



Make in India: Growth and Future Scenario of Foreign Direct Investment

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ABSTRACT

FDI is the key instrument for a country to achieve a sustainable high economic growth. India has marked its presence as one of the fastest growing economies of the world. India is ranked among the top 3 attractive destination for inbound investment. The obstacles have been removed, now there is peace and security and the chances for FDI are maximum but the conditions are not sufficient. It needed an attractive investment climate, good governance and rule of law. FDI made its entry in India in the year 1991-1992 with the aim to bring together the intended investment, actual savings and meet the balance of payment deficit of the country. Make in India an encouraging initiative has been taken by the government of India to increase FDI in the country. The aim of the initiative is to build physical infrastructure and to create a digital network for making a tremendous impact on the investment climate of the country.

Keywords: *Liberalization, Make in India, Manufacturing sector, Economic development, Indian economy*

INTRODUCTION

Foreign Direct Investment means an investment made by a company based in one country, into another country company or entity. FDI play a very great degree of influence and control over the host country. Free economy with highly skilled human resource

available and good growth prospects tends to attract quality amount of investment than closed, highly regulated economies. In India foreign direct investment was introduced in 1991 by finance minister Manmohan Singh through (LPG). Starting from base line of less than 1 billion US \$ in 1990, gains 9th position in 2014 and become world's top destination in 2016. The purpose of the new scheme "Make in India" is to encourage multi-national, as well as national companies to manufacture their products in India. The campaign was launched by Prime Minister Narendra Modi on 25 September 2014. After initiation of the programme India emerged in 2015 as the top destination globally for foreign direct investment, surpassing the United States of America as well as the People's Republic of China. In 2015, India received US\$63 billion in FDI. But the target should be much more but the savings seems to be stationary. India is a country rich in natural resources. Labor is apparently and skilled labor is easily available given the high rates of unemployment among the educated class of the country. India is becoming a best destination for most of the investors. Make in India is the Indian Governments effort to harness this demand and boost the Indian economy. Manufacturing currently contributes just over 20% to the national GDP. The target of this make in India campaign is to grow this to 25% contribution as seen with other developing nations of Asia. In the process, the target of the government is to generate jobs, attract much FDI and

transform India into a manufacturing hub preferred around the World. The gap between actual saving and induced investment, loans by foreign banks and other places, and foreign direct investments. Among these three forms of financial assistance, India prefers as well as possesses the maximum amount of foreign direct investment.

REVIEW OF LITERATURE

Bhagwati J.N.7 (1978), in his study “Anatomy and consequences of exchange control regimes” analyzed the impact of FDI on international trade. He concluded that country’s economy can reap benefits from FDI. M Joseph and N. Soundararajan, (2009) The Indian Council for Research on International Economic Relations (ICRIER) study has shown that hardly 1.7% of small shops have closed down due to competition from organized retail. They competed successfully against organized retail through adoption of better business practice and technology. Mottaleb, K.A. and Kalirajan, K.(2010) determinants of FDI in developing countries, The Journal of Applied Economic Research, 4(4), 396-404.K.R.Kaushik and Dr. Kapil Kumar Bansal (2012) identified that there are disadvantages attached with it. As the living style and purchasing power of consumer improves they want to changes in their environment. FDI is very advantageous in spite of its disadvantages. Dr. M. ShahulHameedu 2014) said in their research that FDI in India has plays a very important role in the development of economic growth in the creation of job opportunities and improving the existing manufacturing industries. The inflow of FDI in Indian retailing business: aware and make active the other sectors like computer software and hardware, drugs and Pharmaceuticals, electronics sector, etc. These sectors in Indian retailing business have much expand by the FDI.

Role of HR and Financial Services in Making “Make in India” Campaign a Success by Samridhi Goyal , Prabhjot Kaur , Kawalpreet Sing stated that FDI has helped in employment generation, boosting trade and economic growth, safe guard and sustain the overall development of India and its citizen. He stated for fostering innovation, generate employment opportunities, intensify skill development preventing brain drain and making the use of internationally well quality technology affordable for Indian citizens. In order to make India a manufacturing hub its human resource and financial assistance will play a major role. There is a need for financial service providers

and advisors who could work for these industrialists right from the beginning.

OBJECTIVES

1. To know role of FDI in India.
2. To analyses FDI in reduction of cost production, access to resources and access to markets.
3. To conscious about the new initiative ‘Make in India’ in boosting the economy of the country.

METHODOLOGY

This study carried out is analytical and empirical in nature. The study is based on published sources of data collected from various reports and publications of Government of India, RBI, IMF relating to foreign direct investment, economic journals, books, newspaper, magazines, internet and other previous research etc.

CURRENT SCENARIO OF FDI THROUGH “MAKE IN INDIA”

Government of India has taken various reformal initiatives like Make in India to create an enabling environment that has provided a push to manufacturing, design, innovation and entrepreneurship. With a growth rate of 7.5%, India has emerged as the fastest growing economy globally and it remains an oasis in the midst of a subdued economic landscape. The Prime Minister of India has introduced various schemes for the development of the country such as “Digital India”, “100 Smart Cities” and “Skill India”. The Make in India initiative, in particular, aims to make India an integral part of the global supply chain. Key focus sectors such as defence, railways, construction, insurance, pension funds and medical devices have all been rapidly opened up for Foreign Direct Investment. The Government of India has also taken up various measures to radically improve its ‘Ease of Doing Business’ ranking.

MAKE IN INDIA HAS ALREADY CREATED A STRONG IMPACT WITH INNOVATIVE AND TANGIBLE RESULTS:

India is now 1st (First)

- Amongst the world’s fastest growing economies.
- in the world’s topmost greenfield FDI destinations, January-June 2017

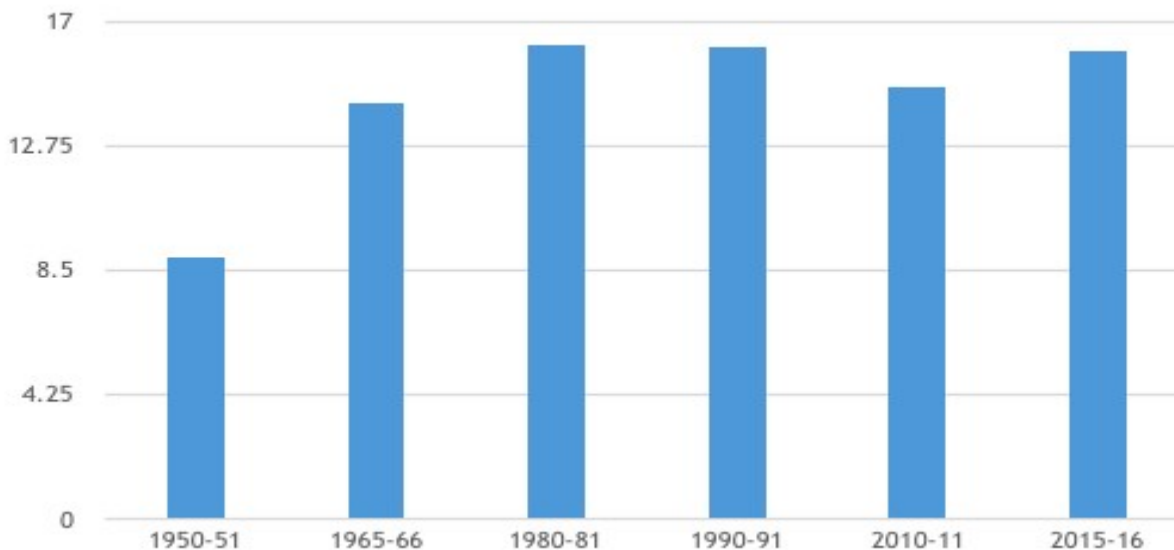
- Among the 100 Countries in the growth, innovation and leadership index.
- World’s fastest growing economies in both 2016-2017.
- Choice for technological MNCs to set up R&D centers outside their home countries.
- World’s most attractive investment destinations.
- In 110 investment destinations polled globally.

GROWTH OF MANUFACTURING SECTOR

Manufacturing has emerged as one of the high growth sectors in India. Mr. Narendra Modi, had launched the ‘Make in India’ program to place India on the world map as a manufacturing hub and give world recognition to the Indian economy. Presently India ranking among the world’s 10 largest manufacturing countries has improved by three places to sixth position in 2017. The Government of India has set an ambitious target of increasing the contribution of

manufacturing output to 25 per cent of Gross Domestic Product (GDP) by 2025, from 16 per cent currently. India’s manufacturing sector has the potential to touch US\$ 1 trillion by 2025. There is potential for the sector to account for 25-30 per cent of the country’s GDP and create up to 90 million domestic jobs by 2025.

The contribution of the secondary sector to GDP just after India gained independence was substantial. Early 1950-51, the manufacturing sector in India contributed only 8.98% to the GDP. However progress of industrial development in second five year plan by 1965-66, it had increased to 14.23%, at the start of 1980 this figure further increased to 16.18% but it remained constant in that decade until 1990-91. During the fiscal year 2016-17 the manufacturing sector contributed about 16% to the GDP.



Source: Ministry of finance, Department of economic affairs, Government of India

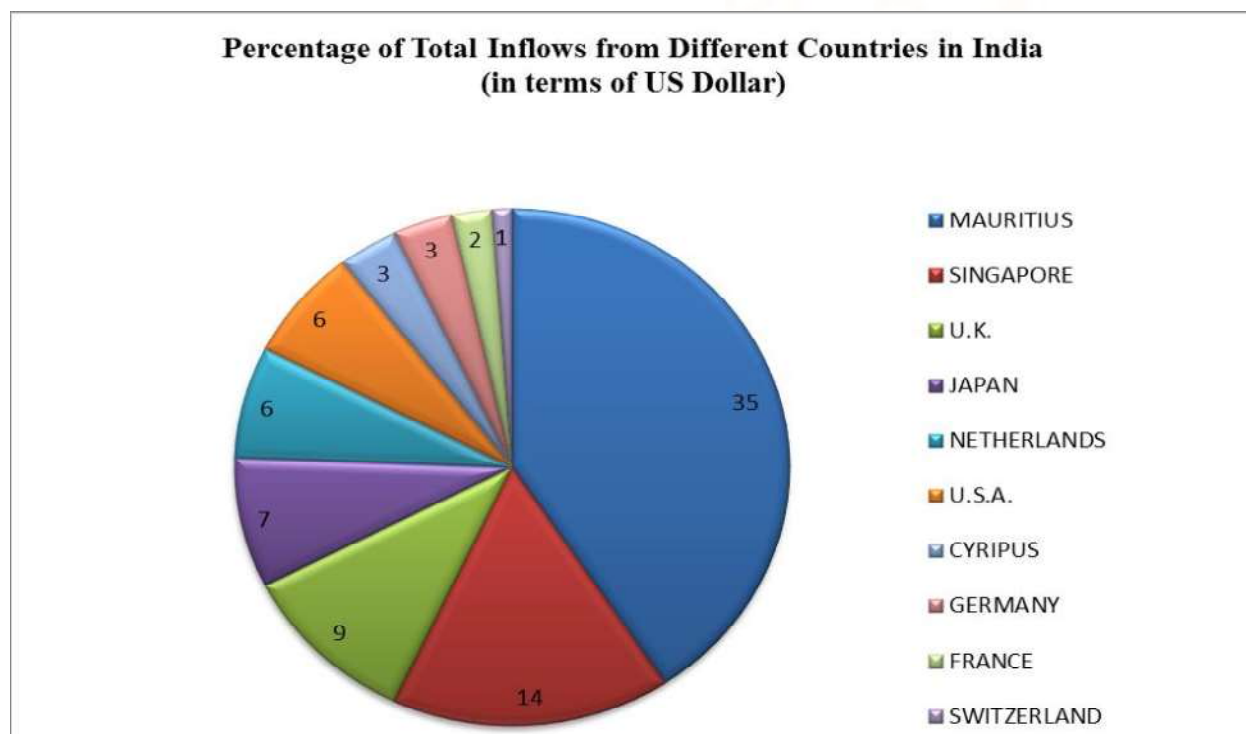
TOP INVESTING COUNTRIES

Mauritius led the share of top investing countries by FDI equity inflow into India with US\$ 3,934 million during April-August FY 2016, followed by Singapore, Netherlands, and Japan etc. The share of top five leading countries is shown below as:

(US\$ in million)

Amount Rupees in crores (US\$ in million) Ranks	Country	2013-14 (April - March)	2014-15 (April - March)	2015-16 (April-March)	Cumulative Inflows (April '00 - May '16)	%age to total Inflows (in terms of US \$)
1.	MAURITIUS	51,654 (9,497)	29,360 (4,859)	13,592 (2,283)	384,077 (80,808)	35 %
2.	SINGAPORE	12,594 (2,308)	35,625 (5,985)	5,797 (982)	131,604 (26,417)	14 %
3.	U.K.	5,797 (1,080)	20,426 (3,215)	3,239 (545)	104,123 (21,309)	9%
4.	JAPAN	12,243 (2,237)	10,550 (1,718)	1,916 (319)	82,560 (16,587)	7 %
5.	U.S.A.	3,033 (557)	4,807 (806)	923 (154)	56,653 (12,081)	5 %

Source: Ministry of finance, Department of economic affairs, Government of India

GRAPHICAL REPRESENTATION

Source: Ministry of finance, Department of economic affairs, Government of India

HIGHEST ATTRACTING SECTORS

The service sector attracts highest FDI inflow with US\$ 2,336 million in the period April-August 2014 followed by the construction development, telecommunication, computer software and hardware, drug and pharmaceuticals, which are shown in table as:

Amount in Rs. Crores (US\$ in million)

Amount in Rs.\$ Crores (US\$ in million) Ranks	Sector	2013-14 (April - March)	2014-15 (April-March)	2015-16 (April-March)	Cumulative Inflows (April '00 - May '15)	% age to total Inflows (In terms of US\$)
1.	SERVICES SECTOR **	26,306 (4,833)	13,294 (2,225)	3,445 (574)	189,015 (40,034)	18 %
2.	CONSTRUCTION DEVELOPMENT: TOWNSHIPS, HOUSING, BUILT-UP INFRASTRUCTURE	7,248 (1,332)	7,508 (1,226)	1,317 (221)	109,874 (23,527)	11 %
3.	TELECOMMUNICATIONS (radio paging, cellular mobile, basic telephone services)	1,654 (304)	7,987 (1,307)	8,966 (1,512)	75,685 (15,675)	7 %
4.	COMPUTER SOFTWARE & HARDWARE	2,656 (486)	6,896 (1,126)	668 (112)	60,339 (12,929)	6 %
5.	DRUGS & PHARMACEUTICALS	6,011 (1,123)	7,191 (1,279)	4,031 (680)	60,101 (12,277)	6 %

Source: Ministry of finance, Department of economic affairs, Government of India

ADVANTAGES AND DISADVANTAGES OF FDI**(a) Positive Impacts**

1. Increasing employment level and improving efficiency of production.
2. Helping in capital formation by bridging gap between saving and investment.
3. Increasing efficiency of production through transfer of new technology, skilled man force and intellectual property.
4. Improving efficiency of domestic industries through competition with foreign industries.
5. Decreasing balance of payments deficit through increasing export and decreasing import.

(b) Negative Impacts

1. FDI directly impact on domestic industries fear that they may lose their ownership.
2. The increasing investment leads to environmental degradation.
3. Some may edge out of business because they are not able to compete with World class companies.
4. Government has less control over the functioning of such companies as they usually work as wholly owned subsidiary of an overseas company.

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6. https://en.wikipedia.org/wiki/Make_in_India
7. <http://www.makeinindia.com/sectors>
8. <http://www.rbi.org>

CONCLUSION

With the introduction of new initiative “Make in India” the inflow of FDI creates innovative and tangible benefits for the Indian economy, results like use of advanced technology, expertise, improving standard of living, better infra-structure, improving competitiveness, boosting exports and providing India with a global platform. The service sector of Indian economy is growing very fast but it would not remain in the same condition for long time until we develop manufacturing sector. It is only possible to take innovative technologies with sustainable development in industrial sector only through foreign direct investment.

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