

Influence of Make in India in Indian Economy

Jayanand. V. Hatti

Assistant Professor of Economics, Government First Grade College Dharwad

Abstract

Make in India is a very important and new concept of the Government of India designed to facilitate investment, foster innovation, enhance skill development, protect intellectual property and build best in class manufacturing infrastructure in the country. The primary objective of this initiative is to attract investments from across the globe and strengthen India's manufacturing sector. It is being led by the Department of Industrial Policy and Promotion (DIPP), Ministry of Commerce and Industry, Government of India. The Make in India programme is very important for the development of India as it aims at utilizing the existing Indian talent base, creating additional employment opportunities and empowering secondary and tertiary sector. The programme also aims at improving India's rank on the Ease of Doing Business index by eliminating the unnecessary laws and regulations, making bureaucratic processes easier, making the government more transparent, responsive and accountable.

Present paper divided in to six sections. Introduction is first section, second section consists objectives of the programme, third section devotes scope of the scheme, fourth section deals with impact of the scheme on Indian Economy, fifth section reveals advantages and disadvantages of the scheme and sixth section concludes the paper.

Keywords: Indian Economic Development

INTRODUCTION

Make in India is a very important and new concept of the Government of India designed to facilitate investment, foster innovation, enhance skill development, protect intellectual property and build best in class manufacturing infrastructure in the country. The primary objective of this initiative is to attract investments from across the globe and strengthen India's manufacturing sector. It is being led by the Department of Industrial Policy and Promotion (DIPP), Ministry of Commerce and Industry, Government of India. The Make in India programme is very important for the development of India as it aims at utilizing the existing Indian talent base, creating additional employment opportunities and empowering secondary and tertiary sector. The programme also aims at improving India's rank on the Ease of Doing Business index by eliminating the unnecessary laws and regulations, making bureaucratic processes easier, making the government more transparent, responsive and accountable.

Present paper divided in to six sections. Introduction is first section, second section consists objectives of the programme, third section devotes scope of the scheme, fourth section deals with impact of the scheme on Indian Economy, fifth section reveals advantages and disadvantages of the scheme and sixth section concludes the paper.

Objectives of the programme

- 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.
- Constructing industrial infrastructure and smart cities
- Intensifying skill development
- Safeguarding intellectual development
- Endorsing innovation
- To accelerate investment

Scope of the Programme

The focus of Make in India programme is on 25 sectors. These include: automobiles, aviation, chemicals, IT & BPM, pharmaceuticals, construction, defence manufacturing, electrical machinery, food processing, textiles and garments, ports, leather, media and entertainment, wellness, mining, tourism and hospitality, railways, automobile components, renewable energy, biotechnology, space, thermal power, roads and highways and electronics systems.

It also seeks to facilitate job creation, foster innovation, enhance skill development and protect intellectual property. The logo of ‘Make in India’ – a lion made of gear wheels – itself reflects the integral role of manufacturing in government’s vision and 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 Foreign Direct Investment (FDI) and foster business partnerships. Some initiatives have already been undertaken to alleviate the business environment from outdated policies and regulations. This reform is also aligned with parameters of World Bank's 'Ease of Doing Business' index to improve India's ranking on it.

New Infrastructure: Infrastructure is integral to the growth of any industry. The government intends to develop industrial corridors and build smart cities 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 Intellectual Property Rights (IPR) registrations. Along with the development of infrastructure, the training for the skilled workforce for the sectors is also being addressed.

New Sectors: ‘Make in India’ has identified 25 sectors to promote with the detailed information being shared through an interactive web-portal.¹ The Government has allowed 100% FDI in Railway² and removed restrictions in Construction.³ It has also recently increased the cap of FDI to 100% in Defense and Pharmaceutical.⁴

New Mindset: Government in India has always been seen as a regulator and not a facilitator. This initiative intends to change this 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 alongside the corporate sector.

The main focus of **Make in India Campaign** is mainly on **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 Systems	Railways	

Table: 1 Contribution of Make in India on Gross Domestic Product

Sectors	Contribution (Before Make in India)	Expected Contribution (After Make in India)
Automobiles	\$8 Billion	50 Billion
Food Processing	\$1.43 Trillion	\$7.21 Trillion
Renewable Energy	\$20 Billion	\$40 Billion
Automobile Components	\$10.81 Billion	\$39 Billion
IT and BPM	\$143 Billion	\$300 Billion
Roads and Highways	\$14 Billion	\$57.8 Billion
Aviation	\$17 Billion	\$25 Billion
Leather	\$28 Billion	\$76 Billion
Space	\$47 Billion	\$85 Billion
Biotechnology	\$1.1 Billion	\$7 Billion

Impact of Make in India on Indian Economy

In the past, countries have grown from being agrarian major economies to industrial economies to service based economies. India has largely been exception to this rule and skipped industrial revolution to a great extent. No doubt this service focus has given employment to millions of people but it has done little to reduce the disparity between rich and poor. Take any example, US, UK or China; it was industrial revolution that had set the base for All Inclusive growth for those countries.

In case of China before the start of “Made in China”, about 50% of its work force was involved into agriculture. Farming was labor intensive and less productive when compared on its contribution to GDP per countrymen involved.

Make no mistake, Agricultural independence is critical for any country and we do not mean to undermine farming’s importance in any manner; however West has proved that farming can be done much more productively and that was what China shifted to when its farm-labor moved to being industrial labor, lineman, supervisor etc. in the want of higher income. All this was made possible by few determined companies and willing government who were aligned to convert China into a industrial major. Fast forward, 25 years, China is the second biggest economy of the world ahead of UK, Japan,

Germany, France, Canada and Australia. At present India, with its more than 45% workforce in farming, stands a similar chance to embark upon a growth path that will shape the future of its billion people in the decades to come.

ADVANTAGES OF MAKE IN INDIA

Increase Job Opportunity

One of the main purposes of make in India crusade, is to provide job opportunities for as many citizens of India as possible. It has targeted the young generation of the country as its prime beneficiary. The investments in the targeted sectors, i.e. telecommunications, pharmaceuticals, tourism etc. will encourage the young entrepreneurs to come forth with their innovative ideas without worrying about the source of speculation.

Expand GDP

Due to the manufacturing of products in India, economic growth is inevitable, which will not only boost the trade sector but also will increase the GDP of Indian economy as with the setting up of new factories and various investments being speculated in the Indian commercial sectors the flow of income will be humongous. 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.

Fortify the Rupee

The emergence of the manufacturing industries would automatically convert India into a hub for the fabrication 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 domination of the American dollar.

Increase in Brand Value

Most of the urban population prefers international brands rather than putting their faith in Indian retailers. As a result, the small manufacturing companies suffer extreme loss in the market. Due to the make in India campaign, such small manufacturers will be provided with a real shot at business. With, companies investing in such small time retailers from all around the world, the brand value of Indian merchandise will increase dramatically.

Up-gradation of Technology

India being an underdeveloped country obviously lack various latest mechanization, which, is a big hurdle in the path to development of the nation. Hence, with myriad of countries coming forth by the make In India crusade, India will be given with 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 and erudite labor.

Ease of Business

India is a nation which ranked 130th on the ease of doing business scale. But with the open invitation given to the entire world to manufacture their products in India, the various restrictions opposed over the

entrepreneurs will be lifted and aspiring businessmen from all over the globe could invest in India with no stress at all.

Availability of Young Minds

Most of the young generation of India plans to move out of the country in the hope of a better future. Due to the lack of young labor, India has always been deprived of innovative and new ideas. With the make in India campaign, the young population would not only be provided with employment but also their young and fresh minds would take the industrial sector to new heights.

Development of Rural Areas

It is a well-known fact, that a factory set up not only improves a particular area, but also provides for the locals with employment, thus the quality of life of people would automatically enhance. Amenities like schools, hospitals and other public conveniences will be developed for the betterment of the public.

Flow of Capital

Since the beginning of capitalization, the Indian currency is being spent on the foreign countries. With the introduction of make in India, the capital will not only remain in India, but also the foreign currency will be provided to the nation as well. In a nutshell, India will not spend on foreign countries, but the foreign countries will spend on India in the form of investments and wages.

DISADVANTAGES OF MAKE IN INDIA

Ignore of Agriculture

The most negative impact of the make in India campaign will be on the agriculture sector of India. It is a well-known fact that Indian Territory has 61% cultivable land. With the introduction of industrial sectors, the agriculture in India will be neglected somewhat.

Reduction of Natural Resources

Since Make in India is primarily based on manufacturing industries, it demands the set-up of various factories. Usually such projects consume the natural resources such as water, land etc. on a large scale. With the rapid devouring of such precious resources, India might be left with zero opportunity to replenish them, threatening the survival of such a large population in the near future.

Defeat for Small Entrepreneurs

The make in India campaign, welcomes foreign countries to manufacture in India with open arms, this automatically eases up the various restrictions over trade with foreign countries, inviting attention of the international commercial companies. However, these companies will not only seduce the Indian population but also would dominate the small local entrepreneurs and force them out of business.

Disturbance of Land

As stated above, India is very rich in the agriculture sector. About 60% of the Indian soil is arable. With the emphasis being given to the make in India campaign, thousands of companies would come forth to set up their factories on the land which could be used for cultivation. Eventually this set up of manufacturing factories would lead to the permanent disruption of the agrarian land in the near future.

Industrialized Based Economy

Indian economy is one of the largest economies in the world. It constitutes of three sectors i.e. agriculture, industry and services. Now the Indian economy majors up from the service sector which contributed up to 57% of the GDP. But with the introduction of the make in India campaign the economy is likely to rely completely on the manufacturing and exporting while the import industry will remain static. This eventually will be a huge loss for the other economic sectors and would automatically reduce the advancement of make in India.

Concentration in International Brands

As stated earlier, the brand value of Indian merchandise will definitely increase. But the Indian upper class, which can actually afford such merchandise, is addicted with foreign label. This will eventually become a big hurdle for the local entrepreneurs as a great level of promotion is required to build the confidence of people in the local brands.

Pollution

One of the biggest problems which is prevailing in India is pollution. According to statistics, India has a pollution index of 76.50. With the make in India movement, this pollution level is likely to arise in a couple of years. Eventually, making the condition in India worse. Hence, Make in India might be economically but it will have an inverse effect ecologically.

Conclusion

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 3rd position by 2020 in terms of Gross Domestic Product.

References:

1. Makeinindia.ComPlanningCommissionHinduBusinesslineTheTimesofIndiaLivemintBloombergMckinseyTh Diplomat Economist Patanomics.
2. Ministry of Finance, Government of India.
3. Website of the central government related to Make in India.