INTRODUCTION

The service sector is increasingly accounting for a dominant share of the national output in the developed as well as the developing countries. Information, in fact, is the requisite raw input of knowledge in all its manifestations to service sector. The Twentieth Century has witnessed the most breath-taking development in science and technology. First revolution in the field of communication and technology was globally referred to as “Information Technology Revolution”. The impact of Information Technology on the economy has been so pervasive and momentous that it is characterized as a second industrial revolution. Thus, the Information Technology (IT) has become the cardinal determinant of the progress of nations, communities and individuals. Information Technology is hence quoted as “a magical technology, which combines the skillful hand with the reasoning mind”. Information Technology in today’s business ambience is the fastest growing industry in the world and is poised to become the largest global industry. No other industry has had such a profound influence on the government attention and the business, with the exception of perhaps the defence industry. Whether it be flying an aircraft faster and better, or getting accounting software to take care of the drudgery of repetitive work, IT has changed the way we live. The pervasive influence of IT is so strong that no sphere of human life is left untouched, to make a niche for itself. The new economy is thus creating high quality employment. It is reshaping the job market. Among the entire sectors at international level, Information Technology is millennium’s most sought after industry and holds prominent promises to proliferate in the modern business era. Indian IT Industry is incontrovertibly no exception to this unique phenomenon.
The present study on performance appraisal of Indian IT Industry with a case study of Infosys Technologies Limited has petered out that the Indian IT industry is amongst the fastest growing industries in the country. The IT professionals are working in all major markets around the world. Indian technology products and solutions are accepted globally. The new millennium has although begun with turbulence, tragedy, terrorism, and murder of some Christians and Gujarat genocide in India, yet the Indian IT software and services industry has weathered this storm well. It is indeed creditable that the IT software and services industry in India has reasonably continued its robust growth. It is a matter of encouragement to note that the Indian software sector has truly symbolized India’s forte in the knowledge-based economy. High skilled human resources coupled with low wage structure and world-class quality has transformed India into a global powerhouse in the Information Technology including software services and solutions sector.

The opening up of the Indian economy and entry of global brands caught the Indian IT industry off the guard. India was under-prepared for the global competition for PCs on the one hand, and with a massive squeeze from an ever-increasing gray market at a very cheap price points on the other. While a lot of focus and attentions were given to promote software exports, hardware manufacturing became a neglected area. Despite all these, India is one of the fastest growing hardware markets in the world today. In the backdrop of WTO-ITA stipulation for elimination of duties on all IT products, there is a crying need to discover the future of Indian hardware sector and integrating it with the global value added chain through an all round development strategy. In countries like China and Taiwan, the domestic IT Hardware market helps to create the hardware export hubs and legislation encourages manufacturing within the country. China has emerged as the third largest hardware manufacturer after the US and Japan. Taiwan, Korea,
Malaysia and China together account for 20 percent of global IT hardware products.

Other than the growing software market, the country is also becoming a major base for Information Technology Enabled Services (ITES) and Business Process Outsourcing (BPO). Based on location and people’s attractiveness, India is identified as strong contenders for the global ITES-BPO market making its presence felt in the international market. India has surpassed other competitors in terms of employment generation, number of companies outsourcing ITES-BPO as well as spectrum of verticals and services lines. India has witnessed rapid growth due to its low cost advantages and emerged as a new leader especially in traditional services, such as, call centers, back office processing, Business Process Outsourcing etc. Ireland and China are posing the strongest competition to India denting India’s supremacy in the medium and long term. Only China, Ireland and Philippines, other than India, have sizeable, low cost talent pools, which could meet the quest for global ITES-BPO manpower needs. Other countries like Malaysia, Caribbean, South Africa, Hong Kong etc. have also seen some ITES-BPO activity. However, the small size of their talent pools and lack of reference customers severely constraints their ability to emerge as a hub.

During 1991, the government of India announced income tax exemption from profits of software exports and later reduced import duty on computer software from a high of 114 percent to nil. Intellectual Property Rights (IPRs) of computer software is covered under Indian Copyright Act, which is one of the toughest in the world. India became the 12th nation in the world to adopt a cyber law regime during 2000 by bringing out a comprehensive draft on Information Technology Act. The IT industry has contributed 3.82 percent share in India’s GDP and its size has reached US$ 21.5 billion during 2003-04. This industry has corroborated its prowess at
international market too. The export market is a major contributor to India’s IT industry with 64 percent earnings of the total market. The large share of software exports went to North America with USA and Canada sharing a major chunk of 59.0 percent of total exports in 2003-04. Software sector has contributed 2.64 percent in the India’s GDP and 21.3 percent in Country’s export during 2003-04. The inflow of Foreign Direct Investment is a flavor of liberalization for globalization of Indian economy. FDI has started to bite the Indian Information Technology industry in its full swing since economic liberalization. Indian IT industry has attracted inflow of FDI to the tune of US$ 218 million registering 6.58 percent share in the total inflows during 2003-04.

Infosys Technologies Limited is one of the leading software companies engaged in effective business of IT services in Internet technology, product development, engineering product design and data management. It was incorporated in 1981 as a private company and later it became a public company in 1993. This industry has been found to have performed splendidly. In the financial year 2003-04, the total revenue generation by Infosys accounted for Rs. 4760.89 crore and the Profit After Tax (PAT) recorded Rs. 1243.47 crore.

Research Gap and Scope of the Study

The Indian IT Industry has galore vistas of investment opportunities to reach its zenith in global business arena. However, it needs some more government’s arm candy in terms of high investment in R&D and infrastructure as par global standard besides adequate enabling cyber laws. Information technology in the nineties had significant growth around the world and in particular in India. IT has become a potent force in transforming social, economic and political life globally and without its incorporation it is difficult for countries or regions to develop if not to survive. IT Industry in
India is flourishing at an accelerated rate and it is assumed that soon India will be a global IT superpower and flagship bearer in global IT industry. From the forgoing review of the studies on different aspects of IT industry, it peters out that there are dearths of studies focusing on the performance evaluation of IT industry in the post liberalization period.

This study is significant in terms of its scope, which encompasses the relevant aspects of performance evaluation of Indian IT industry in general, and Infosys in particular in the post-liberalization period (1991-2004) when many of the Indian IT firms were established and the government also embarked upon bringing out concrete plans and policies for the overall growth and development IT industry. The universally recognized parameters of performance evaluation are used to evaluate the performance of Indian IT industry and Infosys. Physical and financial performances are mainly taken into consideration. It is an endeavor to make a holistic study of Indian IT industry by applying statistical tools to calibrate as to how Indian IT industry incorporated the attributes of global competitiveness. Infosys Technologies Limited is one of the cynosures of IT sector in India hence, a case study is undertaken to assess the performance of this company.

Objectives of the Study

The study has pursued the following objectives:

- To evaluate performance of Indian IT Industry in terms of total revenue from domestic and international market of software, hardware and ITES-BPO since the advent of economic liberalization.

- To assess the trends of FDI inflows in the software and hardware segments of the Indian IT industry.

- To analyze the position of employment generation by Indian IT industry in general and Infosys in particular.
To measure the physical performance of Infosys Technologies Limited in terms of total revenue, revenue from exports as well as domestic market and foreign exchange earnings.

To evaluate the financial performance of Infosys Technologies Limited in terms of NPR, DER, CR, ROCE, EPS, DPS and EVA.

To analyze the policy implications with regard to Indian IT Industry as well as Infosys

And finally, to come out with suggestions for Indian IT industry to sustain and maintain the global leadership in the IT Industry.

Pre-view of Chapters

The thesis contains seven chapters along with a comprehensive bibliography and annexures. Chapter first is devoted to design the research methodology and to prepare the framework for the study. It also provides a comprehensive review of literature on the subject matter besides the statement of problems, scope, objectives and hypotheses of the study. Chapter second provides at length insight into the business environment of the IT industry. This chapter goes deep into the background of economic liberalization and globalization and emerging business ambience for the Indian IT industry and its niche in the global IT market. Chapter third is the threadbare and critical discussion on the performance of Indian IT industry. It gives a synoptic view with regard to performance of IT industry in terms of total revenue earnings, export earnings, employment generation etc. Chapter fourth is devoted to examine and appraise critically the performance of one of the flagship Indian IT companies i.e., Infosys Technology Limited. Chapter fifth presents study pertaining to testing of hypotheses based on application of relevant and pertinent statistical tools, such as, mean, standard deviation,
coefficient of variance, t-test, R-square and F ratio to arrive at the findings of the study. Strategies have been suggested based on findings for sustained growth and development of Indian IT industry in global business arena. Chapter six comes up with the constraints and prospects of Indian IT industry keeping in view the rapid changing global IT business milieu. Chapter seventh sums up the study with the findings. The study further goes to offer the suitable suggestions to resolve the complex constraints and problems of IT industry. It also comes out with the strategies for accelerated growth and development of IT industry with stability and global competitiveness.