



## BPO – The India Advantage



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## POSITIONING STATEMENT

Every success story has its followers and the same is applicable to India's success story in the business process outsourcing domain. Inspired by the phenomenal success achieved by the BPO industry in India, many other countries have upped their efforts, trying desperately to achieve similar levels of success and grab a larger share of the worldwide outsourcing market. However, even with the creation of new outsourcing hubs in countries such as Indonesia, Malaysia, China, Mexico, Brazil and others, India continues to retain the leadership position and is poised to achieve even greater heights of success in the years to come. India's success may seem almost magical, but if we analyze properly we can easily identify the real reasons as to why India has been so successful in this dynamic industry. This white paper will try to do just that, i.e. uncover the real strengths that India offers for the growth and sustenance of the business process outsourcing industry.

## INTRODUCTION

It all started in the early 1990s, when business process outsourcing in India was mainly associated with medical transcription. Those were certainly small beginnings, but still their contribution to the growth of the BPO industry cannot be denied. Growth in real terms however accelerated only after the Indian government liberalized the telecommunications sector in the late 1990s, allowing private participation in critical areas such as international long distance calls and Internet telephony. This provided the right impetus to the outsourcing industry and resulted in the creation of the customer service industry, known more popularly as the call center industry.

Since that time, the outsourcing industry in India has never looked back and has consistently endeavored to achieve newer milestones with each passing year. The industry has also expanded its operational base over the years and presently it offers wideranging services such as customer care & support, B2C & B2B telemarketing, data entry & data conversion, web promotion, content development, accounting and financial services, tax consultancy, medical records retrieval, market research, database creations, document scanning & sorting, infomercial sales services, and insurance claims.

The hard work and dedication of those who have worked and are working for the outsourcing industry certainly played a crucial role in achieving the objectives described above. However, there are other factors as well that have played an equally important part in determining the success of the outsourcing industry. Identifying these factors is necessary, especially if proper justice is to be done to the task of unraveling the inherent strengths of the BPO industry in India. It will make it easier for us to understand why India offers many more advantages over other countries as the most appropriate outsourcing destination.

## **THE INDIA ADVANTAGE**

### **Vast Talent Pool**

India has a wide network of colleges, universities, and private institutes that churn out industry ready professionals by the thousands every year. Including both engineering and non engineering professionals, it is estimated that around 18 million graduates will be available for dynamic sectors such as IT and ITES (BPO) by the year 2009. Easy availability of the requisite skills and talents makes it easier for IT and ITES companies to undertake new projects and successfully achieve and deliver the objectives as demanded by clients. This is the main reason as to why the outsourcing industry in India has managed to achieve and sustain double digit growth rates for more than a decade now.

The average growth rate for the industry is currently pegged at 25%. The outsourcing industry can expect to derive the same benefits in the future as well since new education hubs are constantly being added all across India. Efforts by existing institutes to upgrade intake capacity are also helping the country to satisfy the ever increasing demand generated by the outsourcing industry.

### **World Class Skill Sets And Talents**

The education system in India is one of the best worldwide and with its focus on science and mathematics; it helps the country to generate the requisite skill sets and talents, as needed by the outsourcing industry. Engineering graduates having the requisite skills satisfy the growing demand of IT companies whereas non-engineering graduates cater mainly to the needs of BPO companies.

Sourcing managerial talent and skill sets is also not a problem in India because the country has some of the best management schools. Managerial skills are in much demand by both IT and BPO companies and it helps to have them locally available. These companies are thus able to concentrate more on accomplishing client-defined objectives rather than waste precious time and effort on sourcing appropriate human resources. That is the main reason as to why IT and ITES companies located in India has proved more competitive than other players operating outside of India.

### **English Proficiency**

Being a British colony for around 200 years may have had its drawbacks back then, but presently it is certainly proving to be a blessing in disguise. During the colonial rule, Indians were hired in huge numbers in governmental organizations, something that resulted in the widespread propagation of the English language in the country. At that time, the main beneficiaries were obviously the British, but now it is India's working population that's reaping the benefits. Being proficient in both spoken and written English, educated people in India easily find jobs in the outsourcing industry.

Most outsourcing companies have clients from the US and UK and it helps to have locally available human resources, proficient in the English language. As compared to other competing countries such as Indonesia, Malaysia, China, Mexico, Brazil and others, India has the largest number of English speaking professionals and that is exactly why the country has proved more competitive than others for over a decade now. A significant percentage of schools and colleges all across the country use English as the main language of instruction, something that naturally aids English language proficiency amongst students.

## Low Cost Operations

Being a developing country, India has all of the natural advantages such as affordable infrastructure and human resources. Both these elements constitute the main costs of IT and BPO companies and this is why it helps to operate from outsourcing hubs located in India where it is relatively more affordable to hire the required human resources and create the needed infrastructural facilities. Reliable reports indicate that businesses can save around 45% in operational costs, just by choosing the services of an appropriate outsourcing company located in India.

Of late, there have been concerns that rising pay packages of BPO professionals may harm the industry's competitiveness, but if we analyze properly, we can easily see that most of these concerns are personal opinions. Pay packages have certainly risen, but that should not be a cause for concern because the overall operating costs are still way below the normal levels of developed countries such as the US and the UK. The outsourcing industry in India may have to face problems when operating costs are equalized, but since that is not going to happen anytime soon, both clients and outsourcing companies can continue to derive the benefits of business process outsourcing.

## Government Sponsored Tax Incentives

Having realized how important the IT and BPO industries really are for the growth and development of the country, the Indian government has introduced several tax incentive programs, not only for IT and BPO industries, but also for other industries that are interrelated. Here's a quick glance at tax incentive programs meant for different industries in India.

- ✓ Infrastructure Development Industry: Presently there is a 10 year tax holiday for any company engaged in the development, operation or maintenance of an infrastructure facility. Low cost infrastructure development services indirectly aid BPO companies, most of which require plenty of office space as well as equipment for rendering their services.
- ✓ Power Generation Industry: A 10 year tax holiday is applicable for power generation and distribution companies as well. Affordable power costs naturally benefit BPO companies.
- ✓ Industrial Parks & Special Economic Zones (SEZ): A 10 year tax holiday is applicable for any company engaged in the development, operation, and maintenance of an SEZ.

- ✓ Other Tax Benefits: A 5 year tax holiday is available for any company that creates industrial units in backward states and districts.

Outsourcing service providers also stand to gain from "always online" systems because by using them, they can keep an accurate and updated record of each and every activity. The records and logs can be used as evidence to prove good intentions in case there are concerns that the prescribed guidelines are not being implemented upon. In a way, they also help boost security because when it is common knowledge that all activities are being recorded, not many will be willing to try out their nefarious designs. Deterrence is often the best defense and these systems provide just that.

## **CONCLUSION**

Other developing countries such as Indonesia, Malaysia, China, Mexico, Brazil and others may be trying their best to recreate India's phenomenal success in the outsourcing sector, but at the present, only limited success has been achieved towards that end. Outsourcing hubs have certainly been created in these countries, but since most of them do not have the inherent advantages described above, these countries are finding it difficult to match India's success story. Things may change if complacency grips the BPO industry in India, but since the possibilities for that are highly remote, it can be assumed that India will continue to play the leadership role in the global outsourcing business. It also implies that newer outsourcing hubs operating outside of India will have to put in extra efforts if they are to get anywhere near the heights of success achieved by the business process outsourcing industry in India.