

AIR Spotlight - Production Linked Incentives in Key Sectors: A Boost to Make in India

AIR Spotlight is an insightful program featured daily on the All India Radio Newsonair. In this program, many eminent panellists discuss issues of importance which can be quite helpful in the [IAS exam](#) preparation.

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Context:

The government has announced the PLI scheme for various sectors. The article analyzes the implications of this scheme in various sectors.

What is Production Linked Incentive Scheme?

Introduction:

Production Linked Incentive or PLI scheme is a scheme that aims to give companies incentives on incremental sales from products manufactured in domestic units.

Goals:

There are three major goals of the PLI scheme which are as follows:

- To encourage investment in new projects which are more competitive in terms of cost.
- To make India an integral part of the global supply chain and enhance exports.
- To encourage overall investment in the economy to sustain the pace of growth.

How does it operate?

- Individual applications are invited where investments are linked to the achievement of a specific increase in additional turnover, which means if a certain amount of money is invested in a project, then how much additional turnover is generated through that money.
- A percentage of that investment or the additional turnover (depending upon the case) is provided to the company under the PLI scheme.
- PLI scheme offers incentives on incremental sales for products manufactured in India.

- It aims to encourage more domestic investment. The percentage of investment provided by the government varies from sector to sector and the government also monitors if the promised additional turnover is materialized or not.

Know more about the [PLI Scheme](#) in the linked article.

Which sectors are part of the scheme?

There is a total of 13 key sectors under this scheme which are enumerated below:

Approved in March 2020:

- Key Starting Materials (KSM)/Drug Intermediates (DIs) and Active Pharmaceutical Ingredients (APIs): Department of Pharmaceuticals
- Large Scale Electronics Manufacturing: Ministry of Electronics and Information Technology
- Manufacturing of Medical Devices: Department of Pharmaceuticals

Approved in November 2020:

- Electronic/Technology Products: Ministry of Electronics and Information Technology
- Pharmaceuticals drugs: Department of Pharmaceuticals
- Telecom & Networking Products: Department of Telecommunications
- Food Products: Ministry of Food Processing Industries
- White Goods (ACs & LED): Department for Promotion of Industry and Internal Trade
- High-Efficiency Solar PV Modules: Ministry of New and Renewable Energy
- Automobiles & Auto Components: Department of Heavy Industry
- Advance Chemistry Cell (ACC) Battery: Department of Heavy Industry
- Textile Products: MMF segment and technical textiles: Ministry of Textiles
- Specialty Steel: Ministry of Steel

Know more about PLI Scheme for [White Goods](#) in the linked article.

PLI Scheme for Automobile & Auto Components:

- The automobile industry suffered a lot during the Covid-19 pandemic.
- Taking steps forward towards the vision of an '**Aatmanirbhar Bharat**', and to increase investment in the automobile sector, the Government has approved the PLI Scheme for the Automobile Industry and Drone Industry with a budgetary outlay of ₹ 26,058 crores.
- The PLI scheme for the auto sector will incentivize high-value Advanced Automotive Technology vehicles and products.

- It will herald a new age in higher technology, more efficient and green automotive manufacturing.

Advantages:

- PLI Scheme for the auto sector will bring fresh investments of over ₹42,500 crores in five years and incremental production of over ₹ 2.3 lakh crore.
- PLI Scheme for Drones will bring fresh investments of over ₹5,000 crores in three years and incremental production of over ₹ 1,500 crores.
- PLI Scheme for automotive sector along with already launched PLI for Advanced Chemistry Cell (₹18,100 crores) and [Faster Adaption of Manufacturing of Electric Vehicles \(FAME\) Scheme](#) (₹10,000 crores) will give a big boost to the manufacturing of Electric Vehicles.
- Will enable India to leapfrog to environmentally cleaner, Electric Vehicles and Hydrogen Fuel Cell Vehicles.

PLI for Drones and Drone components and its benefits:

- The use of drones is increasing in various sectors and hence, to encourage modern technology, the government has approved a PLI scheme for drones.
- The PLI Scheme for the Drones and Drone components industry addresses the strategic, tactical, and operational uses of this revolutionary technology.
- A product-specific PLI scheme for drones with clear revenue targets and a focus on domestic value addition is key to building capacity and making these the key drivers of India's growth strategy.
- The PLI for the Drones and Drone components industry will over a period of three years, lead to investments worth ₹ 5,000 Crore, an increase in eligible sales of ₹ 1500 crore, and create additional employment of about 10,000 jobs.

PLI scheme for service sector:

- The service sector in India is the highest contributor to the [Gross Domestic Product \(GDP\)](#).
- PLI scheme increases discretion in the policymaking approach and it should be done only in those sectors where the gains are clearly identifiable.
- In the service sector, there are major advantages in terms of costs, labour availability and training & culture in the country through a reasonably strong educational sector.
- There a question arises that when a sector itself is able to achieve the highest share of around 60 percent in the GDP of the country then why put a strain on the government exchequer by introducing a PLI scheme in the service sector?
- The scope of the PLI scheme should be limited to those sectors that require more investments; otherwise, the limited resources of the government will be stretched and some sort of crony capitalism will also emerge.

Monitoring of these schemes:

- Any scheme that is linked to the turnover is difficult to implement because of monitoring issues.
- The previous schemes of the government that were linked to the performance of the industries faced a lot of monitoring issues. Hence, these types of schemes will have to be strictly monitored otherwise the goals of the schemes will not be achieved.
- There are other incentives as well that create an ecosystem that helps in the growth of certain segments of the country.
- When the scheme is launched for the whole industry then its benefits are reaped by the whole industry, but when a scheme is specific to a company then the need for close monitoring arises.
- If infrastructure is created that is conducive to growth, the risks of monitoring issues are less because that is not applicable to a particular company but to the whole industry.
- Hence, a scheme that is focused on improving the infrastructure and growth of the whole industry is far better than the scheme focused on a particular player.

Consumer's point of view:

- There are certain benefits of these schemes for the consumers in the sense that with the help of new and better technologies, better quality of products and services are available for the consumers.
- Consumers will be able to have access to products that are technologically more advanced and which have multiple uses.
- But, if these schemes do not lead to much competition in the market, then the choices of the consumers will be adversely affected. Hence, these schemes should not dilute the competition in the market so that the consumers have access to a better and more variety of products.

Conclusion:

The government is making a lot of efforts to boost the key sectors of the economy. The PLI scheme is one such effort and it is expected that it will benefit the domestic manufacturing industries of the economy.
