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Make in India: How much is the Lion's Share in FDI Inflow?

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***Abstract:** The present study focused on analysing the impact of 'Make in India' campaign on FDI inflows in country. The research period is divided in two parts one is pre 'MII' & another is post 'MII' period. The analysis of 'Make in India' campaign is done to identify the scope of the campaign & methodology of working of various allied departments monitoring campaign. The present research work also attempted to take overview of various policy reforms initiated by Government of India to promote the FDI as well domestic investment in 25 sectors shortlisted under MII.*

The FDI inflows statistics reveals that, the post MII period is showing the highest growth in FDI equity inflows as compare to same period i.e. 2009- 2014. The MII initiative is one of the reason for the jump in FDI inflows. The overview of policy reforms shows that GOI through DIPP attempted to open almost all sectors for 100% FDI through automatic route. Government has provided multiple incentives for Foreign Investors to establish their manufacturing facilities in country but very negligible response has been seen in the nature of FDI equity inflows in the same period. Further results of study reveals that multiple 'MOU's have been signed by States & Central Governments, but they yet not converted in actual investments. The major reasons behind the same is lack of SWOT analysis through Governments before inviting the foreign investors. As well lack of basic infrastructure, land, lack of skilled manpower, cheap & un interrupted power supply to MIDC's & SEZ's is yet not successfully provided, lower rankings in Ease Of Doing Business (EODB), Global Manufacturing Competitiveness Index (GMCI) is also cause of concern & tumbling block in the success of MII mission..

***Keywords:** FDI, 'Make in India'(MII), GOI, NDA, EODB, GMCI.*

I. INTRODUCTION

India is often labelled as a nation of shop keepers and traders, the reason behind is the underdeveloped manufacturing sector & rapidly growing demand from the world's second largest populous country. The rising demand for the manufactured products are majorly satisfied through imports, which causes major balance of payment every year to economy. Hence there is need to develop manufacturing sector in country, many governments have adopted the strategy to welcome MNC's to establish their facilities in India through FDI, and historic trends show that after adopting open economy system India has gain considerable inflow of FDI, which contribute in development of India's manufacturing sectors. But till then the share of FDI in overall growth in manufacturing sector is approximately 8%, which shows that the rest of 92% growth is contributed by domestic manufacturing sector.

However, the situation of the manufacturing sector in India is a cause of concern. The manufacturing sectors contribution of 16% value added to GDP, it does not reveal the huge potential of sector. By rightly identifying the above mentioned potential of manufacturing sector the newly elected National Democratic Alliance (NDA) government (2014) has initiated some strong steps toward tapping this potential for economic growth of the country.

The NDA government has introduced its first slew of measure to reinvigorate the confidence of investors on Indian economy and redirect the focus of world-wide investors to India, through introducing *'Make in India'* campaign on 25th September 2014. The prime objective of this initiative was to transform India into a global design & make it a global manufacturing hub. This objective was proposed to be achieved by raising the contribution of the manufacturing sector to 25% of the GDP by 2020. This campaign has become the single largest manufacturing initiative undertaken by India in recent history. The efforts have demonstrated the power of public-private partnership, which gives mass publicity to 'Make in India' initiative. This MII initiative is focused on 25 identified sectors having highest potential for growth. The appreciable fact is that out of the 25 sectors, 13 are manufacturing & rest 12 belongs to the service & infrastructure sector. In addition to that to generate more than 100 million jobs by the year 2022, is key objective of the MII mission.

It is imperative to gauge the achievement of the 'Make in India' mission from the perspective contribution & share of MII campaign in increase or decrease in FDI inflows in notified industries.

II. OBJECTIVES OF STUDY

i) To study the objective & overall theme of Make in India campaign.

ii) To study the recent policy measures taken and incentives provided under MII by government.

iii) To study the impact of Make in India campaign on FDI inflow in country.

III. RESEARCH METHODOLOGY

In order to accomplish above mentioned research objectives, researcher has attempted to analyze the pattern of FDI equity inflow in India, under Make in India campaign. In this respect, the following methodology has been used in the present research work.

i) Sources of data

The present study is based on secondary data that has been collected from various authorised sources such as published articles & research papers, DIPP's FDI Factsheets, World Investment Report, and RBI's Hand Book of Statistics on Indian Economy. Various government websites such as Make in India, Invest India, and other departmental website are used to access the various government reports stating performance of that specific department with reference to Make in India & FDI inflows in that particular industry.

ii) Period of Study

To get actual insight of the fruitfulness of the MII Campaign & compare the performance of both the periods i.e. pre & post launching of MII Campaign, the data on FDI was taken from October 2009 to September 2014 & October 2014 to December 2018.

iii) Limitations of The Study

The prime limitation of this study is inconsistency in time series data published by government agencies, as well major data base is updated up to year 2016, which limits evaluation of performance of MII campaign. Hence researcher has to rely on published data and information. Time constraint remained the major limitation in the study due to which researcher unable to collect primary data. Secondary data may lack in accuracy, lack of updated current & dependable data but researchers have taken necessary care to use qualitative and correct data from authorised sources.

Decoding 'Make in India'

It is primarily important to analyse the *'Make in India Campaign'* to measure the achievement of the same from the perspective of actual achievements vs. expected goals under 'MII campaign'. As well there should be a clarity regarding, is it

('Make in India Campaign') a global campaign run by government? Is it just a slogan or there is any definite policy to execute MII campaign at central level? Or is it a Central plan to be executed by States? How MII can contribute to the growth of Foreign Direct Investments in country?

After review of available literatures, data published on official website of MII it can be infer that it covers many of the above aspects but it is not clear that what exactly includes & exclude in the scope of the MII. [4]

What is Make in India?

It is a campaign to create brand 'Made in India' by marketing India's capabilities globally to present India as global manufacturing hub like China, under 'Make in India' campaign & increase the share of manufacturing sector in India's GDP through increasing FDI inflow in country. Make in India launch is pertain to some major goals to promote industrialization and entrepreneurship through foreign & domestic investments.

a) Make in India intended to provide the message of India's capabilities that is informative, well-packaged and most importantly, credible, amongst potential partners abroad, the Indian business community and citizens at large.

b) To provide a framework for a vast amount of technical information on 25 industry sectors.

c) Attempt to reach out to a vast local and global audience via social media and constantly keep them updated about opportunities, reforms etc.

d) By keeping somewhat similar strategies like the *'National Manufacturing Policy 2012'* such as to increase the sectoral share of manufacturing in GDP to at least 25% by 2022; to increase the rate of job creation so as to create 100 million additional jobs by 2022; and to enhance global competitiveness, domestic value addition, technological depth and environmental sustainability of growth. But the time limits to achieve the targets were reduced to year 2020 under MII.

e) To facilitate foreign & domestic investment, foster innovation in country, enhance skill development in human resource, protect intellectual property, build manufacturing infrastructure, are some of the key objectives of ' Make in India' campaign.

Most importantly, it represents a complete change of the Government's mind set – a shift from issuing authority to business partner, in keeping with Prime Minister's tenet of 'Minimum Government, Maximum Governance'. [1]

What Signifies Logo of Make in India?

The Make in India logo is symbolises India's mission to acquire the Lions share in worlds manufacturing industry. The prowling lion stands for strength, courage, tenacity and wisdom And wheels denotes the rapid progress and dynamism, pointing the way to a vibrant future of India. [2]

Twenty five (25) sectors under purview of Make in India.

Make in India is an initiative of G.O.I, which has basic motto of "Sell anywhere in the world but manufacture in India". The focus of MII is on these 25 sectors.

Table no- 1

Manufacturing Industries		Service Industries	Infrastructure
Automobile	Electronic System	IT and BPM	Space
Automobile components	Food Processing	Mining	Renewable Energy
Aviation	Leather	Ports and Shipping	Roads and Highways
Biotechnology	Oil and Gas	Railways	Thermal power
Chemicals	Pharmaceuticals	Media & Entertainment	Construction
Defence Manufacturing	Textiles and Garments	Tourism & Hospitality	
Electrical Machinery		Wellness	

Various Partnerships for Policy framing & Successful Implementation of MII.

The Make in India mission is collaborative effort, which has built on layers of multiple government departments coordination. The key role is played by DIPP who initiated this process by inviting participation from Union Ministers, Secretaries to the GOI & state governments, industry leaders, and various knowledge partners. As well in December 2014, special National Workshop was organise to gather sector specific industries to brought together the Secretaries to the GOI and industry leaders to formulate an action plan for the next three years (2015-2017), aimed at raising the contribution of the manufacturing sector to 25% of the GDP by 2020. This plan was presented to the Prime Minister, Union Ministers, industry associations and industry leaders by the Secretaries to the Union Government and the Chief Secretary, Maharashtra on behalf of state governments. [1]

The recent policy measures taken through the Make in India

The NDA government elected on May 2014, is known for its fastest liberalizing FDI regime than any of its recent predecessors. It has been proven by multiple national & international researchers that, since liberalisation of Indian economy in 1991, the reforms made by NDA government from (2014-2017) are noteworthy not only due to the counts of reforms but the shortest tenure of four years. The table shown below depict the speed of reforms in last four (4) terms of Governments.

Table no- 2

Leader Term	Year 1	Year 2	Year 3	Year 4	Year 5	Total
NDA (1999-2004) Vajpayee	5	8	3	0	5	**21**
UPA-I (2004-2009) Singh	1	9	1	6	3	**20**
UPA-II (2009-2014) Singh	0	1	1	5	12	**19**
Total	**6**	**18**	**5**	**11**	**20**	**60**
NDA (2014-2019) Modi	8	18	8	3	5*	**42***

Source - Center for Strategic and International Studies, & updated by researcher.

Note – The figures of reforms for fifth year of Modi Government is as per available data on DIPP website till Dec - 2018.

From the above table it is clear, that new governments second year in office is the 'Crucial spot' for FDI reforms, out of the total 102 reforms 36 accounts for second year, comprising the PM Modi's administration. Above table revels that present NDA government has made 37 sectoral reforms in just over four years & approximately 5 reforms in fifth year, in totality 42 reforms has been made, it can be called as a historic pace. The Modi government's openness to foreign investment, in addition to domestic reforms and other external factors, has resulted in a foreign investment boom in India. [3]

Recent Major Policy Measures

Table no- 3. ***First Phase of FDI Reforms Year I - Tenure - June 2014–May 2015***

S.no.	Date	Reforms
1	26/08/2014	FDI in defence increased from 26% to 49% permitted under automatic route & investment in access of 49% has been allowed on case to case basis.
2	27/08/2014	FDI in Railways is allowed at 100%
3	03/12/2014	FDI in construction rules relaxed
4	06/01/2015	FDI in medical device firms listed at 100%
5	12/03/2015	Insurance Laws (Amendment) Bill, Increases the FDI cap for insurance and pension firms to 49% through automatic route.
6	20/03/2015	Coal Mines (Special Provisions) Bill, 2015, - Allows the private sector, including foreign-owned firms, to establish merchant coal operations.

Source - Center for Strategic and International Studies (csio.org)

Table no- 4. FDI Reforms Year III - June 2015–May 2016

S.no.	Date	Reforms
1	03/06/2015	FDI approval limits increased for relevant bodies
2	03/06/2015	Relaxes FDI rules for non-resident Indians
3	30/07/2015	Introduces “composite caps” for different types of foreign investment
4	15/09/2015	Introduces “partly paid shares and warrants” as foreign investment tools
5	01/10/2015	FDI in white label automated teller machines (ATMs) allowed at 100%,
6	24/11/2015	FDI changes in multiple sectors—retail, duty-free shops, defence, media, airlines, & more.
7	23/03/2016	FDI above 26% in insurance & pensions via Automatic route.
8	29/03/2016	FDI in marketplace e-commerce authorized at 100% with conditions
9	06/05/2016	FDI in asset reconstruction companies moved to automatic route

Table no- 5. FDI Reforms Year 3: June 2016–May 2017

S.no.	Date	Reforms
1	2016	FDI changes in multiple sectors—single brand retail, defence, media etc.
2	2016	FDI in financial activities expanded (less prescription),
3	2017	FDI in stock exchanges—removes 5% holding limit for non-residents
4	2017	FDI up to 100% is allowed in start-ups.
5	2017	FDI in defence increased from 49% permitted under automatic route to 100 % Automatic route, with some prior approvals.

Table no- 6. FDI Reforms Year 4: June 2017– Dec. 2018

S.no.	Date	Reforms
1	2017	FDI up to 100% under automatic route permitted in Teleports, Direct to Home, Cable Networks, Mobile TV, Head end-in- the Sky Broadcasting Service.
2	2017	74% FDI under automatic route permitted in brown field pharmaceuticals. FDI beyond 74% will be allowed through government approval route.
3	2018	100% FDI under Government route for retail trading, including through e-commerce, has been permitted in respect of food products manufactured and/or produced in India.
4	2018	100 per cent FDI will be allowed in this sector of broking.
5	2018	Investment in Air India allowed up to 49 percent through government approved route.
Some more upgradation in the FDI caps has been seen in years 2018.		

From the above tables it can be seen that the DIPP in collaborations with various departments, initiated the policy reforms to increase the speed of FDI inflows in country under the ‘Make in India’ campaign.

Investor Facilitation initiated under ‘Make in India’

i) **Make in India Website** - The Department of Industrial Policy & Promotion (DIPP) worked with a group of highly specialised agencies to build brand new infrastructure, including a dedicated help desk and a mobile-first website that packed a wide array of information into a simple, sleek menu. Designed primarily for mobile screens, the site’s architecture ensured that exhaustive levels of detail are neatly tucked away so as not to overwhelm the user. 25 sector brochures were also developed, Contents included key facts and figures, policies and initiatives and sector-specific contact details, all of which was made available in print and on site. [1]

ii) **Investor Facilitation Cell (IFC)** - IFC is dedicated for the Make in India campaign, it was formed in September 2014 with an objective to assist investors in seeking regulatory approvals, hand-holding services through the pre-investment phase, execution and after-care support.

iii) **Invest India portal** – IIP is started in year 2009, but new imputes has been given to this venture under MII, IIP works under DIPP. The object of invest India is, to work as promotion and facilitation agency of India and act as the first point of reference for investors in India.

Make In India and F.D.I. inflow in Country

As MII is initiative to attract the foreign manufacturers plus motivating the Domestic manufacturers to produce their products in India and sell it to world. This initiative is based on the various examples such as China, Vietnam, Indonesia, Myanmar etc. Which attracted various giants in manufacturing, assembling in their countries to fuel their economy and provide employment to their workforce & poverty alleviation is done through FDI.

The above mention reforms majorly focused on relaxing FDI inflow norms in country to bring the ease in inflow of FDI, in relation to which multiple government agencies as well many researchers claim that the MII campaign has boosted FDI inflow in country. But some researchers argue that the reliability of government data & grouping the FDI sectors while presenting the results is ambiguous.

Hence there is need to check the achievement of MII in relation to 'FDI Equity Inflow' in country.

Table no- 7 FDI Equity Inflow from October 2009 to September 2018.

(Fig. – In $USD Millions)

Term *Oct. – Sept.*	**FDI Equity Inflow**	**Increase / Decrease**	**I /D %**	**Period**
2009-2010	13401	-10529	-44	**Pre Make in India Period**
2010-2011	26166	12765	95	
2011-2012	33688	7522	29	
2012-2013	19013	-14675	-44	
2013-2014	26172	7159	38	
2014-2015	**30215**	**4043**	**15**	***Post Make in India Period***
2015-2016	**39752**	**9537**	**32**	
2016-2017	**41012**	**1260**	**3**	
2017-2018	**38291**	**-2721**	**-7**	

Source - Self constructed by researchers from FDI factsheet provided by DIPP.

Chart no- 1

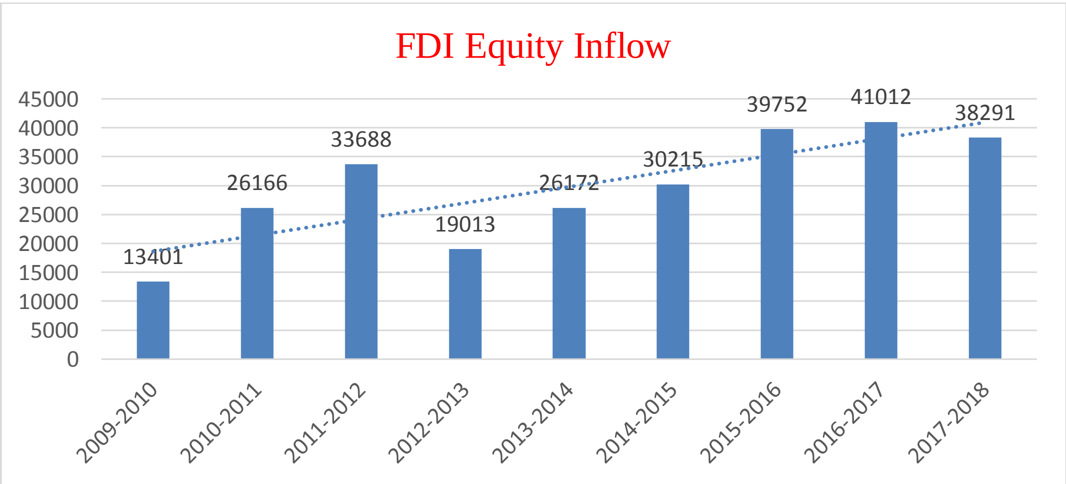
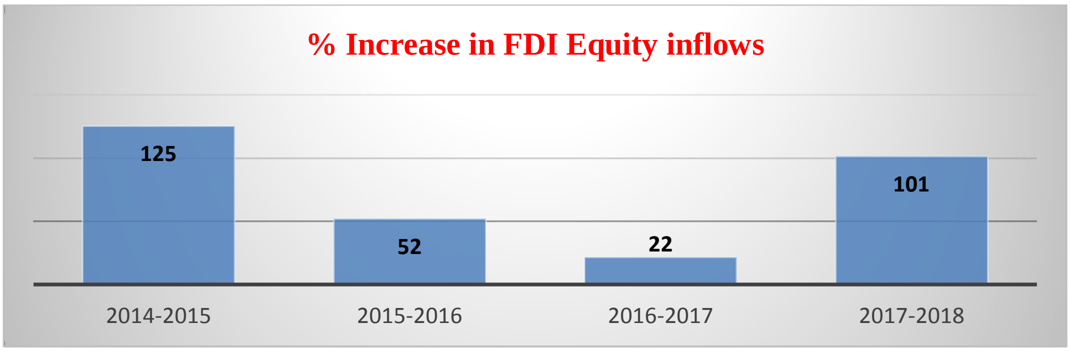


Table no- 8 - % Increase in FDI Equity Inflow from October 2014 to September 2018, as compared to October 2009 to September 2014.

TERM Oct. – Sept.	I /D %
2014-2015	125
2015-2016	52
2016-2017	22
2017-2018	101

Source - Self constructed by researchers from FDI factsheet provided by DIPP.

Chart no. – 2.



Hereby researcher has attempted to identify the actual (New) FDI inflow in pre & post MII period, for the same, the FDI inflow after launching of MII campaign has to be reviewed hence period of study is taken from October 2009 to September 2014 & Post MII period from October 2014 to September 2018 is considered. As well only FDI equity inflow is considered while computing the above table no. 7 & 8 to get actual picture of FDI equity inflow in study period. Hence aggregate results *(Equity inflows + Re-invested earnings + Other capital)* of cumulative FDI inflow from FDI Factsheet of DIPP may vary. From the above depicted table no.7 & chart no.3 it can be inferred that the pre MII period has shown volatile FDI equity inflows ranging from drastic fall of (-44%) to rise of 95%.

In the same period if Y.o.Y consolidated FDI inflow reviewed, it shows that in year 2009-10 gross FDI inflow decline by 10%, in next year 2010-11, - 8% decline, year 2012-13 shows -26% decline, as well in year 2011-12 shows 34% rise & year 2013-14 shows 5% rise in cumulative FDI inflows. If the above pattern of FDI inflow is studied it shows overall negative trend in last five years i.e. (April 2009- March 2014).

But after launching of MII campaign & introduction of numerous liberalisations & reforms in FDI norms & sectoral caps, FDI equity inflow didn’t show considerable rise on Y.o.Y basis. Which shows that the inflow of fresh equity in country, is not seen in the nature of Greenfield FDI. The trend in post MII period shows that maximum rise in Y.o.Y FDI inflow is only 32% while maximum decline in FDI inflows is (-7%). The average Y.o.Y 11% rise in FDI inflows in post MII Campaign period has been seen.

While consolidated FDI inflow shows rise of 25% in year 2014-15, 23% in year 2015-16, 8% rise in 2016-17 & only 1% rise in overall FDI inflows in year 2017-18. The above analysis shows that the average Y.o.Y 14% rise in FDI inflows in post reform period.

The table no 8 compares the percentage rise in FDI equity inflows in the post MII period as compare to pre MII period. The results shows that in the first year of launch of MII mission the tremendous rise of 125% in FDI equity inflow in comparison to 2009-10 period has been seen similarly in year 2017-18 shows 101% rise in FDI inflows as compare to period 2013-14 this can be considered as leap frogging of FDI equity inflows.

The above analysis shows better picture of FDI inflows than pre MII period and confirms to the some extent that MII initiative plus the changing demand pattern in country, positive view of global economies toward India causes to rise in FDI inflow in country.

IV. FINDINGS

I) From analysis of extensive literatures it has been found that there is need of bifurcation of the multiple initiatives taken under 'Make in India.'

II) The Make in India campaign has got considerable response in the nature of signing the MOUs of Billions of $ USD's by multiple TNC's with various States. Under campaigns like 'Make in Maharashtra', 'Vibrant Gujarat' but very few of them converted in actual FDI.

III) The investments under MII are majorly moved to industrialised states, which again might cause to regional disparity in distribution of FDI investments & might cause competition in states to attract maximum investment.

IV) It has been clear from the FDI inflow data analysis that 'Make in India' initiative has positively impacted FDI inflow in country, but the extent to which reforms made by DIPP to attract FDI didn't show true strength in the nature of major rise in FDI inflows.

V) Multiple researchers concern about the reported inflows of FDI from September 2014 to year 2017 that FDI investment is policy decision hence companies took at least one to two years to plan and actually invest. But the multiple government reports shows the jump in FDI in first quarter of launching of MII, which raise question on the reported FDI data.

V. CONCLUSION

India is a country which has the market for almost all products manufactured and sold in developed markets. But only focusing on trading in commodities leads to rising imports of multiple commodities and increase in balance of payment to India. The recent reforms in the nature of 'Make in India' has been proven formula in south east nations to present the country as manufacturing hub, which has dual benefits such as reduction in imports & rising exports. In addition to that the MII campaign will leads to rising employments to largest workforce.

The campaigns such as 'MII' has to be planned with some achievable goals & objectives that's how there will be no haphazardness to report the results or achievements of such nationwide missions. For the same SWOT analysis of capabilities of State & Central government should be done before inviting any foreign investment in country. To yield the expected results from MII the alliance of States with Center is necessary, as only signing of 'MOU's & copying the Slogans of Make in India for states will not leads toward the achievement of MII's goals. It has been seen from multiple examples such as ' Foxconn a Taiwan base Contract manufacturer of mobile phones & electronic appliances has sign 'MOU' with Government of Maharashtra in year 2015 to invest $5 billion & generate 50,000 employments up to year 2020, but till year 2018 there is no movement toward land acquisitions, construction etc.

There are multiple such examples like Foxconn, that states unable to provide the basic infrastructure, uninterrupted & cheap power supply, lands, concessions in various duties & taxes causing to failure of commitments from 'TNC's. As well international rankings of 'Ease of doing businesses(EODB), Global Manufacturing Competitiveness Index (GMCI) ranking has to be improved to build confidence among the global investors to attract them to invest in India & convert the dream of 'Make in India' in reality.

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