

Sam Pitroda: NIF to get operational by March 2013

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"Out of the 20 million jobs that are required at the moment, at least you need to create 10 million new jobs. Ideally, you have to create 15 million new jobs. Where do these jobs come from? You need a large number of entrepreneurs who are solving local problems," Mr Sam Pitroda, who is the advisor to the prime minister on public information infrastructure and innovations, said in his interaction with the media recently at New Delhi.

India has about 55 crore young people below the age of 25 years and every year about two crore come out for jobs, he said, adding that new jobs have to come from young entrepreneurs and that these jobs are not going to come from the government.

He also said the government will operationalize the National Innovation Fund (NIF) by end of March with an initial capacity of Rs 500 crore. "Ultimately it (the fund) is going to be Rs 5,000 crore fund. We are launching it initially with Rs 500 crore," Mr Pitroda said.

The National Innovation Council (NIC) set up by the Prime Minister to create Indian model of innovation, is preparing to launch its fund with an initial corpus of Rs 500 crore shortly and that will lend to companies focusing on delivering goods and services to the poorest people in the country. It is also looking to facilitate creation of Industry Innovation Clusters (IIC) for job creation and productivity.

The fund is expected to be operational in the next year. NIC has collaborated with the union ministry of Micro, Small and Medium Enterprises (MSMEs) to steer the fund towards its final stages of approval and an innovative structural design has been developed for the fund. The initial investment prospects are being identified. The fund will be governed by a trust, which will be registered with the Securities and Exchange Board of India (SEBI). Union ministry of finance included Rs 100 crore to kick-start the same in its union budget 2012.

About Rs 145 crore has been contributed by public sector banks and financial institutions. The fund will invest directly firms serving Bottom of the Pyramid (BoP) as well as indirectly through BoP-focused funds. It will invest across the venture

development cycle - early stage to scale up. It will operate as a 'for profit' entity and give targeted social and economic returns to investors, according to a NIC document on IIIF.

Fund will target gross investment Internal Rate of Return (IRR) of 10 percent per annum before taxation and management charges. Fund life is expected to be 10 years, which is extendable by up to three years. The council is also in the process of compiling learnings from seven industry clusters in order to replicate it across industry clusters in the country under IIIC program, which will be a public-private partnership (PPP) model.

The pilot phase of this initiative has been operations in seven clusters across the country, which includes auto components (Faridabad, Haryana), Ayurveda (Thrissur, Kerala), Bamboo (Agarthala, Tripura), brassware (Moradabad, UP), food processing (Krishnagiri, Tamil Nadu), Furniture (Ernakulam, Kerala) and life sciences (Ahmedabad, Gujarat). By the end of pilot phase, the aim is to successfully demonstrate 10-12 new products, 7-10 process improvements and two new centres at the clusters.

NIC has been working with state governments, MSME and textile ministries, CSIR and Infrastructure Leasing and Financial Services (IL&FS) among others in this effort and is hoping to replicate the innovation cluster model in 80-100 clusters by the end of 2013.