Policy Watch – National Policy on Software Products, 2019

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The National Policy On Software Products, 2019 has been approved to **develop India as a software product nation**. The policy will lead to the formulation of several schemes, initiatives, projects and measures for the development of software product sector. Initially, there is an **outlay of Rs. 1500 crore** to implement the programmes and the schemes envisaged under this policy, **over a period of 7 years**. Under this policy, the government will also **establish a National Software Product Mission**. The policy has been **framed by the Ministry of Electronics and Information Technology**.

Salient Features of the Policy

- To ensure that 25% of the contribution in the IT industry comes from the product side, the policy envisages **development of Indian Software Industry of 70-80 billion dollars by 2025**.
- The policy sets to nurture **10,000 technology specific startups** around the country through using the emerging technology, huge infrastructure that both government and private sector industries have created under Software Technology Parks of India and various public platforms that have been produced in India.
- Out of Rs. 1500 crore, **Rs 1000 crores** have been earmarked for creating a venture fund or a fund pool attracting 4,000 crore from the private sector which will act as **a funding mechanism** for all the 10,000 startups.
- **Rs 500 crore** under the policy is specifically to **provide R&D funding** directly to the startups and companies to infuse more IP into the IT sector.
- It wants to create **a million IT professionals** upskilled for taking the challenges of the product industry.
- It wants to create **20 sector specific clusters** around software products.
- In order to evolve and monitor scheme & programmes for the implementation of this policy, **National Software Products Mission will be set up with participation from Government, Academia and Industry.**
- The policy also talks about creating a **single window clearance** platform to deal with regulatory and legal issues.
- This policy specifically mentions inclusion of the startups in GeM (Government e-Marketplace).

Importance of the Policy

- **India's Software Products Industry** is estimated at 7 billion dollars (growing at the rate of 9.5%). It is **only about 3-5% of the total revenue that come from the total IT sector**. It is a dismal figure considering the talent that India has and massive strides on digitization that it has made in the last five years. This figure has the potential to increase many folds. The latest policy gives a right traction taking India from services to products and product sector becoming an equitable partner in the IT growth story.
- **India is the largest software outsourcing economy.** It is not a product oriented nation, it does not create architecture for the products, it simply does BPO and outsourcing work, codes something that someone in the west has designed. This policy **will put focus on creating original designs and architecture ensuring that Intellectual Property (IP) remains in India**.
    - The policy talks about creating a start-up research and development fund which has been, till now, completely missing in both the private and government sectors. If the government starts mentoring startups with providing them R&D fund and then giving them market access, eventually, one thing will happen i.e. successful startups will not be bought by the bigger companies, especially from the West and will themselves become the big companies in the world.
- There is a little contribution on R&D funding by the private sector. Government has also remained reluctant to actually fund private sector in R&D. The policy provides for R&D funding.
- Artificial Intelligence (AI) and automation and various other such forms are disrupting the IT services that India offers. To protect the services' space, **it is necessary to productize the services**.
- The import of software products stands at 10 billion dollars implying that **India is a net importer of software products**.

Right Ecosystem for the growth of software products in India

- India is a strong IT nation and a global leader in IT services. This is a reason behind India providing around 4 million white collar jobs in this sector which in turn gives more than 12 million direct and indirect employment.
- India, because of the public digital platforms, **have been the first country where the public platforms with an open Application Program Interface (API) systems have been able to create value for businesses,** value for this sector's infusion into the social benefits of the common man. This is commendable considering the size of India which is more than 1.3 billion plus.
- India's large talent pool is not only used by India for growth in its IT sector but that talent pool is also providing a huge amount of traction to the global digital players. **The Silicon Valley looks like a mini India.**
- The ecosystem that led to the growth of Indian IT service sector will also help in the

growth of Indian IT product sector.

Concerns with respect to 'Startups'

- It is yet to be seen that how the policy turns out in terms of what the startups experience including opening process and shut down process, regulatory compliances etc.
- There are startups which are doing good work and thus can be incorporated in smart cities but **whether such startups would be able to provide post installation (of innovative product) services for a long time, is a concern**.
- Startups preferring venture capital money over government's debt or equity.
- Considering the past record, creating one million IT professionals is another challenge.

Initiatives by the Government

- The government has launched the **Technology Incubation and Development of Entrepreneurs** where academia, research industry and government will come together to nurture 2,000 software products or hi-tech software products startups in the country. Rs 2,065 crores have been approved for the same.
- The Software Technology Park of India (STPI) has 5,56,000 square feet of incubation space in the country. **They have more than 3,000 members, all small and large IT companies, which are ready to mentor and handle the startups** and take them to the next level.
- The government has come up with a policy that allows startups to come and bid at an equitable platform vis-a-vis big companies.
- The government is closely working with GeM to ensure that the startups get the access to market.
- The government is also trying to create an accelerated type of thing called the **mighty startup hub** which will be a collaborate of all the incubation startup ecosystem and companies' mentors coming on to a single platform run by a professional body.

It is not that without this policy there would have been no software products but this policy will give a fillip and provide a concentrated effort to make an accelerated growth in the sector. If the policy is implemented well, it can revolutionize the IT startups sector.