

Position of Information Technology in Service Sector of Indian Economy

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Abstract

Indian economy is one of the world's largest economies. India has made substantial economic and social development during the recent past. It has been observed earlier that Indian economy is yet to overcome climatic shock. Information Technology (IT) is an important emerging sector of the Indian Economy. This paper examines the India's IT industry and also studied the impact of IT on the Indian Economy. The IT sector has served as a fertile ground for the growth of a new entrepreneurial class with innovative corporate practices and has been instrumental in reversing the brain drain, raising India's brand equity and attracting foreign direct investment (FDI) leading to other associated benefits. The Size of this sector has increased at a tremendous rate of 35% per year during the last 10 years. Its contribution to the national gross domestic product is expected to be around 12.4 by the year 2013-14, quite similar to that in the United States today. Special subsidies or export incentives are likely to be inefficient ways of stimulating the growth of the IT sector, or of positive spillovers for the rest of the economy. The same stricture applies, to some extent, to State government policies to encourage the IT sector

Key words : *Information Technology, Foreign Direct Investment.*

1. INTRODUCTION

India has many of the key ingredients for making this transition. It has a critical mass of skilled, English-speaking knowledge workers, especially in the sciences. It has a well-functioning democracy. Irony is that, in India as a nation being respected across the globe for her intellectual and human resource quality is suffering from dynastic syndrome. In breeding of politician has become a regular phenomenon even in political parties not in opposition. It is obviously undesirable manifestation of globally acclaimed knowledge society of India. In what follows, despite the negative externalities of our knowledge society. India economic possibility is enviable to many nations in the present world.

Domestic market of India is one of the world's largest and expanding in every direction. The economy has a large and impressive Diaspora, creating valuable knowledge linkages and networks. The list goes on:

macroeconomic stability, a dynamic private sector, institutions of a free market economy, a well-developed financial sector, and a broad and diversified science and technology (S&T) infrastructure. In addition, the development of the ICT sector in recent years has been remarkable. India has created profitable niches in information technology (IT) and is becoming a global provider of software services. Building on these strengths, India can harness the benefits of the knowledge revolution to improve its economic performance and boost the welfare of its people.

India should continue to focus its efforts on further reforming its overall economic and institutional environment and improve its overall trade and investment climate. Addressing all these issues is urgently required to improve performance across the economy. Further India has to initiate steps to leverage its strengths and opportunities on a global scale; it needs to undertake significant reforms and investments in building education and skills, strengthening its innovation

system, and immediate concentrated effort for bolstering its information infrastructure. The following are some of the key issues that India needs to address in each of the four pillars to spur growth and innovation to augment economic and social welfare. We have here also concentrated on participation of elderly person in the society. In the new age, chronological constraint is much diluted due to growth of Internet. A comparative analysis is therefore worthy to investigate participation of elderly between India and USA.

2. DEVELOPING EDUCATED AND SKILLED WORKERS

Education is the fundamental enabler of the knowledge economy. Well- educated and skilled people are essential for creating, sharing, disseminating, and using knowledge effectively. The knowledge economy of the twenty-first century demands a set of new competencies, which includes not only ICT skills, but also such soft skills as problem solving, analytical skills, group learning, working in a team- based environment, and effective communication. Once required only of managers, these skills are now important for all workers. Fostering such skills requires an education system that is flexible.

3. INDIAN BUSINESS SECTOR

Today the economy of every country is highly information technology driven. Information technology has become the backbone of infrastructure of all big and medium sized industries of our country. The following sectors like manufacturing, service, construction, healthcare, engineering, retail, aviation, railway, media etc are highly depended on information and communication technology. Information and Communication Technology (ICT) encompasses systems and services to all such industries that gather, store, recover, maintain, manage, transmit, process, interpret, present and protect (in house and in transit) information which are very essential for their sustainability. ICT is embodied in large-scale and complex systems such as telecommunications networks and the World Wide Web, in devices such as mobile telephones and PCs, and in services such as banking, digital television and e-Government. It

provides necessary tools and infrastructures for many branches of science and design including environmental science, bioscience and automotive design. ICT is the backbone of the digital economy. It drives forward productivity across all economic sectors and enables business transformation.

4. INFORMATION AND COMMUNICATION TECHNOLOGY IN INDIA

The rapid emergence of the Information and Communication Technology (ICT) sector has placed India on the global stage during the last one and a half decades. The sector has acted as a catalyst for growth across the Indian economy, including areas such as real estate, automobiles, travel and tourism, railway and mortgage banking industries. Employing over 2.5 million people directly, and over eight million indirectly through the sector, the ICT industry is rapidly expanding across all domains, primarily driven by software services.

With more attractive and investor-friendly Foreign Direct Investment (FDI) policies, India has become one of the favourite destinations for ICT investment portfolios. The introduction of liberalized foreign direct investment policies by the Indian government allows 100 per cent investment in the Indian ICT sector. The Government has initiated numerous measures to facilitate licensing, thereby making investment procedures easier. The revenue aggregate of Indian IT-BPO industry is expected to cross US\$ 100 billion during FY2012, according to NASSCOM. Aggregate IT software and services revenue (excluding hardware) is estimated to reach US\$ 88 billion during the same period. Further, export revenues (including Hardware) estimated to reach US\$ 69.1 billion in FY2012 growing by over 16 per cent, while domestic revenues (including Hardware) to reach at about US\$ 31.7 billion, growing by over 9 per cent. As proportion of national Gross Domestic Product (GDP), the sector revenues have increased from 1.2 per cent in FY2002 to an estimated 7.5 per cent in FY2014.

5. AGED PEOPLE AND THE USAGE OF INTERNET

Demographic trend across the world is increasing share of elderly group in population cohort. Elderly groups are marginalized in every society. Computer technology internet in particular is helping this section of people to improve their quality of life. In the knowledge society they are emerging as self help group to overcome the age inflicted problems and difficulty. Computer technology and the Internet have a tremendous potential to broaden the lives and increase the independence of aged people. Those who have difficulty leaving their homes can now log in and order groceries, shop for appliances, research health questions, participate in online discussions, catch up with friends, or make new ones.

Transnational variation is expected. However inadequacy of information has restricted our investigation. A comparative study between the developed USA and our country is made to understand the future trend.

6. VARIATION IN USE : AGE INTERVENING

Experience suggests that more than half of the American population goes online and the computers and technology are traditionally seen as the domain of the young. But is this true? Generally it has been seen that children go on line both for educational and entertainment purposes. But the people who have attained the age of sixty years use internet for multiple purposes. It has been seen worldwide that those who are 24 years of age and younger have very high percentages of their age groups in Internet on line. This age group does tend to be techno savvy and its members use the Internet for research, entertainment, and communicating with friends through different social networks through face book, orkut, and twitter etc. But those who are 25 years and more than that have the most dynamic growth rates in computer world.

The study conducted in USA focuses that the people who are 50 and older are the fastest growing segment in computer world. But what is the scenario in India? Are the Indian aged people surfing Internet

and getting the advantages of Internet? Is there any organization to make the old people aware about Internet usage? The aged people can pass their time well in the Internet. It will also be productive. The exact scenario needs to be investigated.

7. INTERNET USE AND THE BENEFITS

Like millions of people, the aged people throughout the world use internet intensely in sending and receiving e-mail, online banking, shopping, reading news and books, online publications, and blogs, preparing speeches, including power point presentations, checking financial investments, organizing photos, using social media, ordering prescription items, and preparing and submitting tax return using the online pay system of income tax Department. The farmers can gather weather update and agriculture data useful for predicting better production decision.

We begin our discussion with a set of questions related to the use of Internet by the aged people. Are the Indian old people surfing internet and getting the advantages of internet? Is there any organization to make the old people aware about internet usage? Can the aged people pass their time well in internet? It will be productive also. But the exact scenario needs to be found out. These days like millions of other people the people who are old aged can use internet as sending and receiving e-mail; online banking; shopping; reading news, online publication, and blogs; preparing speeches, including Power Point presentations; checking financial investments; organizing, photos, using social media, ordering prescription items; and preparing and submitting tax return using the online pay system of income tax dept. The farmers can get weather update and agriculture data which are very useful for the better production. So internet can be a very useful hand for the aged people. They can reduce their boredom. And the use of internet is very easy for everyone. Even an uneducated person can use internet just clicking the mouse on some objects.

8. POPULATION VS. INTERNET POPULATION USA EXPERIENCE

A study was done by the US Dept of Commerce regarding the age wise percentage of online

users in USA and some interesting results were found out which is mentioned in table-1.

Shows that out of total 44 percent of aged population in USA 34 percent uses internet and it is a huge number.

Table-1
A Comparative Study between General Population and Online Users

Age	Adults (%)	Online User (%)
18-24	13	17
25-34	20	23
35-44	23	26
45-54	17	21
55-64	11	9
65 and over	16	4
All	100	100

During the year of 2000 to 2014, the share of the online population whose age was 35 and above had increased from 52 per cent to 62 percent; the share for 18-34 year-olds has fallen from 48 percent to 38 percent. According to A Nation Online, while 18-35 years olds tend to use the Web more for entertainment but those who are 35 and above have a different agenda. Online banking, shopping, and gathering health information all ranked high on the list of their frequent activities (and keeping in contact with loved ones through e-mail, of course this is every group's favourite activity).

India's internet community grew by a spectacular 42 percent in 2009 from a year ago, spurred by a rash of cheaper devices and affordable broadband plans that helped sidestep problems such as buttoned up PC sales and a shrinking spread of cyber cafes. Available information suggests that by 2009, total number of internet users grew to 71 million in India. The exclusive and confidential annual survey by market research agency IMRB and Internet and Mobile Association of India, traced users who have used the internet at some point in time, give some indication of the number of Indians who have gone online at least once in their lifetime. According to the survey four out of five computer users and English-speaking person in urban India are now hooked to the

Web, The survey was conducted among 19,000 households, 68,000 individuals and 500 cyber cafes. The study says India's active user base comprising people who access the internet at least once a month grew by 18 percent to 51 million in 2009. However, the survey also offers salient data that are a counter against getting carried away by the other glowing trends. The number of users who possess an internet connection remains remarkably low at 14.6 million. Also, internet penetration is still meager compared to that of countries such as the US. China has over 360 million internet users followed by US at 227 million and Japan at 95 million. Number of Internet users in Asia is 5, 29, 701, and 704. Though Asia has only 16 percent of populations of the world, 37.6 percent of total internet users are Asian which is great. Of them around 60 million are from India. India is 3rd in Asia (1st is China (220 million) and 2nd is Japan (87.5 million)) and 4th in world (1st is China (220 million), 2nd is USA (216 million) and 3rd is Japan (87.5 million)) as per as internet users are concerned.

Table-2
Trend in Internet Usage in India, from 2002 to 2014

Year	Internet Users	Population	% over population
2002	5500000	1094878271	0.12
2003	5720000	1194878762	0.13
2004	5850000	1194878765	0.14
2005	6230000	1194872621	0.15
2006	5260000	1194879872	0.16
2007	5870000	1194878263	0.70
2008	5893000	1294872769	0.70
2009	6340000	1294879827	2.70
2010	6420000	1294879921	2.82
2011	6750000	1294879987	5.93
2012	6790000	1294887622	5.01
2013	6820000	1294878982	6.10
2014	6890000	1312879882	6.21

Table 2 shows that a significant growth of internet users from 2007 to 2014. India has 13 percent of internet users in Asia and 7.36 percent that of the

world. But the sorrowful fact is low 5.3 percent of people in India use internet. The reason of this is most of the people in India don't know computer. 70 percent of people who know computer have used internet which is a healthy sign. We also observe some intercity variation in internet users. Mumbai has the maximum number of internet users (3.24 million) in India followed by Delhi (2.66 million). The top ten cities where people use internets are Mumbai Delhi, Bangalore, Kolkata, Chennai, Pune, Hyderabad, Ahmedabad, Surat and Nagpur in that order. The total number of internet users of those 10 cities are 37 percent of the total number of internet users in India

9. CONCLUSION

Thus, the Government of India through Task-Force has adopted many effective policies to remove bottlenecks in the promotion of information technology services. The main aim of government of India is to excite and energize the people of India, creating the faith in them that information technology vitally aids personal and national growth. The Indian information technology sector continues to be one of the sunshine sectors of the Indian economy showing robust growth. According to a report of NASSCOMmckinsey, the

export component and domestic component are expected to reach, USD 175 billion and USD 50 billion in 2020. Together the both markets are likely to bring opportunities in revenue USD 225 billion in 2020 (www.mit.gov.in; www.television.com; www.indiabudget.nic.in). Despite, huge success of Indian information technology industry, there are still many constraints in the expansion of information technology sector. Majority of Indian information technology firms, are small in size, hence cannot explore full potential of global opportunities in this sector. Thus, the industry needs a facilitating environment so that a large number of small firms can grow into large and medium size firms. Most of the present information technology firms are concentrated in few regions. Thus, there is need for locational diversification for future development. Indian information technology industry is also dependent on USA market for exports, which is another drawback of this industry. Both the government and the industry will have to take effective steps for promoting research and development (R&D) and quality standards. Government should provide adequate and efficient infrastructure to facilitate future growth of this industry.



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