

# Increase in the Indian Economy Due to the Indian IT Sector

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**Abstract:** Currently a worldwide powerhouse, India's Information Technology (IT) sector has had a significant positive influence on the country's economic development. In terms of GDP, employment, and foreign currency profits, the sector has significantly boosted the economy. Nearly all economic sectors have seen increases in productivity and competence thanks to the IT industry. It has made a significant contribution to establishing the nation as a favored investment destination for international investors and producing a significant amount of employment possibilities in India as well as the USA, Europe, and other regions of the globe. Since it has shown its ability to provide both on-shore and off-shore services to customers worldwide, India is the top offshoring location for IT businesses worldwide. The Information Technology/Information Technology Enabled Services (IT/ITeS) sector in India, which has a dominant position internationally, has been gradually boosting exports and generating job opportunities. The Indian middle class has gained a significant position and its level of life has significantly improved thanks to the IT industry. In comparison to other economies, India's IT sector has grown remarkably. The Indian economy has grown as a result of the industry's advancements in revenue growth during the last two decades. In this essay, we have examined the many contributions that India's IT sector has made to its development.

**Keywords:** Information Technology, BPO services, Business Process Management, Gross Domestic Product, FDI.

## 1. Introduction

The information technology (IT) sector is crucial to the 21st-century knowledge economy, which is technology-driven. India's excellent IT sector has helped it gain recognition as a knowledge economy on a global scale. The primary components of the IT sector include IT services, IT-enabled services (ITES), and online commerce. Hardware and software items, as well as business. This sector contributes to the development of infrastructure in which information should be stored, processed, and exchanged for critical business activities. The IT-based goods and services have grown to be essential for the success and growth of every commercial firm. This sector has It also has significant effects on raising productivity in almost every other area of the economic potential to speed up growth and economic development even further. India's IT industry currently outsources Indian IT businesses that have established hundreds of centers in India to provide software services to customers worldwide. 80 or so nations are involved. Given the 1991 economic changes and the many liberalizations,

the successive governments' actions enabled the IT industry in India to expand significantly with exponential development. The Indian economy is now growing in part because of the IT sector. GDP, employment, and revenues from foreign exchange.

## 2. The objective of the Study

1. To talk about the expansion and development of the Indian IT industry.
2. To focus on the IT industry's role in the expansion of the Indian economy.
3. To emphasize the IT industry as the biggest employer in the private sector.

## 3. Methodology

The study's data and information were gathered from several papers and articles regarding the development and performance of the IT industry that was published by different governmental bodies. Additionally, data is gathered from the Ministry of Electronics and Information Technology's yearly publications as well as other reliable government sources.

## 4. History and Advancement of the Information Technology Sector

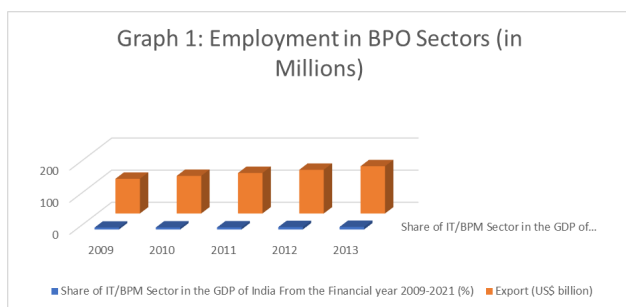
Prior to economic liberalization in 1991, the Indian government had tight supervision over the country's private commercial enterprises. These limitations on the ability of the software service providers to operate as a consequence completely stalled the development of the Indian IT industry. In 1972, the Indian government created a new software program and permitted the import and export of software after realizing the sector's potential to generate foreign currency. As Burroughs Corporation from the United States became Tata Consultancy Services (TCS) first overseas customer in 1974, this plan is regarded as the first breaking point in the history of the Indian IT sector. International integration was made feasible by economic improvements. Foreign investments were encouraged, and the severe prohibitions on doing business abroad were abolished. As a consequence, the Indian IT sector was liberated, and the outsourcing industry began to take off as more and more consumers and businesses chose to outsource their IT needs. In the previous two decades, this sector has advanced in revenue growth, which has fueled the expansion of

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the Indian economy. The government of India's liberalization policies, including the reduction of trade barriers and the elimination of import levies on technological items, are key factors in the industry's fast expansion. A leading position in the global IT sector has also been made possible by a number of other government efforts, including the creation of Software Technology Parks (STP), Export Oriented Units (EOU), and Special Economic Zones (SEZ), and Foreign Direct Investment (FDI). Between April 2000 and June 2021, the computer software and data sector in India received cumulative foreign direct investment (FDI) inflows of US\$74.12 billion.

### 5. The Largest Source of New Jobs is the Business Process Outsourcing (BPO) sector

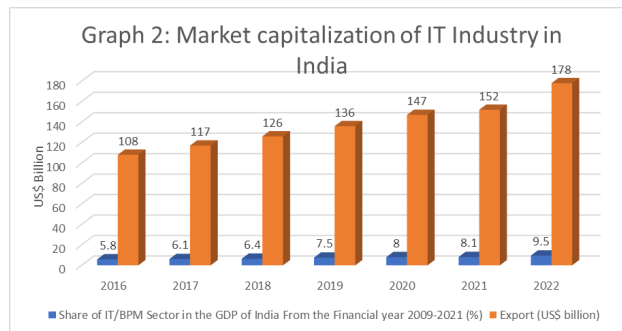
The IT/BPO industry is the largest private sector employer and has indirectly contributed to the growth of a number of auxiliary sectors. Around 4.47 million people would be employed directly in the BPO/ITeS and IT services sector in FY 2020–2021. Over 12.0 million jobs are expected to be created indirectly. In FY22, the sector gained 4.5 lakh new positions, bringing the total number of direct workers to 50 lakh (5 million). Women made up almost 44% of the new employees, bringing their entire proportion to 18 lakhs. 36% (1.8 million) of the entire industrial workforce is made up of women.



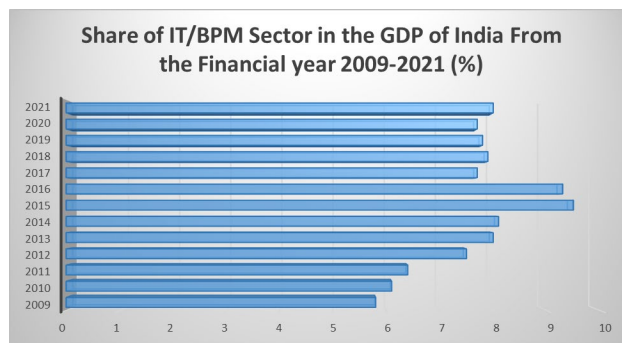
### 6. Indian Information Industry Market Cap (US\$ Billion)

From US\$ 5.0 billion in 1997–1998 to US\$ 64.0 billion in 2007–2008, to US\$ 197 billion in 2021 at a growth rate of 7.8% year over year, to an expected US\$ 227 billion in FY2022, the scale of the Indian information technology sector has expanded significantly. By 2025, the industry's size is predicted to reach US\$ 350 billion. The IT sector produced 152 billion dollars in export income in the fiscal year 2021. Throughout the entire period under observation, this number increased continuously. Due to the high level of worldwide demand and the availability of local knowledge, this industry was expanding. The Indian IT sector is still exhibiting encouraging signals and aids in

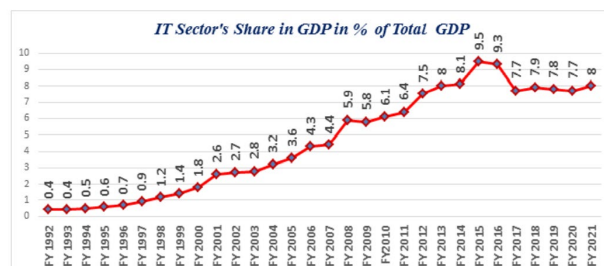
overcoming this unparalleled catastrophe at this time when the COVID-19 epidemic has affected economies throughout the globe. It has grown to be a big economic force that influences both the global and Indian economies significantly.



### 7. IT/BPM Industry's Participation in India's Gross Domestic Product from Financial Period 2009 to 2021



Graph 3. Participation of IT/BPM Sector in the GDP of India from the financial year 2009 to 2021



Source: Internet, IT Sector's Share in GDP in % of Total GDP from financial year 1992 to 2021

The amazing aspect of India's IT business is that, in addition to its growth in terms of market size, it is also gradually contributing a sizable portion of the country's gross domestic product (GDP), which is, in turn, promoting the growth and development of the nation. The IT industry's contribution to India's GDP climbed from a merger 0.4 percent in 1991–1992,

Table 1  
Employment in BPO Sectors (in Millions)

Year	2016-17	2017-18	2018-19	2019-20	2020-21
Employment (in Millions)	3.86	3.97	4.1	4.36	4.47
Net Addition (in Thousands,000)	170	105	200	205	138

Table 2  
Market capitalization of IT Industry in India

Financial Year	2016	2017	2018	2019	2020	2021	2022
Domestic (US\$ billion)	35	37	41	41	44	45	49
Export (US\$ billion)	108	117	126	136	147	152	178

to 1.2 percent in 1997–1998; 5.2 percent in 2007–2008; 5.8 percent in 2009; and it continues to rise every year, reaching 8 percent of India's total GDP in FY 2021. By 2025, its proportion is anticipated to reach 10%.

### 8. Strong Opportunities for Development

Export demand from new sectors is driving the robust expansion of the IT industry. Due to the growing need for expertise and skill, the major Indian IT giants TCS, Wipro, HCL, and Infosys are anticipated to provide 1.05 lakh employment opportunities in FY2022, while exports are anticipated to stay strong as the global IT sector continues growth. The epidemic has increased demand for cloud services globally and the Internet has become a lifeline for individuals, both for work and enjoyment, while digital change accelerates across industries. The shift to cloud services has sped up the worldwide investment in hyper-scale data centres, which is expected to reach over US\$ 200 billion annually by 2025. With the emergence of new technologies like artificial intelligence, data science, big data analytics, and cloud computing, a competent labor force is needed for a variety of employment tasks. India has the biggest and youngest labor force in the world and has matched its rising population with tremendous economic development. India now has a population that is over 50% under 25 and over 65% under 35. Indians are 29 years old on average. India has a fantastic chance to satisfy future global demand and has the potential to become a global center for sourcing skilled labor for IT services.

### 9. Conclusion and Suggestions

In the years after the reform, India's IT industry expanded at

an extraordinarily fast pace and made a significant contribution to the country's GDP. The IT sector has continuously increased and propelled India's development despite the shaky state of the global economy. This sector employs a sizable number of professional workers from India, transforming the nation into a major IT powerhouse. The whole Indian economic and governmental environment has undergone significant change thanks in large part to the IT industry. India's IT sector is making headway in developing new disruptive technologies and will be a key player in the global industrial revolution that is now taking place. The middle class in India has gained a significant position as a result of the IT industry, and the IT revolution has significantly raised the country's quality of life. Women in the workforce have received assistance from the sector. Women make up around 36% of the workforce in the IT sector, and this has been a trend from the industry's infancy. No other industrial sector has produced as many middle-class jobs as the IT/BPO sector, which makes it the largest employer in the private sector.

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