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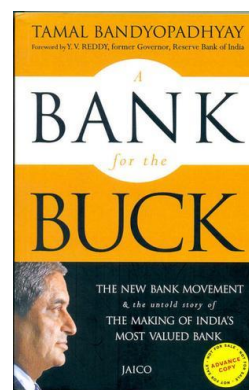
Book Review

A BANK FOR THE BUCK

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Book	: A Bank for the Buck
Author	: Tamal Bandyopadhyay
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OBSERVATION

The book is about HDFC Bank, the first set of new banks that started operations in India around the mid-nineties. It explains about the process of building a sound, efficient and technology-based bank in the private sector. The book is written by veteran columnist and the deputy managing editor of 'Mint' Mr. Tamal Bandyopadhyay. The opening of the book, "On a Thursday morning in February 1994, the telephone rang at Citibank House..." sets the pace for the remaining part of the book. It sets the context that this would not be a book laden with facts but is more like a story book charting the growth of HDFC bank from its inception. The author narrates how HDFC Bank was built assembling resources and covers the life of the bank right from the conception of ideas, assembling like-minded experienced talented bankers and creating a corporate culture to mergers.

The book makes some interesting comparisons between ICICI Bank-India's largest private lender and HDFC Bank- second largest in terms of assets, but ahead of ICICI Bank in terms of market value. The author describes ICICI as "flamboyant, innovative and quick as a flash when it comes to seizing an opportunity. HDFC Bank is staid and waits for opportunities but emerges a winner at the end of the day." ICICI loves to play the pioneer and that gets reflected in its volatile stock while the range-bound HDFC shares reflect the predictability of the HDFC Bank. The author mentions how the twelve people in the top team were given the freedom to bring their own people to the bank, but discouraged having too many people hired from any one particular bank as this would make it difficult for HDFC to evolve its own culture.

The entire book is divided into 13 chapters. The first 4 chapters 'One day in Malaysia', 'Raising a Toast', 'The dirty Dozen' and 'There's a baby on the trading floor' are about making of the bank, how

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it was conceptualized and how team was built. It explains the fun of the initial days when many senior recruits wore helmets and supervised the brick and mortar work at the headquarters and the branches & held training sessions under a tree at a textile mill compound in central Mumbai. Chapter 1 talks about the efforts of the HDFC Chairman Mr. Deepak Parekh on getting the license to set up a bank and his search for the most suitable candidate to build lead and manage the bank. The author narrates how Mr. Parekh succeeded in convincing Mr. Puri to take up the CEO position on the condition that he would be given the freedom to run the bank. At that time Mr. Puri was then one of the select 50 talents CitiBank was nurturing and paying hefty salaries. It also describes the setting up of the first branch and building a corporate culture of frugality and cost control.

The next 4 chapters 'Business before the shop opens', 'Doing the ordinary things in extraordinary ways', 'The change in the course' and 'The entire Pyramid' discuss the business philosophy of the bank and how it is different from that of others. Chapter 5 mentions about the process of fund raising through domestic IPOs & ADRs. The author narrates, when Natwest decided to offload their 20% stake there was a fear that stock prices might plummet. The author describes how Puri saved the bank from the crisis by managing the smooth transition of 20% equity holding of Natwest into the hands of Chase Capital. Chapter 6 is in fact the heart of the book. It talks about the things that make HDFC bank different from others, in terms of business philosophy, product innovation, cost of funds, risk management and so on. The author also narrates how the team strived hard in the initial stages of HDFC Bank in getting clients and building a world-class bank. Their contacts with corporate world helped them to break the ice with corporate clients. The bank built corporate banking business through customized offerings for each of the clients.

Chapter 6 to 8 talks about corporate banking practices and growth in corporate banking segment as well as HDFC Bank's venture into retail banking, MSME and foray into rural banking. Chapter 9 and 10 are about 2 mergers, the first instance of a friendly merger of Times Bank with HDFC through share swap route and the biggest merger in India's banking history. It catapulted HDFC Bank into the big league in terms of business as well as market valuation. The author explains that the emphasis was not on financial ratios and data but on how the mergers happened. In this section, the author narrates the HDFC merger with Centurion BoP. The big difference between the Times Bank merger and the Centurion BoP merger was that the former was an accretive merger from day zero but the latter took three years to become an accretive merger.

Chapter 11 'Warts & All' dissects what went wrong with the bank; how it got into mess and the safety valves it created to avoid such incidents. The author narrates about the derivative scam and IPO scam which dented HDFC Bank's reputation and the bank's efforts to come out clean.

The next chapter 'The common sense banker' tries to analyze the Mr. Puri magic and what makes Mr. Aditya Puri the longest serving CEO of any bank in India different from his peers. Finally the last chapter 'whose bank is it anyway?' looks at why this bank has been successful. It's not that it hasn't had problems in terms of occasional boardroom fights with the promoter on policies and minor egotistical skirmishes among senior people but despite it has succeeded because its nobody bank. In this chapter the author raises several questions about the brand equity of the group, merger prospects and the hero of the success story.

CONCLUSION

This book is a good read to understand the efforts and struggle required in the process of building an institution as well those who have interest in banking and entrepreneurship. The key lesson from the HDFC story is that freedom for professional managers, non-interference by the board and the promoter and passion for success are more important than ownership. HDFC Bank illustrates this formula better than anybody else, something that the new set of private banks opening shops soon can imbibe.