

# Fiscal sops for software export have hit spread of IT in domestic market

## NEWS ANALYSIS

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Even as India's best talents and capabilities have been producing software services for exports, software used domestically has been largely imported, United Nations Conference on Trade & Development (Unctad) said in its Information Economy Report 2012.

The Geneva-based agency said the country today exports software and IT services to over 170 countries with North America and Europe still receiving about 87 per cent of India's exports of software and business process outsourcing (BPO) services as of

2010-11. In its view, the industry's inadequate attention to the domestic market may have stunted the diffusion of IT technology. Illustrating this, it said the availability of software in local languages would have facilitated more widespread use of IT in India.

### DISINCENTIVES FOR LOCAL MARKET

A fiscal incentive regime that bolsters exports over domestic software production may have fostered disincentives for firms to produce for the indigenous market, it said.

While till the early 2000s, India's focus was on fostering a software industry as a foreign exchange earner, there has, of late, been a gradual

shift in policy towards software development for domestic needs. This is borne out by various e-governance initiatives by the Central and State governments. A major initiative entails the setting up of the Unique Identification Authority to issue identification numbers (Aadhaar) for all Indian citizens.

With the UPA government committed to offering cash transfers to the poor by way of welfare benefits on a pilot basis effective from January 1, 2013, Unctad sees virtue in underpinning the escalating demand for mobile applications (apps). It said this is particularly relevant in low-income countries in which the extant use of computers remains limited, while mobile

phone use is booming. It urged the Governments to help catalyse activities by spurring mobile operators to develop mobile apps markets. It also asked governments to ease the lingering restrictions on online payments, as they signify a barrier to local developers to participate in software development activities.

Unctad is unequivocal in the increasing use of domestic software that could be instrumental in improving the competitiveness of enterprises and the welfare of society. It argued that the domestic market is potentially an important base for enterprises to develop relevant skills and innovative products. Indirect effects on so-

ciety are likely to be larger, when software is locally developed for domestic enterprises and institutions.

The point to ponder is whether the government will be able to surmount the lack of venture capital, shortages of qualified human resources and too little government procurement for the flowering and flourishing of domestic software industry. The Finance Minister's assertion that cash transfers to poor would be "a game changer" would turn out to be prophetic only if the authorities are prepared to extend the requisite policy spurs expeditiously for a barrier-free growth of domestic software segment, policy analysts say.

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