

**Bengal's First Since Independence:** Bandhan, the micro-lender that has made inroads into the heart of Bengal, kicks off its journey as a full-fledged bank, steering the state to a new height at a time when business and industrial activities have suffered unabated downslide

# A Bank from Bengal for Bharat

FM inaugurates Bandhan Bank at an event which draws the bigwigs of banking fraternity and, Ghosh, the brain behind Bandhan, is hailed by all

## Bandhan is Born Again, This Time as a Bank



Arun Jaitley lights the ceremonial lamp in presence of Bengal FM Amit Mitra.

Our Bureau

**Kolkata:** Bandhan Bank, the first private bank to become operational in India in a decade, will focus on small and micro enterprises, besides micro loan borrowers, and keep out of large corporate lending.

The first microfinance company to transform into a full-fledged scheduled commercial bank was inaugurated by Finance Minister Arun Jaitley on Sunday.

"It is a landmark initiative in the service of country and state," Jaitley said. "It is these entrepreneurs, many of them in unorganised sector, who form the backbone of Indian economy." According to the finance minister, small entrepreneurs — from shopkeepers to hawkers — are generating almost 11-12 crore jobs while the large organised industry is able to generate only a small fraction of it. "We are in the second phase of financial inclusion after Jan Dhan Yojana," Jaitley said. "The banking is going far beyond brick and mortar branches with business correspondences working in the villages. Expansion of this segment, along with the initiatives to set up 11 new payments banks, will help people get rid of unreliable institutions."

He was referring to the pyramid schemes run by money circulating firms such as Saradha, which had mushroomed in the eastern region, in the absence of robust banking penetration. Bandhan Bank, which started off with 501

branches and 2022 customer service centres, try to raise its stake in the bottom of the pyramid customers with savings, remittance and insurance services, even as the established ones such as State Bank of India and ICICI Bank are in a race to have more customers from the unbanked population.

It will stay away from large corporate lending, managing director and chief executive Chandra Shekhar Ghosh said. It will continue to cater to the unorganised sector like daily wage earners and women running small businesses — the segments that had been its borrowers for a decade.

Reserve Bank of India has turned liberal in doling out banking licences to entities of different capabilities. It has just issued 11 in-principle licences to set up payments banks last week and will announce name of small finance banks licensees next month.

IDFC Bank, which also got a licence along with Bandhan last year, will begin its journey on October 1. "We will pass on the benefits of lower cost to our borrowers as we start raising deposits," Ghosh said. It has raised ₹ 80 crore worth of deposits the first day.

The company has 67 lakh microfinance borrowers and their accounts have been transferred to the new entity, creating a ₹ 10,240-crore strong loan portfolio to start with. Its net worth is ₹ 3052 crore and existing shareholders like IFC and Singapore sovereign wealth fund GIC are likely to invest ₹ 500 crore.



MD and CEO Chandra Shekhar Ghosh with FM Arun Jaitley at the launch of Bandhan Bank in the city on Sunday.

## In Ghosh, Jaitley Sees Return of Entrepreneurship in Bengal

Jaitley calls for political harmony for driving economic growth in the state

Our Bureau

**Kolkata:** The creation of Bandhan Bank marks the return of entrepreneurship in Bengal and this would lead West Bengal to the path of progress, Union Finance Minister Arun Jaitley said on Sunday. "A great institution is being born in West Bengal," Jaitley said. "The most important thing is the birth of a Bangla entrepreneur, which is of utmost importance for the revival and growth of fundamentals of West Bengal," he said after inaugurating the country's first private bank in 11 years.

Underscoring the importance of economic activity in eastern states, Jaitley said that political differences between Bharatiya Janata Party and the Trinamool Congress would not block the way of development of West Bengal.



Union Finance Minister Arun Jaitley addresses the gathering.

"The party to which I belong (BJP) and the party which rules West Bengal (TMC) are strongly opposed to each other and that probably will continue. But in terms of development of this country and the state, the politics will not matter and we will fully cooperate in the development and growth of the state of West Bengal," Jaitley said, terming his stance as "a break from some of the obsolete policies of the past and the realisation of the potential of this area which is of extreme importance."

He said that Prime Minister Narendra Modi has repeatedly declared that for further growth of India, the growth of eastern states is important. West Bengal, which is known as the cradle of scientists, economists, academicians, authors and writers, is now creating the Bangla entrepreneur. "I think this beginning is also important in terms of the return of entrepreneurship to the state of West Bengal, which was otherwise fleeing from the state. If this were to happen, I am sure the state would be on a great path to progress."

Bandhan Bank is the first bank set up by a local entrepreneur after Independence. Uco Bank, the last one to be set up in Kolkata, was founded by Ghanshyam Das Birla in 1943. State Bank of India, the country's largest lender also traces its history to the formation of Bank of Calcutta in 1806, making it the oldest commercial bank in the subcontinent. Prince Dwarkanath Tagore, grandfather of Rabindranath Tagore, was an entrepreneur and had founded Union Bank in Calcutta in 1829. The bank, however, failed in 1848.

## An Experiment That's Poised to Reshape Banking



Bandhan Bank MD and CEO Chandra Shekhar Ghosh greets RBI Deputy Governor HR Khan at the event.

Our Bureau

**Kolkata:** The Bandhan Bank experiment may shape India's banking for tomorrow, felt the who's who of banking fraternity who converged on the city on Sunday to be part of the maiden birth of a bank from a micro-lending company.

The formation of Bandhan Bank in fact, marked a new beginning of Indian banking, which in another one-and-a-half years will see emergence of payments banks and small finance bank. Reserve Bank of India has decided to offer licences to entities with different capabilities with a single agenda in mind: improve financial penetration.

"India is home to several experiments and an MFI turning into a bank is one such experiment," former RBI deputy governor Shyamala Gopinath said at pre-launch event on the eve of Bandhan's inauguration on Sunday. "Bandhan Bank is the first to be off the block as the new change is happening in the country's finance and banking field," Uday Kotak, executive vice chairman and managing director of Kotak Mahindra Bank, said at the event.

West Bengal finance cum industry minister Amit Mitra,

who was present at the inaugural event, said that Bandhan Bank would serve the twin purpose of women empowerment and poverty alleviation. Bandhan got a licence last year, along with IDFC, which will launch banking operation on October 1. Competition will be intense in banking with RBI surprising everyone by offering 11 in-principle licences to set up payments banks. The regulator will announce the name of small finance banks licensees next month. "This is a very exciting launch. India is changing not only on the top, but also on the bottom-end," World Bank country director for India Onno Ruhl said. "It's an experiment all of us are following keenly," BSE's managing director and chief executive Ashishkumar Chauhan said.

Microfinance Institutions Network chief executive Ratna Vishwanathan said that Bandhan Bank is a culmination of hard work and a dream. "It's entry to the universal bank space augurs well for the formal financial service providers who lend to vulnerable and underserved populations because of Mr Ghosh's deep understanding of the credit needs of this sector."

Photos: Subhajit Pal

## Micromax May Unveil Its Own Operating System

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**New Delhi:** Micromax is set to go the Xiaomi, Microsoft and Samsung way. The homegrown company is developing its own operating system as well as a suite of services and apps which will run across its phones, tablets, televisions and wearables, as it goes up the value chain to differentiate itself from increasing competition.

Spearheaded by former Amazon executive Ashish Agrawal, who is the new technology head at Micromax, the OS will be a forked Android — a platform developed on Google's open source mobile OS. The first smartphones with the new OS will be available by the end of this financial year and they will be affordably priced, Micromax cofounder Vikas Jain told ET.

"We're excellent with partnerships and we don't want to reinvent the wheel," Jain said, while specifying that the company was not breaking away from Android but was working with the globally dominant Android OS to bring a differentiated experience to consumers across all platforms, including wearables.

Agrawal said the likes of Apple, Microsoft and Xiaomi, which have their own OS across platforms, are translating what they have done internationally to India. In contrast, Micromax is closer to the Indian consumer and therefore has a better understanding of the local market and insights based on which it will build the customer experience.

"Our (Indian) use cases are much different from a US or Chinese customer," he said. As hardware is becoming a commodity, Micromax wants to start investing in software to differentiate itself. How-

ever, the company doesn't want to alienate its set of consumers and developers, majority of who are on Android, by building an operating system from the ground up. The No. 2 handset brand in India, which closed fiscal 2015 with ₹ 11,000 crore of revenue, sells about 3 million phones a month, two-thirds of which are smartphones, and has a 16.7% share of smartphones and 14.4% share overall devices in the local market as per Counterpoint Research.

It is No. 3 in the tablet segment with a 9% share for the quarter ended March 2015, according to Cybermedia Research, trailing Samsung and Datawind. Jain said Micromax is among the top five players in the Indian television market with an 8% share, selling about 70,000 units a month. Jain said the first 'smart-non-mobile device' from the company stable would hit the retail market by the end of the year.

Despite its strong performance in the smartphone and other product segments, the company's future growth would have to come from services built on top of its products to ensure customer stickiness and brand loyalty — a difficult feat given Indian users' discerning and value-for-money profile.

Over past year, Micromax tied up with Cynogen for using its OS on Yu brand of smartphones through a wholly-owned subsidiary. The company has also begun investing in startups that build services which can be integrated into devices.

## Now, SBI Chairman Joins the Startup Gold Rush

Nation's biggest lender aims to catch up with tech-savvy rivals

Pankaj Mishra & Anirban Sen

**Bengaluru:** State Bank of India is joining the ranks of large corporates starting to tap into Bengaluru's fertile startup ecosystem and engage with early-stage firms, as the nation's biggest lender aims to catch up with new-age, tech-savvy rivals amid a

major technology shift in the financial services landscape.

Last month, SBI Chairman Arundhati Bhattacharya sat in the front rows of a startup session in the city, listening to how disruptive technologies and fledgling ventures are taking over the financial services industry.

India's largest conglomerates and other corporates are flying in to Bengaluru to get a sense of the startup world.

A dozen startups pitched before an SBI team, which included two of the lender's board members. These startups included payment solutions provider enStage, Khosla Labs incubat-

ed Novopay, business expense management solution provider Happay, online financial services platform Vote4Cash, financial research firm Probe Equity and online lending platform Capital Float.

"We were surprised to see how these people are developing/working on technologies to solve some of the problems we didn't even know existed. It was very interesting to see how point-solutions by startups have the potential to impact the banking industry," SBI Chief Information Officer Mrutyunjay Mahapatra said in an email to ET. "In fact, we were so impressed by the overall concept that we

have personally invited a few of these guys for demonstrations at our office for a larger group of audiences," said Mahapatra.

A number of old-worldly Indian conglomerates are now launching corporate accelerator programmes and incubators to leverage the potential of startups.

Last week, the Aditya Birla Group launched an incubator-like initiative called Bizlabs to collaborate with startups. ET had reported earlier in August that the Aditya Birla Group was setting up a dedicated fund for investing between \$2 million and \$10 million in disruptive ideas across fi-

nanial services, healthcare and retail. Many large traditional financial services giants such as SBI are facing disruption from the rise of new-age payments banks, mobile wallets and digital currencies such as Bitcoin.

"The rise of smartphones, payment bank licences from RBI, unified payment interface from the National Payment Corporation of India, the huge amount of global capital coming into the payment industry will all lead to disruption," Infosys cofounder and former chairman of the Unique Identification Authority Nandan Nilekani told ET in an interview last week.



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