



INFORMATION TECHNOLOGY AND INDIAN ECONOMY : CONTRIBUTION IN GROWTH IN LAST DECADE

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ABSTRACT

India being a profoundly connected and digital prepared economy stays a high potential market overall contribution various opportunities. India presents a huge and burgeoning end client market being world's second biggest populace in world. India is good to go to jump into the digital world with 937 million mobile subscribers, 278 million web clients, a USD 14 billion web based business market. Indian IT industry has become many complex since 1980s. The business has contributed considerably to the economy as far as GDP, livelihoods and unfamiliar trade profit. IT industry is likewise responsible for expanding the capability and productivity of practically all sectors of the economy like services at banks, mailing stations, rail routes, air terminals and so forth e-administration has increased the effectiveness of government workplaces. In this paper we have analyzed various manners by which IT industry has contributed to India's growth

Keywords: *Information Technology; Indian Economy; Digital World; E-Commerce market.*

INTRODUCTION

Information Technology (IT) is a knowledge based industry. It can be defined as the usage of equipment, services and foundation to make, store, trade and influence information in its different structures to achieve quite a few business objective. IT industry embraces creation, control, stockpiling and spread of information. IT sector has a remarkable potential for quickening financial growth of the country. It can possibly improve the productivity of practically all sectors of monetary turn of events. Information technology has made our administration effective. It improves admittance to information, gives admittance to taxpayer driven organizations, secures purchasers, makes ability advancement and preparing more powerful, advances conveyance wellbeing services, and advances straightforwardness. The role



of IT industry in upgrading the financial improvement of the nation has been acknowledged by the public authority of India.

Indian Economic Growth

By 2039, the world would be altogether different from today and the monetary focal point of gravity would move to Asia (Kharas, 2009). The four huge developing business sectors (Brazil, Russia, India and China) all combined could surpass the advanced nations as far as GDP by 2050 (Goldman Sachs, 2001). As per (Dholakia, 2001) in a non-industrial nation like India where fast monetary growth has become a public objective, examination of the wellsprings of growth expects uncommon importance not just because it assists with discovering what has and what has not been significant in the growth which has just occurred, but likewise because of the obvious ramifications it has for the macroeconomic system and arrangements that influence the future growth. The creator examines in detail the wellsprings of India's accelerated growth and the vision of Indian economy in 2020. He calls attention to that the growth speeding up achieved during the most recent 15 years has created the conditions for India's take-off into the orbit of high growth. The India New Opportunity – 2020 report (All India Management Association, 2003) proposes that India will become a developed country by the year 2020, alongside having the capacity to likewise become a knowledge-based country.

India's financial exhibition has differed from that of China and different pieces of Asia in at any rate two measurements. To begin with, India's prosperity has not been based on solid growth in the assembling sector and in fares. All things being equal, it has reflected quick extension of administration delivering ventures. Second, it has been associated with generally unobtrusive degrees of speculation (Bosworth, Collins and Virmani, 2006) In addition, (Tripathi, 2007) examines that China is a long ways in front of India in having built a lot of unrivaled foundation and by pulling in large number of dollars in unfamiliar venture. Then again, the creator commends India's independence and dependence on business venture to advance economy. What's more, truth be told, despite any interior or outer impacts, India's economy has continued to develop, as though on auto-pilot, overlooking interruptions. As indicated by Goel and Mashelkar (2010) ongoing research, India is the second most enterprising country on the planet. Das (2006) had just alerted to the importance of business, contending that it is individuals of India (explicitly business visionaries) that have been responsible for the ascent of the country and have contributed to generally prosperity



Evolution of IT Industry in India

The root of IT industry in India can be traced back to 1974 when Tata Consultancy Services (TCS) got its first US customer - Burroughs Corporation, United States. The job assigned was to write software code for the Burroughs machines. With that opportunity started the growth story of TCS, presently a \$10 billion organization. Other IT monsters of today additionally stated their growth stories with humble beginnings (WIPRO in 1966, Infosys in 1981). During this period private businesses were difficult in India because of Government's exacting limitations and guidelines. Things brightened up exclusively after 1991 with the public authority's strategies of liberalization. Evolution of the IT sector can be studied in 5 phases -

Stage 1 (Before 1980): In this first stage, Indian software industry was practically non-existent. IT industry in India started with equipment items. This sector was protected by the Indian Government through authorizing and high duty rates. At the point when Indian Government realized the capability of software sector to procure unfamiliar trade, it allowed import of equipment and fare of software through its new software send out plan formulated in 1972. TCS was the main beneficiary of this plan in 1974.

Stage 2 1980 to 1990: Despite the fact that the software trades were started by some prominent organizations like TCS, WIPRO, Infosys and so on, the outcomes were not empowering. There were a few problems with government arrangements like the fare of software was reliant on the imports of equipment. Additionally there were no proper infrastructural facilities for software advancement. IT industry was under a ton of pressing factor. It was uniquely in 1986 that the Indian Government took choice to liberalize the IT sector and de-licensed the imports of equipment and for exporters, it was sans obligation.

Stage 3 1990 to 2000: This period has observed intensified competition in the IT sector. During this stage, there were some substantial changes in Indian economy, remembering unwinding for the section barriers, exchange liberalization, opening up of Indian economy for unfamiliar ventures. Software front was moving more towards normalization and productivity improvement. Because of the liberalization, a progression of unfamiliar speculations came in India and MNCs in India were introduced. "Seaward Model", "Onsite Model" and "Global Delivery Model (GDM) were introduced as a feature of the services.

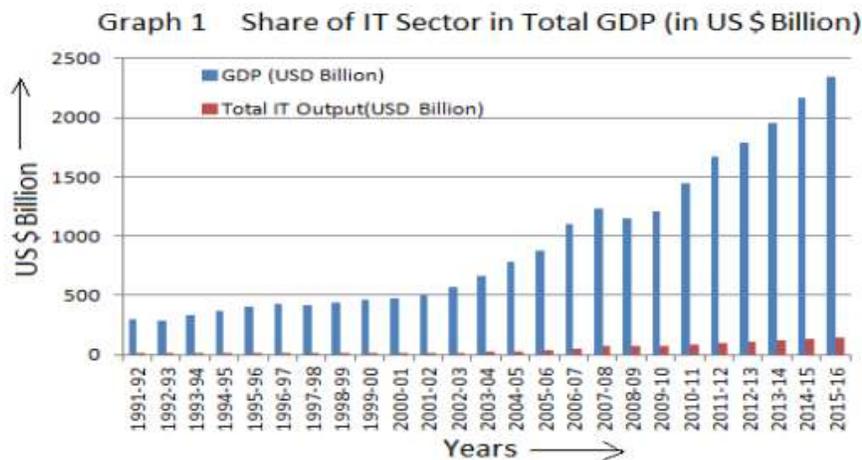
Stage 4 2000-2010: 2000-2010 has been a time of quick growth of the IT business. Software administration organizations were procuring acceptable measure of unfamiliar trade because of modest equipment, quicker correspondence, and setting up of Software Technology Parks. In

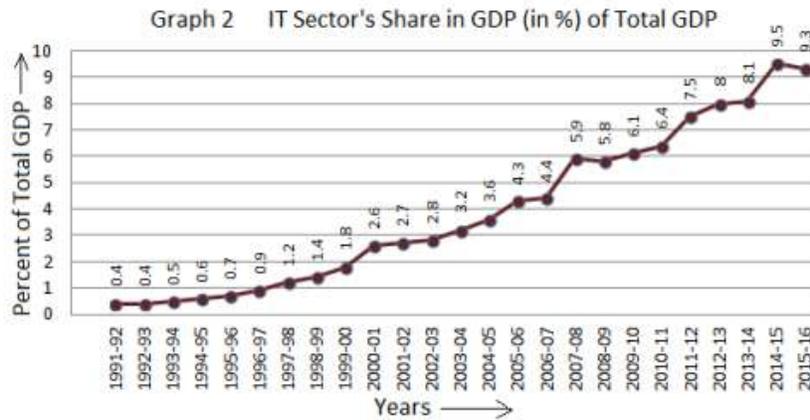


2005 Special Economic Zone (SEZ) Act was passed. It helped in bringing in obligation free equipment, and annual expense exception on fares for a very long time. The outcome was an increment in the number of software organizations. Information Technology Act passed in 2000 gave a boost to web based business. Public broadband strategy announced in 2004 made broadband available to 20 million Indians by 2010.

Contribution to India's Economy in Terms of GDP

Indian information technology industry has developed complex during the time frame 1991-92 to 2015-16 as demonstrated in table 1. The business has contributed fundamentally to the economy regarding GDP, unfamiliar trade profit and vocations. Majority of the Fortune 500 and Global 2000 companies are sourcing IT-ITES from India. There are around 600 focuses set up by Indian IT organizations in 78 nations taking into account the IT related prerequisites of individuals in more than 200 cities. They are performing well overall and demonstrating remarkable double digit growth as far as public GDP (NASSCOM investigation reports). In the monetary year 2015-16, our incomes have developed from 1.2 percent to almost 9.3 percent. The IT sourcing business sector of India has developed from 52% in 2012 to about 56% in 2016. By 2020, this sector is expected to arrive at USD 225 billion objective. India is becoming quite possibly the most preferred objections for business measure rethinking (BPO) all things considered. These services are boosting Indian economy and this is obvious in their contributions to public total national output (GDP).





OBJECTIVES OF THE STUDY

1. To Study on Evolution of IT Industry in India
2. To Study on Contribution to India's Economy in Terms of GDP IT/ITeS industry

Foreign Investments in IT Industry in India

A number of unfamiliar speculators are putting resources into Indian software industry in this way contributing to the growth of Indian economy. These speculations are essentially as -

Foreign Direct Investment

There are a number of worldwide organizations in India that put straightforwardly in their businesses in India for example Google, Accenture, Microsoft and so on Apple is additionally intending to make its items in India.

Foreign Institutional Investments

Indian economy is developing quick and has attracted the consideration of unfamiliar financial specialists as a promising business sector for venture

Services Sector Dynamism



As of late, financial specialists have started bringing up the accompanying issue "Can the assistance sector be an engine of growth?" (Neil M. Swan, 1985; Dasgupta and Singh, 2005; Joshi, 2007; Goldar and Mitra, 2008)

India emerged as one of the quickest developing economies of the world during the 1990s principally because of the remarkable presentation of the services sector. India's services sector has indicated exceptionally amazing growth being driven essentially by the Information Technology (IT) and IT enabled Services (ITeS) (Bosworth, Collins and Virmani, 2006; Prasad, 2007; Goldar and Mitra, 2008; Joshi, 2009). A few creators contend that India followed a one of a kind way of growth. As indicated by Das (2006), the most notable thing about India's ascent isn't that it is new, but that its way has been extraordinary and can be considered a supernatural occurrence because of the totally unusual example that it has followed (Kalita, 2010).

India has not followed the traditional advancement way that different nations have been utilizing to get up to speed Western nations. That way includes a cycle that begins with horticulture, and dynamically advances into mechanical revolution (primarily fabricating) with a more prominent spotlight on creation of merchandise. As these sectors become more developed, the evolution moves to its following stage: knowledge based services that begin to become the fundamental drivers of the economy.

Indian economy has been sustained on homegrown utilization and its growth was fuelled by services not at all like assembling (Kalita, 2010) on account of its Asian partners. Indeed, the Eastern model places in assembling and gives low-priced producing merchandise toward the West (Das, 2006). For example, China is the best illustration of the Asian procedure, giving the minimal effort assembling of an assortment of items and afterward trading to the U.S. also, Europe. While (Das, 2006) acclaim India's whimsical methodology, simultaneously he criticized the absence of a labor escalated mechanical revolution that could change the existences of a huge number of Indians actually trapped in provincial destitution. Without an arrangement for transitioning provincial and helpless populaces into the current economy, the hole between rich and poor, country and urban will keep on extending.

Services

India has suffered profound changes in its monetary roots. From being an agribusiness based economy the nation influence its growth story embracing the knowledge-based economy.



For over 10 years, the services sector has been the key growth engine of the Indian economy assuming a significant part both in the homegrown market and in the country's outside monetary communications.

Throughout the most recent decade, it has been the biggest attractor of FDI with more than 20% of all FDI streaming into the sector. The sector contributed with an enormous portion of 56.6% to India's GDP and gives work to 31% of the nation's labor power being the chief wellspring of work in urban territories.

The services sector range from the most sophisticated information technology (IT) to exchange, lodgings, eateries, transport, correspondence, financing, protection, business services, and so forth, planning growth in each portion of the sector.

Two of the biggest and most testing sectors driving the nation's advancement are education and medical care services, but the vital mainstays of the services sector depend on IT, IT enabled Services (ITeS), monetary services and retail. There are gauges that spends over IT services, across the business fragments, will witness mass development in the years to come. For example, IT spends by the Indian monetary services sector is expected to arrive at USD 3.5 billion by 2014 (Zinnov, 2011). As indicated by NASSCOM, ITeS industry will acquire around USD 225 billion by 2020, wherein 80% of the growth would come from the as of now untapped sectors and locales. These projections unmistakably show that services sector growth would keep on being the major enabler of monetary growth.

Innovation

Albeit less-advanced nations can in any case improve their productivity by embracing existing advances or making gradual enhancements in different zones, for those that have reached the development phase of advancement this is not, at this point adequate for expanding productivity. Firms in these nations should plan and create bleeding edge items and cycles to keep a competitive edge.

This requires a climate that is helpful for creative activity, supported by both the public and the private sectors, motivation behind why public private associations (PPP) have emerged as an instrument for affecting development and it is expected that this pattern will proceed in future. Specifically, it implies adequate interest in research and advancement (R&D), particularly by the private sector; the presence of excellent logical research institutions; broad collaboration in



research between universities and industry; and the assurance of licensed innovation. These are the critical elements that enable development.

Contributions of the IT/ITeS industry to India's economic growth.

The Indian IT/ITeS industry has contributed to the growth and improvement of the country as far as different efficient and social perspectives. The current and advancing role of IT/ITeS industry in India's economy is grounded. The sector is ending up being the significant growth shaft within the services sector, which thusly drives a few positive direct effects on the financial situation like the developing portion of the public GDP, the boosting of unfamiliar trade income and business age. Then again, its contribution/ITeS industry to the country's financial growth and advancement has likewise resulted in certain more extensive effects.

Those circuitous effects range from driving growth of different sectors to boosting India's picture in global business sectors. Indeed, aside from contributing to the developing pay of its immediate partners the IT/ITeS industry has had a multiplier impact on different sectors of the economy. The business has likewise reassuring balanced local growth by slowly spreading their business activities to more modest Tier II/III cities. Besides creating income and business, the business is additionally responsible for enhancements in the stockpile of ability pool and advancement of physical and social foundation.

The roundabout work age is other issue that positively impacts the monetary scene. As indicated by NASSCOM, for each job created in the sector, four additional jobs are created in the economy. While IT/ITeS keeps on being the favorite sector for Private Equity (PE)/Venture Capital (VC) activity, different sectors, for example, medical care, fabricating and monetary services have likewise benefitted since now they can get to this wellspring of financing. The move of center from actual capital to a knowledge-based one and the aforementioned fuelling of the growth of PE/VC subsidizing enabled an enormous number of Indian original business people to attempt their own business. Since India contends at a global scale, IT/ITeS organizations have started to receive the most excellent norms improving their items and services. Along these lines, the brand "India" has received public and global recognition. Forsooth, it was with its approach/ITeS industry that the world began to perceive that Indian items and services could likewise rival global players on quality boundaries. Accordingly, the remarkable business execution boosted the picture of India in the global market.

Concerning fundamental contributions to the labor force improvement, the business emphatically affected the worker well disposed workplace and expertise upgrade within associations. Then



again, what's more being the biggest boss in the organized private sector, the IT/ITeS industry likewise empowers work diversity at various levels. The effect of work rehearses adopted by IT/ITeS organizations stretches out from setting out business open doors in more modest towns, empowering work of individuals with various abilities, opening opportunities for non-specialized staff, advancing ladies strengthening, giving high growth opportunities to the adolescent and work for "out of the standard" applicants.

Composition

Truth be told, it isn't not difficult to arrange the Indian IT/ITeS Industry primarily because of the wide assortment of ways the terms IT, IT Services, ITeS and BPO had been mixed in the literature. These words are frequently used between changeably and subsequently there is an absence of an agreement in the literature. In this investigation, its definition (Information Technology) is the regular term for the whole range of advances for information handling, including software, equipment, correspondences innovations and related services. By and large, IT does exclude embedded advances that don't create information for big business use. The Indian information technology (IT)/IT enabled Services (ITeS) industry is categorized into four broad portions (Figure 1).

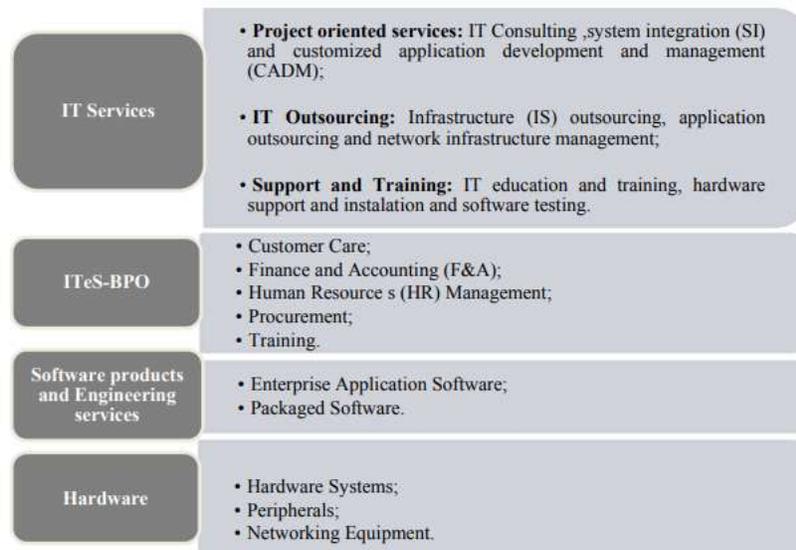


Figure 1 : Indian IT/ITeS Industry Composition



As recently mentioned, among these four portions, just the initial two - IT Services and IT enabled services (ITeS - BPO) – constitute the point of this examination. In this manner, both the Software items and Engineering services and the Hardware sections are excluded from any investigation. Therefore, a brief definition of IT Services and ITeS-BPO is provided to keep away from mistaken assumptions.

IT Services alludes to the utilization of business and specialized aptitude to enable associations in the creation, the board and enhancement or admittance to information and business measures. It can be segmented by the sort of abilities that are employed to convey the help (plan, build, run). There are additionally various classes of administration: business measure services, application services and foundation services. On the off chance that these services are outsourced, they are referred to as business measure rethinking (BPO), applications re-appropriating (AO) and foundation re-appropriating (IA) (Gartner, 2012). Along these lines, the IT services section it is comprised of undertaking oriented services - IT counseling, framework coordination (SI), customized application improvement and the board (CADM); IT Outsourcing - foundation (IS) re-appropriating, application rethinking and network foundation the executives; and backing and preparing - IT education and preparing, equipment backing and establishment and software testing.

CONCLUSION

The advancement of the current investigation tries to contribute to a better comprehension of its effect Services and ITeS-BPO on India's growth all the more solidly and explicitly by recognizing the effect of this insight by the experts. In this examination, it was discovered that IT Services and ITeS-BPO surveyed experts have the same insights about the primary direct effect of Indian IT/ITeS industry on the financial situation and they concur that India should zero in at the same time on the development of the services and industry sectors, which mirrors the view of 57,8% of the members in this research. The rise of Indian IT Multinationals is mentioned by the surveyed with a similar importance degree as entering new business sectors (13,7%), being the second most perceived pattern to receive in the coming years, while 12,7% of the inquired experts think about that creating vertical/space specialization ought to be the route forward to combat competition and other such dangers. Then again, enhancement (9,8%), industry solidification through M&A (7,8%) and increment global burning through (2,9%) are the least mentioned patterns by the business experts



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