



ABSTRACT

Information Technology Department – Business in Information Technology Services in Rural Areas (Rural Business Process outsourcing) – Formulation of Policy for Tamil Nadu – Orders – Issued.

INFORMATION TECHNOLOGY (B3) DEPARTMENT

G.O. (Ms) No.38

Dated: 13.8.2010

Read:

ORDER:

While moving the Demand No.31 Information Technology Department in the Tamil Nadu Legislative Assembly during the Budget 2009-2010 the Hon'ble Minister for Information Technology made "Business in Information Technology Services in Rural Areas" as one of the announcement.

2. India has rapidly achieved the status of being the most preferred destination for Business Process Outsourcing (BPO) which is now referred to as Business in Information Technology Services. Tamil Nadu has attracted several BPO units and this sector forms a significant part of Information Technology Enabled Services in the State. Business in Information Technology Services in rural areas is a new chapter in Information Technology Enabled Services, where the Business process outsourcing work is done by educated rural youth.

3. Tamil Nadu being a major Information and Communication Technology (ICT) Hub and with the ICT industry now expanding to Tier II, Tier III Cities, and Towns and indeed into villages in Tamil Nadu, it is felt that it is indispensable to have a comprehensive Rural BPO policy to increase employment in the rural areas of the State. Accordingly, a comprehensive Rural BPO Policy 2010 as detailed below has been formulated:

4. Rural BPO Policy 2010:

Introduction:

Business Process Outsourcing (BPO) refers to activities/services that are given to agencies, companies or firms outside of a unit which are not its core activity. This is done to enhance the efficiency of the core unit as it can then focus its attention on the key areas of the business.

Data processing, Data entry, Data creation, Data Management, Data/Document conversion, Document Digitization, Form processing are some of the key areas involving Data. Similarly, Voice related BPOs managing from Inbound call centre services (Customer Service, Inquiry Handling, Helpdesk support, Technical Support services), Outbound call centre services (Product promotions, Market research and surveys, Sales and Marketing, Voice Broadcast etc.) and Telemarketing services are in vogue. Together with this, Knowledge Process Outsourcing, Medical transcription, HR related services, Financial Accounting, Legal Process Outsourcing and Web Marketing with support, form a significant part of the BPO industry.

Need for Specific Policy for Rural BPO:

The Government's policy should be in the nature of promoting the right environment for growth in this sector. Considering that the BPO industry is dependent on entrepreneurial skills and risks that are associated with business, the best that Government could do is to provide a conducive environment for such an industry to thrive in the rural areas. The Government of Tamil Nadu, through a wide range of initiatives has encouraged the Information Technology Industry and in particular the BPO segment to build on a strong foundation in the State. However, the BPO industry presence is limited to Chennai, its surrounding areas and a few select urban locations such as Madurai and Coimbatore. For a deeper penetration of the BPO industry in the State, specific policy initiatives that would attract the industry to venture into rural locations in the State are necessary.

Rural Business Process Outsourcing (BPO) Policy:

This policy is location specific and applicable to BPOs based in rural locations i.e unit(s) located in Village Panchayat(s) areas.

Information Technology Department as Facilitator:

The Information Technology Department will play the role of a facilitator in receiving enquiries from the BPO industry and vice versa and will help to find interested institutions both educational and otherwise who would want to partner BPO units. Such institutions would assist in providing Information Technology infrastructure such as Floor Space/Power/Connectivity for hosting such activities for BPO Units. The business arrangement between the industry and the infrastructure provider will be on terms conducive to both and will be negotiated mutually by both parties. The Information Technology Department, Government of Tamil Nadu will play the role of a facilitator. Educational institutions in particular will benefit with such arrangements as the Industry and Academic interaction will help both the faculty and students in providing exposure and experience both for entrepreneurship and future careers.

It is important in considering this policy option to recognize that in several parts of the world and in India the presence of industrial units in close proximity and partnership with premier academic institutions has led to growth in the industry and economy of the area concerned.

Financial Assistance:

The most effective methodology that has been adopted to promote particular industries with locational advantages that promote development is by providing appropriate financial incentives.

The Information Technology Department proposes the following financial assistance to encourage Rural BPO Units in the proposed policy.

Subsidy can be of two forms namely

- a) Capital subsidy**
- b) Training subsidy.**

The subsidy to be provided would be only for business processing units that are located in rural areas (Village Panchayat) and its details are as follows.

a) Capital subsidy:

- Capital Subsidy of 15% would be provided on capital investments such as cost of hardware, equipment etc., subject to a maximum of **Rs. 3.00 lakhs** (Rupees three lakhs only) to any Rural BPO unit that has been functioning for a **minimum period of three years** and has been directly employing a **minimum of 100 (One hundred) trained persons** in the unit. This Capital Subsidy will be backended in three equal instalments at the end of each year. The capital investment for the purpose of subsidy constitutes purchase of new hardware and equipments similar to plant and machinery in MSME sector.
- This would encourage the existing rural BPOs and incentivise other new units being setup in rural areas.
- In order to ensure basic quantum of employment generation requirement, minimum **100 persons** yardstick has been fixed.

b) Training Subsidy:

- New BPOs require to invest in training in order to ensure that the employees do not lack in quality of work, timely execution and so on.
- More so, in a rural area, some financial assistance is required to support new BPOs in training employees.

- Training subsidy should be shared by the Company and Government. An amount of Rs.1500/- per month per person for three months would be provided as training subsidy by Government (as the normal period of skill building training for BPO is three months). Thus, a unit engaging 100 persons will benefit from Rs.4.5 lakhs (Rupees four lakhs and fifty thousand only) as Training subsidy for the period of three months. This subsidy also will be backended, to be disbursed to the BPO Unit after one year i.e. three months training + nine months of continuous employment.

Mode of Sanction of Subsidy:

For the disbursement of the capital and training subsidies, ELCOT will be the nodal agency to determine the eligibility claim of a rural BPO based on the above criteria. ELCOT shall assess each claim made under this policy and after initially assessing whether it is located in a Panchayat(s) shall then ensure that it is eligible on the above lines for a Capital Subsidy or Training Subsidy as the case may be.

Role of ICT Academy of Tamil Nadu in Monitoring and Review the work of the Rural BPO's

- In promoting this policy, it is necessary to involve a different promotional style that would ensure participation of industry. An existing special project vehicle that has helped to strengthen Industry-Government efforts that are of concern to both industry and Government is the ICT Academy of Tamil Nadu.
- Currently, the ICT Academy of Tamil Nadu is involved in building training content and executing excellent training programmes targeting faculty members of IT related courses in engineering and other institutions.
- The ICT Academy of Tamil Nadu has involved itself in promotional work and in actual conduct of these courses and has been seen to have a good reach amongst institutions that have IT related courses.
- A senior level executive below the Chief Executive Officer of the ICT Academy of Tamil Nadu will be placed and his remuneration will be reimbursed from Government of Tamil Nadu by way of a grant.
- This will also enable the Board of ICT Academy of Tamil Nadu to monitor and review the work of the person in charge of promoting Rural BPOs in this manner.

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- Greater accountability and control in an industry style manner will also be seen to be exercised in such an arrangement. Such an executive will also help to penetrate the rural areas with appropriate BPOs. This ICT Academy of Tamil Nadu based executive shall work in close coordination with ELCOT.

5. This order issues with the concurrence of Finance (Ind) Department vide its U.O.No.44188/2010 dated 12.08.2010.

(BY ORDER OF THE GOVERNOR)

(P.W.C. DAVIDAR)
PRINCIPAL SECRETARY TO GOVERNMENT

To
The Chief Secretary to Government, Chennai- 600 009.
All Secretaries to Government, Chennai- 600 009.
All District Collectors,
The Managing, Director,
ELCOT, 692, Anna Salai, Chennai- 600 035.
The Chief Executive Officer,
Directorate of e-Governance & Tamil Nadu e-Governance Agency,
3rd Floor, TUFIDCO-POWERFIN Building,
490/3, Anna Salai, Chennai- 600 035
ICT Academy of Tamil Nadu,
ELCOT Complex, 2-7 Developed Plots,
Industrial Estate, Perungudi,
Chennai – 600 096.

Copy to:

The Secretary to Hon'ble Chief Minister, Chennai- 600 009.
The Hon'ble Chief Minister's Office, Chennai-600 009.
PA to Hon'ble Minister for Information Technology, Chennai-600 009.
Private Secretary to Principal Secretary,
Information Technology Department, Chennai-600 009.
Finance (Industries) /(BG.I), Department, Chennai-600 009.
Sf/Sc

/Forwarded By Order/

13082010
Section Officer