

IIMA PRESS RELEASE 2012-13

IIMA presents findings of the study report on Bandhan

IIMA, January 04, 2013: IIMA recently conducted an impact evaluation study on Microfinance major Bandhan. The study was done with an objective to assess the impact of microcredit and other development interventions being made in lives of the underprivileged.

A modified pipeline approach was followed to conduct the impact evaluation of Bandhan's microcredit operations. A multi-stage probability proportional stratified random sample from five carefully selected, but representative clusters in the state of West Bengal was drawn. The sample of size 1,050 households comprised of not only treated households, but also several different categories of control households.

Some of the interesting findings of the report which will be discussed at a workshop tomorrow at IIMA include a reasonably high level of awareness of clients regarding the loan's terms and conditions, as well as interest rate, indicating that information is being disseminated in a transparent fashion to borrowers. Compared to the control group, the average annual household net income from all sources increased by Rs.13,231, representing a 13.81% increase. This increased income did not come at the cost of increased risk exposure for client households, as measured by fluctuation of monthly income over the past 3 years. Client households increased their ownership of non-farm business assets by Rs. 15,588/- on average. Client households could also generate on average 35.82 man-days per month of full-time employment for family members.

When interviewed, around 88% of the drop-out clients said that they would recommend others to join Bandhan, reflecting the former borrower's good opinion of the organization. Positive women empowerment effects were found concerning the woman member's influence over children-related decisions, e.g., educational expenses, family planning, girl education, daughter's marriage etc.

"The findings of the study report have given immense confidence not just to our entire team but also to various stakeholders. It feels nice to know that our work is making a difference in the lives of the poor. Our efforts are bringing about an impact and this fact serves as a motivation for us to walk ahead to achieve our endeavors", says Mr. Chandra Shekhar Ghosh, Chairman & Managing Director, Bandhan.

"Against the backdrop of controversies over application of the right methodology for micro-finance impact study and hence only scanty amount of statistically valid and rather unimpressive result currently available in the literature, this fairly large study of Bandhan in its home state of West Bengal has found statistically significant and reasonable improvements in income, employment business assets and shock-absorption capacity of its clients, besides empowering the women-members on their decision-making power on child-related matters. After milk, sugar, water, traditional knowledge, credit, women's trade union power etc. having being proved by great Indian leaders as useful entry points for economic development, this Bandhan study seems to have added micro-credit as yet another potential entry point for achieving development of the country, and especially of the state of West Bengal", says Professor Samar K. Datta, IIMA Professor in the Centre for Management in Agriculture, who led the study.



About IIMA

The Indian Institute of Management, Ahmedabad (IIMA) was set up by the Government of India in collaboration with the Government of Gujarat and Indian Industry as an autonomous Institute in 1961. Conceived not only as a business school but also as a management Institute, IIMA builds on 51 years of excellence and leadership in management education. IIMA's vision is to be a global institution that influences managerial and administrative practices by creating new frontiers of knowledge and developing entrepreneurial and socially sensitive leader-managers committed to excellence and ethical standards.

Rated as India's best and Asia's foremost Business School, IIMA continues to be ranked as one of the finest institutions in the world having an academic rigor that matches the top league. The Institute had initial collaboration with Harvard Business School. This collaboration greatly influenced the Institute's approach to education. Gradually, it emerged as a confluence of the best of Eastern and Western values.

IIMA's mission is to help India and other developing countries improve their managerial practices both in the private and the public sector and adopt superior public policies. It seeks to do this through producing risk-taking leader-managers who will pioneer new managerial practices and set new standards; through producing teachers and researchers who will generate new ideas of international significance; and through purposeful consulting aimed at helping client organizations scale new heights¹.

About Bandhan

Bandhan started its journey in 2001 with the intention of lifting poor and cash-strapped women from poverty and catapulting them towards socio-economic empowerment. Microfinance, with its inherent potential of providing door-step credit was thought to be the answer for the woes of this section. Bandhan now is operating through its NBFC entity in the microfinance space, doling out credit to the financially excluded. Bandhan caters to more than 4 million poor women through its network of 1,752 branches spread across 18 states of the country with a loan book of more than Rs. 3800 crore. Though the organization is operative across a wide geography, it is basically focused on the Eastern and North-Eastern part of the country.

The microfinance interventions of Bandhan are ably supplemented with myriad development initiatives to provide 360 degree assistance. Presently its intervention areas are education, health, livelihood promotion, employment generation, enterprise development, market linkage and the like. Bandhan undertakes all its development activities through a separate, not for profit entity Bandhan Konnagar.

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