KPO IN INDIA AND IT’S IMPACT ON INDIAN ECONOMY

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ABSTRACT

KPO was a by-product of the Business Process Outsourcing wave. The overnight success of the business model sparked a rethink in utilizing the model in various other avenues. Numerous firms started offering high-end knowledge services to offshore companies. Once the Knowledge Process Outsourcing business model caught steam, more and more companies turned to India for all their knowledge service requirements.

The Business Process Outsourcing industry on the other hand faced a slower rate of growth at only 27 percent. The revenue generated from business outsourcing model was however significantly larger at 15.8 billion US dollars between 2006 and 2007. India has become one of the most sought after destination for the companies wanting to outsource their business, knowledge, research, legal and related high-end processes.

KEYWORDS:

KPO, INDIAN ECONOMY

1. INTRODUCTION

The KPO or Knowledge Process Outsourcing industry has been a major contributing player to the economy in India. Processes like market research, legal services, data analytics, pharmaceutical data processing, content and publishing services are on a regular path to India from offshore companies. The market here is all set to grow exponentially by the year 2015.

2. INDIAN KPO INDUSTRY

The Indian KPO industry has had an edge over the global industry since its inception. The highly skilled employee base combined with the low cost of every imaginable resource makes for a potent combination. The number of personnel with skill and experience has been on a steady rise, along with the rise in demand for specialized domains such as clinical trial management and legal process outsourcing.

3. KPO INDUSTRY GROWTH RATE IN THE PAST

The growth of the industry although astronomical, can be traced back in time. The KPO industry between 2003 and 2004 earned a total revenue of 1.2 billion US dollars. The figure rose to 4.4 billion US dollars between 2006 and 2007.
The total number of employees in the knowledge outsourcing business totaled about 34,000 and 106,000 in 2003-2004 and 2006-2007 respectively. A growth rate of 54 percent made the KPO industry gilt edged.

Despite the business process outsourcing model gaining ground slower, the knowledge process outsourcing arena has seen a steady growth and will continue to do so according to industry bigwigs.

4. NASSCOM GROWTH PREDICTION OF KPO

The National Association of Software and Service Companies (NASSCOM) predicts that of the growing global KPO industry, India will hold the biggest share of the pie at 70 percent. Assocham predicted that the KPO industry in India is all set to reach dizzying heights by the year 2015. he 20 billion US dollar industry at present will touch 30 billion US dollars by the end of the year 2015 owing to an increase in knowledge based services.

A quote from an ASSOCHAM study “Current scenario of Indian KPO Industry” validates the expected growth by saying, “The rising demand for professional-based services is expected to drive the growth in the industry. It would be in areas of research for capital and financial markets, legal and editing jobs for international publishing houses, among many others.”

Given that the need for professionals is spread over so many varied domains, the demand for educated professionals in India will also subsequently rise. Professionals in fields such as medicine, engineering, management, legal, accountancy and company secretary services will find an array of jobs beckoning in the KPO industry.

With the sector currently providing employment for nearly 3.5 lakh graduates, the number will nearly double in the coming years. Projected employment for 6-8 lakh people is predicted in this particular genre.

This growth is not however free from competition or problems. India has both in equal measure. Stiff competition in the outsourcing arena has been flowing in from the Philippines, Russia, China, Poland and Hungary as they are all vying to get the ravaged economic arena back on track. The competing countries offer low cost services with the added advantages of distance and location, marketing capabilities and expertise.

5. POPULAR KPO SERVICES IN INDIA

ASSOCHAM secretary was quoted as saying, “It is the kind of shortfall predicted between target and realistic growth which is worrying. If the industry is unable to sustain the momentum, it is quite possible that other alternative destinations will become attractive for clients.”

According to the ASSOCHAM report the popular KPO services Include:
Equity research
- Intellectual property research
- Medical and legal research
- Business and market research
- Research reports
- Financial research

No prediction and future growth charts can claim to be fool-proof. Predictions by nature are made on a set of assumptions. How the general economic and industry conditions will pan out cannot be cast in stone. Whether the KPO industry will strike out at 30 billion US dollars in 2015 remains to be seen.

6. CHALLENGES AND FUTURE PROSPECTS

India has become one of the most sought after destination for the companies wanting to outsource their business, knowledge, research, legal and related high-end processes. This not only boosts exports, increases national income and creates greater employment avenues, but also increases tax revenues, caters to the growth of other related industries like infrastructure, catering, etc. The companies involved in outsourcing activities tend to earn huge profits out of this and thus, are in a position to offer their employees the good and competitive pay packages, along with many attractive employee benefits. India has already made remarkable achievements in the field of Business Process Outsourcing (BPO), with high export revenues. The Indian IT-BPO sector has been able to build a strong reputation for its high standards of service quality and information security, which has been acknowledged worldwide and also helped to enhance buyer’s confidence. The industry is continuing this trend by combining provider and industry-level initiatives as well as by generating greater awareness and facilitating wider adoption of standards and best practices. It is moving to provide high-value services to its clients rather than just minimizing/saving costs. The success of off-shoring BPO sector in India has led to the emergence of Knowledge Process Outsourcing (KPO) sector in India, which deals with off-shoring of knowledge intensive business processes requiring specialized domain-based expertise. India is well endowed with large pool of skilled manpower, like, chartered accountants, doctors, MBAs, lawyers, research analysts, etc., which would help to add value to the global KPO business and its high-end processes like valuation research, investment research, patent filing, legal and insurance claims processing, online teaching, media content supply, etc. This advantage, along with multi-lingual capabilities and advantages of lower costs, can help the country to emerge as a front-runner in KPO on the global platform. As per Nasscom estimates, the KPO industry is expected to grow by 45 per cent by 2010. Out of the $16 billion which the KPO industry is likely to assume by 2010, around $12 billion would be outsourced from India. But, to be able to run stable outsourcing
company (mainly BPO), one needs to overcome the challenges coming in its way. Some of these include: outsourcing is largely fragmented industry; there is more preference for young employees with good command over English and other foreign languages; facing cut-throat competition as well as severe shortages of trained and skilled manpower; non-existence of social security laws needed for checking the background of employees working in BPOs and call centres; at times, more focus on unproductive and non-core activities/areas; etc. Further, since KPO involves providing of domain-based processes and business expertise rather than only process expertise. This requires advanced analytical, interpretation and technical skills in the workers. As a result, it is right to say that outsourcing of knowledge processes tends to face more challenges than BPO. Some of these can be listed as: more investment needed in KPO infrastructure, lack of highly-skilled and trained workforce, need of higher level of control, confidentiality and enhanced risk management, maintenance of higher quality standards, etc. Besides, there are several problems faced by BPO employees which not only affects their health and lifestyle, but also leads to decline in total output of the firm. Some of the prominent ones are:-

- Working in night shifts as clients are mainly US and UK based and there are differences in geographical and time zones of India and abroad. Thus, in order to meet cut-throat competition, the BPO employees have to work in night shifts. But, due to lack of normal sleep, their physical and mental health gets affected in the long run.

- Problem of sexual harassment at workplace, which leads to stress. Some of them get addicted to drugs and/or get serious diseases, etc. However, according to report by GlobalSourcingNow, the Global Knowledge Process Outsourcing industry (KPO) is expected to reach USD 17 billion by 2010, of which USD 12 billion would be outsourced to India. In addition, the Indian KPO sector is also expected to employ more than 250,000 KPO professionals by 2010. Further, a report by Evaluerserve predicts that India will capture more than 70 percent of the KPO sector by 2010. This shows that although outsourcing industry is having a bright future in India, there is still need to address many issues and challenges which restricts the healthy development of this industry. Efforts should be made to give appropriate training to employees of this industry as well as to develop a sound and healthy environment which do not have much detrimental effect on lifestyle of employees.

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