Electronic Component Manufacturing Scheme

Prelims – *General Science & Sustainable Development | Current events of national & international importance.*

Mains (GS III) – *Technology, Economic Development*

Why in news?

Recently, the Union Cabinet had approved the Electronics Component Manufacturing Scheme to make India Atmanirbhar in electronics supply chain.

What is Electronic Component Manufacturing Scheme?

- It is a *central sector scheme* to expand electronics manufacturing beyond semiconductors, IT hardware, and mobile phones.
- **Nodal agency** - Ministry of Electronics and Information Technology (MeitY).
- **Objectives** – Developing a *robust component ecos*ystem by attracting large investments (global/domestic) in electronics component manufacturing ecosystem.
- *Increasing Domestic Value Addition* (DVA) by developing capacity and capabilities.
- Integrating *Indian companies with Global Value Chains* (GVCs).
- **Budget** - Rs.22,919 crore.
- **Tenure** - ***6 years*** with 1 year of gestation period.
- **Targets**
  - Rs59,350 crore in investments
  - Production worth Rs4,56,500 crore
  - Creation of 91,600 direct jobs in the coming years.

Status of Electronics Segment in India
• Electronics is one of the highest-traded and fastest-growing industries globally. • **Role of electronics** – It is expected to play a pivotal role in shaping the global economy and advancing a country's economic and technological development. • Since electronics permeates all sectors of economy it has *economic and strategic importance*. • With various initiatives of GoI, the electronics manufacturing sector has witnessed remarkable growth in the last decade. • **Domestic production of electronic goods** – It has *increased* at a CAGR of more than 17% from FY 2014-15 to FY 2023-24. • **Exports of electronic goods** - It have also *increased* from FY 2014-15 to to FY 2023-24 at a CAGR of more than 20%.

What are its features?

- It provides *differentiated incentives* to Indian manufacturers tailored to overcome specific disabilities for various categories of components and sub-assemblies.

- Thus, manufacturers can acquire technological capabilities and achieve economies of scale.
- **Electronic Component Manufacturing Scheme** – They are classified *under 4 categories*.
    - Sub-assemblies
    - Bare components
    - Selected bare components
    - Supply chain ecosystem & capital equipment for electronics manufacturing
- **Incentives** – *Turnover* linked incentive, *Hybrid* incentive and *capex* incentives.
- Unlike previous schemes, it is ***not based on a production-linked incentive,*** where manufacturers will be rewarded for incremental manufacturing.

Turnover linked incentives *are based on the total revenue generated by a manufacturing unit from the sale of its products over a specific period.*

- Payout of a part of the incentive is linked with employment targets achievement.

What are the benefits of the scheme?

- **Boosts domestic manufacturing** – It can reduce import dependency by promoting the production of semiconductors, circuit boards, and batteries.
    - It aims for Rs59,350 crore in investments, encouraging factories and R&D centers.
- **Generates employment** – It is expected to create 91,600 direct jobs and more in related sectors.
- **Enhances value addition** – It shifts focus from assembly to component manufacturing, strengthening economic resilience.
- **Supports self-reliance** – It advances Make in India and Secures the Electronics Supply Chain.
- **Strengthens tech leadership** – It can aid AI, Internet of Things, and EV development, boosting India's global tech position.
- **Stable incentives model** – Rewards turnover and employment creation over mere production increases.

Quick Facts

Ministry Of Electronics and Information Technology

• **Establishment** – 2016.
• It is carved out from the Ministry of Communications and Information Technology, based on Narayana Murthy Committee recommendations)
• **Mission** – To advance Digital Governance, foster inclusive growth in electronics and IT, strengthen Internet Governance, promote R&D and innovation, and ensure cybersecurity.
• **Key Objectives**
  - **e-Government** – Develop e-infrastructure for digital services.
  - **e-Industry** – Support electronics manufacturing and IT-ITeS sector.
  - **e-Innovation/R&D** – Build research and innovation infrastructure.
  - **e-Learning** – Promote digital skills and knowledge networks.
  - **e-Security** – Secure India's cyberspace.
  - **e-Inclusion** – Leveraging ICT for Inclusive Growth.

Reference

PIB| Approval of New Electronic Component Manufacturing Scheme