



THE IMPACT OF THE GOVERNMENT POLICY ON INDIA'S SOFTWARE INDUSTRY & ACHIEVEMENTS

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ABSTRACT

The government policies for IT Industry growth has made by central govt. of India to promote the IT industry for doubling the amount of export on yearly, However, researcher analyses the policy impact on the software industry and the depth of initiatives taken by IT associations linked with government organization to encourage the SEZ (Special Economic Zone) area for companies to establishing the organization. Paper will discuss about the significances of the policy implemented in the government organizations. National association of the software services companies are actively updating the amendments happening in the organization by the government supports and target obtain through the amendments. Therefore, study will focus on the Policy implementations and IT industry growth throughout the research paper.

KEYWORDS : Government Policy, Indian Software exports, Contribution in Indian GDP

Introduction

Software industry of India is popular in terms of providing software services around the world. Most of the services export to the western countries. However, USA is main destination for Indian IT companies to servicing them all the IT and ITES related services. Government of India has been actively supporting the industry for achievement the highest level of output in the global export market of IT industry. Results have been seen through the NASSCOM report (Casanova, Cornelius, & Dutta, 2018), which published on yearly basis, all the IT activity including achievements and growth rate throughout the software industry.

Union budget 2017 has given a new hope to the IT industry for establishing companies, encouraging startup companies and providing startups business loan in the different industries. SEZ (Special Economic Zone) areas are developed with huge tax rebates, which is almost tax free zone for IT companies. National skill policy has promoted the skilled labors in the IT sector. ITES sector are also booming with the help of National skill policy, which is initiated under the central government skilled program mission. Government initiatives ultimately contributing into the GDP (Gross Domestic Products), to make the progressive path for development of nation, government has to take up the valuable steps for making software industry hassle free for FDI investors.

Government Policy for Software Industry

Government of India has initiated and amended number of policies for promoting the software industry with the scope of 360degree. Ministry of electronics & information technology of India has taken varieties of policy amendment criteria for establishing companies and new start-up business. Department of industrial policy & promotion, government of India has allotted SEZ (Special Economic Zone) area for start-up businesses, (FDI) Foreign Direct Investment and other industries. In 2008 government of India has notified the (ITIR) information technology investment region, state government are responsible for expanding the areas and developing the infrastructure for IT industry (Sabherwal & Jeyaraj, 2015). These all industries have been back-up by the government institutions, to fill up the skilled labors requirement, government of India has initiated National skill policy for under-skilled IT labors. It aimed to fulfill the gape of resources in the IT sector, (Sahoo & Dash, 2014) researcher has found the interested facts in the IT industry backing-up by government of India.

I. Government has implemented policy against the IT/ITES business process management (BPM) and Business process outsourcing,

reduced the TDS sector 10% to 2%, Tier2/3 locations of cities are enjoying government scheme in IT industry.

- II. To improve the current scenario of IT industry, Central government has taken an initiative of Make in India, Digital India and Startups Business loan for the convenient base of IT industry.
- III. Huge tax relief on Special Economic Zone (SEZs) IT hub for exporting the IT/ITES services to abroad. Extended Minimum Alternate Tax (MAT) periodical time 5-15 years for credit carry forward. (NASSCOM, 2017)
- IV. Under the initiative of Make in India, central government has modified Special Incentive Package Scheme and IT development fund to create more opportunity for Industry growth.
- V. Under the skilled India program, Central government has launched free technical education based websites, mobile apps and institution for upgrading the quality of IT labors in the IT industry, apart from establishing these institutions, government has also planned to establish many more 'Indian Institute of Technology' (IIT) and 'Indian Institute of Information Technology' (IIIT) in India. Therefore, IT sector would not have lack of skilled IT labor for achieving the target in IT export sector.

Achievement of the Government Policy in Software Industry

- Domestic IT market: In the domestic sales of software market has large scale of scope for IT products. Recently, Indian government has introduced GST bill, it has taxation policy for 'One Country One Tax' system, GST has been managed by the Infosys Company, it is large scale of producing software related services, Indian small businesses and government projects has been occupied by IT companies for the domestic IT products and services. Required to fulfill the demanded IT services on the timely basis, apart from government projects IT companies having domestic clients from other business sector, like banking, infrastructure, automation, Business Process Management etc, IT companies mainly deal with their big clients for major projects, small clients are handled by the small scale of IT giants. Companies like, TCS, Wipro and Infosys are major player in the Indian domestic IT services. IT organizations realized big competition in the country itself, that's why IT players mostly look for the global clients, so that; they could accumulate more on the international scale.
- Export IT market: In FY2015 export market expected to grow US\$ 98 billion, however it is recorded 12.3 per cent growth.

ER&D and product development sector was fastest growing sector, touched 13.2 per cent.(Upadhyay & Ghosh Roy, 2016) Value added services SMAC, CRM and software development service recorded high growth rate. Export in the USA market grew above than average expectations, demands from the European countries was high even the low demands from domestic sectors.

Indian IT Exports share of total output (2005-2015)

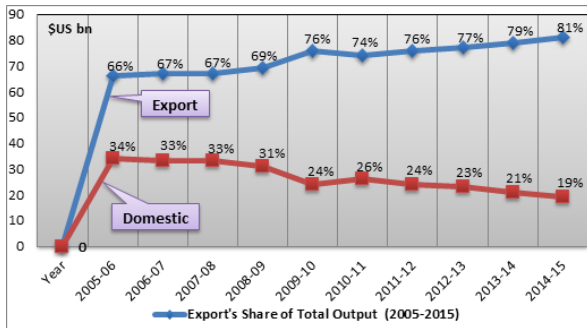


Figure 1_Richard Heeks, CDI, Univ. Manchester, (2016)

Impact of IT-BPM on Economic growth of India

Indian economy has impacted through the all channel of exports made in India, from manufacturing units to service sector. Focusing into the domestic IT market and export market shares in India, has huge contribution in the Indian economy (GDP). In the below mentioned chart, researcher would like to demonstrate the market size of the IT industry in India throughout the comparison of seven years data of domestic and export IT market share. It has been increased on yearly basis. In the recent years from 2014 to 2016 IT export volume increased rapidly, which ultimately has contributed the growth in Indian economy. As per the current performance in the year of 2017, IT industry seems slowing down the internal export volume and job market in India, due to clients contract expired and less renewal business deal with IT clients. However, Startup India has made another way of success in the IT-BPM Industry

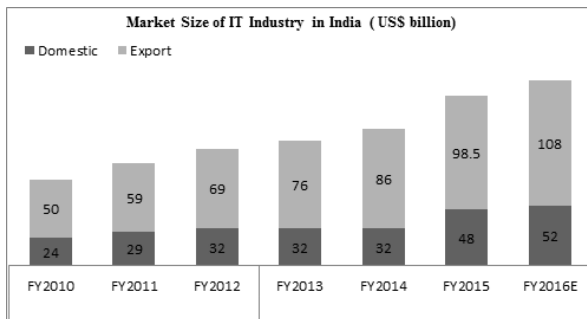


Figure 2_ Market Size of Indian Software Industry, NASSCOM Techsci Research, 2016

- In the India's Software export market, IT-BPM Industry is booming with full potential of domestic support. We could see the yearly basis growth in the market size of Indian IT industry. It has been increased steady, articulated data shows that, in future it will increase with same pace or it might overtake the normal flow of growth in industry.
- The reason behind the growth of IT-BPM is promotion policies initiated by the government of India and embolden the IT industry for attracting more clients in Indian IT hub for outsourcing Indian resources.
- Most of the technique companies are setting up individual unit of branches in India for developing their company in Indian IT sector. Indian IT industry employed number of employees which also helped to the government for controlling the unemployment.
- Companies like Infosys, TATA, have started to patch up with

government projects like Aadhaar, GST Software development and software enabled services etc.

IT Industry Contribution in Indian GDP

IT enabled services are main factor of raising amount in the economy and contributing into the country's GDP. Since, IT has got enough policies and promotion plan from the government of India, all the IT hubs are seems to be working actively for achieving the new goal in the organization. Previously, there was taxation policy issue which makes them puzzled to think for expansion and innovation for new creative ideas. Now it has been implemented with full favor of Business for IT Industry.

- In the first point, elaborating the contribution, we would see the results of ratio in the starting year 2008 to the end of 2017 year. Percentage of the contribution in the GDP has increase with the steady growth. Due to the recession occurred in 2008. Contribution and growth rate had been slow down, however it was impacted through the other countries as well.
- Year 2014, looks like boom for the Indian IT industry, it has contributed the highest percentage of shares in the GDP and employed the huge number of resource in IT market.
- IT industry has direct impact with the Indian economy, whenever, it's slow down, GDP gets impacted and policy needs to amend for catching up the mainstream of economic growth.

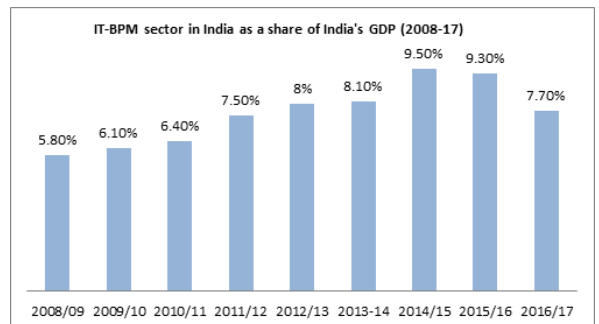


Figure 3_Sources, NASSCOM (India) Statistic 2017

Conclusion

Information technology has been nominated with unique contribution into the Indian growth story; it has been possible only with the help of Indian government policy and promotion program. There are many positive ideas and results have been seen through the study. Promotion policies are getting more favorable to the IT hubs and Startup companies, at the same time skilled labors are also trained to be fit into these organizations. As per the data capture through the various institution, it has been proven that, growth rate of IT industry has emboldened by the government policies, IT exports volume ratio increased in the global market, it would be greater than expected in the coming years.

Recommendations

Throughout the study, we came to know about the issues of IT clusters in India. There are huge IT cluster in south part of Indian cities, mostly are in the Chennai, Bangalore, Hyderabad etc. these cities are still under developing process and need amount of time to provide the basic facilities to the IT cluster. I would like to take an example of Chennai; there is a lack of water facility in the IT hub allotted area. Organization management and facility team are still taking water through the water-tank for the basic needs of organization. Roads are not well organized in city; these problem needs to be resolved with the help of state government under the information technology (IT) promotion program.

Government of India has provided the enough facilities for online IT skills learning (apps) platform for basic skills of IT tech knowledge of IT Industry. However, there are needs for advance software development skills under the Skilled India and National Skill India

Program.

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