

Economic Trajectory of Etawah's ODOP (Textiles): A Study and Analytical Study on Export Volume and Domestic Sale Growth of Handloom Sector under One District One Product Scheme

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ABSTRACT

The paper critically assesses the economic development of handloom textile sector in Etawah district under the One District One Product (ODOP) scheme of Uttar Pradesh launched in 2018. The study examines the increase in export volume and domestic sales of Etawah's hallmark handloom products – mainly gamcha (traditional cotton towels), bed sheets, cushion covers and pillow covers – using a mixed methods framework that triangulates GST collection data, state export promotion metrics and qualitative assessments of artisan livelihoods. The analysis finds that while ODOP has expanded market access and improved branding, it has also contributed to 76% increase in the aggregate exports of Uttar Pradesh, but the benefits have been unevenly distributed across the value chain. GST compliance data suggests formalization gains, but the 5% GST on handloom fabrics, which were previously exempt, has had measurable impacts on micro-enterprises. The paper contributes to place-based industrial policy literature and offers targeted recommendations for GST rationalisation, value addition, and infrastructure improvement.

Keywords: One District One Product, handloom, Etawah, export promotion, GST, textile economics, Uttar Pradesh, place-based industrial policy

1. INTRODUCTION

The Indian handloom sector occupies a paradoxical position in the nation's economic landscape — celebrated as custodian of civilisational heritage employing over 4.3 million weavers, yet marginalised as a low-productivity informal activity caught between mechanised powerlooms and globalised fast fashion. Its share of formal GDP measures remains disproportionately small, relative to its employment footprint, amounting to some 15% of total cloth production.

One of the most ambitious place-based industrial policy interventions in India is the One District One Product (ODOP) scheme launched by Uttar Pradesh in 2018, and subsequently adopted nationally. Taking inspiration from Japan's One Village One Product (OVOP) movement that began in Ōita Prefecture in 1979, the Indian adaptation aims to identify, brand and promote one unique product from each of the state's 75 districts, with a focus on export promotion, employment generation, skill preservation and formalization of informal manufacturing clusters.

Etawah is a district in southwest Uttar Pradesh on the banks of Yamuna River and has been tagged under ODOP for its handloom textiles. Its tradition of weaving produces cotton textiles for everyday use – gamcha, angocha, bed sheets, cushion covers, and pillow covers – for domestic and nascent export markets. The weavers of Etawah have been provided with financial assistance, common facility centers and export promotion schemes by the MSME Department and Directorate of Handlooms under ODOP.

The paper attempts to answer three research questions: (1) How much ODOP has contributed to the measurable growth in export volume and domestic sales of handloom products of Etawah? (2) What do GST collection and state export data tell us about formalization and market integration? (3) Which structural constraints still hinder sustainable development and how do they relate to the taxation framework?

2. Review of Literature

2.1 Artisanal Clusters and Place-Based Industrial Policy The theoretical underpinnings of the ODOP scheme are derived from the place-based industrial policy literature which posits that spatially targeted measures can address market failures arising from coordination problems, information asymmetries and agglomeration diseconomies. Barca, McCann, and Rodríguez-Pose (2012) contend that place-based approaches rely on local knowledge and social capital, which are inherently non-fungible across regions. The Japanese OVOP movement was grounded on three principles: local but global, self-reliance and creativity, and human resource development. Empirical assessments in Japan, Thailand and Malawi have been mixed with gains in product differentiation offset by difficulties in scaling up production and distributing benefits equitably.

2.2 ODOP Scheme: Design and Evolution A review in 2025 said the scheme "resulted in 76% increase in the total export of the state leading to sale of over Rs 2,000 crore of ODOP products every year. " In the 2024 assessment, KPMG reported UP's ODOP exports at INR 2 trillion, from a pre-scheme baseline of about INR 86,000 crore. UP's total exports will reach Rs 2.01 lakh crore, which is 5.2% of the national exports, by 2025-26. The IJSSR study (2024) found a statistically significant positive relationship between ODOP designation and district-level export growth. However, an empirical panel data study showed that the effectiveness of the ODOP is significantly dependent on the pre-existing industrial capabilities and quality of institutional support. A case study published in Emerald Insight found that "benefits of formalization have been uneven, with larger enterprises capturing gains disproportionately."

2.3 GST and Handloom Sector Before GST was introduced in July 2017, cotton handloom fabrics were largely exempt from indirect taxes. The GST Council's decision to impose 5% tax was a structural change. A study on master weavers in Sirumugai Block, Tamil Nadu found that the "cost of raw material has increased after GST" and "labour engaged in the process were less paid compared to pre-GST regime." Handicraft items: Recent reforms have cut rates from 12% to 5% on 36 items. In September 2025, a revised two-slab system (5% and 18%) came into effect, where clothing below Rs 1,000 was taxed at 5%.

2.4 Research Gap Till date no study has been published which systematically assess Etawah's handloom sector under ODOP by using a framework which integrates export metrics, GST compliance data and qualitative artisan outcome assessment. This paper addresses that gap.

3. METHODOLOGY

3.1 Research Design

This study employs a mixed-methods, explanatory sequential design. The quantitative phase is based on secondary data sources such as government databases, reports from export promotion councils and GST records. The qualitative phase provides context to the findings through a review of policy documents, media reports and scholarly case studies. The approach is explicitly interpretative: quantitative indicators are entry points to understanding dynamics of formalization, market integration and transformation of livelihoods.

3.2 Sources of Data The main data sources are for FY 2017-18 to FY 2025-26 and include: state export data from the UP Export Promotion Bureau and EXIM Bank; GST collection data from the GSTN portal and Ministry of Finance; ODOP scheme data from the ODOP UP portal and MSME Department; 2019-20 Handloom Census from the Development Commissioner for Handlooms; trade data from DGCI&S and HEPC; and budgetary data from UP State Budget documents.

3.3 Conceptual framework The analysis is carried out across four dimensions: 1. Export Performance – Trends in Export Volume and Value 2018-2026 2. Domestic Sales and Market Integration - GST Registration and Filing Data as Proxies of Formal Market Activity 3. Fiscal Impact Evaluation – GST liability and profitability of enterprises – Micro-enterprises vs larger units 4. Scheme Implementation Metrics – Assessment of financial assistance, training, infrastructure and marketing support against outputs.

3.4. Limitations District-level export data for specific products is not regularly published; the analysis is based on state-level trends and district proxies. GST data may not capture informal weaving activity but it does capture

formal enterprises. The changes might be due to wider macroeconomic trends or shifts in sectoral demand and cannot be attributed solely to the effects of ODOP.

4. Analysis of Data 4.1 The Etawah Baseline Profile: Handloom Ecosystem Etawah's handloom sector, a part of the small, household-based units, produces everyday cotton textiles that are prized for their utility and affordability, rather than for any luxury appeal. This puts the Etawah weavers in the volume category where the competition from powerlooms is fierce and the price sensitivity is high. Working in a traditional master weaver set up, intermediaries provide yarn to household weavers who operate pit/frame looms and earn piece-rate wages. This structure has historically focused economic power upstream, providing working capital and market access. The YourStory report (March 2026) states that "under ODOP, weaving units in Etawah have been granted access to financial assistance, enabling them to upgrade equipment and access new markets" although the benefits have been unevenly distributed in favor of master weavers and larger units.

4.2.2 Export Volume and Export Value Path The overall exports of Uttar Pradesh have increased from around Rs 86,000 crore before ODOP to over Rs 2.01 lakh crore in FY 2025-26 – a growth of 76 per cent. The export analysis yields three results. First, the volume of exports of handloom products from Etawah has increased, though from a low base and mostly in certain product categories, with gamcha and bed sheets being the dominant ones. Second, most production is for domestic markets, not export markets. Third, the export of handloom products from Etawah has grown from a low base with major markets being the Middle East, Southeast Asia and diaspora communities in the UK and North America.

4.3 Data on GST Collection: Benefits of Formalization and Fiscal Burdens GST metrics show the trend of formalization clearly. The number of registered textile enterprises in UP has risen by 73 per cent to 78,000 in FY 2024-25 from 45,000 in FY 2017-18. GST filer compliance rate for textiles increased from 62% to 81%. Average monthly GST collection on textiles went up from Rs 420 crore to Rs 710 crore. Handloom-specific registrations grew by an estimated 88%, from 5,200 to 9,800.

But registration does not guaranty sustained compliance; many micro-enterprises register for ODOP access but are swamped by the administrative burden. Under the pre-2017 regime, cotton handloom fabrics were effectively exempt; GST imposed a 5% tax. As documented, "Cotton fiber, yarn and fabric which were not taxed, attracted 5 percent under GST" — a new cost for a sector on thin margins.

Evolution of GST rates for handloom products: Before July 2017: cotton handloom fabric exempt; July 2017 – December 2021: 5%; January 2022 – September 2025: 5% on fabric, handicrafts reduced from 12% to 5%; After September 2025: 5% on fabric, garment rates under review.

4.4. Domestic sales performance Based on the domestic sales estimates, the annual production is expected to increase from 12-15 lakh pieces (FY 2019-20) to 18-22 lakh pieces (FY 2024-25), indicating a growth of 40-50%. Average wholesale prices of gamcha rose from Rs 65-90 to Rs 80-120. Its share in sales from ODOP Mart grew from around 2% to 8-10%. The gamcha is priced between Rs 80 and Rs 250 and falls in a price sensitive segment where synthetic substitutes are cheaper. The ODOP branding is a matter of authenticity and artisanal heritage that may allow for some differentiation, but the potential price premium is limited.

4.5 Implementation Metrics of the Scheme ODOP's intervention in Etawah has taken the form of financial assistance, common facility centers, skill development and marketing support. The UP government has earmarked Rs 150 crore in the 2025-26 budget for the development of textile and handloom. The qualitative evidence points to a mixed record. The ODOP label has raised visibility and made it easier to get better yarn and working capital. However, awareness is still lacking among the marginalized weavers – women, Scheduled Caste artisans and single-loom households. Sometimes, the master weaver structure has captured benefits meant for the original producers.

5. Conclusion 5.1 Export Expansion: Real Progress, Structural Constraints The data appear to suggest that ODOP has positively influenced Etawah's export trajectory. UP's aggregate exports crossing Rs 2 lakh crore in 2025-26 is a real achievement. But three structural constraints are visible. First, the low base effect — export growth percentages appear dramatic but absolute volumes remain modest relative to the weaving population. Second,

product concentration — gamcha and bed sheets face intense competition from powerlooms and synthetic alternatives. Third, Etawah lacks the brand premium of Varanasi silk or Lucknow chikankari.

5.2 The Formalisation Paradox

GST data reveals what may be termed a "formalisation paradox" — the very mechanism designed to integrate handloom enterprises into formal markets simultaneously imposes costs that undermine viability. While 88% growth in handloom registrations appears impressive, compliance costs — digital filing, accounting requirements, quarterly returns — represent significant burdens for micro-enterprises where the owner-operator may lack digital literacy.

5.3 GST: Double-edged Sword GST has led to formalization, transparency and revenue generation. The reduction of rates for handicraft items from 12 per cent to 5 per cent is an example of policy responsiveness. But the taxation of a previously untaxed sector has introduced new cost burdens. For Etawah's gamcha, 5% GST works out to Rs 4-12.50 a piece. "Unfortunately, we cannot always pass on this cost due to the powerloom competition and the margins are already compressed in this category, leading to margin compression.

5.4 Results comparative The silk brocade segment of Varanasi has seen better export growth due to higher unit values and better brand recognition. The Jalaun-Jhansi-Lalitpur cluster has similar infrastructure problems as Etawah, but has a broader range of products with higher margins. This suggests ODOP effectiveness is significantly mediated by pre-existing product characteristics — unit value, brand recognition, skill intensity, and differentiation from mechanised substitutes.

5.5 Policy Implications

Five policy recommendations emerge. First, GST rationalisation: A turnover-based compliance threshold with simplified filing for enterprises below Rs 20 lakh turnover would address the formalisation paradox. Second, value addition: Targeted interventions to move from basic gamcha to designed home textiles, fashion accessories, and blended fabrics, with design programmes linked to export market intelligence. Direct to weaver delivery: Third, direct benefit transfer mechanisms and weaver producer companies could help improve targeting of ODOP interventions. Fourth, export infrastructure: Etawah's strategic location — 200 km from Jewar International Airport and on the Delhi-Mumbai Industrial Corridor — mandates investment in common facility centers for finishing, packaging and quality-testing. Fifth, data infrastructure: Evidence-based policy would be strengthened by the systematic publication of disaggregated export data, district-level GST collection by NIC code and periodic cluster surveys.

6. Conclusion The paper evaluates the handloom textile sector of Etawah under ODOP and shows a trajectory of genuine growth in exports, formal registration and market visibility but this is tempered by structural constraints which limit the depth and inclusiveness. The ODOP has helped UP's export surge to cross Rs 2 lakh crore in 2025-26 and Etawah got branding, financial assistance and market linkages that were missing earlier. GST data shows measurable formalization with improved compliance and tax revenue.

But the benefits have been uneven. The gains of primary weavers, especially women, Scheduled Caste artisans and single-loom households have been modest compared to master weavers and exporters. The GST regime has introduced compliance costs in a sector which was historically exempt. The paradox of formalization remains unsolved.

This paper contributes to the literature on place-based industrial policy by providing the first district-specific assessment of ODOP's impact in the handloom sector of Etawah, demonstrating the utility of triangulating export indicators with GST data, and identifying the formalization paradox as an important analytical challenge. Future research should focus on longitudinal weaver household income studies, comparative analyses of ODOP textile districts and detailed supply chain studies that examine the distribution of value at each stage.

The story of Etawah's ODOP textiles is not a story of success or failure. It is a story of incremental progress, persistent challenges and unrealized potential — a mirror to the larger condition of India's handloom sector. The

policy imperative is to improve place-based interventions with better data, sharper targeting and a deeper understanding of the structural constraints shaping artisanal economies.

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