

Performance Analysis and Growth of the Bandhan Bank and Consumer Satisfaction: A Case Study of Bandhan Bank in India


Prof. Somesh Kumar Shukla¹, Arvind Deo²

1. Professor & Dean, Faculty of Commerce, University of Lucknow, Uttar Pradesh (India).
2. Research Scholar (SRF), Department of Commerce, University of Lucknow, Uttar Pradesh (India)

ABSTRACT

Bandhan bank has been playing a major role in financial inclusion of all the sections of the society. Financial inclusion of poor and rural population has been a challenge for the government of India. Financial institutions including banking and non-banking institutions one of them are the major and effective support system available for financial inclusion in India. Bandhan bank has been playing an essential role in the economic development & financial inclusion and women empowerment throughout. It provided microloans for employment formation business activities. Its performance and growth rate is remarkable in rural areas. The present research focused on the profound performance analysis of Bandhan Bank and its secondary objective was to analyse the satisfaction level of its consumers for the banking services for which a survey was conducted on 300 consumers. For the analysis of the data, IBM SPSS Statistics 25 version software was used to perform factor analysis and T-test.

Keywords: Bandhan Bank, Performance, Growth rate, Consumer Satisfaction.

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1. INTRODUCTION

1.1 Overview

Bandhan Bank Ltd. is a banking company that provides financial services in India and is headquartered in Kolkata, West Bengal. Bandhan Bank started in 2001 as a not-for-profit enterprise that is for financial inclusion and women empowerment, through sustainable employment formation. It provided microloans for employment formation activities throughout. A few years later, Bandhan Bank turned into microfinance NBFC to further the core objective of financial inclusion. Bandhan Bank started its operations on 23rd of August, 2015, as per RBI regulation and it was the first microfinance institution transformed into a bank in India. On the day of its launch, Bandhan Bank started with 501 already established banking branches.

Bandhan Bank extends banking services to urban, semi-urban as well as rural consumers. In the last few years of services, Bandhan Bank has proclaimed its presence in 34 states and union territories in India and there are 3,992 banking branches/outlets serving 1.53 Cr consumers, as on December 31, 2018. Bandhan Bank is a new universal bank of India that focuses on serving the poor underbanked population in India. Bandhan Bank, encourage translucent business ethics, firm consumer focus and corporate social responsibility towards society. It has a motto (CREATE) -Banking with a conscience:

C: Cost-effective and simple,

R: Respect for all,

E: Exemplary governance

A: Accountability, professionalism and discipline

T: Transparency and integrity

E: Effective team work and commitment

(Source of the data: Annual report, Bandhan bank, 2016-2017 and Annual report, Bandhan bank, 2017-2018)

1.2 Growth of Bandhan Bank

Moved by the situation of poverty-stricken women in the villages of West Bengal, and endeavouring to empower them with small credit/loans to start small businesses, Chandra Shekhar Ghosh started a microfinance company with a small capital of Rs 2 lakhs in the year of 2001. The bank has exceptional credit of Rs 15,500 cr with an extraordinary repayment rate of 99.5%. In the last 7 months 10 lakh new consumers have joined the bank. Bandhan bank has

a deposit of total Rs 12,500 cr and 84 lakh consumers - both borrowers and non-borrowers and has 20,600 employees on payroll, of which 90% are from rural areas. (Source of the data: Success story of Chandra Shekhar Ghosh founder of Bandhan Bank 16 May 2016, Vol 7 Issue 20)

Bandhan is striving towards the twin objective of poverty alleviation and women empowerment. It started as a Capacity Building Institution (CBI) in November 2000 and it was giving capacity building assistance to local microfinance institutions operating in West Bengal. In January 2019, Bandhan Bank took over Gruh Finance, an HDFC Ltd. supported housing finance firm and this merger was approved by Competition Commission of India (CCI) on 15-04-2019. The RBI licensing standards specify that a new bank must have a 500 Cr capital. Bandhan Bank started with a capital of Rs 2,570 and this will be raised to Rs 3,052 cr. Bandhan Financial Holdings is held by Bandhan Financial Services Limited (BFSL), the biggest microfinance company in India.

The significant investors in the parent company of Bandhan Bank are Small Industries Development Bank of India (SIDBI), North Eastern Financial Inclusion Trust, Singapore Sovereign Wealth Fund GIC, Financial Inclusion Trust, Bandhan Employees Welfare Trust and International Finance Corporation (IFC).

❖ Important Achievements

- 34 States, including Union Territories
- 130 lakh Consumers (**153.3 lakh Consumers**)*
- 2,764 Doorstep Service Centres (DSCs) (**3,014 Doorstep Service Centres (DSCs)**)*
- 460 ATMs (**480 ATMs**)*
- 936 Bank branches (**986 Bank branches**)*
- 28,159 Employees (**31,115 Employees**)*
- 17% Branches in metro cities
- 29% Branches in urban centres
- 54% Branches in semi-urban and rural areas

(Source: Bandhan bank, Annual report 2016-2017 & 2017-2018)

*(Source: Bandhan bank (Website: www.bandhanbank.com) as on 17th May 2019)

1.3 Performance of Bandhan Bank

Public sector banks dominate the Indian banking sector and it is biggest challenge for the banking sector to implement the objective of financial inclusion of all the sections of the society especially the poor. The private banks have also focused on urban areas (specially business & metro area) and ignored financial inclusion. Reserve Bank of India in 2015 approved and licensed to Bandhan (“The Bank”) to provide banking services in India. Reserve Bank of India's step to give bank status to bandhan was a realistic and pragmatic step to promote financial inclusion. A microfinance institution works for the poor and improves financial inclusion. It was a challenge for Bandhan bank to develop the infrastructure, deposit base, expertise and size to survive in a competitive industry dominated by big players. With a network of 936 branches & 2,764 Doorstep Service Centres (DSCs) ***(According to Bandhan bank (Website: www.bandhanbank.com) as on 17th May 2019 the network is increases 986 branches & 3,014 Doorstep Service Centres (DSCs))** and a borrower base of 6.3 million, Bandhan bank’s biggest strength lies in its ability to reach out and maintain a relationship with the poorest section of the rural areas despite of the competition from already established public and private sector banks. The biggest task for Bandhan is to maintain the balance between its development and profitability objective. (Source of the data: Annual report, Bandhan bank, 2016-2017 and Annual report, Bandhan bank, 2017-2018)

1.3.1 Deposit products

- Bandhan liability book size grew by 45.81% to `33,869.00 cr as on 31-03-2018, from `23,228.66 Cr on 31-03-2017.
- Bandhan grew significantly in the Current Account portfolio with `2,414.53 Cr as on 31-03-2018, 66.22% progress vis-à-vis `1,452.62 Cr as on 31-03-2017. CA acquisitions increased owing to an enhanced value proposition for consumers, along with value-added services such as Electronic Data Capture Point-of-Sale (EDC-PoS).
- Bandhan Savings Account (SA) portfolio closed at `9,209.39 cr as on 31-03-2018, up by 71.03% over `5,384.72 cr as on 31-03-2017. The introduction of corporate salary accounts, along with the maintenance and development of the existing services, enabled strong deposit mobilisation in its Savings Account portfolio.
- Bandhan launched NRI business proposition for non-resident clientele. The NRI business portfolio closed at `205.03 cr as on 31-03-2018.

- Bandhan Term Deposits (TDs) increased to the tune of `22,245.09 Cr as on 31-03-2018, up by 35.71% over `16,391.32 Cr as on 31-03-2017.

(Source of the data: Annual report, Bandhan bank, 2016-2017 and Annual report, Bandhan bank, 2017-2018)

1.3.2 Consistent Growth in Performance

- Bandhan Net Interest Income (NII) for FY 2017-18 was `3,032.24 Cr, as against `2,403.50 Cr in FY 2016-17, registering a robust **26.16% growth**.
- Bandhan operating profit grew by **35.54%** to `2,430.11 Cr in FY 2017-18, compared to `1,792.91 Cr in FY 2016-17. Also, Profit After Tax (PAT) **increased by 21.01%** to `1,345.56 Cr in FY 2017-18 visà-vis `1,111.95 Cr in FY 2016-17.
- The Net Interest Margin (NIM) stood at 9.69% in FY 2017-18 as against 10.44% in FY 2016-17.
- The gross Non-performing Assets (NPAs) stood at 1.25% in FY 2017-18, compared to 0.51% in FY 2016-17.
- Bandhan reported a capital adequacy ratio of 31.48% with Tier 1 capital adequacy ratio at 30.30% in FY 2017-18 – meaningfully higher than the regulatory obligation. In FY 2017-18, CASA book reported robust growth. Savings Account book grew by 71.03%, driven by expansion in different topographies and acquisition of corporate salary accounts. Current Accounts grew by 66.22%, riding on competitive product offerings. Bandhan Bank had 18,791 active EDC merchants as on 31-03-2018. Moreover, Term Deposits boutique grew by 35.71% in FY 2017-18.

Table-1: Growth in the Operative Performance

Growth Indicators	FY 2016-17	FY 2017-18	Y-O-Y Growth in %
Total Disbursement (Rs. In Cr)	32751	38966	19
Total deposits (Rs. In Cr)	23,229	33,869	46
Total advances (Rs. In Cr)	23,543	32,339	37
CASA (Rs. In Cr)	6,837	11,624	70
Net worth (Rs. In Cr)	4,447	9,382	111

Total business (Rs. In Cr)	46,772	66,208	42
Operating profit (Rs. In Cr)	1,793	2,430	35
Profit after tax (Rs. In Cr)	1,112	1,346	21
Branches (Rs. In Cr)	840	936	11
ATMs (Rs. In Cr)	282	460	63
Mini ATMs (Hand-held devices) (Rs. In Cr)	12,004	15,185	26
Total transactions (Rs. In Cr)	68.30	85.48	25
Debit cards issued (Rs. In Cr)	9,553,813	10,547,455	10
Employee strength (Rs. In Cr)	24,220	28,159	16
Customer growth (Rs. In Cr)	105	130	24

Bar chart-1: Operative Growth percentage chart

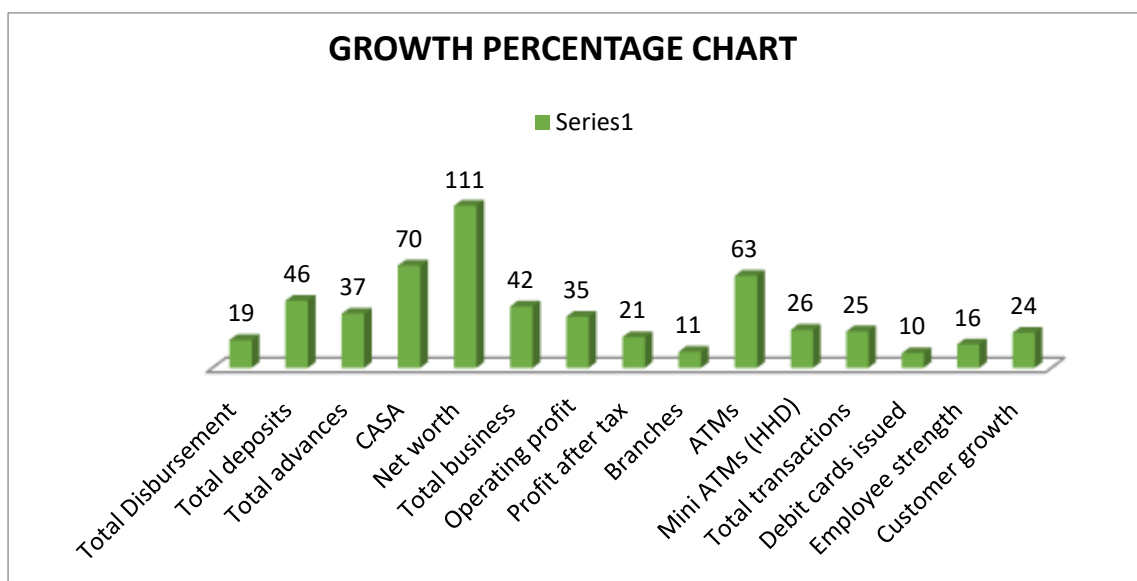


Table-2: Different Growth indicators

Micro banking consumers	1.06 Cr
Social activity branches	818
Social activity staff members	2,316
Beneficiaries	1,818,886

Gross NPA (Rs. In Cr)	0.51
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Table-3: Different Ratio Analysis

Criterion (as on March 31, 2018)	Percentage
cost-to-income ratio	35%
Capital adequacy ratio (Rs. In Cr)	26.36
Capital adequacy ratio Tier-I (Rs. In Cr)	24.77

Table-4: Different Ratio Analysis

	FY 2016-17	FY 2017-18
Return on average assets (ROAA) (Rs. In Cr)	4.06%	4.47%
Return on average shareholder's fund (ROAE) (Rs. In Cr)	25.98%	28.51%
Cost to income ratio (Rs. In Cr)	35.00%	36.31%

(Source of the data: Annual report, Bandhan bank, 2016-2017 and Annual report, Bandhan bank, 2017-2018)

- ❖ 45.81% Growth in liability book size.
- ❖ 40% Increase in Small Enterprise Loans (SELS) portfolio.
- ❖ Small and Medium Enterprise (SME) and Microfinance Institutions (MFI) loan portfolio grew more than 2 times to ₹ 1,640 Cr as on 31-03-2018 (₹ 714 Cr as on 31-03-2017).
- ❖ The Small Enterprise Loans (SELS) portfolio raised by 55.4% to ₹1,639.05 Cr as on 31-03-2018, (₹1,054.58 Cr in 31-03-2017).
- ❖ Retail Asset portfolio (excluding gold loans) under general banking raised by 250% to ₹1,367 Cr as on 31-03-2018, (₹390 Cr as on March 31, 2017) with 36,542 loan accounts as on 31-03-2018, (150% y-o-y growth).

(Source of the data: Annual report, Bandhan bank, 2016-2017 and Annual report, Bandhan bank, 2017-2018)

2. RESEARCH DESIGN

This research is exploratory in nature. The present research analyses the performance of the Bandhan bank on the basis of current and last year with the help of secondary data. A survey was designed to measure the satisfaction level of the consumers for the banking services provided by Bandhan bank in India. A survey was done with the help of the questionnaires and schedules. To collect information / data for the research purpose, purposive sampling technique was used. The target population, to which researcher would like to draw inferences, comprises the consumers of the Bandhan bank in India; which can be said as the universe of the study. The survey was conducted to collect the data through e-mail randomly and the total Sample size was 500 but 300 customers respond through e-mail out of 197 Male and 103 Female customers. For the analysis of the data, IBM SPSS Statistics 25 version software was used to perform factor analysis and T-test analysis.

3. Consumer Satisfaction Analysis

3.1 Factor Analysis: Most Important factors of Consumer Satisfaction for Banking Service Quality

Factor analysis was performed to identify the most important factors of consumer satisfaction for banking service quality.

Table-5: KMO and Bartlett's Test

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.798
Bartlett's Test of Sphericity	Approx. Chi-Square	1566.523
	Df	45
	Sig.	.000

The KMO measure of sampling adequacy is **0.687** for that indicates the present data is suitable for factor analysis. Similarly, Bartlett's test of sphericity is significant ($p < 0.001$); that explains sufficient correlation between variables to proceed with the analysis.

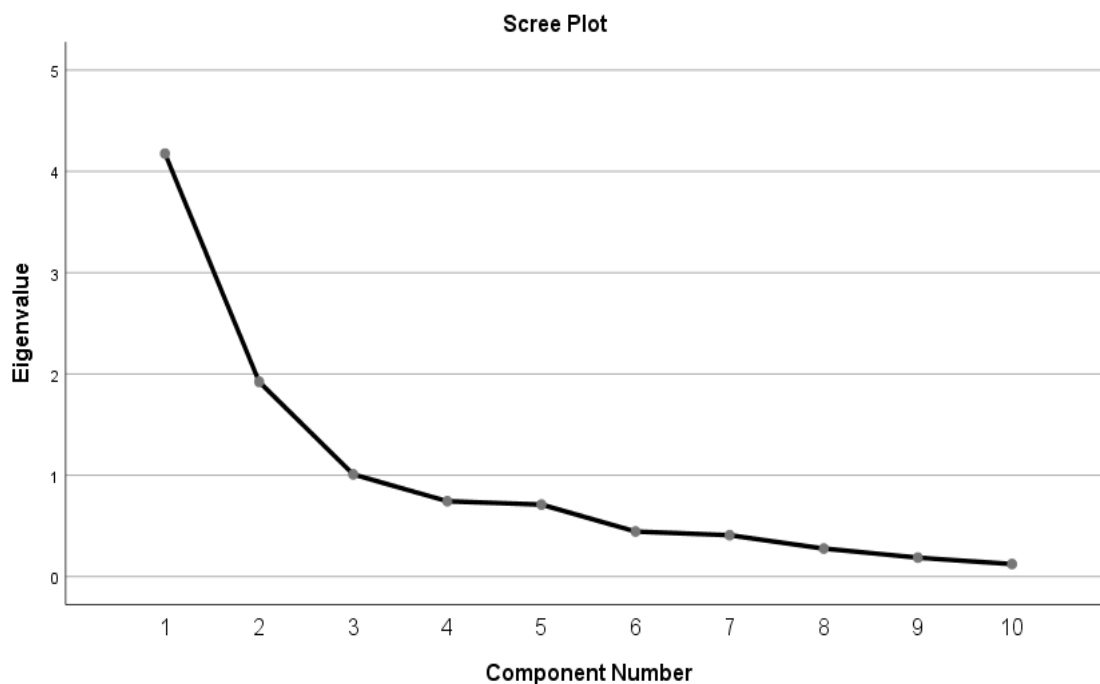
Table-6: Total Variance Explained

Total Variance Explained									
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.176	41.761	41.761	4.176	41.761	41.761	3.339	33.387	33.387
2	1.923	19.229	60.990	1.923	19.229	60.990	2.117	21.169	54.556
3	1.009	10.088	71.078	1.009	10.088	71.078	1.652	16.522	71.078
4	.744	7.437	78.515						
5	.710	7.101	85.617						
6	.444	4.444	90.061						
7	.408	4.080	94.141						
8	.276	2.762	96.903						
9	.186	1.863	98.766						
10	.123	1.234	100.000						

Extraction Method: Principal Component Analysis.

Interpretation: In above table, Before extraction, Output has identified **10** linear components within the data set. After extraction and rotation, the most important **factor 1 explained 41.761% of total variance, factor 2 explained 19.229% of total variance & factor 3 explained 10.088% of total variance**, that can be extracted. As evident from the above table (Total Variations Explained) it was found that from the total 10 components (most Important factors of consumer satisfaction for banking service quality Types), first three factors are most important and can be extracted.

Figure-1: Scree Plot

**Table-7: Component Matrix**

Component Matrix^a			
	Component		
	1	2	3
Depositing/Withdrawing cash	.856	-.181	.210
Cheque Book	.844	-.280	.250
Debit Cards	.841	-.355	.102
Services (ATMs)	.818	-.286	.107
Bill Payments	.695	.344	-.306
Internet banking	.590	.361	-.293
Behaviour of Bank Staff	.570	.124	-.498
Zero balance account	.148	.845	.011
Availability & Accessibility of the banking services	.410	.555	.112
Availability of Loan facility	.088	.565	.664
Extraction Method: Principal Component Analysis.			

a. 3 components extracted.

Table-8: Rotated Component Matrix

Rotated Component Matrix^a			
	Component		
	1	2	3
Cheque Book	.908	.157	.062
Debit Cards	.886	.229	-.086
Depositing/Withdrawing cash	.860	.235	.118
Services (ATMs)	.838	.243	-.033
Bill Payments	.314	.747	.197
Behaviour of Bank Staff	.238	.721	-.110
Internet banking	.224	.688	.202
Availability of Loan facility	.064	-.182	.855
Zero balance account	-.244	.441	.694
Availability & Accessibility of the banking services	.135	.384	.567
Extraction Method: Principal Component Analysis.			
Rotation Method: Varimax with Kaiser Normalization.			
a. Rotation converged in 5 iterations.			

Table-9: Component Transformation Matrix

Component Transformation Matrix			
Component	1	2	3
1	.825	.543	.157
2	-.437	.437	.786
3	.358	-.717	.598
Extraction Method: Principal Component Analysis.			
Rotation Method: Varimax with Kaiser Normalization.			

Findings: Most Important factors of consumer satisfaction for banking service quality

Types

In the present study Factor Analysis exhibits the rotated factor loading for the statements (Variables) of most Important factors of consumer satisfaction for banking service quality.

Looking at table of Rotated Component Matrix, we find out that-

Factor -1 includes following **4** variables

1. Cheque Book
2. Debit Cards
3. Depositing/Withdrawing cash
4. Services (ATMs)

Factor -2 includes following **4** variables

1. Bill Payments
2. Behaviour of Bank Staff
3. Internet banking

Factor -3 includes following **3** variables

1. Availability of Loan facility
2. Zero balance account
3. Availability & Accessibility of the banking services

3.2 T-Test: Analysis of the difference between the perception of Male and Females for the Banking Service Quality

Table-10: Independent Samples Test

Independent Samples Test									
	Levene's Test for Equality of Variances		t-test for Equality of Means						
	F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
								Lower	Upper

Availability & Accessibility of the banking services	Equal variances assumed	10.238	.002	-.460	298	.646	-.0463	.1007	-.2446	.1519
	Equal variances not assumed			-.482	235.401	.630	-.0463	.0962	-.2358	.1431
Availability of Loan facility	Equal variances assumed	1.469	.226	.400	298	.689	.0406	.1014	-.1590	.2401
	Equal variances not assumed			.404	213.232	.686	.0406	.1004	-.1572	.2384
Zero balance account	Equal variances assumed	.457	.500	-.159	298	.874	-.0182	.1148	-.2442	.2077
	Equal variances not assumed			-.157	199.319	.876	-.0182	.1164	-.2478	.2113
Internet banking	Equal variances assumed	3.499	.062	.064	298	.949	.0092	.1451	-.2763	.2947
	Equal variances not assumed			.062	189.838	.951	.0092	.1497	-.2861	.3045
Services (ATMs)	Equal variances assumed	3.294	.071	1.525	298	.128	.2091	.1371	-.0607	.4789
	Equal variances not assumed			1.462	184.333	.145	.2091	.1430	-.0731	.4913

Behaviour of Bank Staff	Equal variances assumed	1.865	.173	.392	298	.695	.0457	.1167	-.1840	.2754
	Equal variances not assumed			.404	226.229	.686	.0457	.1131	-.1771	.2685
Debit Cards	Equal variances assumed	.373	.542	1.254	298	.211	.1817	.1449	-.1035	.4669
	Equal variances not assumed			1.231	196.945	.220	.1817	.1476	-.1093	.4727
Cheque Book	Equal variances assumed	2.522	.113	1.479	298	.140	.1771	.1198	-.0586	.4129
	Equal variances not assumed			1.410	181.860	.160	.1771	.1256	-.0707	.4249
Depositing/Withdrawing cash	Equal variances assumed	.374	.541	.820	298	.413	.1215	.1482	-.1701	.4132
	Equal variances not assumed			.823	209.312	.411	.1215	.1476	-.1695	.4126
Bill Payments	Equal variances assumed	1.042	.308	-.108	298	.914	-.0159	.1470	-.3052	.2735
	Equal variances not assumed			-.110	218.818	.912	-.0159	.1441	-.3000	.2682

From the above analysis, it can be seen that there is no significant difference between the perception of two groups (male & female) for the ten variables of **Banking Service Quality**.

4. Conclusion & Discussion

While everything looked to be going the positive way, “The bank has mobilized deposits more than Rs. 34,639 Cr and its outstanding loan book are nearly Rs. 35,599 Cr, serving more than 15.33 million consumers. It had to devise strategies that would have helped it faces the challenges, cost-effectively serve people and be sustainable at the same time. Whether it would be able to meet its dual objective of development and profitability or not- only time would tell. Bandhan’s presence in the rural areas provided it with many opportunities. It served the unbanked eastern part of the country where the visibility of commercial banks was negligible. For instance, in Dhanua village SBI opened its branch in 2013, but Bandhan had been there for 7 years. Initially, only to retail consumers were given credit as there were few banks to cater to the needs and wants of the poor and the unbanked population. The loyalty and trust that its existing consumers showed would have reduced the effort to hunt for consumers from scratch. Since Bandhan understood the needs of the rural masses, it would have been in a better position to provide products and services more suitable to their requirements. Moreover, in the past, the rural populace had often been duped by collective investment schemes. An institution like BFS could have ensured that the savings were utilized effectively. In fact, those savings could have been used to offer loans to MFIs, thereby fulfilling its dual objective of profitability and development of the economically weaker sections of the society.

From the findings of primary data, it can be concluded that banking services are encouraged to attract new customers through the satisfactory level are very high provided by the Bandhan bank. It is proved by the analysis of the primary data collected through e-mail from randomly various branches customers of Lucknow. Consumers are very much satisfied with the services like Availability of Loan facility, Zero balance account and Availability & Accessibility of the banking services, Cheque Book, Debit Cards, Depositing/Withdrawing cash, Services (ATMs), Bill Payments, Behaviour of Bank Staff etc. bank has to work upon the Internet banking services as there were a very few customers who were dissatisfied.

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