

**An Overview of the IT-BPO Sector in India**

**and**

**Background Checks**

**National Skills Registry**

## **About NASSCOM**

- **Apex body for the IT-BPO sector in India**
- **Plays a leading role in trade development, policy advocacy and research**
- **Over 1200 members including 250 global companies**
- **Membership accounts for over 90% of exports and a majority of the 2 million professionals employed in the sector**

# Agenda

## 1. The rise of the Indian economy

- The Indian economy at a glance
- Drivers of rapid growth

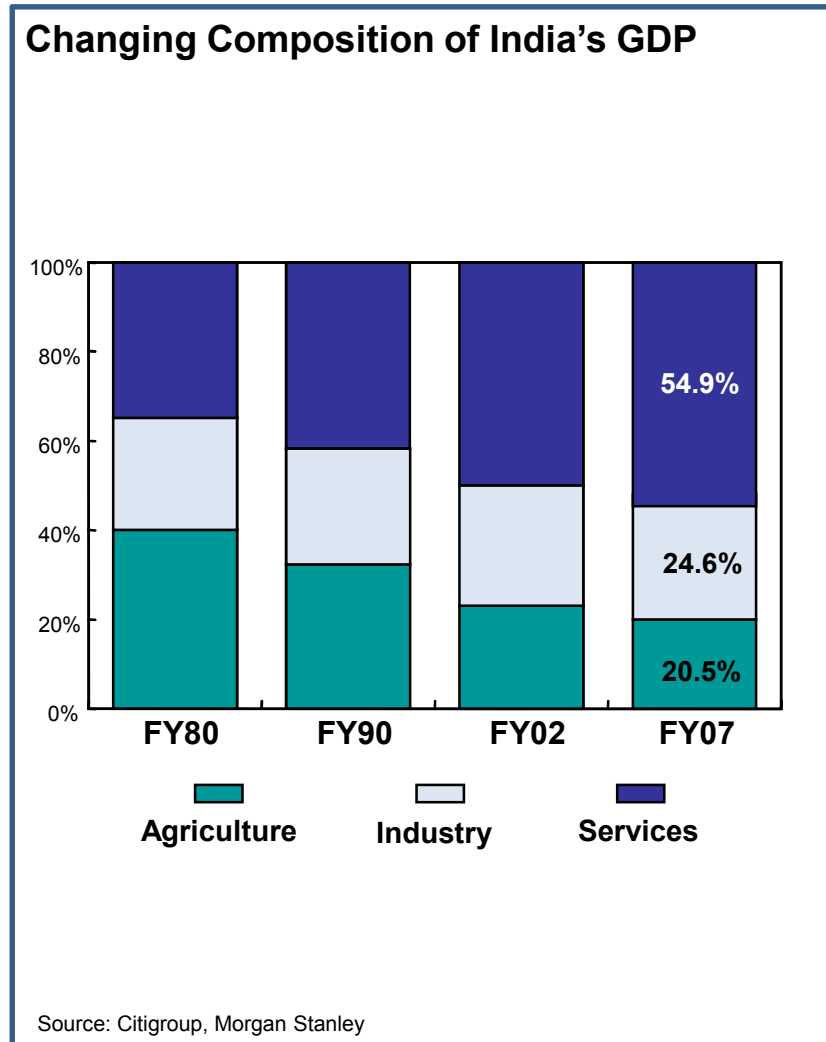
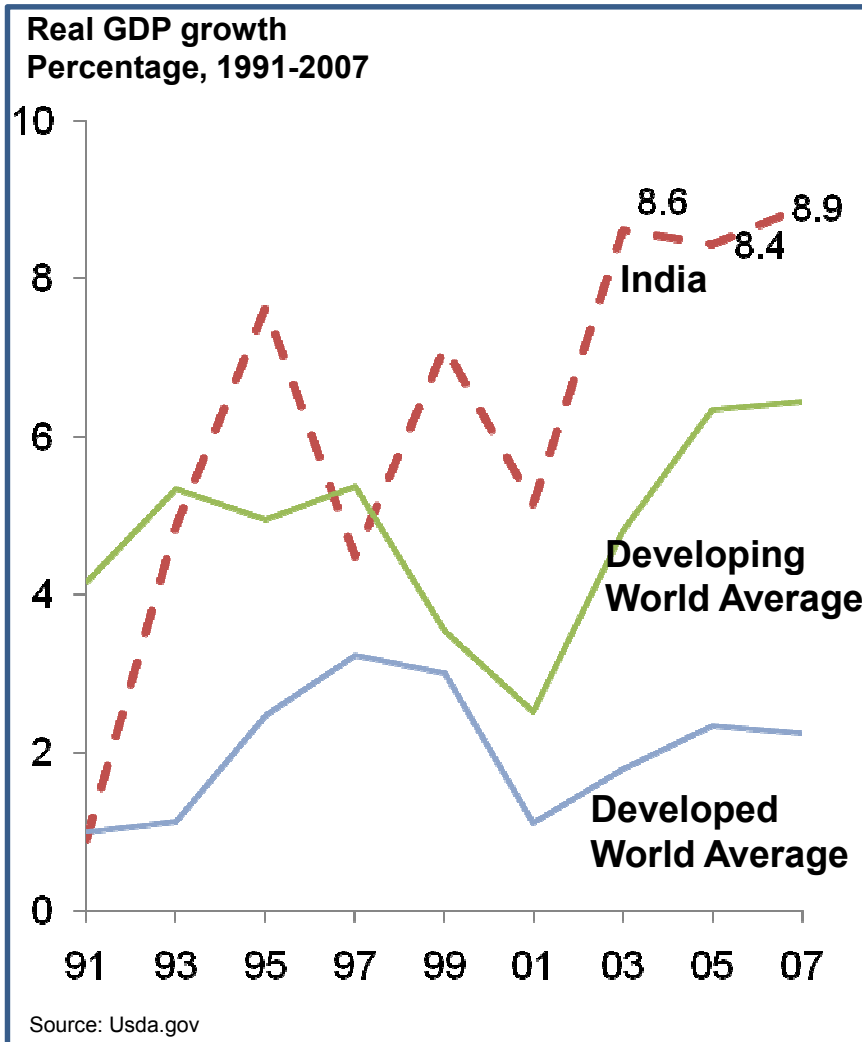
## 2. Dynamics of the Indian IT-BPO industry

- **Current trends**
- **Future outlook**

## 3. Sustaining India's value proposition

- **Talent availability**
- **Cost competitiveness**
- **Risk management**
- **Business environment**
- **Value-add**

# Indian Economy at a Glance



**The Indian economy has experienced rapid growth buoyed by a shift from an agriculture to a services-led economy**

# Key drivers of Rapid Growth

## Progressive liberalization from 1991

- Lifting of import restrictions
- Streamlining of tariff structure
- De-licensing and re-deregulation of sectors, e.g., Telecom, Civil Aviation, Infrastructure
- Progressive ease of FDI caps

### Examples

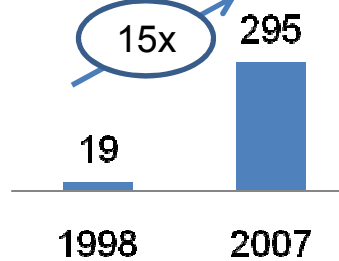
Rating	Pre-'91	2008
Maximum excise duty	105%	24%
Maximum import duty	400%	15%

## Impact

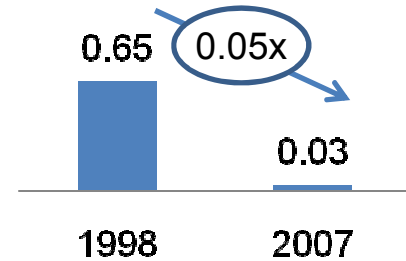
- Free-market competition driving costs down and quality up

### Telecom example

Subscriber base (millions)



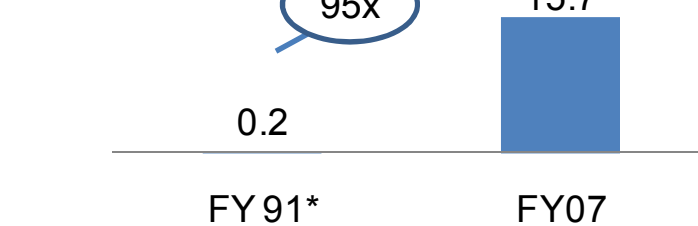
Long distance tariffs (US\$ per min)



Source: Merrill Lynch

- Upsurge in international investment

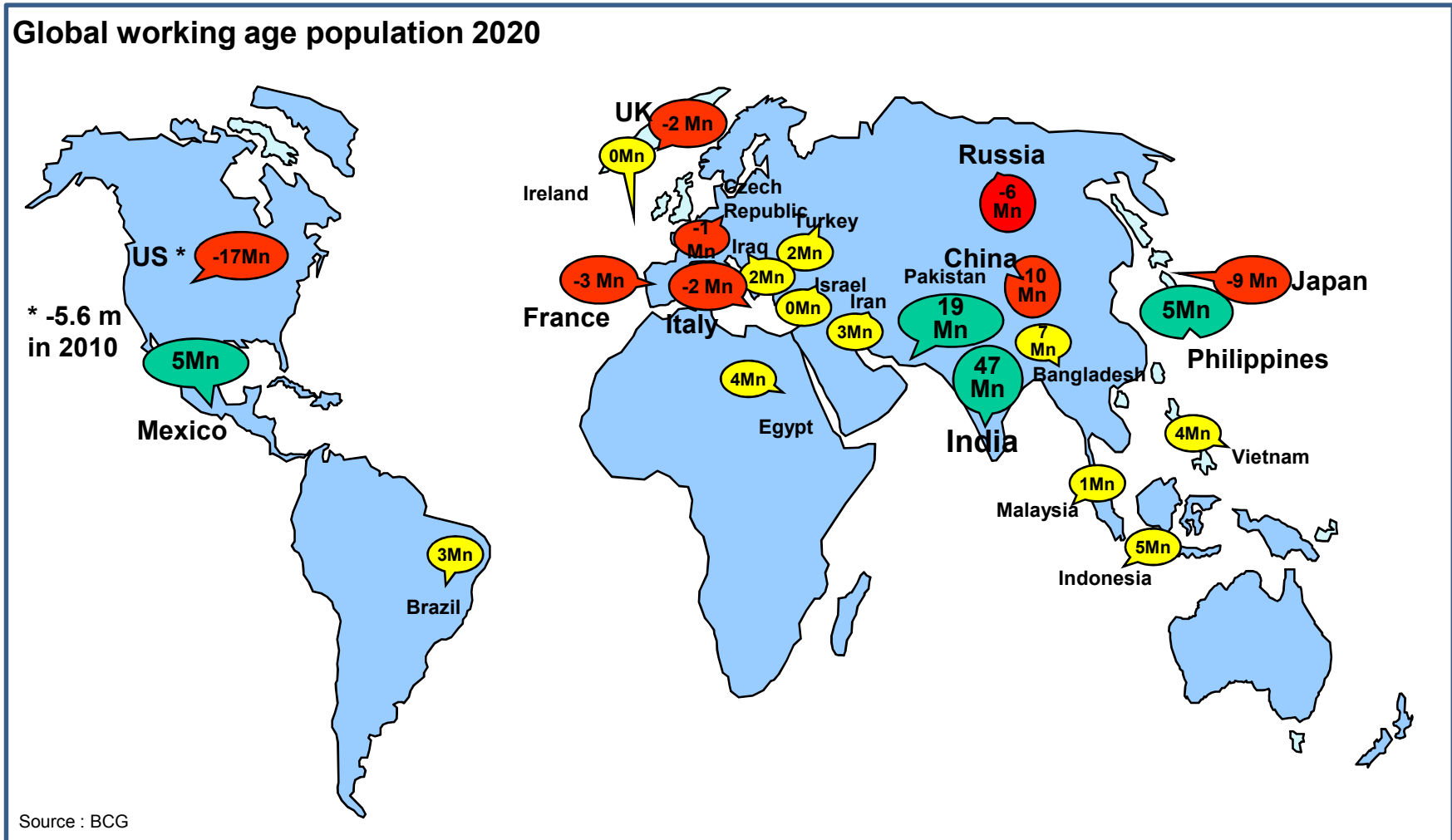
FDI growth (US\$ billion)



Source: Ministry of Commerce

The rapid growth of the Indian economy has been driven by a unique combination of progressive liberalization...

# Key drivers of Rapid Growth



With an increasing imbalance in the global workforce, India's demographic advantage is likely to be a key driver of future growth

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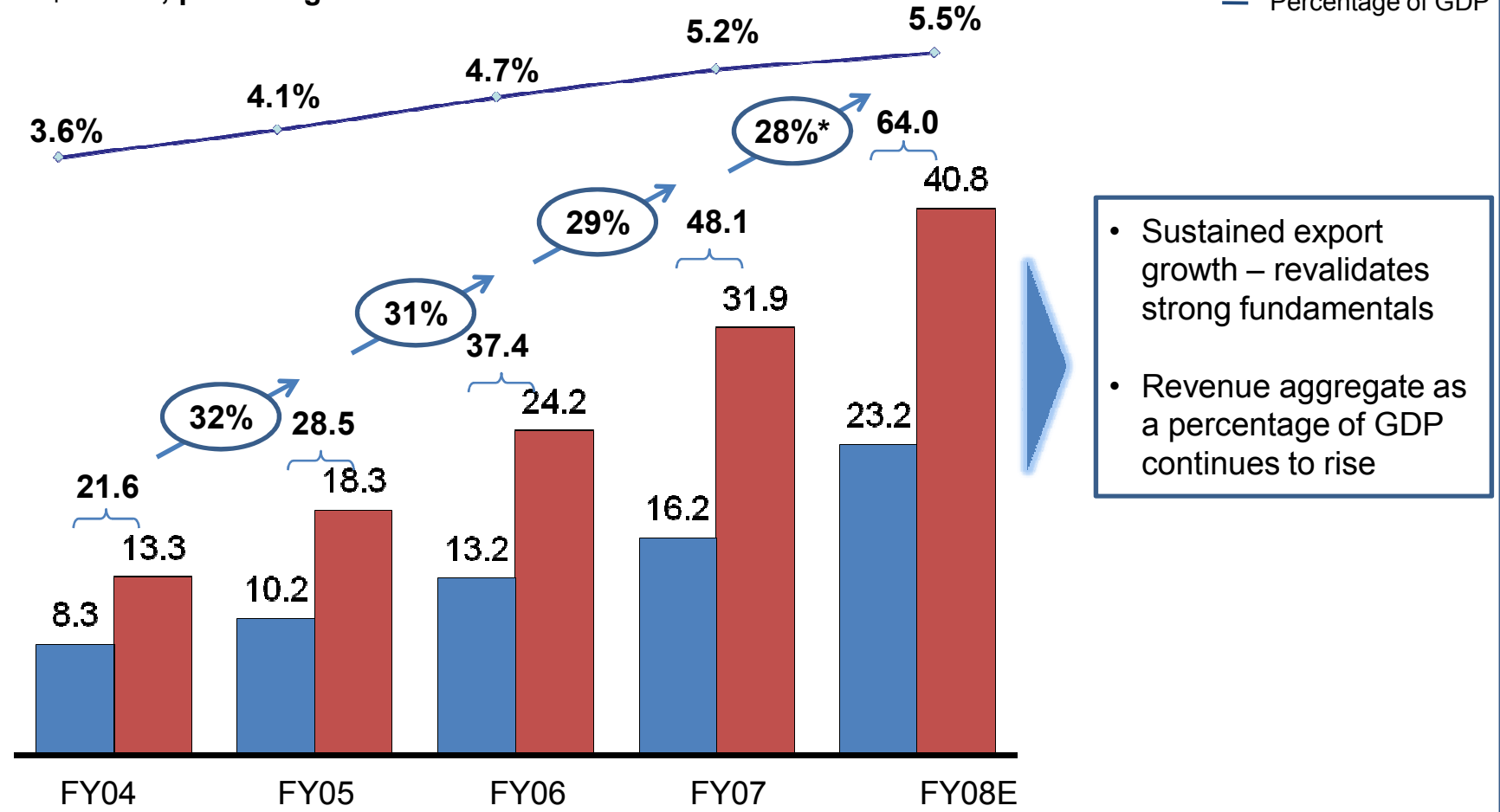
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# The Indian IT-BPO industry at a glance

## Indian IT-BPO Sector

Revenue Aggregate and Share of GDP

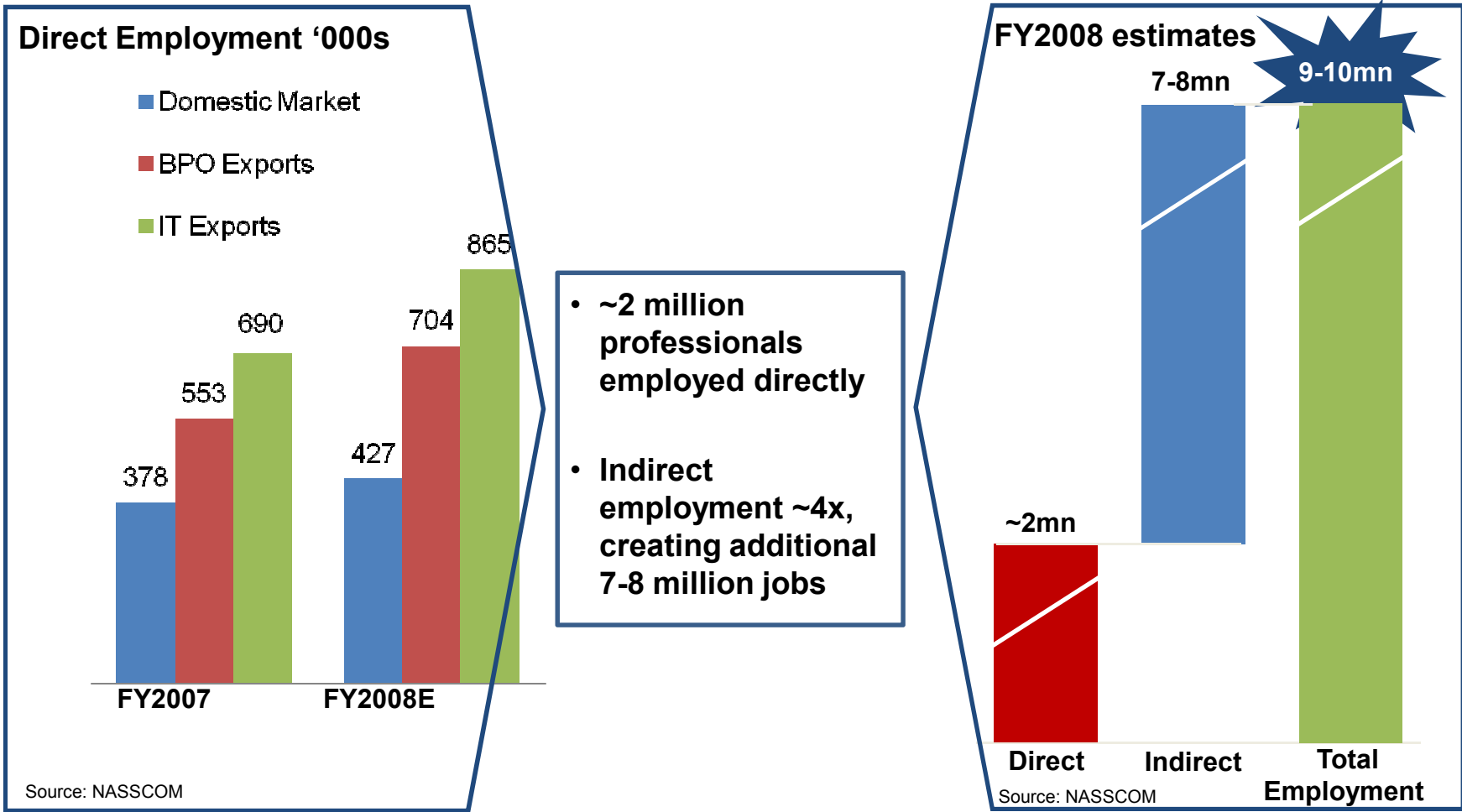
US\$ billion, percentage



Source: NASSCOM

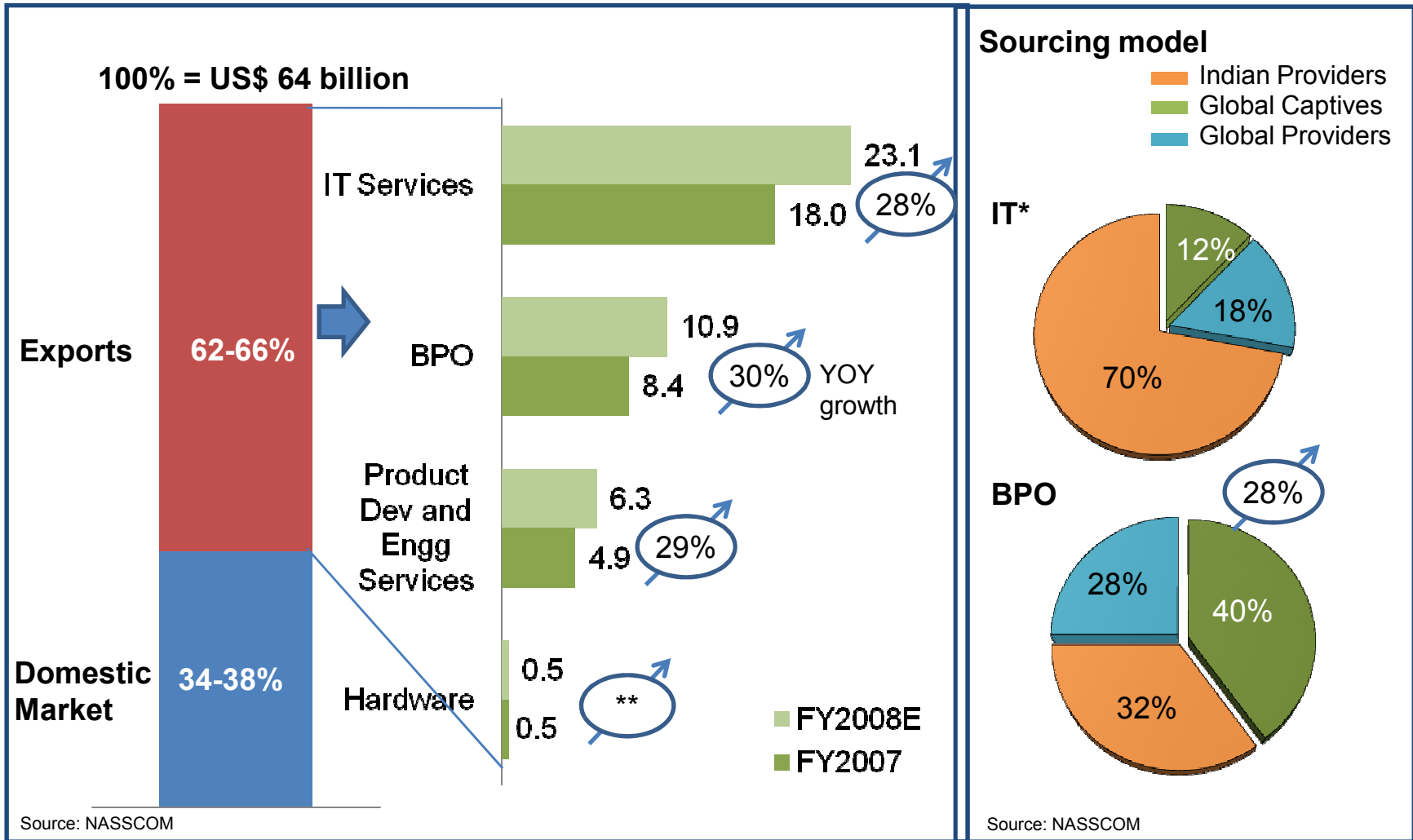


# Employment



**Direct employment to reach nearly 2 million; indirect job creation estimated at 7-8 million**

# Exports

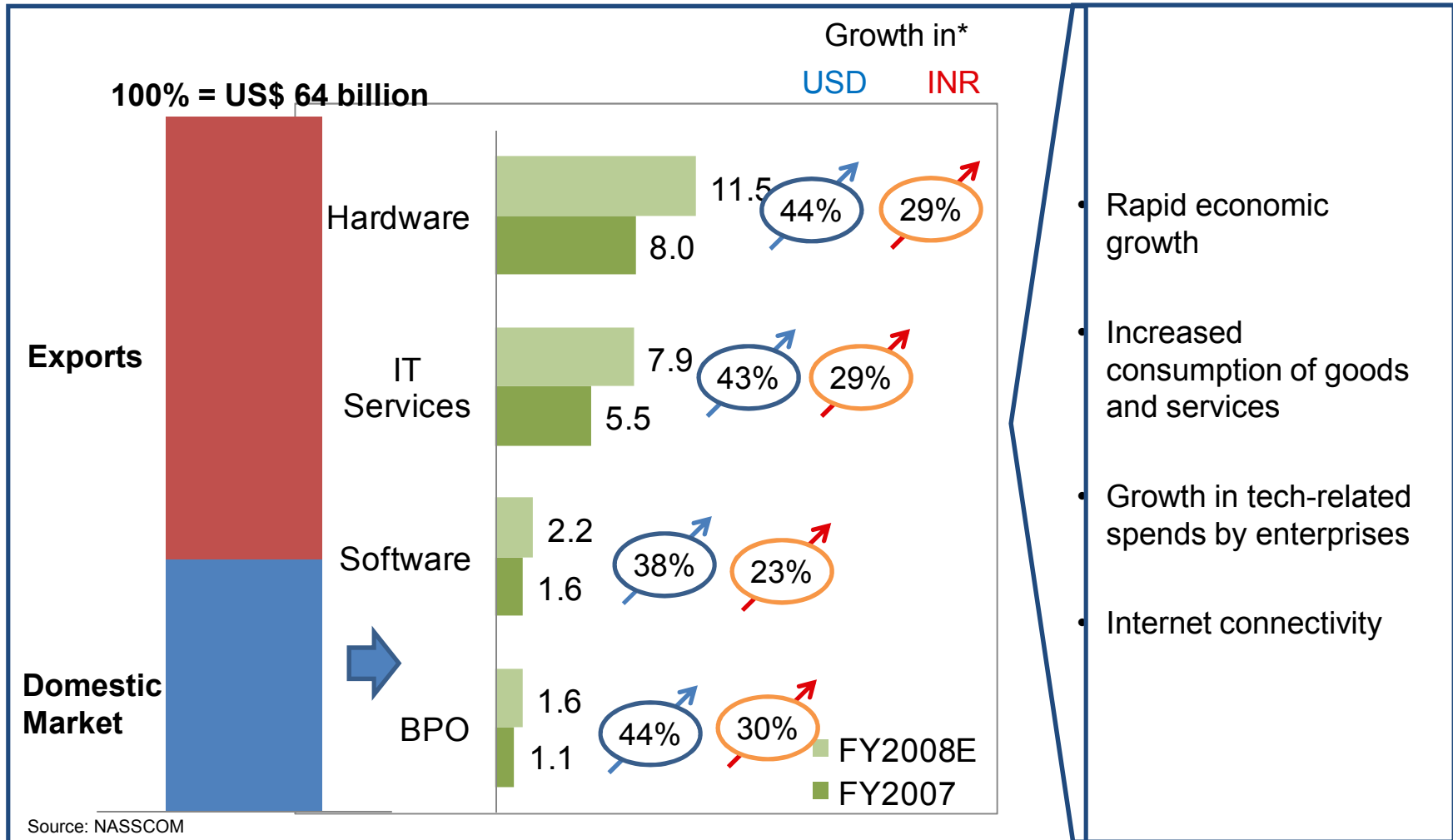


**Export revenue remains the mainstay with steady growth across segments; Industry structure is well-balanced between Indian and Global providers**

\*Includes product development and engineering

\*\* Negligible

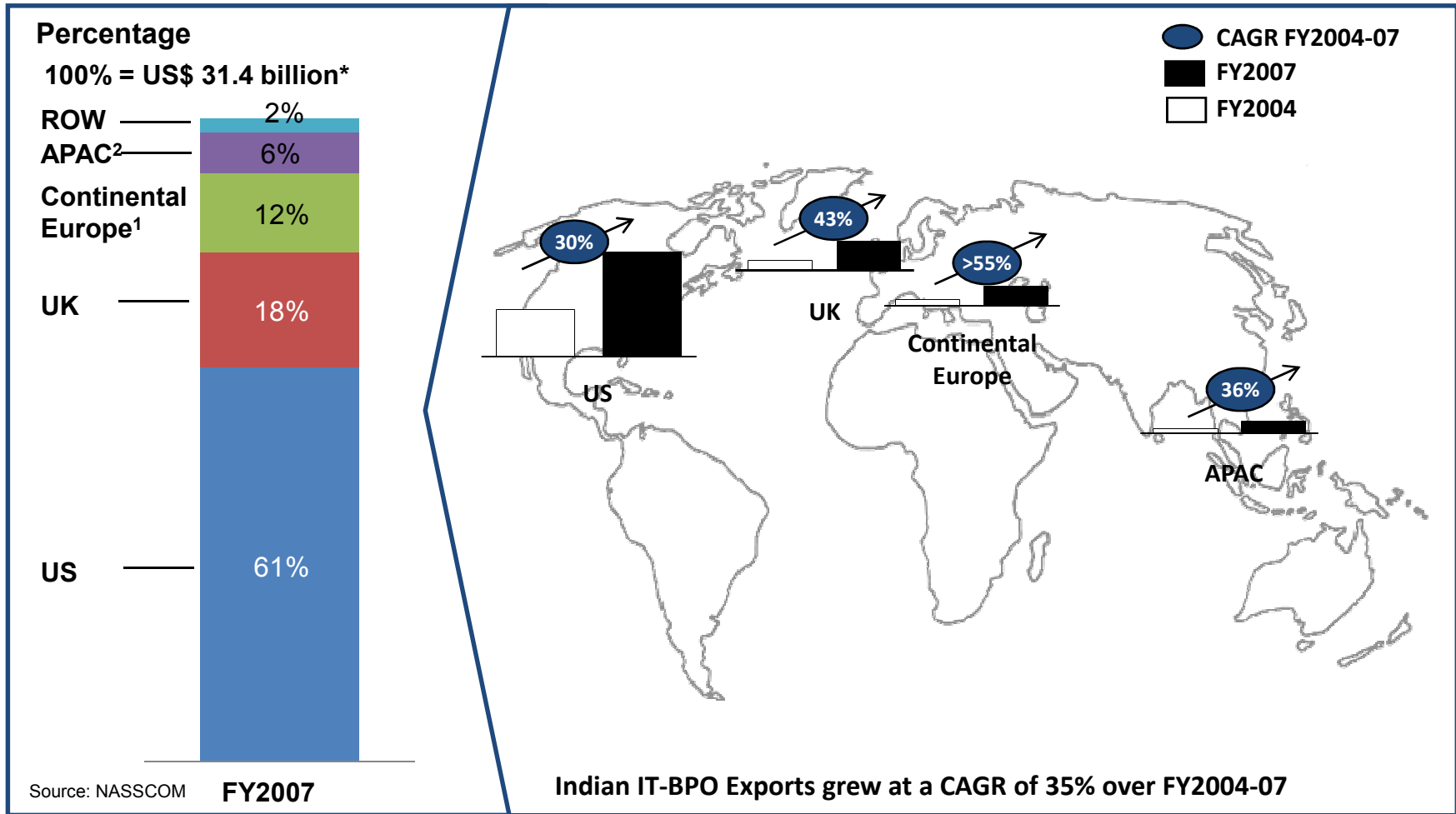
# Domestic Market



**Domestic market is gaining momentum, driven by overall economic growth, increased adoption of technology and outsourcing**

\* Difference between growth in USD and INR due to impact of forex changes (INR appreciation)

# Geographic Growth

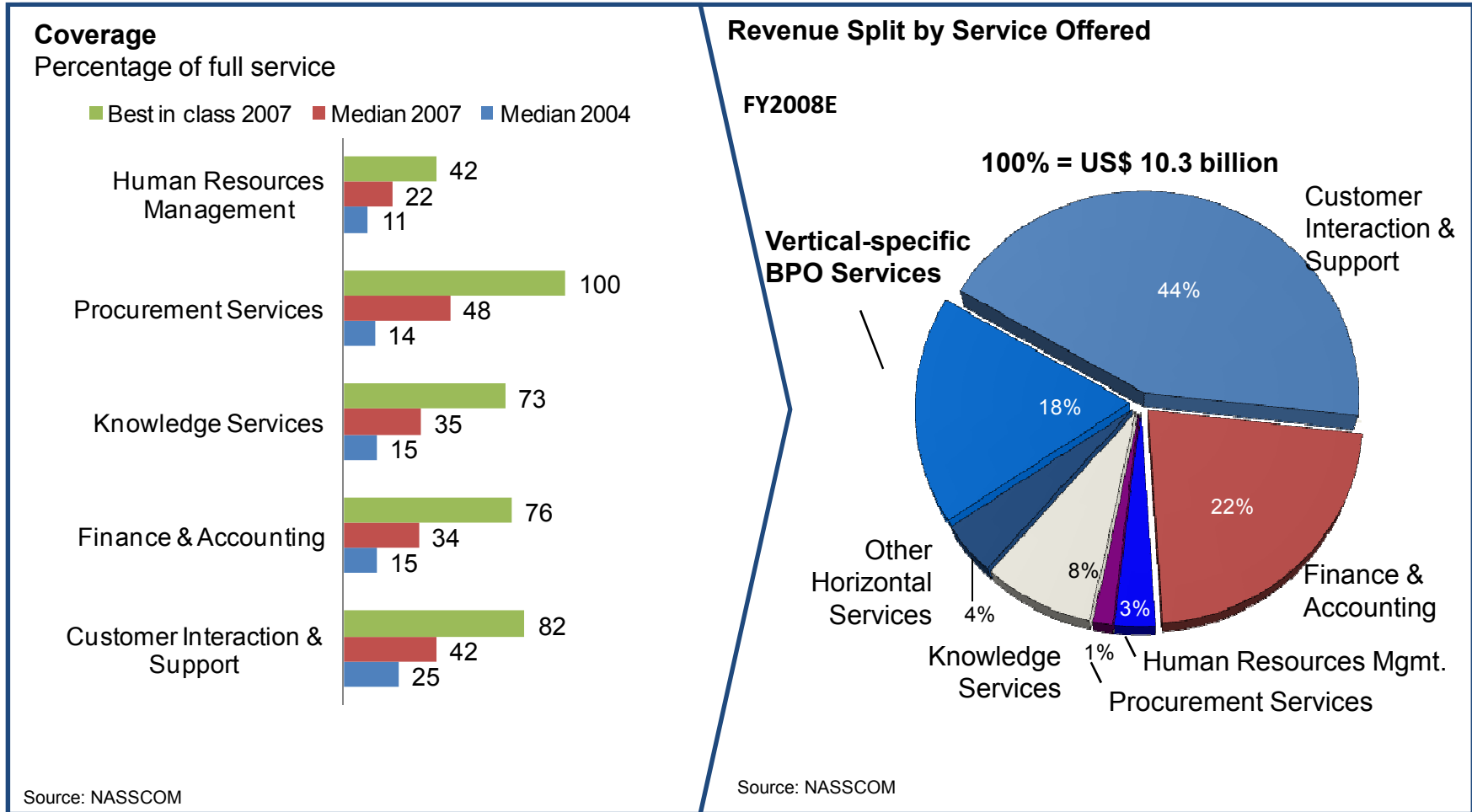


**While US and UK remain the dominant markets, other geographies are rapidly increasing**

•Excludes hardware exports  
 1 Top 3 countries include Germany (~2.5%), Netherlands (~2%), Switzerland (~1%)  
 2 Top 3 countries include Australia (~1.5%), Japan (~1.5%), and Singapore (~1.3%)

# Service Portfolio

BPO EXAMPLE



**Export growth is also being supported by increasing breadth and maturity of the service portfolio...**

# Delivery Locations in India

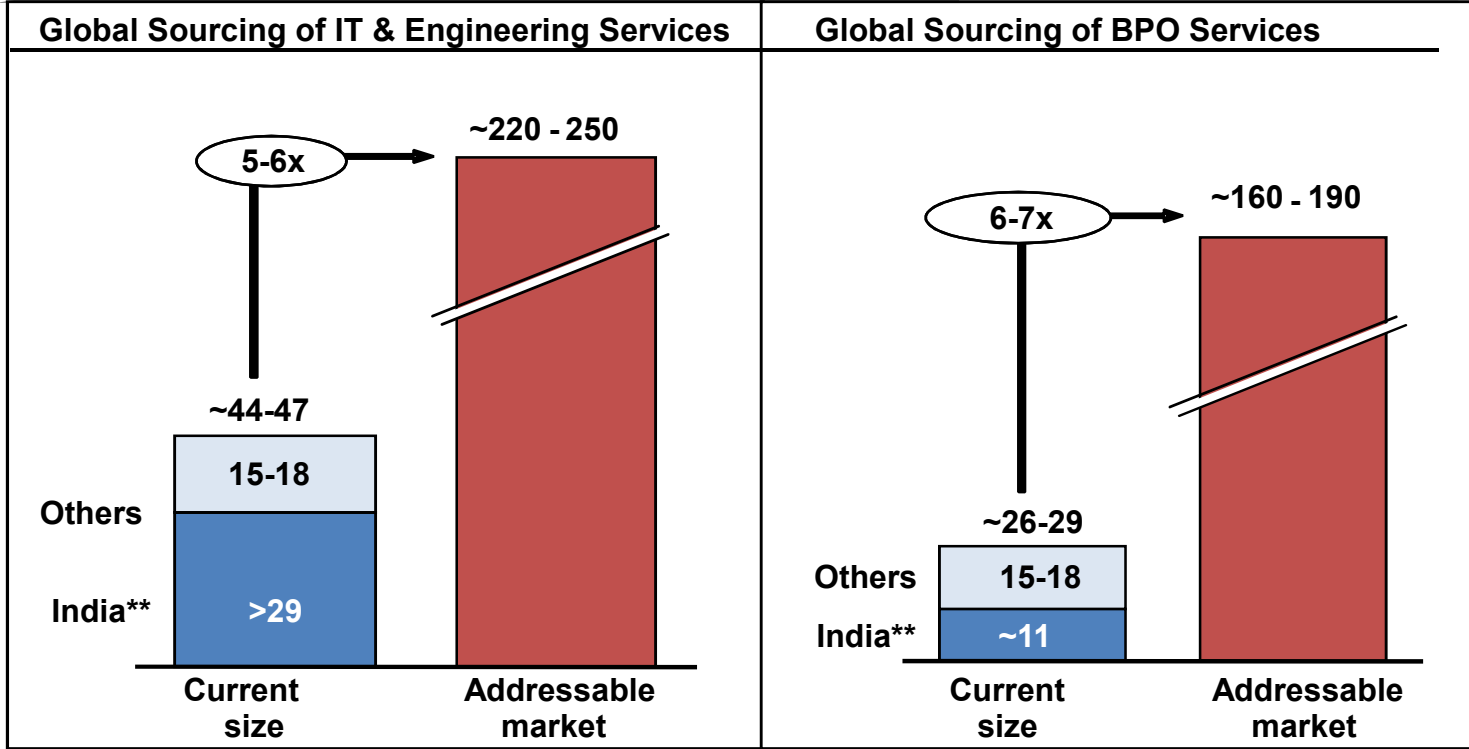


The industry is well spread across multiple locations. Tier 2/3 cities emerging

# Future Outlook

US\$ billion

Addressable market of at least  
US\$ 380 billion (2007-08)



Source: NASSCOM analysis based on NASSCOM-Mckinsey Report 2005

**With strong fundamentals and significant head-room, the Indian IT-BPO industry is well placed to further expand its share of worldwide IT-BPO spending**

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# Is India's value proposition sustainable?

## Common questions...

Talent availability

- “High attrition and wage inflation... is India's talent pool running dry?”

Cost competitiveness

- “With cost increases, is India still cost competitive?”

Risk management

- “How have quality and security standards matured?”
- “What is the geo-political risk exposure?”

Business environment

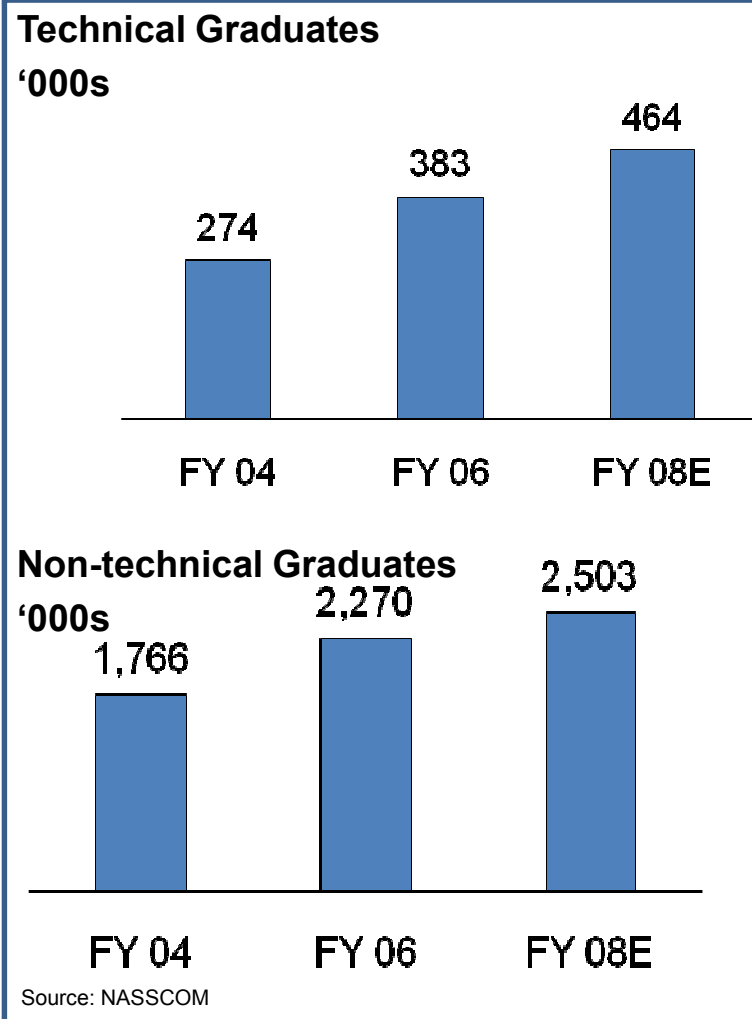
- “Will policy and infrastructure keep pace with the industry's rapid growth?”

Value-add

- “Can India-based providers rise to my evolving needs?”

# Talent Availability & Crunch

## Annual Output



## IT-BPO Demand

Year	Net employee addition ('000s)
FY 08E	375
FY 06	328
FY 05	234

Source: NASSCOM

## Pressure Points

- Talent is trainable – need to make them employable
- Demand from other sectors increasing
- High lateral hiring leading to attrition
- Tier 3 colleges yields low

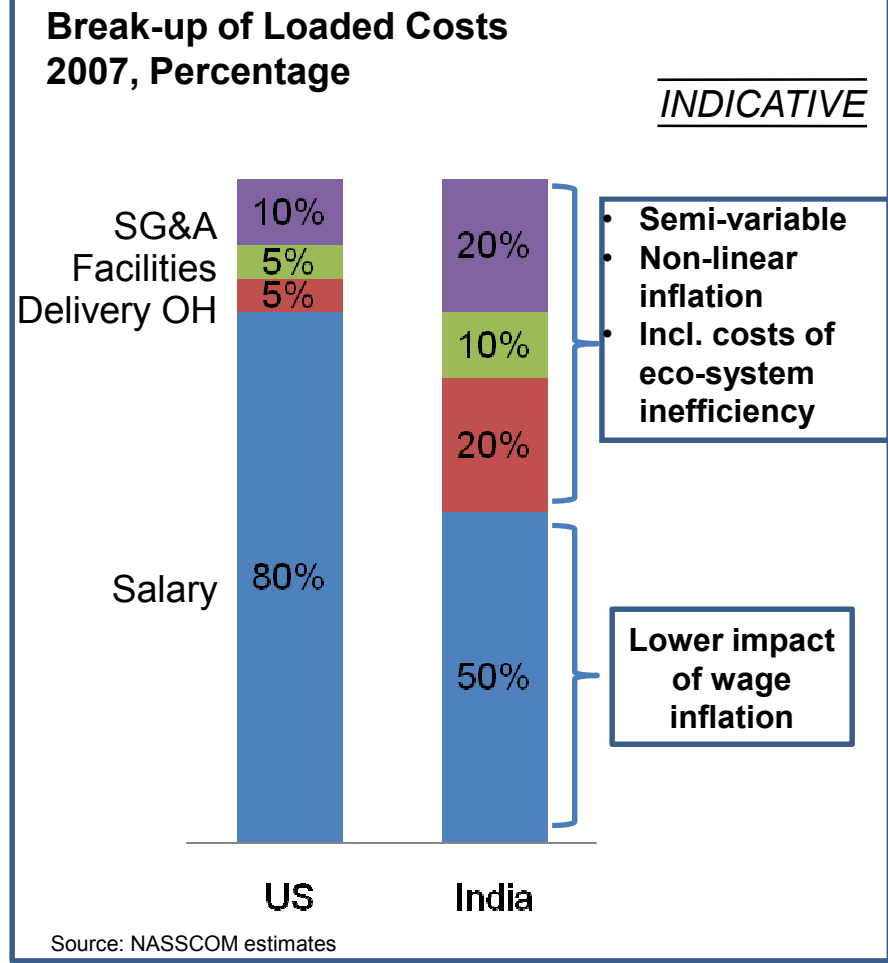
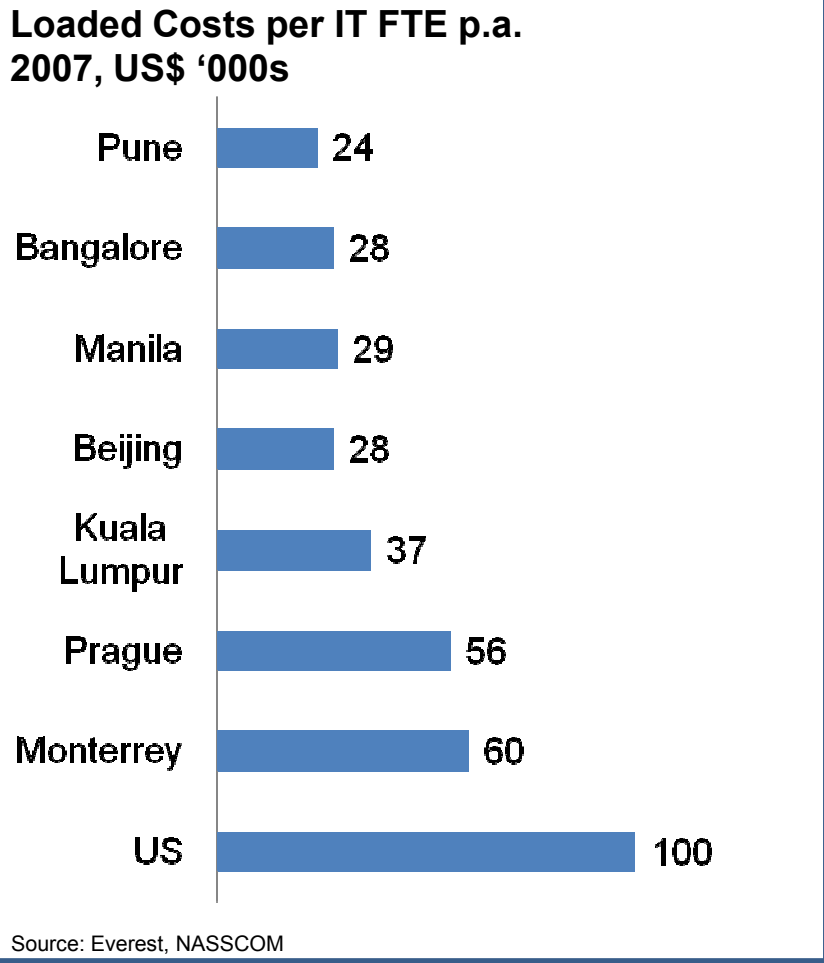
**India has large talent capacity. There is a need to make them employable.**

# Initiatives to improve Talent availability

	Objectives	Initiatives
<b>Short Term</b>	<ul style="list-style-type: none"> <li>• Enhance overall yield</li> <li>• Improve employability</li> <li>• Expand to tier 2 locations</li> <li>• Lower skill dependence</li> </ul>	<ul style="list-style-type: none"> <li>• Industry to enhance investments in training</li> <li>• Entry-level assessment for BPO and IT, finishing schools : Through NAC, NAC-Tech</li> <li>• New locations identified; govt's engaged</li> </ul>
<b>Medium Term</b>	<ul style="list-style-type: none"> <li>• Lower training investment</li> <li>• Enhance specialist and project management expertise</li> </ul>	<ul style="list-style-type: none"> <li>• Faculty Development Program: to increase the suitability of teachers</li> <li>• Facilitating industry access to specialist programs offered by independent agencies</li> </ul>
<b>Long Term</b>	<ul style="list-style-type: none"> <li>• Add education capacity</li> <li>• Promote education reform</li> </ul>	<ul style="list-style-type: none"> <li>• Expansion of higher-education infrastructure: government to set-up 20 new IITs</li> <li>• Program to increase PhDs in technology</li> <li>• NASSCOM VC fund focused on technology innovation</li> </ul>

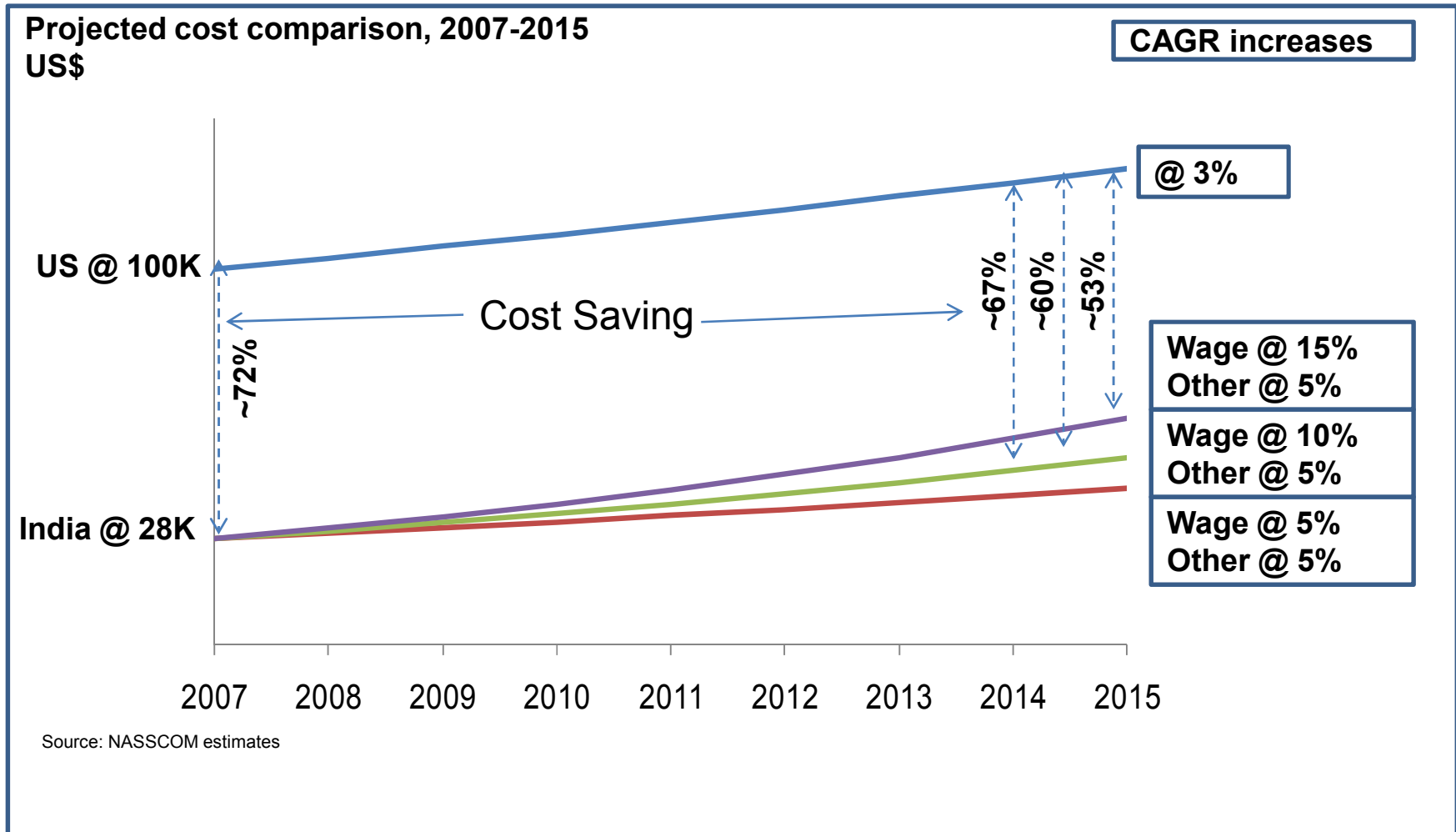
Recognizing this imperative, the industry is proactively working on several initiatives to strengthen India's long-term cost advantage

# Cost Competitiveness



**Despite cost increases, India continues to leverage its cost structure to deliver a compelling cost advantage**

# Cost competitiveness



**Additionally, India's long-term cost advantage is likely to remain robust**

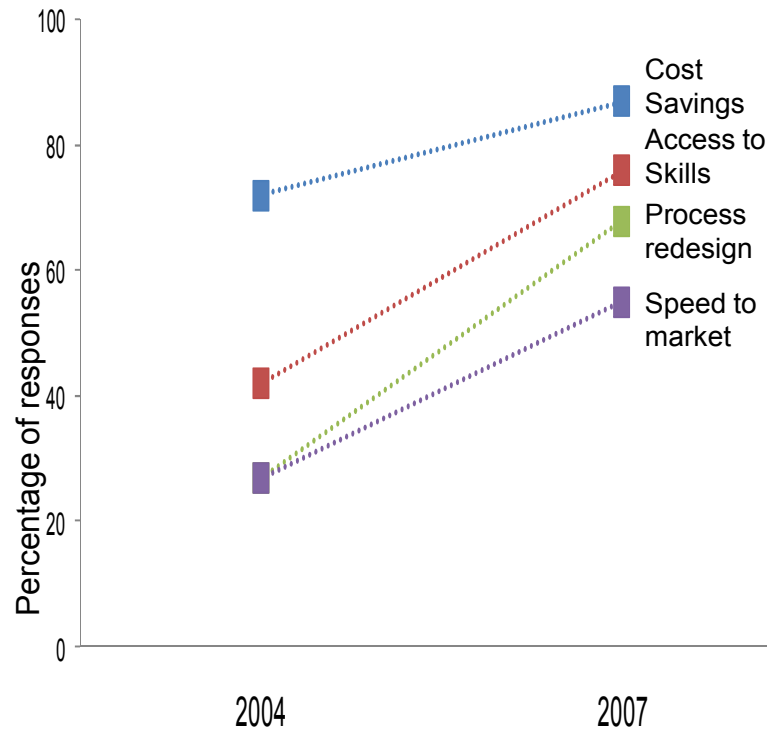
# Information Security & Risk Management

	Objectives	Initiatives/Impact
<b>Standards</b>	<ul style="list-style-type: none"> <li>• Compliance with global standards e.g., ISO 27001, CoBIT</li> <li>• Contractual safeguards, robust BCP/DR planning</li> </ul>	<ul style="list-style-type: none"> <li>• Maximum ISO 27001 certifications obtained globally</li> <li>• Data Security Council formed</li> </ul>
<b>Network security</b>	<ul style="list-style-type: none"> <li>• Secure design, documentation &amp; implementation of network e.g., firewall, antivirus encryption</li> </ul>	<ul style="list-style-type: none"> <li>• Documented security policies covering use of information, mobile computing, user access</li> </ul>
<b>Physical security</b>	<ul style="list-style-type: none"> <li>• Isolation of sensitive areas</li> <li>• Access control systems e.g., CCTV surveillance, security guards</li> </ul>	<ul style="list-style-type: none"> <li>• Robust and uniform best practices</li> </ul>
<b>Personnel security</b>	<ul style="list-style-type: none"> <li>• Background checks</li> <li>• Non-disclosure agreements</li> </ul>	<ul style="list-style-type: none"> <li>• National Skills registry (NSR) to facilitate personnel background checks</li> <li>• Cyber security training and awareness</li> </ul>
<b>Laws</b>	<ul style="list-style-type: none"> <li>• Compliance with international laws</li> <li>• Strengthening of Indian legal system</li> </ul>	<ul style="list-style-type: none"> <li>• Amendments to strengthen the IT Act 2000 and Indian Penal Code being enacted</li> </ul>

**In addition, the industry continues to evolve its already high standards for data security and IP protection.**

# Value-add

## Key benefits driving companies to offshore



Source: Duke Offshoring Research Network (ORN)

## Key value-add initiatives

### Global delivery model

- Expansion of delivery network to include nearshore and onshore centres
- Provision of 24x7 services

### Process maturity

- End-to-end process delivery capabilities
- Active service-level improvement
- Process reengineering expertise

### Innovation

- Service innovation e.g., customization for new markets
- Active IP creation – increased filing of patents

**The Indian IT-BPO industry is actively building on its leadership position to deliver beyond cost benefits to global buyers**

## **In Conclusion**

- **Demand for IT/BPO services will remain strong driven by evolving business models; reducing product / service life cycles**
- **Demographic shifts & war for talent will drive innovation & increased globalization of services**
- **India's talent pool strong; needs focused attention & yield improvement; improve employability**
- **India's value proposition strong and sustainable. In spite of inflationary pressures, cost advantage to continue**
- **Global focus on information security & privacy driving more robust processes**
- **New models of partnership will emerge**



# **Background Checks**

## **National Skills Registry**

# What is a background check?

- **Simplistically it is “the process of looking up official and commercial records about a person”**
- **Originally it was done when a position of trust had to be filled e.g., law enforcement, access to classified information, BFSI, airports etc**
- **Initially done by Police but now available from professional (and not so professional) background checking companies**
- **With increasing levels of outsourcing, employees were viewed as a significant weak link and hence the need to verify antecedents of prospective employees**

# Background checks in India

- No law addressing privacy or employee rights
- IT Act covers privacy indirectly but must relate to a loss taking place
- Initially driven by statutory requirement viz., passport issue
- Subsequently, in its current avtaar driven by requirements from overseas clients as a part of their global approach to recruitment
- Currently, being institutionalised under the National Skills Registry a NASSCOM initiative under The Trusted Sourcing Framework

# Current Business Scenario

- **Rapid growth and pressure of time to deliver**
- **Imperative to hire large numbers to meet revenue targets**
- **Temptations to cut corners**
- **Need to ensure ALL employees hired are qualified and honest**
- **Estimated cost of recruitment and initial training is about 6 to 8 months of employee wages**
- **Cases of CV fudging being detected – estimate ~ 30% of all CVs**
- **Possible financial implication of wrong hires**
- **Few cases of identity theft being reported e.g., exams, workplace**
- **Phishing is happening which could lead to –**
  - **Financial ID theft (using another's identity to obtain goods and services)**
  - **Criminal ID theft (posing as another when apprehended for a crime)**
  - **Business / commercial ID theft (using another's business name to obtain credit)**
  - **Identity cloning (using another's information to assume his identity in daily life)**

# Approach for NSR

## Some Drivers

- Need to instill confidence in client about employees
- High growth and attrition
- High costs of repeated background checks
- Opportunity for fudging experience or qualifications

## What NSR is

- Contains objective data for each registered employee
- All data elements are owned by the employee
- Bio metrics (photo + finger print) to create unique record
- Web based secured system
- Hosted by NSDL – the best in class

# What NSR is

- Industry led initiative
- Cost effective – reduces repetitive costs for background checks on previously checked employees
- Checks carried out once need not be repeated
- Checking by empanelled independent background checking companies on whom appropriate Due Diligence is carried out
- Facilitates in keeping undesirable elements at bay
- Reduces CV fudging – acts as a deterrent
- Gives **COMPLETE** rights to the employee to share or restrict access to his “record”

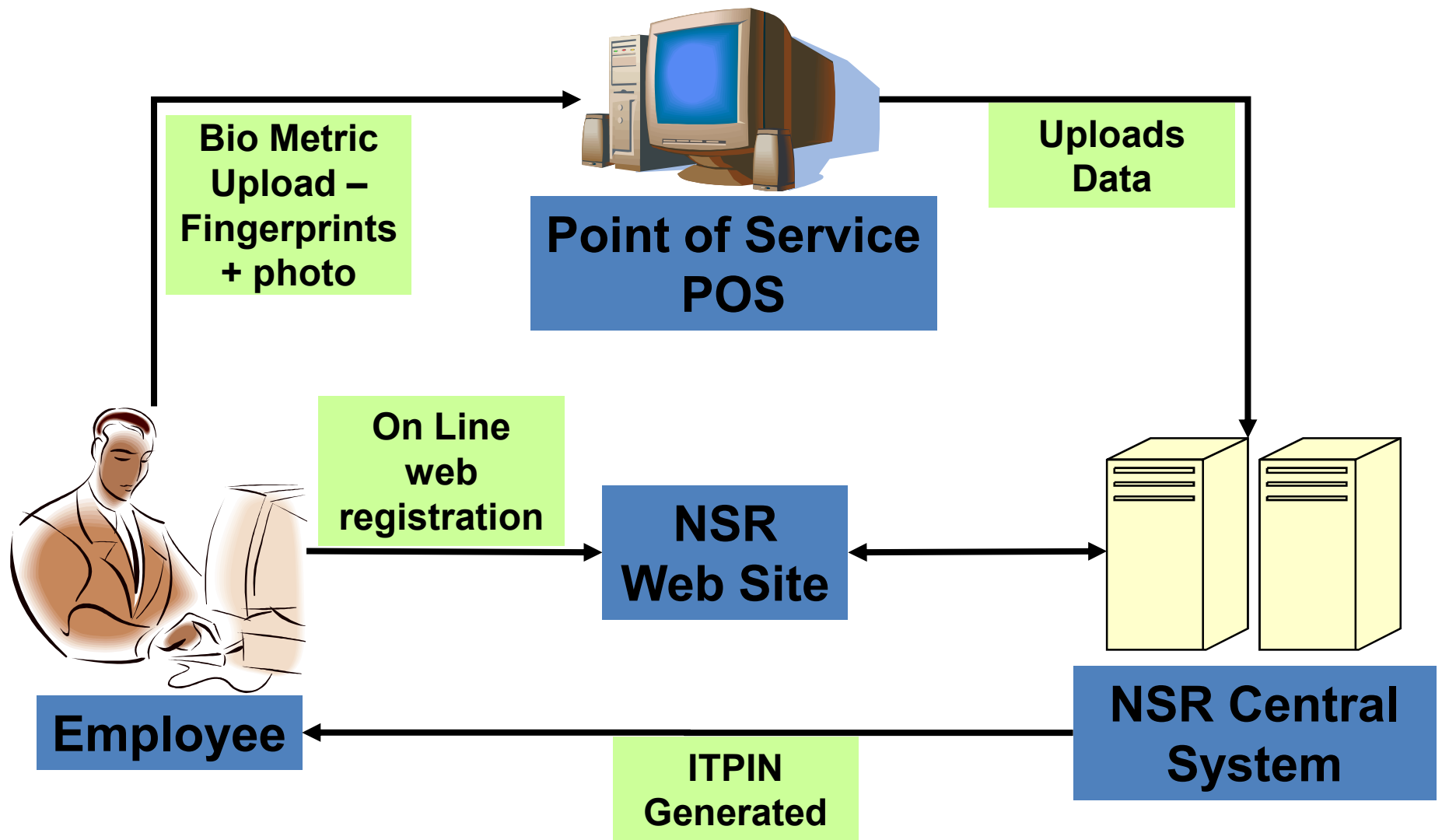
## What NSR is not

- It is **not** a job portal – where anyone can access clean profiles and cherry pick
- It is **not** a painful, bureaucratic, cumbersome process
- It does **not** contain subjective data or opinions
- It is **not** expensive

## Data elements captured on NSR

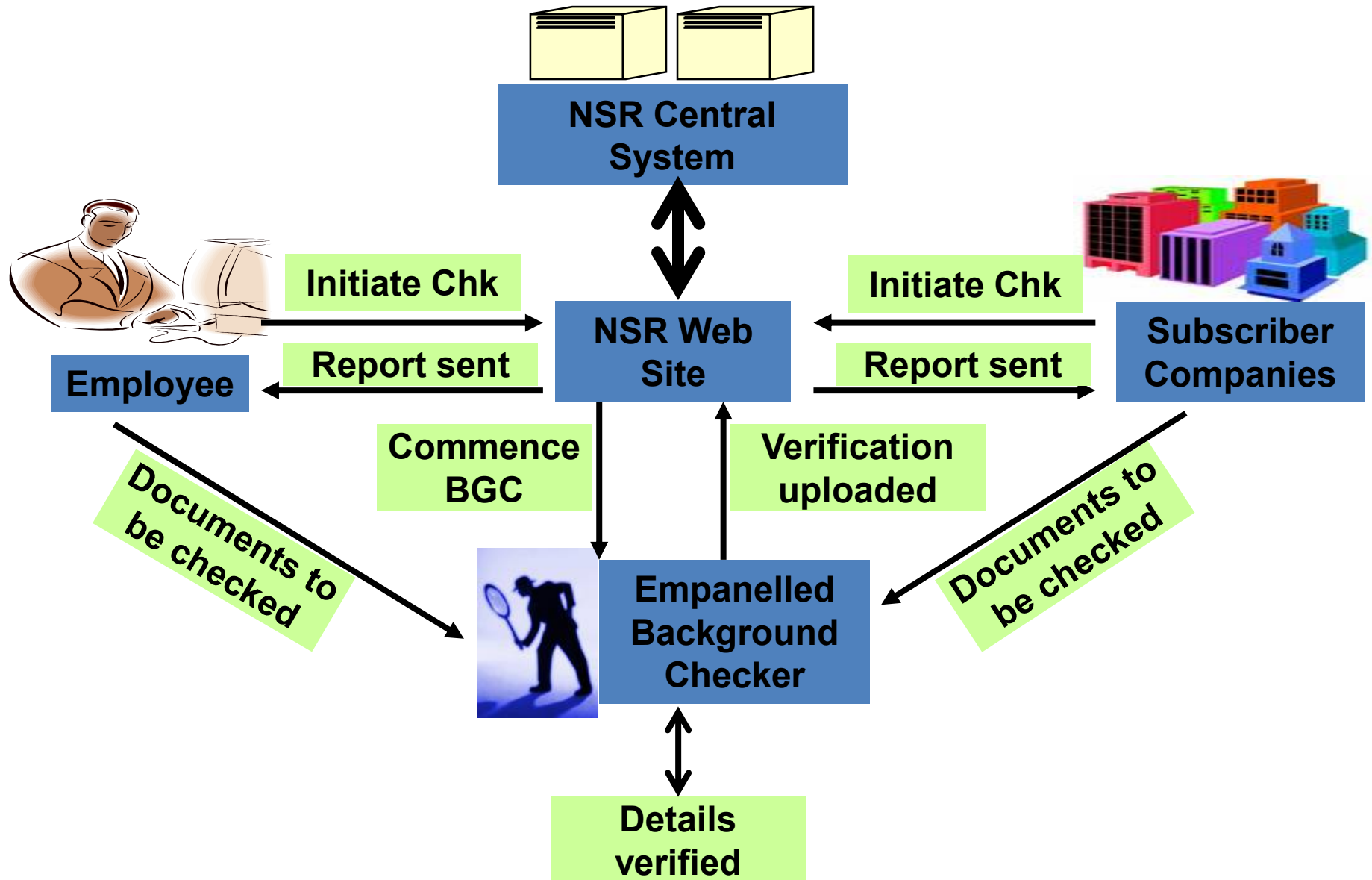
- Personal details – Name, Nationality, DoB, etc
- Address details – Present, Permanent etc
- Educational qualifications – School, College etc
- Employment history – From / To, Company, Role, etc
- Bio Metrics – Photo and Finger Print

# Flow chart for Registration





# Flow chart for Background Check



# Thank You