MicroRate

KEY INDICATORS

Indicators	2017	2018	2019	2020
Annual Inflation	3.6%	3.4%	4.8%	6.2%
GDP (US$ Trillion)	2.7	2.7	2.9	2.6
GDP per capita annual growth	5.7%	5.4%	3.0%	-8.9%
End of Period Official Exchange Rate / US$	63.9	69.8	71.3	73.1
Population (Billion of people)	1.34	1.35	1.37	1.38
Unemployment rate	n/a	2.6%	5.4%	7.1%
Lending rate (per annum)*	9.5%	9.5%	9.5%	9.2%
Deposit Rate	6.5%	6.9%	6.6%	5.6%
Bank non-performing loans to total gross loans	10.0%	9.5%	9.2%	n/a
Bank capital to assets ratio	7.4%	7.5%	8.1%	n/a

Sources: International Finance Statitics, Asian Development Bank, World Bank, Reserve Bank of India.

*Lending rate is the bank rate that usually meets the short- and medium-term financing needs of the private sector.

India's GDP per capita recorded a decrease in 2020 due to the COVID-19 pandemic. In fact, the country's GDP per capita recorded a slowdown in its growth for several successive years, especially after the demonetization in 2016. Moreover, the pandemic did not arrange the situation. The national lockdown implemented by the government had a significant effect on the economy which has slowed down consequently. Knowing that the major labor force of the country is composed by informal workers, they are always exposed and vulnerable to economic shocks. Thus, the poor and vulnerable households have been severely impacted by this economic downturn. However, as per forecasts, India's GDP is expected to grow in 2021 (9.5% as per International Monetary Fund).

To address the impact of the pandemic, the World Bank approved, during the first semester of 2020, an emergency fund of US$1 billion, aiming at helping the country to prevent, detect, and respond to the pandemic and strengthen its healthcare capacity. The immediate response includes several components such as financing, policy advice and technical assistance to help the country to manage the health and economic impacts of the pandemic. In addition, the Asian Development Bank also supported the country through several projects.

During the health crisis, the government, and the Reserve Bank of India (RBI) took several measures, including fiscal, legislative and operational ones. While the government ordered a lockdown in the national territory accompanied by several assistance to the population including food and health supports, among others; the RBI decided to reduce the liquidity coverage ratio for banks from 100% to 80%. The RBI also allowed all lending institutions to authorize a moratorium of three months (later extended to six months) on payment of instalments for all term loans outstanding as on March 1, 2020. These measures were constantly reviewed and updated as per the country's situation.

At the beginning of 2021, India launched its COVID-19 vaccination campaign, starting with health care workers followed by aged population and the ones above-45 with co-morbidities. The country has also produced vaccines in its local laboratories which are inoculated to its population and shared with other countries of the world. Due to the high number of cases recorded in the country, it aims at vaccinating the population as much as possible.

Microfinance Sector

At the microfinance level, the borrowers were not able to repay their loans. These difficulties were due to the loss of their activities. The loan collection was difficult for the microfinance institutions; thus, the value of portfolio at risk increased. At the same time, the average size of loans declined as the borrowers turned cautious due to the situation.

On the other hand, this situation could be turned into positive in some ways as it may incentivize digitization and could lead MFIs to put efforts in migrating loan processing and collection into digital. This will increase operational efficiency in the long term. On the nationwide, since the start of the spread of the Coronavirus, the digital transactions faced a growth across various online stores.