

Infotech in 2020: The \$300 billion question

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From \$4 billion in 1998 to over \$60 billion today, the information technology (IT) and IT-enabled Services (ITeS) industry has become a major driver for India's economic growth.

A National Association of Software and Services Companies (Nasscom) study by McKinsey suggests that the industry has quadrupled its GDP contribution to four per cent and contributed to 45 per cent of urban employment created in the last 10 years. The sector employed over two million people and gave impetus to new entrepreneurs and increased the number of tertiary education institutions in the country. The industry has also enhanced India's credibility as a business destination, forging relationships with most of the world's biggest companies.

However, the next decade will see the industry at an inflection point: About 80 per cent of new growth opportunities will come from markets that are not currently core to the IT industry. In fact, we predict that India's total revenue potential in 2020 — including exporting traditional IT/ITeS services, IT for the domestic market and exporting IT-enabled innovations — could touch the \$300 billion mark.

To ensure growth in exports for the IT services industry, it would have to develop different business models to serve new markets with entirely different needs — from core markets such as Fortune 500 companies in banking, financial services and insurance (BFSI), telco, and manufacturing in developed economies. Small and medium enterprises (SMEs), BRIC countries (Brazil, Russia, India and China), and several new sectors like public services, healthcare, media and utilities will emerge as the growth engines of the future. Each of these will require new business models to hold on to the opportunities.

For example, BRIC countries will require distinctive value propositions beyond mere labour arbitrage. Similarly, targeting SMEs will require moving from account-centric service delivery to product-based service platforms. Here, exports alone can contribute \$175 billion.

Similarly, in 2020, the domestic IT/ITeS business opportunity could be as high as



The industry has contributed to 45 per cent of all incremental urban employment created in the last 10 years

\$50 billion — the equivalent of our total exports today. A recent McKinsey survey of top CEOs and CIOs of Indian banks suggested that IT was among their top three priorities, and almost 75 per cent were planning to increase their future IT spend. The IT industry will need to reorient itself to prepare rapidly globalising Indian banks and corporations as they scale up to international competition.

ICT-enabled innovations in healthcare, education, financial services, and public services can drive the socio-economic inclusion of 30 million citizens each year — faster, cheaper and more effectively than traditional models. For example, around 40 to 50 per cent of India's population is out of the range of primary healthcare centres and services.

Innovative solutions such as remote diagnostics and mobile healthcare can overcome the limitations of traditional models and give us a real opportunity to achieve inclusive growth. India can also become a laboratory for innovation for the world in at least three areas — energy efficiency and climate change, mobile applications, and clinical research outsourcing — that could contribute an additional \$50-75 billion of the total opportunity.

Challenges

But creating global innovation hubs will need focused corporate investment in R&D, a significant increase in the number of postgraduates and increased collaboration between Government, industry and universities. IT-enabled inclusive growth will require enhancing IT literacy, developing broadband penetration, and implementing a national information infrastructure like Aadhaar. Capturing the export opportunity will require a six-fold increase in talent from the current two million to 13.5 million and growth of 10 to 15 Tier-II cities with world class infrastructure.

But at the current pace of reforms, infrastructure development and corporate innovation, we expect nearly half (\$150 billion) of the opportunity not reaping its potential. Whether India's public and private stakeholders can act and deliver on the full potential, that is the 300-billion dollar question.

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