



E-ISSN: 2708-4523
P-ISSN: 2708-4515
AJMC 2024; 5(1): 175-180
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www.allcommercejournal.com
Received: 07-11-2023
Accepted: 16-12-2023

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Make in India: An effort to restructure the nation's economic structure

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Abstract

Manufacturing is the key component for the development of any nation. To boost manufacturing in our economy, an initiative was taken by Narendra Modi Government in 2014. The term "Make in India" was launched by our Prime Minister on 25th September, 2014. He extended an invitation to companies worldwide to invest and produce goods in India. The goal of this program is to establish our nation as a global center for manufacturing. Indians are currently at the top of the corporate ladder; they run several Fortune 500 companies worldwide, from Microsoft to Pepsi. India has always had a highly trained labor population, but we haven't been able to translate that into the rapid expansion of the national economy.

This study is done with the intention to expound the concept of "Make in India" campaign, its importance and change in growth rate of FDI after launching of this campaign. FDI inflows were compared in this paper before and after this campaign. The World Bank Database on Indian Economy and the Department of Industrial Policy and Promotion's Trade (DPIIT) Database are two sources from which the data was gathered.

Keywords: Make in India, FDI, gross domestic product, growth

Introduction

The 2014 general elections brought about a significant shift in the political history of India. First of all, these were the first elections in nearly thirty years that saw a single party won a decisive majority. Second, these elections were presidential in nature and provided a distinct mandate to Mr. Narendra Damodardas Modi, the Chief Minister of Gujarat, the Indian state with the fastest rate of growth, at the time. The business sector greatly admired Mr. Modi for his progressive views on business and industry. Contrary to caste, community, etc., these elections were actually primarily fought and won with the nation's growth as the central issue. In keeping with his development theme, the Prime Minister on August 15, 2014 less than three months after taking office announced the "Make in India" program on September 25, 2014 at a gathering hosted in the nation's capital. By concentrating on the development of industries like cars, power, railroads, textiles, media and entertainment, aviation, leather, electronics, etc., the government hopes to increase the manufacturing sector.

The national program's objectives are to promote innovation through significant bureaucratic reforms, deregulation, and public-private partnerships and to enable investment by doing away with red tapism. It aims to establish world-class industrial infrastructure and improve skill development in order to foster an atmosphere that is conducive to the establishment of commercial operations in India. Though admirable, the vision is difficult to realize. The government has overcome several challenges in order to realize its goal of turning India into a major hub for global manufacturing.

India's national insignia serves as the inspiration for the bold lion in the Make in India logo. The Ashoka Chakra was created to symbolize all of India's achievements throughout the world. The wheel is a representation of progress and harmony; it shows how India's illustrious history has prepared the way for a bright future. The cunning lion is a symbol of courage, power, tenacity, and the timeless worth of wisdom in India. On September 25, 1916 the day the Make in India initiative was unveiled, the renowned political activist, philosopher, and patriot Pandit Deen Dayal Upadhyaya was born. The prime minister paid tribute to him.

In order to encourage foreign companies to begin manufacturing in India, the Indian government has designated the following 27 industries, which are covered in the subsection that follows. We refer to these industries as recognized sectors.

List of 27 Recognized Sectors

27 recognized sectors have been classified by Government

into two categories: manufacturing which comprises of 15 sectors and services which comprises of 12 sectors.

Table 1: The DPIIT oversees manufacturing sector

Plant, property & equipment	Clothing & Textiles	Petrochemicals & Chemicals
Bio-technology	Automotive and Auto Components	Aerospace & Defense
Medical Components & Pharmaceuticals	Construction	Railways
Leather and Footwear	Processing of Food	Shipping
New & Renewable Energy	Electronic System Design and Manufacturing	Gems and Jewellery

Table 2: The Department of Commerce oversees service sector

Education Service	Financial Service	Environmental Service
Building and associated engineering services	Communication Service	Legal Service
Audio Visual Service	Accounting and Finance Services	Transport and Logistics Services
Medical Value Travel	Tourism and Hospitality Service	IT enabled Service

Literature Review

The primary objective of this program is to concentrate on skill development and employment creation in the designated economic sectors. In addition, the project aims to minimize its impact on the environment while maintaining high standards of quality. With this initiative, India hopes to draw in financial and technological investment (Kamal, 2017) [14].

Industry insiders claim that a country's ability to thrive economically and create jobs depends on its manufacturing industry (Joon *et al.* 2013) [15].

Mumbai hosted the Make in India week in 2016, which took place from February 13–18. The initiative's principal aim was to transform our nation into manufacturing powerhouse. Given the size of the Indian market, no international business wants to pass up the chance to sell its products there. Consequently, companies can feel pressured to establish production facilities and increase their manufacturing capacity in India. It would have been better, though; if there had been a location in India where MNCs could have applied independently for a license to build more units rather than being forced to do so by such programs. (Sagar *et al.* 2016) [16].

According to Thirumalesh and Bhagyalakshamma (2020) [17] an effort by our government called "Make in India" focuses on boosting domestic manufacturing and drawing foreign capital into the country's economy. The manufacturing industry in India currently makes a just over 15% of the GDP of the nation. This study examined the

benefits and drawbacks of this concept as well as how it might affect the Indian economy.

FDI and FII both have significant impact on an economy, but FDI is sometimes seen as being more vital and known as the development engine. This was noted by Mohammad Zain Khan and Rana Zehra Masood (2022) [18].

According to Abhay Pratap Singh (2022) [19], foreign direct investment (FDI) refers to the direct transfer of capital from foreign enterprises to the host nation. The increase in investment in productive assets, such as factories, machinery, and infrastructure can be facilitated by this inflow of capital. Increasing capital investment has the potential to boost output, create jobs, and stimulate the economy as a whole.

"Make in India" is an initiative which encourages both domestic and foreign companies to make their goods in India, according to Pushpalatha (2017) [5]. The project's main goal is to give skill development and job creation. The government anticipates that this procedure will result in a significant increase in foreign direct investment, the creation of jobs and the development of India into a manufacturing hub that is in high demand worldwide.

According to World Bank 2020 EoDB Report, India is now ranked 63rd from 77th the year before. Countries are ranked in the DBR using the separation from the frontier, a perfect score that measures how far India is from the world's best practices on ten specified characteristics. India's absolute score increased to 71.00 in DBR 2020 from 67.32 in DBR 2019.

Table 3: Explains and illustrates how the first 10 criteria and their sub-factors impact how easy it is to establish a business unit.

S. No	Indicators	What is Quantified
1	Establishment of business unit	The steps, duration, expenses, and minimum capital paid in for individuals who wish to establish a company with limited liability
2	Managing permits for construction	The steps, time & cost involved in finishing all the requirements to build a warehouse, together with the safety and quality assurance protocols in the setup
3	Electricity procurement	Procedures, time & expense of grid integration; reliability of the electricity supply & taxes transparency
4	Registration of property	Procedure, expense, and duration of property relocation as well as land administration system
5	Obtaining loan facilities	Laws controlling credit information systems and movable collateral
6	Minority investor's protection	Rights of minority investors in related-party transactions and corporate governance
7	Payment of taxes	A company's obligations with regard to payments, timing, total tax, contribution rate, and post-filing procedures in order to meet all tax requirements
8	Trading across borders	The cost and duration of importing car parts and exporting the competitive, strategic product
9	Enforcement of contracts	Time duration for handling a business dispute and standard of legal procedures
10	Dealing with insolvency	The strength of bankruptcy legislation, as well as the duration, expenses, results, and rate of recovery in a business bankruptcy

11	Employing workers	Workplace adaptability. Stated differently, regulatory flexibility regarding employment
12	Contracting with the government	Procedures and deadlines for competing for and being awarded a public projects contract, together with the laws governing procurement contracts

(Source: <https://www.worldbank.org/en/businessready/doing-business-legacy>)

Summary of the Review of Literature

As an ingredient of nation building drive, Make in India was launched by our Prime Minister in September, 2014. The initiative's primary objective was to transform India into an industrial hub like to China. A government-led initiative called "Make in India" attempts to persuade both domestic and foreign companies to produce their goods in India. Enhancement of skills and creation of job opportunities are the key goals of this project. For the nation's economy to flourish and jobs to be created, the manufacturing sector must expand.

As per Global Innovation Index rankings, released by World Intellectual Property Organization's in 2023, India continues to be ranked 40th out of 132 economies. India has risen over the last few years on the Global Innovation Index (GII), moving up from 81st place in 2015 to 40th place in 2023. As stated in the Prime Minister's clarion appeal on Atma Nirbhar Bharat and Make in India, innovation has been at the vanguard of our fight against the unprecedented crisis brought on by the epidemic and will be crucial in advancing the nation's resilience.



(Source: dpiit.gov.in)

Objectives of Study

1. To overview the "Make in India" program.
2. To evaluate the primary key areas of "Make in India" program.
3. To analyze how "Make in India" program affects Foreign Direct Investment inflows in India before and after this initiative.

Research Methodology

The next subsections provide the research methods used in the proposed study.

Data Type, Sources and Collection

Secondary data served as the study's foundation. The Department for Promotion of Industry & Internal Trade is the main source of FDI Inflows data. The World Bank

Group's report on the ease of doing business provided the data on this topic. In order to perform a review of the literature, a collection of research articles that were appeared in various publications were compiled.

Data Classification & Tabulation

According to the study objectives, the FDI data is categorized and tabulated year wise. To begin with our research, authors have divided the data into two time periods: first one is before Make in India campaign and second is after Make in India campaign. In a similar vein, the EoDB scores were sorted to see if the EoDB was improving.

Tools Used for Analysis of Data

The Author has used following tools for getting valuable output:

- a) T test and graphs
- b) Measures of Central Tendency & Dispersion
- c) Year-on-year percentages

Research Hypothesis

1. There is no significant difference between average of FDI Inflows before and after Make in India period.
2. There is no significant difference between FDI as net inflow % of GDP before and after Make in India period.

Presumptions

1. 5% level of significance is adopted for testing hypothesis.
2. Depending upon data's accessibility, Author has divided the FDI data into two groups: before and after Make in India campaign. Data up to 2014-2015 is deemed to be before the project's era, while data from 2015-2016 and later years is thought to be after.
3. Data of FDI Inflows of complete year 2023-24 was not available; it was available only of first two quarters.
4. Authors have used t-test: two sample assuming unequal variances.

Research Results

Growth in EoDB Rank

Based on stronger protections for property rights and a more benevolent regulatory climate for business operations, countries are compared using the EoDB Index. High rank economies (ranked 1–20) have more straightforward, business-friendly regulations. Investors are thought to find the nation with the highest rating, or first rank, to be the most desirable. India's EoDB rating has been steadily rising, and Table 4 provides the pertinent information.

Table 4: Improvement in EoDB Business Rank

Year	2014	2015	2016	2017	2018	2019	2020
Rank	134	142	131	130	100	77	63
Improvement in Percentage	----	$134-142 = -8/134 = -0.059 * 100 = -5.97$	$142-131 = 11/142 = 0.077 * 100 = 7.74$	0.76	23.08	23.00	18.18

(Source: <https://www.worldbank.org/en/businessready/doing-business-legacy>)

India's EoDB ranking in the world in 2014 was 134th. The rank increased to 63 during the course of six years,

representing a gain of more than 53% (134 – 63) x 100/134)-which is advantageous for the industrial growth of the nation as it draws in both foreign and domestic investors.

Concerning Easy-to-Do Business Reforms

Between 2014 and 2020, there was a discernible loosening of the six regulations pertaining to the EoDB in India.

Table 5: Ease of Doing Business: Improvement in India-Regulations

No.	Reforms	2014 Rank	2020 Rank	Improvement %
1	Regulation of Construction permits	184	27	$184-27= 157/184= 0.853*100= 85.3$ (1)
2	Getting electricity	137	22	83.9 (2)
3	Trading across borders	126	68	46.03 (4)
4	Paying taxes	156	115	26.28 (5)
5	Resolving insolvency	137	52	62.04 (3)
6	Enforcement of contracts	186	163	12.36 (6)

(Source: <https://www.worldbank.org/en/businessready/doing-business-legacy>)

The author has calculated improvement in each of above mentioned reform by using following formula: Improvement in Regulation % = (Regulation’s Rank in 2014 – Regulation’s Rank in 2020) * 100/Regulation’s Rank in 2014. Table 5 indicates that the rank of "getting electricity" increased from 137 in 2014 to 22 in 2020, demonstrating an improvement of 83.9%; "regulation of construction permits" shows improvement in rank from 184 in 2014 to 27 in 2020, yielding a gain of 85.3%; & "trading across borders" shows improvement from 126 to 68 in 2020, demonstrating a gain

of 46%. Tax payments were improved and streamlined by 26.28% between 2014 and 2020. Additional standards including "enforcement of contracts" and "resolving insolvency" produced improvements of 62.04% and 12.36%, respectively. Regulation of construction permits is the factor that ranks highest in terms of return on investment. The ranking of other factors, such access to power, is second, third, and so on.

Figure 1 shows the data from Table 5 to help visualize the degree of improvement in each of the six regulations.

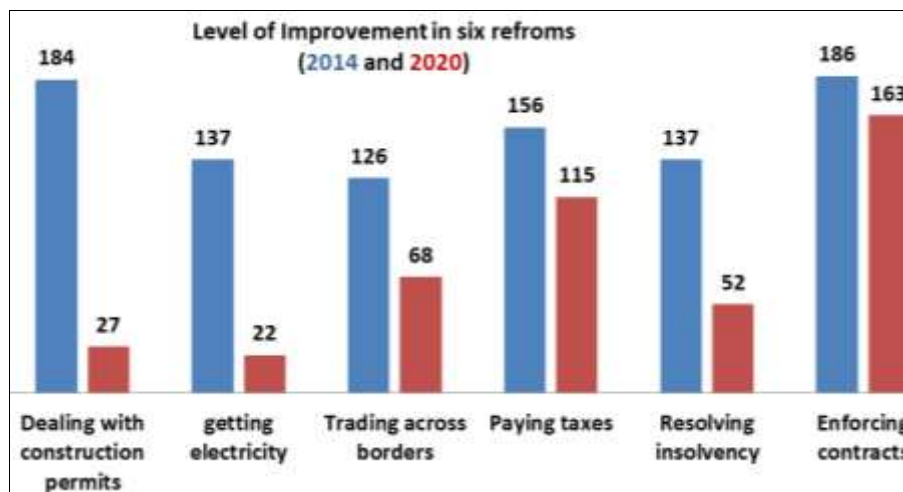


Fig 1: Source Self Constructed

Inflow of FDI: Comprehensive Study (Table. 6 & Table. 7)

The FDI inflows analysis is mentioned as follows

(a) Foreign Direct Investment Inflow both prior to and following this campaign: The gathering of FDI inflows in million USD took place over an 18-year period, from 2006–2007 to 2023–2024. The "before make in India" phase, which included the years 2006–2007 to 2014–2015, and the "after make in India" period, which covered the years 2015–2016 to 2023–2024 and presented in Table 6 and 7 and hypothesis was tested to

check there is significant difference between two era’s FDI inflows. But t test indicates that there is significant difference between FDI inflows before and after period of this campaign. This suggests that the post-Make in India era had a greater inflow of foreign direct investment than the pre-Make in India era.

(b) From 2006-2015 before the period of this initiative. Average of FDI Inflows was 26,846 \$ Million whereas after Make in India period till now (2015-2023) average of FDI Inflows is 45,951\$ Million which is 1.71 times.

Table 6: Inflow of FDI before Make in India

Year	FDI Inflow (\$ Million)	Tool	Before Make in India Initiative
2006-2007	12,492	Mean	26,846
2007-2008	24,575	Variance	22801728.29
2008-2009	31,396	Observations	8
2009-2010	25,834	Hypothesis mean Difference	0
2010-2011	21,383	df	9
2011-2012	35,121	t-stat	-4.151992271

2012-2013	22,423	P(T<=t) one tail	0.001238516
2013-2014	24,299	T critical one tail	1.83112933
2014-2015	29,737	P(T<=t) two tail	0.002477031
		T critical two tail	2.262157163

(Source: <https://dpiit.gov.in/publications/fdi-statistics>)

Table 7: Inflow of FDI after Make in India

Year	FDI Inflow (\$ Million)	Tool	After Make in India Initiative
2015-2016	40,001	Mean	45,951.125
2016-2017	43,478	Variance	146583947.6
2017-2018	44,857	Observations	8
2018-2019	44,366		
2019-2020	49,977		
2020-2021	59,636		
2021-2022	58,773		
2022-2023	46,034		
2023-2024 (up to September, 2023)	20,488		

(Source: <https://dpiit.gov.in/publications/fdi-statistics>)

We have calculated p value in both one tail and two tail tests which is less than 0.05, so null hypothesis (there is no difference) is rejected. So, we can say that it is significant at 0.05 level of significance.

Inflow of FDI as % of GDP (Table. 8 & Table. 9)

The post-Make in India phase has seen a greater FDI inflow than the pre-Make in India era. Still, the share of GDP derived from FDI inflows has been mostly steady; suggesting that more work has to be done. T test have been used on data with unequal variances. It is found that there is

no significant difference between FDI as net inflow % of GDP before and after this campaign. In essence, increased foreign direct investment (FDI) results in higher spending power and job opportunities for individuals, which raises Gross Domestic Product of India. For this reason, the ratio of FDI to GDP is quite important. Consequently, it is proposed that FDI monitoring strategies ought to be successful. It is only at that point that attracting FDI becomes worthwhile. The results are shown in Table 8 and 9.

Table 8: Before Make in India, the net flow of FDI as a % of GDP

Year	FDI as Net Inflow % of GDP	Tool	Before Make in India
2006	2.1	Mean	2.0625
2007	2.1	Variance	0.574107143
2008	3.6	Observations	8
2009	2.7	Hypothesis mean difference	0
2010	1.6	df	10
2011	2.0	t stat	1.120779016
2012	1.3	P(T<=t) one tail	0.144287816
2013	1.5	t critical one tail	1.812461123
2014	1.7	P(T<=t) two tail	0.288575632
		t critical two tail	2.228138852

(Source: <https://dpiit.gov.in/publications/fdi-statistics>)

Table 9: After Make in India, the net flow of FDI as a % of GDP

Year	FDI as Net Inflow % of GDP	Tool	After Make in India
2015	2.1	Mean	1.728571429
2016	1.9	Variance	0.119047619
2017	1.5	Observations	7
2018	1.6		
2019	1.8		
2020	2.4		
2021	1.4		
2022	1.5		
2023	Not Available		

(Source: <https://dpiit.gov.in/publications/fdi-statistics>)

Above results show that p value is greater than 0.05, hence results are not significant.

Conclusion

India has seen an improvement in its EoDB score during the last six years. The biggest progress has come from major regulatory liberalization, like obtaining electricity, and is followed by building licenses and international trade. FDI inflows have increased post Make in India period. This

campaign proves fruitful and productive as more FDI entered the nation that it did previously. More efforts are required, as evidence by the data shows that FDI inflows as a % of GDP have been fairly stable after this campaign. As FDI rises in any country, people will have more opportunities for work and more purchasing power. At

International ministerial meetings and United Nations conventions, the DPIIT is pressed to discuss India's capacity to draw foreign direct investment from developed nations.

The government must create a strategy to attract foreign direct investment (FDI) into all economic sectors, all states, and all geographic areas (Rural and urban) in order to guarantee the country's balanced economic growth. India should extend an invitation to other nations to set up industrial facilities.

Declaration of Conflicting Interests

The writers have affirmed that they have no conflicting interests concerning the research, writing, or publishing of this piece.

Funding

Authors have received no funding for conducting this research and writing this paper.

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