



Investment Under PLI Schemes

For Prelims: [Production Linked Incentive \(PLI\) Schemes](#), [Electronics Manufacturing](#), [Pharmaceuticals](#), [Food Processing](#), [Telecom & Networking products](#), [Penicillin-G](#)

For Mains: Significance of Production Linked Incentive (PLI) Scheme in growth in the manufacturing sector.

Source: [PIB](#)

Why in News?

Recently, [Production Linked Incentive \(PLI\) Schemes](#) witnessed over **Rs. 1.03 lakh crore of investment** till November 2023.

- It has **led to production of Rs. 8.61 lakh crore and employment generation of over 6.78 lakhs.**

What are the Key Achievements of PLI Scheme?

- **PLI Schemes** have witnessed exports surpassing **Rs. 3.20 lakh crore**, with significant contributions from sectors such as **Large-Scale Electronics Manufacturing**, [Pharmaceuticals](#), [Food Processing](#), and [Telecom & Networking products](#).
- 176 **Micro, Small and Medium Enterprises (MSME)** are among the PLI beneficiaries in sectors such as **Bulk Drugs, Medical Devices, Pharma, Telecom, White Goods, Food Processing, Textiles & Drones**.
- Incentive amount of around **Rs. 4,415 crore** disbursed under PLI Schemes for **8 Sectors** viz. **Large-Scale Electronics Manufacturing (LSEM)**, [IT Hardware](#), **Bulk Drugs, Medical Devices, Pharmaceuticals, Telecom & Networking Products, Food Processing and Drones & Drone Components**.
- Due to the **PLI Scheme**, there has been a **significant reduction in imports of raw materials in the Pharma sector**.
 - **Unique intermediate materials and bulk drugs** are being manufactured in India including [Penicillin-G](#).
 - **Production of 39 Medical Devices have commenced** such as CT-Scan, Linear Accelerator (LINAC), Rotational Cobalt Machine, C-Arm, MRI, Cath Lab, Ultrasonography, Dialysis Machine, Heart Valves, Stents, etc.
- **Import substitution of 60% has been achieved in the Telecom sector** and sales of **Telecom & Networking Products** by PLI beneficiary companies in **FY 2023-24**.
 - Significant impact on **investment in the Drone industry with a [Compounded Annual Growth Rate \(CAGR\)](#) of 90.74%**.
- The **PLI Scheme for Food Processing**, sourcing of raw materials from India has significantly **increased which has positively impacted income of Indian farmers and MSMEs**.
 - **Sales of Organic Products increased and Indian brand visibility enhanced in the**

international market through Branding & Marketing abroad.

- **The Scheme has also led to increased Millet procurement** – from 668 MT (FY 20-21) to 3,703 MT (FY 22-23).
- The PLI Scheme across these key specific sectors has started to make Indian manufacturers globally competitive, attract investment in the areas of core competency and cutting-edge technology and make India an integral part of the global value chain.
 - It has **transformed India's export basket from traditional commodities to high-value-added products** such as electronics & telecommunication goods, processed food products etc.
- **Production of mobile phones increased by more than 125%** and **export of Mobile Phones increased ~4 times** since **FY 2020-21**.
- Foreign Direct Investment (**FDI**) **increased by ~254%** since the inception of the PLI scheme for LSEM.

What is the Production Linked Incentive Scheme (PLI)?

▪ About:

- The **PLI scheme** was conceived to scale up domestic manufacturing capability, accompanied by higher import substitution and employment generation.
- Launched in **March 2020, the scheme initially targeted three industries:**
 - Mobile and allied Component Manufacturing
 - Electrical Component Manufacturing and
 - Medical Devices.
- **The scheme is currently active in 14 key sectors:** mobile manufacturing, manufacturing of medical devices, automobiles and auto components, pharmaceuticals, drugs, specialty steel, telecom & networking products, electronic products, white goods (ACs and LEDs), food products, textile products, solar PV modules, advanced chemistry cell (ACC) battery, and drones and drone components.
- **Under PLI scheme, Domestic and Foreign companies receive financial rewards** for manufacturing in India, based on a percentage of their revenue over up to five years.

What are the Concerns Regarding the PLI Scheme?

- **Competition and Market Dynamics:** The scheme may create **price wars or market distortions** among the participating companies, **affecting their profitability and sustainability**.
- **Compliance and Reporting Burden:** The scheme requires companies to submit various documents and reports to claim the **incentives**, which may increase their **administrative costs and delays**.
- **Assembly vs. Value Addition:** The **scheme does not differentiate between the value added by manufacturing in India and the value added by importing components and assembling them in India**. This may result in **low value addition and innovation in the domestic industry**.
- **Production of Low-value Goods: Low-value goods production is more prevalent than that of high-value goods.** The United States and the European Union primarily engage in transactions involving high-value goods.
- **Research and Development:** Insufficient attention is dedicated to Research and Development in the formulation of export-oriented policies.
- **Implementation and Coordination Issues:** The scheme involves multiple ministries and departments, which may create **confusion and inconsistency** in the implementation and monitoring of the scheme.

Way forward

- **Market Impact Assessment:** Conduct a thorough market impact assessment to anticipate potential distortions. Implement safeguards or guidelines to prevent unhealthy price wars.
- **Documentation:** Streamline documentation requirements to reduce administrative burdens.
 - Integrate stringent environmental and social impact assessments into the scheme.

- **Value Addition and Innovation:** Introduce criteria that incentivize high-value addition and innovation.
- **Engage with Stakeholders:** To address concerns related to pollution, land acquisition, and labour rights engage with appropriate stakeholders.
 - Foster inter-ministerial collaboration to ensure consistent and coherent policy enforcement.
- **Research and Development:** Introduce additional incentives for companies investing in research and development. Facilitate partnerships between industry and research institutions to enhance innovation.
- **Establishment of Fund:** Establish a dedicated fund to support innovative projects and technologies.

UPSC Civil Services Examination, Previous Year Questions (PYQs)

Prelims:

Q. Consider, the following statements : (2023)

Statement-I : India accounts for 3.2% of global export of goods.

Statement-II : Many local companies and some foreign companies operating in India have taken advantage of India's 'Production-linked Incentive' scheme.

Which one of the following is correct in respect of the above statements?

- (a) Both Statement-I and Statement-II are correct and Statement-II is the correct explanation for Statement-I
- (b) Both Statement-I and Statement-II are correct and Statement-II is not the correct explanation for Statement-I
- (c) Statement-I is correct but Statement-II is incorrect
- (d) Statement-I is incorrect but Statement-II is correct

Ans: (d)

Exp:

- According to the recent WTO'S Global Trade Outlook and Statistics report, India accounts for 1.8 % of global exports of goods. Hence, statement 1 is not correct.
- The 'Production Linked Initiative' (PLI) scheme offers companies incentives on incremental sales from products manufactured in India. It aims to attract foreign companies to set up units in India while encouraging local companies to expand their manufacturing units, generate more employment, and reduce the country's reliance on imports. Hence, Statement 2 is correct.

Mains:

Q. Economic ties between India and Japan while growing in the recent years are still far below their potential. Elucidate the policy constraints which are inhibiting this growth. **(2013)**

Q. Account for the failure of manufacturing sector in achieving the goal of labour-intensive exports. Suggest measures for more labour-intensive rather than capital-intensive exports **(2017)**

Q. The nature of economic growth in India in recent times is often described as a jobless growth. Do you agree with this view? Give arguments in favour of your answer. **(2015)**

