

GOVERNMENT OF INDIA
MINISTRY OF ELECTRONICS AND INFORMATION TECHNOLOGY
LOK SABHA
STARRED QUESTION No.*77
TO BE ANSWERED ON 26.06.2019

**INVESTMENT IN ELECTRONIC AND
INFORMATION TECHNOLOGY SECTOR**

***77 SHRI JANARDAN MISHRA:**

Will the Minister of Electronics and Information technology be pleased to state:

- (a) whether there is a need to promote domestic investment in electronics and information technology sector in the country, if so, the details thereof: and
- (b) the steps taken/ proposed to be taken by the Government in this regard?

ANSWER

MINISTER OF ELECTRONICS AND INFORMATION TECHNOLOGY
(SHRI RAVI SHANKAR PRASAD)

- (a) and (b): A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO LOK SABHA STARRED QUESTION NO.

***77**

**FOR 26.06.2019 REGARDING INVESTMENT IN ELECTRONIC
AND INFORMATION TECHNOLOGY SECTOR**

(a): Yes, Sir. The Government attaches high priority to domestic electronics hardware manufacturing and it is one of the important pillars of both “Make in India” and “Digital India” programmes of Government of India. The Electronics System Design and Manufacturing (ESDM) industry is of strategic importance as well. As a result of steps taken by the Government for promotion of electronics hardware manufacturing and efforts of the industry, domestic electronics production has increased from INR 1,90,366 crore in 2014-15 to an estimated INR 4,58,006 crore in 2018-19, at a Compound Annual Growth Rate (CAGR) of about 25% during the last four years. The import of electronic goods was of the order of USD 37.5 billion (approximately INR 2,29,275 crore) in 2014-15, which has also grown to USD 57.37 billion (approximately INR 3,98,722 crore) during 2018-19 at a CAGR of about 11% during the last four years.

As per extant Foreign Direct Investment (FDI) policy, 100% FDI is permitted under automatic route for Information Technology and Electronics manufacturing sector, subject to applicable laws/regulations; security and other conditionalities. There has been a significant FDI inflow into the computer software and hardware sector, as under:

Year	FDI Inflow (in INR crore)
2016-17	24,605
2017-18	39,670
2018-19	45,297

The sector has further potential to increase investments.

IT-BPM sector contributes 6.6% of the country's GDP, directly employs over 4.1 million skilled work force and annually earns in excess of USD 130 billion in foreign exchange, with USD 180 billion in overall revenue. It contributes over 66% of India's total services exports and attracted USD 6.4 billion FDI during 2018-19.

(b): Steps taken by the Government for promotion of domestic electronics manufacturing and exports from the country are Annexed. National Policy on Electronics 2019 (NPE 2019) has been notified on 25.02.2019 with the vision to position India as a global hub for ESDM and creating an enabling environment for the industry to compete globally.

The Indian IT industry has emerged as the leader in the global competition. It has differentiated itself through quality service delivery and significant value addition to the customer's business. However, with emergence of newer technologies e.g., Artificial Intelligence (AI), Internet of Things (IoT), Machine-to-Machine (M2M), etc., there is a need to evolve new products and services. In order to realize this, the National Policy on Software Products 2019 has been approved by the Union Cabinet on February 28, 2019, with a vision to create software product development eco-system, thereby enabling Intellectual Property driven growth of IT industry.

Government had launched two BPO promotion schemes, namely, India BPO Promotion Scheme (IBPS) and North East BPO Promotion Scheme (NEBPS) for promotion of investment in IT/ITeS sector and creation of employment opportunities mainly in TIER II/ III cities by incentivizing setting up of 53,300 seats BPO/ITeS operations across the country, particularly in small cities and towns. These schemes provide financial support up to INR 1 lakh per seat in the form of viability gap funding. The duration of the scheme was up to 31.03.2019. Since the inception of these schemes, 287

units have been approved to set up BPO/ITeS units for a total of 52,972 seats. Out of these, 222 units have started operations for a total of 42,830 seats across 26 States and 2 UTs of the country, providing direct employment to over 27,000 persons.

Annexure

Steps taken by the Government for promotion of domestic electronics manufacturing and exports from the country

- (i) Modified Special Incentive Package Scheme (M-SIPS) provides financial incentives to offset disability and attract investments in the electronics manufacturing sector. The scheme was open to receive applications till 31.12.2018 for new projects as well as expansion projects.
- (ii) The Electronics Manufacturing Clusters (EMC) Scheme was notified to provide financial support for creation of state-of-art infrastructure for electronics manufacturing units. The scheme was open for receipt of application for a period of 5 years, i.e., upto 21.10.2017. Further period of 5 years is available for disbursement of funds for the approved applicants. Under the scheme, approval has been accorded for setting up of 20 Greenfield EMCs and 3 Common Facility Centres (CFCs) in 15 States across the country.
- (iii) Tariff Structure has been rationalized to promote domestic manufacturing of electronic goods, including, *inter-alia*, Cellular Mobile Handsets, Televisions, Electronic Components, Set Top Boxes for TV, LED Products, Medical Electronics Equipment. To promote domestic value addition in mobile handsets and their parts/ components manufacturing, a Phased Manufacturing Programme (PMP) has been notified. As a result, India has rapidly started attracting investments into this sector and significant manufacturing capacities have been set up in the country during the past 3 - 4 years. The manufacturing of mobile handsets and their parts/ components has been steadily moving from Semi Knocked Down (SKD) to Completely Knocked Down (SKD) level, thereby progressively increasing the domestic value addition.
- (iv) As per extant Foreign Direct Investment (FDI) policy, FDI upto 100% under the automatic route is permitted for electronic product manufacturing, subject to applicable laws/ regulations; security and other conditionalities.
- (v) For promotion of exports in the sector, Merchandise Exports from India Scheme (MEIS) and Export Promotion Capital Goods (EPCG) Scheme are available under the Foreign Trade Policy, 2015-20. MEIS offers export incentives so as to offset disabilities of manufacturing. Zero duty EPCG scheme allows import of capital goods at zero customs duty, subject to specified export obligation.
- (vi) The import of used plant and machinery having a residual life of at least 5 years for use by the electronics manufacturing industry has been simplified through the amendment of Hazardous and Other Wastes (Management and Transboundary Movement) Rules, 2016, vide Ministry of Environment, Forest and Climate Change Notification dated 11.06.2018.
- (vii) Notified capital goods for manufacture of specified electronic goods are permitted for import at "Nil" Basic Customs Duty.
- (viii) The Department of Revenue vide Notification No.60/2018-Customs dated 11.09.2018 has amended the Notification No.158/95-Customs dated 14.11.1995, relaxing the ageing restriction from 3 years to 7 years for specified electronic goods manufactured in India and re-imported into India for repairs or reconditioning.
- (ix) In order to ensure safety of Indian citizens by curbing import of substandard and unsafe electronic goods into India, MeitY has notified "Electronics and Information Technology Goods (Requirement of Compulsory Registration) Order, 2012" for mandatory compliance. As per the provisions of the order, the manufacturer has to get the product tested in laboratories recognized by Bureau of Indian Standards (BIS), take registration from BIS and put the registration mark on the product. 44 product categories have been notified under the order.
- (x) The National Policy on Electronics 2019 (NPE 2019) has been notified on 25.02.2019. The vision of NPE 2019 is to position India as a global hub for Electronics System Design and

Manufacturing (ESDM) by encouraging and driving capabilities in the country for developing core components, including chipsets, and creating an enabling environment for the industry to compete globally.

Promotion of Innovation and R&D

- (xi) Electronics Development Fund (EDF) has been set up as a “Fund of Funds” to participate in professionally managed “Daughter Funds” which in turn will provide risk capital to companies developing new technologies in the area of electronics, nano-electronics and Information Technology (IT). This fund is expected to foster R&D and innovation in these technology sectors.
- (xii) Ministry of Electronics and Information Technology (MeitY) provides grant-in-aid support to institutes of higher learning like IITs, IISc, Central Universities and R&D Organizations to conduct research in identified thrust areas. These research programmes are aimed to deliver proof of concept, technology/ product development and transfer of technology. During the last few years, several research initiatives have been taken in these areas. These research programmes also result in generation of specialized manpower to support “Make in India”.
- (xiii) Indian Conditional Access System (iCAS) has been developed in Public-Private Partnership (PPP) mode to promote indigenous manufacturing of Set Top Boxes (STBs). The iCAS is available to domestic STB manufacturers at a price of USD 0.5 per license for a period of three years, as against market price of USD 3-5 per license for other competing products. The implementation of iCAS in the cable networks is underway.
- (xiv) An Electopreneur park has been set up in New Delhi for providing incubation for development of ESDM sector which will contribute IP creation and Product Development in the sector.
- (xv) National Centre of Excellence in Large Area Flexible Electronics (NCFLEX) has been set up in IIT-Kanpur with the objectives to promote R&D; Manufacturing; Ecosystem; Entrepreneurship; International Partnerships and Human Resources and develop prototypes in collaboration with industry for commercialization.
- (xvi) National Centre of Excellence for Technology on Internal Security (NCETIS) has been set up at IIT-Bombay with the objective to address the internal security needs of the nation on continuous basis by delivering technology prototypes required for internal security and to promote domestic industry in internal security.
- (xvii) Centre for Excellence on Internet of Things (IoT) has been set up in Bengaluru, jointly with NASSCOM.
- (xviii) An Incubation centre with focus on medical electronics has been set up at IIT-Patna.
- (xix) A fabless chip design incubation centre has been set up in IIT Hyderabad to incubate start-ups in semiconductor design and to provide one-stop service to start-ups intending to enter this space.
- (xx) A Centre of Excellence (CoE) on FinTech at STPI Chennai has been set up to provide infrastructure, resources, coaching/ mentorship, technology support and funding to emerging start-ups in the FinTech sector through a collaborative approach including M/s intellect design as industrial partner, NPCI, UIDAI and Partner Banks as Yes Bank, PayPal, HSBC, IIT Chennai as knowledge partner and TiE Chennai to provide industrial connect.
- (xxi) An IoT OpenLab - a Centre of Excellence (CoE) for Internet of Things in partnership with Arrow Electronics at STPI Bangalore has been set up to provide academic and business mentoring of the startups in the IoT emerging technology area for developing products and/ or services around IoT.
- (xxii) An ESDM Incubation Centre has been set up at Bhubaneswar with the objective of creating a holistic eco-system to promote ESDM innovation, R&D and create Indian intellectual property in the eastern region of the country.
