



**INTERVIEW** | RAKESH SINGH

## **Demand for housing loans will rise again**

OMMEN A. NINAN

Joining Aditya Birla Finance Limited (ABFL) as Chief Executive Officer in 2011 from Standard Chartered Bank, where he spent 15 years, Rakesh Singh spearheaded the diversified Non-Banking Finance Company (NBFC) cutting across retail, MSME, SME, mid-corporate and structured finance solution verticals within the Aditya Birla Financial Services group. He also served as director on the board of Aditya Birla Housing Finance Limited and Aditya Birla Money with responsibility for building these businesses respectively. According to him, NBFCs can scale up much faster than banks as they are more agile and given the scale required for financial inclusion and meeting credit demand.

He says NBFCs are well positioned for financial inclusion following the demonetisation of high-value currency notes.

● **How do you view demonetisation and its impact on the economy, especially on the NBFC segment?**

There was an immediate wait-and-watch situation post-demonetisation but things are coming back to normal. Even if there is a slowdown for a quarter or so, the growth will come back fast as the underlying demand is always there in the economy. We are talking about money coming back into

circulation and therefore the economy coming back on track. The basic demand will not disappear but (will) only get pushed out. When it does make a comeback; it will make up for some of the slowdown that has happened.

While the structural growth story of NBFCs is expected to remain intact in the medium- to long-term, this event will bring a section of MSMEs into the formal ambit of banking. With surplus liquidity infusion into the banking system, we also expect to see customer segments such as the SMEs moving to formal means of funding and hence benefit NBFCs over the course of next fiscal year.

● **What will be the future driver for the NBFC sector?**

A big under-banked and un-banked section of society will be available for NBFC Micro-financiers and other differentiated lending platforms. One needs to create customised solutions for these segments. The sector, going forward, would also be driven by the extent of digitisation and automation through technology for delivering products to customers. This would be led by reduction in customer turnaround time and

optimisation of loan application cycle times. Also, the focus in the future would be on digitising customer journeys as much as possible, so that existing products could be routed through the digital flow. Another key driver would be how agile and adaptive NBFCs are to customer needs. Keeping in mind the agenda of financial inclusion as well as need for credit, NBFCs would need to scale up and roll-out products at a pace required by existing and new customer segments.

● **How have NBFCs differentiating themselves from banks?**

The role of NBFCs as effective intermediaries has

been well-recognised, with the core strengths of NBFCs being strong customer relationships, excellent understanding of regional dynamics, well-developed collection systems and personalised services.

In this function, they are perceived to be playing a complimentary role to banks rather than being competitors, reaching out in areas where banks have a limited presence and also to segments which are credit-starved and not served by banks. Also, NBFCs can scale up much faster than banks as they are more agile and considering the scale required for financial inclusion and meeting credit demand, NBFCs are well positioned for this agenda.

● **What is the outlook for the affordable housing segment in the country and profitability at the bottom of the pyramid?**

Affordable housing has immense potential in the country as the current Mortgage to GDP ratio for India is only at around 9 per cent, which is very low compared with developed countries. Housing for all by 2022 is one of the big agendas for this government.

There exists a huge shortfall in housing units in India and about 90 per cent of this shortfall is in affordable segments. This provides a huge opportunity for Housing Finance Companies to tap into.

● **Impact and implications on the real estate sector and the way forward after demonetisation?**

There is a very strong and primary demand for housing in the country. After demonetisation has hit the economy, customers are adopting a wait-and-watch strategy with regard to housing prices. However, the basic demand for housing is not going to disappear. Once the availability of cash is normalised, there will again be demand for loans, especially in the market for housing.

● **What is your strategy to maintain top-line growth for the Aditya Birla Financial Services (ABFS) group?**

We would be focussing on three strategic areas in order to maintain top-line growth: focus on retail client base to further granularise business and diversify portfolio; digital lending products as well as digitisation of lending across existing business lines to expand further into existing and new customer segments; and cross-selling of products across businesses in the customer bases of ABFL and ABFS.

