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WHERE IDEAS COME TO LIFE

MMK: ACE
SMT.MITHIBAI MOTIRAM KUNDNANI: ACCOUNTANCY COMMERCE ECONOMICS

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FROM THE DESK OF EDITOR…

The COVID-19 pandemic has severely impacted many industries and increasing economic hardship for Consumers, Businesses and Communities. Impact of Covid-19 has been multiple related to social, educational, economic, political, agricultural, psychological levels and many more. The 'Lockdown' and 'Social Distancing' has been recognized as the only method to control the spread of the pandemic and almost every country has adopted this method. Although the technology to facilitate remote work has been around for over a decade, COVID-19 has forced hundreds of millions of people worldwide to engage in a sudden, massive, real-time experiment with remote work arrangements.

However, this pandemic created an opportunity for change in pedagogical approaches and introduction of Virtual Education in all levels of education. Due to pandemic coronavirus schools, colleges and other educational institutions are witnessing a shift towards online learning. Education is defined more innovatively today as compared to what it was centuries ago when teaching originally began. this model built the bridge through which learning was delivered in a manner that helped create and develop the most brilliant minds and there was also a development of a whole new era ofeducation.

Online education in India has witnessed an enhanced acceptance over a few years. It is becoming an integral part of the school, colleges and even in offices across India. Easy availability of the internet is the primary reason for the growth of online education in India. Between 2019 and 2020 the number of internet users in India increased by 128 million. For the first time, rural India has a greater number of internet users compared to urban India.

UGC and MHRD have lunched many virtual platforms with online depositories, e-books and other online teaching/learning materials. Combination of the traditional technologies (radio, TV, landline phones) with mobile/web technologies to a single platform with all depositories would enhance better accessibility and flexibility to education. A large open on-line course (MOOC) is an internet course aimed toward limitless curiosity and open entry by way of the net. India is taken into account to be the largest marketplace for MOOCs after the USA.

However, digital learning is not without its challenges, since face-to-face interplay is perceived as the perfect sort of correspondence as in comparison with the relatively impersonalized nature of remote learning. The construction of the digital education infrastructure by the Government of India presently seems to be troublesome as a consequence of absence of price range. Further, remote learning more depends on the dependable energy flexibly and common Web connectivity which can be a critical factor for Tier 2 and Tier 3 cities in India.

In spite of all limitations now the time has come to push India's economy towards solving all such Socio-economic issues. Inculcating strong Higher Education Base with Online Learning in the light of futuristic Vision laid down by New Education Policy could be the right weapon of solving many such issues which have been inherited over Generations. All such efforts require mindset towards "Continuous Research".

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Keeping all such ideas in mind and heart I feel extremely delighted to bring out the *Second Issue of E- Journal “MMK: ACE”* with the Papers included from a community of Researcher, Academicians from different strata addressing various aspects of COVID-19 which was the central theme of *Second Issue of E-Journal “MMK: ACE”.*

I extend my sincere gratitude to the Management of HSNC Board and our dear I/C Principal Dr.CA Kishore Peshori for their constant support and motivation towards strong Research foundation.
My heartfelt thanks to the Editorial Board Members Dr. Megha Somani and Mr. Manikandan Iyer for guiding me on several fronts.

Finally, big thank you to Peer-reviewers and Publishing House for helping us in publishing this E- Journal. Last but not the least I would like to sincerely thank to all the academicians’ who have wholeheartedly contributed in this *Second Issue of E-Journal “MMK: ACE”.*

I invite feedback and suggestions from our Readers, Researchers and Academicians for further improvement in *E-Journal “MMK: ACE”.*

Dr. Aashish S. Jani

Executive Editor

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PRINCIPAL'S MESSAGE

I am very happy to observe that our Research Committee has been very active during this lockdown period and has successfully brought out the second volume of our Ace Online Research Journal, where academicians and students are given a platform to publish their research articles. Last year, our college had the privilege of hosting a mega event, i.e. the XXVII HSNC Board's International Economics.

Convention – 2019 from December 1st December to 14th 2019, where many enthusiastic researchers from various colleges including West Georgia University from U.S.A, presented their research papers. At this Convention, we had launched the first volume of our E-journal, ACE, which was an academic initiative to encourage our young, upcoming researchers. Little did we expect at that time, that this online mode of communication would become the order of the day, as we have been witnessing in these current times. Nevertheless, we are glad that it was an initiative taken in the right direction and at the right time.

The greatest gains of all times in history has always been research driven. Whether it was discovering a vaccine for Polio, or drugs to combat HIV, these were all borne out of research projects. Therefore, Research activities are fundamental to every society, and should be especially encouraged in educational institutions. As Scientists around the world were struggling with their research to find a vaccine for the COVID 19 virus, we realize that it is highly imperative to cultivate this research culture amongst our present generation. I am glad that the editorial team has chosen to have deliberations on this very topical theme of the impact of COVID 19 on various aspects of the Economy and Education sector. I appreciate all the academicians, scholars and students for their valuable contributions and the thoughts that they have shared through this journal.
I also applaud the initiative taken by my editorial board in their continuous efforts to inculcate research attitude and aptitude among our faculty and students.

I wish them all the best and hope that the ideas shared through this volume will find a way in bringing out some positive outcome and encourage many more students and teachers to become good researchers and thinkers.

Dr.CA Kishore Peshori

(I/C Principal)

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Banking Industry in India in the Post Covid World

Dr. Murali Krishnamurthy, MBA, M.Phil., DMS
Consultant, Advisor, Educationist
Advisor, Master Credit Banking Solutions Private Ltd., Mumbai
Visiting Faculty, Smt. MMK College of Commerce and Economics, Bandra West, Mumbai

Abstract:- Banking industry in India has been going through crisis after crisis in the past 4, 5 years and the COVID-19 is another hurdle that the banks are faced with. NPAs, NBFC crisis etc. have already affected India Banks. With the spread of COVID-19 pandemic across the world and India. The way banking industry is going to get transformed and how the practice of banking will evolve in the near future is the focus of this paper. Scams and frauds in the banking sector affecting the private and co-op banks have shaken the trust of public. The impact that these will have on the human resources will also be a matter of huge importance. The increase of non-performing assets are going to be a huge concern for the industry.

***Keywords*:-** Indian Banking, COVID-19, NPA.

I. INTRODUCTION

As we move forward into the new financial year April 2020 to March 2021, we are looking at a world that no one would have even imagined 5 or 6 months back. The new novel corona virus COVID-19 has ravaged the entire world with more than 160 countries affected. At the last count more than 15 million people all over the world have been infected by the virus. India is one of the most affected countries with more than a million people affected by the pandemic.

Economies across the world, both developed and developing have been hit very hard by the pandemic. Even before the onset of this virus, the global economy was struggling with various issues like US-China trade war, Iran-US issues etc. The pandemic has been an unexpected and unwanted hit on the global economy. The already struggling business environment has been brought to a standstill since the beginning of this year.

And India is no exception to this. We have been going through one of the most difficult phases post Independence. Many experts and economists equate the situation to two incidences of the past – the 1991 Foreign Exchange Crisis and the 2008 global financial crisis. But in reality, the current situation is totally unexpected and has come as a bolt from the blue for the country.

II. INDIAN BANKING SCENARIO

It is clear that the banks in India are facing a very tough situation. The RBI and the Government have been taking several measures to alleviate the problems faced by the banks. But the situation is pretty grim, to say the least. Coupled with the impact of various economy wide issues, the industry itself has specific issues and problems that the banks had to face in the past year or so.

Let us see the what the banking industry is going through now.

1. Systemic issues arising due to rise in NPA cases – which have been plaguing the system for the past few years
2. Delay is resolution of NPA cases through IBC process
3. Incidences of Scams and Frauds in some of the banks like the ones in Punjab National Bank, Yes Bank, ICICI Bank etc. leading the a crisis of confidence on the whole.
4. Crisis in major industries – which have large borrowers – like telecom sector, which may result in ballooning of NPAs and Automobile sector.
5. Crisis in the NBFC sector due to failures/problems with big NBFC companies like ILFS, DHFL, India Bulls etc.
6. Collapse of cooperative banks like PMC bank and the resultant mistrust in Co-Op banking segment
7. Collapse of a leading private sector bank – YES Bank and its impact on banking companies – especially private sector banks

III. WHAT COVID -19 HAS DONE TO BANKS

With the situation being so grim, it is but natural for anyone to be skeptical about the industry. The arrival of the pandemic COVID-19 in February this year in India has only aggravated the situation. The strict measures implemented by the Governments - both the Central and State - starting with 21-day lockdown in March and further extension of the same has brought the economy to a grinding halt. This is a blow that is impacting the banks very hard, as cash flow, recoveries, new deposits, new loans – everything is getting hit very badly.

To mitigate the impact on the common man, the RBI had announced on 27th March, various measures including moratorium of 3 months on repayment of loans, reduction in Repo, Reverse Repo rates etc. again in April and once more in May/June further measures of liquidity easing, reduction in reverse repo, targeted funds for specific purposes etc. were announced by RBI.

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But the problems of restarting the economy – particularly the unorganized sector – is going to be a big challenge. Moreover, the most affected sectors like MSME etc. are going to take quite some time to get back to some sort of normalcy. Given these factors that are likely to be a reality, banking sector, no doubt, is going the face tougher times ahead.

And the latest crisis of Mutual Fund industry – Franklin Templeton issue – is creating further problems for the banking industry. Banks are now shy of giving finance/support to Mutual Funds and Mutual Funds themselves are facing redemption pressure from investors.

At the other end it the customer perception. Bank failures like YES Bank, PMC bank have shaken the trust of the customers to the core. Added to that are the stories of scandals and scams in ICICI Bank, reputed NBFCs like India Bulls, DHFL, IL&FS etc. have simply overwhelmed the mindset of customers. They are left wondering which is the safest mode of investment in these days!

Banks are now caught between the devil and the deep sea – as the saying goes. So what the banking industry will have to do this year? What are the options left to the industry? How the industry can come out of the monumental crisis?

IV. IMPACT OF COVID-19 ON INDIA

If we look at the Indian scenario, the number of infected people has been going up steadily. And the complete lockdown announced in phases from March 24, has shown that the spread of the virus has been on the rise in many regions/States. Important business centres like Mumbai, Pune, Delhi, Chennai and Bengaluru have been hit badly. Various data points are now available to see how the pandemic is going to impact the economies of countries.

The rate of GDP growth globally for the top 10 economies for the past three years can be seen in the table 1.

Table 1: Real GDP Growth of top 10 countries

Sl. No.	Country	2017	2018	2019
1	**Unites States of America**	**2.4**	**2.9**	**2.3**
2	**China**	**6.9**	**6.7**	**6.1**
3	**Japan**	**2.2**	**0.3**	**0.7**
4	**Germany**	**2.8**	**1.5**	**0.6**
5	**United Kingdom**	**1.9**	**1.3**	**1.4**
6	**France**	**2.4**	**1.7**	**1.3**
7	**India**	**6.5**	**6.7**	**5.3**
8	**Italy**	**1.7**	**0.7**	**0.3**
9	**Brazil**	**1.3**	**1.3**	**1.1**
10	**Canada**	**3.2**	**2.0**	**1.6**

When we look at India's situation, we can see that the GDP is showing a declining trend from 2018 and with the economy going through one of the toughest crises, there is no doubt that the decline will continue for this year too. The data in table 2 gives the growth rate of GDP of the country for the past four years.

The data clearly indicates that there has been a slowing down of the growth in GDP particularly from 2018. The slowdown also relates to the global economy slowing down aggravated by Oil crisis, US-China trade war, Brexit etc.

Table 2: Real GDP Growth Rate (per cent, constant 2011-12 prices) of India

Years	Quarters	Growth %
2015-16		
	Q1	7.5
	Q2	7.6
	Q3	7.2
	Q4	7.9
2016-17		
	Q1	7.2
	Q2	7.4
	Q3	7.0
	Q4	6.1
2017-18		
	Q1	5.9
	Q2	6.6
	Q3	7.3
	Q4	7.9

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2018-19		
	Q1	7.7
	Q2	6.9
	Q3	6.3
	Q4	5.7
2019-20		
	Q1	5.2
	Q2	4.5
	Q3	4.1
	Q4	3.1

V. IMPACT ON BANKING AND FINANCIAL SECTOR

If we look at the Banking and Financial sector, the following data points become relevant. The total Gross Non Food Credit as on 31st January 2020 was INR 101 trillion, the break up of which is given in Table 3 .

Table 3: **Gross Non-Food Credit as on 31/01/2020**

Gross Non-Food Credit as on 31/01/2020		
Sl No	**Sector**	**Per cent**
1	Agriculture	13.0
2	Industry	31.7
3	Services	27.3
4	Others (Including Personal)	28.0

The Gross Non- Performing Assets (NPA) of Indian banks have hovered around 9.5 % as on Dec 31. 2019 and the Net NPA around 3.8%. With the COVID induced crisis, it is no wonder that the NPA of banks will continue to show a worrying trend.

Considering the importance of the banking and financial sector to the Indian economy, we can come to certain conclusions, based on the points discussed above.

1. Banks which have been already under pressure for margins, will be pushed further due to various factors like

a. As there is a visible and noticeable contraction of the economy and the industrial sector, reduced offtake of loans will be the first blow to the industry's profitability outlook.
b. Customers as we have seen above, are already worried about the health and safety of banking sector, will be more cautious.
c. RBI's announcement of 3-month moratorium on loans and EMIs will lead to more delinquencies/NPAs for the banks, resulting in degradation of assets and their quality.
d. The two way blow of less deposits and less offtake of credit will compress the NIM (Net Interest Margins) of banks – added with a low interest rate policy of the Government.
e. Huge contraction in imports/exports due to global collapse of economies will result in lesser volume of transactions in cross border trade – which will lead to less realization.
f. The crash in capital markets have turned away investors – who have lost significantly already – and there will be a very severe impact on wealth products of banks.

2. There is a positive side to this too. The impact could be partially offset by the lower cost of funds due to reduction in policy rates, easing of reserve ratios, easy availability of liquidity and refinance from RBI etc.
3. In the short term – at least in this calendar year 2020, we will have certain other factors which will have some cushioning of the impact like increase in savings due to customers being averse to splurging and investing in risk assets like capital markets. So, the low cost deposits are likely to increase.
4. Demand for retail financing like home loans, vehicle loans and consumer durable loans will take a hit at least for the next 2 or 3 quarters due to the general slowdown of economic activity in the country.
5. Other current and expected impact on the sector can be

a. NPA growth will impact asset quality and profitability
b. Extension of the moratorium – which looks likely – will again have an impact on cash flows of banks.
c. The YES banks crisis – due to writing down of AT 1 bonds – is going to put pressure on banks who have raised funds through such perpetual bonds. The outstanding portfolio of such bonds is said to be around INR 90,000 crores.
d. The recession in key core sectors like Auto, Steel, Metal, Telecom and other sectors will impact credit quality, resulting in need for restructuring of loan portfolios.
e. Banking through digital channels – internet, mobile, wallet, IMPS etc. – will significantly increase in volume and value – even after relaxation of lockdown and banks will be pushing for the same.
f. A corollary to the above point is the increase threat of cyber crimes, phishing, hacking, cloning etc, which

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might result in need for higher investment in IT security and systems.

VI. CONCLUSION

Based on the above analysis, I am of the opinion that the banking industry will go through a critical time in the coming year significantly impacting the growth, health and status of the banking sector. To alleviate the pains, some steps can be taken by the RBI/Government on the following lines.

1. Support on asset classification and provisioning norms with reasonable relaxation. RBI has already announced that the 3-month moratorium will not be considered for asset classification. In my opinion this should be extended at least till Dec 2020.
2. Restructuring of stressed corporate loans in this slowdown phase is to be taken up on priority to shore up bank balance sheets.
3. As already announced by Government last year, incentivization of digital payment channels should be continued.
4. Mutual Funds and NBFC sectors are going through a crisis. Liquidity support to these sectors will be like oxygen in ICU. We need to note that RBI has already announced a INR 50,000 crore liquidity support to MFs on 27th April.
5. Stressed sectors like Auto, Manufacturing, Steel, Telecom etc need to be relooked at with additional steps like interest rate reduction, extension of moratorium, subscription to corporate papers like commercial papers, Bonds etc,, which will go some way in reducing the pains faced by the industries.

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