Kerala on the threshold of an IT revolution

The State IT sector is getting bigger and better day by day, says Suresh Menon.

It's a bit of a paradox that Kerala, having miserably lagged behind other Indian states on the industrial development front and after missing the opportunity to capitalize on the first, second and third coming of IT, has lately managed to take a big leap into the information era and is now on the threshold of an Information Technology (IT) revolution.

The state government now seems determined to make up for the lost time and has started working at breakneck speed to create world class infrastructure conducive to the growth of IT companies. In a bid to emerge as an attractive destination for the IT/ITES industry, the State government has also unveiled a series of initiatives aimed at attracting IT entrepreneurs and portraying Kerala as the destination of choice.

Claiming that Kerala is becoming one of the fastest growing IT destinations, Ajay Kumar, Principal Secretary (IT), says, "The State is transforming itself into a silicon coast through focused initiatives in IT infrastructure development, human resources development and citizen e-enablement."

In June this year, the State government commenced work on Kerala's biggest IT/ITES infrastructure project so far. Called Technocity, this IT park is spread over 433 acres of land near Thiruvananthapuram. It is also one of the biggest IT/ITES projects in India. When completed, Technocity will have around 10 to 15 million square feet of IT business space. While the government has already invested Rs 330 crore on land acquisition alone, the project being developed on public-private partnership (PPP) model, is expected to attract investments to the tune of Rs 6,000 crore from major domestic and global IT companies. At the launch function of Technocity project on June 4, the State government also allotted land to India's 4th largest IT company, the Rs 12,000 crore HCL Technologies at Technopark.

Emphasising that Technocity is a totally new concept, Ajay Kumar said, "It will be a self-dependent satellite city that will have an integrated township, encompassing IT and ITES infrastructure, residential apartments, shopping malls, hospitals, hotels, educational institutions and other support facilities."

In a bid to give another major impetus to the prevailing IT infrastructure, the State government has also drawn up plans to expand the already existing facilities and infrastructure at Technopark in Thiruvananthapuram and the Infopark in Kochi. On May

17, the Kerala chief minister laid the foundation stone for Cyberpark in Kozhikode. Cyberpark is the fourth largest IT Park in Kerala after the Technocity and Technopark at Trivandrum and the Infopark at Kochi.

According to Technopark's Chief Executive Officer Mervin Alexander, **"The launch of the Technocity project and further development of Technopark will make Thiruvananthapuram the first and complete IT city in the State. Once completed, Technocity will become the largest IT city in India."**

In keeping with its history of social advancement and equitable development, Kerala's emphasis is on horizontal growth of its IT sector. In view of this, the State government has chosen the hub-and-spoke model which will strive to promote development of IT all over the state by having IT parks at all district headquarters. This innovative model concentrates on distributed townships having equal, similar and good infrastructure instead of focusing only on one or two locations. As per the hub-and-spoke model, the Technopark in Thiruvananthapuram, the Infopark in Kochi and the Cyberpark in Kozhikode would be the hubs, while seven satellite centres in their neighbouring locations will serve as the spokes. So Kochi, Thrissur, Cherthala and Ambalapuzha would be locations that would come under the Infopark hub, while Kozhikode, Kannur and Kasaragod will come under the Cyberpark hub. Similarly, Kollam and Thiruvananthapuram will come under the Technopark and Technocity hubs.

The Techno Lodges is yet another concept of distributed growth designed to take IT into the rural areas. The aim of Techno Lodges is to encourage ITeS/BPO companies to operate from low cost rural centers and thereby create employment opportunities in rural areas using buildings of government and Panchayats. All these new upcoming IT parks across the state are expected to generate around two lakh direct employment opportunities and upto 4 lakh indirect employment avenues by the year 2012.

With the IT fever spreading all over the State, Kerala's new pursuit is to become the first completely IT literate Indian state. Furthermore, Kerala has joined the rest of the country in promoting Special Economic Zones. Though the State industrial policy needs further reforms, the IT and services sector have been exempted from the labour unions and labour laws.

The State Chief Minister V S Achuthanandan recently said that his government aims at enhancing direct investment in the IT sector to the tune of Rs 10,000 crore. Elaborating further, Ajay Kumar said the Kerala State IT Infrastructure Ltd plans to raise about Rs 250 crore in the current financial year from private equity investors to fund the development of Information technology parks. Kerala State IT Infrastructure Ltd is a special purpose vehicle formed to develop IT parks fully owned by the state

government. It holds almost 1500 acres of land which the government had acquired for such projects.

The State government has appointed SBI Capital Markets Ltd as the lead arranger to raise the funds. The government is willing to offer up to 49 per cent stake to investors. SBI Caps is valuing the assets of the company and the process is likely to be completed very soon.

When slow growth is haunting almost all the other sectors, Kerala's IT industry has consistently maintained an average annual growth rate of around 40 per cent during the last few years, which is much higher than the rest of India. Lately, many state government agencies have geared up to encourage new ventures in the IT sector. No state level clearances are required to set up IT projects in Kerala. Various financial benefits and other assistance offered include venture capital funds to new IT and high-tech ventures, outright grant of 20 per cent of Fixed Capital Investment subject to a ceiling of Rs 2.5 million per project, exemption from tax for the first seven years, grant of 50 per cent of the cost of project feasibility studies for medium and large scale industries, duty-free imports and income tax exemption for export oriented units (EOUs), exemption from stamp duty and registration charge for purchase and sale of land and built-up space, priority in sanction and servicing of power as well as exemption from the purview of the Pollution Control Act.

The Information Kerala project of the State Government is a trendsetter in the deployment of technology at the grassroots level and a model for participatory governance through the effective use of IT. The project aims at modernisation and integration of government functions using IT by networking and computerising the 1,214 local self-governing bodies to enable them to expedite transactions like issue of certificates, licenses, tax collection, etc. and also for training and orientation of personnel at all levels of village, district and state governing bodies. There are also plans to set up internet kiosks accessible to the public in every Panchayat ward.

In a first-of-its kind achievement in India, 152 development blocks in Kerala have been connected and all treasuries and sub-treasuries in the State and cooperative banks have been networked. Moreover, through Secretariat Wide Area Network all the offices of ministers, Secretaries and departments have been linked. Furthermore, the state government offices at the district and block levels have been provided connectivity as part of the wide area network project and 15 mission mode projects under the National e-governance Plan have been implemented. The Akshaya e-centres have been backed up by broadband connectivity and are accessible to the common man in every corner of the State.

Another major initiative has been the launch of Information and Communication Technology-enabled education system under the IT@School programme. IT@School is the technology arm of the education department, set up to empower students by imparting ICT-enabled education. From July, the programme will be implemented in the eighth standard in all government, aided and unaided schools that follow state syllabus. It will be extended to higher classes in the coming years. All government and aided schools have been provided with computers, internet connectivity and related facilities. Computer workshops are regularly conducted for teachers and students under the programme. 'Hardware Clinics' are being held in schools to repair damaged computers and upgrade them. Multimedia rooms are also proposed to be set up in all the government schools. All these developments coupled with the drive to computerise various sections of activities in the State have opened up a promising domestic market for IT products.

However, one major IT project that has failed to take off despite the State government's best efforts is the Smart City IT Park in Kochi. Asking the IT industry in Kerala to look beyond the proposed SmartCity project, Chief Minister Achuthanandan recently said the other IT Parks would open up ample opportunities for IT in Kerala. "We might have to abandon the SmartCity project and go forward," Achuthanandan added.

On the other hand, SmartCity CEO Fareed Abdulrahman, who is based in Dubai, recently claimed that the SmartCity Kochi project has not been shelved.

Stating that there were many issues which needed to be sorted out, he admitted that the response from the concerned authorities in Kerala has not been encouraging. Elaborating further, Abdulrahman said the project is planned to be a Special Economic Zone (SEZ). Therefore, various criteria have to be fulfilled and lots of documentation and formalities have to be completed before the project can be started.

Asserting that the project will get the SEZ status once these criteria are fulfilled, he said negotiations were underway with the Government of Kerala to remove the hurdles and start the project.