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# An Analytical Study on the Impact of Recent Reforms in Indian Macro Economic Policies Viz., Make in India, to Accelerate FDI and Growth for Sustaining Indian Economy

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***Abstract:*** *Countries around the world - both developed and developing are in a bid to attract greater inflow of FDI into their economies and India is no exception to it. Indian governments of the present and the past have left no stone unturned in their attempt to attract greater FDI inflow into India.With the economic liberalization implemented in 1991 - since then India has seen dramatic change in the inflow of FDI in Industrial sectors (manufacturing) as well as service sectors but this has not given the edge in attracting more FDI despite skilled labour force, low labour cost, large market place and emerging middle class population. With this backdrop, the present paper seeks to analyze the status of present FDI inflow into India after the reforms like 'Make in India' and other Macro-economic policies which has eased in doing business has accelerated the flow of FDI in India. A Descriptive study is taken up and secondary data is collected from various reports and publications of Government of India – Department of Industrial Policy and Promotion, World Bank etc. about the inflow of FDI from top 9 countries and top 9 sectors in varied businesses is analyzed. The study revealed how the recent reforms from Financial year (2014-15) have benefitted India in ease in doing business, amongst this 'Make in India' initiative has brought in lots of FDI in Manufacturing Sector, Metallurgical Industry, Computer and Hard-Ware Industry, Telecom Sector, Chemical Business when compared to previous financial years. Hence, the study proved to us that the recent reforms have really accelerated the inflow of FDI and India now remains to be one of the top global destinations for FDI and eventually be the next global manufacturing hub.*
***Terms Used:*** *OECD = Organization for Economic Cooperation and Development, FDI = Foreign Direct Investment, GDP = Gross Domestic Product, CAGR = Compound Annual Growth Rate, IMF = International Monetary Fund, TOI = Times of India*

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## I. Introduction

During the second half of the twentieth century, several business sectors have experienced far-reaching changes: due to Industrialised countries' - domestic markets got saturated; they had no option left but to move across the boundaries for their business. Another trigger was incentives to go abroad, opportunities in foreign markets, availability of low cost labour**,** deregulation imposed on the businesses, reduction in trade-barriers, innovation in technology, global investment, emerging economies of the developing countries and global supply and demand – all collectively created a perfect storm for the emergence of global markets. Taking this perspective into consideration even the financial markets grew and developed globally as a result of increasing liberalisation and its exchange control and market access. In this regard 'Foreign direct investment' (FDI) became a key element in developing economic 'International Integration' around the globe. *'FDI provides a means for creating direct, stable and long-lasting links between economies.'*[1] Further, with right policies in place FDI can serve as a key trigger for local enterprise development. It may also help in gaining competitive advantage for both the economies of recipient nation (host) and the investing nation (home). In particular, FDI encourages the technology transfer between economies - besides this, it can also provide a breakthrough for the host nation to promote its products in international markets. In addition to all these positive influences on the progress of international trade, it is also a significant source of capital for many host and home economies. In India, economic liberalization meant lower tariffs on imports, more direct investment, less restrictions on foreign investment, more foreign collaboration, and growing trade. The new industrial policy of 1991 was an evolutionary change in opening up India to foreign investment. Since then, the policy on FDI (foreign direct investment) has been incrementally liberalized in India. And today, the FDI policy of India is broadly implied to

[1]Opcit OECD Benchmark Definition of Foreign Direct Investment FOURTH EDITION 2008

be the most liberal amongst emerging market economies – and because of this India remains to be one of the top global destinations for FDI. Further, India has grown at faster pace now in both manufacturing and service sectors compared to its earlier years from its new policy inception of 1991. The growing middle class along with strong domestic demand, youth population, its lower labour cost and educated workforce are the strong pulling factors for many foreign companies to reach out to India for their 'cost' competitive advantage. Furthermore, few recent instances of China-made products –'Toy makers' for American Mattel and the British Hamleys, recalled their products because of health hazard. This has taken aback confidence in China-made products by the U.S. Another concern for companies in U.S. is the rising wages in China. Till now china remained as the manufacturing hub for most of the products for the U.S. But, looking at the present concerns of China, India can be a base for labor-intensive manufacturing. Another reason is today's companies do not have the luxury of time to follow the defensive strategic paths - they need to be proactive in countering the on-going competition, adapting to the turbulence global environment, shorter product life cycles, low prices for the products and so on and so forth. Thus in responding to the present business environment many multi-national firms are now outsourcing or moving their manufacturing practices to lowest cost geographies like India due to skilled work-force, low labour cost and India as a leading emerging economy in the world. Further, as per '2013 Global Manufacturing Competitiveness Index (GMCI)' by Deloitte Touche Tohmatsu and the US Council on Competitiveness' India is ranked fourth in the world in terms of manufacturing capability and the world bank outlines that India stands at 130$^{th}$ place in ease in doing business as of now. Despite all low rankings India is seen to be outperforming in almost all the sectors right from foreign equity inflow in finance, to manufacturing sectors: like automobile, pharmacy, electronics, mobiles, chemical business and the service-sectors.

## II. Objectives

- To determine whether the recent reforms like 'Make in India' initiative has attracted FDI and accelerated the growth of economy.
- To analyze the flow of FDI in India, indicating sector wise trends and country sources from financial year 2011-12 to 2016-17.
- To find out whether the new policies of liberalisation and 'Make in India' initiative – will turn India as a next manufacturing hub.

## III. Literature Review

The engineering design service market estimated by the Avendus report April 2003 is in excess of US$ 7 Billion per annum. This report reveals that the market trend in outsourcing offshore is on the positive growth and around 20% of design service today is outsourced to third party vendors and Countries like Philippines, Taiwan, China and India. These countries are seen as the final destination of most of the Global players today. In these countries, India has emerged has a major global design centre wherein players like Airbus, Boeing, caterpillar, BMW, Mercedes Benz, etc. outsourcing their engineering design requirements either to in-house centres established in India or to the third party vendors.

In one of the articles in 'The Hindu' 26$^{th}$ Oct. (2014), Puja Mehra says: market across India has been flooded with Chinese products and this is a grim reminder of how made in China has swept whole nation with foray of its products. She says when companies such as Tata Motors choose the location for their new factory, they consider a range of factors and India fares badly on most of these counts. For instance, she says, *'contract enforcement takes 1,420 days and going through the 12 procedures for starting business typically takes 27 days'*[2]. She further adds India's inadequate infrastructure and logistics deficit with cluttered transport networks are the bottlenecks which manufacturing companies face to achieve just-in-time production. Observing into all these factors companies like - Tata Motor's Jaguar Land Rover (JLR) went to open its first plant in Changshu, China instead of India. 'The luxury car-maker's $1.78-billion Make-in-China'. This JLR's China launch has set alarm for the Present government's 'Make in India' initiative to be realistic on grounds and should not only be intent. In the same article she writes, **'***China has followed a more-exports-at-any-cost policy to boost its economy. The Chinese government's support to manufacturing in the form of affordable cost of funds, cheap inputs and world-class infrastructure gives it an advantage over Indian manufacturers. The Confederation of Indian Industry estimates that Chinese manufacturing as a result enjoys a cost advantage of about 10 per cent over Indian Manufacturing*.**'**[3]

As per Boston Consulting Group (BCG) in their survey from '2004 to 2014', a new index of manufacturing costs which includes wages, exchange rate, labor productivity and energy costs, of the world's 25 biggest exporters shows *'China's traditional cost advantage is now under pressure denting its*

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[2]Ibid'The Hindu' 26$^{th}$ Oct. (2014)http://www.thehindu.com/sunday-anchor/sunday-anchor-make-in-india-vs-make-in-china/article6533575.ece
[3]Ibid'The Hindu' 26$^{th}$ Oct. (2014)

*attractiveness'*[4].This is owing to the pressure from the U.S. to appreciate Yuan (Chinese Currency). Earlier China to boost its exports has had manipulated its currency Yuan by undervaluing it, but this is no longer the case as per IMF. Since (2006) under the pressure from U.S., China has appreciated its currency by 30 percent, which has started eating away its exports' and cost competitiveness.

As per the Ministry of Heavy Industry, Babul Supriyo, 'Make in India' initiative drives in promoting India as an important destination for investment and a global hub in manufacturing, design and innovation. He further said 'Make in India' initiative is taken to create a conducive environment for foreign investment, development of modern and efficient infrastructure and bonding an alliance between government and industry through a positive mind set. In supporting this argument - Government has taken steps in creating a single window facility for addressing investors' concerns, classifying important manufacturing sectors for ease in doing business, creating a commonality conducive environment to all the state governments to unite bureaucracy and corporate leaders. 'At present, India ranks 130th in the world Bank's annual Doing Business Report (DBR), 2017 as against 131st rank (revised) in the Doing Business Report, 2016.'

As per the KPMG's Guide to 'International Business Location Costs' (2012) Edition**,** the competitive alternatives survey reveals: Out of the world's five emerging high-growth economies – Brazil, Russia, India, China and Mexico – Brazil is the most expensive country to do business. But when compared with U.S., it came out with just a seven percent cost advantage over the United States. Further data reveals that India and China to be the most competitive in the group, with overall 'business costs 25.3 and 25.8 percent below the U.S' baseline respectively. Mexico seems to be at 21 percent cost advantage compared to the U.S., and Russia, Brazil's were close to each other with 19.7 percent. Results for specific business operations sectors as per the KPMG's competitive alternatives, nineteen industries were analyzed. These 19 business operations represented a broad mix of different business types, including manufacturing, digital services, research and development (R&D), and corporate services.

The analysis revealed, *'Costs in the digital sector primarily reflected salary levels and benefit costs associated with hiring creative and technical IT professionals. Among the high growth markets, India, China, and Russia offer the lowest overall costs in this sector'*.[5]

Further, in Research & Development, *'Cost differentials are generally higher for R&D, due to differences in labor costs for scientific and technical employees, as well as differences in the tax and incentive treatment of R&D costs among jurisdictions.'*[6]Among the high growth markets, India, China, and Mexico offer the lowest overall costs in this sector.

For manufacturing operations, *'component costs fixed at other levels in the supply chain and costs for globally sourced equipment are similar by location, resulting in lower cost differentials among countries than seen in other sectors.'*[7]In this sector China came out to be the world's largest exporter which offered the lowest overall costs in the manufacturing sector when compared with India.

For Corporate Services, *'Labor costs for entry-level administrative and customer service employees, as well as finance professionals, are most significant'*[8] in this sector among the high growth markets, India, Mexico, and China offer the lowest overall costs in this sector.

As per, 'The Asia house' Aug.-2014 by Shawn Greene**,** although India's charm as a manufacturing and sourcing power comes primarily from its labour arbitrage, the country's meagre infrastructure and complicated regulatory environment have stalled manufacturing sector growth in recent years. *'India's labour costs consistently rank among the lowest worldwide and are often cited as the country's principal advantage as a manufacturing base.'*[9]

According to the Bureau of Labour Statistics (BLS) of U.S., data gathered by Jessica R. Sincavage, Carl Haub, and O.P. Sharma regarding the labour costs, report reveals that average labour compensation in India's organised manufacturing sector have only increased marginally in recent years, from US$0.68 per hour in 1999 to around US$1.46 per hour in 2010. In contrast to China's wages in the same period was $3 an hour.

Observing all these factors prior to 'Make in India' initiative of the present government – India had cost-advantage in doing business but it could not capitalize to its maximum because of lack in Infrastructural reforms and the constraints imposed environmental clearance. But now, with the country's first majority government in last three decades, the reforms which were under cover have started moving in rampant pace. India's 'Make in India' concept has given a push in easing things in doing business despite the worlds bank figure shows India stands 130$^{th}$ place in doing business.

[4]Ibid'The Hindu' 26$^{th}$ Oct. (2014)
[5]Ibid KPMG's Guide to International Business Location www.competitvealternatives.com/reports/2012_compalt_report
[6]IbidKPMG's Guide to International Business Location
[7]IbidKPMG's Guide to International Business Location
[8]OpcitKPMG's Guide to International Business Location
[9]Opcit Asia House Aug-2014http://asiahouse.org/indian-advantage-asias-next-manufacturing-juggernaut/

As per the Union budget (2017-18) *'Government of India has continued on the path of reforms across various sectors, in an attempt to ensure continued inflow of investment into India.'*[10] Firstly, it has allowed foreign-owned single-brand retailers a grace period of three-year to comply with local sourcing norms. Secondly, foreign companies are being permitted to own up to 74 per cent in brown field pharmaceutical projects. Thirdly, foreign investors are allowed up to 100 per cent investment in domestic air lines and the most important factor which drives 'Make in India' is Foreign Venture Capital Investors registered with the SEBI can invest in Indian start-ups, without prior permission of the government.

In an article in Economics times Feb-21st - 2017, Ketan Thakkar writes: we could see Testimony to 'Make in India' initiative wherein Renault-Nissan and Ford emerged as 3rd and 5th largest manufacturer in make of cars, with both these companies having less than 5% share of domestic market but making most of their manufacturing present in the country by shipping vehicles overseas, mainly to Europe, Africa and the middle east.

Further, in an article in Economics times of May 18th - 2017, Gulveen Aulakh, writes: India will start rolling their first Iphone 'Make in India' from Bangalore from its contract manufacturers in near future. This is one of the biggest moves for make in India initiative says: Aruna Sundarajan, secretary in the Ministry of Electronics and Information Technology.

In an article of Indian Express February1st, 2016, Telecom Minister Ravi Shankar Prasad at Global Business summit said: Indian produced Mobile phones have reached 100 million with the major companies setting their manufacturing base in India. He further said – in Dec 2015, Rs. 1.14 lakh crore investment has come in electronic manufacturing in India. Further to this India has attracted 15 new mobile plants. He gave comparative analysis: *'that in 2014, 68 million (mobile phones) were being manufactured and now 100 million are being manufactured'*[11].He further stated all leading companies namely Panasonic, Mitsubishi, Samsung, Bosch, Jabil, and Flextronics presence is now seen in India.

In an article in Business standards Dec 23rd 2015, Alex Feng, Chief Executive of Vivo Mobile India, said, it was geared to capture 'Make in India' initiative to new heights. Taking this in its stride it established its first manufacturing facility in Greater Noida worth Rs. 125 crore mobile handset assembly plant with a capacity to produce one million handsets a month. It is a first company to invest in India by any Chinese brand. He said the company would like to capitalise on various incentives and tax cuts offered by the government to promote local manufacturing. Further, he said it will help them to cut the costs by almost 10 per cent across its portfolio. In the same article – Chinese Ambassador to India, Le Yeucheng says – many Chinese companies want to be part of 'Make in India' initiative. He said '*We are big neighbours and most populous countries. So, we have every reason to cooperate. India has a great potential to be tapped*.'[12]

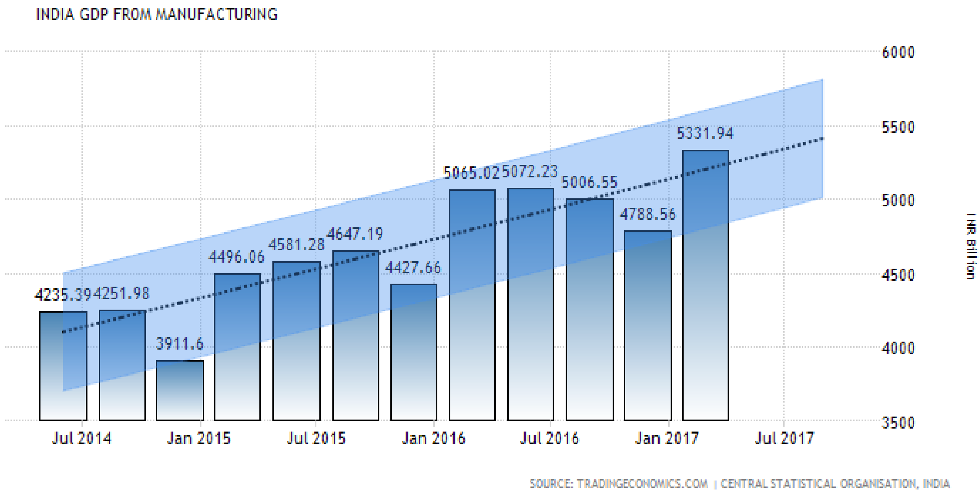
In an article in TOI Jun 11, 2015, Pankaj Doval writes Mercedes Benz became part of 'Make in India' initiative by doubling its assembly capacity to 20,000 units annually by establishing its second plant in Chakan, Pune also making India one of the first market to make the GLA entry SUV outside of Germany. The total investment by Mercedes Benz in the manufacturing engineering stands over US$ 148 million since commencement of its operations in India.

In September 2015, 'Make in India Mittelstand Initiative' was launched in '*partnership with Indian embassy in Berlin, Germany for providing Market Entry Support Services like strategic consulting, project financing, technology collaboration and facilitation of approvals to German Mittelstand organizations.'*

In an article in Business-Standards 17 September 2015, Arindam Majumdar**,** writes Japanese electronics giant Sony Corp. became part of 'Make in India' initiative by getting back to manufacturing in India, after nearly a decade. It opened its base at Foxconn's Sriperumbudur plant to start manufacturing for its two models of the Bravia brand of television sets.

[10]OpcitKPMG UNION BUDGET 2017-18 http://www.in.kpmg.com/taxflashnews/Union-Budget-2017-18-4.pdf
[11]OpcitIndian Express February1st, 2016http://indianexpress.com/article/technology/tech-news-technology/make-in-india-mobile-phone-manufacturing-base-reaches-100-million-units/
[12]OpcitBusiness standards Dec 23rd 2015http://www.business-standard.com/article/companies/chinese-handset-maker-vivo-sets-up-assembly-unit-115122300046_1.html

## IV. Analysis Of GDP From Manufacturing


With reference to above Bar chart: '*GDP From Manufacturing in India increased to 5331.94 INR Billion in the first quarter of 2017 from 4788.56 INR Billion in the fourth quarter of 2016. GDP From Manufacturing in India averaged 4188.67 INR Billion from 2011 until 2017, reaching an all-time high of 5331.94 INR Billion in the first quarter of 2017 and a record low of 3305.81 INR Billion in the fourth quarter of 2011*'[13]

## V. Analysis Of FDI Inflows

**TABLE 1** Share of Top Investing Countries FDI Equity Inflows *(Financial years):Amount Rupees in Crores, Includes inflows under NRI Schemes of RBI*

| SL.NO. | ***COUNTRY*** | **2011-12 (APR – MAR)** | **2012-13 (APR-MAR)** | **2013-14 (APR – MAR)** | **CAGR 2011-14 (%)** | **2014-15 (APR - MAR)** | **2015-16 (APR – MAR)** | **2016-17 (APR – MAR)** | **CAGR 2014-17 (%)** |
|---|---|---|---|---|---|---|---|---|---|
| 1 | MAURITIUS | 46710 | 51654 | 29360 | **-20.783** | 55172 | 54706 | 105587 | **38.339** |
| 2 | SINGAPORE | 24712 | 12594 | 35625 | **20.066** | 41350 | 89510 | 58376 | **18.817** |
| 3 | U.K. | 45229 | 5797 | 20426 | **-32.797** | 8769 | 5938 | 9953 | **6.537** |
| 4 | JAPAN | 14089 | 12243 | 10550 | **-13.466** | 12752 | 17275 | 31588 | **57.388** |
| 5 | NETHERLANDS | 6698 | 10054 | 13920 | **44.160** | 20960 | 17275 | 22633 | **3.914** |
| 6 | U.S. | 5347 | 3033 | 4807 | **-5.183** | 11150 | 27695 | 15957 | **19.629** |
| 7 | CYPRUS | 7722 | 2658 | 3401 | **-33.631** | 3634 | 3317 | 4050 | **5.568** |
| 8 | GERMANY | 7452 | 4684 | 6093 | **-9.576** | 6904 | 6361 | 7175 | **1.943** |
| 9 | FRANCE | 3110 | 3487 | 1842 | **-23.040** | 3881 | 3937 | 4112 | **2.933** |

*Source:* http://dipp.nic.in/*published data* fact sheet on foreign direct investment
Note: *published data* fact sheet on FDI_May2012, FDI_May2014, January_March 2017

[13]https://tradingeconomics.com/india/gdp-from-manufacturing

## VI. Results

**Table-1**, figures show that far East countries that is with reference to Japan prior to 'Make in India' initiative, in the financial year (2011-2012 to 2013-14) CAGR (Compounded Annual Growth Rate) in FDI was minus -13.466% but after 'Make in India' initiative we can see from financial year (2014-15 to 2016-17) CAGR in the flow of FDI was on positive side that is +57.388%. These figures reflect Japan has strongly committed to bring in more and more FDI.

While with Singapore, we can see prior to 'Make in India' CAGR (Compounded Annual Growth Rate) from financial year (2011-2012 to 2013-14) FDI was +20.06 % but after 'Make in India' initiative we can see from financial year CAGR (2014-15 to 2016-17) the flow in FDI is still +18.87% which is still strong and consistent.

With the Western countries the FDI has come through Mauritius route. Prior to 'Make in India' CAGR (Compounded Annual Growth Rate) from financial year (2011-2012 to 2013-14) inflow of FDI was -20.783 % but after 'Make in India' initiative we can see from financial year (2014-15 to 2016-17) the flow in FDI was on positive side that is +38.39%. Again these figures speak for itself' that the faith these countries are having in Indian economy.

While with U.S. prior to 'Make in India' initiative CAGR (Compounded Annual Growth Rate) from financial year CAGR (2011-2012 to 2013-14) in FDI was -5.183% but after 'Make in India' initiative we can see from financial year CAGR (2014-15 to 2016-17) the flow in FDI was +19.63% which is strong. This implies that 'Make in India' and new macro-economic reforms have changed the tide of FDI inflow from U.S. from negative to positive.

Further if we observe U.K., Netherland, Cyprus, France, Germany- prior to 'Make in India' CAGR (Compounded Annual Growth Rate) from financial year CAGR (2011-2012 to 2013-14) in FDI were negative but after 'Make in India' initiative inflow of FDI from these countries have changed, from financial year CAGR (2014-15 to 2016-17) the flow in FDI is seen on positive side which is evidence for itself that India has become a Pulling factor for FDI.

**TABLE 2** Sectors Attracting Highest FDI Equity Inflows: *Amount in Rs. Crores*

| SL. NO. | ***SECTOR*** | **2011-12 (APR – MAR)** | **2012-13 (APR-MAR)** | **2013-14 (APR – MAR)** | **CAGR 2011-14 (%)** | **2014-15 (APR - MAR)** | **2015-16 (APR – MAR)** | **2016-17 (APR – MAR)** | **CAGR 2014-17 (%)** |
|---|---|---|---|---|---|---|---|---|---|
| 1 | SERVICE | 24656 | 26306 | 13294 | **-26.572** | 27369 | 45415 | 58214 | **45.842** |
| 2 | TELECOMM (CELLULAR MOBILE, BASIC TELEPHONE SERVICE) | 9012 | 1654 | 7987 | **-5.858** | 17372 | 8637 | 37435 | **46.795** |
| 3 | CONSTRUCTION DEVELOPMENT: TOWNSHIPS, HOUSING, BUILT UP INFRA | 17115 | 7248 | 7508 | **-33.767** | 4652 | 727 | 703 | **-61.126** |
| 4 | COMPUTER SOFTWARE AND HARDWARE | 3804 | 2656 | 6896 | **34.631** | 14162 | 38351 | 24605 | **31.810** |
| 5 | DRUGS AND PHARMA | 14605 | 6091 | 7191 | **-29.831** | 9052 | 4975 | 5723 | **-20.486** |
| 6 | CHEMICALS OTHER THAN FERTILIZERS | 27223 | 1596 | 4738 | **-58.281** | 4658 | 9664 | 9397 | **42.083** |
| 7 | POWER | 7678 | 2923 | 6519 | **-7.856** | 4296 | 5662 | 7473 | **31.891** |
| 8 | AUTOMOBILE INDUSTRY | 4347 | 8384 | 9027 | **44.104** | 16760 | 16437 | 10824 | **-19.636** |
| 9 | METALLURGICAL INDUSTRIES | 8348 | 7878 | 3436 | **-35.844** | 2196 | 2982 | 9647 | **109.545** |

**Note**: *(i) Services sector includes Financial, Banking, Insurance, Non-Financial / Business, Outsourcing, R&D, Courier, Tech. Testing and Analysis*

Source: http://dipp.nic.in/published data fact sheet on foreign direct investment
**Note:** published data fact sheet on FDI_May2012, FDI_May2014, January_March 2017

**Results**

**Table-2,** figures envisage that India's distinctive pattern of development has been driven by service led Growth which contributes to major portion of our GDP which even till date is true as per the FDI data. With reference to Service sector prior to 'Make in India' CAGR (Compounded Annual Growth Rate) from financial year CAGR (2011-2012 to 2013-14) FDI was -26.572 % but after 'Make in India' initiative we can see from financial year (2014-15 to 2016-17) CAGR of the inflow of FDI was on positive side that is +45.842%. These figures reveal strong inflow of FDI after monumental changes happening in ease in doing business after financial year (2013-14). Same with the Telecomm sector flow in FDI was on positive side that is +46.795%. With Construction, Drugs and Pharmaceutical side there is a dip in inflow of FDI, wherein Construction Industry CAGR of FDI from financial year (2014-15 to 2016-17) stands to be -61.126% while with Pharmaceutical Industry CAGR of FDI from financial year (2014-15 to 2016-17) stands to be -20.486%.

With reference to Computer software and hardware business CAGR has remained consistent even after reforms from financial year (2014-15 to 2016-17) with CAGR +31.81% but the figures after financial year (2013-14) we can see the trend of inflow in FDI is higher and strong.

Further, with reference to Chemicals other than Fertilizers prior to 'Make in India' CAGR (Compounded Annual Growth Rate) from financial year (2011-2012 to 2013-14) CAGR in FDI was -58.281 % but after 'Make in India' initiative we can see from financial year (2014-15 to 2016-17) CAGR flow in FDI was on positive side that is +42.083%. This is a phenomenal change for chemical business where a very strong positive trend of inflow in FDI has come after financial year (2013-14) which speaks about the policies of ease in doing business in India. Same things are seen with 'Metallurgical Industries' too with CAGR of +109% in (2014-15 to 2016-17). While with reference to power CAGR from financial year financial year (2011-2012 to 2013-14) to (2014-15 to 2016-17), we can see shift from CAGR -7.856 % to +31.891 CAGR.

Further with Automobile Industry, we observe only last financial year (2016-17) FDI was bit on lower side compared to its previous two financial years (2014-15 & 2015-16). But overall the trend is on strong growth side after 'Make in India' initiative. Though the (Compounded Annual Growth Rate) from financial year (2014-15 to 2016-17) CAGR, in FDI shows -19.63% the financial figures of inflow of FDI after 'Make in India' for Automobile Industry it is on higher side which reflects that 'Reforms' 'Policies like Make in India' Initiative has really worked for this sector.

## VII. Conclusion

This paper has attempted to test whether the new reforms of present Government and 'Make in India' initiative has increased the flow of FDI and has accelerated the growth of Indian Economy and whether India can be a next manufacturing hub of the east and the west.

The overall conclusions of this study are summarized as follows:

- It makes sense for India to use the opportunity of its low labor cost and skilled workforce to displace China - as a global low-cost manufacturing hub. This momentum is further sparked with the 'Make in India' initiative which has now become a pull card to attract other countries to come and invest in the Indian growth story. This continuous inflow of FDI across several sectors and from different countries as reflected in results is by enlarge strongly positive and on higher side except for two sectors this confirms the trust that the foreign investors have in Indian economy.
- The contribution of FDI from Far East and the West is phenomenal which is reflected in result (Table 1). The Japan story reflects increased in flow of FDI to India with CAGR up to +57% and Singapore almost consistent with CAGR up to +18.87% after 'Make in India' initiative financial year (2014-15 to 2016-17) Which reveals that 'Reforms' 'Policies' of doing business in India has eased in attracting foreign investment.
- The contribution of FDI from Western countries, Mauritius – its CAGR stands to +38.39%, while U.S. CAGR stands to +19.63%. Further U.K., Netherland, Cyprus, France, Germany are all on positive side after 'Make in India' initiative financial year (2014-15 to 2016-17) when compared to financial year figures of (2011-12 to 2013-14) which were on negative side which is evidence for itself that India has become a Pulling factor for FDI.
- With reference to different sectors that attracted highest FDI as seen in (Table 2) is service and telecom sector which still plays a dominant role in bringing major FDI in India with CAGR for service +45.842% and for telecom sector CAGR of +46.795% form financial year (2014-15 to 2016-17). These figures are phenomenal when compared to previous years CAGR (2011-2012 to 2013-14) prior to 'Make in India' initiative.

- When we observe the manufacturing sector we can see a turnaround happening, that is Chemical business with CAGR of +42.083%, metallurgical +109%, power + 31.891, Computer +31.81% again these figures are compared with its previous financial years (2011-2012 to 2013-14) CAGR. This highlights that the recent reforms of present government has given an edge in bringing in lots of FDI into these sectors.
- In Automobile manufacturing, we compare financial figures of inflow of FDI after 'Make in India' initiative is on higher side which reflects that 'Reforms' 'Policies like Make in India' Initiative has really worked for this sector and even the review exemplifies that Ford, Nissan-Renault, Mercedes are now producing Cars in India and shipping to European Countries.
- Further, with reference to Drug and pharmaceutical Industry, India has not attracted much of FDI as compared with other sectors which stands with negative CAGR – where some fine tuning is needed at micro-level in terms of manufacturing quality drugs as per international standards. To get a grip on this sector foreign companies are now being permitted to own up to 74 percent in brown field pharmaceutical projects so that drug quality meets the International Standards.
- When we see construction and road infrastructure sector, here too India has not attracted much of FDI and it stands with negative CAGR as compared with other sectors. The major bottlenecks in this sector are land reforms and environmental clearance – which the present Government has eased but it is not enough to attract FDI.
- Furthermore, with reference to 'Indian GDP in Manufacturing', data extracted from Central Statistical office by Trading-economics reveals 'GDP From Manufacturing in India increased to 5331.94 INR Billion in the first quarter of 2017 from 4788.56 INR Billion in the fourth quarter of 2016' reaching an all-time high of 5331.94 INR Billion.
- With all this said and despite the World Bank figure shows that India stands 130th place as of now in ease in doing business – one can still bet on Indian story as its uptrend in manufacturing, service and product development has changed strongly on positive side since (2014-15) in attracting more FDI than the past. This progression in FDI will eventually accelerate the economy of India and sustain it for long time - and if this goes on India will soon outperform the best of the nation's competitive advantage and will emerge as the next global manufacturing hub in near future.

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