

MAKE IN INDIA PROGRAMME - A DREAM OF TRANSFORMING INDIA INTO A MANUFACTURING HUB WITH THE SUPPORT OF MSMES

Dr.V.Sujatha¹

¹Lecturer in Economics, KTR Women's College, Gudivada

Abstract - In order to make India a powerful indigenous manufacturing hub and bring about economic transformation, the government has come up with a concept of "Make in India". With successful implementation of "Make in India" concept, India's gross domestic product (GDP) is expected to grow over \$4.5 trillion by FY20. "Make in India" will not only encourage the indigenous manufacturing sector but also give tough competition to foreign rivals. With the help of 'Make in India Programme, the dependence on imports can be brought down and at the same time, current account deficit can also be controlled. The Prime Minister, Narendra Modi's call for Making India a manufacturing hub and creating jobs should boost small and medium enterprises as well. 'Make in India' campaign is creating waves both in India and abroad. Given the government's intention to boost domestic manufacturing and create new jobs, its proposal to introduce a new policy for Micro, Small and Medium Enterprises deserves a closer look. His invitation to international companies to make investments has been receiving a lot of attention. The government's close interaction with industry associations from different regions and sectors within India to discuss specific problems inhibiting domestic enterprises deserves equal consideration. This paper mainly focused on the role of MSMEs in implementing 'Make in India Programme'.

Key Words: Make in India Programme, Manufacturing hub, Economic transformation, Micro, Small and Medium Enterprises, Indigenous Manufacturing Sector.

1.AIMS OF MAKE IN INDIA POLICY

The Make in India Policy aims to facilitate investment, foster innovation, enhance skill development and build an Eco-system for manufacturing infrastructure in the country. Ministry of Micro, Small and Medium Enterprises has been implementing a number of programmes and schemes in the areas of finance, technology, infrastructure, marketing and skill development to facilitate aims of the Make in India Policy. The Ministry is proposing to rise to the challenge through action plans directed at enhancement of the provision of collateral free credit through creation of state verticals. Creation of similar verticals for women entrepreneurs and youth among SC/ ST and North East Regions has also been proposed by the Government. A comprehensive skill mapping is also proposed as a first step towards alleviating the existing skill deficit. The funds are allocated to the schemes as a whole, and it is difficult to separate the amount earmarked for the 'Make in India'

component. Moreover, all the Schemes of the Ministry are Central Sector Schemes and specific.

India has the capability to push its manufacturing contribution to GDP to 25 percent by 2025. Government has to act as the central pivot of aligning industries, private companies, public sectors and all stakeholders in realizing this vision. Government has to put policies in place be it sector reforms, labor reforms or the elimination of business barriers. The Government of India has taken a number of steps to further encourage investment and improve business climate. 'Make in India' mission is one such long term initiative which will help to realize the dream of transforming India into a 'manufacturing hub'. Honorable Prime Minister's call for 'zero defect and zero effect' manufacturing resonates well with our industry as we grow and produce for the world.

India's expanding economy offers equal investment opportunities to domestic entrepreneurs and international players. It is our responsibility to leverage emerging opportunities and work towards shaping this 'manufacturing vision'. Indian Manufacturing is slowly but surely sweeping back in the national economic space. Prime Minister [Narendra Modi](#) launched his pet project 'Skill India Campaign' in New Delhi on the occasion of the first ever 'World Youth Skills Day' which included the launch of the 'National Skill Development Mission' and unveiling of the new 'National Policy for Skill Development and Entrepreneurship 2015'. "Through a policy driven approach we have waged a war against poverty and we have to win this war. India's youth is not happy simply asking for things. He or she wants to live with pride and dignity. I believe Indian youth has immense talent, they just want opportunities," Modi said. The Prime Minister said that each poor, underprivileged youth was a soldier in this war. "This mission is not limited to skill, we have linked entrepreneurship to it," the prime minister said.

According to the note of implementation, more than 54 percent of the country's population is below the age of 25 allowing it with an opportunity to provide a skilled workforce to fill the expected shortfall in the ageing developed world. The initiative basically promises the investors - both domestic and overseas - a conducive environment to turn 125 core population strong-India a manufacturing hub and something that will also create job opportunities. That's in effect a plunge into a serious business but it is also punctuated with two inherent elements in any innovation - new avenues or tapping of

opportunities and facing the challenges to keep the right balance. The political leadership is widely expected to be populist; but 'Make in India' initiative is actually seen as a judicious mix of economic prudence, administrative reforms and thus catering to the call of people's mandate – an aspiring India.

India should emerge as the 'human resource capital' of the world as China has become a global 'manufacturing factory', Prime Minister Narendra Modi said while launching the ambitious 'Skill India' Mission as part of the government's "war against poverty". He said India has the potential to provide a workforce of about 4 to 5 core to the world if the capabilities of the countrymen are utilized through proper and dynamic training in skills. The prime minister was referring to 65 per cent of India's population which is below the age of 35 years. Modi said Indians should be ready to replace the diminishing workforce in other countries.

Under the skill loan scheme, youth can avail credit between Rs. 5,000 and Rs. 1, 50,000 to attend skill-related training programme. Modi stressed the need for more ITI institutes in the country. The government estimates an incremental requirement of 110 million additional skilled personnel across 24 sectors by 2022. The demand will be highest in real estate, transport, retail and beauty and wellness sectors. But the agricultural sector will see a negative growth with 24.8 million people moving to other jobs.

2.ROLE OF MSME SECTOR IN MAKE IN INDIA PROGRAMME:

Micro, Small and Medium Enterprises play a pivotal role in the economic and social development of the country with its effective, efficient, flexible and innovative entrepreneurial spirit. In India where millions of people are unemployed and facing the problems of poverty, MSMEs have been considered as the dynamic and vibrant sector. It is estimated that MSMEs account for almost 90 percent of industrial units in India and 40 percent of value addition in the manufacturing sector. Today, small and medium industry occupies a position of strategic importance in the Indian economic structure due to its significant contribution in terms of output, exports and employment. MSMEs have been globally considered as an engine of economic growth and as key instruments for promoting equitable development. In recent years, the MSME sector has consistently registered higher growth rate compared with the overall industrial sector. With its quickness and dynamism, the sector has shown admirable innovativeness and adaptability to survive the recent economic downturn and recession. The MSME sector in India is highly heterogeneous in terms of the size of the enterprises, variety of products and services, and levels of technology. This sector also helps in industrialization of rural and

backward areas, reducing regional imbalances and assuring more equitable distribution of national income and wealth.

The major advantage of the sector is its employment potential at low capital cost. The labour intensity of the MSME sector is much higher than that of the large enterprises. Small and Medium-sized Enterprises (SMEs) including start-ups and microenterprises are the vital sector of Indian Economy. They are the driving force behind a large number of innovations and contribute to the national growth through employment generation, investments and exports. It is estimated that in terms of value, the MSME sector accounts for about 45 per cent of the manufacturing output and 40 per cent of the total exports of the country. The sector is estimated to employ about 595 lakh persons in over 261 lakh enterprises throughout the country. Further, this sector has consistently registered a higher growth rate than the rest of the industrial sector. There are over 6,000 products ranging from traditional to high- tech items, which are being manufactured by the MSMEs in India. It becomes imperative to give special attention for growth of MSMEs since they have the potential to provide highest wage employment for the labor force next only to agriculture but also provides goods and services at a lower cost.

Micro, small and medium enterprises (MSMEs), including khadi and village as well as rural enterprises, play a pivotal role in the overall industrial development of the country. They not only help in providing employment opportunities to millions of people across the country, especially to the village artisans and rural people,

but also check the problem of economic concentration in the hands of a few. They create a sound entrepreneurial base in the economy by developing and nurturing the talents, skills, etc. of small and medium scale entrepreneurs. The labor intensity in the MSME sector is estimated to be considerable higher than the large enterprises. Thus, this sector has been regarded a priority status by both the Central and the State Government.

3.OPPORTUNITIES IN MSMEs:

There are various opportunities before the MSMEs like flow of foreign investment and technology, emerging areas of business, less capital intensive, Globalization, less Govt. intervention, better performance by the MSMEs, short and long term capital, export contribution, removal of regional disparity, better industrial relations, employment generation, trade fares and exhibitions, procurement of machinery and raw material etc.

4. CHALLENGES OF GLOBALIZATION AND LIBERALIZATION FOR MSES IN INDIA:

With the liberalization and globalization of the Indian economy, the small enterprises in India have unique opportunities on the one hand and serious challenges on the other. While access to global market has offered a host of business opportunities, the challenges have flowed from their scale of operation, technological obsolescence and inability to access institutional credit.

The Government of India is fully aware of the challenges of Globalization and has taken appropriate measures for preparing the MSEs to meet the challenges. Taking a view of the whole situation, the Government has put in place several measures to help small enterprises to become globally competitive. These include schemes for technology up gradation, development of clusters of such industries, creating awareness regarding export-related issues, etc. The Ministry of Micro, Small & Medium Enterprises (MSME) in India also conducting workshops on various aspects of WTO, Anti-dumping seminars, IPR, etc. to sensitize the MSEs entrepreneurs and other stakeholders about the impact of Liberalization and Globalization.

5. IMPACT ON EMPLOYMENT

A major concern arising from the low share of the manufacturing in GDP is regarding employment. Employment in the manufacturing sector declined from 55 million in 2004-05 to 50 million in 2009-10. This trend does not promise well for the future, particularly in the context of the Planning Commission estimates where the manufacturing sector would need to provide 70 million additional jobs in the next 15 years in order to cater to the growing work force.

Design driven strategic planning will help MSMEs in future to compete globally. If the Government, Bank and Financial Institutions will take proper initiatives in the sector of MSME, these challenges can be solved. To face the competition in the long run and to be economically viable, the MSME sector needs to improve its productivity and quality. Government policy should promote MSMEs by helping them to increase their efficiency and competitiveness within a market driven economy. In order to prevent the major sickness in MSME sector, new approaches like the cluster approach or harnessing the power of industry associations should be encouraged. Undoubtedly the MSMEs sector has enormous potential, and is a crucial aspect of the Indian economy. However it is essential on the part of the government to take careful decisions and honest policy implementation to overcome the problems of MSMEs sector. A technologically vibrant, internationally competitive small and medium industry should be encouraged to emerge, to make a sustainable contribution to national income, employment and exports.

6. INDUSTRY'S VIEWPOINT:

Currently, the Make in India campaign has picked up momentum in areas of defiance and electronics manufacturing. Where the healthcare and pharmacy sectors are concerned, industry experts opine that the move can certainly act as a catalyst for change. Rajiv Nath, Forum Coordinator AIMED feels, "The idea is simple, yet powerful and visionary. India is in transition and for the next level of development to happen. India needs to create new avenues for growth and employment. As per Foreign Trade Policy (2009-14) announced by the GOI, India has an excellent opportunity to shine in technology led exports with focus shifting to newer products. Therefore, MSMEs can be instrumental in transforming "Make in India" dream to the next level. In recent years, the MSME sector has consistently registered a higher growth rate compared to the overall industrial sector. For manufacturing output to grow, a supportive ecosystem is required for each of the stages of the enterprises starting from promotion and creation to expansion till closure or exit. It also accounts for 45 percent of total industrial production, 40 percent of total exports and contributes very significantly to the GDP. Manufacturing segment within the MSME contributes to 7.09 percent of GDP. MSMEs also contribute to 30.50 percent of services. The total contribution of MSMEs to the GDP is 37.5 percent.

But, they may be recorded to understand the magnitude of the task. India is heavily dependent on imports for a large number of goods and services. While import of certain goods like crude is inevitable, many other products across consumer sectors like electronic goods, lighting and consumables which are not technology intensive, have a significant potential to be substituted by local enterprises. Further, there is potential to incentivize investments in high technology areas in order to develop capabilities in high engineering import substitution and indigenization in many areas of healthcare, automotive, electronics and telecom. A strong support of industry association and academia is also needed to guide MSME foray into areas where they can substitute imports.

7. MSMEs AND BUDGET ANNOUNCEMENTS OF THE GOVERNMENT:

In view of the significance of the sector, the government had announced a number of measures in its first budget. Some of the significant initiatives were setting up of Rs.10,000 crore of venture capital fund and establishing a nationwide, district-level incubation and accelerator programme for encouraging entrepreneurship. Other important budgetary announcements included establishing a network of Technology Centers. Revising the definition of MSMEs for providing higher capital ceiling, friendly legal bankruptcy framework had launched the Skill India movement for youth with an emphasis on employability and entrepreneurship. A committee was also proposed to

examine the financial architecture with a view to removing bottlenecks and creating new rules and structures for the sector. The government recently inaugurated a holistic, innovative and low-cost National Small Industries Corporation's online e-commerce shopping portal for buying and selling of products produced by MSMEs.

MSMEs are mainly classified as manufacturing and service enterprises. There is a specific stipulated limit on investment in plant and machinery for each of the respective micro, small and medium segments in manufacturing with a maximum limit of Rs.10 crore, and for equipment in service enterprises with a maximum limit of Rs.5 crore. MSMEs with 94 per cent of units unregistered are highly diverse in terms of their size and the level of technology employed. The production in the sector ranges from output of grass-root village industries and auto components, to microprocessors, electronic components and electro-medical devices.

8.KEY PROBLEMS FACING BY MSMEs:

Since 1948, successive governments have been making intense efforts to encourage MSMEs but the sector continues to be under stress. The office of Development Commissioner for MSMEs was set up in 1954 and a dedicated Ministry for MSMEs in 1999. The Small Industries Development Bank of India (SIDBI), established in 1990, is the principal financial institution for promotion, financing and development of the MSMEs in addition to commercial banks, State financial corporations, and State industrial development corporations. Despite such efforts, some of the key problems faced by MSMEs continue to be:

- Related to availability of technology
- Infrastructure and managerial competence
- Limitations posed by labour laws
- Taxation policy
- Market uncertainty
- Imperfect competition and the skill level of the workforce.

There is need for tax provisions and laws that are not only labour-friendly but also entrepreneur-friendly. There is need for skill formation and continuous upgrade both for labour and entrepreneurs. There is an urgent need for managerial skill development for entrepreneurs running MSMEs - an area that is considerably neglected. The government could consider dedicated television and radio programmes, similar to agriculture, to help educate entrepreneurs running small businesses.

Consumer tastes have been evolving as greater integration with global markets takes pace. In order to keep pace with changing tastes, large corporate firms have made substantial investment in extensive research and developing suitable product ranges. However, due to shortage of office space and financial resources, many micro and small enterprises are unable to invest in R&D and develop new products, and perish as a result. Therefore, government support in undertaking research to help develop new products that are being produced by MSMEs could be very helpful, similar to what agriculture universities do. Similarly, to encourage products manufactured by MSMEs, India could illustratively showcase and promote their products such as phulkari of Punjab, bamboo works of Assam and West Bengal, and cotton weaving of Tamil Nadu, Kalankari designs and Kondapalli toys from Andhra Pradesh via galleries and museums.

9.CONCLUSION

A skill is the learned ability to carry out a task with pre-determined results often within a given amount of time, energy or both in other words, the abilities that one possesses. Skills can often be divided into domain-general and domain-specific skills.

Special skills in work place include time management, teamwork and leadership, self motivation and others, whereas domain-specific skills would be useful only for a certain job. People need a broad range of skills in order to contribute to a modern economy. A technologically vibrant, internationally competitive small and medium industry should be encouraged to emerge, to make a sustainable contribution to national income, employment and exports. It is the need of the hour and also imperative to take care of MSMEs sector to enable it to take care of the Indian economy and to fulfill its dream and aim of implementing 'Make in India Programme' in a successful manner.

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