

Review Article

A Study of Impact of Make in India Campaign on the Indian Economy

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Abstract - Make in India is the NDA government's flagship program envisioned to improve the domestic manufacturing industry and appeal to foreign investors to invest in the Indian economy. Manufacturing plays a vital role in India. But there is a need for sound policies and facilities for land procurement, labor laws, power tariffs, transport, and logistics. The government has shown intent to ease the processes, but the actual implementation is very slow. For the success of the Make in India program, mere willingness to spend on infrastructure and attracting FDI's will not serve. The government needs to work on implementation. It should strive for better implementation of the decision policies. The problems on the grassroots level need to be understood and addressed.

Keywords - Make in India, Foreign Direct Investments, Indian Economy

I. INTRODUCTION

Make in India is the NDA government's flagship program envisioned to improve the domestic manufacturing industry and appeal to foreign investors to invest in the Indian economy. The Indian Prime Minister, Mr. Narendra Modi, in his Independence Day address on 15 August 2014 cited the key phrase over a month later launched the Make in India campaign in September 2014 with an intent of reviving manufacturing businesses and highlighting key sectors in India amongstrising concerns that most business persons are moving out of the nation due to its poor ranking in ease of doing business ratings.

The Current contribution of the Manufacturing Sector is just over 15% to the national GDP. The goal of the Make in India campaign is to grow the contribution from the manufacturing sector to 25%, as seen with other emerging nations of Asia. In this process, the government expects to create jobs, attract more foreign direct investments, and transform India into a manufacturing hub preferred around the world.

II. OBJECTIVES OF THE STUDY

- To understand the Make in India campaign of the Government of India.
- To Identify the New Initiatives carried out under the Make in India campaign.

- To study the impact of Make in India on the GDP of the country.
- To study the impact of Make in India on the FDI Inflows in India.

III. REVIEW OF LITERATURE

(Bhatia & Agrawal, 2018) States that the government has been successful to a great degree in terms of positioning India as an international manufacturing hub not only on the basis of slogans and propaganda but on the basis of the small steps taken in every sphere of the economy. These small actions, from reducing the export formalities to setting up an Investor Facilitation Cell, have been the real catalysts behind this campaign and are at its core. It is also evident that the campaign has great opportunities for India's future and hence must be pursued with equal vigor in the coming years.

(Sahoo, 2018) The measures taken by the Government are directed to open new sectors for foreign direct investment, increase the sectoral limit of existing sectors, and simplify other conditions of the FDI policy. FDI policy reforms are meant to provide ease of doing business and accelerate the pace of foreign investment in the country. The overall scenario of make in India and FDI was a positive summon to prospective investors from all over the world. It represents a wide-ranging refurbish of processes and policies. Earlier, the Indian Government was working with a mindset of issuing authority, but now with the launch of Make in India, it has started working as a Business Partner

(Aneja, 2016) has stated that making in India is an ambitious project, but it is the one that India urgently needs to kick start and sustain its growth momentum. With relentless policies towards this end, it is possible to make India the powerhouse of the manufacturing sector in the world. He concluded that the concept of Make in India will certainly going to lift up the Indian economy and will aid in meeting the major challenges of poverty, unemployment, low per capita income and help in sharing the burden of government



IV. RESEARCH METHODOLOGY

The study is mainly based on secondary data. The data for this study has been collected from sources like research papers published in journals, government websites, and other authenticated websites.

V. NEW INITIATIVES UNDER MAKE IN INDIA

The following new initiatives were carried out under make in India:-

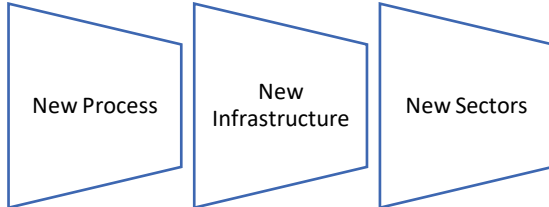


Fig. 1

A. New Process:-

New, improved business processes and procedures were developed to facilitate the ease of doing business in India and create confidence among entrepreneurs, as a result of which India moved up 12 places in the World Bank's Doing Business ranking 2016 released in October 2015. Some of the key highlights of these procedures were

- Incorporation of a company reduced to 1 day instead of 10 days
- Power connection provided within a mandated time frame of 15 days instead of 180 days
- No. of documents for exports and imports reduced from 11 to 3
- Validity of industrial license extended to 7 years from 3 years
- Bankruptcy Code 2015 – New bankruptcy law, providing for simple and time-bound insolvency process to be operational by 2017
- Goods and Services Tax – Single tax framework by April 2017
- Permanent Residency Status for foreign investors for 10 years

B. New Infrastructure:-

New transport and Digital Infrastructure are developed to support the economic development and improve the quality of life of citizens. Following is the list of new infrastructure development projects being carried out

- Industrial Corridors and 21 new nodal Industrial Cities to be developed:
- Doubling of Network of Roads by 2020 and Construction of 15,000 km new roads by 2017 is targeted under various projects

- Railway projects such as the Setting up of New Railway Stations, Modernization of Rolling stock, High-Speed Railways, Port-Mine connectivity, etc., have been initiated for Modernising and better connectivity of Indian Railways.
- Eastern Dedicated Freight Corridor of 1840 km length and Western Dedicated Freight Corridor of 1504 km length is under construction as well as many projects are under planning stage.
- Sagar Mala project was started by the Govt. of India to modernize India's Ports and Inland waterways so that port-led development can be augmented and coastlines can be developed to contribute to India's growth, providing a project outlay of \$10 Bn
- The Smart Cities Mission having a project outlay of \$7.69 Bn, is progressing, with Special Purpose Vehicles for 19 cities already set up.
- Aviation industry with the target of becoming 3rd largest by 2030 and to cater international and domestic traffic.
- 3rd largest tech-driven Start-up ecosystem globally and Tech Startups in India are expected to reach 11,500 in 2020 from 4,300 in 2015
- "Start-up India" initiative was launched aiming at fostering entrepreneurship and promoting innovation by creating an ecosystem that is conducive for the growth of Startups.

C. New Sectors:-

The Make in India initiative targeted 25 economic sectors for job creation and skill development and aimed "to transform India into a global design and manufacturing hub".

Table 1.

Automobile	Automobile Components	Aviation	Biotechnology
Chemicals	Construction	Defense Manufacturing	Electrical Machinery
Electronic Systems	Food Processing	IT and BPM	Leather
Media and Entertainment	Mining	Oil and Gas	Pharmaceuticals
Ports and Shipping	Railways	Renewable Energy	Roads and Highways
Space	Textile and Garments	Thermal Power	Tourism and Hospitality
Wellness			

FDI Reforms were carried out in the following sectors:-

1. **Defense:** Up to 49% under automatic route and above 49% through Government route

2. **Civil Aviation:** 100% FDI under automatic route in Greenfield Projects and 74% FDI in Brownfield Projects under automatic route beyond 74% for Brownfield Projects is under government route.
3. **Broadcasting:** New sectoral caps and entry routes are as under:
 - Broadcasting Carriage Services & down-linking of news channels: 100% FDI
 - Cable Networks: 100% FDI and in News channels: 49% FDI
4. **Banking:** FDI up to 74% with 49% under automatic route rest through government route
5. **Railways:** 100% FDI under automatic route permitted in construction, operation, and maintenance of Rail Infrastructure projects
6. **Construction:** 100% FDI through automatic route and Removal of minimum floor area & minimum capital requirement
7. **Pharmaceuticals:** The extant FDI policy on the pharmaceutical sector provides for 100% FDI under automatic route in Greenfield pharma and FDI up to 74% under automatic route and 100% under government approval in brownfield pharma.
8. **Plantation:** Certain plantation activities, namely; coffee, rubber, cardamom, palm oil tree, and olive oil tree plantations, have opened for 100% foreign investment under automatic route.
9. **Telecom:** FDI up to 100% with 49% under automatic route
10. **Insurance & Pension:** FDI Policy has been reviewed to increase the sectoral cap of foreign investment from 26% to 49%, with foreign investment up to 26% to be under automatic route.
11. **Medical Devices:** 100% FDI under automatic route for manufacturing of medical devices has been permitted.
12. **E-Commerce:** 100% FDI in B2B e-commerce, Single brand retail trading entity permitted for B2C e-commerce and e-commerce food retailing
13. **Retail:** 100% FDI and 49% under automatic route are allowed. In the case of 'state-of-art' and 'cutting-edge technology,' sourcing norms can be relaxed subject to Government approval. 100% FDI is now permitted under automatic route in Duty-Free Shops located and operated in the Customs bonded areas.

VI. GDP GROWTH RATE OF INDIA

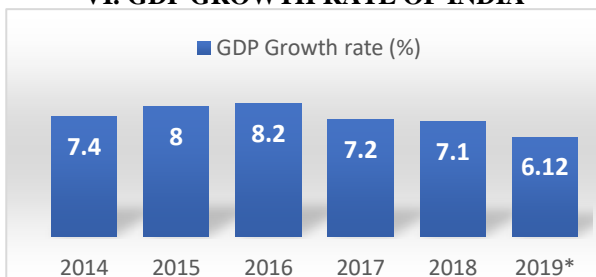


Fig. 2

Source:-data.gov.in

* The data for the year 2019 is estimated data

The GDP Growth rate doesn't show any considerable increase after the launching Make in India Program the year 2014. However, it is a very short span that has passed after the campaign made in India has been started, and it will take a few more years to show the positive impact on the GDP of the nation.

VII. FDI INFLOWS OF INDIA

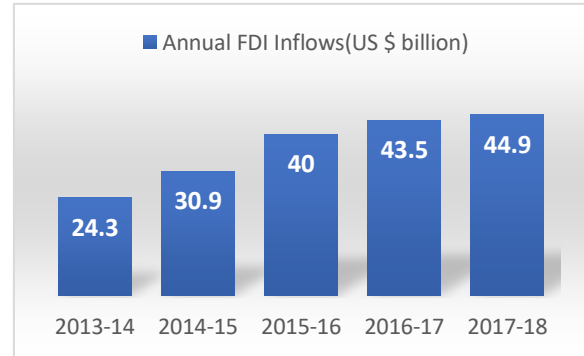


Fig. 3

Source:-dipp.gov.in

The FDI Inflows show that there is a considerable increase in the amount of FDI Inflow after the launching of the Make in India Program. There are many factors responsible for the increase in FDI Inflows. However, the Make in India Program has made a positive impact on the FDI Inflows.

VIII. BENEFITS OF MAKE IN INDIA

A. Create Employment

One of the main objectives of the Make in India campaign is to provide job opportunities to as many citizens of India as possible. It has targeted the youth of the country as its prime recipient. The investments in the targeted sectors, i.e., telecommunications, pharmaceuticals, tourism, etc., will encourage the Indian youth to come forward with their innovative concepts.

B. Increase GDP

Due to the manufacturing of products in India, economic growth is unavoidable, which will not only boost the trade sector but also will increase the GDP of the Indian economy as with the setting up of new factories. Various sectors such as exportation, architecture, textiles, telecommunications, etc., are likely to flourish inevitably, strengthening the Indian economy, which is already the seventh-largest in the world.

C. FDI Inflow and Strengthen Rupee

The advent of the manufacturing industries would automatically convert India into a hub for the manufacture of various commercial products; as a result, there would be a grand collection of the FDI, which, in turn, would strengthen the rupee against the American dollar.

D. Foster Ease of Doing Business

new, improved business processes and procedures were developed to facilitate the ease of doing business in India and create confidence among entrepreneurs, as a result of which India moved up 12 places in the World Bank's Doing Business ranking 2016 released in October 2015.

E. Technology Upgradation

India being an underdeveloped country, obviously lack various latest mechanization, which is a big hurdle in the path to the development of the nation. Hence, with the myriad of countries coming forth by the make In India crusade, India will be given the opportunity to make use of the latest technology these countries bring along. Not only will India benefit from the knowledge and use of the technology, but also, the concerned nations will be provided with a skilled manpower

IX. CHALLENGES FOR MAKE IN INDIA

Manufacturing plays a vital role in India. But there is a need for sound policies and facilities for land procurement, labor laws, power tariffs, transport, and logistics. The government has shown intent to ease the processes, but the actual implementation is very slow. The Infrastructure development in India is extremely slow, which halts economic development. Thus, Until this facility is developed to cater to the needs of the multinational companies, the effect of making in India cannot be seen practically.

X. CONCLUSION

The Make in India campaign launched by the government of India shows a positive result. However, there are certain challenges for make in India to become completely successful and the success to get reflected in the nation's GDP. A Nation can develop only if it meets the domestic demand of goods and services is catered on its own, and the country exports on a considerable amount. Manufacturing plays a very important and vital role for this purpose. But, for that, sound policies and facilities for land procurement, labor laws, power tariffs, transport, and logistics, etc., are the primary requirements. The

implementation of the GST system and demonetization created problems for the small-scale sector. After the turbulence, the value of the rupee decreased. It ultimately reduced the value of our exports. The government in between also levied long-term capital gains tax on investment in India which was earlier exempt. All these issues reduce the confidence of private players, and there is a lack of investments. For the success of the Make in India program, mere willingness to spend on infrastructure and attracting FDIs will not serve. The government needs to work on implementation. It should strive for better implementation of the decision policies. The problems on the grassroots level need to be understood and addressed.

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