

# Banking and financial services sector driving the outsourcing industry

**THE RAPID GROWTH IN THE BANKING AND FINANCIAL SERVICES SETOR HAS NECESSITATED OUTSOURCING OF SERVICES. IT NOT ONLY SIMPLIFIES OPERATIONAL PROCESSES, BUT ALSO HELPS IN REDUCING COSTS AND MAXIMIZING REVENUES THUS HELPING BANKS TO MAINTAIN THEIR CORE FOCUS.**

The outsourcing industry has given impetus to inflow of foreign exchange and creating job opportunities in India. The financial services sector has emerged as a key domain for outsourcing.

### Work Flow and Growth Prospects

Banking, financial services and insurance (BFSI) comprise 38 per cent of the outsourcing industry in India (worth \$47.8 billion in 2007). Most of the work outsourced comes from the US followed by Europe.

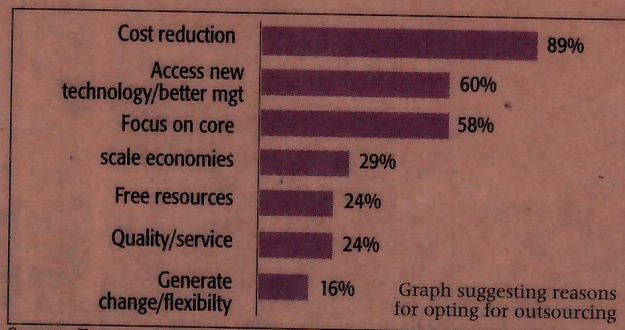
According to a report by Mckinsey and Nasscom, India has the potential to process 30 per cent of the banking transactions in the US by the year

2010. Outsourcing by the BFSI to India is expected to grow at an annualised rate of 30 - 35 per cent.

Outsourced services from the BFSI domain include customer support, software and solutions required for core banking, various banking processes like mortgage loan processing, application processing, verifications etc, and other services like market analysis, financial statement analysis etc.

### The Indian Edge

While the major driver of the outsourcing wave is the cost advantage India enjoys in terms of employee cost, comparatively lower rentals for space etc., western out-sourcers opt for India for vari-



Source: European Central Bank 2004

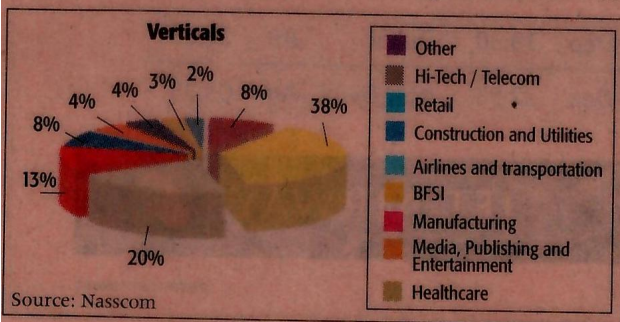
ous other reasons like better management, focus on core areas where they specialise, quality, service etc. According to Ramesh Mengawade, CEO and Chairman of Opus Software Solutions, a third party processor for credit, debit and prepaid cards, "outsourcing in card processing enables our clients flexibility and time to market advantages for introducing new features and enhanced security due to stringent regulatory compliance."

assets. This has resulted in uncertainties regarding the flow of work from this sector to India. There is a view that the slowdown in the US will affect the IT and BPO industry adversely while there is another school of thought that the slowdown would eventually benefit India as companies will outsource more work to check their costs.

It seems that the growth for companies with outsourcing jobs in the financial sector is here to stay in spite of the recession in the west and like in the past Indian companies will raise their standards to meet the requirement of their clients across the globe.

### Future Outlook

Recently the Financial Services sector in the US has been under a lot of pressure on account of the sub-prime crisis, due its exposure to securities backed by real estate



Source: Nasscom

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