

Information Technology

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Sector structure/Market size

The Indian information technology industry has played a key role in putting India on the global map. Thanks to the success of the IT industry, India is now a power to reckon with. According to the National Association of Software and Service Companies (NASSCOM), the apex body for software services in India, the revenue of the information technology sector has risen from 1.2 per cent of the gross domestic product (GDP) in FY 1997-98 to an estimated 5.8 per cent in FY 2008-09.

India's IT growth in the world is primarily dominated by IT software and services such as Custom Application Development and Maintenance (CADM), System Integration, IT Consulting, Application Management, Infrastructure Management Services, Software testing, Service-oriented architecture and Web services.

The government expects the exports turnover to touch US\$ 80 billion by 2011, growing at an annual rate of 30 per cent per annum, from the earlier few million dollars worth exports in early 1990s.

As per NASSCOM's latest findings:

- Indian IT-BPO sector grew by 12 per cent in FY 2009 to reach US\$ 71.7 billion in aggregate revenue (including hardware). Of this, the software and services segment accounted for US\$ 59.6 billion.
- IT-BPO exports (including hardware exports) grew by 16 per cent from US\$ 40.9 billion in FY 2007-08 to US\$ 47.3 billion in FY 2008-09.

Moreover, according to a study by Springboard Research, the Indian IT services market is estimated to remain the fastest growing in the Asia-Pacific region with a CAGR of 18.6 per cent.

Despite the uncertainty in the global economy, the top three IT majors—Infosys, TCS and Wipro—have seen revenue growth from all important sources of income: from the North American and European regions, in the financial services vertical and from application maintenance and development (ADM) offerings between fiscal years 2008 and 2009.

Outsourcing

A research by Gartner forecasts India as the undisputed leader in the outsourcing space in the year 2008. India's most prized resource is its readily

available technical work force. India has the second largest English-speaking scientific professionals in the world, second only to the US. It is estimated that India has over 4 million technical workers, over 1,832 educational institutions and polytechnics, which train more than 67,785 computer software professionals every year. The enormous base of skilled manpower is a major draw for global customers.

According to NASSCOM software and services exports (including exports of IT services, BPO, engineering services and R&D and software products) reached US\$ 47 billion in FY 2008-09, contributing nearly 78 per cent to the total software and services revenue of US\$ 59.6 billion.

Domestic Markets

India's domestic market has also become a force to reckon with, as the existing IT infrastructure evolves both in terms of technology and depth of penetration.

According to NASSCOM, domestic IT market (including hardware) reached US\$ 24.3 billion in FY 2008-09 as against US\$ 23.1 billion in FY 2007-08, a growth of 5.3 per cent.

India Inc's demand for IT services and products has bolstered growth in the domestic sector with deal sizes going up remarkably and contracts worth US\$ 50 million-US\$ 100 million up for grabs.

Such growth in the software and services sector has been achieved because of spectacular growths in some segments. According to research firm Gartner, India's personal computer (PC) market is likely to grow by 13.7 per cent to 11.1 million units in 2009, aided by a surge in demand for laptops. The laptop market is expected to grow by 37 per cent in 2009 to 3.69 million units and constitute a third of the total PC market.

Rural Penetration

According to a report of the Internet and Mobile Association of India (IAMAI) rural India has 3.3 million active internet users. Since rural India was mapped for the first time, the year-on-year growth of internet users in rural India could not be estimated.

The research also notes there are 5.5 million people who claim to have used Internet at some point in time.

Government Initiatives

- The government set up the National Taskforce on Information Technology and Software Development with the objective of framing a long term

National IT Policy for the country.

- Enactment of the Information Technology Act, which provides a legal framework to facilitate electronic commerce and electronic transactions.
- The government-led National e-Governance Programme, has played an important role in increasing internet penetration in rural India.

Road Ahead

The Indian information technology sector continues to be one of the sunshine sectors of the Indian economy showing rapid growth and promise.

According to a report prepared by McKinsey for NASSCOM, the exports component of the Indian industry is expected to reach US\$ 175 billion in revenue by 2020. The domestic component will contribute US\$ 50 billion in revenue by 2020. Together, the export and domestic markets are likely to bring in US\$ 225 billion in revenue, as new opportunities emerge in areas such as public sector and healthcare, and as geographies including BRIC and Japan opt for greater outsourcing.