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'Make in India': Balanced or Unbalanced Development

Dr. Sheetal Arun Khandre

Introduction:

Speed, inclusion and sustainability will be key elements to achieve our national growth targets, ensuring that change occurs across multiple sectors and population segments. Businesses in India have a major opportunity to help improve performance on each vector. Players who can craft solutions to support such performance improvement can reap benefits including entry into new markets, increased revenues and a much stronger market position than competitors.

In development economics, balanced growth refers to the simultaneous, coordinated expansion of several sectors. The usual arguments for this development strategy rely on scale economies, so that the productivity and profitability of individual firms may depend on market size.

Literature Review:

Datta Sukamal, Datta Abhik discuss that in spite of abundance stock of natural resources, huge source of labour forces and large domestic market India's production is being hampering due to shortage of domestic capital and modern technology. Considering these issues new Prime Minister Narendra Modi launched 'Make in India' on 25th September, 2014 to invite large business houses from around the world to invest and manufacture in India. It is expected that by effective implementation of 'Make in India' slogan utilization in a maximum extent of Indian natural resources, labour, money and machinery across the country will be possible. This initiative, in turn, will create huge job for new generation, produce good quality and higher volume of goods and services. As a result, it will boost national economy and transform India as a self-relient country as well as make it a global manufacturing hub. To make the slogan successful Prime Minister made a 9 days foreign tour in France, Germany and Canada in April, 2015 giving special emphasis on 'Make in India' campaign and inviting FDI in India.

But it is not an easy task. So many problems exist in India like poor infrastructure, cumbersome land procuring process, excessive regulations, rigid labour law, frequent power cut etc. In addition to that political opposition and non co-operation of State Governments may also create a big hurdle in this initiative.

To assess the initiative of 'Make in India' the trends and patterns of FDI inflows in India were analysed, evaluated the impact of FDI on the Indian economy, views of India's industrial captains, response of foreign investors in the initiative.

According to Khandelwal N. M., Gupta Lalit (2015), '*make in India'* call of NaMo Govt. has to be differentiated from Made in India. The authors have discussed about how India has to attract FDI in manufacturing sector to fill the gap in investment by unwilling Indian Business and helpless public sector. It is a timely strategic call given by NaMo Govt. in view of global economic crisis. We have to improve GDP Growth Rate from 5% to 7% by increasing share of manufacturing sector from Just 18% to 30%. Several obstacles are there. We need political wisdom, consensus, foresight rather than confrontation based on outdated controversies to succeed in this mission of inclusive balanced growth. It will not be export led but domestic market led this time.

Mukherjee Atri (2011) focuses on the liberalization of the foreign direct investment (FDI) policy in India in the early 1990s, FDI to India has increased significantly in the last decade. However, the growth in FDI flows has been accompanied by strong regional concentration thereby depriving a large number of Indian states from the benefits of a liberalized FDI regime. In view of this, the paper examines what are the major determinants affecting regional distribution of FDI flows in India. The analysis reveals that market size, agglomeration effects and size of manufacturing and services base in a state have significant positive impact on FDI flows. The impact of taxation and cost of labour is negative. While the impact of quality of labour is ambiguous, infrastructure, however, has significant positive influence on FDI flows. With the presence of a strong agglomeration effect, it is essential to have a conscious and coordinated effort at the national and the state government level to make the laggard states more attractive to FDI flows. The efforts may include special thrust on the manufacturing, services and the infrastructure sectors, or direct policy efforts like in the case of China or a combination of both.

Sahoo Pravakar (2014) research paper outlines India's foreign direct investment (FDI) policies and highlights challenges for foreign investors, recent policy developments, and the potential for foreign firms. The Indian economy requires FDI to fill the gap between domestic savings and investment and to boost productivity-and investment-led growth. Although Indian FDI policy has been progressive, inflows have been far lower than expected and lag behind those of competitors like China. Low levels of investment and trade, combined with decelerating growth, have been causes for concern in India. Manufacturing growth, which is essential for job creation, has been sluggish due to flip-flops in government policymaking, a lack of policy reforms, and an unfavorable investment climate in recent years. Some of the factors that affect FDI inflow to India are inadequate infrastructure, inflexible labor markets, difficult land-acquisition procedures, lack of progressive FDI reforms, and lack of center-state coordination. However, the government led by Prime Minister Narendra Modi has undertaken a number of initiatives to restore investor confidence, and several other positive reform measures are expected to be implemented before the 2015-16 budget.

Growth of FDI in India during 2014-15:

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. In 2014-15, country witnessed unprecedented growth of 717 percent, to US $ 40.92 billion of Investment by Foreign Institutional Investors (FIIs). The FDI inflow under the approval route saw a growth of 87% during 2014-15 with inflow of US$ 2.22 billion despite more sectors having been liberalized during this period and with more than 90 percent of FDI being on automatic route. These indicators showcases remarkable pace of approval being accorded by the government and confidence of investors in the resurgent India.

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 Make in India initiatives of the Government and its outreach to all investors have made a positive investment climate for India which is evidenced in the results for the last financial year especially the second half.

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).

Objectives:

1. To find out the FDI inflows in India after *'Make in India'* initiative.
2. To understand the sector –wise and state-wise FDI flow in India after *'Make in India'* initiative.
3. To analyze the balanced and unbalanced development due to *'Make in India'* initiative.

Methodology:

The paper is based on the secondary data. The information and data are collected from DIPP (Department of Industrial Policy and Promotion) and RBI publications for the year 2014 and 2015.

Analysis and Interpretation:

Being one of the emerging economies after China the FDI flows to India have picked up significantly in the recent years. India has become the second largest recipient of FDI Inflows. Industrialization, there is a tendency for industries to concentrate initially in areas where physical infrastructure is readily available and subsequently, for related industries, to gravitate closer together, thereby taking advantage of inherent synergies. In the process, industry clusters are formed, with each geographical area specializing in certain activities,

It has also been observed that the countries or regions that are politically risky with a history of expropriating FDI, endemic corruption, autocratic governments, poor law and order situation or ethnic tension tend to receive lower FDI flows. The Indian experience reveals that various political factors such as political stability of a state or the state government's political relation with the central government have also played an important role in attracting FDI flows. Political instability resulting from naxalite movements, various corruption and scandals has prevented FDI flows to certain states of India in the recent period.

The FDI inflows have reduced from Mauritius after 'Make in India' initiative, the inflow has increased from Singapore and there has been an marginal increase from USA and Germany.

Table: 1- Country –wise FDI Inflow after *'Make in India'* Initiative

Country	2014-15 (April -March)	2015-16 (April 15 –June 15)	2014-15 (April -March)	2015-16 (April 15 –June 15)
	(US $ million)		(% to total)	
Mauritius	9030	2089	29.19	21.97
Singapore	6742	3673	21.80	38.63
UK	1447	119	4.68	1.25
Japan	2084	459	6.74	4.83
Netherlands	3436	652	11.11	6.86
USA	1824	627	5.89	6.59
Germany	1125	554	3.64	5.83
Cyprus	598	96	1.93	1.00
France	635	138	2.05	1.52
Switzerland	337	94	1.089	0.99
Total FDI Inflows	30931	9508	100.0	100.0
Source: Department of Industrial Policy and Promotion (DIPP), Government of India				

After the economic reforms, India's economy is predominated by the Service Sector. It contributes around 55% to the GDP. The table -2 indicates that it continues to account a major share in FDI inflows. Taking into account telecommunication, computer hardware & software, construction, Drug and Pharmaceuticals and Automobiles sector in India has attracted around 50 per cent of FDI flows during the same period refer table-2.

Table -2: Sector –Wise FDI Inflows in India after *'Make in India'* Initiative

Sector	2014-15 (April -March)	2015-16 (April 15 –June 15)	Cumulative Inflows (April '00- June 15)	% to total inflows (in terms of US $)
	(US $ million)			
Service Sector	3253	636	43450	17%
Construction Development	758	34	24098	9%
Telecommunication	2895	395	17453	7%
Computer Software & Hardware	2200	2556	17575	7%
Drugs & Pharmaceuticals	1523	215	13336	5%
Power	657	271	9828	4%
Automobile Industry	2570	1094	13477	5%
Metallurgical Industry	472	133	8680	3%
Total				57%
Source: Department of Industrial Policy and Promotion (DIPP), Government of India				

The FDI flow has increased due to the strong regional concentration as shown in Table-3. The top six states, Maharashtra, New Delhi, Karnataka, Gujarat, Tamil Nadu and Andhra Pradesh, these states account for 75% of the total FDI Inflows, which was 70% before 2014. Thus, these states continue to grow irrespective of whatever shortcoming it has.

While the top two states, Maharashtra and New Delhi account for 42 % of the total FDI Inflows. Before 2014 also these states has accounted highest FDI inflow. So the FDI inflow is not spreading towards other states of the country. From April 2014 to June 2016 the FDI inflows in top six states have increased by 14% and in top two states have increased by 10%.

Thus, the states which are growing in FDI inflow continue to grow while other states remain deprived of it. This continue to lead towards unbalanced or lopsided development of the state in terms of infrastructure, education, employment generation, better standard of living, increase in per capita consumption and savings.

Table -3: State –wise FDI Inflows in India after *'Make in India'* Initiative

States	2014-15 (April -March)	2015-16 (April 15 –June 15)	2014-15 (April -March)	2015-16 (April 15 –June 15)
	(US $ million)		(% to total)	
Maharashtra	6361	1979	20.57	20.81
Delhi	6875	3128	22.23	32.89
Karnataka	3444	1336	11.13	14.05
Gujarat	1531	745	4.95	7.84
Tamil Nadu	3818	924	12.34	9.72
Andhra Pradesh	1369	422	4.42	4.44
West Bengal	239	108	0.77	1.14
Chandigarh	39	14	0.13	0.15
Goa	35	13	0.11	0.14
Madhya Pradesh	100	2	0.32	0.021
Kerala	230	6	0.74	0.063
Rajasthan	541	17	1.75	0.18
Uttar Pradesh	110	22	0.36	0.23
Orissa	9	4	0.03	0.04
Assam	5	6	0.016	0.06
Bihar	11	37	0.035	0.39
Jammu & Kashmir	4	0	0.012	0
Region not indicated	6211	750	20.08	7.89
Total	30931	9508	100.0	100.0
Top 6 states	23,398	8534	75.64	89.76
Top 2 states	13,236	5107	42.79	53.71
Source: Department of Industrial Policy and Promotion (DIPP), Government of India				

FDI looks for foreign locations that possess natural resources and related transport and communication infrastructure, tax and other incentives. Natural resources include oil, mineral, raw materials and agricultural products. It is also often argued that regions with a more established industrial base are more attractive to foreign investment. States with higher industrial output have attracted high levels of FDI. The states are simplifying the rules and procedures for setting up and operation of the industrial units. Single Window System is now in existence in most of the states. In addition, most of the states provide various kinds of incentives for attracting investment in the new industrial units as well as the existing ones.

Conclusion:

FDI to India has increased significantly in the last decade. However, the growth in FDI flows has been accompanied by strong regional concentration. It is because of the development of infrastructure, educational institutions, specialized work force and growing market size. This has led to lopsided development of the various states and sectors in India.

States which are growing continue to grow, and Sectors which are growing continue to grow even after 'Make in India' initiative…!!

'Make is India' initiative is leading to lopsided development rather that balanced development.

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