

## IMPACT OF IT-BPO INDUSTRY ON THE INDIAN ECONOMY AND THE SOCIETY

Dr. D. G. Ushir,  
Department of Economics,  
K.T.H.M College, Nasik.

### Introduction:

A recent study by NASSCOM shows that the young and ebullient Indian IT-BPO industry has contributed significantly to India's growth story by inventing, reinventing and transforming itself within a short span of time. In this article, Newline looks at some of the dimensions of the impact.

The three-decade-old IT-BPO industry has had great impact on the Indian economy and society, more than any other sector, and within a much shorter time frame.

Not only has the industry helped India to emerge as a global force, it has also given a major fillip to the country's growth, helping it to narrow down the several 'divides' that separate its society. In order to understand the extent of the impact that the IT-BPO sector has had on India's growth story, NASSCOM has worked on a special study that explores the transformational nature of its role.

Broadly speaking, the study shows that India's IT-BPO industry has made a lasting, sustainable, phenomenal and multi-fold contribution to the country's economy over the last decade. It has not only driven balanced regional development, the sector has empowered the country's diverse human resources, created an innovation platform and most importantly, put India on the global map.

Going forward, India expects the IT-BPO sector to play an even bigger role in creating balanced, socially responsible and inclusive growth for the country.

### Gaining global mindshare and market share, gaining maturity

According to the NASSCOM report, the Indian IT-BPO industry has undergone a rapid evolution, as it has kept abreast of what the global markets require in terms of products and services. Having learnt the ropes quickly in the technology sector, which was traditionally never ever a stronghold for India, the country has now positioned itself as an IT hub, a sourcing destination for IT-BPO products and services that spell trust, high quality, and cost-effectiveness. The IT-BPO industry has shaped itself into a process-oriented, Best Practices-focused and skill-rich entity that has found favour with global customers. From a time when it was taking care of unsophisticated back-end work for customers including data entry, software development and support, application development and maintenance and transaction processing of non-core activities, the sector has gravitated towards IT strategy and consulting,

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IT-BPOs are now proving end-to-end development offerings covering product innovation (conceptualization to delivery), product development (across the entire lifecycle) and more recently, business transformation and re-engineering. Clearly the Indian IT-BPO sector is now in the space that was earlier reserved for the big names in the global IT sector such as EDS, IBM, and HP among others. While the industry's value proposition in the late 80s and mid-90s was more about providing scalability and lower operating costs to clients, today it has to do with domain expertise that drives end-to-end services as well as research and development. The industry is creating more and more value for customers, having achieved scale and complexity in its offerings.

### **Building a Global Sourcing Juggernaut**

One of the biggest contributions of the Indian IT-BPO industry, is its creation of the brave new world of global outsourcing. A 'unique' industry has been crafted by Indian IT-BPOs, which has found global recognition and draws huge foreign investment. The sector in fact, accounted for over 10 per cent of India's total FDI in the last decade. Around USD 8 billion have been invested by PE/VCS over the last 10 years, with 700 deals getting signed.

Indian IT-BPO players themselves have emerged as MNCs, operating as global companies with a local blend, in the geographies where they are present. The IT-BPO sector has a footprint that covers 52 nations, 200 cities, and 400 delivery centers. 10 companies are listed on overseas stock exchanges and the entire industry addresses the needs of over 400 Fortune 500 customers.

Going global has meant that Indian IT-BPO companies are also helping boost the economies of the countries where they play, by participating in the development of the local ecosystem.

The NASSCOM study indicates that the sector employed around 3 per cent foreign nationals, and created savings of USD 25-30 billion in source economies in FY2009.

It also generated quality employment and infrastructure. The high standards of the industry in the areas of governance and quality are reflected in the fact that it has 35 per cent of all CMMi 5 registered companies, the highest proportion in the S&P ESG index. Indian IT-BPOs have invested in over 200 million sq ft of space for employees and facilities.

The industry has also emerged as a global hub for ER&D, an area it will continue to lead in the years to come. Today, India houses over 750 captives, including the world's six largest software corporations that employ nearly 20 per cent of the workforce in the country. Over 200 cross-border

acquisitions between FY2005-09 have enhanced the global presence of Indian IT-BPOs.

#### **Shaping India into a services-based economy:**

It is the IT-BPO industry that has led India's transformation into a services economy, from an agrarian economy. The sector has dominated this domain by accounting for nearly 10 per cent of India's service sector revenues and evolving a unique 'service directed' export-oriented model. The IT-BPO industry is currently contributing 9 per cent of India's incremental GDP and the per capita GDP contribution of IT-BPO employees is over 80 times that of agriculture.

According to the NASSCOM report, by 2020, the IT-BPO industry is expected to account for 10 per cent of India's GDP and 14 per cent of total services sector revenues.

It is on the exports side however, that the sector has had the highest impact. The IT-BPO industry accounts for 14 per cent of the country's total exports. Having grown twice as fast as India's total exports over the last 10 years, it has modified the country's export mix, from traditional commodities to services. By 2020, nearly 18-20 per cent of India's exports are expected to come from the IT-BPO industry.

#### **Creating employment for young India:**

The employment generation figures of the sector are equally impressive. The IT-BPO industry has created direct employment of 2.2 million and indirect employment of eight million. By 2020, the figures are expected to go up to 10 million and 20 million respectively. The indications are that significant global career opportunities will be generated due to the location-independent models.

Interestingly, the employment opportunities have touched different sections of society, going beyond the metros. Today, nearly 58 per cent of the IT-BPO workforce is from Tier 2/3 cities with 56 per cent employees being the key bread earners. The NASSCOM study shows that by 2020, four million people will be directly employed by the IT-BPO industry from Tier 2/3 locations, a 20-fold jump in the number of employees operating

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#### **Bridging the gender divide:**

At the same time, the industry has also played a major part in bridging India's gender divide, by providing equal work opportunities to the country's women. Of the IT-BPO industry's total workforce, 31 per cent was constituted by women in FY2009, accounting for 45 per cent of new intake. NASSCOM's research shows that 26 per cent of the female employees were chief wage

earners, while 20 per cent were at the managerial level or above. By 2020, five million women are expected to join the IT-BPO workforce. Clearly, women are not the only beneficiaries. As an industry that is the ‘youngest’ in terms of demographic profile and employs the highest number of Indians in the 25-45 years age group, the sector has done a lot to empower the youth.

According to the NASSCOM study, today, 74 per cent employees are less than 30 years old and 35 per cent are less than 25 years of age! The industry is meeting the changing aspirations of India’s youth by providing them high paying jobs. It is also setting new standards in terms of work environments.

The IT-BPO industry is additionally creating a livelihood for the economically backward sections of the society, with 5 per cent of the workforce from these areas.

The differently-abled have also benefited from the IT-BPO industry, gaining employment in the sector and joining the mainstream. 60 per cent of the companies provide employment to differently-abled people. The overall impact of these initiatives is that India is emerging as a skills factory for the rest of the world. Clearly, the Indian IT-BPO industry is expected to emerge as a strategic growth engine for the country by 2020, impacting the country’s annual GDP and exports, employment, regional growth, fiscal burden and innovation in the future. The NASSCOM study shows that by 2020, four million people will be directly employed by the IT-BPO industry from Tier 2/3 locations, a 20-fold jump in the number of employees operating from these destinations.

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