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Some smart(phone) lessons for industrial policy

These should guide the redesign of PLIs in sectors such as textiles, telecom products, and others, while driving job creation by supercharging la- bour-intensive industries like garments, footwear, and toys

The smartphone PLI has given India a playbook for building sectors at a globally competitive scale. The challenge now is to use it smartly across other sectors.

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5 min read Apr 3, 2026 04:34 PM IST

First published on: Apr 3, 2026 at 06:24 AM IST

India's arrival on the global manufacturing scene has been a long-awaited sequel to its success in IT exports. One recent bright spot is electronics — specifically, smartphones. Launched in early 2020, the government's smartphone Production-Linked Incentive (PLI) scheme has delivered impressive results.

An investment of about $1.2 billion under the scheme has driven $64 billion in production by FY 2025 — more than double the $30 billion in 2020. Total investment in the broader smartphone ecosystem — including non-PLI participants — is conservatively estimated at around $8 billion, creating about 1.5 lakh jobs — with some estimates putting the figure as high as 2 lakh. As a result, exports have soared from $3.1 billion to $24 billion, lifting India's share of global smartphone exports from 1 per cent to 8 per cent.

Building on the success of the PLI, the government has launched the Electronics Component Manufacturing Scheme to nurture a domestic component ecosystem. Against an expected investment of Rs 59,350 crore, applications worth twice that amount have poured in, with 1.4 lakh jobs committed versus 91,600 originally envisaged. This success has not been repeated across other sectors where PLIs have been applied. Overall, Rs 1.97 lakh crore was earmarked for PLIs, yet barely 10 per cent has been disbursed. What explains the smartphone PLI's success, and can it be replicated in other sectors?

The first reason for its success was that it had a clear export focus from the start. It targeted two segments: Phones with an invoice value of Rs 15,000 or more — critical for exports — and cheaper phones better suited to the domestic market. The sales and investment thresholds were different for each segment. This ensured that, unlike many industrial policies that focus on import substitution, the smartphone PLI aimed to plug India into global value chains.

Total production quickly overtook domestic demand, and the next leap came entirely from exports, which have grown eightfold since 2020. That focus matters: India's domestic market, while expanding fast, remains modest compared with the global opportunity. Even in a world drifting towards protectionism, exports remain critical for job creation and faster growth.

The second and equally significant factor was the decision to focus downstream. The PLI targeted final assemblers such as Foxconn, Pegatron, and Wistron — the companies closest to global brands and capable of scaling fast. China and Vietnam followed a similar sequence: Build massive assembly capacity first, then deepen the supply chain. Downstream assemblers are the locomotives that pull the entire train

— they create jobs, generate demand for components (many of which are made by MSMEs) and anchor supplier ecosystems. In 2019, India had barely a dozen firms in the smartphone ecosystem. Today the Apple network alone includes more than 40 companies that have together generated another 1,20,000 direct jobs. With increasing scale in assembly, ECMS can deepen this base and foster a large component ecosystem.

In many industries, downstream players are the biggest job creators. Foxconn's plant in Chennai now employs over 40,000 people. Its new facility in Bengaluru adds another 25,000. Tata Electronics employs more than 80,000 people — 80 per cent of them women — at its three manufacturing plants. Smartphone assembly remains labour-intensive, and even with automation, that reality will not change anytime soon. India is one of the few countries that can match China's labour scale. By focusing on assembly first, the incentives played directly to India's strengths.

A third factor was recognising that building scale in assembly also depended on freeing up the flow of inputs. In many PLI-targeted sectors, tariff and non-tariff barriers on components and raw-material inputs have undermined competitiveness, offsetting the benefits PLIs aim to create. The smartphone policy avoided this trap. The government steadily reduced duties on key inputs — from printed circuit board assemblies and camera modules to connectors, microphones, and USB cables — most of which now face zero import duty.

Administrative bottlenecks were tackled head-on. When large export consignments began piling up, Chennai airport's cargo section expanded capacity; when labour unrest surfaced, state governments stepped in as facilitators. This responsiveness was vital to building investor confidence. Finally, the smartphone PLI was not designed in isolation. It emerged from months of close consultations with industry,

and that spirit of collaboration has been even more visible with the new ECMS, where officials held extensive discussions to identify challenges.

This partnership mindset mattered as much as the incentives themselves. Like seeds that need fertile soil, PLIs need an environment of ease of doing business. Smartphone manufacturing would not have flourished without it. It is worth remembering that China has spent an estimated 1.7-2 per cent of its GDP annually over three decades supporting industry. Sustained, strategic backing of this kind will be essential if India is to convert early success into enduring competitiveness.

India's smartphone story is a template for other sectors — one that prizes exports over protection, plays to our labour strengths, builds scale in assembly before chasing upstream self-reliance, and works to ease the operating environment for businesses.

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The lessons learned should guide the redesign of PLIs in sectors such as textiles, telecom products, and others, while driving job creation by supercharging labour-intensive industries like garments, footwear, and toys. The smartphone PLI has given India a playbook for building sectors at a globally competitive scale. The challenge now is to use it smartly across other sectors.

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