



PLI Schemes

For Prelims: NITI Aayog, PLI scheme

For Mains: PLI scheme and its Significance, Issues with the PLI scheme

Why in News?

Recently, the [NITI Aayog](#) has commenced work on evolving a set of objective criteria to track value addition by companies which avail financial rewards under [Production-Linked Incentive \(PLI\) schemes](#).

- The empowered group of secretaries which was instituted in June 2020 was **tasked with identifying the bottlenecks in PLI schemes, coordinating between states and companies for faster approvals**, evaluating and ensuring quick investments in PLI schemes, and ensuring overall turnaround of projects.
- The group is chaired by the Cabinet Secretary, and has the Chief Executive Officer of NITI Aayog, the secretaries of [Department for Promotion of Industry and Internal Trade](#), Department of Commerce, Department of Revenue, Department of Economic Affairs, and the Secretary of the concerned ministry as its members.

What is the Plan?

- Taking the lead in **creating a centralised database to monitor progress in the PLI schemes across sectors**, the NITI Aayog plans to rope in an external agency – state-owned IFCI Ltd or [SIDBI](#) – to design and prepare the database.
 - This **database will capture value addition, actual exports** against commitments made, and job creation.
- A **dashboard to flag hurdles** at the state level will also be created.

What are the Challenges Facing the PLI Scheme?

- **No Common Set of Parameters:**
 - There **were no common set of parameters to understand the value addition by companies** that have received or are likely to receive incentives under the PLI scheme.
 - At present, **different ministries monitor the value addition** of their respective PLI schemes and **there is no way to compare two different schemes**.
 - Also, there are various deliverables such as the number of jobs created, the rise in exports and quality improvement and **there is no centralised database to gauge all these**.
- **Target for Companies for Incentives too Steep:**
 - Departments and ministries which **interact with companies operating in their sector also face certain specific issues**.
 - For instance, at times, the target for companies to qualify for incentives are too steep.
- **Domestic Companies Relied on One or Two Supply Chains:**

- Until last fiscal, **only 3-4 companies managed to achieve the incremental sales** targets to qualify for the PLI scheme from the fourteen companies that had been approved.
- Unlike global companies, **most domestic companies relied on one or two supply chains** which have been severely disrupted and due to no fault of their own, these companies won't qualify for the incentive.

What is the PLI Scheme?

▪ About:

- The PLI scheme was **conceived to scale up domestic manufacturing capability**, accompanied by **higher import substitution and employment generation**.
- The government has set aside **Rs 1.97 lakh crore under the PLI schemes** for various sectors and an additional allocation of Rs 19,500 crore was made towards PLI for solar PV modules in [Budget 2022-23](#).

- Launched in **March 2020**, the scheme initially **targeted three industries:**

- **Mobile and allied Component Manufacturing**
- Electrical Component Manufacturing and
- **Medical Devices**

▪ Incentives Under the Scheme:

- The incentives, calculated on the **basis of incremental sales**, range 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.
- In some sectors such as **advanced chemistry cell batteries, textile products and the drone industry**, the incentive to be given will be **calculated on the basis of sales, performance and local value addition done** over the period of five years.

▪ Sectors for the which PLI Scheme has been Announced:

- So far, the **government has announced PLI schemes for 14 sectors** including [automobile and auto components](#), [electronics and IT hardware](#), [telecom](#), [pharmaceuticals](#), [solar modules](#), [metals and mining](#), [textiles and apparel](#), [white goods](#), [drones](#), and [advanced chemistry cell batteries](#).

▪ Objectives:

- The Government introduced this scheme to **reduce India's dependence on China and other foreign countries**.
- It supports the **labour-intensive sectors** and aims to increase the employment ratio in India.
- This scheme works to **reduce down the import bills and boost up domestic production**.
 - However, PLI Yojana invites foreign companies to set up their units in India and encourages domestic enterprises to expand their production units.

[Source: IE](#)

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