

India's ICT Industry: Increasing in Global Visibility and Relevance

Partha Iyengar

As India's information and communication technology market matures, it is important to assess how it will contribute toward India becoming one of the world's software superpowers.

ANALYSIS

India is a diverse, multifaceted nation with a variety of topographies, climates, cultures, languages, cuisines and work ethics. Work environments and cultures in various parts of the country can be as diverse as in the different countries of Europe.

India's Diverse Makeup

Geography: India shares borders with Pakistan and China, and has a vast coastline. Its geography is important because some of its most visible challenges — geopolitical risks arising from conflicts with its neighbors, as well as natural disasters, such as the tsunami that hit the east coast of India — could have an impact on business continuity.

Population and Religion: India is among the oldest civilizations in the world and the second most populous nation in the world after China. It is also the largest democracy in the world. With its constitution based on a secular foundation, the country is home to people of many religions. The majority of the population follows Hinduism. The second-largest religion in India is Islam. India is home to the second-largest Muslim population in the world after Indonesia.

Political State: The political makeup of India has historically been socialist democratic; however, during the past five to eight years, there has been a concerted effort to move toward a more capitalistic style of functioning. The move from a socialist planned economy to a capitalist market economy has not been smooth. Reforms are often fueled or constrained by the strength and makeup of the political party or parties in power, and the in-power party's ideology and attitude toward greater global integration of India with the world.

However, there is strong evidence that the path of economic reform and liberalization of the past few years is irreversible and unlikely to be derailed, regardless of the political makeup of the party in power. In this sense, India has achieved a separation of its economic path from the political environment.

State of India's Information and Communication Technology Industry

The recent hype surrounding India would suggest that information and communication technology (ICT) is the predominant industry in India and the primary employer. In reality, however, the ICT industry employs only a million people out of a population of approximately 1.1 billion, and a total workforce of 495 million. This constitutes only two-tenths of a percent of the workforce and one-tenth of a percent of the population. In terms of contribution to gross domestic product (GDP), ICT contributes 4.68 percent of nominal GDP and 0.7 percent of purchasing power parity-based GDP. Agriculture and manufacturing are the two largest contributors to India's GDP.

However, notwithstanding the above, the ICT industry is rapidly growing in size and importance to the overall Indian economy. Its impact is rising in terms of being a larger and more significant component of the overall export market, as well as in helping improve the local and global competitiveness of Indian companies across industries. The fact that the Indian ICT market is the fastest-growing ICT market in the world for the third year running is a strong testimonial to the increased leverage of ICT by the domestic industry.

Against this backdrop of a diverse and politically tumultuous environment — and a rapidly evolving domestic ICT market — the pieces in this collection of research examine the various facets of the Indian ICT environment and how it will affect:

- Global ICT markets
- Global enterprises

- Global ICT vendors looking to conduct business in India
- The domestic industry in India

"India's ICT Industry: Scope, Size and Client Issues" examines the quantitative aspects of the industry, including the better-known offshore service component, as well as the less-visible, but rapidly growing, domestic ICT industry.

"India's Domestic Information and Communication Technology Industry Represents a Significant Opportunity for Global and Local Vendors" discusses the growing inter-relationship and impact of the burgeoning global sourcing (offshore) service industry in India on the evolution of the domestic ICT industry.

"India's Information and Communication Technology Market: Future Evolution Scenarios" assesses the unfolding possibilities for the evolution of the Indian ICT industry in the form of three scenarios that vary from India achieving software superpower status to one of fading away into oblivion. We also discuss the drivers, inhibitors and responsibilities of the key stakeholders in each scenario.

"IT Spending Intentions of Indian SMBs" looks at the IT maturity of small and midsize businesses in India.

"User Survey: Businesses' Plans for Mobile Technology, India, 2005" details how companies in India are preparing to spend considerably more on mobile services and associated products for things such as messaging and e-mail. However, they are concerned about patchy coverage and service quality.

"Road Map for Mobile Telecom Markets, Asia/Pacific and Japan, 2006-2010" states that IT spending by India's industries will grow at a five-year compound annual growth rate of 14.8 percent and will exceed \$36 billion in 2009. The communication, financial services and service industries will spend the most on IT.

"User Survey: Mobile Data Services, India, 2005" details the results of a Gartner survey of more than 400 mobile phone users in five cities in India. Our findings suggest that carriers need to revisit their pricing strategies to encourage repeat use of data services and improve customer retention.

"Market Trends: IT Industry Analysis, India, 2004-2009" discusses trends and enterprise spending projections across 14 vertical industries in India, including external IT services, hardware, software, telecommunication services, telecommunication equipment and internal services.

"Outsourcing Takes Hold in India's Domestic Market: Signal of India's Rising Economic Profile" reviews recent outsourcing deals in India and assesses how they will affect the evolution of the domestic industry in India, growth of the outsourcing opportunity in India and the global sourcing paradigm.

REGIONAL HEADQUARTERS

Corporate Headquarters

56 Top Gallant Road
Stamford, CT 06902-7700
U.S.A.
+1 203 964 0096

European Headquarters

Tamesis
The Glanty
Egham
Surrey, TW20 9AW
UNITED KINGDOM
+44 1784 431611

Asia/Pacific Headquarters

Gartner Australasia Pty. Ltd.
Level 9, 141 Walker Street
North Sydney
New South Wales 2060
AUSTRALIA
+61 2 9459 4600

Japan Headquarters

Gartner Japan Ltd.
Aobadai Hills, 6F
7-7, Aobadai, 4-chome
Meguro-ku, Tokyo 153-0042
JAPAN
+81 3 3481 3670

Latin America Headquarters

Gartner do Brazil
Av. das Nações Unidas, 12551
9º andar—World Trade Center
04578-903—São Paulo SP
BRAZIL
+55 11 3443 1509