ISSN 2321 – 9378

IMI Konnect

Volume 6, Issue 5, 2017

An IMI Kolkata Publication

HR Perspectives

RP-Sanjiv Goenka Group
Growing Legacies

IMI
International Management Institute
Kolkata

About *IMI Konnect*

IMI Konnect is an open access Scholarly Management Magazine published from International Management Institute Kolkata. It started its journey in December, 2012 and publishes original research articles by scholars in the field of management and firsthand perspectives from business thinkers and practitioners on contemporary issues. *IMI Konnect* provides an intellectual platform for the national and international scholars and the industry experts to discuss and debate their opinions and thus contribute to the knowledge of management. It also publishes interviews with eminent personalities in the field of business.

Students/scholars pursuing Masters, M.Phil or Ph.D. are also encouraged to send articles on the aforementioned areas. The articles will go through a review process before publication. The issues are themed on Marketing, Finance, Organisational Behaviour & Human Resources (OB & HR), Information Technology & Operations (IT & Operations), Strategy, Economics and Management. The publication caters to academicians and practitioners in corporate and government organizations and departments.

Editorial Team

Manuscript Submission Guidelines

The article should be non-technical and should be within 1600 words. It should be typed in MS Word in Times New Roman 12 with paragraph spacing 1.5. Figures and simple, small tables can be incorporated. There should not be any notation or equation. Full forms of each abbreviation should be mentioned at first instance. Upto eight references can be included in the article. Limited number of short footnotes may also be included if necessary. Send your manuscript along with your name, designation, institutional affiliation, email ID and contact number to the editorial office at imikonnect@imi-k.edu.in mentioning the area viz. Marketing, Finance, OB & HR, Economics, Strategy, IT & Operations, Management Education and Others.

For copies/queries and submission, please contact *IMI Konnect* editorial team at imikonnect@imi-k.edu.in or call +91 33 6652 9629

On Emerging Issues in HR Practices

Partha Pratim Patnaik
Head HR- India
Prolifics

IMI Konnect: *In your opinion what are the trends in HR that affect the performance of employees in an organisation?*

PP: The candidate and employee experience is of utmost importance. One needs to figure out the professional value s/he may find in the current and future work they are doing in an organisation. Secondly, continuous performance reviews undertaken from time to time will keep the employees on their toes. One needs to move away from a start-stop annual performance review process and the increments tied to it. Thirdly, the benefits to the employee play a massive role in keeping the employees motivated. It is usually based on the employee value proposition and the stage of the employee career. Lastly, the trend of adopting a multi-generation workforce reflecting the generation gaps has a significant impact on the work styles based on it.

IMI Konnect: *What measures should managers adopt in order to improve the workplace climate?*

PP: Managers should provide continuous feedbacks for learning and improving. This approach would bring in the self-steering learning and development and address competency gaps. In any high performing organisation it is very important that the managers articulate the 3 As properly, viz., (i) Alignment- whether the goals and objectives are aligned and they are working towards the same target, (ii) Adaptability- whether the workforce adapts to the required change and supports the delivery targets, and (iii) Agility- whether there is speed in executing the tasks.

IMI Konnect: *How do informally structured organisations evaluate their workforce? What changes would you suggest to improve the reliability of performance management systems?*

PP: Formal and informal structures can be beneficial or detrimental to a company depending on how well they are understood and used. Often groups that develop into an informal entity make a lot of sense, and are more efficient and productive than the formally structured groups. Especially in today's dynamic work environment where client requirements are ever changing, an informally structured organisation might actually be an advantage where tasks take priority over process and the inherent bureaucracy. This increases the value of collaboration by reducing the search and coordination costs of connecting parties who have related knowledge and interests. They don't necessarily fit into the organisational chart.

Moving forward it might be a good strategy to consider putting some informal structures into a more formal role.

IMI Konnect: *Keeping the best employees on board calls for efficient talent management as high turnover becomes* *a pressing challenge. What kind of retention efforts should be undertaken in this case?*

PP: The typical cost of turnover for all companies is usually a year's worth of salary and associated costs of the separating employee. This is due to the direct and indirect costs of a) selecting and onboarding the right candidate, b) getting them trained and assimilate into the existing company culture and work environment, and c) becoming fully productive. The burden it additionally puts on the direct supervisors, the team and the learning and development department is also significant. Hence, employee retention is one of the key factors to be considered for sustainable strategic advantage for any organisation.

Retention starts with giving the employees the best experience right from their day of joining, having clear expectations of the role, and giving them freedom to learn for their career growth.

IMI Konnect: *Good managers find it important to identify the personality type (for instance, extroverts Vs introverts) of their employees to make a right person-right job fit. However, in reality how much of this is actually practised?*

PP: The oft-mentioned saying is "Horses for Courses," as each role requires a specific personality to be successful. Tools that identify personality types and map them to the behavioral traits required for success in a role are already being used by most leading organisations. One such tool is DISC (Dominance, Influence, Stable, and Compliant) analysis, which identifies the dominant traits a person has and how s/he changes it under work pressure that helps in making the right choices, especially for critical hires. For example, a person who demonstrates a more extrovert personality in a Sales Manager role scores above a person who comes across as an introvert, even when they share similarly good profiles. Having the right personality type at the right role helps the managers in having better team collaboration, communication, employee motivation, less conflict and greater efficiency at work.

IMI Konnect: *What are the implications of emotional labour on employee work outcomes particularly in service-oriented organisations and how do managers deal with this issue?*

PP: In the services sector, the quality of delivery can never be consistent if two equally competent persons are differently engaged due to their emotional connect with the organisation and their team, due to internal or external issues. If the alignment is not right, one emotionally disconnected employee might erode the entire economic value, which the other team members are collectively adding. Hence, it becomes very important that managers identify workers who are having emotional dissonance and provide an outlet and training to help them deal with personal issues. Typical symptoms for identifying such issues include observing the employee behavior over time, which can be scientifically done through Behavior Observation Scales (BOS) or Behaviorally Anchored Rating Scales (BARS). This active intervention can ensure that the employee is able to perform on the job positively by identifying and solving their personal issues.

IMI Konnect: *How can managers engage their employees in order to avoid boredom and monotony on the job?*

PP: Boredom and monotony at work can lead to a drop in productivity and will likely result in employee disengagement over time. A manager should regularly evaluate whether the team member's engagement is meaningful, by adding new tasks (job enrichment) or adding supervisory and decision making into their roles (job enlargement). All tasks that are routine and predictable have scope for automation so that each person gets to play a role which is more meaningful and challenges their core competencies.

IMI Konnect: *In spite of increasing gender diversity, the gender wage pay gap continues to exist even at the same functional level at the workplace. Why does this problem still exist and how can such discrepancy be eliminated?*

PP: Unfortunately it still persists, though the gap has been reducing over the years. Females are gradually moving towards the male dominated skill areas ranging from engineering and science to even military and para-military, which was earlier considered as the male bastion. However, it is difficult to immediately eradicate the biases against female employees completely, primarily due to the fact that the current workforce is still male dominated. Male bosses prefer to promote other males at the cost of their female counterparts for supervisory roles (the glass ceiling). Other reasons which supports these biased thinking are the career breaks of women due to parenthood duties and other socio-cultural factors. This could be eliminated or minimised by having transparency in the pay and eliminating negotiations and also Also by giving work flexibilities like remote working, flexi timings etc. The recent directives of reserving a third of the workforce for female employees and representation of female directors in the company boards are also going to bring this transformational change over a short time.

IMI Konnect: *With an increasing demand for a greater work-life balance in an era of millennials, how do organisations meet the needs of the 'millennial workforce'?*

PP: In this era of millennials, a greater work-life balance can be achieved with more work flexibility like split-shifts, work-from-home, flexi timings etc. and by providing community platforms based on their interests for networking. Moreover making them interested in their career progression would be a key factor for engagement and retention strategy for the millennial workforce. A typical millennial looks at the role with "What's in it for me?" in mind. If that get answered in terms of a clear career path, skill or competency acquisition, and compensation and benefits, they are likely to be engaged and contribute to the success of the organisation they work for.

IMI Konnect: *How is HR management coping with the rapid digitalisation?*

PP: Companies incorporating digital transformation into their strategic framework leverage digital technologies in order to transform their business models, their operations and their interactions with stakeholders.

While digitisation presents many new challenges, it also provides HR departments with the exceptional opportunity to strategically reshape and reinforce their roles within their organisations.

The biggest task for HR management lies in recognising that the technologies exist and that their benefits can only be exploited by using them. Ultimately it comes down to bringing people into sync with the new reality of work.

The provision of competencies and skills is the core responsibility of HR. It should be possible to achieve this task with a view to the necessities of digitisation. The changes in business requirements will have to be dealt with intensively. Entire job descriptions will disappear, others will change massively. It is the strategic task of HR to anticipate the developments here and draw the right conclusions with regard to training and staff development.

While digitisation may bring sweeping changes, it cannot replace traditional and personal leadership. The transition that digitisation often prompts also requires substantial resources to implement.

The Gig Economy: The Road Ahead?

Roma Puri
Assistant Professor
International Management Institute Kolkata

The world has witnessed three industrial revolutions so far (Rifkin, 2011). In all of these, technology has played a pivotal role in transforming the nature of work and employment. At present, the world is witnessing a revolution of a different kind. Organisational processes and work are becoming highly granular, modular and decontextualised due to transformation in the social and digital technologies (Stone & Deadrick, 2015). This fragmentation of work has led to the emergence of the "gig economy", which is heralded as the fourth industrial revolution (Schwab, 2017; Horowitz 2011). The word *gig,* generally refers to short acts of independent/ freelancing artists. In the context of the gig economy and employment, the word assumes a new meaning. Here, gig means the division of work into smaller components, which contracted out as short-term projects, or "gigs" to "independent contractors", "part-timers" or "freelancers" who commit to performing these gigs for a payment (Friedman, 2014). The gig-economy type of work can be categorised into two: "crowdwork" and "work on-demand via apps" (Stefano, 2016).

In the words of Friedman(2014), "…*A growing number of American workers are no longer employed in 'jobs' with a long-term connection with a company but are hired for 'gigs' under 'flexible' arrangements as 'independent contractors' or 'consultants,' working only to complete a particular task or for defined time and with no more connection with their employer than there might be between a consumer and a particular brand of soap or potato chips*". The employers and interested consultants connect through online work based platforms. These online platforms facilitate the exchange of time and competence in the form of paid employment (CIPD Report, 2017).

Skill of all kinds find representation in gig work ranging from high technology work to labour-intensive conventional assignments. Gig work takes place in restaurants, educational institutions, and manufacturing units. It finds application in the work performed by accountants, consultants, lawyers, educationists, project managers and editors. According to a Randstad US study 11 percent of the workforce is currently engaged in non-traditional form of employment and the projections show nearly 50 percent of the workforce would belong to the temporary, freelance or contractual category by 2019 (Strauss, 2017).

The emergence of the gig economy is solving the problem of talent scarcity in sectors requiring professional and technical skills. As the gig workers enjoy work flexibility, they can distribute their time across a number of projects. Such short-term work engagements are facilitating availability of expert services to start-ups, small and medium sized enterprises. Organisations can now forego the talent management process and tap into the Open Talent Economy (Schwartz, 2013) to employ a scalable workforce. The workforce becomes highly diverse with freelancers, temporary staff, service providers, alumni, consultants and online talent communities being available for short-term assignments.

The millennials are attracted to gigs as their aspirations for variety, money and work-life balance are met

(Milligan, 2017). This form of employment has been popular for people who cannot take up full time jobs for family or personal reasons. The mantra in gig employment is flexibility in terms of choice and timing of engagements. It appeals to aspiring entrepreneurs and artists who are struggling with their personal ventures. The short spurts of engagement ease the financial situation enabling this group to pursue their dreams of a successful career.

The growth of the gig economy is going to pose numerous challenges. The decomposition of an activity into micro task, which is then parcelled out to gig workers, may not sound very challenging. But the real challenge lies in the creation of a team of gigsters and integrating the individually accomplished portions into complete projects before the deadlines expire (Kittur et al, 2013). Organisations' HR policies would have to be redefined, as the existing models of managing people are not applicable to an ephemeral workforce.

Trends in India

The concept of gig economy is gradually gaining ground among IT firms, shared services and the start-ups in India. Indian IT Companies such as Infosys, Wipro and Persistent Systems are exploring and experimenting with the uberisation of workforce. They are hiring people on a project-to-project basis and mixing freelancers with regular employees in teams (Vaidyanathan and Bose, 2017). Wipro recently acquired US-based IT consulting firm Appirio that owns crowd-sourcing platform TopCoder. Wipro's CEO Abidali Neemuchwala stated, "We believe that the future of work in the IT industry is going to get Uberised to some extent."(Sangani, 2017) which justifies the acquisition strategy. There are reports of Government funded agencies such as NASA opting for crowdsourcing of talent for its space projects and the Indian Government as a part of its Digital India initiative employing freelancers to digitise documents (Thammaiah BN, 2016).

In India, the emergence of the gig economy is seen in the popularity of Ola and Uber services. The nature of work allows the drivers to be self-employed. The internet and technology start-ups are fuelling the growth of gig economy in India. The penetration of internet and mobile phones in the country are acting as facilitators in the process of generating gig-based employment. One of the reasons for the popularity of the temporary work arrangement is the paucity of right domain skills. The IT companies are supporting the gig economy as both the parties benefit from greater flexibility, diversity and inclusion (Thammaiah BN, 2016).

A study by KellyOCG on Workforce Agility Barometer among Indian firms reveals that for 56 percent of the Indian firms, the proportion of temporary workers is more than 20 percent and the numbers are going to increase over the next two years with more than 71 percent organisations hiring a bigger chunk of contingent workers (Sen, 2017). Another study by Manipal Global Education corroborates that the total number of independent workers in India are 15 million next to the US where the number of freelancers are supposed to be 60 million. Gig assignment are available in data visualisation, data mining, digital marketing and social media in the IT domain. Other specialisation areas are Google digital marketing, data science, analytics, Android and iOS app development programs. Freelancing is on the rise like in fin-tech, health-tech, retail-tech, sales and analytics (Anand and Pillai, 2017).

Freelancer.com, a global crowdsourcing marketplace website, which allows potential employers to post jobs that freelancers can then bid to complete revealed that India has more than 5 million registered users which happens to be higher than the total number of registered users in the US where the numbers are 3.2 million. According to the website, the top projects that have been executed by Indian freelancers include Hypertext Preprocessor based web development, Graphic Design, Website Design, HTML, WordPress, Logo Design, SEO, Internet Marketing and Mobile App Developments(Phani Raj, 2017).

Problems with the Gig Economy

Airbnb co-founder Brian Chesky has given an interesting explanation of the gig economy. In his words, *"There were laws created for businesses and there were laws created for people. What the sharing economy did was create a third category: people as businesses"*. The emergence of the gig economy and online talent platforms have given a new meaning to "work", workers and employers which do not come within the ambit of the existing labour legislation posing a major challenge and the need to have newer labour models (Horney, 2016)

The world has mechanisms in place to deal with the conventional forms of employment but the current laws fail to govern the relationship between employers and the gig workers. Such workers are categorised as self-employed or micro-entrepreneurs and are not entitled to the benefits received by regular employees, as evident in the Uber case in the U.K. (Lusher, 2017).

This new model of business severely compromises the worker's long-term interests. The short assignment model guarantees flow of funds but is considered less secure and highly exploitative in spite of the flexibility it offers (CIPD Report, 2017). As the gig work is contractual in nature, the employers are under no obligation to contribute towards provident fund, gratuity, super-annuity and employees' state insurance. They are deprived of long-term savings, healthcare, paid leave and conventional social security benefits. There are other difficulties for the gig workers. There is no assurance of a steady income and hence it is difficult to ascertain the credit-worthiness of individual. This problem looms large in the Indian context, as there is no social safety net for the unemployed.

Legal tangles and conflicts can arise out of Intellectual Property and confidentiality issues (Vaidyanathan and Bose, 2017). These add to the complexity of the already nebulous relationship. Important question to ask is whether the work done by the gig workers automatically becomes the IP of the employers or is negotiable. Sharing of crucial data becomes a problem in the case of IT and pharma where confidentiality is key. The freelancer could be working for several competitors at the same time putting the company's interests at risk, as there is no non-compete clause in casual work arrangements. Hence, employing people on a short-term basis and entrusting them with vital information could be a cause of concern.

Hence, there is a felt need for legal intervention to regulate this newly emerged relationship. As data suggests the gig economy is here to stay and thrive. Hence, the Government has to ensure financial security for the gig workers and have provisions in place to contain malpractices from all quarters. There could be mandatory portable retirement savings and health insurance payments or the contractual payments could be scaled up to cover for these payments. It is imperative to build in such mechanisms to safeguard the interest of the parties involved to make this economic model robust and successful.

References:

Anand J. and Pillai, S. (2017) "New age techies turn freelancers for big pay" https://timesofindia.indiatimes.com/business/india-business/new-age-techies-turn-freelancers-for-big-pay/articleshow/61194385.cms

CIPD Survey Report (2017) "To Gig or not to Gig: Stories from the modern economy"

De Stefano, V. (2015). The rise of the 'just-in-time workforce': On-demand work, crowd work and labour protection in the 'gig-economy'. ILO Report

Friedman, G. (2014). Workers without employers: shadow corporations and the rise of the gig economy. Review of Keynesian Economics, 2(2), 171-188.

Horney, N. (2016) "The Gig Economy: A Disruptor Requiring HHR Agility", People & Strategy, Vol. 39, Issue. 3, pp. 20-27

Horowitz, S. (2011). The freelance surge is the industrial revolution of our time. The Atlantic, https://www.theatlantic.com/business/archive/2011/09/the-freelance-surge-is-the-industrial-revolution-of-our-time/244229/

Kittur, A., Nickerson, J. V., Bernstein, M., Gerber, E., Shaw, A., Zimmerman, J. & Horton, J. (2013, February). The future of crowd work. In Proceedings of the 2013 conference on Computer supported cooperative work (pp. 1301-1318). ACM.

Kittur, A., Nickerson, J. V., Bernstein, M., Gerber, E., Shaw, A., Zimmerman, J.& Horton, J. (2013, February). The future of crowd work. In Proceedings of the 2013 conference on Computer supported cooperative work (pp. 1301-1318). ACM.

Lusher, A. (2017) " Uber to deny it is part of the 'gig economy' while challenging landmark order to give drivers employment rights" http://www.independent.co.uk/news/business/news/uber-ban-gig-economy-appeal-landmark-tribunal-ruling-workers-rights-zero-hours-minimum-wage-holiday-a7966877.html

Milligan, S. (2017) " HR-Then and Now- 6 Trends that have shaped the workplace- and HR- over the past decade", HR Magazine, pp 38-41

Phani Raj, Y.V. (2017) " Indians embracing online freelancing" https://telanganatoday.com/indians-embracing-online-freelancing

Rifkin, J. (2011) "The third industrial revolution: how lateral power is transforming energy, the economy, and the world", McMillan

Sangani, P. (2017) "Infosys, Wipro, other IT companies exploring 'uberisation of workforce' " , //economictimes.indiatimes.com/articleshow/59118611.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

Schwab, K. (2017), "The Fourth Industrial Revolution: What It Means, How to Respond." World Economic Forum. World Economic Forum, https://www.weforum.org/agenda/2016/01/the-fourth-industrial-revolution-what-it-means-and-how-to-respond

Schwartz, J. (2013) The open talent economy People and work in a borderless workplace, Deloitte Report, https://www2.deloitte.com/global/en/pages/human-capital/articles/open-talent-economy1.html

Sen, C. (2017) " Gig economy on the rise in India fuelled by startups: Peter Hamilton, KellyOCG" https://economictimes.indiatimes.com/opinion/interviews/gig-economy-on-the-rise-in-india-fuelled-by-startups-peter-hamilton-kellyocg/articleshow/61108572.cms

Stone, D. & Deadrick, D. L. (2015). Challenges and opportunities affecting the future of human resource management. Human Resource Management Review, 25: 139-145

Strauss, K. (2017) Survey Report: The Rise Of An Agile Workforce? https://www.forbes.com/sites/karstenstrauss/2017/01/31/survey-report-the-rise-of-an-agile-workforce/#5fd04f003f43

Thammaiah BN(2016) Gig economy has arrived in India: On-demand model being adopted by workers across generations http://www.financialexpress.com/jobs/gig-economy-has-arrived-in-india-on-demand-model-being-adopted-by-workers-across-generations/457541/

Vaidyanathan, R. and Bose, P. (2017) "The Conundrums of the Gig Economy", Livemint http://www.livemint.com/Opinion/AtBCpBokW7aLYLy4G0Kq3H/The-conundrums-of-a-gig-economy.html

Gen Y: The Millennial Workforce*

How do you define Generation Y?

The group of people belonging to the period post mid-1980s may be referred to as the Generation Y. The Gen-Y cohort have come to be known as the 'echo boomers' as they are based on the peer group of people that belonged to the previous generation popularly known as "baby boomers" or Gen-X. Constant access to modern technology has made this group more adaptive to the rapidly changing work environment; they are more tech-savvy, more hard-working and they tend to have an inclination towards jobs that are often challenging in nature. They are popularly known as 'millennials' or the 'internet generation'.

What are the basic characteristics of Gen-Y?

The Gen-Y can be described as achievement-oriented, career-driven and family-centric. Gen-X perceives this group to be narcissistic and having a lack of commitment and discipline. They are very prone to moving from one job to another. However, they appreciate and value inputs from fellow members of the group they are involved with which makes them highly team-oriented. This is the generation that seeks flexibility in work schedules, greater work-life balance, more 'me-time' and opportunities for career advancement.

Do millennials occupy a huge percentage of the work population?

It is expected that millennials will contribute to about three-quarters of the global workforce by 2025. This means that about 20 percent of the world's population will comprise of people falling in the age group of 15-24 accounting for about 15 percent of the global labour force.[1]

What are the challenges employers face in their efforts to engage this new generation of employees?

Millennials tend to be more self-aware about their needs due to increased exposure to media, higher standards of living and better lifestyle options. As a result, they are willing to make compromises both at the work space as well as in their personal lives. However, they tend to offer more productive work as long as they are provided with greater flexibility in work hours with a good amount of time available for leisure, possibilities for promotion, better paid leaves and parental leaves and better avenues for career advancement. Employers are often faced with the problem of dealing with the tendency of the millennial workforce to gradually lose interest in their jobs. They are always on the lookout for something more complex. Currently, majority of the millennial population is over educated and under-utilised in the workforce. The employers need to tap the competitive potential of this new generation of employees. Moreover, employees of today tend to look at their superiors as equals which might turn out to be an issue in organisations with highly formal structures following an orthodox hierarchy mechanism. They are more aggressive and demanding and are not easy to please. Job hoping becomes a typical outcome of monotony and dissatisfactory work climate.

[1] Generations: Demographic Trends in Population and Workforce, July 20, 2017, Retrieved from http://www.catalyst.org/knowledge/generations-demographic-trends-population-and-workforce#footnote4_0lcjn14

What are the measures an employer could take to retain the 'Millennials in the workforce'?

The 'Generation-Go'[2] is highly competitive, determined, demanding and creative. They can be aptly described as the 'go-getters'. Owing to their creative bent of mind, increased productivity and effectiveness, the employers are realising the fact that they cannot miss out on such talent. More often than not, this group tends to work well under stress, are fast learners and hence, it is important to retain them in the organisation by providing better financial incentives in the form of over-time bonus, better pay, more paid leaves, promotion, etc., and certain non-financial incentives such as recognition for good work, parental leaves, more vacation time and the like. An occasional pat on the back goes a long way in making the employee feel wanted. Trends such as prioritising seniority over merit, nepotism, valuing quantity over quality need to find their way out as they end up causing unwanted disputes, heartburn and job dissatisfaction. Employees need to feel valued and have a sense of belongingness to the organisation. They need to be properly guided across a career path that is most suitable to them.

**Prepared by Editorial Team, IMI Konnect*

[2]Study: Work-life challenges across generations: Millennials: Generation Go http://www.ey.com/us/en/about-us/our-people-and-culture/ey-infographic-millennials-generation-go

India to be a Leading Economy by 2050: Myth or Reality ?

Souvik Banerjee
Director General
Merchants' Chamber of Commerce & Industry

Introduction

It is common knowledge that several experts, over the last 10 years or so, have opined that India will lead the global economy by 2050. Various reports by leading consultants have emphasised that the shift of global economic power towards the emerging economies will largely be driven by China and India. China is already the largest economy in the world in Purchasing Power Parity (PPP) terms, having overtaken the US in 2014, and for the advanced economies, growth is projected to be much lower on an average compared to the emerging economies between 2016 and 2050. John Hawksworth, Chief Economist at PwC, U.K., said in a statement recently that by 2050, China will be the largest economy in the world by a significant margin, while India could edge past the US into the second place. Another Harvard University research has placed India above China and has said that India will be the base to the economic pole of global growth over the coming decade with a 7.7 percent growth rate annually, remaining ahead of China.[1]

Factors Heading to Growth

Researchers attribute India's rapid growth prospects to the fact that it is particularly well positioned to continue diversifying into new areas, given the capabilities accumulated till date. India has been able to make meaningful inroads in diversifying its export base to include more complex sectors, such as chemicals, vehicles, and certain electronics, while the export basket of China seems to be shrinking. The Indian Government's favourable policy regime and robust business environment have ensured that foreign capital keeps flowing into the country. The Government has taken many proactive steps in recent years such as relaxing Foreign Direct Investment (FDI) norms across sectors such as defence, PSU oil refineries, telecom, power exchanges and stock exchanges, among others which have been able to showcase India as a significant investment destination to the rest of the world. According to the Department of Industrial Policy and Promotion (DIPP), the total FDI investments India received during April 2016-March 2017 rose 8 per cent year-on-year to US$ 60.08 billion, indicating that Government's effort to improve ease of doing business and relaxation in FDI norms is yielding results[2]. It is worthwhile to mention here that according to United Nations Conference on Trade and Development (UNCTAD) World Investment Report 2016, India acquired 10th slot in the top 10 countries attracting highest FDI inflows globally in 2015. The report also

[1] http://www.livemint.com/Politics/344Lbozz8cAavEAeljLytM/India-to-be-base-to-economic-pole-of-global-growth-Harvard.html

[2] https://www.ibef.org/economy/foreign-direct-investment.aspx

mentioned that among the investment promotion agencies, India has moved up by one rank to become the sixth most preferred investment destination. All these do project a bright picture, and go on to showcase India as one of the leading future economic superpowers, but where does India really stand today , and does the Indian economy have the necessary steam in it to run it's engine of growth at a pace which will beat other large, emerging and promising economies, remains the question.

Concerns and Possible Measures

It is true that India's outlook towards economic growth has improved as impact of demonetisation is now fading and some key reforms are paying off, but at the same time, concerns are growing over corporate debt and banking system vulnerabilities. Observing that there is scope for improving productivity and broadening economic opportunities for all, the IMF said recently that in many emerging and advanced economies, higher investment in education, health, better usage of public funds, investments in infrastructure would support long term growth, as such investments would also help in opening up opportunities and enabling both social mobility and adjustment to structural economic shifts, including those arising from technology and trade.

Role of Infrastructe

It is without any doubt that for emerging markets like India, top priorities should include eliminating legal hurdles that prevent women from working, improving infrastructure and enhancing gender parity in access to health, education and skills training, and finance. According to estimates, India will require around US$ 1 trillion in the 12th Five-Year Plan (2012–17), to fund infrastructure growth covering sectors such as highways, ports and airways. This is hugely challenging and this would require support from FDI flows because domestic private investments alone would perhaps not be enough to enhance infrastructural endowments to the level required and desired.

Role of Policies related to Business

We can hope that India's growth rate, along with competitive location in terms of wages and policies like Stand Up India, Make in India etc. would help to boost FDI & employment in the coming future. Also, technology-enabled financial inclusion would hold the key really to long-term, sustainable growth because it is necessary that an emerging nation ensures the availability of finance & credit to its entire population and minimizes the percentage of unbanked areas within its geographical boundaries.

Reforms for Development

Income divide and growth disparity has not been bridged even after 25 years of economic liberalization, and hence we need a big push through a second generation of bold structural reforms. India must take further action to ensure that the growth process is broad-based in order to reduce the share of the population living on less than $2 a day—many of whom are employed in informal and low skilled jobs. Educational enrollment rates are relatively low across all levels, and quality varies greatly, leading to notable differences in educational performance among students from different socioeconomic backgrounds. Thus it can be commented that while India could emerge as a leading economy in the years to come, challenges before the Indian economy are also daunting and prudent, action-oriented policy measures would be needed to overcome those hurdles.

Challenges Ahead

Continued low commodity prices, especially of crude oil, have helped the Indian Government contain its fiscal deficit and rein in inflation. However, oil prices are hardening again after the successful conclusion of an OPEC deal on production cuts and the willingness of non-OPEC members to cooperate. That is not good news for India's current account balances, and it is likely to push up the government's subsidy bill and aid inflation. Also, despite a series of measures to deal with bad loans by the Government and the RBI, the non-performing assets of state owned banks have continuously been on the rise. Many analysts claim that things are not so bad for private sector banks, but they have avoided the risky corporate loans necessary to support industrial expansion. The high share of bank loans given by public sector banks could also be a result of banks offering loans sanctioned selectively by bank employees to favour crony capitalists rather than taking commercial considerations into account. This is a problem the Indian Government has not been able to tackle effectively yet, and growth prospects could get severely hampered if this crucial issue is not tackled in the immediate short run.

Among other worries that India currently has, a prominent concern is employment generation and job-led growth. With one of the largest and youngest populations in the world, India needs to create millions of good-quality jobs in the near future to ensure decent living conditions for the vast majority of its citizens. We are often cited as an example of an economy that is modernising by jumping directly into services without passing through manufacturing. The weight of manufacturing in India has been relatively stable over the past two decades, at much lower levels than China and ASEAN countries. Business services – a high value added sector, represent a larger share of economic activity in India than in Europe.

Conclusion

Will India be able to achieve shared prosperity without a growing manufacturing sector is a question that bothers policy makers around the world. Agriculture accounts today for only 16per cent of total value added (down from 44 per cent in 1965), but still employs about half of the Indian population. Productivity in this sector did not increase significantly in the past decades, limiting improvements in living standards in rural areas. It is extremely important that private investment, especially from foreign firms, get a favourable business environment, which includes strong property rights protection and also fair and speedy trials in the case of disputes. To this end, ensuring the independence of the judicial system and increasing efficiency in settling disputes will be the key. Business ethics should also improve in line with that of public institutions. Reporting and accounting standards are necessary to ensure transparency in the private sector, increase trust and facilitate long-term financing and investment.

The Insolvency and Bankruptcy Code 2016: Some Implications*

Introduction

The Indian credit system has been inflicted with the strain on account of lack of support by the existing institutional and legal framework for the timely recovery of defaulted assets. For example, surging Non-Performing Assets (NPAs) in the Indian banking system in the recent past has been the cause of worry for the health of the financial sector. There was a sense of urgency to bring about reforms in the bankruptcy and insolvency law due to its critical influence on the business environment and recognising the need to alleviate the distressed credit markets. There exist multiple laws and forums such as Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002, Companies Act, etc., often overlapping related to financial failure and insolvency. The specially constituted 'Bankruptcy Law Reforms Committee' (BLRC) drafted the Insolvency and Bankruptcy Code Bill in November 2015 under the Ministry of Finance, Government of India. Both the houses of the Parliament passed the Insolvency and Bankruptcy Code, 2016 based on the recommendations of a joint committee of the Parliament and a public consultation process to restructure the institutional and legal framework surrounding insolvency and bankruptcy. It received presidential assent on May 28, 2016.

The Need for a Bankruptcy Law

Business failures tend to impact a wide range of stakeholders such as employers, creditors and the economy as a whole. Failing banks and other entities in the financial sector also needed a framework for ensuring a smooth bankruptcy resolution process. India's long standing bad debt problem has crippled credit lending to a great extent. Multiple laws governing insolvency and bankruptcy earlier used to result in ineffective enforcement and delays in the entire resolution process. They are grossly inadequate. There was a need to speed up the process for a time-bound settlement of insolvency. As per the new code, an individual creditor or a group of creditors may file for insolvency if they are not able to recover their money. Individuals who are unable to pay up cannot find an escape route under the new bill.

The Code

As defined by the Ministry of Law and Justice, The Insolvency and Bankruptcy Code has been defined as, *"An Act to consolidate and amend the laws relating to reorganisation and insolvency resolution of corporate persons, partnership firms and individuals in a time bound manner for maximisation of value of assets of such persons, to promote entrepreneurship, availability of credit and balance the interests of all the stakeholders including alteration in the order of priority of payment of Government dues..."* [1]

The new code overrides the previous bankruptcy laws and covers individuals, companies, limited liability

[1] "THE INSOLVENCY AND BANKRUPTCY CODE, 2016", May 28, 2017, Retrieved from http://www.indiacode.nic.in/acts-in-pdf/2016/201631.pdf

partnerships and partnership firms. Creditors will find themselves in a better position to recover loans faster. The code has established a new institutional framework which comprises of the insolvency professionals, information utilities, a regulator and adjudicatory mechanisms to facilitate a formal and speedy resolution process.[2]

The insolvency process for corporate debtors has two stages, viz. Insolvency Resolution Process (IRP) and Liquidation. While IRP assessment is done by the creditor about viability of the debtor's business, liquidation is the process undertaken when the creditors decide to wind down.

The Institutional Framework

The insolvency resolution professionals are the intermediaries who play a key role in the efficient working of the bankruptcy process. They are responsible for verifying creditors' claims, enable creditors to evaluate the viability of a business to decide upon a revival or a liquidation plan by setting up a creditor's committee and even to run the business of the debtor during the moratorium period (180 days extendable up to 270 days for the Company).

Information utilities enable the creation of a centralised electronic database of serial defaulters. The creditors are required to release relevant financial information of the debtors which can be referred to by multiple utilities from time to time. All the important stakeholders involved in the insolvency and bankruptcy proceedings will have access to such information.

The Insolvency and the Bankruptcy Board of India acts as a regulator in the proceedings of the insolvency process. It governs the functioning of the insolvency professionals, the insolvency professional agencies involved and the information utilities.

The National Company Law Tribunal (NCLT) plays the role of an adjudicating authority for liquidation and corporate insolvency. For individuals and other persons, the Debt Recovery Tribunal (DRT) has been authorised to pronounce its judgement on insolvency issues.

Implications

A Creditor-driven Move

The Insolvency and Bankruptcy code has attempted to make a paradigm shift from a 'Debtor-in-possession' to a 'Creditor-in-control' regime.[3] The management of the company is handed over to the insolvency resolution professionals hired by a creditor or a group of creditors. This group of creditors can initiate an application and file for insolvency in case they are unable to recover their money. The borrowers have to honour the payments that are due either fully or settle for an amount that is agreed upon by all the creditors. In case the debtors and creditors fail to arrive at a consensus in the resolution process, an order is passed by

[2]India: The Insolvency And Bankruptcy Code, 2016 - Key Highlights, May 18, 2016, Retrieved from http://www.mondaq.com/india/x/492318/Insolvency+Bankruptcy/The+Insolvency+And+Bankruptcy+Code+2016+Key+Highlights

[3]The Insolvency and Bankruptcy Code, An Overview, July 2016, Retrieved from

http://www.ey.com/Publication/vwLUAssets/ey-the-insolvency-and-bankruptcy-code-2016-an-overview/%24FILE/ey-the-insolvency-and-bankruptcy-code-2016-an-overview.pdf the adjudicating authority, i.e., NCLT for companies or DRT for individuals, stating that the debtor or creditor is entitled to apply for bankruptcy. The creditors may claim from anything that is available based on the valuation of assets under a public notice.[4]

Insolvency Resolution Professionals

The code has generated the scope for specially skilled professionals as such professionals will be one of the key drivers in the proper working of the new framework. This in turn, indicates that business schools in the country should prepare professionals with insolvency skills. During Jan-March, 2017, 96 insolvency professionals have been registered among which Southern region (8) and Eastern region (12) had the lowest numbers (IBBI newsletter, 2017).

Boost to Business Environment

The code has positive implications for the business environment in the country as this will make doing business in India easier. With proper implementation in a few years, it is expected to improve the ranking of India in ease-of-doing business.

Conclusion

As alluring as it may sound to get away with insolvency and start afresh with a clean slate, the option to file for insolvency or bankruptcy should be used as a last resort. However, quick resolution of bankruptcy is extremely important for an emerging economy like India where previous capital should not be frittered away on weak and unviable business. The streamlining and consolidation of the existing laws by making the process simpler and speedier is definitely a welcome move and has the potential to change the way business is done in India.

**Prepared by Editorial Team, IMI Konnect*

[4]Decoding the new bankruptcy law , July 9, 2016, Retrieved from http://premium.thehindubusinessline.com/portfolio/beyond-stocks/decoding-the-new-bankruptcy-law/article8828990.ece

International Management Institute Kolkata
2/4C, Judges Court Road
Alipore, Kolkata 700027
Telephone: +91 33 6652 9658
website: www.imi-k.edu.in