1. Why 'Make in India' Has Failed

Context:

- On September 25, 2014, the Indian government announced the 'Make in India' initiative to encourage manufacturing in India and galvanize the economy with dedicated investments in manufacturing and services.

Background:

- In 2015, India emerged as the top destination for foreign direct investment, surpassing the U.S. and China. In line with the national programme, States too launched their own initiatives.
- The 'Make in India' idea is not new. Factory production has a long history in the country. This initiative, however, set an ambitious goal of making India a global manufacturing hub. To achieve this goal, targets were identified and policies outlined.

Objectives of 'Make in India':

- To increase the manufacturing sector's **Growth Rate to 12-14% Per Annum** in order to increase the sector's share in the economy
- To create **100 Million Additional Manufacturing Jobs** in the economy by 2022
- To ensure that the **manufacturing sector's contribution to GDP** is increased to **25% by 2022 (revised to 2025) from the current 16%.**
- The policy approach was to create a conducive environment for investments, develop modern and efficient infrastructure, and open up new sectors for foreign capital.
- As the policy changes were intended to usher growth in three key variables of the manufacturing sector — investments, output, and employment growth — an examination of these will help us gauge the success of the policy.

Performance of Make in India:

- The last five years witnessed slow growth of investment in the economy. **Gross fixed Capital Formation** of the private sector, a measure of aggregate investment, declined to **28.6% of GDP in 2017-18 from 31.3% in 2013-14** (Economic Survey 2018-19).
- Part of this problem can be attributed to the decline in the savings rate in the economy. Household savings have declined, while the private corporate sector's savings have increased.
- Thus we find a scenario where the private sector's savings have increased, but investments have decreased, despite policy measures to provide a good Investment Climate.

- **With regard to Output Growth,** we find that the monthly index of industrial production pertaining to manufacturing has registered 3% or below for majority of months and even negative for some months. Needless to say, negative growth implies contraction of the sector.
- Regarding **Employment Growth,** especially industrial employment, has not grown to keep pace with the rate of new entries into the labour market. Thus on all three counts, 'Make in India' has failed.

Causes for the failure of 'Make in India':

- The bulk of these schemes **relied too much on Foreign Capital** for investments and global markets for produce. This created an inbuilt uncertainty, as domestic production had to be planned according to the demand and supply conditions elsewhere.
- Policymakers **neglected the third deficit in the economy, which is implementation.** While economists worry mostly about budget and fiscal deficit, policy implementers need to take into account the implications of implementation deficit in their decisions.
- The spate of policy announcements without having the preparedness to implement them is 'policy casualness'.
- It set **out too ambitious growth rates for the manufacturing sector** to achieve. An annual growth rate of 12-14% is well beyond the capacity of the industrial sector.
- The initiative **brought in too many sectors into its fold.** This led to a loss of policy focus. Further, it was seen as a policy devoid of any understanding of the comparative advantages of the domestic economy.
- Given the **uncertainties of the Global Economy** and ever-rising trade protectionism, the initiative was spectacularly ill-timed.

Conclusion:

- Make in India' is a policy initiative with inbuilt inconsistencies. The bundle of contradictions unfolds when we examine the incongruity of 'swadeshi' products being made with foreign capital.
- This has led to a scenario where there is a quantum jump in the 'ease of doing business' ranking, but investments are still to arrive.
- The economy needs much more than policy window dressing for increasing manufacturing activity.

Source: The Hindu