India’s IT Revolution

Why in news?

The industry can play a key role in ensuring that the country is able to realise its dream of being an economic super power.

What powered the initial success of the Indian IT industry?

- The Indian IT industry inculcated ‘**Follow the sun’** model.
- As the U.S. multinationals ended their day, the Indian partners took up the baton to take the work further only to hand it back to their American counterparts the next day and this cycle repeated.
- This improved the competitiveness, deliverable timelines and efficiencies.
- The abundant pool of technical talent available at low cost also added to the initial success.

How globalization aided the Indian IT industry?

- The forces of globalisation drove Citibank, Amex, British Airways and others to set up captives.
- Some started working with local IT service providers leading to the creation of Indian IT outsourcing industry.
- **Reasons for India’s progress**
    - End of license raj
    - Shortage of technical workers in the West
    - Low labor costs in India
    - Firm-level changes such as quality certification
    - Transfer of knowledge and capability through linkages with US and European firms
    - Linkages with the Indian diaspora

India’s IT revolution which saw export from IT services grow from 3.5 million dollars in 1980 to over 100 billion dollars today.

What about the current scenario of Indian IT industry?

- In FY22, the Indian IT sector, according to the National Association of Software and Services Companies (Nasscom), generated a total revenue of $227 billion, including $178 billion of exports.
- Nasscom estimates that if the full potential is realised software products alone can contribute $100 billion from exports by 2030.

What potential does the sector hold?

- Newer growth opportunities around technologies like cloud, artificial intelligence, IoT, machine learning, cybersecurity and robotics could transform the next decade into a techade.
- With a thriving technology start-up landscape, India could witness the rise of its own next-gen SaaS players, hyper-scalers and specialised, niche technology enterprises.
- As India aspires to be a $5-trillion economy and beyond, the IT industry can play a key role in realising the dream of being an economic super power.

What are the issues?

- **Emerging low cost destinations**- Many low cost destinations have emerged in Philipines and South East Asia.
- **Anti-outsourcing**- Anti-outsourcing wave has swept through Britain and US after Brexit and Trump's elections to the US presidency.
- **Tougher visa norms**- Indian IT industry will have to face tougher visa norms and hire locally.
- **Shift in global demand**- From banks and telecom industry which accounted for 40–50% of IT industry's revenue, demand is shifting to other verticals such as health care and retail.
- **Changing nature of jobs**- In an era of cloud computing which is dominated by the likes of Google, Amazon and Microsoft, there won't be much of traditional development and maintenance jobs.
- **Tech updation**- Many of the repetitive and low ends jobs will get automated and IT industry will have to move up the value chain if they want to continue delivering value to their customers.

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