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Challenges and Triumphs: Assessing Make in India's Impact on Manufacturing

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Abstract: Traditionally India is known for its agrarian economy and is witnessing a prominent shift in its economic landscape. While agriculture remains vital, the country's economic backbone now predominantly rests on the tertiary sector, overshadowing the performance of the secondary (industrial) sector. Hence, the 'Make in India' program was introduced by the government of India. This program aims to renew the life of the manufacturing sector by promoting greater productivity, creating employment opportunities, and fascinating more Foreign Direct Investment.

Identifying the need for a holistic approach to make 'Make in India' a success, the Government introduced a heap of complementary schemes. These initiatives, including Skill India Mission, Start-up India, Digital India, Smart Cities, Atal Mission for Rejuvenation and Urban Transformation, International Solar Alliance, Sagarmala, and Accelerating Growth of New India’s Innovation, collectively aim to fortify and elevate the manufacturing sector's performance.

The 'Make in India' program is beached in four fundamental pillars that serve as cornerstones for entrepreneurial growth, not only within manufacturing but also across other sectors of the economy. This paper endeavours to assess the program's objectives and accomplishments after seven years of implementation, offering insights into its successes and the key challenges it faces. By doing so, it seeks to shed light on the transformation and impact this initiative has had on India's economic landscape.

Keywords: Make in India, Manufacturing Sector, Gross Value Added, Gross Domestic Product, Employment.

Introduction:

Since becoming Prime Minister of India in May 2014, Narendra Damodardas Modi has introduced numerous government programs and schemes to address India's many challenges. Make in India stands out as a notable initiative and was officially launched on September 25, 2014. It primarily aims at boosting and revitalizing India's manufacturing sector. Indian manufacturers and multinational corporations are both invited to set up manufacturing operations in India as part of the Make in India program. This initiative champions an unwavering commitment to producing top-tier, environmentally responsible products based on the ZED principle. It serves consumers' interests and the needs of society through a mutually beneficial relationship. Increasing the growth in the manufacturing sector to 12-14% per annum is the main target of the scheme over the medium term and to increase the contribution of the manufacturing sector to 25% of the Gross Domestic Product. To create 100 million additional jobs by

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2022 in the manufacturing sector and to increase domestic value addition and technological depth in the manufacturing sector. The policy approach was to create a conducive environment for investments, develop modern and efficient infrastructure, and open up a new sector for foreign capital, including twenty-five economic sectors ranging from automobile to information technology.

Make in India has set forth several ambitious targets to steer its objectives:

Fostering Manufacturing Growth: A primary aim is to catalyze growth within the manufacturing sector, striving for an annual growth rate of 12-14% over the medium term. Such growth is pivotal for expanding the industrial base and fostering economic prosperity.

Enhancing GDP Contribution: The program aspires to elevate the manufacturing sector's contribution to India's Gross Domestic Product (GDP) to 25%. A robust manufacturing sector holds the potential to propel economic development and amplify employment opportunities.

Job Creation: A pivotal facet of the initiative is the creation of jobs. It seeks to generate an additional 100 million jobs in the manufacturing sector by 2022, addressing India's demographic challenges and advancing inclusive growth.

Boosting Domestic Value Addition and Technological Advancements: Make in India underscores the significance of increasing domestic value addition and fostering technological depth within the manufacturing sector. This emphasis aims to enhance the competitiveness of Indian industries and stimulate innovation.

The policy approach underlying Make in India encompasses several vital elements such as

Enabling Investment Climate: The program endeavours to establish a conducive business environment to attract investments. This involves simplifying regulations, reducing bureaucratic complexities, and offering incentives to businesses.

Infrastructure Development: The development of modern and efficient infrastructure is indispensable for the success of any manufacturing initiative. Make in India significantly emphasizes constructing infrastructure that supports industrial growth.

Foreign Capital Attraction: To facilitate economic expansion and job creation, the program actively encourages foreign direct investment (FDI) by opening new sectors of the economy. This encompasses twenty-five sectors, ranging from the automobile industry to information technology, rendering India an appealing destination for foreign investments.

Objectives:

- to assess the manufacturing sector growth in India
- to investigate the extent to which the manufacturing sector contributes to India's GDP.
- to estimate the workforce size within the manufacturing sector.

Research Methodology:

The study is mainly based on secondary data and the data have been collected from various sources like government annual reports, websites, web magazines, journals, and research articles. The percentage annual growth rate has been applied to analyze the growth rate of the manufacturing sector and its contribution to the Gross Domestic Product in India. The first phase of this paper deals with the growth rate of the manufacturing sector. The second phase discusses the contribution of manufacturing to GDP in India and the third phase emphasizes the number of employment opportunities in the sector. Which exemplified the achievement and discussed the challenges of each target.

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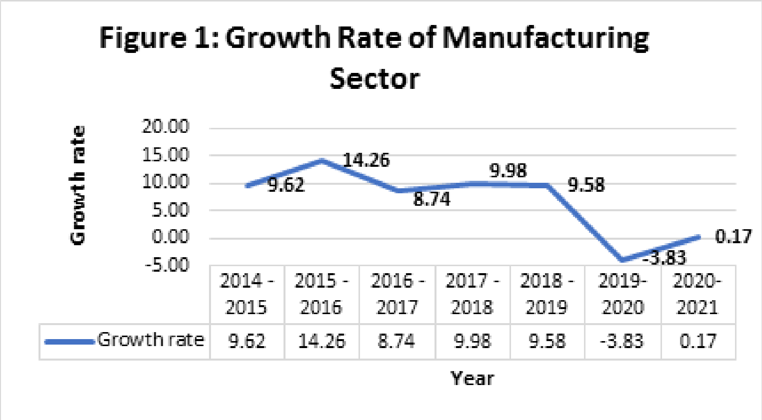
Analysis and Results:

Growth of the Manufacturing Sector in India:

Manufacturing production measures the output of businesses operating in the manufacturing sector. The manufacturing sector could be an engine for economic growth and employment.



Source: Data collected from Annual Survey of Industry

Figure 1 indicates the growth rate of the manufacturing sector in India after the 'Make in India' initiative. To identify the growth rate the gross value added at the basic price of the manufacturing sector was considered. The growth rate has come down from 9.62 percent in 2014-15 to 0.17 percent in 2020-21 and there was a negative growth rate of -3.83 percent in 2019-2020. Overall, there were fluctuations in the growth rate. Several conditions help explain why Indian manufacturers tend to create limited value. Some have to do with the costs of infrastructure and key inputs. Poor logistics causes delays and raises inventory costs; high prices for power and credit inflate operating expenses. In the first wave of the pandemic, during lockdown, there were certain restrictions imposed on the movement of goods and people. The manufacturing industry was affected in several ways. The supply chain of the manufacturing sector was disturbed and all the activities became stand-still. The impact of a pandemic on this sector was severe which led to low-scale operations, fewer job opportunities, less marketing, and a negative volume of production and adversely affected the turnover and revenue.

Manufacturing Sector in GDP

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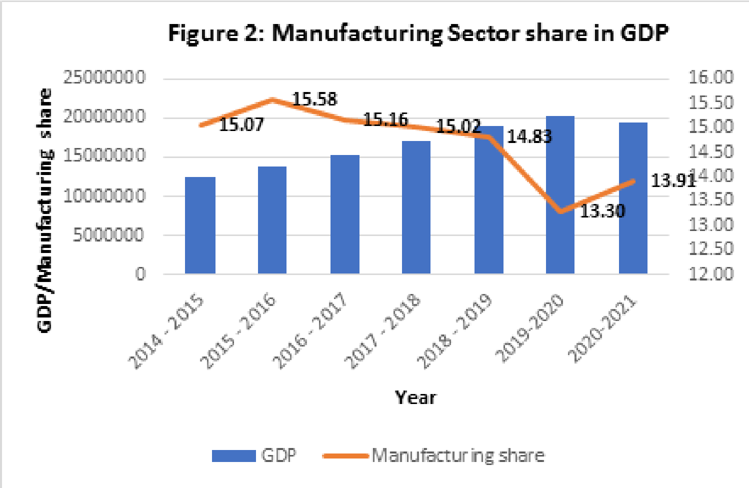
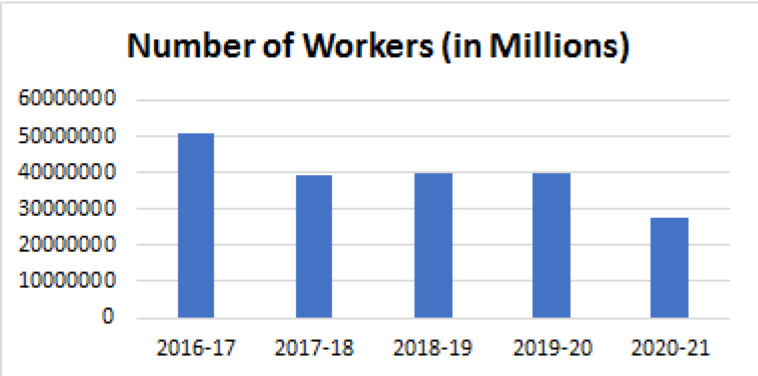


Source: Data collected from RBI Bulletin

Figure 2 indicates the manufacturing sector's share of gross domestic product which has a slight fluctuation from 15.07 percent in 2014-15 to 15.02 percent in 2017-2018 and then it starts diminishes from 2018-19 onwards. In 2020-2021 the share to GDP was 14 percent, the sector does not seem representative of its potential which should have been 25 percent. This shows that the contribution of this sector has been shrinking in the economy despite the government's Make-in-India drive. The manufacturing sector's share of GDP increased from 5.07 percent in 2014-15 to 15.58 percent in 2015-16. Introduction of demonetization (2016) and GST (2017) The contribution of this sector to the GDP growth rate has started to decline sharply in consecutive years. Because of the complex tax structure, inadequate infrastructure, and bureaucracy diminishing its capability to perform well on a global scale immerses the manufacturing sector in India. Recently pandemic-induced lockdown stunned the economic activity in almost all sectors of India, especially in the manufacturing sector.

Employment Opportunities



Source: Data collected from Annual Survey of Industries

Figure 3 Shows the number of employments in the manufacturing sector accounts for almost 17 percent of the country's GDP, but employment in the sector has fallen from 5.1 crore in 2016-17 to 2.73 crore in 2020-21 down by 46 percent. "This indicates the severity of the employment crisis in India predating the pandemic," the bulletin states. In 2017, a joint report by the Indian Institute of Management, Ahmedabad, and job search company Monster India, found that manufacturing jobs in sectors such as automobiles, pharmaceuticals, chemicals, metals, cement, rubber, and electrical machinery are among the lowest-paid

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jobs in India. when India's economic growth was robust, and increasingly sought jobs in the growing manufacturing sector, now find themselves trapped in a labour market where wages are low and jobs are hard to find. The reason behind stagnating wages in the organised manufacturing sector is the increase in the number and proportion of contract workers, who are displacing permanent and directly employed workers at large firms (Kaphoor). The downturn in economic activity and the overall slowdown in production caused employment loss. These supply impacts were further compounded due to the demand-side facing issues such as reduced disposable income, savings, increased uncertainties, and the economy struggling to create sufficient jobs in the organised sector.

Findings:

Due to the poor implementation of the Goods & Services Tax (GST) and demonetization, the country's Gross Domestic Product has fallen terribly. Initially, it took lots of time for the people to understand the system properly and that affected the country's economic activity severely.

The Gross Domestic Product (GDP) of the country has significantly decreased. Two reasons for this are mentioned: poor implementation of the Goods & Services Tax (GST) and the process of demonetization.

GST is a tax reform that aims to simplify the taxation system by replacing various indirect taxes with a single tax. Poor implementation suggests that the government faced challenges in introducing and managing this tax system, which negatively impacted the economy.

Demonetization refers to the government's decision to invalidate certain currency notes to combat black money and corruption. The sentence suggests that the way this was executed also had negative consequences.

The sentence further notes that it took a long time for people to understand these changes, and this lack of understanding had a severe impact on economic activity.

The unemployment rate has increased tremendously during the pandemic. This extremely highlights the extent of the increase and suggests that many people lost their jobs during COVID-19.

To increase growth in the manufacturing sector to 12-14% per annum is beyond the capacity of the industrial sector." This is too ambitious or challenging for the industrial sector to accomplish and it implies that the industrial sector may lack the resources or conditions necessary to support such high growth.

This initiative created has so many schemes in it and all of them were not addressed properly by the Government.

This initiative fails to attract more domestic investments. A government policy or program, has not been successful in encouraging domestic investments. It implies that the initiative did not create the desired conditions or incentives for businesses to invest within the country.

This sector needs to be sustained. Hence, proper infrastructure facilities, a safe environment, and positive sectoral interlinkages are to be maintained which enhance the growth of a nation now and forever. The importance of sustaining a specific sector is highlighted and it emphasizes the need for maintaining proper infrastructure, ensuring a safe environment, and fostering positive connections between different sectors to support the growth of the nation, both in the short term and the long term.

Each of these sentences conveys different ideas and opinions related to economic and policy matters, offering insights into various challenges and issues.

Achievements:

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Ease of Doing Business Ranking

- India's significant climb in the Ease of Doing Business ranking from 100th place in 2017 to 63rd place underscores the country's ongoing efforts to improve its business environment.
- Achieving a higher ranking indicates that India has made substantial progress in areas like reducing bureaucratic hurdles, enhancing infrastructure, and streamlining regulations, all of which are crucial for attracting investments and fostering economic growth.
- A higher ranking can boost investor confidence, leading to increased foreign direct investment (FDI) and domestic entrepreneurship, ultimately contributing to job creation and economic development.

Savings from Domestic Mobile Handset Manufacturing

- The savings of Rs. 3 lakh crore from domestic mobile handset manufacturing highlight the economic benefits of the "Make in India" initiative.
- Domestic manufacturing not only saves money by reducing the need for importing fully assembled mobile devices but also stimulates the growth of a domestic electronics manufacturing ecosystem.
- The creation of jobs in this sector, as mentioned, is significant for employment opportunities and the development of a skilled workforce.

Benefits of Goods and Service Tax (GST)

- The introduction of GST has transformed India's indirect tax system by replacing a complex network of state and central taxes with a unified tax structure.
- The simplification of tax procedures, the removal of tax cascading, and the ease of compliance have made it easier for manufacturers to calculate and pay taxes. This efficiency has contributed to reducing the overall cost of production.
- Lower production costs can lead to increased competitiveness, both domestically and internationally, benefiting both manufacturers and consumers. Additionally, GST has enhanced tax transparency and reduced tax evasion.

Support for Rotavirus Vaccine and Biotech Industry

- The government's support for biotech incubators and parks demonstrates its commitment to fostering innovation in the biotechnology sector.
- By providing resources and infrastructure for research and development, India can harness its scientific and technological potential, leading to breakthroughs in healthcare, pharmaceuticals, and biotechnology.
- The development of essential vaccines, like Rotavac, not only addresses critical health concerns but also positions India as a leader in biotech innovation on the global stage.

Growth of IT and Manufacturing Sector and Attraction for Foreign Investors

- The growth of the IT and manufacturing sectors in India reflects the country's capacity to offer skilled talent and cost-effective solutions to global businesses.
- The "Make in India" campaign's success in attracting foreign investors is a testament to India's increasingly business-friendly environment, improved infrastructure, and efforts to cut red tape.

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- Foreign investments have a multiplier effect, bringing in capital, creating jobs, and encouraging knowledge transfer, ultimately bolstering India's economic competitiveness.

Zero Defect Zero Effect Strategy

- The "zero defect zero effect" strategy is not only about product quality but also environmental sustainability.
- Companies adopting this strategy focus on producing high-quality goods with no defects while minimizing their environmental impact. This aligns with global environmental goals and consumer preferences for eco-friendly products.
- By adhering to these principles, companies not only meet regulatory requirements but also appeal to environmentally conscious consumers, potentially gaining a competitive edge in the market. Additionally, it contributes to responsible resource use and environmental conservation.

Challenges:

The impact of the Make in India scheme on the manufacturing sector will disturb the growth of the agricultural sector and natural resources seriously

- The Make in India campaign, initiated by the Indian government, aims to promote manufacturing in India and make it a global manufacturing hub. While this scheme primarily focuses on boosting manufacturing, it does not necessarily have to negatively impact agriculture or natural resources.
- The success of the manufacturing sector can lead to job creation and increased economic activity, which might indirectly benefit the agricultural sector.
- However, potential environmental concerns, such as increased industrialization affecting natural resources, should be addressed through proper regulations and sustainable practices.

The Foreign Direct Investment leads to an adverse effect on the domestic market

- Foreign Direct Investment (FDI) can have both positive and negative effects on the domestic market, depending on how it is managed and regulated.
- FDI can bring in capital, technology, and expertise, which can stimulate economic growth and create job opportunities.
- Concerns arise when FDI leads to unfair competition or the domination of international players, potentially harming domestic businesses. Proper regulations and safeguards are essential to protect domestic industries.

Due to the arrival of international players in India, domestic producers will not be able to withstand the market

- The entry of international players can increase competition, which can be both positive and negative.
- It can encourage domestic producers to improve their quality and efficiency to remain competitive.
- However, if international players have significant advantages, it might be challenging for smaller domestic producers to compete. This highlights the importance of a level playing field and supportive policies for domestic industries.

This program has a lack of implementation that needs to be addressed

- Effective implementation of government schemes is crucial for its success.

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- If there are issues with the implementation of the Make in India program, such as bureaucratic hurdles or lack of infrastructure support, these should indeed be addressed to ensure the program's effectiveness.

Conclusion:

Immediately after the introduction of the Make in India Initiative, there was a growth in the Gross Value Added, its contribution to Gross Domestic Product and employment. Certain economic constraints like lack of infrastructure facilities and shortage of power supply created cost disadvantages in the tiny, small, and medium scale industry which also affected the international market. The demonetization and introduction of Goods and Service Tax affected the manufacturing sector a lot. There is a need for strong commitment from the government as well as the industry sector to enter the next orbit of high growth and employment generation 'Smart manufacturing,' a combination of the Internet of things and artificial intelligence is expected to see growth in the coming decade. The various schemes introduced by the government of India under the Make in India program need to be implemented properly so that the skills, innovation, and productivity of the industrial labourers can be improved, this will increase the country's Gross Domestic Product, Foreign Direct Investment, and Foreign Portfolio Investment. Due to the pandemic, the world economy has stumbled in the last two years. So, this sector will revive with a gentle push from the government in the forthcoming years.

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