

## **Editorial**

### **Chief Minister's Entrepreneurship Development Programme**

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The inaugural issue of Kerala Economy made a very important observation about Kerala that cannot be overlooked by anyone concerned about the development of the state. As per the GST records, we import Rs 1.5 Lakh crore worth of goods from other parts of the country on which GST is levied. This excludes rice, wheat pulses, and vegetables. With export being only Rs 50,000 crore, our trade deficit with other states is about Rs 1 lakh crore! This implies that within the state we forgo a huge employment generation opportunity. The often offered advise for economic catch up is 'industrialize or perish'. Hence our failure to exploit the forgone opportunities is at the root of many of our problems; highest unemployment rate in the country, largest migrant population, de-industrialization with the share of manufacturing in GSDP being only about half of at the national level. The reason for the mounting public borrowing given the lower tax revenue with increasing committed expenditure is also not too far to seek.

It is encouraging to note that a turnaround is in the making. Since 2014-15 the manufacturing sector has been recording double-digit growth, except for 2017-18 owing to demonetisation. As a result, the share of Kerala in national manufacturing value added increased from 1.2 per cent in 2014-15 to 1.6 per cent in 2018-19. While coronavirus pandemic has been a major set back to the economy, efforts are being made to exploit the new windows of opportunities including the return migrants. In the 100 days flagship program for the generation of employment, the manufacturing sector holds the key. The target is to generate 23,100 jobs in the industrial sector, inter alia through 2400 MSME units and 4053 MSME Facilitation Act units. In addition 15,690 jobs are expected to be created through Kudumbashree, 18,079 by the cooperative sector, 1230 in agro-processing and 2500 jobs in the IT sector.

The Chief Minister's Entrepreneurship Development Program (CMEDP), in this context, could be seen as a unique step towards help addressing our basic development problem in the context of COVID -19. The program envisages the establishment of 5000 enterprises at the rate of 1000 per annum. Considering our potential this is a modest, yet a timely step in the desired direction. Entrusted with the Kerala Financial Corporation (KFC), the enterprises under this program will be eligible for a loan up to Rs 50 lakhs at a subsidized interest rate of 7 per cent, which will still lower at 4 per cent for the repatriates. Special provisions are built in for women enterprises. Within a short period of two months, after its announcement on 27 July, loan sanction orders have been issued to 355 entrepreneurs.

At the instance of the Finance Minister, CMEDP is being implemented by KFC in an innovative manner. Attempt is being made towards redefining the role of KFC from being an ordinary lender to a partner in the development process by facilitating the capacity building and handholding of the new enterprises. In this process, KFC joined hands with the Gulati Institute of Finance and Taxation (GIFT) as its knowledge partner. To begin with, towards capacity building a week long training program is organised jointly by KFC and GIFT prior to the loan sanction. The resource persons of the training program, apart from the GIFT faculty, include experienced entrepreneurs, policy makers of repute, financial sector experts and scholars of eminence. The training programme also offers an opportunity for mutually beneficial partnership among the participants.

A beginning has been made. But there is a long way to go. To thrive in a competitive world the enterprises need to build competitiveness. To be competitive one needs be innovative; with respect to product, process, market, organization or any other ways. Evidence across the world suggests that development of competitive enterprises in general and industrial development in particular presupposes a vibrant innovation system at the sectoral, regional and national level evolved at the instance an entrepreneurial state. This calls for bringing together the key actors/institutions - business, government, academia, trade unions and media among others - for facilitating interactive learning, innovation and competence building environment by redefining their roles, such that none of the enterprises falter.

**K J Joseph**