CHAPTER III

GROWTH OF BPO INDUSTRY

PART I: BPO INDUSTRY IN INDIA

3.1 INTRODUCTION

With the boat of success steaming ahead in the global markets, India has already become the most privileged destination for Business Process Outsourcing. The booming Information Technology (IT) segment comprising ITES (IT-enabled services)/BPO (Business Process Outsourcing) are the core sectors that have driven the country into the epicenter of change. The liberalization of the Indian Telecom sector in 1994 gave an unexpected boost to the ITES/BPO industry. In no time, India has turned into a hot destination for global offshore outsourcing companies.

India is the world’s largest sourcing destination for the information technology (IT) and IT enabled BPO services industry, accounting for approximately 52 per cent of the US$ 124-130 billion market. 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.

3.2. MEANING OF BPO

BPO stands for ‘Business Process outsourcing’ which is the process through which one company hands over part of its work to another company, making it responsible for the design and implementation of the business process under strict guidelines regarding requirements and specifications from the outsourcing company (Destination India, 2009).

Webster’s Universal Dictionary meaning of “Outsourcing” is: “A company or person that provides information; to find a supplier or service, to identify a source”. The philosophy behind BPO is specific “Do what you do best and leave everything else to business process outsourcers”. Business process outsourcing (BPO) is a broad
term referring to outsourcing in all fields. Business process outsourcing (BPO) is the
degregation of one or more IT – intensive business processes to an external provider
that in turn owns, administers and manages the selected processes. Outsourcing is not
a new concept. It has been in use since the turn of the 20th century; when Henry Ford
decided that instead of owning rubber plantations to produce its own tires it could be
simply outsource them. Outsourcing of manufacturing has been in vogue for long.

3.3. DEFINITION OF BPO

Business Process Outsourcing (BPO) can be defined as the act or process of
utilizing the services of a third party by a company or organizations in order to
perform its back office operations that might be payroll administration, customer help
desks/ call centers, tele–marketing, accounting, billing and others.

Offshore Outsourcing

BPO that is contracted outside a company's own country is sometimes called offshore
outsourcing.

Near shore Outsourcing

BPO that is contracted to a company's neighbouring country is sometimes called near
shore outsourcing.

Onshore Outsourcing

BPO that is contracted with the company's own country is sometimes called onshore
outsourcing.

ITES-BPO, KPO, BPO and LPO are some of the sub-segments of BPO
industry. They perform wide range of services as Customer service call-centers,
transaction accounting (A/P and A/R), record-keeping, contract administration,
statement generation, general bookkeeping, telephonic/online interviews, Internet
research including profile generation, product updates etc, presentation and report
generation, customer relationship management, IT enabled services, customer
support, technical support, insurance processing, forms processing, tele-marketing,
logistic management, financial and accounting services, software testing, web
promotion services, legal services and such other back end and front end services.
3.4. CURRENT DRIVERS OF BPO

The Outsourcing business has grown manifold primarily because it’s major benefits (drivers). The significant BPO drivers are listed and explained as follows:

3.4.1. Cost Reduction

Cost savings are realized due to economies of scale, continuous improvements in processes and low wage rates in developing countries. Labor forms an important part of the costs structure as these processes are predominantly labour intensive.

3.4.2. Focus on Core Operations

Offshore outsourcing is strongly influenced by need for focusing on core activities. Outsourcing processes frees up management time and capital and enables best utilization of the two. Outsourcing these business processes will help management concentrate on core activities, thus enabling the company to strengthen its position in the market.

3.4.3. Shared Infrastructure

An individual company, usually, has limited ability to increase the utilization of infrastructure assets (facilities, networking, computer equipment, support staff, and management) beyond its own purposes. Outsourcing enables multiple companies to split the infrastructure costs with other companies thereby, lowering their cost.

3.4.4. Improvements in Service Level

Non-core for the outsourcer is core for the vendor. Vendor focuses on re-engineering and running the processes efficiently.

3.4.5. Access to Large Talent Pool

In countries like India where labor pool is large and diverse provide an abundant supply of professionals. Shifting processes to these countries will enable the company to access large talent pool at a fraction of cost in their country.

3.4.6. Process and Product Innovation

If the process is outsourced, the vendor tries to incorporate best available systems. Hence, the vendor has a large experience base enabling him to leverage his learning and employ best practices to eliminate, simplify, and rationalize steps and costs in the business process to the benefit of the clients.

3.4.7. Leveraging Multiple Time Zones

If the functions are off shored to India, outsourcer can leverage different time zones. Difference in time zone enables faster development cycles. Some part of the process
can be executed in the US in the daytime and then transferred to India. This will enable the company to work 24 x 7.

3.4.8. Changing Customer Needs
Outsourcing provides management with flexible and scalable services to meet their customers’ changing requirements.

3.4.9. Improving the Bottom-line
According to McKinsey study (2007), offshoring can result in a savings of 40-50% cost savings, which has a potential of being increased to 60-70% through reengineering and task level improvements like training, etc. The study also states that offshoring and reengineering a contact center service process will have a positive impact of 40-50% on the bottom-line.

3.4.10. Business Risk Mitigation
There are strategic benefits from business process outsourcing—such as improved performance, profitability and shareholder value.

3.4.11. Maintain Competitive Edge
It enables to focus on building a more competitive business, and provide the supporting systems and services to help companies compete more effectively in the global marketplace.

3.4.12. Obtain Outside Expertise
Vendor firm’s top business, industry and technical specialists provide management with valuable guidance and skills which are their core competencies and which the company may have not had in-house.

3.4.13 Gain Access to advanced Technology
Vendor’s designs and implement leading-edge enterprise systems to support the business process and so manage the technology infrastructure with lower capital investments and training costs.

3.4.14 Make Continuous Improvements in Process
Vendor’s designs build and manage the business processes to operate better, faster and less expensive and work with clients to make continuous improvements in process effectiveness and efficiency.

3.4.15 Achieve World-class Standards/ Benchmarks
Vendors re-engineer business processes to incorporate the best-in-class practices of the world’s leading companies and use the performance measures and benchmarking to improve performance and costs.
3.5. LIMITATIONS OF BPO

Despite the huge benefits of outsourcing, there are inhibitors or limitations for outsourcing. They are listed and explained as follows:

3.5.1 Service quality
The offshore BPO industry is not as matured as IT services. This may affect the service quality in some cases.

3.5.2 Data Security
The most obvious risks in BPO revolve around the access, storage and transfer of data. Compliance with regulations and US privacy laws – that require financial-services companies to protect the privacy of customer data and prohibits them from sharing it with other entities without permission are driving organizational efforts to secure their data.

3.5.3 Staff Redeployment Issue
Off shoring has been one of the major reasons that cause job losses in America. Due to this, many states in US have taken steps to counter offshore outsourcing. The social cost of outsourcing is too large for any company to ignore.

3.5.4 Geopolitical Risks
Before venturing offshore, the company should examine border unrest, religious fabric of the country, government policies, terrorism, etc.

3.5.5 Cultural Differences
Cultural differences need to be effectively managed through exchange programs and by training the initial workforce at domestic facilities.

3.5.6 Regulatory issues concerning off shoring
Some states in the US have introduced laws banning companies performing state contacts from off shoring their work to low cost locations or subcontracting the work to overseas companies.

3.5.7 Financial problems with the Vendor
The company that outsourcers can get into serious trouble if the service provider refuses to provide business due to bankruptcy, lack of funds, labor etc.

3.5.8 Loss of Control
Outsourcing requires the control of the process being outsourced transferred to the service provider. Thus the company may lose control over its process
3.6. INDIA AS AN IDEAL BPO DESTINATION

Globally, India has been considered as the most preferred destination for BPO companies. The key growth drivers of Indian ITES-BPO can be stated as follows:

3.6.1 Abundant Talent: Demographic profile is an inherent advantage complemented by an academic infrastructure that generates a large pool of English speaking scientific and technical talent with domain expertise in specialized areas. Talent suitability concerns are being addressed through a combination of government, academia and industry led initiatives.

India is having a network of 389 universities, 14169 colleges and 1500 research institutes. Each year 4.5 million graduates are coming out from these institutions. India is having 36-37% of World’s employable graduates. India ranks second in English speaking people.

3.6.2 Sustained cost competitiveness: India has a strong track record of delivering a significant cost advantage, with clients’ regularly reporting savings of 25-50 percent over the original cost base. The ability to achieve such high levels of cost advantage by sourcing services from India is driven primarily by the ability to access highly skilled talent at significantly lower wage rates. This is further complemented by relative advantages in other elements of the cost structure.

3.6.3 Continued focus on quality: Demonstrated process quality and expertise in service delivery has been a key factor driving India’s sustained leadership in global service delivery. Over the years, the industry has built robust processes and procedures to offer world class IT software and technology related services. More than 200 companies are quality accredited and serve over 255 Fortune 500 companies.

3.6.4 World class information security environment: Stakeholders of Indian BPO recognize full proof security as an indispensable element of global service delivery. Individual firm level efforts are complemented by a comprehensive policy framework established by Indian authorities, which has built a strong foundation for an ‘info-secure’ environment in the country.

3.6.5 Rapid growth in key business infrastructure: Excellent telecom infrastructure and rapid growth in key business infrastructure has ensured unhindered growth and expansion of this sector.

3.6.6 Enabling Business policy and Regulatory environment: The enabling policy environment in India was instrumental in catalyzing the early phases of growth in this
sector. Policy makers in India have laid special emphasis on encouraging foreign participation in most sectors of the economy, recognizing its importance not only as a source of financial capital but also as a facilitator of knowledge and technology transfer. The Indian ITES-BPO sector has benefited from Investor friendly policies of Indian Government.

3.6.7 Government Initiatives: In the twelfth Five Year Plan (2012-17), the Department of Information Technology proposes to strengthen and extend the existing core infrastructure projects to provide more horizontal connectivity, build redundancy connectivity, undertake energy audits of State Data Centers (SDCs) etc.

### 3.7 EVOLUTION OF BUSINESS PROCESS OUTSOURCING

Outsourcing is not new. It has been a popular management tool for decades. The BPO took nearly 20 years to transform itself from a company owned center to an offshore unit. In the initial stages, the company allocated separate division in its own premises to cater to its needs. However the service was not to the expectation and the companies were forced to discontinue the divisions. Later the companies hired external BPO units resulting in high service levels. As significant cost reduction was not achieved, the companies later started their own units in low cost countries namely “Captive BPO unit”. Most of the insurance companies, banks, manufacturing companies and FMCG companies set their captive BPO units in low cost countries. But these captive units were not able to give cost benefit and quality service as compared to BPO units with professional experience. IT companies with their high-end infrastructure ventured into ITES services. These ITES units were become very popular in USA, and they become handful tool to management for decades. The evolution of IT enabled services has occurred in the following phases:

- **1960’s**—time-sharing
- **1970’s**—parts of IT operations
- **1980’s**—entire IT operations
- **1990’s**—alliances/tie-ups
- **2000’s**—ITES
The evolution of Global Business Process Outsourcing can be explained using the table given below:

**TABLE NO. 3.1**

**EVOLUTION OF GLOBAL BUSINESS PROCESS OUTSOURCING**

<table>
<thead>
<tr>
<th>Period</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1776</td>
<td>Adam Smith’s Wealth of Nations propagates competitive advantage through outsourcing. Though the term ‘outsourcing’ itself was not used then.</td>
</tr>
<tr>
<td>18th – 19th Centuries</td>
<td>With whaling fleets and floating factory ships, the concept of ‘offshore manufacturing’ gets a fillip.</td>
</tr>
<tr>
<td>Early 20th century</td>
<td>Companies like Ford Motors own everything, even forests to make rubber for car tires. General Motors runs a 2,000 people HR and travel desk to cater to its employee needs.</td>
</tr>
<tr>
<td>1940s</td>
<td>ADP starts with handling payroll outside companies. Today the $8 billion, 41,000 employee payroll expert handles payrolls for one in six US workers and recently opened office in India</td>
</tr>
<tr>
<td>1960s</td>
<td>EDS develops an integrated system to process health insurance claims, accelerates growth of transaction processing business.</td>
</tr>
<tr>
<td>1970s-1980s</td>
<td>Hundreds of call centre’s spring up in the US and the UK Convergys, the largest call centre company (70,000 employees today) started as a captive unit of Cincinnati Bell. US companies from oil majors, telecom operators, pharma firms to FMCG firms outsource customer care, telemarketing, payroll and other functions.</td>
</tr>
<tr>
<td>1980-1990</td>
<td>US and European companies start shifting work to Ireland, Israel and Canada. Ireland particularly benefits as costs are lower and it offers Multilanguage capability. At their peak the over 100 call centers in Ireland employ over 300,000 staff.</td>
</tr>
<tr>
<td>1990-1999</td>
<td>C.K. Prahlad’s core competency theory expounded in a Harvard Business School paper caught the imagination of big corporations around the world. The basic lessons of the theory – identify your core competencies, focus on them and get out of everything else. American Express, Swissair, British Airways and General Electric (GE) start captive units in India.</td>
</tr>
<tr>
<td>1999</td>
<td>The New Telecom Policy of 1999 ended the state monopoly on international calling facilities. This heralded the growth of inbound/outbound call centers and data processing centers. One of the first outsourced services to third party players was medical transcription. Though outsourcing of business processes like data processing, billing, and customer support began towards the end of the 1990s when MNCs established wholly owned subsidiaries.</td>
</tr>
<tr>
<td>2000</td>
<td>Third party players spring up in India. By 2005 end, over 300 open shop in India and beyond. Some of them even set up operations</td>
</tr>
</tbody>
</table>
Related industries dependent on BPOs

The related Industry dependent on this are Catering, BPO training and recruitment, transport vendors, (home pick up and drops for night shifts being the norm in the industry), security agencies, facilities management companies etc.

3.8 EVOLUTION OF BPO IN INDIA

Indian BPO industry has evolved significantly over the past few years. Despite of recent arrival in India, the BPO industry, has grown phenomenally and has now become a major segment of the export oriented IT software and service sector. Today it has developed into a broad based business platform backed by leading Indian IT software and service organizations and other third-party service providers.

The ITES/BPO market expanded its base followed by the entry of Indian IT companies worldwide. The evolution growth of the BPO industry in India has been facilitated by the success of the Indian IT sector. The spectrum of service offered by Indian companies has evolved from call-centre, data entry and customer support services. Today Indian BPOs are offering a wide range of services ranging from customer care, billing service and database marketing, sales marketing, accounting, tax processing, insurance claims processing, research etc.

Although the IT industry in India was existed since early 1980s, it has witnessed the real emergence in the early and mid 1990s.

First phase: In the early 1990s multinational corporations established wholly-owned subsidiaries in India for customer care and technical support services. American Express, British Airways and GE Capital etc were the important players in Indian market.

Second phase: In mid 1990s, NRIs ventured into the BPO business. Due to process efficiency and labour arbitrage and fully satisfied with quality of services, the industry grew rapidly as many MNCs began outsourcing the services like data-
processing, data conversion processing, accounting etc to India. Tier-I cities like Mumbai, Bangalore, Chennai, Delhi and Hyderabad were the preferred destinations for BPO companies.

**Third phase:** At the end of the 1990s, the BPO industry in India covered number of diversified activities like insurance claim processing, risk management, tax consulting etc. at this stage along with Tier-I cities, BPO industries were established in Tier-II cities as Jaipur Pune Indore Mysore and Kolkata etc.

**Fourth phase:** In the current phase of evolution of the BPO industry in India, There is an increasing trend of merger and acquisition. Indian companies are acquiring small and also medium size businesses in overseas locations. Indian BPOs apart from consolidating their presence in traditional verticals are now diversifying into new verticals such as offering more critical services and expanding service portfolio. Now Indian BPOs started offering more and more knowledge based services and shifted to quality from cost benefit concept.

India became familiar with “Business Process Outsourcing” only in the early and mid 1990’, but now the entire country seems to be quivering with the “BPO fever”. Now Indian BPO industry is at Fourth phase of its growth.

**TYPES OF SERVICES OFFERED BY INDIAN BPO’S**

Table number 3.2 gives details relating to types of services offered by Indian BPOs.

**TABLE NO. 3.2**

**TYPES OF SERVICES OFFERED BY INDIAN BPOS**

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Services</th>
<th>Service example</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Customer support service</td>
<td>Customers calling to check on their order status, information on product and services, account status, reservation status etc</td>
</tr>
</tbody>
</table>
2. Technical support services
   Customers calling to resolve a problem with home PC, to understand how to dial up to ISP and other software or hardware problems

3. Telemarketing services
   Calling to retail households to sell leisure holidays, credit or debit cards etc

4. Data entry services
   Data entry of e-books, receipts, catalog, business cards etc

5. Employee IT help desk service
   System problem resolutions related to desktop, notebooks, OS, connectivity, browsers, IT operational issues etc

6. Insurance processing
   New business/promotion and policy maintenance/management

7. Data processing services
   Copy, paste, editing, sorting, indexing data into required format etc

8. Data conversion services
   Conversion of data across various data bases on different platforms, input/output for various media, word processors’, spread sheets etc and conversion from page maker to PDF format

9. Scanning services
   High speed image scanning and data capture services, OCR data from scanned page, scan and OCR paper book into CD, ADOBE PDF conversion services

10. Book keeping and accounting services
    General ledger, accounts receivable, account payables, financial statements, assets/equipment ledger etc

11. Form processing services
    Insurance claim form, medical form, medical billing and payroll processing

12. Internet/online/web research
    Internet search, product research, market research, mailing list research etc

Sources: Bpoindia.org
Business Process Outsourcing in India is organized in many segments. Back-office processing and customer interaction services are among the fastest and largest growing segments that contribute significantly to the Indian BPO market. Broadly speaking the Indian BPO industry can be divided into six categories:

1. **Captive Units** set up by global companies that outsource their back-office operations from India.
2. **Indian Third-Party Vendors** that execute transactions and processes for international clients.
3. **Joint Ventures** between international BPO companies and Indian partners.
4. **Indian IT Software Companies** that have added BPO to their service portfolio.
5. **Global BPO Players** who set up call centers in India (for example, Convergys).
6. **Global Consultancies** (such as Accenture) who have been advising their clients on outsourcing and are now leveraging this experience into providing actual BPO service.

The most prevalent form of BPOs operating in India is that of either Captive Units or the Third-Party Vendors.

### 3.9 GROWTH OF INDIAN BPO INDUSTRY

With the economic reforms instituted since 1991, India has emerged as the preferred destination for Information Technology enabled Services in the global offshore Business Process Outsourcing market. Looking at the hit side of the fabulous growth of the BPO industry, a number of leading software service companies also made a foray into the BPO domain, either directly, or through the mergers and acquisitions route. Most Indian IT leaders today such as Wipro, Patni, Satyam, HCL, among others, have presence in this market. The segments like customer care and administration showed a promising growth of over 75% which was the highest among all.

The radical changes in the Indian economy over the last two decades have acted as catalyst in the growth of the information technology sector, following the BPO sector. The liberal reforms implemented by the government set the stage for India to emerge as a superpower in the BPO industry in the early twenty-first century. The growth of the BPO sector was made possible by the already established information technology sector and the availability of a large number of technically
literate English speaking people in India. An analysis of the available information from secondary sources indicates that BPO is now the swiftest growing industry in India, and India is considered the “electronic housekeeper” of the world.

As per the report of NASSCOM-crisil, Indian KPO’s industry is expected to touch USD 5.6 billion mark by 2015. Legal Process Outsourcing is also expected to record a growth of USD 1.3 billion by FY’2015.

**TABLE NO. 3.3**

**TABLE SHOWING GLOBAL SOURCING MARKET**

(US D billion)

<table>
<thead>
<tr>
<th>Year</th>
<th>IT Sourcing</th>
<th>BPO</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>76-80</td>
<td>48-50</td>
</tr>
<tr>
<td>2013</td>
<td>81-85</td>
<td>53-55</td>
</tr>
</tbody>
</table>

Source: NASSCOM reports 2014

The following is the information showing global sourcing of BPO market.

**GRAPH NO: 3.1**

**GRAPH SHOWING GLOBAL SOURCING MARKET**

Source: NASSCOM reports 2014
From the above table and graph it is clear that India’s share in total global sourcing. It was 50% in the year 2011, which increased to 55% by the year 2014.

NASSCOM reports also stated that the industry added 160,000 employees in 2013, and provided direct employment to 3.1 million people and indirect employment to 10 million people. TCS recently hired 20,000 fresh graduates from all over India in 2013 and other organizations like Wipro, Infosys, IBM and Dell among others also add highly to the employment rate.

**TABLE NO. 3.4**

GROWTH OF EMPLOYMENT BY IT AND IT-BPO IN INDIA

( figures in ‘000)

<table>
<thead>
<tr>
<th>Year</th>
<th>IT Services export</th>
<th>BPO exports</th>
<th>IT-BPO Domestic</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>205</td>
<td>180</td>
<td>285</td>
</tr>
<tr>
<td>2006</td>
<td>513</td>
<td>415</td>
<td>365</td>
</tr>
<tr>
<td>2008</td>
<td>877</td>
<td>635</td>
<td>450</td>
</tr>
<tr>
<td>2009</td>
<td>958</td>
<td>738</td>
<td>500</td>
</tr>
<tr>
<td>2010</td>
<td>1003</td>
<td>770</td>
<td>527</td>
</tr>
<tr>
<td>2011</td>
<td>1163</td>
<td>826</td>
<td>562</td>
</tr>
<tr>
<td>2012</td>
<td>1293</td>
<td>876</td>
<td>601</td>
</tr>
<tr>
<td>2013</td>
<td>1358</td>
<td>926</td>
<td>646</td>
</tr>
</tbody>
</table>

Source: NASSCOM 2014

The table shows the tremendous growth in the employment generated by BPOs in India over the years.
The table and graph depicts that there is impulsive growth in employment provided by IT services and IT-BPO services in India. BPO Role in India’s Economic Growth has been tremendous, especially in the last few years, when the demand for outsourcing work to India has been significant among western companies. The role played by BPOs in boosting India’s economy shows that the IT and IT-ES sector have been contributing largely to the economic growth of India.

Relevant

Indian IT-ITES industry revenue is estimated at USD 105 billion in FY2013-14 as compare to USD 95.2 billion in FY2012-13, registering an increase of around 10.3%. The overall industry’s growth of this sector over the last five years is given in the table below.
### TABLE NO. 3.5

**IT – ITES INDUSTRY REVENUE TRENDS (in USD billion)**

<table>
<thead>
<tr>
<th>Year/Description</th>
<th>2009-10</th>
<th>2010-11</th>
<th>2011-12</th>
<th>2012-13</th>
<th>2013-14(E)</th>
<th>CAGR % (2009-14)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exports</td>
<td>49.7</td>
<td>59.0</td>
<td>68.8</td>
<td>76.1</td>
<td>86.0</td>
<td>12.80</td>
</tr>
<tr>
<td>Domestic</td>
<td>14.3</td>
<td>17.3</td>
<td>19.0</td>
<td>19.2</td>
<td>19.0</td>
<td>8.22</td>
</tr>
<tr>
<td>Total</td>
<td>64.0</td>
<td>76.3</td>
<td>87.8</td>
<td>95.2</td>
<td>105.0</td>
<td>11.88</td>
</tr>
</tbody>
</table>

Source: Nasscom, E: Estimated

### Graph No. 3.3

**IT – ITES INDUSTRY REVENUE TRENDS (in USD billion)**
Exports

As shown in graph 3.5 IT-ITES exports is estimated to gross USD 86 billion in FY2013-14, growing by 13.1% over FY 2012-13 and contributing nearly 82% of the total IT-ITES revenues (excluding hardware). A combination of solutions around disruptive technologies such as SMAC (Social media, mobility, analytics and cloud)), artificial intelligence, embedded systems etc. have become the life-force of the industry.

IT services exports (excludes BPO, Engineering, R&D and Software products) is expected to be the fastest growing segment in FY 2013-14, with an growth over 14%, generating exports of USD 52 billion, driven by collaboration, communication, business intelligence projects, and integration of SMAC services with traditional offerings. During FY 2013-14, ITES/BPO exports is likely to be USD 20 billion, with a growth rate of ~11.4% over FY2012-13. Customer Interaction Services (CIS) continues to have the largest share of 41%, followed by Finance & Accounting (F&A) 23% and Knowledge Services (KS) 19%. Within BPO segment, Knowledge services is the fastest growing segment and is expected to generate export of USD 3.7 billion, as compared to USD 3.2 billion, a y-o-y growth of over 15%. Software products and ER&D segment achieved a double-digit growth rate of ~11% over FY 2012-13 and is estimated to generate exports of US$ 14.2 billion in FY 2013-14. The domain specific solutions focusing on convergence, customization, efficiencies and localization, M2M technology and newer technologies around SMAC are playing a significant role in driving the growth of ER&D and software products. With over 3,000 firms, India is emerging as a hotbed for software products with SMAC and a supportive ecosystem creating successful stories.

TABLE NO. 3.6

SEGMENT WISE EXPORT REVENUE TRENDS IN IT – ITES INDUSTRY
(in USD billion)
### Year/ Segment | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14(E) | CAGR % (2009-14)
--- | --- | --- | --- | --- | --- | ---
IT Service | 27.3 | 33.5 | 39.9 | 45.4 | 51.9 | 15.0
ITeS-BPO | 12.4 | 14.2 | 15.9 | 17.9 | 19.9 | 11.21
Software Products, Engineering Services, R&D | 10.0 | 11.4 | 13.0 | 12.8 | 14.2 | 8.14
Total IT-ITeS | 49.7 | 59.0 | 68.8 | 76.1 | 86.0 | 12.8

Source: Nasscom, E: Estimated

### 3.10 GOVERNMENT OF INDIA INITIATIVES

Following are some of the abstracts from the IT and ITES Industry policy 2015 of government of India.

The adoption of key technologies across sectors spurred by the ‘Digital India Initiative’ could help boost India’s Gross Domestic Product (GDP) by US$ 550 billion to US$ trillion by 2025.

Some of the major initiatives taken by the government to promote IT and ITES sector in India are as follows:

1. India and US, have agreed to jointly explore opportunities for collaboration on implementing India’s ambitious Rs. 1.13 trillion ‘Digital India Initiative’.

2. India and Japan held a Joint Working Group conference for Comprehensive Cooperation Framework for ICT. India also offered Japan to manufacture ICT equipment in India.

3. The Government of Telangana began construction of a technology incubator in Hyderabad- dubbed T-Hubs- to reposition the city as a technology destination. The state government is initially investing Rs. 35 crore to set up a 60000 sq. ft. space, labeled the largest start-up incubator in the country, at the campus of IIIT-Hyderabad.
4. Bengaluru has received US$ 2.6 billion in venture capital (VC) investment in 2014, making it the fifth largest recipient globally during the year, an indication of the growing vibrancy of its startup ecosystem.

**Policy and promotion:**

IT and ITES has played a major role in the overall growth and development of India. In the electronics and IT sector, 100% FDI is permitted under the automatic route. The major fiscal incentives provided by the Government of India in this sector are:

1. Software Technology Parks (STPs) were set up as autonomous societies under the Department of Electronics and Information Technology in 1991 to promote software exports from the country. They were about 51 STPs that were set up since then, the STPs enjoy the benefits as exemptions from service tax, excise duty, rebate for payment of Central sales Tax, 100% exemption from income tax of export profits and so on.

2. The special Economic Zones (SEZ) scheme was enacted by the Government of India in 2005 with an objective of providing an internationally competitive and hassle-free environment for exports. It provides drastic simplification of procedures and a single window clearance policy on matters relating to Central and State governments. Till 15 years from the date of establishment exemption from income tax is provided to manufacturers. 100% exemption of export profits from income tax for first five years, 50% for the next 5 years subject to transfer of profits to special reserves.

3. According to the SEZ approval board of India the maximum number of SEZs has been approved for the IT and ITES sector. Total 354 SEZs were approved by the government for IT, ITES electronic hardware sector.

4. To take care of infrastructure needs Information Technology Investment Regions were notified in 2008. These regions will be provided with excellent infrastructure facilities.

5. R&D promotion is also being encouraged by the government. In addition to scheme for funding R&D projects, “Support International Patent Protection in Electronics &IT and Multiplier Grant” Schemes were also undertaken by government.
3.11 IT AND ITES POLICY OF MAHARASHTRA GOVERNMENT: 2015

Policy Initiatives

The strategic drivers for the IT & ITES Policy provide direction to the State’s commitment to create long term assets through an expanding talent pool, extensive IT infrastructure and a thriving culture of innovation and entrepreneurship. These drivers are to be implemented through following specific initiatives and incentives.

1. Incentives & Provisions for IT Parks / IT SEZs / AVGC (Animation, Visual effects, Gaming and Comics) Parks: Government of Maharashtra encourages Public as well as Private IT Parks throughout the state. This policy will continue with following incentives & provisions. As Establishment of Integrated IT Township (IITT), Electricity Tariff, Incentives for Development of Infrastructure Stamp Duty Exemption.

2. IT / ITES units, including IT Hardware and Telecom Hardware manufacturing units will be entitled to Stamp Duty exemption.

3. Setting-up IT/ITES units in any zone: IT / ITES units (except IT hardware and Telecom Hardware Manufacturing Units) will be allowed to be set up in any zone (including residential and no-development Zones, etc.).

4. Promotion of Business Process Outsourcing (BPOs) in Rural and Semi-urban Areas:

   This policy will leverage Information Technology as a tool for the socio-economic development of the state and encourage existing BPO units / entrepreneurs to set up their branches / BPOs in rural / semi-urban areas.

   A. The subsidy would be provided only for business processing units that are located in rural / semi-urban areas (village panchayat, A, B and C class municipalities)

   B. Transport Facility: The Government shall ensure that necessary public transport is made available for the Rural - Semi-urban BPO units.

5. IT / ITES Units will continue to benefit from: a) Relaxation under the Shops and Establishment Act with regard to working hours, work shifts and employment of women. b) Exemption from maintaining physical records for attendance and salary. c)
Option for self-certification and filing of consolidated annual returns under 13 Acts administered by the Labour Department.

6. The Maharashtra Knowledge Corporation Limited (MKCL), the Maharashtra State Board of Technical Education (MSBTE) and other agencies will institute training-based certification and placement programmes.

### 3.12 IT/BPO COMPANIES IN INDIA

The following information shows the importance of BPOs and its growth in India.

**TABLE NO. 3.7**

**TABLE SHOWING TOP 10 IT/BPO COMPANIES IN INDIA** (as of January 2014)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Name of Company</th>
<th>Revenues (Cr.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Tata Consultancy Services</td>
<td>48426.14</td>
</tr>
<tr>
<td>2</td>
<td>Infosys</td>
<td>36765</td>
</tr>
<tr>
<td>3</td>
<td>Wipro</td>
<td>31682</td>
</tr>
<tr>
<td>4</td>
<td>HCL Technologies</td>
<td>8907</td>
</tr>
<tr>
<td>5</td>
<td>Mahindra Satyam</td>
<td>5964</td>
</tr>
<tr>
<td>6</td>
<td>Tech Mahindra</td>
<td>5243</td>
</tr>
<tr>
<td>7</td>
<td>Mphasis</td>
<td>3420.84</td>
</tr>
<tr>
<td>8</td>
<td>Oracle Financial Services</td>
<td>2605.85</td>
</tr>
<tr>
<td>9</td>
<td>MindTree</td>
<td>1915</td>
</tr>
<tr>
<td>10</td>
<td>Polaris Tech</td>
<td>1762</td>
</tr>
</tbody>
</table>

Source: NASSCOM Report 2014

### 3.13 SWOT ANALYSIS ON INDIAN BPO SECTOR

**Strengths**

1. Highly skilled, English-speaking workforce
2. Abundant manpower
3. Cheaper workforce than their Western counterparts According to Nasscom, The wage difference is as high as 70-80 percent when compared to their Western parts.
4. Lower attrition rates than in the West.
5. Dedicated workforce aiming at making a long term career in the field
6. Round-the-clock advantage for Western companies due to the huge time difference.
7. Lower response time with efficient and effective service
8. Operational excellence
9. Conducive business environment

**Weaknesses**
1. Recent months have seen a rise in the level of attrition rates among outsourcing workers who are quitting their jobs to pursue higher studies. Of late workers have shown a tendency not to pursue BPO as a full-time career.
2. The cost of telecom and network infrastructure is much higher in India than in the US.
3. Local infrastructure
4. Political influence

**Opportunities**
1. $98.6 billion ITES business by 2013.
2. $110 billion IT (consulting, software solutions) market by 2013.
3. In services that require advanced English, like KPO, Content and Medicine, India will continue to excel. NASSCOM predicts that India will emerge as a global hub for knowledge services by 2015.
4. India has a large pool of English-speaking lawyers with expertise in foreign legal systems who can offer legal support and patent services. A few Indian companies are already affiliated with American legal firms and they have captured a small part of the American market.
5. India is now the leader in the FAO market with many Fortune 500 companies already having their outsourced operations in India with firms like IBM, ACS, and TCS etc.

**Threats**
1. The industry is growing rapidly and requires corresponding growth in infrastructure as well, an area where India is lacking—this needs to be addressed.
2. Due to the rise in labor costs in Indian metro cities, companies are moving towards smaller Tier II cities.
3. Though India continues to be the world leader in the outsourcing business, it will face tougher challenges in the near future, from South-east Asian countries like Indonesia, Malaysia, the Philippines, Singapore, Vietnam and Thailand, which are improving their positioning as alternative offshore locations.
4. India’s competitiveness is being challenged by countries like Indonesia, which offer cheaper labor in IT and business process skills, while India is experiencing increased labor costs and high attrition, which are of concern, and need to be addressed.

3.14 CHALLENGES TO BPO INDUSTRY IN INDIA

Despite the boom and support that BPO sector has fetched, there are certain threats too. They are as follows:

1. Lack of maturity in service line, increasing competition among e-logistics providers and management resistance are the main deterrents to the outsourcing in the logistics sector.

2. Discretionary cuts in budgets, low growth due to industry maturity and decentralized nature of facilities management are the main deterrents to the outsourcing in the facility & operations.

3. Privacy concerns and technical nature of subject matter are the main deterrents to the outsourcing of legal services in India.

4. The companies which are outsourcing non-core processes from third party service providers are literally placing their fate in the hands of another company, which appears to be a normal setback of BPO at the outset.

5. Some companies which jumped BPO market in India are now looking to sell their assets being unable to scale operations up to the required level. As per the NASSCOM report, recently there were about 200 Indian companies offering BPO and related services looking for buyers.

6. US economy slowing down - particularly the Banking and Insurance segments

7. Lack of Incentives from the Government - sunset clause for STPI units

8. Failure to attract and retain top talent at all levels - Executive, Middle and Senior Management

9. Bad media publicity - always showing the ill affects of working

10. Failure by the Companies to project 'careers' instead of 'jobs'

11. Shortage of competent managers for the middle and senior management and the high attrition rates

12. The limited growth potential for an employee in this industry. Organizations should concentrate on individual career growth of employees and succession planning
in the organization. Planning for growth both vertically and horizontally can bring a little reprieve to the employees.

13. The hue & cry on outsourcing to India by the labor unions in the UK. Labor unions are playing the card of 'patriotism' to stop UK based companies from outsourcing their back-office operations to India. However, the issue is expected to cool down slowly.

14. Poor perception by the job seekers.

15. Infrastructure for providing good telecom facilities

16. Finding workers who are aware of the American culture

17. Setting up new service lines

18. Improving operating processes

19. Further cost reduction

India outruns all its competitors when it comes to availability of quality services at the lowest possible rates. However, this does not mean that the Indian BPO industry can sit back and relax. It needs to gear up and prepare itself to face the competition. The Indian ITES industry should consolidate its position in the business of outsourcing by strengthening its domain knowledge and becoming more specialized in terms of the services offered. It should aim to go up the value chain without restricting itself to low-skilled jobs. It has to continuously strive to maintain its position of competitive advantage over other countries in the fray, in terms of low costs, quality people and conducive environment. It should also realize that unhealthy practices within the Indian industry can affect its competitiveness in the global BPO arena and therefore curb such practices. With the international business world eyeing India as a hot ITES destination and the Indian industry gearing up to bring in a new revolution, India is bound to become the BPO and ITES hub of the world.

3.15 FUTURE OF BPO INDUSTRY IN INDIA

The future of BPO industry in India looks bright considering that over the last few years, the understanding of people has improved greatly about the BPO industry and it is no more considered a dead-end and no-so-respectable career option. Here are a few reasons why the future of BPO industry in India is bright.
1. From Business Process Outsourcing (BPO) to Business Process management (BPM): The respect for the industry has also grown. The BPO industry in India has moved away from the low end call center work it started with during the initial days and is now involving a whole new range of business processes.

2. IT/BPO the Second Biggest Job Creator in India: BPO is now the 2nd largest industry in India for Employment. During the second quarter of 2013-14 IT/BPO industry provided 61,000 new jobs, second only to textile industry. BPO industry has given a platform and opportunities to the talented youngsters.

3. Growth of BPO in Tier 2 and Tier 3 Cities: Since the manpower costs in Metros is exceeding profits, BPO companies are now shifting their attention to smaller towns and sub-urban areas to attract cost-effective but quality talent to service global clients. This growth of BPO companies in sub-urban areas is not only providing employment opportunities to millions of unemployed youth, but also giving companies a competitive advantage to fuel the next level of growth.

4. This growth of BPO companies in sub-urban areas is not only providing employment opportunities to millions of unemployed youth, but also giving companies a competitive advantage to fuel the next level of growth.

5. India Dominates Global BPO Industry: Bangalore still ranks the number 1 BPO city in the world. Considering that majority of the Indian population is still young, India will continue to dominate global BPO industry in the coming decades.

3.16 CONCLUSION

The role played by BPOs in boosting India’s economy shows that the IT and ITeS sector have been contributing largely to the economic growth of India. The growth in the contribution of BPOs to Gross Domestic Product has shown a steady rise from 1.2% to 5.4%. It is hence evident that the BPO industry is making an impact on the Indian economy.

The IT-BPO sector in India grew at a compound annual growth rate (CAGR) of 25% over 2000-2013, which is 3-4 times higher than the global IT-BPO spent. And it is estimated to expand at a CAGR of 9.5% to USD 300 billion by 2020. It is also an useful instrument for revenue generation and providing employment to the young youth of India. “The future looks exciting and positive as the IT-BPM industry is
evolving dramatically in terms of scale and complexity,” R. Chandrasekaran, Vice-Chairman, NASSCOM, said in a statement.

The future of BPO industry in India is anything but bright. This industry is currently witnessing a major shift in the nature of work and will evolve further to incorporate major business operations that move beyond IT.

PART II: PROFILE OF PUNE DISTRICT

3.1 INTRODUCTION

For conducting a study on quality work life of employees of BPO, Pune city has naturally chosen. Move over Bangalore and Hyderabad! Pune is fast racing to the top slots in the Indian software industry. A further feather in the cap is the ‘Indian Institute of Software Engineering’ coming up in association with Carnegie Mellon University, USA. Therefore, it is necessary to have an intimate about study area mainly influenced by the climatic condition, demography, trade & commerce, educational background, economy, industries etc. In shortly, this chapter presents an idea on GDP, sex ratio, economic status of people, demographic details of Pune district.

3.1.1 TOPOONYMY

Pune is one of historical place. The name Pune is derived from Sanskrit “Punyanagar”, “City of virtue”. It was known as “Punnata” in second century. At the time of “Rastrakut”, it was called “Punawadi”, located at the bank of river Mula-Mutha. In Mogul period, it was called “Kasabe Pune” centre of Maratha raj and capital of Peshwai. It agreed generally that, the modern Pune came into use as early as the 13th centuries with the small settlement named “Kasba Pune” by Arab commandant. Now Pune became IT city and international educational hub. Pune is considered as the Oxford of India – with its many educational and research institutions apart from other institutions for sports, yoga, ayurveda, culture and social services.
3.1.2 DEMOGRAPHY

The vibrant city of Pune is one of the fastest growing industrial hubs in Maharashtra. Pune attracts students and professionals from all over India and abroad as it is one of India's leading industrial cities. Pune has witnessed a tremendous growth in population in the last 15 years due to overall development of various industrial sectors and information technology. With a total population of 7 million, Pune urban agglomeration is one of the fastest growing areas in Maharashtra. The urban agglomeration of Pune including Khadki, Pimpri-Chinchwad and Dehu has made a huge growth in its population in the last 15 years. From a small figure of 4,485,000 in 2005, its urban agglomeration has grown to over 6 million in 2011. Migrating Population is one of the prime reasons for such a rapid growth in population of Pune. The Migrating population in the city has witnessed a growth of 100% between years 2001 to 2005. Excellent growth in software and education sector has resulted in generating more job opportunities for working class. People from all over India are settled in Pune as it offers great career and job opportunities. A large number of Students from various parts of the world are studying in Pune as it offers best research institutes, information technology (IT) and educational institutes.

As per census report 2011, Pune had population of 9,429,408 of which male and female were 4,924,105 and 4,505,303 respectively. In 2001 census, Pune had a population of 7,232,555 of which males were 3,769,128 and remaining 3,463,427 were females. Pune District population constituted 8.39 percent of total Maharashtra population. The density of Pune district for 2011 is 603 people per sq. km. In 2001, Pune district density was at 462 people per sq. km. Average literacy rate of Pune in 2011 were 86.15 compared to 80.45 of 2001. With regards to Sex Ratio in Pune, it stood at 915 per 1000 male compared to 2001 census figure of 919.

**TABLE NO: 3.8**

<table>
<thead>
<tr>
<th>Description</th>
<th>2011</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual Population</td>
<td>9,429,408</td>
<td>7,232,555</td>
</tr>
</tbody>
</table>
Marathi is the official and most widely spoken language, while Hindi and English are understood and spoken.

**TABLE NO. 3.9**

PROJECTION OF POPULATION BY GOKHALE INSTITUTE

<table>
<thead>
<tr>
<th>Year</th>
<th>Population</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>25,38,473</td>
<td>13,20,438</td>
<td>12,16,410</td>
</tr>
<tr>
<td>2007</td>
<td>31,48,041</td>
<td>16,42,049</td>
<td>15,05,992</td>
</tr>
<tr>
<td>2012</td>
<td>37,29,694</td>
<td>19,51,413</td>
<td>17,78,281</td>
</tr>
<tr>
<td>2017</td>
<td>44,55,574</td>
<td>23,40,923</td>
<td>21,14,651</td>
</tr>
<tr>
<td>2022</td>
<td>51,37,671</td>
<td>27,08,460</td>
<td>24,29,211</td>
</tr>
<tr>
<td>2027</td>
<td>57,14,890</td>
<td>30,20,329</td>
<td>26,94,561</td>
</tr>
</tbody>
</table>

Source: Pune District: Census 2011 data

3.1.3 LOCATION

Pune district comes under the plain zone (transitional belt) and situated at an elevation of 55717 meter above the mean sea level. The district is located between 17054", 19024" N altitude, 73019, and 75010" E longitude. The Sahyadri runs in the north-south direction of the district over a distance of above 115 km. Pune district
bordered by Ahmednagar district in the north, Solapur and Satara districts in the south, Ahmadnagar and Solapur districts of the east, Raigad and Thane district of the west. Pune is located 560 m (1,840 ft) above sea level on the western margin of the Deccan plateau. It is situated on the leeward side of the Sahyadri mountain range, which forms a barrier from the Arabian Sea. It is a hilly city, with its tallest hill, Vetal Hill, rising to 800 m (2,600 ft) above sea level. Just outside the city, the Sinhagad fort is located at an altitude of 1300 m. It lies between 18° 32" North latitude and 73° 51" East longitude.

As a geographical structure Pune district, classify as under.

**MAP NO. 3.1**

**PUNE DISTRICT IN INDIAN MAP**

Source:- http://www.mapsofindia.com/maps/maharashtra/districts/pune.htm#
3.1.4 CIVIC ADMINISTRATION

The city of Pune is managed by the Pune Municipal Corporation (PMC). The Corporation consists of 149 directly elected councilors, who are led by the Mayor of Pune, a titular position mainly acting as an ambassador and representative of the city. Actual executive power is vested in the Municipal Commissioner, an officer of the Indian Administrative Service who is appointed by the Government of Maharashtra. The Pune Municipal Corporation was ranked 8th out of 21 Cities for best governance & administrative practices in India in 2014. Pune district is having 14 Taluka’s.
Apart from the PMC, four other administrative bodies are active within the Pune Metropolitan Area:

- Pimpri-Chinchwad Municipal Corporation (PCMC), responsible for Pimpri-Chinchwad and its surroundings
- Khadki Cantonment Board (KCB), responsible for Khadki
- Pune Cantonment Board (PCB), responsible for Pune Cantonment
- Dehu Road Cantonment Board, responsible for the Dehu Road area
3.1.5 ECONOMY

Pune is known for its educational facilities and relative prosperity. Pune is emerging as a prominent location for IT and manufacturing. Pune has the eight largest metropolitan economies and the sixth highest per capita income in the country. Pune is the cultural capital of Maharashtra. Pune has well-established manufacturing, glass, sugar, and forging industries since the 1950-60s. It has a growing industrial hinterland, with many information technology and automotive companies setting up factories in Pune district. It is emerging as a prominent location for IT and manufacturing companies to expand. Pune has the sixth largest metropolitan economy and the second highest per capita income in the country.

3.1.6 EDUCATION

Most colleges in Pune are affiliated to the University of Pune, established in 1948. The University of Pune (formerly the University of Poona) was founded in 1949. It is home to 46 academic departments. Fergusson College (FC) is a degree college that was founded in 1885 by the Deccan Education Society and at that time was first privately governed college in India. It is known for its close association with Indian Politics, as it was the birthplace of Hindu Nationalism and the Indian Socialist movement. Bharati Vidyapeeth University estd 1996 is one of the jewels of Pune City. This university offers more than 250 courses and covers all major streams of education. BVU is ranked No.1 by Times of India for International students enrollments on 2013. Symbiosis International University (S.I.U) is a private co-educational, multi-institutional University located in Pune and has 19 Academic Institutions spread over 9 campuses in Pune, Nashik and Bengaluru. Other major universities in Pune include the Bharati Vidyapeeth,Dnyaneshwar Vidyapeeth and the Sinhgad University. Top ranked engineering college- College of Engineering, Pune (COEP), was founded in 1854, which is the third oldest engineering college in Asia. ILS Law College, established by the Indian Law Society, is one of the top ten law schools in India.

Research institutes:
There are several research institutes in Pune. The National Chemical Laboratory (NCL) a constituent member of the Council of Scientific & Industrial Research (CSIR), India, was established in 1950. It employs more than 200 research scientists and about 400 graduate students. The interdisciplinary research centre has a wide research scope and specializes in polymer science, organic chemistry, and catalysis and materials chemistry.

The Inter-University Centre for Astronomy and Astrophysics (IUCAA) is an autonomous institution set up by the University Grants Commission to promote nucleation and growth of active groups in astronomy and astrophysics in Indian universities. IUCAA is located in the University of Pune.

The Centre for Development Studies and Activities popularly known as the CDSA was established in 1976 to carry out pioneering work in Sustainable Development Planning. CDSA is a recognized research institute of the ICSSR and the University of Pune and is recognized by the University Grants Commission to teach Development Planning and Administration. It is affiliated to Pune University.

The Indian Institute for Science Education and Research, Pune was established in 2006 to promote excellence in research and teaching in the basic sciences. IISER aims to combine teaching and undergraduate education with state-of-the-art scientific research.

National AIDS Research Institute, National Institute of Virology, National Centre for Cell Science are some of the research institutes working in the biological sciences. The Indian Institute of Cost and Management Studies & Research (IndSearch), Pune is an autonomous business school affiliated to the University of Pune & also a recognized research centre for the Ph.D. programme under the university of Pune.

The National Defense Academy (NDA) is an integrated military training center that provides education up to the graduation level and joint training for cadets of the Army, the Navy and the Air Force. The city is a home to Lohegaon Aerodrome, the city's airport and Indian Air Force airfield for the Sukhoi-30MKI multi-role strike fighters. Other Education institutes dedicated to the defense forces are Institute of
Armament Technology (IAT), Armed Forces Medical College (AFMC), College of Military Engineering (CME), Army Institute of Technology (AIT), Army Institute of Physical Training (AIPT).

The Inter-University Centre for Astronomy and Astrophysics (IUCAA), an autonomous institution set up by the University Grants Commission, is located in the University of Pune campus for Radio Astrophysics, which operates the Giant Metrewave Radio Telescope.

The well preserved culture of Pune is a very good example why it is called the Cultural capital of Maharashtra. The city is known for various cultural activities like classical music, spirituality, theater, sports, and literature. Most colleges in Pune are affiliated to the University of Pune, established in 1948. Seven other universities have also been established in the city.

3.1.7 LINKAGE AND CONNECTIVITY

Pune has excellent external road, rail and air connectivity with almost all important cities in India. It is extremely well-connected to most of the important cities in India like Mumbai, Hyderabad, Bangalore, Delhi, Kolkata and Chennai. Pune has two main railway stations, Pune Junction and Shivajinagar Station; most trains halt at Pune Junction. Pune suburban trains also run from Pune Junction to the industrial towns of Khadki, Pimpri, Chinchwad etc. Pune now has an internationally airport, with flights to Singapore and Dubai. Domestic flights to most metropolitan cities in India are available. The city is located at the confluence of the National Highways viz. NH-4 leading to Mumbai in the north and Bangalore in the south, NH-50 to Nasik and NH-9 to Solapur. State Highways SH-60 connects to Ahmednagar, SH-64 to Saswad, SH-39 to NDA and SH-57 to Pirangut. Major Maharashtra district road MDR-60 connects Pune to Mulshi. In addition, the westerly bypass connects the Pune- Satara Road (NH-4) in the south to Mumbai-Pune (NH-4) in the North. PMC is internally well connected through an extensive road network comprising 11 major intercity roads.

A brand new Pune International Airport for the Pune metropolitan region has been on the horizon for a long time, and the Government of Maharashtra has entrusted the responsibility to MIDC for executing the Pune International Airport project. The

Shivaji University, Kolhapur
airport would replace the existing Pune Airport. The area under consideration is between Chakan and Rajgurunagar, namely around the villages of Chandus and Shiroli at a distance of 40 km from Pune along the Pune-Nashik National highway (NH-50). MIDC is conducting surveys and completing other formalities to get the required permissions to start executing the project.

A lot of discussion/debate is already in progress around the Pune Metro and other mass transit systems.

3.1.8 TERRITORIAL EXPANSION

Territorial expansion Jurisdictional changes do contribute to the population growth. This factor had a noticeable contribution in growth during 1991-2001. In future also, jurisdictional changes in PMC limit are expected. In 1997, 38 villages were included in PMC. However, in the year 2001, 15 complete villages and 5 part villages were de-linked. It is possible that these villages may be merged in PMC, in next few years during 2012-17. The new townships developing along the periphery may also sooner or later be included in PMC limits.

3.1.9 WHY PUNE IS BECOMING THE YOUTH CITY OF INDIA?

1) The Oxford of The East – Once entitled as the Oxford of the East, Pune still maintains the decency of the title. There are more than 9 deemed universities and 400 colleges affiliated to Pune University, offering courses in all streams. Among the major institutes. Symbiosis University offers more than 50 different courses in all the major fields.

2) Jobs and Opportunities- Thousands of expats move to Pune for their work and studies every year. And not just in IT sector, Pune has a lot of fields to offer jobs. It is also the home of hundreds of IT companies like WIPRO, Infosys, Volkswagen, TCS, and Accenture.

3) The Cultural Roots – The birthplace of Bal Gangadhar Tilak and Sant Tukaram is undoubtedly the cultural capital of Maharashtra. Pune has managed to preserve the true Maratha roots.

4) Literature and Films- Film and Television Insitute of India, located in Pune is considered the best Film institute in India. Also, National Film Archive of India,
NFAI, is the biggest film library in India. Hundreds of aspiring filmmakers move to Pune every year to learn the art of filmmaking.

5) The Education Hub- More than twenty thousand students move to Pune for their studies. From schools to college degrees, Pune is one of the best educational hubs in India. People from all over the world come to Pune for the wide variety of courses available in the Universities of Pune.

6) Events - Pune is one of the only four cities to host the NH7 Weekender every year. It is one of the most talked about events of India. Pune International Film Festival is also very well known. Additionally Puneities enjoy parties and music events every weekend.

7) The Never dying Sporting Spirit- From cricket to Kabbadi, football to Tennis, Pune has a team credit to its name in all major sports. However, the IPL has been dissolved in 2012 but the sporting spirit of Puneities is still on high rise. Pune has also given some big names like Dhanraj Pillai and billiard champion Pankaj Advani. The budding culture in Pune is a good example of the sporting spirit of Puneities.

8) Awesome Nightlife – People who say, Pune does not have a nightlife, should visit Koregaon Park during weekends. Much like any other city, Puneities enjoy going out and having a nice time. Some hot areas being Koregaon park, Camp area, and Nagar road.

9) Perfect Getaway destinations- There is a reason why Puneities work hard all week. Actually there are two reasons. Khandala and Lonavala. Proximity to these two perfect weekend getaways makes Pune a very pleasant place to live.

10) Transport and Traffic- This is where Pune beats all the major cities. The traffic in is very much in control. The infrastructure of the city is easy to understand and any place can be reached in 20-30 minutes.

3.1.10 INDUSTRY

Pune has had traditional old-economy industries which continue to grow today. Furthermore, the city is also known for manufacturing and automobiles, as well as government and private sector research institutes for information technology (IT) education, management and training. The automotive sector is prominent in Pune. It is
home to the Automotive Research Association of India, which is responsible for the homologation of all vehicles available in India. Pune's proximity to Mumbai, good climate, and availability of talent made it a destination for large firms like Tata Motors, Thermax, Buckau Wolf, Kirloskar Group, KSB Pumps, Cummins, Hindustan Antibiotics, and several others. All sectors of the automotive industry are represented, from two-wheelers and auto rickshaws to cars, tractors, tempos, excavators and trucks. Automotive companies like Tata Motors, Mahindra & Mahindra, Mercedes Benz, Force Motors (Firodia-Group), Kinetic Motors have set ups in Pune. Automotive companies including General Motors, Volkswagen, and Fiat have set up Greenfield facilities near Pune, leading The Independent to cite Pune as India's "Motor City". Several automotive component manufacturers like Saint-Gobain Sekurit, TATA Autocomp Systems Limited, Visteon, and Continental Corporation are located here. There are around 21 Automobile companies, 86 IT&BPO companies, 9 Pharmaceutical & chemical companies, 11 food, oil and sugar industries, and 15 other industries are located in and around Pune.

**TABLE NO. 3.10**

**TABLE SHOWING ENTERPRISES HAVING POTENTIAL IN PUNE DISTRICT**

<table>
<thead>
<tr>
<th>Sr. No</th>
<th>High</th>
<th>Medium</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Fruit Processing</td>
<td>Herbal and Ayurvedic</td>
<td>Leather goods like Purses, belts, footwear etc.</td>
</tr>
<tr>
<td>2</td>
<td>Dairy based products</td>
<td>Brick Manufacturing</td>
<td>Stone crusher</td>
</tr>
<tr>
<td>3</td>
<td>Agriculture implements and servicing</td>
<td>Domestic Electrical appliances</td>
<td>Stone Sand</td>
</tr>
<tr>
<td>4</td>
<td>Servicing of agriculture farm equipment e.g. Tractor, Pump, Rig Boring machines,</td>
<td>Automobile servicing unit</td>
<td>RCC pipe</td>
</tr>
</tbody>
</table>
The table shows that along with Agro based industries like Diary, Fruit and agricultural servicing, high potential is there for service industries and IT & ITes industries in Pune district.

### TABLE NO. 3.11

<table>
<thead>
<tr>
<th>Region</th>
<th>MSME</th>
<th>Employment in lakhs</th>
<th>Large Enterprises</th>
<th>Employment in lakhs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mumbai</td>
<td>15565</td>
<td>2.47</td>
<td>311</td>
<td>0.47</td>
</tr>
<tr>
<td>Konkan (Excl.Mumbai)</td>
<td>25625</td>
<td>3.91</td>
<td>1222</td>
<td>2.45</td>
</tr>
<tr>
<td>Nashik</td>
<td>19911</td>
<td>2.50</td>
<td>665</td>
<td>1.52</td>
</tr>
<tr>
<td>Pune</td>
<td>68080</td>
<td>7.86</td>
<td>1490</td>
<td>4.07</td>
</tr>
<tr>
<td>Aurangabad</td>
<td>11174</td>
<td>1.36</td>
<td>538</td>
<td>1.11</td>
</tr>
<tr>
<td>Amravati</td>
<td>7710</td>
<td>0.89</td>
<td>148</td>
<td>0.32</td>
</tr>
<tr>
<td>Nagpur</td>
<td>15501</td>
<td>1.97</td>
<td>541</td>
<td>1.31</td>
</tr>
<tr>
<td>Maharashtra</td>
<td>163566</td>
<td>20.97</td>
<td>4915</td>
<td>11.25</td>
</tr>
</tbody>
</table>

Source: Industrial State Profile Maharashtra 2013-14
The table shows that the number of both MSME (68080) and large enterprises (1490) as well as employment generated by these industries in Pune is much higher as compared to other regions.

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Area</th>
<th>% of units</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>PCMC</td>
<td>41.2</td>
</tr>
<tr>
<td>2</td>
<td>Pune-Talegaon-Lonavala</td>
<td>8</td>
</tr>
<tr>
<td>3</td>
<td>Pune- Nagar Road- Ranjangaon</td>
<td>8</td>
</tr>
<tr>
<td>4</td>
<td>Pune- AlandiMarkal-Moshi-Chakan</td>
<td>13.5</td>
</tr>
<tr>
<td>5</td>
<td>Pune- Kartaj-Khed Shivapur- Satara road</td>
<td>9</td>
</tr>
<tr>
<td>6</td>
<td>Hadapsar-Phursungi- Saswad</td>
<td>4</td>
</tr>
<tr>
<td>7</td>
<td>Pirangut-Urawade</td>
<td>2</td>
</tr>
<tr>
<td>8</td>
<td>Jejuri</td>
<td>0.5</td>
</tr>
<tr>
<td>9</td>
<td>Baramati</td>
<td>2</td>
</tr>
<tr>
<td>10</td>
<td>Kurkumbh</td>
<td>0.5</td>
</tr>
<tr>
<td>11</td>
<td>Junnar</td>
<td>0.4</td>
</tr>
<tr>
<td>12</td>
<td>City Industrial Estate &amp; area</td>
<td>11</td>
</tr>
</tbody>
</table>

There is a broad spectrum of industrial activities in Pune district i.e., Fruit, Dairy, Agro-based, Automobile, IT and ITES. What has also helped is the presence of the Automotive Research Association of India (ARAI) in Pune which is India’s premier automotive R&D, testing, and certification organization. It has now tied up with TUV Rhineland, a 130-year-old German multinational and one of the world’s largest testing, inspection, and certification agencies, to offer testing and homologation solutions to the Indian and international automotive industry. With this association, the Indian manufacturers will have an edge in exports of vehicles and
vehicle parts as all the aspects of testing and certification as per international standards like EEC/ECE will be handled locally by qualified experts. And even as the MNCs are zeroing in on Pune, there are local companies, which are now actively entering into collaborations to give the city a true global positioning. For instance, Pune-based Electro-Mech, industrial crane manufacturer and customized material handling solutions provider, has entered into an agreement with the US-based manufacturer Shuttle lift to extend its offerings to the construction and material handling industry.

3.1.11 INFORMATION TECHNOLOGY REVOLUTION

Pune City is the second largest metropolitan city in the State, is fast changing its character from an educational-administrative centre to an important Industrial (I.T.) City.

PMC is emerging as a major IT centres, with sprawling software parks mushrooming all over the city and PMR area. According to the Software Technology Parks of India (STPI), software exports from Pune has increased by 48 percent, touching the US$2 billion-mark, even surpassing Mumbai’s exports. Today, PMR houses more than 100 IT industries, one forth of which are multinationals, who are involved in research and development, engineering services and embedded technology-related work. The biggest IT Park in PMR is MIDC promoted Rajiv Gandhi InfoTech Park (Phase I and II) at Hinjewadi, which has witnessed a spectacular growth. Currently spread over 305 Ha, it is likely to be expanded (additional 750 Ha.) in the next few years. Followed by Hinjewadi, Kharadi and Talawde IT Parks are also rapidly developing. In addition to IT Parks developed by MIDC, and since Government of Maharashtra as permitted several private developers to establish IT Parks, a series of IT parks are coming up in residential areas such as Kharadi, Magarpatta, and Kalyani Nagar etc.

Pune will have SEZ-notified zones in Manjiri, Phase III Hinjewadi, Kharadi and Magarpatta and will be home to the first Biotech Park by the Poonawalla Group. The Mahratta Chamber of Commerce, Industries and Agriculture (MCCIA) set up a software technology park where many IT businesses were incubated. The State government persuaded home grown IT major Infosys into setting up base at the
freshly minted IT industrial estate of Hinjewadi. Well-known software companies like Wipro, Infosys, Satyam, IBN Technologies Limited, Suma Soft Pvt Ltd., Cognizant Technology Solutions India Ltd, Veritas Software Corporation, Syntel Inc, Tata Technologies, TCS, Kanbay, Veritas, Cognizant, PCS and Mahindra British Telecom etc were found in Pune. There are around 89 IT& BPO companies found in Pune city. There are 30 financial KPO in India, out of which 13 KPO’s are established in Pune which accounts to 43%.

MAP NO 3.4

MAP SHOWING LOCATION OF IT PARK, HINJEWADI PUNE

Rajiv Gandhi IT Park, Hinjawadi

Talegaon Dabhade

Ambey Valley ↔ Rajiv Gandhi IT Park ↔ Pimpri-Chinchwad

↓

Lavale Village Balewadi

Source: Wikipedia, the free encyclopedia

Hinjawadi is a locality now treated as the IT Village of Pune which is located on the NH4 bypass around the city of Pune in India. Hinjawadi is the locality in the western part of Pune, the seventh largest metropolis in India. Its largely been known as home for the top IT Companies in India but it is also home of companies like Emcure, henkel, Advinus etc. Originally a small village, it is now the location of Rajiv Gandhi Infotech Park, housing around twenty software companies.

Some features of IT parks of Pune:

Rajiv Gandhi Infotech Park, Hinjawadi, Pune
Hinjawadi, Phase-I:
* Maharashtra's largest IT park spread over 238 acres of exquisitely developed land.
* A resounding success with names like Infosys, Wipro, Cogniznt, Geometric, Tata Technologies, Veritas etc. already based here.

* 140 Mbps connectivity through VSNL and an 80 Mbps earth station set-up on campus by STPI

* Dedicated telephone exchange with optic fibre cable network.

* Dedicated electric sub-station (220 KV).

* Hostel, shopping complex, banks etc.

* Underground services like data cabling etc.

**Hinjawadi, Phase II:**

* A short drive from Phase I.

* 200 acres of beautifully landscaped, gently sloping hilly land.

* Chosen by Infosys, for their new 110 acres campus.

**Hinjawadi, Phase-III:**

* Additional land close to the existing park, under acquisition and development, will be available for IT and BPO units in early 2004.

**Talawade IT Park, Pune:**

* A campus-style IT park, already home to names like Syntel and Kanbay.

* Set amidst tranquil, green surroundings on 190 acres of land on the banks of Indrayani River.

* IT Tower with 1,00,000 sq.ft. built up space.

* Dedicated Telephone Exchange.

* VSNL’s earth station on campus.

* Underground services like data cabling etc.

**Kharadi IT Park, Pune:**

* 10 minutes away from Pune Airport.

* An ideal IT destination set amidst picturesque, peaceful environs, spread over 75 acres.

* Total built up area of over 1,70,000 sq.ft.

* Dedicated Telephone Exchange.

* Underground Services like data cabling, etc.
Other IT Parks:
With the aim of providing all round growth of the IT industry and tap the potential of the abundant and varied IT skill-sets available throughout the state, MIDC has developed several IT parks in centres like: Nagpur, Aurangabad, Kolhapur, Nashik, Amravati, Satara, Sangli, Latur, Ahmednagar, Solapur.

3.2 CONCLUSION

Since the 1950s and 1960s, Pune has had traditional old-economy industries which continue to grow today. Furthermore, the city is also known for manufacturing and automobiles, as well as government and private sector research institutes for information technology (IT) education, management and training. Pune is going to be amongst top 3 preferred cities for these tech jobs. It also highlights Pune among evolving business centers and emerging 9 cities around the world with citation "Hosts IT and automotive companies". Pune will be one of the fastest growing cities over the next 2 decades, nearly doubling its population to 10 million. In the process, it will likely overtake Hyderabad and tie up with Bangalore. And hence, for present study Pune is the suitable city.

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