
CONTRIBUTION OF BANKS IN “MAKE IN INDIA” CAMPAIGN

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Abstract: *When MODI Government came into power in May 2014, it found itself in a country full of corruption, global recession, highly populated, raging inflation, tapering of Gross Domestic Product (GDP) growth rates and unraveling of the infrastructure sector. Now, as 2016 begins, turns for the better can be seen. Inflation, the Current Account Deficit (CAD) and Fiscal Deficit (FD) have been brought under control, GDP is also growing steadily, government is spending on infrastructure and improvement in urban consumption. For the development in India, 15th and current Prime Minister of INDIA “Mr. Narendra Damodardas Modi” has started many campaigns and took various steps which has affected the Indian Economy to the greatest extend. For job creation and skill enhancement in the country, he launched “MAKE IN INDIA” campaign. This was launched to encourage multi-national as well as national companies to manufacture their products in India. After this initiative many foreign countries joined hands with Indian Small and Medium Enterprises (SMEs) which led to increase in Foreign Direct Investment (FDI). Both government and large companies rely on banks to raise funds. To make this campaign a SUCCESS, two major resources of the nation are required, which are, Human resource and financial assistance. As, per Reserve Bank of India (RBI), India’s banking sector is sufficiently capitalized and well regulated. The Indian banking industry has recently witnessed the rollout of innovative banking models. RBI’s new measures may go a long way in helping the restructuring of the domestic banking industry. Banks are also encouraging their customers to manage their finances using mobile phones. The main purpose of this paper is to highlight the contribution of banks in “Make in India”. How banks helps in developing the economy and how they can help to make it success.*

Keywords: *Foreign Direct Investment, Banking, Indian Economy, Sector, Customer.*

1. INTRODUCTION

India is not only the world’s largest independent democracy, but also a leading economic giant. And to make it one, the Modi’s government has played an imperative part. When the hyper rising market bubble had burst and India’s growth rate had fallen to its lowest level in a decade, the unemployed population rate was high, inflation was raging, corruption had spread in all sectors, the promise of Brazil, Russia, India, China and South Africa (BRICS) nations had faded and everyone was debating on whether the world’s largest democracy was a risk or an opportunity in the period of 2013. Then the Modi government came into power and our Prime Minister Mr. Narendra Modi in September 2014, launched “MAKE IN INDIA” campaign as a Nation-building initiative. This was launched to encourage national as well as Multi-National Companies (MNCs) to manufacture in India. The main aim of this campaign is to generate employment and enhancement of skills in the economy. In India, most of the goods are being imported from outside the Indian borders, which result in high cost of product, unemployment, inflation and currency devaluation. And then, “Make in India” was established to fight against these crises in which government wanted the nation to produce their own goods or find a substitute for them. Because of fewer subsidies, more interference of the government, less availability of finances and few more reasons, domestic manufacturers avoid producing goods within the country borders and invest in other countries. If domestic investors will not invest in their own nation, then, we cannot expect investment from foreign investors. FDI is very important for Indian economy to get their place in the global market. After the initiation of the campaign in 2015, India received US\$63 Billion in FDI, with which India came out as top destination globally for FDI, surpassing the United States of America and the People’s Republic of China. India ranks 130th out of 189 countries in the World Bank’s 2016 ‘ease of doing business index’. During all this, our banking sector was also struggling with a systematic problem i.e. Non-Performing Assets (NPAs). NPAs was getting worse with this time. Public sector banks had so many stressed assets

which were the point of worry. Without a sound and effective banking system, no country can ever have a healthy economy. Government has passed many schemes and made banking to contribute in the development process. It is no longer restricted to only the metropolitans, but has reached even to the remote areas of the country. Banking has the prime, foremost and most significant share in shaping up the Indian economy. To fight with NPAs of the Public sector banks, government started Indradhanush program, in which they recapitalized most of the amount and expected public sector banks to mop up the rest with the help of domestic and foreign investors. Now the government has given many relieves and schemes are passed to encourage banking for the small entrepreneurs on easy loans and large benefits. Government has to cross huddles to make it a successful initiative. Firstly, the government has to settle down the bad loans of the banks, so that, they can give further loans. Secondly, banking need to be more advanced and fast, so that, they can make it easy for the customers. Thirdly, most of the population of India is uneducated or they are afraid of saving or investing their money in the banks. Government needs to promote banking. The banking system has developed a lot after the introduction of 'Make in India' program. With the introduction of IT in the banking, it has become easy for customers as well as bankers. RBI has released vision for 2018 to encourage electronic payments, internet banking, mobile banking, ATMs, increasing the usage of digital channels, etc. Banking also helps in employment generation and granting loans which help with growth in the economy. Many new Banks and institutions were established after they launch 'Make in India'. These will help to reach banking in the rural areas and help in the development of rural areas. Our country has two vital elements with them which are human resource and financial assistance. Most of the firms in India are Medium and Small enterprises which need financial support and loans to expand their business. People in India want to invest less and earn more profit so they focus on importing the product that was the reason for the downfall of the Indian economy. Also, they were lack of the financial support as loans were given to them on high rate of interest, due to which they prefer to take loan from private money-lenders. Under the Prime Minister Jan Dhan Yojana (PMJDY), approximately 21.81 crore bank accounts are opened. The idea behind opening bank accounts was that it would empower them financially by encouraging savings, easing loan delivery and direct cash transfers. The government has asked every individual of the nation to open an account in banks and with the same he gave insurances. This was done to bring financial inclusion, to increase social development and develop banking habits. Under "Make in India", PM, Modi asked the Central Bank to use Indian paper and ink to print currency notes and give their contribution in "Make in India". More than 2000 crore currency note is being printed by RBI every year and most of paper and ink are imported. The notes that bear Mahatma Gandhi's image should also be "Swadeshi", said the PM. Hence, we can see that India has a long way to go and Indian banks need to come forward to play a leading role.

2. OBJECTIVES OF THE STUDY

Banking has the leading, foremost and major share in shaping up Indian economy. The objectives of the study are:

- a) To identify the contribution of banking sector in the growth of Indian economy.
- b) To understand the future plans and strategies of government for Indian economy in the context of banking and 'Make in India' campaign.
- c) To spot the challenges for government to make "Make in India" a success for banking.
- d) To witness the benefits to banking industry due to 'Make in India' campaign.

3. REVIEW OF LITERATURE

G. Smrithi et al. (2015) conducted a study on **Role of HR and Financial services in making "Make in India" campaign a success**. In this they have discussed the different ways to promote financial services, impact and importance of human resource in the manufacturing sector. They say that manufacturing sector needs to make a favorable framework so that domestic and foreign countries attract towards an Indian market. Skills and performance of the workers should be enhanced with different techniques for better results. Financial service provider and advisors are needed to guide the industrialists at every step. To make India a manufacturing hub we just require favorable working conditions, financial assistance and encouraging investment conditions.

4. CONTRIBUTION OF BANKING IN THE GROWTH OF INDIAN ECONOMY

Ever since the banks were nationalized in 1969, banks are playing a major role in the socioeconomic life of the country. They not only have to act as a creditor, but also the medium of economic development. They control over a large part of the supply of money in circulation. They also contribute to the growth of a developing economy by granting loans to all sectors, by generating employment and by following the monetary policy of the country

a) Banking in Agriculture- Finance in agriculture is important as it helps in development of technologies and production. The government introduced most of the schemes through the banking sector to raise the poor and the neglected sections. Earlier only the cooperative banks used to provide finance to the agriculture sector, but now government made it obligatory for many commercial banks provide funding for agriculture, as a priority sector. In a country like India, development of rural region can only be done if loans are provided at low rate and for short periods. The government took many steps for the betterment of farmers and provides loans to them for all agricultural purposes.

b) Banking in Industrial sector- The Industrial Development Bank of India (IDBI) is the institution in India which gives financial assistance to the industrial sector projects. IDBI gives financial assistance to industries by granting loans, underwriting and purchasing stock, bonds and debentures. It also gives guidance to start a business. Development of the industrial sector will generate employment.

c) Give quality services- With the introduction of IT in banking, the working of banking sector had innovative changes. It leads to fast working of the sector and reduction of burden on both banks and customers. Because of developing technologies the focus of our banks has shifted to customer retention from customer attention. Now it made it easy for the customers to access their bank accounts without actually visiting the bank premises. Various customer oriented benefits like ATMs, Online banking, Debit/Credit cards, online payments of bills, telebanking and electronic payments were introduced to give quality services.

As per RBI's current report of 2016, Indian banking sector is sufficiently capitalized and well-regulated. The financial and economic conditions in the country are far better to any other country. As Arundhati Bhattacharya, Chairman, State Bank of India, said that "India will need bigger banks to grow like China". Among the top 10 banks in the world, three of them are Chinese. Our human resource rate is also high, like China, we just need to understand now that how to use this populating as a resource. If the economy will grow the banks will ultimately need to grow. Growth of banking will generate employment, control the inflation rate and will help to give finance to the government for social projects, infrastructure funds like Digital India initiative, bullet train projects, etc. All these will lead to economic growth of the nation. Development of all these sectors, requires finance, which will be credited by banks. So for long lasting growth of economy, the Indian banking sector will be equally responsible.

5. FUTURE PLANS AND STRATEGIES OF GOVERNMENT FOR INDIAN ECONOMY IN THE CONTEXT OF BANKING AND "MAKE IN INDIA"

The prime purpose of the government to develop Indian economy under "Make in India" is job creations in the nations which is highly populated and have young minds that were unemployed or have problems with financial assistance. The Indian banking industry has already started working on Innovative banking models to help the economy in the growth.

On 2nd April 2015, RBI organized Financial Inclusion Conference in Mumbai PM, Modi highlighted government's vision for the banking industry. Hereunder, 'Make in India' campaign, PM, Modi discussed about the RBI's currency printing and minting role, the PM asked the central bank to use Indian inks and paper to print currency notes. He also asked them to set a target date and achieve the objective as a part of Make in India. The RBI prints over 2000 crore currency notes each year for which most of the paper and ink are imported from the U.K., Germany, and Japan which increases around 40% of the cost. If the production of these currency notes will be in India, it will control import. The notes that bear Mahatma Gandhi's image should also be "Swadeshi", said the PM. On this RBI says that, the date cannot be fixed, but they have already started working on the factory construction and soon they will start producing currency notes which will be native. Experts said that homegrown of notes will help to control

counterfeiting and black money. Counterfeiting of notes leads to increase of black money because of this RBI cannot estimate the flow of money and the capital left with the bank is less as compared to what is flowing in the market. However, India will need to build up its capacity to produce currency paper and inks that cannot be counterfeited.

The government has taken measures to build up our economy with the help of Indian banking sector, so that national as well as foreign investors invest more in the country. With the help of Make in India, the government invited many foreign countries to manufacture their product in India and this generates employment and standard of living of the nation will develop. People will be able to demand more and invest more.

Effective banking leads to a healthy economy. If banking sector will develop they can increase the number of branches and generate employment which grounds growth of the economy. The GDP of the country will increase with increase in income of the people. If the country has superior financial assistance then everyone will invest in the country, because for manufacturing a product only self capital is not enough, people need credit too. To motivate manufacturing in India government focused on banking, if our banking sector will work effectively, then only people will invest in banks. To increase FDI in the nation, we should have secure investment plans, less government interference and excellent loaning schemes with economical rates of interest. New technologies were introduced for smooth working of banks. And with the increase in manufacturing not only our trade sector will develop, but GDP will also increase. When foreign countries will invest in India they will take help from Indian banks, which will increase the flow of cash in the country. When the government will have foreign currencies then they can increase their investment in global markets. Earlier, India used to spend in foreign countries, but now foreign countries will spend in India in the form of investment and wages.

6. CHALLENGES FOR GOVERNMENT TO MAKE “MAKE IN INDIA” A SUCCESS FOR BANKING

Difficult roads often have many hurdles in their way. And for India “Make in India’ is a big step to start the working of the nation. To make “Make in India” a success in the banking, government has to cross many hurdles.

a) Government interference- In the democratic country like India, there is a problem of government interference. The country consists of two-three parties and when one ruling government makes decision, rivals oppose it. This sometimes leads to declining of the plans and economy couldn't grow.

b) Lack of money- To build industries, we need infrastructure and finance. Our country is in short of both. At the time, Make in India came into consideration, our banking system was struggling with piles of bad loans due to which Indian Banking system is unable to lend much unless the balance sheets are cleared.

c) Recapitalisation of the banks- Although the government has taken steps to recapitalise the NPAs of the banks but the amount to be settled is huge. Government needs to step up its efforts and allocate more resources to settle the banking industry. For this we need the help of Indian as well as foreign investors.

d) Rely on foreign investors- As the many taxes and duties are applicable on the domestic investors. Their hands are tied and they do not contribute in the banking sector. So they have to rely on foreign investors.

e) Changing of new currency notes- If RBI produces new currency notes, then all the running currency in the country need to be changed. This can cause a problem for the general public and banks. They need to bring the money changers and due to high rate of population the change of money will become a hard chore for them.

f) Pressure on fiscal deficit targets- By providing extra funds to the banking system, pressure will come on the fiscal deficit target. But unless the bad loans of the banks are not shackled, they could not contribute in future projects.

g) Relation with foreign countries and markets- When people will start producing goods in India only which was earlier bought from foreign market, this can have the problem with the relation of India with that nation. Like with China, we were the main buyers of the Chinese products. This will affect the FDI of the country.

To make this initiative a success, the government has to cross all these hurdles. They need capital and resources for the development of infrastructure and to promote investments. And for this they require a fast working banking system and a healthy economy.

7. BENEFITS TO BANKING INDUSTRY DUE TO “MAKE IN INDIA” PROGRAM

‘Make in India’ will help banks to generate incomes and increase their human resource. When foreign firms will come to India for their investment, they will also bring more technologies which will help in smooth functioning of banks.

After the launch of “Make in India” campaign many national as well as foreign industries joined hands, which increased the Foreign Direct Investment in the country. With the increase in FDI, many Indian banks were benefited. Many banks increased their number of branches and many new small banks were introduced.

a) India’s first small finance bank called the Capital Small Finance Bank, has started with 10 branches in Punjab, and aims to increase the number of branches to 29 in the current FY 216-17.

b) JP Morgan Chase, the largest bank in the United States by assets, plans to expand its operations in India by opening three new branches and many others.

c) Development of banking did not cover only cities, but now they focus on rural areas too. IDFC bank has started their operations with 23 branches, including 15 branches in rural areas of Madhya Pradesh.

d) The RBI has released the Vision 2018 document, which aim at encouraging greater use of electronic payments by all sections of society by bringing down paper-based transactions, increasing the usage of digital channels and encouraging customers to use mobile banking. With the introduction of ATMs, internet banking, mobile banking, credit cards and debit cards, etc. the workload on both banks and customers are reduced.

e) Now banks are also focused on helping the customers who want to start up their new business in India. SBI has opened its 1st branch in Bengluru, to serve the companies, who want to start their business.

f) AXIS Bank, ICICI Bank, SBI, PFC AND REC gave their contribution for “Make in India” by giving their domain expertise in Infra Financing.

The next decade of the banking industry will be witnessed experimenting with low cost business models, smaller cost effective branches and new technologies which will serve the economy profitably. As we can see many banks are introducing technologies and other profit making schemes which can increase their productivity. With the innovation in the banking industry, the main focus of banks has shifted to customer satisfaction and they have not only restricted to cities but have covered most of the rural areas too. This made it easy for poor farmers to take loans on easy rate of intersts and installments.

8. CONCLUSION

Our economy has survived through terrible period. They necessitate to maintain these strategies to lead for a long time and to come under the best developed economies of the globe. With the help of ‘Make in India’ program, we can make our economy strong and allow the growth of infrastructure, trade and human resource. The initiative was launched to encourage national as well as international companies to invest in India. Before ‘Make in India’ our banking condition was poor, as they had a large number of non-profit assets. And government alone could not recapitalise the accounts of banks. So they require FDI and the investment by domestic investors. To increase FDI in the country ‘Make in India’ is the finest step government has taken. The banking system is the linchpin of the growing economy. Indian banking system need to be advanced and fast so that they can provide easy loans, fast working and there need to be less government interference. As ‘Make in India’ can help us to collect FDI, which can help strengthen the value of Rupees against the domination of the dollar. Make in India lead to the open invitation to manufacture and invest in India, with which, it is ranked as 130th in the ease of doing business. India can have a strong economy like China, if we can have strong financial assistance. We need a positive business attitude, improved consumer confidence and controlled inflation to make our economy well-built. Under ‘Make in India’, PM, Modi wants RBI to produce Indian currency with Indian ink and paper. This helps to reduce a large amount of cost which is wasted by the government to import the paper and ink from outside the borders of India. This will also help in counterfeiting of currency notes. To conclude, we can say that, for the growth of economy ‘Make in India’ is the biggest step. But limited access on the capital will choke the initiative. The government needs a massive cleanup

of the banking industry or they need to make more strategies to encourage investment in India. Our government needs to take more firm steps, to solve the infestation of corruption, black money and counterfeiting of notes to strengthen our banking industry.

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