

Business Process Outsourcing in Indian Banks.

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ABSTRACT

The service providers who specialize in these services have developed efficiencies and learned how to offer high quality and competitive pricing.

Traditionally, Banks have outsourced for tactical reasons-reduce costs, free up cash, obtain resources not available internally, and improve their performance. Outsourcing some functions can shift costs from fixed to variable, thus enhancing a company's ability to manage costs more effectively. If a Bank is moving into a new arena, outsourcing enables it to add new functions with minimal impact on internal resources. It is difficult to quarrel with cost savings, and the Banks that approach outsourcing with careful planning save money.

Outsourcing is one such abstracted term that has, over time, amassed considerable positive momentum as well as negative baggage. Outsourcing has been around since the time of the hunters and gatherers. Those who were strong hunters hunted and those who were strong gatherers gathered. Simply put, the primitive society perhaps subconsciously recognized the importance of specialization and outsourced certain functions to those who excelled at them or, in economic terms, performed them more efficiently.

Keywords: BPO, Capital, Cost structure

INTRODUCTION

Outsourcing is increasingly being used as a means of both reducing costs and achieving strategic goals. Globally, regulators concern is how banks manage risks associated with a third party offering certain key services. Outsourcing risk is manifested in loss of control on some key functions and likelihood of opportunistic expropriation by vendor. While IT outsourcing has profound benefits, it equally expose firms to serious risks. Summarise severity of outsourcing risks as follows: "the mere occurrence of one incident, such as an IT shutdown, can exponentially increase the enterprise's risks". Outsourcing poses multitudes of risks to a numbers of firm's functions such as finance, human capital, IT and operations. In India, there is significant rise in outsourcing activities in the banking sector.

Keywords: business processes outsourcing, efficiency gain targets, BPO challenges, BPO strategies.

Scope of the study

The research work is an attempt to evaluate the the role of outsourcing in improving banking sector efficiency and challenges behind and suggest better strategies in Indian Banking sector and corporations. The scope of the study is not confined to the BPO in private Banks only, but also to the corporate sector at large. Identification of BPO strategies adopted and challenges, hurdles would help for improving efficiency in Indian Banking BPO. The results derived from this study could be used for planning and meeting challenges being faced by Banking sector.

The main objectives of the study

1. Analyze the role of outsourcing in improving banking sector efficiency and challenges behind.
2. Critically analyze the strategies and polices followed by banks in BPO

The hypotheses

1. H0: "There is no significant difference among BPO age groups regarding efficiency gain target of BPOs in Banks"

2. H0: There is no significant difference among different BPO age groups regarding the extent which BPO helped Banks in meeting constantly changing customer demand.

3.H0: "There is a significant difference between BPO age groups regarding extent to which BPO contributed in increasing the revenue of Banks".

Table 1
Increasing competition from other Nations

BPO Age	N	Mean	SD	F	Df	Result
<= 5 yrs	51	3.84	1.05			
6-10yrs	59	3.27	1.14	3.98	2, 120	*
>10yrs	13	3.69	0.85			

Table 1 Shows increase in competition in BPO's from other nations. To test whether there was a significant difference in BPO age groups regarding increased competition from other nations; ANOVA (F) test was applied. The test result showed a significant difference as the calculated F-Value was more than the critical value of F (F=3.98>3.07) with 2 and 120 degrees of freedom at 5% level of significance.

It can be observed from the above table that BPOs which are new and BPOs which are older are facing more competition from other nations as compared to BPOs which are in the middle age. The reason could be, that BPOs which are new in the market, are feeling that they are facing more competition because they have to establish themselves in the market. And BPOs which are older are facing more competition because they have to remain in the market. And BPOs which are in the middle age are facing less competition from other countries because they have already established themselves in the market.

Table 2
Increasing work involving non-English Languages

BPO Age	N	Mean	SD	F	Df	Result
<= 5 yrs	51	3.37	1.08			
6-10 yrs	59	2.86	0.99	4.01	2, 120	*
>10 yrs	13	3.38	0.65			

Table 2 table 1.2 shows those BPO age groups on increasing work involving non-English languages. To test whether there was a significance difference in BPO

age groups regarding increasing work involving non-English languages, F- test was applied. The test result showed a significant difference as the calculated value of F (4.01) was more than the critical value of F (3.07) at 5% level of significance.

Table 3
Decreasing cost advantage

BPO Age	N	Mean	SD	F	Df	Result
<= 5 yrs	51	3.49	1.10			
6-10 yrs	59	2.92	1.18	3.59	2, 120	*
>10 yrs	13	3.31	1.03			

Table 3 shows BPO age groups on decreasing cost advantage to test whether significant difference existed between BPO age groups regarding decreasing cost advantage. F- Test was applied. The test result showed a significant difference as the calculated value of F-3.59 was more than the critical value of F-3.07 with 2 and 120 degree of freedom at 5%level of significance.

Table 4
Concern of data security and data privacy

BPO Age	N	Mean	SD	F	Df	Result
<= 5 yrs	51	3.25	1.20			
6-10 yrs	59	2.68	1.15	3.51	2, 120	*
>10 yrs	13	3.15	1.14			

Table 4 Shows BPO age group on Concern of data security and data privacy. To test whether a significant difference existed between different BPO age groups regarding Concern of data security and data privacy. F- test was applied and the test result showed a significant difference as the calculated value of F (3.51) was higher than the critical value of F (3.07) with 2 and 120 degrees of freedom, at 5% level of significance.

Table 5
Overall

BPO Age	N	Mean	SD	F	Df	Result
<= 5 yrs	51	3.40	0.80			
6-10 yrs	59	2.91	0.90	4.91	2, 120	**
>10 yrs	13	3.35	0.87			

Table 5 Table 1.5 Shows the BPO age groups on overall challenges faced by BPOs in banking sector. To test whether there was a significant difference in BPOs age

groups on overall challenges faced by BPOs F-test was applied. The test results revealed the significant difference as the calculated value of F (4.91) was more than the critical value of F (4.79) with 2 and 120 degrees of freedom at, 1 percent (1%) level of significance.

Table 6
Table 1.6 Attracting Human resource

Implemented	<= 5 yrs		6-10 yrs		>10 yrs		Total		Chi Sqr		
	N	%	N	%	N	%	N	%	Chi Sqr	Df	Result
No	13	25.49	29	50.88	5	38.46	47	38.84			
Yes	38	74.51	28	49.12	8	61.54	74	61.16	7.304	2	*
Total	51	100.00	57	100.00	13	100.00	121	100.00			

Table 6 shows Attracting Human resource strategy adopted by Banks in different BPO age groups. To test whether there was a significant difference between implementation of Attracting Human resource and different BPO age groups, Chi Square (χ^2) was applied. The test results revealed a significant difference as the calculated Chi Square (χ^2) value of χ^2 (5.991) with 2 degrees of freedom at 5 percent level of significance. Further it can be observed that BPOs which are less than 5 years and BPOs which are more than 10 years attracted Human Resource as compared to BPOs which are in the age of 6-10 years because they want to deliver organizational excellence and to become valuable business partners for the success and ability to grow fast.

Table 7
Extent to which BPO helped in obtaining outside expertise

BPO Age	N	Mean	SD	F	Df	Result
<= 5 yrs	49	3.33	1.21			
6-10 yrs	59	2.56	1.30	5.22	2, 118	**
>10 yrs	13	3.00	0.91			

Table 7 shows different BPO age groups regarding the extent which BPO helped in obtaining outside expertise. To test whether there is significant difference between BPO age groups regarding the extent which BPO helped in obtaining outside expertise, ANOVA (F-Test) was applied. The test result showed that significant difference as the calculated F-value (5.22) was more than the critical value of F (4.79) with 2 and 118 degree of freedom at 1% level of significance.

Table 8
Extent to which BPO contributed in increasing the revenue of Bank/Corporation

BPO Age	N	Mean	SD	F	Df	Result
<= 5 yrs	51	3.18	1.14			
6-10 yrs	59	2.56	1.26	3.88	2, 120	*
>10 yrs	13	3.08	1.04			

Table 8 shows the different BPO age groups regarding extent to which BPO contributed in increasing the revenue of Banks. When F-test was applied, significant difference was found as the calculated value of F (3.88) was more than the critical value of F (3.07) with 2 and 120 degrees of freedom at 5%level of significance. Hence it was inferred that there was no enough statistical evidence to reject the hypothesis which says "There is a significant difference between BPO age groups regarding the extent to which BPO contributed in increasing the revenue of Banks" therefore this hypothesis is accepted.

Table 9
Extent to which BPO helped bank/corporation in realizing strategic focus on central companies in your bank

BPO Age	N	Mean	SD	F	Df	Result
<= 5 yrs	51	3.29	1.15			
6-10 yrs	59	2.51	1.29	5.97	2, 120	**
>10 yrs	13	3.15	1.14			

Table 1.9 shows the different BPO age groups on extent to which BPO helped Banks in realizing strategic focus on central companies. When ANOVA (F-test) was applied, a significant difference was found as the calculated F -value (5.97) was more than the critical value (4.79) with 2 and 120 degrees of freedom at 1% level of significance.

Table 10
Extent to which BPO has contributed towards attaining best practices in your bank/Corporation

BPO Age	N	Mean	SD	F	Df	Result
<= 5 yrs	51	3.29	1.08			
6-10 yrs	59	2.56	1.21	5.83	2, 120	**
>10 yrs	13	2.92	0.86			

Table 10 above shows the different BPO age groups on extent to which BPO have contributed towards attaining

best practices in Banks. When ANOVA (F-test) was applied, a significant difference was found as the calculated F-value (5.83) was more than the table value of F (4.79) with 2 and 120 degrees of freedom at 1% level of significance.

Table 11
Extent to which BPO contributed in reduction of capital requirement

BPO Age	N	Mean	SD	F	Df	Result
<= 5 yrs	50	3.58	1.13			
6-10 yrs	59	2.98	1.15	4.59	2, 119	**
>10 yrs	13	3.62	0.65			

Table 11 above shows the conducted test of BPO age groups regarding extent to which BPOs contributed in reduction of capital requirement. ANOVA (F-test) was applied to check whether there was a significant difference between different age groups regarding extent to which BPOs contributed in reduction of capital requirement. Further, the test result shows a significant difference as the calculated value of F (4.59) was more than the critical value of F (3.07) with 2 and 119 degrees of freedom at 5% level of significance.

Table 12
Extent to which BPO has contributed in changing cost structure going from fixed cost to variable cost

BPO Age	N	Mean	SD	F	Df	Result
<= 5 yrs	50	3.50	1.02			
6-10 yrs	59	2.93	1.14	4.89	2, 119	**
>10 yrs	13	3.62	0.65			

Table 12 indicates the computed test of BPO age groups regarding extent to which BPOs have contributed in changing cost structure going from fixed cost to variable cost. When F-test was applied, a significant difference was found as the calculated value of F (4.89) was more than the table value (critical value) of F (3.07) with 2 and 119 degrees of freedom at 1% level of significance.

Table 13
Extent to which BPO has contributed in improving corporate financial ratios

BPO Age	N	Mean	SD	F	Df	Result
<= 5 yrs	49	3.22	1.03			
6-10 yrs	59	2.75	1.17	3.83	2, 118	*
>10 yrs	13	3.46	0.88			

Table 13 shows the conducted test of BPO age groups

regarding extent to which BPO has contributed in improving corporate financial ratios. ANOVA (F-test) was applied to check whether there was a significant difference between different BPO age groups regarding extent to which BPO have contributed in improving corporate financial ratios. Further the test reveals/ further the test observed that a significant difference as the calculated value of F-value (3.83) was more than the critical value of (F93.07) with 2 and 118 degrees of freedom at 5% level of significance.

Table 14
Efficiency gain targets

BPO Age	N	Mean	SD	F	Df	Result
<= 5 yrs	51	3.30	0.80			
6-10 yrs	59	2.75	0.98	6.32	2, 120	**
>10 yrs	13	3.34	0.64			

Hypothesis "There is no significant difference among BPO age groups regarding efficiency gain target of BPOs in Banks"

Table 14 indicates the computed test of BPO age groups regarding efficiency gain targets of BPO in Banks, ANOVA (F-test) was applied to check whether there was a significant difference between different age groups regarding efficiency gain targets of BPOs in Banks further the test result showed a significant difference as the calculated value of F (6.32) was more than the critical /table value of F (4.79) with 2 and 120 degrees of freedom at 1% level of significance.

It can be revealed that there was enough statistical evidence to reject the Null hypothesis. Hence the hypothesis "There is no significant difference among BPO age groups regarding efficiency gain targets of BPOs in Banks" is rejected.

Table 15
Extent to which BPO contributed in reduction of capital requirement

Category	N	Mean	SD	Z	Result
Public	82	3.085	1.146		
Private	75	3.573	1.093	-2.730	**

Table 15 shows the extent to which BPOs contributed in reduction of capital requirement .To find out whether a significant difference existed between public and private sector banks BPOs regarding the extent to which BPOs contributed in reducing capital requirements, Z -test was

applied. the test result showed a significant difference as the calculated value of Z (-2.730) was more than the critical value of Z (2.58) at 1% level of significance. Therefore, it can be said that, private sector banks BPOs feel that they have contributed more in reducing capital requirement as compared to public sector banks BPOs felt that their BPOs have contributed in reduction of capital requirement to a little extent.

Table 16
Extent to which BPO has contributed in changing cost structure going from fixed cost to variable cost

Category	N	Mean	SD	Z	Result
Public	82	3.012	1.117	-2.792	**
Private	75	3.467	0.920		

Table 16 shows the extent to which BPOs have contributed in changing cost structure going from fixed cost to variable cost. Significant difference was found between public and private sector banks BPOs regarding the extent to which BPOs have contributed in changing cost structure going from fixed cost to variable cost. (Z = -2.792, p < 0.01). At such it can be inferred that private sector bank BPOs feel that, they have contributed more in changing cost structure going from fixed cost to variable cost. While public sector banks BPOs, feel that they have contributed in changing cost structure going from fixed cost to variable cost to a little extent.

Findings of the study.

1. The computation of BPO age group regarding increase competition from other nations showed a significant difference. (F=3.98, P= < 0.05).
2. To test whether there was a significant difference in BPO age groups on overall challenges faced by BPOs F-test was applied. The test results revealed, the significant difference as the calculated value of F (4.91) was more than the critical value of F (4.79) with 2 and 120 degrees of freedom at, 1 per cent
120 degrees of freedom at 1% level of significance.

Suggestions

1. The older BPOs and new BPOs faced more competition from foreign countries this study therefore suggest that, BPOs can reduce the existing competition by filling the Shortage of skilled, hard-working and educated workers, curbing the issue of attrition rate, talent-crisis, reduce trend of job-switching in the sector
2. The older BPOs and new BPOs increasing work involving non-English languages. This study therefore suggests that, BPOs can increase work involving English language by increasing employment of English

speaking people in various segments more particularly in metros, small cities and towns.

CONCLUSIONS

The study found a significant difference regarding an increased competition of BPOs from other nations. It was therefore concluded that BPOs which were new and BPOs which were older were facing more competition from other nations as compared to BPOs which were in the middle age.

The study found a significant difference in increasing work involving non-English languages. it can be inferred that the BPOs which are less than 5 years and BPOs which are more than 10 years have dominated in increasing work involving non-English languages as compared to BPOs which are in the age of 6 to 10 years the reason being they have increased employment in various segments more particularly in metros, small cities and towns.

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