



Push to Electronic Manufacturing in India

For Prelims: National Policy on Electronics (NPE) 2019, Design Linked Incentive (DLI) Scheme

For Mains: Electronic industry, related issues and its role in making India self-reliant.

Why in News

India is likely to achieve **electronics production of USD300 billion by 2026**, lower than the target of **USD400 billion by 2025** set as per the [National Policy on Electronics \(NPE\) 2019](#).

- The given estimate is according to a **5-year roadmap and vision document** titled **“USD300 bn Sustainable Electronics Manufacturing & Exports by 2026”** released by the **Ministry of Electronics and IT (MeitY)** in association with the **India Cellular & Electronics Association (ICEA)**.
 - ICEA is the apex industry body of the mobile and electronics industry comprising manufacturers.
- This roadmap is the **second volume of a two-part vision document** - the first of which titled **“Increasing India’s Electronics Exports and Share in Global Value Chain (GVCs)”** was released in November 2021.

Key Points

- **Growth of Electronics Manufacturing:**
 - According to the document, the reduced target still **aims for a 400% increase from the current level**.
 - Mobile manufacturing that is expected to **cross USD100 billion annual production - up from the current USD30 billion** - is expected to constitute nearly **40% of this ambitious growth**.
- **Products Expected to Lead:**
 - Amongst the key products that are expected to lead **India’s growth in electronics manufacturing** include Mobile Phones, IT Hardware (laptops, tablets), Consumer electronics (TV and audio), Industrial electronics, Auto electronics, Electronic components, LED Lighting, Strategic electronics, PCBA (Printed Circuit Board Assembly), Wearables and hearables, and Telecom equipment.
- **Challenges:**
 - There are various challenges being faced by the industry across **qualitative (non-tariff, infrastructure related) and quantitative (tariff, [free trade agreements](#) etc.) aspects**.
- **Suggestions:**
 - For achieving the target of USD300 billion in electronics manufacturing by 2025-26, **primary focus must be building of scale through incentives** and removal of cost disabilities.
 - The documents also called for **‘swift changes’ in respect of existing policies** within the next 1,000 days, including **stability in import tariffs, decrease in import tariffs for components with no manufacturing base in India, development of skill sets**

and encouraging major foreign manufacturers to set up components ecosystems in India.

- It makes a **strong recommendation on the need to focus on aggregate domestic value addition** in the electronics sector, as India transforms from its current state to one that is gearing to compete with the likes of China and Vietnam.
 - It also details the **importance of the key role Indian champions** will play in addition to global companies – both of whom are already part of the [Production-Linked Incentive \(PLI\) Schemes](#).
 - The USD300 billion electronics manufacturing comes on the back of the **USD10 billion PLI Scheme** announced by the government to propel forward the Semiconductor and Display ecosystem. The government has committed nearly USD17 billion over the next 6 years across four PLI Schemes – **Semiconductor and Design, Smartphones, IT Hardware and Components**.
- **Related Initiatives:**
- [Scheme for Promotion of Manufacturing of Electronic Components and Semiconductors \(SPECES\)](#)
 - [Modified Electronics Manufacturing Clusters \(EMC 2.0\) Scheme](#)
 - [Design Linked Incentive \(DLI\) Scheme](#)

India Electronics Manufacturing industry

▪ **About:**

- Electronics manufacturing had grown from **USD37.1 billion in 2015-16 to USD67.3 billion in 2020-21**.
 - However, [Covid-19](#) related disruptions impacted the growth trajectory in 2020-21 and led to a **decline in the manufacturing output to USD67.3 billion**.
- According to the document, there has been a **complete shift in strategy** which goes beyond the vision of import substitution to **"Make in India for the World"**.
- This fresh outlook is **aimed at transforming India's manufacturing prowess** by focusing on competitiveness, scale and exports.
- Furthermore, **continuing on the path of import substitution**, India's domestic electronics market is estimated to reach at **best USD150-180 billion** from the current USD65 billion over the next 4-5 years.
 - Thus, exports of USD120-140 billion are critical to reach the USD300 billion mark for electronics manufacturing.
- This, in turn, is key for the **USD5 trillion economy**, USD1 trillion digital economy, and the USD1 trillion export target envisaged by MeitY (Ministry of Electronics and Information Technology) and the Ministry of Commerce and Industry, respectively.

▪ **Importance:**

- The increasing labour costs in China, the geo-political trade and security environment, and the Covid-19 outbreak are compelling many global electronics majors to look at alternative manufacturing destinations and diversifying their supply chains.
- **India is one of the leading contenders** for alternate solutions for global electronics companies.
- The electronics sector has the **potential to become one of the top exports of India in the next 3-5 years**. Electronics exports may account for significant contributions to the Indian economy in terms of **foreign exchange earnings and employment generation**.

[Source: TH](#)