

# Rural BPOs Become The Next Tech Hub

## Country Roads

### WHY RURAL BPOS?

- ▶ The IT-BPO companies are moving towards rural areas due to factors like availability of untapped talent, affordable real estate, lower labour and operational costs
- ▶ The prime advantage of rural BPOs is that employee costs are half that of urban BPOs and the overall operating costs are 30 to 40% below urban BPOs

### THE FACTS

- ▶ Rural BPOs contribute more than \$10 million towards India's IT-BPO revenues
- ▶ The rural BPO employee base of 5000 (FY09) is expected to grow by more than 10 times in FY12
- ▶ The attrition rate at rural BPOs are between 3-5% compared to a high of 50% in urban BPOs



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Not being able to find work after studies is not the worst nightmare for India's rural youth: most of them have experienced it. But when 21-year-old Rajagopal finished his BCom in Anapatpur, Andhra Pradesh, he didn't give up hopes of finding a full-time job and go back to farming like his elder brothers. Without a fixed income, he wasn't going to be able to support his family or pay back his education loan.

That's when he contacted Rural Shores, a firm that had just set up a business process outsourcing (BPO) centre in Bagepalli district of Karnataka—two hours from his home in AP. After an interview and a basic English test, Rajagopal was asked to join work the next day. "It was unbelievable. I didn't know they were going to give me a job", says Rajagopal who now earns Rs 4,000 a month. "All of us were trained to speak English and work on computers. We sit here and sort out the payrolls of HDFC's employees. We don't need to go to Bangalore or Hyderabad for a job now."

Founded in 2008, Rural Shores Business Services is one of the largest providers of BPO services out of rural areas, offering jobs to 1,000 educated youth. Brainchild of former Ernst & Young partner VV Ranganathan, Mastek MD Sudhakar Ram, former MD of Xansa India Murali Vullaganti and CN Ram, president and group CIO of Essar Group, Rural Shores today serves over 20 clients including HDFC, Infosys, Wipro Technologies and Genpact. It aims to employ over 10,000 youth by 2014.

"There is a lot of energy here. After offshoring, we are now moving towards rural shoring. It offers great opportunity to the youth in rural areas, improves their skills and gives them a fixed salary", says Vullaganti, CEO of Rural Shores. "Attrition rate at rural BPO centres is a measly 3-5% compared to 50% at urban centres and operational expenses are 30 to 40% lower. This has encouraged many companies to shift to rural areas. The idea has become bigger than any of us ever imagined."

In three years of business, Rural Shores has set up 10 centres across 7 states with investments from HDFC and Lokpal Capital Venture Fund. The firm plans to break even in 12 months. India for long has been the favourite destination for offshore BPO centres over the past several years. For a

generation of young graduates in urban areas, the BPO sector had offered immense opportunities and stable pay.

Drawn to this promise, many firms are now seeking ways to set up BPO centres in rural areas. The clearest indicator is some of the top software exporters in the country entering this space. In August this year, Wipro BPO, the BPO arm of Wipro Technologies had launched its first rural BPO centre at Manjakkudi Village in Tamil Nadu. In October, Infosys BPO had signed an agreement with the Andhra Pradesh government for rural BPO centres in 22 districts.

In the recent past, independent rural BPO initiatives like Descom, GramIT, Next Wealth, FOSTeRA and Tata Business Support Services have also got their feet wet.

"Most youngsters you meet in an urban BPO would have migrated from a rural area in search of work. So, we thought, why not take the job to their villages and employ them there?", asks Manish Dugar, who heads BPO operations at Wipro. While erratic telecom and power connections continue to be a challenge in rural areas,

Dugar says low attrition rates and infrastructure costs make rural BPO centres an attractive option.

Nasscom says IT-BPO firms plan to increase the total rural BPO employee base by more than 10 times over the next three years, from 5,000 now.

So, where is this trend headed for? India may still be a strong player in the global BPO industry but HDFC Chairman, Deepak Parekh says that countries like China, Malaysia, Vietnam and Philippines have already begun to eat into the pie. "India's English speaking advantage is fast diminishing as countries like China are making huge efforts to increase their English speaking population. The BPO industry is cost-sensitive and clients will not hesitate to shift BPOs or move to countries that offer services at lower costs. One answer lies in encouraging more rural BPOs", he said.

While most rural BPO centres tend to be cost-effective, the journey has not been a smooth one for initiatives such as the rural Shores. "It has not been an easy ride. Rural Shores is yet to make any profits," says Sudhakar Ram, co-founder of Rural Shores and Mastek MD.

**Many big IT firms, including top service providers are moving into the rural BPO space now**