



As Indian IT Services industry growth slows, Indian software products industry can compensate

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Abstract: Indian IT Services Sector began roughly in late 1980s of early 1990s. In the first 20-25 the sector experienced very fast growth. However the growth is slowing down recently. But there is silver lining to the cloud. Even as Indian IT services industry growth slows down, the Indian IT software product industry is picking up speed. The Indian software product industry is already 13 billion dollars in 2022 and is likely to reach 30 billion dollars by 2025 and could reach 100 billion dollars by 2030.

I. Introduction

While Indian IT services industry was growing at breakneck speed in 1990s and 2000s, the Indian software product industry was the black sheep, and India had nothing to show for software product industry. United States had Microsoft, Oracle and Europe had SAP, but India did not have any software product industry. However that is likely to change. Indian software product industry is picking up speed and can be as large as Indian IT services Industry very soon. The bad news is that Indian IT services Industry growth is slowing down for past 10 years. But there is nothing to worry. Since, it seems that Indian IT software product

industry growth will more than compensate for slowing growth in Indian IT services industry growth.

Indian Software Product Industry: The Silent Revolution

Indian IT was always complaining that Indian IT is all about labouring for others and we do not have a strong software product Industry like United States or Europe. However this is likely to change soon. In fact according to Nasscom, Indian Software Product Industry is clocked 13.3 billion dollars in the financial year ending March 31, 2022. What is more Indian Software Product Industry is likely to reach 30 billion dollars by 2025. What is more interesting is that 40-60% of this will be from deep technology such as machine learning and artificial intelligence. There is also strong demand for Software As A Service and 50% of demand is coming from small organisations with 100 to 1000 employees. In fact 80-90% of global enterprise players are look for cloud based solutions. In fact Ramkumar Narayan, Nasscom Product Council Chairperson believe that it is even possible for India's software product turnover to reach 100 billion dollars by 2030.

Evolution of Software Product Sector in India

Years	1990s	2007 to 2012	2013 to 2018	2019 to 2022
Stage	Early Stage	Stability Stage	Growth Stage	Acceleration Stage
Revenue	30-40 million dollars	60 to 80 million	3 -4 billion dollars	More than 10 billion dollars
Number of Companies	200 +	400 +	1000 +	2000 +
Trend	Shift towards Software product business as new companies see potential in software product business	Creation of eco system as globalization of Indian economy leads to software product business gaining ground	Innovation opening new opportunities with emergence of SaaS and acceptance of Indian products and MNC strengthen base in software product market	SaaS startups become unicorns and there is listing of IPOs



Indian IT Services Industry is Slowing Down

Indian IT Services Industry was non-existent in early 1990s. However it started growing at galloping pace. The world knew about Indian IT by 2000. However from 2010 the growth rate has been slowing down.

Year	Growth Rate (%)	3 year average growth rate(%)
1992	10	
1993	34	30
1994	46	37
1995	31	35
1996	29	30
1997	30	26
1998	18	27
1999	34	36
2000	56	33
2001	10	28
2002	18	21
2003	35	30
2004	36	35
2005	37	33
2006	28	41
2007	43	25
2008	4	13
2009	-8	4
2010	16	7
2011	12	12
2012	10	14
2013	19	15
2014	17	
2015		

In fact in the past 5-6 years the average growth rate of Indian IT sector has averaged less than 10 percent. This is far below the growth rate of 35 % average experienced in 1990s and 2000s. Indian IT services industry was 116 billion dollars in 2022 and in 2023 it is expected to be 125 billion dollars. At any rate the best days of Indian IT services sector are over.

There is certain limitation to which services sector can grow. After all services means some human is doing some work. Of course with networks and telecommunication this work can be done from a remote location.

But some work has to get done local so there is a limit on how much work can be outsourced to a different nation. Hence while initially Indian IT sector grew fast, it is experiencing some brakes and friction to its growth as the potential for outsourcing is reaching plateau.

But software products on the other hand have no limit to growth. In fact software products developed in developing country can easily compete endlessly with those in developed nations

on price. Hence while Indian IT services has certain limits, Indian software product Industry has no such ceilings

When one door closes, another door opens

Of course it is not the end of world for Indian IT services industry. But there is no doubt that the heydays of Indian IT services industry are over and the growth rates of Indian IT services industry will be in single digits unlike the 33% average growth rate experienced earlier.

Indian software product industry was always the weaker brother. But now it seems that this industry is picking up speed. As per Nasscom projections by 2030, Indian software product industry can reach 100 billion dollars.

Now the global software product industry market is around 1500 billion dollars and that IT services market is around 1000 billion dollars in 2022-23, approximately of course.

Indian software product industry was always miniscule portion of Indian IT services industry. However it is now growing at such a fast space that



by 2030 when Indian IT services industry will be 200 billion dollars, Indian software product industry will be 100 billion dollars and from there sky is the limit for Indian software product industry.

Thus while Indian IT services industry is slowing down, the Indian software product industry is catching speed. Hence Indian software product industry can compensate for slowing of growth of Indian IT services industry.

References

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