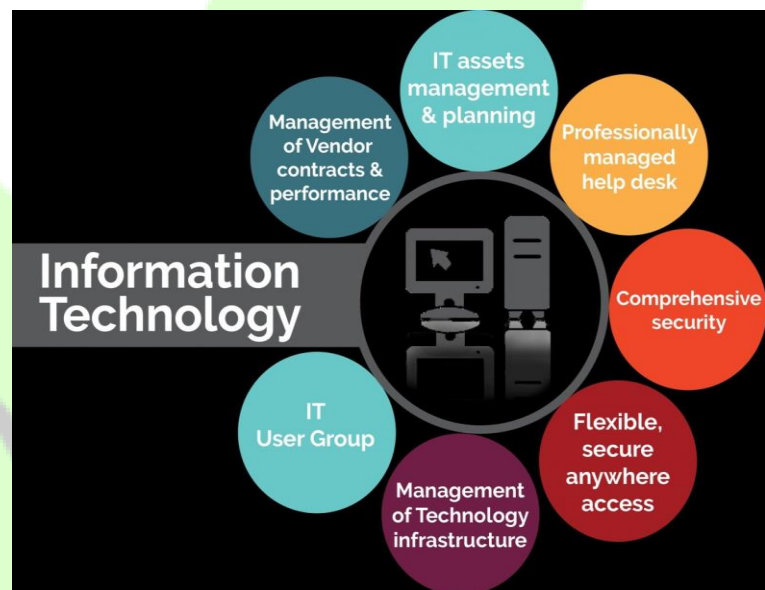


## IT Industry and Emerging India

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The information Technology (IT) industry is an essential component of the technology driven knowledge economy of the 21<sup>st</sup> century. In fact, globally India has been recognized as a knowledge economy due to its impressive IT industry. The IT industry mainly encompasses IT services, IT-enabled services (ITES), e-commerce (online business), software and hardware products. This industry is also instrumental in creating infrastructure to store, process and exchange information for important business operations and other organisations.



The IT –based services and products have become indispensable for flourishing any business enterprise and accomplishing success. This industry has conspicuous impact in improving the productivity of almost every other sector of the economy, it also has huge potential for further accelerating the growth and economic development. Information Technology not only contributed to the economic development of the country but it also made governance more efficient and responsive. It has made access to the government services and information easier and inexpensive. Information technology has also made management and deliver of government service (such as health services, consumer rights, etc.) more effective with enhancing transparency.

Indian software services have great demands in the world. Exports of software have earned India foreign currency in a big amount. Investors are attracted to invest in the IT sector. There is a flow of FDI in this sector, giving India required capital to develop its economy.

Indian Institute of Information Technology have prepared expert technicians for whom a demand exists in the world market, software engineers in India have provided service to the whole world. This progress of Information Technology sector in India has helped Indian economic growth. Due to this importance of IT sector, Indian government is making policies to help it grow by providing

infrastructure to it. Favourable and liberal policies have been prepared to attract foreign companies to establish their base in India.

Indian government has established Bharat Sanchar Nigam Limited (BSNL) in this direction. From 15<sup>th</sup> August 2000, The Information Technology Act has been implemented. E-commerce and other services have been given legal back-force by this act. Yet, projects of establishing info-cities are under implementation in Hyderabad, other such projects are under consideration.

Government can make policies to provide economical benefits to investors in this field. Necessary infrastructure can be provided. Administrative and legal procedural complexities, should be reduced and limitations and regulations should be liberalized.

The growth of the IT industry in India is unprecedented compared to the major economies of the world. All the sub-sectors of this industry have made major strides in revenue growth in the last two decades and also fuelled the growth of the Indian economy.

India has comparative advantage in the global IT sector, both in terms of cost as well as large skilled resource pool growing strongly every year. With a large pool of workers having software and language skills, India is in a vantage position to move towards producing higher value-added software and services.

The exponential growth of the IT industry in India in the last two decades has changed the perception of the whole world about India's storehouse of knowledge and skills and powered economic growth. The swift advancement within the IT industry and liberalisation policies such as reducing trade barriers and eliminating import duties on technology products by the Government of India are instrumental in the evolution of this industry. Also, various other government initiatives like setting up Software Technology Parks (STP), Export Oriented Units (EOU), Special Economic Zones (SEZ) and foreign direct investment (FDI) have helped this industry in attaining a leading position in the world IT industry.

**The IT sector has increased its contribution to India's GDP from 1.2% in 1998 to almost 10% in 2019.**

According to NASSCOM, the sector aggregated revenues of 180 billion dollars in 2019 with export revenue standing at 99 billion dollars and domestic revenue 48 US billion dollars, growing by over 13%. As of 2020, India's IT workforce accounts for 4.36 million employees. The United States accounts for two-third of India's IT services exports.

In the present time, when the COVID-19 pandemic has grappled the whole world and economies have been hard hit. The Indian IT industry is still showing positive signs and has the ability to overcome this exceptional catastrophe. It has arisen as a global economic force and a major contributor to the Indian economy in particular and the world in general.

In the last decade, India has emerged as an IT hub for the software companies of the world and Indian software companies have taken prominent positions in the global IT sector. India has become the world's largest sourcing destination for the IT industry. Online retailing, cloud computing and e-

commerce are all contributing to the speedy growth of the IT industry. The rate of growth in the IT sector for 2019-20 is approximately ten percent.

The Indian IT industry has grown rapidly with an exponential growth rate after the economic reform of 1991-92. Indian IT companies have set up thousands of centres within India and around 80 countries across the world. The majority of global corporations are sourcing IT-ITES from the Indian IT industry, accounting for approximately 55 percent of the global service sourcing market (US\$ 200-250 billion) in 2019-20.

The market size (especially export) of the IT industry has grown manifold from approx. 67 billion US dollars in 2008-09 to 191 billion US dollars in 2019-20. The revenue is further expected to grow in the coming years with an accelerating growth rate and expected to reach 350 billion US dollars by 2025. The remarkable feature of India's IT industry is that along with its expansion in terms of market size it is also incrementally adding a significant share to India's gross domestic product (GDP) and consequently boosting the growth and development of the country.

India's digitally skilled pool has grown over the period and accounted for around 75 percent of global digital talent. India's four large IT companies (TCS, Infosys, Wipro, HCL Tech) have employed more than one million employees. New IT-based technologies such as telemedicine, remote monitoring, etc. are expanding and boosting the demand in the digital economy. The rollout of fifth-generation (5G) communication technology, growing adoption of artificial intelligence, Big Data analytics, cloud computing and the Internet of Things (IoT) will further expand the size of the IT industry in India. As the size of India's digital economy is increasing, IT companies are establishing their centres in tier II and tier III cities which will further enhance the growth and reduce the existing disparities.

The IT industry has steadily augmented and accelerated the growth of India. This Industry absorbs a large pool of Indian skilled human resources which makes the country a global IT hub. The IT Industry has been instrumental in transforming the whole Indian economic and governance landscape. India's IT industry is gaining footsteps in new disruptive technologies and will play a leading role in the ongoing fourth industrial revolution globally.

The Atmanirbhar Bharat initiative of the current government is bringing big change in the IT sector. Earlier, the Hardware sector was somehow neglected. Now, focus is also on building hardware manufacturing in India. The biggest step is to start manufacturing integrated chips (IC's) in India, TATA has taken up initiative under Atmanirbhar Bharat and the first manufacturing plant is being set up in Tamilnadu.

- India is expected to have a digital economy of \$1 Trillion by 2025
- One of the largest electronics markets in the world anticipated reaching \$400 bn by 2025
- Indian Electronics Manufacturing Service (EMS) Industry is expected to grow 6.5x from \$23.5 bn to reach \$152 bn by 2025
- 100% FDI is allowed under the automatic route.
- In case of electronics items for defence, FDI up to 49% is allowed under automatic route and beyond 49% through the government approval.

- The global electronics market is estimated to be over \$2 tn. India's share in global electronics manufacturing has grown from 1.3% in 2012 to 3.6% in 2019.

India's technology services industry can achieve \$300-350 billion in annual revenue by 2025 if it can exploit the fast-emerging business potential in cloud, artificial intelligence (AI), cybersecurity and other emerging technologies, according to a report by industry body Nasscom and global consulting firm McKinsey.

The report said domestic tech services could accelerate growth by 2-4% over the next five years as industries worldwide continue to see rapid adoption of digitalization to make a faster recovery from the covid-induced disruptions.

Future belongs to India with a great share of work from different parts of the world and placement of Indian experts across the globe. Central government has initiated a transformation process in the education sector. In the next few years, the last year of a degree course will be treated as an R & D year and the syllabus is being developed based on the latest technological advancements, skills and knowledge. This will surely add value to our graduates not just as job seekers however will be job creators.

