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PRODUCTION-LINKED INCENTIVE (PLI) SCHEMES

NITI Aayog Assessment and Key Reforms

PLI Schemes: Latest News

A joint impact assessment by NITI Aayog and IIM Ahmedabad has found that cumulative disbursements under India's 14 Production-Linked Incentive (PLI) schemes reached only 18.51% of their total approved outlay by March 2026, while recommending reforms to improve their long-term effectiveness.

1. Performance of PLI Schemes

Introduced in 2020 across 14 key sectors, including pharmaceuticals, textiles, automobiles and steel, the PLI schemes have a combined financial outlay of ₹1.91 lakh crore.

As of March 2026, the assessment reported:

- Incentive disbursement: ₹35,351 crore, representing 18.51% of the total outlay.
- Investment attracted: ₹2.40 lakh crore.
- Production generated: ₹22.66 lakh crore.
- Employment created: More than 8.49 lakh people.
- Targeted segments: Nearly 70% were broadly on track.

The report noted particularly strong outcomes in electronics, telecom and pharmaceutical drugs.

2. Differences in Sectoral Performance

- Disbursement levels vary considerably across sectors.
- Nine schemes, including those for bulk drugs, automobiles and textiles, had disbursements below 10% of their respective outlays.
- Schemes covering drones and drone components, large-scale electronics and food products recorded disbursements ranging from 25% to 77% of their outlays.
- The report cautioned that all schemes did not become operational at the same time and some had longer gestation periods.

3. Understanding Low Disbursements

The relatively low disbursement figure is partly linked to the performance-based structure of PLI schemes.

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Incentives are released only after participating companies meet specified investment, production and other eligibility criteria. Payments are therefore not made upfront.

As companies expand capacity, increase production and meet progressively higher performance thresholds, disbursements are expected to rise over the respective scheme periods.

However, the assessment also highlighted concerns about the quality and sustainability of industrial growth. These include increased imports under certain electronics manufacturing programmes and the limited employment generation associated with mobile phone manufacturing, which has largely been driven by assembly operations.

4. Key Recommendations of NITI Aayog

Sector-Specific Policy Design

A uniform approach may not address the different challenges faced by individual sectors. Technology adoption, gestation periods, global competition and capital requirements vary considerably. Future policy design should account for these differences.

Demand-Side Incentives

Existing PLI schemes are largely supply-driven, encouraging companies to expand production and capacity through output-linked financial incentives. The report recommends that future schemes incorporate demand-pull mechanisms alongside supply-side incentives to ensure sustained demand for domestically manufactured products.

Standardised Data Collection

Reporting mechanisms across ministries need standardisation. Information on additional revenue, employment, production and exports is currently inconsistent across sectors. Clear guidelines should specify what companies must report, reporting timelines and procedures for monitoring annual progress.

Long-Term Effectiveness

The focus must shift from evaluating the initial success of PLI schemes towards strengthening their long-term contribution to industrial transformation.

5. Significance for India's Industrial Development

- PLI schemes seek to strengthen domestic manufacturing, attract investment, generate employment and improve India's competitiveness in global supply chains.
- The assessment indicates that the schemes have attracted substantial investment and generated significant production.
- Their long-term success will depend on whether manufacturing expansion translates into deeper domestic value addition, sustainable employment and competitive industrial capabilities.

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- A combination of targeted incentives, stronger domestic demand and reliable performance data can improve policy outcomes.

6. Conclusion

The PLI framework has contributed to investment mobilisation and manufacturing expansion, but uneven sectoral performance and concerns over employment and import dependence highlight the need for recalibration.

A shift towards sector-specific policies, demand-side support and standardised monitoring will be important in making future incentive programmes more effective.

