

Role of German Inflow “To Make in India”

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Abstract:

Investment in India provides the base for economic growth and development. In particular, for developing nations Foreign Direct Investment (FDI) consider safest type of international capital flows. It's global popularity and positive output in augmenting of domestic capital, productivity and employment; has made it an indispensable tool for initiating economic growth for countries. FDI in India has contributed effectively to the overall growth of the economy in the recent times. FDI inflow has an impact on India's transfer of new technology and innovative ideas; improving infrastructure, thus makes a competitive business environment and to fulfill the dream of “*To Make in India*”.

Over the year, not only the bilateral trade increased, but German firms have discovered new investment opportunities in India and so have the Indian firms in Germany. Indo-German economic relations are based on Trade, Technology and Investment. German industry, right from the beginning, was always more than a supplier of goods to India. Periods of high exports were always accompanied by large flows of investment and technology.

Since liberalization started in 1991 the new spurt of German exports to India has led to an equally impressive boost in new investment and technical cooperation projects. Germany's cumulative FDI in India from January 2000 to December 2019 amounted to US\$457.46 billion.

Key areas of Investments have been transportation, electrical equipment, metallurgical industries, services sector (particularly insurance), chemicals, construction activity, trading and automobiles. Over 1,600 Indo-German collaborations and 600 joint ventures are represented in the Indian marketplace.

Foreign investment helps to fill is that between governmental tax revenue and the locally raised taxes. By taxing the profits of the foreign enterprises the government of developing countries are able to mobilize funds for projects (like energy, infrastructure) that are badly needed for economic development. Foreign investment meets the gap in managements, entrepreneurship, technology and skill.

Introduction:

Cumulative Foreign Direct Investment(FDI) Equity Inflows US\$457.46billion received from all countries in India during the period from January 2000 to December 2019. Out of these, share of Germany in FDI Inflows in India is US\$12.08billion with 2.64%. Now, Germany is the 7th largest foreign direct investor in India since January 2000. There are more than 1600 Indo-German collaborations and over 600 Indo-German Joint Ventures in operation. A Fast-Track System for German companies has been set up in DIPP, as agreed between the two sides at the 3rd IGC. The Make in India Mittelstand (MIIM) Programme launched by the Mission in September, 2015 to facilitate the German Mittelstand to India has been progressing well.

Top sectors attracting FDI inflows in India are Transportation industry, electric equipment, metallurgical industries, fuels, services sector. Chemicals, construction activities, trading, automobiles are other important sectors.

German investments in India are mainly in the sectors of transportation, electrical equipment, metallurgical industries, services sector (particularly insurance), chemicals, construction activity, trading and automobiles. Most of the major German companies have already entered the Indian market. German automobile giants such as Daimler, Volkswagen, BMW, and Audi have established manufacturing facilities/assembly plants in

India. Other major German companies that have significant operations in India include Siemens, ThyssenKrupp, Bosch, Bayer, BASF, SAP, Deutsche Bank, Metro, Lufthansa, Merck, Munich Re etc. Besides large companies, German Medium Sized Enterprises (Mittelstand) are also showing greater interest in India.

In particular, India is wooing German small and medium enterprises (SME), called *Mittelstand*, to start operations in India. Towards this, the Modi federal government has already created a special window under '*Make in India- Mittelstand*' (MIIM) at its Berlin embassy to facilitate the entry of Mittelstand into the Indian market. So far, 73 Mittelstand companies are part of MIIM, of which 46 have begun operations in India. These companies belong to diverse sectors, including renewable energy, engineering technologies, construction technologies, agricultural mechanization, water technologies, and waste management.

According to the Business Monitor survey, conducted on behalf of the Indo-German Chamber of Commerce (IGCC), German investors in India take a positive long-term view of the Indian market and continue to invest in their operations to tap growth opportunities.

Review of literature:

Germany's advanced capabilities in science & Technology and engineering complement the needs of the rapidly growing Indian economy, which seeks to broaden its manufacturing base, accelerate urbanization, and improve infrastructure. Additionally, German companies can generate relevant jobs to absorb India's large labor force trained in science and technology. These growth concerns motivate much of the Modi government's economic agenda, as illustrated in their flagship programs: *Make in India*, *Skill India*, *Digital India*, and *Smart City*. India has actively sought German participation and investments in these areas, capitalizing on strong existing bilateral business and commercial ties.

Research Methodology:

The analysis is based on secondary data obtained from the Ministry of commerce, Indian institute of Foreign Trade, Delhi, Economic survey, (different issues) and other government publications. Data and materials are also collected from books, periodicals, journals, serial Publications, newspapers and Indo- German Chamber of Commerce, Mumbai. Statistical tools/ techniques have been used wherever necessary.

German Investment inflows: (Calendar year-wise FDI Equity Inflows)

The Table of German investment inflows from the calendar years 2000 to 2019 is inundated with several crests and troughs. After declining initially in December 2003, the following year saw German investments rise, posting a highest growth of US\$1484.26 in December 2011. In the subsequent year i.e. 2012, 2018, and 2019 there was a substantial dip to US\$729.12, US\$732.16 and US\$653.87 respectively.

Overall, Germany has invested over US\$457.46 billion in India between 2000 and 2019, which is symptomatic of the prospective and healthy growth for Indian economy.

Table: 1 **Calendar year-wise FDI Equity Inflows** **Values in US\$ million**

Calendar Year (Jan.-Dec.)	FDI equity inflows from Germany	FDI equity inflows from all Countries
2000	86.39	2347.05
2001	133.05	3520.42
2002	138.11	3359.03
2003	78.80	2079.13
2004	158.15	3213.34
2005	83.34	4355.25
2006	312.70	11119.45
2007	343.16	15921.29

2008	788.78	37094.46
2009	599.93	27044.14
2010	197.66	21006.81
2011	1484.26	34621.09
2012	729.12	22789.34
2013	1014.86	22037.56
2014	1151.57	28784.62
2015	1144.47	38134.69
2016	1102.76	46402.85
2017	1151.15	43574.79
2018	732.16	42407.97
2019	653.87	47643.04
Total	12084.30	457,456.32

Amount includes the Inflows received through SIA/FIPB route, acquisition of existing shares and RBI's automatic route only.

Source: Department of Industrial Policy & Promotion, Govt. of India

Distribution of FDI German Inflows -Top Sectors-wise

On perusal of the sector-wise distribution of FDI equity inflows received from Germany, from January 2000 to December 2019, it is seen that the highest FDI equity inflows have been in the Automobile Industry, which accounts for about 22% of FDI inflows from Germany. While Services sector, with about 15%, is in the 2nd place, Miscellaneous Mechanical & Engineering Industry with over 11%, are in the 3rd place, Trading and Chemicals (other than Fertilizers) with about 8% and 7% are in the 4th and 5th place respectively. These top 5 accounted for 63% of total inflows from Germany since the turn of the millennium.

Table:2 Share of top sectors FDI inflows from Germany Values in US\$ million

Rank	Sector	FDI equity inflows	% of FDI equity inflows
1	Automobile Industry	2639.66	21.84
2	Services sector	1807.25	14.96
3	Miscellaneous, Mechanical & Engineering Industry	1340.81	11.10
4	Trading	940.33	7.78
5	Chemicals (other than Fertilizers)	818.78	6.78
-	TOTAL	7546.83	62.46

Source: Department of Industrial Policy & Promotion, Govt. of India

Share of Top Five States:- FDI Inflows from Germany

During the Calendar year from October 2019 to December 2019, the Rank of five States attracting FDI equity inflows from Germany, are Telangana 1st rank with above 24%, Goa 2nd rank with about 20%, Delhi- 3rd rank with 18% Maharashtra –4th rank with about 18% and -5th rank with about 16% of total FDI Inflows. Data, related to these given below:-

Table: 2 Share of Top Five States:- FDI Inflows from German Values in US\$ million

Ranks	State	FDI equity inflows (Amount)	% with total FDI
1	Telangana	25.79	24.41
2	Goa	20.87	19.79
3	Delhi	19.07	18.07
4	Maharashtra	18.07	17.61
5	Karnataka	16.80	15.96
	Total	101.10	95.84

These amount includes the Inflows received through SIA/FIPB route, acquisition of existing shares and RBI's automatic route only. Source: Department of Industrial Policy & Promotion, Govt. of India

Official Partnership with Germany:

India took center stage as official partner country at the Hannover Messe 2015, the world's largest industrial trade fair. On his maiden visit to Germany, India's Prime Minister Narendra Modi inaugurated the fair together with Germany's Chancellor Angela Merkel. The fair, which was held from 13th to 17th April 2015 in Hannover, is set to provide the necessary boost to India's manufacturing sector. PM Modi was accompanied by the 'who's who' of India Inc. while he met a number of top German CEOs at HannoverMesse. Throughout the fair, there were India focus seminars, presentations by Federal, Chief and State Ministers, discussions on high technology partnerships and signing of MOUs. 'Make in India' initiative was the focal theme, with the Department of Industrial Policy and Promotion (DIPP) hoping to attract investors and foreign direct investment (FDI).

At the inauguration of the Indo-German Business Summit organized by IGCC during the Fair together with Confederation of Indian Industry (CII), Asia-Pacific Committee of German Business (APA) and the Engineering Exports Promotion Council (EEPC), Hubert Lienhard, APA-Chairman and President and CEO Voith GmbH said, "The German industry is ready. When India grows, we grow too and invest. However, the conditions must be conducive. India and its new government must convince the world that it is truly possible to grow sustainably." At the run up to the Summit itself, he commented positively on the "Make in

India” initiative of the Prime Minister Narendra Modi: “With the ‘Make in India’ initiative, India has taken a vital step. It is therefore more necessary for us to talk in Hannover about what the expectations are on both sides and what measures have to be taken to intensify cooperation.”

During her speech subsequently, German Chancellor Angela Merkel made it clear to the Indian government what is important to German politicians and German industry. “And that is that German companies are treated in the same way as local industry – with equal access to public contracts and the awarding of licenses and with the same legal framework conditions,” she said. In this context, she praised the reforms launched by Prime Minister Narendra Modi. The Chancellor declared that the German government will endeavour to remove any remaining hurdles on the German side. “Germany not only wishes to invest more in India, but is interested in seeing more Indian companies in Germany,” she said.

In his address, Prime Minister Narendra Modi emphasized that India now was a changed country. Substantiating his remark through examples Mr. Modi said: “You will be able to see for yourself the winds of change in India. We are very keen to develop the sectors where you are strong. We need your involvement. The scope and potential, the breadth and length of infrastructure and related developments is very huge in India.” He further added, “We also want to promote manufacturing in a big way particularly to create jobs for our youth. For this purpose, we have launched a campaign called “Make in India”. He also mentioned that a lot of effort was being put in to improve the ‘Ease of Doing Business’ in the subcontinent. He then went on to elaborate on the various measures taken on this front.

The joint declaration which was announced on 14th April 2015 stated the two governments’ intentions of furthering collaboration in areas like Manufacturing, Skill Development, Urban Development, Environment, Railways, Cleaning of Rivers, Renewable Energy, Education, Language, Science and Technology.

The declaration stated that the momentum generated by India’s participation in the Hannover Messe should be utilized to foster stronger ties between business and industry on both sides in order to support India’s ‘**Make in India**’ initiative. Greater investments, a positive investment climate and technology partnerships are crucial for the success of India’s ‘**Make in India**’.

Summary and Conclusion:

In the last decade, both economic and political interaction between India and Germany has increased significantly. Today, Germany amongst India’s most important partners both bilaterally and in the global context. Germany is the 7th largest foreign direct investor in India since January 2000 to 2019. Germany has invested US\$12.08billion with 2.64% out of total FDI received from all countries. Top sectors attracting German FDI inflows from January 2000 to December 2019 are Automobile Industry (21.84%), Miscellaneous Mechanical & Engineering Industries (15%), Services Sector (11%), Chemicals-other than fertilizers (about 8%) and Trading (about 7%).

India’s Economic relations with Germany with special reference to Trade, Technology and Investment came to the conclusion that prospects of increasing the volume of trade between India and Germany are extremely good and suggested that multi-directional and approves should be made for reduction of the trade gap between the two countries.

Finally, to boost up German FDI Inflows in India and support India’s “**Make in India**” initiative conducive and congenial environment must be created infrastructure facilities be improved and legal obstacles and barriers be suitable removed.

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