
The Impact of FDI in Manufacturing Sector of India

Neena Dhanda

Research Scholar

Contact No.9215015015

Email Id : Neena5046@Gmail.Com

ABSTRACT

The Indian Government has introduced many economic reforms in india since 1991.The Manmohan singh and P.V.Narasimha rao who brought FDI in india ,which subsequently generated more than one crore jobs. FDI is one of the important source of development in the developing countries.FDI is an investment in a business by an investor from another country for which the foreign investor has control over the company purchased.

India is ranked fifth in the world in terms of manufacturing capability, according to the “2016 Global Manufacturing Competitiveness Index” by Deloitte Touche Tohmatsu and the US Council on Competitiveness. This conceptual paper focuses on the role of FDI in manufacturing in india , growth, benefits and disadvantages.

KEYWORDS

FDI, MANUFACTURING SECTOR, INVESTOR, ECONOMIC REFORMS,DEVELOPING COUNTRIES.

RESEARCH METHODOLOGY

This paper based on the secondary data. This paper includes views of different authors and Reports.

INTRODUCTION

Economic reforms of 1991 is the way of FDI to enter the Indian economy. The Foreign direct investment is considered to be the life blood for developing countries like India. When the individual or company invest in another country for the purpose to earn the profit is known as FDI. It provides opportunity for technological transfer and upgradation and others.

According to IMF, "Investment that is made to acquire a lasting interest in an enterprise operating in an economy other than that of investor. The investor's purpose being to have an effective voice in the management of the enterprise." The Foreign Direct Investment in different sector of the host country economy help in capital formation in the form of infrastructures, machinery; technology transfer; market access; managerial skill; increasing productivity; create new opportunities for employment; increases volume of output.

OBJECTIVES

- To overview the fdi in manufacturing sector in india
- Role of fdi in manufacturing sector
- Benefits of fdi
- Disadvantages of fdi

OVERVIEW OF FDI IN MANUFACTURING SECTOR IN INDIA

Manufacturing can be defined as physical or chemical transformation of materials into products on large scale using machinery or capital equipments, in contrast to production of handsome goods for personal use. Major sector includes textiles, capital goods, metals, chemicals, tyres, cement electronics, automotive, leather and footwear, machine tools, food, ceramics, textile machinery etc.

In the 2016 GMCI, CEO survey respondents were asked to rank nations in terms of current and future manufacturing competitiveness. Top performing nations have each demonstrated strengths across multiple drivers of manufacturing excellence. The 2016 study takes a closer look at six focus nations: United States, China, Japan, Germany, South Korea, and India. Collectively, these countries account for 60 percent of world's manufacturing GDP, demonstrating the influence these nations have on global manufacturing trends.

Manufacturing has emerged as one of the high growth sectors in India. Prime Minister of India,

Mr Narendra Modi, had launched the ‘Make in India’ program to place India on the world map as a manufacturing hub and give global recognition to the Indian economy.

India’s ranking among the world’s 10 largest manufacturing countries has improved by three places to sixth position in 2015#.

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.

Market Size

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. Business conditions in the Indian manufacturing sector continue to remain positive.

ROLE OF FDI IN MANUFACTURING SECTOR IN INDIA

Foreign direct investment grew 27% in the first seven months of the fiscal to \$27.82 billion, from \$21.87 billion a year ago.

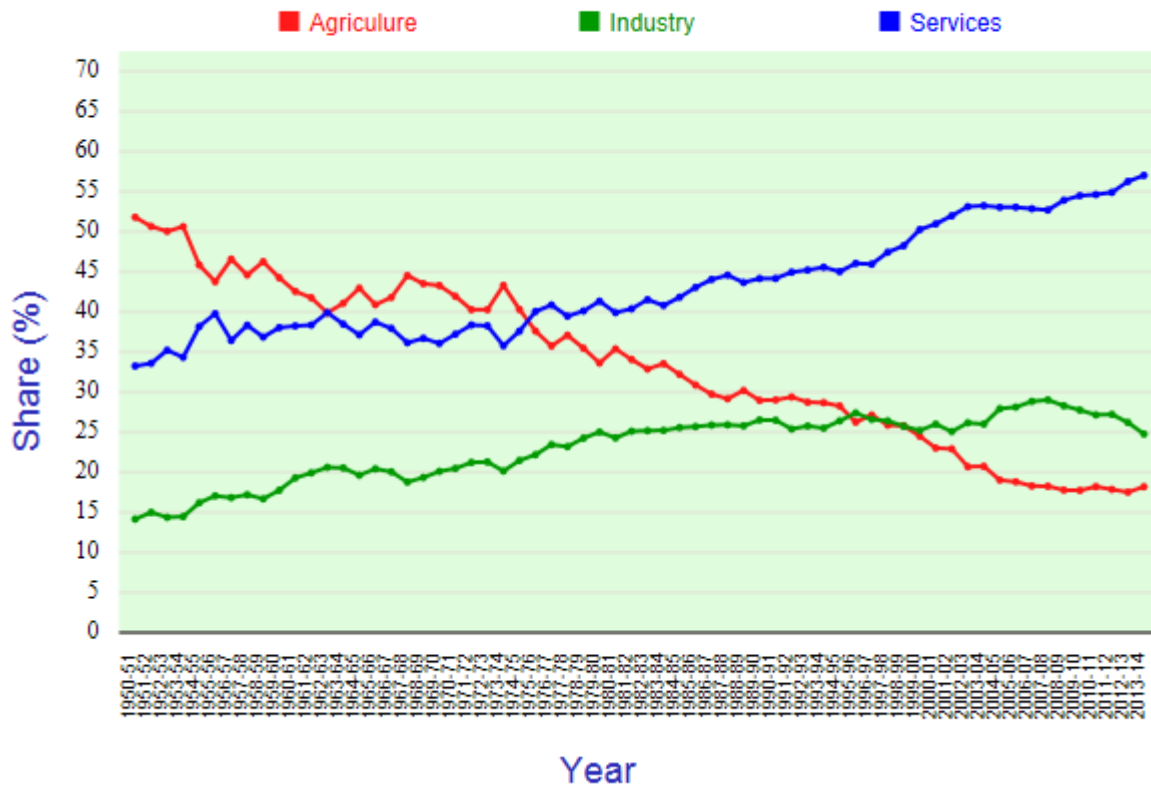
Manufacturing accounted for 41.5% of the total equity inflows into the country during April-October, according to the Department of Industrial Policy and Promotion’s year-end.

India Foreign Direct Investment - actual values, historical data, forecast, chart, statistics, economic calendar and news. India Foreign Direct Investment - actual data, historical chart and calendar of releases - was last updated on February of 2017.

Actual	Previous	Highest	lowest	Dates	Unit	Frequency
3081.00	2043.00	5670.00	-60.00	1995 – 2016	USD Million	Monthly

The manufacturing sector accounted for only about 30 per cent of the inflows during 2000-2012 even these were concentrated in a few industries.

Sectorwise contribution of GDP of India (1950-2014)



BENEFITS OF FDI TO HOME COUNTRY

- CREATES NEW EMPLOYMENT
- NEW TECHNOLOGY
- IMPROVES EXPORT
- INCREASES INCOME

BENEFITS OF FDI TO HOST COUNTRY

- RESOURCE TRANSFER EFFECTS
- TECHNOLOGY SHARING

- PROPER MANAGEMENT
- TAX INCENTIVES
- INCREASED PRODUCTIVITY
- INCREMENT IN INCOME

DISADVANTAGES O FDI

- HINDRANCE TO DOMESTIC INVESTMENT
- RISK FROM POLITICAL CHANGES
- NEGATIVE INFLUENCE ON EXCHANGE RATES
- HIGHER COSTS
- EXPROPRIATION

CONCLUSION

Fdi in manufacturing sector of india plays a significant role. It helps to increase the GDP and economic development. Mr. Narendra Modi has taken various steps to promote FDI in india. FDI is critical for developing and emerging market countries. In 2014, they received more than half of GDP of total global FDI.

REFERENCES

1. Arora, Jyoti. Volume 5(2014). "International Research Journal of Commerce Arts And Science." Role of FDI In Indian Manufacturing Sector.
2. Shrivastava Ankit, "Impact Of FDI An India's Manufacturing Sector".
3. Magalmani M Alu Shonkar Dr. "Fdi & Indian Economy".
4. Business Maps Of Indians
5. [Www.Wikki.Org](http://www.wikki.org)
6. [Www.Deloitte.Org](http://www.deloitte.org)
7. [Www.Academia.Edu](http://www.academia.edu)
8. Kunwar Manisha.
9. [Www.Ibef.Org](http://www.ibef.org)