



## THE ROLE OF NASSCOM IN INDIAN IT INDUSTRY

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### ABSTRACT

*Circa 1990, few outside the IT industry had even heard of an organization called NASSCOM. Its full and proper name – National Association of Software and Services Companies – was more than a mouthful, and its acronym was pretty much unknown. NASSCOM, a not-for-profit industry association, registered under the Societies Act is the apex body for the 154-billion-dollar IT BPM industry in India.*

**KEYWORDS:** *National Association of Software and Services Companies , industry and government.*

### INTRODUCTION

However, in a few short years, Nasscom had become widely known in the country and is now practically a household word. In many other countries, Nasscom is a familiar name not only in the IT industry, but is known in broader business circles too. It has been a fascinating and fast journey. The creation of Nasscom and its early work, which laid the foundation for the subsequent rapid growth of the industry. Nasscom deserves credit for creating awareness and catalyzing the growth of the software and services industry in the country. It also worked with the industry and government to promote India as a source for IT software and services.

### NASSCOM'S STRUCTURE:

Its members are organizations, not individuals; companies with their primary activity in the IT software and services area can be members, and organizations (including educational or R&D institutions) in other related areas can be associate members. It is a member-funded organization, with its regular budget coming from a yearly membership fee paid by each member organization.

The Nasscom secretariat, headed by a president who is a full-time CEO, has always been small; even now, it is only of the order of sixty people. It consists, almost totally, of 'non-specialists': the philosophy has been to draw on expertise from member companies, since they would almost necessarily be better positioned in this regard. Also, the approach has been to outsource, as required: to get the best from appropriate consulting or research organizations, as needed. A lean, cohesive team that focuses on broader issues and on program management has been Nasscom's forte. It maintains close and continuous interaction with the industry, and strong relationships with the government and other stakeholders. Also ensured is a very tight partnership with the executive council (EC), and constant contact with the key industry persons leading various Nasscom forums and groups.

### NASSCOM with GOI:

In the initial days, Nasscom was instrumental in solving some of the major problems faced by software companies – solutions that paved the way for the industry's growth. In 1988, the total IT exports from India were of the order of USD 50 million. Over the course of the last two decades, the million has

become billion – a thousand-fold growth. This has been achieved in the face of many problems, especially in the early years. Mainly the kind of controls and duties at the time were little short of absurd. Another issue – and an early area of focus for Nasscom – was how to promote India as a software destination. India was considered a poor country with a poor reputation in technology. The task was to first sell India before selling the capability of an individual company. Plenty of things were done to build the brand: visits to the US, UK, Europe and other countries, inviting people from those nations to India. Established in 1988 and ever since, NASSCOM's relentless pursuit has been to constantly support the IT BPM industry.

Around that time, the World Bank was very keen on the IT industry and wanted to do a report on IT in India. Nasscom thought it was a good idea because it would promote Indian IT worldwide. Robert Schwartz did the report, and it was one of the milestones of the Indian IT industry for two reasons: the government realized the potential of the software industry, as it now had the endorsement of World Bank; also, it was widely circulated and helped change perceptions.

Another issue that Nasscom took up was the duty on software imports, which was an amazing 110 per cent. Nasscom took the extreme stand that there should be zero duty. At that time, the government supported import substitution and felt local industry should be protected. Nasscom's argument was that Indian software hardly catered to the domestic market, and was involved almost solely with exports; therefore, it could not be compared with other domestic industries. The government eventually agreed, gradually reducing duties to 20 percent and ultimately to zero percent.

It was such initiatives of Nasscom that led to the stimulation of India's IT industry, while enhancing the credibility of the association itself. The start of the 1990s also saw Nasscom emerge as association of the IT software, services industry, distinct, and separate from MAIT. One of the major milestones and a catalyst in the growth of the Indian IT industry. The transition to actually paying for software required a major change in the mindset of customers.

The government in India was not fully aware of the value of software and services. Therefore, while it sought to vigorously promote an indigenous electronics and IT hardware industry, there was no such thrust or even recognition with regard to software. Nasscom took on this job with exceptional vigor. Through the 1990s, its articulate and charismatic leader, Dewang Mehta, spoke tirelessly about the importance of IT and its role in taking the country forward. IT was made synonymous with 'India's Tomorrow', a sunrise sector that would accelerate national development.

The global fascination with IT coincided with – and helped – the growth of the Indian IT industry. The efforts to promote IT as the 'next big thing' for India, therefore, had the advantage of a generally positive and conducive environment. Nasscom very successfully leveraged this to push for policies that were helpful to the industry. Favorable policies and a rapid growth of the Indian IT sector formed a virtuous cycle, with one feeding into, and drawing from, the other. The government evolved policies and procedures that greatly liberated this sector from the stranglehold of the bureaucracy and archaic rules. One example of positive and proactive policies was the scheme for software parks.

Taking off from the popular and populist political slogan of the times, 'Roti, kapda aur makan' (food, clothes and shelter), Dewang Mehta added 'bandwidth' and succeeded in bringing this into the national lexicon. Nasscom's efforts, and the addition of 'bandwidth' as a necessary and essential requirement for people, was one of the catalysts for the telecom reforms that began in the 1990s. These involved, in graduated steps: corporatization, opening up of the sector to private players, liberalization of foreign ownership, privatization of the overseas telecom business, and complete liberalization of the mobile telephony space. India is far from providing adequate 'roti, kapda aur makan' to all its people but, for the industry and soon for most of its population, delivering adequate bandwidth is near realization.

The move from IT as 'India's Tomorrow' to that as 'Indian Talent' signaled two important trends for Nasscom. The first was from a broad vision to a specific operational element of execution; the second was from 'selling' it to the country to actually selling IT abroad. Given that most of these MNCs were not familiar

with India, they needed advice, guidance, hand-holding and facilitation. Nasscom was always their first stop for this, and the association's role in getting MNCs to set up captive units in India.

In promoting software exports, this historical baggage was an albatross around India's neck. The Indian IT industry and Nasscom took on this challenge. A benchmark or metric was chosen that was internationally known and recognized: the Capability Maturity Model (CMM) developed by Carnegie Mellon University in the US. The industry worked hard on this, encouraged and goaded by Nasscom, and slowly Indian companies began to get certified at CMM level 5, the highest quality index. In a few years, there were more CMM level 5 – certified centers in India than in the rest of the world. Outsourcing work to India, with some even setting up their own captive centers.

From the late 1990s, another infrastructure constraint began to affect the Indian IT-BPO industry: seat capacity on international flights to and from India. The government changed the policy and a near 'open sky' policy was adopted. Meanwhile, airlines, including Air India and India's private carriers vastly increased their capacity.

Meanwhile, Nasscom and others have encouraged the government to make large public investments in education. More Central universities, Indian Institutes of Science Education and Research (IISERs), Indian Institutes of Technology (IITs) and Indian Institutes of Management (IIMs). Nasscom has partnered with the government to initiate the establishment of twenty Indian Institutes of Information Technology (IITs) in private – public partnership mode.

The active involvement of Nasscom in this, through the National Skill Development Corporation, can certainly stimulate this. It has also been a great simulator and supporter of rural BPOs. Here, too, it has brought the industry together on the common platform of promoting new locations and continues to work with the government to take this forward.

#### **BUILDING THE BRAND:**

By the end of the 1990s, thanks to the Y2K problem and the Internet/dotcom boom in the West, IT software and services had become a widely known and glamorous sector in India. It was the first choice for young job seekers and drew in entrepreneurs as no sector has ever done; it also captured a disproportionately large share of government attention.

The major supply-side complaint of the time related to telecom, and here Nasscom played a vital role. Apart from the STPI scheme, which made it possible to more or less bypass the DoT, Nasscom – along with other associations and individuals catalyzed the corporatization of domestic telecom services and the privatization of global services. The entry of Indian and foreign players in the mobile space was another watershed event. With the opening up of the telecom sector, bandwidth was no longer a serious problem and prices, too, declined even as efficiency increased.

An increasingly industry-friendly government, and one even more positively disposed to the IT sector meant a reduction in bureaucratic hurdles. Nasscom worked assiduously to remove the need for unnecessary approvals, clearances and paperwork, much of which was relevant only to the manufacturing sector. Nasscom also worked extensively to promote India's IT capabilities on the global stage. Delegations, one-to-one meetings, conferences, meetings of global CEOs with top Indian leaders – these and a host of other initiatives helped to project a positive image of India as an IT destination.

This assessment is reflected in the recently concluded Nasscom study (done with McKinsey) that looks ahead to 2020. The study projects an export revenue target of USD 175 billion for India's IT-BPO sector, and a domestic market of USD 50 billion. With appropriate proactive steps and innovation, these figures could, in fact, be driven up to USD 300-310 billion and USD 60-65 billion.

Nasscom has also focused on gender and broader issues of diversity, particularly in the IT-BPO workforce itself. Most of the companies are well aware of gender issues and strive to ensure equality. In fact, there is active promotion of a work environment and policies that are female – friendly.

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**BUILDING COALITIONS:**

Building coalitions amongst competing parties by getting them to focus on larger goals is the main motive of an association. Well-run, credible and truly representative associations are a boon, providing the government a partner and an interlocutor that can speak on behalf of the sector. The resulting dialogue can help to formulate policies that are appropriate and implementable. A good association can do this and much more, and yet shield the government from the cronyism that could result if it were to consult one or the other individual company. For competitors, what better way to grow than to seek a larger share of a bigger pie – and, so, to work towards enlarging the pie, even as it continues to compete to seek a large share. Thus, an association provides a win-win situation for individual companies, as also for the government.

**CONCLUSION:**

In 2018 NASSCOM has more than 2200 members and constitute 90% of the industry's revenue and have enabled the association to spearhead initiatives at local, national and global levels. In turn, the IT BPM industry has gained recognition as a global powerhouse. In India, this industry provides the highest employment in the private sector.

The focus of the Nasscom – McKinsey study, appropriately titled 'Perspective 2020', which sets out the targets for 2020, is to 'Transform Business, Transform India'. It indicates quantitative targets: exports of USD 175 billion and a domestic market of USD 50 billion, with possible – and substantial – upgrades on both figures if appropriate actions and innovation can be triggered. Nasscom predicts that as much as 80 per cent of the incremental growth (by 2020) will be driven by currently untapped customer segments: new verticals, new customer segments and new geographies. It also sees major opportunities for technology to contribute to inclusive growth within India, especially in areas like health care, financial services, education and public services.

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