

# Make in India: Beyond the blitz, do we have our house in order?

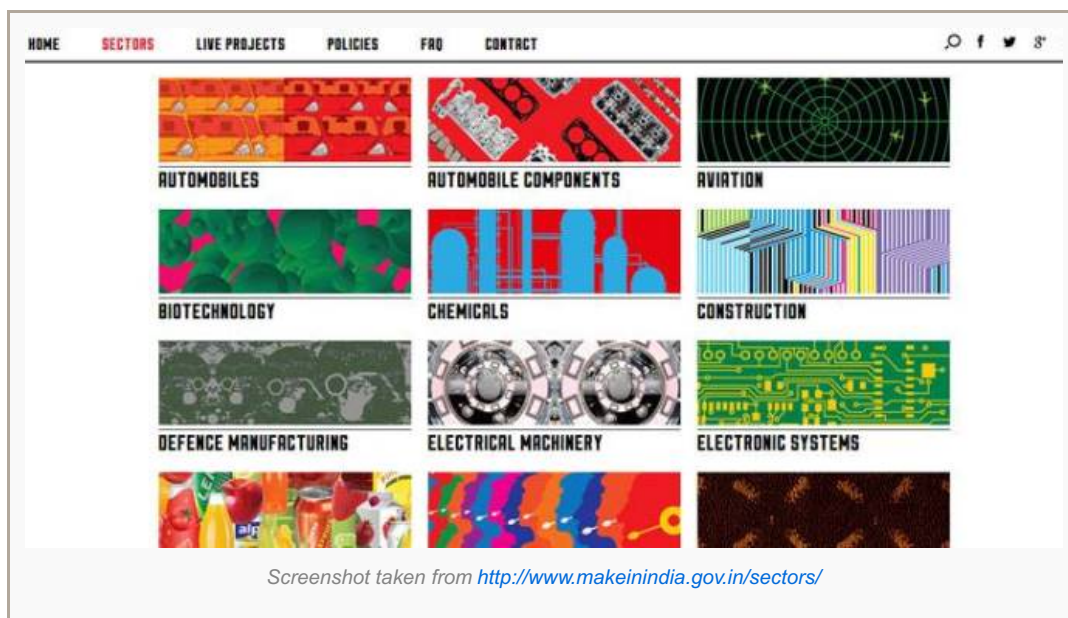
**ISE** [blogs.lse.ac.uk/southasia/2014/10/01/make-in-india-beyond-the-blitz-do-we-have-our-house-in-order/](http://blogs.lse.ac.uk/southasia/2014/10/01/make-in-india-beyond-the-blitz-do-we-have-our-house-in-order/)

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Last week saw the launch of the “Make in India” website, an initiative designed to attract investors and transform India into a manufacturing hub. **Mitali Nikore** welcomes the new portal but argues that the challenge now will be to ensure the sustainability of this intervention.



On 25<sup>th</sup> September 2014, the Government of India launched the ‘Investor Facilitation Cell’ in the form of a new website, <http://www.makeinindia.gov.in/>. This launch was marked by yet another [headline-making speech](#) by the Prime Minister Narendra Modi. Photo opportunities of the government’s key ministers standing beside Mr. Modi at the launch event were splashed across national and international mainstream media. The country’s biggest industrial houses were in attendance, applauding as the Prime Minister invited domestic and foreign investors alike to come and ‘First Develop India’. In New Delhi’s coveted social circles, being invited to the ‘Make in India’ launch event acquired a new flaunt value and the hashtag #MakeinIndia became a top twitter trend. This article aims at deconstructing the economic and political meaning of this campaign.



A review of the Make in India website effectively demonstrates that it is a one-stop shop for information on 25 sectors of the Indian economy, ranging from more traditional sectors such as automobile manufacturing and textiles to more innovative sectors such as bio-technology and space. It even includes defence manufacturing to its list of sectors, a sector whose legal and regulatory information has traditionally been clouded in secrecy. Not only is the range of sectors covered varied and comprehensive, the information provided for each effectively answers the first set of key questions from an investor:

1. Why should I invest in this sector in India?
2. What are the key growth drivers of this sector?
3. What is the market size, and what kind of revenue can I expect?
4. What is the FDI policy?
5. What are the other sector level policy issues?

6. What incentives is the government providing me for this investment? Tax breaks? Subsidies?
7. What are the key investment opportunities?
8. Who are the current investors in this sector?
9. Which are the key government/non-governmental institutions that I would need to engage with?

The suggestion that governments must make information available to businesses in order to encourage investment is aimed at reducing uncertainty. The logic of the suggestion lies in the need for correcting the market failure of asymmetric information (see, for example, [Leahy & Whited](#), [Lee](#) and [Fazzari & Athey](#)). The government has full knowledge of the legal and regulatory regime governing the operations of businesses, i.e. it knows the 'rules of the game'. However, businesses carry the risk of investing their capital in an environment where they do not:

- a) Have full knowledge of the rules of the game
- b) Cannot control the rules of game
- c) Cannot predict when and if the government would change the rules of the game

This asymmetric information results in making investment a risky proposition. Hence, it follows that the greater the uncertainty, the greater the risk and therefore, the lower the investment in such a market.

It follows that the solution to this market failure is provision of a predictable environment with a steady flow of information. And through this information portal Mr. Modi and his team have created exactly that. It is not as though the Make in India information portal is an innovative concept. However, the portal that has been created is simple, user-friendly, and well-presented and its strength lies in this simplicity. Providing investors with a single point of contact within the government, alongside a web-based portal which can be accessed 24X7, even when a human being is unavailable to answer questions provides investors with a steady stream of information about the rules of the game, thus reducing uncertainty and making investment more likely.

The key strength of this programme however, lies in the star value provided by this simple statement by Mr. Modi, "[I invite you to come Make in India](#)". These words embody the political support provided to a clear business-led development strategy for the country. The government has, again, successfully presented a clear picture to investors, i.e. that they are prepared to provide political backing to projects in secondary sector to kick-start industrial activity and generate employment.

So, this event made us sit up and take notice. It was well-timed to coincide with Mr. Modi's maiden trip to the United States as Prime Minister and assuage the concerns of his supporters from the industry. However, the challenge before the government is to ensure the sustainability of this intervention so that investor interest can be converted into committed investments. This requires supporting interventions in the following areas:

1. Ensuring that the enabling conditions required for actual investments in factories are put in place, particularly with regard to:
  - Land acquisition
  - Power Infrastructure
  - Water Supply
  - Telecommunications Infrastructure
2. Reviewing the role of regulation and impact of current labour laws for each of the 25 priority sectors.
3. Providing a predictable legal environment with clear dispute resolution arrangements.
4. Providing government guarantees for investments to lower cost of capital on a case by case basis.
5. Partnering with local authorities at the state, district and village level as well as engaging with communities in

order to communicate the benefits of the investment, as well as to ensure that local employment generation occurs through factories, for both men and women.

For a government laden with the expectations of 125 crore Indians, Make in India should not just remain a successful marketing campaign; rather, it must be remembered as the cornerstone for building one of the world's largest manufacturing centres.

The guests are knocking Mr. Modi, it's time to move beyond invitations and put our house in order.

### **About the Author**

**Mitali Nikore** is an economic consultant, specialising in infrastructure finance and public private partnerships, with a special focus on Southern Africa. She completed her master's degree in Economics at LSE in 2012, and previously worked as a consultant at the United Nations and World Bank. She spends her time between New Delhi and Johannesburg.



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