Acknowledgements

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About Villgro

Villgro Innovations Foundation works to identify, finance and support early-stage social enterprises that promote innovative products and technologies in the health, energy and agriculture sectors, and have clearly defined potential to positively impact rural and peri-urban India. Villgro has been in operation for over 10 years and has financed and supported over 50 social enterprises. Social enterprises supported by Villgro have collectively gone on to raise over INR 200 million in follow-on funding and have impacted the lives of an estimated 400,000 rural Indians.

Villgro differentiates itself with its high-touch mentoring and support services. Villgro’s advisory services go beyond traditional consulting roles to encompass domain-specific mentoring, strategic and operational planning and access to key industry stakeholders in an enterprise’s sector of operation.

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“Why not have such BPOs in rural India, too?” Prof. Ashok Jhunjhunwala of the Indian Institute of Technology, Madras raised this important question while speaking about the large number of employment opportunities that the Business Process Outsourcing (BPO) industry \(^1\) had created in urban India. In the audience was Saloni Malhotra, a 23 year-old industrial engineer who nurtured an ambition to do something for rural India.

The theme of the speech focused on inspiring India’s youth, and indeed managed to set the ball rolling for Saloni who wrote to Prof. Jhunjhunwala immediately after, seeking an opportunity to work with him. Saloni soon quit her well-paying job in Delhi to start a rural BPO, with its first centre close to Bhavani, a town in Tamil Nadu, and DesiCrew was born. Speaking of the chance coincidence, Saloni says “It was a seminar of 5000 people. He gets tons of mails, it was serendipity and one thing led to another to give me this opportunity.”

Today, DesiCrew has 3 delivery centres – one in Karnataka at Kaup, Udupi district, and two in Tamil Nadu at Kollumagudi in Thiruvarur district and Appakoodal in Erode district. It also has offices in Chennai and Bengaluru. Its staff strength is currently around 300 people. With over 20 satisfied customers and a growing body of work, the management team at DesiCrew is working on crafting the organization’s long term strategy. The team is looking at different models to engage with customers. They are also looking to leverage technology, not just to improve internal operations, but also to deliver higher value services to our clients.

DesiCrew recently raised INR 7 crore (US$ 1.12 million) from ResponsAbility Ventures I, and Ventureast Tenet Fund II. \(^2\) As the organization grows, some important questions that the management team must answer are how to move up the value chain and offer services of higher complexity and quality? How to overcome challenges that clients perceive in engaging with a rural BPO, such as remote and difficult access to centres, security concerns or concerns over skills?

### Growth of the Indian Rural BPO Industry

India is one of the most preferred BPO destinations for companies located in the US and Europe. Low-cost, skilled manpower, a significant English speaking population, and appropriate infrastructure have been motivating factors for these companies to ‘outsource’ operations to India.

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1. Business process outsourcing (BPO) is the delegation of one or more IT-intensive business processes to an external provider that, in turn, owns, administers and manages the selected processes based on defined and measurable performance metrics. [http://www.gartner.com/it-glossary/business-process-outsourcing-bpo/](http://www.gartner.com/it-glossary/business-process-outsourcing-bpo/)
The Indian BPO industry aggregated revenues of about US$101 billion in 2011-12, and is expected to grow at a compounded rate of 5.3% until 2016, as per a recent Frost and Sullivan research report.

There has also been a significant impetus to the growth of the domestic BPO industry with a large number of Indian companies requiring knowledge processing services offered by BPOs. Key customer groups that require BPO services in India include the Government, telecom, insurance, financial institutions and manufacturing companies. India’s domestic BPO market is said to have stood at around US$1.4 billion in 2011, with indications that it will increase to US$2.47 billion by 2014.

With the BPO industry flourishing in India, more companies began establishing operations in Tier II and Tier III cities to capitalize on the available human resource talent and physical infrastructure. This not only helped them meet the growing demand for space but also reduced overheads and manpower costs. Additionally, BPOs as a business model attracted the attention of several social entrepreneurs who were grappling with issues around how to provide non-farm livelihoods in rural areas and reduce rural-urban migration. These entrepreneurs invested in training and development of locally available talent and in back-up infrastructure to set up BPOs in rural India. Of the total market share, rural BPOs currently have a tiny fraction of about US$5 – 10 million. Rural BPOs, however, report that revenues are growing at about 150-200%, albeit from a small base.

The NASSCOM Foundation is encouraging and supporting the ecosystem of rural BPOs in India. Rita Soni, NASSCOM Foundation’s CEO states, "There are approximately 6000 seats in rural India, which may seem like a small number but the social impact is huge. The right combination of ecosystem factors like industry link-ups to dispel mindsets about rural areas as delivery centres, larger government initiatives linked to the talent development in the rural areas and state

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5 Ibid.
run schemes revamped holistically, can lead to a faster growth." Primary research conducted by the Foundation indicates that rural BPOs could increase the number of seats to 70,000-80,000 by 2017, and the potential market they could address is estimated to be US$7.6 billion.

Typically, at the outset, rural BPO centres offer basic digitization services such as data entry and data conversion, largely known as image-based work. Transactional jobs like these are quickly moving from urban BPOs to BPOs in smaller cities. Since voice work is still relatively difficult for rural BPOs, many of them are experimenting with other kinds of services. Companies like Source for Change, SourcePilani and DesiCrew provide services which include web site content creation and validation, GIS-based mapping, social media marketing services, and medical transcription work.

**Impact of Rural BPOs**

Rural BPOs have several advantages. While they report attrition rates of only 3-5%, their urban counterparts often struggle to cope with attrition levels of around 50%. Furthermore, operational expenses and salary levels at rural BPOs are 30-40% lower than that in BPOs in urban areas.8

The rural BPO space is dominated by women employees, forming 65% of the workforce in certain companies.9 The establishment of BPOs in villages has also resulted in the development of rural infrastructure and an increase in standard of living.

On a macro level, the rural BPO model has potential for greater social impact given that around 70% of India’s population resides in rural areas. If 50 people working in 1000 towns/villages earn INR 5,000 (~US$ 100) per month, it would result in INR 250 million (~US$ 5 million) per month being infused into

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6 BPOs hiring employees from rural areas. [htsyndication.com/htsportal/article?arid=%2240741%22&pub=%22CIOL%22](http://htsyndication.com/htsportal/article?arid=%2240741%22&pub=%22CIOL%22)


local communities through local residents. On a comparative scale, prior to joining a rural BPO, average monthly household income of these employees would have been INR 1,500 (~US$ 30) per month.\(^\text{10}\) If 500 of India's 700 districts get a rural BPO centre with 500-1000 seats by, say, 2020 the industry as a whole would create a total of about 1-1.2 million direct jobs and many more indirect ones.\(^\text{11}\)

Employment opportunities with rural BPOs also has a significant effect on migration, as people in general prefer to remain closer to their roots, sometimes even if it means compromising on competitive remuneration.

**Sustaining a Rural BPO**

While rural BPOs are gaining acceptance, they continue to face multiple challenges that impact their potential to scale. One of them is finding ways to move up the value chain quickly. It becomes more important now that competing countries like Philippines, Malaysia and China have already started doing so.

South East Asia is fast emerging as a popular BPO destination due to a number of enabling factors that support the growth of this industry. Larger number of graduates, lower attrition levels, government support in skill training and ready infrastructure are some of the reasons that contribute to the growing popularity of BPOs in this region. Specialist sector focused

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\(^{\text{10}}\)http://desicrew.in/social-impact.html

services and voice work are the most commonly outsourced jobs in these countries. In a recent report released by Tholons Inc, 12 South East Asian cities made it to the list of Top 100 preferred BPO destinations, of these 5 were from Philippines alone. The BPO industry is expected to earn revenues of less than $16 Bn this year, with a meagre growth rate of 12%. As opposed to the estimated high industry growth rates, the industry has reported a compound annual growth rate of just 13.4%.12

The low cost of operations and lower employee attrition levels are the key benefits that companies derive from their rural operations. The rural BPO model is such that it requires much more effort in terms of business development, but to the customers, they are like any other BPOs – customers’ feedback or expectations are not tempered because the BPO is set in a rural area or because it faces more challenges. Rural BPOs have to deal with under-developed infrastructure such as poor power supply, poor telecommunication networks, inadequate transportation services, less effective education, and a general paucity of other support facilities. Listed below are some of the challenges that hinder entrepreneurs’ efforts to sustain a rural BPO.

**Talent Management:** Skill up-gradation of rural BPO staff is important in order to improve the quality of services that the BPO delivers. As the industry matures and moves from simple off-shoring (rule-based transaction processing work) to outsourcing (decision-based, more complex business transformational work) for clients in every part of the globe, it needs a diverse talent pool to be able to meet the needs of the different customers.

Managers at rural BPO centres acknowledge that recruitment is a much bigger challenge for them than it is for their urban competitors. “We need really smart people so that our clients have one reason less to go elsewhere,” says DesiCrew’s founder Saloni Malhotra, who says she takes on board only one in about 45 applicants. It typically takes between 2 – 4 months to fully train a rural employee, which is almost twice the gestation period of her urban counterpart. The need for such intensive training is due to limited educational qualifications, low awareness on the usage of computers, and inadequate English speaking ability. Immersion training in computer applications, English language comprehension and grammar, and speech and etiquette are now standard practice. Once trained, however, they are often known to give their urban counterparts a run for their money (see box on Quality of work).

**Developing rural infrastructure:** Rural BPO centres are dogged by major infrastructure problems. Power in the hinterland ranges from erratic to non-existent. So, any prospective BPO needs to budget for adequate back up in terms of diesel generators. Since most of the work done in rural BPOs is image-based work, the companies incur huge cost in transporting the

images through leased bandwidth. Urban centres do not incur this cost as the servers are located there.

**Business development:** Market scepticism has been identified as a challenge that a large number of rural BPOs face while expanding their client base. Building trust among clients, who have established a good working relationship with urban BPOs has proved to be a bottleneck. Indian BPO firms potentially look at rural BPOs to serve their transactional projects while they pursue higher end transformational and complex BPO projects. Currently, rural BPOs find that even getting such transactional business from urban BPOs can be an uphill task. NGO connections can help rural outfits tap into extensive networks of companies willing to contract work to these centres through their CSR initiatives. Rural BPOs need to continuously pitch for clients to be able to build a bank of satisfied clients that will lead to increased business opportunities. They focus on proving their capabilities, emphasizing their infrastructure (building in redundancies in power and broadband) and pushing the cost-value advantage. While these are the same challenges that urban BPOs face, they are magnified in the case of rural BPOs – partly due to very real handicaps and partly due to perception.

Once clients come on board, the BPO must be able to quickly offer value-added services. Basic transactions may be a starting point, but most clients look for an outsourcing partner who can offer them extra support such as data analysis, report preparation, and graphics and layout services. When rural BPO outfits cannot build these capabilities in-house, they look to partner with urban centres that can offer these services. One of the most pressing challenges faced by the rural BPO sector is to demonstrate to clients that it has established processes that can be repeated, duplicated and scaled up. Stressing on the importance of this aspect, Saloni says “Basically no one gives you work because you are a social enterprise – your wish to achieve impacts aids the story, but work comes in with good quality, timely delivery and good price. To achieve this we need to invest in systems and training.”

**Building trust within the community:** Community acceptance in villages has also been an obstacle to the establishment of rural BPOs, since a majority of the workforce is women, who do not as a rule step out of their homes to work in rural areas. Founders share experiences of wary men who would accompany their wives or daughters to the training centre and then wait there until they were ready to return home. Rural BPOs overcome this by partnering with NGOs and local government departments familiar with the area. HDFC Bank, joined forces with the employment generation and marketing mission of the department of rural development in Andhra Pradesh to identify potential employees for its Tirupati BPO centre. Source for Change, which operates in the Bagar district in Rajasthan got buy-in from locals because of its association with the Piramal Foundation - Bagar is the ancestral village of the Piramal family.

**Enabling Policy Environment**

Over the years, there has been an increasing impetus given to Government initiatives that aim to put rural India on a par with its major cities. Some of the more popular initiatives have been in collaboration with private bodies to ensure availability of education facilities and adequate
infrastructure to people in rural areas. To meet the ever growing demand for skilled talent in the BPO industry, firms in India are set to increase the number of employees in rural BPOs from the current 5000 to 50,000, in the next 3 years. A large part of this will be achieved through partnerships with the government.

The IT industry association, NASSCOM, in collaboration with the ICT (information, communication and technology) Academy and the State governments, has been inviting BPOs to set up their centres in rural areas. It has recommended the use of available infrastructure and talent in government college campuses by emphasizing the reduced real estate cost and lower attrition levels. One such example is the success of Sunflower IT BPO set up within the campus at Sunflower College of Engineering & Technology in Challapali village, Krishna district in rural Andhra Pradesh.

The Tamil Nadu government has also unveiled the Enhanced Rural BPO policy by providing incentives to existing players/entrepreneurs to set up BPO units in any of Tamil Nadu’s villages. According to the revised policy, the government will provide a subsidy of up to INR 5 lakh (~US$ 9,300) on capital investment compared to INR 3 lakh (~US$ 5,500) as per the rural BPO policy in 2010. The subsidy will be available to those who directly employ 50 trained employees in a rural unit.

The rural BPO program started by the Karnataka government is another example of an initiative to improve the lifestyle of the rural citizens by providing them with better employment opportunities. The program aspires to have a hundred BPO centres which will provide employment to about 10000 rural men and women. The earlier requirement of a minimum of 100 employees during set up,
which proved to be a barrier to entry, has been done away with and the policy now aims at incentivizing more entrepreneurs to set up BPOs in the rural areas of the state.

While the rural BPO trend initially started with major government impetus in the southern states, it has been fast catching up in North Indian states as well. Over the years, there has been a steady shift from voice based services to non voice based related services. The evidence of the transition can be seen in the industry's revenue split. In the earlier years, voice constituted 75% of the industry's revenues while today with a revenue growth of more than three times, non-voice services constitute more than half of it.14

DesiCrew Solutions

The Team

DesiCrew was founded by Saloni Malhotra and she currently serves on the Board of Directors. The management team is headed by Manivannan as CEO, with Janardhan heading business development and finance functions.

Saloni started her career in an interactive media start up, Web Chutney in Delhi. She has been nominated for Business Week's Asia's Youngest Entrepreneurs, MTV Youth Icon 2008, E&Y Entrepreneur of the Year 2008 and also felicitated in the presence of the President of India by the CII.

Manivannan is the CEO at DesiCrew. His professional experience includes extensive work with the government, private and the non-profit sector. Mani has worked in rural and urban markets during his stint with the core team that set up GramIT. He is a certified Six Sigma Black Belt and his leadership skills were recognized when he was selected as ‘Emerging Leadership International Fellow’ by City University of New York. Mani is an alumnus of Anna University and IIM Bangalore.

The Early Journey

Saloni first thought of working in rural India when she joined an engineering college in Pune. Her roommate from rural Maharashtra had come to study Computer Science with a belief that studying the subject would land her in a good job. She had never seen a computer but was confident that the course would equip her to take up a job that will improve her lifestyle. This incident struck a chord with Saloni - she was certain that rural India held a vast business opportunity and wished to tap into this potential as opposed doing charity.

As mentioned earlier, while working with Web Chutney (a consultancy that delivers interactive marketing solutions), Saloni was inspired by Prof Jhunjhunwala’s speech about BPOs going rural. This speech set her on the road to establishing DesiCrew. The brief from Prof. Jhunjhunwala was a simple one - she was expected to start a venture and was given 18 months to research the project.

She spent the first three months understanding the people, and working with the kiosks started by Common Service Centre initiative by the Indian government. The next six months were spent on finding out what clients actually needed. During this time, she noticed a growing workforce gap in the industry as a result of migrants moving out of urban areas because of decreasing salary levels and increased cost of living. This led to the establishment of DesiCrew in 2005 as an incubatee of IIT-Chennai’s Rural Technology Business Incubator (RTBI). The company was established with a view to move jobs to people rather than the more commonly practiced method of moving people to jobs.

DesiCrew started operations by using the network created by the Indian government’s Common Service Centre initiative, which aims to set up one computer in each village across the country. Eight months into the project, though, the team realized the idea was struggling to take off. Security, professionalism and reliable infrastructure had become major bottlenecks. This failure however did not deter the team, they quickly zeroed in on franchise arrangement under which a franchisee was responsible for the infrastructure while DesiCrew brought in the work. Unfortunately this idea also failed to gain foothold as most franchisees expected a commitment on work before investing in them and the clients wanted to see an established unit before contracting work to the BPO. Saloni says of their journey to cracking the business model, “We worked for 1.5 to 2 years to set up the company – at the end of the two years, a different business model evolved. In the first two years, we had a couple of models that would have failed in the market. We needed to be more engaged and realized that we would make more money when we set up micro-centres in villages, assuming we maintained high service quality levels. It was a mindset change for people, but seemed to be a model that could leverage economies of scale.”

The solution they then arrived at following these trials was to set up BPO centres with an initial investment of US$55,000 to US$160,000 in each centre. Once the team decided to go ahead with this plan, DesiCrew Solutions was spun off as a commercial entity in 2007 with three
employees each in four units. DesiCrew commenced operations in Bhavani, a small village in Tamil Nadu.

The fledgling team struggled to get its first big client, during which time it accepted any work that came along. During this period, IIT Madras and Villgro had been very supportive and almost played the role of co-founders. They provided infrastructure, networks and capacity to build the company. DesiCrew took off in 2008-2009 when the individual units broke even and the company started making money.

**Establishing the DesiCrew Model**

The DesiCrew delivery model is a network of centres strategically selected across rural and semi-urban locations. Each centre is professionally run with a 25-seat facility working in 2 shifts to provide back-end services to global clients. Locations of the centres are identified in those territories with a population in the range of 10,000 to 100,000. DesiCrew currently has 4 centres including the headquarters at Chennai. The team at Chennai is not a core delivery team, but works on pilots and initial customer engagement. The organization has currently three broad verticals they work in – the Banking and Financial Services (currently only insurance but they want to expand to banks); New Media (internet, mobile telephony) and Enterprises.

DesiCrew has over the years honed its processes and systems to harness the potential of the large bank of rural graduates. It follows stringent recruitment processes - after the local contact person spots the talent locally, the resumes are sent to Chennai and the shortlisted candidates take an online test. This is followed by an HR interview before recruitment. Likewise, regular performance appraisals (every 6 months) are conducted. Says Manivannan, “We have made this an online process to ensure that these appraisals are regular. We have monthly performance metrics for all, we match performance versus targets and these are published. It has made the process transparent and visible.”

While DesiCrew began working on relatively small projects that had low risks with low returns, it has overtime managed to build a credible brand and retain some significant clients. As the organization took shape, Saloni built its management team as well. Says COO Manivannan: “I

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came on board with the objective of building stability into the set up so that we were sure about the next client, cash flows and could spend time in institution building.” On the one hand, he and his team had to work to build the talent pipeline while on the other hand, they had to create clear verticals and leadership for the same.

Creating this stability also meant that the DesiCrew team had to revisit price points for different verticals and match them against viability goals. They had to review their client portfolio, and decide to move away from smaller or less stable processes. Says Manivannan: “We had to forego some revenue but this was necessary to find our feet, and figure out what we should scale and what we should let go.” At the end of the exercise, DesiCrew retained 4-5 key clients which it plans to work closely with and scale up over the next 18-24 months. A few examples of clients that continue to work with them include a life insurance company, for whom they began with processing 2000 forms and today process huge volumes. Another famous internet company has retained their services for 3 years now, with consistent and high quality results, they have moved beyond simple data processing services for them.

DesiCrew’s work so far, has helped establish that rural BPOs can manage services beyond the low–end data entry/non time critical work. It has also significantly contributed to cost saving strategies for existing clients by reducing operation costs by 40%. Over time, say Saloni and Manivannan, they have also been able to attract some great talent at the middle and senior management levels. Rajiv Kuchhal invested in DesiCrew in 2008, and Manivannan joined as COO in 2009. The team is also getting on board a CFO soon.

Across the board, benefits of employment at DesiCrew are visible for employees and their families through the creation of computer based/ knowledge related jobs in communities where there are no similar jobs. The increase in income levels has provided basic sustenance and spiked investments in homes as well as higher education. Employees hold great pride in their work and the new skills they have acquired at DesiCrew, which has translated into higher confidence levels and greater aspirations for the future.
Speaking of the success they have achieved in building a brand, Saloni says “In 2007, we went from about 40 people to 350 people. In the last two years, we have seen an increasing trend of mid managers from established BPOs such as Daksh or IBM who want to work for us in the hope that they can work in their home towns. At DesiCrew, this helps us create a platform for future growth, and increase standards and also provide more evolved services as well as improve our internal processes.”

The Road Ahead

Since inception, DesiCrew has won many awards and recognitions. Recently they were awarded the BiD Challenge India award. Saloni Malhotra was awarded by FICCI Ladies Organization for best woman social entrepreneur. DesiCrew has over the years mastered the art of harnessing the latent potential of the large bank of rural graduates at the bottom of the pyramid to provide outsourcing solutions to Corporate India.

The initial years as Manivannan points out, were about survival. Having stabilized, DesiCrew is now looking at branding and positioning the organization. Recently one of DesiCrew’s rural centres was inaugurated by the IT Minister. Similarly, the Karnataka centre was inaugurated by the Vice-Chairman of Infosys. This helped step up the profile of the organization, and once people heard or read about it, they wanted to work there. The portfolio of top end clients also helps in bringing and retaining talent. Cost however, remains a huge challenge because inflation has had an impact on salary expectations. Battling the perception that a rural workforce will deliver lower quality work or will increase costs on account of oversight is another considerable challenge.

Future goals and plans include meeting and exceeding expectations on capital market related metrics, building the larger strategy for a financially viable model and geographical expansion to other states. As DesiCrew makes its journey to establish itself as one of India’s most reputed and largest rural BPOs, the team is working to address critical challenges to support their growth strategies. It continues to maintain its vision of taking jobs to people by streamlining their operations, identifying processes to deliver high quality work and recruiting a team that is rural in location but global in its vision.