



GOVERNMENT OF KERALA

Abstract

Industries Department - Comprehensive Mission on Employment Generation - In Principle sanction accorded - Orders issued.

INDUSTRIES (B) DEPARTMENT

G. O. (Rt) No. 59/15/ID

Dated, Thiruvananthapuram : 20.01.2015

Read: D.O letter No. 146/VC/SPB/2014, dated 21.10.2014 from the Vice Chairman, Kerala State Planning Board, Thiruvananthapuram.

ORDER

The Vice Chairman, Kerala State Planning Board, as per the letter read above, submitted a proposal for a Comprehensive Mission on Employment Generation for the state based on the recommendations made by the Task Force constituted by the State Planning Board for formulating a Comprehensive Self-Employment Programme for the state. The report and recommendations of the Task Force are appended to this order.

Government after having examined the proposal in detail, are pleased to accept the recommendations of the Task Force of the State Planning Board on Comprehensive Mission on Employment Generation scheme contained in the appendix and also accord in principal approval for implementing the recommendations.

(By Order of the Governor)

SATYAJEET RAJAN

PRINCIPAL SECRETARY TO GOVERNMENT

To

- (1) The Vice Chairman, Kerala State Planning Board, Thiruvananthapuram.
- (2) The Director, Industries & Commerce, Thiruvananthapuram.
- (3) The Accountant General (A&E), Kerala, Thiruvananthapuram.
- (4) The Principal Accountant General (Audit), Kerala, Thiruvananthapuram.
- (5) General Administration (Secret Cell) Department vide item No.6239 dated 14.01.2015.
- (6) Stock File/ Office Copy.

Forwarded/By order,

Sd/-

Section Officer.

To Santhya
For n/a
1
Ching 30/1

Proposal for Comprehensive Mission on Employment Generation

I. Background

In the People's Participation Programme conducted by the Hon'ble Chief Minister, many unemployed people had submitted applications for self-employment assistance. The Hon'ble Chief Minister had directed the Vice Chairman of the State Planning Board to formulate a Comprehensive Self-Employment Programme. The Vice Chairman of the State Planning Board constituted a Task Force (vide Proceedings No. 8872/14/I&I/SPB dated 26/02/2014) to formulate a Comprehensive Self-Employment Scheme after studying the present scenario of self-employment schemes implemented through various agencies, including commercial banks.

In first meeting of the Task force held on 25 March 2014, it was decided to constitute the following eight sub committees:

- i. Self- Employment Avenues in Agriculture and Food Processing;
- ii. Restructuring Existing Schemes for Self-Employment;
- iii. Organisational Structure;
- iv. Credit Requirement for Self-Employment;
- v. Promotion of Self-Employment among Highly Skilled Youth;
- vi. Promotion of Self-Employment among Low Skilled Youth;
- vii. Review of existing rules and procedures relating to clearance of schemes; and
- viii. Mentorship for Self-Employment.

The Task Force met on 20/5/2014 and 5/6/2014 and made various suggestions on the draft reports of the subcommittees. The Task Force deliberated on the final reports of the subcommittees on 9 July 2014.

II. Self-Employment and Entrepreneurship

The ratio of self-employed persons in the total workforce is an indicator of the progress made in self-employment in the State. In 2009–10, among the 14 Indian states, Kerala remains among the bottom three states in terms of self-employment ratio in urban areas (above Maharashtra and Tamil Nadu). In rural areas, Kerala is in the bottom two (above Tamil Nadu) in terms of the share of self-employed in the total workforce.

Self-employment is of two types: opportunity-driven and necessity-driven. Opportunity-driven entrepreneurs are those who introduce new products and processes to the market. They are innovation-embracing entrepreneurs driving economic change through innovative ideas and technology. On the other hand, necessity-driven-entrepreneurs are replicative agents, who start businesses similar to those they see around them. For them, business is a way of earning a livelihood. Replicative or necessity-driven entrepreneurship is thus driven by the need to avoid unemployment. Without other options for income and without any particularly compelling business idea, these individuals start businesses — almost exclusively replicative — solely intended to earn an income for themselves and their families. This differentiation between the two categories of entrepreneurs is considered to be important from the policymakers' perspective.

Both classes of entrepreneurs require an entrepreneurial ecosystem to thrive that has six enablers- personal enablers, financial enablers, business enablers, professional enablers, economic enablers, and social entrepreneurs- in addition to certain economy and society wide factors. In the current schemes of self-employment, two enablers are given prominence, namely financial enablers and economic enablers with the other enablers almost missing. Recent years have seen the setting up of incubators which bring in two more enablers — professional and environmental- into the ecosystem. Independently, there has been skill training for entrepreneurial development. But the coming together of many enablers, which is essential for a thriving self-employment scene, has not taken place. Opportunity- driven entrepreneurship, however, does not emerge without a stream of innovation, which is a strong source of market power that entrepreneurs compete with existing firms to build. The stream of innovation would see the sprouting of entrepreneurs taking the economy to higher levels of technology and productivity.

Notwithstanding the various initiatives of different departments in promoting self-employment among low skilled people, there has been little progress in developing an entrepreneurial culture or economy in the State. Similar conclusions may be drawn by collating the information regarding the schemes implemented by the various agencies promoting self-employment.

Overall, the observed low proportion of self-employed in the workforce in Kerala is owing to the poor entrepreneurial ecosystem in terms of the six enablers and the poor orientation of the higher education system towards knowledge creation and innovation. There has been too much focus on financial and economic enablers to the neglect of other enablers of the ecosystem. This scenario has to change if Kerala has to move forward in boosting self-employment.

III. Need for a Comprehensive Mission on Self Employment

High and persistent unemployment, particularly amongst educated and semi-skilled youth, is one of the most critical challenges that Kerala faces today. The generation of mass employment must therefore be at the centre of any development strategy for the State. Government of Kerala has been addressing this problem as is evident from the fact that two missions and numerous schemes under various ministries are engaged in promoting self-employment. While two missions have taken off well- KSEDM under KFC and Kudumbasree- the former less than three years old and the latter over ten years old, their scope is rather limited. Kudumbasree caters to the women below the poverty line, who are mostly low skilled and KSEDM caters to the highly skilled, and both make group a condition for financial assistance, leaving the large mass of unemployed out. Most of the departmental schemes of self-employment envisaged some level of funding support, but did not provision the necessary enablers and support activities like mentoring and guidance of the potential entrepreneurs. Many vital support services including Skill Development, Business planning, Financial linkages, Market linkages, Technology and Infrastructure support, Mentoring and hand-holding, and Regulatory Compliances were often not part of on-going schemes. Last mile linkages of most programs were very weak, leading to poor implementation, lack of follow-up and feedback to departments. A number of administrative and legal changes are called for to make the schemes effective and outcome oriented. In the longer term, a State-level umbrella platform for coordinating the large number of schemes to avoid multiple

overlapping and fragmented initiatives is needed to ensure larger coverage and better outcomes.

IV. Recommendations of the Task force: Towards A Comprehensive Self-Employment Programme

On the basis of the findings and recommendations of the subcommittees regarding the self-employment programs operated currently in the State, the Task Force observed the following key gaps:

- a. There are several schemes operated by various departments. However, there is a lack of adequate awareness and publicity among potential beneficiaries.
- b. Most of the schemes envisaged some level of funding support, but did not provision the necessary enablers and support activities like mentoring and guidance of the potential entrepreneurs.
- c. Many vital support services including Skill Development, Business planning, Financial linkages, Market linkages, Technology and Infrastructure support, Mentoring and hand-holding, and Regulatory Compliances were often not part of on-going schemes.
- d. The limited level of funding, range of financial products and high cost of funds was a major constraint in the expansion of self-employment programs in the state.
- e. The absence of a State-level umbrella platform for coordinating the large number of schemes resulted in multiple overlapping and fragmented initiatives.
- f. Last mile linkages of most programs were very weak, leading to poor implementation, lack of follow-up and feedback to departments.

Recommendation 1:

Coordinating Agency or Mission for Enterprise and Employment Generation (MEGA)

Government may set up a Mission for Enterprise and Employment Generation as a flagship, umbrella initiative of the State Government that would ensure the requisite focus and convergence of all self-employment and enterprise creation programs in the State and provision of end-to-end services to entrepreneurs and the self-employed.

Proposed Structure: An Empowered Cabinet Committee on Employment Generation and Development may be set up headed by the Chief Minister, to oversee the Mission, with the Ministers of Finance, Industry, Agriculture, Local bodies and Labour and Employment as members. The Empowered Committee may be vested with the powers of Cabinet to take timely decisions on matters related to Employment Generation.

The Mission may work directly under the administrative control of the Planning and Economic Affairs Department and the Empowered Cabinet Committee on Employment Generation to ensure requisite convergence and co-ordination of various initiatives implemented by different Departments/agencies.

Key Objectives of the Mission: The key tasks of the Mission shall be to conceptualise, develop, plan, guide and oversee various self-employment initiatives in the State to ensure that they are in tune with changing market needs, ensure adequate fund flows and resources, interface with Central, State and other agencies (including non-governmental) for this purpose, and establish necessary monitoring and tracking mechanisms to ensure effective implementation and follow up. The Mission shall ensure evaluation of progress from time to time on a regular basis.

District Level Interface: To ensure convergence and effective monitoring of all self-employment programs in each district, there may be a District level Self Employment Committee under the chairmanship of the Dt Collector, with the District Manager of the Mission as its convenor.

The Mission may therefore have a 3 tier structure, comprising a State Unit at the apex level, District / Corporation Units at the district/ city corporation level; and a pool of empanelled, accredited resource personnel at the grass root level to provide end to end services. An entrepreneurial orientation for the Mission at all levels may be ensured for it to be effective.

Recommendation 2:

Massive Skill and Capacity building in tune with market requirements

The lack of skills for the bulk of the self-employed is a key lacuna. In order to upgrade skills for this segment, Community Skills Colleges may be established at different locations that would increase access to quality skill training for efficient implementation of the

Comprehensive Skill Development Program. Community Skill Colleges could also offer a range of multi- focused programs in occupational, technical and continuing education designed to meet the skill needs of the workforce of the region where the college is located.

There is a need to establish 2-3 practical training centres led by private sector in collaboration with selected Government institutions for organising short and medium duration training programs, ranging from few days to month long duration with field level exposure. Technology demonstration may be an integral part of the training programs offered by these centres, particularly in areas such as Agriculture and allied sectors including value addition and agro processing, MSME and other related areas.

In order to inculcate an entrepreneurial mind set amongst the youth, Government may consider introducing appropriate courses on entrepreneurship commencing from the high school level.

The Department of Employment in the State may be upgraded and redesignated as Department of Employment, Skills, and Entrepreneurship on the lines of the Central Government.

Recommendation 3:

Intensive technology infusion

This should be in sectors like agriculture and allied sectors, which hold substantial potential for enterprise and employment creation. Introduction of high tech agriculture is thought of by setting up model Hi-tech Green Village project. All the households in the selected villages will be provided with assistance to set up rooftop solar panels, rainwater harvesting structures and waste management units. The objective is optimisation of input use to facilitate optimal output resulting in saving of valuable resources like water and energy. It relies on new technologies like satellite imagery, IT and geospatial tools. The State Horticulture Mission has made an effort to provide bio-control measures and supply organic inputs with the help of retired agriculture officers and those who have completed vocational higher secondary agriculture courses. Already, more than 500 poly-houses have come up in the state and another 600 are

nearing completion. They can provide the right guidance to the potential and existing entrepreneurs to adopt technology.

Recommendation 4:

Access to affordable and timely finance

The Task Force observed that the current lending flows from the banks operate under several constraints. Key amongst them is the insistence of collateral or security for MSME schemes. As most entrepreneurs in this segment are unable to provide collateral or security, it is recommended that the State Government may, with the assistance of the Ministry of Micro, Small and Medium Enterprises (MSME), establish a state specific 'Credit Guarantee Fund' with an initial corpus of Rs. 20-30 crores.

At present the absence of Seed and Angel Funding for new or first time entrepreneurs is a key lacuna. It is recommended that a corpus of Rs 25 Cr may be provided as a one-time grant for establishing such a fund. It should also be possible to get support for this effort from the Ministry of MSME. The detailed modalities of the Fund and the operational guidelines may be worked out by KSIDC and KFC jointly.

Recommendation 5:

Mentoring Support

The lack of mentoring support to entrepreneurs is a similar major gap. Industry bodies like TiE and CII have a crucial role to play in developing this ecosystem. The Task Force recommends the following four-fold mechanism for rendering mentoring services:

- Establish Sector councils and mentoring pools under the aegis of TiE and CII on the lines of the central scheme of sector councils. The sector councils can identify the key gaps in various sectors and also help in identifying opportunity and necessity driven ideas and mentor new entrepreneurs.
- A list of mentors may be identified in association with TiE and CII across the districts of Kerala and a structured mentoring program could be put in place. A process of accreditation and empanelment may be put in place in consultation with industry bodies.

- The local management and professional associations/institutions may also partner in creating the mentor pool.

Entrepreneurs and the self-employed, particularly those belonging to the less skilled categories, require substantial handholding and support in terms of establishing forward and backward linkages etc. The Enterprise Development Group model of Kudumbashree to provide services including accounting, procurement, design and marketing on a dedicated basis by small well trained teams has evolved as a national model. This model may be suitably extended to cover all the self-employment programs in the State.

Recommendation 6:

Incubators

Technology and Business Incubators are a necessary part of any entrepreneurial ecosystem. While technology incubators may be best established by the departments/ agencies that possess the requisite domain knowledge, business incubators may be established/ promoted by agencies such as KSIDC, KFC and others as well as industry bodies.

It is proposed that steps be taken to set up at least one Business Incubator in every district within a year and at least one incubator in every taluk/ Block in the next three to five years (could perhaps be part funded by the local bodies to ensure their involvement).

Government may establish a special Incubation Infrastructure Fund as a revolving Fund. This could be operated as a Challenge Fund, ie departments/ agencies / institutions desirous of availing the Fund would have to develop / submit quality proposals, as well as fulfill specific criteria. The state CSR Funds of State PSU's may also be allowed to be channeled into this Fund, which may be operated as a pooled Fund by the Planning Board.

Recommendation 7:

Accessing funds from the Central Budget

The Central Budget for 2014-15 has announced several measures for industry and manufacturing. The major proposals are outlined below:

- Start Up Village Entrepreneurship Program for encouraging rural youth to take up local entrepreneurship program. (Rs. 100 Cr)
- "District level Incubation and Acceleration Program" for incubation of new ideas and necessary support for accelerating enterprises
- Skill India to skill youth with an emphasis on employability and entrepreneurial skills
- Fund of Funds with a corpus of Rs. 10,000/- cr. For providing equity through venture capitals, quasi equity, soft loans, and other risk capital specially to encourage new startups by youth
- Technology Centre network - Corpus of Rs. 200 Cr.

Government may constitute a special task force consisting of KSIDC, KFC, Industries Department, CII, TiE, Kerala State Small scale Industries Association to take maximum advantage of the above schemes. The Task Force may formulate proposals for onward transmission to GoI through the State Government.

Recommendation 8:

Information Dissemination

Aspiring entrepreneurs currently lack access to adequate information and any form of pre-enterprise support and guidance. It is proposed that the existing District offices of the KFC/DIC and the enterprise wing of the Kudumbashree Mission may operate as a three tier system to provide one stop information, facilitation and guidance services to skilled, medium skilled and less skilled aspiring entrepreneurs.

Recommendation 9:

Simplification of regulatory approvals for establishing/ operating enterprises

a. Single Window Act

The Kerala Industrial Single Window Clearance Boards and Industrial Township Area Development Act, 1999 had certain key lacuna. A set of amendments have been proposed, which are under the consideration of Government. These amendments may be passed at the earliest, and the provisions of the Act strictly enforced.

The Single Window Act envisages District Industrial Development Committees for providing clearances in the SSI sector, and District level Empowered Committees for accelerating the flow of credit to small and medium enterprises. These Committees may be reconstituted and made more effective.

Each department/ agency in the State Government which is to accord clearances/ approvals may mandatorily notify a single nodal officer who may be designated as the Single Window Facilitator for enterprise creation in the State. This officer may be suitably empowered to obtain the requisite information, and to provide / assist / provide all data/ information to the State Single Window Board to ensure timely issue of the clearance.

The concept of self-certification may be introduced to allow any enterprise in the service sector that employs less than 5 persons to operate on the basis of a certificate to be given to the local body by the applicant. The permission can however be withdrawn if the unit is found to be contravening any laws based on an audit at a later date. Instead of no objection letters from residents nearby, LGB should put up notice on its notice board and website. Any complainant will have to produce sufficient reasons to object to the setting up any unit.

The amendments to the Act may be considered by a Task Force consisting of representatives of Industries Department, Labour Department, Planning Board, KSIDC, KFC, KINFRA, CII, FICCI, ASSOCHAM and Association of Small Industries. This Task Force may make suggestions on amendments to (a) reduce time taken for establishment of industrial units to 90 days, (b) simplify regulatory requirements (c) reduce/eliminate requirements relating to renewals of licences/permits etc and (d) introduce self certification, wherever possible, in the place of approvals

b. The Paddy & Wet Land Act

The Paddy & Wet Land Act 2008 may be modified enabling utilization of fallow paddy land by the farmer/ land owner/ entrepreneur to take up horticulture, floriculture, setting up of polyhouses and related agribusiness. Integrated farming systems where agriculture could be combined with animal husbandry, poultry and fisheries should be permitted too.

For manufacturing and service sector industrial units, if the actual requirement of land is above 15 acres, KLR exemption from land holding for land above 15 acres should be given automatically. Government needs to issue guidelines in this regard.

c. Local Bodies and other Clearances

Under the present system, even non-polluting industries are mandated to obtain a Consent to Establish (NOC) from the State Pollution Control Board. The SPCB should review its rules and procedures and issue clear guidelines on business which do not require prior consent/approvals and dispensing prior inspections and approvals that cause delays in implementation of projects. Service industries and IT/ITES units employing less than 10 persons should be deemed to be exempt from consent requirements of SPCB.

Industrial Parks / Industrial Areas, setup by state govt. departments for agencies should have the authority to give building permissions and allot building numbers. Individual units in such parks/areas/estates should be exempted from any direct regulation by the local bodies. The parks and individual areas should however pay an annual maintenance tax to the LGB on the basis of guidelines issued by the state government.

Government may consider framing a legislation to recognize the right of an entrepreneur to set up his/her enterprise subject to his/her following provisions relating to such industry or business and consequently be protected by law from arbitrary action of public authorities or harassment by the public through frivolous complaints and litigation. The onus of proving any violation of laws/ rules by an entrepreneur should be on the complainant.

The Task Force observed that Local Bodies have to play a crucial role in creating a facilitating environment for enterprise and employment creation in the State. This was also a constitutionally mandated function under the 73rd Amendment. It was accordingly of the view that local bodies should be clearly mandated to promote enterprises that generate new income and employment opportunities in their respective areas and that the level of any special assistance/ incentives may be tied to their progress / performance with regard to creation of new employment opportunities

Recommendation 10:

Setting up of a Section 8 company to implement this Programme

Ideally, after the various earlier recommendations of the Task Force are operationalized, the Empowered Cabinet Committee on Employment Generation may consider setting up a company to professionally implement this comprehensive programme.

1. The Section 8 Company may be incorporated with an initial capital of Rs. 25 to Rs. 50 crores, which may be suitably augmented as its activities expand. Government may consider authorizing various State agencies to suitably contribute to the initial equity investment.
2. The Company may be provided funding support in the form of grants, loans, or other support for undertaking specific self-employment programmes as required. State Government schemes may also be routed through the Company for implementation from time to time, for which requisite funding may be provided from the departments/schemes concerned.
3. The Company may mobilize requisite funds through the following means :
 - In the case of equity, equity infusion by Government/ Government agencies.
 - In the case of programs; through
 - Grants or loans from Central, State or other agencies
 - Grants from private/public companies through the Corporate Social Responsibility route

- Revenues from services rendered

A detailed note on this company may be seen at Annexure (Page no: 27)

V. Way Forward

Most importantly, the Task Force observed that while employment was an overarching and cross cutting priority of the State Government at all levels, there was no single coordinating mechanism that could provide holistic direction and oversight and ensure end to end services on a professional basis, so that the diverse strands of policy making, programs and schemes could be effectively targeted and integrated for maximum impact. Immediate action is required on recommendations of Task force which have limited or no financial implication. In the second phase the Section 8 Company may be incorporated to run the programme professionally.