EXPORT PERFORMANCE ANALYSIS (An Empirical Evidence)

Prof. Sachin Bhat
Assistant Professor
KLES J. G. College of Commerce
Hubli.

Abstract

Make in India initiative is one of the benchmarking move of the Government of India in respect of economic development to enhance the GDP. Foreign Direct Investment (FDI) is considered as an engine of economic growth. Foreign investment was normally permitted only in high technology industries in priority areas and in export oriented areas. So the inflow of FDI before 1990's was very low. During early 1990s India suffered from massive balance of payment and foreign exchange crisis, which led Indian Government to opt for liberalized economic policies in 1991. In due course the effect of Globalization and liberalisation brought drastic change in the business environment and practices through lots of new innovative products to the world, Foreign Direct Investment is the one among this, also there are number of different forms of FDI is available currently. Recently, Government of India allowed FDI in different sectors of Indian economy. Since the adoption of New Industrial Policy (NIP) and on-going reform process, (FDI) inflows have increased substantially. This has lead to increase in the number of the industrial setups in different sectors under the banner of Make In India i.e 11,43,131 active companies with authorised capital of Rs.52,69,513.16 crore. On this background, the paper analyses the sector wise and country wise inflows of FDI during the period of pre and post introduction of Make in India. This paper begins by reviewing possible sources of FDI and Export then provides a comprehensive evaluation of the empirical evidence on sector wise FDI and Export. This study is entirely based on secondary data. It also point out the sector-wise distribution of FDI inflow and export to know about which has concerned with the chief share. The present study is based on secondary data collected from different sources. The paper concludes that the Government should design the FDI policy in such a way where FDI inflows can be utilized as means of enhancing domestic production, savings and exports through the equitable distribution among states so that they can attract FDI inflows at their own level. As per the study, the sectors that attracted higher inflows were Communication services as per the CAGR and as per the share it is manufacture sector. The Luxenberg was at highest FDI inflows as per the CAGR and as per the share it is from Mauritius. Accordingly, highest export is notice business services sector with CAGR 52.33%.

Keywords: Foreign Direct Investment, Compound Annual Growth Rate & New Industrial Policy etc.

Introduction

India being a resourceful and potential country, particularly in human resources, to capitalise the opportunities it is receptive to foreign investment. The role of foreign direct investment (FDI) in stimulating economic growth is one of the controversial issues in the development literature. The great promise of foreign direct investment (FDI) by multinational corporations is that capital will stimulate dynamic growth. Beyond boosting income and employment, the hope is that manufacturing FDI will bring knowledge that indirectly effect in building skill and technological capacities of local firms, catalysing broad-based economic growth. The part played by foreign direct investment (FDI) in the development process has undergone several changes. In the 1960s, FDI was seen in most countries as a partner in the development endeavours. But the Indian government adopted a restrictive attitude towards foreign capital in late 1960s as local industries started to develop. India adopted a regime that was perceived to be restrictive towards FDI. Explicit curbs on foreign investment were imposed through the introduction of the Foreign Exchange Regulation Act (FERA) in 1973 by restricting foreign ownership of shares in enterprises incorporated in India. At the same time, foreign firms operating in India were subjected to "local content" and "foreign exchange balancing" rules that curbed their freedom of operation. The Industrial Licensing System under the Industries Development and Regulation Act, 1951 and the Monopolies and Restrictive Trade Practices Act, 1969 sought to channelize their activities into high technology and export-oriented production. The limits on foreign shares fostered joint ventures with Indian entrepreneurs. Private savings financed most of India's investment, but by the mid-1980s further growth in private savings was difficult because they were already high level. These policies continued until the policy of creeping liberalisation of the Indian economy was initiated in the 1980s. During the late 1980s India relied increasingly on borrowing from foreign sources. Increased borrowing from foreign sources in the late 1980s, which helped economic growth, led to pressure on the balance of payments. As a result, India made various agreements with the International Monetary Fund (IMF) and other organizations that included commitments to speed up liberalization. Thus, in the early 1990s, considerable progress was made in loosening government regulations, especially in the area of foreign trade. Many restrictions on private companies were lifted, and new areas were opened to private capital. The stable macroeconomic fundamentals, increasing size of the economy and improving investment climate has attracted multinational corporations to invest in India. An important outcome of economic reform process aimed at opening up the economy and embody globalization in 1991 has led to massive increase in Foreign Direct Investments (FDI) inflows. In fact, FDI policy reform formed part of the first package of industrial reforms in July 1991 and was reflected in the Industrial Policy announced in 1991. Amongst other sources; FDI is a major source of private capital in India. The primary reason for alluring FDI is not only the capital it brings in but along with capital it is also an important source of various technologies knows how, better managerial skills, labour training and other externalities which generate increasing return in production.

Need and Significance of the Study

The flow of FDI is gradually boosting the growth of Indian economy, the various key sectors contributing the large share in the growing GDP of India. The most attracting sectors like manufacturing and service are the significant portion of total FDI in Indian economy. This contribution of FDI is stimulating the economic growth and the extent in which stimulating the growth of export, this knowledge thrust has influenced to explore the facts and entrust the interest in writing this paper.

Objectives:

- To know the influence of Make In India initiative on FDI & Exports.
- To analyse trends and drivers of FDI and exports during the period of pre and post introduction make in India initiative
- To offer the suggestions in the light of the findings.

Hypothesis:

H_O : There is no gradual increase in the flow of FDI and Export during the period of pre and post introduction of make in India initiative.

H_a : There is gradual increase in the flow FDI and Export during the period of pre and post introduction of make in India initiative.

Methodology: Sources of Data Collection

This paper is purely based on secondary data and for reference the personal interactions was made with the teaching fraternity. The data collected from reputed online journals, magazines, articles, newspapers and government reports like RBI Annual Reports, Ministry of Corporate Affairs-Govt. of India and Ministry of Finance etc.

Statistical Tools & Techniques:

To evaluate the flow of FDI & Export at both the levels i.e. country wise and sector wise the tools that are used to analyze the data are compound annual growth rate (CAGR) and percentages.

Scope of the study:

To investigate the flow of FDI and export data have been collected for the period of six years i.e. pre and post introduction of make in India initiative.

Review of Literature:

A good number of studies have investigated on FDI issues. However, the following deserve a special mentioning, since they have gone deepen in to the crux of the FDI issues[1], "Foreign Direct Investment in India: Issues and Problems". In their discussion paper summarized that "India has the resource base, it has the entrepreneurship, has the access to the sea, a vast labor force, it has everything that coastal China has had except the interest of the Government which even today underemphasizes the role of industrial facilities, of infrastructure, of land area, of effective port facilities". "Export Growth in India: Has FDI Played a Role?" in his discussion paper reviews that hypothesizes export as one of the channels through which FDI influences growth[2]. Using annual data for 1970-98 he finds that FDI has no significant impact on export performance and thus on growth. "Foreign Direct Investment and Economic Growth in India: A Production Function Analysis" in their working paper viewed that FDI stock has contributed positively to the national production[3]. The study concludes that the effect of FDI is not significant for the overall period, but during the liberal policy phase FDI plays a significant impact on production of India. "Recent Trends in FDI Flows and Prospects for India", analyses the recent trends in FDI flows in India. He finds that FDI flows to India have not been commensurate with her economic potential and performance.

The GOI revised its computation of FDI figures in line with the best international practices, which has led to a substantial improvement in FDI figures. The quality of FDI as manifest in technological spillovers, export performance etc. is more important than its quantity[4]. "The Differential Impact of Japanese and US FDI on Exports of Indian Manufacturing", found that FDI has not played a significant role in exports of the Indian manufacturing sector in the post reform period and concludes that FDI in India has led to export diversification[5]. "Liberalization, MNC and Productivity of Indian Enterprises", argues in favor of using an unbalanced panel that takes into account the entry and exit of the firms. Firms with better endowments in terms of productivity and technology benefited from liberalization and MNC presence. Firms with large productivity gaps became the victims[6]. "Foreign Direct Investment in India: A Critical Analysis of FDI from 1991-2005", reveals that while FDI shows a gradual increase and has become a staple of success in India, the progress is hollow. He finds that in the comparative studies the notion of infrastructure has gone a definitional change. FDI in sectors is held up primarily by telecommunications and power and is not evenly distributed. "Labor Conflict and Foreign Investments: An Analysis of FDI in India, in their review examined that how labor conflict, credit constraints and indicators of state's economic health affect foreign investment.

They find that labor unrest is the most important factor in determining the effect of foreign investment. Their results indicate that labor unrest has a strong negative effect on foreign investment and also labor unrest is endogenous across Indian states[7]. "Foreign Direct Investment in India's Retail Sector: More Bad than Good?" Discusses the retail industry in India in their study on FDI in the retail sector. They focus on the "labor displacing" effect on employment due to FDI in the retail sector. The primary task of the Government in India is still to provide livelihood and not create so called efficiencies of scale by creating redundancies[8]. "The Unequal Effects of Liberalization: Evidence from Dismantling the License Raj in India. Centre for Economic Policy Research" in their discussion paper opined that They show that more trade or FDI is associated to positive growth effects in regions and sectors that are initially close to the technological frontier. This is primarily due to higher absorptive capacities of these regions or sectors and their engagement in R&D when foreign competitors enter the market.

Although there are studies on effect of FDI on overall performance of India, there is lack of research which focuses on country-wise and sector wise FDI, which are discussed in the present article[9]. "Economic Reforms, FDI and its Economic Effects in India", assess the growth implication of FDI in India. They find that the growth effects of FDI vary widely across sectors and only transitory effects of FDI on output in the services sector which attracted the bulk of FDI in the post-reform period[10]. "India's Suitability for Foreign Direct Investment", analyses various determinants that influence FDI inflows to India. Analyzing the new findings it is interesting to note that India has some competitive advantage in attracting FDI inflows, like a large pool of high quality labor force. In consequence this study argues that India is an ideal investment destination for foreign investors[11]. "FDI and Globalization in India", finds that the FDI from the Indian firms were principally addressed to the developing countries and Russia, however, the share of the industrialized countries was on the rise and the manufacturing and non-financial sectors accounted for the bulk of it[12].

Foreign direct investment (FDI) and growth of states of India VISION 2020 - Managerial Strategies and Challenge", stated in their study that foreign direct investment (FDI) policies play a major role in the economic growth of developing countries around the world. Attracting FDI inflows with conductive policies has therefore become a key battleground in the emerging markets. The paper highlighted the trend of FDI in India after the sector-wise economic reforms[13]. Sectoral performance through inflows of foreign direct investment (FDI) found out in their study that Foreign Direct Investment has a major role to play in the economic development of the host country. Most of the countries have been making use of foreign investment and foreign technology to accelerate the pace of their economic growth. FDI ensures a huge amount of domestic capital, production level and employment opportunities in the developing countries, which a major step towards the economic growth of the country[14]. "Impact of FDI on GDP: A comparative study of China and India," in their the study found that 1% increase in FDI would result in 0.07%increase in GDP of China and 0.02% increase in GDP of India. We also found that China's growth is more affected by FDI, than India's growth[15]. "Impact of foreign direct investments on Indian economy", conducted the study to find out the impact of foreign direct investments on Indian economy and concluded that Foreign Direct Investment (FDI) as a strategic component of investment is needed by India for its sustained economic growth and development through creation of jobs, expansion of existing manufacturing industries, short and long term project in the field of healthcare, education, research and development also clarified that subject to the sectorial foreign holding cap, companies will now need prior permission from Reserve bank of India (RBI) for an overall FII holding of beyond 24 per cent. After RBI permission, the companies can allow FIIs to hold more than 24 per cent after the approval for the same by their boards and shareholders. This study investigates the growth in foreign direct investment country wise and industry-wise.

Trend Analysis and Discussions:

The flow of FDI and export during the period of pre and post introduction Make in India initiative is elucidated as under :

Table 1: Country wise FDI Flows to India during pre & post introduction of Make in India

(US $ million)

Country	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15**	**2015-16**	**CAGR(%)**
Mauritius	9,518	10,165	9,801	5,616	8,142	8,059	3,695	5,878	7,452	-12.64
Singapore	2,827	3,360	2,218	1,540	3,306	1,605	4,415	5,137	12,479	6.58
U.S.A	950	1,236	2,212	1,071	994	478	617	1,981	4,124	-5.98
Cyprus	570	1,211	1,623	571	1,568	415	546	737	488	-0.61
Japan	457	266	971	1,256	2,089	1,340	1,795	2,019	1,818	21.58
Netherlands	601	682	804	1,417	1,289	1,700	1,157	2,154	2,330	9.81
United Kingdom	508	690	643	538	2,760	1,022	111	1,891	842	-19.53
Germany	486	611	602	163	368	467	650	942	942	4.24
UAE	226	234	373	188	346	173	239	327	961	0.8
France	136	437	283	486	589	547	229	347	461	7.73
Switzerland	192	135	96	133	211	268	356	292	195	9.22
Hong Kong SAR	106	155	137	209	262	66	85	325	344	-3.1
Spain	48	363	125	183	251	348	181	401	141	20.88
South Korea	86	95	159	136	226	224	189	138	241	11.91
Luxembourg	15	23	40	248	89	34	539	204	784	65.28
Others	2,699	3,034	2374	1184	983	1540	1,249	1,250	2,016	-10.42

Source: Reserve Bank of India, Annual Reports

The above Table No.1 reveals that the FDI inflows from different countries. To indentify and examine the growth of FDI inflow Compound Annual Growth Rate has been estimated for the period of 7 years i.e from 2008-2016. The above table shows that the annual compound growth rate of Total Foreign Investment in different countries have not been equally successful in attracting FDI. There is considerable variation in the dataset. The Compound Annual Growth rate of FDI inflow ranges from minimum of -19.53% to maximum of 65.28%. The highest FDI annual compound growth was 65.28% witnessed from Luxembourg country and the lowest FDI annual compound growth was -19.53% witnessed from United Kingdom country. According to above table analysis it reveals that ten countries showed positive CAGR in terms of FDI flow, and they are Singapore, Japan, Netherlands, Germany, UAE, France, Switzerland, Spain, South Korea and Luxenberg. At the same time, countries like Mauritius, U.S.A., Cyprus, United Kingdom, Hong Kong SAR and Others have witnessed with negative CAGR.

Table 2: Country wise Share of FDI flows to India during pre and post introduction of Make in India (US $ million)

Country	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Mauritius	9518(49)	10165(44.79)	9801(43.64)	5616(13.59)	8142(34.69)	8059(44.07)	3695(23.02)
Singapore	2827((14.55)	3360(14.80)	2218(9.87)	1540(10.31)	3306(14.08)	1605(8.78)	4415(27.50)
U.S.A	950(4.89)	1236(5.47)	2212(9.85)	1071(7.17)	994(4.23)	478(2.61)	617(3.84)
Cyprus	570(2.93)	1211(5.34)	1623(7.23)	571(3.82)	1568(6.68)	415(2.27)	546(3.40)
Japan	457(2.35)	266(1.17)	971(4.32)	1256(8.41)	2089(8.90)	1340(7.33)	1795(11.18)
Netherlands	601(3.09)	682(3)	804(3.58)	1417(9,49)	1289(5.49)	1700(9.30)	1157(7.20)
United Kingdom	508(2.62)	690(3.04)	643(2.86)	538(3.60)	2760(11.76)	1022(5.59)	111(0.69)
Germany	486(2.50)	611(2.69)	602(2.68)	163(1.09)	368(1.57)	467(2.55)	650(4.05)
UAE	226(1.16)	234(1.03)	373(1.66)	188(1.28)	346(1.47)	173(0.95)	239(1.49)
France	136(0.70)	437(1.93)	283(1.26)	486(3.25)	589(2.51)	547(2.99)	229(1.43)
Switzerland	192(0.99)	135(0.59)	96(0.43)	133(0.89)	211(0.90)	268(1.47)	356(2.22)
Hong Kong SAR	106(0.55)	155(0.68)	137(0.61)	209(1.40)	262(1.12)	66(0.36)	85(0.53)
Spain	48(0.25)	363(1.60)	125(0.56)	183(1.22)	251(1.07)	348(1.90)	181(1.13)
South Korea	86(0.44)	95(0.42)	159(0.71)	136(0.91)	226(0.96)	224(1.22)	189(1.18)
Luxembourg	15(0.08)	23(0.10)	40(0.18)	248(1.66)	89(0.38)	34(0.19)	539(3.36)
Others	2699(13.89)	3034(13.37)	2374(10.57)	1184(7.93)	983(4.19)	1540(8.42)	1249(7.78)
Total FDI	19425(100)	22697(100)	22461(100)	14939(100)	23473(100)	18286(100)	16054(100)

Source: Reserve Bank of India, Annual Reports

The above Table 2 depicts the total amount of FDI inflows in India during the period of pre and post introduction of make in India initiative and it clearly reveals that, FDI inflow during the period 2008-2009 has been increased from. US $19425 Million to US $22697 Million. From the year 2008-2014, the highest share of FDI has been maintained by Mauritius and the lowest share of FDI has been maintained by Luxembourg except in the year 2011 and 2014. During the study period of seven years Singapore contributed as the second highest share of FDI Inflow in India except in the year 2010. From the year 2008-2010 others enjoyed third place in FDI attraction receiving 13.89%, 13.37% and 10.57% of total FDI respectively. In the year 2011 and 2013 the third place is occupied by Netherlands contributing 9.49% and 9.30%. In the year 2012 and 2014 Japan occupied by third place contributing 8.90% and 11.18%.

Table 3: Sector-wise FDI Flows to India during the pre and post introduction of Make in India Initiative

(US $ million)

Industry	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**CAGR (%)**
Manufacture	3,726	4,777	5,143	4,793	9,337	6,528	6,381	7.99
Construction	2,551	2,237	3,516	1,599	2,634	1,319	1,276	-9.42
Financial Services	3,850	4,430	2,206	1,353	2,603	2,760	1,026	-17.21
Real Estate Activities	1,336	1,886	2,191	444	340	197	201	-23.71
Electricity and other Energy Generation, Distribution & Transmission	829	669	1,877	1,338	1,395	1,653	1,284	6.45
Communication Services	66	2,067	1,852	1,228	1,458	92	1,256	52.33
Business Services	1,158	643	1,554	569	1,590	643	521	-10.78
Miscellaneous Services	1,901	1,458	888	509	801	552	941	-9.56
Computer Services	1,035	1,647	866	843	736	247	934	-1.46
Restaurants and Hotels	280	343	671	218	870	3,129	361	3.7
Retail and Wholesale Trade	200	294	536	391	567	551	1,139	28.21
Mining	461	105	268	592	204	69	24	-34.44
Transport	816	401	220	344	410	213	311	-12.87
Trading	176	400	198	156	6	140	1	-52.22
Education, Research and Development	156	243	91	56	103	150	107	-5.24
Others	884	1,097	384	506	419	43	293	-14.59

Source: Reserve Bank of India, Annual Reports

In India there are many sectors attracting FDI inflow. India is welcoming sector wise FDI as a part of its reform policies. Among them top sectors attracted high rate of FDI. Inflow in 2008-2014 is given in the above table and the data has been analysed by using Compound Annual Growth Rate.

Further, it is examined in the above table that, the Compound Annual Growth Rate of FDI ranged between -52.22% to 52.33%. It has been observed from the above analysis that the FDI trends have witnessed the negative Compound Annual Growth Rate in many of the sectors. The above results in Table 3 clearly indicate that there was a highest FDI flow in communication services and lowest in cease of trading industry witnessed with a Compound Annual Growth Rate of 52.33% and -52.22% respectively.

Table 4: Sector-wise Share of FDI Flows to India During The Period of Pre and Post Introduction of Make In India initiative

(US $ million)

Industry	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Manufacture	3726(19.18)	4777(21.05)	5143(22.90)	4793(32.08)	9337(39.78)	6528(35.70)	6381(39.75)
Construction	2551(13.13)	2237(9.86)	3516(15.65)	1599(10.70)	2634(11.22)	1319(7.21)	1276(7.95)
Financial Services	3850(19.82)	4430(19.52)	2206(9.82)	1353(9.06)	2603(11.09)	2760(15.09)	1026(6.39)
Real Estate Activities	1336(6.88)	1886(8.31)	2191(9.75)	444(2.97)	340(1.45)	197(1.08)	201(1.25)
Electricity and other Energy Generation, Distribution and Transmission	829(4.27)	669(2.95)	1877(8.36)	1338(8.96)	1395(5.94)	1653(9.04)	1284(8)
Communication Services	66(0.34)	2067(9.11)	1852(8.25)	1228(8.22)	1458(6.21)	92(0.50)	1256(7.82)
Business Services	1158(5.96)	643(2.83)	1554(6.92)	569(3.81)	1590(6.77)	643(3.52)	521(3.25)
Miscellaneous Services	1901(9.79)	1458(6.42)	888(3.95)	509(3.41)	801(3.41)	552(3.02)	941(5.86)
Computer Services	1035(4.56)	1647(7.26)	866(3.86)	843(5.64)	736(3.14)	247(1.35)	934(5.82)
Restaurants and Hotels	280(1.44)	343(1.51)	671(2.99)	218(1.46)	870(3.71)	3129(17.11)	361(2.25)
Retail and Wholesale Trade	200(1.03)	294(1.30)	536(2.39)	391(2.62)	567(2.42)	551(3.01)	1139(7.09)
Mining	461(2.37)	105(0.46)	268(1.19)	592(3.96)	204(0.87)	69(0.38)	24(0.15)
Transport	816(4.20)	401(1.77)	220(0.98)	344(2.30)	410(1.75)	213(1.16)	311(1.94)
Trading	176(0.91)	400(1.76)	198(0.88)	156(1.04)	6(0.03)	140(0.77)	1(0.01)
Education, Research and Development	156(0.80)	243(1.07)	91(0.41)	56(0.37)	103(0.44)	150(0.82)	107(0.67)
Others	884(4.55)	1097(4.83)	384(1.71)	506(3.39)	419(1.79)	43(0.24)	293(1.83)
Total FDI	19425(100)	22697(100)	22461(100)	14939(100)	23473(100)	18286(100)	16054(100)

Source: Reserve Bank of India, Annual Reports

The above Table 4 reveals the descriptive statistics of the major industries used in the analysis and it shows the share of industries in the total flow of FDI. The table reports the sector-wise inflow of FDI to India for the during the period of pre and post introduction of make in India initiative, it reveals that FDI inflow to Manufacture Industry, Construction Industries and Financial Services sector were ranging between 6% to 40%. During this period FDI inflow to sectors namely Real Estate Activities, Communication Services, Business Services, Miscellaneous Services, Computer Services, Restaurants and Hotel Industries, Retail and Whole sale Industries, Mining industries and Transport Industries accounts for one to ten percentage only. While in to the other sectors like trading and Education, Research and Development the FDI inflows were less than one percentage. It indicates that FDI inflows have increased continuously within a span of 7 years in case of manufacturing sector except in the year 2013. The trend shows that after the economic reforms were carried out FDI was heavily concentrated in manufacturing activities, which was due to the import substitution principle. During the study period trend of FDI in Manufacture sector was highest with 39.78% in the year 2012 and FDI in trading industry was lowest with 0.01% in the year 2014.

The total number of companies registered and active during the period of pre and post introduction of make in India initiative:

Table 5: Economic Sector-wise composition of active companies as on 31-03-2014

Sl No.	Economic Activity	Private		Public		Total	
		No. of Co.	Authorised Capital	No. of Co.	Authorised Capital	No. of Co.	Authorised Capital
I	Agriculture & Allied Activities	21271	14413	2845	32435	24116	46848
II	Industry	304375	644679	25697	1575675	330072	2220355
1	Manufacturing	185432	344311	17897	611668	203329	955978
2	Construction	97388	171329	5336	194475	102724	365804
3	Electricity, Gas & Water Supply	10937	104093	1722	712860	12659	816954
4	Mining &	10618	24947	742	56672	11360	81619

	Quarrying						
III	Service	524194	555367	30567	830178	554761	1385546
1	Business Services	194934	151163	6961	219759	201895	370922
2	Trading	138619	121777	6212	99394	144831	221171
3	Finance, Insurance and Real Estate	104820	192085	12113	269673	116933	461758
4	Community, Personal & Social Services	56777	50682	3833	111374	60610	162057
5	Transport, Storage & Communication	29044	39660	1448	129979	30492	169639
IV	Unclassified	38590	84669	4894	250116	43484	334785
	Total	888430	1299129	64003	2688405	952433	3987534

Source: Ministry of Corporate Affairs-Annual Reports (2013-14).

As on 31 03-2014, a total of 13,94,819 companies were on the registry. Of them 9,52,433 companies are active (comprising of 8,88,430 private companies and 64,003 public companies). A majority of the companies at work (about 68%) were operating in activities covered under four broad heads, namely Manufacturing (22%), Business Services (22%), Trading (16%) and Construction (11%), Manufacturing inter alia, includes manufacturing of food products, textiles, paper, chemical and petrochemicals, radio, television, transport equipment. Business Services inter alia include hard and software consulting, data processing, research and development, legal, accounting and auditing services, business and management consultancy and advertising.

Further, the economic activity wise distribution of active companies as on the above date along with their authorised capital is given which are three broad sectors namely Agriculture, Industry and Services.

New Registered Companies:

During the financial 2013-14, a total of 98,437 companies were registered with collective authorised capital of Rs.38,837.83 crore. Out of these 63 were Government companies with authorised capital of Rs.15,307.47 crore and 98,374 were Non-Government companies with authorised capital of Rs.23,566.36 crore.

Foreign Companies:

As on 31003-2014, a total number of 4,051 foreign companies were registered in the country as defined under Section 591 of the Companies Act 1956 and of them 3,240 foreign companies were active. During the financial year 2013-14 a total of 216 foreign companies were registered.

Table 6: Sector-wise Distribution of Active Companies as on 31-12-2016

Sl No.	Economic Activity	Private		Public		Total	
		No. of Co.	Authorised Capital	No. of Co.	Authorised Capital	No. of Co.	Authorised Capital
I	Agriculture & Allied Activities	28964	19513.64	2874	33019.06	31838	52532.71
II	Industry	344589	852501.02	25388	2046207.09	369977	2898705.11
1	Manufacturing	212224	479698.363	17439	756346.91	229663	1236045.54
2	Construction	107455	193172.95	5419	237242.90	112874	430415.85
3	Electricity, Gas & Water Companies	13363	141937.86	1814	997305.51	15177	1139243.37
4	Mining & Quarrynig	11547	37691.58	716	55308.77	12263	93000.35
III	Services	685473	858582.96	35484	1307281.06	720957	2165864.02
1	Business Services	315437	321784.67	10473	464193.92	325910	785978.59
2	Training	154445	177848.90	6393	100375.35	160838	278224.25

3	Real Estate and Renting	75090	72888.18	4014	34008.68	79104	106896.87
4	Community, Personal & Social Services	63860	72171.09	3874	132696.76	67734	204867.85
5	Transport, Storage & Communications	34615	50405.93	1492	232146.15	36107	282552.08
6	Finance	41271	160998.60	9094	298517.75	50365	459516.35
7	Insurance	755	2485.60	144	45342.45	899	47828.04
IV	Others	18372	34519.91	1987	117897.42	20359	152411.33
	Grand Total (I+II+III+IV)	1077398	1465117.53	65733	3504395.63	1143131	5269513.16

Source: Ministry of Corporate Affairs – Annual Reports (2015-16)

As on 31-12-2016 at total of 16,13,371 were registered in the country. Of them 11,43,131 companies were active (comprising of 10,77,398 private companies and 65,733 public companies). A majority of the active companies (About 73%) were operating in activities covered under four broad heads, namely, 'Business Services' (29%), Manufacturing (20%), Trading (14%) and Construction (10%). Business services, inter alia, include hardware and software consulting, data process, research and development, legal, accounting and auditing services, business and management consultancy and advertising, etc. manufacturing, inter alia, includes manufacturing of food products, textiles, paper, metallic/non-metallic mineral products, chemical and petrochemicals, radio, television, transport equipment etc.

Authorized capital of registered companies:

The economic sector-wise distribution of active companies as on 31-12-2016 along with their authorized capital is given in the above table. During the period from 01-01-2016 to 31-12-2016 a total of 93,718 companies were registered with collective authorized capital of Rs.50,244.17 crore. Of these, 115 were Government companies with authorized capital of RS.31,247.07 crore and 93,603 were Non-government companies with authorized capital of Rs.18,997.10 crore.

Foreign Companies:

As on 31-12-2016, the total number of foreign companies registered in the country was 4,491 and of them 3,382 foreign companies were active. During the period from 01-01-2016 to 31-12-2016, a total of 150 foreign companies were registered under the Companies Act, 2013.

One person company

The companies Act, 2013 introduced the concept of One Person Company (OPC) in India. During the period from 01-01-2016 to 31-12-2016, a total of 4605 One Person Companies were registered with collective authorized capital of Rs.115.62 crore.

Chart: Provides sector-wise distribution of active companies as on 31-12-2016

As on 31-12-2016, the total number of foreign companies registered in the country 4,491 and of them 3382 foreign co. were active. During the period from 1-1-2016 to 31-12-2016, a total of 150 foreign co. were registered under the Companies Act, 2013.

Table 7: No. of Companies Registered during the pre & post make in India initiative

(authorised capital in crore)

Sl No.	Economic Activity	2013-14		2016-17	
		No. of Co.	Authorised Capital	No. of Co.	Authorised Capital
1	All Sectors companies	952433	3987534	1143431	5269513.16

Source: Ministry of Corporate Affairs – Annual Reports.

The above table depicts that, the number of companies have increased from 9,52,433 to 11,43,431 in the year 2013-14 to 2016-17 respectively. Further the authorised capital of the registered companies has drastically increased from 39,87,534 to 52,59,513.16

Table 8: Growth Analysis of Export value of products from India

	April-2012-March-2013		April-2013-March-2014		April-2014-March-2015		YOY Growth % in INR	YOY Growth %in USD
	Value in INR Lacs	Value in USD Million	Value in INR Lacs	Value in USD Million	Value in INR Lacs	Value in USD Million		
India's Total Export	163431828.96	300400.58	190501108.86	314405.30	189634841.76	310338.48	-0.45	-1.29

The above table reveals that, there is increase in the export during the preceding year of the introduction of make in India initiative i.e 2012-13 to 2013-14. Further, it is observed that there is negative impact on the exports i.e. -0.45% (INR) & -1.29%(USD) respectively.

Suggestions:

Based on the observations made and in the light of the findings of the study, the following are the suggestions being ponder to incorporate the changes to encash the opportunities and enhance the growth as under:

- It is suggested that the government should encourage more export oriented FDI to have a direct effect on export growth leading to growth of the economy.
- There is need to focus on development of industries based on competitive advantage by bringing more investment.

Conclusion

In the 1990's Foreign Direct Investment became the major source of private capital flows to developing economies. Due to the sudden disappearance of commercial bank lending in 1980's many developing nations started to offer various fiscal and financial incentives to foreign firms. It is widely believed that the extent to which FDI can affect output growth is not limited to the capital it supplies. Instead, FDI is thought of as composite bundle of capital stocks, technology know-how, better managerial skills, labor training and other externalities that benefit output in several ways. Prior to early 1990's India used to have restrictive and regulated market for foreign capital. During this period, there were various obstacles (red tapes) and procedures for approval of foreign collaborations. However in early 90's, India faced extreme foreign exchange and balance of payments crisis which forced policy makers to opt for liberal policy regime. New Industrial Policy (NIP) in 1991 dissolved industrial licensing and market became less regulated. Due to the adoption of liberalization policies by India since 1990's the FDI inflows have increased consistently.

FDI in India is a key driver of economic growth and economic development of India. Most governments regard attracting it as a priority, particularly in developing and transitional economies. It is given such emphasis not just because it boosts capital formation but because of its potential to enhance the quality of the capital stock. The reason for this is that in general multinationals are assumed to bring with them best practice or, as a minimum, better practice technology and management. FDI in India to various sectors can attain sustained economic growth and development through creation of jobs, expansion of existing manufacturing industries. In this article, using data country wise and sector wise performance analysis the period of pre and post introduction of make in India initiative, at country level, it is found that the Luxenberg was at highest FDI inflows as per the CAGR and as per the share it is from Mauritius. As per the study, the sectors that attracted higher inflows were Communication services as per the CAGR and as per the share it is manufacture sector. The other sectors in Indian economy the Foreign Direct Investors interest was, in fact has been quite poor.

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