CHAPTER – 2
PROFILE OF THE INDUSTRY

2.1 Introduction

This study considers organised companies which are having information technology enabled HR operations or partly implemented any HRIS products for its HR processes in Chennai. These companies include Software based organizations, Information and Communication technology oriented organizations (ICT), Business Process Outsourcing companies i.e., BPO concerns.

Electronic technology, designed to process and transport data and information (now commonly known as Information and communication Technology – ICT) has been developing at exceptional rates for more than four decades. This information technology “revolution” has significantly affected employees, managers, and their organizations. It has created countless opportunities and challenges for millions of companies and individuals. Information Technology (IT) has altered the way many people do their jobs and has changed the nature of work in industrialised nations.¹

The term “Information Technology” has been used in two different sense, one is Information Technology Professionals and another one is Information Technology Industry, i.e., IT Industry.


2.2 Information Technology (IT) Industry

Agarwal (2000) states that the Indian software industry is comparatively young, and not enough literate as available about the industry and the challenges being experienced by it. However, he quotes NASSCOM (1999) as observing that, due to increased spending by the government of India on IT in the domestic software has fetched record revenue. The government has also directed that 1-3 percent of the budget of every government department would be earmarked for IT hardware and software. In addition it has also withdrawn import duty on software. Both these policy initiatives from the government are encouraging signals for the domestic software market. It is thus hoped and anticipated that the Indian software industry will play vital role in the growth of Indian economy.²

2.2.1 Indian IT industry

The Indian information technology industry has played a key role in putting India on the global map. According to the National Association of Software and Service Companies (NASSCOM), the apex body for software services in India, the revenue of the information technology sector has risen from 1.2 per cent of the gross domestic product (GDP) in FY 1997-98 to an estimated 5.8 per cent in FY 2008-09. India's IT growth in the world is primarily dominated by IT software and services such as Custom Application Development and Maintenance (CADM), System Integration, IT Consulting, Application Management, Infrastructure Management Services, Software testing, Service-oriented
architecture and Web services. The exports turnover will touch US$ 80 billion by 2011, growing at an annual rate of 30 per cent per annum, from the earlier few million dollars worth exports in early 1990s.

As per NASSCOM's latest findings: Indian IT-BPO sector grew by 12 per cent in FY 2009 to reach US$ 71.7 billion in aggregate revenue (including hardware). Of this, the software and services segment accounted for US$ 59.6 billion. IT-BPO exports (including hardware exports) grew by 16 per cent from US$ 40.9 billion in FY 2007-08 to US$ 47.3 billion in FY 2008-09. Moreover, according to a study by Springboard Research, the Indian IT services market is estimated to remain the fastest growing in the Asia-Pacific region with a CAGR of 18.6 per cent. Despite the uncertainty in the global economy, the top three IT majors- Infosys, TCS and Wipro-have seen revenue growth from all important sources of income: from the North American and European regions, in the financial services vertical and from application maintenance and development (ADM) offerings between fiscal years 2008 and 2009. The Indian Software and services industry is export driven. In 2008-09, the total value of software and services export is estimated at Rs. 2, 16, 300 Crores (US$ 47 billion), an increase of 31.6 per cent in rupee terms and 16.3 per cent in dollar terms. [source: http://www.investingintamilnadu.com]

2.2.2 ITES –Information Technology Enabled Services

India is referred to as the back office of the world owing mainly to the Information Technology-enabled Services (ITES) sector. According to the National Association of
Software and Service Companies (NASSCOM), the apex body for software services in India, the revenue of the information technology sector has grown from 1.2 per cent of the Gross Domestic Product (GDP) in 1997-98 to an estimated 5.8 per cent in 2008-09. Indian IT-BPO grew by 12 per cent in 2008-09 to reach US$ 71.7 billion in aggregate revenue. Software and services exports (includes exports of IT services, BPO, Engineering Services and R&D and Software products) reached US$ 47 billion, contributing nearly 66 per cent to the overall IT-BPO revenue aggregate. ITES, which started with basic data entry tasks over a decade ago, is witnessing an expansion in its scope of services to include increasingly complex processes involving rule-based decision making and even research services requiring informed individual judgment. It now offers services such as Knowledge Process Outsourcing (KPO), Legal Process Outsourcing (LPO), Games Process Outsourcing (GPO) and design outsourcing among others.

2.2.3 BPO Industry in India- A Report

Business process outsourcing (BPO) is a broad term referring to outsourcing in all fields. A BPO differentiates itself by either putting in new technology or applying existing technology in a new way to improve a process.

Business Process Outsourcing (BPO) is the delegation of one or more IT-intensive business processes to an external provider that in turn owns, administers and manages the selected process based on defined and measurable performance criteria. Business Process
Outsourcing (BPO) is one of the fastest growing segments of the Information Technology Enabled Services (ITES) industry.

Few of the motivation factors as to why BPO is gaining ground are:

1. Factor Cost Advantage
2. Economy of Scale
3. Business Risk Mitigation
4. Superior Competency
5. Utilization Improvement

Generally outsourcing can be defined as - An organization entering into a contract with another organization to operate and manage one or more of its business processes. Indian BPO industries are rendering services according to the need of the society. The following are example of our Indian BPO industries services offered to Indian corporate companies and Multinational Companies (MNCs).

1. Customer Support Services
2. Technical Support Services
3. Telemarketing Services
4. Employee IT Help-desk Services
5. Insurance Processing
6. Data Entry Services / Data Processing Services

Sutherland, Allsec, and HCL Technologies are prominent Chennai based BPO companies.
2.3 Indian Software Industries

In India, the software boom started somewhere in the late 1990s. Most of the Indian software companies at that moment offered only limited software services such as the banking and the engineering software. The business software boom started with the emergence of Y2K problem, when a large number of skilled personnel were required to fulfill the mammoth database-correction demand in order to cope up with the advent of the new millennium. The profile of the Indian IT Services has been undergoing a change in the last few years, partly as it moves up the value chain and partly as a response to the market dynamics. Ten years ago, most US companies would not even consider outsourcing some of their IT projects to outside vendors. Now, ten years later, a vast majority of US companies use the professional services of Indian Software engineers in some manner, through large, medium or small companies or through individuals recruited directly. Despite the global economic slowdown, the Indian IT software and services industry is maintaining a steady pace of growth. Software development activity is not confined to a few cities in India. Software development centers, such as Bangalore, Hyderabad, Mumbai, Pune, Chennai, Calcutta, Delhi-Noida-Gurgaon, Vadodara, Bhubaneswar, Ahmedabad, Goa, Chandigarh, and Trivandrum are all developing quickly. All of these places have state-of-the-art software facilities and the presence of a large number of overseas vendors. India’s most prized resource is its readily available technical work force.
India is among the three countries that have built supercomputers on their own. The other two are USA and Japan. India is among six countries that launch satellites and do so even for Germany and Belgium. India's INSAT is among the world's largest domestic satellite communication systems. India has the third largest telecommunications network among the emerging economies, and it is among the top ten networks of the world.

To become a global leader in the IT industry and retain that position, we need to constantly keep moving up the value chain, focusing on finished products and solutions, rather than purely on skill sets and resumes. We need to be able to package our services as products, rather than offering them as raw material. We need to be able to recognize and build up on our strengths and work on our weaknesses.4

2.4 Role of STPI (Software Technology Parks of India)

India has earned itself a reputation of an IT superpower. Software Technology Parks of India has played a seminal role in accomplishing this status. Today, STPIs across over the country are synonymous with excellent Infrastructure and Statutory support aimed at furthering growth of Information Technology in the country. Software Technology Parks of India (STPI), is a society set up by the Ministry of Information Technology, Government of India in 1991, with the objective of encouraging, promoting and boosting the Software Exports from India. STPI maintains internal engineering resources to provide consulting, training and implementation services. Services cover
Network Design, System Integration, Installation, Operations and maintenance of application networks and facilities in varied areas.\textsuperscript{5}

2.5 Software Industry in Tamil Nadu

Tamil Nadu is one of the leading state in the growth of software as well as ITES of all the South India’s states. Tamil Nadu government and STPI have given more importance for the development this software and ITES sector. The strength of Tamil Nadu’s IT industry based on various factors. Some of these factors are

1. The largest pool of technically qualified high class IT manpower in India - Out of annual Turn-out of 136,000 Engineering Graduates from 355 Engineering colleges in Tamil Nadu, 37\% are with Computer Science or IT or Electronics & Communication discipline.

2. Enormous skilled human resource compared to developed countries leading to lower manpower cost nearly one tenth of those in developed nations, thus giving Tamil Nadu a big comparative advantage.

3. Offers a wide range of services from support / data processing to sophisticated software systems etc.

4. Rich experience of working with large global companies and enjoy high credibility.

5. Expertise on a wide variety of platforms.

6. 28 operational IT SEZs in Tamil Nadu.
7. 234 IT Parks in pipeline in Tamil Nadu with a built-up space of 131 million sq. feet in Tamil Nadu.

8. 1683 Software Exporting units with an export performance of Rs.36680 Crores (US $8120 million) employing about 285,000 Software professionals.

9. Tamil Nadu had the highest Growth rate in software exports in India: 29.04%.

10. Chennai has the largest bandwidth in India - 13.52 tbps through two submarine OFC cables linking Chennai with the rest of the World.

11. Tamil Nadu exported 58% of its total IT exports to USA followed by UK (12%).

2.6 Role of TIDCO for the growth of IT and ITES

TIDCO (Tamil Nadu industrial development corporation) is an organization plays vital role for the development of software and IT enables organization in Tamil Nadu. TIDCO is implementing a state-of-the-art SEZ for IT-ITES with an Integrated International Convention Center on 25.27 acres of land in Kanagam village and Thiruvanmiyur Village in Chennai District. The project would have minimum built up space for IT&ITES and commercial activities of about 4 million sq.ft., and an Integrated International Convention Center to seat 1500 delegates along with 275 Serviced Apartments and Suites. The consortium led by M/s. TATA Reality & Infrastructure Limited is the joint venture partner for implementing this project. The project is estimated
to cost Rs.3000 Crores and provide employment to over 50,000 persons. TIDCO is establishing a IT-ITES SEZ at Sholinganallur, Tamaram Taluk, Kancheepuram district through a joint venture with Nuziveedu Seeds Limited (NSL), Secunderabad, to build about 73 lakh sq.ft. for ITES Space, residential, retail and a 150 room hotel in an area of 66 acres of land.⁷

According to NASSCOM software and services exports (including exports of IT services, BPO, engineering services and R&D and software products) reached US$ 47 billion in FY 2008-09, contributing nearly 78 per cent to the total software and services revenue of US$ 59.6 billion. India's domestic market has also become a force to reckon with, as the existing IT infrastructure evolves both in terms of technology and depth of penetration. The Indian information technology sector continues to be one of the sunshine sectors of the Indian economy showing rapid growth and promise. According to a report prepared by McKinsey for NASSCOM, the exports component of the Indian industry is expected to reach US$ 175 billion in revenue by 2020. The domestic component will contribute US$ 50 billion in revenue by 2020.⁸
REFERENCES


