

The Impact of Make in India Scheme on Small Scale Manufacturing Companies

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Abstract: *Make in India is a flagship program of the NDA government, aimed at revitalizing the domestic manufacturing sector and attracting foreign investment to bolster the Indian economy. While manufacturing is crucial for India's economic development, there is a pressing need for robust policies and improved facilities related to land procurement, labor laws, power tariffs, transportation, and logistics. Although the government has shown commitment to easing processes, the actual implementation has been sluggish. For the Make in India initiative to succeed, it is essential not only to invest in infrastructure and attract foreign direct investments (FDIs) but also to enhance the execution of policies and address grassroots issues effectively.*

Keywords: *Make In India, Foreign Direct Investments, Indian Economy, Manufacturing Policy, Ecosystem Development, Global Competitive Advantage*

(Section – A: Make in India campaign's progress and impact)

1. Introduction

Make in India is a major initiative launched by Indian Prime Minister Narendra Modi on September 25, 2014. The program was introduced to stimulate domestic manufacturing and improve the attractiveness of India as a global investment destination. Modi highlighted the campaign in his Independence Day address on August 15, 2014, emphasizing the need to revitalize the manufacturing sector and improve the country's poor rankings in ease of doing business. The initiative aims to increase the manufacturing sector's contribution to GDP from just over 15% to 25%, aligning with the performance of other emerging Asian economies. The campaign seeks to create jobs, attract foreign investments, and transform India into a preferred global manufacturing hub.

1.1 Manufacturing Strength and Make in India Campaign

Manufacturing plays a pivotal role in the economies of large countries such as the United States, England, Japan, and China. Among these nations, China stands out with a significant share of global exports, far surpassing India. As of recent data, manufacturing contributes about 2% of India's share of the global GDP. This figure contrasts sharply with smaller countries like Thailand, where manufacturing contributes 36% of GDP, and Indonesia and Malaysia, where it accounts for 25%.

In response to the need to boost manufacturing and enhance India's economic position, Prime Minister Narendra Modi launched the Make in India campaign in September 2014. The campaign is a broad and comprehensive initiative aimed at revitalizing the Indian economy by increasing the contribution of the manufacturing sector to GDP, thereby creating jobs, fostering innovation, and enhancing the ease of doing business in India. Despite the campaign's positive reception both domestically and internationally, India faces significant challenges. The country imports more than it exports, resulting in a net outflow of capital. However, India has substantial resources and potential to become a major industrial hub. The success of the Make in India initiative depends on addressing existing challenges and leveraging the country's resources to enhance its manufacturing capabilities and reduce the trade deficit.

2. Need of the Study

The imperative of this study stems from the recognition that the service sector alone cannot address India's trade imbalance. For a sustainable solution, the manufacturing sector must play a crucial role. Here's a detailed breakdown of why this study is essential:

- I. **Bridging the Trade Gap:** India has a significant trade deficit, where imports outweigh exports. The service sector, while crucial, cannot close this gap on its own. Expanding the manufacturing sector is vital to increasing exports and reducing dependency on imported goods.
- II. **Encouraging Investment:** The Indian government is actively seeking to attract both domestic and international firms to invest in manufacturing. This push aims to bolster the industry, create employment opportunities, and stimulate economic growth. Understanding the impact and effectiveness of these policies can help refine strategies to maximize benefits.
- III. **Creating Jobs:** The manufacturing sector has the potential to generate a wide range of employment opportunities, from skilled to unskilled positions. This job creation is essential for addressing unemployment and improving living standards across different segments of society.
- IV. **Economic Multiplier Effect:** Manufacturing has a significant multiplier effect on the economy. Growth in this sector tends to drive progress in related industries due to its extensive backward linkages. This includes increased demand for raw materials, components, and services, which in turn stimulates further business activity, investment, and innovation.
- V. **Boosting Innovation and Investment:** A robust manufacturing sector can lead to greater innovation as companies strive to improve efficiency and develop new products. It also attracts investment, both from within and outside the country, contributing to overall economic development.
- VI. **Improving Living Standards:** By enhancing manufacturing capabilities and increasing economic activity, the general standard of living can be improved. This is achieved through higher wages, better job opportunities, and overall economic prosperity.

In summary, understanding the dynamics of manufacturing's role in economic growth is crucial for addressing the trade deficit, encouraging investment, and fostering broad-based economic development. This study aims to provide insights into how manufacturing can be leveraged to achieve these goals and strengthen India's economic position.

3. Objectives of the Study

- I. Understand the Make in India campaign.
- II. Identify new initiatives under the Make in India campaign.
- III. Study the impact of Make in India on India's GDP.
- IV. Examine the effect of Make in India on FDI inflows into India.

4. Scope of the study

The research examines the impact of the "Make in India" initiative on small-scale manufacturing companies. The study involved interactions with owners, managing directors, and customers of these companies to gather accurate data. The scope is specifically focused on analyzing the effects of the "Make in India" scheme on the small-scale manufacturing sector.

5. Research Methodology

The proposed study is primarily descriptive in nature and relies solely on secondary data. This data has been gathered from a variety of sources, including relevant books, departmental and organizational documents, scholarly articles, research papers, and reputable websites, as per the needs of the research.

6. Findings

India's transition into one of the largest and fastest-growing global economies over the past decade has been remarkable. To sustain this growth, it is crucial for India to maintain an efficient and ongoing system of skill development for its workforce. This section focuses on showcasing the current investment capacity and the emergence of new entrepreneurship in India. It also addresses the major challenges faced in the successful implementation of the "Make in India" initiatives and provides potential solutions and suggestions.

7. Review of Literature

Summary of Relevant Studies on the Make in India Campaign

- I. Impact on HRM Practices, Author: K. Kalaivani (2015)
Title: A Study on the Impact of Make in India on HRM Practices - An Overview
Summary: This study explores the effect of the Make in India campaign on Human Resource Management (HRM) practices in India. It emphasizes the synergy between HRM practices and job creation, revealing a significant positive relationship between the two. The research highlights that effective HRM practices are crucial for fostering a culture that aligns with the campaign's objectives. HRM professionals need to be proactive and innovative to adapt to cultural changes prompted by the campaign.
- II. Illusion or Reality? Author: Dr. K. V. Ramana (2015)
Title: Make in India: Illusion or Possible Reality Project?
Summary: This paper addresses the multifaceted aspects of the Make in India initiative, including the sectors targeted, global responses, and criticisms. It evaluates the campaign's effectiveness in attracting foreign investments and boosting India's manufacturing sector. The study concludes that the campaign's timing is strategic, but it also identifies several challenges that need to be addressed for the initiative to achieve its goals.
- III. Transforming India, Author: S. Soundhariya (2015)
Title: Make in India - Scheme for Transforming India
Summary: This article discusses the Make in India scheme, its opportunities, challenges, and examples of investments made so far. The study suggests that the campaign is positioning India as a global investment destination and manufacturing hub. It emphasizes the potential for the campaign to drive significant transformation in India's industrial landscape and innovation sector.
- IV. Role of FDI, Author: Seema Sangwan (2015)
Title: Making Make in India Realism: Role of FDI
Summary: This study focuses on the relationship between the Make in India campaign and Foreign Direct Investment (FDI). It examines changes in FDI rates since the campaign's introduction and the impact on industrial production. The research finds a high correlation

- between increased FDI and industrial production growth, noting that FDI contributes to economic development by enhancing productivity and facilitating technology transfer.
- V. Bhatia & Agrawal (2018): Highlight the government's success in positioning India as a manufacturing hub through incremental improvements, such as reducing export formalities and establishing investor facilitation cells.
 - VI. Sahoo (2018): Notes that reforms in the FDI policy, aimed at easing business conditions and accelerating foreign investment, represent a significant positive shift in the government's approach, from being a regulatory authority to a business partner.
 - VII. Aneja (2016): Argues that Make in India is a crucial initiative for India's growth, with the potential to address major economic challenges such as poverty, unemployment, and low per capita income, thus contributing to the nation's overall development.

8. Key Findings

- **HRM Practices:** Effective HRM practices are essential for aligning with the cultural and operational changes driven by the Make in India campaign.
- **Campaign Effectiveness:** The campaign has been strategically timed and has successfully attracted foreign investments, though it faces several challenges.
- **Investment and Transformation:** The Make in India initiative is positioning India as a significant player in global manufacturing and innovation.
- **FDI Impact:** Increased FDI has a positive effect on industrial production and economic development, contributing to productivity gains and technology transfer.

These studies collectively provide a comprehensive view of the Make in India campaign's impact on various aspects of India's economy, from HRM practices to foreign investments and industrial growth.

9. Research Methodology

The study relies on secondary data collected from research papers, government publications, and authenticated websites. This approach provides a comprehensive analysis of the Make in India campaign's progress and impact.

(Section B: Revive Manufacturing)

To drive a manufacturing-led transformation in India, a structured approach across the three identified levels is essential. Here's a detailed look at each level and the necessary actions:

1. **Objective:** Establish a robust foundation for manufacturing by improving infrastructure and creating a supportive environment.
2. **Key Domains and Actions:**
 - I. **Financial Environment:**
 - a. **Access to Capital:** Improve access to financing through favorable credit terms, subsidies, and incentives for manufacturing firms.
 - b. **Tax Incentives:** Implement tax breaks and deductions for companies investing in new manufacturing technologies or expanding production capacities.
 - II. **Land Acquisition:**
 - a. **Streamlined Processes:** Simplify and expedite the land acquisition process to reduce delays and administrative hurdles.
 - b. **Land Bank:** Develop a land bank with pre-approved land parcels for industrial use to facilitate quick acquisition.
 - III. **Administrative Environment:**

- a. **E-Governance:** Utilize digital platforms for quicker processing of permits and approvals.
- b. **Single Window Clearance:** Establish a single-window clearance system to minimize bureaucratic red tape.

IV. Legal & Regulatory Environment:

- a. **Regulatory Reforms:** Update and simplify regulations related to labor laws, environmental standards, and safety requirements.
- b. **Intellectual Property Protection:** Strengthen IP laws to protect innovations and encourage R&D investments.

(Section- C: Gain Global Competitive Advantage)

1. **Objective:** Enhance India's position in the global market by building a robust export ecosystem and attracting investment.

2. **Key Actions:**

I. **Export Ecosystem:**

- a. **Trade Agreements:** Negotiate and implement favorable trade agreements to access new markets and reduce trade barriers.
- b. **Export Incentives:** Provide incentives such as subsidies, tax breaks, and support for export-oriented industries.

II. **Infrastructure Development:**

- a. **Logistics and Transportation:** Invest in improving logistics networks, including ports, railways, and highways to facilitate efficient export operations.
- b. **Technology Up gradation:** Modernize manufacturing facilities with advanced technologies to improve product quality and reduce costs.

III. **Attracting Investments:**

- a. **Investment Promotion:** Create investment promotion agencies to actively seek and support foreign and domestic investments.
- b. **Special Economic Zones (SEZs):** Develop SEZs with favorable policies and infrastructure to attract international businesses.

(Section - D: Claim Global Leadership)

1. **Objective:** Position India as a leader in global manufacturing through sustained competitiveness and a shift in mindset.

2. **Key Actions:**

I. **Sustaining Competitiveness:**

- a. **Innovation and R&D:** Foster innovation through research and development initiatives and partnerships between industry and academia.
- b. **Skill Development:** Invest in workforce training and development to ensure a skilled labor force capable of handling advanced manufacturing technologies.

II. **Expanding Competitiveness:**

- a. **Global Standards:** Adopt and adhere to international quality and safety standards to enhance product reputation and marketability.
- b. **Continuous Improvement:** Implement continuous improvement practices such as lean manufacturing and Six Sigma to optimize production processes.

III. **Changing Mindset:**

- a. **Cultural Shift:** Promote a culture of entrepreneurship and innovation within the manufacturing sector.

- b. **Leadership Development:** Develop leadership programs to nurture visionary leaders who can drive transformation and global expansion.

Summary

To achieve a manufacturing-led transformation, India must address foundational issues in manufacturing, build a competitive export ecosystem, and position itself as a global leader through continuous improvement and innovation. This comprehensive approach will help in reviving the manufacturing sector, gaining a competitive edge, and establishing leadership on the global stage.

(Section-E: Industry Developments and Impacts of the Make in India Campaign)

- I. **Bosch and Siemens' Entry into India:** Bosch and Siemens, leading home appliances manufacturers, have announced their plans to establish their first manufacturing plant in India. This development highlights the campaign's effectiveness in attracting global companies to set up manufacturing bases in the country. The South East Asian region is expected to commence operations by the second half of 2014, signaling a significant milestone in India's manufacturing growth.
- II. **Japan's Consumer Electronics Exporter:** Japan's largest consumer electronics exporter is seriously evaluating opportunities within the Make in India campaign. This move indicates a broader international interest in India's manufacturing sector, reflecting confidence in India's growing potential as a manufacturing hub.
- III. **Interest from Global Giants:** The timing of the Make in India campaign has been opportune, as evidenced by the interest from several global giants in establishing manufacturing facilities in India. This trend underscores the campaign's role in positioning India as an attractive destination for foreign investment in manufacturing.
- IV. **Barry Callebaut's Expansion Plans:** Barry Callebaut, a Switzerland-based chocolate maker, is exploring the possibility of setting up a manufacturing unit in India. This expansion is part of its global strategy to tap into the lucrative Indian market, valued at approximately ₹3,000 crore. Currently, Barry Callebaut operates only on a commercial basis in India, highlighting the campaign's impact on encouraging further investment.
- V. **Broader Economic Impacts:** The economic impact of expanding manufacturing in India extends beyond direct job creation. It has the potential to stimulate employment in the services sector and allied services, creating a multiplier effect on the economy.
- VI. **Infrastructure Improvements:** The success of the Make in India initiative also hinges on improving logistics infrastructure. Key areas for development include port-to-inland connectivity and cargo airports, which are crucial for efficient manufacturing and distribution processes.
- VII. **Key Action Items for Manufacturing:** A recent report by KPMG and the Confederation of Indian Industry (CII) has identified nine key action items essential for making India conducive to large-scale manufacturing. These recommendations aim to enhance the manufacturing environment and address existing challenges.

10. Conclusion

The Make in India campaign has been instrumental in attracting significant foreign investments and interest in India's manufacturing sector. With continued support and strategic improvements in infrastructure and policy, India is well-positioned to become a major global manufacturing hub. The Make in India campaign has shown positive results in terms of attracting FDI and initiating infrastructural improvements. However, achieving the desired impact on India's GDP and manufacturing sector requires effective policy implementation and addressing grassroots challenges. The government needs to focus on overcoming regulatory hurdles and improving infrastructure to realize the full potential of the Make in India initiative. To enhance India's international

competitiveness and further boost economic growth, a skilled workforce is essential. As India progresses toward a knowledge-based economy, it becomes increasingly important to advance skills that are relevant to the evolving economic landscape. To fully leverage its demographic dividend, India needs a robust and efficient skill development system. Achieving its ambitious skilling targets requires comprehensive solutions to challenges rather than isolated interventions.

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PAPER CITATION: Dhade, A. R. , Patil, V. U. (July, 2025) :: *The Impact of Make in India Scheme on Small Scale Manufacturing Companies. International Journal of Informative & Futuristic Research (IJIFR), Volume - 12, Issue -11, July 2025, pp. 75-82, <https://doi.org/10.64672/IJIFR/25.07.12.11.010>*