iJRASET
International Journal For Research in Applied Science and Engineering Technology



INTERNATIONAL JOURNAL FOR RESEARCH

IN APPLIED SCIENCE & ENGINEERING TECHNOLOGY

Volume: 11 **Issue:** X **Month of publication:** October 2023

DOI: https://doi.org/10.22214/ijraset.2023.56252

www.ijraset.com

Call: 08813907089 | E-mail ID: ijraset@gmail.com

International Journal for Research in Applied Science & Engineering Technology (IJRASET)
ISSN: 2321-9653; IC Value: 45.98; SJ Impact Factor: 7.538
Volume 11 Issue X Oct 2023- Available at www.ijraset.com

From Desks and Chairs to Lap-Tops and Software: A Study Focusing on the Impact of Modern Work Place on the Future of REITs in India

Neha Kanwar[1], Kshemendra Mishra[2], Dr. Vinod Negi[3], Prof. Jai Singh Parmar[4]
[1, 2]*Research Scholar, Himachal Pradesh University Business School, Shimla-5*

Abstract: ***A workplace generally corresponds to a place where a person goes to work, either for his/her employer or for own self. Traditionally, the scope of such a location was confined to a sizable office complex or a factory but the Midas-touch of technological development not only led the evolution of businesses but has also revolutionized the workplaces. In the wake of lockdowns imposed as a result of the COVID-19 pandemic, many companies around the world and India were forced to implement flexible working models. What once seemed a far reality, has now become the most adopted mode of working by organizations globally. Flexible working arrangements are developing swiftly, their variations are proliferating, and have gained popularity. The idea of being able to work remotely from the comfort of your own home has been a big advantage in terms of cost cutting for many companies as it frees them from the compulsion of boasting huge office spaces but has also went on to present multiple challenges for the real estate firms and trusts that are engaged in the business of renting the office spaces. Thus the current research paper focuses on the identification of key factors that have proved to be instrumental in driving this immaculate change and the associated challenges that are present for REITs in India.***
Keywords: Modern Workplace, COVID-19 Pandemic, Flexible Working Models, Technological Development, REITs

I. INTRODUCTION

The stereotypical image of the working-class population pertains to the idea of people waking up early, stepping out of the comfort of their homes and then rendering themselves to the hustle and bustle of the work place. The workplace itself could either be a factory, a shop or the cubicle of a multinational company. Historically, it was the Barter System that first laid the foundation of many market-places and businesses, where people exchanged their respective goods to settle a trade. For this particular reason, people had to move out of their houses, first to produce their respective commodities and then again to exchange them for other products and services.

Over the course of time as the financial systems evolved all across the globe and the concept of paper money got introduced, there occurred a rapid commercialization of business activities that were earlier managed and operated at a much smaller scale. The biggest development came in the form of Industrial Revolution that began in the Great Britain in 1760. The prime reason of this revolution was accredited to the development of steam engine, making the movement of raw materials and deployment of manufactured goods easier than ever before, accompanied by the rise of capitalism and imperialism all across the Europe. The race to become the industrial super power among the competing nations, led to the mass employment of industrial workers who were subjected to long working hours in factories and manufacturing units in exchange for low monetary incentive.

This new practice of mass employment of workers in factories and manufacturing units where combined efforts of the workforce were ensured towards the attainment of a common production goal gave rise to the concept of workplace. As per the Health and Safety Executive agency of the UK government, working towards the encouragement, regulation and enforcement of workplace health, safety and welfare, the term "workplace" corresponds to "any premise or part of a premise which is made available to any person as a place of work, not covering domestic premises."

Traditionally it was the manufacturing industry that dominated the global landscape, providing employment to millions until a gradual shift to the services sector was witnessed in the mid 20th century. The improved technological interventions across the table boosted multiple economies and over reliance on work-force was substituted by the use of sophisticated machines and multiple engineered equipments. Thus leading to the gradual shift of workers from primary to secondary and tertiary sectors focusing more on the aim of delivering intangible value added services in place of being limited to the traditional manufacturing sector of the growing world economy.

©IJRASET: All Rights are Reserved

ISSN: 2321-9653; IC Value: 45.98; SJ Impact Factor: 7.538
Volume 11 Issue X Oct 2023- Available at www.ijraset.com

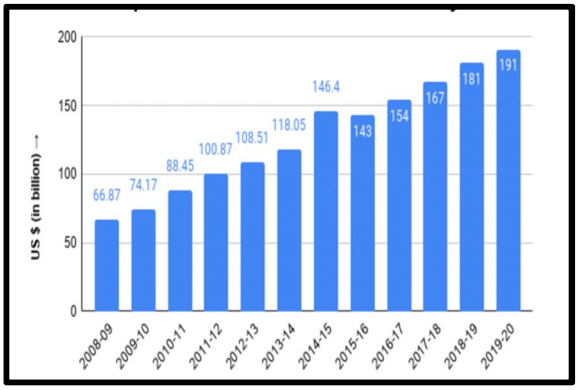
A. The Indian Story

Taking into account the case of the Indian subcontinent, the country is blessed by the abundance of multiple natural resources along with the availability of both skilled and unskilled labor to support all kinds of industrial endeavors. India being an agrarian economy, has had the bulk of its population dependent on agriculture for a very long time. Post the independence for an extensive period, the government of India had an inwards-looking trade policy with the prime aim of protecting the indigenous industries of the country which more or less pertained to the manufacturing sector. In the year 1991, when the New Economic Policy was adopted in the country, doors for globalization and privatization were opened allowing things to change very swiftly and thus the seeds for the technological revolution began to sprout in the country.

II. THE RISE OF IT INDUSTRY IN INDIA

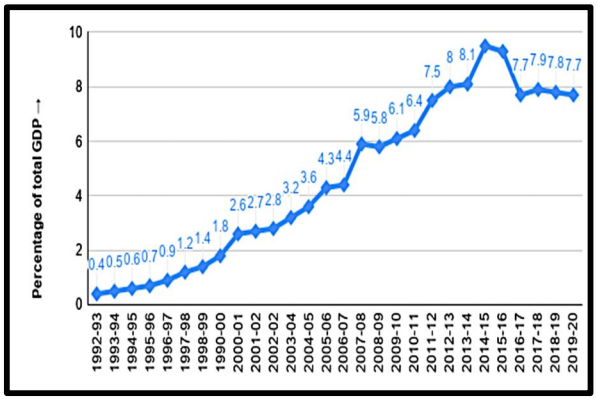
During this period of self-discovery and finding our own niche a major development came in the form of the rising Information Technology sector in India. Commonly abbreviated as the IT sector, it encompasses the complete ecosystem of companies that are engaged in the business of dealing with computers (both hardware and software) along with the production of semiconductors, e-peripherals, providing telecommunication and computing facilities to multiple businesses all around the globe. For India, this development started in the year 1974 when Burroughs, a mainframe manufacturer availed the assistance of Tata Consultancy Services (TCS) to provide programmers for the installation of system software for its clients in the USA.

Graph-1: YOY Market size growth of the IT industry in India (IBEF, GOI)



From there the journey towards the exponential growth of IT firms began rapidly in the country.

Graph-2: IT industry's contribution to India's GDP (IBEF, GOI)



Another major boost for the IT sector came in the form of the New Computer Policy in the year 1984 implemented by Prime Minister Rajiv Gandhi. Since then the growth of the IT industry in India has been nothing short of a miraculous journey providing employment to over 4.8 million people along with making a contribution of almost 8% to the GDP accounting for over $227 billion in 2021-2022.

©IJRASET: All Rights are Reserved

The world of computer systems, software, and the services provided by the IT industry is fundamentally global in its very existence. The intangibility of the services and the ability to cater the needs of people, thousands of miles away from the physical location of the service provider differentiates this industry from all its counterparts. The concept of virtualization and remotely managing the needs of the clients by the means of internet, not only opens up the IT industry to multiple global opportunities but also makes it omnipresent.

For most of the IT companies engaged in the services sector, temporal constraints play way more important role than spatial constraints. Unlike manufacturing firms that require multiple physical inputs to generate a finished well-crafted good, the people working in the IT industry only need computer hardware and a variety of intangible software to process and generate a value-added service for the people.

Being engaged with this new age technology, focusing on value addition, and ensuring customer satisfaction, the workforce of today is indeed the modern workforce, which is way more different in terms of productivity along with having a wider outlook towards the production and business process. Since the workforce itself is modern today, workplaces have evolved massively, thus giving birth to the concept of the modern workplace.

III. UNDERSTANDING THE MODERN WORKPLACE

The term “modern workplace” a very broad term describes the wide range of work factors along with the environment where people interact, share information, and complete their assigned tasks as efficiently as possible. Its emphasis is laid on thew fact that employees are not always required to work in the offices rather they can also work from their homes or they might even be more mobile to deliver more goods and services to their clients, partners, or suppliers, by being in their vicinity as per the requirement of the service.

The modern workplace has been majorly facilitated by modern technology, transforming the way in which employees engage with their co-workers, devices, applications, and their data. With the use of technology, traditional working practices that essentially pertained to fixed non-mobile office spaces, could now be handled from anywhere in the world, thus enabling flexible collaborations, the dismantling of organizational silos, and the redefining of job responsibilities.

The modern workplace provides solutions for remote IT management that help organizations in ensuring the security of remote devices and manage the performance of dispersed teams rather than just focusing on the end user (Williams, 2022).

The technological revolution that has occurred in recent years has enabled knowledge workers to work independently of spatial and temporal constraints making work more flexible and multi-locational. This has resulted in less use of office space, which has further enabled the organizations to modify their premises to better suit multilocational work.

The concentration of the workforce in the services industry with special reference to the IT sector, there has been a swift adaptation of the concept, of the modern workplace, allowing employees to work remotely and have the luxury of flexible working hours.

IV. EXPLORING THE REALM OF REITS

As we have seen with many other sectors, the companies of the IT industry also make use of traditional work spaces which are either owned by the respective firms or are occupied in a rented manner.

In India, the facility to rent out huge office spaces to different firms is managed by multiple real-estate giants who have built humongous IT Parks and Business Parks all across the country. Brookfield India, Mindspace Business Parks, and Embassy Office Parks are a few such office space providers in India.

These real estate giants not only provide office spaces to businesses but also extend a simple mechanism for the interested general public of the country to become a stakeholder in the business of renting, by means of REITs registered under the framework of the Indian Capital Market, regulated by SEBI. The term REIT stands for Real Estate Investment Trust encapsulates the scope of a firm that is engaged in the business of owning, operating, and financing income-generating real estate providing an opportunity to the willing investors to buy REIT units from the secondary market and avail the benefits of price appreciation of their holdings along with the stream of dividends that accompanies their investment.

Talking about the business model of REITs, commonly they generate their income by means of owning commercial buildings, data centers, warehouses, hotels, and office spaces that are provided to multiple businesses in exchange for the rental obligation. Largely, it’s the office spaces that these REITs own in Metros and tier-1 cities that contribute, in bulk to their income. Currently, India has around 650 million sqft of grade-A office space out of which 360 million sqft office space is under REITs accounting for $52-$55 billion as of 18th May 2022 (Economic Times).

©IJRASET: All Rights are Reserved

ISSN: 2321-9653; IC Value: 45.98; SJ Impact Factor: 7.538
Volume 11 Issue X Oct 2023- Available at www.ijraset.com

V. IMPACT OF COVID-19 PANDEMIC ON REITS IN INDIA

Generally considered a safe haven for investors the business of REITs is believed to provide regular income for the REIT unit holders by virtue of the constant occupancy of office spaces by various firms, that generally get into long-term contracts with such real estate companies and tend to renew the contract as soon as the termination date comes into the picture. For years and years, this belief held its ground unless the unprecedented COVID-19 pandemic took the world by storm and halted the fast pace of modern lifestyle. The despicable COVID-19 pandemic outbroke in the year 2020 which led to mass quarantine and nationwide lockdown for the months to follow. The series of lockdowns that began from the month of March 2020 extended intensively for almost a year and a half till October 2021. This period presented multiple new challenges not only for the people to ensure a safe and healthy future but also for the policymakers of the country to safeguard the financial health and financial well-being of our indigenous industries. The period of Covid-19 lockdown started off as a unique event that created a sense of panic amongst all individuals but with the progression of time, people began to adapt to this new lifestyle thereby discovering a sense of complacency, making it the New Normal. But as it is said "Prolonged complacency leads to stagnation and stagnation in turn marks the beginning of decline"; People and firms had to discover new ways to break this cycle and thrust out to achieve greater excellence.

From our discussion about the IT industry, we understand how the practice of remote working already existed within the sector and hence coping up with the shenanigans of the pandemic within the interstitial ecosystem of the IT sector turned out to be a lot more manageable when compared to other sectors of our economy.

VI. WORK FROM HOME- THE NEW NORMAL

After spending almost 21 days into the first lockdown it became clear that the pandemic was there to stay. Hence, the first measure to restore industrial productivity came in the form of "Work from Home". According to the *International Labour Organisation*, Work from Home is defined as the arrangement in which employees adhere to their basic professional obligations while working from the comfort of their homes.

It also corresponds to teleworking from places other than the established office spaces which may be adopted temporarily or permanently as per the need of the organisation.

Though the concept of Working from Home came in as a feasible solution, it presented multiple new challenges to the organizations on how to establish effective communication and teamwork between the employees and the management, along with other questions focusing on employee well-being especially while working remotely and the corresponding ways of improving organizational efficiency.

To answer to these questions, the Indian IT sector led by tech giants like Tata Consultancy Services, Infosys & Tech Mahindra were the first few firms to adapt to this new challenge and introduce the work-from-home policy for their employees. TCS employing over 4,69,000 people in the country, took no time to take up work from home for its employees. The hybrid working model adopted by TCS turned out to be quite successful for the firm, so much so that the firm's management even post the lockdown continued with the work-from-home policy for its employees projecting around 25% work base of the company to work permanently from their homes by 2025. The same situation has been witnessed in multiple other organizations too, as this new approach of the hybrid work place has significantly reduced the company's expenses on acquiring office spaces, and with multiple new networking tools, the apprehensions regarding teamwork and productivity have also been subdued. Due to these particular reasons, what started off as a temporary measure soon became the go-to mode of working, in many organizations.

Quoting Mr. Chandrajit Banerjee, Director General of Confederation of Indian Industry (CII) "The COVID-19 pandemic has brought work from home and remote working concepts to the mainstream that was once thought to be future constructs. The remote working culture, which the organizations were quick to adopt, is here to stay and has added a fresh perspective to innovative working dynamics".

VII. CHALLENGE FOR REITs

Ever since the Indian IT industry realized the potential of, working from home accompanied by the concept of a hybrid work place, the challenges for REITs in India increased exponentially more than ever before. The very roots of the REIT business shook when more and more organizations began to permanently adopt work-from-home for their employees.

The Covid-19 pandemic without a single strand of doubt, brought about a huge economic peril in our country, which can easily be identified by looking at the performance of the capital markets in India for the said period.

©IJRASET: All Rights are Reserved

Graph-3: Performance of NIFTY-50, FY (2020-2022)



Analyzing the chart of NIFTY-50 for the FY 2020-2022, we see that the capital markets in India crumbled massively as soon as the first 21 days of lockdown were imposed on 24th March 2020, with the index hitting its bottom at 8544.35 on 1st April 2020. Over the course of the next two years as the extent of the COVID vaccination increased along with improved situation in the country, Nifty went on to reach the level of 17100.47 on 31st March 2022, depicting a **100.14%** increase for the said period.

For the same period, if we look at the 2 years chart of Embassy Office Parks, that happens to be the biggest REIT in India owning a massive 42.4 million sqft of class A office space in various Tier A cities in the country along with a massive market cap of Rs 26810.74 Cr, we see a major disparity.

Graph-4: Performance Of Embassy Office Parks REIT, FY (2020-2022)



The REIT stood at Rs 350.97 on 1st April 2020, standing nearly 22.3% below it's life time high achieved on 2nd March 2020. From there on over the period of next two years passing through the dreaded phase of the pandemic, the REIT went on to reach the level of Rs 384.90, depicting only **9.70%** appreciation over two years. To add to it the annual dividend yield for the REIT stayed around 6.17%. The same scenario was witnessed with other REITs as well. Thus posing multiple questions for the investors whether they should be investing in REITS or not, when a lot better opportunities exist in the equity market, further raising doubts over REITs as a viable investment avenue.

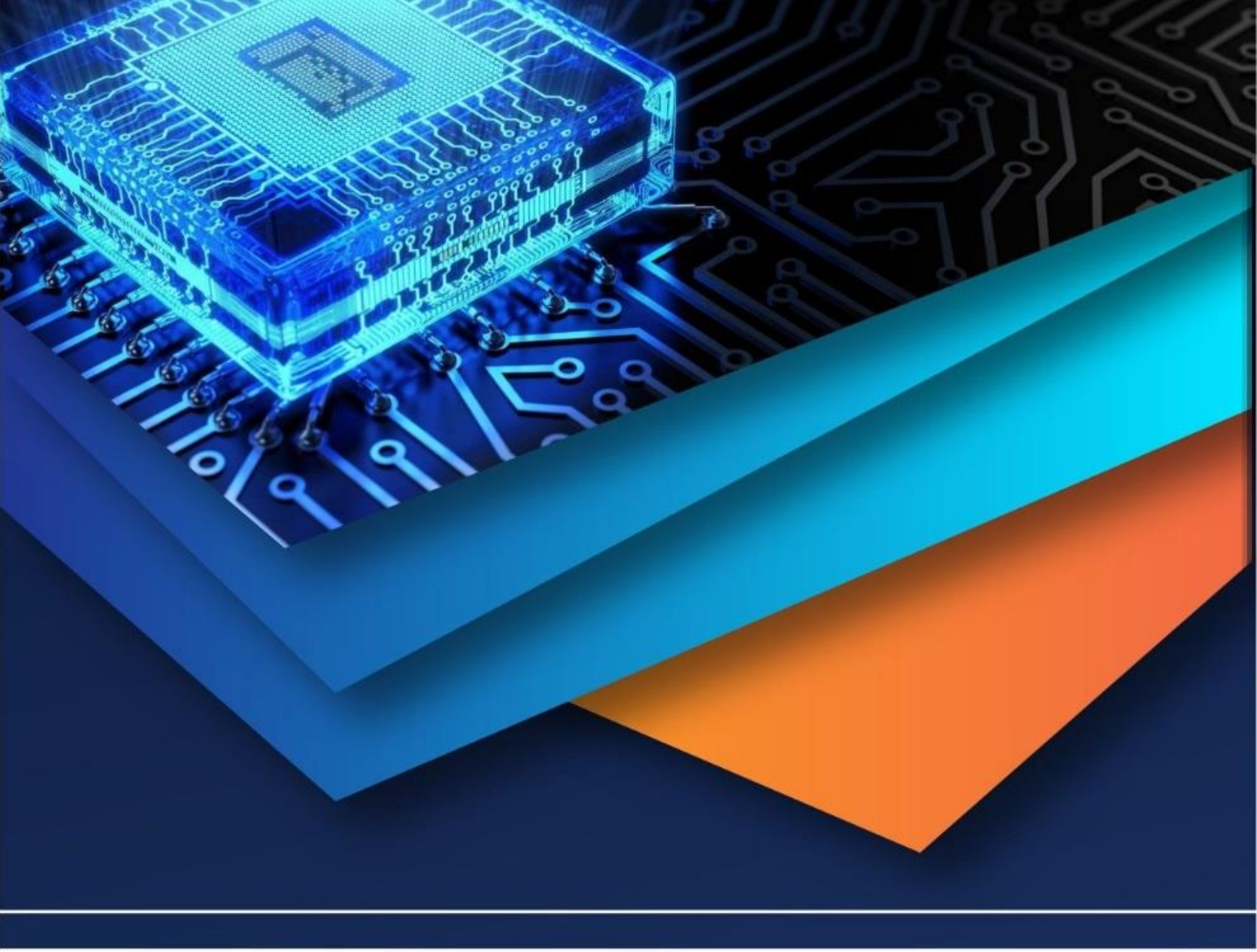
VIII. CONCLUSION

Modern problems require modern solutions to tackle and manage them effectively. Work from home is a new age solution for organizations to engage their employees from the comfort of their homes, thus striking a perfect balance between organizational efficiency and ease of work for the employees. The concept of work from home is still very new and needs a lot more refinement before becoming the go to mode of working for service sector workers. The business model of REITs is quite unique and is commonly considered a safe haven for investors, but ever since the potential of hybrid workplace has been identified, more and more firms specially from the IT industry have been adopting work from home for their employees, thus minimizing their expenses on physical office spaces, that they occupy with such REITs.

Another important thing to understand is the fact that companies from the IT industry happens to be the biggest clients for REITs in India and with the currently changing paradigm REITs have slowly been losing their key occupants. Though the situation could just be a fluke for the REIT business arising temporarily after the pandemic, but no concrete statements can be made so soon, thus presenting the need to further look into the matter and investigate it much thoroughly.

REFERENCES

[1] A F Sari et al 2020 IOP Conf. Ser.: Mater. Sci. Eng. 930 012015
[2] Arcidiacono, P., J. Kinsler, and J. Price (2017): "Productivity Spillovers in Team Production: Evidence from Professional Basketball," Journal of Labor Economics, 35, 191–225.
[3] Duxbury, L. E., Higgins, C. A., and Thomas, D. R. (1996). Work and family environments and the adoption of computer-supported supplemental work-at-home. J. Vocat. Behav. 49, 1–23. doi: 10.1006/jvbe.1996.0030
[4] Hamouche, S. (2021). Human resource management and the COVID-19 crisis: implications, challenges, opportunities, and future organizational directions. J. Manag. Organ., 1–16. doi: 10.1017/jmo.2021.15
[5] https://poshatwork.com/workplace-in-posh-law-include-virtual-workplace/
[6] Kramer A., Kramer K.Z. The potential impact of the Covid-19 pandemic on occupational status, work from home, and occupational mobility. J. Vocat. Behav. 2020;119
[7] Palmon, Don, and Seidler, Lee J. (1978). "Current Value Reporting of Real Estate Companies and a Possible Example of Market Inefficiency" The Accounting Review, 53(3), 776-790.
[8] Teevan, J., B. Hecht, and S. Jaffe (2020): "The new future of work," Microsoft internal report.



10.22214/IJRASET

45.98

IMPACT FACTOR: 7.129

IMPACT FACTOR: 7.429

INTERNATIONAL JOURNAL FOR RESEARCH

IN APPLIED SCIENCE & ENGINEERING TECHNOLOGY

Call : 08813907089 (24*7 Support on Whatsapp)