

# Customer response to higher deposit rates has been encouraging, says ESAF Bank MD

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Bank has mobilised over Rs. 1,000 crore in deposits in the first seven months of operations



**Kochi, October 23:**

ESAF Small Finance Bank's strategy of offering higher interest rates on fixed and savings deposits seems to have paid off, with the bank garnering Rs. 1,000 crore deposits in the first seven months of its operations.

Customer response, especially among senior citizens and pensioners, to the 7 per cent interest rate offered on savings deposits has been encouraging, Paul Thomas, Managing Director and CEO, told *BusinessLine*. Besides, no minimum balance requirement, doorstep service to small-scale traders and focus on small customers are USPs that helped the bank gain customer appreciation, he adds. Excerpts from the interview:

**How has been the response to the higher interest rates?**

The higher interest rate campaign has attracted customers, especially senior citizens, and we have managed to cross the Rs. 1,000-crore deposit mark. Almost 75 per cent of the total deposits came from retail liabilities and micro banking. The response was truly encouraging in urban areas like Kochi.

With this momentum, the bank hopes to garner Rs. 2,500 crore deposits and extend Rs. 5,000 crore in loans and advances in

the current fiscal.

**How did you manage to grow deposits and loans? The main commercial banks are struggling to lend.**

For us, deposits and loans have performed reasonably well in the last six months. When it comes to deposits, we have crossed the Rs. 1,000-crore mark. In the beginning, we intentionally focussed more on deposits as our loan book was on the higher side.

Four months back, we launched the retail assets division to disburse secured loans above Rs. 1 lakh. So far, the vertical has almost crossed Rs. 50 crore in disbursements. This is apart from the micro-banking division, which has grown by 25 per cent in the last six months.

The other commercial banks are struggling mainly due to macroeconomic conditions, which hopefully would reverse in the next financial year. As an MFI, we have already proved that low-ticket loans to the needy class are more secure even though they are termed as unsecured.

Also, to serve our customers better, the delivery network has been strengthened by introducing digital sourcing through tabs.

**What kind of teething troubles did you face in the first six months?**

In the first six months, the struggles were mainly on the technological front and HR. On the technological front, we have a tie-up with global player FIS. Ernst and Young was our strategic consultant for the transformation.

Also, we have a full-fledged team to address customer complaints. On the HR front, recruiting the right talent is still a challenge. Despite challenges, we are very optimistic about the potential of our business. Also, recent studies show financial services being the fastest growing sector in India in the last five years, ahead of IT and other sectors.

**Have you filled up all posts? Did you get the right people? Was there any help from HR consultants to fill the positions?**

We have filled up almost all the key posts. Apart from EY, we have availed ourselves of the services of a few HR consultants like Trekone, and SBI Training Centres. Training really helped us overcome the challenge of transitioning from an MFI to a bank. I believe that we have recruited the right talent for the right job.

Thrissur is the financial institutions hub of Kerala. So, identifying banking talent was not that tough. The performance of the company also indicates the same. On a short-term basis, we recruited retired bankers as well.

**What about IT, and how much will you be spending on it? Any help from IT majors like Infosys and Wipro?**

As I said earlier, in IT we have an exclusive tie-up with FIS, which is functioning as the system integrator. We will be spending around Rs. 150 crore in the first five years of operations on the IT front. Wipro was also in the run to be our technology partner but in the end we settled for FIS, considering its global presence and the economics involved.

**What about expansion plans? Will it extend to other States or will you stick to a few locations?**

We already have presence in 10 States, covering the southern, central and eastern regions. We have immediate plans to expand to the North-East and we will strengthen our presence in the States we already have branches.

We are working with Nabard for short-term agri loans and a joint lending programme with SIDBI for ticket sizes up to Rs. 2 crore. Plans are also there to launch a mobile money transfer facility to migrant workers.

**How do you see the future of small finance banks in this competitive environment?**

Since half of the population in the country is not receiving proper banking services, the future of small finance banks looks bright, especially in extending services in un-banked places.

The consolidation in the banking sector may shift the centre of attention from small customers. In that situation, the aspirations of the middle-income group, un-banked segment, etc., will be met through small finance banks.

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*(This article was published in the Business Line print edition dated October 24, 2017)*