

# Contribution of Information Technology in Growth of Indian Economy

**Prof D.K.Gupta**

Professor Commerce

Govt. Autonomous Girls P.G. College of Excellence, Sagar (M.P.)

## **Abstract -**

*Information technology is an important emerging sector of Indian economy. The Government of India has identified IT industry as one of the major industries in India and it plays an important role in achieving the policy objectives like economic development. The IT industry has mellowed over the years and has emerged to be a chief contributor to the global economic growth. The IT sector, constituted by the software services, Information Technology Enabled Services (ITES) and the hardware segments, has been on a gradual growth trajectory with a steady rise in revenues as witnessed in the past few years. The size of this sector has increased at a rate of 35% per year during the last 10 years. The share of information technology industry is 7 percent of gross domestic product (GDP) in Indian economy according to NASSCOM.*

**Key Words-** IT-ITES, GDP, Export and Revenue, RPA, BPM, FDI.

## **History of Indian IT Industry -**

The birth of the Indian IT industry took place in Mumbai in 1967 with the setup of Tata Group and Burroughs Corporation, United States, where Tata Group had to write the codes for the Burroughs machine. In 1991, major economic reforms were seen with international economic integration and the positive effect of globalization on the Indian economy. After passing the Information Technology Act in 2000, e-commerce businesses were given a boost and have helped in the emergence of many e-commerce sites like Flipkart, EAlpha, Jabong, Snapdeal, etc.

### **India's IT industry growth -**

India's IT industry is predicted to see companies move towards Industry 4.0, where new technology like Cloud Computing, Internet of Things, Artificial Intelligence, Robotics Process Automation (RPA), Blockchain, Big Data, and Analytics will be adopted.

However, in order to see monetary benefits and develop new products and services, the challenge for the Indian IT sector is to upskill their workforce for the new technology and collaborate to sustain the Digital India Initiative. The IT industry will see an expected growth of 7% in the next few years. (Fortuneindia.com and Businessworld.in).

The Government of India has the mission to provide digital skills to at least one person per household by 2020. To achieve the mission, various initiatives are being carried out by the Government to empower citizens with digital skills.

### **Role of IT Sector In the Growth Of Indian Economy -**

Its contribution to the nation's GDP has grown impressively, for a sector that was 'born' much after Indian Independence; the IT-ITeS sector has come a long way to become one of the pillars of modern India.

Even until 10 years ago, it contributed less than 5 per cent to the country's GDP; today, it contributes nearly twice as much. On a comparative basis, the automobile sector contributes about 8 per cent of the country's GDP.

The IT industry's revenues are at an estimated \$190 billion, growing at 7.7 per cent on a year-on-year basis and by 2025, they are expected to reach \$350 billion.

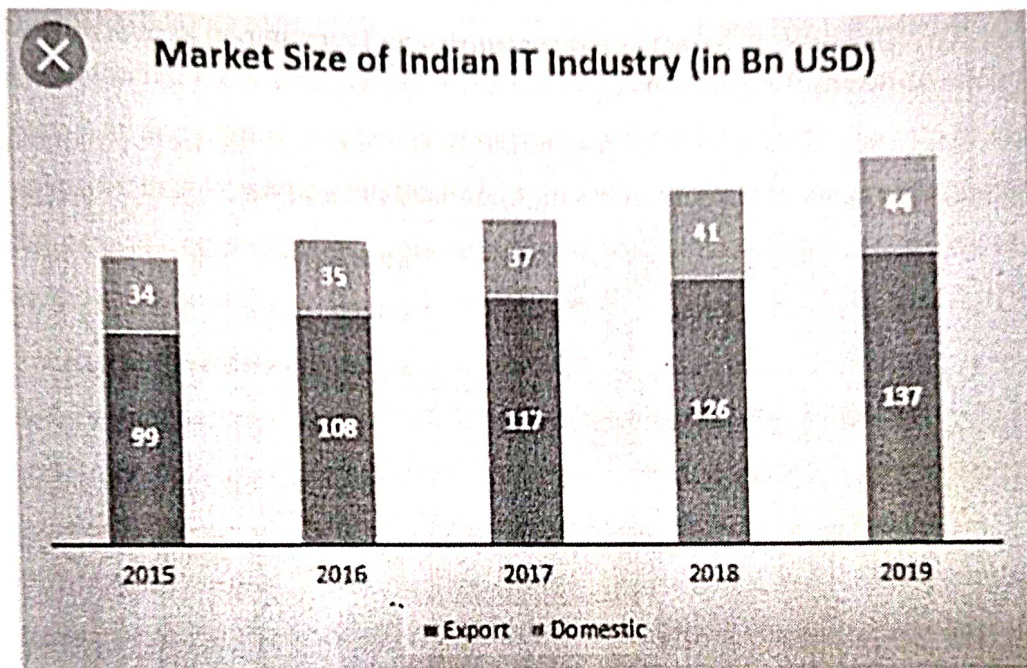
The sector has also generated 4 million jobs and provided indirect employment to 10 million. TCS, the biggest IT services company in India, alone has generated over 4 lakh jobs, while Infosys has over 2 lakh employees.

The computer software and hardware sector in India attracted cumulative Foreign Direct Investment (FDI) inflow worth \$44.91 billion between April 2000 and March 2020. The sector ranked second in FDI inflow as per data released by the Department for Promotion of Industry and Internal Trade (DPIIT).

The Indian government has been quite active in rolling out incentives for the IT and ITeS sector. In February 2019, it released a national policy on software products to

develop India as a software production destination. It has identified information technology as one of the 12 champion service sectors for which an action plan is in the works. It has also set up a 5,000-crore fund for realising the potential of these champion service sectors, according to India Brand Equity Foundation.

Besides, the government has announced a plan to launch a national programme on artificial intelligence and set up a national AI portal.



Source: Statista

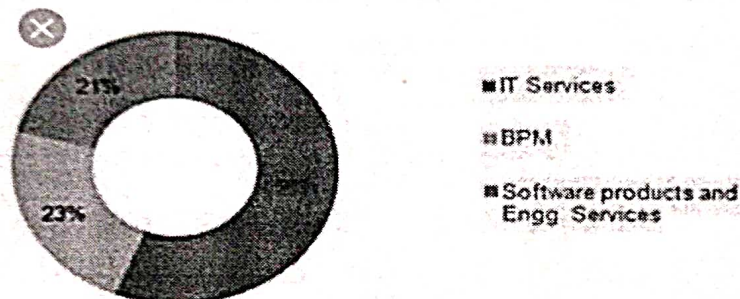
Being one of the largest offshoring destinations for different IT companies across the world, the business process management market in India is of considerable importance. The information technology/business process management (IT-BPM) sector had contributed a share of around eight percent to the GDP of the country in 2017. BPM is more like a discipline than a process that incorporates methods to improve, analyze, automate and improve business processes.

In the financial year 2018, the IT-BPM services sector had an export value of more than three times the export value of software products and engineering services. The sector has been generating big figures domestically as well. The direct employment generated from the IT-BPM industry in the country was more than three million in financial year 2016.

### Effect of globalization on Indian economy -

The effect of globalization on the Indian economy has seen landmark progress. The Information Technology industry's role and contribution to the current economic program have encouraged established companies and start-ups to invest hugely.

The Prime Minister, Shri Narendra Modi's famous words "Come, make in India. Sell anywhere, but manufacture here. We have the skill and the talent," has attracted many global companies to invest in the IT industry and has helped in overall economic growth.



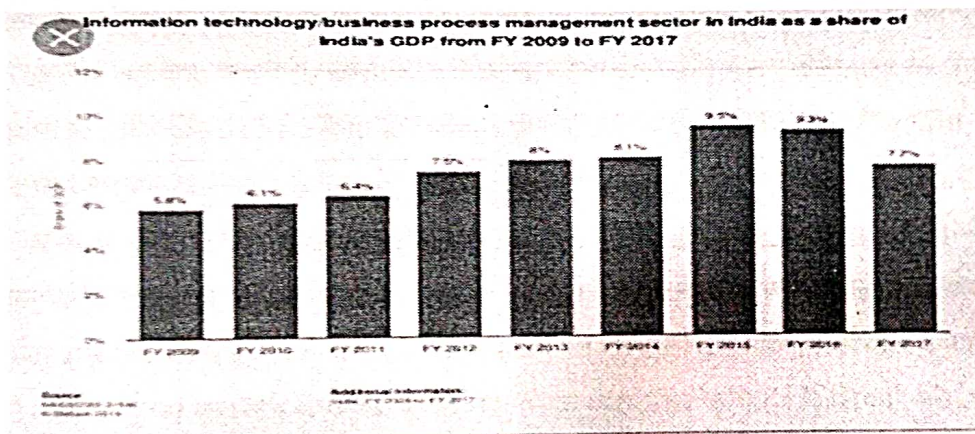
Source: Nasscom, Make in India, TechSci Research  
 Note: E stands for Estimate

### Rural India and Information technology -

Indian industry has undergone through many revolutions. The success story of the Indian IT industry has benefited only urban India. The rural India was deprived from this benefit. Although the primary resource for industry is from agriculture. In developing countries like India the concept of development linked up with the rural development. Also, the roads for transportations are not proper constructed. The government has taken the initiative to connect the India via roads. It can facilitate speedy, transparent, accountable, efficient and effective interaction between the public, citizens, business and other agencies.

The world is connected under one term globalization. So, rural areas must be provided training to make good entrepreneurs. The natural resources are available in plentiful quantity. The current era of globalization, marketization and increasing competitiveness requires that every citizen should be resourceful to run their livelihood

enterprises. ICT is the fastest medium for communication. From the perspective of information technology, India is most widely known for its impact on global markets in the software and service sectors. We can give opportunity to Indian rural markets to trade in foreign countries. ICT is a major tool to leverage the scheme for ensuring access to the target group of beneficiaries. The Information and Communication Technologies have facilitated the design of solutions to deliver government services for social development at the door step of villagers. While there is a strong link between access to ICT and development, it is not a panacea, but rather a powerful tool to tackle development challenges. A strong communication channel can be established with the help of mobile phones. Rural citizens can use the toll free numbers to call and leave messages about any issue concerning their community and listen/ learn from messages left by others from the same community.



### Conclusion -

The IT industry has contributed immensely to the growth and development of India and has resulted in innovations. According to the Global Innovation Index, India ranks 57th as the most innovative country in the world out of 126 economies in the world. India also ranks No.1 in Information and Communication (ICT).

### References -

1. Kumar, A.Santosh & Reddy, D. (2009) Performance of the Information Technology Industry in the world's Economy. Journal of Contemporary Research in Management, 73-85 (2014). Computer Software/Services and ITES Exports.

2. LLAD, I., & MAISURIA, H.M. (2015). IT sector in India - Evolution, Growth and a Tool of Economic Development.
3. Mathur, S.K. (2006). Indian Information Technology Industry: past, present and future and a tool for national development. *Journal of Theoretical and Applied Information Technology*.
4. Singh, S.K. (2006). Information Technology in India: present status and future prospects for economic development. *Directions: The Magazine of IIT Kanpur* 7.4, pp 5-14
5. NASSCOM (2016). *The IT-BPM Sector in India: Strategic Review 2016*.
6. *Economic times and Business World*.
7. *Statista world*.