

● **INTERVIEW: ADITYA PURI**, managing director, HDFC Bank

'We want to give customers an experience that uses tech seamlessly'

With digital banking becoming all-important, HDFC Bank wants to deliver not just banking but a financial experience to customers, managing director Aditya Puri tells Shobhana Subramanian and Shayan Ghosh. Excerpts:

Where do you see HDFC Bank in the next few years?

We are in an era of very rapid change. When you consider the change that radio brought, that TV brought, it worked out to just 1 million users in 10 years. So, the pace of change has changed completely. What technology has done is that you don't know who your competitor is. Five years from today, your main competitor will be very different from the one you had envisaged. Google can become a bank, I can become Google.

When you are positioning the organisation for the future, you may not be able to define it exactly, but you must have a vision; otherwise it is not going to happen. I see the bank becoming a financial experience for our customers, so that we follow the customer's journey; every time he wants to deal with money, I should be able to give him an experience that uses technology in a frictionless way, like Google, that too across a much wider product range. Hopefully, with the backing of my brand, he is going to stick with us.

How useful is it to have a base of digital customers?
It depends on what kind of business you are

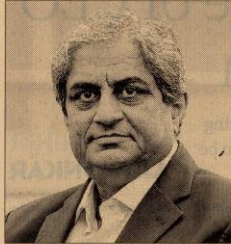
in. For instance, we have our wallet with 3 million hits. It is a new customer base coming to us. Our cards, payment gateways, our card loans, personal loans, all of them are adding to our base. If you say I am a wallet and I gave a cashback, you have not created a sticky customer. But if I give a customer a loan, I do his transfers and payments, taxes and banking, then I have a sticky customer. For instance, 40% of my car loan customers are not my existing customers, they are new customers. Today, everybody under 50 and everybody over 60 is digital. When someone is applying to us for a car loan, she is doing it digitally.

Are you happy with the pace of digitisation at HDFC Bank?

I am happy with it, yes. We are among the global leaders in terms of digital offerings. People are mistaking what digital actually is. What did Amazon, Facebook and Netflix do? They changed their products. Now, what is a ten-second loan? It means I have digitised my entire process to be able to offer a superior product to the customer. Digitisation is when you have changed your operating model in a manner that allows for a frictionless experience.

Will use of technology affect employee addition?

The intensity of headcount will go down but not as drastically as you think. Some repetitive and tedious work will now be done by a computer. But are you saying my only sales



channel will be digital? No. My branches will also sell, my direct-selling agents will also sell. Digital will be another channel though I do not know in what proportion. But will I need more people who understand digital marketing? Yes. Will I need more people who understand data analytics and people who know campaign management? Will I need more people who are able to optimise how I convert Google searches into a lead for myself? Will I need people who understand social media? The intensity will go down to some extent but it is absolutely incorrect to say that I will not need people.

Are banks not lending enough? Also, are corporates moving back to banks from the bond market?

I don't think the issue is with banks not

lending. Where is the demand? The economy is recovering but there is more than enough supply from the banking system to meet that demand. When interest rates are low and there is surplus money, people go to CDs, CPs and bonds. When the interest rate starts to rise, then these markets become secondary and a lot of them come to banks. You do not go to the corporate bond market for working capital, it is only for term loans. There is peaceful coexistence between the banks and the bond markets. There will be a formalisation of the economy but the consumer is also becoming more aspirational; he wants to save less, he wants to earn more on his savings. So will some money move to mutual funds? It has. Will other avenues come up? Yes. Will some people borrow from markets and some from mutual funds, CPs, and banks? Yes, there is enough for everybody.

Will loan and deposit rates go up?

Deposits rates will go up and so will loan rates. As soon as our asset liability committee (ALCO) meets, we will assess the situation. The cycle is changing and interest rates will go up, bond rates will also go up and the yield on 10-year government security will be in the range of 7.7-7.8%. Working capital demand has already picked up and working capital will largely remain with the banks. On project finance, I would say we have moved from brown shoots to green shoots. In the sense that people were first talking and now there are industries

that have grown. So whether it is cement, steel, consumer durables, or vehicles, people are pushing new projects.

What are the disadvantages of using an external benchmark for loan pricing?

Globally, when you take an external benchmark, there should be enough liquidity available for that benchmark to have relevance. If you say repo rate or CD rate, there is not enough depth in the market. If you talk of external benchmarks and floating rates, then you would end up with floating liabilities as well. In a poor country like India, is that possible? Also, while talking about these benchmarks in overseas markets, remember that they have a very good derivative market where you can hedge your risks. In India 95% of the banks are funded by fixed deposits. Now if you link to a benchmark which has no correlation to your cost of funds, what do you think is going to happen in an imperfect market? You would need to have variable deposit rates also and then you would need to have a derivative market.

What do you think of the Insolvency & Bankruptcy Code (I&BC)?

Nothing can be introduced perfectly on day one. Did the credit culture need change in this country? Did the bigger borrowers think they could borrow with impunity? Are companies being sold? Are people who never ran around, now being made to run? Of course. I think the new RBI guidelines on NPAs are fantastic.