



V Vaidyanathan - CMD, Capital First Limited received CNBC Asia's India Innovator of the Year Award

Non-food credit growth in India YOY is quite low at 3.29% as of February 2017, largely led by de-growth in the industry segment, mainly large corporates, which de-grew by 4.89% during the period. But a closer look at a sectorial level shows that credit growth at MSME (including industry and services) and consumer credit have grown 8.61%. But how is it possible that credit is stalled at the large corporate level (which we colloquially refer to as investments), but growing at the grassroots? After all small entrepreneurs derive orders from the large corporates. But this logic tends to see credit growth through the prism of manufacturing sector alone, which represents only 25% of GDP. The explanation is that apart from a top-down trickle economy, there is a bottom-up consumption economy too. Out of 609 micro industries financed and tracked by Capital First, only 38% are in the manufacturing sector. The larger entrepreneurship ecosystem is driven today by consumption. Services such as salons, kirana shops, trading, chemists, eateries, architects, designers, fuel stations, garages, doctors, travel agents are doing quite well and powering overall credit growth. Decades of loan book built by large corporate loans are getting rebalanced to financing consumption and trading, which is a welcome development. The other factor is whether demand is affected by demonetization. Here the data shows that economic activity is back to pre-November levels. Enquiries for loans are a lightning rod for economic activity. CIBIL reports show that retail loan enquiries fell 12% in November '16 over Sep '16, but are now higher over September '16 by 9%. Similarly, CIBIL commercial bureau records show a dip in enquiries of 4% in November '16 but up 29% in February 17. The sensitivity to lower interest rate is higher at the bottom of the pyramid. A corporate does not choose to put up a plant because interest rates are low, they would

bother about larger issues like project clearances at State and Central level. On the other hand, low rate directly affects the monthly repayment capability and hence, a consumer buying a home or a trader using finance as working capital is likely to avail credit if the interest rate is low enough to afford the EMI. The latent need for goods and services are huge in India owing to an aspiring class, and is hugely elastic to interest rates and corresponding affordability. Seen in this light, interest rates are a catalyst to power consumption in the country and directly influence the demand at the bottom of the pyramid for smaller entrepreneurs. Given RBI's concerns on inflation based on volatility in global crude prices, possible El-Nino Effect, and one-off effect because of GST implementation, the RBI's neutral stance on Monetary Policy is appropriate. As far as excess liquidity due to demonetization is concerned, the RBI may use any of liquidity tools excepting CRR in the days to come. But sooner than later growth at the grassroots, which is humming along now, can be accelerated and will become a distinct priority.

CNBC Asia's India Innovator of the Year Award The CNBC-TV18 'India Business Leader Awards' are considered a benchmark when it comes to recognizing the top leaders in India's business ecosystem. The awards aim at acknowledging those leaders who have made a stellar difference in their respective spheres, creating that much desired edge above their peers. This awards property is back with its 12th edition, to felicitate the visionaries who have led India's glorious journey from the front, setting new standards in terms of growth, scale, and market leadership. CNBC-TV18 looks forward to saluting these champions at a gala commemoration on 23rd March 2017 in New Delhi. This year, the awards ceremony will be presided over by the Hon'ble Finance Minister Arun Jaitley. Dignitaries such as Chandrababu Naidu, KT Rama Rao, and Harsimrat Kaur Badal will also be present to witness the most celebrated business awards of the country. The recipients of the awards have been chosen after a diligent process by an esteemed jury panel chaired by Aditya Puri and aided by Cyril Shroff, Sanjay Nayar, Shikha Sharma, Vishal Sikka, Arundhati Bhattacharya, Harsh Mariwala, Kalpana Morparia, and Rajiv Memani. The list of categories and winners is as follows:

- Outstanding Company of the Year - Asian Paints
- Most Promising Company of the Year - Amara Raja Batteries
- State of the Year - Andhra Pradesh
- Hall of Fame - RC Bhargava and Dr. Bimal Jalan
- Outstanding Contribution to Brand India - Dipa Karmarkar
- Outstanding Business Leader of the Year Award - Arundhati Bhattacharya
- Brand of the Year - Maggi and Make Love Not Scars
- Young Turk of the Year - Byju's
- Young Turk Start-up of the Year - Tonbo Imaging
- The Disruptor- OLA cabs
- CNBC Asia's India Innovator Of The Year - Capital First Limited
- CNBC Asia's India Talent

Management Award - RBL Bank

- CNBC Asia's Corporate Social Responsibility Award - Mahindra & Mahindra Financial Services
- CNBC Asia's India Business Leader Of The Year - Vishal Sikka