Webinar | Career Insights: Navigating Through These Turbulent Times

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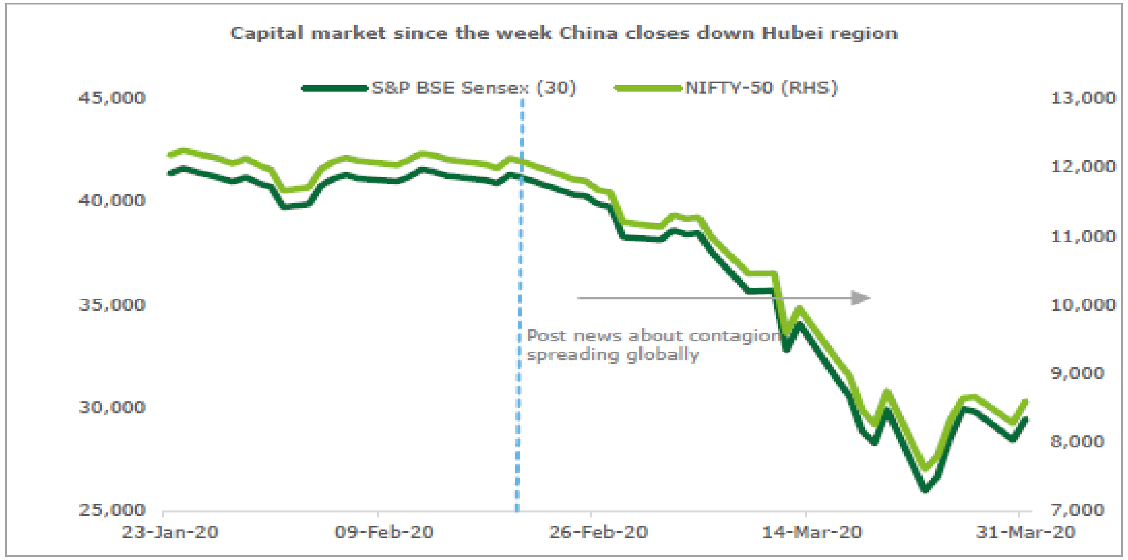
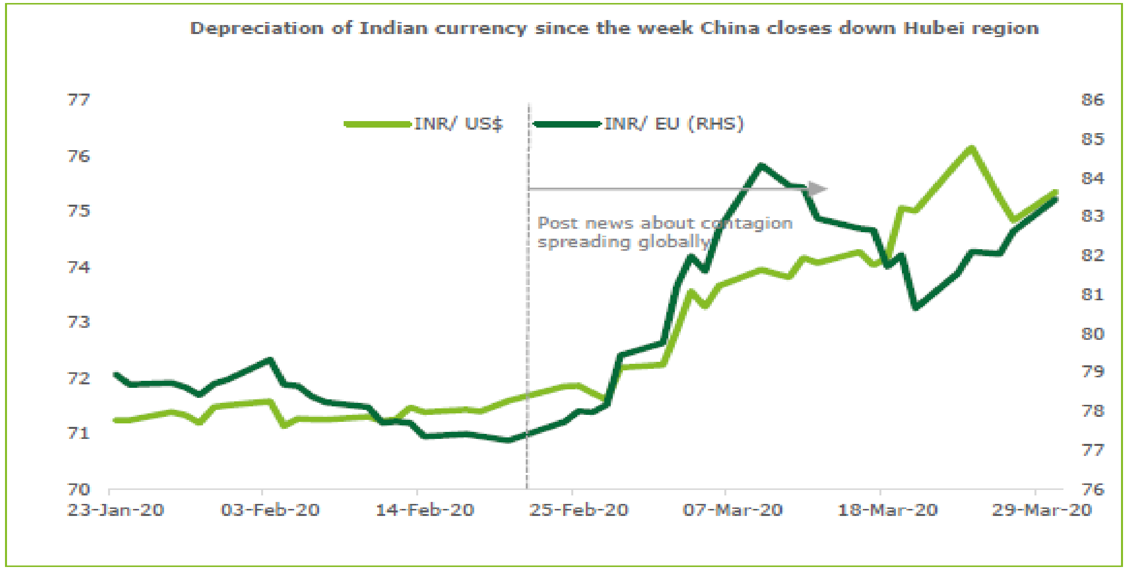
Impact on Financial Services Sector as a result of COVID-19





Source: Deloitte

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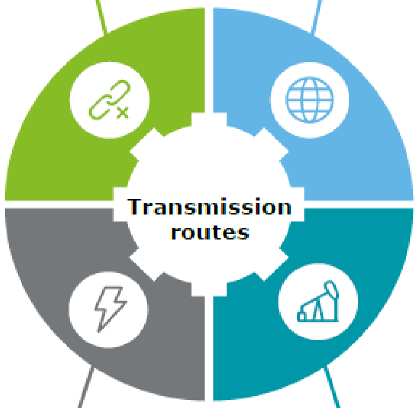

Supply disruptions

- Dependence on China for the import of raw and intermediate materials
- Higher input prices and reduced profitability, leading to decline in capacity building
- Supply-side disruptions may be temporary as China revives production units

Global and domestic demand

- Consumer spending to take a hit due to movement restrictions and the fear of falling sick
- Reduced wealth effect due to falling share prices
- The hospitality and aviation sectors are affected the most at a short span of time
- Low profitability and production disruptions affect business sentiments and investments
- Loss of employment, especially in the informal sector and for contractual workers, reduces consumer spending
- Demand in top few export destinations (China, the US, and Europe), accounting for 40 percent of India's exports, is severely hit

Stress on banking and financial sectors and parameters

Banks

- Exposure to stressed industries and MSMEs
- Rising consumer loan default because of high unemployment and household leverage
- Stress on banks' impact credit growth

Capital market and financial parameters

- The stock market has fallen 30 percent since the pandemic started spreading in the West.
- A sharp depreciation of rupee against the dollar worsens trade deficit as export's contribution to GDP is low.
- Rising bond yields make borrowing more expensive, thereby reducing bank margins.

Falling oil prices

- Oil prices have fallen sharply. Brent crude oil fell from US$68.5 per barrel on 3 January to US$28.2 per barrel on 20 March.
- Lower oil prices could be a boon for India's twin deficit (the fiscal and current account).
- This gives policymakers some headroom to act.
- The rupee depreciation may partially offset the gains. Rupee has depreciated from INR 71.7 per US$ on 3 January to INR 75 per US$ on 20 March.

Source: Deloitte

Overview on Financial Services

- The NBFC & Fintech space has taken the worst hit as they struggle to raise debt for themselves
- Most players have stopped disbursement to new customers and are focusing only on existing loan book
- New entrants (less than 2 years in business) will either get acquired / acqui- hired by large NBFC's and Fin-tech firms
- Large NBFC's will mostly honor bonus pay-outs for FY20 but have put a freeze on promotions, appraisals, increment and other business-related expenditures
- Apart form PSU's no other banks & NBFC 's are disbursing loans at this point of time
- Payment companies & gateways are seeing a big surge in transactions as people move to digital means for payment
- AMCs and other capital market players are also facing issues given sharp decline in stock markets and issues in the debt market
- Audit/Credit rating firms are also facing the heat with major projects put on hold and bleak outlook for next few quarters

Hiring Outlook in Financial Services

- Hiring plans in the NBFC/Fin-tech in this space have been put on hold apart from the collections as we expect all players to focus on existing loan books for atleast next 2 quarters
- Surge in the hiring pattern in the payment companies & payment gateways expected
- Major private/public banks are expected to go slow on hiring this year
- Audit firms/Credit rating organizations will most likely reduce headcount and hire for only critical roles in the next few quarters
- Roles expected to be in demand in H2 2020/early next year:
  - Fund raising
  - Credit Risk
  - Collection
  - Finance
  - Investment Analyst/Associate

Overview on Buy-Side Industry

Overall investment landscape for funds is on a wait and watch approach. While the focus currently is on business continuity and sustainability of portfolio companies, there is a general expectancy that funds will be able to buy assets at cheaper valuations in the next few quarters

Pre MBA hiring is still ongoing with global PE/VC firms (these are 2-3 year contract roles before candidates apply for B-Schools in India and overseas)
Most funds are comfortable with digital onboarding for new hires, with many funds imparting virtual trainings and induction programs
Fundraising is adversely affected with many domestic funds having to temporarily stall their fund raising plans

Venture Capital

- A lot of focus is on keeping portfolio companies afloat; investment teams are all hands on deck with portfolio management
- Funds that are focused on tech and purely digital businesses are still actively scouting for investment opportunities
- There is an increased focus on investing in health-tech and ed-tech businesses
- Some funds are also active in the market in terms of hiring for mid level roles (Sr. Associate/VP) with significant industry expertise and sourcing capabilities
- Our overall outlook is that hiring will go slow in this space in FY21 given troubled portfolio for many VC players
- Junior level hiring’s (Analyst/Associate) to continue at similar momentum as last year

Credit/Special Situations/Distressed funds

- New deals have tapered off; however, there is significant focus on evaluating liquidity position of portfolio companies
- We expect a lot of activity in this segment in the next few quarters given significant liquidity requirements across sectors
- Lot of global and domestic funds are scaling up operations in India sensing an opportunity to build large AUM
- Lack of talent in this space may lead to these funds hiring from banks, investment banks and other buy-side firms
- We expect hiring across all levels in this segment in FY21 with new entrants setting up offices in India

Overview on Buy-Side Industry

Private Equity

- Most of the global/domestic private equity funds are currently focussing on managing their portfolio companies
- New deal activity has currently slowed but is expected to pick up end/post Q3 this year as businesses settle down and there is more clarity on future outlook
- Financial services, Tech and Healthcare are few sectors that will attract private equity investment later this/next year
- We expect funds who have recently raised capital to build out teams at junior/mid level with select few hiring’s at senior level with coverage responsibilities
- Fund raising will be very challenging this year which may lead to consolidation in the industry
- We don’t expect many new entrants in the market this year given grim global outlook

Impact funds

- We have witnessed lot of deal/hiring activity in the impact investment/consulting space
- Number of domestic as well global funds are looking to hire people at junior/mid levels with aggressive investment plans for India
- Education, Healthcare, Microfinance are few sectors under their radar

Hedge funds

- Hedge funds who have recently raised capital or were sitting on cash before onset of COVID-19 have increased their investment pace given huge correction in stock markets
- We expect domestic funds with good track record to be able to raise capital and build AUM in India given increasing interest of both institutional (global/domestic) and retail investors in the Indian public markets
- India will be an attractive market for all major hedge funds globally with a lot of them looking to either set up offices in India or hire India dedicated resources in their global offices
- Hiring expected to pick up at junior levels (Analyst/Associate)

Overview on Investment Banking

- Investment banking revenue in India went down by ~33% in Q1 2020 vs same period last year
- This is fueled by major decline in M&A and debt capital market transactions
- ECM activity however picked up during this period on back of some large IPOs – this is however expected to taper off in the next few quarters as significant correction in stock markets will delay IPOs
- We expect Investment banking revenues to take significant hit in the next few quarters resulting in both consolidation as well as retrenchments (especially with smaller players)
- Hiring at junior levels (Analyst/Associate) will be impacted given uncertain deal environment across all sectors and asset classes
- Senior level movements (professionals with strong client relationships and industry expertise) will pick up as large/sector specialist players will look to attract talent from their peers

Overview on Corporate Strategy/M&A

Corporates are facing a dilemma on whether or not to continue engaging on deals they were considering before COVID-19 breakout

- Traditional industries are reassessing their ongoing/prospective deals with complete focus now back on their existing businesses. We expect any hiring's to be put on back burner for now
- New age tech companies are navigating risks and understanding the opportunities. Their focus has mainly shifted to designing strategies to revive revenue by adapting to the need of the hour (ex. most food delivery and ecommerce companies have shifted focus to only essentials delivery), therefore – corporate strategy & development teams are quiet active now
- M&A teams at this time are also witnessing valuation correction and stressed assets; with deal activity expected to pick up later this year we expect hiring to pick up in this space
- Watch out for large corporates/well funded start-ups – we expect them to ramp up their corporate strategy/M&A teams across all levels

Overview on Wealth Management

- All hiring plans have been put on hold baring one or two players who are still selectively hiring
- We have seen demand for senior RMs with large and stable books
- We expect consolidation in the space as large players might buy out smaller players in the industry
- Candidates are increasingly looking to move to platforms with solid parentage and profitable operations
- No major job cuts seen in India yet but the same cannot be ruled out if things don’t improve in short/mid term
- Industry is expected to rebound post Q3 2020 and regain pace in hiring activity
- Do watch out for RM/Product/Advisory roles with large domestic wealth management firms once the market situations improved

Key findings from multiple survey's conducted across sectors

- Employees have an average of 4.1 virtual meetings daily in India (compared to average of 2.4 meetings across SE-Asia & India)
- 90% felt that their companies were well prepared for the shift to WFH
- 7 out of 10 employees in India say that their professional stress levels have increased since onset of COVID-19
- Most interviews are being done via phone or video calls with exception given to final rounds/executive level hires
- Marked difference in performance of companies with strong business continuity plans vs others who are not equipped with right infrastructure to support WFH
- Digital on-boarding has become a norm across most of the industries
- Training’s are done remotely through digital platforms like Zoom
- Pay cuts are preferred over lay-offs to absorb the impact of ongoing COVID-19 situation
- We have also witnessed hiring freeze, no promotions, zero increments and other similar cost reduction measures across sectors

For further details on these surveys please refer to posts on my LinkedIn page

Our Team at Michael Page

For any queries regarding career advice or job search please reach out our relevant specialists as below:

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Q&A