Impact of Make in India Initiative on Manufacturing Sector Competitiveness

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Abstract

Make in India, which was initiated by Government of India in September, 2014 is the strategic move towards industrialization and economic growth in country. Established to change India into a world manufacturing centre, the project was aimed at drawing foreign direct investment (FDI), improving the ease of doing business, fostering innovativeness, and increasing job creation. The paper is a critical analysis of the effects of Make in India initiative on the competitiveness of the Indian manufacturing industry. The study relies on secondary data collected on government reports, international organisations, and policy reviews in order to find out the trends in FDI inflows, industrial growth, employment creation, and innovation in the post-2014 era. It also examines structural challenges which encompass infrastructure constraints, skill mismatches, and global market volatility which remain to be competitive. Results show that though Make in India has helped in enhancing the investment environment and global image of manufacturing sector in India, the projected growth in the sector contribution to the GDP and employment has been average. The paper concludes that future competitiveness will be pegged on more structural reforms, technological innovation, and integrated efforts in the various policy areas to make India more competitive in manufacturing.

Keywords: Make in India, Manufacturing Sector, Competitiveness, Industrial Policy, FDI, Economic Growth, India.

Introduction

The manufacturing sector has been viewed as the engine of economic growth and has offered massive labour, technology growth, and exportability. In the case of a developing economy such as India, the manufacturing industry is the key towards sustainable and inclusive growth. The Government of India realised this and in September 2014, they introduced the Make in India programme with the aim of making India a manufacturing hub in the world. The vision of the initiative was to ensure that the manufacturing percentage in the GDP of the country increased to 25 percent and to create 100 million more jobs in the manufacturing sector by 2022 (Foner, 2012).

Make in India campaign was the shift in the India industrial policy, which was a regulatory perspective to the one that promoted investments, innovation and entrepreneurship. The programme targeted 25 key industries, such as the automobile industry, defence industry, renewable energy, pharmaceutical and textile industries, and information technology. It highlighted the policy changes, infrastructure modernization, and facilitation of doing businesses to raise the global competitiveness of India.

Before the introduction of Make in India, the manufacturing industry of India suffered a number of systemic problems such as complicated regulatory regimes, poor infrastructure, expensive logistics, and the lack of access to skilled workforce. The sector was not the best in manufacturing output and exports in the world, even with a robust domestic market and demographic edge, as compared to the Asian counterparts, such as China and Vietnam. The Make in India programme was aimed at correcting these bottlenecks by liberalising the Indian economy to increased foreign investment, facilitating public-private collaboration, and exploiting the Indian demographic dividend by means of skill training programmes.

Under this initiative, the policy landscape of India has taken a different facet over the last ten years. The enablers have included reforms like the introduction of the Goods and Services Tax (GST), liberalisation of the FDI norms, introduction of industrial corridors, and promotion of digital governance. The score of India on the Ease of Doing Business index of the world bank has improved significantly, whereby in 2014 the country was ranked 142 but in 2020, it ranked 63rd, indicating that the government is seriously focused on making the country more competitive and less bureaucratic.

But there are doubts as to whether these accomplishments are deep and enduring. Though the policy has made some progress, the manufacturing sector has not made any improvement in its contribution to GDP which has remained at 16 18 way less than the intended 25. In addition, the COVID-19 pandemic revealed the weak points in the global supply chain and the necessity of the autonomy and technological advancement. In this regard, this paper aims at assessing the extent to which the Make in India initiative has been able to increase the competitiveness of the manufacturing industry and what issues remain to achieve the full potential of the programme.

Literature Review

The issue of competitiveness in the manufacturing sector has been a major theme in the development economics discussions and industrial policy. Researchers like Porter (1990) stressed that national competitiveness was not only based on factor endowments but productivity, innovation and continuous upgrade of firms which is the Diamond Model of National Advantage proposed by Porter. This model determines four large determinants of competitiveness, which are factor conditions, demand conditions, related and supporting industries, and firm strategy, structure, and rivalry. The context of India is that these determinants have been changing due to the liberalisation policies (post-1991), development of infrastructure and currently through the make in India project.

At the same time, empirical research on the manufacturing sector in India (e.g., Kathuria et al., 2017; NITI Aayog, 2020) suggests that industrial reforms have increased investment in the country and enhanced productivity in a specific industry sector, but the manufacturing base in most states is still narrow and highly concentrated. Before 2014, the manufacturing industry in India was limited with the high-cost of transactions, intricate labour laws, and low integration into global value chains (GVCs). According to scholars like Panagariya (2018), the industrial policy in India has had to adopt a focused and coordinated policy in order to entice global

manufacturers and boost production that is focused on export. The make in India programme was developed in order to fill these specific gaps.

The literature on industrial policy reform in the international system has emphasised that competitiveness needs a combination of state intervention, incentives to innovation and infrastructure support to be sustained. As an example, the Made in China 2025 strategy in China and the technology-based industrial growth in South Korea is a comparative model to India. According to the research by UNIDO (2019) and the World Economic Forum (2021), the successful industrial transformation is driven not just by the inflows of FDI but by the development of the domestic capability, the level of R&D, and the structural coherence.

The results of various scholarly reviews of Make in India are inconsistent (Singh and Prakash, 2021; Dasgupta, 2022; Kapoor, 2023). On the upslope part, India has seen high FDI inflows of over USD 80 billion/year in the last years and increased Ease of Doing Business ranking. Nevertheless, the presence of poor infrastructure, irregularity in policy implementation by the state, and the lack of skills remain as limiting highway factors to manufacturing competitiveness. An emerging literature also indicates that although flagship programmes such as Digital India and Skill India are complimentary to Make in India, the projected increase in the GDP of manufacturing has not been significant.

Objectives of the Initiative

The initiative was guided by four overarching objectives:

i. Enhancing manufacturing growth – to raise the share of manufacturing in India's GDP to 25% by 2022.
ii. Attracting FDI – to make India one of the most preferred global destinations for investment.
iii. Promoting employment and skill development – to create 100 million additional manufacturing jobs.
iv. Fostering innovation and infrastructure – to support sustainable industrial growth through modern technology, R&D, and industrial corridors.

Research Methodology

The research design adopted in this study is a descriptive and analytical research design which was mainly dependent on secondary data collected through credible sources such as Department for Promotion of Industry and Internal Trade (DPIIT), Reserve Bank of India (RBI), NITI Aayog, World Bank and UNIDO. The study analysis will include the data of the years 2010 to 2024 that will enable making a comparative evaluation of the performance of the manufacturing sector before and after the introduction of the Make in India (2014).

The analytical framework is based on the principles of the Diamond Model of Competitiveness presented by Porter and revolved around four determinants conditions of the firm factors, demand conditions, supporting industries, and firm strategy supplemented by government policy and chance factors. Indicators that are quantitative in nature like FDI inflows, manufacturing share in GDP, industrial output, employment levels, exports, R&D expenditure and easy of doing business rankings are used to gauge competitiveness.

To gain qualitative insights, the paper will examine policy reports, industry analysis, and academic literature to learn the overall institutional and strategic effects of the initiative.

This is to help identify whether make in India has greatly enhanced the competitiveness in manufacturing of India, its investment climate and globalisation relative to the circumstances before 2014.

Impact Analysis

Among the most evident results of the Make in India initiative has been a significant increase in the Foreign Direct Investment (FDI). India has become one of the most preferred investment destinations in the world with over USD 84 billion of FDI inflows recorded by DPIIT data in FY 202122. By 2023, the total FDI inflows over the period between 2014 and 2023 had reached USD 650 billion by major investment in computer software and hardware, services, telecommunications, and automobile manufacturing.

This influx can be explained by the liberalisation of the FDI standards in 25 priority sectors and the creation of Invest India facilitation framework, which simplified the process of services to investors and regulatory approvals. The index of Ease of Doing Business improved in the case of India as it ranked 142 rd in 2014 and 63 rd in 2020 which also indicates a more favourable atmosphere towards investment.

Nonetheless, FDI is still located in some of the states including Maharashtra, Karnataka, Gujarat and Tamil Nadu, which indicates the presence of continued regional imbalances in manufacturing competitiveness. In addition to this, although FDI inflows have been growing, their transformation into big manufacturing ability and job creation has been average as a result of infrastructural bottlenecks and sluggish project execution.

Make in India was a scheme to increase the manufacturing industry to 25% of GDP by 2022 but the manufacturing industry has been contributing between 16 to 18 percent within the past 10 years. Global economic slowdown, supply chain disruptions and domestic policy constraints have posed a challenge to the growth of industries despite policy efforts.

One of the objectives of Make in India was to create 100 million more manufacturing jobs by 2022. Although official statistics of the Periodic Labour Force Survey (PLFS) indicate slight positive growths in the formal employment, the target has not been achieved completely.

This gap can be explained by a number of reasons: automation of manufacturing operations, an inability to find skilled workers to match the requirements of the industry and the labour force size, and the prevalence of the informal sector. The Skill India Mission, however, which was introduced in conjunction with Make in India, has educated millions of young people under such schemes as the Pradhan Mantri Kaushal Vikas Yojana (PMKVY). This initiative has contributed to a higher employability but there have been minimal direct absorptions of the trained persons in the manufacturing industries.

The initiative has however led to the promotion of entrepreneurship, and the micro, small, and medium enterprises in the economy (MSMEs), which has the effect of contributing indirectly to the creation of jobs and the growth of the region.

To make manufacturing competitive, innovation and adoption of technology are important elements. The government introduced a number of programmes under Make in India to support research and development (R&D), digital manufacturing, and adoption of Industry 4.0.

Programmes like the National Manufacturing Policy (NMP) and Atal Innovation Mission (AIM) have also encouraged industry-academia collaboration and have resulted in the development of other industries like defence, space technology and automotive design. Besides, creation of Centres of Excellence (CoEs) in robotics, electronics and smart manufacturing has enhanced the infrastructure of innovation in India.

With these developments, R&D spending has not been high at about 0.7 percent of the GDP, unlike over 2 percent in the developed economies such as South Korea and Germany. India must invest in technology-driven industrialization and facilitate the creation of intellectual property in order to be competitive in the long run.

Within the framework of Make in India, the policy has focused on export-oriented manufacturing by initiatives including the Districts as Export Hubs policy and PLI Scheme. In 202223, the merchandise exports of India have reached USD 770 billion and the largest portion of this figure belongs to engineering goods, pharmaceuticals and chemicals.

However, the extent of the integration of India into the global value chains (GVCs) is still lower relative to East Asian economies. The logistics expenses are high, port performance is low and R&D intensity is also low which has constrained the Indian capacity to propel up the value curve.

However, make in India has enhanced the reputation of India as a good destination to manufacture products internationally which has seen companies shift out of China towards the trends of supply chain diversification.

Challenges and Limitations

Even though the make in India initiative has had ambitious goals and recorded impressive results, there are still various structural and operational issues that have restricted the extent to which it can influence the competitiveness of the manufacturing industry.

Despite the great achievements of India in the enhancement of industrial corridors, freight corridors, and smart cities, the infrastructure gap is still large. Exports competitiveness is hampered by high logistical costs which are averaged at 13-14% of the GDP, as opposed to 8-9% in the developed economies. Weak connectivity of ports, interruption to the power supply, and land acquisition time further discourage industrial growth.

Although the move made the business regulation easier at the centre level, the bureaucracy among the state and district level is still a challenge. There are various clearances, inconstancy of state policies, and duplication of duties between the jurisdictions, which slow down the project implementation. The rate of reform adoption also differs significantly among states, which contributes to the disparity in the development of regions.

A major limitation is the skill gap existing between the skilled labour force and the technological demands of a contemporary industry. Although Skill India Mission, industries

usually complain of lack of technically skilled labour. The inflexible labour rules, which, however, are being reformed in recent years, continue to discourage the mass-scale production of formal jobs in the manufacturing sector.

The R&D spending of India stands at about 0.7 percent of GDP, which is very low compared to the international standards. Consequently, local companies rely on foreign technologies greatly. Minimal interactions between universities, research institutions, and industries only add to the restriction of growth in the sphere of manufacturing driven by innovation.

Make in India has led to a push towards rapid industrialization and is sometimes in conflict with environmental objectives. The pollution of industries, intensive production, and poor waste disposal challenge the sustainability goals. It is now necessary to move towards green and circular manufacturing in order to be competitive in the long term.

The manufacturing performance in India has been impacted by external forces like tensions in the global trade, the COVID-19 pandemic, and supply chain disruptions. Even though these issues exist independently of the policies, they highlight the necessity of increased resilience and self-reliance of the industrial strategy in India.

Comparative Perspective: India vs. Competing Economies

In order to comprehend the situation of the Indian economy as far as its global competitiveness in manufacturing is concerned, it is necessary to compare the Indian scenario with other less advanced economies such as China, Vietnam, and Indonesia, which have also chosen the approach of the industrial transformation.

China: Made in China 2025 initiative in China is based on high-tech and value-added production with great state support, significant investment in R&D (more than 2.2% of GDP) and effective infrastructure. In contrast to India, China managed to become a large-scale participant in the global value chains (GVCs) due to the export-oriented policy, logistics, and long-term planning of the industry.

Vietnam: Vietnam has become a key competitor thanks to low cost of labour, open trade policy, and effective inclusion in global electronics and textile supply chains. The active involvement in free trade agreements (FTAs) has helped Vietnam as well in increasing its global manufacturing appeal. In India, on the contrary, there are tariff and non-tariff barriers that continue to impact on export-led competitiveness.

Indonesia: Indonesia has been implementing the programme of making Indonesia 4.0 that integrates the industrial modernization and the sustainability goals. It puts a focus on the areas of digital manufacturing, robotics and smart infrastructure where the policy implementation in India is slower.

Although India is the country that has a far greater domestic market and intent to pursue a policy, it is still trailing these countries in terms of manufacturing efficiency and innovation intensity, as well as export diversity. Nonetheless, the geopolitical location, the persistence of the policy, and the demographic superiority of India offer exceptional chances to enhance its manufacturing strength in case of its exploitation.

Policy Recommendations

To accelerate the impact of Make in India and enhance manufacturing sector competitiveness, the following policy measures are recommended:

- Prioritize completion of industrial and freight corridors with effective public–private partnerships (PPPs).
- Reduce logistics costs by improving multimodal transport networks and port efficiency.
- Develop state-level Manufacturing Clusters linked to global supply chains.
- Increase R&D expenditure to at least **1.5% of GDP** over the next five years.
- Establish stronger linkages between universities, industries, and research centers.
- Introduce targeted incentives for industries investing in Industry 4.0, artificial intelligence, robotics, and renewable technologies.
- Align the Skill India curriculum with specific industrial sector needs.
- Foster apprenticeship programs in collaboration with large manufacturing firms.
- Encourage reskilling and upskilling initiatives for the existing workforce, especially in automation and digital manufacturing.
- Continue labor and land reforms to promote flexibility and reduce compliance costs.
- Introduce a uniform Industrial Facilitation Code across states to ensure consistency in regulatory procedures.
- Strengthen digital platforms for end-to-end approval, monitoring, and dispute resolution.
- Provide easier access to credit and technology for micro, small, and medium enterprises (MSMEs).
- Integrate MSMEs into larger domestic and global value chains through cluster-based development.

Conclusion

The Make in India project is one of the most ambitious policy projects in the economic history of independent India. It has managed to change the investment atmosphere, enhanced the ease of doing business, and facilitated the growth of the sector in some aspects like electronics, automobiles and renewable energy. However, becoming a global manufacturing hub by making India a global power is an incomplete goal.

To ensure the initiative meets the long-term vision, issues of a structural nature that are deeply embedded in India, such as lack of infrastructure, lack of skills, lack of innovation among others, need to be dealt with. The third step of the industrial policy must be technology-oriented, sustainable, and inclusive production that is based on global trends and environmental concerns.

Finally, the manufacturing industry in India will be competitive based on its innovativeness, integration, and adaptation in the global economy which is rapidly changing. Make in India will be able to become a model of industrial transformation in the developing world with a sustained policy commitment, institutional efficiency and collaboration with the private sector.

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