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Preface

Services have grown in importance over the past years all over the world. Service Industries generate over two-thirds of GNP. In most economies of the world, employment has been shifting from the sectors that provide goods (agriculture and industry) to the service providing sectors. The shift is most pronounced in the developed industrialized economies, where the proportion of total employment within the service sector exceeds 50 % in all economies. The transition economies in Asia show a more or less even distribution among the three sectors.

The opportunities for growth for service industry in Asia are tremendous, especially for higher and better quality services. In India also, it is making rapid progress. In fact, the catalytic forces that are accelerating the speed of social change throughout the world, such as rise in levels of education, higher rates of technological innovation and application, faster and cheaper communication which dissolves physical and social barriers both within the countries and internationally, easier access to information, and opening up of global markets, are also profoundly affecting the trends in economic development in India too.

These trends are representative of a relative shift in the engines that drive development from manufacturing to the services sector and from capital resources to human and knowledge resources. Such trends are also having a profound impact on the economic development of the country.

Then, there is the major problem of unemployment both at the national and the regional levels. Service industry is one arm of the triangle that has the potential to generate employment opportunities for our youth, both educated and uneducated. Combined with the enormous opportunities, the incidence of unemployment could be almost eliminated by 2020, according to the Planning Commission in its Report “India Vision 2020”.

It is again relevant to quote from the Report that “the country very soon will get the opportunity to skip the long slow phase of industrialization that the most developed nations have passed through, and the transit rapidly into a predominantly service economy by 2020, creating services that meet human needs, generate employment covering the large unorganized segment of the economy, raise incomes and increase purchasing power. Even our notion of services may need to evolve further the importance of the emerging knowledge- intensive services.” ***According to it by 2020, 200 million jobs are likely to be generated in our country, out of which 120 million jobs would be in the Service sector alone.***

Despite all this, Northern Indian states including Punjab have yet to catch up with the percentage of contribution to the national GDP which is 52 % and which would rise to 60 % in next few years. Against this, in Punjab, service industry contributes approximately 40% to the state’s economy. Agriculture, though the core of the state’s economy is unable to sustain Punjab’s population. Manufacturing industry being capital intensive and increasingly resorting to automation, would also not be able to generate sufficient number of job avenues that could help substantially in reducing the number of unemployed youth which stands at a staggering figure of 2.5 to 3 million in a population of 2.41 crore.

Within the next 10 years, Punjab needs also to generate sufficient number of jobs to wipe out at least the current backlog of unemployment.

With abundant resources of cultural heritage and natural resources, with the dynamism and vibrancy with which the State of Punjab is endowed with, the development of Service Industry in the state, could herald a new era in generating thousands of jobs

Keeping in view that the material resources are costly to transport and store, while knowledge resources are easily transportable at rapid speed and are stored at negligible cost, we have chosen the development of Service Industry with focus on business opportunities that are offered, as the theme of the international convention of the NRIs. Since we require substantial resources and proven ideas to translate the theme into reality, IPCSI (International Punjabi Chamber for Service Industry) which held its convention last year on January 19, on human resources development and education, is organising an international convention on January 14-15. The Event is being organised jointly with the Department of NRIs Affairs of the Punjab Government and the Chandigarh Administration.

There are many NRIs who have enormous wealth and knowledge among whom are many successful youngsters who are keen to bring their financial resources and entrepreneurial acumen to Punjab to explore the possibility of forging joint collaborations and ventures with the Indian corporate. IPCSI, therefore, has invited a number of eminent Indian corporate to be on a common platform for one-to-one contact. Similarly, there are many corporate who wish to set up projects overseas with their counterparts. Many NRIs also wish to set up endowments, trusts and foundations to help promote environment, social and educational causes.

The basic thrust of our approach has been how we could link up the Indian Diaspora, who are playing a significant role particularly of Punjabi origin for giving a further push to the development processes in northern India particularly Punjab. There is a huge reservoir of resources, talent and goodwill in the Diaspora, which could be tapped, provided we meet their aspirations of transparency in administration, provide good infrastructure and create investor – friendly environment.

The NRIs, despite their country of adoption / domicile or the length of stay therein, almost without exception harbour a strong homing instinct. This implies that they always love to return for short stints, the attraction being to rediscover or strengthen their bonds with their roots. Furthermore, they wish to visit places of religious worship in Punjab, each of which are replete with history and mostly associated with the life and works of the Sikh Gurus. Then there are some who wish to start, strengthen or diversify business ventures which are run by close or distant relatives. However, the new generation NRIs born and brought up abroad are becoming, indeed, strangers. We can bring them back to their roots, provided we understand their psyche and take some innovative measures.

Apart from the service sector segments, the Backgrounder also provides information on projects, which could be taken up by the Non-resident Indians, independently or in association with their counterparts in India particularly in Punjab. We have also tried to cover those sectors of the Service Industry, which have maximum potential for the northern India, particularly, Punjab.

Punjab is known as the land of exciting opportunities with landscape that pulsates with prosperity, valour and romance. The glorious land is also a land of wonderful and rich culture with an over-vibrant and ever-renewing Punjabi spirit, a built-in vitality of the essence of Punjabi. Punjabi is a cosmopolitan outlook exuding charity for all, and malice towards none, an outlook Punjabis developed over the ages by rubbing shoulders with variegated cultures and communities. Punjabi is also equality of humankind and dignity of labour, learnt from the institute of langar and sewa.

To celebrate this spirit, IPCSI is organising Cultural Evening on January 14, with Award ceremony honouring those illustrious NRIs who made outstanding contribution in their respective fields besides promoting cross-cultural relations. On this scintillating occasion, Bollywood celebrities with roots who have played a significant role in the promotion of media & entertainment would also be honoured.

My thanks are due to Ms Shilpa Bhaskar, our senior colleague at the ITFT, who had worked tirelessly for researching and compiling all the chapters included in this Backgrounder. I would also like to thank our Creative Head, Mr Sumant Vadhera for designing the cover of the Backgrounder and its layout as also Prof. Narinder Kumar for his hard work and diligence in the preparation of it. I would also like to thank Usha Sondhi, Deepak Bhandari, Krishan Kumar, Anupam Bhaskar, Abhishek Vashisht, B.S. Bedi, Supriya, Surbhi Nijhawan, Lipi Das, and others for their valuable inputs. Mr Shivjit Walia deserves our special gratitude for working hard in organising the Punjabi Parvasi Divas celebrations.

The convention last year was the first step towards networking of the Punjabi Diaspora which number more than 8 million out of 25 million Non-resident Indians. We sanguinely hope that the present convention would take our initiative further in bringing a larger number of them on a common platform.

I hope that Non-resident Indians, Indian corporate, investors, entrepreneurs, planners and policy makers in the governments would find the Backgrounder a useful publication. Being conscious of the fact, that there is much scope for improving the text, we would whole heartedly welcome the views and comments of the readers and others which would, indeed, be very useful to us for its second print through

January 14th, 2006

Maj (Dr) Gulshan Sharma, Retd.
Secretary General IPCSI

Chapter 1

NRIs - An Overview

The Indian Diaspora is the largest in the world today after China and has roots in every country in the globe. The West today has started viewing Indians as a very hardworking and intelligent lot due to their remarkable contribution in professional, entrepreneurial as well as in business fields. They can help India catapult into a higher growth by supporting and promoting environmental, social and educational causes in India by bringing in financial resources and proven ideas. There is much that they could contribute, both through the inspiration of their example and through investment in our future.

Strong Bond between India and the Indian Diaspora

Since the economic reforms began in 1991, there has been structural change in India, which is allowing it to grow at a healthy rate. Non Resident Indians have played a major part in foreign investment but its contribution to the Indian economy has only lately been recognized. When India faced its worst balance of payments crisis in the early nineties, its foreign exchange reserves were dwindling and it was coming perilously close to defaulting on meeting its international payments obligation, India turned to its "National Reserve Indians" and it was NRI deposits that helped India to come out of this crisis. In India's 55 years of history this was the first imprint of the important role the Indian Diaspora can play in building Indian economy. When India conducted nuclear tests in 1998, the Indian Diaspora stood by India.

India receives almost \$14 billion a year in official remittances and this money has played a significant role in-India's \$80 billion foreign reserve. According to the latest Balance of Payments data of the Reserve Bank of India, remittances during April-December 2003 alone were \$10.8 billion.

Seven Indians made it to the global billionaires list while India emerged third among the Asian countries, whose people found a place in the elite club. Most of them have made their fortunes through India's booming information technology sector. Increasing number of Indian companies is being listed in the New York Stock Exchange.

There are 200,000 Indian millionaires in the US (Merrill Lynch figures). The world is aware of India's telecom revolution and its ongoing world's largest highway project. India's image has changed because of success of Indians.

India has a distinct advantage over technology and more particularly in the information technology field. Today, India is one of the most exciting emerging markets in the world. Skilled managerial and technical manpower that match the best available in the world and a middle class whose size exceeds the population of the USA or the European Union, provide India with a distinct cutting edge in global competition.

Three Categories of Indian Diaspora

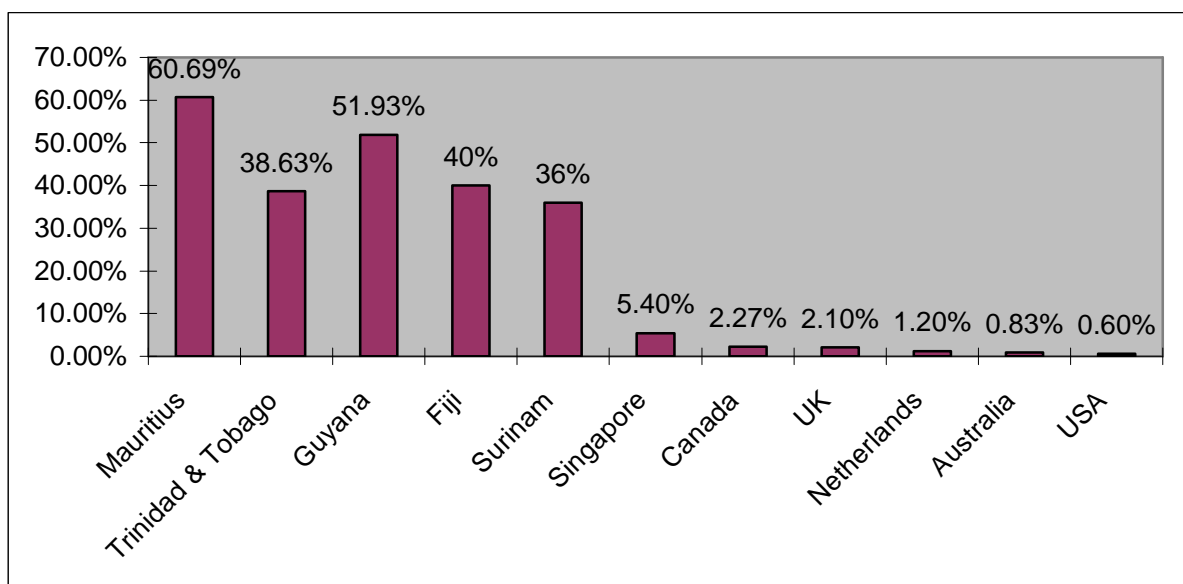
The Indian Diaspora falls into three categories. The first is composed of the indentured labour voluntarily or forcefully taken during the early British era as estate labour in faraway colonies. Many perished on the overcrowded and under stored ships- the case of Komagatamaru is different- to Fiji, Trinidad, Singapore, Malaysia, Mauritius, Sri Lanka etc. Those who had stayed back became part of the host country, and in the absence of the communication lost much of the native traits. They had to struggle hard each day to reach the top. The early Canadian emigrants had an arduous life. What, however, differentiated them has been their enlightened nationalism and the resultant role in India's Freedom Struggle.

In the second category, are those who had settled in British colonies, mostly third world, as professionals or to do petty business. From the late 60s, also began the third generation migration simultaneously to the petro- rich Gulf and prosperous states like the USA and Canada. The former came as a big boom. Since it was strictly on time bound work permits, it did not make a stable Diaspora. For the same reason, remittances from the Gulf are substantial and more or less constant.

Many Indians have proffered to migrate out to the Western world with just the seed of hard work, rich culture and honest approach, a perfect genetic combination, in search of what they miss in their country- the outside environment, the system support that is needed to enable the seed to grow into a healthy tree with fruits all around its branches.

Wherever they are, they have earned a good name for themselves and for their mother country - India- with their hard work, talent, and of course their loyalty to the country that they are citizens of. They have contributed to the economic prosperity and cultural heritage of their host countries in the process they have achieved the noblest tasks of all - found respect for their motherland.

Distribution of the Indian Diaspora



(Source: Centre for Diaspora Studies, Hyderabad)

Many countries in West Asia and the Gulf have a substantial Indian workforce, currently exceeding 3.5 million -though they are denied citizenship.

Recent population estimates suggest that the Indian Diaspora has crossed well above the mark of 25 millions, dispersed around the globe in more than 70 countries, numbering more than half a million in 11 countries. People of Indian origin represent a significant proportion of the population in countries such as Mauritius (60.69%), Trinidad and Tobago (38.63%), Guyana (51.93%), Surinam (36.04%), Fiji (41.34%), Reunion (30.51%) and Malaysia (7.20%). They are a 'visible' minority in countries like Canada (2.27%), United Kingdom (2.10%), Netherlands (1.2%), Australia (0.83%), U.S.A. (0.60%), and Singapore (5.40%). Many countries in West Asia and the Gulf have a substantial Indian work force, currently exceeding 3.5 million, though they are denied citizenship. They are compelled to return to the places of their origin after the termination of their labour contract, out of these approximately 7 million NRIs are of Punjabi origin. The 25-million-strong Indian Diaspora accounts for only around 2 per cent of the country's population, but its spread is extensive. It numbers more than a million each in 11 countries in addition to concentrations of at least 100,000 ethnic Indians in 22 countries.

As we all know, India is the second most populous country and the largest democracy in the world. The far reaching and sweeping economic reforms undertaken since 1991 have unleashed the enormous growth potential of the economy. There has been a rapid, yet calibrated, move towards de-regulation and liberalization, which has resulted in India becoming a favourite destination for foreign investment. Undoubtedly, India has emerged as one of the most vibrant and dynamic of the developing countries while being the fourth largest economy in terms of purchasing parity. NRIs comprise 30 per cent of ethnic Indians living outside India.

Meanwhile, in countries such as the United States, Canada, and Australia, Indians have made their presence visibly felt in the professions. The Indian Diaspora has received universal recognition for its intellectual contributions, entrepreneurial acumen and enterprise. For example, in the USA, it comprises less than 0.5 % of the population but accounts for well over 5% of the scientists, engineers and software specialists. The wealth generated by the Indian entrepreneurs in Silicon Valley is around \$ 250 billion, more than half of India's GDP.

Rapid globalisation and ever increasing sophistication of production process and technology have made the exodus to the developed West most significant. What began as tricklings in the mid sixties have now taken the form of an outpouring. The information technology explosion that began in the last decade has made the real breakthrough for India's teeming computer wiz kids.

The Indian Diaspora has also played a significant role in altering perceptions about India. They have exposed western society to our rich heritage, art forms, food and traditions. Their one-to-one contact with their western counterparts has completely changed perceptions about India from a country of snake charmers to computer professionals, entrepreneurs, scientists, developers and visionaries.

Of the Indian tourists visiting India, almost 45% come from the Gulf States, with 22% from UAE alone, while 9.3 % come from the USA and 8.5% from the UK. As expected more than 75% of them visit India to meet their family or friends. Almost 9 % of the NRIs are on a business related mission most of them are highly educated, with almost 60% of them employed with the private sector and another 24% being self-employed.

Recently released survey shows that the average income of an Indian American is 50% higher than the national average in the USA, especially since most of the Indian immigrants who went there in the '60s and '70s had less than 10 dollars in their pocket. Half of the Rs 55, 000 crore remittances from NRIs so far would come from our nearly 25 lakh emigrant brothers and sisters from one single state, Kerala. Today, almost the entire services sector in the Gulf, which is world's one of the richest regions, is handled by Indian technicians, nurses, teachers and scores of other professionals. In 2003, India was one of the fastest growing economies in the world. In 2004, we have got closer to our target of 8 per cent GDP growth rate with forex reserves crossing \$ 1 billion".

NRIs, may be just 2 per cent of India's population but their annual income of \$160 billion (Rs 7,84, 000 crore) is third of India's national income with 35 % of the country's GDP and per capita income of \$ 8,000. However, we are far behind China, whose 50 million Chinese' abroad has an annual income of \$700 billion with 68 per cent to the GDP. The per capita income of an overseas Chinese is \$ 14, 000 as compared to an NRI's per capita income of \$8000. An NRI's per capita income is 18 times higher than the PCI (Per Capita Income) of an Indian, while of an overseas Chinese it is 17 times higher than the PCI of a Chinese. India would well to learn a lesson from China where over 70 per cent of the total FDI (Foreign Direct Investment) comes from the non-resident Chinese.

Unlike other ethnic groups, a majority of Indians had gone to the West as students and professionals and unlike the Chinese who have formed Chinatowns all over the West; the Indians have relatively dispersed settlement patterns. This has made it easy for the community to assimilate in the larger native society. Many countries have used their Diaspora effectively in their rebuilding processes such as China and Italy. In the case of China, Chinese Diaspora from nearby South East Asian countries and not from North America has made huge investments back home. And in the case of Italy, its Diaspora worldwide has ploughed back its savings in national development. NRIs from Punjab, Gujarat, Andhra and Karnataka have tremendous potential to contribute in this direction.

However, there is feeling among some NRIs that the Indian government views the NRIs as nothing more than a source for extracting money whether it is through the PIO card or the deposits. But studies show that the NRIs look at India in an entirely different way. Their relationship with their motherland is more than monetary who want to be partners in all respects in the development of India." When they (NRIs) leave home, the feeling to do something for their native village grows stronger. What they seek is the motherland feels proud of their illustrious sons. The feeling they want from their own people back home is that their son has gone abroad and done hugely well for himself. Their efforts, hardwork abroad needs recognition back home.

In Punjab, the state government offers a slew of incentives for investment by the entrepreneurs and investors including NRIs in various categories of projects including infrastructure related projects with Single Window clearance in time bound manner.

Addressing the Pravasi Bharatiya Divas 2006 at Hyderabad on 7 January, 2006, Hon'ble Prime Minister of India, Dr Manmohan Singh, said that " They (NRIs) have contributed a great deal to the economic and social empowerment of their families back home, to the development of their communities and to the economic enrichment of our country. Their hard work helps build the host countries while their remittances sustain their families and the local community back in India". The Prime Minister said " In recent years,

remittance inflows have increased impressively, rising from US 13 billion in 2001 to over US\$20 billion in 2005. I salute the overseas Indian, the workers and professionals, who are contributing with their skills and sweat to the economic development of our Motherland”.

However, the Central and State governments should make it easy for them to participate in this process. But there are many things, which need to be changed first. For instance, in some of the cases, whenever any NRI seeks custom clearance, he or she is invariably pressured to pay bribes irrespective of the fact whether the goods are dutiable or not. There have been cases when NRI passengers were made to miss their flights by these callous officials. Let us make our system work more honestly from top to bottom to give NRIs their due when they visit India.

Let us realise, that it's a boom time as NRI generation has accumulated enormous wealth and knowledge with their hard work overseas, which is worth to build stronger India. Since the next generation has done extremely well in their careers there is an enormous amount of money available to these successful youngsters who are setting up foundations to help promote environment, social and educational causes in India.

In fact, their astounding creativity and entrepreneurial spirit, especially in the knowledge-based industry, has brought them wealth that has dwarfed the American dream. Today, the 25-million strong Diaspora is looked upon as the vibrant, new face of India that could leverage the country's economic and social growth. NRIs, in fact, are India's newest ambassadors at large, which serve as the bridges to reach out to the best companies in the world.

In 2004, India received more than 3 million visitors (according to an estimate, the number may be 3.7 million, may be 4 million which is all time record.) including the NRIs. If only one fourth of them visit India, every year, the number would easily be not less than 5 million.

The Punjabi upsurge in the UK hoteliering is fairly discernible, while Amitabh Sharma, a Karnal born NRI, now running two software companies in Atlanta, USA, says that there is a positive attitudinal transformation in the USA towards India and its culture. It is a manifestation of this change that Divali was celebrated for the first time in history in White House in 2003.

The Indian community abroad often reflects the diversity, which is the hallmark of our society here ... it is necessary to strengthen the broader Indian identity in the country of your residence. When you are united as Indians, your voice carries greater weight: both for highlighting issues of your concern in your country and for promoting Indian causes. The biggest challenge facing every immigrant community is to integrate harmoniously into the political, economic and social life of the host community, while preserving and cherishing its civilization heritage.

The NRIs, despite their country of adoption/ domicile or the length of stay therein, almost without exception harbour a strong homing instinct. This implies that they always love to return for short stints, the attraction being to rediscover or strengthen their bonds with their roots. Furthermore, they wish to visit places of religious worship in Punjab, each of which are replete with history and mostly associated with the life and works of the Sikh Gurus. Then there are some who wish to start, strengthen or diversify business ventures, which are run by close or distant relatives. They also have an urge to visit their state of origin merely to drive the pleasure of travel or to satisfy their curiosity for the changes that Punjab may have undergone since they last saw it.

The immigration from Punjab had taken place in the 19th Century to countries like England, America, Canada, Kenya and Malaysia. Since then immigration continued in different phases. The sixties, saw substantial immigration. People from Doaba (Jalandhar, Kapurthala, Nawanshahar and Hoshiarpur) constitute bulk of immigration. Largest centers of Punjabi immigration are England, Germany, Belgium, Toronto and Vancouver in Canada, New York and California, USA. In recent years many Punjabis have gone to Australia and Dubai as well. Punjabis are unique NRIs who cherish the memory of their motherland and remain always attached. The new generation NRIs born and brought up abroad is becoming strangers. We can bring them back to their roots, provided we understand their psyche and take some innovative measures. We got to strengthen their cultural linkages as well. We must also salute eminent film producers and directors such as Manmohan Singh and Yash Chopra for making realistic movies to project the modern and realistic image of Punjab to the younger generation of NRIs, which has created curiosity among them to know more about their parents and grand parents hometown and their roots. It would certainly give boost to Punjabi culture and links between Punjab and NRIs.

Chapter 3

SERVICE INDUSTRY SCENARIO

Introduction

The Service Sector may well symbolize the third and possibly the most important revolution of our times. It indicates the arrival of a new growth engine that is not engineered in the open land or closed factories but in the minds of the people. Services represent more than a quarter of all world trade.

The services sector has become the biggest driver of the new economic growth for the world as well as for India. Following examples give evidence for the above statement.

- The richest individual of the world is from a service industry (Bill Gates of the Microsoft fame in USA) if not to be left behind, the richest individual Indian too is from the service industry (Azim Premji of the WIPRO fame in India).
- The service scrips now dominate the bourses around the world including the Bombay Stock Exchange be it in the Infotech, financial services or franchising or event management.
- The new employment and indeed the biggest employment opportunities are offered by services industries. Such growth embracing service industries are as diverse as from the IT services, telecommunications, media, banking, insurance, finance, health care, airlines, travel, hospitality and individual escorting service. Service industries have now emerged as the first and the biggest abode of human talent and jobs.
- The world trade pattern is increasingly tilting toward services, value-added services and total solutions, are another names for service industries. Emerging economics like India and China have realized their hopes from the service sector as the main sources of growth for their economy.

Knowledge has replaced capital as the most important determinant of development. The Services Sector, which has a great potential for creating new employment opportunities and economic growth in the world economy, is essentially knowledge-based. Even our notion of services may need to evolve further to recognize the importance of the emerging knowledge-intensive services. Intangibility, inseparability, heterogeneity/variability, and perishability are the major characteristics of services.

The service industry has been experiencing rapid economic growth over the past few decades. So much so that services account for a significant share of gross domestic product in nearly all industrialized and developing countries, as well as being an increasingly important source of employment in these economies. Further, the Service Industry has been attracting an ever-expanding share of world foreign Direct Investment and has become increasingly internationalized. Yet, despite their

importance to the global economy, services have only recently been drawing the attention of researchers and policy-makers.

The past decade has seen a rise in the growth of services in the national economies of developing countries. While most developed countries have service sectors, which contribute over two-thirds of GDP, most developing countries witnessed an increase in their service sectors' contribution to over 40 per cent of GDP.

No wonder that the services sector will be the biggest driver of the new economic growth and profit earner in the present decade for the world.

SERVICE INDUSTRY - INDIAN SCENARIO

The country is transiting rapidly into a predominantly Service economy, creating Services to meet human needs, generate employment, raise incomes, increase purchasing power and lead to growth of the economy.

In line with the global trend, **the Services sector in India is growing rapidly.** India's Services sector has already become the dominant contributor to GDP, but its share is still far below the UMI (Upper Middle Income) reference level of 60 per cent. However, all indications are that this growth will get accelerated not only because of Services within India, but also because of its increasing export. Some UMI countries are Argentina, Chile, Hungary, Malaysia, Mexico and South Africa. However, we are not making UPI countries as our goal but India will rise higher still, and having achieved such a target, we know HOW she achieved it. We should only learn from their experiences and developmental strategies.

The reason why GDP growth has remained strong since 1991-92 is that the contribution of non-agricultural sectors has considerably increased. This has enabled the economy to withstand sharp declines in the agricultural sector and yet register good overall growth. The declining role of the agricultural sector in the Indian economy is the most noteworthy development. In the 1980's and earlier, fortunes in the agricultural sector used to determine the GDP growth rate as is typical of the less developed economies. With the increasing contribution of the non-agricultural sectors, the Indian economy is arguably undergoing a structural shift towards the fundamental of a developed economy.

In his book, "India 2020 – A Vision for the New Millennium", Hon'ble President of India, Dr A.P.J. Kalam, says that the **Services sector provides essential inputs to the other two sectors (agriculture & manufacturing)** and that Employment in the Services sector covers a large range of occupations involving relatively little investment.

According to the Report of the Planning Commission, Government of India, released on January 23, 2003, Human Resource is the most important determinant of overall development of India. **By 2020, the agricultural contribution to the GDP, which is presently 28%, would be 6% and industry's contribution, which**

is 26 % at present, would be 34 % and contribution of service industry which is 52 % at present, would be 60 % in 2020, thus creating 120 million jobs out of 200 million jobs.

The services portion of Indian GDP increased from 40.6 per cent in 1990 to 50.8 per cent in 2003 and 52.2 per cent in 2004(WDI,2005) - accounting for 62 per cent of the cumulative increase in the country's GDP. India's reliance on services plays, instead, to its greatest strengths: a well-educated workforce, information technology competency and English-language proficiency. The result has been a renaissance in IT-enabled services - software, business process outsourcing, multimedia, network management and systems integration -

The Service Industry contributes 52.2% to the GDP and employs around 43.5 million people presently in India. These figures are slated to rise to 60% and 120 million jobs respectively by the year 2020 as per the Planning Commission Report “ Vision India - 2020” released on January 23, 2003.

Of the Non-agricultural sectors, it is the service industry that has shown maximum growth and has gained at the expense of both the agricultural and industrial sectors.

- The Service industry grew at 9.5% in the first quarter of 2004-05. Though 96 of 160 World Trade Organisation-listed services are present in India. The sectors that recorded more than 20 percent growth were organised retail trade (30 percent), road transport service (20), domestic air passenger traffic (24), total air cargo handled (20), domestic air cargo (21), value-added government postal services (33), telecom subscribers (28.6), mobile subscriber (55), Internet subscriber (22), Internet users (50), housing finance (33), mutual funds (42), insurance premium or life insurance (35), live entertainment (40), Internet advertising (100) and domestic tourism (20).

The sectors that recorded 18-20 percent growth are road freight traffic (10), railway freight earnings (12.5), international air passenger traffic (17.1) cargo (19), cargo handled at major ports (11), shipping tonnage (15.4), courier services (15), post office financial services (12), car finance (16), general insurance (13), entertainment (16), film industry (17), radio broadcasting (10), TV broadcasting (15), cable television (14), advertising services (12), TV advertisement (13) and print media advertisement (14.6).

- The unorganised and informal sector accounts for over 75 percent of the Indian service sector, which now constitutes more than 51 percent of the national GDP of Rs.1,529 billion (around \$352 billion).
- Export services have shown 105% growth i.e. \$51.3 billion in 2004-05 from \$ 24.9 billion in 2003-04.
- Rs 6,00,000 cr retail market registered a growth rate of 10%.
- Entertainment sector (films, music, t.v.,broadcast, live entertainment) recorded 17% growth.

- Education sector has huge potential EPO(education process outsourcing) has high opportunity.
- Trade hotels, transportation, and communication recorded highest growth rate of 10.9%.
- Financial services grew by 6.4%.
- Community, social, personal services grew by 5.9%.
- Indian share in world software service market increased to 3.5% i.e. \$20 billion in 2004-05 from 2.4% in 2003-04.
- Bangalore, Hyderabad and Gurgaon have emerged as leading cities in the Services sector in India. Of late Chandigarh has also emerged as an important Service center accounting for 71. 63% to its GDP.

India's IT Sector.

- **The Indian government has made the development of India's Information Technology (IT) a top priority.** Over the past few years, IT has been one of India's fastest-growing economic sectors and a major source of service exports. For example, software and service exports in 2003 totaled \$12.5 billion, 30% higher than the previous year. The Indian government's Information Technology Action Plan seeks to boost software and service exports to\$50 billion by 2008 and to increase the contribution of IT to India's GDP from the current level of 2% to 7.7%. Currently, more than 60% of India's software and service exports go to North America, mainly to the United States.

By virtue of having the second largest scientific and technical manpower in the world, `India has been providing varied consultancy and other Services globally. Export of Services is a field in which India can excel. India's recent boom in outsourcing of IT Services is only the tip of a rich vein of economic opportunity that could extend to a wide range of manufacturing and Service businesses. Many services become tradeable, not only at the low end of the value chain - call-centre operators and data processors - but increasingly at the upper end where software programmers, engineers, accountants, lawyers, consultants and doctors work.

To attract greater FDI for accelerating economic development, the Government of India has formulated a sectoral FDI policy that gives special incentives for investing in certain key sectors.

The key sectors identified for Foreign Direct Investment, include:

- § Bio-Technology
- § Civil Aviation
- § Drugs and Pharmaceuticals
- § E-Business
- § Electronics and Information Technology
- § Entertainment Industry
- § Food Processing

- § Insurance Banking and Financial Markets
- § Mining
- § Oil and Natural Gas
- § Ports
- § Power
- § Roads
- § Telecommunications
- § Tourism

Chapter 3 : Punjab – An Investment Destination

Advantage Punjab

- Leading agriculture state, per capita income 25 per cent higher than the national average
- Second largest producer of cotton and blended yarn, third largest producer of mill made fabric
- Competitive strength in textiles, woollens and auto parts due to presence of industry clusters
- Opportunity for further developing sectors like agro- processing, IT, electronics and biotechnology
- Potential to introduce private participation in infrastructure

The State Economy

In Punjab, agriculture accounts for 38 per cent of the Gross Domestic product (GDP), reflecting a huge scope for developing industry and services sectors in the state. Between 1994 and 2003, the industrial sector in Punjab grew at 5 per cent per annum while the services sector grew at 7 per cent per annum. Contributions of industry and services were 23 % and 39% respectively.

The State has consistently been ranked first in the country on the Infrastructure Development Index. According to Centre for Monitoring Indian Economy (CMIE) report (2000-01), on a national average of 100, Punjab's relative infrastructure index was the highest at 186. The state was the first to translate the agricultural technology into the "Green Revolution" recording highest growth rate in food production.

Infrastructure

Punjab has been working towards improving its infrastructure to ensure better accessibility and facilities to the industry at large and to attract investment into the state. The road infrastructure in Punjab is among the most developed in India. The network of national and state highways aggregating 3,700 km provides convenient access to all parts of the state. The State government has also announced plans to develop 12 road-corridors aggregating 845 km through public-private partnership. Punjab is also well connected by rail with all main cities. With the completion of a number of on-going railway projects, the railway infrastructure in Punjab will get a further boost.

Punjab has an international airport at Amritsar and domestic airports at Chandigarh and Ludhiana. The airport at Amritsar has an air cargo complex, while Ludhiana has an inland

container depot. Container freight stations are also planned at Jalandhar, Ludhiana, Amritsar and Rajpura.

Power

Power is pivotal to Punjab's industrial and agriculture sectors and the state has been working towards expanding and strengthening its power infrastructure to meet the increasing consumer demand in various sectors of the economy.

Communication Infrastructure

The state has seen a significant improvement in its telecommunications infrastructure since the announcement of the new National Telecommunications Policy (NTP) in 1999, which emphasizes the participation of the private sector.

Industrial Infrastructure

The Punjab State Industrial Development Corporation (PSIDC) has developed over 80 industrial estates, growth centres and industrial focal points in the state.

Punjab's key business and commercial centres are :

Chandigarh – Mohali

Mohali is a twin township of Chandigarh and the hub for Information Technology (IT)/ Information Technology Enabled Services (ITES), electronics and pharmaceutical industries. The State Government is actively pursuing proposals to set up an IT-based Special Economic ZONE at Mohali.

Ludhiana – Jalandhar

Under the Government of India's Industrial Infrastructure Upgradation Scheme, the state is developing two industrial clusters, at Ludhiana and Amritsar, to promote cotton and woolen textile exports respectively. The State is also working out modalities of setting up a General Product Zone in Amritsar. To offer superior infrastructure support to apparel export units, the State Government is developing the Punjab Apparel Park at Ludhiana.

Industrial Policy

The State Government's New Industrial Policy (2003) aims to create a conducive investment climate through infrastructure creation, reduced regulation and general facilitation. It also aims to rejuvenate and make the existing industry competitive through improved technology, product quality and marketing.

IT Policy

To maximize the potential benefits from wide-scale adoption of IT in the state, the State Government has devised an IT action plan that aims to :

- Provide citizen- centered governance
- Create a global, digitalized economy to attract foreign investment
- Use IT to make local industry cost competitive and sustainable by lowering barriers to entry in the global market
- Provide superior technical education to create a highly qualified labour force

The objectives include

- Generation of employment for educated for IT and engineering colleges, polytechnics, and other reputed institutions
- Develop ITES and Electronics Industries a strong base for small and medium enterprise sector in Punjab
- Attract foreign direct investment (FDI), both in IT, ITES and Electronics industry by specially encouraging the NRIs to invest in their homeland; increase export earnings and there by the State's GDP and revenue;
- Enable the youth of the state to acquire skills and knowledge in this important, fast growing sector, thereby making them highly employable not just in Punjab based IT, ITES and Electronic companies but in companies based anywhere in the world.

Special Deal to Non Resident Indians (NRIs)

- Exclusive Focal Point for NRI entrepreneurs at Mohali
- Industrial plots reserved for NRIs at all focal points and industrial estates in Punjab
- While finalizing proposals for joint ventures/assisted sector projects, State Industrial Development and other promotional corporations will give preference to NRI entrepreneurs
- Under the **Udyog Sahayak**, (Directorate of Industries) a special cell provides single window facility and ensures time-bound clearance of all investment proposals received from NRIs

Biotechnology

Market Size

Growth in India's biotechnology sector has been dynamic. The industry grew by 39 per cent to reach a value of US\$ 705 million in the fiscal year 2003-04.

The biotechnology business in India has the potential to generate annual revenues of US\$ 5 billion and a million skilled

The Policy 's objective is :

- Attaining new heights in biotechnology research
- Harnessing biotechnological tools for economic development
- Scientific and technological empowerment of human resource

- Ensuring social justice especially for the welfare of rural population & weaker sections of the society.

Punjab has also set up the Punjab Biotechnology Promotion Board (PBPB) and plans to develop infrastructure for R&D, data validation, commercialization and public awareness in the areas of biotechnology.

| Leading biotech institutions in Punjab | |
|---|--|
| Organization | Strengths |
| Punjab State Council for Science & Technology (PSCST) | Policy, Planning, technology demonstration & transfer, Education and Awareness |
| Punjab Agricultural University (PAU) | Plant Tissue Culture & Transgenics |
| Guru Nanak Dev University (GNDU) | DNA Fingerprinting & Centre for Genetic Disorders |
| Thapar Institute of Engineering & Technology (TIET) | Agro/Food Processing |
| National Institute of Pharmaceutical Education & Research (NIPER) | Pharmaceuticals & Drug Development |
| Punjabi University (Pbi Univ.) | Human Resource Development |
| Punjab Technical University (PU) | Human Resource Development |
| Institute of Microbial Technology (IMTECH) | Microbial Biotechnology |
| Postgraduate Institute of Medical Education & Research (PGIMER) | Health Care Aspects |

Business Opportunities

- Agri- business
- Textiles, hosiery and woollens
- Light engineering goods
- IT and Electronics
- Biotechnology
- Infrastructure modernization and development
- Automobiles and farm machinery

Chapter 4 : IT, ITES, BPO, Electronics and Telecommunication Industry in the State of Punjab.

Punjab is known as India's most prosperous State, with its' highest per capita income. Actually, there are several excellent reasons. There are great investment opportunities in the State in the areas of IT, ITES, BPO, Electronics and Communications Industry. A number of leading companies like Quark, SEBiz Infotech, Smart Data Enterprises, etc. have already started operations in Mohali. Software Technology Park of India, Mohali has already registered over 250 companies as software exporters in Mohali. A large number of other companies including Genpact, Satyam, Flextronics, Debon etc. are setting up their projects. A number of Industrial Parks are being developed to set up the Special Corridors for Bio-technology, BPO and Knowledge Processing Outsourcing, Fashion Technology, Textiles and other high technology industry.

Physical Infrastructure better than any other State in India:

With an extremely high score of 210 against a national average of 100 in the infrastructure Index of NCAER, Punjab has possibly the best infrastructure in terms of a rail and road transport network in the country. Well-connected airports, inland container depots and container freight stations create a complete infrastructure network. And of course, the Quark Business Park is situated at Mohali, spread across 4.3 million sq. ft.

Robust Power & Communications Infrastructure:

The power infrastructure in Punjab caters to over 55.43 lakh consumers with a connected load of 16322 Mw. Reforms by the Government and special incentives for the IT Industry ensures 24x7 power availability. The entire state of Punjab has optical fibre cable laid upto block levels, with several service providers operating in the State. A ku-band Earth Station is set up at Mohali, and the mobile penetration here is the highest in the country.

Highly Educated, Dynamic, Professional Manpower:

Punjab has a high literacy rate (70% against the All India Average of 65%), with over 52 Engineering Colleges, over 50 Management Schools and 7 Universities. The accent free English speaking workforce here makes excellent candidates for IT Enabled Services. The labour productivity in Punjab is also among the highest in the country.

Friendly Regulatory & Business Environment:

The Punjab Government has relaxed rules & regulations and provision for legal, institutional and financial dispensation for Mega projects, alongwith various economic reforms. A host of services are provided to entrepreneurs / companies, right from inception of projects to their smooth implementation, which includes extending cooperation in obtaining all approvals from the State and Central Government.

Recognition from Industry, Business & Indian Media:

In a survey of 'India's Best & Worst States' by a leading news magazine in India. Punjab has been ranked the No.1 Investment Destination amongst all large states in India. Amongst other accolades, Punjab has also been ranked the Best State in India to Live &

Work, ranked first for Infrastructure Index, Agriculture Production, attracting Consumer Market and also for Budget and Prosperity amongst all other Indian States.

There is also one critical differentiator in the approach of the Government of Punjab. Here, the Government does not want to be the visible spearhead of technology programs. On the contrary, there is a clear intention to attract private sector initiative and create a world-class 'business ecosystem' for it. Besides there already exists, an excellent infrastructure in terms of transport, power and telecommunication, vast human resources, the possibility of a quality life, harmonious industrial relations and laws specially tuned to suit the industry. Punjab today, is a land of boundless opportunities, offering distinct advantages for investment and industry.

Quarkcity Mohali

Less than 200 miles from New Delhi, the world's leading document publishing company, Quark Inc. of USA has set up its \$ 20 million research and development facility at Mohali in Punjab. It is a unique and exclusive venture that has put Mohali on the world map essentially aiming to create the first planned and integrated business complex in North India, to provide world-class infrastructure facilities for industry under one roof, to offer a business center that the most demanding customers in the world can invest in. Quark's Business Park offers an integrated approach to business ventures. With readymade, world-class facilities and pre-acquired approvals, this concept will allow grouping of similar business venture so that common requirements are addressed through central facilities. Unlimited space and a well-planned infrastructure is available at reasonable costs. Facilities like residential areas fully wired (LAN) for communications, road links and security are being catered for, so that no time is lost in administrative processes. In the first phase, the built up area would be 4.3 million sq. ft.

Consumer Index

Historically, Punjab has been the most prosperous region in India. Driven by the green revolution, it achieved the milestone of having the highest per capita income in the country, a position that it continues to maintain. The 'live well' philosophy of its people ensures that this state leads in surprising ways in India-like being the country's largest market for luxury cars and highest per head consumption of consumer items.

Technology

An excellent Data Communication Infrastructure with dedicated satellite earth station, an excellent fibre-optic network linking it to various parts of the country from Chandigarh lend credence to the IT revolution. Punjab has plans to connect every town and every village and also provide a private basic telephony and IT infrastructure provider. There is a well-developed telecommunication infrastructure on fibre optic with a high cell-phone density. Besides over four Internet Service Providers are setting up International Gateways in all major cities of Punjab.

e-GOVERNANCE:

The Punjab Government is committed to its e-Governance initiatives and believes that this is one of the most important pillars for a transparent, honest and responsive administration. It has already organized training programmes at all levels and taken steps for the creation of a common infrastructure for its implementation. The Government is creating sources of income for each major IT project in the area of e-Governance within the framework of the functioning of the department.

High-lights

Infrastructure & Services

- Best power situation with per head consumption of 2.5 times of national average.
- Highest road density of 95 kms. per 100 sq. kms.
- Well developed telecommunication infrastructure on optic fibre cable with highest cell-phone and phone density.
- Highest per head consumption of consumer items and white goods. Half million sq. ft. built up area with state-of-the-art facilities available.
- 2 million sq. ft. area in the pipeline.
- Venture Capital Fund of Rs.200 million for new ventures.

High Quality Human Resources

- High literacy rate 70% against all Indian average of 56%.
- 8 Universities, 30 Engineering Colleges, 58 Management and IT Institutes, 50 Polytechnics and more than 100 Industrial Training Institutes.
- 15,000 High quality professional and technical manpower every year.
- Large pool of highly productive and skilled workforce.
- Excellent industrial relations climate, highest labour productivity.
- More than 0.2 million English Speaking manpower from Public Schools for ITES.

High Quality Social Infrastructure

- Most modern and best plan cities of Mohali and Chandigarh.
- High Quality environmental friendly affordable housing on purchase and hire.
- Excellent basic and professional educational facilities.
- High quality health care facilities with PGI, Fortis and other specially hospitals.
- Excellent recreational and entertainment facilities like water-sports, Golf, Clubs, Pubs, Shopping complexes and amusement arcades.
- An hour away from coveted hill resorts of Kasauli, Chail etc.

Highest level of incentives for IT, ITES, Communication, Electronics and Bio-Technology Industry:

- Power sector reforms to facilitate captive power generation, power purchase agreement and wheeling of power.
- No power cuts, peak load restrictions, knowledge industry given the status of continuous industry.
- Lowest power rates at industrial power tariffs.

- Exemption from Electricity Duty
- Self-certification allowed under labour laws
- Professional Certification regarding statutory compliance.
- Three shift operation allowed for knowledge industry.
- Exemptions under Environmental Laws.
- Exemptions from Stamp Duty for transfer of property
- Exemption from land and building tax
- Relaxation of floor spacing index
- No Octroi on knowledge products
- Land subsidy linked to employment generation
- Capital subsidy in selected areas
- Venture Capital Fund to support new initiative
- Sales Tax at minimum floor rates
- Facilitation through single agency i.e. Punjab Infotech
- Freight subsidy for export
- Special incentives for integrated multiplex complexes
- Special incentives for mega projects of more than Rs.1000 m

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Chapter 5 : Retail Industry

The retail industry in India is being seen as one of the sunrise sectors. The Indian retail market is estimated to be around Rs 875,000 crore in 2004-05 and has grown by 8.5 per cent from Rs 80645 crore in 2003-04. The organized and corporate-owned retail business is estimated to be about Rs 35,000 crore in 2004-05 and has grown by 30 per cent from Rs 26920 crore. India has over 12 million retail enterprises with more than 75% belonging to small family businesses and basic necessities, especially food related items.

Strong fundamental changes including the changing lifestyles of Indian people, rising incomes etc have fuelled the growth of modern retailing and has attracted investment in this sector. Business houses in the country are turning to retail. Modern retailers like Trent, Shopper's Stop, Pantaloon, Piramyd, Globus, Vivek and Subhiksha, Foodworld, Big bazaar, Food bazar have entered the market and are planning for further expansion. India's prominent business houses like Reliance industries, Tata, Wadia, Godrej, Hero, Malhotras are planning to enter retail sector individually and also with foreign partners.

With the government being in the process of determining the level of FDI in retail, a number of foreign players including Wat Mart Stores, the world's largest retail chain have evinced interest for entering India in a big way.

Retail in India has grown beyond mere retailing and now encompasses sectors such as telecom, automobiles and finance.

Indian Scenario

The Rs 2.6-lakh crore Indian retail sector is poised to become the largest market in the world in the next few years. According to management consultant A T Kearney's 2004 Global Retail Development Index, India is currently the second most attractive destination for global retailers. Russia being at number one position, and China, placed at number three position.

In India 2.5-3.5 per cent of the total retail business is in the organised sector. But it is growing rapidly and in the next one or two years 15-20 per cent of the retail market in India will be in the organised sector i.e. shopping malls and urban and semi-urban super markets. When the unorganised sector is also taken into account, India's retail industry is growing at 30-35 per cent annually.

As much as 96 per cent of the 5 million-plus outlets are smaller than 500 square feet in area. This means that India per capita retailing space is about 2 square feet (compared to 16 square feet in the United States). India's per capita retailing space is thus the lowest in the world.

Though many of the metros have reached the saturation point as far as retail space is considered, the tier 1 and tier 2 cities are fast cropping up. More than 300 malls are under construction in these cities. By the end of 2005, 25 million square feet of organised retail space will come up across the country. Data released by Retailers Association of India (RAI) indicates that the retail consumption in the country is around Rs. 900,000 crore

annually and with value addition the figure goes up to Rs 1,200,000 crore. The growth of organised retailing and growth in the consumption by the Indian population is going to take a higher growth trajectory. The likely GDP growth in India would be similar to Thailand or Malaysia GDP levels and, organised retail in India would touch 15% of GDP in a few years.

Presently India's retail sector, accounts for about **9-10% of the country's GDP**, and remains one of the least developed sectors in India. The retail market size in India is estimated to be around \$180 billion (according to a McKinsey study) but the organized sector represents only 3% share of this market. Retailing provides jobs to **almost 15 percent of employable Indian adults**. The country has the highest per capita outlets in the world - 5.5 outlets per 1000 population. Around 7% of the population in India is engaged in retailing, as compared to 20% in the USA.

The estimated annual retail sales accounts for about \$ 6 billion and is expected to reach \$ 17 billion dollar mark by the year 2010, according to a study done by the Associated Chambers of Commerce & Industry (ASSOCHAM). According to some analysts, by the year 2010, the retail sector in India has the potential to reach \$ 270-280 billion dollar mark.

For this to happen, the government will have to bring about the required liberalization in the retail sector, if India is to ever become a developed economy. Historically, the Indian retail sector has been dominated by small independent players such as traditional, small local panwalas (grocery stores) and others. Recently organized, multi-outlet retail concept has gained acceptance and has since then accelerated. Most of the organized retailing in the country has just started recently, and has been concentrated mainly in the metro cities. India is the last large Asian economy to liberalize its retail sector. In Thailand, more than 40% of all consumer goods are sold through the super markets and departmental stores. A similar phenomenon has swept through all other Asian countries. Organized retailing in India has a huge scope because of the vast market and the growing consciousness of the consumer about product quality and services.

Recently the Indian government has hinted towards taking the necessary steps to liberalize the retail market in India. However, there are concerns being expressed by the protectionists in and outside the government. Most of the developed economies (US, UK, Canada, Germany, France, Italy and others) around the world have benefited enormously by liberalizing their retail sector. **Liberalization of the retail sector in India also would create millions of jobs and boost to its overall GDP.**

All major global players such as Wal-Mart, Tesco, Sainburys and others are keen to enter the Indian retail market. A T Kearney ranked India 5th out of 30 most attractive retail markets in terms of investment.

With rapid expansion plans, companies operating in the retailing business are likely to tap the equity market for funds to expand operations.

BOOMING RETAIL MARKET

Retail is considered the world's largest private industry with a total sale of over US \$ 6.6 trillion with close to 12 million outlets. India has the largest retail density in the world. Retail in India is fragmented and organized retail in India is less than 3% of the total retail market. Growth in per capita income, change in house holds income pattern, improved standard of living form key team drivers for growth in retailing. It is estimated that presently additional 46 million sq ft. for malls, multiplexes are being added in India out of which 32 million sft is spread over across seven major Indian cities. As many as 45 malls with over 9.5 million sft of retail real estate is expected to come up in tier-2 cities like Jaipur, Chandigarh, Ludhiana, Nagpur, Baroda, Surat, Kochi by end of 2007.

Chapter 6 : REAL ESTATE

The residential property market constitutes almost 75% of the real estate market in India in terms of value. As per the Tenth Five Year Plan there is a shortage of 22.4 million dwelling units out of which more than 70% dwelling units are for middle and low income brackets. Additional requirement of housing per year during the plan period 2002-2007 has been estimated at 4.5 million units per year. The India Government's habitat policy envisages that by the year 2012 the housing shortage should be removed and everybody should have a house of his own. To meet this target the estimated investment involved is approx. Rs.400,000 Cr. or say US \$ 800 billion upto 2012. This indeed is a tremendous opportunity for investors and NRIs.

Opportunities in Tier – 2 Cities

A significant shift in real estate market has been from metros to its sub -urbs and to tier two cities having population of one million and above and gradually the shift would be to tier three cities and to rural areas. A number of townships are being developed in tier two cities all over the country and over 100 such townships each with over one hundred acres of land are in various stages of planning and development. There is scope for another hundreds of townships to come up in the next three-four years.

Reasons for the boom

Some of the reasons for the boom in demand for housing sector is easy availability of finance form the housing finance companies and banks, lower interest rates, escalating salaries job prospects and availability of fiscal and tax benefits. Residential mortgages as percentage of GDP is just over 2.21% in India compared to over 30% in South Asian countries, over 45% in Europe and over 70% in USA. **Scope exists for over 400 residential townships in the next five years in tier two and tier three towns having a population of over half a million.**

Yield in residential sector

(1) On an average the yield to a developer is 25% to 40% on investment deployed or 10 to 15% on turnover.

(2) Average yield to investor is 20 to 30% on investment on yearly basis.

A home buyer can be both speculative or end user and the last two years have seen a minimum profit of approx. 25-40%.

Office Property Market

Office property market in India is booming. There is great demand for modern office buildings in India. The demand for new office spaces alone has grown from estimated 3.9 million sft in 1988 to over 16 million sft in 2004-05. Cumulative demand for office space in India between 2005-2008 is estimated to be in excess of 85 million sft. This represents an annual growth rate of 14.5 % over the next three years or approx. 20 million sq. ft. per year. Approx 80% of this demand is created by IT & BPO sectors.

ITES contributed 28% of the total software service export from India during the year 2004. ITES and BPO segment registered a growth of 54%. NASCOM and McKinsey study has predicted that ITES sector in India will provide additional jobs for over 1.1 million people by 2008 which translates into space requirement of approx. 100 million sq ft.

IT, ITES and BPO companies are shifting from Traditional centres like Mumbai, Delhi, Bangalore, Hyderabad, Chennai to NCR, Kolkata, Pune, Chandigarh, Jaipur etc. to be cost effective. States are providing tax incentives and other motivations to IT companies to attract to their States. It is observed that the users and occupiers do not mind shifting to other destinations to be more cost effective and ensure less work force turn over.

Capital Value Appreciation Increased demand and IT, ITES and BPO sector has led to an appreciation of approx. 20-40% for capital value for office space in the last 12-15 months.

FDI IN REAL ESTATE

In March 2005, Government has permitted FDI under automatic route in real estate sector. This will help to

- Organize the real estate sector
- Bridge demand and supply gap
- Create more professionalism
- Bring superior technology
- Induce healthy competition
- Ensure availability of funds
- Enhance the country's GDP

There is tremendous opportunity for companies and NRIs to invest in Indian Real Estate market.

Some of the foreign players who have already tied up with Indian developers are Lee Kim Tah Holdings, CESMA International Pvt Ltd., Evan Lim, Keppel Land from Singapore, Salim Group from Indonesia, Edaw Ltd., from USA., Emaar Group from Dubai, IJM, Ho Hup Construction Co., from Malaysia etc.

Real estate is estimated to capture about 18-20% of the total FDI coming to India in 2005-2006. Close to US \$ 1.2 billion worth of real estate investments are estimated to be made by real estate venture capital funds in 2006-2007.

A number of real estate venture capital funds are looking towards India for investments because the projected returns are high as compared to returns from their own home countries . Returns are as high as 15% to 25% per annum on capital deployed.

Why India

With India's 15-year-old reforms process taking effect, India is poised to be one of the fastest growing economies and is now the prime target for the **VC (Venture Capital)** community, aided by a maturing market, substantial local presences by tens of

multinational companies and feverish entrepreneurial spirit, India's business productivity and technology growth are peaking. Additionally, India's stock markets are booming like never before, strengthening the investment climate and consistent expansion of their IT market.

Encouraged by this explosive growth, India now offers investors the best promises for returns to-date. **NRIs can incubate funds in India to duplicate Silicon Valley growth in India for the technology and other sectors.**

Key projects for investment

3) Telecommunications

According to the Telecom Regulatory Authority of India (TRAI), the tele-density of the country has increased from 2 per cent in 1999 to 9.15 per cent in April 2005. The subscriber base has reached 1 billion at present. The annual turnover of the telecom industry is estimated to be more than Rs 51,600 crore. The gross subscriber base of the fixed and mobile services together reached 98.41 million in March 2005 against 76.52 million in March 2004 recording a growth of 28.6%. The subscribers of Fixed Service (Fixed Line and WLL-F) increased to 46.19 million and that for Mobile Services (GSM+CDMA) to 52.22 million with mobile services having annual growth of 55 per cent. The main reasons fuelling the high growth rate are increased competition, a combination of plans and promotion schemes, decline in tariffs, falling prices of airtime and handsets, improvement in services and aggressive marketing. The government has increased the limit of FDI in telecom from 49 per cent to 74 per cent. In the Union Budget 2005-06, the customs duty on import of components and raw materials required to manufacture telecom equipment has been reduced to zero.

Dual technology areas of IT, namely services and hardware; biotechnology; healthcare and pharma. On the project side, construction -- because that area has now opened up for foreign direct investment, although with certain restrictions.

Other projects that may be infrastructure-oriented, as India is opening up its infrastructure, energy infrastructure area

5 Reasons to invest in real estate

- 1) Higher, risk-adjusted returns as compared to various asset classes over a period of time.
- 2) Assured, regular income
- 3) Capital Appreciation
- 4) Inflation Hedge
- 5) Portfolio Diversification

Real estate is emerging as one of the hot investment destinations.

On an average the returns from rental income on an investment in commercial property in metros is around 10.5%, the highest in the world. Compare this with other investment

opportunities like bank deposits and bonds that offer you returns ranging between 5.5 to 6.5%.

| Investment Avenues | Risk | Returns | Volatility | Liquidity |
|---------------------------|-------------|----------------|-------------------|------------------|
| Stock Market | Very High | High | Very High | High |
| Bond/Notes | Low | Moderate | Moderate | High |
| Bank Deposits | Low | Moderate | Low | High |
| Precious Metals | Low | High | Moderate | Moderate |
| Real Estate | Low | High | Low | Low |

SOME AREAS OF CONCERN

However, there are certain areas which need reforms immediately:

1. Sanctioning process is slow and time consuming. There is need for Single Window clearance.
2. Recently suggested environment clearance needs to be streamlined.
3. Computerization of land records and the same to be put on websites. Title verification agencies and insurance thereof.
4. Archaic tenancy laws to be changed.
5. Urban Reforms Improvement Fund is a good step taken by Centre. States to make good use of it.
6. Reduction on Stamp duty.

Summing up, we can say that the international players and NRIs have entire world to invest. South East Asian countries like Malaysia, Indonesia, and Thailand have been attracting several investors. China and Dubai has been favourite destinations. Of late China and Dubai has seen reduction in capital appreciation and return. India is the next most favourite destination for real estate investors and global developer as Indian Government has started its initiative to make attractive policies for international developers to come to this country.

Chapter 7 : FINANCIAL SERVICES

- **Housing Finance**

According to data available with the National Housing Bank, total housing finance disbursement has increased to Rs 72424 in 2004-05 from Rs 54,326.9 crore in 2003-04 recording a growth of 33.3 per cent. The volumes of loan sanctions and disbursements by Housing Development Finance Corporation of Rs 19715 crore and Rs 16207 crore respectively have grown by 30 per cent and 28 per cent respectively in 2004-05. The affordability has increased due to tax reductions, low interest rates and steady real estate prices and innovative schemes, which have given a fillip to housing finance activity.

- **Car Finance**

The car finance industry with an approximate size of Rs 26,680 crore in 2004-05 has grown by 16 per cent from Rs 23,000 crore in 2003-04.

- **Mutual Fund**

The Mutual Fund industry has faced tremendous growth during the last few years. There are 30 mutual funds operating in the market. The total sales in the year 2004-05 has increased to Rs 839662 crores recording 42% growth over the previous year. Schemes sold in the year 2004-05 has grown by 12% from 403 in 2003-04 to 451 in 2004-05. The preference for an assured and a consistent 15-20 per cent annual return on investment compared to long-term bank deposits offering a maximum of 6 to 6.25 per cent has attracted the investors in various mutual fund schemes. Private sector funds and foreign fund joint ventures now manage major portion of the industry's total assets.

- **Leasing and Hire Purchase**

The leasing and hire purchase industry has performed moderately in recent years with 5 per cent annual growth after a spell of prolonged negative growth. The boom in infrastructure development and construction activity has created huge opportunities for equipment leasing / equipment rental which is estimated to be around 1000 crore and has grown by 8.7 per cent in 2004-05 from Rs 920 crore in 2003-04.

- **Insurance**

The sector has been opened for private participation, and foreign insurance companies have been permitted to enter the Indian market through equity participation up to 49 per cent in the Union Budget 2004-05. The total premium collected in the life insurance segment has grown by 35% to Rs 25343 crore in 2004-05 from 18710 crore in 2003-04. Private players have made substantial contribution with 129% increase in 2004- 05 over the previous year by achieving Rs 5557 crore in 2004-05 from Rs 2425 crore in 2003-04. LIC, holding majority share of the total premium achieved 21.5% growth by achieving Rs 19786 crore in 2004-05 against Rs 16285 crore in 2003-04. In the case of policies, private players have been able to register a positive growth of 34.6% in 2004-05 by achieving 2233075 policies against 1658846 policies in 2004-05.

The General Insurance Industry has posted a growth rate of 13% in 2004-05 over 2003 by achieving premium of Rs 18095 crore in 2004-05 against Rs 16037 crore in 2003-04. Private players have achieved 57.4 per cent growth by achieving Rs 3555 crore in 2004-05 against 2259 crore in 2003-04.

Chapter 8 : TOURISM, HOSPITALITY & CIVIL AVIATION

Indian tourism industry

Domestic Tourism

The travel and tourism segment in India is one of the fastest growing travel and tourism economy in the world. As this segment is a major foreign exchange earner, the details analysis is covered in export of services. Domestic tourism has displayed greater buoyancy with about 20% increase in domestic tourists estimated to be around 430 million in 2004-05. Domestic tourism in India is also fuelled by a number of factors like India being the home to many of the leading religions of the world. Important pilgrim sites of different religions are scattered throughout the country. Tourism development programmes and projects and various incentives given and advertisement campaign initiated by the Central and State Government have fuelled growth. It is estimated, that over 10 lakhs Hotels & Restaurants, are operating in India.

Tourism is a key contributor to India's economic strength. Tourism is the world's largest industry, and it is projected to continue growing throughout the 21st century, according to the World Travel & Tourism Council (WTTC). **According to WTTC India's travel and tourism industry is expected to generate 2 per cent of GDP and 11,404,000 jobs, while the broader travel and tourism economy is expected to generate total 4.9 per cent of GDP and 24,456,600 jobs in 2004, 5.6per cent of total employment, or one in every 17.8 jobs. India travel and tourism demand is expected to generate Rs 2,002.3 bn or \$25.8 bn and Rs 7,027.7 bn (\$90.4 bn) of economic activity by 2014. Travel and tourism demand is expected to grow by 8.8per cent per annum in real terms between 2005 and 2014. The WTTC estimates that tourism is providing employment for 255 million people globally, and is expected to generate another 130 million jobs by 2006.**

Tourism offers many opportunities for entrepreneurs, small business start-ups, home grown businesses and rural businesses... and can be combined with other sectors such as agriculture (agri-tourism). Travel & Tourism gives vigor to economies, stimulates development and offers people jobs and career prospects.

In 2004 Indian companies were among the biggest spenders, spending a total of US\$13 billion on 150 new aircrafts. This dramatic expansion in the aviation industry indicates a spectacular growth in Indian tourism over the past two years, with both inbound and outbound travel galloping ahead of targets. With tourist inflows barely dented in the aftermath of the tsunami, India's travel industry is targeting five million visitors in 2005.

Inbound traffic in 2004 soared 25% (to more than three million) from January to November. Abacus recorded an increase of 18% of bookings – from 229 704 to 270 799 – to India from Asia Pacific over the January to May period of 2005 compared with the same period last year. **“Incredible India”** tourism marketing campaign can be credited for the unprecedented visitor traffic from offshore and for kick-starting the phenomenal growth in domestic tourism. The industry is expected to bask in an annualized real growth rate of 9%

over the next 10 years, double the rate predicted for overall world tourism growth and outpacing China's progress (at 8.6%).

Annual overall revenue from India's travel and tourism industry will increase to around US\$90 billion, from the current US\$39 billion, within 10 years. Over the same period, travel-related jobs will grow by three million, from 24.5 million – one in 18 jobs will be in the tourism sector. New opportunities will open in travel-related call centres, airport handling services and tour agencies.

While a desire for a return to basics, to rediscover simple pleasures and embrace a unique experience has always been a major incentive to visit India, there's more than just "spirituality tourism" driving today's record tourism industry growth, while the pilgrimage places such as Buddhist centres are a big attraction for visitors especially from Singapore, Thailand, Japan, and Korea – many regions in India have established themselves as attractive destinations. They include Kashmir, neighbouring Himachal, and Kerala on the south coast that is fast gaining its reputation as a premium spa centre offering popular backwater cruises. The Golden Triangle of Delhi, Agra and Jaipur continue to draw large number of tourists. More and more secondary destinations are opening with the explosion of inbound and domestic tourism. India is also now in the top ranks of incentives and meeting destinations. Mumbai, for instance, has had 30% growth in business travellers since the beginning of 2004.

According to the Oxford Economic Forecasting Report for the World Travel & Tourism Council, the burgeoning middle class in Asia has made it fourth largest economy and is directing more of its spending to travel. An additional US\$420 billion is expected to be generated by this group over the next four years. Personal travel is forecast to grow 9% to US\$46.5 billion over 10 years (from US\$19.5 billion). A 7.6% rise in business travel will earn US\$5 billion, double the current take. The steep growth in business travel demand is sustainable because India is evolving as a knowledge economy. We are seeing more business outsourcing, major banks and airlines establishing back offices and continued call centre expansion. Heaviest demand for business travel comes from established centres such as New Delhi, Mumbai and Bangalore. Pune, and Kolkata, are also emerging as top-tier business destinations.

Increased demand has changed the role of travel agents. They are not only issuing tickets. Increasingly, their role is one of a facilitator – offering solutions, managing budgets and online tools and contents for clients. Exponential growth will bring major challenges. One of the most obvious is a looming shortage of expertise – more travel training centres, for instance, are needed – and hotel rooms in popular centres such as Kashmir. But one of the most pressing concerns for agents, is red-hot competition for airline seats.

The technology systems are capable of meeting the extra demand from more travellers, but agents often face the issue of not getting enough tickets. This problem is soon going to disappear with the low cost airlines such as Air Deccan, Kingfisher Airlines, Spicejet, Magic Air and, waiting in the wings another future entrant, Indigo Airlines starting full-fledged operations in India.

India's open skies policy will increase inbound and outbound capacity over the next few years. One of the most visible developments of unprecedented domestic demand is keener competition in the skies over the sub-continent making it more convenient and affordable for overseas visitors and domestic travellers to see more of India.

The low cost, high quality medical care is rapidly turning India into a 'global health destination'. This is evident from the fact that India has seen a surge of patients from developed countries as well as from countries that lack adequate healthcare infrastructure such as Africa and some Asian countries.

The **Medical Tourism** industry in India is worth \$333 million and as per latest estimation an additional revenue of \$2.2 billion is expected by 2012, says a Centrum report on medical tourism in India. Some of the key factors for the surge in medical tourism include cost efficiencies, policy initiatives, high quality services apart from emergence of preventive healthcare companies and health insurance initiatives. Some of the important reasons include cost-competitive medical treatment as compared to that of the developing nations such as the Philippines and Thailand, improved technological advances in the areas such as cardiology, cosmetic and orthopedic surgery, dentistry, eyecare and preventive health checks. In addition to that, India has the advantage of ayurvedic, siddha, alternative and holistic healthcare services over the decades. Due to the surge in medical tourism some of the major corporate such as Tatas, Fortis, Max, Wockhardt, Primal and the Escorts have made significant investments in setting up state-of-the hospitals in the major Indian cities with special packages like airport pickups, visa assistance and boarding and lodging.

The government too has realized the growth potential of **Health Tourism** and has come forward to provide benefits such as lower import duties on equipment and an increase in the rate of depreciation from 25% to 40% for life-saving medical equipment and other tax sops.

Hospitality Industry

India's hotel industry is witnessing booming economy and the resulting surge in business. The rol demand for accommodation has led to higher room tariffs and is attracting foreign investment.

India is no longer just an `exotic' country, but is now the destination of choice not just for fore tourists, but also for business travellers. The change in image has lead to a boom in hoteliering. W the industry had its vicissitudes in the recent past, the current boom looks like sustained growth tr There is a mismatch between demand and supply, leading to higher occupancies and average room ra During 2004-5, revenue per available room in hotels across India increased by 29 per cent over the 20 02 levels.

According to CRIS INFAC, a prominent research consultancy firm "Demand will outpace supply in the short to medium term, and ARR(average room rates) are expected to increase by 13 to 14 per cent annually over the next two years. Due to the spurt in tourist inflows, occupancy rates are expected to re 83 per cent by 2008- 09, up from the present 72 per cent.

Major reasons for fillip in the hotel sector are:

The underlying boom in the economy, particularly the growth in the information technology enabled services and information technology industries. For instance, Bangalore, India's silicon valley, is the most lucrative market in the country today. Hotels in Bangalore reported the highest average room rate of \$266 in the five star niche compared to about \$155 for Delhi and \$111 in Mumbai. Hotels in Bangalore have been reporting 80 per cent occupancy compared to over 70 per cent in Delhi and Mumbai. As of from the four and five stars, even the three stars in Bangalore have done well. Due to the difficulty in getting rooms,

software giant Infosys is building a 500 room hotel in the city for its guests.

- Growth in demand in 2005, 2006 and 2007 will be 20 per cent year on year. Much of this growth will be driven by the BPO explosion, telecom, IT and energy.
- Growth in Domestic travel, both business and leisure due to
- Rising stock indices and new business opportunities are also attracting foreign institutional investors,
 - funds, equity and venture capitalists.
 - Opening sectors of the economy to private sector/foreign investment.
 - Entry of low cost airlines and the open skies policy — which has led to a dramatic increase in commercial flights into and out of India.
 - Large increases in International airline passenger capacity.
 - India is now growing into a 16 to 18 city market from being a six or seven city market.
 - The rise in economic activity across the country has led to an increase in demand in several other smaller cities including Ludhiana, Chandigarh, Ahmedabad, Pune, Cochin, Bangalore and Hyderabad.
 - An important new development is the government's recent decision to treat convention centres as part of core infrastructure, allowing the government to provide critical funding for the large capital investment that may be required. The bulk of international arrivals in India, both in 2003 and 2004, have been business travelers and the government has identified Delhi, Mumbai and Chennai as the markets to develop these convention centers, which is likely to further fuel demand for hotel rooms.
 - According to recent estimates of the WTTC, Indian tourism will grow at 8.8 per cent over the next 10 years, which would place India among the most rapidly growing tourism and hospital markets in the world.
 - Government decision to substantially upgrade 28 regional airports in smaller towns, slated to be completed by 2006.
 - Substantial investments in tourism infrastructure are, undoubtedly, essential for hotel industry to continue to evolve and grow, and ultimately achieve its potential. The upgrading of national highways connecting various parts of India has opened new avenues for the development of budget hotels alongside. Taking advantage of this and certain other key locations is the Tata group (owners of Indian Hotel – Taj) that has developed IndiOne, a 101-room economy hotel outside Bangalore; they hope to duplicate this across India in the next few years. Another hotel chain called 'Homotel', being promoted by Sarovar Park Plaza group is also likely to compete in this new economy segment.

- Stable economic and political climate leading to strong sense of business and investment confidence
- in India is strongly encouraging many international investors, to invest heavily into India.
- With disposable incomes having risen significantly in the last five to seven years, across much of India's middle income and upper-middle income segments, families have been taking more holidays - and spending more on their vacations - than ever before. The concept of travelling for leisure and staying at hotels has, in recent years, gained a more widespread appeal, not only with families, but also young adults, a segment that is earning far more than their parents did at age.

All these developments have contributed to a phenomenal growth in commercial travel. Tourist arrivals

are up 17 per cent for the first few months of this fiscal. It is estimated that a majority of the tourists are business travelers and unlike leisure travel which is seasonal, the business travelers ensure year-round occupancy. Indeed, the dollar-paying business travelers are the most sought after customers since they seek few discounts, entertain freely and make extensive use of the hotel facilities

like restaurants, business centers, travel desk, car rentals etc. since they are pressed for time.

The increased thrust on meetings, conventions and exhibitions helps hotels improve their earnings.

The sharp rise in arrivals - as well as the increase in domestic travel - is already showing in the high occupancies of hotels across various cities in India. Demand for room nights grew at approximately 18% across the country in 2003-04 and is growing at 15- 20% in 2005. **Taking into account an estimated demand growth of approximately 18% over the next few years, the estimation is that another 65,000-80,000 rooms will need to be added, across the country, in the next five years, to be able to meet the increase in demand. If this does not happen, room rates will rise dramatically, and, consequently, travel will come down, as people will find it too expensive to travel within India unless absolutely necessary.**

According to government estimates, India needs about 80,000 rooms in all categories over the next two to three years at an estimated cost of about \$8 billion to \$9 billion, out of which about 20 per cent should be in the premium segment. According to some analysts, there's demand for 150,000 new hotel rooms, which would cost \$10 billion to build but there are currently only 35,000 - 40,000 rooms under different stages of planning and construction that are expected to enter the market in the next five years. Just 16 to 18 per cent of its demand for rooms comes from foreign tourists. According to estimates, 100 million Indians travel within their country each year, enough to fill up the capacities being set up. The Indian hotel industry is robust at present, and there are clear indications that the next two to three years will be even stronger.

Civil Aviation

In the area of civil aviation, domestic passenger traffic grew sharply by 24 per cent in 2004-05 to 39.9 million passengers as compared with a 13 per cent growth in the previous year. International passenger traffic rose by 17 per cent in 2004-05 to 19.4 million persons. Total Air Cargo handled reached to 1.28 million tonnes in 2004-05 from 1.07 million tonnes in 2003-04 recording growth of 20 per cent. Domestic Cargo recorded growth of 21 per cent by reaching 0.46 million tonnes from 0.38 million tonnes in 2003-04. International Cargo recorded a growth of 19 per cent by reaching 0.82 million tonnes in 2004-05 from 0.69 million tonnes in 2003-04.

million tones in 2003-04. The huge growth has encouraged new airlines to fly on the Indian sky and to enter the Indian market. India has an advantage in offering multiple destinations. The government has allowed complete open skies for foreign carriers. **Government has allowed domestic private airlines to operate on international routes, except gulf countries, subject to some minimum conditions.**

Chapter 9 : Media & Entertainment Industry

The entertainment industry is a vast industry with the unique blend of the organized sector and the unorganized sector covering film, music, broadcast, television and live entertainment. The entertainment industry is estimated to have grown by 16 per cent to Rs 22,272 crore in 2004-05 from Rs 19,200 crores (US\$ 4267 million) in 2003-04. Significant increase in television viewership, improved realizations from television subscriptions and film exhibition have contributed immensely to this performance. The unorganized sector having higher presence is also facing rapid transformation.

Film Industry

The Indian film industry with an estimated turnover of about Rs 5500 crore in 2004-05 has grown by 17 per cent. The industry produces around 1,000 films every year, employing 60 lakh people. There are about 400 production houses in the country with 32 corporate houses in the business of film production and about 100 individual distributors servicing the requirements of the visitors and the audiences. Realizing the importance of the sector, the Union Government has granted the film sector industry status and has introduced 'clean money' through State-controlled banks.

Music Industry

The Indian music industry has seen a drop in turnover in recent years and has stabilized a little during the last year and is worth Rs 463 crore at present with a growth of about 3 per cent. In India, while the content has increased the same has not reflected on the amount of revenues for the music companies. In fact, it has been estimated that the total loss of the music industry is largely an account of piracy. Piracy is a major problem. Popular Indian music has close relation with success of Bollywood films and songs.

Broadcasting

Radio broadcasting has still maintained its popularity among the vast Indian common masses. Radio broadcasting turnover has grown by 10 per cent at 198 crore in 2004-05 from Rs 180 crore in 2003-04. FM radio, with merely 2 per cent of total advertisement spending of Rs 9600 crore has immense potentialities.

Television industry has grown by 15 per cent with the increased turnover consisting of subscriptions revenues of around Rs 14,830 crore in 2004-05 from distribution, television and cable advertising. Cable television has achieved 14% growth by reaching revenues of Rs 9,400 crore during 2004-05 from Rs 8,200 crore in 2003-04. There are some big Multi-System Operators (MSOs) that operate in the states and important cities. The next level has 15 large MSOs, which have presence in the cities of lesser importance. The local MSOs are 30,000 to 35,000 in number, and the number is even higher if the franchises are included. The small and the independent cable operators in towns and villages are 50,000 and the figure touches one lakh with the inclusion of franchises. The total number of registered cable networks in the year 2003 was 35,000.

Live Entertainment

Live entertainment has got both organized and unorganized segments consisting of sports, arts, theatres, festivals, personal events. The organized sector having the size of around 580 crores has maintained excellent growth of about 40 per cent in 2004-05 and has tremendous potentialities.

Media & Entertainment Industry: A Sunrise Industry in India

The media industry is among the fastest growing services sector in the Indian economy. In sheer revenue size, the Indian media industry in 2003-2004 was worth about Rs.19,200 crores (approx US \$ 4.5 bn). In 2004-05 it is expected to touch Rs.22,600 crore (approx US \$ 5.25 bn). By 2008 it is expected to cross a whopping 42,300 crore (approx US \$ 9.85 bn). (Source: FICCI – Ernst & Young Entertainment Report, 2004).

In terms of employment, an estimated 6 million people earn their livelihood from the media and entertainment industry. Some experts feel that during this decade another 1 million people will get jobs in this industry since it is projected to be one of the prime economic driving forces of the country, even ahead of economic driving forces of the IT sector. Such predictions are not restricted to India alone. The media and entertainment industry is rapidly growing across the world and current trends clearly show that this sector will be among the top services sector in all growing economies.

. Entertainment is now thought of as a commodity – which has to continuously evolve with the current market supply and demand factors. It is a potential revenue generator for the economy, though currently the share of entertainment revenue in India's GDP is not even a percentage.

Over the last decade, India has registered the fastest growth among major democracies and is now the fourth largest economy in terms of “purchasing power parity”. According to the widely discussed Goldman Sachs report of October 2003, over the next 50 years, Brazil, Russia, India and China — the BRIC economies, could become a much larger force in the world economy. **The Indian Entertainment Industry is expected to significantly benefit from this fast economic growth, as this industry grows faster when the economy is expanding. When incomes rise, proportionately more resources get spent on leisure and entertainment than on necessities.**

The Indian rural market with its vast size of 128 million households, nearly three times of urban India, also offers a huge opportunity that has, so far, remained largely untapped. Rural India has a large potential consumer class, with over 40% of India's middle-class and over 50% of the total disposable income.

With advanced technology and increased avenues to provide entertainment, this industry is ready to "take-off". The year 2004 was a good year for the Indian Entertainment Industry which was marked by consolidation, realignment and growth in most segments of the Industry. The year 2004 also witnessed a positive change on the regulatory scenario. Film and Television segment experienced unprecedented growth, along with the emergence of **Animation and Gaming industry**. The Music Industry

continued to be plagued by piracy, though new mediums of music delivery are set to give impetus to this segment in the coming years. The Radio industry also witnessed modest growth. The Live Entertainment segment continued its steady growth in 2004.

The Broadband policy announced in October 2004 is expected to create more demand for entertainment content.

Factor that makes the Indian media and entertainment industry today an attractive proposition is the current expansion of the market in India itself. Cable and satellite, in particular, is undergoing a period of significant growth especially in rural and semi-urban areas. Regional channels are thriving because, with their increasing reach, advertisers are better able to target specific audiences.

- The entertainment industry is outperforming the rest of the economy: in 2001 the sector experienced growth of 30%.
- The Government in India is keen to sustain this growth and has positioned itself as a proactive facilitator positioning India as a 'hub' for the 21st century. It is removing barriers to foreign investment, fast tracking procedures and introducing legislation to control piracy and under-declaration. It has granted the film sector 'industry' status and has introduced 'clean money' through state controlled banks.
- A much-needed corporatisation of the industry is beginning to take place with the growth of professional management and accountability and the introduction of insurance and completion bonds.
- In addition, the Government has started to use regional and national tax incentives for improving and building the production and exhibition infrastructure and to improve investment in content creation and human capital.
- The Government is also moving towards signing a number of co-production treaties to provide a framework within which private and public partnerships can flourish.
- A co-production treaty between India and UK could provide a formal framework for the entertainment industry to do business. India is on the brink of signing a co-production treaty with Canada and possible areas of collaboration between the two countries will include co-producing television films and animation programmes. The Bollywood feature film *Taal*, for example, was shot against Canadian backdrops in Vancouver and Toronto.
- ***There are opportunities for foreign capital investment in projects, production houses, film and television studios and film facilities, especially post-production, distribution and exhibition. Foreign investors will no longer have to seek clearances from the Foreign Investment Promotion Board or permission from the Reserve Bank of India.*** The current major investors in the sector are Rupert Murdoch's News International, Universal and Sony.
- India's film and television industries are increasingly adopting digital technology from high-end digital cameras and graphics equipment to state-of-the-art studios and post production facilities. Studio facilities - from the state-funded Film City in Bombay/Mumbai to the privately-owned state-of-the-art Rama Rao Studios in Madras - are one of the country's key drivers for film-related inward investment.
- Several private film and television training institutions are under construction. The most advanced is Whistling Woods set up by Subhash Ghai of Mukta Arts. These

new bodies will be looking for teachers, trainers and training models. The UK film and television industry is well placed to be a part of this development.

- ***The Indian Diaspora is another significant factor contributing to the potential of India's media and entertainment sector. The large number of cash-rich Non-Resident Indians (estimated at 25 million) are considered to be India's sixth territory.*** The Indian territories are divided into five distinct markets: West (Bombay/Mumbai), South (Madras), East (Calcutta), North and North East. The largest territory is the West followed by the South which is also known as 'Tollywood' because of the Tamil language. The net worth of this group is estimated to be \$300 billion and their contribution to the Indian economy is valued at \$5-10 billion annually. In the UK there are 3 million Asians, worth £41 billion, 15 Asian channels and 50 active screens showing Bollywood films and live entertainment events which generate cash for the Indian entertainment industry. London is the launch-pad for Indian films, television, music and fashion around the rest of the diaspora.
- The only UK Asian-owned media sector that is taking advantage of India's current liberalisation is radio and more specifically Sunrise Radio which already has eight radio stations in Sri Lanka and Mauritius and has been granted an FM licence in India.

Chapter 10 : HEALTHCARE SERVICES

India's healthcare sector with estimated size of Rs 920 billion including pharmaceuticals and equipment has achieved rapid growth in the domestic economy with modern healthcare services has grown by about 10 per cent in 2004-05. India's health services rendered by highly qualified and experienced personnel, good hospitals specialized in both modern and traditional Indian medical systems (like Ayurveda, Unani, Siddha and nature-cure) are attracting patients from across the world, apart from serving the domestic patients. The various gaps including shortage of good hospitals, hospitals beds, latest technical equipments good healthcare opportunities offers vast scope and opportunities.

Furthermore, if India can overcome the challenges mentioned then medical tourism can become a particularly attractive opportunity for India. This is because over 2 million PIOs (people of Indian origin) live outside India and they have combined 'annual personal earnings' of USD 363 billion. Also, they annually spend over USD 7.2 billion on medical insurance and hospitalization etc. So, if the Indian medical organizations and hospitals can attract a substantial portion of these PIOs by performing simple surgeries and treatments (e.g., dentistry work and cataract) or even more complex ones (e.g., angioplasty, cardiac surgery, and knee replacement). Even if India can attract 14 percent of the 'annual personal earnings' spent by PIOs on medical insurance and health care (outside India), it can earn an additional USD 1 billion worth of medical tourism to such PIOs.

Finally, in addition to providing surgery and treatment that is related to western medicine, India can also promote alternative medicine, e.g., Yoga, Neuropathy, Panchkarma, Health SPAs, and Aryurvedic, Homeopathic and Unani treatment centers.

Indian Scenario

According to India's Ministry of External Affairs, the US\$17 billion Indian healthcare industry comprises roughly 4 percent of the country's GDP. Hospital services, health care equipment, managed care and pharmaceuticals are poised to grow by 13 percent annually for the next six years. The export of bulk drugs and formulations is set to increase at a compounded annual growth rate of 20 percent and 10 percent respectively between 2002 and 2006. According to the Insurance Regulatory and Development Authority (IRDA), India's health care industry could grow exponentially, as have software and pharmaceuticals over the past decade. The government believes that only 10 percent of the market potential has been tapped. With global revenues an estimated \$2.8 trillion, health care is the world's largest industry.

India's health care services industry is poised to become a major driver of economic growth as first-world patients, driven out of their own systems by high costs and crowded conditions, look for economical places for medical care. This is evident from the fact that India has seen a surge of patients from developed countries as well as from countries that lack adequate healthcare infrastructure such as Africa and some Asian countries. The low cost, high quality medical care is rapidly turning India into a 'global health destination'.

Due to the surge in medical tourism some of the major corporates such as Tatas, Fortis, Max, Wockhardt, Primal, Manipal Group and the Escorts have made significant investments in setting up state-of-the hospitals in the major Indian cities with special packages like airport pickups, visa assistance and boarding and lodging.

Some of the key factors for the surge in medical tourism in India include

- Cost efficiencies,
- Policy initiatives,
- High quality services apart from emergence of preventive healthcare companies and
- Health insurance initiatives,
- Cost-competitive medical treatment as compared to that of the developing nations such as the Philippines and Thailand
- Improved technological advances in the areas such as cardiology, cosmetic and orthopedic surgery, dentistry, eyecare and preventive health checks.
- India's advantage of ayurvedic, siddha, alternative and holistic healthcare services over the decades.
- Government provided benefits such as lower import duties on equipment and an increase in the rate of depreciation from 25% to 40% for life-saving medical equipment and other tax sops.
- Growing health consciousness among middle and high-income families in India and abroad.
- Privatization is the key to the sector's resurgence. A Central Bureau of Health Intelligence study indicates that middle and high-income groups have more confidence in health care products and services offered by private hospitals than in government-owned agencies. On average, private service is 60 percent more expensive than government-owned service.

Although private health care is a more expensive alternative for domestic residents, it is economical for the British government to fly patients over and back after treatment than it is to treat them at home. In fact, the cost-benefit advantage is phenomenal. Open-heart surgery costs run \$34,000 to \$70,000 in the UK. In the US, routine open-heart surgery runs as high as \$150,000, with complicated problems considerably more. In India, open-heart surgery could cost \$3,000 to \$10,000 in the best of hospitals. Cost differentials therefore could be anywhere from 200 percent to 800 percent. Analysts believe effective marketing could divert patients from African and West Asian countries who are going to the US or UK for treatment to India.

While quality remains an issue, it seems to be improving in India, with private hospitals increasingly able to import high-tech medical equipment, a situation that should improve further with the Indian government's announcement that import duties on medical equipment are to be reduced as well.

Medical Tourism: An Opportunity for India

Traditionally, many Middle-Eastern people who were sick and need special hospitalization used to visit the US for medical treatment. However, after September 11, 2001, the US has

implemented 'fingerprinting' and other laws that many foreigners, especially those from the Middle East, find discriminatory. Hence, many such people are no longer going to the US for getting their medical treatment, but instead going to countries such as India and Malaysia that have good hospitals and medical doctors and that also have sizeable Muslim populations. Hence, medical tourism is not only an opportunity for India, but also for several other low-wage countries with good medical professionals and infrastructure.

Hospitals such as Apollo, Escorts, Hinduja, Max Healthcare, Manipal Hospital and Fortis Heart Institute are already becoming premier destinations for foreign patients from Bangladesh, Mauritius, Egypt and other middle-eastern countries. Additionally, Indian hospitals are beginning to offer combined and complete packages that include medical treatment, health recuperation, relaxation, recreation and some amount of tourism within India. Hence, many foreign patients who are now coming to India for treatment are beginning to spend 2-3 weeks at various tourist destinations, after their medical treatment.

Estimates show that India generated USD 430 million in FY 2003 from medical tourism. The hospitals are likely to generate about USD 2 billion in annual revenue by FY 2010, thereby representing a 21 percent compounded annual growth rate.

The following have been the key developments, especially since 2001:

- Patients from Middle East, Bangladesh, Sri Lanka, Egypt, Mauritius, etc. are beginning to come to some top-notch Indian hospitals for cardiac bypass surgery. It costs USD 5,000 to get this surgery done in India as compared to USD 25,000 in UK and USD 40,000 in US.

Chapter 11 : BIOTECHNOLOGY

The biotechnology sector in India is witnessing accelerated growth due to innovations. Convergence of a host of enabling factors such as skilled human resources, world-class infrastructure, active government support and increased investment - both public and private – have imparted dynamism to the sector leading to new companies being registered, larger product pipelines, increased patent filings and several product launches. The biotechnology revolution in the country is gaining momentum.

India is becoming one of the most favored destinations for collaborative R&D, bioinformatics, contract research and manufacturing and clinical research

Factors facilitating this growth are

- Growing compliance with internationally harmonized standards such as Good Laboratory Practices (GLP), current Good Manufacturing Practice (cGMP) and Good Clinical Practices (GCP).
- Well defined regulatory framework along with an emerging stringent IPR (Intellectual Property Rights) regime
- Rich biodiversity and natural resources
- Vibrant life sciences industry base
- Large pool of skilled manpower. India's rich human capital is believed to be the strongest asset for this knowledge-led industry. Years of capacity building and human resource development programmes by the government have resulted in a rich pool of scientific talent.
- Research base of around 200 established research institutes
- Availability of biotech parks and industry friendly state biotechnology policies
- Established bio-safety and regulatory guidelines
- Major market for biotechnology products

India is among the first few countries in the developing world to have recognized the importance of biotechnology as a tool for advancing growth in the agriculture and health sectors. There has been a significant increase in the government outlay for biotechnology. The budgetary allocations for the DBT (Department of Biotechnology) have gone up manifold. It almost doubled over 1997-98 levels to US\$ 50.9 million in 2002-03.

The Working Group on Science and Technology for the Tenth Five Year Plan (2002-2007), constituted by the Planning Commission, has proposed an outlay of US\$ 448 million for biotechnology. This marks a sharp increase of 234 per cent from the budgetary provisions made during the Ninth Plan period (1997-2002), which totaled US\$ 134 million. The Vision Statement for the Tenth Five Year Plan enumerates the proposal for human genome sequences, proteomics, structural biology and bioinformatics.

Incentives for investments in the Indian biotechnology industry

- 100 per cent foreign equity investment is possible in manufacturing of all drugs except recombinant DNA products and cell-targeted therapies

- DBT provides a single window processing mechanism for all mega biotechnology projects involving Foreign Direct Investment (FDI) of US\$ 22 million or more under the Foreign Investment Implementation Authority (FIIA) with its Fast Track Committee (FTC)
- Depreciation allowance on plant and machinery
- Customs duty exemption on goods imported in certain cases
- Customs & excise duty exemption to recognized Scientific & Industrial Research Organizations (SIRO)
- 150 per cent weighted tax deduction on R&D expenditure
- 3-year excise duty waiver on patented products
- 100 per cent rebate on own R&D expenditure
- 125 per cent rebate if research is contracted to public funded R&D institutions
- Joint R&D projects are provided with special fiscal benefits

Recently announced tariff and non-tariff measures by the Government are set to further stimulate market development in the biotechnology sector:

- All drugs and materials imported or produced domestically for clinical trials are exempt from customs and excise duties.
- Customs duty on import of reference standards has been reduced from 25 per cent to 5 per cent.
- To facilitate research and development (R&D) in the biotechnology sector, the Government has decided to remove the restriction of minimum export obligation of approximately US\$ 4 million to enable organizations to avail exemption from customs duty on certain equipments.
- R&D units with manufacturing facilities can avail of full customs duty exemption for certain equipment, up to 25 per cent of the previous year's export receipts.
- Increased thrust to agricultural R&D under Indian Council of Agricultural Research (ICAR). The allocation has been raised from US\$ 166.3 million to US\$ 216 million in 2004-05.
- Incentive of 100 per cent exemption from tax on profits for first 5 years and 25 per cent after that, for agro-processing industries.
- 100 per cent deduction of profits for 10 years to companies carrying on Scientific R&D approved by DSIR before April 1, 2004, has now been extended by a year to March 31, 2005.

The Foreign Trade Policy 2004-09 makes provision for setting up of biotechnology parks across the country on the lines of Software Technology Parks, which accelerated the IT revolution in India. The policy decision, based on a Department of Biotechnology (DBT) recommendation, envisages all facilities available to 100 per cent EOUs (Export Oriented Units) to be extended to biotechnology companies located in these parks. These incentives are expected to be fashioned in such a manner as to bring biotechnology at par with IT

State initiatives

State governments in India have been quick to recognize biotechnology as a key growth engine for propelling future economic development. Several states have taken strong initiatives to develop bio-clusters based on intrinsic academic and entrepreneurial strengths. Key features of these clusters are Biotech Parks, Biotech Policies, Fiscal Incentives like Tax Holidays, Capital Subsidies and Energy Concessions, Centres of Biotech Excellence, specific Biotech Development Funds and Incubators etc.

The recent liberalisation of the country's economy, has pitch forked Punjab into the mainstream global business. The state is determined to accelerate its annual industrial rate of growth. Going by the availability of raw materials and the thrust areas identified by the government, investment opportunities exist in the following areas :

Special Deal to Non Resident Indians (NRIs)

- Exclusive Focal Point for NRI entrepreneurs at Mohali
- Industrial plots reserved for NRIs at all focal points and industrial estates in Punjab
- While finalizing proposals for joint ventures/assisted sector projects, State Industrial Development and other promotional corporations will give preference to NRI entrepreneurs
- Under the Udyog Sahayak, (Directorate of Industries) a special cell provides single window facility and ensures time-bound clearance of all investment proposals received from NRIs

Punjab has also announced a state-level biotech policy on February 28 in 2003. The salient features of the policy are:

- Ensuring availability of trained manpower.
- Development of quality infrastructure.
- Providing supportive environment.
- Special incentives and exemptions.
- Additional incentives for mega/ pioneering projects.

| Leading biotech institutions in Punjab | |
|---|--|
| Organization | Strengths |
| Punjab State Council for Science & Technology (PSCST) | Policy, Planning, technology demonstration & transfer, Education and Awareness |
| Punjab Agricultural University (PAU) | Plant Tissue Culture & Transgenics |
| Guru Nanak Dev University (GNDU) | DNA Fingerprinting & Centre for Genetic Disorders |
| Thapar Institute of Engineering & Technology (TIET) | Agro/Food Processing |
| National Institute of Pharmaceutical Education & Research (NIPER) | Pharmaceuticals & Drug Development |
| Punjabi University (Pbi Univ.) | Human Resource Development |
| Panjab Technical University (PU) | Human Resource Development |
| Institute of Microbial Technology (IMTECH) | Microbial Biotechnology |
| Postgraduate Institute of Medical Education & Research (PGIMER) | Health Care Aspects |

Market Size

Growth in India's biotechnology sector has been dynamic. The industry grew by 39 per cent to reach a value of US\$ 705 million in the fiscal year 2003-04.

The biotechnology business in India has the potential to generate annual revenues of US\$ 5 billion and a million skilled jobs by 2010.

Exports presently account for about 56 per cent of revenue, and the sector estimatedly employs over 9000 people.

The total investment in the sector in 2003-04 stood at over US\$ 137 million. Investment had in fact increased by 26 per cent and manpower has grown by nearly 42 per cent over the year 2002-03.

During 2003-04, the biopharmaceuticals segment, covering products such as vaccines, therapeutics, diagnostics and others like statins, was the single largest segment with 76 per cent market share.

The bioservices segment comprising custom research and manufacturing and clinical trials, was the next biggest segment and accounted for 8.42 per cent of the biotechnology market. This segment has witnessed over 100 per cent growth in 2003-04.

The bioindustrial segment, covering primarily the enzymes market, was the third largest segment accounting for 7.7 per cent of the market.

This was followed by the bioagri (5.5 per cent) and bioinformatics (2.45 per cent) segments.

Estimated Investment Opportunities in Biotechnology in the Near Future

Over the next five years, biotechnology can offer opportunities for fresh investment of Rs. 7 to 8 billion in India. This fresh investment, if realised, could result in a turnover of Rs. 9 to 10 billion during the next 5 to 7 years. This could contribute towards import substitution, augmentation of local production and introduction of some new products in the global market.

The growth is expected in the following segments of the industry:

| | |
|-----------------------------|-------|
| Agri-biotech | - 60% |
| Diagnostic and therapeutics | - 25% |
| Vaccines | - 15% |

UPCOMING EVENTS

BioAsia 2006, the 3rd edition of the prestigious annual biotech event of the Andhra Pradesh government will be held in the upcoming world-class International convention center (ICCH) in Hitex from February 9-11, 2006. TiE (The Indus Entrepreneurs) will sponsor a special session titled "Nurturing Entrepreneurship in Biotechnology". There would also be a session on biotech parks, "Bio-Cluster Development in India".

Chapter 12 : KNOWLEDGE PROCESS OUTSOURCING

The evolution and maturity of the Indian BPO sector has given birth to yet another wave in the global outsourcing scene: KPO or Knowledge Process Outsourcing. The success in outsourcing business process operations to India has encouraged many firms to start outsourcing their high-end knowledge work as well. Cost savings, operational efficiencies, access to a highly talented workforce and improved quality are all underlying expectations in off shoring high-end processes to India .

India's intellectual potential

The myth that Indian companies can only provide "software coolies" is soon changing to the reality of Indian companies being capable of almost anything, even rocket science! India has a large pool of knowledge workers in various sectors ranging from Pharmacy, Medicine, Law, Biotechnology, Education & Training, Engineering, Analytics, Design & Animation, Research & Development, Paralegal Content and even Intelligence services.

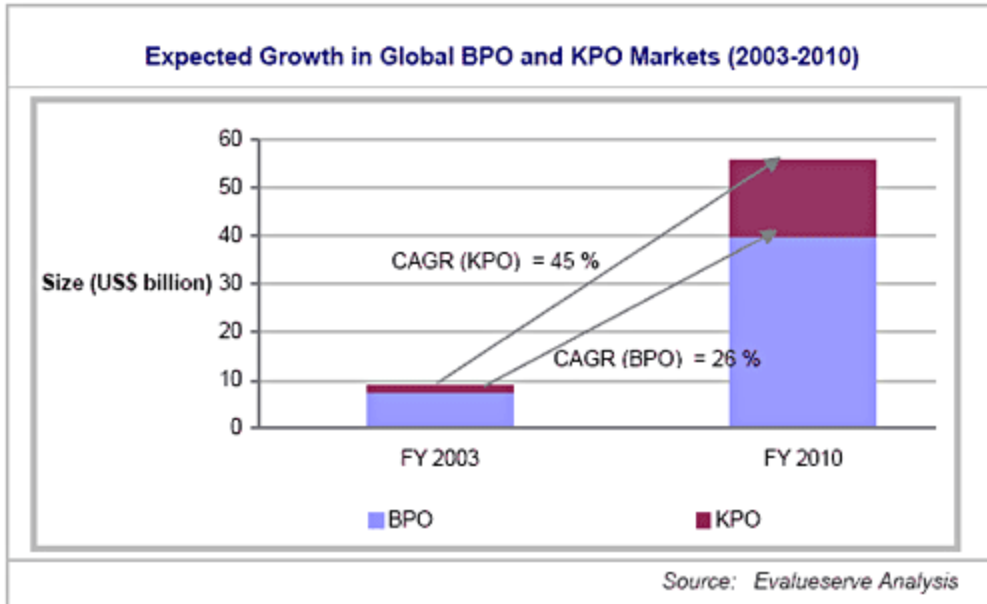
This talent is soon being discovered and tapped by leading businesses across the globe resulting in the outsourcing of high-end processes to low-wage destinations. Hence Knowledge Process Outsourcing involves offshoring of knowledge intensive business processes that require specialized domain expertise.

The future of KPO

According to a report by GlobalSourcingNow, the Global Knowledge Process Outsourcing industry (KPO) is expected to reach USD 17 billion by 2010, of which USD 12 billion would be outsourced to India . In addition, the Indian KPO sector is also expected to employ more than 250,000 KPO professionals by 2010, compared with the current figure of 25,000 employees. A report by Evalueserve predicts that India will capture more than 70 percent of the KPO sector by 2010. Apart from India, countries such as Russia, China, the Czech Republic, Ireland, and Israel are also expected to join the KPO industry.

Comparison of Opportunity in BPO and KPO markets

Low-end outsourcing services have an expected Cumulative Annual Growth Rate (CAGR) of 26% by 2010. In contrast, the global KPO market is poised for an expected CAGR of 46% by 2010. The following figure demonstrates the expected growth in the BPO and KPO markets over the next seven years.



What high-end services can be outsourced to the Indian KPO sector?

Here are some KPO services that can be outsourced to India:

- Research & Development
- Business and Technical Analysis
- Learning Solutions
- Animation & Design
- Business & Market Research
- Pharmaceuticals and Biotechnology
- Medical Services
- Writing & Content Development
- Legal Services
- Intellectual Property (IP) Research
- Data Analytics
- Network Management
- Training & Consultancy

Knowledge process outsourcing is widely predicted to be the buzzword knowledge process offshoring (KPO) business was worth \$720 million out of the total business process outsourcing (BPO) work of \$3.6 billion. By 2010, KPO is expected to grow to \$12 billion, while the entire BPO pie will be worth \$18 billion. According to a recent study by Evalueserve, the global KPO market is expected to grow at a cumulative annual growth rate (CAGR) of 46 per cent, from \$1.2 billion in 2003 to \$17 billion in 2010. Compare this with the prediction for the low-end outsourcing services market. This is expected to have a CAGR of 26 per cent, from \$ 7.7 billion to \$39.8 billion in the same period. Evalueserve says India provided \$3.5 billion of BPO and KPO (but non-IT) services in 2003 and is expected to grow at a CAGR of 36 per cent during 2004 to 2010. Hence, it is likely to earn

\$30 billion in 2010 by providing these services. The high-end KPO opportunities are immense for Indian firms. For instance, look at some of the figures pertaining to intellectual property research. Drafting and filing of patent applications in the US is quite expensive. A typical application costs about \$10,000 to \$15,000 to draft and file with the United States Patent and Trademark Office. Cost savings from offshoring even a portion of the patent drafting process can easily save up to 50 per cent of the cost for the end client, according to Alok Aggarwal, chairman of Evalueserve. Quite predictably, law firms such as Patent Metrix, Cantor-Colburn and Schwegman, Lundberg, and Woessner & Kluth, have already set up offices in India, and quite a few others are joining hands with Indian companies to cash in on the emerging opportunity. Offshoring R&D in pharmaceuticals and biotechnology is another area where there is enormous potential for KPO. Aggarwal says destinations such as India offer significant cost advantages (as much as 40 to 60 per cent) in the areas of contract research and clinical trials. Companies such as AstraZeneca and GlaxoSmithKline have recently set up drug discovery centres at low-cost destinations to offshore R&D activities. Chip design and embedded systems is another critical area. A paper presented by Aggarwal says the reason why all major integrated design manufacturers such as Motorola, Intel, Analog Devices, National Semiconductor, IBM, Cisco, Cypress Semiconductor, Nokia and Philips have set up offshore design centres is simple. The compensation for a chip design engineer with a master's degree and five years' experience is about \$7,000 a month in the US. An engineer with the same qualification and experience in India gets about \$1,200 a month. Naturally, the cost savings in KPO is enormous. For example, data-mining services companies can save as much as 60 to 70 per cent on analytics and inventory management costs by off-shoring them.

The cost differential between PhDs/engineers in the US and India is almost \$60,000 to \$80,000. Companies like Evalueserve, GE Caps, MarketRx have set up centres at low-cost destinations to provide these services. And more are expected to follow soon.

A major reason why companies in India will have no option but to move up the value chain from BPO to KPO is quite simple. By 2010, India may have become too costly to provide low-end services at competitive costs.

For example, Evalueserve says Indian salaries have increased at an average of 14 per cent a year. If this trend continues, they are expected to increase 2.5 times the current salaries (in constant dollars) by FY 2010, thereby reducing the cost-arbitrage benefit from the present 40 to 25 per cent.

This, the low-end work may move to relatively cheaper countries like Ukraine, the Czech Republic and Malaysia.

Moreover, commoditization of BPO services will further boost the transition of present low-end destinations to the higher end of the value chain. The better margins expected at the higher end of the value chain might act as a deterrent for companies in accepting low-end work. The number of professionals working in the offshore industry is expected to increase as more and more companies decide to become involved in BPO and KPO.

This will further drive the trend towards the migration of low-end services to high-end services, especially as offshore service vendors (as well as professionals working in this sector) gain experience and capabilities to provide high-value services.

During 2000 to 2003, the US offshored 2,38,000 IT service jobs. Evalueserve predicts that this is likely to increase to 7,75,000 jobs by FY 2010.

Further, by the end of March 2004, the US had offshored about 1,36,000 BPO (non-IT) jobs, mostly in the call centre segment.

Forrester predicts that it is likely to offshore 1.314 million BPO (non-IT) jobs by FY 2010.

Young lawyers and pharma grads, all smartly dressed are huddled together in a colourful bay on the second floor. A new drug patent in the has to be filed within three days. The group has to do research, file the documents and send it to its headquarters in California within the next two days.

The third floor is buzzing with hectic activity. Fresh automobile engineering grads are leaning on their desks. They are sketching designs for a Fortune 500 car major. The pace of their hands quickens as the deadline approaches nearer.

One can hear all sorts of noises from the ground floor. It houses a swank call centre. Young college grads are handling calls, speaking in a range of global accents, trying to calm down tempers of customers who've had hard disk failures or mistaken the CD-drive for a cup-holder! Many are thinking of the time they will graduate to the third floor. Not only are the upper floors more hip and happening, but some of their friends there earn five times of what they get.

A widening gap

Welcome to the world of knowledge process outsourcing, where KPO agents earn 46 per cent more than BPO executives. Whereas, an Indian BPO exec earns about \$6,000 a year, his KPO friend is sure to earn anywhere above \$8,800 – a huge 46 per cent difference. The figures were released in a recent survey on the KPO sector by Evalueserve. The salary gap is not limited to BPO versus KPO. Whereas, a fresh MBBS or lawyer earns Rs 1.5 lakh annually, a KPO offers much more, almost 500 per cent more. Says Rohit Dogra, assistant vice-president, analytics at Evalueserve: “Fresh doctors and lawyers take home a cool Rs 6-8 lakh salary package at KPOs. MBAs from non-IIM institutes take home Rs 3-5 lakh per annum. The yearly package for fresh IIM grads is certainly higher at Rs 4-6 lakh p.a. Obviously it shoots up for candidates with domain experience.”

Economists and statisticians are also greatly in demand for data modelling and analysis. By 2010, India would be leading the world in KPO. The most sought after will be professionals well versed in data search and management. Biotech and pharma graduates will also be in demand. While data search will constitute 29 per cent, pharma and R&D

will form 18 per cent of the \$17-billion global KPO pie. India will have a major share – about 70 per cent of it. Other hot areas will be animation, publishing, remote education, VLSI (Very Large Scale Integrated) chip and engineering design.

Destination India

India will be the most preferred KPO destination. Only Australia will be able to compete with India in terms of location attractiveness and capability of manpower.

At present, the US alone accounts for 60 per cent of the KPO work outsourced to low-cost locations like India. UK and Canada account for 20 per cent while the rest comes from Europe. The survey predicts that the Indian KPO market will grow about 49 per cent by 2010. The BPO sector is slated to grow 30.6 per cent.

For clients, outsourcing knowledge-based work leads to significant cost-savings. While, an American MBA grad earns \$85,000 a year as a starting salary, his Indian counterpart earns only \$12,000; a significant cost-saving of 85 per cent. A Ph.D in the US earns \$80,000 annually while his Indian equivalent earns 80 per cent less (\$16,000 per annum). The booming KPO industry will also lead to development of allied sectors. Courses in US GAAP, patent filing, insurance underwriting are all likely to be in great demand.

There are other sectors, such as real estate, which will also boom. Already, the BPO boom has led to sky rocketing real estate prices in cities like Gurgaon and Bangalore. In fact, the BPO sector was one of the largest acquirer of real estate in terms of sq feet last year.

“This multiplier effect could result in two to three jobs being created in other sectors for every job created in the off-shore financial (KPO) sector directly,” says Marc Vollenweider, CEO and president, Evalueserve. Construction and retail sectors will also boom.

KPO: Win-win for both clients and vendors

Due to a 12-hour time difference between the US and India, a KPO vendor can provide a 24-hour work cycle to the US client.

Outsourcing can lead to peak absorption. It’s very difficult for a firm to hire employees just for peak seasonal cycles which may be from three months to a few weeks. KPO vendors ease this problem by diverting 10-12 to a different project for certain part of the day. The maximum share of value creation goes to clients. It cuts costs by 40-70 per cent and improves quality tremendously.

According to the survey, 30 per cent of the revenue of a typical KPO vendor is retained in the form of profits. 35 per cent goes to employee costs. The balance 35 per cent goes to overhead costs like transportation, food, telecom, security, etc.

For the client, outsourcing creates 32 per cent more value, which may go into increasing bottomlines or creating core competencies to bypass competitors. It’s a big benefit for

SMEs. At present, around 25,000 professionals are employed in the KPO industry. The figure is expected to shoot up to 2.5 lakh by 2010.

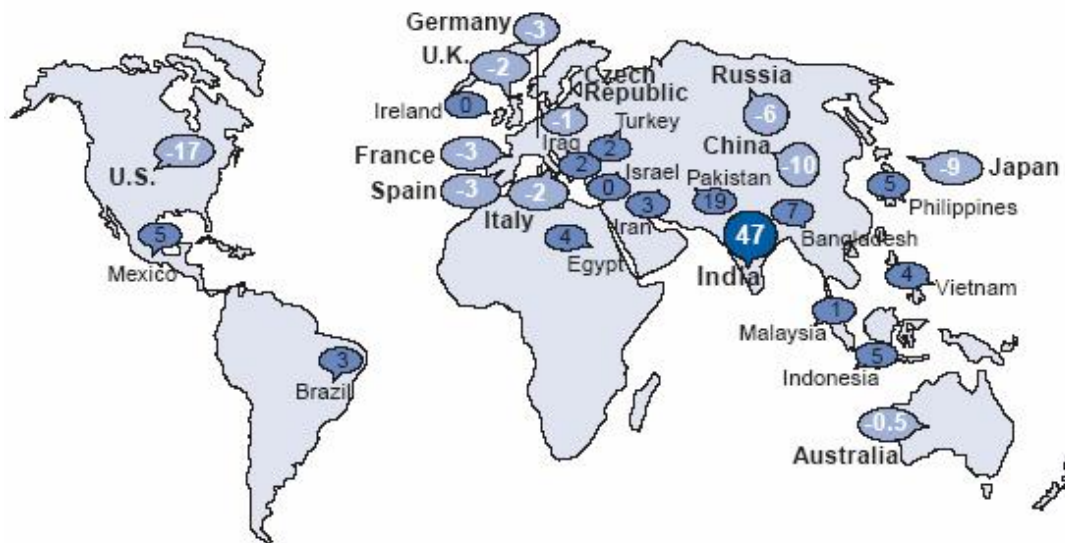
In the future, it's KPO which will be the leading edge of India and highly skilled professionals are sure to have an upper hand. So, if you are a doctor, lawyer, MBA or an economist and want a 500 per cent salary hike, don't forget to drop your CV at your nearest KPO!

Chapter 13 : IMMIGRATION-ADVANTEGE PUNJAB

While India struggles with a burgeoning population of educated youth, the rest of the world, especially developed countries face a shortage of working-age people, caused largely by lower birth rates and an ageing working population. While the requirement for skilled workers in these markets is increasing in line with economic growth, the availability of skilled people simply isn't keeping pace. In professions like IT services, medicine, and education, the problems are already beginning to be felt.

The following figure provides a snapshot of the potential labor shortages and avenues of labor supply in 2020.

POTENTIAL SURPLUS POPULATION IN WORKING AGE GROUP – 2020 (MN)



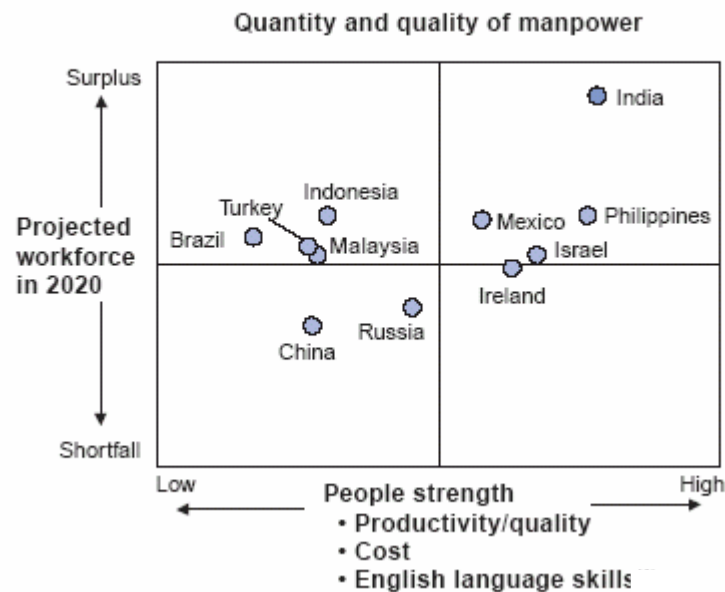
In addition to developed countries, even developing countries such as China and Russia will have a workforce shortage. For the developed world, these shortages present a huge challenge, as they can slow down economic growth. And they can have other adverse effects. For instance,

- Demand-supply imbalances caused by workforce shortages will increase wage rates, reducing the competitiveness of these countries.
- Pressure on the existing social security and pension systems will increase as a significantly larger percentage of retired population has to be supported by a smaller percentage of working population.

Even after adjusting for government actions in these nations there is an estimation that the net workforce shortage in developed countries will range between 32 and 39 million by 2020. Amongst such nations, the U.S., Japan, Spain, Canada, and the U.K. are expected to face the largest shortages.

The challenge faced by other nations presents an opportunity for India and Punjab. With its large population of educated youth India has a competitive advantage over other nations.

INDIA'S COMPETITIVE ADVANTAGE VIS-A-VIS OTHER NATIONS



Source-INDIA'S NEW OPPORTUNITY – 2020 Report

People of Indian descent through out the world are playing an important role both in the progress of their adopted country and strides being made in their homeland.

A new study shows that of the 35.2 million foreign-born population in America in 2005, around 1.4 million are Indians. Though many of India's most promising professionals have immigrated to the United States, the trend has yielded many benefits for India as well. People consider it brain drain, but this group has sent a lot of money and technology back home, so it's not as much of a drain as people might think.

One example is Gurmale Singh Grewal, who immigrated to the United States when he was 13. Today, he is chief executive officer of a large, family-owned real estate development company in Detroit, but he and his brothers have not forgotten their native country. He set up a computer center in his home village of Sahouli, extending Internet access to thousands of residents in the area. He also has invested in land there and remains involved in the internal and external affairs of the village.

Grewal's contributions to his adopted country also are significant. Through the family's company, the Grewals have created 2,448 permanent jobs, generated \$80 million in wages and \$4 million in tax revenues.

There are thousands of such examples Americans discuss.

A series of books written on immigrant populations in America says other ethnic groups also have done well, but Indian immigrants appear to be doing the best. Indians have demonstrated a real strength in computer science and research, while their contributions in health care have been phenomenal.

In the Silicon Valley it's hard not to notice that hidden behind the tech revolution are Indian engineers. And it is no exaggeration to say that without Indian immigrants the Valley wouldn't be what it is today.

There's no doubt about Indian engineers' technical expertise. Most of these engineers went to one of the six Indian Institute of Technology (IIT's), India's elite universities of higher learning, which produce, arguably, the best engineers in the world. Its draconian selection process makes getting into Harvard or MIT like a piece of cake. While IIT has been producing talented engineers, scientists, and managers for four decades, the school has taken on a new prominence of late. IIT alums include Victor J. Menezes, co-CEO at Citigroup, Rakesh Gangwal as US Airways Group's CEO, Rajat Gupta, who led McKinsey & Co. for four years, Vinod Khosla, the co-founder of Sun Microsystems Inc , and hundreds of others now working in the top ranks of U.S. corporations and Silicon Valley powerhouses.

Two Indian Americans - Har Gobind Khorana of Massachusetts Institute of Technology and late Subrahmanyam Chandrasekhar of University of Chicago - have been awarded the Nobel Prize, in medicine and physics respectively. In fact, NASA's premier X-ray observatory was named the Chandra X-ray Observatory in honor of the late Chandrasekhar. Known to the world as Chandra, he was widely regarded as one of the foremost astrophysicists of the twentieth century. The observatory was launched into space in July 1999.

Dr. Kalpana Chawla added a new chapter to the history of the Indian American community. In 1997, she became the first Indian or Indian American to fly in the US space shuttle. She was part of the Space Shuttle Columbia Flight STS-87.

A recent news item depicts, troubled by skilled worker shortage, officials from Australia's country towns are reportedly touring India to entice immigrants. Australia is reeling under an unprecedented shortage of professionals in various sectors. The federal government had recently announced the need for 20,000 skilled immigrants in Australia in the current financial year.

In 1897 Sikhs were the first to migrate from India to Canada in search of better economic opportunities, but they maintained their relationship with their homes in Punjab by visiting them regularly. Eventually these immigrants also bought land and lumber mills in Canada and replicated the village of Paldi in British Columbia from the village with the same name in the Hoshiarpur district in Punjab from where they had come.

This vibrant community has made significant contributions to the economy, politics, and cultural life both in British Columbia and Punjab.

Gujarati Diaspora though of recent origin has been influencing the businesses and lives in Ontario and Gujarat. Similarly, the medical professional, academics, engineers, and high tech professionals from India have been settling all over Canada during this time.

Looking at all these contributions of Indians in their adopted countries and the problem of shortage of working-age people in developed nations like U.S., Japan, Spain, Canada, and the U.K, there is no reason for Indians to migrate illegally and end up working as taxi

drivers and waiters. There is a need to develop a model so as to streamline a process, whereby young and talented Indians may migrate to other countries in a dignified way and contribute to the progress of adopted country as well as their home land.

UK concerned over Punjabi immigrants

The British government has expressed serious concern over large scale illegal immigration of Punjabis to the UK. Punjab, along with Gujarat and Tamil Nadu, has been listed as one of the most problematic states for the British government. **According to an official estimate, about 1000-1200 people from Punjab try to sneak into UK illegally every year.** The need of the hour is to discuss over the matter and deliberate on ways to check illegal immigration from Punjab.

An estimated 200,000 undocumented workers is said to live in Canada.

According to the news report, this year's annual report will show that Canada accepted 236,000 immigrants in 2004. Of those, 57 per cent are economic immigrants, and 43 per cent are in the family class, including refugees and others granted permanent residency on humanitarian grounds. Canada is on track to accept 245,000 immigrants in 2005 -- at the high end of its target and a signal of what's to come.

Canada hopes to be taking in as many as 300,000 immigrants a year within five years, and will start by raising its target for next year to between 225,000 and 255,000. Immigration Department of Canada is becoming a recruiting vehicle for Canada's demographic and labor market needs because Canada is producing more jobs than the labor market has workers for.

Under the current process, immigrants are selected on the basis of education, French- and English-language skills, and adaptability, a recruitment system that attracts mainly highly educated people who complain their professional credentials are not accepted in Canada.

Many foreign doctors and engineers say they end up working as taxi drivers and waiters — a trend confirmed by Statistics Canada, which has found that recent immigrants earn less than their Canadian-born counterparts despite higher levels of education.

Chapter 14 : SOME OTHER PROJECTS FOR INVESTMENT

Some other Projects that can be taken up by the Non-resident Indians either in their individual capacity as investor,. eEntrepreneurs or in collaboration with Indian Corporate.

a) **Amusement Parks:** Amusement parks are a great source of entertainment and recreation apart from being important centers of educational values. There is need for developing amusement parks of international standard in the Northern Indian states particularly in Punjab with all the latest state-of-art equipment and gadgetry. These parks, apart from catering to the local residents, would also be a great attraction for the visitors. Places like Amritsar, Ludhiana and Patiala in Punjab, Shimla and Dharamsala in HP, Srinagar & Jammu in J&K , Ambala in Haryana and Dehradun in Uttaranchal could be the potential sites for the location of amusements.

b) **Ropeways :** There is vast potential for developing ropeways in the hilly states of HP & J&K linking the natural sites with the main towns which could again be tourist attractions. Some areas in Punjab such as the Shahpur Kandi belt are also highly suitable for putting up ropeways.which would also promote tourism and local economies.

c) **Convention Centres :** The business of conferences, conventions and congresses has come a long way during the last decades. In the highly competitive business scenario, more and more trade and business organizations now, are relying on the conferences and conventions for promoting their products and services as well as bringing together members of a particular fraternity on a common platform. The setting up of a Conference/Convention Centre in some major cities of Punjab will bring considerable direct economic benefits to the people in generating income and employment opportunities for them, but would also help in promoting their image of being investment-friendly states At present, no such facility of reasonable standard is available in any of its big cities, like Amritsar, Jalandhar or Ludhiana in Punjab or so to say in any other big city in Northern India except perhaps in Srinagar, with the result that as a whole, these states remain deprived of the much needed revenue and employment potential, in the absence of a Conference/Convention Centres.

dc) **Trade Fairs & Exhibitions** today have become a big business and are increasingly a source of information & communication. Many big companies and manufacturers including Service Industry providers rely more and more on the Trade Fairs and Exhibitions to promote their Products & Services. Some of the international tourism fairs such as ITB Berlin and WTM at London every year attract millions of visitors generating large amounts of income and employment opportunities. Even the Trade Fairs at Delhi, Bangalore, Mumbai, Hyderabad and other Metropolitan cities are big attractions for the local residents and the visitors. On the lines of these fairs and festivals, there is a need to develop fairs and exhibitions in other states as well.

d) **Sound & Light Shows:** Since Sound & Light Shows, being developed now to promote tourism by the Central Government and various State governments, there is a

considerable scope for developing Sound & Light Shows at historical forts, archaeological sites and other such monuments in Northern Indian States which are replete with such ancient remains. Places like Bathinda, Patiala, Kapurthala in Punjab, and Kangra Fort in Himachal Pradesh besides some important pilgrimage places hold great promise of developing these programmes which would bestow great economic benefits with multiplier effects. This will add a new dimension to the development of tourism in the state.

e) **Developing new Airports & starting Air-taxi Services.** With a view to promote Tourism and to provide easy and quick accessibility to places of tourism and pilgrimage interest in Northern Indian states, Air-taxi services could also be introduced. At present Amritsar is the only place in Punjab, which has an airport of international standard. Possibility of having another international airport in the State, need also to be explored which would not only promote tourism, but industry and agriculture as well.

Starting air-taxi services to various places of pilgrimage, and leading cities such as Ludhiana, Jalandhar, Amritsar, and Patiala and even to places in the neighbouring states of Himachal Pradesh, J&K, Uttarakhand, UP and Rajasthan, could be started making Chandigarh as base, by the Non Resident Indians. Air-taxi services would not only make the visits easier and comfortable but give an impetus to the growth of agricultural and horticultural produce as well.

(g) **Developing Golf Courses:** Golfing has become today an integral part of the Tourism industry. The game of golf may not be taken as a mere sport event, but it should be considered as a business opportunity. It would be worth following what Spain did in the last decade and the same has been with South East countries like Thailand, Malaysia, Indonesia to name a few. Today, Cuba is coming in a big way to develop golf tourism in the Caribbean group of island. They are planning to develop more than 300 golf courses to attract millions of golf holidayers from across the world. A good holiday destination combined with conventional historical visits will be a boon to the tourism industry.

One or two golf courses of international standard could be developed in the Punjab or to upgrade the existing golf courses for national and international tournaments, both for the domestic players as well as for the overseas visitors. In this way, golf enthusiasts from countries like Japan and other South Asian countries, could be attracted to visit Punjab. Similarly, possibility to set up more golf courses in other states need also to be explored.

(h) **Package Tours:** These could also be taken up profitably by the NRIs. However, the scope of these package tours could be enlarged to include other places in this northern region.

(i) **Developing Heritage Villages:** With the renewed interest in heritage and cultural tourism, heritage villages which showcase the traditional way of life and values of the community are becoming very popular both with the local residents and the visitors including foreign tourists. The example of Chokhi Dhani near Jaipur in Rajasthan is before us, where lakhs of people visit this unique attraction. There are many ancient villages which represent the very quintessence of their cultural heritage in the Northern Indian states which could be developed into heritage villages. Such a step would undoubtedly go a long way in creating hundreds of direct and indirect jobs for the local people and others.

(j) **Tourist Transport:** Transport is the backbone of Tourism industry for conducted and package tours and local sight seeing, coaches, cars and buses are needed in large number at almost all places of tourism and pilgrimage interests in Northern Indian states. This is another area for possible investments by the NRIs.

(l) **Setting up Ethnic Handicraft Centres:** Handicrafts of Northern India are rich in their tradition, colourful in their designs and depict a cultural ethos of the people. Different states have their own typical handicrafts evolved through centuries. There is thus a need to set up handicraft centers of international standard at some important place in Punjab, such as at Patiala, Hoshiarpur or Amritsar, and at some other places in this region, where ethnically designed varieties of handicrafts are available under one roof. This would go a long way in promoting this art and crafts besides providing gainful employment to a large section of our population. These centers should incorporate salient features of the local traditional architecture.

(m) **Hotels & Restaurants:** There is great potential for setting up hotels and restaurants at important cities and towns as also on the national and state highways. This will not only meet the growing requirements of the visitors to the state but would also lure the burgeoning middle class with high incomes and the rich peasantry who are always fond of taking their families to the hotels and restaurants for meals.

(n) **Theme based Fashion Shows:** For the corporate sector and the multinational companies, fashion shows have acquired now an important tool to promote their goods and services and for the launch of new products. This is a new area which can be profitably explored.

(o) **Health, Herbal & Spa Resorts :** Among many segments of tourism product, Health Tourism is now gaining popularity as the people are increasingly becoming health conscious and are travelling to different climes countries to get treatments. There are many sites in Northern India which are suitable for developing into holistic Health destinations. Besides developing Health Resorts there is also immense potential for setting up Herbal Gardens & parks. This is a new area which could be profitably explored by the NRIs.

Web Directory for NRIs

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www.nri-gujarat.com
www.rajtourism.com
www.netip.org
www.indoindians.com
www.nonresidentkeralite.com
www.nriol.com
www.nrilinks.com
www.welcome-nri.com
www.nri-world.com
www.indiandiaspora.nic.in
www.usindiafriendship.net
www.nrisabhapunjab.com
www.gopio.net
www.aapiusa.org
www.geocities.com/tokyo/gulf/5473
www.sifpsa.org
www.namasthenri.com
www.garamchai.com
www.sikhnet.com
www.punjabgov.net
www.apnaorg.com
www.nrilegalservices.com
www.indiaaboard.com
www.welcome-nri.com
www.jugita.com
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www.indoindians.com
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forums.waheguroo.com
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www.world4india.com
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www.friendsofindia.net
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www.nriwa.org
www.pravasibandhu.com
www.nriclub.com
www.exiss.org
american-balratt.homes.com
www.uaetamilians@yahoo.com
<http://www.ichild.org>
<http://yp.usaindians.com/>
www.indiacause.com
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<http://www.kdpaccountants.com/returningnri.htm>

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<http://www.aifoundation.org/>
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www.kempegowda.com/
www.nrifilm.com
www.pakoda.com
www.siliconindia.com
www.keralafeatures.com
www.bengalibabu.com
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<http://www.icwa-char.org/>
www.littleindia.us
www.aidindia.org
<http://www.nrinews.org/>
<http://www.nribanks.com/>
[www.AIA of Madison.htm](http://www.AIAofMadison.htm)

Web Directory for Service Industry

Important Websites

AIRLINES

www.jetairways.com
www.airsahara.net
www.airindia.com
www.indian-airlines.nic.in
www.in.jal.com/en
www.lufthansa-india.com
www.emirates.com
www.british-airways.com
www.singaporeair.com
Www.ual.com
www.klm.com
www.qatarairways.com
www.thaiair.com
www.virgin.com

www.aircanada.com
www.airmauritius.com
www.aua.com
www.aeroflot.com
www.cathaypacific.com
www.delta.com
www.drukair.com.bt
www.egyptair.com.eg
www.koreanair.com
www.kenyaairways.com
www.malaysiaairlines.com
www.swiss.com
www.usairways.com

HOSPITALITY INDUSTRY

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www.oberoihotels.com
www.welcomgroup.com
www.radisson.com
www.hyatt.com
www.ramada.com
www.goldenpalmsspa.com
www.ichotelsgroup.com
www.theleela.com
www.anandaspa.com
www.renaissancegoa.com
www.neemranahotels.com

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www.claridges.com
www.holidayinnbombay.com
www.sunnsandhotel.com
www.kenilworthhotels.com
www.hrhindia.com
www.cidadedegoa.com
www.jaypeehotels.com
www.sterlingresorts.org

TRAVEL & TOURISM INDUSTRY

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www.coxandkings.com
www.intglobe.com
www.amadeus.co.in
www.aexp.com
www.travel2india.com
www.kuoniindia.com
www.paradiseholidays.com
www.stictravel.com
www.thomascook.com
www.travelplannersindia.com
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www.indialifehewitt.com
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www.shoppersstop.com
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| www.startv.com | www.setindia.com |
| www.entertainmenttv.com | www.sabetv.com |
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