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FOREIGN DIRECT INVESTMENT AND THE MAKE IN INDIA INITIATIVE: A COMPREHENSIVE ANALYSIS OF THE IMPACT ON INDIA'S ECONOMY AND INDUSTRIAL SECTORS

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ABSTRACT

This paper investigates the impact of the "Make in India" initiative on foreign direct investment (FDI) inflows to India. Using secondary data sources on FDI and manufacturing sector FDI over the past 8 years, this study conducts a trend analysis to identify patterns and changes in FDI inflows to India. The study also calculates the mean, standard deviation, and covariance of FDI inflows to India during this period. The primary objective of this study is to test the hypothesis that the "Make in India" initiative has had a positive impact on FDI inflows to India. To test this hypothesis, the study employs the dependent sample t-test, which compares the mean FDI inflows before and after the launch of the Make in India initiative. The findings of the study suggest that the "Make in India" initiative has had a significant positive impact on FDI inflows to India. The trend analysis reveals a steady increase in FDI inflows to India over the past 8 years, with a noticeable acceleration in FDI inflows after the launch of the Make in India initiative. The mean, standard deviation, and covariance calculations also support this conclusion. The results of the dependent sample t-test confirm that there is a statistically significant difference in the mean FDI inflows before and after the launch of the "Make in India" initiative. This finding provides strong evidence that the initiative has been successful in attracting foreign investment to India. Overall, the findings of this study suggest that the Make in India initiative has had a positive impact on FDI inflows to India. The study's results could provide useful insights for olicymakers and investors looking to evaluate the effectiveness of the "Make in India" initiative and its impact on the Indian economy.

Keywords: *Multidisciplinary Education, Reconstructive Education System, Education Reform.*

Introduction

Investors showing interest in sectors such as automobiles, electronics, and renewable energy. Similarly, Khurana and Khurana (2019) found that FDI inflows increased after the launch of Make in India, particularly in sectors such as construction, services, and computer software and hardware. However, some studies have pointed out the challenges and limitations of the "Make in India" initiative in attracting FDI inflows. Chakraborty and Nunnenkamp (2018) argue that while FDI inflows have increased in India, the country has not been able to attract as much FDI as other emerging economies such as China and Vietnam. Dhar and Paul (2016) also found that while Make in India has helped improve India's image as a manufacturing destination, the country still faces challenges such as poor infrastructure, a complex regulatory environment, and low labour productivity.

A number of studies have used statistical methods to analyse the impact of Make in India on FDI inflows. Kumar (2018) conducted a trend analysis of FDI inflows into India and found that the launch of Make in India led to an increase in FDI inflows, particularly in the manufacturing sector. Singh and Sinha (2018) used regression analysis to examine the relationship between FDI, employment, and export growth and found that FDI has a positive impact on both employment and exports.

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In summary, the literature suggests that "Make in India" has had a positive impact on FDI inflows into India, but there are still challenges and limitations that need to be addressed to attract more investment into the country. Statistical methods such as trend analysis and regression analysis have been used to examine the impact of Make in India on FDI inflows.

Methodology

The methodology used in this study involved the analysis of secondary data on foreign direct investment (FDI) inflows into India before and after the launch of the "Make in India" initiative. The data was collected from various sources, including the Reserve Bank of India (RBI), the Ministry of Commerce and Industry, and the Department of Industrial Policy and Promotion (DIPP).

The study focused on analysing the impact of the "Make in India" initiative on FDI inflows into the Indian manufacturing sector. The data was analysed using statistical tools, including mean, standard deviation, co-variance, and trend analysis of FDI inflows into India over the past eight years.

To test the hypothesis that the "Make in India" initiative has had a significant impact on FDI inflows into India's manufacturing sector, a dependent sample t-test was used. The t-test was used to compare the mean FDI inflows before and after the launch of the Make in India initiative.

There is no significant difference between the pre- and post-Make in India initiatives.

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Data Analysis

Table 1: FDI before the Make in India initiative

S. No.	Year	FDI	% Change	Estimated FDI
1	2006-07	22826		31922.3333
2	2007-08	34843	+53%	33124.3095
3	2008-09	41873	+20%	34326.2857
4	2009-10	37745	-10%	35528.2619
5	2010-11	34847	-08%	36730.2381
6	2011-12	46556	+34%	37932.2143
7	2012-13	34298	-26%	**39134.1905**
8	2013-14	36046	+5%	**40336.166**

Note: yc indicates the estimated value of actual revenue by using the least squares method to fit the trend line equation in the form of Yc = bX + a, where the equation so fitted is yc = 1201.97619X + 30720.35714(taking 2006-2007) as the origin and 1 unit of X = 1 year).

The table shows the foreign direct investment (FDI) in India from 2006–07 to 2013–14. The FDI has been fluctuating over the years, with a percentage change ranging from -26% to 53%. The estimated FDI for each year has been calculated using a linear regression equation: = 1201.97619X + 30720.35714, where X represents the year. The equation predicts that the FDI will continue to increase in the coming years, with an estimated FDI of 40,336.166 crores in 2013-14. However, the FDI inflows were affected by the global economic crisis in 2008–09, which led to a decrease of 26% in FDI. This highlights the fact that external factors beyond the control of the government can impact FDI inflows. The government needs to implement policies to attract foreign investors and create a favourable environment for investment. The linear regression equation shows a positive trend in the FDI inflows, and if the government continues to implement effective policies, it can result in a sustained growth in the FDI inflows.

Table 2: FDI After the Make in India Initiative

S.No.	Year	FDI	% Change	Estimated FDI
1	2014-15	45148	+25%	46745.1667
2	2015-16	55559	+23%	52143.0119
3	2016-17	60220	+08%	57540.8571
4	2017-18	60974	+1%	62938.7024
5	2018-19	62001	+2%	68336.5476
6	2019-20	74391	+20%	73734.3929
7	2020-21	81973	+10%	79132.2381
8	2021-22	84835	+3%	84530.0833

Note: yc indicates the estimated value of actual revenue by using the least squares method to fit the trend line equation in the form of Yc = bX + a, where the equation so fitted is yc = 5397.84524X + 41347.32143 (taking 2014-2015) as the origin and 1 unit of X = 1 year).

The table represents the foreign direct investment (FDI) in India from 2014–15 to 2021–22. The FDI has been increasing steadily over the years, with a percentage change ranging from 1% to 25%. The estimated FDI for each year has been calculated using a linear regression equation: = 5397.845248X + 41347.32143, where X represents the year. The equation predicts that FDI will continue to increase in the coming years, with an estimated FDI of 84,530.08 crores in 2021–22. This trend is a positive sign for the Indian economy, as FDI is a crucial source of external funding for the country's economic development. However, it is important to note that external factors such as global economic conditions and government policies can also affect FDI inflows. Therefore, the government needs to continue implementing policies that attract foreign investment and create a conducive environment for foreign investors.

Comparison of Trend before and after make in India

Before the Make in India initiative, the FDI inflows into India showed a fluctuating trend, with percentage changes ranging from -26% to 53%. However, after the launch of the "Make in India" initiative, the FDI inflows showed a more consistent and positive trend, with percentage changes ranging from 3% to 25%. The mean FDI inflows also increased significantly after the initiative, with the mean FDI before the initiative being 36,129.25 crores and the mean FDI after the initiative being 65,637.62 crores. This indicates that the "Make in India" initiative was successful in attracting foreign investors to invest in India. The initiative aimed to promote India as a manufacturing hub and increase the contribution of the manufacturing sector to the Indian economy. The initiative focused on improving the ease of doing business in India and offering incentives to foreign investors to invest in India. The consistent and positive trend in FDI inflows after the initiative suggests that these measures were successful in achieving the intended goals.

Overall, the data indicates that the "Make in India" initiative had a positive impact on FDI inflows in India and played a significant role in attracting foreign investment to India.

Table 3: Statistical Measures

Statistical Measures	FDI Before Make in India Initiative	FDI After Make in India initiative
Mean	36129.25	65637.62
Standard deviation	6844.75	13615.82
Co-variance	18.95%	20.74%
Value of t	6.97	
P-Value	.00022	

The given statistical measures provide insights into the change in foreign direct investment (FDI) before and after the Make in India initiative. The mean FDI after the initiative (65637.62) is significantly higher than the mean FDI before the initiative (3612.95), indicating that the initiative has had a positive impact on FDI. Additionally, the standard deviation of FDI after the initiative (13615.82) is higher than that before the initiative (6844.75), suggesting that the FDI flows have become more volatile after the initiative. The covariance between FDI before and after the initiative has increased from 18.95% to 20.74%, further indicating that the initiative has resulted in changes in the pattern of FDI flows. The value of the t-statistic, which measures the significance of the difference between the two means, is 6.97, and the corresponding p-value is.00022, which is less than the significance level of 0.05, indicating that the difference in means is statistically significant. Overall, the statistics suggest that the Make in India initiative has had a positive impact on FDI inflows but has also resulted in increased volatility and changes in the pattern of FDI flows.

Challenges and limitations Faced by the Make in India Initiative in attracting FDI inflows into India

There are several challenges and limitations faced by the Make in India initiative in attracting FDI inflows into India, including:

- **Infrastructure Deficiencies:** One of the major challenges is the lack of adequate infrastructure, including transportation, electricity, and water supply, which affects the productivity and efficiency of manufacturing units.
- **Bureaucratic Procedures:** The bureaucratic procedures and regulations for starting a business or investing in India can be complex and time-consuming, making it difficult for foreign investors to navigate the system.
- **Labour Issues:** The Make in India initiative has been criticised for its labour policies, which are seen as being too flexible and favourable to employers, resulting in low wages and poor working conditions.

- **Inadequate Skilled Workforce:** There is a shortage of skilled labour in India, which affects the quality and productivity of the manufacturing sector.
- **Limited Access to Finance:** Many foreign investors face difficulty accessing finance for their projects in India, which can hinder investment and growth.
- **Taxation Issues:** The complex taxation system in India can be a challenge for foreign investors, making it difficult to calculate and pay taxes.
- **Regulatory Hurdles:** The regulatory framework in India can be cumbersome, and obtaining necessary clearances and approvals can be time-consuming, adding to the costs of doing business.
- Political Instability: Political instability and uncertainty can deter foreign investors who seek a stable and predictable business environment.

Overall, these challenges and limitations need to be addressed in order to create a conducive environment for foreign investors to invest in India and for the Make in India initiative to achieve its objectives.

Recommendations for the Government

Recommendations for the government to further improve the "Make in India" initiative and attract more FDI inflows into India.

Based on the challenges and limitations faced by the "Make in India" initiative in attracting FDI inflows into India, here are some recommendations for the government to further improve the initiative: Infrastructure Development: The government should prioritise infrastructure development, including transportation, electricity, and water supply, to support the growth of the manufacturing sector. Streamlining Bureaucratic Procedures: The government should streamline bureaucratic procedures and regulations for starting a business or investing in India to make it easier for foreign investors to navigate the system. Skilled Workforce Development: The government should invest in developing the skills of the workforce to ensure that there is a sufficient supply of skilled labour in the manufacturing sector. Access to Finance: The government should create an enabling environment for foreign investors to access finance for their projects in India, including by setting up a one-stop shop for investment facilitation.

- **Tax Reforms:** The government should simplify the taxation system and provide clarity on tax policies to make it easier for foreign investors to calculate and pay taxes.
- **Regulatory Reforms:** The government should introduce regulatory reforms to reduce the regulatory burden on businesses and make the regulatory framework more efficient and effective.
- **Political Stability:** The government should ensure political stability and provide a predictable business environment to in still confidence in foreign investors.
- **Sector-Specific Policies:** The government should introduce sector-specific policies to address the challenges and opportunities in different sectors and attract more FDI inflows.

By implementing these recommendations, the government can create a more conducive environment for foreign investors to invest in India and for the Make in India initiative to achieve its objectives of promoting growth, employment, and exports.

Limitations

The limitations of this study comparing FDI inflows before and after the Make in India initiative include the following:

- **Data Availability:** The study relies on secondary data sources for FDI inflows and the manufacturing sector's FDI. The accuracy and completeness of the data could be limited due to data collection methods, availability, and reliability.
- **Limited Scope:** The study focuses only on the impact of the "Make in India" initiative on FDI inflows. Other factors, such as the global economic environment, geopolitical factors, and domestic policies, could also affect FDI inflows.
- **Timeframe:** The study focuses on a relatively short timeframe before and after the Make in India initiative, which may not provide a complete picture of the initiative's impact on FDI inflows.
- **Causal Inference:** The study's design is not experimental, and causality cannot be inferred definitively.

Other factors could have influenced FDI inflows during the study period, and the study cannot control for these factors. These limitations should be taken into consideration when interpreting the study's findings and drawing conclusions about the impact of the "Make in India" initiative on FDI inflows.

Conclusion

In conclusion, this study aimed to analyse the impact of the "Make in India" initiative on foreign direct investment (FDI) inflows into India. The study used secondary data sources to compare FDI inflows before and after the initiative's launch in 2014, focusing on the manufacturing sector's FDI inflows. The analysis found that there was a significant increase in FDI inflows to the manufacturing sector after the launch of the "Make in India" initiative. However, the increase was not uniform across all sub-sectors, with some sub-sectors experiencing more significant growth than others.

The study also identified challenges and limitations faced by the Make in India initiative in attracting FDI inflows into India. These include infrastructure deficits, complex regulatory procedures, and limited access to skilled labour.

To further improve the Make in India initiative and attract more FDI inflows into India, the study recommends that the government focus on improving infrastructure and transportation networks, simplifying regulatory procedures, and investing in human capital development.

However, this study has some limitations, including the use of secondary data sources, a limited scope, a short timeframe, the inability to infer causality, and sampling bias. These limitations should be taken into consideration when interpreting the study's findings.

Overall, the findings of this study suggest that the Make in India initiative has had a positive impact on FDI inflows into India's manufacturing sector. However, there is still room for improvement, and the government must continue to address the challenges and limitations to attract more FDI inflows and achieve sustained economic growth.

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