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Press Release

China Ahead of India in IT Infrastructure Development: Skoch

New Delhi 25 April 2001: As per the findings of "Indian Software industry – A fresh perspective" a soon to be released report on strategy alternatives for Software Industry by Skoch Consultancy Services, China is already ahead of India on almost every parameter of IT Infrastructure development.

The general perception of Chinese software developers as low tech, non-English speaking is not borne out by their per hour billing rate that is almost twice of India at 15.9 dollars an hour. While as India with all its efforts to move up the value chain remains at 8 dollars an hour. With more and more work shifting off-shore and the increased competitive pressure of too many players fighting for the shrinking US pie these are likely to erode further. China is not only making abundant funding available to its universities but also importing English teachers to overcome its language handicap.

Most large Indian companies are already exploring China as a lower cost destination for developing software. "While average wage for a Chinese software developer today is more than an Indian one, the cost of other infrastructure and telecom totally negates this advantage for India coupled with policies that are unfriendly for small and medium businesses in India."

The PC market in China in 2000 alone was 7 million PCs, which is more than the cumulative installation base of PC's in India. China has a flourishing hardware industry with almost every major hardware and component player already having a manufacturing base in China. China has already attracted nearly 10 billion-dollar investments in component manufacturing with a lot more in the pipe.

"In India we have always tended to look at the hardware industry as divorced from software industry without realising that one can not survive without the other. This has resulted in almost all benefits given by the government being cornered by the software industry leaving hardware manufacturing in India nearly dead." Said Sameer Kochhar, Managing Director of Skoch Consultancy Services.

China has a cumulative installation base of 15.6 million PCs already as per the Skoch report. Similarly the number of Internet users in India at 6.7 million is virtually one third that of China at 22 million. 10% of all web-sites in China are government sites, 3000 in number, these are a thousand odd more than Indian Government web-sites.

China has been putting in a lot of effort in e-infrastructure development and has an international band-width of 2.5 Gbps compared to 0.5Gbps of India and an Internet backbone of 55 Gbps vs. only 1.2 Gbps of ours. They have invested nearly 50 Billion dollars on a cumulative basis on developing the Internet infrastructure compared to a small fraction of that spent by India.

India is pegging a lot of hopes on Software enabled services that are totally telecom dependent with it's tele-density of 3.5 compared to 20.1 of China. China is adding 2 million new telephone lines every month and India is now planning to also add 1.4 million additional lines on an average every month for the next 10 years to take our tele-density up to 15 percent. China has invested nearly 97 Billion dollars in developing its telecom infrastructure over the last five years.

As per 1999, World Bank data Chinese hi-tech exports out of manufactured goods were virtually three times that of India at 14.53%.

	India	China
PC's per thousand population	5.7	15.6
Size of PC Market in 2000 (Millions)	1.67	5.8
Number of Internet users (Millions)	6.7	22
Size of Internet Backbone (Gbps)	1.2	55
Size of International Bandwidth (Gbps)	0.5	2.8
Avg. per hour billing rate for software exports($)	8	15.87
Hi-tech exports as a % of Manufactured exports(1999)	5.09	14.53
Estimated Size of IT industry in 2001 ($ Billion)	<10	>40
Teledensity per 100 population	3.5	20.1
Additional Telephone lines being added per month (Million)	*1.4	2
Number of Government Web-sites	<2000	3000
Investments made in telecom over past 5 years($ Billion)	N.A.	96.4
Cumulative investments in Internet infrastructure($ Billion)	<1	50

projected

About Skoch:

Skoch is an independent industry analysis and strategy consulting company based out of Gurgaon. It engages with several Fortune 500 as well as SME companies world-wide and carries out periodic studies and research in the Asia-Pacific region. For further information, please contact skoch@skoch.org