

**Recommendations to Ministry of Skill Development & Entrepreneurship  
on  
Promoting Entrepreneurship for small, micro, and nano entrepreneurs in India**

**Table of Contents**

1. Context of this document	2
2. Background	3
3. Challenges	3
3.1 Challenges faced by trainees at skilling institutions	
3.2 Challenges at the Institutional Level	5
4. Proposed Model	7

## 1. Context of this document

The Ministry of Skill Development & Entrepreneurship( MSDE) is under the process of designing a new nationwide entrepreneurship scheme (similar to the PMKVY 2.0 but for fostering entrepreneurship) and has thus requested deAsra Foundation to provide recommendations on how the government can roll out the scheme. This document is designed for the MSDE officials to design/improve/implement an entrepreneurship scheme.

Key Questions we are trying to address:

- How can MSDE leverage existing infrastructure and resources- The Government runs training programs through NSDC (through PMKK and PMKVY Training centers), thus how can it use these existing resources to maximise impact?
- For those who graduate what happens to them? -- 50% find jobs, 25% want to be entrepreneurs and the rest are unemployed
- For those who are interested in entrepreneurship -- are the programs adequate? What are they lacking? Challenges have been outlined at the student level and also at the institutional level
- If MSDE wants to improve the outcomes for those students who are interested in being entrepreneurs - what the Government must do --
  - Support Entrepreneurship Mindset Training, Entrepreneurship Development training
  - Provide handholding and mentorship
  - Provide access to credit ( this could be either through convergence or giving a seed capital)
  - Establish linkage with markets
  - Create a digital platform to facilitate entrepreneurship
  - Remove the bias in PMKVY 2 on mandatory 50% wage employment
  - Build Institutional Capacity to deliver entrepreneurship programs
- State government must do:
  - Connect interested alumni/potential entrepreneur (of ITI, PMKK, PMKVY Training Centers) to Entrepreneurship Cells housed at PMKKs
  - Connect potential entrepreneurs with a digital platform to seek assistance on Business Planning, Mentorship, Credit and Market Linkage
  - Monitoring of Programs
  - Work with local level institutions to establish the connect between the institutes such as banks, mentorship networks with skilling institutes (PMKKs/PMKVY Training Centers) and take ownership of access to credits and market linkage support areas along with the skilling institutes
- Skilling institutes must do:
  - Build internal capacity to nurture entrepreneurship
  - Training of Trainers on Entrepreneurship Mindset Curriculum
  - Training of Trainers on Entrepreneurship Development Program
  - Establish Entrepreneurship Cells/ Hubs
  - Establish market linkages -- for jobs, and for buying and selling products and services.

- Connect with local banks for access to credit
- Connect with a pool of local mentors/ subject matter experts
- Partner with Entrepreneurship Development Organizations such as deAsra, Hawdarshak, BYST, Mann Deshi Foundation, Dhritti, Catalyst for Women Entrepreneurship, ALEAP etc to facilitate entrepreneurship
- DeAsra must do:
  - Provide thought leadership in the space of small and micro entrepreneurship
  - Online mentorship and handholding support on: Business Planning, Access to Credit, Market Linkage support and other compliance related support services too.

deAsra Foundation has drawn the below insights from its experience in working with small businesses over the last 6 years. deAsra Foundation is happy to work with the government as a thought leader in the space of entrepreneurship and/or as a key implementation partner to deliver some of these services if needed.

## 2. Background

Most Skill Development Centres (SDC) report about 50% placements<sup>1</sup> either due to demand related factors, non-availability of jobs or supply side constraints since not everyone is geared towards working as an employee or relocating from their native areas. Such skilled labour looks for avenues, financial and business support to become micro-entrepreneurs at their native place. It is realized that 25%<sup>2</sup> skilled candidates prefer the route of self-employment and entrepreneurship. These trainings are imparted through a network of 14,000+ITIs and over 10,000+ short term skill training centres and across 29 states and over 700+ districts through fee based and grant based programs under Pradhan Mantri Kaushal Vikas Yojana (PMKVY). Ministry of Skill Development & Entrepreneurship (MSDE) along with National Skill Development Corporation (NSDC) has also established 738<sup>3</sup> Pradhan Mantri Kaushal Kendras (PMKK) as on date- which are state of the art model centers across 649 districts. The coverage is being expanded to cover 812 PMKKs. These PMKK centres are supported through PMKVY training subsidy for 3 years of operation. However, these budding entrepreneurs are met with various challenges such as insufficient training to open a business, develop a sustainable business plan, developing bank ready proposals, accessing bank loans and support from schemes such as the Mudra. Training partners at the training centre, feel challenged with lack of competency to handhold/ facilitate candidates to develop a business model and bridge connections to the banks. Placement officers at the training centre levels are not equipped to provide entrepreneurial support to candidates.

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<sup>1</sup> Source: Average of NSDC's Fee based Model and PMKVY 2. (This is not an approximate figure)

<sup>2</sup> Source: Average Skill India Portal Data on Self-Employment/Entrepreneurship

<sup>3</sup> NSDC July 2021 Dashboard:

<https://skillsip.nsdcindia.org/sites/default/files/dashboard-documents/NSDC%20Dashboard%20-%20July%202020.pdf>

## 3. Challenges

### 3.1 Challenges faced by trainees across skill development institutes

1. **Access to Credit:** Even though there are initiatives that focus on skilling and financing through MFIs and SMEs, most development schemes are not able to reach entrepreneurs at the bottom of the pyramid. Skilled candidates find it difficult in accessing the credit schemes because these transactions are viewed as high risk, with small ticket sizes and higher transaction costs. Further, the available financial support for small/micro enterprises works on a 'one size fits all' ideology instead of responding to the needs of individual businesses. ***Potential entrepreneurs do not know how to develop sustainable business plans and bank ready proposals that are required to access bank loans and support from schemes such as Mudra. Training Partners lack the know-how to handhold candidates and bridge the connection to the banks.*** Moreover, Government financing schemes are unable to provide loans to the high-risk business of small/micro enterprises. Private banks and MFIs provide loans at very high interest and collaterals, which are not feasible options for the entrepreneur. They may require both long and short-term loans. These enterprises which at present are unregistered are also even unable to access any form of funding since they do not meet the eligibility criteria. Thus, unable to secure funding from formal sources, these individuals turn to the informal credit market.
2. **Mentorship and Handholding Support:** The second gap is that of the absence of mentorship support for skilled candidates who wish to start their own enterprises. It is widely accepted that entrepreneurship can be a high-risk career path, and one wherein individuals make mistakes and learn from them. In such a scenario, the absence of adequate mentorship can prevent the enterprise from realizing its full potential. Training Providers implementing skilling programs often lack the know-how of hand holding candidates for setting up businesses, they also lack the connect with mentorship networks. Mentorship is required at every step of the business cycle, right from preparing loan and business proposals to making decisions about growth and expansion.
  - a. This is an intractable problem. There is no way we can provide mentorship at scale. We need to think about the Pareto principle and address more than 80% of the needs through self-help mentorship and data-driven bots to provide guidance. For the next group of mentees -- we need to organize groups where they are able to mentor each other. This is happening in some of the entrepreneurship clubs such as BNI, etc.
3. **Entrepreneurial Mindset-** Most students cannot imagine entrepreneurship as a career choice. They also lack role models. Family and society dampen aspirations and direct young people to focus on studies and find stable jobs. As a result, there is still a keen desire to get a job, ideally a government job, both of which are in short supply.
  - a. **Entrepreneurial Training:** Entrepreneurial training is essential for the development of basic business management competencies, self-confidence and connections required in the mainstream business economy. Small/micro entrepreneurs lack training in crucial aspects of business management such as record-keeping and financial management, marketing and customer relations and inventory management. Currently, entrepreneurial training is embedded in programs implemented by NSDC, but is limited

in its duration, scope, and ability to cultivate entrepreneurial skills and spirit. The EEE<sup>4</sup> (English, Employability & Entrepreneurship) is a new addition to the PMKVY 2 and PMKVY 3 training. However, this needs to be strengthened and sector specific<sup>5</sup> modules should be added to the training.

4. **Market Linkage:** sustainable sources of income are missing for small/micro entrepreneurs. They do not have any linkage with the markets or the value chain of corporations. This is the reason many fail in the beginning of their entrepreneurial journey.
  - a. This needs some serious investment and commitment from the Government.

### 3.2 Challenges at the Institutional Level

1. **Lack of Capacity of trainers to impart mindset training at the Training Centre Level:** Training centres under PMKVY 2.0, PMKKs, and even NSDC's fee-based centres are not equipped to nurture entrepreneurship. They lack the know-how, and pool of experts/mentors who could develop an entrepreneurial mindset in the students. There is a requirement to train the trainers of these centres firstly on how to build an entrepreneurial mindset ( even as part of teaching domain technical skills).  
*(Lack of capacity of trainers/ absence of incubation cells to guide early stages of micro entrepreneurship)*
2. Secondly, they need capacity building in the area of how one supports a budding entrepreneur. This could include training on how to validate business idea, how to make a business plan, how to forge partnerships with local banks and LDMS<sup>6</sup>, how to find market opportunities for students, how to do mentoring etc.
  - a. **Inherent bias towards wage entrepreneurship of the PMKVY 2/PMKVY 3 schemes:** the scheme mandates a selected training center to ensure minimum 50% wage employment out of the overall 70% placement mandate/target. Out of the remaining 20% target, the training center can choose wage employment, self-employment, or a mix of two. This inherent bias leaves little scope for business partners to invest in entrepreneurship as a support service (over and above wage employment support). It does not make business sense for them to invest in it. Thus, they lack know-how and skilled manpower to facilitate and handhold entrepreneurs.
3. **Alumni Network is missing / No traceability/ No Role Models:** there is no traceability of a student post 3 months after completion of a short-term training program. There is no system of coming back to the training center seeking support in terms of advice on wage or self-employment. Additionally, the Skill India Portal captures limited variables when it comes to entrepreneurship.
  - a. Self-employed: Yes/No

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<sup>4</sup> [https://nsdcindia.org/sites/default/files/MEPN9996\\_Plan\\_for\\_Entrepreneurial\\_Activity\\_V1\\_16\\_10\\_2018.pdf](https://nsdcindia.org/sites/default/files/MEPN9996_Plan_for_Entrepreneurial_Activity_V1_16_10_2018.pdf)  
<https://nsdcindia.org/learning-resources>

<sup>6</sup> NOS and their Model Curriculum - 3 of English language skills, 2 of Employability skills and 1 of Basic Entrepreneurship skills – have been developed with the aim of embedding English and soft skills solution into the vocational training ecosystem to meet the expectations of employers and increase the chances of employment both in India as well as overseas.

<sup>5</sup> As per the latest NSDC Dashboard: top 20 job roles that account for 65% overall PMKVY 2.0 placements are: self-employed tailor, sewing machine operator, pedicurist & manicurist (female dominated), assistant electrician, Field Technician- Computing and Peripherals, CCTC installation technicians, Courier Delivery executive, Field technician- home appliances ( male dominated)

<sup>6</sup> Lead District Manager

b. Taken Mudra Loan: Yes/No

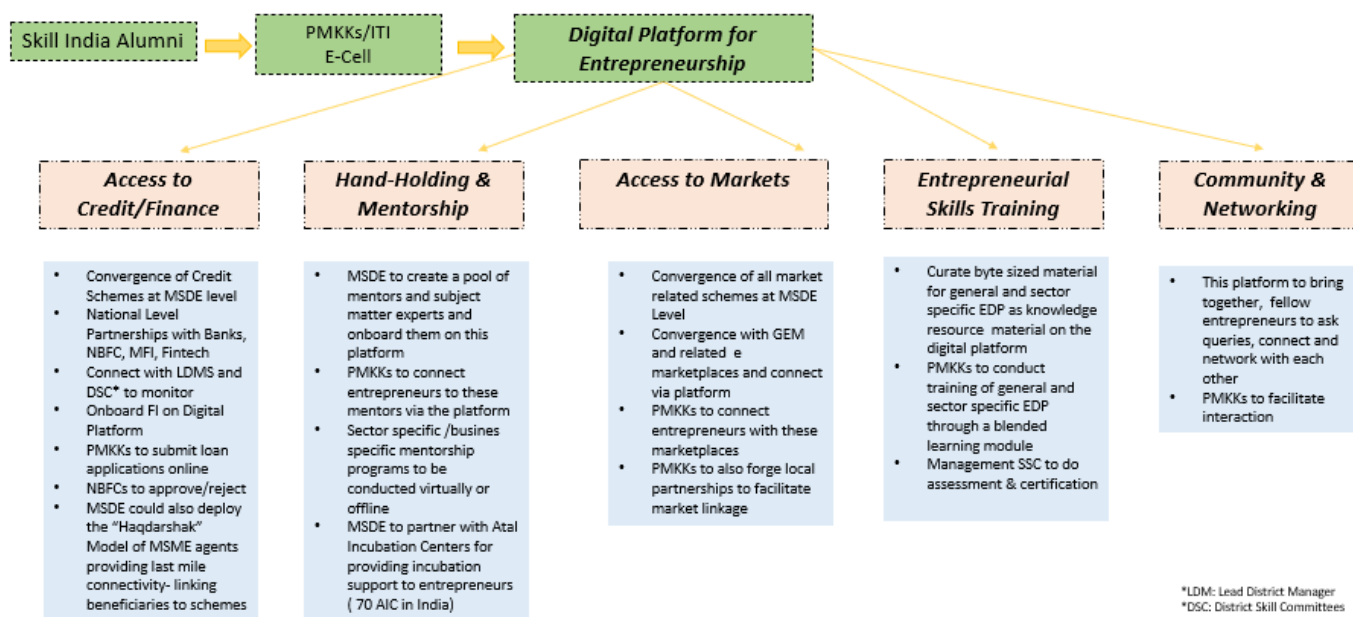
Entrepreneurship does not exist in a vacuum. It is embedded in local systems. s There is a need to establish an alumni network at each center (at least the Government's flagship centres: PMKKs), where the alumni can be supported and nurtured. Moreover, centres can organise days dedicated to successful entrepreneurs, celebrating the journey as an entrepreneur to motivate current students.

4. **Linkage between local Institutions/Systems is missing:** Training centers including PMKKs lack linkage with local institutions such as banks, Lead District Managers, connect with industry associations/cluster associations, local markets and hence are unable to extend this further to entrepreneurs. This needs to be strengthened and developed to make centers capable of nurturing entrepreneurship at a local level.
5. **Lack of Entrepreneurial Skills Assessment + Lack of Entrepreneurship Mindset Curriculum :** at present there is no system of doing a psychometric test to ascertain whether an individual has in him/her to become an entrepreneur. This is a crucial first step and must be introduced at all training centers as part of nurturing entrepreneurship. Apart from this, training on entrepreneurship mindset curriculum is required for everyone who attends a technical training program. This will allow the student to build a culture, an attitude to be entrepreneurial in thinking- whether he/she chooses wage employment or entrepreneurship as a career pathway doesn't matter. We need to build a mindset allowing students to become intrapreneurs or entrepreneurs.

## 4. Proposed Model

Objectives: **Create lighthouse model training centers at PMKK level – (do a pilot with 1-2 PMKKs)**

- **Create Entrepreneurship Hubs/E-Cells at each PMKK** as one stop solution for all entrepreneurship related services. A hub or a nodal point for facilitating entrepreneurship to all eligible candidates of the respective district
- **Target alumni trainees who have already started their business** (new or operational for few years) - Youth to be given a priority (age 18-29)
- **Create a digital platform** to offer hand holding, mentorship, community/networking, and market linkage support to entrepreneurs ( This needs to happen online. Some of the deAsra services can cater to 80% of the common issues. It would be impossible to train so many people on the various issues that the mentees may request)
  - Create a **pan-India network of mentors**, business facilitators, and common expert pool of resource persons who would provide in-person guidance and handholding support to aspiring and existing entrepreneurs for setting up/scaling up enterprises
  - Foster **national and local level partnership with NBFCs**, MFIs, Cooperatives, Fintech, and other financial institutions to offer financial assistance to alumni of PMKVY/ITI students (such as with SADHAN, HAQDARSHAK, etc)
  - **Link aspiring entrepreneurs to markets**, in partnerships with corporate supply chains, technology aggregators, e-marketplaces etc. Foster national level partnerships with GEM portal, Tata’s SME Portal and other e marketplaces and other forms of market linkage.
  - **Offer general and sector specific Entrepreneurship Development Training** in a blended mode (offline and online engagement)
  - Create a **community and networking platform** for fellow entrepreneurs



## Role of PMKKs & MSDE<sup>7</sup>:

1. **Provide Entrepreneurship Mindset Curriculum (EMC)**- to everyone who attends a technical training program at ITI, PMKK, PMKVY, Fee based centers and other SDCs
  - a. Example: EMC being imparted at various ITIs through Udhyam Learning Foundation as well as in schools in Delhi
2. **Provide EDP training** – facilitate both online and offline mode
  - a. MSDE to curate general EDP module and sector specific modules
  - b. there are many EDP modules available in the market ( Wadhvani, NIESBUD, EEE of NSDC)
  - c. short refresher course for the alumni. Another idea is to encourage institutions to run an alumni entrepreneurship club where alumni get a chance to interact with successful alumni.
  - d. Additionally, skills taught in sales and customer service courses should also be added as a sub component of the EDP training ( deAsra is trying to the same with AICTE entrepreneurship related courses)
3. Help in getting **assessment & certification** done through Management Sector Skill Council or any other appropriate assessment and certifying body
4. **Register entrepreneurs on the digital platform and connect each entrepreneur to the pool of mentors and experts.** The handholding and mentoring to be an extensive program specially curated sector wise on the platform. This would include business development services such as business modelling, business development, sourcing raw materials, registration of business, financial management, marketing etc. A dedicated mentor will be appointed to each candidate
5. **Access to credit:**
  - a. Help in preparation of business plans and submit the applications to the platform's pool of financial institutions. Ensure the connect between the entrepreneur and the FI
    - i. A BP tool for micro businesses. B2B. b2c Manufacturing and service iterations would be more scalable as a solution for preparation of business plans
  - b. MSDE to ensure national level convergence with Mudra scheme and other financial schemes for MSME
  - c. Deploy Haqdarshak Model<sup>8</sup> wherein, last mile agents known as MSME agents connect potential beneficiaries to a government scheme by checking eligibility, assisting in filling the application and submission. MSDE could partner with Haqdarshak and connect them with each PMKKs. Moreover, where there Haqdarshak is not present, PMKKs could be trained to offer the last mile connectivity and assist entrepreneurs in getting access to credit

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<sup>7</sup> PMKK: Pradhan Mantri Kaushal Vikas Yojana & MSDE: Ministry of Skill Development & Entrepreneurship

<sup>8</sup> <https://msme.haqdarshak.com/>  
<https://msme.haqdarshak.com/en/featured-scheme>



- d. MSDE to leverage District Level Committees in each district to ensure PMKKs are linked to local financial institutions and further these FIs are connected on the envisaged digital platform
6. **Connect the entrepreneur with a market** – either locally or through online marketplaces: Sustainable market linkages would be developed in partnership with corporates in any of the following three formats:
- o **Entrepreneurship as part of a Corporate Value chain** : This entrepreneurship opportunity could be in (i) Supply chain (Example - apparel job work where an entrepreneur sets up a tailoring unit that converts fabric to garment pieces to be sent back to the concerned corporate) OR (ii) Sales and service element of the value chain ( Example - Agri-input companies' sales, consumer durable companies' service network)
  - o **Service Entrepreneurs**: This opportunity will enable the beneficiary to be a part of a corporate technology aggregators and service operators
  - o **Product Entrepreneurs**: This will enable the beneficiary to manufacture products that could be sold on e-marketplaces like Amazon, Flipkart, and others. This could include arts and crafts products.

*The digital platform also converges all existing marketing schemes and connects entrepreneurs to these via PMKKs.*

- 7. Celebrating Successful Entrepreneurs / PMKKs to create an alumni network /Role Models
- 8. MSDE to conduct a Training of Trainers program for staff members of PMKKs/ITI on how one nurtures small entrepreneurs. MSDE could also look at curating a module on this.
  - a. ECM training of teachers is also something which MSDE should consider.

#### Incentives for PMKKs/ITIs:

MSDE can pay PMKKs/ITI towards:

- a. EDP training & EMC training
- b. Assessment & certification (to Management Sector Skill Council)
- c. Every loan application submitted + bonus if application gets approved by Financial Institution
- d. For establishing market linkage (like the last 30% tranche in PMKVY is given against wage employment)
- e. For engaging the entrepreneurs in a community and offering networking opportunities ( If a PMKK is setting up a community then how many of them initiated business, how many got contracts via networks. Making it a tangible outcome for measuring its success)
- f. For connecting entrepreneurs to mentors or incubators