

**MSME Financing and Development Project (MSMEFDP)
Study on Skill Development in MSME Sector**

Objective of the Study

To identify Skill Gaps in Identified Industry Sector and recommend policy action to address the issue/s emerging.

Background

1. MSME Financing and Development Project

SIDBI, set up in 1990 under an Act of Parliament, is the principal financial institution for the promotion, financing and development of MSME sector in India. SIDBI is implementing a multi agency / multi activity Project on Financing and Development of MSMEs (MSMEFDP). While SIDBI has been assigned with the responsibility of implementing the project, the Banking Division, Ministry of Finance, Government of India is the nodal agency for the same. DFID UK, the World Bank, KfW Germany and GTZ Germany are the international partners in the Project. The Project is aimed at making MSME lending an attractive and viable financing option as also facilitate increased turnover and employment in the sector. In order to achieve its aims, the Project, besides upgrading direct flow of credit to MSMEs, addresses demand side issues of credit and streamlining access to qualitative financial and non-financial enterprise oriented services.

One of the components of the project is on 'Strengthening the policy/legal/regulatory framework and its enforcement' for MSMEs. It envisages a role to the project to influence policy making for MSMEs by enabling a facilitating framework under MSME Financing and Development.

2. Sector Background

The MSME sector in India which comprises more than 26 million units and employs more than 60 million persons has been experiencing shortage of skilled personnel which is a major constraint to realise its true growth potential, especially in a dynamic and fast growing Indian economy. Studies indicate that Chinese products are more competitive as the skill content of their SME workforce is higher than that of India. According to the Global Competitiveness Report (World Economic Forum, 2010), lack of educated workforce remains one of the leading problems for doing business in India. More so in the case of MSME sector where shortage of adequately skilled and employable talent pool poses a significant barrier for their accelerated growth and competitiveness. With increasing complexity of production processes, use

of automation and computer driven technology, need for trained/skilled operators is being increasingly felt by MSMEs now than before.

It may also be observed that the MSME sector has been outpacing the economy in recent years (growing at 11.6% annually between 2003-04 and 2007-08). This growth comes on top of an employee base of over 6 crore, which indicates the immense employment potential MSMEs hold for the future. Skill development is an important medium to unlock this potential and a focused approach to fulfil MSMEs' skill requirements can go a long way towards ensuring healthy growth for the sector. This is especially relevant in the context of India's demography, where working population (age group 18-60), is one of the largest in the world. Recognising the importance of skill development for the MSME sector, the PM's Task Force on MSME has made a number of recommendations. Besides, some of the programmes in this area are:

- ⇒ National Council on Skill Development (NCSO) headed by the Prime Minister of India has set a target to train **500 million** people by 2022.
- ⇒ National Skill Development Corporation (NSDC) was created with the objective of enabling the corporate sector to initiate major steps in skill development.
- ⇒ The Ministry of MSME has taken a number of steps:
 - € Scheme To Render Financial Assistance to States/State Agencies for Setting Up Mini Tool Room and Training Centres.
 - € Assistance for Strengthening of Training Infrastructure of existing and new Entrepreneurship Development Institutions.
 - € Scheme To Support 5 Selected Universities / Colleges To Run 1200 Entrepreneurship Clubs Per Annum.
 - € Establishment of training institutions such as National Institute for Entrepreneurship and Small Business Development, Indian Institute of Entrepreneurship, etc.

3. Objectives

The project therefore wishes to undertake this study which should help the following sectoral needs:

1. Enhancing the competitiveness of identified industry groups by way of increased productivity through skill up-gradation.
2. Generating employment opportunities for the unskilled persons, while addressing the issue of urban unemployment among the educated youth.
3. Enhancing the skill level of semi-skilled and underemployed persons lead to their self-employment and setting up of new enterprises.

4. Competence and Expertise requirement

The agency would be expected to be highly experienced, qualified and skilled in the field and should have:

- Demonstrative experience in MSME sector issues and concerns.
- Experience in handling projects at national level in the areas of skill development.
- Having technical expertise and knowledge in skill development, delivery channels (for providing skill development services), policy advocacy, public and private sector support systems, schemes and programmes etc.
- Having technical knowledge in information and knowledge management systems, including at enterprise level.
- The Team should comprise experts in the areas of Survey and Result Analysis, Curricula Development, Skill Development with special thrust on MSME sector.

5. Scope of Work

To achieve the above objectives and realise the potential through Skill Development, the scope will include:

- Skill gap mapping, analysis and benchmarking with best industry standards
- Documentation of existing skill level, skill gap and best standard of skill training.
- Explore the most appropriate and advanced skill development training module as per the exact requirements of the MSME Sector in terms of best international standards.
- Develop training modules, sustainable framework for their implementation, knowledge transfer mechanism etc.
- Testing of modules, analysis of feedback etc.
- Provide framework to rolled out training modules nationally and up-scaled by partners
- Provide strategy for strengthening of existing training infrastructure in terms of policy action required by the Government/ other key stakeholders in the sector.

Methodology and Approach

The methodology may comprise of the following steps:

- Step I. A sample survey will be undertaken in each representative cluster under identified industry group. These samples will be a fair representative of micro, small and medium enterprises belonging to the same industry in a cluster. The objective of the sample survey is to assess the existing skill level and the required level as per the best available standards.
- Step II. Based on the skill gap measured through sample surveys, a skill development module will be developed as per best international standards. Here, the consultant/agency will identify if any advanced

training module is available for the industry. If so, it needs to be established if the training module is adequate or needs further development as per the skill gap.

It is envisaged that initially, the training modules will be implemented under various schemes of Ministry of MSME by using the infrastructure available with various Government training institutes. Further, these would be shared with other training institutes (private etc.) for implementation.

Outputs and deliverables

1. Draft Report on skill gap mapping, training module, implementation framework, knowledge transfer mechanism etc.
2. Final Report on Skill Development in MSME Sector in Indian after feedback analysis which may also include suggestions on linkages, policy framework, and innovative delivery channels etc.

Time-line

The expected duration of the project will be of four months, comprising 1 month being allocated towards conducting of sample survey and 3 months towards designing of the training module.

Payment Terms

- Payment shall be linked to deliverables which shall include the acceptance of inception report, submission of draft report and acceptance of final report.
- Presentation, if required, will have to be made to PMD, SIDBI.
- The payment schedule will be finalized at the time of contract signing.

Reporting

The consultants will report to Deputy General Manager, PMD, SIDBI

PMD SIDBI
December 2010