

IDFC Progressing Due To Exceptional Goodwill Of Customers, Shareholders: MD & CEO

The letter also sheds light on the bank's commitment to its culture and customer-centric approach

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In a recent annual shareholder letter for the fiscal year 2022-2023, IDFC FIRST Bank shared keytakeaways of its journey towards financial inclusion, overcoming challenges and achieving substantial profit growth.

The bank's Managing Director and CEO, Vaidyanathan V, said the Reserve Bank of India's (RBI) commitment to promoting financial inclusion among the lower sections of society, a pivotal aspect of their success.

During the bank's annual general meeting, he commended the RBI's dual focus on financial inclusion and high asset quality, calling it a remarkable paradox. He credited India's new digital infrastructure for enabling precise and digitised cash flow information, which played a vital role in achieving this balance.

One of the central challenges IDFC FIRST Bank faced was a Catch-22 situation following its merger in December 2018. The bank grappled with low retail deposits and low operating profits, creating a precarious financial scenario. Vaidyanathan V elaborated on this, stating, "If we invested to grow retail deposits, the high cost-to-income ratio of 95 per cent and already low operating profits would push us further into the red. If we didn't, we couldn't grow deposits." However, the bank successfully navigated this challenge, thanks to the collective efforts of its employees. This turnaround resulted in operating profits soaring to Rs 4607 crores (\$555 million) and a posted PAT (Profit After Tax) of Rs. 2437 crores (\$293 million) in FY 23.

The bank's progress has not gone unnoticed, as three reputed rating agencies—CRISIL, ICRA, and India Ratings—recently upgraded its long-term credit rating to AA+ (Stable), with AAA being the next goal.

Vaidyanathan V also expressed his gratitude to the RBI for their patience and guidance in helping IDFC FIRST Bank become a stronger institution. He acknowledged the exceptional goodwill of the bank's customers and shareholders and commended the dedication of its employees, emphasising the collective effort that has driven the bank's success.

The letter also sheds light on the bank's commitment to its culture and customer-centric approach. An incident involving a fee structure change for savings accounts was highlighted. Under pressure to increase profitability, the bank initially considered levying fees on certain debit card transactions. However, an internal debate led to a broader examination of the industry's fee structures, which were often complex and confusing for customers. The bank ultimately abolished the fee structure for savings accounts, benefiting customers but leaving the cost-benefit analysis for the bank uncertain.

The shareholder letter delved into various other topics, including control functions, market opportunities, risk management and trends in collection efficiency, SMA (Special Mention Accounts), and NPAs (Non-Performing Assets). It also emphasized

the power of cash flow evaluation and debit instructions in driving the bank's success.

IDFC FIRST Bank's annual shareholder letter paints a picture of a financial institution dedicated to growth, inclusion, and a customer-first approach while navigating the complexities of the modern banking industry.