Indian Economy · GS - III

Analyse how rising semiconductor input costs and changing consumer demand can reshape competition in the global smartphone industry. What are the implications for India's electronics manufacturing ambitions?

EXAM YEAR	PAPER	SUBJECT
DAILY PRACTICE 27/11/2026	GS - III	Indian Economy

MARKS	WORD LIMIT
15	~250 words

Answer Hint

Semiconductor supply chains, memory prices, economies of scale, premiumisation, market concentration, import dependence, PLI scheme, domestic value addition

Model Answer

The global smartphone industry is increasingly influenced by semiconductor supply chains, input-price fluctuations and changing consumer preferences. Rising memory costs can particularly affect manufacturers operating in price-sensitive segments.

1. Changing competitive dynamics

1. **Cost pressures:** Higher memory and component prices increase production costs, disproportionately affecting budget and mid-range devices with limited pricing flexibility.
2. **Premiumisation:** Consumers willing to pay for advanced features, brand value and ecosystem integration provide premium manufacturers with relatively stronger pricing power.
3. **Economies of scale:** Large manufacturers can negotiate bulk procurement contracts, diversify suppliers and invest in component sourcing strategies.

4. **Market concentration:** Smaller manufacturers may face margin pressures, potentially strengthening the position of established global brands.

2. Implications for India

India has emerged as an important smartphone assembly and export base. However, dependence on imported semiconductors, displays and other critical components exposes domestic manufacturing to global supply disruptions.

1. **Value addition:** Assembly-led growth must gradually expand towards component manufacturing and design capabilities.
2. **Supply-chain resilience:** Diversifying sourcing and strengthening domestic supplier networks can reduce external vulnerabilities.
3. **Employment and exports:** Competitive electronics manufacturing can generate skilled employment and strengthen India's position in global value chains.
4. **Consumer affordability:** Persistent component inflation may increase device prices and affect digital access among lower-income households.

3. Strategic response

India should strengthen semiconductor fabrication, component ecosystems, research and development, workforce skills and stable manufacturing policies. Incentives should encourage domestic value addition rather than assembly alone.

Conclusion: The smartphone slowdown highlights that manufacturing competitiveness depends on technological capability, supply-chain resilience and cost efficiency. India must move towards deeper integration in the electronics value chain.