

**GOVERNMENT OF INDIA  
COMMUNICATIONS AND INFORMATION TECHNOLOGY  
LOK SABHA**

UNSTARRED QUESTION NO:819

ANSWERED ON:24.02.2006

OPERATIONAL COST OF IT INDUSTRY

Singh Shri Rajiv Ranjan (Lalan);Suman Shri Ramji Lal

**Will the Minister of COMMUNICATIONS AND INFORMATION TECHNOLOGY be pleased to state:**

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- (a) whether operational cost in the Information Technology industry in India is 3.2 per cent more in comparison to neighbouring South and East Asian countries;
- (b) if so, the facts in this regard;
- (c) whether operational expenditure is comparatively more irrespective of availability of cheap labour in India;
- (d) if so, the reasons therefor;
- (e) whether any efforts have been made by the Government to remove this discrepancy; and
- (f) if so, the details thereof?

**Answer**

MINISTER OF STATE FOR COMMUNICATIONS AND INFORMATION TECHNOLOGY(DR.SHAKEEL AHMAD)

(a),(b),(c) and (d): As per the Manufacturers` Association for Information Technology (MAIT) - Ernst & Young Study of the Indian Electronics Hardware Industry, the cost penalty of operation in India compared to typical South East Asian Countries is approximately 3.2 per cent, on account of delays and higher interest rates. The low volumes of operation of Indian Electronics Hardware manufacturing companies, lack of local availability of inputs, longer and variable transit times, high interest rates and customs duty on capital goods add to delays and increased costs.

(e) and (f): Yes, Sir. Over the years, Foreign Trade Policy for Electronics & IT products has been liberalized, Electronics Hardware Technology Park (EHTP) Scheme, Special Economic Zones (SEZ) Scheme and Export Promotion Capital Goods (EPCG) Scheme have been tailored, customs & Excise procedures have been simplified; Electronics Data Interchange (EDI) has been implemented by Customs and is under implementation by Central Excise; and specified capital goods and raw materials have been exempted from customs duty.