



Measuring Business Process Outsourcing

Survey on Computer Software and Information Technology Enabled Services Export from India


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Structure of the Presentation

- Indian IT / Software Industry – An Overview
 - Data Sources
 - Details of the Annual Survey
 - Recent trends / dimensions
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Indian IT / Software Industry – An Overview

- India is an important player in global software industry.
- In external accounts of the Indian economy, export of software and IT-enabled services play an important role: net receipts (surplus) on account of trade of computer software services finance the commodity trade deficit and aid in reducing CAD.
- Indian IT / Software Industry has shown resilience in the face of marked moderation in global demand following the global financial crisis of 2008-09, though the pace of growth has moderated considerably.

	Period	per cent
Share of India's software services export to total services export	Annual	45 – 47
Export of Software services (Average growth rate)	2001-02 to 2007-08	30.4
	2008-09 to 2012-13	15.9



Data Sources on Software-related Exports – I

■ **NASSCOM data:**

- National Association of Software and Services Companies (NASSCOM: established in 1988) is a trade association of companies in the business of software development, software services, software products, IT-enabled/BPO services and e-commerce. 250 of its member companies from the United States, UK, EU, Japan and China.
- It facilitates business and trade in software and services and encourages the advancement of research in software technology.
- It maintains information base on the global software business of Indian software companies including the software business done by their subsidiaries abroad.

- **SOFTEX forms:** These are export documentation submitted by software exporters that are validated by Software Technology Parks of India (STPI), which is a government agency in India, established in 1991 under the Ministry of Communications and Information Technology, that manages the Software Technology Park scheme.



Data Sources on Software-related Exports – II

- **Foreign Exchange Transaction Electronic Reporting System (FETERS)**
 - ❑ A centralised system designed by RBI to capture all foreign exchange transactions reported by Authorized Dealer (AD) banks on fortnightly basis.
 - ❑ Under FETERS, foreign exchange transactions for both receipts and payments (goods and services) giving the break-up of BoP purposes, transaction date, currency, country, amount, *etc.*, are reported.
 - ❑ Transaction data in FETERS are collected under administrative regime.
 - ❑ Receipt on account of Off-site software exports are collected through a specific purpose code.
 - ❑ BoP Purpose codes (receipts and payments) available for IT / software services *viz.*; hardware / software consultancy, repair and maintenance of computers / softwares, database and data processing charges *etc.*



Data Sources on Software-related Exports – III

- Guided by recommendations (September 2001) of the National Statistical Commission (NSC), constituted by Govt. of India and the subsequent guidelines of a Technical Group (TG) drawing members from Central Statistical Office (CSO), Ministry of Commerce, NASSCOM, RBI and a few major exporters.
- The survey collect details of:
 - *Exports of computer services as defined in BPM and MSITS.*
 - *Select information on ITES/BPO services exports.*
 - *Software exports data as per the four modes of supply (viz., cross-border supply, consumption abroad, commercial presence and presence of natural persons) as defined in MSITS.*
- The first annual survey on 'Software and Information Technology Enabled Services Exports' survey conducted by the Reserve Bank with reference period in 2002–03 (April-March).



Survey on Computer Software and Information Technology Enabled Services (ITES) Exports

■ Survey Methodology

- The survey frame is updated annually using the member companies of NASSCOM and companies registered with STPI.
- The survey schedule is canvassed (through electronic mail) to around **6,500** companies engaged in Software and ITES / BPO services. Follow-up is done with focus on larger companies to ensure that about **75-85** per cent of the total software exports during the year are covered.

■ Characteristics on which Information is collected:

- *business activity,*
- *type of organization,*
- *exports as per major activities,*
- *country and currency wise exports,*
- *type of exports (on-site / off-site), modes of supply*
- *employment, business done by the subsidiaries / associates abroad.*



Estimation of exports by Non-Responding Companies: Methodology

- I. Based on the ITES/BPO reported activity, companies have been classified into four groups, viz., (a) IT Services, (b) ITES/BPO Services, (c) Engineering Services and (d) Software Product Services.
- II. Reported proportions are used for other companies having combination of these as their business activity, whereas
- III. Off-shore software exports component is used for estimating software export of non-responding companies.
- IV. As the observed distribution of exports was highly positively skewed in each of these groups, median is used for estimating software exports in each group.

Estimate: Software exports for i^{th} group of non-responding companies

$$= \text{median of } i^{\text{th}} \text{ group} * \left[\frac{\# \text{ reported companies in } i^{\text{th}} \text{ group}}{\text{total no. of reported companies}} \right] * [\# \text{ non-responding companies}]$$

The total software exports of India is compiled as the sum of reported software exports and the estimated software extort for non-responded companies in each of the four groups.



ITES survey – Recent Trends

Based on 2012-13 survey round, India's total Export of computer Software Services and ITES (incl.BPO services) (excluding mode 3) during 2012-13 is estimated at ₹ 3405.2 billion (US\$ 62.6 billion) [20.7 % annual growth over 2011-12]

Chart 1: Computer Services Exports and ITES Services Exports

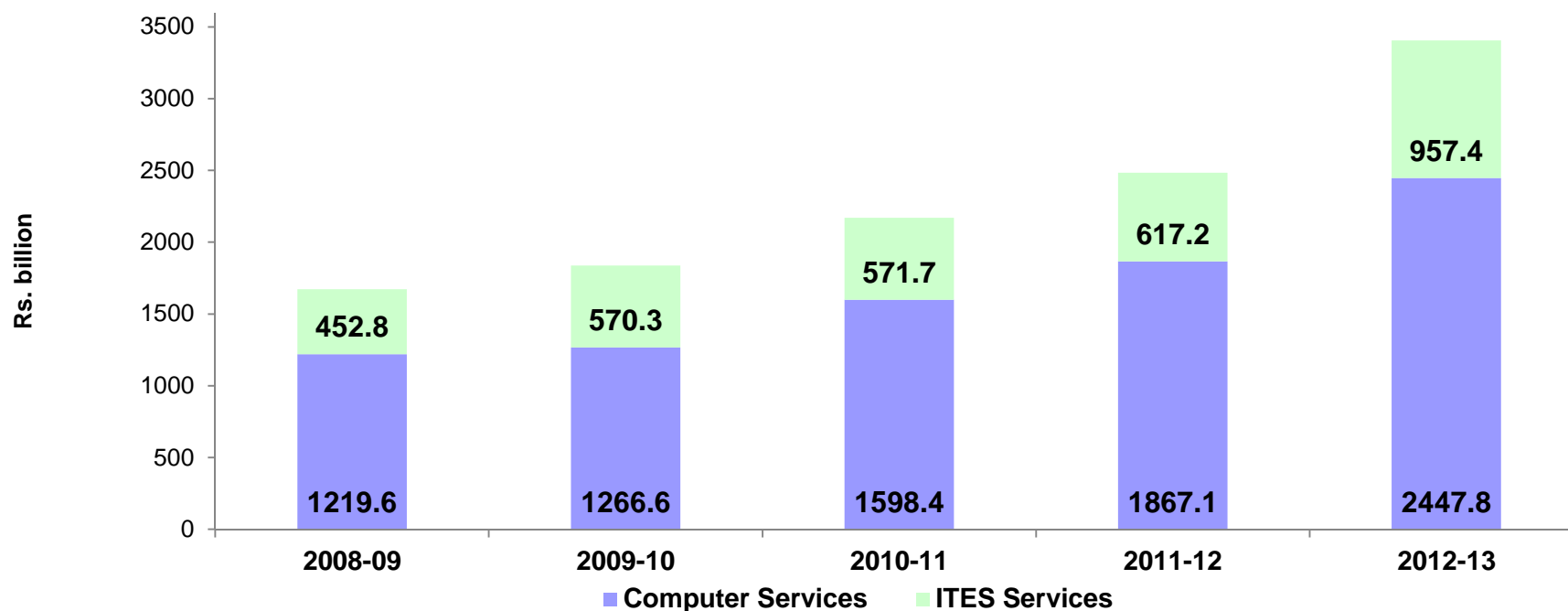




Table 1: Software Services Exports from India with Components

Activity	Share (%)	
	2009-10	2012-13
	(1)	(2)
A). Computer Services	69.0	71.9
Of which i) IT services	60.8	66.3
ii) Software Product Development	8.2	5.6
B). ITES / BPO Services	31.0	28.1
Of which: i) BPO Services	23.5	23.2
ii) Engineering Services	7.5	4.9
Total Export of Software Services (A+B)	100.0	100.0

Average growth for last five years (2008-09 to 2012-13) has been observed as 15.9 %



Table 2: Industry-wise Distribution of ITES/BPO Services Exports

(per cent)

Activity	2012-13
BPO Services	82.5
Customer interaction services	10.9
Finance and Accounting, auditing, book keeping and tax consulting services	9.7
HR Administration	0.9
Procurements and logistics	0.4
Medical transcription	0.7
Document Management	0.5
Content development and management and publishing	1.4
Other BPO service	58.0

(per cent)

Activity	2012-13
Engineering Services	17.5
Embedded Solutions	4.1
Product Design Engineering (mechanical, electronics excluding software)	5.9
Industrial automation and enterprise asset management	2.4
Other Engineering service	5.1
Total BPO Services	100.0



Chart 2: Country-wise Distribution of Software Exports (%)

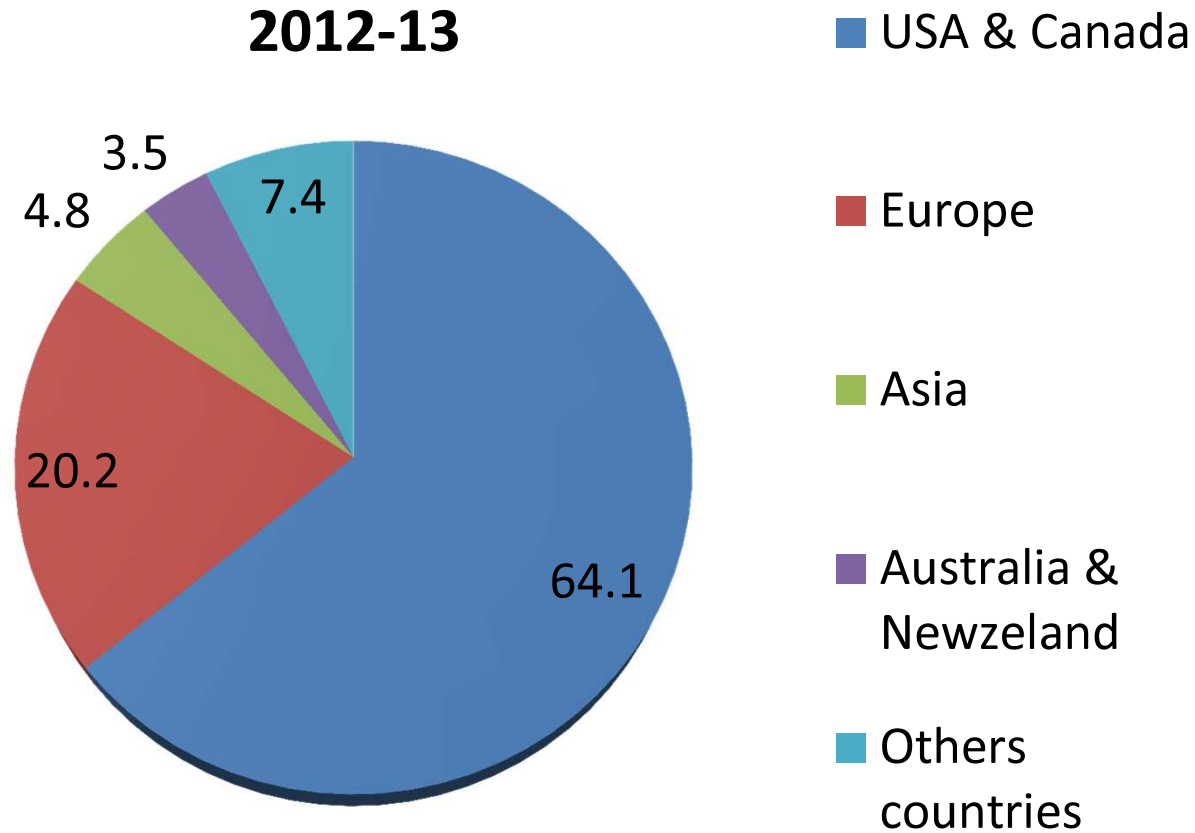




Chart 3: Currency Composition of Invoice-Software Service Exports (%)

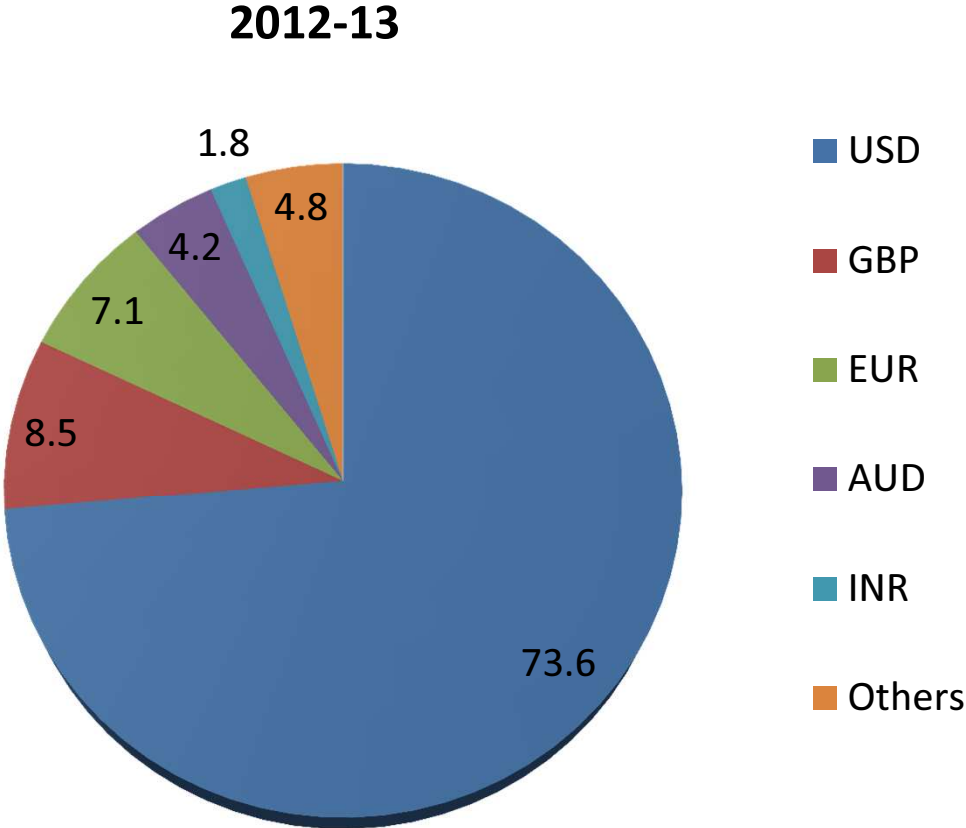




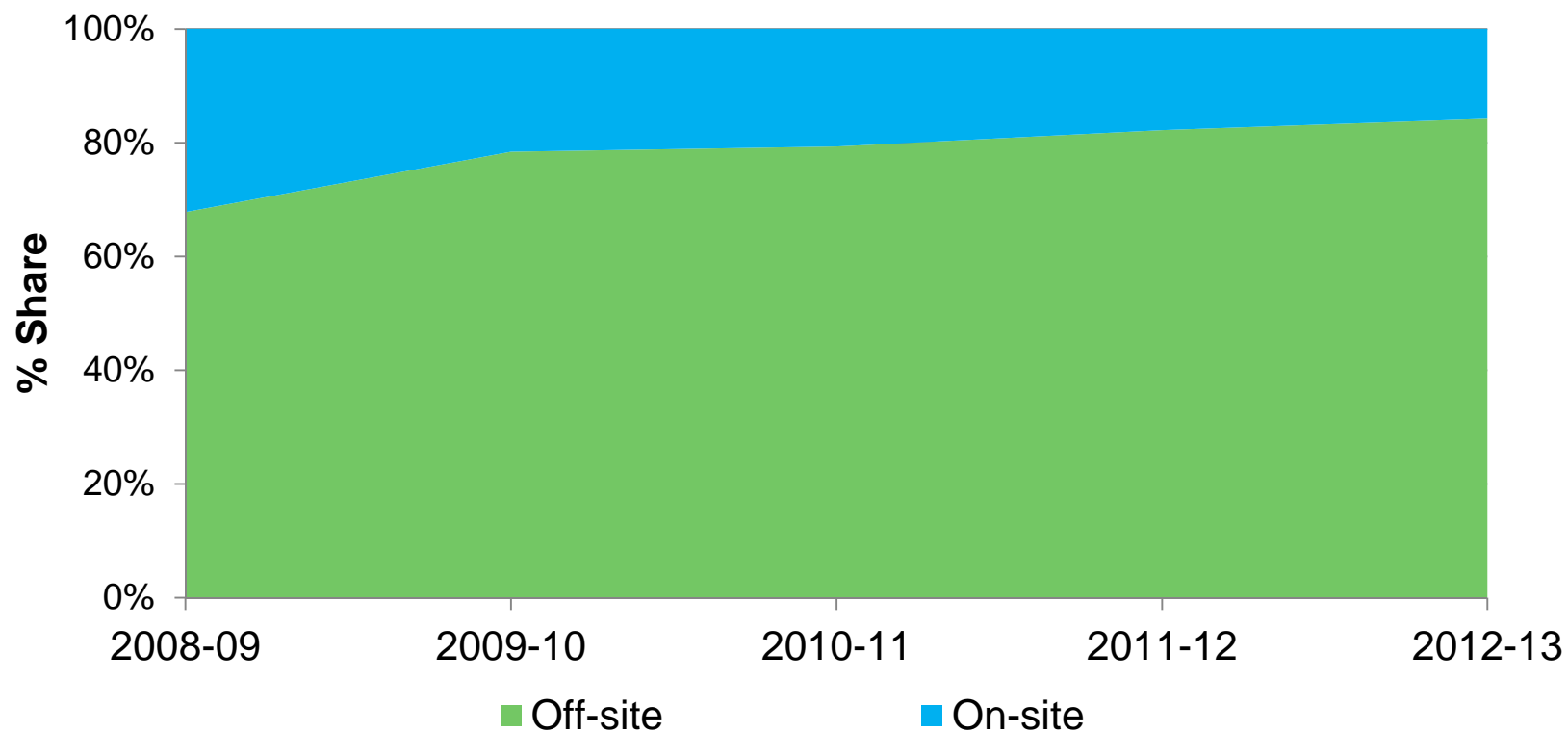
Table 3: ITES survey results

(₹ billion)

Software Exports based on ITES Survey: 2012-13		
Indian companies (Mode 1, Mode 2 & Mode 4)	Subsidiaries abroad (Mode 3 & export of Subsidiaries other than India)	Global business
(1)	(2)	(3)=(1)+(2)
3,405.2	353.8	3,759.0



**Chart 4: India's ITES Exports
(Share of On-site and Off-site)**



Source: Annual Survey on Computer Software and Information Technology Enabled Services Export (various rounds)



Table 4: Software Business by Foreign Affiliates of Indian Companies

(₹ billion)

<i>Activity</i>	2012-13		
	Locally	To India	Other Countries
IT services	23.9	1.8	0.4
Software Product Development	5.0	2.3	11.2
BPO Services	15.9	0.4	3.6
Engineering Services	1.6	0.5	0.0
Combination of above / Other services	307.4	184.6	28.9
Total	353.8	189.6	44.1



**Table 5: Software Business by Foreign Affiliates of Indian Companies:
Country-wise Distribution (per cent)**

Country	2012-13
USA	71.3
United Kingdom	6.6
Canada	4.1
Germany	3.0
Singapore	2.7
Netherlands	2.1
Other Countries	10.2
Total	100.0



Table 6: Software Exports by Different Modes

(per cent)

Type of Mode	2008-09	2009-10	2010-11	2011-12	2012-13
	(1)	(2)	(3)	(4)	(5)
Mode 1	56.3	64.6	67.4	69.0	74.7
Mode 2	0.1	0.0	0.1	0.5	1.6
Mode 3	16.8	17.6	14.8	15.4	9.4
Mode 4	26.8	17.8	17.7	15.1	14.3

The Total export in Computer Software services by India by all four Modes of Supply stood at ₹ 3759 billion (US \$ 69.1 billion) during 2012-13.



Thank You

