From Make In India to Atma NirbharBharat: Implementation is the key to success

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Abstract

In 2014, the Indian economy was on the verge of a collapse and it was this juncture that the Modi Government decided to revive the ailing Indian economy and make it a Global hub for Design and Manufacturing by launching the Make in India plan. The policy aimed at creating a conducive and “ease of doing business” environment to make it attractive for the multinational as well as the domestic companies to invest in and start manufacturing in India, attract investments from around the globe, skill development and create 100 million jobs by 2022. However, just as every coin has two sides, there were arguments against the policy too. One of the most important argument against the plan was the absence of focus on agriculture. Some also argue that the policy is against the theory of comparative advantage. An evaluation of the last six years of the plan shows that though the plan has not been as successful as we would have wanted it to be and there were lessons learnt, but one cannot deny the positive impacts of the plan. The initiatives of the Atma Nirbhar Abhiyan would also lead to more jobs being created not merely for the skilled labour as would have happened with the Make In India scheme with its focus on the manufacturing sector only, the Self Reliant India movement would provide new opportunities for the farmers and the poor, unskilled population of India and put money in their hand just generating more demand and more revenue and more jobs.

Key words-Make in India, Comparative Advantage, Atma Nirbhar Bharat
Introduction

One cannot ignore the “Make in India” Policy of the NDA government. Prime Minister Narendra Modi, first mentioned the plan in his maiden Independence Day speech and then formally launched the Make in India Plan on 25th September, 2014. It was lauded by many while many had several apprehensions about its success. Some even called the plan as putting old wine in new bottle when they compared it to the initiatives by Nehru. In this article we will make an attempt to understand the need for initiating the policy, the advantages of the policy, concerns around the policy and the recent move from Make in India to AtmaNirbhar Bharat. As Lee Kuan Yew, the late Singaporean President said while delivering the Jawaharlal Memorial Lecture in 2005 “Since the Industrial Revolution, no country has become a major economy without becoming an industrial power."

Why “Make In India”

In 2014 when the NDA formed government at the centre in India, it was faced with the economic crisis where the so called emerging markets economy growth story had fallen flat and India’s growth rate was 4.5%, lowest in a decade. BRICS had also become redundant and being a part of it had also impacted India’s image as a poor and weak economy. To top it all one corruption scandal after the other were tumbling out of the cupboard and the global investors were apprehensive of investing in India. The Indian economy was on the verge of a collapse and it was this juncture that the Modi Government decided to revive the ailing Indian economy and make it a Global hub for Design and Manufacturing by launching the Make in India plan.

The policy aimed at creating a conducive and “ease of doing business” environment to make it attractive for the multinational as well as the domestic companies to invest in and start manufacturing in India, attract investments from around the globe, skill development and create 100 million jobs by 2022. At the time of the launch of the policy, the contribution of the manufacturing sector to the GDP of India was around 16% while that of the service industry was growing rapidly and was contributing more than 50% to the GDP of the Indian economy. Make In India plan was to give a boost to the manufacturing sector and increase this 16% contribution significantly to 25% by 2025 and boost the Indian economy. The service sector provided employment to largely English speaking workers and could not employ masses with limited skills and education which could only be provided by the mid and low manufacturing industry. It was projected that nearly 300 million people would join the workforce in India between 2010 and 2040 and we needed to create more than 10 million jobs every year to accommodate them and this was not possible to do with growth only in the service sector and hence there was a strong case to invest in the manufacturing sector.

With these objectives in mind the Make In India policy earmarked 25 sectors in the Indian economy as IT, Automobile, Railways, Defence, Pharma etc., with the target to invite investments, create jobs and increase the GDP. This was also coupled with PM Modi’s call for “zero defect and zero effect” production focusing on not just quantity but quality manufacturing, reduce the negative impact on the environment and attract capital and technological investment.

With the economy that NDA had inherited, this seemed like a tall order. For any such plan to succeed the government had to ensure that it created a well thought out plan so as to inspire confidence in India’s capability as a potential investment hub for global investors. What was needed was a complete overhaul.

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1https://en.wikipedia.org/wiki/Make_in_India
of the outdated processes and policies based on red tapism and a change in the governments mind-set – a shift from issuing authority to being a business partner in keeping with the PM’s ideology of “Minimum Government, Maximum Governance”. What was also needed was total reforms in the FDI process to make it easy and transparent for multinationals to invest in India. But most important was to provide the infrastructure in the form of smart cities with latest technology and hi speed internet connection, better roads and transport facility, all of which were a challenge in India.

Though a tall order but this was the need of the hour for the government to revive the economy and push India towards becoming a global name to be reckoned with. The Make in India policy however, ever since it was launched led to debates and opinions voiced both for and against the program.

Need for Make in India

Those who supported the policy argued that while as per its stated objectives, the Make in India plan would definitely lead to creation of more jobs and increased GDP of the country but apart from that there were several fringe benefits which would also emerge in a big way.

Increased job opportunity for the rural and urban poor would increase their purchasing power and turn a full circle with also providing a customer base for the finished goods.

Secondly, with each state trying to attract foreign investment and become a smart city, there would be investment in the infrastructure not only at the location where the manufacturing unit was being set up but also in the neighbouring areas. With factories being set up in these areas, there would also be growth of other infrastructure as schools, hospitals, housing and such basic amenities which was the need of the hour and it would also be a source of tertiary employment in these areas.

Further, with the government welcoming international players, these companies would bring with them international technology and give a big push to environment friendly, quality production with zero defect and zero effect.

Moreover, with FDI coming into India, the rupee would also strengthen against the dollar which would be a big advantage for the Indian economy. It would also help increase the brand value of our nation on the global platform. Not only the multinational products but with make in India, the small domestic businesses would also be given a fillip and their brand value would also be increased on the global platform.

The Make in India policy would also gave a big boost to innovation in India with bright young minds lapping up the opportunity to do something big while staying in India and not having to go abroad resulting in brain drain.

Challenges Ahead - Make In India

However, just as every coin has two sides, there were arguments against the policy too.

One of the most important argument against the plan was the absence of focus on agriculture. The policy completely ignored agriculture when most of India actually lives in villages. It was also feared that with more and more manufacturing units being set up a large portion of the agrarian land would be eaten up by them and this would not only create havoc for the farmers but also for the environment. With more factories being set up there would be more demand on the resources as water, electricity etc and with no plan to replenish them it would be an environmental disaster in the making. It was also feared that more and more manufacturing units would only increase the levels of pollution in our air and water.

While the policy sought to encourage FDI, small manufacturers feared that with International brands coming to India the local and small entrepreneurs may not be able to compete with them. With more and
more companies making in India and selling in and from India, it could also lead to lesser imports and 
**disturb the trade balance** which would not be good for the economy unless this was really handled well by 
the government.

Some also argue that the policy is **against the theory of comparative advantage**. We live in a global world 
today and instead of trying to become the world and produce everything here we should not invest in 
something which does not have a comparative advantage and instead import the same. Unlike China which 
had the first mover advantage, India does not have the time to enter the manufacturing game race.

The international relations pundits also feared that with India stepping into the turf of China which was 
considered to the global manufacturing hub, we would be waking up the dragon and the **relations 
between India and China would become worse** which was not a welcome gesture because of India 
sharing such a large border with China.

**An overview of Make In India Plan**

An **evaluation of the last six years of the plan** shows that though the plan has not been as successful as 
we would have wanted it to be and there were lessons learnt, but one cannot deny the **positive impacts** of 
the plan

**Positive Aspects**

The most positive impact of the policy was the **inflow of FDI in India**. India received USD 51 billion in 
foreign investment in 2019 and was the world's 9th largest recipient of foreign direct investments (FDI) in 
2019, according to a report by the UN's trade body\(^2\). The UNCTAD also projected that despite the lower 
growth rate, post COVID19 India would continue to attract foreign investment because of the positive 
trade oriented government policies.

One major reason for India continuing to attract investment and also a successful feature of the Make in 
India movement has been the trade regulation reforms initiated by the government to facilitate ease of 
doing business. As a result of these initiatives, there has been a significant jump in the country's ranking for 
Ease of Doing Business. India has moved 23 ranks as has moved to rank 77, less than 100, amongst the 190 
companies that participated in the survey. This was second time in a row that India had shown 
 improvement in its ranking.

There were several instances of **success in various sectors identified by the plan**. In the IT sector, 
Micromax announced investment in 3 units for mobile manufacturing in India and production has started 
in at least one of them. Huawei has also opened a R&D centre in Bangalore and Chennai for telecom 
hardware manufacture. French company LH Aviation also signed an MoU with OIS advanced Technologies 
for producing drones in India. Several other companies as Focconn, Samsung and GM also announced 
several investments in India

Due to **opening up of few sectors such as** Railways, Defence, Insurance and Medical Devices,**Foreign 
Direct Investment**\(^3\) rose to very high levels.

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Negative Impact

However, a critical evaluation of the plan shows that the contribution of the manufacturing sector has moved only by 2% approximately and is far away from the objective of the policy makers. Our economy and GDP is also on a decline. Several factors have contributed to this.

While there has been a large number of FDI in India, most have them come from shell companies based out of Mauritius and economist say that most of this was black money from India being recycled from Mauritius.

Secondly, while we did set up industries in India but the skills of our workforce was no match with that of their counterparts in China, Thailand and Vietnam, as a result our productivity is way lower than them and as a result most companies still prefer them as manufacturing destination for FDI.

While the government initiated several trade reforms but we still have a long way to go if we want to attract investments and become an industrial power.

In June 2015, the “100 Smart Cities Mission” was launched by the Centre to enable investment in manufacturing setups but at the end of 6 years we are still to complete even one single project. Of the 5000 plus sub projects launched, only around 3500 were actively pursued and only 25% of the work has been completed.

Launch of the AtmaNirbhar Abhiyan

6 years after the Make in India movement the government launched the AtmaNirbhar Abhiyan or “Self-Reliant India Mission” in May 2020 and this has often been called a re-packaged version of the Make in India Movement using new taglines as Vocal for Local. The Self Reliant India Movement is a movement designed around the 5 pillars which form the basic framework of the Atmanirbhar movement. These are 1) Economy, 2) Infrastructure, 3) System, 4) Vibrant Demography and 5) Demand. Under this mission the government announced a 20 lakh crore package and several other systemic reforms to address the issues which were faced by our overstressed economy and make India self reliant.

The objective of the policy was two-fold.

First, it sought to address the immediate situation caused due to the pandemic and infuse liquidity into the economy through measures as direct cash transfers to the poor.

Second, making long term reforms in the critical sectors so that they can be made internationally competitive and attractive.4

The stimulus package in the plan and the long term reform measures sought to address one of the neglected areas of the Make in India Plan- the agriculture sector. Several reform measures have been proposed for the agriculture sector with the One Nation One Market Objectives so that India could become the food factory of the world. Such plans create hopes for a self-sustainable rural economy and seeks to focus on our strengths and our core areas of comparative advantage.

In her maiden budget speech in 2019, Nirmala Sitharaman said that the government planned to invest in the agriculture sector and its allied areas especially the food processing sector and also invest in transport in a big way to connect the farmers with the urban economy. The Finance Minister said “gaon, garib aur kisan” (village, poor and the farmers) are at the core of every action plan of the Modi government because unless the farmers who constitute a majority of our population are made a part of any growth plan, we cannot prosper as a country. The principles of “ease of doing business” and “easy living” should

apply to farmers too. She also called upon the private entrepreneurs to participate in the infrastructure building plan for driving value addition of agriculture products as food processing, dairy, renewable energy, handicrafts etc.

To back this up the budget proposed to invest 1,51,518 crore in this sector of agriculture and allied activities, which is almost 75% more than what was proposed in the interim budget.

In her budget Nirmala Sitharaman also proposed setting up of 10,000 FPO’s (Farmer Producer Organisations), to help farmers take advantage of economies of scale. The budget also promised that the Central government would work with the state governments to ensure that the farmers got the full advantage of the National Agriculture Market (e-NAM) scheme launched by the Modi government in 2016.

However, as discussed by all economists, no investment in agriculture or its allied industries could be fruitful if the issues of rural infrastructure was not addressed. In the 2019 budget, the Finance Minister thus propose making of 1.25 lakh km of roads under the Pradhan Gram Sadak Yojna, Phase III at an estimated cost of 80,250 crore. This investment would not only create jobs in the rural areas but provide the much needed infrastructure to link the rural agriculture based industry with the urban economy thus providing and impetus to revive the rural economy.

With the objective of giving a boost to our agriculture sector the government has also introduced two bills in the Parliament: Agricultural Produce Trade and Commerce (Promotion and Simplification) Bill and Farmers (Empowerment and Protection) Price Assurance Bill.

The Agricultural Produce Trade and Commerce (Promotion and Simplification) Bill seeks to provide the farmer the opportunity to sell his product wherever and to whomsoever they want. It is a “One Nation, One Market” economy and no longer restricted by the earlier law which forced them to sell in the local market which were dominated by the local cartels or the mandi mafia, price asymmetry and poor infrastructure. The act allows the farmer to choose their customer, sell at a price they want and whenever they want. Thus the farmers can now stock their products if they do not get a good price and sell when they can get a good price for their products.

The second law seeks to provide for a structure where the farmers can enter into contracts with agriculture trade firms, wholesalers and retailers and exporters. Such a facility would protect the farmer from price vagaries, and also credit facilities. This could also open the way for private investment in the financially starved agriculture sector and would lead to more allied agro based industries coming up all of which would benefit the farmer and the Indian economy.

While this reform introduced by the government has been heralded as a landmark reform bill introduced by the government for the benefit of the Indian farmers and the Indian economy and contributing to the growth of AtmaNirbhar Bharat philosophy, it has led to widespread agitation across the country amongst the farmers.

There have been several criticisms of the two agriculture reforms introduced by the government. The most important and pertinent concern is that the Indian farmer, majority of whom are illiterate and with limited understanding of laws and the open economy system will lose the benefit of the MSP plan. If they seek to take benefit of the legislation, they will need to take help of the middlemen top help them find buyers else sell at a price as decided by the large business cartels. The local mandi cartels will now be replaced by the cartels of the large wholesalers and retailers. The problem will be more for the small farmers who do not

produce in large quantities and who would find it even more difficult to bargain for a good price in the absence of a MSP, because they would not be able to compete with the economies of scale.

Further, while the legislation proposes that the farmers can enter into a contract with the private players, it does not give clarity of the grievance redressal mechanism for the farmers in case of conflict. The Indian farmer is mostly uneducated or with minimum education and may not be able to fully understand and negotiate the terms of the contract, once again leading to middlemen stepping in to guide and help the farmers. These middlemen would have their own commission and fee structure and if a conflict occurs, that would be another cost for the farmer to pay the middlemen.

The question being asked by small farmers today is that in the absence of a MSP, they do not have any bargaining power against the big private players. To add to their woes further, the law does not provide security to the farmers in India who to a large extent are dependent on the nature for their produce. The government today provides relief to farmers in case of natural disasters but this may not be provided for by the private players and big industrial houses where the motive is profit and not charity. Insurance may be an answer but we all know that insurance costs and how difficult it is to file and receive claim. Will a small uneducated farmer be able to do that?

The State Governments also have a reservation against the policy as it seeks to abolish the mandi system which was a source of revenue for the state.

While it is no doubt that the legislation is a landmark legislation, unless and until these concerns are addressed, this may end up being a move to put money in the hand of the rich and will not fulfil its aim of an all-inclusive growth that the government is dreaming of, which starts with the growth of our farmers in our villages.

The plan also seeks to address the small players of the Indian economy (MSME) who could not benefit from the Make in India by giving them loans to help the finance starved sector to kick start their business. These being labour intensive industries should also help generate employment for the huge population of India and thus leverage India’s competitive advantage, its workforce. The Plan proposes to provide loans worth 3 lakh crores which were collateral free to small businesses, Rs. 20000/- crores subordinate debt for stressed MSMEs7, and global tenders up to 200 crores are to be disallowed providing relief to MSME sector8. The objective of the plan is to go local by giving a boost to our Micro, Small and Medium Enterprise (MSME) as the Prime Minister said we need to promote our local products in the global market “Be vocal for local9

In the fifth trench of the Atma NirbharAbhiyan, the Finance Minister, NirmalaSitharaman, launched the PM e-Vidya program to address the issue of educating our children who were impacted because of COVID-19 impact with educational institutions being shut down. One of the reasons why the Indian labour could not compete with the productivity of the Chinese labour was the lack of educated and skilled labour in India. If the issue of education and skills development due to COVID-19 situation is not addressed India would never be able to achieve the goal of being an AtmaNirbhar Nation.

The PM e-Vidya program sought to promote multi-mode access to digital educational content amongst students and teachers who may not have internet connection and these would be disseminated to the students through multiple medium as internet, TV, and radio channels to provide access to one and all.

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**Make in India vs. Atma NirbharAbhiyan**

Six years after ‘Make in India’, analysts are hoping that that the new policy will have a better material impact on the Indian economy with a more targeted approach rather than a one size fits all approach for 25 sectors. The Atma Nirbhar scheme now seeks to focus on limited sectors as Pharma, Defence and Electronics. Learning from the issues of the last 6 years, the new plan focuses not merely on Exports but also on manufacturing Import substitutions, incentives for value addition and focus on few industries with tailored policies built to take advantage of our strengths and not have a one size fit all policy spread too far and wide.

The policy makers have learnt that we have to be cognizant of the competitive advantage factor and not focus on manufacturing everything. India cannot control what the world will buy so we should instead focus on our strengths rather than investing in areas where we have no competitive advantage. This is one of the major difference between the two plans and for the better. We have learnt our lesson well.

Another difference between the two plans is that while Make in India plan sought to lure foreign companies to make their products in India and sell wherever they wanted, the AtmaNirbharAbhiyan seeks to invite FDI to grow local manufacturers and make in India. Before focusing on what we manufacture to sell to the world we should also focus of Make for India along with Make in India. With import tariffs being too low on Chinese products, Chinese electronic products were flooding Indian market and while we were producing in India, even Indians were not buying these products. Before forcing the world to buy for India we need to ensure that people of India buy what is made in India. We have a huge consumer market and with a few import restrictions this market can be easily tapped and grown and this is the focus of the AtmaNirbhar plan.

Further the focus of this plan which is another learning from the weakness of the Make in India plan is the focus on industries creating value addition rather than just pure manufacturing of goods. Only value addition leads to higher profit margins. As mentioned earlier in the article, the 2019 budget laid focus on value addition especially in the agri allied industries as food processing, dairy and others and encouraged the private sector to participate in the same.

The government also introduced SFURTI or the Scheme of Fund for Upgradation and Regeneration of Traditional Industries, under which it sight to bring together the local artisans to enter the chain for creating economic value through generating value added revenue from agri products as bamboo etc.

All these initiatives of the AtmaNirbharAbhiyan would also lead to more jobs being created not merely for the skilled labour as would have happened with the Make In India scheme with its focus on the manufacturing sector only, the Self Reliant India movement would provide new opportunities for the farmers and the poor, unskilled population of India and put money in their hand just generating more demand and more revenue and more jobs.

While some have called the AtmaNirbhar Plan as putting old wine in New bottle or just a repackaged version of the Make In India plan, there is another point of view which says that the AtmaNirbhar Plan is in direct contrast to the Make In India plan. The Make In India policy sought to invite FDI and open the Indian market to the world while the AtmaNirbhar plan seeks to be a protectionist policy which seeks to close the doors to the world economy by focusing on grow local, and buy local. Critics feel that the government by
doing so is alienating the MNC’s who are heavily invested in India and provide well-paying jobs. They feel that the government is unclear about the economic policy they want to pursue.

While the economic situation unleashed by the pandemic and the lessons learnt from the gaps in the Make In India policy warrant a policy as the AtmaNirbhar Plan, unless and until we bridge the gap between a protectionist and global economy oriented policy, we may soon find ourselves isolated in the global playfield.

**Conclusion**

Analysis of the Make in India scheme has shown that until and unless we have invested thoroughly in our infrastructure, skill development programs and trade reforms, multinationals would come to India as another additional country along with China but would not completely move out of China which still scored way above India in cost and quality. However, the alleged role of China in the pandemic and the growing alienation against China in the world could prove to be a boon for India. To be able to attract the companies moving out of China, we need to gear up fast and not lose out to countries as Thailand and Vietnam which are also fast emerging as manufacturing hubs.

The Indian government has been quick to react to the opportunity and wooing the companies to come and manufacture in India. The Uttar Pradesh and Madhya Pradesh governments have also set up large land banks to provide to companies who wish to set up their manufacturing base in India. However, the movement will not be based only on availability of land. What is needed is efficient integrated infrastructure, production lines and supply channels without which it would not be possible for them to shift base to India. Without integrated infrastructure as highways, ports, logistics, top quality labour, internet connectivity, it would not be possible for them to produce in India and meet the international delivery deadlines.

One of the major areas of concern has been the protectionist policy being adopted by India in the form of increased import tariffs to promote the local industry. While the emotions of people have supported the tariffs against China post the pandemic and the Indo China conflict in the last few months, the stand is not well accepted by the industry and consumers overall. When we opted out of the RCEP partnership, (explain the term) while it impacted imports from China, it also impacted imports from other countries. With local manufacturers not yet geared up to provide those products in India, the Indian consumer has to now do with a less efficient alternative or pay more for quality. This has also impacted the global supply chain partnerships. With India moving out of the partnership it would be difficult for the Indian exporters to take advantage of the global supply chain benefits as tariff free access to international markets or offer that in return to its trading partners. This can also be a deterrent for companies to shift base to India. Today the countries that seem to benefit most from the movement are countries Vietnam, Bangladesh, South Korea and Taiwan.

Further, some states in the recent past have tweaked the labour laws to create an environment conducive to “ease of doing business”. The Uttar Pradesh and Madhya Pradesh government for instance has made significant changes in the labour laws so much so that they have also exempted the factories from maintain the basic requirements as cleanliness, ventilation, lighting and toilets. What we need to understand that such changes will only make the international companies wary of investing in India because they seek to follow very strict code of conduct for labour safety and safe environment from their international suppliers. This actually got more highlighted after the 2013 collapse if a garment factory in Bangladesh that supplied to Walmart.
Recently, India also celebrated our forex reserves crossing the 500 million dollars mark thanks to foreign flows in India. But while we seek to woo foreign investors, we are also advocating that we seek to be self-reliant and not import. The two philosophy seem to be in conflict with each other.

India has clarified that it does not seek to have a “command and control” economy like China rather a “plug and play” economy but in the months ahead one needs to see what concrete steps the government takes to achieving the goal of a AtmaNirbhar Bharat.

The new policy seeks to build upon the Make in India plan, by learning from its weakness and introduce a much more robust and thought out policy. There is no doubt that this is the way to success and making India a global economic power. What is needed is proper implementation of the details of the scheme. The new scheme still needs to detail the concrete policy steps and without that the industry will still be apprehensive of its success.

But with the anti-China sentiment increasing across the world, the time is ripe for us to seize the opportunity and make sweeping structural reforms to improve our economy. It is a fact that to be a strong economy, we need to grow and increase the contribution of the manufacturing sector in India. However, for this to be a success, India would need to focus on six areas such as decentralising its policymaking; taking rural-centric decisions; keeping the poor at the core of its policies; moving away from jobless growth; formulating environment-friendly policies and also taking decisions that are rooted in Swadeshi traditions.

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