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on

**Recent Economic Policies and Its Impact on
Indian Economy**

October 2019

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Make in India: Impact on Indian Economy

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Abstract:

Make in India is an international marketing campaigning slogan coined by the Prime Minister of India, Narendra Modi to attract businesses from around the world to invest and manufacture in India. The campaign has been concentrated to fulfill the purpose of Job Creation, Boosting National Economy, Converting India into self-reliant country and give Indian Economy to global recognition. In this research paper an attempt has been made to understand the concept, benefits and drawbacks of 'Make in India'. The study also attempts to impact of Make in India on Indian Economy.

Keywords: Economy, Gross Domestic Product (GDP), Foreign Direct Investment (FDI), Benefits, Drawbacks.

Introduction:

Our Prime Minister Narendra Modi launched the Make in India initiative on 25th September 2014, with the primary goal of making India a global manufacturing hub by encouraging both multinational as well as domestic companies to manufacture their products within the country led by the Department of Industrial policy & promotion. The initiative aims to raise the contribution of manufacturing sector to 25% of the Gross Domestic Product (GDP) by the year 2025. In order to invite foreign manufacturer in the country, the Government of India has allowed 100% Foreign Direct Investment (FDI) in key sectors of the economy. As per the current policy, 100% FDI permitted in all 25 sectors covered in the Make in India plan, except for media- 26%, defence- 49% and space-74%.

List of sectors covered under Make in India is as follows:

Automobiles, Automobile Components, Aviation, Biotechnology, Chemicals, Construction, Defense Manufacturing, Electrical Machinery, Food Processing, IT & BPM (Business Process Management), Leather, Media & Entertainment, Mining, Oil & Gas, Pharmaceuticals, Ports & Shipping, Railways, Renewable Energy, Roads & Highways, Space, Textiles & Garments, Thermal Power, Tourism & Hospitality and Wellness.

Objective of Study:

- To study the concept and vision of Make in India.
- To understand the impact of Make in India on the Indian Economy.
- To know the benefits and drawbacks of Make in India.

Impact of Make in India on Indian Economy:

The impact of this campaign will be felt both domestically and internationally. The development of the manufacturing sector will create employment opportunities for the youth of the country, alleviate poverty, attract investors, create value for Indian goods and fix the rising trade deficit. The interaction between domestic and international firms will, inevitably, help transform domestic firms into MNCs. India's GDP is estimated to have increased 7.2 per cent in 2017-2018 and 7 per cent in 2018-19. India has retained its position as the third largest startup base in the world with over 4,750 technology start-ups. India's labor force is expected to touch 160-170 million by 2020, based on rate of population growth, increased labor force participation, and higher education enrolment, among other factors, according to a study by ASSOCHAM and Thought Arbitrage Research Institute. India's foreign exchange reserves stand at around US\$ 429 billion as on 23 August 2019, according to data from the RBI.

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The manufacturing sector is expected to reach US\$ 1 trillion by 2025 and contribute about 25% to India's GDP. Under Make in India program, indigenous manufacturing is expected to increase by 12-14% per annum over the medium term.

FDI in India has followed a positive trend since the launch of Make in India. FDI inflow from April 2014 to March 2019 (US\$ 286 billion) is 46.94% (approx.) of the overall FDI received in the country since April 2000 (US\$ 592.08 billion). For the 1st time, India crossed the US\$ 60 billion mark in FY 2017-18 with US\$ 55.55 billion

In FDI, due to the investment friendly policies and opening of FDI allowance in the various sectors.

Make in India contribution on Gross Domestic Product (GDP):

Sectors	Contribution (Before Make in India)	Expected contribution (After Make in India)
Automobiles	\$8 Billion	50 Billion
Food Processing	\$1.43 Trillion	\$7.21 Trillion
Renewable Energy	\$20 Billion	\$40 Billion
Automobile Components	\$10.81 Billion	\$39 Billion
IT and BPM	\$143 Billion	\$300 Billion
Roads and Highways	\$14 Billion	\$57.8 Billion
Aviation	\$17 Billion	\$25 Billion
Leather	\$28 Billion	\$76 Billion
Space	\$47 Billion	\$85 Billion
Textiles and Garments	\$67 Billion	\$100 Billion
Construction	\$78.5 Billion	\$140 Billion
Defense Manufacturing	\$56 Billion	\$100 Billion
Railways	\$80 Billion	\$100 Billion
Chemicals	\$16.8 Billion	\$70 Billion
Mining	\$56 Billion	\$80 Billion
Thermal Power	\$34 Billion	\$50 Billion
Pharmaceuticals & Wellness	\$500 Billion	\$1 Trillion
Electrical Machinery	\$54.3 Billion	\$65 Billion

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Ports	\$68.3 Billion	\$86 Billion
Electronic System	\$43 Billion	\$94.2 Billion
Tourism & Hospitality	\$20.236 Billion	\$21.071 Billion

Benefits of Make in India:

- Make in India initiative helps in creating jobs for ever-increasing population of India.
- Conversion of India into a manufacturing hub of various commercial products.
- Development of the areas the neighboring locations where the industries would be set up.
- The program will boost the GDP of the Indian economy as foreign investments will lead to humongous flow of income.
- The FDI under this initiative would strengthen the rupee against the domination of the American dollar.
- As countries from all over the world will bring along latest technology, India will have an opportunity to make use of it as it lacks in various test mechanization.
- Setting up of industries under this initiative will help in the development of rural areas.

Drawbacks of Make in India:

- Under Make in India campaign, all the focus lies on the manufacturing sector. So this causes a negative impact on the agriculture sector of India.
- As setting up manufacturing industries requires natural resources like land, water etc. on a large scale. So, there is a possibility of depletion of these natural resources.
- Entry of foreign countries into the manufacturing sector in India has caused a threat to the existing small scale entrepreneurs and might force them out of business.
- A wide disruption in the agricultural sector due to the utilization of land primarily for setting of manufacturing industries.
- Unemployment will be created if the foreign investors back out from the initiative.

Research Methodology:

The study focuses on extensive study of Secondary data collected from, government reports and publication from various websites which focused on my subject matter.

Conclusion:

Make in India and Made in India both can be beneficial for India. India can benefit temporarily from outsourced manufacturing plants but it can't stress it beyond a limit. It should rather focus more on encouraging research and development and bringing industrial innovation. Make in India should start to achieve the long term goal of made in India. Around 60-70% of Indian population (directly or indirectly) depends upon Agricultural sector but in this campaign it is ignored by P.M. Narendra Modi.

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