

THE IMPACT OF MAKE IN INDIA SCHEME ON SMALL SCALE MANUFACTURING COMPANIES

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ABSTRACT: *The Make in India initiative, launched by the Government of India in 2014, aimed to transform India into a global manufacturing hub. This paper examines the impact of this initiative on small-scale manufacturing companies in India, with particular focus on growth, challenges, and opportunities. Through a combination of qualitative and quantitative research, the paper explores how policies under Make in India have affected the sector, looking at improvements in production, technological innovation, employment, and access to capital. The findings suggest that while there have been positive outcomes, several challenges such as inadequate infrastructure, financing constraints, and policy inconsistencies remain.*

KEYWORDS: *Make in India, Infrastructure, Finance, Manufacturing Hub, Employment Growth*

PAPER CITATION:

Dhade, A.R. & Patil, U.V. (2025) : "The Impact Of Make In India Scheme On Small Scale Manufacturing Companies", International Journal of Informative & Futuristic Research (IJIFR), Vol.(13) (1), September 2025, pp. 144 - 150



DOI: <https://doi.org/10.64672/IJIFR/25.09.13.01.013>

1. INTRODUCTION

Make in India is a nationwide initiative launched by Prime Minister Narendra Modi on September 25, 2014, with the goal of transforming India into a global manufacturing hub. The scheme is aimed at boosting the Indian economy by encouraging both domestic and foreign companies to manufacture products within India, thereby promoting industrial growth, innovation, and job creation. Includes policies focused on ease of doing business, infrastructure development, foreign investment, and fostering innovation. Make in India Focus on Small Scale Manufacturing, Small-scale industries

(SSIs) contribute significantly to employment and GDP but often face challenges such as limited access to finance, infrastructure issues, and regulatory barriers.

1.1 Small-scale manufacturing companies:

- Have limited workers and resources.
- Usually operate in local areas or small towns.
- Make items like clothes, parts, tools, furniture, etc.
- Are important for providing jobs and boosting the local economy.

1.2 Some objectives of Make in India

- **Boost Manufacturing Sector:** The core aim of the initiative is to increase the manufacturing sector's contribution to India's GDP from 16% to 25% by 2025.
- **Job Creation:** The program aims to create millions of jobs, with a focus on increasing employment opportunities for youth, particularly in rural and semi-urban areas.
- **Attract Foreign Direct Investment (FDI):** The initiative encourages FDI by providing a more conducive environment for global companies to set up manufacturing plants in India.
- **Improve Ease of Doing Business:** Make in India focuses on simplifying regulations, reducing bureaucratic hurdles, and improving transparency in business processes.
- **Technology and Innovation:** The program is designed to promote innovation, design, and R&D by fostering collaboration between industries, research institutions, and academia.

2. OBJECTIVE OF THE STUDY

- (i) To assess the awareness and understanding of the 'Make in India' initiative among small-scale manufacturing enterprises.
- (ii) To evaluate the extent of participation of small-scale manufacturers in the 'Make in India' scheme since its launch.
- (iii) To analyze the impact of the scheme on key performance indicators of small-scale manufacturing companies, such as: Production output, Employment generation, Investment inflow, Technological adoption, Export potential
- (iv) To identify the key benefits derived by small-scale manufacturers from the scheme (e.g., subsidies, tax incentives, ease of doing business reforms).
- (v) To examine the challenges faced by small-scale manufacturers in accessing and leveraging the benefits of the 'Make in India' scheme.
- (vi) To study the role of government policies and support mechanisms under the initiative that affects the small-scale manufacturing sector.
- (vii) To provide recommendations for improving the reach and effectiveness of the 'Make in India' initiative for small-scale manufacturing enterprises.

3. RESEARCH QUESTIONS

- (i) How has the "Make in India" initiative affected the growth of small-scale manufacturing companies in India?
- (ii) What are the challenges faced by small manufacturers in benefiting from the initiative?
- (iii) Has the initiative improved the ease of doing business for small manufacturers?

4. LITERATURE REVIEW

- **Global Manufacturing Landscape:** The global manufacturing ecosystem and India's position in it prior to the launch of "Make in India". For example, India's share of global manufacturing output is still low compared to countries like China and Thailand.

- Small Scale Manufacturing in India: Overview of the small-scale manufacturing sector in India, its importance to the economy, and the hurdles faced by SSIs, such as lack of technological adoption, poor infrastructure, and difficulties in accessing finance.
- Theoretical Framework: Discuss theories like economic modernization theory, industrialization theory, and entrepreneurship theory that explain the role of small-scale manufacturing in developing economies.

5. RESEARCH METHODOLOGY

- Data Sources:** Government reports (Annual Survey of Industries, Economic Survey, MSME / Udyam registrations), IBEF, MOSPI, press releases etc.
- Scope:** Focus on data up to FY24 / early FY25.
- Measures:**
 - Aggregate manufacturing growth (output, GVA).
 - MSMEs' contribution to manufacturing output, productivity metrics (GVO per establishment, GVA per worker).
 - Employment growth in manufacturing.
 - FDI flows into manufacturing as an indicator of investment climate.
 - Qualitative challenges from reports/media.

6. SURVEY ANALYSIS

6.1 Growth & Output

- Manufacturing GVA rose by **11.89%** in FY24 (from previous year).
Source: ETManufacturing.in
- Employment in manufacturing also increased by ~ **5-6%** in the same period.
Source: ETManufacturing.in+1
- MSMEs contribute about **35.4%** of manufacturing output across India.
Source: India Brand Equity Foundation

These figures suggest positive momentum in manufacturing broadly, with gains in output and jobs.

6.2 Manufacturing's Share in GDP

- Despite growth, the share of manufacturing in India's GDP (in constant prices) **reduced slightly** from ~16.7% in 2013-14 to **15.9%** in 2023-24.
Source: The New Indian Express
- Ambitious targets (23% or 25%) under Make in India have not yet been achieved.
Source: ETManufacturing.in+1

6.2 Investment / FDI

- Over 2014-24, FDI in manufacturing rose to **USD 165.1 billion**, a ~69% increase over the prior decade. *Source: ETManufacturing.in+1*
- PLI (Production Linked Incentive) schemes have resulted in approved applications in 14 key sectors; realized investments of roughly **₹1.23 lakh crore** and ~ **8 lakh jobs** (in those sectors) so far. *Source: ETManufacturing.in+1 MSME / Small-Scale Manufacturing*
- MSMEs (small & micro-manufacturers) contribute ~35.4% to total manufacturing output.
Source: India Brand Equity Foundation
- Productivity metrics for MSMEs have improved: GVA per worker and output per establishment have shown increase (in rupee terms) in recent years.

7. IMPACT OF "MAKE IN INDIA" ON SMALL SCALE MANUFACTURING COMPANIES

a) Increased Visibility and Encouragement

- The *Make in India* campaign brought national and international attention to the manufacturing sector, encouraging entrepreneurship and the formalization of micro and small enterprises.
- Increased awareness led to more small businesses registering under MSME schemes to benefit from government incentives.

b) Improved Infrastructure and Policy Reforms

- Development of industrial corridors, smart cities, and the simplification of labor and tax regulations (e.g., GST) benefited small manufacturers by improving logistics and reducing compliance burdens.
- Initiatives like the Udyog Aadhaar registration made it easier for small businesses to formalize and access benefits.

c) Access to Finance and Credit

- Financial schemes such as MUDRA loans and Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) were promoted under Make in India to improve access to capital.
- Some SSMCs reported easier credit flow, especially those located in high-priority manufacturing sectors.

d) Foreign and Domestic Investment

- While large firms gained the most from FDI inflows, ancillary opportunities opened up for SSMCs in vendor supply chains and subcontracting roles.

e) Technology and Innovation Support

- The government promoted initiatives for skill development (Skill India) and digital adoption (Digital India), indirectly supporting small manufacturers in upgrading operations and workforce skills.

8. CHALLENGES AND LIMITATIONS

a) Uneven Benefits across Regions and Sectors

- Most benefits of Make in India were concentrated in urban or semi-urban industrial clusters; rural and remote SSMCs saw limited impact.
- High-growth sectors like electronics and automobiles received more support, while traditional sectors (like textiles, handicrafts) lagged behind.

b) Limited Awareness and Implementation

- Many SSMCs are unaware of the schemes and support available under Make in India due to weak outreach and limited digital literacy.
- Bureaucratic red tape, despite reforms, continues to hinder ease of doing business for micro units.

c) Insufficient Technological Support

- Small firms often lack resources to adopt high-end technologies. While schemes exist, their reach and efficiency are limited.
- Dependency on outdated machinery continues to affect productivity and quality competitiveness.

d) Credit Access Still a Bottleneck

- Despite schemes like MUDRA, many small manufacturers face rejection from banks due to lack of collateral or formal records.

- The informal nature of many SSMCs prevents them from meeting eligibility requirements for formal finance.

9. FINDINGS

a) **Manufacturing in India is Growing**

- The manufacturing sector grew by 11.9% in 2024.
- More people got jobs in factories — around 5–6% more than before.

b) **Small Businesses Play a Big Role**

- Small-scale industries (MSMEs) produce about 35% of all manufactured goods in India.
- They are important for creating jobs, especially in small towns and villages.

c) **Make in India Attracted Big Investments**

- India received \$165 billion in foreign investment in manufacturing between 2014 and 2024.
- Large companies have benefited the most from this growth.

d) **Government Support Reached Some Small Businesses**

- Some small companies got help from government schemes, loans, and training programs.
- However, many small businesses said they didn't get enough help or didn't know how to apply.

e) **Manufacturing's Share in GDP Did Not Increase Much**

- In 2014, manufacturing made up about 16.7% of India's GDP.
- In 2024, it is still around 15.9%, meaning the share has not improved much in 10 years.

f) **Many Small Businesses Still Face Problems**

- Lack of finance (difficult to get loans)
- High costs of modern machines and technology
- Complex rules and too much paperwork
- Shortage of skilled workers
- Poor infrastructure in rural industrial areas

10. SUGGESTIONS

a) **Improved Access to Finance**

Financial institutions should simplify procedures and reduce collateral requirements for small manufacturers. The government can enhance awareness and implementation of existing credit schemes like MUDRA and CGTMSE.

b) **Technology Up gradation Support**

SSMCs need assistance in adopting modern machinery and digital tools. The government should incentivize technology transfer and establish common facility centers (CFCs) across industrial clusters.

c) **Skill Development Programs**

Tailored vocational training in collaboration with small enterprises can bridge the skilled labor gap. Initiatives like Skill India should be aligned more closely with the specific needs of SSMCs.

d) **Streamlined Regulatory Processes**

Despite improvements, small-scale firms still face bureaucratic hurdles. Single-window clearances, reduced paperwork, and digital portals must be made more accessible and user-friendly.

e) **Market Linkage and Export Promotion**

Government should assist SSMCs in integrating with larger supply chains and accessing export markets through subsidies, training, and participation in international trade fairs.

f) **Monitoring and Evaluation Mechanism**

There should be continuous assessment of how Make in India policies are impacting SSMCs, with feedback loops to adjust schemes accordingly at regional and sectorial levels.

11. CONCLUSION

The *Make in India* initiative, launched in 2014, aimed to transform India into a global manufacturing hub by encouraging domestic and foreign investment in the manufacturing sector. Our research shows that while the initiative has brought attention to the manufacturing sector, its direct impact on small-scale manufacturing companies (SSMCs) has been mixed.

Many small-scale manufacturers have benefited from improved infrastructure, easier business regulations, and access to new markets. However, challenges such as limited access to finance, lack of skilled labor, inadequate technological support, and competition from larger firms remain significant barriers to growth. While government schemes under the Make in India umbrella, such as MUDRA loans and technology up gradation programs, have reached some SSMCs, the overall penetration and effectiveness remain inconsistent.

It is evident that the Make in India initiative holds potential to uplift the small-scale manufacturing sector, but targeted efforts are essential to realize this potential across diverse regions and industries.

Make in India has helped grow the manufacturing sector in India, especially in terms of investment and job creation. However, small-scale manufacturing companies have not gained as much as expected. They need more support to grow, modernize, and compete.

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