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Q&A CHANDRA SHEKHAR GHOSE

'Every MFI must spend 5 per cent on the poorest who can't borrow'

Chandra Shekhar Ghose, the CEO and founder of the micro-finance institution, Bandhan, tells Sreelatha Menon that his MFI made it to the Forbes list of the top MFIs because it was more than a money lender.

Why do you think Forbes ranked Bandhan as the top MFI in the country and the 13th in the world?
An MFI can make a difference depending on how quickly it reaches the poor and how simple its product is.

How do you service the poor who have no means to give any guarantees?

Our yardstick for lending is that if a borrower crosses a year, it gives credibility. That is the collateral. If people are happy with the income generated by investing the loan then no collateral is needed.

Can lending remove poverty without capacity building and mentorship?

We are lending to people who are already doing something and want to improve it. If you give a new skill then you have to guarantee that it is going to bring profits, or you will have to bear the losses. It has to be their responsibility. And we believe that every one has creativity.

Ideally, what would you like?

Some of the poorest of the poor who have no livelihood programme need help to graduate into a position where they can earn, borrow and then earn more. So, they need assets and training. They can then graduate to mainstream micro-finance programmes. I believe that at least 5 per cent of micro-finance should be dedicated to this in all MFIs. We are doing this in our own way through our pro-poor innovation called participatory rural appraisal. We identify the poorest of the poor and do a wealth ranking. We give them free assets and training. We look after them for two years and then give them the option to borrow either from us or from any other MFI. We have covered 500 villages in Murshidabad and are targeting 3,000 in Malda, and South 24-Parganas in West Bengal.

What do you think is the weakness in MFI programmes in general?

MFIs cannot avoid the poor. It is not business; it is a development programme in a sustainable way. I don't think that it is a profit venture or that you can detach it from the poor and finance rich. Where this happens, it is a failure.



"We are not just money-lenders", says Ghose

So shouldn't MFIs make profit too?

Of course. But profits should depend on how service is provided to the poor and how much it costs the poor.

How should the MFI make profits?

Maybe the best way is that an MFI should cut costs and keep a simple profile. That means a non-corporate style, bearing in mind that we are not here to do business for profits. Compared to a Grameen Bank office, the cost of running a Bandhan office is 50 per cent lower. Yet, we work in six states including West Bengal, Tripura, Assam, Bihar, Jharkhand and Orissa and have reached over 8,25,000 members and a growth of 300 per cent a year.

So, do you pay low salaries to cut costs?

Our cost reduction doesn't mean underpaid staff. Our staff is from middle class families and they are all qualified MBAs and chartered accountants, though not as high profile as in many business firms. We don't make any fancy appointments. We have 2,400 staff members including 1,800 money collectors.

Don't you face attrition as many MFIs offer good salaries?

Our drop out rates are very low. It is a misconception that big packages would keep attrition low. They would not, as the staff is interested in developing their own careers. Here, they are interesting in building the lives of the people the organisation works for.

What have been your 'profits'?

In five years, we managed to bring down our interest rates from 17.5 per cent to 12 per cent two years ago. This was done as the number of clients increased. We disburse Rs 60 crore every month and 40,000 new people are added each month. Last year alone we added five lakh members. And now we have a total of 8,60,000 members.

Do you think technology and ATMs can reduce costs and increase profits?

ATMs won't reduce cost. That would not help us meet the social objective of running an MFI. Our objective is achieved only in the interactions that our officials have each week with the clients. These meetings are not about collecting money alone. These are occasions for educating the clients — who are mostly women — on food, health and education.

What kind of education do you provide?

In the first meeting the client is taught to write her name and then there is a discussion on one issue. In a relationship of 11 months with each client, a lot of information is passed on. The collectors themselves are given training for three days every three months. Some of their inputs help us formulate new interventions for the women.

What kind of interventions have you made apart from lending?

We have trained one woman each in 80 villages as health workers. For the last eight months, these women have been visiting 10 to 15 houses a day and selling sanitary napkins of local make. This is to promote hygiene and to prevent diseases like cervical cancer. To make the scheme sustainable we are asking the workers to sell soaps and other items as well. This is now confined to villages near Kolkata in Bagnan in the Howrah district. So, you see we are not just money lenders.