Production Linked Incentive (PLI) Scheme

Production Linked Incentive or PLI scheme is a scheme that aims to give companies incentives on incremental sales from products manufactured in domestic units. The scheme invites foreign companies to set up units in India, however, it also aims to encourage local companies to set up or expand existing manufacturing units and also to generate more employment and cut down the country's reliance on imports from other countries.

It was launched in April 2020, for the Large Scale Electronics Manufacturing sector, but later towards the end of 2020 was introduced for 10 other sectors. This scheme was introduced in line with India's Atmanirbhar Bharat campaign.

Get the List of Important Government Schemes in India, at the linked article.

In this article, we shall discuss the important sectors in which the Production Linked Incentive scheme has been introduced, its objectives and the way forward. This is also an important topic with respect to the upcoming IAS Exam.

PLI Scheme – A Brief Background

- It was introduced as a part of the National Policy on Electronics by the IT Ministry to give incentives of 4-6% to electronic companies, manufacturing electronic components like mobile phones, transistors, diodes, etc.
- The main aim of this scheme was to invite foreign investors to set up their manufacturing units in India and also promote the local manufacturers to expand their units and generate employment
- The first sector which the PLI scheme had targeted was the Large Scale Electronics Manufacturing in April 2020, and by the end of the year (November 2020), 10 more sectors including food processing, telecom, electronics, textiles, speciality steel, automobiles and auto components, solar photovoltaic modules and white goods such as air conditioners and LEDs were also expanded under the PLI scheme
- As far as the eligibility is concerned, all electronic manufacturing companies which are either Indian or have a registered unit in India will be eligible to apply for the scheme
- In the Union Budget 2021, Finance Minister Nirmala Sitharaman mentioned the inclusion of thirteen more sectors under the PLI Scheme for a period of five years and Rs. 1.97 lakh crores have been allocated for this scheme from Financial Year 2022

Expansion of Production Linked Incentive Scheme

The Union Cabinet chaired by Prime Minister Narendra Modi, on November 11, 2020, approved the introduction of the PLI scheme for the 10 key sectors which can enhance India's Manufacturing Capabilities and improve exports.

Given below are the 10 new sectors to which the scheme has been expanded along with the approved financial outlay:

Sectors	Implementing Ministry/Department	Approved financial outlay over a five-year period (Rs. in crores)
Advance Chemistry Cell (ACC) Battery	NITI Aayog and Department of Heavy Industries	18100
Electronic/Technology Products	Ministry of Electronics and Information Technology	5000
Automobiles & Auto Components	Department of Heavy Industries	57042
Pharmaceuticals drugs	Department of Pharmaceuticals	15000
Telecom & Networking Products	Department of Telecom	12195
Textile Products: MMF segment and technical textiles	Ministry of Textiles	10683
Food Products	Ministry of Food Processing Industries	10900
High-Efficiency Solar PV Modules	Ministry of New and Renewable Energy	4500
White Goods (ACs & LED)	Department for Promotion of Industry and Internal Trade	6238
Speciality Steel	Ministry of Steel	6322

Based on the ten sectors to which the Production Linked Incentive scheme was expanded to, the government aims at achieving the following targets:

- The government aims to make India an integral part of the global supply chain and enhance exports

- India is expected to have a USD 1 trillion digital economy by 2025 as it expects the demand for electronics to increase under its projects like Smart City and Digital India
- The PLI scheme will make the Indian automotive Industry more competitive and will enhance the globalisation of the Indian automotive sector
- The Indian Textile Industry is one of the largest in the world and with this scheme, it shall attract large investment in the sector to further boost domestic manufacturing, especially in the manmade fibre (MMF) segment and technical textiles
- India, being the second-largest producer of steel in the world, introducing it under the PLI scheme will benefit the country as it may expand export opportunities
- Similarly, telecom, solar panels, pharmaceuticals, white goods, and all the other sectors introduced can contribute to the economic growth of the country and make India a manufacturing hub globally

Also, refer to the links below for UPSC preparation:

Prime Minister Street Vendor's AtmaNirbhar Nidhi (PM SVANidhi)	Startup India Scheme
Stand Up India Scheme	Making India a Manufacturing Hub: RSTV
Industrial Policy in India	National Investment and Manufacturing Zones (NIMZ)

Production Linked Incentive Scheme for Large Scale Electronics Manufacturing

- The first phase of the PLI scheme was dedicated to the Large Scale Electronics Manufacturing sector and the scheme proposed to increase the manufacturing of mobile phones in India along with setting up their Assembly, Testing, Marking and Packaging (ATMP) units
- The total cost proposed for the scheme was INR 40,995 crore
- It was set up to benefit a few global investors and mainly the domestic manufacturers in India
- With high potential for employment generation, the scheme can help employee over 2 lakh people in 5 years in the electronics manufacturing sector
- Till date, in the case of electronics, the assembling of objects was done in India, while the production was done outside. With the PLI scheme and Make in India campaign, the electronics can be made ad assembled in the domestic industries itself
- The production of mobile phones in the country has gone up significantly from around INR 18,900 crore in 2014-15 to INR 1,70,000 crore in 2018-19 and the domestic demand is almost completely being met out of domestic production. With PLI, this can be increased even further

The table given below shows the financial outlay as per the first phase of the Production Linked Incentive (PLI) Scheme:

Sectors	Implementing Ministry/Department	Financial outlays (Rs. in crore)
Mobile Manufacturing and Specified Electronic Components	MEITY	40951
Critical Key Starting materials/Drug Intermediaries and Active Pharmaceutical Ingredients	Department of Pharmaceuticals	6940
Manufacturing of Medical Devices.		3420

Production Linked Incentive Scheme for Pharmaceuticals

- PLI scheme for Pharmaceuticals was introduced for a period of five years between FY 2020-21 to 2028-29. Total incremental sales of Rs.2,94,000 crore and total incremental exports of Rs.1,96,000 crore are estimated during six years from 2022-23 to 2027-28
- The scheme is expected to generate employment for both skilled and unskilled personnel, estimated at 20,000 direct and 80,000 indirect jobs as a result of growth in the sector
- The duration of the scheme will be from FY 2020-21 to FY 2028-29. This will include the period for processing of applications (FY 2020-21), an optional gestation period of one year (FY 2021-22), an incentive for 6 years and FY 2028-29 for disbursal of incentive for sales of FY 2027-28