
A Perspective of Make in India and FDI Inflow in India

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Abstract:

Indian economy has witnessed a number of financial and capital policy paradigms. FDI is considered as a major indicator of economic development of any country in the world. Several programs and initiatives have been implemented in India to boost FDI and Make in India is one of these initiatives. Make in India Program make a conducive environment to promote manufacturing and attract more FDI in the country. The major sectors which attracted more investment are services, trading, telecommunication and electrical equipments etc. The nation has witnessed almost 40 percent increase in the FDI in just one year after the launch of the initiative in 2014. Indian economy witnessed a radical change as the government has shifted its role from regulator to facilitator after the launch of this initiative. Some key sectors has been identified particularly defense for the greater inflow of FDI from the countries like Korea, Japan and US which have shown keen interest. This program helped the

nation to achieve the target of best destination for global players to invest in rapidly increasing Indian economy.

Introduction:

FDI is considered as a major indicator of economic development of any country in the world. Several programs and initiatives have been implemented in India to boost FDI and Make in India is one of these initiatives. Indian government has identified some 25 sectors where special emphasis was given to attract more and more foreign investment. Natural resources in India are found abundantly but still we are far behind to those countries who are totally dependent on other countries for natural resources. We need a huge progress in manufacturing and service sector. FDI is one of the biggest medium of manufacturing growth in the country. India is usually shortly becoming the most well-liked manufacturing spot of the majority investors across that globe (Panicker and Divakaran 2016). Before this,

FDI with SME's is usually Limited to just 23%, with any foreign investment previously mentioned 23% being subject to commercial license with some mandatory move duty of 50% of 12-monthly Production along with the manufacturer dropping small scale condition. Notwithstanding the FDI policy provisions on trading sector, 100% FDI under Government approval route is allowed for retail trading, including through e-commerce, in respect of food products manufactured and/or produced in India (Department of Industrial Policy and Promotion, 2017).

According to the Department of Industrial Policy and Promotion, "FDI inflows, under the approval route (which requires prior government permission) increased by 87% during 2014-15 with an inflow of \$2.22 billion. More than 90% of FDI was through the automatic route. Also in 2014-15, foreign institutional investment rose by an unparalleled 717% to \$40.92 billion" (Banerji, 2017). Make in India initiative was launched by Prime Minister of India on 25th September, 2014 to project India as a preferred investment target and a global manufacturing focal point.

The major objective behind the initiative is to refurbish focus on removing unemployment by job creation, skill advancement, nurturing innovation and sky-scraping eminence standards in the industrialized sector.

Make in India launch focuses on four key areas to promote industrialization and entrepreneurship.

- **Focus on New Processes & Initiatives:** A number of steps have been taken to improve process of performing business tasks and to promote private enterprises, have been taken under the tutelage of "Make in India".
- **Focus on Dynamic Infrastructure:** Accessibility of contemporary and dynamic infrastructure is a key ingredient for the growth of industry. Government has proclaimed many programs to reinforce the existing infrastructure.
- **Focus on Different Sectors:** 25 sectors have been acknowledged in industrialized, services and infrastructure. Further to this, detailed information is being available on interactive web portals.

“FDI has been opened up in reserved sectors like defence production, media, and construction and railway infrastructure in big way which allow for greater private sector participation”.

- **Focus on New Outlook:** After this launch, the government approach has shifted from being as regulator to facilitator. “Make in India” launch is bringing an exemplar budge in industrialization and modernization.

Objectives:

The present study covers the following objectives:

1. To study the government initiative on FDI
2. To analyze the impact of make in India on FDI

Methodology and Data Sources:

The study is descriptive in nature. To analyze the impact of Make in India Program various government and non government publications, reports and articles have been studied. Relevant information have been gathered from various websites of different organization and online articles and other manuscripts.

Policy Reforms:

Historically, India had followed an extremely careful and selective approach while formulating FDI policy. The regulatory framework was consolidated through the enactment of Foreign Exchange Regulation Act (FERA), 1973 wherein foreign equity holding in a joint venture was allowed only up to 40 per cent. Subsequently, various exemptions were extended to foreign companies engaged in export oriented businesses and high technology and high priority areas including allowing equity holdings of over 40 per cent. The announcements of Industrial Policy (1980 and 1982) and Technology Policy (1983) provided for a liberal attitude towards foreign investments in terms of changes in policy directions. A major shift occurred when India embarked upon economic liberalisation and reforms program in 1991 aiming to raise its growth potential and integrating with the world economy (A.V.Vyas 2015).

After the make in India initiative some major reforms have been made in the financial policy framework. 100 % FDI is usually made way for below the automatic journey about dealing agencies about cash & take dealing wholesale trading/ wholesale

dealing. FDI in place to fifty-one % below the Government journey is usually made way for with deal of Single Brand Products, on that Combined FDI Policy document. That Consumer Affairs Ministry has offered that Green transmission to permit forty-nine % FDI with multi-brand retail. Due to these policy reforms a positive atmosphere was developed in the industrial sector, which ultimately booted the national economy. Since 1991 there has been a flow of FDI in India. The LPG model played an important role in reforming the Indian economy. However, there have been certain restrictions on FDI in india which have been relaxed now. Over the past few years many sectors have seen a significant growth in FDI in India (Megha Dua 2016). Of the three major divisions of Indian economy on the basis of occupational structure the contribution of manufacturing sector is the lowest which should be the highest to meet the development requirements of the economy. Through make in India the government will focus on building infrastructure as well asl creating a digital network to make india a global hub for manufacturing of goods. It is a stepping stone towards making India an investment hub. The sectors covered are : automobiles,

construction, defense, pharmaceuticals, media, machinery, food processing, textiles and garment , ports, leather, media, and entertainment , wellness, mining, tourism and hospitality, railways automobile components, renewable energy, mining, bio-technology, space, thermal power, roads, and highways and electronic systems.

Ease of doing business:

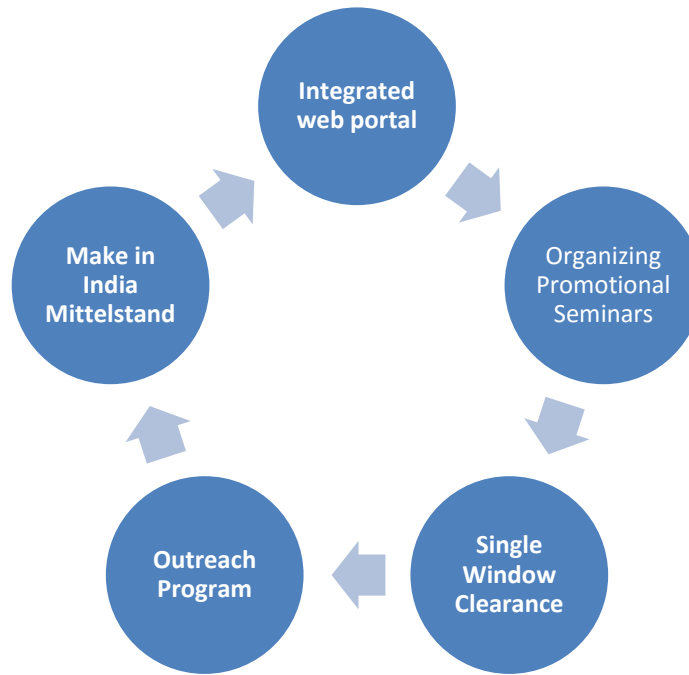
In the World Bank '2016 ease of doing business index, which covers the period from June 2014-june 2015 India's rank was 134. It jumped upto 130 in 2016 (by 4 points). Due to the government's push on manufacturing in India and ease of doing business initiative, the FDI in manufacturing has received a boost. Make in India combines incentives with easy handling of business. According to 2016, Global Retail Development Index (GRDI) due to better GDP growth and more clarity in FDI, India has achieved 2nd rank on GRD index on ease of doing business.

Steps Undertaken Under the Initiative

Government has taken several steps to make this initiative a great success. For this, an integrated web portal with detailed information of potential manufacturing and

investment opportunities in the country have been started. Not only in several parts of the country but also in abroad various conferences and seminars regarding this initiative have been organized through

various governmental and non governmental agencies. Due to this an investment friendly atmosphere was generated not only in Indian investors but also in foreign investors.



Conclusion:

Foreign direct investment play a vital role in the development of any country. To keep the pace of economic development on a high trajectory there would be huge inward capital flow in the form of FDI. Having a big consuming market, there is huge potential in our country to attract foreign. But in the past due policy paralysis, we could not attain that. Initiatives like Make in India are the need of hour. This initiative

makes a positive atmosphere and confidence not only in domestic investors but also in foreign investors too. As per the latest government reports a tremendous increase can be witnessed in the FDI inflow due to Make in India Initiative.

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