

Report Review

AI and the Future of India's Technology Services Industry: A Report Review

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India's Technology Services - Reimagination Ahead (February 2026) is a strategic policy roadmap prepared by NITI Aayog and the NITI Frontier Tech Hub that examines the future of India's technology services sector in the era of artificial intelligence and digital transformation. Published by the Government of India with contributions from industry leaders, policy experts, and technology stakeholders, the report evaluates the structural challenges facing India's traditional services model while proposing a long-term framework focused on AI-led innovation, infrastructure expansion, workforce transition, and global competitiveness. This report review critically examines the report's strategic vision, policy recommendations, and its implications for India's evolving role in the global digital economy.

Keywords: *Artificial Intelligence, Technology Services Industry, Digital Transformation, Industrial Strategy, Economic Sovereignty*

There has been sustained policy and industry discourse on the centrality of India's technology services sector to national growth, exports, and employment. Yet the contemporary challenge extends beyond scaling an established model; it concerns redefining that model in response to artificial intelligence, automation, and geopolitical realignments. India's Technology Services - Reimagination Ahead (February 2026), released by NITI Aayog and the NITI Frontier Tech Hub, enters this debate by situating the \$265 billion industry at what it terms an "AI inflection point." The report aims to re-evaluate the structural viability of effort-driven, labor-intensive models of delivery in the context of AI-native enterprise change.

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The report redefines the future of the industry in terms of strategic reinvention, with an ambitious vision of achieving \$750-850 billion in annual revenues by 2035, and finds a \$250-300 billion gap between the industry's current growth path and this vision. By highlighting the importance of outcome-based models, platformization, IP development, and collaborative industry-government efforts, the report portrays AI as both a disruptor and a growth enabler. In this process, it also highlights the next decade as a critical period for determining whether India can continue to be a scale-focused services player or become an innovation-driven architect of the global digital economy.

Chapter One discusses the Technology Services Sector's \$265 billion in scale as a foundational element of India's economic growth and as one that has experienced significant structural disruption. Historically the sector accounted for about 7% of GDP and roughly twenty (20%) of the world's Technology Service Sector; its previous growth relied heavily on Cost and Engineering Competitiveness, and Export Orientation. However, in the coming decade it will be defined more by transformation than continuity. Following the COVID-19 pandemic's end, and also considering the macro-economic crises we have experienced, tightening visa policies and rising geopolitical instability are leading to a reduction in the sector's growth rates of around four to five percent (4% to 5%) per year.

The most impactful element covered in Chapter One is Artificial Intelligence (AI) as a Structural Discontinuity. The introduction of both Generative and Agentic AI is reducing the size of the pools of service value provided in traditional Develop and Delivery of Software methodology, as these AI types provide automation of code writing, code testing and workflow execution throughout the development and delivery of Software Products. At the same time, the implementation of Data Localization Laws, Digital Sovereignty requirements and geopolitical trade implications are fundamentally changing how technology services are delivered and governed. As such, Chapter One provides insight into the urgency of a Strategic Recalibration by providing a foundation to consider the Technology Services Sector, not just as a U.S. Export Engine, but also as a Potential Growth Lever in India's efforts to achieve a \$30 trillion economy by 2047.

Moving from diagnosis in Chapter one to ambition in Chapter two, it sets a goal of \$750-850 billion in revenues per year by 2035 in alignment with the Viksit Bharat

vision. At present, a growth projection of 5-7% for the industry suggests that there is a likely gap of \$250-300 billion between current outcomes and national aspirations. In order to close this gap, there will need to be significant double-digit growth as well as structural transformation of the overall operating model of the industry.

Chapter two also defines a two-prong strategy: to protect the core whilst pushing into new growth areas. Protecting the core means increasing India's leadership in AI, cloud computing, cyber security, digital engineering and expanding to new geographies (Japan and the Middle East). The pivot strategy consists of five major themes: Agentic AI, Software, Infrastructure, Innovation and India-for-India, all of which will help tap into additional enterprise spending pools that are estimated globally at \$14 trillion. Each of these strategies will require a shift away from service-oriented models to full-stack digital enablement that will integrate platforms, intellectual property and AI-native delivery architectures. Collectively, these strategies are expected to generate an incremental value of \$100-120 billion through FY 2035.

Chapter three takes out of Strategic Direction into Implementation Recommendations. It emphasizes the need for Industry to rearchitect the delivery models of current service offerings (to be outcome-based and AI-enabled) such that there is integration of Human Expertise, AI agents and platform orchestration. The chapter articulates the need to: increase R&D investments to 1-2% of revenues; scale up defensible IP; accelerate mergers/acquisitions (M&A) focused on AI; and build & develop deep domain capabilities in high-growth industries, such as Healthcare, Semiconductors, Defence and Cybersecurity.

For the government, the chapter recommends improving ease of doing business by establishing a fully transactional National Tech-Services Single Window, improving global market access for small and specialized enterprises, and implementing the India AI Talent Mission. The transition of the workforce is identified as a key policy agenda, which involves the mapping of new and sunset sectors, common skilling architectures, and curriculum upgrades. The chapter makes it clear that industry transformation cannot be an isolated process but rather requires harmonized institutional change.

Chapter Four concludes by framing AI transformation as a national imperative rather than a sectoral adjustment. It warns that delay in adapting to AI-led shifts could erode India's global technology leadership, threaten employment stability, and reduce the country's ability to capture emerging data-driven value pools. With an estimated 7.5-8 million technology professionals facing varying degrees of disruption, the chapter emphasizes redeployment over displacement, arguing that proactive reskilling could protect approximately 1.5 million at-risk jobs.

But looking beyond the manpower issues, the chapter positions technology as a strategic tool in international trade and the geopolitics of digital technology. With data, AI infrastructure, and critical technologies rising as drivers of economic diplomacy, the capacity of India to make the leap and become an AI-native architect of the global digital architecture from being the "back office" of the world will be at stake. The chapter again emphasizes that the roadmap is not a prescription but an appeal for collective action.

All four chapters together present an integrated story that moves from diagnostics of the structure to strategic aspirations, from policy recommendations to urgency for action at the national level. India's Technology Services - Preparing for Reimagination regards the sector as a high-performing export industry, but a primary foundation of long-term economic and technological sovereignty for India. The key insight from India's Technology Services - Preparing for Reimagination is that artificial intelligence will not simply be incremental changes to current operations of technology service providers; rather, the emergence of AI represents a fundamental shift requiring that technology service providers rethink their delivery models; how they allocate capital; how their workforce is organized; and how regulations are defined for technology service providers.

Ultimately, the success of the roadmap will be determined less by the visionary aspirations set forth in the report and more by discipline in execution of the roadmap. Continued growth, deeper ownership of intellectual property, coordinated transitions of the workforce, and institutional agility will be the key determining factors whether India has successfully consolidated its global leadership position within the new digital order or whether it will have experienced stagnation due to a lack of strategic vision and implementation. In this way, this report serves both as a roadmap for the future of technology services

in India and a moment of reckoning regarding the future of the technology services economy in India.

References

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