# Indian Economy · GS - III

**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?**

| EXAM YEAR | PAPER | SUBJECT |
|---|---|---|
| 2025 | GS - III | Indian Economy |

| MARKS | WORD LIMIT |
|---|---|
| 15 | ~250 words |

## Answer Hint

**PLI, manufacturing, import substitution, exports, global value chains, investment, employment, electronics, pharmaceuticals, performance-linked incentives, MSMEs**

## Model Answer

### Introduction

The Production Linked Incentive scheme seeks to strengthen India's manufacturing ecosystem by providing incentives linked to incremental production and sales. It aims to overcome structural disadvantages and integrate India into global value chains.

### 1. Rationale

PLI seeks to:

1. Attract domestic and foreign investment.
2. Expand manufacturing capacity and economies of scale.
3. Reduce excessive import dependence in strategic sectors.
4. Increase exports and India's participation in global value chains.
5. Generate employment and develop supplier ecosystems.

6. Promote technology transfer and domestic value addition.

**2. Achievements**

The scheme covers 14 sectors, including electronics, pharmaceuticals, automobiles, telecom, solar modules and specialty steel. Government data indicates that by 2025, PLI schemes had generated substantial investment, production and employment across participating sectors. Electronics manufacturing and mobile-phone production have particularly expanded, with India emerging as a major mobile manufacturing base.

**3. Areas for improvement**

Outcomes can be strengthened through:

1. Greater emphasis on domestic value addition rather than final assembly.
2. Better integration of MSMEs with large manufacturers.
3. Stable long-term policy and faster disbursement of incentives.
4. Greater R&D and technology-transfer requirements.
5. Independent evaluation based on additional employment and investment generated.
6. Stronger logistics, infrastructure and skilling support outside the incentive framework.
7. Periodic redesign of schemes where targets are not producing expected outcomes.

**Conclusion**

PLI can be an important industrial-policy instrument, but durable manufacturing competitiveness requires productivity, innovation, skilled labour and globally competitive infrastructure alongside fiscal incentives.

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