



MAKE IN INDIA: A FOCUSED APPROACH ON COMPETITIVE ADVANTAGE

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ABSTRACT

The paper aims to evaluate and examine the 'Make In India' programme of the Government of India and in the same breath suggesting various avenues and key focal points which if emphasized and concentrated upon will require least possible efforts in attracting businesses from around the world to come to India and to treat India as an attractive investment destination.

What is the 'Make In India'?

The Make in India program was launched by Prime Minister Shri Narendra Modi in September 2014 as part of a wider set of nation-building initiatives. Manufacturing currently contributes just over 15% to the national GDP. The aim of this campaign is to grow this to a 25% contribution as seen with other developing nations of Asia. In the process, the government expects to generate jobs, attract much foreign direct investment, and transform India into a manufacturing hub preferred around the globe. Manufacturing currently contributes just over 15% to the national GDP. The Make in India program has been built on layers of collaborative effort. DIPP initiated this process by inviting participation from Union Ministers, Secretaries to the Government of India, state governments, industry leaders, and various knowledge partners. Next, a National Workshop on sector specific industries in December 2014 brought Secretaries to the Government of India and industry leaders together to debate and formulate an action plan for the next three years, aimed at raising the contribution of the manufacturing sector to 25% of the GDP by 2020. This plan was

presented to the Prime Minister, Union Ministers, industry associations and industry leaders by the Secretaries to the Union Government and the Chief Secretary, Maharashtra on behalf of state governments. These exercises resulted in a road map for the single largest manufacturing initiative undertaken by a nation in recent history. They also demonstrated the transformational power of public-private partnership, and have become a hallmark of the Make in India program.

Sectors of focus for Make in India

The 25 key sectors identified under the programme include automobiles, auto components, bio-technology, chemicals, defence manufacturing, electronic systems, food processing, leather, mining, oil & gas, ports, railways, ports and textile. (Refer Figure1)

Automobiles	Food Processing	Renewable Energy
Automobile Components	IT and BPM	Roads and highways
Aviation	Leather	Space
Biotechnology	Media and Entertainment	Textiles and garments
Chemicals	Mining	Thermal Power
Construction	Oil and Gas	Tourism and Hospitality
Defence manufacturing	Pharmaceuticals	Wellness
Electrical Machinery	Ports	
Electronic Systems	Railways	

Figure 1: Sectors covered under ‘Make in India’ campaign

Major Issues: Some of the major challenges that might come before the campaign of Make in India are as follows:

1. **China:** China is a major rival to India when it comes to the outsourcing, manufacturing, and services business. In terms of manufacturing no doubt that China is far beyond and India will have to sharpen up to reach that level. The technological advancement in China in the manufacturing sector has a global impact. But, India has more affordable labour than China. So, this challenge can be met as India has the benefit of less labour cost.

"Chinese costs are going up. This is a great time to move production from China to India," says Adi Godrej, Chairman of the Godrej Group, which has shifted air conditioner and washing machine production to India. Other countries, in fact, are already benefiting as China begins to lose the competitive advantage that lured companies from across the world. An estimated 100 million jobs will move out of China over the next few years in labour-intensive sectors, says Ajay Shankar, Member Secretary of India's National Manufacturing Competitiveness Council. But then still the issue remains. Can India become a manufacturing giant as China stands today? The question still remains unanswered. In India the labour effectiveness is not very high. Suppose one labour, in one day, getting a wage of Rs 800/- per day makes 50 units of a product with 8 working hours. In comparison to this one labour in China, in one day, getting the same wage and working same hours will be efficient enough to make 100 units due to high end technological advances and efficiency level of the employee. Low labour cost is not the only factor that will make us manufacturing giants. There's more to be achieved for India in terms of technical skill as well as labour efficiency.

- 2. Infrastructure and Logistics:** China has been the world's most aggressive investor in domestic infrastructure -- roads, rail, waterways, power, ports, airports and telecom. According to McKinsey Global Institute, during 1992-2011, China spent 8.5 percent of GDP on infrastructure, much more than any other large economy. During this period, India spent 4.7 percent of GDP on infrastructure while Latin America spent a meagre 2.3 percent. When we aim to match China and Japan, we must look forwards to the betterment of the most key aspect of developed nation- energy. The Government should take initiative to fix the country's creaky infrastructure by building highways, power plants and ports. Infrastructural development is not just about making better buildings or faster trains, but at the same time, overhauling the overall processes involved in getting a new entity set up.
- 3. Bureaucratic Approach:** Transparency and stability directly correspond to sustainability. Creating healthy business environment will be possible only when the administrative machinery is efficient. India has been very stringent when it comes to procedural and regulatory clearances. A business-friendly environment will only be created if India can signal easier approval of projects and set up hassle-free clearance mechanism. A lot of projects never take off from the paper they are inked on, and remain stale headlines in some forgotten newspapers because of the bureaucratic

problems. The level of red-tapism and corruption needs to be eliminated and not reduced. The overall structure of the governing system and the business system needs to be re-modified from the top to the bottom.

4. Political Will and Stable Policies: For any growth, a conducive environment is of utmost importance. Businesses need policies laid down in a concrete crisp and precise manner. There should be least possible chances for change/ deviations in terms of industrial/financial policies of a country, thus providing and aiding in long term planning for any industry. Similarly, the stability of leadership and the willingness to take decisions also is of prime impetus as we have seen periods of “Policy Paralysis” and its effect on industrial growth in the recent past. Thus, ensuring and exhibiting a stable policy framework and political will is of prime importance for attracting business houses.

5. Legal Framework & Combating Corruption: Policy framed must be transparent and should involve possibly the least number of desks. A country's environment and working should show zero tolerance to corruption. Today corruption is a greatest evil in our society and is discouraging not even foreign but local businesses to grow. Policies like RTI have surely helped in creating transparency but there is a strong need of something more stringent in the lines of Lokpal. Thus, depicting political willingness to combat corruption which is a cost that no business could “write-off”. Legal framework should also be strengthened ensuring the courts move swiftly considering the current backlog of cases in our courts. Today there is a need to straighten out our legal system thus providing a confidence to the business/industries that their interest will be safeguarded efficiently.

India's Competitive Advantage: Strategy that will make 'Make In India' campaign a Success:

India has a very strong competitive advantage over China as its major challenge and other countries too. In order to make the campaign of Make in India successful, it is very important for India to realize what exactly are its strengths. No doubt, India needs to develop its manufacturing sector but there are certain elements of India that give it a cutting edge over any other country. These strengths are the competitive advantage for India and will always remain the exclusivity for India. The major areas where India has competitive advantage in order to make the Make in India campaign successful are discussed below:

- 1. Handloom and Handicraft sector:** The handloom sector occupies a distinct and unique place in the Indian economy, besides being the largest generator of non-farm rural employment. While available statistics indicate an economic sector of considerable size, there is still immense scope for expansion. From April 2014 to February 2015, carpet exports stood at US\$ 1,173.4 million and are expected to grow 9 per cent year-on-year in 2015–16. India is responsible for around 35 per cent of worldwide export of handmade carpets. Indian handmade carpets are exported to more than 70 countries in the world, the US being the largest importer. Today, a major difficulty of handloom weavers across the country is the non-availability of adequate quantities of good quality yarn at reasonable prices, lack of credit facilities and marketing. Since Handloom is India's unique strength, provision of raw material at lower cost should be promoted and a rigorous marketing initiative should be taken towards marketing of handloom products. It requires a new form of Branding and creating a global image in the world economy. Advertising and promotional efforts need to be introduced in this sector. We need to realize that this sector is our strength, so rather than focusing only on the manufacturing sector for industrial products, India should also try to invite investments and provide financial support for creating an image of the handloom sector in the world economy. Small industries of handloom should be set up and promoted as people in India are skilled in this sector. We need to create an opportunity in this sector as its already our advantage. The example of Bhadohi will justify this point. We all know that Bhadohi, a district in the state of Uttar Pradesh is popularly known as the 'Carpet City'. Its the largest hand-knotted carpet weaving industry hub in South Asia. It is believed that centuries ago, some Iranian master weavers stopped at Madhosingh village, near Khamaria, in Bhadohi while travelling in India. They established the first loom and manufactured the first carpet in India. Now considering this example it can be said that, during the time when there was low infrastructure, no proper credit facilities, no industry in such a small district of Bhadoi, at that time, a small carpet industry was set up in the city. And, today, this city has become the largest manufacturer of carpets. Now this is the speciality that India has. We need our competitive advantage to be focussed in the Make in India project to achieve success.
- 2. India's Wellness sector and Spiritual Ambiance:** Steve Jobs deeply influenced by the Indian spiritualism when he visited India in 1974. According to Steve, he got the inspiration to found Apple, during his stay in India. In India, Steve visited Kainchi

Ashram, in Nainital, in the state of Uttarakhand (the Ashram of Baba Neem Karoli or Baba Neeb Karori, considered a reincarnation of Lord Hanuman, and it's where he is believed to have got the vision to create Apple. Another example is of Facebook CEO Mark Zuckerberg who revealed that when his company was going through a tough patch, Steve Jobs advised him to visit a temple in India, where the Apple co-founder had also experienced life-changing spiritual reflection. Hollywood actress Julia Roberts is also said to be influenced by Neem Karoli Baba and was drawn to Hinduism because of him. A lot of foreigners have visited India like musicians Jai Uttal and Krishna Das, humanitarian Larry Brilliant, scholar and writer Yvette Rosser and Daniel Goleman who wanted spiritual awakening. The Beatles story is another example to quote. Thus, since long we have been watching that Indian spirituality is going a long way and people from various parts of the country come to India for spiritual peace.

India's ancient systems of medicine are a treasure house of knowledge for both preventive and curative healthcare. The demand for Ayurveda, Yoga, Naturopathy, Unani, Siddha and Homoeopathy (AYUSH) and herbal products is surging in India and abroad. The classical methods of yoga originated and propagated in India has its own advantages. Now-a-days Yoga had become a global method for making the body fit and healthy. The ancient Indian texts have defined the concepts of do's and don'ts which are used as natural modalities for prevention of diseases and restoration of health. The Indian Ayurveda market is currently dominated by the southern markets of Kerela and Karnataka. The biggest markets for Indian herbal products are Western Europe, Russia, USA, Kazakhstan, UAE, Nepal, Ukraine, Japan, Philippines, Kenya etc. The various investment areas in wellness sector are:

- Ayurveda drug manufacturing
- Setting up of specialised treatment centres.
- Medical tourism for curative and rejuvenation treatments.

India should also focus on inviting people and foreign investors to invest in development of spiritual centres and Ayurveda centres and develop these centres by inviting investments. This will add as a competitive advantage to India. Therefore, making spa centres, yoga centres etc at different places in India and across the globe will definitely bring success. People should be encouraged to develop and invest in educational centres and labs for spiritual healing and Ayurveds, Unani, Siddha and Homoeopathy, as International visitors are making beeline for natural Ayurvedic

treatments in health resorts and spa centres in India. They prefer therapies for arthritis, paralysis, obesity, sinusitis, migraine, premature ageing, skin ailments, insomnia, high blood cholesterol and diabetes. What is genuinely required for intellectual growth of Ayurveda is to develop culture, and a platform for publication of research for medical practitioners, researchers and students.

3. India's Cultural Heritage: India has an unmatched heritage. The present culture of India reflects a collective heritage of the past. Undoubtedly, Indian culture is varied, rich and diversified with its own uniqueness. Behaviour, communication styles, level of importance given to the people etc are in integral part of the culture. The verses taken from Taitriya Upanishad describes everything about the treatment of guest, parents and elders - : matru devo bhava, acharyadevo bhava, pitru devo bhava, atithi devo bhava. The literal translation of the verse would bring out the sense that an ideal person should strive to "be one for whom the Mother is God, be one for whom the Father is God, be one for whom the Teacher is God, be one for whom the guest is God."

India needs to identify its uniqueness in its cultural heritage. Make in India campaign should also try to adopt methods to promote cultural distinctiveness of India in related sectors like tourism. New concept development and new idea development in Make in India campaign, which intensifies the effect of India's cultural heritage, would be a boost for the programme. Starting from the ancient temples to the bustling modern metropolises, the elevated peaks of the Himalayas to mild warm waters of large Arabian Sea, undoubtedly India is a splendid, colourful and diverse nation which is popular amid the tourists from different corners of the world. The cultural variations, adventure travel, and historic sightseeing are very prevalent forms of tourism in the country and this is what makes India one of the top destinations that enjoy international renown. The Government should realize that India, which is so colourful and attracts people from different countries around the world due to its cultural heritage and diversity, is a fact that needs to be understood and developed as a tool to achieve competitive success over the competitors.

4. The Ganga: Ganga has formed an integral part of Indian life, spirituality and culture for thousands of years. **Ganges River**, great river of the plains of the northern Indian subcontinent. Although officially as well as popularly called the Ganga in Hindi and

in other Indian languages, internationally it is known by its conventional name, the Ganges. Rising in the Himalayas and emptying into the Bay of Bengal, it drains one-fourth of the territory of India, and its basin supports hundreds of millions of people. All of Her aspects have inspired quotes, action and a place in the scriptures. In the canons of Indian art, Ganga is visualized as voluptuous and beautiful, carrying an overflowing pot in her hand. The vessel conveys the idea of abundant life and fertility, which nourishes and sustains the universe. Hindus celebrate many festivals and holidays throughout the entire year, and many of these festivals take place along the banks of The Ganga. The largest of these festivals are the various Kumbh Melas, which take place alternatively in Haridwar, Ujjain, Nashik and Allahabad (Prayag), being celebrated in each place every twelve years. The Chhat Puja is a Hindu festival dedicated to honouring the sun god Surya, in order to give thanks for sustaining life on earth. The Ganga Mahotsav is a special five-day festival that is observed in Varanasi created to celebrate the various facets of Ganga. This festival celebrates the spirituality, purity and power of Ma Ganga, the identity and pride Ma Ganga gives the people of India, as well as the nourishment the river provides. Ganga Dussehra is celebrated in the first ten days of the month of Jyesththa (in June) commemorating the day Ganga came down from the heavens to Earth. On this day, devotees worship Ganga as the mother and goddess, and special pujas and aarti are performed to Ganga. Ganga not only holds great spiritual and cultural significance, but her unique, natural characteristics have given Her qualities unlike other water bodies, and made Her the subject of scientific study. Ganga Action and INTACH are proposing the declaration of the Upper Ganga Region – from Gaumukh to Haridwar inclusive of the Mandakini and Alakananda Valleys – as a UNESCO World Heritage Site, recognizing this area as not just an area of local or national concern, but truly of global importance. This area is truly worthy of being declared a World Heritage Site for a variety of reasons, such as the need to preserve and protect the ‘Aastha’ – or faith – Indians have in their Mother Ganga. Land alongside the river may be developed as SEZs for hospitality industries, also it can be developed as a rehabilitation hub for the entire world where foreign business houses may invest to set-up spas, yoga centres, rehab centres, hotels etc. This will not only be highly lucrative but also will need no introduction as Ganga in itself is well known for its scenic beauty among soul searching tourists who have time and again been mesmerized by the serenity of the mother of rivers and therefore

is in the top camping priority of any tourists visiting India. In fact, many a tourists visit India to experience the uplifting attributes of the holy river.

- 5. Service Sector in India:** India had made significant progress toward establishing a competitive position in the global economy, through its service sector. India's services sector had shown that the country had the capacity to be a pioneer. The Indian market is large and unsaturated, and most services have been opened up for foreign investment. India wants to be a knowledge-based hub, and the government is promoting exports of services. All these factors will drive the future growth of the service sector. Indian government projections show that the sector will grow at a fast pace. The Planning Commission estimates that the economy will grow at 9.5% in the 12th Five Year Plan (2012–2017), and the service sector is projected to grow at the rate of 10%. There is no government policy on how the sector can lead to inclusive growth. Some regulations do not take into account technological developments while others are outdated or do not follow international best practices. According to the Organisation for Economic Co-operation and Development's (OECD) FDI Restrictive Index 2010, India is considered more restrictive than the Republic of Korea and less so than the PRC and Japan but is one of the few countries that has FDI restrictions on services that are hampering its ability to attract investment and best management practices. Employment opportunities and quality education are both necessary for inclusive growth. There is a skill shortage in ICT and organized retail. The focus should not only be on creating new infrastructure but also on efficiently using existing infrastructure. The Indian government can encourage investments in research and development through public–private partnerships and through fiscal incentives such as tax benefits, grants, and subsidies.
- 6. Agriculture:** Over 58 per cent of the rural households depend on agriculture as their principal means of livelihood. Agriculture, along with fisheries and forestry, is one of the largest contributors to the GDP. Over the recent past, multiple factors have worked together to facilitate growth in the agriculture sector in India. These include growth in household income and consumption, expansion in the food processing sector and increase in agricultural exports. Rising private participation in Indian agriculture, growing organic farming and using information technology are some of the key trends in the agriculture industry. The agriculture sector in India is expected to generate better momentum in the next few years due to increased investments in agricultural infrastructure such as irrigation facilities, warehousing and cold storage.

Factors such as reduced transaction costs and time, improved port gate management and better fiscal incentives would contribute to the sector's growth. Furthermore, the growing use of genetically modified crops will likely improve the yield for Indian farmers. Farmers need to be empowered and technological advancement in agricultural sector is the need of the hour.

- 7. The Young India:** 'India is a young country. If we take advantage of the demographic dividend, we can change the face of the world,'- Mr. Narendr Modi, PM, India. 'If we pay attention to skill development, then we can provide opportunities to our youth to become productive and creative... then we can do a lot of things,' Modi states. The median age in India is around 26 years. We have a population that is very young as compared to Japan which is growing older by the day! If we pay more attention to skill development and meaningful training of the youth, we may see a long-lasting effect on the economy. "By 2020, India will have a 116 million strong workforce in the bracket of 20-24 years, while for China it will be just about 94 million at the same time. This could be the strongest competitive advantage India will have in the years to come. "What is also striking is that within two decades, the average age in US will be 40, it will be 46 in Japan, 47 in Europe and almost 50 in China, but we will still be at 29," Tharoor said at the national conference on secondary education titled "Is Secondary Education on Track?" at the Indian Habitat Centre. India should make use of this demographic advantage to its best.
- 8. English speaking population:** A legacy of the British Empire is that India has one of the largest English speaking populations in the world. For labour intensive industries like call centres India is an obvious target for outsourcing. This is an economic development likely to continue in the future as English speaking gives us immense potential and an upper-hand as compared to countries like China. Businesses in English speaking countries know for the fact that language barrier is one of the biggest communication barriers in operational and marketing contexts. Thus, India being a nation where people are familiar in English naturally marks us up and above many other non- English speaking nations and ensuring this factor adds up as our competitive advantage. Sectors like BPOs, KPOs etc will flourish and continue to attract huge investments if supported by the correct environment. Also, it adds up to the idea laid by Mr. Narendra Modi of developing India as a place which not only develops skilled people but can also outsource our skilled services as teaching and counselling etc. to abroad. Also, this factor makes India an attractive market for

foreign businesses and products as language barrier is negligent in comparison to many countries in the Asian continent.

- 9. The comeback of Appliances:** It's not just labour-intensive, low value-added industries that are moving manufacturing to India. Companies in electrical goods and home appliances are doing so, too. 'Manufacturing of certain products such as refrigerators never moved to China because India required a different model ' the Chinese eat a lot more meat than Indians and have larger freezers. But it was easy to import washing machines. Godrej set up a factory in India in 1996 to make both semi- and fully-automatic washing machines. The semi-automatic models came with metal bodies but gradually, the trend shifted to fibre bodies. That meant new investments, which it made in China instead of India, recalls Kamal Nandi, Executive Vice President for sales and marketing and new product development at Godrej Appliances.' All this has changed with China fast losing its competitiveness. An important reason why many appliance makers are opting for manufacturing in India is that they are wary of keeping inventory they can't sell ' sourcing from China requires them to book capacities six months in advance.

Conclusion

The sectors discussed are the sectors on which a larger emphasis should be made to invite foreign business houses. Policies for these sectors should be framed as a highly attractive package which can lure investments as many of these sectors are unique to India and can hardly be replicated by any other country/economy and the most important factor is, we are sure that its marketable as these areas/sectors have been the key components of "Brand India". No additional efforts are needed place these for offer in the world market. And furthermore, not only creating opportunities in the abovementioned sectors will attract a huge applaud from the business community, but also the end product will keeping on adding and multiplying the impact of India as a brand, as the service/product borne out of it will always remain exclusive to India due to its cultural and geographical uniqueness.

Also, India should also be ready to tackle elements that adversely affect competitiveness of manufacturing. To make the country a manufacturing hub the unfavourable factors must be removed.

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