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Impact On Challenges Of Make In India Initiative In Manufacturing Sector In India

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ABSTRACT:

Make in India. Make in India is an initiative launched by the Government of India to encourage national. as well as multi-national companies to manufacture their products in India. It was launched by Prime Minister Narendra Modi on 25 September 2014.. In 2015, India received US$63 billion in FDI. Under the 'Make in India' initiative, the government has, since its inception, announced several steps to improve the business environment by easing processes to do business in the country. McKinsey analysis finds that rising demand in India, together with the multinationals' desire to diversify their production to include low-cost plants in countries other than China could together help India's manufacturing sector to grow by many fold by 2025, while creating up to million domestic jobs.

Key words: Make in India, Defence production, Key challenges

INTRODUCTION

India is embarking on one of the world's largest and most sustained procurement cycles. India has introduced Defense Offsets and due to it being one of the top military spenders in the world. the offset obligation is a significant opportunity that will need to be addressed by the expansion of private defense manufacturing. It is in strategic interest of a nation aspiring to be the regional power to develop indigenous and internationally competitive defence industry base. Presently, India is one of the largest importers of conventional defence equipment. According to government statistics, roughly 60% of India's defence requirements are met through imports. India has the potential to emerge as a global platform for defence research, manufacturing, supply chain sourcing, software development, and offsets, which will strengthen our defence capabilities and spur industrial development as well as exports in this sector.

CHALLENGES OF INDIAN MANUFACTURING SECTOR

Narendra Modi's Make In India campaign has infused new energy in defence companies to start manufacturing units in the country. India is expected to invest $200 billion in the next decade to modernize its armed forces. Other initiatives such as for example: 60% of defence related requirements are met by an import which offers a huge opportunity for import substitution.60% of its defence requirements are met through imports. Third largest armed forces in the world Third largest armed forces in the world. Largest importers of conventional defence equipment and spends about 31.1% of its total defence budget on capital acquisitions.

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The allocation for Defence in the Union Budget 2016-17 is approximate USD 34.53 billion. The allocation of Defence in the India's

union budget is approx USD 34.53 billion and 31.1% of the defence budget is spent on capital acquisitions.

1.2. MOTIVES TO INVESTMENT ON MAKE IN INDIA -POINTS TO PONDER

- Contractual offset obligations worth approximately USD 4.53 billion in next 5-6 years
- Favorable government policy which promotes self-reliance, indigenization, technology up gradation and achieving economies of scale including development of capabilities for exports in the defence sector.
- India's current requirements on defence are catered largely by imports. The opening of the defence sector for private sector participation will help foreign original equipment manufacturers to enter into strategic partnerships with Indian companies and leverage the domestic markets as well as aim at global markets. Besides helping in building domestic capabilities, this will also bolster exports in the long term.
- The country's extensive modernization plans with an increased focus on homeland security and India's growing attractiveness as a defence sourcing hub.
- The offset policy (which stipulates the mandatory offset requirement of a minimum 30% for procurement of defence equipment in excess of USD 306.69 million) introduced in the capital purchase agreements with foreign defence players. It would also ensure that an eco-system of suppliers is built domestically.

1.3. PARADIGM SHIFT IN FOCUS AND APPROACH IN DECISION MAKING STYLE

According to experts, it was a positive invitation to potential partners and investors around the world. Make in India, according to the supporters is much more than an inspiring slogan. It represents a comprehensive overhaul of processes and policies. It represents a complete change of the Government's mindset - a shift from issuing authority to business partner, in keeping with Prime Minister Modi's tenet of 'Minimum Government, Maximum Governance'.

FIGURE NO.1 GROWTH OF TOTAL DEFENCE BUDGET -YOY

1.4. GROWTH DRIVES

Defence Production Policy, 2011 has encouraged indigenous manufacturing of defence equipment. Defence Procurement Procedure (DPP) has been amended in 2016 to provide for the following: New category of capital procurement - Buy Indian- IDDM (Indigenously Designed, Developed and Manufactured) introduced to encourage indigenous design, development and manufacturing of defence equipment. Preference to 'Buy (Indian-IDDM)', 'Buy (Indian)' and 'Buy and Make (Indian)' over 'Buy (Global)' categories of capital acquisition. Clear and unambiguous definition of indigenous content. Provision for Maintenance TOT (Transfer of Technology) to Indian Industry partners. Provisions to allow foreign OEM (Original Equipment Manufacturer) to select Indian Production agency. Requirement of minimum indigenous content has been enhanced/rationalized. 'Services' as an avenue for discharging offsets have been re-introduced.

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- Defence products list for industrial licensing, has been articulated in June 2014, wherein large numbers of parts/components, castings/ forgings etc. have been excluded from the purview of industrial licensing.
- The defence security manual for the private sector defence manufacturing units has been finalized and put in public domain by the Department of Defence Production.

- The manual clarifies the security architecture required to be put in place by the industry while undertaking sensitive defence equipment.
- The MAKE procedure, which aims to promote research & development in the industry with support from the government and the placement of orders, has been promulgated with provision for 90% funding by Government and preference to MSMEs in certain category of projects.

WORLD'S LARGEST IMPORTERS AND EXPORTERS

TABLE NO.2 PURPOSE AND SCOPE OF MAKE IN INDIA

DETERMINATION
Attract foreign investments
Creating millions of jobs in the country.
Making India a global manufacturing hub.
To encourage Domestic companies and Multinationals to manufacture their products in India.
Building collaborative effort
Transformational power of public-private partnership
Creation of user-friendly system that is helping drive investment, foster innovation, develop skills, protect IP and build best-in-class manufacturing infrastructure.
The regulatory policies have been relaxed to facilitate investments and ease of doing business

1.5. WORLD BANK SURVEY REPORT AND ITS PREDICTION:

World Bank survey examines export/import procedures across 189 nations including costs of loading containers at port, number of forms required by each authority and approval times.

World Bank "Ease of Doing Business" Survey		
Number of Procedures, Time Delay and Cost: Rank 1 = Best; 189 = Worst	**India's Rank Out of 189 Nations**	**China's Rank Out of 189 Nations**
Starting new business	155	127
Getting construction permits	185	177
Electricity permissions	26	97
Registering property	138	42
Exporting/Importing	143	96
Contract enforcement/justice	172	5
Bankruptcy/business exit	136	53
Overall Ranking	**130**	**78**

(Source: World Bank, 2016 data)

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1.6. MAKE IN INDIA CAMPAIGN AND MISSION &OBJECTIVE

1.7. CLOSING THOUGHT

"Almost all quality improvement comes via simplification of design, manufacturing, layout, processes, and procedures" - Tom Peters

Today, India's credibility is stronger than ever. There is visible momentum, energy and optimism. Make in India is opening investment doors. Multiple enterprises are adopting its mantra. The world's largest democracy is well on its way to becoming the world's most powerful economy.

Make in India campaign has converted some of the challenges into opportunities.

- Ease of legal business
- Skill development
- Infrastructure development
- Tax incentives and
- Economics of scale

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