

12:57 PM 29 NOV MARKET STATS ▾	SENSEX 26,549 ▲ 198.80	NIFTY 50 8,190 ▲ 62.75	GOLD (MCX) (Rs/10g.) 28,715 ▼ -21.00	USD/INR 68.67 ▼ -0.11	CREATE PORTFOLIO	Download ET MARKETS APP	CHOOSE LANGUAGE ENG
--------------------------------------------	----------------------------------	----------------------------------	------------------------------------------------	---------------------------------	-------------------------	--------------------------------	------------------------

Bandhan Bank slows lending after demonitisation, slashes deposits rates by 25-75 bps

By [Atmadip Ray](#), ET Bureau | Nov 26, 2016, 01.43 AM IST

[Post a Comment](#)

KOLKATA: [Bandhan Bank](#), one of the biggest success stories in Indian financial services sector in recent years, was seen missing from lending to tiny borrowers in the last 15 days, while the sharp rise in deposits forced it to slash deposit rates by 25-75 basis points.

The bank had suspended disbursement till November 19 after Prime Minister [Narendra Modi](#) surprised all by announcing the demonitisation scheme leading to shortage of currency supply. Managing Director [Chandra Shekhar Ghosh](#) told ET that disbursement started slowly from November 20 as per availability of currency notes.

The bank has however mopped up Rs 2,700 crore in deposits in the last fortnight as savers scramble to dump old high value currency notes in banks. Ghosh said its total deposits now stand at Rs 20,500 crore.

It has decided to reduce rates from November 28 while one-year deposits will attract the highest rate of 8%. Seniors will get additional 50 bps over card rates. A bps is one-hundredth of a percentage point.

This temporary suspension of lending and the lack of currency availability may slow advances growth for Bandhan Bank in the quarter to December while the bank accepted of repayment of loans in old Rs 500 and Rs 1000 currency notes.

The banking system in reeling under shortage of cash supply after Prime Minister Narendra Modi surprised all on November 8 by making high value currency notes invalid in a fight to rein tax evasion and black money.

The Kolkata-based bank disburse about Rs 100-125 crore a day but it was difficult to get that kind of cash while [Reserve Bank of India](#) was seen dumping Rs 10 coins at bank branches.

Ghosh said lending was suspended because there was no point in disbursing the loan amount to borrowers' bank account because they would not be able to withdraw it. "In such a scenario, we can't charge interest from borrowers and therefore the exercise would become futile," he explained.

Short-Term Hiccup?

- Disbursement suspended till Nov 19
- Disbursement started now as per cash availability
- Deposit raised ₹2,700 crore since Nov 10
- Kolkata-based bank usually disburses about ₹100-125 crore a day to customers
- Total deposits now stand at ₹20,500 crore

 The bank faced a shortage of currency supply and disbursements started slowly from November 20 as per the availability of currency notes

CHANDRA SHEKHAR GHOSH
MD, BANDHAN BANK

