



A Study On The Role Of Information Technology (It) – And Itespolices In Economic Development Of Telangana

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Abstract

“Telangana is the most preferred technology investment destination in the Country”. The information technology sector includes all the companies offering IT-enabled services (ITES), IT services, software products, e-commerce facilities, etc. In the past decade, the role of the internet and computer has grown manifold in our lives. Most people consume IT services in some form or the other. The COVID-19 pandemic further highlighted the contribution of the IT sector to the Indian economy. With the shift to remote working, the IT sector enabled the other sectors to operate from distance mode as well. New startups in the sector are opening up, which boosts the economy as a whole. Telangana has recorded a phenomenal growth of 26.14 per cent in the IT/ITeS sector in 2021-22, with a total of Rs 1,83,569 crore in IT/ITeS exports in the year 2021-22. In 2020-21, the state had recorded IT/ITeS exports of Rs 1,45,522 crore. In this paper we deal with the growth of Indian economy in aspect of IT & ITES services and also the main role of IT & ITES policies in the state of Telangana.

Keywords: Information Technology, IT enabled Services (ITeS), Economic Growth.

Introduction

India spends about USD 1.6 Bn on skilling IT/ITeS workforce. Indian IT industry has more than 17,000 firms, of which over 1,000 are large firms with over 50 delivery locations in India. The country's cost competitiveness in providing IT services, which is approximately 3-4 times more cost-effective than the US, continues to be its unique selling proposition in the global sourcing market. In the area of global services outsourcing, India caters to the highest market share in the world (55%) of the USD 185-190

billion business as of FY19. India's IT industry contributed around 7.7 percent to the country's GDP and is expected to contribute 10 percent to India's GDP by 2025. As of FY19, IT industry employed 4.1 million people. Digital India campaign A \$ 20 bn Investment covering mobile connectivity across India is also driving this growth.

Segments of India's IT Sector

IT Services:

- ❖ Market Size: US \$92.49 Billion for the year 2019.
- ❖ Over 81 % of revenue comes from the export market.
- ❖ BFSI continues to be the major vertical for the IT sector.
- ❖ IT services accounted for almost 51 percent share of IT industry's revenue in Indian for the year 2019.

Business Process Management :

- ❖ Market size: US \$36.2 billion for the year 2019.
- ❖ Around 87 percent of revenue comes from the export market.
- ❖ Market size of BPM industry to reach US \$54 billion by 2025.
- ❖ BPM had a 20 percent share of IT industry's revenue in Indian for the year 2019.

Software Products and Engineering Services:

- ❖ Market size: US \$34.39 billion for the year 2019.
- ❖ Over 83.9 percent of revenue comes from export. It had around 19 percent revenue share in the Indian IT space for the year 2019.

Industry Trends in India

The IT-BPM (Information technology and Business Process Management) sector of India has a share of 9.3% of the country's GDP, making it one of the biggest sectors to contribute to India's economic growth. The IT sector captures 56% of the global outsourcing market. The Software Technology Park of India (STPI) reported that IT companies associated with it made software exports worth \$16.29 billion in only the first quarter of the financial year 2022. The National Association of Software and Service Companies (Nasscom) estimates that the revenue of the Indian IT industry will reach \$227 billion in 2022, which is a massive increase from \$196 billion in 2021.

The branch of the IT sector dealing with software products is projected to become worth \$100 billion by the financial year 2025. The Indian technology companies are shifting their focus to international markets. There are plans to make investments in the global markets so that their global delivery centres can increase in number. 4.5 lakh employees were hired till February 2022 in the first quarter of 2022. This has been the highest ever addition in any given year. There is significant participation of women as out of the total new employees, 44% were women. The Foreign Direct Investment (FDI) inflows in the IT sector (computer hardware and software, to be precise) between April

2000-December 2021 stood at \$81.31 billion (14.19% of the FDI inflows). The data from the Department for Promotion of Industry and Internal Trade (DPIIT) proves that it was the second-largest sector to have received such high FDI inflows. Record investments of \$36 billion were made in private-sector IT companies in the financial year 2021 alone. In 2020, this number stood at \$11 billion. Hence, the investment increased more than three times in just a year, making this sector a lucrative investment destination.

Government of India Initiatives for the IT Sector

In the Union Budget 2022-23 announced by Finance Minister Nirmala Sitharaman, \$11.58 billion were allocated to the IT and telecom sector. This is equivalent to ₹ 88,567.57 crores. The Department of Telecom, the Government of India, and the Ministry of Communications have signed a Memorandum of Understanding with the Government of Japan. Under this, there would be increased cooperation in sectors related to the development of 5G technologies, submarine optical fibre cable systems, and telecom security.

Five new National Institute of Electronics & Information Technology (NIELIT) Centres were inaugurated by the Government of India in September 2021. They were inaugurated in North-eastern states where the development of the IT sector is limited to boost the sector and also provide employment to the youth there. In the same month, Phase II of the Visvesvaraya PhD Scheme was launched to boost the research in the 42 sectors related to IT and ITES.

The GoI has well laid-out plans to develop the emerging blockchain, cloud computing, and artificial intelligence technology in the country in the next few years. There is also an increased focus on providing internet access to remote areas, where people currently face major connectivity issues.

5G is set to bring advancement to the country's telecom infrastructure. Along with the top private players in the sector, the government is working to make 5G technology accessible in the country as soon as possible.

The hardware market is also set to develop under the government's initiative of Atmanirbhar Bharat. The government has launched several PLI schemes meant to boost the development of computer hardware parts in the country. Currently, we rely on Asian markets like China and Taiwan for computer hardware like chips.

During the COVID-19 pandemic, global trade suffered, and since the imports from these Asian countries slowed down, it created a problem of chip shortage in the entire world. India wants to be the pioneer of chip development technology, for which it is empowering private players to set up hardware manufacturing plants in the country itself.

In the State of Telangana

Information technology is one of the fastest growing sectors in Telangana. Hyderabad, Telangana's contribution Information Technology (IT) and Information Technology Enabled Services (ITES) sector played a vital role in putting India on the global map. Telangana Government is aggressively setting up Export Oriented Units (EOU), Software Technology Parks (STP), and Special Economic Zones (SEZ) to further this cause and facilitate more IT and ITeS investments in to India. The central government recently announced formation of an Information Technology Investment Region (ITIR) near Hyderabad. With the establishment of the ITIR, the government plans to generate 1.5 million direct and 5.3 million indirect jobs in the IT sector in the next five years.

- ❖ There are 1500 IT/ITeS companies that employ over 5.8 lakh professionals, besides providing indirect employment to over 7 lakh people.
- ❖ Telangana's IT/ITeS Exports grew at 17.93% compared to the National Average of 8.09% and the rest of the Nation's Average of 6.92%.
- ❖ Telangana's exports in India went up from 10.6% to 11.6% and the share of Telangana in this year's growth in National Exports is a remarkable 23.5%.

At present, Telangana State contributes to 12% share of the Country's IT exports and ranks 4th in terms of total revenues from the IT sector in the Country. IT sector exports from the state contribute to about 49% of total exports from all sectors in the state.

The Government of Telangana has taken a visionary approach towards framing the new policy and in turn for attracting investments into the state. The initiatives taken by the Government are centred on a ten-point agenda that is explained in detail in the ICT Policy Framework. To maximize the impact of each of the focus areas, the government intends to release a separate list of G.O.s that will enlist the incentives and benefits that the state provides to companies interested in contributing to a particular agenda point.

The State seeks to achieve this aim through:

- ❖ Providing congenial industrial friendly climate for IT companies to locate, grow and sustain their operations most competitively in a hassle-free environment in the State,
- ❖ Creating new skill development initiatives and employment opportunities for the educated youth of all sections of the society across all regions,
- ❖ Achieving higher levels of export turnover resulting in enhanced productivity, and augmentation of Gross State Domestic Product (GSDP),
- ❖ Encouraging innovation and entrepreneurship within the state,
- ❖ Spreading IT to Tier 2 locations in the state, and
- ❖ Leveraging Information Technology as a tool for the socio-economic development of the region.

Focus Areas and Initiatives taken the state of Telangana

In order to achieve the above goals for the IT department, the Government plans to flow down the objectives in the following key focus areas for expanding IT/ITES sector in the state:

1. Attract investments for infrastructure: To create state-of-the-art and affordable ICT infrastructure that enables “Walk to Work” environment for new and existing IT/ITES units to thrive and grow.
2. Promote IT industry in Tier 2 cities: To create next wave of IT growth centres in Tier 2 locations in the state by creating robust infrastructure and favorable ecosystem for attracting IT companies and skilled workforce.
3. Encourage innovation in disruptive technologies: To widen the scope of ICT base by encouraging small and medium enterprises with focus on new technology areas such as Social, Mobile, Analytics and Cloud (SMAC), Animation, Gaming & Digital Entertainment, IT Products & Services, etc.
4. Promote entrepreneurship: To foster the spirit of entrepreneurship in order to become the leading “technology start-up city” of India where a vibrant, world-class ecosystem exists.
5. Encourage R&D: To become the innovation hub of India by being a frontrunner in developing cutting edge technologies and patent filing, thereby helping Telangana strengthen its IP product based economy.
6. Develop talent: Provide industry-grade skill up gradation (for technology, operations and global requirements) and training to the students to suit the requirements of the industry and to obtain employment.
7. Enable the existing SMEs to grow to the next level: Provide conducive environment to encourage the SMEs to continue on their growth path.

Incentives given by the Government of Telangana

Hyderabad is among the leaders in terms of attracting Fortune 500 companies to invest in the State. Though Hyderabad boasts the presence of IT giants such as Microsoft, Google, Facebook, Amazon, Deloitte etc., the State Government is placing major focus on attracting new investments into the State. Apart from providing world-class infrastructure, ensuring continuous power and water supply, giving access to a rich talent pool, the Government of Telangana aims to create a favourable business environment for all kinds of companies such as R&D companies, BPO centres, Mega Investments, SMEs and start-ups by providing attractive incentive packages.

Results

Telangana has recorded a phenomenal growth of 26.14 per cent in the IT/ITeS sector in 2021-22, with a total of Rs 1,83,569 crore in IT/ITeS exports, the state had recorded IT/ITeS exports of Rs 1,45,522 crore in the year 0f 2021-2022. During the period, the sector also added 1,49,506 new jobs, recording an increase in employment by 23.78 per cent to reach 7,78,121 jobs so far.

Quoting NASSCOM estimates to reflect on how the state has performed compared to the rest of the country, the minister said a total of 4,50,000 net new jobs were added to the IT sector in the country while Telangana contributed to a third of the net new national employment (1.5 lakh of the 4.5 lakh net new jobs) in the IT sector.

Drawing comparisons, he said, while the national exports grew at 17.2 per cent, Telangana alone grew at 26.14 per cent in the second year of the Covid pandemic when people continued to work from their homes and there were apprehensions of losing jobs. Noting that Telangana had IT exports of Rs 57,258 crore in 2014 when the new state was formed, and the employment in the sector stood at 3,23,397, Rama Rao added that the state has been able to achieve a CAGR (Compound Annual Growth Rate) of 15.67 per cent (i.e., from 57,258 to 1,83,569). In the last 8 years, we were able to add 4,54,725 new IT/ITeS jobs in the state, he added.

As per the ITIR (Information Technology Investment Region) estimates, the IT exports for the state (unified state of AP) were supposed to reach Rs 2,09,221 crore by 2035. Going with our progress rate, Telangana IT exports will cross the 2035 projections by 2025 without ITIR support. That is, we will reach the 25-year target in 15 years. Also, the ITIR projections assumed a national GDP growth between 6% (pessimistic) and 7.5% (optimistic) over the 25-year timeframe.

Conclusion

In 1998, the IT sector contributed merely 1.8% to India's GDP. Today, it stands at over 9% and will soon go to double digits. The importance of the IT sector is also that it employs millions of people. Major tech companies like Wipro, Infosys, TATA, Reliance, etc., hire young professionals in large numbers. The IT sector has a fair share in the Indian export market also. The USA is the single largest country where our IT products and services are exported. The IT sector will play one of the biggest roles in realising India's goal of becoming a \$5 trillion economy. Our appetite to do more, our passion to deliver more, our passion to not just prove a point to ourselves but the rest of the country that a new state like Telangana has been doing exceedingly well, and if a new state can do so much, the rest of the country also should take a lot of pride, and competition can be inculcated by way of our achievements, and together with other states and other ecosystems we can build a strong country.

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