

“A descriptive study on the ‘triangular growth’ of Indian IT industries as “world’s software capital, export giant and mass employment”

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Abstract

Information technology is playing an important role in India today & has transformed India's image from a slow moving bureaucratic economy to a land of innovative entrepreneurs. The IT sector in India is generating 2.5 million direct employments. India is now one of the biggest IT capitals of the modern world and all the major players in the world IT sector are present in the country.

The Indian software exports have grown in spectacular fashion. Its success has, for the most part, been a combination of resource endowments, a mixture of benign neglect and active encouragement from a normally intrusive government, and good timing. This paper reports on the results of research on the Indian software industries growth and developments in terms of world’s IT capital, generating more employment and highest growth of exports. Not only can the available pool of human capital be expanded by tapping and training the very large pool of English-speaking college graduates, the leading Indian firms are making strong efforts to move up the value chain by acquiring better software project management capability and deeper knowledge of business domains, and reducing costs and improving quality by developing superior methodologies and tools. Moreover, the greatest impact of the software industry on the Indian economy may well be indirect, in its role as an exemplar of the new business organisational form and as an inspiration to other entrepreneurs.

Keywords: Exports; Indian Information technology industry; world’s IT capital; Economic growth; generating employment; highest growth of exports; Human capital.

Introduction

Information technology in India is an industry consisting of two major components: IT Services and business process outsourcing (BPO). The sector has increased its contribution to India's GDP from 1.2% in 1998 to 7.5% in 2012. According to NASSCOM, the sector aggregated revenues of US\$100 billion in 2012, where export and domestic revenue stood at US\$69.1 billion and US\$31.7 billion respectively, growing by over 9%. Information technology is playing an important role in India today & has transformed India's image from a slow moving bureaucratic economy to a land of innovative entrepreneurs. The IT sector in India is generating 2.5 million direct employments. India is now one of the biggest IT capitals of the modern world and all the major players in the world IT sector are present in the country.

Concept of Multi Facet Development

The major cities that account for about nearly 90% of the sector's exports are Bangalore, Chennai, Kolkata, Hyderabad, Trivandrum, Delhi, Mumbai and Pune.

Bangalore is considered to be the Silicon Valley of India because it is the leading IT exporter. Exports dominate the industry and constitute about 77% of the total industry revenue. However, the domestic market is also significant with a robust revenue growth.

Origin and Growth of Indian IT Industry

The Indian Government acquired the EVS EM computers from the Soviet Union, which were used in large companies and research laboratories. In 1968 Tata Consultancy Services—established in SEEPZ, Mumbai by the Tata Group—were the country's largest software producers during the 1960s.

Relaxed immigration laws in the United States of America (1965) attracted a number of skilled Indian professionals aiming for research. By 1960 as many as 10,000 Indians were estimated to have settled in the US. The United States' technological lead was driven in no small part by the brain power of brilliant immigrants, many of whom came from India. The inestimable contributions of thousands of highly trained Indian migrants in every area of American scientific and technological achievement culminated with the information technology revolution most associated with California's Silicon Valley in the 1980s and 1990s.

Objectives of the Study

The study is about the tremendous growth and developments of Indian IT industries in terms of the three fold aspects such as greater employment opportunity, major exporting revenues and as a country of human capital

To understand the relationship between the Indian economy and the technology.

To identify the top Indian software exporting companies.

To know the value of human capital

To summarize the findings and to provide suggestions to improve the Indian IT industries.

Importance of the Study

The Indian economy underwent economic reforms in 1991, leading to a new era of globalization and international economic integration. Economic growth of over 6% annually was seen during 1993-2002. The economic reforms were driven in part by significant internet usage in the country. The new administration under which placed the development of Information Technology among its top five priorities—formed the Indian National Task Force on Information Technology and Software Development.

"The New Telecommunications Policy, 1999" (NTP 1999) helped further liberalize India's telecommunications sector. The Information Technology Act 2000 created legal procedures for electronic transactions and e-commerce.

Human Capital

The immigration consisted largely of highly educated technologically proficient workers. Within the United States, Indians fared well in science, engineering, and management. Graduates from the Indian Institutes of Technology (IIT) became known for their technical skills. India's reputation both as a source and a destination for skilled workforce helped it improve its relations with a number of world economies.

Global SEI-CMM Level Companies

The economic effect of the technologically inclined services sector in India—accounting for 40% of the country's GDP and 30% of export earnings, while employing only 25% of its workforce Bangalore is known as the Silicon Valley of India and contributes 33% of Indian IT Exports. India's second and third largest software companies are headquartered in Bangalore, as are many of the global SEI-CMM Level 5 Companies.

Worlds IT Capital

Numerous IT companies are based in Mumbai, such as TCS (among India's first and largest), Reliance, Patni, Larson and Tuobro InfoTech and i-Flex. Major campuses and headquarters of companies such as Infosys, Oracle Corporation, IBS Software Services and UST Global are located in the city. India's biggest IT company Tata Consultancy Services is building the country's largest IT training facility in Trivandrum—the project is worth INR10 billion and will have a capacity of 10,000 seats. The completion of the facility is expected in 2014 or 2015. French company Capgemini established the software centre at the Technopark IT hub in the capital of Kerala. The IT campus is poised to become one of the country's leading IT hubs.

The Top Five Indian IT Services Companies

Name of the company	Revenues as on March 2013	Present No; of Employees	Corporate Office
Tata Consultancy Services	\$11.57 billion	254,076	Mumbai
Cognizant Technology Solutions	\$7.05 billion	185,045	Teaneck, New Jersey
Infosys	\$6.69 billion	153,761	Bangalore
Wipro	\$6.87 billion	140,569	Bangalore
HCL Technologies	\$4.3 billion	85,335	Noida

Major Indian IT Cities Ranked as per its Description

Ran k	City	Factor of profile
1	Bangalore	Popularly known as the Silicon Valley of India and leading software exporter from India. Bangalore is considered to be a global information technology hub of India.
2	Chennai	Chennai is the second largest exporter of IT and ITES of India, and is the BPO hub of India. Chennai has the largest operations centers of TCS, and Cognizant.
3	Hyderabad	Hyderabad is a major IT hub in India which is also known as Cyberabad which consists of many Multinational corporation companies such as Google, Facebook, Microsoft, Amazon, Oracle and Electronic Arts, etc.
4	Mumbai	The Financial capital of India, but recently many IT companies have established offices.
5	Delhi	The National Capital Region comprising Delhi, Gurgaon and Noida are clusters of software development.
6	Pune	Major Indian and International Firms present in Pune. Pune is also C-DAC headquarters.
7	Kolkata	The city is a major back-end operational hub for IBM, Deloitte.
8	Bhubaneswar	The capital city of Odisha, an emerging IT and education hub, is one of India's fastest developing cities.
9	Thiruvananthapuram	The capital of Kerala, now houses all major IT companies including Oracle, TCS, Infosys, and contributes in IT export of India.

Employment generation

This sector has also led to massive employment generation. The industry continues to be a net employment generator - expected to add 250,000 jobs in FY2015, thus providing direct employment to about 2.8 million, and indirectly employing 8.9 million people Generally dominant player in the global outsourcing sector

Critical Review

Despite its rapid growth, the IT industry in India has attracted its fair share of criticism. This is primarily leveled against the industry's excessive political influence - as articulated through its association, NASSCOM - which, it is claimed, far exceeds its economic contribution to the country. This has allowed the industry to secure the support and resources of the Indian state ahead of other sectors of the national economy where the developmental returns would be greater.

Summary of Findings and Suggestions

Bangalore is contributes 33% of Indian IT Exports. India's second and third largest software companies are headquartered in Bangalore, as are many of the global SEI-CMM Level 5 Companies. The industry's share of total Indian exports increased from less than 4% in FY1998 to about 25% in FY2013. The Top Five Indian IT Services Providers are Tata Consultancy Services, Infosys, Cognizant, Wipro and HCL Technologies.

The relationship between economy and technology—valued in the western world—facilitated the growth of an entrepreneurial class of immigrant Indians, which further helped aid in promoting technology-driven growth. However, the sector continues to face challenges of competitiveness in the globalized and modern world, particularly from countries like China and Philippines. The success of Information Technology in India not only had economic repercussions but also had far-reaching political consequences.

Conclusion

India's growing stature in the Information Age enabled it to form close ties with both the United States of America and the European Union. However, the recent global financial crises have deeply impacted the Indian IT companies as well as global companies. As a result hiring has dropped sharply, and employees are looking at different sectors like the financial service, telecommunications, and manufacturing industries, which have been growing phenomenally over the last few years.

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