

# Software technology parks of india | management essays



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Software Technology Parks of India (STPI) is a government agency in India, established in 1991 under the Head of Communications and Information Technology, that manages the Software Technology Park scheme. It is an export oriented scheme for the development and export of computer software, including export of professional services.

It provides physical infrastructure, including dedicated high speed connectivity to technology parks, freedom for 100% foreign equity investment and tax incentives. STPI provides physical hosting for the National Internet Exchange of India.

STPI claims to have played a seminal role in India having earned a reputation as an information technology superpower. More than 6, 000 businesses are registered under the STPI umbrella, with 36% growth by value in 2005-06 exports over the previous year. The state with the largest export contribution was Karnataka (see Bangalore).

STPI has a presence in many of the major cities of India including the cities of Bangalore, Bhubaneswar, Chennai, Hyderabad, Guwahati, Noida, Mumbai, Kolkata, Kanpur, Lucknow, Dehradun, Patna, Ranchi, Gandhinagar, Shillong etc.

STP schemes provide facilities for the IT industry, helping them undertake software development and IT enabled services for 100% exports that include professional services. For that, data communication links have been established, providing high speed connectivity.

India has earned itself a reputation of an IT superpower. Software Technology Parks of India have played a seminal role in accomplishing this status. Today, STPIs all over the country are synonymous with excellent Infrastructure and Statutory support aimed at furthering growth of Information Technology in the country.

**Objectives Of stpi are :**

The objective of STPI is encouraging, promoting and boosting the Software Exports from India.

It also maintains internal engineering resources to provide consulting, training and implementation services.

- Services cover Network Design
- System Integration
- Installation
- Operations and
- maintenance of application networks and facilities in varied areas ranging from VSATs to ATM based networks.

**Emergence of Software Policy:**

The first Computer Policy of 1984 and Software Policy of 1986 emphasized the concept of software development and export through data communication links.

objective : Its objective was to develop software in India using Indian expertise on sophisticated computers, which were being imported duty free.

This way, one could make use of the low cost expertise available in India and avoid the expense of time and cost in traveling abroad.

However, high cost was involved in the data communication links. As per the policy, companies were allowed to establish data communication links by their own initial investments. The ownership of the equipment and the operations of the Gateway would remain with VSNL and VSNL would pay back to the user over a prescribed period after deducting the operational maintenance costs.

This used to be as high as Rs. 45. 00 lakhs per 64 Kbps for an Indian half circuit per year.

Texas Instruments has the credit of being the first software company with an Offshore Development Facility in Bangalore. Texas Instruments was also the first to establish its own Gateway at Bangalore with the support of VSNL on a ' build & operate' agreement. Except Texas Instruments, no other company succeeded in establishing the facility. It was very expensive for smaller companies and other offshore development users to afford the high cost of the data communication.

STPI's role began in the government's shadow and it was more of an entrepreneurial role of working directly with software companies and working like a corporate. However, this did not mean that STPI functioned like a typical government department. The role of STPI was more of a service provider that could be leveraged by software companies.

**Important factors that gave the necessary impetus to the concept were :**

- These were the newness of the business model
- Internet infrastructure facilities and
- The government interface all these brought a positive response from industry, especially the SME sector, which needed this support for their business to grow.

**objectives:**

- To establish and manage infrastructure resources such as Data Communication facilities
- Core Computer facilities, Built-up space and other common amenities.
- To provide ' single window' statutory services such as Project approvals, import certification, software valuation and certification of exports for software exporters.
- To promote development and export of software services through technology assessments, market analyses, market segmentation and marketing support.
- To train professionals and to encourage design and development in the field of software technology and software engineering.

**In 1990, the STPIs were established through three separate autonomous societies at**

- Pune
- Bangalore and
- Bhubaneswar, which were later, merged in June 1991 into a single corporate entity and in quick succession STPIs at Noida,
- Gandhi Nagar

- Hyderabad and
- Thiruvananthapuram were established.

All STPs were equipped with dedicated earth station equipment for providing Data Communication links.

The Growth Booster: The Role of STPI in the growth of the IT industry has been tremendous, especially in the case of start-up SME's.

**STP scheme :**

The STP scheme is a 100 percent export oriented scheme for the development and export of computer software, including export of professional services using communication links or physical media. This scheme is unique in its nature as it focuses on one product/sector, i. e. computer software. The scheme integrates the government concept of 100 percent Export Oriented Units (EOUs) and Export Processing Zones (EPZs) and the concept of Science Parks/Technology Parks, as operating elsewhere in the world.

With STPI presence, orderly implementation of STP Scheme and the Govt. initiatives, in general, the offshore software exports from the country during 1991-92, which was mere 20-35% has grown to more than 70% contributing to 73% of National software companies from STPI member companies.

**In fact, countries like**

- Mauritius
- Sri Lanka
- Nepal

- Algeria
- Indonesia

etc. are taking the help of STPI to set up similar technology parks with the same concept.

#### **The Clustering Effect:**

Even though, STPI Centres have come-up across the country in as many as 21 locations, the major Industry concentration is at

- Bangalore
- Noida
- Chennai
- Hyderabad and
- Pune,

reflecting the natural technology clustering effect that has taken place in other technology clusters like

- Silicon
- Valley
- Boston
- Dallas
- Ireland
- Sweden and
- Tokyo.

**Phases of the stpi formulation :**

First Phase: In 1991-92, there were very few Indian companies who were doing software exports from India. Those exporting software included few multinational companies like Texas Instruments, Hewlett Packard, and Digital. One could term this as the first phase of the developmental process.

Second Phase: In the second phase of the developmental process, the concept of the " Offshore Development Work" took birth. This second phase of the development, which started in 1993, took India, infact Bangalore in particular, to greater heights by 1998-99. By the end of March 2001, the Industry has grown to US \$ 5. 7 billion in software exports with 380 multinational companies establishing base here, the largest concentration of the technology services. All the Global Leaders in Hi-Tech areas like IC Design, Communication Software and System Software have setup a base for their operations in India.

Third Phase: The success of the 2nd phase paved the path for the third phase of development to take place. The third phase of development led to very close and intimate relations with the Silicon Valley start-up companies. In fact, every small Hi-Technology Start-up Company in Silicon Valley valuated at millions of dollars in US market, started establishing their development Centers in Bangalore.

Fourth Phase: During the fourth phase of the development many Indian companies started owning the intellectual property within India and earning the royalty from the global players.



**Impact of US Slow Down on Indian Software Industry:**

STPI has close interactions with the Industry on a day-to-day basis, acting as a single point of contact for any export related information for the Industry. It has been very interesting to watch this Industry's growth during the slow down of the US Economy. The slow down of the US Economy has multinational and variational impacts on MNCs, Home Grown Large Indian companies and SMEs.

While it has been observed that the Large Indian companies have already indicated the slow down in their growth, the multinational companies started recasting their plans after two quarters of the slow down and many of them are now coming forward with expansion plans in India.

The medium sized companies also started getting more and more enquires directly from similar companies in the US. These companies were earlier dependent, largely, on the consultants at their own locations.

There are cost cutting pressures on the companies because of competitive pricing and the customers' demands on the best rates for out-sourcing. It would be very interesting to see what kind of realistic impact that the slow down would have on the Indian Industry.

It is definitely bound to would throw up new challenges and new opportunities for the Indian software Industry.

**Quality Objectives:**

- To strive for the upgradation of the technology to meet customer requirements in ever changing market.

- To upgrade the technology knowledge of all STPI personnel through continuous improvement training.
- To provide state-of-art data communication services as per acceptable international standards
- To provide comprehensive service including project approvals, import attestation, software export certification etc., in a time bound manner.
- Achieving customer satisfaction through the combined efforts of planning the infrastructure and executing the projects through dedicated workforce.

**List of Software Technology Parks of India:**

- Software Technology Park of India, Bangalore
- Software Technology Park of India, Bhubaneswar
- Software Technology Park of India, Chennai
- Software Technology Parks of India Electronics Niketan, Delhi
- Software Technology Park of India, Gandhinagar
- Software Technology Park of India, Guwahati
- Software Technology Park of India, Hyderabad
- Software Technology Park of India, Jaipur
- Software Technology Park of India, Kanpur
- Software Technology Park of India, Lucknow
- Software Technology Park of India, Mangalore
- Software Technology Park of India, Mohali
- Software Technology Park of India, Mumbai
- Software Technology Park of India, Noida
- Software Technology Park of India, Pune

- Software Technology Park of India, Simla
- Software Technology Park of India, Thiruvananthapuram
- Software Technology Parks of India, Vishakapatnam

**National headquarters is in New Delhi**

**Salient features of the scheme**

- Approval under single window clearance mechanism.
- 100% foreign equity permitted.
- Imports in the STP units are completely duty free.
- Second hand capital goods may also be imported.
- Exemption of local taxes for domestic purchases.
- The sales in the domestic market are permissible upto 50% of the export.
- Exemption from corporate income tax for a block of five years in the first eight years of operation.

**It's features and benefits:**

1. STP scheme is a 100% export oriented Scheme for undertaking software development for export using data communication link or in the form of physical exports including export of professional services.
2. The central Government, state government, public or private sector undertakings or any combination may set up a software technology park (STP) thereof. A STP may be a stand-alone unit or one of the units located in any STP Complex.

3. The STP unit will be a duty free custom bonded area under section 65 of the customs Act 1962. The normal procedure applicable for custom bonding will be followed. All the imports to STP units are duty free.
4. STP/STP Units may be set up anywhere in India.
5. An organisation setting up a STP complex for development and export of Software through STP scheme may import, free of duty, the requisite infrastructure equipments with no export obligation.
6. STP unit has tax benefits under Income Tax Act as earlier mentioned.
7. STP units are entitled to sell the computer software in Domestic Tariff Area (DTA) up to 25% of the software exported in value terms.
8. The capital goods purchased from the Domestic Tariff Area (DTA) up to 50% of the software exported in values terms.
9. STP may import free of duty all types of goods for creating a central facility for use by software development units in STP. Software units shall also be permitted to import capital goods on loan from clients for specified period for executing specified projects.
10. Foreign equity up to 100% is permissible in the case of STP units.
11. Software units will be allowed to use the computer system for training purpose (including commercial training) subject to the condition that no computer terminal shall be installed outside the bonded premises for the purpose.

### **Step by step procedure to set up a Unit under STP Scheme for 100% export of Computer Software**

#### **STEP-1**

Send STPI, the Gist of Application.

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**STEP-2**

projected figures for five years to be finalised after discussion with the Company

**STEP-3**

Application Form to be submitted in triplicate

**STEP-4**

Following documents to be attached with Application Form

1. Project report / brochures of the Company
2. Board of Directors' resolution copy / Power of attorney
3. Firm contracts/Agreement/Purchase Order/ MOU with foreign client.
4. Memorandum of Association/Articles of Association of the company.
5. Any other documents related to the company or project for further clarifications (if required by STPI).
6. If foreign equity or NRI equity is involved then approval from FIPB or RBI needs to be submitted.
7. Payment towards application processing fees and service charges depending upon your export turnover

**STEP- 5**

Application for Import Export Code to be submitted alongwith the Bank Certificate.

**STEP-6**

Application for Green card to be submitted

**STEP- 7**

STPI evaluates the Application and Approval is given , provided all the above details are furnished correctly

**STEP-8**

Approval letters is issued

**STEP-9**

Agreement Paper is signed between Director, STPI and the Authorised signatory of the Company.

**STEP-10**

IEC & Green card are issued on the same day of signing the agreement.

**STEP-11**

Company to submit the List of Plant & Machinery for STPI approval in order to apply to Customs Dept. for bonding of the Premises.

**STEP-12**

Company to apply to Customs Dept. alongwith the following documents for bonding of the premises.

- Bond Application
- affidavit
- stp-aggrement
- B-17 Bond
- Bank Guarantee

- List Plant & Machinery
- Process of Manufacture
- Solvency certificate Stamp

**STEP-13**

Get the contracts registered with STPI

**STEP-14**

Contract to be approved by Director

**STEP-15**

Company to raise Invoice submit to STPI alongwith the Softex Forms for certification

India firmly and steadily advancing towards to be IT superpower very soon. The most important facts in this endeavor are, suitable infrastructure building and dedicated professional, cyber worker congregating to carry on this voluminous task, which is the National need to achieve this goal. Where ever and when ever any problem persuits STPI being the regulatory authority for IT and ITES, has extended its hand being promoter, facilitator and remote consultant to solve the problem. Today, STPIs all over the country are synonymous with excellent Infrastructure and Statutory support aimed at furthering growth of Information Technology in the country.

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India in 1991, with the objective of encouraging, promoting and boosting the Software Exports from India.

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### **Success Barometers**

The success or the failure of any Industry can be gauged by three feel-good factors - fortune of the Industry in the capital market, attitude of the Government and the opinion of the customers.

The Indian Software Industry by all accounts rates high on these three counts. The stock market was the first to react to the software and Dot Com revolution, backing the newborn high potential listings. The Govt.'s positive stand vis-á-vis the software industry is significant. The Government's ready acceptance of the requests of the IT Industry, its effort to come-out with an extremely IT friendly budget every successive financial year, the quick passage of the IT bill and its open mindedness in order to create an amicable IT infrastructure are praiseworthy. Some of the key features like reducing duty on software to zero percent, rationalizing other taxations and ESOP related laws and the continuing tax holiday reaffirms the government's positive intent for the IT Industry in general. The dependence that the foreign customers are beginning to show on the strengths of India's software skills, is yet another barometer of the IT segments overall good health.



**Indian Software talent is making its presence felt in various countries such as**

- USA
- Germany
- Austria and
- Japan.

**The future plans clearly hover around the seven issues as listed below:**

- The industry should take concrete steps to promote India
- abroad as a software hub
- Improving infrastructure and business opportunities by
- changing the approach from mere policy level to operative
- one
- Provide more assistance to SMEs and facilitate incubation
- Offer better access to finance
- Improve its marketing initiatives

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