

Chapter 5

Factors that Explain the Development of Software Clusters in India

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1. Background

In recent years, as India has become a major global hub of software and IT-related services, software and services clusters have emerged and grown in various parts of the country, such as Bangalore, Chennai (in Tamil Nadu), Hyderabad (in Andra Pradesh), Gurgaon (in Haryana), and Pune (in Maharashtra). Yet, Bangalore, India's oldest and largest software cluster, remains as the most competitive as indicated by its continued growth of exports. While over 1300 software firms are agglomerated in Bangalore, the growth of the cluster heavily relies on a small number of large firms. This paper attempts to identify the sources of relative competitiveness of Bangalore as the leading software cluster. First, what factors explains the relative competitiveness of Bangalore as compared with other emerging software clusters? Second, what is the nature of inter-firm cooperation within Bangalore's software cluster, and how does such cooperation contribute to the growth of the cluster?

2. Outline

1. Introduction
2. Recent trends in performance of Indian Software Clusters
3. Relative Strengths of Various Software Clusters in India
4. Factors that Explain the Growth of Software Clusters : Comparative Perspective
 - 4.1 Policy
 - 4.2 Infrastructure
 - 4.3 Skills
 - 4.4 Other Factors
5. The Internal Structure of Bangalore' Software Cluster
 - 5.1 Industrial Structure by Firm Size and Ownership
 - 5.2 The Nature of Intra-cluster Division of Labor
 - 5.3 The Nature of Inter-firm Linkages among Firms in Bangalore
 - 5.4 Development of Technological Capabilities
 - 5.5 The Role of FDI in Technological Upgrading
 - 5.6 The Challenges of Upgrading for Small Firms
6. Conclusion