

Policies that spurred the ICT miracle

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India's high profile Information Technology (IT) industry was spurred by the "New Computer Policy" which was announced in the turbulent days following the assassination of the then Prime Minister Indira Gandhi. Her son Rajiv Gandhi who took over as the PM on October 31, 1984, hours after Mrs Gandhi's assassination, did not waste much time and announced the "New Computer Policy" on November 19, 1984.

The then fledgling IT industry, with an annual turnover less than Rs 500 got a real boost under the most trying circumstances facing the nation. But certainly the sector has grabbed the window of opportunity offered to it by the tech-savvy, pilot-turned Prime Minister, perhaps in a manner unimagined even by the drafters of the computer policy.

Rajiv Gandhi unshackled the IT industry with just four steps:

- Reduction in import duties for computer peripherals
- Foreign equity participation allowed in IT companies
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Import restrictions on computers liberalized

- Software companies recognized as a separate industry

As the IT industry began to take shape, various government agencies unrolled the red tape slowly and steadily. The annual budgets were the occasions used by various finance ministers to remove hurdles in the path of the industry's growth. In February, 1994, the government followed it up with a National Infotech Policy.

The next spurt of IT policy reforms happened in 1999 when a National IT Task Force made an elaborate set of 200 or more recommendations. The Vajpayee government and the then IT minister, Pramod Mahajan, set the tone for the industry's next Big Leap. In fact, it was only during this period that a separate Ministry for IT & Telecom was set up, merging the Department of Electronics, which was handling the IT tasks. One of the biggest success of the task force recommendations is the creation of the Business Process Outsourcing (BPO) industry which is now making the waves around the world. The industry grew in response to the policy changes that slashed the prices of telecom bandwidth by unprecedented levels.

Telecom Policy 1994

Telephones have been around in India since late 19th century but telecommunications was not perceived as one of the key infrastructure sectors till the National Telecom Policy 1994 gave it that status. This development itself came as a result of the New Economic Policy unveiled by the Narasimha Rao government in 1991, which noted that "it was necessary to have a world class telecom infrastructure to realize the full potential of the new Economic Policy and therefore it is necessary to give the highest priority to the development of telecommunications service in the country."

The results are there for every one to see. The Policy allowed foreign direct investment with some limits in telecom sector, ended the monopoly of the only government-run telecom service provider and allowed the entry of private telecom companies. From less than 20 million basic telephone lines in 1994, India today boasts of 250 million telephone connections, making the second largest telecom market in the world and also the planet's fastest growing telecom market.