

Opportunities and Challenges of Bharatiya Mahila Bank

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Abstract

In this paper, study the opportunities and challenges of Bharatiya Mahila Bank. It is an Indian financial services banking company based in New Delhi, India. It is the country's first all-women commercial bank. The tagline of the Bank is "Empowering Women, Empowering India" that signifies the laudable purpose for which the Bank has been set up. The Bank has already introduced many women centric products like BMB Annapurna, BMB Parvarish, and BMB Shringaar etc. where the hidden potentials of women can be turned into entrepreneurship. BMB Annapurna is a loan for running catering services even from home. The Government has been working towards empowerment of women in the country. The flagship programs for rural employment and for universalizing education and health-care provide equal access for both men and women to help the cause of women empowerment.

Keywords: Empowerment, Bharatiya Mahila Bank, Women Commercial Bank, flagship programs, Products of BMB and Micro Finance

The economic empowerment of women of a country leads to exponential growth of the country. Every woman has her own individual strengths and skills. We believe that empowerment of every woman from all strata of society is vital for the growth of the entire nation. BMB strives to be the Bank of first choice for every woman in the Indian household to script her success story

- Ms. S M Swathi, Executive Director

Introduction

Bharatiya Mahila Bank (BMB) is an Indian financial services banking company based in New Delhi, India. It is the country's first all-women commercial bank. Former Indian Prime Minister Manmohan Singh inaugurated the system on 19 November 2013 (Tuesday) on the occasion of the 96th birth anniversary of former Indian Prime Minister Indira Gandhi. Although initially reported as a bank exclusively for women, the bank allows deposits to flow from everyone, but lending will be predominantly for women. India is the third country in the world to have a bank especially for women, after Pakistan and Tanzania. BMB commenced its operations with seven branches. Its headquarters situated at New Delhi, India. The tagline of the Bank is "Empowering Women, Empowering India" that signifies the laudable purpose for which the Bank has been set up.

Capital

The Bank's initial capital consists of Rs 1,000 crores. The government plans to have 25 branches of the said bank by the end of March 2014 and 500 branches by 4th year of operation (2017). US-based FIS Global, in partnership with Wipro is leading the race for Rs 1,000-crore contract to provide IT systems at the country's first women-focused bank, it is reliably learnt.

Major Products of BMB

Core banking, credit card, consumer banking, corporate banking, finance and insurance, investments banking, finance and insurance, investment banking mortgage loans, private banking, private equity, wealth management etc., Besides the traditional products like Home Loan, Car Loan and basic deposit products. It introduced several women centric loan products to make women contribute to the economic growth of the country.

Objectives of BMB

- The primary purpose of the BMB is financial inclusion of India's unbanked rural women.
- One of the key objectives of the Bank is focus on the banking needs of women and promotes economic empowerment through women's growth and developments.
- The bank will also place emphasis on funding for women developments to help in economic activity.
- The products will be designed in a manner to give a slight concession on loan rates to women.
- It will plan to locally mobilize women to train them in vocations like toy-making or driving tractors or mobile repairs.
- It is to promote asset ownership amongst women customers.
- It helps to asset ownership amongst women reduces their risk of suffering from domestic violence

Key Features of BMB:

Some salient features of the bank are:

- Initial branches will be opened in State Capitals and Union territories
- The BMB is the first public sector bank created by the Government of India. All other PSU banks such as SBI were, to begin with, private banks and were later nationalized
- First 25 branches of Bhartiya Mahila Bank to be in state capitals Finance Ministry has sought RBI's forbearance on rural norms
- Bank will offer 4.5% interest on saving deposits
- One of the biggest issues faced by women is the problem of pledging collaterals against loans. The BMB aims to address this issue by offering collateral-free loans of up to Rs 1 crore to women
- It will lend to micro businesses like catering, crèches & for upgrading kitchens in households
- Key positions, including treasury head and security head, held by women
- Similarly, car loans, home loans, educations loans, etc will also be availed here. Interest rate for car loan will be 10.75 per cent. Whether the loan applicant is a female or male and female together, the minimum rate of interest will only be 10.50 per cent.
- For house loans up to thirty lakhs, interest rate is fixed as 10 per cent, whereas loans up to 75 lakhs will be charged with 10.25 per cent interest. Loans above 75 lakh will have 10.50 per cent interest. When either of the applicants is a female, the interest rate will be decreased by 0.25 per cent.
- As a step to encourage women customers at BMB, review of loan applications will be done free of cost during the month of March.
- Applicants can avail education loan for studies in both India as well as abroad. Loan up to ten lakhs will be availed for studies within India and for abroad studies, the limit is twenty lakhs
- The bank aims to have Rs. 60,000 crore business and 775 branches by 2020

- It is headed by Ms.Usha Ananthasubramanian, eminent banker, as its Chairman & Managing Director and also the bank has an 8 member all Women Board which may be expanded up to 12

Branch Expansion

During 2014-15, the Bank opened 33 branches. As on 31-3-2015, total number of branches stood as 56 in India and the BMB opened 4 branches in Tamilnadu.

The population group-wise classifications of branches are as under:

Sl. No	Classification	As on 31-3-2014	As on 31-3-2015
1.	Rural	Nil	5
2.	Semi-Urban	2	5
3.	Urban	10	27
4.	Metropolitan	11	19
	Total	23	56

Source: BMB Annual Report 2014-2015

Coverage of the Bank

While the Bank focuses on the entire pyramid of Indian women, special attention is given to economically neglected, deprived, and discriminated, rural and urban women to ensure inclusive and sustainable growth. The Bank with a team of professionals with rich experience and expertise has designed and developed new products and services to suit the needs of women of all segments including Self Help Groups, women entrepreneurs, salaried women, HNIs and Corporate.

In Which Place The BMB Branches Should Be Opening?

The bank could set up branches in rural areas, especially areas where there is a lack of commercial banks or co-operative banks, and where the business correspondents of commercial banks are already not operating, but that is not going to be easy. The bank must identify pockets where it can extend its services to the financially excluded.

Benefits of the Bharatiya Mahila Bank

1. Higher interest rate on savings bank account:

The Mahila bank offers a higher rate of interest on its savings accounts. Most banks offer interest rate of 4.5% for balances of up to Rs.1 lakh, and 5% for bigger balances. It also gives unlimited free transactions at the bank's automated teller machines (ATMs). For an ordinary savings account, some banks offer only limited number of free ATM withdrawals.

2. Higher interest rate on fixed deposits:

Since the Mahila Bank is targeted at the under-banked and unbanked sections, let's see how the interest rate compared with other public sector and smaller banks. The Mahila Bank offers between 4.5% and 9.2% interest rate on fixed deposits (FDs) of up to Rs.1 crore. For instance, interest rate on its one-year FD is 9%, on one-year to 554 days it is 9%, and 9.2% for 555 days. In comparison, interest rate at State Bank of India (SBI), for example, ranges from 5-8.5%, and its 1-2-year FDs come with an interest rate of 8.5%.

Saraswat Co-operative Bank Ltd offers interest rates in the 4.5-8.75% range, and its 1-2 years FDs come with an interest rate of 8.75%; A small bank such as Lakshmi Vilas Bank Ltd's interest rates are in the range of 5.5-8.9%; its 1-2-year FDs will fetch you 8.8%.

3. Special loans for women:

Not many banks have business loans for occupations or needs that are specific to women. Some of the banks that do offer loans to women entrepreneurs include SBI (Stree Shakti Scheme), Oriental Bank of Commerce (women entrepreneurs scheme/financing beauty parlours), and Bank of Baroda (Akshaya Mahila Arthik Sahay Yojna).

The Bank has already introduced many women centric products like BMB Annapurna, BMB Parvarish, and BMB Shringaar etc. where the hidden potentials of women can be turned into entrepreneurship. BMB Annapurna is a loan for running catering services even from home. BMB Parvarish is a child day care centre loan. BMB Shringaar is a loan for setting up own beauty parlours/salons and BMB Kitchen Modernization Loan. Women can avail of these loans. The tenors range between three and seven years.

The loan amounts, depending on the type of loan, are between Rs.50,000 and Rs.5 lakh. The interest rates vary between 11.75% and 12.25%, and are lower than those offered by other banks. For instance, the OBC loan comes with interest rates of 12.5-12.75%.

Komal Kali is a unique Recurring Deposit Product for empowering the girl child. It introduces special loan products for Women Enterprises, which manufacture "Made in India Products". The Bank also developing a product for Micro Educational loans, this micro educational loan will be for students pursuing short term courses that are offered with assured placement.

Micro Finance to Women Entrepreneurs

In India, only 26% of women have an account with a formal financial institution, compared with 46% of men. That means an account in either a bank, a credit union, a co-operative, post office or a microfinance institution, according to a study by the World Bank. In addition, for women, per capita credit is 80 per cent lower than males. Furthermore, the results of a study using a global dataset covering 350 Microfinance Institutions (MFIs) in 70 countries indicates that more women clients is associated with lower portfolio-at-risk, lower write-off, and lower credit-loss provisions, ceteris paribus.

Micro finance is available for economic activities for uptoRs.25000.This is largely meant for women who want to set up a grocery shop, tea stall, way side cafeteria, set up a poultry or buy goats etc. It has to be an economic activity that they must necessarily invest in and trying to reach out to women. It tries to work with MFIs to reach out to a large number of women for microfinance projects.

Opportunities of Women through BMB

The Bank has established a pan India presence with 56 branches at the end of March 2015. There is a considerable size of women population in these centers, interested in taking up economic activity in their areas of specialization. There is also a lot of banking potential in the rural, unbanked areas of the country. Bank's efforts to reach out to these areas through brick and mortar branches, Business Correspondents and Business Facilitator models and through technology enabled banking services will help tapping the economic potential of women in the country. The Bank's easy to use, secure technology base will attract the young and the old; literate and illiterate to access banking services through various tech modes.

The Bank's innovative; women centric and children centric products have immense scope for increasing the number of women customers manifold. Active participation in Government Schemes for Financial Inclusion, Pension and Insurance will also help the

Bank in strengthening its customer base and help the Bank in reaching out to the masses.

The Bank's young and dynamic DROs, along with employees with rich experience in banking; with the guidance of the Bank's Board that has abundant knowledge on women development and economic empowerment and the steady growth in customer base offer enormous growth prospects for the Bank

The bank encourages individual entrepreneurs but for a single stand alone salon owner, the bank becomes a little apprehensive about standards and credentials etc. If they attach themselves to a salon chain, it makes the bank more comfortable because there are certain set benchmarks that they have to maintain. They emphasize on skilled manpower, standard products and re-skilling also happens regularly in an organized salon chain environment!! Moreover, due to the brand recall, footfalls will be there and since bills are being generated, you have a re-payment happening.

Tier III is now going to be growing faster in business than Tier I & II, so envision new chains focused on these areas emerging. The phenomena of salon chains expanding to small temple towns like Chidambaram in Tamil Nadu maybe a case in point. The bank has financed nearly 18 salons so far and the experience has been good.

What Are The Challenges For The Bharatiya Mahila Bank?

India is the second most populous country in the world. Women who constitute almost half of the country's population are truly under leveraged economic assets. If they can become part of mainstream economy, engaging in any economic activity, it can mean a lot. It is a bitter truth that only 26% of women have regular, formal bank accounts and only a very negligible percentage of them have formal access to banking. In terms of economic empowerment of women, according to a study by Booz and Company India is ranked 115, out of 128 countries. In India, generally most of the decisions relating to money and finance are taken by the male members on behalf of women.

However, Indian women have a long history of saving and borrowing. Women for their financial needs depend mostly on the local moneylenders, despite knowing that it would be too long before they get out of their clutches. It is also a fact that the Indian woman, irrespective of her literacy level, is shy of going to a Bank; shy of entering into the Bank and interacting with the officials of the Bank

The main challenge is awareness creation among the general public about the Bank. The other challenges relate to brand, manpower, setting up of infrastructure, processes and system. Banking is such an industry that needs brand identity in great degree. As a new Bank, the challenge is to establish the brand.

Drawing them to the bank is also a challenge, the bank try to change these scenarios and make banking accessible for women of all strata of society. Banking as in its both aspects- one is the banking part where people create their accounts, deposits etc. However, more often empowerment comes through loans to spur economic activities. That makes you confident, see for yourself that you can create capital, scale up. However, there are men, sometimes, who exploit this concept. The banks are looking at skilled women coming in. Apart from these, the following challenges are:

➤ The first challenge would be: would we be able to restrict an all-women's bank to women? Sooner or later, the women's bank would have to recruit men and these men would have to be sitting in the branch and this would defeat the very purpose of having an all-women's bank. If news items are to be believed, 35-36 per cent of the work force will be men.

- The other challenge is the opening of branches. However, the challenge is: how would you attract the financially excluded population to feel motivated to come and open an account at the all-women's bank? One must pay attention to the location of branches in such a model.
- A women's bank can really be successful there is a need to undertake surveys as to why people don't open bank accounts and only then will we be able to extend financial inclusion to the segment that are targeted by the all-women's bank.
- There are a few challenges ahead for the Bharatiya Mahila Bank, but these challenges are not insurmountable. They have to be identified and schemes have to be chalked up to work on these challenges. Only then would this endeavor be successful.

Futures of BMB

During the year under review, the overall growth in the Banking sector was moderate, in view of the slowdown in the industrial activity and industry reflecting risk aversion and muted demand. In a very short span of time, the Bank established its presence in the highly competitive financial market with more than 56 branches across the country, created a loyal customer base, introduced several innovative women-centric, technically secure products and is marching ahead on a continuous path of growth. Traditional and innovative methods and models are under various stages of implementation.

The Bank proposes to open more branches in Tier-I to Tier – VI cities. The Bank proposes to recruit additional manpower through lateral entry and through direct recruitment for its various general & specified functions and operations. More technically enabled banking services and products are to be in place soon, enabling the Bank to mobilize deposits & increase its loan portfolio.

The Bank registered a steady growth in terms in branch network and customer base during the year. With a professional team and a strong technology partner, ready to accept the challenges and convert them into opportunities, the Bank created a niche for itself in the Banking Sector.

The Bank has proved itself not only as a viable, profitable business entity but also as a Bank that has become synonymous with “Economic Empowerment of Women”.

Conclusion

The Government has been working towards empowerment of women in the country. The flagship programs for rural employment and for universalizing education and health-care provide equal access for both men and women to help the cause of women empowerment. Nearly half of those getting employment under the Mahatma Gandhi National Rural Employment happen to be women. In addition, schemes for taking care of the special needs of women have been started for example; ‘Janani Suraksha Yojana’, which supports pregnant and nursing mothers, the ‘Sabla’ scheme, empowers adolescent girls.

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