

HOW DO FDI AND SKILL DEVELOPMENT ARE COMPLEMENTARY FOR ECONOMIC GROWTH?

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ABSTRACT

After independence India achieved an efficient level of economic growth but it did not translate into creation of employment due to shortage of skilled man force. Nowadays India wants a quantum jump in growth. To fulfill this requirement, skilled workforce and capital both are prior requirements. Capital deficiency could be fulfilled by FDI. Foreign investors are looking forward to the skilled human beings' countries. Hence to meet the requirement of foreign direct investment India's taking many initiatives to improve their human skill. So skilled human capital would be the road of economic development which would be the road of economic development which will be partially fulfilled by FDI. The government of India is providing training to their people to enhance the skill of India's people. Through this low percentage of skilled people can be converted into a high percentage of skilled people which are utilized by foreign direct investors and it will help India to make itself self-reliant which would be the road to make India VISHWAGURU.

Keywords: FDI, Economic Growth, Skill Development

FDI means to acquire the control of ownership partially or completely in a business of another country. It's not only indicated to invest in money terms but also with them they bring new skills, knowledge, technology which will help the economy of any nation to boost up.

Bringing new skills to the country and Skill development is the part of human capital formation. Skill enhancement is essential for both the local economy and foreign investors because a skilled labor force is demandable for both local industries and foreign industries who seek a platform to expand their business by FDI. Human Capital Formation through Skill enhancement is not only beneficial for short term but also making a base for long term goal for development. Once we invest in human capital formation we will be able to serve the skillful people to foreign investors. So to attract more FDI

and acquire the skill of Foreign Investors skill development is essential.

In order to increase our GDP more production will be required. Skilled people are more productive than unskilled people as well as FDI fulfills the requirement of capital. With the help of FDI countries acquire new skills and also develop their local skills for more productivity which indicates the growth of any country.

FDI is helpful not only in skill development but also to create employment. Skill gap is another factor for unemployment. Many employers report difficulty in finding workers with the right skill and qualification in such a sector like IT and Health sector. It will guide us to invest in education and training. If we have unskilled workforce work we will be unable to grab the benefits of FDI. This study focuses on how

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FDI and skill development are complementary for economic growth

FENG Yang and WANG yang (2021) their study is based on secondary data and is trying to study the impact of FDI on skill Acquisition. Their study shows that FDI has a mixed effect on the skill acquisition of local residents of the host country, depending on the job opportunity, wage, and concept channels respectively.

Objective

To Study the effect of FDI in skill development for Economic Growth

Methodology

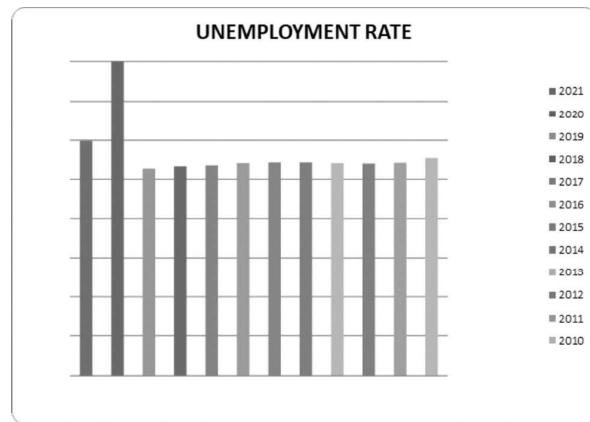
This Study is based on secondary data and descriptive in nature. RBI bulletins website Government of India, Ministry of finance, DPIIT, Economics Survey, Magazines, Newspaper, Annual report of RBI, Ministry of Skill Development and entrepreneurship, National skill development Corporation(NSDC) and different websites are the various sources of the study.

Why does India need FDI to promote skill development for economic growth?

India is the second largest populated country in the world with high and employed people. The unemployment rate of India's is below:

YEAR	UNEMPLOYMENT RATE%
2021	5.98%
2020	8.00%
2019	5.27%
2018	5.33%
2017	5.36%
2016	5.42%
2015	5.44%
2014	5.44%
2013	5.42%
2012	5.41%
2011	5.43%
2010	5.55%

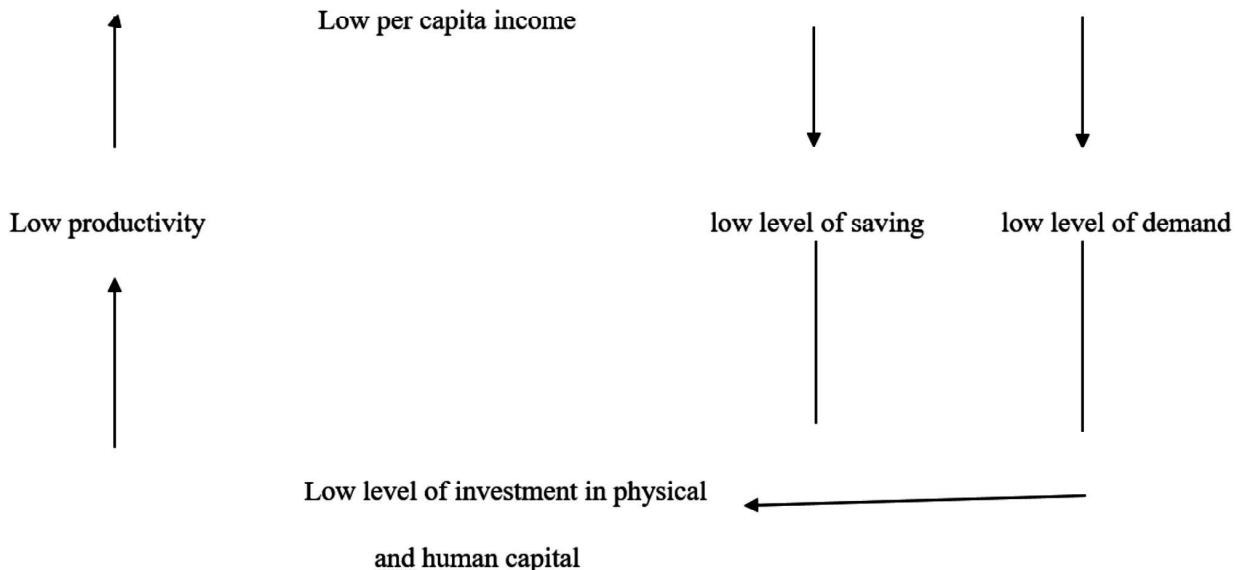
Source: World Bank⁴



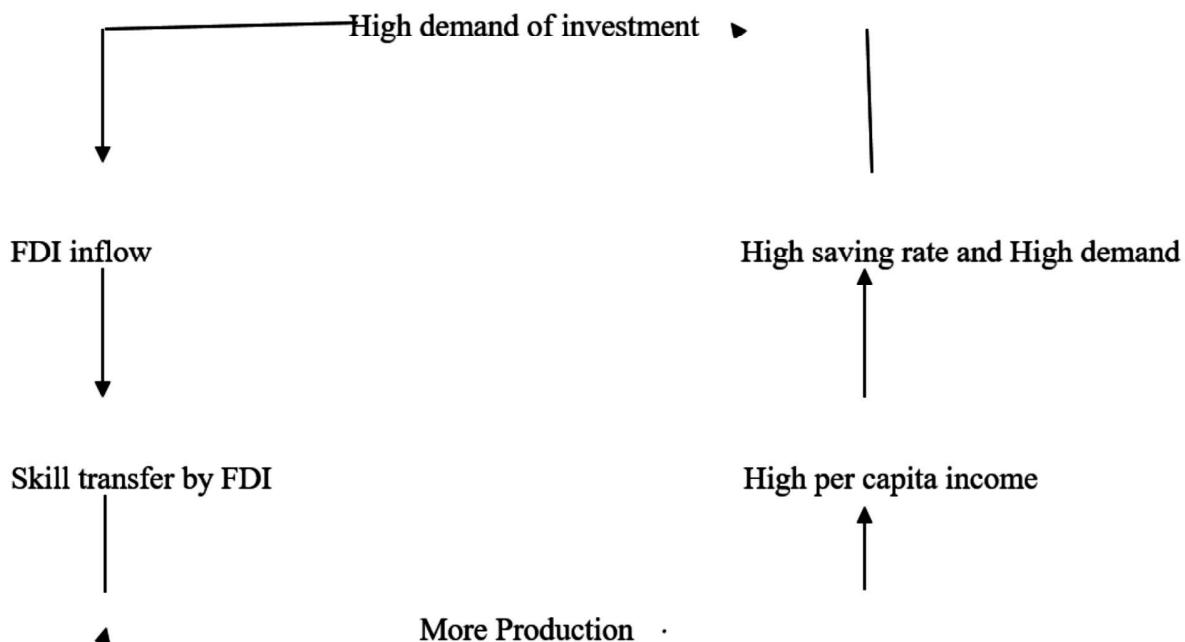
Due to high unemployment rates it is a best source for the cheap workers for FDI. FDI is to spillover their skills to the local market and also our government of India is trying to serve skilled people to foreign investors. In order to serve skilled workforce to foreign investors government of India initiates many schemes such as Pradhan Mantri Kaushal Vikas Yojana, Rojgar Mela, Pradhanmantri Kaushal Kendras, Capacity Building Scheme Udaan, School initiatives and higher education, India international skill centres(IISCs), pre departure Orientation training (PDOT),Craftsmen Training Scheme (CTS), Crafts Instructor Training Scheme (CITS), Apprenticeship training under the Apprentices act 1961, advance vocational training scheme (AVTS), Vocational Training Program for Women, schemes for upgrading of it is, flexi MOUs, STRIVE Initiatives in the north east and LWE regions, trade testing, Current initiatives in the DGT Landscape, Dual system of Training (DST), polytechnics and others.

Skill based workers are more productive than unskilled based workers. Higher productivity is reflected in higher income and low income and low skill trap is a major problem for many developing countries.FDI can be promoted as a vehicle to promote human capital formation. It makes a WHEEL OF FORTUNE which will have the capacity to break the vicious circle of poverty.

VICIOUS CIRCLE OF POVERTY



THE WHEEL OF FORTUNE



It is clearly seen by this diagram that FDI is the panacea for disease poverty. This circle will be called THE WHEEL OF FORTUNE which will help the economy to break the vicious circle of poverty.

Construction, Retail, Automobile, Fashion Designing, Electrical/Electronic are the top 5 skills that are in high demand. According to the study carried out by National skill development corporation (NSDC).

Under the initiative “make in India” our country is poised to become a global hub for manufacturing design and innovation understand its 25 sector had been identified for job creation and still development automobiles chemicals it and business process management roads and highways aviation leather tourism and hospitality wellness auto components renewable energy biotechnology electronic electrical machinery food processing media and entertainment mining oil and gas construction defense manufacturing space textile and garments and thermal power.

According to a report by National skill development corporation (NSDC) it is estimated that the work force needed in India booming building construction and real estate sector is 76.5 million people in transportation logistics where housing and packaging sector is 28.4 million people the wellness industry needs will be 14.27 million skilled people retail will require 56 million skilled people and the making India initiative will create 100 million jobs opportunity in manufacturing India will require nearly 120 millions more workers by 2022 and if you think they with required skill would be yourself in reaping economical benefits all this numbers indicate the demand for skilled manpower in India.

Policies to attract FDI to improve the skill of people

- It will be beneficial for a country to attract those type of FDI which has intention to form the human capital by contributing into formal and informal education with job training
- Firms that are part of a global competitive network attract to use their network for domestic market
- Some offers would be provided by government to foreign investors to promote their business in domestic country
- Governments make sure to mobilize their skilled labour in needy places and also try to

provide the facilities in domestic countries for highly skilled people to stop Brain drain and skill training must be flexible.

- Government must try to promote linkage between FDI and Local firms. It would lead to skill transfer which can raise the efficiency and scale of local suppliers. This local supplier may become global exporters and contribute to long term human capital formation.
- It is also important to take initiatives for increasing the absorption capacity of local bodies so they will be able to absorb the advanced technology of highly advanced skilled and others.
- Government has to take initiatives not only for the quantity of employment but also for the quality of employment. Qualitative employment contributes more in growth in comparison to quantitative employment.
- Collaboration between foreign investors and domestic people will give new innovation.
- Immigration of high skilled labour by FDI helps us to promote skill enhancement.
- It is essential to focus on both skill enhancement and job creation because in the absence of sufficient amounts of efficient employment it will be impossible to utilize human capital. This problem will be solved to attract an efficient amount of FDI.

Reason of skill gap

- Lack of awareness affects skill development. Unaware people who have the capacity to build themselves as a human capital are ruined due to the lack of awareness. They have no idea how to give their contribution according to their capability
- Labour mobility with transferable skills is a big hurdle to grab the benefits of FDI inflow.
- Our education system produces graduates with very little or no job training before entering the job market. Many graduate engineers are unfit for jobs as they are simply not trained for such jobs in their four years of academic education.

Problem arising due to skill development

It increases the income inequalities between

skilled and unskilled labour force because it is not possible to provide skill enhancement training to all the population at same time. So there is a time element that is working to enhance income inequality. Hence demand for skilled labour is always greater than unskilled labour and supply of skilled labour is smaller than unskilled labour.

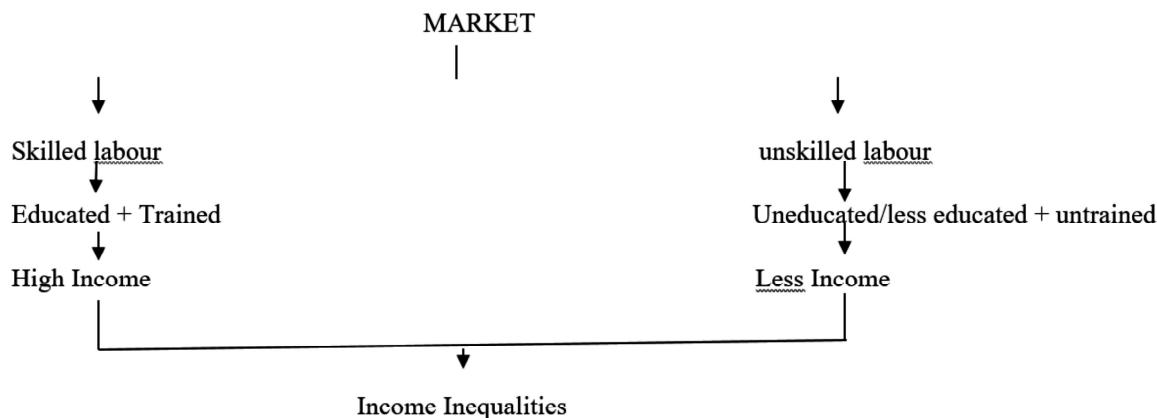
$$\begin{aligned} D_s &> D_{us} \\ S_s &< S_{us} \end{aligned}$$

Here, D_s = Demand of skilled labour

D_{us} = Demand of unskilled labour

S_s = Supply of skilled labour

S_{us} = Supply of unskilled labour



Conclusion

India is highly rich in population with high unemployment and less skilled workforce. Through FDI employment will be generated and bring advanced technology and serve skill enhancement training to our people. Only the creation of employment opportunities without skilled people is useless. So in this way it seems like both skill enhancement and FDI are complementary for economic growth.

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