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India to transform into a software product nation

Professor Rishiksha T. Krishnan July 15, 2014

The Finance Minister's recognition of software products as a distinctive category which can propel India forward as a product nation could well mark a new era in India's industrial development.

At the time of independence, we had very limited industrial capabilities. But, in the last 67 years, we have built a strong foundation across industries ranging from tractors to telecommunications, and dairy to drugs. Yet, we fall short of getting global recognition because we lack enough widely visible products and brands.

And, software products could well be the arena to change this image. We have companies that have shown they have what it takes to be global leaders - InMobi challenges Google in mobile advertising, and Fusion Charts is a preferred source for visualization tools. India's software services industry has helped develop a huge talent pool that can write the most complex software.

In addition, today's youngsters have the aspiration, ambition and confidence to build sophisticated and powerful products.

Sales and distribution is no longer a problem because the internet allows you to serve a global market. The missing link to creating the next Facebook or Google from India is a supportive ecosystem that promotes rapid growth.

Identification of software products as a category distinctive from services should help us overcome some of the barriers to creation of this ecosystem.

Multiple levels of taxation, difficulties in availing R&D tax credits, and barriers to venture capital investment are some of the issues that can be sorted out now that the potential of software products has been recognized.

The significance of software products goes well beyond their potential contribution to Brand India.

Well-designed software products that combine the special needs of Indian customers with the right technology have the potential to transform the productivity of India's large MSMEs (Micro, Small and Medium Enterprises) sector across industries.

Just one such product, Tally, has made accounting easy for millions of Indian enterprises.

Software products can provide platforms for improvement in government functioning and effectiveness whether it be the issue of birth certificates or facilitating financial inclusion. They can help provide better healthcare and education.

The most sophisticated defence and aerospace products have software at their heart, so software product capabilities could in the long run help our security and defence as well.

Success in software products could help promote product thinking in other industries as well. The advantage of focusing on software products first is that unlike many other product categories (like drugs or semiconductors), the upfront investments are much more manageable, and we already have the talent base and skills to get going.

Why is product thinking crucial? Because it makes possible the capture of value within our country. According to one estimate, Apple earns \$368 out of every \$560 iPhone. In contrast, Foxcon's margin on every iPhone that it manufactures for Apple is less than \$15. We need to change from "India Inside" to "India: Product Nation" so that we can appropriate a significant part of the value created by our talented designers, engineers and scientists.

The Vajpayee government is often given credit for removing the barriers to the growth of the software services industry through policy changes it made in the late 1990s. If the Modi government takes today's announcement to its logical conclusion, it could be on to something much bigger - positioning India for success in the trillion dollar software product industry.

100,000+product start-ups, employment for 3.5 million technical people and more than \$500 billion in market value are some of the results we can expect in the next ten years. But the biggest prize would be the spillover effects of unleashing India as a product nation.

The author is Director, Indian Institute of Management (IIM) Indore and Member of the Founders Circle of the Indian Software Product Industry Roundtable (iSPIRT)

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