

# Contribution of Indian Software Industry in Foreign Trade

## Abstract

In India services sector has emerged as a key driver of economic growth and through services exports it contribute a paramount share in external sector. Among services, software services exports have emerged as one of the largest contributor to services exports of India. The paper examines the growth and direction of software services export of India and analyse the contribution of software services exports in foreign exchange reserves of India. To assess the contribution of Indian software industry in foreign trade secondary data is used. The paper explores that the average annual growth rate of software exports was 20.33 percent from 2004-05 to 2014-15. The software export contributes a paramount share in total Indian exports and it was 32.28 percent in 2014-15. In computer software USA remains at the top destination for India's software exports. It holds a major share 57.37 percent in India's total export of computer software /services in 2015-16. UK is at the second position with a share of 17.91 percent. The Indian software export industry has become a very significant revenue earning industry in India and if this trend of increasing share in total exports continues then this industry will emerge as a major foreign exchange earner for the economy which will further helpful to improve the India's balance of payments problem.

**Keywords:** Imports, Software Services, Economic Development, Outsourcing and Remittances.

## Introduction

Trade and globalisation has brought numerous benefits to many countries. Trade has allowed countries to benefit from specialisation and economies to produce at a more efficient scale. It has raised productivity and supported the new technologies. In recent years, the share of technology trade in world trade has been increased on a large scale and it is dominated by developed countries. India is also putting lot of efforts to enhance its technological and innovation capabilities in technology based projects, products, processes and services for increasing its share in world market (Pazhayathodi, 2012).

Being a colony of Britain, the pattern of India's foreign trade was colonial. At that time, India was a supplier of foodstuffs and raw materials to the industrialised countries and an importer of manufacturing goods. As economic development takes place after getting independence, the exports of raw material decline due to increase in demand at home to meet the requirements of growing domestic industries. Change in volume of trade as well as direction of trade has been seen due to different government policies. During the post-reform period, foreign trade of India has significantly increased; an important change has taken place in the composition of exports from India. The volume of trade has risen from US\$ 42.2 billion in 1990-91 to US\$ 758.08 billion in 2014-15. Over the period of time, manufacturing products account for a major share in aggregate exports while the share of agriculture and allied products in total exports was 19.4 percent in 1990-91 and decreased to 13.7 percent in 2014-15. The engineering goods occupied the first place in India's export earnings. The share of engineering goods in India's export earnings increased from 11.9 percent in 1990-91 to 22.9 percent in 2014-15 (Misra, 2016). In recent years, the export of services than of commodities has accounted the growth in exports. The share of manufacturing goods in exports fall from 79 percent to 67 percent from 2000-01 to 2006-07, where as the services exports grow at an average annual rate of 24.1 percent in the period 2001 to 2004-05 and 32.1 percent during the year 2006-07. Apart from this, services constitute 20 percent of the volume of exports in the year 2000-01, which increased to 35 percent in 2006-07. Services contribute major share

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in exports and among these services software services constitute a paramount share in exports i.e., 41 percent in 2006-07 (Papola, 2009) and increased to 43.73 percent in 2011-12 and 45.12 percent in 2016-17 (RBI, 2017). The Indian software industry is an export oriented industry and primarily exports software services.

#### Objectives of the Study

The main objectives of the study are:

1. To examine the growth of software services export of India
2. To analyse the direction of Indian software services exports
3. To examine the contribution of software services exports in foreign exchange reserves

#### Research Methodology

The secondary data is used to analyse the contribution of Indian software industry in foreign trade. The main sources of secondary information are Statistical Year Books of Electronic and Computer Software Export Promotion Council of India, Ministry of Electronics and Information Technology (Meity), National Association of Software and Services Company (NASSCOM) Reports and Reserve Bank of India Database on Indian Economy. Statistical tools like averages, percentages, growth rates and import intensity are calculated to analyse the data. The paper is divided into three broad sections. Section-1 of the paper examine the growth of software exports of India. Section-II deals with the direction of software exports of India and section-III examine the contribution of software exports in foreign exchange reserves.

#### Review of Literature

Review of literature of the past theory and practice is necessary when conducting any research work. It provides information of the work done in the related area and the theoretical frame work on which the proposed solution of the problem can be based. The relevant literature was reviewed in detail to understand the nature of the work done on the related topic. Joseph and Harilal (2001) analysed the challenges emerging in India's IT export boom with international mobility of Labour. The study revealed that the software sector in India has been growing at a phenomenal rate in terms of exports. The net export earnings are substantially less and more than 50 percent of gross exports. The authors explained that international mobility of labour creates challenges in India's IT export boom. There is an urgent need of diversification not only in terms of product structure but also in terms of destination; because 60 percent of India's export earning dependence is on the US market. Tilley (1990) examined that the Indian software exports was dominated by the US market because it is the world's largest software market which constitute around half of all software sales from 1980s to 1990s, not only this American information technology and financial services companies was expanded very fast during the same time period. A study by Raman (1985) showed that the Indian software exports have been dominated by export of software services. Fialkowski (1990) stated that to increase the momentum of economic growth the

developing countries have to build their domestic software industries.

#### Section-I

Indian software industry is helpful to stabilize the Indian economy due to its increasing share in exports. The table shows that from 2004-05 to 2014-15, the software exports were increasing, in value terms exports were Rs. 80180 crore and increased to Rs. 612144 crore. The table further shows that the growth rate of exports was 29.83 percent in 2005-06 and increased to 36.22 percent in 2006-07. In 2007-08, it decreased to 15.93 percent while in the next year again increased to 31.57 percent. The impact of recession can be seen on the software exports. Although in value terms, the software exports are increasing but the growth rate of exports slipped to 9.57 percent in 2009-10. After the year 2009-10, it increased to 27.92 percent afterwards decreased to 16.09 percent in 2015-16. The average annual growth rate of exports was 20.33 percent during the study time period. More than seven folds increase in software exports has been seen.

**Table 1.1 Growth Rate of India's Software Exports (Rs. Crore)**

Year	Software Exports	Growth Rate
2004-05	80180	-
2005-06	104100	29.83
2006-07	141800	36.22
2007-08	164400	15.93
2008-09	216300	31.57
2009-10	237000	9.57
2010-11	268610	13.34
2011-12	332769	23.89
2012-13	412191	23.87
2013-14	527292	27.92
2014-15	612144	16.09
<b>Average Annual Growth Rate (percent)</b>		<b>20.33</b>

Source: Department of Electronic and Information Technology, Annual Report, Various years

Table 1.2 provides information about the share of software exports in total Indian exports. The table shows that the total exports were worth Rs 375340 crore in 2004-05 and increased to Rs. 1859225 crore in 2016-17. There is five folds increase in total Indian exports whereas the increase in software exports is more than eleven folds from 2004-05 to 2016-17. It can be seen from the table that software exports have 21.36 percent share in total exports in 2004-05, its share increased to 28.03 percent in 2009-10; afterwards, it decreased to 22.69 percent in 2011-12. The share of software exports in total Indian exports has further shown an increase in the year 2012-13 and after that it is continuously increasing and increased to 32.28 percent in 2014-15. The Indian software export industry has become a very significant revenue earning industry in India and if this trend of increasing share in total exports continues then this industry will emerge as a major foreign exchange earner for the economy which will further helpful to improve the India's balance of payments problem.

**Table 1.2 Share of Software Exports in Total Exports of India (Rs. Crore)**

Year	Total Exports of India	Percentage share of Software Exports in Total Exports of India
2004-05	375340	21.36
2005-06	456418	22.81
2006-07	571779	24.79
2007-08	655864	25.07
2008-09	840755	25.73
2009-10	845534	28.03
2010-11	1136964	23.63
2011-12	1465959	22.69
2012-13	1634318	25.22
2013-14	1905011	27.68
2014-15	1896348	32.28

Source: Annual Reports of Ministry of Commerce & Industry, GOI, 2015-16

Table 1.3 presents the share of software exports in total electronic and IT exports of India. It is shown in table that total electronic and IT exports are increasing from the year 2004-05 to 2014-15 i.e., Rs. 88180 crore to Rs. 648836 crore. The table further shows that the percentage share of software exports in total electronic and IT exports was 90.93 percent in 2004-05 and increased to 92.57 percent in 2007-08 afterwards it decreased to 87.42 percent in 2008-09. In 2009-10, it increased to 90.15 percent while after that it again slipped to 86.93 percent. After the year 2010-11 the percentage share of exports in total electronic and IT exports has increased to 94.34 percent in 2014-15.

**Table 1.3 Share of Software Export in Total Electronic and IT Exports of India (Rs. Crore)**

Year	Total Electronic and IT Exports of India	Percentage share of Software Exports in Total Electronic and IT Exports of India
2004-05	88180	90.93
2005-06	113725	91.54
2006-07	153500	92.38
2007-08	177600	92.57
2008-09	247420	87.42
2009-10	262900	90.15
2010-11	309010	86.93
2011-12	375396	88.64
2012-13	456191	90.35
2013-14	573996	91.86
2014-15	648836	94.34

Source: Department of Electronic and Information Technology, Annual Report, Various years

India's software services trade has been presented in table 1.4. The table presents that India's trade in software services was in surplus from 2006-07 to 2016-17 i.e., Rs. 131144 to Rs. 469951 crore. The exports of software services were Rs. 141356 crore in 2006-07 and increased to Rs. 494013 crore in 2016-17, the software imports were also increasing during the same time period from Rs. 10212 crore to Rs. 24062 crore except the year 2009-10 and 2011-12, when it was decreased.

**Table 1.4 India's Software Services Trade (Rs. Crore)**

Year	Software Services Exports	Software Services Imports	Net Software Services
2006-07	141356	10212	131144
2007-08	162000	13500	148500
2008-09	212200	11600	200600
2009-10	235200	7000	228200
2010-11	252400	10000	242400
2011-12	299228	6028	293200
2012-13	358348	12856	345492
2013-14	420677	15175	405502
2014-15	447087	16582	430505
2015-16	485464	17683	467781
2016-17	494013	24062	469951

Source: RBI, Handbook of Statistics on Indian Economy, Various years, <http://dbie.rbi.org.in>

Figures in brackets show growth rate

**Section-II**

India has become one of the most favoured destinations for sourcing software and ITES. In comparison to its competitors such as China, Philippines, Ireland, Australia, Canada, etc., India ranks high in various parameters such as quality of the labour pool, linguistic capabilities, cost advantage, project management skills and overall quality control (Vijayasri, 2013). The preference of India as a preferred IT destination for outsourcing and ITes/BPO is revealed from the total number of countries to which it is exporting software/services. Growth in number of countries for India's software exports has been shown in table 2.1. The table reveals that during the year 2007-08, India was exporting computer software/services to 146 countries and in 2008-09 this number has increased to 165 countries while after that this number has decreased to 142 countries in 2011-12. In 2012-13, again the number of countries to which India was exporting software/services has increased to 151 afterwards further slipped to 142 in the next two years. During the year 2015-16, it increased to 156.

**Table 2.1 Growth in Number of Countries for India's Software Exports**

Year	Number of Countries
2007-08	146
2008-09	165
2009-10	154
2010-11	145
2011-12	142
2012-13	151
2013-14	150
2014-15	142
2015-16	156

Source: Statistical Year Book of Electronic and Computer Software Export Promotion Council, Various Years

Major countries for computer software export have been shown in table 2.2. The table reveals that in computer software USA remains at the top destination for India's software exports. During 2015-16, in value terms USA holds a major share Rs. 401929 crore (57.37 percent) in India's total export of

computer software /services in 2015-16. UK was at the second position with a share of 17.91 percent for India's export of computer software and services. In value terms, the export of computer software/services to UK was Rs. 125500 crore in 2015-16. Singapore remains at the third position with 4.52 percent share followed by Netherland (2.45 percent), Germany (2.19 percent), Australia (2.17 percent), Canada (1.24 percent) and China (1.17 percent). Switzerland and Finland has less than 1 percent share in India's exports of computer software/services. The top 10 countries account for more than 90 percent of India's total software and services export while the other countries accounts for 9.34 percent share in India's exports.

**Table 2.2 Major Countries for Computer Software Exports during 2015-16 (Rs. billion)**

Country	Value	Percentage
USA	401929	57.37
UK	125500	17.91
Singapore	31639	4.52
Australia	15201	2.17
Netherland	17170	2.45
German Rep.	15340	2.19
Canada	8709	1.24
China	8222	1.17
Switzerland	5780	0.83
Finland	5598	0.80
Others	65442	9.34
<b>Total</b>	<b>700530</b>	<b>100.00</b>

Source: Statistical Year Book of Electronic and Computer Software Export Promotion Council, Various Years

**Figure 2.1 Percentage shares of Major Countries in Software Exports in 2015-16**

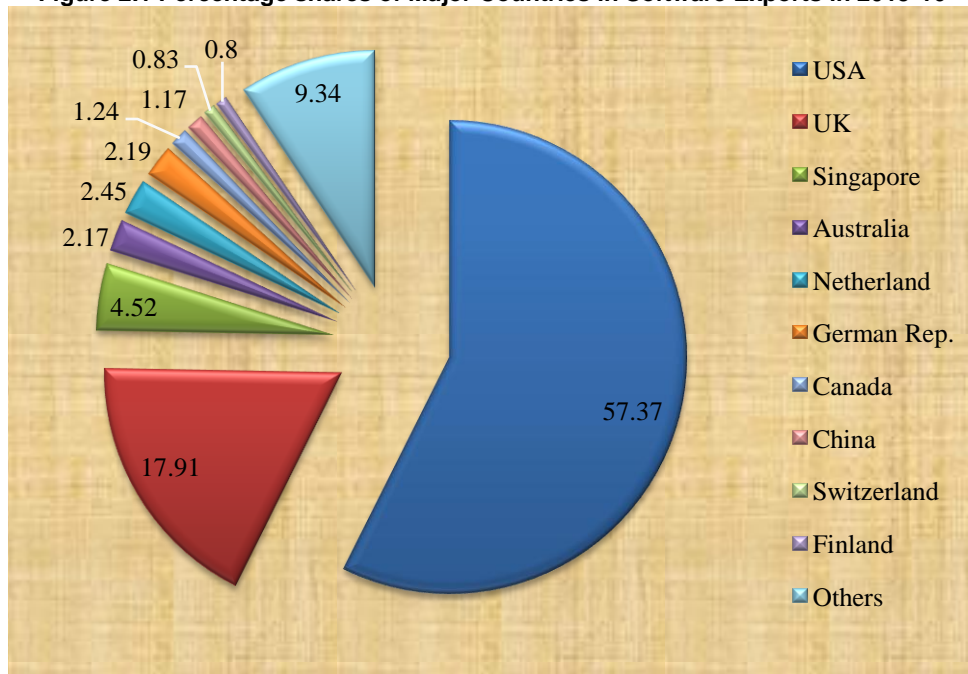


Table 2.3 shows the direction of computer software exports of India from 2004-05 to 2015-16. The table shows that during the study period though in value terms and percentages, North America remains the top destination for India's software exports. In value terms, the exports of computer software/services was Rs. 47222.7 crore in 2004-05 and increased to Rs. 410796 crore in 2015-16 while in percentage terms its share has decreased to 58.64 percent from 61.09 percent. The CAGR of software/services export to North America is 19.95 percent. The second position for computer software/services export is EU countries which hold 27.36 percent share in exports in 2004-05 and their share have increased to 30.96 percent in 2010-11 afterwards decreased to 27 percent in 2015-16. The CAGR for exports to EU countries was more than that of North America i.e., 20.03 percent.

The table further shows that the changing direction of software exports can be clear from the

CAGR of software exports. Though the share of Russia and CIS countries and Latin America is very less in value as well as in percentage terms still CAGR of exports is higher in these countries i.e., 107.67 percent and 38.94 percent respectively. It can be seen from the table that the share of Singapore, Hong-Kong and other South Asian countries, Australia and other Oceanic countries and Non EU countries has increased from 3.08 percent to 5.18 percent, 1.42 percent to 2.21 percent and 0.38 percent to 1.05 percent from 2004-05 to 2015-16 respectively, while the CAGR of these countries is 25.48 percent, 24.63 percent and 30.8 percent respectively. On the other hand, the share of Japan, Korea and other Far East countries and African countries has decreased from 3.41 percent to 1.92 percent and 1.60 percent to 0.99 percent respectively. The CAGR of these countries was 14.52 percent and 15.48 percent during the study period.

**Table 2.3 Direction of Computer Software Exports of India (Rs. Crore)**

Destination/Year	2004-05	2006-07	2008-09	2010-11	2012-13	2013-14	2014-15	2015-16	CAGR (Percent)
North America	47222.7 (61.09)	90109.47 (61.72)	133100.6 (58.42)	147000 (56.18)	239000 (59.01)	300200 (59.15)	344328 (58.00)	410796 (58.64)	<b>19.75</b>
Europe (EU Countries)	21146.9 (27.36)	39420 (27.00)	69489.37 (30.50)	81000 (30.96)	109000 (29.91)	136525 (26.90)	172164 (29.00)	189146 (27.00)	<b>20.03</b>
Singapore, Hong Kong and Other South Asian Countries	2381.4 (3.08)	4500 (3.08)	6493.27 (2.85)	8400 (3.21)	21075 (5.20)	25300 (4.99)	31464 (5.30)	36290 (5.18)	<b>25.48</b>
Middle East Countries	1197.82 (1.55)	2259.81 (1.55)	6835.02 (3.00)	7875 (3.01)	10000 (2.47)	12500 (2.46)	13061 (2.20)	13092 (1.87)	<b>22.05</b>
Australia and Other Oceanic Countries	1100.52 (1.42)	2460.82 (1.69)	3873.18 (1.70)	4463 (1.71)	8500 (2.10)	10900 (2.15)	13061 (2.20)	15458 (2.21)	<b>24.63</b>
Japan Korea and Other Far East Countries	2639.7 (3.41)	3314.2 (2.27)	2734.01 (1.20)	3413 (1.30)	4900 (1.21)	6000 (1.82)	7124 (1.20)	13433 (1.93)	<b>14.52</b>
African Countries	1236.95 (1.60)	710 (0.49)	2278.34 (1.00)	3150 (1.20)	5000 (1.23)	6400 (1.26)	4749 (0.80)	6958 (0.99)	<b>15.48</b>
Europe (Non EU Countries)	290.76 (0.38)	2810.5 (1.93)	2506.17 (1.10)	2858 (1.09)	3525 (0.87)	4600 (0.91)	4156 (0.70)	7338 (1.05)	<b>30.86</b>
Latin America	82.9 (0.11)	322.31 (0.22)	341.75 (0.15)	2625 (1.00)	3050 (0.75)	4060 (0.80)	2968 (0.50)	4292 (0.61)	<b>38.94</b>
Russia and C.I.S Countries	0.58 (0.00)	92.89 (0.06)	182.27 (0.08)	886 (0.34)	950 (0.23)	1015 (0.20)	594 (0.10)	3732 (0.53)	<b>107.67</b>
<b>Total</b>	<b>77300.23 (100.00)</b>	<b>146000 (100.00)</b>	<b>227834 (100.00)</b>	<b>261670 (100.00)</b>	<b>405000 (100.00)</b>	<b>507500 (100.00)</b>	<b>593669 (100.00)</b>	<b>700535 (100.00)</b>	<b>20.16</b>

Source: Statistical Year Book of Electronic and Computer Software Export Promotion Council, Various Years

Figure in brackets shows percentage

Table 2.4 shows the software exports to North America and its share in total Indian exports. The software exports to North America has been increasing from the year 2004-05 to 2015-16, i.e., Rs. 47222 crore to Rs. 410796 crore. The software exports to North America are growing at CAGR of

19.75 percent as stated in the above table. Its share in India's total exports is also increasing from 12.58 percent to 23.93 percent from 2004-05 to 2015-16. It shows that Indian software export market is inclined towards the North America.

**Table 2.4 Software Exports to North America and its Share in Total Indian Exports (Rs. Crore)**

Year	Software Exports to North America	Total Indian Exports	Share in Total Indian Exports in Percentage
2004-05	47222	375340	12.58
2006-07	90109	571779	15.76
2008-09	133100	840755	15.83
2010-11	147000	1136964	12.93
2012-13	239000	1634318	14.62
2013-14	300200	1905011	15.76
2014-15	344328	1896348	18.16
2015-16	410796	1716378	23.93

Source: Computed from the table 2.3

Currency composition of invoice-software services exports have been shown in table 2.5. The table reveals that USD has become the major currency for software/services exports over the period of study. The share of USD in software exports was 74.8 percent in 2008-09 and increased to 76.2 percent in 2009-10, while in the next year its share in exports slipped to 75.3 percent even then USD continued to remain the major currency in software exports. The share of USD in exports again increased to 76.4 percent in 2011-12, while after that its share in software exports declined due to gain of the other currencies in the software market. In 2016-17, USD accounts for nearly three-fourth of total invoicing and

continued to remain the major currency of invoicing software exports. However, from 2008-09 to 2011-12, EURO was the second major currency of invoicing software exports followed by Great Britain Pound (GBP) while after 2011-12, the Pound Sterling has become the second currency of invoicing software exports and EURO was on third rank. The share of Pound Sterling, Australian Dollar (AUD) and Indian rupee has also increased from 6.1 percent to 8 percent, 1.6 percent to 2.9 percent and 1.1 percent to 3.6 percent respectively during the same time period while the share of Euro was decreasing from 12.8 percent in 2008-09 to 7.2 percent in 2016-17.

**Table 2.5 Currency Composition of Invoice-Software Services Exports**

Year/Currency	USD	GBP	EURO	AUD	INR	Other Currencies	Total
2008-09	74.8	6.1	12.8	1.6	1.1	3.6	100.00
2009-10	76.2	6.9	10.4	1.9	1.1	3.6	100.00
2010-11	75.3	7.0	9.8	2.9	1.3	3.7	100.00
2011-12	76.4	7.0	8.7	3.5	0.9	3.5	100.00
2012-13	73.6	8.5	7.1	4.2	1.8	4.8	100.00
2013-14	72.6	9.4	7.4	3.0	2.5	5.1	100.00
2014-15	72.6	9.3	7.1	3.0	3.4	4.6	100.00
2015-16	73.9	9.4	7.6	3.1	1.3	4.7	100.00
2016-17	73.0	8.0	7.2	2.9	3.6	5.3	100.00

Source: Reserve Bank of India, Survey on Computer Software and Information Technology Enabled Services Exports, 2008-09, 2012-13 and 2014-15, 2016-17

**Section-III**

The import and import intensity of software services in India from 2006-07 to 2016-17 has been depicted in table 3.1. The table reveals that in the year 2006-07, the imports of software services to India were Rs. 102.12 billion and increased to Rs. 135 billion in 2007-08, decreased to Rs. 70 billion in 2009-10. An increase in software services exports can also be seen in the year 2010-11, while in the next year again decreased to Rs. 60 billion while afterwards it was gradually increasing and reached to Rs. 240.62 billion in 2016-17. The table further shows the import intensity of Indian software services imports. To check

**Table 3.1 Imports and Import Intensity of Software Services in India (Rs. billion)**

Year	Software Services Imports	GDP of India	Import Intensity of Software Services
2006-07	102.12	35643.64	0.3
2007-08	135.00	38966.36	0.3
2008-09	116.00	41586.76	0.3
2009-10	70.00	45160.71	0.1
2010-11	100.00	49185.33	0.2
2011-12	60.00	87363.29	0.1
2012-13	128.56	92130.17	0.1
2013-14	151.75	98013.70	0.2
2014-15	165.82	105276.74	0.2
2015-16	176.83	113861.45	0.2
2016-17	240.62	121960.06	0.2

Source: RBI, Handbook of Statistics on Indian Economy, Various years, <http://dbie.rbi.org.in>, Figures in brackets show growth rate, Import Intensity is calculated as imports as percentage of GDP (At factor Cost)

It can be seen from the table 3.2 that the contribution of software services in foreign exchange reserves has been rising from 2006-07 to 2016-17, i.e., from 16.3 percent to 20.6 percent. The foreign exchange reserves of India were Rs. 868222 crore in 2006-07 and increased to Rs. 2398200 crore in 2016-17. According to a study conducted by Pazhathodi, 2012, private transfer like, outsourcing and remittances have increased the India's foreign

exchange earnings, however the outsourcing has led to number of externalities, for example, addition in domestic production capacity, growth of new firms in the country and direct and indirect employment opportunities within the country. Apart from this, the growth of ITes/BPO sector has also increased the growth of hotel, tourism, transport, construction and banking sector.

out the importance of outsourcing for an economy intensity of imports works as a significant method, import intensity means imports as percent of GDP. It can also be seen from the table that intensity of import of software services was same in the years 2006-07 to 2008-09 i.e., it remains 0.3 percent in all the years while in the next year it reduced to 0.1 percent and then again increased to 0.2 percent in 2010-11. In the year 2012-13, the intensity of imports of software services was 0.1 percent and from 2013-14 to 2016-17, it remained to 0.2 percent.

**Table 3.2 India's Software Services Exports as percentage of Foreign Exchange Reserves (Rs. Crore)**

Year	Foreign Exchange Reserves	Software Services Exports	Software services exports as percentage of foreign exchange reserves
2006-07	868222	141356	16.3
2007-08	1237965	162000	13.1
2008-09	1283865	212200	16.5
2009-10	1259665	235200	18.7
2010-11	1361013	252400	18.5
2011-12	1506130	299228	19.9

2012-13	1588420	358348	22.6
2013-14	1828380	420677	23.0
2014-15	2137640	447087	20.9
2015-16	2378740	485464	20.4
2016-17	2398200	494013	20.6

Source: RBI, Handbook of Statistics on Indian Economy, Various years

Available at <http://dbie.rbi.org.in>

India's services export i.e., ITes/BPO services has significantly contributed to current account receipts and it provides support to India's balance of payments. The table 3.3 presents the India's software services exports as percentage of current account receipts. The current account receipts were Rs. 1100017 crore in 2006-07 and increased to

Rs. 3495304 crore in 2016-17. The software services exports as percentage of current account receipts was 12.85 percent in 2006-07 and increased to 14.36 percent afterwards decreased to 11.79 percent in 2011-12, again increased from 12.41 percent to 14.13 percent in 2012-13 to 2016-17.

**Table 3.3 India's Software Services Exports as percentage of Current Account Receipts (Rs. Crore)**

Year	Current Account Receipts	Software Services Exports as percentage of Current Account Receipts
2006-07	1100017	12.85
2007-08	1266100	12.79
2008-09	1628400	13.03
2009-10	1637900	14.36
2010-11	2042000	12.36
2011-12	2536000	11.79
2012-13	2886533	12.41
2013-14	3342847	12.58
2014-15	3411258	13.11
2015-16	3281982	14.79
2016-17	3495304	14.13

Source: RBI, Handbook of Statistics on Indian Economy, Various years

Available at <http://dbie.rbi.org.in>

### Conclusion

The software industry is contributing a paramount share in software exports. The average annual growth rate of exports was 20.33 percent from 2004-05 to 2014-15, more than seven folds increase has been seen in software exports whereas the increase in total Indian exports was five folds during the study period.. The software exports have 21.36 percent share in total Indian exports in 2004-05 and increased to 32.28 percent in 2014-15. The preference of India as a preferred IT destination for outsourcing and ITes/BPO is revealed from the total number of countries to which it is exporting software/services. India has been exporting computer software/services to 151 countries. The growth of foreign market is more as compared to the domestic market. USA which is the largest software market has remained the favoured destination for India's software exports and accounts for 57.37 percent share in 2015-16. Europe is the second major destination for software exports. India's software services export has significantly contributed to current account receipts and its contribution was 12.85 percent in 2006-07 and increased to 14.13 percent in 2016-17. Apart from this, the software services exports also contribute an important share in foreign exchange reserves of India.

### Suggestions

The high dependence of software market on the US market has some future drawbacks as the share of US in the world software market is declining so need is to divert the market towards the emerging economies for reducing the risk of external shocks in the economy. The Indian software export industry has

become a very significant revenue earning industry and if this trend of increasing share in total exports continues then this industry will emerge as a major foreign exchange earner for the economy and will be helpful to improve the India's balance of payment problem.

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