



# “Make in India Campaign -a Complement to MSME’s Growth”

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## 1. Introduction

**1.1 MSME Sector** -MSME sector is one of the main pillars of Indian economy with vast net work of 4.5 crores and more units working, providing direct job opportunity to more than 10 crore people It is the second largest employer after agriculture. It also accounts for 45 % of total industrial production, 40% of total exports and contributes very significantly to the GDP. Manufacturing segment within the MSME contributes to 7.09% of GDP. MSMEs also contribute to 30.50% of services. The total contribution of MSMEs to the GDP is 37.54% and it also indirectly helping the Agriculture.

As per reports in India at present more than More than 15 lakh students are passing out as Engineering graduates, MBA and Polytechnic but a very few only, venture into establishing their own enterprise. There is a need to encourage entrepreneurship in the country by providing a suitable ecosystem for startups, for creating new enterprises both in Manufacturing and Service Sector. The make in india campaign is going to create suitable environment for young startup entrepreneurs to establish their own enterprises.

Make in India campaign is one among the major economic reforms [other reforms are the Jan Dhan Yojana that aims to bring the excluded into the banking system, the Swachh Bharat Abhiyaan that targets cleaning up the country, the dissolution of the Planning Commission, the Digital India plan to cover e-governance, broadband for all, IT-enabled education, or telemedicine and the plan to build 100 smart cities] initiatives taken up by the NDA government to make India as global destination for investment and make India as the Global Manufacturing Giant. The make in India programme has both positive and negative aspects affecting different segments of Indian economy. MSME sector has some apprehensions that the Make in India initiative is affecting the MSME’s.

## 1.2 Make in India Campaign

Make in India campaign is an initiative of GOI to encourage the multinational as well as domestic companies to manufacture their products in India. This is an ambitious flagship programme and a dream of

honourable Prime Minister Mr. Narendra Modi was launched on 25th September, 2014. The main objectives of the programme are –

To make India as Global manufacturing hub,

To create jobs, to encourage entrepreneurs in India,

To boost economic growth,

To urge both local and foreign companies to invest in India

To Foster innovation, protect intellectual property, and enhance skill development

**The new initiative** is based on four pillars to boost entrepreneurship in India & it encompasses 25 sectors.

The pillars are (1) New Processes (2) New Infrastructure (3) New Sectors and (4) New Mindset

## 2. Literature Review

1. T E Narasimhan, 'Make in India' to transform MSMEs' fortunes: Minister, The Business Standard (Chennai), January 12, 2015

The MSME's minister has said in a symposium on 'Growth and Prospects of MSME Sector in the Emerging Scenario' organized by the National Institute for Entrepreneurship and Small Business Development. The minister is of the opinion that the **Make in India campaign** has the potential to transform the fortunes of the MSME sector, enabling it to scale hitherto unheard-of heights. He viewed that this campaign is very relevant for Indian MSME's and highlighted the policy initiatives initiated by GOI to support the MSME's which will be effective from 1<sup>st</sup> of April, 2015. In 2013-14, 56 CPSUs organized 1,007 vendor development programmes (VDPs) for MSE's. In 2014-15, the target is over 55 national VDPs and 351 state VDPs across the country, to develop MSE vendors with a budget allocation of Rs 5 crores.

2. Charan Singh, RBI Chair Professor of Economics, IIM Bangalore, Made in India, by small Enterprises, the Hindu, September 26, 2014.

The report highlights the importance of MSME's and the major policy initiatives taken up by the GOI to materialize the dream of Prime Minister Mr. Narendra Modi to make India as the world industrial hub. The author views that the make in India programme and the proposal to include new policies for MSMEs is a welcome trend and it is going to boost MSMEs in India

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. The author is of the view that the challenges and problems of MSME's are to be considered in a disaggregated manner for successful policy implementation as they produce very diverse products, use different inputs and operate in distinct environments. In general, there is need for tax provisions and laws that are not only labour-friendly but also entrepreneur-friendly. More importantly, there is need for skill formation and continuous upgrade both for labour and entrepreneurs.

### 3. AmitVerma, How “Make in India” initiative can create more Entrepreneurs and Jobs Linked in.,7<sup>th</sup> October,2014.

The article highlights the role of Make in India campaign in employment opportunities, ease of doing business both manufacturing and services. The author was of the opinion that this ambitious programme is of great help to engineering graduates. The paper is of the view that the Make in India initiative through invention development, helps students to develop companies moderately than employees.

#### 3. Statement of the problem

The literature review, views and opinions of industrialists, academic class and experts' views reveals that MSME sector is one of the main pillars of Indian economy, which is playing a key role through job creation, contributing to manufacturing output, to GDP. The MSME is considered to be the cradle for the new ambitious initiative Make in India campaign of GOI. There are number of policies and programmes which are designed for setting up and development of MSMEs in India. At the same time it is also true that Make in India campaign of GOI is complementary, supportive and encouraging the MSME's growth and prosperity. Being a new programme little study has been done on role of Make in India campaign in the growth and development of MSME's in India. In this paper an effort is made to answer as to how the Make in India campaign is supportive and act as complement to MSME sector in India.

#### 4. Objectives of the study

1. To Highlight The Role Of MSME's
2. To Highlight The Challenges Of MSME's
3. To bring to light the major policy initiatives of GOI under Make in India Programme to support MSME's

#### 5.1 Role of MSME's

The Micro, Small and Medium Enterprises (MSMEs) play a pivotal role in the economic and social development of India. The MSME sector is playing a major role in the manufacturing output, employment and exports. It plays a key role in the development of the economy with their effective, efficient, flexible and innovative entrepreneurial spirit. MSME sector has emerged as a dynamic and vibrant sector of the economy. It is expected that Indian economy will grow by over 8% per annum until 2020. The major advantage of this sector is its generating employment at low cost. The MSME sector is highly heterogeneous. There are different size of the enterprises, variety of products and services and level of technology. It helps in the industrialization of rural and backward areas. It reduces regional imbalances. It provides equitable distribution of national income and wealth.

The role of MSME sector in Indian economy is better understood from the following fact sheet [**Source: CARE Ratings**]

## 5.2 MSME sector –Some high lights

- Indian MSME sector consists of approximately 45 million units
- Produces more than 6,000 products, ranging from traditional to high-tech items
- High product diversification: 67% of its produce is from manufacturing goods, followed by 17% from services, and 16% from repairs and maintenance
- Employs around 101 million people
- Accounts for 45% of the manufacturing output
- Contributes 8-9% to the country's GDP
- Accounts for 40% of the country's exports

[Source: CARE Ratings]

The contribution of MSMEs to the manufacturing is almost 45 per cent of the GDP and 40 per cent to the country's exports. So, there is vast opportunity for MSMEs to build their brand, develop quality products and boost exports from India. Moreover, an industry friendly "Make in India" campaign can immensely attract investors.

## 5.3 MSME's Challenges/ Problems

MSMEs are very important in the economic growth of India but this sector is not getting sufficient support from the concerned government Departments, banks, financial institutions and corporate. This proves hurdle in the growth path of the MSMEs. Presently, the Indian MSME'S are facing different types of problems. Most of the problems are controllable while rests are uncontrollable. Some of the problems and challenges are:

- Lack of adequate and timely Credit to MSMEs
- Lack of proper Infrastructure and non-availability of raw material and other inputs of right quality and in right quantity at reasonable prices
- Lack of advanced technology and/ technology obsolescence even if it is there difficult to access this technology because of poor financial strength
- Inadequate access to marketing and lack of distribution channels
- Lack of trained and skilled work force and Managerial Personnel
- Complex labour laws and red-tape

## 6. Major Policy Initiatives and Incentives under the Make in India campaign which support and complement MSME sector

The four pillars of Make in India programme - (1) New Processes (2) New Infrastructure (3) New Sectors and (4) New Mindset are definitely going to create ease of doing business environment, this initiative Fosters innovation, protects intellectual property, and enhances skill development . The much ambitious and much expected **Startup India policy** of government expects that **Startup India policy** helps in creation of 3 lakh new entrepreneurs in India in the next 2 years and main thirst is on small entrepreneurs. The make in

India campaign has some MSME's friendly policy initiatives which definitely support and promote the Indian MSME's. The important supporting policy measures under the campaign are-

1. A grant of 25% to SME's which practice Green Technology and Practices for expenditure incurred on audit subject to a maximum of Rs1,00,000
2. SME's will be given access to the patent pool and/or part of reimbursements of technology acquisition costs up to a maximum of Rs 20,00,000 for the purpose of acquiring appropriate technologies up to 5 years.
3. Special Benefits to SME's under this campaign-
  - a. Rollover relief from long-term capital gains tax to individuals on the sale of residential property in case of re-investment of sale consideration.
  - b. A tax pass-through status for venture capital funds with a focus on SME's in the manufacturing sector.
  - c. Liberalisation of IRDA guidelines to provide for investments by insurance companies.
  - d. Liberalisation of RBI norms for banks investing in venture capital funds with a focus on SMEs, in consultation with RBI
  - e. The inclusion of lending to SMEs in manufacturing as part of priority sector lending.
  - f. Easier access to bank finance through appropriate bank lending norms.
  - g. Setting up of a stock exchange for SMEs.
  - h. Service entity for the collection and payment of statutory dues of SMEs.
4. Under the New Initiatives of Make in India campaign, the Department Industrial Policy and Promotion of [DIPP] is formulating the Start up policy involving MSMEs, along with ministries such as finance, skill development and MSME among others to support and encourage the young entrepreneurs to start MSME's.

## 7. Suggestions

Government should treat this campaign or programme as strategy and it should augment and assist the MSME policy of GOI to make these have competitive edge over their counter parts in other countries

- GOI should mandate the large enterprises, MNC's and foreign corporate to procure at least 50% of their requirements from the Indian MSME's then only the goal of Make in India campaign be attained
- Under Make in India campaign GOI should provide extra or additional incentives and subsidies to encourage the MSME's besides and make "Make in India" campaign a success
- Under Make in India campaign / initiative GOI should mandate the large enterprises, MNC's and foreign corporate to procure at least 50% of their requirements [instead present 20%] from the Indian MSME's owned by SC/ STs to make this campaign more fruitful.

- The GOI should support and encourage those MSME's which directly or indirectly connected to Indian farm sector through suitable policy measures to make in India campaign
- The Governments should create awareness among the MSME entrepreneurs and remove their apprehensions about the consequences of Make in India programme on MSME sector
- The government should give extra incentives and support to Agro based MSME's and even agro based Manufacturing undertakings under Make in India programme.
- Governments both at centre and state level in the craze of making India as the manufacturing giant should come up with new policy measures to support and encourage farm sector also and should accord industry status to agriculture or else very soon we face acute food problem and where we have to go for another programme –“Grow in India campaign” to increase food production to feed raising population

## 8. Conclusion

The make in India programme through New Processes, New Infrastructure, New Sectors and New Mindset aims to facilitate investment, foster innovation, enhance skill development and build a sustainable ecosystem for the manufacturing infrastructure in the country. Make in India programme with the inclusion of MSME's in the New Start up policy of GOI, definitely helps this sector to prosper and grow. We view that the various policy initiatives and incentives for MSME announced under this programme, definitely the Make in India Campaign helps, supports and act as boost for MSME sector.

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