

Financial Performance of IT Sector in India

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Abstract

This is the age of ITC- Information Technology and Communication. IT sector plays a critical role in economic growth and development of the economy. A country of Economy depends on the performance of IT. Today Computer based digital technology is used in both private sector and public sector of the economy. IT sector has become backbone of all industries because of wide scale uses of computer based technology. Indian economy has become digital hub of world with around 75% of global digital talent present in the country. The role of IT industry in enhancing the economic development of the country has been acknowledged by the government of India. This paper focus on the status and performance of IT sector in Indian Economy in the recent years on the basis available secondary data.

Keywords: Information Technology, ITS Sector, Indian Economy, Global Economy

Introduction

IT / ITES industry in India has seen an unparalleled growth since the last decade. Various initiatives of Government of India and the State Governments like, liberalization of external trade, elimination of duties on imports of information technology products, setting up of Export Oriented Units (EOU), Software Technology Parks (STP), relaxation of controls on both inward and outward investments and foreign exchange, and Special Economic Zones (SEZ), have helped IT industry to gain dominant position in world's IT scenario. So we can say that the IT industry has matured over the years and has proved to be a major contributor to the global economic growth. It has helped India to emerge as a global force in today's ever-increasing competitive and demanding environment The IT Industries has brought Economic Transformation in the Indian economy and countries image in the global economy has changed positively in the recent years.

Information technology, and the hardware and software associated with the IT industry, are an integral part of nearly every major global industry. The information technology (IT) industry has become of the most robust industries in the world. It industries are of five types - (i) Online business (ecommerce) (ii) IT services, (iii) ITES (IT Enabled Services) e.g. BPO (iv) Software Products (v) Hardware. All these industries play important role in economic growth and development of the Indian economy.

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Table 1: Structure of the Indian IT Industry

IT Software	IT Services	ITES-BPO	Hardware
Software Product	Custom Application Development	Call Centre	Single User Computers
Engineering and R&D Services	IT Consulting	Medical Transcription	Servers
	System Integration	BPO	Workstations
		KPO	Networking
			Peripherals

Source: Dun & Bradstreet (2006)

Promotional steps taken for the promotion of IT industries

A wide variety of services come under the domain of the information technology industry. Some of these services are as follows:

Table 2: Services come under the domain of IT Industry

Systems architecture	Database design and development
Networking	Application development
Testing	Documentation
Maintenance and hosting	Operational support
Security services	

Status of Indian IT Sector

The Indian IT sector is estimated to grow at a CAGR of 9.5% to USdollar300 billion by 2020. Indian has emerged as global IT hub of IT industries because of technically Strong English speaking large of people. Indian is considered a world largest IT sourcing destination. The Indian IT industries provide employment to about 10 Million workers and it has approximately 67% of the USdollar 124-131 billion IT Market.

IT Market

Internet industry in India is likely to double to reach USdollar 250 billion by 2020, growing to 7.5 per cent of gross domestic product (GDP). The number of internet users in India is expected to reach 730 million by 2020, supported by fast adoption of digital technology, according to a report by National Association of Software and Services Companies (NASSCOM). Indian IT exports increased to USdollar 126 billion in FY18 while domestic revenues (including hardware) advanced to USdollar 41 billion. Indian IT and BPM industry is expected to grow to USdollar 350 billion by 2025 and BPM is expected to account for USdollar 50-55 billion out of the total revenue. Total spending on IT by banking and security firms in India is expected to grow 8.6 per cent year-on-year to USdollar 7.8 billion by 2017. India's Personal Computer (PC) shipment advanced 11.4 per cent year-on-year to 9.56 million units in 2017 on the back of rise in the quantum of large projects. Revenue from digital segment is expected to comprise 38 per cent of the forecasted USdollar 350 billion industry revenue by 2025.

Investments/ Developments

Indian IT's core competencies and strengths have attracted significant investments from major countries. The computer software and hardware sector in India attracted cumulative Foreign Direct Investment (FDI) inflows USdollar 29.825 billion from April 2000 to December 2017, according to data released by the Department of Industrial Policy and Promotion (DIPP). Leading Indian IT firms like Infosys, Wipro, TCS and Tech Mahindra,

are diversifying their offerings and showcasing leading ideas in block chain, artificial intelligence to clients using innovation hubs, research and development centres, in order to create differentiated offerings.

Major developments in the Indian IT and ITeS sector

NASSCOM has launched an online platform which is aimed at up-skilling over 2 million technology professionals and skilling another 2 million potential employees and students. Revenue growth in the BFSI vertical reached nearly 9 per cent y-o-y in the fourth quarter of 2017-18. As of March 2018, there were over 1,140 GICs operating out of India. Private Equity (PE)/Venture Capital (VC) investments in India's IT & ITeS sector reached USdollar 7.6 billion during April-December 2017.

Government Initiatives

As a part of Union Budget 2018-19, NITI Aayog is going to set up a national level programme that will enable efforts in AI (Artificial Intelligence) and will help in leveraging AI technology for development works in the country. The Government of India is going to explore new opportunities in various sectors such as providing BPO service from home, digital healthcare and agriculture to achieve the target of making India a USdollar 1 trillion digital economy. The global digital transformation market size is expected to rise at a CAGR of 18.56 per cent from USdollar 1.2 trillion in 2017 to USdollar 2 trillion in 2020. India's IT industry is increasingly focusing on digital opportunities as digital is poised to be a major segment in the next few years. It is also currently the fastest growing segment, growing over 30 per cent annually. Export revenue from digital segment already forms about 20 per cent of the industry's total export revenue as exports have grown at a CAGR of 50.76 per cent to an estimated USdollar 25 billion in FY18. Revenue from digital is expected to comprise 38 per cent of the forecasted USdollar 350 billion industry revenue by 2025.

Top 10 IT Companies in India

There are a number of Information Technology (IT) companies in India. Among those, Best 10 Information Technology Companies in India are listed here. The list includes giants like TCS, Infosys, Wipro, Tech Mahindra, and HCL. The other prominent companies in the top 10 are Rolta, Cyient, Oracle Financial Services, Mphasis & Mindtree. Here is a list of Best 10 Information Technology Companies in India for the year 2015 based on revenue, profit and market capitalization.

Table 3: List of top ten IT companies in India

Sr. No.	IT company	Description
	TCS – Tata Consultancy Services	Tata Consultancy Services, founded in the year 1968 is headquartered in Mumbai, India.
	Infosys	Infosys, founded in the year 1981 has been headquartered in Bengaluru, India.
	Wipro	Wipro, founded in 1945 entered into the IT domain in the year 1980 and since then has become one of the biggest IT Company in the world.
	HCL Technologies	HCL Technologies, founded in the year in 1976 by Mr. Shiv Nadar is headquartered in Noida, India
	Tech Mahindra	Tech Mahindra, founded in the year 1986 is headquartered in Pune, India.

	Oracle Financial Services	Oracle Financial Services, founded in the year 1990 is headquartered in Mumbai, India.
	Mindtree	Mindtree, founded in the year 1999 by ten IT professionals is headquartered in Bengaluru, India. Its present CEO is Krishnakumar Natarajan.
	Mphasis	Mphasis, incorporated in the year 2000 is headquartered in Bengaluru, India
	Rolta	Rolta, founded in the year 1989 by Mr. Kamal K Singh is headquartered in Mumbai, India.
	Cyient	Cyient, previously known as Infotech Enterprises, was founded by Mr. B.V.R. Mohan Reddy in the year 1991 and is headquartered in Hyderabad, India.

Source: www.daytodaygk.com**Table 4: INDIAN IT SECTOR – A SWOT ANALYSIS**

Strengths	Weaknesses
Highly skilled human resource Low wage structure Quality of work Initiatives taken by the Government (setting up Hi-Tech Parks and implementation of e-governance projects) Many global players have set-up operations in India like Microsoft, Oracle, Adobe, etc. Following Quality Standards such as ISO 9000, SEI CMM etc. English-speaking professionals Cost competitiveness Quality telecommunications infrastructure Indian time zone (24 x 7 services to the global customers). Time difference between India and America is approximately 12 hours, which is beneficial for outsourcing of work.	Absence of practical knowledge Dearth of suitable candidates Less Research and Development Contribution of IT sector to India's GDP is still rather small. Employee salaries in IT sector are increasing tremendously. Low wages benefit will soon come to an end.
Opportunities	Threats
High quality IT education market Increasing number of working age people India 's well-developed soft infrastructure Upcoming International Players in the market	Lack of data security systems Countries like China and Philippines with qualified workforce making efforts to overcome the English language barrier Countries like China and Philippines with qualified workforce making efforts to overcome the English language barrier IT development concentrated in a few cities only

Source: ww.naukrihub.com/India/information-technology/swot-analysis.html

Major information technology hubs

Bangalore is known as the Silicon Plateau of India and contributes 38% of Indian IT Exports. India's second and third largest software companies are headquartered in Bangalore, as are many of the global Companies. Cities like Hyderabad, Chennai, Pune and Gurgaon are also emerging as technology hubs, with many global IT companies establishing headquarters there. Numerous IT companies are also based in Mumbai.

Table 5: Major IT Hubs

City	Description
Bangalore	Bangalore is known as the Silicon Valley of India and the IT Capital of India. It is considered to be a global information technology hub and it is India's largest exporter both of IT overall and of software
Hyderabad	Hyderabad – known as the HITEC City or Cyberabad – is a major global information technology hub, and the largest bioinformatics hub in India. Hyderabad has emerged as the second largest city in the country for software exports pipping competitors Chennai and Pune
Pune	Pune is one of the leading Indian and international IT services and outsourcing exporters. The next biggest IT park of India (Rajiv Gandhi IT Park at Hinjawadi) is expected to scale up to phase 7.
Chennai	The city has a world-class IT infrastructure with dedicated expressway nicknamed as IT expressways, and many other IT parks promoted by both government agencies (Elcot) Electronics Corporation of Tamil Nadu and private entities. The city's strong industrial base also favors the establishment of many major R&D centers in its vicinity.
Mumbai	Mumbai is headquarters to Tata Consultancy Services, India's largest IT company. Other major IT companies based in the city include Datamatics, Patni, L&T Infotech, 3i Infotech, Mastek and Oracle FinServ

Performance & Contribution towards Exports by IT-ITeS Industry**1. Revenue**

As shown in figure 1, Indian IT-ITeS industry revenue is estimated at USD 151.0 billion in FY2017-18 as compared to USD 141.0 billion in FY2016-17, registering an increase of around 7.0%. The overall industry's growth of this sector over the last five years is given in the table below.

Table 6: Year on Year Exports and Domestic requirement of IT

Year/ Description	2013- 14	2014- 15	2015- 16	2016- 17	2017- 18(E)	CAGR %(2013-18)
Exports	87.3	97.8	107.8	117.0	126.0	10.49
Domestic	19.0	21.0	21.7	24.0	25.0	5.42
Total	106.3	118.8	129.5	141.0	151.0	9.55

Source: NASSCOM SR-2018, E: Estimate

The IT Services exports accounts for the largest share of 57% of about USdollar 86.0 Billion; ER&D and software products has emerged as the second largest segment with 21.8% share followed by BPO exports contributing 21.2%.

- **Exports:** As shown in figure 3, IT-ITeS exports are estimated as USdollar 126.0 billion in FY2017-18, growing by 7.7% over FY2016-17. A combination of solutions around disruptive technologies such as SMAC (Social media, mobility, analytics and

cloud), artificial intelligence, embedded systems etc. have become the life-force of the industry.

- **IT Services**

It is the fastest growing segment within the Indian IT-ITeS sector. This segment is estimated to generate exports revenues of the order of USdollar 69.3 billion in years 2017-18 as compared to USdollar 66.0 billion in years 2016-17.

- **ITeS/BPO segment**

IT has been reinventing itself in the past few years and is expected to generate export revenue of the order of ~USdollar 28.4 billion in year 2017-18 as compared to USdollar 26 billion in year 2016-17.

- **Engineering R&D and Product Development**

It has registered a growth of about 12% in the exports, which is estimated to reach USdollar 28.3 billion in years 2017-18 from the level of USdollar 25.0 billion in years 2016-17.

Table 7: Growth of IT services and R&D during 2013 to 2017

Year/ Segment	2013-14	2014-15	2015-16	2016-17	2017-18 (E)	CAGR % (2013-18)
IT Service	49.2	55.3	61.0	66.0	69.3	10.07
ITeS-BPO	20.4	22.5	24.4	26.0	28.4	9.19
Software Products, Engineering Services, R&D	17.7	20.0	22.4	25.0	28.3	13.09
Total IT-ITeS	87.3	97.8	107.8	117.0	126.0	10.32

Source: NASSCOM SR-2018, E: Estimated

Domestics Market: The Size of the domestic market is become significant now in the IT/ITeS Sector, though it largely remains export driven. As shown in figure 4, Domestic IT-ITeS revenue (excluding hardware) is estimated to reach INR 1738 billion in FY2017-18, as compared to INR 1608 billion in FY2016-17, a y-o-y growth of ~8.7%. In FY 2018, India's domestic IT-BPM market is likely to grow 7.9% Y-o-Y to reach USdollar 41 billion (INR 273750 crore), excluding e-Commerce as compared to USdollar 38 billion in 2016-17. Rapid digitization is expected to further catalyse growth. Domestic IT-BPM industry is also seeing continued growth as various government initiatives encourage technology usage (push factor) and Indian enterprises across industries are rapidly implementing digital technologies to adapt to a changing competitive landscape and the ever-demanding customer. Domestic IT Services sector is the largest segment with close to 40.5% share, expected to reach Rs.113600 crores in year 2017-18 as compared to Rs. 100500 crores in year 2016-17 with a estimated growth of about 13.1% in INR terms.

The IT-ITeS industry domestic revenue growth trend over the past 5 years is as under:

Table 8: IT-ITeS Industry Domestic Revenue Growth

Year/ Segment	2013-14	2014-15	2015-16	2016-17	2017-18(E)	CAGR % (2013-18)
IT Service	72721.6	81662	89562	100500	113600	11.37
ITeS-BPO	19593.8	21490	23364	26800	26800	8.90
Software Products Engineering Services	22468.8	25788	27907	33500	33500	10.32
Total IT-ITeS	114784.2	128940	140833	160800	173800	10.75

Source: NASSCOM SR-2018, E: Estimated

- **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. Demands from Asia Pacific (APAC), Latin America and Middle East Asia is growing and new opportunities are emerging for expanding in continental Europe, Japan, China and Africa.
- **Employment:** India is the seventh largest country in the world. The IT/ITeS workforce is becoming increasingly diverse in terms of socio-economic, linguistic, multinational and regional backgrounds. The Direct employment in the IT services and BPO/ITeS segment is expected to grow by about 4.0 % reaching and add around 1,05,000 employees during the year 2017-18 reaching a total of 3.96 million, which is a significant achievement for the sector. The details of direct employment by the sector for both, the Exports segment and domestic market segment, over the **last five years** are given below (in Millions):

Table 9: Employment in IT Sector

Segment/Year	2013- 14	2014- 15	2015- 16	2016- 17	2017- 18(E)
IT Services & Exports	1.6	1.74	1.846	1.921	1.984
BPO Exports	0.989	1.03	1.086	1.152	1.191
Domestic Market	0.699	0.745	0.758	0.790	0.793
Total Employment	3.267	3.485	3.690	3.863	3.968
Net Addition	0.301	0.218	0.203	0.173	0.105

Source: NASSCOM SR-2018, E: Estimated

IT sector is one of the largest job provider and creator in the organized industry segment, this sector also plays a key role in enabling higher levels of indirect employment in other verticals such as transportation, real estate and hospitality, Security services, and Housekeeping.

- **Women Employment in IT and ITeS Sector:** The IT and ITeS sector employs 34% women, out of total 39.68 lakhs employees for FY 2017-18. (Source: NASSCOM SR-2018, E: Estimated)

Conclusion

The growing Indian economy has helped the IT sector to maintain its competitiveness in the global market. IT sector in India has played a key role in drawing foreign funds into the domestic market. The growth and prosperity of India's IT industry depends factors like large number of IT professionals, who have the necessary skill and expertise to meet the demands and expectations of the global IT industry. The cost of skilled Indian workforce is low compared to the developed nations. This makes the Indian IT services highly cost competent and this is also the reason as to why the IT enabled services like business process outsourcing and knowledge process outsourcing have expanded significantly in the Indian job market. The IT enabled sector of India absorbs a large number of graduates from general stream in the BPO and KPO firms. So it can be said that the growth of India's IT industry has been instrumental in facilitating the economic progress of India. India's ICT sector emerged as a 'growth engine' with its rising contribution in the economy

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