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## Atmanirbhar Bharat Abhiyan: A Boon for the Indian manufacturing sector

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### Abstract:

In recent years India has emerged as the fastest growing economy in the world and expected to be in the list of top three economic powers in the world within the next 8-10 years. Over the years, the Indian government introduced many initiatives for the welfare of the society and to strengthen our economy as well. From the year of independence to till now India's economy performed well in terms of becoming self-reliant in food grain production, immense growth in the service sector, 1991 reforms and many more. Even after all those achievements India is facing many problems, data shows that India's economic potential is more than what it's performing right now. It's a direct indication that we are not utilising our human and capital resources efficiently. If we look back, the growth of the manufacturing sector was not taken into much consideration during the process of India's economic development. Our economy directly moved to the service sector, skipping the growth of the manufacturing sector. The people didn't get adjusted to that system and that's why most of our population is still into the agricultural sector, we didn't develop our manufacturing infrastructure setup to provide more facilities to the manufacturers. And that's where a recent major initiative taken by the Government played a major role in the development of that neglected sector. Make in India which was later on extended as Atmanirbhar Bharat Abhiyan, was launched to boost India's domestic manufacturing and ultimately transform India into a global manufacturing hub. These initiatives focused on every aspect of the economy like- from skill development for the population to the funding to a newly built startup, from easing in the regulation for building a business to providing subsidies for the growth of business, etc. That initiative will definitely change the face of the Indian manufacturing sector.

**Keywords:**-Economic potential, Economic performance, Human and capital resources, Foreign Direct Investment, Premature Deindustrialization, capital expenditure.

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### Introduction:

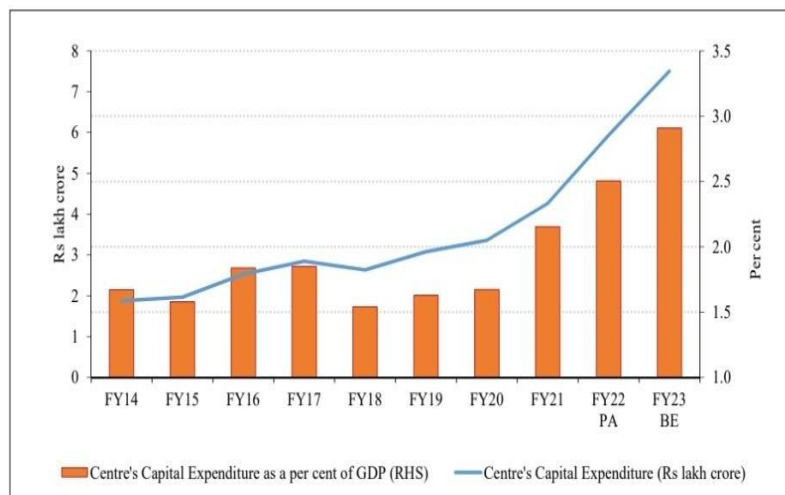
Yet there is no definition for the developed nation but international agencies made some criterias to declare a nation developed or more prosperous. Those criterias are like - how much percentage of population is involved in service or other sectors instead of the primary sector of the economy, infrastructure development, standard of living, per capita income, literacy rate etc. If we look back to those initiatives taken by the government (Make In India & Atmanirbhar Bharat Abhiyan), aren't they trying to achieve all those targets mentioned above?

The Make in India programme had objectives like boost in investment and innovation, enhancing the skill development of the youth, protecting intellectual property rights etc. Under the scheme of Atmanirbhar Bharat Abhiyan 20 lakh cr. which was the 10% of the GDP planned to be injected in the economy as a stimulus package. That gave a strong supply side push and catered very well to the labourers, middle class, cottage industry, MSMEs and industries among others. Those initiatives respond well in terms of economic growth

as well as employment generation and also increased FDI in the nation. Through the effect of multiplier and accelerator, increased investment will impact the per capita income, employment generation, growth in the national income and many more economic factors.

### Overall impact of Atmanirbhar Bharat Abhiyan

MAKe In India programme which was later on expanded as Atmanirbhar Bharat Abhiyan, had an immense impact on the Indian economy. Every sector of the economy directly or indirectly impacted from that like - agricultural, manufacturing, services, research and innovation, startups, technological advancement, infrastructural development, easing in rules and regulations for setting up businesses, skill development in youth, inflow of FDI in the nation, incremental in capital expenditure by the centre, feeling of patriotism in citizens via self-reliant and swadeshi, shifting of workforce population ratio, Digital revolution, through the National Education Policy 2020 many bold reform are taken in the education sector, poor household via getting free food grains and housing facility etc.

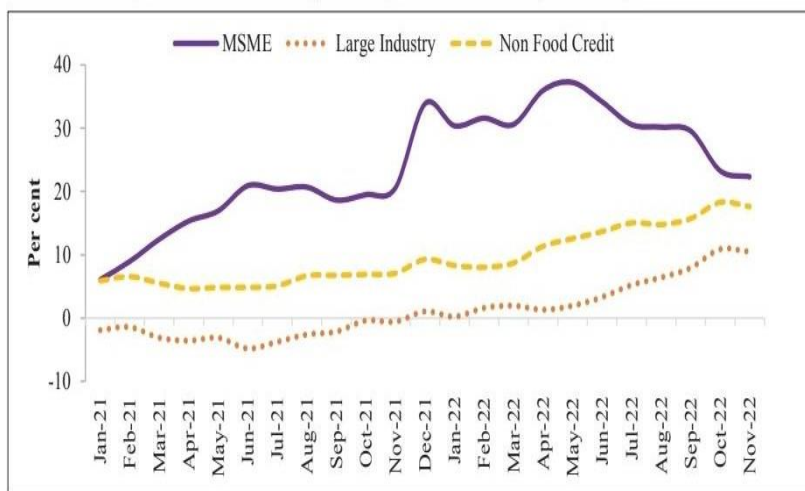


Source: RBI, MoSPI, O/o CGA

**Figure 1.** Union government's capital expenditure as a % of GDP

Capital expenditure is the most important part of the investment done by the government because it does not only creates assets for the economy but also plays a major role in employment generation, through the multiplier it affects the market demand which is directly linked to the manufacturing or production sector (increased demand will motivate to the firm to

produce more) and that increasing demand again affect the investment ( firm will invest in capital to meet increased demand) and employment. That's how that circular flow goes on and on and that's the only reason that capital expenditure becomes a major booster for the economy. Figure 1 shows how the capex is increasing every year.



Source: RBI

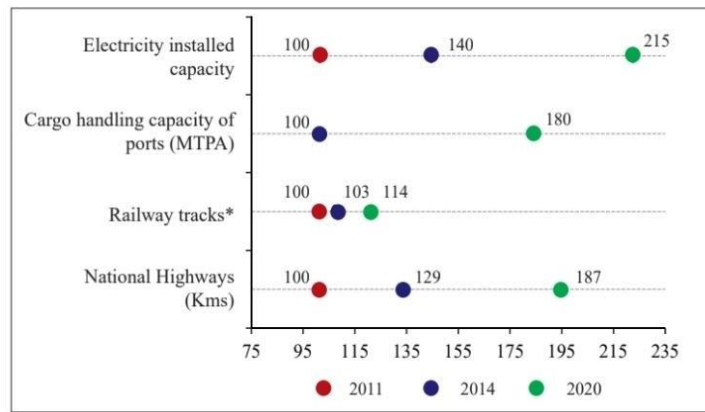
**Figure 3.** Double-digit credit growth in Industry driven by MSMEs

Main objective of the Make In India programme was to boost the Indian Manufacturing sector and make it a global hub. That vision can be fulfilled only by growth of domestic manufacturing which is mostly produced goods at small scale level, so the main aim was to improve the MSMEs growth.

For that the government launched many programmes like- Credit Guarantee Scheme, Participation in International Fairs, ISO 9000 certificate and reimbursement scheme, Small Industry Cluster Development Scheme, MSME MDA scheme and many more, so that these small industries can grow their level of production. As

figure 2 describes how our MSME and other industries are getting growth even after the uncertain situation like Russia-Ukraine tensions, these are growing at double digit.

As we mentioned above, how an investment in the manufacturing sector can improve the other economic indicators so it becomes essential for the government to focus on these areas and data shows it did well.



Source: RBI Report on Currency and Finance 2022  
 Note: (a) Railway tracks denote Running Track Kilometres  
 (b): The data for national highways for 2019 is the latest available data and is shown against 2020

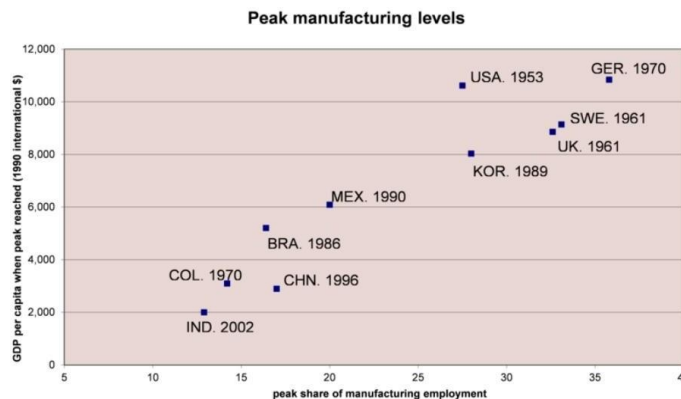
**Figure 4.** Development in critical infrastructure

Structural development in the recent 8-10 years, especially after 2014 flourished in good manner. For the government it becomes necessary to develop the infrastructure facility if they want to attract more investment and FDI in the nation. Recently launched programmes like Mission Gati Shakti and Sagarmala project, are majorly focusing on infrastructure development. Figure 4 shows the infrastructural developmental progress along with the time. In the process of economic reforms a single

scheme/initiative fulfil not only the single objective but affect the overall economy either in positive or negative manner

**Manufacturing sector in India**

In the era of technological advancement along with the growth of other sectors like service and quaternary, our policymakers are still struggling with the question of “ how can we boost our manufacturing sector”, The reason is simple because of “ Premature deindustrialization faced by the Indian manufacturing sector”.



Economists generally assume economic development as a process in which labour and other resources gradually move from the agriculture sector to the manufacturing sector before moving towards the service sector at a higher stage of development. But some economies witnessed a premature movement of resources to the services sector, thus leading to underdevelopment of the manufacturing sector. That’s called premature industrialisation in the economy - where the growth of an economy’s manufacturing sector begins to slow down prematurely in its path towards development. According to *DANI RODRIK* - “traditional economies grow and develop first by industrialising and then moving into services. This has been the classical path to economic and political modernity”.

**Figure 5.** Chart depicts the peak level of industrialization (measured by manufacturing’s share of total employment) in a sample of early and late

developers. for each country, the income per capita at which deindustrialization began is also shown.

(*Dani Rodrik's Weblog: On Premature Deindustrialization*, n.d.)

Share of manufacturing employment and GDP per capita were much higher in other countries (like - U.K., U.S.A., Germany, Mexico etc) when they achieved their peak, in comparison to India. Manufacturing is an important aspect not only in producing and delivering goods to the marketplace but also is a major driving force for the economy.

“Premature deindustrialization” isn't the major reason behind - the huge unemployment, low per capita income, inequality of income, low productivity, not proper utilisation of huge demographic dividend, not proper utilisation of the resources, economic performance is lower than the economic potential and many more deficiencies

prevailing in the economy.

### **Are our policymakers trying to revise this process?**

So that the working population can shift from agriculture to the manufacturing sector and India can become a manufacturing hub.

Atmanirbhar Bharat Abhiyan is a move to back on track where we will achieve full potential growth of the manufacturing sector. Many schemes are performing well in their respective sectors like - productive Linked Scheme, skill india, startup India, Digital India, PM Jan-Dhan Yojana, smart cities programme, Swachh Bharat Abhiyan, Ayushman Bharat Yojana, Micro insurance schemes, Direct Benefit Transfer, PM Ujjawala, PM Awas Yojana, Sagarmala, International Solar Alliances etc.

*Productive Linked Scheme (PLI)* - One among the best initiatives to attract the manufacturing units and to make India a global manufacturing hub. PLI scheme offers incentives or incremental sales of products manufactured in India. Was initially rolled out for 3 sectors in its early stages and then extended to some more relevant sectors. The sectors covered under the government's 1.97 trillion package include telecom, pharmaceuticals, automobiles and auto components, solar modules, food products, textiles, white goods and specially steel.

India ranked 63rd out of 190 countries in the World Bank's "Ease of Doing Business 2020" survey which was 142 in the year of 2014, indicating a favourable business environment in the country. The recent government serves as strong pillars to aid development of India's economy and present huge opportunities for the country to become self-reliant. Strong budgetary push for the manufacturing sector, MSMEs, along with supportive PLI reforms, will boost the domestic manufacturing companies and attract foreign companies to invest in the country; thereby, foster India's path to achieve self-reliance.

### **Challenges and way forward**

#### **Challenges -**

- Manufacturing sector is gradually shifting to more automated and process driven complexities, which is expected to increase efficiency and boost production. But more advanced and highly skilled workers will be needed for the maintenance of heavy sophisticated machinery so Government should focus more on the skill development and vocational courses along with the sectoral growth (need more spending on these training and courses, in comparison to what they are spending right now)
- Atmanirbhar Bharat Abhiyan was a stimulus for the economy to give a strong push to the supply side push to the economy, but what about the demand side factors of the economy? Data from

some studies done by the private institutions suggests that supply side economics is failing to attract the attention of long-term private capital investors.

- Establish a good force multiplier for Indian manufacturing so that every sector of the economy gets benefited from.
- NPA crisis of the banking sector
- These programmes promoted FDI in India and yes we are getting FDI but primarily in the capital market instead of the manufacturing sector where we actually needed.
- Credit easing by the RBI is the biggest challenge because it's not direct government expenditure. Fiscal management is very much important.
- MSME units have small scale operations and it will be tough for them to compete with the global companies.
- Even after lot of developments as we mentioned above, MSMEs which are far from the cities still faces lack of access to 24\*7 power supply, basic infrastructure facilities, digital divide and other structural constraints.
- Every year in the union budget the government increases capital expenditure for e.g. in budget 2023-24 - Capital investment outlay increased by 33.4% to 10 lakh cr. in comparison to the last announcements. And on the other side 20% of our GDP is spent on interest payments.

#### *Way forward / suggestions -*

- Government may either allocate more funds to serve the existing sector or extend the incentives to newer areas, or do the both.
- Only supply side stimulus can create a situation like "The Great Depression of 1929"- which was basically the result of supply side stimulus, when classicals said supply creates its own demand, just push the supply side factors of the economy without worrying about the demand side. So not to revise that event again we should think about demand side factors of the economy also.
- Nation Education Policy 2020 should be implemented by the states as early as possible so that the nation will get a more skilled and advanced youth population to cater the transition in the growth structure of the economy.

#### **Conclusion:**

" FY-24 could be an inflection point for a surge in India's manufacturing capex", says ICRA's ( Investment Information and Credit Rating Agency) report published in Nov. 2022. Reports published by the various international agencies estimated that in the next year India's economic growth will perform well in comparison with other major economies, even world bank & IMF itself agree with that. So if

we talk from the opportunities point of view India still has to reach at its peak of manufacturing advancement, and we know from figure 5 that at the peak, a country's economic indicators may achieve a good amount of growth. Upcoming 6-7 years are estimated as the golden time period for the Indian manufacturing sector. Journey of almost every developed nation passed through the maximum amount of growth in the manufacturing sector and then they moved to another sector. That's how India also can follow this path or can follow this route of development. As much as we focus on manufacturing, there will be an increase in the production and that will lead to the increment in the nation's GDP.

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