



TECHNOLOGY AND DEVELOPMENT – A STUDY ON INFORMATION TECHNOLOGY SECTOR IN TAMIL NADU

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ABSTRACT In economic theory the role of technology has been emphasized as one of the prime movers of development. The post reform period in India has seen a tremendous change in the sectoral contribution to the GDP. That is, contribution of service sector to GDP has been very high. In Tamil Nadu also the same trend has been observed. Among the service sector groups, the technologically advanced one is the IT sector. An analysis has been made on the growth of IT sector in Tamil Nadu from the point of view of conventional indicators like employment, exports and number and spread of IT companies and also by modern parameters like technological advancement. It has been found that the IT sector has significantly contributed to the economic development of Tamil Nadu. Further, this sector has enhanced the technological up gradation and played an important role to improve the position of Tamil Nadu state among the states of India.

KEYWORDS :

Introduction

In the process of industrialization tremendous changes took place after the entry of Information Technology (IT) sector. The special feature of this sector is the fact that it covered the supply side by encompassing hardware and software, telecommunications equipment, micro – electronics – based industries and the digitalized product segments and in the more important demand side it took deep root not only in the applications of Information Technology but also in all economic sectors. This has taken place because of the emphasis laid on the 'Knowledge Economy' that has been taking strides especially after post – World Trade Organization (WTO) scenario.

Review of Literature

About the experience of software and services industry in India **Kumar** (2000) has pointed out that their progress has led to division of labour and higher payments. In a recent article (2014) **Kumar** analysed the Indian Software Industry and its development. He found the positive aspects of Indian IT sector as i) increasing focus on high – value consulting and packaged software, ii) broad and expanding supply base, iii) increasing international orientation, and iv) getting international quality accreditations.

Eswaran (2005) examined the impact of state policies on the growth of IT industry with specific reference to Tamil Nadu. The study found that in the initial stages, i.e. during early nineties, the state has not provided many incentives to this sector. However, during the decade 1995 to 2004 the state made it a point to provide all the infrastructural facilities, tax concessions and incentives to the IT sector. During this period the IT sector and Information Technology enabled Services (ITeS) have grown at a fast rate.

The contribution of IT to the growth of Indian economy was analysed by **Dubey and Garg** (2014). From their analysis it was found that the growth of Indian's IT industry has been instrumental in facilitating the economic progress in India.

Theoretical Issue

Information is an intangible good and different from normal goods. This is due to the fact that information is expensive to produce but cheap to reproduce. Earlier emphasis on industrial development as a prerequisite for economic development got a new dimension after the entry of Information Technology sector in to almost all the activities in an economy.

Objective

To examine the growth of IT sector in Tamil Nadu.

Data

The data were collected from the RBI Reports, NASSCOM Reports and Tamil Nadu Planning Commission Reports.

Results and Discussion

Information Technology in India

As pointed out by **Dubey and Garg** (2014) Indian Information Technology has grown manifold during the period 1997-98 to 2007-

08. It has become a key industry for the development of Indian economy. The percentage share of Information Technology industry in Gross Domestic Product (GDP) has increased from 1.2 in 1997-98 to 5.2 after a decade (2007-08) and further to 8.2 in 2013-14. What is more significant is the share of software exports (IT) software plus service (ITeS export) in the total exports: it increased from Rs 6,530 crores in 1997-98 to Rs 2,35,080 crores in 2009-10 and further to Rs 8,17,080 crores in 2013-14.

An analysis of the data obtained from NASSCOM revealed that the Information Technology sector has grown by leaps and bounds during the last two decades in terms of number of companies, production, sales and export. A tenfold growth was found during 2004 to 2013. Domestic software has grown at 46 per cent. The growth rate of software exports was 62 per cent. The Information Technology enabled Services (ITeS) has provided 2 million jobs in 2010 through the call centers, back office processing, contents development and medical transcription. This has reflected in both the export revenues and domestic industry revenue. The Business Process Outsourcing (BPO) services registered an annual growth rate of 5.5 per cent during 2010-14.

Table 1 Information Technology Production in India (Rs in crores)

S. No.	Verticals / Items	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
1	Computer Hardware	14970	14970	16500	9376	17484	18691
2	Software for Exports	237000	268610	332769	412191	527292	612144
3	Domestic software	67800	78700	91766	104700	114784	131040
	Total	319770	362280	441035	526267	659560	761875

Source: NASSCOM.

The value of software for export increased from Rs 2,37,000 crores in 2009-10 to Rs 6,12,144 crores in 2014-15. During the same period the value of the domestic software increased from Rs 67,800 crores to Rs 1,31,040 crores and the computer hardware from Rs 14,970 crores to 18,691 crores.

Information Technology Sector in Tamil Nadu

Information technology industry is the major contributor to the services sector in the state of Tamil Nadu. The number of registered software units in Tamil Nadu has increased from 1114 in 2004-05 to 1780 in 2012-13 providing employment to more than 3.75 lakh persons. The service sector has been contributing to more than 60 per cent of the state GSDP in 2013-14. Tamil Nadu also has the presence of major IT giants which reiterates the fact that it is one of the most preferred destinations in India. Some of the opportunities which Tamil Nadu offers to the IT sector are 1) Cloud based services and solutions, 2) Hardware manufacturing, 3) Urban & Rural planning – using GSI, remote service, 4) Knowledge process outsourcing, 5) Data/ Computer centers, 6) E-governance initiatives and 7) IT – based education &

training. IT industry has 28 operational Special Economic Zones (SEZs) in the state. Tamil Nadu also offers the largest pool of technically qualified professionals in India. Tamil Nadu IT sector is at a crucial juncture today with several investments being made in this sector promising a significant transformation.

In Tamil Nadu the export of software was Rs 20,658 crores in 2006-07 and it get increased to Rs 28,246 crores in 2007-08 and further to Rs 48,000 crores in 2012. The overall export of software export was Rs 2,12,559 crores during the last six years that is, 2006-07 to 2011-12.

Table 2 Information Technology Export in Tamil Nadu (Rs in crores)

S.No	Year	Export
1	2006-07	20658
2	2007-08	28246
3	2008-09	36680
4	2009-10	36765
5	2010-11	42210
6	2011-12	48000
	Total	212559

Source: Information Technology, Twelfth Five Year Plan, Planning Commission, Tamil Nadu.

The contribution of IT Sector to the economic growth of Tamil Nadu has been recognized by the Eleventh Plan Document of the state. During the Twelfth Plan this sector has received much more attention. The state has brought out an “Information Communication Technology Policy”. The Electronic Corporation of Tamil Nadu Limited (ELCOT) is the nodal agency for hardware procurement, software development, major turnkey projects of the state and major projects of the Department of Information Technology, Government of India.

The Twelfth Plan Outlay for IT sector has been fixed at Rs.434 crores and for hardware manufacturing Rs.50 crores has been earmarked.

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