



# Executive Summary



The ICT sector, which contributes more than 3 per cent of GDP (2003-03; NASSCOM-2004), has a vital role to play in economic development. The significance and potential of any industry can be observed by looking at indicators like the output multiplier and the employment multiplier. The output multiplier can be interpreted as a total increase in output generation for one unit increase in final demand in the ICT sector. The ICT sector in the Indian Input-Output (I/O) table ranks 30 out of total of 115 sectors in terms of a derived output multiplier, which is 2.466.

CSO estimated that the value of output for the software sector alone increased within a short span of financial year 1999-2000 to 2002-03 by Rs 30,000 crores; this would have created a corresponding 6.8 lakh man-years of employment based on the employment multiplier co-efficient derived from the I/O table. Its importance in the Indian context needs no further emphasis.

IT spending as a percent of GDP in the case of Australia, China, South Korea, Japan, United States and United Kingdom ranges between 5.3 to 6.5 per cent; why would these progressive, cost and growth conscious countries spend lavishly to get networked? Obviously, there has been significant tangible and intangible benefits and international literature cites important intangible benefits of ICT –

- As an enabler of developmental goals
- Is pervasive and cross-cutting
- Facilitates disintermediation

In fact over the past few years, numerous measures have been made to measure the preparedness of nations; the Global Technology Report 2003-04 continues to provide a comprehensive assessment of the networked readiness of economies globally. Networked readiness is examined by studying the environment for ICT in these economies—market, as

well as political, regulatory, and infrastructure factors—and by analyzing the readiness and usage of ICT from the perspective of three key stakeholders: individuals, businesses and governments. The DIT and NCAER Report of 2003 was the first such attempt to look at e-Preparedness of Indian states.

## E-Readiness Assessment- State level

### Model

For the state level assessment, the Networked Readiness Index framework, 2003-04, has been adopted which is based upon the following broad parameters, which are further, divided into sub-indicators:

- Environment for ICT offered by a given country or community — market, political/regulatory, infrastructure;
- Readiness of the community's key stakeholders to use ICT- individual readiness, business readiness, government readiness;
- Usage of ICT among these stakeholders- individual usage, business usage and government usage.

The framework has been used because of its potential not only to evaluate a state's relative development and use of ICT but also to allow for a better understanding of a state's strengths and weaknesses with respect to ICT. The Principal Component Analysis (PCA) has been used to arrive at the composite index.

## Composite Indices

On the basis of e-Readiness composite index calculated, the states have been classified as under:

Categories	States
Leaders	Karnataka, Tamil Nadu, Andhra Pradesh, Maharashtra, Chandigarh
Aspiring Leaders	Kerala, Gujarat, Goa, Delhi, Punjab, Haryana
Expectants	West Bengal, Pondicherry, Madhya Pradesh
Average Achievers	Uttar Pradesh, Chattisgarh, Orissa, Sikkim, Himachal Pradesh, Rajasthan
Below Average Achievers	Mizoram, Jammu and Kashmir, Assam, Meghalaya, Uttaranchal, Jharkhand
Least Achievers	Lakshadweep, Manipur, Tripura, Arunachal Pradesh, Andaman & Nicobar Islands, Bihar, Daman & Diu, Dadra & Nagar Haveli, Nagaland

## Validation by Case Studies

The evaluation of case studies has been done not just on the basis of Sen's and Brown's evaluation frameworks but also on the basis of sustainability and scalability of the project. A program may touch marginalized sections and/or add maximum value but at the same time, it is important to ensure that the project is not transitory and is sustainable. For a project to be sustainable, there has to be a purposeful mission attached to it such that it serves the cause of the state. It should have a strong business model attached to it such that it is a self-sustaining profitable venture. This has been exemplified by our case studies on e-Choupal and Akshaya. The state of Karnataka has further improved its governance through the expansion of the Bhoomi initiative. Projects like RASI in Tamilnadu have been an instance in capacity and skill building. The case studies have thus been used to examine whether various hypotheses that IT is indeed an enabler of developmental goals, is pervasive and cross cutting, facilitates disintermediation and the creation of an alternative development paradigm is validated in the Indian context through an empirical and critical analyses of these case studies.

## Recommendations

The report finally draws out a set of actionable recommendations gained from insights arising from the National level and the State level analytical models. Based on the above analysis, the report suggests that Policy planners could broadly look at the recommendations which have been detailed in chapter 8. These recommendations are based on the following premises:

- Second Generation Reforms
- Empowering and including marginalized sections through evolution of networked states/provinces.
- Sustainable/Scalable/Profitable rural development initiatives
- Adopt proactive policies to consciously move the states up the pyramid to the status of 'average achievers' and above.
- Match *potential* of Indian states for IT application with *actual* level of applications in the state with assistance from the Central government.
- Developing a domestic market for IT applications to reduce vulnerability from the external environment.
- Improving readiness of verticals.
- Increasing awareness of potential benefits of ICT in rural development.

India's attempts at moving towards an e-ready economy should therefore focus on providing a favourable environment for the Central and State governments.