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Impact of Union Budget and Monetary Policy on Talent Acquisition and Retention Strategies in IT Sector: A Study of Madhya Pradesh

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Abstract

The Information Technology (IT) sector in India is evolving rapidly, contributing significantly to employment and GDP. However, talent acquisition and retention remain major challenges, especially in tier-II states like Madhya Pradesh. This research investigates the influence of Union Budget 2024–25 and contemporary monetary policy decisions on talent management strategies in the IT industry. Specific budgetary allocations for skill development, digital infrastructure, and employment incentives have implications on hiring practices, retention frameworks, and workforce productivity.

Primary data were collected from HR professionals and senior managers across 20 IT firms operating in Bhopal, Indore, and Gwalior. Using structured questionnaires and interviews, insights were gathered about post-budget hiring trends, compensation adjustments, remote work adoption, and training investments. Secondary data from Union Budget documents, RBI monetary updates, and NASSCOM reports were also analyzed. Statistical techniques such as descriptive analysis, cross-tabulation, ANOVA, and regression were employed to interpret the findings.

The study reveals that policy-driven budget incentives, particularly for upskilling and startup support, are positively correlated with hiring growth and employee satisfaction. Additionally, monetary tightening by the Reserve Bank of India indirectly influenced salary benchmarking and hiring freezes. The regression analysis confirms that firms aligning with government initiatives have better retention rates.

This research contributes to policy discourse by offering empirical evidence on how fiscal and monetary frameworks affect talent strategies in the IT ecosystem. It recommends stronger publicprivate partnerships, region-specific tax reliefs, and performance-linked grants to encourage sustained employment growth. The findings are relevant for policymakers, HR strategists, and economists aiming to integrate workforce planning with macroeconomic instruments.

Keywords: Talent Acquisition, Retention, Union Budget 2024–25, Monetary Policy, IT Sector, Madhya Pradesh, Workforce Strategy, Fiscal Incentives



1. Introduction

India's IT sector has emerged as a global hub for software development, business process outsourcing, and digital transformation services. With a growing base of IT firms in non-metro cities, there is increasing focus on tier-II talent hubs like Madhya Pradesh. Despite significant growth, the industry faces persistent challenges in sourcing skilled manpower and reducing attrition. Strategic talent management is becoming a critical differentiator, especially in an era of rapid automation and hybrid work models.

The Union Budget 2024–25 introduced several employment-oriented provisions, including budget increases for skilling programs under the National Skill Development Corporation (NSDC), incentives for startup hiring, and infrastructure upgrades for digital workspaces. Simultaneously, RBI's monetary tightening through repo rate hikes affected capital availability and hiring budgets. This study aims to evaluate the interlinkages between these macroeconomic interventions and human resource strategies adopted by IT firms in Madhya Pradesh.

2. Literature Review

The strategic importance of talent acquisition and retention has become a cornerstone of organizational sustainability, especially in knowledge-intensive sectors like Information Technology (IT). Talent management has evolved beyond basic hiring and retention practices into a dynamic system influenced by fiscal policy, economic stability, and sectoral regulations.

2.1 Talent Acquisition in the IT Sector

As per Gupta and Sharma (2022), IT companies prioritize agility and innovation in recruitment to remain competitive in the digital age. Traditional hiring methods are giving way to data-driven recruitment models, remote onboarding, and campus partnerships. The role of government initiatives, such as the Skill India Mission and Startup India, is pivotal in preparing industry-ready talent, especially in tier-II cities (Mehta & Reddy, 2021).

2.2 Retention Challenges and Strategies

According to Kumar and Bhattacharya (2020), employee turnover in the IT sector remains high, averaging around 18–25% annually. Retention is influenced by compensation structures, learning opportunities, career growth, and work-life balance. Remote work post-COVID-19 has redefined job satisfaction factors, prompting firms to offer hybrid working models, wellness benefits, and flexible roles (Sinha, 2023).

2.3 Influence of Union Budget on HR Strategies

Budgets play an important role in shaping business confidence and employment intentions. The Union Budget 2024–25 announced increased allocations to Digital India, NSDC, and incentives for hiring under the Atmanirbhar Bharat Rozgar Yojana. As per NASSCOM (2024), these fiscal incentives are influencing hiring forecasts and internship-based sourcing strategies. Firms availing of these subsidies are increasingly targeting university talent and promoting internal learning academies (Verma & Tiwari, 2024).



2.4 Role of Monetary Policy in Employment Planning

Monetary policy, particularly interest rate hikes and liquidity adjustments, affects capital costs, startup scaling, and wage revisions. RBI's monetary tightening through repo rate hikes (6.5% in Q4 of 2024) has led many mid-size firms to revise their manpower budgets and delay onboarding (RBI Bulletin, 2024). Raghavan and Bose (2022) highlighted that workforce investment tends to decline when borrowing costs increase, especially for project-based IT consulting firms.

2.5 Regional Dynamics and Madhya Pradesh IT Sector

While Bengaluru and Hyderabad dominate India's IT landscape, tier-II cities like Bhopal and Indore are emerging hubs due to lower operating costs and high availability of engineering graduates (IDC, 2023). However, infrastructural limitations, absence of R&D centers, and brain drain pose challenges to sustained HR development. Jain (2023) noted that government investment in local tech parks and city-centric employment incentives can positively influence job creation in these regions.

2.6 Integration of Policy with Human Capital Development

Integrated HR policies must align with public incentives to yield strategic advantages. Studies by the World Economic Forum (2022) underline the need for policy-backed talent pipelines that include certification programs, digital skill grants, and wage subsidies. Organizations that synchronize HR planning with budgetary benefits tend to demonstrate higher employee productivity and organizational commitment.

In conclusion, while talent management strategies are inherently organizational, they are increasingly impacted by macroeconomic indicators and policy frameworks. Fiscal stimuli such as budgetary subsidies and monetary interventions like interest rate adjustments influence talent inflow, internal training spend, and retention practices. This literature forms the foundation for the current study's examination of these interdependencies within the IT companies of Madhya Pradesh.

3. Research Objectives and Hypotheses

Objectives:

- 1. To examine the impact of Union Budget 2024–25 on talent acquisition strategies in the IT sector of Madhya Pradesh.
- 2. To evaluate the role of monetary policy in influencing employee retention practices.
- 3. To analyze how fiscal incentives affect HR planning and compensation frameworks.

Hypotheses:

- H_{01} : Union Budget provisions have no significant effect on talent acquisition in IT companies.
- H_{a1}: Union Budget 2024–25 significantly impacts talent acquisition strategies in IT companies.
- H₀₂: Monetary policy measures do not influence employee retention strategies.
- H_{a2}: Monetary policy measures significantly influence employee retention strategies.



4. Research Methodology

4.1 Study Design: The study adopts a descriptive and exploratory research design integrating both quantitative and qualitative approaches. It captures the real-world implications of fiscal and monetary policies on HR strategies in the IT sector.

4.2 Geographical Area: The research focuses on three key IT clusters in Madhya Pradesh: Bhopal, Indore, and Gwalior.

4.3 Sampling Frame and Size: The study sampled 20 IT companies and collected responses from 140 HR professionals, middle-level managers, and CXOs involved in workforce planning.

4.4 Sampling Technique: Purposive sampling was used to identify respondents directly involved in HR decision-making. Efforts were made to cover both startups and mid-sized IT firms to ensure balanced representation.

4.5 Data Collection Instruments:

- **Primary Data:** Structured questionnaires with Likert-scale responses and semi-structured interviews.
- Secondary Data: Government budget documents, RBI bulletins, NASSCOM and IDC reports, industry white papers.

4.6 Data Collection Period: Data were collected over a two-month period from February to March 2025, immediately after the presentation of Union Budget 2024–25.

4.7 Analytical Tools: SPSS was used for data analysis. Techniques included:

- Descriptive Statistics (Frequencies, Means)
- Cross-tabulations
- ANOVA (to assess variance in hiring across policy-aware vs unaware firms)
- Regression Analysis (to assess impact of policy variables on retention outcomes)
- Content Analysis (for qualitative inputs from interviews)

5. Data Analysis and Interpretation

The collected data were analyzed using SPSS version 26.0. The objective was to examine how policylevel decisions—especially the Union Budget 2024–25 and RBI monetary measures—are perceived and operationalized in talent acquisition and retention strategies across selected IT companies in Madhya Pradesh. Both descriptive and inferential statistics were used.

Parameter	Category	Frequency	Percentage
Gender	Male	84	60.00%
	Female	56	40.00%
Age Group	25–35	64	45.71%
	36–45	52	37.14%
	46 and above	24	17.14%
Designation	HR Manager	48	34.29%
	Senior Executive	40	28.57%

Table 1: Demographic Profile of Respondents



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CXO/VP/Director 5	52	37.14%
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Interpretation: The sample includes a balanced mix of middle and senior HR leadership across genders. The majority fall in the 25–45 age group, indicating active engagement in recruitment strategy and operational decision-making.

Table 2: Awareness of Budget Provisions Related to HR

Awareness Level	No. of Respondents	Percentage
High Awareness	48	34.29%
Moderate Awareness	62	44.29%
Low/No Awareness	30	21.43%

Interpretation: Only one-third of respondents reported high awareness of budget provisions relevant to HR, indicating a potential communication gap between fiscal policy announcements and HR departments.

Fable 3:	Hiring	Trends	Post-l	Budget	2024-2	25
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Hiring Response Post-Budget	Number of Firms	Percentage
Increased Hiring	12	60%
No Change	5	25%
Hiring Freeze/Reduction	3	15%

Interpretation: 60% of the companies reported increased hiring post-Budget 2024–25, mainly due to incentives for skill development and digitization. However, 15% experienced freezes, influenced by monetary tightening and cost pressures.

Table 4: Regression Analysis – Impact of Budget Awareness and Policy Perception on Talent Acquisition

Predictor	В	Beta	t-value	p-value
(Constant)	2.15		5.32	.000
Budget Scheme Awareness	0.53	0.61	6.74	.000
Policy Implementation Perception	0.41	0.47	5.92	.000

Interpretation: Both variables—budget awareness and perceived policy execution—significantly influenced hiring trends, with budget awareness being the stronger predictor.

Table 5: Retention	Incentives A	Adopted	Post-Budget
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Incentive Type	Firms Adopting	% of Sample
Remote Work or Flexi-hours	16	80%
Skill Training and Certifications	14	70%
Financial Retention Bonuses	11	55%
Career Growth Initiatives	10	50%



Interpretation: Remote work remains the top retention tool, followed by upskilling investments. Budget-supported training programs have allowed firms to improve employee satisfaction and reduce turnover.

Table 6: ANOVA – Relationship Between Monetary Policy Perception and Retention Strategy Adoption

Source	SS	df	MS	F	Sig.
Between Groups	15.82	2	7.91	5.24	0.007
Within Groups	203.18	137	1.48		
Total	219.00	139			

Interpretation: Firms with better understanding of monetary policy adjustments were more proactive in adopting retention strategies. The test shows significant variation in retention practices across perception groups (p < 0.01).

Table 7:	Qualitative	Themes	from	Interviews
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Theme	Frequency	Sample Comments
Budget Enabled Upskilling	12	"NSDC schemes helped us upskill and retain
		junior staff."
Salary Pressure from Inflation	8	"Repo rate hike affected our salary increment
		cycle."
Government as Indirect Enabler	15	"We rely on budget-backed hiring programs."

Interpretation: The qualitative insights reinforce the quantitative findings, particularly regarding the role of budget subsidies and monetary policy in workforce management decisions.

6. Hypotheses Testing

Hypotheses	Test Applied	Calculated	р-	Hypotheses
		Value	value	Status
H ₀₁ : Union Budget provisions have no	Regression	$\beta = 0.61$	0.000	Rejected
significant effect on talent acquisition in IT	Analysis			
companies.				
Ha1: Union Budget 2024-25 significantly	Regression	$\beta = 0.61$	0.000	Accepted
impacts talent acquisition strategies in IT	Analysis			
companies.				
H ₀₂ : Monetary policy measures do not	ANOVA	F = 5.24	0.007	Rejected
influence employee retention strategies.				
H _{a2} : Monetary policy measures significantly	ANOVA	F = 5.24	0.007	Accepted
influence employee retention strategies.				

Interpretation: The statistical results strongly support both alternative hypotheses. The Union Budget's fiscal provisions and RBI's monetary adjustments have measurable impacts on how IT firms in Madhya Pradesh manage recruitment and retention. Regression analysis confirms that policy awareness directly correlates with improved hiring practices, while ANOVA demonstrates significant differences in retention efforts based on firms' perception of monetary policy.

7. Conclusion and Policy Recommendations



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This study examined the impact of Union Budget 2024–25 and recent monetary policy shifts on the talent acquisition and retention strategies of IT companies in Madhya Pradesh. The findings confirm a significant positive influence of budget-backed incentives on hiring and employee development initiatives. Notably, firms that were aware of and aligned with budgetary provisions experienced better hiring outcomes and stronger workforce satisfaction.

The regression analysis revealed that budget awareness was the most influential factor affecting recruitment strategies, while perception of policy implementation played a secondary but substantial role. Furthermore, ANOVA results established that organizations attuned to monetary policy measures adopted more structured and flexible retention tools, including upskilling and remote work offerings.

The study suggests that macroeconomic policy instruments can be effectively leveraged at the organizational level to achieve human capital objectives. With the Indian government focusing on digital empowerment and job creation through fiscal support, IT firms have an opportunity to strengthen their workforce ecosystems by aligning more closely with public incentives.

Policy Recommendations:

- 1. **Public-Private Talent Bridges:** Establish regional platforms where IT firms collaborate with NSDC and NASSCOM for co-funded skilling programs.
- 2. Awareness Campaigns: Conduct industry-specific seminars and digital forums to enhance awareness of budgetary incentives among HR practitioners.
- 3. **Monetary Forecasting Literacy:** HR teams should be trained to interpret RBI policy statements and adapt compensation/recruitment cycles accordingly.
- 4. **Policy Feedback Mechanisms:** Encourage IT associations in Madhya Pradesh to provide structured feedback to policymakers on the practicality and clarity of incentive schemes.
- 5. Localized HR Grants: Introduce state-level performance-linked tax rebates for companies showing consistent job creation and employee retention improvements.

These steps can not only enhance the adaptability of IT organizations but also reinforce the vision of inclusive, policy-aligned workforce development in India's growing digital economy.

8. Limitations and Suggestions for Future Research

8.1 Limitations:

- 1. **Geographic Scope:** The study is limited to three cities in Madhya Pradesh and may not reflect broader trends in larger metro IT ecosystems.
- 2. **Sample Size and Representation:** Although purposive sampling ensured data richness, 140 responses may not statistically represent the diverse structures of IT companies.
- 3. **Time Constraint:** Data was collected immediately after Budget 2024–25, which may not fully capture long-term HR strategy adaptations.



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- 4. **Policy Awareness Bias:** The self-reported awareness levels of respondents may introduce subjectivity in linking fiscal measures to organizational action.
- 5. **Monetary Policy Complexity:** The study simplifies the influence of interest rate changes without delving into broader credit and liquidity conditions.

8.2 Suggestions for Future Research:

- 1. **Longitudinal Studies:** Future research could track hiring and retention over an extended postbudget period to analyze changes over time.
- 2. **Comparative Regional Analysis:** Conducting similar studies in metro cities (e.g., Bangalore, Pune) can offer valuable comparisons between Tier-I and Tier-II ecosystems.
- 3. **Industry-Specific Segmentation:** Further work may explore how sub-sectors within IT (e.g., SaaS, BPO, fintech) respond differently to policy interventions.
- 4. **Government-Industry Interface Evaluation:** Future studies may evaluate how effectively policy announcements translate into actionable frameworks at the industry level.
- 5. **Behavioral HR Analytics:** Integration of psychometric and organizational behavior variables could enrich future models exploring employee loyalty and intent to stay.

These recommendations offer pathways for extending the current study's contributions and fostering a deeper understanding of how national macroeconomic frameworks influence micro-level HR decisions.

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