

# Role of 'Make in India' Mission for Poverty Alleviation and Sustainable Development

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**Abstract**— All member countries of the United Nations are committed to achieve the Millennium Development Goals (MDG) to eradicate poverty and then to achieve sustainable development for all in the times to come. India has also been able to progress significantly in its poverty eradication goals, however, as per latest United Nations estimates, still over 30 million people live below poverty line in the country. Checking at the magnanimity of the number, India needs to take concrete steps to remove poverty and maintain sustainable development. 'Make in India', initiative of the NDA Government after assuming power in 2014 has the great potential of poverty alleviation through employment generation on a mass scale. This initiative is about inviting and encouraging global companies to establish their manufacturing base in India in order to boost its manufacturing sector which shall generate large scale employment opportunity for semi-literate and semi-skilled Indian youth that represent majority of rural population of India. Manufacturing sector contribution in India has remained comparatively much lower than the services sector so far. Recognizing the potential of manufacturing sector for providing mass scale employment, growth of Indian economy and to achieve sustainable growth, Government of India is putting all efforts by forming new policies to boost manufacturing sector and generating investors' confidence to invest in India. This paper discusses various initiatives taken up by the Government of India and critically examines their contribution in eradicating poverty and achieving sustainable development.

**Keywords**—Make in India, Manufacturing in India, Poverty Alleviation, Sustainable Development

## I. INTRODUCTION

OVER the last two decades, since liberalization process started in India first time in 1990s, India has undergone tremendous changes. Its' absolute GDP value has reached to US\$1876.8 billion from US\$326.6 billion in 1990<sup>1</sup>. According to Millennium Growth Report, poverty rate will remain 22 per cent in 2015 from 51 per cent in 1990<sup>2</sup>. Unemployment Rate in India which averages to 7.32 per cent from 1983 to 2013 is also decreasing and was about 4.90 percent in the beginning of 2014<sup>3</sup>. India's share of global gross domestic product (GDP) adjusted for Purchasing Power Parity (PPP) is also consistently increasing and has reached to 6.8 per cent from

4.85 per cent during last one decade<sup>4</sup>. India's knowledge and services sectors have proved their dominance throughout the world during this period. India currently has the largest English speaking and literate youth manpower, which is the backbone of the services industry. Services sector contributed about 60 per cent to the Indian GDP in the financial year 2013-14.

However, growth in a single sector alone is not sufficient for taking India much ahead in the long run and helping in generating enough employment for its large population. Services sector depends upon a lot on performance of global economy and the downfall of the later as witnessed in past can have huge impact on overall services sector. Hence, it is necessary for India to look beyond services sector and identify the sectors that have the potential of generating large scale employment for the literate but low-skilled huge manpower of India.

Carrying a population of over 1.25 billion, poverty eradication has always been a challenging issue for India. Although India has initiated multipronged approach and launched various schemes like Mahatama Gandhi National Rural Employment Guarantee Act (MNREGA) for rural employment generation, however, it still lags behind in achieving Millennium Development Goal as committed by all member nations of the United Nations. As per current statistics, over 30 million people in India still live below poverty line. Such levels of poverty and inequality raise serious issues of sustainability — of peace and security, of equity and solidarity, and of the environment — at the national, regional and global levels.

In this backdrop, recognizing the urgent need of employment generation and skills development for poverty alleviation and hence leading to sustainable development, new NDA Government in India after assuming power in 2014, has paid serious attention on basic problems hurting our society like poverty, education, health, cleanliness and social inequality issues.

Government has understood that our industries and especially manufacturing sector has to substantially progress for attaining sustainable and continuous growth of the country. Broadly speaking, it is necessary for the manufacturing sector to grow at the rate of about 25 per cent if a country aims for double-digit or minimum 10 per cent GDP growth rate. It is necessary that manufacturing sector becomes the centre of development as this sector has had the potential to generate and provide employment opportunities to a larger section of

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society. Generation of employment opportunities will provide a chance of increased income to all sections of the society. It would result in increased income in individual hands and hence result in increase in consumption demand in Indian markets. India will be able to attract more investments from world over and economy will grow at a faster rate resulting in poverty eradication.

## II. SUSTAINABLE DEVELOPMENT

Brundtland Commission Report (1987)<sup>5</sup> defines Sustainable Development in simplest terms as the human ability to meet the present needs without affecting the future generations' ability to meet their requirements. Due to diversity in ecosystems, society and culture, sustainable development issues and challenges are also complex and vary from city to city, country to country and society to society.

The Rio Summit established sustainable development as the guiding vision for the development efforts of all countries. All countries undertook to establish and implement national sustainable development strategies. These sustainable development strategies are intended "to ensure socially responsible economic development while protecting the resource base and the environment for the benefit of future generations".

## III. CURRENT STATUS OF POVERTY IN INDIA

Poverty in crude form refers to the condition when someone is not able to meet even the basic requirements of food, clothing and shelter. It is also defined as the insufficiency of the maximum income to meet the minimum expenses. Poverty may be absolute or relative. Absolute poverty is the condition when people are unable to get adequate resources to maintain even minimum physical health. Relative poverty is the condition when people do not enjoy a certain minimum level of living standards as determined by the government. Definition of relative poverty varies from country to country and government to government.

According to recent report 'India and the MGDs: Completing the Task' of United Nations mentioned in February 4, 2015 issue of the national English daily, The Times of India, out of total population of over 1.25 billion, about 30 million people still live in extreme poverty in India even as the UN Millennium Development Goal (MGD) program will expire in December 2015. These people live in extreme poverty in India and face deprivation in terms of access to basic services, including education, health, water, sanitation and electricity."<sup>6</sup>

India has an opportunity to become a leader in sustainable development. It has achieved the poverty reduction target, but the progress is uneven. India houses one-sixth of the world population and sustainable development goals (SDG) as agreed upon by all member countries of UN are not achievable unless India does not achieve them, said the report.<sup>7</sup>

According to Expert Group Report of Planning Commission (Rangarajan Committee) set up to review measurement of poverty, growth is not the sole objective of economic policy. It

is necessary to ensure that the benefits of growth accrue to all sections of the society. Eradication of poverty is thus an important objective. Human beings need a certain minimum consumption of food and non-food items to survive.<sup>8</sup> The Expert Group estimated that the 30.9% of the rural population and 26.4% of the urban population was below the poverty line in 2011-12. The all-India ratio was 29.5%<sup>9</sup>. It raised the daily per capita expenditure to Rs 32 from Rs 27 for the rural poor and to Rs 47 from Rs 33 for the urban poor, thus raising the poverty line based on the average monthly per capita expenditure to Rs 972 in rural India and Rs 1,407 in urban India respectively.<sup>10</sup>

## IV. MANUFACTURING SECTOR IN INDIA – CURRENT STATUS

According to 2013-14 statistics, in India manufacturing sector contributed only 15 per cent whereas agriculture sector contribution was 14 per cent and services sector contribution was the maximum with 60 per cent of overall GDP. Even in an export oriented country like China, forty per cent of GDP comes from manufacturing sector. India lags behind significantly among other nations in manufacturing sector. Even in lower income category countries like Pakistan and Bangladesh, manufacturing sector contributes 12 to 18 per cent respectively whereas middle income category countries like Vietnam, Sri Lanka, Indonesia, Malaysia and Brazil have contributed more than India. Malaysia's manufacturing sector contributed 24 per cent to its GDP, whereas Sri Lanka and Vietnam contribution is about 17-18 per cent. Among rich countries like Russia, Japan, USA and European Union manufacturing sector contribution is more than India.

It is a matter of surprise and worrying too. India is natural resources rich country. It has advantage of plenty of low cost labor. Still, lagging in manufacturing sector has not only impacted growth and employment generation but also caused adversely on its market and demand. Not only this, India exports are also lower resulting in trade deficit significantly. Also, it has negative impact on conservation of its natural resources impacting sustainable development as India has to export its raw material to compensate for loss occurred due to low manufacturing output.

For a country like India where over 600 million people are educated only up to secondary level, labor intensive manufacturing sector is the only sector that has capacity to provide employment opportunity at such massive scale. But reality is different. In last twenty years, only about 53 million job opportunities could be developed with a growth rate of about 1.87 per cent per year in manufacturing sector, whereas, services sector contribution during this period has remained about 150 million jobs generation with a 6.5 per cent growth rate per year.

International Monetary Fund (IMF) in its latest report has estimated India GDP growth rate to be about 7.2 per cent in the financial year 2015 and about 7.5 per cent in financial year 2016.<sup>11</sup> According to economic estimates, for India to achieve double digit growth, manufacturing sector needs to contribute at least 25 per cent in overall GDP.

#### V. 'MAKE IN INDIA' MISSION

Under National Manufacturing Policy<sup>12</sup>, targets of 25 per cent contribution to GDP with about 100 million additional jobs creation by the year 2022 were fixed. Contrary to targets, India has been able to reach only up to 15 per cent contribution of manufacturing sector in total GDP and less than even 5 million additional jobs creation by the year 2014. In the light of above facts, 'Make in India' is the most ambitious mission of the Government of India, termed as the engine of long term growth by Prime Minister Modi. Launched in September 2014, 'Make in India' is the initiative of inviting global companies to set up their manufacturing base in India to boost its manufacturing sector and generate large scale employment opportunity for Indian youth. Several sectors of the economy have been identified for capacity enhancement under this mission that will result in further job creation.

Government of India has already taken various steps to help the industries and entrepreneurs to set up their manufacturing base in India like de-licensing and de-regulation, launching of e-Biz platform for single window clearance for new projects and provide Ease of Doing Business environment. Thrust has been given on building proper infrastructure under the current budget that will encourage global corporations to choose India as their manufacturing hub. Government is committed to establish new industrial clusters, industrial corridors, and smart cities, opening of critical sectors like Defense, Construction and Railways for FDI.

'Make in India' mission's stated purpose is to establish India as a unique manufacturing hub at world level. As poverty, lack of jobs and unemployment are major problems faced by India obstructing its growth, Government of India has planned to generate more than 100 million employment opportunities and to achieve 25 per cent contribution of manufacturing sector to the country's GDP in next decade. India can establish itself as one of the largest markets in world if it is able to achieve above targets.

#### VI. INDIA'S INITIATIVES FOR SUCCESS OF 'MAKE IN INDIA' MISSION

Government of India has eased procedures to establish and do business in India and made rules simpler for investment in key sectors of the economy under 'Make in India' mission. Prime Minister Modi has been able to present good image of India as the only country in the world that offers the unique combination of democracy, demography, and demand. Government has also taken major steps towards skill development to ensure that skilled manpower was available for manufacturing. It has also undertaken Digital India mission so as to ensure that government processes remained in tune with corporate processes. Government initiatives have opened up way to generate employment for the large pool of young people joining the labor force every year. Under 'Make in India' mission, Government has also tried to uplift Small and Medium Enterprise sector by enhancing their scale, quality,

branding and upgrading and integrating them with large industries.

In the Union Budget 2015-16, the government reiterated its commitment towards job creation and allocated 346.69 billion rupees for MNREGA for rural employment generation with the objective of reducing poverty and unemployment among rural population. To uplift socially backward classes, it has been proposed to set up Mudra Bank for enterprises led by Schedule Castes/Scheduled Tribes (ST/ST) with an initial allocation of 200 billion rupees. The government has asked public sector banks to lend to each minority community in line with its share of the total minority population within the 6% quota fixed for all minorities<sup>7</sup> for their integration and economic uplifting.

Government has planned to set up about 100 industrial cities and special economic zones (SEZ) for helping the global corporations to set up their businesses and manufacturing plants. This will create new job opportunities. To provide them skilled manpower, the government had also announced 'Skill India' program and proposed to launch National skill development mission under recent budget. It also proposed launching of National Rural Internet and Technology Mission for services in villages and schools, training in IT skills and E-Kranti for government service delivery with resource allocation of 5 billion rupees. It has also enacted the Small Factories (Regulation of Employment and Conditions of Services) Bill, 2014. Government is also encouraging the banking sector to prioritize lending to employment-generating sectors.

Infrastructure building and development is essential to attract global corporations to set up their businesses in India. Hence, in current budget Finance Minister has given full attention to boost infrastructure. Setting up of National Investment and Infrastructure Fund, Tax free infrastructure bonds for projects in the rail, road and irrigation sectors, setting up a Public Debt Management Agency (PDMA) to deepen the Indian Bond market to provide additional fund raising avenues for infrastructure sector, taxation benefits in respect of Real Estate Investment Trusts (REITs) are few such examples. These measures are expected to lead to the success of the 'Make in India' mission and will help in poverty alleviation from the society as millions of people will be absorbed in the jobs created due to rise in manufacturing capacity.

Big industrial corporations and companies continuously keep searching and changing their manufacturing places depending upon various factors like labor-cost, energy price, productivity and fluctuation in foreign currency markets among various countries. It has been observed that due to changing environment, many corporations have shifted their manufacturing locations over the years from the countries where they were in profits in past years.

Current circumstances at global platform offer possibilities for India. China is losing its advantageous position due to increase in labor and production costs. Russia too is losing its shine due to geo-political reasons and rise in labor and production costs. On the other hand, countries like USA and

Mexico are increasing their share in manufacturing due to liberal economic and working environment. According to BCG Manufacturing Index 2014, India stands second among top 25 exporter nations based upon low manufacturing costs. In other countries labor and other costs have comparatively increased more than India and hence currently India has got the advantage. Mexico is successful due to low cost and better working environment and is benefitted with foreign investment. America is successful in attracting companies due to falling shale gas prices and technological development and research. It has been able to attract technology centered manufacturing. Industries like additive manufacturing, nano-technology, artificial intelligence, and robotics etc. are mushrooming there.

From Indian perspective, it is a big challenge. It is necessary for India that it takes concrete decisions and steps about costs and other related issues like political, financial and Ease of Doing Business policies in order to strengthen its position as a leading manufacturing hub. For the success of "Make in India" mission, it will be necessary to keep a close eye on all activities going on at the world level. In addition to production cost, some more important issues need to be paid urgent attention, viz. infrastructure especially highways, port and power sector, reforms in labor-sector, simple tax system, easy capital sources and a better worldwide image. Finally, it is essential to put right policies in place to achieve leading position in the world. First of all it has to pledge for resurgence of its industry and then establishing its quality standards it has to establish itself among world's leading countries in this highly competitive world.

#### VII. IMPACT OF 'MAKE IN INDIA' MISSION ON POVERTY ALLEVIATION AND SUSTAINABLE DEVELOPMENT

Many leading global corporations from all parts of the world have welcomed the India's move to make policies conducive for manufacturing sector under its 'Make in India' mission. Global corporations like Sony, Samsung, Spice Group, Lava, Toshiba, Panasonic and many more have already started establishing and are further extending their manufacturing units in India. All major industrialized nations have expressed their intent to join hands in 'Make in India' mission.

According to a report by McKinsey and Company, India's manufacturing sector could leave behind services sector, capturing more of global market and thereby touch US\$ 1 trillion by 2025. There is potential for the sector to account for 25-30 per cent of the country's GDP and create up to 90 million domestic jobs, by 2025<sup>13</sup>. There is sharp rise in domestic demand and due to attractive investment policies under 'Make in India' mission by new government and availability of cheap labor, global corporations want to establish their manufacturing set up in India. BCG Manufacturing Index 2014 puts India at second position among top 25 exporter nations based upon low manufacturing costs.<sup>14</sup>

In such a positive scenario, adopting skills development as a national priority, formulation of National Skills Development Policy and steps taken through budgetary provisions for skill development along with 'Make in India' mission will not only develop highly skilled youth manpower but simultaneously there will be equal chances for their absorption in the industry. It will help in poverty eradication. Right education and employment opportunities will develop and strengthen India's population abilities to make judgments and choices in favor of sustainable development. Quality of people's life will improve. Educated, skilled and employed citizens will better understand the need and importance of sustainable development.

Setting up of smart cities under 'Make in India' mission will offer a chance to make economic and social opportunity a reality for the greatest number of people. With rise in manufacturing, productivity and employment, various maladies currently grappling India like caste and gender discrimination, poverty, mortality and crime will come down as people will be meaningfully engaged.

#### VIII. CONCLUSION

India, today, is standing at a highly critical stage. On one side, India houses world's largest youth and literate manpower, on the other hand over 30 million of its population is still below the poverty line and India has stiff challenges before it to achieve millennium development goals and sustainable development. At this juncture, initiatives taken up by the Government have raised great hopes of not only making India as a global manufacturing hub but implicit in this is the potential of poverty alleviation through employment generation on a mass scale, eliminating discrimination from the society based upon caste, gender or religion and hence achieving sustainable development.

It is necessary for India that it takes further concrete decisions and steps about costs and other related issues like political, financial and Ease of Doing Business policies in order to strengthen its position as a leading manufacturing hub. Success of "Make in India" mission will lie in the fact, how India is able to raise the living standards of its vast population, how India meets millennium development goals and how India contributes to the sustainability of the mother earth.

India has to walk a long way. A beginning has been made through 'Make in India' mission supported by skills development initiatives and easing of doing business policies. It is highly critical to maintain and further upgrade these initiatives. It is high time that India's government policies focus comprehensively on encouraging areas like industries growth and development; knowledge management; research and development; innovation; boosting power and electricity generation capacity, infrastructure and logistics, look for public welfare schemes and keep environment preservation in mind for sustainable development.

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