

INTERVIEW WITH SBI MANAGING DIRECTOR

'Aadhaar-based payments will be a game changer in digital banking'

AFTER WALLETS, BHIM and UPI (unified payment interface), Aadhaar-based payment system is going to be the next game change in digital banking, says State Bank of India's Managing Director RAJNISH KUMAR. In interview with GEORGE MATHEW, he spoke about the sector's digital initiatives. Excerpts:



How's your foray into digital banking taking shape?

In the 60-day period, we have installed around 78,000 point of sale (PoS) machines across the country. Earlier it used to be one lakh PoS machines in a year. On the debit card side, there was more action as transactions increased. Transactions on wallets have also increased. Demonetisation has given lot of impetus to the digital banking. We have 4.37 lakh PoS machines all over India.

Do you think this growth in digital banking will be sustained?

Once people get accustomed to it, it will be here to stay. I don't think it will look as spending. Honestly, I don't use cash spending at all. Going forward, that's going to be the trend. But nothing is as convenient as cash.

What's the next game changer in digital banking?

In digital space, the major game changer will be Aadhaar-based payment application. Here you don't need card or mobile phone. You just need your Aadhaar card number. You just put your Aadhaar number in the device with the merchant.

When are you launching

Aadhaar-based application?

We will be launching it very soon. It's now being tested by our people and we will soon launch... maybe in a month's time. You don't need any application for Aadhaar-based transaction. Our BCs (business correspondents) are already doing biometric-based business. We have to onboard merchants for this facility. There are five million fair price shops in the country. They will be first targets.

We have four card-based infrastructure now. BHIM, UPI-based system, banks have their own models like the SBI Buddy and now Aadhaar-based system. Wallets have their own limitations as you need a smartphone which is not required in Aadhaar payments.

Will credit and debit cards lose their relevance?

There are 75 crore cards in India. They are not going to disappear. Next to cash, this is also a very convenient tool. Card acceptance infrastructure is expanding. You can use it anywhere. In foreign countries, credit card is more popular but here in India, debit cards are more widely used. In India, the psychology is to save more and

spend less.

Why credit offtake is remaining depressed? Banks have got huge deposits but still loan growth is not happening?

Nobody has a clear answer for that question. Earlier there used to be a direct relationship between GDP growth and credit. If you have GDP growth of 7 per cent, we presume that credit growth will be 15 per cent. It used to be a multiple of the GDP growth. But that relationship is not evident now. Now the GDP growth is 7-7.5 per cent, but if you look at the credit growth we are not seeing that kind of growth which used to be there earlier.

Why do you think this shift has happened?

One is definitely the shift in composition of GDP. It's now more dominated by the services sector. In services, you don't need as much capital required in manufacturing sector. Banks are focussing on consumption credit like housing loans, car and personal loans. There's 18-20 per cent growth here. There was some slowdown in January because in November and December sanctions were lower which got reflected in January because of the time lag.

How's the investment scenario? Are fresh investments coming?

Fresh investment in large scale projects is not coming. The year-on-year growth (credit offtake) is subdued. You need massive investments for a higher credit offtake.