

The final draft of the Odisha Entrepreneurship Development Policy 2014 is available in our website (<http://www.msmeodisha.gov.in>). Kindly go through the draft policy and offer your valued comments latest by 31.01.2014. The comments can be furnished by E-mail - secy-msme.od@nic.in



Draft Odisha Entrepreneurship Development Policy

MSME Department
Government of Odisha

- 1.1 The National Knowledge Commission of India, 2008 defines entrepreneurship as the 'professional application of knowledge, skills and competencies or monetizing a new idea, by an individual or a set of people, by launching an enterprise de novo or diversifying from an existing one (distinct from seeking self-employment as in a profession or trade), thus to pursue growth while generating wealth, employment and social good'. Thus, entrepreneurship can be seen as the capacity and willingness to undertake conception, organization, and management of a productive new venture, and seeking profits as a reward for the entrepreneur's risk taking abilities.
- 1.2 Entrepreneurship is thus considered as an engine of growth, especially in the case of developing economies. Creation of new business entities lead to a number of positive externalities – generation of employment, innovation, value-added services and fiscal revenues for the economy. Most importantly, entrepreneurship serves as the genesis for developing a vibrant micro, small and medium enterprise (MSME) sector which is an indispensable component of competitive economies. Entrepreneurship also has the potential to promote inclusive growth through empowerment of women, disadvantaged sections as well as educated unemployed youth.
- 1.3 However, in spite of these evident advantages, public participation in this sector remains low in many developing economies. In fact low entrepreneurial activity is often cited as the cause of widespread poverty in these regions in spite of being resource rich.
- 1.4 Our society too has a distinct preference for stable salaried employment opportunities versus entrepreneurial roles. Children are conditioned to such thinking from a very early age and our educational system also rarely exposes students to entrepreneurship, projecting salaried positions as an ideal career implicitly.
- 1.5 While Odisha is endowed with rich natural resources such as huge mineral deposits, forests, long coastlines etc., their use has been sub-optimal, keeping a large section of population on the brink of poverty. One of the causes of this condition is the lack of entrepreneurial culture in the State. However, the last decade has witnessed a spurt of industrial growth owing to a favourable industrial climate with many large industries evincing interest to set units in the State which has opened windows of opportunity for a strong micro and small and medium enterprise base.
- 1.6 Appreciating the role of entrepreneurship in promoting MSMEs and its consequences on long run socio-economic development, the Government of Odisha has formulated the Entrepreneurship Development Policy with the overarching objective of promoting entrepreneurship and an entrepreneurial culture in the state of Odisha.
- 1.7 At this juncture, it needs to be clarified that the Entrepreneurship Development Policy is different from the Micro, Small and Medium

Enterprise Development Policy, 2009. The latter focuses on grounded enterprises, i.e. enterprises already in existence, while in the case of the former, the focus is centred around individuals who may potentially move towards entrepreneurship. Thus, the scope of the Entrepreneurship Development Policy is much wider in that it encompasses multiple stages in the development of an enterprise – from conception to inception to growth to stabilization. More specifically the policy instruments hereunder aim at not only promoting entrepreneurship through specific incentives but also at bringing about an attitudinal change – making entrepreneurship a movement.

2 VISION

Foster entrepreneurship, especially among the youth to make Odisha one of the leading states in entrepreneurship development and innovation.

3 MISSION

Promoting a culture of entrepreneurship and creating an eco-system in which entrepreneurial initiatives thrive with the provision of simplified procedures, improved access to credit, business skills' training and support for technology innovation etc.

4 OBJECTIVES

The overall objective of the 'Odisha Entrepreneurship Development Policy, 2013' is to create conducive conditions that augment continuous flow and emergence of opportunity driven entrepreneurs. The specific objectives of the Policy are to:

- ▶ Bring about an attitudinal change by eliminating the negative biases associated with entrepreneurship and highlighting its role in socio-economic development
- ▶ Make entrepreneurship a movement by imparting entrepreneurship education in schools, colleges and vocational education institutions
- ▶ Motivate and train the youth and provide them with handholding support to increase the number of new enterprises in the State
- ▶ Nurture and support dynamic start-ups by providing credit, technology and marketing support
- ▶ Encourage technology innovation by setting up incubation centres, promoting mentor-mentee programmes etc.
- ▶ Take special steps to promote entrepreneurship among under-represented, disadvantaged sections of society for balanced and inclusive growth
- ▶ Improve access to information to existing and potential entrepreneurs

- ▶ Streamline rules, regulations and procedures to create a hassle-free and business-friendly environment for entrepreneurs
- ▶ Create a strong institutional framework for effective implementation, monitoring and evaluation of this policy

5 Deifinition

5.1 Definition of Entrepreneurship

According to the National Knowledge Commission of India (2008), entrepreneurship is the “professional application of knowledge, skills and competencies or monetizing a new idea, by an individual or a set of people, by launching an enterprise de novo or diversifying from an existing one (distinct from seeking self-employment as in a profession or trade), thus to pursue growth while generating wealth, employment and social good”.

Normally, entrepreneurship is viewed as competency associated with innovation & growth which is distinctly different from self-employment, which is generally pursued for earning a livelihood & not necessarily focus on innovation & growth. Unfortunately, existing base of enterprises in Odisha is mostly (around 70%) self-employed units.

5.2 Definition of Entrepreneur

Entrepreneur is “one who organizes, manages and assumes the risks of a business enterprise” (Greve & Salaf, 2003)

6 PROMOTING ENTREPRENEURIAL CULTURE AND ENHANCE ENTREPRENEURSHIP EDUCATION AND SKILLS IN THE SOCIETY

- 6.1 Establishment of a Entrepreneurship Development Society – a specialized agency with incubators to provide EDP training/Camps, continuing education in different aspects of enterprise launching and management like product design, packaging, technology up gradation, financial management and marketing and strengthening of existing training institutions
- 6.2 Reach out to school drop-outs and uneducated youth at panchayat level to tap the entrepreneurial talents
- 6.3 Establishment “incubation centers” to promote innovations and marketing support for the young entrepreneurs.
- 6.4 In each block a Entrepreneurship Counselling Cell (ECC) will be opened up through PPP (Public Private Partnership) mode.
- 6.5 Exposure shall be given to people at grass root level through Documentary Films based on successful entrepreneurs who will serve as role models to the youth in particular and society at large. It is envisioned that through

such a drive, social legitimacy of entrepreneurship as a vocation will undoubtedly improve.

- 6.6 Other forms of mass media such as print and electronic media shall also be utilized effectively to create awareness on the advantages of entrepreneurship, including social entrepreneurship and its impact on socio-economic development. In doing so, dedicated programmes on entrepreneurship shall be aired on television channels such as Doordarshan and radio stations. Also, local and national newspapers shall be encouraged to publish articles on success stories of entrepreneurs. Similarly, appreciating the importance of social media in the current day, the same shall be utilized to promote entrepreneurship.
- 6.7 To promote entrepreneurship among school going children as a potential career choice, efforts shall be made to mainstream entrepreneurship education through organization of competitions for business plan development, business simulations, industry visits, workshops and seminars etc.
- 6.8 The Government shall encourage organization of Entrepreneurship Boot Camps that will expose children to creativity, innovation, excellence and achievement in the field of entrepreneurship
- 6.9 A curriculum centred around entrepreneurship focusing on personal competencies needed to succeed as an entrepreneur, core operations skills such as accounts, basic legal knowledge, ICT, communication and management skills shall be developed and circulated among secondary and vocational schools. This will help to equip young adults who have dropped out of school and youth who have obtained vocational training to become self-employed.
- 6.10 Universities and colleges in the state shall be encouraged to set up Entrepreneurship Development Cells (EDCs) to provide youth with requisite information and handholding support to support their ideas and potential ventures.
- 6.11 A Task Force will be set up comprising representative from MSME Department, BPUT and Techpedia Team to forge linkage between MSME, academia, economic and social Entrepreneurs. BPUT will organize individual visits of students to different MSME Clusters and rural areas to identify problems which can be solved through final year projects. The MSME Department and BPUT to work out the modalities.
- 6.12 To celebrate the spirit of entrepreneurship, especially from the point of view of motivating the youth, the Government shall organize 'Entrepreneurship Awards' as a part of the annual MSME Department 'Entrepreneurship Week' event, both at state as well as district level.

7 NURTURING ENTREPRENEURSHIP TO HELP NEW ENTERPRISES START, GROW AND STABILIZE

In order to promote entrepreneurship in the state, the Government shall take a number of steps to provide handholding support to nascent enterprises as well as potential entrepreneurs.

7.1 Incubation, Technology and Innovation

- 7.1.1 Technology Business Incubators (TBIs) have emerged as the major source of innovation globally. They serve as a one-stop-shop for start-up ventures. Hence, the Government will take adequate steps to ameliorate the state of incubators considering their advantages.
- 7.1.2 Steps shall be taken to provide incubators and innovators with access to testing facilities and laboratories wherever needed at a subsidized rate. The Government shall also take measures to augment infrastructure of high performing Incubators.
- 7.1.3 Universities, engineering colleges and business schools shall be encouraged to undertake collaborative measures by leveraging their inherent capabilities and setting-up Incubators with world-class standards.
- 7.1.4 Also, successful entrepreneurs and companies will be encouraged to mentor dynamic ventures through Mentor-Mentee Programme (MMP), where new enterprises will be mentored and provided handholding support for a period of one year.
- 7.1.5 EDCs will organize workshops to provide training on ICT and ICT use in business activities to entrepreneurs to improve their capabilities and make them more competitive.
- 7.1.6 Promote institutional synergies by bridging gaps between academia, research institutes, public sector and private enterprises to facilitate exchange of ideas. In order to do this, Government shall promote organization of periodic interactions between stakeholder agencies. Such interactions will not only facilitate technology exchange but also serve as a networking platform.
- 7.1.7 Promote cluster organizations on the lines of industry organizations, to facilitate horizontal exchange of information, from larger units in the cluster to small ones. These organizations can also act as the seed for establishment of Special Purpose Vehicles (SPVs) for taking advantages of benefits under state and central government schemes.
- 7.1.8 Also, entrepreneurs will be given guidance on obtaining quality certification and standardization accreditations.

7.2 Information Dissemination

- 7.2.1 Access to information continues to be a persistent problem in developing countries. To address this issue, the Government shall take several steps to improve the information dissemination process.
- 7.2.2 To provide potential entrepreneurs with information on the procedures and formalities of starting a business along with information on access of finance, government incentives, facilities, marketing support etc., the

Government shall develop a dedicated website which shall serve as a handy reference guide providing all the requisite information. The website shall have added facilities such as a Query Kiosk where entrepreneurs can get their queries cleared without having to visit any government office.

7.2.3 As mentioned earlier, the EDCs shall also be equipped with all the relevant information, and steps shall be taken to allow general public (i.e. non-students) to get their queries resolved at these EDCs.

7.2.4 Finally, the Government will also undertake measures to hire professional services to compile a Ready Reckoner or Information Handbook on Doing Business for MSMEs, in English, Hindi and Oriya. This shall be made available at all DICs as well as a soft copy on Government websites.

7.3 **Improving Access to Credit**

7.3.1 Access to Credit would be improved especially for the start-up funds by syndication of funds which would be called Youth Entrepreneurship Fund (YEF). While limited seed funding is available under the TePP scheme of the Department of Science and Technology for establishing proof of technology based innovations the financing for the next stages of product development and market development is quite limited. Financial Institutions, being risk averse, also usually do not finance such ventures. Angel Investors, more often than not, come to the rescue of such ventures. But, in India, even the angel investors shy away from such investments and operate more as Venture Capitalists. There is also a paucity of accelerator/growth funds and venture capital for growth. There are also gaps in private equity finance to meet pre-operative expenses towards entry into capital markets to raise funds by growth firms.

7.3.2 The Government is determined to address issues related to credit delivery and further reinforce the flow of credit to a deserving entrepreneur with a viable project. A young potential entrepreneur cannot be allowed to get frustrated and move out with broken dream, while he may have the potential to bring about a positive change in the markets. Government believes that if capital is found to be easily accessible, a huge hurdle to start and grow an enterprise will be overcome. Therefore, the Government will:

- ▶ Ensure that banks and financial institutions adhere to the targets of priority lending to MSMEs as per Central Government Guidelines
- ▶ Strengthen venture capital companies in quasi-public or public sector by infusing capital through equity participation. These funds will be directed towards financing start-ups and early growth companies. To this effect, the Government will establish an Early Stage Venture Fund through a PPP mode, to participate in innovative start-up companies, so that an enterprise may acquire enough credibility to approach commercial venture funds to meet additional capital requirement. Though the government has already set up a risk/venture capital

subsidiary in Small Industries Development Bank of India (SIDBI), but it falls short of the requirement.

- ▶ Promote a 'rescue' culture by revisiting bankruptcy rules; and facilitating counselling and advisory service to troubled firms.
- ▶ Mobilize national and state-level organization involved with empowering disadvantaged and underrepresented groups of population such as National Scheduled Caste Finance and Development Corporation (NCSFDC), National Minorities Development and Finance Corporation (NMDFC) and State Women Economic Development Corporations (WEDCs) etc. in providing credit to start-ups launched by individuals belonging to these segments of society.
- ▶ Create awareness among SMEs about credit agencies like SME Rating Agency (SMERA) and educate them on the advantages of credit ratings.
- ▶ Create awareness on available credit and landing facilities, schematic loans such as PMEGP, priority sector lending from banks, OSFC and other financial Institutions etc.

7.4 **Fiscal Incentives**

7.4.1 Revive operations of the Odisha State Financial Corporations (OSFC) to improve the credit access of MSMEs

7.4.2 Create a corpus of about Rs. 100 Crores and make fixed deposits in all leading Banks and make a resolution along with all Banks to finance entrepreneurs creating new ventures to the tune of Rs. 5 Lakhs without any collateral security.

7.4.3 **Interest Subvention**

Interest subvention support to banks to enable them to finance start up Micro Enterprises @ 7% and start up Small Enterprise @ 8% interest rate.

7.4.4 **Capital Subsidy**

Provide Capital Subsidy to the tune of 50% of the amount invested in fixed capital except land up to Rs.20 Lakhs to the new entrepreneurs in three instalments, i.e., 20% of the total sanctioned amount against the fixed capital while sanctioning the working capital and 30% after running of the unit and the balance amount of subsidy (50%) after obtaining EM-II.

7.5 **Optimizing Regulatory Environment**

7.5.1 To unleash entrepreneurship, it is imperative that the business environment is friendly and procedures are hassle-free. A system will be development that allows easy entry as well as exit of firms, with streamlined processes and regulations.

7.5.2 The Government will undertake a study to examine the regulatory set up to start a new enterprise. This study will help to distinguish between procedures that are absolutely essentials from the ones that can be done

away with. Also, steps can be taken to see if these essential procedures can be simplified/streamlined/automated.

- 7.5.3 Institutional inefficiency and overlapping institutional requirements often burden new/start-up enterprises. Faced with the dilemma of going through long-drawn procedures and undue delays, entrepreneurs are forced to resort to illicit methods. Addressing this problem is a key concern for the Government as many a times the entrepreneurs are not able to commence business owing to these procedural hassles.
- 7.5.4 Hence, to instil faith of entrepreneurs in good governance policies, the Government shall take steps to introduce transparent online transaction of business to the extent possible. On the lines of online Entrepreneurship Memorandum registrations, the Government shall undertake the task of online disbursement of incentives.
- 7.5.5 The Government shall also take steps to assess the feasibility of making the Common Application Forms (CAF) under Single Window Clearance online.
- 7.5.6 The Government shall assess the feasibility of setting up special 'Fast Track Commercial Courts' (FTCCs) to settle commercial disputes and cases related to enforcement of contracts and solvency/bankruptcy, within a stipulated, reasonable time-frame.
- 7.5.7 To motivate more and more people becoming entrepreneurs, effort would be made to give them a place of pride in the society by honouring them in different forum.

8 PROMOTING INCLUSIVE ENTREPRENEURSHIP, MENTORING AND NETWORKING ENTREPRENEURSHIP

- 8.1 Economic empowerment is the first true step towards empowerment of citizens in any democracy. A large section of our society is still underrepresented and disadvantaged and their adequate representation on socio-economic platform hence is a priority for the Government. Also, if we wish to achieve economic development in the true sense of the term, inclusive growth where growth trickles to the bottom of the pyramid is imperative. It is for this purpose that the Government wishes to pay extra attention to promote entrepreneurship among focus groups such as women, rural citizens, minorities and people belonging to SC/ST communities etc. to empower these sections of society.
- 8.2 The Government shall map the efforts of various Government agencies and Ministries under different programmes and schemes and undertake an awareness campaign to publicize these initiatives among the thrust groups for better uptake.
- 8.3 Involve national and state agencies engaged in helping disadvantaged and marginalised groups of population to proactively promote entrepreneurship among their target communities.

- 8.4 Map out the areas where these focus groups comprise a larger segment of population and draw a strategy to improve their general level of awareness on entrepreneurship, business procedures, market demand etc. The Government shall take steps to provide **skill-based training** to these people based on their occupation to enhance their products/services and in turn their incomes.
- 8.5 Set up **'Incubation Centres'** in select areas for micro/small enterprise. These centres will also work as training-cum-production centres for micro and small enterprise development.
- 8.6 A pilot initiative, **Entrepreneurship at Your Doorstep** shall be undertaken to propagate entrepreneurship among rural youth on various schemes, incentives and rules and procedures and credit assistance to set up an enterprise. Initially a minimum of thirty (30) fully-equipped vehicles shall be hired for this purpose. As a part of this initiative, EDCs shall organize Business Development Camps in rural areas to extend training, consultancy and counselling services to potential entrepreneurs and nascent enterprises.
- 8.7 Encourage private sector to increase procurement from micro and small enterprises as a part of their Corporate Social Responsibility (CSR) initiatives.
- 8.8 Encourage small producers, especially from under-represented groups and regions to organise themselves into cooperatives, collective enterprises, producers' companies, group entrepreneurship, etc., so that they are able to supply goods and services of uniform quality and in bulk, and within time, and at a reduced logistic cost to reap economies of scale.
- 8.9 Focus on new enterprise creation in clusters by organising product/sector specific **Entrepreneurship Development Programmes (EDPs)**. Such programmes are likely to yield better results in terms of start-ups as a sound eco-system already exists in clusters of SMEs.
- 8.10 Self Help Groups (SHGs), especially Women SHGs shall be encouraged to take up entrepreneurial ventures in the areas of primary food processing, handicraft, Khadi and village industries etc. These SHGs shall also be provided with skill-upgradation training linked to production planning, costing, packaging, quality control, technology development, marketing support etc.
- 8.11 Steps will be taken up to form a **Tribal Youth Enterprise Mission (TYEM)** under the aegis of the MSME Department and a public sector enterprise such as NALCO to provide requisite skills to tribal youth. As the magnitude of self-employment in case of tribal youths living in extremely interior and remote areas is much lower, the Mission will organize skill training in different trades suitable to the hilly regions along with customized entrepreneurship training so that they can build their confidence to start their own enterprises.
- 8.12 **Enhancing and strengthening business networks**

- Awareness activities such as EAP, EAC, PIP etc.
- Market research and feasibility study through mentoring and networking.
- Support to enterprises with Stagnant / poor growth
- EDP training based on peer learning.

8.13 Training to Jail Inmates/Destitute Home/Orphanages/Juvenile Home:

Provide skill training at prisons/destitute homes/orphanages/juvenile homes and make special efforts to promote entrepreneurship among women and youth among them, in sectors in which they have some competitive advantage like skills, raw material base, etc. For example, primary value addition (initial processing) will be encouraged at source to help them get back to the social system.

9 ENSURING EFFECTIVE IMPLEMENTATION THROUGH A SOUND INSTITUTIONAL MECHANISM

In order to achieve the objectives and goals set out in this policy, an effective institutional mechanism is required.

9.1 Implementation and Coordination

9.1.1 The Department of MSME, Government of Odisha, will be the nodal department to implement the policy and the Institute of Entrepreneurship Development (IED), Odisha shall be named as the nodal agency which shall undertake all coordination activities in this regard for the state.

9.1.2 The MSME Department shall be assisted by professionals hired under a Policy Implementation Unit (PIU). This PIU shall work in close association with the MSME Department. It shall be the responsibility of the PIU to draw out a strategic action plan to achieve the objectives of this policy. The PIU shall serve as a single point of contact in the state for matters relating to Entrepreneurship Development.

9.2 **Monitoring and Evaluation**

- 9.2.1 A Task Force under the chairmanship of the Chief Secretary with Secretaries of concerned Departments as members and Director of Industries as Member Convener will be constituted. This Task Force shall also be assisted by an Advisory Panel with representatives from stakeholder agencies and institutions such as OSFC, SIDBI, DEP&M, NSIC, OSIC, OKVIB, KVIC, incubators, and engineering colleges, industry associations (CII, FIEO, UCC and TiE etc.) training & development institutions (XIMB, EDI, NIESBUD, and NIMSME etc.)
- 9.2.2 For careful monitoring of policy objectives, specific Key Performance Indicators (KPIs) shall be defined. It shall be the responsibility of the PIU to collect, collate and analyse the district-level data for the purpose of policy analysis.
- 9.2.3 The Task Force shall periodically review the implementation process and take corrective measures as and when necessary based on the findings.
- 9.2.4 The Government appreciates that the business environment is very dynamic and ever-evolving. Hence, to accommodate any measures that are needed to support business, the Task Force and in turn the High Powered Committee shall also revisit the policy document itself from time to time to review and realign it as per the changing needs of the business community.

10 **MISCELLANEOUS :**

- 10.1 This policy shall be read in conjunction with IPR, 2007, MSME Development Policy, 2009.
- 10.2 For the purpose of this policy all terms, definitions and interpretations shall be as per IPR, 2007, MSME Development Policy, 2009 and Food Processing Policy, 2013.
- 10.3 Doubts relating to interpretation of any term and/or dispute relating to the operation of any provision under this policy shall have to be referred to the MSME Department, Government of Odisha for clarification/resolution and the decision of Government in this regard shall be final and binding on all concerned.
- 10.4 No right or claim for any incentive under this policy shall be deemed to have been conferred merely on the ground of provision in this policy. Implementation of various provisions covering the incentives, concessions, etc. will be subject to the issue of detailed guidelines/statutory notifications, wherever necessary in respect of each item by the concerned Administrative Department.

- 10.5 This policy shall remain in force from the date of its notification until substituted by another policy.
- 10.6 The State Government may at any time amend any provision of this policy.

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