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# PM-SETU and India's USD 830 Million Skill Bet — Can ITI Transformation Unlock the Demographic Dividend?

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## WHY IN NEWS

The World Bank approved a USD 830 million loan for PM-SETU (Pradhan Mantri — Skilling and Employability Transformation Through Upgraded Industrial Training Institutes) on February 2, 2026, to upgrade 1,000 government ITIs on a hub-and-spoke model — India's most ambitious vocational training overhaul in a generation.

## INDIA'S SKILL DEVELOPMENT CHALLENGE — THE NUMBERS BEHIND THE CRISIS

India's demographic dividend is well-documented: with **65% of the population under 35**, India should be a global labour powerhouse. The problem is that India's workforce preparation system has not kept pace with either the volume of youth entering the labour market or the complexity of skills the modern economy demands.

### The supply-side reality:

**7–8 million young people** enter India's workforce every year

India has approximately **15,000 ITIs** (Industrial Training Institutes) — the largest vocational network in the world by size

Yet **employability surveys** consistently find that fewer than 40% of engineering graduates and fewer than 25% of ITI graduates are immediately employable in their trained trade

The **India Skills Report 2025** found that average employability across vocational streams remained below 50%

**The demand-side shift:** India's manufacturing sector is being disrupted by **Industry 4.0** — automation, AI integration, IoT-enabled production lines, and green manufacturing requirements. Conventional ITI trades (fitter, turner, welder) are valuable but insufficient. Growth sectors — **electric vehicles, semiconductors, green energy, AI-enabled services** — require multi-disciplinary, updated competencies that most existing ITIs cannot deliver.

**The equity dimension:** Vocational education in India carries a persistent social stigma — it is perceived as a “fallback” for those who cannot access academic paths. This creates a paradox: the country needs millions of skilled technicians, but families prefer the prestige of a degree over the practical value of a vocational

certificate.

## WHAT PM-SETU PROPOSES

**PM-SETU** stands for **Pradhan Mantri — Skilling and Employability Transformation Through Upgraded Industrial Training Institutes**. The scheme, backed by a **World Bank loan of USD 830 million**, is designed around three structural innovations:

### **INNOVATION 1: HUB-AND-SPOKE ARCHITECTURE**

Rather than attempting uniform upgradation of all 15,000 ITIs (a resource-impossible task), PM-SETU selects **1,000 government ITIs** for intensive reform:

**200 Hub ITIs:** Fully upgraded centres of excellence with advanced equipment, industry partnerships, digital infrastructure, and curriculum development capacity

**800 Spoke ITIs:** Linked to hubs for curriculum updates, teacher training, assessment, and quality certification

This concentrates excellence investment where it can have systemic impact through replication and mentorship.

### **INNOVATION 2: INDUSTRY INTEGRATION MANDATE**

PM-SETU requires hub ITIs to establish **industry partnerships** with relevant sectors (EVs, green energy, manufacturing). The private capital mobilization target — **USD 680 million** — is intended to come from industry contributions (equipment donation, curriculum co-design, apprenticeship commitments). This is a significant shift from the traditional “government-funded, government-managed” ITI model.

### **INNOVATION 3: GENDER INCLUSION**

A mandatory **25% minimum women enrolment** target is set for PM-SETU ITIs. Currently, women comprise fewer than 10% of ITI enrolments, partly due to trade mix (male-dominated trades), partly due to safety concerns around residential placements. Hub ITIs will be required to offer women-friendly trades and facilities.

## WHY PREVIOUS SKILL SCHEMES UNDERPERFORMED

India has had multiple large-scale skill development schemes, most with disappointing outcomes:

**STRIVE (2017):** A previous World Bank-funded ITI upgradation scheme. While it improved some physical infrastructure, curriculum relevance and placement rates did not systematically improve. The scheme suffered from: poor M&E mechanisms, misaligned incentives for ITI principals, and weak links to actual industry hiring.

**PMKVY (Pradhan Mantri Kaushal Vikas Yojana):** The flagship free short-course scheme trained 13+ million youth by 2024, but independent evaluations found **placement rates below 20%** and **earnings premiums negligible** for certified vs uncertified workers. The short-course model (15–90 days) was insufficient for genuine skill building.

**Structural problem:** India’s skills ecosystem suffers from a **missing link** between training and employment. Without Labour Market Information Systems (LMIS) that tell ITIs what jobs exist and what wages they pay, curriculum design remains supply-driven rather than demand-driven. PM-SETU’s success will depend critically on solving this information gap.

## THE ADB CONNECTION AND FINANCING TERMS

The loan was prepared jointly with the **Asian Development Bank (ADB)** — a structural feature that enables:

- Co-financing at scale** without competing approaches

- Technical harmonisation** with ADB’s existing vocational education work in India

- Longer maturity periods** (final maturity: 19.5 years; grace: 4 years) that match the long-lead-time nature of education reform

This is part of the **World Bank-India Country Partnership Framework FY2026-31**, which commits **USD 8–10 billion annually** to India across multiple sectors — making India the World Bank’s single largest borrower country.

## CONSTITUTIONAL AND POLICY CONTEXT

### Constitutional basis:

- Education** is in the **Concurrent List** (Seventh Schedule, List III, Entry 25), giving both Centre and states legislative power over technical education

- The **National Council for Vocational Training (NCVT)** certifies trade certificates from ITIs at the national level

- State Councils for Vocational Training (SCVTs) issue state-level certificates

### National Education Policy 2020:

- Targets **50% vocational exposure** in school education by 2025 (largely unmet at ~10%)

- Emphasises integration of vocational and academic streams — direct relevance to PM-SETU’s goals

**Ministry responsible:** Ministry of Skill Development and Entrepreneurship (MoSDE) — established as a standalone ministry in **2014** under the Modi government to consolidate previously fragmented skill development mandates across 17 ministries.

## UPSC RELEVANCE

*PM-SETU (full form; USD 830M; 1,000 ITIs; 200 hub + 800 spoke; 19.5yr maturity; ADB co-preparation; 25% women; USD 680M private capital; Ministry of Skill Development and Entrepreneurship); STRIVE (2017; previous WB-funded ITI scheme); PMKVY (flagship free skill scheme; 13M+ trained); NCVT (National Council for Vocational Training); SCVT (State Council for Vocational Training); World Bank-India CPF FY2026-31 (USD 8-10B/year); India Skills Report; ITIs in India (~15,000); Seventh Schedule List III Entry 25 (education – Concurrent List).*

*India's skill development ecosystem – structural failures and reform priorities; World Bank-India partnership in human capital; demographic dividend vs demographic burden debate; Industry 4.0 and the future of work. **GS-2:** Concurrent List and Centre-State cooperation in vocational education; NEP 2020 and vocational integration. **Essay:** “India's demographic dividend: asset or liability depending on skill investment.”*

## ★ FACTS CORNER — KNOWLEDGEPEDIA

### PM-SETU — CORE DATA:

Full form: Pradhan Mantri — Skilling and Employability Transformation Through Upgraded Industrial Training Institutes

World Bank loan: **USD 830 million** (approved Feb 2, 2026)

ITIs upgraded: **1,000 government ITIs** (200 hub + 800 spoke)

Maturity: **19.5 years**; Grace: **4 years**

Private capital target: **USD 680 million**

Women enrolment target: **minimum 25%**

Annual skilled workers target: **1 million+**

Ministry: **Ministry of Skill Development and Entrepreneurship** (est. 2014)

Co-prepared with: **Asian Development Bank (ADB)**

Part of: World Bank-India CPF **FY2026-31** (USD 8-10B/year)

### INDIA'S ITI ECOSYSTEM:

Total ITIs: **~15,000** (of which ~12,000 are private)

Regulator: **NCVT** (National Council for Vocational Training)

Workforce entering annually: **7-8 million** youth

Current ITI women enrolment: **below 10%**

### PREVIOUS SKILL SCHEMES:

**STRIVE (2017)**: World Bank-funded ITI upgradation; mixed results on placement

**PMKVY**: Free short-course scheme; 13 million+ trained; placement rates <20% per evaluations

**NSDC**: National Skill Development Corporation — PPP body under MoSDE

### WORLD BANK INDIA PARTNERSHIP:

Largest borrower: India is World Bank's **largest single-country borrower**

CPF FY2026-31: **USD 8-10 billion per year**

World Bank HQ: **Washington D.C.**; Indian operations managed from New Delhi office

### OTHER RELEVANT FACTS:

Seventh Schedule List III (Concurrent) Entry 25 covers "education including technical education"

NEP 2020: Targets 50% vocational exposure in schools by 2025

India's employability challenge: India produces ~1.5 million engineers annually; fewer than 40% immediately employable per industry surveys

Germany's dual apprenticeship system (combining classroom + workplace training) is often cited as the gold standard for vocational education

Sources: World Bank, PIB, Skill Reporter, Business Standard

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