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## “FOREIGN DIRECT INVESTMENT AND ITS IMPACT ON MANUFACTURE SECTORS IN MARATHWADA REGION OF MAHARASHTRA STATE”

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### ABSTRACT:

*The country's economic development is based on its industrial transformation, with as much productivity as possible through agricultural and industrial transformation. This easily happened when FDI came to India and entered in 1991. India attracted FDI in the manufacturing sector under the researchers of the programmes "Make in India" and "Smart Cities." They tried to find FDI and its impact on local manufacturing industries and how to deal with reducing competition in the next few years. Investigate the potential for a local manufacturer from FDI in the coming years. At this stage, the researcher interviewed the manufacturer about FDI and its impact on local manufacturing industries. The researcher was also known for anticipating the future of the manufacturer from FDI and its challenges and opportunities.*

**KEY WORDS:** Foreign Direct Investment, Multinational Entrepreneurs and Make in India

### INTRODUCTION:

India is the least developed country in the world, and it is also known for its economic development. It is constantly facing the problem of payment balance and the global financial crisis. The new economic situation in our country is the result of an economic growth strategy that has been tirelessly pursued over the past fifty years by the Indian government. In India a mixed economic plan was introduced with the announcement of the resolution of industrial policy in 1948. This was India's first industrial policy. On foreign investment plays a major role in India's development. Many countries offer many incentives to attract foreign direct investment (FDI). The need for FDI depends on savings and investment in any country. Foreign direct investment serves as a bridge to bridge the gap between investment and savings. In the process of economic development foreign exchange helps to cover the margins of domestic savings and provide access to high-quality technologies that promote efficiency and productivity of existing production capacity and create new production opportunities. The foreign capital plays an important role even if the country has enough domestic capital.<sup>[1]</sup>

The need for the foreign exchange gap and the need for resources, the technical knowledge gap can only be filled with the help of the foreign capital the Indian government has adopted new policies. Human capital planning is critical to the continued development of foreign direct investment. In order to ensure the maximum benefit of foreign investment, technology and IP, it is necessary to have a highly skilled workforce. Government must therefore allow the police to train and strengthen skills to develop their employees and meet the employment needs of foreign investors.<sup>[2]</sup>

The independent issue of foreign exchange transactions Multinational Corporation [MNCs] expanded the policy maker's attention to designing a foreign direct investment policy aimed at

foreign direct investment such as medium-term centralized investment and integration of foreign exchange resources. Consideration required to protect industries, scientific research and machinery during political processes in the face of changes in specific foreign investment policies. In the wake of the financial crisis the Government enshrined the state of liberty by allowing for greater equality and involvement in foreign industries and for understanding financial inclusion in technology integration. The government allows and provides a number of incentives to increase direct foreign direct earnings in the country. <sup>[3]</sup>

#### Review of literature:

*Khachoo and Sharma, (2017)*<sup>5</sup> observed that the conduct of Indian and foreign Manufacturing firms in research and development (R&D) when entering FDI. The authors emphasize that the introduction of FDI increases the level of competition in the country and thus enhances the R&D needs of local and foreign firms. *The World Investment Report (2018)*<sup>6</sup> states that developing economies have changed their policy frameworks to accommodate foreign players in the manufacturing sector, as the sector has the potential to create jobs in the legal sector thus raising and improving living standards and improving productivity. *Wang, M (2009)*<sup>7</sup> examines the impact of the multi-sectoral level of FDI that contributes to the economic growth of the host country. The artistic results show a strong relationship between FDI in the manufacturing sector and economic growth. FDI's entry into the non-manufacturing sectors does not play a significant role in boosting economic growth FDI's entry into the non-manufacturing sectors does not play a significant role in increasing economic growth. *Sharma K. (2000)*<sup>8</sup> reported that India n Export supply is closely related to the relative exports of domestic exports and high domestic demand reduces exports. Foreign investment appears to be less statistically significant in foreign performance on FDI efficiency than in India. *Chandana and Peter (2006)*<sup>9</sup> found that FDI stocks and derivatives strengthened performance in the manufacturing sector but not in the primary sector and the short-term effects of FDI on positive outcomes in the service sector. *Okuda Satoru (1994)*<sup>10</sup> reviewed FDI policies to assess how these policies affect Taiwan's manufacturing sector. The study found that the FDI policies of the Taiwanese government were generally appropriate for the growth of the Taiwanese manufacturing sector. *Ghosh Jayati (1991)*<sup>11</sup> pointed out that FDI attracts employment and technology sector while Sharma Kishore (2000) strongly emphasizes the higher education sector saying that its share in total FDI enrollment has risen sharply from 5.2 percent in 1990 to about 5 percent. 58.7 during 1991-1997.

#### Statement of the Problem:

The present study tries to assess the determinants impact of FDI in Marathwada region at the micro level study. Maharashtra is a developed state of India but Marathwada is a backward region of the region of the state, compare to other regions of Maharashtra state. Generally there are four factors of production to make any product such as land, manpower, management and capital. Land and Manpower is favorable in the region but lack of management and capital. FDI will be provide capital and management skills to develop economy of Marathwada region? What is the impact of FDI on Maharashtra and Marathwada region? These are the basic question to examine in the present research work.

#### Objectives of study:

1. To analyse the trends and pattern of FDI flows in India and Maharashtra state.
2. To examine the need for FDI in Marathwada region.

3. To evaluate the impact of FDI on manufacturing sectors in Marathwada.
4. To offer suggestions for attracting more FDI inflow to Marathwada region and based on the finding of the study.

### Hypothesis

1.  $H_0$ - There is no impacts of foreign direct investment on manufacturer sectors in Marathwada region.

### Research Methodology:

The descriptive and exploratory research methods are used for the present study. With the help of descriptive and exploratory method of researcher accumulates the facts and assesses the opinion, behaviour and characteristics of the population i.e. impact of FDI in selected sectors. It is carried out to ensure that the survey instrument is measuring what it is designed to measure or that each scale accurately measures the variables included selected sectors in the study. To establish content validity, construct validity and face validity of Manufacturer, managers, senior faculty members of research institute are asked to compare and evaluate the items included in the questionnaire with the objectives of the research.

### Sample Design:

For sample size calculation the researcher wants no more than 5% error and is satisfied with 95 % of confidence level.

**Table-1 Samples from Manufacturer (Top Industries)**

City	Manufacturing Industries	Sample Size 5%
Aurangabad	250	12
Nanded Waghala	96	05
<b>Total</b>	<b>346</b>	<b>17</b>

(Source: Aurangabad and Nanded MIDC Report)

Assuming all other things constant, then in Aurangabad and Nanded cities selected for sample selection considering where stratified sampling method. Selected 17 Manufacturer on basis of percentage of 5% of 346, this sample size is finalized based upon the standard sampling table for problems involving sample proportions.

### DATA COLLECTION:

The researcher collected primary as well as secondary data for the study.

For collecting the *primary* data researcher has used the Interview, Questioners and Schedule methods for the study. Researcher had taken an interview of executive level employee officers and businessman and manufacturer. Questionnaires have been sent to the respondents through email. Researcher has collected secondary data from the website of commerce and Industrial Ministry of India, Department of Industrial policy & promotion, various government reports, world investment reports, Global investment trends monitor, UNCTAC report, RBI Annual reports, Newspaper, news channels, Journal and research papers and other important websites etc.

### Results and discussions:

**Table -2 FDI Inflows in India and Share in Maharashtra**

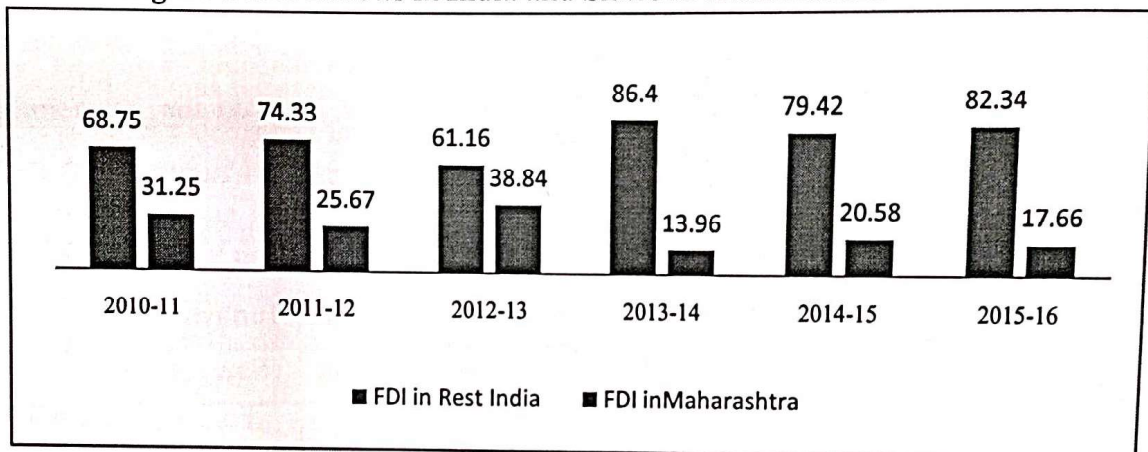
Year	FDI inflows in India	FDI inflows in Maharashtra	Percentage share of Maharashtra
2010-11	88,520.	27,669	31.25

2011-12	1,73,946	44,664	25.67
2012-13	1,21,907	47,359	38.84
2013-14	1,47,518	20,595	13.96
2014-15	1,89,197	38,933	20.58
2015-16	1,91,063	33,756	17.66

(Source: Compiled from Fact Sheet on FDI, RBI and other official sources.)

Table-2 indicated that the FDI Inflow in India and Share in Maharashtra. It is indicated that the share of FDI inflow in the state more than 20% during the period 2004 -05 to 2015-16 except 2013-14 which is lower than all only 13.84 per cent and finally it shown that the contribution of the Maharashtra (Cumulative Inflows) 27.72 percent during the period 2004-05 to 2015-16. It analyses that the share of Maharashtra in inflows of FDI in India between 1/4 .and 1/3. (Figure-1)

Figure-1 FDI Inflows in India and Share in Maharashtra



### FDI and Manufacturing sector of Marathwada region

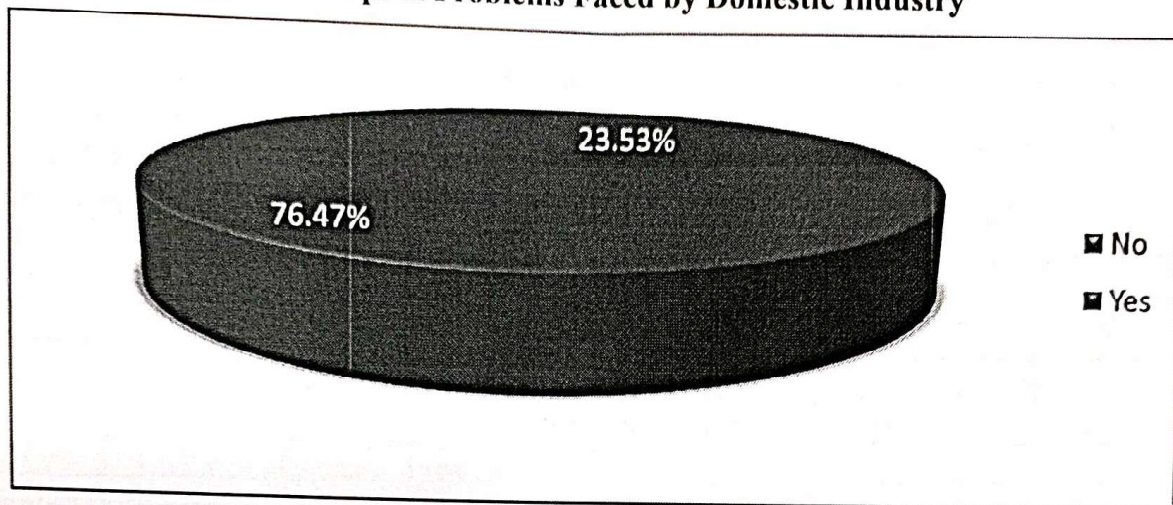
Large number of companies doing their business In Marathwada region Aurangabad is one of the big hubs of manufacturing industries, were had large Numbers of MNCs , top companies and MSMEs units. But still now inflow of FDI not entered in the manufacturing industries of the region. Very few flow of FDI in the region only 2% out of Maharashtra in 2015, but due to Make in India and Smart cities Scheme provided opportunities to non-residential invest in India and get gain from investment. Government of India liberalized foreign investment policies under these schemes. Therefore in few next year's chances of Aurangabad and Nanded will be become top manufacturing hub of Marathwada and Maharashtra.

Table -3 Domestic Industries Faced Inadequate Capital Problem and Requirements of FDI to Expand Business Scope.

Domestic Industry faced capital Problem	No. of Respondents	Percentage
Yes	13	76.47
No	04	23.53
Total	17	100.00%

(Source: field survey 2018-19)

Figure -2 Capital Problems Faced by Domestic Industry



It can be seen from table -3 that 76.47% respondents had faced inadequate capital problem and they want FDI to expand their business scope and 23.53% of respondents not faced capital problem they doesn't want FDI in their business

**Competition Expectation**

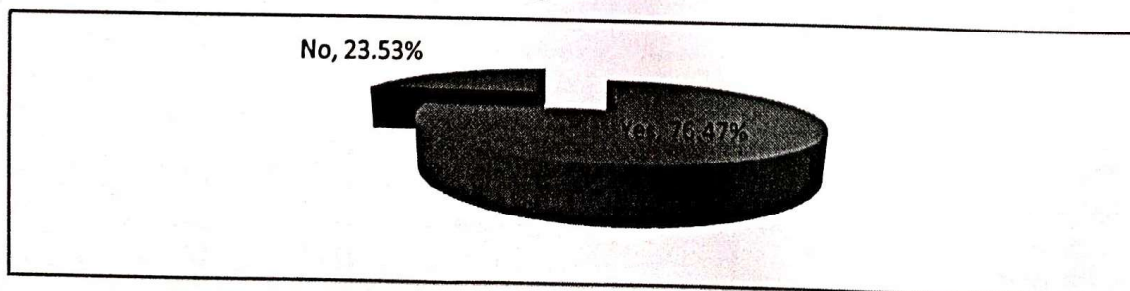
Table-4 indicated that the opinion about expect competition in manufacturing sector for next few years. The majority of respondents expect more competition in manufacture sector 76.47% of the respondents expect an even more competition manufacturing market in coming year increased competition due to FDI and make in India. Marathwada will become manufacturing hub. Local companies expected increased competition will mainly come from foreign companies in manufacturing sectors. Only 23.53% respondents think it is impossible to beat the increased competition.)

Table -4 Respondents opinion on Expected Competition in few next years in manufacturing Sector.

Expected Competition	No. of Respondents	Percentage
Yes	13	76.47
No	04	23.53
Total	17	100.00

(Source: field survey 2018-19)

Figure-3 Opinion about competition for the next coming years due to FDI in Marathwada Region



### FDI Knowledge Beneficial for Local Companies

Table -5 indicated that the opinions about what kinds of knowledge beneficial for local companies from the MNCs 100% of respondents had knowledge beneficial about manufacturing techniques; 64.70% of respondents' opinions marketing strategies knowledge beneficial for local business; 23.52% respondent said knowledge about way of doing business beneficial for local business and 52.94% of respondents shown their opinion knowledge of optimum utilization of material and labours beneficial for local companies.(Figure-4)

Table- 5 FDI knowledge beneficial for local companies

Sr. No	Respondents Opinion	No of Respondents	Percentage
1	Manufacturing Techniques	17	100.00
2	Marketing Strategies	11	64.70
3	Way of Doing Business	04	23.52
4	Optimum Utilization of Material and labours	09	52.94

(Source: field survey 2018-19)

Figure-4, Opinions about what kinds Knowledge most beneficial for local companies

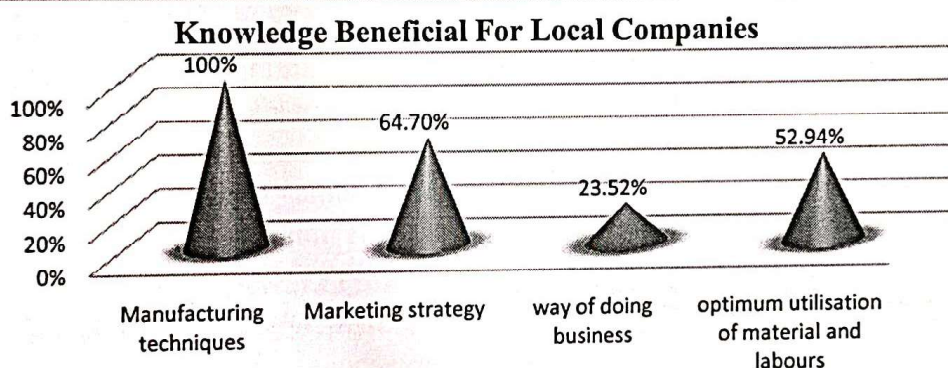


Table-6 Manufacturer Opinions about FDI and its Effect on Economy of Marathwada Region

Statements	(Strongly Agree) (1)	(Agree) (0.5)	Neutral (0)	Disagree (-0.5)	Strongly Disagree (-1)	Total	WM	Rank
Entry of FDI is the source of develop the economy of Marathwada Region	05 (29.41)	04 (23.52)	03 (17.64)	02 (11.76)	03 (17.64)	17 (100)	0.176	VI
FDI generated More employment opportunities in manufacturing and other sectors. .	07 (41.17)	03 (17.64)	03 (17.64)	01 (5.88)	03 (17.64)	17 (100)	0.294	III
FDI increase GDP of Manufacturing Sector in coming years	07 (41.17)	03 (17.64)	03 (17.64)	03 (17.64)	01 (5.88)	17 (100)	0.352	I
Entry of FDI, there	05	05	04	02	01	17	0.323	II



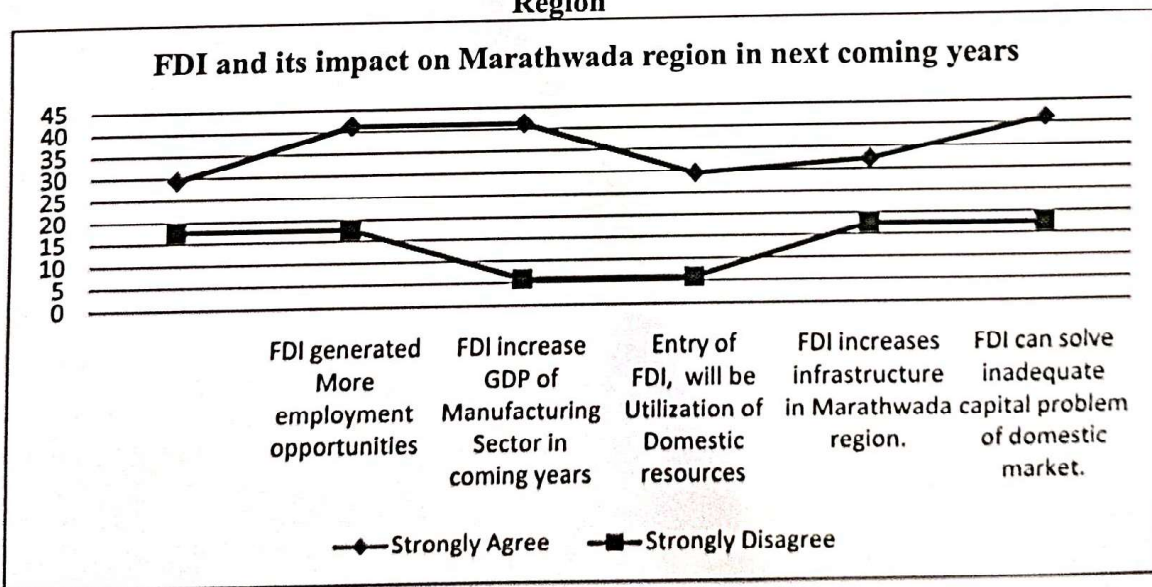
will be more Utilization of Domestic resources	(29.41)	(29.41)	(23.52)	(11.76)	(5.88)	(100)		
FDI increases infrastructure in Marathwada region.	06 (32.29)	04 (23.52)	02 (11.76)	02 (11.76)	03 (17.64)	17 (100)	0.235	V
FDI can solve inadequate capital problem of domestic market.	07 (41.17)	04 (23.52)	0 (0.00)	03 (17.64)	03 (17.64)	17 (100)	0.264	IV

(Source: field Survey 2018-19)

Note: bracket value indicate percentage

Table-6 shown that the opinion about the FDI and its Effect on Economy of Marathwada Region were collected on the basis of five point scale with numerical weight viz., strongly agree (1), Agree (0.5), Uncertain (0), Disagree (-0.5) and Strongly disagree (-1). The ranks were given on the basis of weighted average mean. It was understood that the FDI effect on Economy of Marathwada region. As pinpointed in the above table, FDI increases GDP of Manufacturing sector in coming years (I Rank) as it had the highest WAM (0.352); Entry of FDI, there will be more Utilization of Domestic resources (II Rank); FDI generated More employment opportunities in manufacturing and other sectors. (III Rank); FDI can solve inadequate capital problem of domestic market. (IV Rank); FDI increases infrastructure in Marathwada region. (V Rank); Entry of FDI is the source of develop the economy of Marathwada Region (VI Rank) (Table-6)

Figure-5 Impact analysis, Opinion about FDI and its Effect on Economy of Marathwada Region



Hypothesis tested

$H_0$ - There is no impacts of foreign direct investment on manufacturer sectors in Marathwada region.

It is pointed from table-6 and figure-5. that the highest numbers of respondents gave positive result about impact of FDI on Marathwada region in next few coming years. It help to develop

economy of region, it can increased GDP and employment opportunities, it will help to proper utilization of domestic resources such as capital, manpower, land , row material and other resources . FDI can able to solve inadequate capital problems of the region. Lastly we concluded that positive impact of FDI on Marathwada region. It was also noted that strongly agree more than strongly disagree at whole of points it range between the 29% to 41% respondents are positive about FDI and Strongly disagree is less than strongly agree, it range between the 5% to 17% only. It is conclude that there is positive impact of foreign direct investment on manufacturer sectors in Marathwada region.

### Scope and limitations of the study

This study limited to the operational areas of foreign direct investment such as recruitment and manufacturing sectors, empirical as well as behavioural scope of the study. The study is limited to the Marathwada region, Aurangabad and Nanded districts out of the eight districts of region, this study covered the period of five years. It covered its functions and policies started from its establishment financial year i.e. 2015-16 to the year 2019-2020.

### CONCLUSION:

From the above discussion, it can be concluded that foreign direct investment has a positive impact on Marathwada. The persistent shortage of capital will enable Marathwada which is considered backward today, and foreign investment will enable it to assimilate foreign technology so that domestic companies can easily competition with foreign companies. It is also found that FDI increases GDP of Manufacturing sector in coming years, entry of FDI, there will be more utilization of domestic resources, FDI will be generated more employment opportunities in manufacturing and other sectors, FDI can solve inadequate capital problem of domestic market, FDI will be increases infrastructure in Marathwada region and Entry of FDI is the source of develop the economy of Marathwada Region

### Suggestions:

1. It is recommended that manufacturing companies in Marathwada should undertake joint ventures with foreign companies so that their production technology can be used.
2. It is recommended to improve business insecurity in Marathwada and create an atmosphere of fear-free trust so that foreign companies can come to Marathwada.

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