
A Comparative Study on Impact of Make in India Drive on Foreign Direct Investment Flows in Pre and Post Initiative Period

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ARTICLE DETAILS

Research Paper

Keywords:

Foreign Direct Investment (FDI), GDP, Make in India

ABSTRACT

In an effort to reduce our reliance on imports, government of India has produced number of programs to increase exports and GDP. By implementing the "Make in India" theme and policy, Indian Government also takes a fresh approach. The motive behind this introduction is to incentivize Indian companies to produce goods domestically rather than importing goods from overseas. The purpose of research article is to ascertain how this policy affected foreign direct flows both before and after the policy. According to the findings, the Made in India initiative has had little effect on foreign direct investment in India, as there is a slight increase sectors related to service unit.

Introduction

The initiation of this policy will allow India to overtake the US and China as the top investment destination, even though it has already surpassed them. However, seeing from longer prospective, things will need to change.

Foreign Direct Investment at a Glance

FDI often entails expertise and technology transfer, joint ventures, and management involvement. An entity based in another country that acquires a controlling interest in a business enterprise in another country is known as FDI of Foreign Direct Investment. Kinds: When a company uses foreign direct

investment to replicate its domestic operations at the same value chain stage in a host nation, called as horizontal FDI.

Crucial and significant financial sources for nations like India is flow from foreign resources. India likewise depends heavily on foreign flows in a similar manner. Numerous businesses made an attempt to enter India so that that get benefits from the country's shifting business policies and cheap labour. The definition of (FDI) is flows of investment (inflow minus outflow) used to get a long-term management stake in a business that operates in an economy other than the investor's..

Objective of the study

1. To study the impact of make in India initiative on Foreign Direct Investment inflows in Pre and Post make in India initiative period.
2. To study the various issues and challenges with respect to Make in India policies and Foreign Direct Investment.

Hypothesis

Ho: There is no significance impact of make in India initiative on increase in FDI in India.

H1: There is significant impact of make in India initiative on increase in FDI in India.

Research Methodology

The study is based on Sources from secondary one which is acquired from periodicals, magazines, the RBI website, and the Department of Industrial Policy and Promotion's website, among other sources.

Review of Literature

The primary role and effectiveness of various schemes introduced by the Indian government, their challenges and investor feedback, Soundharyya's (2015) research article on "Make in India- Scheme for Transforming India." It also reveals that in the upcoming years, made in India will undoubtedly be a game-changer. The policy will be very beneficial, especially to small enterprises, those are struggling for a long time. It also examine the difficulties associated with the Made in India initiative, the paper

discovered that in order to make the policy effective and efficient , India's small and medium-sized enterprises must find solutions to the major issues affecting their operations.

In their research paper "Making "Make in India" realism: role of FDI," Sangwan (2015) focused on the changes in the FDI rate following Modi's introduction of Make in India and increase of FDI rate increase. The Indian Cabinet approved 49% of (FDI) in the Defence industry and hundred percent foreign Investments in railroad infrastructure in August 2014

The Central Bank of India Database on Indian Economy and other database were two of the reports from which various data was gathered to have comparison of FDI inflows before and after the "MAKE IN INDIA" campaign.

Research has shown that FDI inflows and industrial production are highly correlated. It has substantial effects on overall aspects of development, from higher productivity to more opportunities for technology transfer.

Analysis

Paired sample T-tests have been used to examine the "make in India" initiative on FDI (Inflows from foreign Direct Investments) during the pre- and post-initiative periods.

T-TEST PAIRS=PRE WITH POST (PAIRED)

/CRITERIA=CI(.900)

/MISSING=ANALYSIS.

T-Test

Paired Samples Statistics						
		Mean	N	Std. Deviation	Std. Error Mean	
Pair 1	MAKE IN INDIA INITIATIVE	14055.4444	9	5843.89098	1947.96366	
	IATIVEMAKE IN INDIA INIT	16274.7778	9	8275.95515	2758.65172	

Paired Samples Correlations				
		N	Correlation	Sig.
Pair 1	MAKE IN INDIA INITIATIVE & IATIVEMAKE IN INDIA INIT	9	.578	.103

Paired Samples Test									
		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	90% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	MAKE IN INDIA INITIATIVE - IATIVEMAKE IN INDIA INIT	-2219.3333	6832.72383	2277.57461	-6454.59273	2015.92607	-.974	8	.358

The results of the study indicate that the initiative has no discernible effect on FDI in India. While FDI has increased, it's more crucial to identify the sectors where it has increased.

Strategies need to be adjusted if this initiative's primary goal is not being met. India has been the favourite destination for foreign flows in the service sector, indicating that problems still need to be resolved locally.

HIGHEST FDI IN SERVICE SECTOR IN SPITE OF MAKE IN INDIA PUS

The govt of India has made huge efforts to boost flows in the production sector, but even with the launch of this policy initiative, it is lacking in drawing in much FDI to the manufacturing sector. The service sector continues to attract much foreign flows. In 2014–15, it accounted for 17% of the 31 billion dollars in FDI that India received. According to Department of Industrial Policy, the service sector received \$3.25 billion in foreign capital during the 2014–15 fiscal years, up from \$2.22 billion.

India's Increase in Foreign flows not linked to "Make in India" initiative

Associating increasing FDI with the "Make in India initiative" will be highly premature. According to data, foreign flows have primarily focused on leveraging domestic consumption instead of promoting domestic manufacturing. The Department of Industrial Planning and Promotion, which essentially oversees the program, shows that the main source of FDI is not concentrated in the areas of e-commerce, autos, or carry-on business. Essentially, the goal of these investments is seeing demand rather than concentrate on export. The e-commerce industry, where companies like Flipkart and Snapdeal have drawn significant venture capital and private equity, sectors that has attracted enormous FDI inflows.

On the other hand, traditional manufacturing and investment sectors continue to face severe challenges, while employment in sectors like construction has sharply declined.

Findings

- It has been discovered that the Made in India campaign has had no discernible effect on the sharp rise in foreign flows coming in India.
- FDI has increased in India; significant investment has not been made in the countries far more focused manufacturing sector. Conversely, in 2014–15, the service sector continued to draw the greatest amount of foreign direct investment.
- The service sector contributed 17% of the total foreign direct investment (FDI) of 31 billion dollars that India received. Our exports have decreased for the eleven consecutive month, and the government ought to be extremely concerned about this.
- The present government is not able to pass many crucial bills like GST and Land acquisition bill which are important components of the Initiative.

Suggestions

- Proper implementation of GST can be key drivers for the economy.
- Doing reforms and implementation at ground level are two different things. Government needs lots of things at ground level to make things changing.
- Since "Made in India" is solely focused on manufacturing, all initiatives that can improve our export and manufacturing should be supported, including those that businesses can complete quickly.
- The most important aspects for the Made in India policy, including streamlining the nations' tax code and increasing foreign investment, will be taken into account. Numerous companies like Vodafone and Cairn India, are having tax problems and are hesitant to conduct business in India.

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