

SELF-WORTH

Funding Dreams: Chandra Sekhar Ghosh

BEGINNING WITH A SMALL SET-UP in Konnagar in the Hooghly district of West Bengal, Bandhan has traversed a long way over the last five years to be ranked second (after ASA, Bangladesh) in *Forbes'* first-ever list of the world's Top 50 micro-finance institutions, chosen from 641 micro credit providers across the world.

The story of Bandhan's Founder-Director Chandra Sekhar Ghosh, is one worth telling. He started his life trying to make *sandesh* (sweets) at a local sweet shop in Konnagar. Bandhan's current standing on the *Forbes* list (where it sits 25 notches above Grameen Bank of Bangladesh, founded by Nobel laureate Muhammad Yunus) is based on parameters like scale, efficiency, risk and returns. Ghosh's Bandhan now has over 800,000 beneficiaries through its 425 branches and a loan outstanding of Rs 250 crore. Its current monthly loan disbursal stands at Rs 55 crore—given to over 86,000 people.

Ghosh, 49, now dreams that by 2010, Bandhan will have two million beneficiaries with a total loan amount of Rs 16,000 crore while maintaining its current repayment track record of 99.99 per cent. Among its beneficiaries today are women who have bought rickshaws for their husbands, sewing machines for themselves or started weaving businesses of their own. Bandhan, which is still confined to West Bengal, Bihar, Assam, Jharkhand and Tripura, hopes to spread its wings nationally by 2010.

"My learnings from Bangladesh's Grameen Bank, ASA and BRAC and of course our track record, has helped a lot. We had run into a lot of bottlenecks initially and almost no bank was forth-



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coming with money. Things have changed now. HDFC Bank, UBI, UCO Bank, Axis Bank, Standard Chartered Bank and SIDBI are among the bigger names supporting us," Ghosh says. He attributes Bandhan's success to lower capacity building costs, faster disbursals and greater inclusion.

The *modus operandi* for Ghosh is simple. His institution selects a potential borrower (either individually or in groups), gets funds from banks at 9-11 per cent interest, disburses the amount among the borrowers and guides and oversees their work to ensure that the loan is utilised for the purpose for which it was sought. Bandhan also ensures repayment of the loan with a 12.5 per cent service charge and finally repays the amount to the banks.

"Our group structure, work manual, supervision and cost-effectiveness helped us bring down the interest rate from 17.5 per cent to 12.5 per cent. We plan to bring it down further to below 10 per cent by the next financial

year," says Ghosh.

Things weren't quite as smooth before. "When we started, banks were not accessible to 80 per cent of the rural population, while 70 per cent of them didn't have bank accounts. They used to depend heavily on private moneylenders, who, at times, even charged 365 per cent interest. Micro-finance organisations like ours can change this phenomenon," he avers.

Bandhan today finances innumerable landless women, whose monthly income is less than Rs 2,500 (in rural areas) and Rs 3,500 (in urban areas). The first loan offered by Bandhan is between Rs 1,000 and Rs 5,000 for rural areas and between Rs 1,000 and Rs 7,000 for urban areas. On repayment, one is entitled to a subsequent loan, which is higher by Rs 1,000-3,000.

But as Ghosh says, it's perhaps time to look beyond traditional loan schemes. "Our experience suggests that there is a growing need among our members for higher loans so that they can expand their businesses," he says. To set things right, Bandhan is using a new method now—the Micro Enterprise Programme, which offers loans of Rs 15,000-50,000 to those who have been its members for at least one year. There are two other riders, though: the loan should be invested in an existing micro enterprise (for expansion) and utilisation of the loan should generate employment for at least one poor person in the locality.

If the new programme succeeds, Bandhan will surely change many more lives in the years to come.

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