

# 'Liberalized deposit rates, cheaper tech to help us'

Sidhartha | TNN

IDFC has come a long way from being a term-lending institution focused on infrastructure when it was set up in 1997, to get a licence to become a full-fledged bank. IDFC executive chairman Rajiv Lall, who joined the financial institution in 2005 amid a controversy, speaks to TOI about the challenges in transforming into a bank. Excerpts:

## Are you all set to start your banking foray? Is the blueprint ready?

There is a lot of work that needs to be done. We have to work towards diversifying our geographical footprint, the assets and liabilities and the spread. We are working on that and we will look at corporate, rural, agriculture, retail and SMEs.

## There have been two instances of financial institutions (ICICI and IDBI) turning universal banks, of which one has been successful and the other not so successful. Isn't it going to be a big challenge for you?

There are some aspects which are very easy and some which are not so easy. The easy bit is that we don't have a large network, we don't have an over-priced workforce, we don't have a technology system that we are tied to and we have deep pockets. So, these are starting

advantages. They give us flexibility of operations and will help us build in a differentiated way. The tough part is that these are all things that can be



## ONE-ON-ONE

Rajiv Lall | EXECUTIVE CHAIRMAN, IDFC

looked at from the other side. Having a good branch network requires a lot of hard work. There is a big HR challenge as we have to recruit at a scale that is significantly greater than what we have done in the past. Then there are regulatory obligations that we have to comply with.

## How will you differentiate yourself given that there is a set of public sector banks, which have the same focus and then there are the new generation banks, which offer very similar services?

Being a new new generation bank, hopefully we will start a new trend. That will emerge over time. A lot has changed in the last 10 years

when the last round of bank licences were issued. First, on the regulatory front, pricing of deposits has been liberalized that can help us compete on deposits. Two, there are regulatory changes that facilitate operations through banking correspondents and white-label ATMs. Three, it is easier to deploy technology now. The cost of hand-held devices has come down and rural telephony penetration has increased significantly.

## Will you follow an ICICI Bank kind of a model and scale up your operations at a brisk pace?

We are not running a sprint. It's a marathon. The first three years are all about investment and experimentation. The next three are about consolidation and it is only after that you think about rapid growth and scale-up. We have to move in a calibrated fashion.

## Do you have a term lending-retail mix in mind after the first five-six years?

Currently, all that we do is term lending. The first part of the transformation will be to supplement term lending with other activities. So, there will be greater focus on fee generating business and meeting non-infrastructure (financing) needs of the corporate sector. Then there will be a diversification into retail with a suite of products.