

Information Technology (IT)&Information Technology Enabled Services (ITeS) Industry in India

Introduction

The Indian Information Technology sector can be classified into the following broad categories - IT Services, Engineering Services, ITES-BPO Services and E Business.

IT Services can further be categorized into Information Services (IS) outsourcing, packaged software support and installation, systems integration, processing services, hardware support and installation and IT training and education.

Engineering Services include Industrial Design, Mechanical Design, Electronic System Design (including Chip/Board and Embedded Software Design), Design Validation Testing, Industrialization and Prototyping.

IT Enabled Services are services that use telecom networks or the Internet. For example, Remote Maintenance, Back Office Operations, Data Processing, Call Centres, Business Process Outsourcing, etc. IT sector is attracting considerable interest not only as a vast market but also as potential production base by international companies. Therefore, India is considered as a pioneer in software development and a favourite destination for IT-enabled services.

The rapid growth in the sector is a consequence of access to trained English speaking professionals, cost competitiveness and quality telecommunications infrastructure. Companies operating from India are able to leverage the advantage of the Indian time zone to offer 24 x 7 services to their global customers. Several world leaders including General Electric, British Airways, American Express, and Citibank, have outsourced call centre operations to India.

E Business (electronic business) is carrying out business on the Internet; it includes buying and selling, serving customers and collaborating with business partners. The following are some of the strengths of the Indian IT sector:

- Highly skilled human resource
- Low wage structure
- Quality of work
- Initiatives taken by the Government (setting up Hi-Tech Parks and implementation of e-governance projects)
- Many global players have set-up operations in India like Microsoft, Oracle, Adobe, etc.
- Quality Standards such as ISO 9000, SEI CMM etc.
- English-speaking professionals
- Cost competitiveness

- Quality telecommunications infrastructure

Regulatory Regime and Laws relating to the IT sector:

Department of Information Technology (DIT):

This department which is under the Ministry of Communications and Information Technology is responsible for the formulation, implementation and review of national policies in the field of Information Technology including hardware and software, standardization of procedures, internet, e-commerce and information technology education and development of electronics.

Initiatives for development of Hardware/Software industry including knowledge based enterprises, measures for promoting IT exports and competitiveness of the industry are looked after by the Electronics Export and Computer Software Promotion Council (ESC) and National Informatics Centre (NIC) along with DIT.

The Department of Information Technology undertakes the following functions: ·

- Policy matters relating to Information Technology; Electronics; and Internet (all matters other than licensing of Internet Service Provider). ·
- Promotion of Internet, IT and IT enabled services. ·
- Assistance to other departments in the promotion of E-Governance, ECommerce, E-Medicine, E-Infrastructure, etc.
- Promotion of Information Technology education and Information Technology-based education.
- Matters relating to Cyber Laws, administration of the Information Technology Act, 2000 (21 of 2000) and other IT related laws.
- Matters relating to promotion and manufacturing of Semiconductor Devices in the country; The Semiconductor Integrated Circuits Layout Design Act, 2000 (37 of 2000).
- Interaction in IT related matters with International agencies and bodies e.g. Internet for Business Limited (IFB), Institute for Education in Information Society (IBI) and International Code Council - on line (ICC).
- Initiative on bridging the Digital Divide: Matters relating to Media Lab Asia.
- Promotion of Standardization, Testing and Quality in IT and standardization of procedure for IT application and Tasks.
- Electronics Export and Computer Software Promotion Council (ESC). · National Informatics Centre (NIC).
- Initiatives for development of Hardware / Software industry including knowledge-based enterprises, measures for promoting IT exports and competitiveness of the industry. ·
- All matters relating to personnel under the control of the Department.

National Association of Software and Services Company (NASSCOM):

NASSCOM acts as an advisor, consultant and coordinating body for the IT-BPO industry in India, and has played a key role in enabling the government in India to develop industry friendly policies. NASSCOM was set up in 1988 to facilitate business and trade in software

and services and to encourage advancement of research in software technology. It is a not-for-profit organization, registered under the Indian Societies Act, 1860.

NASSCOM has been proactive in pushing this cause for ensuring that the Indian Information Security environment benchmarks with the best across the globe. As a part of its Trusted Sourcing initiative, NASSCOM is in the process of setting up the Data Security Council of India (DSCI) as a Self Regulatory Organization (SRO) to establish, popularize, monitor and enforce privacy and data protection standards for India's ITeS-BPO industry. DSCI shall function as an enabler to the IT and ITeS industry to grow at a rapid pace by facilitating the adoption and enforcement of the prescribed security standards and best practices.

Information Technology Act, 2000:

The legal enactment which governs the process and dissemination of information digitally in India is the Information Technology Act, 2000. The Act along with its Rules legalizes the acceptance of electronic records and digital signatures providing a legal backbone to e-commerce.

The Indian Information Technology Act addresses the following issues: ·

- Legal Recognition of Electronic Documents;
- Legal Recognition of Digital Signatures; ·
- Offenses and Contraventions; ·
- Justice Dispensation System for Cybercrimes.

Market Trends

Information Technology:

- The Information Technology (IT) sector in India is amongst the fastest growing in the country and the world.
- The IT –BPM sector in India expanded a CAGR of 13.7% over 2010-2016 which is 3-4 times higher than the global IT-BPM growth & is estimated to expand at a CAGR of 9.1% to USD 350 Billion by 2025.
- The sector ranks fourth in Indias total FDI share & accounts for approximately 37% of total Private Equity & Venture Investments in the country.
- In the Financial year 2016, the revenues of the sector is estimated to touch USD 160 billion.
- Indias IT-BPM sector includes 670 offshore development centres around 78 countries.
- Bangalore is considered to be the Silicon Valley of India because it is the leading IT exporter. Exports dominate the industry and constitute about 77% of the total industry revenue

Growth Drivers:

- Emerging markets, non-linear growth due to platforms, products and automation.
- Increase in demand for IT services from US and Europe.
- Increasing adoption of technology and telecom by consumers– leading to increased Information and communication technology adoption.

- Being focused on government initiatives
- Use of IT in emerging verticals like retail, healthcare, utilities, etc. are driving growth in Indian IT sector.
- India has been creating a future-ready digital workforce, with more than 0.15 million employees SMAC (social, mobile, analytics, cloud) skills.
- The SMAC (social, mobility, analytics, cloud) 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 National Optical Fibre Network (NOFN) is being laid down to connect all the gram panchayats in the country.
- The government's Digital India Campaign visualise 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.

Government Initiatives:

- The government of India has already set up a single-window facility for attracting foreign direct investments in this sector.
- In order to support IT-related services, the government is providing some special incentives and is also providing infrastructure support through organizations such as the Software Technology Parks (STP). Financial institutions and venture capitalists in the country are willing to provide funds at competitive rates for expansion in ITes businesses. All these factors collectively create a number of opportunities in the IT sector.
- The Government of India has allocated Rs 10,000 crore (US\$ 1.5 billion) for BharatNet project under which it aims to provide high speed broadband to more than 150,000 gram panchayats by 2017-18.
- Prime Minister of India, Mr Narendra Modi, has launched the Bharat Interface for Money (BHIM) app, an Aadhaar-based mobile payment application that will allow users to make digital payments without having to use a credit or debit card. The app has already reached the mark of 10 million downloads.

Provision of the Union Budget 2017-18

- The Union Budget 2017 is widely expected to encourage digital payments and universal access to financial services.
- Improving access to digital services with tax rebates on the production of affordable smartphones and offering subsidized data to help in India's payment sector.
- Supporting technology driven start-ups - Creating of innovation Promotion Platform and Techno-financial and facilitation support scheme.
- IT sector saw multiple initiatives like: E-market platform for the agriculture sector in collaboration with the states, linking farmers to e-marketing.
- Schemes for promoting digital literacy mission launched.
- Tax holiday for all SEZ units, including IT SEZ units, will have a sunset clause – only SEZ units commencing operations on or before April 1, 2020, can avail the tax holiday.

- For encouraging seed capital from promoters of 'Start-ups', long-term capital gains tax exemption was proposed for sale of residential property by individuals / HUFs (collectively referred to as 'investor') if the capital gains are invested in the subscription of shares of an eligible 'Start-up' company.

Foreign Direct Investment (FDI) Policy

- 100% FDI is permitted in the Electronic hardware sector and the Software development sector under the automatic approval route. Industrial Licensing has been virtually abolished in the Electronics and Information Technology sector except for manufacturing electronic aerospace and defense equipment.
- FDI up to 100% under automatic route permitted in Teleports, Direct to Home, Cable Networks, Mobile TV, Headend-in- the Sky Broadcasting Service

Digital India

A programme to transform India into a digitally empowered society and knowledge economy. The following are the key initiatives:

- Digital Infrastructure as a Utility to Every Citizen:
 - Internet speed to be high & fast as a core utility
 - Banking with Mobile Phone
 - Providing citizens with easy access to a shareable private space on a public cloud to facilitate paperless processes
 - Safety & Security of Cyber-space
- Governance & Services on Demand
 - Services available online & on mobile at real time
 - All the services to be digitally transformed so as to improve ease of doing business
 - Making cashless & electronic monetary transactions
 - One common system integrated all across the departments/jurisdictions
- Digital Empowerment of Citizens
 - Increase Digital Literacy
 - Availability of all documents & certificates on cloud
 - Portability of all entitlements through cloud