

A presentation on Accounting BPO

By Md. Abdul Hakim Bhuiyan, M.Com, MBA (IBA), FCMA

On 3rd April 2018

At ICMAB, Dhaka, Bangladesh

BPO-What it is?

- As defined by investopedia, a BPO (Business Process Outsourcing) is “a method of subcontracting various business-related operations to a third party”-domestic or overseas
- The outsourcing concept was initially applied to the manufacturing industry. However, it’s now applicable to the outsourcing of services as well.
- The strategic use of outside resources to perform activities traditionally handled by internal staffs and resources.

Evolution of BPO

- ▶ 1970-Computer companies outsourced their payroll processing locally in another state in USA
- ▶ 1971-1979-Focus on core businesses but confused on identification of area to be outsourced until 80s.
- ▶ 1989's – Formally identified (Mullin, 1986)
- ▶ 1990's – Started outsourcing of not related core activities but started with the area having no competency like Accounting, Payroll, Data Processing, Plant maintenance with a view to save costs and improve finances.
- ▶ 2000's-Strategic partnerships for core competency

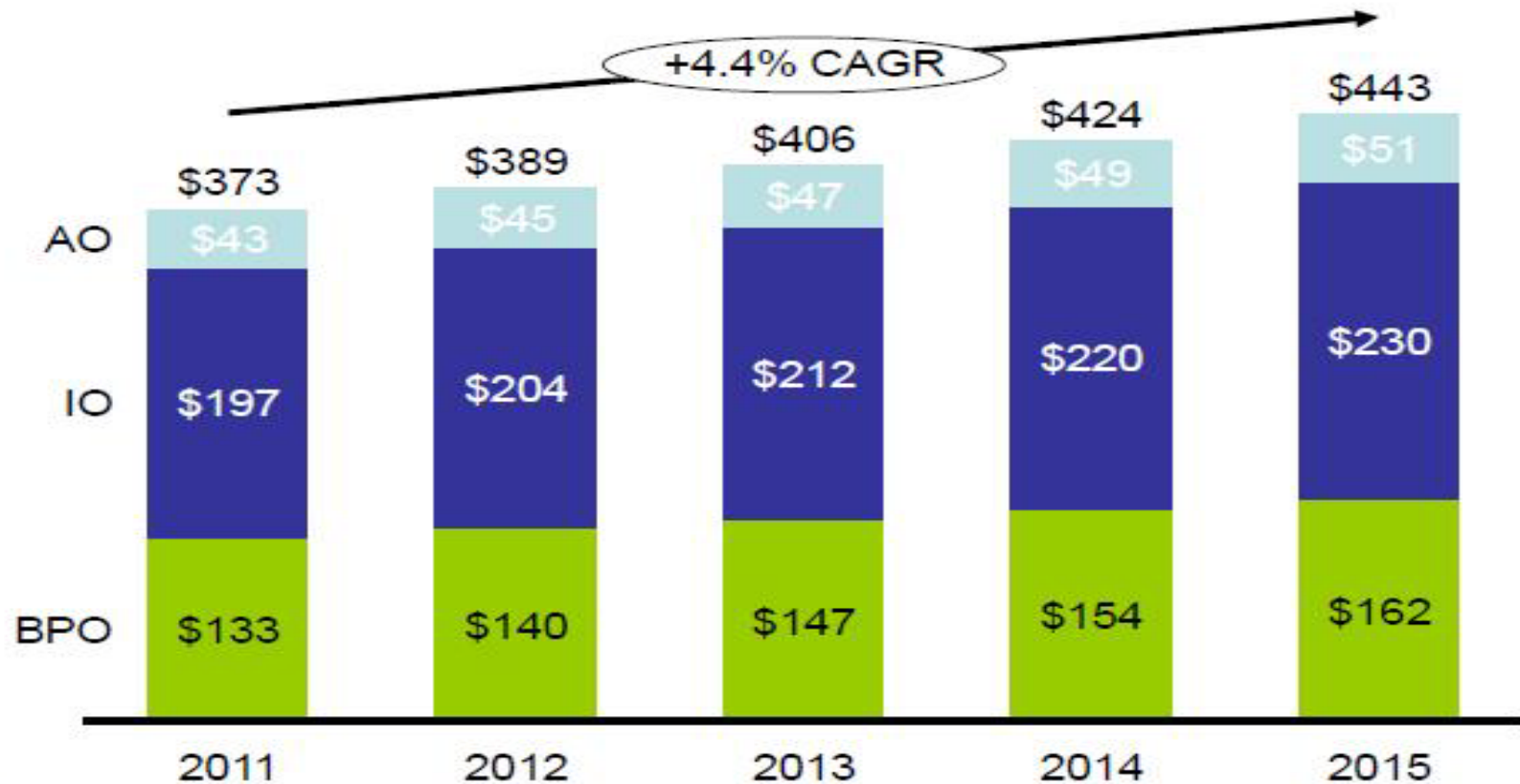
Categories of IT/BPO

Popular categories to most freelancers / outsourcing providers are–

- Inbound Customer Service or outbound Telemarketing,
- Web Design & Development, SEO & Online Marketing, IT Help-desk.
- Back Office/Admin Support / Virtual Assistant services/ Accounting, HRM, Marketing and Sales /Technical Support and
- Data Entry/Processing / Conversion Services
- Virtual CFO

Global Market Size of Outsourcing

Gartner: Global Outsourcing Market Size, 2011-2015 (\$B)



Notes:

Source: © Gartner, Inc. Forecast: IT Services, 2008-2015, 2Q11 Update. June 16, 2011.

AO - Application Outsourcing, IO - Infrastructure Outsourcing





















BPO market projection-Global

- All categories (IT/BPO) of outsourcing globally is expected to be in a circa \$575b by 2021 @ a growth 4.4% as per [GARTNER's report](#).
- BPO alone will reach \$245b by 2021 @7% (\$186b in 2017) as per www.strategyr.com
Market size of Accounting BPO was \$30.4 Bln in 2017 as per statista.com which will grow @6% to be \$38.4b by 2021 (www.hfsresearch.com)

Asian Market Scenario of BPO

- India \$116b (Population: 1350 m),
- Philippines \$25b (107 Million),
- Vietnam \$5b (96 m),
- Pakistan \$2b (200 m),
- Sri Lanka \$1b (21 m), and
- Bangladesh \$0.8b only (170 m).

Figure 3: Top 20 BPO companies

		Revenues (US\$m)	EV/EBITDA	Customer Contact Services	Finance & Accounting	Human Resources	IT / Hosting	Helpdesk & Tech support	Sales and Logistics	Media & Marketing Services	Analytics & Consultancy	Facility Management, Security & Procurement	Payment Services/ Recovery	Legal	Back Office Support	Engineering
Accenture		28,774	10.6x	X	X		X	X			X	X	X			
Telus Intl.		11,467	8.8x	X			X	X	X	X					X	
Synnex		11,411	10.4x	X				X	X						X	X
CGI Group		10,374	9.1x				X				X	X			X	X
Cognizant		9,244	12.9x		X		X				X		X			X
Infosys BPO		8,249	11.1x	X	X	X			X		X			X		X
Capita		6,583	16.4x	X	X	X	X	X				X			X	
Arvato (Bertelsmann)		5,613	-	X					X	X						
HCL Technologies		4,757	12.2x		X	X	X				X					X
Teleperformance		3,357	7.9x	X	X					X	X				X	
Temp Holdings		3,236	12.4x	X	X	X		X	X	X						X
West Corp		2,701	7.6x	X	X				X							
Genpact		2,156	9.5x	X	X	X	X			X		X	X	X		X
Convergys		2,046	6.7x	X	X			X	X	X	X				X	
ACS INC (Xerox Company)		1,356	-	X	X	X	X						X			
Teletech Holdings		1,297	7.9x	X			X	X	X	X					X	
Atento		1,247	-	X	X			X	X						X	
NCO Group Inc		1,216	-	X	X		X	X	X		X	X	X	X	X	
Sitel		1,118	-	X			X	X			X					
Sutherland Global Services		1,074	-	X	X			X			X				X	

Source: Capital IQ

This list includes BPO's active in different sub-segments of the BPO market. Beside these companies there are several large specialized IT outsourcing firms like Wipro, Terremark, Savvis, RackSpace and InterXion.

BPO in India

- \$140b of which export was \$116b in the FY2017 (Source Nasscom)
- India's share is 36% of Global BPO
- India is losing competitiveness to Philippines, China, Sri Lanka and to Bangladesh
- The downfall has started in terms of employability

BPO in Sri Lanka

- Revenue from ICT/BPO reached at \$1b in 2017
- 6th largest export earner
- High literacy rate of 92%
- Ranked 12th in the ICT/BPO (by IBM)
- Highest response from supply and demand as per www.everjobs.lk
- Home to BPO units of companies such as Google, J.P. Morgan or Microsoft
- Largest pool of UK qualified accountants outside of UK.
- 50 new accountants are produced per annum Sri Lanka's 40,000 IT/ITES strong workforce including 10k Professional Accountants) is growing at a rate of 30% per annum to 50%
- GDP growth 4.2%
- Sri Lanka as a hub for big conglomerates: HSBC & Aviva

Sri Lanka as a hub for big conglomerates

Payroll, bookkeeping, derivatives pricing, research on risk management, hedge funds, stock for investment banks and underwriting for insurance companies.

Present scenario of Bangladesh

- **BD Achived 57.21% growth (Last 10 yrs) in ICT sector**
- **Registered \$0.8b from export & \$1.54b from domestic earnings in the FY 2016-17 (Around 1% on GDP) with insignificant earning from Accounting & Payroll services.**
- **80.83m peoples are using internet**
- **59m peoples are using mobile financial services as per Bangladesh Bank until Jan-18.**
- **Government target of \$5b by 2021**
- **Cash incentives 10% + Tax exemption until 2024**

Our STRENGTH (resources)

- 1500 Cost & Management Accountants, 30,000 enrolled students
- 1,600 CA's, plus 25,000 students and
- 2.5 lakh IT specialists
- Hundreds of thousands of University graduates in commerce & IT discipline

Call Center Vs Accounting BPO?

Our pre-conceived idea was Call Center outsourcing is an only BPO which is not correct as I already mentioned earlier

- Not every BPO is a call center, and call centres do not recruit graduates to answer phone calls.
- There are number of BPOs involve with Knowledge Process Outsourcing work.
- Accounting is one of the value added BPOs including Payroll where graduates are required.
- Universities produce graduate, professional institutes make them specialist, fit for future and leader which needs to be utilised.

Call Center Vs Accounting BPO?

- ◆ Vendor uses customers system like SAP, SAGE, XERO, Quick Books or other software (ERP₂ALL)
- ◆ Vendor uses standard software to process and produce financial statements / reports
- ◆ Now a days almost all the software has got API through which data can be transferred or migrated.

How Accounting BPO work?

- Vendor uses customers system like -SAP, SAGE ERP, XERO, Quick Books or other software (ERP2ALL)
- Vendor uses standard software to process and produce financial statements / reports
- Now a days almost all the software has got API through which data can be transferred or migrated.

Why ERP skill not knowledge for BPO

Most of the Accounting BPO is being done through software especially cloud based ERP /Accounting /Payroll to:

- reduce cycle time
- achieve cost control & low working capital
- marry latest technologies
- shun the geographical gaps
- satisfy the customers with high expectations
- be competitive & for survival

Bangladesh-Next BPO destination

Although countries like India, China, Philippines and Ireland have emerged as the close competitors in the ITES/BPO sector, Bangladesh could be the favored market for BPO companies due to:

- Large number of young people
- Increasing number of IT Graduates
- 40% Lower service costs than India and Philippines
- Demographic dividend is knocking the door
- Emerged as top 5 destination of freelancers
- 1100 IT companies operates in this sector
- Have more than 3000 professional accountants and 50,000 enrolled students

Bangladesh-Next BPO destination

- A third of the 18 crore peoples are 15-34 years, demographic dividends is knocking our door
- We're late but we're a quick learner

Government target \$5b by 2021 and 200000 jobs

Is it Achievable?

- **No** with current strategies despite 10% cash incentives and tax exemption until 2024
- But **YES**, if we can move to knowledge based value added services.
- Accounting BPO including payroll is the better alternative because, we have world class accountants. 15% of our CMAs are working abroad and same goes to CAs.

What is needed?

- ICMAB & ICAB should analyse the skill gap and arrange training to the members and the students to support governments target.
- They may seek support from government. Government has already allocated BDT 92.63 billion to 70 projects in FY 2017-2018 but not to IT/ITES.
- Need to attract NRB's to bring BPO work to BD where they can work as a bridge.
- Our foreign mission can extend their hands with NRBs
- Need more vigorous marketing

What is needed (Contd....?)

- Domestic experience is needed to do global business;
- We can also do sub-contracting from India to learn and improve skill set at the beginning.
- Any private initiatives from BD national needs to be supported by our mission office abroad in the way to use their facilities to invite and meet potential customers there.
- We may consider a special concession to individual who takes training in line with BPO and committed to work for BPO as an deductible (exempted) expenses while calculating individual income taxes.

Digital Economy in the future

Five (5) technologies will reshape our life within next 5 years:

- IoT (Internet of things)-Safe car driving;
- AI (Artificial Intelligence)-Action based on situation;
- Blockchain- Crypto currency (Bit Coin + Banking)
- Machine Learning (Diagnosis of probable heart attack)
- Robotics-Cost reduction (20% OC by Amazon)

About ERP₂ALL

- A complete ERP software suitable for SME and Garments Industries
- Cheapest in the world while having all required functionalities
- No initial investment is required (Cost effective PAYG)
- Easy and user friendly
- It may help to create a basic technician from Toyota ~BMW.
- For more details visit www.erp2all.com

That's all from my side.

However your queries are welcome.

Thanks