#### The Hindu Business Line

# 'One-man branch with necessary tech has paid off in rural areas'

HDFC Bank's Ravi Narayanan on how technology has helped the lender manage costs

RADHIKA MERWIN By ensuring that digitalisation reaches customers in rural markets as well, we have increased the stickiness of customers, thereby reducing costs in these markets, says Ravi Narayanan, Country Head, Branch Banking & Retail Trade Fx, HDFC

Bank. But he believes there is a lot that hank branches can offer in rural, urban and other markets.

#### What has been your strategy

What has been your strategy for branch expansion? Fundamentally a bank always wants to ensure that its physical footprint through its distribu-tion strategy is suitably reflected in its strategy for growth. At HDFC Bank we decide that we truly want to be an Indian bank with a global customer service ethos that means that there should be sufficient representa-tion on the ground of this thought process And the only way customers in the Indian context feel thatway is through the physical presence of the bank through its branches. Over the last five years there has been steady growth in the number of

The rural market or 'Bharat' part of the country, is now defi-nitely becoming bigger than In-dia, as the rural market and up country market are easily availa-ble to, say, an FMCG company. So, naturally the financial intermediaries have al-

so followed that path to keep pace with the growth in the rural markets. We at HDFC Bank have recognised this vi-

brancy in this part of the coun-try. So, there has been a predom-inant increase in our footprint, in terms of branches, in these

## But in the past, expanding in rural areas has not been very cost effective. What has changed now?

It's true that cost is a key deciding factor for expansion. But in financial intermediation it is al-so important to understand the so important to understand the prevalent ecosystem in the rural and upcountry market. Here, the market is mainly dominated by unorganised money lenders and other financial intermediaries. So, if we approach the whole cost proposition from a customer's point of view, one would realise that the debilitating and crippling cost of credit is a major overhang. So, we offer

these very customers lower rates and more transparency Thus, the cost for the consumer comes down substantially. From the bank's perspective, aligning the cost expectations of a customer with its own becomes a win-win situation. This is because we will have the first mover advantage in such markets, which in the long run, will yield cost advantages.

### But isn't it true that costper transaction in rural bran in higher at about ₹100 (according to various estimates), compared to ₹70-

85 for non-rural branches?

If we try and replicate the branch model prevalent in the rural marurban market in the rural mar-ket, then what you are stating in terms of costs is true. This is be-cause cost of infrastructure and providing service remains the same, but the number of customers is fewer in rural branch-

To efficiently manage costs in these rural branches we have imstead of employing 8-10 persons as in the case of urban branches, we have experimented with two-man and threeman branches. Added to this wehave one or two roaming sales person(s) to reach out to people in remote places. In specific centres we were able to create specific models, due to the existing eccsystem like the milk cooperative in Guiarat. There are milk farmers across 15 25 villages and there are milk collection centres in some big-ger villages acting as a 'hub' in this model.

In this hub location, we put a physical branch but a one-man branch, and then enabled it with the necessary technology to provide seamless transactions at

is catering to 25 villages.

customers coming to branches for basic banking transactions?

While we are not discouraging people from coming to branch-es; we are dissuading them from

coming for basic banking

these centres.
So, from the bank's perspective, we are able to manage costs through better technology and not having to put up multiple branches - in this case the hub

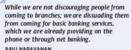
on the phone or through net banking. We have ensured that digitalisation reaches customers in rural markets too, by extending simple banking transactions through a basic phone (and not necessarily a smart phone alone).

So, by increasing the stickiness of customers we are able to re-duce our costs. Customers in both rural

and urban markets come to the branch for more fi-nancial literacy and awareness or advice. The branch staff also guide customers on how to use net banking or oth-er digital platforms. So, we believe that there is a lot that bank

branches can still offer in rural, urban and other markets. We believe that we will have to follow a brick and mortar model to

some extent



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