Chapter-6
Summary and Conclusions

Given the backdrop of large untapped demand potential and strong fundamentals, India is uniquely positioned to secure global leadership in ITES-BPO sector. ITES-BPO is one of the fastest growing segments of the service sector, with immense potentiality for future growth. It is not only important in terms of its significant contribution to GDP, revenue and export earnings, but also remarkable from the point of view of its impact on the Indian labour market. The IT-ITES industry directly employs more than 2.2 million people. Nearly 80 per cent of these jobs cater to the exports of IT-ITES sector and the residual 20 per cent serve the domestic market. In addition, the sector creates indirect employment opportunities in industries such as construction, retail, transport, telecommunications, as well as induced employment due to higher spending on goods and services such as food, transportation, entertainment, health, and medical services. McKinsey estimates that each new job in IT services and ITES in India has led to the creation of between three and four new jobs in other sectors (NASSCOM-McKinsey 2005).

The global market for IT services and ITES is large and growing despite fear of a serious and lasting setback because of the global financial crisis. However, this fear has proved to be unsubstantial as global demand for almost all types of services have revived in recent years. Long term limits to growth are most likely to be on the supply side, in particular in terms of employees with skill sets that meet the requirements of the market. Locations with comparatively large talent pools will have an advantage in attracting IT services and ITES companies because large companies prefer to source services from locations where scalability is feasible. The timing and scale of gains differ, however, according to a country's skill endowments, infrastructure, cost advantages, and business environment. Moreover, in countries that have succeeded in the IT services and ITES industries, governments have generally adopted a proactive role in promoting the sector.
Though the growth of Indian IT-ITES revenues continue to be driven by the exports turnover the domestic market for IT-ITES sector has evolved and matured particularly so over the last five years. The liberalization of Indian economic policy and the deregulation of key sectors have led to a large degree of exposure to the global best practices and standards translating into increased adoption of automated processes and end-to-end information technology systems to support them. The participation of global multinational corporations in domestic businesses have eased and driven IT adoption in order to enable efficient delivery of services in a highly competitive environment. The verticals such as banking and telecom are the ideal examples of the demand generated by such deregulated sectors. The demand for BPO services has also increased considerably due to increasing competition and other business pressures, driving organizations to allocate their time and resources efficiently towards the core operations and outsource the non-core operations to third party vendors.

Among the verticals serviced by India’s IT-ITES-BPO industry, those which account for the largest share of revenue are banking, financial services and insurance (BFSI- 41 per cent), hi-tech/telecom (20 per cent), manufacturing (17 per cent) and retail (8 per cent), with smaller contributions coming from media, publishing and entertainment, construction and utilities, healthcare and airlines and transportation. Important industry verticals being serviced by the BPO segment are insurance, retail banking, travel and hospitality, auto manufacturing, telecom and pharmaceuticals. Horizontals such as customer interaction and support, finance and accounting, and human resource management are important areas in the BPO segment.

Even though India has 51 per cent market share of the total offshoring market in the world, there is tremendous opportunity for growth as current offshore market is still a small part of the outsourcing industry. However, realization of this potential will involve mitigation of several challenges that India faces at present. According to salary projections made in various survey reports (for example Hewitt, Data Quest, Gartner and others) India may lose its long-run low-cost advantage due to wage inflation and increased attrition. While India has ample supply talent, it is largely trainable in nature,
not employable. To turn them into productive employees they have to put through intensive and time consuming training programmes. This leads to incremental training costs and increased downtime for the industry, which is challenging keeping in mind quality talent availability in competing countries. So there is an urgent need to spread ITES-BPO from tier-1 and tier-2 cities to other growing areas with huge skilled manpower potentiality. There are concerns around security – both physical and data related, in service delivery which needs more rigorous attention and check. Currency fluctuations may also erode India’s competitive edge. Specifically, rupee appreciation (as compared to Chinese yuan) may outweigh India’s long run competitiveness. Also, a decrease in India’s labour productivity vis-à-vis its competitors (for example, China) may have strong negative implications for India’s competitiveness. These elements are clubbed together under the head of economic sustainability. But another critical aspect of this issue concerns social sustainability. The present work demonstrates the morbidity and severity of health hazards of the ITES-BPO employees as compared to the non-IT sector. 97.33 per cent of the employees in the IT has one or more of the identified health related problems, as compared to 80 per cent in case if that in non-IT. Unless these problems are treated with urgency the social cost of our export success will swamp its benefits. The overall level of morbidity from the four diseases (CTD, MSD, Vision problem and psychological and mental problem) in IT is much severe than that of non-IT. So, if proper measures are not taken the morbidity from these diseases in IT can reach such an alarming stage that it will be difficult to get steady supply of skilled personnel to maintain the quality and efficiency of the work. A mental health policy for the workplace can be developed separately, or as part of a broader health and safety policy (as per the recommendations of WHO, 2005). Employer, employee and nongovernmental organizations have an important role in working with governments to improve the mental health of employees. These partners should advocate for the development of policies and strategies that promote the mental health and physical of employees and prevent and treat mental health problems equally with other health disorders. But our primary survey reveals that the problem health hazards are not seriously taken care-off by the IT companies following the recommendations of WHO, except in case of some large well-established reputed organizations. This dissertation could address this critical problem of
health hazards in a very limited way. There remains immense scope for further exploration.

In the aftermath of global economic slowdown the Indian ITES-BPO industry displayed considerable resilience to grow by 5.4 per cent in FY 2010. A key impact of the recession in recent times has been the rise of protectionist sentiments in major markets for the industry. Lack of proper infrastructure, impending discontinuation of fiscal incentives and frequent changes in fiscal regulations are making the business environment more challenging. Finally, a number of new global outsourcing destinations seeking to emulate India’s success have emerged, offering multiple incentives and cost competitiveness.

The ITES-BPO sector can be a key enabler of India's inclusive growth strategy. If the government can ensure improvement in the access to ICT and better connectivity to the remotest areas, then the ITES-BPO can effectively increase the outreach of primary health care, financial services, public services education and skill development to the rural population also. This drive to socio-economic and financial inclusion can be faster, cheaper and more effective than the traditional models.

The genesis of Knowledge Process Outsourcing (KPO) followed BPO services in India. While the value proposition for the BPO industry lies in the cost advantage and process efficiencies arising out of a third party vendor's scale and scope of process outsourcing services; the value proposition for KPO additionally requires the availability of a talent pool with sufficient domain knowledge and experience.

India's success in the field of information technology and business process outsourcing over the past decade remains unparalleled. India – through its unique value proposition – cost effectiveness, abundant talent and maturing service delivery, has emerged as the cornerstone for this sector, steadily increasing its market share to over 50 per cent of the global sourcing industry. The transformational impact that this industry can achieve has the potential for India to not only achieve global leadership, but also build a truly inclusive growth environment in the country. Achieving these ambitious outcomes will
require breakthrough collaboration amongst industry players, central and state
governments, and NASSCOM – to ensure that appropriate actions required to maximize
the global sourcing market potential and sustain India’s superiority as the preferred
sourcing destination are executed in a timely manner. Concerted action is required to
capture the opportunities and mitigate the risks to achieve the vision for 2020. These
policy actions must focus on key areas such as (1) Developing a high caliber talent pool
(2) Building adequate basic business and social infrastructure (3) Ensuring a favourable
business policy and regulatory environment (4) Global trade development and actively
advocating free trade in services (5) Catalyzing growth in the domestic market (6)
Fostering a sustainable ecosystem for innovation and R&D (7) Establish India as a
trusted global hub for professional services by managing risks efficiently and (8)
Harnessing ICT for inclusive and equitable growth.

The list of requirements is long and rather heavy, but the nation’s welfare will depend
crucially on the government’s ability to make progress on them in a significant manner in
the near future.