IMPACT OF MAKE IN INDIA ON INDIAN ECONOMY

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Abstract: The launch of ‘Make in India’ movement has a great impact on Indian Economy and growth of Indian Business sector, though the objective and strategies have different effects upon the economy and status of India in the world scenario. The paper traces the nature of Make in India movement’s effects in Indian economy. It outlines the changing context of economy and indicates the required changes in the nature of this moment.

1. Introduction

Make in India is an international marketing campaigning slogan coined by the Prime Minister Narendra Modi on 25th September 2014, to encourage the companies around the world to invest and manufacture their products in India. He has launched this ambitious campaign with an objective to turn the country into a global manufacturing hub. To achieve a manufacturing led transformation, India would need to undertake a structured and planned approach in review manufacturing, gain global competitive advantage and gain global leadership. In order to succeed in this campaign, it was important to be open to capital and expertise from all over the globe and implementation of GST will make India one market and strengthen overall programme. Doing business in India today is much more difficult than elsewhere, but the government wants to change this. Several pressing issues prompted the launch of this campaign. First and foremost is India needs to reboot its economy. After several years of gross national product growth averaging 7.7%, between 2002 and 2011, this pace slowed down to around 5% in 2013 and 2014. Secondly India needs more jobs for its young people. Recently, on an average 5 million new jobs have been created each year, but around 12 million people join the workforce each year. India’s labour force is expected to grow to 600 million by 2022. Job creation will fight poverty and help divert people from agriculture, which has a low capacity to sustain their livelihood. Thirdly, India’s economic development model has been quite peculiar, offering privileges to skilled labour often employed by foreign companies. That is why today manufacturing in China makes up 34% of gross domestic product. The Chinese have positioned themselves as the workshop of the world, accounting for 22.4% of global manufacturing while India accounts for only 2%. India’s manufacturing sector is less productive compared to its competitors and accounts for only 15% of its GDP. The government has set a target of 25% of GDP by 2022.

2. Review of Literature

Kalaivani K (2015) 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.

Ramana K.V (2015) covered 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.

Seema Sangwan (2015) focused on the changes in FDI rate after introduction of Make in India by Modi and growth due to increase in the FDI rate. The study found that, there is high correlation between industrial production and FDI inflows. The study also found that, the effect of FDI on economic development ranges from productivity increased to enable greater technology transfer.

3. Objectives

[1] To study the Make in India concept
[2] To study the Impact of Make in India on India Economy

4. Research Methodology

The study involves the data collected from the secondary sources. The secondary data has been collected from journals, Research paper, Newspapers, Literature review, Websites. An Exploratory research was chosen in order to develop a profound understanding of the research topic and obtain in depth data about the research objectives.

5. 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.

6. Pillars of Make in India

Manufacturing in India is the main vision of the government and leads to national development. The initiative is built on four pillars which are as follows:

New Processes: The government is introducing several reforms to create possibilities for getting FDI and foster business partnerships. This reform is also aligned with parameters of World Bank’s Ease of Doing Business index to improve India’s ranking on it. Make in India recognizes ease of doing business as the single most important factor to promote entrepreneurship. A number of initiatives have already been undertaken to ease business environment.

New Infrastructure:

The government intends to develop industrial corridors and build smart cities, create world class infrastructure with state of the art technology and high speed communication. Innovation and research activities are supported by a fast paced registration system and improved infrastructure for IPR registrations. Along with the development of
infrastructure, the training for the skilled workforce for the sectors is also being implemented.

**New Sectors:**

This campaign has identified 25 sectors to promote with the detailed information being shared through an interactive web portal. The government has allowed 100% FDI in Railway and removed restrictions in Construction. It has also increased the FDI to 100% in Defense and Pharmaceutical.

**New Mindset:**

This initiative intends to change by bringing a paradigm shift in the way Government interacts with various industries. It will focus on acting as a partner in the economic development of the country along with development in corporate sector.

**7. Advantages of Make in India**

The concept of Make in India is a good initiative taken by the NDA Government and it is definitely going to effect the socio-economic growth of our country, especially in providing employment opportunities and industrial growth. To accommodate the 300 million people who will join India’s workforce between 2010 and 2040, each year 10 million jobs are needed. It is expected that the manufacturing sector will create about 100 million jobs by 2022. In addition to this the other advantages of Make in India are as under.

Manufacturing sector led growth of nominal and per capita GDP. While India ranks 7th in terms of nominal GDP, it ranks a dismal 131st in terms of per capita GDP. Employment will increase manifold. This will augment the purchasing power of the common Indian, mitigate poverty and expand the consumer base for companies. Besides, it will help in reducing brain drain.

Export-oriented growth model will improve India’s Balance of Payments and help in accumulating foreign exchange reserves (which is very important given the volatility in the global economy with multiple rounds of Quantitative Easing announced by major economies).

Foreign investment will bring technical expertise and creative skills along with foreign capital. The concomitant credit rating upgrade will further woo investors.

**8. Main Focus 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, and Electronic system and Railways.

**9. Make in India Contribution on Gross Domestic Product (GDP)**

<table>
<thead>
<tr>
<th>Sectors</th>
<th>Contribution (Before Make in India)</th>
<th>Expected Contribution (After Make in India)</th>
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| International Journal of Scientific Research and Review ISSN NO: 2279-543X

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<table>
<thead>
<tr>
<th>Sectors</th>
<th>Contribution (Before Make in India)</th>
<th>Expected Contribution (After Make in India)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automobiles</td>
<td>$8 Billion</td>
<td>50 Billion</td>
</tr>
<tr>
<td>Food Processing</td>
<td>$1.43 Trillion</td>
<td>$7.21 Trillion</td>
</tr>
<tr>
<td>Renewable Energy</td>
<td>$20 Billion</td>
<td>$40 Billion</td>
</tr>
<tr>
<td>Automobile Components</td>
<td>$10.81 Billion</td>
<td>$39 Billion</td>
</tr>
<tr>
<td>IT and BPM</td>
<td>$143 Billion</td>
<td>$300 Billion</td>
</tr>
<tr>
<td>Roads and Highways</td>
<td>$14 Billion</td>
<td>$57.8 Billion</td>
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<tr>
<td>Aviation</td>
<td>$17 Billion</td>
<td>$25 Billion</td>
</tr>
<tr>
<td>Leather</td>
<td>$28 Billion</td>
<td>$76 Billion</td>
</tr>
<tr>
<td>Space</td>
<td>$47 Billion</td>
<td>$85 Billion</td>
</tr>
<tr>
<td>Biotechnology</td>
<td>$1.1 Billion</td>
<td>$7 Billion</td>
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<tr>
<td>Textiles and Garments</td>
<td>$67 Billion</td>
<td>$100 Billion</td>
</tr>
<tr>
<td>Chemicals</td>
<td>$16.8 Billion</td>
<td>$70 Billion</td>
</tr>
<tr>
<td>Mining</td>
<td>$56 Billion</td>
<td>$80 Billion</td>
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<tr>
<td>Thermal Power</td>
<td>$34 Billion</td>
<td>50 Billion</td>
</tr>
<tr>
<td>Construction</td>
<td>$78.5 Billion</td>
<td>$140 Billion</td>
</tr>
<tr>
<td>Tourism and Hospitality</td>
<td>$20.236 Billion</td>
<td>$21.071 Billion</td>
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<tr>
<td>Defense Manufacturing</td>
<td>$56 Billion</td>
<td>$100 Billion</td>
</tr>
<tr>
<td>Pharmaceuticals and Wellness</td>
<td>$500 Billion</td>
<td>$1 Trillion</td>
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<tr>
<td>Electrical Machinery</td>
<td>$54.3 Billion</td>
<td>$65 Billion</td>
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<tr>
<td>Ports</td>
<td>$68.3 Billion</td>
<td>$86 Billion</td>
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<tr>
<td>Electronic System</td>
<td>$43 Billion</td>
<td>$94.2 Billion</td>
</tr>
<tr>
<td>Railways</td>
<td>$80 Billion</td>
<td>$100 Billion</td>
</tr>
</tbody>
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10. Impact on Indian Economy

Impact of Make in India on Manufacturing Sector

The main and the prime motive of Make in India campaign is to strengthen the manufacturing sector. This campaign mainly focuses on this sector just because there is a lot of scope of growth, employment, and contribution in the economy from this sector.

The main initiative is to make India, a global manufacturing hub. The main thrust of this campaign would be on reducing waiting period of clearance for the manufacturing
projects, create requisite infrastructure, and encourage easy way for the corporate firms to do business in India.

The aim was to increase the contribution of the manufacturing sector up to 25% in the Gross Domestic Product of the country’s economy. Earlier, the contribution was limited up to 15% but the impact of Make in India has increased the contribution by 7.6% in 2015-16. In the last several years, this was the fastest change in the sector.

Make in India Impact on Construction Sector

The real estate sector of the country is the second-largest sector. The employment statistics in this sector is more than 35 million. The approximate share of this sector in the GDP was 62%-63% in 2009-10 and the government intends to increase this contribution up to 70%-75% by 2030.

According to the 2011 Census, approximately 377 Million populations is currently residing in the urban sector of the country, while the campaign aims at increasing this number up to 590 Million by 2030.

The growth of this sector was consistent and the sector grew about 30% in 2005-08. But, the global financial crisis in 2008 affected the growth rate of the construction sector very badly. If you believe the stats, then this sector alone is worth USD 78.5 Billion and the government is planning to increase the worth up to USD 140 Billion by 2017.

Impact on the Tourism & Hospitality Sector

There is no denying the fact that India is a country that is rich in heritage. People from all over the world step in India to enjoy the ancestral heritage, ancient monuments, beautiful cities, heart-warming greenery, and great hospitality that India proudly possess. India has left no stone unturned in attracting the tourists with various initiatives, like Incredible India and Athithi Devo Bhava.

This sector is the third-largest foreign exchange earner of the country. The total contribution of this sector in the GDP was 6.88% in 2012-13. And, the government wants to increase this contribution by 7.5%. Every USD 1 million investment in the sector creates 78 jobs; hence, increase in employment can be the reason of large investment. The government is also trying to increase the number of domestic tourists as well.

Make in India Impact on IT Sector

Everybody is aware of the growth that the IT sector is witnessing in the present era. If there is one sector in India that is developing at a rapid speed, then that is IT sector. With the indulgence of the youth and the foreign companies opening up their branches in India, the contribution of this sector in the Gross Domestic Product is approximately 9.3%. India proudly holds the third position in the list of startup hubs. India has encouraged 4200 start-ups in the country. And, the total revenue of this sector is USD 130 Million.

With the help of Make in India, this sector has witnessed the highest growth since last five years in 2015. The sector has registered approximately 13.5% growth. The social, mobility, analytics and cloud market (SMAC) holds 1, 50,000 employees. The government is expecting the growth of SMAC market up to USD 225 Billion by 2020.

Make in India Impact on Automobile Sector
The impact of the campaign on this sector will be in a way that it will be the 3rd largest automotive market in the world by 2026. The production of two wheelers has grown from 8.5 Million units to 15.9 Million units per year. The car market is expected to grow by 6 Million+ units annually by 2020.

The contribution of this industry in country’s GDP is approximately 45%. The employment rate of the sector is about 19 Million. India is the 7th largest producer of vehicles in the world and produces approximately 24 Million vehicles annually. 3.64 Million Vehicles of the total production are exported annually.

The government is expecting to increase the position of the sector from 7th largest to 3rd largest by 2016-17. India is currently the 2nd largest producer of the two-wheeler, largest motorcycle producer, and the 5th largest producer of the commercial vehicle of the world.

11. Conclusion

Make in India is an ambitious project, with an aim for sustainable growth of the economy. With relentless policies towards this end, it is possible to make India the powerhouse of manufacturing sector in the world. At this moment, our Prime Minister’s Make in India campaign appears to be an imaginative marketing campaign. But there is much thought and even more work that is required to convert this to reality. Make in India theme and also accept that this is an opportunity before us and we must cash it. This project will help us to stand globally with strong economy along with our Indian brand through Make in India. Creates job opportunities and looks for overall development of India. But like every coin has two sides Make in India is not in the favor of agriculture development, Indian has the capacity to push the GDP to 25% in next few years. The government of India has taken number of steps to further encourage investment and further improve business climate. “Make in India” mission is one such long term initiative which will realize the dream of transforming India into manufacturing Hub. Start-ups in the core manufacturing sectors are poised to play a crucial role in the success of Make in India.

At the end it can be concluded that the concept of Make in India will definitely going to boost up the Indian economy and will help in meeting the major challenges of poverty, unemployment, low per capita income and help in sharing the burden of government.

12. References

