

# Creating customer-oriented culture will be most challenging

BY HARSHA SUBRAMANIAM

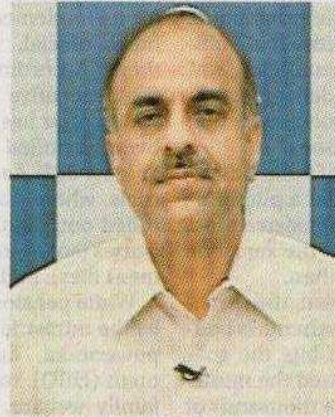
## INTERVIEW

**N.** Sivaraman, president, L&T Finance Holdings, said in an interview that the non-banking finance company has to go through a change in mindset if it receives a permit from the Reserve Bank of India (RBI) to set up a bank. Edited excerpts:

summarized all this and put it up on the website. So, I am sure that RBI has factored in how to respond to each one of these comments from the various stake holders. I would guess that it can be sooner than later but one can never say that...or set a goal to the regulator, so it's up to them to kind of come up with that. But I think may be three to four weeks after the presidential assent comes through it should happen is what our expectation will be or it can take longer because we don't know what else they have to do at the regulatory end.

**Once the guidelines are in place, you are also expecting the Reserve Bank of India to sort of go through a process of selection. Other than the aspects of guidelines, what are the qualitative aspects that you would reckon that the RBI would be expecting from a potential banking candidate?**

Most of it has been well spelt out on the draft guidelines itself, so if one is to follow from that, the transparency and the diversified shareholding that the sponsor group will have will be important to them. The compliance and governance track record of the sponsor group again will be extremely important, so that is a second piece. They have also laid down some disqualification criteria in the form of exposure to brokerage and real estate. So, all that is done.



**Banking Bill impact:** Sivaraman says that a cultural and mindset change will have to come in for non-banking finance companies.

After that, I think, given RBI is focused around financial inclusion and opening up branches in the tier-II and tier-III locations, up to tier-VI locations, I would guess they will look at the business in the context of how are you servicing the rural clients or the unbanked segment and viability of the business plan. So, these are the areas they will really look at. What is not spelt out very clearly in the license process is that—how do you build the organization, the risk management processes. That will be what will have to be part of any presentation to RBI on the business plan which they will consider and then take it forward from there.

**Do you see this enhanced cap on voting rights as an enabler? Do you see the interests of the promoter being protected?**

Yes, absolutely. I think that's a very welcome move, especially when someone is asked to put up 100% of their capital to begin with and then reduce it to 40%. When you dilute to 40%, if you are going to be controlling only 10% voting stake, you find 60% of the voting stake is actually outside of your control. At least they are increasing it to 26%, it definitely makes us feel comfortable, makes each one of the promoters of the bank feeling confident about having the control over the affairs of the bank and be in a position to contribute to the good strategy and growth of the bank. Without that maybe you could have 40% financial stake but you might lose control of the bank and be in the hands of somebody else.

So it's a welcome move, ideally with the kind of governance and oversight that the RBI has brought about in running a new bank it would have been ideal if it was pro-rata to the shareholding, right? But I think it's fair enough, at 26% it at least enhances the situation from what it used to be in the past.

**Right after these guidelines have come in or rather this clearance has come in, there has been heightened activity in the stocks of small private sector banks. Do you see the possibility of greater M&A activity as L&T Finance? Will you be looking at a smaller bank that you can probably acquire?**

M&A or an acquisition always provides you with a quick ability

to roll out the business plan that you have, but ultimately an acquisition will have to be on the basis of aligned minds of the existing promoters, shareholders as well as the management and the one who is looking to acquire this bank. So, if these are not aligned then potentially this event is not going to happen, right?

Not that we are really looking out for a potential M&A opportunity at this point of time, but definitely it requires an aligned mind and also thereafter the regulatory approval because the regulator also wants to have newer banks. How does the M&A fulfil that objective is also something which they would like to see. To some extent, that the new player can put in that more of capital and help in building the reach and size of the bank, maybe it still fulfils RBI's overall requirement of creating some more large banks. But ultimately, all of this will have to depend on the alignment of mind, regulatory compliance, all of this will be important.

**For any new player, what do you think are going to be the challenges as you enter the banking space from a business standpoint?**

I can speak as a NBFC (non-banking finance company). While we are somewhere in between a corporate and a full-fledged bank, we need to also have a change of mindset, a change of the behavioural pattern, we need to start behaving

like a bank rather than as NBFC.

All of these are important the culture will have to go down to the last person who is going to be a representing the entry to the customers. There are going to be walk-in customers compared to you going out meeting customers. So, the going to be a bit of a culture and mindset change that have to come in.

The more bothering part that we need to really consider carefully is the fact that you are adding almost one entire organization every year which means that you are going to recruiting 3,000-4,000 people on an ongoing basis, so they are going to come from different background, different institutions. So, putting together creating a culture which is going to be common and customer-oriented culture is going to be the most challenging piece.

[feedback@livemint.com](mailto:feedback@livemint.com)