



Recruitment Procedure of Small Scale IT Industry during Recession in 2008

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1. Introduction

The recession in the US market and the global meltdown termed as Global recession have engulfed complete world economy with a varying degree of recessionary impact. World over the impact has diversified and its impact can be observed from the very fact of falling Stock market, recession in jobs availability and companies following downsizing in the existing available staff and cutting down of the perks and salary corrections. The global financial crisis has its origins in the U.S. subprime mortgage crisis of August 2007. It seemed initially that it would only affect developed countries, but the so-called “decoupling phenomenon,” which predicted that developing countries would remain unaffected, has not occurred. Instead the crisis has become a global phenomenon, as the following measures indicate. India is a developing country and we all can see after effects of recession. E-Business is a revolution that is transforming companies round the world, and it is impacting all the industries. E business is much more than online purchase and implementation of computer applications by the IT departments or putting up a company website. It affects the whole business and the value chains in which it operates and enables a much more integrated level of collaboration between the different components of a value chain than ever before. Adopting E-Business also allows companies to reduce costs and improve customer response time. Organizations that transform their business practices stand to benefit immensely from innumerable new possibilities brought about by technology.[2]

Overview of the state - Maharashtra occupies the western and central part of the country and has a long coastline stretching nearly 720 kilometers along the Arabian Sea. The Sahyadri mountain range provides a physical backbone to the State on the west, while the Satpuda hills along the north and Bhamragad-Chiroli-Gaikhuri ranges on the east serve as its natural borders. Maharashtra is the second largest State in India both in terms of population and geographical area spread over 3.08 lakh sq. km. The State has a population of around 10 crore (2001 Census) which is 9.4 per cent of the total population of India. The State is highly urbanized with 42 per cent people residing in urban areas whereas at national level it was around 28 per cent[1] The Gross State Domestic Product (GSDP) at current prices for 2007-08 is estimated at Rs. 5,90,995 crore and contributes about 13 per cent of the National Income. The GSDP has been growing at a rapid pace over the last few years. The State boasts of a very vibrant industrial sector and a rapidly growing services sector. Both these sectors presently contribute about 86 per cent of the state’s domestic product. [1]. The State has been recognized as the country’s industrial powerhouse and maintains the position of being the most industrialized state. The State is pioneer in SSI. The State continues to attract industrial investment from both, domestic as well as foreign institutions. It has become a leading automobile production hub and a major IT growth centre. It boasts of the largest number of special export promotion zones being set up in the country [1]

2. Review of literature

Global Impact of Recession So far the global impact is concern; Expectations of growth rates for 2008 have fallen in most countries. In October 2007, world growth was predicted to be 4.8%. The IMF now predicts that it will be 3.7% only. Expectations for 2008 growth for advanced economies now stand at 1.4%, down 0.8 points from predictions made in October 2007. Expectations for emerging and developing country growth in 2008 now stand at 6.6%, also down 0.8 points from a year ago. Expectations of 2009 growth fell everywhere between January & November. Projections of world growth for 2009 slumped from 4.4% to 2.2%. Every G7 country aside from Canada is expected to contract next year and the United States and United Kingdom are already in recession. Every BRIC country (Brazil, Russia, India, and China) has seen growth expectations fall by between 1 and 3 percentage points [2]. Impact of Recession on India Though no one likes or wants a recession But In the age of globalization, no country can remain isolated from the fluctuations of world economy. Heavy losses suffered by major International Banks is going to affect all countries of the world as these financial institutes have their investment interest in almost all countries. So, what is the reality for countries like India? It would be naïve to imagine that a recession in the United States would have no impact on India. The United States accounts for one-fourth of the world GDP and any significant slowdown is bound to have reverberations elsewhere. On the other hand, Impact of Global Recession on Indian IT Industry 13 interdependencies between the US economy and emerging economies like India and China has reduced considerably over the last two decades. Much has happened between then and now. The Indian economy

has shown a robust and consistent growth trajectory and the projection for 2008 is 9%. Indian exports to the United States account for just over 3% of GDP. India has a healthy trade surplus with the United States. Thus, the effect may not be as drastic as would have been the case in the 1980s.[2]. Structure of Indian IT industry The IT-ITES industry in India has today become a growth engine for the economy, contributing substantially to increases in the GDP, urban employment and exports, to achieve the vision of a powerful and resilient India. While the Indian economy has been impacted by the global slowdown, the IT-ITES industry has displayed resilience and tenacity in countering the unpredictable conditions and reiterating the viability of India's fundamental value proposition. Value proposition The main reasons for the successful establishment of software companies in India and its strong performance can be attributed to the following: • Cost advantage Given the labour market conditions in India, there exists substantial scope of cost arbitrage for performing services from India. This, along with a large pool of talented and English people labor force, was the genesis of the IT sector's dominance in the world IT services industry . Breadth of service offering and innovation Service offerings have evolved from low-end application development to high-end integrated IT solutions [2]

Impact of the recession on Indian IT sector. The current global economic slowdown has made it a roller coaster ride for the world economies. Asia Pacific is experiencing a deferred impact of the current crisis. With the expectations of a sluggish GDP growth and consequent reduction in IT spending, countries / markets which have a higher dependency on the export markets are expected to be affected more than other countries / markets with stronger domestic demand. India being one of the world's fastest-growing tech markets, thriving mainly on exports is also experiencing the tremors of the global economic crisis. IT spending as a percentage of revenue normally varies from 3.5% in manufacturing companies, 5-6% in global retail chains to about 9.5% in the banking industry. These could see marginal decline as companies will tend to hold spends on new IT deployments. A recent study by Forrester reveals that • 43% of Western companies are cutting back their IT spend and nearly 30% are scrutinizing IT projects for better returns. Some of this can lead to off shoring, but the impact of overall reduction in discretionary IT spends, including offshore work, cannot be denied • The slowing U.S. economy has seen 70% of firms negotiating lower rates with suppliers and nearly 60% cutting back on contractors. With budgets squeezed, just over 40% of companies plan to increase their use of offshore vendors • The IT services and outsourcing market is currently undergoing a structural transformation that will have a profound effect on how IT service providers will have to conduct their business Customers have started to reduce project scope and / or postpone new development. However, they are also trying to move more work to lower cost offsite locations, which could increase IT budgets towards tangible cost saving measures. The impact is likely to be higher for discretionary outsourcing expenditures rather than for critical, ongoing Application Development and Maintenance (ADM) services. Indian IT companies which are focused more on providing basic ADM services, and with long term outsourcing contracts, could exhibit more stable earnings in this environment. Furthermore, whilst discretionary expenditures are being reduced, ongoing projects will likely continue, at least in the near term, especially those which are in the more advanced stages of progress. Fitch expects IT services companies to report marginally positive revenue growth (in dollar terms) over 2009. With decisions on IT budgets being deferred and sales cycles having elongated from 3-6 months to 6-9 months, companies are seeing a significant drop in client additions. Moreover, the number of targeted large deals has more or less dried up. According to TPI4, mega deals have fallen to levels lower than those seen in 2001.

3. Objective

1. To study the Recruitment procedure of small scale IT industry during recession.
2. To study the Perception about small scale industry during recession.
3. To study performance quality of small scale IT industry during recession.

4. Research Methodology

1. **Primary Data**- It has been collected from unstructured interview schedule
2. **Secondary data** - Bibliography Database, Online Database-Proquest, gale group, Published and unpublished, atabase, Reference journal

5. Small Scale IT industries

1. Chatur Computer Servics
2. Radientek
3. Torux Solutions Pvt. Ltd.
4. Cygnus software Pvt. Ltd.
5. Sofittek Solutions Pvt. Ltd.
6. Pentex Solutions Pvt. Ltd.

Recruitment procedure of small scale IT industry during recession: Referrals are a good option, Social networking sites: eg LinkedIn, Focus on reducing hiring costs, Rehiring of ex-employees, Rewards & recognitions.

Perception about small scale industry during recession: Perception about small scale industry changed-Younger generation switched to small scale industry. In less cost good quality was achieved.

Performance quality of IT industry during recession: Performance quality of IT industry during recession enhanced-layoff experience employees by LSI moved to SCI

Findings

1. Quality of product was intact
2. Fringe benefits were same except few
3. Recruitment was done at low salary
4. Didn't affect business
5. Consistence performance of employees
6. Several small scale industries have started getting good orders; it was completely taken over by the large scale industries. Hence gained competitive advantage.

6. Conclusion

Every dark cloud has a silver lining. This stands true for small scale IT industries in Pune in terms of recruitment. Global recession has come as a boom for small industrial. From the above study it is clear that recession has a positive impact on SSI IT and helped them to grow

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