Infomerics Ratings

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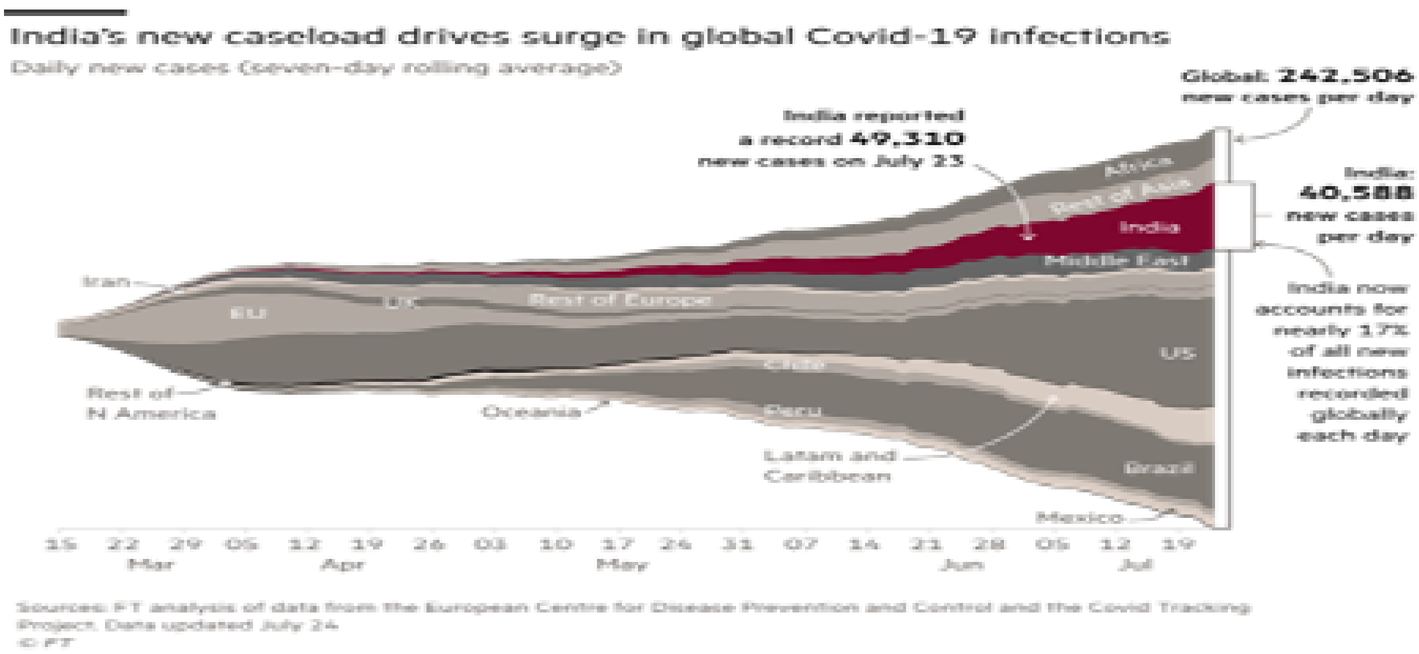
INDUSTRY OUTLOOK

ECONOMIC DIGEST (July 2020)

5 August 2020

1. Modi stumbles: India’s deepening coronavirus crisis-FT

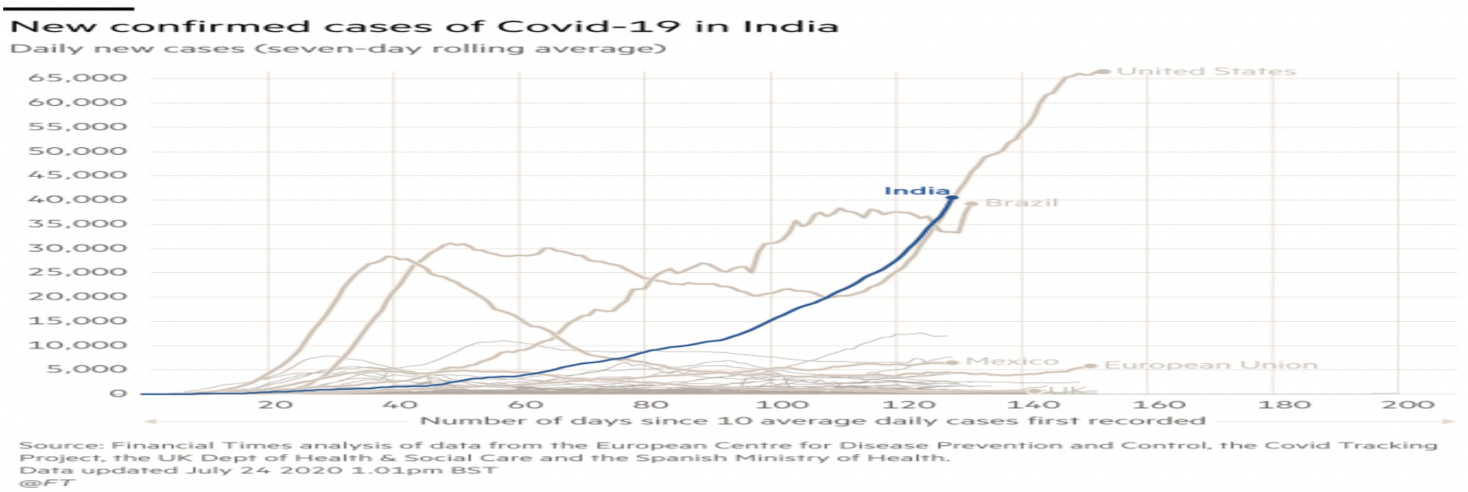
… Yet for all the human suffering and economic damage, India’s lockdown failed to flatten — or even slightly bend — the country’s coronavirus curve. With limited testing capacity and restrictive testing policies, authorities struggled to identify infected patients and trace their contacts. Fears of being hauled off to squalid public hospitals or quarantine centres meant that many who became infected were reluctant to come forward. New cases rose steadily. Under pressure in the following weeks to resuscitate the collapsing economy and give desperate workers a chance to earn again, Mr Modi then changed tack. On May 12, as confirmed infections rose to around 71,000, Indians were told to learn to live with the virus, and get back to business…Today, India has recorded more than 1.4m confirmed coronavirus infections — the world’s third biggest caseload after the US and Brazil. New infections are rising to new all-time highs almost every day — exceeding 49,000 on Thursday. Fatalities too are on an upward trend, with more than 32,000 deaths in total.



The true magnitude of India's pandemic — and its death toll — is likely far higher. India has one of the lowest testing rates of any major economy, due both to continued limited capacity — especially in small towns and rural areas where the virus is now spreading — but also political pressure to limit testing to keep the official case count low. Health experts warn of the need for more effective containment. Ashish Jha, director of the Harvard Global Health Institute, says India's new infections could soon be rising by 100,000 a day — an alarming spectre given its overstretched health system.

LACK OF CONTROL

Failure to control the pathogen will also cast a shadow over India's economic prospects… Rural migrants are wary of returning to urban workplaces. Small businesses have reopened only to shut down again as employees were infected. Reopening schools — closed since early March — isn't even a topic of public discourse. Welfare schemes — like mid-day meals and vaccinations — have been disrupted, as resources are diverted to the pandemic. All this will extract a heavy toll on an economy that was already struggling to regain momentum after a protracted slowdown. Nomura forecasted that India's GDP will contract by 6.1 % this year, while HSBC expects a dip of 7.2 %. ICRA is gloomier, projecting a 9.5 % contraction.



…the pandemic has created new financial stresses that will weigh on India's growth potential for years. Strained public finances are deteriorating further, with analysts forecasting the combined central and state deficit could rise to 12 % of GDP. Banks, which have struggled for several years to reduce non-performing loans, face a new wave of stressed assets. Lay-offs are increasing, and may accelerate further once a bank moratorium on debt repayments expires at the end of August… New Delhi cites India's low number of deaths compared to its population, and low case-to-fatality ratio… But India's official death toll is almost certainly undercounted. Harvard's Prof Jha also fears that New Delhi's tendency to minimise the magnitude of the current threat — or simply divert public attention — could backfire, encouraging people to let down their guard as the virus becomes more widespread.

MODI'S MANAGEMENT

With new infections surging and the economy wilting, the focus is inevitably returning to the government's initial response to the pandemic and the rushed decision in March to shut down the country. For some observers, the lockdown strategy was driven as much by Mr Modi's political persona as it was by a clear scientific and public health analysis of the problem…But lockdown failed to deliver the promised results. In mimicking tactics adopted from authoritarian China, and rich European countries, the government failed to account for the gritty realities of urban India, where millions live in crowded slums sharing toilets and water taps with hundreds of others, or depend on daily wages for that evening's meal.

LOCKING DOWN TOO EARLY?

As India's poorest desperately scrambled for food and transport back to their villages, fertile conditions were created for virus spread. ..Dr Smarajit Jana, former head of the Aids control program says "Any good public health policy must consider the context of the country in question — the population density, the socio-economic context and the way people live."…Dr John believes India's lockdown was "mistimed". It was imposed too early in the epidemic, when case numbers were still too low, he says, and when the infections were so narrowly concentrated that it did not require such draconian action across vast swaths of the country that had no cases at the time. Today, the virus is circulating more widely than ever, yet there is little effort to warn people, or any aggressive campaign to promote correct and comprehensive mask wearing, which he believes is critical to reduce and slow the spread of the pathogen.

2. Where is the money to fund economic revival?-IT

India has been facing an economic slowdown for over two years now. There has been an almost consistent decline in GDP figures since the last quarter of 2017-18, when the growth rate was clocked at 8.2 per cent. The twin-impact of demonetisation and GST rollout was yet to plateau before the coronavirus pandemic brought economy to almost a halt. Experts have been arguing for increasing investment in India to revive growth. With the fact that private investments have been sombre, at best, the onus has shifted to the government to raise public investment hugely. But the government has been facing a revenue crunch, also aggravated by the coronavirus pandemic. In a nutshell, the government does not have enough money to pump into the system. Large scale borrowing has its own cyclic ripple effect. One way out that is being talked about is monetisation of the Centre's deficit by the RBI.

This route has generated much interest following a SBI research paper that recently advocated that the RBI could monetise the Centre's deficit at lower rates. This possibility was, however, officially played down by economic affairs secretary Tarun Bajaj. The government is short on revenue. To bridge the gap, governments borrow money from the markets -- pushing fiscal deficit up. Borrowing from markets usually takes place in the form of government issuing bonds. Given the prevailing financial sentiment due to the coronavirus pandemic, some experts doubt that the markets will be able to buy all the bonds that the government issues. This would pose a serious question of economic credibility. To circumvent this possibility, the suggestion is that the RBI should buy bonds issued by the government -- thereby monetising the debt or deficit by printing additional money to finance this debt.

This is an old model of debt/deficit financing but India forsook this approach in 1997 in favour of a system of ways and means advances (WMA). Under WMA, the RBI extends short-term loans for which limits are announced six months in advance. These loans are fully payable within three months. Under the given economic predicament, this does not look like a feasible tool to finance economic recovery. So, there is this talk about monetising the deficit. But this approach had its own demerits that prompted policy makers to abandon the practice in the first place. RBI monetising the deficit is bound to push inflation, a concern that the central bank has been very sensitive about in recent years. The RBI is mandated to keep inflation in the range of 2-6 per cent. There is also a fear of unproductive government spending due to political compulsions.

A Bloomberg report on Sunday referred to excerpts from an upcoming book by former RBI deputy governor Viral Acharya. The report quoted from the book to voice his warning against the RBI monetising the Centre's deficit. Acharya has called this approach "deeply flawed" as it would be "regressing to the errors of the 1970s and 1980s". There is another problem. The Fiscal Responsibility and Budget Management Act (FRBMA), brought in by the Atal Bihari Vajpayee government in 2003, restricts the RBI from buying bonds directly from the government. This brings back to the root, still unanswered, question: where is the money to fund India's economic revival?

3. India's gloomy outlook darkens, recovery path in doubt -Hindu

The outlook for India's reeling economy has worsened again as business activity slows and COVID-19 infections soar, and will probably prompt the RBI to cut interest rates again soon. The latest findings echo recent criticism of New Delhi's $266 billion economic rescue package, which does not include new spending, tax breaks or cash support, suggesting more will be needed to turn the economy around. With India now the third-worst-hit country by number of infections after the United States and Brazil, the risk of renewed lockdowns after a nationwide shutdown in March-May has risen. The Indian economy is now likely to contract this quarter and next and in this fiscal year as a whole… In the quarter just gone by, the economy is forecast to have shrunk 20.0% - the first double-digit contraction since official quarterly data started being released in the mid-1990s. It will then contract 6.0% and 0.3% in the current and following quarters, respectively, according to the poll. That compared to a -5.2% forecast for the last quarter in the April 23 poll, followed by 0.8% and 4.2% growth in the current and next quarters, respectively.

Asia's third-largest economy is forecast to shrink 5.1%, a complete turnaround from the 1.5% growth predicted in the previous poll. It would be the weakest performance since 1979. Under a worst-case scenario, the economy is forecast to have contracted 30.0% in the April-June quarter, and to shrink 10.0%, 4.0% and 9.1% in the current and next quarters and this fiscal year, respectively...Inflation is expected to average 4.5% this fiscal year, and the RBI is forecast to cut the repo rate by another 25 basis points at its Aug. 4-6 meeting, and once more next quarter, to a record low of 3.50%. The RBI has already reduced the repo rate by a total of 115 basis points since February, and 135 basis points in an easing cycle last year, from 6.50%, responding to an economy that was already slowing…the strength of the recovery had worsened or at best stayed the same over the last month. "The government is the only catalyst at this moment to be able to spur growth and mitigate the COVID-19 crisis," said Hugo Erken, head of international economics at Rabobank. "Fiscal policy is there to fill in the gap left by an absence of domestic demand from the private sector, which we saw over Q2. Basically the private sector was locked up for two months, but the government hasn't stepped up in any way that could have helped cover this gap."

4. RBI Governor Shaktikanta Das Highlights 5 Positive Shifts - ND TV Profit

RBI Governor Shaktikanta Das highlighted five major dynamic shifts in the country that need to be "converted into structural transformations" and will lead to "sizeable benefits for economy". "The fortunes shifting in favour of the farm sector, the changing energy mix in favour of renewables, leveraging information and communication technology (ICT), and start-ups to power growth, shifts in supply and value chains, both domestic and global, and infrastructure as the force-multiplier for growth" are the five major dynamic shifts underway in the economy. The Indian industry will play a pivotal role in what could be known as "silent revolution". The infrastructure front remains large, making a strong case for stepping up investments in the sector to revive the economy. The country needs $4.5 trillion for investment in Infrastructure by 2030. He suggested high speed rail infrastructure projects connecting the country as a long-term measure to strengthen the sector.

The coronavirus pandemic has impacted funding for start-ups. The country added seven unicorns in 2019.The country needs to focus on management of surplus agricultural produce. Three ordinances will lead to major reforms in the agriculture sector. India's shifted to being a power-surplus country owing to developments in the renewable energy segment. The share of renewable energy in country's total installed capacity increased from 11.8 % in March 2015 to 23.4 % by March 2020. NPAs or bad loans in the country's banking sector could rise to 15 % of total loans by March 2021.

5. Modiji, this is your last chance-Rediff.com

How to get the economies back on their feet and trotting again? One is known as the Harrod-Domar model. The other is the Big push Theory. The former is named after a British economist, Sir Roy Harrod, and Mr Evesy Domar, a Russian-American economist. The latter is due to P N Rosenstein-Rodan, a Polish-American economist. The Harrod-Domar model addressed itself to a political problem: How to maintain a high rate of employment? Remember, this was when Communism was all the ideological rage in Europe and used unemployment as fodder. Rosenstein-Rodan, too, tried to provide an antidote to communism. His solution was called the Big Push Theory. The Harrod-Domar answer was, in Clintonese, 'It's investment, stupid.' The more an economy invests, the model said, the better off it would be in terms of expansion of output and employment. Rosenstein-Rodan's Big Push theory said the same thing, but emphasised that achieving economic growth was like getting a plane off the ground. Just as it needs a critical minimum speed, an economy also needs a critical minimum level of investment. In both, the important thing was the term 'critical'. China, South Korea, and other East Asian countries focused on that part. India, obsessing over equity, focused on 'minimum'. China has been investing around half of its GDP. India invests not even half that. Look where China is. Look where we are. So that's all there is to it, folks, investment. Increase it and you are flying. Decrease it and you are taxiing forever.

IMPORT SUBSTITUTION

The question still remains, though: Invest, yes, but with or without tariff protection? India got it all wrong between 1957 and 1991, when it provided high tariff protection to a low-investment economy. The result was economic disaster. Then came the 1991 reforms, which undid this foolishness. But over the next 20 years it overshot the tariff protection thing by lowering tariffs for everything far too much. And, to make matters worse, it kept the rupee overvalued. China did the opposite. As a result, the Chinese moved in and Indian industry has got destroyed.

Manufacturing contributes less than 20 % to GDP. This is what the Modi government has been trying to reverse, without much success so far, because of Mr Modi's mistaken dalliance with China. But now that China has spurned his love, the atmanirbhar effort has to be accelerated and tripled by increasing tariff protection to micro, small, and medium enterprises. An increase of just 15 to 20 % will suffice to kick-start Indian manufacturing. Critics will protest that this is a 'reversal of reform'. I would put it differently, that it's just a response to China, which refuses to observe any rules whatsoever. There is no shame in protecting your industry against predatory pricing and exchange rate policy of the sort China practises.

LESS TAXATION, PLEASE

But how can the savings rate go up so that investment also goes up? We must give up the pretence to socialism. It's like a ball and chain around our feet. The most important thing to do is to stop taxing citizens so brutally. Indians part with a little over half their incomes by way of taxes. Even the Mughals didn't take so much although they had 12 separate taxes. Given the new costs of education, health, communication, transport, and loan servicing, this rate of extraction means that there is very little left to save. The middle class is paying for a billion Indians. We need a single GST rate of 15 %, and two slabs of income tax of 15 %and 30 % for annual incomes of Rs 30 lakh a year and above, respectively. 'NDA brought in major reforms in taxation. Corporate tax was reduced to 15 % for new manufacturing companies and for the old to 22 %.' Madam, it is the turn of the citizens now. Remember what Colbert said: 'The art of taxation consists in so plucking the goose as to obtain the largest possible amount of feathers with the smallest possible amount of hissing.'

6. Animal spirits needed for Indian economy: Rajan-Rediff.com

Bold government reform that triggers animal spirits and implemented effectively on the ground is essential for India to come out of the COVID-19 setbacks. Dr. Raghuram Rajan also made it clear that the space for expanding the balance sheet for RBI is not "infinite", and the central bank will need to have a strong focus on monitoring inflation as it does that. Because of the slide in the growth over the last few years, India entered the current crisis in a more "debilitated" state as compared to its peers. Economic growth is expected to contract by as much as 9.5 % in FY21 due to the coronavirus pandemic.

The government and RBI have announced a slew of reforms to arrest the slide and aid the recovery. "… kind of animal spirit has to be created by really bold government action. “And unfortunately thus far, I can see some possibilities that have been announced in agriculture but we need far more elsewhere," Rajan said. "If we in India can summon up the necessary political push for serious reforms, which we have always kept on the shelf and not implemented, or waited till there is a political consensus, I think if we can build the political consensus quickly and enact those reforms that will be a bold political move," he noted. This could be helpful in a time like this in creating the perception that India will grow going forward. "Aatmanirbhar" programme is a good initiative but India has to first rectify its deficiencies." If we persist in talk and little action, I think we will slip. I fear the consequences of sustained slow growth. We need strong, sustained, clever action today," he said.

Many small businesses from Chennai and Kolkata are stressed and need urgent financial support. "Our government says it will come in with the money eventually when the economy is opening up fully, but by that time a number of these entrepreneurs may not have the resources to continue and may have closed," he warned.

7. What India's Imports Say About The State Of The Economy-Bloomberg

A rare trade surplus reported by India for June has sparked a debate about the weakness in domestic demand. While a fall in gold imports and moderate oil imports played a role, sharp weakness in inbound shipments of capital goods points to sluggish industrial demand. Imports of industrial goods have seen little pick-up after the sharp fall in shipments starting the month of March. Both in term of year-on-year contraction and the level of imports, demand for key industrial items remain depressed. Among the top ten imports by value:

- Imports of machinery in June were 50% below the levels seen in January.
- Coal and coke imports were at 55% of the value imported in January.
- Non-ferrous metal imports in June were at 47% of import value in January, while ferrous metal imports rebounded to 55% of what was seen at the start of the year.
- Transport equipment imports were at a quarter of the level seen at the start of the year. India's overall non-oil, non-gold import bill stood at $15.6 billion in June, about 59% of the $26.59 billion seen in January.

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Industrial goods imports remains in deep contraction on a year-on-year basis too.

- Non-ferrous metals along with iron and steel imports were 52% and 56% lower respectively, compared to a year ago.
- Machinery and transport equipment imports were 42% and 40% lower respectively.
- Imports of coal, coke and briquettes were nearly 56% lower than a year ago.
- Compared to a year ago, total non-oil, non-gold imports were lower by 41%.

The contraction in industrial inputs reflects that production activity may not have improved despite easing of lockdown restrictions in June, said Indranil Pan and Gaura Sen Gupta, IDFC First Bank. Even on annual basis too, capital goods imports saw a sharper contraction in June at 42.1%, compared to a contraction of 33.6% in May, reflecting weakness in industrial activity.

The sharper weakness in industrial imports is to be expected. Typically, industrial demand is greater than consumer demand, when firms have negative inventory, said Arun Singh, Dun & Bradstreet. When firms continue to hold retail inventory, industrial demand will remain lower than consumer demand. At a time when existing capacity utilisation is low, firms continue to service consumer demand using existing capacity, he explained. While imports have traditionally been considered a surrogate for demand estimation, the supply side disruptions in April and May were quite severe, though conditions eased in June. The supply side disruptions, accompanied with the calls for localisation, may prompt a gradual shift to sourcing locally.

CONSUMER GOODS IMPORTS

The trends across consumer items in the top ten imports are divergent, e.g., electronic good imports have rebounded in June to 70% of the levels seen in January. However, imports of pearls, precious and semi-precious stones are still at only 43% of the level of imports at the start of the year. Gold imports have also remained depressed. At $609 million in June, gold imports are 38% below the levels seen in January. Higher prices of gold suggest that volume of imports would be even lower compared to what was seen in January.

Lower income, job losses and rising cases of coronavirus have stymied consumer demand… any divergence in industrial and consumer goods could narrow by the third quarter, after which demand in the two categories will reinforce each other.

8. India's economy not out of the woods yet-Mint

After improving sharply in May, India's economic improvement seems to have stalled in June. As of June, 12 of the 16 macroeconomic indicators considered in the tracker were in the red (below their five-year growth trend), the same as last month, while three were in green (above their five-year growth trend) and one maintained trend.

The current reading is only slightly better compared to the lows of April, when 14 of the 16 indicators were in red, the worst reading since the tracker was launched in October 2018.

The trends in the tracker broadly mirror the trends in public movement, captured by Google, which suggest that public movement picked up significantly in May and early June but the improvement halted in the second half of June and reversed in the first half of July. In some of the most prosperous parts of the country, public movement fell in June as the epidemic picked up pace and local lockdowns were re-imposed.

Both production and consumption have been hit hard, the macro tracker shows. All four indicators of production activity – the composite Purchasing Managers' Index (PMI), core infrastructure sector growth, bank non-food credit, and rail freight traffic – were in the red for the third successive month. The composite PMI, which measures combined manufacturing and services output improved to 37.8 from 14.8 in May but remained below the crucial 50-mark boundary, which separates an expansion in activity from contraction. The PMI reading for India suggested a contraction compared to the month-ago period. Rail freight traffic fell 8% in June compared to the year-ago period. Core sector growth (published with a month's lag) contracted in May. Bank (non-food) credit grew only 6.8% in May. This is in fact slightly slower than the 7.3% rate recorded during April, the worst phase of the nation-wide lockdown.

Three of the four consumption indicators continue to be in the red. Passenger vehicle sales (-61%) and the number of domestic air passengers (-84%) both contracted sharply in June. Only tractor sales saw a sharp growth (22%) in June. The on-year growth in broadband subscribers (18%) was the lowest in over five years as of April. The number of both broadband and mobile subscribers in India declined month-on-month as millions of users discontinued their subscriptions.

India's economic recovery may be a long and arduous process. The economy was already losing momentum for many months before the pandemic hit. The pandemic-induced lockdown seems to have delivered the final blow. Unlike the sudden and synchronized lockdown, the 'unlock' phase has been slower and heterogeneous, with some of the economic hubs of the country re-imposing lockdowns again during this phase as cases and deaths have surged. The uncertainty over the spread of the pandemic has clouded the economic outlook and dampened sentiment.

“We see a rising risk that the sequential improvement in activity may fade after the initial post-lockdown normalization,” wrote Sonal Varma and Aurodeep Nandi, Nomura. Nomura expects India’s GDP to contract (-) 5.0% in 2020 and (-) 6.1% in fiscal 2021.

The pandemic-induced disruptions in supply chains have led to a spike in inflation, and the shutting down of businesses have hurt jobs. All four indicators of the ease of living scorecard – CPI inflation (6%), core CPI inflation (5%), real rural wage growth (-2%) and job outlook (2%) – were in the red as of June. India’s external sector is more of a mixed bag, and perhaps reflects the lone bright spot in the economic report card. The contraction in merchandise exports ebbed in June in India but imports continued to contract at a sharp pace as domestic demand remained weak, leading to a record trade surplus.

9. PM urges bankers to support economy in tough Covid-19 times, boost revival-BL

The PM has urged CEOs of both public sector and private sector banks to do some heavy lifting to support the economy during the ongoing Covid-19 pandemic so as to enable its quick revival in the days to come… the small entrepreneurs, SHGs, farmers should be motivated to use institutional credit to meet their credit needs and grow. Each bank needs to introspect and take a relook at its practices to ensure stable credit growth. Banks should not treat all proposals with the same yardstick and need to distinguish and identify bankable proposals and to ensure that they get access to funding on their merit and don’t suffer in the name of past NPAs. The Government is firmly behind the banking system. The government is ready to take any steps necessary to support it and promote its growth. Banks should adopt fintech like centralised data platforms, digital documentation and collaborative use of information to move towards digital acquisition of customers. This will help increase credit penetration, increase ease for customers, lower costs for banks and also reduce frauds.

India has built a robust, low cost infrastructure which enables every Indian to undertake digital transactions of any size with great ease. Banks and Financial Institutions should actively promote the use of RUPAY and UPI amongst its customers. The progress of schemes like emergency credit line for MSME, additional KCC cards, liquidity window for NBFC and MFI was also reviewed. While it was noted that significant progress has been made in most schemes, banks need to be proactive and actively engage with the intended beneficiaries to ensure that the credit support reaches them in a timely manner during this period of crisis.

The Indian economy is expected to register a V shaped recovery in Q2 and Q3 (due to base effect) even though it is expected to contract on an overall basis and remain in negative territory this fiscal. The Prime Minister's nudge to bankers to push credit is significant as it comes at a time when there is strong perception that banks have turned risk averse given the expected surge in NPA post the end of the RBI announced moratorium on August.

10. RBI likely to slash policy rates by 100 bps in FY21: BofA Securities

Analysts at BofA Securities have predicted contraction of Indian economy at 6 % in fiscal year 2020-21 (FY21) as their base case. BofA expects the MPC of the RBI to slash policy rates by 100 bps in FY21 (earlier expectation: 75 bps) as base case, with inflation set to slip to 2.5 % in the second half of the fiscal year (H2FY21) from 6.3 % in July. The government's overall fiscal deficit is certain to rise.

11. How India's IT sector growth has changed the lending industry- Techstory

India's IT industry represented nearly 8% of the nation's overall GDP in 2017. Last year, the IT industry also generated annual revenue of almost 180 billion US dollars...this industry could contribute with a share of almost 10% to the country's overall GDP by 2025. The IT sector's market size saw a significant increase reaching approximately 26 billion US dollars in 2018, compared to 24 billion dollars in the previous year… Currently, across India, there are over 500 IT companies and over 1000 tech startups, each of them expanding their business across the entire nation. Reputable IT service providers such as IBM and HP, have also expanded their companies to this market. Plus, the advantageous startup ecosystem has also allowed many new startups to appear on the market overnight. In 2017 only it has generated almost four million jobs.

12. FinTech- a new industry in India

FinTech is transforming banking business and all types of financial services, including insurances, payments, asset management, and lending. Currently, India has a pretty unique FinTech environment due to the nature of its market and regulatory approach. Based on the value of capital funding and investments, the Indian FinTech sector is one of the top five markets, having nearly $270 million of funding in 2016 only. As of February 2020, more than 2000 startups are operating in the FinTech sector… to reduce poverty, pave the way for financial stability and economic development for all sections of Indian society. Moreover, India's FinTech segment can also play a critical role in breaking barriers like lack of financial awareness, high-cost of traditional banking services, and policy gaps that are a challenge to a large percentage of Indians to join the formal economic landscape…. according to a Google report, the digital payments in India are expected to exceed $500 billion this year, up from $50 billion in 2016. By the end of 2020, the country's non-cash contribution in the consumer payments segment is expected to double to 40%. Yet, FinTech in India is changing more than how people make payments. In fact, the consumer payments segment is just a small portion of the innovations brought by the FinTech revolution. Payments are just a pathway to other financial areas, including lending, insurance, wealth management, and banking.

CONSUMER LENDING SECTOR IN INDIA

India is an evolving economy, but as of 2014, only 53% of Indian adults had a bank account. Yet, nearly 80% of adults had a bank account as per 2017. Financial inclusion made financial services accessible and affordable for individuals and businesses from the bottom of the pyramid segment, who have otherwise have been largely deprived of traditional bank accounts, credit cards, and other financial services. Compared to the US's household debt per GDP, which was 78%, India's was only 11% in 2017 reflecting a massive gap in underutilized financing capacity. In fact, according to data from the World Bank, less than 10% of Indians can access formal credit…One reason why most Indians don't have good financial literacy is that they don't have access to knowledge. Yet, this is an impediment that technology is expected to eliminate. Only technology solutions have the efficiency and scale to fill a gap that is so large to fill.

Digital lending also brings significant advantages compared with traditional lending, e.g., it allows a speedier approval of credit thanks to automated evaluations based on technologies such as advanced analytics, AI, and machine learning. Another key advantage is the operating cost-efficacy since, compared with traditional lending models, FinTech lending ones don't require physical branch networks, require minimal human intervention, and reduce manual operating costs. Alterative service provides play an increasingly important role in providing Indian consumer lending options in regions across the nation. Thus, these FinTech players are helping to reduce the financing capacity gap, contributing to financial inclusion.

13. India's Digital Payments Platform Hits $1.34B In June Transaction Volumes-PYMNTS

India's UPI developed by the NPCI has propelled the growth of online payments…Transaction volume of UPI soared to a record 1.34 billion in June as COVID-19 changed behaviors and Indians avoided cash…UPI allows customers to make inexpensive, real-time transfers across bank accounts and to pay for everything from groceries to online services. UPI has revolutionized financial inclusion in the county of 1.4 billion, bringing bank accounts to hundreds of millions of residents for the first time. UPI has attracted investments from Google, Walmart-owned eCommerce startup Flipkart and others. UPI's strength was its appeal across India's fragmented economy, which ranges from poorer communities to wealthy consumers…S&P's analysis revealed that Indian mobile payment transactions grew 163 % to $287 billion in 2019. By 2019's fourth quarter, card and mobile payments had risen in value to roughly 20 % of India's GDP.

14. Government licenses TV imports to support local production-ToI

The government decided to license the import of fully-built televisions sets by putting them on the "restricted" list to promote domestic manufacturing. The move will make it difficult for shipments worth Rs 7,000 crore coming in from China, Vietnam, Malaysia and other countries to enter India and initially benefit contract manufacturers resulting in backward integration with investment in in better assembly lines and component production. The curbs are unlikely to impact prices. The decision will impact the business of companies such as home-grown Vu, and China's TCL. It will also affect the import of some high-end TV models from companies such as Sony, LG, Xiaomi and Samsung, even though a large part of their sales are through locally-made/sourced TVs.

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