IT and ITeS Industry Growth in India : An Overview

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Abstract

The Indian IT and ITes sectors go hand in hand, in every aspect. The industry has not only transformed India's image on the global scenario, but also fuelled economic growth and has contributed a lot to social transformation in the country. Industry consist of IT services, ITeS - BPO, Software Products and Engineering services, Hardware, Knowledge services, cloud computing and artificial Intelligence and much more. In the year 2019-20 total revenue of IT industry was 191 Billion USD. Main Geographical marketsare USA, UK and EU accounting for 90% of the total industry business. Though new markets are opening like middle east, South Africa and rest of the world. Business is shifting from low cost services and manpower supplier to innovation -- driven high value solution provider. There is a need to focus on niche areas and value addition services. Efforts should be made to motivate and retain the workforce.
KEYWORDS : IT (Information Technology) ITeS (Information Technology Enabled Services) Industry, BPO (Business Process Outsourcing) , Software, Hardware.

Introduction

The Indian Information Technology (IT) and Information Technology Enabled services (ITeS) sectors go hand in hand, in every aspect. The industry has not only transformed India's image on the global scenario, but also fuelled economic growth and has contributed a lot to social transformation in the country. India has the opportunity to tap a market that is growing day by day with its cost advantage, huge resource pool and expertise. This sector has evolved over the past few years with main focus on the execution of business Processes and Information / data security, End user Privacy, Technology, People Management and above all efficiency, Productivity and customer satisfaction.

Composition

It is not easy to categorize the Indian IT and ITeS Industry separately. Mainly due to the wide Variety of ways the terms IT, IT services, ITeS , BPO & KPO are in use and also these words are often used interchangeably. Use of IT (Information Technology) is the common term for the entire spectrum of technologies for information Processing, including software, hardware, communication technologies and related services. The simple composition of the segment can be analysed in the manner given below:

Composition of IT &ITeS Industry

IT Services - This segment mainly consist of :

> **A)Project oriented services :** such as IT consulting, application development and management (CADM)
>
> **B) IT outsourcing :** Infrastructure outsourcing and network infrastructure management.

C)Support and Training : IT education and training, hardware support and installation and software testing.ITeS - BPO - customer care, Finance and Accounting, Human Resource Management, Procurement and Training.

Software Products and Engineering Services : Enterprise Application Software, Packaged Software

Hardware : Hardware system, Peripherals, Networking Equipments

Service Area of Industry : Some of the main areas of the Industry includes

a) Customer Interaction and support (CIS) - It includes all the forms of IT - enabled customer contact ; inbound or outbound, voice or non - voice based support used to provide customer services, sales and marketing, technical support and help desk services.

b) Finance & Accounting (F & A) - It includes activities such as general accounting procedures, transaction management, account receivables and payables management, corporate finance, compliance management and statutory reporting etc.

c) Horizontal - specific BPM services - Services that are reasonably similar across Industries.

d) Human Resource Processing - HR Processing services include services that support the core HR activities plus talent and efficiency management activities and associated processes, such as benefits, Payroll and talent management.

e) Knowledge Services - Business reasearch, Market research, Data managemnt and reporting, Data analytics, social media research, risk management etc.

f) Cloud computing and Artificial intelligence are the new area of thrust.

Central Board of Direct Taxes (CBDT) : Notified by notification No. 890E dated 26.09.2000 the list of eligible IT enabled services under BPO operations considered in IBPS are mentioned as under :

i) Call centers

ii) Back office operations

iii) Data Processing

iv) Content Development or Animation

v) Geographic information system services

vi) Human Resource services

vii) Legal Database

viii) Insurance claim processing

ix) Medical Transcription

x) Payroll

xi) Revenue Accounting

xii) Website Services

xiii) Remote Maintenance

xiv) Support Centers

Business Scenario

The Indian IT Industry is not an old industry. It evolved as a sector in India during the 1990's. But because of a rapid growth, presently it has become one of the leading contributors to the economy. The industry Played an important role in the initial years as the supplier of manpower and process. Gradually the Indian IT / ITeS industry shifted its position in the value chain with horizontal and vertical integration. Industry delivered

Process and human capital at a competitive Price with specified quality. It helped the Indian It / ITeS Industry to flourish and make a strong presence in the global IT / ITeSmarket.

Contribution to Economy

IT sector contributes to around 7.5 Percent to the GDP of India. The Sector ranks 3rd in India's Total Foreign Direct Investment (FDI) share and has received 29.825 billion of FDI inflows between April 2000 and December, 2017. The following table provides the comparative figures of Exports and Domestic revenue in **USD Billion.**

Revenue from Exports and Domestic Business

Year	Export business	Domestic business	Total business	YoY growth %
2013-2014	87.3	19	**106.3**	-
2014-2015	97.8	21	**118.8**	**11.76%**
2015-2016	107.8	21.7	**129.5**	**9.0%**
2016-2017	117	24	**141.0**	**7.69%**
2017-2018	126	25	**141.0**	**8.44%**
2018-2019	136	41	**177**	**5.98%**
2019-2020	147	44	**191**	**7.90%**

Source : http://meity.gov.in/content/Performance-contribution-towards-exports-it-iTes-industry

Export Destinations

The USA, UK and EU remain the major markets for the IT software and services exports accounting for 90% of the total IT - ITeS exports, however, there are new challenges surfacing in these traditional geographies. Though demand from Asia Pacific, Latin America and Middle East Asia is growing and new opportunities are emerging for expanding in continental Europe, Japan, China and Africa. The share of export markets in FY 2017-18 is given in Table below:

Share of Exports of its Software & services

USA	62%
UK	16%
Europe (Including UK)	11%
Asia	8%
Rest of word	2 %

Creating High Value Intellectual Property

In the past, most of the Indian Software activity was at the entry level in the value chain of the global industry's business. Programming at a client workplace with on - site delivery required technically educated people, but it did not result in the creation of much new knowledge or a Paradigm shift in the operating model. It was not advanced software development. The basis for competing was low - wage skilled workers who produced software services at lower cost and better quality than US firms.

With a view to facilitate the creation of IP, the government of India set up the Indian Patent office to administer in the low concerning protection of inventions in the country by way of growth of limited monopoly to the inventors or their assignees or legal successors. The patent office is currently functioning from its four branches located at Kolkata, Chennai, Mumbai and Delhi. Kolkata office is the head office the patents Act

1970 (as amended) governs the grant of Patents. some milestones that India has achieved on Intellectual Property Rights (IPRs) are :

- Online filing of the Patent applications introduced on 20th July 2007.
- The first Phase of the modernization Project entrusted to NIC completed successfully to help in processing the patent applications electronically and also to simplify the procedures.
- WIPO declared Indian Patent office as international Searching Authority (ISA) as well as International Preliminary Examining Authority (IPEA) and provided a time of one year to start functioning.
- A number of patent examiners sent for training in the European Patent office, United States Patents and Trademarks office. Apart from this, some senior officers went abroad to conduct research studies in the field of intellectual property.

Conclusions

Investigating the factors instrumental in imparting a competitive edge has important takeaways for new entrants and practicing managers. Our first observation is existence of a fully functioning demand as the industry traversed from an investment driven to innovation - driven Phase. It was made possible on account of continuous innovation in the industry resulting in the gradual Progression of the Industry from being a service provider to a solution Provider. Industry need to ensure continuous innovation so that this progression proceeds smoothly. Second the chance factors highlighted how the Industry weathered seemingly unfavorable events such as the Y2K problem, dotcom crash and recession in the US economy. It shows how the industry converted threats into opportunities. For an Industry that is continuously evolving, this necessitates that managers be vigilant to leverage every opportunity, while being vigilant to mitigate the threats. Third the strategies adopted by the players revealed that uniform strategy for all players may not be beneficial since the industry remains highly heterogeneous. While the bigger players would do well to enhance their range of offerings so as to encompass the entire value chain of IT, for smaller players or start - ups, the need is to focus on niche areas instead of being end - to - end service providers. Fourthly the domestic market has evolved to match the export market with increasing adoption, Industry would do well to top this market as well. In this process, they would be able to circumvent the export - market vulnerabilities. Lastly, since IT is essentially a people - centric industry, efforts should be made to motivate and retain the workforce.

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