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Make in India campaign and India's IT-BPM sector

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Abstract

The India's Information Technology – Business Process Management (IT-BPM) sector in is a green posture sector. It holds a leadership position with 56% of global market share and size of market size of \$143 billion in term of revenue. The Government of India launched Make in India campaign on 25th September 2014 as a flagship programme to boost contribution of manufacturing in Gross Domestic Product (GDP) from present 16% to 25% in a decade. The group of secretaries in different ministries have recommended 25 key sectors to cover under the programme. The IT-BPM sector is one of such key sector identified to ameliorate in mission mode manner to achieve the goal. In this paper I have carried out an in-depth study of this sector in the context of Make in India campaign to reckon that how it can flourish as a sector in itself as well as facilitate support to other sectors to augment India's economy.

Keywords: IT-BPM sector, make in India, ITeS, red tape versus red carpet, regulator versus facilitator

1. Introduction

India home for 1.33 billion populations, second largest in the worlds, with median age of 26.2 years. It is 7th largest economy in world with GDP of US\$ 2.25 trillion and 3rd largest on the basis of purchasing power parity (PPP) with value of US\$ 8.72 trillion. Currently it is growing at a rate is about 7.1%, which rank 8th in world, ahead of both neighboring and developed countries. The major part in India's GDP comes from service sector, which contribute >9.3% of its total value and 56% global market share while the manufacturing contribute about 16%, which is about 2% of the world contribution, about a one-tenth of what neighboring China. As envisage from world economic history no country could became a major economy without becoming an industrial power, hence growth of manufacturing is essential for huge economy like India. India with a 65% of population below age of 35 years has potential to flourish as a manufacturing hub in Asia. To harness maximum from this weird potential, Prime Minister Mr. Narendra Modi launched the national flagship campaign of "Make in India" on 25th September 2014, on the occasion of birth anniversary of great Indian leader and propagator of Integral Humanism, Pt. Deen Dayal Upadhyaya. The programme aim to make India enhance manufacturing in India by 10% till 2022 with a growth of 12-14% and 100 million additional jobs. While kick starting the programme, Prime Minister Modi cites the example of Singapore and China to sketch his vision to make India a world superpower by ameliorating major changes business process and system to make it more convenient and easy for investors and favorable to attract Foreign Direct Investment (FDI). To ensure the success of "Make in India" Government have instigated a bouquet initiatives like Startup India, Standup India, Digital India, Skill India, Clean India, National Manufacturing Policy, National IPR Policy etc by contenting the experience of doing business in India. The series of policy reforms and development measures taken under the programme start yielding results as the India climb rank in ease of doing business to 130 in 2016 in comparison to 134 in 2014 and FDI inflow increase by 48%.

India is diversified country having rich heritage, witnessed the days of golden sparrow to ropey economy of British rule, full of opportunities and challenges whose demography naturally supports business and industrial values. It have opportunity of huge skilled man power, cheap labour, entrepreneurs support on positive side and at time faces problem of resources, funding and corruption etc. Figure 1; envisage the SWOT analysis of Industrial Readiness in India. During last two years Central Government has left no stone unturned to make India a favourite destination for investor.

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Keeping the global competitive environment at central 25 areas are identified under the ambitious programme of “Make in India” to congregate long term domestic and foreign investment and generate revenue. Here in this paper my focus is to explore the green posture sector of IT-BPM, covered under “Make in India” campaign. India already holds a position of global leader in this regime with 56% of contribution to GDP. Indian IT-BPM industry including service and hardware sector value US\$ 146 billion including export of 98 billion, while worldwide spending is US\$ 2.3 trillion. India’s IT-BPM industry surge a growth of 13% in comparison to global rate of 4.6%. Owing to its position of highest yielding sector in itself as well as major allied sector for all other core sectors of growth, it has capacity to serve dual advantage in success of Make in India and serve as growth engine of Indian economy. As per NASSCOM, the association of Indian IT & BPO industries, the actual IT-BPM sector comprises of components from IT services, BPM services, Packaged Software, Engineering Research & Development (ER&D) and Hardware sector. Figure 2, depicts growth of these sectors during financial year 2014-15 and 2015-16.



Fig 1: SWOT analysis of Industrial Readiness in India

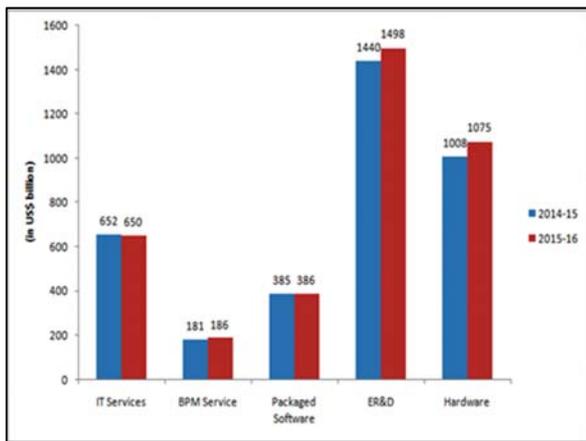


Fig 2: Share of Services in India’s IT-BPM Sector

2. Global Market and India’s Share

Indian economy has recorded unprecedented growth in last two decades. The service sector, specially, IT-BPM industry has given big ticket to India’s image worldwide. This industry has demonstrated flexibility to relentlessly continue on path

of growth in international and domestic market as shown in figure 3 and key features of India’s IT-BPM market are shown in figure 4.

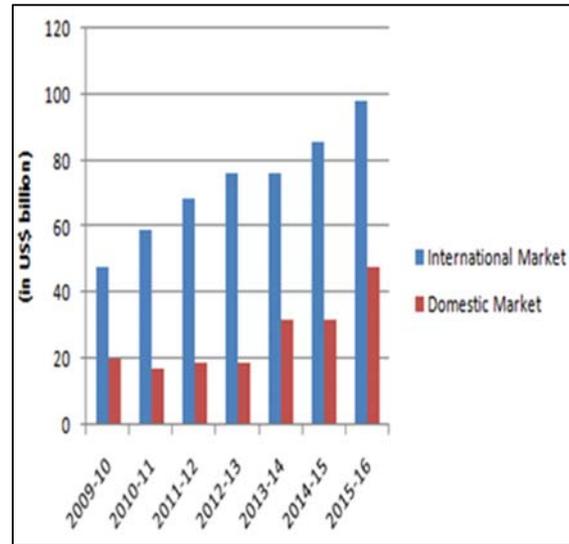


Fig 3: India’s Performance in Sourcing Market

<p>Economic</p> <ul style="list-style-type: none"> > 9.3% share in GDP > 45% share in services exports > US\$ 7 billion FDI > US\$ 5 billion startup investments 	<p>Employment</p> <ul style="list-style-type: none"> 3.7 million employees 10 million indirect employment
<p>Technology</p> <ul style="list-style-type: none"> 56% share in total sourcing market > 350 million internet users 	<p>Social</p> <ul style="list-style-type: none"> 1.3 million women employed SMAC (social, mobility, analytics, cloud) market

Fig 4: SWOT analysis of Industrial Readiness in India

The introduction of cloud technologies and recession in global market the IT-BPM sector reflected a sluggish response with growth of only 0.4% in 2015 but same for India remain 10.3%, which show that Indian IT-BPM sector is still in buffer zone away from financial instabilities. Also the recent initiatives by Union and State Government have pushed the sector up and it is expected that it will be 3rd largest market in Asia Pacific by 2016 and 2nd largest by 2018 with an average growth of 14-15%. Since IT-BPM sector require specific skills and infrastructure along with demographic and strategic location. In last decade Philippines, China and Brazil remains the main competitor of India in attracting the business opportunities but owing to its sector friendly advantages, India remain ahead of them. The availability of vast English speaking talent pool and willingness to work around the clock has also makes it a favourite sourcing destination in world. Figure 5 presents the availability of skilled employable talented pool available in these countries while figure 5 reveals the India’s advantage in this area.

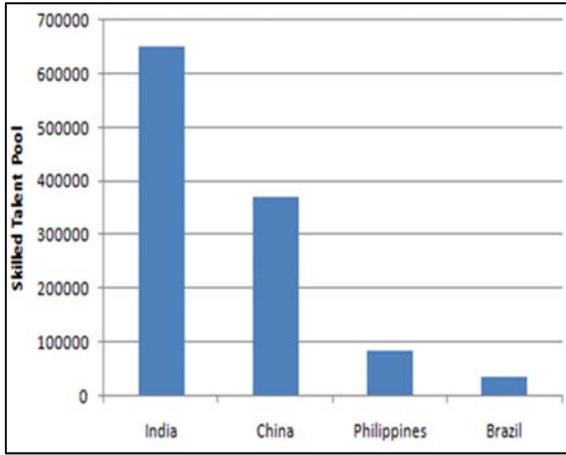


Fig 5: Availability of Talent Pool in Sourcing Destinations

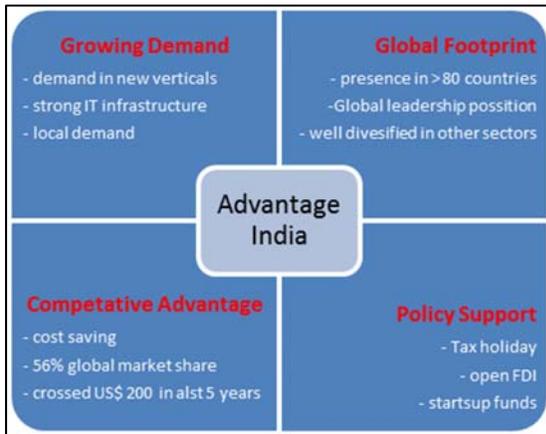


Fig 6: Advantage India in IT-BPM Sector

India’s IT-BPM sector marks its presence across the globe with availability of major players in more than 80 countries and 6 continents. The USA is biggest importer of services from India which provides 62% of gross revenue of the sector while USA-UK collectively counts for 79% share. The geography-wise revenue partnership is shown in figure 7.

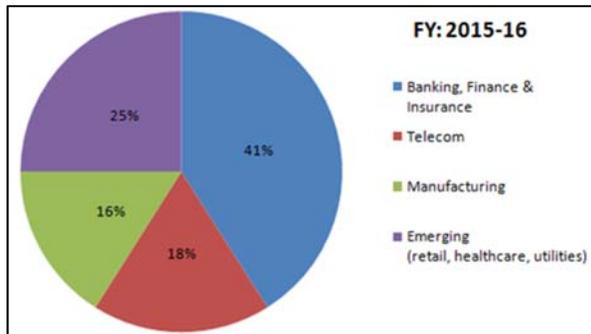


Fig 7: Export Shares from different Verticals

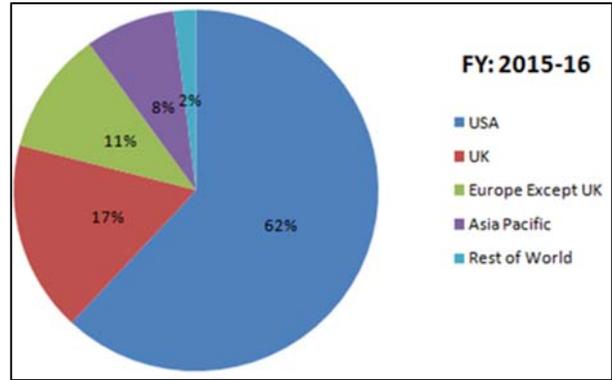


Fig 8: Geography-wise Share of IT-BPM Export

3. IT-BPM as Green Posture Sector

The IT-BPM sector poses dual advantage of being a independent sector in itself as well as service provider to other sectors. The main goal of Make in India campaign is to encourage Export and FDI inflow. In the arena of IT-BPM India have already holds a position of global leader. The recent campaign of Government will help in gaining the new opportunity of growth to this sector. Since the Make in India is undergoing under mission mode programme and Government is extending every possible help to attract the investors. Funds are raised for startups, technology parks are established and collaboration executed to flourish the sector. Figure 9 shows the new directions available to explore under the programme. Since legal frame work is required to build confidence among investor and business community. The internet and data are central to every IT-BPM and its proper facilitation is pre requirement to initiate the business process and a seamless availability and legal security is need of hour in this realm. In figure 10 various such issues are compared in context to some major players.

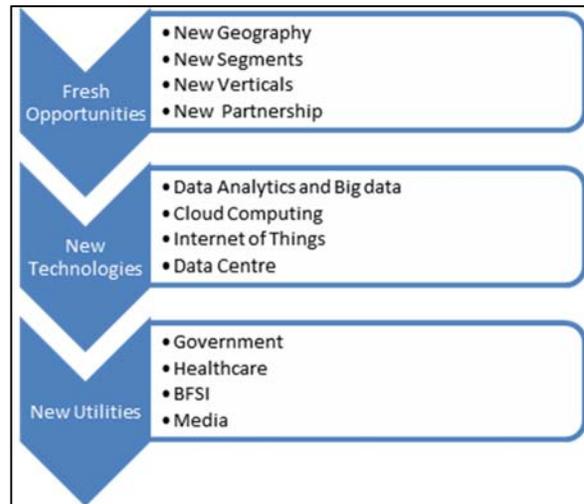


Fig 9: New Directions for IT-BPM under Make in India

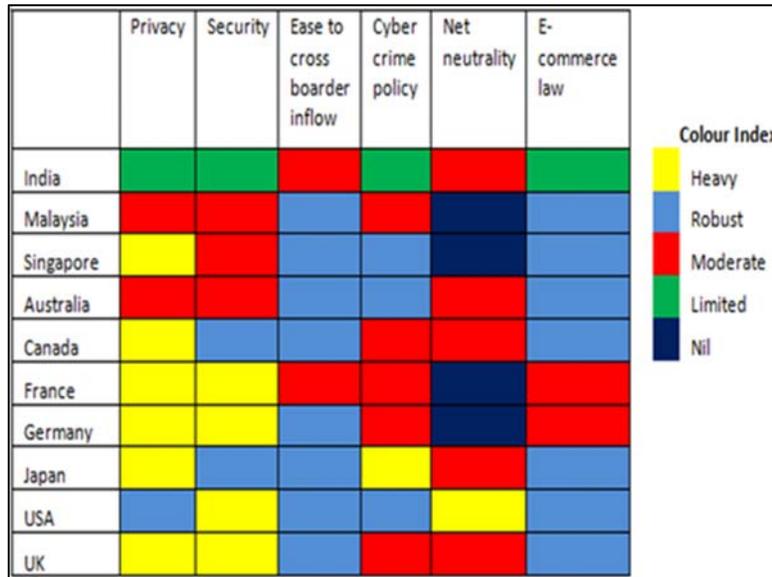


Fig 10: Availability of Essential Legal IT Framework

4. State Support

The main feature of Make in India programme is that it fetches a bunch of business friendly initiatives from Government. The reforms such as land, labour, electricity, registration, data usage and foreign funds regulation are

either modified or pipelined since the inception of programme. Sops are provided to lure the domestic and foreigner contributors. The main state initiatives on the front of tax, infrastructure and law are shown in figure 11, below.

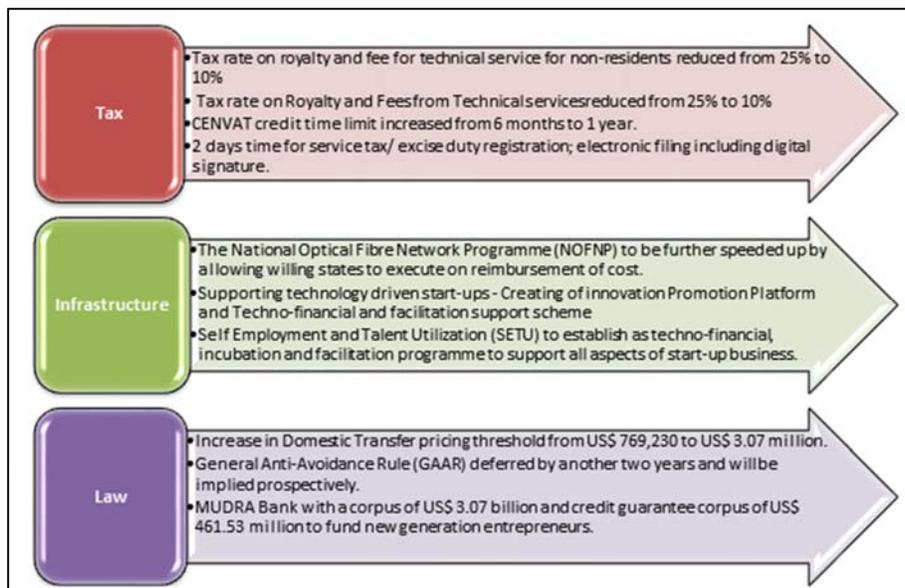


Fig 11: Reforms by State (Source General Budget: 2015-16)

5. Conclusion

This paper has studied the India’s IT-BPM sector in context to Make in India campaign. In the light of study it reveals that this arena poses dual benefits for industrial sector. Also, India already holds a position of global leader. The business drivers are available which support it in domestic and global market. The Union Government of India is extending every possible help ranging from fund flow to revive legal structure to ameliorate export and FDI inflow. Based upon study we conclude the business houses and Government should pay special focus to this sector to harness a good wealth of revenue from it.

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