

An overview of information technology industry in india

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ABSTRACT

We have marked our existence and glorious presence in the world map of booming IT industry. The article gives a brief idea on History of IT industry the phases through which the industry evolved, growth and future prospects.

Keywords: IT, IT Industry Segmentation, IT Parks

1. INTRODUCTION

India's GDP has steady increase since 1998 with IT industry contributing to it. This made the country has a different face from agriculture economy to a knowledge based economy. IT industry has a major contribution to make the domestic economy in parallel with world economy. Today there is hardly any business which is not in the World Wide Web. It is shockingly surprise to know that you get cow dung from amazon at your doorstep, say it from e-health to e-ticketing and from e-education to e-governance there is no place left where in IT has proved its magnificent presence. The favorable factors like low cost of operation and tax advantages, government policies skilled manpower, export demands, technological growth has made the industry grow. The government on state and central had made many economic reforms since 1991. External trade liberalizations were created, duties on imports of IT products were removed, Export Oriented Units (EOU) were setup, starting of Software Technical Parks (STP) etc were there in the new economic reform policies. Government of India also worked on the possibility of making economy stable by initiation of National Task Force on IT and software development.

History of it industry in India: The first IT company in the country being Tata Consultancy Service by TATA was setup in 1968 with its first foreign client Burroughs, mainframe manufacturer, to export programmers for the installation of system software for its US client. The situation was not welcoming for any other private players in the IT industry and since 1984 there were no subsidy provided for the sector. It was also to be noted that the IT was not considered as an industry. The evolution of IT industry may be divided into four phases.

Phase I – Prior 1980: The IT industry in India though not considered to be an industry at that time had its start in 1968. The industry at that time was not consistent and no support was provided by government to the players in the field. The software used were built in the system, as the Western countries realized that the software in the build in system were not adequate the software programming started to grow. India also felt its need to earn the foreign currency. It started exporting programmers to US. There are mainly two sector hardware and software, Software Export Scheme were formed by government in 1972, and this paved path for hardware import in exchange of software export. Thus TCS became the first player to have the services abroad.

Phase II -1980-1990: In 1984 Government formulates New Computer Policy which mainly focused on simplifying the import policy of hardware reducing the import duty for software developers. Further steps were initiated by Government to make software industry did not dependent on hardware industry and in 1986 Software Policy formulated and liberalized IT industry. As per this policy government delicensed the hardware imports and made duty free for the importers. The Software Technology Parks of India was a bold step of government in 1990 which became a support for both software and hardware industry.

Phase III 1990 – 2000: This phase was more enterprising for IT industry as there were trade liberalization, opening up of foreign investments and entry barriers were removed. Many Multi-National Companies (MNC) came to India, these MNCs introduced the 'Off Shore Model' for software services. This model further expanded to Global Delivery Model. The first model it was the companies gave assistance to its client from India while as in the second model Onsite and off shore model was combined. There were more players entering the market and this made the companies start their research and development to create a competitive edge.

Phase IV Post 2000: The phase was a faced the Y2K problem and the dotcom crash in US which made India emerge into the limelight. Due to this there were shortages for US based programmers which made many mid-size companies seek the help of Indian companies. This made India mark its existence and the glorious presence in the map if IT Industry. Competency management is defined as a comprehensive human resource strategy that identifies and builds the most relevant competencies to facilitate peak employee and organizational performance. It includes the identification of critical knowledge, skill and attitude that is to be possessed by an employee to perform his role effectively. This may be categorized under the individual, departmental and organizational heads. Grouping the different level competencies may develop a competency model for the organization. The articulated and customized competency model brings out the competency based performance. The competency based performance may be better used to reward, career development, leadership, measuring performance and culture building as shown in Fig. 1.

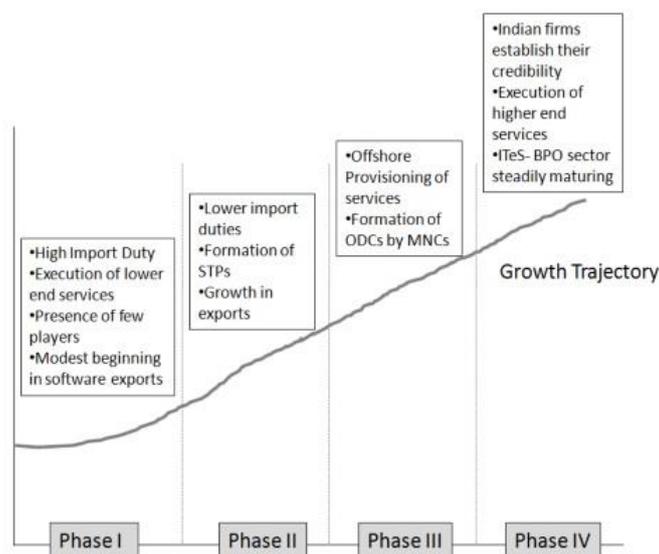


Fig.1.Growth of IT Industry Source: NASSCOM, D&B Industry Research Service

Information technology industry segmentation:

- IT industry can be divided into three segments
- Software
- IT Services
- IT enabled Services
- Software
- Software is divided into Software Products and Engineering and R &D Services.

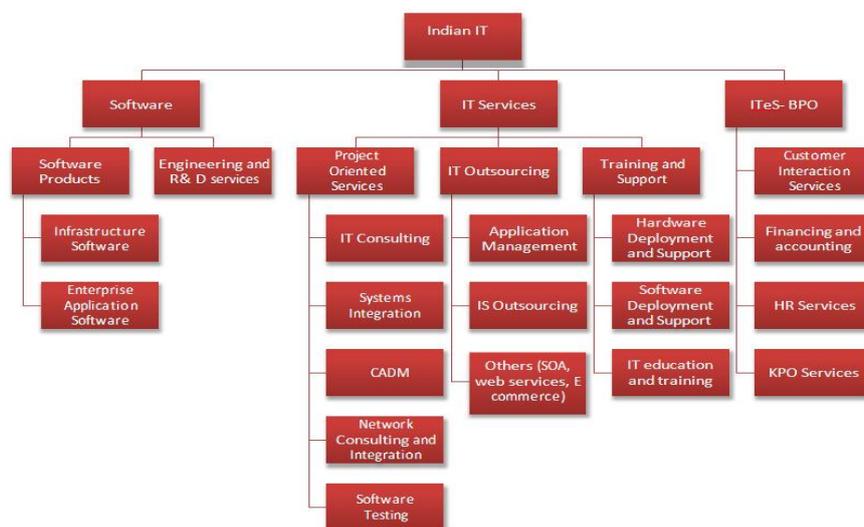


Fig.2.IT Industry Segmentation [Source: NASSCOM, D&B Industry Research Service]

Software products are used by all organizations to simplify their day to day work. It is divided into two sections Infrastructure Software and Enterprise Application Software. Infrastructure Software connects people in the organization. It help people to communicate and connect themselves in the business process. Enterprise Application Software is specially designed to solve enterprise problems. It incorporates the functions in the organization like accounting software, customer-relation software enterprise application programs etc. Many companies has just started their Engineering and R &D Services and creating their mark in the field.

IT: India is a leading IT service provider. Off Shoring Model has created its impact in Indian IT industry. The services are provided on (i) Project oriented services, (ii) IT outsourcing and (iii) Training and Support as shown in Fig. 2.

Project Oriented Service: These services are always customized, it is provided on the requirement by the clients. It includes IT consultations, System integration and designs, network integrations and software testing.

IT Outsourcing: In this service one organization may contract another organization to manage some area of operation, likewise desktop management, antivirus management system, management of operation system, management of application system etc.

Training and Support: This service focuses on software development for client and support, hardware development for client and support and IT education and training support for client.

IT – Enabled Services: India is the leading country in this service. Many organizations abroad are now depending on our nation to operate their back office. The main reason being low cost, skilled labour, English being the language for communication and liberal government policies.

Growth of IT industry: IT and ITes: Leading services segment are as shown in Fig, 3 and 4.

- During the Financial year 2015 IT industry generated US\$ 146 billion in revenue when compared to US\$ 118 billion in Financial Year 2014, which contributed to with a growth rate of 23.72 per cent
- IT industry contributed to India's GDP approximately 9.5 per cent in Financial Year 2015 from 1.2 per cent in Financial Year 1998
- India's total IT & ITes is contributed by 10.1 percent by the market leaders TCS.
- 36 per cent to the total industry revenue was contributed by top six companies in the industry (Sharma, Shalendra D., 2006).

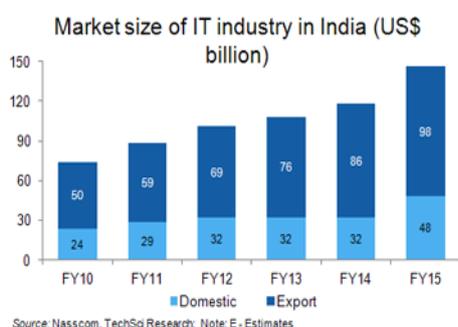


Fig.3. Market Size of IT Industry

[Source: NASSCOM, D&B Industry Research Service]



Fig.4. IT-BPM Industry

[Source: NASSCOM, D&B Industry Research Service]

Top five information technology (IT) parks in India:

International Tech Park- Bangalore: ITPL is known as the first hi-tech IT Park in the country was established in 1998. International Tech Park Bangalore has 223 companies over 2000000sq.ft area and occupying 320000 IT professionals.

HITEC in Hyderabad is otherwise known as the Hyderabad Information Technology and Engineering Consultancy City. It is the largest IT Park in India it was initiated by APIIC (Andhra Pradesh Industrial Infrastructure Corporation) along with other private infrastructure companies like DLF, Emmar MGF, etc.

SIPCOT IT Park- Chennai: Fully government initiative State Industries Promotion Corporation of Tamil Nadu otherwise known as SIPCOT is established in 1972. Largest IT Park in Asia located along IT Corridor.

TIDEL Park- Chennai: TIDEL Park is one of the largest IT Parks in Asia. The park was established on July 2000, developed by TIDEL Park Ltd is nested in an area of 1,280,000 sqft. The park got its name from two organization TIDCO (TamilNadu Industrial Development Corporation) and ELCOT (Electronics Corporation of Tamil Nadu).

Techno park- Trivandrum: Technopark in Trivandrum, Kerala is owned and administered by Government of Kerala. It accommodates 5 PCMM level 5, 6 CMMI level 5 and 4 CMM level 3 companies and employs over 30,000 IT professionals. The Park also hosts a Technology Business Incubation Cell and a Software Competency Centre.

Future of IT industry: Even with all difficulties and hurdles in the year 2014 IT sector managed to achieve double digit growth rate. The achievement of revenues of USD 108 billion in the fiscal year 2014-2015. It is to be clearly noted that, by NASSCOM's research, it shows that the IT sector was expected to contribute revenues worth USD 130 billion by the end of 2015 which will result in a positive outcome of the Indian economy, bring up high growth rates. Government is in the move to expand the purview of e- governance. The most important point is IT sector is having continuous innovation strategy. The organizations are in the dynamic business competitive environment. Now India government is giving opportunity to small medium and large players to fix their foot firm in the field.

Challenges faced by IT industry: Though Indian IT industry has been in existence for two decades still most of its projects are low end, low budget and manpower intensified. It is a long way were in we need to go for high end projects and designs. The IT companies are now facing major problem in case of labour force, high rate of turnover, salary and talent crunch. It is to be noted that Indian IT companies get more projects not of skill and talent but because of low cost attribution. The legal norms for the companies have become more stringent. The onsite projects have problems of visa processing for Indian techies. Other Asian countries are also now developing and the projects are done at lower cost which is a blow for Indian IT companies. Innovation is the need of the hour. Many IT companies

in India are now on the more of developing their R & D wing. The improvement of the skill level of the IT professionals also is a very crucial area.

2. CONCLUSION

IT industry has grown and still has the sky as its limit. IT industry has provided employment to more than 30 lakh Indians and has become a source of income for more than 2 crore Indians indirectly. "IT+IT=IT; Indian talent + Information technology = India Tomorrow." – Shri Narendra Modi

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