SCHEME TO PRODUCE ELECTRONIC COMPONENTS: ECONOMY

NEWS: 70 applications received for scheme to produce electronic components

WHAT'S IN THE NEWS?

The Government of India has launched a Rs. 22,919 crore Electronics Component Manufacturing Scheme to boost domestic production, attract investment, and reduce import dependence, with 80% of applications coming from SMEs. The initiative aligns with India's goal of achieving $500 billion in electronics manufacturing by 2030, despite challenges like global competition, skill gaps, and capital intensity.

1. Overview of the Electronics Component Manufacturing Scheme

- Launched by the Government of India with an outlay of Rs. 22,919 crore.
- Objective: To develop a robust indigenous ecosystem for manufacturing electronic components and sub-assemblies in India.
- The scheme is part of the government's broader vision to reduce import dependence and promote self-reliance under Aatmanirbhar Bharat.

2. Key Objectives

- Attract large-scale investments from global and domestic players in the electronics component manufacturing space.
- Increase Domestic Value Addition (DVA) by enhancing manufacturing capabilities across different segments.
- Integrate Indian manufacturers into Global Value Chains (GVCs) to make India a key global player in electronics.

3. Salient Features

- Tenure: Six years plus one-year gestation period.
- Provides differentiated financial incentives depending on the nature of the components manufactured.
- Incentives are linked to employment targets to promote job creation in the sector.
- The scheme is designed to offset sectoral disabilities and promote economies of scale and technology acquisition.

4. Classification of Components Under the Scheme

- Category A: High-value components like display modules and camera module sub-assemblies.

- Category B: Bare components including multi-layered PCBs, lithium-ion cells, non-SMD devices, IT hardware.
- Category C: Flexible PCBs and SMD (surface mount device) passive components.
- Category D: Capital goods and machinery used for manufacturing A, B, and C category components.

5. Applications Received

- The government has received 70 applications, of which 80% are from Small and Medium Enterprises (SMEs).
- Indicates strong interest and potential growth among indigenous MSMEs in the electronics manufacturing space.

6. Progress in India's Electronics Sector

- Domestic production has grown from Rs. 1.90 lakh crore in FY 2014-15 to Rs. 9.52 lakh crore in FY 2023-24, with a CAGR of over 17%.
- Exports have increased from Rs. 0.38 lakh crore to Rs. 2.41 lakh crore in the same period, with a CAGR of over 20%.
- These figures reflect the growing capability and global competitiveness of India's electronics sector.

7. Challenges Hindering Electronics Manufacturing

- Global Competition: India faces tough competition from well-established electronics manufacturing hubs like China, Taiwan, South Korea, USA, Vietnam, and Malaysia.
- Skill Deficit: There is a shortage of technically skilled workers, especially for advanced and precision manufacturing processes.
- High Capital Requirement: Electronics manufacturing requires large capital investment, has long gestation periods, and demands high-risk management, making it less attractive without government support.

8. Complementary Government Initiatives

- Make in India: Encourages domestic production by providing policy and infrastructure support.
- Digital India: Promotes digitization, boosting demand for locally manufactured electronic devices.
- Startup India: Facilitates innovation in electronics design and manufacturing startups.
- PLI Scheme for Electronics: Offers financial incentives to scale up mobile manufacturing and key components such as ATMP (Assembly, Testing, Marking, and Packaging) units.

- National Policy on Electronics 2019 (NPE 2019): Aims to position India as a global electronics manufacturing hub.
- Modified Electronics Manufacturing Clusters (EMC 2.0): Provides infrastructure with shared facilities to reduce setup costs for electronics manufacturing units.

9. Future Vision and Way Forward

- India targets to achieve USD 500 billion in electronics manufacturing value by 2030.
- Key strategies include:
    - Localizing high-tech and value-added components.
    - Investing in R&D and design capabilities.
    - Building global partnerships with leading electronics firms.
    - Developing skilled human resources and strengthening infrastructure in manufacturing clusters.

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