A Study of the Make in India Initiative and Its Implications on the Indian Economy

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Abstract

Make in India Initiative started by the government of India has gained the attention of the producers since its inception in 2014, it was a campaign launched to revitalize India's manufacturing sector, and after the COVID-19 pandemic when the need was felt to provide a boost to the downward moving economy, the initiative was taken as a game changer for providing impetus to the economic growth. The aim of this paper is to study the objectives and policies under the "Make in India" initiative and to study their impact on the manufacturing sector and the economy. The emphasis of this paper is to study the impact of foreign investment and growth in GDP. The paper also studies the challenges and shortcomings of the "Make in India" initiative and tries to point out the possible solutions to the obstacles in the path of the initiative. The data used for the purpose of study is secondary data collected online from various government and other authentic sources

Keywords

manufacturing sector, Skill Development, PLI Scheme, Employment generation, innovation, FDI

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Introduction

The "Make in India" initiative launched in September 2014 by the Government of India with the objective of transforming Indian economy into a manufacturing hub, thereby giving impetus to the growth of the country. The program was started with the intension to attract investment especially foreign investment, give a boost to innovation, enhance skill development, develop world class manufacturing infrastructure along with protection of intellectual property. The campaign was launched with the intention to revitalize India's manufacturing sector. Since its inception in 2014 significant progress has been made, but sustained efforts are needed to overcome challenges that are faced by the project. The initiative is a hope for economic development and to fully realize the potential of manufacturing sector.

The objectives of the Make in India initiative were:

- To Increase the Growth of manufacturing sector: Since the initiative focused at economic development one of it's objectives was to give a boost to manufacturing sector and increase it's contribution to 25% of the GDP by 2025.
- Employment generation: It also aimed at creating 100 million additional jobs in the manufacturing sector by 2022.
- Boost Investment: Attract foreign as well as domestic investments in the manufacturing sector in order to promote this sector.
- Enhancing Skill Development: To make India self-sufficient it is necessary to Equip the workforce with required skills to match the demands of the industry, hence various policies were formulated for skill development.
- Foster Innovation: Promote research and development to drive innovation in manufacturing sector for its development.
- New and Improved Infrastructure: For the growth of any industry world class modern infrastructure is an essential perquisite, Since Infrastructure is the backbone of any economy, the aim was to build state-of -the-art new infrastructure and upgrade and modernize the existing infrastructure in order to provide basic support for manufacturing industry. Therefore, in order to achieve the same, the aim of the Government is to develop industrial corridors along with smart cities fully equipped with modern technology including high-speed, modern communication system and integrated logistic arrangements. Along with establishment of new infrastructure Existing infrastructure will also be strengthened through upgradation. This would be done by developing industrial clusters. Under the flagship of 'Make in India' 25 sectors were identified in different activities like service activities, manufacturing

and infrastructure. FDI was allowed in some sectors that were not opened for foreign investors till now like Defence Production, Railway Infrastructure and Construction.

'Make in India' aims at changing the mindset of the industry as well as people by bringing a major change in the Government's policy of interacting with the industry. The Government's role will not only be of a regulator now, but also to act as a partner industry in order to promote the development of the country. Thus, a change in mindset will be there providing an overall congenial atmosphere for investment.

Some Key Sectors that were focused on in the program were - Automobiles, Chemicals, IT and BPM (Business Process Management), Pharmaceuticals, Ports and Shipping, Tourism and Hospitality, Aviation, Textiles and Garments, Wellness, Leather, Ports and Shipping etc.

PLI Scheme

Production Linked Incentive is the primary scheme of the Make in India initiative Objectives of the Scheme are:

- "Make in India" was developed with the main objective to Enhance Manufacturing Capabilities, hence PLI focuses on enhancing the domestic production capacity of key sectors of the economy so as to increase the contribution of the manufacturing sector to targeted 25% of the GDP by 2025.
- Making Indian products competitive in the global market and hence promoting Export Competitiveness.
- Encouraging investment in the manufacturing sector by both domestic and foreign companies.
- Generate large-scale employment opportunities in the manufacturing sector.
- Contribute significantly to India's GDP growth. In order to boost economic development.

Achievements of Make in India program

Make in India program is a collaborative effort of government as well as non-government sectors like Union Ministers, state governments, leaders of various industries , and other knowledge partners. In order to provide developed land along with quality infrastructure for industrial townships the Government of India is building a vast structure of industrial corridors across the country so that the program may gain momentum.

India's real GDP grew by 8.2% in the financial year 2024, having a growth rate of over 7% for a third consecutive year, with India having stable consumption demand and steady improvement in investment demand.

According to economic survey 2024 Gross value added (at 2011-12 prices) grew by 7.2% during the financial year 2023-2024.

Total FDI inflow in India during the financial year 2022-23 was 70.97 bn USD. While the Total FDI inflows in the country in the last 23 years i.e. from April 2000 to March 2023 are 919 bn USD. The total FDI inflows that India received Since the inception of the Make in India program in April 2014 up to March 2023 was 595.25 bn USD, that accounted to 65% of the total FDI inflow in the last 23 years. Foreign Direct Investment equity inflow in the manufacturing sector was 148.97 Bn USD where as in the previous nine years (2005-2014) it was $96 Bn. Showing an increase of 55%, this was possible only due to the efforts of the government, during the period of 2014-2023 and changes in government policies, the existing FDI policy allows for 100% FDI in almost all sectors except for a few prohibited sectors like the defence industry.

India has attained the position among Top 5 global economy in the last ten years, and is expected to reach third rank soon behind only to the US and China. Also, in the case of Ease of Doing Business rank the country showed a tremendous improvement from 142nd rank in 2014 to 63rd rank in 2019.

The Goods and Services Tax Network also proved to be a catalyst by making trade across the country more efficient since it was a unifying agent for trade throughout the country making trade more convenient and efficient.

The Insolvency and Bankruptcy Code was a game-changer since it helps in protecting investment and recovering capital from failed assets, due to which loan repayments status improved and also there was reduction of default accounts. India is now investing over $1 trillion annually in the economy. The Government also increased investment to increase the capacities of India's infrastructure related to trade like ports, airports, railways etc. to give a significant boost to trade-related activities.

To Promote innovation in manufacturing sectors and attract foreign capital 'Japan-India Make-in-India Special Finance Facility', was announced by India and Japan in 2015 Under which Japan committed for investments in India, including a $12-billion loan at negligible rate of interest for the Bullet Train" and another $12 billion for "Make in India" initiative. In this project Japan's investment in India was of about 39.94 Bn dollars between 2000 and June 2023,

Similarly, India in collaboration with Germany, started, ' Make in India Mittelstand , to Facilitate Investments by German Mittelstand and Family Owned Companies in India. Since its inception in September 2015, the program has helped for the development of more than 135 German Mittelstand companies with a declared investment of over $ 970 million. The investment done by Germany in this scheme till August 2021 was more than €1.4 Bn through which it supported more than 151 German Mittelstand companies. This investment was mainly in the automotive, construction, chemicals, consumer goods, electronics and electrical sectors.

As a consequent of these initiatives, India is now the second-largest manufacturer of mobile phones globally. With increase in Value-addition from 10% to 25%.

Challenges faced by the 'Make in India' initiative

• Complexity of Labour Laws - The complex labour laws and working conditions of labour especially unskilled labour in our country are the biggest challenge. The Global Rights Index (2016), ranked India as one of the 10 worst countries for working people.

• Complex Taxation System- The complexities of taxation system, with tedious process, large amount of paperwork, and prevailing corruption is also a challenge for Make in India that hampers the efficiency of the manufacturing sector and proves to be a demotivating factor for the investors.

• land acquisition laws- land being one of the important factors of production, is a basic requirement for any manufacturing unit but since land acquisition laws are stringent in our country, it is difficult for India to attract investors from other countries in the manufacturing sector.

• Inadequate availability of Power for Industries - India does not have sufficient power resources with a deficit of 5.1%. Besides shortage of power, loss of power is another major issue. Losses are there due to lack of transparency in the allocation of the coal blocks. Greater availability of power is needed to realize the dream of the scheme.

• Low Productivity- The productivity of Indian factories is low and due to insufficient skills in labour, this also proves to be a major setback for production units. According to The Global Rights Index (2016), "In India 85 percent of manufacturing firms employ less than 50 workers In India, besides this half of these workers earn just USD 5 or USD 6 per day and are kept on short-term contracts"

• **Complex Regulations:** Despite improvements in rankings of EASE OF DOING BUSINESS, the regulatory environment is still complex and burdensome for businesses in India and investors are still not at ease in investing in India.

• **Bureaucracy and corruption:** Bureaucratic inefficiencies and corruption prevailing in the administrative system continue to pose challenges.

• **Inadequacy of Infrastructure:** Inadequate infrastructure in many regions of the country impedes business operations and growth and works as a demotivating factor for new manufacturing units.

• Inadequate manufacturing capacity: Inadequate infrastructure, including transportation, logistics, and utilities, along with a shortage of power-supplying units the efficiency and capacity of the manufacturing sector.

• **Lack of Coordination:** Lack of effective coordination between central and state governments is also another problem due to which the manufacturing sector suffers a lot.

Shortcoming of Make in India Initiative.

• The growth rate of the manufacturing sector is not satisfactory despite the various initiatives taken by the government, it has been slower than anticipated by the policymakers.

• The manufacturing sector has not progressed in accordance to the target. The contribution of manufacturing to GDP has not seen the significant increase in the past ten years, as targeted (25% of GDP by 2025)

• The initiative has not generated sufficient employment opportunities particularly in the formal manufacturing sector.

• There is a significant mismatch between the skill requirements of the manufacturing sector and the available workforce.

• Innovation in the manufacturing sector is hampered due to Insufficient investment in research and development.

• Slow rate of adoption of advanced manufacturing technologies and practices. **India still has** High production costs and also productivity levels are lower as compared to global competitors.

Solutions

• In order to realize the dream of the scheme, adequate and continuous availability of power is required

• Land laws require changes so that land may be made available to the foreign companies without much hassle.

• Regulations for investors should be simplified to promote foreign as well as domestic investment.

• Labour productivity can be increased by improving the working conditions in the manufacturing sector and by ensuring minimum wage rates and social security measures in the industries.

• Infrastructure should be strengthened especially in the remote and potential areas since well-developed infrastructure is a prerequisite for the development of any Industry.

• Technical training and skill development institutes should be set up so that skilled personnel are available in the manufacturing sector especially entrepreneurial skills should be developed for startups. Besides this, awareness and training programs for existing producers should be initiated.

Conclusion

The Make in India initiative started by the government of India has tremendously promoted India's manufacturing sector as well it also helped in attracting significant investments in the country. The government policies of Liberalized FDI, improvement in the ease of doing business, PLI schemes etc. were game changers in bringing about the change. The pandemic of COVID-19 also proved to be an opportunity for India, when producers were searching for some other option for production, liberal policies in India showed promising prospects with various opportunities and facilities.

India has emerged be a lucrative destination for foreign investors in the recent years. The increase in FDI equity inflows in the manufacturing sector, due to the hard work of the policymakers has led to increased production of high-value goods adding to the GDP of the country.

Innovation, technology adoption, and skill development were the focused areas in this endeavour and they will surely help a lot in the development of manufacturing sector. The PLI scheme, ongoing reforms initiated for the improvement of infrastructure along with regulatory environment will also play a major role in enhancing India's competitiveness in the global market. Besides the obstacles and challenges, the government aims to achieve it's target by 2025, through various incentives especially financial incentives, infrastructure development, innovation, and various measures for providing skilled workforce, The successful implementation of Make in India initiatives will not only reduce our dependency on imports but also help India to compete in the global market and provide a hub for high-tech manufacturing sector and innovation. But the fact is that there is still a tedious path ahead and the government needs to be consistent in its efforts and try to remove the obstacles in the path of development.

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