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Make In India and Foreign Direct Investment

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Abstract:

Make in India campaign was launched by PM Narender Modi on 25th September 2014, with the aim to turn the country into a global manufacturing hub. Recently, the Govt. of India allowed FDI in different sectors of Indian economy with a view to infuse globally acceptable best practices, modern management skills and latest technology. The objective of present study is to find out the current scenario of MII & FDI. It also highlights the sector wise distribution of FDI inflow and changes in FDI rare after introduction of MII.

Keywords: ***Make in India, Dynamic Growth, Foreign Direct Investment and Economic Development.***

Introduction:

Make in India: Indian Prime Minister Narender Modi, launched his ambitious "Make in India" program September 2014 pledging to lower barriers to doing business and promote foreign investment. The aim of "Make in India" is to convert India into a global manufacturing hub to help create jobs and boost economic growth to urge both local and foreign companies to invest in India.

Make in India Logo: The MII Logo is Striding Lion made of cogs, symbolizing strength, manufacturing and national pride.

Foreign Direct Investment: According to International Monetary Fund, Foreign Direct Investment commonly known as FDI refers to an investment made to acquire lasting or long term interest in enterprises operating outside of the economy of the investors. The investment is direct because the investor which could be a foreign person, company or group of entities is seeking to control, manage or have significant influence over the foreign enterprise. FDI helps in gaining long term capital required for sustainable economic development of India.

Objectives of the study:

- To know the concept of Make in India and FDI.
- To know how MII affects Indian Economy.
- To access the sector wise Foreign Direct Investment in India.
- To discuss the advantages and disadvantages of FDI and MII in India.

Research Methodology:

Research Methodology shows the various means of data collection for the present study. The study is carried out by using secondary data. The present study is done to define MII and FDI and to discuss how MII affects Indian Economy. To find the answers to such questions descriptive research is done. The data of study were obtained from the secondary sources such as various websites, journals, magazines and books. We have adopted analytical, descriptive and comparative methodology for the study.

“Make in India How does “Make in India” Affect the Indian Economy

The core idea of MII campaign is to make India a manufacturing super power by inviting as many foreign manufacturers to set their base in India.

5 Things MII will do are:

1. Guide foreign investors to invest in India and to assist them in obtaining regulatory The core idea of MII campaign is to make India a manufacturing super power by inviting as many clearances.
2. Assistance to foreign investors with focus on green and advanced manufacturing and helping these companies to become an important part of global value chain.
3. Prospective investors can post questions on the Make in India portal and they will be answered by penal of experts within 72 hours.
4. Provide relevant information to visitors registered on the website of MII.
5. A proactive approach will be deployed to track visitors for their geographical location, interest and real time user behaviors.

How “Make in India” affect the Indian Economy

India has two strategic advantages- our human capital and a market which affords scale and growth. MII do not talk about good governance but it talk about effective governance. MII will be the next growth driver for India.

- Mukesh Ambani, chairman of Reliance Industries said that the main task before the industry in India is to achieve global competitiveness.
- Tata Sons Chairman Cyrus Ministry said that a biggest challenge to Indian Economy is to create jobs for millions of youth.
- Aziz Premji, Aditya Birla Group said that we want our companies to shine as MNC’s want to take India higher on ease of doing Business.

MII affect the Indian Economy in following ways:

1. FDI plays a dominator role in Indian markets. MII will give an un precede wed boost
to FDI flows bringing India back to the global investment radar. FDI between October and May was up

to $ 23-7 billion from the same period a year earlier. Net Investment by Foreign institutional investors or the money coming through financial markets totaled $40.92 billion in the year ended March 31, i.e. seven times as much as in prior year.
2. Employment will increase manifold. This will augment the purchasing power of common Indian, mitigate poverty and expand the consumer base for companies. Besides it will help in reducing brain-drain.
3. Export oriented growth model will improve India's Balance of Payments and helps in accumulating foreign exchange reserves.

The urges to attract investors will accurate substantial policies towards improving the "Ease of Doing Business" in India. The Govt. of the day will have to keep its house in order to market Brand India to the world at large.

Summary of India's Major Policies to attract FDI since 1991

1. Abolition of Industrial Licensing.
2. Privatization of Public sector.
3. Revamping of FERA into FEMA in 1999 to facilitate Foreign Exchange Management in current account and capital account transactions.
4. Introduction of an Automatic Approval Channel for 100% Foreign equity in priority sectors and automatic permission for high-technology agreements or technical collaborations in priority sectors.
5. Abolition of high local content requirements, dividend balancing requirements and export obligation conditions.
6. Fiscal incentives such as tax subsidies and concessions offered by both central and state governments to foreign investments.
7. Establishments of institutions to help implement FDI projects.
8. Opening of major sectors with high potential such as civil aviation, multi-brand retail defense, railway, insurance, banking with plans to open up many sectors in the near future.

Some Examples of Foreign Direct Investment Incentives:

- Law Corporate Tax and Individual Income Tax Rates.
- Tax Holidays
- Export Processing Zones (EPZs)
- Special Economic Zones (SEZs)
- Bonded Warehouses.
- Free Land or Land subsidies.
- Infrastructure Subsidies.
- Research and Development Support.

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Sector wise FDI in India (From 2000 to 2016)

Sr. No.	Sector	Amount of FDI Inflow (in Rs. Crores)	% with Total FDI inflow
1	Service Sector	201728.28	17.32
2	Tele Communication	83697.07	6.99
3	Computer software & hardware	67693.78	5.81
4	Power	46358.87	3.91
5	Automobile Industry	60725.08	4.88
6	Petroleum & Natural gas	31650.29	2.68
7	Hotel & tourism	40198.41	3.2
8	Information & broadcasting including print media	19156.59	1.6
9	Electrical Equipment	18298.41	1.56
10	Industrial Machinery	18420.29	1.45
11	Consultancy Services	13908.16	1.15
12	Food Processing Industries	36360.11	2.56
13	Hospital & Diagnostic Centers	14585.34	1.15
14	Textiles	7710.42	0.64
15	Agricultural Services	8625.15	0.72
16	Electronics	6752.74	0.58

Source: FDI Statistics, Department of Industrial Policy & Promotion. Ministry of Commerce & Industry, Govt. of India 2015.

The sector wise inflow of FDI to India for the period 2000 to 2015 reveals that FDI inflow to service sector, tele-communication, computer hardware & software Power, automobile, Petroleum & natural gas, Hotel & Tourism sector were 17.32%, 6.99 %, 5.81%, 3.91%, 4.88%, 2.68% and 3.2% respectively. During this period Information & Broadcasting, Electrical equipment, Industrial Machinery, Consultancy services, Food Processing industries, and Hospitals & Diagnostic centers accounts for one to three percentage only. While into other sectors FDI inflows were less than one percentage.

SECTORS AFFECTING HIGHEST FDI EQUITY INFLOWS

Ranks	Sector	2014-15 (april to March)	2015-16 (April to march)	2016-17 (april to December)	Cumulative inflows (april, 00- december 2016)	% age to total inflows (in terms of US$)
1.	SERVICE SECTOR**	27,369	45,415	50,620	308,975	18%
2.	CONSTRUCTION DEVELOPMENT	4,652	727	659	114,596	8%
3.	TELECOMMUNICATIONS	17,372	8,637	37,270	129,998	7%
4.	COMPUTER SOFTWARE AND HARDWARE	14,162	38,351	12,149	124,333	7%
5.	AUTOMOBILE INDUSTRY	16,760	16,437	9,776	91,170	5%
6.	DRUGS & PHARMACEUTICALS	9,052	4,975	4,584	74,681	4%
7.	TRADING	16,755	25,244	13,442	82,279	4%
8.	CHEMICALS	4,658	9,664	5,250	64,805	4%
9.	POWER	4,296	5,662	6,459	59,073	4%
10.	METALLURGICAL INDUSTRIES	2,196	2,982	8,419	51,846	3%

Note:

- ** service sector includes Financial, Banking, Insurance, non-financial/ business, outsourcing, R&D, Courier, Tech., Testing and Analysis.
- Cumulative sector-wise FDI equity inflows (from April, 2000 to December, 2016) are at – Annex- 'B'.
- FDI sectoral data has been revalidated/reconciled in line with the RBI, which reflects minor changes in the FDI figures (increase/decrease) as compared to the earlier published sectoral data.

Advantage of MII and FDI to Host Country

1. Manufacturing Sector led growth of nominal and per capita GDP. While India ranks 7th in terms of nominal GDP. It ranks a dismal 131st in terms of per capita GDP.
2. The remarkable inflow of FDI in various industrial units in India has boosted the economic life of country.
3. Trade-Foreign Direct Investment has opened a wide spectrum of opportunities in the

trading of goods and services in India.

4. Foreign investment brings technical expertise and creative skills along with foreign capital.
5. MII and FDI helps in the outsourcing of knowledge from India especially in the Information-technology sector. Foreign expertise can be an important factor in upgrading the existing technical processes.
6. Employment will increase manifold by introduction of concept of MII & FDI. Employees of the country get acquaint with globally valued skills.
7. MII and FDI have ensured a number of employment opportunities by aiding the setting up of industrial units in various corners of India.
8. FDI increases the level of competition in the host country. Various foreign firms are now occupying a position in the Indian market through joint ventures and collaboration concerns. The maximum amount of the profits gained by spent on the Indian Market.

Disadvantages of MII and FDI

1. Dependence on foreign capital will be increased which will affect our overall development in technology, agriculture, production etc.
2. MII will lead to an unsustainable focus on export promotion measures. One such measure is artificially undervaluing the rupee. This will have divesting consequences for the import bill. FDI on the other hand will lead to rise in the level of inflow because of depreciation in the value of money.
3. Due to FDI, Domestic industries fear loss of business due to overflow of cheap products and monopoly which makes them uncomfortable to survive in the long run.

   A relative neglect of the world economic scenario may not augur well for Make in India.

Major Challenges for MII:

1. Restore broken trust between Industry and Govt.
2. Environmental Clearance has been a continuous issue for money projects. Land acquisition for industries is a pre-requisite thus bringing the external debarred of development Vs displacement.
3. Skilled labor force is mandatory and it requires huge monetary support. Only

   12 % of India's Population is skilled.

Conclusion: MII and FDI have a significant role in the economic growth and development of India. It helps to attain sustained economic growth and development through creation of jobs, export oriented growth, technical expertise

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and creative skills along with foreign capital. Moreover, being a developing country we not only get the opportunity of learning from the mistakes of other countries but also that of redefining the meaning of development by keeping MII and FDI in proper ratio.

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