

UPSC Syllabus Topic : GS Paper 3 – Indian economy-changes in industrial policy .

Current Landscape and Challenges in India's Electronics Industry

Overview: The electronics industry in India has witnessed a notable surge in production and exports, particularly in mobile phones, signalling the effectiveness of current government policies. However, certain concerns and predictions, notably by the Indian Cellular and Electronics Association (ICEA), hint at potential challenges.

Current Industry Status: The production and export of electronics, especially mobile phones, have experienced significant growth, with a notable increase from 15% in 2021-22 to 25% the following year. Projections indicate a further rise to exceed 30% by 2023-24, aligning with the government's target of \$52-58 billion in exports by 2025-26.

ICEA's Perspective: Despite positive trends, ICEA expresses caution, forecasting a decline in domestic mobile phone demand from 21% to under 4%. This divergence in outlooks raises questions about the sustainability and implications of current industry dynamics.

Government Policies for the Electronic Industry:

1. The government employs high tariff barriers on imports and final goods to stimulate domestic manufacturing, leveraging robust domestic demand to attract multinational companies.
2. The Production-Linked Incentive (PLI) scheme incentivizes companies based on incremental sales in domestic facilities, aimed at fostering domestic manufacturing.

Issues Associated with Current Policies:

1. **Bureaucratic Control:** The presence of bureaucratic control and wide discretionary powers granted to authorities poses challenges and impedes the smooth functioning of businesses.
2. **Import Tariffs:** According to ICEA, high import tariffs on components and sub-assemblies for mobile phone production contribute to an additional 5-7% to the cost of locally manufactured devices, making the PLI scheme less lucrative.

Steps to Enhance Policy Effectiveness:

1. **Global Value Chains:** Design policies to encourage India's integration into global value chains, fostering collaborations and positioning the country as a key player in the global electronics market.
2. **Stable and Low-Tariff Regime:** Adopt a stable and low-tariff regime to provide predictability and attract investment, ensuring competitiveness in the global market.
3. **Business-Friendly Environment:** Shift focus towards creating a business-friendly environment rather than relying solely on production subsidies. This includes streamlining bureaucratic processes and reducing discretionary powers to facilitate smoother operations for businesses.

In conclusion, while the electronics industry in India shows promising growth, addressing concerns and implementing strategic policy adjustments is crucial to ensure long-term sustainability and global competitiveness.