

Demand, Liquidity Improving: SBI, HUL

People still cautious about spending, say India's biggest bank and largest FMCG co

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Mumbai: State Bank of India (SBI) and Hindustan Unilever Ltd (HUL) said consumer demand and liquidity have been improving over sequential quarters, sounding a note of cheer.

The country's biggest bank and its largest consumer goods maker, however, said people are still cautious about spending and wary of stepping out, which could impact discretionary categories at a time when most companies are pinning their hopes on the festive season.

"I don't think people are in a hurry to step out and mingle—that is still some months away," SBI chairman Rajnish Kumar told **ET**. "This is having an impact on people's behaviour; they are saving more and borrowing

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Digitising, Financing Kiranas >> 8

Digitising, Financing Kiranas

►► From Page 1

“This is psychological and it will take some time. I am hopeful that the curve seems to be flattening now,” said Kumar.

HUL, regarded as a proxy for consumer sentiment with its presence in a range of daily consumption items such as soaps, shampoos and food, said the state of the Indian economy and underlying demand will become much clearer by the December quarter.

“The country cannot afford a prolonged lockdown,” HUL chairman Sanjiv Mehta told E.T. “We have to get the economy up and running again but do it in a sensible manner. And I remain confident in humanity’s ability to cope with this crisis and secondly, the country’s capacity to come out of this.” The economy will keep improving and the current quarter’s performance will hopefully be better than that of the July-September period, he said.

SBI-HUL PARTNERSHIP

On Thursday, SBI partnered HUL to provide digital payment and financing solutions for retailers and distributors through UPI-based payment solutions and PoS (point-of-sale) terminals. Under the tie-up, the bank will also offer overdraft and fi-

nancing to millions of retailers where HUL has direct coverage and bring them into the formal economy since a bulk of the general trade and kirana stores operate in an unorganised market. SBI said it can potentially cash in on the ₹40,000-crore revenue that HUL generates annually and there will be no liability attached to the consumer firm in case of default.

“This is with a very clear long-term perspective that we need to help digitise the trade, help them get access to finance and very importantly have a seamless and frictionless e-B2B model. The fact that the pandemic makes it even more relevant is purely coincidental,” Mehta said.

ICRA had on Wednesday revised its credit growth estimate for banks to 2-3% in the current fiscal, down from 6-7% earlier. Credit growth continues to be at 40-year low levels of 5%. While a large part of the growth would have come from pent-up demand, how much of this is sustainable will be the key element to watch for in the coming months, according to Macquarie Capital.

However, SBI said its credit growth has been better in August, helped by pent-up demand for automobiles and retail and that there is no dearth of liquidity, even as banks are finding new ways to offer credit through digital initiatives and data analytics. “While retail lending growth is still lower than last year, with the festive season now coming up, I am hoping that we will be back to what it was in the previous year,” Kumar said.