

Production Linked Incentive (PLI) Scheme

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Production Linked Incentive (PLI) Scheme News

India's \$23 billion PLI scheme to rival China factories to lapse after it disappoints.

Why in the News?

- The **\$23 billion Production-Linked Incentive (PLI) scheme**, launched in **2020** to boost domestic manufacturing and **reduce dependence on China**, is set to lapse as many firms failed to meet production targets.
- The scheme was aimed at **increasing manufacturing's share in India's GDP to 25% by 2025**, but it has **declined from 15.4% to 14.3%** instead.
- **Only 37% of the expected production target was achieved**, with **\$151.93 billion worth of goods** manufactured by October 2024.
- **Delays in subsidy payouts** and **excessive bureaucracy** hampered the scheme's effectiveness.

About the PLI Scheme

- The **Production Linked Incentive (PLI) scheme** was launched in **March 2020** to **boost domestic manufacturing, increase import substitution, and generate employment**.
- The scheme **initially targeted three industries**: Mobile and Allied Component Manufacturing, Electrical Component Manufacturing and Medical devices.
- Later, it was **expanded to 14 key sectors**.
- Under this scheme, **Domestic and Foreign companies** receive **financial incentives** based on a **percentage of their incremental revenue** for **up to five years**.

PLI Scheme Performance

- **Mobile Phones: Major success** – Production rose **63% from 2020-24**, reaching **\$49 billion**. **Apple and Samsung** dominate exports.
- **Pharmaceuticals**: Strong growth – Exports nearly doubled to **\$27.85 billion** (2023-24).
- **Food Processing**: Exceeded production targets, but some firms missed subsidy eligibility due to investment non-compliance.
- **Steel & Solar Panels**: Lagging sectors – **14 out of 58** approved steel projects withdrawn, **8 out of 12 solar firms** unlikely to meet targets.
- **Textiles & IT Hardware: Slow growth**, struggling to compete with **China's lower production costs**.
- **94%** of the **\$620 million** incentives disbursed (April-Oct 2024) went to pharmaceuticals and mobile phones, highlighting **uneven sectoral success**.

Production Linked Incentive (PLI) Scheme FAQs

Q1. What is the Production Linked Incentive (PLI) Scheme?

Ans. The PLI scheme is a government initiative that provides financial incentives to companies based on their production output in specific sectors to boost domestic manufacturing and reduce import dependency.

Q2. When was the PLI scheme launched?

Ans. The PLI scheme was first announced in March 2020 as part of the Atmanirbhar Bharat initiative.

Q3. How does the PLI scheme work?

Ans. Under the scheme, eligible companies receive financial incentives based on incremental sales of manufactured goods over a base year. The incentive percentage varies by sector.

Source: TH

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