

# Entrepreneurship Development in India: A New Paradigm

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**Abstract** – Entrepreneurship acts as a catalyst for the economic prosperity of a nation as it leads to generation of employment, contribution in national income, rural development, industrialization, technological development, export promotion etc. In India, various initiatives have been taken by the government from time to time for entrepreneurship development in the country. However, literature reveals that entrepreneurs face a number of problems which obstruct the growth of entrepreneurship. To meet these challenges, a need was felt by government to initiate a new set of policy reforms in India which has led to a remarkable improvement in recent years. Therefore, an attempt has been made to study the implications of the recent policy reforms of entrepreneurship in India which has made India a hotspot destination for start-ups. The study found that most of these recent reforms are focusing on skills development measures giving birth to technology enabled start-ups. Hence, it is suggested that a proper supervision and monitoring mechanism should be set to analyze the outcome and effectiveness of these initiatives on periodic basis and entrepreneurship development at grassroot level should be targeted so as to provide self-employment opportunities to technology-deficient section of the society.

**Index Terms** – Entrepreneurship Development, Policy Reforms, Self-employment, Start-ups, Skill Development.

## I INTRODUCTION

Entrepreneurship plays a significant role in the economic development of a country. The developed countries like USA, Russia and Japan supports the fact that entrepreneurship is the cause for the economic development in their country. Entrepreneurship is the most powerful weapon in the hands of one to fight against poverty and unemployment. It is widely accepted by every, big or small country, that well motivated entrepreneurs are must for accelerating the process of economic development [1]. Entrepreneurship acts as a catalyst for the economic prosperity of a nation as it leads to generation of employment, contribution in national income, rural development, industrialization, technological development, export promotion etc.

## II ENTREPRENEURSHIP IN INDIA

In India, entrepreneurship can prove as one stop solution for addressing the major problems like unemployment and poverty. Considering these benefits, various initiatives have been taken by the government from time to time for entrepreneurship development in the country such as Industrial Policies and Five Year Plans specifically focusing

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on the growth of small scale sector, setting up of Special Economic Zones (SEZs), setting up of Entrepreneurship Institutions, organizing Entrepreneurship Development Programmes (EDPs) and various Government Programmes and Schemes for the promotion of entrepreneurship like Pradhan Mantri Employment Generation Programme, Credit Guarantee Scheme, Credit Linked Capital Subsidy Scheme for Technology Up-gradation, National Manufacturing Competitiveness Programme, Micro and Small Enterprises Cluster Development Programme, Technology Centre Systems Programme, Rajiv Gandhi Udyami Mitra Yojana, Khadi Reform Development Programme, Market Development Assistance Scheme etc.

In spite of several initiatives taken by the government, entrepreneurs still face certain problems like lack of availability of finance, technical knowledge, managerial skills, availability of resources and infrastructure, awareness about entrepreneurship schemes and regulatory framework, market linkage etc. which obstruct the growth and development of entrepreneurship in the country. According to the research study conducted by NCAER (1993), lack of training and finance are the major problems faced by Small Scale Industries (SSIs) besides procedural hassles, administrative hurdles, lack of infrastructure and counseling [2]. Vaspar also found that there are many barriers affecting entrepreneurship and identified lack of seed capital as one of the major barriers [1]. According to World Bank [3], India ranked 142<sup>nd</sup> among 189 nations in terms of ease of doing business. According to EY G20 Entrepreneurship Barometer [4], although India's rank is 11<sup>th</sup> while China ranked 3<sup>rd</sup> in terms of access to funding; India ranked last as far as education and training is concerned.

To meet these challenges, a need was felt by government to initiate a new set of policy reforms in India which has led to a remarkable improvement in recent years. India has evolved to become the 3<sup>rd</sup> largest base of technology start-ups in the world. Within one year, the number of start-ups in India has grown by 40 percent, creating 80000-85000 jobs in 2015. As of January 2016, there are 19400 technology enabled start-ups in India, of which 5000 had been started in 2015 alone [5].

Therefore, the main objective is to study the implications of the recent policy reforms of entrepreneurship in India which has made India a hotspot destination for start-ups.

## III RECENT POLICY REFORMS FOR ENTREPRENEURSHIP DEVELOPMENT

### A. Ministry of Skill Development and Entrepreneurship (MSDE)

It came into existence as Department of Skill Development and Entrepreneurship on 31<sup>st</sup> July 2014 and later was created as Ministry on 10<sup>th</sup> November 2014. It is responsible for co-ordination of all skill development efforts across the country, removal of disconnect between

demand and supply of skilled manpower, building the vocational and technical training framework, skill up-gradation, building of new skills and innovative thinking [6]. It is aided by following functional arms:

- *National Skill Development Agency (NSDA)*: is an autonomous body which coordinates and harmonizes the skill development efforts of the Government and the private sector to achieve the skilling targets of the 12th Plan and beyond, and attempts to bridge the social, regional, gender and economic divide. It acts as a nodal agency for State Skill Development Missions. The main functions of NSDA is to evaluate existing skill development schemes, create and maintain a national data base related to skill, ensure that the skilling needs of the disadvantaged and the marginalized groups are taken care of etc. [7].
- *National Skill Development Corporation (NSDC)*: is a one of its kind, Public Private Partnership in India which acts as a catalyst in skill development by providing funding to enterprises, companies and organisations that provide skill training [8]. NSDC with 160 training partners and 1722 training centres has so far trained around 35 lakh persons across India [9]. NSDC has taken few initiatives such as 'Innovations for Skills Marketplace' and 'Innovations for Skills Challenge'. 'Udaan' a special industry initiative for Jammu & Kashmir implemented by NSDC which aims to provide skills training and enhance the employability of unemployed youth of J&K.
- *National Skill Development Fund (NSDF)*: was set up for raising funds both from Government and Non Government sectors for skill development in the country. The fund is contributed by various Government sources, and other donors/ contributors to enhance, stimulate and develop the skills of Indian youth by various sector specific programs. Till 31st March 2015, NSDF has released Rs. 2333 crore to NSDC towards skill development programmes [9].
- *Sector Skill Councils (SSCs)*: are industry led bodies which are responsible for defining the skilling needs, concept, processes, certification, and accreditation of their respective industry sectors. The SSCs shall prescribe the National Occupational Standards (NOSs) and Qualification Packs (QPs) for the job roles relevant to their industry, and shall work with the NSDA to ensure that these are in accordance with the National Skill Qualification Framework (NSQF) [10].

#### B. *National Policy on Skill Development and Entrepreneurship 2015*

It aims to provide an umbrella framework to all skilling activities being carried out within the country, to align them to common standards and link the skilling with demand centres. This policy links the skills development to improved employability and productivity [11].

#### C. *National Skill Development Mission:*

It was launched on 15<sup>th</sup> July 2015 on the occasion of World Youth Skills Day. The Mission has been developed to create convergence across sectors and States in terms of

skill training activities to achieve the vision of 'Skilled India' [12].

#### D. *Entrepreneurship Development Scheme*

It is currently being developed by MSDE. The scheme is being designed around various elements like entrepreneurship education curriculum, web and mobile based networking platform, entrepreneurship hubs (e-hubs) network, international linkages, national entrepreneurship day, promotion of entrepreneurship among women and minority sections, social entrepreneurship etc. [13].

#### E. *Pradhan Mantri Kaushal Vikas Yojana (PMKVY)*

It is the flagship outcome-based skill training scheme of the MSDE that aims to offer 24 lakh Indian youth meaningful, industry relevant, skill based training [14]. The objective of this skill certification and reward scheme is to enable and mobilize a large number of Indian youth to take up outcome based skill training and become employable and earn their livelihood. As on 3<sup>rd</sup> March 2016, 1599895 people have been enrolled, 956871 completed trainings and 290002 got certified under PMKVY [15]. The skill card will also be given to those certified under PMKVY which will act as authentic skill certification.

#### F. *Make in India*

It is an initiative of the Government of India launched on 25<sup>th</sup> September 2014 to encourage multi-national, as well as domestic, companies to manufacture their products in India. The major objective behind the initiative is to focus on job creation and skill enhancement in 25 sectors of the economy. The initiative also aims at high quality standards and minimising the impact on the environment. The initiative hopes to attract capital and technological investment in India.

#### G. *'Start-Up India' Initiative*

It aims to encourage entrepreneurship among the youth of India. The 'Start-up India: Stand up India' promotes bank financing for start-ups and offer incentives to enhance entrepreneurship and job creation. Prime Minister, Narendra Modi said that, "Each of the 1.25 lakh bank branches should encourage at least one Dalit or Adivasi entrepreneur and at least one woman entrepreneur". This initiative will provide a new dimension to entrepreneurship and help in setting up of a network of start-ups in the country [16].

#### H. *MUDRA Bank*

Micro Units Development Refinance Agency (MUDRA) Bank has been set up on 8<sup>th</sup> April 2015 for development of micro units to encourage entrepreneurship in India and provide the funding to the non corporate small business sector. MUDRA Bank provides refinance to Banks, MFIs, NBFCs etc. for loans to micro units having loan requirement from Rs 50000 to Rs. 10 lakh. Under MUDRA Yojana, MUDRA Bank has launched three products named Shishu, Kishor and Tarun to signify the stage of growth and funding needs of entrepreneurs [17]. Rs. 20000 crore has been allotted to MUDRA Bank for the SME sector which will enhance credit facility to boost the growth of small businesses and manufacturing units [18].

### I. ATAL Innovation Mission (AIM)

It also called as AIM Platform was established through 2015 budget within National Institution for Transforming India (NITI) to provide innovation promotion platform involving academicians, and drawing upon national and international experiences to foster a culture of innovation, research and development. The 2015 budget has earmarked Rs.150 crores for the AIM Platform [18].

### J. Self Employment and Talent Utilization (SETU)

It is a Techno-Financial, Incubation and Facilitation Programme to support all aspects of start-up businesses, and other self-employment activities, particularly in technology-driven areas. An amount of Rs.1000 crore is being set up initially in NITI Aayog for SETU [19]. It also aims to create around 100,000 jobs through start-ups [20].

## IV CONCLUSION

The recent policy reforms clearly reveal that government is leveraging on skill development for ensuring sustainable entrepreneurship development in the country. However, a proper supervision and monitoring mechanism should be set to analyze the outcome of these initiatives on periodic basis and to avoid the overlapping of activities performed by the newly established government agencies and programmes. According to survey undertaken by Local Circles, 59 percent of citizens still feel that corruption and delays prevent the growth of entrepreneurship in India while only 14 percent felt funding as the main problem [21]. Thus, the effectiveness of the recent policy reforms needs to be checked by analyzing the benefits entailed by the entrepreneurs on regular basis to ensure that these initiatives deliver maximum results unlikely the previous reforms. According to Economic Survey 2015-16, start-up sector is witnessing unusual dynamism with focus mainly on e-commerce and financial services sector [5] which led to huge growth of technology enabled start-ups in the year 2015. Therefore, the 'Start-up India' mission of government should go beyond digital or technology start-ups and enable entrepreneurship in manufacturing sector to ally with Make-in-India drive and particularly at grassroot level so as to provide self-employment opportunities to technology-deficient section of the society.

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