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A STUDY OF IMPACT OF COVID-19 ON IT INDUSTRY IN INDIA

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Abstract

Industries with non-manufacturing nature of business models are realizing that work from home is a new normal whether it is education industry, KPO or BPO services. It is high time that in order to meet the shortfall in revenues for software companies from contraction in exports figures, domestic consumers of software products should prefer Indian companies and not their foreign counterparts. Since majority of IT companies have the ability to rely on digital platforms to ensure continuity in business operations even during the lockdown period, the relative impact on IT sector has been less in terms of operational costs.

Objectives

To study the challenges faced by IT industry and replication of the same on the Nifty IT index.

Introduction

In the year 2019 , the IT sector in India stood at US\$177 billion seeing a growth of 6.1 per cent year-on-year and is assumed that the total size of the industry will grow to US\$ 350 billion by 2025(*Source: ibef.org*). The NiftyIT Index depicts the overall mood of the investors whether domestic or international in the form of Foreign institutional investors. IT industry which comprises of stocks mentioned in Table 1 below. The Nifty IT Index has a total of 11 stocks being listed on the National Stock Exchange. On the lines of other sectors, IT sector also faced disruptions on account of lockdown restrictions .In order to provide relief to the sector, the Government allowed relaxations to the IT sector to resume their operations with 50% workforce with effect from 20 April 2020. The digital connectivity provides the platform for smooth working of services sectors like e-commerce, e learning. On the grim side, the probable delay in the projects may force the IT companies to lay off workforce in order to meet cost cutting. But it would be misnomer to assume that all the IT companies are sailing in the same boat because different companies have different types of clients, projects. IT companies providing services to education sector are

going to the reap the rewards of increased revenue because of sudden surge in online teaching and adoption of digital assessment processes. In the present times, with the focus shifting on achieving efficiency, those with good skill sets, competency may reap the benefits in terms of variable pay besides the fixed pay structures.

Table 1: List of Nifty IT Companies as on 20-May-2020

S.No	Company Name	Industry	Last Price	Mkt Cap
				(Rscr)
1	HCL Tech	IT Services & Consulting	526.75	142942.31
2	Hexaware Tech	IT Services & Consulting	235.10	7026.67
3	Info Edge	IT Services & Consulting	2397	29368
4	Infosys	IT Services & Consulting	669.00	285168
5	Just Dial	IT Services & Consulting	352.00	2285.58
6	Mind Tree	IT Services & Consulting	904.00	14884.00
7	Mphasis	IT Services & Consulting	824.00	15369.62

8	NIIT Tech	IT Services & Consulting	1415.00	8843.92
9	TCS	IT Services & Consulting	1954.00	733065.26
10	Tech Mahindra	IT Services & Consulting	519.00	50,147.51
11	Wipro	IT Services & Consulting	184.95	105670.05

Source- National Stock Exchange

It is clearly evitable from Table 1 above that there are 11 stocks listed in NSE. The table also displays the corresponding market capitalization of each company. TCS is the number one company with market capitalization of Rs733065 crore as of May 2020. IT sector in India provides huge employment opportunities. If we talk about manufacturing industries, it is pertinent to mention the case of Atlas industry which recently shut its last manufacturing unit in Sahibabad which was providing bread and butter to the employees for last 31 years and had to lay off 400 employees. Amidst growing concerns of job losses specially in manufacturing, some large IT companies announced few measures for assuring job security to its employees which is indeed remarkable.

S. No	Name of Company	Employee related Announcements
1	Salesforce	No job cuts
2	PayPal	No job cuts
3	Cognizant	It will pay 25% more on the base salary for the month of April to its employees in India
4	Morgan Stanley	No job cuts
5	Wipro	No job cuts

6	Infosys	Suspends promotions and hike in salaries
7	TCS	Ensured full pay not only to its permanent employees but even temporary employees who could not come to work due to quarantine measures and no job cuts

Research Methodology

Secondary data has been used and statistical test T test has been applied.

Independent parametric T-test has been applied between the variables of Nifty IT Index turnover and Nifty India Consumption turnover

(If p value is below the level of significance, null hypothesis is rejected and alternative hypothesis is accepted)

Ho –There is no significant difference between the turnover of two indices.

H1 –There is significant difference between the turnover of two indices.

Table 2: Closing Prices of NiftyIT Index during 24 Mar 2020 & 18 May 2020

Trading day	Closing Price of Nifty Auto Index	No of Shares traded	Turnover (Rs. Cr)
24-Mar-20	11865.05	51315528	3237.37
25-Mar-20	12233.35	47599771	2691.8
26-Mar-20	12535.6	47125315	2979.31
27-Mar-20	12569.1	43319863	2669.02
30-Mar-20	12318.8	40751093	3216.68
31-Mar-20	12763.65	38751042	2462.73
1-Apr-20	12045.85	40937782	2579.66
3-Apr-20	11680.05	40624880	2539.29
7-Apr-20	12588.95	39434204	2644.03
8-Apr-20	12491.55	40359706	2772.93
9-Apr-20	12728.55	36108851	2531.49
13-Apr-20	12603.1	28465964	1688.14

15-Apr-20	12702.6	47886382	2817.98
16-Apr-20	12463.6	69388542	3712.54
17-Apr-20	12649.25	46523852	3518.83
20-Apr-20	12847.65	39177267	2343.63
21-Apr-20	12408.85	37281970	2357.59
22-Apr-20	12571.3	27595949	1783.46
23-Apr-20	13128.2	39760721	2895.44
24-Apr-20	12816.2	32522500	2047.15
27-Apr-20	13121.15	40245218	2653.73
28-Apr-20	13133.65	38809479	2312.16
29-Apr-20	13424.95	37634296	2533.71
30-Apr-20	14108.35	61232875	4084.45
5-May-20	13388	35386135	2105.7
6-May-20	13394.7	39758016	2869.83
7-May-20	13292.7	48556960	2891.06
8-May-20	13403.6	37686915	2405.48
11-May-20	13593.55	29773180	1883.68
12-May-20	13687.75	32012528	2151.36
13-May-20	13776.95	26694109	1775.07
14-May-20	13293.7	40148565	2475.5
15-May-20	13196.35	30451382	2051.45
18-May-20	13314.4	35386297	2325.91

Source: <https://www.nseindia.com>

Table 3: Comparison of Nifty IT Index& Nifty 50 during 24 Mar 2020 & 18 May 2020

Trading day	Closing Price of Nifty Index	Nifty IT Index Turnover (Rs. Cr)	Closing Price of Nifty 50 Index	Nifty 50 Index Turnover (Rs. Cr)
24-Mar-20	11865.05	3237.37	7801.05	28282.09
25-Mar-20	12233.35	2691.8	8317.85	28482.01
26-Mar-20	12535.6	2979.31	8641.45	32228.31
27-Mar-20	12569.1	2669.02	8660.25	31336.86
30-Mar-20	12318.8	3216.68	8281.1	24724.44
31-Mar-20	12763.65	2462.73	8597.75	27401.3
1-Apr-20	12045.85	2579.66	8253.8	21307.3
3-Apr-20	11680.05	2539.29	8083.8	26561.18
7-Apr-20	12588.95	2644.03	8792.2	35206.69
8-Apr-20	12491.55	2772.93	8748.75	37641.68
9-Apr-20	12728.55	2531.49	9111.9	32907.82
13-Apr-20	12603.1	1688.14	8993.85	26749.06
15-Apr-20	12702.6	2817.98	8925.3	41878.64
16-Apr-20	12463.6	3712.54	8992.8	31318.29
17-Apr-20	12649.25	3518.83	9266.75	33334.73
20-Apr-20	12847.65	2343.63	9261.85	28620.91
21-Apr-20	12408.85	2357.59	8981.45	28273.89
22-Apr-20	12571.3	1783.46	9187.3	33981.82
23-Apr-20	13128.2	2895.44	9313.9	30270.55
24-Apr-20	12816.2	2047.15	9154.4	32859.05
27-Apr-20	13121.15	2653.73	9282.3	26696.54
28-Apr-20	13133.65	2312.16	9380.9	30091.41
29-Apr-20	13424.95	2533.71	9553.35	31673.23
30-Apr-20	14108.35	4084.45	9859.9	39332.46

5-May-20	13388	2105.7	9205.6	29700.2
6-May-20	13394.7	2869.83	9270.9	30798.1
7-May-20	13292.7	2891.06	9199.05	59705.53
8-May-20	13403.6	2405.48	9251.5	30743.45
11-May-20	13593.55	1883.68	9239.2	31048.47
12-May-20	13687.75	2151.36	9196.55	37706.27
13-May-20	13776.95	1775.07	9383.55	36488.9
14-May-20	13293.7	2475.5	9142.75	29541.59
15-May-20	13196.35	2051.45	9136.85	25847.33
18-May-20	13314.4	2325.91	8823.25	33347.46

Source: <https://www.nseindia.com>

Nifty India Consumption Index comprises of spanning stocks of the companies in FMCG, automobiles, electronics, healthcare, media while Nifty IT index purely comprises of IT stocks. A t-test has been performed between in understanding the relation between the two.

Table 4: Comparison of Turnover in Nifty IT Index & Nifty India Consumption Index		
TRADING DAYS	NIFTY IT INDEX TURNOVER(RsCrore)	NIFTY INDIA CONSUMPTION TURNOVER(RsCrore)
24-Mar-20	3237.37	7443.46
25-Mar-20	2691.8	7028.51
26-Mar-20	2979.31	8145.4
27-Mar-20	2669.02	6636.41
30-Mar-20	3216.68	5249.54
31-Mar-20	2462.73	6542.58
1-Apr-20	2579.66	4998.8
3-Apr-20	2539.29	7179.87
7-Apr-20	2644.03	9050.93
8-Apr-20	2772.93	9926.14
9-Apr-20	2531.49	9613.97
13-Apr-20	1688.14	7310.92
15-Apr-20	2817.98	16249.75
16-Apr-20	3712.54	8306.78
17-Apr-20	3518.83	8318.16

20-Apr-20	2343.63	6785.65
21-Apr-20	2357.59	6900.46
22-Apr-20	1783.46	8538.2
23-Apr-20	2895.44	9477.99
24-Apr-20	2047.15	6911.87
27-Apr-20	2653.73	6451.73
28-Apr-20	2312.16	5927.99
29-Apr-20	2533.71	6149.68
30-Apr-20	4084.45	10386.86
5-May-20	2105.7	9828.85
6-May-20	2869.83	9961.87
7-May-20	2891.06	42659.63
8-May-20	2405.48	10458.66
11-May-20	1883.68	10721.71
12-May-20	2151.36	12027.44
13-May-20	1775.07	11329.37
14-May-20	2475.5	9960.76
15-May-20	2051.45	8740.64
18-May-20	2325.91	10150.12

Source: National Stock Exchange

Findings & Discussions

t-Test: Two-Sample Assuming Unequal Variances

	NIFTY IT INDEX TURNOVER	NIFTY INDIA CONSUMPTION TURNOVER
Mean	2588.475294	9569.726471
Variance	292835.4825	39251024.8
Observations	34	34
Hypothesized	Mean	
Difference	0	
Df	33	
t Stat	-6.473411137	
P(T<=t) one-tail	1.20568E-07	
t Critical one-tail	1.692360309	
P(T<=t) two-tail	2.41135E-07	
t Critical two-tail	2.034515297	

It is clearly evitable from Table 3 that since the t value is below the level of significance, null hypothesis is rejected.

Ho –There is no significant difference between the turnover of two indices.(Rejected)- *There is statistically significant difference*

H1 –There is significant difference between the turnover of two indices. (Accepted)

Further, since the absolute T value 6.47 in the findings ignoring minus sign is more than critical T-value, we can reject null hypothesis. It can be conclude therefore since the Nifty Consumption Index is more broad than Nifty IT index and on the hopes of recovering from COVID-19 that on 7 May 2020, the turnover in NiftyIndia Consumption was around Rs 42600 crores as against the turnover of Rs 2891crores in Nifty IT Index

Conclusion

As per the reports of ISF which is the premier body of domestic flexi staffing industry, the expected increase in flexi workforce in IT industry is 220000 by the year 2021 as against the figure of 5 lacs in the year 2018. Undoubtedly, the short term performance of IT companies received a jolt but later on with digital option being the last resort for leading corporates where work from home dominated the work environment, IT companies sighed relief. \$181 billion IT industry is employing close to 4.5 million employees. Leading IT player TCS has already announced that 90% of its workforce will work from home even after the lockdown restrictions are lifted A silver lining being the weakening rupee, where IT companies were able to realize more export proceedings. It is ironical that a weakening rupee is bad for the economy but good for the IT companies. Evening on the backdrop of reduction in global orders, IT companies may reap the benefits of growing domestic consumption. As per IT industry veteran T V Mohandas Pai, on account of coronavirus crisis, there would be a hiring freeze in most of the IT companies. According to him, promotions may not be stopped but only the people getting Rs 75000 per month or more may see salary cuts of up to 25 percent, others may not get affected.

Journals

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