

GOVERNMENT INITIATIVE "VOCAL FOR LOCAL": OPPORTUNITIES AND CHALLENGES FOR INDIAN ECONOMY

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ABSTRACT

The "Vocal for Local" initiative, launched by the Indian Government in May 2020, aims to promote economic self-reliance and boost domestic manufacturing in the wake of the COVID-19 pandemic. This study examines the opportunities and challenges associated with this initiative and its potential impact on the Indian economy. The findings suggest that sustained utilisation of locally made products over the next 25 years could mitigate unemployment in India. However, effective implementation requires a proactive approach that incorporates lessons from the shortcomings of the previous "Make in India" campaign. The "Vocal for Local" initiative emphasises supporting domestic industries, mainly small-scale businesses, to reduce reliance on imports and position India as a global manufacturing hub. It aligns with the broader "Atmanirbhar Bharat Abhiyaan" (Self-reliant India campaign), focusing on five pillars: economy, infrastructure, system, vibrant demography, and demand. The initiative presents opportunities to boost local manufacturing, create employment, develop skills, and foster a startup ecosystem. However, challenges include infrastructure development, quality control, and addressing the informal sector. The study concludes that the success of the "Vocal for Local" initiative depends on refining its goals and policy frameworks while addressing the identified challenges to ensure sustainable economic growth and self-reliance in India.

Keywords: Vocal for Local, Atmanirbhar Bharat, Opportunities, Challenges, Indian Economy.

Introduction

In May 2020, during global uncertainties and the economic effects of the COVID-19 pandemic, the Indian Government launched the unique 'Vocal for Local' campaign. Unlike traditional protectionist measures, this initiative encourages Indians to support and purchase local products and services, reducing reliance on imports, promoting domestic manufacturing, and reviving local economies. Vocal for Local does not oppose globalisation but advocates for a new type of globalisation focused on people rather than profits. It emphasises the significance of domestic industries and small-scale Kirana stores. When people face challenges in maintaining cash flow, the vocal for local movement can also be viewed as a stimulus to revive demand and support small and marginal domestic industries struggling due to the pandemic. This paper is structured as follows: it outlines the need for study and its objective. Research findings and discussion follow this. Finally, a conclusion is drawn based on the findings.

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Need of the Study and Objective

The "Vocal for Local" initiative, launched by the Indian Government in May 2020, aims to promote economic self-reliance and boost domestic manufacturing in the wake of the COVID-19 pandemic. This study examines the opportunities and challenges associated with this initiative and its potential impact on the Indian economy.

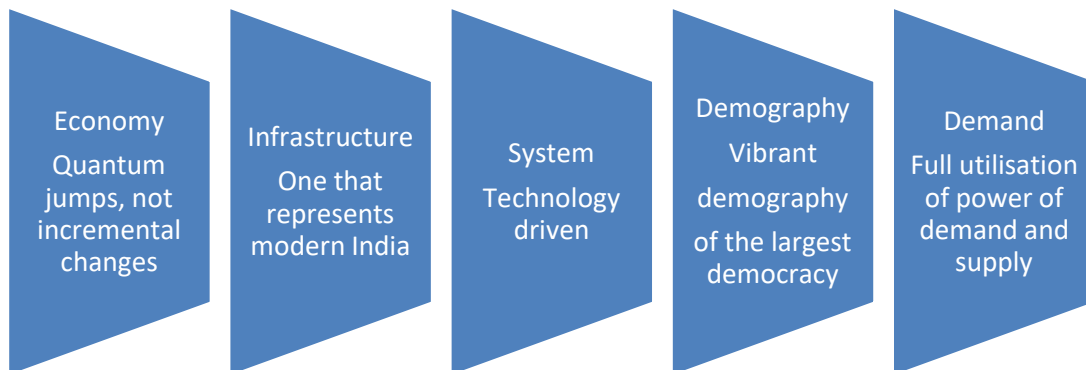
Findings and Discussion

The focal points of various industrial policies over the years have been the flagship campaigns of the Central Government, namely 'Make in India' and 'Atmanirbhar Bharat Abhiyaan'. The objective is to reduce reliance on imports, promote local production of high-value goods, and facilitate investment, innovation, skill development, intellectual property protection, and develop top-notch manufacturing infrastructure. Atmanirbhar Bharat Abhiyaan, which translates to the Self-reliant India campaign, embodies the vision of a new India that the Hon'ble Prime Minister, Shri Narendra Modi, envisioned. The Government of India has promoted this campaign as part of the country's economic development during and after the COVID-19 pandemic. The term 'Atmanirbhar Bharat Abhiyaan' is a comprehensive concept to position India as a more prominent player in the global economy, pursuing efficient, competitive, and resilient policies, emphasising self-sustainability and self-sufficiency. On 12th May 2020, the prime minister initiated the Atmanirbhar Bharat Abhiyaan and announced a remarkable economic and comprehensive package of ₹ 20 lakh crores, equivalent to 10% of India's GDP, to combat the COVID-19 pandemic in India. The goal is to make the country and its citizens independent and self-reliant. Furthermore, the prime minister outlined five pillars of Aatma Nirbhar Bharat, focusing on the economy, infrastructure, system, vibrant demography, and demand. It includes an increased emphasis on Indian firms for public procurement and providing tax incentives to both foreign and Indian companies for local manufacturing.



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The Road Ahead 5 Pillars of Atmanirbhar Bharat (Self-Reliant India)



The Government has emphasised its support for local products and industries over the past two years. The “Vocal for Local” slogan has gained popularity during the COVID-19 pandemic. However, the concept behind this initiative can be traced back to the “Swadeshi Movement”, advocated by Mahatma Gandhi and gained prominence in 1905 during the Indian independence struggle. It was viewed as a way to instil a sense of national pride and patriotism among Indians. The core idea of the “Vocal for Local” slogan is to boost local industries and prioritise local consumption whenever feasible to stimulate long-term growth and foster self-reliance in domestic sectors. This approach can contribute to the expansion of production and position India as a global manufacturing hub in the future.

“Vocal for Local” significantly emphasises supporting domestic industries and small-scale businesses. Shifting demand in favour of domestic companies offers several advantages. Firstly, it decreases reliance on foreign products and reduces import pressure. Secondly, it provides domestic companies with a chance to withstand crises. Thirdly, it aligns with the global economic shift away from China and positions India to emerge as a new manufacturing hub. Both “Vocal for Local” and “Atmanirbhar Bharat” represent an optimistic vision for India’s future by significantly enhancing its competitiveness across various sectors, fostering new growth opportunities, and encouraging the formation of new businesses in the country.

Opportunities of “Vocal for Local” to Boost the Indian Economy

It supports local businesses, startups, and MSMEs, enabling new brands to emerge and providing them with aid and support. Self-reliance and the Make in India initiative will ready the country for tough global competition in the supply chain. This approach will enhance efficiency across various sectors and guarantee quality. The central idea is to foster self-sufficiency by promoting Make in India. Placing greater emphasis on local manufacturers and service providers will fortify the economy, elevate the standard of living, and, most importantly, improve the country’s trade deficit and fiscal balance. This concerted effort aims to make the country self-reliant in all aspects, from production to distribution, reducing its reliance on imports and potentially boosting exports. Decreasing imports will help trim the trade deficit, eventually creating a trade surplus. The “Vocal for Local” campaign can create a startup ecosystem similar to China’s. Both domestic and international companies seek homegrown startups throughout the country across different sectors.

- **Boost to Local Manufacturing:** By promoting local products, the initiative aims to enhance manufacturing capabilities across various sectors such as textiles, electronics, and agriculture. It could increase employment opportunities and skill development, particularly in rural areas.
- **Enhanced Market Access:** Small and medium-sized enterprises (SMEs) and local businesses gain improved market access and visibility, potentially leading to higher revenues and growth. This initiative encourages entrepreneurial spirit and innovation among regional companies.
- **Consumer Awareness and Preference:** “Vocal for Local” aims to educate consumers about the benefits of buying local products, including quality assurance, reduced carbon footprint, and support for local communities. It can shift consumer preferences towards indigenous products, stimulating demand and production.
- **Strategic Economic Resilience:** Reduced import dependency can strengthen India’s resilience against global economic fluctuations and geopolitical uncertainties. It promotes self-reliance in critical sectors, contributing to long-term financial stability.

Challenges of “Vocal for Local” to Boost the Indian Economy

India initiated its integration into the global market in 1991 by implementing LPG (liberalisation, privatisation, and globalisation) reforms but was cautious in granting full autonomy to the market model. India has not achieved its target of having the manufacturing sector contribute 25% of the GDP. The Make in India initiative has fallen short of its intended objective, with manufacturing accounting for only about 17% of the GDP. India relies on China to import electronics, solar equipment, pharmaceuticals (active pharmaceutical ingredients), and capital goods. Breaking away from this dependence would be challenging without developing domestic manufacturing capabilities in these areas. Information asymmetry between the Central and State governments can impede the ease of business, particularly in manufacturing, healthcare, and agriculture sectors. Imagine a scenario where a local vendor offers a bicycle entirely manufactured in India using local materials; as a discerning consumer, they also explore options available on Amazon. On Amazon, people come across several other bicycles from different parts of the world that are offered at a lower price. In this situation, would people opt for the locally produced, albeit more expensive, option or choose one of the more affordable options from Amazon?

Another contributing factor is the lack of funding options, which has been a primary obstacle to the delayed growth of the Indian startup ecosystem. With the relaxation of regulations, numerous private equity and venture capital firms, both domestic and foreign, have emerged. It has had a noticeable impact on the development of Indian startups over the past decade. Companies like Paytm, OYO, Ola Cabs, Zomato, and others have fully leveraged easy access to investors and funding in the Indian economy. Some sectors heavily rely on importing strategic raw materials from various countries, while others have moderate or minimal dependence. These products are imported rather than manufactured in India because their production requires substantial clean water sources, energy, and infrastructural investments. Apart from being cost-effective, importing also provides access to superior quality products, leaving Indian firms primarily concerned with the final product assembly. These challenges are also why India finds it difficult to reduce its dependence on imports and promote the production of domestic substitutes.

- **Competitive Pricing and Quality:** Local products often face challenges competing with cheaper imported goods regarding pricing and perceived quality. Achieving price competitiveness while maintaining quality standards is crucial for widespread adoption.
- **Infrastructure and Technological Constraints:** Many local businesses, especially rural ones, lack the infrastructure and technological advancements needed to scale production and meet market demands. Addressing these constraints requires substantial investments in infrastructure development and technology adoption.
- **Awareness and Mindset Shift:** Changing consumer behaviour from preferring established global brands to embracing local alternatives requires extensive awareness campaigns and a shift in consumer mindset. Building trust in local brands is essential but challenging.
- **Policy Implementation and Support:** Effective implementation of supportive policies, incentives, and regulatory frameworks is critical for "Vocal for Local" Success. Ensuring ease of business, access to finance, and regulatory compliance support are vital areas that require attention.

Government Initiatives to Boost the Indian Economy

The Government has implemented several measures to support startups and endorse the 'Vocal for Local' and Aatmanirbhar Bharat Campaign. These initiatives include significant steps the central Government took to lay the groundwork for Vocal for Local and Aatmanirbhar Bharat. Presently, an array of products, from needles to military equipment, bicycles to motorcycles, mobile phones to cars, household items to medical devices, and clothing to toys, are all manufactured in India, showcasing our people's talents and hard work.

In 2022-23, India's exports reached \$776 billion, up from \$446 billion in 2014-15, with India emerging as a hub for mobile phone exports. Mobile phone exports saw a jump to 68,605 crore rupees in 2022-23 from 11,848 crore rupees in 2013-14, roughly a 5.8 times increase. Likewise, toy exports from India surged to \$32.57 million in 2022-23 from \$8.32 million in 2013-14, an approximately fourfold increase. Khadi and village industry product sales also soared to 1,34,630 crore in 2022-23 from 31,154 crore in 2013-14, an almost fourfold increase. Additionally, defence exports skyrocketed to 15,920 crores in 2022-23 from 1,153 crores in 2013-14, an increase of over 14 times.

The 'Vocal for Local' initiative has empowered tribal communities, allowing them to turn their art skills into a source of income. Decades-old laws prohibiting tribal people from harvesting forest products like bamboo have been revised, granting them ownership of these resources. Furthermore, the PM Vishwakarma Yojana, launched by Prime Minister Narendra Modi to promote traditional crafts, has brought new hope to millions of families engaged in traditional crafts and hand skills. This scheme, fully funded by the Central Government with an outlay of ₹13,000 crore, will also aid in preserving the rich crafts and art traditions of tribal communities.

The commitment to Aatmanirbhar Bharat and 'Vocal for Local' has yielded promising results, with the annual sales of Khadi and Agro Industries products consistently increasing over the past nine years. In 2022-23, the yearly turnover of Khadi and Agro-industry products reached Rs 1,34,630 crore. In light of Prime Minister Narendra Modi's call for 'Vocal for Local' on Gandhi Jayanti, the store located at Connaught Place, Delhi, has consistently surpassed the sales mark of Rs 1 crore for the last three years. Quality Control Orders (QCOs) have also been instituted, with the Central Government notifying 156 products for compulsory BIS certification to meet relevant Indian Standards.

The Government of India has eased public procurement from startups by extending relaxations on prior experience, turnover, and earnest money deposits. Furthermore, the Government has introduced a Production Linked Incentive (PLI) Scheme, with an outlay of Rs 1.97 lakh crore over the next five years, to boost manufacturing significantly. Additionally, the Udyog Manthan, a series of webinars conducted by DPIIT in collaboration with D/o Commerce, QCI, NPC, Bureau of Indian Standards, and Industry Chambers, focused on Quality and Productivity in all major manufacturing and services sectors. The Government has also implemented the Fund of Funds for Startups (FFS) and the Startup India Seed Fund Scheme (SISFS), with objectives such as accelerating innovation-driven entrepreneurship and providing financial assistance to startups. The Government e-marketplace (GeM) is an online platform for government organisations to procure common-use goods and services. DPIIT-recognized startups can also register on GeM as sellers. Additionally, GeM has introduced Startup Runway, a dedicated platform for startups to list their products and services for government procurement with relaxed procurement norms and regulations.

Conclusion

The "Vocal for Local" initiative, launched by the Indian Government in May 2020, aims to promote economic self-reliance and boost domestic manufacturing. The initiative presents opportunities to boost local manufacturing, create employment, develop skills, and foster a startup ecosystem. However, challenges include infrastructure development, quality control, and addressing the informal sector. The initiative's success depends on refining its goals and policy frameworks while addressing the identified challenges to ensure sustainable economic growth and self-reliance in India. The initiative aligns with the broader "Atmanirbhar Bharat Abhiyaan" (Self-reliant India campaign), focusing on five pillars: economy, infrastructure, system, vibrant demography, and demand. It emphasises supporting domestic industries and small-scale businesses to reduce reliance on imports and position India as a global manufacturing hub. The "Vocal for Local" initiative presents a transformative opportunity to bolster the Indian economy by promoting local entrepreneurship, manufacturing, and consumer awareness. However, realising its full potential requires addressing challenges such as pricing, quality, infrastructure, consumer mindset, and policy support. By fostering a conducive ecosystem for local businesses and aligning stakeholders' efforts, India can achieve sustainable economic growth, self-reliance, and resilience in the face of global uncertainties. We require strategic policy implementation and infrastructural investment to develop the industrial and other sectors. In India, the manufacturing industry has to be designed to provide better and more competitive prices than in other countries like Vietnam and Malaysia. India will not face unemployment if people use local goods for the next 25 years. The Make in India movement was launched in 2014 to give an impetus to the manufacturing Industry in India, with the vision of eventually replacing China as the manufacturing centre. After its launch, however, the share of the manufacturing sector in the GDP fell instead of rising. It was due to other factors — improper policy implementation and unreasonable ambitions. Vocal for Local can only be successful if it learns from the Make in India campaign's mistakes and adjusts its ambitions and policy implementations accordingly.

Future research should focus on longitudinal studies to assess the long-term impact of "Vocal for Local" on economic indicators such as employment, GDP contribution by local industries, and regional economic disparities. Comparative studies with similar initiatives in other countries can provide valuable insights into best practices and policy interventions for promoting local economies.

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