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Cover

Letter From India: What does the U.S. Recession mean for the Indian I.T. Industry?

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By [Raghav S. Nandyal](#)

Indian IT firms are viewing the economic slowdown in the U.S. with trepidation, fearful that their biggest market will collapse. Maybe it's time to look at India's domestic market.

On an optimistic note, recession in the United States is a blessing in disguise to bolster and improve the reach of information technology within the domestic market. It comes at a time when India is at the lower threshold of turning itself into a developed economy. Much of the developmental activities in India have so far been focused on improving the primitive but functional infrastructure. A very visible manifestation of this focus for an international traveler is the transformation of rugged airports into well-manicured ones, at least in the major metropolitan cities. By the same token, a simple but very obvious sign of low penetration of information technology in the domestic market is the absence of automatic vending machines and dispensers!

The focus of Indian IT shops so far has been to



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service clients worldwide, because that is where “affording” customers are found and because the government has created an encouraged 100 percent tax exemption for revenues earned in foreign currency. With the general slowdown of the global economy, the U.S. economy in particular, the IT sector is in trouble like never before. A number of “body shoppers” have now been forced out of business, and even the well-established ones are laying-off people — a trend unthinkable until recently. It was considered a big blow to the reputation of a company if pink slips were handed off to employees. Today, it has become the fashion.

And, if every problem is a potential opportunity, what we should soon see with these layoffs, is a very powerful economy builder: the next generation of entrepreneurs. The recession has brought with it lifestyle changes for professionals. The days of lifelong employment are over. The only guarantee is lifelong employability. If professionals have to turn into the next generation of entrepreneurs, they will have to accept their termination package as venture capital and lead the new wave of change for Indian IT. Looking at the vast potential for the domestic IT market, a strong network of enterprising individuals will make a big difference and move the threshold of development further in India’s favor.

What needs to be done now to spur the transformation of the Indian economy into a developed economy is an identification of all sectors that are human intensive and consequently prone to being low in quality and productivity. It will then be possible to assess the applicability of IT solutions and build products and services to address the needs.

The banking sector in India is a simple example that has very low IT penetration and where this metamorphosis must begin. Many developed countries have learned to leverage the value of the Internet in their banking solutions — something not done for the Indian consumer, even by multinational banks. In India, one still waits for the regular business hours of the bank to even do simple transactions such as

determining an account balance. By modernizing the banking sector, services around utilities such as electricity and telephone connections involving customer transactions can be Internet-enabled. For mistake-proof transactions, all it should take is to link consumer numbers for electricity and telephone service connections to bank accounts and the necessary transfers out of the bank account must happen automatically. With today's technology, this can be a reality, but unfortunately technology is very poorly exploited in India.

Ditto for credit card transactions involving a credit purchase with tight integration to the banking solutions. Ditto for mortgage and loan payments. Ditto for the housing sector, for advertising and payment processing of real estate. Ditto for handling and managing just-in-time inventory and stocks in the fast-moving consumer goods sector. Ditto for the food processing industry that can advertise and make commercial transactions of the large quantities of food supplies that are otherwise wasted in a country which can least afford the luxuries of waste. The list is endless, limited just by one's imagination.

The difference a networked, integrated and error-free economy and society will make is huge given today's technology and the large potential that exists in India. The Indian economy, in general, can be revitalized if only we learn to focus on the doughnut (tremendous opportunities) and not the hole in the center (the global recession).

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