

THE MILLENIUM BPO POLICY

1. Introduction

1.1 In India, it is the State of Karnataka that holds the pre-eminent position in the field of Information Technology & Biotechnology. In fact, the State is called the '**Silicon State of India**' and Bangalore, its capital, is referred to as the '**IT Capital of India**' as well as the '**Biotech City**'.

1.2 Karnataka in the recent past has attracted a spectacular amount of foreign investment. To be precise, the state has seen at least one new foreign IT Company setting up shop, *every week* for the past 150 weeks. The State also has the enviable record of attracting one new Biotech Company every month for the last two years.

1.3 Karnataka has witnessed exceptional growth in the IT Services and Product companies proving to be a large employment base for the state's engineering graduates. The recent investments in the knowledge-based sector have attracted a large number of BPO companies as well. Companies that are either Captive, Pure play Third Party Providers or BPO out fits of large IT Services companies. We expect tremendous employment opportunities for Arts, Science and Commerce graduates.

1.4 Karnataka's **Department of IT** in collaboration with **Confederation of Indian Industry (CII)** as well as the **STPI**, Bangalore has worked with **McKinsey** to chalk out a strategy to create a million jobs in Karnataka by 2010. Based on this study and the extensive discussions with the BPO companies in India and the IT Task Force, Karnataka is pleased to announce the Millennium BPO Policy.

2. Objectives:

2.1 The objectives of the BPO Policy are:

- ☞ To sustain Karnataka's competitive advantages in Human Resources, Telecom and other Infrastructure areas.
- ☞ To create new employment opportunities in the Karnataka.
- ☞ To promote investment and create an investor friendly environment for the BPO sector.
- ☞ To provide necessary framework to ensure Data Security and Customer Secrecy for BPO firms.

- ✍✍To pro-actively market State of Karnataka and its value proposition.
- ✍✍To provide a state level mechanism for certification and accreditation of HR Training Agencies.

3. Qualified Manpower - Karnataka's most competitive advantage

3.1 Karnataka's major edge is its Human Resource Bank. The State has begun to actively address and remove bottleneck in this area to sustain and improve its competitive advantage.

3.2 Karnataka has multitude of Arts, Science, Commerce, Engineering, Law, Medical and Nursing colleges as well as high quality training institutions.

3.3 The State's Education Policy initiated almost 50 years ago is one of the best in the country. For instance, Karnataka has actively encouraged the private sector in education - of 124 Engineering colleges only 2 colleges are Government run; of 62 Medical and Dental colleges only 5 are in government sector and of 58 law institution only 12 are in Government sector. Because of this early initiative the State has seen extraordinary investment in field of education ensuring its, comparatively superiority.

3.4 There are a large number of Primary and Secondary Schools with excellent infrastructure. Bangalore also has many world - standard International Schools with international curricula that can cater to expatriates' needs.

3.5 The State has a considerable talent pool of well-qualified graduates who can be employed by the BPO companies. There are over one million educated housewives in the State of Karnataka who are an important source of manpower for BPO companies.

4. Telecom

4.1 Karnataka has many Telecom Companies in the sectors of Telecommunication Network, Basic Telephony Services (both wire line & wireless), Networking Services for telecommunication equipments.

4.2 Bangalore offers a truly wide choice of players in telecom. The entire state is networked via Optic Fibre Cables (OFC) by the State - run BSNL (formerly DOT) as well as the private companies like Bharthi, Reliance, VSNL and TATA Tele Services.

4.3 The Last Mile Access is provided by BSNL as well as TATA Tele Services in parts of the State. The new private companies, Bharthi and Reliance, provide the Last Mile Access directly to the customer, in all major cities in Karnataka.

4.4 VSNL has substantial redundancy in International Bandwidth circuits. For example, the International Bandwidth circuit can be accessed from Bangalore to Bombay via 3 different routes viz., Bangalore-Pune-Mumbai ; Bangalore-Sholapur-Mumbai and Bangalore-Karwar-Mumbai.

4.5 Bangalore is also connected to the major submarine cables viz., India-UAE ; SEA-ME-WE-2 ; FLAG ; SEA-ME-WE-3 through Mumbai ; SAFE and SEA-ME-WE-3 through Cochin and i2i SINGTEL through Chennai which is a joint Televenture of Bharati Telecom. The i2i submarine cable has 8.6 terra byte capacity.

4.6 In addition to the Fibre connectivity, Bangalore offers excellent International Bandwidth via Satellite. The STPI at Bangalore presently has more than 1050 IT companies as its customers providing them Individual Satellite Connectivity. Bangalore STPI accounts for 45% of the total STPI revenues in India.

5. General Infrastructure

5.1 Karnataka is one of the most progressive states in India. It has decentralised maximum decision making powers to cities all over the State. The Cities have used these powers to create suitable infrastructure for BPO Companies.

5.2 The State is also in the forefront of reforms. The State Transportation Network is divided into four divisions, resulting in higher profitability.

5.3 The state is committed to power sector reforms. The privatisation of distribution of power to private companies is envisaged. In this respect, the Electricity Board has been split into four independent companies for enhancing efficiency in operations.

5.4 The state has a professional Financial Monitoring System in which the transactions in 225 treasuries are computed and monitored in real time.

5.5 Karnataka also has a large number of agencies for the development of infrastructure. Every major city has a Development Authority. The Bangalore Development Authority [BDA] is the most profitable entity in the entire country with bonds listed on the National Stock Exchange.

5.6 The Karnataka Road Development Corporation Ltd.[KRDCL] oversees the intensive development of major roads. The Infrastructure Development Corporation of Karnataka (Ideck) is a unique joint venture of Government of Karnataka and Infrastructure Development Finance Corporation [IDFC] that is empowered and committed to the continuous improvement of the infrastructure in urban areas.

5.7 The State has a large number of private sector players who can provide the IT companies with cutting edge facilities developed by major Indian players like RMZ Corporation, Embassy, Prestige, IBS, Brigade, Larsen & Toubro [L&T] etc. They have excellent quality control and project planning skills. For instance, HSBC's 180,000 sq.ft. facility was conceptualised, designed and executed only in 135 days. This HSBC centre is the largest in India and also the best in terms of World Standard Technology.

5.8 Karnataka has been the birthplace of a large number of financial institutions in the country. Many nationalised Banks of the country have originated from Karnataka. The State has an excellent banking network that covers even towns and villages. The companies could benefit from this extensive banking system.

5.9 This BPO policy is aimed at attracting players in all categories viz., Captives, Pure-play Third Party providers and IT Services Companies and has a provision to offer customised incentives and concessions for large investors.

6. Human Resources Development and Training:

6.1 By the year 2010 the employment potential in Karnataka's BPO sector is expected to be 360,000 across the State, with non metro

cities offering substantial portion of the manpower. Non Metro cities offer low operational costs due to less expensive real estate cost and abundant availability of local talent. The estimate in fact indicates that the rate of growth of employment opportunities will be eight times more in these smaller towns than in Bangalore.

6.2 To make quality man power for the BPO companies, the Human Resource Development and Training action plan is in place. This aimed actively improving quality at all levels-schools, colleges and schools, colleges and unemployed graduates.

6.3 **Schools** – The State already has a large number of private and public schools. Many of these schools have comprehensive IT laboratories. The *Mahiti Sindhu* program of the Government of Karnataka has established 1000 state-of- art computer lab facilities all over the state. The policy aims to leverage infrastructure to enhance the verbal, written and communication skills of the students. This program will be implemented in coordination with the Education department. The selection of trainers, course materials, method of delivery will be decided by BITES (Board for IT Education Standards).

6.4 **Colleges** – While a large number of Karnataka colleges already have IT labs, the policy not only also aims to encourage the existing IT labs but also setting up 500 more labs in the State. This infrastructure will be used to improve the listening, comprehension, verbal and written communication skills of the students. For this purpose once again, the selection of vendors, syllabi, trainees will be done by BITES.

6.5 **Professionals** – there are a numerous of unemployed graduates as well as working professionals who are technically proficient, yet need to improve certain soft skills. For this purpose the IT Department plans to set up training facilities not only in Bangalore, but also at major cities of Karnataka. This program will be run on similar lines as *Yuva.com*, one of the most innovative programmes of the Millennium IT Policy. The program will be conceptualised and implemented by BITES.

6.6 In addition to soft skills it is important to train the graduates for a large number of BPO companies that could require proficiency in Medical Transpiration, Back Office Processing, Human Resource processing Modules, Financial Accounting Modules, GAAP (Generally Accepted Accounting Principles) etc. For this purpose selected centres

will offer domain specific skills that would be relevant for establishing BPO companies.

7. BITES:

7.1 BITES has been primarily established to enhance the education standards in IT as well as BPO sectors. This autonomous body plays a pivotal role in meeting the most critical objective of this policy, which is to enhance the quality of manpower.

7.2 **Participation of companies:** It is envisaged that the entire selection of vendors and training companies will be entrusted to BITES, which shall undertake this task in active collaboration with the existing BPO companies in the State of Karnataka.

7.3 **Certification and Accreditation :** It is necessary to rapidly identify the graduates who have superior written & verbal communication skills. For this purpose a Certification Agency will be setup that shall prescribe certain tests to ascertain candidate's skills in different areas. BITES will administer the test through qualified HR companies. This certification will be voluntary certificate which is designed to help the private companies to qualify & identify the quality of manpower. It will also advice the candidates on appropriate training, they would require to reach levels prescribed by the BPO companies. This certification will be undertaken by a sub committee of BITES which shall have representatives from the BPO companies.

8. BPO Potential in Non-metro Cities:

8.1 To encourage investment in the BPO sector in non-metro cities, the State will undertake initiatives to ensure that the significant Job creation potential in BPO is fairly distributed across the State.

Destination Hubli

8.2 The programme, '*Destination Hubli*', launched by Government of Karnataka highlights the uniqueness of the State's Hubli-Dharwad region in attracting investments in BPO sector. Hubli, which is mid-way between Bangalore and Mumbai, has excellent connectivity and infrastructure with numerous arts, science, commerce, engineering,

medical and other colleges. The **Hubli IT park** provides 275,000 Sq. Ft. of state-of-art space. This IT Park is completely self sufficient with telecom connectivity and uninterrupted power supply. Two separate power lines, one from KPTCL Supply Station and another from 66 KV Supply Station drawn with under ground cables are provided for the IT park. This project was implemented by the L&T and Asea Brown Boveri and is maintained by Richard Ellis. Belgaum, close to Hubli also offers excellent facilities for the BPO companies.

Mangalore, Udupi

8.3 This belt also offers enviable number of well-known engineering, medical and other colleges. Mangalore is connected to Mumbai (three daily flights) as well as to Bangalore. Infosys has a large operation in Mangalore which employs 1000 people. In addition, Synopsys has set up a chip design software centre in Manipal which is adjacent to Udupi. With a large Christian population, Mangalore has excellent resources for the quality manpower development.

Mysore

8.4 Mysore is only 150 Kms from Bangalore and already has large number of well-established IT companies with excellent road and rail connectivity to Bangalore. The city which embarked with a nominal export of US \$ 20,000 three years ago, has today touched US\$18 Million. Infosys has set up a Leadership Training Institute in Mysore. There is between Mysore and Bangalore.

Destination Gulbarga

8.5 This city has everything going for it - educated man power, efficient connectivity with Bangalore, Pune, Hyderabad and Mumbai with a good number of Colleges in medicine, engineering, arts & science.

9. IT Corridor

9.1 The IT corridor project in Bangalore initiated by the Department of IT along with Bangalore Development Authority has been conceptualised by Jurong Town Corporation Pvt. Ltd., of Singapore. Occupying an area of 8000 hectares, it is situated in between White Field and the Electronic City, Bangalore. This corridor project will

provide extensive space and State-of-the-Art facilities for the development of knowledge based industries. A special purpose vehicle will be setup to implement IT Corridor project.

10. DATA Security

10.1 The State is committed to provide the highest level of security for the operations of BPO companies. The state has already launched an Anti-piracy programme and created a high level committee under the chairmanship of the Home Minister to combat Piracy. The department takes very serious note of the employees violating the data security, confidentiality of documents, non-disclosure of agreements etc. To further strengthen the position of the state a comprehensive legislation will be formulated to combat such cyber crimes.

11. Marketing

11.1 To promote the investor friendly environment within the knowledge based industry, the state accords the highest priority to the servicing of BPO companies in Karnataka. The state has a Single Window clearance mechanism. The high level committee that clears large projects is headed by the Chief Minister of Karnataka. The State Level Single Window Agency that seeks to facilitate the speedy disposal of all the proposals is headed by the Chief Secretary of the State.

KBITS

11.2 The Department of IT has set up Karnataka Biotechnology & Information Technology Services. This organisation assists companies in selecting a location & in obtaining Government incentives and concessions. It helps to identify quality man power resources, as well as resolves the problems, if any, of BPO companies with any other Government Departments.

11.3 A High-powered Cell will be constituted in KBITS which will promote investment of BPO companies in the state. This cell will provide all the information regarding the investor climate, incentives and concessions, availability of man power, advice on location etc. in

the State. It will provide specific information to companies based on their specific needs. This Market friendly cell will participate in various National & International conferences to provide such information.

11.4 It is proposed to participate and promote the investment in BPO companies in both national and international level. For this purpose, the high powered cell headed by the IT secretary will participate in major national and international exhibitions, conferences and summits in North & South America, Europe, Australia and Asian Countries, etc.

12. Destination Karnataka

12.1 The Government of Karnataka has demonstrated a strong commitment to catalyse the growth of IT industry in the state. Several attractive incentives and concessions offered resulted in Bangalore being ranked as the **4th best technological hub** in the world as per the UNDP.

12.2 In its continuing endeavour to use technology to benefit its people and to promote the BPO industry in the State, this policy offers several incentives and concessions for companies engaged in BPO activities and related infrastructure.

12.3 A BPO company under this policy could be a company that provides services in business processes and services performed or provided from a location different to that of their users or beneficiaries and are delivered over Telecom Networks and / or the Internet. The BPO Services typically include the following:

- ?? Customer interaction services like Call Centers ; Contact Centers, e-mail Help Desks, Information Dispensing, Telemarketing etc.,
- ?? Medical Transcription
- ?? Back-Office processing, Revenue Accounting, other ancillary operations.
- ?? Insurance Claims Processing.
- ?? Legal Databases.
- ?? Digital Content Development / Animation
- ?? Data Processing.
- ?? Engineering and design.
- ?? Remote Maintenance.
- ?? Support Centres.
- ?? Payroll/HR Services.

- ?? Web-site development & maintenance.
- ?? Data digitization / GIS.
- ?? Distance Online Education.
- ?? Financial & Accounting Services.
- ?? Network consulting and management.
- ?? e-commerce.
- ?? Research (Market Research and Scientific Research)
- ?? Bio informatics services

Concession in Stamp Duty & Registration charges :

12.4 The BPO companies are exempted from the payment of 50% Stamp Duty & Registration charges on *execution of Lease, lease-cum-sale or Sale deeds* for the establishment of their venture. This rebate on Stamp Duty / Registration charges is also applicable to the existing BPO companies expanding or modernizing their activities with additional investment *and employment generation*.

12.5 The tiny & small scale industries that establish outside the city limits of Bangalore or those taking up expansion, modernization & diversification *with additional employment generation* for BPO activities will be eligible for 100% exemption from payment of stamp duty & registration charges on all types of deeds executed in connection with the venture.

12.6 The Mega Projects in the BPO Sector which invest more than Rs.50.00 crores or provide continuous employment for two years to over 5,000 persons in Bangalore or 1,000 persons in cities like Mysore, Udupi, Mangalore & Hubli-Dharwad or 500 in other parts of the state shall be eligible for 100% exemption from payment of stamp duty & registration charges on execution of Lease , Lease-cum-Sale and Sale Deeds on the first sale of land as well as lease of built up space in IT & BPO Parks. The existing Mega Projects under taking an expansion / modernisation involving fresh investment and additional employment generation will be eligible for 50% exemption from payment of stamp duty & registration charges on execution of Lease, Lease-cum-Sale or Sale Deeds.

Fiscal Incentives:

12.7 The BPO industry will be exempted from payment of Entry Tax on all capital goods required for implementation of the projects for a

period of **three** years from the date of commencement of implementation.

Rebates:

12.8 The Mega industries which establish their operation outside the limits of Bangalore Metropolitan Region Development Authority [BMRDA] will be encouraged by providing a *one time* investment subsidy linked with their employment generation. An Investment subsidy of 20% upto a ceiling limit of Rs.1.00 crore will be provided to such industries *for a period of one year from the date of issue of this policy*. This rebate will be applicable to those industries which sustain *prescribed* the employment for a minimum period of two years.

Waiver of conversion fee:

12.9 The *BPO units employing 100 persons and above* outside the BMRDA limits are exempted from payment of conversion fee in respect of converting agricultural land for non-agricultural purposes *upto a limit of 0.30 acres for every 100 personnel employed*. The *Tiny /SSI* in the BPO sector established outside *the areas of A Zone as classified in the New Industrial Policy 2001-06* are exempted from payment of land conversion fee upto 2 acres.

Transportation:

12.10 The Government will facilitate the large BPO companies to enter into a contract with the State owned Road Transport Corporations and BMTC to provide suitable dedicated transport services for the commuting of their employees.

13 Relaxations:

13.1 The State's Millennium IT Policy has demonstrated the progressive stance & commitment to the industry. The state has business friendly regulation & has recently adopted the Karnataka industries [Facilitation] Bill 2002. This Bill simplifies the regulatory framework by reducing the procedural requirements and rationalising documents like combined application forms, self certification by entrepreneurs, deemed approvals, rationalisation of inspections etc., with the objective of providing an efficient, responsive and transparent administrative frame work to the industry.

Labour Laws – Simplified:

13.2 The State is committed to simplify all the relevant enactments for the BPO sector. The barriers including employment of women at night, flexi working hours, mandatory weekly off have all been removed by necessary amendments to the relevant Acts to create an optimal environment for the growth of the BPO sector in the state. It is proposed to exempt the BPO companies from furnishing returns and maintain certain registers. Submission of returns through electronic media will be encouraged. Necessary notifications to this effect will be issued by the labour department.

14. BPO Infrastructure Companies :

14.1 This Policy also offers several incentives & concessions to the companies providing basic infrastructure to the BPO Sector.

14.2 Excellent Telecom infrastructure, abundance of human resources with verbal & written communication skills, low cost of operations, good civic infrastructure & supportive regulations are some of the key factors for the growth of BPO sector in the State.

14.3 Telecommunication projects are recognised as Key Projects in Core Areas. The telecom companies set up in Zones B, C & D as classified in the New Industrial Policy 2001-06 are exempted from payment of Stamp Duty & Registration charges on execution of Lease, Lease-cum-sale and Absolute sale deeds by the companies in respect of Industrial Plots, Sheds, flats allotted by the State Infrastructural Development agencies viz KIADB, KSSIDC, KEONICS, KSIIDC, KBITS and Industrial co-operatives. These companies are also eligible for incentives & concessions provided in the Millennium IT Policy.

BPO Parks :

14.4 The parks established for IT industry will also serve the BPO sector. The incentives & concessions available to IT parks (under Millennium IT Policy) will be extended to BPO parks.

15. Technology Upgradation

15.1 The New Industrial Policy 2001-06 lays emphasis on rapid Technological upgradation of the SMEs in Karnataka. To catalyse the efforts of Technology upgradation, the Government of Karnataka will establish a corpus in the Industries & Commerce Department called the Technology Upgradation Fund with Sum of Rs.50.00 crores over a period of 5 years.

15.2 The Government will encourage the SMEs in BPO sector to obtain ISO 9000, ISO 14000 and similar international certification with a view to promote total quality management and best practices. Government assistance will be in the form of; meeting 50% of the cost of obtaining such certification, subject to a ceiling of Rs.75,000 per industry.

16. Anchor Companies:

16.1 The Anchor companies play a major role in attracting numerous other companies and foster a cluster specific collaboration which results in generation of employment in these cluster areas in non-metro towns / cities.

16.2 Anchor companies in the BPO sector are those which support cluster development by acting as magnet for other companies in this sector, and producing numerous spin-off companies which strengthen key elements of the cluster.

16.3 In addition to the incentives & concessions offered in this policy, a separate set of incentives will be worked out by the SLSWA / HLC on a case to case basis, to encourage Anchor companies to establish their activities in non-metro cities, and synergise the cluster effect in these areas.

16.4 A Unique, tailored made program for undertaking training in domain-specific areas, particularly in non-metro cities will be offered to Anchor companies set up in small cities.

17. Special Economic Zone [SEZ]:

17.1 The Government of Karnataka has proposed to set up a SEZ at Hassan, which is midway between Bangalore and Mangalore on NH-48.

The proposals approved in respect of the Hassan SEZ are detailed in G.O. CI 94 SPI 2001 dated 19th April 2001 and 20th October 2001.

17.2 The Government is also proposing to convert existing Export Promotion Industrial Park at Whitefield, Bangalore and the proposed Export Promotion Industrial Park at Mangalore (which is under implementation) into SEZ. The Government may also consider establishing of SEZs in other parts of the State.

17.3 BPO units set up in SEZs are specifically delineated duty-free enclaves treated as a foreign territory for the purpose of industrial, service and trade operations, with exemption from customs duties and a more liberal regime in respect of other levies. To promote foreign investment and other transactions, domestic regulations, restrictions and infrastructure inadequacies are sought to be eliminated in the SEZs for creating a hassle-free environment.

GLOSSARY:

BITES- Board for Information Technology Education Standards.
 BMRDA – Bangalore Metropolitan Region Development Authority.
 BMTCL – Bangalore Metropolitan Transport Corporation
 BPO- Business Processes Outsourcing.
 BSNL- Bharat Sanchar Nigam Limited.
 CMC – City Municipal Council.
 DOT- Department of Telecommunication.
 GIS – Global Information System
 HLC – High Level Committee.
 HUDCO – Housing & Urban Development Corporation.
 IDFC – Infrastructure Development Financial Corporation.
 KBITS – Karnataka Biotechnology & Information Technology Services.
 KEONICS – Karnataka State Electronics Development Corporation Limited
 KIADB – Karnataka Industrial Areas Development Board.
 Kms – Kilometres.
 KPTCL – Karnataka Power Transmission Corporation Ltd.
 KSSIDC – Karnataka Small Scale Industries Development Corporation.
 KVA – Kilo Volt-Ampere.
 NH – National Highway
 SLSWA – State Level Single Window Agency.

SMEs – Small and Medium Enterprises.

SSI – Small Scale Industry.

STPI- Software Technology Parks of India.

UNDP – United Nations Development Program