

June 5, 2008

Dear Mr. Prime Minister,

The National Knowledge Commission recognizes the growing significance and visible impact of Entrepreneurship on wealth-creation and employment-generation in India. Considering its importance, NKC has undertaken a study on Entrepreneurship to explore factors that have promoted Entrepreneurship in India as well as others which could further encourage and facilitate even greater growth of Entrepreneurship in the country. This report compliments earlier NKC studies and recommendations on Innovation and Vocational Education and Training. The NKC study has found that Entrepreneurship flourishes as a result of a combined input of some key 'triggers', such as a helpful business environment, access to early-stage finance, education, individual motivation and some socio-cultural factors. To accelerate the growth of Entrepreneurship in the country would require the support of multiple stakeholders such as the government, the financial institutions, educational institutions, incubator providers, chambers of commerce, entrepreneurial networks and associations as well as family and the larger community.

Based on the NKC study, some policy recommendations to further enhance Entrepreneurship are as follows:

- 1. Supportive Business Environment:** Make it easier to conduct business by consolidating and simplifying processes, improving delivery time and curbing corrupt practices. In particular, prioritize the MCA-21 project and ensure the following:
 - Make Single Window Clearance meaningful.
 - Introduce a Single Composite Application Form for all clearances.
 - Introduce a Single Unique Company Number for company, tax and social security registrations.

- 2. New Institutional Mechanisms:**
 - Set up commercial courts to deal with commercial disputes and to speed up contract enforcement.
 - Introduce Limited Liability Partnerships (LLPs) in order to ensure flexibility and low cost of operation while limiting personal liability.
 - Establish a Global Technology Acquisition Fund for Intellectual Property (IP).

3. Facilitate Information Flows:

- Create ‘one stop shops’, web based portals and information handbooks for entrepreneurs. (NKC proposes to set up an all encompassing website on Entrepreneurship as a one-stop portal.)
- Widely publicise risk management tools such as the SME Rating Agency (SMERA), Credit Appraisal and Rating Tool (CART), Risk Assessment Model (RAM) and improving information flows through the Credit Information Bureau India Limited (CIBIL).
- Increase awareness of the Credit Guarantee Fund Trust Scheme (CGTSI). Ensure visibility and access of the ‘Central Plan Scheme Monitoring System’ (CPSMS), which has been proposed in the annual budget for the year 2008-09.

4. Access to early stage finance: Banks, Venture Capitalists, Angel Investors etc need to be more proactive in assessing the business opportunities generated by Indian entrepreneurs.

5. Incentives for seed capital funding:

- Establish a secondary market for smaller companies, which provides exit options to the seed stage investor and value addition for the entrepreneur.
- Create new instruments and institutions for start-up funding, involving multiple stakeholders (public and private).

6. Business Incubation for Entrepreneurs (BIE): Develop and put in place a comprehensive BIE policy to increase quantity, enhance quality and increase access to financing.

7. Industry-academia synergies:

- Enact a uniform legislation for publicly funded research which would grant IP rights for successful results of research to universities/research centers and also entitle the inventor to a share of the royalties from commercialization.
- Enable PhDs/researchers to set up commercial entities while engaged in universities or professional employment, as well as encourage universities/ research organizations to establish commercial enterprises based on their new inventions.

- 8. Entrepreneurship Education:** Make Entrepreneurship a core subject in business schools and explore possibilities of setting up specialised entrepreneurship schools at the under-graduate and post-graduate levels.
- 9. Vocational Educational Training (VET)/Skill Development (See NKC Report to the Nation 2006):** Modernize VET by formalizing:
 - Performance based training and assessment
 - Innovative delivery models
 - Incentives to states
 - Skills in spoken and written English as a priority
 - A transparent industry based certification system
 - A transparent rating system for VET institutions
- 10. Promoting Entrepreneurial Culture:**
 - Reward and recognize successful entrepreneurs ranging from the local to the national level and formally recognise entrepreneurial networks and associations.

The Report on Entrepreneurship has concluded that the aforesaid recommendations are critical to significantly enhance Entrepreneurship in the country and the NKC looks forward to being involved in their implementation, as may be appropriate.

Thank you and warm personal regards,

Sam Pitroda
Chairman
National Knowledge Commission

Copy to: Dr. Montek Singh Ahluwalia, Deputy Chairman, Planning Commission,
Mr. P. Chidambaram, Minister for Finance
Mr. Kapil Sibal, Minister for Science and Technology
Mr. Kamal Nath, Minister for Commerce and Industry
Mr. Prem Chand Gupta, Minister for Company Affairs
Mr. Arjun Singh, Minister for Human Resources Development
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