THE INVESTMENT HUNTING GROUND ROLE OF INFORMATION TECHNOLOGY INDUSTRY IN HYDERABAD

M. Vijay Kumar
Research Scholar, Department of Business Management
Telangana University, Nizamabad, India
Email: vijaymegvath@gmail.com

ABSTRACT

Information Technology (IT) is an essential emerging sector of the Hyderabad Economy. This paper examines the Hyderabad’s IT industry and also studied the brunt of IT on the Hyderabad Economy. The IT sector has served as a fertile ground for the enriched of a new entrepreneurial class with novel corporate practices and has been instrumental in reversing the brain drain, raising India’s brand equity and attracting foreign direct investment (FDI) leading to other linked benefits. Its contribution to the national gross domestic product is expected to be around 9.2 by the year 2015-16, quite similar to that in the United States today. Special financial assistance or export incentives are likely to be inefficient ways of stimulating the growth of the IT sector, or of positive spillovers for the rest of the economy. The same stricture applies, to some extent, to State government norms to encourage the IT sector.

Keywords: Information Technology, Hyderabad’s IT industry, FDI

INTRODUCTION

The last decade in the global field has proof a marvelous growth in the part of information technology. Rapid advances in the technologies for communication media like television, computer, internet, printing and publishing have facilitate us to get prompt access to required information. Information technology (IT) has become one of the most forceful industries in the world. It, further than any other industry or economic facet, has increased productivity, particularly in the developed world, and therefore is a key driver of global economic growth. The IT sector has come out as a major global source of both growth and employment.

IT Industry in the country had played a major role in placing India on the international map. The Hyderabad IT Industry mainly comprises of illustration System Integration, Software experiments, Custom Application Development and Maintenance (CADM), network services and IT Solutions. According to the analysis done by the annual report 2015-16, prepared by the Department of Information Technology (DIT), the IT-BPO industry was expected to achieve a revenue cumulative of US$ 73.1 billion in 2009-10 as compared to US$ 69.4 billion in 2008-09, rising at a rate of over 5 %. The report even predicts that the Hyderabad IT-BPO revenues may reach US$ 225 billion in 2020.

OBJECTIVE

1. To analyse the relationship between Information Technology and Hyderabad Economy
2. To examine the Hyderabad’s IT industry.
3. To analyse the Promotion of IT -Governmental incentives of Telangana.
LITERATURE REVIEW

The IT industry has built very expensive brand equity for itself in the global markets. The Hyderabad IT Industry comprises of software industry and information technology enabled services (ITES), which even includes business process outsourcing (BPO) industry. Hyderabad IT Industry is considered as a lead the way in software development and a favourite destination for IT-enabled services. In the year 1974, the origin of IT industry in India can be traced, when the mainframe manufacturer, Burroughs asked its India sales agent, Tata Consultancy Services (TCS) to export programmers for install system software for a U.S. client.

The Hyderabad IT industry creates under very favourable conditions. During olden times local markets were absent and government policy toward private enterprise was hostile. The Hyderabad IT Industry was begun by Bombay-based conglomerates that entered the business by supplying programmers to global IT firms located overseas. During 1970's the Hyderabad economy was state-controlled and stay behind hostile to the software industry. Even the Import tariffs were high like 135% on hardware and 100% on software. still the exporters were ineligible for bank finance. In 1984 Rajiv Gandhi became Prime Minister and the Government policy towards IT sector changed. The New Computer Policy (NCP-1984) consisted of a package of condensed import levy on hardware and software which reduced to 60%. Even during this time the acknowledgment of software exports as a "delicenced industry", to be done so that banks were eligible for finance and freed from license-permit raj, there was even the permission for foreign firms to set up wholly-owned subsidiaries. All such policies are reasons for the development of a world-class Hyderabad IT industry. Today, IT companies in India such as Tata Consultancy Services (TCS), Wipro, Infosys, HCL are well acknowledged in the global market for their IT competency.

Hyderabad IT Industry's enlargement and contribution to the world's information technology sector is of highest reputation. Metro Cities like Bangalore, Mumbai, Delhi, Chennai and Hyderabad have become the favorite destinations for all the big banners like HSBC, Dell, Microsoft, GE, Hewlett Packard, and several Hyderabad multinational firms like Infosys Technologies, Wipro, google, ubro, Amazon, and Micro land have set up their offices in these cities. As the cities offers good infrastructure, with large floor space and great telecom facilities. This could be reason for the basis of the high growth data of India and the changing outlook of the companies towards India.

ROLE OF INFORMATION TECHNOLOGY IN VARIOUS IN THE WORLD

The Still a single day without computers leaves us feeling paralytic. Information Technology (IT) has made us completely dependent for even the simplest day to day task. The recent incident of system failure at key Swiss government ministries has brought Geneva to a standstill. This demonstrate how information Technology has drastically transformed the way we carry out day to day activities. It is dynamic and vast and its absence for a day leaves a severe effect on us. Internet being the simplest form of IT has a major role to participate in our daily lives. It has become the backbone of every organization as well as house hold.

1. It has enter almost all industry verticals for instance, railways, airways and sea networks are connected with the help of IT, as information acting a vital role in the smooth functioning in those sectors and lack of even for a second can create havoc.
2. Banking is another sector that depends a lot on IT. From carrying out important transaction to storage of confidential data, IT has finished several complicated and time consuming work a lot simpler and faster with considerable amount of safety.
3. In fact e-commerce has made on line banking as well as online acquire and selling of commodities and services much easier and faster adding to the convince of the common man.
4. Similarly, the travel and tourism sector all over the world has benefited a lot from the development of IT industry. One can keep away from the crowd and lengthy procedures of
booking air or railway or bus tickets. One can choose from the best deals and book tickets online from the comfort of their living room.

5. IT plays a major role in simplifying various organizational processes. Most business enterprises rely on the power of information technology for carrying out their daily tasks conveniently and faster.

6. IT makes complex procedures easier, earlier and also helps a lot in avoiding redundancy. It lets individuals’ access necessary data ensuring the safety of confidential ones.

7. The field of education has also been blessed with the benefits of IT. Online application to universities, checking results study materials and much more has made the reach of education broad and easier.

**IT'S INDUSTRY IN INDIA**

India's much-vaunted Information Technology (IT) sector is self-possessed of two parts: the software sector and the IT-enabled sector (ITES). In both belongings, work that was earlier complete in the developed world, predominantly the US, has been 'outsourced', or constricted out, to locations in India. In the case of the ITES, the activities outsourced include call centres, medical record, data entry, ticket-reconciliation, claims processing, credit card administration, and such other routine office work as can be execute at remote locations. at the same time as this work requires knowledge of English, it does not require superior education or skills.

In IT, India has put together up valuable brand fairness over the years. In IT enabled services (ITES), India is emerging as one of the most preferred destinations for business process outsourcing (BPO). The Hyderabad IT industry is broadly categorized into IT services and software, ITES-BPO, and Hardware segments. Although IT services and software continues to remain the key contributor to the IT sector's revenues, ITES- BPO is emerging as the fastest growing segment of the sector.

**GROWTH OF INDIA'S IT INDUSTRY**

India's IT industry has confirmation phenomenal growth over the last decade. During the period from 1992-2001, the compounded annual growth rate of the Hyderabad IT services industry has been over 50%. The software sector in India has grown at almost double the rate of the US software Sector. The figures of the India’s IT industry substantiate the huge momentum acquired by the IT sector in the recent past. During the financial year 2000-2001, the software industry in India accounted for $8.26 billion. The consequential figure was $100 million 10 years back. As per the report of a study undertaken by NASSCOM-McKinsey, the software export from Hyderabad IT industry is likely to reach 50 billion US dollars in the year 2008. This growth rate of the software sector for the year 2008 has been predictable on the basis of the 35% per year growth rate achieved in the last couple of years.

Export of software and services from India is expected to add almost 41 billion US dollars to the annual revenue of the Hyderabad government in the current year. The share of technology industry in India's GDP is expected to reach 5.5% in 2008; while the corresponding figure in 1998 was as small as 1.2%. The study of NASSCOM has exposed that the growth of India's IT industry has prompted the growth of Hyderabad exports by almost 36%. Another favourable effect of India's IT bang is the development of opportunities of employment. By the end of fiscal year 2008, the IT sector of India is expected to employee around 2 million skilled Hyderabad youths. The escalation of India's IT sector has brought about much other positive revolutionize in the Hyderabad economy. The purchasing power of a large section of Hyderabad population has increased dramatically. This has resulted in an increase in the average standard of living of the high proportion of population of the country. The increase in purchasing power of the common people has pushed the growth rate of the other sectors of the economy as well. There has been considerable increase in the amount of fund available for venture capitalism and equity financing.
T-HUB: CONCEPT AND VISION

The pivot for giving outline to government’s dream will be T-Hub. T-Hub is considered for technology-related start-ups, and its mission is to catalyze the creation of one of the tightest and most vibrant entrepreneur communities in the world in order to persuade and fuel more start-up success stories coming out of India. T-Hub is a unique public/private partnership between the Government of Telangana, three of India’s leading academic institutes - IIIT-Hyderabad, ISB and NALSAR Hyderabad. The key private sector leaders. It situates at the intersection of the start-up, academic, corporate, research and government sectors.

TELANGANA ACADEMY FOR SKILL AND KNOWLEDGE (TASK)

The Government has set up the Telangana Academy of Skill and Knowledge (TASK), a society that will function as a nodal agency for all IT related skill development activities in the state. TASK will spotlight on the skill sets required for enhancing employability categorized as Personal Skills, Organizational Skills and Technical Skills and shall play a very important role for each of the following programs:

EMLOYMENT READY GRADUATES

TASK will work in partnership with the ICT industry, academia, and the Government mutually to make graduating students industry-ready. TASK will also train the trainers; by smooth the progress of faculty skill upgradation across educational institutions with the most modernized “industry synched” course curriculum. This would be facilitated through faculty development program in connection with ICT Industry.

ONLINE EDUCATION PLATFORM

TASK shall aim to use the online media as valuable mechanism to transfer knowledge to students. TASK shall pool resources with premier academic institutions, develop curriculum, hire top-notch faculty and set up the necessary infrastructure for seamless delivery of this online content. It would implement multiple delivery methodologies such as synchronous learning, asynchronous learning, self-study with subject expert, webbed blog-wikis-forums etc. based on benchmarking the leading global models in this space, such as the, Coursera, Virtual labs, MPTEL and Edex to see what synergies exist.

FACILITATION OF HIRING

The Government will provide motivation for companies willing to hire from the Government of Telangana will take proposal to promote and devote in Data Analytics. Data Analytics or Big Data is a broad term for data sets so large or complex that traditional data processing applications are inadequate. Apart from search, storage, transfer, visualization and privacy of data, challenges also include capturing and processing of data using predictive analysis methods to extract value. To facilitate research and product development in this area, the Government of Telangana will develop Data Analytics cluster. Anchor companies, world-class universities, SMEs, startups will be incentivized to participate in the cluster. Companies operating from Telangana will also be encouraged to take up Data Analytics assignments for various government departments. Government will come out with a separate policy on Data Analytics.

COVERAGE UNDER TS-IPASS

The Industries department of the government has recently brought out a new scheme, the Telangana State Industrial Project Approval and Self Certification System (TS-iPASS), which provides for habitual approvals based on self-certification. All approvals required by mega industrial projects will be given in 15 days, and for all other types of industrial projects, the approvals will be given in 30 days. Further, a right has been bequeath to the investor in that, if the agencies fail to provide the approvals within 15/30 days, the approval would be deemed to have been accorded, and the agency
which caused the delay will be penalized. All approvals pertaining to IT companies will also be covered by the TS-iPASS.

**ALLOTMENT OF GOVERNMENT LAND AND PROVISION OF INCENTIVES**

Given the fact that the Information Technology sector creates massive employment and also contributes to the state’s economy in a very significant way, the Government also needs to encourage IT companies coming to the state by providing appropriate incentives. Incentives will be offered in the following ways

1. Land cost rebate linked to employment
2. Power cost reimbursement
3. Reimbursement of stamp duty, transfer duty and Registration Fees
4. Reimbursement of patent filing/copyright costs and Quality Certifications costs
5. Recruitment Assistance incentives

**IT INDUSTRY HYDERABAD GROWTH RATE ANALYSIS**

The information and communication technology (ICT) have changed the representation of Hyderabad from a manufacturing and research hub to that of a global services intention. The city could pull towards you many Indian and foreign IT most important thus join together itself firmly with Silicon Valley. The National Association of Software and Services Companies (NASSCOM) estimate that for every one direct employment, this sector provides indirect employment to four people.

The utilization prototype of middle class youth employed in this sector opens up new opportunity of economic opportunities in the city. The trade name reflection this sector brings to the city outweighs the low level of employment elasticity in this knowledge economy, when compared to the bricks and mortar economy. However, it is wrong to assume that IT and IT-Enabled Sectors (ITES) sectors provide employment to best only. Though the urban and English educated have an edge over others, many lower middle class families coming from small towns of Telangana did find their lives extensively impacted by the employment in this sector.

As the Chief Minister, K. Chandrashekar Rao, thought at the same time as presentation the new ICT policy, IT has the impending to usher in hasty progress. Hyderabad is already a magnet which be a focus for the best in the world. The new ICT policy going to embellish it even further to construct it stand out as the most preferred destination for the IT companies.

The IT sector did have a significant force on the Indian economy in the last two decades. There has been a phenomenal growth in the IT and the ITES sectors. Revenues earned through their make a payment close to 9.5 per cent of India’s GDP of which over 65 per cent is earned through foreign exchange. The sector also provides employment to more than 35 lakh professionals directly and one crore people indirectly, making it one of the largest and most attractive private sector employers.

The IT-BPM sector has demonstrated flexibility and as per the Economic Survey 2015-16, it is expected to touch an estimated share of 9.5% of GDP and more than 45% in total services exports in 2015-16. The benefits of IT insurgenge have started penetrate to the hinterland. The Minister for IT, Government of Telangana, K T Rama Rao, said during the launch of the new ICT policy that close to 50 per cent of jobs created in this sector has gone to young men and women from the smaller towns and mofussil areas.

Hyderabad had several sociable factors to further fuel growth in IT sector. It has earned global reputation as a international city known for its assimilative cultural ethos. When the IT sectors were openings up in the country since 1990s, Hyderabad became a natural choice for the IT majors. It had become a critical national and international IT hub. The presence of leading national research and academic institutions has provided the right eco system for the growth of this knowledge-intensive sector.
In spite of challenges in employability of graduates trouble out from certain colleges, which is similar to as what the Chief Minister himself described as poultry farms, the city offers the industry with a gigantic pool of skilled man power essential for the growth of any sector. Hyderabad has global connectivity. The presence of world’s most important IT companies like Microsoft, Google, Facebook, IBM etc., provide the city a firm launch pad for further momentum in this highly competitive sector.

The Large occurrences of Telugu diaspora who have an emotional connect with the incoherent city provide the state with avenues for transmission of knowledge through emigrant nationals. According to the Socio Economic Outlook 2016, Government of Telangana, “ICT industry in Telangana State consists of Business Processing Organisations and Knowledge Processing Organisations, providing professional services across the globe. State’s ICT services are mainly oriented towards foreign markets and contribute largely to India’s IT exports. ”Over a period of time, Hyderabad has become a head of state global destination for IT and ITES industry of India, next only to Bengaluru. The IT industry in the State has grown by soar and bounds in recent years. There are 1,300 IT units employing as many as 3.7 lakh professionals in the State, with an annual export turnover of Rs 68,258 crore in 2014-15. However, in the wake of global economic slowdown, resulting in weak global demand for software exports, companies have adopted various methods such as diversification of market base towards emerging and rising countries, product diversification and cost reduction etc. explains the Socio Economic Outlook, 2016.

Hyderabad accounts for nearly 11 per cent of national IT exports. The sector registered an annual growth rate of 16 per cent in 2014-15. This is 3 per cent higher than national average growth. The new ICT policy has set determined targets. The policy statement aims at making Hyderabad the national leader in terms of IT exports and to leverage on the strong infrastructure that exists to attract more investments. The objectives of the policy include. To double the value of current Rs 68,232 crore IT exports in Telangana in five years; to double the current employment of four lakhs in five years; and to establish three tier-2 cities as IT hubs in five years. While Hyderabad will remain the centre of product development and Research and Development, companies, particularly ITES companies, will also be encouraged to situate themselves in tier-2 cities like Warangal, Karimnagar, Nizamabad etc., states the new ICT policy.

Hyderabad already has the premier electronics companies in the public sector. The Electronics Corporation of India Limited (ECIL), Bharat Electronics Limited (BEL) besides defence electronics units provided the much needed industrial base in the city even before the emergence of IT infrastructure. In fact, a large number of semi-skilled persons can get employment in this sector rather than in IT and ITES.

The sub policy on electronics plans to make Hyderabad a global hub for electronics. Two electronics manufacturing clusters will be set up in the periphery of Hyderabad. These will be dedicated clusters for electronics manufacturing. India home to a new breed of young startups has clearly changed to become the third largest bottom of technology startups in the world. Within the last one year, the number of startups grew by 40%, creating around 80,000 jobs in 2015. This emerging sector is set to get a fillip with the Startup India programme, says the Economic Survey, Government of India, 2015-16. The new ICT policy states that the Government of Telangana aims to build a booming startup eco system that will give a free rein to the entrepreneurial spirits amongst the youth and in turn aid in job and wealth creation. It aims to bring the entire startup community in the state under one umbrella, T-Hub, located in Hyderabad.

The global gaming and animation market is expected to grow to $240 billion in the next three years. A significant portion of this work is outsourced to India. Hyderabad is already home to a number of gaming and animation companies. Lot of these companies has made a mark in national and global market. The new policy aims to give a further push to it. The gaming and animation sector will further improve the global brand representation for Hyderabad, besides yielding revenue. Firm foundation, futuristic policy, strategic advantages associated with the city etc., would significantly contribute to the
Improvement and enrichment of the IT landscape of Hyderabad. Government, industry, academia etc. should be partners in this Brand Hyderabad mega venture.

**FUTURE OF HYDERABAD ITS INDUSTRY**

Former India Prime Minister Atal Bihar Vajpayee once described IT as “India’s tomorrow”. With the convergence of computing, communications, and electronics, the scope of IT is changing, as are key industries such as

1. Transportation (road, rail, air, sea, and urban transport).
2. Financial services (banking, insurance and stock trading).
3. Hospitality (hotels, restaurants, and tourism).
4. Automotive and aerospace.
5. Core industries (oil, gas, steel, and mining)
6. Services (education and healthcare) and
7. Retail.

Areas such as industrial automation and medical electronics are embracing open standards and starting to use commodity hardware. Leading companies in those domains—such as ABB and Siemens—could soon become “IT companies” Hyderabad IT is thus likely to take pleasure in stable and sustained growth for at least another decade.

**CONCLUSION**

The main stress of this paper has been to stress that IT has some special distinctiveness, both in theory and practice, which construct it a promising engine of broad based growth in India. Special subsidies or export incentive are likely to be ineffective ways of motivating the growth of the IT sector, or of positive spillovers for the rest of the economy. Similarly, special central government initiatives to increase the convenience of IT training and interrelated education are also likely to represent a wrongly targeting of inadequate government resources. The same stricture applies, to some extent, to State government policies to encourage the IT sector. State governments also may be better off removing general restrictions to doing business, as well as providing an enabling institutional infrastructure (appropriate laws and regulations), rather than endeavor to target the IT sector through a form of industrial policy.

**REFERENCES**

4. Ministry of IT Telangana State.
5. Ministry of IT Government of India.