

REVOLUTIONARY DEVELOPMENT IN INFORMATION TECHNOLOGY THROUGH FDI

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Abstract

Information Technology has played a wider role in Foreign Direct Investment. The under developed countries needs resources to increase their balance of payments. Generally, the State Government and Central Government has taken many Initiatives measures to improve the information technology market. Domestic savings cannot compensate the world level target market to overcome that information technology is concentrating both with foreign and domestic level market. IT industry is a revolutionary changes with possibilities of all the e-govt measures through e-health e-education, e-agriculture etc., In global map IT industry is filing income tax returns, applying for passports, online railway ticket, net banking by clicking a mouse. Information Technology can change world level market and it can make the person to meet in place with all categories of people. Through the development of IT sector the investors opportunities can be increased through generation by generation.

Key Words: Revolutionary Development, FDI and Information Technology

Introduction:-

Most of the present day under developed countries of the world have set out a planned programme for accelerating the pace of their economic development. In a country planning for industrialization and aiming to achieve a target rate of growth, there is a need for resources. The resources can be mobilized through domestic sources are concerned, they may not be sufficient to acquire the fixed rate of growth. Generally domestic savings are less than the required amount of investment. Also the very process of industrialization calls for import of capital goods which can not be locally produced.

Hence comes the need for foreign sources. They not only supplement the domestic savings but also provide the recipient country with extra foreign exchange to buy imports essential for economic development. Information Technology is a revolutionary process. Information technology has connected with various software industry markets to develop their country resources.

In today's global environment information technology played a wider role in foreign direct investment. Information Technology has become dominant factor in the field of business. It has been performing a lot of wonders in recording and transmitting information. Now days it is possible for any leading industry to have a wide global network, as the internet magic has come in to existence. Information technology essentially refers to the digital processing , storage and communication of information of all kinds. IT can potentially be used in every sector of the economy. IT is one of a special few technologies. IT has a special role in the process of innovation, because it affects the rate at which potential new ideas are converted into additions to the usable stock of knowledge in ways that nothing else can.

Ways for Foreign Investment:-

The means of getting foreign resources available to a developing country are mainly three:- Through export of goods and services, External aid and Foreign Investment

Through export of goods and services:-

Export of goods and services do contribute to foreign resources but they can meet only a small part of the total demand for foreign resources.

External aid:-

External aid from foreign governments and international institutions, by increasing the rate of home savings and removing the foreign gap allows the utilization of previously under utilized resources and capacity. But generally the aid is tied and distorts the allocation of resources. So its use has been on the decline.

Foreign Investment is of following two types:-

- ✓ Foreign Direct Investment
- ✓ Portfolio Investment

1.Foreign Direct Investment:-

By Foreign Direct Investment means any investment in a foreign country where the investing party retains control over investment. A direct investment typically takes the form of a foreign firm starting a subsidiary or taking over control of an existing firm in the country in question.

2.Portfolio Investment:-

Portfolio investment on the other hand consists of investment in shares and debentures of local firms by foreigners. This type of investment is generally of rentier category and need not imply management control over the firms whose shares are purchased by foreigners.

Revolutionary Development in information technology

➤ Trends in FDI Information Technology and its innovations

Information technology industry in India has played a major role in the global economy. IT industry in India has played a significant role in transforming innovative ideas and global entrepreneurs for business services. The IT industry has helped India for both rural and agriculture – based economy to a knowledge based. Through the development of IT sector employment opportunity can be increased by generation to generation. IT has made possible to collect information and access at gigabit speeds. IT has made a revolutionary changes with possibilities of e-govt measures through e-health e-education, e-agriculture etc., In global map IT industry is filing income tax returns, applying for passports, online railway ticket, net banking by clicking a mouse.

➤ Trends in FDI Information Technology and Investment policy:-

Automatic approval for foreign equity in software and almost all areas of electronics. Automatic approval accorded for foreign technology agreements in all areas of electronics except aero-space and defence, subject to specified conditions.

100 per cent foreign investment permitted in units set up exclusively for exports. Such units can be set up under any one of the following schemes; EHTPs, STPs, Free Trade Zones/EPZs, and 100 per cent EOUs.

. Trends in FDI Information Technology and its Opportunities:-

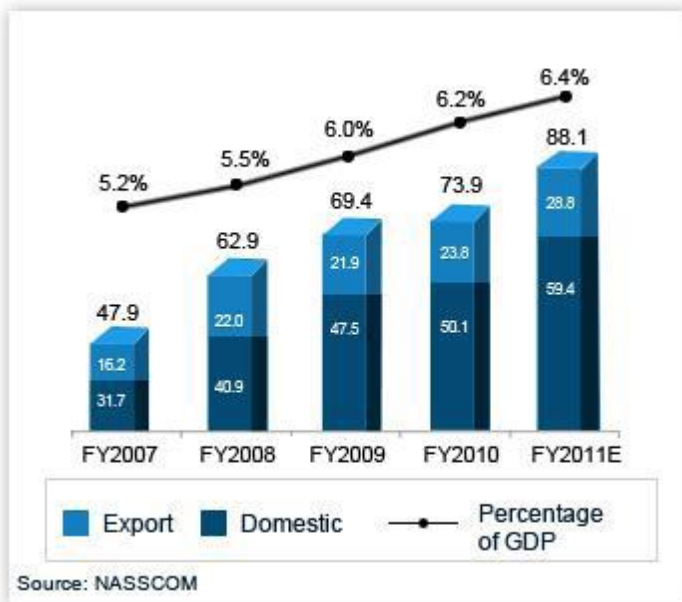
According to a recent World Bank Study, India is the preferred location for software vendors for its quality and cost. India has strong Unix base which provides opportunity for the development of products for internet based applications. Further, India has global connectivity with international dialing facility from over 13220 locations, leased/switched high-speed data links from major centres through STPs and VSNL for point-to-point communication are also available. Internet connectivity is provided through several networks.

Measures taken by Government of India for improving FDI Market in global level:-

The Government of India has taken many steps for improving information technology through various schemes and measures. IT sector can improve the balance of payments through various countries. After the economic reforms of 1991-92, major fiscal incentives provided by the Government of India and the State Governments, like, liberalization of external trade, elimination of duties on imports of information technology products, relaxation of controls on both inward and outward investments and foreign exchange, setting up of Export Oriented Units (EOU), Software Technology Parks (STP), and Special Economic Zones (SEZ), has enabled India to flourish and acquire a dominant position in world's IT scenario. In order to alleviate and to promote Indian IT industry, the Government of India had set up a National Task Force on IT and Software Development to examine the feasibility of strengthening the industry. Venture capital has been the main source of finance for software industry around the world. In line with the international practices, norms for the operations of venture capital funds have also been liberalized to boost the industry. The Government of India is also actively providing fiscal incentives and liberalizing norms for FDI and raising capital abroad.

FDI - Financial Assistance in Information Technology:-

In 2010, the financial assistance was in steady recovery from recession and accelerated a growth from 2011 in world wide markets a stable increase in financial sector. India's growth has reflected new demand for IT goods and services, with a major use in both private and public sector and mobile computing on a variety of devices and through a range of new software applications. High inflow of FDI in the IT sector is expected to continue in forth coming years. IT industry is inviting all categories of investors to invest in foreign countries to maintain their Balance of Payments. The inflow of huge volumes of FDI in the IT industry of India has not only boosted the industry but the entire Indian economy in recent years. Foreign technology induction is also encouraged both through FDI and through foreign technology collaboration agreements. India welcomes investors in Information Technology sector. Greater transparency in policies and procedures has made India an investor friendly platform. A foreign company can hold equity in Indian company's upto 100%.



Developing Countries needs financial resources to improve their balance of payments. The financial resources can be made through foreign investment and domestic investment. In 2007, the financial assistance is 5.2% it has gradually increased to 6.4% in 2011. The growth of financial sector can improve all the segments in revolutionary process.

FDI - Research & Development in Information Technology:-

To support Research & development in the country and promoting Start ups focussed on technology and innovation, a weighted deduction of 150% of expenditure incurred on in-house R&D is introduced under the Income Tax Act. In addition to the existing scheme for funding various R&D projects have been funded through new scheme like Support International Patent Protection in Electronics & IT (SIP-EIT), Multiplier Grants Scheme (MGS). The government has initiated the setting up of an Open Technology Center through NIC aimed at giving effective direction to the country on Open Technology in the areas of Open Source Solutions, (OSS), Open Standard, Open Processes, Open Hardware specifications and Open Course-ware. This initiative will act as a National Knowledge facility providing synergy to the overall components of Open Technology globally.

FDI – Regulations in Information Technology:-

After the economic reforms of 1991-92, liberalization of external trade, elimination of duties on imports of information technology products, relaxation of controls on both inward and outward investments and foreign exchange and the fiscal measures taken by the Government of

India and the individual State Governments specifically for IT and ITES have been major contributory factors for the sector to flourish in India and for the country to be able to acquire a dominant position in offshore services in the world. The major fiscal incentives provided by the Government of India have been for the Export Oriented Units (EOU), Software Technology Parks (STP), and Special Economic Zones (SEZ).

FDI - Challenges In Information Technology:-

Cyber security and quality management are few key areas of concern in today's information age. To overcome such concerns in today's global IT scenario, an increasing number of IT-BPO companies in India have gradually started to emphasize on quality to adopt global standards such as ISO 9001 (for Quality Management) and ISO 27000 (for Information Security). Today, centers based in India account for the largest number of quality certifications achieved by any single country. India aims to transform India into a truly developed and empowered society by 2020. However, to achieve this growth, the sector has to continue to re-invent itself and strive for that extra mile, through new business models, global delivery, partnerships and transformation. A collaborative effort from all stakeholders will be needed to ensure future growth of India's IT-ITeS sector. We will need to rise up to the new challenges and put in dedicated efforts toward providing more and more of end-to-end solutions to the clients to keep the momentum going.

India is now one of the biggest IT capitals in the modern world and has presence of all the major players in the world IT sector. HCL, Wipro, Infosys and TCS are few of the household names of IT companies in India.

FDI - Future Prospects In Information Technology:-

Globalization has had a profound impact in shaping the Indian Information Technology industry. Over the years, verticals like manufacturing, telecom, insurance, banking, finance and lately the retail, have been the growth drivers for this sector. But it is very fast getting clear that the future growth of IT and IT enabled services will be fuelled by the verticals of climate change, mobile applications, healthcare, energy efficiency and sustainable energy. The near future of Indian IT industry sees a significant rise in share of technology spend as more and more service providers both Indian and global target new segments and provide low cost, flexible solutions to customers. By 2015, IT sector is expected to generate revenues of USD 130 billion (NASSCOM) which will create a transformational impact on the overall economy. IT spending is expected to significantly increase in verticals like automotive and healthcare while the government, with its focus on e-governance, will continue to be a major spender.

However, to achieve this growth, the sector has to continue to re-invent itself and strive for that extra mile, through new business models, global delivery, partnerships and transformation. A collaborative effort from all stakeholders will be needed to ensure future growth of India's IT-IT sector. We will need to rise up to the new challenges and put in dedicated efforts toward providing more and more of end-to-end solutions to the clients to keep the momentum going.

Conclusion:-

FDI has an important role to play in the development of an under developed economy where domestic savings are less than the required rate of investment. FDI brings foreign exchange to fill the savings investment gap and trade gap. This also brings up to date technology, FDI increases production and employment in an economy. The positive impacts of IT revolution in present scenario of business can be obviously realized by the business people through the functioning of the information technology under different fields. This technological revolution facilitates for the attainment of global economic development as the future belongs to those who know how to create new things. For creating new things and trends in the business IT in education is must. Introducing new trends in business activities automatically increase the global economic development by way of using the facilities offered by e-banking. Information Technology is growing fast in all those software parks in special economic zones. Information Technology can increase capital through various sectors in global map.

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