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## In rural India, HDFC Bank sees strong traction for auto loans

Logged ₹1,050 cr from this vertical in first year, says Ashok Khanna, Business Head

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While all banks are tapping rural India to meet their priority sector lending (PSL) targets, HDFC Bank, the country's second-largest private bank, has zeroed in on auto loans, including tractors, two-wheelers, and light commercial vehicles, to boost its rural advances portfolio.

With the bank clocking over ₹1,000 crore of business, covering over 1,000 villages, in one year under its rural vertical, the bank now plans to expand auto loans to more regions.

"Last year, after having struggled a lot in the tractor loan business, we wanted a

pure rural vertical to target rural customers in a big way... Also, we had to fulfil our direct agriculture and PSL needs," said Ashok Khanna, Business Head, Vehicle Loans, HDFC Bank.

Khanna and his team made a presentation to the senior management of the bank requesting to start this by recruiting about 100 fresh graduates as rural sales officers had to be located in non-descript locations.

Each officer travels 50-60 km covering five-six villages on a motorcycle meeting farmers and villagers. "This also helps in serving them with other products, such as Kisan credit card, crop loans,



two-wheeler loans, agriculture loans, small vehicle loans, gold loans, etc.. This also brings them into the mainstream banking," he said.

At present, the officers are

located in villages of Andhra Pradesh, Tamil Nadu, Karnataka, Kerala, Maharashtra, Rajasthan, Haryana, Himachal Pradesh, Punjab, Gujarat, Uttar Pradesh and Madhya Pradesh.

"We had a target of ₹1,000 crore in the first year under the rural vertical for auto loans, but managed to log ₹1,050 crore. We aim to double this in the next one year," he said.

In the past four months, the bank has disbursed about ₹700 crore worth loans, of which, ₹210 crore was in the month of August.

### Customer connect

The key, Khanna added, is to venture into the rural market and connect with customers. For customers, HDFC Bank's interest rates of 12-15 per cent are much lower than the 18-20 per cent charged by NBFCs or moneylenders.

The loan tenure ranges between 28 and 48 months and can be extended to 60 months.

Non-performing assets (NPAs) in the books are below 1 per cent in all the segments. Tractor loans need more repayment period due to the circumstances they are operated under. In addition, it is risk-based pricing based on customers' rating and their strengths based on their earnings, residence, etc.

"We recruit graduates from the nearby agricultural universities, and provide them training. They are incentivised to meet their targets... A sales guy can earn as much as ₹18,000-20,000 as incentives in a quarter," Khanna said.

The bank's overall auto loan book stood at ₹50,100 crore as on June-end 2015. As on March-end this year, it stood at ₹46,760 crore, up 20.5 per cent from ₹38,800 crore in March 2014.