

"Change is the law of life. And those who look only to the past or present are certain to miss the future." —JOHN F. KENNEDY

"Not everything that is faced can be changed, but nothing can be changed until it is faced." —JAMES BALDWIN

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THE ECONOMIC TIMES

AHMEDABAD | BANGALORE | CHANDIGARH | CHENNAI | HYDERABAD | KOCHI | LUCKNOW | MUMBAI | NEW DELHI | PUNE | WWW.ECONOMICTIMES.COM | THURSDAY 6 NOVEMBER 2008 | KOLKATA | 18 PAGES | ♦ Rs 3.50 along with The Times of India

Bandhan keeps alive ties with customers

Microcredit Player's Lending Rates Remain Unchanged

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KOLKATA

AT A time when bank loans for micro-finance institutions (MFIs) have become frugal, the State Bank of India (SBI) and the Small Industries Development Bank of India (Sidbi) have thrown a lifeline to the country's most celebrated microcredit player — Bandhan.

These lenders have collectively offered a Rs 150-crore creditline to Bandhan for on-lending to the poor. The loans are offered at interest rates ranging between 13.25% and 13.75%, a good 125 to 175 basis points higher than the rates before the acute liquidity shortage hit the system in mid-September this year.

Sidbi has sanctioned Rs 100 crore while the balance Rs 50 crore is being offered by SBI, according to Bandhan chairman and managing director Chandra Shekhar Ghosh. Sidbi



chief general manager KS Singhwan confirmed this.

Mr Ghosh said: "These loans were sanctioned at a time when loans from private lenders have virtually dried up. This will help us to continue lending to the poor even in a difficult market." Even if some private banks are still offering creditlines, they are charging interest rates of nearly 16% per annum, significantly higher than the rates offered by public sector lenders.

Bandhan, which has around 11.6 lakh borrowers under its fold with an outstanding loans portfolio of Rs 471

crore, said it has not passed on the additional interest burden to its customers. "The situation is tricky. Till now, we are taking the hit on ourselves. But we may have to raise our lending rates if the situation remains unchanged," Mr Ghosh said. Bandhan offers loans at around 24% annual rate (on reducing balance) to its borrowers. It lends only to women. SKS Microfinance, a large MFI in south India, did not raise its lending rates either.

Bandhan, which has launched its operations in Delhi and Mumbai just a few months back, has extended loans to 881 borrowers in Delhi and 164 borrowers in Mumbai.

Bandhan's main operation is in West Bengal. It is also present in Assam, Bihar, Jharkhand, Meghalaya, Orissa and Tripura. This year, it plans to roll out branches in Gujarat, Rajasthan and Uttar Pradesh too. Overall, it plans to open 150 more branches in 2008-09 over the present tally of 556.