



The impact of Make in India Scheme on small scale manufacturing companies

Asmita Ramesh Dhade¹, Urmila Vikas Patil²

¹ Department of Commerce, Savitribai Phule Pune University, Ganeshkhind, Pune, Maharashtra, India

² Department of Commerce, Modern Education Society's Ness Wadia College of Commerce, Pune, Maharashtra, India

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: Inconsistencies remain, small-scale manufacturing companies in India

Introduction

- Launched by Prime Minister Narendra Modi in September 2014 to boost India's manufacturing sector.
- Aims to increase manufacturing output to 25% of GDP, create millions of jobs, and position India as a global manufacturing hub.
- Includes policies focused on ease of doing business, infrastructure development, foreign investment, and fostering innovation.

Significance of Small-Scale Manufacturing in India

- Small and Medium Enterprises (SMEs) represent over 95% of Indian industrial units.
- The sector contributes significantly to employment generation, export earnings, and socio-economic development in rural areas.
- Role of MSMEs (Micro, Small, and Medium Enterprises) in achieving economic goals under Make in India.

Objectives of the Research

- **Primary Objective:** To analyze the impact of the Make in India initiative on the growth and development of small-scale manufacturing companies.

Secondary Objectives

- Evaluate the improvements in productivity and production capabilities.
- Assess the challenges faced by small manufacturers in adopting the policies under the initiative.
- Understand the role of government schemes and financial support in fostering MSMEs.

Literature Review

Overview of the Make in India Scheme

- **Policy Framework:** Discussion of key policies like "Startup India," "Skill India," and the FDI (Foreign Direct Investment) policies aligned with Make in India.
- **Government Support:** How the government supports small-scale manufacturing companies through funding, incentives, and infrastructure development.

The Role of MSMEs in India's Manufacturing Sector

- Contributions of MSMEs in terms of employment, exports, and GDP.
- The challenges faced by MSMEs, such as access to credit, technological backwardness, and compliance with regulatory standards.
- Literature on government interventions to support MSMEs, and the expected outcomes of the Make in India initiative.

Previous Studies on Make in India and MSMEs

- Review of academic articles and reports evaluating the impact of Make in India on MSMEs (referencing studies like those by Kumar & Singh, 2019^[2]; Sahni & Pandey, 2018)^[1].
- Identifying gaps in current literature and framing the research questions.

Research Methodology

Research Design

- **Type of Study:** Descriptive and exploratory research.

Data Collection

- **Secondary Data:** Reports from government publications, industry studies, and financial data.

Impact of Make in India Scheme on Small Scale Manufacturing Companies

a. Economic Growth

- **Increase in Manufacturing Output:** India's manufacturing output has witnessed gradual growth under the initiative. India is becoming a more attractive destination for global manufacturers.

- **Increase in FDI:** According to official reports, India has seen a rise in foreign direct investments across various sectors, especially in manufacturing.

b. Job Creation

- While Make in India has the potential to generate millions of jobs, the challenge remains to ensure that

the jobs created align with the skills of India's workforce. Some estimates suggest that India needs to create 12 million jobs annually to maintain its economic growth and provide employment to its youth.

c. Infrastructure Improvements

- There has been considerable investment in infrastructure projects, particularly in industrial zones, ports, and airports, aimed at supporting manufacturing.

d. Sectorial Performance

- **Automotive:** India has become one of the largest automotive markets in the world, attracting investments from global automotive giants like Hyundai, Suzuki, and Ford.
- **Aerospace and Defense:** With FDI norms relaxed in the defense sector, several multinational defense companies have established joint ventures in India, such as Lockheed Martin, Airbus, and Boeing.
- **Electronics:** The production of mobile phones and electronic goods in India has witnessed a significant rise, driven by global players such as Samsung, Foxconn, and Wistron.

e. MSME Sector

- **Support for MSMEs:** Small-scale manufacturers have benefited from government schemes such as MUDRA loans and the CLCSS. However, access to credit remains a challenge for many small businesses.
- **Technological Advancements:** The Make in India initiative has encouraged MSMEs to adopt new technologies, but many still face barriers to accessing cutting-edge technologies.

Challenges Faced

- **Inadequate Infrastructure:** Despite improvements, challenges related to inadequate infrastructure, poor road connectivity, and inefficient logistics systems continue to impact the manufacturing sector.
- **Skill Shortage:** There remains a significant gap between the skills required by industries and those possessed by the workforce, although Skill India is working to bridge this gap.
- **Regulatory Bottlenecks:** Regulatory complexities, labor laws, and slow implementation of policies continue to hamper the growth of the manufacturing sector, especially for MSMEs.
- **Global Competition:** India's manufacturing sector is still competing with other Asian giants like China and Vietnam, who have more established manufacturing capabilities and competitive labor costs.
- **Environmental Sustainability:** India's manufacturing sector is often criticized for its environmental impact, with insufficient attention being paid to sustainable manufacturing practices.

Way Forward and Recommendations

a. Strengthening the MSME Sector

- Improving access to finance through low-interest loans and equity funding.
- Providing technical support and capacity-building programs to help MSMEs adopt advanced technologies and manufacturing processes.

b. Infrastructure Development

- Focus on improving transportation networks (roads, ports, airports) and digital infrastructure to reduce logistics costs and improve manufacturing efficiency.

c. Policy Reforms

- Simplification of labor laws and implementation of a unified labor code to make it easier for companies to hire and manage employees.
- Introducing better tax incentives and credits to promote sustainability in manufacturing processes.

d. Focus on Export Competitiveness

- Strengthening India's position in global supply chains by improving the quality and competitiveness of Indian products, particularly in sectors like textiles, automotive, and electronics.

Impact of Make in India on Small-Scale Manufacturing

Positive Impacts:

- **Increased Production Capacity:** How policies under Make in India, like the Make in India 2.0 plan, helped increase manufacturing output.
- **Government Schemes:** The role of schemes like MUDRA loans, Credit Linked Capital Subsidy Scheme (CLCSS), and Pradhan Mantri MUDRA Yojana in improving access to capital.
- **Technological Advancements:** Adoption of newer technologies, automation, and skill development through Skill India.
- **Job Creation:** Growth in employment, especially in rural and semi-urban areas.

Challenges Faced by Small Manufacturers

- **Infrastructure Issues:** Lack of adequate infrastructure and poor transportation facilities impacting the cost and time efficiency of production.
- **Access to Finance:** Despite government schemes, small manufacturers still struggle with securing credit due to stringent banking regulations.
- **Regulatory Hurdles:** Complex compliance procedures, lack of clarity on taxation, and inconsistent implementation of policies across states.
- **Market Access:** Difficulty in competing with large multinational corporations and accessing international markets due to limited scale.

Regional Variations in the Impact

- Examination of how Make in India has differently impacted small manufacturers in Tier 1 vs. Tier 2 cities.
- Analysis of manufacturing hubs like Coimbatore (Textiles), Surat (Diamonds), and Jaipur (Handicrafts).

Government Support and Policy Gaps

- Analysis of how government policies have aligned with the objectives of Make in India, and where there are gaps in implementation.
- Suggestions for improving the implementation of existing policies.

Recommendations**Strengthening Financial Support Systems**

- Introduction of low-interest loans, easier credit access, and increased government funding for MSMEs.
- Government subsidies on machinery and technology upgrades for small manufacturers.

Infrastructure Development

- Improving transportation, energy, and digital infrastructure in rural areas to reduce operational costs.
- Setting up of dedicated industrial zones for small manufacturers with incentives for ease of operation.

Simplifying Regulatory Compliance

- Introduction of a single-window clearance system for licensing and approvals.
- Training for MSMEs on regulatory compliance, taxation, and export-import procedures.

Fostering Innovation and Technology

- Continued investment in innovation and R&D through Technology Up-gradation Fund (TUF) schemes.
- Partnerships between government bodies, educational institutions, and MSMEs for skill development.

Conclusion

The Make in India initiative has created significant opportunities for small-scale manufacturing companies, enabling them to grow, innovate, and contribute to India's economic development. However, challenges remain, particularly in terms of infrastructure, financing, and regulatory processes. By addressing these gaps and continuing to support MSMEs, India can achieve the ambitious goals of the Make in India campaign and create a robust and competitive manufacturing sector.

Make in India has had a notable impact on India's manufacturing landscape, particularly in attracting foreign investment, boosting job creation, and promoting innovation and technological development. While the initiative has succeeded in many areas, challenges such as infrastructure bottlenecks, regulatory complexities, and skill gaps remain. By addressing these issues and strengthening the framework, India can leverage its potential to become a manufacturing powerhouse in the global economy.

References

1. Sahni S, Pandey M. Impact of 'Make in India' on the MSME Sector. *Indian Journal of Economics and Business*,2018;17(1):45-60.
2. Kumar S, Singh R. The Role of Make in India in Promoting Small and Medium Enterprises. *International Journal of Management*,2019;10(3):50-66.
3. Ministry of Micro, Small, Medium Enterprises (MSME). Annual Report 2020-2021.
4. NITI Aayog. Strategy for New India, @ 2015:75.
5. PwC India. Make in India: An Analysis of Progress and Challenges, 2018.

6. McKinsey, Company. India's Manufacturing Future: The 'Make in India' Opportunity, 2015.
7. Ministry of Commerce, Industry. Make in India: Overview and Impact. Government of India, 2015.
8. McKinsey, Company. India's Manufacturing Future: The 'Make in India' Opportunity, 2015.
9. PwC India. Make in India: An Analysis of Progress and Challenges, 2018.
10. NITI Aayog. Strategy for New India, @ 2015:75.