Abstract

India's drive for technological modernization has led the economic planners and technocrats to place high priority to the development of the electronics industry. At the forefront of technological modernization, the electronics industry in India has rapidly expanded, with the computer software sector playing an important part in the promotion of exports. The Computer Industry has shown remarkable growth in a short span of around 20 years. The rise of the IT software and services industries (henceforth software industry) during the 1990s represents one of the most spectacular achievements of the Indian economy. The Indian software industry specializes in the application software category. Within the computer and related activities sector, there are only four sub-sectors whose contributions are more than 10 percent. These are (i)development, production, supply and documentation of made-to-order software based on orders, (ii) analysis, design and programming of custom software, ready to use, including analysis of the user's needs and problems, consultancy, (iii) production, supply and documentation of ready-made (non-customized) software, and (iv) data processing, etc.

A 100 percent Foreign Direct Investment (FDI) is permitted under automatic route to the E-Commerce activities in India. Software Technology Parks (STP) have been a major initiative in India to drive in FDI in the computer software industry. Measures like increased freedom of recruiting and laying-off employees, tax benefits and easing of export producers have contributed to the growth of FDI in this sector.

Four southern states namely Karnataka (19%), Tamil Nadu (13.2%), Andhra Pradesh (8.9%) and Kerala (5.7%) account for about 46.8 percent of all jobs of India. If we include Maharashtra (26.4%), then it accounts for 73.2 percent of all jobs in computer and its related activities. Southern states which are educationally more developed have more concentration of software industries. Northern states are not doing well except Delhi and National Capital Region (NCR).

India continues to retain its position as the world's leading global sourcing destination for IT-BPO services with a share of 58 percent in 2011. India's value proposition rests on its five pillars of strength namely (i) continued focus on optimal cost efficiency, (ii) unparalleled human capital,(iii) unique customer centricity, (iv)scalable and secure environment, and (v) supportive ecosystem. The sector faces challenges from both overseas and domestic markets. The overseas

challenges are lower export and slow growth, and problem of double taxation. The Domestic challenges relate to shortage of trained labour force, lack of finance, weak infrastructure facilities, and need for protection of small industries.