Indian tech industry continues to be net hirer

So far in the post-pandemic period, people have only been talking about increasing digital adoption and saying that Covid-19 has accelerated digital adoption across industries and technology service providers are witnessing a sharp growth in digital deals. And there are some facts and figures to validate that. And this is particularly true in case of India, much to the pleasure of the Indian technology sector.

The headwinds in 2020 notwithstanding, Indian tech contributed nearly 8 per cent relative share to the national GDP, with 52 per cent relative share in services exports, and 50 per cent share in total FDI (based on FDI inflows for the period April to September 2020). That's not all. The Nasscom CEO survey for 2021 indicates that almost 70 per cent companies expect investment in global technology higher than the previous year. In this hyper-digital economy, TRUST with the four cornerstones of competence, reliability, integrity, and empathy, will be the single-most-important currency, leading the industry growth towards a better normal.

Another key fact that would also testify a significant growth in the technology or digital space has been that Indian tech industry continues to be a net hirer with significant focus on digital upskilling. The industry is expected to add over 138,000 net new hires in FY2020-21, taking total employee base to 4.47 million in FY2020-21. Digital talent pool is expected to cross 1.17 million, growing at 32 per cent over last year. And mind you, this is happening despite the overall economic and industrial downturn.

What is really encouraging for India is that at a time when global output is estimated to have shrunk by 3.2 per cent, led by the 2020 pandemic, Indian Technology sector rallied round to grow at 2.3 per cent year on year at the back of rapid acceleration in digital transformation and tech adoption.

When it comes to India's domestic market, technology and digital business, driven by hardware led demand continued to show resilience, growing at 3.4 per cent in the year. With an increased focus on innovation, India witnessed more than 115,000 tech patents filed by companies in India in the last 5 years.

There is no denying the fact that be it in India or elsewhere in the world, digital transformation is the topmost priority for transnational corporations and in a highly connected world that will remain largely contactless for an extended period, there are shifts in business models, customer experience, operations, and employee experience.

Going by the Nasscom study, investing in digital continues to rise as an imperative for the industry, with organisations building their capabilities and aligning business models to digital practices - up to 28 per cent-30 per cent of the industry revenues was recorded for digital. Resonating with the overarching call-to-action for Atmanirbhar Bharat, domestic digital adoption has intensified in 2020.

Going forward, while we certainly need to be cautiously optimistic, it would not be a wrong notion to believe that the technology industry in India is well geared to build on these trends and continue its transformation journey in this re-defined Techade.

BITCOIN's VOLATILITY SHOULD BURN INVESTORS. IT HASN'T

Wild price swings normally have a way of reversing fortunes. So how do you explain when they don't?

Nir Kaissar

JUST over 10 years old, Bitcoin might already be the best-performing investment of all time. It might also be the most volatile, and volatility has a way of luring people into ill-timed and costly investing choices. So with all the headlines about Bitcoin's meteoric rise, it seems reasonable to ask how its investors are doing.

There's no denying Bitcoin's astonishing success. Its price has grown a stupefying 796,933 times since 2010. For perspective, the Dow Jones Industrial Average has grown 869 times since its inception in 1896. That means Bitcoin's price appreciation has been 917 times that of the Dow in less than a tenth of the time.

With a surge like that, it doesn't take a big investment to make a pile of money. A measly $100 bet on Bitcoin on Day One, or close to it, would have blossomed into close to $80 million. And investors didn't have to be there from the beginning to rack up big gains. They just had to hop on somewhere along the line and hang on to their coins.

The trouble is, Bitcoin's wild swings don't make it easy to hold on. Its volatility, as measured by annualised standard deviation, has clocked more than 200 per cent since 2010, or close to 15 times that of the S&P 500 Index during the same period. Investors who were in and out of Bitcoin had as much opportunity to lose a fortune as make one.

Investments with far less volatility than Bitcoin have been known to trip up investors. Faced with big and unpredictable price moves, those who have trouble staying in their seat are more likely to buy on the way up and sell on the way down rather than the other way around. Morningstar's annual 'Mind the Gap' report attempts to quantify the impact of investors' behaviour on their investment returns by measuring the so-called behaviour gap, or the difference between the performance reported by investment funds and the returns investors in those funds manage to capture. The results strongly suggest that more volatility leads to bigger gaps, and not in investors' favour.

While gaps can be caused by numerous factors, volatility seems to be a key one. According to the latest report, investors have fared best in allocation funds, or those that combine stocks, bonds and other investments. The gap in those funds was 0.4 per cent a year over 10 years through 2019, meaning that on average investors captured a higher return than the one reported by their funds. One reason, as Morningstar puts it, is that "by virtue of their diversified approach, allocation funds tend to have more-stable performance and are easier to own than funds that are subject to more-dramatic performance swings." By contrast, investors in sector-specific stock funds, which tend to be more erratic, gave back 1.35 per cent a year, the widest gap in either direction.

If volatility is inversely related to the behaviour gap, then Bitcoin's gap should be alarmingly negative. It's difficult to track the money flowing in and out of Bitcoin, which is part of the charm, so it's hard to be sure. But the available numbers suggest just the opposite - investors appear to have deftly navigated its harrowing highs and lows, buying on the way down and selling on the way up.

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Flip the script

Bitcoin has already been through two spectacular boom-bust cycles. It surged to a high of $1,137 from just $0.08 from July 2010 to November 2013, and then tumbled 84 per cent to $183 by January 2015. It happened again three years later. Bitcoin peaked at more than $19,000 in December 2017 and then plunged 83 per cent over the next year, landing at about $3,100 in December 2018.

Here's the surprising part: According to CryptoQuant, a cryptocurrency data provider that attempts to gauge Bitcoin's flows on top cryptocurrency exchanges, there have also been two swells in net flows to Bitcoin. Based on rolling one-year flows since April 2012, the longest period available, those two swells align almost perfectly with the timing of Bitcoin's two busts. During the first washout, Bitcoin was still a novelty, so a few whales - lingo for investors who own a lot of Bitcoin - may have had a disproportionate impact on flows. But by the second one, Bitcoin was more widely owned, so the flows represent a broader cross section of investors.

Either way, investors shovelled more money into Bitcoin on the way down than up, and it's not even close. Investors poured a net $8.5 billion into Bitcoin during the two busts, and they pulled a net $3.2 billion the rest of the time. If Bitcoin has a behaviour gap, it's more likely positive than negative - and it might even be hugely positive, as far as gaps go.

Is it possible that Bitcoin enthusiasts are a more evolved species of investors who can exploit its terrifying volatility rather than get mauled by it? Here's another reason to think so: One-year net flows to Bitcoin turned negative for the first time last June and have declined sharply ever since. In fact, net outflows were the highest ever during the last 12 months through January, even as Bitcoin has soared to new heights. Rather than chase Bitcoin higher, investors appear to be running for the exit.

Granted, it's still early days for Bitcoin, and a third bust could change everything. But as of now, Bitcoin's investors may be even more incredible than the digital coin itself. (Bloomberg)

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