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**MAKE IN INDIA: CHALLENGES AND OPPORTUNITIES**

**(With special reference to Uttar Pradesh)**



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**ABSTRACT**

*After the globalization the Indian economy has been witnessing positive sentiments during the past few months. The macroeconomic indicators have also displayed an encouraging trend in the recent times. However, the situation of the manufacturing sector in India is a cause of concern. At 16% value added to GDP, the sector does not seem representative of its potential which should have been 25%. However, the industrial growth scenario is improving and is estimated at 1.9% in the period April-October 2014-15. The recent measures undertaken by the new government in terms of facilitation to industrial sector, creation of conducive environment for the manufacturing activities, focus on improving industrial policies and procedures and reforming labor laws have facilitated recovery in industrial sector.*

*The present study is an attempt to understand the global and domestic outlook of manufacturing sector, growth dynamics, opportunities and challenges for manufacturing firms particularly in India with special reference to Uttar Pradesh.*

**KEYWORDS:** *Make in India, Indian Economy, Opportunities in U.P., Challenges in U.P., and Industries in U.P.*

**INTRODUCTION**

The Government recently launched the Make in India initiative which is expected to make India a manufacturing hub while eliminating the unnecessary laws and regulations, making bureaucratic processes easier, make government more transparent, responsive and accountable and to take manufacturing growth to 10% on a sustainable basis. Apart from initiatives such as development of smart cities, skill development, National Investment and Manufacturing zones, FDI enhancement, the government is building a pentagon of corridors across the country to boost manufacturing and to project India as a Global Manufacturing destination of the world. According to the survey conducted, the respondents were asked about the promising sectors of investment in the coming times which according to them are Agro and food processing industry, Auto components & automotive industry, Drugs & pharmaceuticals, Engineering, FMCG industry, Gems and jewellery, Infrastructure, Leather and leather products, Services sector and Textile and readymade garments. The respondents were also asked about the procedural bottlenecks which hamper their business and may also hinder in the implementation of the Make in India initiative. According to them, current laws make acquisition costly as well as tedious. A

robust Land Acquisition policy which would make acquisition much easier along with an attractive R&R package is essential for investment in infrastructure and manufacturing.

### **OBJECTIVES OF THE STUDY**

The study would examine the growth dynamics of the Indian manufacturing sector with special reference of Uttar Pradesh its performance and the potential it can achieve in the coming times. The specific objectives of the study pertain to:

1. To study the structure and growth of manufacturing sector in India.
2. To analyze the growth prospects of the manufacturing sector in India with reference to Make in India program in Uttar Pradesh.
3. To analyze the growth dynamics of the manufacturing sector in India with regard to its competitiveness, sectoral concentration, vertical and horizontal integration, sourcing of raw materials and export potential/global interestedness.
4. To give suitable conclusions and suggestions for Make in India and Made in India with special reference to Uttar Pradesh.

### **APPROACH AND METHODOLOGY OF THE STUDY**

The present study is an attempt to understand the global and domestic outlook of manufacturing sector, growth dynamics, opportunities and challenges for manufacturing firms particularly in the state, Uttar Pradesh.

The key activities ranged from data retrieval, verification of the survey findings, and input from entrepreneurs, top management personnel and industry experts.

For data collection, the report takes into consideration both primary and secondary data sources. The primary data collection comprises of in-depth field survey of the manufacturing firms through structured interviews and discussions with the key representatives of the manufacturing and the collection of secondary data includes sources like such as government reports, journals, newspapers and other published sources.

### **MAKE IN INDIA PROGRAM**

Make in India is aimed at making India a manufacturing hub and economic transformation while eliminating the unnecessary laws and regulations, making bureaucratic processes easier, make government more transparent, responsive and accountable and to take manufacturing growth to 10% on a sustainable basis.

#### **Objectives of make in India**

- To make investment in manufacturing more attractive for domestic and foreign investors
- To give the Indian economy global recognition
- To create competitive industrial environment
- To development infrastructure
- To invite latest technologies
- To generate employment and skill formation

The Make in India focuses on new ideas and initiatives such as-

- First Develop India and then Foreign Direct Investment
- Look-East on one side and Link-West on the other
- Highways and 'I-ways
- Facilitate investment
- Foster innovation
- Protect intellectual property
- Build best-in-class manufacturing infrastructure.

## **FOCUS SECTORS OF MAKE IN INDIA PROGRAM**

The focused sectors under the plan make in India are as followings-

- Automobile Component
- Aviation
- Biotechnology
- Chemicals
- Construction
- Defense Manufacturing
- Electrical Machinery
- Electronics Systems
- Food Processing
- IT & BPM
- Leather
- Media and Entertainment
- Mining
- Oil and Gas
- Pharmaceuticals
- Ports
- Railways
- Renewable Energy
- Roads and Highways
- Textiles and Garments
- Thermal Power
- Tourism
- Hospitality and Wellness
- Major initiatives undertaken

## **MAKE IN INDIA PROGRAM IN UTTAR PRADESH**

### **Opportunities**

The most populous state of country Uttar Pradesh is well known for its multi-hued culture, religion and variety of geographical land. It is gifted with natural wealth in abundance such as minerals, forests, flora and fauna. It has a large pool of skilled, semi-skilled and unskilled labour. The population is also looked upon as the largest consumer base in the country with

around 200 million consumer base. Uttar Pradesh is second in development in terms of GDP and it is contributing almost 8 percent to India's GDP.

The state is the fourth largest by area with agriculture and industries being the largest part of its economy. It is the largest producer of food grains among all states in India and accounted for about 18.39 per cent share in the country's total food grain output in 2015-16. The state has huge availability of basic raw material used for handicraft manufacturing like wood, metal (silver, copper, brass and tin), paper, stone, cotton, silk and leather.

The state is now giving a big push to IT industry, for this it attracts good foreign direct investments too which has mostly come in the software and electronics fields. Energy is another emerging sector of immense offerings both in renewable and non-renewable sectors. The state has become a hub for the semiconductor industry with several major players.

The state has a well-developed social, physical and industrial infrastructure. It has good connectivity through 48 national highways, six airports and rail links to all major cities. The state has witnessed a high rate of infrastructure growth in the recent past. The current projects for Infrastructure development in Uttar Pradesh are Metro rail in multiple cities, 6 Lane Lucknow-Agra Expressway Highway, Trans Ganga Project, Integrated townships, Leather parks, IT city and Agro Parks. The state has a robust industrial infrastructure, including 15 industrial areas, 12 specialized parks, four growth centres and industrial infrastructure development centres (IIDC). As of July 2016, the state had 19 notified special economic zones (SEZs).

#### Year Share of Industry in Uttar Pradesh GSDP

2004 – 05	23.30%
2009 – 10	24.50%
2013 – 14	21.20%

### Challenges

Uttar Pradesh primarily being an agrarian economy has shown steady improvement in its industrial scenario over the years. The state is moving forward with economic reforms that will make its growth sustainable and equitable though it still falls behind a number of states.

**According to Survey-** majority of the survey respondents face problems in procuring loans from banks. The manufacturing units in the state face lot of difficulties. About 48% of the respondents said that there have been no improvements in the infrastructure in UP while 20% of them responded that the infrastructure facilities have remained the same. Almost all the respondents felt that infrastructure is one of the grey areas of the region which impacts the activities of the manufacturing units. Electricity is a major issue as there are long power cuts which and the electricity rates are higher than other states which make it less viable to any business units to set up their enterprises in the state.

The respondents opined that they are exposed to various operational challenges. These Survey response on challenges (in %) are following below-

Challenges faced by Industry	% of Respondents
Energy shortages	92%
Unskilled Workforce	88%
Excessive regulations	87%

Water shortages	86%
Problems with law and order	71%
Lack of connectivity and transportation facilities	70%
High energy cost	64%
Problems in procuring loans from banks	58%
Limited R&D	46%
Difficulties in marketing and selling	21%

### **Operational Problems in Uttar Pradesh**

- Availability of Finance
- Infrastructural Problems
- Long power cuts
- High electricity and energy rates.
- Energy shortages is one the key operational challenges
- Water shortages
- Unskilled workforce
- Tax Burden
- Labour unavailability and rigidity

**According to survey-** majority of the respondents felt that overall tax burden has increased in last three years and most over burdening taxes have been found to be Central Sales Tax and VAT. However, almost all the MSMEs stakeholders felt that the implementation of GST is expected to reduce the burden of taxation on them in the coming times.

### **Policy outlook for Uttar Pradesh**

The industrial policy of Uttar Pradesh aims to achieve industrial development growth rate of 11.2% per annum, aligned with the target of 10% per annum growth in State Gross Domestic Product (SGDP) as envisaged in the Twelfth Five Year Plan. The policy aims to strengthen the existing industrial capacity and create new employment opportunities across all economic sectors. Further, the policy focuses on developing the infrastructure facilities and improving the industrial environment. Also Encouraging Micro, Small and Medium Enterprises (MSMEs), financial incentives, developing skill and capacity of human resources to enhance their employability is the key area of concern of the industrial and investment policy.

### **CONCLUSION AND SUGGESTIONS**

This paper presents the different aspects of Make in India and its relationship with policy and administrative measures in our country. There are various opportunities and challenges in front of government in implementation of Make in India program. In the context of state Uttar Pradesh this program is being analyzed in present paper. We found that despite of many opportunities, state is facing various challenges such as; energy shortage, long power cuts, water shortage, unskilled labour, inefficient law and order, problems in raising of loans etc. which should be taken care of immediately for the success of Make in India program.

In light of the problems, facing by industry we would like to suggest some reforms that need to be undertaken.

- Simplification and rationalization of taxation system with long term stability is the need of the hour. A well designed GST bill, by reducing state border taxes, will have the important consequence of creating a truly national market for goods and services, which will be critical for our growth in years to come. Implementation of the Goods and Services Tax (GST) will be the solution but government should try to make it 'Good and Simple Tax'.
- Labour laws should be amended in a way that does not overlook the interest of labour. Progressive labour laws should implement to create more jobs in the market.
- Revisit the Land Acquisition Act, a robust land acquisition policy which eases the process of acquisition is essential for Investment in Infrastructure and Manufacturing.
- Government should enhance the transport system through increasing the capacity of railways, highways and expressways.
- Physically link every corner of the country to domestic and international markets through roads, railways, ports and airports.
- Develop industrial corridors to facilitate ease of doing business.
- Develop energy infrastructure with up-gradation of technology and strengthen of high capacity national transmission grid.
- Link every people electronically and financially to the broader system through mobiles, broadband, and intermediaries such as business correspondents.
- Encourage the development of public institutions such as markets, warehouses, regulators, information aggregators and disseminators.

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