

# MAKE IN INDIA-IMPACT ON INDIAN ECONOMY

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## ABSTRACT

*A major new national program designed to facilitate investment. Foster innovation, enhance skill development, Protect intellectual property. And build best-in-class manufacturing infrastructure. There's never been a better time to make in India. Make in India is an ambitious campaign launched by the Prime Minister on 25<sup>th</sup> of September in 2014 in New Delhi. The purpose of launching this campaign is to make India a destination of global manufacturing centre. In order to make this campaign a successful one, the PM of India met to the top CEOs of several Fortune companies. This plan was launched in the presence of top CEOs from India Inc, ambassadors, international industry leaders, ministers, government officials, etc. This campaign has targeted to make a call to top companies of well identified countries. Some selected domestic companies who are leading in the field of innovation and new technologies have also been invited. There is a special unit in the Commerce Ministry named "Invest India" which helps in guiding all the top foreign investors in terms of regulatory and policy issues as well as assists in obtaining the regulatory clearances.*

*The government of India is making a huge effort in order to liberalize to the investors. Various sectors enhance the country economy through optimum production. The economy proportion is filling up major portion with the Make in India. It results to increase of employment and sustainable development.*

*Key words: Economy, GDP, Employment, Investors, Development, Manufacturing.*

## INTRODUCTION:

Make in India program was launched on 25<sup>th</sup> of September in 2014 in the New Delhi, India. This campaign is to lead India towards an effective destination as well as development the Indian economy ahead. It provides a

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successful track of employment to the youths of country which will surely help in reducing the poverty percent and other social issues in India. Make in India is a call to the top investors all across the world by the Indian Prime Minister, Narendra Modi that come to India and grows your business by manufacturing products here. The PM of India said to investors that no matter in whatever country you sell your products however you should manufacture in India. Human resource of the India has enough talent, skill, discipline, and determination to get the goal.

Make in India campaign provides all the top investors a favorable opportunity to come in India and invest in businesses from electrical to electronics, from automobiles to agro value addition, from satellite to submarine etc. In New Delhi, PM made an announcement regarding make in India plan to boost economy in the presence of top business legends. In order to attract foreign capital, there has been made huge changes in the defense manufacturing and insurance sectors, however according to the analyst it needs to do in more effective manner. More employment in the country will boost the purchasing power of common man. India is a country having unique combination of demography, democracy, and demand which can benefit the investors. Because of the lack of resources and clarity on policy issues, Indian businessmen too were planning to quit India and set up their business somewhere else. If this happen, will cause more poor economy. Make in India campaign with various effective resources will draw the attention of worldwide top businessmen to invest in India for any related business. In order to avoid the compulsion of Indian businesses to another country, PM has launched this attractive plan. The dream of PM Narendra Modi is to make this country free of unemployment by bringing development and growth-oriented employment through his effective governance. Poverty in India can be reduced to a great level by solving the unemployment issue for youths which in turn may solve various social issues.

### **The logo**

The Make in India logo is adopt from India's national emblem. The wheel denotes the p 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.



This national program is designed to transform the country into a global business hub as it contains attractive proposals for top domestic and foreign companies. This campaign focuses on creating number of valuable and honored jobs as well as skill enhancement in almost 25 sectors for improving the status of youths of the country. The sectors involved are automobiles, chemicals, IT, aviation, pharmaceuticals, construction, electrical machinery, food processing, defense manufacturing, space, textiles, garments, ports, leather, media and entertainment, wellness, mining, tourism and hospitality, railways, automobile components, renewable energy, mining, bio-technology, roads and highways, electronics systems and thermal power. The successful implementation of this plan will help in the 100 smart cities project and affordable housing in India. The main objective is to ensure solid growth and valuable employment creation in the country with the help of top investors. It will benefit parties, the investors and our country. The government of India has created a dedicated help team and an online portal (makeinindia.com) for the easy and effective communication of investors. A dedicated cell is committed to answer all the queries from business entities anytime.

### **MAKE IN INDIA- MAJOR HIGHLIGHTS**

- **Invest India cell:** An investor facilitation cell set up by the government will act as the first reference point for guiding foreign investors on all aspects of regulatory and policy issues and to help them in bring regulatory clearances. The cell will also provide assistance to foreign investors from the time of their arrival in the country to the time of their departure. The information & facts that potential investors need for each sector have been compiled in brochures.
- **Dedicated portal for business queries:** A dedicated cell has been created to answer queries from business entities through a newly created web portal. The back-end support
- **Consolidated services and security clearances (faster):** Central government services are being integrated with an e-Biz single window online portal while states have been advised to introduce self-certification. The ministry of home affairs have been asked to give all security clearances to investment proposals within 3 months
- **Interactions with the users or visitors:** A pro-active approach will be deployed to track visitors for their geographical location, interest and real time user behavior. Subsequent visits will be customized for the visitor based on the information collected. Visitors registered on the website or raising queries will be followed up with relevant information and newsletter.
- **Liberal policies and laws:** A vast number of defenses items have been de-licensed and the validity of industrial license has been extended to three years.

## **MAKE IN INDIA – KEY TO REVIVAL OF ECONOMY**

Post liberalization, subsequent Indian Governments focused extensively on Services sector. IT and BPO services were key factors of economic liberalization. Service sector only generated employment for skilled workforce whereas low skilled workers were completely marginalized. Every year approx 12 million people are added to existing workforce and overwhelming majority is either unskilled or low skilled workers due to urbanization. Service sector employ only skilled workers. There was no road map in place for these low skilled workers post liberalization. Therefore over dependence on Service Sector is responsible for ill state of an Indian Economy and unemployment.

## **MAKE IN INDIA – THRUST TO INDUSTRY / MANUFACTURING SECTOR**

Make in India initiative is an honest attempt to revive the fortunes of Industry Manufacturing sector. Revival of Industry sector is key to revival of Indian economy. In short, we need to increase the contribution of Industry / Manufacturing sector in Indian GDP. It doesn't mean that Government will lose focus in Service sector. Digital India will help to maintain contribution of Service sector but manufacturing / industry sector has to grow at much faster pace to out-pace service sector. It is not an easy task. Government should target to increase contribution of Industry / manufacturing from existing 16% to 35% in next 5 years. Make in India will help to achieve this goal but it comes with its own set of challenges. Manufacturing is capital and resources intensive sector which will require conducive environment for business. Labor issues will be major hurdle which the govt is trying to handle through labor reforms. Besides this, a major push is required to upgrade infrastructure of country. Govt has also set up 10,000 Cr start up fund to encourage entrepreneurship. Basically objective is to create ecosystem of small industries in periphery of manufacturing hub similar to Maruti model. Government will provide all the approvals under Make in India initiative in a time bound manner through single online portal.

## **MAKE IN INDIA PROPORTION IN GDP**

The gross domestic product (GDP) is one of the primary indicators used to gauge the health of a country's economy. It represents the total dollar value of all goods and services produced over a specific timeperiod; you can think of it as the size of the economy. Usually, GDP is expressed as a comparison to the previous quarter or year. For example, if the year-to-year GDP is up 3%, this is thought to mean that the economy has grown by 3% over the last year. The Indian manufacturing sector is the classic example of an industry that has great potential. The objective of the scheme is to ensure the manufacturing sector which contributes around 16% of country's Gross Domestic Product is increased to 25percent in next 5 years. Make in India scheme liberalizes

unnecessary laws and regulations. Three sectors which contribute to GDP of any country are agriculture, manufacturing and services. According to the current contributions of these sectors to Indian economy manufacturing occupies 16percent which is lowest. There are lots of opportunities to be tapped as far as Indian manufacturing sector is concerned. Many business man and entrepreneurs view make in India initiative for betterment of our economy. Make in India has it hand on following sectors.

- Automobile Components
- Aviation
- Biotechnology
- Chemicals
- Construction
- Defense manufacturing
- Electrical Machinery
- Electronic systems
- Food Processing
- Information Technology and Business process management
- Leather
- Media and Entertainment
- Mining
- Oil and Gas
- Pharmaceuticals
- Ports and Shipping
- Railways
- Renewable Energy
- Roads and Highways
- Space
- Textiles and Garments
- Thermal Power
- Tourism, Hospitality and Wellness.

As one can assume economic production and growth, what GDP represents, has a large impact on nearly everyone within that economy. For example, when the economy is healthy, you will typically see low unemployment and wage increases as businesses demand labor to meet the growing economy. A significant change in GDP, whether up or down, usually has a significant effect on the stock market. It's not hard to understand why: a bad economy usually means lower profits for companies, which in turn means lower stock prices. Investors really worry about negative GDP growth, which is one of the factors economists use to determine whether an economy is in a recession.

These are all (mentioned above) sectors enhance the country economy through optimum production. The economy proportion is filling up major portion with the Make in India. It results to increase of employment and sustainable development.

## ADVANTAGES

- Employment for semi skilled workers: As more of workforce in India is semi skilled so Make in India initiative will provide large scale employment facilities to this particular segment. Make in India will provides millions of jobs.
- Small and Medium Enterprises: Any manufacturing sector needs supply of parts which is boon for SME's. Make in India will help to generate indirect employment with Small and Medium Enterprises.
- India as Consumer Market: India is one of the largest markets in world. Any company investing in India under Make in India initiative will directly get access to huge market of 140 Cr people. This advantage is not available for investment in service sector e.g. India is not a big market for IT services; it is mostly outsourced from United Kingdom.
- Foreign Direct Investment: India has major dependence on FDI to keep economy alive. As i mentioned industry / manufacturing is capital intensive industry therefore Make in India will absorb huge inflows of FDI. FDI inflow will help to survive Indian economy.
- Foreign Institutional Investments: FII plays a dominant role in the Indian markets. However, FIIs are highly volatile in nature and a sudden exodus of hot money from India can affect a positive in the bellwether indices. Make in India will give an unprecedented boost to FII flows, bringing India back to the global investment radar.

- Reduce Trade Deficit: Compared to Service sector, remaining sector has multiplier effect on Exports which will help the government to wipe off India's trade deficit. Reduction in trade deficit will have large scale positive impact on the economy of the country. It will stop devaluation of currency and increase sovereign rating which in turn will attract more FDI. FDI inflow is cyclic chain with positive effects.
- The urge to attract investors will compete substantial policies towards improving the Ease of Doing Business in India. The Government of the day will have to keep its house in order (by undertaking groundbreaking economic, political and social reforms) to market Brand India to the world at large.
- Defense sector: For the success of any initiative, it is crucial to set up an example to showcase. India is big market for defense equipments. Big manufacturing projects related to Defense will set a right tone and environment for Make in India initiative to take off.
- Power generation area: Power Grid Corp should be the biggest beneficiary of the second generation reforms in the power sector.
- Banking sector: Axis Bank, ICICI Bank, SBI, PFC and REC should be the key beneficiaries of India's big infra opportunity, given their domain expertise in Infra financing.
- Metals & Mining: Tata Steel, JSW Steel and UltraTech should be key beneficiaries of India's move to materials intensive growth.
- We have collated a list of factors which might well auger well for economy and in turn impact the markets in a positive way.
- The government will select domestic companies having leadership in innovation and new technology. The idea is to turn these into global champions and promote green and advanced manufacturing and help these companies to integrate into global value chain, ET reported
- The once booming services sector has slowed, but it is the manufacturing sector that has performed especially poorly by recording an expansion of barely 1.1 per cent growth in 2012-13, followed by a contraction of 0.7 per cent in 2013-14.



## DISADVANTAGES

- Theoretical perspective, Make in India will tend to violate the theory of comparative advantage. If it is not economically feasible to manufacture a commodity in India, it is best to import the same from a country which enjoys comparative advantage in its production. International trade, after all, is welfare augmenting.
- Make in India will lead to an unsustainable focus on export promotion measures. One such measure is artificially undervaluing the rupee. This will have devastating consequences for the import bill.
- Reiterating the point made by Dr. Raghuram Rajan, India, unlike China, does not have the time advantage as it undertakes a manufacturing spree. The essential question is - Is the world ready for a second China?
- A relative neglect of the world economic scenario may not augur well for Make in India. With the US and Japan economies yet to recover from their economic crises and with the EU floundering, one needs to be wary about the demand side of Make in India. The clairvoyance of the incumbent RBI governor to make for India should be put to good use.
- Make in India is not a slogan but a mission to be accomplished by a single-minded commitment about new processes."

## MAKE IN INDIA-MAJOR CHALLENGES:

- Restore broken trust between industry and government.
- Environmental clearance has been a contentious issue for many projects. Land acquisition for industries is a pre-requisite, thus bringing the eternal debate of development v/s displacement.
- Skilled labor force is mandatory and it requires huge monetary support. Unlike in Korea, Japan and Germany which have about 80% of its population skilled, only 12% of India's population is skilled.

## CONCLUSION

Make in India is a transform project, but it is one that India desperately needs to kickstart and sustain its growth momentum. With relentless policies towards this end, it is possible to make India the powerhouse of



manufacturing sector in the world. Let's hope that Make in India initiative will be a great success. Make in India will help the Indian economy to come out of shadow of recession through increase of GDP. Over dependence on service sector is suicidal and i hope Make in India will break this inhibition that India cannot become manufacturing power house competing with world major nations.

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