

# Bangladesh IT-BPM

## A beacon of hope

**Into the 25th Year**  
 The Global IT-BPM (Business Process Management) sector has been growing in leaps and bounds over the years. With advancements and technological breakthroughs, the value chains of businesses are continuously being redefined and the importance of crucial service locations are becoming increasingly more important for the businesses. Information Technology (IT) itself has journeyed from hardware to enterprise software to analytics and artificial intelligence. Smart machines, cognitive computing and Internet of things in a multi-device ecosystem have cut across every industry creating an exciting scope for new applications in a world of intelligent computing.

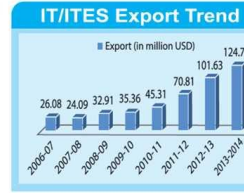
The global sourcing market has been growing at 16 per cent over the last 5 years (KPMG Report, 2010) having a potential of USD 2.2 trillion business with IT Services & BPM spending reaching up to USD 823 billion. The direct BPO revenue generated by the major Service Locations in 2014 stands at a staggering US \$ 168 billion with a CAGR of 7 per cent (NASSCOM Strategic Review 2014). The global IT/ITES service sector holds immense untapped potential that can open up avenues of employment, investment and revenue generations at multiple service locations. The value chain offers attractive incentives for the developing economies to create employment for the skilled youths.

For a further detailed snapshot, Asia is the dominant region with the six out of top 10 locations belonging to Asia. Next in line is Latin America projecting robust growth potentials. The very neighbour of Bangladesh is actually the poster boy when it comes to sourcing locations. India shines as the exemplary figure with IT services standing at US \$ 40 billion and BPO exports worth US \$ 20 billion. While the sheer size and buzz for India, China and Malaysia did come as an advantage, however, players like Indonesia, Thailand and the Philippines have also made it to top 10 while their contexts, factors and ecosystems are not too different from that of Bangladesh (OSLI 2014, AT Kearney).

A closer look at the Philippines reveals that the IT-BPM sector of the country generated revenue to the tune of US \$ 18.4 billion in 2014 (18.7 per cent growth over 2013) with employment of 1.03 million people (www.phlistar.com). The figures definitely look exciting at first but they are rather exhilarating when compared with numbers from 2000.

There were only a few BPO companies operating in the Philippines; the industry only employed a few thousand workers, and had yearly revenues of just a few million dollars. With sheer determination, strategy, coordinated effort and hard work they have brought about such a turnaround.

Let's come to the next obvious question as to whether there is a scope for a similar success story in Bangladesh. Obviously, the uncertainty level for answering such a question will be pre-



ty high, so it is more logical to look into the local industry, factors and ecosystem and get a picture. Well, currently Bangladesh is not actually a flamboyant player in the global context, however, the possibilities are impressive. For any location to succeed as a sourcing destination, the following factors are crucial:

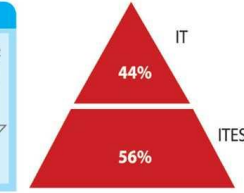
- Sizeable local industry to harness and capitalise the growth,
- Government incentives,
- Skilled young population,
- Infrastructure and resources,
- Industry-academia linkage with futuristic R&D

Although not exhaustive, but the above factors are very important. Well, coming to the first factor, Bangladesh has a veteran local industry with multiple powerful associations striving to take Bangladesh to the next level. The IT/ITES Sector turnover (including BPO) of the industry was about US \$ 400 million in 2014. IT/ITES export stood at US \$ 124.72 million in 2014 with an impressive CAGR of 25 per cent over the last six years. The industry currently employs about 300,000+ IT professionals.

Most of the companies are exporting to the USA, UK, Canada, Australia and Europe. Hence, there is the primary awareness at the end markets. So, with enough efforts Bangladesh

should be able to make it to the list of consideration (BASIS Annual Report 2015). The freelancing landscape is another USP for Bangladesh. There are about 400,000 registered freelancers doing Upwork with 40,000 being active in 2013. The cumulative revenue generated by the freelancers stood at US \$ 21 million in 2013. It was up by 35 per cent over 2012 (Digital World 2014 - Upwork).

In fact, Bangladesh is already considered one of the next high potential locations. Many



of the International Analyst firms have put in some really good words. AT Kearney has ranked Bangladesh 26th among the top 50 service locations in their Global Service Location Index 2014 being 1st in terms of financial attractiveness. Gartner has also ranked Bangladesh one of the top 30 outsourcing locations. Goldman Sachs has placed Bangladesh in their Next 11 after BRIC. JP Morgan has enlisted Bangladesh as one of the Frontier 5 and Coface has placed Bangladesh among the next 10 emerging countries.

Coming to the next factor, Government Incentive: Bangladesh shows high prospect as the government considers the IT/ITES sector a



The most important aspect for Bangladesh is the very characteristic of its people. The sheer resilience of the nation is the driving force that can make Bangladesh a successful global service location. A country with high remittance inflow and influential NRBs in client markets should be able to make it big, writes Rubayat Saleheen

central pillar for the next phase of development. On December 12 in 2008 the government conceptualised the revolutionary Vision 2021 "Digital Bangladesh" - the basis of an iconic development plan which employs ICT as a tool to take Bangladesh in the league of matured MICs (middle income countries). Stemming from this plan, the government has enacted a series of investor-friendly policies targeting the service sector. Hassle-free investment process, on-arrival visa, tax holidays, exemptions from income tax and import duties, 100 per cent ownership and 100 per cent profit repatriation for foreign investors are some of the salient initiatives. Ensuring proper implementation of the policies while providing a positive experience to investors is actually the essence and that needs to be worked on.

The next critical factor is human resource. Bangladesh has an immense demographic dividend with 65 per cent of population being youths (18-35 years) and 350,000 graduates coming out every year. Currently there are over 2 million+ graduate students at universities and colleges with 670K+ science graduate students and 403K+ business graduate students (UGC Annual Report 2013). To harness this big advantage and bring about the necessary skill development, graduates are being trained under various programmes such as Leveraging ICT for Growth, Employment & Governance (LICT) Project with World Bank, Skills for Employment Investment Programme (SEIP) with ADB and various training programmes under High Tech Park and much more.

Coming to the next factor, infrastructure and resources are of vital importance, as investors planning to set up ODCs and sourcing investments are highly concerned about the status of connectivity, communication, optimum space, facilities, power, etc. The current development streak of Bangladesh should prove to be very attractive to the investors. With 227 per cent growth in the power sector over last five years, 129 million mobile users, 1.5 million broadband users, 33 per cent internet penetration (BTRC data), two-way fibre optic connectivity (SEAMEWE 4 & 5), modern expressways, highways, urbanisation, multiple hi-tech parks and software parks which are under construction, Bangladesh should attract investors from all over the globe. However, the concern here is that Bangladesh must move in pace with the big time service locations and their rate of



development is very fast.

Last but not the least, industry-academia linkage with futuristic R&D is a very critical factor for Bangladesh, as there is a significant difference between the necessary industry knowledge and curriculum at institutions, hence necessitating the involvement of Finishing School Programmes. Establishment of Finishing School Programmes. Establishment of R&D labs to promote a continuous knowledge transfer process is also very important, as the IT-BPM sector is a very versatile one where knowledge and information get outdated rather quickly. To reach a matured stage as a global sourcing location, particular niche will also have to be identified; a me-too strategy can take only so far. Bangladesh can even target wearable technologies or pharmaceutical process management to capitalise on the successful RMG or pharmaceutical sector.

So, an objective cross-sectional analysis of the domestic IT/ITES sector depicts a high probability for an impressive growth in the service sector. However having said all this, the most important aspect for Bangladesh is the very characteristic of Bangladeshi people. The sheer resilience of the nation is the driving force that can make Bangladesh a successful global service location. A country with high remittance inflow and influential NRBs at client markets should be able to make it big, if placed properly. Bangladesh has already made it big in the RMG sector, which has moved from a mere 31.5 million dollar industry (1984) to an astronomical 25 billion dollars (EPB Report 2015). Hence, repeating the success story in the service sector should only be a matter of collective effort, strategy and conviction.

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