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Full-fledged revival of investment cycle may be few months away: Bank of Baroda

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Bank of Baroda has been the first of the nationalised banks to have completed the amalgamation of two smaller banks with itself. The bank's experiences in the merger have helped other consolidating public sector banks to draw their strategy. In an interview with TOI, MD & CEO Sanjiv Chadha speaks of the road ahead...

How has the second quarter been in terms of business?

There have been challenges in credit growth — the investment cycle in particular — for the last few years. Even today capacity utilisation is about 70% and it's only when it moves up to 80% that you get a serious round of investments. We are seeing some investment in brownfield projects in companies that have gone through an ownership change. We are seeing large capacities in areas like renewable energy. We also have a large investment in electric vehicles. We are seeing progress in going beyond green shoots. For this to gather momentum and become a full-fledged revival of the investment cycle, we might be a few months away.

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On the asset quality side, do you see more clean-up happening?

There has been a broad-based improvement in the corporate credit cycle, which we have seen for the last few quarters. Corporate slippage has had come down dramatically compared to what was the case in the previous quarters. Challenges in retail and MSME have got accentuated during the pandemic. Overall, in terms of credit quality for banks, I think we should see an improvement notwithstanding the challenges that we saw with the second wave.

When do you expect RBI to start normalising its monetary policy?

I think there are two pieces to the monetary policy stimulus. One has been in terms of rates and the other has been in terms of liquidity. So, you would expect that the liquidity piece will start getting normalised first. Change in the rate cycle is a few quarters ahead. The distortions in risk pricing due to liquidity surplus should get sorted and we should start seeing credit risk that way it would be in normal times.

You have launched a new digital platform BoB world. What does this mean for customers?

Covid has brought a broad and deep transformation and nearly twice the number of customers visiting the branch, now use the app. So rather than being an adjunct to the bank, it will be the bank and the other parts of the bank will become an adjunct. The thought was to enable everything that can be done in the branch within the app. Therefore, we got down to see what should be the design, branding and positioning of the app. BoB world will be the primary interface at the centre of the bank.

What is the effort that has gone into the back-end?

The bank has been making investments and was identified as the best technology bank of 2021 by the IBA. The integration (of Dena and Vijaya Bank) on a common platform after the merger gave us a robust base to build this strategy.

How scalable is the core banking platform for digital?

Today we 13 million customers using bob World which is a very robust platform and scalable. For the future cloud computing will be a very important element as this will help scale up not only in terms of users but also multiple fintech partners on the platform.

Will bob World be a super app like SBI's Yono and are you integrating the subsidiaries?

The way the app is being positioned that you can save, borrow, invest and pay. All four capabilities are in the app and are being

scaled up every day. In addition to the regular transaction, we are having things like airline ticket booking and comparison shopping across merchants to bring the cheapest proposition to the customers. The other important thing is the benefit programme which depends on the category you choose in terms of the balance you would like to maintain.

How do you as a 100-year bank plan to attract millennials?

The marketing campaign is squarely aimed at millennials. The design is something they will find appealing. They can open the account entirely online through video KYC and the account will have benefits including Amazon Prime.

Will you be part of the account aggregator platform?

It is a conversation that we are still having. But having a platform of this sort gives you a very powerful lever to make sure you can profit from certain engagements.

Will BoB World be restricted to retail?

We're starting off with retail with about 95% of all retail services now available on mobile. The logical next step is to fashion it for other segments.

On the corporate side are there any gaps in digital banking that you will fill?

The primary banking channel for banks is mobile. Not too far ahead the mobile phone is likely to become an important piece particularly for MSME and that is what we will target next in Bob World.

How do you plan to reach unbanked areas and push the financial inclusion agenda?

It's a matter of great pride for us that while we have a 6-7% share in banking. Our share in Jan Dhan Yojana is 15%. So one piece of service delivery will be digital but that may not be relevant to people who are on the other side of the digital divide. We have a very aggressive programme for increasing our business correspondent and increase their number from two for

every branch to five BCs for every bank branch that we have. We want to double the BC outlets to 50,000.

Would you be hiring people?

The amalgamation has brought about efficiencies, but we have not shed people. Redeployment will help in filling marketing and other vacancies. We will continue to recruit specialists. For instance, we are now recruiting wealth relationship managers. We may also recruit for specific skills like digital banking. But there may not be much of an increase in the headcount.