

points of economic growth will bring down the time frame to double average income to 10 years, a significant change.

Thus, we observe that the economy has slowed down in many ways but it will regain momentum sooner or later, and political confusion is not going to affect the economy except in marginal ways. The economy is certainly going through a bumpy ride, but it is nowhere near the meltdown. India is robust both in economic and political terms.

India's growth story is yet to come!

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Role of Education and Skill Development for Sustainable Development

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The Indian economy is widely expected to grow at sustained high rates over the next few decades and emerge as the second largest economy by 2050. These robust projections have much to do with the demographic profile of the country. India is slated to have one of the youngest populations, with the bulk of it figuring in the working age. However, in order to utilize this 'demographic dividend'

effectively, India needs to impart adequate and appropriate skills to its workforce.

Today, the education system in India churns out students that are not immediately employable. Skill upgradation on the job is low, implying that a large section of the currently employed labour force possesses outdated skills. The current skill training setup, comprising of ITIs and polytechnics, caters to only 2.5 million people, which further compounds the demand-supply gap. While 56 percent of higher education institutes are devoted to arts, science, commerce and medicine, engineering, technology and polytechnic colleges comprise ten percent, seven percent and six percent of total institutes respectively. Also, the dominance of general education has prevented the bulk of the population from acquiring skills required by the manufacturing and service industries. Thus, the need of the hour is to analyze the background of vocational education in India and take steps to develop it for vocational education is a means to provide skills to labour force and establishment of human capital.

Background of Vocational Education

Defining VET as a sector within the education system poses a number of difficulties as unlike general and academic education, VET develops craftsmanship and practical experience. At the same time, it is difficult to standardize vocational education, as there are certain issues, which hinder a globally acceptable and applicable format of VE.

The analytical issue associated with it is that the etymology of vocational education hasn't been constant over the ages. During the Industrial Revolution, 'vocational' referred to the type of education that aimed at stable job and stable career in a

respectable profession. However, in the 20th century vocational is seen to be at the bottom of a hierarchy of knowledge and value and is seen as a stream of learning available to the “lower achiever”.

In India, the political issue is that vocational training is handled by multiple ministries, without the required level of coordination between them. Thus, there exists conflicting means and methods towards VET objective. This makes a standard implementation of VET a distant dream. Before proceeding further it is required that we comment on the state of the labour market in India

According to the Economic Survey Report of 2007-08, 64.8% of India’s population would be in the working age of 15-64 years in 2026 up from 62.9% in 2006. It has also been noted that statistics point to a significant share of incremental demand occurring for skilled labour and vocationally trained people. However, it is estimated that India is likely to witness a deficit of 5.25 million employable graduates and vocationally trained workforce by the end of this year. Industry sectors like retail, textile and apparel will require about 90 percent of its recruits to be vocationally trained. Similarly, hospitality and healthcare will add additional 6 million to the current labour demand by 2013. With an average market size estimated at US\$100 billion, the demand side looks bright for skilled labour, especially those with vocational training.

On the supply-side, the size of the current technical training infrastructure is much smaller than what is required. India currently has the capacity for training 3.1 million people per year. This is insufficient, given that every year, 12.8 million new people enter the workforce, of which only a quarter receive formal education and

training. Thus, we have a supply-demand gap created by institutional factors and persisting social infrastructure like education.

Relation between public expenditure on education and returns to growth

In the neoclassical growth model, the economy is “assumed” to reach a steady state when all macroeconomic variables grow at the same rate, and in the absence of technological progress, the per capita growth of these variables will eventually cease.

In 1986, Romer pioneered a new explanation wherein long-run growth was determined by endogenous factors. This explanation of growth pattern witnessed interest among the researchers understanding the linkages between fiscal policies and economic growth. Most of the empirical work on measuring returns on education expenditure on growth uses years of schooling, government capital expenditure as the explanatory variables to determine the value of dependent variable GDP over time-series data.

There are three fundamental ways in which education affects employment. Firstly, those with fewer skills, less practical knowledge and lower level of education are less attractive to potential employers. Secondly, individuals who pursue technical or vocational education will enter different occupation than those emerging from the general education system. This creates a certain dichotomy in terms of market signalling by a prospective employee to the employer. The third effect is routed through the quality of education that will determine the mobility of an employee in an organization once recruited.

Now that we have established the relation

between the labour and education market, what is required is that we look at the steps taken by the Indian government to enhance education in India. The eleventh 5-year plan, touted as the “education” plan, involved a number of issues relating to higher education. The University Grants Commission prepared a blueprint for future strategy and the main focus was expansion of higher education at the national and state level through higher enrolment, equal access to education for all, eliminating all forms of disparity and promoting quality and international excellence in the present educational structure. Expansion in institutional capacity has been reflected in setting up of about 1464 new educational institutions-comprising 30 central universities, 8 IITs, 7 IIMs, 20 NITs, and 20 IIIT's, 3 IISER, 2 Schools of Planning & Architecture, 374 model colleges and 1000 Polytechnics.

Structure of ITI

Industrial Training Institutes (ITIs) come under the purview of Directorate General of Employment and Training (DGET) within the Ministry of Labour and Employment, and hence the responsibility for skill development falls with the DGET.

The policy of setting up ITIs was put forth to achieve the target of developing 500 million skilled people in the country by the year 2022. The emphasis will be on institution-based skill development through polytechnics, ITIs, vocational training centres, apprenticeship-training and training for self-employment and entrepreneurial ventures.

A comparative analysis of private and public ITI structure and conduct revealed that the type of infrastructure required; machines, tools, equipment's, workshops, quality faculty, industrial visits, upgraded

technology cannot be accommodated within the meagre earnings from tuition fees which is the glaring factor responsible for the failure of many ITIs in several states.

Also, the course structure is more flexible and favourable in the private-run ITI. Field observations showed that most of the students prefer the private diploma in technical training as they are ready for job within a year. Partnerships with industrial firms and organizations are an important step on the part of the ITIs to avail the best practices for their students. Firms like Volkswagen, Godrej, L&T, Tata Motors and other MNCs collaborate with private institutes like ITIs, and this helps them to avail the latest technology for the students to work with and assure them of apprenticeships as per industry standards. Even on the placement front, government ITI fails to make an effort to partner with firms in getting market standard remuneration for their students. Thus, the private-run ITI is better placed and better poised to cater to the needs of students in industrial training.

However, both public and private ITIs share common limitation as far as sharing of knowledge pool is concerned. Today, sectors such as Information Technology (IT), ITES, construction, electronics, and communication technology complain about the quality of students at the entry level in the labour market. The external labour force comprises of potential employees who lack practical training and shop-floor skill sets. Thus, firms have to invest on the training of their recruits that ranges from 3 weeks to 6 months as per the job requirements. A student opting for the ITI route to higher education will be assured of practical knowledge, technical training plus theory. This puts the student at an advantage over an engineering graduate in

the labour-market. This also saves the firm from expenditure on training at the entry-level. Firms then have the option of investing on skill upgradation and making use of better technology.

Analysis shows that industry-academia collaboration is a successful technique where both the partners have something to gain from the contract. Partnerships with industries improve the standard of technical training in institutes through financial assistance given to them. Through this the institutes equip themselves with the required tools and machines of trade and in return, provide skilled workforce to the industry.

Private sector involvement in vocational training improves the standard of education, as it is more demand-driven. India can adopt the PPP route- collaboration of both public and private in TVET set up. While the government looks after the monitoring and regulation of ITI, private sector will provide the expertise to conduct the programs and deal with employment. We could also incorporate some concepts from international education system, such as of Germany, whose dual education system provides the highest level of flexibility to students and several opportunities. It is one of the best models since it is student-oriented and focuses on an individual's strengths, interests and likes in any field.

The Future Road-Map

The Indian higher education system is outdated. Graduates find it difficult to get placed- the demand side does not react to the supply because the labour lacks practical skills and "hands-on" training. Companies refrain from training employees to maintain their bottom lines. So the responsibility to make the working-age

population an asset for the economy rests on the education sector. This calls for greater public spending (investment) on education as a part of social infrastructure. Theory shows the effects of fiscal policy on growth. A positive fiscal policy implies higher returns on investment through the Multiplier Mechanism. This task involves deeper observation of student's perception of the education system and increase in private participation.

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Privatisation in the Banking Sector

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III Year

Reserve Bank of India governor Raghuram Rajan has declared that he intends to launch on a "dramatic remaking" of Indian banking. In fact, the case for a 'remake' had been made as far back as 2009 through the Committee on Financial Sector Reforms that he chaired.

It must be noted that there is little innovation in the nature of the remaking Rajan recommends. What is being done and what is planned to be done are all proposals that have been unveiled in the past, by a series of "committees" (from Narasimham I and II, through Tarapore and Mistry, to Rajan)

There has been substantial advance in two areas.

One is the set of measures that give foreign banks greater access to and more freedoms

in the domestic banking space. The other is the issue of new private bank licences, for which applications have been entertained from domestic corporations and business groups as well. The latter had been kept out of this space since bank nationalisation. But now, with the committee to examine and decide upon the applications in place, expectations are that one or more business group would re-enter Indian banking. The Rajan machine seems to be working, facilitated by substantial media support, and possibly the fact that the Parliament has hardly functioned and now elections would occupy the nation's political attention.

Public sector banks, on one hand, have been prodded into lending to areas such as the retail sector and infrastructure, resulting in a rising volume of non-performing loans and a growing volume of restructured corporate debt. While restructuring has helped conceal the extent of implicit default and dress up the financial accounts of banks, even the RBI's recently released report on trends in banking expresses concern about the state of public bank balance sheets.

On the other, the RBI and the government appear committed to ensuring that Indian banks meet the increasingly stringent capital adequacy requirements set by the reformed Basel guidelines. There are three consequences flowing from this commitment.

First, since the early 2000s, the government has been forced to infuse capital into the public banking system to strengthen their balance sheets and bring them into conformity of globally recommended standards. As the accompanying chart shows, the government has thus far infused Rs.743 billion into the public banking system, with much of it having been