

May, 2021

# CORPORATE VAULT

A Knowledge sharing initiative by Nimai Transaction Advisory Services



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CEO - Nimai Trade

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Dear Valued Clients, Patrons and Associates,

A very warm welcome to our second edition.

If there is a way to start this, it has to be with prayers for the entire Human Race as the world grapples with a rapid spread of the virus especially in some of the developing nations. We must continue to take the necessary precautions and most importantly spread positivity and hope to all our near and dear ones and encourage them to get vaccinated at the earliest possible opportunity.

As India battles through the worst of the COVID-19 crisis it has seen since the beginning of the pandemic, our thoughts go out to each and every one fighting this battle. As the recent message from the Government of UAE went up on the Burj Khalifa: #STAYSTRONG INDIA, we wish and pray for the same.

The Nimai family has stayed strong and stayed confident in its abilities to see through this battle. Our team members have continued to service our clients with the same earnest and with minimal disruptions. The travel restrictions have meant that our teams have had to adapt to the changing way of transaction closures and due diligences. We foresee an increased level of activity across the corporate finance space in the coming months. Do watch out this space for some exciting announcements coming soon!!

The Banking sector and the Central Banks across the globe have the most vital role to play in helping businesses navigate the challenging times. In the past twelve months, the regulators all across have been aggressively scaling up their support to the local economies. For banks, the digital transformation drives, and adoption of Fintech has been happening at a rapid pace. The next 2-3 years will be very interesting to watch how Banks evolve in their operations and digitalization. Will branch-less banking become the new normal? Vikram Lodha takes a deep dive into the impact of COVID-19 on the Banking sector and shares his views on what lies ahead.

Our partner at Nimai- Qatar, Minakshi Miglani shares her perspective on the evolving role of women entrepreneurs. Coming right on the heels of Mother's Day celebrations, the article very aptly portrays the endless possibilities that women in business can bring to the table. "Gender inequality is a problem. Strong women take this gap as an opportunity"- well said Minakshi.

I sign off with good wishes and prayers for all. #STAY SAFE #STAY STRONG.



**NISARG DUGAD**  
Managing Partner

# IMPACT OF COVID-19 ON THE BANKING SECTOR

The crisis caused by COVID-19 is showing its impacts on the banking sector. As the COVID-19 pandemic rolls on, banks must prepare for a long winter. Following factors and their trends need to be assessed: monetary policy, digitalization, regulation, economic growth, new entrants, competitive landscape and government support.

## Key points

- A swift and coordinated response from monetary, fiscal and regulatory authorities has been key to address the consequences of the COVID-19 crisis. These measures (heterogeneous by countries) have supported credit growth and have mitigated the initial negative impact.
- Early effects on the banking sector are mainly a decline in profitability, cost control, without signs of asset quality deterioration yet and sound capital and liquidity levels.
- Four key features are identified for post COVID-19 winners in the banking industry: a) embrace digitalization; b) adapt to clients' needs; c) increase efficiency; d) revenue diversification.








In a time of global uncertainty, it's easy to lose sight of the big picture. This is particularly true when memories of the last recession are still relatively fresh. But it's worth acknowledging just how different the current situation is from where we were a decade ago. Unlike many past shocks, the COVID-19 crisis is not a banking crisis; it is a crisis of the real economy. Banks will surely be affected, as credit losses cascade through the economy and as demand for banking services drops. But the problems are not self-made. Global banking entered the crisis well capitalized and is far more resilient than it was 12 years ago. Many of the structural reforms put in place have led to increased oversight and larger reserves. These are designed to strengthen our ability to withstand systemic shocks, and, by all accounts, they seem to be working.

Many consumers are better prepared. While consumer debt is at an all-time high, it's far lower relative to GDP than it was a decade ago.

The global economy is stronger. For example, the US economy has been chugging along productively, with unemployment at historic lows. Corporate debt is — for now, at least — more likely to be repaid.

The damage is likely to be more contained. Certainly, some industries are reeling from a precipitous drop in demand. But, at least in theory, the danger could start to recede in months rather than years.

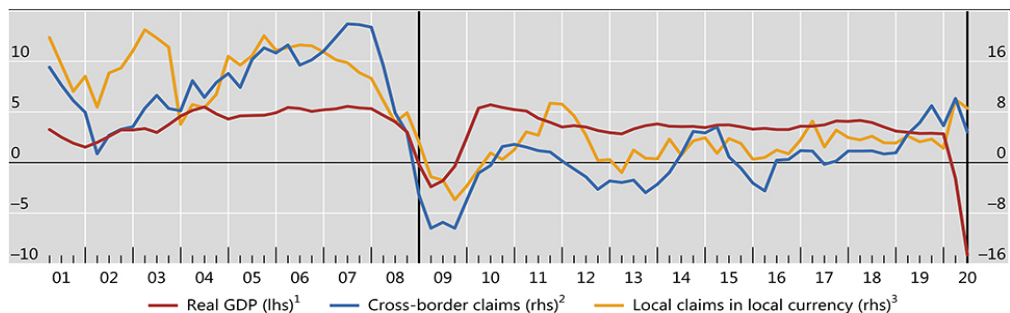
Seven key factors are key to assess banking sector evolution after the COVID crisis (navigating its aftermath)

-  Monetary policy: low interest rates for longer
-  Digitalization: impulse to banking sector transformation
-  Economic growth: gap with pre-pandemic levels for some time
-  Regulation: lower regulatory pressure
-  Entrants: Bigtech firms and fintechs expand at a quicker pace
-  Competitive landscape: Promotion of banking consolidation
-  Government support: Positive despite an uncertain phase-out but there are long term issues to be dealt with.

International banks' claims hold up better in the pandemic than in the GFC

Year on year growth rate, in per cent

Graph 1



<sup>1</sup> Weighted average based on rolling GDP and PPP exchange rates. Sample of 56 countries. <sup>2</sup> Compounded annual growth rate based on FX- and break-adjusted cross-border claims. <sup>3</sup> Consolidated claims, growth adjusted for breaks in series and exchange rate movements. Sources: BIS consolidated banking statistics on an immediate counterparty basis; BIS locational banking statistics by residence; national data; BIS calculations.

© Bank for International Settlements

Banks are expected to undertake multiple measures to protect their businesses, a few examples are:

**Credit management:** The banks are expected to tighten the lending norms by sticking to specific set of customers & industry, cash flow backed proposal, bank risk / credit insurance backed structures, distributed risk/ securitized structures etc.

**Focus on fee income:** The low interest rate scenario is reducing the core banking profitability in mature markets. Financial institutions are thus shifting towards commission-based income from the likes of Trade, FX and Payments.

**Customer relationship and Operational resilience:** Banks are actively trying to reduce the number of branches and move the customers to digital channels, thereby reducing the cost and retaining the client and income. Over a period, the relationship with corporate customers may become more transactional than a holistic one. The provision of technological innovation can play an important role in guaranteeing the business continuity of the banks: the activation and enhancement of robotics solutions or artificial intelligence and mobility, if applied to critical processes, would allow for an easier protection in case of absence of staff.

Banks, like other sectors of the economy, may face a cold winter ahead, but there is the promise of a thaw. The moment is right for banks to affirm their dual role as sources of stability against the pandemic's upheaval and as beacons to the societies and communities they serve in a post-COVID-19 world. They must act because they have a crucial role to play in the work to restore and sustain livelihoods in their communities.



**Vikram Lodha – CEO  
Nimai Trade**

# EMPOWERING WOMEN IN A CHANGING WORLD



**Tabai Junko**, the first woman in the world who successfully climbed the highest peak of the world. From an early age she had passion for mountain climbing and she finally fulfilled her dream on 16<sup>th</sup> May, 1975. Her achievement inspired millions of women to take a step towards fulfilling their own dreams.

This world is changing at a fast pace and this change has happened with the involvement of and contribution by women in all the sectors, from science to finance and everything in between.

Based on a research conducted by the World Bank, the number of women operating their own business globally is increasing every year. Women entrepreneurs are breaking the glass ceilings by pure determination and persistence, and thus setting good examples for the coming generations.

Women entrepreneurship may be a route to women's social and economic advancement in several countries, but we can't ignore the enormity of the prevailing gender inequality. Strong women have taken this gap as an opportunity. Empowered women started breaking the gender stereotypes which were more prevalent in society decades ago. These women have changed the world for the better with their perseverance and strength. Eleanor Roosevelt said it very well – "A woman is like a tea bag – You never know how strong she is until she gets in water ". When women are put in tough situations, that is when their true strength is drawn out.

Women entrepreneurs represent the fastest growing category of entrepreneurship worldwide in recent years and according to recent study by McKinsey, advancing Women equality can add \$12trillion to the global economy. Women can make a significant contribution to entrepreneurial activity and economic development in terms of creating new jobs and increasing the GDP of the nation. This will result in increased levels of confidence; the satisfaction of achievement can boost their self-esteem and overall well-being. As we have seen time and time again, there are many benefits to having women in the workforce. When we as a society remove our stigmas against woman working, we will have booming economies and happier populations overall.

As former President Dr APJ Abdul Kalam once said, "Empowering women is a prerequisite for creating a good nation, when women are empowered, society with stability is assured. Empowerment of women is essential as their thoughts and their value systems lead to the development of a good family, good society and ultimately a good nation".



**Minakshi Miglani – Partner  
Nimai Qatar**