



ROLE OF NBFCs IN THE POST-PANDEMIC PERIOD

LIVE WEBINAR REPORT

DATE: 1ST MAY

The outbreak of COVID-19 has brought in unprecedented times around the sectors and there is no clear projection on what would be the growth and recovery strategy. On one hand, where the economy is struggling, the continual extension of lockdown for hindering the growth of the pandemic is adding no relief to the already struggling underbanked sections of the society. Non-Banking Financial Companies (NBFCs) that recently got some relief from the Reserve Bank of India after receiving the go-ahead on starting their operations again just like banks and trying to explore possibilities to expand their growth opportunities and curtail down the liquidity crunch. This sector serves the requirements of the bottom of the pyramid. Underlining the role of NBFCs' in the Post Pandemic Period, Elets Technomedia in association with The Banking & Finance Post organised a Live Webinar on 1 May, 2020.

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 https://www.youtube.com/watch?v=6_G-YEgNJWY

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Outbreak of COVID-19 & Strategies of the NBFC Sector



MODERATOR

Souvik Goswami - Senior Assistant Editor, Elets Technomedia

Highlighting the adversities caused by the pandemic on the NBFC sector and the urgent need for knowledge exchange in a bid to strategise the sustenance and growth, it is significant to share the words of wisdom through virtual conversations. Elets Technomedia is helping experts reach millions around the world through its webinars and helping everyone sustain the crisis with awareness and better preparation of the future.

Panelists Addressing the Virtual Session During the Live Webinar



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Excerpts of the Discussion:

Raman Aggarwal, Chairman, Finance Industry Development Council

The COVID-19 outbreak has impacted everything around the world and the condition of NBFCs is no different. The pandemic has affected the NBFCs in a big way. However, what is critical to understand that the class of borrowers to whom NBFCs cater to are small-time business people, the MSME segment. The segment which is largely unbanked or underbanked are mostly served by the NBFCs.

These people are the worst affected due to this COVID-19 driven lockdown. The lockdown has limited the people to people contact and the MSME segment, in particular, depends mostly on that. However, we have seen many challenges in the past and have come out of it strongly. I am confident as a sector, we will revive soon.

The liquidity challenge which was a challenge before the pandemic is still a concern during the outbreak. The regulator's sector-specific approach towards the cash crunch and related problems is commendable. In my view, the centre will have to look into the matter and think about ensuring a specific creditline to the NBFCs. The guaranteed effort gives some comfort to the NBFCs. Banks have liquidity and they are funding big NBFCs but there is a need to look at the liquidity for small and medium NBFCs.

Digital will be the order of the day and we will see some major structural changes. Work From Home opportunity will throw a huge employment opportunity across the country even for the women who are staying at home will get an opportunity to work who are home taking care of children.



RAMAN AGGARWAL

Co-Chairman
Finance Industry
Development Council



T.T. Srinivasaraghavan, Managing Director, Sundaram Finance Ltd.

It is important to be practical now. We must have seen several challenges in the past but none of them are important now. The challenge that we are seeing today is no way similar to anything that has been witnessed before. This is an unprecedented situation. Past experiences will help but it will only help to a limited extent. Unlike earlier crisis, which hit selected pocket of society or industry, this one has hit across the board irrespective of age, gender, caste, or class. This is the most egalitarian or socialist pandemic.

The impact of this crisis is severe and nobody can place their hand on the heart and say that they know the answer to what lies ahead. But I definitely know this that as an industry we have been resilient and we have come out several challenges and lived through it. There is no guarantee but it gives us positivity and confidence that we will come out of it. However, this time it is going to take a lot more effort to revive and longevity of several entities will be at risk. It may take a little longer than usual but we will be back because for a large segment of the society NBFCs are the lifeline and for their hope and wellbeing, we will bounce back.

It is important from our end to think that whenever the economy gets back to track, we need capital to trigger growth in the economy. NBFCs need capital and unfortunately due to moratorium, the collections are hampered. It is actually critical for the NBFCs to come out of the situation. If the capital is not coming, nothing will help. NBFCs are very critical for the realization of Financial Inclusion. Everybody is talking about the bigger canvas and expressing their views on digital growth. People at the bottom of the pyramid are not comfortable using digital. If everything goes digital a large section of the society will suffer so, digitisation is a good desire but it cannot be achieved overnight.



**T.T.
SRINIVASARAGHAVAN**

**Managing Director
Sundaram
Finance Ltd.**



George Alexander Muthoot, Managing Director, Muthoot Group



**GEORGE ALEXANDER
MUTHOOT**

**Managing Director
Muthoot Group**

From the last few days, we all are only talking about the adverse effects of this pandemic and nothing positive has been talked about. We must take out sometime and see the positive measures taken in a bid to control the situation. For example, if we look at the newspapers lately, we will be able to see the positive steps taken by the government for ensuring help to the NBFC sector. Besides, till now we were primarily taking care of the health and wellbeing factors but now after several days of the lockdown, it is important to look at the economy as well. I see a few good initiatives taken by the centre on that front. It is the economy that needs to survive and people have prosper.

For the last 40 days, no one spends anything on travel, movies, food or investments, which is not an ideal situation for the economy. It is important for the people to gradually come back to their regular self and their confidence can be revived only by motivation. We being a part of the leadership position should try and motivate people by spreading confidence amongst the sector and people who work with us about the possible revival. There is light at the end of the tunnel.

Through the moratorium, the RBI is willing to give money to the NBFCs through banks but the banks are getting overcautious because they don't want to add to their bad loans.

In my view, the centre should extend the moratorium time period meant for the banks so that they get into a comfortable possible.

Besides, it is also significant to take care of several small level enterprises as if they die it will be very difficult to bring them back to the situation. We should work out and put some pressure on keeping the funding back on track.

The Centre should try and bring people's purchasing power back. People should have money in their hands so that they can spend. Because enterprises during the lockdown would not have the capacity to pay salaries to the people. So, the government should release the pending payments to the companies. It should also grant some money to the people who are registered under provident funds for keeping the life on track.



Prabhakar Bobde, Chief Executive Officer, Sustainable Agro-Commercial Finance Ltd

Till then the situation was grim for us as we were not able to open any of our branches. But on 17 April the Government allowed us to open some branches with effect from 20th April 2020. This move has given us a lot of confidence. On 20th April we opened around 60-70 branches in the rural areas which built some trust amongst the people. I would like to thank the Government for considering the NBFCs and including them in the essential services and allowing us to start our operations. This gave some clarity on the ground level and the NBFCs were permitted to function on the same lines as the banks. This situation will revive; it may not happen very soon but will happen so sure. We will have to work out plans to bring the situation under control as we have families to support.

However, there are several challenges associated with the situation. The regulator has allowed moratorium to the people but we are not able to avail it as we are not getting it from the banks. We are delaying our cash flows but we don't have the capital. Banks have the capital with them but they are not lending cash only to large NBFCs in a bid to avoid Non-Performing Assets.

It is important for the government and Reserve Bank of India (RBI) to build confidence in the banks so that they can lend the NBFCs. As NBFCs are the best channel for the government to send money to the bottom of pyramid.



PRABHAKAR BOBDE

**Chief Executive Officer
Sustainable
Agro-Commercial
Finance Ltd**



Sachin Pillai, Chief Executive Officer, Hinduja Leyland Finance

It is good to see that apart from health measures, the realization on the livelihood part is also taking the centerstage. It is true that we have not seen anything like this in the past. And presently none of us have the capacity to say what will be the gravity of the crisis and its effect on the country's economy.

It is also difficult to give an estimate of its adversities on the NBFC sector and projections on the recovery of the industry. It is apt to say that these times are unprecedented. All of us in the last two months of the financial year made plans on the outlook of the sector but now we are dealing with a situation where we don't know how things are going to turn up.

There are no possible figures that are indicating the growth or comeback of the sector from the situation. During this time, it is very important for us to engage our employees, customers and channel partners. Not only from the perspective of giving them confidence and comfort to help them come out of the fear but also to get a clear understanding of the happenings in their own sphere of life and action.

This will help us in gaining good inputs and assist us in coming out of the situation. As of now, there is no information available in the system that will help us in recovery so it is significant to gain insights out of engagements.



SACHIN PILLAI

Chief Executive Officer
Hinduja Leyland Finance



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