

# 'CMAs CAN HELP FIs TO OPTIMISE COST EFFICIENCY WITHOUT COMPROMISING QUALITY'

**MR. CHANDRA SHEKHAR GHOSH**

Chairman & Managing Director of Bandhan Financial Services Private Limited



## Q & A

**MA** Microfinance institution “Bandhan” has become a bank recently. What is your experience so far in this journey? What are the basic business plans you are working on?

Bandhan was started in 2001 with a vision of poverty alleviation and women empowerment. Looking back I feel glad that we have not deviated from our vision. It has so far been a journey of learning and growth. As a NBFC-MFI we have presence in 22 states and union territories of India, providing financial services including credit, insurance, pension and remittance to around 60 lakh people. As we become bank we will be able to include liability products in our portfolio. We are going through a phase of transition, which comprises of work in area of new product development, IT infrastructure creation, recruitment, training, change management and many more.

**MA** “Financial inclusion operation” and “banking operation” are two different aspects. How do you plan to manage both?

I donot agree with the opinion of putting “financial inclusion operation” and “banking operation” in two different compartments. For me the purpose of existence of banking operation is to facilitate financial inclusion.

**MA** Being NBFCs, you may face several challenges for transition into a bank. What are those challenges did you face so far?

### **How would you deal with all these?**

Managing change is always a challenge. Presently we are having around 14,000 employees on our payroll serving a particular segment of the society. As a bank both the depth and width of our services will expand. Managing the human resource, keeping a balance between the existing employees and new recruits is a sensitive issue. Lack of basic infrastructure in remote rural areas is also posing some difficulty.

### **MA How do you see your organization shaping up to cope with the bigger responsibility?**

I am confident of honouring the responsibility entrusted on us by the Reserve Bank of India.

### **MA What is Bandhan's vision for the next five years down the line?**

Our vision is to provide basic banking services to all, specially the population residing in un-banked areas so that there is no financially excluded individual in our country.

### **MA Who would be your target customers to achieve competitive edge in this industry?**

The first goal for the new bank will be having financial viability. Therefore we will tap all the segments as applicable to any bank in our country.

### **MA How will you differentiate your products/services with other existing banks?**

We are the first microfinance in-

stitution in India to be given an in-principal approval for banking licence. Our work is different. I think we need to communicate with the masses about the work that we have been doing over a decade now.

### **MA What was the motivation to get license from RBI to operate "Bandhan" as a full-fledged bank?**

Like all of us a poor person living in remote area also desires to create wealth, for growing small business, funding consumption needs such as marriages, education of children etc and to overcome life exigencies. They too aspire for a better standard of living. As a bank we will be able to provide them this opportunity by giving the access to a large number of financial products including liability products. As a NBFC-MFI we also have credit ceiling of Rs.50,000, which will go away once we become a bank.

### **MA How micro finance can help to build a strong economy for the nation?**

Microfinance creates a platform for increased accessibility of financial products for those, whom the banks often discard as too small to transact with. In doing so it promotes entrepreneurship. The enterprises in turn create employment opportunity for local people, which ultimately lead to economic growth.

### **MA What kind of support do you expect from RBI and Government?**

They are playing a very supportive role.

### **MA In the banking business NPA is a burning issue nowadays. What would be your strategy for NPA management?**

Maintaining stable relationship of trust with the borrowers and making them financially disciplined hold the key to our present recovery rate of more than 99.5%. To manage NPA efficiently one also has to appropriately analyze cash flow and meet the demand of the borrowers quickly.

### **MA What is your future expansion plan?**

We will provide banking services to all, across the country.

### **MA Being a successful entrepreneur what message would you like to convey to the new entrepreneurs?**

Dream big, be confident, be patient with the failures and keep working very hard to fulfil the dream.

### **MA Which are the areas, you feel, Cost Management is necessary in the sectors like banking and micro finance? Please suggest in what way Cost and Management Accountants may offer their expertise knowledge in this quest?**

Controlling cost increases efficiency in the system. The most cited reason of under achievement in financial inclusion is high cost. So, there is much scope of work in this area. Cost Management Accountants can help the financial sector organizations to reach the optimal level of cost efficiency without compromising the quality of services. They can also help in simplifying the processes, so that there is minimal paper work and reduced dependence on consultants.