

Bandhan Bank's AUM in north-east is low because the population is small, says CEO

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Chandra Shekhar Ghosh, managing director and chief executive officer, Bandhan Bank, says the assets under management in north-east is small because there are less people. Edited excerpts:

What is your exposure in Assam and what is your exposure in those four troubled districts, where protests are on?

We have been in Assam for the past 13 years. Out of the 30 districts in Assam, only in two districts of upper Assam near the border, which is a hilly area and where we entered late, some women backed by local political groups have certain demands. We have only 2-3% of our book there.

According to some brokerage reports, Assam accounts for 18% of your AUM. Is that right?

Total.

Do you think this situation could escalate?

Two weeks ago this situation started, now it has come down.

There are three issues: First is on interest rates. The micro-finance industry is totally regulated by the Reserve Bank of India (RBI), and interest rate is capped by them.

We charge the lowest interest rate at 17.95%. That is not very big.

Second, they are demanding that the agreement of loan applications should be in local language. But Bandhan is specific in using the language for all applications.

Third, they want the government to monitor these type of activities. It is a good point, not a very big challenge, it will be manageable.

Is the government engaging with protestors, and



Chandra Shekhar Ghosh, managing director and chief executive, Bandhan Bank

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trying to defuse the situation?

As per my knowledge, the local government is going to the district level, and the district level authorities are thinking about that.

Is your exposure 18% of AUM as one brokerage put it, do you have exposure in 20 districts and the trouble is now only in four districts, are all these numbers correct?

It is correct. Our total micro-credit portfolio in Assam, out of the total book, is 18%. At the district level it is very small at around 3%.

In terms of business momentum, do you do a lot more business in Assam? Going forward, were disbursements largely coming from Assam and, as this settles, what should we expect in terms of AUM growth and disbursement growth?

For the last 20 years we have sometimes faced such issues in some corner of the state, but after a couple of weeks everything becomes normal.

In that sense, I feel that it will be okay. But, from the AUM point of view, the growth of the portfolio in Assam and north-east will not grow much more because the population is very small.

Our growth is not on the basis of AUM, it is based on the number of new customers. We have added 20% new customers year-on-year, and we will be able to sustain that growth. Some good borrowers need some enhancement, that is also coming.

So, I don't think that from growth point of view there will be any impact in this quarter.

Are you looking at diversifying in other areas?

As a bank we are in 34 states and union territories, by microcredit we have expanded in 29 states and union territories. So, it is already diversified, but we always depend on the capacity of the staff, and we

are growing accordingly.

You have got GRUH, both for capital reasons and for expansion. Is there something else on the anvil that will make microcredit a much smaller part of your entire book?

The bank has decided on three verticals.

One is microcredit, it is growing normally. Two, we are in affordable housing. From the beginning I have decided that affordable housing is required and people require loan for that.

On that basis, we have acquired GRUH, and their full team has joined us. The senior management under Choksey, who was earlier MD and has now joined as an executive director of the bank, is now driving the initiatives and funding deposit part is not any challenge for the bank. We are going to supply funding and they are diversifying the portfolio.

There are 195 branches of GRUH, which were opened earlier and those branches are with us now. From day one, in 106 branches out of our 1,009 bank branches we have opened the GRUH Housing Loan desk.

In a similar way, they are driving the affordable housing loan to the citizens. West Bengal, Bihar, Jharkhand, Assam are selected in that area.

I hope that will help us to diversify the portfolio.

Third is, we are planning that out of our total book, 9% of our book is micro, small and medium enterprises (MSMEs). In the next three-five years, we can be diversified and dependency on microfinance can come down and other portfolio will grow.

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