

Bandhan: *The Making of a Bank* is a remarkable book.

It is the story of the rise of Bandhan Bank, from a cubbyhole, not-for-profit operation, giving microcredit to the poor, to a large for-profit bank with branches scattered all over India—all the while holding on to its founder's original motivation of combating poverty by lending to the poor, who would otherwise have to rely on extortionate moneylenders. Tamal Bandyopadhyay's book is also about much more. It is the personal story of Bandhan's founder, Chandra Shekhar Ghosh, who rose from the ranks, driven by an unusual combination of missionary zeal, entrepreneurial creativity and energy.

This book is primarily about finance and banking, the plumbing that underlies all economies and, partly, as a consequence of that, attracts attention mainly when things go wrong. It reminds the lay reader as well as the professional economist about the importance of this plumbing. It tracks some of the history of Indian finance, West Bengal's steady and steep fall from a position of dominance in Indian banking at the time of the nation's Independence in 1947, only to be reduced to a region with one of the poorest records of financial inclusion; and then it moves on to chronicle the recent stirrings and hope wherein Bandhan Bank plays an important role.

Tamal Bandyopadhyay is a gifted storyteller, who combines the sharp vision of a finance expert with the journalist's skill for observation and narration. Bandhan began as an NGO, registered as Bandhan-Konnagar, and operated from the home of Ghosh's maternal uncle, Saroj Kanti Ghosh, at Uttarpara in Hooghly.

One of its first functioning offices, set up in 2002, was a four-by-six-foot cubicle at the home of a Sheikh Nazrul in Khirishitala, Howrah, a space rented for Rs 300 (\$5) per month. Ghosh drew his inspiration from the sight of poor vegetable vendors in Kolkata's Shobhabazar who were taking loans of Rs 500 from the moneylender while paying him an interest of Rs 5 every day. The poor borrowers were quite unaware that this amounted to a compound interest rate of more than 700 per cent per annum.

Ghosh, familiar as he was with Bangladesh's success with Grameen Bank and BRAC, was determined to make his venture a success. In the early days of Bandhan, standing at a ramshackle train station, Ghosh predicted he would one day have a Bandhan branch office at each of the stations between Sealdah and Bangaon. There were twenty-two stations on that stretch. His forecast was way off the mark. Over the next decade, Bandhan would set up 2022 branches, spread over twenty-two Indian states. By 2007, *Forbes* magazine, listing the world's most-successful microfinance entities, had Bandhan occupy the number two spot. Over the years, the microfinance entity has also shown an ability to use technology to improve efficiency; and its coming of age was signalled by its sale of stakes a few years ago to the World Bank Group's International Finance Corporation.

Apart from this central story, there are two other features that make this such an engrossing book. First, Bandyopadhyay has a fine understanding of the banking industry. So the underlying analytics of finance, and especially microfinance, is very well explained. The book is like a primer on microfinance explained with one extended example. In addition, we get a glimpse of behavioural economics in the vulnerability of the small traders and vendors, and the advantage that this creates for the unscrupulous moneylender. Much has been written on behavioural finance, a lot of it using formal statistical methods, including randomized control trials. Bandyopadhyay does not go into statistical methods, but his keen eye for detail captures some of the same ideas of modern behavioural finance in the form of tales and narratives, and, as such, this book is a wonderful complement to the more formal methods of research economists.

Secondly, even if this is no more than in short sketches of elegant prose, the reader gets a peek into India's banking and finance history, starting with the founding of the country's largest bank, State Bank of India, then called Bank of Calcutta, on 2 June 1806, with the original purpose of financing

General Wellesley's war to subdue Tipu Sultan and the Marathas in central and western India. We also get an outline of the banking industry in West Bengal. In 1947, of the eighty-two scheduled banks in India, twenty-two were located in West Bengal, with Madras having the next biggest share with fourteen banks. But starting in the 1960s, greed and corruption, coupled with the proliferation of chit funds and clumsy regulation, brought Bengal's banking sector to a grinding slowdown.

What makes this a remarkable story is that Bandhan Bank started out from this rather dismal setting, but then succeeded against all odds, setting an example of how a for-profit bank can also be a model of corporate social responsibility and a powerful instrument of financial and social inclusion. It still has a great distance to go; and much will depend on how its story unfolds over the years. Regardless, this is an important tale, with implications for not just finance and banking, but also poverty eradication and development, and that is what makes this a book well worth reading.

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May 2016