



EUROPEAN CLUSTER  
COLLABORATION PLATFORM

# Country factsheet

India

An initiative of the European Union





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# 01

## Introduction and economic policy context



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## 1. Introduction and economic policy context



This document presents an overview of the cluster policy in India. Given the importance to contextualise the cluster policies (and related) analysed in the factsheets, a comprehensive outlook of the country in socioeconomic terms can be consulted in the [OECD Economic Survey: India 2019](#). The “Economic Surveys” present the major challenges faced by the country, evaluates the short-term outlook, and makes specific policy recommendations.

The COVID-19 pandemic has caused an unprecedented economic shock to the Indian and global economy. In response, India's central government has introduced action to respond to the many challenges presented by the COVID-19 outbreak. The measures are mainly oriented to infrastructure, healthcare, and public private collaboration. Clusters are not directly mentioned on those measures.

In the following, a succinct overview of the cluster policy in India will be provided. The structure of this factsheet generally encompasses:

- 1) an overview of the national cluster policy in India,
- 2) an assessment of the state of play of the national cluster policy.

# 02

## National cluster policy, programmes and initiatives



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## 2. National cluster policy, programmes and initiatives



In this section we provide an overview of the existing Indian cluster policies. The breakdown is presented in the form of a table, with the first column showcasing information on the aspects which constitute the policy (beginning with 'Policy Objectives', following with 'Policy Focus', etc.). The second column represents the case of an Indian national cluster policy.

Within the table, the text presented in bold (black) depicts standardised categories across country factsheets (56 in total for 2023), which are applied for comparative purposes. This is followed by a complementary descriptive text to provide more insights about the cluster policy in India.

**Table 1: Overview of Indian cluster policy**

Policy type:	National cluster policy
Policy name:	Micro and Small Enterprises – Cluster Development Programme (MSE-CDP)
<b>POLICY OBJECTIVES</b> 	<p><b>Increasing competitiveness and boosting scale up of SMEs</b></p> <p><b>Enhancing the visibility of clusters</b></p> <p><b>Fostering R&amp;D activities, technology development and implementation</b></p> <p><b>Promoting resilience and sustainable economy and other solidarity-based initiatives</b></p> <p><b>Promoting employment and upgrading skills and competences</b></p> <p><b>Increase supply chain resilience</b></p> <p>The MSE-CDP strategy has five major components it is aiming to address,</p> <ol style="list-style-type: none"> <li>1) Common Facility Centres (CFCs),</li> <li>2) Infrastructure Development,</li> <li>3) Marketing Hubs/Exhibition Centres,</li> <li>4) Thematic Interventions and</li> <li>5) Support to State Innovative Cluster Development Programme.</li> </ol> <p>Based on these components, the objectives of the strategy includes</p> <ol style="list-style-type: none"> <li>1) Supporting the sustainability and growth of MSEs through upgrading of skills, technology and market access,</li> <li>2) Upgrading of infrastructural facilities in cluster areas,</li> <li>3) Capacity Building of MSEs through collaboration and self-help groups,</li> <li>4) Set up Common Facility Centres, and</li> <li>5) Promotion of green and sustainable manufacturing technology.</li> </ol> <p>In 2021, more emphasis is given to Digitisation, greening of clusters, adoption of solar energy, block chain (mainly in food processing) and industry 4.0 standards, which were previously confined to Large &amp; medium Enterprises (LMEs) clusters.</p>
<b>POLICY FOCUS</b> 	<p><b>No specific focus</b></p> <p>No sectoral focus. The strategy largely focuses on Micro and Small Enterprises (MSEs).</p>






Policy type:	National cluster policy
Policy name:	Micro and Small Enterprises – Cluster Development Programme (MSE-CDP)
<b>RESPONSIBLE AUTHORITIES</b> 	<b>Both drafting and implementation</b> <b>Provides funding</b> <b>Oversees the implementation</b> <p>The Ministry of Micro, Small and Medium Enterprises (MSME) is responsible for drafting the guidelines and strategy. Depending on the component of the strategy, there are different implementing agencies. For setting up of CFCs, The Ministry of MSME and State Government organisations are responsible for implementation. Infrastructure Development and Marketing Hubs, State Governments oversee implementation. Thematic Interventions are the responsibility of both the Ministry of MSME and organisations of State of Governments.</p>
<b>BENEFICIARIES</b> 	<b>SMEs</b> <b>Cluster organisations</b> <b>Research organisations</b> <b>Academic institutions</b> <p>The policy mainly focuses on micro and small enterprises and clusters at regional level. However, for capacity building of enterprises to set up CFCs, partnerships with technical institutions, engineering colleges and national research institutes are encouraged.</p>





Policy type:		National cluster policy
Policy name:		Micro and Small Enterprises – Cluster Development Programme (MSE-CDP)
<b>INSTRUMENTS</b> 	<b>Financial</b>	<b>Funding collaboration initiatives</b> <b>Support to R&amp;D projects, SMEs becoming cluster members, etc.</b> <b>Subsidies for cluster infrastructure (e.g. offices, equipment)</b> <b>Financing networking events</b> <b>Financing start-ups</b>
	<b>Technical assistance</b>	<b>Infrastructure: coworking spaces, offices, incubation and accelerator spaces, research centres, technology parks etc.</b> <b>Support for hard skill development: knowledge transfer, intellectual property, entrepreneurship, export advice, market intelligence</b> <b>Support for soft skills development: coaching, management training, upskilling/reskilling</b> <b>Marketing activities: advertising, communication, events, fairs, and so on</b>
	<b>Explanation</b>	<p>The funding of MSE-CDP projects is based on the five different components:</p> <ol style="list-style-type: none"> <li>1) Common Facility Centres (CFCs) - funds tangible "assets" such as production/processing centres, design centres, testing facilities, marketing centres, etc. The grant funds 70% of project costs up to a maximum of EUR 2,536,908.85 (Rs20.00 crore).</li> <li>2) Infrastructure Development - funds infrastructure facilities such as power distribution networks, drainages, telecommunications, etc and up to 60% of project costs.</li> <li>3) Marketing Hub/Exhibition centres - help with the establishment of marketing centres as a central place for sale and display of products. The grant is set to fund up to 60% of project costs to a maximum of one, EUR 268,454.42 (Rs10.00 crore).</li> <li>4) Thematic Interventions - fund training programmes, exposure visits and business development activities.</li> <li>5) Support to State Innovative Cluster Development Programme - assists state governments in co-funding state cluster projects.</li> </ol>



Policy type:		National cluster policy
Policy name:		Micro and Small Enterprises – Cluster Development Programme (MSE-CDP)
<b>HISTORY</b> 	<b>Period</b>	<b>Unlimited period</b>
	<b>Ending year</b> (for policies with limited period)	-
	<b>Starting year</b>	2013
	<b>Explanation</b>	The guideline builds upon the 2007 Small Industries Cluster Development Programme (SICDP). The policy merged two existing programmes together, 'Integrated Infrastructural Development (IID) and Small Industries Cluster Development Programme (SICDP). This guideline was developed in 2012 and there is no indication that the guidelines are for a limited time
<b>BUDGET</b> 	<b>Overall</b>	Data Unavailable. Information is available about potential funding for each component of the guideline, however, there is no information available on the overall budget.  CFCs - EUR 2,536,908.85  Marketing Hubs - EUR 268,454.42
	<b>Annual</b>	Data unavailable
	<b>Source of funding</b>	Ministry of Micro, Small and Medium Enterprises
<b>POLICY EVALUATION</b> 	<b>Availability</b>	<b>Policy evaluation available</b>
	<b>Results</b>	<p>The MSE-CDP has become a key strategy for making MSEs more competitive and productive. According to the evaluation study, the programme is consistently subject to changes to "meet the requirement of stakeholders", with 274 of 486 projects completed and 209 still ongoing.</p> <p>The ministry of MSME not only implements the flagship of the MSE-CDP, but also monitors on the ongoing projects through Cluster Development Officers (CDOs), to also assure State Governments for timely project implementation.</p>



Policy type:	National cluster policy
Policy name:	Micro and Small Enterprises – Cluster Development Programme (MSE-CDP)
<b>POLICY ALIGNMENT WITH THE EU PRIORITIES</b> 	<b>Green Economy</b>  <b>Resilience</b>



# 03

## State of cluster policy



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### 3. State of cluster policy

This section presents an overview on the state of play of Indian cluster policy in the form of a qualitative assessment across 4 areas of analysis – policy scope, continuity of cluster policies, evidence of performance, and the range of cluster support instruments. Please refer to the Annex for a detailed overview of the categories and the scoring system. The table below presents an overview of the **state of play of Indian cluster policy** for 2023.

**Table 2: State of play**

India	State of play
POLICY SCOPE	Absence of cluster policy
	Broad policy
	Sectoral policy
	National and/or regional cluster policy
CONTINUITY	No cluster-specific policy available
	Cluster policy established recently
	Cluster policy established between over 2 and 10 years
	Cluster policy established over 10 years ago
EVIDENCE OF PERFORMANCE	No evaluation and / or monitoring available
	Existence of evaluations of past policies
	Existence of monitoring or an ongoing / interim evaluation
	Existence of monitoring and ex-ante or ongoing / interim evaluation
CLUSTER SUPPORT INSTRUMENTS	No instruments for cluster development
	Financial support for cluster development in the broader and / or sectoral policy
	Financial or technical support for cluster development in dedicated cluster policy
	Financial and technical support for cluster development in dedicated cluster policy

Source: ECCP (2023)

The text below provides a **qualitative description** of the state of play of the cluster policy in India.

#### **Policy scope**

The cluster policy of India's Micro and Small Enterprises-cluster Development Programme operates on a national level, as the central Indian Government provides the funds and coordinates the implementation. Nevertheless, micro and small enterprises and clusters are focal beneficiaries to the programme, leading the implementation to occur on a regional level. Especially with the main pillars of the MSE-CDP prioritising the creation of common facility centres, industrial facilitates as well as facilitating access to capital and market access, a wide array of distinct, yet interrelated sectors are targeted to support a sustainable growth-driven ecosystem.



## **Continuity**

As a precursor to India's now established cluster landscape, different structures were in place to foster development across India. With an initial focus on small and household industries, the Indian Government set up diverse development policies ranging from Industrial Parks, Product Specific Industrial Parks, to Industrial Estates and finally, Special Economic Zones (SEZs). Nevertheless, these policies geared toward small household industry development failed to thrive, causing the Indian central government to adopt cluster development schemes in 1997 in a bid to foster development in rural areas. This set a precedent in India, spurning multiple other national cluster guidelines in the 1990s. While there was no holistic approach to cluster support or formation in India, different State governments and industries try to formulate their own cluster approach.

The next milestone in India's cluster history is the Upgradation and Management Programme (UPTech) launched in 1998, which focused on funding for technology workshops, seminars and diagnostic studies. In 2003, the scheme was renamed Small Industry Cluster Development Programme (SICDP) broadening the policies to include, marketing, skills development, exports and CFCs. The guidelines were again broadened in 2006 to include development of soft skills areas such as training and capacity building programmes. The Integrated Infrastructural Development Scheme (IID) was launched in 1994 with the aim of providing developed sites with infrastructural facilities. The current MSE-CDP guidelines are the integration of SICDP and Infrastructural Development (IID) scheme.

## **Evidence of performance**

As of 2021, the National Productivity Council, based in New Delhi, has conducted an evaluation study that showcases the significant findings of the MSE-CDP. On a general note, the specific sector pertaining to the Micro, Small and Medium Enterprises (MSMEs), have contributed to 29% of India's GDP, whilst accounting for 49% of overall exports. Yet when it comes to the Cluster Development programme itself, the MSE-CDP has become a key strategy for making MSEs more competitive and productive. According to the evaluation study, the programme is consistently subject to changes to "meet the requirement of stakeholders", with 274 of 486 projects completed and 209 still ongoing. The ministry of MSME not only implements the flagship of the MSE-CDP, but also monitors on the ongoing projects through Cluster Development Officers (CDOs), to also assure State Governments for timely project implementation.

In 2023, the Institute for Competitiveness released the Research Paper "The 2023 India Cluster Panorama". It shows a high level of geographical cluster concentration in India, with few prosperous districts generating a considerable part of the country's value creation in the respective sectors.

## **Cluster support instruments**

The MSE-CDP Initiative provides financial as well as technical assistance to the distinct sub-centres in a myriad of ways. Funds form the basis of the support, intended to aid in facilitating and coordinating projects, as well as covering costs for salaries, services, leases and equipment. On a specific note, the funding of MSE-CDP projects are based on the five different components:

1. Common Facility Centres (CFCs)-funds
  - tangible "assets" such as production/processing centres, design centres, testing facilities, marketing centres, etc.
  - The grant funds 70% of project costs up to a maximum of EUR 2,536,908.85 (Rs20.00 crore).
2. Infrastructure Development-funds



- Infrastructure facilities such as power distribution networks, drainages, telecommunications,
- Funding up to 60% of project costs.
- 3. *Marketing Hub/Exhibition centres-help*
  - establishment of marketing centres as a central place for sale and display of products.
  - Setting up of a grant that funds up to 60% of project costs to a maximum of one, EUR 268,454.42 (Rs10.00 crore).
- 4. *Thematic Interventions-fund*
  - training programmes, exposure visits and business development activities.
- 5. *Support to State Innovative Cluster Development Programme*
  - assists state governments in co-funding state cluster projects.

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## Annex

**Table 3: Analytical framework for the state of cluster policy**

Criterion	Description	Categorical variables
<b>Policy scope</b>	assessment whether the country has a dedicated cluster policy, or cluster creation and/or development is targeted through broader policies, e.g. foreign trade policies, labour and social policies or specific sectoral policies, e.g. industrial policy tourism policies, agriculture policies	<b>absence of cluster policy</b> <b>existence of broader policies</b> <b>existence of specific sectoral policies</b> <b>existence of targeted cluster policies</b>
<b>Continuity of cluster policies</b>	assessment of the duration and experience of the country in carrying out cluster policies. This criterion assesses only existence of targeted cluster policies and not broader policies or sectoral policies	<b>absence of policies supporting cluster development</b> <b>cluster policy established recently (within the last 2 years)</b> <b>cluster policy established between over 2 and 10 years</b> <b>cluster policy established over 10 years ago</b>
<b>Evidence of performance</b>	assessment whether there are evaluations of past and ongoing policies and a monitoring system in place. The existence of monitoring and evaluation mechanisms determines the degree of policy development in the country	<b>no evaluation and / or monitoring available</b> <b>existence of evaluations of past policies, e.g. ex-ante</b> <b>existence of monitoring or an ongoing / interim evaluation</b> <b>existence of monitoring and ex-ante or ongoing / interim evaluation</b>
<b>Cluster Support Instruments</b>	assessment whether the policies provide any instruments to support the policy implementation, being these financial and/or technical support	<b>no instruments for cluster development</b> <b>financial support for cluster development in the broader and / or sectoral policy</b> <b>financial or technical support for cluster development in dedicated cluster policy</b> <b>financial and technical support for cluster development in dedicated cluster policy</b>

Source: ECCP (2023).