

Analysing the Sustainability of Private Institutions Contributing towards Financial Inclusion: The Case Study of Bandhan Bank

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Abstract

Poverty is the prime factor for India's backwardness. In order to eliminate poverty, unemployment needs to be minimised for achieving economic growth and development. Various studies have revealed that participating in the financial system, people get access to credit which helps them start their own businesses and contribute to the greater good of the society thereby reducing income inequality and accelerating economic growth. Financial inclusion starts with having a bank account at first. The 2014 Global Financial Inclusion database states that 21% of the world's and two-thirds of the South Asia's unbanked population resides in India¹. Therefore, India needs increased penetration of banks into the unbanked areas. The microfinance sector serves the disadvantaged section of the society in these areas with short term credit, where Bandhan Financial Services Private Limited has achieved success with 0.1% non-performing assets (NPA). But, sustainable development requires better financial services, i.e. credit, deposits, remittances and insurance which only a bank can give. To extend the geographical extent of banks, Reserve Bank of India (RBI) had granted "in principle" approval to two applicants of banking license on 2nd April, 2014 which was valid for 18 months, following which in 2015 India witnessed the birth of two new banks, one being the Bandhan Bank. This paper aims to study the sustainability of Bandhan Bank which aims at working towards inclusive growth after achieving success as a microfinance institution (MFI).

Keyword: Financial Inclusion, Microfinance, Bandhan Bank, Sustainability

¹ Global Findex, published in June, 2015

Introduction

"While delivering microfinance services, we realize that it is not the last word for development of the poor. There is lot of other support that the poor need for their holistic development."

Mr. Chandra Shekhar Ghosh, Chairman and Managing Director, Bandhan Bank

Financial inclusion can be a powerful accelerator of economic progress, and can help achieve the goals of eliminating extreme poverty and building shared prosperity². Therefore, economic development calls for finance as the powerful intervention. It has been witnessed that financial exclusion is responsible for social exclusion in the bigger scenario. The government of India (GoI) along with the RBI has taken various steps for providing formal finance to various disadvantaged sections of the society but the penetration level is not satisfactory. Raghuram Rajan Committee back in 2008 had proposed restructuring of the Indian Banking System by setting up of private sector small finance banks and bestowing appropriate legal status to channels like telecom companies to become regulated financial intermediaries as the number of banks had to be increased in the unbanked areas to catalyse financial inclusion process. Year 2015 has been a landmark year where various institutional initiatives were taken by the GoI:

- Two new private sector banks started their banking operations namely Bandhan Bank and IDFC Bank
- Eleven payment banks (PBs) were set up of which four were telecom companies (Aditya Birla Nuvo,

² Inclusive Finance India Summit, 2015

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Airtel M Commerce Services, Vodafone M-Pesa, and Reliance Industries), three were technology companies (Fino PayTech, Vijay Shekhar Sharma, and Tech Mahindra), two were finance companies (Cholamandalam Distribution Services and Department of Posts), and two others (National Securities Depository Limited and Dilip Shantilal Shanghvi).

- Ten small finance banks (SFBs) were set up (Au Financiers India Ltd., Capital Local Area Bank Ltd., Disha Microfin Pvt. Ltd., ESAF Microfinance and Investments Pvt. Ltd., Janalakshmi Financial Services Pvt. Ltd., RGVN (North-East) Microfinance Ltd., Suryoday Microfinance Pvt. Ltd., Ujjivan Financial Services Pvt. Ltd., and Utkarsh Microfinance Pvt. Ltd).
- The setting up of Micro Units Development and Refinance Agency (MUDRA) Bank was also announced.

Clearly, we can see that the GoI is trying to leave no stone unturned for including the excluded. Previously the presence of the public sector banks (PSBs) with their rural branches and Regional Rural Banks (RRBs) could not do much to achieve the objective of financial inclusion, the lack of ability of recovery of the loans being major reason detected. The microfinance institutions have fared well in this aspect. Bandhan Financial Services Private Limited (BFSPL) achieved a higher degree of success with its extended reach in the rural areas, specifically in the northeast India. RBI took this fact to its advantage for accelerating financial inclusion and has allowed it to operate as a full-fledged commercial bank. All of this started in the year 2010-11 when the Union Finance Minister announced the need for greater coverage of banks geographically for which RBI has considered giving additional banking licences to players of the private sector. After this announcement, RBI had issued guidelines for licensing of new banks on 22nd February, 2013. There were 25 applicants who were referred to the High Level Advisory Committee (HLAC) for scrutiny and on 25th February, 2014 it submitted its recommendations. After assessing the qualitative and quantitative aspects based on the guidelines, RBI found two applicants, -

IDFC Limited and Bandhan Financial Services Private Limited (BFSPL) to be “fit and proper”³ to set up banks.

Literature Review

Datta, Singh, Nilakantan, Chakrabarti, and Das (2013), “Assessing Impact of Bandhan’s Micro-credit and Related Development Interventions”: This report was a comprehensive study prepared where an in-depth analysis was made regarding the business of Bandhan as a microfinance institution, which was the largest MFI in the country as a whole. It clearly says that Bandhan had mastered the MFI front by leveraging its leading position in the industry to make diverse relationships with its clients and banks, but the question remains as to how it will continue to manage with its size growing by the years and how it would be able to adapt itself to newer technological and social environments.

Basu Dutta, and Sarkar (2015), “Bandhan: Can it Replicate Its Microfinance Success?”: This article mentioned that Bandhan Bank has made an entry in the banking industry with a success recovery rate of 99.5% in microfinance when the other banks are struggling to reduce bad loans. It has identified Bandhan to be a success in the areas where clients do not have other options for financial access. It will be a challenge to cater different customers as a commercial bank keeping the NPA at the existing level by keeping a constant check on the bad loans which would eventually be a costly affair.

Thomas and Dave (2015), “A Successful Microfinance to Bank: A Case Study of Bandhan”: This paper has analysed the financial structure of Bandhan as an NGO and an NBFC and gave special stress on analysing the financial structure from 2009-10 to 2013-14 which showed a stable growth which would help in getting more loans as a structured banking institution. It suggested that it would not be difficult for Bandhan to start its operations after 13 years of success as a MFI. It would build on its existing customers and their trust and the unique ways of working would make it one of the successful banks in the banking industry.

³ Reserve Bank of India Press Release: 2013-2014/1945 - ‘RBI decides to grant “in-principle” approval for banking licences’ by Kalpana Killawala, Principal Chief General Manager dated April 2, 2014

Mardikar and Sahana (2016), “A Case Study on Bandhan – An Organisation of Hope for the Poor”:

This was a case study on how Bandhan has addressed institutional sustainability and the livelihood needs of the poor. It was studied that its simplified model, standardised operations and decision making have helped it increase its portfolio of clients and ensured credit access to the poor but also bear high cost of lending.

Sriram (2016), “Inclusive Finance India Report 2015”:

This report has provided a detailed review of the status of implementation of financial inclusion plans, the changes brought in by the various channels of financial inclusion and the directions of policy initiatives. It has discussed the institutional initiatives taken by the RBI, Bandhan Bank being one of them. It has also pointed out that this is an experiment made, the results of which would help RBI decide on the future plans of financial inclusion in India.

Objectives of the Study

This paper would aim at attaining the following objectives:

- How the private sector has played its role in achieving financial inclusion; and
- To study the sustainability of Bandhan Bank in the long run.

Methodology

Data Collection

The data collection has been done based on secondary sources like Financial Inclusion Reports issued by GoI, RBI bulletins, official website of Bandhan Bank, and other authentic sources.

Tools and Techniques

Mainly qualitative techniques have been used to substantiate the arguments. A SWOC (strengths, weaknesses, opportunities, and challenges) analysis has been used in this regard since it is the best possible tool to measure sustainability of an institution.

Limitations

The following limitations have been faced while performing the study:

- The entire work has been done based on the secondary data.
- Bandhan Bank, being stated its operations from 23rd August 2015 have negligible public information.
- The developmental activities are the ongoing process for Bandhan Bank, which has created difficulty in incorporating the continuous changing information.

Need for Financial Inclusion in India

India's efforts towards financial inclusion have started decades ago and were led by RBI and GoI. Both the Rangarajan Committee and Raghuram Rajan Committee had addressed financial inclusion as the third objective after economic growth and price stability. Recently, the government has come up with Pradhan Mantri Jan Dhan Yojna (PMJDY) which provides the following:

- An overdraft facility of INR 5000.
- Accidental insurance coverage.
- Issue of Rupay card linked with Adhaar for adhering to KYC norms.

It has been observed that rural development can only boost up the growth and development of a country; and microfinance has, for long, been a weapon to alleviate poverty and unemployment. Priority sector lending has been a repeated request from the government to the various financial sectors. The PSUs have already come forward by opening up rural branches and RRBs. But, the rural business has been proved to be a division for discharging social responsibilities only. They have over the years accumulated a huge amount of NPA as even if they have been able to disburse loans to the disadvantaged sections; they have failed to recover those loans mainly due to lack of manpower and lack of supervision.

The eastern states of India including West Bengal has not been an exception to the fact that vast areas still remain financially excluded. For the last decade, several private sector institutions have been working parallel with the nationalised banks to make the national objective of financial inclusion a success. While some of such private sector institutions have performed ethically, some have unethically channelised the corpuses into several chit funds. West Bengal is regarded to be the “ponzy capital of India” for such unethical practices. However, BFSPL has proved itself to be a silver lining to the dark clouds

of unethical enterprises. It has been one of the fastest growing MFIs whose operational focus is in the eastern and north-eastern India, which remained traditionally unbanked.

Bandhan Bank: First MFI to get a Banking Licence

Bandhan came into existence in the year 2001 under the leadership of Mr. Chandra Shekhar Ghosh. The philosophy that Bandhan started with is to “work with women, who are socially disadvantaged and economically exploited, for their social upliftment and economic emancipation.”⁴

According to Mr. C. S. Ghosh, “Women of rural areas in West Bengal possess skills but they do not have any access to credit facility of any sort. They are economically poor and thus do not qualify for getting loans; and if you need to impact poverty directly, then the women should be supported with income generating activities.”

Table 1: Bandhan to Bandhan Bank: The journey

	June, 2015	August, 2015
Number of States	22	27
Branches	2,022	500 new full-fledged branches 2,022 doorstep service centres
Borrowers	6.8 million	6.8 million
Customer Profile	100% small clients through branches	70% small clients through doorstep service centres 30% clients serviced through branches
Loans Outstanding	INR 102.42 billion	INR 102.50 billion+
Depositors	0	10 million
Deposits	0	INR 10 billion
Staff	13,067	4000 staff for the banking vertical 14,500 staff for the doorstep service centres

Source: *Inclusive Finance India Report 2015*

It started its interventions in July, 2002 in West Bengal as a non-governmental organisation (NGO) under the

⁴ Bandhan Financial Services Private limited, Annual Reports, 2006-07

name “Bandhan Konnagar” under West Bengal Societies’ Registration Act. The branch was headed by Mr. C. S. Ghosh and four other staff. It had technical collaboration with ASA Bangladesh which allured Small Industries Development Bank of India (SIDBI) to support with funds. Later in June 2006, it started operating as a non-banking finance corporation (NBFC) after the acquisition of Ganga Niryat Private Limited (GNPL), an already registered NBFC. After working diligently as provider of microfinance in a disciplined manner, it took the opportunity to apply for a banking licence when RBI released guidelines for licensing of new banks in private sector. After thorough scrutiny, it was granted an “in-principle” approval for banking licence valid for eighteen months. After the end of the tenure, Bandhan Bank started its operations from August 23, 2015. Such was the metamorphosis of Bandhan to Bandhan Bank.

“Our deposit base is now INR 13,000 crore. The loan book size is INR 15,200 crore. The bank has been able to build a customer base of 8.5 million with its branch network standing at 670 branches across 29 states,” Bandhan Bank Founder MD and CEO Chandra Shekhar Ghosh told reporters at the launch of its 670th branch at Park Street, Kolkata on 13th May, 2016.⁵

Analysis and Interpretation/ Sustainability

An in-depth analysis of Bandhan as a “commercial bank” needs chalking out of its strengths, weaknesses, threats and challenges more commonly known as SWOC analysis.

The Pillars of Strength

Wide coverage and retention of customer loyalty:

Bandhan as an NBFC already had 2016 branches to its credit in 2014 which had increased and become 2022 in June, 2015. These branches are spread over the rural areas where penetration level of the other banks is minimal. This penetration has been possible as normally the

⁵ http://economictimes.indiatimes.com/article-show/52258750.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

Bandhan officials were employed from the local areas. Mr. C. S. Ghosh had identified the eastern states of India to have more unbanked people than the rest of the country and therefore, his concentration mainly surrounded those states.

Table 2: Network Coverage Comparison between RRBs and Bandhan as on 31.3.2015

	<i>RRBs</i>	<i>Branches of Bandhan</i>
North East	721	386
East	4057	1159
Total	4778	1545

Bandhan alone has more than 50% branches in the north-east and more than 28% branches in the east when compared with RRBs. This does show a fair presence in these states.

Bandhan Bank has now used these 2022 branches as doorstep service centres (DSCs) for micro banking and continues to serve the lower income group ensuring financial inclusion. A bank operates in a way where customers come to the bank branches and do business but Bandhan Bank through its DSCs continues to reach out to the customers thereby retaining the existing customer loyalty.

For general banking category, it has already 670 branches, as mentioned earlier.

Strong Agency

There was a lot of external monitoring on the borrowers right from Bandhan's inception before and after the time of loan disbursement which is still a part of the business model as a bank. Deploying the local people as officials makes it an easier task to gather information about the prospective borrower regarding his economic and social background which would be used while analysing the viability of the projects before lending. The then agents of Bandhan have become the employees of Bandhan Bank.

Personal Touch

With the help of the DSCs, a strong relationship is built between the bank and its customers which was one of the reasons why BFSL has been a success in the microfinance sector. This helps to identify the gaps in the system and

help the bank serve its customers in a better way.

Group Lending Model

Previously BFSPL worked on the model based on Joint Liability Group (JLG) which still remains a mandate for micro loans and an option for agri-loans which helps in speedy recovery of loans and keeps the NPA level to minimum.

Adherence to Norms

The minimum capital base required by RBI for new banks in the private sector is INR 5 billion whereas it already have a capital base of INR 32 billion having International Finance Corporation and SIDBI as some of its major shareholders. The capital risk adjusted ratio is 34% whereas the minimum requirement is 9% as per Basel II⁶ regulation on banking supervision.

Weak Links within the Pillars

Size of the Institution

When seen separately, Bandhan Bank does seem to have made a huge network. But, when compared with other private players in the market, it has yet to prove its presence. The private banks (ICICI Bank, HDFC Bank and AXIS Bank) that are ranked as the top three are taken and compared.

Bandhan Bank has started with its banking operations when there are banks already operating in the market with their respective giant figures compared to it. The recent deposit base of Bandhan Bank is INR 130 billion⁷ which is not even 10% of the. Again if we compare with that of PSBs like State Bank of India (SBI), it is not worth a comparison with. It has reported a net profit of INR 2.75 billion⁸ in the first seven months which gives an

⁶ Basel Accord is the round of deliberations by central bankers from around the world. In 1988, the Basel Committee on Banking Supervision (BCBS) in Basel, Switzerland, published a set of minimum capital requirements for banks. It was enforced by law in the Group of Ten (G-10) countries in 1992. In June 2004, the Basel Committee issued the final version of the New Basel Accord (Basel II), a framework for risk management with three pillars: capital adequacy, supervisory review and market disclosure.

expectation of INR 4.72 billion (assuming profits to be evenly spread throughout the year) worth of net profits at the first year end but still would not stand.

Table 3: Position of the Top Three Players in the Private Banking Sector

	<i>ICICI Bank</i>	<i>HDFC Bank</i>	<i>AXIS Bank</i>
Branches	4450	4281	2589
ATMs	13820	11843	12355
Asset Base (in billions)	6461.29	6070.97	4619.32
Profit After Tax (in billions)	111.75	107	73.58

Agent Turned Bankers

The bank has started with an employee base of 4,000 staff for the banking vertical and 14,500 staff for the DSCs⁹. Those agents of BFSPL are now the major portion of the employee base that does not have the required training as to how the formal commercial banking system works.

No Corporate Loans

Bandhan bank is concentrating on the retail loans, MSME loans, agri-loans and micro loans at present and catering to corporate loans has been kept at bay which actually increases a bank's asset base. Though the bank will try to benefit from economies of scale by playing with numbers, it is the corporate loans that help in scaling up the asset base at a faster rate.

Grabbing the Opportunities

Peoples' Bank

Bandhan has already worked hard to gain the confidence of the people, specially the lower income group who form the majority of the population. While there have been

⁷ For a newly set bank which has started its operations and have not launched most of its loan products, the accumulated deposits have been considered as the asset base in absence of the published audited annual report.

⁸ <http://economictimes.indiatimes.com/markets/stocks/earnings/bandhan-bank-reports-rs-275-crore-net-profit-for-the-first-7-months/articleshow/52292787.cms>

⁹ Ibid.

many cases of fraud, Bandhan has emerged from non-regulated sector and adopted regulations. On getting the banking licence it has gained mileage with respect to the people's trust. The other banks have yet to gain confidence to be at par with Bandhan Bank.

Zero Balance Account

Being a private bank, it has introduced zero-balance savings account which is not a common affair with the other private players. This feature would attract more customers than the others as many have prevented themselves from creating an account with these private which requires a minimum balance to be kept at all times. In case of AXIS Bank, a minimum balance of INR 10,000 is required for a savings account.

Tapping the Rural Resources

Various studies have revealed that the rural areas do have a lot of resources that can be tapped. Mr. C. S. Ghosh have specially emphasized on the fact that from his experience, the east and the north eastern states have a lot of it. The vast reach would certainly tap these resources.

Decreasing the Unorganised Sector

Including the excluded and tapping the resources have been few of the major objectives that India has been dreaming to achieve. Tapping of the rural resources would gradually wash out the unorganised sector and bring all of them under the purview of the organised sector with Bandhan operating as a bank. It may attract a lot of facilities from the government if it realises that dream.

Interests of the Venture Capitalists

Already Bandhan had gained SIDBI's confidence for infusing its funds in the form of investments. As years have gone and Bandhan has proved itself, more and more funds have been pouring from various sources. Bandhan bank has been incorporated as a wholly owned subsidiary of Bandhan Financial Holdings as per the guidelines issued by RBI.¹⁰ Bandhan Financial Holdings is owned by Bandhan Financial Services Limited (BFSL) whose shareholders include IFC, SIDBI, Caladium Investment

¹⁰ RBI press release 'RBI releases Guidelines for Licensing of New Banks in the Private Sector' dated February 22, 2013

Pvt. Ltd. (a company managed by GIC Special Investments Private Limited), Bandhan Employees Welfare Trust, and a few individuals.¹¹ This would certainly be of great help when the bank would go for expansion.

Issue of Shares

RBI has general permission¹² to both listed and unlisted banks operating in the private sector to issue shares by way of all the following routes:

- Public issue (initial public offer and further public offer)
- Private placement (preferential issue and qualified institutional placement)
- Rights issue
- Bonus issue

Bandhan bank can easily make use of this permission within five years¹³ of its operation to invite more and more investments to increase its capital base giving it further avenues for expansion; provided it abides by all the conditions laid down by the RBI.

Facing the Hurdles

Catering to New Customers

Bandhan as a NGO and a NBFC had catered to women borrowers, which was a major reason behind the low level of NPA as claimed by Mr. C. S. Ghosh¹⁴. As a bank it cannot restrict itself to only one category of customers. This would require the new bank to formulate risk management strategies like better monitoring mechanisms as they lack previous experiences in this regard. Earlier, it has dealt with the lower income group whose attitude, thinking process and perspectives are very different from the higher income group. It would face challenges in their approach to these new classes of customers.

The previous borrowers did not bother much about the constant monitoring by the Bandhan officials and it is expected that they would not after it has become a bank but the other class of customers, specially the higher income level group may not entertain such supervision.

Lack of Personalised Services

Even though there are various loans available for social benefit, Bandhan has yet to come up with more products in its retail loan platter for catering various customers. Presently, it provides home loans, loan against property, loan against term deposit, and 2-wheeler loans¹⁵. It still has to add other loans like personal loans, 4-wheeler loans, gold loans, educational loans which are common among the other banks. It has not yet started personalised services like credit cards, demat account, locker facility etc.

Human Resource Related Issues

Bandhan bank did not have industry professionals as a part of its employee group. However, it has managed to hire nearly 400 professionals, a major chunk tapped from private rivals (like AXIS Bank and HDFC Bank) including renowned bankers like Rahul Johri¹⁶ and Vijaykumar Ramakrishna¹⁷ within its first year of operation. Retention of their loyalty is a cause of concern as they have the entire banking industry to work with. They lack the attachment like the existing employees who have grown with the metamorphosis of Bandhan developed over the last thirteen years.

The existing employees that work in the general banking category but have an experience in the previous mode of Bandhan's operations would need to unlearn and relearn to be at par with the industry standards.

External Monitoring and Costs Involved

One of the strengths of BFSPL was constant monitoring throughout the transaction which led to shelling out of a major portion of the revenues but helped the organisation

¹¹ www.bandhanbank.com

¹² RBI Master Direction DBR.PSBD.No.95/16.13.100/2015-16 'Issue and Pricing of shares by Private Sector Banks, Directions, 2016' dated April 21, 2016

¹³ <http://www.sebi.gov.in/faq/pubissuefaq.html>

¹⁴ <http://indiatoday.intoday.in/story/bandhan-financial-service-chief-chandra-shekhhar-ghosh/1/355146.html>

¹⁵ www.bandhanbank.com

¹⁶ Former retail head of Development Bank of Singapore (DBS), now posted as retail head in Bandhan Bank

¹⁷ Former president of Yes Bank now posted as technical head in Bandhan Bank filling the gap of information technology.

to the NPA level lower than 1%. However, as a bank it has further gone for expansion with a diversified customer base which would increase the monitoring cost. Again lowering the same might lead to increased NPA level.

Issues Related to Expansion

Transformation from an NBFC to a bank has contributed towards expansion but also it would also pose a challenge in the number of people employed to take care of such expansion. If it does not keep the staff numbers increasing with the increase in its size, the personal touch that Bandhan claims to its credit may be hampered. The background study that is required for loan disbursement would be compromised again leading to probable NPA.

Lack of Status

The urban customers are concerned with their status and feel one's status is connected with the choice of banks they make to transact with. Bandhan have had a humble background unlike ICICI Bank and HDFC Bank which might pose a huge challenge in gaining acceptance among these customers. It has always been tagged to be the 'bank for the poor' and such a tag would not be welcomed by urban customers.

Challenges of Corporate Lending

In India, number of defaulting customers in the priority sector is huge. However, such defaults are mainly due to inability to repay the loans rather than willful default. Moreover, the quantum of such loans is not huge. Banks suffer with high NPAs due to willful default of the corporate and high-end customers. Bandhan till date has been catering to the first group of customer; an attempt of loan disbursement to the corporate sector might change the recovery scenario of Bandhan which is an inherent characteristic of corporate banking.

Venture Capital Investments

The huge investments made by the various venture capitalists will also be looking at the returns that Bandhan bank has to offer. This would work as a constant pressure for the bank to reap more and more profits.

Strong Presence of Cooperative Banks (CBs)

The presence of multi-state CBs like Saraswat Cooperative Bank¹⁸ might pose to be a challenge for Bandhan Bank. After the RBI circular permitting the CBs to merge, they have been creating a strong network in urban, semi-urban and rural sectors. Local CBs have always been in an advantageous position of getting local customers and providing them with customised services.

Institutional Initiatives by RBI

Payment banks and small finance banks are already set up by RBI and the number is expected to grow by the years which would again be another competition that the bank would face. Moreover, if India Post becomes a bank in the near future, it would be a major competitor with a total number of post offices as large as 154,882¹⁹ spread throughout India.

Announcement of Setting up of MUDRA Bank

The setting up of Micro Units Development and Refinance Agency (MUDRA) Bank that has been announced by the GoI would cater to the following:

- Providing refinance for micro units to commercial banks/ NBFCs/ RRBs/ cooperative banks/ MFIs that aim to provide services to small retailers/ shopkeepers, women entrepreneurs, manufacturing and service enterprises in rural, semi-urban and urban areas;
- Providing development and financial literacy support for skill development, entrepreneurship, marketing training and financial literacy.

¹⁸ Basel Committee for Banking Supervision (BCBS) finalised the Basel III guidelines by December 2010. The key elements of the proposed Basel III guidelines include the following:

Definition of capital made more stringent, capital buffers introduced and loss absorptive capacity of Tier 1 and Tier 2 capital instrument of internationally active banks proposed to be enhanced

Forward looking provisioning prescribed

Modifications made in counterparty credit risk weights

New parameter of leverage ratio introduced

Global liquidity standards prescribed

¹⁹ Inclusive Finance India Report 2015

This would again prove to be a potential competitor, especially at the rural and semi-rural areas for Bandhan bank.

Infrastructural Challenges

Availability of electricity in the interior areas of Indian rural sector along with internet network coverage is a mandatory criterion to make full-fledged use of core banking system which is used by all other banks, irrespective of its type.

Consolidation of PSBs

As an effort to adopt Basel III regulations and stringent capital adequacy norms by March, 2019, RBI has taken a step to merge the problematic PSBs. Such merger would increase their size and together with more infusion of funds from the government would prove to be a challenge for the new players like Bandhan Bank.

Road Ahead

If we look at the positive aspects of Bandhan Bank, it has been able to justify 'financial inclusion' in its truest sense. It has created profit earning avenues not only for Mr. C. S. Ghosh but also for the people who are associated with it, - be it the employees or the customers that it transacts with. This fits the definition of "social entrepreneurship" as the tagline rightly suggests "*Apna Bhala, Sabki Bhalai*" (growing with the growth of others). This creates an expectation among the stakeholders that it will not let go of any opportunity that comes along its way to be the shining star in the banking industry. However, it is not a fool proof system that would work effortlessly without any ups and downs in its path. Therefore, winning over the weaknesses by building on its strength and overcoming the challenges by taking advantage of the opportunities would make Bandhan Bank sustainable.

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