

## 'India is an under-penetrated market'

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### INTERVIEW: ADITYA PURI, MD & CEO, HDFC BANK

## 'India is an under-penetrated market'



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HDFC Bank will continue to grow at a faster pace than the system, HDFC Bank MD and CEO Aditya Puri tells Shobhana Subramanian, pointing out there is no dearth of opportunity. Puri believes the lender's reach in rural and semi-urban areas and the rapid digitisation there will catalyse growth. Excerpts:

Given the business environment is still not too strong, at what sustainable pace can the bank hope to grow?



We believe the macros are sound, the economy is clocking a good 7% and interest rates are stable and heading down. More important, the government's

digital initiative is phenomenal, people have phones and more services today are being delivered electronically.

The rural and semi-urban

areas are now better connected via roads and electrified, so we can reach out to people in the interiors. We are placing PoS machines in small villages and also giving people cards. So they have a secure payments mechanism and at some point we would be able to start lending to them. Given all this, if the system credit growth is 13-14%, we will grow a few percentage points higher because we have a better product range.

But if demand is to pick up, we need investments... Capacity utilisation is around 80% and we believe investments by the private sector will come in a couple of months post elections.

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There is tremendous demand from the small and middle segment, and semi-urban and rural India. Some companies may have issues, it is true that the top line has grown whereas bottom lines may not have, and in that sense there has been some slow-down. But India is an under-penetrated market.

#### What is HDFC Bank's digital edge?

We have connectivity across rural India and also 20,000 people servicing rural India. Technology has allowed us to use AI even in interior India. The government has done a good job of building roads and providing electricity; whenever you give a hamlet electricity, the affluence levels change completely. This is a good way to connect semi-urban and rural India.

HDFC Bank today is a financial experience. You can shop in a secure manner buy consumer durables, hotel rooms, travel tickets or movie tickets. We are starting to digitally originate loans against mutual funds and small ticket retail loans. We have changed our delivery channels — you can get loans to buy durables at virtually zero interest even as you are shopping in the store. Digital channels bring down cost of operations.

#### The bank's unsecured portfolio has grown very fast over the past couple years...

The unsecured portfolio has gone up but without a change in credit stance and based on consumer demand.

#### How do you view the proposal that companies must borrow a fourth of their requirements from the bond market?

This is a good idea but for it to work well, the markets should be in a position to absorb the supply of paper from companies. The amounts could be large if businesses are investing, so we need to ensure there is demand for the bonds.

#### Is the volume of digital transactions going up?

Yes, it is, digital transactions have gone up substantially. If you use an HDFC Bank wallet, for instance, it is safer because you don't need to give out details of your credit card. You can do banking, shopping, pay the bills, get financial advice and pay your taxes. We are a one-stop shop for a wide range of products.

#### Is it time to stop growing the branch network now that 53% of your branches are in semi-urban and rural areas?

As long as we have a large cash economy we need branches, since they also serve as sales and service outlets. In urban areas too, we will continue to grow the network though the pace of addition will be relatively slow.

#### HDFC Bank's reach into interior India must have helped.

We have made a difference to 8.8 million families across the country; some are uneducated but most are skilled people and we have helped them earn a livelihood. We have adopted 1,000 villages and provided them with solar lights and also teamed up with NGOs to facilitate water retention; around 52,000 people have benefited from the health camps that we have arranged. That apart, we have set up 18,000 working toilets and are also helping train teachers.