

SMART

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Editorial

MAKE IN INDIA

The manufacturing is the key sector to a nation's growth and prosperity. Since independence, India's development strategy has been on creating a well – diversified industrial and manufacturing base. The most recent initiative by the Government of India in this regard is the introduction of **MAKE IN INDIA**. It is a strategic initiative by the Union Government to develop the country as a manufacturing **HUB** by encouraging companies to manufacture their products in India. The core of the Programme is to make India a manufacturing superpower by encouraging and inviting manufactures to set their bases in India. The focus area of this initiative is;

- providing full employment to the youth in India
- promotion of foreign direct investment to establish firms in India, and
- Improving the share of manufacturing sector in GDP of India.

The labour – intensive manufacturing sector could meet with the increasing needs of employment in India and cater to the needs of the burgeoning local demand. In a young nation with over 800 million people under the age 35 and medium population of around 26 years, the initiative would definitely provide ample opportunities and clear headway towards employment.

MAKE IN INDIA has been the buzzword in recent times but there is a lot of skepticism about the buzzword.

The Challenges that Manufacturing Companies in India face are many including

- ❖ **Setting up a business and dealing with construction permits:** As per the World Bank's report, setting up a business has 13 procedures in Mumbai and 11 in Delhi. This is significantly higher than South Asian Countries (7.9 procedures). In a recent Enterprise Survey, small medium and large companies identified corruption as the main obstacle for

business in India. With multiple procedures and departments involved, this could result in risks of significant delay or increased cost.

- ❖ **Getting approvals and acquiring land:** There are often significant delays in land acquisition, especially for large projects. A CII- KPMG survey conducted in May 2014 found that the average time for land acquisition was 14 months and often took longer. The complexity and costs of acquisition increase through multiple departments involved, many visits required and high transaction costs.
- ❖ **Availability of Inputs:** In some sectors such as power generation, the non-availability of fuel and water can be difficult decision in terms of investment e.g. coal block cancellations have created challenges of coal sourcing for the power sector as has closure of iron ore mines for the steel sector.
- ❖ **Skilled labour:** Skilled labour required in manufacturing such as welders, fitters are in short supply and this affects productivity and quality of manufacturing companies. With services growing much faster than manufacturing, talented young people have pursued careers in other sectors such as IT, IT enabled services, BOPs, etc., leading to dearth of managerial skills in manufacturing sector. The setting up of the national Skills mission is a positive step in this direction.
- ❖ **Labor laws:** Labor laws in India are multiple (there are 44 central and about 100 state laws) and archaic (most of the labour laws were enacted decades ago).
- ❖ **Logistic Infrastructure:** Logistics remains a key challenge in India and movement of raw material to the manufacturing location and finished goods to domestic markets or ports for export takes longer than many countries, often leading to high inventories and wastages across the value chain, and increasing supply chain costs as well as putting pressure on working capital of manufacturing companies.

India should emphasis on the followings in order to achieve the full benefits from the strategy of MAKE IN INDIA.

- Focus on making quality product at affordable cost and not cheap at Jugaad quality.
- Making in India should be India for the world.
- Easier the process of doing business in India. Keep it simple and transparent.
- A clear transparent and fair labor policy. Wage increases could be linked to WPI, and

Incentivize local manufacturing and provide the best infrastructure.

The Twenty second issue (Vol.11, No.2) of the SMART Journal of Business Management Studies consists of one case, one book review and six articles written by authors of repute, on different theme of contemporary relevance. I hope readers would find the Journal academically challenging and strategically stimulating.

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