Symbiosis

www.symbiosisonlinepublishing.com

ISSN Online: 2577-7815

Research Article International Journal of Family Business and Management Open Access

# Make in India – Foreign Direct Investment

**K.PREETHI***

*Assistant Professor(P), University College for Women, Kakatiya University, Warangal, Telangana State, India.*

**Received: October 23, 2019; Accepted: November 7, 2019; Published: November 15, 2019**

***Corresponding author:** *K.PREETHI Assistant Professor (P),University College for Women, Kakatiya University, Warangal, Telangana State,India; Email: preethikodam8@gmail.com*

## Abstract

India has already marked its presence as one of the fastest growing economies of the world. Foreign Direct Investment is the major monetary source for economic development in India. New industrial policy of 1991 introduces the economic liberalization in India. After the post liberalization, FDI inflows steadily increased in India with a high growth rate.Government of India launched Make in India on 25th September 2014 to increase FDI inflow which permitted 100% FDI in all industrial sectors.The present paper is an attempt to know FDI policy measures taken by the government of India under Make in India initiative, FDI inflows after the libalisation of India and flow of Foreign Direct Investment in India after the Make in India Initiative is launched.

**Key Words:** Foreign Direct Investment; Make in India; Economic Development; FDI Policy; Economic growth.

## Introduction

Make in India is an initiative launched by Narendramodi, Prime minister of India.The primary goal of this initiative is to encourage multinational and domestic companies manfacture their products in India.This program is an initiative to encourage companies to increase manufacturing in India. This not only includes attracting overseas companies to set up shops in India, but also encouraging domestic companies to increase production within the country. Make in India initiative promotes increase in GDP and tax revenues to the country by producing high standard products and protects the environment.The current contribution of the manfacturing sctor is 16% of the GDP , the initiative aims to raise this to 25% of GDP by the year of 2025.This initiavtive attract new investments in India and the objective of the programme is focus on job creation , foster innovation,protects intellectual property and skill development which covers 25 sectors of the economy.

### Policies under Make in India initiative:

There are 4 major policies under the Make in India program

### New Initiatives:

This initiative is to improve the ease of doing business in India, which includes increasing the speed with which protocols are met with, and increasing transparency.

### Foreign Direct Investment (FDI):

The government has allowed 100% FDI in all the sectors except Space(74%), Defence (49%) and News Media (26%).FDI restrictions in tea plantation has been removed, while the FDI limit in defence sector has been raised from the earlier 26% to 49% currently.

**Intellectual Property Facts:**

The government has decided to improve and protect the intellectual property rights of innovators and creators by upgrading infrastructure, and using state-of-the-art technology. The main aim of intellectual property rights (IPR) is to establish a vibrant intellectual property regime in the country.

**National manufacturing:** The vision of this policy is as follows.

- To increase manufacturing sector growth to 12-14% per annum over the medium term.

- To increase the share of manufacturing in the country's Gross Domestic Product from 16% to 25% by 2022.

- To create 100 million additional jobs by 2022 in manufacturing sector.

- To create appropriate skill sets among rural migrants and the urban poor for inclusive growth.

- To increase the domestic value addition and technological depth in manufacturing.

- To enhance the global competitiveness of the Indian manufacturing sector.

- To ensure sustainability of growth, particularly with regard to environment.

**Objectives of the Study**

- To know the History of Foreign Direct Investment India.
- To know the FDI Policy measures under Make in India Initiative.
- To know the changes in flow of Foreign Direct Investment in India after make in India Initiative is launched.

 ***Corresponding author email:** preethikodam8@gmail.com*

## Research Methodology

Keeping in view of these objectives, a study has been made ragarding FDI inflows after the liberalization of the country and before Make in India initiative is launched.Also studied the concept of Make in India – FDI policy measures taken by the government and changes in flow of FDI after the Make in India initiative is launched.This data collected from theoritical frame work of IMF reports and magazines, the reports from Governemnt of India authorities.This study is completely based on the secondary data. This data is collected from various sources like journals, magazines, articles, books and published and unpublished documents, official websites etc.

## History of Foreign Direct Investment in India

After Independence in 1947, India Attempts were made to liberalize economy in 1966 and 1985.Economic liberalization in India started on 24 July 1991. According to the IMF requirements the Government of India undertake a series of structural economic reforms.As per this requirements, the Governemnt of India started the economic reforms. The new neo-liberal policies included opening for international trade and investment, deregulation, initiation of privatization, tax reforms, and inflation-controlling measures. India in 1997 allowed foreign direct investment (FDI) in cash and carry wholesale. Then, it required government approval.This approval granted in 2006. The Indian retail market attracted FDI in between 2000-2010 which repesents a small 1.5% of total investment flow in India.In financial market, intermeadiaries and middlemen are dominated in the valuechain up to 2010.After 2011, The consumer retail industry made new innovations and organized competition by the measures taken by the Government of India. Several studies claim that the lack of infrastructure and competitive retail industry is a key cause of India's persistently high inflation. Until 2011, Indian central government denied foreign direct investment (FDI) in multi-brand Indian retail, forbidding foreign groups from any ownership in supermarkets, convenience stores or any retail outlets, to sell multiple products from different brands directly to Indian consumers. India approved to increase the competition and innovation under single brand retail in 2012.This reform attracted the new investments in the marketing,operations,services to the consumers, encourage increased sourcing of goods from India, and enhance competitiveness of Indian enterprises through access to global designs, technologies and management practices. In January 2012, India approved reforms for single-brand stores which allow anyone in the world to innovate Indian retail market with 100% ownership. But due to some reasons the government continues the hold on retail reforms for multibrand stores.On 2012, the government of India announced the FDI in multibrand retail.

## Foreign Direct Investment policy measures under Make in India Initiative

Make in India initiative committed to have a FDI policy, which is investor friendly and promotes to invest in all the sectors of manufacturing, creation of jobsand overall growth of the economy of the economy.FDI permitted through automatic route or government route. Under the automatic route, the Indian company or non-resident does not require any approval from government of India.Under the government route, it requires that approval from GOI prior to investment from foreign countries considered by the respective administartive department.

As per the FDI policy 2018, the following sectors coverd 100% FDI under automatic route is as follows:

Agriculture & Animal Husbandry, Air-Transport Services (non-scheduled and other services under civil aviation sector), Airports (Greenfield and Brownfield), Asset Reconstruction Companies, Auto-components, Automobiles, Biotechnology (Greenfield), Broadcast Content Services (Up-linking & down-linking of TV channels, Broadcasting Carriage Services, Capital Goods, Cash & Carry Wholesale Trading (including sourcing from MSEs), Chemicals, Coal & Lignite, Construction Development, Construction of Hospitals, Credit Information Companies, Duty Free Shops, E-commerce Activities, Electronic Systems, Food Processing, Gems & Jewellery, Healthcare, Industrial Parks, IT & BPM, Leather, Manufacturing, Mining & Exploration of metals & non-metal ores, Other Financial Services, Services under Civil Aviation Services such as Maintenance & Repair Organizations, Petroleum & Natural gas, Pharmaceuticals, Plantation sector, Ports & Shipping, Railway Infrastructure, Renewable Energy, Roads & Highways, Single Brand Retail Trading, Textiles & Garments, Thermal Power, Tourism & Hospitality and White Label ATM Operations.

The following sectors coverd under up to 100% FDI under automatic route is as follows:

- Insurance, pension sector,petrolium Refining (PSU's), power exchange, Infrastructure company in the securities market permitted up to 49%
- Medical devices sectors permitted up to 100%
- The following sectors permitted 100% FDI under government route are as follows:
- Banking sector and public sector allowed as 20%
- Core investment company, food products retail trading, mining and minerals, Satellite establishment and operations,print media which includes (publications/printing of scientific & technical magazines, journals/periodicals and edition of foreign news papers) allowed as 100%
- Print media (publishing of news papers, periodicals, Indian editions of foreign magazines with news & current affirs permitted up to 26%
- The following sectors permitted up to 100% FDI under automatic and government route is as follows:
- Airport transport services (scheduled air transport services, regional air transport services), banking (private sector), defense and telecom services permitted upto 49% from automatic route and above 49% from government route.

• Biotechnology (Brownfield), Health care (Brown field), Pharmaceuticals (Brownfield) and private security agencies permitted upto 74% from automatic route and above 74% from government roue.

The following sectors are prohibited form FDI policy is as follows:

• Lottery Business including Government/ Private lottery, online lotteries etc., Chit Funds, Trading in Transferable Development Rights (TDR), Manufacturing of Cigars, cheroots, cigarillos, and cigarettes (tobacco or tobacco substitutes), Gambling and betting including casinos, Nidhi Company, Real Estate Business or Construction of Farm Houses, Sectors not open to private sector investments – atomic energy, railway operations (other than permitted activities mentioned under the consolidated FDI Policy).

• Foreign technology collaboration in any form including licensing for franchise, trademark, brand name, management contract is also prohibited for Lottery Business and Gambling and Betting activities, Real estate business shall not include the development of town shops, construction of residential/ commercial premises, roads or bridges and Real Estate Investment Trusts (REITs) registered and regulated under the SEBI (REITs) Regulations, 2014.

### Foreign Direct Investment India after Make in India Initiative

Government amended the FDI policy to further enable a positive investment climate and sync it with the vision and focus areas of the present Government such as affordable housing, smart cities, financial inclusion and reforms in railway infrastructure. The Construction Development Sector was allowed easy exit norms with rationalized area restrictions and due emphasis on affordable housing. The FDI cap in insurance and pension sector has been raised to 49 per cent. 100 per cent FDI has been allowed in railway infrastructure (excluding operations) and also in the medical devices sector.

The growth in FDI has been significant after the launch of Make in India initiatives in September 2014, with 48 percent increase in FDI equity inflows during October 2014 to April 2015 over the corresponding period last year. The increased inflow of Foreign Direct Investment (FDI) in India especially in a climate of contracting worldwide investments indicates the faith that overseas investors have imposed in the country's economy and the reforms initiated by the Government towards ease of doing business.

The FDI inflow during the financial year 2014-15 was spread across the sectors evidencing the fact of positive eco-system of investment opportunities which India is now providing- Services Sector (US$ 3.2 billion), Telecommunication (US$2.8 billion), Trading (US$ 2.7 billion), Automobile Industry (US$ 2.5 billion), Computer Software & Hardware (US$ 2.2 billion), Drugs & Pharmaceuticals (US$1.5 billion) and Construction (Infra) activities ( US$ 0.75 billion).

## Conclusion

Foreign Direct Investment plays a significant role in the economic growth and development of the country. Foreign direct investment (FDI) in India has received a dramatic boost from the launch of the Make in India initiative. It helps to attain a sustainable economic growth and development through creation of jobs, export orient growth, technical expertise and creative skills along with foreign capital.Make in India initiavtive simplifies the process of the incorporation, clearness, regulatory requirements and digitalising regulatory process.Make in India initiative is encouraging the domestic companies as well as the investors through the changes in FDI policy made by the Government of India.But, on the other hand FDI policy in India is responsible for unattractiveness of invetments and having the drawbacks of restrictive regime, high import tariffs,poor quality infrastructure,centralized decision making process,technology upgradation,exit barriers for firms.

Consider all these aspects it can be concluded that India is the country where there is the availability of cheap labour, raw materials, sound infrastucture, huge market availability. These benefits are attracting the investors to invest in India compared to the draw backs.

## References

1. Gupta Sumedha and Johny Bansal. FDI IN INDIAN RETAIL: A THREAT OR A POTENT SOURCE OF GROWTH. Asian Journal of Multidimensional Research.2015; 4(3).

2. Khan M.S, and Amir Moin Khan. FDI AND INDIAN ECONOMY-: Issues, Challenges and Prospects in India. PARIPEX-Indian Journal of Research.2015;4(12). doi:10.36106

3. Pravakar Sahoo. Make in India an Attractive Investment Destination. 2014

4. Dr. Anju Bala & Mrs.Pragati Sharma. Make in India-Foreign Direct Investment. International Journal of Research. 2017; 4(5).

5. Sunit Sudhakaran Panicker, Prakash Divakaran. Indian Foreign Direct Investment: A Make in India Success Factor. Proceedings of the Eighth Asia-Pacific Conference on Global Business, Economics, Finance and Banking (AP16Singapore Conference) ISBN: 978-1-943579-07-5 Singapore. 21-23,2016. Paper ID: S664.