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PLI SCHEME

Strong Investment Growth but Employment Generation Lags

1. Latest News

A joint NITI Aayog–IIM Ahmedabad impact assessment report, released recently, evaluated the Production Linked Incentive (PLI) scheme — one of the Modi government's flagship manufacturing initiatives, launched in March 2020.

Six years on, the report reveals a mixed picture: strong progress on investment and production, but significant lag in employment generation — raising important questions about the scheme's design and effectiveness.

2. What Is the PLI Scheme?

Introduced in 2020, following the 2019 corporate tax rate cuts, to encourage entrepreneurs to build new manufacturing capacity in India.

- Core design principle: Unlike broad-based or untargeted subsidies, PLI links government incentives directly to incremental production and performance by firms.
- Dual objective: Catalyse investment and enhance firm-level competitiveness.
- Coverage: 14 schemes across key sectors, with a total outlay of ₹1.91 lakh crore.

Manufacturing growth remains a policy priority, given its potential to provide meaningful employment to India's large, young, expanding workforce.

3. Headline Numbers: Investment and Production vs Employment

- Investment: Achieved 76% of target, cumulatively attracting ₹2.40 lakh crore.
- Production: Achieved 64% of target, generating ₹22.66 lakh crore worth of output.
- Employment: Only 28% of target achieved — just 8.49 lakh jobs created against a target of 30.18 lakh jobs.

This stark gap between investment/production progress and employment outcomes is the report's central concern.

4. Sector-wise Employment Performance: Wide Variations

Top Job Creators

- Food products PLI: 3.29 lakh jobs (highest).
- Large-scale electronics manufacturing: 1.69 lakh jobs.
- Pharma drugs manufacturing: 1.14 lakh jobs.

Below-Target Performers

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- Automobiles and auto components: 67,820 jobs (against a target of 1.48 lakh — less than half).
- White goods: 52,703 jobs.
- Telecom and networking: 33,610 jobs.
- Textiles: 33,427 jobs.
- Solar PV modules, speciality steel, bulk drugs, medical devices, IT hardware, drones/drone components, battery manufacturing: each below 15,000 jobs.

Sectors Broadly on Track

As per the report, large-scale electronics, pharmaceuticals, food processing, drones, medical devices, and white goods showed strong progress across multiple parameters (investment, production, employment, exports).

Sectors Needing Strengthening

Automobiles and auto components, telecom, and speciality steel require further work on employment, exports, and domestic value addition.

5. Why the Employment Lag? Understanding Gestation Periods

Manufacturing investments follow a sequential pattern: investment happens first → production ramps up as capacity is commissioned → employment grows only as operations reach commercial scale.

This means investment, production, and employment need not progress at the same pace — a natural lag exists.

Implementation status: The 14 schemes have completed 58% of their aggregate implementation period (578 of 996 months) — meaning 42% of the implementation period remains, so final judgment on full-tenure targets would be premature.

6. Why Are Targets Not Being Met? Structural Issues

- Stringent targets, especially in sectors with long gestation periods and high demand uncertainty (due to international trade dynamics and geopolitical shifts), discourage scheme adoption.
- Industrial mechanisation can also make it harder for sectors to meet employment targets even as production rises.
- The report stresses: industry participation in designing sector-specific targets is essential for better outcomes.
- PLI, in its current form, is a purely supply-side scheme — the report recommends adding demand-side support, i.e., incentivising downstream firms and consumers to purchase from PLI-supported firms.

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7. Disbursement Lag: Money Not Fully Flowing

Cumulative incentive disbursements stood at just 18.51% of the total ₹1.91 lakh crore outlay (as of March 2026).

- 9 of 14 schemes — including bulk drugs, automobiles, and textiles — had disbursements below 10% of their allocated outlay.
- In contrast, drones, large-scale electronics, and food products schemes saw disbursements of 25–77% of outlay — reflecting their more mature implementation stage.

Capital-intensive sectors may show strong investment without proportionate employment growth; technology-intensive sectors often need longer gestation periods before production and export outcomes materialise.

8. The Bigger Picture: A Scheme of Varying Objectives

The report highlights that PLI schemes are not uniform in objectives or implementation trajectory:

- Some sectors prioritise building domestic capacity and reducing import dependence.
- Others focus on achieving scale, boosting exports, and securing positions in global value chains.

Despite employment shortfalls, nearly 70% of targeted segments remain broadly on track, underscoring PLI's overall positive role in India's manufacturing push.

9. Way Forward: Key Recommendations

- Adopt a more sector-specific approach, given wide variation in performance across sectors.
- Standardise data collection and reporting mechanisms across different ministries implementing PLI schemes.
- Move beyond supply-side intervention — incorporate demand-side incentives for downstream firms and consumers to buy from PLI-supported companies.

10. Conclusion

Six years in, the PLI scheme has proven its worth in driving investment and production, but its employment promise remains only partially fulfilled.

Bridging this gap will require sector-specific calibration, demand-side support, and patience — recognising that manufacturing employment, unlike capital inflows, takes longer to mature into tangible jobs for India's workforce.

Source: Indian Express (IE) | NITI Aayog