

## Entrepreneurship & Skill Development – A Perspective for Synergistic Growth

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Across the globe, the biggest challenge lies -is the growing population and hence creating sustainable livelihood for it. Though government of every country is bound to take care of its citizen on the basic needs of food & health for all, but due to scarcity of required resources and the proper delivery mechanism, it often fails to provide the basic minimum living condition to the population at large. Generally, it has been observed that in the absence of proper information or the basic skill set, one finds it really tough to earn his livelihood and becomes dependent on others and lives at the magnanimity of the society.

Taking cue from the European countries for growth & increasing GDP, Govt. of India took some initiatives around the year 2009 and came up with a National Policy on skill development which aimed to create a framework for Skill Development I in India and linking it with job opportunities. In spite of these efforts, only a marginal percentage could be catered and no great momentum developed in providing jobs.

As the new govt. came at the centre leadership, a strong need was felt to provide impetus to the skilling and self employment to improve the economy of India. Thus a positive atmosphere was created by the govt. For skilling & promoting entrepreneurship by the programmes named SKILL INDIA & START UP INDIA . Entrepreneurship is a resultant creation of employment & wealth and hence a major means for inclusive development.

This papers aims to focus upon the synergy between the skilling initiative and the entrepreneurship avenues and hence providing sustainable livelihood opportunities, to the exponential growing population of India.

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### Current Scenario

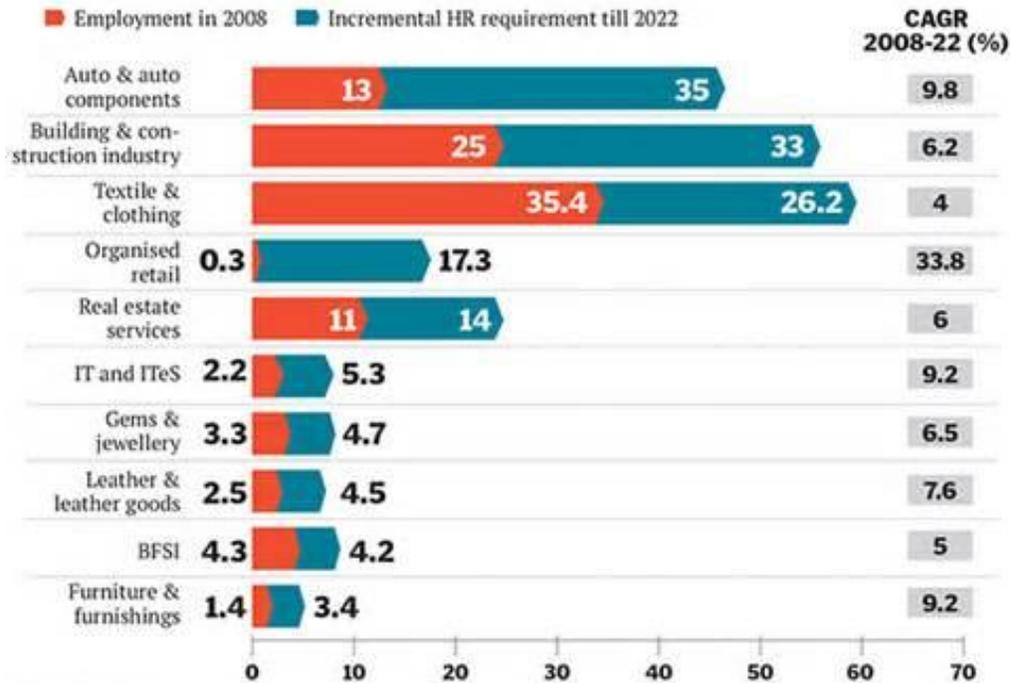
**Today, India is one of the youngest nations in the world with more than 62% of its population in the working age group (15-59 years), and more than 54% of its total population below 25 years of age.**

Its population pyramid is expected to “bulge” across the 15–59 age groups over the next decade. It is further estimated that the average age of the population in India by 2020 will be **29 years as against 40 years in USA, 46 years in Europe and 47 years in Japan**. In fact, during the next 20 years the labour force in the industrialized world is expected to decline by 4%, while in India it will increase by 32%. This poses a formidable challenge and a huge opportunity. To reap this demographic dividend which is expected to last for next 25 years, India needs to equip its workforce with employable skills and knowledge so that they can contribute substantively to the economic growth of the country.

**Skill development, however, cannot be viewed in isolation. Skills are germane to, but not always sufficient for securing adequate economic dividends. Skills need to be an integral part of employment and economic growth strategies to spur employability and productivity. Coordination with other national macroeconomic paradigms and growth strategies is therefore critical.**

## Who will bridge the gap?

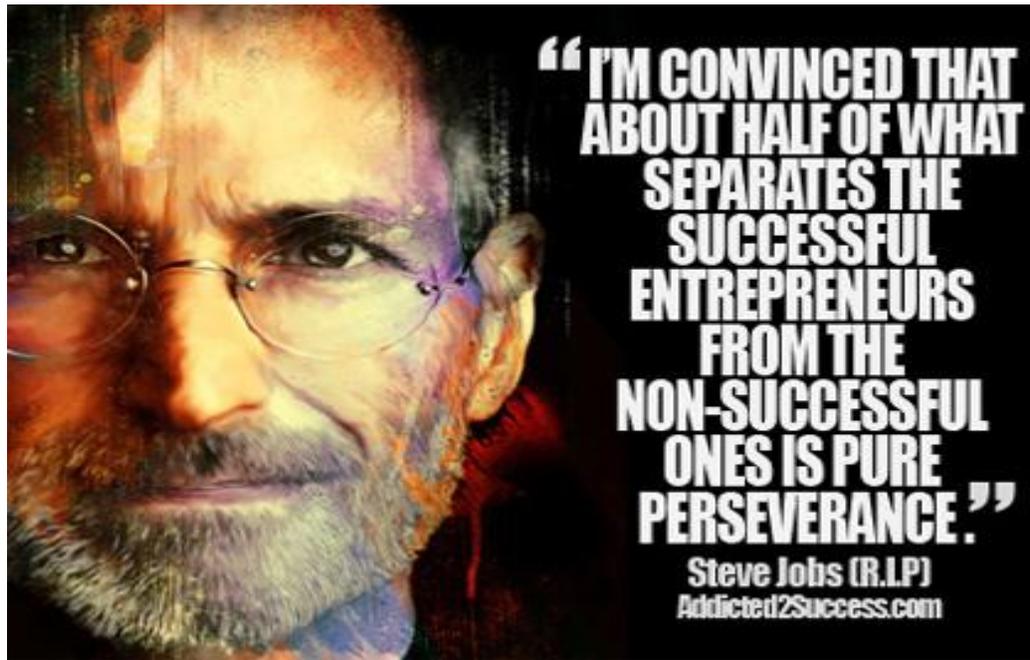
Growth in manpower requirement by 2020



Figures in million

It is estimated that during the five year period from 2004-05 to 2009-10, only 2.7 million net additional jobs were created in the country. For a skills strategy to be successful it should be complemented by commensurate creation of jobs in the primary, secondary and tertiary sectors which will be a key outcome of overall economic growth including entrepreneurship cutting across all sectors. The Indian capacity for harnessing entrepreneurship has not been fully realized the MSME (micro, small and medium enterprises) sector contributes to only 17% of GDP as compared to 85% in Taiwan, 60% in China and 50% in Singapore .

### Skill Development And Entrepreneurship Landscape



Skills and knowledge are driving forces of economic growth and social development for any country. Countries with higher levels and better standards of skills adjust more effectively to the challenges and opportunities in domestic and international job markets.

**The first industrial policy in the country was notified in 1956, Science and Technology policy in 1958, Housing Policy in 1988 and National Labour Policy in 1966.**

The first National Policy on Skill Development was notified in 2009. In the aftermath of this policy, National Skill Development Corporation (NSDC) was established in 2009 to promote private sector participation via innovative funding models. NSDC has tied up with more than 211 training providers, many of whom have started scaling up their operations, to offer short term training programmes. They also supported and incubated 37 Sector Skills Councils (SSCs) which are intended to facilitate much needed participation and ownership of industry to ensure needs based training programmes. National Skills Development Agency (NSDA) which was created in June 2013 has been working with State governments to rejuvenate and synergise skilling efforts in the States. National Skills Qualification Framework (NSQF) skilling and education outcomes with the competency based NSQF levels. These efforts build on the legacy vocational training infrastructure of Industrial Training Institutes and polytechnics which have now grown in number to approximately 12,000 and 3,200 respectively.2.1

The country, however, has a big challenge ahead as it is estimated that only 4.69% of the total workforce in India has undergone formal skill training as compared to 68% in UK, 75% in Germany, 52% in USA, 80% in Japan and 96% in South Korea. While the debate on the exact quantum of the challenge continues, there is no disputing the fact that it is indeed a challenge of formidable proportion.

**On demand side**, a skill gap study has been conducted by NSDC over 2010-2014, which indicates that there is an additional net incremental requirement of 109.73 million skilled manpower by 2022 in twenty four key sectors.

**On supply side**, analysis based on results of 66th and 68th round of NSSO can be observed as that today the total workforce in the country is estimated at 487million, of which approximately 57% is in the non-farm sector. If the workforce with higher education without formal skill training are excluded, the balance workforce is estimated to be 450.4 million. Of these 256.72 million non-farm workers, a maximum of 5.4% would be formally trained and skilled (3.61% is based on 2011-12 NSSO survey and includes both farm & nonfarm). Approximately 241.86 million would either be unskilled or skilled through non formal channels. Out of these, it is estimated that approximately 170 million would be in the age group 15-45 years. This workforce will need to be mapped through recognition of existing skills and then provided with necessary skilling, reskilling and upskilling to increase productivity and provide a livelihood pathway. Similarly, in farm sector, this figure works out to be 128.25 million.

In addition, the number of people who enter the work force age group every year is estimated to be 26.14 million. Assuming an average labour participation rate of 90% (male) and 30%(female), at least 16.16 million persons will enter workforce and they all, except those opting for higher education, need to acquire skills. This will add another 104.62 million persons to be skilled in the next 7 years.

Thus, it can be seen that 104.62 million fresh entrants to the workforce over next seven years (by 2022) will need to be skilled. In addition, 298.25 million of existing farm and nonfarm sector workforce will need to be skilled, reskilled and upskilled.

Thus, appropriate infrastructure needs to be created keeping in view sheer numbers, sectoral division and spatial disbursement not only across the country but possible requirement in other parts of the world.

**One of the major challenges** in the country today is public perception on skilling, which is viewed as the last option meant for those who have not been able to progress/opted out of the formal academic system.

A number of factors are responsible for this state of affairs:

- Social and traditional view that sees status as being inversely proportional to the degree to which one works with ones hands. This can also be attributed to primeval and archaic ethos which compartmentalized the skilling landscape for several hundred years. This unfortunate legacy has no moral, ethical and constitutional sanction in free India. Nonetheless, this gets at times manifested in norms, attitudes and societal behavior.
- The proclivity of large sections of industry especially in the micro, small and medium sectors to treat skilled and unskilled persons at par, thereby depriving skilling of any meaningful economic incentive.

Most of the vocational training programmes are not aligned to the requirements of the industry As a result of the above, a piquant situation exists in the country wherein unemployment continues to coexist with lack of requisite number of skilled people at functional level to build roads and bridges, lay pipelines, work in factories, engage in offshore drilling, build ships etc.

### **Challenges :**

Skill development programmes of the Central Government over the years have been spread across more than 20 Ministries/Departments without any robust coordination and monitoring mechanism to ensure convergence. The scenario is no different in most of the states except the few states which have moved towards functional convergence by creating State Missions. This legacy has resulted in multiplicity of norms, procedures, curricula, certifications etc. Further, many of these skill development initiatives often remain unaligned to demand, thus defeating its entire objective.

### **Demographic :**

Different states in India face varied challenges in relation to demographics and skill development. There needs to be a shared sense of urgency to address the challenges of the changing demography. While State Skill Development Missions (SSDMs) have been launched in almost all States, there is an imminent need for capacity building and empowerment of SSDMs in many States in order to upscale quality skill development.

### **Grant Based Model:**

The various grant based, free training programmes available today, though necessary, have their own limitations especially on quality and employability. Students undergoing training for free attach little value to training whereas training providers focus on increasing their numbers rather than quality of training. While financial support is required for certain industry sectors or segments of unorganized sector, it is critical to exercise utmost discretion and link employability with all such efforts.

#### **Multiplicity In Assessment System:**

There is multiplicity in assessment and certification systems existing in the country which leads to inconsistent outcomes and causes confusion to the employers. Further, despite concrete timelines mentioned in the NSQF notification, the process of alignment of courses/qualifications with NSQF has been rather tardy.

#### **Availability Of Good Trainers:**

The availability of good quality trainers is a major area of concern. There is a lack of focus on development of trainer training programmes and career progression pathways for trainers have also not been defined.

#### **Industry Linkages:**

Efforts in the skill landscape have been largely devoid of industry/employer linkages until the last few years. This has created gaps in terms of sectoral need and availability, competency required by employer and those possessed by a trainee etc. Placement of trainees has consequently suffered. While industry has started defining their skills requirements, and training methodology, commitments in terms of increased remuneration to skilled workers also need to be made by them.

#### **There is a necessity to create economic incentive for skilling, and for industry to realize the productivity gains linked with skilled manpower**

Women constitute almost half of the demographic dividend. The key challenge here is to increase their participation in the country's labour force, which is directly linked to economic growth of the country. Census data has revealed that there has been a continuing fall in labour force participation rate of women from 33.3% to 26.5% in rural areas, and from 17.8% to 15.5% in urban areas between 2004 and 2011 .

**Mainstreaming gender roles by skilling women in nontraditional roles and increasing gender sensitivity in the workplace will have a catalytic effect on productivity and be a smart economic decision.**

Job creation for skilled youth is also a major challenge before the nation. Entrepreneurship based on innovation has immense growth potential. However, the number of local entrepreneurs emerging every year in India is very low.

**The Global Innovation Index 2014 ranks India 76 out of 143 countries. Accelerating entrepreneurship especially that based on innovation is crucial for large-scale employment generation in India.**

The growth and prosperity of all economies remains highly dependent on entrepreneurial activity. Entrepreneurs are the essence of economic growth —

They provide a source of income and employment for themselves, create employment for others, produce new and innovative products or services, and drive greater upstream and downstream value-chain activities.

Supportive environments are increasingly essential to successful entrepreneurship and these are evolving across the world.

**The ideal entrepreneurial environment has five pillars:**

- **Access to funding,**
- **Entrepreneurial culture,**
- **Supportive regulatory and tax regimes,**
- **Educational systems that support entrepreneurial mindsets;**
- **A coordinated approach that links the public, private and voluntary sectors**

The face of entrepreneurship is also changing — across the world, entrepreneurs are increasingly young and/or female due to increasing unemployment.

**The International Labour Organization (ILO) reports that globally, almost 13% of young people (close to 75 million people) are unemployed.**

This phenomenon is particularly evident in regions where wage employment is difficult to obtain. Access to funding remains the primary obstacle for entrepreneurs from all markets. The

public and private sector each has an important role to play in creating entrepreneurial ecosystems that, in addition to funding, are essential to promoting entrepreneurial success. In India, only 0.09 companies were registered for every 1,000 working age person—among the lowest rates of G20 countries in 2011.

Further, highlighting the diversity of the country, **three kinds of entrepreneurial activities exist- Factor driven entrepreneurship, Efficiency driven entrepreneurship and Innovation driven entrepreneurship.**

GEM Report (2013) indicates that India primarily being a factor-driven economy has the highest proportion of necessity-driven TEA (38.8%) and improvement driven TEA (35.9%). Necessity-driven entrepreneurship, particularly in less developed regions or those experiencing declines in employment, can help an economy benefit from self-employment initiatives. More developed economies, on the other hand, generate entrepreneurial opportunities as a result of their wealth and innovation capacity, yet they also offer more wage employment options to attract those that might otherwise become independent entrepreneurs. If these opportunities for entrepreneurship and innovation are to be captured, it is essential to create an enabling eco-system for entrepreneurship to thrive and instill a mind-set and 12 culture of opportunity& innovation based motives and entrepreneurial incentives. National Skill Development and Entrepreneurship Policy 2015 attempts to address these concerns. It tries to bring the world of education and training closer to the world of work so as to enable them together build a Strong India.

### **Skill India and Make in India**

Make in India and Skill India is complementary to each other. The key objective of Make in India is to promote manufacturing in 25 sectors of the economy, which will lead to job creation and consequently need for skilled manpower. Some of these sectors include automobiles, chemicals, IT, pharmaceuticals, textiles, ports, aviation, leather, tourism and hospitality, wellness, railways, auto components, design manufacturing, renewable energy, mining, bio-technology, and electronics. Correspondingly, Skill India aims at preparing a highly skilled workforce which is completely aligned to the requirements of industry so as to promote growth through improved productivity.

Skilling efforts will be completely aligned with the requirements of 25 key identified sectors of Make in India. A joint committee of stakeholders under both initiatives will be constituted to closely monitor growth of manufacturing activity under Make in India programme and anticipate skill requirements for such initiatives so that the same can be developed in coordination with various SSCs and training institutions. Pre-assessment of skill requirements

for all manufacturing activities at proposal stage will be made mandatory in order to ensure an industry ready workforce once the manufacturing facilities have been set up. States will also be encouraged to align their skilling efforts with upcoming industrial activities in the State.

**To further boost up entrepreneurship in India, Start up India was launched by Govt. of India on January 16'2016.**

**Startup India** is a flagship initiative of the Government of India, intended to build a strong ecosystem for nurturing innovation and Startups in the country that will drive sustainable economic growth and generate large scale employment opportunities.

The Government through this initiative aims to empower Startups to grow through innovation and design. In order to meet the objectives of the initiative, Government of India is announcing an Action Plan that addresses all aspects of the Startup ecosystem.

With this Action Plan the Government hopes to accelerate spreading of the Startup movement:

- From digital/ technology sector to a wide array of sectors including agriculture, manufacturing, social sector, healthcare, education, etc.;
- From existing tier 1 cities to tier 2 and tier 3 cities including semi-urban and rural areas.

The Action Plan is divided across the following areas:

- Simplification and Handholding
- Funding Support and Incentives
- Industry-Academia Partnership and Incubation

#### **Mudra Bank:**

Micro Units Development and Refinance Agency Bank (**MUDRA Bank**), is a new institution setup by the Government of India for development of micro units and refinance of MFIs to encourage entrepreneurship in India & provide the funding to the non corporate small business sector. MUDRA Yojana had announced by the Finance Minister in Parliament during Union Budget for FY 2016.

MUDRA Bank will need two type of product like refinance for the micro units having loan requirement from Rs 50 thousands to 10 lakhs and support of Micro Finance Institutions (MFI) for on landing. MUDRA will refinance to micro business under the scheme of Pradhan Mantri MUDRA Yojana.

Interest Rate details according to MUDRA Scheme are as follows:.

#### **MUDRA**

#### **SHISHU**

#### **Yojana**

Under Mudra Shishu Yojana banks are providing loan upto 50,000/-. It is basic scheme and

banks are charging very nominal interest rate which is around 10% to 12%. We also found that the Nationalize banks are charging less interest rate than private banks etc.

### **MUDRA KISHOR Yojana**

Under Mudra Kishor Yojana bank are providing loan upto 5,00, 000/- rupee. It is one of the scheme under Mudra scheme and banks are charging very nominal interest rate which is around 10% to 12%.

### **Mudra Tarun Yojana**

Under Mudra Kishor Yojana bank are providing loan from 5,00, 000/ to 10,00,000/- rupee. It is one of the biggest scheme under Mudra yojana and banks are charging very nominal interest rate which is around 10% to 12%.

**The entrepreneurship policy framework** under National skill policy 2015 has been developed to address the objectives underlined in Chapter three of the document. Vibrant entrepreneurship requires support from an enabling ecosystem of culture, finance, expertise, infrastructure, skills and business friendly regulation. Many government and non-government organizations are playing enabling roles across each of these crucial supporting elements.

**In addition, entrepreneurship education will be integrated into the mainstream curriculum in 3,000 colleges around India. Entrepreneurship education courses will also be delivered in approximately 325 industrial clusters across the nation. Through 50 nodal Entrepreneurship Hubs (E-Hubs) set up across all states, existing and potential entrepreneurs will be targeted for entrepreneurship education modules that suit their need.**

This policy framework, cognizant of the need for the full ecosystem to be present to unlock entrepreneurial potential, proposes a nine part entrepreneurship strategy:

### **Educate and equip potential and early stage entrepreneurs across India**

In partnership with experts, a world class entrepreneurship education curriculum will be developed. Through a blend of online and experiential learning, potential entrepreneurs will go through hands-on; student centric courses that help them acquire skills they need to start an enterprise. This curriculum will build on and adapt the best entrepreneurship education content available globally. This curriculum will be delivered to all aspiring entrepreneurs at no cost. Leveraging online learning, entrepreneurship courses can be taken as and when needed by students and business people alike through Massively Open Online Courses (MOOCs).

### **Connect entrepreneurs to peers, mentors and incubators.**

To support young entrepreneurs, a web and mobile based platform connecting the entire entrepreneurial ecosystem will be established. Students, young entrepreneurs, mentors, incubators, funding agencies and basic service providers will all be able to log in and connect to each other in their respective industries and locations.

Platform members will also access content, including information on government services and special packages offered by service providers. 'Entrepreneur Information Handbooks' in Hindi, English and regional languages – providing relevant information associated with establishing and operating a business will be published and updated periodically. The portal will also provide relevant online application forms and procedures.

The creation of new incubators, far above and beyond the 120 that currently operate, will be encouraged. Support will be provided to help successful incubators scale further.

A national network of incubators and accelerators will also be established to support young entrepreneurs. This network will also feed in to the online platform connecting the entrepreneurial ecosystem. Industry will also be encouraged to support aspiring entrepreneurs within its sector through appropriate incubation support. Educate and equip potential and early stage entrepreneurs across India

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### **Support entrepreneurs through Entrepreneurship Hubs (E-Hubs)**

Support to entrepreneurs, including coordinated delivery of national and state government entrepreneurship programs and access to enabling resources, a national network of Entrepreneurship Hubs (E-Hubs) will be established. One national, 30 states, 50 Nodal and 3,000 colleges based E-Hubs will be set up to deliver support.

### **Catalyse a culture shift to encourage entrepreneurship**

To promote entrepreneurship, state and national level interaction with stakeholders will be convened. Keynote speakers from industry – both domestic and international – will be invited to share best practice from the field. International linkages will also be established through internship opportunities and exchange trips to global entrepreneurship hubs such as Silicon Valley and Israel.

### **Encourage entrepreneurship among under-represented groups**

Special focus will be given to the inclusion of scheduled castes & scheduled tribes, minorities, differently abled, etc., and regionally under-represented areas including large part of Eastern and North Eastern India in entrepreneurship programs. These groups will be prioritized for delivery of entrepreneurship education programs, both in and outside formal education institutions, through Nodal E-Hubs.

### **Promote Entrepreneurship amongst Women**

Women-owned enterprises are an important component of the Indian Economy and play a strategic role in the growth and development of the nation. However, as far as support for women entrepreneurs is considered there exists no reliable data on the public contracts which go to Women Owned Business (WOB). Efforts will be made to encourage women entrepreneurs through appropriate incentives for women owned businesses under the public procurement process. It will also be ensured that gender neutral incubation/ accelerator, network of mentors, industry, resource centres and credit institutes are developed to facilitate Women Entrepreneurs.

### **Improve ease of doing business.**

A business friendly environment with easy entry and exit procedures will encourage entrepreneurial activity. The following actions to rationalise business procedures and regulations through the following initiatives should be investigated:

Introduce Unique Enterprise Number (UEN) that a new enterprise could use for various registrations including taxes, labour laws and social security. Once UEN is available, all regulatory and support agencies shall use it to fasten the process of setting up an enterprise.

### **Improve access to finance**

- As per RBI data, the share of small scale industries in gross bank credit from scheduled commercial banks has been continuously decreasing. Its share has fallen from 15.42 percent of the gross bank credit in 1991 to 6.34 per cent in 2006-07. To reinvigorate the flow of credit to deserving entrepreneurs, the following interventions could be considered:
- Ensure that credit delivery norms are met by financial institutions without compromising the quality of the projects submitted for credit.
- Strengthen venture capital companies in quasi-public sector by infusing capital through equity participation.
- Incentivise Angel financing by providing appropriate rebates on capital gains made by investors.

- Promote a 'rescue' culture by revisiting bankruptcy rules and facilitate counseling and advisory service to troubled firms by appropriately addressing legal status.

### **Foster social entrepreneurship and grassroots innovations**

- ✓ Social enterprises have emerged as important business instruments to address the issues of poverty, unemployment and inequity in society, through socially oriented business innovations.
- ✓ Social innovation seeks to answer these social problems by offering new products and services which allow the poor to interact with markets as active participants rather than passive recipients. Considering the need to encourage such social enterprises, the following will be undertaken:
  - Encourage universities and academic institutions to launch a course on Social Entrepreneurship', including through online distance education, to actively promote social entrepreneurship in the country.
  - Foster a social capital market place by offering fiscal incentives to attract investors and make provision for funding support under a separate scheme(s) like social venture fund, to facilitate social entrepreneurs' access to credit.
  - Facilitate creation of Social Enterprises even with a modest capital base, through social incubates across the country.

### **Synergy Ahead:**

Ministry of Skill Development and Entrepreneurship has been created to fulfill the vision of a 'Skilled India' where human resource development is the primary focus.

MSDE will be responsible for coordination with all concerned for evolving an appropriate skill development framework, removal of disconnect between demand for, and supply of, skilled manpower, skill up-gradation, building of new skills, innovative thinking and talents for existing and future jobs.

MSDE will also play the lead role in ensuring the implementation of the National Policy for Skill development and Entrepreneurship 2015.

**Skill development and entrepreneurship are complementary to each other. The key stakeholders include Central Ministries/Departments, State Governments, and industry/employers. There is a need to ensure alignment of the efforts of all stakeholders in skill and entrepreneurship landscape towards a common goal..**

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