

**MAKE IN INDIA: BOOST FOR INDIA'S FDI GROWTH?****Rajat K. Sant, Ph. D.****Abstract**

Make in India is vision for future of India in form of a program formulated by Government of India to encourage foreign MNCs and domestic companies and enterprises to produce and manufacture the products on Indian mainland. The far-sighted program was announced by Prime Minister SH Narendra Modi on 25 September 2014. The initiative aims to concentrate on 25 important sectors of economy with an aim of job creation and skill development. Export promotion is one of the main targets of MAKE IN INDIA PROGRAM.



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These sectors include automobiles, chemicals, IT, pharmaceuticals, textiles, ports, aviation, leather, tourism and hospitality, wellness, railways, auto components, design manufacturing, renewable energy, mining, bio-technology, pharmaceuticals and electronics and so on.

It is estimated that through this campaign, India will succeed to gain a prominent global position with respect to foreign direct investment. Hopes have been aired that India will be able to surpass the present global position of China. The scenario post launch of "Make in India" program witnessed a significant development of around 50 % growth in FDI with respect to last year.

There are 2 important FDI routes viz. automatic route and approval route. In FY 2014-15, FDI inflow under approval route saw huge spurt that was well calculated at the level of 87% growth. However, there seems to be some anomaly in the trend that automatic route for FDI which attracts around 90% FDI did not see any comparable growth as much as the 'Approval Route' registered.

The basic aim of the Make in India program was to take initiatives in order to enhance the export growth but it did not meet the results in the way that it was designed for. But from the data it became evident that most of FDI was routed towards more advantageous sectors pertaining to domestic consumption growth.

Hence, this paper aims to find out the current and futuristic implications by the Make in India Campaign upon India's FDI Inflows. The paper also tries to define a clear

relationship between Indian FDI Inflow and ‘Make in India’ Campaign. The paper has the potential to find out the limitations and challenges faced by ‘Make in India’ Campaign in contributing towards the country’s FDI Inflow.

Methodology

The paper is based on the in-depth study of the secondary data picked from relevant literature & documents on Foreign direct investment after MII Program. The paper shall also analyze the FDI inflows in different sectors of Indian Economy, before and after Make in India Programme, and shall also rank the top FDI inflow sectors in all the timeframes taken for study, in order to derive the impact of Make in India. Collected data was analyzed with the help of relevant tools in order to draw conclusions and policy implications.

1. Make in India Programme

The philosophy of ‘make in India’ can be understood from the following aims that are the part of program:

1. To achieve economic growth with creation of jobs.
2. Large scale improvement in human resource which include imparting knowledge and development of skill among the workers in different sectors of economy.
3. To improve the standards of quality and match it with international standard.
4. To create business environment very conducive to pull foreign capital and technology.
5. To restrict and ultimately stop the bad effects on environment done by industries and other production units basically based on old technology.

However, for success of the program the limits of foreign equity caps were already raised. licensing process for fdi was made simpler and more conducive by introducing online windows and extending the validity. Relaxation of rules and regulations were done to ease the fdi in India. One of the most important steps taken by government just before the announcement of “make in India” program was to raise the fdi limits in defense sector and railways infrastructure up to 49% and 100% respectively. Military equipment and their maintenance cost huge to our exchequer and hence such steps were taken. Similarly, huge investments are needed to bring advance technology in railways sector, and fdi may become the answer.

2. Make in India & its Responses across the World

2.1 Various reports suggested that Make in India initiative has received wide range of responses across the world, in terms of investment commitment and investment enquiries.

- Spice-digital limited signed MOU with U.P Government IN to establish a production unit of cellular phones in the state of Uttar Pradesh by investing 7.5 crores of US DOLLARS.
- Samsung head (south-east) showed positive signs to undergo a joint initiative with ministry of micro-small and medium enterprises (GOI) to open ten MSME-Samsung technical schools and a production unit for android phones. This all is slated to get started in year 2015.
- Chinese telecom giant Huawei technologies co ltd. Has invested US dollars 17 crores in starting a research and development campus in Bengaluru in 2015. The big campus can take the services of five thousand engineers when full-fledged working of the campus will get started.
- US MNC Boeing corporation showed strong interest in October 2015 to start production unit for twin engine multirole advance fighter aircraft for supplying Indian Air Force.
- Wistron corporation (Taiwan) has made huge investment in its NOID- production plant in Uttar Pradesh.
- Alstom and GE Transport formally engaged in MOU with Government of India (M O Railways) to invest huge US \$ 5.9 Billions to establish rail -locomotive production plant in two districts of state of Bihar.
- Government of japan has affirmed that it would establish a corpus fund worth US\$12 billion for the project “japan- India- Make in India -Special Finance Facility” in 2015.
- Xiaomi corporation started its big production unit of mobile smart phones in 2015 august, in state of Hyderabad. The nod for fdi was given by government of ANDHRA PRADESH.
- OIS Advanced technology in collaboration with LH Aviation (France) is ready to produce air-drones’ units in their plant in India.
- FOXCONN (Taiwan) has given affirmation for huge investment (2015 Maharashtra- India) in sector of electronics semiconductor production and design for purpose of research and development boost in India.
- GM (United states of America) is has shown strong interest to bring fdi worth US \$1 Billion for automobile manufacturing plants in India.

During Make in India- week event (February 2016), department of industrial policy and promotion has received commitments worth INR 15.2 Lakh crores pertaining to investment

in different states of India, and state of Maharashtra alone bagged more than 50% of all investment commitments.

Considering all the responses mentioned above, it is evident that Make in India initiative has attracted lots of investment opportunities for the country.

2.2 Awareness upon the Make in India Programme

3. Sector-wise FDI Inflows in India (Before & after Make in India programme)

Table 1: SECTOR WISE FDI INFLOW IN INDIA

(April 2000 – Sept 2014, Sept 2014 – Dec 2014, Jan 2015 – Dec 2015)

S.	Sector	Before Make in India		After Make in India			
		April 2000 - Sept 2014		Sept 2014 - Dec 2014		Jan 2015 - Dec 2015	
		(in Rs crore)	Rank (as per highest sector wise FDI inflow)	(in Rs crore)	Rank (as per highest sector wise FDI inflow)	(in Rs crore)	Rank (as per highest sector wise FDI inflow)
1	Services Sector	1,92,935.93	1 st	6,636.10	1 st	40997.45	2 nd
2	Construction Development: townships, housing, built-up infrastructure and construction-development projects	1,11,967.75	2 nd	853.28	13 th	1060.99	33 rd
3	Telecommunications	81,406.50	3 rd	1,283.49	8 th	8337.33	7 th
4	Drugs & Pharmaceuticals	62,589.38	4 th	772.50	16 th	4026.86	13 th
5	Computer Software & Hardware	62,202.41	5 th	3,396.71	3 rd	42537.04	1 st
6	Automobile Industry	54,469.17	6 th	3,371.67	4 th	18520.76	5 th
7	Chemicals (other than fertilizers)	47,718.48	7 th	806.15	14 th	9195.12	6 th
8	Power	45,112.11	8 th	1,023.81	11 th	5009.72	10 th
9	Miscellaneous Industries	39,566.58	9 th	1,348.30	7 th	3740.72	14 th
10	Metallurgical Industries	39,432.69	10 th	471.89	24 th	2836.04	20 th
11	Hotel & Tourism	38,701.59	11 th	1,089.46	10 th	7302.87	8 th
12	Food Processing Industries	35,494.50	12 th	649.72	19 th	3309.5	16 th
13	Trading	32,723.83	13 th	5,692.19	2 nd	22809.14	4 th
14	Petroleum & Natural Gas	31,620.00	14 th	6.66	53 rd	793.33	37 th
15	Information & Broadcasting (Including Print Media)	18,351.26	15 th	786.94	15 th	4319.67	12 th
16	Electrical Equipments	17,888.34	16 th	370.48	27 th	2332.91	21 st
17	Non-Conventional Energy	17,656.20	17 th	671.62	18 th	4502.44	11 th
18	Industrial Machinery	15,947.22	18 th	1,496.23	5 th	3111.98	19 th
19	Cement And Gypsum Products	14,000.92	19 th	619.97	20 th	104.25	49 th
20	Construction (Infrastructure)	13,410.11	20 th	1,006.61	12 th	27693.24	3 rd

	Activities						
21	Consultancy Services	13,256.15	21 st	479.65	23 rd	3141.97	18 th
22	Hospital & Diagnostic Centres	12,707.75	22 nd	535.84	21 st	5310.29	9 th
23	Miscellaneous Mechanical & Engineering Industries	12,459.57	23 rd	456.29	25 th	1760.63	24 th
24	Fermentation Industries	10,849.66	24 th	367.53	28 th	1597.34	27 th
25	Rubber Goods	8,829.20	25 th	499.21	22 nd	2089.07	22 nd
26	Agriculture Services	8,533.21	26 th	69.78	41 st	632.51	39 th
27	Textiles (including dyed, printed)	7,333.60	27 th	170.34	31 st	1821.12	23 rd
28	Mining	7,224.17	28 th	1,236.44	9 th	3561.75	15 th
29	Ports	6,719.33	29 th	11.58	51 st	0	59 th
30	Electronics	6,667.80	30 th	58.92	44 th	1345.46	30 th
31	Sea Transport	6,422.60	31 st	121.96	35 th	3209.83	17 th
32	Prime Mover (other than electrical generators)	6,019.30	32 nd	280.39	30 th	1357.76	29 th
33	Education	4,981.31	33 rd	105.14	37 th	1467.65	28 th
34	Medical and Surgical Appliances	4,511.65	34 th	25.82	49 th	1019.17	34 th
35	Soaps, Cosmetics & Toilet Preparations	4,333.18	35 th	89.50	38 th	1632.33	26 th
36	Paper and Pulp (including Paper Products)	4,242.02	36 th	83.81	39 th	1129.61	32 nd
37	Machine Tools	3,438.40	37 th	21.75	50 th	850.06	35 th
38	Railway Related Components	3,393.95	38 th	32.02	47 th	460.08	42 nd
39	Ceramics	3,115.75	39 th	118.77	36 th	360.38	44 th
40	Air Transport (including air freight)	2,560.47	40 th	157.30	32 nd	324.21	46 th
41	Vegetable Oils and Vanaspati	2,248.71	41 st	453.11	26 th	452.95	43 rd
42	Glass	2,207.85	42 nd	59.91	43 rd	267.01	47 th
43	Diamond, Gold Ornaments	2,185.91	43 rd	139.31	33 th	1718.83	25 th
44	Printing of Books (including Litho Printing Industry)	2,167.53	44 th	122.86	34 th	756.77	38 th
45	Agricultural Machinery	1,832.15	45 th	290.68	29 th	61.91	51 st
46	Fertilizers	1,544.20	46 th	1,371.32	6 th	77.48	50 th
47	Commercial, Office & Household Equipments	1,443.00	47 th	66.24	42 nd	51.62	52 nd
48	Earth-Moving Machinery	1,062.80	48 th	75.07	40 th	475.91	41 st
49	Scientific Instruments	951.51	49 th	6.70	52 nd	18.99	55 th
50	Retail Trading	842.53	50 th	707.39	17 th	1196.91	31 st
51	Leather, Leather Goods and Pickers	659.57	51 st	32.86	46 th	135.69	48 th
52	Tea and Coffee (processing & warehousing coffee & rubber)	489.53	52 nd	0.00	56 th	15.96	56 th
53	Timber Products	440.51	53 rd	5.58	54 th	343.02	45 th
54	Dye-Staffs	417.28	54 th	0.00	57 th	21.6	54 th
55	Boilers and Steam Generating Plants	314.8	55 th	0.00	58 th	490.13	40 th

56	Industrial Instruments	310.56	56 th	0.30	55 th	50.3	53 rd
57	Photographic Raw Film and Paper	273.76	57 th	0.00	59 th	0	60 th
58	Sugar	267.39	58 th	33.88	45 th	809.35	36 th
59	Glue and Gelatin	177.82	59 th	27.93	48 th	3.95	57 th
60	Coal Production	119.19	60 th	0.00	60 th	0.00	61 st
61	Mathematical, Surveying and Drawing Instruments	39.8	61 st	0.00	61 st	0.00	62 nd
62	Defence Industries	24.36	62 nd	0.00	62 nd	0.48	58 th
63	Coir	22.05	63 rd	0.00	63 rd	0.00	63 rd
Sub Total		11,30,836.85	---	40,668.96	---	2,52,561.44	---
64	RBI's- NRI Schemes (2000-2002)	533.06	---	533.06	---	533.06	---
Grand Total		11,31,369.91	---	41,202.02	---	2,53,094.50	---

(Source: FDI data, DIPP)

From the above Table 1, certain observations shall be derived out.

3.1. April 2000 - September 2014:

It is evident that among 25 sectors focused by the Make in India Campaign, 15 sectors comes under FDI sector ranked between 26th to 63rd rank during April 2000 to September 2014. Hence, it is a positive move by this initiative by focusing upon these low FDI sectors of the economy.

3.2. September 2014 – December 2014:

This discusses just after the timeframe after the launching of Make in India Campaign on September 25, 2014 in the calendar year 2014. It is seen that sectors such as Fertilizers, Mining and Retail Trading has seen significant FDI inflow and hence, raised their ranks to top 25 FDI inflow sectors. While, the sectors such as Electrical Equipments, Fermentation Industries and Petroleum Industries, has seen falling FDI inflows and has been downgraded between 26th to 63rdrank during September 2014 to December 2014.

This signifies that Make in India Initiative had a greater role in **boosting FDI in Automobile Industry, Fertilizers, Mining, Hotel & Tourism, Construction, Chemicals, Information & Technology, Drugs & Pharmaceuticals, and Food Processing Industries** but it was **failure in Electrical Equipments, Textiles, Air Transport, Sea Transport, Electronics, Leather, Railway, Ports, Defence, and Petroleum & Natural Gas** sectors.

3.3 January 2015 – December 2015:

This shall discuss the latest timeframe of FDI inflow in the country after the Make in India Campaign from January 2015 to December 2015. It is evident that **FDI inflow is growing high in Make in India focused sectors, such as Information & Broadcasting, Drugs & Pharmaceuticals, Mining, Food Processing Industries, Sea Transport, Electrical Equipments, Automobile, and Textiles**, while it is **downgrading in** the case of

Electronics, Petroleum & Natural Gas, Railways, Airways, Leather, Fertilizers, Defence, and Ports.

4. Conclusion

Make in India has created a lot of opportunities for the FDI inflow growth of the country. It has a potential in increasing FDI Inflow in the country. However, considering the sector wise FDI inflow growth, it is evident that Make in India is still unsuccessful in increasing FDI growth in major sectors taken by the campaign. There is a huge scope in this initiative in boosting FDI growth provided it shifts its focus from Domestic Consumption Sectors towards Domestic Production Sectors. As per the survey provided above, it is evident that only 55% of the respondents are well aware of the Campaign, which is significantly poor in numbers. The Campaign needs to work upon this deficiency and also needs to ensure that the investment commitments and agreements by various foreign establishments needs to be implemented without any delays and barriers.

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