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Online panel discussion on "COVID-19- The Changing landscape of India's Financial sector, what lies ahead " organized by The Bengal Chamber on 28th May.



Panelists discuss the way forward for India's financial sector at a session hosted by the Bengal Chamber

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Kolkata/IBNS: Kolkata-based Bengal Chamber recently organized an online panel discussion on "COVID-19 - The Changing Landscape of India's Financial Sector - What Lies Ahead" to focus on the new era banking role, strategies for empowering small players, mutual funds and understanding market, health insurance, general insurance and life insurance strategies in the pandemic affected world.

The COVID-19 factor has brought in unique challenges for the wealth management sector with rise of cautious customers who are leaning on sustainable investments.

Parallely decreased productivity, supply chain disruptions manufacturing problems have added to the strain.

It has become crucial to become familiar with financial strategies and told to be able to safeguard investments and make right decisions, according to the participants at the panel discussion.

Session moderator Tamal Bandyopadhyay, Consulting Editor, Business Standard and Mentor - Finance and Banking Committee, The Bengal Chamber, said, "We are addressing certain segments of the Indian economy – state owned banks, private sector banks, small finance banks, micro and retail customers, mutual funds, quality segment, insurance to find about how bad the situation is and if there is anything to be excited about."

Rajkiran Rai G, MD and CEO, Union Bank of India, said, "This is at a point of time when the economy needs the support of Public sector banks. Because every business needs that support and Public sector banks can play that role. The number of public sector banks has come down because of amalgamation. So capability of lending by public sector banks is quite high now and we feel expectation of the business community will be met by the public sector banks. There will be shift of credit growth to public sector bank. Our dependence of depositor is very high. Depositor will expect a rate of 5.5%. Strength of public sector banks is more on their liabilities and less on assets. We are able to hold onto our depositor, even in our most difficult times depositors have stood by the banks. Banks cannot disturb the liabilities side as they need to hold on to customers."

Gaurang Shah, Whole -time Director and President, Kotak Mahindra Bank Ltd, said, "Asset side is top item of investment. Today SLR requirement is around 18 per cent but there are many banks which are carrying more than 25 per cent. In spite of fall in interest rate, banks are sitting on a good amount of market which will help them tide over some of the credit losses. Regarding advances, when we entered the COVID-19 phase, we entered on a soft economy. Advance in growth for last year, March 2020, was 6.74 per cent - softest growth seen in a very long period. Coming to the private sector whether they are helping the borrower or not the first thing is moratorium policy. So far as helping the customer moratorium has been granted by all. Retail low cost liability base is the key sustenance factor in this market."

Tarun Chugh, MD and CEO, Bajaj Allianz Life Insurance Co. Ltd said, “Our products are usually sold face to face. But we have picked up some positive signals like in China though no sales are happening, no face to face interactions, we see larger brands getting more and more inquiries. So we expect similar stuff happening. There is no new growth as yet but inquiries are coming through digital media. With 5 per cent de-growth in GDP, the tendency of customers is to pay in cash. People are not looking at wealth creation but into savings and protecting the down side. We are seeing a lot more interest in term. The COVID-19 movement in life insurance has seen shift of product into term insurance than savings insurance. There is also a problem with people paying up follow up premiums. IRDA has taken a few steps and given two months grace period and also waiving penal interest. Term policy, life policy can act as collaterals to take loans from life insurance.”

According to Rishi Nathany, Head Business Development and Marketing, MCX India Ltd, “What the government has done on the announcement on the agri side is path breaking. It is opening up avenues for the farmers. The farmer is empowered to sell at the time of production. He can do his cost, profit and do his contract farming. He can produce and sell it anywhere. So there are so many reforms that are happening at the farm gate. It will transform India’s economy in the sense farmer's income will shoot up but the end consumer will end up paying less. Today in rural India the cost of funding is very high. Now if a farmer has proper agricultural warehousing facility, the lending facility to borrow against his produce, so there will be semblance of sanity with not much price swings. The overall economy will be smooth and balanced.”

Lakshmi Iyer, CIO- Equity, Kotak Mutual Fund, said, “Every crisis offers an opportunity. The COVID-19 episode has happened in both the medical and financial world for the first time in history. The kind of reclusiveness that investors are displaying is understandable partly. This is a time when banks are telling customers or investors to take their rate. But the mutual fund side is offering market related rates but rates are not going to be assured. Mutual funds are an equally potent source of parking your short term, year term or midterm surpluses more and more people will come into reckoning. We are talking with investors. There is a lot of confidence on mutual funds. SIP flow continues to be robust. We have not seen dramatic slowdown. That equity is synonymous with SIP has sunk in very well into the retail fraternity and I think that is a fantastic trend where the momentum has picked up.”

Jaspal Bindra, Executive Chairman, Centrum Group, said, "In terms of NBFCs, it's a very mixed picture. A lot will depend on the NBFC business. So the more secured, like the housing business, collections are better, so it's easier to manage the cash flow. For people in the sector who do unsecured, personal loans, it will be difficult due to low collection. Large section of the sector is still struggling. Till other schemes don't kick in it will be a problem.

The intent of the RBI has not translated into reality as yet. There is sufficient transparency now available because collections can be shown."

Alpesh Shah, Managing Partner, India and MD and Senior Partner, Boston Consulting Group said, "One of the major elements impacting the world is cold war between the US and China. The Singaporean team has gone on record saying its going to be a very difficult decision which side to choose. Another major factor is the corporate over leveraging. We never imagined storing oil would be more expensive than throwing it away. All of this has had a serious impact on the economy. Every country in the world is looking at a negative growth year. A few shifts are impacting a large number of businesses. Consumer mindset shift in terms of the category they will spend. Also, consumers moving to online with regards to banking. There is also movement of consumers towards trusted brands. The corporate world has to look at new operating model in the new normal."

Ajay Kanwal, MD and CEO, Jana Small Finance Bank, said, "Sixty five per cent of micro finance customers felt a huge impact according to a survey conducted. There is a lot of entrepreneurship emerging in the customers. Bottom of the pyramid is the most crisis ready customer. What really matters is the leverage given to the client."