# A perspective study of "Make in India" in IT and BPM Sector

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## Abstract

India has emerged as an 'IT hub', especially in the IT and BPM sectors. The IT sector has numerous industries with many opportunities. India's IT and BPM industries are large players in global outsourcing market. Rapidly rising urban organization has fostered several IT centers in the country. There are favorable government policies and incentives to facilitate investments in the IT and BPM sectors. It has abundant skilled manpower; India is home to a large number of IT professionals. The major objective of this study is to focus on job creation and skill enhancement in 25 sectors of Indian economy. Initiative is taken to achieve high quality standards and minimize undesirable impact on environment. It attracts capital and technological investment in India. The IT and BPM sector have helped India transform from a rural and agriculture-based economy to a knowledge based economy

**Keywords:** Make in India, IT, BPM, Sector, Software, Technology

## Introduction

Make in India is an initiative launched by the Government of India to encourage multi-national, as well as national companies to manufacture their products in India. It was launched by Prime Minister Narendra Modi on 25 September 2014. India emerged, after initiation of the programme in 2015 as the top destination globally for foreign direct investment, surpassing the United States of America as well as the People's Republic of China. In 2015, India received US$63 billion in FDI.

IT and BPM sector accounts for the largest share in total Indian services export (45%).IT and BPM sector accounts for 56% of the total global outsourcing market. There are 640 offshore development centers in more than 80 countries. Indian IT and BPM industry is expected to grow to USD 300 billion by 2020.IT and BPM sector constitutes ~ 9.3% of India's GDP.

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IT and BPM sector in India, has the main focus on increasing technology adoption and developing new delivery platforms. The major sectors that blend together to contribute to service industry are IT trade, Education, Financial services, Media, Hospitality, accommodation and food services, entertainment, culture, transportation, warehousing and storage. Modern businesses are not possible without the help of IT which has a significant impact on the operations of enterprises and it is claimed to be essential for the survival and growth of economy in general. IT and BPM sectors are high value addition and net foreign exchange earning industries.

IT and BPM is the largest private sector employer - delivering 3.7 million jobs. Opportunities in the IT and BPM sectors can be classified among the following broad categories: IT services, R&D Services and Software Products, Customer Interaction Services (BPO, KPO), Transaction processing (Data entry/ conversion, Rule set processing, Problem solving), Content Development, Knowledge Services (Non-IT) and Engineering Design. Multiple opportunities for strategic use of information technology exist today. Many more are constantly emerging as lower cost technology providing significant new capabilities. They are increasingly being seized upon as competitive pressures grow. It can be used to support enterprise systems and e-business applications as well. Business professionals need to be aware of the availability of new technologies and are able to evaluate the cost benefits and usefulness of them.

IT enhances access to information products provide access to government services making skill formation and training more effective, improves delivery of health services and promote transparency. It provides tremendous employment potential and links with Government and people both at the rural and urban levels. Investment in knowledge based industry will determine the level of countries position in world economy in the next two decades. IT builds capabilities to respond quickly to new business opportunities and challenges optimizing business processes develops new applications, modernize and rationalize and modify a complex and inefficient technology environment. Improve quality of services and flexibility to internal and external stockholders and customers are yet some more benefits of IT. To be successful one must understand the roles and responsibilities in the context of the surrounding IT and business processes.

India has established as a definite superiority in the global scenario of IT and BPM services and production.

This paper is divided into 4 sections; while section 1 being Introduction of Make in India. Section 2 has Literature review of the IT and BPM sector which contain comparative study of IT and BPM industries globally as well as in India. Discussion of growth of IT and BPM Industries by revenue and export wise is presented in Section 3 where Section 4 has the concluding remarks.

## Literature Review

In 1965, immigration laws in USA were modified and the restrictions on immigrants were reduced considerably. As a result a lot of Indian professionals migrated for research opportunities in USA. The IT revolution in USA and the much fancied Silicon Valley in the US during the 80s and 90s could not have been possible without the contribution of these migrant Indians. This migration created innumerable opportunities in the USA in the IT sectors for Indians. Due to the fast growing IT sector in USA, there was a need IT professionals outside USA. India had a huge number of educated people and the education in India being in English, there was a large population of English speaking technically knowledgeable people in India. Hence outsourcing of work started gaining momentum and this led to the huge boom in the IT sector in India, where in most of the work is exporting software and software services to the US and other overseas clients (History of IT Industry in India).

After the economic reforms of 1991-92, major financial incentives provided was by the Government of India and the State Governments, like liberalization, elimination of duties on imports of information technology products, relaxation of controls on both inward and outward investments and foreign exchange. Software Technology Parks (STP), and Special Economic Zones (SEZ), has enabled India to good position in world's IT scenario.

**Role of IT and BPM industry**

The Indian IT and BPM sector has registered tremendous growth over the past decade, achieving iconic status all over the world and a reputation for reliable and cost-effective delivery of services. Today India is recognized as the outsourcing destination of choice in the world. The major developed markets are sourcing IT and BPM from India to gain bottom-line benefits, improving their competitive edge. India is home to a large number of IT professionals, who have the necessary skill and expertise to meet the demands and expectations of the global IT industry. The cost of skilled Indian workforce is reasonably low

compared to the developed nations due to vast and cheap man power. This makes the Indian IT services highly cost efficient and this is also the reason as to why the IT enabled services like business process outsourcing and knowledge process outsourcing have expanded significantly in the Indian job market.

IT and BPM industries worldwide spend was USD 2.3 trillion, growing at 4.6 per cent over 2013, global sourcing of services grew by 10 percent, and India continued to hold on to its leadership position with a 55 percent market share. In FY2015, the Indian IT and BPM industry is projected to account for revenues of USD 146 billion, growing by 13 percent over last year. Industry exports are over USD 98 billion growing at 12.3 percent, while the domestic segment, which has benefited from the inclusion of ecommerce and mobile app industry, is estimated to touch USD 48 billion. At the same time the IT and BPM industry's relative share in India's GDP has swelled to 9.5 percent, it offsets more than 70 percent of India's oil import bill. The IT and BPM industry today is India's largest and most diverse private sector employer, with a direct workforce nearing 3.5 million, and effecting over 10 million indirect jobs. The Indian IT and BMP industry has arisen as one of the most vibrant sectors in India's economic development. It is responsible for the global recognition of India as a 'soft' power. It is fuelling India's economy. IT and BPM industry has been effect on lives of people through direct and indirect contribution to various socio-economic parameters such as employment, standard of living and diversity (Report of IT and ITES, 2014).

## Discussion and Findings

IT sector in India has been one of the most significant growth contributors for the Indian economy. The IT and BPM sectors go hand-in-hand in every aspect. BPM (Business Process Management) sector accounts for largest share in total Indian services export (45%). IT-BPM sector accounts for 56% of the total global outsourcing market.640 offshore development centers in more than 80 countries. Indian IT & BPM industry is expected to grow to USD 300 billion by 2020. IT and BPM sector constitutes ~ 9.3% of India's GDP.IT-BPM is the largest private sector employer, delivering 3.7 million jobs. (Make in India Govt. Website)

Indian IT companies have set up over 600 delivery centers across the world and are engaged in providing services with presence in over 200 cities across 78 countries. India continues to maintain leadership position in the global sourcing arena, accounting for almost 55 percent of

the global sourcing market size in 2013 as compared to 52 percent in 2012.The IT sector has employed almost 10 million Indians and, hence, has contributed significantly to social transformation in the country (Report of Twelfth Five Year Plan 2012–17)).

**Growth of revenue of IT and BPM Sector**

Indian IT and BPM industry revenue is estimated at USD 129.5 billion in FY2015-16 as compare to USD 118.8 billion in FY2014-15, registering an increase of around 9.0%. The overall industry's growth of this sector over the last five years is given in the table below

IT – BPM Industry Revenue Trends (in US $billions)

| Year/ Description | 2011-12 | 2012-13 | 2013- 14 | 2014- 15 | 2015- 16(E) | CAGR % (2011-16) |
|---|---|---|---|---|---|---|
| Exports | 68.8 | 76.5 | 87.3 | 97.8 | 107.8 | 12.81 |
| Domestic | 19.0 | 19.2 | 19.0 | 21.0 | 21.7 | 4.64 |
| Total | 87.8 | 95.7 | 106.3 | 118.8 | 129.5 | 11.16 |

Source: NASSCOM, E: Estimated

The above table shows that in 2011-12 the export was 68.8 US $billion; in 2012-13 it becomes 76.5 US$ billion after that it mounting which will be expected in 2015-16 is 107.8 US $ billion. Evidently the growth is steadily in increasing in the domestic market.

IT and BPM industries are the emerging geographies and manifest exponential, growth due to platforms, products and automation. Increasing adoption of technology and telecom by consumers and focused government initiatives in IT is seen. IT leads to increased Information and communication technology adoption. It uses IT in emerging verticals (retail, healthcare, utilities) are driving growth in Indian IT sector. India has been creating a future-ready digital workforce, with more than 0.15 million employees social, mobile, analytics, cloud skills. Its market is expected to grow to USD 225 billion by 2020.USD 1.6 billion is spent annually on training workforce and growing R&D spend. The government's Digital India Campaign envisages a USD 20 billion investment covering mobile connectivity throughout the country, re-engineering of government process via technology and enabling e-delivery of citizen services.

**Export of IT and BPM Sector**

The Indian IT and BPM industry is relentlessly continuing its growth path. The IT and BPM industry demonstrated flexibility and resolve to adjust to turbulent economic conditions and experience double digit growth. IT and BPM exports is estimated to gross USD 107.8 billion in FY2015-16, growing by 9.0% over FY 2014-15 and contributing nearly 83% of the total IT and BPM revenues (excluding hardware). A combination of solutions around disruptive technologies such as SMAC (Social media, mobility, analytics and cloud), artificial intelligence, embedded systems etc. have become the life-force of the industry.

During FY 2015-16, IT services exports (excludes BPO, Engineering, R&D and Software products) is expected to register an year to year growth of over 10.3%, generating exports of USD 61.0 billion, driven by collaboration, communication, business intelligence projects, and integration of SMAC services with traditional offerings. During FY 2015-16, ITES/BPO exports are likely to be USD 24.4 billion with a growth rate of ~8.4% over FY2014-15. Software products and ER&D segment are estimated to generate exports of US$ 22.4 billion in FY 2015-16 with y-o-y growth rate of ~12%. The domain specific solutions focusing on convergence, customization, efficiencies and localization, M2M technology and newer technologies around SMAC are playing a significant role in driving the growth of ER&D and software products. With over 3,100 firms, India is emerging as a hotbed for software products with SMAC and a supportive ecosystem creating successful stories.

The domain specific solutions focusing on convergence, customization, efficiencies and localization, M2M technology and newer technologies are playing a significant role in driving the growth of ER&D and software products. With over 3,000 firms, India is emerging as a center for software products (Global IT Report 2012).

Segment wise export Revenue Trends in IT – BPM Industry (in USD billions)

| Year/ Segment | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16(E) | CAGR % (2011-16) |
|---|---|---|---|---|---|---|
| IT Service | 39.9 | 42.9 | 49.2 | 55.3 | 61.0 | 12.73 |
| BPM | 15.9 | 18.3 | 20.4 | 22.5 | 24.4 | 11.43 |
| S/W Products, R&D and Engineering Services | 13.0 | 15.3 | 17.7 | 20.0 | 22.4 | 14.46 |

| Total IT-BPM | 68.8 | 76.5 | 87.3 | 97.8 | 107.8 | 12.81 |
| --- | --- | --- | --- | --- | --- | --- |

Indian IT-BPM (Domestic and Export) Revenues (in USD billions)

| | USD Billion | IT Service | BPM | Software Products, Engineering Services, R&D | Hardware | eCommerce | Total |
| --- | --- | --- | --- | --- | --- | --- | --- |
| FY 2015-16 | Export | 55 | 23 | 20 | 0.4 | - | 98 |
| | Domestic | 13 | 4 | 4 | 13 | 14 | 48 |
| | Total | 69 | 26 | 24 | 14 | 14 | 146 |

Source: NASSCOM, E: Estimated

**Foreign Investors in IT and BPM Sector**

India is one of the biggest hubs for IT companies the world over. With global companies looking to make their way into the Indian IT and BPM sector, there are a tremendous number of IT and BPM industries which have impacted the industry in a big way. Following listed are the foreign investors in IT and BPM industries came through the Make in India initiatives.

Accenture (Ireland)          CDNS (USA)                    Steria (France)

Cognizant (USA)              Intel (USA)                   Ricoh (Japan)

HP (USA)                     Dell International (USA)       SAP (Germany)

Capgemini (France)           Agilent Technologies (USA)     TIBCO (USA)

IBM (USA)                    Mentor Graphics (USA)         Philips (Netherlands)

Atos (France)                Oracle Corporation (USA)

Microsoft (USA)              Qualcomm (USA)

## Conclusion

Make in India is happening project and is one that India desperately needs to booster start and endures its growth momentum. At this moment, our Prime Minister's Make in India campaign appears to be an imaginative marketing campaign. But there is much thought and even more work that is required to convert this to reality. Fortunately, we have many natural advantages including a big labor pool and a large domestic market. Information technology (IT) have evolved into a key enabling infrastructure across industries while proving to be a powerful driver of enhanced living conditions and opportunities around the globe. IT has changed the world dramatically over the last decade or so, and it is bound to continue to do so at an even higher pace. The study of growth of IT and BPM industries posed by new IT remains unfinished. National Policy on Information Technology 2012 aims to increase revenues of IT and BPM industry to USD 300 Billion by 2020 and expand exports to USD 200 Billion by 2020. The policy also seeks to achieve the twin goals of bringing the power of information and communication technology (ICT) within the reach of all its citizens while harnessing the capability and human resources of the country to enable India to emerge as the Global Hub and Destination for IT and BPM Services by 2020.

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