3rd Chapter

- Gives a brief industry profile along with its history including recent developments in the industry.

Introduction to software

Software is a set of instructions written in a computer language to perform various computations and tasks with ease, precision and consistency. It is run through computer system with an interface to communicate with the operator to perform the tasks. The software is stored in the CPU of the computer system and the interface is provided through the monitor of the computer system. Software is of two types: operating software and application software.

Operating software is the platform for the operating of the computer system. A computer system would not be of much use if no operating software is installed it. The examples of operating software are Windows operating software, Linux and UNIX. Application software is installed on the operating software and is used to perform specific operations. Application software can’t be installed if operating software is not installed. The examples of application software are Microsoft Office, Adobe Acrobat Reader, VLC Player etc.
After the advent of the technology many companies mushroomed to make and sell application software. A closer to monopoly like situation is maintained by Microsoft by selling the operating software of Windows.

Software is categorised as a service although there is a debate about it. Some people categorise it as product and some as a semi-service. This is so because it does not satisfy all the criteria to be categorised as a service – (i.e.) the 4I’s of services – the intangibility, inconsistency, inseparability and inventory. Generally a service is intangible and can’t be seen and touched. It is also difficult for the service provider to provide exactly the same service to all the customers or to the same customer more than once. There is always a possibility of either improvement or deterioration in the quality of the service delivered depending on many factors, and hence services is said to be inconsistent. Further, the service is delivered as it is produced, i.e. the production and the delivery of the service both occur at the same time. For example: a barber has to deliver the service at the time he is producing the service. Finally, services can’t be stored unlike products. As they are inseparable it is not possible to produce a service and store it to be delivered when demanded.

Now coming to the question whether software is service or not, firstly, software can’t be said as fully intangible as it can be seen on the monitor of a computer system and is operated upon. Secondly, software does not satisfy the criteria of inconsistency, as it can be copied and stored in innumerable computer systems and the consistency of the software installed on two computers is exact. Thirdly, it does not satisfy the criteria of inseparability also as the production and delivery of the software is fully separable. The presence of both producer and consumer, at the same time and at the same place is also not required for software development and execution. Lastly, software, after it is developed can be stored, to be used at a later time, which is not true with real services. Yet, software industry is classified under the service sector considering it to be an exception to the rule.
As software is categorised under service sector and it is believed to be intangible and the outcome of intellectual ability of the developer, it is considered as a copyrightable and patentable product. The rights of installing and using the software are sold to select customers or sometimes on a general basis to anyone. The rights of the buyer and the user can be restricted or kept unrestricted.

Ever since the advent of the sector it has been contributing to the economy, in terms of its share in the GDP, generating employment, in the development of infrastructure, in the developing a good image in the international market and building of brand India etc.

**Industry Overview**

When the world was in need of software development at a pace never required before, India emerged as a one stop solution for the software needs of the world. It is to be remembered that India was late to enter the software industry. However, owing to many factors India emerged as one of the top provider of software in the world, at a time when there was a very little or negligible demand for software products in the domestic market.

“India rose from a minimal presence in the global Information Technology (IT) industry to take a leadership position within the global software development industry, although the rise to this leadership position has been uneven and has not coincided with a parallel rise in the domestic demand and supply of software products and services at home in India”. (Walsh, 2005). Nevertheless, it is IT/ITeS sector which contributed to what is known as ‘Brand India’ in the international market.

**Structure of ITeS industry in India**

The Indian software market has seen only growth ever since it started. The Indian entrepreneur, the Indian investor and the government has embraced the developments in the software technology and the advent of information technology in India.
The Indian software market was worth $21.9 billion as in Apr-Sep 2008-09 after a decline of 22.3 per cent from Apr-Sep 2007-08 due to a slump in the demand from US and European markets due to a slowdown in the economy. (Gagan Deep Sharma, 2012)

Receipts from Software in Apr-Sep 2008-09 showed a decline at $ 21.9 billion a lower growth of 22.3 per cent when compared to 26.3 per cent in Apr-Sep 2007-08.

“The proportion of software exports to merchandise exports grew from a negligible amount in 1990 to over 6% in 1998-99. Surprisingly enough, our domestic firms are largely responsible for the spurt in software exports rather than foreign firms”. (Arora, 2002)

**Growth of the industry**

The growth of the sector can’t be attributed to a single factor. In fact there are many factors which led to such an extraordinary growth to take place. Sthanumoorthy lists about eleven prominent reasons which led to the exceptional growth of the industry: firstly the continuous growth in the demand for the software services all across the globe, which resulted from the world wide enthusiasm among corporations for instant growth and from the zeal to grow and be the number one in their respective industries by making use of the software.

Secondly, the software sector is more skill intensive than capital intensive and such that it does not require huge infrastructure to develop. All that the software companies required were a few computer systems, office space with minimum infrastructure, internet connectivity and skilled software professionals. In fact this reason played a very important role in encouraging the entrepreneurs to invest their money. Such that many companies which started with low investment made to the top ranks.

Thirdly, India has been at advantage when compared to other countries because of its educated young population, which NandanNilekini terms as ‘demographic dividend’ of our economy. With the governments initiatives regarding overall education in general and
the computer education in particular, India has been successful in producing quite a few thousands of computer programmers. This employees apart from serving in the IT and ITES sector generated for India thousands of rupees.

Fourthly Sthanumoorthy says that software stands different from other sectors as they have little or no procedural delays. The product can be instantaneously transferred after production through the internet or an owned or leased satellite link. Fifthly, he also attributes the availability of reliable and high-speed communications network also to be helpful in conduct of the businesses in a speedy manner.

Sixthly, the relaxing of the visa and travel rules by Indian government and its counterpart in USA and in European countries led to free mobility of the software professionals across countries helping in the development and growth of the sector. Seventhly, Sthanumoorthy attributes the ability of the Indian software engineers who created a positive image about the Indian intellectual capital in the world also to be instrumental in the development of the software sector in India.

Eighthly, the zeal with which the companies grew leading to their interest in providing in-house training to the employees helped the cause. The training helped the organisation to develop the skills and capabilities of its employees leading to the overall growth of the industry. Ninthly, high cooperation among the players in the sector in the form of NASSCOMprovided them enough strength to represent themselves in front of the local government, other sectors in the economy and foreign governments and international bodies and also good bargaining ability with them. As such the role played by NASSCOM in the development of the software sector is pretty big and clear.

And above all the constructive and supportive role played by the Government of India facilitated the growth of the sector, so much that the growth happens to be the fastest for any sector in the history of Indian economy. The major initiatives taken by the government include are the government influenced both the demand and supply side of the market. In the supply side the government abolished the industrial licensing, rationalised the taxes for the software sector, encouraged the export of the software by
giving export subsidies, reduced the import tariffs on electronics, computer and the aids useful in software development, brought in a reform in foreign exchange regulation etc.

And in the demand side the government aided the supply of IT workforce through state run training, education and R & D institutions, relaxed the rules and allowed the foreign investment in the Indian capital market, offered free pricing of initial public offers (IPO’S) for software companies, establishment of Software Technology Parks (STPs) and Electronic Hardware Technology Parks (EHTPs) and provided them with tax benefits. Apart from all these the government itself became a customer and user of IT by taking initiatives in the field of e-governance, started computerisation of major departments of government, including Income Tax department, Telecom department, Railways etc. (Sthanumoorthy, 2006)

The states in the country were also very proactive and they competed with each other to gain maximum benefits from the opportunities available. The states provided sops like land and infrastructure at very low price, set up SEZ’s for the purpose, accelerated decision making process to grant permission to the companies to expand, provided many fiscal incentives and also became a customer cum user of the sector by encouraging the various departments for taking up the computerisation. Some states went on to computerise the commissioner office, Mandal Revenue Office, the Municipal department etc. To talk in lighter vein, the state governments also set up special teams to counter increasing cybercrime.

**Contribution to Indian Economy**

The IT and ITES sector’s contribution had been increasing ever since the debut of the sector. Its contribution to the nation’s GDP has been steadily increasing from a dismal of 1.2 per cent in 1997-98 to about 5.2 per cent in the financial year 2006-07. (Nasscom, 2008).
The growth of the sector also had a multiplier effect of almost 2 through its non-wage operating expenses, capital expenditure and consumption spending by professionals.

**Contribution to BOP, exports**

Source: NASSCOM Strategic Review 2007, NASSCOM

Source: NASSCOM Strategic Review 2007, NASSCOM
Export earnings in the financial year 2007-08 stood at approximately $40 b compared to $18.3 b with a growth of 36 per cent over the previous year as shown in the exhibit above.

Software development taking place at exporters’ home bases in India is called as offshore software development and software development taking place at client’s base is known as on-site software development.

**Contribution to employment opportunities**

The IT and ITES sector is emerging as one of the biggest employment generator in India, both directly and indirectly. Directly, the big companies in the sector, like TCS, Infosys, Wipro, Tech-Mahindra etc., are always has been on a recruitment spree creating great career opportunities to young software engineers and management graduates. And indirectly, the demand created due to the increased PPP in the hands of its employees is also fuelling other sectors. Direct employment in the sector was expected by NASSCOM to grow to 2 million by the end of financial year 2008, leading to a growth of about 26 per cent of cumulative average growth rate of about 26 per cent, making the sector as the largest employer in the organised private sector of the country.

Nevertheless, its contribution indirectly is greater. It led to the generation of about 4 additional jobs created for every single job in the IT and ITES sector. This fact becomes more socially relevant as those employed in about 75 per cent of such jobs are non-graduates. Therefore, the indirect employment generated by the sector can be considered to be almost 6.5 million. These include direct service providers to the IT/ITES industry like catering, transport and housekeeping, security, etc. Among the various consumption categories, spending on housing/ construction, food items, clothing, outdoor eating/holidays induce maximum employment. (Nasscom, 2008)
Contribution to regional development and infrastructure

As bigger cities which attracted the industry were saturated the industry turned towards medium and smaller towns leading to a balanced regional development. For instance the NASSCOM report Indian IT and ITES industry: impacting the economy and society 2007-08 highlights the case of Bhubaneswar, a Tier III city, which witnessed a 60 per cent rise in the software exports in 2006-07 over the preceding year and anticipates reaching the target of $ 500 m by 2011-12. The number of registered IT/ITES units, the employment, the level of education, the infrastructure and everything else in the city witnessed similar growth trends. The only exception is the shortage in availability of qualified people for the vacancies in the sector, as it was already saturated.

Industry Structure

The formulation, implementation and review of national policies in the field of Information Technology are made by The Department of Information Technology (DIT) in the Ministry of Communications and Information Technology under the central government. All policy matters relating to computers and information technology and processing including hardware and software, standardization of procedures and matters
relating to international bodies, promotion of knowledge based enterprises, internet, e-Commerce and information technology education and development of electronics and coordination etc. are also addressed by the Department.

The objectives of DIT are i) To make India, a Global Information Technology Super Power and a front-runner in the age of Information revolution and ii) To bring the benefits of electronics to every walk of life and to develop the Indian electronics industry as a global player.

The Thrust Areas of the Department of Information Technology include, facilitation of adoption of E-governance packages by the Governments, propel growth of electronics and hardware manufacturing, Increase PC penetration, utilization of internet etc. (refer Annexure 2 for detailed Thrust Areas of Dept. of IT as adopted from the (www.mit.gov.in))

The structure of software industry of India is incomplete without a mention of NASSCOM. It is the premier trade body and the chamber of commerce of the IT-BPO industries in India. It was set up in 1988, at Mumbai (Currently, headquartered at New Delhi, with regional offices in the cities of Mumbai, Chennai, Hyderabad, Bangalore, Kolkata and Pune) as a not-for-profit organisation, registered under the Indian Societies Act, 1860.

Its basic activities include facilitating business and trade in software and services and to encourage advancement of research in software technology. It is a global trade body with more than 1200 members, which include both Indian and multinational software companies that have a presence in India. NASSCOM's member and associate member companies are broadly in the business of software development, software services, software products, consulting services, BPO services, e-commerce & web services, engineering services offshoring and animation and gaming. NASSCOM’s membership base constitutes over 95% of the industry revenues in India and employs over 2.24 million professionals.
NASSCOM's Vision is to maintain India's leadership position in the global sourcing IT industry, to grow the market by enabling industry to tap into emerging opportunity areas and to strengthen the domestic market in India. (www.nasscom.org)

**Aims and Objectives of NASSCOM**

NASSCOM aims to drive the overall growth of the global offshoring market and maintain India’s leadership position, by taking up the role of a strategic advisor to the industry. NASSCOM’s varied strengths include advocacy on public policy, international trade development, research and market intelligence services, and access to an international network through 20 MoUs and linkages with 40 industry associations across the globe. This enables NASSCOM to advise members – both established and emerging companies to further their growth.

Other goals include accelerating trade development efforts, improving talent supply, strengthening local infrastructure, building partnerships and driving operational excellence. It also boosts the process of Innovation; IT workforce development and enhanced cyber security. (www.nasscom.org)

**Major Players and Market Shares**

As is evident with the membership of NASSCOM there are more than 1200 software companies operating in India as in the year 2008. The number of software companies is ever increasing with the pass of time. Though the pace has become slow due to the global recession effect, nevertheless the industry is continuing to be in its growth stage. Below mentioned are the top 10 software companies as listed by NASSCOM team in July 2008. A brief company profile is given along with the ranks of the companies.

The software and services exports segment grew by 29 per cent (in USD) to register revenues of $40.4 billion in FY07-08, up from $31.4 billion in FY06-07. The domestic segment grew by 26 per cent (in INR) to register revenues of $ 11.6 billion in FY07-08.
According to the latest NASSCOM rankings, Tata Consultancy Services Ltd., Infosys Technologies Ltd. and Wipro Technologies Ltd are the top 3 revenue generators in India.

1. Tata Consultancy Services

Tata Consultancy Services popularly known as TCW was established in 1968, and has grown to its current position as the largest IT services firm in Asia. It is also India's largest IT employer with staff strength around 1,11,000 employees.

Beginning as a division of the Tata Group, called the Tata Computer Centre its main role was to offer computer services to other Tata group companies. As the market had huge potential the board decided to rename it as Tata Consultancy Services offering services to outside clients also.

Ever since the company is posting profits which came up to a consolidated net profit of Rs. 1,290.61 crore (Rs. 12.90 billion) for the first quarter ended June 30, 2008, which is an increase of 7.3 per cent compared to the previous year.

The company’s annual sales worldwide stands at $5.7 billion, for the fiscal year ending March 2008. TCS’ consolidated revenues grew by 22 per cent to Rs. 22,863 crore ($5.7 billion). Currently the company is in the able hands of Mr. S. Ramadorai, the chief executive officer and managing director of TCS.

TCS is IDC-Dataquest IT best employer in IT services in 2007. TCS also topped DataQuestDQ Top 20 list of IT service providers in 2007.

Website: [www.tcs.com](http://www.tcs.com)

2. Infosys Technologies Ltd.

Infosys Technologies Ltd was started in 1981 by seven people with a capital of $250. Today, the company boasts of revenues of over $ 4 billion and 94,379 employees.

Under the leadership of N R Narayana Murthy, the company became a global brand. Now headed by Kris Gopalakrishnan was the company made a net profit of Rs. 1,302 crore (Rs. 13.02 billion) in June 2008
Infosys has been listed by Forbes magazine in the Global High Performers list. Waters magazine rated Infosys as the Best Outsourcing Partner. The Banker magazine conferred two Banker Technology Awards on Infosys to acclaim its work in wholesale and capital markets in two categories - Payments and Treasury Services, and Offshoring and Outsourcing.

The International Association of Outsourcing Professionals (IAOP) ranked Infosys at No. 3 in its ’2008 Global Outsourcing 100’. 
Website: [www.infosys.com](http://www.infosys.com)

### 3. Wipro

Wipro started off as a hydrogenated cooking fat company and now it is $5 billion revenue generating IT, BPO and R&D services organisation with presence in over 50 countries.

Headed by Mr.AzimPremji Wipro started with the 'idea of building an organisation which was deeply committed to values, with the firm belief that success in business would be its inevitable, eventual outcome'. The company has over 72,000 employees. Wipro's revenues grew by 33 per cent to Rs. 19,957 crore (Rs. 200 billion) for the year ended March 31, 2008. The net profit grew by 12 per cent to Rs. 3,283 crore (Rs. 32.83 billion). The revenues of the combined IT businesses were $4.3 billion with 43 per cent YoY growth.

Wipro was the only Indian company to be ranked among the top 10 global outsourcing providers in IAOP's 2006 Global Outsourcing 100 listing. Wipro has also won the International Institute for Software Testing's Software Testing Best Practice Award.

Website: [www.wipro.in](http://www.wipro.in)
4. HCL Technologies Ltd

HCL is a leading global Technology and IT Enterprise with annual revenues of US$ 5 billion. The HCL Enterprise comprises two companies listed in India, HCL Technologies (www.hcltech.com) and HCL Infosystems (www.hclinfosystems.in)

Founded in 1976, it is one of India's original IT garage start-ups. Its range of offerings span R&D and Technology Services, Enterprise and Applications Consulting, Remote Infrastructure Management, BPO services, IT Hardware, Systems Integration and Distribution of Technology and Telecom products in India. The HCL team comprises 60,000 professionals of diverse nationalities, operating across 26 countries including 500 points of presence in India. HCL has global partnerships with several leading Fortune 1000 firms, including several IT and Technology majors.

HCL is a leading global technology player with annual revenues of $4.9 billion. The company has reported consolidated revenue of Rs. 3017.5 crore (Rs. 30.17 billion) during the quarter ended March 31, 2008. The profit after tax stood at Rs. 81.5 crore (Rs 815 million).

5. Tech Mahindra

Tech Mahindra was started with majority owned by Mahindra & Mahindra, one of the Top 10 industrial houses in India, in partnership with British Telecommunications plc.(BT), world’s leading communications service provider. Formerly known as 'Mahindra-British Telecom', Tech Mahindra has grown rapidly to become the 5th largest software exporter in India (NASSCOM 2009) and the first largest telecom software provider from India (Voice & Data 2009).

At the helm of the fast expanding organisation is Mr. Vineet Nayyar. Tech Mahindra has been the chosen transformation partner for wireline, wireless and broadband operators in Europe, Asia-Pacific and North America.
Tech Mahindra is ISO 9001:2000 certified and is assessed at SEI-CMMI Level 5. Tech Mahindra has also been awarded the ISO 20000-1 (IT Service Management standard) and ISO 27001 (Security Management standard) certification for its development centers across India and UK.

Tech Mahindra is certified at PCMM Level 5 for its people-care practices and is the third company in the world to have been appraised for SSE-CMM Level 3.

In a career spanning over 40 years, he has worked with the government, international multilateral agencies and the corporate sector. Tech Mahindra's net profit rose 8.57 per cent to Rs. 196.4 crore (Rs. 1.96 billion) on 6.09 per cent growth in net sale to Rs. 911.6 crore (Rs. 9.11 billion) in Q3 December 2007 over Q2 September 2007.
Website: www.techmahindra.com

6. Patni Computer Systems

Patni Computer Systems Limited was incorporated on 10 February 1978 under the Companies Act, 1956. On 18 September 2003, the Company converted itself from a private limited company into a public limited company. Patni Computer Systems Ltd is one of the leading global providers of information technology services and business solutions. With clients across the Americas, Europe and Asia-Pacific locations the company has serviced more than 400 Fortune 1000 companies, for over two decades.

The company headed founded by Narendra K Patni by has a staff strength of over 14,000 professionals. The revenues for the quarter ended March 2008 stood at $ 176.4 million (Rs. 7,061.2 million) up 13.1% YoY from $ 156.0 million (Rs. 6,724.1 million). The net income for the quarter at US$ 18.1 million (Rs. 724.6 million) down 35.0 per cent YoY from $ 27.8 million (Rs. 1,200.3 million).Frost & Sullivan ranked Patni 1st among 'Top 5 Engineering Service Providers'.
Website: www.patni.com
7. Mphasis

Mphasis Limited (then, Mphasis BFL Limited) was formed in June 2000 after the merger of the US-based IT consulting company Mphasis Corporation (founded in 1998) and the Indian IT services company BFL Software Limited (founded in 1993). Mphasis delivers global Infrastructure Technology Outsourcing, Applications Services Outsourcing and Business Process Outsourcing services through a combination of technology know-how, domain and process expertise.

Jeya Kumar is CEO of Mphasis, which has staff strength of 27,000 people. For the year ended 31 March 2008, the Mphasis Group recorded revenues of Rs. 2,423 crore (Rs. 24.23 billion), a growth of Rs. 662 crore, which is 38 per cent over the previous year. The net profit increased by 42 per cent from Rs. 180 crore (Rs. 1.8 billion) to Rs. 255 crore (Rs. 2.55 billion) during the year ended 31 March 2008. Mphasis was named amongst the Top 100 Companies in Global Outsourcing.

Certified with ISO 9001:2000, ISO/IEC 27001:2005, assessed at CMMI v 1.2 Level 5, emphasis provides SEI CMMI, ISO and Six Sigma related services support. While their strength is in the BFSI (Banking, Financial Services, and Insurance) and Technology industries, the rich experience and knowledge gained in various roles and projects undertaken has enabled it to expand their focus to the Healthcare and Telecom industries as well.

Website: www.empahsis.com

8. Oracle Financial Services Software Ltd

Ellison and his co-founders, Bob Miner and Ed Oates, realized there was tremendous business potential in the relational database model and thus laid the foundation of Oracle Financial Services Software Ltd. Oracle Financial Services Software Ltd (Formerly known as i-flex solutions), majority owned by Oracle®, is a world leader in providing IT solutions to the financial industry. Company is having experience of delivering value-based IT solutions to over 825 financial institutions across 130 countries.
i-flex started as a division of Citicorp (now Citigroup), wholly owned subsidiary called Citicorp Overseas Software Ltd. (COSL) in 1991. Later, a separate company Citicorp Information Technologies Industries Ltd. (CITIL) was formed and Rajesh Hukku was appointed as its head.

CITIL started off with the universal banking product, Micro Banker which became very successful. In the mid-90s, CITIL developed Flexcube at its Bangalore development centre. After the launch of Flexcube, all of CITIL's transactional banking products were brought under a common brand umbrella. CITIL changed its name to i-flex solutions to reflect its growing independence from Citicorp and to strengthen its Flexcube brand.

In 2006, i-flex became a majority-owned subsidiary of Oracle Corporation i-flex posted a top line growth of 8 per cent QoQ with revenue for the quarter ended March 31, 2008 at Rs. 672 crore (Rs. 6.72 billion) as compared to Rs. 601 crore (Rs. 6.01 billion) for the corresponding quarter during the previous year representing a 12 per cent YoY growth.

The net income for quarter stood at Rs. 185 crore (Rs. 1.85 billion) representing 73 per cent growth QoQ. The revenue for the full year ended March 31, 2008 stood at Rs. 2,380 crore (Rs. 23.80 billion), up 15 per cent as compared to the previous year.


9. Aricent Technologies (Holdings) Ltd

Aricent is a global innovation, technology and services company focused exclusively on communications. Aricent is a strategic supplier to the world's leading application, infrastructure and service providers, with operations around 19 countries worldwide.

It is considered as one of the largest privately-held companies in Silicon Valley, the southern part of the San Francisco Bay Area in Northern California, United States. With more than 8000 employees and around 33 offices worldwide, the company has a wide range of customers to its credit. The company holds product portfolio of more than 125 licensable products.
Aricent’s core customer segments today include: Application & Software Providers, Communications Service Providers, Device Manufacturers, Network Equipment Manufacturers, and Semiconductor Manufacturers. The company earned a profit after tax of Rs.5,78,10,84,319. (2nd Annual Report 2007-08)

10. CSC India Pvt Ltd

Computer Sciences Corporation was founded in 1959 by two 28-year-old southern California computer analysts, Fletcher Jones and Roy Nutt, who quit their aerospace industry jobs to venture into the fledgling computer industry. It is headquartered at Falls Church, Virginia, USA, and three other major offices in Australia, Asia and Europe. With over 92,000 professionals, the company serves clients in more than 90 countries.

Since 1991, CSC has expanded its operations in India to productively respond to the needs of customers worldwide. Its recent acquisition and expansion activities have increased its development and delivery centres to seven locations within India, including Noida, Indore, Hyderabad, Chennai, Mumbai, Bangalore and Vadodara. Now, with more than 16,000 employees in India and an additional 3,000 in other geographies that support its India operations, CSC is one of the fastest growing IT services firms in India, which happen to be its second largest location globally. As the second largest location.

11. Satyam Computer Services

It is to be remembered that Satyam computers was also among the top ten software companies in India, and only after the surfacing of the scam its rank fell down. Nevertheless the company was taken over by Tech Mahindra whose mention has been made in above.

Established in 1987 by RamalingaRaju, Satyam had staff strength of 51,000 employees. In 2008, the company's revenues crossed the $ 2-billion mark. In FY2008, its revenues saw a growth of 30.7 per cent to Rs. 8,473.49 crore (Rs. 84.73 billion) compared to fiscal 2007.
However, the net profit stood at Rs. 1,687.89 crore (Rs. 16.87 billion), a growth of 20.2 per cent over fiscal 2007. Satyam is among the youngest IT service companies to reach $1 billion in annual revenues. It is ranked No. 1 in the ASTD (American Society for Training and Development) BEST Award, 2007.

12. Microsoft Corporation

Microsoft Corporation is an American multinational corporation headquartered in Redmond, Washington, United States that develops, manufactures, licenses, and supports a wide range of products and services mostly related to computing through its various product divisions. Microsoft was established on April 4, 1975 to develop and sell BASIC interpreters for the Altair 8800; however, it rose to dominate the home computer operating system market with its product MS-DOS in the mid-1980s, followed by the still invincible Microsoft Windows line of operating systems. Microsoft is one of the largest software corporations in the world.

Microsoft India Private Limited is a subsidiary of American software giant Microsoft Corporation. It has it’s headquarter in the south Indian city, Hyderabad. Microsoft first entered the Indian market in 1990 and constantly been working with the Government of India, the IT industry, academia and the local developer community to usher in some of the early successes in the IT market.

The company currently has offices in the about 13 cities of India, including Ahmadabad, Bangalore, Chandigarh, Chennai, Coimbatore, Hyderabad, Indore, Jaipur, Kochi, Kolkata, Mumbai, New Delhi, and Pune. Increasingly, the company has become a key IT partner of the Indian government and industry, supporting and fuelling the growth of the local IT industry through its partner enablement programs.

Microsoft in India employs about 5,000 people and has six business units representing the complete Microsoft product portfolio.

Website: [microsoft.com](http://en.wikipedia.org/wiki/Microsoft)

Source: [http://en.wikipedia.org/wiki/Microsoft_India_PL](http://en.wikipedia.org/wiki/Microsoft_India_PL)  
[http://en.wikipedia.org/wiki/Microsoft](http://en.wikipedia.org/wiki/Microsoft)
Cordys

Cordys is a software provider for business process innovation. The Company is headquartered in Putten, The Netherlands, and has offices in other countries including USA, in Asia with the Research and Development centres in the Netherlands, India (Hyderabad & Coimbatore) and Israel. The company provides a unified platform which combines the world of integration, Business Process Management, and composite application development.

Cordys started in 1978 when Jan Baan, Founder & Chairman, developed a rudimentary financial model, to simulate projected annual financial statements. During the rise of the internet and more recently of the Cloud, Cordys knew that the market needed a different approach and took the advantage of being an expert in the domain.

Cordys is a software vendor focusing on the development, sales, support and services of Cordys’ innovative software platform to improve customer’s business operations. The main propositions are the Cordys Business Operations Platform (BOP) and based on Cordys BOP, it also offers the Cordys Process Factory; an online platform to build and run Mashup Applications (MashApps) delivered as cloud service.

The Cordys Business Operations Platform is designed to truly support the way business operates, bringing the business and IT worlds together. It allows organisations to improve the speed of change, drive maximum value out of existing systems, and change the way organisations innovate business operations. It is a new way of delivering the agility and flexibility needed to support today’s rapidly changing business environment and the challenges posed by globalization.

Key customers of Cordys are beyond the Global 2000 companies, the vertical markets are primarily Banking, Financial Services & Insurance; Communications & Media; Energy and Utilities; Manufacturing & Logistics; and Government & Public.

Website: http://www.cordys.com/
Source: http://en.wikipedia.org/wiki/Cordys
http://www.cordys.com/ufc/file2/cordyscms_sites/download/8f69de6d5856a3db59470ede3d46fc/pu/
14. Bank of America

Bank of America Corporation BoACis an American multinational banking and financial services corporation having its headquarters in Charlotte, North Carolina. It is the second-largest bank holding company in the United States on the basis of its assets. The company holds around 12.2% of all bank deposits in the United States and is one of the Big Four banks in the United States, along with Citigroup, JPMorgan Chase and Wells Fargo—its main competitors. It serves clients in more than 150 countries and has a relationship with 99% of the U.S. Fortune 500 companies and 83% of the Fortune Global 500. Bank of America operates in all 50 states of the U.S., the District of Columbia and more than 40 other countries. It has a retail banking footprint that covers approximately 80 per cent of the U.S. population and serves approximately 57 million consumer and small business relationships at 5,700 banking centres and 17,750 ATMs.

BoAC is a member of the Federal Deposit Insurance Corporation (FDIC) and a component of both the S&P 500 Index and the Dow Jones Industrial Average. As of 2010, Bank of America is the fifth-largest company in the United States by total revenue, as well as the third-largest non-oil company in the U.S. (after Wal-Mart and General Electric). In 2010, Forbes listed Bank of America as the 3rd biggest company in the world.

During the economic recession which struck the USA and other parts of the world in 2008, the BoAC acquired Merrill Lynch to become the world's largest wealth management corporation and a major player in the investment banking market.

Website: https://www.bankofamerica.com/

15. Accenture

Accenture is a global management consulting, technology services and outsourcing company, with more than 246,000 people serving clients in more than 120 countries. Head quartered in Dublin, Republic of Ireland. It is the largest consulting firm in the world and is a Fortune Global 500 company. Accenture's current clients include 96 of
the Fortune Global 100 and more than three-quarters of the Fortune Global 500. The international company was first incorporated in Bermuda in 2001. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world’s most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. The company generated net revenues of US$25.5 billion for the fiscal year ended Aug. 31, 2011.

Accenture originated as the business and technology consulting division of accounting firm Arthur Andersen. On January 1, 2001 Andersen Consulting adopted its current name, "Accenture". The word "Accenture" is supposedly derived from "Accent on the future".

Accenture offers its services to various industries including Aerospace and Defence Contractors, Automotive, Banking and Financial Services, Capital Markets, Chemicals, Communications, Consumer Goods and Services, Media and Entertainment, Retail among other things.

16. L&T Infotech

Larsen & Toubro Infotech is a global IT services and solutions provider. It is a subsidiary company of Larsen & Toubro Ltd. (L&T), an engineering, manufacturing and construction conglomerate, which has its operations at global level.

A M Naik is the chairman of the company. Originally the company was founded as L&T Information Technology Ltd (LTITL), which was a wholly-owned subsidiary of Larsen & Toubro Ltd (L&T), the company changed its name from LTITL to L&T Infotech on 1st April, 1997. In 2004, L&T Infotech got tied up with Fidelity Information Services, a division of Fidelity National Financial for providing banking solutions to the Indian banking industry. In 2007-08, it recorded revenues of Rs. 29,600 crore (Rs. 296 billion).

Website: www.lntinfotech.com
Market Profile & Valuation

According to the findings of Annual Survey on performance of Indian IT-BPO industry, conducted by NASSCOM, the IT-BPO sector reached as high as $ 58.8 b. in 2008-09 up from $ 52 b. in 2007-08, more than 13 p.c. Revenue generated from the IT-BPO industry recorded a growth of 16.3 p.c. and registered revenues of $ 46.3 billion in 2008-09 up from $ 40.4 b in 2007-08. The domestic segment grew by 21 p.c. to register revenues of Rs. 570 billion in 2008-09 from Rs. 470 billion in 2007-08.

Within the export segment, IT services have grown by 14.7% to clock revenues of $ 26.5 billion; BPO exports are up by 16.5% registering revenues of $ 12.7 billion. Engineering services and product exports clocked revenues of USD 7.1 billion, growing at 11% in FY 08 -09.

The major market for India’s software products and services has been an export focus with the United States as the primary recipient country. North America and Europe account for about 91 per cent of software exports of India. (Sthunumoorthy, 2006). Historically, the Indian software development firms have performed the low level activities of basic coding and testing. As the Indian software industry continues to mature capturing and performing more innovative activities and activities that are considered higher value is essential to remain competitive. The Indian software industry is moving from a differentiated model to a competitive one. India has been described as the world leader in offshore software services due in part to its English-speaking workforce that is well educated and technically competent. (Walsh, 2005)

Industry Trends and Opportunities

The growth of the software industry has been phenomenal and has no parallel example in the pace of its growth. If we have a glance at the economic surveys published by the Govt. of India, we come to know that of the seven major components of non-factor services in the invisibles account of the Balance of Payment, the software services, comprising IT and ITES accounted for a robust 91 per cent of services trade in 2006-07
and 92 per cent in 2007-08 leaving a paltry 9 and 8 per cents respectively for the remaining six components viz., travel, transportation, insurance, financial services, communication services and business services. (EconomicSurvey, 2006-07).

Growth in software services receipts was phenomenal at an annual average of 32.9 per cent between 2002-07. Nevertheless, the recent trend was a bit sluggish due to turbulence in the international economic scenario. The annual average growth in the sector was at 30.1 per cent during 2005-06 to 2007-08. However, the software services (net), recorded a rise of 28.3 per cent in 2007-08 on top of an increase of 31.7 per cent during 2005-06 and 3.4 per cent during 2006-07. (EconomicSurvey, 2006-07, 07-08)

Basing on the top 20 exporters of IT services for the year 2008-09, NASSCOM released the list of companies. The list is topped by Tata Consultancy Services followed by Infosys Technologies Ltd and Wipro Ltd. HCL Technologies Ltd is ranked at 4 ahead of erstwhile Satyam and now Tech Mahindra Ltd. (See Annexure i)

**Trends in global sourcing**

Global sourcing market size has increased threefold since 2004, to reach USD 89-93 billion in 2008. Offshore IT-BPO service providers also continued to improve upon their global presence by expanding service lines and also growing inorganically by acquiring firms in and around the world especially the US and Europe for building skills and “near shore” delivery capabilities. Though the established players in the sector dominated the market, Indian service providers too gained ground and market share. (www.nasscom.org)

**It services, engineering services, R&D and software products**

IT Services includes consulting, systems integration, IT outsourcing/managed services/hosting or implementing services, training and support/maintenance etc. As we have seen above IT services (excluding BPO, Engineering Services, R&D and Software products), contributing to 57 per cent of the total software and services exports, continues to be the dominant segment and is estimated at $26.9 billion, growing by about 16.5 per cent in FY2009.
The expenditure of the domestic IT services grew at above 43 per cent in 2008, showing strong signs of increasing sophistication. This is because of the IT infrastructures and applications, networking and communication has become the key priorities for India Inc.

The engineering, R&D, and software products exports segment is expected to grow by 14.4 per cent in the current fiscal highlighting the strong impetus and renewed focus on improving IP driven service capabilities in India. (www.nasscom.org)

**Business Process Outsourcing**

**Business process outsourcing (BPO)** is the process of outsourcing the operations and responsibilities of specific business functions (or processes) that involves the contracting to a third-party service provider. (wikipedia). The origin of outsourcing goes to decades earlier when manufacturing firms like Coca Cola outsourced large segments of their supply chain. Nevertheless, in the contemporary context, outsourcing is primarily used to refer to the outsourcing of services. According to Clott, Peter Drucker has referred to outsourcing as one of the greatest organisational and structural shifts of the century.

BPO is typically categorized into two - **back office outsourcing**, which includes internal business functions of the organisation, such as human resources, finance, accounting etc. and **front office outsourcing**, which includes customer-related services. With the development of the process new concepts have also emerged, such as offshore outsourcing and nearshore outsourcing. BPO that is contracted outside to the company's country is known as offshore outsourcing and the BPO that is contracted to a company's neighbouring (or nearby) country is called nearshore outsourcing. (wikipedia)

As a large part of the service sector is due to the Information Technology industry, software and related services, it is also categorized as an **information technology enabled service** or **ITES**. Knowledge process outsourcing (KPO) and legal process outsourcing (LPO) are other sub-segments of the ever expanding business process outsourcing industry.
Indian companies appear to be moving up the value chain in the BPO market to provide higher skilled and more sophisticated services. Indian BPO firms are now performing tasks such as computer chip design, information technology services, architecture, engineering and design, business consulting, pharmaceutical research, and financial analysis. The expanded scope of high value-added services comes partly with investments from US multinationals. IBM, GE, Cisco, Intel, Motorola, Texas Instruments and other US multinationals have established research and development centres in India. (Greene, Jan 2006)

The inclination of the MNC’s towards India is not favouritism but is based on purely strategic calculations. There are many advantages which the MNC’s gain in choosing India as a destination for their outsourcing requirements. India’s comparative advantage lies in its highly developed and successful IT sector, its reputation for low-cost high quality work force. India’s BPO sector has a large pool of low-wage English speaking IT knowledge workers, a strong educational tradition, growing internet and telecommunications capabilities, and a favourable time zone differential. (Greene, Jan 2006)

The International Labour Organisation has summarized these advantages by reporting that “whereas, the outsourcing of lower-skilled, less-paid jobs is not a new phenomenon, increasing educational and skill levels in developing countries enjoying labour cost advantages, India and china predominant among them, may be attracting jobs once thought relatively immune to relocation”. (ILO, World Employment Report, 2004-05)

The BPO sector is growing very rapidly. Organisations choose to outsource for a multitude of reasons. According to Lacity and Willcocks and cited by Lee, Miranda and Kim (2004) the decision to outsource is driven by one or several of the following, cost efficiency; core competence; technology catalyst; business transition; business innovation, new market opportunities, etc.
The IT-BPO industry has become a growth engine for the Indian economy, contributing substantially to the increase in the GDP, urban employment and exports etc. The BPO industry has played a very instrumental role in the overall growth the country has achieved in the past 10 years. It has added more than 5 million jobs and around $15 billion in revenues. (www.nasscom.org)

Indian BPO industry supports more than 400 companies and has its presence in equally diverse number of industry verticals. The Business Process services that are provided to the outsourcing firms start from the bottom of the value chain from telephonically answering customer queries, data entry on credit card transactions, and sophisticated services like data analytics, equity research and processing insurance claims. The end users of these services come from – banking, financial, insurance, retail, manufacturing, telecom, pharmaceuticals and healthcare, etc. This is further expanding into high value services like scientific research and development. (Refer Annexure – iii) (www.bpoindia.org)

Beyond the cost structure impact, outsourcing has been promoted as levelling the playing field between large and small companies. This is evident in the case of resources where small companies are capable of purchasing their resource needs through outsourcing. Unfortunately, the size of the organisation is still a factor in the industry since smaller companies have been shown to be at a disadvantage with regards to bargaining power and searching for an outsourcing partner (Holger Gorg, 2004). The results of a study by Gorg and Hanley suggest that the size of the organisation is an important factor in the relationship between outsourcing and profitability. The study indicates that larger companies have better bargaining power and more resources to apply to the searching costs for an outsourcing service provider. This improves their purchasing power and attractiveness to the service provider according to Gorg and Hanley. Another advantage of outsourcing is its ability to split the company’s value chain process into a sequence of tasks and enables the company to better understand its competitive advantage. (Erber & Sayed-Ahmed, 2010)
Organisations choose to outsource for a multitude of reasons. According to Lacity and Willcocks and cited by (Jae-Nam Lee, 2004) the decision to outsource is driven by one or several of the following, cost efficiency; core competence; technology catalyst; business transition; business innovation and new market opportunities.

**Services Offered By BPO's in India**

1. **Customer Support Services** – The customer service offerings create a virtual customer service centre to manage customer concerns and queries through multiple channels including voice, e-mail and chat on a 24/7 and 365 days basis.

2. **Technical Support Services** – The technical support offerings include round-the-clock technical support and problem resolution for Original Equipment Manufacturers’ customers and computer hardware, software, peripherals and Internet infrastructure manufacturing companies. These include installation and product support, up & running support, troubleshooting and Usage support.

3. **Telemarketing Services** – The telesales and telemarketing outsourcing services target interaction with potential customers for 'prospecting' like either for generating interest in products and services, or to up-sell / promote and cross sell to an existing customer base or to complete the sales process online.

4. **Employee IT Help-desk Services** – The employee IT help-desk services provide technical problem resolution and support for corporate employees.

5. **Insurance Processing** – The insurance processing services provide specialized solutions to the insurance sector and support critical business processes applicable to the industry right from new business acquisition to policy maintenance to claims processing.

6. **Data Entry Services / Data Processing Services** – At DES the operators enter the data manually in the specified file format. And at DPS they go a step forward and process the data which they receive in the raw form and make it fine information. Companies provide
raw data about their clients and customers and the data is properly organized and tabulated as per the requirement of the company by the DPS. A few examples of DES and DPS are given below:

- Data entry from Paper/Books with highest accuracy and fast turnaround time (TAT)
- Data entry from Image file in any format
- Business Transaction Data entry like sales / purchase / payroll.
- Data entry of E-Books / Electronic Books
- Data Entry : Yellow Pages / White Pages Keying
- Data Entry and compilation from Web site
- Data Capture / Collection
- Business Card Data Entry into any Format
- Data Entry from hardcopy/Printed Material into text or required format
- Data Entry into Software Program and application
- Receipt and Bill Data Entry
- Catalog Data Entry.
- Data Entry for Mailing List/Mailing Label.
- Manu scripting typing in to word
- Taped Transcription in to word.
- Copy, Paste, Editing, Sorting, Indexing Data into required format etc.

Like the one DES and DPS the following services are also provided by the BPO. The clients take the services as these are not the core functions of the organisation, and they rather want to focus on the core activities.

7. **Data Conversion Services** – Where the data available or the format of the data available is not consistent with the requirement of the company, they avail the services of the data conversion service providers. The data provided by the company is converted as per its requirement in the desired format. A few examples are given below:

- Conversion of data across various databases on different platforms
- Data Conversion via Input / Output for various media.
- Data Conversion for databases, word processors, spread sheets, and many other standard and custom-made software packages as per requirement.
- Conversion from Page maker to PDF format.
- Conversion from Ms-Word to HTML format
- Conversion from Text to Word Perfect.
- Conversion from Text to Word to HTML and Acrobat
- Convert Raw Data into required MS Office formats.
- Text to PDF and PDF to Word / Text / Doc
- Data Compilation in PDF from Several Sources.
- E-Book Conversion etc.

8. **Scanning, OCR with Editing & Indexing Services** – Printed documents, images, manuscripts, books etc. are provided by the clients and the BPO scans it and gives it to the company. **Optical character recognition** data is also deciphered and information in the readable format is provided to the companies. Where the data is large and editing and indexing the data is cumbersome process, the publishers and companies use the services of the BPO which does the editing and indexing job for the company. For example:

- High speed Image-Scanning and Data capture services
- High speed large volume scanning
- OCR Data From Scanned page / image
- Scan & OCR paper Book in to CD.
- ADOBE PDF Conversion Services.
- Conversion from paper or e-file to various formats

9. **Book Keeping and Accounting Services** – Companies which want to focus on the core functions even outsource routine functions like book keeping and accounting. The following services are generally provided by the accounting and auditing BPO firms:

- General Ledger
- Accounts Receivables and Accounts Payable
- Financial Statements
- Bank Reconciliation
- Assets / Equipment Ledgers etc.
10. **Form Processing Services** – Insurance companies and companies which deal with a lot of data in the form of forms also outsource the task of converting the information of the forms to the soft copy to the BPO’s. The BPO firms receive the forms, enter the data in the computer and send the processed data to the client. The below mentioned services are provided by BPO in the field:

- Insurance claim form
- Medical Form / Medical billing
- Online Form Processing
- Payroll Processing etc.

11. **Internet / Online / Web Research** – Last yet not the least the internet, online or Web Research is one of the fastest growing field. Companies involved in the research work outsource a part of their job to the BPOs. The BPOs take the requirements and research on the web by using their sources. They transfer the data which they researched in the raw form for the verification of the client and then convert it to fine information. The companies involved in the above mentioned job do the below listed jobs:

- Internet Search, Product Research, Market Research, Survey, Analysis.
- Web and Mailing list research etc.

**Contribution of BPO to the Indian Economy**

The IT-BPO industry is now a growth engine for the Indian economy. The contribution of the IT-BPO to the GDP of India is incomparable to anything in the recent past. The contribution of the sector to the India is all round such that it has contributed in all the important areas of the economy. On one hand where it has brought huge investments to India, it has also led to higher exports, there by contributing to the Balance of Payment. The contribution the IT-BPO has made to the employment scenario is in India is also remarkable. Due to the educated younger demographics of India, it became a centre of attraction for many investments from off the shore. This growth in employment led to increase in the purchasing power parity there by leading to increase in demand and subsequent increase in the urban employment opportunities.
The BPO industry has achieved staggering growth in the last 10 years – added 5 million jobs and USD 15 billion in revenues. With the world wide spending aggregate estimated to reach $ 1.6 t, the year 2008 was of transformation for the Indian IT – BPO sector as it began to re-engineer challenges posed by macro-economic environment, a growth of about 5.6 p.c. over 2007.(www.nasscom.org)

**Highlights of contribution:**

As per NASSCOM, following are the highlights of the contributions of the IT and BPO sectors to the Indian economy.

- The revenues generated from BPO in FY2009 contributed about 1% to GDP and 4% to the Indian exports.
- 45% of total urban employment is generated by Tech and BPO, of which the share of BPO is over a third.
- IT-BPO exports (including hardware exports) reached $ 46.6 billion in FY2009 as against $ 40.9 billion in FY2008, a growth of 14 per cent.
- Leading to a balanced regional growth the Tier 2 and Tier 3 cities are currently accounting for approx. 10% of revenues generated by the IT-BPO.
- A part from economic contribution the BPO sector also contributed in the development of the demographic structure in India. Women in the workforce are estimated to be over 40% in 2008. Not only confining to gender parity around 60% of firms also provide employment to differently abled workforce
- It also helped in change of the traditional attitude towards Education, moving away from mere increase in knowledge to enhancing capacity and quality; focus on employability; extensive training and development; curriculum up gradation etc.
Issues in BPO sector:

1. **Brand equity:** Potential candidates still consider BPO to be "low brow", meaning an industry with less status, thus making it difficult to attract the best talent, however people those not employable in other trades approach BPOs for jobs.

2. **Standard pre-job training:** As BPOs are too many and the type of jobs they do differ widely, there is a lack of general clarity on skill sets. In other words almost all the industries require a customer support, backend support, data processing kind of departments. BPOs are present to cater to the needs of the industries. And as the industrial requirements are different there is no standard curriculum, which could be designed and followed.

3. **Benchmarks:** As the industry has not evolved gradually and mushrooming of BPO companies occurred, there are hardly any benchmarks for HR policies, compensation and benefits, performance appraisal etc.Every company is charting its own course.

4. Customer-companies tend to demand better performance from outsourcing partners than what they would actually do on their own. The expectations are not met also because the job is being done hundreds to thousands miles away and the conditions are not the same at both the places.

5. Lack of focused training and certifications: The BPO sector is also affected by the problem that there are no specific trainings and certifications available for the candidates and organisations to consider. Although some consultancies and training institutes have started giving the training and certifications, it does not match with the standards of the industry.

6. Apart from HR issues BPO sector is prone to other kinds of challenges as well, for example the challenge pertaining to data protection. Data piracy is has emerged as a major corporate and government concern worldwide. The focus is on secure handling of data so as to ensure privacy of clients’ data. Although countries have enacted legislations to deal with data protection and piracy, still pirates make way to grab some information to make money.
According to European Union, privacy of personal information is a fundamental right, and in USA there are sector specific laws on privacy of customer data. As the BPOs mushroom in India, there is a concern regarding compliance of the laws enacted by these countries. As a result of the multiplicity of legislations relating to privacy of clients data worldwide, the BPO companies in India are faced with a major challenge of demonstrating compliance with laws of countries with whom they operate. NASSCOM has led the industry to take the route of self-regulation and it established Data Security Council of India (DSCI) as a self-regulatory organisation (SRO) (NASSCOM).

In 2008 across the globe BPO spending grew by 12 per cent, which was the highest among all sectors. BPO has become an integral part of the global delivery chain and is increasingly involved in mission critical applications.

**IT-BPO Sector - Overview**

As per NASSCOM’s report on strategic review, the total worth of IT-BPO industry is expected to reach $ 71.7 billion which would account 5.8% of India’s GDP; software and services revenues aggregated to about $ 60 billion. Further to it the revenues of the same from exports is estimated to grow over 16-17% to reach $ 47 billion. Apart from revenue generation the software and services is expected to contribute to employment generation by nearly 2.23 million, i.e. an addition of 2,26,000 employees, while indirect job creation is estimated at about 8 million.

The growth in revenue generation and employment generation is partly because of the advantage India has with respect to its manpower, which comes economically in comparison to other developing countries. With a young demographic profile and over 3.5 million graduates and postgraduates that get added every year, is incomparable to any other countries human resources. A mere Seven Indian cities account for 95 per cent of export revenues and the government is focusing on developing 43 new locations to dedicate as IT-BPO hubs.

However, it is to be acknowledged that the Indian IT BPO sector is growing owing to higher growth in European/Asian market. (Nasscom, Strategic Review, 2009).
BPO Market

Given the fact that the need for IT is increasing in the developed nations and their lack of resources is to a large extent being exploited by developing countries including India. The developed countries have no other option but to depend on the developing countries for their software needs. As a result the BPO services exports in India, increased by about 18 per cent in 2009 making it the fastest growing segment across software and services exports with regards to both scale and scope. BPO service portfolio is strengthened by vertical specialisation and global delivery capabilities. In case India BPO is has emerged as the largest export sector accounting for more than 80 per cent of total exports, represents the larger and relatively more established set of services being delivered from India.

Apart from business processing for international clients the emergence of domestic BPO is the key highlight for the financial year 2009 which recorded a growth of above 40 per cent in monetary terms in its first year. The contribution to the growth is made by the Banking, Financial, Securities and Investment (BFSI), Telecom, Airline industries, etc.

India’s IT-BPO Value Proposition

As per the NASSCOM report on Strategic Intervention the reasons for the Indian IT-BPO industry’s growth is its enabling environment, and enhanced value delivery capability. Apart from being a demographically rich country with abundant manpower India enjoys a cost advantage of around 60-70 per cent when compared to the sourcing markets, further to this the additional productivity improvements and lower rung cities as future delivery centres, is expected to enhance India’s cost competitiveness.

Apart from India possessing, what is called by NandanNilekini of Infosys, a demographic dividend with respect to manpower, a timely intervention by the government through policies and increased public-private participation has played a key role in developing an enabling business environment for the Indian IT-BPO industry. The Government also intervened through its growth focus education policy which is helping the IT-BPO to
Government Policies and Tax Aspects

India’s rise and success in the IT field could not have been possible if the government had not involved itself in it. Since the inception of the software and BPO sectors the Government of India has been playing an instrumental role in developing the sector, eyeing at the lucrative returns from the sector had.

As an effort in the right direction, in 1998, the Government of India decided the establishment of a new Ministry for promoting the IT Sector, named as Ministry of Information Technology (MIT) or SoochnaPraudhikikiMantralaya. “The initiative of the Government in setting up MIT stems from the realisation that IT is the key area for catalysing economic activity, improving governance and the overall quality of life in the new millennium”.(http://informatics.nic.in, 2009).

The Ministry of IT comprises of the erstwhile Department of Electronics, National Informatics Centre and the Electronics and Computer Software Export Promotion Council. Besides, various Public Sector Undertakings and Autonomous Societies in the field of IT were also taken under the purview of the MIT. India’s rise to success has been driven by its history, global demand and government intervention at a policy level.

A software policy by government of India was announced in 1986 which served as a catalyst for the software sector. Within a span of 2 years again the Government of India came with the a policy for international markets by name World Market Policy and established the Software Technology Parks of India (STP) scheme which offered not only access to various resources including land at less than competitive rates but also offered a tax holiday for the companies in IT. In addition to it, the Government permitted foreign equity up to 100 per cent and duty free import on all inputs and products.(business.mapsofindia.com)
Measures by Government of India for promotion of IT

In order to alleviate this situation and to promote Indian IT industry, the Government of India has set up a National Task Force on IT and Software Development to examine the feasibility of strengthening the industry by providing venture capital, as it is a main source of finance for software industry around the world. However, majority of the software units in India are in the small and medium sector and there is a shortage of venture capital kind of support.

The Task Force has already submitted its recommendations, which are under active consideration. 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.

Recently, an IT committee was set up by the Ministry of Information Technology, Government of India, comprising Non Resident Indian (NRI) professionals from the United States to seek expertise and advice and also to step up U.S. investments in India's IT sector. The committee is chaired by Minister of Information Technology, Government of India, and the members include Secretary, Ministry of Information Technology and a large number of important Indian American IT entrepreneurs.

The group’s responsibilities included:

- To monitor global IT developments and refine Indian IT policy to meet global requirements in order to help angel investors, venture creators and incubation;
- Promote the growth of human resource development in the IT sector with the aim of creating quality-based education;
- Promote R&D in the sector by identifying thrust areas and drawing up a blueprint for action.
India is one of the most prized knowledge economies in the world due to its technical work force. India has the second largest English-speaking professionals in the world, after the USA. 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. Government of India is stepping up the number and quality of training facilities in the country to capitalise on this extraordinary human resource.
Future Outlook

- Despite the unprecedented economic downturn the industry will witness sustainable growth

- The global technology related spending is expected to grow from 2010 onwards led by growth in outsourcing adoption.

- Greater focus on cost and operational efficiencies in the recessionary environment is expected to enhance global sourcing

- India Inc. would remain focused on tactical measures to achieve cost savings and greater productivity

- Services and software segments are estimated to cross USD 1.2 trillion by 2012. This is more than the 5.2 per cent growth expected in the total IT spending

- The huge potential for global sourcing is further highlighted by an addressable market size of USD 500 billion in 2008, which is more than five times bigger than the current market

- The industry will continue to diversify in terms of geographies, verticals and service lines

- SMBs are expected to emerge as a significant opportunity due to lower IT adoption currently

- Lack of working age population in the developed economies and a significant long term cost arbitrage indicates India’s sustained cost competitiveness

- Service providers are expected to enhance focus to domestic market to de-risk business and tap into the local growth opportunities
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