

Financial firms will offshore more jobs in wake of economic crisis, says Everest

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Bangalore, Karnataka, September 25, 2008 /[India PRwire](#)/ -- In the medium-to-long term, the sub-prime crisis will accelerate global sourcing adoption as financial institutions push the envelope on offshoring to cut costs, according to the Everest Research Institute. The Institute predicts BPO (Business Process Outsourcing) from the financial services sector has the potential to increase 40-45 times the current market size over the next five years, with key drivers of growth coming from cost pressures and the timely advent of more vertical-specific offerings by offshore suppliers, according to the Institute's study, *Global Sourcing in Banking, Capital Markets and Insurance*.

Within five years, the Institute projects that the addressable opportunity for global BPO by the financial services sector will reach US\$145-165 billion for India-based services, the hub of global sourcing for financial services. The report also projects offshore BPO adoption in the insurance sector will grow 12-15 times during the same time period.

"The current financial crisis in the U.S. markets is accelerating interest across stakeholders to understand adoption trends and opportunity areas in offshoring, among other cost containment measures," said Nikhil Rajpal, Vice President, Global Services of Everest Research Institute. "Banks and other financial services firms are under significant cost-reduction pressure, which is why a large number of firms plan to reduce headcount in Western geographies and move jobs offshore."

The financial services industry, comprised of banking, capital markets and insurance, is the leading adopter of offshoring services and accounts for 40-45 percent of worldwide global sourcing.

Highlights of the study's analysis of vertical-specific BPO functions include:

- The largest untapped opportunities in banking are specialization in transaction processing, account servicing and credit card fraud management.
- Well-served functions in the capital markets sector that will continue to drive growth include business acquisitions, account servicing, investment operations, registrar and transfer functions, and fund accounting.
- The largest untapped opportunities in the insurance sector include policy servicing, customer service, finance and accounting, new business acquisition and claims processing.
- Most financial services companies are now sourcing BPO through captive units in India and the Philippines; however, third-party sourcing is also rising.
- Financial services buyers are constantly innovating and restructuring delivery models, the latest being a hybrid model where the back-end processes are migrated to third-party suppliers while complex, judgment-intensive functions are retained within the captive.
- To date, UK insurers are largest adopters of offshore BPO, suggesting significant growth opportunities exist for the U.S. insurance market that is three times the size of the UK market. The UK and U.S. insurance buyers currently employ almost the same number of offshore, third-party staff.

"The labor-arbitrage-driven offshore model has become a standard expectation for buyers who are now looking to achieve business and strategic impact beyond cost savings," said [Jimit Arora](#), Research Director and study co-author. "To achieve this, suppliers will need to continue to innovate and invest in technology, delivery footprint, and domain and process expertise. Additionally, suppliers will need to identify key focus segments to create successful differentiation in the market."

To read more about the findings of the [Global Sourcing in Banking, Capital Markets and Insurance](#) report, an extract is available at www.everestresearchinstitute.com. To purchase the report or receive more information about other research services, please e-mail info@everestresearchinstitute.com or call +1-214-451-3110.

Notes to Editor

About Everest Research Institute

Everest Research Institute serves as a central source of independent and objective strategic intelligence, analysis, and actionable insight for leading corporations, suppliers, technology providers, and investors in the global outsourcing and offshoring marketplace.

The Institute addresses both business process and information technology sourcing topics, providing the global outsourcing and offshoring community with information that empowers highly productive, sustainable sourcing strategies and relationships. The Institute's wealth of knowledge and experience provides unique perspectives into today's marketplace and the competitive edge required to take advantage of emerging opportunities.

Everest Research Institute is the research arm of the Everest Group (www.everestgrp.com), a global consulting firm with offices in such leading business centers as Dallas, New York, Toronto, London, Amsterdam, New Delhi, Melbourne, and Sydney. Everest Group has earned a worldwide reputation for ongoing innovation as it helps clients achieve maximum value from their operations including sourcing strategy and implementation.

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