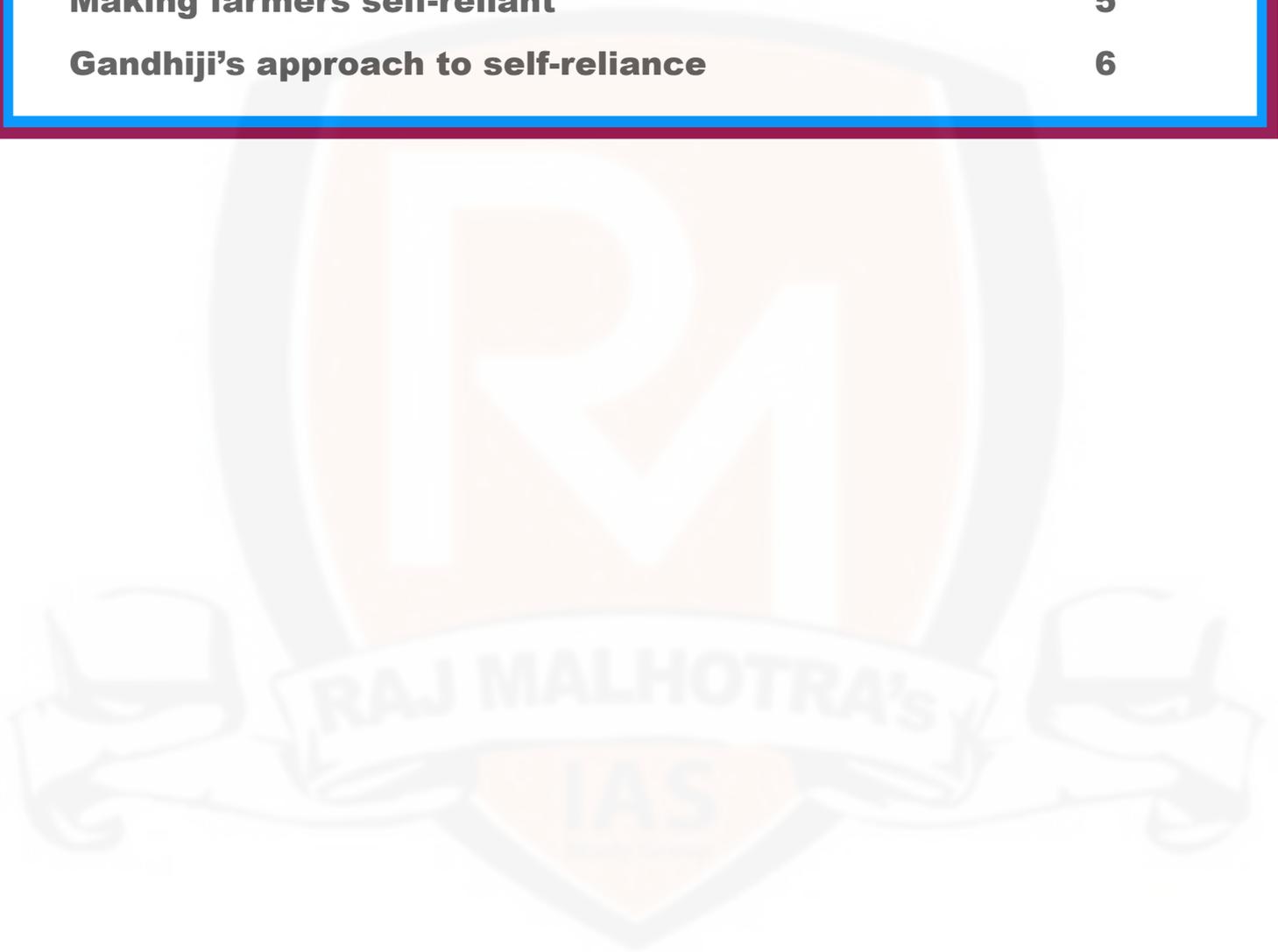


**RAJ MALHOTRA'S IAS ACADEMY, CHANDIGARH**

<b>Ethical Wealth Creation for a Self-Reliant India</b>	<b>2</b>
<b>Export Strategy</b>	<b>3</b>
<b>Making farmers self-reliant</b>	<b>5</b>
<b>Gandhiji's approach to self-reliance</b>	<b>6</b>



## Ethical Wealth Creation for a Self-Reliant India

A self-reliant India will be built by self-reliant citizens.

### The idea of self-reliant India -

- For Indians to be self-reliant, the social compact between the Government and the citizens has, in essence, to be one where “*government actively supports personal responsibility, rather than government support substituting personal responsibility or community responsibility.*”
- Therefore, subsidies, especially those that go to the relatively well-off, cannot be consistent with a self-reliant India. The expenditure spent on subsidies must instead be utilised for education and continuous skill/resource development of our citizens.
- Self-reliance can only be achieved through economic policies that increase equality while generating growth. **Seeing equality and growth as compliments rather than substitutes** has to be the transformative change we have to bring in our economic strategy for a self-reliant India.
- Self-reliance cannot be achieved without recognising that **market forces and private enterprise can take care of our needs during normal times**. As market forces allocate resources based on prices and profits, they promote economic efficiency in normal times. Therefore, promoting private enterprise has to be an important component of self-reliance.
- The very idea of ‘Shubh-Laabh’ (Prosperity and Profit) is that profit is not pariah but at the core of human endeavour and that social-prosperity and business-profit cannot exist in isolation from each other.
- Self-reliance, therefore, does not mean a return to the ‘License-Permit Raj’; nor does it mean that Government itself will once again occupy the “Commanding Heights”.

### How to achieve self-reliance?

The Government to build self-reliance must support the development of *Riddhi (Wealth and Prosperity) and Siddhi (skill)* in the following ways -

1. Our citizens learn skill, which is Siddhi.
2. We must support our MSMEs and SMEs by providing them skilled labour. The Siddhi of workers will create Siddhi for both MSMEs and workers.
3. We must invest in R&D and innovations like Digital Economy, Medical Research: All Siddhi
4. We must endeavour to reach new technological heights by using earth’s resources meaningfully (Siddhi).
5. We should aim to help the rest of the world through both Riddhi and Siddhi.

As COVID-19 has demonstrated, in strategic sectors such as healthcare, life-saving medicines, payment systems, mobile communication and defence, government must retain economic presence through one or two public sector firms. More broadly, self-reliance implies that the Government has to identify the critical sectors and ensure manufacturing capabilities in these sectors.

### Objectives -

- **Produce for the bottom of the pyramid** - Self-reliance means that Indian firms focus on producing goods and services that cater to the needs of our huge population. As Indian academic, CK Prahalad highlighted, significant fortune lies at the bottom of the economic pyramid. However, tapping into this fortune requires tailoring the product to the customer’s pocket. The business models that Indian firms generate in catering to the needs of the poor can enable them to tap into markets in many under-developed economies in Asia and Africa.
- **Importance of Agriculture for a self-reliant India** - Increasing productivity and output in the agricultural sector would, beyond improving food security and the balance of payments (through reduced food imports and increased exports), sustain agro-processing, the manufacturing of agricultural inputs, and a host of services upstream and downstream from farms, creating employment and boosting incomes across the economy. There are ample opportunities for non-labour saving innovations - better crop mix, better fertilisers, better seeds, better planting patterns. The transformation of farming from traditional practices of modern farming can be an exemplar of general societal transformation entailing modernisation.

- **Ethical wealth creation** - The Thirukural, a treatise on enriching human life by Tamil saint and philosopher Thiruvalluvar, assets in verses 753 of chapter 76: “Wealth, the lamp unfailing, speeds to every land; Dispensing darkness at its lord’s command.” Crucially, ancient wisdom emphasises equally the means to creating wealth. Verse 754 in the Thirukural declares: (Wealth) yields righteousness and joy, the wealth acquired capably without causing any harm.” To ensure that economic development occurs without detrimentally impacting the planet, ethical wealth creation advocated in the Indian ethos now needs to become a global model for development.
- **Self-reliance is not doing everything yourself** - The self-reliance does not imply complacent self-sufficiency, where India cuts itself off from the rest of the world and thereby avoids competing with the best in the world and benchmarking itself against them. Instead, self-reliance requires delineating sectors that are strategically critical to the nation and investing in these sectors so that our dependence during vulnerable times is minimised.

## Export Strategy

The Prime Minister used the phrase ‘Aatmanirbhar Bharat’ while referring to the pandemic which has put a premium on self-reliance as essential supplies from source countries have been interrupted. COVID-19 has also disrupted global supply chains and their new realignments are in the pipeline. India is again blessed with the opportunity to be a part of those supply chains where significant trade is still happening.

### Case of India -

- Though domestic supply is not very efficient, it is reliable, and in this trade-off between reliability and efficiency, the former should get a preference over the latter.
- An effective exports promotion strategy hinges on robust and competitive domestic manufacturing.
- In ‘Wealth of Nations’, Adam Smith argued that “the great object of mercantilism was to diminish as much as possible the importation of foreign goods for home consumption and to increase as much as possible the exploration of the produce of domestic industry”. His theory is still relevant today particularly for countries having large internal markets. An exports strategy aimed at import substitution and export promotion, as two sides of the same coin, is ideally suited for us.

### Import Substitution -

- Import substitution, unlike its general perception, is not undesirable. It is not inward looking in the sense of closing your doors to imports, rather it is focused on the developing domestic capability and prowess to reduce your dependence on imports, particularly when disruptions of supply chains can deprive you of critical inputs/products.
- Many countries constantly monitor the trends of imports and whenever they observe a sharp hike, they engage with the industry to understand the challenges faced in manufacturing such products domestically.
- Some countries have adopted an FDI-tariff linkage which enhances tariff for attracting FDI and encourages foreign suppliers to set up bases in their country to serve their consumers.
- It is not necessary to hike the import tariff to implement such a strategy. However, an ecosystem which provides a level-playing field must be offered to our manufacturers. This does not only mean granting them “deemed export” status but also involves extending concessional credit to such manufacturers along with competitive electricity tariff and efficient logistics.
- A positive environment to enable a supportive ecosystem for domestic manufacturers should be given preference over a tariff hike.

### Contradictions in Indian exports -

- Indian exports have progressively diversified in terms of products and the share of developing and emerging economies as destinations of Indian exports has significantly increase over time. However, the evolution of our exports has not followed a classical pattern.
- The trends point to a contradiction in the Indian economy - a technologically advanced services sector exporting high technology services and a lagging manufacturing sector exporting relatively low-value products; our export profile requires a major transformation.

- We are largely focused on exports of textiles, leather, handicraft, gems and jewellery, carpets, marine and agro products. While these are important for employment creation, their share in global exports is on a decline.
- The top 5 products in global exports, accounting for over 50 percent of the trade are - electrical and electronics products, petroleum goods, machinery, automobile and plastic goods. However, the share of these products in our exports is less than 33 percent. Our global share in these 5 products, put together, is a little over 1 percent though our share in overall global exports stood at 1.7 percent in 2019.
- A related issue is the low share of India in high technology exports. High technology exports account for 6.3 percent of our aggregate exports while this proportion stands at 29 percent for China, 32 percent for South Korea, 34 percent for Vietnam and 39 percent for Singapore.

### **An opportunity for India -**

- We need to focus on R&D and product innovation to give impetus to our export promotion strategy and to survive in a dynamic and transformational market.
- The Government should revisit the issue and provide liberal tax deductions on R&D as it is associated with a long gestation period and significant risks; such deductions would encourage investment, particularly by small and medium units.
- China's image as a supplier has taken a hit, specifically in edible products due to the outbreak of COVID-19. This presents a huge opportunity to India in the export of fruits, vegetables, cereals, tea and marine products. However, the export of many of the agricultural commodities is currently unviable due to the rising Minimum Support Prices (MSP) which at times is much more than the international prices.
- The Government should provide some mechanism to reimburse the differential price (MSP less than international price) to exporters. Such a mechanism will help exporters aggressively compete in global tenders/orders besides ensuring continuity of supply. We have experience in operating such schemes known as International Price Reimbursement Scheme for the engineering sector.

### **Recent initiatives -**

The path breaking reforms in agriculture would push agricultural exports.

1. The relaxation in the Essential Commodities will encourage exporters to procure such products and build inventory without the threat of hoarding. Removal of restriction on inter-state movement will ensure efficient, transparent, seamless inter-state movement of farmers' produce resulting in remunerative prices.
2. The revised definition of MSME will also encourage exports by these companies as the government has excluded exports turnover from the aggregate turnover for eligibility purposes resulting in more companies qualifying for MSME status. Moreover, the increase limit on investment in plant and equipment for medium companies, from Rs 10 crore to Rs 50 crore, will encourage adoption of more advanced technology in manufacturing which is the key to competitiveness in exports.

### **What should be done?**

- Greater focus should be given to FDI to boost exports and enhance productivity. FDI not only brings capital but more importantly access to technology and markets which are key to exports. FDI in exports should be supplemented by concluding FTA/CECA/CEPA with our trade partners.
- While we are doing extremely well in IT and ITES, we are much below our potential in financial services and transport services. In the IT sector also, we need to diversify from advanced economies to emerging countries and move up the value chain as we are largely at the low end of the IT segment right now.
- To promote growth of accounting and financial services, we should allow FDI in the domestic accounting and auditing sector, introduce a transparent regulatory framework, and ease restrictions on the client base in the accounting and auditing sector.
- For the education sector, let us allow foreign universities to set up campuses in India, provide easy visa regimes for students and education service providers, remove regulatory bottlenecks, provide recognition to online degrees and set up appropriate evaluation techniques for online courses.
- To push motion and audio-visual services, we require measures like introduction of insurance in the film industry, promotion of private investments in film schools, exploration of franchisee business models and promotion of value chains in the gaming industry value.

- Exports have to be treated as a 'National Priority' and all stakeholders (central and state governments, regulatory and promotional agencies, service providers and entrepreneurs) need to be on the same page to facilitate exports. An institutional set-up to address the problems and challenges faced by exports in the shortest time frame possible is the need of the hour. A three-tier structure with the district, state and central level working on an electronic platform would be ideal and the officers attending such meetings should be empowered to take quick decisions.

## Making farmers self-reliant

In the front of agriculture and food production, India is a self-reliant nation having a record output of cereals, fruits, vegetables and highest production of milk in the world. But farmers, the drivers of self-reliance, remained at the edge struggling with low income, diminishing profitability and risk-laden livelihood.

### **Mitigating risks and securing livelihood -**

#### **Climate risks -**

- In order to mitigate climate risk and regain reliance in agriculture sector, the Government of India launched a comprehensive crop insurance scheme in 2016 that provides coverage from pre-sowing to post-harvest against natural non-preventable risks.
- 'Pradhan Mantri Fasal Bima Yojana' is a low premium policy in which farmers are required to pay only 2%, 1.5% and 5% of the sum insured for kharif, rabi and commercial/horticultural crops respectively.
- Balance premium is paid upfront and shared equally between Central and State Governments. Not only farmers, but tenant farmers and sharecroppers engaged in cultivation of notified crops are eligible for crop insurance policy.

#### **Landholdings -**

- Small, fragmented and dispersed landholdings are recognised as one of the major impediment in increasing farmers' income. Nearly 85% of such land holdings belong to small and marginal farmers, who being unorganised, are unable to realise good value for their produce.
- To address this specific concern, the government started organising them into Farmer Producer Organisations (FPOs) who have better bargaining power vis-a-vis the bulk suppliers of produce and bulk buyers of inputs. NABARD, Small Farmers' Agribusiness Consortium (SFAC), government departments, corporates, national and international agencies are providing financial and technical support in their business activities.
- During initial phase (2014-15), the government created a special PRODUCE (Producers Organisation Development and Upliftment Corpus) Fund with a corpus of Rs 200 crore in NABARD for the promotion of 2,000 FPOs in the country. But the major impetus was given in the Union Budget 2019-20 by making Budgetary provision for formation of 10,000 new FPOs over the next five years.
- Success stories reveal the FPOs have ensured benefits to the small and marginal farmers through economies of scale, improved market reach, improved access to extension services and reduction in transaction costs.

#### **Procurement and Support -**

- In a major move towards self-reliance of farmers, the Government accepted and implemented the recommendation to hike Minimum Support Price (MSPs) at levels of one and half times of the cost of production (2018-19). Accordingly, the Government increased MSPs of all mandated kharif, rabi and other commercial crops with a return of 1.5 times over all India weighted average cost of production for the season 2018-19.
- Procurement is backed by a mechanism that ensures purchase at MSP even if the price of the agricultural produce falls below the MSP in open market.
- Taking note of large scale indebtedness of farmers, a unique and innovative Kisan Credit Card (KCC) Scheme was launched to provide institutional credit to farmers to meet their various needs related to farming.
- Recently, to expand the beneficiary base of KCC, the Government has waived processing fee, inspection, ledger folio charges and other service charges for short term crop loans up to Rs 3 lakhs.

#### **Trade and Marketing -**

- Taking a major step, a unique pan-India electronic trading portal was launched for business and marketing of agricultural commodities in India on 14th April, 2016.

- Popularly called eNAM (Electronic National Agriculture Market), this digital initiative aims to integrate existing agricultural mandis on an online platform to realise the vision of 'One Nation, One Market'.
- With adequate technical backstopping, 585 mandis were integrated in Phase-I and 415 mandis in Phase-II, thus the platform now has a total number of 1000 mandis across 18 states and three UTs.
- Similarly, another module facilitate warehouses for Electronic Negotiable Warehouse Receipts (eNWRs) trading.
- The Government has recently initiated a comprehensive 'Agriculture Export Policy' aimed at doubling agricultural exports and integrating Indian farmers and agricultural products with the global value chains. To promote and facilitate export of Indian agri-produce at new destinations, it has created agri-cells in many Indian embassies abroad that take care of agricultural trade related issues. Export of all varieties of pulses and edible oils (except mustard oil) has been allowed to ensure the greater choice in marketing as well as the better remuneration for farmers' produce. However, import duties have been raised and provision of 'Minimum Import Price' was imposed on selected commodities to protect the domestic growers and their livelihood from cheap import of the commodity.

#### **Building infrastructure, creating value chains -**

- In the recently announced 'Aatmanirbhar Bharat Package', an agri-infrastructure fund of Rs 1 lakh crore will provide finance to Primary Agricultural Cooperative Societies (PACS), FPOs, agripreneurs, agri-startups etc. to develop farm-gate infrastructure for farmers. Another Rs 10,000 crore scheme will support micro-food enterprises, FPOs, SHGs, Cooperatives etc. that need technical upgradation to qualify for FSSAI food standards, build brands and marketing network.
- Under Pradhan Mantri Matsya Sampada Yojana, Rs 20,000 crore has been allocated; of which Rs 9,000 crore is exclusively dedicated towards infrastructure development such as fishing harbours, cold chain, markets, new fishing vessels etc.
- On the similar pattern, an Animal Husbandry Infrastructure Development Fund of Rs 15,000 crore is being created to support private investment in dairy processing, value addition and cattle feed infrastructure. In food processing sector, 'Pradhan Mantri Kisan Sampada Yojana' is already financing and supporting development of mega food parks, integrated cold chains and infrastructure for agro-processing and value addition.

**State government initiatives** - In addition to centrally sponsored schemes, various state governments have also launched special welfare schemes for farmers to augment their income. The 'KALIA' scheme to augment their income, Mukhya Mantri Krishi Ashirwad Yojana of Jharkhand and Rythu Bandhu of Telangana are some of the noted schemes that have shown positive impact on income and livelihood of farmers.

## **Gandhiji's approach to self-reliance**

Self-reliance is a vision that indicates towards activities that are self-supporting in economic terms and indicate reliance on one's own resources and having means to an end. India had a self-reliant economy and society since the Indus valley Civilisation, which was based on traditional methods of production be it agriculture or non-farm practices.

#### **The Hind Swaraj -**

- The economy and political views of Mahatma Gandhi strongly reflected his philosophy of life. The *Hind Swaraj* was his initial treatise which described his vision about self-sufficiency of village communities in basic aspects of life.
- According to him, "an individual, a village, a country could become independent only if it became self-sufficient". His concepts can be placed under two categories. First relates to self-control and moral development, which was possible through the development of mind, body and soul and gets reflected in the practice of truth, non-violence and non-possession. The second category relates to self-reliance including aspects of local governance and economic development. He believed in participatory governance and successive linkages of it with agencies above, in the hierarchy so that an intimate network could be established instead of remote networks with a distant governing body.
- **Self-reliant villages -**

- His idea of economic development focused on making villages self-reliant. A country he felt, could become independent only if it is self-sufficient and this starts right at the village level by localising production as well as consumption.
- The village activities according to him, had the potential to generate income as well as employment. In context, he also expressed his aversion to modern machine civilisation and believed that consumption should be limited to objects that could be produced without machinery. Machines according to him should not take charge of development because the idea of having machines, to save labour is guided by greed and not philanthropy, is aimed at profit maximisation and leads to concentration of wealth.
- He also opposed the mass production of commodities because it eventually gets dumped down to the village market, thus leading to destruction of the village production system.

### The Constructive Programme -

- His subsequent writing in the Constructive Programme (1941, revised in 1945) reflected upon his ideas further. He described Constructive Programme as complete independence through truth and non-violent means, with independence of each humble unit without distinction of race, colour or creed. It was a programme of individual change, followed by social change and faith in the following for *Poorna Swaraj*.
- He also attempted to reach out to the historically marginalised and ignored sections of the society like the untouchables, women, peasants and labourers, students etc., whom he considered the agents in the process of nation building.

### Thoughts of Gandhiji -

His thoughts were futuristic and his ideas encompassed some thinkable and very workable propositions about self-sufficient villages which would lead to -

- Villages becoming small units of production, using machinery which are labour facilitating and not labour replacing.
- Protection of the artisan economy and dying of traditional handicrafts which have the potential to create a world market.
- Revival of the agriculture and allied activities (agro-based and other non-farm activities) to generate livelihoods.
- Generation of economic activities which are not dependent on land but yet provide livelihoods.
- Check on village out migration due to seasonal unemployment in agriculture.
- Lessening of ecological impact on environment due to over utilisation of resources for mass production and consequent pollution.
- Utilisation of local specificities in terms of resources and traditional knowledge.
- Self-sufficiency in terms of power through renewable sources and water through its own waterworks, thus making science and technology serve in the villages.
- Lessening of the development divide and contrasts between the villages and cities.

### Contemporary relevance of Gandhiji's thoughts -

- However, in this era of mass production, materialism and consumerism, there appears to be quite a drift from the environment, social milieu, traditions and traditional knowledge, facilitating science and technology, that was perceived and proposed by Gandhi.
- The interconnectedness and interlinkages across nations in the contemporary world have led to interdependencies, that have created the present economic order.
- Being a signatory of the Sustainable Development Goals of the United Nations (2015) India needs to ensure “that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including micro finance.”
- The socio-geographical-cultural diversities delimit the scope having a uniform action plan for development. The local specifics, identities and endowments need to be taken into consideration for any development approach. Gandhi mentioned that the “Constructive Programme is designed to build the nation bottom up” and that is conceivable with the involvement of the grass root level representatives for self-reliance and self-containment.
  - The **first potential sector** lies in the **handicraft** tradition of India. It forms part of the small scale industry sector and provides livelihoods to lakhs of people in the rural areas.

- The **secondary important** potential activities include most of the **non-farm practices** that have the capability to provide sustained livelihoods. Since land as a resource is limited, the agro-based allied activities also have considerable potential to create income.

**Conclusion -**

The mission and measures towards self-reliant India with emphasis on the micro, small and medium enterprises align with the vision of Gandhi fundamentally. The revision and roadmap could go a long way in protecting and promoting the interests and earnings of the rural masses.

