



## IMPACT OF MAKE IN INDIA CAMPAIGN ON FOREIGN DIRECT INVESTMENT: AN OVERVIEW

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### ABSTRACT :

India is one of the big economies in the world in terms of purchasing power but India's ailing infrastructure scenario and defunct logistics facilities made it difficult to achieve an elite status as a manufacturing hub. The foreign investment in retail which was once a prohibited sector, now became the FDI in retail has now gained momentum in both single brand retail and multi brand retail but due to bureaucratic approach of former governments, lack of robust transport networks, and widespread corruption made it difficult for manufacturers to achieve timely and adequate production and the foreign direct investment and politically sensitive multi brand retail had been facing a lot of trouble. , yet policies were to be changed and should allowed in a phased manner.



Hence it was compulsorily required to remove these hurdles and make the nation an ideal destination for investors to set up industries and in this context Make in India campaign was launched by the Indian Prime Minister, Mr. Narendra Modi in September 2014 as a part of India's renewed focus on manufacturing. The main aim of this campaign was to invite investors for manufacture in India. For this purpose to promote the Make in India, certain tax incentives were offered to investors, which will go a long way in providing a much-needed impetus to the manufacturing sector.

In this research article an analytical study in current scenario has been discussed showing the sectors which are covered under the Make in India campaign to present an overview regarding impact of Make in India campaign on FDI. Despite the sectors many incentives available for investors have been discussed.

**KEYWORDS :** Make in India, FDI, Economy, Tax Incentives.

### 1. INTRODUCTION

Make in India campaign was launched by our Prime Minister, Narendra Modi on 25<sup>th</sup> September, 2014 to invite the investors in the form of Foreign Direct Investments to encourage our manufacturing sector to contribute towards the world economy and to make India a manufacturing destination to compete globally. Make in India initiative is majorly focusing on the sector of unemployment prevailed in our country. Since independence, India was majorly a consumption based country not a production based country with a high percentage of contribution on consumption of foreign goods. Make in India initiative was taken by Government of India to overcome the problems of unemployment, ease in business, lowering the cost of production, improving the standard of living, reduction in import cost and increment in export etc. so that multi-national companies as well as national companies will encourage to manufacture their products in India and India can become a global manufacturing hub. To promote the Make in India, certain tax incentives are offered to investors, which will go a

long way in providing a much-needed impetus to the manufacturing sector. In present the various tax incentives are available under the Indian Income Tax Act, 1961 in form of Additional depreciation @ 20% is admissible when new machinery or plant is acquired and installed by the assessee who is engaged in manufacture or production of any article or thing. In country, we lack export of branded products. Actually as a country, we need to add more value to branding that would help promote "Made in India" for which various marketing activities such as TV advertisement, radio advertisement, exhibitions etc. are required to be done abroad and the cost of the same is very high. In order to attract more investment in business of manufacturing defense and aerospace equipment, the scope of units eligible for deduction under section 80-IA should also be extended to units engaged in business of manufacturing defence and aerospace equipment.

The Indian retail industry is mainly divided into two sector first organised retail sector and second unorganised retail sector. Organised retailing refers to trading activities undertaken by licensed retailers, that is, those who are registered for sales tax, income tax, etc. These include the corporate-backed hypermarkets and retail chains, and also the privately owned large retail businesses. Unorganised retailing, on the other hand, refers to the traditional formats of low-cost retailing, for example, the local kirana shops, owner manned general stores, paan/beedi shops, convenience stores, hand cart and pavement vendors, etc. Now India stands among big economies in the world in terms of purchasing power and the foreign investment in retail which was once a prohibited sector, now became the FDI in retail has now gained momentum in both single brand retail and multi brand retail.

Hence an analytical study is required to present an overview showing the impact of Make in India campaign on foreign direct investment. In this research paper flow of foreign direct investment has been discussed in the context of period prior as well as post to make in india campaign. For this purpose paired t- test has been applied.

## 2. REVIEW OF LITERATURE

Dr. K. V. Ramana (2015) discussed the issues, sectors, challenges that would be faced, worldwide and positive responses and some critics regarding make in India and found that, this campaign played a role to attracts foreign investments and boost the manufacturing sector of India.

Seema Sangwan (2015) focused the changes in FDI rate after introduction of Make in India and also discussed the reasons for increasing in the FDI rate. The study found that, there is high correlation between industrial production and FDI inflows and the effect of FDI on economic development ranges from productivity increased to enable greater technology transfer.

S. Soundharya (2015) discussed about Make in India scheme, its opportunities, challenges, changes needed and some examples of different investors invested so far. This study found that, Make in India campaign surely makes India as an investment destination and global hub for manufacturing and innovation.

Narayana (2012) explained that, one of the major concerns of planners and policy makers in India is attracting more and more Foreign Direct Investment. He analysed the Foreign Direct Investment and its flows into India. He highlighted the basic constraints to investment in general and Foreign Direct Investment in particular.

Jampala, Lakshmi and Srinivasa (2013) discussed Foreign Direct Investment Inflows into India in the Post-reforms period. They concluded that "as far as the economic interpretation of the model is concerned; the size of domestic market is positively related to Foreign Direct Investment. The greater the market, the more customers and more opportunities to invest."

Gupta (2016) identified in their study that will foreign direct investment has a leading purpose to enjoy inside the commercial development of that host country.

Farooqui (2016) stated in their study that will foreign direct investment (FDI) insurance coverage play a significant role in industrial growth of developing areas around that World.

## 3. RESEARCH METHODOLOGY

Research methodology refers the search of knowledge. Research methodology may be defined as a scientific and systematic search for required information on a specific topic. In research methodology we study the various steps that are generally adopted by a researcher in his research problem along with the logic behind them.

Under this research paper following aspects related to research methodology are adopted-

### 3.1 Objective of the Study

The main objectives of this research paper are-

1. To discuss the concept of Make in India campaign.
2. To study the FDI inflow before and after Make In India.
3. To present an overview of impact of Make in India campaign on FDI.

### 3.2 Sample Size and Period of the study

The size of sample is based on availability of data. To analyze the impact of Make in India campaign on FDI 15 sectors were selected on the basis of years before and after the launch of Make In India campaign regarding FDI inflows. For this purpose period from year 2013 to 2016 on the basis of FDI equity inflows has been considered.

### 3.3 Collection of Data

The Source of data is most important consideration for any research. For this research paper data of selected sectors were collected from secondary sources that is through reports published by Government of India.

### 3.4 Hypothesis

A hypothesis is an idea that needs to be tested. A hypothesis needs more work by the researcher in order to check it. A tested hypothesis may become part of a theory or become a theory itself. This research study has been conducted on the basis of following hypothesis-

Ho- There is no significant difference in FDI inflow before and after Make In India.

Ha- There is significant difference in FDI inflow before and after Make In India.

### 3.5 Research Technique

To analyse the impact of Make in India campaign on FDI the average equity inflows through FDI before the Make in India campaign has been compared with average equity inflows through FDI after the Make in India campaign and for this purpose paired t test has been applied.

## 4. DATA ANALYSIS

To analyse the impact of Make In India campaign towards FDI inflow, 17 sectors have been considered in respect of Equity inflow which are being shown through table no. 5.1

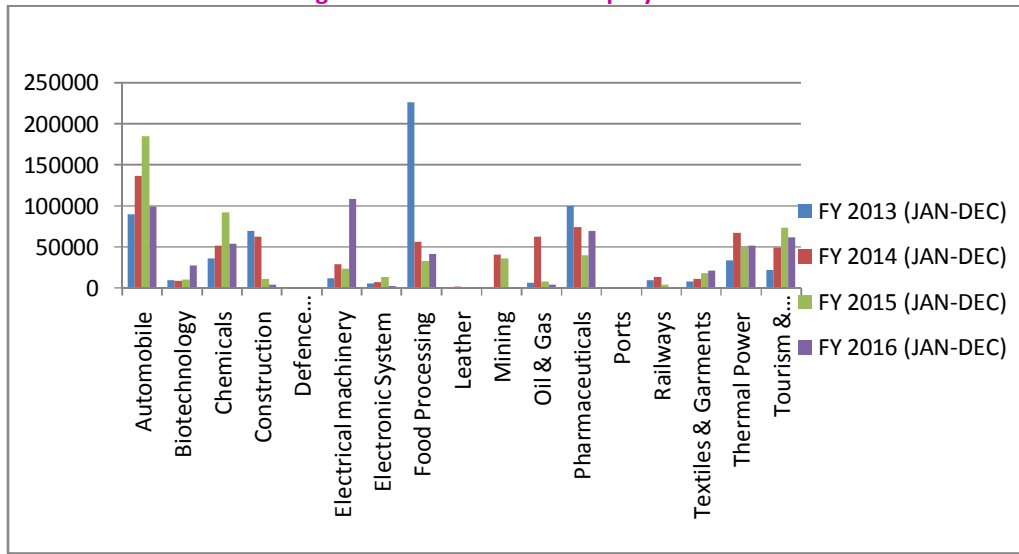
**Table-4.1**  
**Sector wise FDI Equity Inflows**  
**( In Millions Rs.)**

SECTOR	FY 2013 (JAN-DEC)	FY 2014 (JAN-DEC)	FY 2015 (JAN-DEC)	FY 2016 (JAN-DEC)
Automobile	90020.28	136349.52	185207.61	98971.89
Biotechnology	9198.19	8,137.15	10191.76	27881.22
Chemicals	35785.86	51131.82	91951.18	53965.64
Construction	69207.87	61835.69	10609.99	4682.30
Defence Manufacturing	44.72	0.04	4.80	6.40
Electrical machinery	11909.74	28869.38	23329.06	108141.09
Electronic System	5558.64	7079.07	13454.69	3148.08
Food Processing	225863.29	55677.83	33095.02	41598.11
Leather	513.15	1356.17	1356.91	679.83
Mining	1521.84	40678.12	35617.49	226.72
Oil & Gas	6853.28	61549.23	7933.32	4063.72

Pharmaceuticals	100054.57	73763.93	40268.56	69785.12
Ports	0.00	135.27	0.00	0.00
Railways	9546.49	12906.22	4600.76	1270.90
Textiles & Garments	8176.21	10395.78	18211.18	20895.37
Thermal Power	33770.79	66773.12	50097.23	52114.22
Tourism & Hospitality	22320.33	48652.88	73028.78	61132.33

Source-www.dipp.gov.in

Figure-4.1 Sector wise FDI Equity Inflows



4.1 Interpretation-

As per above table 4.1 we find out that equity inflow in Textile and Garment sector is continuously increasing during 2013-2016 which was 8176.21 million during the year 2013, 10395.78 million in 2014, 18211.18 million in 2015 and 20895.37 million in 2016. Adversely equity inflow in Construction sector is decreasing during from 2013-2016 which was 69207.87 million during the year 2013, 61835.69 million in 2014, 10609.99 million in 2015 and 4682.30 million in 2016. Equity inflow in Biotechnology sector is increasing after the launch of Make In India Campaign which was 9198.19 million during the year 2013, 8137.15 million in 2014, 10191.76 million in 2015 and 27881.22 million in 2016. Equity inflow in Electrical Machinery sector is increasing after the launch of Make In India Campaign which was 11909.74 million during the year 2013, 28869.38 million in 2014, 23329.06 million in 2015 and 108141.09 million in 2016.

The average equity inflows through FDI before the Make in India campaign and average equity inflows through FDI after the Make in India campaign is being discussed under the table no 4.2.

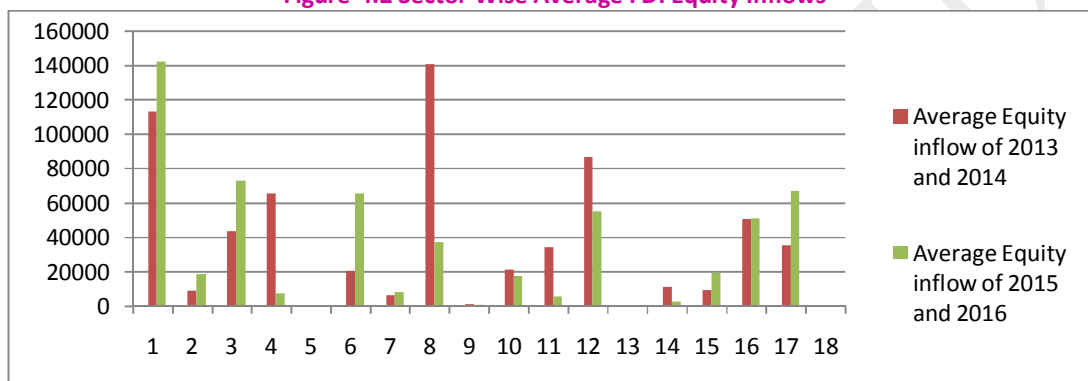
Table-4.2 Sector Wise Average FDI Equity Inflows ( In Millions Rs.)

Sectors	Average Equity inflow of (2013 and 2014)	Average Equity inflow of (2015 and 2016)	Changes (Increase/Decrease)
Automobile	113184.9	142089.75	Increase
Biotechnology	8667.67	19036.49	Increase
Chemicals	43458.84	72958.41	Increase
Construction	65521.78	7646.14	Increase
Defence Manufacturing	22.38	5.60	Decrease
Electrical machinery	20389.56	65735.07	Increase
Electronic System	6318.85	8301.38	Increase

Food Processing	140770.56	37346.56	Decrease
Leather	934.67	1018.37	Increase
Mining	21099.98	17922.11	Decrease
Oil & Gas	34201.25	5998.52	Decrease
Pharmaceuticals	86909.25	55026.84	Decrease
Ports	67.64	0	Decrease
Railways	11226.35	2935.83	Decrease
Textiles & Garments	9285.99	19553.27	Increase
Thermal Power	50271.95	51105.73	Increase
Tourism & Hospitality	35486.61	67080.55	Increase

Source- www.dipp.gov.in

Figure-4.2 Sector Wise Average FDI Equity Inflows



4.2 Interpretation

On the basis of above table we find that there are 10 sectors which show a positive effect of Make In India campaign on equity inflow as inflow of FDI increases in these sectors and there are 7 sectors which show a negative effect of Make In India campaign on FDI equity inflow as inflow of FDI decreases in these sectors.

For comparing the above average FDI inflow before and after Make In India by applying paired t test has been applied on the basis of following hypothesis-

Ho- There is no significant difference between Average FDI equity inflow before and after make in India campaign.

Ha- There is a significant difference between Average FDI equity inflow before and after make in India campaign.

4.3 Paired t-Test  
Two Sample For Means

	Variable 1	Variable 2
Mean	38106.95	33750.62
Variance	1738826076.524	1452624773.06756
Observations	17	17
Pearson Correlation	0.599152	
Hypothesized Mean	0	
Degree Of Freedom	16	
T stat	0.500676	
P(T<=t) one-tail	0.311708	
T Critical one-tail	1.745887	
P(T<=t) two-tail	0.623416	
T Critical two-tail	2.119905	

**Result-** On the basis of above table we find out that calculated value is 0.500676 which is less than table value 2.145 at 5% level of significance & 14 Degree of Freedom. Hence  $H_0$  has been accepted means there is no significant difference between Average FDI equity inflow before and after make in India campaign in other words it may be concluded that Make in India campaign affected the FDI inflows.

## 5. FINDINGS AND CONCLUSION

The Make In India initiative resulted into affirmative changes in the FDI inflow in the country which is a positive sign for the growth of the country as a whole. Statistical reports of Ministry of Finance showed that after the launch of Make In India initiative in September, 2014, investment commitments have been made through FDI inflows. As the Government has put in place a transparent and liberal policy for FDI in which most of the sectors are open to FDI under automatic route. This resulted into significant increase or decrease in FDI through automatic route. By comparing the average inflows before the launch of Make In India with average inflows after the launch we find that there is no significant difference in FDI inflows before and after the Make In India campaign.

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