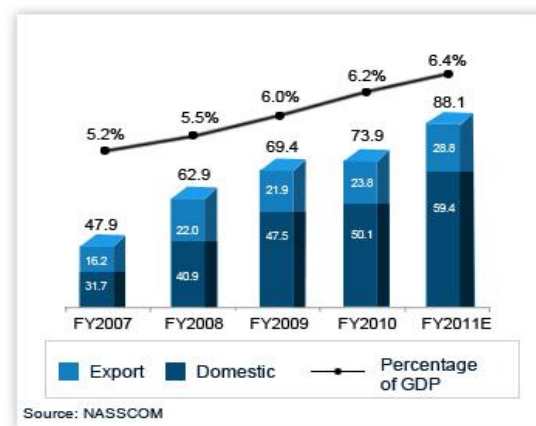


Sector Profile: Information technology (IT)

Information technology (IT) industry in India has played a key role in putting India on the global map. IT industry in India has been one of the most significant growth contributors for the Indian economy. The industry has played a significant role in transforming India's image from a slow moving bureaucratic economy to a land of innovative entrepreneurs and a global player in providing world class technology solutions and business services. The industry has helped India transform from a rural and agriculture-based economy to a knowledge based economy.

Information Technology has made possible information access at gigabit speeds. It has made tremendous impact on the lives of millions of people who are poor, marginalized and living in rural and far flung topographies. Internet has made revolutionary changes with possibilities of e-government measures like e-health, e-education, e-agriculture, etc. Today, whether its filing Income Tax returns or applying for passports online or railway e-ticketing, it just need few clicks of the mouse. India's IT potential is on a steady march towards global competitiveness, improving defense capabilities and meeting up energy and environmental challenges amongst others.

IT-ITeS sector in India, with the main focus on increasing technology adoption, and developing new delivery platforms, has aggregated revenues of USD 88.1 billion in FY2011, while generating direct employment for over 2.5 million people. Out of 88.1 billion, export revenues (including Hardware) has reached USD 59.4 billion in FY2011 while domestic revenues (including Hardware) of about USD 28.8 billion.



Government Initiatives:

After the economic reforms of 1991-92, major fiscal incentives provided by the Government of India and the State Governments, like, liberalization of external trade, elimination of duties on imports of information technology products, relaxation of controls on both inward and outward investments and foreign exchange, setting up of Export Oriented Units (EOU), Software Technology Parks (STP), and Special Economic Zones (SEZ), has enabled India to flourish and acquire a dominant position in world's IT scenario.

In order to alleviate and to promote Indian IT industry, the Government of India had set up a National Task Force on IT and Software Development to examine the feasibility of strengthening the industry. Venture capital has been the main source of finance for software industry around the world. In line with the international practices, norms for the operations of venture capital funds have also been liberalized to boost the industry.

The Government of India is also actively providing fiscal incentives and liberalizing norms for FDI and raising capital abroad.

Financial Assistance

While the underlying theme of 2010 was that of steady recovery from recession, thanks to the accelerated recovery in emerging markets, worldwide spending in IT products and services increased significantly in 2011. In 2011, India's growth has reflected new demand for IT goods and services, with a major surge in the use of private and public cloud and mobile computing on a variety of devices and through a range of new software applications.

High inflow of FDI in the IT sector is expected to continue in coming years. The inflow of huge volumes of FDI in the IT industry of India has not only boosted the industry but the entire Indian economy in recent years. Foreign direct investment (FDI) inflow rose by more than 100 per cent to US\$ 4.66 billion in May 2011, up from US\$ 2.21 billion a year ago, according to the latest data released by the Department of Industrial Policy and Promotion (DIPP). This is the highest monthly inflow in 39 months.

Foreign technology induction is also encouraged both through FDI and through foreign technology collaboration agreements. India welcomes investors in Information Technology sector. Greater transparency in policies and procedures has made India an investor friendly platform. A foreign company can hold equity in Indian company's upto 100%.

Research & Development:

To support Research & development in the country and promoting Start ups focussed on technology and innovation, a weighted deduction of 150% of expenditure incurred on in-house R&D is introduced under the Income Tax Ac. In addition to the existing scheme for funding various R&D projects have been funded through new scheme like Support International Patent Protection in Electronics & IT (SIP-EIT), Multiplier Grants Scheme (MGS).

The government has initiated the setting up of an Open Technology Center through NIC aimed at giving effective direction to the country on Open Technology in the areas of Open Source Solutions, (OSS), Open Standard, Open Processes, Open Hardware specifications and Open Course-ware. This initiative will act as a National Knowledge facility providing synergy to the overall components of Open Technology globally.

Regulations

After the economic reforms of 1991-92, liberalization of external trade, elimination of duties on imports of information technology products, relaxation of controls on both inward and outward investments and foreign exchange and the fiscal measures taken by the Government of India and the individual State Governments specifically for IT and ITES have been major contributory factors for the sector to flourish in India and for the country to be able to acquire a dominant position in offshore services in the world. The major fiscal incentives provided by the Government of India have been for the Export Oriented Units (EOU), Software Technology Parks (STP), and Special Economic Zones (SEZ).

Challenges

Cyber security and quality management are few key areas of concern in today's information age. To overcome such concerns in today's global IT scenario, an increasing number of IT-BPO companies in India have gradually started to emphasize on quality to adopt global standards such as ISO 9001 (for Quality Management) and ISO 27000 (for Information Security). Today, centers based in India account for the largest number of quality certifications achieved by any single country.

India aims to transform India into a truly developed and empowered society by 2020. However, to achieve this growth, the sector has to continue to re-invent itself and strive for that extra mile, through new business models, global delivery, partnerships and transformation. A collaborative effort from all stakeholders will be needed to ensure future growth of India's IT-ITeS sector. We will need to rise up to the new challenges and put in dedicated efforts toward providing more and more of end-to-end solutions to the clients to keep the momentum going.

India is now one of the biggest IT capitals in the modern world and has presence of all the major players in the world IT sector. HCL, Wipro, Infosys and TCS are few of the household names of IT companies in India.

Future prospects

Globalization has had a profound impact in shaping the Indian Information Technology industry. Over the years, verticals like manufacturing, telecom, insurance, banking, finance and lately the retail, have been the growth drivers for this sector. But it is very fast getting clear that the future growth of IT and IT enabled services will be fuelled by the verticals of climate change, mobile applications, healthcare, energy efficiency and sustainable energy. The near future of Indian IT industry sees a significant rise in share of technology spend as more and more service providers both Indian and global target new segments and provide low cost, flexible solutions to customers.

By 2015, IT sector is expected to generate revenues of USD 130 billion (NASSCOM) which will create a transformational impact on the overall economy. IT spending is expected to significantly increase in verticals like automotive and healthcare while the government, with its focus on e-governance, will continue to be a major spender.

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