



## Enhanced Production Linked Incentive for IT Hardware

**For Prelims:** [Production Linked Incentive \(PLI\)](#), [Compounded Annual Growth Rate \(CAGR\)](#), [Union Budget 2021-22](#).

**For Mains:** Announced Sectors for PLI, Growth of Electronics Manufacturing in India.

### Why in News?

The Union Cabinet recently approved an updated [Production Linked Incentive \(PLI\) scheme for IT hardware manufacturing in India](#).

- This move comes as India's electronics manufacturing industry has experienced significant growth, achieving a major milestone by crossing **USD 105 billion in production**.

### What are the Major Highlights Related to Updated PLI Scheme for IT Hardware?

- **Enhancements to the PLI Scheme for IT Hardware:**
  - The **PLI scheme for IT hardware was first notified in March 2021**. The scheme provides upwards of **4% in incentives** for incremental investment in domestic manufacturing for eligible firms
  - The **Ministry of Electronics and Information Technology (MeitY)**, stated that the incentive has been increased to **5% in the updated scheme**.
    - Additionally, an "**additional optional incentive**" has been introduced for the **utilization of domestically produced components**.
- **Revised Budgetary Outlay and Duration:**
  - The updated PLI scheme for IT hardware has been allocated a budgetary outlay of **₹17,000 crore**. The scheme will have a **tenure of 6 years**, providing a **longer-term incentive for companies** to establish and expand their operations in India.
- **Growth of Electronics Manufacturing in India:**
  - Over the past eight years, the electronics manufacturing sector in India has experienced a **compound annual growth rate (CAGR) of 17%**.
  - In 2023, India surpassed **USD 11 billion in mobile phone exports**, solidifying its position as the **2<sup>nd</sup>-largest mobile handset manufacturer globally, trailing only China**.

### What is the Production-Linked Incentives Scheme?

- **About:**
  - The **Production-Linked Incentives (PLI)** scheme is the latest addition to the list of reforms introduced under the aegis of the **'AatmaNirbhar Bharat Abhiyan'** (**Self-Reliant India**) initiative.
  - The strategy behind the PLI scheme is to **offer companies incentives on incremental sales from products manufactured in India**, over the base year.
    - The scheme also **invites foreign companies to set up units in India**.

▪ **Objective:**

- The scheme aims to **make domestic manufacturing globally competitive and to create global champions in manufacturing**
- They have been specifically designed to **boost domestic manufacturing in sunrise and strategic sectors**, curb cheaper imports and reduce import bills, improve cost competitiveness of domestically manufactured goods, and **enhance domestic capacity and exports.**

▪ **Announced Sectors for PLI:**

- The Union Budget 2021-22 announced an outlay of **INR 1.97 lakh crores for the PLI schemes for 14 key sectors** which have been shortlisted on the basis of their potential for revenue and employment generation.
  - 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.**

[Source: TH](#)

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