



# Bandhan

## *A Decade of Development*

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# Backdrop

- India hosts for 1/3<sup>rd</sup> of the world's poor
- Almost half of the country unbanked
- 55 per cent of the population has deposit accounts and 9 per cent have credit accounts with banks
- India has the highest number of households (145 million) excluded from banking
- Only one bank branch per 14,000 people
- Banks inaccessible to poor due to lack of credit history
- Only a little less than 20% of the population has any kind of life insurance and 9.6% of the population has non-life insurance coverage
- Across 6 lakh villages in India there are only 33,495 rural branches of SCBs (including RRBs)
- Just 18 per cent had debit cards and less than 2 per cent had credit card



# Program Highlights

|   |           |
|---|-----------|
| States & Union Territories                    | 18        |
| Districts covered                             | 183       |
| Under banked districts covered                | 130       |
| Branches                                      | 1,683     |
| Staff   | 10,420    |
| Borrowers                                     | 39,11,680 |
| Insurance Clients                             | 77,89,640 |
| New Pension System (NPS) subscribers          | 142,715   |
| Cumulative loan disbursement (INR in million) | 1,78,530  |
| Loan Outstanding (INR in million)             | 34,666    |
| On Time Repayment Rate                        | 99.62%    |
| H/H covered under development programs        | 4,06,320  |



# Financial Performance as on March 12

| Ratio                                  | Bandhan | India   |
|--|---------|---------|
| <b>Profitability</b>                   |         |         |
| Return on Equity (ROE)                 | 26.83%  | 7.64%   |
| Return on Assets (ROA)                 | 4.40%   | 2.61%   |
| <b>Sustainability</b>                  |         |         |
| Operating Self Sufficiency (OSS)       | 133.41% | 111.41% |
| Debt Equity Ratio (DER /Gearing Ratio) | 4.74%   | 2.50%   |
| Capital Adequacy Ratio (CAR)           | 22.63%  | 21.00%  |
| <b>Efficiency</b>                      |         |         |
| Cost Per Loan Amount Disbursed (Re.)   | 0.07    | 0.19    |
| Cost Per Borrower                      | 1,251   | 1,299   |
| Case Load Per Staff                    | 379     | 355     |
| <b>Portfolio Quality</b>               |         |         |
| Non Performing assets (NPA)            | 0.13%   | 1.00%*  |
| Standard Assets                        | 99.87%  | 99.00%  |
| Gross Portfolio (Rs. In Crores)        | 3,730   | 20,913  |

Source: Sadhan – The Bharat Microfinance Quick Report 2012



# Challenges

- Initially no one supported the concept resulting in fund crunch
- All financial activities perceived as chit funds
- Moneylenders posed lot of problems
- Skilled work force not available
- Microfinance was not a viable career option
- Retention of the staff was a big challenge
- Technology introduction and up gradation on a continuous basis
- Improvement in standard of governance
- Savings disallowed therefore impacting resource mobilization



# Overcoming challenges

- Shared our endeavors with lenders by making them visit practical field which helped them convince of our robust model
- Field visit strictly meant visiting the group / village (not just branch visit) in order to catch the pulse of the program
- Selected employees who hailed from similar backgrounds as our clients so acceptability was much easier
- Cost and time invested to develop dedicated set of people through continuous training
- Strict adherence to the operational manual



# What makes Bandhan unique?

- Value driven organization
- No mission drift – have been cautious & careful in selecting like-minded institutional investors
- Share a very close relationship with the borrowers
- Have voluntarily slashed lending rates thrice since inception in order to make sure the benefit is being passed on to the poor
- Utmost priority given on capacity building of human resource
- Good client protection system is practiced (helpline, Ombudsmen committee and others)
- Grievance redressal mechanism system in place
- Organization's policy do not permit to offer incentive to the staff at any level
- 5% of the surplus is ploughed back into sustaining credit plus interventions (actively engaged in the field of education, health, livelihood and others)

# ANNEX





# Why unbanked populace?

## Supply Side Failure: Why banks shy away from catering to poor?

High uncertainty due to volatile income streams & expenditure pattern

High risk of default due to lack of credit information

High transaction cost due to small size of loans, high frequency of transaction, illiteracy

Lack of collateral

## Demand Side Failure: Why poor avoid banks as a source of fund?

Products are not customized for their volatile income and expenditure patterns

Transaction cost of dealing with banks is very high

Time taking and cumbersome procedures for opening accounts and seeking loans

Banks demand collateral against loans which poor households cannot afford

# Microfinance Revolution!

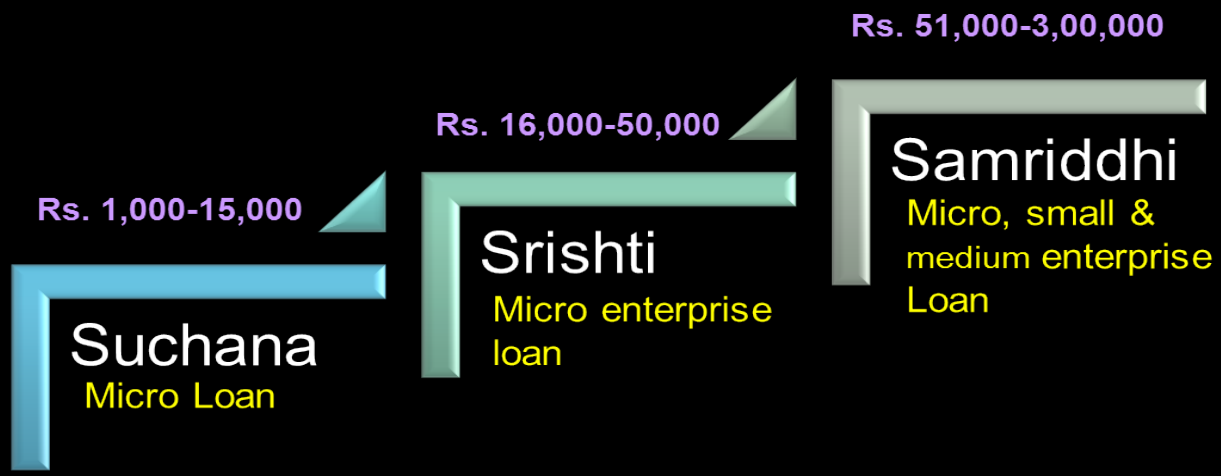


Microfinance emerged out as the most feasible, viable, cost-effective, sustainable proposition for reaching out to the poor



**PRODUCTS  
&  
SERVICES**

- Pension
- Insurance
- Remittance
- Sushiksha-Education Loan      Rs 1,000-10,000
- Suraksha-Health Loan              Rs 1,000-5,000
- Fisheries Loan                         Rs 8,000-40,000



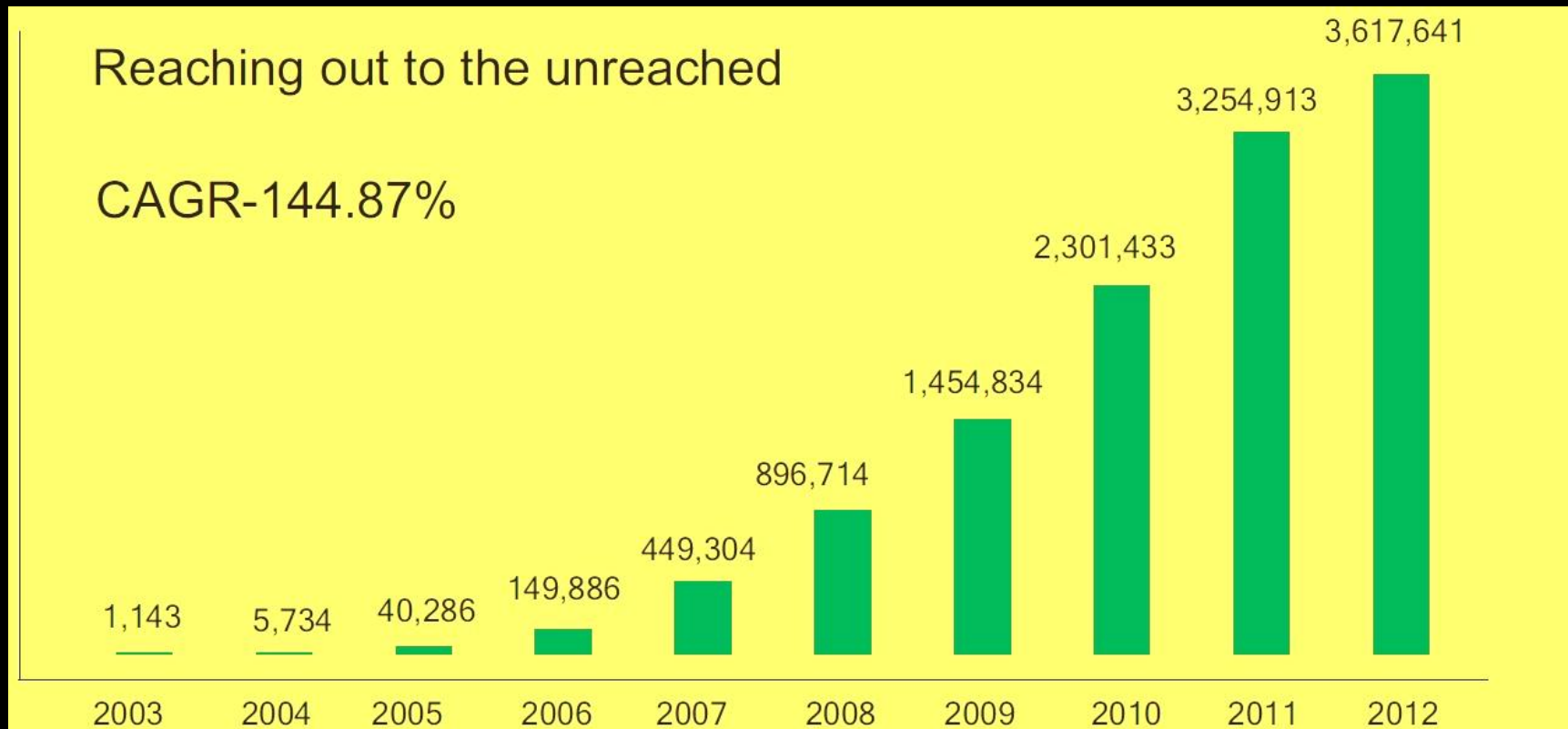


# Incredible growth story





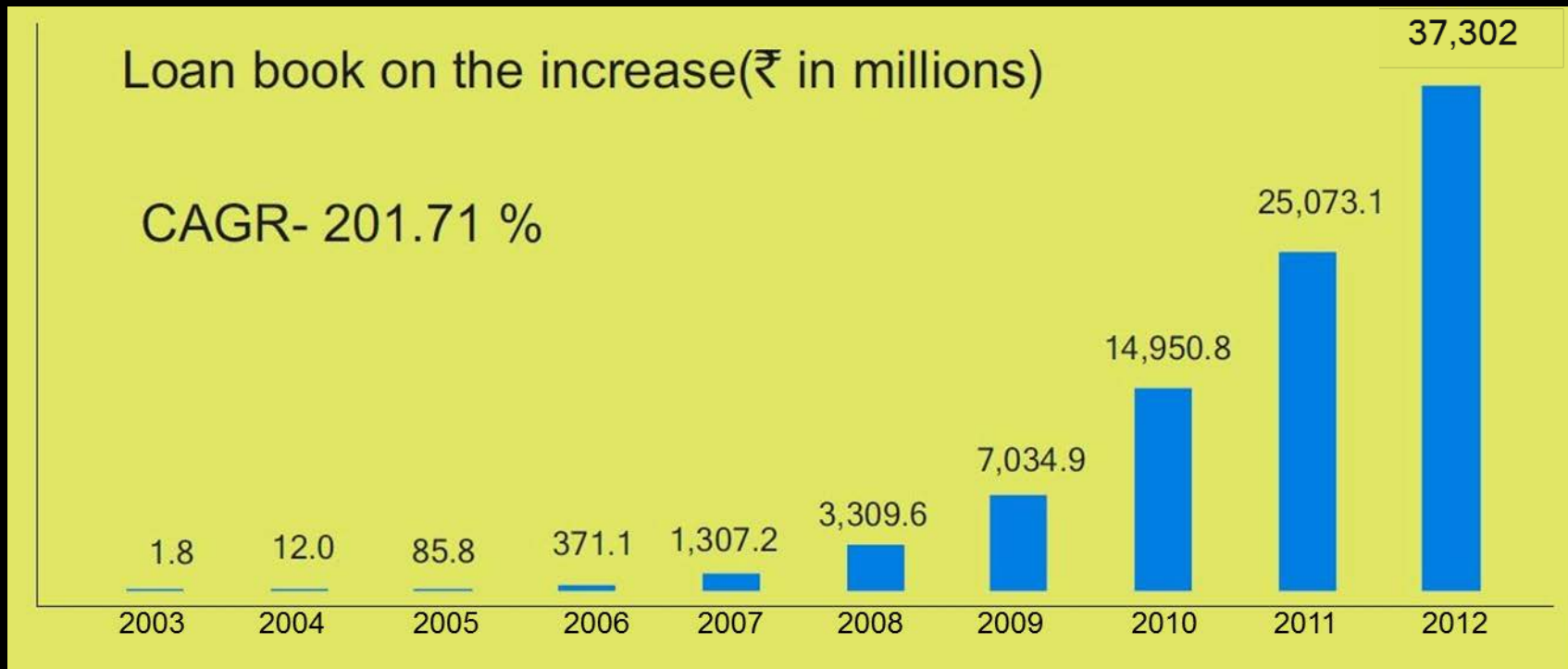
# Outreach



Growth in borrower

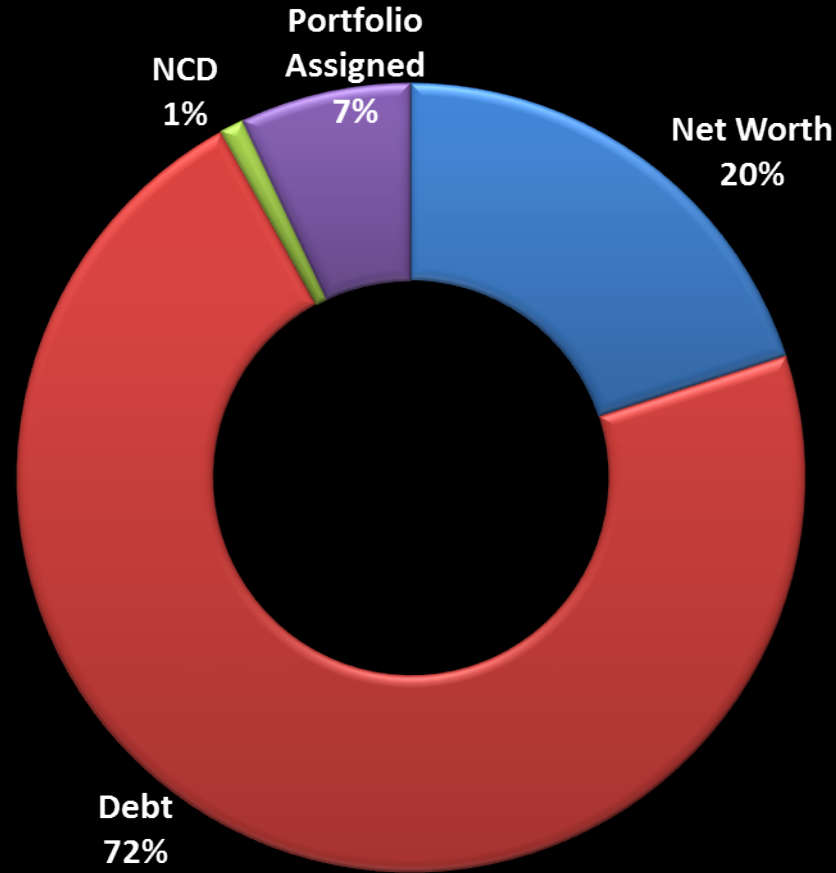


# Growing loan book



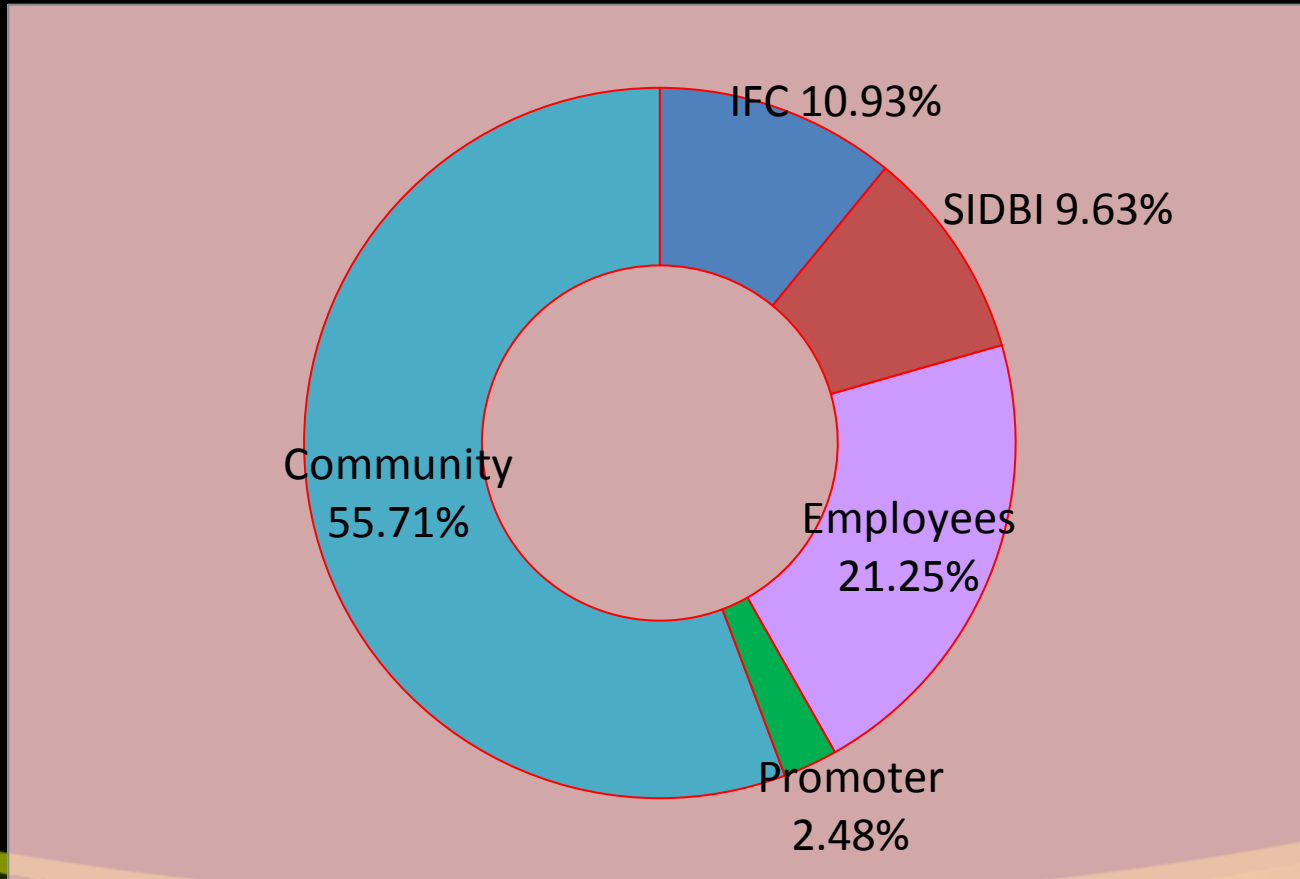


# Diversified funding sources





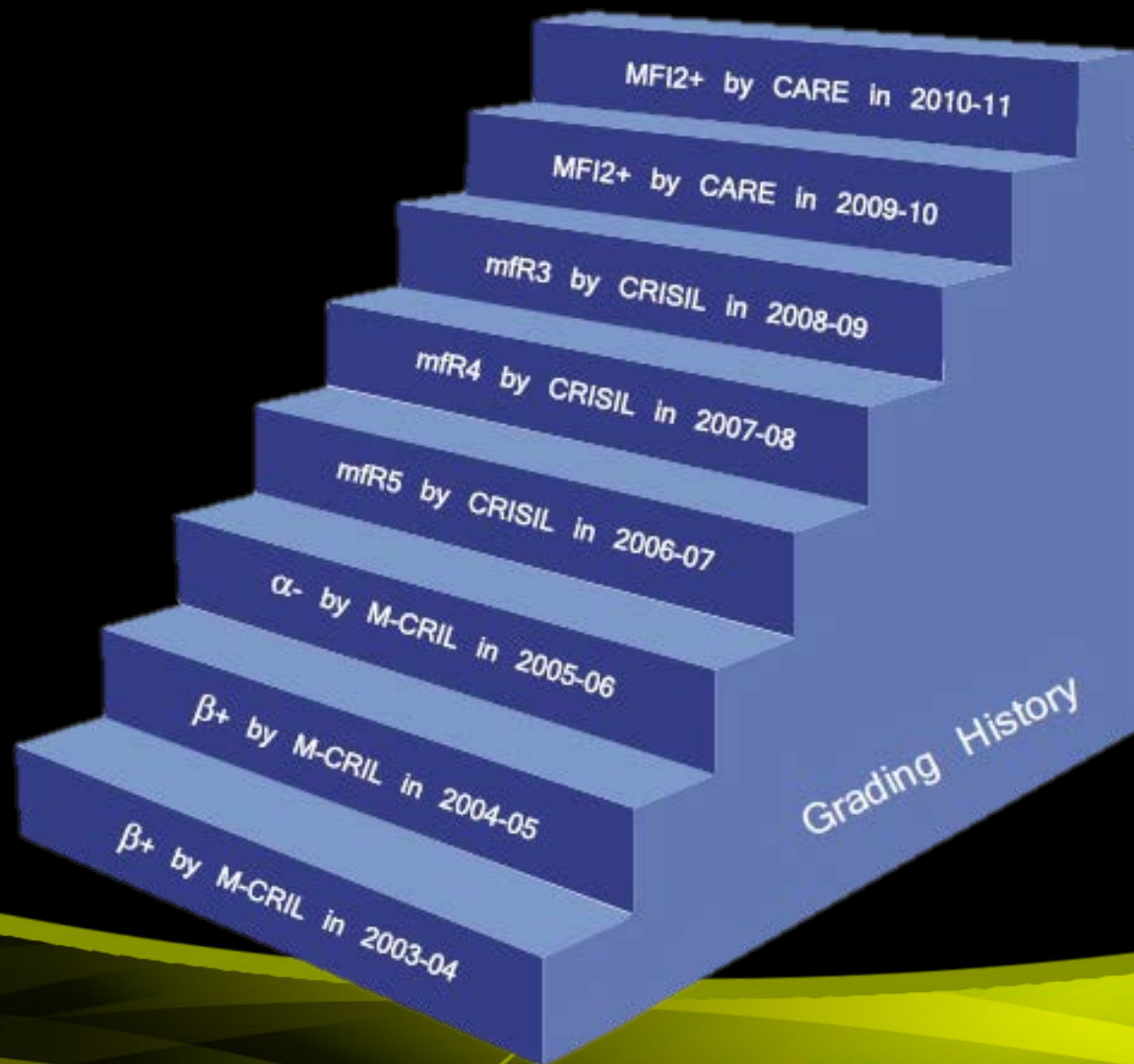
# Unique Shareholding Pattern







# External Grading





# Instrument Ratings

*Conducted by CARE*

## Non-convertible debentures

- ◆ Conducted in Nov 2010
- ◆ Revalidated in Nov 2011
- ◆ Valid till Nov 2012
- ◆ Grade assigned CARE A-

## Bank facilities

- ◆ Conducted in Nov 2010
- ◆ Revalidated in Nov 2011
- ◆ Valid till Nov 2012
- ◆ Grade assigned CARE A-

## Unsecured Subordinated Tier II Bonds

- ◆ Conducted in Dec 2010
- ◆ Revalidated in Nov 2011
- ◆ Valid till Nov 2012
- ◆ Grade assigned BBB+

Contd..



# Other Ratings

Social rating by  
M-CRIL

- ◆ Grade assigned  $\Sigma\alpha$ -
- ◆ This rating covers 1st three steps of social performance pathway: intent & values, operation & systems and portfolio analysis

Code of Conduct  
Compliance  
Assessment(COCA)

- ◆ Score of 84% obtained
- ◆ Implication: Very high level of adherence of code of conduct

Besides the above, loan portfolio audit is also conducted at regular intervals

# Development Programs

5% of the surplus of microfinance operations are diverted towards supporting the following development activities



Hard Core  
Poor Program



Employing the  
Unemployed

Health  
Program



Ashoka fellowship of  
Mr. Ghosh



Horticulture  
Program

Education  
Program



# Bandhan envisions..

To become a 'bank for the unbanked'





# Thank You!



Help us to empower the poor to work their way out of poverty!