

# 'Have no immediate requirement to be a universal bank'

Suryoday Small Finance Bank (SFB) MD & CEO **BASKAR BABU RAMACHANDRAN** tells Manojit Saha in an interview in Mumbai that it will take at least two years before the SFB considers becoming a universal bank. Edited excerpts:

## How do you see the Reserve Bank of India's recent norms on voluntary conversion to universal banks?

It gives a road map, the clarity on what is required for SFB to convert to a universal bank. Those who have the ambition can be transitioned to a universal bank.

## Will Suryoday SFB apply for such a conversion?

Before the guidelines, we said that we were not in a hurry to consider the transition to a universal bank. We have a long way to go even as a small finance bank, both in terms of size, and in terms of fulfilling our aspirations for financial inclusion. We do not see any disadvantage of being SFB except for maintaining the priority sector lending target of 75 per cent – which we currently are in far excess of the target. At best, it is the opportunity loss of income of not selling PSL. There is no immediate requirement for us to become a universal bank, except for a nomenclature change.

But the road map that is given now is important. Even if we consider it after three years, it gives us the clarity of what needs to be done and what is the view of the regulator in terms of SFBs converting them into a universal bank.

**How confident are you that Suryoday will become eligible by the end of FY25?**  
Assuming we can better it, that is our intent, by the end of the financial year 2024-25 we will be eligible to apply, but we are not even planning to apply in FY26. For us, it is at least

good 2 years before we consider anything seriously – which is enough time, and we are confident of meeting the ratios by that time. Then comes the business model – how you secure yourself as a bank in terms of balance of secured and unsecured loans and even for unsecured how robust can your control and process mechanism be. We cover our microfinance portfolio through the Credit Guarantee Fund for Micro Units (CGFMU) route which is credit insurance. There is an investment for it, we have to pay 1 per cent of the principal outstanding of the portfolio every year to get it credit

insured. This will come into play when there is an extreme event like demonetisation or the pandemic. This is the key safety net that we have built.

## Suryoday's total loan book is

**₹8,700 crore. How much is the micro-loan book?**  
Around ₹5,000 crore is the MFI book. Currently, 80 per cent of the MFI book is covered by CGFMU.

## The conversion to universal bank norms also talked about a diversified loan portfolio. Do you plan to bring down the share of unsecured book?

We are covered with the credit guarantee, as it is as good as quasi-secured. Our customers are no longer low-income households, they are graduating. At least 30-40 per

cent of our customers are moving up the economic cycle at a much faster rate than the pace at which the economy is growing. This means we do not operate at the micro-finance rate. Our focus this year would be to cover our customers under social security schemes.

## What is the ideal mix that you are looking at between secured and unsecured loans?

A 50:50 mix would be ideal. We expect this to happen over the next 18 months. This year we would like to be at 53-54 per cent [unsecured book].

## Suryoday's Casa ratio is around 20 per cent, which is on the lower side. How do you plan to improve on that front?

We are focused that Casa needs to be granular. We should be able to take it to 22-23 per cent this year and 26-27 per cent next year. We will be comfortable at 30 per cent, which will be driven by our product approach and not by paying a higher rate.



**BASKAR BABU RAMACHANDRAN**

MD & CEO,  
Suryoday SFB

