

# ‘Logical for banks to not let defaulters flee’

## Extradition Needs Proof Of Criminal Offence, Which Is Difficult To Establish: HDFC Bank CEO

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**Mumbai:** The country's most valuable lender, HDFC Bank, is set to raise another Rs 24,000 crore — the highest-ever equity mop-up in India. In an interview with TOI, Aditya Puri, the bank's MD & CEO, speaks of what he plans to do with the money. Puri also points out that there is a moral hazard in letting defaulters buy back their companies. Banks, as custodians of public money, need to ensure that defaulters do not flee the country, he says. Excerpts:

### A year ago, you were very upbeat about the economy...

I am unable to understand the skepticism. A 7-7.5% growth in GDP indicates that the turmoil of demonetisation and GST is behind us. I am also unable to understand the debate over the import tariff. These are not comparable to pre-1991. During that period, China was not China of today. In a lot of cases, there is predatory pricing. Also, we are seeing a bit of overvaluation because of all the inflows.

### What about the bad loan problem with banks?

This is a problem that has accumulated over the years, which has now finally been recognised. Now the new bad loan regime does not give banks any room to move. My understanding is that defaults in loans outside stressed loans (problem loans to large projects that have been restructured) have peaked.

### The sector also appears to be in trouble because of the Nirav Modi fraud...

Without defending anyone, frauds have been happening globally for a long time and nothing will be fraud-proof. Human frailty is a universal concept but it has to be detected fast. In a collaborative environment, 99% of the straightforward people act as a natural buffer.

### How do you manage operational risk in HDFC Bank?

We regularly have internal and external audits and examination of our systems. There is an unbelievable number of software for fraud detection. A major part of our IT

budget is not hardware and software, but for security and fraud protection. Anyone who tells an employee to deviate from systems has to be liable himself. We have a reasonably strict rule on password sharing — you share your password, you are sacked.

in cement, steel, commercial vehicles, automobiles and parts of FMCG.

### How do you plan to utilise the capital that you are raising? What opportunities are you seeing?

India is the best opportunity for

## “NOTHING WILL BE FRAUD-PROOF”

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ADITYA PURI | MD & CEO, HDFC BANK

### Do you feel keeping promoters out of the bidding in insolvency process is justified?

This is a moral hazard issue. If you are saying a promoter is a defaulter and not fit for management, why are you giving the company back? With an open press and a democracy, this is not a viable discussion.

### What about the government directive requiring banks to keep a check on defaulters leaving the country?

Banks are custodians of public money. It is logical that someone accused of an offence is not allowed to leave the country because extradition requires proof of criminal offence and it is difficult to establish this beyond doubt.

### Do you think investments will take a back-seat because of political uncertainty as elections near?

There is no such thing. The day demand exceeds supply, everyone will go and invest. With growth moving to 7-7.5%, all the excess capacity is being used. The government is also adding to demand through spending on infrastructure. We are already seeing pick-up

financial services in the world. Normally, the banking system grows at 1.5-2.0% of GDP. This means that at the higher end, bank credit will grow 14%. There is also a formalisation of the economy happening through GST and there is a major thrust on digitisation, which will help banks. On a combined basis, we feel that growth for the next five to 10 years is not an issue. We do not want to go to the markets repeatedly, but want to do it once to fund growth for three years.

### How are you gearing up to grow?

We are a completely different bank from what we were 1.5 to two years ago. We plan to be among the top five digital banks globally within the next few months. We have used digitisation to bring about efficiency and use data available with us to structure better products for our customers. Today, even someone who is not a customer can get a loan in 10 minutes. We can offer all products that we have in Mumbai in Jhumri Telaiya or Leh. We will soon be offering customers an omni-channel experience — you can be dealing with the bank over the phone in your car and continue the engagement over the computer once you reach office.