

## **FRAUD TOLERANCE IN BPO INDUSTRY IN INDIA VIA USA**

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### **ABSTRACT**

In an environment of rapid growth, globalization and expansion, the pressure to attract and retain outstanding employees has become a scary reality for most organizations. The new-age economies, with their attendant paradigm shifts in human capital management, have placed a heavy demand on today's organizations and Attrition is emerging as a key business concern for organizations. It is turning into a bigger issue than attracting talent. The annual attrition rate is 20-30 per cent (reduction in the number of employees through retirement, resignation or death) across industries in India. It is as high as 44 per cent in BFSI (banking, financial services and insurance) vertical and 35 per cent in BPO (business process outsourcing). Attracting and retaining key talent has become one of the key drivers of overall business performance in organizations and companies have been utilizing a diverse range of methods to draw in new hires and ensure they stay as Attrition is an expensive phenomenon, potentially impacting the bottom line of businesses. The cost of attrition is not just the loss of that employee but it includes an array of hidden costs such as recruitment costs, selection costs, training costs, cost of covering during the period and opportunity costs. The organizational costs associated with the turnover in terms of hiring, training and productivity loss costs can add up to more than five percent of an organization's operating costs. As far as India is concerned, attrition is a serious trend, especially in today's knowledge-driven marketplace where people are the most important assets. While organizations cope with attrition by devising compelling retention strategies, it is imperative for organizations to predict attrition early in the recruitment process to curtail loss of time, cost and effort. Still, India is shining in the BPO landscape and is the most attractive destination.

It is the delegation of one or more of IT intensive business processes to an external provider, which in turn owns, manages, and administers the selected processes based on defined and measurable performance criteria.

BPO has its roots in the manufacturing industry, with manufacturers hiring other companies to handle specific processes, such as the parts of their supply chains unrelated to the core competencies required to make their endproducts.

Over time, organizations in other industries adopted the practice. Now, the use of BPO has expanded so much that organizations of all kinds -- for-profit businesses,

non-profits, and even government offices and agencies - contract with BPO service providers in the United States, throughout North America and across the world to perform numerous processes.

### **HOW BPO DOES WORK?**

Organizational executives arrive at the decision to outsource a business process through a variety of avenues. Startup companies, for example, often need to outsource back-office and front-office functions because they do not have the resources to build the staff and supporting functions to perform them in-house. On the other hand, an established company may opt to outsource a task that it had been performing all along after an analysis determined that an outsourced provider could do the job better and at a lower cost.

Management experts advise enterprise executives to identify functions that can be outsourced and then evaluate that function against the pros and cons of outsourcing to determine if shifting that task to an outsourced provider makes strategic sense for the organization.

If so, the organization then must go through the process of not only identifying the best vendor for the work, but also shifting the work itself from in-house to the external provider.

This requires a significant amount of change management, as the move to an outsourced provider generally impacts staff, established processes and existing workflows.

The shift also impacts the organization's finances -- not only in terms of shifting costs from the internal function to the outsourced providers, but often also in terms of taxes and reporting requirements.

The organization may also have to invest in a technology solution to enable the smooth flow of work from the organization itself to the outsource provider, with the extent and cost of that technology solution dependent on the scope of the function being outsourced and the maturity of the technology infrastructure in place at both enterprises. **CLASSIFICATION OF BPO:**

BPO can be classified as:

a) **VOICE and NON-VOICEBPO:**

Voice outsourcing is also termed as front office outsourcing. Front office outsourcing services have to do with interactions directly with customers, usually over the telephone but can also include email, internet, fax, and other forms of interactive communications with customers. Organization can concentrate on high valued core business activities by outsourcing its non-core front office operations.

Voice activities being outsourced include:

1. **Inbound sales:**

Inbound sales refers to the process where your customer calls your business as a result of stimulus such as a marketing promotion, a referral from someone, a direct mail campaign, a media advertisement, a contact number on your company's web page, or any type of marketing and sales activity where the logical next step in the sales process for the customer is to place a call to the business. For an inbound sales process, the call center agent works through the sales process to conclude with a sale for your company. Results include making a commitment to purchase or placing an actual order for a product or service. This could represent anything from a vacation package to a floral arrangement to a subscription to almost any type of purchase that can be done over the phone.

2. **Outboundsales:**

Outbound sales refer to the proactive selling of products and services using the telephone. In inbound selling your customer calls you but in the outbound sales you call your customer for affecting a sales activity. This includes contracting the customers who have already demonstrated interest by signing up or by contacting your company by mail, email, web, phone, or in-store activity.

3. **Telemarketing:**

Conducting business has changed, it's no longer possible to personally visit all your clients and customers, in fact with the popularity of the internet, many clients may not even reside in the same city or even country. Establishing and creating a telemarketing service allows you to keep track of customers as they close, merge and relocate. Keeping in regular contact with your clients means being able to record their movements while maintaining a marketing and ongoing customerrelationship.

4. **Customerservice:**

Customer service covers a wide range of service providing assistance, support, information and answer to

your customer to a variety of questions and enquiries. Although generally customer service is done using inbound calls, it can also be used with outbound calls. Examples of outbound customer service include follow-up on orders, confirmation of receipt of a product or service, quality survey with your customers, and more.

5. **Orderprocessing:**

Order processing is the process or work-flow associated with the picking, packing and delivery of the packed items to a shipping carrier and is a key element of order fulfillment. Order processing operationsor facilities are commonly called distribution centers or DC's. There are wide variances in the level of automation associating to the "pick-pack-and-ship" process, ranging from completely manual and paper-driven to highly automated and completely mechanized; computer systems overseeing this process are generally referred to warehouse management system orWMS.

6. **Technicalsupport:**

Technical support (often shortened to tech support) refers to services that entities provide to users of technology products or services. In general, technical support provide help regarding specific problems with a product or service, rather than providing training, provision or customization of product, or other support services.

7. **Appointmentsetting:**

Appointment setting is a crucial task wherein a company offers a first impression to a prospect through any means of communication in line with the goal of getting these prospects interested in meeting a salesperson, which will eventually turn into a valid deal and along the way, growth.

8. **Debtcollection:**

Debt collection is the process of pursuing payments of debts owed by individuals or businesses. An organization that specializes in debt collection is known as a collection agency or debt collector. Most collection agencies operate as agents of creditors and collect debts for a fee or percentage of the total amount owed.

9. **Help disk:**

A help desk is a resource intended to provide the customer or end user with information and support related to a company's or institution's products and services. The purpose of a help desk is usually to troubleshoot problems or provide guidance about products such as computers, electronic equipment, food, apparel, or software. Corporations usually provide help desk support to their customers through various channels such as toll-free numbers, websites, instant

messaging, or email. There are also in-house help desks designed to provide assistance to employees.

#### 10. Market research and quality survey:

Market research is an organized effort to gather information about target markets or customers. It is a very important component of business strategy. The term is commonly interchanged with marketing research; however, expert practitioners may wish to draw a distinction, in that marketing research is concerned specifically about marketing processes, while market research is concerned specifically with markets.

**Non-voice outsourcing** is a process that does not require to receive or make a phone call to the customers. This process requires the skill for writing or typing and the ability to understand the type of query for making the right processing. This is a very important process for handling customer issues through emails and chat support.

#### 1. Accounting:

Accounting services include either portion or the full range of managing the accounts payable and accounts receivable processes. It also includes managing the general ledger, bank reconciliation accounts etc.

#### 2. Data entry:

Data entry services help in getting large amounts of information added into databases or specific applications, cost effectively.

#### 3. Database Management:

Every business has customer and contact databases to manage and keep up to date. Database management service allows keeping database clean and up to date through a program of contacting our customers to ensure you have the latest information.

#### 4. Claim processing:

Typically associated with the insurance industry, claims processing actually covers any process that starts with a customer enquiry that requires investigation, analysis, assessment, decision, and follow-up with a formal response.

#### 5. Transcription:

Transcription is the process of converting the audio or visual information into electronic document form. Medical transcription was one of the first offshore BPO services to be launched from India. This service involves the transcribing of medical records from audio format or dictated by doctors or other healthcare into

either a hard copy or electronic format.

#### 6. Human resource:

Human resources are the manpower employed by the firm. It is the valuable asset of the company. More and more businesses are outsourcing their human resource business function or parts of that function to experts who do this service full-time. This ranges from hiring processes to management of employee benefits process to payroll. Businesses that find a high-quality service provider outsource their HR activities and can increase their employee satisfaction vis-à-vis reduce expenses.

#### b) HORIZONTAL AND VERTICALLY BPO

**Horizontal BPO:** Horizontal BPO includes function-centric outsourcing. The seller focuses on carrying out specific functions through different industry areas. Examples of horizontal BPO are outsourcing in obtaining, payroll processing, HR, amenities organization and similar functions. Automatic Data Processing (ADP) is an example of a horizontal BPO vendor. ADP focuses on providing services in horizontal functions such as payroll, HR, benefit administration, tax solutions, business areas. Healthcare, financial services, manufacturing and retail are examples of vertical BPO domains. EXL Service Holdings is a vertical BPO industry has intensive on areas such as health, business services, utilities and energy and manufacturing.

#### PROCESS OF BPO:

The steps involved in the process of BPO are explained in the following steps:

##### Step 1: Define your requirements

It's important to have a clear understanding of what processes, exactly, you'll be outsourcing. Without the specifications, you'll have trouble finding a partner perfect for the job. Make it as specific as possible, to ensure that the partner company understands what, exactly, the job entails.

##### Step 2: Draft a request for proposal (RFP) and start looking for partners

According to your company requirements, develop an RFP that includes all the details about the project. Then, start sending it out to potential partner companies.

**Step 3: Evaluate proposals & select the partner**

Go through all the proposals and find the one that's the best for you. Don't just go for the lowest-cost partner, though. Chances are, the lowest bidder isn't the best in terms of service offerings. A sub-par partner might lead to even more expenses since if they don't work out, you'll end up spending even more on switching partners.

**Step 4: Draft & negotiate the contract**

Establish all the minor details about the project – how will you communicate with the company, in what time periods? What is expected of them, for what cost? Costs and details for ending the contract prematurely? How do you negotiate disagreements?

**Step 5: Set the project in motion**

Once you've got all the details figured out, it's time to kick off the project. By now, you should already have an action plan established on your end.

Monitor your partner company performance – Starting the project is only the first step. You'll have to monitor the company's performance, ensuring that it doesn't degrade in quality over time .BUSINESS PROCESS OUTSOURCINGBENEFITS:

There are a lot of benefits for business process outsourcing, given that you manage to find the right partner company.

**a) LoweredCosts:**

The most popular and talked-about benefit for outsourcing is the significantly lower expenses.

Depending on where you're sourcing, prices can be slightly lower (Think, San Francisco to Nashville), or significantly (development from San Francisco to India). Other than the lower salaries, there's the added benefit of getting a "tax break." While the government doesn't straight-off give you a tax break, you get the option to defer paying income tax on profits made abroad.

**b) Focus on Core Functions & Improved Support:**

If you're an up-and-coming software startup, you really can't be bothered with starting a huge customer support team from scratch. While doing it right is important, chances are, in-house isn't the best place for that. If your founding team has a technical background, they won't be as good in training a support team. So, by outsourcing to a company that specializes in support, you end up with better processes at the same price.

This, in turn, allows your team to focus on what's important for the company – the core processes that make the company stand out.

**c) Global Expansion:**

If you decide to enter the French market, for example, you'd be having a very difficult time getting started. First of all, you can't just import your American sales team because of the language barrier. So, you'd have to send someone from company management to start a regional department. This, in turn, leads to some other issues – even if the company official is fluent in the language, they're unlikely to know how the market in that specific country works.

So, instead, it's easier to find a local partner company with a native workforce. They're already aware of how the market works, as well as having the knowledge of the language and culture on their side. And, of course, you can manage the 3rd party company as much asneeded.

## LITERATURE REVIEW

**Evolution of BPO in India:**

Outsourcing as a concept is probably one the oldest and most commonly practiced. As a concept and practice it pervades all aspects of our lives-domestic as well as professional. The idea of outsourcing has its roots in the 'competitive advantage' theory propagated by Adam Smith in books 'THE WEALTH OF NATIONS' which was published in the year 1776. Over the years, the meaning of the term outsourcing has undergone achange.

Evolution of BPO in India can further be explain under two heads:

1. HISTORY OF BPO ININDIA
2. VALUE CHAIN OF BPO ININDIA

**1. HISTORY OF BPO ININDIA**

In India BPO started with British airways setting their back-office operations in Delhi in early 1980's. Starting with captive unit India BPO moves to the third party BPO's. Thereafter the entry of IT-major brightens the Indian BPO industry in global BPO landscape.

A liberalized telecom policy unveiled by the Government of India in the late 90s, ushered in a new era of economic growth and the birth of the Business Process Outsourcing (BPO) industry in India. This new forward-looking policy paved the way for the entry of



private telecommunication service providers in the country that led to the introduction of Internet Protocol (IP) telephony and drastically lowered the costs of international voice calls. This in turn, made it cost-effective and viable for a call center agent sitting in a remote corner of the world to provide voice-based support services to a customer from any part of the world.

The possibility of servicing customers in US and Europe by call center agents sitting in India at a fraction of the labor and infrastructure costs made an interesting business proposition to entrepreneurs. Sensing a good business opportunity, several business process outsourcing firms were founded during these initial years by enterprising professionals. In the initial years, Indian BPOs primarily provided voice-based call center services and non-voice processes like data entry to clients in developed markets in like the US and UK.

Buoyed by the success of the initial years, India became the center-stage of global back-office outsourced operations. India offered all the right ingredients for a successful BPO operation – good telecom infrastructure, a qualified, young and readily available English speaking workforce and cheap labor costs compared to developed nations. The success of the Indian BPO industry led many global corporations to either outsource their back-office and business support functions to a third-party BPO service provider in India or open their own captive centers to support their global operations.

Like all successful businesses, the BPO industry in India also received its own share of criticism, both within and outside the country. It was labeled by many as “sweat shop” operations, wherein cheap young undergraduates/graduates students managed customer relationship functions for global corporations or cheap software engineers, writing generic code sitting in a remote office in India at one-tenth the cost of a European or American counterpart. But the positives outweighed the negatives in large proportions and could not affect the rapid growth of the industry in successive years.

#### **An Insight into the BPO Industry**

Middle years – From cost arbitrage to value differentiation

The success achieved by BPO service providers in the initial years, prompted several new players to enter the fray. This led to an increased competition amongst existing and new players to gain market share. It resulted in a fierce price competition amongst these firms and shrank their profit margins considerably.

The service providers realized soon enough that to remain competitive, they had to focus on developing value added offerings to create a differentiation for themselves in the market.

### **BPO FRAUDS IN INDIA RECENTLY**

In early October 2016, over 600 fake call center employees in India were apprehended under suspicion of performing fake or scam calls to US taxpayers while impersonating Internal Revenue Service (IRS) employees. Authorities had been conducting checks on scammers after receiving complaints from US citizens about fraudulent activities.

Companies being investigated for malpractice are Iserve BPO Pvt Ltd, LorexImpex Pvt Ltd, MAC Outsourcing Services, Tech Solutions, and Call-Tech Solutions. Additionally, the US Attorney for the Southern District of Texas accused 56 persons performing wire fraud through a scam involving five other call centers: HGlobal, Call Mantra, Worldwide Solutions, Sharma Business Process Outsourcing Services, and Zorion Communications, embroiled in types of telefraud and money laundering through a network of scammers in the United States. All these companies carried out illegal activities from India.

#### **Types of Frauds**

##### **IRSScams:**

Call centre's impersonated US Internal Revenue Service officers, where a call center agent (using an American accent, name, and batch number) calls a target via voice over IP (VoIP), stating that they allegedly owed \$4,000, \$5,000, or \$10,000 in unpaid taxes, which could lead to consequences like losing their house, job, or face prison term. Once a fine was negotiated, the agent asked them to pay using international cards, iTunes gift cards, or through wire services such as MoneyGram, while others asked for bank account details. According to the US Treasury Inspector General for Tax Administration, at least 328 victims have paid US\$1.4 M of iTunes gift cards to the scammers.

##### **Payday LoanScams:**

India-based call centers conned US citizens by misleading them into considering that the callers were loan officers and that US citizens were entitled to a fabricated “payday loan.” They would then collect an upfront “worthiness fee” to prove their ability to reimburse the loan.

##### **Carrying out Fraudulent Operations**

The scammers were able to get their targets' personal

data from groups that sell them illicitly in bulk. In the US, the primary participants were Domestic Managers, Runners, and Payment Processors. Domestic Managers guided the activities of Runners and supplied them with resources, including vehicles and credit cards to be used to pay business expenses. Runners acquired provisional "GPR cards" (General Purpose Reloadable) and then sent the information about these cards to the scammers who were working in call centers in India. When they reached the "disbursement" portion of the scam, the funds would be transferred from the victim to the Runner's GPR card. Runners would then recover the funds and send it via Western Union or MoneyGram using fabricated identification documents.

### **Affected Victims**

At least 15,000 victims have confirmed losing money and 50,000 targets have reported the theft of their identities by these scammers. The most vulnerable victims are reportedly recent immigrants to the US and the elderly, who quickly obey any order of authority, even when it seems suspicious.

### **IT-BPO Industry versus Scamming Call Centers**

Companies which were involved in the scam had not disclosed any statutory documents such as annual financial reports, profit and loss statements, and board resolutions of the firms since their incorporation in 2012. It should be noted that these centers, though termed as call centers, are not involved in providing any sourcing services, but are rather similar to the internet companies that con people. This is not the first time that companies in India have been accused of perpetrating the telephone impersonation scam. US law enforcement agencies first uncovered such a scam in October 2013 and exposed various fake entities in December 2013. India's trade association National Association of Software and Services Companies (NASSCOM) stated that it is proactively creating steps and recommendations with industry members and the government to deal with these illegal activities. It is also coming up with specifications with the US Federal Trade Commission by conducting training sessions to better tackle the situation in order to ensure long-term health of the industry.

With rise in such frauds in the country, it is wise to be cautious. Proper due diligence must be conducted before partnering with call centers or choosing new suppliers. Care should be taken to validate the credibility of the centers and it is advisable to bring in outside experts such as external accountants or public relations firms when selecting important partners. It is best to visit the location, meet the shortlisted suppliers in person, and then take the final decision, especially if the company is very small or is not publicly known. Monetary transactions should be dealt with utmost vigilance. Business leaders could enquire with their suppliers as to how they are managing an atmosphere of increased

suspicion among customers. Additionally, it is essential to make sure that the vendor is not outsourcing parts of the work further to a third-party.

As many as 15 people, including Indian-origin, and five India-based businesses were indicted on Friday in the multimillion-dollar call Centre scam which defrauded thousands of US citizens of hundreds of millions of dollars.

### **Conclusion**

Business Process Outsourcing industry is growing rapidly since its inception. Indian BPO's are going through exciting times. Starting with captive units and low-end activities BPO's are now moving to high-end activities. Indian BPO's are operation in both front-office and back-office operations. BPO industry in India is growing at the rate of 28% and is expected to reach around USD14.8 billion in 2009. Exports are accounting major proportion, which are in journey to touch USD 12.8 bn by the end of 2009. These are growing at the fluctuating rate of around 20%-30% a year. Domestic BPO market is also in growing and has accounted USD 16.5 bn in 2008. In spite of this BPO's are helping in the development of economy by decreasing the evil of unemployment. Since the evaluation of BPO it is servicing the country by providing the employment to talented and able youth of the country. Up till 2009 it has generated around 730,000 employment in the country. Shift in BPO services has also been experienced with moving from low-end BFSI (Banking, Financial Services and Insurance) and Hi-Tech sector. But the economic downturn has impacted the growth of BPO industry. Still it occupied 60% bn by the end of 2012. And USD 225 bn by the end of 2020. Various trends have been experienced in BPO.

The BPO industry is drawing significant attention and India, by virtue of its dominance in this sector is at the Centre of this attention. The shift of the Indian economy towards more service orientation suggests that in the long term, India will continue to be a major player in the global BPO industry.

Despite the growth that this industry is witnessing, there are certain areas that required greater attention going forward from service providers to ensure that the industry remains firmly on the growth path. This survey was conducted with the objective of analyzing some of the key trends that will drive the future direction of the industry.

Have endeavored to highlight some of the key risks that the industry faces and will face as the industry evolves. We have also discussed the corresponding risk-mitigants that service providers and companies are focusing on, to manage the risks. We hope that this survey provides service provider with a deeper understanding of the industry they operate in and acts as an important input to potential customers considering outsourcing their processes to India

### **Suggestions & Limitations**

The working capital management is very important for maintaining financial position of any firm which further signifies the success of the firm in all dimensions. It can be apprehended from the study that, especially in the context of firm it plays a significant role for managing the profitability of the firm. It is important for the firm to preserve an adequate level of working capital because inadequate level of working capital impairs profitability. Profitability of the business may be dependent on many factors together with the working capital management of a concern. Therefore, the present study endeavors to examine the relationship between the determinants of working capital and profitability.

- a) Inventory conversion period should be reduce by the management in the future years. Past 3 years inventory conversion period was not satisfactory because it pullback the profitability of the firm. The management should focus on raw material and work in progress to reduce the inventory conversion period. A detailed analysis should be taken before advance purchase and stocking of raw material. A comparative study should be taken to know whether advance purchase and stocking is profitable than reducing raw material conversion period. Also work-in-progress period should be reduce to increase the profit of the firm.
- b) Accounts payable period is positively related to the profitability of the organization even though a very weak positive impact is making on profitability. Therefore the management should maintain to increase trust worthiness among the creditors. So the payable period of the firm can be increased. For the purpose of credibility among the creditors the firm should focus to increase the current ratio and quick ratio of the firm.
- c) Cash Conversion Cycle of the firm is in negative. It shows the efficiency of the finance department who maintain a negative cash conversion cycle. But to make an impact on profitability the cash conversion cycle should be keep on decreasing. The inventory period should be less and accounts payable period should be high. Through that in the future years the organization can maintain a negative cash conversion cycle.

### **LIMITATION**

The report faced some problems during its preparation, which has limited the purpose of the report. The limitations are:

- a) To maintain the confidentiality of the information data availability is a big issue.
- b) It is very much difficult to set true practical experience with current world circumstances in this short span of time.
- c) The analysis is purely mathematical in nature.
- d) The study is purely based on the data in the form of annual reports

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