Chapter Seven
Conclusions and Recommendations

7.1 Introduction -

Researcher suggests some suggestions to Indian and USA outsourcing accounting practices through chapter Six. Suggestions work out findings (Chapter Five) from the data analysis (Chapter Four) and suggest the suggestions.

7.1.1 Chapter Objectives -

To stand still in the global competitive market, work conditions of outsourcing accounting practices must be improve. This chapter is remedies for issues, challenges of outsourcing accounting practices. Suggestions are help them to remove the weakness and motivate them and make them powerful.

7.1.2 Chapter Structure -

Chapter Six has the three sections.

Sections 7.1 are introductions, chapter objectives and chapter structure.

Sections 7.2 are Conclusion

Sections 7.3 Recommendations
7.2 Conclusion

- Outsourcing accounting practices help in keeping business environment updated.

- India is outsourcing partner of USA. Globally India ranks first in outsourcing accounting. Philippines ranks second in outsourcing accounting practices.

- Indian outsourcing accounting firms have a global presence, they provide services globally to various countries like UK, Australia, Japan, Hong Kong, Italy etc.

- Outsourcing accountancy business will help to generate employment opportunities among Indians; job opportunities will be available for non-graduates, graduates, post-graduates and professionals. Apart from generation of employment opportunities, outsourcing accounting practices gives number of advantages like increase source of income, provide part time jobs, full utilization of resources, knowledgeable accounting practices and new technologies.

- Low cost of services is main reason of success of Indian outsourcing industry. Cheap labor is the main reason for lower cost of data processing in India.

- Outsourcing accounting practices help in maintaining healthy working environment, by rotating jobs, assigning new jobs and allowing to work from home if necessary.

- Outsourcings accounting practices provides the range of accounting services and ancillary to accounting services, e.g. tax planning, Property management, business suggestion planning etc.
• Terms and conditions of outsourcing accounting contracts and difficulties arising in outsourcing accounting practices are different for off-shore outsourcing and in-shore outsourcing accounting.

• USA clients have different criteria’s while selecting outsourcing accounting firms in India, these criteria’s include aspects like Use of software, flexibility, etc. Outsourcing firms in India have to meet up with these criteria’s to obtain business. These criteria’s may differ from accounting practices and procedures followed in India.

• Multiple knowledge and skills required for outsourcing accounting.

• Employee’s related issues are the biggest problem faced by outsourcing accounting practices.

• Developing countries faces more problems as compare to developed countries i.e. Indian practices faces more problems (such as technical, financial, etc) as compare to USA outsourcing accounting practices. Demand for high salary is common issue in both countries.

• Nowadays employees of Indian outsourcing firms are starting to demand more in form of salaries, better working conditions, new learning opportunities. This issues have to be addressed by Indian firms.

• Indian employees have weak communication skills.

• Indian firms face more technical problems due to differences in computer and software.

• Financially Indian practices are weak as compare to USA. Indian practices needed more working capital as compare to fixed capital.
• USA employees lack of accounting knowledge as compare to their Indian counterparts.

• Data problems and presentation problems are more frequent to Indian practices as compare to USA practices. Complicated material, improper instruction and repetition of work are reasons data and presentation problems.

• Indian practices have more internal challenges. Retention of employees and recruitment of employees are the main reasons of internal challenges.

• Outsourcing accounting service providers suffer from severe competition. Both face from home countries and other country. USA practices face more competitor challenges than Indian practices. USA outsourcing practices faces the more off shore competition than domestic. India and Philippine create strong competition for USA outsourcing accounting practices.

• Indian practices face higher domestic competition as compare to off shore competitions. Philippines are main competitor of India.

• Customer creates the challenges for both Indian and USA practices. Quality of work, confidentiality and data security are the reason of customer challenges.

• Industry challenges arise to Indian practices only.

• Threats are different for off-shore outsourcing accounting and in-shore outsourcing accounting. Off-shore outsourcing accounting in other words threats for Indian outsourcing accounting practices is knowledge loss, fitness of employees and loosing skills employee. Complex responsibility, loosing skill employees and fitness of employees is the threats for in-shore i.e. USA outsourcing practices.

• US accounting firms provide certain value added services like (NAME OF SERVICES). This enables them to play a greater role in management of their
clients business like participation in client business, providing expert advisory services etc. Indian firms do not provide such services and this results in lower participation in management of their client affairs.

- Every coin has two sides, similar to this effects of globalization and information technology on outsourcing has positive and negative aspects. Impact of IT and globalization has more positive impact on Indian outsourcing accounting business than their USA counterparts.

7.3 Recommendations -

Working Place of Employee: -

Office is secured working place for both employee and employer. Facility given to employee regarding work from home any suitable place increases the working speed and efficiency. By giving proper security, it can be allowed to employee.

Problem of Lack of Employees Skills and Knowledge:-

Organizations should recruit qualified, knowledgeable and experienced employees. Knowledge of accounting is the base of outsourcing accounting. Accounting knowledge of various accounting aspects such as basic accounting concepts, financial accounting, corporate accounting, management accounting, Indian Accounting Standards, US Accounting Concepts, US GAAPs etc. is necessary. Outsourcing accounting service providers regularly arranged training and development programs to keep employees updated in recent trends in accounting. Service providers should also provide library facility to employee.

If needed, training programs of educational institutions on accounting outsourcing should be arranged for employees.

Employees Problems:-

- **Salary**: Employees demand regular raise in their salary. This may result in strain on financial position of the organization. If organization is unable to
meet up with the demands of employees, they will leave the organization, which will result in high employee turnover.

- **New learning opportunities:** Human beings are naturally curious, it is in our nature to continuously update our knowledge and try new things. If learning opportunities are not available in the organization the growth of employees will be stifled, which will result in reduction in efficiency.

- **Repetition of tasks:** Performing same job again and again may bring about specialization in work among employees, but it will also result in making the job monotonous.

- **Better working conditions & flexibility in working:** Employees continuously demand better working environment. Better workplace environment reduces stress and promotes efficient working among employees.

The organizations should solve above employee related issues and strive to reduce work related stress among them. This can be achieved through

- Provide incentives such as no mistake incentive, efficiency bonus, accuracy of work bonus etc.
- Making them part of new projects.
- Ensuring proper job rotation of employees.
- Providing a safe, healthy and stress free work environment.
- Ensuring proper working hours with appropriate break periods.
- Providing travelling facilities to the employees.
- Organizations should provide proper promotion, incrimination, monetary and non monetary benefits based on improvement of knowledge and skills of employees.

**Technical Problems:-**

- **Hardware and software:** Rapid changes in technology have resulted in introduction of newer and more powerful computers. The organization has to consider technological changes while taking a decision regarding which
computer hardware & software to use for accounting purposes. As far as possible organization should try to install latest information processing systems. At the same time it should conduct a cost benefit analysis of new system. Generally system which maximizes the efficiency at minimum cost should be adopted.

- **Client Software**: Most of the organizations use the software provided by their clients to process the accounting information. However the employees of the organization may not be conversant with the client’s software. Organization should provide proper technical training to its employees so that they can use the client’s software effectively.

**Government Issues:**

All organizations have to comply with legal obligations of country irrespective of their constitution. There is a significant cost and time value attached to these compliances. Government should adopt following steps to promote further development of this industry.

- Provide loans at lower rate of interest so that more people can set up outsourcing agencies.
- Liberalize the global policy for development of outsourcing industry.
- Take steps to ensure geographical dispersion of the industry.
- Set up institutions to provide training to entrepreneurs starting up outsourcing business.

**Financial Issues:**

Outsourcing organizations do not require much in form of infrastructure; however they require a significant amount of working capital to meet expenses like salaries to accountants and technicians, setting up websites to attract clients.

- A proper working capital analysis must be conducted by the organizations to ascertain working capital requirements.
- Organizations should also prepare budgets on regular basis and see to it that the standards are being adhered.
• Effective working capital management must be conducted at organizational level to curtail working capital costs.

• Open deposit schemes should be launched for employees. Employees can pool their savings in such schemes and get benefits in form of interest or employee stock options from the organization.

• Organizations should secure financial assistance from the government by assuring them of generating inflow of foreign currency and creating employment opportunities.

• Organizations can also solve capital problems by encouraging the clients to pay fees in advance by giving them certain discounts.

Presentation Problem: Presentation of data is another issue faced by outsourcing organizations. This issue arises due to differences in accounting practices and standards of India and USA, there are also differences in accounting software’s used in India and USA. These issues can be resolved by following

• Organization should obtain accounting software of their clients from them and process the financial information on that software.

• Organization should provide training to its employees on accounting standards and practices being followed in USA.

Activity Management Problem: Managing a outsourcing firm is one of the issues faced my many organizations. The problem arises because person entrusted with management is required to be proficient in accounting as well as computer terminologies. The issues can be resolved by following:

• Organization should appoint competent persons possessing knowledge of accounting as well as computers for managerial positions.

• Organization should continuously update the knowledge of employees in computer as well as accounting by providing regular training programs.

Quality of work: Management must ensure that the quality of work is maintained, employees are responsible for maintaining the quality of work.

• Management should take steps to provide training to employees so that quality is maintained.
• Management should also lay down standards and practices by which work has to be performed. They should verify that work is being performed according to standards periodically.

• Organization should provide some positive incentives to the employees who adhere to standards and practices.

Challenges

Outsourcing accounting organizations face various challenges while conducting their business activities. Some of the major challenges faced by them are:-

Internal Challenges:

Internal challenges are those challenges which arise internally in an organization. These challenges are manageable, i.e. these challenges can be solved by controlling internal factors of organization.

Major challenges in this area relate to recruitment of employees and their retention in the organization. (Ref)

Recruitment challenges involve lack of accounting knowledge and skills, knowledge of computer software and communication skills among applicants. These challenges can be overcome by

• Providing education related to outsourcing accounting. 1-3 year courses on outsourcing accounting have to be conducted across various universities in India to ensure that students who want to develop their career in this sector attain necessary knowledge and skills to become employable by outsourcing accounting organizations. following suggestions are made in this matter
  o The syllabus and course structure should be designed in the combination of theory and practical topics.
  o Theory part covers basic accounting knowledge and concepts, preparation & presentation of financial statements, accounting standards, management, communications, information technology etc.
  o Practical part should be such that students can apply the concepts learnt in theory. Practical lectures in operating accounting software should be made part of curriculum

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Students should be able to apply knowledge gained in real life situations. It is suggested that course should compulsorily involve 6 month industrial training program. This will enable the students to grasp the practical aspects of outsourcing accounting process.

- Organization can also directly hire skilled and experienced employees. The benefit of such step would be that organization will save money and time invested in training fresh applicants; the experienced employees will start contributing to organizations targets directly. The downside of above alternative will be in form of high salaries and benefits demanded by experienced employees. The organizations are suggested to strike a balance between recruitment of new as well as experienced employees. This will result in saving costs as well as enabling new employees to train under experienced ones.

Retention of employees

Retention of good employees is major challenge faced by the management. High employee turnover is a problem faced by many organizations in corporate world. This results in significant losses in terms of training and development costs. Hence organizations should strive to retain employees in organization.

- Organizations should conduct proper employee appraisal from time to time.
- Proper promotion schemes should be put in place,
- Regular job rotation and appointment of employees on new projects should be carried out to ensure that interest of employees is maintained in organization.

Customer requirements/demands

Customer is king of market. To maintain good relationship with the management is the prime responsibility of management. Customer’s demands for new accounting services must be handled promptly. Demands made by customers for changes must be analyzed with respect to its impact on cost of services being provided. Changes should be made if impact on cost is not significant, but if there is a significant change in cost of services, the changes should be made only after revising the fees from the client.
Customers also require the information that can execute in their software. Hence it is necessary that organization should carry out processing of data using client software so that processed data can be easily exported in client systems.

**Industry Challenges**

The economy of a country is divided into an umbrella of industries where an industry consists of all organized activities for production and processing of products. An industry covers all economic activities that are organized and carried on by all individuals, units, firms, businesses, and organizations existing and working inside it. An industry which is organized will develop rapidly as compared to unorganized industry. For an industry to be organized, it is necessary that it is regulated by a common entity which will regulate the working of its members for example, banking industry in India is regulated by Reserve Bank of India, and it ensures that all members follow certain regulations and practices.

Similarly it is suggested that accounting outsourcing organizations should develop a body to regulate the workings of outsourcing industry as whole. Such a body will

- Ensure that there is standardization in working of outsourcing industry as whole.
- Ensure that information regarding standards and practices of organizations is available to new startups in the industry.
- Ensure that there is a health competition among all the organizations in the industry.

**Competitors**

The main reason why India is preferred outsourcing destination is because of lower cost of processing accounting information. Indian outsourcing organizations must maintain their competitive advantage if they are to maintain their position as global outsourcing hub. Competitive advantage can be maintained by providing better quality service at lower cost. Cost can be reduced by following

- Appoint more fresher’s for the outsourcing accounting works as they demand lower salaries.
Outsourcing organizations have to process accounting as well as non-accounting data of their clients. Organizations can minimize cost by assigning non-accounting work to employees who are not from commerce field. For example non-accounting data can be processed by non-graduate employees having basic computer skills. Such employees are available at much lower cost than accountants.

Retired accountants can be hired to reduce costs. They can be given facility to work from home.

Re-outsourcing is also one of viable alternative for reducing cost. Organization does not have to invest heavily in buildings, computers, personnel and other facilities. It can outsource its accounting work to a number of small accounting firms, such firms will process the data and send it to organization which will then compile the data and upload it to clients system. This will lead to reduction in cost of organization which would only coordinate the activities of small firms.

However care should be taken while distribution of work, proper secrecy should be maintained of client’s data. The organizations must enter into a non-disclosure agreement with such firms to protect the data of their client.

Provide services to various countries

India is a global leader in outsourcing business sector (REF). Indian service providers must disperse their business geographically. They should try to provide services to all developed countries. By adopting above mentioned strategies and optimum use of resources, companies can provide quality services at lower cost and maintain their leading position in outsourcing market.

Opportunities for outsourcing accounting business

To grasp the opportunities of outsourcing business in countries like USA, Indian service providers must provide certain additional services like Business Succession planning, buying & selling a business, pension & profit sharing plans etc. It boosts the participation of Indian organization in management of clients business.
Impact of globalization and IT

Globalization has both positive and negative impact on outsourcing accounting. While we welcome the positive impact, we should be wary of negative impact. Positive impact will be in form of new technology, new clients, new business, new opportunities and so on. Negative impact will be in form of increased competition, decline in profit margins etc. the organization should strive to minimize the impact of negative forces and at the same time utilize the benefits provided by positive forces to maximum extent.

- Increased competition in global market will help the organization to identify and curtail unnecessary expenditures to remain profitable.
- Organization should always keep updating their knowledgebase and learn new things. This will enable the organization to maintain its position in rapidly changing environment.
- Organizations should continuously look for new opportunities and provide enhanced services to clients; this will enable the organization to remain profitable even in low profit margin.

Indian Service Providers:

- Open a branch or correspondence and communications center in USA. It will help the organization to know the business environment in USA.
- Indian service providers should provide services like Business Succession planning, buying & selling a business, IFRS and State/ Local representation, use of different software, hardware etc.

US Service Providers:

US service providers must open a center for their organization in India and run practices through these centers. It affects the cost of service i.e. they can provide the lower services in lower cost.


**Contribution to Management Theory**

In the world of Internet and IT, a contact which reduces the cost and maximizes profit, without compromising on quality and time, such a contact is known as outsourcing. Outsourcing is a powerful management tool for redefining and re-energizing any organization. It is useful, not only for maximizing the present profits of the organization with the existing clientele, but it also relieves and enables the employees to work on higher value added jobs. BPO industry is a young and emerging sector in India. It initially began as an activity confined to multinational companies, but today it has developed into a broad-based business platform backed by leading Indian IT software and services organizations and other third party service providers. Today, Indian companies are offering a variety of outsourced services ranging from customer transcription, billing services and database marketing, to web sales/marketing, accounting, tax processing, transaction document management, telesales/telemarketing, HR hiring and biotech research. In this paper an analysis has been made to highlight, Outsourcing information, and top ten countries and companies as well as future of outsourcing.

Outsourcing means when a company contracts with an outside company for services or other business processes, rather than employing in the own company. These services may be provided on-site or off-site.

Outsourcing is one of the fastest growing segments of BPO and ITES industry. BPO is a strategy which promotes in a unique way either by putting in new technology or applying existing technology to improve a process. IT-enabled outsourcing services use information technology in the processing and delivery of the services. These services are typically delivered through a telecommunications or data network, or other electronic media.

India in the recent years has as shown huge developments in the areas of communication, power and software developments. It has already established itself as a global BPO hub and is fast becoming a popular outsourcing destination for major manufactures across the globe.

According to the research report by bpoindia.org, Factor Cost Advantage, Economy of Scale, Business Risk Mitigation, Superior Competency, and Utilization Improvement are the motivational factors helping Indian BPOs to gain importance.
Our country is fast emerging as a winner in this outsourcing services hype. Today the US based companies are ranking India to be their first choice as an offshore outsourcing destination. India stands as one of the major players in the outsourcing industry, in terms of well educated, talented, low cost and English speaking workforce, excellent IT and networking infrastructure, a fairly stable political scenario, friendly laws and well laid taxes and quality certified software firms.

The Research and advisory firm, NASSCOM, in one of its report show that by 2011, the Indian BPO industry accounted for almost 34% of the global BPO market. Indian BPO players, like IBM, EDS, Accenture, etc have proved themselves as powerful opponent to Western BPO. The” BPO economy” in India today is anywhere between $25 billion and $50 billion and growing 30-40%.

According to U.S. Department of Labor and Forrester Research, total number of US jobs 33,20,213, is outsourced in 2015. BPO employment is growing faster than IT and touches a much wider spectrum of society. The BPO boom has helped developing countries like India in a major way by creating quality job opportunities in turn benefiting the Indian economy.

However, in BPOs, outsourcing accounting experience the events that bring in issues. “Issues are a kind of knowledge, skills of employees, technical, financial, Government etc affecting progress and growth of Indian Service Providers”. Issues can’t grasp the jobs offered by US and other countries.

To grasp such golden opportunity Indian must be adopt some new strategy. Outsourcing education is the powerful solution on the above issues. Provide the outsourcing educations to Indian younger through the colleges at university level. Such education is given by starting the new degree course or introduces the outsourcing subject in regular curriculum. Introduce this subject to all streams like Commerce, Science, Arts, Medical, Engineering etc. developing country outsource all type of work like finance services, healthcare services, software developments, data entry services, transcription services etc., thus it required all streams students.

Such education will offered as theoretically and practically. In the theoretical part introduce the basic knowledge of outsourcing with process of outsourcing, specific subject knowledge, basic concepts and terminology used in particular subject, basic knowledge of computer and internet, introduction of software used in outsourcing work, etc. In practical part, practical of outsourcing will introduce. Practical will give through outsourcing software’s. Various types of software’s is
used in outsourcing like outsourcing accounting software used like QuickBooks, Peachtree, Caseware, Multiledger, Easy Accounting, etc. It helps to improve the knowledge and skill of the Indian younger.

In this way Indian education system provides the knowledgeable and skilled younger’s to grasp the employment opportunity of outsourcing sector.
Future Scope

The result of this analysis will be presented in order to indentify a theoretical framework for outsourcing accounting practices and proposed possible future research opportunities emanating from this study.

Further research is needed to cover the following dimensions of

1. The study of outsourcing accounting service providers of Maharashtra who provides the services to other country like Canada, Italy, Switzerland, etc.
2. Compare the outsourcing work of Indians with Philippine, China.
3. Outsourcing Study of IT city like Bangalore, Hyderabad.
4. Study of Indian outsourcing system.
5. Study of outsourcing of other services like Health and care services, Data Entry Services, Software Development etc.