ISID Institute for Studies in Industrial Development
An institution of Indian Council of Social Science Research (Ministry of Education)
Policy Research to Foster India's Industrial Transformation

278
WORKING PAPER

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February 2024

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Evaluating the Performance of ODOP and Its Role in Industrial Development of Uttar Pradesh

Surya Tewari [*] ***and Ajit Jha*** [**]

Abstract: One District One Product (ODOP) is one of the major schemes launched in Uttar Pradesh in 2018. The scheme targets micro, small and medium enterprises (MSMEs), local employment, exports and regional development. The paper uses primary and secondary data to evaluate the scheme with respect to these objectives. The primary survey was conducted mainly with enterprises, artisans, district industry centres, lead banks, local voices in Moradabad and Banda districts. The former is a large cluster in metal craft, and the latter a small one producing Shazar stone craft. The data reveals the scheme to be one of the most important MSME schemes in the states with nearly one-fourth of the amount allocated to ODOP. Amongst the five components of the scheme credit support in the form of margin money is the major component. More than 50 percent of the ODOP budget has been spent on this component. Micro enterprises have received on an average 95 per cent margin money subsidy in the past five years. However, it is mainly the western region and established large clusters that have been benefited. The employment impact of ODOP is not very conclusive as the scheme specific employment data is not available. However, some information related to employment creation shows that employment has grown in enterprises (both manufacturing and its related services) in the Central, East and Bundelkhand Regions. The export performance could be considered as an important contribution of ODOP. There were 31 districts that had ODOP exports in 2021-22. In 2022-23, the number rose to 37. There are mixed opinions regarding the implementation of the scheme and the issues on the ground. Access to formal credit is one of the major issues. Others include availability of raw materials, sector specific concerns on skilling and training, marketing of products, infrastructure and local regulatory mechanism that need to be made easier and enterprise friendly.

Keywords: ODOP, MSME, Cluster, Regional Development, Credit

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1. Introduction

Uttar Pradesh (UP) is the youngest state in the country. In 2021, the median age population of UP was 24.7 years which is projected to increase to 31.7 years by 2036. More than two-third population of the state belongs to the working age group of 15-59 years. The state's contribution to the country's GDP was 8.2 per cent in financial year (FY) 2022-23. It has also been endowed with good economic and social infrastructure and a long Indo-Gangetic plain. The state has a diverse base of traditional and modern industries and a number of locally specialised clusters (GoUP 2017a). Micro, Small and Medium Enterprises (MSMEs) have the largest presence in the state. According to the NSS 73rd round survey of unincorporated non-agricultural enterprises there were 89.9 lakh enterprises in UP in 2015-16, provided 165 lakh employment. In 2020-21, as per Annual Survey of Unincorporated Sector Enterprises (ASUSE), the figures were respectively, 77.5 lakh and 130.9 lakh. The state is also a leading exporter of handicrafts, engineering goods, carpets and leather products.

Growth and industrialisation have been a key strategy of successive governments in UP. The 1998 industrial policy proposed the development of six industrial corridors in the state. The Industrial and Services Sector Investment Policy 2004, aimed at 12.5 per cent industrial growth rate and proposed setting up special economic zones (SEZ). Infrastructure development through public-private partnership was given major thrust in the Infrastructure and Industrial Development Policy 2012 (Srivastava and Ranjan 2016). The Industrial Investment and Employment Promotion Policy 2017 and 2022 have focused on a framework of industrial growth that generates quality jobs, attracts investment and makes state a USD one trillion economy by 2027 (GoUP 2017a & 2022a).

Despite having favourable factors and abundance of policies, UP has not been able to transform itself. A quick appraisal of facts reveals that the primary sector still dominates the economy. More than 50 per cent of the workers were engaged in agriculture and allied activities in 2022-23. Manufacturing contributes only 9.8 per cent in total employment. According to the Periodic Labour Force Survey (PLFS) 2022-23, self-employment (70.2 per cent) is the largest category in total employment. The regional differentiation in terms of economic activities has also been very sharp. The western region is the most forward region vis-à-vis other regions. In 2021-22, the share of the western region in state domestic product (SDP) was 49.89 per cent (at constant 2011-12 prices). However, the studies show that intra-regional differences have become sharp within the western region (Srivastava and Ranjan, 2016). The district domestic product (DDP) data also demonstrates the differences. While Gautam Budh Nagar contributes 18.71 per cent to the western region DDP, the others contribute less than seven percent with many less than two per cent.

Hence, an important issue today for UP is to reduce the dominance of primary sector, focus on industrial development which can provide large number of low skilled jobs, and balance the inter and intra-regional economic differences. MSMEs, which have the largest presence in the state, can be a key driver of industrial growth in the state. Although, there are several perennial issues in this sector such as issues of informality, access to and cost of formal credit,

formal training and marketing. But better policy intervention can make this sector sustainable and resilient. In the recent past, the central government has taken a series of steps to deal with these issues. At the state level, UP government has also given major thrust to this sector. Both in MSME Promotion Policy 2017 and 2022, state government set the target of 15 per cent annual growth in the number of MSMEs and equivalent growth of employment in this sector (GoUP, 2017b & 2022b). Through One District One Product (ODOP) and Vishwakarma Shram Samman Yojna (VSSY) the impetus is on traditional crafts/enterprises/artisans present uniquely across the state. Taking lead from UP, the central government has also started similar schemes of ODOP under Ministry of Food Processing Industries (MoFPI), District as Export Hub (DEH) under Ministry of Commerce and Industry (MoCI) and PM Vishwakarma (PMV) under Ministry of MSME.

ODOP adopted by UP in its MSME Policy 2017 and launched as a scheme in January 2018 is the first of its kind launched in the country. The inspiration of the scheme is taken from similar schemes adopted in Japan and Southeast Asian countries. In Japan, the scheme known as One Village One Product (OVOP) was started in 1961, making it the first country to launch the scheme. The purpose of the scheme was to promote local resources, which are unique, sustainable and income yielding (Haraguchi 2008; Thu, 2013). In Thailand also, OVOP known as One Tambon One Product (OTOP) scheme launched in 2001 with similar principle. The scheme was found successful in employment creation and raising income (Mukai and Fujikura, 2015 and Schumann, 2016). The success of OVOP became a model of adoption in other countries (Khan, 2008; Kurokawa et al, 2010; Ohaya et al, 2013; Republic of Thailand, 2014; Mukai & Fujikura 2015; Schumann, 2016). In the ODOP scheme in UP at least one product is identified in each district based on the production, availability of raw materials and skilled labour/artisans (Appendix Table A1). With each district specialise in the production of at least one product, which is also unique, the impetus is to increase the scale and scope of manufacturing and promote industry at sub state level with district as a unit of concerted efforts. The specific objective of this scheme is to preserve and promote traditional crafts, increase local income and employment and reduce regional and intra-regional economic disparity (GoUP, 2018a). UP also became the first state in the country to launch this scheme and gave impetus to the call of local manufacturing of the Modi government at the national level. Most importantly, this scheme was adopted at the national level through Prime Minister Formalisation of Micro Food Processing Enterprises (PMFME) scheme.

The ODOP scheme in UP completed six years of implementation in 2024. Hence, an evaluation is important to know how this scheme is being implemented on the ground, and the types of benefits that have accrued from the scheme. Further, it can also be seen at what level the larger issue of employment creation, export promotion and regional economic balance can be tackled by implementing a scheme or policy giving primacy to regional industrial development. Based on the available secondary data and a small sample survey both issues have been tried to address in the paper.

The specific objectives of the paper are as follows:

- Evaluate the progress of ODOP in terms of access to credit, training and market support to enterprises.
- Examine field-based issues in getting credit, training and market support.
- Analyse ODOP performance in employment generation, export promotion and in addressing the larger issues of regional economic disparity between the west and other regions.

The paper is organized into six sections. Section 2 outlines the database and methodology of the paper. Section three examines the performance of ODOP based on the analysis of secondary data. Field based observation related to ODOP has been presented in section 4. Section 5 provides the macro picture of industrialisation in UP and role of ODOP in employment generation, export promotion and regional economic parity. Section 6 concludes the paper.

2. Database and Methodology:

The study is based on both primary and secondary data. Directorate of Industry and Enterprise and Promotion (DIEP), UP is the main source of providing ODOP related information. The information is collected from the Office of the Commissioner and Director Industries, DIEP, Kanpur. The data on DDP is collected from portal of Directorate of Economics and Statistics, Government of UP,[1] while district wise export data is taken from Ministry of Commerce and Industry (MoCI) website.[2] The data available on the MoCI portal is of top 10 commodities, available since 2021 on the MOCI portal to support District as Export Hub (DEH) initiative. The regional classification in the paper is based on administrative division of the state into the Western, Eastern, Central and Bundelkhand regions.

The primary data used in the paper is based on the field survey of entrepreneurs, industry organisations, district industry centres (DICs), lead bank branches and other local voice organisations/individuals. The study used the case study approach to collect information based on semi-structured questionnaire and personal interviews. Primary data is collected from Moradabad and Banda district. The two are selected based on distribution of credit support in the form of margin money subsidy (MMS) as well as the fact that both produce handicraft items. It is noteworthy that credit support is a major constraint for MSMEs as also a main component of ODOP. It was found that Moradabad metal craft in the western region and Banda Shazar stone craft in Bundelkhand feature among the top three and bottom three, respectively, in credit support. The differences in the two were also noticed in terms of training and toolkit and Common Facility Centres (CFCs). UP International Trade show, the first to have been organised, was also covered to understand the issues mainly concerning marketing aspect.

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[1] https://updes.up.nic.in/updes/ddp_annual.html

[2] https://dashboard.commerce.gov.in/commercedashboard.aspx

Table 1 shows the areas covered during field survey, types of units and respondents interviewed in a six phase of primary survey in Moradabad and Banda. Out of the 56 MSME enterprises interviewed, 23 were beneficiaries of ODOP.

Table 1: Phase Wise Details of Primary Survey

Phase	*Dates*	*Industrial Areas*	*No. of MSMEs Interviewed*	*ODOP Benefit Taken/Applied*	*MSMEs and Others-Description*
I	May 20-21, 2023	Moradabad – Behind Hotel Drive Inn-24, Delhi Road; Niryat Nagar; Gulab Bari; Lalbagh	6	3	Micro units-2 and small units-4 (Manufacturer Exporters); and Metal Handicraft Service Centre (MHSC).
II	June 5-7, 2023	Moradabad – Lal Masjid Road; Prince Road (Peerzada, Makbara, Galasahid); Dingarpur Road; Veerpur Industrial Area, Sambhal Road	20	2	12 artisans; 5 manufacturers; SEZ unit Scrap Trader; Raw Material Bank under Comprehensive Mega Cluster Scheme of Ministry of Textiles (MoT), MHSC, and District Industry Centre (DIC).
III	July 17-20, 2023	Banda – Town	11	10	11 artisans; District Magistrate; DIC Lead Bank Manager (Indian Bank)
IV	July 27, 2023	Kanpur	-	-	Commissioner & Director Industries, Directorate of Industries & Enterprise Promotion, GoUP
V	August 23-25, 2023	Moradabad – Faiz Gunj Road, Hartala, Buddh Bazar	11	1	7 artisans, 4 small units DIC; Lead Bank Manager (Canara Bank)
VI	September 24, 2023	UP International Trade Show, NOIDA	8	7	8 craftsmen

Source: Authors' classification

3. Progress of ODOP: A Secondary Data Analysis

ODOP is one of the major MSME schemes in UP. In FY 2022-23, out of Rs. 1109 crore budget provisioned for MSMEs, nearly one-fourth was allocated to ODOP (GoUP, 2023a). Table 2 shows the budgetary provision and expenditure pattern since the implementation of the scheme in 2018-19. On an average Rs. 250 crores have been provisioned for ODOP in each financial year. However, the amount sanctioned and spent varies in the first three years. In the last two years almost the entire amount provisioned in the budget has been sanctioned and also spent on the scheme.

Table 2: Budgetary Support & Expenditure under ODOP (in crores)

Year	*Budget Provision (Rs)*	*Sanctioned Amount (% against provision)*	*Expenditure (% against sanction)*
2018-19	235	135.57 (57.69)	57.32 (42.28)
2019-20	250	163.63 (65.45)	136.01 (83.12)
2020-21	250	184.65 (73.86)	177.05 (95.89)
2021-22	250	250 (100)	241.20 (96.48)
2022-23	263.75	258.75 (98.10)	254.23 (98.25)

Note: figures in the parenthesis are in per cent.
Source: DIEP, GoUP

The scheme covers five components: credit support (MMS), skill development (training and toolkit), marketing assistance, development of common facility centre (CFC) and branding. Credit support (financial assistance) in the form of MMS is the major component of the scheme. The margin money is released by DIC against the submitted application and the loan is financed by all scheduled commercial banks and regional rural banks (RRBs) (GoUP, 2018b; GoUP, 2020a). The MMS is offered at different rates. For example, MMS is 25 per cent or 6.25 lakh (whichever is less) for a loan up to Rs. 25 lakhs (Appendix Table A2). Year-wise information in Table 3 shows that on an average 50 per cent of the fund in the last five years has been spent on MMS. Training and toolkit distribution is the second important intervention on which 36 per cent of the sanctioned budget amount has been spent. Around 11 per cent spent on CFCs and 2.95 per cent on marketing and branding.

Table 3: Expenditure Breakup on ODOP Components

Year	*Expenditure (in cr.)*	*% Margin Money*	*% Training & Toolkit*	*% CFC*	*% Marketing*	*% Branding*
2018-19	57.32	54.68	–	–		
2019-20	136.01	32.01	–	–	1.40	
2020-21	177.05	53.49	–	–	2.28	–
2021-22	241.2	47.41	–	–	0.90	–
2022-23	254.23	59.44	–	–	3.46	–
Total	**865.81**	**50.25**	**35.94**	**10.86**	**1.95**	**1.00**

Note: Percent share of marketing is computed from budget allocated for the same in the respective years. Of CFC from money released till 2022-23. Considering expenditure on marketing we are assuming expenditure on branding to be not more than one percent. Branding scheme approved in October 2020 (GoUP, 2020b). Marketing Assistance started in 2019 (GoUP, 2019). The percentage share spent on training and toolkit is percent remaining from other 4 components. The blanks denote unavailability of information.
Source: DIEP, GoUP

Table 4 shows the demand pattern of loan and release of margin money. The release of subsidy is directly associated with demand for loan. As the demand for loan has substantially increased in last two years, the release (reflected in terms of target and achievement) has also increased. In fact, MMS crossed the target in the FY 2022-23. From the

survey it has been found that the margin money target is fixed for individual districts, which however can exceed the limit on case-by-case basis.

Table 4: Margin Money Progress Under ODOP

Year	*Margin Money (cr.)*			*Loan Amount (cr.)*	*% Margin Money in Loan*
	Target	*Achievement*	*% Achieved*		
2018-19	48.44	31.34	64.70	160.60	19.51
2019-20	97.00	43.54	44.89	229.42	18.98
2020-21	106.70	94.70	88.75	378.81	25.00
2021-22	106.70	114.35	107.17	896.81	12.75
2022-23	116.40	151.12	129.83	1172.73	12.89
Total	**475.24**	**435.06**	**91.55**	**2838.37**	**15.33**

Source: DIEP, GoUP

The regional and district wise distribution of MMS indicates that the western region has received the largest share of subsidy followed by the eastern region. This is obvious as both these regions comprise of 30 and 28 districts, respectively (Table 5). The other important reason for the high demand for loan in the western region is the higher concentration of manufacturing activities. In 2021-22, the share of western region in total manufacturing in the state was 66.46 per cent.

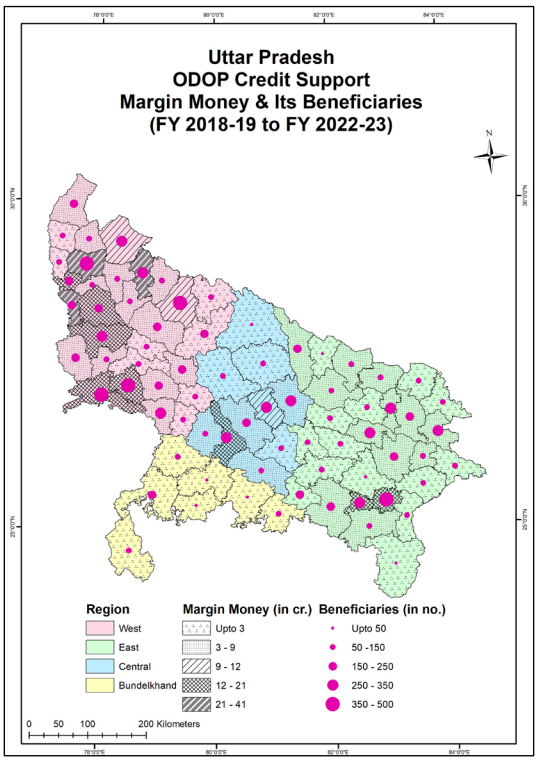
Table 5: Region Wise Aggregate Credit Benefit under ODOP

Region	*No. Districts*	*Margin Money (cr.)*		*Loan (cr.)*
		Target	*Actual*	
West	30	245.89	260.79 (59.94)	1812.90
East	28	142.41	105.91 (24.34)	542.39
Central	10	66.17	60.12 (13.82)	445.68
Bundelkhand	7	20.77	8.24 (1.89)	37.40
All	**75**	**475.24**	**435.06 (100)**	**2838.37**

Note: Figures in parenthesis correspond to percentage share of margin money in a region from total.
Source: DIEP, GoUP

Within the western region maximum amount of MMS has been given to Meerut, Gautam Buddha Nagar and Moradabad districts. Meerut has received Rs. 41 crore MMS from FY 2018-19 to FY 2022-23. Later two received Rs. 22 crores each in the last five years. The other districts that have received sizable amount in the region are Firozabad, Agra, Aligarh, Ghaziabad and Bulandshahr. Kanpur Nagar in the Central and Varanasi and Bhadoi in Eastern regions have also received sizable amount (Figure 1). It is important to note that all these districts that have received significant amount of MMS have established large clusters. For example, Meerut has famous sport good cluster, Moradabad has metal craft, Agra and Kanpur are known for leather products and Bhadoi for carpet. All these are handicrafts products which make UP a leading exporting state in the country (GoUP, 2023b).

Figure 1: Regional Distribution of Margin Money & Its Beneficiaries



Source: Constructed using data obtained from DIEP, GoUP

Table 6: Enterprise Type of Margin Money Beneficiaries

Year	*Micro*	*Small*	*Medium*	*Total*
2018-19	886 (98.23)	16 (1.77)	–	902 (100)
2019-20	1476 (97.62)	36 (2.38)	–	1512 (100)
2020-21	2686 (96.93)	83 (3.00)	2 (0.07)	2771 (100)
2021-22	2924 (94.41)	173 (5.59)	–	3097 (100)
2022-23	3400 (92.47)	266 (7.23)	11 (0.30)	3677 (100)
Total	**11372 (95.09)**	**574 (4.80)**	**13 (0.11)**	**11959 (100)**

Source: DIEP, GoUP

The enterprise wise distribution in Table 6 shows that micro enterprises have received on average 95 per cent MMS in the past five years. Small enterprises have received 4.80 per cent subsidy, while medium enterprises have received only 0.11 per cent. As the 99 per cent enterprises are micro in nature, getting maximum share of subsidy is apparent. Around 90 per cent of loan demanded by these enterprises are in the slabs of up to Rs. 10 lakhs and between 10-25 lakhs. Small enterprises and lately medium enterprises have also shown willingness to get loan under this scheme which is reflected in the rise of their numbers in

last two years. The demand for loan also varies with the size of enterprises. No small unit has demanded loan of less than Rs. 50 lakhs. Similarly, all medium enterprises have availed loan of more than Rs 150 lakhs (Table 7).

Table 7: Categories of Loan Availed by MSME Units (FY 2018-19 to FY 2022-23)

Loan Amount (in lakh)	*Micro*	*Small*	*Medium*	*Total*
Up to 10	8153 (71.69)	–	–	8153 (68.17)
10-25	1999 (17.58)	–	–	1999 (16.72)
25-50	879 (7.73)	–	–	879 (7.35)
50-150	341 (3)	89 (15.51)	–	430 (3.60)
>150	–	485 (84.49)	13 (100)	498 (4.16)
All Loans	**11372 (100)**	**574 (100)**	**13 (100)**	**11959 (100)**

Note: Figure in the parenthesis corresponds to percentage shares obtained from Row 6.
Source: DIEP, GoUP

The presence of small and medium units mainly in western region brings variability in the loan demand of western vis-à-vis other regions (Table 8). These units particularly belong to the districts of Meerut, Moradabad, Gautam Buddha Nagar and Ghaziabad (Figure 2). Contrary to this, in Bundelkhand region, only four small units have availed loan under this scheme. Majority of the loan in ODOP is taken for amount up to Rs 10 lakh with manufacturing as the main activity (Figures 3 and 4).

Table 8: Regional Variability in Loan Distribution

Region	*Loan Size*					
	Up to 10 Lakh	*10 - 25*	*25 - 50*	*50 - 150*	*>150*	*Total*
West	3561 (60.04)	1125 (18.97)	544 (9.17)	338 (5.70)	363 (6.12)	5931 (100)
East	3195 (79.82)	501 (12.52)	189 (4.72)	66 (1.65)	52 (1.30)	4003 (100)
Central	983 (63.67)	319 (20.66)	139 (9.00)	24 (1.55)	79 (5.12)	1544 (100)
Bundelkhand	414 (86.07)	54 (11.23)	7 (1.46)	2 (0.42)	4 (0.83)	481 (100)
All	**8153 (68.17)**	**1999 (16.72)**	**879 (7.35)**	**430 (3.60)**	**498 (4.16)**	**11959 (100)**

Note: Figure in the parenthesis corresponds to percentage shares obtained from Column 7.
Source: DIEP, GoUP

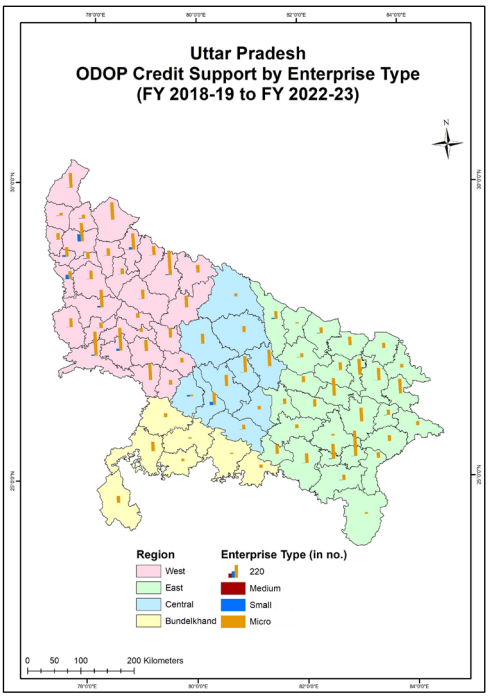
Table 9: Training & Toolkit Progress Under ODOP

Year	*Training (no.)*			*Toolkit (no.)*		
	Target	*Achievement*	*%*	*Target*	*Achievement*	*%*
2018-19	6175	5944	96	5644	5644	100
2019-20	20000	19529	98	18929	18929	100
2020-21	16000	15999	100	15549	15549	100
2021-22	21000	21000	100	20625	20425	99
2022-23	21000	21000	100	20625	20325	99
Total	**84175**	**83472**	**99**	**81372**	**80872**	**99**

Source: DIEP, GoUP

Training and toolkit distribution is the second largest component of this scheme. In the last five years 83,472 artisans have received training under this scheme. The model of training is based on recognition of prior learning (RPL) where a candidate also gets daily stipend and certificate after successful completion of training. DIC is the nodal agency to facilitate the process of training and distribution of toolkit. However, the target to provide a minimum number of candidates is set by DIEP. Table 9 presents the year wise performances of training and toolkit component of ODOP.

Figure 2: Regional Distribution of Margin Money Beneficiaries



Source: Constructed using data obtained from DIEP, GoUP

Figure 3: Distribution of Loan Types

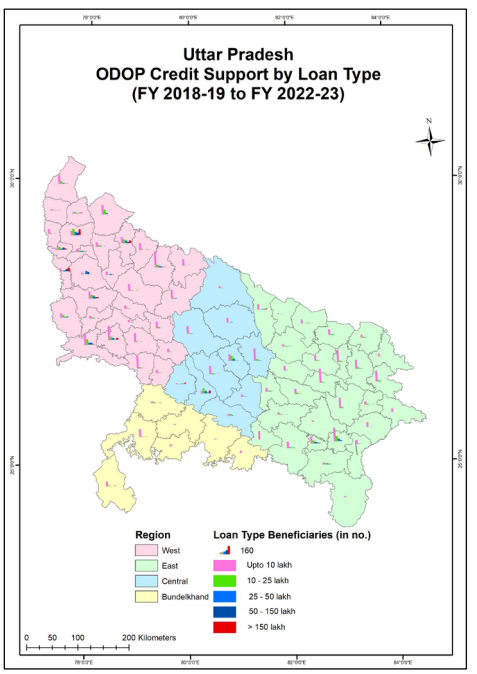
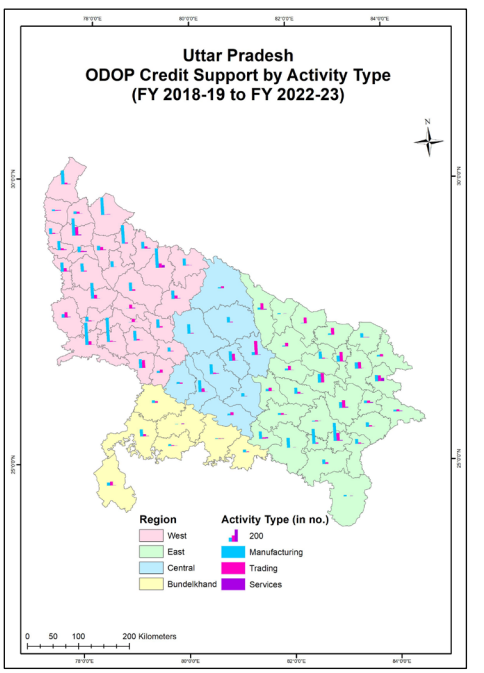


Figure 4: Distribution of Activities



Source: Constructed using data obtained from DIEP, GoUP

4. Issues Emerged from Field Survey

Metal craft in Moradabad (once known for brass products) is highly export oriented. Moradabad District Export Action Plan 2020-21 puts direct and indirect employment in the cluster at 3,50,000 (MoCI, 2020). Raw materials are procured both from domestic and international market, while labourers are mainly based locally. Shazar stone craft, which is based in Banda town, is also export oriented but the size of the craft is very small. Interactions with DIC Banda and units revealed that there are around 20-22 micro units/artisans involved in Shazar. They employ around 250 people with size of operation relatively low and concentration in Banda town only. Some important features of these crafts that emerged from the survey are important to highlight. The spatial aspect is the most important attribute of the crafts as it gives strength to the products being produced. Labour involved in production primarily acquires skills through hereditary practices. Craftsmen involved in production are highly skilled which is reflected in their design making, quality and quantity supplied. Items are mainly produced by hand. To some extent semi-automatic machines are also used.

In both districts artisans and entrepreneurs are grappling with key requirements of raw materials, common infrastructure, special infrastructure support in quality control and focused training, access to credit, marketing and branding of the products, unnecessary burden of regulatory compliances etc. As ODOP incorporates most of these components, some of the issues are discussed in detail:

a) *Availability of Raw Materials:* Raw material is an important factor input but incidentally both central and state specific schemes (including ODOP) have not given focus on this issue. It was found in the survey that the availability of good quality raw material at a competitive rate is crucial for producing quality products. Shazar is a dendrite agate having natural imbibed features of trees, shrubs, leaves etc. It is procured from river basin in Banda and from neighboring districts in Madhya Pradesh (MP). Ken and Narmada are the two major river sources for getting this stone. Initially Ken River was the main source of stone mining; this is one of the reasons in start of craft in Banda. Limited availability of this stone in Ken River has turned people towards Narmada and its tributaries Ganjal and Mahana in MP. The two major issues concerning it: one, the process of procurement of stone is illegal as there is no provision of legal tender for mining this stone. Second, getting good quality stones has become difficult due to its limited presence. Suppliers of raw materials (locals and fishermen) charge exorbitant price of good quality stone. Till now, no initiative has been taken by the government to make the process of mining legal that will also help in rationing the supply process and checking the price. Setting up of the CFC can be one of the solutions, but there was no consensus among artisans to start this process.

   In Moradabad raw material price is a major concern. Aluminum, iron, brass (copper plus zinc), copper and steel are the main sources of raw materials which are available in the form of ingot and sheet. Sixty percent of the items are manufactured from ingot which is manufactured locally in Moradabad from the

scrap, purchased by local traders from Gujarat and Maharashtra. The cost of both ingot and sheet is determined by prices of raw materials in the international market. Any changes in the international price directly affect the cost of ingot and sheets in the local market. This affects the profit margin of the manufacturers/exporters; sometimes they also have to bear the loss. Artisans may also have to bear the burnt as manufacturers bargain with them for lower wages. According to the local voice organization and people involved in this business, the brass manufacturing has come down to 15 to 20 per cent in the past few years due to higher prices and fluctuations in the international market.

Building Raw Material Banks (RMBs) with some stability in price is one of the prime requirements of these traditional craftsmen. Of the three CFCs under ODOP in Moradabad, none caters to the need for raw material. Some have come up under Assistance to States for Developing Export Infrastructure and Allied Activities (ASIDE) by MoCI but they are all nonfunctional. Only one RMB set up under the Comprehensive Mega Cluster Development Scheme, MoT is catering the supply of raw materials. However, it provides scrap based raw material with prices the same as outside.

b) *Product Design, Quality and Variability:* In a flexible production system it is the product design and quality that are the main determining factors. The MHSC that has been set up in Moradabad to cater to these needs has not been able to meet the requirement sufficiently. In Banda, in the absence of formal training, artisans are making finished stones. Only one or two artisans are involved in making jewellery out of Shazar. Further, they are less aware about using lower quality stones for making decorative home décor items. However, it emerged from the interaction with artisans, manufacturers and exporters in Moradabad and to some extent in Banda that there is a need for specific institutional framework from where the products' design and quality can be ensured and certified.

In ODOP, there is a provision of setting CFC for this purpose. According to the scheme guidelines CFCs can be developed to provide facilities of design, training, testing, packaging, labelling and barcoding etc (GoUP, 2018c). Under this provision, UP government can give a maximum of 90 per cent grant in projects up to Rs. 15 crores (Appendix Table A3). The CFC can be set up through a special purpose vehicle (SPV). The secondary data provided by DIEP shows that out of the 29 CFCs are being set up under the ODOP scheme, 5 CFCs have design and display centres (Appendix Table A4).

c) *Access to Formal Credit:* This is an important issue facing the micro and small enterprises. Access to and the cost of formal credit is a pertinent issue even after schemes are designed to address this problem. There are many schemes for MSMEs that have provision of providing loan, with loan up to Rs 10 lakh can be taken without collateral. The loan is guaranteed by Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE), for which the applicant is charged certain rate. In these schemes of credit support a particular sum is given by

government as grant, known as margin money, after a certain lock-in period. These schemes also include certain sum of own account contribution. Similar provision is available in ODOP scheme (GoUP, 2018b; GoUP, 2020a).

In our field survey we did not find many of the micro enterprises or artisans availing this benefit. In Moradabad, most of the people who have taken the benefit/or applied are small and medium enterprises. Artisans and micro enterprises were either reluctant to take the benefit or faced great difficulties in access. In Banda it was found that while DIC forwarded a list of loan applications to bank for approval under ODOP, banks are wary in providing loans. For example, of the 22 loan applications forwarded by DIC Banda to banks (that included old rejected but improved applications too) for margin money under ODOP scheme in 2021-22, only two of the applicants were accepted. All the applications for loan are forwarded by DIC after considering the score card, constructed to evaluate the applications. The minimum score required is 50 out of 100. Even after scrutiny by DIC, Bank may or may not approve loan. The bank considers the loan application mainly in terms of applicant civil score, project quality, space for setting up of unit, and previous experience in the work. So apart from objective criteria of civil score etc., subjectivity also comes in. Many of the projects for setting up of micro enterprise failed on one count or the other. There are various checks at the level of bank and DIC which includes scoring, one-week training, physical inspection of the unit in release of grant, there is difficulty in getting loan. Rising NPA of banks, misuse of money, failure of the unit to take off, are some of the reasons which make banks conscious in approving loan. The issue of bank charging commission also came up. The interest rates are also a constraint in taking loan. In loans without collateral, the interest rate increased by 1.5 to 2 percent depending upon the bank from which one is availing loan.

It is also important whether different interest rates can be charged for different project costs. As majority of the loan, 68.17 percent (Table 7), under ODOP are of up to Rs 10 lakhs, loans up to this amount could be charged at lower interest rates. In Prime Minister Vishwakarma (PMV) Scheme launched by central government for 18 traditional occupations, the interest rate charged is 5 percent (GoI, 2023a). The scheem is available only for loan up to 3 lakhs. In ODOP, analysis shows that loans up to 3 lakhs have been demanded by 23 percent of the units and are all micro units. At present it is the margin money amount and maximum or minimum that changes with the change in loan demanded, known as project cost (Appendix Table A2).

For credit to be properly utilised and led to manufacturing progress, it is equally important that units are handhold from their initiation (should start from the initiation of an idea itself) till they take off. DIC located in each and every district could be the best agency for the same. However, DIC itself suffers from a lack of required funds, physical infrastructure, and functionaries. For helping investors to set up their units, UP government has recently appointed Udyami Mitra for each

district under Mukhyamantri Udyami Mitra Scheme. There is a need for such dedicated personnels for artisans, micro units as well. They would be required to be in the field too, working hand in hand with units in need of assistance with respect to any requirement in the production chain.

d) *Training and Toolkit Support:* Almost all the schemes meant for MSME are catering to the demand for training and toolkit. In ODOP there is 10-days training in the product identified for each district. The training is available for both skilled and unskilled and it gives RPL (Recognition of Prior Learning) Certificate. All those who are interested in training apply for the same with DIC. The candidates are then chosen by the selection committee that comprises of Deputy Commissioner, ODOP official, convener Kaushal Vikas, Principal ITI, and two ODOP entrepreneur (GoUP, 2020c). There are training targets for each district in a financial year. The training is given to a batch of 25 at a time. RPL certificate is important for traditional craftsmen as the certification not just give them identity but also authenticate their craft. However, for those who are new the RPL certificate is questionable. Moreover, the 10-days training is not sufficient as revealed in the interviews. The demand was also made to improve the toolkit as per the trade.

   The prime requirement in training is of increase in training hours (days) as well as an improved toolkit. Even for those versed in the crafts, 10 days are insufficient as they need more updating and hands on practice of new or improved technology, design, and marketing aspect. The focus is very much on newcomers so that the craft is preserved and promoted. In Moradabad we have been told by DIC office that it is mostly a new generation of people who are getting trained under ODOP. But for training to be helpful it is important to increase the number of days. In Banda for example, around 700 people have been trained in Shazar craft in the last 5-years, but the number of functional units are 20-22. Of course, some of them are workers, which are sent by the enterprises for training and toolkit or are absorbed as workers. From our field survey it is revealed there are around 200-250 workers in the craft. The question is what the remaining are doing? In none of the district less than 650 people have been trained in last 5 years. We have been told that some join training for toolkit which they even sold. It is important to note that both in Moradabad and Banda, the toolkit is of around Rs 18,000. The maximum price fixed for a toolkit is Rs 20,000.

   Those who work in the craft told that the training should be increased to minimum 30 days. Though it will increase the financial burden of the government, it would raise the effectiveness of the scheme. It is important to note that in another training scheme, Hastshilpi Kaushal Vikas Prakshikshan (HKVP), available in 28 districts, depending upon the yearly budget, the UP government gives six months training (GoUP, undated a). The training does not offer toolkit but provides daily trainee stipend of Rs 500. In ODOP, the stipend is Rs 200 with toolkit. There is one another training scheme of state government, which is Vishwakarma Shram Samman

Yojna (VSSY), the training is of 6-days with daily stipend of Rs 400 and a toolkit (GoUP, undated b). Given to workers of 10 traditional occupations, the prime interest in training has also been of toolkit.

The demand for improving toolkit was raised by many whom we interviewed. The toolkit is found non usable by artisans of Banda, as also of Moradabad. The e-RUPI voucher for toolkit as going to be given under PMV seems to be useful as customized toolkit can be obtained which is really a demand of artisans. The training is also of more duration in PMV, basic training of 5-7 days and advanced of 15 days or more. The stipend is also Rs 500 per day. In ODOP also there is need to explore whether stipend can be raised or whether training can be given on a part time basis. The latter is important as that will not cause wage loss which is a deterrent to artisans as mentioned by many.

Other than training and toolkit, we also find a need for formal education. It is indeed the case that the artisans are hereditary being trained. However, to yield more benefits some years of education are important. Awareness is also equally essential. In case of bank rejection of loan application, we found that many of the artisans in Banda do not know how to proceed in case of loan rejection. The educated lot is found motivated to take the work to new heights by diversifying and exploring new markets. They also want to connect directly to the supply chain without any mediator in between. In Banda, a young engineering graduate joined his father business of Shazar and has not only revived the work but also export 40 percent of the Shazar produced in Banda. He has started doing value addition in Shazar by pasting crystal on the stone as well. Likewise, a motivated first-generation 12th pass young lad has started Shazar craft in 2017. His firm contributes 10 percent to the Shazar export. In Moradabad, many firms which are small in nature have seen young graduates joining their family business and are not expanding in terms of factories but in terms of number of products as well.

e) *Marketing and Branding:* The fairs, exhibitions etc are crucial to give exposure to the enterprises as well as to help build contacts with the buyers. The branding is again crucial to give wide exposure throughout the year. All those whom we interviewed revealed the positive outcomes of marketing and branding. However, the demand from many of the artisans and micro enterprises is organizing fairs and exhibitions in a way that does not cause financial trouble to them. In marketing assistance under ODOP, it is the reimbursement system on first cum first serve basis of 75 percent of the expenses on stall and carriage and actual charges in travel of a participant (GoUP, 2019; GoUP, 2020d). The fairs could be national/international within country at the state level, outside state or international fairs outside country. The stall charge maximum is 50,000 for national fair and 2,00,000 for international whether inside country or outside (see Appendix Table A5). The reimbursement system is lamented upon by many in UP Trade show. For crafts that are languishing as also the craftsmen that are near surviving or in the initial stage of manufacturing, for them spending beforehand

is taxing. In UP International Trade Show, we were told that the stall charges were high, around Rs 73000. Moreover, the lodging and food charges were out of pocket expenses. The per person dormitory and food charge was Rs 1000 and Rs 300, respectively. With each participant accompanied by at least one member, the expenses increase even more. Many of the participants we interviewed were staying with their knowns and travelling every day to the expo. Had there been enough sales then one could still bear the expenses. However, that is not the case with all. A bindi manufacturer from UP who has a turnover of Rs 2 to 2.5 lakh found the stall cost very high. She got two females with her and were staying with their relatives. In 3-days of the expo, they were able to sale bindi worth Rs 12,000. Same was lamented upon by terracotta craftsmen from Gorakhpur, flute craftsmen from Pilibhit and wooden toys artisans from Chitrakoot. There is a need to explore whether stall charges can be settled with the fairs and exhibitions organisers by the government itself. In almost all the marketing assistance schemes the list of participating fairs etc. is already decided and known at the government level. As many of the enterprises are own account ones it is important that he/she be made free of all these requirements and paperwork. They should be left free to focus on their craft. All other things should be made easy and smooth. There is also a need to publicise the information of fairs etc through print, electronic and social media such as WhatsApp groups etc. There is a need to increase the list of fairs etc. especially the product specific exhibitions and workshops.

There are also those who want to know how to go about export, what all demands are there in their sector of work. Many micro units are found exporting through middleman in Delhi, Bombay to name a few. It would be very helpful if those who are interested in export get connected to the supply chain directly as this would increase their profits. But there is a need for smooth conduct of exports and realisation of sale proceeds. In Moradabad one of the small enterprises raised this issue. There is no mechanism of extracting payment from the importer in case he/she declines.

In branding, UP government gives assistance for setting up ODOP shop in railway stations, and airports with support between Rs 75,000 and 2 lakhs in former and between Rs 2-5 lakh in later depending upon the city of location (See Appendix Table A6). The assistance cover store rent, electricity, and decoration charges.

f. *Speed Breakers* – In Moradabad the small and medium enterprises highlighted the issue of time and cost in getting permissions, and clearances. As per them, No Objection Certificates (NOCs) are required from large number of departments. In UP there are 38 departments that provide services to industries.[3] Some of the departments from which NOCs are required are labour, stamp and registration, pollution, fire, power, forest and wildlife, public works, electrical safety,

[3] https://niveshmitra.up.nic.in/services.aspx

infrastructure and industrial development, MSME (udyog aadhar), central water board. This not only involve time but also cost and harassment.

One enterprise which has an annual turnover of Rs 10-15 crore told that they purchased 20 bigha land to start a new factory for which they gave Rs 2 crores to development authority while the development is none on the ground. They had to shell good amount of money in getting building plans clear, taking pollution, fire NOC etc. The owners also revealed expenses in getting GST refund. All this hamper the actual start and scaling up of production. The small and medium enterprises interviewed demanded rules and regulations be made simple and clear and NOCs be made available rather than being applied. They also demanded common facilities for some of the requirements such as fire and emission treatment. Currently, these units have to have individual fire tank of 1 lakh litre capacity to be used by fire brigade in case of fire. The owners demanded to have common fire tank maintained by Fire department. The pipelines could be laid, meters installed for which the units can be charged on monthly basis. Even for artisans, the efforts are being made to shift but to no avail. The artisans are not ready to shift to a place which is disconnected from their main location. The house and work are combinedly existing in these natural clusters. The casting work is done in bhattis using coal. The government is making efforts to provide them gas. But the artisans are reluctant as it will increase their cost. The prototypes are also being developed by Small Industries Development Bank of India (SIDBI), but they are expensive. The solution for the same is having common production units which should be accessible and affordably obtained.

5. Role of ODOP in Employment Creation and Export Promotion

The employment impact of ODOP can be gauged from the employment generated through credit support as also through training and toolkit. The latter also includes already skilled workers who go for training for Recognition of Prior Learning (RPL) certificate. But as the preservation of craft is important, impetus is also given to the new band of workers. In Moradabad we were told that it is the new entrants more than the old who are promoted as it is critical for the craft that new people learn the craft. Moreover, our interviews with craftsmen revealed that none of them has taken training as it causes wage loss. From credit support, the data shows absolute level of employment generated to have increased 5-fold from 10 to 50 thousand (Table 10).

In sync with other parameters, west has benefited the most, Bundelkhand the least (Table 11). All the three districts with employment generated of more than 10,000 persons are in west, and includes Gautam Budh Nagar, Moradabad, and Meerut (Figure 5). Central and eastern region have generated employment mainly up to 2000 persons. Bundelkhand has low employment generation. None of the districts in the region has employment generated above 1000 persons.

Table 10: Employment Generated through Margin Money Support

Year	*Employment Generated (no.)*	*Growth Rate (Y-o-Y)*
2018-19	10733	–
2019-20	15363	43.14
2020-21	37848	146.36
2021-22	45705	20.76
2022-23	46911	2.64
Total	**156560**	–

Source: DIEP, GoUP

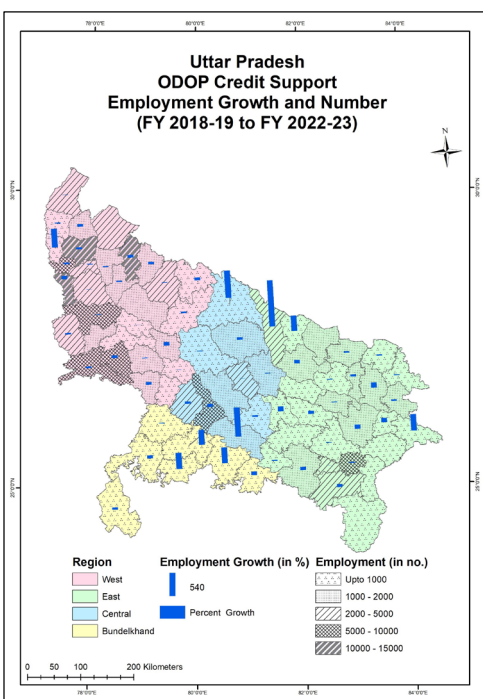
Table 11: Employment Generated through Margin Money Support (FY 2018-19 to FY 2022-23)

Region	*No. Districts*	*Employment Generated (no.)*	*% Share*
West	30	98345	62.82
East	28	34859	22.27
Central	10	20760	13.26
Bundelkhand	7	2596	1.66
All	75	156560	100

Source: DIEP, GoUP

However, it is noteworthy that some districts that had almost no employment generation from MMS in 2018-19 have witnessed high compound growth (Figure 5). This includes districts mainly in central, eastern and Bundelkhand regions namely Lakhimpur Kheri, Fatehpur in central; Bharaich, Shrawasti, Ballia in east; Hampirpur, Mahoba, and Banda in Bundelkhand. These are small clusters dealing with food processing and craft items mainly.

Figure 5: Regional Distribution of Employment Generated



Source: DIEP, GoUP

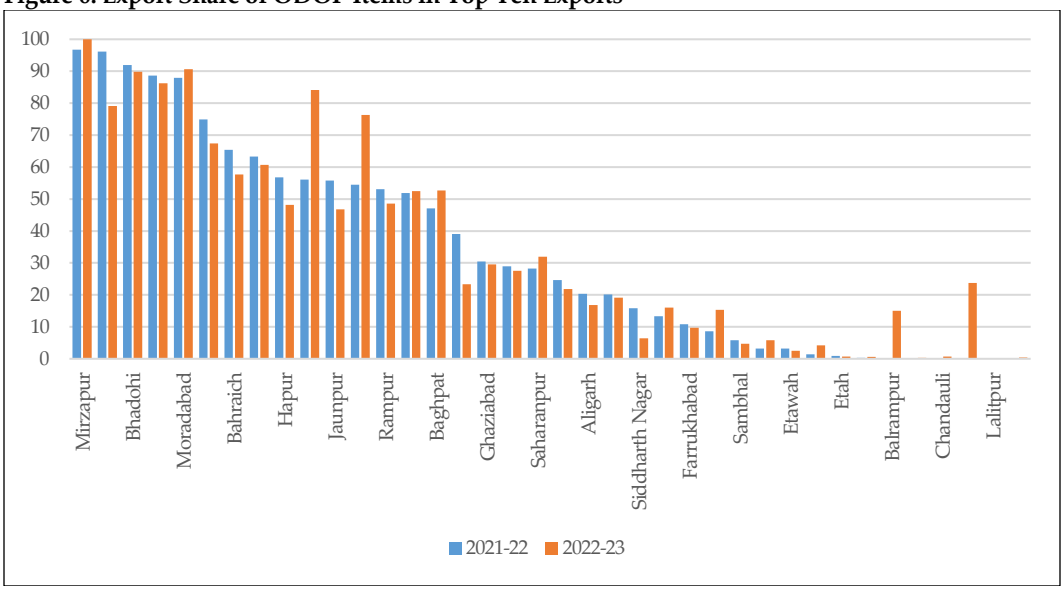
Export Performance

The district export data which is available for top 10 products from 2021-22 is assessed for two years, FY 2021-22 (FY22) and 2022-23 (FY23). In the list of top 10 exports in each district, ODOP items feature in 31 and 37 of the 75 districts, respectively in FY22 and FY23. The new entrants being Jalaun, Lalitpur, Banda, Balrampur, Chandauli, Pratapgarh. The first three are from Bundelkhand and later three are from the eastern region of the state.

It is noteworthy that the share of the top 10 items in total exports is nearly more than 50 percent in almost all the districts with over 50 districts having a share of more than 80 percent. In 13 to 14 districts, entire exports are accounted by top 10 exports. These districts are mainly in Bundelkhand and the eastern part of the state. It can be noted that the more diversified the production basket, the lesser the percentage of the top ten exports in the total exports. In Uttar Pradesh as a whole the share of the top ten exports in total is 60.46 and 63.67, respectively. There are seven districts namely, Lucknow, Kanpur Nagar, Varanasi, Meerut, Ghaziabad, Gautam Budh Nagar and Amroha with percent share below state average.

Within top ten exports, ODOP items constitute more than 80 percent of the share in district like Mirzapur, Bhadhoi, Agra, Moradabad and Kannauj (Figure 6). The share is more than 50 percent in almost 15 of the 30 plus districts having ODOP export. The share is very low in Etah, Bijnor in both the years. In UP as a whole the share is nearly 1/3.

Figure 6: Export Share of ODOP Items in Top Ten Exports



Source: MoCI Portal

While Mirzapur and Bhadhoi have carpets as ODOP item, in Agra it is leather product and stone and marble craft. Moradabad has metal craft as ODOP and Kannauj it is attar (perfumes). The high share of ODOP items in these districts not just convey specialisation of

these districts but also the fact that they are established well known clusters producing for the export market.

Considering change in exports between FY22 and FY23, although too short a period, the decline is high in Kannauj and Meerut. It is perfume in Kannauj and sport goods in Meerut. Increase on the other hand is significant in Muzaffar Nagar, Lakhimpur Kheri and Ambedkar Nagar. The first two have jaggery, the latter has textile products. Jalaun and Balrampur, new entrant in the ODOP export, constitute 23.78 and 14.97 percent of top ten exports. It is handmade paper in Jalaun and food processing in Balrampur.

Other than Jalaun and Balrampur, the other ODOP districts emerging on export scene, though with share of under one percent, are Banda, Lalitpur, Chandauli and Pratapgarh. Other than Banda which has semi-precious Shazar as ODOP, the other three have food processing with or without other items. Figuring of these districts on export map do convey impact of ODOP scheme as observed in field visit to Banda. However, the impact may also be of ODOP initiative of PMFME scheme. Of the total exports in the state, ODOP items in the top ten exports constitute nearly 30 percent of the top ten exports. The share of ODOP items in the Top 10 export in total exports is 18 percent in both the years.

The pertinent question that arises in this part is, why in certain districts the ODOP export is high and absent in others. The reason for the lesser number of districts in ODOP exports could be, one, not all clusters produce items for export markets. Two, there may be exports from districts other than where manufacturing takes place. Exports are also conducted through middleman located in big cities such as Mumbai, Delhi etc. Third, the items are mainly for local consumption.

6. Role in Larger Policy Domain

MSMEs are encouraged by government since independence using mechanisms of protection and promotion. These industries comprise of not just modern small scale but also traditional village/cottage industries.

Under ODOP, the industries covered are mainly traditional ones, but also include modern industries as in Ghaziabad (engineering), Fathepur (iron fabrication), Hapur (home furnishing), Mathura (sanitary fittings), Gautam Budh Nagar (readymade garments) to name a few. The food processing industries are also covered where the focus does not seem to be on preserving some traditional technique of processing but to choose a product in a district (Times Group, 2018). The important issues, however, are, one, how much ODOP items can contribute towards attracting investment, creating employment and enhancing export and, second, how these traditional manufacturing be in absence of such initiative?

Responding to the first part of the question, as far as investment is concerned, there is no information on how much investment has been received in ODOP products. It is important to note that the state has started organising investment summits to make concrete efforts to attract investment. The first summit was organised in 2018 and the second in 2023. The first

summit received intents of 4.28 lakh crore mainly in the sectors of renewable energy, infrastructure, power, IT and electronics, and tourism.[4] The second received intents of 33.5 lakh crore. From the second, some proposals might be in ODOP products too as manufacturing other than electronics manufacturing, industrial parks have received one of the highest investment proposals of 5.25 lakh crore (PIB, 2023; The Economic Times, 2023). As per the information, region wise, western UP received 45 percent of the investment proposals, 29 percent eastern and 13 percent each central and Bundelkhand Region (GoUP, 2023c). Within these regions the concentration is mainly in a few districts, such as districts adjoining Delhi that is Gautam Budh Nagar, cultural heritage district of Agra, state capital Lucknow and influential districts of Gorakhpur and Varanasi. While Gautam Budh Nagar, and Agra are in the west, Lucknow is in central, and Varanasi and Gorakhpur are in east. All these five districts thus account for over 50 percent of the total (The Hindu, 2023). It is unlikely that it is going majorly towards ODOP products.

In the case of export, there seems to be a progress due to the coming up of ODOP. As revealed in section 5, the number of districts exporting OODP items has increased from 32 to 38. Moreover, the per cent share of ODOP items in the top ten exports in the state is around 1/3, indicating significance of ODOP items in exports.

In terms of employment, the margin money has created employment of 1,56,560 in the last five fiscals ending in FY23. Adding training and toolkit, which include new entrants also, the number rises to 2,40,032.

To the second part of the question, whether these units would have performed the same in absence of any such schemes, the answer is, may be yes but in large clusters, as they have highly interconnected functional linkages. In a large cluster of Moradabad, of the total 27 MSME interviewed, only 6 have found to be benefitted/applied for the benefit under ODOP. But in places like Banda which are small clusters the impact of ODOP is clearly seen. In Banda, of 11 MSME, 10 have applied/availed the benefit. Interviewing micro units/artisans it has been found that artisans in Moradabad and Banda are not very different. It is important to note that in all the financial schemes whether ODOP or Mukhyamntri Yuva Swarozgar Yojna (MYSY) of UP government or Prime Minister Employment Generation Programme (PMEGP) of MoMSME, the loan could be taken from either of them on the condition that no such loan is taken by applicant from centre or state previously (Table 11). It means benefit is available only once. Moreover, if someone has previously taken benefit from any centre or state scheme the benefit from other scheme whether of centre or state is not available. Furthermore, benefits may vary.

Table 11 presents comparisons of credit support schemes available to MSMEs from central and state government. Amongst the three schemes of ODOP, MYSY and PMEGP, for a loan up to Rs 10 lakhs which is mainly demanded, the loan from ODOP and MYSY is better than PMEGP for general population in urban locations. For rural, it is same across all the three

[4] https://upinvestorssummit.com/

Table 11: Credit Facility for Manufacturing MSMEs at Centre & State level

Government		*Uttar Pradesh*				*India*		
Ministry/Directorate		*DIEP*				*MSME*		*Textiles*
Scheme		ODOP		Mukyamntri Yuva Swarozgar Yojna (MYSY)		PMEGP		Margin Money under Mudra Loan
Project Cost		>1.5 crore Land cost not included. Rented workshed included		Up to 25Lakh Land cost not included. Rented workshed included		Upto 50 lakh Land cost not included. Rented workshed included calculated for a period of 3 years.		Considering margin money, project cost is assumed to be 1 L
Beneficiary		MSME units in delineated ODOP product in a district.		Micro enterprises		Micro enterprise		Micro Enterprise
Eligibility		18 years. Has not availed any self-employment loan from centre or state previously. To one person in a family. Family means self and spouse.		Between 18 and 40 years. 10th or equivalent degree. Has not availed any self-employment loan from centre or state previously. To one person in a family of self and spouse.		18 years 8th pass for loan above 10L. Has not availed any self-employment loan from centre or state previously. To one person in family of self and spouse.		Pehchan Card
Margin Money		10 to 25%. With the increase in loan bracket percent grant reduces.		25%		15 to 35%		20%. Maximum 25,000
Loan Includes		Capital Expenditure and one cycle of working capital		Capital Expenditure and one cycle of working capital		Capital Expenditure & Working Capital (maximum 40 %)		
Loan Period		Depending upon the				3 to 7 years		
Margin Money Lock-in		2 years		2 years		3 years		
Calculation for Loan up to 10 L	*Loan*	*General*	*Special*	*General*	*Special*	*General*	*Special*	
	Urban	2.50L (25%)	2.50L (25%)	2.50L (25%)	2.50L (25%)	1.50L (15%)	2.50L (25%)	
	Rural	2.50L (25%)	2.50L (25%)	2.50L (25%)	2.50L (25%)	2.50L (25%)	3.50L (35%)	
	Own Money	1L (10%)	50K (5%)	1L (10%)	50K (5%)	1L (10%)	50K (5%)	
2nd Loan		No		No		Yes, for existing units with project cost up to 1 cr. Subsidy 15% and 20% (hills & NER). Own contribution 10%.		No

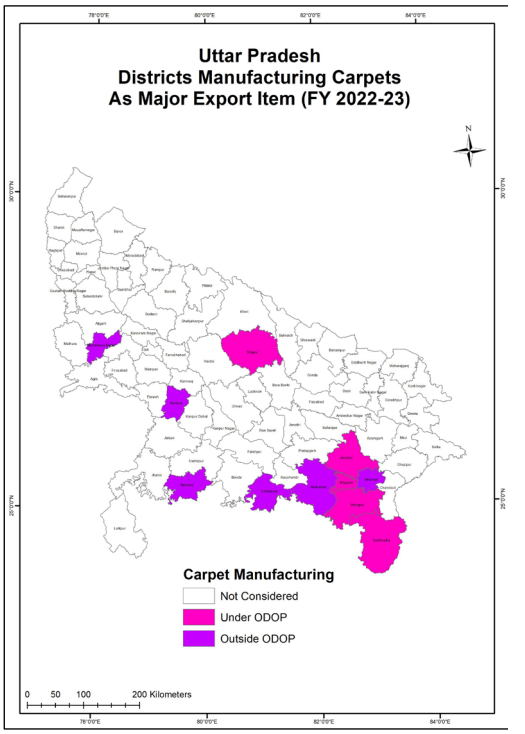
Note: Special in PMEGP – SC/ST/OBC/Women/Transgenders/Minorities/Ex-Servicemen/Physically Handicapped/Aspirational Districts/NER/Hill and Border Regions; Special in ODOP & MYSY for purpose of own money contribution include, ST/SC/OBC/Women/Minorities/Differently Abled. L denotes lakhs and K thousand.

Source: GoUP, 2018b; GoUP, 2020a; GoUP, undated c; MoMSME, 2022; DC Handicrafts, 2022.

schemes. In case of rural and enterprise category special it is more beneficial from PMEGP. Textile Ministry also offers but the amount covered is just Rs 25,000. In such a scenario, what is feasible is to plan schemes in a way that each gives unique benefits. So that no issue of judging across schemes arises and benefits can be spread to a larger number of units. It has been observed that units/artisans do not have information about all the schemes. In the absence of the information the unit is devoid of larger benefit if it is available from any other scheme. Also, support should not be a one-time process but covers the time till a units take off.

ODOP is not without advantage. A very important aspect of ODOP is that it does not take the industry away from the location where it is naturally, historically being located. But offer them advantages of producing a product in particular place known for it. Of 54 items (including one logo) having GI tag from state, 35 are ODOP items (GoI, 2023b). So, advantages of natural industrial cluster are maintained through the scheme. The impetus is on encouraging the growth of these existing clusters. All the important items exported from state are covered under ODOP. This conveys that there is a scope of increase in scale and size of these clusters. As revealed in analysis the uptake of ODOP benefit is also more in these big established clusters across four regions. Some of these clusters are expanding as well. To illustrate, carpet is an ODOP item in Jaunpur, Bhadohi, Mirzapur, Sonbhadra, appearing as a big cluster in eastern part of the state, but has also expanded to neighbouring districts of Varanasi, Allahabad, Chitrakoot and Mahoba where it features in top 10 exports of the district (Figure 13). Carpet manufacturing has also been taken up in districts of Auraiya and Mahamaya Nagar (Hathras). The same is the case with metal craft, powerloom textile which is taken up by many districts and becoming and important export item too. This exemplifies the potential of chosen ODOP items, not just in the district where they are traditionally tied but also in others. The items chosen are not insignificant items to say the least.

Figure 6: Carpet Clusters Inside and Outside ODOP Scheme



The larger question is whether such product based specialisations be encouraged. It needs to be noted that not everything can be manufactured in each district. Every district cannot be a manufacturing hub. However, some specific industries that have locational advantages can

definitely be promoted to accelerate industrial activity. Later, the directly or indirectly interconnected industries may develop. An appropriate strategy should be developed to develop interlinked industries. In ODOP scheme, emphasis be laid on product diversification for spurring industrial activity. This may be a feasible strategy at the micro level of districts.

VI.Summing Up

UP adopted ODOP scheme to promote and preserve traditional and small scale manufacturing in the state. The initiative has also been adopted at national scale through PMFME scheme. The distinguishing feature of the scheme is that it adopts district as a unit for providing benefits. The items that have been adopted are distinctive in nature and constitute main items of export from the state. The state eyed not just preservation of the crafts but also promotion of local employment, income, and concomitant regional balance. Lose of natural heritage in the form of these traditional crafts is a real danger. Some 35 crafts from India are identified as endangered by MoT that includes Sanjhi craft (paper art) of Mathura too (MoT, undated). The scheme meets the basic requirement of finance, skill development, common facility, marketing and branding of micro, small and medium enterprises. The progress of the scheme can be summed up as follows:

1. The average budget for the scheme is Rs 250 cr. Utilisation of provisioned amount has increased on year-on-year basis and has reached almost 100 percent by FY23.
2. Credit support through margin money is the main area of intervention. Half of the funds earmarked for the scheme are utilised in the same. Another 1/3 is spent on training and toolkit.
3. Credit support has generated loan of nearly Rs 3000 crore. The gain in employment is around 1.5 lakh.
4. As far as beneficiaries are concerned, over 90 percent units supported are micro enterprises. The percent of micro enterprises in total is going down as small and medium enterprises are also taking benefit of the scheme.
5. Majority of the loan demanded through the scheme is up to 10 lakhs. Around 70 percent units have this size loan demand. As micro enterprises are predominant group, the loan required is such. Small and medium enterprises have loan demand of greater than 1.5 crore.
6. As far as regional aspect is concerned, the western region is the main beneficiaries both in terms of amount of credit support and number of beneficiaries. Nearly 60 percent margin money has gone to west that comprises of 50 percent of the beneficiaries. The west is followed by east, central and Bundelkhand. Small and medium enterprises taking benefit of ODOP are also concentrated in west. So, what one sees is high variability in loan amount demanded.
7. However, it is not that all districts in a region are equally performing. There are districts in other three regions too which are showing higher uptake of ODOP. For example, Kanpur Nagar in central, Varanasi and Bhadohi in east. All these districts

are very important from manufacturing perspective. In Bhadohi, for example manufacturing contribute more than 20 percent in the district GSDP. The district GSDP data shows increase in manufacturing in some of the districts in east while there is decline in west.

8. Western region has been a hub of manufacturing activity. There are many districts in the region where manufacturing contributes a higher share in district GSDP. This is a reason why majority of the loan demanded in west is for manufacturing, in others trading also constitute a significant proportion. Some of the prominent districts in the region are Gautam Budh Nagar, Ghaziabad, Meerut, Moradabad, Agra, Aligarh, Firozabad.
9. It is the large clusters where uptake of ODOP is high, be it in any region. But as west has many districts with established big clusters the targets for the region as well an uptake becomes high.
10. The impact of ODOP is seen in terms of employment growth through ODOP support in some of the districts in east, central and Bundelkhand. Though due to low base the growth appears to be high in these districts. But considering it in terms of nil employment in FY19, the growth is significant. The districts are Lakhimpur Kheri, Fatehpur in central; Bharaich, Shrawasti, Ballia in east; Hampirpur, Mahoba, and Banda in Bundelkhand. These are small clusters dealing with food processing and craft items mainly.
11. The export performance could be considered as important contribution of ODOP. There were 31 districts that had ODOP exports in 2021-22, in 2022-23, the number rose to 37. Jalaun and Balrampur, new entrant in the ODOP export, constitute 23.78 and 14.97 percent of top ten exports. It is handmade paper in Jalaun and food processing in Balrampur. Other ODOP districts emerging on export scene, though with share of under one percent, are Banda, Lalitpur, Chandauli and Pratapgarh. Except Banda the other three have food processing also as an ODOP item. ODOP has definitely made an impact as observed in field visit of Banda, but in all those where food processing is an item impact of ODOP initiative of PMFME scheme must have also been there.
12. However, it is not that ODOP is meeting all the necessities of MSME sector. The field survey highlighted issues with respect to raw material, product design, quality, variability, training and toolkit as well as marketing and branding. The small units are found struggling with respect to high costs and time in operating factories. Are there any solutions to the same? From the individual and group discussions it emerged that raw material issue is about price, quality and quantity. Wherever possible efforts could be made to promote raw material banks. Training in design and marketing is another important requirement. Product diversification is important for survival and scaling up of manufacturing. In case of Banda for example, converting Shazar in jewellery would increase not just demand but also use up of accumulated 'B' and 'C' quality Shazar. However, the designs that are manufactured by few needs a lot of redoing. Design training should be provided

in training component. As training is just of 10 days there is a need to increase it to at least 30 days. There are not just different segments of works but also new requirements in terms of marketing etc for which 10 days are found to be insufficient. Digital space opens a lot of opportunity but there is a need for training on this aspect too. As far as fairs are concerned, product based workshops are very useful, listing of these fairs and wide publicity and awareness is very crucial. Efforts should also be made to improve ongoing mechanism in marketing. While the stall charges can directly be settled with organising agency, for carriage and transport, some advance can be given. This facility should at least be available to micro enterprises.

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Appendix

Table A1: Classification of ODOP Products

Broad Category	*Sub-Category*	*Districts*
Leather	Footwear	Agra, Hamirpur
	Leather Products	Kanpur Nagar, Unnao
Handicraft Items	Stone	Agra, Banda, Mahoba
	Metal	Aligarh, Bareilly, Etah, Mirzapur, Moradabad, Sant Kabir Nagar, Shamli, Mathura, Mainpuri
	Moonj Grass/Bamboo/ Banana Fibre/ Tribal/Horn Bone/Decorative etc	Amethi, Bahraich, Ghazipur, Prayagraj, Sultanpur, Kushinagar; Lakhimpur Kheri, Shravasti; Sambhal; Deoria, Mathura
	Sand & Clay/terracotta/ceramic	Azamgarh, Bulandsahar, Gorakhpur
	Wood/Furniture	Bareilly, Basti, Bijnor, Maharajganj, Pilibhit, Rae Bareilly, Saharanpur
	Glass	Firozabad
	Paper	Jalaun
Toys	Wooden & Soft	Chitrakoot, Jhansi
Engineering	Locks & Hardware	Aligarh
	Iron fabrication	Fatehpur
	Engineering Goods	Ghaziabad
	Sanitary Fittings	Mathura
	Aluminium Utensils	Kanpur Dehat
Textile	Textile Products (includes Sarees and Printing also)	Ambedkar Nagar, Barabanki, Etawah, Hardoi, Mau, Farrukhabad, Lalitpur, Varanasi
	Readymade Garments	Amroha, Deoria, Gautam Budh Nagar, Gorakhpur, Lalitpur
	Home Furnishings	Baghpat, Fatehpur, Hapur
	Zari Zardozi/Chikankari/Embroidery like applique work	Bareilly, Badaun, Chandauli, Deoria, Etawah, Farukkhabad, Kasganj, Lucknow, Sahajahanpur, Unnao, Lucknow, Etawah, Rampur
	Carpet	Bhadohi, Jaunpur, Mirzapur, Sitapur, Sonbhadra
	Costume of Thakur Ji	Mathura
Musical Instruments		Amroha, Pilibhit
Sport Goods		Meerut
Food Processing		Auraiya (ghee), Ayodhya (jaggery), Bharaich, Balrampur (pulses), Basti (vinegar), Chandauli (black rice), Gonda (pulses), Hathras (hing), Kaushambi (banana), Lakhimpur Kheri (jaggery), Lalitpur, Muzaffarnagar (jaggery), Pratapgarh (aamla), Rampur (mentha), Siddharth Nagar (kalanamak rice)
Others	Bindi	Ballia
	Perfume	Kannauj

Source: Constructed from ODOP Portal.[5]

[5] https://odopup.in/en/page/district-wise-products

Table A2: Margin Money Subsidy under Credit Support

Project Cost (Capital expenditure and one cycle of working capital)	**Upto 25 lakh**	**25-50 lakh**	**50 lakh-1.5 crores**	**>1.5 crore**
Margin Money Subsidy	25% or 6.25 lakh whichever is less	20% or 6.25 lakh whichever is more	10% or 10 lakh whichever is more	10% or 20 lakh whichever is less
Beneficiary own contribution	10% General; 5% ST/SC/OBC/Women/Minority/Differently Abled			

Note: Capital Expenditure does not include land cost but rented worksheds may be included
Source: GoUP, 2018b; GoUP, 2020a

Table A3: Incentive under CFC

Entity	Project Cost	
	≤15 crores	>15 crores
State	Maximum 90%. To be calculated after deducting SPV share.	12.75 crore or project cost after excluding land cost whichever is less
SPV	Minimum 10% or land cost/lease whichever is more.	

Source: GoUP, 2018c.

Table A4: Common Facility Centre

Broad Sector	*Sub- Sector*	*District*	*Region*	*Project Cost*	*Released Amount*	*Status*	*Parameters*											
							1	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*	*11*	*12*	*13*
Leather	Footwear																		
	Leather Products	Agra	W	3.30	2.80	◎								Y					
Handicraft Items	Stone																		
	Metal	Moradabad	W	9.94	9.94	◎				Y									
		Moradabad	W	9.96	6.27	Final Stage				Y									
		Moradabad	W	9.58	3.54												Y		
		Mainpuri	W	1.01	0.63	◎	Y					Y	Y						
	Moonj Grass/ Bamboo/ Banana Fibre/ Tribal/ Horn Bone/ Decorative etc	Sambhal	W	9.92	3.57			Y	Y										
	Sand & Clay/ terracotta/ ceramic	Azamgarh	E	1.82	1.82	◎			Y										
	Wood/ Furniture	Saharanpur	W	9.90	6.15	Final Stage		Y											
		Bijnor	W	9.97	3.58			Y				Y							
		Bijnor	W	9.11	3.28			Y				Y							
		Bijnor	W	9.96	3.59			Y				Y							
		Chitrakoot	B	1.50								Y							
	Glass																		
	Paper																		
Toys	Wooden & Soft																		
Engineering	Locks & Hardware																		
	Iron fabrication																		
	Engineering Goods	Ghaziabad	W	14.89	5.36							Y			Y			Y	
	Sanitary Fittings																		
	Aluminium Utensils																		
Textile	Textile Products (includes Sarees and Printing also)	Ambedkar Nagar	E	4.60	4.60	◎	Y		Y										
		Varanasi	E	9.74	6.14	Final Stage			Y										
		Mau	E	6.84									Y		Y				
	Readymade Garments	Gautam Budh Nagar	W	14.50	5.22														
	Home Furnishings																		
	Zari Zardozi/ Chikankari/ Embroidery like applique work	Unnao	C	3.15	1.14		Y		Y				Y						
		Lucknow	C	3.89	1.40	Final Stage	Y		Y										
		Bareilly	W	8.50	1.31				Y				Y	Y					

Broad Sector	*Sub- Sector*	*District*	*Region*	*Project Cost*	*Released Amount*	*Status*	*Parameters*											
							1	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*	*11*	*12*	*13*
	Carpet	Sitapur	C	2.25	2.25	◎	Y		Y				Y						Y
		Bhadhoi	E	8.69	3.13			Y											
		Mirzapur	E	7.57	2.73		Y	Y											
	Costume of Thakur Ji																		
Musical Instruments																			
Sport Goods																			
Food Processing	Ghee, jaggery, pulses, vinegar, black rice, pulses, hing, banana, aamla, mentha, kalanamak rice	Siddharth Nagar	E	6.96	6.96	◎			Y		Y					Y			
		Muzaffarnagar	W	5.10	1.84				Y		Y				Y				
		Ayodhya	E	9.93	3.58			Y	Y		Y								
		Muzaffar Nagar	W	8.91	3.21				Y		Y			Y	Y	Y			
		Kaushambi	E	8.50				Y	Y						Y	Y		Y	
		Gonda	E	9.70					Y										
Others	Bindi																		
	Perfume																		

Note: Col. 8 Parameters: 1 – Raw Material Bank; 2 – Raw Material Processing; 3 – Common Processing/Production Centre; 4 – Finishing; 5 – Packaging; 6 – Tool Room; 7 – Design & Display Centre; 8 – Training; 9 – Testing; 10 – Warehouse; 11 – Enterprise Resource Planning; 12 – Research & Development/Industry 4.0; 13 – Exhibition & Retail. Col. 4 Regions: W – West; E – East; C – Central; B – Bundelkhand.

Source: DIEP, UP

Table A5: Marketing Development Assistance

Eligibility	*Categories*	*Participation level*	*Type*	*Stall Charge*	*Goods Carriage*	*Participant Travel*
Individuals	Fairs & Exhibitions (Three times in a year)	State	National or International	75%, maximum Rs. 1,50,000	75%, maximum Rs 7,500	AC Bus or 3AC Actual Charges
			Other	75%, maximum Rs. 50,000	75%, maximum Rs 7,500	AC Bus or 3AC Actual Charges
		Outside State at National Level	National or International	75%, maximum Rs. 2,00,000	75%, maximum Rs 25,000 (B2B), Rs 50,000 (B2C)	AC Bus or 3AC Actual Charges. Air 75% or max 7000
		Foreign	Foreign	75%, maximum Rs. 2,00,000	75%, maximum Rs 25,000 (B2B), Rs 50,000 (B2C)	AC Bus or 3AC Actual Charges for domestic travel, and 75%, max Rs 75000 of Economy Class for international air Travel
	E-Commerce (only once)	For one website or portal		75%, maximum Rs 10,000		

Organisations/ Authorities	Export Promotion Council of UP or other such Organisations/Authorities	Fairs and Exhibitions at foreign lands or in India	Foreign or International	75%, max 75 lakh, atleast 20 units
		Branding and promotional symposium, seminars, workshops, craft festivals, buyer seller meet, market study	International	75%, max 1 cr.

Note: B2B is Business to Business, B2C is Business to Consumer.
Source: GoUP, 2019; GoUP, 2020d.

Table A6: Branding Assistance

Areas	*Airport*	*Railway Station*
Delhi, Mumbai	5,00,000	2,00,000
Lucknow, Varanasi, Pune, Cochin, Vadodara, Amritsar, Indore, Nagpur, Mangalore, Vishakhapatnam, Tirupati, State Capitals	4,00,000	1,50,000
Other	3,00,000	75,000

Source: GoUP, 2020b.

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