Q12

Discuss the rationale of the Production Linked Incentive (PLI) scheme. What are its achievements? In what way can the functioning and outcomes of the scheme be improved?

UPSC Civil Services Mains 2025 · GS III · 15 marks · Indian Economy

Indian Economy and issues relating to planning, mobilization of resources, growth, development and employment.

Core demand of the question

- **State PLI rationale:** close the manufacturing gap, scale, exports, jobs after 1991 services skew
- Give achievements with electronics numbers; admit laggard sectors
- **Give reforms:** simpler claims, MSME entry, quality, sunset, not endless subsidy

Revision summary

PLI is a time-bound payment on extra sales to pull manufacturing scale into India.

About fourteen sectors share an outlay near two lakh crore rupees.

Mobile assembly and exports are the clearest win; value addition and several heavy sectors lag.

Jobs exist mainly in assembly unless design and components deepen.

Reform means easier claims, MSME access, export and value-addition metrics, and a sunset.

Introduction

After 1991 India became a **services** power and a **factory** laggard. **Production Linked Incentive** schemes try to buy **scale**: pay a firm a share of extra sales if it makes more in India. The rationale is infant-industry with a **time clock**. The record is **bright in phones** and **patchy elsewhere**. That honesty is the answer, not a press release.

Body

Rationale

- **Global manufacturing clustered in East Asia because of** ecosystems**:** components, skills, logistics, and a State that stayed the course. India had **tariffs without depth**, then **openness without a factory floor**. PLI, rolled out from 2020 across about **fourteen sectors** with a total outlay near **₹1.97 lakh crore**, pays for **incremental production**, not for a mere promise. The aims are **import substitution in selected chains**, **export**, **jobs**, and **anchor firms** that pull suppliers. In a world of **friend-shoring**, a cheque that rewards output is also a **geo-economic** tool.

Achievements

Mobile phones are the poster: India moved from a net importer toward being among the world's large assemblers, with exports of phones in recent years running in the **tens of billions of dollars**. **Pharma**, **food processing**, and some **telecom gear** show real additional output. **White goods** and **auto components** have mixed but visible capacity. **Steel speciality, textiles, solar modules** are slower; some bids lapsed. **Employment** is real in assembly, thinner in design. **Value addition inside India is the honest gap: a phone can be screwed together** while the chip still flies in.

How to improve

Simplify claim paperwork so that working capital is not trapped. **Open windows** for genuine MSME suppliers, not only conglomerates. **Measure value addition and exports**, not only billed production. Put a **sunset** so PLI does not become a permanent rent. Align with **skilling, power quality and logistics** or the subsidy is a bandage. **Avoid** using PLI to hide an uncompetitive tariff wall. Audit **ghost production**.

Improved PLI is a **bridge to competitiveness**. Endless PLI is a **crutch**.

Flow diagram

Rationale: scale jobs exports -> PLI

PLI -> Phones pharma some food

PLI -> Thin value addition laggard sectors

Simpler claims sunset quality -> PLI

Conclusion

PLI pays for extra Indian output to close a manufacturing gap. Phones show it can work; several other sectors show it can stall. Better claims, more value addition, MSME entry and a sunset would improve outcomes.

Facts & figures

PLI outlay

Union announcements have put the combined PLI envelope near ₹1.97 lakh crore across fourteen-odd sectors.

Phone exports

India's smartphone exports rose sharply in the early 2020s as global brands assembled more units here.

Infant industry

The old idea that a temporary push can create a competitive factory; PLI is that idea with an invoice test.