

The electronics industry, which is the world's largest and fastest growing one, is increasingly finding application in all sectors of the economy. In India too, the electronics system design and manufacturing (ESDM) industry has started playing a key role in the country's modernisation and is one of the important pillars of the government's flagship Digital India and Make in India programmes.

That said, the domestic electronics hardware manufacturing sector faces certain challenges that have made it uncompetitive vis-à-vis global competitors. These challenges include high-cost finance, inadequate availability of good quality power, an insufficient component manufacturing base, a limited focus on research and development (R&D), and the lack of adequate infrastructure, supply chain and logistics.

In a bid to address the issues hampering the growth of the ESDM industry, the government had notified the National Policy on Electronics (NPE) in 2012. However, the industrial landscape has undergone a sea change since then. While the NPE, 2012 has been successful in laying the foundation for a competitive ESDM value chain in India, a lot needs to be done. Therefore, to address the key issues and build on the foundation laid by the NPE, 2012, the Union cabinet recently approved the NPE, 2019.

The new policy, proposed by the Ministry of Electronics and Information Technology (MeitY), aims to spur growth in the Indian ESDM sector. It envisions positioning India as a global hub for ESDM by encouraging the development of core components, including chipsets, and creating an enabling environment for the industry to compete globally.

An overview of the new policy...

NPE, 2019

The policy aims to promote indigenous production and export of electronic goods and domestic R&D. The key objectives of the policy include:

- Promoting domestic manufacturing across the ESDM value chain, including core components

and materials, for increasing the domestic value addition and reducing the dependence on imports of electronic goods by focusing on scale, skill and technology.

- Strengthening India's global trade linkages, and building facilitative programmes and incentive frameworks for enhancing ESDM exports.
- Developing manufacturing capacities in all sub-sectors of electronics, including semiconductor wafer fabrication and display fabrication facilities, and creating a vibrant, dynamic and self-reliant fabless chip design ecosystem in the country.
- Improving ease of doing business in the ESDM industry.
- Encouraging industry-led R&D and innovation in all sub-sectors of electronics.
- Providing support for significantly enhancing the availability of skilled manpower in the ESDM sector.
- Providing support for export-led growth, including significantly enhancing economies of scale for manufacturing electronic goods.
- Supporting a comprehensive start-up ecosystem in emerging technology areas such as 5G, internet of things, artificial intelligence and machine learning, and their application in areas such as defence, agriculture, health, smart cities and automation, with a special focus on solving real life problems.
- Providing policy support and special incentives for capital-intensive projects.
- Formulating suitable schemes and incentive mechanisms for encouraging new units and

expanding existing ones.

- Creating a sovereign patent fund (SPF) for promoting the development and acquisition of intellectual property (IP) in the ESDM sector.
- Promoting trusted electronics value chain initiatives for improving the national cybersecurity profile.

Key features of NPE, 2019

The most notable feature of the new policy is the replacement of the Modified Special Incentive Package Scheme (M-SIPS), which offered incentives to companies for setting up manufacturing units, with schemes that are easier to implement such as the interest subsidy scheme and the credit default guarantee scheme. The interest subsidy scheme proposes to provide interest subsidy on loans taken by investors to offset the financing disability faced by Indian manufacturers due to higher interest rates vis-à-vis their competitors globally. Meanwhile, the credit default guarantee scheme aims to create a fund to provide default guarantee of up to 75 per cent of the loan on plant and machinery to banks for loans of up to Rs 1 billion. This will eliminate the need for small and new investors to provide third-party collateral currently being demanded by banks for sanctioning such loans. Together, these new schemes will encourage the setting up of new units and facilitate the expansion of existing ones. However, consultations are on with the Department of Expenditure for introducing these schemes.

The policy promotes a forward-looking and stable tax regime in the form of the Phased Manufacturing Programme (PMP) for various segments of electronics, with a sunset clause.

In addition, the new policy replaces the existing Electronics Manufacturing Clusters (EMC) scheme with a revised EMC scheme that will provide support for infrastructure development. According to the revised EMC scheme, support for creating infrastructure and common facilities in both greenfield and brownfield manufacturing clusters will be provided in collaboration with state governments.

Targets and implementation strategy

The policy lays down ambitious targets to promote economic development of the ESDM sector. It targets a growth rate of 32 per cent over the next five years as opposed to the current rate of 26.7 per cent. Further, it aims to increase domestic manufacturing and exports across the ESDM value chain to achieve a turnover of \$400 billion (approximately Rs 26 trillion) by 2025. This will include a targeted production of 1 billion mobile handsets by 2025, valued at \$190 billion (approximately Rs 13 trillion). Of the 1 billion mobile handsets, 600 million, valued at \$110 billion, (approximately Rs 7 trillion), have been targeted for exports. The policy proposes to generate employment opportunities for 10 million people in the electronics manufacturing segment by 2025.

The strategy for achieving the aforementioned targets will be implemented by MeitY. The ministry will also coordinate with the concerned ministries/departments to provide suitable incentives to the ESDM industry for rapid and robust expansion of electronics hardware manufacturing within the country. Further, MeitY will work out the details and facilitate government decision-making for undertaking suitable measures.

Conclusion

Net, net, the NPE, 2019, once implemented, will lead to the formulation of several schemes, the rolling out of initiatives and projects, etc., in consultation with the concerned ministries/departments. It will enable smooth flow of investment and technology in the sector, leading to higher value addition and increased electronics hardware manufacturing and exports. Further, it will lead to substantial employment opportunities.

According to industry experts, India's electronics hardware demand is expected to rise to \$400 billion by 2023-24. To this end, the policy is expected to give indigenous production of electronic goods a major boost, thereby reducing India's import bill on electronics. Amidst growing cybersecurity concerns, the policy throws light on the need to enhance the understanding of cybersecurity issues and risks, and undertake mitigation measures pertaining to electronic products. The policy envisages promoting the development of secure chips, nano-based devices and cybersecurity products. It is expected that these measures will help address the cybersecurity issues impacting the sector.

The creation of the SPF entailed in the policy will help in the development of IP in the ESDM sector, improve India's export competitiveness and act as a catalyst for innovation in the sector.

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