



PLI and India's Growth Ecosystem

For Prelims: Production Linked Incentive scheme (PLI), Manufacturing Sector, Ease of doing business, 5G, Green technologies, Carbon footprint, Free trade agreements, One-district-one-product, SFURTI.

For Mains: Incentives Under the Production Linked Incentive scheme, PLI Contribution to India's Growth Trajectory.

Why in News?

As the world adjusts to a new economic reality in the wake of the [Covid-19 pandemic](#), **India has recognized a strategic opportunity** to establish itself as a key player in the global value chains.

- The manufacturing industry's positive response to the [Production Linked Incentive scheme \(PLI\)](#) is likely to **upgrade the labor force's skills, replace old machinery, enhance production volumes and make logistics and operations efficient**, giving India a chance to become a **key [manufacturing player](#)**.

//

SOP STORY SO FAR

SECTORS WHERE PLI SCHEME HAS BEEN ANNOUNCED

<p>March 2020</p> <ul style="list-style-type: none"> ➤ Key starting materials (KSMs)/ drug intermediates (DIs) and active pharmaceutical ingredients (APIs) ➤ Large scale electronics manufacturing  ➤ Medical devices 	<ul style="list-style-type: none"> ➤ Food products ➤ White goods (ACs & LED)  ➤ High-efficiency solar PV modules ➤ Automobiles & auto components  ➤ Advance chemistry cell (ACC) battery
<p>November 2020</p> <ul style="list-style-type: none"> ➤ Electronics/ technology products  ➤ Pharmaceuticals drugs ➤ Telecom & networking products 	<ul style="list-style-type: none"> ➤ Textiles— MMF segment and technical textiles ➤ Specialty steel
	<p>Sept 2021</p> <ul style="list-style-type: none"> ➤ Drones and drone components 

What is the Production Linked Incentive scheme (PLI)?

▪ About:

- The **Indian government's introduction of the PLI scheme in 14 key manufacturing sectors** is a significant step towards achieving its strategic vision for the manufacturing industry.
 - With a budget of ₹1.97 lakh crore, the **scheme is well-designed to encourage growth and sustainability in the targeted industry** through various incentives and support measures.
- Launched in March 2020, the scheme initially targeted **three industries**:
 - Mobile and allied Component Manufacturing
 - Electrical Component Manufacturing and
 - Medical Devices

▪ Targeted Sectors:

- The 14 sectors are **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**.

▪ Incentives Under the Scheme:

- The incentives given, are calculated on the **basis of incremental sales**.
 - 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.
- The **emphasis on R&D investment** will also help the industry keep up with global trends and remain competitive in the international market.

How PLI is Creating a Growth Ecosystem in India?

- **Reducing Dependency on Imports:** This shift in the manufacturing landscape could have significant implications for global trade, **reducing dependency on a single-source country and diversifying the sources of production.**
- **Meeting the Demand:** Increased production volumes are meeting consumer demand, particularly in the **telecom and networking sectors with faster adoption of [4G and 5G](#) products.**
 - The PLI scheme for **large-scale electronics manufacturing (LSEM) saw successful results**, with **97% of mobile phones sold in India** now being made in India. As of September, 2022, the PLI scheme for LSEM attracted investments of ₹4,784 crore and generated 41,000 additional jobs.
- **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.
- **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.
- **Frontlining Rural India:** The government of India is working closely with states to help industries and artisans in rural areas become part of the country's growth story.
 - This is being done through initiatives such as "[one-district-one-product](#)" to support local businesses, and "[SFURTI](#)" to improve traditional industries.

[Source: HT](#)

PDF Reference URL: <https://www.drishtias.com/printpdf/pli-and-india-s-growth-ecosystem>