

## MAKE IN INDIA – A RAY OF HOPE FOR INDIAN ECONOMY

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### Abstract

MAKE IN INDIA slogan coined by the Honourable Prime Minister Narendra Modi on Sept. 25, 2014. This programme designed to facilitate investment, foster innovation, protect intellectual property and build best – in –class manufacturing infrastructure. Make in India mission is one such long term initiative which will help to realize the dream of transforming India into a manufacturing hub. The objective of the mega programme is to ensure that manufacturing sector which contributes 15 percent of the country's GDP is increased to 25 percent in next few years .This programme will ultimately generate more employment opportunities for the poor and give greater purchasing power, effective governance. This paper discusses the contribution of manufacturing sector to India's GDP, Balance of payments, Role of Agriculture, Education, Role of Govt. strengths of make in India programme and weaknesses/drawbacks of this programme and measures to improve the Make in India programme.

**Key words:** Make in India, manufacturing, GDP, Government, private sector, Agriculture, R&D, Innovation,

### INTRODUCTION

The 25<sup>th</sup> day of Sept. 2014 has witnessed a hope of transformation of Indian manufacturing sector by launching of “ MAKE IN INDIA” programme by honourable P M of India Mr. Narendra Modi. MAKE IN INDIA –an official invitation to the industrialists, manufacturers, Businessmen, entrepreneurs of India as well as of the world to manufacture or make products or services in India. Since industrial revolution, no country has become a major economy without becoming an industrial power<sup>1</sup>. The growth of any economy lies at the crux of industrial development, Govt. of India, has initiated “MAKE IN INDIA”, a lion step <sup>2</sup> towards revitalizing of manufacturing sector. The main objective of make in India is to improve the present state of manufacturing sector which contributes around 15 percent of the country's GDP, is increased to 25 percent in next few years. Domestic manufacturing is the base for sustainable economic growth. It is better to improve the conditions for domestic manufacturing rather than going for international business, because domestic production will balance the exports & imports of the country which forms the criteria of Balance of payments (BOP), which in turn is a universal indication of growth of any nation's economy. Govt. need to take steps to manufacture the products which are currently imported ,in order to improve the purchasing power of the buyers, to provide employment to the people, and to improve the standard of living. With Make in India, it is expected that domestic companies will be encouraged to produce more and even the FDI'S are fully attracted.

### OBJECTIVES OF THE STUDY

1. To study the significance of Make in India programme.
2. To analyse the role of manufacturing sector, agriculture, education and government in Make in India.
3. To examine the strengths of Make in India programme.
4. To identify the drawbacks of Make in India programme.
5. To give the measures to overcome the barriers to make in India programme.

### SIGNIFICANCE OF THE STUDY

Programme like Make in India can the turn the face of Indian economy. It generated a sort of excitement in the Indian manufacturing sector. Even the private giant entrepreneurs viewed it as an audacious step by the Govt. of India.

PM Narendra modi asked the State Govt.'s to build required infrastructure for improving domestic industries and for attracting better FDI's. This campaign would ensure better relations between center and states .Make in India aimed to improve the ease of doing business and to make Indian companies shine as MNC's. The thrust of the initiative is to increase the contribution of manufacturing sector to GDP to 25 percent in next few years.

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<sup>1</sup> Lee kuan yew, delivering the Jawaharlal memorial lecture in New Delhi, 2005

<sup>2</sup> www. Make in india.com

Utilization of 65 percent young population who are below the age of 35 is deemed to make the programme possible and successful. Encouraging FDI's in key sectors and in turn to generate employment to the poor and young youth is one of the key reasons of the programme. This initiative will foster research and innovation by the domestic industries which can help to have products which are now imported and can improve exports as well. This will improve the standards of living of the people by availing quality products at reasonable costs by the local manufacturing industries.

**RESEARCH METHODOLOGY**

The study relies on the secondary data published by institutes and organizations such as IIM Calcutta report, BCG report, and ASSOCHAM, YES Bank report. Data are also drawn from economic survey of government of India, Reserve Bank of India Bulletins, World Bank, Ministry of Statistics and IMF etc.

**REVIEW OF LITERATURE**

Make in India initiative has raised many issues for discussion by the intellectuals, academicians and entrepreneurs. Researching literature, a variety of opinions, statements and advices has been found. Reviews of these studies provide the direction to the present study.

**Economic knowledge banking yes bank & ASSOCHAM(2015)** studied various variables which are the strengths and limitations for a programme like Make in India .The study assessed the India's structural strengths like cheap abundant labour ,adequate availability of raw material inputs, rising incomes with rising exports etc...which boost up the manufacturing sector and also identified the key challenges like ease of doing business, infrastructural bottlenecks, low spending on R&D ,unskilled labour which has been hurdles for manufacturing sector. The study suggested the adaptation of new and improved technology and opined for the innovations as a instrument to improve exports.

**Economic survey 2014-15** made a comparative study of registered manufacturing and selected service sectors. It tried to offer an alternative way of thinking about the sectors. This study compared mostly skill intensive & unskilled intensive sectors. This survey revealed the education pattern, govt. expenditure on education and private education/schools in rural areas. It suggested that a greater focus on education can develop the skill of the labour and can concentrate to better the standards of the manufacturing sector as well as the labour force. It concluded, saying Make in India can be successful if P.M's other goal of skilling India will be given attention.

**MAKE IN INDIA – A Boost to manufacturing sector - is a article by Sandip Das** coined make in India as a mega event to ensure the increase in contribution of manufacturing sector to GDP to 25 percent in next few years. The study emphasized on cutting down on procedural delays in setting up of industries and advised to improve the ease of doing business. The study suggested protecting and utilizing the demographic dividend by means of skill development and by creating a better system of education. The study concluded with a thought of better investment on research and innovation for all sectors can develop India and Indian economy.

**CONTRIBUTION OF MANUFACTURING SECTOR TO INDIA'S GDP (%)**

The performance of India's manufacturing sector has been poor for a very long time. Indian manufacturing sector currently contributes close to 15 percent of GDP, whereas service sector contributes almost 60 percent to GDP.

**Table 1: Contribution of different sectors to GDP**

<b>Contribution to GDP (%)</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>
<b>Agriculture, forestry &amp; fishing</b>	15.77%	14.64%	14.59%	14.37%	13.95%	13.94%
<b>INDUSTRY</b>						
<b>Mining &amp; quarrying</b>	2.63%	2.3%	2.25%	2.11%	1.98%	1.86%
<b>Manufacturing</b>	<b>15.78%</b>	<b>16.17%</b>	<b>16.17%</b>	<b>16.28%</b>	<b>15.76%</b>	<b>14.94%</b>
<b>Electricity, gas &amp; water supply</b>	2.0%	1.95%	1.89%	1.92%	1.88%	1.9%
<b>Constructions</b>	7.99%	7.85%	7.62%	7.91%	7.66%	7.43%
<b>Services</b>	56.11%	57.09%	57.48%	57.42%	58.79%	59.93%

**Source: Ministry of statistics & programme implementation**

Table 1 shows the contribution of different sectors to GDP from 2008-09 to 2014. The contribution of agriculture sector to GDP has decreased from 15.77 percent in 2008-09 to 13.94 percent in 2013-14 where as service sector has its own mark in the contribution to GDP i.e., 60 percent. And the manufacturing sector gave an unchanged contribution to GDP i.e., 15 percent since 2008-09 to 2013-14. This statistics urges India and its govt. to focus on manufacturing sector, to improve the share of manufacturing GDP.

**Table 2: A Review of India’s performance in Global Manufacturing GDP over last 20 years**

Nation / year	Share of global GDP (%)			Share of global manufacturing GDP(%)			Share of global merchandise export (%)		
	1993	2009	2013	1993	2009	2013	1993	2009	2013
India	1.2	2.2	2.5	0.9	2.2	2.0	0.5	1.3	1.7
United states	26.5	25.5	24.9	24.4	19.2	17.8	12.5	8.6	8.6
Germany, UK, France, Italy	21.6	8.5	8.2	24.1	17.9	14.9	27.6	21.0	17.8
China	2.3	6.8	8.5	3.1	17.3	24.1	2.4	9.7	11.5
Japan	12.2	8.5	8.2	20.2	9.6	7.3	9.5	4.7	4.5

**Source: World Bank, Note: Based on values in current USD**

**ROLE OF MANUFACTURING SECTOR**

Table 2 summarizes the share of global GDP, global manufacturing GDP and global merchandise export of different countries from 1993- 2013. India’s share of manufacturing has grown from 0.9 to 2.0 percent ,while India’s GDP share has grown from 1.2 to 2.5 percent in 1993-2013. Even though the share of Global GDP and share of Global manufacturing has increased but contribution of manufacturing sector to India’s GDP remained unchanged, accounting for 15 percent of GDP since 1993 to 2013. Mean while, the Rapidly developing economies (RDE’S) have a constant growth, particularly countries like china has a share of 8.5 percent in Global GDP where as Japan 8.2 percent .And even the share of Global manufacturing of china has increased from 3.1 percent to 24.1 percent in 2013 and Japan has decreased to 7.3 percent. India’s share of global merchandise export also increased from 0.5 in 1993 to 1.7 percent in 2013. To improve the performance of the sector Govt. has set up a NMP(National manufacturing policy) to set out plans for the sector to reach 25 percent GDP and to create 100million additional jobs by 2022.

**ROLE OF AGRICULTURE**

India is an agrarian economy providing livelihood to 50 percent of workforce in agricultural sector. Agriculture’s contribution to GDP has fallen from 42 percent in 1960’s to 18 percent in today (2015). Land in India is mostly used for agricultural purpose, but fewer yields per hectare is the reason for the poor performance of the sector.<sup>3</sup> Poor R&D in this sector is also one of the limitations hindering the agriculturists from development. In agricultural sector the share of employees with at least primary education is only 0.445 in 2004-05 where as the share of employees with at least secondary education is only 0.139 in 2004-05.<sup>4</sup>

**ROLE OF EDUCATION/SCHOOLING**

India is the second highest populous country in the world. The largest strength of the nation is the available human capital with 65 percent of young population and with a growing working – age population. Even though India has the 3<sup>rd</sup> largest higher education system in the world and the 3<sup>rd</sup> largest scientific and technical manpower<sup>5</sup> but still India has the largest illiteracy rate 33 percent in the world. <sup>6</sup>Mostly skill crisis exists in India due vocational training taken up by many young literates for employment than preferring to go to academic study. Distance learning is also giving qualification certificate than proper skill and knowledge because of lack of supervision, no proper accreditation by institutes, isolation and self study. Dropouts at school level are many due to poverty. Programmes like “sarvashiksha abhiyaan” “mid day meals” are some of the innovative steps by the govt. in encouraging admissions into schools especially at the rural levels.

<sup>3</sup> Report-Future of India-The winning leap

<sup>4</sup> Amirapu and Subarmanian(2015)

<sup>5</sup> Economic knowledge banking , Yes Bank, ASSOCHAM

<sup>6</sup> Report-Future of India-The winning leap

**Table 3: FOREIGN TRADE & BALANCE OF PAYMENTS (US \$ million)**

Item	2009-10	2010-11	2011-12	2012-13	2013-14
<b>Current account</b> :	182442	256159	309774	306581	318607
1. exports					
2. Imports	300644	383481	499533	502237	466216
<b>3. Trade Balance</b>	<b>-118202</b>	<b>-127322</b>	<b>-189759</b>	<b>-195656</b>	<b>-147609</b>

**Source: Reserve Bank of India (RBI)**

The stress in India’s Balance of payments was seen in 2009-10 with a 40 percent increase in imports than exports. Exports amounted for US\$ 182.4 billion, where as Imports accounted for 300.7 US\$ billion. As per RBI data , shown in Table 3 it can be analysed that, the exports and imports increased strongly in 2011-12, Export raised to 309.8US\$ billion and Imports raised to 499.5 US\$ billion with a trade deficit of US\$ 189.8 billion.

But the situation changed in 2013-14, there is a modest rise in exports and a slight decrease in imports. Exports raised from US \$ 306.581 billion in 2012-13 to US\$ 318.607 billion in 2013-14 where as imports decreased from US\$ 502.237 billion in 2012-13 to US\$ 466.216 billion in 2013-14. This decline in imports for the first time in 2013-14 since 2009 is the result of the serious measures taken up by the govt. and RBI to restrict the imports of gold and due to a significant fall in international gold prices.

**Table 4: Foreign Exchange Reserves**

Sl. No.	YEAR (at end march)	Foreign exchange reserves
1	2008-09	252.0
2	2009-10	279.1
3	2010-11	304.8
4	2011-12	294.4
5	2012-13	292.0
6	2013-14	304.2

**Source: RBI**

This fall in imports in 2013-14 has increased the Foreign exchange reserves to US\$ 304.2 billion , which was US\$ 294.4 billion in 2011-12 as shown in Table 4( in the year when there was a strong increase in exports and imports)

**Table 5: Foreign Exchange Reserves of some Major Countries**

Sl.No.	Country	Foreign Exchange Reserves At end march 2014 (us \$ billions)
1	China	3950.0
2	Japan	1325.1
3	Switzerland	546.6
4	Russia	486.2
5	Brazil	363.9
6	Republic of korea	354.4
7	China P R Hongkong	331.6
8	India	304.2
9	Germany	207.8
10	France	173.4
11	Thailand(December 2013)	171.1
12	Italy	154.3

**Source: IMF**

Table 5 summarizes the Foreign exchange reserves of some of the major countries at the end 2014, India accounted for US\$ 304.2 billion as very low as compared to neighboring country china with foreign exchange reserves of US \$ 3950.0 billion. Make in India which is a serious step by the Govt. towards improving domestic production can be successful if the restriction on some imports continues. And manufacturing products and services in India will definitely improve exports will shows a positive sign towards India’s balance of payments. Make in India will also act as a instrument for increasing the foreign exchange reserves by limiting the imports and encouraging exports by innovative production tools and techniques.

**FOREIGN DIRECT INVESTMENT (FDI)**

FDI is the direct investment by the foreign people in different sector of the economy, as the developing economies suffer from no capital due to low income and low savings. FDI is the result of 1980's liberalization policies. After 25<sup>th</sup> Sept., 2014 FDI stands for "First develop India" and Foreign direct investment. country like India offers a great opportunity with huge market for FDI .The FDI inflows in India during the financial year 2013-14 is Rs 147,518 crore (US\$ 36.396 million) as per RBI's bulletin dated 12.05.2014 Which shows 21 percent increase as the FDI flow was Rs 121.907 crore in 2012-13. Service sector receive the highest FDI inflow of 18 percent than other sector.<sup>7</sup> This may also one of the reasons for service sector contributing nearly 60 percent to the GDP. As per the mission of make in India programme we need to make products and services in India, it may be by Indians or by foreign investors or establishments. This slogan / mission can only be accomplished **if** we get more and higher amounts of FDI's. FDI's will help to present India globally, and can help to sale our manufactured products globally.

The 2014 edition of GE Global Innovation Barometer has very interesting findings that although there has been a rising trend in India's IP filings and it is still evolving but perception about India as an innovation – friendly environment, is not encouraging. The report also talks about inequalities as one of the strong fears of technological innovation and to counter the same 81 percent respondents suggest that innovation needs to be localized to serve specific market needs while as per the opinion of 86 percent respondents, innovation is increasingly becoming a global game, merging and combining talents, ideas, insights and resources across the world is the only way to be successfully innovative.

**Table 6: Intellectual Property Rights**

Year	Patents	Trademarks	Industrial designs	GDP (constant 2011 us\$)
1999	2,645	61,637	2,507	2609.41
2000	2,886	69,374	2,737	2709.63
2001	3,456	81,489	2,839	2840.34
2002	4,164,	90,744	2,618	2948.39
2003	5,370	79,476	3,034	3180.15
2004	6,728	67,431	3,465	3432.11
2005	8,028	77,907	3,867	3750.77
2006	9,434	93,701	4,078	4098.24
2007	10,529	124,963	4,759	4499.93
2008	11,546	127,977	4,949	4675.02
2009	11,939	143,506	4,610	5071.45
2010	14,869	181,780	5,030	5591.78
2011	15,896	186,780	6,472	5962.98
2012	18,233	187,244	5,900	6245.40
2013	20,941	195,514	6,101	6558.73

**Source: WIPO statistics Database**

Table 6 presents the IP filings in India from 1999 to 2013 and their contribution to GDP. The IP filing in the year 1999 with reference to patents was 2,645 which have tremendously increased to 20,941 by 2013 showcasing a 691.72 percent increase. Trademarks has a increase of 217.20 percent by 2013 as compared to the trade mark filings in 1999 which were 61,637 as compared to 195,514 in 2013. Industrial design were 2,507 in 1999, where it has increased to 6,101 in 2013 registering a 143.35 percent increase. The contribution of IP filings to GDP has increased from US\$2609.41 in 1999 to US\$ 6558.73 in 2013. This trend depicts a ray of hope of increased IP which can in turn boost research and innovation fostering the growth of Indian economy as well as Indian manufacturing sector.

**CONCLUSIONS**

The dream of transforming India into a manufacturing hub would come true with the initiative of Make in India. The Govt.'s announcement of cutting down procedural delays, striving for improving the Ease of doing business can help the manufacturing sector to contribute 25 percent to India's GDP in next few years. The slogan of FDI – First develop India and foreign direct investment can retain talented entrepreneurs as well as can attract MNC's to India.

<sup>7</sup> RBI-Reserve Bank of India

The scheme of PPP (Public private partnership) can strengthen both public and private sector in terms of capital formation, R&D, sharing of information technology, easy marketing, early completion of projects etc., Strong commitment of the Govt. to develop industries can provide employment to the youth, improves education system especially synchronizing the needs of Govt., industry and academia. The investment in R&D should improve by the public as well as the private companies the central and the state universities must concentrate on qualitative research which is useful to the country's needs. Reforms in labour laws, tax structure, Govt. policies, monetary and fiscal policy can definitely make India a global manufacturing hub.

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