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EFFECT OF 'MAKE IN INDIA' ON INDIAN MANUFACTURING WORLD



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ABSTRACT:

IN THE PRESENT TIME INDIAN BUSINESS STRATEGY IS DEMONSTRATING A SIGNIFICANT GROWTH & HIGH CLASS ENTREPRENEURIAL SPIRIT. THIS COULD BE THE BEST TIME TO SHOW OUR POTENTIAL ON THE INTERNATIONAL PLATFORM IN VARIOUS SECTORS. SINCE MANUFACTURING IS THE MOST IMPORTANT PART OF ANY BUSINESS TYPE, THIS SEGMENT NEEDS THE UTMOST ATTENTION FOR GLOBAL DEVELOPMENT.

WITH THE ADVENT OF THE LATEST INITIATIVE 'MAKE IN INDIA', LAUNCHED BY

PRIME MINISTER MR. NARENDRA MODI, IT IS BEING LOOKED FORWARD TO BRING NEW DIMENSIONS OF SUCCESS FOR INDIA'S ECONOMIC STATUS. AS TODAY, INDIA IS DEPENDENT ON OTHER COUNTRIES FOR A LARGE NUMBER OF MANUFACTURED PRODUCTS, OR MATERIAL IN DIFFERENT-DIFFERENT SECTORS, IT FLUSHES OUT A HUGE AMOUNT OF FUNDS OUTSIDE OUR COUNTRY. IN THE ANTICIPATION OF GETTING THE BEST PRODUCTS & SERVICES, WE CHOOSE TO BUY FROM OTHER COUNTRIES. THESE ARE THOSE COUNTRIES, WHICH ARE SAID TO BE PIONEER IN THAT PARTICULAR SECTOR OF MANUFACTURING. BY THIS PRACTICE, ALTHOUGH WE GET THE QUALITY PRODUCTS WHICH LIVE UP TO OUR SATISFACTION, BUT THAT COMES ON A MUCH HIGHER COST AS COMPARED TO THE COST WE WOULD HAVE PAID IF THAT PRODUCT WOULD HAVE BEEN MANUFACTURED IN INDIA ITSELF.

THUS, MR. MODI HAS COME WITH THE "MAKE IN INDIA" CONCEPT, WHICH IF IMPLEMENTED IN THE CORRECT WAY, CAN SOLVE A LARGE NUMBER OF OUR COUNTRY'S ECONOMIC PROBLEMS & ISSUES.

THIS PAPER FLASHES LIGHT ON THE POSSIBLE EFFECTS OF "MAKE IN INDIA" REVOLUTION ON THE MANUFACTURING SECTOR UNDER THE CURRENT INDIAN BUSINESS STRATEGY.

KEYWORDS

MAKE IN INDIA , INDIAN MANUFACTURING WORLD , INTERNATIONAL PLATFORM .

What is 'Make in India' - An Introduction



Make in India logo image source: www.makeinindia.com/

Make in India is an initiative of the Government of India, to encourage companies to invest in the manufacturing sector in India. It was launched by Prime Minister, Narendra Modi on 25 September 2014.

The major objective behind the initiative is to focus on 25 sectors of the economy for job creation and skill enhancement. Some of these sectors are: automobiles, chemicals, IT, pharmaceuticals, textiles, ports, aviation, leather, tourism and hospitality, wellness, railways, auto components, design manufacturing, renewable energy, mining, bio-technology, and electronics. The initiative hopes to increase GDP growth and tax revenue. The initiative also aims at high quality standards and minimising the impact on the environment. The initiative hopes to attract capital and technological investment in India.

Under the initiative, brochures on the 25 sectors and a web portal were released. Before the initiative was launched, foreign equity caps in various sectors had been relaxed or removed. The application for licences was made available online. The validity of licenses was increased to 3 years. Various other norms and procedures were also relaxed.

The campaign was designed by the Wieden+Kennedy (W+K) group which had previously worked on the 'Incredible India' campaign and a campaign for the Indian Air Force.

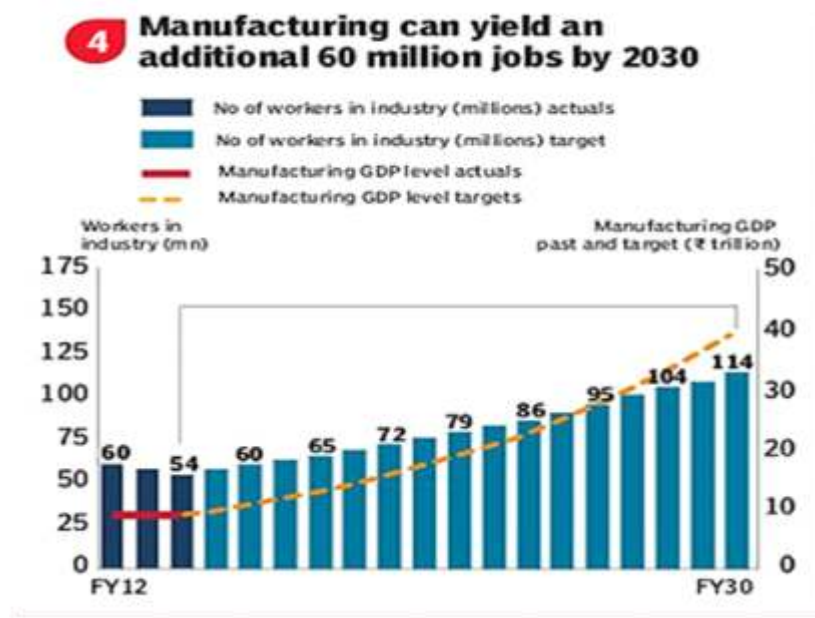
PAST & CURRENT TRENDS IN INDIAN MANUFACTURING SECTOR

Over a period of time, Indian manufacturing industry has gone through various stages of development. The journey of India's manufacturing sector was significant. Considering the period since independence in 1947, it has built its foundation in late 1950's and early 1960's. Following to this there was license-permit Raj in the period of 1965-1980, after which, the phase of liberalization came into light in 1990's. Since then, the growth of the said industry has gripped a fast pace. Talking about the recent time, the Indian manufacturing sector developed at a robust rate over the past ten years and has been proved as one of the best performing manufacturing economy.

Today, India's economic position has grown up to a height where it offers multiple investment opportunities to domestic entrepreneurs & international players.

In statistical terms, manufacturing sector contributes about 15% of India's GDP and 50% to the country's exports. The Manufacturing sector employed approximately 60 million people till 2012. It is estimated that by 2030 the figures can rise up to 120 Million. However, this isn't this much; some studies

showed that each job created in manufacturing has a multiplier effect, i.e. it also creates 2–3 jobs in the services sector as well. In a developing country like India, where employment generation is one of the key policy issues, this makes this sector a critical one to achieve inclusiveness in growth.



As per the report published by global management consulting firm McKinsey & co., India's manufacturing sector could reach up to the height of US\$ 1 trillion by 2025. This shows that there is a huge potential for this sector to account for 25-30 per cent of the country's GDP, creating around 90 million domestic jobs, by 2025.

Also, in the recent past, many international investors have shown interest in Indian market and thus have decided to invest in India due to the availability of ample manpower & low cost of setting up of plants. For an instance, Toshiba Group has already decided to make India a hub for its lighting business by way of export, manufacturing & designing work, along with multiplying the local headcount to design lights for planned smart cities airports, stadiums, highways, warehouses and factories, confirmed by Mr Yoichi Lbi, President & CEO, Toshiba Lighting & Technology Corporation.

Referenced to the PMI data issued by HSBC India Manufacturing, business conditions of manufacturing sector of India continued to improve at a swift rate in October 2014, fuelled by accelerated growth of output and new orders.

Report issued by Tata Strategic Management group concerning Chemical industry of India, it contributes 15 percent of the total manufacturing GDP. It covers approximately 3 percent of the global chemical market, having around 80000 chemicals, occupying approximately US\$ 118 billion of domestic market size, making it very crucial for the economic development of India.

Considering the electronic market, the production of electronic goods is anticipated to touch 104 billion by the year 2020, and the growth of country's total production of electronics market is expected up to US\$ 400 billion by 2020.

All this data shows that there is huge potential to grow in Indian manufacturing market. The need is just to execute a planned strategy and put right action in place.

Where the scope persist for 'Make in India' India has a wide scope for manufacturing industry. Any entrepreneur who wants to invest their money in a project, his prioritized requirement is that, the venture must be fruitful in every aspect. As India has plentiful of resources, raw material and of course

cost effective labour, it can be a lucrative investment target for any wise investor or entrepreneur. With a movement like "Make in India", government has aimed to attract many international investors as well as domestic players. What we need to do, is to provide them hassle free ground to play in the respective field.

We also need to make choices about which manufacturing sector would be more prominent towards sustainable & inclusive growth 25 years down the line. We need to find & work out the best ways through which growth can be stimulated & sustained. Improving the physical infrastructure for manufacturing must be an essential element of the strategy. Here too policymakers must make choices. Should we have more rails and trains than roads and commercial vehicles for transportation of goods? Should the focus of urban infrastructure be on public rather than personal transportation, and if so what modes? Similarly in power generation, which technologies should be promoted with a view to environmental sustainability? Such choices will, in turn, determine the manufacturing industries requirement for building the infrastructure.



The selection of particular manufacturing sectors that which one's should get higher priority is not a trivial exercise because there are linkages between industrial sectors and also linkages with overall economic needs for inclusion and sustainability. Today, companies are rated on the basis of their competitiveness. Not just the companies, but the countries too are judged on the basis of their competitive efficiencies. Everybody wants to be on top of their field. In such an environment, the only way to get the competitive advantage is to be unique, updated as per the changing requirements, having ability to learn, and to improve faster than their potential competitors. Policy makers in India need to reform the strategies & norms in such a way that it does not hinder the way of investors for having access to what they need for a smooth working along with efficiently handling the prominent internal issues like labour rights, environmental laws etc.

CHALLENGES & CRITICAL ISSUES IN IMPLEMENTING MAKE IN INDIA

An investor, who is interested to do investment in a particular country, chooses its business location by considering some basic requirements pertaining to that place before taking its final decision.

Here are some key requirements

- Good & qualitative infrastructure
- Easy access to the market
- Land as per their plant's requirements
- Availability of skilled labour
- Competitive & Stable Fiscal policies
- Co-operative & Comfortable environment to work
- Laws & regulations of the country

Indian economy is swerving towards a higher growth curve. It has a lot of scope for manufacturing industry and investment prospects for big national & international investors. But do they really able to get the best out of us? Do we really provide them all what they need to perform their project comfortably?

This is a big challenge in front of us as though we have the scope but simultaneously there are many drawbacks which resist good investment projects to venture in India. There are some subvert forces arising from the magnitude of our growing economy.

Many important issues are needed to be addressed to encourage entrepreneurs to manufacture in India. These are such constraints which pose big concerns for prospective investors. The major one's are-

LAND ACQUISITION

In India, land acquisition is one of the big constraints. Most of the time, investor has to go through tough time for getting the desired land for their projects. This sometime prompts them to step back & cancelling their investment plan. Arcelor Mittal, the world's largest steelmaker, dropped its plan to build a plant in the eastern Indian state of Orissa, citing delays in acquiring land as a main reason.

However, an ordinance announced recently by our finance minister Arun Jaitely is a step to make the land acquisition easier., due to which, projects now won't need the consent of 80% of landowners during acquisition, as is the requirement in other sectors.

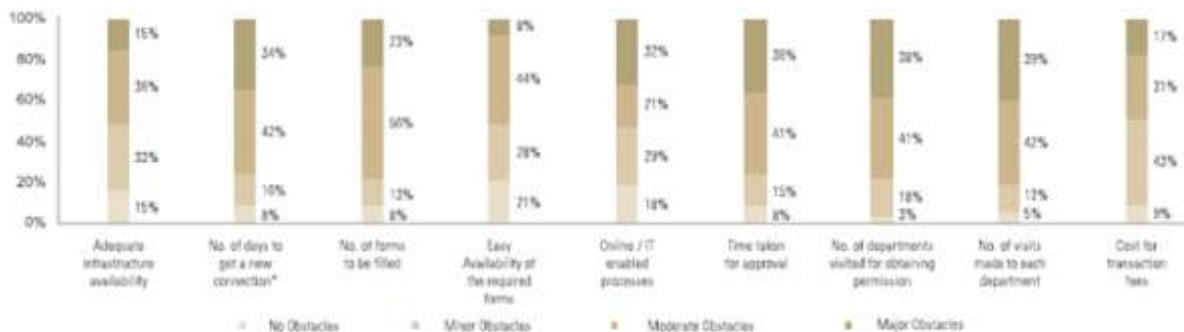
However, the ordinance also makes another significant change: It expands the current law to increase the likelihood that landowners will be compensated in projects, such as highways and rail, where the government is involved, according to Mr. Jaitley.

While the ordinance on land acquisition aims to facilitate industrial development, the government wasn't diluting provisions that deal with compensation for land owners, mostly farmers. As he said, "In a nutshell, we have tried to achieve a balance, where higher compensation will continue. At the same time, procedural rigors will be loosened or eased."

POOR INFRASTRUCTURE

Infrastructure is again one of the very important parts of any manufacturing project. It plays a significant role either to encourage or to discourage investors for choosing a particular country or location for their investment plan. Poor or inadequate infrastructure makes the project troublesome. Multiple visits to various departments & time taken for getting approvals for new connections (water, sewerage and power) pose major obstacles.

Ease of starting a business in terms of infrastructure enablement (percentage of respondents)



Source: CIIPMG in India survey, 2014
 *For Water, Sewerage and Power connection

This is also agreed by Finance Minister, Mr. Jaitely, as he said at the meeting of the Parliamentary Consultative Committee, "The global situation is favourable to the country as more and more investors are showing curiosity and interest in India. Our major challenges will be to boost investment, especially in infrastructure sector, and give further boost to both manufacturing and agriculture sector, among others".

At the international level, India is the fourth largest economy in the world. This position could have been much better if it would be having infrastructure as per global standard. As per various reports, poor infrastructure in India cause national GDP to reduce by 1 to 2 percent every year.

For big investors, physical infrastructure is very imperative for the smooth execution & timely completion of their project. Getting timely & adequate electricity, water supply, irrigation and sanitation system is a big challenge.

Another concern is the transport sector. While road transport is the backbone of the Indian transport infrastructure, it is inadequate in terms of quality, quantity, and connectivity. Other modes like airports, railways, & ports also, need necessary improvement to satisfy investors from their part.

UNSKILLED LABOUR

Entrepreneurs coming to India for their manufacturing industry, look for sufficiently skilled labour who can best accomplish their targets with maintaining the quality benchmarks they have set. While in India labour is increasing day by day, but majority of them are just degree or diploma holders without having any special skill required to get hired by manufacturing companies.

Every year so many people graduate from popular courses like management, medicine, engineering, hoping to get a decent job that match their qualification, but end up either by being unemployed or getting into a wrong profile just because they are not equipped with some skill so as to get hired by some industry. It's not that these candidates are not efficient enough to live up to hirers' expectation; Actual problem persists in the manner of their education or training where they are not equipped with some skill. The knowledge they get is mostly bookish, not practical.

This situation poses a great challenge in front of manufacturing entities as they worry about the necessarily skilled workforce.

Data shows that India is lagging much behind from world's many big countries in terms of the percentage of skilled workforce and this gap is significant. In South Korea, the skilled workforce is 96 per cent, in Japan it is 80 per cent, in Germany 75 per cent and in Britain 70 per cent. Shockingly in India, the skilled workforce is only two per cent, which is very less compared to other countries.

The scarcity of skilled labour is affecting the development of manufacturing sector, which needs to be tackled sooner. As said by Union Minister Rajiv Pratap Rudy, "The mission of 'Make in India' cannot become a reality unless we have adequate skilled manpower in the country".

Understanding this issue, government is also set to launch 'Skill India' this month, which illustrates the need to endow people with certain skill along with their traditional qualification.

The objective is to promote those sectors which are already working for skill development and to identify new sectors for the same. Target is to develop & train 500 million youth by 2020 with some skills and making them future ready. The main purpose is to make India's youth employable and providing skilled labour to India's manufacturing sector.

Other Issues

Besides these three main problems, there are also certain other issues which contribute to discourage investors for investing in India.

Low fiscal stability is a concerning issue for investors. While implementation of GST system is still unclear, disputes on Taxation is another point.

Inhospitality is a very important point, especially when we talk about international investors. In India, the regulatory procedures are very stringent. For getting approval for many manufacturing related issues, one has to visit various government offices & department for clearances, which makes the work hectic & tedious.

For the success of Make in India, inhospitality needs to be taken care of as it creates dissatisfaction among prospecting investors and thus, put hurdles in growth of manufacturing business in India. Unless a business friendly environment will be created and easy approval of projects will be assured, manufacturing industry cannot grow. For a speedy workflow, a hassle-free clearance mechanism needs to be put in place.

Inspector Raj

While other nations who are pioneer in manufacturing industry have adopted E-governance as a tool for most of their official work, India is still struggling with the problem of inspector raj. The large number of official formalities & procedures fetch much of the productive time and creates frustration, along with inviting room for corruption. However this has already come in the to-do list of MR. Modi, who supposed to have high belief in E-governance & digitalization. Speaking at the launch of 'Pandit Deendayal Upadhyay Shramev Jayate', Modi said, "Inspector Raj is a big problem, and I believe e-governance is effective and economical governance, and also important for transparency. Self attestation will be a reflection of how the citizens are trusted in their country." He further adds, "We have replaced 16 forms (which factory owners had to fill) with one form, which is available online. Now computer draw will decide which inspector (labour) will go for inspection to which factory and he will have to upload his report online in 72 hours".

However easier to be said than done, all this will give desired returns if implemented effectively.

SME's (small & medium enterprises) are an important section of manufacturing industry of India. While a large number of people are employed in these SME, they are not able to earn sufficiently

as these enterprises run in loss due to lack of funds & facilities. These SME's can play a vital role in making India stronger in manufacturing world, as they helps in driving the industrialization to backward areas of the country as well as incubates innovation at its most rudimentary level. Thus government should be more focused towards the development of this section. SME's are needed to be equipped with latest technologies and techniques to become more innovative and productive. They are able to supply diversely skilled people to the manufacturing world who can become milestones of success for big manufacturing giants. Government should avail them special privileges & sops to make them profitable and modernized.

Inadequate & tardy credit facility is another issue, which makes small enterprises suffer a lot. Delayed & insufficient funds hamper smooth running of the business, which in turn disturbs the living of its workers. It is required to look into the whole procedure of credit system to ensure that adequate money can be made available within correct timeframe.

Labour regulations are long time road block for investors. Although there were reforms started in 1991, still the long list of labour laws (around 250) is fearful for prospecting investors.

For an instance, due to the rigid Industrial Dispute act (1947), introducing new technologies are discouraged as it might require retrenching workers. Contract Labour Act (1970) is also considered tough because to change the job profile of any employee it needs 21 days notice in general, while in practical, it also needs employees' consent, which is not an easy job.

Another example is of Trade Union Act (1926). As per this act, outsiders also can become office bearers of trade unions. This sometimes results in strikes and lockouts initiated by outsiders, rather than because of any genuine grievance of the employees. This hurts investor confidence in the process and restricts economic growth, resulting lack of jobs and unemployment.

SUGGESTIONS TO PROBLEMS

Make in India if implemented efficiently, is a good initiative, to boost investment in Indian manufacturing industry. Though there is presence of many drawbacks & challenges; solution subsists for every problem. To resolve the issues in promoting investment in India, here are some suggestions which can be helpful for the success of 'Make in India'.

PROCLAIM INDUSTRIAL ZONES FOR LAND ACQUISITION

Process of acquisition of land is a cumbersome task in India, yet very important in initializing the business. Lot of issues come in way of the process of acquiring lands. Environmental issues, protest & resistance by landowners and by those who would be displaced, unfriendly behaviour of the local government etc. are associated problems to land acquisition.

To solution to these obstacles, some areas should be set aside & declared as Industrial zones with pre-clearance system for its common formalities making them ready to move-in. This would help in shorten the process. Registration system should be worked out through single window. Pricing system should be made market based to maintain the transparency. An independent body can be assigned to determine & finalize the price. Unnecessary formalities should be removed to save the time & effort. E-filing of documents should be introduced to smoothen the process and to bring investors at comfort.

IMPROVING INFRASTRUCTURE WITH AUTOMATED & PRE-APPROVED FACILITIES

Single window clearing system should be in place for multiple approvals. That means approvals

for Sanitation, power & water supply etc. should be made automated. The time that gets spent in visiting multiple offices & departments can be saved by E-filing system of applications & documents. These facilities are a must for every manufacturing unit, thus provisions should be created for them at the initial level itself when that area is approved for industrial use. This will definitely save the time at the time of execution of the project.

To develop the infrastructure, areas need to be segmented as where government should do the work and where private sector is better to be positioned.

Another thing is to create distributed model of infrastructure projects instead of centralized model as big projects are tend to fall short of the set targets due to their complicity & centralized approach. Projects designed with a local focus may seem less impressive but, put together, they have the potential to change people's lives faster – in months, not years. An example would be the installation of solar panels on houses and buildings, rather than bringing a reliable electrical grid to remote villages.

Talking about transportation system, although it is already under consideration of government, needs to be made more approachable and connected to the industrial areas. More connected transportation will save time and reduce cost as well.

SKILL DEVELOPMENT THROUGH EDUCATION SYSTEM

The Minister of State (Independent Charge) for Skill Development and Entrepreneurship Mr Rudy said at the India Today Conclave, "Students need to be taught entrepreneurial skills to gain confidence and become job creators,"

Agreeing to this, we must say that every youth needs to be equipped with some kind of skill along with their regular qualification. This can be done by adding subjects pertaining to different category of skills in their curriculum. Also some training centres should be started especially for providing training on skill development where anybody can learn skills of their interest.

In India, there is a huge scarcity of ground level technicians like plumber, carpenter, mechanic, electrician etc.

We need to increase the number of technicians by starting vocational courses in these categories and training more people for the same.

Government has though already taken initiative in this matter by launching 'Skill India' campaign. It has been funding private skills/ training providers to impart market-driven skills to the target group. The support to the private sector to enable skill development has been devoid of terse quality protocols.

For providing good quality of labour to manufacturing industry, there should be direct linkage between academic training and post employment training. Trainers should be industry based so that trainees can be endowed with the most updated knowledge & skills and thus, making them employable. Achieving this, when entrepreneurs will get skilled labour within our country, investment will surely improve.

SIMPLIFYING LAWS & REGULATION

Although the list of laws & regulations is very long, but there are certain laws on which, conduct of review is urgently required. These are- Environment Law, Labour law, land acquisition law, VAT, SEZ Policy, Entry Tax.

Laws & regulation needs to be simplified. Their rigidity should affect only the unethical or illegal practices; they should not become the bottlenecks in the smooth execution of the business. Also these

laws should be updated & modified as per changing requirements of the market & economy.

There should be transparency in all the policy. Overly complicated policies create confusion and doubts in investors mind.

DIGITALIZED CONTRACT ENFORCEMENT

Contract enforcement is a very lengthy & cumbersome procedure in India. To make this step easy, E-courts can be introduced. This is a very effective electronic system used in Korea, where case submission, registration, fee payment, accessing court documents can be E-filed. This in turn will save much of the time, cost & efforts.

Developing SME with technology & Modernizing credit system

To get the good quality fruit, the base needs to be nourished well. In India, SME's are the base of whole industrial sector, but due to lack of funds and being not updated with latest technologies, these enterprises are not giving their desired returns. Thus, these need to be supplied with sufficient funds & updated with modern technologies. Credit system for these SME' should be made faster & friendlier so that money does not become a constraint in their progress. Special privileges & subsidies should be allotted by the government to these entities to make them profitable & to make them work as a support system for the big manufacturing sector.

Credit system in India is a very unwieldy process. One needs to go through many long procedures to get the money, which in turn affects the production & overall working of the organization. It needs to be automated & digitalized. Filing of application form & submitting of documents should be made through online process.

Beneficiaries should be motivated to become tech savvy so that they can be benefitted with the features of online services. There is also need to conduct awareness campaigns for SME to update themselves with latest government schemes so that they can opt the best one for them. There should be special provision for interest subvention and rebate should be provided for regular instalment payers.

For the timely disposal of the whole finance process, a time limit should be set. Improving the credit system will in turn upgrade the working of SME and ultimately benefit the Indian manufacturing sector.

Promoting export of India

Export & manufacturing business are directly related to each other. For developing our manufacturing sector, we also need to establish the export business. There is need to adopt export led growth strategy, which will help in expending export business of the country along with gaining economies of scale, generating more employment, accelerating production efficiency, enhanced resource allocation & capital generation.

More R&D should be done for export promotion and special steps should be taken to improve & maintain quality with quantity. Flexible export polices should be adopted which can be easily modified based on the performance of the export which has already been done.

To get more access to global market, international relationships should be made with European Union & other foreign countries.

Illegal activities should be monitored with strict actions so as to maintain the good repo in the

international market.

Implementing the aforesaid action items requires a detailed roadmap, including the development of uniform standards and procedures, introducing common application forms for seeking approval from central and state governments, and building a model for a single window mechanism.

CONCLUSION

Make in India a very good initiative by Modi government. If implemented effectively, it would take the manufacturing sector of India to new heights. However the list of challenges is very long. To make this campaign a success, first we need to clear all the roadblocks and remove all the hindrances that come in way of desiring investors. The suggestions stated above are not all inclusive. They are just a small part of the pack of a number of solutions. Like the challenges, solutions are also various. The need is just to get them in place and act upon them effectively.

There are two other initiatives of government i.e. Digital India & Skill India, which can work as a support system for 'Make in India'. However, to get the real output, only meetings & planning are not sufficient. All these need to be worked out practically; and that too within a pre-defined timeframe.

To make Indian manufacturing industry the first choice of national & international investors, a comfortable & friendlier environment needs to be provided. This is not only government's duty alone, industry and civil society also is equally liable for restructuring of manufacturing sector and resolving all the issues. Thus, government, industry and civil society must work in tandem to restore investor and public confidence in "Make in India".

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