An essential aspect of investigation is the review of related literature, which is a general retrospective survey of previous writings pertaining one to one’s problem. It is obviously imprudent and wasteful to proceed in any study without knowing what has been done before. The Review of related literature is an enacting task calling for a deep insight perspective of the overall field. To make the presentation systematic, the researcher has categorized all the studies into following three categories and is presented in the chronological order:

2.1 Performance and Growth of BPO in India.

2.2 Impact of US Recession on Indian Economy.

2.3 Impact of US Recession on BPO Industry in India.

2.1 PERFORMANCE AND GROWTH OF BPO IN INDIA:

Anandan Pillai & Meenu Bhatnagar (2003): “During the post-reform period, India has emerged as an ideal destination for many multinational companies. Various demographic, economic, political, social and financial factors contributed towards India being considered as a favorable destination. The success of the
BPOs in India led to a lot of criticism in western countries regarding loss of jobs and shift of economical benefits to India. In spite of these concerns, India has successfully moved towards the next value chain of Knowledge Process Outsourcing (KPO).

**Grossman and Helpman (2005):** “We live in an age of outsourcing, clearly designates that outsourcing has now become an acknowledged, accepted and established business strategy.”

**Desai Ashank (2005):** “The structure of the Indian offshoring industry is witnessing steady change, with the emergence of domain/industry specialized BPO’s. A noticeable change in the service offerings of service-providers is being witnessed; service providers are migrating to higher-end strategic processes. Service providers are diversifying their geographic bases, by creating new infrastructure in Tier II cities, in order to leverage the lower costs and lower attrition rates, as well as to find access to a larger talent base.”

**Terra Equa (2005):** “73% of BPO customers surveyed believe BPO is improving their outsourced processes. The study concludes that BPO is increasingly moving to be about efficiency and effectiveness.”

**NASSCOM (2005):** “The Indian ITES-BPO segment continued to chart strong year-on-year growth at 37 per cent for FY 2005-06. Growth is being driven by a
steady increase in scale and depth of existing service lines. There also has been
addition of newer vertical specific services and emerging/ niche business
services in the past year.”

**Gibson (2005):** “International Data Company (IDC) predicts that BPO will grow
at a compound annual rate of 10.9%. With $382.5 billion in annual sales in 2004,
global BPO will likely grow to $641.2 billion in 2009.”

**Upadhyaya Taruna (2006):** “BPO industry has evolved in three phases. The first
phase was led by captive players like GE, DELL, HP, HSBC etc. It then went on
to be led by venture backed companies like Customer Asset, Daksh, Transworks,
etc. Most have then be consolidated, either by way of an acquisition or a merger.
Then a IT service players and large corporate houses like the Aditya Birla Group
led came the third wave and at that time, there came companies like Progeon,
backed by Infosys, Nipuna backed by Satyam. The fourth wave is witnessing lot
to traction from international players who are aggressively building their domestic
presence coupled with Indian players, who are strengthening their domestic
presence.”

**NASSCOM Report (2006):** “Worldwide spending on BPO totaled approximately
US$ 712 billion in 2001. IDC projects that by 2006, the potential ITES-BPO
market may increase to US$ 1.2 trillion, with an overall compounded annual
growth rate (CAGR) of 11%. While traditionally the key driver for ITES-BPO
activities has been cost reduction, companies are increasing viewing these services as strategic and essential elements for organic growth.”

**Sinha Buddhodev Akinchan (2008):** “In spite of tough competition, India has emerged as a global leader in the Business Process Outsourcing (BPO) industry. India has the advantage of having large English speaking and computer literate workforce, which are considered as important perquisites for the success of BPO sector.”

**Ajay Ohri (2009):** “The Business Process Outsourcing (BPO) Industry is one of the largest providers of employment in India. They employ an estimated half-a-million Indians, mostly in the 20-35 age groups, and these numbers are only increasing. For a vast majority of them, the BPO industry is considered a boon as it enables them to earn wages much more than was possible previously.”

**Gartner (2008):** “India’s domestic ITES market has a CAGR of 20.2 percent from 2007 to 2012, and is expected to reach US$11.8 billion in 2012 and this growth will be fueled by SMBs, government projects and increased customer focus among companies. The companies, that earlier provided services to traditionally recession prone industries such as banking and telecommunication, are expanding to sectors such as retail, health care and entertainment, which are less likely to be hit in a slowdown.”

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**NASSCOM (2009):** “2008 was a year of transformation for the Indian IT – BPO sector, as it began to re-engineer challenges posed by macro-economic environment, with the worldwide spending aggregate estimated to reach nearly USD 1.6 trillion, a growth of 5.6 per cent over the previous year. In the global market, software and services touched USD 967 billion, an above average growth of 6.3 per cent over past year and the worldwide BPO grew by 12 per cent, the highest among all technology related segments.”

**Gartner Study (2009):** “Indian BPO providers have proved to be stiff competition to western BPO providers, accounting for 5 percent of market revenue generated among the top 150 providers in 2008. Gartner expects this increase in revenue to be maintained, with the BPO market share of Indian vendors expected to nearly double by 2010.”

**Gartner Study (2010):** “The global outsourcing industry, on the back of global recovery since last one year, will move on to reaffirm India’s leadership position as the primary outsourcing location for business process related services. The Indian BPO industry to grow into a $1.2 billion market by 2011 and $1.8 billion by 2013.”

**NASSCOM (2010):** “India’s business process outsourcing (BPO) industry is forecast to increase its revenue this fiscal year by 15 percent to 16 percent. And demand for BPO services is booming, including from the domestic market, there
is also greater interest in setting up service delivery centers in rural areas." It also estimates that the industry would hire 150,000 people this year, and the domestic market will witness 12 percent growth this year and would reach Rs. 66,200 crore. The growth rate has been estimated at 5.5 percent, on the back of increased cost efficiencies, utilization rates and diversification into new verticals. Direct employment in the Indian IT-BPO sector is estimated to cross 2.3 million, while indirect job creation is estimated to reach 8.2 million.”

**Singh T.J (2010):** “India has already overtaken China as a BPO market and is likely to stay ahead in 2014, when its domestic BPO market is forecast to grow to $2.47 billion. The Chinese BPO market in contrast is forecast to grow to $1.6 billion by 2014. Australia and Japan are still ahead of India in the Asia Pacific region”.

**Murugesh Keshav (2011):** “With BPOs moving up the value chain to provide such high-end services as business analytics and knowledge-based services through a mix of re-engineering skills, technology-enabled platforms, new operating models and increased depth of services, BPO exports are estimated to grow 6 percent to $12.4 billion (over Rs. 57,000 crore).”

**NASSCOM (2011):** “The revenues of the Indian IT-BPO sector are estimated to grow 19 per cent to $76 billion in 2010-2011, largely because of steady recovery in demand for technology services.”
**Mittal Som (2011):** “The domestic market grew by 16 per cent to about $17 billion but the mainstay was exports, which grew at 18.7 per cent and had revenues of $59 billion. Direct employment is expected to reach nearly 2.54 million, an addition of 240,000 employees. As a proportion of national GDP, the sector revenues are estimated 6.4 per cent in FY2011. The BPO export segment grew by 14 per cent to reach $14.1 billion in FY2011. The BPO sector was impacted by delayed decision making and deal restructuring in the first half of the year, but picked up momentum in the second half. There was an increased focus on client relationships, mining existing clients and restructured operations to provide focused vertical solutions. The domestic market also saw a considerable growth in FY 2011 at $2,777 million.”

**D’ Souza Riya (2011):** “With high quality services along with large talent pool and time-to-market capabilities, India not only remains a hot destination for the BPO but is also a matured market now. In fact, the stagnation or slow growth in the global economy has only paved way for niche markets for the Indian BPO companies. The present trend, thus, indicates that the demand for BPO exports from India would continue till 2015.”

**NASSCOM-EVEREST (2012):** “India is at the forefront of the rapidly evolving Business Process Offshoring (BPO) market and is well established as a ‘destination of choice’. Having grown manifold in size and matured in terms of service delivery capability and footprint over the past decade, the Indian BPO
industry is now at an inflexion point; and faces a unique opportunity to enhance its role as a full-service, value-adding partner. There is significant headroom in the addressable BPO opportunity for buyers and providers; and there are sizeable untapped opportunities across a wide spectrum of segments. Also, Indian BPO industry is favorably positioned to benefit from its established delivery capabilities, which bear a key influence on buyers’ decision to expand their global sourcing exposure. Over the next five years, the right choices by stakeholders of the Indian BPO industry could affect a fivefold growth. The aspired target is aggressive, but it is achievable, and will bring huge payoffs to India’s economy, employment and role in the global marketplace.”

2.2 IMPACT OF U.S. RECESSION ON INDIAN ECONOMY:

The financial meltdown, morphed into a global economic downturn with the collapse of Lehman Brothers on 23 September 2008, the impact on the Indian economy was almost immediate. Credit flows suddenly dried-up and, overnight, money market interest rate spiked to above 20 percent and remained high for the next month. It is, perhaps judicious to assume that the impacts of the global economic downturn, the first in the center of global capitalism since the Great Depression on the Indian economy, are still unfolding.

Mohan Rakesh (2008): “As might be expected, the main impact of the global financial turmoil in India has emanated from the significant change experienced
in the capital account in 2008-09 so far, relative to the previous year. Total net capital flows fell from US$17.3 billion in April-June 2007 to US$13.2 billion in April-June 2008. Nonetheless, capital flows are expected to be more than sufficient to cover the current account deficit this year as well. While Foreign Direct Investment (FDI) inflows have continued to exhibit accelerated growth (US$ 16.7 billion during April-August 2008 as compared with US$ 8.5 billion in the corresponding period of 2007, portfolio investments by foreign institutional investors (FIIs) witnessed a net outflow of about US$ 6.4 billion in April-September 2008 as compared with a net inflow of US$ 15.5 billion in the corresponding period last year.”

**Onaran Yalman (2008):** “Major Banks and other financial institutions around the world have reported losses of approximately US $ 435 billion as on 17th July, 2008.”

**Kundu Sridhar (2008):** “There is a serious concern about the likely impact on the economy because of the heavy foreign exchange outflows in the wake of sustained selling by Foreign Institutional Investors in the stock markets and withdrawal of funds by others. The crisis resulted in net outflow of $ 10.1billion from the equity and debt markets in India till 22nd Oct, 2008. Stock prices have fallen by 60 per cent. India’s stock market index—Sensex—touched above 21,000 mark in the month of January, 2008 and has plunged below 10,000 during October 2008.”
Lakshman Nandini (2008): “The financial turmoil affected the stock markets even in India. The combination of a rapid sell off by financial institutions and the prospect of economic slowdown have pulled down the stocks and commodities market. Foreign institutional investors pulled out close to $ 11 billion from India, dragging the capital market down with it.”

Sengupta Jayashree (2008): “Surplus inventory of houses and increase in interest rates led to a decline in housing prices in 2006-2007 resulting in an increased defaults and foreclosure activity that collapsed the housing market”.

Kumar Rajiv (2009): “The equity markets have seen a near 60 percent decline in the index and a wiping off of about USD1.3 trillion in market capitalization since January 2008 when the Sensex had peaked at about 21,000. This is primarily due to the withdrawal of about USD12 billion from the market by foreign portfolio investors between September and December 2008.”

Choudhari Nidhi (2009): “The GDP growth rate which was around nine per cent over the last four years has slowed since the last quarter of 2008 owing to deceleration in employment, export-import, tax-GDP ratio, reduction in capital inflows and significant outflows due to economic slowdown. The demand for bank credit is also slackening despite comfortable liquidity in the system. Higher input costs and dampened demand have dented corporate margins, while the uncertainty surrounding the crisis has affected
business confidence leading to the crash of Indian stock market and volatility in FOREX market.”

**Kumar Rajiv (2009):** “The impact of the global crisis has been transmitted to the Indian economy through three distinct channels, viz., the financial sector, exports, and exchange rates. On the financial front, the Indian banking sector was not overly exposed to the sub-prime crisis. While exports of both goods and services still account for only about 22 percent of the Indian GDP, their multiplier effect for economic activity is quite large as the import content is not as high as for example in the case of Chinese exports. Therefore, an export slump will bring down GDP growth rate in this year. The third transmission channel is the exchange rate, as the Indian Rupee has come under pressure. In terms of policy response, there is not much room for further fiscal policy action as the consolidated fiscal deficit of the central and state governments in 2008-09 is already about 11 percent of the GDP. Any further increase in fiscal deficit to GDP ratio could invite a sharp downgrading of India’s credit rating and a loss of business confidence.

**Kumar R and P Vashisht (2009):** “India’s financial sector is not deeply integrated with the global financial system, which spared it the first round adverse effects of the global financial crisis and left Indian banks mostly unaffected. However, as the financial crisis morphed into a full-blown global economic downturn, India could not escape the second round effects. The global crisis has
affected India through three distinct channels: financial markets, trade flows, and exchange rates. The reversal in capital inflows, which created a credit crunch in domestic markets along with a severe deterioration in export demand, contributed to the decline of gross domestic product by more than 2 percentage points in the fiscal year 2008–2009.

Ghosh Jayati (2009): “Recent high economic growth in India was fundamentally dependent upon greater global integration and related to the deregulation of finance combined with fiscal concessions that spurred a consumption boom among the top two deciles of the population, especially in urban areas, even as deflationary fiscal policies, poor employment generation and agrarian crisis kept mass consumption demand low. The impact of the crisis on agriculture is much more severe than has been recognized. Official sources suggest that there has already been a sharp fall in employment in the export-oriented sectors. Many newly unemployed are migrant workers, often short-term migrants with casual contracts whose very existence tends to be ignored by official statistics.

Shaik R. K. (2010): “The intensity of present economic crisis is so high that is being compared with the global economic recession in 1873, great depression of 1930s and East Asian crisis of 1990s. The current economic slowdown is considered to be subprime mortgage crisis in the financial sector of United States.”
NASSCOM Strategic Review (2010): “While robust fundamentals ensured that the recession impact on India was relatively moderate, in an increasingly globalised environment, it could not escape declining GDP growth, rising unemployment and weakened consumer demand. However, prompt action by governments across the world and stimulus packages helped to contain this downfall and make way for revival by the end of 2009.”

Rajiv Kumar Bhatt, (2011): “Today, India is much more integrated with the world economy through both the current and capital accounts. The down turn that appears to have begun in the USA in September, 2008 have some negative impact on Indian economy. The most immediate effect of this global financial crisis on India is an outflow of foreign institutional investment (FII) from the equity market. This withdrawal by the FIIs led to a steep depreciation of the rupee. The banking and non-banking financial institutions have been suffering losses. The recession generated the financial crisis in USA and other developed economies have adversely affected India’s exports of software and IT services.

Bajpai Nirupam (2011): “India could not insulate itself from the adverse developments in the international financial markets, despite having a banking and financial system that had little to do with investments in structured financial instruments carved out of subprime mortgages, whose failure had set off the chain of events culminating in a global crisis. Economic growth decelerated in
2008-09 to 6.7 percent. This represented a decline of 2.1 percent from the average growth rate of 8.8 percent in the previous five years.

To sum up, while it is true that the Indian banking sector remained largely unaffected because of its very limited operations outside India or exposure to sub-prime lending by foreign investment banks, the global crisis has affected India through three distinct channels. These channels are financial markets, trade flows, and exchange rates. The financial sector includes the banking sector, equity markets (which are directly affected by foreign institutional investment [FII] flows), external commercial borrowings (ECBs) that drive corporate investments, FDI, and remittances. The global crisis had a differentiated impact on these various sub-sectors of the financial sector.

**Basu Kaushik (2011):** told Washington Post: “Just before the crisis in 2008, the repo rate- the key rate in the economy- was 9%, which was cut quickly to stimulate demand and investments. Growth estimates are down to 7.2% in the current year, not far from 6.8% the country managed in crisis-ridden 2008-09, and every other indicator is pointing downwards. The world is presently facing economic crisis due to which economics world over are considered to be entering into prolonged slowdown in economic activities.”
2.3 IMPACT OF U.S RECESSION ON BPO INDUSTRY IN INDIA

To begin with, the global economy is going through severe volatility and facing the worst economic crisis since the Great Depression. The US and European markets, the key playgrounds for Indian IT-BPO companies, have experienced economic upheaval caused by the sub-prime mortgage crisis and subsequent collapse of the financial and banking markets. As the major Western economies experience a major slowdown in growth and witness significant restructuring, a completely different global economic landscape is emerging where new markets, new services and new customer needs will define the course of all industry.

Toraskar Abhishek (2008): “The US downturn is slowly but surely redefining the Indian IT paradigm and if Indian IT companies are not watchful, they may lose the outsourcing advantage soon. It is indeed a tricky time for the Indian IT industry, but there’s no real reason to be panic. The IT guns showed great character and resilience during the years following the dot com bust. They are wise enough to read the signs and realize that change is in order. With a slight course correction and an unswerving view on the long-term, the India IT industry can emerge stronger and bigger.”

WIPRO Council (2008): “The Current slowdown in US will make the Indian IT and BPO companies to reduce their dependency to US and start marketing their services to other countries like APAC and Latin America and EMEA. At this time,
it is not clear how long it will take for Indian companies to penetrate into those markets, but the current US market will force them to act quickly.”

**Gupta Gaurav (2008):** “Vendors view that current US recession as an opportunity and believe that BPOs would be forced to spend on technology service. Small BPOs, especially the ones focused on North America, would be affected strongly. But the large BPOs would be able to weather the storm, and, in fact, will continue to make large investments in technology. Large BPOs realize that it is an opportunity, and the thrust is on value adds. So, they would in fact increase their investment in technology.”

**Ohlyan Deepak (2008):** “The impact of global slowdown would not be felt on the Indian Business Processing Industry. Indian BPO industry has established itself as a major outsourcing hub. India’s share of the global offshore outsourcing market for software and back office services is more than 40%. The sector employs more than 7,00,000 people. It is an opportunity for the industry. However, we may observe few changes with the slowdown as there would be movement beyond non-voice and customer centric processes.”

**Kanna PV (2008):** “The US recession had not impacted the BPO industry negatively. This is because many companies are looking at cutting their spend by moving more processes offshore. There are clear sign that the volume of work being outsourced/offshored is on the rise including first time outsourcers. The
volume however, is getting distributed among several countries, including India, the Philippines and Latin America.”

**Pande Girija (2008):** “It is cautiously optimistic about growth, despite the global economic downturn, because the outsourcing services provider sees continued demand for its various service offerings across markets.”

**Wadhwan Rinku (2008):** “In the short term, the US recession is impacting the BPO industry, as new efforts are being put on hold. However, in the medium to long term, the recession will accelerate the growth in the BPO industry. The biggest challenge to growth is the increase in wages and real estate costs in India.”

**NASSCOM and McKinsey (2009):** “The Export Revenue target of $ 50 billion by 2009 will be delayed by 3-4 due to global economic downturn, and warned of uncertainties in the near feature. The Indian IT for the next 11 years saying the total revenue from export is expected to expand to $175 billion by 2020 and revenues from domestic market could achieve the $ 50 billion mark.”

**Gupta Gaurav (2009):** “The Indian BPO industry is likely to maintain double digit growth rate as most of the work done by them is ‘keeping the lights on’ or non-discretionary. The current recession is forcing companies from other verticals
such as media, entertainment, healthcare, energy and utilities to consider outsourcing of back office work.”

**NASSCOM Strategic Review (2010):** “For the Indian IT-BPO industry, this downturn signalled the beginning of a new world order and a paradigm shift in the way this industry thinks and operates. While there was certainty that these tumultuous times would pass, the industry viewed this crisis as an opportunity, not only exhibiting resilience but also sustaining its growth. The sector aggregated revenues of USD 73.1 billion in FY2010, a growth of 5.4 per cent over FY2009, and generated direct employment for 2.3 million people. The domestic market is at an inflection point with the rise of India Inc., growing adoption of IT to achieve greater efficiencies and the Indian government fuelling the demand with various e-Governance initiatives. The year witnessed longer term comprehensive outsourcing engagements with the overall domestic market posting strong growth. Recognising that opportunities that lie ahead will be different from the past, the industry has redefined its aspirations for the next decade.”

**Tomar Lokendra (2011):** “The US recession is likely to have a dual impact on the outsourcing industry. Appreciating rupee along with poor performance of US companies (law firms, investment banks and media houses) will affect the bottom line of the outsourcing industry. Small BPOs, which are operating at a net margin of 7-8 per cent, will find it difficult to survive.”
NASSCOM (2011): “Despite a volatile global economic climate in 2009 and gradual economical recovery in 2020, the Indian BPO industry held its head up, continued to take centre stage in global sourcing strategies, and maintained its position as a strategic offshoring destination. Efficiencies gained during the economic crisis were not lost and the industry continued to re-engineer internally. Overall, the BPO segment remained a net hirer, continuing to create employment opportunities. BPO spend witnessed a recovery during 2009-10, growing at 4 per cent. Revenues from BPO services rose to USD 158 billion in 2010. The industry was driven by traditional and developing markets, the emergence and adoption of new technologies, new business models and new customer segments.”

NASSCOM (2011): “Amidst speculation and an uncertain global economic environment, the Indian IT-BPO industry once again exhibited buoyancy and maturity, reflected through a strong customer demand in FY 2010-11, says the Indian IT Industry body NASSCOM, in its key findings of the Indian IT-BPO sector performance for FY 2010-11. The IT-BPO industry (excluding hardware) witnessed a quick rebound in growth and is estimated to grow by 19 per cent, aggregating revenues of $ 76 billion this fiscal year. While exports continued to be the mainstay of the industry with revenue of $59 billion, the domestic market demonstrated steady growth of 16 per cent to aggregate Rs. 787 billion. Direct employment is expected to reach nearly 2.54 million, an addition of 240,000 employees. As a proportion of national GDP, the sector revenues are estimated 6.4 per cent in FY2011.”
Neemuchwala Abid Ali, (2012): “The global financial crisis over the last three years saw the BPO landscape change. IT-BPO synergy, process re-engineering and transformation, and global delivery all became hygiene requirements. Increasingly, there has been a demand to drive business effectiveness through BPO and to support revenue generation and growth. This evolution of the industry has also seen a newer generation of leadership taking charge and driving the internal change to align organisations to these new market realities.”

To be summarized, after an initial setback due to the global recession, the Indian information technology (IT) and information technology-enabled services-business process outsourcing (ITES-BPO) industry is back on the high-growth path. As investments were delayed and costs were reduced, the BPO market suffered a slowdown from the summer of 2008 until the second quarter of 2009. From the second quarter of 2009, the BPO market was experiencing a recovery. In the aftermath of the crisis, an increase in the demand for BPO solutions can be expected as a result of companies pursuing outsourcing solutions to gain flexibility.
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