SERVICES EXPORTS STRATEGY FOR KARNATAKA

SEPC
SERVICES EXPORT PROMOTION COUNCIL

Prepared by

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Foreword

SEPC is grateful to Karnataka Government for giving us an opportunity to prepare this strategy to improve services in Karnataka. This strategy is yet another step towards achieving our national ambition for a $5 trillion economy. It is developed through extensive engagement with industry, associations and key export support providers. We have consulted with industry experts, academicians, researchers, and policy makers from different organisations and associations and we are enormously grateful for all their inputs.

We recognise that typically the government doesn't export, industry does. So our focus is on identifying where government can help industry to achieve increased growth, income and employment associated with services export success. Industry recognises that there are a significant number of government policies that are helping businesses. Our plan is to build on these, while also addressing areas of support which need improvement. It is clear that businesses face too many barriers both at the domestic and international markets that prevent them from reaching out to their potential global markets. The barriers faced by services exporters may be in the form of inadequate infrastructure, government policy, production capacity, human resources, finance, visa, quality standards, connectivity, etc. This strategy aims to address these barriers besides highlighting the potentials.

The government understands that industry sometimes does not have the capacity to overcome all the barriers of exports and keeps intervening in the best possible manner at different levels to promote services exports from India.

With this in mind, Services Export Promotion Council (SEPC) in collaboration with Visvesvaraya Trade Promotion Centre (VTPC), Government of Karnataka and with guidance from the Department of Commerce, MOCI, Government of India has developed this strategy which focuses on identification of thrust services sectors in the state of Karnataka and finds out the major challenges faced by the exporters in those sectors in the way of exploiting the export potential and then suggests short term and long term financial and non-financial action plans for the concerned departments of the state and central government.

We thank Mr. Darpan Jain, (Joint Secretary, Department of Commerce, DOCI), Mr. S.R.Satheesha (Managing Director, VTPC, Government of Karnataka) for their guidance, Dr. Pralok Gupta (Associate Professor, CWS, IIFT) for his valuable inputs and the SEPC research team; Dr. Salahuddin Ayyub, Mr. Dhruv Singh, Ms. Anam and others for their effort in preparing the strategy.

Maneck Davar
Chairman,
Services Export Promotion Council (SEPC)

Perspective

As India aligns to the vision of our Hon'ble Prime Minister towards achieving a USD 5 trillion economy, the services sector undoubtedly is poised for a giant leap. The contribution by the sector has been noteworthy, at over 54 % of India's Gross Value Added (GVA) in 2018-19.

Karnataka, the 'land of opportunities', has been no exception and I am proud to share with conviction, that we would be among the front runners in driving this growth for the Nation. The services sector in the State clocked 68% in the State's Gross Domestic Product and is further estimated to grow at 12.3% during FY 2018-19. There's more! The State recorded USD 95.17 billion of overall exports in 2018-19, of which services exports constituted USD 77.8 bn. Karnataka accounts for more than 38% of IT and electronics exports from India.

Considering the tremendous potential that defines the sector, Government of Karnataka in line with Government of India's Champion Service Sector Scheme, has identified thrust sectors for growth in the State. These are precisely the sectors which would open up enormous vistas of opportunities for stakeholders and aspirants to play a key role in the new economic order. Education, Health & Wellness, Tourism, Infrastructure & Logistics, Remittances & Immigration, Media & Entertainment are among the identified sectors for providing impetus.

Against this backdrop, I wish to thank and place on record the synergies and efforts that have gone into the preparation of the **Services Exports Strategy for Karnataka.** The document is a collaborative initiative and effort by the Services Exports Promotion Council (SEPC), Ministry of Commerce, Government of India and Department of Commerce & Industries, Govt. of Karnataka. An earnest attempt has been made to put together the challenges and bottlenecks expressed by industry with respect to specific and identified potential service sectors and the immense scope as well for Policy interventions.

Karnataka has always believed in industry friendly policies and hence have also been pioneers in coming out with sector specific policies across the expanse of IT, Aerospace, Textiles, Animation Visual Effects, Gaming & Comics and Biotechnology, to name a few. The Strategy document has provided us a lucid roadmap to come out with sector specific strategies/policies which would provide momentum to the identified service sectors in driving the next big wave in the services landscape.

Gaurav Gupta, I.A.S
Principal Secretary
Commerce & Industries Department

EXECUTIVE SUMMARY

The rapid growth of India's services sector in the post-WTO era has played a critical role in the country's emergence as one of the fastest-growing economies in the world. The services sector, or the 'tertiary sector', has risen in contribution to not only India's domestic output, but also its international trade and investment flows, thus facilitating India's integration with the world economy.

Contributing around 54% to India's Gross Value Added (GVA), the sector has continued to be the key driver of India's economic growth. According to the Government of India's Economic Survey (2018-19), Karnataka ranked third among all the states and Union Territories (UTs) in the share of services in Gross State Value Added (GSVA). The State's services sector share increased from 66% in 2017–18 to 70% in 2018 –19, registering a growth of 16%.

Karnataka's exports amounted to about INR 6,51,983 cr in 2018 –19, constituting 17.8% of the country's exports. The largest contributing sectors were electronics and software, followed by products related to engineering, petroleum, readymade garments, basic chemicals and pharmaceuticals. Considering the importance of services exports in the state's economy, dedicated efforts are being made by the Government to enhance them and contribute to the overall growth of the state and its income.

This Paper aims at developing strategies to promote, facilitate and enhance service exports from Karnataka, to increase its share in India's exports and provide competitive advantage to all the stakeholders. This can be achieved by:

- providing an effective, proactive and supportive institutional mechanism for the rapid growth of services exports;
- implementing transparent and sustainable export promotion sectoral strategies; and
- building effective and competitive export infrastructure.

Apart from the key sectors in the State, new and emerging sectors, such as IT and ITeS, legal services, tourism and hospitality, environmental services, accounting and finance should be explored to identify their potential.

The investor-friendly, sector-specific policies to promote industries are announced under the Karnataka Industrial Policy, which provides wide range of fiscal and policy incentives for businesses and has helped in increasing the services exports from the state.

KEY SERVICE SECTORS IN KARNATAKA

- Health and Wellness Services (including medical value travel)
- Education Services
- Infrastructure and Construction Services
- Entertainment Services (Audio visual services, gaming and animation)
- Logistics and transport services
- Remittance and Emigration support services

In addition, the State is endowed with a huge talent pool, knowledge hub, physical infrastructure and conducive investment environment. In view of the aforementioned characteristics, the following recommendations can help harness the untapped potential of the State.

1. Policy formulation initiatives

- State Medical and Wellness Tourism Policy to promote medical tourism with international patients.
- Karnataka Fintech Policy to promote fintech industry in the State.
- Cyber-Security Policy.
- Comprehensive IP Policy for giving impetus to IP creation, protection, commercialization and enforcement.

2. Institutional initiatives

- Creating a legal framework for institutional mechanisms for the development of standards, mandating standards where required, assessing conformity with the standards, educating and spreading awareness and enforcement of standards
- Creation of database of services exports from Karnataka to collect data for subsectors, mode of supply, country of destination, revenue earned, etc.
- Setting up Medical Tourism Board of Karnataka to look after issues pertaining to medical tourism and implementation of the Medical & Wellness Tourism Policy
- Formation and institutionalizing the 'Regulatory Sandbox' in collaboration with RBI and other regulators & financial institutions
- Dedicated desks at KUM (Karnataka Udyog Mitra) and VTPC (Visvesvaraya Trade Promotion Centre) for dealing with services investment and services trade proposals

3. Infrastructural initiatives

- Establishing 'Media Zone or Cities' that provide production, post production and distribution services for movies, animation and gaming. These Media Cities could produce new content, promote themselves as broadcasting hubs and encourage investment in interactive and digital media
- Tying up with international Media Cities such as Dubai Media City set up in 2001 as a free zone
- Establishing Audio-Visual SEZs in collaboration with the Government of India to enable foreign companies to operate in a liberalized environment
- Setting up a Global Fintech Hub as a focal point for fintech activity within the State of Karnataka
- Setting up dedicated city on the lines of GIFT City in Gujarat
- Setting up logistics parks

4. Incentives and support initiatives

- Promoting standardization in services through incentives to enhance the trade prospects of a service entity, given that standards reduce the barriers created by different geographies, cultures and languages
- Incentives for establishing servers and data centers
- Instituting awards for excellent performance in exporting in various services sectors apart from IT and ITeS
- Dedicated quota for services start-ups in Elevate 100 Policy of the Government

5. Other initiatives

- To create awareness and sensitize the existing and potential exporters about the potential services sectors and overseas markets for exporting in collaboration with the Services Export Promotion Council (SEPC)
- VTPC along with SEPC to jointly take the task of implementing the policy initiatives drafted in this policy in all the trade agreements, which are ventured and being implemented by Government of India (GoI) with other countries.
- Developing mechanism to regularly identify the bottlenecks/problems faced by the existing services exporters and resolving them on a priority basis. A responsibility matrix in **Appendix** has been provided to understand the initiatives and the responsible authority to perform them.

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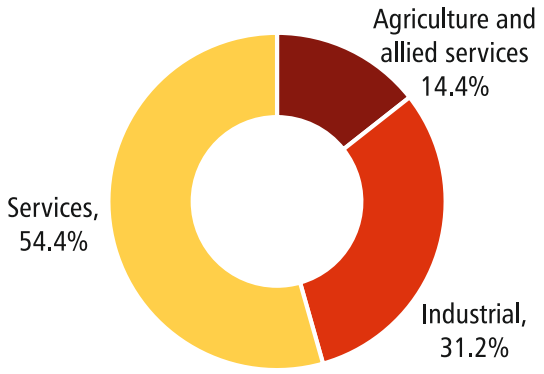
1. OVERVIEW OF SERVICE TRADE

1.1. Indian Services Sector and Exports

India, one of the fastest growing economies in the world, recorded GDP growth of 6.8% in FY 2018-19 against 7.2% in FY 2017-18. India's services sector, which stands at USD 1.8 tn in FY 2018-19, has been the biggest contributor to India's GVA. It contributed 54.3% in FY 2018-19 and grew moderately by 7.5% in FY 2018-19 compared to 8.1% in FY 2017-18. Sub-sectors such as financial, real estate and professional services accelerated, while tourism, trade, hotels, transport, communications and services related to broadcasting, public administration and defence decelerated[1].

Figure 1: Sectoral share in GVA (FY 2018-19)

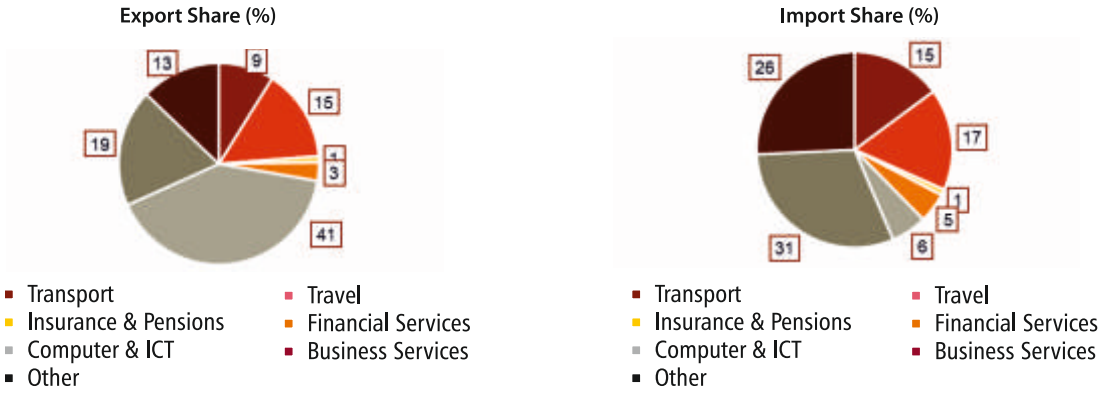


Source: Economic Survey, FY 2019

In future, the sector is expected to grow at a faster rate riding on various initiatives taken by the Indian Government. Some of the initiatives that have fuelled the sector are Make in India, Skill India, Start-up India and Digital India. In addition, unique innovations such as IndiaStack, namely, Aadhaar, DigiLocker, e-Sign, UPI, BHIM, and AEPS have given an impetus to the sector. Over the last few years, a range of service sectors have registered double digit growth rates, owing to reasons such as increasing digital technologies, investor friendly environment, relaxed FDI norms and improving ease of doing business in India[2].

The bustling Indian services sector exported USD 153.5bn (provisional estimate) during April-December 2018, registering a moderate growth rate of 7%. In FY 2017-18, services exports grew by almost 20% amounting to USD 195.1 bn. Transport services have registered a strong growth during April-December 2018, maintaining its momentum of FY 2017-18.

Figure 2: Value of export and import of services in India, FY 2017-18



[1] Economic Survey, 2018-19
[2] The Indian services sector: Poised for global ascendency, CII

However, other service sectors have decelerated during the period, while Computer & ICT services sector has been recovering steadily. Service trade has always maintained a surplus and finances almost 50% of India's trade deficit. The trade surplus is primarily driven by Computer & ICT services, followed by travel services, business services and insurance & pensions. Services related to Computer & ICT, business and travel account for almost 75% of the total service exports in India[3] .

1.2. Champion Services Scheme in India

In order to further strengthen the services sector growth in India, the Government has identified 12 Champion Services Sectors, which will be supported by a special fund of INR 5,000 cr. These funds will be used by the respective ministries to execute action plans in a time-bound manner. The major benefits include employment generation, increased productivity, enhanced competitiveness and increased exports. This initiative is in line with the Government's vision to improve India's share in the global services exports to 4.2% by 2022 from 3.3% in 2015. Furthermore, the Government has set a goal of increasing the share of services in GVA to 60% (67% including construction services) by 2022.

Champion Services Sectors identified by Government of India

- Information technology/ IT-enabled services
- Tourism and hospitality
- Financial services
- Medical value travel
- Transport and logistics services
- Accounting & financial services
- Audio visual services
- Legal services
- Communication
- Construction-related Engineering Services
- Environmental services
- Education services

Under the Champion Services Scheme, the Ministries/ Departments are directed to develop Action Plans for the respective services sectors. The sectoral action plans need to develop a vision for the year 2022 and list down various steps to achieve the vision. The Ministries are also mandated to submit details such as implementation timelines, implementation monitoring mechanism under the guidance of Committee of Secretaries (CoS), required infrastructure and incentives that may have a financial impact.

These dedicated sectoral Action Plans are also expected to provide an impetus to the manufacturing sector by increasing the significance of "Embedded services" (a vital part of the goods manufactured in a country)[4].

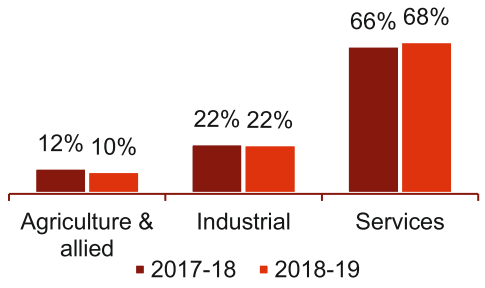
1.3. Karnataka Services Sector and Exports

1.3.1. Services sector and its share in the State's GSVA

The services sector in Karnataka plays an important role in its economy and contributes 68% of the state's Gross State Domestic Product (GSDP). Its share grew marginally from 65.9% in FY 2017-18 to 67.8% in FY 2018-19, while there was a marginal decline in the share of agriculture and industry sectors[5]. Services sector in Karnataka registered an annual average growth rate of 10.5% during 2013-17.

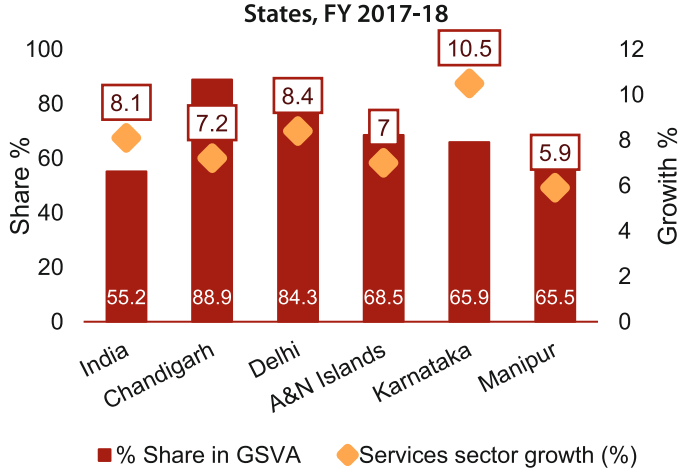
[5] Economic Survey of Karnataka, 2018-19
(http://planning.kar.nic.in/docs/Economic%20Survey%20Reports/English%202018-19.pdf)

Figure 3: Sectoral share in Karnataka's GSDP (FY 2018-19)



Source: Economic Survey of Karnataka, FY 2019

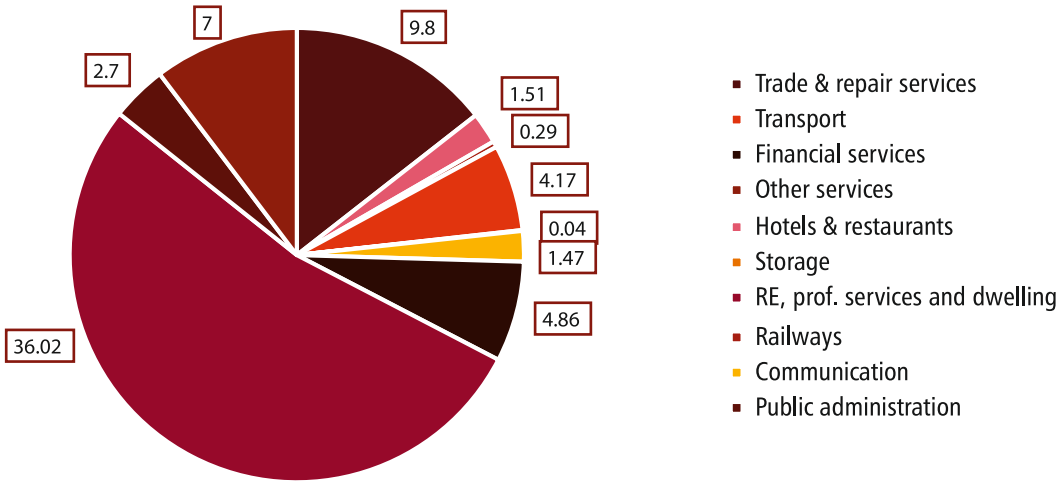
Figure 4: Share and growth of services sector in top five States, FY 2017-18



Source: Economic Survey of India, 2017–18, 2018-19

According to the Economic Survey of India, 2017–18, Karnataka ranked fourth in the country in terms of share of services sector in the GSVA [6]. The growth in Karnataka's service sector in FY 2018-19 was primarily contributed

Figure 5: Sector wise share of services sector



Source: Economic Survey of Karnataka, 2018

by real estate, professional services and ownership of dwellings (36.0%), out of which computer related services contributed 25.4%. The other growth sectors were trade and repair services (9.8%) and financial services (~5%)[7].

[6] Economic Survey, 2018-19

[7] Economic Survey of Karnataka, 2018-19

Karnataka's services sector is primarily driven by:

- Booming IT and tourism sectors
- Well-developed telecom and healthcare infrastructure
- Availability of skilled labour
- Introduction of policies such as i4 Policy (for IT/ITES), fiscal and policy incentives for businesses under Karnataka Industrial Policy[8].

With this background, the Economic Survey of Karnataka (2018-19), estimates that the services sector will grow at 12.3% during FY 2018-19 against 12.2% in FY 2017-18. Services such as public administration (AAGR @ 21.4%), education & health (AAGR @ 14.4%), trade and repairs (AAGR @ 14.1%) and real estate, professional services and ownership of dwellings (AAGR @ 12.9%) are expected to be major growth drivers of the sector in Karnataka[9].

1.3.2. Services Sector Exports

The share of exports in GSDP was 29.6% during 2017-18 and it constitutes about 18.05% of the country's exports. Exports of electronics and computer software constitutes the largest share in the state's exports. Furthermore, Karnataka accounts for one third of electronics and computer software exports from India. The tourism sector is also being enhanced, as it is one of the emerging areas in the services sector. It is noteworthy that Karnataka ranks 1st in software/service exports[10].

1.4. Foreign Direct Investment

The cumulative FDI Equity Inflows received during January 2000 - December 2017 was USD 368.6 bn. According to the Economic Survey of India, 2018-19, USD 28.3 bn is the total FDI equity inflow into the services sector. This accounts to 63.7% of the total FDI inflows into India. Financial services had received over 32% followed by computer software and hardware (22%) of the FDI inflows into services sector.

Karnataka received FDI of USD 37.6 bn (from 2000 until March 2019) and had contributed 9% to the total FDI in the country during such period and 15.2% during 2018-19. Computer software & hardware sector has attracted the highest FDI (22%), followed by services sector (16%), trading (13%), construction development (7%), and hospital & diagnostic centers (4%). The FDI flows in Karnataka during 2018-19 (April – December) vis-à-vis 2017-18, in comparison with the other key states are demonstrated in the figure alongside. FDI inflows into the services sector have increased from 13.2% (Jan 2000-Dec 2017) to 16% (Jan 2000-Mar 2019)[11,12].

[8] Karnataka, The Silicon valley of India, IBEF

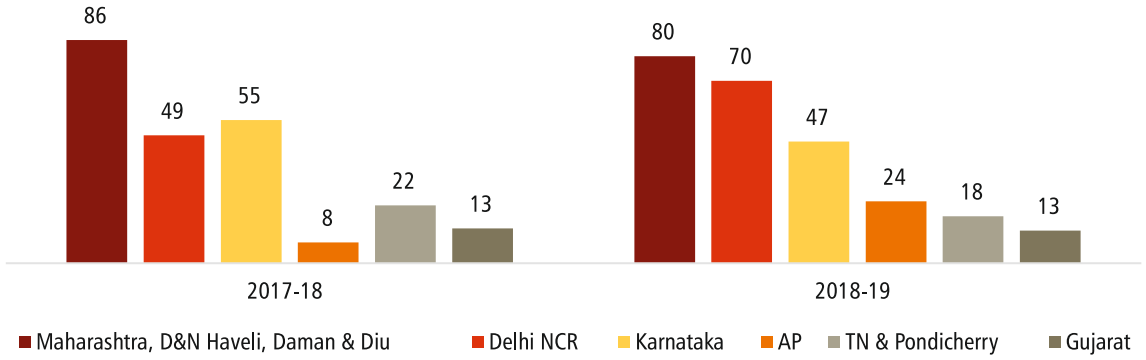
[9] Economic Survey of Karnataka, 2018-19

[10] Department of Industrial Policy and Promotion (DIPP)

[11] Department of Industrial Policy and Promotion (DIPP)

[12] Economic Survey of Karnataka, 2018-19

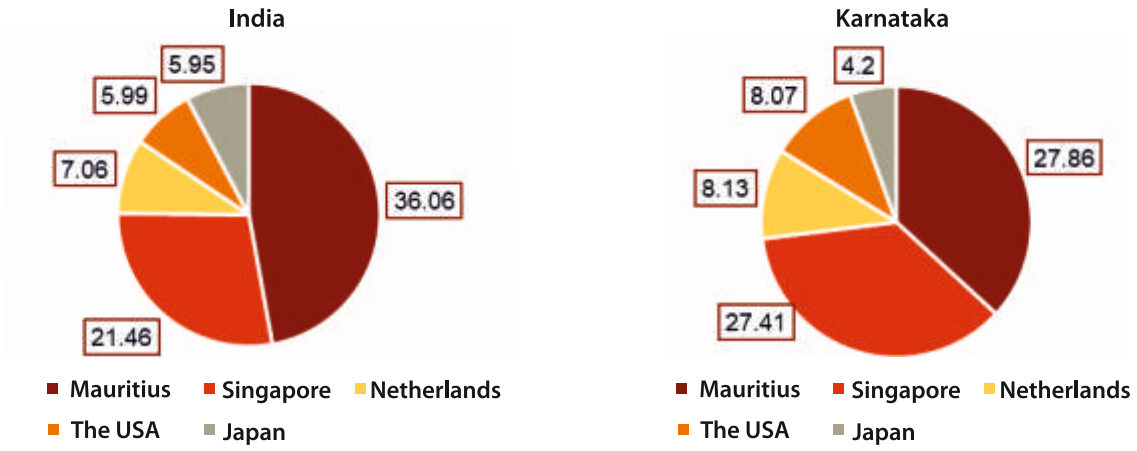
Figure 7: Karnataka's position in FDI (in USD bn)



Source: Ministry of DIPP, RBI

Mauritius, Singapore, the US, Japan and Netherlands are the top five countries, contributing 76.5% and 75.7% of India's and Karnataka's FDI in the services sector respectively[13].

Figure 6: Share of top 5 countries in FDI inflows in service sector, 2000-2017



1.5. Drawbacks of key sectors

As Karnataka is the IT hub of India, software is one sector, in which the state has a brand identity. Besides this, the potential services, which are important to the state, include various professional services, trade and repair services and financial services. The major policy issues related to the services sector are:

- Domestic policy issues including FDI, Tariff and tax issues, Credit and Finance related issues and so on.
- Domestic regulations, which can be sector specific and general
- Various market access issues due to domestic regulations and other barriers.

[13] Department of Industrial Policy and Promotion (DIPP)

(1) **Domestic policy issues:** Major policy issues linked to FDI in services sector include opening retail trade, raising FDI cap in the insurance sector, and lack of liberalization in the Banking sector.

The IT services & Telecommunication sector has numerous tariff and tax related issues such as addressing the issue of customs bonding, resolving difference of opinion between Central Government and State Government on taxability of certain items such as modems, IT software, etc., and lack of clarity on applicability of sales tax on IT software. One such example is the levy of Minimum Alternate Tax (MAT) of 18.5% on establishment of SEZs. This has impacted various investors in terms of income tax holidays.

(2) **Domestic regulations:** Absence of disciplined domestic regulation can be a major drawback in terms of growth of the service sector and exports. For example, restrictions on interstate movement of goods should be addressed; unnecessary regulations under Banking Regulations Act should be removed for improved financial services and so on.

(3) **Market access issues:** These issues deny market access for Karnataka's services exports. The market access barriers can be due to the domestic regulations and subsidies present in the state.

In addition to the aforementioned factors, general issues related to the state's service sector include: hindrance to transfer of IT systems, restrictions on international payments, lead to decreased export services and lack of sector skilled capacities[14].

[14] The Indian services sector: Poised for global ascendency, CII

2. ENHANCING SERVICES EXPORTS FROM KARNATAKA

Karnataka, known as the knowledge, innovation and R&D hub of the country and the technology capital of India, is a front runner in producing large number of professionals in the country. As the "Science Capital", "Startup Capital", "IT Capital" and "Biotechnology Capital" of the country, the state also attracts skilled labor from across the globe. Karnataka has been Ranked as No.1 State in Innovation Index according to NITI Ayog, 2019.

Karnataka's exports stood at INR 545,780 crore in FY 2017-18 and INR 324,078 during April-September 2018. Information Technology (IT), one of the major growth drivers of Karnataka's economy, contributes over USD 51.6 bn towards exports and provides over 40 lakh direct and indirect employment opportunities. In addition, Karnataka's IT exports account for around 38% of the country's exports. Electronics, computer software and other service sectors constitute the largest share in the State's exports[15].

Considering the importance of services exports in Karnataka's economy, dedicated efforts are being made by the Government of Karnataka to enhance services exports and contribute to the overall economic growth of the state. The report aims to present strategies to further increase services exports from Karnataka.

2.1. Vision

Karnataka is one of the country's leading states in terms of services exports. The state has a huge untapped opportunity that needs to be attended to. Karnataka, being the IT hub of India, the fourth largest technology cluster in the world, home for vibrant manufacturing activity, dedicated SEZs for IT & ITES and skilled labor, has a huge opening with respect to services sector. Services exports, which till now have resulted in trade surplus, have a scope to be improved. Skilled manpower at a lesser cost, being the USP of India, the State will further fuel the growth of services exports.

With this background, Karnataka should envision to further increase the share of services in GDP to 75% by 2022 and contribute to the National vision of increasing the share of services exports to 60% and bring competitive advantage to the state's economy.

2.2. Mission

The vision stated above shall be achieved through a series of initiatives:

- Implementing transparent and sustainable export promotion sectoral strategies
- Building effective, competitive and enabling export infrastructure
- Establishing an effective, proactive and supportive institutional mechanism to support the implementation of the sub-sectoral strategies

2.3. Objectives

To achieve the mentioned mission, the focus will be on:

- Providing necessary support to existing exporting industries to enhance their services exports
- Offering a conducive environment for budding entrepreneurs and technology-based units to set up in Karnataka
- Encouraging emerging entrepreneurs to drive exports from the State

[15] Economic Survey of Karnataka 2018-19 (http://planning.kar.nic.in/docs/Economic%20Survey%20Reports/English%202018-19.pdf)

- Creation of technology and knowledge clusters at different locations in the State
- Capacity development of exporting units and trade officers to understand opportunities in overseas markets
- Providing institutional framework for developing pool of human resource talent in emerging technologies, such as Artificial Intelligence, Robotics, etc.

With this background, Karnataka should envision to further increase the share of services in GDP to 75% by 2022 and contribute to the National vision of increasing the share of services exports to 60% and bring competitive advantage to the state's economy.

2.4. Strategies

In order to achieve the aforesaid objectives, the thrust sectors for Karnataka have been identified. Following broad level strategies will be adopted for driving the exports from these thrust sectors:

- Creating a strong networking with SEPC, sectoral councils and associations in services sector
- Providing e-governance support to exporters in Karnataka
- Creating a database of exports of various services from Karnataka
- Setting up a State SEPC in collaboration with SEPC for promoting services exports from Karnataka
- Setting up Services Export Promotion Committees at the state and district levels
- Collaborating with Center for WTO Studies, New Delhi for capacity building in international trade in services and market access opportunities created by India's Free Trade Agreements (FTAs)
- Identifying sector-specific support measures required for acceleration of services exports in sectors with competitive advantages and to encourage them in consultation with the concerned sectoral associations
- Promoting international and National standards in services offerings

Thrust sectors of Karnataka

- Health and Wellness Services (including medical value travel)
- Education services
- Infrastructure and Construction services
- Entertainment services (audio visual services, gaming and animation)
- Logistics and Transport services
- Remittance and Emigration Support services

3. PROACTIVE POLICY INITIATIVES BY THE GOVERNMENT OF KARNATAKA

The Karnataka Government has put a number of policies into action in order to boost the services sector in the State. These policies aim to further develop traditional services such as tourism as well as emerging services like animation, gaming, IT/ITeS, etc. The details of such policies are provided in the sections below.

3.1. Karnataka Tourism Policy (2015-20) [16]

The Karnataka Tourism Policy 2015-2020 strives to be an outcome-based initiative with its focus primarily on facilitating and accelerating private investment in the tourism sector. This policy follows a non-discriminatory approach to promote balanced regional development by attracting investments from the private sector and local entrepreneurs. The strategic intervention areas were identified in the policy and the key incentives offered were as follows:

- Positioning Karnataka as a preferred tourism destination at State, National and international levels
- Facilitating improvement of infrastructure, tourism products and services
- Streamlining processes for obtaining approvals and clearances
- Prioritizing human resources development and capacity enhancement
- Promoting ICT-based initiatives for providing timely and reliable information services to tourists
- Creating institutional structures for effective implementation of the policy
- Providing attractive concessions and investment subsidies for various tourism products and services.

Incentives offered under the Tourism Policy

- Exemption on stamp duty
- Concessional registration charges
- Reimbursement of land conversion fee
- Transfer of land on lease basis
- Exemption on entry tax
- Reimbursement of entertainment tax
- Exemption on luxury tax
- Exemption on motor vehicle tax
- Development rights for heritage buildings (DRHB)

The Karnataka Government intends to pursue these strategic interventions by encouraging local entrepreneurship, promoting private sector participation, identifying additional means of raising finances and supporting the interventions through its own budgets and resources. Standard tourism projects such as development of hotels shall be given an "industry" status and be eligible for property tax concessions, power and water tariffs as per industrial norms/ tariffs. However, "industry" status shall not be applicable to non-conventional tourism projects such as agri-tourism, homestays, ecotourism, etc.

The Government proposes to offer concessions and investment subsidies to eligible entities willing to develop tourism projects in the state. These are in the form of rebates/exemptions on applicable taxes, duties, charges, etc. Investment subsidies granted are in the form of subsidies for investment made in tourism projects and tourism-related services.

[16] For details, refer to Karnataka Tourism Policy 2015–20
[17] For details, refer to Karnataka i4 Policy

3.2. Karnataka i4 Policy (IT, ITES, Innovation & Incentives Policy)[17]

The Government has formulated the Karnataka i4 Policy (IT, ITeS, Innovation & Incentives Policy), in which several incentives are offered to new IT/ITeS and other knowledge-based sectors in order to set up facilities in Tier-II/III cities across Karnataka. The Departments of IT, BT and S&T have been given the responsibility to act as a single-window agency for clearance of IT /ITeS/start-ups/other knowledge-based industries. Some of the highlights of the i4 Policy are as follows:

- Employment-linked incentivisation of land allotment (E-LILA) outside Bengaluru urban and rural districts' limits
- Land allotment for IT/ITeS, animation computer graphics imagery (CGI)/ knowledge-based industries at concessional rates
- Allotment linked to employment generation for investments outside Bengaluru Urban and Rural districts
- Thrust to promote Tier-II/III cities
- Incentives available to only end users
- Land allotment rate: 1 acre for every 1,000 jobs created
- Plug and Play space for start-up companies with internet at concessional rates of INR 5–15 per sq. ft., depending on location
- Department of IT, BT and S&T to act as single window agency for clearance of IT/ITeS/start-ups/other knowledge-based industries
- Exemption of Karnataka Industrial Employment (Standing Orders) Rules, 1964 to IT/ITeS/start-ups/other knowledge-based industries for a period of 5 years
- IT/ITeS /start-ups/Animation/KPO/knowledge-based industries to be treated at par with public utilities
- Reimbursement of PF/ESI of INR 2,000 per month per employee for 2 years for all new employment created in Tier-II/III cities
- Industrial Power Tariff applicable to all IT/ITeS/BPOs/Telecoms/KPOs/start-ups/ animation/knowledge-based industries
- Stamp duty exemption of 75% in Mysore and Mangalore for IT/ITeS/start-ups/other knowledge-based industries in addition to other locations
- Skill development programme to train unemployed youth in basic IT/BPO/ESDM/telecom, etc.

3.3. Karnataka Start-up Policy (2015-20)

Karnataka is the sole Indian state, which is ranked among the 20 best start-up ecosystems across the world. Bengaluru has attained the second highest growth rate in terms of VC investment and exit volume among the top 20 cities in the country with approximately 4,900 active tech start-ups. The Government of Karnataka has been promoting a healthy start-up ecosystem in the state by extending incentives to the start-ups, through the Karnataka Start-Up Policy 2015-20[18] . The key highlights of the policy are:

- To encourage entrepreneurship in education through NAIN (New-Age Incubation Network)
- To foster strong partnerships between R&D institutions and industry
- Technology Business Incubators (TBIs) to be promoted in selected thrust areas with potential for faster

[18] Karnataka Start-Up Policy 2015-20

growth, such as, Information & Communication Technology (ICT)/ Internet of Things (IOT)/ Software products manufacturing including electronics systems design, robotics and 3D printing, manufacturing 4.0 healthcare and biopharma, agriculture and allied fields, clean-tech energy, water and its recycling, education, nano technology and composites

- Early stage/Idea2PoC (Proof of Concept) funding
- Creation of incubation infrastructure under appropriate PPP framework
- Networking and aggregation of Common Instrumentation Facilities (CIFs)
- Start-up funding through fund of funds
- To promote capacity building through exposure visits and workshops
- To provide state support in the form of incentives and concessions for start-ups

Incentives and concessions to start-ups would be provided as per existing policies in addition to incentives available under various state and central government policies.

Additional benefits for start-ups, over and above the incentives provided by Government of India

- Reimbursement of service tax to start-ups incubated in Government of Karnataka (GoK) supported incubators and CIFs, whose annual turnover does not exceed INR 50 lakh for the first three years or till the incubator becomes DST-certified, whereby the services given by the incubator and the incubatees become exempt from service tax.
- Financial Assistance as matching grants: The Government would match the funding raised by the incubator from the Government of India on a 1:1 basis as matching grant.
- Marketing incentives to start-ups: The Government shall reimburse 30% of the actual costs, including travel incurred, international marketing through trade show participation. This incentive will be subject to a maximum of INR 5 lakh per year per company.
- Patent filing cost: The cost of filing and examination of patent application will be reimbursed to the incubated start-up companies subject to a limit of INR 2 lakh per Indian patent awarded. For awarded foreign patents on a single subject matter, up to INR 10 lakh would be reimbursed. The reimbursement will be done in 2 stages, i.e., 75% after the patent is filed and the balance 25% after the patent is granted.
- Promoting entrepreneurship among women: All Government-supported start-ups shall be mandated to allocate minimum 10% seats for start-ups with women co-founders on preferential basis.
- ELEVATE 2019, an initiative of the Department of Information Technology and Biotechnology, GoK aims to provide a comprehensive entrepreneurship platform for start-ups.

3.4. Animation, Visual Effects, Gaming and Comics Policy (2017-22)

The primary focus of the Animation, Visual Effects, Gaming and Comics Policy 2017-2022[19] is to achieve a big leap in terms of quantity and quality of technical and creative talent. The following steps are proposed to be taken to encourage innovation and IP creation, under this policy:

- Talent Launch Pad
- Digital Art Centre (DAC)
- Curriculum development
- AVGC Finishing School

[19] For details, refer to Animation, Visual Effects, Gaming and Comics Policy 2017-2022

- Convergence with Skill India Mission
- Centre of Excellence for Animation, Gaming and Visual Effects
- Digital Post-production AVGC Lab
- Incubators for AVGC sector
- AVGC venture fund
- Market & ecosystem development
- Financial support
- Patent registration incentive
- PF/ESI incentive
- International marketing incentive
- Power tariff concession
- Production grant for animated episodic series produced with Indian themed content
- Production grant for animated feature film for movies produced with Indian themed content
- Production grant for VR/AR/VFX projects for domestic productions
- Production grant for game development for games produced by Indian game developers
- Production grant for international productions

Strategies of GoK to successfully implement AVGC Policy

- **Skill Development:** To continue focussing on skill development and nurturing of the talent pool by refining and strengthening the existing initiatives with the help of focussed interventions.
- **Enabling Infrastructure:** To create common infrastructure that will boost the entrepreneur, local industry, and start-ups and promote high-quality AVGC output from Karnataka.
- **Encourage Start-ups and MSMEs:** To create an AVGC Venture Fund and provide funding to startups and local MSMEs for facilitating their growth.
- **Market & Ecosystem Development:** To continue promoting participation in international events and conferences, with an additional emphasis on IP creation within the KAVGC industry.
- **Incentives and Concessions**: To promote expansion and growth of AVGC industry through the strategic provision of incentives and concessions

4. DRIVERS OF SERVICES SECTOR EXPORTS

The Government of Karnataka has taken a number of initiatives to boost services exports from the state and the details of the same are provided below.

4.1. Robust institutional structure

Karnataka has dedicated nodal points for facilitating investments in the state and promoting international trade. At present, these dedicated points cater to investments and exports, both in goods and services; however, the Government is considering setting up dedicated points for facilitating services investment and services exports.

To facilitate investments and assist investors, Karnataka Udyog Mitra (KUM) has been constituted under the aegis of the Department of Industries & Commerce. KUM is a 'single point of contact' for all investors looking to establish businesses in Karnataka. Since more than 15 years, KUM has been providing necessary direction and guidance for crores of investors to set up their businesses in Karnataka. As the nodal agency, it is responsible to facilitate investments and execute initiatives to ensure a smooth transition from receiving an investment proposal to the eventual implementation of the project. Furthermore, it functions as the secretariat for grant of approvals and sanction of infrastructure facilities for approved projects. From the trade perspective, Visvesvaraya Trade Promotion Centre (VTPC), is the designated nodal agency of the state for the promotion of international trade from Karnataka. VTPC is operational since 1971 under the aegis of the Department of Industries & Commerce. It is supervised and regulated by an autonomous body constituted by the Government of Karnataka.

Through its vast array of services and ongoing export-oriented programs, VTPC assists and facilitates stakeholders, and addresses their grievances/issues in trade. Through a range of incentives, policies, schemes, strategy initiatives and export oriented programs, VTPC provides impetus to the SEZs and EOUs across the state.

4.2. Enabling ecosystem and infrastructure

Karnataka has a well-developed social, physical and industrial infrastructure, including good road, rail, water and air connectivity and substantial port infrastructure. Karnataka also has excellent telecommunication network, an important input service for production of most goods and services. According to Telecom Regulatory Authority of India (TRAI), Karnataka has 87.42 mn wireless subscribers and 2.17 mn wire-line subscribers as of January 2019. The entire state is networked through Optical Fibre Cables (OFCs) of the state-owned company, Bharat Sanchar Nigam Limited (BSNL) as well as private companies such as Bharti, Reliance, VSNL and TATA Tele Services. Last mile access is provided by BSNL and Tata Tele Services in various parts of the state. Bharti and Reliance Communications provide the last-mile access directly to the customers in all major cities of Karnataka. The State Government plans to provide technology at the gram panchayat level by providing free Wi-Fi to the youth. Also, it would provide 1GB free Wi-Fi to every user within 1 sq. km. of the service provider.

The Karnataka Industrial Areas Development Board (KIADB) has developed 151 industrial areas spread across the State. The State plans to develop and upgrade eight clusters around Bengaluru with an investment of USD 348.4 mn in years ahead. The Karnataka State Industrial & Infrastructure Development Corporation (KSIIDC) has promoted more than 135 start-up ventures through equity participation and has been extending financial assistance to core industries such as steel, cement, mining and textiles, and modern sector industries such as IT, aerospace and telecom.

In addition to the above, the Government of Karnataka has approved the setting up of a new industrial park in Harohalli. The proposed multi-product industrial park is estimated to be developed at an estimated budget of approximately INR 1600 cr by KIADB on an area of about 905 hectares.

As far as social infrastructure is concerned, the State has a literacy rate of 75.6%, having 82.8% and 68.1% for male and female respectively. In terms of the number of universities, Karnataka ranks fifth among all Indian states and union territories, with 44 universities. Of these, 24 are State Public Universities and 11 are private deemed universities. The State has 4,519 pre-university colleges to impart general education with more than 1 mn students and there are 293 polytechnics and 206 engineering colleges to provide technical education. For the development of basic facilities such as - laboratory, library, new buildings, toilets, drinking water facility in government schools and colleges, an amount worth USD 18.25 mn would be provided.

Karnataka has emerged as an IT hub of India. Bengaluru is the fourth largest technological cluster in the world after Silicon Valley, Boston and London. About 50% of the world's SEI CMM Level 5 certified companies are in Bengaluru. During 2018-19, overall exports from the state contributed about 44% to the state's economy with software and service exports being one of the major exports. There are 3,500 IT companies in the state, and it houses 5,50,000 or 1/3rd of the total IT professionals in the country. About 400, 'Fortune 500' companies have outsourcing operations in Karnataka.

4.3. Investment Facilitation

Multiple steps are being undertaken by the Government of Karnataka to create a conducive environment for all exporters. Though the facilitation is for all exports and not exclusively for services, the services exporters also benefit from these measures, which include:

- Making single window clearance mechanism more effective in improving ease of doing business
- Providing all regulatory and statutory approvals to projects with a prescribed time limit benchmarked in line with best practices in the country
- Using E-Udyami portal of KUM for online receipt of all applications, prescribed fee, etc. from promoters with application status tracking facility
- Introducing an online project monitoring system
- Introducing investors' handbook on all the aspects of starting and doing business in Karnataka
- Simplifying regulatory procedures to reduce time and cost of compliance
- Giving priority to selected award recipients from each district for sponsored participation in National and International trade fairs
- Assisting participation in international trade fairs/exhibitions to improve the competitiveness of MSMEs in international level promotion
- Supporting MSMEs with market research studies, competition analysis studies, etc. to access new markets globally
- Encouraging women entrepreneurs by providing reservation of 5% of plots/sheds in the industrial areas/estates developed by KIADB/KSSIDC for women entrepreneurs in all future industrial areas/estates and entrepreneurship development programmes exclusively for prospective women entrepreneurs, etc.

4.4. Intellectual Property Rights (IPR) initiatives

Karnataka is a gateway to many IP intensive products and services catering to the needs of the global IP economy and contributing to the GDP of the Nation. Karnataka ranks 3rd in Patent filings and has distinguished itself for R&D activities. It is ranked amongst the top five states in the country in R&D spending, with a host of pragmatic and creative initiatives.

The Karnataka Government reimburses the cost of filing and prosecution of patent applications of start-up companies subject to a limit of INR 0.2 mn per Indian patent awarded and up to INR 1 mn for awarded foreign patents on a single subject matter. The reimbursement is done in two stages, 75% following the patent filing and 25% after the grant of patent.

The Animation, Visual Effects, Gaming and Comics (AVGC) Policy 2017-2022, endeavors to encourage Karnataka's artists and AVGC companies to create their own IP and content. The AVGC policy supports all such content creators to market themselves through a new event "Content Market and Conference" that brings together broadcasters, SVOD companies, distributors, co-production partners and provides a platform for individuals, small groups and companies to pitch their ideas and concepts to the buyers and content acquirers.

5. RECOMMENDATIONS FOR ENHANCING SERVICES EXPORTS

The Government of India has set a target of 4.2% as India's share in global services exports by 2022. In order to achieve this target, some general and sectoral strategies are suggested for enhancing services exports from Karnataka.

5.1. Cross-sectoral measure

The recently published VTPC document, 'Strategies for Promotion of Exports from Karnataka', primarily focusses on incentives and strategies available for exports of goods. However, some of them, may be modified to improve services exports.

5.1.1 Nurturing skill development

The services sector is in urgent need for skilled resources, as there is a shortage of skilled workers in various product groups. This issue is highlighted in the strategy document. Services such as immigration, hospitals, hotel management, construction, etc. require specialized personnel to increase service exports. The State needs to tackle the challenge of engaging adequate skilled manpower to companies and support them in producing services for the export market.

As recommended in the report, the Government of Karnataka should tie up with Sector Skill Councils to train available manpower for industry readiness. The Sector Skill Councils are set up as autonomous industry-led bodies by National Skills Development Corporation (NSDC), Government of India. Currently, Sector Skill Councils are working to create occupational standards and qualification bodies, develop a competency framework, carry out training-the-trainer programs and skill gap studies, and assess and certify trainees in the curriculum aligned to the National Occupational Standards.

Cross-sectoral measures

- Nurturing skill development
- Facilitating adoption of standards in services
- Creation of database of services exports
- Exploring potential Market Access
- Interaction with stakeholders to understand challenges
- R&D support for IPRs and high-tech products
- Incentives & concessions
- Review & monitoring mechanism
- Role & responsibility of Export Commissioner

Action Point	Concerned Department	Time Period	Funding Mode
Nurturing skill development - It is recommended that the Government of Karnataka ties up with Sector Skill Councils to train available manpower for industry readiness.	Department of Skill Development, Entrepreneurship and Livelihood (SDEL), Karnataka Skill Development Agency	Short to medium term	Not required for tying up with Sector Skill Councils but may be required for setting up Skill Training Centres for identified services. The funding could be arranged in collaboration with Sector Skill Councils and concerned industries.

Sector Skills Council	
• Aerospace and Aviation Sector Skill Council • Beauty & Wellness Sector Skill Council • BFSI Sector Skill Council of India • Construction Skill Development Council of India • Domestic Workers Sector Skill Council • Healthcare Sector Skill Council • Indian Plumbing Skills council • Infrastructure Equipment Skill Council • IT-ITeS Sector Skill Council	• Life Sciences Sector Skill Development Council • Logistics Sector Skill Council • Management & Entrepreneurship and Professional Skills Council (MEPSC) • Media & Entertainment Skill Council • Retailers Association's Skill Council of India • Sports, Physical Education, Fitness & Leisure Skills Council • Telecom Sector Skill Council • Tourism and Hospitality Skill Council

5.1.2. Facilitating adoption of standards in services

Service standards are necessary for employees, customers, potential customers, and management of a business. From the view point of international trade, service standards help in improving trade prospects of a service entity. They not only indicate specific quality but also reduce the barriers created by different cultures, geographies, or languages across various regions.

The adoption of the mentioned standards is a resource and time-consuming process. As a result, the Government should implement standards in services in a phased manner, beginning with focussing on those services, in which some awareness of international standards exists in service providers and consumers. For instance, significant standards, comparable with international levels, have been adopted in health services by a number of hospitals. The remaining service providers in such services should be informed and incentivized about the potential benefits of adopting standards in their service offerings. The other services standards adoption that can be easily implemented are IT and IT-enabled services and tourism services. In the second phase, services such as logistics, can be targeted to adopt internationally acceptable standards.

The most basic problem concerning the adoption of standards by service providers is the incentive to adopt such standards. Since most of the standards in services sector are voluntary in nature, they will not divert their financial resources for standardization, unless significant benefits are perceived by the service providers. Hence the Government should act upon the adoption of standards for incentives and subsidies. The Government should also make sure only those service providers are certified that are able to deliver as per the required minimum standards.

Services, such as health, require well-defined standards, as information asymmetry in these services can endanger consumer safety and security. It is not as important for other services like consultancy services. Consequently, a sector-specific approach is important for the adoption of standards. Services that necessitate consumer safety and security should have mandated standards.

At the National level, the Government of India is in the process of identifying standards for selected services with the help of the Bureau of Indian Standards (BIS) and the Quality Council of India (QCI), and developing a legal framework for this purpose. Karnataka should try to emulate services like tourism services, health services, etc., which come under the concurrent list.

Action Point	Concerned Department	Time Period	Funding Mode
Facilitating adoption of standards in services - Karnataka can act to be a pioneer state for formulating and implementing standards in services. It can explore signing MoU with services standard setting bodies globally and in India such as Global Sustainable Tourism Council (GSTC) for tourism services, Joint Commission International (JCI) for health services, etc.	Department of Commerce and Industries in collaboration with sector-specific nodal departments.	Medium to long term	Medium to long term

5.1.3. Creation of database of services exports

Data collection for services exports is quite challenging, given the characteristics of services and modes of services supply. Karnataka can take the lead in developing a mechanism to capture services trade data at the state level. The data should be collected for subsector, mode of supply, country of destination, revenue earned, etc. This could be done by adopting the following measures:

- Business Register of services companies (including activity/industry coding and size of firm)
- Enforceable legislative mandate to collect services trade data confidentially
- Initial set of categories of service to be measured, based on existing services trade data
- Service industry surveys.

Action Point	Concerned Department	Time Period	Funding Mode
Creation of database of services exports - Capturing services statistics for the state is very important to understand accurately the role various services are playing in Karnataka's economy and exports. It will help to assess the effectiveness of services trade promotion strategies	Department of Planning and Statistics	Medium to long term	Not applicable

5.1.4. Exploring Potential Market Access

The Government of India has signed Free Trade Agreements for services with Malaysia, Singapore, Japan, Korea and ASEAN countries and is also in the process of negotiating services agreements, such as, the Regional Comprehensive Economic Partnership (RCEP) agreement. Indian service providers across various service sectors are being provided with preferential market access by the FTAs. In order to utilize these market access preferences by Karnataka's exporters, the state should adopt the following measures:

- VTPC MoU with the Centre for WTO Studies, New Delhi can be utilized to run short-term courses and training programmes on various services trade issues, including market access through FTAs.
- Supporting studies and surveys for identifying potential export markets for state's services exports.
- Study tours, participation in international trade fairs, sending business delegations to foreign countries to explore the potential markets, also to be supported by uniting MDA and other similar schemes of the state. The existing MDA scheme that it is applicable for exports of goods could be made applicable by explicit inclusion of services in the terms and conditions of the scheme.

Action Point	Concerned Department	Time Period	Funding Mode
Exploring potential market access through FTAs signed by India – Karnataka needs to leverage on Government of India's recently signed services Free Trade Agreements with Singapore, Malaysia, Korea, Japan and ASEAN such as the Regional Comprehensive Economic Partnership (RCEP) agreement	Visvesvaraya Trade Promotion Centre	Short term	State Government resources for funding study tours and business delegations to foreign countries and participation in international trade fairs

5.1.5. Interaction with stakeholders to understand challenges

The State Government needs to develop a mechanism to frequently interact with services exporters to identify the bottlenecks and problems faced by the existing services exporters. This can be achieved through monthly meetings with the Export Commissioner and conducting regular surveys of exporting units. The SEPC could be sought to reach out to its members to understand their challenges while serving in foreign markets.

Action Point	Concerned Department	Time Period	Funding Mode
Interaction with stakeholders to understand barriers – The state should develop a mechanism to regularly interact with services exporters to identify the bottlenecks and problems faced by the existing services exporters	Visvesvaraya Trade Promotion Centre	Short term	Jointly with VTPC resources and industry associations

5.1.6. R&D support for IPRs and high-tech products

In order to boost innovation in the industry, the Government may support research and development registration to IPRs through suitable programs. This may be extended to create a fund for start-ups in other technology driven services and Fintech.

Action Point	Concerned Department	Time Period	Funding Mode
R&D support for generating IPRs and development of high technology products – Venture capital funds for supporting innovation in new technology area, such as Fintech, may be very useful. The Government of Karnataka has already initiated INR 100 crore venture capital fund for semiconductors with a budgetary support of INR 26 crore	Visvesvaraya Trade Promotion Centre and Department of Commerce and Industries	Short to medium term	State Government

5.1.7. Incentives & concessions

The state provides an attractive package of concessions and incentives such as subsidized land cost, stamp duty, incentivized power tariffs, concessional interest rates for loans, investment subsidies, tax incentives, 100% tax deduction on profits, etc. as part of its commitment to provide a level playing environment and competitive edge to exporters.

Action Point	Concerned Department	Time Period	Funding Mode
Incentives and Concessions – The package of incentives and concessions for export promotion should also be made available for services exporters and customized to their needs	Visvesvaraya Trade Promotion Centre and Department of Commerce and Industries	Short to medium term	State Government

5.1.8. Review & Monitoring Mechanism

The task of dealing with issues pertaining to exports of goods is conferred to the SEPC, the State Level Export Promotion Committee and the District Level Export Promotion Committee (DLEPC). Their work allocation should include, dealing with issues related to services exports.

Action Point	Concerned Department	Time Period	Funding Mode
Review and Monitoring Mechanism – A proper review and monitoring mechanism involving the State Export Promotion Council, the State Level Export Promotion Committee and the District Level Export Promotion Committee (DLEPC) needs to be developed	Department of Commerce and Industries	Immediate	Not applicable

5.1.9. Roles & Responsibilities of Export Commissioner

The roles and responsibilities of the Export Commissioner of the state need to include services exports promotion. Currently, the VTPC document mentions services only at one place. Services specific roles and responsibilities may also be added as done in the case of GeographicalIndications, IPRs, SEZs, etc.

Action Point	Concerned Department	Time Period	Funding Mode
Roles and responsibilities of the Export Commissioner – The role and responsibilities of the Export Commissioner of the state should include promotion of services exports	Department of Commerce and Industries	Immediate	Not applicable

5.1.10. Other strategic interventions

The following measures of the VTPC Export Strategies could also be used for promoting services exports:

- Trade information centers/kiosks would be established at divisional headquarters with participation of leading industry associations and trade bodies.
- Issuing gold cards for services exporters with proven transaction record; gold card will enable the exporters to avail financial assistance on easy terms and fast track mode
- The State will continue to confer the Annual Export Awards for Export excellence in the State and encourage existing and new exporters.
- The International Desk-Liaison Office would be strengthened for facilitating establishment of international desks in identified countries as interface for promotion of trade and investment.

Action Point	Concerned Department	Time Period	Funding Mode
Other strategic interventions – Strategic initiatives needs to be adopted to promote service exports	Department of Commerce and Industries	Immediate	State Government

5.2. Sector specific measures

In order to tap the potential of high export service sectors, the state shall adopt sector-specific strategies in addition to the aforementioned general strategies.

5.2.1. Health and Wellness, including medical value travel

Status

Medical tourism involves about 50 countries across six continents, including several Asian countries that occupy leading positions. India, Thailand, Malaysia and Singapore comprise about 90% of the market share in Asia. Globally, the medical tourism market is estimated at around USD 40-60 bn and growing at a very rapid pace. It is expected that the medical tourism in India will reach USD 9 bn by 2020.

India has created a pull factor for attracting medical tourism through cost-effective medical treatment in accordance with the highest standards and the latest infrastructure and treatment. Apart from this, the Indian systems of medicines, viz. Ayurveda, yoga, panchakarma, rejuvenation therapy, etc., are among the most ancient systems of medical treatment in the world. Most patients visiting India for treatment are from the Middle-East, Africa, Bangladesh, Afghanistan, Maldives, Pakistan, Bhutan and Sri Lanka. The country is gradually becoming the preferred destination for medical tourism for Europe and the US. According to the IBEF report, the foreign tourist arrivals in India on medical visa over last 2-3 years registered a growth of 15.9%.

- The healthcare market can increase threefold to INR 8.6 tn (USD 133.44 bn) by 2022
- In terms of region-wise export earnings, Asia accounts for more than 60% of the foreign exchange earnings followed by 14% from the US and 11% from Europe
- In terms of the number of patients, approximately 70% of the foreign patients are from Asia, followed by 9.3% from the US and 8.9% from Africa. Less than 2% of the patients are from Europe and the CIS countries.
- The hospital and diagnostic centers attracted FDI worth USD 6.09 bn between April 2000 and March 2019, according to the data released by the Department of Industrial Policy and Promotion (DIPP).
- Over the last few years, Bangladesh accounts for more than 35% of the foreign patients and more than 50% of the total revenue from medical tourism, making it the largest contributor to medical and health tourism. Other countries reporting a significant number of patients travelling to India for medical services are Iraq, Maldives, Afghanistan and Nepal.
- In terms of export earnings, Orthopaedics, Cardiology, Neurology, Ayurveda and Oncology were among the top five contributors to export earnings

Karnataka is home to some of the best state-of-the-art hospitals in India. There is also a unique culture of practicing wellness, yoga, Ayurveda, etc. in the state. The state should aim at providing complete package for health and treatment, including pre-treatment consultations during the treatment facilities and post treatment follow-ups for attracting foreign patients.

Action points

- The state should frame State Medical and Wellness Tourism Policy at the earliest to attract foreign patients and provide them with a tout-free experience. The formulation of such a policy has been in the pipeline for the past few years but not yet established. The policy should aim at bringing transparency by requiring registered hospitals and wellness centres to put out their rate charts, details of the procedures they offer, and their success rates to allow foreign patients to choose what suits them the best. The wellness centres should be required to give information regarding qualification of experts, display validated clinical outcomes and maintain minimum standards of facilities, safety and hygiene.

Action Point	Concerned Department	Time Period	Funding Mode
Formulation of State Medical and Wellness Tourism Policy	Department of Health and Family Welfare	Short term	Not applicable

- The policy should also investigate issues of regulation, accreditation and marketing of medical and traditional wellness centres. It should promote treatment and care in areas of Ayurveda, Yoga and Naturopathy, Unani, Siddha and Homoeopathy (AYUSH). The state can also set up a web portal with details of medical and wellness services along with its accreditation to help the foreign patients. Help could be sought from the SEPC to set up such a web portal and formulate the Medical Tourism Policy.

Action Point	Concerned Department	Time Period	Funding Mode
The policy should look into issues of regulation, accreditation and marketing of medical and traditional wellness centres	Department of Health and Family Welfare	Short term	Not applicable

- The state should set up Medical Tourism Board of Karnataka to look after various issues pertaining to medical tourism and implementation of the Medical and Wellness Tourism Policy. The board should be instructed to create a database of nationalities of visiting foreign patients and the treatment undertaken so that a targetted marketing and promotion plan can be run in selected countries.

Action Point	Concerned Department	Time Period	Funding Mode
Setting up a Medical Tourism Board of Karnataka	Department of Health and Family Welfare	Short term	PPP Mode

- Streamlining and facilitating interpreters' services to document details of the treatment and to overcome language related barriers faced by foreign patients. The state may consider providing licenses to such professionals in order to avoid misleading of foreign patients by touts and agents.

Action Point	Concerned Department	Time Period	Funding Mode
Restructuring and enabling interpreters' services to document details of the treatment and to overcome language related barriers faced by foreign patients	Department of Health and Family Welfare	Short term	Not applicable

5.2.2. Entertainment services

Status

Entertainment services include the production, post-production and distribution of motion pictures, television and radio services, and music and interactive digital media services such as animation, gaming and online/mobile media.

As per the World Trade Statistical Review, five major exporters of audio-visual services in the last two years were the EU, Canada, Korea, Japan and India and major importers were EU, Canada, Australia, Japan and the Russian Federation. India holds a share of 2.2% in top 10 exporters of AV services in 2016. However, with National initiatives like Make in India, Smart City and Digital India, there is an increasing demand for high quality cutting-edge Pro-AV and Integrated Experience Solutions.

The Indian AV industry is projected to grow 7% every year until 2022. It is anticipated that the Indian Subcontinent will overtake the Japanese market and rise furtherto USD 8.6 bn by 2022. India is also the largest film producing country in the world producing an average of 1,000 feature films annually in 27 different languages. Sub-sectors such as animation/visual effects, and gaming are estimated to have high growth potential with a compound annual growth rate of 16.3% and 14.3%, respectively, over the next couple of years.

Karnataka is the first Indian state to announce an AVGC Policy in 2017-2022. The policy is initiated to promote the state as a lucrative outsourcing destination and attract venture capital funding in the AVGC sector. As a result of Karnataka Government's initiatives, growth in Karnataka for animation services, VFX services and game developers has been the most prolific compared to any other state in India during the past five years. As per NASSCOM report, about 22% of Indian game developers and service providers are located in Bengaluru. Out of the country's 425 studios (300 animation, 40 VFX and 85 game development), 11% are in Bengaluru. Further, about 14% of AVGC professionals are based out of Bengaluru. As per industry estimates, Karnataka has more than 80 training institutes imparting AVGC related training with around 10,000 students being trained annually.

Action points

Given that Karnataka is a hub of IT and ITeS services and with the Government's continuous support, it is strategically positioned to drive the growth of AVGC segment further with the existence of major suppliers and prominent players in the state. The state has launched its revamped AVGC Policy 2017-2022, to develop as a leading global AVGC hub in terms of export revenues, projects acquired, and employment created by strengthening the ecosystem to support the same.

Apart from various incentives and initiatives proposed in the AVGC Policy 2017–2022, the following measures are expected to be implemented by the state to achieve the vision of the Policy.

- Establishing 'Media Zone or Cities' that provide production, postproduction and distribution services for movies, animation and gaming; these media cities could produce new content, promote themselves as broadcasting hubs and encourage investments in interactive and digital media

Action Point	Concerned Department	Time Period	Funding Mode
Establishing 'Media Zone or Cities' that provide production, postproduction and distribution services for movies, animation and gaming	Department of Information Technology	Medium term	PPP Mode

- Tying up with other media cities globally such as Dubai Media City set-up in 2001 as a free zone

Action Point	Concerned Department	Time Period	Funding Mode
Promote collaboration with the international studios/ media cities for enhanced planning and cost controls. Promote Karnataka as a filming destination	Department of Commerce and Industries	Short term	Not applicable

- Establishing Audio-Visual SEZs in collaboration with the Government of India to enable foreign companies to operate in a liberalized environment

Action Point	Concerned Department	Time Period	Funding Mode
To boost the startup ecosystem in the state create an incubation center dedicated for animation, visual effects, comics and gaming (AVCG) industry start-ups	Department of Commerce and Industries	Medium term	State Government, Central Government

- Providing integrated services under one roof through media cities/ audio-visual SEZs including studios, rental of equipment, post-production and sound recording facilities, dubbing, sound mixing, graphic designing and formatting, subtitling, etc.

Action Point	Concerned Department	Time Period	Funding Mode
Setup a one stop shop, Center of Excellence with state-of-art facilities to promote gaming, animation, media and entertainment sector	Department of Information Technology	Short to medium term	State Government

5.2.3. Financial services including Fintech

Status

The term "fintech", a contraction of "finance" and "technology", refers to the technological start-ups that are emerging to challenge traditional banking and financial players. It covers an array of services, from crowd funding platforms and mobile payment solutions to online portfolio management tools and international money transfers. Technologies such as Artificial Intelligence, machine learning, block chain and IoT have a wide range of potential use in the fintech space.

Some of the major fintech products and services currently used in the marketplace are Peer to Peer (P2P) lending platforms, crowd funding, block chain technology, distributed ledgers technology, Big Data, smart contracts, Robo-advisors, e-aggregators, etc. These fintech products are currently used in international finance, which bring together the lenders and borrowers, seekers and providers of information, with or without a nodal intermediation agency.

According to NITI Aayog, India is one of the fastest growing fintech markets globally and is the third largest in the world, attracting nearly USD 6 bn investments since 2014. Currently, there are 1,500 fintech start-ups in India, half of which were set up over the last two years. According to a NASSCOM Report, the Indian fintech market is expected to double from USD 1.2 bn to USD 2.4 bn by 2020.

Action points

To promote fintech industry in India, the Reserve Bank of India (RBI) Working Group on Fintech and Digital Banking, suggested the introduction of a "Regulatory Sandbox/Innovation hub" within a well-defined space and duration to experiment with fintech solutions. The "Regulatory Sandbox" will help Fintech companies launch innovative products at a lower cost and in less time; it will also enable them to conduct live or virtual testing of their new products and services.

With its strong IT support and skilled talent pool, Karnataka can lead other states in the Fintech sphere. The following measures are suggested to promote fintech industry in Karnataka.

- Setting-up a Global Fintech Hub as a focal point for fintech activity within the state of Karnataka

Action Point	Concerned Department	Time Period	Funding Mode
Setting-up a Global Fintech Hub as a focal point for fintech activity within the State of Karnataka	Department of Finance, Department of Information Technology	Short to medium term	State Government

- Formation and institutionalizing the "Regulatory Sandbox" in collaboration with RBI and other regulators and financial institutions.

Action Point	Concerned Department	Time Period	Funding Mode
Formation and institutionalizing the "regulatory sandbox" in collaboration with RBI and other regulators and financial institutions	Department of Finance	Short term	State Government

- Creating a Fintech Corpus Fund to provide incentives to Fintech start-ups and provide operational expenses of "Regulatory Sandbox" and the global Fintech hub.

Action Point	Concerned Department	Time Period	Funding Mode
Creating a Fintech Corpus Fund to provide incentives to Fintech start-ups	Department of Finance	Short to medium term	State Government

- Creation of Karnataka Fintech Registry to register all fintech start-ups incorporated in the state.

Action Point	Concerned Department	Time Period	Funding Mode
Creation of Karnataka Fintech registry to register all fintech start-ups incorporated in the State	Department of Planning and Statistics	Short to medium term	Not applicable

- Curriculum development and skilling of resources through incentivizing full-time courses and professional degrees in fintech.

Action Point	Concerned Department	Time Period	Funding Mode
Curriculum development and skilling of resources through incentivizing full-time courses and professional degrees in fintech	Department of Higher Education	Medium to long Term	State Government

Karnataka may initiate setting-up of global Financial and IT Services Hub on the lines of the GIFT City in Gujarat. The Government of Gujarat formed a joint venture company "Gujarat International Finance Tec-City Company Limited" (GIFTCL). The partners in the joint venture are Gujarat Urban Development Company Limited (GUDCOL, a Government of Gujarat undertaking) and Infrastructure Leasing & Financial Services (IL&FS) for the development of IFSC.

Some of the major tax concessions available to GIFT city announced in Budget 2016 included:

- Reduced Minimum Alternate Tax (MAT) from 18.5% to 9% in IFSC
- Commodity Transaction Tax (CTT) waiver
- Abolishing of Dividend Distribution Tax (DDT)
- Long Term Capital Gain (LTCG) waiver
- The Government of Gujarat has also exempted entities with registered office in GIFT for capital market activities from stamp duty
- A 100% tax holiday for 10 out of 15 years was announced in Budget 2019.

While planning to set up a city on the lines of GIFT City in Gujarat, the Karnataka Government should ensure that the proposed city has world-class facilities for connectivity, communication, technology, societal services, etc. for an enriched living and work experience.

Action Point	Concerned Department	Time Period	Funding Mode
Setting-up of global Financial and IT Services Hub with world-class facilities for connectivity, communication, technology, societal services, etc.	Department of Infrastructure, Department of Urban Development	Medium to long Term	State Government, Central Government, foreign investment

5.2.4. Infrastructure and Construction services

Status

Infrastructure sector plays an important role in the growth and development of any economy. It comprises power, bridges, dams, roads and urban infrastructure development, which also form as base and supporting factor for other services sectors.

As per the World Trade Statistical Review, the five major exporters of construction services in the last two years were EU, China, Korea, Japan and Russian Federation and major importers were the EU, China, Japan, Saudi Arabia and Russian Federation. India does not figure in the top 10 exporters or importers of construction services, according to this report.

The contribution of infrastructure and construction activities is pivotal to the Indian economy and India is expected to become the 3rd largest market in the world by 2025 in this sector. Infrastructure and Construction sector has the 2nd largest share in FDI inflows. FDI received in construction development sector (townships, housing, built up infrastructure and construction development projects) from April 2000 to March 2019 stood at USD 25.05 bn according to the DIPP. The Government of India has given a massive push to the infrastructure sector by allocating INR 4.56 lakh crore (USD 63.20 bn) for the sector in the Union Budget 2019-20.

Action points

In order to develop robust infrastructure and construction services in Karnataka, the state may adopt the following measures.

- Understanding the regulation standards for construction services in potential overseas markets and sensitizing Karnataka's exporters about the same: Construction services are in general subject to a number of rules and regulations related to - maintenance of safety of construction works, protection of health and safety of workers and users, building regulations and technical requirements, environmental issues, etc. Such regulations are applied not only at National levels but also at regional and local levels. These regulations need to be understood by the potential exporters.

Action Point	Concerned Department	Time Period	Funding Mode
Understanding the regulation standards for construction services in potential overseas markets and sensitizing Karnataka's exporters about the same	Department of Infrastructure, Department of Urban Development, VTPC	Medium term	State Government

- Establishing construction services training centres to train students in various aspects of mega construction, such as structural, plumbing, electrical, water proofing, and thermal insulation, etc. using advanced tools and optimum technology.

Action Point	Concerned Department	Time Period	Funding Mode
Establishing construction services training centres to train students in various aspects of mega construction	Department of Infrastructure	Medium to long term	State Government, PPP mode

- Collaboration with construction authority in Asian and Gulf countries to place the trained manpower. For instance, the Building & Construction Authority of Singapore collaborates with a Chennai-based construction training firm to place its students.

Action Point	Concerned Department	Time Period	Funding Mode
Collaboration with construction authority in Asian and Gulf countries	Department of Infrastructure, Department of Commerce and Industries	Short to medium Term	Not applicable

- Promotion of construction consultancy services rendered through IT-based platforms.

Action Point	Concerned Department	Time Period	Funding Mode
Promotion of construction consultancy services rendered through IT-based platforms	Department of Information Technology	Short to medium Term	Not applicable

5.2.5. Logistics and Transport

Status

As per the World Trade Statistical Review 2018, the leading exporters of construction services in the last two years were the EU, the US, Singapore, China, and Japan and major importers were the EU, the US, China, India and Singapore. India ranked 10th amongst leading exporters of transport services.

According to the Logistics Performance Index rankings published by the World Bank, India ranked 44th out of 167 countries in 2018, moving up from the 54th in 2014. It is estimated that the Indian logistics industry will maintain a robust growth of 10–15% annually.

Action points

In spite of various initiatives of the Central Government as well as the State Government, logistics and transport sector has not yet considered as an efficient sector and is plagued by a number of bottlenecks, such as high dwell time at toll booths, wastage of resources, unassured return load, frequent breakdown of vehicles due to the poor condition of roads, etc.

The following action points are suggested for enhancing exports of the logistics and transport services:

- Promoting adoption of digital technologies by the logistics sector such as cloud computing, IoT, digital tagging etc.

Action Point	Concerned Department	Time Period	Funding Mode
Promoting adoption of digital technologies by the logistics sector	Department of Transport	Short to medium term	Not applicable

- Creation of integrated Multi-Modal Logistics Parks (MMLPs) and logistic parks across states

Action Point	Concerned Department	Time Period	Funding Mode
Develop infrastructure aligned with the National and state level initiatives –MMLP / Logistics park / FTWZ around key clusters identified	Department of Transport/ Karnataka Industrial Areas Development Board	Medium to Long Term	PPP Mode

- Power availability at concessional rates for initial years

Action Point	Concerned Department	Time Period	Funding Mode
Power availability at concessional rates for initial years	Department of Energy	Short Term	State Government

- Critical infrastructure support to provide last mile connectivity

Action Point	Concerned Department	Time Period	Funding Mode
Last mile connectivity to the warehouses and distribution centers, develop larger integrated warehouses – increasing supply chain efficiencies,	Department of Transport, Department of Infrastructure	Short to medium term	PPP Mode

- Single window clearance for setting-up logistics parks

Action Point	Concerned Department	Time Period	Funding Mode
Single window clearance for setting-up logistics parks	Department of Commerce and Industries, KUM	Short Term	Not applicable

5.2.6. Education services

Status

The education sector in India was estimated at $91.7 billion in FY18 and is expected to reach $101.1 billion in FY19. The sector is expected to grow rapidly over the next few years given that India has the world's largest tertiary-age population and second largest graduate talent pool in India.

Within the sector, the higher education segment in India has undergone rapid expansion. As per the University Grants Commission (UGC) statistics of 2019, there are 907 Universities in India, including 399 State Universities, 126 Deemed Universities, 48 Central Universities, 344 private universities; and 94 institutes of National importance such as Indian Institute of Technology (IIT), National Institute of Technology (NIT), Indian Institutes of Science Education and Research (IISER) etc. In addition to these, there are private and accredited universities, institutions created by acts of Parliament, independent institutes and over 42,388 colleges.

With over 70 million students, India's higher education system is the third largest in the world in terms of enrolment after China and the United States. The gap between demand and supply, participation of private players, growth of the IT sector, demand for skilled workforce, increasing FDI, disruptive innovation and online education are a few factors contributing to the high growth in this sector. By 2025, the segment is expected to reach $35.03 billion. An important segment within the education sector is the e-learning segment in which India has become the second largest after the USA. This segment is expected to reach $1.96 billion by 2021 with around 9.5 million users.

In terms of the number of universities, Karnataka ranks fifth among all Indian States and union territories, with 44 universities. Of these, 24 are State public universities and 11 are private deemed universities. The State has 4,519 pre-university colleges to impart general education. There are more than 1 million students in the pre-university colleges. There are 293 polytechnics and 206 engineering colleges to provide technical education in the State.

Action points

The Draft National Education Policy (NEP) 2019 talks about internationalisation of higher education. The Draft NEP states that universities seeking to become attractive destinations for foreign students will receive funds to develop and offer specially designed courses on Indian languages, arts, history, Ayurveda, yoga, etc. Other areas of strength in India such as STEM subjects, computer science, gaming, and related topics are also attractive for foreign students, and efforts must be made to tie these courses up with internships and industry attachments to make them even more attractive. There are many other unique Indian cultural traditions such as cuisines, textiles, and so on that also offer extremely attractive opportunities for study, not just for foreign students, but also for Indian students.

Export of education services happens mainly through attracting foreign students. Of late, online courses are also becoming important for services exports. With the rising cost of education in the US and Europe, India can attract foreign students by providing low-cost, high-quality education. Karnataka can lead in attracting foreign students from Africa and neighbouring countries and enhancing education services exports by adopting the following measures.

- Establishing 'Study in Karnataka' portal that provides information to facilitate study of foreign students in various institutions of Karnataka. This portal should provide information pertaining to various courses, fee structure, eligibility conditions, lodging and boarding facilities, etc.

Action Point	Concerned Department	Time Period	Funding Mode
Establishing 'Study in Karnataka' portal that provides information to facilitate study of foreign students in various institutions of Karnataka	Department of Higher Education in collaboration with SEPC	Short to Medium term	State Government and SEPC

- Creating additional infrastructure in educational institutions for foreign students such as residential facilities required to host them in partnershipwith service providers.

Action Point	Concerned Department	Time Period	Funding Mode
Creating additional infrastructure in educational institutions for hosting foreign students	Department of Higher Education	Medium to long term	PPP

- Revamping course curriculum in various professional courses to include new developments such digital technologies, online course delivery, etc.

Action Point	Concerned Department	Time Period	Funding Mode
Revamping course curriculum in various professional courses to include new developments such as digital technologies, online course delivery, etc.	Department of Higher Education and Karnataka State Higher Education Council	Medium term	Not applicable

- Participation in international exhibitions and trade fairs to showcase higher education institutions of Karnataka.

Action Point	Concerned Department	Time Period	Funding Mode
Participation in international exhibitions and trade fairs to showcase higher education institutions of Karnataka	VTPC	Short to Medium term	State Government in collaboration with SEPC

5.2.7. Remittance and Immigration services

Status

According to the World Bank's Migration and Development Brief of 2019, India is the world's top recipient of remittances with its diaspora sending back home USD 79 billion in 2018. India was followed by China (USD 67 billion), Mexico (USD 36 billion), the Philippines (USD 34 billion), and Egypt (USD 29 billion). Karnataka ranked third amongst all states receiving remittances, with 15% share of the total remittances received in India.

An important issue in remittances transfer is the cost of such transfers. At present these costs are very high, as high as 10% in some cases. Reducing remittance costs to three per cent by 2030 is a global target under UN's Sustainable Development Goals (SDG).

The RBI Survey findings showed that the Rupee Drawing Arrangement (RDA) is the most popular channel of remittances, accounting for 75.2 per cent of the total remittances, followed by SWIFT (19.5 per cent), direct transfers (3.4 per cent) and cheques and drafts (1.9 per cent) in 2016-17. According to RBI, cost to the remitter for sending remittances through RDA is relatively low in the case of private /foreign banks.

As Karnataka is the hub of IT/ITeS services which involves significant movement of professionals from India to other countries and vice-versa, there exists a significant demand for immigration support services to facilitate such cross-border movement of Indian and foreign professionals.

Action Points

The following actions points are suggested for facilitating remittances and immigration support services in Karnataka.

- Enhancing the user experience of foreign nationals in completing their immigration requirements by providing lounge facilities, paper work facilities etc.

Action Point	Concerned Department	Time Period	Funding Mode
Enhancing the user experience of foreign nationals in completing their immigration requirements	Home Department	Short to Medium term	State Government and Central Government

- Skilling of professionals including foreign language training for providing immigration support services to foreigners.

Action Point	Concerned Department	Time Period	Funding Mode
Skilling of professionals including foreign language training for providing immigration support services to foreigners.	Skill Development Department	Medium to long term	State Government in collaboration with National Skill Development Corporation

6. WAY FORWARD AND SEPC RECOMMENDATIONS

Government of Karnataka provides wide range of fiscal and policy incentives for businesses under the Karnataka Industrial Policy, 2014-19. Various investor-friendly and sector-specific policies were announced to promote industries such as IT, tourism, gaming, audio-visual services, etc. Though the policies had given the impetus for services exports, the state has more potential given its talented workforce, supportive infrastructure, conducive business environment and knowledge pool.

Based on the general and sector specific strategies suggested in Section 5, the following recommendations are suggested to tap the potential of services exports in the state.

6.1. Policy formulation initiatives

- Framing a State Medical and Wellness Tourism Policy to attract foreign patients for treatment and to provide them a safe and seamless medical care experience
- Formulating Karnataka Fintech Policy to promote fintech industry in the State
- Framing Karnataka Cyber-Security Policy
- Formulating a comprehensive IP Policy to give impetus to IP creation, protection, commercialization and enforcement

6.2. Institutional initiatives

- Creating a legal framework for institutional mechanisms for the development of standards, mandating standards, where required, assessing conformity with the standards, educating and increasing awareness about the standards and enforcement of standards.
- Creation of database of services exports from Karnataka by collecting data for every subsector, mode of supply, country of destination, revenue earned, etc.
- Setting-up Medical Tourism Board of Karnataka to look after issues pertaining to medical tourism and implementation of the Medical and Wellness Tourism Policy.
- Formation and institutionalizing the 'Regulatory Sandbox' in collaboration with RBI and other regulators and financial institutions.
- Dedicated desks at KUM and VTPC for dealing with services investment and services trade proposals.

6.3. Infrastructural initiatives

- Establishing 'Media Zone or Cities' that provide production, post production and distribution services for movies, animation and gaming. These Media Cities shall produce new content, promote themselves as broadcasting hubs and encourage investments in interactive and digital media.
- Tying up with other Media Cities globally such as Dubai Media City, which was set-up in 2001 as a free zone
- Establishing Audio-Visual SEZs in collaboration with the Government of India to enable foreign companies to operate in a liberalized environment
- Setting-up a Global Fintech Hub as a focal point for fintech activity within Karnataka
- Setting-up dedicated city in line with GIFT City in Gujarat
- Setting-up logistics parks

6.4. Incentives and support initiatives

- Promoting standardization in services through incentives to enhance the trade prospects of a service entity, given that standards reduce the barriers created by different geographies, cultures and languages
- Incentives for establishing servers and data centers
- Set up awards for excellent performance in exporting various services sectors apart from IT and ITeS
- Dedicated quota for services start-ups in Elevate 100 Policy of the Government

6.5. Other initiatives

- To create awareness and sensitize the existing and potential exporters about the potential services sectors and overseas markets for exporting in collaboration with SEPC
- Capacity building of VTPC in order to understand opportunities created by various trade and economic development activities across the globe. For example, India has negotiated and signed a FTA called Regional Comprehensive Economic Partnership (RECP) agreement
- Developing mechanisms to regularly identify bottlenecks/problems faced by the existing services exporters and resolving them on a priority basis

APPENDIX

Responsibility Matrix for initiatives to enhance services exports from Karnataka *

Initiatives to be taken		Responsible department	Time period	Funding mechanism
Policy formulation initiatives	Framing State Medical and Wellness Tourism Policy	Department of Health	Short term	Not applicable
	Formulating Karnataka Fintech Policy	Department of Finance	Short term	Not applicable
	Framing State Government's Cyber-Security Policy	Department of Information Technology	Medium term	Not applicable
	Formulating a comprehensive IP Policy for the State for providing impetus to IP Creation, IP Protection, IP Commercialization and IP Enforcement	Department of Commerce and Industries	Short term	Not applicable
Institutional initiatives	Creating a legal framework for institutional mechanisms for development of standards, mandating standards where required, assessing conformity with the standards, educating and spreading awareness and enforcement of standards	Department of Commerce and Industries	Medium term	Not applicable
	Creating Database of Services Exports from Karnataka	Department of Planning and Statistics	Medium term	Not applicable
	Setting-up Medical Tourism Board of Karnataka	Department of Health	Short term	Not applicable
	Forming and institutionalizing the 'Regulatory Sandbox' in collaboration with RBI and other regulators and financial institutions	Department of Finance	Short term	Not applicable
	Dedicated desks at KUM and VTPC for dealing with services investment and trade proposals	Department of Commerce and Industries	Immediate	Not applicable
Infrastructure initiatives	Establishing 'Media Zone or Cities' for production, post production and distribution services for movies, animation and gaming	Department of Information Technology	Short to medium term	State Government, PPP mode
	Tie-up with other Media Cities globally	Department of Commerce and Industries	Short term	

Initiatives to be taken		Responsible department	Time period	Funding mechanism
	Establishing Audio-Visual SEZs in collaboration with the Government of India	Department of Commerce and Industries	Medium term	State Government, Central Government
	Setting up a Global Fintech Hub as a focal point for fintech activity within the State of Karnataka	Department of Finance, Department of Information Technology	Short to medium term	State Government
	Setting up a city on the lines of GIFT City in Gujarat	Department of Infrastructure, Department of Urban Development	Medium to long term	State Government, Central Government, Foreign Investment
	Setting up logistics parks	Karnataka Industrial Areas Development Board	Medium term	PPP Mode
Incentives and support initiatives	Promoting standardization in services through incentives	Department of Commerce and Industries	Short to medium term	State Government
	Incentives for establishing servers and data centres	Department of Information Technology	Short term	State Government
	Setting up awards for excellent performance on exporting in various services sectors apart from IT and ITeS	Department of Commerce and Industries	Immediate	State Government
	Dedicated quota for services start-ups in Elevate 100 Policy	Department of Commerce and Industries	Immediate	State Government
Other initiatives	Creating awareness and sensitize the existing and potential exporters about the potential services sectors and overseas markets for exporting	VTPC	Short term	VTPC, SEPC, Industry Associations
	Strengthening VTPC capacity to understand opportunities created by various trade and economic development activities globally and by FTAs signed and being negotiated by India	Department of Commerce and Industries	Short term	State Government
	Developing mechanism to regularly identify the bottlenecks/problems faced by the existing services exporters and resolving them on a priority basis	VTPC	Immediate	Not applicable
Review mechanism	Review of status of initiatives taken by various departments (every six months)	Department of Commerce and Industries	Continuous	Not applicable

Timeframe:
Immediate: Less than one-year **Short term: Less than two years** **Medium term: 2 to 5 years**
Long term: More than 5 years

***(an indicative list)**

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