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Make in India and Foreign Direct Investment in Indian Manufacturing Sector: Trends and Patterns

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Abstract: The major focus of the 1991 economic reforms in India was to attract large amounts of foreign investments by liberalizing policy regimes to improve the balance of payment situation. However, the manufacturing sector of India failed to garner much of foreign direct investments, as was anticipated through the economic reforms. Contribution of India's manufacturing sector to the Gross Domestic Product of the country has been largely stagnant for the last two decades and also its contribution to the export basket remains paltry compared to its off-shore competitors. Manufacturing sector has for a long period of time been the susceptible point of the Indian economy. Providing impetus to the manufacturing sector is the means to initiate a laudable cycle of higher economic growth in India. The 'Make in India' initiative stands out for its criticality, in order to develop India into a global manufacturing giant. The national agenda of 'Make in India' launched in the year 2014 by the NDA Government is to facilitate investments, foster innovation and build the best in class manufacturing infrastructure. This research paper aims to study the FDI Inflows trends and pattern during the period 2000-2017 in the manufacturing sector of India. The competitiveness of the sector would also be analyzed during the said period. The influence of the Make in India initiative on the nature of FDI inflows to the manufacturing sector has also been discussed.

Keywords: Foreign Direct Investment, Manufacturing Sector, Gross Value Added, Make in India, FDI Policy Reforms

1. INTRODUCTION

Empirical studies and various economic theories have suggested that manufacturing sector of a country is the main catalyst for economic growth of a Nation. After independence, agricultural sector was the most thriving sector of the Indian Economy, which contributed majorly to the GDP of the nation. Gradually, Indian economy has shifted from its dependence on agriculture to the Service sector. Empirical studies

have highlighted the fact that neglecting the manufacturing sector, has been the reason behind India's sluggish growth compared to other economies globally.

The share of Indian manufacturing sector to India's GDP has for the most part been sluggish at around 16 - 17% over the last few decades and also the influence of the manufacturing sector towards export competitiveness of India has also been very lucrative compared to its global competitors (**Ernst & Young Report on Make in India Campaign, 2015**). The major focus of the 1991 economic reforms in India was to attract large amounts of foreign investments by liberalizing policy regimes to improve the balance of payment situation. However, the manufacturing sector of India failed to garner much of foreign direct investments, as was anticipated through the economic reforms. When India extended the range for foreign investment considerably during the reforms, it was affirmed that FDI would result in technological spillovers, introduction of domestic competition, encourage development of know-how and skills and potential for promotion of exports.

However, in the recent few years the manufacturing sector has been the center of attention for the Indian Government. As per **India Manufacturing Barometer (2016) by FICCI and PwC Strategy, India's** manufacturing sector has the potential to materialize as one of the key growth sectors in India and is likely to become the fifth largest manufacturing hub globally by the end of 2020.

2. LITERATURE REVIEW

Kapoor (2014) observed that Nations with rigid labour related policies have witnessed slower growth in employment and manufacturing output than countries with more resilient labor regulations. **Saed (2002)** has discussed that low substitution of elasticity and low level of technical progress may constrain economic growth if policies regarding wages, employment, capital price and availability are not managed properly. **Felipe and Kumar (2010)** reflected on the technical advancement in manufacturing sector of India during 1980-2007. They found that Indian manufacturing sector has favored investments during 1980-2007. Also, in most of the countries, rapid capital accumulation has resulted a decline in the profitability but in case of India's manufacturing sector this does not apply. **Wolnicki et al. (2006)** discussed the association between GDP and employment in Poland during the period of economic transition. Initially GDP declined leading to decline in employment too. He found that in due course of time the increased economic growth and rising per capita income will result in generation of jobs in non-manufacturing sector so as to counterbalance the increased capital/labour ratios in the manufacturing sector.

Islam and Shazali (2010) studied the impact of three fundamental inputs on manufacturing output. They found that the level of skill and productivity is positively correlated. Significant positive correlation is found between positive work environment and output and also between R&D expenditure and output. **Fan and Filipe (2006)** compared the economic condition of China and India. Both the economies went through economic reforms in 1970, 1978 and early 90's. But presently, China's growth is much ahead than India. It has been found that India needs to increase its rate of capital accumulation and investment growth, and then only it will be able to surpass China. **Bollard et.al. (2011)** has focused on large manufacturing plants in India. Many reforms were undertaken like industrial delicensing, tariff reductions, FDI liberalization etc. But these accounts for less than one-quarter of overall productivity growth.

Subramanian, Sachdeva and Morris (2010), observed the trends in India's outward FDI flows in the last decade and indentified the factors determining FDI Outflows. **Hooda (2013)** observed that FDI

in Indian manufacturing is negatively affected by tariffs, imports and R&D and is positively affected by market resources. Thus, can be anecdotal that FDI in India is primarily market-seeking.

Sahoo (2014) argued that FDI can help boost production and investment and also encourage domestic savings and investments in India. Employment creation has suffered majorly because of the sluggish growth of the manufacturing sector. Lack of labour reforms and unfavorable investment climate has added to that. To achieve this India needs to focus on improving the flow of FDI in the manufacturing sector and the Make in India initiative aims to achieve just that. **Green (2014)** emphasized on the importance of the Make in India initiative towards employment generation. Considering the demographic dividend of India and the national manufacturing policy, employment creation will take an upsurge. On the other hand, **Jha (2015)** argued that 'Make in India' initiative could not be successful because of India's 'Ease of Doing Business' ranking and other factors like bureaucracy, corruption etc. The initiative could result in a mere slogan.

3. RESEARCH OBJECTIVES AND METHODOLOGY

Based on the empirical literature reviewed, the authors have developed the following research objectives:

- To analyze the FDI Trends and Competitiveness of the Indian Manufacturing Sector
- To evaluate the effect of the 'Make-in-India' Initiative on FDI Flows to Indian Manufacturing sector

The study is a descriptive research work on the FDI Policy and Trends of the Indian Manufacturing Sector during the period 2000-01 to 2016-17. Secondary data has been collected for the research work. The Panel data on FDI Trends has been collected from World Bank Dataset, Open Government Data Portal, Policy Circulars published by the DIPP, Government of India, Make in India website and Reports published by PwC and other relevant sources.

4. FDI IN MANUFACTURING SECTOR OF INDIA

4.1. Manufacturing Sector in India

Manufacturing Industry in India has evolved through various stages of development. Since, Indian independence, the domestic manufacturing sector has passed through building the industrial base in 1950's and near the beginning of 1960's, to the Industrial Licensing phase across 1965 to 1980. Then it experienced a phase of liberalization and structural adjustments of 1990's and lastly to the current phase of global competitiveness. The Indian Manufacturing sector currently contributes around 17% to India's Gross Domestic Product and provides employment to around 12% (2015) of the country's labor force. Different studies have projected that every employment created in manufacturing has a multiplier consequence in creating jobs in the services sector (CII Sectoral Report, 2016). In India, where employment creation is one of the key strategic issues, this makes the sector a significant one to attain comprehensive growth. Manufacturing is the foremost growth sector for our country's economy with varied industries including those engaged in manufacturing of machinery and equipment, electronics and metal, cement, building and construction material, rubber and plastic products and automation technology products.

While a number of factors like growing demand in domestic market, upsurge in middle class population, demographic dividend, makes India a reliable investment target and presents an attractive opportunity to manufacturers. But there is a considerable gap between India's manufacturing potential and its realization. The Government has stressed the fact that manufacturing, which has languished at around 17% of the GDP for quite a few decades and supporting just 12% of the workforce, needs a big thrust to achieve 25% of the gross domestic product by 2020. Manufacturing is thus rightfully at the center-place of the Honorable Prime Minister's Vision for Make In India (MII), which is to increase contribution of manufacturing to GDP to 25%.

4.2. Analysis of FDI Trends and Patterns in Indian Manufacturing Sector

Post – Liberalization, there has been a continuous surge in FDI Inflows to India with major MNE's bringing in international capital. But a close analysis of the Trends in FDI Inflows at a sectoral level reveals that a major chunk of the FDI has been received by the Services Sector, leading to the highest contribution of this sector to the GDP of our country. Whereas, the main agenda for the 1991 Economic Reforms and liberalization of the Indian Economy was to make India a manufacturing hub and develop its industrial base.

4.2.1. FDI Trends and Patterns in Manufacturing during the period 2000-01 to 2016-17

Table 1.1 shows the FDI Inflows to Manufacturing sector in comparison to the total FDI inflows received by the country during the period 2000-01 to 2016-17. The share of FDI in manufacturing is pretty low compared to the total inflows to the country particularly during financial years 2000-01 to 2004-05. Thereafter

Table 1.1

<i>Year</i>	<i>Total FDI Inflows to India during 2000-01 to 2016-17 (Amount in US \$ Million)</i>	<i>FDI Inflows to Manufacturing Sector in India during 2000-01 to 2016-17 (Amount in US \$ Million)</i>
2000-01	2378.68	738.86
2001-02	4027.69	1008.53
2002-03	2704.34	932.7
2003-04	2187.85	626.28
2004-05	3218.69	983.59
2005-06	5539.72	1961.65
2006-07	12491.77	1643.23
2007-08	24575.43	3133.52
2008-09	31395.97	8910.03
2009-10	25834.41	4218.72
2010-11	21383.05	6134.15
2011-12	35120.8	11834.64
2012-13	22423.58	6209.08
2013-14	24299.33	11203.39
2014-15	30930.5	9657.16
2015-16	40000.98	8489.07
2016-17	43478.27	12074.84

Source: DIPP, Ministry of Commerce & Industry, GOI

from 2005-06 onwards there has been upsurge in the FDI Inflows to manufacturing but not at a great level. If we see, in financial year 2007-08, the total FDI Inflows were USD 24,575.43 Million, whereas the share of manufacturing FDI is as low as USD 3133.52 Million. From 2011-12 onwards though the scenario for the FDI trends in Indian Manufacturing has improved, but still there are huge gaps. For example, more recently in FY 2016-17, the total FDI Inflows to India were USD 43,478.27 Million, whereas the share of Manufacturing FDI was only USD 12,074.84 Million.

Figure 1.1 alongside depicts the graphical representation of the aggregate FDI Inflows to India and also the FDI Inflows to Indian Manufacturing Sector. The graph clearly depicts that over the years although FDI Inflows have increased to a great extent, but the same does not reflect in the Manufacturing sector.

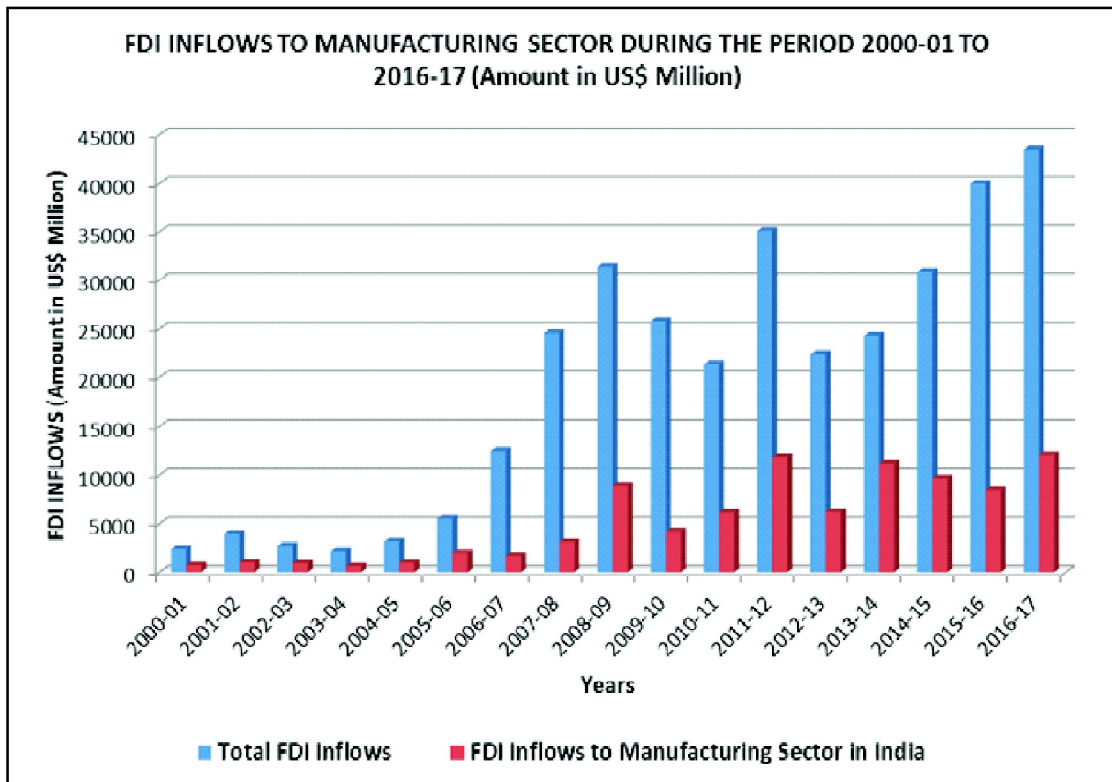


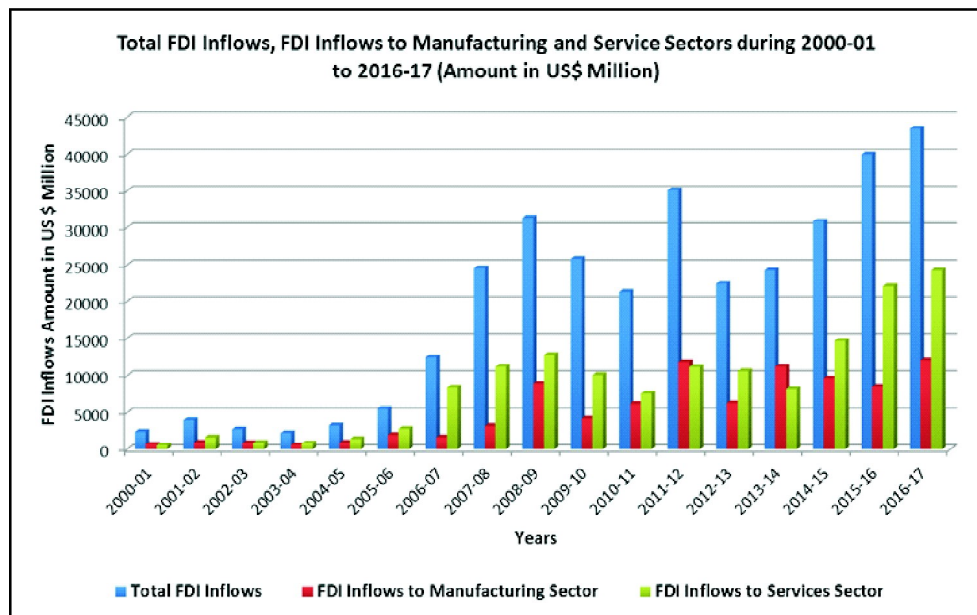
Figure 1.1

Table 1.2 below shows the comparison between total FDI Inflows and FDI Trends in Manufacturing and Services Sectors of India respectively. An analysis of the trend reveals that since FY 2001-02, there has been continuous upsurge in the FDI inflows to the Service sector except in case of FY 2011-12 where both manufacturing and services received almost the same quantum of FDI flows. This trend can be somewhat attributed to the growing share of Service sector in the GDP of our country, whereas the GDP contribution of the manufacturing sector is stagnant around 16% to 17% for the last two decades. Obviously, there are other factors which determine the GDP Contribution of a particular sector, but there have been numerous empirical studies which observed that FDI Inflows to country have an impact on the GDP growth rate of a country.

Table 1.2

Year	Total FDI Inflows to India during 2000-01 To 2016-17 (Amount in US \$ Million)	FDI Inflows to MANUFACTURING SECTOR IN INDIA during 2000-01 to 2016-17 (Amount in US \$ Million)	FDI Inflows to SERVICES SECTOR in India (Fin., Banking, Insurance, on Fin/Business, Outsourcing, R&D, Courier, Tech. Testing and Analysis, Consultancy, Health, Hospitality, Education, Trading, Broadcasting & Communications, Computer Software & Hardware) Amount in US \$ Million
2000-01	2378.68	738.86	587.9
2001-02	4027.69	1008.53	1633.65
2002-03	2704.34	932.7	965.39
2003-04	2187.85	626.28	890.63
2004-05	3218.69	983.59	1444.04
2005-06	5539.72	1961.65	2766.29
2006-07	12491.77	1643.23	8384.26
2007-08	24575.43	3133.52	11204.04
2008-09	31395.97	8910.03	12828.97
2009-10	25834.41	4218.72	10121.41
2010-11	21383.05	6134.15	7553.65
2011-12	35120.8	11834.64	11147.58
2012-13	22423.58	6209.08	10597.39
2013-14	24299.33	11203.39	8160.43
2014-15	30930.5	9657.16	14667.73
2015-16	40000.98	8489.07	22058.41
2016-17	43478.27	12074.84	24290.26

Figure 1.2 below depicts the graphical representation of the Total FDI Inflows, FDI Inflows to Manufacturing and Service of India. During the period of 2000-01 to 2005-06, the share of FDI inflows to both Manufacturing and Service were of same quantum, but gradually there has been an upsurge in the



FDI inflows to the Service sector since 2006-07, whereas the manufacturing sector has FDI flows have been at a stagnant position. Even after the iconic ‘Make in India’ campaign launched in August 2014, there has been no real surge in the FDI inflows to Manufacturing sector of India, since the campaign’s aim was to turnaround the manufacturing sector.

4.2.2. Performance of Manufacturing Sector in terms of Export, Import and Gross Value Added (GVA) during the period 2000-01 to 2016-17

It becomes imperative to analyze the competitiveness of the Manufacturing sector, in terms of Export and Import performances as well as the Gross Value Added to the country’s Gross Domestic Product during the period 2000-01 to 2016-17. Table 1.3 shows the performance of the manufacturing sector in terms of Merchandise exports and imports and also contribution to GDP of our country. In terms of Merchandise exports, the share of manufacturing sector has been very uniform over the period. Especially for the

Table 1.3

Year	Merchandise Exports (current US \$)	Merchandise Imports (current US\$)	Manufactures Exports (% of merchandise exports)	Manufactures Imports (% of merchandise imports)	Manufacturing, value added (% of GDP)
2000	42379000000	51523000000	77.8	46.7	18.07
2001	43361000000	50392000000	74.8	49.1	17.29
2002	49250000000	56517000000	75.3	52.1	17.56
2003	58962900000	72557700000	76.8	53.2	17.59
2004	76648600000	99775400000	73.7	52.5	18.01
2005	99616000000	142870000000.00	71.1	52.2	18.17
2006	121807700000.00	178410000000.00	66.3	50.2	18.96
2007	150158600000.00	229369900000.00	64.2	50.4	18.88
2008	194828300000.00	321031500000.00	62.8	47	18.22
2009	164908700000.00	257202200000.00	66.8	52.4	17.82
2010	226351400000.00	350232800000.00	63.8	50.6	17.47
2011	302905390000.00	464462000000.00	62.2	46.9	17.39
2012	296828200000.00	489693900000.00	64.8	43.2	17.09
2013	314847740000.00	465397070000.00	61.9	42.4	16.53
2014	322693680000.00	462909620000.00	64	43.5	16.41
2015	267444100000.00	392866350000.00	70.6	52.7	16.57
2016	264020320000.00	359064930000.00	73.1	55.8	16.51

period 2006 – 07 to 2014-15, we can see the Manufacturing exports to be in the range of 61- 66% of the total Merchandise Exports from the country, though an increasing trend can be seen again since FY 2014-15. In case of Imports, the manufacturing sector has a flat trend as well.

The Gross Value Added (GVA) by the Manufacturing Sector as a percentage of GDP has been very stagnant since 2000-01 with the range of 16% to 18%. Interestingly, though during the period 2000-2009, it witnessed an increasing trend, but since 2009 there can be seen a decreasing trend in the manufacturing sector GVA contribution. Owing to the economic recession of 2009, the GVA of manufacturing suffered a downfall, but it could not recover to a larger extent, partly this could be contributed to the fact that FDI Inflows to the Sector has not been quite significant in this sector in the last 25 years. Manufacturing Sector’s Export performance is having a downward trend, represented by a Linear Trend Line fitted to the data. Also Imports by Manufacturing sector has a rather flat trend during the period 2000-01 to 2016-17.

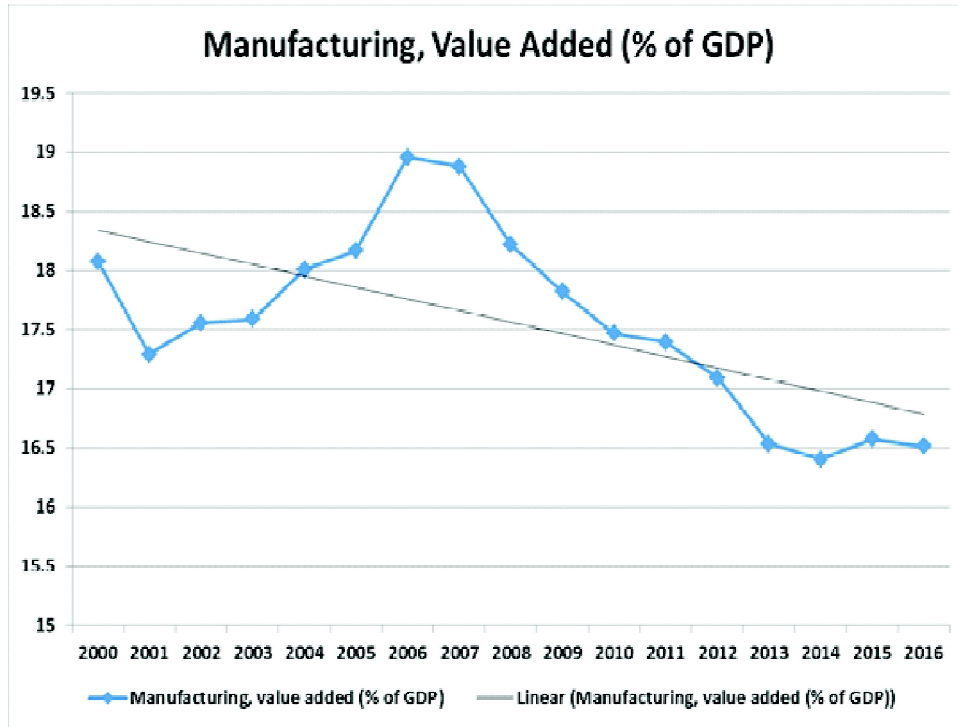
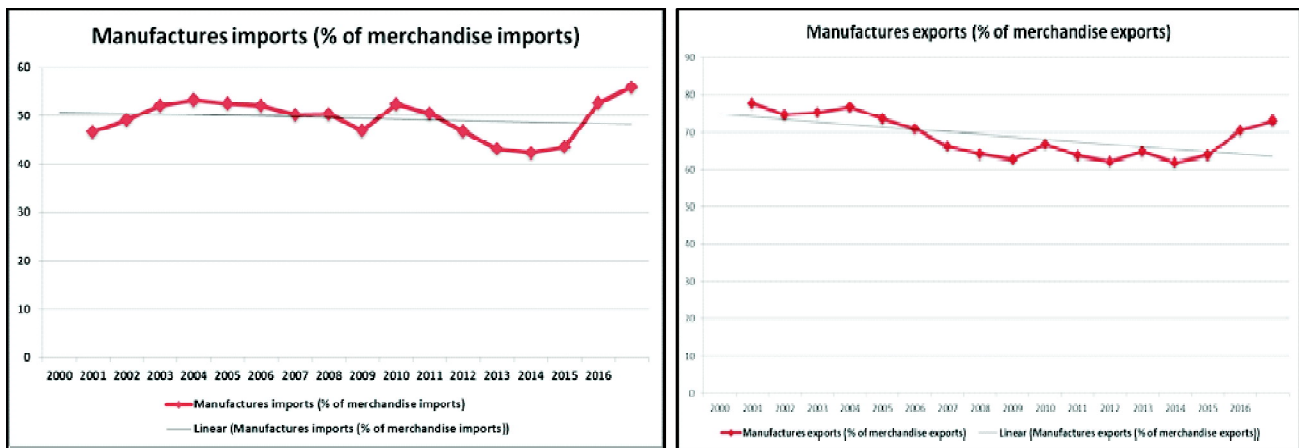


Figure 1.5 alongside shows the graphical representation of the Gross Value Added (GVA) of Manufacturing Sector as a percentage of GDP. The linear trend line indicates a declining trend in the contribution of the manufacturing sector to the GDP of India. Except the period of 2004-05 to 2007-08, it has been a sharp downfall for the sector's contribution.



4.2.3. FDI Inflows to various Industries of the Indian Manufacturing Sector during the period 2000-01 to 2016-17

The divisions of Indian manufacturing sector have been classified based on the two, three and four digit National Industrial Classification – 2004 (NIC-2004) given by the Ministry of Statistics and Programme Implementation and Annual Survey of Industries.

Table 1.4

Industrial Divisions (As per National Industrial Classification- 2004 (NIC-2004)	TOTAL FDI Inflows (IN USD Million)	Share in FDI Inflows to Manufacturing (%)
Prime mover (other than electrical generators)	1738.16	1.94
Electrical equipment	6567.41	7.32
Automobile industry	16673.92	18.58
Railway related components	798.55	0.89
Industrial machinery	4393.88	4.9
Machine tools	861.83	0.96
Agricultural machinery	449.2	0.5
Earth-moving machinery	389.39	0.43
Commercial, office & household equipment	353.47	0.39
Medical and surgical appliances	1576.84	1.76
Industrial instruments	76.12	0.08
Scientific instruments	254.93	0.28
Mathematical, surveying and drawing instruments	7.98	0.01
Fertilizers	565.69	0.63
Chemicals (other than fertilizers)	13293.09	14.81
Photographic raw film and paper	67.28	0.07
Dye-stuffs	88.4	0.1
Drugs & pharmaceuticals	14706.9	16.38
Textiles (including dyed, printed)	2471.41	2.75
Paper and pulp (including paper products)	1291.44	1.44
Sugar	204.43	0.23
Fermentation industries	2487.81	2.77
Food processing industries	7542.92	8.4
Vegetable oils and Vanaspati	697.5	0.78
Soaps, cosmetics & toilet preparations	1203.91	1.34
Rubber goods	2347.02	2.61
Leather, leather goods and pickers	167.2	0.19
Glue and gelatin	128.39	0.14
Glass	551.45	0.61
Ceramics	760.12	0.85
Cement and gypsum products	5239.23	5.84
Timber products	157.68	0.18
Diamond, gold ornaments	895.95	1
Tea and coffee (processing & warehousing coffee & rubber)	111.22	0.12
Printing of books (including litho printing industry)	634.66	0.71
Coir	4.06	0

Table 1.4 depicts the total FDI inflows to the various industries of the Manufacturing Sector of India during the period 200-01 to 2016-17. Out of all the industries classified below, Automobile Industry has received the highest amount of FDI inflows with a total of USD 16,673.41 Million and commanding a share of 18.58% of the total FDI inflows to manufacturing sector in the last 17 years. The second highest recipient of FDI Inflows is Drugs and Pharmaceuticals industry with a total of USD 14706.9Million and a share of 16.38% of the total manufacturing FDI inflows, followed by Chemicals (other than fertilizers) with a total inflow of USD 13,293.09 Million. On the other hand, the industries which have attracted the lowest FDI inflows in the last 17 years are Coir industry and Mathematical,

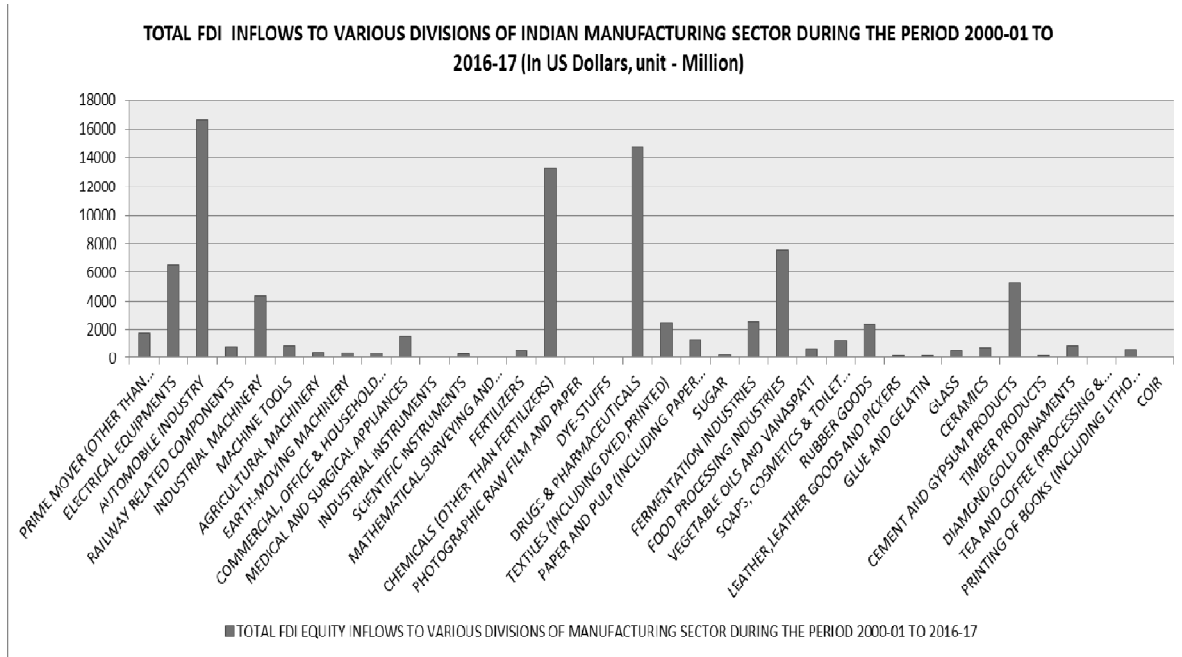


Figure 1.6: FDI Inflows to classified Industries of Indian Manufacturing Sector during the period 2000-01 to 2016-17

Surveying and Drawing Instruments. Other industries which have received substantial amount of FDI inflows are Cement and gypsum products, Rubber goods, Electrical Equipments, Food Processing industry and Industrial Machinery.

5. IMPACT OF MAKE IN INDIA INITIATIVE ON FDI IN MANUFACTURING

Manufacturing sector in India is one of the key growth drivers of the economy. Whilst the services sector has added extensively to the nation’s GDP, the manufacturing sector’s contribution has been comparatively weak. The not so encouraging performance can be attributed to infrastructure and logistics roadblocks, labour productivity and the taxation structure. These are also responsible for low contribution to the country’s exports vis-a-vis the other export oriented emerging economies. It therefore becomes imperative to harness India’s manufacturing prospective to warrant a sustainable long - term growth.

In the light of this, the Narendra Modi led-BJP government launched the ‘Make in India’ campaign on 25th September 2014. The objective of the program was to give India a global recognition and to place the economy as a global manufacturing hub in the international landscape. Along with Make in India other initiatives like Start-Up India”, “Skill India” and “Digital India” were also introduced to provide an impetus and to steer investments, infrastructure development and employment generation to facilitate transformation of India in to global manufacturing hub. All these initiatives provide abundant prospects for investments across diverse sectors. The Make in India initiative also focussed on a plethora of measures focussing on minimalism of norms towards doing business in India. All these measures laid the foundation for showcasing India as an attractive destination for other economies to invest and manufacture in India, thereby fostering growth and making the Indian economy globally competitive in terms of manufacturing. The main objective

in the wake of the initiative is to refurbish the spotlight on employment generation, skill development, promoting innovation and excellence in 25 sectors. The key is to facilitate an environment for investments in the select 25 focus sectors. It aspires at endorsing the ‘ease of doing business’ measures taken up by states and central government ministries. The initiative is erected on four pillars which are as follows:

- New Processes
- New Infrastructure
- New Sectors
- New Mindset

Source: www.makeinindia.com

**Sector level FDI Data is not available for these Sectors*

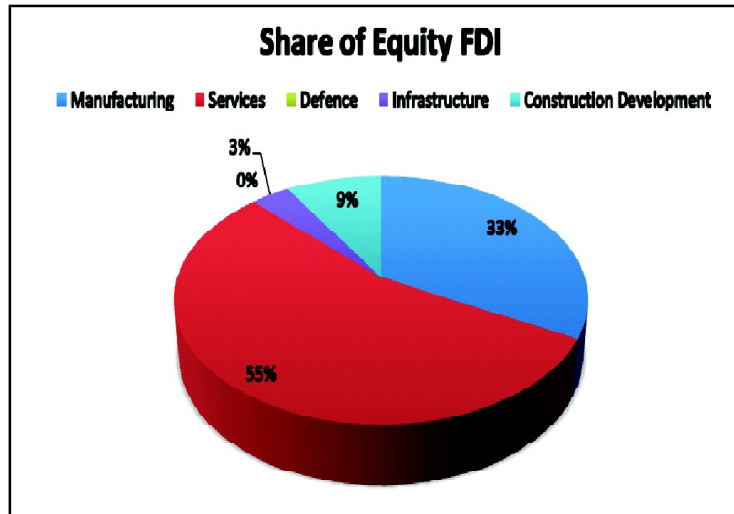
Make in India Campaign Focus Sectors
Mining
Power
Non-Conventional Energy
Electrical Equipments
Computer Software & Hardware
Electronics
Information & Broadcasting (Including Print Media)
Automobile Industry
Automobile Components*
Ports
Railway Related Components
Chemicals (Other Than Fertilizers)
Drugs & Pharmaceuticals
Textiles (Including Dyed,Printed)
Leather,Leather Goods And Pickers
Defence Industries
Hotel & Tourism
Construction (Infrastructure) Activities
Construction Development: Townships, Housing, Built-Up Infrastructure And Construction-Development Projects
Aviation*
Biotechnology*
Roads & Highways*
Wellness*
Space*
Oil And Gas*

5.1. Opening up FDI

The Government is taking a range of actions for fetching investments to the country like easing FDI norms in many sectors; FDI related reforms and liberalization and channeling ease of doing business in the country. FDI inflows to manufacturing sector in India increased by 82 per cent year-on-year basis to US\$ 16.13 billion during the last quarter of 2016 (**IBEF Report, July 2017**). Of lately, India has developed into a focus centre for foreign investments in the manufacturing sector. A number of mobile phones, automobile brands, amid others, have located or appear to establish their manufacturing bases in the country. The implementation of the Goods and Services Tax will make India a widespread market with a GDP of US\$ 2 trillion along with a population of 1.2 billion people, which will be a big attraction for investors (**IBEF Report, July 2017**). FDI in equities went up by 46% between October 2014, when the Government launched its ‘Make in India’ campaign and May 2016, pitching it as evidence that the programme was showing results. Indeed, in the last two financial years, FDI has grown at a solid 25% to 22% respectively. This has been accompanied by the continuing increase of Equity FDI. In the last 3 fiscal years, Equity FDI has been consistently above 70%, an indicator there is a fresh interest in India and it’s not just committed investors who are ploughing back money.

5.2. Analysis of FDI Inflows in Core ‘Make in India’ Sectors

The programme included a clutch of policy changes in FDI in Manufacturing, intellectual property rights and industrial corridors, all aimed to increase investments, innovation, jobs and infrastructure in a set of 25 focus sectors. However much of the increase is happening in the services sector and not the Manufacturing sector which the Government has made the centerpiece of the ‘Make in India’ Campaign. The results in the manufacturing sector are yet to be visibly noticed. This shows that foreign investors are yet to direct visible interest into manufacturing sectors exceptions being automobiles and chemicals. Sector level FDI data is available for 18 of these 25 Focus Sector. At the top level, much of the new FDI has gone into sectors belonging to the services and construction segments. Even the spike in Computer hardware and software has to be read with a rider; 92% of it was in software



Mining, Power and Non-Conventional Energy Sectors

Figure 1.7 below shows the amount of FDI inflows received by the three sectors which are a part of the 25 focus sector of the 'Make in India' initiative during the period 2000-01 to 2013-14, i.e. the Pre

Make in India period. We can see that the FDI inflows to Mining sector are almost negligible and Non-conventional energy sector has witnessed a rise after year 2008-09. Power sector has attracted substantial amount of FDI inflows over the years, except the period of 2002-03 to 2008-09.

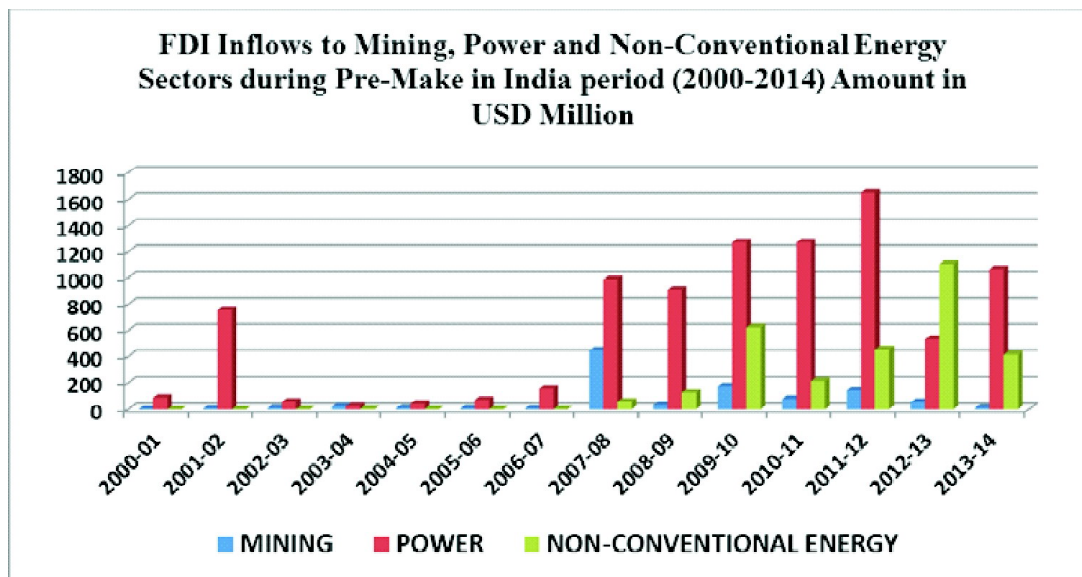


Figure 1.7

Figures 1.8 alongside depicts the performance of the Sectors during the post Make in India period i.e. during 2014-15 to 2016-17. We can see that though FDI inflows to Mining sector has witnessed an upsurge in 2014-15 compared to what it was in the Pre

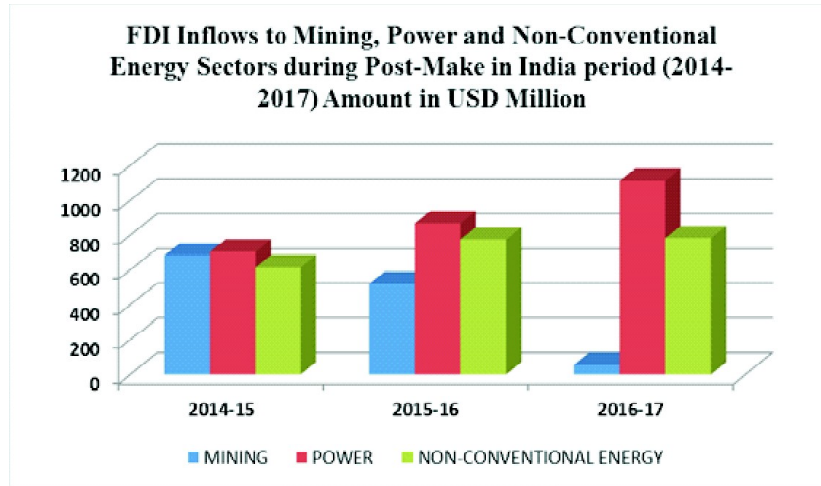
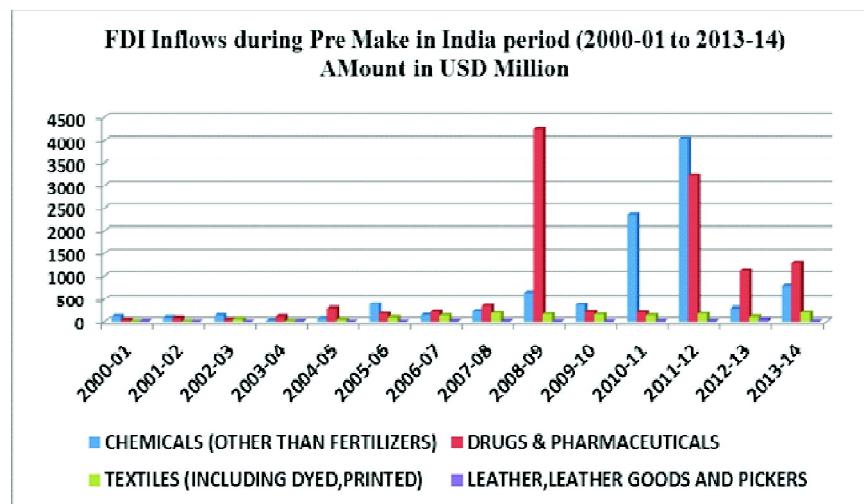


Figure 1.8

Make in India period and again have deteriorated in 2016-17, but there is no significant improvement in the FDI Inflows of the Power and Non-Conventional Energy Sector.

Chemicals, Drugs and Pharmaceuticals, Textiles and Leather Goods Sectors

During the pre-Make in India period, the Drugs and Pharmaceuticals sector has been the highest recipient of FDI inflows, particularly in FY 2008-09 and 2011-12. Also Chemicals other than fertilizers has also seen an upsurge during 2010-11 and 2011-12 but have mostly remained negligible throughout the period. Textiles and Leather goods industries have remained low in terms of FDI receipts during the pre-Make in India period.



During the post Make in India period, the Drugs and Pharmaceuticals sector witnessed a downfall trend in FDI inflows, particularly in FY 2015-16 onwards. But, there has been a jump in the FDI receipts by the Chemical sector where it has witnessed continuous increase since 2014-15 onwards. Leather goods industries have remained low in terms of FDI receipts even during the post Make in India period, but

Textile sector has seen a surge in FDI Inflows during 2016-17, although it remained flat after the launch of the Make in India campaign.

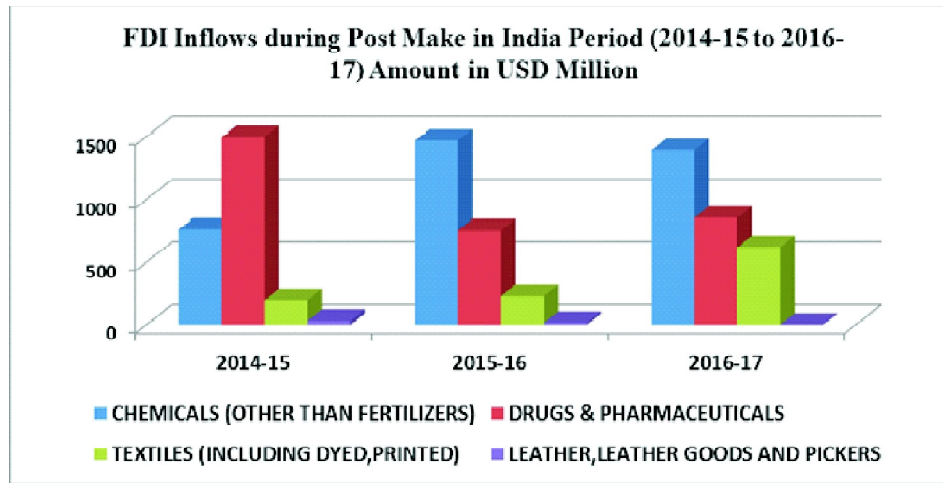


Figure 2.2

Electrical Equipment, Computer Software and Hardware, Electronics and Information and Broadcasting Sectors

Figure 1.9 below shows the amount of FDI inflows received by the four sectors which are a part of the 25 focus sector of the 'Make in India' initiative during the period 2000-01 to 2013-14, i.e. the Pre Make in India period. We can see that the FDI inflows to Computer Software and Hardware gradually increased during the period of 2000-01 to 2005-06. Especially in year 2006-07, it received the highest amount of FDI inflows, although there has been downfall in this trend since 2008-09. FDI inflows to Electrical equipment and Information and Broadcasting which were almost absent prior to 2006-07 have also seen an upsurge beginning from 2007-08, particularly Information and Broadcasting. But FDI Inflows to Electronics is barely present during the pre-Make in India period.

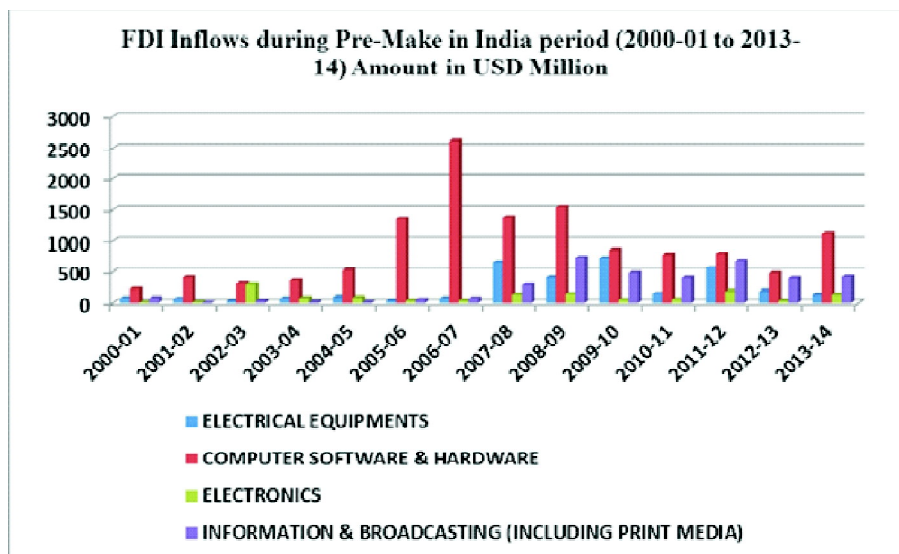
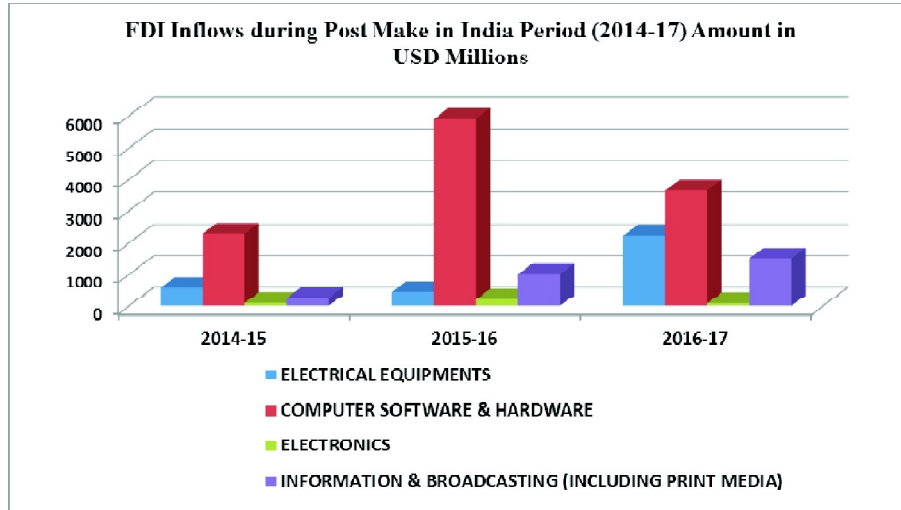


Figure 2.0 depicts the performance of the Sectors during the post Make in India period i.e. during 2014-15 to 2016-17. We can see that though FDI inflows to Computer Software and hardware have seen significant increase and have been steady similar to the pre Make in India period. But there is no significant rise in FDI Inflows to the other three sectors. **Figure 2.0**



Automobile, Ports, Railway related Components and Defence Sectors

Figure 2.3 indicate that the major sector which has witnessed a continuous surge in FDI Inflows during the pre-Make in India period is the Automobile Sector. FDI inflows to Ports have remained negligible throughout the period, except in years 2007-08 and 2008-09. However, FDI Inflows to Defence and Railway related components have remained very low during the pre-Make in India period especially Defence industry. This can be attributed to the FDI policy related to investments in Defence, where the Government had stringent policy regulations as far as foreign investments were concerned.

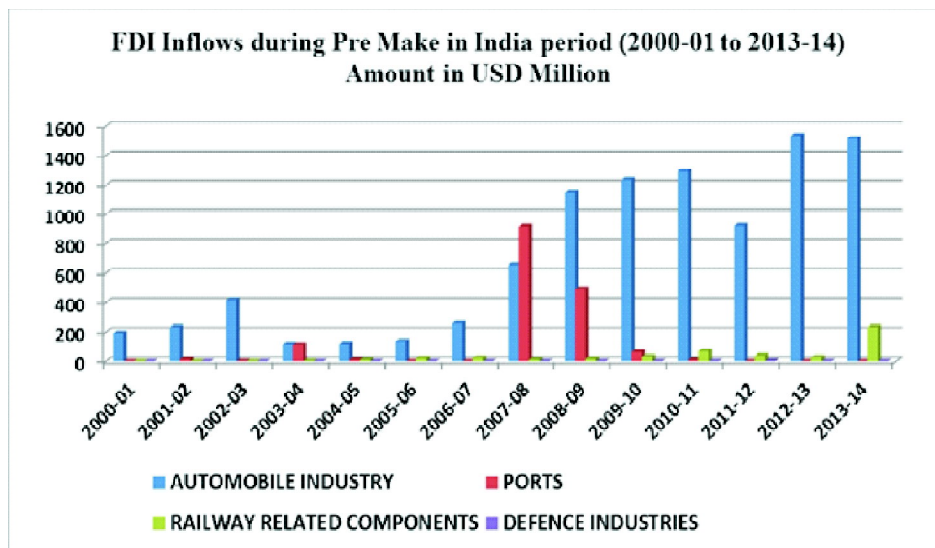


Figure 2.3

Figure 2.4 indicate that the Automobile industry has seen a continuous increase in FDI Inflows in the Post Make in India period as well. In comparison other sectors like Ports and Defence have received very less amount almost negligible FDI during the Post Make in India period, there has been no substantial improvement. Railway related components have also not seen any improvement in terms of FDI receipts.

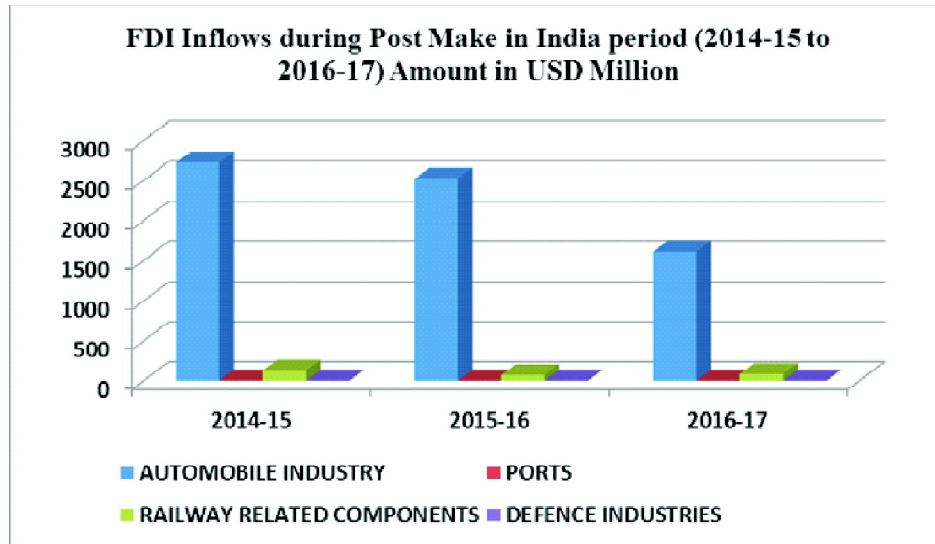


Figure 2.4

Hotels and Tourism, Construction (Infrastructure) and Construction (Development) Sectors

Figure 2.5 shows the FDI data relating to Hotel and Tourism, Construction (Infrastructure) and Construction (Development) – Townships, Housing Development etc. during the pre-Make in India period. For the period of 2000-01 to 2005-06, all the three sectors had very less amount of FDI inflows, but since 2006-07, especially Construction (Development) and Hotel Tourism sector have seen an increasing trend.

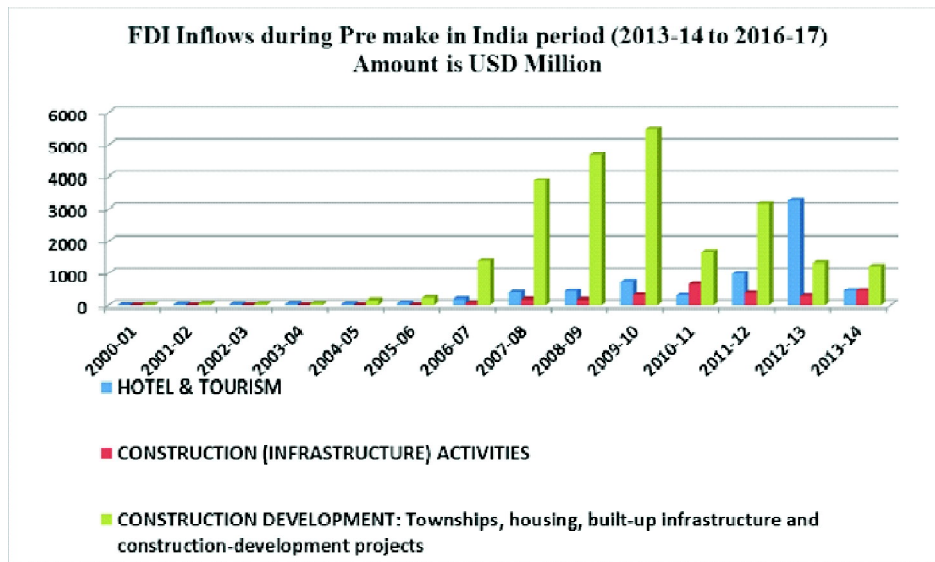


Figure 2.5

During Post Make in India Period (See Figure 2.6) the FDI data shows that quite surprisingly the Construction (Development) sector which had the highest FDI share during the pre-Make in India period has been reduced and has negligible amount of FDI receipts during 2015-16 and 2016-17. The sector which has seen a huge impact of the Make in India Campaign is the Construction (Infrastructure) sector, since from a negligible amount of FDI inflows during the pre-Make in India period to the highest recipient of FDI inflows post Make in India, particularly in FY 2015-16.

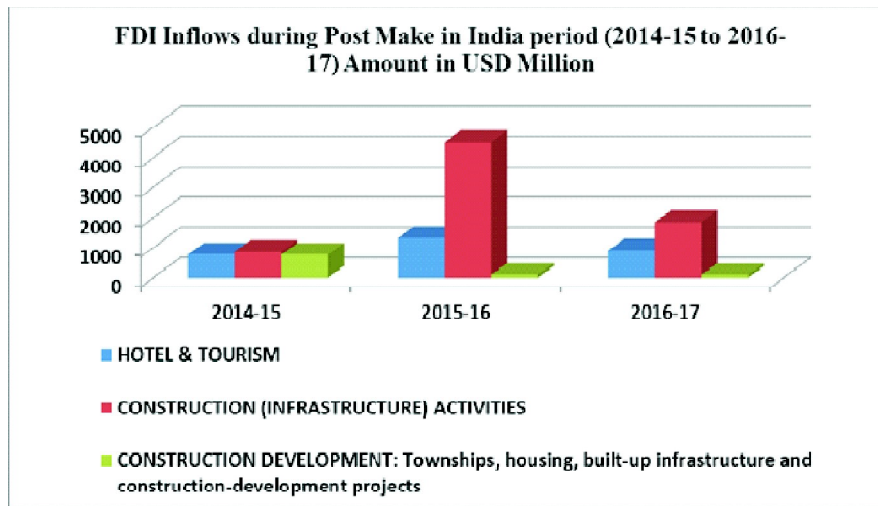


Figure 2.6

6. FINDINGS AND CONCLUSION

Based on the data analysis and interpretation of the FDI inflows to manufacturing sector of India and its various component industries during the period 2000-01 to 2016-17, the researchers have enumerated the following findings related to the empirical research work:

1. The share of FDI in manufacturing is pretty low compared to the total FDI inflows to the country and Service sector.
2. The Gross Value Added (GVA) by the Manufacturing Sector as a percentage of GDP has been very stagnant since 2000-01 with the range of 16% to 18%. Since 2009 there can be seen a decreasing trend in the GVA of the Manufacturing sector towards GDP of our Country.
3. In terms of Merchandise exports, the share of manufacturing sector has been very uniform over the period. Especially for the period 2006 – 07 to 2014-15, we can see the Manufacturing exports to be in the range of 61-66% of the total Merchandise Exports from the country. In case of Imports, the manufacturing sector has a flat trend as well.
5. FDI Inflows to India, during the post Make in India period has a weak link to the centerpiece of the 'Make in India' Programme. The vigor of the Make in India initiative on the manufacturing sector is yet to be visibly seen except in few sectors like Automobile, Drugs and Pharmaceuticals, Chemicals, Computer hardware and software.

6. FDI is rising but not in Core 25 Focus Make in India Sectors. Four Sectors out of the 25 focus sector sectors received less than USD 100 Million in 2015-16; Railway related components (\$74 million); Leather, leather goods and pickers (\$14.8 million); Defence industries (\$0.1 million) and Ports (zero).

‘Make in India’ initiative symbolizes an attitudinal change in how India portrays itself to investors; not as a permit-issuing authority, but as a proper business collaborator. The solution lies in the practical aspects of the campaign. Indian economy, demography and regulatory reforms prove that India is currently capable to put into action the Make in India initiative. This move about will generate more employment and will increase the domestic savings leading to generation of more investments and thus will make accessible more resources for spending for the citizen’s wellbeing and economic growth of the country.

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