

'Bandhan Bank does not foresee much hiccups in microfinance collections once lockdown lifted'

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PRIVATE SECTOR LENDER Bandhan Bank does not foresee much hiccups in its collections of debt repayment in instalments from microfinance customers once the nationwide lockdown is lifted, managing director and CEO Chandra Shekhar Ghosh said on Monday.

Although microfinance loans come under the ambit of deferment of instalments for three months following the Reserve Bank of India's directive, Ghosh said he believed the customers, mostly, would not be availing the moratorium as it would lead to increased EMI (equated weekly instalments) for them.

"After the imposition of the lockdown, we have stopped microfinance collections. Our bank's policy is if we cannot meet our microfinance borrowers, there would be no creation of demands for the instalment payments from our part. Thus, as we are now unable to go to the ground level for collections, there is no generation of demands for instalment. After the lockdown is lifted, we can start collection activities. We are very hopeful. There is no reason to be worried," he said.

"A microfinance customer can opt for the EMI moratorium. But, when we are



MD & CEO Chandra Shekhar Ghosh

reaching out to the customers over phone to let them understand the scheme, most of them are saying that they would not avail the moratorium as it involves higher EMIs," Ghosh told *FE*.

Bandhan Bank, in a stock exchange filing, on Monday said for its microbanking business collection efficiency pan-India for the period from January 1 till March 21 stood at 98.7%. Total overdue as on March 31, 2020 was lower than December 31, 2019. "Further, deposits from microbanking customers continues to be strong and stable despite three weeks of lockdown," the lender added in the filing. Notably, the 21-day nationwide lockdown was imposed on March 24 to contain the spread of coronavirus. Prime minister Narendra Modi will address the nation on Tuesday amid indications that the shutdown could be extended

by another two weeks with certain relaxations to boost economic activities.

"If collection activities at Bandhan Bank impacted to a certain level even after the lockdown is over due to the impact of some customers' income during the lockdown period, the bank could provide top-ups on existing loans or COVID-19 loans to support them to tide over the poor cash flow condition and restart their businesses taking into account their repayment capability," sources said. Notably, at the end of the third quarter last fiscal, microfinance loan was around 61% of Bandhan's total loan book size.

Loans and advances jumped by 10% quarter-to-quarter to ₹71,825 crore (approximately) for the fourth quarter from ₹65,456 crore for the third quarter. Loans and advances grew 60% year-on-year during 2019-20, from ₹44,776 crore in March 31, 2019. Its total deposits grew 32% y-o-y to ₹57,073 crore during the fiscal ended March, 2020. The bank had total deposits of ₹43,232 crore as at end of March 2019.

The bank, in its filing to the BSE, said, "Liquidity coverage ratio (LCR) as on March 31, 2020 was at 161%. As on March 31, 2020, the bank was having excess liquidity amounting to ₹8,402 crore. In addition to above, the bank is in a position to draw up to ₹1,815 crore under MSF of RBI."