



New Avenues of Entrepreneurship: IT Enabled Services

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Abstract

IT revolution and emergence of new business models have changed the landscape and counters of business drastically. The post-world war period saw both the corporate and national entrepreneurship attaining new heights. Today entrepreneurial efforts of China and India are visible through phenomenal rate of growth. The major cities that account for about nearly 90% of the sector's exports are Bangalore, Chennai, Hyderabad, Trivandrum, Delhi, Mumbai and Kolkata. Bangalore is considered to be the Silicon Valley of India because it is the leading IT exporter. The Government of India recognizes ITES-BPO as a major thrust area and provides incentives to industry players. Today, Bangalore is known as the Silicon Valley of India and contributes 33% of Indian IT Exports. IT-ITES entrepreneurs created wealth for themselves, their employees, their company and the nation through product development, engineering services and R and D. The present paper discusses the current situation in the field of IT-ITES in India as a new field for entrepreneurship.

Key Words: Entrepreneur, Entrepreneurship, IT, ITES-BPO

Introduction

Information technology in India is an industry consisting of two major components: IT Services and business process outsourcing (BPO). The sector has increased its contribution to India's GDP from 1.2% in FY1998 to 7.5% in FY2012. According to NASSCOM, the sector aggregated revenues of US\$100 billion in FY2012, where export and domestic revenue stood at US\$69.1 billion and US\$31.7 billion respectively, growing by over 9%. The major cities that account for about nearly 90% of the sector's exports are Bangalore, Chennai, Hyderabad, Trivandrum, Delhi, Mumbai and Kolkata. Bangalore is considered to be the Silicon Valley of India because it is the leading IT exporter (Singh Taranjit and Batra G. S : 2).

IT revolution and emergence of new business models have changed the landscape and counters of business drastically. The wealth creation has shifted from money, material and machines to brains and business strategy. The path to progress has changed from capital and labour to innovation and entrepreneurship. Besides, land, labour and capital, entrepreneurship has become the fourth mainstream of economics. In the 20th century Britain, France, Portugal, Spain and Holland showed national entrepreneurship. The post-world war period saw both the corporate and national entrepreneurship attaining new heights. Today entrepreneurial efforts of China and India are visible through phenomenal rate of growth. During the period of globalization the trans national companies created wealth across the world and some of them like Microsoft grew so big that their size of economy became bigger than the size of economy of some of the nations. Entrepreneurship has thus become the key to wealth creation and development; be it individual, corporate body or nation. (Sahay and Chhikara: 35-36).

Even though over 400 million individuals in developing countries are owners of new firms, entrepreneurship in developing countries finds little attention from educationists and researchers. India has shown continued rapid growth in IT-ITES industry. IT-ITES entrepreneurs created wealth for themselves, their employees, their company and the nation through product development, engineering services and R and D. (ibid: 36). Many NRI entrepreneurs and other overseas-based professionals are now looking towards India as a destination for setting up their new businesses. Many of such NRIs have had a huge role to play in setting up of new IT and ITES firms. (Roy :2).

1.1 Concept of Entrepreneur and Entrepreneurship

1.1.1 Concept of Entrepreneur:

Different Scholars have defined the term 'entrepreneur' in different ways. Yet no consensus has been arrived at on the price, skills and abilities that makes a successful entrepreneur. Eminent Scholars have conceptualised the term 'entrepreneur' in the following ways.

Richard Cantillon defines the term entrepreneur as "the agent who buys means of production at certain prices in order to combine them into a product that he is going to sell at prices that are uncertain at the movement at which he commits himself to his costs (Cited from Badi and Badi 2005 : 19).

According to Noah Webster, "Entrepreneur is one who assumes the risk and management of business" (Cited from Desai 2004: 357).

According to Joseph Schumpeter, "a person one who introduces innovative changes is an integral part of economic growth" (Ibid.: 339).

1.1.2 Concept of Entrepreneurship:

Broadly speaking entrepreneurship refers to an entrepreneur, his vision and its implementation. Entrepreneurship is thus a cycle of actions to further the interests of the entrepreneur (Dasai 2004:337). Various scholars have conceptualised the concept of entrepreneurship in the following manner.

According to A. H. Cole, “entrepreneurship is the purposeful activity of an individual or a group of associated individuals, undertaken to initiate, maintain or organise a profit-oriented business unit for the production or distribution of economic goods and services” (Ibid.: 341).

According to Higgins, “Entrepreneurship is the function of seeing investment and production opportunity, organising an enterprise to undertake a new production process, raising capital, hiring labour, arranging for the supply of raw materials and selecting top managers for the day to day operations of the enterprise” (Badi and Badi 2005: 14). Thus various scholars have defined the entrepreneur in different ways. In general, contemporary economists agree that the entrepreneur is a business leader and that his role in fostering economic growth and development is a pivotal one.

1.2 History of Entrepreneurship:

The earliest records can be found of Tang (618-906 A.D) and Yuan (1279-1368 A.D), dynasties, when most Indian, Central Asian, Arabic, Persian, Western and Eastern European traders peddled their wares in Chinese Changan. These traders' activity was based on a model in which they borrowed funds, stocked themselves with what they presumed can be sold or bartered at profit, traveled to market place, undertook the risk of robbery and being killed as much by bandits as by diseases and carried out the activity of barter or selling.

During medieval ages, the entrepreneurship was synonymous with the construction work undertaken for both temporal and religious authorities that included construction of places, forts, amphitheatres, monuments, barracks, churches and other religious buildings. It was equivalent to today's award of civil construction projects. He was assisted by the state or the church by providing the space for boarding and lodging. The raw material was provided by the authority ordering the construction but its transportation to the site was the responsibility of the entrepreneur and he could partly draw upon the resources of the state as he was allowed to use state's manpower, namely armies and slave labour. No amount used to be fixed as a reward for the entrepreneur. It was the will of the king or the church.

In 14th century, entrepreneurship came to be identified with tax collection on behalf of the state. The state outsourced this activity and certain geographic area used to be auctioned to an individual for collection of land taxes. If the individual managed to collect taxes in excess of the auction fee paid by him it was his reward. In 17th and 18th century the entrepreneurship came to be identified with supplies made to the state authorities. The individual used to contract to supply the material to the state at the fixed price.

In his 'Wealth of Nations' Adam Smith mentioned, “enterpriser” as an individual who undertakes the formation of an organization for commercial purposes and role of industrialist as a person with unusual foresight who could recognize potential demand for goods and services.

The entrepreneurial activities came to be replaced by emphasis on industrial activities in 19th and early 20th century. The focus shifted to inventions. A number of myths have come to be associated with entrepreneurship. It has long been considered as an inherited quality of the individual. A person is either a born entrepreneur or he is not. Entrepreneurial qualities have been viewed as impossible to be acquired or cultivated. The individuals who start an industry or business are also sometimes considered as entrepreneurs. They may or may not be entrepreneurs in the exact sense of the term. The, 'born with entrepreneurial quality' myth reinforced various presumptions prevalent till a 1940s and 50s, when substantial empirical work was undertaken and earlier normative and deductive works on the subject were organized properly and scholarly. (Sahay and Sharma: 34-47).

1.3 Policy Initiatives:

The Government of India recognizes ITES-BPO as a major thrust area and provides incentives to industry players. Some of the key incentives are as follows:

- Sharing of bandwidth for disaster recovery and mission critical applications between multiple entities • Call centre approval is not required to be customer-based but specific to a place of presence (Pop), or by installed capacity at the place of termination. This not only assists in reducing the lead-time for implementation of programmes for new customers but also adds to the savings in costs and time that can be channelised for more productive usage
- Approved Internet and IPLC connectivity on the same LAN
- Allowed connectivity of a LAN in an international call centre to a domestic ISP. This enables a call centre operator to choose his service provider. Competition is expected to drive down prices while offering a higher service-reliability value proposition
- Duty-free imports of capital goods permitted for BPO companies (under the Export Promotion of Capital Goods scheme)
- The Government of India has allowed total income tax exemption on export of IT enabled outsourcing services (Sections 10A/10B of the Income Tax Act). These cover a wide range of services such as customer interaction services, BPO/Back office operations, medical transcription, legal databases, digital content development, engineering and design services, support centres, payroll/HR services, web-site services, data digitisation/GIS and online education

The Indian states represent pockets of growth, which have keenly nurtured the ITES sector. The progressive outlook and incentives provided by some of the States are outlined below.

Andhra Pradesh:-

The Andhra Pradesh Policy on Information Technology Enabled Services (ITES) proposes substantial incentives to boost the ITES-BPO sector in the state, some of which are:

- A Data Protection and Consumer Privacy Act is planned to reassure the ITES companies and their customers of the safety of their data, reaffirming the Government of Andhra Pradesh's commitment to, and respect for, consumer privacy
- 25 per cent concessional power tariff is to be allowed to the new ITES units for a period of 3 years from the date of release of power or of starting actual commercial activity, whichever is earlier

- Special packages are proposed for projects, with investment exceeding US\$ 11 million, based on the gestation period of projects, their pioneering nature, location aspects, state-of the-art technology, profitability scope for further related investments etc.
- Plans to set up a virtual Institute for ITES training
- Andhra Pradesh government is committed to improving the quality of English communication skills in the State's education system. The Institute of IT Enabled Services Training (IITEST) has so far trained about 700 students. The Institute focuses on fluency in spoken English, accent neutral pronunciation, correct usage of grammar and clarity in speech
- Exemption from zoning regulations for purposes of location
- Permission to run a three-shift operation to the IT industry
- Amendment in the Shops and Establishments Act to suit the needs of ITES industry.

Tamil Nadu:-

The State has charted a Draft Information Technology Enabled Services (ITES) Policy, 2002, which aims to make Tamil Nadu the global ITES capital. Its long term objective is to create employment opportunities and add value and wealth by leveraging the inherent strengths of the State.

In this context, key initiatives being taken by the State Government of Tamil Nadu are as follows:

- Communication Backbone: The world's biggest and India's first private submarine Optical Fibre Cable project i2i network with a bandwidth of 8.4 Tbps is underway, which will make Chennai the "Connectivity Gateway of India"
- IT Parks: Government will encourage creation of quality office space at reasonable rates through appropriate policy initiatives
- Power: Uninterrupted quality power supply is to be provided to the ITES sector at competitive rate
- Priority sector status is to be assigned to ITES companies for loans from state financial institutions
- Venture capital funds are to be created to fund start-ups and entrepreneurial efforts for catering to the ITES market
- Fast track clearance for building plans
- Clearance for use of vacant land of sick or closed industries in the existing industrial estates

West Bengal:-

The ITES market in the state has witnessed exponential growth, with over 100 per cent employee growth in the last five years. The Government has laid a policy document to boost the ITES sector.

- West Bengal Industrial Development Corporation (WBIDC) has created a venture capital fund to promote Information Technology and Business Process Outsourcing (BPO) firms in the region.
- The Government has given plots for IT-enabled services (ITES) projects at subsidised rates that are 15-20 per cent lower than the prevailing market price.
- IT and ITES firms are to be offered quality-linked incentives, exemption from payment of stamp duty and registration fees and waiver of electricity duty.
- All ITES companies are granted the status of 'Public Utility Service' providers under the Industrial Disputes Act, 1947. Given the round-the-clock nature of work that is part of the ITES industry, the Government has extended approval to industry in this segment to work on a 24x7x365 model.
- The ITES companies have an option of giving compensatory day off to an employee if the quantum of work exceeds 48 hours a week.
- ITES companies have been accorded special status to improve infrastructure availability.
- Exemption from zoning regulations when applying for an ITES company.
- ITES companies have been exempted from consumption tax on computer hardware, computer peripherals and other capital goods including captive power generation sets during the implementation stage.
- Other initiatives include provision of one-time fiscal incentives including 15 per cent subsidy on fixed capital investment. (www.ibef.org: 7-10).

1.4 Major IT Industry Giants in India:

Firm	Revenues	Employees	Fiscal Year	Headquarters
Tata Consultancy Services	\$ 11.57 billion	254,076	2012	Mumbai
Cognizant Technology Solutions	\$ 7.05 billion	185,045	2012	Teaneck New Jersey
Infosys	\$ 6.69 billion	153,761	2012	Bangalore
Wipro	\$5.73 billion	140,569	2012	Bangalore
HCL Technologies	\$ 4.3 billion	85,335	2012	Noida

(Singh Taranjit and Batra G. S: 7-8).

1.5 Indian ITES-BPO Service Providers:

Realizing the huge business potential Indian companies are expanding their presence in the ITES- BPO market. Selected domestic players include: Datamatics, HCL Technologies BPO, ICICI, Progeon, Wipro Spectra mind, etc. India is emerging as the clear choice for global majors as a base for their operations in the ITES segments, which is evident from the growth in numbers as a base for their companies in India and the breadth of their services. Select foreign players

include: American Express, Convergys, GE Capital International Services pre- deal, HSBC, IBM, Standard Chartered, Sutherland Global Services, etc.

Other prominent players in India include leading global companies such as: AOL, JP Morgan Chase, Computer Associates, Hewlett Packard, Health Scribe India, Cap Mark Overseas Processing India, Dell, Microsoft, Oracle. Besides these, many large MNCs have major investment plans for business process outsourcing to India. Some of the prominent ones are: Accenture, Bank of America, HSBC, Microsoft, Unilever, etc. (Sahay and Chhikara: 69)

1.6 The Current Developments:

The economic effect of the technologically inclined services sector in India—accounting for 40% of the country's GDP and 30% of export earnings as of 2006, while employing only 25% of its workforce. "Today, Bangalore is known as the Silicon Valley of India and contributes 33% of Indian IT Exports. India's second and third largest software companies are head-quartered in Bangalore, as are many of the global SEI-CMM Level 5 Companies." Numerous IT companies are based in Mumbai, such as TCS (among India's first and largest), Reliance,[disambiguation needed] Patni, Lnt InfoTech and i-Flex. Thiruvananthapuram (Trivandrum), the capital of Kerala state, is the foremost among the Tier II cities that is rapidly growing in terms of IT infrastructure. As the software hub of Kerala (more than 80% of the state's software exports are from here), comparisons have been drawn between Trivandrum and Bangalore. Major campuses and headquarters of companies such as Infosys, Oracle Corporation, IBS Software Services and UST Global are located in the city. India's biggest IT company Tata Consultancy Services is building the country's largest IT training facility in Trivandrum—the project is worth INR10 billion and will have a capacity of 10,000 seats. The completion of the facility is expected in 2014 or 2015.[9] In January 2012, French company Capgemini announced the establishment of the software centre at the Technopark IT hub in the capital of Kerala. At the time of the announcement, Technopark's business development manager stated: "In two years time, Technopark IT campus is poised to become one of the country's leading IT hubs". On 25 June 2002, India and the European Union agreed to bilateral cooperation in the field of science and technology. A joint EU-India group of scholars was formed on 23 November 2001 to further promote joint research and development. India holds observer status at CERN, while a joint India-EU Software Education and Development Center will be located in Bangalore. (SinghTaranjit and Batra G.S: 6-7).

Conclusion:

A number of Social scientists have contended that entrepreneurship is a key variable that links the socio –cultural milieu, with the rate of economic development. Thus socio-cultural factors play important role in the development of any country.

In India the attention is shifted from industrial entrepreneurship to service sector entrepreneurship in the last fifteen to twenty years. In the period of globalization developing countries like India and China have played an important role in the growth of IT-ITES companies. Thus India has become a leading IT service provider in the world. Service sector entrepreneurship in the field of IT-ITES is becoming more popular in the country in last fifteen years. Government of India has made available the incentives to flourish this industry in the country. Due to this IT industry the GDP of the Country is increasing which is important for the economic development of the country.

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