1. Make in India' 2.0

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:

- 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.

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**.
- 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.
- ✓ 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.

Way Forward:

- International experience shows that **Public Procurement Frameworks can significantly foster economic growth** in a number of ways, right from imposition of core domestic manufacturing and MSME participation requirements in public contracts, to nudge foreign vendors to integrate domestic manufacturers within their global supply chains.
- IPR-allocation systems for public-funded R&D as in the US and the EU could also inspire the India story, now that our **National IPR Policy (2016) clearly mandates promotion of licensing and technology transfer for IPRs**, and suggests devising contractual and licensing guidelines to enable commercialisation of IPRs.
- The task of making India a $5-trillion economy in the next four years is, indeed, an achievable one, but one that will require all interested stakeholders to participate vigorously—at various levels such as the federal, provincial and municipal.