

Project Title:

Production Linked Incentives (PLI) in Indian Manufacturing: Impact on firm performance, transition to energy and barriers

Project Code:

IND-24350

Project Funded By:

London School of Economics

Project PI:

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Project Information:

The project deals with two important issues that are experienced in Indian manufacturing sectors. First, the impact of an intervention by the name Production Linked Incentive (PLI) on firm performance. Second, the challenges of manufacturing firms across sectors in achieving renewable energy transition. These issues relate to a) firms, trade, and productivity, and b) energy and environment.

The first PLI scheme was introduced in March 2020 in three sectors followed by 10 new PLI sectors in November 2020. The scheme aims to create national manufacturing strength and additional production by giving production linked incentives to participating firms. The incentives vary across sectors ranging from 1%-18% of the participating firm's incremental sales and/or investment.

The project designs a matching approach to analyze the impact of participation in the scheme on firm performance measured by sales, investment, productivity, exports, profitability, and renewable energy use on ten sectors. The list of firms participating in these sectoral PLI schemes will be collected from respective ministries of the Government of India. The project traces the firm characteristics of both participating and non-participating firms from Prowess database, which is provided by Centre for Monitoring Indian Economy (CMIE). CMIE contains more than 50,000 firms from various sectors, which will enable the project to use a matching approach to study the impact of PLI participation.

The project also proposes to examine the progress in renewable energy transition by manufacturing firms and identify the barriers in it. This is motivated by the fact that reducing CO2 emission from production is not only an environmental responsibility but also turning out to be economic necessity as many of the exporting firms could face market access challenges unless the carbon content of exports is not reduced. Therefore, the progress made in renewable energy transition and barriers faced by firms would provide relevant insights for policy and practice.

Project Start Date:

June 1, 2025

Project End Date:

April 30, 2026

