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# New banks to complement existing banking system: Chanda Kochhar

By PTI | Updated: Jan 24, 2016, 03:52 PM IST

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DAVOS: Ruling out any competition to full-service banks from payments and small finance banks, top banker Chanda Kochhar has said they can actually complement the existing banking system and ICICI Bank will explore opportunities for mutually beneficial partnerships.

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"Both categories of new banks have important roles to play as India has a very large untapped market.

"We believe the new banks will complement the existing banking system and there will be opportunities for players to identify mutually beneficial partnerships. We will explore opportunities in this regard," said Kochhar, Managing Director and CEO at the country's top private lender ICICI Bank.

She further said that while payments banks can focus on customer convenience and functionality/technology of several payment platforms, their areas of operations have been restricted.

"The scope of activities for payments banks mainly includes acceptance of demand deposits, issuance of ATM/debit cards, payment and remittance services and distribution of third-party products. Payments banks can also act as business correspondents of other banks," she told PTI in an interview here.

Kochhar, who was here for the WEF Annual Meeting that ended last night, said the full-service banks on the other hand have "a comprehensive product suite, deep customer relationships and at the same time the ability to leverage technology to offer greater convenience to the customer, which is what we are actively pursuing".

Citing the instance of 'Pockets', ICICI Bank's digital mobile wallet, she said it has been positioned as India's first digital bank.

Since its launch in February 2015, 'Pockets' has seen nearly 3 million downloads with over 70 per cent users being new to the bank, she added.

On banks facing competition from financial markets in terms of raising of funds by corporates, Kochhar said the corporate bond markets in developed countries have a significantly higher share in funding compared to a market like India.

"It is only a recent phenomenon that the bond markets in India have grown at a significantly faster pace compared with bank loans. I think some of this differential is temporary, given the time lag in decrease in cost of funds of banks with the reduction in policy rates.

"I believe Indian banks have a strong funding profile with largely deposit funded balance sheets, a large physical presence to cater to the needs of customers and ability to provide comprehensive solutions to customers," Kochhar said.

She also noted that while there could be some structural shift to alternative markets, Indian banks should continue to grow their lending operations, going forward.

Kochhar said there is a significant potential for investments in India, given the domestic demand and as the investment cycle picks up, the funding requirements of businesses would certainly be adequate for bank lending and alternative markets to co-exist and grow well.

On ICICI once being the most aggressive player in the Indian banking space and the strategy going ahead, she said liberalisation of the financial sector at that time threw up several opportunities to grow and launch new financial products.

"We were at the forefront to grab this opportunity and created a presence in every aspect of financial services. In 2009, we were in a phase of consolidation following the global financial crisis, which helped in assessing our core priorities, considering (that) we were already a financial conglomerate," Kochhar said.

"Subsequently, as we have been growing our balancesheet since FY11, our strategy has focused on balancing growth with profitability and risk management, rather than just pursuing market share," she said.

Noting that the priority has been on sustainable and stable growth, Kochhar said it has however been aggressive in launching technology-based products and bringing convenience to customers.

"We have launched several innovative products that can improve customer experience in banking," said Kochhar, who has been with the bank for over three decades, including more than six years as CEO.

Asked about the future growth path for ICICI Bank, Kochhar said banks in economies like India are the major financiers of growth and the performance of the banking sector is closely linked to the economy.

"The government's focus on manufacturing, infrastructure, digitisation and urbanisation will present several opportunities for all businesses, going forward. Rising incomes and positive demographics will provide opportunities for retail financial services in India.

"All these initiatives will contribute to higher economic growth, translating into additional growth for the Indian banking sector," she added.

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