

'Government needs to encourage spending'

Positive impact on balance sheet only on demand pick-up; no supply-side constraint: Indian Bank ED

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The nationwide lockdown in view of the COVID-19 pandemic coincided with the amalgamation of Indian Bank with Allahabad Bank. Indian Bank Executive Director M.K. Bhattacharya details how the lender managed to serve customers despite the challenges. Edited excerpts:

How did Indian Bank manage to service customers during the lockdown period?

■ As the COVID-19 pandemic panned out, our bank took all safeguards. Business Continuity Plan (BCP) and Work from Home (WFH) were ensured by Indian Bank during this pandemic situation, enabling smooth functioning of branches and ATMs.

A COVID-19 task force committee was formed to oversee the functioning of branches, business correspondents, offsite ATMs and Bunch Note Acceptors. Besides these, Indian Bank took various technology-driven initiatives and ensured that 90% of branches and 92% of ATMs remained functioning through the period. About 30% employees worked from home and 45% from various branches and offices, while the rest were quarantined.

Indian Bank was the first to launch COVID emergency loans for corporates, MSMEs, agriculturists, self help groups and pensioners

among others. The services of Business Correspondents were also utilised and as a special case, they have been taken care of through special allowance, insurance and provision of PPEs.

Do you think that the worst is over?

■ With India unlocking, the worst seems to be easing out as high-frequency indicators recovered in June 2020 from the unprecedented troughs in April 2020 (Monthly Economic Report - July'20). However, the increase in COVID-19 cases and subsequent intermittent lockdowns make the recovery prospects fragile and call for constant and dynamic monitoring. The country's economic recovery is crucially linked to how the infection curve evolves across the States.

Job losses and salary cuts, along with rising prices of essentials took a toll on the purchasing power of Indian households.

Reduced requirement for goods and services during the lockdown, along with weakening of consumer sentiments due to uncertainty and financial risk arising out of the pandemic made households go slow on discretionary consumption.

Due to low demand, corporates also showed subdued interest to invest. However, in the second quarter of FY21 green

shoots are visible and I personally feel that fourth quarter will see the normalcy.

What has been the credit offtake with regard to MSMEs and retail?

■ MSMEs is one of the worst-affected sectors due to the impact of COVID-19. To address the issues, the Centre has taken many focussed steps, driving the financial sector to provide the required liquidity support and relief such as emergency credit line, sub ordinate debt scheme for stressed sector and PM SVANidhi scheme for street vendors. RBI has also come out with relief measures. As per Finance Ministry reports, banks have sanctioned loans of about ₹1.23 lakh crore under the ₹3 lakh crore Emergency Credit Line Guarantee Scheme for the MSME sector. Indian Bank sanctioned ₹4,281 crore un-

der this scheme as on June 2020. With these efforts and government thrust on 'Atmanirbhar' and 'Make in India', and further supported by digital initiatives, the credit scenario is expected to improve once busy season starts.

Retail sector is also affected badly due to the pandemic. While the whole world is facing challenges to shift their operations online, retail is one of the sectors which is finding it difficult to completely make the shift. Shutting down of malls and shops has also severely hurt business for all retailers as the discretionary spending by individuals is at a low key.

In view of phase wise unlocking, retail demand is slowly picking up as more and more business starts functioning. Partial revival is felt in the vehicle loan category as social distancing becomes the new normal and customers may prefer purchase of own vehicles over public transport.

MSMEs have been complaining that they did not get funds on time. Your views?

■ Indian Bank identified eligible MSME borrowers from its database and they were approached by the bank officials to avail the facilities. The approach has changed from the customer approaching

the bank to the bank [now] reaching out to the customer. Unless the customer opts out or does not fit into the scheme, there are few chances that they will be denied the benefits. Further, the bank also engaged Banking Correspondents to pick-up applications and engage them with the clients for other facilities.

What percentage of MSME and retail customers availed moratorium?

■ For Indian Bank, about 4% of MSME borrowers and 8% of retail borrowers availed the moratorium as on June 2020.

Moratorium has ended. Will it have an impact on your balance sheet?

■ Along with the moratorium, if the lockdown due to COVID-19 is lifted, the initiatives and measures taken by the Centre and RBI will trigger an upward movement as far as demand is concerned.

Positive impact on the balance sheet will result only if there is a demand pick up as there is no supply side constraint. For this, apart from lifting the lockdown, government should encourage spending. Although the higher growth in the agriculture sector in the first quarter of FY21 and consequent rural demand may support the domestic economy, it may not be sufficient to compensate the decline in urban demand and growth.

