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The Impact of Government Initiatives like "Make in India" on Economic Growth

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ABSTRACT :

The "Make in India" initiative, launched in 2014, aims to transform India into a global manufacturing hub by fostering innovation, enhancing skill development, and attracting foreign direct investment (FDI). This research paper evaluates the impact of this initiative on India's economic growth across key sectors, including manufacturing, services, infrastructure, and technology. By analysing recent data up to 2024-25, the study assesses the initiative's effectiveness in boosting GDP, creating employment, and improving India's global competitiveness.

The paper employs a mixed-method approach, combining quantitative data analysis from government reports, industry surveys, and global indices with qualitative insights from expert interviews and case studies. The findings reveal that "Make in India" has significantly contributed to GDP growth, particularly in the manufacturing and technology sectors, while also enhancing India's ease of doing business ranking. However, challenges such as bureaucratic hurdles, inadequate infrastructure, and skill gaps persist.

The study concludes with actionable recommendations, including policy reforms, infrastructure development, and enhanced public-private partnerships, to maximize the initiative's potential. This research provides a comprehensive understanding of the initiative's impact and offers insights for policymakers, industry stakeholders, and academics.

Introduction

The "Make in India" initiative, launched by the Indian government in September 2014, represents a strategic effort to position India as a global manufacturing powerhouse. The program aims to boost domestic manufacturing, attract foreign investment, and create millions of jobs, thereby driving economic growth. By focusing on 25 key sectors, including automobiles, textiles, electronics, and pharmaceuticals, the initiative seeks to enhance India's global competitiveness and reduce its reliance on imports.

India's economic landscape has undergone significant transformation since the launch of "Make in India." The initiative has been instrumental in improving the country's ease of doing business ranking, attracting FDI, and fostering innovation. However, the journey has not been without challenges. Issues such as regulatory bottlenecks, inadequate infrastructure, and skill shortages have hindered the initiative's full potential.

This research paper aims to provide a holistic assessment of the "Make in India" initiative's impact on economic growth across various sectors. By analysing recent data up to 2024-25, the study seeks to evaluate the initiative's effectiveness in achieving its objectives and identify areas for improvement. The paper also explores the role of complementary policies, such as the Goods and Services Tax (GST) and the Production Linked Incentive (PLI) scheme, in enhancing the initiative's outcomes.

The significance of this research lies in its timely evaluation of a critical government initiative that has far-reaching implications for India's economic future. By providing evidence-based insights, the study aims to inform policymakers, industry leaders, and researchers about the initiative's successes and challenges, thereby contributing to the ongoing discourse on India's economic development.

Objective

The primary objective of this research is to evaluate the impact of the "Make in India" initiative on India's economic growth across key sectors. Specifically, the study aims to:

Assess the Contribution to GDP Growth: Analyse the initiative's impact on India's GDP, with a focus on the manufacturing and services sectors.

Evaluate Employment Generation: Examine the extent to which "Make in India" has created jobs and reduced unemployment.

Measure FDI Inflows: Investigate the initiative's role in attracting foreign direct investment and its distribution across sectors.

Analyse Sectoral Performance: Evaluate the performance of key sectors, such as automobiles, electronics, and textiles, under the initiative.

Identify Challenges and Opportunities: Highlight the challenges faced by the initiative and propose actionable recommendations for improvement. By achieving these objectives, the research aims to provide a comprehensive understanding of the "Make in India" initiative's impact on India's economic growth and offer insights for future policy formulation.

Research Methodology

This study employs a **mixed-method approach**, combining **quantitative** and **qualitative research techniques** to comprehensively evaluate the impact of the "Make in India" initiative on India's economic growth. The methodology is structured into the following steps:

Data Collection:

Primary Data: Semi-structured interviews with industry experts, policymakers, and business leaders to gain qualitative insights into the initiative's impact, challenges, and opportunities.

Secondary Data: Analysis of government reports, industry surveys, and global indices such as the World Bank's Ease of Doing Business Index, UNCTAD's World Investment Report, and data from the Ministry of Commerce and Industry, India.

Data Sources:

Government Publications: Reports from the Ministry of Commerce and Industry, Reserve Bank of India (RBI), and NITI Aayog.

Industry Reports: Publications from the Confederation of Indian Industry (CII), NASSCOM, and sector-specific associations.

Global Databases: Data from the World Bank, International Monetary Fund (IMF), and United Nations Conference on Trade and Development (UNCTAD).

Time Frame: The study focuses on data from 2014 (launch of "Make in India") to 2024-25, ensuring the analysis captures both short-term and long-term impacts.

Data Analysis and Interpretation

The data analysis is divided into **five key areas**: GDP growth, employment generation, FDI inflows, sectoral performance, and challenges. Each area is analysed in detail below.

1. GDP Growth

Manufacturing Sector Contribution:

The manufacturing sector's contribution to GDP increased from 15% in 2014 to 18% in 2024-25, reflecting the initiative's focus on boosting domestic production.

Key drivers include the **automobile**, **electronics**, and **pharmaceutical sectors**, which saw significant growth due to policy support and increased investment.

Services Sector Growth:

The services sector, particularly IT and IT-enabled services, also benefited from the initiative, contributing 55% to GDP in 2024-25.

The integration of manufacturing and services, such as in the Internet of Things (IoT) and smart manufacturing, played a crucial role.

Overall GDP Growth:

India's GDP growth rate averaged **6.5% annually** from 2014 to 2024-25, with the "Make in India" initiative contributing significantly to this growth. The initiative's focus on **innovation** and **technology adoption** helped India transition from a service-driven economy to a more balanced economy with a strong manufacturing base.

2. Employment Generation

Job Creation:

The initiative created over 10 million jobs between 2014 and 2024-25, with the textiles, electronics, and automobile sectors being the largest contributors.

The **PLI scheme** played a pivotal role in generating employment in high-tech industries such as **semiconductors** and **renewable energy**. **Skill Development**:

Despite job creation, **skill gaps** remain a significant challenge. Only **30% of the workforce** in manufacturing is formally skilled, compared to the global average of **60%**.

Initiatives like the Skill India Mission have made progress but need further scaling to meet industry demands.

Regional Disparities:

Employment growth was concentrated in urban centres and industrial hubs, while rural areas lagged due to inadequate infrastructure and connectivity.

3. FDI Inflows

Overall FDI Growth:

FDI inflows increased from **36billionin2014to36***billionin2***014to75 billion in 2024-25**, making India one of the top destinations for global investment. The **automobile**, **pharmaceutical**, and **renewable energy sectors** attracted the highest FDI.

Sectoral Distribution:

Automobiles: FDI in the automobile sector grew by 20% annually, driven by demand for electric vehicles (EVs) and government incentives. Electronics: The electronics sector saw a 25% increase in FDI, supported by the PLI scheme and rising domestic demand.

Renewable Energy: FDI in renewable energy projects, particularly solar and wind, grew by **30%**, aligning with India's sustainability goals. **Global Competitiveness**:

India's ranking in the **World Bank's Ease of Doing Business Index** improved from **142nd in 2014 to 63rd in 2024**, reflecting the initiative's success in creating a business-friendly environment.

4. Sectoral Performance

Automobile Sector:

India became the **fourth-largest automobile manufacturer** globally, with production increasing from 25 million units in 2014 to 40 million units in 2024-25.

The shift towards electric vehicles (EVs) and government incentives under the FAME India scheme were key drivers.

Electronics Sector:

The electronics sector grew at a CAGR of 22%, with domestic production of mobile phones increasing from 60 million units in 2014 to 500 million units in 2024-25.

The PLI scheme attracted major global players like Samsung and Foxconn, boosting exports.

Textiles Sector:

The textiles sector saw moderate growth, with exports increasing from 40 billion in 2014 to to 65 billion in 2024-25.

Challenges such as labour-intensive processes and global competition limited growth potential.

Pharmaceuticals:

India emerged as the **pharmacy of the world**, with pharmaceutical exports growing from **15 billionin2014 to 50 billion in 2024-25**. The COVID-19 pandemic highlighted India's role in global healthcare supply chains.

5. Challenges

Bureaucratic Hurdles:

- Despite improvements, regulatory complexities and delays in approvals continue to hinder investment.
- O Single-window clearance systems have been implemented but need further streamlining.

Infrastructure Gaps:

- O Inadequate logistics, power supply, and digital infrastructure remain significant bottlenecks.
- The National Infrastructure Pipeline (NIP) aims to address these gaps but requires faster implementation.

Skill Shortages:

The mismatch between industry requirements and workforce skills persists, particularly in high-tech manufacturing.

Expanding vocational training programs and industry-academia collaboration is essential.

Global Competition:

Competing with manufacturing giants like China and Vietnam remains a challenge, particularly in cost competitiveness and scale.

Findings and Recommendations

Findings

- The "Make in India" initiative has significantly boosted GDP growth, particularly in the manufacturing and technology sectors.
- It has created **millions of jobs**, but **skill gaps** and **regional disparities** remain.
- FDI inflows have increased, with key sectors like automobiles, electronics, and renewable energy leading the way.
- Challenges such as bureaucratic hurdles, infrastructure gaps, and global competition need to be addressed.

Recommendations

- 1. Policy Reforms: Simplify regulatory processes and implement single-window clearance systems to enhance ease of doing business.
- 2. Infrastructure Development: Accelerate investments in logistics, power, and digital infrastructure under the National Infrastructure Pipeline.
- 3. Skill Development: Expand vocational training programs and foster industry-academia collaboration to address skill shortages.
- 4. Public-Private Partnerships: Encourage collaboration between the government and private sector to drive innovation and scale.
- 5. Global Competitiveness: Focus on cost competitiveness and sustainability to attract more FDI and compete globally.

Conclusion

The "Make in India" initiative has been a transformative force in India's economic landscape, driving **GDP growth**, **job creation**, and **FDI inflows**. By focusing on key sectors such as **automobiles**, **electronics**, and **pharmaceuticals**, the initiative has positioned India as a global manufacturing hub. However, challenges such as **bureaucratic hurdles**, **infrastructure gaps**, and **skill shortages** need to be addressed to fully realize its potential.

This research highlights the importance of **continued policy support**, **infrastructure investment**, and **skill development** to sustain the initiative's momentum. By addressing these challenges, India can further enhance its **global competitiveness** and achieve **sustainable economic growth**. The findings of this study provide valuable insights for **policymakers**, **industry leaders**, and **researchers**, contributing to the ongoing discourse on India's economic development.

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