

# 'Key Goal of Financial Inclusion Must be to Help Poor Get Credit'

States should create a favourable climate where lending and borrowing improves people's welfare, says Bandhan Bank chief



## TEAM ET

Tuli Biswas, wife of a daily wage earner living near Kolkata, had received ₹10,000 loan from Bandhan Financial Services, the previous avatar of Bandhan Bank, for buying two cows and eke out a living. That was 2009. Today, her family owns a herd of 32 cattle and earns ₹32 lakh a year by selling milk.

They now have access to every financial service they seek such as savings and insurance. That's the power of financial inclusion, says Bandhan Bank managing director Chandra Shekhar Ghosh.

"We are the seventh largest economy in the world and endeavor to become the third largest. But in terms of human development index (HDI), we ranked a poor 129th and are in the vicinity of countries like Zimbabwe and Namibia. The three parameters of that index are per capita income, health and education. India is ranked 122nd in per capita income, 135th in health and 132nd in education," said Ghosh while delivering a special address at the ET Financial Inclusion Summit.

"Until per capita increases, HDI is not going to improve. Financial inclusion can lead to higher income which would automatically translate into higher spending into health and education."

He argues that there can be two ways of inclusive growth — the trickle-down approach by setting up industries and generating jobs and the trickle-up approach by creating access to financial services to the masses. He argues that the second option is more sustainable in the long run.

At the time of pandemic when job losses become regular as industries downsize, it's the grassroots entrepreneur having access to credit who braved the situation better than anybody else, says Ghosh.

Citing the example of Bangladesh, where per capita income is \$2200 against India's \$1900, he bets on financial inclusion. Microcredit, pioneered by Nobel winner Prof Muhammad Yunus, contributes 2% to Bangladesh's GDP.

"Financial inclusion is not a charitable job. Creating access to credit should be the first intervention in this drive," the micro lender-turned-banker says.

India's microfinance sector caters to 6 crore families out of the country's 26 crore. This means at least one job is created by microfinancing, which is lending without collateral, especially to women, encouraging them to take up economic activities.

"If microfinance organisations can reach out to another 6 crore families, then another 6 crore jobs can be generated," Ghosh says.

Therefore, he argues, the administration needs to encourage all the micro lenders to scale up.

But one issue that keeps cropping up as an obstacle is the demand for debt waiver. Governments — both the states and the union — should help build an environment that is conducive for business where lending and borrowing improves the welfare of the poor. If lenders end up losing money due to non-repayment, then financial inclusion may be elusive.

There is a need to formulate and implement a sweeping financial inclusion policy keeping financial literacy as its cornerstone to ensure last-mile connectivity. The state governments need to play an active role in its implementation.

"The government and the private sector need to come together, assess the needs of the people, prepare simple product and services and devise a plan on how we can reach out to them," says Ghosh. If it is done there is no doubt India can move up in the human development index.



**UNTIL PER CAPITA INCOME INCREASES, HUMAN DEVELOPMENT INDEX IS NOT GOING TO IMPROVE. FINANCIAL INCLUSION CAN LEAD TO HIGHER INCOME**

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