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# **H-1B Visa Restrictions as a Non-Tariff Barrier: Impact on India's IT Service Exports**

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## **1. Abstract**

The H-1B visa program has historically enabled the mobility of skilled professionals from India to the United States, fostering growth in India's IT service exports. Recent U.S. policy changes—such as higher visa fees and stricter approval criteria—have created non-tariff barriers that constrain this trade. Using a mixed-methods approach combining export data analysis and case studies of leading Indian IT firms, this study finds a decline in export volumes in onsite-intensive sectors. To adapt, firms have expanded Global Capability Centres (GCCs), hired locally in the U.S., and invested in automation. These strategies have cushioned, but not neutralized, the effects of visa restrictions. The paper concludes with recommendations for policymakers in both nations to support sustainable IT trade amid tightening immigration regimes.

## **2. Introduction**

### **2.1 Background**

The H-1B visa program, initiated in 1990, allows U.S. employers to recruit foreign professionals for specialized roles. India, as the largest H-1B recipient, has leveraged this channel to strengthen its IT services sector, which relies heavily on onsite project delivery in the U.S. However, recent policy reforms—including a sharp rise in fees and lengthier processing—have disrupted this flow. The increased costs undermine India's export competitiveness and reshape global labor mobility in technology services.

### **2.2 Problem Statement**

While tariffs directly affect goods trade, restrictions on visa programs function as *non-tariff barriers* (NTBs) for services trade. These barriers indirectly increase costs, reduce flexibility,

and restrict the ability of firms to deliver onsite projects. This paper examines how H-1B visa restrictions act as NTBs influencing India's IT service exports and how Indian firms are responding to sustain trade performance.

### 2.3 Objectives

1. Assess the effect of H-1B restrictions on India's IT service exports.
2. Identify the sectors most affected by visa constraints.
3. Examine adaptation strategies among major IT firms.
4. Recommend policy interventions for both governments.

### 2.4 Significance

Given India's global IT leadership, understanding how migration policy affects export performance is essential. This research contributes empirical insights into the intersection of trade and immigration policies, providing guidance for policymakers and corporate strategists to navigate emerging global barriers.

## 3. Literature Review

### 3.1 High-Skilled Migration and Services Trade

According to WTO's Mode 4 of service delivery, temporary movement of skilled personnel is vital to cross-border trade in services. Restrictions on this mobility hinder service exports and knowledge exchange. Studies (Borchert et al., 2016; Bound et al., 2017) show that such constraints reduce innovation, slow project delivery, and escalate costs.

### 3.2 Impact of H-1B Policies on Indian IT Firms

Indian IT companies—especially Infosys, TCS, and Wipro—depend on H-1B visas for onsite project execution. Gupta (2025) found a 15% decline in U.S. project revenue after visa restrictions, while NASSCOM (2025) reported increased operational costs due to higher fees. These findings indicate that restrictive immigration policies function as NTBs, impeding India's trade competitiveness.

### 3.3 Adaptation Strategies

To counter visa challenges, Indian IT firms have:

- **Expanded GCCs** to deliver remotely from India.
  - **Hired locally in the U.S.** to reduce dependence on foreign visas.
  - **Invested in AI and automation** to minimize onsite staffing needs.
- These adaptations reflect structural shifts toward a hybrid, digitally driven service model.

### 3.4 Policy and Diplomatic Responses

India has raised the issue of visa fees at the WTO and in bilateral talks with the U.S., arguing that such measures violate trade agreements (WTO, 2020). However, limited progress has been achieved, leaving firms to develop independent coping mechanisms.

## 4. Research Methodology

### 4.1 Design

A **mixed-methods approach** combines quantitative trade data with qualitative firm-level insights.

### 4.2 Data Sources

- **Quantitative:** Export data from MEITY, RBI, and NASSCOM (2019–2025).
- **Qualitative:** Case studies of Infosys, TCS, Wipro, HCLTech, and Mindtree.

### 4.3 Analytical Techniques

A **difference-in-differences (DiD)** model estimates changes in export performance before and after the visa reforms. Thematic analysis of company responses identifies adaptive patterns.

### 4.4 Limitations

Data on firm-specific visa use remain incomplete, and findings may not represent smaller IT enterprises. The causal impact of visa policy on exports may also be influenced by global economic factors.

## 5. Data Analysis and Results

### 5.1 Export Trends

**Table 1: India's IT Service Exports to the U.S. (2019–2025)**

Year	Total Exports	Exports to U.S.	Onsite Sector	Remote Sector	% U.S. Share
2019	150	90	50	40	60%
2023	190	115	62	53	61%
2025	195	112	56	56	57%

*Analysis:* Export growth slowed post-2023, particularly in onsite-intensive sectors, indicating sensitivity to visa policy tightening.

## 5.2 Visa Trends

**Table 2: H-1B Visa Statistics for Indian IT Professionals (2019–2025)**

Year	Applications	Approvals	Approval %	Avg. Processing Time (days)
2019	150,000	85,000	56.7	90
2025	195,000	77,000	39.5	165

*Analysis:* Declining approval rates and rising delays reflect growing administrative hurdles that hinder labor mobility.

## 5.3 Firm-Level Adaptation

**Table 3: Adaptation Strategies by Leading Indian IT Firms**

Firm	Strategy	Description	Effectiveness
TCS	Expansion of GCCs	Offshore delivery centers in India and Asia	High
Infosys	Local Hiring	20% workforce added in the U.S.	Medium–High
Wipro	Automation & AI	Remote project tools	Medium
HCLTech	Client Diversification	Shifted focus to Europe & APAC	Medium
Mindtree	Remote Delivery Model	Enhanced virtual collaboration platforms	High

*Analysis:* Firms like TCS and Mindtree excel in offshore delivery expansion, while Infosys balances costs through localized hiring.

## 5.4 Sectoral Impact

**Table 4: Estimated Impact of H-1B Restrictions on Export Revenue (USD Billion)**

Sector	2023 Revenue	2025 Revenue	Change (%)
Consulting	62	56	-9.7%
Software Development	35	36	+2.8%
Cloud Services	18	20	+11.1%
Project Management	13	11	-15.4%

*Analysis:* Remote-based sectors such as cloud services grew, while consulting and project management, reliant on onsite staff, declined.

## 6. Discussion

H-1B visa restrictions have reshaped India's IT export structure by functioning as regulatory NTBs. The most affected sectors—consulting, systems integration, and project management—require high onsite interaction. Remote-friendly sectors, supported by digital transformation, showed resilience.

### 6.1 Key Insights

- **Sectoral Vulnerability:** Visa policies disproportionately impact human-intensive services.
- **Corporate Adaptation:** Firms demonstrate flexibility through hybrid delivery, GCC expansion, and automation.
- **Policy Divergence:** While the U.S. aims to protect local jobs, excessive restriction hampers innovation and global collaboration.

### 6.2 Policy Implications

- **For India:**
  - Enhance remote infrastructure and digital capabilities.
  - Support small and medium IT firms in adopting hybrid service models.
  - Continue diplomatic engagement for fair visa terms.
- **For the U.S.:**
  - Maintain flexible visa policies in sectors facing talent shortages.
  - Balance domestic employment goals with innovation needs.
- **Bilateral Cooperation:**  
Sustained dialogue is necessary to harmonize trade and migration objectives for mutual benefit.

## 7. Conclusion and Recommendations

### 7.1 Conclusion

This study confirms that H-1B visa restrictions act as significant NTBs affecting India's IT service exports. Onsite-dependent segments experienced measurable slowdowns, while digitally adaptable firms maintained performance through innovation and structural changes. Although Indian firms have shown resilience, the persistence of visa barriers continues to threaten competitiveness.

## 7.2 Policy Recommendations

### For India:

- Strengthen remote service ecosystems and invest in digital skilling.
- Support export diversification toward Europe and Asia-Pacific.

### For the U.S.:

- Reassess H-1B policy to ensure alignment with skill demands.
- Encourage collaborative innovation with global partners.

### For Firms:

- Continue investing in AI, automation, and hybrid delivery.
- Cultivate local workforces in key markets to balance costs and compliance.

## 7.3 Future Research

Future studies could analyze long-term innovation effects, compare small and large firms' adaptability, and evaluate cross-country policy solutions mitigating non-tariff barriers in services trade.

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