

CII suggests new model to create jobs, skills

The Indian economy, in order to maintain its growth curve, needs to create jobs as well as overcome the shortage of skilled human resources. An industry lobby has suggested that setting up a 'skill development bank' can achieve the two aims in one go.

Recognising the lack of financial support coming in the way for job-seekers to acquire skills, the Confederation of Indian industry (CII) felt that special attention needs to be paid to the availability of finance for potential trainees as also for the skill development infrastructure.

Putting forward a unique model to address this issue, it said the government needed to set up a Skill Development Bank (SDB) as a financial intermediary between commercial banks and the final customer - the potential trainees.

A dedicated SDB would be required since commercial banks currently perceive risk in lending to these trainees, CII said in a release Monday.

The SDB would also extend loans to private players looking at setting up new institutes or upgrading existing ones. Lending by commercial banks to the SDB would be taken as part of banks' priority sector-lending targets, recommended CII.

In order to reduce the risk of default, the SDB would lend money for training directly to the training institute in question, where the trainee would be inducted.

On the completion of the training course, the original diploma certificate would be directly handed over by the institute to the SDB, which would hold this as a collateral for the trainee, suggested the CII model.

The certificate would be transferred from the bank to the person's first employer directly, with an arrangement that the company would settle the loan on behalf of the trainee in easy instalments, which would be deducted from his salary.

To ensure a rapid take-off of the model and make it affordable as well as lucrative for the trainees, CII has suggested a concessional rate of interest at 7 percent for such loans.

CII said that this initiative would have to be largely government-funded for the time being and, therefore, such an institution would have to be created under the act of parliament.

It added that market forces would eventually take over and loans for vocational training would be available from commercial banks.

Moreover, CII called for a huge thrust in this year's union budget on education and skill development. A beginning should be made in the coming budget, to be present Feb 28, towards hiking the support for this sector from the current level of 2.9 percent of GDP to around 6 percent before the terminal year of 11th Five-Year Plan (2007-12).

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