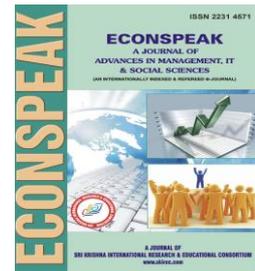




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ECONOMIC DEVELOPMENT IN INDIA: A RESPONSE TO THE INFORMATION TECHNOLOGY (IT) REVOLUTION

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Abstract: Information Technology (IT) has revolutionized the way in which we live, work, study, learn, play, and do business. The digital revolution has given mankind the ability to treat information with mathematical precision and to transmit it at very high accuracy. In every society, IT is one such sector that has contributed towards development in all other sectors. The more intercession IT has revealed, more contribution businesses have made. India being a developing society has also acknowledged such benefits. Indian economy has been benefitted by the development in IT. Thus, this paper argues that economy of India has grown with development in information technology.

Keywords: Development; Economy; Computer; Information Technology; India.

The development of a society is usually accompanied by significant shifts in the structure of its economy. Economic development implies improvements in health, education, and other aspects of human welfare [1]. There is another aspect that the term economic development is often used in relation to Third World societies. This is because of the reason that it leads to: i) growth in consumption, ii) improved distribution of wealth and public welfare, iii) how the increased output is used, and iv) by whom [2]. Such a development in the economy of a country also depends upon the development of information technology. Information technology is considered an advanced sector as it is increasingly moving to the core of national competitiveness strategies around the world. It carries a revolutionary power as a critical enabler of growth, development and modernization of a society [3]. Information technology (IT) is, according to the Information Technology Association of America (ITAA), “the study, design, development, implementation, support or management of computer-based information systems, particularly software applications and computer hardware” [4]. It deals with the use of electronic computers and computer software and proves us with the ability to create, convert, store, process, transmit, protect, and securely retrieve information.

The Information technology revolution is probably the most important force shaping communities today. While some of the key forces behind the IT revolution are universal, the impacts on any given community will be unique, depending on its individual make-up, economic structure, attributes and responses [5]. The IT revolution is also referred to as information revolution. “A few decades back communications used to be between people. But now inanimate objects are getting into the act – books can tell the cash registers how much they cost; identity cards can tell the door lock whether to open or not; automated guided vehicles can tell the host computer where they are in the shop floor, what they are carrying, and when they will be free; missiles can compare the landscape with their own map and hit the target with pin-point precision; on the internet people engage in lively chats, discussions, and play games even if they are physically in different continents” [6]. The computer sales in India have grown by leaps and bounds – from just under one million four years ago to a little over three million units in the last fiscal year, up 32 per cent over the preceding year. But they account for less than one-50th of global computer sales. The world over, 100 of every 1,000 people are connected to the Internet. In the high-income Organisation for Economic Cooperation and Development (OECD) countries, 500-plus of every 1,000 people are Internet users. Even in Third World countries such as Mexico, Lebanon and Malaysia, or the United Arab Emirates, Internet connectivity is 100 to 300-plus per 1,000. In India, it is about 20 [7]. “Bangalore, with its 1, 60,000 IT and BPO workers, is described - without the batting of an eyelid – as India's Silicon Valley, or a serious competitor to it” [8]. In recent years, India has become a major exporter of software and software services. Software exports, which grew by 30 percent in 2003, now constitute 32 percent of India's total exports. Information technology has helped India's economy grow by roughly 6 percent a year since 1990 [9].

India's GDP and IT Sector Year	GDP at current prices (Rs. Billion)	IT sector (Rs. Billion)	IT sector (US \$ Billions)
1994-95	9,170	63	2.0
1995-96	10,732	99	2.9
1996-97	12,435	137	3.8
1997-98	13,900	187	5.0
1998-99	16,160	248	6.1
1999-00	17,865	371	8.7
2000-01	19,895	554	12.2

Table: 'A' Source: (www.adb.org) & (www.nasscom.org/it_industry/indic_statistics.asp) [10]

The table 'A' provides statistics on the overall size of GDP, and on the size of the IT industry, in billions of current Rupees. The IT industry figures are not necessarily as accurate as the GDP figures, and they are based on revenues rather than value added, so they are not conceptually directly comparable. Nevertheless, this table gives an idea of the growing importance of the IT sector in India's economy. The IT sector grew over this six-year period by a factor of nine, whereas GDP slightly more than doubled in the same period. The table also gives dollar equivalents for the IT sector figures: these reflect the changing exchange rate over the period, though again there appear to be some discrepancies. With the Rupee falling against the US dollar over this period, the dollar value of the IT sector grew by a factor of six.

There is also another side of story that "the success of India's software industry on the global stage has captured the imagination of Indians in a way that only cricket and hockey successes could in the past. Indians (or people of Indian origin) have become leaders of, as well as contributors to, the information technology (IT) revolution in the United States, reinforcing the impression that India is world class in IT. At the same time, India remains an extremely poor country, with levels of human development for the masses that put it in the same league as sub-Saharan Africa. From this perspective, India's IT success represents the emergence of another elite enclave, with increased inequality the result" [11].

Information technology has shifted the paradigm of the economy. In a macroeconomic sense, information technology affects the patterns of production, investment and employment. In a microeconomic sense, information technology changes business activities. In other words, thanks to advanced information technology, knowledge-based workers, who create and utilize information, play a key role in economic activities. In addition to yields and value added, it becomes important how much information can be converted into useful knowledge. Knowledge itself, not a physical good, will be a valuable product. So, we can easily infer that knowledge-creating organizations like research institutes and universities, will find their increased roles as a place for economic activities. There are possibilities for broad-based IT-led economic growth in India, including increasing value-added, using better telecom links to capture more benefits domestically through offshore development for developed country firms, greater spillovers to the local economy, broadening the IT industry with production of telecom access devices, improving the functioning of the economy through a more extensive and denser communications network, and improving governance [12].

Consequently, with an advent of IT revolution, Indian government has approved significant banking reforms. While some of these relate to nationalized banks (like encouraging mergers, reducing government interference and increasing profitability and competitiveness), other reforms have opened up the banking and insurance sectors to private and foreign players. Currently, India has more than 88 scheduled commercial banks (SCBs) — more than 28 public sector banks (that is with the Government of India holding a stake), more than 29 private banks (these do not have government stake; they may be publicly listed and traded on stock exchanges) and 31 foreign banks. They have a combined network of over 53,000 branches and 17,000 ATMs. The public sector banks hold over 75% of total assets of the banking industry, with the private and foreign banks holding 18.2% and 6.5% respectively [13]. Thus, augmentation in commercial sector for the reason of information technology eventually leads the economy of a nation to go up.

CONCLUSION

At the end of the twentieth century in India, there has been an essential transformation of the economy. Information technology brought about a drastic makeover in capital economy of the country. The rise of technical expertise especially in metropolitans resulted in the development of a new culture. Not only that development cropped up in economic sector but IT brought alterations to other related institutions as well. After industrial revolution, which has been the event of great historical importance, IT revolution has affected every aspect of human life. In India, IT has contributed in various forms towards the economic development of the country and ultimately to achieve the progress for the global information society. Increase in the number and variety of jobs is also an outcome of IT revolution. Therefore, if economic development is the primary objective of the majority of the world's nations, it can be said that the economic development of any country also depends on the growth and development of information and communication technology.

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