With changing technology, the labor needs to be constantly upgraded; here the current labor scenario in India poses huge challenges.

Product	Level of localization	Key components predominantly imported
FPD TV	Very low	Display, ICs, power components, electro-mechanicals
Smartphone	Low - no sourcing; only box assembly	Core chips, display, camera module, processors, memory modules and battery
Tablet	Low - negligible sourcing	Display, battery, memory, processor
LCD monitor	Low to medium: assembly activity	Display, ICs, power components
LED lighting	High - some components imported; local assembly	LED, driver, heat sink, lens, reflector, diffusers

Source: IESA-Frost & Sullivan

Assocham's Suggestions & Recommendations on Electronic Industry: Some of these are as follows,

1. The commercial viability of any manufacturing unit is dependent on the local consumer demand. So The Government needs to support the local demand base so that companies look to increase manufacturing, as currently, they have adequate facilities to service demand for the next five to six years. Reduction of interest rates and taxes to increase disposable income in the hands of consumers is one such option, which can lead to an uptake of discretionary spend on electronic goods. In addition, improving penetration of consumer financing options and organized retail across semi urban and rural markets can also drive demand.

2. The industry strongly demands some incentives for manufacturers procuring local components, since it brings additional cost to finished goods and makes them less competitive in PMA tenders. Rightly GOI has made difficult to import of Electronics recently to help local forms.

3. The industry also demands parity of established companies with new companies looking to set up manufacturing plants in the

country by providing a level playing field in terms of land, raw material, labor and other tax and duty benefits. Such initiatives will ensure that the current manufacturers continue to remain competitive in the market and get the same incentives as new players. Nonetheless, they look up to the Government to play a key role in incentivizing companies to set up facilities for designing, engineering, testing and R&D of innovative products to bring the real " Made in India" product and make a mark in the global map as the favorable manufacturing destination.

VII. CONCLUSION

The analysis shows two dimensions of arguments. On one side is optimistic nature which expecting more investment by free flow of capital. On the other side, it is pessimistic as the economy is adopting what look like neo-Nehruvian ideas. The country is moving away from a mixed to a capitalist economy with corporate honchos appearing set to get a "bonanza of sorts" and the poor a "pittance. However, we can allow constructive criticisms rather than political gimmicks. There was an instance in the past. In 1983 Illustrated Weekly came out with an article criticizing Operation Flood or what we in India commonly called as the 'White Revolution'. The piece went on to say how National Dairy Development Board (NDDB) and the IDC had totally lost the case and India would never become self sufficient in dairy products. The article created a storm in India and the noise reached the parliament. It was a Challenge for the credibility of Indian industry. At one end the news and media industry displayed itself on uncovering the truth and reporting it to the common man. On the other end it was a low for the dairy industry and for one man in particular, Dr Varghese Kurien, the founder father of a revolution called AMUL. By 1987 the Illustrated Weekly findings were proven to be wrong and the entire furor died down. The same year the Jha Committee report found that the NDDB had taken the right steps and we were well on our way to success. India has since then counted as the largest producer of milk in the world. The case may be replicated what would be another revolution in the making. 'Make in India' is the new mantra and the objective was to encourage the production of goods within the country.

In future there are bound to be the questions such as: Was 'Make in India' economically viable? What are the challenges that the project and movement will face? What are the fates of projects that are currently running under 'Make in India'? Can India ever compete in the global market? Etc. We can try to find the answers to all of these questions in the next couple of years. Whatever may be the result, the main focus of current govt should be on making business as easy and honest as possible, avoiding artificial props, curbing inflation and fiscal deficits, ensuring a realistic exchange rate, and allowing the market decide which sectors should flourish. There are investors from everywhere are ready with money from to rush in to make in India, provided we provide a favorable ecosystem. Henceforth, there has to be an increased push from industry partners and the Government on strengthening manufacturing ecosystem to like in case of electronics industry to attain the goal of zero dependency on imports for electronics goods to turn "Make in India" a real success.

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