

Banking On Rural Reach

HDFC Bank has rewired itself to take banking to the hinterland even as it keeps the customer at the centre of its strategies

Raghu Mohan



Picture by Ritesh Sharma

It's the darling of the stock markets; folks can't get enough of it. Its boss is one of the stalwarts of India Inc. HDFC Bank has topped the BW | Businessworld-PwC Best Banks Survey several times over the years. This time around, it has done one better, being adjudged the 'Best Large Bank' and 'Fastest Growing Large Bank' in 2014.

With so many laurels, any other person would have opted to rest his oars. But not HDFC Bank's managing director Aditya Puri. He continues to be gripped by a missionary zeal when talking about his pet theme — to take banking, more specifically HDFC Bank, to the hinterland.

"Sixty per cent of our country remains unbanked," says Puri. "You cannot also get away from the fact that they are a political constituency and you know what happens when you neglect them."

Puri's tireless efforts find expression in the bank's numbers. Its net advances jumped 26.4 per cent to Rs 3,03,300 crore and deposits, 24 per cent to Rs 67,337 crore. The bank's balance sheet size shot up 22.8 per cent to Rs 4,00,332 crore — not bad considering the economy was more or less moribund in FY 2013-14. HDFC Bank continued to do well on the liabilities side. Its share of current and savings deposits to total deposits clocked 44.8 per cent. It also managed to control the bugbear of the fiscal: dud loans. Its gross non-performing assets (NPA) were only minimally higher: 0.98 per cent compared to 0.97 per cent in 2012-13. Net NPAs, too, were just a tad higher: 0.3 per cent, up from 0.28 per cent in the previous fiscal.

BESTBANK-LARGE



2

ICICI BANK

**CHANDA KOCHHAR,
MD & CEO**

Balance sheet:

Rs 5,94,642 CRORE

Net Profit:

Rs 9,810 CRORE



3

AXIS BANK

**SHIKHA SHARMA,
MD & CEO**

Balance sheet:

Rs 3,83,245 CRORE

Net Profit:

Rs 6,218 CRORE

Figures apart, what's gone relatively unnoticed is HDFC Bank's 'back of the beyond' banking story. Let's consider its network first. The bank, as on 31 March 2014, had 3,403 branches in the country, up from 3,062 in 2012-13. Of the 3,403 branches, 1,888 are in semi-urban or rural areas. Although only 17 per cent of its revenue comes from these geographies, Puri is confident this will improve. "It should get to around 30 per cent."

Of course, every bank would like to ply its business in semi-urban and rural areas like HDFC Bank has. There are reasons why its chances of success are better than others. For one, the bank has 'rewired' itself. It has adopted a 'customer-centric' approach rather than a 'product-centric' one, which works in urban areas. Unlike a customer in a metro, his rural counterpart is mainly concerned with 'basic needs'. This could range from buying a two-wheeler to a gold loan or a 'no-frills' account. One can't have a silo-like attitude if one wants to make headway in the rural sector.

"What we have done is to back up the person (at the front end) with product and information support," explains Puri. "The back end is critical here to convert calls into a business relationship." What has happened because of this strategy is that the bank is now adopting a customer-centric approach even in the metros.

FASTEST GROWING - LARGE



2

AXIS BANK

SHIKHA SHARMA, MD & CEO

Balance sheet:

Rs 3,83,245 CRORE

Net Profit:

Rs 6,218 CRORE



3

BANK OF INDIA

VIJAYALAKSHMI IYER, CMD

Balance sheet:

Rs 5,73,190 CRORE

Net Profit:

Rs 2,729 CRORE

One may misread Puri when he says that “computing, media and technology have changed the way we work, live and play”. Does that mean branches will be deadweights in future? “Who tells you so,” asks Puri. “Branches will be needed where they are needed; technology will be used across our clientele.”

The upside of this is that the bank can then ‘data-mine’ its customers and tailor offerings rather than go for a carpet-bombing marketing strategy. It’s a better way to entice them and get a fatter share of their wallets instead of blowing up capital to get that incremental business.

If all this is a self-evident proposition, why can’t others do it? “It requires hard work,” says Puri. “Most (banks) have gone rural because they have been mandated to. Nation-building is not easy.” It’s his way of saying that some bankers are lazy.

HDFC Bank’s website is now a ‘test-site’ for the likes of IBM (cognitive logic), Oracle (marketing) and Cisco (call centres). “It’s the age of GAFA — Google, Apple, Facebook and Amazon. You have to learn from them. Or it will be a gaffe,” says the HDFC Bank managing director with a guffaw.

Not surprising for someone who’s used to having the last laugh.

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- See more at: <http://www.businessworld.in/news/economy/banking-on-rural-reach/1655744/page-1.html#sthash.4uNhBc1.dpuf>