

## **IT stimulus for the knowledge economy**

Deepu Zacharia

Joint Secretary, Group of Technology Companies (G-TECH) Kerala.

I would like to first start off by saying to Dr. Thomas Isaac, the promises and the very foundation for laying down this knowledge economy as a roadmap for Kerala is welcomed by the IT industry of Kerala, thank you Sir. Before I go into the very ideology of emerging economy, knowledge, tourism or IT, all this will need a stimulus to start the growth and the stimulus is exactly what Kerala as a state is searching in all of us. The budget is certainly aligned towards this stimulus. And for a better understanding of what I'm going to focus on this special address today and I'm supposed to be focusing on the IT industry because I come from there.

I want to put down some numbers. The IT spends globally, if I look at traditional and new technologies put together for the year 2019, stood at staggering 3816 billion US dollars. In 2020, it had a small dip and it went to 3609 billion US dollars. But in 2021 it is supposed to be growing to 3755 billion US dollars. In India, the market size for IT in 2019-20 was about 191 billion US dollars aiming for 350 billion US dollars by 2025. This means that 8 percent of India's GDP is being contributed by 0.34 percent of the population (4.4 million IT techies). This is the highest in the world for the concentration of IT talent in one single country.

Where does Kerala stand? Three billion in revenue from IT, 1.5 percent of the Indian IT population comes from Kerala. Developed markets are high cost and high revenues, but Kerala is high cost and low revenue. How do we counter this? This is the bigger question that we have in front of us on how to derive this knowledge economy.

Let me compare two geographic locations- Kerala, and New Zealand. The population of both these locations are spread like 34 million in Kerala and 5 million in New Zealand. The GDP of Kerala is at 140 billion dollars, whereas in New Zealand, it is 193 billion dollars. The

productivity is that 4,170 US dollars versus 38,600. What are the sectors that we work in? The sectors that we are work in Kerala are agriculture, tourism, IT and manpower exports whereas if you look at New Zealand, it is agriculture, tourism, and dairy products alone. So IT is the biggest boost that we have in Kerala that needs to be tapped for boosting the economy.

About 30 percent of the total population of companies like Infosys, Microsoft, and Wipro consists of Keralites. We need to capitalize and increase our footprint in Kerala to take it to 10 percent or more of GDP. We have got few connectivity issues which the government is definitely working on. We should have them resolved quite soon. This opens up easy air connectivity to the Far East and the west. The potential for Kerala's IT opportunities are still unexplored. We have to speed up and for this we need to increase the availability of supporting infrastructure of the state to bring out the talent that we have inside of us.

Now, transforming our state to become a knowledge economy is key in ensuring that we meet the targets of goals that the state is set to achieve in 2020-25. And some of the visions that I would like to table for 2025 are the vision to make Kerala IT a 10 to 15 billion dollar industry in the span of next 7- 10 years. This will directly create 3 lakh or more IT jobs and 15 lakhs indirect alternate jobs. For this, the government needs to invest in consolidating existing IT parks and infrastructure around it. We should make it attractive for large investors to come and pick a space like what Andhra Pradesh is doing. We need to support local companies to set up shops and these costs needs to be looked at and we need to bring down the cost that becomes more attractive for people to set up shops here in Kerala. Incentivize industry-academia partnerships. We need academia partnership for driving innovations. If I look at it, India is a top most offshore destination for IT companies across the world and it is just going to grow and the dependency that the world is going to have one India to provide outsourcing is going to grow in the coming years. The industry is expected to grow by 350 billion by 2025. Kerala needs to be a key contributor in this space and for this we need to transform the state into the best knowledge economy.

To close my remarks for the day, I would like to open up this thought to everybody. The pandemic did not put the IT industry in the back foot. Instead, it has accelerated the need for states like Kerala to wake up and run faster. Thank you.