

The Role of Make in India Campaign in the Development of Textiles and Garments Industries in India: An Analysis

Mohd Kashif and Mohd Shoeb

Assistant Professor,
Zakir Husain Delhi College (Evening),
University of Delhi, New Delhi-110002, INDIA.

(Received on: April 26, 2016)

ABSTRACT

Make in India is an initiative of the Govt of India to encourage companies to manufacture their products in India. It was launched by Prime Minister of India, Narendra Modi on 25th September 2014. The main objective of this international marketing strategy is to attract investments from the businesses around the world and make India a manufacturing Hub. The initiative hopes to increase the GDP growth and tax revenue. The aim of this strategy is to take a share of manufacturing in country's GDP to 25% by 2022 as mentioned in the national manufacturing policy and to create 100 million jobs by 2022. Make in India initiative is focused on the 25 sectors of the economy for job creation and skill enhancement. Textile and Garments is one of the sectors out of these 25 sectors. The main purpose of this research study is to analyse the role of Make in India campaign in the development of Textiles and Garments Industries in India. Secondary Sources of data are used for this research study.

Keywords: Make in India, Textile and Garments, GDP, Job Creation, Investment, Manufacturing, Skill Development.

1. INTRODUCTION

Make in India is an initiative of Govt of India aims to encourage multinational as well as national companies to manufacture their products in India. It was launched by the Prime Minister Narendra Modi on 25th September 2014. The campaign was designed by the Wieden+Kennedy (W+K) group which had previously worked on the Incredible India Campaign. India would emerge, after initiation of the programme in 2015, as the top destination globally for foreign direct investment surpassing the USA as well as China. The major objective of this campaign is to focus on job creation and skill enhancement in 25 sectors of the economy. The initiative also aims at high quality standards and minimising the impact

on the environment. The campaign also aims to attract capital and technology investment in India. The 25 sectors of the economy on which Make in India focuses are:

Automobiles	Mining
Automobile Components	Oil and Gas
Aviation	Pharmaceuticals
Biotechnology	Ports and Shipping
Chemicals	Railways
Construction	Renewable Energy
Defence Manufacturing	Roads and Highways
Electrical Machinery	Space
Electronic Systems	Textiles and Garments
Food Processing	Thermal Power
Information Technology and Business Process Management	Tourism and Hospitality
Wellness	Leather
	Media and Entertainment

100 % FDI is permitted in all the above sectors except for Space (74%), Defence (49%) and news media (26%).



Fig 1: Make in India Logo

1.1 Policies under Make in India Campaign

There are four major policies included under the 'Make in India' Campaign which are:

a) New Initiatives

The Make in India program includes major new initiatives designed to facilitate investment, foster innovation, protect intellectual property and build in class manufacturing infrastructure. Due to the new initiatives, India's manufacturing infrastructure and capacity for

innovation is poised for phenomenal growth. New smart cities and industrial clusters being developed in identified industrial corridors having connectivity, new youth focused programs and institutions dedicated to developing specialised skills.

b) Foreign Direct Investment

India has marked its presence as one of the fastest growing economies of the world. It has been ranked among the top 3 attractive destinations for inbound investments. Under the 'Make in India' program, the Government of India has allowed 100% FDI in all the sectors except Space, Defence and News Media where 74 %, 49 % and 26% FDI is allowed respectively.

c) Intellectual Property Facts

The Indian government has taken various initiatives to create a conducive environment for the protection of Intellectual Property Rights (IPRs) of innovators and creators by bringing about changes at legislative and policy level. In addition, specific focus has been placed on improved service delivered by upgrading infrastructure, building capacity and using state of the art technology in the functioning of the intellectual property offices in the country. IPR includes Patent, Design, Trade Mark, Copyright, Plant Variety Protection and Geographical Indications.

d) National Manufacturing

The need to raise the global competitiveness of the Indian manufacturing sector is imperative for the country's long term growth. The National Manufacturing Policy is by far the most comprehensive and significant policy initiative taken by the Government. The policy is the first of its kind for the manufacturing sector as it addresses areas of regulation, infrastructure, skill development, technology, availability of finance, exit mechanism and other pertinent factors related to the growth of the sector. The visions of the initiatives are:

- An increase in manufacturing sector growth to 12-14% per annum.
- An increase in the share of manufacturing in the GDP to 25% by 2022.
- To create 100 million additional jobs by 2022 in manufacturing sector.
- To create appropriate skill sets among rural migrants and the urban poor for inclusive growth.
- To enhance the global competitiveness of the Indian manufacturing sector.
- To ensure sustainability of growth, particularly with regard to environment.

2. OBJECTIVES OF THE STUDY

The main objective of this study is to analyse the role of 'Make in India' campaign in the development of Textiles and Garments Industries in India. Following are the objectives of the study:

- a. To find out the opportunities to foreign investors to invest in Textiles and Garments Industries.

- b. To analyse the policies made under the Make in India scheme to develop the Textiles and Garments Industries.
- c. To study the tax incentives provided to Textiles and Garments industries under the Make in India Scheme.
- d. To identify the challenges before the Make in India campaign.
- e. To provide the recommendations to improve the Make in India campaign.

3. RESEARCH METHODOLOGY

The present study is based on the secondary data. The data has been collected from the journals, newspapers, various publications of Govt. of India and website of 'Make in India'.

4. LIMITATIONS OF THE STUDY

The limitations of the study are that this study is based on secondary data. No primary data is being collected. Secondary data may be lacking of accuracy and reliability. The biasness may also be there. Further, there is no past study on the topic and hence there is lacking of literature review.

5. MAKE IN INDIA AND TEXTILES AND GARMENTS INDUSTRIES

Textiles and Garments sector is an important sector of the Indian economy. It contributes 59% of the world's market share in textiles and garments. India has the second largest textile manufacturing capacity globally. India is the largest cotton producer in the world and first in global jute production. India is also second largest fibre producer in the world.

The sector contributes 14% to industrial production, 4% to India's GDP and constitutes 13% of the country's export earnings. Textiles and Garments Industry is one of the largest sources of employment in India because around 45 million people of the country are engaged in the sector. The domestic textile and apparel industry in India is estimated to reach USD 100 Billion by 2016-17 from USD 67 Billion in 2013-14. It is also estimated that the exports in textiles and apparel from India is increased to USD 65 Billion by 2016-17 from USD 38 Billion during 2014-15. The total fabric production in India is expected to reach 112 Billion sq meters by 2016-17 from 64 Billion sq meters in 2014-15. The fibre production in India is also expected to grow 10 Million tonnes by 2016-17 from 7 Million tonnes in 2014-15.

5.1 Opportunities for Foreign Investors to Invest in Textiles and Garments Industries

Under the 'Make in India' campaign, there is 100% FDI is allowed in the Textiles and Garments Industry. This campaign opens the gates for foreign investors to invest in this sector. There are so many reasons to invest in this sector few are:

- India has the second largest manufacturing capacity globally.

- The Indian textile industry accounts for about 20% of the world's spindle capacity and 10% of global rotor capacity.
- India has the highest loom capacity with 59% of the world's market share.
- India accounts for about 13% of the world's production of textile fibre and yarn and is the largest producer of jute and cotton and the second largest producer of silk.
- A strong production base of a wide range of fibre/yarn from natural fibres like cotton or jute, silk and wool to synthetic or man-made fibres like polyester, viscose, nylon and acrylic.
- Abundant availability of raw materials such as cotton, wool, silk and jute.
- India enjoys a comparative advantage in terms of skilled manpower and cost of production over major textile producers.

There are so many foreign companies who invest in the sector due to above mentioned reason to invest. The foreign companies are Rieter (Switzerland), Socktas (Turkey), Zambiani (Italy), Monti (Italy), CMT (Mauritius), E-land (South Korea), Nissinbo (Japan), Skaps (USA), Ahlstorm (USA), Terram (UK), Marks and Spencer (UK), Zara (Spain), Mango (Spain), Promod (France), Benetton (Italy), Esprit (USA), Levi's (USA), etc.

5.2 Policies under Make in India Campaign to develop the Textiles and Garments Industries

The Govt of India has made various policies under the Make in India campaign to develop the Textiles and Garments Industries. These policies can be categorised into two parts which are sector policy and financial support.

i. Sector Policies

Sectoral policies are those policies which are meant especially for a particular sector. For the Textile and Garments Industries the following sectoral policies are adopted which constitutes:

- a. Technology Upgradation Fund Scheme has infused investment of more than INR 2,687 Billion in the Industry. Support has been provided for modernisation and Upgradation by providing credit at reduced rates and capital subsidies.
- b. Scheme for Integrated Textile Parks provides world class infrastructure to new textile units. Up to date, 57 textile Parks have been sanctioned with an investment of INR 60 Billion. By 2017, 25 more textile parks are to be sanctioned.
- c. Integrated Processing Development Scheme for sanctioning processing parks has been initiated. INR 5 Billion has been earmarked for this scheme.
- d. Integrated Skill Development Scheme has provided training to 1.5 million people to cover all sub-sectors of textiles such as textile and apparel, handicrafts, handlooms, jute and sericulture.

ii. Financial Support

Apart from the Sector Policies, the Govt of India also provides financial support for the development of Textiles and Garments Industry. The Govt of India constituted various key provisions under the Budget 2014-15 to bring the growth and development under this sector. The key provisions are:

- a. Allocation of INR 500 Million towards the setting up of a trade facilitation centre and a crafts museum to develop and promote handloom products and carry forward the rich tradition of the handlooms of Varanasi.
- b. Allocation of INR 2000 Million towards the proposed setting up of mega textile clusters at Bareilly, Lucknow, Surat, Kuttch, Bhagalpur, Mysore and Tamilnadu.
- c. Allocation of INR 300 Million towards the setting up of Hastkala Academy for the preservation, revival and documentation of the handloom or handicrafts sector in Delhi.
- d. Allocation of INR 500 Million towards the setting up of Pashmina Promotion Programme (P-3) and a programme for the development of other crafts of Jammu and Kashmir.
- e. The duty-free entitlement for import of trimmings and embellishments used by the readymade textile garment sector for manufacture of garments for exports is being increased from 3% to 5%.
- f. Specified goods imported for use in the manufacture of textile garments for export are fully exempt from the Basic Custom Duty (BCD) and Countervailing Duty (CVD) subject to conditions that the manufacturer produces an entitlement certificate from the Apparel Export Promotion Council or from the Indian Silk Export Promotion Council.

Apart from the above provisions, each state in India offers additional incentives for Industrial projects. Some of the states also have separate policies for the textiles sector. Incentives are in the areas like subsidised land cost, relaxation in stamp duty, exemption on sale or lease of land, power tariff incentives, concessional rates of interest on loans, investment subsidies or tax incentives, backwards areas subsidies and special incentives packages for mega projects.

5.3 Tax Incentives

Under the make in India Campaign, there is also a provision of tax incentives to attract the businessmen to enter in Textiles and Garments industries. Following are the tax incentives given under the scheme:

i. R&D Incentives: Industry or Private-Sponsored Research Programmes

A weighted tax deduction of 200% is granted under the sec 35 (2AA) of the Income Tax Act to assesses for any sums paid to a national laboratory, university or institutions of technology or specified persons with a specific direction that the said sum would be used for scientific research within a programme approved by the prescribed authority.

ii. Companies engaged in manufacturing having an In-House R&D Centre

A weighted tax deduction of 200% under sec 35 (2AB) of the Income Tax Act for both capital and revenue expenditure incurred on scientific research and development. Expenditure on land and buildings are not covered under this section for deductions.

6. CHALLENGES FACED BY MAKE IN INDIA CAMPAIGN

'Make in India' scheme is needed for the Indian economy at the present time. The Campaign aimed to convert the India into a global manufacturing hub and boost the economic growth of India. The campaign is successfully upto a large extent to achieve its objectives but the campaign also faced various challenges which are:

- a. The Micro, Small and Medium Enterprises (MSME) in India can play a significant role in making the India a manufacturing hub for the world. The Govt of India should attain more focus on these industries in terms of novelty and innovation. The Govt should make special plans and provisions to these enterprises and give privileges to the sectors.
- b. India will create a healthy business environment only when there is efficient administrative machinery. India has been very stringent when it comes to procedural and regulatory clearances. A business friendly environment in India will create only when the govt can signal easier approval of projects and set-up hassle free clearance mechanism.
- c. India should also be ready to tackle factors that adversely affect competitiveness of manufacturing in India. To make the country a global manufacturing hub, the Govt of India should remove the unfavourable factors first of all. There should be more room for the research & development which is currently very less in India and there should be improvement in the infrastructure facilities in India.
- d. Another challenge before India is that under the Make in India campaign there is more focused on production process. There is lack of Skill Upgradation programmes. There is need of rapid Skill Upgradation programmes because skill intensive sectors are dynamic sector in India.

7. RECOMMENDATIONS TO IMPROVE MAKE IN INDIA CAMPAIGN

There are various recommendations through which the Govt of India can improve the Make in India campaign and can achieve the objectives of the campaign. Firstly, apart from the big scale investments, the Govt of India should also prioritize the MSME sectors of the country because this sector is one of the largest contributors to GDP which is 37%. Secondly, India has most number of youth in the world which is still unemployed. To become 'Make in India' a successful campaign, the Govt should utilize the potential of the youth of the country. For this, our youth should be able to handle various jobs and they should be made employable. Further, India has a very poor tax structure. For a pro business atmosphere and investment friendly ambience, there should be attractive tax deductions and incentives. Most important point is that in Asia, China is the best fetcher of investment. In order to surpass China in foreign investment the Govt of India should give their best. Since China has an image of playing

superpower while India has a great cordial portrait in the international arena, we should make use of this. For this the IFS officers in India should be well trained to fetch business from the foreign countries.

8. CONCLUSION

It is concluded from the study that 'Make in India' campaign playing an important role in the development of Textiles and Garments Industries in India. The Govt of India makes various schemes under the campaign to enhance the efficiency and development of sector. The Govt of India has made various policies under the Make in India campaign to develop the Textiles and Garments Industries. There are two types of policies which are sector policy and financial assistance. Under sector policies, Govt launch various schemes namely Technology Upgradation Fund Scheme, Scheme for Integrated Textile Parks, Integrated Processing Development Scheme and Integrated Skill Development Scheme. Apart from this various financial support is also provided by the Govt of India to this sector such as allocation of INR 500 Million towards the setting up of a trade facilitation centre and a crafts museum, allocation of INR 2000 Million towards the proposed setting up of mega textile clusters, allocation of INR 300 Million towards the setting up of Hastkala Academy for the preservation, revival and documentation of the handloom or handicrafts sector in Delhi, etc. The various duties are also exempted on this sector to increase the export such as Basic Custom Duty (BCD) and Countervailing Duty (CVD). Secondly, there is tax incentives also provided. A weighted deduction of 200% is granted under the Income Tax Act to motivate the R&D in the Textiles and Garments Industries. Due to the 100% FDI and various investment opportunities various foreign investors and companies already entered in the sector such as Rieter (Switzerland), Soltas (Turkey), Zambiat (Italy), Monti (Italy), CMT (Mauritius), E-land (South Korea), Nissinbo (Japan), Skaps (USA), Ahlstorm (USA), Terram (UK), Marks and Spencer (UK), Zara (Spain), Mango (Spain), Promod (France), Benetton (Italy), Esprit (USA), Levi's (USA), etc. So, it is not wrong to say that 'Make in India' campaign have successful upto a large extent to bring the development in the Textiles and Garments Industries.

REFERENCES

1. 7 facts not known about PM Modi's Make in India. (2015, May 27). *Newsroom Post* .
2. Focus on 'Make in India'. (2014, September 25). *Business Standards* .
3. India pips US, China as No 1 Foreign Direct Investment destination. (2015, September 30). *The Times of India* .
4. *India Pips China, US to Emerge as Favourite Foreign Direct Investment Destination*. Profit.ndtv.com.
5. Look East, Link West, says PM Modi at Make in India Launch. *Hindustan Times* 25 September 2014.
6. Modi for 'Zero defect' Make in India products. (2014, December 29). *The Hindu Business Line* .

7. Pay-off time for Modi: India displaces US, China as the top FDI destination in 2015. (2015, July 29).
8. PM Modi's Make in India turns one: All you need to know about the initiative. (2015, September 25). *DNA India* .
9. Revealed: Man behind PM's Make in India campaign. (2014, November 18). *DNA India* .
10. Soundhariya, S. (2015). Make in India-Scheme for Transforming India. *Global Journal for Research Analysis* , 77-78.
11. www.exampundit.com.
12. www.makeinindia.com.
13. www.quora.com
14. www.zeenews.india.com