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# 'I'm an optimistic financier...it makes life easier'

Aditya Puri explains why HDFC Bank hasn't fully passed on the rate-cut benefit to customers

**SWATI KHANDELWAL JAIN**

Since the RBI's aggressive rate cut last month, the debate over rate transmissions is looming large. In an interview to Bloomberg TV India, HDFC Bank's Managing Director Aditya Puri says it is not viable to transmit the entire quantum of rate cut in one go but banks will continue to reduce rates as and when they find it convenient.

**After the RBI cut rates by 50 bps, banks have not passed on the full benefit to customers. Why is the monetary transmission not happening?**

Rate transmission should be there but we must also understand two things.

The cost of funds when you are doing it on a marginal cost basis doesn't alter the cost of all the deposits that you already have. Now,

you are bringing concepts from the international arena into a market that doesn't have a debt market, that doesn't have a credit swap market, then obviously the villain is the bank.

But the banks' profits are not going up that much, I assure you. So I think till the markets fully develop, to expect one-to-one transmission of RBI cuts is unrealistic.

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**"I think till the markets fully develop, to expect one-to-one transmission of RBI cuts is unrealistic. You can get 60-70 per cent (of rate transmission) because otherwise the banks will not be viable."**

**ADITYA PURI**  
Managing Director, HDFC Bank

otherwise banks will not be viable.

**But even the RBI Governor called for one-to-one transmission...** He never said this. He is much happier now. Could there be another 10 per cent? I think so.

**Why did not HDFC Bank do so?** If the cost goes down we will cut it further. My own view is that the direction is down.

**Obviously we know that this has an impact on margins and credit growth. What about HDFC Bank?** It has no significant impact on our margins and our credit growth is going very well with or without the cut.

**I have also heard you at multiple forums being very bullish about the economy and the way forward. But you know honestly not much has moved. What gives you that optimism?** I have to disagree. First, I am an optimistic financier. So that is good

because life becomes much easier. Have you solved our fiscal deficit? Have you solved our current account deficit? Was inflation kept under control? Have you solved our issues on coal?

Have you solved the telecom policy? Have you solved the policy on roads and proportion of roads going up? Have you done direct benefit transfer?

You go and meet Amitabh Kant, the DIPP Secretary. His life is in trying to make things easier and you can't find a more enthusiastic fellow and he has changed a lot.

The proof of the pudding is in the eating - FDI inflow into India has been substantial. So, all I am saying is don't expect it to be very quick.

**When do you think you will lose your patience?**

You must have heard the old saying, "The fruit of patience is sweet." I firmly believe you have got a very good chance of being a market leader and in a better position in the world. Everybody is working and there is always scope for improvement.

**But investment is not reviving. How much time will it take?** Most of the things are done right now.

Will you hold the government responsible for the GST not being passed? You cannot.

What is good for the country should be passed by the Houses of Parliament. Some alteration is needed in the Land Bill. The GDP has already started growing. So I am not overly optimistic.

