Indian Information Technology Sector- A SWOT Analysis

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ABSTRACT

The ability of the microchip to store and process information has radically changed business life over the last three decades and today very few offices and businesses remain untouched by the ‘information revolution’. Many businesses have gone out of work because they did not integrate IT into their operations when their competitors did, or because they did computerised but went about it in the wrong way. Therefore it is vital that managers are well informed about the uses and potential of IT. IT has relevance not only for business arena, at the same time it is beneficial to society and its individual members also. Against this background, the paper takes an overview of IT sector in Indian perspective and a SWOT Analysis has been made to make picture clear.

Keywords: Business Process Outsourcing, Competitive Advantage, Information Revolution, Information Technology, Knowledge Workers.

1. BACKDROP

We are living in revolutionary time, a revolution brought on by dramatic advances in Information Technology. Information technology (IT) concern the uses of systems that allow the transfer, storage, processing and presentation of information; its aim should be the benefit of society and its individual members. In that Computers are information processors and very efficient devices for controlling information storage and transfer, it is a fair claim that IT as we know it depends on them.

It is also a fair claim that society as we know it, in the first and second worlds at least, depends on clear information for its efficient running. Just as Information Technology is the basis of our society, so the computer is the central focus of IT. Information Technology surrounds you-on your campus and in local business. When you order merchandise over the telephone, chances are your sales representative is having an information system to check inventory and to trigger the shipment of your goods. When you use an Automatic Teller Machine (ATM), make an airline reservation, or rent a car, Information Technology (IT) is working for you again.

2. INFORMATION TECHNOLOGY SECTOR: INDIAN PERSPECTIVE

The revenue aggregate of Information Technology- Business Process Outsourcing (IT-BPO) industry is expected to grow by 19.2 percent and was expected to reach us $ 101 billion in 2011-2012, a growth of about 14.7 percent over 2010-2011.
The software and services exports including ITeS-BPO exports is estimated at US $ 68.7 billion in 2011-2012, as compared to US $ 59 billion in 2010-2011, an increase of 16.4 percent. The IT services exports is estimated to be US $39.8 billion in 2011-2012 as compared to US $33.5 billion in 2010-2011, showing a growth of 18.8 percent. ITeS-BPO exports are estimated at US $ 15.9 billion in 2011-2012 as compared to US $ 14.2 billion in 2010-2011, a year-on-year growth of about 12 percent.

Though the IT-BPO Sector is export driven, the domestic market is also significant. The revenue from the domestic market (IT Services and ITeS-BPO) is estimated to grow to US $ 19 billion in the year 2011-2012 as compared to US $ 17.3 billion in 2010-2011, an anticipated growth of about 9.8 percent. BPO demand in the domestic market has witnessed noticeable growth over the past few years.

The IT-BPO sector has showcased India’s ability to build global firms with world class business practices that are capable of catering to the most sophisticated and demanding customers. The Industry has been a front-runner in practicing good corporate practices as well as maintaining high quality standards, which have helped in positioning the country as a trusted business partner.

The total IT Software and Services employment is estimated to reach 2.77 million in 2011-2012 (excluding employment in Hardware Sector), as against 2.54 million in 2010-2011, a growth of 9 percent year-on-year. The IT-ITeS industry’s contribution to the national GDP is estimated to increase from 7.1 percent in 2010-2011 to 7.5 percent in 2011-2012.

3. THE INFORMATION TECHNOLOGY (AMENDMENT) ACT, 2008

The Information Technology (Amendment) Act, 2008 has been enforced and rules of important sections have been notified in October, 2009 which addresses the needs of National Cyber Security. The Act upgrades the existing legal framework to install confidence of the users and investors in the area of Information Technology in the country. The following rules under Information Technology Act, 2000 were notified on 11.04.2011:

- Information Technology (Electronic Service Delivery) Rules, 2011 under section 6 A

- Information Technology (Reasonable Security Practice and Procedures and Sensitive Personal Information) Rules, 2011 under section 43 A

- Information Technology (Intermediaries guidelines) Rules, 2011 under section 79

- Information Technology ( Guidelines for Cyber Café) Rules, 2011 under section 79
4. THE CHALLENGE OF CHANGE

A major feature of Information Technology is the changes that IT brings. Those who speak of a revolution from technology are really talking about change. Business and economic conditions change all the time; a revolution is a discontinuity, an abrupt and dramatic series of changes in the natural evolution of economies. In the early days of technology, change was gradual and often not particularly significant. The advent of personal computers accelerated the pace of change, and when the Internet became available for profit-making activities around 1992, change became exponential and revolutionary. To a great extent, the study of information technology is a study of change.

5. SIX MAJOR TRENDS

In the past few years, six major trends have drastically altered the way organisations use technology. These trends are as follows:

1. The use of technology to transform the organisation.
2. The use of information processing technology as a part of corporate strategy.
3. Technology as a pervasive part of the work environment.
4. The use of technology to support knowledge workers.
5. The evolution of the computer from a computational device to a medium for communications.
6. The growth of the Internet and World Wide Web (WWW).

6. MAJOR INITIATIVES IN INFORMATION TECHNOLOGY SECTOR

Major Initiatives in Information Technology Sector may be enumerated as follows:

- National e-Governance Plan (NeGP)
- State Wide Area Networks (SWANs)
- Common Service Centres (CSCs)
- Mobile Governance
- Social Media
- National Knowledge Network
- Cyber Security
7. INDIAN IT SECTOR: A SWOT ANALYSIS

Strengths

- Highly skilled, English speaking manpower.
- Cheap workforce than their Western counterparts. According to NASSCOM, the wages difference is as high as 70-80 percent when compared to other Western counterparts.
- Lower attrition rates than on the West.
- Dedicated workforce aiming at making a long term career in the area.
- Round-the clock benefit for Western companies due to the huge time difference.
- Lower response time with efficient and effective service.

Weaknesses

- Recent months have seen a rise in the level of attrition rates among IT workers who are quitting their jobs to pursue higher studies. Of late workers have shown a tendency not to pursue IT as a full-time career.
- The cost of telecom and network infrastructure is much higher in India than in the US.

Opportunities

- To capitalise and encash on the already established image of India being portrayed as the most favoured IT destination in the world.
- Opportunities for Indian companies to work closely with western Governments and assure their concerns and issues.
- India can be branded as a quality IT destination rather than a low-cost destination.

Threats

- The anti-outsourcing legislation in the US state of New Jersey. Three more states in the US are planning legislation against outsourcing.
- Workers in British Telecom have protested against outsourcing of work to Indian BPO companies.
- Other IT destinations such as China, Philippines and South Africa could have an edge on the cost factor.
8. CONCLUDING REMARKS

The human civilization started most dramatic change just after Industrial Revolution. The Industrial Revolution changed the nature of work and led to dramatically higher standards of living. Again, history is being repeated with Information Revolution.

The computer has been called ‘the machine that changed the world.’ We believe that Information Technology has and will continue to revolutionize all aspects of human life. The Information Technology Sector in India has to take care of threats and should trap the bundle of opportunities into its basket in order to take maximum benefits of its Information Technology competitive advantage.

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