Journal of Advances and Scholarly Researches in Allied Education
Vol. 18, Issue No. 1, January-2021, ISSN 2230-7540

Make in India versus made in India: Choice of trade policy for India

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Abstract - Theoretically, the development of manufacturing activity has been associated with economic development of a country. In order to augment the growth process of the economy, India has undertaken a number of measures to boost its manufacturing sector as well as give a fillip to external trade. This article examines two policies currently being pursued by the government to support the manufacturing sector. The Make in India scheme and the Atmanirbhar Bharat abhiyaan were initiated under different circumstances but have a similar goal of increasing India's economic growth and trade potential. Using secondary sources of data, an analysis of the two schemes is discussed in the article.

Keywords - Aatmanirbhar Bharat, economy, foreign policy, Make in India policy, manufacturing sector, trade

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INTRODUCTION

India is standing on a crossroad of development. It has to choose between open trade policy versus a protectionist policy catering to domestic insecurities. Faced with the twin dilemmas of growth and stability, India has been experimenting with two policies addressed to the manufacturing sector. One is the Make in India Policy that aims at encouraging global investor to come produce in India for catering to world market. The second is the Atmanirbhar Bharat Abhiyan that pushes for self-reliance.

The article is an analytical exercise based on secondary sources of data such as published government reports, newspaper articles, and journals.

MAKE IN INDIA

The Make in India initiative was launched on 12 September 2014 in order to galvanise citizens as well as business community. Realising that manufacturing sector has the maximum potential for rapid growth, the Make in India initiative sought to harness this potential.

Table 1: Growth rate of Indian economy

Year	**GDP Growth rate (%)**	**Annual change**
2010	8.50	0.64
2011	5.24	-3.26
2012	5.46	0.22
2013	6.39	0.93
2014	7.41	1.02
2015	8.00	0.59
2016	8.26	0.26
2017	6.80	-1.46
2018	6.53	-0.26
2019	4.04	-2.49
2020	-7.96	-12.01

Source: India GDP Growth Rate - Historical Data, macro trends.net

As can be seen from the table 1 the growth rate of India had been exhibiting periods of decline coupled with spurts of growth. From 8.50% rate of growth in 2010, the economy slowed down to close to 5% GDP growth rate in the next three years. This fall in growth rates was evident in a number of countries due to various global reasons. By 2013, the much hyped emerging markets bubble was on the verge of bursting. Global investors were cautious of investing in the emerging economies preferring lower but sure returns in advanced economies. The fragility of share markets in developing countries added to investor restraint. The BRICS nations, Brazil, Russia, India, China and South Africa, were yet to emerge as top economies as they continued their development process. With meandering growth, unsure policy environment and difficult investor environment,India was tagged as one of Fragile Five and global investors viewed it as a risk. India had also posted lowest growth rate in a decade.

This was the backdrop for launch of a new policy. The GDP growth responded with positive rate in the years following the launch of the program , as can be seen from Table 1. The government aimed to undertake a comprehensive overhaul of outdated processes and policies providing a more inviting atmosphere to investors and business partners. It encouraged the business community to make products in the country even if the actual market was not the domestic economy.

Make in India initiative is a marked change in government mindset from issuing authority to business partner. It is another step in the government slogan of 'minimum government and maximum governance'.

Accepting that the contribution of industry to country's GDP at around 16% was much lower than required for rapid development, the Make in India policy aimed to raise contribution of manufacturing sector to 25% of GDP by 2020. The main aim of the program is to make India a global manufacturing hub.

The aim of this initiative was to inspire confidence in India's capabilities among potential partners abroad along with Indian business community and citizens at large. The focus was on 25 industry sectors which had potential for augmenting growth and had capacity for employment generation. The Make in India initiative seeks to reach out to both local and global audience through social media and provide an online platform to entrepreneurs and business firms for keeping them updated about opportunities, reforms et centra. This is being coordinated by the Department for promotion of industry and internal trade (DPIIT) which is working with specialised agencies to build a new infrastructure, a dedicated help-desk and website compatible with mobiles for disseminating information.

Under Make in India, 100 percent FDI was allowed in certain select areas to encourage foreign investment. However, some fields continued to to be comparatively controlled viz media, defence and space are permitted 26%, 49% and 74% FDI respectively.

The sectors being targeted under the scheme are:

Automobiles Auto components Aviation Biotechnology Chemicals Construction Defence Manufacturing Leather Electrical Machinery Food Processing IT and BPM Ports Media and Entertainment Mining Oil and Gas Railways Pharmaceuticals Renewable Energy Roads and Highways Space TextilesThermal Power Tourism and Hospitality Wellness Electronic System Design and Manufacturing

Another objective of the program is to generate 100 million more jobs in the manufacturing sector by 2022. After the launch of the program, India was able to achieve investment commitments of USD 250 billlion apart from investment inquiries valued at USD 23 billion between September 2014 and February 2016 (Singh, 2018).

Some salient features of the program include encouraging investment for fostering innovation in Indian manufacturing sector, developing skills, protecting intellectual property and building best in class manufacturing infrastructure. The scheme has led to unprecedented opening of key sectors like railways, defence, insurance and medical devices to higher levels of FDI.

Indian embassies and consulates were expected to disseminate information on potential for investment in identified sectors. This has been government policy for encouraging trade potential of all Indian products such as agricultural and food processing products, industrial products and services. Country specific programs were initiated such as Japan Plus was started in October 2014, while Korea Plus in June 2016.

Initially six industrial corridors were being developed under the scheme. Now the number has gone up to eleven industrial corridors namely-

1. Delhi Mumbai Industrial Corridor (DMIC)
2. Chennai Bengaluru Industrial Corridor (CBIC)
3. Extension of CBIC to Kochi via Coimbatore
4. Amritsar Kolkata Industrial Corridor (AKIC)
5. Hyderabad Nagpur Industrial Corridor (HNIC)
6. Hyderabad Warangal Industrial Corridor (HWIC)

7. Hyderabad Bengaluru Industrial Corridor (HBIC)

8. Bengaluru Mumbai Industrial Corridor (BMIC)

9. East Coast Economic Corridor (ECEC) with Vizag Chennai Industrial Corridor (VCIC) as Phase-1

10. Odisha Economic Corridor (OEC)

11. Delhi Nagpur Industrial Corridor (DNIC)

Smart cities with state-of-art infrastructure will be developed along these corridors. As of January 2021, an amount of Rs 8715.07 crores was allocated while an amount of Rs 7315.07 crores was utilised for development of industrial corridors. (makeinindia.com/about) In 2019-20, a total budget allocation of Rs 651.58 crore was made for the scheme. In 2020-21, it was raised to Rs 1281.97 crores.

The Make inIndiaprogrammeis aimed tofacilitate investment, foster innovation, enhanceskill development, protect intellectual property, and build best-in-class manufacturing infrastructure. Information on twenty-five sectors has been provided on a web portal along with details of FDI policy, National Manufacturing Policy, intellectual property rights, and the Delhi-Mumbai Industrial Corridor and other National Industrial Corridors. An Investor Facilitation Cell has been created in 'Invest India' to guide, assist, and handhold investors

ATMANIRBHAR BHARAT ABHIYAN

The COVID-19 pandemic that affected the globe from late 2019 had serious economic repurcussions.Countries all over the world grappled with loss of life, incomes and employment under its effect. The abrupt clusure of economic activity that was resorted to in order to control the spread of Coronavirus then required undertaking of a number of steps to rejuvenate the economy. India followed a two-pronged strategy to minimise the ill-effects of closures and lockdownns. First the government undertook steps for fulfilling basic needs of the masses through distribution of food and monetary help to vulnerable sections of society. Secondly, the government supported by Reserve Bank of India, came out with a number of initiatives to help the economy and to carry out necessary adjustments to business environment in the country.

The AatmanirbharBharat Abhyaan is one such initiative based on five pillars:

Economy, infrastructure, system, vibrant demography and demand Atmanirbhar Bharat Abhiyan consists of a special economic and comprehensive package of Rs.20,00,00 which is nearly 10% of India's GDP. It caters to sectors like cottage industry and MSMEs, labourers, middle class, and industries.

In the aftermath of COVID-19 pandemic, the important role of MSMEs in building the nation was amply recognised. As such, MSMEs formed a very prominent part of the announcements made under the Aatmanirbhar Bharat Abhiyaan. Under this package, the MSME sector was given substantial allocation and was accorded priority in implementation of the measures to revive the economy. To provide immediate relief to MSME sector, various announcements have been made under the Package. In line with Government of India's top focus on energizing MSMEs in the country, the Ministry of MSME is focusing on all aspects.

In addition to the existing credit related schemes of the RBI, the following two announcements were made: Rs 20000 crore subordinate debt for stressed MSMEs, Rs 50000 crore equity infusion for MSMEs through Self Reliant India Fund (fund of funds).

The Atmanirbahr Bharat Scheme has stressed on bold reforms to push the economy towards recovery. It has introduced long-needed reforms that have eventually led to an improvement in India's **ease-of-doing - business** rankings. The second emphasis of the scheme is on advocating use of locally available resources and talent under the clarion call of **Vocal for Local** products and make them global. Thus the scheme advocates developing local markets as well as encouraging production for sale in international markets.

The package is based on the premise of self-reliant India. With supply chains hindered in the aftermath of COVID-19, it made sense to develop capacity domestically. This is exactly what the AtmanirbharBhahratAbhiyaan calls for. It stressed on development of sectors where India has a comparative advantage in production. Twelve such sectors were identified in the scheme, some of which are :

- **Textile industry** - which is the second largest contributor to economy and income generator after agriculture

- **Organic farming -** According to the World organic agriculture report 2018, India occupies 3rd position in world organic production

- **Automobile industry** – While India is the fourth largest auto market in the world, there is cogent need to develop a pan-India supply network . This is necessary to tap the expected increased demand for low-**cost in developing countries**

- **Pharmaceutical industry** – India has emerged as a hub for pharmaceutical and medicinal products. It had a major share of nearly 85% in the global market in 2020 and is expected to retain leadership in he near future.

MGNREGA is an important rural development programme of Indian government. The Atmanirbhar Bharat Abhiyan has proved essential achieving the objectives of rural development.

According to Economic survey (2020-21), the fundamentals of the economy remain strong as gradual scaling back of lock downs, along with the astute support of Atmanirbhar Bharat Mission has placed economy firmly on the path of recovery. After a disastrous first quarter of financial year 2020-21, there was a contraction of 23.9% in the Indian economy. However, with easing of restrictions, the Indian economy bounced back to -7.5% in second quarter and has continued its recovery gradually. In fact, economists have predicted a shallow V-shaped recovery of the economy. This has bee possible due to the recovery noticed in the MSME sector.

The COVID-19 made a case for continuing with the stimulus measures by saying that adopted adoption of countercyclical expansionary fiscal policy in times of crisis is expected to boost the growth in GDP both directly and indirectly through multiplier effects on private consumption expenditure and private investment. Sourav Majumdar

CURRENT SITUATION

Currently, both Make in India and Atmanirbhar Bharat schemes are running concurrently. Though the two were started under different circumstances, the aim of the two schemes was similar — to increase the contiribution of the manufacturing sector in National income and to increase the exportability of indian products. The data represented in the table 2 below throw light on the recovery evident in the economy by late 2020.

Table 2: Salient recovery statistics of Indian Economy

Energy consumption growth in October 2020	**12% increase Year over Year**
Daily railway freight tonnage	20% increase Year over Year
GST collections	!0% increase Year over Year
Bank credit growth	5.1% Year over Year
FDI inflows between April to August 2020	13% increase Year over Year

Source: Atmanirbhar Package 3.0

Table 3 displays the sectoral share of the three sectors, agriculture, manufacturing and services, in the Gross Value Added (GVA). In 2011 Industry provided employment to nearly a fourth of the population and its contribution to country's GVA was 31% (Economic Survey 2014-15). Under the effect of pandemic and muted global economic growth, its contribution is expected to be 25% in 2020-21 (Economic Survey 2021-22).

Table 3: Sectoral share in Gross Value Added (GVA)

	Employment share 2011	**GVA share of Sector (2011-13)**	**GVA share of Sector (2019-20) (1st RE)**	**GVA share of Sector (2020-21) (PE)**
Agriculture	48.9	18.1	18.4	20.2
Industry	24.3	31.9	26.7	25.9
Services	26.9	50.0	55.0	53.9
Total	100	100	100	100

Source: CSO, NSO

The revival in the manufacturing sector is important for Indian economy as it directly mirrors the revival of the economy as a whole. Table 4 expresses the growth in merchandise exports and imports over the last decade. When considered with Table 1, the information from table 4 shows that the merchandise trade has increased when the economy has registered growth. The years 2012-14 witnessed a fall in economic growth which is evident from negligible and even negative growth in trade during these two years. A recovery was witnessed after 2016 which can be attributed to conducive policy support in the form of schemes like Make in India. The pandemic led to reduction in economic activities from 2019 as seen from negative growth in both merchandise exports and imports.

India's overall exports crossed the half trillion-dollar mark during 2019-20 but were lower than 2018-19. India's overall exports were 538.1 billion in 2018-19 which registered a negative growth of (-) 2.1% in 2019-20 at US$ 526.6 billion. (Annual Report 2020-21, Pg 24-25). The trade deficit in 2019-20 was estimated at US$ 161.3 billion as against the deficit of US$ 184 billion in 2018-19. With revival of economic activities and restart of manufacturing the trade deficit narrowed down to US$ 57.5 billion in April- December 2020 (QE) compared to US$ 125.9 billion in 2019.

Table 4: Changes in Merchandise trade 2010-2020

Year	**Growth in Merchandise exports (%)**	**Growth in merchandise imports (%)**
2010-11	39.76	28.23
2011-12	22.48	32.33
2012-13	-1.82	0.29
2013-14	4.66	-8.26
2014-15	-1.29	-0.48
2015-16	-15.48	-14.96
2016-17	5.17	0.88
2017-18	10.03	21.13
2018-19	8.75	10.42
2019-20	-5.06	-7.66
April-December 2020 (QE)	-15.73	-29.08

Source: DGCI&S, QE stands for Quick Estimates

IMF's World Economic Outlook 2020, Global growth in 2020 has been projected at -4.4 percent (against an earlier projection of -5.2 percent). The improved growth forecast has been because of the rapid recovery seen in many economies due to unprecedented fiscal, monetary and regulatory responses. In 2021, growth is projected to rebound to 5.2 percent, that is (-) 0.2 percent below as compared to the June projection. (Pg 20, Annual Report 2020-21). The resumption of economic activities and specific targeting of manufacturing sector is expected to be the driving force behind this recovery.

Table 5: Economic Outlook Projections for world and India

		Projections		**Difference from June 2020 WEO Update**	
	2019	**2020**	**2021**	**2020**	**2021**
World Output	2.8	-4.4	5.2	0.8	-0.2
India	4.2	-10.3	8.8	-5.8	2.8

Source: IMF, WEO update, October 2020

The latest world economic outlook projections (% change) are as shown below in Table 5. It is seen that the Indian economy was projected to grow at a rate above 8 percent in 2021. Manufacturing, with an average share of 16.3 percent in nominal GVA over the last decade, has a dominant presence within the industrial sector. In 2020-21, the share of manufacturing fell to 14.4 percent but is expected to improve to15.3 percent in 2021-22. The share of the industrial sector in the nominal GVA(at current prices) was 25.9 percent in 2020-21.With the industrial sector recovering and expected to grow at 11.8 percent, as per advance estimates for 2021-22 by National Statistical Office, industry's share is expected to increase to 28.2 percent.

CONCLUSION

The two programmes are similar in many ways and drastically different in many others. Current world outlook after the ongoing pandemic has tended to be rather conservative promoting protectionist tendencies. However, Indian experience suggests that a pragmatic mix of both is currently required. The initiatives under Atmanirbhar Bharat including introduction of structural and procedural reforms, record vaccinations, various PLI scheme designed to attract investments in core sectors point towards improving domestic manufacturing infrastructure with input of cutting-edge technology. Similarly, the Make-in-India programme to boost domestic manufacturing capacity, reduction of corporate tax rate, etc and steps to improve operational efficiency have helped the industrial sector to keep up its ante while competing on the global level. The sector has started to recover steadily and according to the National Statistical Office, is expected to grow at 11.8 percent in 2021-22 (Economic Survey, 2021-22).

Registered manufacturing sector has a much higher productivity than unregistered manufacturing. However, overall the sector displays high level of convergence. While domestic convergence is clearly present in Indian economy, International convergence towards world average levels remains beyond the reach of Indian Manufacturing sector. Targeted programs like Make in India can help bridge this gap by encouraging foreign investment in he country bolstering the productive capacity of the sector. Also the sector has greater possibility of expansion and utilisation of manpower. The country's biggest advantage currently is the demographic divided it has in the form of a young workforce. Expansion of business activities will help harness this advantage. By producing good quality products with cheap and abundant labour, it is possible to increase the tradability of industrial products. All of these reasons make a strong cases for the development of manufacturing sector in the country.

However the quality of workforce, access to finance and credit, branding and promotion are some issues that must be fixed for strengthening MSMEs. When India considers the kind of trade policy it must follow, it is important to keep in mind the advantages of both the schemes as discussed above. For economic development, the country needs to select a proper mix of domestic regional support as well as open its doors to international trade

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