

Banking

"A company is as good as its team. Always run a thorough screening before hiring."

Purushotam Savlani
 Senior VP & MD, First Advantage India

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5 lakh workers, weavers and artisans open bank accounts

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IDFC Bank buys 10 per cent stake in ASA International India for Rs 8.5 crore

By [Saloni Shukla](#), ET Bureau | Jan 12, 2016, 04:00 AM IST

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MUMBAI: Newly launched private sector IDFC Bank has bought a 9.99 per cent stake in ASA International India Microfinance for about Rs 8.5 crore, the first investment by a lender in a microfinance institution.

ASA International India is a division of Dhaka-headquartered ASA, which operates in over 12 countries and plans to disburse \$2.5 billion in loans among 6.6 million clients in 2015-16.

"We have taken a 10 per cent equity stake in the microfinance company called ASA that has footprint predominantly in the northeast," Rajiv Lall, managing director of IDFC Bank, told ET.

"ASA will give us access to their customers and that allows us to expand our lending operations. It also gives us the opportunity to open bank accounts for ASA's customers, so it's a win-win partnership. They need capital, we need customers - that's the essence of our transaction."

IDFC Bank will get a board seat in ASAI India and access to unbanked areas through its branches in the east and northeast. Ravi Shankar, head - Bharat Banking at IDFC Bank, will represent the bank on the ASAI India board.

ASAI India has 104 branches covering 22 districts in [West Bengal](#), [Assam](#), Tripura, [Bihar](#) and Uttar Pradesh. It had over 1.3 lakh borrowers at the end of December, a total loan portfolio of over Rs 60 crore and 400 employees, including 241 loan officers.

IDFC Bank, which started operations on October 1 with shareholders' funds of Rs 13,300 crore, intends to continue growing inorganically.

"We will continue to look at these kinds of investments. There are some partnerships that do not require an investment, so we will look at that as well," Lall said.

"We are partnering with many MFIs where we haven't invested but from whom we are



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buying portfolios on a regular basis and when we are supporting with bank lending." An Indian bank's investment in another financial entity cannot exceed 10 per cent. By keeping its investment in ASAI India at less than 10 per cent, IDFC Bank can fund the MFI's loans, which will qualify as priority sector lending for the bank.

The Reserve Bank of India has mandated that banks must provide at least 40 per cent of their total loans to farmers, small businessmen, students, exporters and small-ticket [home loan](#) buyers.

Lall said that would be a tough challenge to meet in the near term. "It's unrealistic. For our size of balance sheet, we need Rs 20,000 crore of PSL, so where is that going to come from?" asked Lall. "I think it's safe to say that we will not be able to achieve that target by just doing organic lending just by ourselves. We will be relying on partners to help generate a lot these assets for us. We will be lending to institutions that are PSL eligible, we will be buying portfolios from institutions that have PSL assets and we will be doing our own lending directly to PSL-eligible customers."

Bandhan Bank, which started operations on August 23, has a strong presence in the eastern and northeastern regions. It has more than 600 branches in 24 states, with 240 of them in West Bengal.

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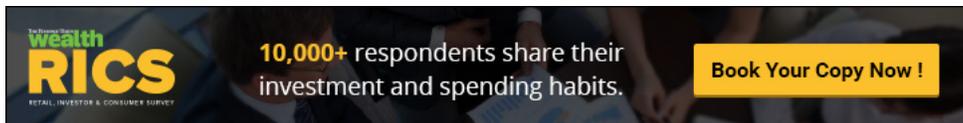
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