



**IMPACT OF COVID-19 ON INDIAN IT INDUSTRY
(CHALLENGES AND OPPORTUNITIES DURING COVID-19 PANDEMIC)**

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Abstract:

The outbreak of COVID-19 severely impacted the global economy, with disrupting into lockdown, fearing the economy of a recession, as the virus significantly affected most business across divers sectors around the world. The spread of the virus now has led countries established countries, its impact on India is relatively low than others but has a larger impact on the countries business, IT industry and economy. India is one of the world hubs of information technology enable services. Companies working in the service sector are also likely to be instantly impacted by the measures taken to certain the pandemic prolonged lockdown, and mobility restrictions. IT companies in India provide an extensive range of services to companies across almost all commercial verticals. This paper deals with the impact of corona virus on Indian IT industry during lockdown as well as covid-19 pandemic created and arising so many problems. In this regard, the paper is intended to highlight the challenges and opportunities of covid-19 in Indian IT sector.

Key words: *Market size, Covid-19Impacts, Challenges and opportunities, Government Initiatives, Achievements of IT Industry.*

Introduction

The Information Technology and enabled services has been one of the key driving forces fuelling the world's economic growth. The IT sector includes IT services, Business Process Management, software products and engineering services and hardware. IT outsourcing is the strategic use of external services and infrastructure solutions for end -to-end business outcomes which were conventionally handled by internal resources. The global sourcing market in India continues to the IT and BPM industry. India is the leading sourcing destination across the world, accounting for approximately 55 per cent market share of the US\$ 200-250 billion global service sourcing business in 2019-20. Indian IT and BPM companies have set up over 1000 global delivery centers in about 80 countries across the world. India has become the digital capabilities hub of the world with around 75 per cent of global digital talent present in the country.

Objectives: The major important objectives of the study are:

- (1) To analyse the impact of COVID-19 on Indian IT Industry
- (2) To identify the challenges facing by IT industry and opportunities during the lockdown as well as COVID-19 pandemic

Market size of Indian IT Industry

The IT Industry contributed around 7.7 per cent to the country's GDP in 2018 and is predicted to contribute 10% India's GDP by 2025. In FY 2019, the industry generated revenue of USD18 billion, which was majority driven by IT exports whereas domestic revenue totaled to around USD 44 billion. Substantial portion of export revenue was generated from the UK at 17% and rest of the Europe at 11%.



To create diversified offerings, India's leading IT services suppliers like Infosys Wipro and TCS are providing varied products, showcasing leading ideas block chain artificial intelligence to client using innovation hubs, research, and development centers. Overall, in 2017, the industry provided direct employment to nearly four million people and indirect employment to more than ten million. In 2019, the TCS revenue reached almost INR 1.5 trillion (USD21 billion) thus making it the largest India- based IT services company that year.

The component IT services market of India have attracted significant investments of India from major countries. As per the data released by Department for Promotion of Industry and Internal Trade, the computer software and hardware sector in India attracted Cumulative Foreign Direct Investment (FDI) inflows worth USD43.58 billion between April 2000 and December 2019 and ranks second in inflow of FDI overall. Recently, Tata Consultancy Services undertook a partnership with US based pharmacy company Walgreens Boots Alliance and grabbed a contract worth INR10,650 crore (USD 1.5 billion)

Impact of COVID-19 on Indian IT Industry

IT outsourcing is one of the most flourishing industries in the world. However, with the outbreak of corona virus ; a mixed impact is expected on the IT outsourcing industry. As many economies are continuing with the lockdown due to the Covid-19 issue, revenue generation for most companies across sectors has been affected while rate of unemployment has also inched upwards. Amidst fear of worsening economic conditions, the countries and companies largely depends on outsourcing are trying to control the IT service imports so that they can employ their own resources to the assigned job. For instance, two major companies of Australia-Testra and Britain's Virgin Media, which had partnered for process outsourcing with India and Philippines, have announced to give preference of employment of to candidates in host country only.

As per the UN's report, India is among the 15 most affected economies due to the COVID-19 pandemic. While there have been no contract cancelations so far by the service partners in various geographies, many clients have asked for reduced support for application and maintenance services . The disruption of world trade due to the pandemic, is expected to have a trade impact of USD 348 million on India, although it is very low in comparison to its counterparts such as Europe (including the UK), the US, Japan and South Korea.

Amidst the challenging situation due to pandemic that the IT industry is witnessing, the companies are expected to significantly see their growth slow. Large players like TCS, Infosys, and HCL technologies are at the frontline to bear the maximum jolt as the demand from clients in the US and Europe, which are worst hit by COVID-19, is expected to fall. The revenue is expected to be reduced by approximately 2-7% largely impacted by the slowdown in decision making, delay in pipeline conversion and project execution and pricing impact on core business. However, many businesses who has never given a thought of outsourcing could capitalize on this situation firms during this time to stretch their wings. Now companies are adopting from remote location, thereby requiring more could service and IT applications to effectively enhance and strengthen their information related security from cyber attacks. So on one side, when the IT industry is expected to witness pressure on new contracts and pricing, there are segments within the IT domain wherein outsourcing is anticipated to increase. Near term issue persist, though the same problems are likely to open new opportunities to some within the outsourcing services area.

The industry, which includes outsources and companies that manage IT infrastructure, derives nearly 80% of its



revenues from clients outside India, mainly in the US, and United Kingdom, which have been hit badly by COVID-19.

Another estimate by credit rating agency ICRA is less dire: It expects the industry to grow by 3 per cent to 5 per cent, versus an earlier target of 6 per cent to 8 per cent growth. In either case, the near-term outlook is uncertain.

India's IT Industry Faces Challenges

(1) Jobs are at risk

The upshot of the industry's slowdown is that hundreds of thousands of jobs are at risk. The IT services and outsourcing industry employs around 4.4 million workers and created an estimated 200,000 new jobs in the last financial year, according to the National Association of Software Services Companies (NASSCOM), a trade group. So far, many companies have said they will retain their employees and honor outstanding job offers. However, if revenues will remain depressed, layoffs could become inevitable. This would be especially true for small to midsize companies that rely on a handful of clients

(2) Decline in Spending

Pain for IT and outsourcing companies stems from a decline in spending on IT projects by companies in the US and elsewhere, especially in such sector as travel and tourism, hospitality, and aviation, which have lost 80 per cent to 90 per cent of their revenues. Less-troubled sectors, such as banks and financial services firms, are in cash-conservation mode and looking to delay new IT projects. We are receiving client requests for price reductions, discounts and extended payment terms, reported WNS, an outsourcing company based in Mumbai, in its recent earnings release. The company said its revenues are under pressure due to delays in new business and government lockdowns, which have impacted service delivery. WNS declined to provide annual guidance for this year but said its revenues for the quarter, April to June, could decline by 15 per cent compared to the same period last year.

(3) Work-from –Home issues

IT services and outsourcing companies in India struggled to shift their workforce to a remote-work setting following the nationwide lockdown. Companies scrambled to provide computers to hundreds of thousands of employees; overcome low Internet bandwidth; and get permission from clients to allow working from home, which was earlier barred due to security concerns. After initial hiccups, analysts say these companies have been able to transition more than 70 percent of their staffs to working from home

(4) Captive Centers Struggle

One segment of the IT industry that has struggled are captive centers of global companies. These centers perform certain functions for the parent company, including data analytics, IT management, and research and development. Walmart Labs US retailers Target and Lowe's are among those that have such centers based in India, to save costs and benefit from the local talent pool.

India hosts 1,400 captive centers, compared to 700 in the Philippines and 450 in China, according to a report by ISG. Around 40% of these employ fewer than 500 people. These smaller centers have struggled amid India's lockdown, which prompted industry analysts to say that some of them may eventually be sold off or shut down.

"In the future, whenever these things settle, having captive centers offshore may not be a good approach" said Rai of ISG.



(5) Digital Transformations

On a positive note, the pandemic is expected to push more organizations worldwide to undergo digital transformations, which include shifting to digital technologies to manage many business functions, including business processes and customer engagement. Many Indian IT companies already offer these services.

Companies may fund these transformations by cutting back on IT expenditures elsewhere, so it may not add to overall revenues for IT companies. But over the long run, transformation could be the big driver of the industry's growth.

“we are quite confident that the industry will show its resiliency” Rai said.

Various Opportunities:

Educational institutions will need to consider modernizing and need to integrate classroom and distance learning.

The aftermath of the pandemic will also provide an opportunity to learn from a plethora of social innovations and experiments, ranging from working from home to large-scale surveillance systems. Now most of the organization have learnt from the current situation and will adopt to digital transformation and there could adoption will see a surge.

I believe there would be an increased role of the leadership in providing direction, energizing teams and connecting the dots. Periodic online meetings will be the new norm to synchronize work force. There would be a sudden requirement for solutions for tailored communication tools catering to different scenarios, Result-oriented performance management at all levels- individuals, team enabled by digital dashboard.

The spend on R & D and development of innovative tools will increase. We have recently seen that Ministry of IT (Government of India) has already announced an award for startup to develop collaboration tools for communication. A resilient supply chain must be able to detect early warning signs of a disruption to alternative sources. It must have either a diversified supply base or some contingency plan to utilize backup suppliers. Of course, for a business to detect a disruption, it must have a good handle on what its supply chain looks like. It's not enough to know your suppliers are. Companies that are more resilient will be able to survive or even gain market shares. In the long term, companies should think about turning crisis management into risk management.

Every major business that is heavily dependent on suppliers or consumers located in regions affected by the corona virus should think about diversifying their supply bases. The better solution is to diversify the supply base, so as to have uncorrelated sources of supply. So that when one set of suppliers may be down due to a regional problem, another set might still be in operation

Government Initiatives

Some of the major initiatives taken by the Government to promote IT and BPM sector in India are as follows:

- On May 2019, the Ministry of Electronics and Information Technology (MeitY) launched the MeitY startup Hub (MSH) portal.
- The Government has identified Information Technology as one of 12 champion service sectors for which an action plan is being developed. Also, the Government as set up a Rs 5,000 crore (US\$ 745.82 million) fund for releasing the potential of these.
- As part of Union Budget 2018-19, NITI Aayog was to set up a national level program to enable efforts in AI[^] and leverage AI[^] technology for developing the country.



- National Policy on Software products-2019 was passed by the Union Cabinet to develop India as a software product nation.

Achievements

Following are the achievements of the Government during 2019-20:

- About 200 Indian It firms are present in around 80 countries
- Total export revenue of the industry is expected to grow 8.1 per cent y-o-y to US\$ 147 billion in FY 20. IT & BPM sector accounted for the largest share in the Indian services export at 45 per cent.
- Total number of employees grew to 1.02 million cumulatively for four Indian IT majors (including TCS, Infosys, Wipro, HCL Tech) as on December 31,2019.
- Indian IT Industry employed 205,000 new hires and had 884,000 digitally skilled talent in 2019.

Road Ahead

India is the topmost off shoring destination for IT companies across the world. Having proven its capabilities in delivering on both-shore and off-shore services to global clients, emerging technologies now offer an entire new gamut of opportunities for top IT firms in India. The IT industry is expected to grow to US\$ 350 billion by 2025 and BPM is expected to account for US\$ 50-55 billion of the total revenue.

Conclusion

The Indian IT industry is the major contributor to Indian economy. Now a day's it may suffer as a result of the COVID-19 outbreak. It may ultimately affect the global economy. Since the industry is interconnected and interdependent, it is necessary to understand the Impact of a pandemic on one industry so as to anticipate which other industries may also be affected. In the future, there is a need to perform a risk assessment for the COVID-19 outbreak. Therefore, there is a need of helping this sector to come out of this pandemic situation. To inject the life blood to the IT sector, along with the temporary relief program the Government must plan for medium and long term requirements of IT industry to strengthen this sector.

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