Amid tepid fund utilisation, govt to review PLI scheme today

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The Centre on Tuesday will review its ambitious production-linked incentive (PLI) scheme to sort out teething issues faced by beneficiaries of the scheme, and the focus will mainly be on sectors where the progress has been slower-than-expected.

Commerce and industry minister Piyush Goyal will hold the first-of-its kind review meeting that will see officials from all the ministries responsible for rolling out the PLI scheme. The meeting will also see participation from the beneficiaries or the companies participating in the scheme. The Centre has allocated ₹1.97 trillion towards PLI schemes for 14 key sectors, including telecom, textiles, automobiles, white goods and pharmaceutical drugs, among others. This scheme not only aims to boost domestic manufacturing, but also create jobs, curb cheap imports and boost exports.

According to the Department for Promotion of Industry and Internal Trade (DPIIT), as on date, the government has paid ₹2,874 crore to beneficiaries in eight sectors. They are mobile manufacturing, IT hardware, pharmaceutical drugs, bulk drugs, medical devices, telecom, food products and drones.

Progress has been slow in the case of the remaining six sectors — steel, textiles, battery, white goods, solar PV and automobiles. Here, incentive disbursements are yet to begin, government officials had said earlier this month. A detailed analysis regarding this is being done by individual ministries.

Ajay Srivastava, former trade ministry official and founder of think tank Global Trade Research Initiative (GTRI) said that in order to make the scheme more effective, the government must watch out for possible misuse of the incremental sales criteria for granting PLI incentives. Besides, the criteria for the scheme should also be simplified to ensure there is no misuse.

"PLI criteria for various sectors include thresholds on investments, production, sales, degree of localisation, inputs used and many more. Manufacturers may not be able to tick on all the boxes. For example, in one case, the government suspected the invoice value and disallowed the incentive of a few hundred crores. In most cases, it is difficult to ascertain the actual value of a product or invoice. Doing this makes incentives subjective and delays the settlement of claims. Guidelines should be few and transparent," said a GTRI report authored by Srivastava.

The report also suggests that the best way to simplify PLI is to incentivise local production of components and not the final product.

Madan Sabnavis, chief economist at Bank of Baroda, said it is difficult to monitor how it is being used.

"If a company, which applied for the scheme, goes for an expansion, it is difficult to find out how much of it is happening. This is because of PLI and what is happening in the normal course," Sabnavis said.

The scheme should be a one-time incentive and should not be extended beyond the end date. "Companies should not be dependent on this scheme," Sabnavis said.

FILLIP TO MANUFACTURERS

- Review meet to include detailed discussion on PLI implementation
- Govt to seek feedback from industry, other government departments
- Discussion on challenges being faced by beneficiaries to take place
- Review for cases where fund utilisation is lower-than-expected is yet to begin