



## Assessing Make in India: Achievements and Challenges

This editorial is based on [“There is no substitute for an industrial policy”](#) which was published in The Indian Express on 27/12/2023. The article discusses the Make in India policy and its drawbacks. It also discusses that there is a need of Industrial Policy to create jobs which is an unachieved goal of MII.

**For Prelims:** [Make in India initiative](#), [National Industrial Policy](#), [Production-linked incentive \(PLI\) scheme](#)

**For Mains:** Make in India: Objectives, Success and Failures; How industrial policy can help in job creation

The [Make in India initiative](#), launched in 2014, represents a departure from India's previous policy of self-sufficiency in the 1970s. Unlike the old approach, Make in India does not evoke memories of the licence raj, self-sufficiency, or import-substituting industrialization. It is significantly different, although concerns have been raised about the implementation of Make in India in certain sectors.

### What is the Make in India Policy?

- **The Policy:**
  - The Make in India initiative is a flagship program launched by the Indian government in 2014 **to boost domestic manufacturing and transform India** into a global manufacturing hub.
  - The campaign was launched to **facilitate investment, foster innovation, enhance skill development, protect intellectual property** & build best in class manufacturing infrastructure.
- **Objectives:**
  - Increase the growth rate of the manufacturing sector to **12-14% per annum**.
  - Create **100 million additional manufacturing jobs** by 2022 (revised to 2025).
  - Increase the manufacturing sector's contribution to **GDP to 25% by 2025**.
- **Strategies:**
  - **Streamlining Business Processes:** Reducing bureaucratic hurdles and simplifying regulations to make it easier for companies to do business in India.
  - **Developing Infrastructure:** Upgrading ports, roads, railways, and power generation to provide reliable and efficient infrastructure for industries.
  - **Skilling the Workforce:** Investing in skill development programs to create a pool of skilled labour for the manufacturing sector.
  - **Incentivizing Investments:** Offering tax breaks, subsidies, and other incentives to attract foreign and domestic investment in manufacturing.
  - **Focusing on Key Sectors:** Targeting specific sectors for development, such as automobiles, aerospace, defence, electronics, and pharmaceuticals.
- **Derivatives:** MII has at least two other derivatives: Made in India and Make for India.

- **Made in India** refers to a product that is assembled or produced in India, even if the parts were manufactured abroad.
  - It is basically a branding strategy to promote manufacturers born out of Indian **factors of production** — land, labour, capital, entrepreneurship, technology, etc.
- **Make for India** involves production for consumption in India itself and focuses on manufacturing for the domestic market.

## What was the Rationale behind the Introduction of MII?

- MII was launched in 2014 as a sequel to earlier initiatives designed to create a robust and competitive manufacturing sector such as ([NIP 2011](#), Liberalisation of Economy etc.).
- The Indian manufacturing sector's growth was constrained by factors such as inadequate physical infrastructure, a complex and (corrupt) regulatory environment, and inadequate availability of skilled manpower.
- MII was launched to raise the contribution of manufacturing in GDP from the stagnant 15% since the beginning of the 1980s to at least 25% and to create 100 million additional jobs.
  - That it did not succeed is to state the obvious.
- In addition to the dynamic objectives of National Manufacturing Policy (NMP) 2011, it was aimed "to transform India into a global design and manufacturing export hub". In other words, MII for the world.

## What are the Success and Failures of MII?

- **Successes:**
  - India improved its ranking in the [World Bank's Ease of Doing Business Index](#), from 142<sup>nd</sup> in 2014 to 63<sup>rd</sup> in 2020.
  - India opened up various sectors to private and foreign investment, such as defence, railways, civil aviation, etc.
  - India witnessed growth in some sectors, such as automobiles, electronics, renewable energy, textiles, etc.
  - India became a leader in mobile phone manufacturing, with over 200 units producing more than 225 million handsets in 2017-18.
- **Failures:**
  - India **failed to create an international niche market** for its products and services.
  - India did not achieve its targets of increasing the manufacturing sector's share in GDP to 25% by 2025, creating 100 million additional jobs, and boosting manufacturing growth to 12-14% per annum.
  - India faced challenges such as policy paralysis, lack of competitive advantage, investment crunch, trade protectionism, infrastructure bottlenecks, labour issues, etc.

## Why did MII Fail to Achieve its Objectives?

- As a part of MII, the [production-linked incentive \(PLI\) scheme](#) was introduced with a purpose to attract investments in key sectors and cutting-edge technology; ensure efficiency and bring economies of size and scale in the manufacturing sector and make Indian companies and manufacturers globally competitive.
  - The additional goals are like the icing on the cake, but the primary goal of creating jobs for our abundant workforce, particularly women, has not been accomplished.
    - This can only be **achieved through labour-intensive manufacturing**. China's example suggests the influence of scale in manufacturing for more and more jobs.

## Can the MSMEs solve the Jobs Conundrum?

- India's labour market research points towards the presence of low-paying, subdued productivity, and mostly informal jobs in the unorganised sector.
- Over 99% of India's 63 million [micro, small and medium enterprises \(MSMEs\)](#) are in the unorganised sector with very little flexibility for productive job creation.
  - Their hand-to-mouth existence is not a recipe for jobs or scale.

## So, What needs to be done for Job Creation?

- A **well articulated National Industrial Policy** over and above PLI is needed for sectors such as toys, readymade garments and footwear, etc.
  - PLI is good for high-end manufacturing, but industrial policy is the best bet for mass job creation.
- Industrial policy in a labour abundant country with average educational achievements and skills is necessary to shape productive job creation for the abundant factor.

## How can National Industrial Policy help in Job Creation?

- **Providing incentives and support** for the existing and new industries to expand their production, exports, and innovation. This can increase the demand for labour and skills in the industrial sector and generate more employment opportunities.
- **Developing infrastructure and connectivity**, such as roads, ports, power, and digital networks, that can facilitate the movement of goods, services, and people. This can improve the efficiency and competitiveness of the industries and create more jobs in the construction and maintenance sectors.
- **Enhancing the skills and capabilities of the workforce**, through education, training, and lifelong learning programs, that can match the needs and demands of the industries. This can improve the productivity and quality of the labour force and create more jobs in the knowledge-based and high-value sectors.
- **Promoting entrepreneurship and innovation**, through policies and programs that encourage the creation and growth of startups, small and medium enterprises, and social enterprises. This can foster a culture of innovation and creativity and create more jobs in the emerging and dynamic sectors.
- **Aligning the industrial policy with the social and environmental goals**, such as poverty reduction, gender equality, and climate change mitigation. This can ensure that industrial development is inclusive, sustainable, and responsible and creates more jobs in the green and social sectors.

## Conclusion

A National Industrial Policy is necessary to facilitate the creation of productive employment opportunities for India's abundant labour force. However, the government has put the new industrial policy (NIP '23), which has been in the making for over two years, on hold.

### **Drishti Mains Question**

Examine the importance of a National Industrial Policy in addressing the job creation challenge in India.

## **UPSC Civil Services Examination, Previous Year Questions (PYQs)**

### **Mains**

**Q.** "Industrial growth rate has lagged behind in the overall growth of Gross-Domestic-Product (GDP) in the post-reform period." Give reasons. How far are the recent changes in Industrial-Policy capable of increasing the industrial growth rate? **(2017)**

