IJCRT.ORG ISSN : 2320-2882

INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

Make In India Campaign & Status of OFDI: An Analysis From 2014 to 2021

Mr. Hari Darshan Singh[1] and Mr. Abhimanyu Bhardwaj[2]

[1] Assistant Professor, Shri Ram College of Commerce, (University of Delhi) New Delhi.

[1] Assistant Professor, Shaheed Bhagat Singh Evening college, (University of Delhi) New Delhi.

Abstract

Make in India was introduced to make the business environment suitable for the domestic as well as foreign investors in the country. Therefore, it was very easy to assume that the better business environment in India has promoted FDI. Since independence, India has faced the challenge of a low share of manufacturing in GDP and thus in total employment as well. Keeping this view the Government of India (GoI) launched the Make in India campaign in September 2014 intending to transform India into a global manufacturing hub. It was assumed that by the year 2022 it would have created around 100 million jobs and the manufacturing sector would constitute around a quarter of the GDP. But the biggest challenge for India now is, how to attract foreign capital to expand the spirit of different kinds of industries. Through this paper, an attempt has been made to analyze the trend of OFDI since the beginning of the Make in India Campaign.

1. INTRODUCTION

Particularly in developing economies, manufacturing is considered the most powerful engine of growth and development. It has the capacity of absorbing huge labor & capital which further leads to accelerates the output and decelerates unemployment. Its effects are not only confined to the manufacturing sectors, but others allied and non-allied sectors also hugely get affected. Meaning hereby, there is linkage and spillover effect between manufacturing and non-manufacturing sectors. In the ear of globalization, as economies progress and shift from developing to developed

economies, the share of the manufacturing sector in the total GDP reduces after reaching a level. Thus, people also shift from primary sector to secondary sector to tertiary sector. India's story is quite different, the share of manufacturing in GDP is pathetically low in the entire post and pre-era of liberalization.

Previous researches like Kaldor, (1966, 1967); Rodrik, (2009); Szirmaia, (2015) have empirically proved the positive association between the level of per capita income and degree of industrialization in the developing economies. Both manufacturing and industrialization are seen as a synonym to each other and their degree of expansion and magnitude of penetration in the economy require huge capital. But the biggest challenge for every developing economy is that of insufficient savings to finance such humongous investment. Many a time such investments are made by multinational companies (MNCs) to expand their business. Thus, it would not be inappropriate to write that Foreign Direct Investment (FDI) means capital flow because of the behavior of MNCs. Thus, the magnitude and direction of FDI are affected by the factors that affect the behavior of MNCs.

Since independence, India has faced the challenge of a low share of manufacturing in GDP and thus in total employment as well. Keeping this view the Government of India (GoI) launched the Make in India campaign in September 2014 intending to transform India into a global manufacturing hub. It was assumed that by the year 2022 it would have created around 100 million jobs and the manufacturing sector would constitute around a quarter of the GDP. But the biggest challenge for India now is, how to attract foreign capital to expand the spirit of different kinds of industries. Seeing the status, of the union budget 2020 and current fiscal deficit- GDP ratio (3.8%) it appears that it has not enough money for capital expenditure. Although India has been dramatically improving its macroeconomic variables since the last few years. It has been able to create a spot on the map of foreign investors. *"We have been Ranked No. 1 investment destination by EY, IMF, frost and Sullivan, foreign policy magazine and Wharton & BAV consulting."*[i] To achieve that GOI has recognized the following 25 sectors-

Table 1: Sectors under Make in India

Automobiles	Construction	IT-BPM	Pharmaceuticals	Space
Automobile Components	Defense manufacturing	Leather	Ports and Shipping	Textiles and Garments
Aviation	Electrical Machinery	Media & Entertainment	Railways	Thermal power
Biotechnology	Electronic Systems	Mining	Renewable Energy	Tourism & hospitality
Chemical &Petrochemicals	Food Processing	Oil and Gas	Roads & Highways	Wellness

.

Indirect investment is not permanent capital, its overnight capital, where ever they find higher return; they invest money there, so one cannot depend on such capital for long term projects. Hence, I am interested only in Foreign Direct Investment [FDI], so whenever we write foreign capital in the paper, it means FDI not FII.

2. MAKE IN INDIA AND FOREIGN INVESTMENT

As it was already discussed, one of the main objectives of this project is to attract more and more FDI into the country. 'Make in India' has been a milestone in changing the attitudes of foreign multinational enterprises towards investing in India as this initiative has made the Indian business environment more welcoming and investor-friendly. India has established itself as one of the top ten attractive destinations for foreign multinationals. But discussing Foreign Direct Investment brings us to the fact that FDI has been classified into two forms, Inward Foreign Direct Investment and Outward Foreign Direct Investment.

According to IMF, the global average corporate tax rate was cut from 40 percent in 1990 to about 25 percent in 2017, indicating a race to the bottom and pointing to a need for international coordination.[i]From a macro perspective, FDI is often regarded as, generator of employment, high productivity, competitiveness, and technology spillover (Denisia&Vintila, 2010). Kathuria (2002) highlighted that FDI has a spillover effect and there are four spills over channels; (1) *Demonstration and imitation spillover (related to product and technology, export and managerial skills), (2) Acquisition of human capital (through training and inter-firm mobility), (3) Competition effects (reduction of inefficiencies and market distortions), (4) The hardening of soft budget constraints*. Abraham Filip et al. (2010) noticed that foreign firm *"stimulates production in upstream or* *downstream activities through increased demand for intermediate products and higher quality requirements''*. Its impact differs from sector to sector in the economy.

There is also a different approach to FDI, which is Outward FDI. A vast amount of literature is available on foreign direct investment. Most of them talk about FDI from developed nations on one hand and inherited advantages on another hand. None of them describe what are the determinants of Outward FDI from developing countries like India and if there is any impact of Inward FDI on FDI outflows. Dunning, Hoesel, and Narula (1996) presented a study where they explained five stages of International Development. At stage 1, FDI outflows are negligible. At stage 2, OFDI is still low or negligible. At stage 3, OFDI increases due to increased competition among domestic firms that are derived by the technology, managerial skills, productive efficiency brought by foreign firms. At stage 4, OFDI flows either equal the IFDI or have a greater share. Lastly, at stage 5, the growth rate of OFDI also decreases. OFDI and IFDI both balance. It is important to study both of these aspects before analyzing the impact of Make in India on Outward FDI from India. John Dunning indirectly established a relationship between FDI inflows and FDI outflows. There are various other researchers also, who talked on the same line such as Network Theory by Johanson and Mattson (1988) explain FDI by developing countries as a sequential learning process of creating a strategic alliance with other players in the market. Another important theory was presented by John A. Mathews (2002) to describe the concept behind the success of such a bunch of multinationals that do not have ownership advantages. It encompasses three stages namely Linkages, Leverage, and Learning. Linkage is the strategy taken up by the newcomer and latecomer firms to form formal and informal networks. Linkage helps to gain external resources from other nations (which could be both in form of FDI inflows and trade). Leverage is another crucial step in the success of emerging multinationals. The success of multinationals not only depends upon obtaining resources but also depends on the effective utilization of those resources to gain competitive advantages. There have been a lot of examples of EMNEs who have been transformed from being mere imitators to innovators. The strategy that worked for them was learning strategy as linkage and leverage are not sufficient for the success of the latecomer firms. There has been a shift in the perspective of EMNEs that learning is very important as an instrument that is achieved through repeated usage of leverage and linkage.

Talking about India, it is one of the developing economies in Asia that intensively takes part in investment activities outside the domestic market. Indian enterprises are reported to be expanding and the trends in Outward Foreign Direct Investment (OFDI) have been overwhelming in the last few years. Internationalization has always benefitted nations and has been the reason behind the increased human development through welfare and respect across countries, increased economic competitiveness, and promotion of harmonization across nations due to decreased trade barriers. India has been on the giving and receiving end of such benefits. According to UNCTAD (2006), *"the increasing role of developing economies implied the existence of potential opportunities to both home and host country's economies. Recent OFDI from developing countries contributes these countries not only in terms of exploring investment opportunities but also developing a competitive position"*.

India's economic liberalization in the 1990s proved to be a milestone in increased internationalization, which had put India on the global map in terms of its increasing global existence. It improved its position on both outward as well as inward Foreign Direct Investment front as OFDI increased from $ 6 million in 1990 to $ 12973.9 million in 2019[ii] and IFDI increased from $ 236.7 million in 1990 to $ 44366 million in 2019[iii][iv]. With this increased liberalization in terms of policies that were formulated over the years, 'Make in India' was also introduced on the same line. Its purpose was to increase investment, innovation, skill development, intellectual property rights protection, and above all, build a smooth and thriving manufacturing infrastructure in the country. As a result of the initiative, FDI inflow is consistently increasing since 2014. But, its impact on Outward FDI is relatively unexplored. Therefore, through this paper, we would like to make an analysis that how 'Make in India has impacted the FDI inflows and FDI outflows from India during the period April 2014 to March 2019.

Table II: FDI policies of different sectors

	SECTORS	AUTOMATIC ROUTE	GOVERNMENT APPROVAL ROUTE
1.	Automobiles	100 percent	
2.	Automobile Components	100 percent	
3.	Aviation • Greenfield Projects • Brownfield Projects	 100 percent 74 percent	 Remaining 26 percent
4.	Biotechnology • Greenfield pharma • Brownfield pharma	 100 percent 74 percent	 Remaining 26 percent
5.	Chemicals and Petrochemicals	100 percent	
6.	Construction	100 percent	
7.	Defense manufacture	49 percent	Remaining 51 percent
8.	Electrical machines	100 percent	
9.	Electronic systems • ESOM	 100 percent	

	• Defense	49 percent	Remaining 51 percent
10.	Food Processing	100 percent	
11.	IT-BPM		
12.	Leather	100 percent	
13.	Media and Entertainment		
14.	Mining • Diamonds, gold, silver and other precious ores • Mining and separation of titanium bearing minerals and ores	100 percent	100 percent
15.	Oil and Gas • Exploration activities. • Petroleum refining by PSU,	100 percent 49 percent	Remaining 51 percent
16.	Pharmaceuticals • Greenfield pharmaceutical • Brownfield pharmaceutical	100 percent 74 percent	Remaining 26 percent
17.	Ports and Shipping	100 percent	
18.	Railways	100 percent	
19.	Renewable Energy	100 percent	
20.	Roads and Highway	100 percent	
21.	Space		100 percent
22.	Textile Garments	100 percent	
23.	Thermal Power		

	• Power generation from all sources, transmission and distribution. • Power Exchanges	100 percent	
24.	Tourism and Hospitality	100 percent	
25.	Wellness	100 percent	

Source:http://www.makeinindia.com/investor-desk"

2.1 Factors Affecting FDI

In most cases, FDI is defined as capital flows because of the behavior of multinationals companies (MNCs). Thus, the factor that governs the behavior of MNCs may also affect the intensity and direction of FDI (Agiomirgianakis et al. 2003). Generally, MNCs invested in expanding their activities to a foreign country for the purposes like-exploitation of economies of scale/scope, use of specific advantages, life cycle pattern of their product, because of their competitors, and many more. Governments are also engaged in policies formulation by changing key macroeconomic variables to attract FDI in their countries (Demirhan E. and Masca M. 2008). Bouoiyour (2003) mentioned that many countries have been actively trying to attract FDI by offering income tax holidays, import duty exemptions, and subsidies to foreign firms. N. Kumar (2005) in his paper title 'liberalization: FDI and development experience in the 1990s highlighted that *"policy liberalization may be a necessary but not a sufficient condition for FDI inflow"*. Industrial growth also gives a signal to the foreign investor about the prospect of the economy. Kumar has also noted that structural factors like market size (income level and population), the extent of urbanization, quality of infrastructure, geographical and cultural proximity, policy factors (tax rate, investment incentives) also affect the inflow of Foreign Direct Investment.

John Dunning (2004), in his study 'Industrial reform FDI and European Transition Economics' studied the determinant of FDI inflows into the European transition economies. He stated that the role of Institutional infrastructure and its development is very significant in determining FDI inflows.

List of some common factors that affect foreign direct investment

2.1.1. Market size

It is the main element of horizontal FDI and the most vigorous factor of FDI. GDP or GDP per capita used as its indicator (Artige&Nicolini, 2005). Kumar (2005) has also noted that market size is an important determinant of FDI and he suggested measuring it by income level and population. Jordan (2004) noted that FDI transfers to those countries where purchasing power is greater and the size of the potential market are large. ODI (1977) established a correlation between the size of the market and FDI.

2.1.2 Openness

The ratio of export plus import to GDP is used to measure the intensity of openness. There is no clear evidence available regarding the role of openness in determining FDI (Charkrabarti, 2001). Kumar (2005) noted that policy liberalization may be the necessary but not sufficient condition to determine FDI inflows. Jordon (2004) highlighted that the impact of openness on FDI depends on the type of investment, when investment is market–seeking, trade restriction can have a positive impact on FDI, and investment-related to export-oriented can have a negative impact on FDI.

2.1.3 Labor cost and Productivity

Scholars like, Goldsborough, (1979), Saunders, (1982), Flamm (1984), and Charkrabarti (2001) have shown that higher wages discourage FDI. ODD (1997) wrote that for labor-intensive industries, the relative costs of labor play a very significant role. Countries having abundant labor supply reduces the overall cost of production. However, when the labor cost is not relatively significant then the skills, creativity, and knowledge of labor forces have a greater impact on FDI-related decisions.

2.1.4 Growth

The economy that grows faster provides better economic opportunities than the economies having a slow growth rate (Charkrabarti 2001, Kumar 2005). Lunn (1980) as cited by Demirhan and Masca (2008, P. 6) has found that there is a significant positive effect of growth on FDI.

2.1.5 Infrastructure

Ranging from roads, ports, railways, and telecommunication systems to institutional development it covers many dimensions. ODI (1997) noted that not having a good infrastructure conveys both an opportunity and an obstacle for capital inflow. However, in low-income countries like India, the advancement of infrastructure is often cited as one of the major limitations of FDI inflows. Jordan (2004) wrote that potential productivity enhances because of good quality and well-developed infrastructure

2.1.6 Inflation rate

The inflation rate is taken as a proxy for the level of macroeconomic stability of a country. Usually, a high rate of inflation, so-called unbridled inflation, in a country will reduce the return on investment and act as an indicator of macroeconomic instability. It is considered as a sign of economic tension and unwillingness of the government to balance its budget and failure of the central bank to conduct appropriate monetary policy

Table III: Key Macroeconomic Variables

Data Categories	**Unit**	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2020-21**
Growth Rate (GDP)	%	7.2	8	8.2	7.2	6.8[a]	3.9[a]	-7.2[b]
Saving Rate	% of GDP	33	31.1	30.3	30.5	30.1	NA	NA
Capital Formation	% of GDP	34.2	NA	30.9	32.3	32.2	NA	NA
Electricity generation growth	%	8.4	5.6	4.7	4	3.5	1.0	-4.6[d]
Prices								
WPI	%	2	-3.7	1.7	3	4.3	1.7	-0.1[e]
CPI	%	5.9	4.9	4.5	3.6	3.4	4.8	6.6[e]
External Sector								
Foreign exchange Reserve	US & billion	342.6	360.21	370	424.5	412.9	475.6	586.1[k]
Average exchange Rate	Rs. /US $	61.14	65.5	67.1	64.5	69.9	70.90	74.64[j]
Money & Credit								
Schedule Commercial Bank Credit	% Change	9	10.9	8.2	10	13.3	6.1	6.1[g]
Fiscal Indicator								
Gross fiscal Deficit	% of GDP	4	3.91	3.5	3.5	3.4[b]	4.6[h]	3.5[i]
Primary deficit	% Of GDP	0.7	0.7	0.4	0.4	0.3[b]	1.6[h]	0.4[i]

Source: Economic survey Government of India 2018-19 volume-2, page-2 and economic survey, Government of India 2016-17, volume 1 and 2.

Notes: NA = Not Available a: Provisional Estimates b: Provisional Actual

Table IV: India's GDP predictions by different organization.

		Rate of Growth In %	
S.No.	**Name of Organization**	**2019-20**	**2020-21**
1	World Bank	7.5	7.5
2	Asian Development Bank	6.5	7.2
3	United nations world economic situations & prospects	7	7.1
4	IMF	6.12	7.03
5	OECD	7.16	7.43
6	Moody's	6.8	6.7

Source: https://knoema.com/xxnxggb/india-gdp-growth-forecast-2015-2020-and-up-to-2060-data-and-charts

3 MAKE IN INDIA AND FDI OUTFLOWS

The focus of this section is to study how economic development (acquired at various stages of industrialization) in terms of increased FDI inflow and better business environment affect the outward FDI from India with the introduction of the 'Make in India' initiative. Various authors have studied the host country and home country factors that are known to impact the outward FDI from developing countries. The effect of home country determinants in terms of economic development, FDI openness, policy liberalization is known to be positively associated with outward FDI(Kumar,2007). Bano, S., &Tabadda, J (2015) studied the traits of a country with a better business environment such as GDP, domestic savings, export orientation, foreign exchange reserve, and FDI inflows. According to the study, FDI outflows increases with the increase in FDI inflows. This result was even proved by Banga (2008). K.C.Das (2013) has also studied the relationship of FDI outflows with economic development, Globalization, science, and technology. Therefore, the studies conducted on determinants of FDI outflows from developing countries points towards the positive relationship between FDI inflows and FDI outflows. The reasons behind the result of the findings could be as follows:

- Technical know-how, skills, and linkages help in enabling domestic manufacturers and managers in preparing them for overseas investment.
- Domestic companies get exposure and competition within the home country and it gives them the confidence to explore foreign markets.
- Another reason could be increased FDI inflow due to the appropriate business environment, decreases the market share of domestic manufacturers. Therefore, it becomes essential for domestic players to explore foreign markets to maintain their market share.

Our study about the relation between IFDI and OFDI can be presented by applying correlation to the data of IFDI and OFDI data from 2000 to 2017. Here we can see that the relationship between OFDI and IFDI is not strong but positive (Table X), which is also supported by the literature that we studied so far.

Table X: Correlation between OFDI and IFDI in India (2000 to 2019)

	OFDI	*IFDI*
OFDI	1	
IFDI	0.659698	1

Source: Author's Estimation

Let us see how the OFDI flow has changed in last three years with the introduction of 'Make in India' through following tables given below.

Table XI: Equity FDI outflows, Between April 2018 to March 2019.

Financial Year 2018-19 (April- March)		Amount of OFDI in equity (In US$ Million)
1	April, 2018	1,069.13
2	May, 2018	904.6
3	June, 2018	1,460.26
4	July, 2018	966.35
5	August, 2018	619.22
6	September, 2018	1,088.34
7	October, 2018	1,342.29
8	November, 2018	456.4
9	December, 2018	1,285.69
10	January, 2019	539.76
11	February, 2019	668.09
12	March, 2019	2,573.77
2018-19		12,973.90
2017-18		14,829.52
%age growth over last year		-14%

¶ *Source: https://dea.gov.in/overseas-direct-investment*

Table XII: ODI actual outflows, April 2014 – March 2021 ($ US Million)

MONTH	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
April	347.06	629.41	2,162.86	4,823.57	1549.05	707.86	858.99
May	421.75	835.86	608.53	562.8	1147.35	1178.84	315.74
June	456.51	894.23	1,039.25	961.65	1472.34	735.16	665.64
July	594.34	605.89	1,107.10	668.27	977.48	759.36	650.83
August	741.79	772.25	503.58	361.64	622.23	683.54	480.56
September	570.06	77.03	795.52	1,649.49	1087.90	983.52	1447.13
October	682.06	1,012.35	1,8 14.83	704.9	1346.70	1743.00	1062.69
November	358.68	987.13	674.02	681.1	488.19	701.15	1050.92
December	624.48	1,778.11	1,180.26	1,012.68	1281.43	1177.50	1097.21
January	477.94	1,602.53	770.84	990.16	514.92	1066.75	688.74
February	516.8	698.16	1,164.86	541.56	666.46	1622.36	1606.60
March	1,009.39	1,470.60	3,430.49	1,871.70	2332.03	1696.47	719.66

Source: https://dea.gov.in/overseas-direct-investment

Table XIII: Component wise break up of FDI outflow from India, April 2014 to March 2021 (Fig. $ Million)

Financial Year (April-March)	Overseas Direct Investment (ODI)				Actual ODI outflows		Financial Commitment
	Equity	Loans	Guarantee Invoked	Guarantee Issued			
(a)	(b)	(c)	(d)	(e)	(f) {=(b)+(c)+(d)}	%age Growth over last year	(g) {=(b)+(c)+(e)}
2014-15	3,647.63	3,117.55	35.67	27,447.27	6,800.85	-	34,212.45
2015-16	8,192.38	4,096.99	74.19	22,914.61	12,363.56	82%	35,203.98
2016-17	10431.48	4516.8	318.89	25122.45	15,267.17	23%	40070. 73
2017-18	9,099.77	4,412.10	1,317.65	19,114.31	14,829.52	-3%	32,626.18
2018-19	8106.72	4210.31	1195.82	24245.21	13512.85	-	36562.24
2019-20	6482.48	5835.16	736.07	22508.19	13053.71	-	34825.83
2020-21	4419.98	5300.57	51.54	17556.65	9772.79	-	27277.20
Total	50,380.54	31489.23	3729.83	158,908.69	85600.45		200,707.88

¶ *Source: https://dea.gov.in/overseas-direct-investment*

Table XIV: Comparison of Equity FDI outflow between last quarter of 2018-19 and 2017-18.

Calendar Year 2018-19 (Jan – Mar)		Amount of FDI Equity outflows (In US$ Million)
1	**January, 2019**	539.76
2	**February, 2019**	668.09
3	**March, 2019**	2,573.77
Year 2019		3781.62
Year 2018		3403.42
%age growth over last year		11%

Source: https://dea.gov.in/overseas-direct-investment

¶

Table XV: TOP TEN ODI DESTINATION COUNTRIES

Ranks	Country	2014-15 (April-March)	2015-16 (April-March)	2016-17 (April-March)	2017-18 (April-March)	2018-19 (April-March)	Cumulative Figures(April 2014-15 to March 2018-19)	%age of total outflows
1	MAURITIUS	649.66	1,747.09	4,731.91	1440.4	484.75	9,053.81	15.23%
2	SINGAPORE	1,590.90	1,309.64	2,808.95	2648.95	2827.1	11,185.54	19%
3	UNITED STATES	1,231.92	1,642.11	1,740.86	1250.41	2465.81	8,331.11	14%
4	UNITED ARAB EMIRATES	443.36	1,749.68	711.9	623.38	733.42	4,261.74	7%
5	NETHERLANDS	732.04	1,145.14	722.04	1144.34	1050.77	4,794.33	8%
6	UNITED KINGDOM	332.17	635.19	1,306.62	836.46	1432.4	4,542.84	8%
7	SWITZERLAND	353.3	725.44	491.26	483.38	498.37	2,551.75	4%
8	RUSSIA	-	222.66	307.58	409.83	525.07	1,465.14	2%
9	JERSEY	210.76	99.34	95.04	79.75	-	484.89	1%
10	BRITISH VIRGIN ISLANDS	106.84	127.02	95.12	130.79	85.12	544.89	1%
TOTAL FDI OUTFLOWS TO ALL COUNTRIES		6,747.94	10601.77	14,311.68	14,829.51	12,973.92	59,464.82	

¶ *Source: https://dea.gov.in/overseas-direct-investment*

Table XV: TOP TEN ODI DESTINATION COUNTRIES

Ranks	Country	2018-19 (April-March)	2019-20 (April-March)	2020-21 (April-March)	Cumulative Figures (April 2018-19 to March 2020-21)	%Age of total outflows
1	SINGAPORE	2846.16	3728.50	2654.25	9228.91	24.80%
2	UNITED STATES OF AMERICA	2478.24	1979.15	2042.54	6499.93	17.46%
3	MAURITIUS	535.20	1053.05	1146.70	2434.95	7.35%
4	NETHERLANDS	1105.06	1227.67	1145.70	3478.22	9.35%
5	UNITED KINGDOM	1442.27	1302.02	697.37	3441.66	9.25%
6	UNITED ARAB EMIRATES	737.27	440.20	607.28	1784.75	4.80%
7	RUSSIA	525.06	590.46	383.74	1499.26	4.03%
8	BRITISH VIRGIN ISLANDS	85.12	181.69	344.03	610.84	1.64%
9	MOZAMBIQUE	36.85	158.32	302.21	497.38	1.34%
10	IRELAND	31.98	52.88	140.32	225.18	0.61%
TOTAL FDI OUTFLOWS TO ALL COUNTRIES		9823.21	10713.94	9463.93	30001.08	**80.61**

¶ *Source: https://dea.gov.in/overseas-direct-investment*

Table XVI: SECTORS ATTRACTING HIGHEST FDI OUTFLOWS (Million$)

	SECTORS	2014-15 (April-March)	2015-16 (April-March)	2016-17 (April-March)	2017-18 (April-March)	2018-19 (April-March)		%age of total outflows
1	Manufacturing	2,009.21	4,202.29	3,147.24	2,961.61	3,250.75	15,571.10	26.19%
2	Financial, Insurance and Business Services	1,969.28	2,377.06	4,448.24	6,744.49	5,340.88	20,879.95	35.11%
3	Wholesale, Retail Trade, Restaurants and Hotels	818.09	1,445.75	1,895.54	1,271.78	1,705.17	7,136.33	12.00%
4	Transport, Storage and Communicatio n Services	782.02	735.18	1,393.58	913.42	131.89	3,956.09	6.65%
5	Agriculture and Mining	490.73	400.66	1,745.71	2,013.82	1,287.15	5,938.07	9.99%
6	Community, Social and Personal Services	330.66	574.65	647.26	367.46	312.72	2,232.75	3.75%
7	Electricity, Gas and Water	10.3	574.35	618.83	60.1	140.43	1,404.01	2.36%
8	Construction	298.19	237.31	292.46	423.48	762.03	2,013.47	3.39%
9	Miscellaneous	39.5	54.42	122.79	73.37	42.89	332.97	0.56%

¶ *Source: https://dea.gov.in/overseas-direct-investment*

Table XVI: SECTORS ATTRACTING HIGHEST FDI OUTFLOWS (Million$)

		2018-19	2019-20	2020-21	Cumulative Outflows	
%age of total outflows	**SECTORS**	**(April-March)**	**(April-March)**	**(April-March)**	**In US $ Million**	**As % of Total ODI (April 2018-2021)**
1	Financial, Insurance and Business Services	5341.6	3682.16	3684.66	12708.42	34.15%
2	Manufacturing	3008.02	3431.35	3285.82	9725.19	26.13%
3	Wholesale, Retail Trade, Restaurants and Hotels	1776.73	2486.23	1927.96	6190.92	16.63%
4	Agriculture and Mining	2013.72	647.99	820.58	3482.29	9.36%
5	Construction	763.05	864.84	424.91	2052.80	5.52%
6	Electricity, Gas and Water	140.45	797.31	183.54	1121.30	3.01%
7	Transport, Storage and Communication Services	113.77	901.31	130.24	1145.32	3.08%
8	Community, Social and Personal Services	309.54	199.21	127.04	635.79	1.71%
9	Miscellaneous	46.58	46.32	62.49	155.39	0.42%
	Total	13513.46	13056.72	10647.24	37217.42	100.00%

¶ *Source: https://dea.gov.in/overseas-direct-investment*

All the figures that we saw till 2019, pointed towards the positive effect of 'Make in India' on FDI outflows from India. This result was even validated by the correlation analysis between IFDI and OFDI from 2014 to 2019 which came as 0.66 (Table X). As per the international standard measures of FDI, the outflow of FDI from India has been rising consistently. But, the percentage growth in equity in 2018-19 was -14 percent over 2017-18 (Table XI). Table XII describes the monthly growth rate of OFDI from India after the introduction of Make in India. In 2014-15, the growth rate of OFDI increased every month till September 2014, it was the month when making in India was launched. Since then, the growth rate has been fluctuating every month. In 2015-16, the momentum was gained after November, when the growth rates rose in December and January. We could not see any such trend in 2016-17, as the monthly growth rate was fluctuating. Another point that could be noticed from the table is that the growth in March has been more in all these years, as compared to growth rates in other months. According to table XIII, the total FDI was $ 6,747.97 million in 2014-15, $10,601 million in 2015-16, and $ 14,311.63 million in 2016-17. But there was negative 3 percent growth in 2017-18 and negative growth of 13 percent in 2018-19. As we can see in table XIV, the outflow of FDI in the last quarter of 2018-19 was 11 percent higher than the FDI outflow from 2017-18. Table XV describes the geographical composition of the top ten countries from April 2014 to March 2019. As per our analysis, on a cumulative basis, Mauritius, Singapore, and the USA remained on the top 3 positions with 15%, 19%, and 14% share of OFDI to top ten countries. Share of top ten countries was 64% of the FDI outflows to all the countries, where India invests, which shows Indian investors preference towards these top ten countries

The sector analysis of OFDI from India has been depicted in Table XVI. It shows that have the biggest share in outward FDI flow from April 2014 to March 2019. The shares that have dominated all these three years are the manufacturing sector with 26 percent, financial, insurance, and banking services with 35 percent, wholesale, retail trade, restaurants, and hotels with 12 percent. However, the share of both the sectors declined as in comparison with last two years

4 CONCLUSION

In India's economy, the share of the manufacturing sector has been pathetically low even post-liberalized era. Around 13 million young workers enter into the workforce but only 2-3 million get formal jobs. Agriculture sectors still dominate and play a highly important role in the Indian economy when it comes to dependence on the livelihood of a huge population. If manufacturing would not be promoted then the huge demographic dividend that we have today, prove to be very disastrous in the coming time. Various schemes like Skill India, Digital India, e-krinti, make in India, Smart cities, and many more is the reflection of awareness of GoI about the threatening future.

The business environment of India is unquestionably very attractive. Having 365 million 10 -24 years, old, India is crowned to have the largest young population in the world. Meaning hereby, excessive supply of labor force in the labor market which further leads to low labor cost. India has attained a remarkable growth rate in the last few years which made India the fastest growing economy in the world. All the macroeconomic variables of India are reflecting considerably favorable conditions for doing business. The government is proactively working to create a vibrant invertors-friendly environment here in India. As a result, FDI inflow is consistently increasing since 2014.

When it comes to sectors that received the highest cumulative equity FDI, (i.e from 2014- march 2019) service sector stands first, followed by computer software and hardware, and telecommunication. Mauritius, Singapore, Netherland, and the USA were the top few countries that invested the most in India in all these years. Overall it seems that the government is achieving progressing success in its efforts towards attracting foreign investment in India.

Make in India was introduced to make the business environment suitable for the domestic as well as foreign investors in the country. Therefore, it was very easy to assume that the better business environment in India has promoted OFDI. The main factors for the increase of outward FDI were increased technical know-how, skills, linkages that help domestic manufacturers to prepare for foreign markets as it gives them exposure to deal with foreign competition and also the decreased market share in the home country would induce them to explore foreign markets. The correlation between OFDI and IFDI from 2000 to 2019 came positive.

The analysis of data, that has been collected over the last three years from April 2014 to March 2019 presents the same results. The statistics clearly describes that OFDI has been increasing consistently from April 2014- March 2019. If we look at the geographical distribution of the outward FDI from India, Mauritius tops the list of the favorite destination of Indian investors followed by Singapore, the USA, UAE. If we talk about industrial distribution, the manufacturing sector topped the chart for three years followed by Financial, insurance and business services. This was our analysis regarding the effects of Make in India on the FDI inflows and FDI outflows of India, keeping in mind the period April 2014 to March 2019. it's a landmark reform whose effect would be long-term on the Indian economy and will require ample time to unfold its effect on various sectors of the economy.

REFERENCES

- Abraham, F. Kanings, J., &Slootmaekers, V. (2010). FDI Spillovers in the Chinese Manufacturing Sector: Evidence of Firm Heterogeneity. *Economics of Transition,*18(1), 143-183.
- Agiomirgianakis, G., Asterious, D., &Papathems, K. (2003). Determinants of FDI: A Panel data study for the OECD Countries.
- Alfaro, C. (2003). FDI and Growth: The Sector Matter. *Harvard Business School.*
- Arthreye. Suma and Kapur, S. (1999). Foreign Controlled Manufacturing Firms in India; Long –term Trends. *Economic and Political Weekly,* ppm 149-51.
- Artigi, L., &Nicolini, R. (2005). Evidence on the Determinants of FDI: The Case of Three Europeabn Regions.
- Banga, R. (2007). *Explaining Asian Outward FDI.* Paper presented at the UNCTAD-India ARTnet Consultative Meeting on Trade and Investment Policy Coordination, Bangkok.
- Bano, S., &Tabadda, J (2015). Foreign direct investment outflows: Asian development countries. *Journal of Economic Integration*, 30(2), 359-398.
- Bovoiyour, J. (2003). The Determining Factors of Foreign Direct Investment in Morocco.

- Chaarkraberti, A. (2001). The Determinant of FDI: Sensitivity Analysis of Cross-country Regressions. *Kyklos*,54(1).89-144.
- Das, K.C. (2013). Home country determinants of Outward FDI from developing countries. *Margin: The Journal of Applied Economic Research.* 7(1), 93-116.
- Demrihan, P., &Masca, M. (2008). Determinants of FDI Flows to Developing Countries: A Cross-sectional Analysis. *Prague Economic Paper 4.*
- Denisia, V. (2010): FDI Theories, An Overview Of the Main FDI Theories, *Academy of Economic Studies*, 2(2).
- Flamm, K. (1984). The Volatility of Offshore Investment. *Journal of Development Economics*,16, 231-248.
- Johanson, J., Mattsson. L.G. (1988). Internationalization in industrial systems-a network approach. *The internationalization of the firm: a reader*,303–321.
- Jordon, J. (2004). FDI and Neighboring Influences. *University of Pretoria*, Pretoria
- Kaldor, N. (1966). Causes of the slow rate of Growth of the United Kingdom. *Cambridge University Press.* Cambridge.
- Kathuria, V. (2002). Liberalisation, FDI and Productivity spillovers- an analysis of Indian Manufacturing Firms. *Oxford Economic Papers*, 688-718.
- Kumar, M. (2005). Liberalisation, FDI Flow and Development: Indian Experience in 1990s. *Economic and Political Weekly*, 40, 1459-1469.
- Mathews, J. A (2002). Competitive advantage of the latecomer firm: A Resource- based account of Indian catch-up strategies. *Asia Pacific Journal of Management*, 19(4), 467-488.
- McKinsey Global Institute, (2012), *McKinsey Operations Practice, Manufacturing the future: The next era of global Growth and innovation November 2012*
- ODI (1997). FDI flows to Low INCOME Countries: A Review of the Evidence.
- Rodrik, D. (2009). Growth after Crises. *Harvard Kennedy School.*
- Saunders, R. (1982). The Determinants of FDI. *Canadian Journal of Economics*,15, 77-84
- Szirmai, A., &Verspagen, (2015), Manufacturing and Economic Growth in Developing Countries, 1950-2005; *Structural Changes and Economic Dynamics*,34, 46-59.
- United Nations, (2006). World Investment Report, 2006.