

**HUNT
PARTNERS**

LEADERSHIP
EMERGENT INDIA

WHITE PAPER

IMPACT OF COVID-19 ON BANKING INDUSTRY IN INDIA

SURVEY & FINDINGS

DECEMBER 2020

IMPACT OF COVID-19 ON BANKING INDUSTRY IN INDIA

- India's GDP contracted 7.5% in July-September. The GDP data for April-June quarter was even worse. **The Indian economy recorded a contraction of 23.9 percent.**
- **Bank credit growth slowed to 6% in the previous fiscal**, and the situation exacerbated further in the first quarter of FY21.
- 70% of banking sector debt affected by Covid-19 impact - **19 sectors with Rs 15.5 lakh crore of debt came under stress** which were not before Covid-19 outbreak
- **Unemployment went up to 24 percent in May 2020.** By September 2020, India saw an unemployment rate of over six percent.
- India's **NPA ratio** is one of the highest among comparable countries and further, it is **expected to reach 11-11.5%** by the end of the current fiscal year 2020-21.



Source: Money control, Hindustan times, Financial Express

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EMERGING NEW TRENDS

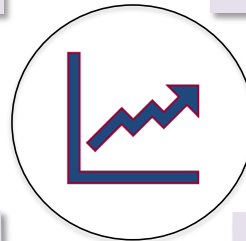
Distinct trends emerged that would shape the Indian banking industry going forward

DIGITAL MATURITY

Banks must embrace and evolve with digital capabilities to enable contactless sales, services and interactions

BUSINESS CONTINUITY

Building resilience in processes and future ready infrastructure to ensure smooth services for customers across touchpoints



SHIFTING TO AN ASSET-LITE MODEL

Reducing fixed costs without any disruption to services

CO-LENDING MODEL

Opportunity for banks and NBFCs to come together and synergize their business operations and revive credit growth

CUSTOMER CENTRICITY

Find innovative ways to attract customers and more importantly improve customer service

OBJECTIVE OF THIS WHITE PAPER

🎯 **COVID-19** has emerged as the **black swan event** of the century with a significant **structural and behavioral changes** in the form of social distancing, drive for economic rejuvenation, and increasing regulatory and government interventions.

🎯 The **objective of this white paper** is to highlight the **impact of Covid-19** across **Banking industry in India** and identify the:

- *Changing Role of a Leader*
- *Impact on Human Capital*
- *Challenges going forward*
- *New Collaborations to face these challenges*
- *Which New Growth sectors will Emerge*
- *Role of Board of Directors*

🎯 Hunt Partners recently carried out a survey targeted at the banking sector professionals to find out what they really think

Source: CXO Today, Deloitte

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SURVEY **AND** FINDINGS

CHANGING ROLE OF A LEADER

INDUSTRY EXAMPLES

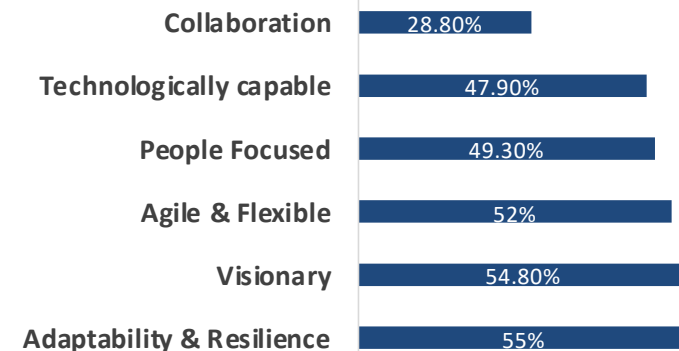
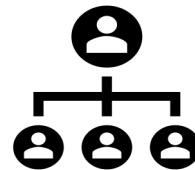
- SBI adapted to Covid-19 challenges, upgraded policy to work-from-anywhere
- ICICI bank launched a 24x7 digital banking platform 'ICICISStack' to avoid visiting a branch
- Kotak Mahindra announced reimbursement for employees and their families for Covid-19 test.
- ICICI Bank rewarded over 80,000 frontline employees with a salary hike of up to 8%.

Source: Live mint, Business standard, Forbes

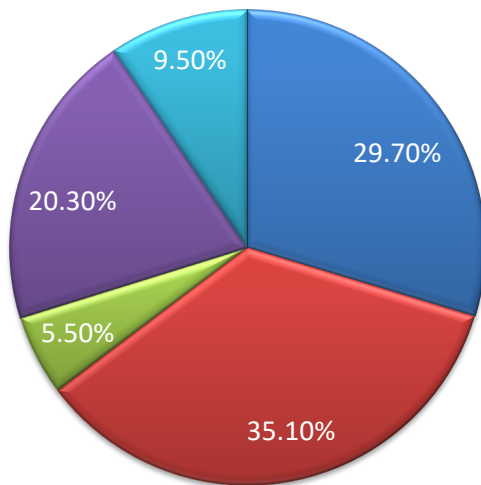
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KEY FINDINGS

*During the testing times, a **leader's ability to adapt and withstand the unpredictable circumstances** is being examined. Similarly, leaders are expected to be more **far-sighted** and **show flexibility** in difficult situations.*



IMPACT ON HUMAN CAPITAL



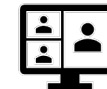
- Revenue Generation Roles (Business Heads)
- Technology Roles
- Functional Roles
- Redeploying or Upskilling Talent
- Chief Digital Officers

NEW TRENDS



WORK FROM HOME

Flexibility to hire beyond geographical boundaries. For instance, **Axis Bank's new hiring initiative 'Gig-a-Opportunities'**, plans to employ 1,000 people that can work from anywhere.



RECRUITMENT & ONBOARDING GOES VIRTUAL

Banks are embracing the hiring, onboarding, handover and exit process in a digital manner. For instance, **HDFC bank congregated virtually to bid adieu to the outgoing CEO.**

TOP FINDINGS



Demand for CTOs & CDOs is on a rise as banks reboot from the disruptions caused by the pandemic.



Banks are **investing in leadership development and coaching programs** to upskill internal talent.

WHAT ARE THE CHALLENGES GOING FORWARD

1

ASSET QUALITY



In the middle of the falling income and growth due to Covid-19, banks are losing the asset quality and consequently their financial profile. Financial sector profitability in fiscal 2021 will be centrally dependent on how banks manage their asset quality, earning ability & keeping adequate capital.

2

AFTERMATH OF MORATORIUM



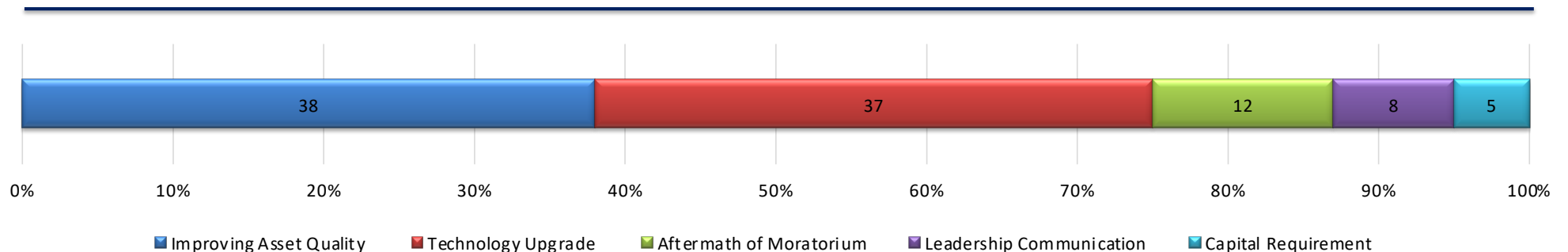
Central bank has permitted a one-time loan restructuring for all Covid-linked loans. The gross NPAs, which are worth Rs 8-9 lakh crore at this stage, could increase to about Rs 11-12 lakh crore in the next one year

3

TECHNOLOGY UPGRADATION



Banks who have already been ahead in their digital journey will have a smoother transition. For ICICI Bank, over 90% of savings account transactions in the first quarter were through digital channels. In the same period last year, the share of digital channels was 87%.



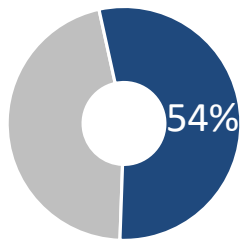
Source: Money control, Economic Times

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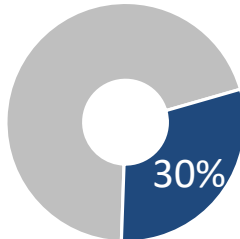
NEW COLLABORATIONS TO FACE THESE CHALLENGES



Top respondents



Tech startups to
enable digital banking



Fintech as a financial
partner for co-lending

- **AI-based regulatory technology startup Signzy** helps banks with real-time customer onboarding, verification and fraud detection.
- Visa, the digital payments technology company, announced a platform collaboration with ICICI Bank, on its '**Visa in a Box**' programme for **FinTech acceleration**.

Source: Financial Express, Economic Times

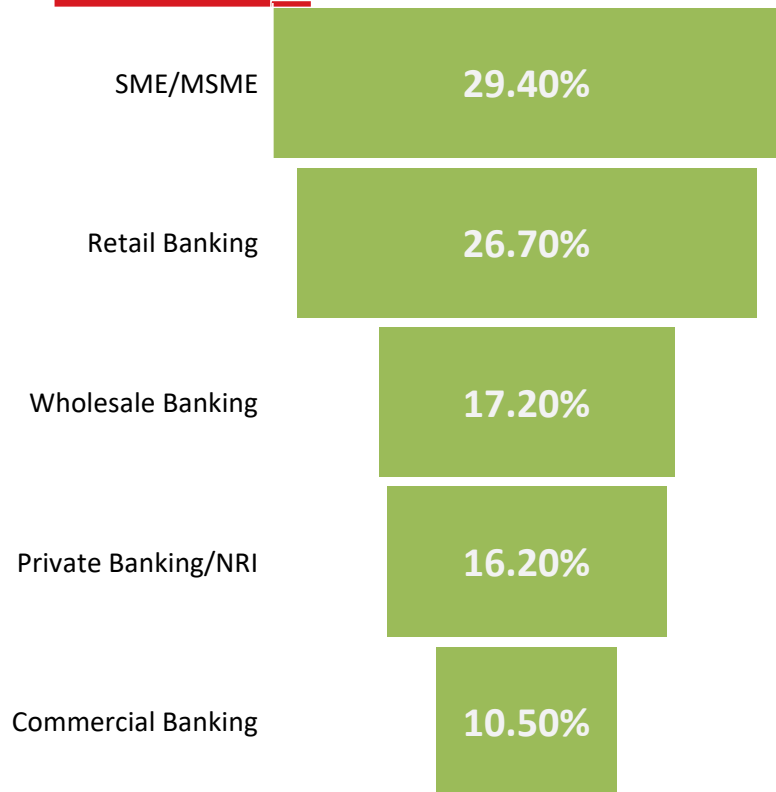
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Maximum respondents believe that **investing in Tech** and **collaborating with Startups & Fintech players** is going to pave the way forward for the Banking Industry.



*According to Institute for Development and Research in Banking Technology
"The banking sector needs to increase focus on the artificial intelligence strategy,
data management, internal digitization, talent creation and developing safe systems."*

WHICH NEW GROWTH SECTORS WILL EMERGE



TOP SECTOR

SME & MSMEs form the backbone of India's economy. This sector contributes to a whopping 30 percent of India's GDP, and employs an estimated 28 percent of the labor force, supporting livelihoods of over 100 million people.



TRENDS

Retail Banking

- Focus on need-based borrowing
- Preference for small ticket sized loans
- Spike in digital payments platforms with products like PPI wallets and digital credit cards

SME/MSME

- Besides finance, access to novel market opportunities, consumer databases, and advanced technologies will help amplify productivity, and agility in the new normal.

ROLE OF BOARD OF DIRECTORS

Priorities for the board	% of respondents
Business continuity plans & Capital Adequacy	29%
Review the operating model	25%
Organizational resilience/cost cutting	24%
Developing new digital strategies	7%
Stakeholder engagement and communication	7%
Augment leadership capacity and strengthen decision making	7%
Hiring decisions	1%

- ICICI Bank board approved \$2 billion fundraise to counter COVID-19 losses and keep up the business continuity.
- Axis Bank's board approved plan to raise Rs 15,000 crore through a variety of instruments to shore up its capital base amid the Covid-19 disruptions.



Though the board's role does not change drastically during a crisis, but certainly the board must revisit/assess the operating model and make it more focused and strategic to -

- (1) Ensure business continuity*
- (2) Adequate Capital*
- (3) Reducing expenditures.*

ABOUT HUNT PARTNERS

Hunt Partners is a leading Leadership Talent advisory firm covering the Europe-India-Asia corridor, founded in 2003 and maintaining principal offices in Delhi, Mumbai and Beijing.

- Hunt Partners is an owner-managed firm, combining in-depth local knowledge with global expertise.
- The firm has specific industry expertise or “practices” building an extensive network and knowledge base in these areas.
- Hunt Partners professionals provide bespoke advisory and consulting for a select group of global and regional clients who require talent management solutions for Top management and Boards.

Hunt Partners Business Verticals



Hunt Partners is placed within the top-5 Talent Advisory firms in India

Source:

CEO Hunters: *Business world*, Feb 2012

Recruiters: Never out of work-*Mint*, Jul 2008,

Survey of Executive Search Firms, *Corporate Dossier – Economic Times*, June 2007

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**BANKING, FINANCIAL SERVICES & INSURANCE
PRACTICE AT HUNT PARTNERS**

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THANK YOU