

# The “Make in India” policy: “A Comprehensive Evaluation of Outcomes and Roadblocks”

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**Abstract:** The “Make in India” initiative, introduced by the Indian government, stands out as a pivotal and game-changing policy endeavour aimed at attracting FDI in India by boosting the domestic manufacturing sector. This study focuses on the multifaceted aspects of this initiative by focusing on the goals, impact of FDI inflows and challenges and obstacles faced by foreign investors. To achieve the objectives, historical data has been collected on FDI inflows into India, spanning from the period before the introduction of the Make in India initiative and the period after its implementation. Paired sample T-test has been applied to compare the pre and post FDI inflows of launching the “Make in India initiative”. Results of the study provide that a substantial difference occurs in the mean FDI inflows pre and post launching of this “Make in India” initiative at a 5% level of significance. FDI inflows rise up on an average after the launching of this initiative by the government of India. Through a comprehensive and in-depth analysis of these objectives, the study contributes to a better understanding of the “Make in India” initiative's impact on the attraction of FDI and major challenges that need to be addressed to enhance the effectiveness of this initiative in promoting manufacturing as well as the economic growth of the nation.

**Keywords:** - Make in India, Economic Growth, FDI, Manufacturing sector and foreign investors

## I. INTRODUCTION

The economy of India is predominantly agrarian, with almost 70% of its population working within agriculture and its allied sectors (NABARD, 2021). The agriculture industry is heavily dependent on various environmental factors such as rainfall patterns etc. (Ma et al., 2022). In a developing country like India, there is a huge need for inclusive growth to empower people of all the sections of the society (Karuppan, 2013). The concept of inclusive growth assumes that the people from all over the sectors should have the proper opportunity to participate in the growth process of the country (Rauniyar & Kanbur, 2009). Agriculture sector, like the service and manufacturing sector, often does not yield significant return on investment. Due to which the Indian government seeks opportunity to promote growth of manufacturing industries to increase both “Gross Domestic Product (GDP) and Gross Domestic Income (GDI)” (Bagaria, 2018). The “Make in India” initiative inaugurated by the honourable Prime Minister Narendra Modi on September 25, 2014 with the vision of making India a manufacturing hub. The initiative aimed to promote manufacturing and economic growth in India, increase FDI and create more job opportunities.

## II. REVIEW OF LITERATURE

This initiative focuses on creating more job and skill enhancement opportunities (Kamal, 2017). It is designed to encourage both domestic as well as international companies to set up their operations in India. It has brought significant and more impactful changes in multiple fields such as thermal power, oil and gas, biotechnology and manufacturing (Kumar & Seema, 2020). By focusing on only locally manufactured products, this initiative violates the principle of comparative advantage which states that when it is not viable to produce any good in India, it is advantageous to import it from another nation (Sahoo, 2018).

It is noteworthy that there hasn't been a substantial change in India's FDI inflows as a percentage of GDP (Nagarjuna, 2022). This campaign seeks to bolster the India's manufacturing sector as well as export by fostering the ease of doing business (Misra & Ghadai, 2015). “Make in India initiative” brings a drastic change in multiple sectors such as automobile, biotechnology, thermal power and manufacturing as well as it guides foreign investors by offering prompt responses and assistance with a proactive approach (Shettar, 2017). After launching of this initiative, a majority of people are confident that it leads to increase their export as well as the foreign investments (Jain, 2017).

### **III. RESEARCH GAP**

There is an extensive body of literature exists that assess the impact of “Make in India” initiative, but a research gap prevailing in the field of rigorous analysis of its success and failure in increasing FDI inflows in India. Limited research work exists that provides an indepth analysis of obstacles encountered by foreign investors in participating within this initiative. Existing studies provides the overview of this initiative but they lack a deep insight that hindering the understanding of this initiative’s impact and actual outcomes.

### **IV. RESEARCH OBJECTIVES**

**On the basis of research, following are the research objectives of this study:**

- To examine the goals of “Make in India” initiative launched by the government of India
- To investigate the role of “Make in India” Initiative in attractive FDI in India.
- To analyse whether the “Make in India” initiative has been successfully increasing FDI flows in India.
- To examine the challenges and obstacles faced by foreign investors in context of “Make in India” initiative.

### **V. RESEARCH METHODOLOGY**

In order to achieve the desired objective, historical data related to FDI inflows into India, spanning the period before the introduction of make in India program and the period before the implementation from the secondary data collected from.

To analyse the data Paired sample t-test will be applied to compare the mean of FDI inflows on the two segment one of before and after Make in India. The t-test will help in to determine whether any observed differences are statistically significant.

### **VI. FINDINGS AND DISCUSSION**

#### **a. Goals under “Make in India initiative”**

“Make in India initiative” was spearheaded by the “Prime Minister of India”, ‘Narendra Modi” with the goals of fostering domestic as well as international companies to invest in the product manufactured in India. Its primary objective is to elevate India to be leading global manufacturing set up, ultimately augmenting the manufacturing sector’s contribution to the nation’s GDP. The main key aspirations of this initiative encompasses:

#### **To promote manufacturing sector**

The primary aim is to promote manufacturing in India with focus on 25 key sectors such as automobiles, defence, electronics, textile and pharmaceuticals and others. The aim of this initiative is to create a hub for manufacturing and production and to rise up the share of manufacturing in the country’s GDP.

#### **To attract more foreign investment**

This initiative seeks to attract more and more foreign investors and companies to set up their manufacturing facilities in India by simplifying the regulatory framework and by providing them the more business-friendly ecosystem.

#### **More job creations**

Another central goal of this initiative is to generate more employment opportunities for the growing workforce of Indian population. by increasing the manufacturing activities, it aims to create more job and reduce the level of unemployment

#### **Ease of doing business**

This initiative focuses on improving the ease of business doing by reducing the red tapism and simplifying the regulatory process. Another aim of this initiative is to create a more investor friendly environment (Misra & Ghadai, 2015).

#### **Rise in export**

It aims to rise the country’s export potential by producing the goods locally and boost up the competitiveness of Indian products in international markets.

#### **b. Make In India and FDI**

The data indicated in table 1 indicating a fluctuating but still an increasing trend in annual FDI inflows over the years. Initially, FDI inflows increased from 2006 to 2008. Within this period, the highest inflow was in 2008, reaching at 43.41 US billion \$. In year 2009, there was a sharp decline to \$ 35.58 billion.

Then, subsequently from 2010 to 2015, there is a growth and gradual recovery in FDI inflows. The year 2015 marked itself as a milestone with inflows around \$44.01 billion. The FDI inflows remain stable during the time period of 2015 to 2017. Then a notable peak occurred in 2020 with all time high FDI inflows within the selected time frame. Then, in 2021 it decreases to \$44.73 billion. In 2022, it again rises to \$49.92 billion.

Year	Annual FDI Inflows (US \$ Billion)
2006	20.03
2007	25.23
2008	43.41
2009	35.58
2010	27.40
2011	36.50
2012	24.00
2013	28.15
2014	34.58
2015	44.01
2016	44.46
2017	39.97
2018	42.12
2019	50.61
2020	64.36
2021	44.73
2022	49.92

Source: <https://www.macrotrends.net/countries/IND/india/foreign-direct-investment>

### c. Role of Make in India Initiative in attracting FDI

H0: - There is no significant difference exists in FDI inflows before and after launching of Make in India initiative.

H1: - There is a substantial difference exists in FDI inflows before and after launching of Make in India initiative.

To test the hypothesis, paired sample t-test will be applied, to compare the FDI inflows before and after the “Make in India” initiative. Here’s the results and the interpretations of this test are as:

Before the “Make in India” initiative, the mean FDI inflow was approximately around \$30.04 billion with standard deviation of \$7.76 billion. After the “Make in India” initiative, the mean FDI inflow increased to \$47.52 billion with a standard deviation of \$7.70 billion.

### Key Statistics

	Mean	N	Std. Deviation	Std. Error Mean
Pair 1 FDI inflows after Make in India initiative	47.5225	8	7.69530	2.72070
Pair 1 FDI inflows before make in India initiative	30.0375	8	7.76015	2.74363

### Correlations among paired sample

	N	Correlation	Sig.
Pair 1 FDI inflows after Make in India initiative & FDI inflows before make in India initiative	8	.076	.857

### Paired Samples Test

	Mean	Std. Deviation	Std. Error Mean	Paired Differences		t	df	Sig. (2-tailed)
				95% Confidence Interval of the Difference				
				Lower	Upper			
Pair 1 FDI inflows after Make in India initiative - FDI inflows before make in India initiative	17.48500	10.50297	3.71336	8.70430	26.26570	4.709	7	.002

The paired mean differences in FDI inflows between FDI inflows after the initiative and before the initiative is 17.485 billion USD, indicated on an average rise in FDI after the launching of this initiative. On an average, the FDI inflows Hereby, p value for the test is 0.02, which is less than significance level of 0.005, hereby null hypothesis is rejected. Significant difference exists in FDI inflows in India before and after “Make in India” initiative. The results of test indicate a statistically significant differences in FDI inflows before and after the “Make in India initiative”.

#### d. Obstacles and barriers faced by foreign investors within this initiative

Foreign investors may encounter several types of obstacles and barriers while attempting to invest in India, within the context of “Make in India” initiative.

##### **Bureaucratic Red tapism**

More complex as well as lengthy administrative procedures, including the obtaining of licence and permit can be a significant hurdle for the foreign investors.

##### **Inconsistent legal regulatory framework**

More frequent changes in policies and regulations can create multiple of uncertainties for the investors. More consistency in legal regulatory framework is essential for the foreign investors.

##### **Inadequate infrastructure**

Inadequate infrastructure facilities such as transportation, utilities and logistics can hinder the smooth operations of businesses. Foreign investors often require reliable and adequate infrastructure facilities to support their operations.

##### **Exchange rate fluctuations**

The fluctuations in exchange rate can pose a high risk to the investors, can affect the cost of doing business and their repatriating profit margins.

##### **Protection of Intellectual Property**

Protection of intellectual property rights is the main concern of foreign investors and India has faced multiple criticism for weaknesses in IP protection.

**VII. CONCLUSION OF THE STUDY**

“Make in India” initiative launched by the government of India with the primary aim of increasing the share of manufacturing sector in GDP and to rise the FDI inflows in India. The results of paired sample t-test results indicate a statistically significant difference in FDI inflows, with a p value of 0.02 which is less than the significance level of 0.05. This suggests a change in FDI inflows is not likely to occurred by random chance. The “Make in India” initiative having significant impact on FDI inflows. The findings derive from the study suggest the policymakers, researchers in evaluating the impact of “Make in India” initiative and considers the potential to attract more retail foreign investment.

**VIII. LIMITATION OF THE STUDY AND FUTURE RESEARCH SCOPE**

This study establishes a direct link between the initiative and the FDI inflows, however, numerous factors exit that can influence FDI. But this study solely taken the analysis of FDI inflows in respect of only “Make in India” program. It is important to note that these findings do not explain the underlying reasons for the change in FDI and other multiple factors may have influenced the results. The impact of Make in India initiative might have evolved over a period of time frame and there could be amendments in government policies and various external factors that can influence the FDI. The future research work can be undertaken by concentrating on a particular time frame and particular region of the country.

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