

ONE DISTRICT ONE IDEA

MSME Innovation Cluster Development Programme,
aimed at innovation promotion towards local
economic development with a district-wise focus.



Background

The guiding principle towards the innovation cluster approach is that Micro, Small and Medium Scale Enterprises (MSME) can play a key role in local economic growth and equitable development. MSMEs represent substantive contributions to employment generation, poverty reduction and wider distribution of wealth in most developing economies. However, the potential role of MSMEs is often not realised because of problems related to size.

Challenges faced by MSMEs

Individual MSMEs experience difficulties in achieving economies of scale in the purchase of inputs such as equipment, raw material, finance and consulting services and are unable to take advantage of market opportunities that require large production quantities, homogeneous standards and regular supply.



Small size is also a constraint on internalisation of functions such as training, market intelligence, logistics and technology innovation while preventing the achievement of specialised and effective internal division of labour. To preserve their narrow profit margins, small scale entrepreneurs in developing countries are often unable to introduce innovative improvements to products and processes and this limits the scope of firms to take advantage of new market opportunities.

Overcoming the Challenges

On a closer observation it is clear that these obstacles are the result of MSME isolation rather than size. Therefore, closer cooperation among MSMEs and the institutions in their surrounding environment holds the key to overcoming them.

Networking offers an important route for individual MSMEs to address their problems as well as to improve their competitive position. By coordinating their activities, enterprises can collectively achieve economies of scale beyond the reach of small scale firms and obtain bulk purchase inputs, achieve optimal scale in the use of machinery and pool production capacities to meet large scale orders. Inter enterprise co-operation also enables MSMEs to specialise in their core business and give way to an external division of labour thus improving their efficiency in production. Joint work also encourages enterprises to learn from each other, exchange ideas and experience to improve product quality and take over more profitable market segments.



Evidence also shows that co-operative relations and joint action are more likely when enterprises operate in proximity and share business interests such as markets for products, infrastructure needs or challenging external competition. Within such groups or clusters, enterprises' joint initiatives are stronger because of the critical mass of interested parties, more cost effective due to shared fixed costs and easier to coordinate with proximity fostering mutual knowledge and trust.

However, the mere fact of geographical proximity and association is not a guarantee for synergies and improved performance does not always emerge automatically. There is a need to look for a framework for fostering innovation proactively in a small business environment to achieve successes in cluster development.



ODOI Programme Highlights

The Kerala Development Innovation Strategic Council (K-DISC) is a strategic think-tank and advisory body constituted by the Government of Kerala. K-DISC, which is now a society, has the mandate to promote innovation in the state.

K-DISC through its district arms, the District Innovation Councils (DInCs) has initiated the One District One Idea – MSME Innovation Clusters' programme. K-DISC aligns with the philosophy of digital transformation, and promotes the Strengthening of Academic-Industry-Government Interface to develop problem statements and implement solutions.

ODOI is an innovation challenge programme for manufacturing clusters, medium and micro-enterprise clusters. Innovation and technology have been identified as the primary differentiator that can take the enterprises as well as the clusters to non-linear non-incremental growth.

Objectives

The programme aims at:

1. Organisation and development of clusters
2. Development of networks of MSMEs
3. Development of strategic linkages between MSMEs and academic institutions, promoting innovation and strategy interested in working with MSMEs on cluster development

The Scheme

K-DISC could provide seed money for the innovation component identified in potential clusters and technology support for fostering innovation. Since the innovation framework cannot be isolated functionally from the overall programme of MSME development, K-DISC will facilitate synergies with the existing Government of Kerala-Government of India schemes as well as, support schemes of banks and other financial institutions.

The clusters forming part of this programme would benefit from trying out innovative best practices from elsewhere and also incorporating out-of-the-box approaches in cluster development that are not usually supported under Government of India, Government of Kerala schemes and programmes of banking and financial institutions.



Support shall be made available for piloting new technologies developed by Start-ups/Academic/Research institutions which could potentially transform the cluster but has not been tried out so far. Intellectual property support as well as costs for hand holding the innovations till they stabilise, shall be covered.



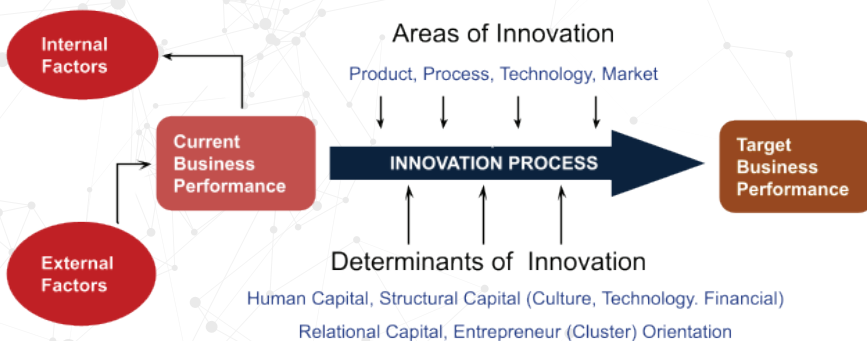
Overall Scheme of ODOI-MSME Innovation Clusters

The cluster development initiative shall have a champion committed to the programme. He or she shall be an entrepreneur, employee or could be part of the cluster in some other capacity. The cluster group shall in order to demonstrate the evidence of formal collaboration among its members constitute a Special Purpose Vehicle and legally register the same.

The ODOI Challenge

K-DISC proposes to launch a challenge for Promising Innovations in MSME Clusters in Kerala under “One District-One Idea”- MSME development challenge. The Challenge will be open under two categories viz. Manufacturing Clusters which shall include a minimum number of twenty registered MSME units and Micro-Enterprise Clusters including Handicraft Clusters, Handloom/Powerloom Clusters, Other Traditional Industries and Service Clusters which are aggregations of household enterprises. Handloom/Power loom Clusters shall have a minimum of 200 looms and handicraft, traditional industries and services clusters shall have at-least 20 units in each cluster.

Promising clusters in each Legislative Assembly Constituency (LAC) shall be asked to participate in the challenge if an academic/research centre/business school of excellence and MSME cluster/SPV show interest and aptitude and propose an action plan for an innovative programme to be undertaken within 2 years.



Innovation Model

If an established cluster exists in the constituency then the same shall be mandatorily selected. A new cluster shall be taken up only in the absence of an existing cluster. In case a cluster exists at the boundary of two or more LACs the legislator who enjoys the larger chunk of the cluster can take the ownership of the cluster and promote its development

Post Challenge

The Innovation action plan submitted by the Mentor institutions will be evaluated by a Panel of experts with National and International repute through the ODOI portal. The winners will be guided for scale up growth to create prospective linkages and access will be enabled towards risk coverage mechanisms, support systems and innovation driven approaches on product or process improvements.



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