

# Big opportunities in Indian IT market, operations slow: Report

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There is a lot of money to be made in the Indian information technology market, but decisions are slow, and large projects are subject to big delays and complex bidding procedures, says a Springboard Research report.

With US markets continuing to limp, IT services and hardware companies have been eyeing the domestic market with renewed vigour — total IT market size in India is around \$16,840 million (around Rs 82,516 crore), says the report. Of this, the public sector or government expenditure for IT is close to 18 per cent, around Rs 15,220 crore. Half of all spending is on hardware, followed by IT Services (30 per cent) and software (20 per cent). Within the government sector, education leads with a budget of \$356.2 million, followed by defence (\$327

million) and taxation (\$280 million). Healthcare, transportation, utilities and social services are the other major spenders.

Among the various programmes announced, the government would be spending close to \$2.6 billion on the National e-Governance Plan (NeGP), which includes \$1.4 billion on common services centres (CSCs), \$819 million on the State Wide Area Network (SWAN) and \$399 million on State Data Centres (SDC). Moreover, government organisations such as India Post, Indian Railways and other state agencies like LIC will spend around \$2 billion on IT this year.

The evidence of these budgets is seen in the recent contracts that some Indian IT vendors have managed to have. Wipro Infotech won a \$244 million e-governance project, from the Employees State Insurance Corporation (ESIC). TCS won the

## SOME IT PROJECT ALLOCATIONS

- \$1.4 billion to be used for national land record modernisation programme
- \$361 million to revamp national court system
- \$189 million to be invested by postal deptt
- \$2.6 billion on national e-Governance



ePassport project.

Under the CSCs programme, close to 25,195 centres have been set up, with another 10,000 in the pipeline, which have to be operational by the end of March 2009. A total of 100,000 CSCs are to be set-up. By the end of 2008, RFPs had been issued by 25 states for 1,06,275 CSCs and master service agreements signed for 1,02,851 centers in 23 states.

However, if money is one

side, several operating challenges form the other, says the report. E-Procurement has not meant faster decision-making. Large ICT projects are often delayed due to bureaucratic hassles and complex procedures in finalising tenders.

A case in point is the Indian Army, that started inviting bids for a \$1-billion tactical communication system in late 2007, after having delayed it several

times since 1998. Another issue is price. Since the Indian market is price-sensitive, many local players offer inexpensive solutions. Government, says the report, needs to evaluate the long-term outcome of IT, instead of simply looking at its own procurement needs. The system needs overhaul: even after spending such huge amounts, the report said, there are challenges from the end-user point that needs to be solved to make these programmes successful.

So, while the government would be spending \$5 billion on NeGP, issues that still need to be tackled are lack of personnel with appropriate background and aptitude, inadequate skills of staffers and so forth. Apart from this, there is a need to create interpretability to reduce IT integration costs and inefficiencies, increase business agility, and enable the adoption of new and emerging technologies.