

ECONOMIC SURVEY OF INDIA

CHAPTER 9: INDUSTRY

LECTURE-8

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2. NOTE:

Here, we are not only covering ESI, but are also ensuring the other CA updates which may have taken place over the last one year in these areas are properly covered.

3. INTRODUCTION:

- Industrial Sector consist of Manufacturing; Construction; Electricity, gas, water supply & utility services; Mining & quarrying.

- **Share of Industrial Components:**

	Share in total GVA FY23
Industry	30.0
Mining & quarrying	2.3
Manufacturing	17.3
Electricity, gas, water supply & other utility services	2.3
Construction	8.1

- Industry holds a prominent position in India's economy, accounting for **31% of GDP**, on average, during FY12 and FY21 and employing **over 12.1 crore people**.
- The sector is also significant because of a number of direct and indirect linkages:
 - **Reducing reliance on imports:** The sector ensures that domestic production can accommodate domestic demands reducing import dependencies.
 - **Multiplier effect:** Industrial growth has multiplier effect, which translates into employment growth.
 - Industries such as textile and construction have high employment elasticities.
 - Industrial sector also spurs growth in services sector such as banking, insurance, logistics etc.

1) VARIOUS MEASUREMENT METHODS

A) INDEX OF INDUSTRIAL PRODUCTION (IIP)

- **Definition:**
 - The IIP is a composite indicator that measures changes in the volume of production of a basket of industrial products over a period of time, with respect to chosen base year.
 - The IIP is computed and published by the Central Statistics Organization (CSO) on a monthly basis, six weeks after the reference month ends.

- **Description**

- It classifies industry into Manufacturing, Mining and Electricity Sector and measures growth in production in each industry.
- In addition, use based classification of basic goods, intermediate goods and capital goods is also available. This helps in predicting GDP growth as industry is one of the major contributor to growth.
 - The weight of the 3 categories of sectors are as follows (after May 2017 revision)
 - **Manufacturing** has a higher 77.6% up from 75.6%.
 - **Mining (14.4%)** from earlier 14.2%
 - **Electricity (8%)** from earlier 10.3%
 - The weight of various categories under **user based classification** includes:
 - Primary Goods (34%)
 - Capital Goods (8.2%)
 - Intermediate Goods (17.2%)
 - Infrastructure/construction goods (12.3%)
 - Consumer durables (12.8%)
 - Consumer non-durables (15.3%)
- **Base Year**
 - Currently IIP figures are calculated considering (2011-12) as the base year. This change was made in 2017, which was the ninth revision of the base year of the all-India IIP.
- **Purpose:**
 - IIP is used by government agencies including the Ministry of Finance, RBI etc. for policy purposes.
 - The all India IIP forms a crucial input for compilation of GVA of the manufacturing sector in the GDP on a quarterly basis.
 - It is also used by financial intermediaries, policy analysts and private companies for various analytical purposes.

B) ANNUAL SURVEY OF INDUSTRIES

- It is the most important source of Industrial statistics of the registered manufacturing sector of the economy.
 - It covers all factories employing 10 or more workers using power and those employing 20 or more workers without using power.
 - The survey is conducted under the Collection of Statistics Act, 2008 as amended in 2017 and Rules framed there under in 2011.
- It is conducted by CSO Industrial Statistics (IS) wing.
- It ensures timely dissemination of statistical information to assess and evaluate the dynamics in composition, growth, and structure of organized manufacturing sector. This data is given with a **lag of two years**.
 - **Note:** For other categories of factories/establishments, which are not covered under the ASI, the information is collected through the unorganized sector surveys conducted by NSSO every 5 years.
- **Provisional results of ASI** released by Ministry of Statistics and Programme Implementation (MoSPI) for the year 2019-20. (Feb 2022)
 - The number of factories in the country increased by 1.7% year on year to **2.46 lakhs**, which employed 1.3 crore workers.
 - **Employment** in corporate sector, which include public and private government, and non-government companies, increased 5.5% to 97.5 lakh in 2019-20.
 - **Gross fix capital formation**, an indicator of investment, grew by **20.5%** to Rs 4.15 lakh crore in the organized manufacturing sector in 2019-20 as against a growth of 10.2% at 3.44 lakh crore in the previous fiscal.

C) IIP VS ASI

- IIP is monthly indicator whereas ASI is a long term industrial statistics. It is used to track the health of the industrial activity in the economy over a longer period.
- The index is compiled out of a much large sample of the industries compared to IIP.

D) PURCHASING MANAGER'S INDEX

- **Why in news?**
 - India's manufacturing PMI expands at stronger pace in October 2022
 - The seasonally adjusted S&P Global India Manufacturing Purchasing Manager's Index (PMI) rose to 55.3 in October from 55.1 in September.
- **What is Manufacturing PMI?**
 - An indicator of the economic health of the manufacturing sector. It predicts the level of industrial production in advance.
 - It is based on five major indicators
 1. New orders
 2. Inventory levels (stocks of items purchased)
 3. Backlog of work
 4. Suppliers' delivery times
 5. Employment levels
 - The **purpose** of the PMI is to provide information about current business condition to company decision makers, analysts and purchasing managers.
- How is info collected?
 - Monthly surveys sent to purchasing executives at approximately 400 manufacturers.
- What does the indicator mean
 - PMI > 50: Expansion of manufacturing compared to previous month
 - PMI = 50: No change
 - PMI < 50: Contraction of manufacturing compared to previous month
- **Famous Manufacturing PMIs of India**
 - S&P Global's Manufacturing PMI

2) 2022-23: KEY HIGHLIGHTS

- **Introduction:**
 - In FY23, the Indian industry faced some extraordinary challenges due to Russia-Ukraine conflicts.
 - » This led to industries throughout the year facing high input costs. It was due to sharp rise of prices of many commodities.
- **Exports:**
 - After rising in FY22 due to opening up of economy all over the world, the exports suffered in FY23 mostly due to high inflation and high interest rates in advanced economies.
- However, **strong domestic consumption growth and investment revival** is expected to keep industrial production good. This has happened due to jump in Capex of the central government in the current and the previous year. This has also crowded in private investment which was already upbeat on the pent-up consumption demand.

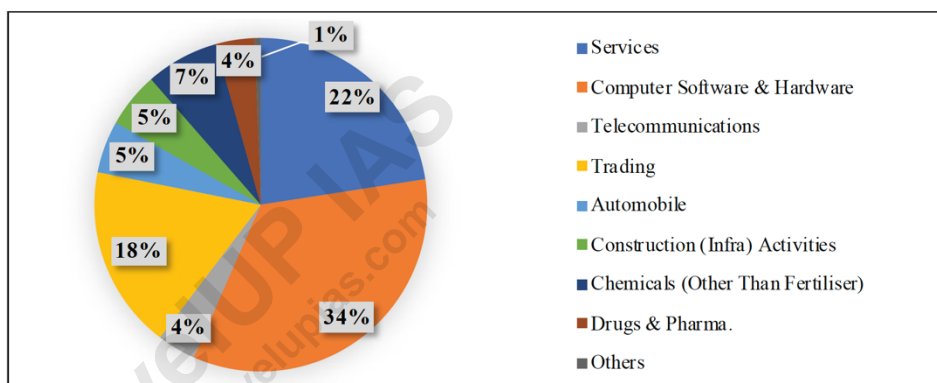
- **Overall GVA** for the H1:FY23 was 3.7% which was higher than the corresponding numbers of last year which was 2.8%.
- **Unfolding of the Private Capital Investment Cycle:**
 - A view is fast emerging that the **private sector is predisposed to increasing investment in the third decade of the new millennium.**
 - » **2nd Decade background:** Stressed banks and stressed corporate sector
 - This led to corporates switching from investment to deleveraging while banks slowed credit disbursement in view of high NPAs. This led to decline in investment rate.
 - » **Reforms: Mitigation Measures:**
 - **IBC** to resolve stressed assets
 - **GST** to promote ease of doing business
 - **Corporate Tax Reduction**
 - **ECLGS** during pandemic to help MSME sector
 - **Maturing digital infrastructure and Cheap data access**
- **Impact of reforms:**
 - **Strengthening of Corporate balance sheets:**
 - This is evident in declining core debt of the private non-financial sector.
 - **Credit to the private non-financial sector** as a % of GDP in India has come down from peak of 113% in Dec 2010 to a low of 83.8% in Dec 2018.
 - **After the bottleneck of COVID-19, the deleveraging of corporate sector resumed from the beginning of FY22** on the back of improved corporate performance and a recovery in GDP levels.
 - **During H1:FY23,**
 - Interest Coverage Ratio was 5, higher than its five-year average of 3.

Gyan:	Interest Coverage Ratio is calculated by dividing a company's earnings before interest and taxes (EBIT) by its interest expense during a given period.
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 - The **debt equity ratio** also declined from 0.8 to 0.4.

Gyan:	<u>Debt-to-equity (D/E) ratio</u> compares <u>a company's total liabilities with its shareholder equity</u> and can be used to assess the extent of its reliance on debt. <u>D/E ratios</u> vary by industry and are <u>best used to compare direct competitors or to measure change in the company's reliance on debt over time.</u> Among similar companies, <u>a higher D/E ratio</u> suggests <u>more risk, while a particularly low one</u> may indicate that a business is not taking advantage of <u>debt financing to expand.</u> <u>Investors will often modify the D/E ratio to consider only long-term debt</u> because it carries more risk than short-term obligations.
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 - **Increased scope of profit margin:**
 - In coming months, the commodity prices are expected to go down and thus input prices are expected to fall -> this would increase the profit margins.
 - RBI's Industrial Outlook Survey, which was conducted during July-Sep 2022 points towards optimism about production.
 - **Strengthening of the Banking Sector:**
 - As of Sep 2022, the NPAs of schedule commercial banks have fell to 5% (lowest in 7 years)
 - Further, Capital to Risk Weighted Asset Ratio and Provisioning Coverage Ratio has also improved to 16.0% and 71.5%, respectively.

- **Supply Response of Industry:**
 - The supply response of industry to the demand stimulus has been robust, as seen in high-frequency indicators.
 - i. The **PMI-Manufacturing**, for example have remained in the expansionary zone for 18 months since July 2021.
 - ii. The growth in **8 core industries** of coal, fertilizers, cement, steel, electricity, refinery products, crude oil, and natural gas are critical in meeting the demand for inputs across industries.
- **Robust Growth in Bank Credit to Industry**
 - Growth in Bank Credit has kept pace with industrial growth. Though a large share of bank credit goes to large industries, credit to MSMEs has also seen a significant increase in part assisted by the introduction of the ECLGS, which supports 1.2 crore businesses, 95% are MSMEs.
 - » **Note:** the ECLGS scheme was extended till March 2023.
- **Resilient FDI flow in Manufacturing Sector:**
 - **FDI inflows in manufacturing sector** has been steadily increasing over the last few years.
 - » It jumped from US\$ 12.1 billion in FY21 to US\$ 21.3 billion in FY22. This was mostly because of expansionary monetary policy in advanced economy which was driven by pandemic.
 - » But the Russia-Ukraine war and the high inflation (thus tight monetary policy) negatively impacted the FDI flow in H1:FY23. But these issues are expected to be resolved soon and FDI in manufacturing is expected to revive. Further, the FDI inflow is still higher than the pre-pandemic levels.

Figure IX.8: Sector-wise FDI Equity Inflows in 2022-23 during April-September 2022



Source: DPIIT data

- **Key Steps taken to promote higher FDI flow in manufacturing sector:**
 - » **Liberalization of FDI regime:** Continuous opening up of sectors for FDI; Raising FDI limits; Removing Regulatory Barriers to attract increased investment.
 - For e.g.:
 - in FY20, 100% FDI under automatic route was permitted for the sale of coal, and coal mining activities, including associated processing infrastructure, subject to provisions of relevant acts.
 - 26% FDI under government route has been permitted for uploading/streaming of News & Current Affairs through Digital Media.
 - 100% FDI has been permitted in intermediaries or Insurance intermediaries, including insurance brokers, reinsurance brokers, insurance consultants, corporate agents, third-party administrators, Surveyors and Loss Assessors and such other entities as may be notified by the Insurance Regulatory Development Authority (IRDA) from time to time.

- » **Curbing Opportunistic Takeovers/Acquisition** of Indian Companies due to COVID-19 pandemic:
 - The Government amended the FDI policy, according to this, an entity of a country which shares a land border with India or where the beneficiary owner of investment in India is situated or is a citizen of any such country, can **invest only under the Government route**. Further, in the event of transfer of ownership of any existing or future FDI in an entity in India, directly or indirectly, resulting in the beneficial ownership falling within the restriction purview/ of the said policy amendment, such subsequent change in beneficial ownership will also require government approval.
- » **Simplifying the FDI approval process and to promote EODB:**
 - Erstwhile **FPIB** (Foreign Portfolio Investment Board) was abolished in May 2017, and a new regime has been put in place. Here the process of granting FDI approval has been simplified, wherein the work relating to the processing of applications of FDI has been delegated to the concerned Ministries/ Departments, and DPIIT is the nodal department for facilitating the process.
- » A **revamped portal, "Foreign Investment Facilitation Portal (FIF Portal)"**, has been launched as the online single-point interface of the GoI for investors to facilitate FDI. It facilitates single window clearance of applications which are through government approval route. The FIF portal has been integrated with the National Single Window System (NSWS).
- » **Developing infrastructure and improving the business environment**

4. MSME SECTOR

1) INTRODUCTION

- MSMEs are considered **pillar of economic growth/ engine of growth** in both developed and developing countries of the world. They have played a prominent role in the economic development of India too.
- There are more than 6.34 crore MSMEs in India and around 50% of them are situated in rural areas.
- The revision of the **definitions of MSMEs** brought in w.e.f. 1st July 2020 as part of the AtmaNirbhar Bharat Package introduced a **composite criterion of investment and annual turnover** - and **identical limits for manufacturing and service sector**.

Micro	Investment [in Plant and Machinery or Equipment] <u>doesn't exceed Rs 1 crore</u> and <u>turnover doesn't exceed Rs 5 crore</u> .
Small	Investment <u>doesn't exceed Rs 10 crore</u> and <u>turnover doesn't exceed Rs 50 crore</u>
Medium	Investment <u>doesn't exceed Rs 50 crore</u> and <u>turnover doesn't exceed Rs 250 crore</u> .

- **Significance of the change**
 - The change in definition will facilitate expansion and growth of these enterprises.
 - » The resulting economies of scale can enhance productivity without MSMEs losing out on several government incentives including market support, export promotion, preferential procurement in the public sector, and incentives through various government initiatives (MSE-CDP, PMEGP, SFURTI).
 - This change will also align MSMEs with GST regime and would prove to be a good tool to assess the contribution of the MSMEs to GDP. It will also avoid unnecessary inspections and enable authorities to verify claims of businesses using GST network sales data
 - Same criteria for both manufacturing and Service SME will simplify the classification.

2) VARIOUS INITIATIVES TO SUPPORT MSME SECTOR

E) INITIATIVES UNDER ATMANIRBHAR BHARAT ABHIYAN

- **Emergency Credit Liquidity Guarantee Scheme (ECLGS)** (extended till March 2023)
- **New Definition of MSMEs**
- **Rs 20,000 crore of subordinate debt to stressed MSMEs.**

F) RAISING AND ACCELERATING MSME PERFORMANCE SCHEME (RAMP) IN JULY 2022

- **Ministry:** Ministry of MSME
- It is a **World Bank** supported **Central Sector Scheme**. It is aimed at **strengthening institutions and governance at the Centre and State, improving Centre-State linkages and partnership and improving access of MSMEs to market and credit, technology upgradation and addressing issues of delayed payments and greening of MSMEs.**
- **Duration:** it will be implemented **over a period of five years.**
- **Outlay:** The total outlay of the scheme is **Rs 6,062.45 crores** or USD 808 million, out of which **Rs 3750 crore or USD 500 million would be a loan from the World Bank** and the **remaining Rs 2312.45 crore or USD 308 Million** would be funded by Gol.

G) MSME CLUSTER DEVELOPMENT PROGRAM OF MINISTRY OF MSME

- MSME is running **two cluster development programs**
 - i. Micro and Small Enterprises - Cluster Development Program (MSE-CDP)
 - ii. Scheme for upgradation of rural and traditional industries (**SFURTI**)
- **Advantages of such cluster programs**
 - **Quicker dissemination of info** allows easy **sharing of knowledge** and **best practices**
 - Better **cost effectiveness** due to distribution of common cost
 - **Focuses on holistic development** covering infra, common facility, testing, technology, & skill upgradation, marketing and export promotion.
 - Weaves the fabric of **networking, cooperation and togetherness** in the industry

H) SOME OLDER INITIATIVES

- i. **Interest Subvention Scheme for MSME Sector**
 - The scheme was launched in **2018** and provides a **2% interest subvention** to **GST Registered MSME sector.**
- ii. **MUDRA** initiative focuses on **collateral free loans of upto Rs 10 lakh for non-farm sector.**
- iii. MSME sector brought **under PSL** by RBI from July 2016. From 2018, foreign banks also have to follow the PSL norms.
 - Banks should **advance 7.5% of their loans to MSME** under PSL guidelines.

I) STEPS TO INCREASE PRODUCTION OF MSME AND DEMAND OF MSME PRODUCTS

- i. **Reservation of items to be manufactured by MSME sector** -> provided in the Industries (development and regulation) Act, 1951.
- ii. **Purchase Preference Policy: All CPSUs/Central Government Departments are required to procure 25% of their annual procurement** from MSMEs (including 4% from MSEs owned by SC/ST and 3% from MSEs owned by women entrepreneurs) and there is a sub-target of 20% for procurement of MSMEs owned by SC/STs under the Procurement Policy launched in 2012.
 - **MSME SAMBANDH Portal** - To monitor the implementation of the public procurement from MSEs by Central PSUs.
- iii. **Price Preference Policy:** For selected items a price preference of 15% premium over the lowest quotation of the large-scale unit is provided to MSME.
- iv. **Benefits in tendering:** MSMEs are provided benefits such as exemption from payment of security deposit etc.
- v. **Marketing Assistance Scheme:** Provides assistance to MSMEs for the following activities: Organization of exhibitions abroad, co-sponsoring of exhibitions organized by other organizations, organizing buyer seller meets etc.

J) VARIOUS INITIATIVES TO PROMOTE EASE OF DOING BUSINESS

UDYAM REGISTRATION (UR) PORTAL (BECAME OPERATIONAL IN JULY 2020)

- It provides faceless, fully online, paperless, and transparent MSME registration process fully integrated with Income Tax and GSTIN system. It is also integrated with government e-market place to make end to end MSME registration paperless.
- In 2021, government has included Retail and wholesale trade as MSMEs. They are allowed to be registered on Udyam registration portal. But the benefits to them is restricted to PSL only.
- **Progress:**
 - As of 7th Jan 2022, the portal has a total registration count of 1.32 crores.

MSME SAMADHAN PORTAL

- It was set up under the Micro, Small and Medium Enterprise Development (MSMED) Act to **monitor the outstanding dues to the MSME sector**.
 - MSMEs can directly register their cases relating to delayed payments by Central ministries/departments/CPSEs/Statements governments.
- As of 7th Jan 2022, the portal has received a total of 1.3 lakh applications.

TREDS (TRADE RECEIVABLE DISCOUNTING SYSTEM) PLATFORM FOR FACILITATING THE DISCOUNTING OF TRADE RECEIVABLE OF MSMES THROUGH MULTIPLE FINANCIERS.

- TReDS is an institutional mechanism for financing of trade receivables of MSMEs from corporate buyers through two or more financiers.
- There are 3 direct participants involved in the activities of TReDS viz.
 - MSME Sellers
 - Corporate Buyers
 - Financiers
- TReDS provides a platform to bring these participants together for facilitating, uploading, accepting, discounting, trading and settlement of the invoices / bills of MSMEs.

THE CHAMPIONS PORTAL (WWW.CHAMPION.GOV.IN):

- It is a grievance redressal portal for MSMEs launched by Ministry of MSME in June 2020.
 - It is an ICT based technology system for making the smaller units big by helping and handholding them. A network of control rooms is created in a Hub & Spoke Model where hub is situated in the Ministry of MSME.
- As of Jan 2023, more than 56K grievances have been received and more than 98% of them have been resolved.
- The portal continues to improve through initiatives such as localization of the portal in 11 regional languages and introduction of chatbot.

GST COMPOSITION SCHEME (TURNOVER LIMIT 1.5 CRORE (75 LAKH IN CASE OF NE STATES))

BUDGET 2020-21: EASING COMPLIANCE BURDEN

- In order to reduce the compliance burden on small retailers, traders and the MSME sector, **the auditing threshold has been raised by 5-times from INR 1 Cr in turnover to INR 5 Cr**. This would be applicable only to those MSMEs that transact less than 5% in cash.

K) PRE-PACKAGED INSOLVENCY RESOLUTION

- Brought by the Insolvency and Bankruptcy (Amendment) Act, 2021.
- It is an alternate insolvency resolution process. It envisages resolution through a direct agreement between secured creditors and the existing owners or outside investors, instead of public bidding process.
 - Unlike CIRP, PIRP may be **initiated only by debtors**. The debtor should have base resolution plan in place. During the PIRP, the management of the company will remain with the debtor.
 - Application for initiating PIRP may be filed in the event of a default of at least one lakh rupees. The central government may increase the threshold of minimum default upto one crore rupees through a notification.
 - **Debtors eligible for PIRP:** PIRP may be initiated in the event of a default by a corporate debtor classified as an MSME under the MSME Development Act, 2006.
 - **Approval of Financial Creditors:** The approval of at least 66% of financial creditors that are unrelated to the corporate debtor would be required before a resolution plan is submitted to the NCLT

5. ELECTRONICS/ SEMICONDUCTOR INDUSTRY

1) CURRENT SITUATION OF ELECTRONICS INDUSTRY IN INDIA (ESI 2022-23)

- The domestic electronics industry, as of FY20, is valued at **US\$ 118 billion**.
 - India aims to reach US\$300 billion worth of electronics manufacturing and US\$ 120 billion in exports by FY26, supported by vision of US\$ 1 trillion digital economy by 2025.
 - India has also seen an improvement in manufacturing and export of electronics over the last five years. Electronic goods were among the top five commodity groups exhibiting positive export growth in Nov 2022, with the exports in this segment growing YoY by 55.1%.
- **Major Drivers of Growth:** Most important products:
 - Mobile phones, consumer electronics, industrial electronics

- » In Mobile phones, India has become the second highest mobile phone manufacturer globally, with the production of handsets going up from six crore units in FY15 to 31 crore units in FY22. These numbers are further expected to increase as more international players set up their base in India.

2) KEY INITIATIVES FOR ELECTRONICS SECTOR

A) MODIFIED SCHEME FOR SEMICONDUCTORS AND DISPLAY FAB ECOSYSTEM:

- **Ministry:** Ministry of Electronics & Information Technology (MEITY)
- In furtherance of the vision of Atmanirbhar Bharat and positioning India as the global hub for ESDM, a comprehensive program for the development of semiconductors and display manufacturing ecosystem in India was approved by GoI with an outlay of Rs 76,000 crore in Sep 2022.
- Under this, government provides financial support for 50% of the capital expenditure to be incurred by the investing firm.

Table A: Various incentives under Semiconductor Scheme

Scheme for	Financial Support	R&D Support
Setting up of Semiconductor Fabs in India	50 per cent of firm's Capex	Up to 2.5 per cent of the scheme outlay
Setting up Display Fabs	50 per cent of firm's Capex	Up to 2.5 per cent of the scheme outlay
Setting up of Compound Semiconductors / Silicon Photonics / Sensors Fab and Semiconductor ATMP /OSAT facilities	50 per cent of firm's Capex	Up to 2.5 per cent of the scheme outlay

Source: MEITY

Note: ATMP stands for assembly, testing, marking, and packaging. OSAT stands for Outsourced Semiconductor Assembly and Test

- **Note:** In the older scheme, there were different rate of incentives for different areas and thus was making it difficult to go for integrated development of various different parts.

DESIGN LINKED INCENTIVE (DLI) SCHEME

- **Ministry:** MEITY
- **C-DAC (Centre for Development of Advanced Computing)**, a scientific society operating under MeitY, will serve as the nodal agency for implementation of the DLI scheme.
- Under this scheme, financial incentives and design infrastructure support is extended to domestic companies, startups and MSMEs across various stages of development and deployment of semiconductor design for Integrated Circuits (ICs), Chipsets, System on Chips (SoCs), System & IP Cores and Semiconductor linked design for over a period of five years.
- The scheme has three components:
 - » Chip Design Infrastructure support
 - » Product Design Linked Incentive
 - » Deployment Linked Incentive
- The scheme will provide financial support of 50 % of eligible expenditures on the design, subject to a ceiling of Rs 15 crores per applicant and a deployment-linked incentive of 4% to 6% of net sales achieved over five years, subject to a ceiling of Rs 30 crores per applicant.
- **Note:** This scheme is part of Rs 76,000 crore package for semiconductor sector announced under Modified Scheme for Semiconductor and Display fab.

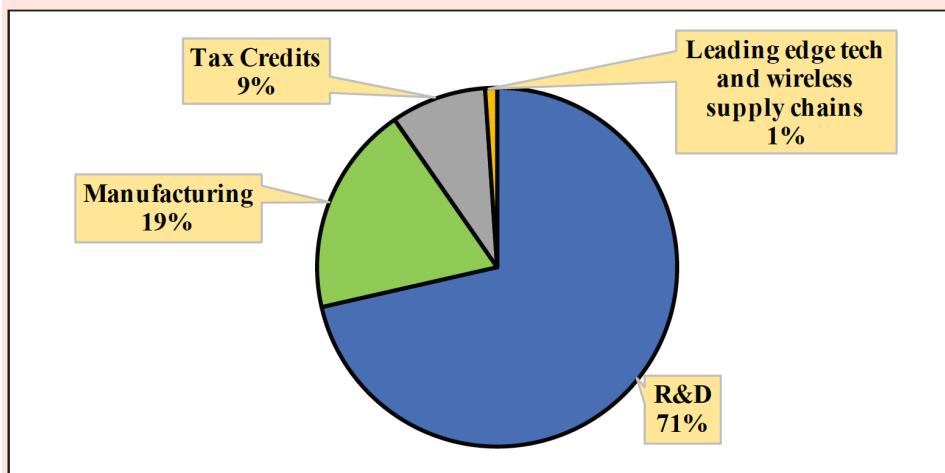
USA HAS ALSO TAKEN STEPS TO ENHANCE SEMICONDUCTOR MANUFACTURING

After COVID-19 pandemic, there was a lot of scarcity in the availability of semiconductor Chips. This particularly affected the automotive sector. While the situation has limped back to normalcy, it has prompted different countries to diversify their semiconductor supply chain.

USA also came up with Creating Helpful Incentives to Produce Semiconductors and Science Act, 2022 (CHIPS and Science Act, 2022). The legislation aims to catalyze investments in the domestic semiconductor manufacturing capacity of the US. The country produces about 10% of the world's semiconductors and relied heavily on East Asia to import chips.

The CHIPS and Science Act directs US\$ 280 billion in spending over the next ten years, with the bulk of it going to R&D.

Figure A: Incentives under the CHIPS and Science Act, 2022



Source: whitehouse.gov.in; McKinsey and Co.

B) PLI SCHEME FOR LARGE SCALE ELECTRONICS MANUFACTURING:

- It is an initiative under MEITY.
- The scheme aims to attract large investments in the mobile phone manufacturing and specified electronic components, including assembly, testing, marking and packaging (ATMP) units.
- Under this 4% to 6% incentive is being provided on incremental sales of goods manufactured in India. These incentives will be offered for a period of five years subsequent to base year (FY 2019- 20). The applicant companies will be required to meet minimum thresholds of investment and production. The scheme has an outlay of USD 5.5 billion.
- **Update:**
 - In Dec 2022, Empowered Committee headed by CEO, NITI Aayog, approved incentives for two companies - one a domestic and other global - for mobile manufacturing under the PLI scheme for LSEM.
 - **Foxconn India** (a Taiwanese company) to receive incentives under mobile manufacturing for the period 1st Aug 2021 to 31st March 2022 based on its incremental investments and sales figures.
 - **M/s Padget Electronics Pvt. Ltd**, a domestic company, has been approved by the Empowered Committee to receive incentives under mobile manufacturing.

C) SCHEME FOR PROMOTION OF MANUFACTURING OF ELECTRONIC COMPONENTS AND SEMICONDUCTORS (SPECS)

- Notified in 2020 with an aim to strengthen the value chain for the manufacturing of electronic products in India. The scheme will lead to higher domestic value addition and strengthen the existing ecosystem of ESDM in India.

D) MODIFIED ELECTRONICS MANUFACTURING CLUSTER SCHEMES (EMC 2.0)

- Notified in 2020 to support creation of quality infrastructure with common facilities and amenities, including Ready Built Factory (RBF) sheds/ Plug and Play facilities.