

**Impact of Make-In-India Campaign on FDI inflows in Indian Economy.**¹Prof. Vaibhav Shahaji Patil, ²Prof. Sangeeta Bhuyan, ³Prof. Priyanka Pandita.^{1,2,3} Assistant Professor, Sri Balaji Society, Pune

Abstract: - Foreign direct investment (FDI) in India is the major monetary source for economic development in India. Foreign companies invest directly in fast growing private Indian businesses to take benefits of cheaper wages and changing business environment of India. Economic liberalization started in India in wake of the 1991 economic crisis and since then FDI has steadily increased in India. Government initially increased foreign investment upper limit from 26% to 49% in insurance sector. It also launched Make in India initiative in September 2014 under which FDI policy for 25 sectors was liberalized further. India was ranking 15th in the world in 2013 in terms of FDI inflow, it rose up to 9th position in 2014 while in 2015 India became top destination for foreign direct investment. Singapore, Mauritius, the Netherlands and the US account for the major share of FDI inflows into India. Service sector accounts for 31%, Telecom Sector accounts for 12% and Computer and IT accounts for 12% FDI inflows. The major objective behind "Make in India" initiative is to focus on heavy industries and empowering secondary and tertiary sectors. If authorities facilitate the requirements of the national programs of 100 "Smart Cities" and "Industrial Corridors" India needs to reboot its economy. After several years of gross national product (GNP) growth averaging 7.7%, between 2002 and 2011, this pace slowed down to around 5% in 2013 and 2014. Make-in-India will help us by making India a global manufacturing hub, creating millions of jobs in the country. Government has announced several steps to improve the business environment by easing processes to do business in the country. It will also help to foster innovation, protect intellectual property, and enhance skill development. It is reported that FDI inflow of most of the sectors have drastically increased in the year 2014-15 than 2013-14 due to the positive impact of Make in India Campaign. FDI Inflow and Equity inflow has increased 47% and 60% respectively after the Make in India campaign over time duration of 24 months period.

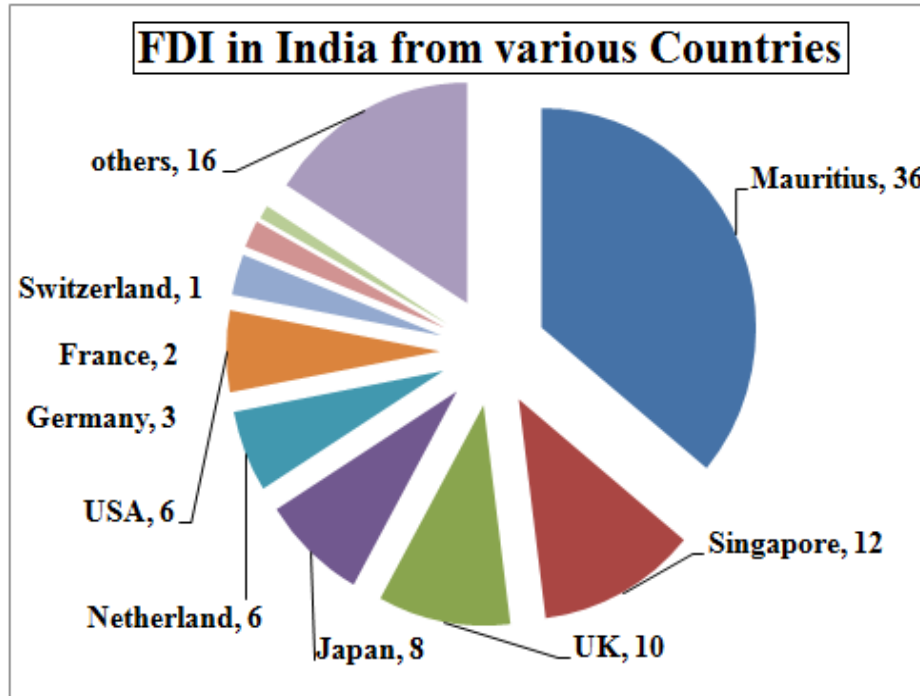
Keywords: FDI, Make in India, Equity Inflow

Introduction: - FDI in India.

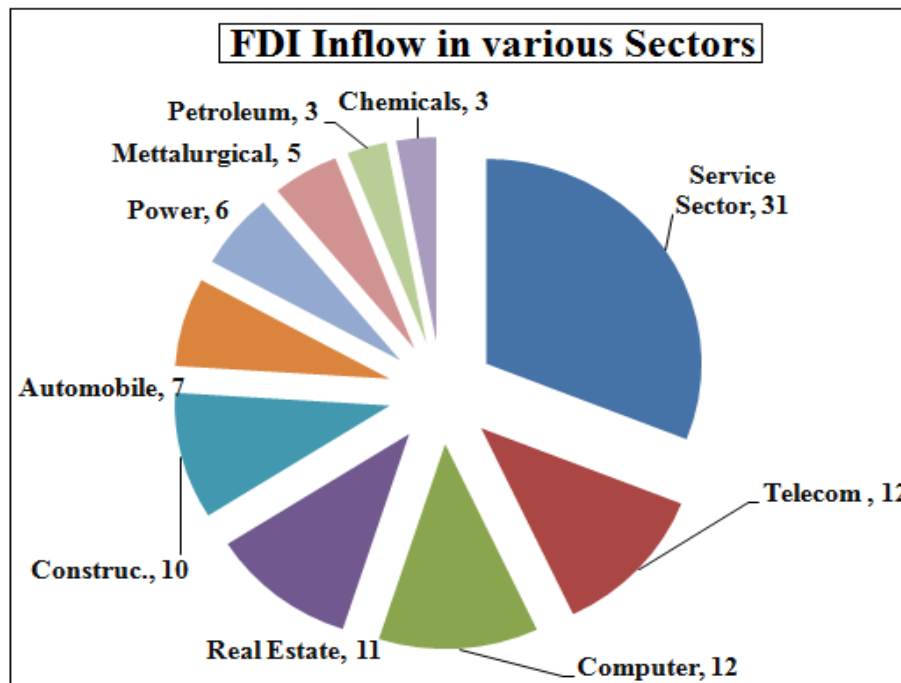
Foreign direct investment (FDI) in India is the major monetary source for economic development in India. Foreign companies invest directly in fast growing private Indian businesses to take benefits of cheaper wages and changing business environment of India. Economic liberalization started in India in wake of the 1991 economic crisis and since then FDI has steadily increased in India. According to the Financial Times, in 2015 India overtook China and the US as the top destination for the Foreign Direct Investment. In first half of the 2015, India attracted investment of \$31 billion compared to \$28 billion and \$27 billion of China and the US respectively.

The Government of India has amended FDI policy to increase FDI inflow. In 2014, the government increased foreign investment upper limit from 26% to 49% in insurance sector. It also launched Make in India initiative in September 2014 under which FDI policy for 25 sectors was liberalized further. As of April 2015, FDI inflow in India increased by 48% since the launch of "Make in India" initiative. India was ranking 15th in the world in 2013 in terms of FDI inflow, it rose up to 9th position in 2014 while in 2015 India became top destination for foreign direct investment.

Make in India is an initiative launched by the Government of India to encourage multi-national, as well as national companies to manufacture their products in India. The share of agriculture in India's GDP has declined from 35% in 1980 to 18% in 2013 and the corresponding share of services has risen from 40% to 57%; however the share of manufacturing has largely remained stagnant averaging around 15.5% of GDP over the last 35 years. Make in India will help manufacturing sector to increase its share and generate more employment in the country.



Singapore, Mauritius, the Netherlands and the US account for the major share of FDI inflows into India. Out of FDI equity inflows of \$24.8 billion during 2015-16 (April-November), more than 40% came from two geographically small countries—Singapore and Mauritius.



Above figure shows percentage share of particular sector in total FDI inflows. Service sector accounts for 31%, Telecom Sector accounts for 12% and Computer and IT accounts for 12%. Service, Telecom and IT accounts for 55% of the total FDI inflows.

FDI in India after 1991 Reforms

FDI in India after 1991 Reforms		
Sr No	years	FDI Inflows Post Reform Rs. In Crores)
1	1992	409
2	1993	1094
3	1994	2018
4	1995	4312
5	1996	6916
6	1997	9654
7	1998	13548
8	1999	12343
9	2000	10311
10	2001	10733
11	2002	18654
12	2003	12871
13	2004	10064
14	2005	14653
15	2006	24584
16	2007	56390
17	2008	98642
18	2009	142829
19	2010	123120
20	2011	97320
21	2012	165146
22	2013	121907
23	2014	147518
24	2015	210800

The above table shows that FDI inflows after the 1991 reforms. Since 1991 FDI inflows is gradually increasing from 409 crores to 210800 crores,

Benefits for the foreign Investors under Make in India:-

Foreign equity caps in various sectors had been relaxed.

1. 100 per cent FDI allowed in the telecom sector.
2. 100 per cent FDI in single-brand retail.
3. The application for licenses was made available online and the validity of licenses was increased to three years.
4. For all non-risk, non-hazardous businesses, a system of self-certification to be introduced.
5. Process of obtaining environmental clearances made online.

6. The Government of India is developing the Delhi-Mumbai Industrial Corridor (DMIC) as a global manufacturing and an investment destination utilizing the 1,483 km-long, high-capacity western Dedicated Railway Freight Corridor (DFC) as the backbone.
7. In August in August 2014, the Cabinet of India allowed 49% foreign direct investment (FDI) in the defense sector and 100% in railways infrastructure.
8. The Modi Government has also signed a staggering USD 35 Billion investment deal with Japan for infrastructure development.
9. The major objective behind „Make in India“ initiative is to focus on heavy industries and empowering secondary and tertiary sectors. If authorities facilitate the requirements of the national programmes of 100 “Smart Cities” and “Industrial Corridors”

Reasons for Initiative of Make in India campaign

- 1) India needs to reboot its economy. After several years of gross national product (GNP) growth averaging 7.7%, between 2002 and 2011, this pace slowed down to around 5% in 2013 and 2014.
- 2) India needs more jobs for its young people. Recently, on average, 5 million new jobs have been created each year, but around 12 million people join the workforce each year. This is the other side of the demographic dividend: India's labor force is expected to grow to 600 million by 2022. Job creation will fight poverty and help divert people from agriculture, which has a low capacity to sustain their livelihood.
- 3) India's economic development model has been quite peculiar, offering privileges to skilled labor often employed by foreign companies. Conversely, other economies have achieved success by first providing incentives for job-creating manufacturing industries. That is why today manufacturing in China makes up 34% of gross domestic product. The Chinese have positioned themselves as the 'workshop' of the world, accounting for 22.4% of global manufacturing, while India accounts for only 2%. India's manufacturing sector is less productive compared to its competitors and accounts for only 15% of its GDP. The government has set a target of 25% of GDP by 2022.

Objectives of Make in India Campaign:-

1. Making India a global manufacturing hub
2. To create millions of jobs in the country.
3. Announcing several steps to improve the business environment by easing processes to do business in the country
4. To attract overseas companies to set up shop in India
5. To encourage domestic companies to increase production within the country
6. To increase increasing the GDP and tax revenues in the country.
7. To foster innovation, protect intellectual property, and enhance skill development are aims of the program
8. Take initiative to boost the manufacturing sector in the country
9. It helps to attract capital and technological investment in India
10. Make in India' aim to facilitate investments, foster innovation and build the best in class Infrastructure

India has advantage Over China:-

With growing labor intensive exports and increasing prosperity, the low cost wage dynamics in China are gradually seeing a shift. Average Chinese wages have grown 14.2% YoY from 2000 to 2013. Average wage in China is more than three times of India, and about double the wage in other Asian countries. This suggests that China is losing advantage as a low-cost manufacturing destination and inducing investors to shift to other South and South-East destinations for low-end

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manufacturing bases. Demographic dividend is expected to cap labor force growth in China as population ages hence benefiting for India in the global markets to export labor intensive products like clothing, textiles, footwear, furniture, plastic products, bags and toys

Data Analysis:-

Secondary data already published by the government and private companies used for the analysis purpose.

Sr No.	FDI inflow after and before Make in India campaign			
		Prior to Make in India	After Make in India	Growth
		Oct 2012- Sept. 2014	Oct 2014- Sept. 2016	
1	FDI Inflow (USD bn)	72.81	106.98	47% (+)
2	FDI Equity Inflow (USD bn)	48.57	77.86	60% (+)

FDI inflow and Equity Inflow has increased 47% and 60% after the make in India campaign over time duration of 24 months period.

Sr No.	FDI inflow for the Financial Year 2015-16			
		April-September 2015	April-September 2016	
1	FDI Inflow (USD bn)	24.49	29.02	18% (+)
2	FDI Equity Inflow (USD bn)	16.63	21.62	30% (+)

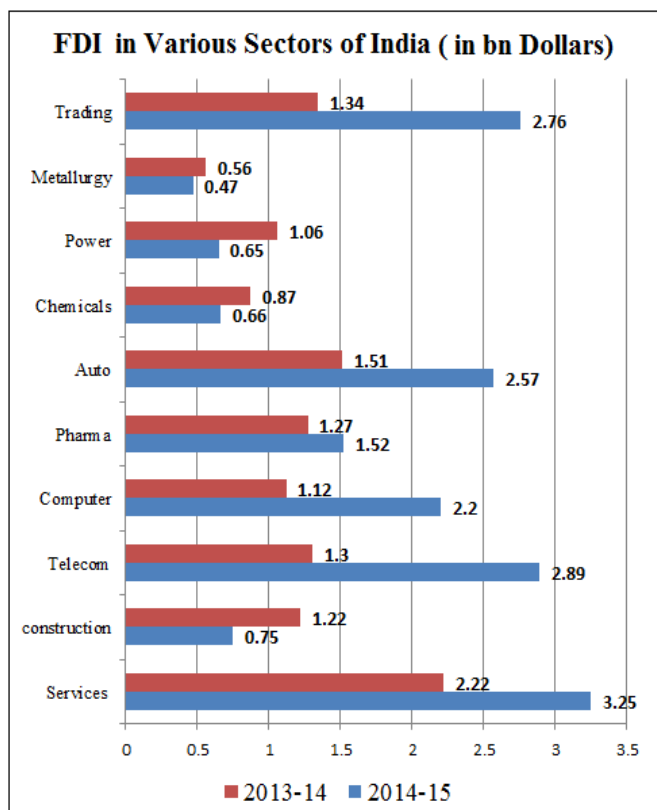
FDI inflow and Equity Inflow has increased 18 % and 30% respectively in the year 2016 over 2015 in time duration of same 5 months period. It shows that growth has sustained and steadily increasing in coming years.

Sr No.	FDI inflow for the last 2 Financial Year			
		2012-14	2014-16	Growth
1	FDI Inflow (USD billion)	70.35	100.61	43% (+)
2	FDI Equity Inflow (USD billion)	46.72	70.93	52% (+)

FDI inflow and Equity Inflow has increased 43 % and 52% respectively in the year 2014-16 over 2012-14 in time duration of same 2 years period. It shows that growth has sustained and gradually increasing in coming years.

FDI In IT, Computers and Electronics (2014-15)			
Sr No	Sub Sector	Apr. 2014-Mar 2015 (USD million)	Apr. 2015-Mar 2016 (USD million)
1	Computer Hardware & Software	2296.04	5904.36
2	Electronics	96.84	208.39
	Total	2392.88	6112.75

Total FDI Inflows in Electronics and Computer Software and Hardware sector grew by 155.5% in FY 2015-16 to USD 6.1 billion from 2.4 billion in FY 2014-15



FDI in various Areas		
(In bn) Dollar	2014-15	2013-14
Services	3.25	2.22
construction	0.75	1.22
Telecom	2.89	1.3
Computer	2.2	1.12
Pharma	1.52	1.27
Auto	2.57	1.51
Chemicals	0.66	0.87
Power	0.65	1.06
Metallurgy	0.47	0.56
Trading	2.76	1.34

Fig: - Increase in FDI after Make in India campaign

The above figure shows that FDI inflow of most of the sectors have drastically increased in the year 2014-15 than 2013-14 due to the positive impact of Make in India Campaign.

Make In India - Investment Details					
Sr No.	Company/Cou ntry	Date	Investment Details Product or Service	Place	Value in Rupees/ Dollar
1	Japan	Dec-15	Japan-India Make-in-India Special Finance Facility	India	US\$12 billion
2	Spice Group	Jan-15	Mobile phone manufacturing unit	Uttar Pradesh	Rs. 5 billion
3	Samsung	Feb-15	Samsung Z1	Noida.	NA
4	Samsung	Jan-15	"MSME-Samsung Technical Schools"	India	NA
5	Hitachi	Feb-15	Auto-component plant construction.	Chennai, TN	NA
6	Hitachi	Feb-15	Employee Recruitment 3000 Nos.	India	¥100 billion - ¥210 billion
7	Huawei	Feb-15	(R&D) campus in Bengaluru	Karnataka	US\$170 million
8	Huawei	Feb-15	Telecom hardware manufacturing plant	Chennai, TN	NA
9	Marine Products Export Development Authority		Supply shrimp eggs to shrimp farmers	India	NA

10	Xiaomi	Feb-15	Smartphones Xiaomi Redmi 2 Prime	Andhra Pradesh	Xiaomi Redmi 2 Prime
11	LH Aviation, France & OIS Advanced Technologies	Jun-15	Manufacture drones.	India	NA
12	Foxconn	8-Aug-15	R & D center and Hi-Tech semiconductor manufacturing facility	Maharashtra	US\$5 billion
13	General Motors	1-Aug-15	Manufacture Automobiles	Maharashtra	US\$1 billion
14	Lenovo & Flextronics International Ltd.	18-Aug-15	Smartphones:- Lenovo and Motorola Moto E (2nd generation)	Sriperumbudur Chennai	NA
15	Boeing	16-Oct-15	fighter planes, F/A-18 Super Hornet and either the Apache or Chinook defence helicopter	India	NA
16	Taiwan's Wistron Corp	Nov-15	Manufacturing devices Blackberry, HTC and Motorola	Noida	NA
17	Ministry of Railways & Alstom and GE Transport	30-Nov-15	locomotive manufacturing factories	Madhepura and Marhaura Bihar	Rs. 400 billion
18	Qualcomm	Dec-15	Innovation Lab & "Design in India"	Bengaluru	NA
19	Micromax	Dec-15	Three new manufacturing units Employment for 3,000-3,500 people	Rajasthan, Telangana and Andhra Pradesh	Rs. 3 billion
20	Vivo Mobile	Dec-15	Manufacturing smartphones	Greater Noida	NA
21	Russia	Dec-15	Kamov Ka-226 multi-role helicopter Plant	India	NA
22	Make in India Week	13-Feb-16	Rs. 15.2 lakh crore worth of investment commitments & Rs. 1.5 lakh crore worth investment inquiries	India	Rs. 15.2 lakh crore
23	Russia's Irkut Corp	Aug-15	Transfer technology of 332 components of the Sukhoi Su-30MKI fighter aircraft	India	NA
24	Ministry of Defence	2016	contract of Fighting Infantry Combat Vehicle (FICV)	India	Rs. 600 billion
25	Lockheed Martin	Feb-16	manufacturing unit F-16 fighter aircraft	India	NA
26	Foreign investment	NA	Mumbai-Ahemdabad high speed corridor & CSTM-Panvel corridor. more than is expected	Mumbai & Ahemdabad	Rs. 90,000 crore
27	Foxconn, Japan's SoftBank & Bharti airtel	NA	India's solar sector	India	\$20 billion
28	Foxconn,	NA	Investment in Snapdeal	India	\$500 million

Above table shows that Investment made by companies under Make-In-India campaign in various sectors of Indian Economy.

Conclusion:-

Make-In-India has significantly increased FDI inflows leading to India a top destination to set up a business for foreign institutions. Foreign direct investment (FDI) in India is the major monetary source for economic development in India. Foreign companies invest directly in fast growing private Indian businesses to take benefits of cheaper wages and changing business environment of India. More than 40% came from two geographically small countries—Singapore and Mauritius. Service, Telecom and IT accounts for 55% of the total FDI inflows. Since 1991 FDI inflows is gradually increasing from 409 crores to 210800 crores, FDI inflow of most of the sectors have drastically increased in the year 2014-15 than 2013-14 due to the positive impact of Make in India Campaign. FDI inflow has increased 47% after the make in India campaign over time duration of 24 months period. FDI Equity inflow has increased 60% % after the make in India campaign over time duration of 24 months period. FDI inflow has increased 43 % in the year 2014-16 over 2012-14 in time duration of same 2 years period. FDI Equity has increased 43 % in the year 2014-16 over 2012-14 in time duration of same 2 years period. Total FDI Inflows in Electronics and Computer Software and Hardware sector grew by 155.5% in FY 2015-16 to USD 6.1 billion from 2.4 billion in FY 2014-15

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