

## **“To Study Production-Linked Incentive Scheme And Their Impact”**

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### **Abstract**

*India's Union government introduced the Production-Linked Incentive (PLI) scheme in March 2020, aiming to boost domestic manufacturing and reduce import bills. While initially welcomed by various industries, including automobiles, electronics, pharmaceuticals, and more, the scheme's implementation details faced gradual clarification. This initiative seeks to stimulate investment in capital-intensive sectors and enhance structural adaptation, cost competitiveness, and global value chain contributions. The PLI scheme encompasses sectors such as Advanced Chemistry Cells, Electronic/Technology Products, Automobiles and Auto Components, Pharmaceuticals Drugs, Telecom and networking Products, Textile Products, Food Products, High-efficiency Solar PV modules, White goods, and Speciality Steel, with allocated budgets over a five-year period. The program aims to increase production capacity in the pharmaceutical industry, promote high-value products, and encourage domestic and international investments. It spans from fiscal year 2020 to 2028-29, including various phases. Participants are categorized into Groups A, B, and C, with minimum cumulative investment requirements and growth targets. The Food Processing Industry segment of the PLI scheme focuses on Ready-to-Eat/Ready-to-Cook, Processed Fruits and Vegetables, Marine Products, Mozzarella Cheese, and Innovative/Organic products, with incentives based on sales over several years.*

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Date of Submission: 20-09-2023

Date of acceptance: 30-09-2023

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### **I. INTRODUCTION**

The Production-Linked Incentive (PLI) scheme introduced by India's Union government in March 2020 stands as a pivotal initiative in the country's journey towards bolstering its domestic manufacturing capabilities and curbing the burgeoning import bills. While the scheme was greeted with enthusiasm across various industries, such as automobiles, electronics, pharmaceuticals, and more, the fine print of its implementation process gradually unfolded.

This initiative, which aims to stimulate investments in sectors requiring substantial capital and promote structural adaptability, cost competitiveness, and global value chain contributions, has become a linchpin of India's economic transformation. In this comprehensive exploration, we delve into the intricacies of the PLI scheme, its impact on key sectors like pharmaceuticals and food processing, and the potential it holds for steering India towards becoming a global manufacturing and export powerhouse.

The program aims to create global food production systems compatible with India's natural resources and facilitate the entry of Indian food products into international markets. The scheme is expected to boost food production capacity and create job opportunities.

Incentive rates on sales vary across segments and years, providing financial support to eligible participants. The Indian food industry has witnessed substantial foreign direct investment and is projected to become a \$500 billion industry by 2030. Key players in this industry include prominent multinational corporations like ITC Limited, Nestle, Parle, Britannia, and Hindustan Unilever Limited (HUL), contributing to India's emergence as a significant consumer market.

### **OBJECTIVE OF RESEARCH**

- To study production-linked incentives in detail
- To study the PLI impacts on different sectors
- To have an idea about secondary research

## **II. SECONDARY RESEARCH**

Secondary research, also known as desk research or literature review, involves the collection and analysis of existing data and information that has been previously gathered by other researchers, organizations, or sources. It is a valuable research method for gaining insights, understanding existing knowledge, and building on previous work without the need to conduct primary data collection. Here are some key aspects of secondary research:

### **Sources of Secondary Research:**

- Published Literature: Academic journals, books, articles, reports, and conference papers.
- Government and Official Publications: Government reports, statistics, and data.
- Market Research Reports: Industry reports, market analyses, and consumer surveys.
- Online Databases: Access to databases like PubMed, Google Scholar, ProQuest, and more.
- Websites: Information from reputable websites and online resources.

### **Purpose of Secondary Research:**

- Literature Review: To review and summarize existing research and knowledge on a specific topic.
- Background Information: To gather background information and context for a research study.
- Hypothesis Development: To generate hypotheses or research questions based on existing findings.
- Comparative Analysis: To compare and contrast different studies or sources to identify trends or inconsistencies.
- Data Validation: To cross-check or validate primary research findings with existing data.

### **Advantages of Secondary Research:**

- Cost-Efficient: It is often more cost-effective than primary research as it doesn't involve data collection.
- Time-Saving: Secondary data is readily available, saving time compared to conducting new research.
- Broad Scope: It can provide a broad overview of a topic by aggregating data from multiple sources.
- Ethical Considerations: It can avoid some ethical concerns associated with primary data collection.

### **Challenges of Secondary Research:**

- Availability: Not all information may be publicly accessible, and some sources may be restricted.
- Relevance: Existing data may not perfectly align with the specific research objectives.
- Bias: Data may be biased due to the original research objectives or methods.
- Analysis and Synthesis: Researchers conducting secondary research must critically analyze and synthesize the information gathered to draw meaningful conclusions and insights. This may involve organizing data, identifying patterns, and addressing gaps in existing research.

## **III. ISSUE BRIEF**

India's union government introduced a production-linked incentive scheme in March 2020. Details and implementation guidelines lacked clarity even though it was welcomed by the industries in which it was applicable. The auto and auto ancillaries industry had the largest allocation of the scheme. As the scheme got approved, the details castrated came out gradually.

## **IV. WHAT IS THE PRODUCTION-LINKED INCENTIVE?**

The Union government launched a scheme that aims at furnishing companies impulses on increased deals from goods produced in domestic units in order to ameliorate domestic manufacturing and reduce import bills.

- The scheme aims to enable original companies to make or expand manufacturing units and encourage foreign companies to set up shops in India.

- Hence, this PLI conception is significant because the government cannot invest in these capital-ferocious sectors because they take longer to yield returns.

- The PLI scheme strives to enhance structural adaptation, foreign trade, cost-competitive and productive manufacturing, frugality of scale, an increased donation in global value chains and deals growth in the specified sector.

## **V. OBJECTIVE**

- Economic Growth: The primary objective of the PLI scheme is to stimulate economic growth by incentivizing domestic manufacturing, which, in turn, contributes to GDP expansion and job creation.
- Reducing Import Bills: A key goal is to curtail India's import bills by promoting self-reliance in critical sectors, leading to a more favorable balance of trade.

- **Enhancing Export Competitiveness:** The scheme aims to make Indian industries more globally competitive, fostering increased exports and positioning India as a major player in international markets.
- **Attracting Foreign Investment:** Encouraging foreign companies to establish manufacturing units in India is a strategic objective, attracting foreign direct investment (FDI) and technology transfer.
- **Boosting Industrial Investments:** The PLI scheme seeks to attract substantial investments from both domestic and international players, especially in capital-intensive industries.

The sectors that are included in production-linked incentives

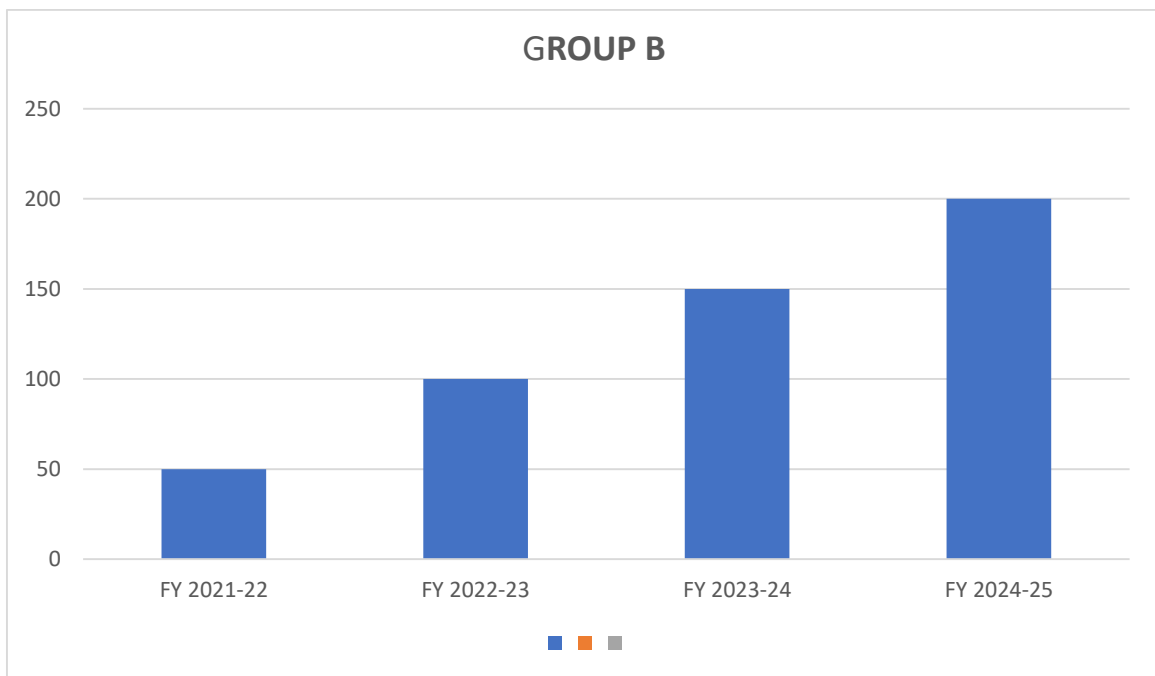
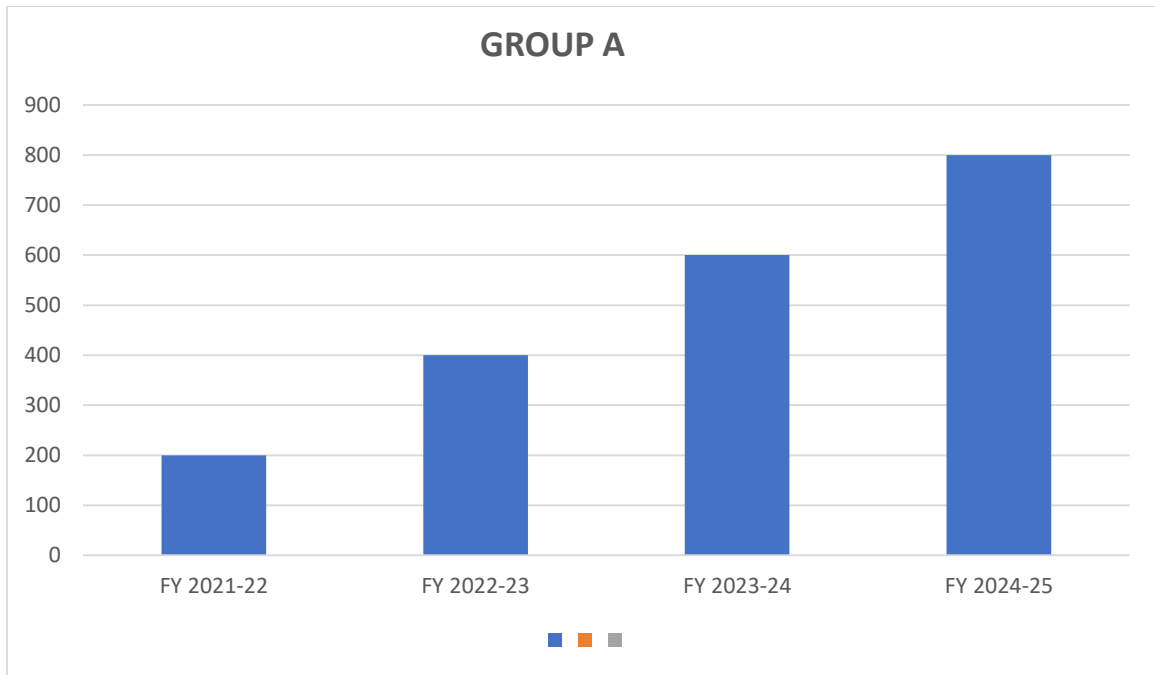
Priority	Sector	Implementing Ministry/ Department	Approved Financial Outlay Over Five-Year Period
1	Advanced Chemistry Cell (ACC)	Battery NITI aayog and Department of Heavy Industries	
2	Electronic /Technology Products	Ministry of Electronics and Information Technology	Rs 5,000 Crore
3	Automobiles and Auto Components	Department of Heavy Industries	Rs 57,042 Crore
4	Pharmaceuticals Drugs	Department of Pharmaceuticals	Rs 15,000 Crore
5	Telecom & Networking Products	Department of Telecom	Rs 12,195 Crore
6	Textile Products: MMF segment and technical textiles	Ministry of Textiles	Rs 10,683 Crore
7	Food Products	Ministry of Food Processing Industries	Rs 10,900 Crore
8	High-efficiency Solar PV modules	Ministry of new and renewable energy	Rs 4,500 Crore
9	White goods( AC & LED)	Department of Promotion of Industry and Internal Trade	Rs 6,238 Crore
10	Speciality Steel	Ministry of Steel	Rs 6,322 Crore

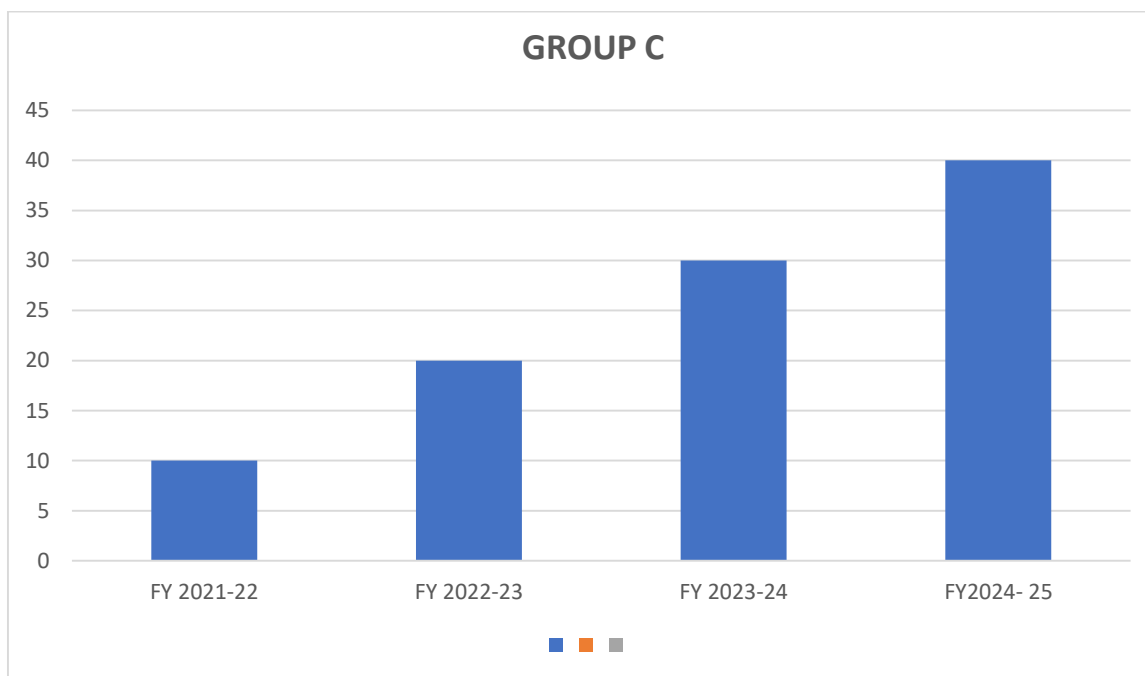
### PHARMACEUTICAL INDUSTRY

- Indian pharmaceutical assiduity is the 3rd largest in the world by volume and is USD 40 billion in terms of value. The country contributes 3.5 of the total medicines and drugs exported encyclopaedically. India exports medicine to further than 200 countries and homes including largely regulated requests similar to the USA, The UK, the European Union, Canada, etc.
- At present a major element of Indian exports is low-value general medicines while a large proportion of the demand for patented medicines is met through significance. This is because the Indian Pharmaceutical sector lacks high-value products along with world-class pharma R&D.
- To incentivize the global and domestic players to enhance investment in these product orders, a well-designed and suitably targeted intervention is needed to incentivize specific high-value goods similar to biopharmaceuticals, complex general medicines, patented medicines or medicines nearing patent expiry, cell-grounded or gene remedy medicines.
- The idea of the scheme is to enhance India’s manufacturing capabilities by adding investment and product in the sector and contributing to product diversification of high-value goods in the pharmaceutical sector.
- The duration of the scheme will be from FY 2020 21 to FY 2028- 29. This will include the period for processing of operations( FY 2020 21), the voluntary gravidity period of one time( FY 2021- 22), the incitement for 6 times, and FY 2028- 29 for disbursal of incitement for deals of FY 2027- 28.

Group of Participants	Minimum Cumulative Investment per participant (Rs. Crore)	Minimum Percentage Growth in Sales (Year on Year)
<b>Group A</b>	<b>Rs. 1,000 crore over 5 years.</b> FY 2021-22: 200 FY 2022-23: 400 FY 2023-24: 600 FY 2024-25: 800 FY 2025-26: 1000	For first year of production, participants shall have to achieve Minimum threshold sales which will be specified by value for each group in the scheme guidelines. For subsequent years, the participants have to achieve a minimum percentage growth of 7% Year on Year.
<b>Group B</b>	<b>Rs. 250 crore over 5 years.</b> FY 2021 -22: 50 FY 2022-23: 100 FY 2023-24: 150 FY 2024-25: 200 FY 2025-26: 250	

<b>Group C</b>	<b>Rs. 50 crore over 5 years.</b> FY 2021-22: 10 FY 2022-23: 20 FY 2023-24: 30 FY 2024-25: 40 FY 2025-26: 50	
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### FOOD PROCESSING INDUSTRY

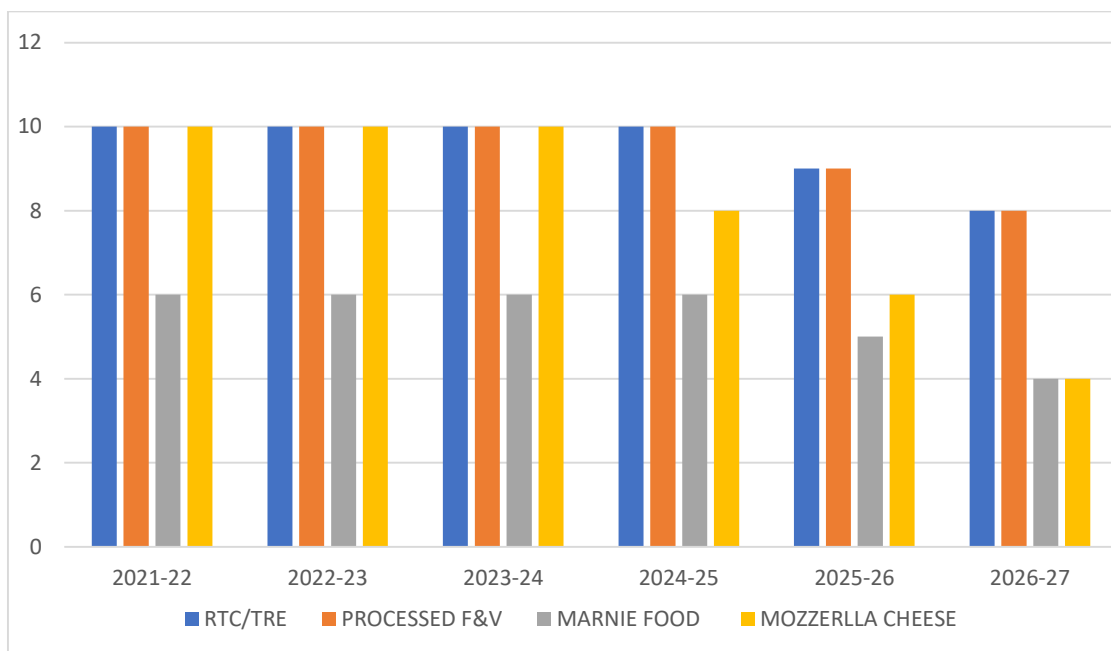
Segment	Sales (Rs crore)	Minimum Investment (Rs crore)
RTE/RTC	500	100
Processed Fruits and Vegetables	250	50
Marine	600	75
Mozzarella Cheese	150	10 mtpd plant -Rs23crore
Innovative/Organic products of SME including FR Eggs, Egg products, Poultry Meat	Based on the proposal submitted by the Applicant	

- The Production Linked Incentive Scheme for Food Processing Industry (PLISFPI) supports the creation of global food manufacturing champions commensurate with India's natural resource endowment and supports Indian brands of food products in the international markets with an outlay of Rs. 10900 crore.
- The objectives of the Scheme are to support food manufacturing entities with stipulated minimum Sales and willingness to make minimum stipulated investments for the expansion of processing capacity and Branding abroad to incentivize the emergence of strong Indian brands.
- The implementation of the scheme would facilitate the expansion of processing capacity to generate processed food output of Rs 33,494 crore.
- Create employment for nearly 2.5 lakh persons by the year 2026-27.

Rates of Incentives on Sales over Years :

Year	RTC/RTE	Processed F&V	Marine Products	Mozzarella Cheese
2021-22	10%	10%	6%	10%
2022-23	10%	10%	6%	10%
2023-24	10%	10%	6%	10%
2024-25	10%	10%	6%	8%
2025-26	9%	9%	5%	6%
2026-27	8%	8%	4%	4%

- From April 2000 to December 2020, India’s food processing sector received FDI worth US\$10.24 billion. By 2030, the sector is expected to be worth over half a trillion dollars, making India the world’s fifth-largest consumer market.
- Multinational companies ITC Limited, Nestle, Parle, Britannia, and Hindustan Unilever Limited (HUL), are the sector’s top FMCG (fast-moving consumer goods) companies in India

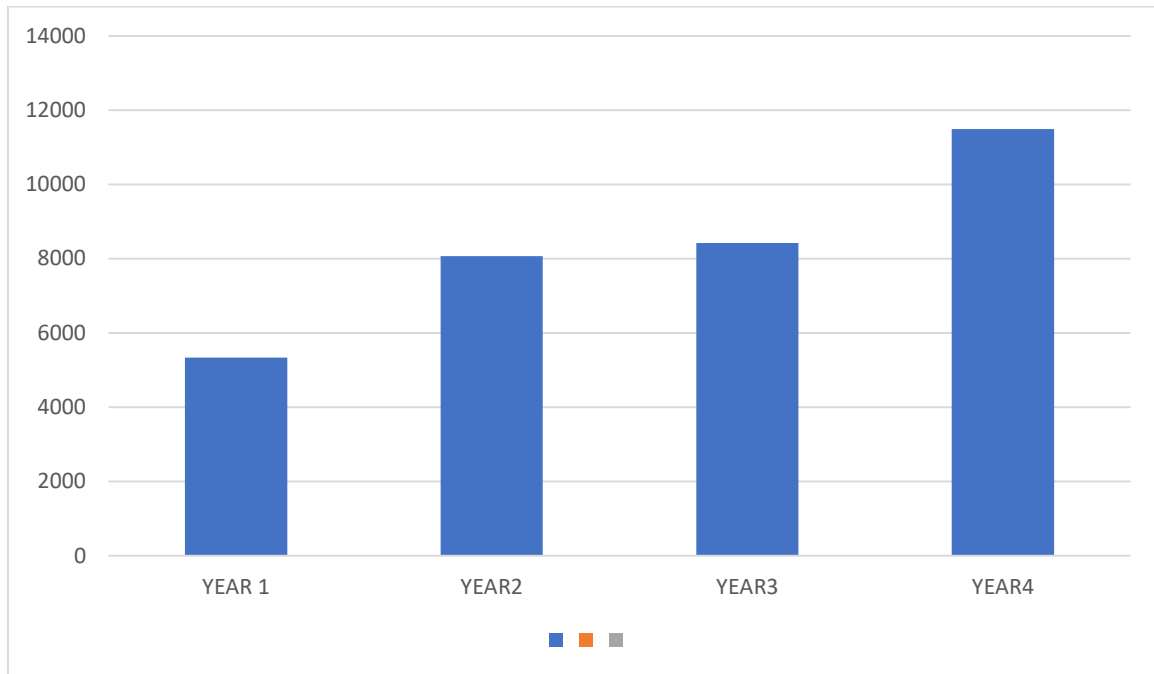


**ELECTRONIC/TECHNOLOGY PRODUCTS**

- Electronics permeate all sectors of the economy. The industry has grown rapidly with a CAGR of around 25% during the last 4 years. However, this pales in comparison to the actual potential for growth curtailed by specific constraints such as large capital investments and rapid changes in technology.
- India’s share in global electronics manufacturing has grown from 1.3% in 2012 to 3.0% in 2018. The domestic production of electronics hardware has increased substantially from INR 1,90,366 crore (USD 29 billion) in 2014-15 to INR 4,58,006 Crore (USD 70 billion) in 2018- 19.
- With the domestic demand for electronics hardware expected to rise rapidly to approximately INR 26, 00,000 crore (USD 400 billion) by 2025, India cannot afford to bear the rapidly increasing foreign exchange outgo on account of the import of electronics.
- India’s share in global electronics manufacturing has grown from 1.3% in 2012 to 3.0% in 2018. The domestic production of electronics hardware has increased from INR 1,90,366 crore in 2014-15 to INR 4,58,006 Crore in 2018-19.
- phones and specified electronic components. The Scheme shall extend an incentive of 4% to 6% on incremental sales (over base year) of goods manufactured in India and covered under target segments.

The expected annual incentive outlay and cumulative incentive outlay under the Scheme are as follows:

Financial year	Total Incentive (Rs Crore)
Year 1	5334
Year2	8064
Year 3	8425
Year 4	11488
Year 5	7640
Total	40951



- Support under the Scheme shall be provided only to companies engaged in manufacturing of target segments in India. This shall include contract manufacturers as defined in the FDI Policy Circular of 2017.
- Eligibility shall be subject to thresholds of incremental investment and incremental sales of manufactured goods (as distinct from traded goods). An applicant must meet all the threshold conditions to be eligible for disbursement of incentive.

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