

India Software Products Market Assessment, By Product [Operating System, Productivity, Database, Storage & Backup, Business Analytics, Enterprise Resource Planning (ERP), Gaming, Designing & Rendering, Others], By Enterprise Size [Large Enterprises, Small and Medium Enterprises (SMEs)], By End-user [IT & Telecommunications, Banking, Financial Services and Insurance (BFSI), Media & Entertainment, Manufacturing, Retail & Consumer Goods, Government, Others], By Region, Opportunities, and Forecast, FY2027-FY2031F

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Report description:

The India Software Products market is experiencing robust growth and is projected to reach USD 42.62 billion by FY2031 from USD 14.82 billion in FY2023. The market is expected to register a strong CAGR of 14.12% for the forecast period between FY2024 and FY2031 as the market offers a wide range of software products catering to various sectors, including e-commerce, healthcare, finance, logistics, and education. In recent years, the software product industry in India has evolved as a result of various supportive government initiatives, an increase in domestic demand, and the development of robust IT infrastructure. According to Nasscom, the IT industry in India reached USD 227 billion in FY2022. Indian software product companies have gained recognition globally, with their cost-effective solutions and focus on innovation.

The primary catalysts for the growth of the software product industry include the digitization of MSMEs, the adoption of cloud, and a flourishing startup culture. Moreover, India boasts a large pool of skilled IT professionals, including software developers, engineers, and data scientists. This talent pool contributes to the development and innovation of software products, supporting the growth of the market. Furthermore, one prominent trend is the rise of software-as-a-service (SaaS) models, allowing

businesses to access software products on a subscription basis, reducing upfront costs and increasing flexibility. The demand is mostly driven by organizations that are replacing old processes and reducing human interaction with SaaS solutions in finance, logistics, and human resources.

Indian software product companies have successfully tapped into global markets, while the cost-effectiveness of their solutions has made them attractive to businesses. Over time, the Indian software sector has evolved from providing low-cost back-office assistance to leading the digital transformation agenda in multinational corporations. Leaders of over a thousand multinational organizations in the United States, Europe, and other countries are increasingly realizing India's potential and establishing their own IT or R&D centers to capitalize on the robust Indian software ecosystem. Global corporations and small and medium-sized companies (SMBs) are preferring Indian firms because of tailored or transaction-based pricing, which allows customers to acquire and gradually grow solutions across regions. The presence of a supportive ecosystem and a thriving entrepreneurial culture further contribute to the market's growth. Overall, these factors collectively drive the upward trajectory of the software products market in India.

Emergence of Advanced Technology

The adoption of technologies like artificial intelligence (AI), machine learning (ML), blockchain, and the Internet of Things (IoT) has opened up new avenues for innovation and product development. For example, AI and ML are being used to develop intelligent software products that can automate processes, provide personalized user experiences, and make data-driven decisions.

Massive investment in technology, such as enterprise resource planning (ERP) software and customer relationship management (CRM) software, continues to dominate the horizontal part of software product firms, accounting for 50% of sales. India's The National Association of Software and Service Companies (Nasscom) reported that deep tech is expected to account for 40-60% of total software product penetration by 2030 when technologies such as machine learning and artificial intelligence are expected to proliferate.

The Expansion of In-House Software Development

The rise of in-house software development within businesses in India has played a crucial role in driving the software products market. As businesses recognize the need for customized solutions to address their specific requirements, they are increasingly investing in building their own software products. This trend has created a demand for skilled software developers and has opened up opportunities for software product companies to cater to this growing need.

For example, Zoho Corporation, Indian multinational information technology services and consulting company, headquartered in Bangalore provides a diverse variety of software products, including customer relationship management (CRM), productivity tools, accounting software, and collaboration solutions. Similarly, Ramco Systems provides enterprise software solutions such as enterprise resource planning (ERP), human capital management (HCM), and logistics management.

Government Initiatives and Policies

Government initiatives, along with policies and schemes, are aimed at creating a conducive ecosystem for software product development, supporting startups, promoting innovation, and boosting the growth of the software product industry in India. For instance, the Software Technology Parks of India (STPI) Scheme aims to promote the development and export of software and IT-enabled services in India by providing a favorable environment, infrastructure, and various incentives to software technology companies. The export of STPI-registered IT/ITeS units is rising year on year and is estimated to be USD 80.3 billion in FY2021-22. Similarly, The National Policy on Software Products launched aims to establish India as a worldwide software product center via innovation, increased commercialization, long-term Intellectual Property (IP), and the promotion of technology start-ups and specialized skill sets. By 2025, the aim of the policy is to build India a software product development industry of USD 70-80 billion, resulting in a tenfold increase in India's participation in the global software product market and the creation of 3.5 million direct and indirect jobs.

Moreover, Union budget of FY2023-FY2024 allocated a budget of USD 11.77 billion for the development of overall IT and Telecom sector.

Growing Popularity in Logistics and Manufacturing Sector

In the logistics and supply chain sector, software products like Shiprocket are gaining popularity. Shiprocket is an Indian logistics aggregator platform that provides industry-specific solutions for e-commerce businesses. Their software product offers features such as automated order management, real-time tracking, inventory management, and multiple courier integrations. By providing

industry-specific functionalities and integrations, Shiprocket addresses the unique challenges faced by online sellers and helps them enhance their supply chain management efficiently. The company is valued at USD 1.2 billion, making it India's 106th unicorn business overall and the country's 20th unicorn in 2022. Similarly, in the manufacturing sector, software products like Tally ERP 9 have gained significant popularity. Tally ERP 9 is comprehensive accounting and inventory management software specifically designed for businesses in the manufacturing industry.

Overall, the growing demand for software products in the logistics and manufacturing sectors in India can be attributed to their ability to drive operational efficiency, provide data-driven insights, enable collaboration, and adapt to the changing business landscape.

Critical Usage in Banking, Financial Services and Insurance (BFSI)

In India, software products are extensively used in the BFSI (Banking, Financial Services, and Insurance) industry to streamline operations, improve customer experiences, and ensure security. For example, leading banks like ICICI Bank and HDFC Bank have implemented robust core banking systems to manage customer accounts, transactions, and loan processes efficiently. Payment processing solutions like Paytm, PhonePe, and UPI-based software have gained widespread popularity, enabling seamless digital transactions and bill payments. Customer relationship management (CRM) systems like Salesforce and Microsoft Dynamics are utilized by banks to personalize services, track customer interactions, and enhance customer satisfaction. For example, HDFC Bank, India's largest private sector bank has announced its collaboration with Microsoft to further its digital transformation journey and create business value by modernizing the data environment, altering the application portfolio, and safeguarding the organization with Microsoft Cloud.

Impact of COVID-19

The increased reliance on digital solutions and remote work has created opportunities for software products. The pandemic accelerated digital transformation across various industries, leading to an increased demand for software products. Businesses and individuals sought digital solutions for remote work, online collaboration, e-commerce, telemedicine, and online education, among others. This surge in demand presented opportunities for software product companies to cater to evolving needs and develop innovative solutions. For example, platforms like Microsoft Teams, Slack, and Zoom became essential tools for organizations to facilitate virtual meetings, team collaboration, and real-time communication. On the other hand, the pandemic has disrupted supply chains, delayed project timelines, and impacted business investments, leading to challenges for software product companies. Overall, the market has shown resilience and adaptability in navigating the pandemic's impact.

Key Players Landscape and Outlook

Companies operating in the India software products market adopt various strategies, including product differentiation, continuous innovation, market expansion through partnerships and acquisitions, leveraging emerging technologies, customer-centric approach, and focusing on cost-effectiveness to stay competitive and drive growth.

In September 2022, Penumbra, a multinational healthcare organization based in the United States and known for its advanced technology solutions, received support from Tata Consultancy Services. Together, they accomplished the initial phase of Penumbra's cloud transformation initiative, reimagining their order management, finance, and procurement operations with a fresh digital core.

In 2022, Wipro Limited, an IT and consulting Indian multinational corporation, and Finastra, a worldwide provider of financial software applications, announced the usage of Finastra's market-leading solutions to help corporate banks accelerate their digital transformation. Owing to Finastra's cutting-edge solutions and Wipro's expertise in consulting digital, infrastructure, and operations, this collaboration provides cutting-edge API-enabled platforms that enable banks to innovate, simplify, and digitize critical trade finance processes while decreasing overhead costs. Wipro became the only implementation and go-to-market partner for all Indian banks utilizing Finastra's Fusion Trade Innovation and Fusion Corporate Channels as a result of this multi-year agreement. Wipro is a key international partner for Finastra's cash and liquidity management products.

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*Companies mentioned above DO NOT hold any order as per market share and can be changed as per information available

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