



BPO Sector - Information Technology Enabled Services - in India

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ABSTRACT:

BPO Sector in India is one that offers Call centre and data entry services through Information Technology Enabled Infrastructure. The sector has been growing as fast as IT sector in India and is nearly 40 billion dollars in size. However in BPO sector India faces competition from Phillipines and other nations.



Figure 1. Business Process Outsourcing Book

Source: Economic Times Intelligence Group

The above is the cover page of the book, I wrote, when I worked as a journalist for Economic Times Intelligence Group. BPO stands for Business Process Outsourcing, also known as Information Technology Enabled Services. The book reveals the BPO sector in India. The book was written almost 20 years ago, when the BPO sector was in its infancy, having started less than a decade ago.

To write this book, I interviewed CEOs of around 25 BPO companies in Hyderabad, Bengaluru, Chennai and Mumbai. I interviewed them on the operations, challenges, growth prospects, competition, and profitability.

BPO - Business Process Outsourcing - is of course menial work outsourced to India. The work mainly is in call centres and data entry. Employees working in the BPO sector are not very educated, with barely 12 years of education, and rarely graduate. And salaries in the BPO sector are good for their education level in the Indian context, however, are hardly above that which graduates get.

While the IT - Information Technology - sector with its export potential began in a big way in the early 1990s, the BPO sector, earlier called ITES - Information Technology Enabled Sector - only began significantly in the new millennium, due to tremendous improvement in international telecommunication networks.

As we speak in 2021, the Indian BPO sector has been growing at a growth rate of around 50% and India's market share in the BPO sector is around 50%. The BPO sector in India employs almost 1 million employees. The BPO sector revenues are around 35 billion dollars and may pale compared to the IT sector's revenues of around 140 billion dollars. However, it must be remembered that the IT sector had the advantage of having started almost a decade before the start of the BPO sector.

While in IT - Information Technology - India has a comparative advantage with its trained engineers and mastery of complex processes in the BPO sector India, India does not have that comparative advantage since the educational and talent requirements in the BPO sector are very ordinary. Hence in the BPO sector, India faces great competition from the Philippines, Pakistan, Russia and so on.

I have worked for the IT sector and the BPO sector. While both the sectors get their business from overseas, the two sectors could not be more different. Whereas the IT sector based on the knowledge economy resembles a University in its cutting edge technology, the BPO sector is little more refined than a shoe-making labour factory.

While the hours in the IT sector are also long, in the BPO sector, the shift operations conducted across the day have a greater misery component. Also, the BPO sector does not offer good growth prospects to its employees, whereas in the IT sector an employee can hope for a great career as the employee masters technology and management.

It is hence the BPO sector is unable to attract graduates or an educated workforce, and only undergraduates, join the BPO sector and that too often a stop-gap arrangement, despite the BPO sector's competitive salaries compared to the rest of the sector in India for comparable education and experience.

But the fact that the BPO sector offers employment to those who have had 12 years of education can be a curse in disguise. Now students, instead of working towards graduation and aiming for a fulfilling career progressing over life, will be tempted to take a shortcut and take up that well-paying job which may give them financial independence at the age of 18, but will not offer them a career at the age of 38. It is one thing for a graduate to take up a BPO sector job as a stop-gap arrangement, till a better career offering job comes along, but it is another thing for a student to drop out of college and university in pursuit of short-term gains by sacrificing long term career. Because the short-term good competitive salary offered by the BPO sector hides the pain of the destruction of a long-term career. Having worked in the BPO sector at an entry-level job, I would not recommend a BPO sector job except as stop-gap pocket money earning exercise for those between jobs and looking for suitable employment.

Again unlike in the IT sector, India faces lots of competition in the BPO sector from nations such as the Philippines. For instance the below infographics from 8 years ago shows that a small nation such as the Philippines with 5% of India's population can offer tough competition to India.



Figure 2. Outsourcing Exposure

Source: NASSCOM

Of course if the Philippines can offer stiff competition, well then so can Pakistan or Bangladesh or Nigeria and Kenya. This is the trouble with the BPO sector. The barriers to entry are so low, that India has to be competitive in price and look for cost-cutting opportunities.

However, the flip side to this is that since barriers to entry are low, any entrepreneur can jump the bandwagon and start a mom and pop kind of BPO outfit. My friend has a small Medical Transcription company based out of Mumbai. The expertise in BPO operations can be mastered very quickly and unlike the IT sector, there isn't a huge knowledge and branding barrier to entry. Hence it is possible to start a small BPO outfit.