Old slogan. New slogan. Any conflict?

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The new slogan is: "Be Vocal for Local!" or "Local ke liye Vocal!"

The old slogan was: "Think Globally, Act Locally!"

In the agitational politics of India, slogans are often used to motivate action. At times, these actions are destructive as well.

The old slogan

'Think Globally, Act Locally' was used with regard to sustainable development by the World Commission on Environment and Development in its 1987 report. The term sustainable development was defined as one that "meets the needs of the present without compromising the ability of future generations to meet their own needs." This was based on the need for understanding of "the world's contemporary problems, including climate change, loss of biodiversity and ocean pollution and taking actions to address such issues through local engagements."

There was also a contrasting clarion call, 'Think Locally, Act Globally' which stressed on the need for collective action. In fact, this rephrased slogan was preferred by some, as it avoids local initiative by assuming somebody at the global level will take action.

In economic terms, for three decades, China acted more effectively than anyone in the developing world. 'Think globally, act locally' was construed to produce domestically and sell externally. China took advantage of the liberal global trade environment and free movement of goods and capital. It invited foreign direct investment (FDI) with open arms to start factories by using a huge pool of idle and hence cheap labour. It embraced an export led growth policy since the late 1980s. It began production of consumer durables and semi durables for exports to the advanced countries at dirt cheap prices. In the next thirty years, with high rate of growth in the economy, China's poverty level was rapidly reduced. Only 3.3% of its population is now reportedly below the poverty level compared to India's 21.9%. China's per capita annual income soared from \$348 in 1990 to \$ 8,338 in 2017. The corresponding figures for India were \$364 in 1990 and \$1940 in 2017.

Rebalancing the economy

As poverty declined, the wage level went up in China. The advantage of cheap labour in urban and industrial areas soon evaporated and overseas companies were looking at nearby ASEAN nations to diversify their production units. Annual current account surplus which was once 10% of the GDP decreased to 3%. Further, sensing the restlessness in rural areas, China changed its gears. Rural areas were relatively neglected and general domestic consumption was poor and savings were high - at 50% of GDP. As most of the investment was in urban and industrial towns in term of infrastructure, sensing dissatisfaction, Chinese policymakers switched to a new policy which they termed as 'rebalancing the economy'. Rebalancing refers to the structural transformation that should put China on a 'more even keel'. It includes economic transformation aimed at raising rural investment in schools and health facilities. It also covers four inter-related dimensions namely external, internal, environmental and distributional. That is China's version of being vocal for local action.

At the same time, China did not want to lose control over its economic dominance so assiduously built over decades. It cleverly conceived an idea. The Belt and Road Initiative (BRI) was launched in 2013. Under this initiative, China started using its huge foreign exchange reserves with the apparent objective of assisting countries from East Asia to Europe for constructing major infrastructure projects - initially through grants but with loans later. This initiative has successfully made various developing countries in Africa and in the Pacific indebted to China.

Local ke liye vocal

On May 12, 2020, while announcing the stimulus package of ₹20 lakh crore for meeting the Covid-19 economic crisis, Prime Minister Narendra Modi exhorted the nation to adopt the mantra ‘local ke liye vocal’. He was seemingly inspired by India’s quick production of hand sanitizers, masks, personal protective equipment, rapid test kits and other products to meet the growing demand - following the outbreak of the Covid-19 pandemic. Further, India’s pharmaceutical industry was also able to meet the worldwide demand for the anti-malaria drug. The significance behind this catch phrase is that India should become self-reliant and if many Indian products are increasingly used, they would become truly global and can be exported to earn foreign exchange as well.

He is well aware that India’s merchandise exports basket, which do not include manufactured consumer durable and semi-durable goods, is small and cannot stand Chinese competition. China’s exports are seven times higher than India’s and as a percent of world exports it is 12.4% valued at $4.6 trillion followed by the US which is at 11.5%. It would take India years to level with China.

Think global, act local

The priority before the nation is to provide jobs to the rising number of youths, educated and less educated. The latest crisis of inter-state migrants losing jobs and trying to get back to their states of origin following the lockdown has highlighted the problem of unemployment in India. According to the World Bank, the number of internal migrants in India was 450 million as per the most recent data including the 2011 census - an increase of 45% from 309 million recorded in 2001 and exceeding the population growth rate of 18% during 2001-2011.

Results of a study by S. Rukmini reported by the LiveMint in mid October last year shows interstate migration was at 11% compared to intrastate migration proportion which was at 62% and inter-district migration at 27%. Top destinations are the states of Maharashtra, Delhi, Gujarat, Haryana and UP. About 33% of them (migrants) are workers and 34% of them are poorly educated. Additionally, only 9.5% are graduates. Most of the migrants are from Bihar, Madhya Pradesh, Rajasthan, Uttar Pradesh and Orissa which have lower than average Indian human development indicators including school years, health, and other skills.

Provision of jobs to them can be done without disturbing their movements to other states if FDI is encouraged in Bihar and the other four states listed above in making final products of domestic consumption or operate units which form a part of the domestic supply chain.

The new slogan does not call Indians to return to the idyllic Gandhian way of life. It is not the ‘self-sufficiency at village level or self-reliance at the national level’ steeped in the works of J.C. Kumarappa or Sriman Narayan Agarwal, the Gandhian economists. Indians, belonging to the growing middle class, having been exposed to the fruits of globalisation would spurn any idea of returning to old days. The new slogan, ‘be vocal for local’, when combined with think ‘global and act local’, becomes a synthesis. There is no conflict then. ■

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MSMEs need immediate boost

■ *Aritra Mitra*

Prior to the Prime Minister's announcement of the economic package, Rajkiran Rai G., Managing Director and CEO, Union Bank of India, while participating in a webinar organised by the Bharat Chamber of Commerce observed that extending credit to MSMEs was not the only solution. He said that this will destroy the leveraging power of these units. He stated that banks following the guidelines of the Reserve Bank of India (RBI), had already offered a 10% additional working capital limit which was pre-approved and collateral-free.

S.S. Mallikarjuna Rao, Managing Director and CEO, Punjab National Bank (PNB), told BE about the additional working capital limit of up to 25% given to the existing MSME borrowers having an aggregate exposure of `5 crore to meet their temporary liquidity mismatch. He added, "Under PNB COVID-19 Emergency Credit Facility (PNB-CECF), an additional credit of 10% of the existing Fund Based Working Capital limits (FBWC) with maximum amount of ₹100 crore is provided to meet statutory dues."

From the macro-economic point of view, Rai suggested that a special 'Interest Subvention Scheme' for all categories of MSMEs having good credit history, might be devised to address the present liquidity problem. He also expressed his strong feelings towards internal rating of MSMEs as it was a serious problem as most of the rating agencies followed rules devised for the corporate sector. He focused on the need of a different benchmarking of rating for MSME loans.

Initiatives for the MSMEs

In the press conference, while announcing the measures for the economic stimulus package, Indian Finance Minister (FM) Nirmala Sitharaman stated that the government had revised the definition of the MSMEs to allow those units with investment up to ₹1 crore to be termed as micro units in place of ₹25 lakh at present. She added that the units having a turnover of up to ₹5 crore will be termed as micro units. Responding to long pending demands for revisions, Sitharaman said that a turnover-based criterion is being introduced to define small businesses. Several experts and industry insiders are of the opinion that because of the old definition, many companies lost out on the benefits but the new definition may lead to higher turnovers helping companies to grow.

Among other measures, she announced a collateral-free loan of ₹3 lakh crore for the MSMEs that will come for a tenure of four years without any repayment for 12 months. She said that this will benefit 45 lakh MSME units across the country.

However, the stimulus package has received mixed responses from industry insiders. Animesh Saxena, President, Federation of Indian Micro and Small and Medium Enterprises (FISME), informed, "We needed oxygen and immediate ventilation. If I talk in medical terms, most of the MSMEs need ventilators now. If they are not given any benefit and immediate support, they will not survive the 3-4 months of zero business."

Effectiveness

Despite the FM's announcements, industry insiders doubted the effectiveness of the initiative. A banking executive based in Kolkata from a nationalised bank, informed BE, "Essentially, the money is lent only after evaluating the businesses. A meeting was scheduled to take place to discuss the FM's announcements but the recent cyclone in West Bengal has pushed it back indefinitely." Banking sources state that the bankers are expecting detailed guidelines from the government or the Reserve Bank of India (RBI) on the MSME schemes. TransUnion Cibil recently reported that loans worth ₹232,000 crore of MSMEs are at a higher risk of becoming non-performing assets (NPAs). If some of the loans being given to MSMEs become NPAs, the liability will come upon government due to the credit guarantee scheme.

Following the Prime Minister's announcements for an economic stimulus, there were expectations from the MSME sector regarding a liquidity injection. However, the FM's announcements have left the sector disappointed. Saxena told the media, "At the end, we are seeing that it is only loan without guarantee. Rest is all frivolous. In this kind of a crisis with mounting losses and no business, we were expecting that government will come with direct support."

Earlier, the FM had announced that the government would pay the employees' as well as the employers' share of the Provident Fund (PF) for three months since March. In the recent announcement, the FM notified that this will be extended till August. However, this benefit will only cover those establishments with up to 100 employees and out of which 90% earn a monthly salary of less than ₹15,000. Industry insiders stated that this will leave out most MSMEs. Chandrakant Salunkhe, President, Small and Medium Business Development Chamber of India proclaimed that the loans and the other benefits offered are more of a gimmick. He told the media, "Only those MSMEs which are capable would qualify for fresh loan and those who are grappling with the crisis will eventually close down."

Future

Industry insiders are of the opinion that the Public Sector Units (PSUs) and other government agencies should release the long-standing payments of the MSMEs so that the amount can be invested for generating more businesses for the MSMEs.

Amidst all these announcements and demands, several experts feel that the government has clearly focused on the supply side. At present, there is poor purchasing power. If demand side issues are not addressed, it will be extremely difficult MSMES to achieve the self-reliance. ■