

'We plan to double our customer base to 20 mn in two years'

Bandhan Bank, which is set to start operations on August 23 after receiving the final approval of the Reserve Bank of India on Wednesday, will not chase to grow its balance sheet but the focus will be on getting more customers. **CHANDRA SHEKHAR GHOSH**, founder and chairman and managing director of Bandhan Financial Services, tells Nupur Anand and Manojit Saha that it will take two years to grow the low-cost deposit base, which will give the lender a level-playing field with the incumbents. Edited excerpts:



CHANDRA SHEKHAR GHOSH

Founder, chairman and MD,
Bandhan Financial Services

Now that you have received the licence, what are the medium-term goals that you have set?

We will focus on the number of clients and not the size of the books. The existing banks are always focused on the balance sheet, but I would rather want to focus on my client base and also keep an eye on the financial viability of the bank. The increase in balance sheet means my profit has increased but it does not necessarily mean I have managed to expand my customer base. So we believe if we start with 10 million accounts as a bank and add another 10 million in the next two or three years, then we will be in a good position.

How many branches will Bandhan Bank have?

We will start with 600 branches, of which 200 will be in metro and urban centres. The remaining 400 will be in the semi-urban and rural centres. We will have 40 per cent branches in unbanked areas.

What will be the corporate structure?

Our structure will be in accordance with RBI norms. Our micro credit organisation will be created as a holding company, under which there will be the non-operating financial holding company (NOFHC). The bank will be under the NOFHC. So Bandhan Financial Services will hold



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the non-operating holding company along with me and the later will hold the bank.

Your lending rate is above 20 per cent at the moment. You cannot bring it down immediately since the bank will not have low-cost deposit. How will you be able to compete with other banks' rates, which is around 10 per cent?

It is a transformation phase for us. The lending rate and the cost of borrowing is different for a non-banking financial company (NBFC) and a bank. NBFCs borrow from the bank, so they cannot compete with the bank. So there will be a transition period for us — at least two years — before the rates can come at par with that of other banks.

Has the top management been identified in the bank?

We have identified 20 people, who will form the core team of the bank. We have 17,000 employees for the bank. We have hired 850 people from the other banks and 13,000 employees of the microfinance company have been transferred to the bank.

The remaining are freshers.

Will you be offering higher savings bank rate to attract depositors?

Service and the relationship with the bank will be the consideration for someone to open an account. If interest rate was a factor, then, all public sector banks customers would have had moved to some of the private banks that are offering higher interest rates on savings deposit. But that is not the case. Customers are mainly looking for a good relationship with the bank and we will be providing that.

Building a strong current and savings account deposit base will be important for the success of the bank. What will be the strategy for that?

The focus will be to create among customers the habit of depositing money in bank accounts. The same was the case when we started offering loans. We first had to acquaint people with the idea of taking a loan. First, we'll have to educate people to deposit money. Second, if you look at chit funds, you can see how much money used to be collected. Now that it has been stopped, we can get customers to channelise the money to banks.

How many people out of the current 10 million customers have a formal bank account?

Only 10-15 per cent of the customer base has a formal bank account.

What are the challenges for the bank?

The challenge will be to educate people that Bandhan is a bank. It is important so that people can trust the bank and build a relationship. We also need to build the skill of the micro-credit staff that has been transferred to the bank.