

Report On

A study on retirement provident fund and future of BPO (Business Process Outsourcing) sector in Bangladesh.

By

Md. Asaduzzaman Nur

ID:21104130

An internship report submitted to the Brac Business School in partial fulfillment of the requirements for the degree of Bachelor of Business Administration (BBA)

Brac Business School (BBS)

Brac University

September 2023

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Declaration

It is hereby declared that

1. The internship report submitted is my/our own original work while completing degree at Brac University.
2. The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing.
3. The report does not contain material which has been accepted, or submitted, for any other degree or diploma at a university or other institution.
4. I/We have acknowledged all main sources of help.

Student's Full Name & Signature:

Md. Asaduzzaman Nur

21104130

Supervisor's Full Name & Signature:

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Assistant Professor, Brac Business School

Brac University

Letter of Transmittal

Dr. Najmul Hasan
Assistant Professor
Brac Business School
BRAC University
66 Mohakhali, Dhaka-1212

Subject: Submission of Internship report

Dear Sir,

I am delighted to inform you that I intend to submit my internship report for "Data Path Limited," which is an essential requirement for my Bachelor of Business Administration degree. All of the knowledge and experience I have gained as an intern at Data-Path Ltd. is contained in this report. I have learned more about the 401k industry as I have worked at Data-path. It would undoubtedly boost my self-assurance and motivation to continue working hard for my future development and growth.

I made a sincere effort to follow your instructions as I prepared this report. I truly appreciate your help because without it, I would not have been able to finish my paper. It would be extremely kind of you to accept my report and assist me in completing my degree.

Sincerely yours,

Md. Asaduzzaman Nur

ID: 21104130

BRAC Business School

BRAC University

Date: September 21, 2023

Non-Disclosure Agreement

This agreement is made and entered into by and between Data-path Ltd. and the undersigned student at BRAC University to conduct the internship report with an affirmation of not using any confidential or sensitive data of the company.

Acknowledgement

At this moment, I am feeling immense satisfaction as I conclude my report writing and study about the retirement plan of the USA and its impact on the Job Market in Bangladesh. I want to start by sincerely thanking my respected supervisor, Dr. Najmul Hasan, for his tight monitoring, encouragement, and concern for the timely completion of my internship report.

I also want to express my deep respect and gratitude to Ummay Tanzeem B. Ibrahim, my team leader, for her constant guidance during every aspect of my internship. I also want to extend my sincere gratitude to Md. Mazidul Islam, my assistant team leader, for continuously instructing me on American retirement plans. It was not even possible without the cooperation of my fellow colleagues. I am genuinely thankful to them for their steadfast support and consistent supervision. Their contributions have played a pivotal role in enabling me to gain priceless professional knowledge and experience. It has been a unique 4 months' work experience at Data-Path Ltd, where I have the opportunity to gather new industry knowledge as the process of learning is endless.

Executive Summary

My undergraduate career comes to an end with the completing of my internship report. Throughout the entire journey, I picked up many concepts, theories, and methods, but I wasn't aware of how they could be used in real life. The internship, however, offers the chance to apply that knowledge in a real-world setting. After finishing my internship at Data-Path Ltd, I now have the opportunity to obtain some practical experience. From there, I learned the fundamental principles of how the business world operates. By working there I realized the future of Bangladesh's BPO sector looks promising. With a young and adaptable workforce, cost advantages, and evolving technology, we already proved our capabilities. Otherwise, Foreign countries' projects like 401(k) plans would never keep their trust on us to get the job done. As a result, this steady growth of the BPO sector in Bangladesh indicates that we have potential to become a major player in the global BPO industry. The US government is committed to protecting the fundamental rights of its senior citizens by providing financial assistance and making necessary regulations. Employers are given guidelines by the IRS & DOL so that they can offer regular employees the required retirement benefits. In the USA, this is commonly known as a retirement 401k plan where employers offer a variety of benefits to employees so they won't have to worry about their financial situation when they retire. A Third-Party Administrator (TPA) company typically handles all aspects of planning and execution, and Data-path works for a TPA company called July Services. While working at Data-path, a BPO (Business process outsourcing) company the more I have learned about July services and other TPA firms, I've come to realize the significant scope of TPA businesses, especially with Data-Path excelling as a BPO and attracting more clients. So, the intention of the project was to identify the factors influencing the outsourcing industry and how can Bangladesh become the dominant force of the global outsourcing world in the near future.

Here is the summary of how I depicted my report. In the First chapter, I introduced myself and provided information about the company where I did my internship. I described the tasks I was responsible for during my internship and discussed what I learned from the experience. I also talked about how I improved my communication skills by being dedicated to the organization. Additionally, I shared some challenges I faced and offered suggestions for making the company

better. In the second part of the report, I gave a brief review of Data-Path Ltd. and provided an introduction to the company. I discussed the management practices employed by the company and conducted an analysis of the industry and its competitive landscape. In the third chapter, I outlined the report's background and objectives. I explained the methodology used, which primarily relied on qualitative research methods. To gather information, I used both primary and secondary sources, including training materials, interviews with company employees, the company's website, research papers, and documents. I also highlighted the importance of the issue. In this chapter, I presented my findings and analysis regarding 401(k) plans and the future of the BPO sector in Bangladesh. Finally, I provide recommendations across various aspects. In Chapter Four, I concluded the chapter by presenting my final conclusions.

Table of Contents

Declaration	2
Letter of Transmittal	3
Non-Disclosure Agreement	4
Acknowledgement	5
Executive Summary	6
Table of Contents	8
List of Tables	11
List of Figures	12
List of Acronyms	13
Chapter 1	14
Overview of Internship	14
1.1 Student Information:	14
1.2 Internship Information:	14
1.2.1 Period, Company Name, Department/Division, Address:	14
1.2.2 Internship Company Supervisor’s Information: Name and Position	14
1.2.3 Job Scope – Job Description/Duties/Responsibilities	15
1.3 Internship Outcomes:	17
1.3.1 Student’s contribution to the company:	17
1.3.2 Benefits to the student	17
1.3.3 Problems/Difficulties	18
1.3.4 Recommendations:	19
Chapter 2	20
Organizational Part	20

2.1 Introduction	20
2.2 Overview of Data-Path Ltd.	20
2.2.1 Origin of Datapath.....	20
2.2.2 Mission and Vision Statements	21
2.2.3 Core values.....	21
2.2.4 Company Objective.....	22
2.2.5 Key Partners	22
2.2.6 Organization Hierarchy:.....	23
2.2.7 Client Category and Service Offering.....	25
2.2.8 Departments of the Organization	26
2.3 Management Approaches at Data-Path Ltd.	28
2.3.1 Approach to Leadership:	28
2.3.2 Human Resource Strategy	28
2.3.3 Compensation Structure	29
2.3.4 Employee Learning and Skill Enhancement	29
2.4 Industry and Competitive Analysis	30
2.4.1 Industry Analysis.....	30
2.4.2 Competitive Analysis of the Industry.....	30
2.4.3 SWOT Analysis.....	32
Chapter 3	34
Project Part: [A Study on Retirement Provident Fund and Future of BPO (Business Process Outsourcing) sector in Bangladesh]	34
3.1 Background Information:	34
3.2 Objectives:	34
3.3 Methodology:	35

	10
3.4 Significance of the issues:	36
3.5 Findings and Analysis:	37
3.5.1 401(k) Retirement Plan	37
3.5.2 Categories of Defined Contribution Plans	38
3.5.3 How the 401(k) Retirement Plan Functions:	40
3.5.4 Market size of BPO in Bangladesh:	41
3.5.5 Services that are given by BPO companies in Bangladesh:	42
3.5.6 How BPO company are making impact on creating job opportunity:	42
3.5.7 Core factors that making influence on booming BPO sectors globally:	43
3.5.8 Factors that are influencing Bangladeshi market to become the leader in Outsourcing ..	44
sector:	44
3.6 Recommendation:	45
3.7 Conclusion:	46
References:	47
Appendix A.	48

List of Tables

Table 1: Student Information.....	14
Table 2: Organization Information.....	14
Table 3: Supervisor Information.....	14

List of Figures

Figure 1: Organization Hierarchy.....	23
Figure 2: Growth of Bangladesh BPO sector.....	41
Figure 3: Types of Work done by freelancers.....	42

List of Acronyms

IRS	Internal Revenue Service
DOL	Department of Labor
RK	Record keeping
ASC	Actuarial Systems Corporation
BPO	Business Process Outsourcing
TPA	Third Party Administrator
HCE	Highly Compensated Employees
NHCE	Non-Highly Compensated Employees
ERISA	Employee Retirement Income Security Act
IRC	Internal Revenue Code
RPF	Retirement Provident Fund
ACP	Average Contribution Percentage
ADP	Average Deferral Percentage

Chapter 1

Overview of Internship

1.1 Student Information:

Student Name:	Md. Asaduzzaman Nur
ID:	21104130
Program:	Bachelors in Business Administration (BBA)
Major:	Computer Information Management (CIM)
Minor:	Accounting

Table 1: Student Information

1.2 Internship Information:

1.2.1 Period, Company Name, Department/Division, Address:

Period:	15.05.2023 to 15.09.2023
Company Name:	Data-Path Ltd.
Department:	Business Process Outsourcing (BPO)
Address:	Ambon Complex, 13 th & 15 th Floor, 99 Mohakhali Commercial Area, Dhaka-1212, Bangladesh

Table 2: Organization Information

1.2.2 Internship Company Supervisor's Information: Name and Position

Supervisor Name:	Ummay Tanzeem B. Ibrahim
Position:	Team Leader, BPO.

Table 3: Supervisor Information

1.2.3 Job Scope – Job Description/Duties/Responsibilities

I received training on the American Retirement Plan Fundamentals at the very start of my internship period so that I could familiarize myself with the industry I would be working in. The two weeks of my training focused exclusively on the content covered in the "Retirement Plan Fundamentals" book. After successfully completing the training sessions and exams, I was assigned to the "Business Process Outsourcing (BPO)" department. When compared to July Business Services, the BPO department prioritizes its clients. The department is unique in that the great majority of its employees work for July Business Services. My responsibility at Data-Path Ltd. required me to complete a number of steps, which are briefly explained below:

- **Collecting of reports-**

The following information are typically provided by the plan sponsor or client to a retirement plan expert to carry out the year-end administration:

- ➔ Employee Census
- ➔ Financial data / Investment summary.
- ➔ a copy of the Annual Return Report 5500 form from the previous year.
- ➔ More information about the plan's sponsor.

- **Plan Document Analysis and Plan specification update-**

I received instructions to review the plan document, as it serves as a manual guide for processing the plan once all the required documents are obtained from clients. The plan document additionally clarifies the way participants could be eligible in plan benefits and their eligibility terms. After reviewing the plan document, the specifications should be updated in the ASC software. Therefore, in order to properly process the plan, each point made in the plan document needs to be carefully examined.

- **Census Check & Import-**

Following a successful analysis and update, we assemble an employee census provided by the plan's sponsor and compare it to prior year data; if any inconsistencies are discovered, we promptly notify the client and request further instructions. Then a few

manual Logical checks are conducted to see if everything complies with IRS regulations. Finally, the data is imported into ASC Software.

- **Calculating Contributions-**

After the census has been successfully imported, we calculate the contributions the employer wants to make in accordance with IRS guidelines.

- **Testing-**

We typically need to perform compliance tests after calculations. However, the three main forms of testing required for a plan to pass all other essential compliance tests are ADP/ACP testing, general non-discrimination testing, and top-heavy testing. To distinguish between highly compensated and poorly compensated employees, we test. ASC software is used to conduct the testing mentioned above.

- **Trust Reconciliation-**

At year's end, trust accounting provides an overview of financial activity for the overall plan. To put it simply, this fulfills the need for year-end financial statements for the client, auditor, and government filings.

- **Valuation-**

We carry out valuation following trust reconciliation. ASC imports all financial data for market-invested funds after compiling it from multiple investment summaries. Gains, losses, charges, and any other revenue from the invested funds in the account are included in this information.

- **Government Filings-**

After valuation, we prepare many governments filing documents, including the 5500-SF/EZ, 8995-SSA, and Form-5558.

1.3 Internship Outcomes:

1.3.1 Student's contribution to the company:

I feel that my contribution to the organization as an intern is modest. Nonetheless, I made every attempt to assist the organization. In addition, I am convinced that my supervisor and assistant team leader are pleased with my work. So far, I've worked on a number of living plans. A live plan incorporates all of the steps discussed in Job scopes.

1.3.2 Benefits to the student

- **Professionalism:** For me Data-Path is the first organization where I came into access to an actual organizational setting, and I have learned so much in terms of skills and professional manner, I am amazed by their internship program. Therefore, I have gained insight into how a real meeting is run and how one should interact with their management and colleagues. I have learned a lot of aspects of group working. Now I know how it's more important to rise together as a team rather than just by myself. I now understand how crucial it is for everyone in a team to be aware of each other's strengths and if any member of any team is lacking behind then it would create a great impact to the whole team as well as the organization. So, I have received training on how to treat my teammates with respect and how to assist someone in need without compromising my own work. Again, I would like to add that I have been closely with the team leader and in data-path we have to report to our team leader regularly about our workings and I have learned a lot from my team leader.
- **Excel prowess:** Data-Path Ltd. strongly relies on Microsoft Excel, so I get the opportunity to pick up advanced Excel skills. During my four-month internship, I am learning a lot about how to use Excel more effectively and efficiently.
- **Cope with pressure:** Due to the US fiscal year and other IRS deadlines, there is constant pressure on Data-Path Ltd. to complete plenty of work in a short period of time. Hence, this puts a new strain on my ability to work hard under extreme pressure. My Team

Leader gradually increased the pressure on me, allowing me to devise ways to deal before it became too much. Thus, this has allowed me to be more flexible and agile, even when under extreme stress.

- **Time Management-** Here, I picked up a lot of time-management and punctuality skills. In the data-path, time is everything, and we are all required to meet our deadlines every day. We are aware that if you are unable to complete your task within the allotted time, it will negatively impact the other team members. So, it is clear that there is no chance of error or being late in this situation. I have therefore gained experience and discovered how to be more reliable and precise in my work. Therefore, it was a useful lesson for me.
- **I have learned how to take criticism positively:** While working on Data-path I have learned that there is no place to take any kind of criticism positively. No matter how much effort we devote to a task, we cannot be perfect all the time and mistakes are possible. I discovered these things from my team leader and other senior colleague. They have taught me how to be more tolerant and open to criticism of any form. At first, when I put a lot of effort into anything and noticed that I was getting criticized again, I felt frustrated and not feeling motivated. However, as time went on, I developed more hospitable attitudes, which made it much easier for me to join in the sharing of new ideas without hesitation.
- **Accountability:** Data-Path Ltd. also taught me the value of taking responsibility for my job. Usually, the company's upper management holds the intern's team leader accountable when they make a mistake. My job and actions, however, were solely my responsibility. Consequently, my work became more accurate, and I developed a sense of responsibility.

1.3.3 Problems/Difficulties

Although my experience with data-path is going well, there are still certain issues that annoy me. I'll now talk about several issues that I personally have found to be challenging.

- **Lack of Work-Life Balance:** It was tough for me to establish a balance between my personal and professional lives while working at Data-Path. Even as an intern, I understood that work consumed the majority of my time.
- **Slow internet system:** Data-path conducts its remote working operations using VPN. As they must present on a US server, they must once more work while doing so. Occasionally, the PC will hang, and the IT team must resolve it. Additionally, due to the server issue, the entire work process has come to a stop which I have found to be very problematic.

1.3.4 Recommendations:

1. Improve their internet connections: Datapath could enhance their internet connectivity because the company is entirely dependent on internet connections and doing so will increase productivity and efficiency of the company. Additionally, employees will be much less irritated by connectivity problems.
2. Datapath should work to enhance their expansion tactics. Before growing quickly, better pre-planning helps ensure a better expansion with the best rates of return.
3. During my internship at Data-Path, I observed that while the entire organization focused on 401k plans, each team had its unique approach and worked with different software systems for their respected clients. As an intern, I received fundamental training on 401k plans, but after being assigned to a specific team, I found the workflow challenging to grasp because it varied between teams. Additionally, working directly with a live plan appeared daunting. It could be advantageous for both the organization and interns if each team could provide one week of training on their specific workflow and develop a demonstration software instead of using live software. This approach would facilitate a smoother integration for interns and be beneficial to the organization as a whole.

Chapter 2

Organizational Part

2.1 Introduction

When seniors are unable to work and support themselves, retirement plans are meant to help. Similar to the 401(k)-retirement plan utilized in the United States, Bangladesh likewise offers a retirement program known as the provident fund. However, the 401(k)-retirement plan is substantially more advanced and sophisticated than Bangladesh's Provident Fund.

The 401(k) Retirement Plan is a well-organized retirement initiative created in collaboration with the IRS, DOL, and ERISA to support American retirees. This program not only assists individuals in saving for retirement but also facilitates the growth of their savings by investing in the economy, thereby benefiting retirees and the overall economic landscape. To ensure security, organizations are prohibited from managing their own 401(k) plans; instead, third-party entities known as TPAs are responsible for administration. Currently, it is mandatory for every employer in the USA to offer a 401(k) plan to their employees. Moreover, due to the intricate and highly detailed regulations governing these plans, it is exceedingly difficult, if not implausible, to misuse retirement funds for personal gain within the boundaries of the law.

2.2 Overview of Data-Path Ltd.

2.2.1 Origin of Datapath

Datapath Ltd. functions as the backend hub for July Business Services, a TPA situated in the United States. While July Business Services oversees all other aspects of its operations, Datapath is responsible for managing the operational tasks. Back in 1994, John Humphrey and Jim Hudson founded what is today known as July Business Services, initially operating under the name "Texas Pension Consultant." Presently, July Business Services oversees assets exceeding \$6 billion, serving more than five thousand clients and 120,000 plan participants.

In 2008, Jim Hudson and John Humphrey, in collaboration with Ashfaqr Rahman, established Datapath Ltd. Prior to this, all operational functions were managed at the U.S. office. In its initial

stages, Datapath had just six employees who received training from John Humphrey and Jim Hudson. Over time, it expanded its operations and assumed responsibility for handling July's operational tasks. In 2015, the company made the decision to offer its resources to other TPAs in need, which was welcomed by many TPAs in the United States as an outsourcing opportunity. Today, Datapath not only functions as the operational center for July Services but also runs a BPO department that provides support to more than 20 other TPAs.

2.2.2 Mission and Vision Statements

The Mission is to successfully service the clients with the aid of cutting-edge technology.

The two pillars of Datapath Ltd. are transformation and innovation. On the other hand, The Vision of this business is to become the industry leader in outsourcing. to develop into a next-generation business process outsourcing company from a traditional one.

2.2.3 Core values

The core values of the corporation encourage activities within the organization that guarantee the accomplishment of the mission, vision, and goals. The following are the organization's core values that serve as crucial success factors:

- Accountability
- Success Celebration
- Commitment to Excellence
- People-oriented commitment
- Innovative solution
- Successful communication
- Accept diversity
- Concentrate on proactive solutions.
- Integration of high-quality service
- Positive frame of mind
- Results-focused change
- Teamwork
- Technical competence

2.2.4 Company Objective

Organizations create objectives to help them accomplish their goals, and Data-Path Ltd. has done the same for the business. These objectives are:

- Acquire knowledge of applications for managing retirement plans, such as ASC and Relius. Data-Path Ltd. presently allocates licenses to individuals and accesses these applications through remote desktops provided by their clients.
- By 2025, increase the yearly number of TPA corporate clients from 30 to 40.

2.2.5 Key Partners

Both Datapath and July Business Services share the same strategic partners as the operating office. Some partners are chosen by July Business Services, while others are acquired by Datapath. In any case, all key partners are considered assets because they have a significant impact on how quickly we can reach our objectives.

1. The most significant category of partners for Datapath Ltd. must undoubtedly be other TPA clients. Make the initial TPA decision to contract with a foreign country for plan processing. For July Business Services, this was a tremendous success. But traveling abroad is very expensive both in terms of time and money. When July realized they had the personnel and resources to provide a service on par with other TPAs, they jumped at the chance. The BPO department of July Business Services and Datapath alone currently employs over 100 employees and brings in the most money. This was only possible thanks to our devoted and valuable customers who not only used our services but also spread the word about them, assisting in our rapid growth.
2. Companies that keep records of retirement plan accounts are called record keepers. Record keepers keep track of reinvested gain/loss, fund contribution withdrawals, and other transactions. For the management of retirement plan funds, they operate like specialized banks. According to the law, all funds must be maintained at RK's to ensure

security and accountability. TPA companies oversee the retirement operations and keep track of all monies while the actual money is stored with RKs. Datapath collaborates closely with the following RKs:

- John Hancock
- Charles Schwab etc.
- Mass Mutual
- American Funds
- Ameriprise

These RKs send us statements that let us monitor all financial activities for each account. For the benefit of the company, keeping a tight contact with them has been really helpful. Without their well-integrated teamwork, our job as a TPA would have been considerably harder and more challenging.

2.2.6 Organization Hierarchy:

The organizational structure is the same across all departments at Data-Path Ltd. An Assistant General Manager oversees each Department and reports to the general managers of the business. We have an Assistant General Manager who is in charge of multiple Team Leaders under each department's A.G.M. Underneath the team leaders, we have Senior Executives, Executives, and Trainees.

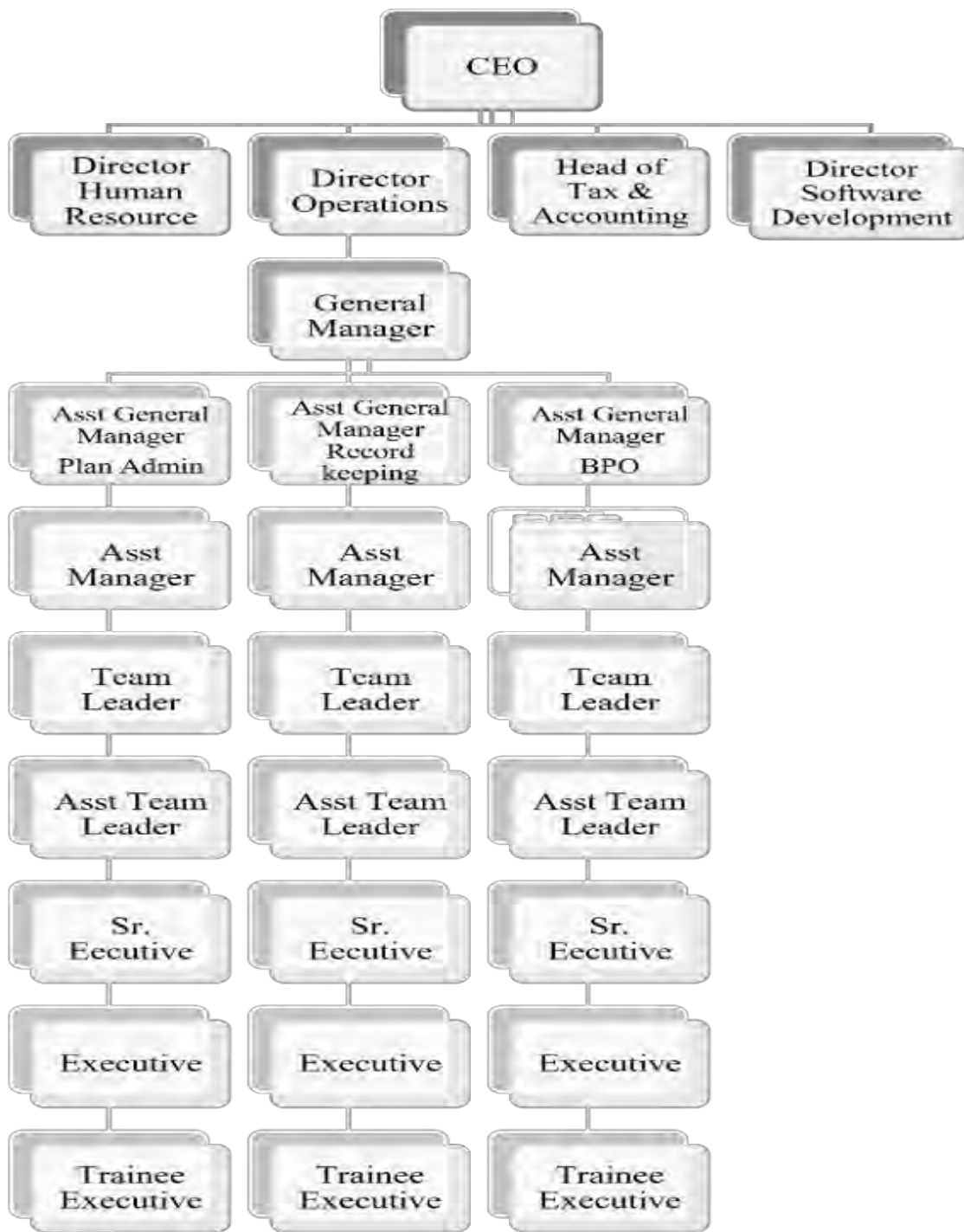


Figure 1: Organization Hierarchy

2.2.7 Client Category and Service Offering

Datapath began as an operational arm of July Business Services, but its major goal now is to outsource its abilities. The TPAs in the USA who require affordable and dependable retirement plan processing are Datapath's target clients. Datapath is currently working with Twenty different TPAs, which includes July Business Services.

Datapath Ltd. provides customers with an extensive array of Plan Processing services. Clients have the flexibility to choose individual services, a combination of services, or opt for our complete suite of offerings. Below is a list of the services we offer in the sequential order for processing a retirement plan.

- **Plan Design:** Initiating a 401(k)-retirement plan starts with the crucial step of plan design. Employers engage with our New Business Team, where they receive comprehensive guidance regarding the intricacies of a 401(k) plan. This session typically serves as a consultation for individuals seeking to establish a retirement plan but require assistance in understanding the process and necessary steps.
- **Plan Setup:** Once a client is prepared to initiate a new plan, all details are thoroughly documented and formally approved. The following steps comprise a complete plan setup.
 - ➔ **Paperwork:** Client preferences and requests are recorded in a form and securely stored, documenting their desired specifications and chosen methods. The initiation of a service agreement between Datapath and the client commences upon the signing and verification of this document.
 - ➔ **Plan Setup and Transfers:** Datapath offers an extensive range of services, catering to all the requirements of a plan coordinator, whether they are initiating a new plan or transitioning to a different Plan Administrator. These services encompass tasks such as enrollment coordination, contribution submission, asset transfers, and more.
- **Plan Administration:** The primary services that Datapath provides are through its Plan Administration team, which includes a number of industry specialists and knowledgeable 401(K) advisors.
 - ➔ **Plan Processing Services:** Datapath provides complete plan processing services to its clients. Customers have a range of options, including operations for determining eligibility, allocating contributions, determining vesting, processing loans, and distribution.
 - ➔ **Non-Discriminatory testing:** One of the primary concerns that the IRS has placed a significant emphasis on is ensuring non-discrimination within 401(k)

plans. As a result, each strategy must pass strict compliance testing. Datapath provides comprehensive testing support, including follow-up help. We offer services that encompass Top Heavy testing, ADP/ACP testing, Minimum Coverage testing, and comprehensive non-discriminatory testing.

- ➔ **Tax Compliance:** Every 401(k) plan is required to undergo tax filing, and Datapath is here to manage all filings associated with 401(k) plans. Datapath provides Forms 5500, 1099-R, and 945.
- ➔ **Record Keeping:** Datapath and July Business Services are offering this as a new service. The 401(k) plans' account administration entities are known as Record Keepers. Our service provides dedicated access to plan processors, quarterly statement publishes, and daily valuation.
- **Individual Plan Processing:** Typically, companies or organizations fund the majority of 401(k) plans. However, Datapath also serves people who own independent firms or family businesses and wish to keep their 401(k)-retirement plan in place.

2.2.8 Departments of the Organization

The departments currently functioning in the company is as follows:

- **Accounting Department:** Accounting and financial support for Datapath is provided by the accounting department's teams. This department handles a range of issues, including billing for all work done in other branches, stock statistics, employee remuneration, monetary assertion, and so on. This department is critical to the organization since it provides smooth workflow output.
- **Distribution Department:** The distribution department generally works on disbursement, which means that they distribute money to all participants who are entitled to receive a particular amount of money per IRS standards.
- **Plan Documentation Department:** Plan documentation is a delicate and serious task that must be completed. The plan documentation contains all the information that might be required to complete the plan process. Such plan documents are maintained by Data-Path's ERISA department. Any plan document typically has 40 to 41 pages, and this department keeps track of whether all active plans have been processed in accordance with plan documents.

- **Workflow 5500 Department:** Each plan comes with a document titled "Form 5500". Every plan is typically obliged to submit an annual report for the purpose of filing with the government, in which they may see all of the assets and contributions in their plan. Thousands of business Form 5500s are prepared and submitted to the appropriate authorities by this department each year.
- **Department of BPO:** The department, which is also known as the business process outsourcing department, is in charge of supervising and coordinating each stage of the management and valuation of retirement plans. This division is free to collaborate with other TPA services. Each team that makes up this department collaborates with various TPA by offering a variety of services such as arranging surveys, plan processes, accommodations, and so on. More than 20 TPA services based in the USA are now assigned to the department.
- **Department of Record keeping:** Every plan and operation associated with a plan is monitored by the record keeping department. This division also keeps tabs on the flow of funds for the July services.
- **Department of sales:** To acquire new customers for the company, a TPA firm needs to communicate with two different types of authorities. These are the financial advisors and the plan sponsors. The two of them serve as the main customers and sources of revenue for TPA businesses. In order to perform the task and maintain the necessary relationship located in the USA, the data-path sales department collaborates with these two parties.
- **Department of Human resource management:** Any organization must have a human resources department because it directly affects how profitable the business is. The internal HR department at Data-Path Ltd. is in charge of finding qualified employees, managing their resources effectively, and keeping them on staff. The HR department monitors all employee activity and is in charge of managing tasks including payroll administration, performance reviews, conflict resolution, and other HR-related duties.
- **Department of IT** Data-Path Ltd. the IT department is regarded as critical because the majority of operations are managed via remote access. For uninterrupted contact with clients and other TPAs, a stable network connection is essential. The IT department effectively manages the functionality of the company's necessary gear and software. Department of New Business/Installation. The New Business section enters and double-checks all of the facts into the database. All of the records are available in Data-Path's income area.

- **Department of software:** All heavyweight software is required to conduct all data-path tasks, and this software requires a variety of maintenance. So, data-path established this department so that their staff could devote their time to developing the software required by data-path while also ensuring the smooth operation of the company.

2.3 Management Approaches at Data-Path Ltd.

2.3.1 Approach to Leadership:

Data-Path Limited manages its affairs democratically. This is done to improve decision-making accuracy and speed up problem-solving. Every time a team runs into a problem or gets stuck, the issue is shared with the entire team. Many answers to an issue can be easily found because everyone tackles problems differently and approaches their solutions using various methodologies. At Datapath, we encourage a culture of teamwork where every team member relies on one another in various capacities. As a result, the teams work well together and take decisions as a group, further demonstrating the democratic nature of the management. Due to the fact that most decisions are made based on everyone's input, this approach reduces disagreements. so, decision-making may take some time due to the nature of the chosen leadership approach, however, the results are typically correct.

2.3.2 Human Resource Strategy

Datapath is unable to hire experienced personnel due to the nature of the jobs available. They primarily recruit interns and invest in their training, ultimately offering them full-time positions within the company. However, there are exceptions for the IT, Software Development, and HR departments, which have the flexibility to hire experienced professionals rather than relying solely on interns. Furthermore, they exclusively bring on new employees when there is a specific need for their services. Their recruitment method

differs slightly from that of most organizations in Bangladesh in that they hire for analytical and computer technical skills. The most important criterion in recruiting is the applicant's desire to remain with the company for a long period. Because most interns only receive training for the duration of the program, Datapath must invest in people who will stick with the company and repay the investment made during this time.

2.3.3 Compensation Structure

At Datapath, our compensation structure relies on annual performance evaluations, which result in salary increases starting from a foundational wage for each job category. Within each category, there is a set base salary that applies to all employees, and this base salary is reevaluated and adjusted annually based on the employee's performance, serving as their compensation for the upcoming year, and so forth. While an employee's initial base pay is 28000 BDT, interns only receive an allowance of 10,000 BDT. Additionally, employees receive bonuses every quarter based on their productivity and job quality. Typically, evaluations are based on how productive and efficient an employee has been over the course of a year at work.

2.3.4 Employee Learning and Skill Enhancement

Within Datapath, every task is a learning opportunity due to the nature of the work. Everyday challenges and problems force people to find fresh approaches to solving them. However, all employees receive the same initial training because the DOL and IRS have established the fundamentals as guidelines. Employees are typically simply taught the skills necessary to finish the tasks assigned to them by their team. While it may result in some skill development gaps, this approach prioritizes the swift completion of tasks. Moreover, Datapath utilizes training sessions and examinations to educate its staff when specialized training is needed for a new client or a previously unexplored subject.

2.4 Industry and Competitive Analysis

2.4.1 Industry Analysis

Datapath Limited is a company in our nation's outsourcing sector. Companies from the USA typically outsource their work to nations with lower labor to reduce costs. Due to its complexity and diversity, the US retirement plan industry requires highly qualified workers to function successfully. Due to the job's extreme difficulty, it was a high-paying position in the USA. Because a lot of TPAs outsource their operations to other locations. The first of two outsourcing companies in Bangladesh to provide capabilities for processing retirement plans is Datapath Ltd. In this sector, Datapath has the most customers in Bangladesh. The outsourcing sector is a dynamically expanding one. especially the outsourcing of retirement plans. Americans are saving and spending more in retirement plans as a result of the recent pandemic, making it one of the most lucrative outsourcing services available at the moment. Datapath alone secured five clients in a single year, which was unheard of before. Bangladesh has access to a \$1 billion TPA market that has the potential to create millions of new employments.

2.4.2 Competitive Analysis of the Industry

We can measure the level of rivalry in Datapath Ltd.'s industry by using Porter's Five Forces model. While Datapath is part of the larger Outsourcing business, it focuses on a very narrow subset known as the Retirement Plan Processing Segment.

➔ **Industry Rivalry:** Fin Source is the exclusive company that rivals Datapath Ltd. It was established by a collective of former Datapath employees. Datapath has an advantage over Fin Source in every conceivable field because they were the early adopters of this sector. There is no other company in the market that competes with Datapath but them.

- ➔ **Potential Of New Entrants:** It's challenging to break into the retirement outsourcing sector. This industry requires a sizable number of highly skilled workers. Furthermore, due to the industry's direct ties to the US economy, it is tough to find qualified workers already employed, necessitating lengthy and intensive training sessions to prepare the necessary personnel. Due to the remote nature of all operations and the extremely sensitive nature of the handled data, a large initial expenditure is needed to construct the infrastructure. The last and toughest obstacle to overcome is earning the trust of other Third-Party Administrators (TPAs).

- ➔ **Power of buyers and Suppliers:** The interaction between purchasers and suppliers in the 401k outsourcing industry is not particularly apparent. Due to the fact that they give Datapath the job, TPAs themselves are both suppliers and consumers as they pay for the services they obtain. For keeping balance in the power dynamic between buyers and suppliers is totally dependent on outperforming competition and keeping strong relationships with both sides for a company like Datapath.

- ➔ **Threat Of Substitutes:** At the moment, the software could be dangerous. Technological advancement, specifically software, is one of the most serious threats to this particular outsourcing industry. A lot of software developers are working to create a tool that can create a whole RPF plan from scratch. Anyone with an elementary knowledge of the industry can utilize this program. Apart from that, there is no threat to this industry. Many industry experts, however, believe that because these plans are unique to each scenario, even software cannot replace human intervention.

2.4.3 SWOT Analysis

- **Strengths**

- ➔ Secured software and IT services provide end-to-end encryption for the organization's processes.
- ➔ Since the industry is relatively new in our country, there are fewer competitors.
- ➔ The company offers cheap services, which gives it an edge over other third-party administrators in the US.
- ➔ Sustainable business growth is evident through a number of key success factors.
- ➔ Earning foreign currency for Bangladesh.

- **Weaknesses**

- ➔ There is a lack of direct communication between the organization and the business clients.
- ➔ Since this is a relatively new industry, large-scale research and development investments are necessary.
- ➔ Employees must be trained from the ground up, which is a labor-intensive and cost-intensive process.
- ➔ There is a lack of promotional activities.

- **Opportunities**

- ➔ The company has a lot of growth potential and plans to create a lot of jobs in the next couple of years.
- ➔ As more organizations become familiar with these service needs, it has the capacity to expand its reach into new geographical areas.
- ➔ It also offers opportunities to build relationships with other companies and enhance their competitive advantage.

→ The company's workflows are heavily influenced by the US economy

- **Threats**

→ Clients aren't obligated to make promissory transfers to other third-party managers, which is pretty common.

→ The operational effectiveness of the organization is entirely dependent on third party contractors in the United States.

→ More and more people are getting into the outsourcing business because of the latest technology, so there's a good chance of new people entering the market.

→ Since it is not a well-known service industry in the country, the scale of local operations is relatively small for the company.

Chapter 3

Project Part: [A Study on Retirement Provident Fund and Future of BPO (Business Process Outsourcing) sector in Bangladesh]

3.1 Background Information:

Bangladesh has undergone a rapid technological and digital transformation over the last decade. The government has actively worked to ensure widespread internet access for all citizens. Furthermore, the government has encouraged the country's youth to participate in outsourcing through a variety of free seminars and events. As a result of these initiatives, Bangladesh's Due to the growth of the business process outsourcing (BPO) industry, the nation is now the second-largest supplier of online labor. The Oxford Internet Institute estimates that there are currently 500,000 people working in Bangladesh for BPO companies as part of the outsourcing industry. This has contributed to the country's annual revenue of around 100 million dollars from the BPO and freelancing sectors. The purpose of this report is to highlight the numerous opportunities available in the outsourcing sector and to identify the key factors that have stimulated its growth in Bangladesh. By demonstrating these factors, it hopes to help individuals understand how they can benefit from the country's growing outsourcing sector.

3.2 Objectives:

This study's main goals are to present a broad overview of the American retirement planning industry and in-depth information of Bangladesh's outsourcing industry and its impact on the country's employment crisis. The specific objectives of the research are given below:

1. Investigate the part that BPO companies play in providing opportunities for individuals to become financially independent.

2. Identify and analyze the major elements that contribute to the remarkable growth and expansion of the BPO sector in Bangladesh, exploring both internal and external drivers.
3. Examine the elements that have a negative impact on BPO companies in Bangladesh, such as possible obstacles, barriers to growth, and any negative effects on the labor force or the economy as a whole.
4. In order to maintain and improve the sector's excellence and competitiveness, highlight critical issues and potential roadblocks faced by the outsourcing sector, particularly the BPO industry, and provide recommendations to overcome these obstacles.

3.3 Methodology:

Study Design: This study has two main areas of focus. Firstly, it looks at the American retirement planning industry, providing an overview. Secondly, it explores Bangladesh's BPO sector, specifically how it helps address the country's employment challenges.

Research Participants: The survey respondents primarily consist of employees working at Data Path Ltd. These employees hold various positions within the organization, such as Team Leaders, Assistant Team Leaders, Senior Executives, Executives. Additionally, I included employees who work in the BPO department and are willing to participate in the study.

Sampling Method: I conducted in-depth interviews to gather information for my research. These interviews exclusively involved employees working in the BPO department at Datapath. I organized the employees into different groups based on their gender and the amount of time they had been with the company. If they belonged to the specific categories required for my study, I conducted interviews with them, which typically lasted around 20 minutes. I developed a list of questions to ask during these interviews in order to gather the data I required for my report. I conducted 15 employee interviews as part of my study.

Data Collection Method: The main source of data was the employees of the Data-Path BPO department, and this data was obtained directly from the respondents through in-depth interviews.

Data Analysis Method:

The analysis of the study primarily takes a qualitative approach. As previously mentioned, the data was collected through in-depth interviews, thus leading to a qualitative analysis.

Overall, in order to successfully complete this study, primary as well as secondary sources of data have been skillfully incorporated.

❖ **Primary Data:**

1. First-hand conversations and interviews with the manager and other senior employees.
2. Self-experience gained from the assigned tasks.
3. Data and information gathered from the initial training program on “Retirement Planning Fundamentals (RPF)”.

❖ **Secondary Data:**

1. Information gathered from Data-Path Ltd. And July Business Service website and databases.
2. Through different websites regarding BPO company
2. Newspapers and online journal
3. Digital archive of BPO companies.

3.4 Significance of the issues:

The business process outsourcing sector is expanding steadily in Bangladesh. The main motivation behind this is to increase an organization's profit by using services from other nations that specialize in providing cheap labor. The goal of the report is to give a thorough overview of the BPO industry in Bangladesh as it stands right now and what needs to be done to make it a leader in South Asia. Due to the large number of educated but jobless youth in Bangladesh, the

report emphasizes the need to explore outsourcing as a solution to address the job crisis in the country. By prioritizing and supporting this sector, there is potential for it to become a transformative force for Bangladesh's economy.

3.5 Findings and Analysis:

3.5.1 401(k) Retirement Plan

As I am working at Datapath and consulting with my team leader and also other colleagues, now I am able to gain a comprehensive understanding of United States retirement benefit plans. There are two main types of plans: i) Defined Benefit Plan ii) Define Contribution Plan

- **Defined Benefit Plan:** A plan with defined benefits and a plan with defined contributions are not the same thing. In a defined contribution plan, the funds assigned to the participant are distributed over a specified duration according to established rules. Conversely, in a defined benefit plan, there is a guaranteed amount provided at retirement, with gains and losses being calculated and assumed based on this amount. Moreover, the participants are paid out over time and don't get the money all at once. It's also called a life annuity because it provides a steady income for a retiree. Also, keep in mind that these plans don't keep any money in an account, so the amount doesn't have any real money in it. Instead, it's tied to a bond or contract that guarantees the money to the person receiving it.
- **Define Contribution Plan:** The second type of retirement plan available in the United States is known as a defined contribution plan. Currently, it is the most popular and widely utilized retirement plan in the country. The defined contribution plan operates based on contributions, where both the participant and their employer contribute specific amounts towards the plan's savings. These contributions adhere to the guidelines and regulations set forth by the IRS and DOL. Each individual maintains their own account, where funds are deposited in accordance with the plan's requirements and specifications. The funds deposited in these accounts can be reinvested in the capital market with the

aim of increasing their value. However, it's important to note that participants themselves bear the risk associated with potential investment losses.

3.5.2 Categories of Defined Contribution Plans

A variety of defined contribution plan types have been established to meet the varying needs of different companies and their specific requirements. These plan types specify acceptable contributions. There are the following plan types available:

1. Standard 401(k) Plan
2. A Profit-Sharing 401(k) Plan
3. A Safe Harbor 401(k) Plan

Standard 401(k) Plan:

The most common plan is the 401(k)-standard plan, often known as the Salary Deferral Plan. Certain types of contributions are specifically allocated to this type of plan. The main one is the salary contribution of the participants. This plan allows the following types of contributions:

- **Elective Deferral:** The contribution made on behalf of the employee is commonly known as an "elective deferral" and is subject to an annual limit determined by various indexes. In the year 2022, this limit stands at 100% of an employee's compensation, equivalent to \$20,500 per year. Contributions from this section are subject to taxation upon withdrawal because income taxes are not deductible when the contribution is funded from a participant's salary. Additionally, there exists a slight variation known as a "Roth Deferral," where the money contributed to the retirement account is taxed before receipt, and withdrawals from the account are also tax-exempt. This type of contribution offers the beneficiary a tax advantage, as they are not taxed on the gains earned in the capital market. Lastly, individuals nearing retirement age, typically defined as 50 years old (as determined by the IRS), are allowed to contribute an additional \$6,500 on top of the standard limit of \$20,500. Similar to the deferral limit, this extra contribution amount is adjusted on an annual basis. This additional contribution option is provided to older employees to support them in saving more effectively for retirement.

- **Matching Contribution:** Within the 401(k) plan, apart from the participant's personal contribution, employers have the option to make additional contributions as an added benefit. The employer's matching contribution is often referred to as an "elective contribution." Similar to all contributions, there are specific eligibility criteria that must be satisfied before an employee can receive this contribution. An elective contribution represents an employer's financial contribution that aligns with an employee's own contributions. Employers have the flexibility to establish matching formulas to determine the extent of their contribution. For instance, if an organization employs a formula that permits employees to contribute up to 10% of their compensation, this means that if an employee earns \$1000, they would receive a \$100 matching contribution. Both the employee's contribution limit and the matching percentage can be adjusted to accommodate individual preferences. Additionally, a tiered formula can be implemented to provide a more detailed breakdown of contribution levels.
- **Non-Elective Contribution:** Finally, as the name implies, this is a type of contribution that does not necessitate any contributions from the participants. The employer may provide a fixed sum or a certain percentage of a contribution based on the employee's compensation. As high-level employees and owners typically receive higher compensation than less well-paid employees, this form of contribution is typically subject to nondiscriminatory testing. Any organization may choose to employ this form of contribution, but if they do, their retirement plan must meet strict nondiscrimination standards.

A Profit-Sharing 401(k) Plan:

Profit-sharing plans are designed with the objective of recognizing employees by granting them a share of the company's profits. The calculation of the amount earmarked for a profit-sharing plan can be approached in two distinct methods. Firstly, it can be linked to compensation, where the employer designates a fixed sum for each employee, proportionate to their respective compensation. Alternatively, the employer can establish a percentage of each employee's compensation as the basis for their fund allocation. In a profit-sharing plan, the business or

organization retains the discretion to contribute to the plan contingent on its financial performance, and it also possesses the flexibility to choose not to contribute at all.

A Safe Harbor 401(k) Plan:

Safe harbor retirement plans share similarities with regular 401(k) plans, differing primarily in the contribution structure. In safe harbor plans, employees make safe harbor matches instead of receiving employer matching contributions. Notably, these safe harbor matches are 100% vested, meaning employees don't need to meet any requirements to access these funds. The implementation of a safe harbor plan offers advantages to employees and also exempts the plan from certain nondiscriminatory tests. There are three formulas utilized to calculate the safe harbor match:

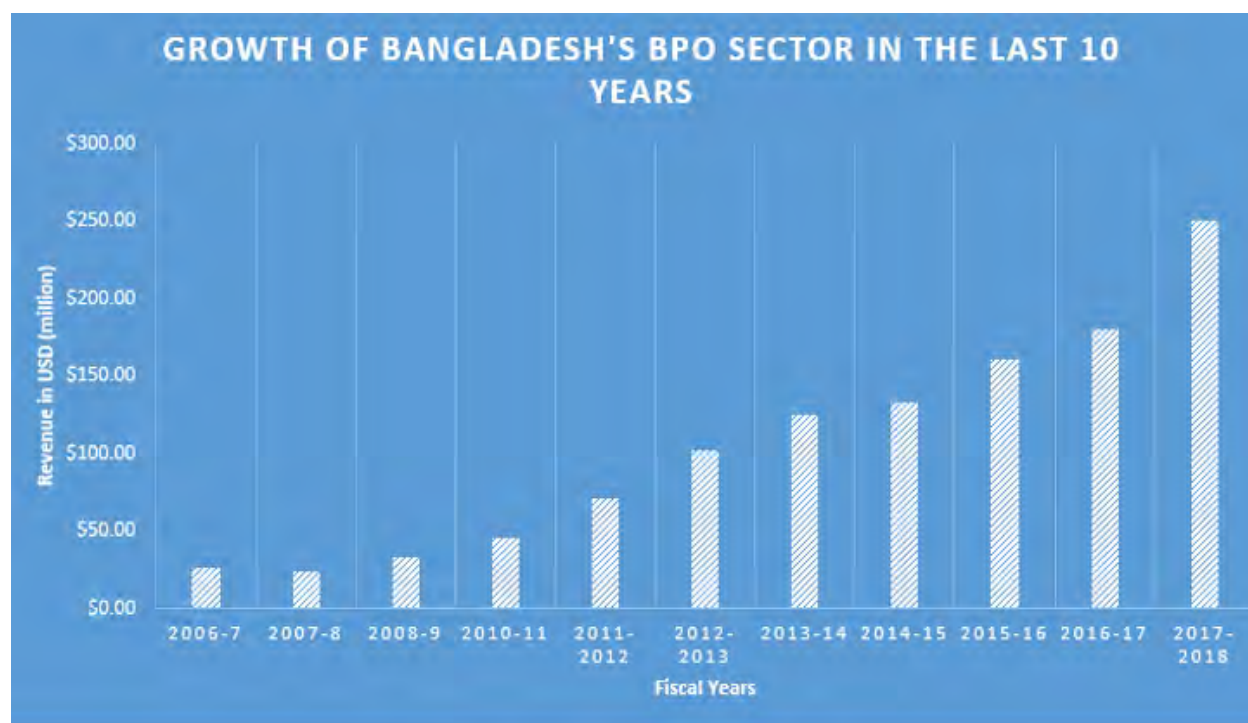
- **Safe Harbor Basic Match:** This match type resembles a regular match but follows a fixed formula. It involves a 100% match for the first 3% of compensation and a 50% match for the subsequent 2% of compensation.
- **Safe Harbor Enhanced Match:** The enhanced match provides employers with greater flexibility. In this formula, the contribution amount is determined as 100% of elective deferrals, capped at 4% of employees' compensation.
- **Safe harbor 3% non-elective match:** The employee does not need to defer anything in order to receive this match; it operates similarly to a regular non-elective contribution. Every eligible employee receives a match of 3% of their salary.

3.5.3 How the 401(k) Retirement Plan Functions:

Following our discussion of the many 401(k) plan varieties, let's examine how they operate. It's crucial to start by emphasizing that all employees inside the company are covered by these policies. However, not every employee automatically enrolls in the plan. To become eligible to participate, employees must meet certain criteria determined by the employer, according to the

rules set by the IRS and DOL. An employee becomes eligible when they meet certain requirements, usually related to their age, the number of hours they work, or their group within the company. While these requirements may vary depending on the plan, they must always stay within the limits set by the IRS. Once an employee fulfills these criteria, they attain eligibility to participate in the plan. Only eligible employees have the privilege to contribute funds to their retirement accounts and enjoy the benefits provided by the retirement plan.

3.5.4 Market size of BPO in Bangladesh:



Source: ICT Ministry and BASIS

It all started back in 2009 when Bangladesh started outsourcing gradually. Back then, resources and opportunities were quite limited. However, over time, we began to witness noticeable growth in this industry. It continued to grow, with an impressive 20% increase in market size almost every year. This sector has now grown to be a \$300 million industry in Bangladesh. A selected companies in this field are gaining both national and international recognition for their exceptional performance and high level of professionalism.

3.5.5 Services that are given by BPO companies in Bangladesh:

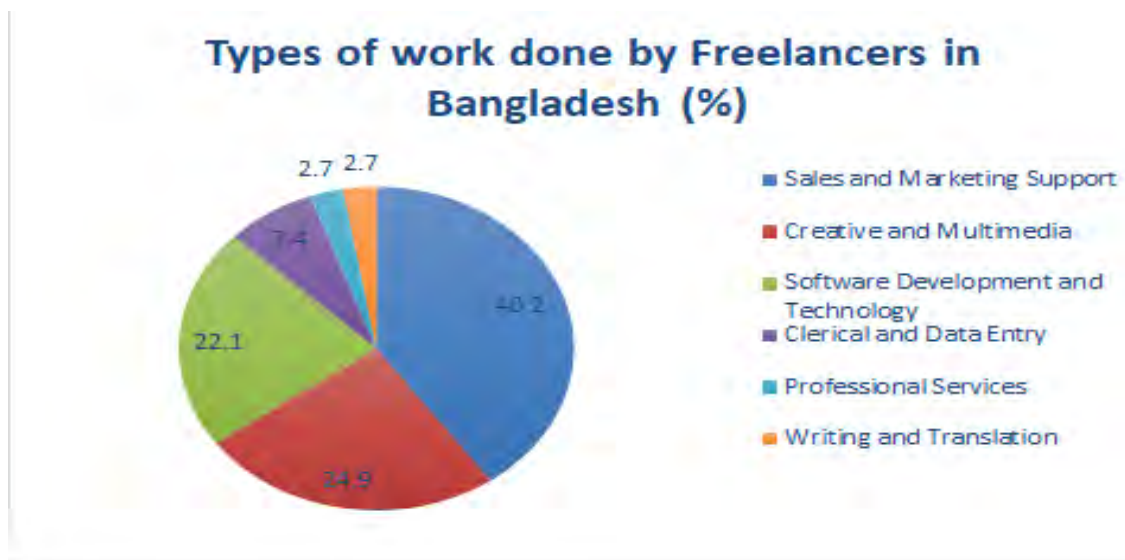


FIGURE: Breakdown of work done by freelancers in Bangladesh, Source: ICT Division, Government of Bangladesh

According to statistics, 40.2% of work done by Bangladeshi freelancers is in the marketing sector. Software and IT development are the second most common services provided by Bangladeshi freelancers. There are still many sectors that Bangladeshi freelancers are not exploring, such as programming support and artificial intelligence, because Bangladeshi youth are still lacking in skills that require more sophisticated knowledge.

3.5.6 How BPO company are making impact on creating job opportunity:

- **Empowering Women:** Bangladesh's outsourcing sector is redefining the concept of the workplace. In Bangladesh, there are many well-educated women who, due to family responsibilities or restrictions, are unable to do full-time office jobs. However, in recent years, an increasing number of women have seized the chance to participate in various outsourcing-related roles, for being financially independent. Recent statistics shows that

Bangladeshi women in the BPO sector are not only succeeding but also gaining more credibility and recognition compared to their male coworkers.

- **Gender Equality in the BPO Sector:** According to statistics, the majority of people believe that both men and women have equal opportunities in Bangladesh's outsourcing industry. During interviews with 15 Data-Path employees, the majority of them stated that gender equality is present in the nation's BPO industry.
- **Creating Opportunities for People with Disabilities:** In Bangladesh, there is a lack of proper infrastructure to support financially independent living for people with disabilities. However, BPO companies are making a significant contribution by allowing them the chance to work from home. Anyone with a disability can receive online training and work from the home for achieving financial independence. According to statistics, many people with disabilities are actively participating in the freelancing sector, making a significant impact.

3.5.7 Core factors that making influence on booming BPO sectors globally:

- **Effective cost Management:** The cost of establishing a BPO business is comparatively low in comparison to other nations. The most significant factor is the relatively low cost of labor in Bangladesh, as more and more individuals are graduating from technical education and becoming familiar with modern technology. As a result, investors are obtaining an effective workforce by investing at a lower cost.
- **Saving money to focus on core business:** When starting a startup, a company has a low initial investment and is unable to focus on a large number of tasks simultaneously. This is where BPO Company comes in. A BPO company enables an organization to focus on its primary business activities while handling routine business transactions, thereby lowering its operational expenses.

3.5.8 Factors that are influencing Bangladeshi market to become the leader in Outsourcing

sector:

- **Lower Labor Costs:** As we know that, Bangladesh is a developing nation with a high population. This has led to job shortages, and sometimes people can take advantage of us in terms of wages and working conditions. However, it's a positive aspect for us that we can attract foreign clients due to our lower labor costs. We have demonstrated Bangladesh's potential, and people from around the world are interested in our work because we charge less than employees in their own countries. Our wage rates are significantly lower than those in other South Asian countries, and we have statistics to prove this.
- **Service Quality:** Bangladesh has a high rate of illiteracy, but despite this, we have established a solid reputation in the outsourcing industry by providing clients with top-notch services. Let's take Data-Path, for example. In July 2008, they first established operations in Dhaka, and initially, they had concerns about whether Bangladeshi people could handle tasks effectively related to the USA retirement plan. However, it ended up being a success, and now Data-Path handles many clients beyond July Services, all of whom are genuinely pleased with the quality of our work.
- **Rising Number of Skilled Workers:** The number of students graduating has significantly increased recently, and this trend is still present. Students are becoming steadily more interested in becoming skilled workers and earning money through outsourcing. More students than ever are getting into freelancing and trying to improve their knowledge and skills in it. As a result, we are seeing a trend where the majority of income generated from outsourcing in recent years comes from the Business Process Outsourcing (BPO) sector. This indicates that we have a pool of qualified workers for outsourcing who can have a positive impact on reshaping the job sector in Bangladesh.

- **The Future of BPO in Bangladesh:** We are aware that technology is continually advancing, and many tasks are now being automated. However, some jobs and tasks will always require human involvement. Bangladesh is positioned to be a global leader in outsourcing. We see that more and more new clients are coming to Bangladesh every year to grow their businesses. As a result, we have confidence that Bangladesh will establish itself as a leader in the outsourcing sector and significantly change the employment landscape in the nation over the next ten years.

3.6 Recommendation:

Even though the BPO industry in our country is flourishing, the following issues still need to be resolved:

- **Policy making:** In Bangladesh, there is still no legal framework in place regarding the treatment of employees in the BPO sector, the applicable minimum wages, and the minimum benefits to be provided by the mother company. As a result, many mother companies are taking advantage of this system and providing the minimum wage to their outsourcing companies.
- **Transaction Challenge:** The government of Bangladesh continues to prohibit international payment systems like PayPal, which is a major problem for freelancers. Freelancers have to give away the money they have worked so hard to earn by accepting payment in a variety of ways. It would be fantastic for freelancers if the Bangladeshi government permitted PayPal to operate there. It would also improve Bangladesh's BPO industry's transactional infrastructure.
- **The lack of English knowledge:** Despite the fact that we have a skilled labor force in our country in terms of freelancing, there is still a significant shortage of English-speaking professionals. As a result, many potential professionals are not being given the chance to reach their full potential. Therefore, it is essential that the government

establishes an institution where people can acquire the necessary English skills at a low cost.

- **Internet speed:** It's unfortunate that Bangladesh consistently ranks among the nations with the slowest internet, which has an impact on our entire GDP. It has an impact on our BPO and IT sectors as well as our educational system. Therefore, I will advise the government to take this issue seriously so that our BPO business can grow more than ever.

3.7 Conclusion:

In conclusion, it can be said that Bangladesh's business process outsourcing (BPO) industry has a lot of potential to grow and become the country's next key sector. Bangladesh has a significant number of educated, young, and unemployed people that may be efficiently used as a workforce, giving the BPO industry an advantage over other Asian nations. Companies nowadays are working to lower operating expenses and increase efficiency. As a result, Bangladesh is playing a significant part in the growth of the global outsourcing services market, which is gradually rising. According to research, Bangladesh's BPO industry offers flexibility, job chances for people with different skill levels, and helps in addressing the nation's employment crisis. However, it is important to note that there are some issues in Bangladesh that have a negative impact on this industry. These issues need to be addressed by the government in order to develop and lead the BPO sector.

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Appendix A.

Questionnaire:

As part of my research the following questions were asked to manager, employees and senior employees during interviews and discussion:

1. How is the outsourcing industry contributing to job creation in Bangladesh?
2. What specific skill sets are essential for individuals aspiring to enter the field of outsourcing?
3. Is having a professional degree a prerequisite for participation in the outsourcing industry?
4. To what extent does the outsourcing sector offer flexibility in work arrangements to individual employees?
5. Is there gender equality observed within the outsourcing sector?
6. What are the areas of expertise that young professionals in Bangladesh may need to enhance their professionalism in this industry?
7. Does the Bangladesh government have concrete policies and guidelines to support the growth of the outsourcing sector?
8. What factors are adversely affecting the growth of this sector?
9. What strategies should be pursued to position Bangladesh as a prominent player in the outsourcing industry?
10. Can you provide insights into the current market size of the Business Process Outsourcing (BPO) sector in Bangladesh?
11. What kinds of tasks and projects are typically undertaken by freelancers in Bangladesh?