Globalization of economies supplemented by technological advances has led to the evolution of the outsourcing industry in India. Today the Indian BPO scene has changed over the years. From being a call center centric industry, the Indian BPO scene now covers a wide range of services, largely voiceless. In 1999, when the BPO boom had just taken off, voice-related services contributed to 85 per cent of the Indian BPO industry’s share of business. Seven years down the line, voice accounts for just 35 per cent. The IT-BPO sector has become one of the most significant growth catalysts for the Indian economy. In addition to fuelling India’s economy, this industry is also positively influencing the lives of its people through an active direct and indirect contribution to the various socio-economic parameters such as employment, standard of living and diversity among others. The industry has played a significant role in transforming India’s image from a slow moving bureaucratic economy to a land of innovative entrepreneurs and a global player in providing world class technology solutions and business services.

Today most researches in the BPO sector has addressed only specific problems related to its environmental analysis like challenges, growth and opportunities, the problem of attrition, the HRM systems, and issues of job stress, job
satisfaction, individual performance etc. to name a few, but not much inclusive
and structured work has been done in the domain of BPO sector which analyses
the growth performance and trends in BPO sector and impact of economic
changes on the Indian BPO Industry. Therefore the study aimed at exploring the
dimensions of global economic Scenario and its impact on Indian BPO Industry
during the slowdown.

The present study has been conducted with the following objectives:-

1. To ascertain the trends and development of BPO Industry in India.
2. To examine the Global Economic Scenario in the context of BPO Industry.
3. To analyse the impact of economic slowdown on the performance of BPO
   sector in India.
4. To carry out SWOT analysis of Indian BPO Industry.
5. To anticipate the future prospects/potential of Indian BPO Industry.

The study is empirical based on expert interviews conducted with BPO clients
and BPO providers. The group of interviewees consists of experienced
practitioners with exhaustive experience in both: building and operating captive
Shared Services and co-operating with BPO providers. A self structured
questionnaire was intricately designed to tap the factors affected by global
economic slowdown. The instrument was divided into 2 parts. The first part
gathered information about the personal profile of the respondents such as; age, gender, education, marital status, and tenure. Part II further has two sections, section I aimed at knowing what according to the respondents is impact of recent slowdown on various dimensions of BPO Industry and section II carries out the SWOT analysis.

To ascertain the trends and development of BPO Industry in India and to analyze the global economic scenario in the context of BPO Industry, the Secondary data was collected from reliable secondary sources such as annual reports, company websites, regulatory filings, and data with industry association, regulatory bodies, reports of various concerned associations like Nasscom, McKinsey, Gartner, Government websites and various newspaper articles. The information so gathered was used collectively to understand the changing dynamics of the Business Process Outsourcing.

Sample respondents were selected from the list of top 20 BPOs as provided by the NASSCOM (2010-11). In all, 350 questionnaires were mailed and e-mailed and the rate of response was approximately 80%, i.e. 300 respondents gave the feedback. The weights were given on the 5 point likert scale. Strongly agreed was given fifth rank and strongly disagreed was given one rank. The collected data was analyzed using mean scores, and inferences were drawn. In respect of the five point Likert scale, while a mean score 3 and above was taken as
indicating highly affected, in the range of 2 to 3 was considered as indicating ‘moderately affected’, and a score below 2 as indicating less affected.

The present study undertaken analyses the impact of global economic slowdown on Indian BPO industry. It is divided into 8 chapters, each having equal importance and relevance. Chapter One gives introductory information about outsourcing, BPO and the financial crisis, respectively. This chapter might be useful for readers that need extra context information on the subjects and to define the concepts of “BPO” and “financial crisis” that will be used in the rest of the document. The chapter concludes with the recent current trends of BPO industry. Research Methodology and need of the study are described in this chapter.

An essential aspect of investigation is the review of literature in general retrospective survey of previous writings. Chapter Second reviews the existing literature to explain the Impact of US Recession on Indian Economy, Performance and Growth of BPO in India and Impact of US Recession on BPO Industry in India.

Chapter Third explains the historical background of the U.S economic recession. It details about the causes and severity of recent US economic crisis. There were multiple factors responsible for recent economic crisis, like the lack of financial accountability, a lack of understanding of the working mechanisms of
economics, internal degeneration at a moral or socio-political level or at the
economic level (corruption and greed) and external aggression, or wars, etc. The
chapter concludes with the measure of curing from the U.S economic crisis.

The purpose of **Chapter Four** is to present the Impacts of the economic and
financial crisis on the Indian economy. It is found that the major effects of global
financial crisis are downturn in GDP, stock market crash, depreciation of Indian
rupee due to capital outflows by FIIs and credit crunch in the Indian economy
following the drastic decline in the liquidity in the bank system. It concludes with
the explaining government and RBI responses i.e. monetary measures and fiscal
stimulus.

Chapter **Five** gives an overview of the outsourcing activities conducted in the
Indian market. Multinational Corporations (MNC’s) have managed to identify
several countries worldwide to outsource their non core competencies abroad, in
order to focus more on what they can do better than others and improve
profitability. India is one of the leading countries to attract foreign business
activities in the past two decades. This was a result of multiple factors that made
the country an attractive choice for outsourcing by MNCs. This chapter also
discusses the current advantages and trends for outsourcing IT to India, and
shed light on the future of this trend. In addition, it discusses the threat to India by
other Asian developing countries as China, Malaysia, Philippines, Russia and
South Africa in the field of IT BPO, which may take away the so called monopoly enjoyed by India.

In the Chapter Six, the Impact of global slowdown has been analysed on the various dimensions and sub measures of performance of the BPO Industry adopted from the study of Hongyan Li and Joern Meissner. The parameters to measure the performance of the BPO industry is divided into three broad dimensions: (A) The Quality Dimension, (B) The Time Dimension, (C) The Cost Dimension. To test the validity and measure the internal consistency and reliability of the instrument, Cronbach alpha test, was conducted and on the basis of resulted values, all the dimensions were considered reliable for the study.

The first dimension of the performance is the QUALITY of the services provided by the Indian BPOs to their customers. The findings of the study reveal that on various quality dimensions, i.e. Competitiveness, Financial Performance, Reliability, Flexibility, Assurance/Empathy, Security, Tangibility, Conformance and Responsiveness all were highly affected by the global slowdown.

The second dimension is TIME of the process which the Indian BPOs take to complete the case. The findings reveals that the time dimension of the performance of Indian BPO industry along with its various sub measures such as Move Time, Setup Time, Service Time, Wait Time, Queue Time and Lead Time has been highly affected by the global slowdown.
The third dimension is **COST** incurred in the Indian BPOs take to complete the process. The findings imply that cost dimension is also affected by the global slowdown along with the sub measures of cost dimensions such as Running Costs, Innovatory Cost, Transport Cost, Training Cost, Administrative Cost, Labour Cost and Machinery Cost.

Further the null hypothesis taken for the research is, **“there is no significant impact of the global recession on Indian BPO Industry”**. On the basis of the performance analysis, the researcher divided the above mentioned hypothesis into three categories:

1. There is no significant impact of the global slowdown on **Quality Dimension** of BPO Industry.

2. There is no significant impact of the global slowdown on **Time Dimension** of BPO Industry.

3. There is no significant impact of the global slowdown **Cost Dimension** of BPO Industry.

On the basis of test computation at the $\alpha = 0.05$ level of significance, the $Z$ observed value of all sub hypothesis was greater than $Z$ critical value, does not fall into acceptance region, thus all the sub null hypotheses are rejected; the evidence suggests that there is impact of global recession on the Indian BPO
Industry. It is summarized that some dimensions of BPO industry are highly affected whereas some are moderately affected but none has escaped from the impact of global recession.

**Chapter Seven** carries out the SWOT analysis of Indian BPO industry. The strengths, weaknesses, opportunities and threats were analysed on the 5 point likert scale, thereby giving the various strategies for the BPO industry to fight with slowdown. **Chapter Eight** concludes the major findings of the research and presents policy implications as extended by the respondents during the survey. It also provides future prospects of the global IT-BPO industry. The main results from this study can be enumerated as follows:

- This recession has had a major impact on the global economy and has hurt other countries as well. The effects on the rest of the world are indeed significant and will continue to have negative impacts as long as this recession continues.

- The research underscores that while the recovery phase has commenced, a number of risks remain that could derail improvements in economies and hinder efforts to ensure that the recovery is accompanied by job creation. The main risks to the recovery relate to the premature withdrawal of the stimulus packages, the continuing and emerging imbalances (both globally and domestically) and the challenge of setting an appropriate
level of regulation for the financial sector to avoid some of the mistakes that were made leading up to the start of the crisis in 2007.

- Although, the Indian IT-BPO sector has become the country’s premier growth engine, crossing significant milestones in terms of revenue growth, employment generation and value creation, in addition to becoming the global brand ambassador for India. However, the industry performance was affected by these recessionary headwinds as the clients cut their IT budgets, cancelled deals, delayed payments and deals, went bankrupt while others renegotiated pricing, looking for severe pricing cuts and stretching the dollar.

- On the basis of the study, it can be concluded that all the three broad dimensions of performance of BPO industry i.e. Quality, Time and Cost including their sub measures were highly affected, however the intensity of impact slightly differs. But none has escaped from the impact of global recession.

- During the financial crisis, India was less affected than others solely on the back of the rural sector and due to the domestic demands, strict banking rules and the mindset of the people. The banking system in India is so regulated and it did not blindly follow the USA, so we did not face any
problems with mortgage issues as USA. Thanks to the IT and other sectors who have started exploring the European countries and are less dependent to USA.

➢ It is becoming apparent that the Indian BPO industry has the intrinsic strengths to survive the downturn and thrive in the long-term. The sector can achieve its medium to long term goals by thinking beyond the mundane, exploring new and unbeaten paths and working in partnership with its peer sectors the government and academia. BPOs are here to stay. The industry is well established with strong infrastructure, technology, and workforce.

➢ BPOs have deep roots in the western world. It is very unlikely that the jobs in BPOs in India would dry up. Along with other advantages, the biggest advantage for India today is the large pool of talented individuals. So there is a very small possibility of China and other competing countries overtaking the Indian BPO industry in the coming years.

➢ The current European economic crisis is affecting the world economy which is giving rise to the second global recession in three years. While this has slightly impacted the global outsourcing industry, India is still
holding a strong position in the BPO industry due to its decade-long expertise in offering quality services at cost-effective rates.

➢ India’s BPO industry is known for its massive turnover and its huge employment base. But according to a recent industry-specific survey organised by the Associated Chamber of Commerce and Industry (Assocham), the global success rate of India’s BPO sector might soon suffer an unprecedented decline in the next few years. BPO sector has been facing a severe dearth of skilled workers, as the rate at which employees are opting out of mid and low level jobs has become alarmingly high.

➢ The BPO sector has gone through a lot of changes; we are facing the fifth generation where cost arbitrage is no longer a USP. Quality service is the new prerogative. With changing times in the BPO industry, we are looking at a very strong new trend in this sector and this marks an emergence of the new generation of BPOs. The BPO industry in India is certainly considered to be a goldmine, with analyst firms announcing lucrative future prospects,

➢ In the future, the global IT-BPO industry is likely to go through a paradigm shift across five parameters: Markets, Customers, Service Offerings, Talent and Business models.
There is a need for concerted and collaborative action by various stakeholders to create the enabling ‘eco-system’ for future growth of the industry. Efforts are required across eight action themes for the industry to realize its potential and to maintain and accelerate its growth trajectory over the next five to ten years, which are as follows:

1. Protect India’s cost advantage to ensure that buyer interest, adoption growth are sustained.

2. Create BPO hubs with the enabling physical and social system to drive BPO led growth broader and deeper with in India.

3. Increase employability and access untapped talent pools by creating greater linkages between the current education system and the needs of the BPO industry and facilitating the development of BPO specific education models.

4. Encourage the growth of domestic BPO to enhance the competitiveness of Indian industry, create additional employment and facilitate development.

5. Uplift the third party and captive value proposition to affectively deliver against changing buyer expectation.

6. Shape an integrator role for the India BPO industry in the emerging global services supply chain.

7. Communicate the true to performance and potential of the industry to a broader set of stakeholders including buyers, employees and government.
8. Help buyers, embrace the overall opportunity of India’s BPO industry in a more meaningful way

The traditional notion of what Business Process Offshoring could deliver for buyers is gradually giving way to a transformation-driven outlook. These changes present significant opportunities for the Indian BPO industry but, at the same time, also necessitate conscious decision-making by all stakeholders. We believe that the eight key action themes outlined in this report will enable the Indian BPO industry to ride the next wave of growth. However, effective implementation will require continuous collaboration between key stakeholders in the industry, including the Government.

The research study is limited to a few aspects. Firstly, the study has considered only limited dimensions while assessing performance of the BPO industry. It is therefore further more dimensions can be undertaken for the study. Secondly, the study needs to be tested on a larger dataset to measure the respondents’ attitudes toward performance and challenges of the BPO industry and better result can be attained. IT industry has close similarities with that of a BPO industry with an equally alarming rate of affect of U.S crisis. Similar study can also be done in sectors like hospitality, infrastructure, retail, education etc. as intrinsic motivation becomes a pillar for performance, loyalty and eventual sustenance almost everywhere.
Based on the conclusions derived after the in-depth and comprehensive study, it is found that many BPOs are adopting some fundamental actions to fight with the economic slowdown; one of them is cost cutting which resulted in employee attrition. Therefore this study may help BPO industry to adopt right kind of strategy to come over the slowdown. Further it also provides key action themes on which the Indian BPO industry should focus for competing with the other countries and increase the market share and competiveness.

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Shaveta Sachdeva
Research Scholar

Prof. Laxmi R. Kulshrestha
Supervisor

Prof. Laxmi R. Kulshrestha
Head, Department of Economics

Prof. Sanjeev Swami
Dean, Faculty of Social Sciences

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