

**International Conference – 2025: Developed India @ 2047****Charting Multidisciplinary and Multi-Institutional Pathways for Inclusive Growth and Global Leadership held on 4th & 5th April, 2025****Organised by: IQAC - Gossner College, Ranchi**

The Ripple Effects of Currency Devaluation on Employment Trends in TCS

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Abstract

Currency devaluation is a macroeconomic phenomenon that directly affects global businesses, particularly multinational corporations like Tata Consultancy Services (TCS), which rely heavily on exports and global operations. It occurs when a country's currency loses value relative to others in the foreign exchange market. This can result from policy decisions, market forces, or economic instability. TCS tends to be resilient to currency devaluation due to its diversified geographic presence, robust hedging strategies, and operational efficiency. It has a higher employee base and broader geographical presence, spreading its cost structure globally. A devalued INR reduces offshore operational costs compared to onshore costs, helping TCS to maintain competitive pricing. This research examines the intricate relationship between currency devaluation and employment trends in TCS. By analyzing the effects of devaluation on revenue, cost structures, hiring practices, and workforce distribution, the paper highlights how TCS adapts to fluctuating currency values. The findings reveal that while currency devaluation enhances competitiveness in international markets, it also presents challenges in compensation management and talent retention, necessitating strategic adjustments.

Keywords: *Currency Devaluation, Economic Impact, Employment, Global Operations, IT Sector, Tata Consultancy Services.*

Introduction

Currency devaluation occurs when a country's currency loses value relative to others in the Foreign Exchange Market. This can result from policy decisions, market forces, or economic instability. For export-driven companies like TCS, devaluation can create both opportunities and challenges. When the Indian Rupee devalues against major currencies like the US Dollar or Euro, TCS's services become more affordable for international clients. This often leads to increased demand for outsourcing contracts. As a result, TCS may increase hiring to meet the surge in demand, particularly in technical and project management roles. Devaluation can boost domestic job creation in India, as TCS might prefer to expand operations locally to leverage cost advantages. This benefits the Indian economy by providing more employment opportunities to skilled professionals. Currency devaluation can make it cost-effective to deliver services from offshore locations like India rather

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than maintaining an extensive onshore workforce in countries with stronger currencies. Consequently, TCS may reduce onshore hiring in foreign locations while expanding its offshore teams. Devaluation can strain TCS's compensation policies, especially for employees posted abroad. A weaker Rupee can erode the real value of salaries paid in foreign currencies, leading to employee dissatisfaction. TCS often has to recalibrate compensation structures or introduce allowances to address this disparity. Currency devaluation can complicate talent acquisition and retention. Employees might seek opportunities in markets offering stronger currencies or higher compensation. TCS must invest in retaining talent by offering competitive benefits and growth opportunities. TCS actively employs hedging strategies to mitigate the risks of currency fluctuations. This ensures financial stability and protects employment levels during periods of volatility. In the long term, TCS emphasizes up-skilling its workforce to cater to high-value services that are less impacted by currency fluctuations. This strategy helps maintain a stable employment rate despite external economic pressures. By shifting to value-driven IT services and solutions, TCS reduces reliance on low-cost outsourcing, lessening its exposure to currency fluctuations. To counteract potential downsides of devaluation, TCS has strengthened its localization efforts in key markets, hiring local talent and setting up delivery centers worldwide.

Research Objective

- To examine the trend of INR Devaluation against USD over the past decade (2014–2024).
- To assess the correlation between currency devaluation and TCS's workforce expansion, identifying periods of significant hiring or downsizing.
- To analyze the financial implications of currency fluctuations, particularly how a weakening INR affects hiring capacity.
- To provide insights for businesses and policymakers on how currency volatility impacts India's IT sector, helping firms strategize hiring and expansion decisions in response to forex market trends.

Literature Review

According to Hanshil M Solanki (2023) study's findings demonstrate that currency devaluation significantly affects MSMEs in India. Respondents expressed worries about inflationary pressures, growing import raw material costs, and the negative effects of currency devaluation on export competitiveness. They were also conscious of the possible benefits, like the expansion of commercial prospects and the increase in demand on international markets. It is evident that government programs and support are crucial for helping MSMEs get beyond challenges and take advantage of opportunities presented by currency devaluation. By addressing these problems and providing capital or incentives, the government may encourage the growth and resilience of MSMEs, which would eventually contribute to the prosperity and job creation of India's economy.



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According to Arora (2014), who looked at the real impact of the rupee's depreciation on the Indian economy, the nation will eventually lose more and gain less from a weaker currency. Research indicates that the rupee's significant decline in value relative to the US dollar has created a new danger for the Indian economy. The RBI can relax capital regulations and attract investors by increasing the FII ceiling on investments in corporate and government debt instruments and imposing higher caps on ECBs. The government can create a stable political and economic environment. However, the Eurozone's future and the state of the world economy will have a big effect on the INR.

According to R. Sirohi (2013), currency depreciation causes people to pay more for commodities, which impacts students who are studying overseas or intend to do so. Regarding the impact of the currency devaluation on the Indian economy, Divakaran, N Deepa, and Dr. G.S. Gireeshkumar (2014) have voiced differing opinions. They talked on how this will benefit India's export-driven economy. The IT sector, textiles, fertilizers, gold and gems, pharmaceuticals, and power are the primary ones. Indian producers would be able to demand higher prices and be more competitive on the international market as a result of the weak rupee. But it can also lead to inflation and a wider current account deficit.

According to Bhawna Kalra (2012), "Devaluation of INR vs. USD: A historical prospective," the reasons for devaluation both before and after liberalization are examined in this essay. The author is trying to find out how the depreciation of the INR affects the Indian economy and says that the INR's continued low value is more worrisome than encouraging. The author also contends that active central government involvement is required to maintain stable currency.

Research Methodology

In order to collect and examine data, the study "Effects of Currency Devaluation on Employment Trends in TCS" uses both qualitative and quantitative research technique. Secondary data collection techniques are used in the research process. Key variables include currency exchange rates, revenue growth, hiring trends, and compensation policies. RBI official report, TCS's annual reports, Government publications, scholarly articles, and statistical sources are the sources of secondary data. These secondary sources offer more details and background on the subjects of Employment in TCS and Currency Devaluation in India. Data of 10 years have been selected i.e from 2014-15 to 2023-24.

Data Analysis and Interpretation

H₀: There is no significant impact of currency devaluation on Employment of TCS

H₁: There is significant impact of currency devaluation on Employment of TCS

CURRENCY DEVALUATION Vs NO. OF EMPLOYEES IN THOUSANDS OF TCS

YEARS	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
TCS	320	354	387	395	424	448	488	592	615	601
RUPEES Vs DOLLAR	61.14	65.46	67.07	64.45	69.92	70.89	74.22	74.5	80.36	82.78

(Sources: Data Collected from RBI official report, TCS's annual reports)



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Descriptive Statistics

The number of employees at TCS increased from 320,000 in 2014–15 to 387 thousand in 2016–17. The expansion of TCS throughout this time is seen in the continuous and regular growth of 67 thousand employees. TCS's workforce grew from 387 thousand in 2016–17 to 424 thousand in 2018–19. The two-year increase of 37,000 suggests more moderate growth, which could be the result of area optimization or organizational restructuring. From 448 thousand in 2019–20 to 488 thousand in 2020–21, TCS had a notable increase. A rise of 40,000 workers indicates that TCS increased employment to keep up with the demand, which may have been fueled by the COVID-19 epidemic and the global trend of digital transformation. TCS primarily earns revenue in foreign currencies (USD, EUR, GBP) while paying a large portion of salaries in Indian Rupees (INR). If the Indian Rupee weakens, TCS's revenue in INR terms increases, allowing it to expand its workforce and invest in growth. For instance, during the COVID-19 period (2020–22), the INR depreciated significantly against the USD. This boosted IT exports, leading to aggressive hiring (104K new employees in two years). TCS's workforce increased from 488 thousand in 2020–21 to 592 thousand in 2021–22 and 615 thousand in 2022–23. The pandemic's push for digitalization and the growing demand for cloud computing, digital solutions, and IT services worldwide are to blame for this company's explosive growth (104 thousand people in just two years). There were 601 thousand workers in 2023–2024, a little reduction from the previous year. This can point to a brief recruiting stall, either as a result of the business stabilizing its workforce following fast expansion or adapting to changing market conditions. TCS expands its workforce aggressively when the INR depreciates because it boosts IT exports. The strongest hiring occurred in 2020–22, coinciding with significant INR depreciation. The slowdown in hiring (2023–24) aligns with a relatively stable INR, indicating cost-cutting and optimization.

Correlation Analysis between Currency Devaluation and Employment of Tata Consultancy Services

	Currency Devaluation	No. of. Employees (In Thousands)
Currency Devaluation	1	
No. of. Employees (In Thousands)	0.947949328	1

Interpretation

The two variables in the above table are the number of employees (a dependent variable) and currency devaluation (an independent variable). According to the following matrix, there is a very high positive association ($r = 0.9479$) between the number of employees and currency devaluation.



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Regression Analysis between Currency Devaluation and Employment of Tata Consultancy Services

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.9479
R Square	0.8986
Adjusted R Square	0.8859
Standard Error	36.2858
Observations	10

ANOVA					
	df	SS	MS	F	Significance F
Regression	1	93353.1426	93353.1426	70.9016	0.0000
Residual	8	10533.2574	1316.6572		
Total	9	103886.4000			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	-577.2276	123.9987	-4.6551	0.0016	-863.1691	-291.2860	-863.1691	-291.2860
X Variable 1	14.6264	1.7370	8.4203	0.0000	10.6208	18.6320	10.6208	18.6320

Interpretation

Currency devaluation has a strong and statistically significant positive effect on the employment of Infosys ($p\text{-value} < 0.05$). So, Null hypothesis is rejected at 95% level of significance. Hence, we conclude that there is significant positive impact of currency devaluation on employment of TCS.

Findings and Discussion

Currency devaluation, particularly of the Indian Rupee against the US Dollar, enhances TCS's cost competitiveness by reducing the relative cost of its services for foreign clients. This often leads to increased demand, necessitating workforce expansion, particularly in offshore locations like India. Devaluation makes offshore delivery centers in India more attractive for clients, potentially reducing the need for onshore hiring in countries with stronger currencies. TCS often reallocates resources to balance cost efficiency and client satisfaction. Devaluation impacts salary structures, especially for employees stationed abroad. The weakened Rupee reduces the value of remittances and necessitates adjustments in compensation packages to ensure parity. TCS addresses these challenges through currency hedging and periodic salary reviews. Devaluation often leads to increased hiring in India to capitalize on cost advantages. TCS typically focuses on recruiting skilled professionals in high-demand areas such as AI, cloud computing, and cyber-security to meet global client requirements. While devaluation may create job opportunities, it also increases employee turnover risks, as professionals seek roles in stronger economies. TCS mitigates this through competitive benefits, upskilling programs, and leadership development initiatives. Over the years, TCS's employment has grown steadily, with large upticks in 2021–2023, propelled by worldwide digital trends. Although the modest drop in 2023–24 would seem out of the ordinary, it is probably a result of a process of



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optimization or strategic adjustment rather than an indication of a general slowdown. TCS's growth trajectory demonstrates its leadership position in the IT services industry. From 2014–15 to 2023–24, currency devaluation had a mainly favorable effect on TCS employment. The drop in 2023–2024, however, shows that currency devaluation by itself cannot provide steady employment growth because other macroeconomic and firm-specific factors are also very important.

Conclusion

Currency devaluation presents a mixed bag of opportunities and challenges for TCS. While it enhances cost competitiveness and boosts demand for offshore services, it also poses challenges in managing global workforce dynamics and compensation structures. TCS's ability to adapt to these changes has been pivotal in maintaining its leadership in the IT industry. By leveraging currency devaluation effectively, TCS continues to create employment opportunities while navigating the complexities of a globalized economy.

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