

## Ghosh-led Bandhan Creates Room to Grow



Under founder Chandra Shekhar Ghosh, Bandhan Bank – the winner of ET's Emerging Company of the Year award for 2019 – has managed to create an impressive asset and loan portfolio in just four years. ▶▶ 9

**ET EMERGING COMPANY OF THE YEAR 2019** has a feather in its cap with the acquisition of Gruh Finance from HDFC, which points to the great strides the microlender has made under its visionary founder

# A Bandhan That Ties Micro Credit, Branch Banking and Home Finance

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**Kolkata:** On September 28, 2018, Bandhan Bank founder Chandra Shekhar Ghosh was in for a rude shock. The regulator came down heavily on him and the bank he had founded for his failure to pare down the promoter stake to the prescribed 40%. The Reserve Bank of India said his pay packet could not increase, and barred the lender from opening branches without prior permission.

Ghosh, however, persuaded Mint Road to grant him 40 branch licences last December, helping calm the nerves of Bandhan stakeholders. More importantly, in less than four months, Bandhan Bank announced its acquisition of Gruh Finance – a blockbuster purchase helping pare down promoter holding to 62% and diversify into loan assets.

Ghosh has now established his credentials as a banker who not only understands microfinance like the back of his hand but one who can also cut deals with the country's sharpest financial brains — and in the shortest possible time. Gruh was owned by the venerable HDFC Group. The merger has come into force on October 17.

"I am very happy that the merger is complete in the shortest possible time. There were apprehensions about the possibility of talent from Gruh Finance leaving before the merger. Let me tell you, all the team members of Gruh, along with their senior people, have joined Bandhan," Ghosh tells ET with visible pride.

It gives Bandhan access to a ready-made housing-loan portfolio of ₹18,200

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### Chandra Shekhar Ghosh

crore, in addition to its own existing loan portfolio of ₹46,000 crore — a formidable asset size for a four-year-old bank. Its deposits have grown to ₹49,200 crore, including Gruh's ₹1,600 crore. About 78% of this money has come from retail deposits, reflecting the trust Bandhan has developed among savers across regions.

Ghosh says its deposit mobilisation grew 75% year-on-year from the western states and 45% from central India.

Bandhan Bank is the winner of the ET Emerging Company of the Year Award in 2019. "This is an honour and a recognition for our hard work over



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the last four years. The award will also encourage the entire team to work harder for the next four years," says Ghosh, who had bagged the ET Entrepreneur of the Year Award in 2014, the year before he launched Bandhan Bank. It received the in-principle banking licence the year before along with IDFC

Bank.

The lender now has four verticals — micro credit, branch banking, MSME and housing finance.

"Three of them are for credit businesses. We consider them as business growth products. We also offer person-

al loans, two-wheeler loans, but these are merely to meet customer needs, not for driving business growth," Ghosh says. Surely, he does not believe in biting off more than he can chew.

A statistician by training, Ghosh believes that there is unlimited growth opportunity in microfinance. "India has 25 crore families. If we exclude the top 15% and bottom 15% of them and again leave another 20%, we have 12.5 crore families that are eligible for micro credit. At present, we have 5.5 crore micro loan borrowers. Considering that there may be about 20% overlapping of borrowers, we have a net 4.5 crore families who borrow micro loans. This means, we have 8 crore families who do not have access to micro credit even today," he says.

This means, if average credit size is ₹50,000, there is an untapped market of ₹4 lakh crore. With ₹2 lakh crore in outstanding loans, the size of the microfinance market today would be around ₹6 lakh crore. Ghosh expects the market to grow to ₹15 lakh crore in the next five years even on a conservative GDP growth estimate of 6% per year.

Yet, the housing loan business would provide Bandhan a much needed balance. The bank has decided to keep Gruh's 195 offices purely for home loan business without transforming them also into liability centers. It has also opened 106 separate outlets within its branches for marketing home loans.

But on the regulation front, Ghosh's job is far from over. He needs to bring down the promoter stake to 40%. This can be done through another acquisition or direct dilution of promoter holdings.