
Make in India and International trade between India and China's for Manufacturing and Construction Sector

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Introduction

“Make in India” campaign was launched in New Delhi by the Indian Prime Minister Narendra Modi on 25th of September in 2014. It is an initiative to make a call to the top business investors all across the world (national or international) to invest in India. The recent launch of the “Make in India” campaign by Prime Minister Mr. Narendra Modi where leading businessmen and CEOs of about 3000 companies from 30 countries were present is an impressive effort on the part of the new Government to boost investor confidence in the country. It is a big opportunity to all the investors to set up their business (manufacturing, textiles, automobiles, production, retail, chemicals, IT, ports, pharmaceuticals, hospitality, tourism, wellness, railways, leather, etc) in any field in the country. This attractive plan has resourceful proposals for the foreign companies to set up manufacturing powerhouses in India. Moreover, Mr. Modi's recent US visit and meeting with CEOs of some of the top global firms like Goldman Sachs, Google, General Electric, Cargill, Boeing and many others definitely set the ground for investment in India. But at the ground level, there are a lot of challenges that the government has to overcome in order to turn the vision of achieving a sustainable 10% growth in the manufacturing sector into reality.

“Make in India” campaign launched by the Indian government focuses on building the effective physical infrastructure as well as improving the market of digital network in the country to make it a global hub for business (ranging from satellites to submarines, cars to softwares, pharmaceuticals to ports, paper to power, etc). This national program is designed to transform the country into a global business hub as it contains attractive proposals for top local and foreign companies. This campaign focuses on creating number of valuable and honored jobs as well as skill enhancement in almost 25 sectors for improving the status of youths of the country. The sectors involved are automobiles, chemicals, IT & BPM, aviation, pharmaceuticals, construction, electrical machinery, food processing, defense manufacturing, space, textiles, garments, ports, leather, media and entertainment, wellness, mining, tourism and hospitality, railways, automobile components, renewable energy, mining, bio-technology, roads and highways, electronics systems and thermal power.

The successful implementation of this plan will help in the 100 smart cities project and affordable housing in India. The main objective is to ensure solid growth and valuable employment creation in the country with the help of top investors. It will benefit parties, the investors and our country. The government of India has created a dedicated help team and an online portal (makeinindia.com) for the easy and effective communication of investors. A dedicated cell is committed to answer all the queries from business entities anytime. . This research paper aims to analyse the key issues facing the “Make in India” vision, benefit and challenges faced during this campaign. This paper highlights the comparison of India and China's Manufacturing and Construction sectors only.

Statistical data of different sectors in India

1. GDP from Manufacturing Sector GDP from Manufacturing in India decreased to 4768.43 IND Billion in the third quarter of 2015 from 5407.38 IND Billion in the second quarter of 2015. GDP From Manufacturing in India averaged 4161.39 IND Billion from 2011 until 2015, reaching an all time high of 5407.38 IND Billion in the second quarter of 2015 and a record low of 3455.83 IND Billion in the fourth quarter of 2011. GDP from Manufacturing in India is reported by the Central Statistical Organization, India.

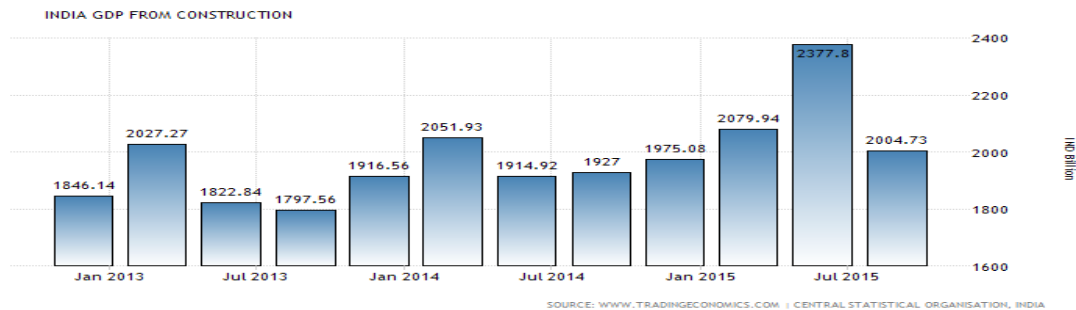
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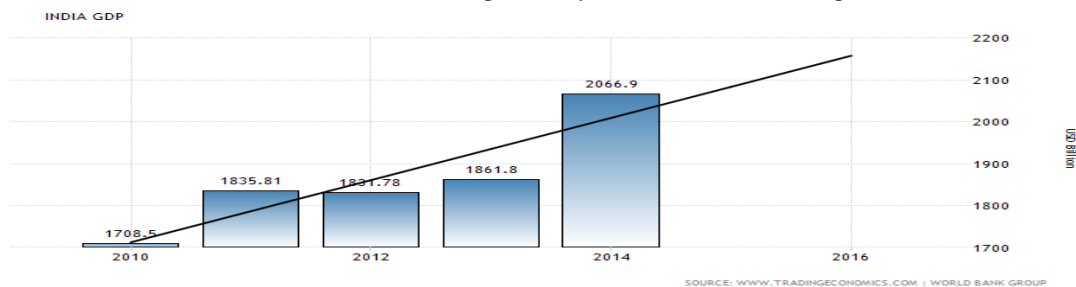
2. GDP from Construction Sector

GDP from Construction in India decreased to 2004.73 IND Billion in the third quarter of 2015 from 2377.80 IND Billion in the second quarter of 2015. GDP From Construction in India averaged 1945.25 IND Billion from 2011 until 2015, reaching an all time high of 2377.80 IND Billion in the second quarter of 2015 and a record low of 1736.49 IND Billion in the third quarter of 2012. GDP from Construction in India is reported by the Central Statistical Organization, India.



3. India's overall GDP

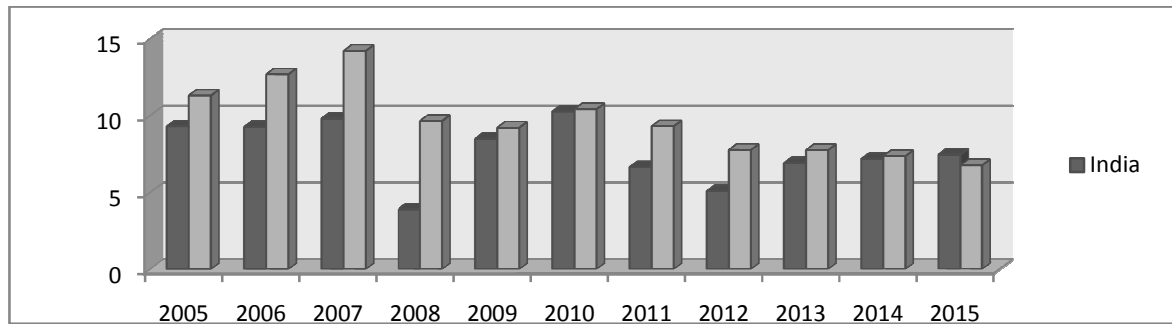
The Gross Domestic Product (GDP) in India was worth 2066.90 billion US dollars in 2014. The GDP value of India represents 3.33 percent of the world economy. GDP in India averaged 550.27 USD Billion from 1970 until 2014, reaching an all time high of 2066.90 USD Billion in 2014 and a record low of 63.50 USD Billion in 1970. GDP in India is reported by the World Bank Group.



Comparison of India and China's GDP from last 10 years

The rapid rate of economic growth in the two large countries of Asia – China and India – stands in striking contrast to the Western world's developed countries' feeble growth rate. The dis-appointing growth rate was compounded by recession which struck in the USA in 2008 and spread to the countries of Europe. They are still struggling to overcome the effects of recession. Hence the two countries have become the engine of growth. India was slightly ahead of China in the 1970s but since the 1990s China has surged well ahead of India but finally at 2015 India got ahead of china. Both have embarked on economic reforms from the eighties onward.

But China's growth rate has been much faster than India's It is spectacular in respect of infra-structural development—highways, construction, railways, airports, power and apartment buildings in cities.



<http://statisticstimes.com/economy/china-vs-india-gdp.php>

“Make in India” Campaign

PM Modi has officially launched the much hyped ““Make in India”” campaign. India, in the last decade or so had relied more on service sector rather than manufacturing for economic growth, as a result proportion of manufacturing sector in GDP has stagnated to 15-16% and shrunk by .7% in financial year 2013-2014 showing a negative growth. This campaign will also help in achieving objectives of National Manufacturing Policy i.e. to increase the share of manufacturing sector in GDP from current 15-16% to 25% till 2022 and creating 100 million jobs in this sector by 2022. There are various benefit and challenges which is faced by the country.

Advantages of “Make in India” Campaign

1. Manufacturing sector led growth of nominal and per capita GDP. While India ranks 7th in terms of nominal GDP, it ranks a dismal 131st in terms of per capita GDP.
2. Export-oriented growth model will improve India's Balance of Payments and help in accumulating foreign exchange reserves.
3. Foreign investment will bring technical expertise and creative skills along with foreign capital.
4. “Make in India” will give an unprecedented boost to FDI flows, bringing India back to the global investment radar.
5. The urge to attract investors will actuate substantial policies towards improving the Ease of Doing Business in India.
6. As Mr. Modi emphasized on the development of labor intensive manufacturing sector. So, this campaign will generate a lot of employment opportunities.
7. Employment will increase people's purchasing power which ultimately helps in poverty eradication and expansion of consumer base for companies.
8. The model of “look east and link west” policy will strengthen the industrial linkages as well as bilateral ties with many countries.
9. Government has decided to formulate an auto response mechanism and issues pertaining to procedural clearings will be resolved at different levels in a given time frame, which is a positive step in making industrial friendly environment.
10. This campaign will make India a key part of global value chain and unfolds numerous opportunities for other countries as well.

Challenges faced in “Make in India” campaign

1. From a theoretical perspective, “Make in India” will tend to violate the theory of comparative advantage. If it is not economically feasible to manufacture a commodity in India, it is best to import the same from a country which enjoys comparative advantage in its production. International trade, after all, is welfare augmenting.
2. Reiterating the point made by Dr. Raghuram Rajan, India, unlike China, does not have the time advantage as it undertakes a manufacturing spree. The essential question is - Is the world ready for a second China?
3. “Make in India” will lead to an unsustainable focus on export promotion measures. One such measure is artificially undervaluing the rupee. This will have devastating consequences for the import bill.
4. A relative neglect of the world economic scenario may not predict well for “Make in India”. With the US and Japan economies yet to recover from their economic crises, one needs to be worry about the demand side of “Make in India”.

5. The biggest challenge is to restore the broken trust between industry and government, which was hampered by the policy paralysis.

6. India has a myriad of infrastructural bottlenecks and to overcome these it needs to invest \$ 1trillion during 12th five year plan. Generating such a huge capital will be a challenging task.

7. Another biggest issue is of Environmental clearance, which has been surfaced in many projects especially related to mining sector.

8. Uncertainty in tax regime (highlighted by Vodafone case) and delay in implementation of GST is also a matter of concern for industries.

9. India along with poor infrastructure lacks a proper logistical network for the supply chain of components and materials required in manufacturing industries.

10. Manufacturing sector demands highly skilled labor whereas India lacks highly skilled labor force.

11. Complex processes have proved to be hurdles in getting procedural and regulatory clearances especially for new entrepreneurs. This also reflects in World Bank's "Ease of Doing Business" report which ranked India at 134 out of 189 countries in 2013.

12. Land acquisition for establishing manufacturing industries will prove to be a tedious task for successful unfolding of this campaign.

Objective of the study

1. To understand the concept of "Make in India".

2. To identify the impact of "Make in India" Concept on manufacturing and Construction sector and GDP of India.

3. To compare the growth rate of India and China from 2005 to 2015.

Research Methodology

The present study is based on secondary data. Basically, the required information has been derived from various books, Articles from Newspapers, Magazines and Journals, and from the various related web-sites which deal directly or indirectly with the topics related to FDI and Indian retail sector. After searching the important web-sites, relevant information was downloaded and analyzed to address the objectives of present study.

Limitations of the study

1. The study is based on published data and information. No primary data is being collected.

2. Every care has been taken to entice qualitative and correct data; still secondary data have collected for the purposes other than problem at hand.

3. Secondary data may be lacking in accuracy or they may not be completely current or dependable.

Major Conclusions:

The apprehensions of industrial sector are genuine. But the government's effort will act as the catalyst in mitigating these apprehensions. Also, Indian Prime Minister has clearly mentioned that India is seeking long term capital investment because short term investment is volatile in nature and only aims at profit making. This aspect also reflects in PM's definition of FDI i.e. "First Develop India". So, these efforts will give the much needed initial thrust to this campaign and its success will make India the powerhouse of manufacturing sector in the world. "Make in India" is an ambitious project, but it is one that India desperately needs to kickstart and sustain its growth momentum. With relentless policies towards this end, it is possible to make India the powerhouse of manufacturing sector in the world.

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