

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

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## Abstract

Make in India is an international marketing campaigning slogan coined by the Prime Minister of India, Narendra Modi to attract businesses from around the world to invest and manufacture in India. India is one of the world's fastest growing economies, the tenth largest in the world by nominal GDP and the third largest by purchasing power parity (PPP). India needs to identify the steps being taken to give more financial powers to states, increased investment on infrastructure, emphasis on manufacturing which enables to open the door for investment. This Make in India campaign guides the foreign investors, prompt response, assistance to foreign investors and provide relevant information and proactive approach. This paper covers overview of the Make in India campaign, Supreme objectives, area covered, and its impact on Indian economy. The present study is based on secondary data. The study found that, Make in India will bring a drastic change in the fields like automobiles, aviation, biotechnology, defense, media, thermal power, oil, gas and manufacturing sectors. Thus, we can conclude that, despite the fact that "Make in India" though came at a right time, its execution remains a big challenge.

## Introduction:

Make in India is an initiative of the Government of India to encourage multinational, as well as domestic companies to manufacture their products in India. It was launched by Prime Minister Narendra Modi on 25 September 2014. India would emerge, after initiation of the program, as the top destination globally for foreign direct investment, surpassing China as well as the United States.

With this initiative, Mr. Modi is literally inviting the rich and semi-rich countries to step in India and invest their money for the future of India. It's like inviting the countries to set up their companies in India and manufactured in the territory of our country.

Many foreign companies making the investments in Make in India project thus having a great impact on the economy of India. Obviously, if the big companies will set up their branches here, it will directly affect the GDP of India.

### Logo:

The Make in India logo is derived from India's National Emblem. The wheel denotes the peaceful progress and dynamism – a sign from India's enlightened past, pointing the way to a vibrant future. The prowling lion stands for strength, courage, tenacity and wisdom – values that are every bit as Indian today as they have ever been.



### Need of the study

India too needs to develop its infrastructure in order to militate its presence in the global picture and to match the rising demands and the living standards of its citizens. The most easy and important way to keep pace with the environment for a country is to develop its manufacturing sector. When more global and local players will invest in a country, it will boost the trade and economic growth, develop its infrastructure and generate more employment opportunities for its citizens. Hence the present study is on Impact of Make in India on Indian economy.

**Objectives:**

1. To study the Make in India concept.
2. To study the Make in India campaign main focus areas.
3. To study the Impact of Make In India on India Economy.
4. To study the major challenges, opportunities of Make in India initiative.
5. To offer useful suggestions in the light of findings.

**Literature review**

**K. Kalaivani (2015) the article entitled “A Study on the Impact of Make in India on HRM Practices – An overview”.** The study helps to understand the impact of make in India on the HRM practices followed in our country. The study also covers the synergy between the HRM practices and the job opportunities. The study found that, a significant positive and meaningful relationship between HRM practices and the make in India. The study also found that, HRM practices become the means whereby designing new culture requires that HRM professionals and ahead of the cultural change curve with innovative and exciting HRM practices.

**Dr. K. V. Ramana (2015) the article entitled “Make in India Illusion or Possible Reality Project?”** The paper covers issues of the make in India, sectors covered, worldwide and positive responses and some critics. The study also covers the challenges that the project and movement will face. The study found that, this campaign attracts foreign investments and boost the manufacturing sector of India has been timed to perfection.

**S. Soundhariya (2015) the article entitled “Make in India - Scheme for transforming India”** The paper discusses about Make in India scheme, its opportunities, challenges, changes needed and some examples of different investors invested so far. The study found that, Make in India campaign surely makes India an investment destination and global hub for manufacturing and innovation.

**Abdul A., Morris R. (2011), “Ease of doing business and FDI inflow to Sub-Saharan Africa and Asian countries”** The study found that two factors, “registering property” and “trading across borders”, were found to be related to FDI over all six years of the study (2000-2005) for the combined sample. Also, several factors were found to be related to FDI received by SSA and Asian countries during various years.

**Singh S., Singh M. (2011), “Trends and prospects of FDI in India”** This study investigates the trend of FDI inflow to India, during 1970–2007 using time series data. This paper aims to study the reasons behind the fluctuations of the FDI inflow in India and to search the cause that is responsible for the fluctuations of the trends of FDI.

**Singh Y., Bhatnagar A. (2011), “FDI in India and China; A comparative analysis”** The study found that both enjoys healthy rates of economic growth but FDI inflow in china is higher than India.

**Agarwal G., Khan M. A. (2011), “Impact of FDI on GDP: A Comparative Study of China and India”**, the study found that 1% increase in FDI would result in 0.07% increase in GDP of China and 0.02% increase in GDP of India. We also found that China’s growth is more affected by FDI, than India’s growth.

**Saini A., Law S. H., Ahmad A. H. (2010), “FDI and economic growth: New evidence on the role of financial markets”**, it was proved that the positive impact of FDI on growth “kicks in” only after financial market development exceeds a threshold level. Until then, the benefit of FDI is non-existent.

**Sarkar S., Lai Y. C. (2010), “Foreign Direct Investment, Spillovers and Output Dispersion - The Case of India”**, data suggest that foreign investment affects the firms’ output positively and significantly and domestic firms are less productive in sectors with more foreign investment compared to those firms in sectors with relatively small foreign direct investment is present.

**Banga, Rashmi (2009), “Impact of Government Policies and Investment Agreements on FDI Inflows”** revealed that the impact of fiscal incentives offered, removal of restrictions and signing of bilateral and regional investment agreements with developed and developing countries on FDI inflows. Fiscal incentives do not have any significant impact on aggregate FDI, but removal of restrictions attracts aggregate FDI. However, FDI from developed and developing countries are attracted to different selective policies.

**Syed Zia A. R., (2009), “The Impact of Foreign Direct Investment on Employment Opportunities: Panel Data Analysis: Empirical Evidence from Pakistan, India and China”** It was found that there is along term relationship between FDI and employment opportunities.

#### **Research Methodology:**

**Research Type:** Descriptive Research

**Type of Data:** Secondary data gathered from Newspapers, Bulletin Boards, Research papers, Websites

**Discussion:**

**Supreme Objective of Make In India:**

The supreme objectives of Make in India are as follow:

**Manufacturing Sector**

- One online portal for the process of industrial license applications.
- Earlier, the validity of the industrial license was of two years, now it has been increased to three years.

**Infrastructure**

- Constructing industrial infrastructure and smart cities
- Intensifying skill development
- Safeguarding intellectual development

**Worthy and Superior Industrial Sectors**

- Endorsing innovation
- To accelerate investment
- 100% FDI in defense, railways, and construction

**Main Focus Area of Make in India**

The main focus of Make in India Campaign is mainly in 25 sectors. Almost every sector is capital-intensive and demands a lot of skill. So, with the more and more investment in these sectors, the main focus will be on increasing employment and the use of advanced technology. These sectors are

- Automobiles
- Food processing
- Renewable energy

- Automobile components
- IT and BPM
- Roads and highways
- Aviation
- Leather
- Space
- Biotechnology
- Media and entertainment
- Textiles and garments
- Chemicals
- Mining
- Thermal power
- Construction
- Oil and gas
- Tourism and hospitality
- Defence manufacturing
- Pharmaceuticals
- Wellness
- Electrical machinery
- Ports
- Electronic system
- Railways

### **Make in India Impact on the Economy**

Recently, the country has been hit by the recession and it is still struggling to come out of it. The citizens of India have had enough so they decided to turn the government upside down and change it altogether. With the change in the government, a drastic change in the ways in which the system works could be seen.

Today, everyone is well aware of the Make in India initiative and the motives that this initiative holds. On the other hand, the impact of this campaign is no secret, either. This is going to make India, one of the leading nations in the entire world if followed dutifully.

Make in India initiative have started showing its results, some of the responses are as under:

- In January 2015, the Spice Group said it would start a mobile phone manufacturing unit in Uttar Pradesh with an investment of ₹500 crore.
- In January 2015, HyunChil Hong, the President & CEO of Samsung South West Asia, met with Kalraj Mishra, Union Minister for Micro, Small and Medium Enterprises (MSME), to discuss a joint initiative under which 10 "MSME-Samsung Technical Schools" will established in India.
- In February, Samsung said that will manufacture the Samsung Z1 in its plant in Noida.
- In February 2015, Hitachi said it was committed to the initiative. It said that it would increase its employees in India from 10,000 to 13,000 and it would try to increase its revenues from India from ₹100 billion in 2013 to ₹210 billion. It said that an auto-component plant will be set up in Chennai in 2016.
- In February 2015, Huawei opened a new research and development (R&D) campus in Bengaluru. It had invested US\$170 million to establish the research and development center.
- In April 2015, Airbus said that it will manufacture its products in India and invest 2 Billion US dollars.
- Also in February, Marine Products Export Development Authority said that it was interested in supplying shrimp eggs to shrimp farmers in India under the initiative.
- In May, 2015 Tata JLR (Jaguar Land-Rover) announced that it will move its production of the Land Rover Defender to it's Pune facility in India in 2016.
- A latest development, FOXCONN has agreed to setup a \$5 Billion Plant in Maharashtra.
- Posco will establish a new steel plant in Maharashtra which is expected to bring an investment of around \$2 Billions

Apart from above below are some of the key reforms which government is anticipating to achieve thru make in India initiative in years to come.

- Population of 1.31 billion out of which 767 million falls in the age group of 15-64 age group, and also set to become the youngest country with average age of 29 years by 2025
- 2<sup>nd</sup> largest Internet users base with 462 million Internet users.

- India has demonstrable capability to reach near 100% literacy level by 2025
- Considerable Upward mobility among all sections, more 150 million will be added to middle class by 2025 which will create Huge consumer market base of US\$ 3.6 trillion by 2020 (BCG Report)
- 3<sup>rd</sup> largest economy in the world with size of US\$ 8.6 trillion by purchasing power parity (PPP) and is expected to rise to US\$ 20 trillion in size by 2025
  
- India has an immediate investment opportunity of \$1 trillion (Economic Times)
- 2<sup>nd</sup> largest Railway Network in the world, used by 23 million travelers every day
- 2<sup>nd</sup> largest Road Network in the world stretching 3.3 million km
- 12 major ports, 200 notified minor and intermediate ports
- Industrial Corridors and 21 new nodal Industrial Cities to be developed:
  - ✓ Delhi-Mumbai Industrial Corridor (DMIC)
  - ✓ Chennai-Bengaluru Industrial Corridor (CBIC)
  - ✓ Bengaluru-Mumbai Economic Corridor (BMEC)
  - ✓ Vizag-Chennai Industrial Corridor (VCIC)
  - ✓ Amritsar Kolkata Industrial Corridor (AKIC)
  
- 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 Setting up of New Railway Stations, Modernization of Rolling stock; High Speed Railways, Port Mine connectivity etc. have been initiated for Modernizing 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 is 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 in India's growth, providing a project outlay of US\$ 10 billion
  
- The Smart Cities Mission having a project outlay of US\$ 7.69 billion is progressing, with Special Purpose Vehicles for 19 cities already set up.



- Aviation industry with target of becoming 3<sup>rd</sup> largest by 2030 and to cater international and domestic traffic.

### **Problems faced in implementation of Make in India:**

Indian economy ranks low on the "ease of doing business index". Labour laws in the country are still not appropriate according to the Make in India campaign. This is one of the universally noted disadvantages of manufacturing and investing in India.

**1. Opportunity cost** - Is this the right time and strategy to divert our focus from Service sector to manufacturing sector? Service sector contributes roughly more than 50% of the total nominal GDP!!

**2. Pollution** - While majority of countries are taking measures to counter the pollution effect, we are going towards that problem?? If we really grew as fast as we project, in manufacturing, we sure as hell need solution for pollution even before it starts. Many cities in India are already under 'Radar' of being 10 times more polluted than what it ought to be.

3. Unlike China, our best resource is Man power, which generally favors service, we have a larger part of population which can speak good English and well around educated unlike Chinese in general.

### **Findings of the study**

- Make in India will bring a drastic change in the fields like automobiles, aviation, biotechnology, defense, media, thermal power, oil and gas and manufacturing sector.
- The job opportunities are multiples and opened the doors without any limitations.
- Through continuous foreign investments, the progress of the Indian economy can be made sustained.
- The challenges and threats for the human resource sector will be refined in the sectors of the economy.
- This initiative creates great awareness about the growing technology.

### **Suggestions**

- The extra impetus by the government on initiatives like skill development has been proposed to provide essential support to make in India to thrive.
- We should manufacture goods in such a way that they carry zero defects and goods with zero effect that they should not have a negative impact on the environment.

- Reforms like bringing more sectors under the automatic route, increasing the FDI cap and simplifying the procedural delays has to be initiated.
- India should consciously work towards attracting greater FDI into Research and Development.

### **Conclusion of Make in India**

In the end, when you talk about all the impacts that the Make in India has on the economy, the only thing that the citizens are concerned about is the country's GDP. After all, that is the only thing that defines the accurate situation of the country. The better the GDP, the more developed will be the nation.

And, in this case, the campaign of Mr. Narendra Modi is concentrating more on the manufacture, so it is natural that it will have a better impact on the GDP. Currently, the GDP is \$1.877 trillion (6%), and it is increasing at the annual rate of 5%. And, the intentions are to make India stand at the 3<sup>rd</sup> position by 2020 in terms of Gross Domestic Product.

### **Limitations of the Study:**

1. The study purely depends on published data and information. No primary data is being collected.
2. The methods used to gather secondary data is not appropriate to showcase the present scenario.

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