

# The IT and IT-Enabled Services in India

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**The Dragon and the Elephant:  
Emerging Lessons from the  
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# I. Introduction

- The Information Technology (IT) Sector
- IT-Enabled Services (ITES)

# II. Development of the IT and ITES

- Fast Growth
- Contribution to Exports
- Employment Generation
- Increasing Importance

### III. Interaction between IT and Services

- **Traditional Services**
- Vertical and Horizontal Spillovers from IT
- IT and Tradability to Services
- **Supply-Push Mechanism: IT ↑ ⇒ Software ↑ ⇒ ITES ↑ ⇒ Services ↑**
- **Demand-Pulled Mechanism: Services ↑ ⇒ BPO ↑ ⇒ ITES ↑ ⇒ Software ↑ ⇒ IT ↑**
- Moving up the Value Chain

## IV. Some Reasons behind the Success Story

- Cheap Workforce
- Quality Control
- Patterns of Spatial Agglomeration
- The Role of the Diaspora Community
- Outward-Looking for Demand
- **Support from Financial Sector**
- Non- and Semi-Government Organizations

## **V. The Role of the Government**

- Reduced Government Intervention
- Government Organizations and Action
- Tax Policy
- Formation of Software Technology Parks
- Legal Environment
- Professional Training

## VI. Concluding Remarks

- Forwarded spillovers from IT increase tradability and exportability of services, and the demand from services pulls the IT to develop.
- Low salaries make prices cheap; quality control ensures high quality; industrial clustering enhances productivity; and out-ward looking and Diaspora community enable them to access to world market.
- The government also plays a role. Professional training is encouraged by the government and the STPs contribute to the spatial agglomeration. Structural reforms were implemented, government intervention was reduced, competition was encouraged, and the government provided tax incentive. The success of IT and ITES in India is a development with public-private-partnership.