Small cities power new hiring wave

FE BUREAU
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INDIA'S HIRING LANDSCAPE is moving beyond traditional metropolitan centres, with smaller cities emerging as increasingly important talent hubs, according to a report by workforce staffing and HR solutions firm Genius HRTech.

As many as 69% of organisations surveyed said their hiring from tier-II and tier-III cities had increased by more than 30% over the past two years.

The trend is expected to deepen, with 55% of employers anticipating that a majority of their hiring will shift to these locations over the next three years.

The report, based on a survey of 1,729 employers across sectors in August, including BFSI, FMCG, engineering, IT, manufacturing, telecom, retail and e-commerce, points to a broader shift towards more distributed hiring strategies.

It also said that confidence in the talent available across smaller cities is strengthening as 64% of respondents believe tier II and III cities already have an industry-ready talent pool across most functions, indicating that these markets are increasingly capable of supporting mainstream workforce requirements.

Cost efficiency was cited as the biggest advantage by 39% of employers, followed by stronger employee loyalty at 26% and lower attrition at 22%.

Another 13% cited access to untapped talent.

Manufacturing and engineering are expected to drive much of the next phase of this expansion.

About 37% of respondents expect the sectors to account for the highest hiring demand in tier-II and tier-III cities over the next two to three years, underlining the growing role of smaller centres in India's industrial and employment expansion.

However, infrastructure and connectivity remain a major hurdle.

Sixty per cent of respondents identified these as the biggest challenges to expanding hiring beyond metros.

"Tier II and III cities are no longer being viewed simply as alternatives to metros; they are increasingly becoming strategic talent markets in their own right," Genius HRTech chairman RP Yadav said.

He added that the focus would now need to shift towards strengthening infrastructure and building specialised skills to sustain the trend.

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SHANKAR SAID THE change was evident in the response to his AI entrepreneurship course. The first cohort had around 40 students, rising to about 70 the next time. This year, although the class was capped at 50 students, the number of applicants could have supported two, three or even four times that intake, he said.

The week-long programme takes students through developing an idea, refining it and pitching it to investors, with participants eligible for a ₹4 lakh cheque. The growing interest comes as students increasingly see entrepreneurship as a viable alternative to joining large technology companies.

At the Indian Institute of Science (IISc), associate professor Arindam Khan said he had observed a growing interest in entrepreneurship through his interactions with students. While it was difficult to quantify how many would eventually start companies, the interest was clearly visible, he said.

"The Indian startup ecosystem has matured significantly, with many recent success stories and much better access to funding, mentorship and incubation," Khan said. Advances in AI, space technology, robotics, semiconductors and biotech were also giving young researchers opportunities to turn research into products, he added.

The expanding campus ecosystem is further lowering the barriers to starting up. IIT-Kanpur placement coordinator Vaibhav Itauriya said more students were founding companies and that funding from organisations on campus had become easier to access. The curriculum, too, was increasingly incorporating entrepreneurship, he said.

IIT Bombay has expanded its support through its Society for Innovation and Entrepreneurship (SINE) and IDEAS programme. Last year, SINE partnered with Groww to launch INV.ENT, a four-year programme that offers up to ₹25 lakh in funding, mentorship and access to the institute's alumni network.

The growing influence of AI is also blurring the distinction between conventional and AI startups. "It's hard to say which startups can be distinguished as AI because every startup idea now integrates the technology," Mahesh Naik, a fourth-year student at IIT Bombay, said.

SIFs turn one with strong HNI appetite

INDUSTRY EXECUTIVES ATTRIBUTE the rapid growth to the flexibility of SIF strategies, their performance so far and their ability to offer sophisticated investment approaches at relatively lower costs.

Radhika Gupta, managing director and CEO, Edelweiss AMC, said the unique structure of SIFs gives investors flexibility to address specific requirements, including tax efficiency, debt-like returns and PMS-like exposure to mid- and small-cap stocks.

Sandeep Seth, founder and CEO, SIF360, said the performance of equity and hybrid SIFs relative to comparable mutual fund schemes, after adjusting for portfolio characteristics and risk, has helped attract HNI money.

Dharmendra Jain, co-founder, Ionic Wealth, attributed the growth to an expanding distribution network, a growing roster of AMCs and rising investor interest in equity strategies alongside hybrid schemes. The relatively high average ticket size of SIF investments has also helped assets scale rapidly, he said.

Anup Bhaiya, founder, Money Honey Financial Services, said some HNIs are shifting allocations from Category III AIFs and PMS products to SIFs, which can provide access to similar strategies at a lower cost.

However, SIFs face a more demanding test as they enter their second year, particularly if market conditions turn less favourable.

Gupta said maintaining realistic investor expectations and ensuring that investors enter SIFs with the appropriate investment horizon would be crucial for their long-term success.

Seth pointed to the risks associated with short positions used by some SIF strategies. Such exposure could lead to underperformance during strong bull markets, such as the rally witnessed after the Covid pandemic.

Jain said the concentration of assets in hybrid strategies could become a vulnerability if these schemes underperform. A sustained equity rally and the absence of a wider range of debt-oriented SIFs could also weigh on the category's growth.

Bhaiya said SIFs are yet to be tested through a full market downcycle. Weak execution of short positions, crowded long-short trades or disappointing returns could cool investor inflows. A limited pool of certified distributors, product complexity and the risk of SIFs being marketed simply as "better mutual funds" are other constraints, he said.

Despite these risks, industry participants expect the category to maintain its growth momentum as more fund houses launch products and the distribution network expands.

Gupta expects strong growth to continue as more AMCs introduce equity and hybrid strategies and more distributors obtain certification. Performance, however, will remain critical to how quickly the category scales from current levels.

She expects hybrid long-short strategies to remain dominant in the near term. Over the medium term, SIFs could become a regular part of HNI portfolios, although they should be viewed as satellite allocations rather than replacements for core mutual fund holdings, she said.

Seth expects SIF assets to cross ₹1 lakh crore by the end of FY27 as more AMCs and distributors enter the segment and the products establish a longer performance record.

Jain said the launch of SIFs across more asset classes could eventually allow investors to construct SIF-only portfolios, while a wider distribution network could provide another leg of growth.

After a rapid first year, the next phase of SIF growth may depend less on novelty and more on whether the products can deliver consistent returns across market cycles.