Transformation from Microfinance to Bank: A Case Study of Bandhan

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Abstract

The Indian banking industry is dominated by public sector banks. The poor financial inclusion is a challenge for the banking industry. The private sector banks were given licenses by RBI. These banks have also focused on the urban areas and ignored financial inclusion. RBI recently awarded in principle approval to Bandhan and IDFC to set up banks. The selection of Bandhan is surprising and also points out to the priority of RBI to enhance financial inclusion rather than creating clones of existing banks. A microfinance institution getting a banking license is an opportunity to work for the poor and improve financial inclusion, at the same time presents a challenge to develop the infrastructure, deposit base, expertise and size to survive in a competitive industry dominated by big players.

Keywords: Financial Inclusion, Bandhan, IDFC, Microfinance Institution

References:


