



**ORIGINAL RESEARCH PAPER**

**Economics**

**GROWTH AND PERFORMANCE OF CONSUMER ELECTRONIC INDUSTRY IN INDIA: AN OVERVIEW**

**KEY WORDS:** pelvis, sexual dimorphism, sciatic tubercle.

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**ABSTRACT**

The Consumer Electronics and Appliances Industry in India are expected to become the fifth largest in the world by 2025. It's projected to grow to US \$ 400 billion by 2020 and the production is expected to reach US \$ 104 billion by 2016. So far India accounts for only 3.5 per cent of the global Electronic Market which is of about \$ 1.8 trillion market size whereas the Indian market counts for \$ 65 billion approximately. The overall Indian Electronics Industry is projected to grow up to US \$ 400 billion in 2022 at a rate of 24.4 per cent due to a better performance of economy in total. GDP of India grew more than 7 per cent in 2015, reasons are to be found for example in higher disposable incomes for middle-class Indians. Demand of electronic products in India is expected to grow at a CAGR (compound annual growth rate) of 41 per cent during 2017-2020 to reach \$400 billion by 2020; the domestic production which is currently growing at a CAGR of 27 per cent may touch \$104 billion leaving a huge gap for import to the extent of \$300 billion. India predicts the growth of its Consumer Electronics industry growth, market trends, progress, challenges, opportunities, government regulations, technologies in use, growth forecast, major companies, upcoming companies and projects etc. in the Consumer Electronics Sector of India. In addition to it, the economic conditions of and future forecast of its current economic scenario and effect of its current policy changes in to its economy, reasons and implications on the growth of this sector. This paper overviews the growth and performance of consumer electronic industry in India.

**1.1 Introduction**

Indian Electronics Industry follows a growth of consumer electronics, especially in urban India which primarily depends on manufacturing and service industries, those markets account for the major share (i.e 65 %) of total revenues. But there is also a lot of scope for growth from rural markets with consumption expected to grow in these areas as penetration of brands increases. Also demand for durables like refrigerators as well as consumer electronic goods are likely to witness growing demand in the coming years in the rural markets as the government plans to invest significantly in rural electrification. Increased sales through internet retailing also supported the growth. Although electronics and appliance specialist retailers continued to the main channel for sales of consumer electronics, recording an 80 per cent volume share in 2015, internet retailing grew by 25 per cent in volume terms to capture a 13 per cent volume share the same year. Leading e-commerce companies offered a range of discounts that attracted price-sensitive costumers. Key drivers were thus growing awareness, easier access, and changing lifestyles.

The Government is supporting the Indian Electronics Industry by setting up Electronic Hardware Technology Parks, Special Economic Zones and a bought about a favourable climate for foreign direct investment. With relaxed tariffs and an increasing liberalisation in general it is promoting growth in the sector further. In addition, the Government gave its green signal to the Modified Special Incentive Package Scheme (MSIPS) under which the central government will be offering up to US \$ 1.7 billion in benefits to the Indian Electronics Industry in next five years. Concerning Consumer Electronics in particular, initiatives like Make in India, Digital India or Swachh Bharat also pushed this sector forward.

**1.2 Make in India initiative**

While the Make in India initiative is leading to growth and investment opportunities leading to job creation, the steps outlined in the budget put India on the journey towards becoming a global manufacturing hub by 2022. Also, simplification in the tax regime helped in creating an investor-friendly environment and in line with the Make in India vision, the reduction of customs duty on certain inputs, raw materials, intermediates and components compliments the road map of realizing the need of improving the business environment leading to a transparent tax system.

**1.3 Foreign Direct Investment in the Electronics**

The Government of India has allowed 100 per cent Foreign Direct Investment in the Electronics Hardware-Manufacturing Sector

through the automatic route. Further it enabled 51 per cent FDI in Multi-Brand Retail and 100 per cent in Single-Brand Retail so as to attract more Foreign Investment into the country. With the demand for skilled labour growing among Indian industries, the Government plans to train 500 million people by 2022 and is also encouraging private players and entrepreneurs to invest in the venture. Many governments, corporate and educational organisations are working towards providing training and education to create a skilled workforce. The growing customer base and the increased penetration in Consumer Durables Segment have provided enough scope for the growth of the Indian Electronics Sector. Also, digitisation of cable could lead to increased broadband penetration in the country and open up new avenues for companies in the Indian Electronics Industry.

**1.4 India's consumer durables industry**

India's consumer durables industry is valued at \$9.7 billion as of 2015. This sector is expected to grow to \$20.6 billion by 2020 and become the fifth largest in the world by 2025. The consumer durables industry can be categorized into two segments:

- Consumer electronics (brown goods) – such as televisions, laptops, cameras, computers, and audio systems
- Consumer appliances (white goods) –washing machines, kitchen appliances, microwave ovens, cleaning equipment, air conditioners, and fans

About two-thirds of India's consumer durables are currently sold in urban markets. The most popular consumer electronics are color television sets. Electric fans and air conditioners are popular due to India's hot climate. Other top consumer durables include refrigerators and washing machines. The majority of consumer durables production occurs in Delhi and Uttarakhand in the north, West Bengal in the east, Tamil Nadu in the south, and Maharashtra and Gujarat in the west.

India imports televisions, refrigerators, and air conditioners mainly from China and Southeast Asia. India also imports from Japan, Indonesia, Malaysia, and Taiwan. Top component imports include compressors, evaporator coils, condenser coils, air conditioning and refrigerator chemicals (refrigerants), motors, LCD or LED panels, semiconductors, and electronic components. India's consumer durables exports include refrigerators and refrigerating equipment compressors, color TVs, air conditioner parts and compressors, and fully automatic washing machines. The U.A.E. is a major export location. The majority of white goods are exported to the South Asian Association for Regional Cooperation (SAARC) nations, countries which border India.

Some top domestic companies in India and their products include:

- **Blue Star** – central air conditioners, room air conditioners, commercial refrigerators, cold storages, and specialty cooling products such as process chillers and mortuary chambers
- **Godrej Group** – refrigerators, air conditioners, washing machines, DVD players, microwave ovens, audio-visual products, and digital-imaging products
- **Onida Electronics** – televisions, washing machines, air conditioners, microwave ovens, and mobile phones
- **Videocon Industries Limited** – televisions, DVD players, microwave ovens, refrigerators, washing machines, air conditioners, and power backup
- Top foreign companies active in India’s consumer durables sector include:
- **Whirlpool Corporation (U.S.)** – home appliances such as refrigerators, washing machines, microwave ovens, water purifiers, and power backup
- **LG Electronics (South Korea)** – televisions, audio-visual solutions, computers, mobile phones, refrigerators, washing machines, microwave ovens, air conditioners, and vacuum cleaners
- **Samsung Group (South Korea)** – mobile phones, digital cameras, camcorders, refrigerators, air conditioners, washing machines, and computers
- **Daikin Industries, Ltd. (Japan)** – air conditioners and cooling equipment
- **Sony Corporation (Japan)** – televisions, projectors, DVD players, audio systems, digital cameras, camcorders, and videogame products
- **Philips N.V. (Netherlands)** – televisions, home theater systems, DVD players, audio products, computers, and phones

**1.5 Consumer electronics market**

Consumer durable makers expect to clock up to 40 percent sales growth this festive season by offering freebies and discounts to woo consumers, hoping to put behind the woes they faced in the run-up to GST rollout. Manufacturers, including Sony, LG, Panasonic, and Haier, are pinning hopes on pent-up demand post-GST after destocking by trade partners in June, to keep their sales counter ticking.

The companies are also loosening their purse strings for marketing campaigns, with Sony alone earmarking Rs 250 crore and Panasonic looking to spend 1.4 times more this season on branding and marketing exercise. Haier is spending 70 percent more this year compared to last year. "In the festive season this year, we plan 25 percent sales growth from August to November, 2017, over the corresponding period last year. There is a huge demand in the market and the same is expected to rise ahead of the festive season, he said, adding "we plan to invest Rs 250 crore towards our marketing activities". Industry body Consumer Electronics and Appliances Manufacturers Association (CEAMA) said most of the factors point to favourable sales in the festive season.

"Pent-up demand due to GST and favourable monsoons leading to good harvest shall boost the rural demand for consumer durables," CEAMA President Manish Sharma said. Moreover, an increase in central employees allowance and the rate cut by RBI in August will further build consumer confidence to drive the sales of consumer durables, he added. In June, the industry saw pre-GST clearance sale as stockiest and trade partners sought to liquidate inventories to avoid losses during transition to the new tax regime. Haier, which is expecting up to 50 percent rise in sales this year, sees online retail channels contributing to growth, besides the traditional retail format. "Overall, e-commerce contributes to 10 percent of our sales and was expecting the festive season to make this contribution more robust. Panasonic, which is looking at 30-40 percent growth, plans to invest 1.4 times more this season on branding and marketing to draw buyers. This will be in the form of TVC commercials, print ad, in-shop brandings, digital marketing efforts and hoardings, besides other local level below-the-line activities. The festive season in India has already started in south with Onam and will go up to Christmas in December.

**1.6 Shares in Total production of Electronic Goods**

According to government estimates, communication and broadcasting equipment constituted 31 per cent (the highest share) of total production of electronic goods in India in 2013; consumer electronics had the next highest share of 23 per cent. Not surprisingly, computers are a key component of total electronics output in India (14 per cent in 2013); the segment’s share is likely to go up over this decade, given greater policy focus on encouraging computer hardware manufacturing. Industrial electronics contributed 12 per cent of the total output of electronics goods industry in 2013.

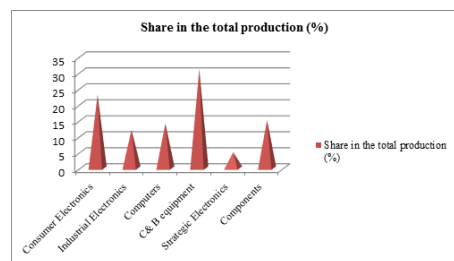
**Industrial electronics:** Industrial electronics is expected to grow at a considerable pace with the new plans and schemes by government Production (by value) of C&B equipment in India is expected to expand at a CAGR of 17.5 per cent over 2008-2013 (production in the segment is likely to reach USD10.1 billion in FY13 from USD 8.5 billion in 2012). Growth in the segment is expected to far outpace the overall growth of electronics goods production in the country (CAGR of 9.2 per cent over the same period); given C&B equipment’s large share in the electronics sector, it emerged as the key growth driver for the overall sector. Production value of all other segments in the electronics sector (other than C&B equipment) grew at a rate of 12.7 per cent over 2007-2012. With growth in C&B equipment far outpacing those in other segments, the former’s share in total electronics production has doubled over 2007–2012 to 28.3 per cent and is estimated to reach 31 per cent in 2013.

**Table 1.1 shares in Total production of Electronic Goods**

Name of the electronic segment	Share in the total production (%)
Consumer Electronics	23
Industrial Electronics	12
Computers	14
C& B equipment	31
Strategic Electronics	5
Components	15

Source: Department of Information Technology (2012-13 Annual Report)

**Fig 1.1 shares in Total production of Electronic Goods**



**1.7 Stagnant performance of consumer electronics**

The consumer electronics industry in India recorded yet another stagnant performance in 2017, and this was mainly due to a slowdown in demand from institutions for products such as laptops and computers. According to Euro monitor International’s Economies and Consumers data, real GDP growth of the country slowed down to 7.1 per cent in 2017, compared to 8.0 per cent in the previous year. This slowdown forced many businesses in India to increase the lifecycles of computers and peripherals, thus slowing down replacement demand.

GST (goods and central tax), which was much anticipated by the country, came into effect from 1 July 2017. Manufacturers and purchasers of consumer electronics in the country were expecting a positive impact, with tax rate cuts on many products, which was not the case. Products such as mobile phones and analogue/digital cameras are set to record price cuts, thus having a positive impact on category sales; however, products such as televisions, laptops, desktops, monitors and printers are expected to become more expensive, thus slowing down demand in the short term.

Traditionally, the consumer electronics industry in India has been dominated by international players. The last couple of years of the review period were particularly tough for domestic manufacturers, particularly mobile phone manufacturers, and this was due to the entry of Chinese mobile phone manufacturers. Leading domestic companies within mobile phones, such as Micromax Informatics, Lava International and Karbonn Mobile India Pvt, posted significant drops in their volume shares of mobile phones in 2017. Chinese mobile phone manufacturers that entered India in the last couple of years of the review period managed to offer high-specification products and at lower prices. Companies such as Xiaomi Technology India Pvt, Oppo Mobile India Pvt and Vivo Mobile India Pvt managed to outperform the rest of the industry.

Electronics and appliance specialist retailers continued to account for the majority of sales of consumer electronics in India in 2017; however, the channel's share fell over the review period and was further impacted in 2017 by demonetisation, which was announced in the final quarter of 2016. Due to demonetisation, consumers in India did not have the cash in hand, which forced them to postpone their purchases or to turn to online retailers. In addition, due to heavy discounts offered by online retailers, consumers shifted even more towards online purchases, resulting in internet retailing being the fastest growing channel in 2017. The shift towards online purchases is expected to continue during the forecast period.

**1.8 Booming Consumer Electronics Market in India**

The consumer electronics industry in India is expected to recover during the forecast period, with the recovery driven by increasing rural demand and the introduction of new products. The majority of rural consumers in India still used feature phones as of 2017, and with increasing technological awareness and the declining prices of smart phones, demand from rural consumers is expected to increase, thus boosting industry growth. In addition, the introduction of more products under new categories such as convertible tablets, portable speakers and wearable electronics will further support growth.

**1.9 Indian consumer electronics industry**

The Indian consumer electronics industry has been growing at a double-digit growth rate since past few years. Higher disposable income, increased product awareness, affordable pricing, and shift in lifestyles have together been instrumental in changing the amount and pattern of consumer spending; thereby, resulting in strong growth in the consumer electronics industry. But still, the consumer electronics goods, like refrigerators, televisions and air conditioners, have low penetration in the country, leaving vast room for future growth.

The Indian consumer electronics industry will grow at a CAGR of around 18 per cent during 2011-2014. During this time period, we expect that LCD TV will capture majority of the television market share as it will replace Color televisions market to a large extent.

Moreover, observed that the air-conditioner (AC) segment is one of the most important product segments driving the overall growth of the Indian home appliances market. Introduction of innovative features and technology coupled with the expansion of distribution network is helping the market to grow at a faster rate. Besides this, microwave oven is becoming a high growth segment in the consumer electronics market in India. The market will witness a dramatic change in the competitive landscape over the next few years. A large number of companies will foray into the lucrative Indian consumer electronics market with their diversified product portfolio. This will lead the incumbent players to invest heavily in establishing their stores across different states of the country. The key consumer electronics companies operating in the country including their business overview, after sales service & support system, distribution channel and their promotional & corporate strategies.

The current and emerging trends in the consumer electronics industry, underlining the future potential areas and key issues crucial for the development of the industry, the behavioral aspect

of the Indian consumers, their price sensitivity, distribution channel analysis, and future prospects of the consumer electronics market in rural India.

**1.10 Future trend in Consumer electronics industry**

If India grow in future at current levels, average household incomes will double over the next few years, making India the world's 7<sup>th</sup> largest consumer economy by 2020, up from the current 9<sup>th</sup> position. Global organizations view India as one of the prime market, where future growth is likely to appear. Growth in Indian consumer market would be largely driven by a favorable population composition and increasing disposable income. Indian consumer electronics market is expected to become US\$ 1.15 trillion by 2020. India has become 2<sup>nd</sup> largest Smartphone market in the world in 2014 and may become market leader by 2021. India is also world's fastest growing tablet market.

Major International players like Samsung, LG, Videocon, Sony, Philips, Dell, Acer, Lenovo, Microsoft (including Nokia) and others have tapped electronics market and gained a significant market share. All these companies are now leading players in one or other category.

India is well recognized Consumer Electronics manufacturing hub in the world because of its low cost production. Cheap labor, easy availability and low cost of raw materials and weak currency are the factors that are driving manufacturing industry. Growing working population and expanding middle class are the main drivers for the growth of Consumer Electronics and Consumer Electronics components industry in India.

Make in India initiative have boosted the Consumer Electronics manufacturing industry in India and as a result we will witness a marvelous growth in the industry over a period of time. Local companies are the biggest threat to international players, which are coming up with cheap and non-durable products. In last few years, many local mobile manufacturers have established in India, who are giving tough competition to international brands. Indian Consumer Electronics Industry is expected to grow with a CAGR of 27 per cent till 2020.

Demand of electronic products in India is expected to grow at a CAGR (compound annual growth rate) of 41 per cent during 2017-2020 to reach \$400 billion by 2020, the domestic production which is currently growing at a CAGR of 27 per cent may touch \$104 billion leaving a huge gap for import to the extent of \$300 billion.

India predicts the growth of its Consumer Electronics industry growth, market trends, progress, challenges, opportunities, government regulations, technologies in use, growth forecast, major companies, upcoming companies and projects etc. in the Consumer Electronics Sector of India. In addition to it, the economic conditions of and future forecast of its current economic scenario and effect of its current policy changes in to its economy, reasons and implications on the growth of this sector.

**1.11 Conclusion**

It could be concluded that the consumer electronics industry in India recorded yet another stagnant performance in 2017, and this was mainly due to a slowdown in demand from institutions for products such as laptops and computers. According to Euro monitor International's Economies and Consumers data, real GDP growth of the country slowed down to 7.1 per cent in 2017, compared to 8.0 per cent in the previous year. This slowdown forced many businesses in India to increase the lifecycles of computers and peripherals, thus slowing down replacement demand.

The biggest attraction for MNCs is the growing Indian middle class. This market is characterized with low penetration levels. MNCs hold an edge over their Indian counterparts in terms of superior technology combined with a steady flow of capital, while domestic companies compete on the basis of their well acknowledged brands, an extensive distribution network and an insight in local

market conditions. One of the critical factors those influences durable demand is the government spending on infrastructure, especially the rural electrification programme. Given the government's inclination to cut back spending, rural electrification programmes have always lagged behind schedule. This has not favoured durable companies till now. Any incremental spending in infrastructure and electrification programmes could spur growth of the industry.

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