



PLI SCHEME - GS III MAINS

Q. Explain how the PLI scheme is expected to impact the domestic and global competitiveness of Indian industries. (15 marks, 250 words)

News: *Govt disburses Rs 4,415 crore under PLI scheme; low job creation a concern*

What's in the news?

- The central government has disbursed incentive amount of Rs 4,415 crore under its flagship Production-Linked Incentive (PLI) schemes for as many as eight sectors, including large-scale electronics manufacturing, IT hardware, bulk drugs among others till October this fiscal year.

Production-linked incentive (PLI) scheme:

- The Production Linked Incentive (PLI) scheme is a government programme that offers subsidies to companies based on a percentage of their incremental sales.
- The PLI scheme was started to **scale up domestic manufacturing capability**, accompanied by higher import substitution and employment generation.

Year:

- The scheme was started in **2020**.

Incentives:

- The incentives, calculated on the basis of incremental sales.
- It ranges from **as low as 1% for the electronics and technology products** to **as high as 20% for the manufacturing of critical key starting drugs** and certain drug intermediaries.

Funding:











- The Central government will provide all the incentives to the industries.
- The government has set aside around **1.97 lakh crore** to give incentives.

Sectors:

- The PLI scheme has been implemented in a number of sectors, including electronics, textiles and automobiles.
- For instance, according to a report by NITI Aayog, the PLI scheme for mobile phones and electronic components is expected to create 8 lakh direct jobs and 20 lakh indirect jobs by 2025.
- Totally **14 sectors** are covered under the scheme.



DIRECT AND COLLATERAL JOB SURGE EXPECTED IN 6 MONTHS OF FY2021

SECTOR	NEW JOBS	INDIRECT JOBS 3X
 Advanced Chemistry Cell Batteries	14,07,778	42,23,333
 Electronic Technology Products	3,88,889	11,66,667
 Automobiles & Auto Componentes	44,36,600	1,33,09,800
 Pharmaceuticals & Drugs	11,66,667	35,00,000
 Telecom & Networking	9,48,500	28,45,500
 Textile Products	8,30,900	24,92,700
 Food Products	8,47,778	25,43,333
 Solar PV Modules	3,50,000	10,50,000
 White Goods (AC, LED)	4,85,178	14,55,533
 Speciality Steel	4,91,711	14,75,133
TOTAL	1,13,54,000	3,40,62,000

Source: Indian Staffing Federation



Implementation:

- The respective ministries will appoint Project Management Agency as the nodal agency for implementing these schemes and disbursing the incentives.
- Eg. The Department of Telecommunication has appointed SIDBI as the project management agency.

Time period:

- The schemes are **time-bound and have a sunset clause**. They are valid for a period of **five to six years** depending on the sector.

Importance:

1. Boost investments in the sector.
2. Ensure the collaboration of Indian industries with foreign countries.
3. To raise the domestic standards to the level of global benchmarks.
4. Incentives to adopt new technologies in the sector.



Significance of PLI Scheme for Indian Economy:

1. Increase Competitiveness:

- It will increase the competitiveness of Indian manufacturers by lowering their cost of production and enhancing their quality standards.
- The scheme will also help them access global markets and increase their exports.

2. Employment Opportunities:

- It has a potential to create employment opportunities for millions of people, especially in labour-intensive sectors such as textiles, electronics and automobiles.
- The scheme will also generate demand for skilled workers and foster innovation and entrepreneurship.

3. Increase FDI:

- It will attract foreign direct investment (FDI) and technology transfer from global players who want to benefit from the incentives and the large domestic market. The scheme will also encourage joint ventures and collaborations between Indian and foreign firms.

4. Import Reduction:

- It reduces India's trade deficit and improve its balance of payments by increasing domestic production and reducing imports of finished goods and components.
- The scheme will also save foreign exchange and improve India's self-reliance.

5. Catalyse Indian Economy:

- It supports the development of key sectors that are vital for India's economic growth and strategic interests, such as renewable energy, pharmaceuticals, telecom and defence.
- The scheme will also help India achieve its goals of clean energy, digital connectivity, health security, and national security.

6. Innovation in Economy:

- It will spur innovation, research and development (R&D) in various fields, such as artificial intelligence, biotechnology, nanotechnology and robotics.
- The scheme will also create a conducive ecosystem for startups and incubators to flourish.

7. Spillover Effects:

- PLI has positive spillover effects on other sectors and industries that are linked to the beneficiaries of the scheme. For example, the growth of electronics manufacturing will boost the demand for semiconductors, batteries, displays, etc.
- It will have a multiplier effect on the overall economy by increasing the income and consumption of the people, especially the rural and low-income groups.
- The scheme will also boost the government's tax revenue and enable it to spend more on social welfare and infrastructure.

8. Reducing Carbon Footprint:

- The PLI scheme's emphasis on green technologies will reduce the carbon footprint and position India as a pioneer in green policy implementation.

9. Boosting Free Trade Agreements:

- Improved productivity is boosting free trade agreements for better market access and increased sales are driving demand for better logistical connectivity.



Significance of PLI Scheme for Indian Industries:

1. Reduce Production Cost:

- By providing financial incentives, the PLI scheme can help Indian companies reduce their production costs and become more competitive in the global market.
- The PLI scheme provides financial assistance to companies that meet certain production targets. It will help Indian companies price their products more competitively and make them more attractive to buyers in global markets.

2. Improve Quality Standards:

- By helping Indian companies improve their quality standards, the PLI scheme can make Indian products more attractive to global buyers.
- The PLI scheme provides financial assistance to companies that invest in research and development, quality control and marketing. It will help Indian companies produce high-quality products that meet the standards of global buyers.

3. Increase Production Capacity:

- By helping Indian companies expand their production capacity, the PLI scheme can help them meet the growing demand for their products in global markets.
- The PLI scheme provides financial assistance to companies that invest in new factories and equipment. It will help Indian companies increase their production capacity and meet the growing demand for their products in global markets.

4. Create Brand Value:

- By helping Indian companies build their brand reputation in global markets, the PLI scheme can help them attract more buyers and boost their exports.
- The PLI scheme provides financial assistance to companies that participate in international trade fairs and exhibitions. It will help Indian companies build their brand reputation in global markets and attract more buyers.

The PLI scheme has the potential to be a valuable tool for promoting domestic manufacturing and making Indian industries more competitive in the global market. However, there are some potential challenges due to the high costs involved with the subsidies, competition from countries like China, and compliance with international standards. By addressing these challenges, the government can help ensure that the PLI scheme contributes to the growth and competitiveness of the Indian manufacturing sector.