

4

The Rural BPO Sector in India: Encouraging Inclusive Growth through Entrepreneurship

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4.1 Introduction

Rapid growth rates in India and other Asian countries have led to a significant reduction in the incidence of poverty but has also led to rising inequalities across sub-national locations, particularly across rural and urban sectors, and between skilled and unskilled workers (Ali 2007). A factor that has contributed to this trend is IT outsourcing activity in which a small segment of the population has benefited from an extraordinary boom while large segments of the population are stuck with low wages, little or no social services, and remote opportunity for improved mobility. In recent years new IT sourcing models have emerged as rising costs in urban centers have forced many large business process outsourcing (BPO) companies to outsource low value-added tasks to employees in rural areas with the role of government limited to that of a catalyst and facilitator. This new rural BPO activity is mainly driven by traditional players in the outsourcing market using revenue-based business models to reduce labor costs.

An alternative model of IT outsourcing rapidly emerging as a distinct subsector of the BPO industry known as impact sourcing aims to provide high-quality, information-based services to domestic and international clients by employing IT-related workers from poor and vulnerable communities in the developing world (Heeks 2013). Impact sourcing service providers mediate between clients and employees in order to balance the dual objective of providing low-cost sources of IT labor for clients as well as promoting local economic development. Recent reports estimate the impact sourcing market to be worth approximately \$4.5 billion with 144,000 people employed across Africa, Asia, and Latin America (Kennedy et al. 2013). However, while impact sourcing has brought a range of benefits to employees in terms of income, skills, empowerment, social status, and local networks (Heeks and Arun 2010; Madon and Sharanappa 2013), little is understood about the wider policy environment that supports this activity and its consequences on local economic development.¹

The scope of this paper is to obtain a greater understanding of the linkage between impact sourcing activity and local economic development focusing on the state of Karnataka in South India. India has been identified as a leading player in the impact sourcing market with the presence of more than 30 impact sourcing providers in the country. At the same time there exists a great variation in the geographical distribution across states, with a lot of activity in middle-income states like Karnataka due to the relatively easy access to power, telecommunications, transport, and state government policy support (NASSCOM 2014). Karnataka is one of the few states in India to have launched its rural BPO policy in 2009 to create employment opportunities in non-metro locations with approximately 35 rural BPOs currently operating in the state. Drawing on the concept of inclusive growth,² we explore the extent to which entrepreneurship can raise productivity in peripheral localities from a study of three rural BPOs in Karnataka. Of particular interest to us is to trace the evolution of rural BPO policy in Karnataka identifying specific challenges that have faced policymakers and to assess the long-term developmental opportunities emerging within the local community where impact sourcing activity has taken place.

4.2 Theorizing inclusive growth and entrepreneurship

Inclusive growth is increasingly used as a meta concept of economic development following a rising concern that the benefits of spectacular growth in many developing countries have not been equitably shared (Ali 2007). A case in point is Asia where economic growth has been rapid in recent years. For example, the East Asia region has grown at 8.1% per year on average, driven mainly by the People's Republic of China, while South Asia has grown at 4.5% per year spurred on by the recent acceleration of growth in India, Sri Lanka, and Bhutan (Zhuang and Ali 2011).

However, while rapid growth in Asia has led to a dramatic reduction in the level of extreme poverty (Ravallion 2009), an emerging issue is of rising inequality in the region. There are increasing concerns that the benefits of spectacular growth have not been equitably shared as large sections of the population continue to live just above the poverty line and are vulnerable during periods of economic recession. A growing number of countries in Asia are beginning to adopt inclusive growth policies according to which all members of society should be allowed to participate in and contribute to the growth process (Iamchovichina and Lundstrom 2009). Advocates of inclusive growth policies consider equal access to growth opportunities as an intrinsic human right and of instrumental value as efficient utilization of human and physical resources and subsequent investment in income-augmenting activities are assumed to increase overall growth (Ali 2007). Indeed, experience over the past decade in Asia, for example in China, Taiwan, South Korea, and Thailand,

shows how it has been possible to combine economic growth and industrialization with decreased inequality (State Council of China 2006; UNDP 2007; *The Economist* 2011). India too adopted a development strategy based on the twin objectives of raising economic growth and greater inclusion during its 11th Five-Year Plan from 2007–2012 (Planning Commission of India 2006).

Market-based approaches have been identified as significant for inclusive growth policies. In particular, evidence has shown how intervention from the private sector for employment generation and income diversification has been a critical enabler of poverty alleviation. For example, the private sector has played a role in promoting microfinance activity as the driver of growth and poverty reduction by forging partnerships among domestic and international financial sector stakeholders (Imboden 2005). Similarly, the private sector is an important stakeholder in designing and operating inclusive innovation as it can undertake riskier initiatives that are economically beneficial to all sectors of society (Dutz 2007). The government too has a central role to play in developing and maintaining an enabling environment for business investment and private entrepreneurship (McMullen 2011; Zhuang and Ali 2011). Selected policy issues of great relevance for inclusive growth also include ensuring equal access to basic social services such as health and education, social protection, land reform, and enabling access to credit (Tandon and Sparkes 2011).

Entrepreneurship is identified as essential for achieving inclusive growth ideals through the creation of new organizations which raise regional productivity and competitiveness, build new networks and assets (Schumpeter 1934, Acs et al. 2008; Naude 2010). Considerable attention has been placed on the promotion of this activity in order to revitalize rural regions in developing countries (Briedenhann and Wickens 2004). Much literature on entrepreneurship in developing countries has focused on the emergence of “necessity entrepreneurs,” for example micro-entrepreneurs who start up businesses in order to mitigate against unemployment or other economic shocks (Vossenbergh 2013). Less attention has been devoted to understanding the specific contextual conditions within which “opportunity-based entrepreneurs” choose to start a new business (Lingelback et al. 2005). Exploration of the role played by entrepreneurs in developing countries has been confined to a limited number of successful regions where high productivity, innovative sectors have emerged with the aim of identifying factors that have led to success such as technological infrastructure, skilled workers, and finance capital (Malecki 1997). For example, the Global Entrepreneurship Monitor project offers the first broad cross-country comparisons of the levels and drivers of entrepreneurship such as incentives, financial capital, and human resources (Lingelback et al. 2005).

A second stream of literature, less prominent in the literature specifically focuses on exploring the extent to which entrepreneurship can raise productivity in peripheral sectors or localities. While peripheral regions are often viewed

as a challenging space for the entrepreneur because of lack of resources, they are characterized by strong structures that can be mobilized as social capital for supporting business activities. According to this perspective, tradition and underdevelopment, the very characteristics that made the region peripheral in the first place, are found to actually help anchor entrepreneurship activity within the local economy (Anderson 2000; Benneworth 2004; Fuduric 2008). The basic argument from this strand of literature is that the periphery can be conceived as a place of entrepreneurial potential in which territorial assets can be mobilized as regional drivers which can help to overcome the constraints of limited resources. For example, Anderson (2000) demonstrates how entrepreneurs have transformed what was recognized as peripheral weakness in terms of industrial development in the Scottish Highlands into value-added activity, for example in terms of improving the quality of life of those involved in entrepreneurial activity. An important aspect of this line of inquiry, as identified by Benneworth (2004) in his study of entrepreneurship in the Northeast of England, relates to institutional support provided by universities, private sector firms, and government for mobilizing territorial assets. As Boettke and Coyne (2003) argue, development does not occur as a result of entrepreneurship per se but by the adoption of certain institutions which in turn channel and encourage the entrepreneurial aspect of human activity in a direction that spurs economic growth.

In the context of developing countries, however, there is a paucity of studies about entrepreneurship in peripheral regions to which this chapter is dedicated (Sharma et al. 2013).

Our review of literature on inclusive growth and entrepreneurship provides a framework for exploring rural BPO activity in developing countries. While the study of entrepreneurship in peripheral areas has largely been devoted to locations in advanced industrialized countries, in this chapter we attempt to extend this discourse to peripheral regions in the developing world. Our key objective is to improve understanding of rural BPO activity in Karnataka as a mechanism for promoting entrepreneurship and inclusive growth.

4.3 Methodology

Our study is informed by a qualitative case study approach based on an interpretive philosophical position acknowledged to be an appropriate strategy for the early stages of research on a topic. Our aim is to build rather than test theory in order to strengthen our understanding of rural BPO activity as a catalyst for local economic development (Eisenhardt 1989; Myers 2009).

Primary and secondary data were used for this study. Fieldwork was carried out in Karnataka from March to August 2014 using semi-structured interviews with policymakers, rural BPO managers who had established centers and employees. A list of interviewees is provided in Table 4.1.

Table 4.1 Fieldwork details

Date	Fieldwork details
7/25/14	Interview with Co-Founder and Director of RuralShores
7/28/14	Interview with Secretary, IT, Biotechnology, Science and Technology, Government of Karnataka
7/28/14	Interview with Director, IT and Biotechnology and Managing Director KBITS, Government of Karnataka
7/29/14	Interview with Managing Director, Simply Grameen, and visit to Maddur center
7/31/14	Interview with Marketing Manager, Rural Shores and visit to Madanahalli center

Interviews with policymakers were intended to provide information and understanding regarding the initial and revised rural BPO policy as part of the state's overall inclusive growth strategy. Interviews with the individual rural BPOs were aimed at improving understanding of the client base and project activities, recruitment strategy, training, and outreach. Discussions also took place with employees in order to understand their motivation and experience of working for the rural BPO. Secondary data consisted of government policy documentation and academic reports. We studied three rural BPOs in Karnataka which have been established for at least three years. The largest of these, RuralShores, is considered a pioneer in the Indian rural BPO space and has a significant influence on policy. The second, Simply Grameen, is a smaller rural BPO with two centers currently operating in Karnataka. The third is an initiative of Samarathan, an NGO dedicated to serving disabled persons that at the time of this research had established one rural BPO center in Karnataka.

The data were analyzed using ground-theorizing techniques (Glaser and Strauss 1967). The raw data was first written up as cases which were analyzed to determine categories and general patterns of activities.

4.4 Rural BPO policy and implementation: the Karnataka experience

Karnataka has emerged during the last decade as a front-runner in the IT/BPO/ITES sector with Bangalore as the acknowledged leader in the global IT space. In 2000, the state government established the Karnataka Biotechnology and Information Technology Services (KBITS) as its main implementing agency for the rural BPO sector and eight years later launched its rural BPO strategy to generate employment and encourage entrepreneurship. The initial strategy was to provide a subsidy of Rs. 40 lakhs (approx. £404) to companies for the setting up of 100-seater BPO units which would employ rural unemployed

youth that had attained a minimum of school leaving certificate. Numerous challenges were faced by policymakers in the initial policy. First, out of the 31 companies that applied for the grant only 13 of the bigger players were eventually short-listed. When inspections of rural BPOs were carried out at the time of releasing grant instalments, many of the smaller players were found to have closed down, having absconded with government funds despite legal notices being issued. Second, many of the smaller rural BPOs were identified as having inadequate infrastructure, lack of electricity, a shortage of trainers, and a lack of networks through which to obtain clients resulting in an inability to handle larger projects (Tara 2011).

A revised rural BPO policy is currently being drafted with the aim of supporting the growth of rural BPOs in the early stages of growth. Entrepreneurs can apply to enter the market with a minimum of 30 and a maximum of 100 employees for a subsidy of Rs. 20 lakhs (approx. £202) for a period of three years. Aimed at supporting operational, training, and capital costs, the subsidy is tagged to the number of employees hired measured in terms of Provident Fund filings made by the rural BPO. The revised policy also includes incentives for NGOs and social enterprises to establish rural BPOs and sets a mandatory reservation of 20% of government contracts to be reserved for rural BPOs.

RuralShores

RuralShores commenced operations as a for-profit social enterprise in 2008 and currently operates 20 centers across ten states employing 2,500 rural youth and has received several national and internationally acclaimed awards for its outreach efforts. Centers are typically established in small towns or large villages and employees are recruited from the nearby cluster of villages within a 10-kilometer radius. The work carried out at these centers is of low to medium complexity involving rule-based transaction processing, local language, and dialect voice support (Mukherji and Pinto 2012). Of the three RuralShores centers located in Karnataka, we visited Muddenahalli, located approximately 35 kilometers from Bangalore, which currently has a three-year contract to work as a data processing center for US mortgages. The center has invested in a dedicated line for power with UPS backup and is supported by reliable Internet connectivity and good transport links to enable employees to travel to and from nearby villages to Muddenahalli. A single shift operates at the center from 8:30 a.m. to 5:30 p.m. which employs 63 youth (mainly female) with 12th-grade standard education. Recruiting employees at Muddenahalli or its other centers was seldom reported to be a challenge for RuralShores as word soon spread throughout the local community through the mediation of the local panchayat, schools, and colleges about new openings resulting in a steady stream of people enquiring for jobs. RuralShores' leadership teams also held meetings with village elders and parents of potential employees to dispel

any apprehensions they had about safety, particularly for women. Employee attrition, often identified as a problem in urban BPOs, was not identified as an issue at Muddenahalli despite proximity of the center to Bangalore. Moreover, compared to urban BPOs, its employees were more committed to their jobs and loyal to the company. Employees we spoke to prefer to work at the center rather than in an urban BPO as they are able to provide better support to family members, for example by combining working at the center with helping family members on the farm. As a result of having a full-time job, unlike seasonal agricultural income, RuralShores associates are able to easily obtain personal loans from banks rather than from local moneylenders. All employees are provided with medical insurance up to a certain amount.

The typical duration of training before a new rural BPO recruit was able to work on projects was about four months, compared to about two months in an urban BPO. This involves a one-month basic introduction to IT followed by modules on mortgage basics and on specific processes such as orders. By the end of the training, employees gained confidence with computers and in basic English comprehension. Training in soft skills was also considered important, for example in terms of personal grooming, behavior at work, and planning for leave of absence if a marriage takes place within the village or if families of employees required help in the field during harvesting season. After successful completion of training, most new recruits were employed straight-away at RuralShores as associates who over time were able to graduate to become process champions and eventually team leaders.

To secure a regular stream of clients, RuralShores offers customers the same kind of service-level agreements as expected from urban BPOs, particularly in terms of standards of security, confidentiality, responsiveness, and quality. At any one time, each of its centers would handle several clients and processes. For example, the Muddenahalli center currently handles three clients and five processes which means that service-level agreements are consistently exceeded by the associates leading to increased transaction volumes and hence growth. Every RuralShores center has a strong in-house ISO 27001 compliant information security policy with biometric access control and closed-circuit televisions. The only leeway that RuralShores requests from its clients is a longer gestation period as its employees need more time for handholding and training. Some RuralShores centers act as intermediary for Indian and multinational enterprises in their quest to tap rural markets providing complementary services in local Kannada language to a variety of organizations and drawing on their local network for outreach. For example, agricultural companies that intended to sell seeds, fertilizers, and pesticides to farmers needed market intelligence to understand which products to sell and to identify distribution partners to produce local knowledge and sell products as well as operate a help desk in local language for the farmer-clients of the company.

Every year RuralShores measures the impact its activities have on local economic development by administering a computer survey to employees. A social impact study was carried out in March 2013 covering 11 centers and 650 associate-level employee respondents in order to identify improvements in living conditions since gaining employment in RuralShores. First, working at RuralShores has enabled families to consume three square meals a day. Second, employees have gained tremendous respect in society, in particular girls reporting that they feel increasingly empowered. Third, while annual household income before joining RuralShores was Rs. 50,000 (approx. £505) and unpredictable, this has increased to a steady income of double this amount. While earlier the families of employees had no bank accounts, there has been an average increase in family savings accounts with the extra income enabling families to convert from thatched to tiled houses, to substitute motorbikes for bicycles, and to purchase items such as refrigerators and better clothes. Fourth, on commencing work at RuralShores, many employees have expressed a desire to study further.

In terms of broader community-wide benefits, RuralShores promotes a novel concept of “employee social responsibility” under which employees choose the causes as required by the surrounding villages and support them on a weekly basis on Saturday afternoons. For example, employees from Muddenahalli recently came together to provide a free health camp in collaboration with a local NGO where blood donations were taken and where environmental awareness was provided, for example promoting tree plantation, rainwater harvesting, and waste management. At other centers, social responsibility activities among employees have included teaching school children.

Simply Grameen

This rural BPO has been operational since 2011 and currently operates two centers in rural Karnataka employing a total of 250 people with a third center planned for international rural BPO activities. We visited the Maddur center which employs around 160 agents and offers a dedicated specialized team to perform non-voice high-end processing for the National Stock Exchange on behalf of mutual fund houses such as ICICI. Scanned forms from mutual fund centers land in the Maddur rural BPO with the volume of applications increasing incrementally throughout the day, totaling to around 4,000–6,000 in a 24-hour period. The center is responsible for verifying applications which involves ensuring all information and supporting documentation is in order and ensuring that different levels of quality checks have been carried out. To avoid costs of applying for certification from industry, Simply Grameen follows ISO27001 as guided by the client who carries out a quarterly review of the ISMS processes. The server is housed on-site to ensure that nobody can tamper with the data and that employees are trained not to disclose confidential

client information with household members or friends. The center has reliable Internet connectivity and has invested in a large generator in order to mitigate against the problem of power cuts which can last six to seven hours. Employees travel to work from up to 20 kilometer from the center and special transportation has to be arranged if they are required to work after 7 p.m. as there are no buses or streetlights after this time.

Approximately 26% of the new recruits belong to the BPL category with minimum 50% employment of females educated up to 12th standard. They receive one month's training which includes life skills on how to behave with the customer and in grooming for work, learning to type and read English, theory and practical classes on specific concepts such as what is meant by mutual fund, as well as on-the-job training for building confidence to handle transactions. A 10% error rate is acceptable and leads to a certificate given to the rural BPO by the client. For the center as a whole, it took approximately 18 months of operating experience to bring the error rate down from 20% to a rate of 0.3% level which was acceptable to the client. The team is divided into five groups, each having a leader who is proficient in English and is responsible for monitoring quality and productivity. Team leaders, who earn approximately Rs. 9000 (approx. £91) per month, have the important responsibility of coordinating work processes and ensuring quality. Every few hours, team leaders prepare a report in real time that documents job availability, productivity, and attendance plus a daily error analysis report in response to the client's scrutiny of work processes. A daily list of clarifications required from the client ensures that any ambiguities are addressed. Staff work in nine-hour shifts and are entitled to one day off per week and 21 days' national holiday as negotiated with the client. In addition to all statutory compliance benefits, Simply Grameen provides Group Personal Accident Insurance coverage of Rs. 1 lakh (approx. £1,010) for all staff to support their family in case of unforeseen events. This scheme also supports free salary if staff meet with an accident and are unable to attend duty. When there is pressure, the client gives incentives for employees to sign up for night-shift work with extra pay. Approximately 15–20 of the employees work part-time and there is also a split-shift option which supports female employees to work in the morning, go home to cook, and come back to work later in the day. At the Maddur center, employees form various committees to prevent sexual harassment and to enforce safety and hygiene in the workplace.

Discussions with agents and team leaders helped us to understand life at Simply Grameen from an employee perspective. All of the employees we spoke to were natives of Maddur or from surrounding villages and came from families where the main occupation was farming or small trading. While team leaders were normally qualified to degree level prior to recruitment and had gained at least two years' experience working as an agent at Simply

Grameen, many of the agents were simultaneously pursuing further studies by correspondence course. The rural BPO has a policy to grant extended leave or provide permission to leave early for educational purposes or for non-educational events such as attending a marriage or looking after ailing dependents.

For some agents, the rural BPO was their first employment. This was particularly the case for women. A female team leader commented that since Simply Grameen established its center in Maddur, girls have the possibility of employment as their work is local. Some agents and most of the team leaders had prior experience of working either in Bangalore or other districts in Karnataka before joining Simply Grameen. Although many employees, particularly those who were qualified and had experience, had been presented with other employment options, they found that working at the rural BPO was an interesting challenge as it was the first IT company established in Maddur with opportunities for career progression. They also commented that it was a harsh existence working for an urban BPO both in terms of the high cost of living in cities such as Bangalore and because they lacked a social support network. On the contrary, as the cost of living in Maddur is low, a salary of Rs 8,000–10,000 was adequate. Moreover, there was unanimous agreement from all employees we spoke to about the attraction of working in Maddur mainly because they could be nearby to support their parents and grandparents both financially and emotionally during periods of ill health. As an example of an empowered family, the daughter of one of the housekeeping staff at Simply Grameen in Maddur was recruited as an associate. The girl's father was a drunkard and did not support the family. After working with Simply Grameen for some time, the mother quit her job as the daughter supported her to start a tailoring job from home. The daughter got married using her accumulated salary over a period without any dependence on the family.

In terms of local economic development, Simply Grameen has provided an injection of income into the local economy that serves approximately 20,000 people by promoting ancillary businesses in an area that is predominantly agricultural and marked with social problems such as drinking habits of men. For example, Simply Grameen's presence in Maddur has resulted in many small-time vendors flourishing. Linkages have also been established with local colleges for placement/part-time/internships with discussions underway to introduce BPO curriculum into universities in order to build better skills based on local job requirements. Simply Grameen is also connected with a couple of local NGOs and training institutes for building a talent base.

This rural BPO is currently in discussions with the management about introducing various loans (educational, vehicle, personal) to support staff needs. However, as reported to us by the Managing Director of Simply Grameen, this impact could be augmented if policy was directed towards giving more support

to rural BPOs in certain areas such as issuing tax holidays, cheaper land, electricity subsidies, and providing training stipend.

Samarthanam Kirana

Samarthanam Trust for the Disabled, an NGO, has been working since 1997 to provide education, accommodation, food, vocational training, and placement-based rehabilitation to visually impaired, disabled, and underprivileged people in India. More recently, the Trust has established BPO training centers across Karnataka to impart computer and soft-skills training enabling this category of the population to be included in the mainstream IT job market. In 2011, Samarthanam Trust launched a rural BPO enterprise called Kirana in Bidadi, 35 kilometers from Bangalore, to provide employment to rural unskilled youth, particularly to those with disabilities. The center is supported by KBITS, Hewlett Packard, and TE Connectivity and offers services such as customer support, technical support, telemarketing, IT helpdesk, insurance processing, data entry/data processing, and data conversion.

This 5000-square-foot center that can accommodate 100-plus call center professionals and be expanded through multiple shifts currently has 100 employees including team leaders and managers. This rural BPO center has reasonably good infrastructure, technology with high-level data security and compliance, with a separate 35-seater training facility. In general, BPO jobs are considered ideal for disabled people since they do not involve much physical movement. So long as the employee has an eye for detail and can speak well, particularly vernacular and multilingual, she can handle the job well. Special emphasis is to allocate work based on ability and provide further training on the job, for example visually impaired persons are trained to handle tele-calling while those with other disabilities are trained in data entry or processing.

Samarthanam has established a cell dedicated for placements and a team that coordinates with special schools to identify students coming out from various institutions. Recruitment also takes place via their own IT training centers such as Techvision, Shrishti BPO, and other call center training institutions. On-the-job training takes place at Kirani rural BPO during induction and there is a refresher program and training to upgrade skills, particularly in niche areas such as financial services where new skills are often required. Unlike with other rural BPOs, many of the employees at Bidadi are not from nearby villages but have migrated mostly from northern parts of Karnataka. These employees feel that the most important aspect for them is that they are able to live a life away from home because of the support systems that have been put in place. Indeed, a most unique aspect of this center is that it has a separate dormitory facility for boys and girls catering to about 70 people in total and that transportation is provided for employees. In addition, Bidadi is equipped with disabled-friendly workstations. Overall, employees are happy

because their needs, both personal and work-related, are understood and they feel appreciated that the work allocated is based on their strengths, giving them confidence to face the world.

Kirana has two different models for partnering with clients. The first model is the most popular with the call center at Bidadi providing operational and management support to clients. In this case, recruitment and training of staff is managed at the center in collaboration with the client. With the second model, the Trust provides the infrastructure at Bidadi to run the call center while the operations and staffing is directly managed by the client. At present, Kirana BPO's client base includes 30 seats for Samarthanam's fundraising activities, 20 seats for a private sector bank supporting its retail, private, and wholesale banking platforms, and 7 seats for a travel-booking portal that involves air, bus, hotel, and taxi reservations. Other seats are allocated to a multinational soft drinks company that engages in calling to obtain information about its coolants and an on-call money adviser offering free advice for about 50 financial products. All client companies are reported to be happy with the low attrition and high motivation of employees as well as the good quality of work. A trainer with previous experience of training staff at urban BPOs and who has been working for Kirana remarked that while the incentive to work for urban BPO employees is often driven by the prospect of obtaining higher income, he found that rural BPO employees tend to be more focused on learning. In particular, employees at Samarthanam often persist so hard in learning to overcome their disability and perform well that the quality of work often tends to be far superior than in urban BPOs.

4.5 Rural BPO activity as a catalyst for entrepreneurship and inclusive growth

Drawing on the concept of inclusive growth, our central research question has been to explore the mechanisms through which entrepreneurship as manifested through impact sourcing activity can promote local economic development in peripheral regions of Karnataka. Our analysis supports earlier findings that peripherality can be an asset for entrepreneurship activity as it can lead to inclusive development.

In all three rural BPOs, tradition and underdevelopment have played an important role in anchoring the firm within the locality and respecting local culture as something that is worth preserving and that stands firm against the onslaught of urban culture. For example, the rural BPOs we studied are conscious of the need to moderate interactions between girls and boys in order to comply with social norms and gain acceptability within the community. As well, rural BPOs have devoted more time and effort to inculcate softer skills such as communication and confidence-building among local youth. We identify

three specific ways in which the centers studied have benefited from operating in peripheral areas of rural Karnataka. First, in terms of work content, the three rural BPOs we have studied carry out low- to medium-complexity tasks in local language for client organizations. These work processes fit the local supply of employees who have attained up to 12th standard education. Second, the rural BPOs have the security of a captive workforce and low levels of employee attrition enabling them to plan work processes. This employee base arises as a result of strong family ties and social networks within the locality mediated by community organizations such as the gram panchayat, local schools, and colleges. Third, the local intelligence and connections that rural BPOs obtain by employing local youth can provide further opportunities for them to serve as intermediaries for companies that wish to tap rural markets.

The role of the private sector has been important for pursuing an inclusive growth rural BPO strategy in Karnataka. The centers create opportunities for rural youth to earn their livelihood without having to migrate to cities which has beneficial impact on the families of employees as well as more widely for the local economy. The proximity of employment to the household has enabled many women to work for the first time, particularly those who did not have the option of migrating to cities in search of jobs and housewives who have been supported by the rural BPO to juggle domestic duties with working at the center. All three rural BPOs consciously recruited significant numbers of women in their centers although these employees typically have a greater attrition rate as a result of having to move to different locations after marriage. The increase in income among employees has provided an injection into the economy through savings and expenditure. There has been an overall increase in savings which can help to curb vulnerability, and an increase in expenditure on consumables, education, food, housing, and health. In the case of RuralShores, further outreach activities have taken place with the center encouraging employees to run health camps in the locality to support awareness among the community about health, nutrition, and sanitation. The apparent small scale of the developmental outcomes described above within particular localities does not necessarily mean that they are insignificant. On the contrary, the operation of rural BPOs has introduced new entrepreneurial assets and private capital into the local environment which can be available for others to use, generating regional developmental benefits. For example, other elements of the entrepreneurial environment such as local colleges or manufacturing firms may benefit from the presence of the new center.

While employment generation and income diversification for households are critical enablers of poverty alleviation, rural BPO strategy has some way to go before creating large-scale social impact in rural India. The government has a crucial role in creating and sustaining an enabling environment for rural BPO activity and providing vital support services. For example, policies could

be directed towards more support in certain areas such as issuing tax holidays for rural BPOs, cheaper land for establishing centers, electricity subsidies, and public transport in rural areas. The BPOs are currently assessed on parameters set by the state IT department which include organizational capacity, infrastructure provision, and human resource capability. However, pathways that connect rural BPO activity to increased entrepreneurship and inclusive growth are unclear. Part of the reason for this is ambivalence within the government about the focus of an inclusive growth strategy. For example, the new Modi administration has tended to reduce both the level of subsidy provided to entrepreneurs and in the required seat numbers both of which provide little incentive for entrepreneurs to invest in rural BPO activity. Aside from these initiatives and their impact on rural employment, inclusive growth requires the establishment of safety nets and social service provision. For example, the main livelihood of families of rural BPO employees in Karnataka is agriculture and households continue to be subject to the uncertainties of small holder farming. The majority of households have no annual savings or access to any kind of insurance.

To conclude, impact sourcing presents an opportunity for peripheral regions in the developing world to benefit from IT outsourcing activity. Our focus in this chapter has been to explore how these regions have been actively reconstituted by entrepreneurs as beneficial assets for market-based activity. However, what we have presented is based on an exploratory study in a single region and only limited claims can be made to generalize the findings. We see two key areas for future research in this area. First, studies are needed to identify how communities build and strengthen their existing social capital through linkages with the rural BPO. In particular, there are important dimensions of trust that sustain relations between entrepreneurs, employees, and the rest of the community. Second, our focus in this chapter has been on rural BPOs as the unit of analysis. Further study can involve exploring broader systems of innovation within peripheral rural localities in the developing world focusing on the interaction between various public, private, and civil society sector players.

Notes

1. The terms “base of the pyramid” or “bottom of the pyramid” derived from economics are also used to refer to the largest but poorest socio-economic group consisting of approximately 4 billion people who live on less than \$2.50 per day.
2. The term “inclusive growth” differs from the term “pro-poor growth” although the two terms are sometimes used interchangeably. A key difference is that pro-poor growth targets people living below a specific poverty line while inclusive growth is a more all-encompassing term concerned with a broader population within a country or region that includes the poor.

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