A Report on

Global Webinar on

Shaping the future of Finance with Changing Customer Behaviour in Post Covid19 Era: Board's Role & Strategy

IOD INDIA GLOBAL WEBINAR

JULY 02, 2020
New Delhi

Institute of Directors (IOD) organised a Global Webinar on July 02, 2020, on Cisco's WebEx platform, which was largely attended from all over India and abroad, with distinguished speakers and over 530 guests. The Theme of the Webinar was "*Shaping the Future of Finance with Changing Customer Behaviour in Post Covid19 Era: Board's Role & Strategy*". The Global Webinar was supported by **Union Bank of India** and **Chennai Metro Rail Limited.**

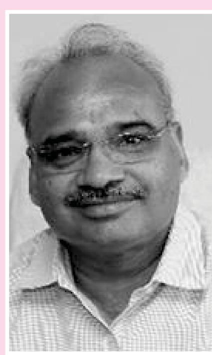
Lt. Gen. J. S. Ahluwalia, PVSM (Retd.), President, Institute of Directors, India, in his 'Opening Remarks' welcomed the distinguished speakers, honourable guests and introduced the webinar theme. He spoke on Board's strategy and how the focus of Boards should change, considering changing customer behaviour. A "new normal" is emerging and we must embrace it. "India needs to align geo-politically & economically to get mileage from this prolonged COVID-19 uncertainty." Digitization is revolutionising corporate growth exponentially. It is the will power of technology and sufficient momentum which will aid the world to recover from depression. Boards must navigate unchartered waters with carefully chalked out risk management strategies and strong determination. Boards must create a risk appetite & execute effective hedging strategies. A comprehensive understanding of supply chain risks and vulnerability is required to unclog global economic growth. Banking sector must prioritise to help low-income groups. He concluded with defining Covid-19 as "an unprecedented humanitarian tragedy" but, also the time to convert this crisis into opportunity.

Ms. Helen Brand OBE, Chief Executive, ACCA - Association of Chartered Certified Accountants, UK in her 'Keynote Address' mentioned that the COVID-19 crisis has created "the biggest challenge to the global economy since the Great Depression of

DISTINGUISHED SPEAKERS

Dr. T. V. Somanathan, IAS
Secretary
Department of Expenditure
Ministry of Finance
Govt. of India

Helen Brand OBE
Global Chief Executive
ACCA - Association of Chartered Certified Accountants, UK



Pradeep Yadav, IAS
Managing Director
Chennai Metro Rail Ltd.

Gopal Singh Gusain
Executive Director
Union Bank of India

Shailesh V. Haribhakti FCA
Chairman-Mumbai Region, IOD, India
Board Chairman, Audit Committee Chair and Independent Director on multiple, Boards in India

MAHARASHTRA AT A GLANCE

MIDC has developed specialised parks based on sectors such as:

- Automobiles and Auto Components
- Biotechnology
- Consumer Durables
- Textile
- Chemicals
- Engineering
- Information Technology
- Petrochemicals
- Transportation
- Waste Reprocessing
- Electronics
- Wine

Strong governance and dedicated management has resulted in the grand success on the global front. Today Maharashtra Industrial Development Corporation is spreading its wings to become one of the biggest Industrial hubs of the world. Simplified Licensing procedures with shortened issue and approval time have made MIDC the first choice of the global giants for setting up their plants. MIDC started in 1962 with Wagle Estate, Thane as its first industrial area, today MIDC areas are spread all over the state of Maharashtra.

MIDC Progress at a glance :

- Maharashtra accounts for ~15% of India's GDP, 31.4% of India's FDI inflows and 25% of India's exports
- Total FDI in the state during April 2000 to June 2018 stood at USD 118.13 billion, the highest among all the states in India
- Maharashtra alone accounts for 51 per cent (USD20 billion) of Indian infrastructure investments in Mega Projects.
- 10% of Delhi-Mumbai Industrial corridor falls in Maharashtra spread across 8 districts
- The proposed Mumbai Trans Harbour Link (MTHL) is the longest sea bridge in India and shall provide seamless access to the Mumbai's satellite city, Navi Mumbai.
- Maharashtra is a pioneer in Electric Vehicle manufacturing and plans to set up EV clusters to boost EV manufacturing in state.
- State plans to develop 25 integrated multi-modal parks and 100 logistics parks.
- State is home to some of the largest ports in the country and JNPT alone handled 53 million metric tonnes of traffic (*till Aug 2018).
- Policy focus support to Industry 4.0 sectors to boost yield and create new job areas.

Head office:
Maharashtra Industrial Development Corporation
Udyog Sarathi, Mahakali Caves Road, Andheri (E),
Mumbai-400 093. Website : www.midicindia.org

Principal office:
Maharashtra Industrial Development Corporation
4 (A), 12th floor, World Trade Centre Complex 1, Cuffe Parade,
Colaba, Mumbai-400 005. Website: www.midcindia.org

the 1930s." She shared a short survey which follows the publication of ACCA's Report- 'Covid-19 Global Survey: Inside Business Impacts and Responses' in April 2020, and continues to track sentiment around the world on the impact of the current global health crisis and examines how organisations around the world are responding. The key findings of the survey were:

- Organisations irrespective of size, sector and region have been impacted across the value chain and impacts have grown since March.
- Challenges around employees, cash flows and most significantly consumer demand.
- Translating to financials with revenue forecasts remaining dramatically reduced.
- Government interventions are increasingly seen as effective.
- Response strategies are focusing more on the medium to longer term.

Some of the major questions asked in the survey were:

- ***What is the impact across the value chains?'*** - Nearly 53% of respondents cited customer purchases as having stopped or reduced.
- ***Whether they performed a financial reforecast since the outbreak?'*** - The answer was 47% affirmative in the month of March, in comparison to 82% affirmative in June, which is a huge increase, implying the organizations are being pro active on their finances post Covid-19.
- ***Based on your most recent reforecast, what is the expected impact on revenue growth compared with the previous financial year?'*** - Nearly 15% responded 'Negative>50% impact' on their revenue growth and nearly 25% responded 'Negative 25%-49% impact' on their revenue growth.
- ***Challenges faced by SMEs'*** included negatively impacted employees' productivity and cash flow problems at large.
- ***The expected impact on revenue growth compared with the previous financial year'*** - Nearly 55% of the respondents (including small companies < 200 employees & large companies > 1000 employees) answered a negative growth in revenue ranging from 'Negative 10% to 49%'.
- **Organizations responses to Covid-19'** has majorly shifted to long-term (i.e. more than 6 months).
- ***People focused strategies'*** have been on the rise, post Covid-19.

The long-term impacts from the Covid-19 pandemic could be profound. Following the immediate outbreak, we have seen many employees working from home, many being furloughed, and in the medium term, there is a significant imperative for organisations to be thinking about staff transition back into the workplace as lockdown restrictions ease. But in the longer term, the crisis raises fundamental questions about the future of work, and the nature of our working lives. 71% of the respondents identified the transformation of working practices with less reliance on using physical space as the most likely long-term implication. However, according to the data, there are other potential long-term implications too, with technology particularly as a significant disruptor and catalyst for business model transformation. It will be critical to understand the lessons learned from the pandemic so that risk and crisis management strategies can be made more effective.

Ms. Brand concluded her address by sharing a 'Recovery Roadmap' which can be used by the organizations to face the impact of Covid-19. It is available on ***https://www.accaglobal.com/uk/en/cam/coronavirus.html***

Dr. T. V. Somanathan, IAS, Secretary, Department of Expenditure, Ministry of Finance, Govt. of India in his 'Chief Guest Keynote Address' emphasized on the strategies adopted by the Government of India (GOI) and other governments in handling finances through these turbulent times. While, in the beginning of calendar year 2020, the first two months showed improvement but mid-March onwards everything changed with the first case of Covid-19 in India. For the first few weeks, we did not expect much of a slowdown but, with the first lockdown on March 22 with 103 cases of Covid-19 in India, things changed drastically. It had become a matter of lives vs livelihood. He pointed out, prior to Covid-19, vegetable markets were regulated but the government unregulated this segment for better outreach to consumers in these trying times. The highest bidder can buy vegetables directly from farmers, thereby keeping a check on market demand and supply.

GOI is also considering privatising all non-strategic sectors. Regarding the financial response to this pandemic, no economic relief package will ever be sufficient or proportionate to the effects the pandemic has had on the economy. Customers' consumption pattern has changed, and they are more inclined towards saving. We can see a huge drop in air travel, shopping at malls, spends on salons and other leisurely activities.

But there is a hope, a confidence amongst people that things will turnaround, with the decrease and slowdown in Covid-19 cases. The government is emphasizing on health infrastructure, an example of innovative measures taken by the GOI is, turning railway coaches into isolation centres.

The most difficult financial situation is the 'supply depression' which impacts a plethora of government revenues namely tax revenue, sales revenue, custom tax revenue, corporate tax revenue, income tax revenue, etc. Both, demand and supply has been adversely impacted by Covid-19.

Dr. Somanathan suggested, “We must protect macro-economic sustainability. We can start with re-allocating budgets within the Ministries. For e.g. the budget allocated to Ministry of Tourism can be shared with other Ministries like Food Ministry, Health Ministry, etc.”

Dr. Somanathan quoted ***“We are expecting a 'V' shaped recovery in the Indian economy.”***

7/16/2020 We're optimistic about a V-shaped recovery in India: Expenditure Secretary TV Somanathan - The Economic Times

THE ECONOMIC TIMES | News

English Edition | 16 July, 2020, 07:07 PM IST | E-Paper

We're optimistic about a V-shaped recovery in India: Expenditure Secretary TV Somanathan

Synopsis
The expenditure secretary said simply pumping money into the system was not a solution to revive the economy.

Somanathan cautioned against the demands for a bigger fiscal stimulus package. While agreeing that what has so far been announced was not sufficient to revive the economy, he said simply pumping money into the system was not a solution.

The government is optimistic about the economy's trajectory of recovery and expected a V-shaped recovery, said TV Somanathan, expenditure secretary, during an online conference on Thursday.

“I must tell you that we are somewhat optimistic that among the various shapes of recovery....we are expecting something like a V-shaped recovery. This year being at the bottom of the V and the next year being closer to the top of the V,” Somanathan said.

The statement came amid improvements in various indicators from rising goods and services tax collections to falling unemployment, showing a gradual pick up in activity since May.

“I think we will end this year reasonably well. We will probably not do as badly as the worst expectations expect from us,” he added.

Somanathan cautioned against the demands for a bigger fiscal stimulus package. While agreeing that what has so far been announced was not sufficient to revive the economy, he said simply pumping money into the system was not a solution.

“It is not prudent to assume that you can simply pump prime your way through this crisis. In fact it's our view that you cannot do it because even if you add more into the system, until the pandemic is behind us, we are not going to see proportionate results,” he said.

“India, being a developing country with limited resources has always been better in handling the downside rather than working on the upside. We have to return to our old practices gradually, as the new practices like 'Work-from-home', online education and training may not be that efficient.

This was followed by a special brief **Q&A Session #I** which was moderated by **Mr. Shailesh V. Haribhakti FCA**, Chairman - Mumbai Region, IOD, India; Board Chairman, Audit Committee Chair and Independent Director on multiple Boards in India & Chairman, Shailesh Haribhakti & Associates, India.

Question (Was a stringing of both the Global and Indian perspectives) - **Where we are looking at 'confident consumption' being brought back, is there a correlation between India and abroad, to reduce the apparent burden of compliance? India has 58,000 compliances as per a recent count, with around 8000 of them are deemed criminal offences. Could reducing the compliance burden help transform the confidence quotient? And therefore, can we think of positively disrupting by shortening the legal redress cycle, thereby reducing the compliance burden and ensuring resources, both equity and debt are available to starved sectors of our economy?**

Response by Dr. T. V. Somanathan, IAS –

The Government is conscious of the need to minimise compliances. The GOI is actively looking to decriminalize as many sections of corporate law and other economic laws. We are looking at more offences becoming compoundable in terms of fines and eliminating some offences completely. Though India does have many compliances, as do many other countries across the world, with various other kinds including environment, social & employment protection, etc. Perhaps India has some peculiar laws in some sectors, which are ahead of the economy as a whole. This is because it is a combination of practicing some western laws on one hand, and an economy like that of Sub-Saharan Africa, the combination of which is understandably difficult. However, we surely do not want to leave the protection of these progressive laws bearing in mind the protection of the environment, our employees, and climate change. However, I agree, we do need a better balance between the number, severity and manner of enforcement of compliances. We need to look at opportunities for solving these issues, without going to court.

Response by Ms. Helen Brand OBE –

From a global perspective, in the short term, regulators can certainly help with holidays on taxation and compliance. However, regulators are also viewed as the drivers of economy's growth and prosperity, post-crisis. We can create the conditions for success & innovation, and release the regulatory burden wherever, it is possible. The emphasis on environment and health in recent times, may take the burden to these other sections, to drive a different kind of economic growth, taking us on the “Build Back Better” concept that is being talked about internationally. Regulators should put on their magical capes, come to the aide of the business world, and help the society to upgrade in respect of this pandemic.

Question: The Govt. of India has done a brilliant innovation- the relief package, a much required one, has been given in

kind, by making food available for example, from the towering stocks that had been built up over the years. Even this year's bountiful harvest has been stocked well for future use. Are there then, other such opportunities available in the economy? For example, converting unoccupied railway coaches into hospital like wards and isolation centres. Could the idle vehicles, not plying on our roads now be used as ambulances, or any other creative measures taken by the government? Is there also an opportunity for us to transform the equity markets with "people-isation", like we have through the *Jan Dhan* Scheme?

Response by Ms. Helen Brand OBE –

Re-purposing and re-imaging the way we do business under the current circumstances, has been impressive, with many examples before us. There is pressure from public expectation towards the Govt. and businesses to look more at the larger public good. For businesses, this poses an opportunity, and will mean doing things differently. It will be question of resources and their availability- natural and people capital, and how to use them to their greatest effect. This will however, require imagination and new skills; with the old system, though not broken, will need to evolve.

Response by Dr. T. V. Somanathan, IAS –

Making the use of existing advantages and assets is a good idea and the Govt. has tried to do that, as with the railways coaches. However, it is not always possible for the Govt. to take leads on such initiatives. We should leave it to local innovators.

Question: Are the relief packages, as witnessed around the globe, sustainable? Has the risk moved from equity to sovereign? $5 Trillion worth of resources have been made available during this crisis, either through printing of money or making more credit available. We also have $55 Trillion in Sovereign Paper. Is there a market for this, and has the risk move to the sovereign? When there is an economic recovery, how will it pull back, and how will this affect economies around the world?

Response by Dr. T. V. Somanathan, IAS –

We cannot sustain such relief packages every year. Although, many wanted larger packages from the Govt., we always have to balance the long-term and short-term. We have not taken our eyes off the long-term, macro-economic sustainability, while releasing these short term relief packages. Hence, we are calibrating them carefully in terms of fiscal, credit or deference. It would not be prudent to assume that we can up-prime our way through this crisis. Until the pandemic is behind us, we will not be able to see proportionate results. We are quite confident that we can see ourselves through this crisis. Even if we add more liquidity, it would not be proportionate to the pandemic effects. India's long-term growth rate is expected to be around 5.5 - 6%, Repo Rates at 4%, and our Debt to GDP at 80%, sustainability is clearly not a problem, so long as we do not splurge.

Response by Ms. Helen Brand OBE –

In many economies, public debt has vastly increased. However, the short-term aim of preventing an economic collapse had to be achieved. Many governments, including the UK Government have been attempting to put the economy into a "holding-pattern", until a revival is in sight. The focus on returning to health and confidence is absolutely critical. There is an underlying challenge now, with not many countries equalling in growth-capacity, as India. However, it is the priority to bring the public health situation under control.

Thereafter, **Mr. Gopal Singh Gusain**, Executive Director, Union Bank of India in his 'Special Address' emphasized on the alteration in customer behaviour. He said 'banking sector' is the barometer of any economy. The consumption behaviour is bound to change. To mitigate risk – we must go through fiscal and monetary expenses intervention. We should focus on strong cash flow segments like agriculture, pharmaceuticals, etc. to upgrade ammunition and hospitality segments. One of the major implications of Covid-19 is that banks moves towards the government for support and for lending money to people. We can see a major shift in the housing sector and greater dependence on technology-based firms. For example, people have shifted to webinars from physical meetings and an upside to this would be saving travel time, also cost effectiveness. Speaking of the banking sector specifically he said, it is crucial to personalize shopping experiences even on digital platforms, for example, opening bank accounts digitally. We must broaden customer out-reach and create more services. On accounts aggregation, we need to profile the customer's risk for which we need upgradation of analytical tools. There is a need to focus on IT and digitalization wherever possible. *This pandemic is a dilemma!*

Mr. Pradeep Yadav, IAS, Managing Director, Chennai Metro Rail Limited in his 'Special Address' focussed on the urban transport sector and customer behaviour. Post Covid-19, people will prefer personal transport. Even if Metros start operating, the safety risk factor concern will be extremely high. Another issue will be maintaining social distance while travelling, which will impact the carrying capacity of vehicles. People will fear handling tokens, smart cards, and cash. Tourism is highly impacted. People will refrain from any leisure travels. Most of the metros are on loan, and operating cost being the constant, revenue would not match up the expectations. The spend on safety will be too huge. There is also a lot of disruption in construction activity due reverse migration of labour back to the hinterland.

On the role of Boards, Mr. Yadav suggested the following:

- Launching a campaign on safety measures
- Contactless and cashless transactions
- Contactless entry and exit
- Foot operated lifts
- Digitalization – clearance on e-filing
- Smart governance
- Check your spending, contracts, and management issues
- Explore new arena of getting resources
- Diversify your services

Following this, a brief **Q&A Session #II** was moderated by **Mr. Shailesh V. Haribhakti FCA**, Chairman - Mumbai Region, IOD, India; Board Chairman, Audit Committee Chair and Independent Director on multiple Boards in India & Chairman, Shailesh Haribhakti & Associates, India.

Question: Can there be a 'Proof of Concept' meaning, a small segment where the metro demonstrates working and safety measures adopted, and thereby gaining the trust of people?

Response by **Mr. Pradeep Yadav, IAS –**

We are coming up with short videos to showcase safety measures like contactless ticket purchasing via QR code on mobile, cashless transactions, etc. We will be launching a massive campaign to gain public confidence.

Question: Will people move from cash to other modes of payment? Can you make the cost variable, to support the payment of debt taken for metro?

Response by **Mr. Pradeep Yadav, IAS –**

Increase in ridership is the key. Even private investors for now, will refrain to invest in this sector.

Ms. Vimmi Choudhary requested **Mr. Ashok Kapur, IAS (Retd.)**, Director General, Institute of Directors, India to propose the formal closing of the webinar.

Mr. Ashok Kapur thanked the distinguished speakers and the guests who joined the webinar. He specially thanked **Dr. T. V. Somanathan**, for sharing the actions taken by the GOI to face this pandemic, and **Ms. Helen Brand** for sharing a global perspective on topical subject. He reiterated the important highlights of the all the distinguished speakers and the pertinence of the use of technology in Boards. Special thanks were also conveyed to our Partners - **Union Bank of India** and **Chennai Metro Rail Limited** for their generous support.

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