

## **UJJIVAN SMALL FINANCE BANK: A PROVENANCE OF INCLUSIVE DEVELOPMENT**

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### **ABSTRACT**

*Financial inclusion drives inclusive development. Adequate finances in hand enable the unprivileged to access basic amenities. The present paper undertakes the study of Ujjivan Small Finance Bank who has become a provenance of inclusive development. With a CAGR of 45.0% bank has played an instrumental role in the development of many. Their financial products serve as an exclusive help to the undeserved. They serve destitute with an objective of their progression. This paper takes an insight over their list of programmes. An exquisite perspective of Inclusive Finance India Summit has also been discussed.*

**KEYWORDS:** *Destitute, Financial Inclusion, Ujjivan Small Finance Bank, Undeserved etc*

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### **Article History**

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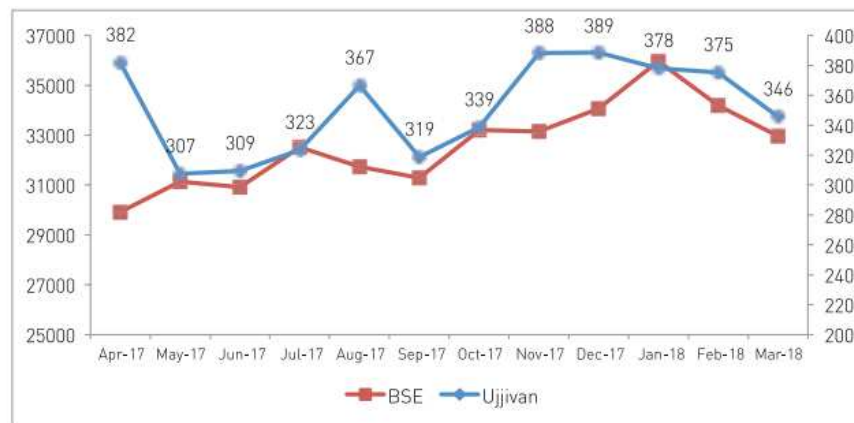
### **INTRODUCTION**

A small finance bank is an entity solely involved in undertaking primary banking activities of lending and accepting deposits with a paramount objective of financial inclusion. Ujjivan Small Finance Bank, the best place to work in microfinance industry (awarded by The Great Place to Work Institute, India and the Economic Times) has seen a transformational journey from NBFC to a full-blown 187 bank set-ups, across 24 states. They have been regarded as one of the largest Micro Finance Institution with a valuable mission to yield financial services to the undeserved. Under the guidance of their CEO and Managing Director Samit Ghosh, the management team strives to attain the happiest place to work which is their one of the core values. As per the financial reports of 2017-2018, the bank is able to attain CAGR of 45.0%.



**Figure 1: Total Income and Net Profit, Book Value per Share, Capital Adequacy Ratio, Customer Retention Ratio (Source: Annual Report 2017-2018)**

Performance of Ujjivan bank in comparison of BSE Sensex, Nifty can be diagrammatically presented as:



**Figure 2: Performance of Ujjivan Small Finance Bank in Comparison to BSE**

The current financials from their annual report yield that over year to year comparison, their total income rose from Rs. 1,397.6 cr to Rs. 1,581.7 cr. Although PAT has gone into a negative transformation to -96.5%. But their total assets have risen by 15.7%. Customer Retention ratio over the passage of 2014 to 2018 has been 85%. The stockholder's equity in 2018 was 146. Their loan disbursement has been over Rs. 7,560 crores, with an addition of new customers 7.6 lakh. Hence, the customer base now is over 37.1 lakh. Deposits have also grown to Rs. 3,772 crores. They are working with an aim to reduce cost from 10.4% to 9%. Furthermore, collection efficiency has been impeccable to 99.6%. Bank has made huge investments in technology. They use Finacle, CRM, and SAS to orient work.

**REVIEW OF LITERATURE**

Aduda J and Kalunda E (2012) believed that financial inclusion trails economic development. Paper was an attempt to study the measures including access and usage in order to attain higher financial inclusion. Andrianaivo M and

Kpodar K (2012) researched the impact of mobile phones over economic growth as well as financial inclusion by undertaking some African countries over the time period of 1988 to 2007. By utilizing the Generalized Method of Moments estimator the study concluded that mobile phone bears a positive significant impact over economic growth further deploying greater financial inclusion. Babajide A.A. et al (2015) believed that Financial inclusion drives financial development. Several determinants like a total factor of production, capital per worker, etc were highlighted and their impact on Nigerian was assessed. The study also said that natural resources should be adequately exploited. Park CY and Jr. RVM (2015) found that if financially inclusive, there are huge chances towards inclusive growth. The study resulted that per capita income, rule of law and demographic characteristics affects financial inclusion. Singh C and Naik G (2017) conducted a survey of several farmers and non-farmers in Gubbi, 2013 in order to assess the impact of governmental schemes. The study concluded that there has been a significant improvement over credit facilities by banks. Randhawa AS (2018) researched that with the entry of small finance bank into the arena of universal banking financial inclusion have risen. The paper accentuated certain successful small finance banks and the challenges they face while managing their assets as well as liabilities.

### **Inclusive Development**

The objective of Inclusive development has been entwined with the help of their financial products which includes:

#### **Savings Account**

- Regular savings account
- Senior citizen savings account
- Corporate salary account
- Minor account
- Basic Savings bank deposit account
- BSBDA small account
- Institutional Segment: saving account

Their savings account does not necessitate the criteria for fulfilling any monthly balance. Senior citizen savings account's interest rate ranges from 4% to 7% over an income up to 5 lakhs and greater than 5 crores. The benefits are not just accrued to these only.

#### **Current Account**

- Business edge current account
- Premium current account
- Regular current account
- TASC current account

Users of current account enjoy limitless free transactions over ATM, unlimited cash deposits are valid till a range

of 12 times of average monthly balance up to Rs. 5 lakhs. They believe in the motto that there should not be any extra cost for non-home branch transactions. Business edge current account holders are offered free IMPS, RTGS and NEFT. Premium current account holders enjoy Rs. 1,00,000 limit per day for shopping purpose. Benefits are not limited to these only.

### Deposits

- Fixed deposit
- Recurring deposit
- TASC fixed deposit
- Tax saver fixed deposit

Their existing RD interest rates are as follows

**Table 1: Interest Rate of Deposits**

Tenure	Interest Rate (pa) (Up to Rs. 2 Crore)
7 Days to 29 Days	5.50%
30 Days to 89 Days	6.25%
90 Days to 179 Days	6.75%
180 Days to 364 Days	7.50%
1 Year to 2 Years	8.30%
2 Years and 1 Day to 734 Days	7.50%
735 Days	8.25%
736 Days to 798 Days	7.50%
799 Days	8.60%
800 Days to 3 Years	7.50%
3 Years and 1 Day to 5 Years	7.00%
5 Years and 1 Day to 10 Years	6.50%
Additional Interest Rate for Senior Citizens	0.50%

(Source: Company Website)

### Micro-Banking

- Group loans: the plethora includes a range of business loan, a family loan, agricultural and allied loan, Education core loan, business Top-up loan, Emergency loan, Education loan, loyalty loan on the basis of Joint Liability Group Model.
- Individual loans: It includes products like individual business loan, livestock loan, home improvement loan, agricultural loan, bazaar loan and open market livestock loan.
- Two-wheeler loan

### MSE Business Loan

Micro and Small Enterprise with an annual sales turnover over the range of manufacturing, trading, services: Rs.18,00,000; Rs. 20,00,000, Rs. 15,00,000 and above are offered a loan of minimum amount Rs. 2,00,000 and maximum amount as Rs. 3,00,000 tenure of minimum 1 year and maximum 2 years.

## Rural Banking

Ujjivan Bank Agri Group Loan and Ujjivan Bank kisansuvidha loan offers group loan and individual loan with the help of hassle-free documentation. A loan is offered for cattle maintenance/purchase, sericulture and tractor maintenance. On the other hand, kisansuvidha loan amount typically ranging from Rs. 60,000 to Rs. 2,00,000 for 24 months is extended for services like dairy, floriculture, mushroom farming, fishery, etc.

## Home Loans

Bank offers a bouquet of home loans in order to serve the purpose of construction, home improvement, home equity, etc.

Ujjivan Small Finance Bank, has initiated several steps to ensure that even marginalized group are inclusive to growth. Their initiatives include the following:

Ujjivan Small Finance Bank has a partnership with Parinaam Foundation and Piramal Foundation. They collaboratively undertake numerous community development programs. The projects to entangle inclusive development include:

- Education
- Hospital Renovation/ Health Centre
- Garbage Management
- Social Awareness Campaign
- Community Infrastructure Development
- Parks-Green Areas & Community Space

'UjjivanChote Kadam'- has also been initiated by the bank where different volunteers have been able to deliver a benefit to over 12 lakhs. Copious messages pertaining to environment green, water conservation, immunization through vaccination, etc. have also been put forth by the community.



**Figure 3**

Academic adoption programmes have also been initiated inclusive of the following:

- Mentoring and school completion

- Education in quality schools
- Education support till 12<sup>th</sup> class
- Children saving plan
- Tutorial and remedial classes.
- Health programmes
- Identity proofs generation

### Impact of the Programmes Adopted by Ujjivan Small Finance Bank

Further as per the statistics, 203 children have undergone health check-ups, Transport facility is provided to aid children to school, 95% have aadhar card as a proof of identity, distribution of school kits to nearly 499 children and so on.

Not restrained to merely aid in schooling, scholarship project has also been initiated with an aim to help unprogressive to save for their children education and a prospect to expand their savings base. In support of the said aim, they proclaim to offer a scholarship to over 219 applicants. 6 older children have been admitted to Higher Education Programme. Life skill training are also imparted.

Medical practitioners often visit several rural areas to offer treatments as well as diagnostic tests. This mobile facility has been a helping hand to many. Water ATMs have been installed over several areas with a nominal fee of Re.1/ liter to the unprivileged.

Bank has been ranked as first of its own, to serve the financially underprivileged. They fore runnered the race of credit products in terms of education, emergency, and housing. They even housed 'Smart Campaign' for its customers. To scale the businesses of several, they initiated educative programmes in order to unveil the fruits of higher-value individual loans. Further, with the sole objective of serving underprivileged, there has been an immense reduction of interest rates.

Their project coverage can be assessed with the help of the following table:

**Table 2: Welfare Programmes**

Activities	Sectors Influenced	Geographical Boundaries	Implementation Mode
Clique development	Healthcare, Sanitization (in resonance with the governmental initiative of Swachh Bharat Kosh Set up), hunger and poverty suppression, clean drinking water	Pan India	Indirect (in consonance with Piramal Foundation)
School facilities	Fostering education, employment generation skillful activities for women, paraplegic, etc	Pan	Indirect (in consonance with Piramal Foundation)
Healthcare	Healthcare, Sanitization (in resonance with the governmental initiative of Swachh Bharat Kosh Set up), hunger and poverty suppression, clean drinking water	Bangalore, Mumbai, Pune, Nashik	Indirect
Clean drinking water	-do-	Different segments of Haryana as well as Rajasthan	Indirect

**Table 2: Contd.,**

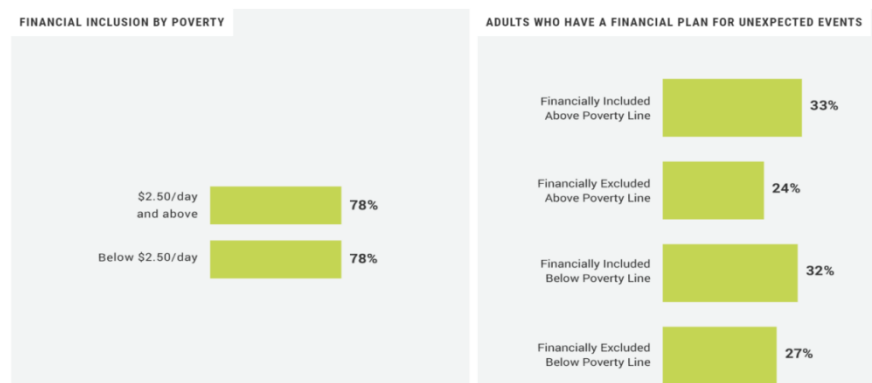
Desolation relief	-do-	Different segments of Assam, West Bengal, and Bihar	Direct
Societal welfare programs	-do-	Certain areas of west-Kolkata	Direct

Therefore, it can be ascertained bank has made numerous contributions towards the development of destitute. Their banking product offerings have lured many customers, as per the data of their customer base. They have thrived well the objective of financial inclusion. Moreover, in order to yield basic amenities like sanitization, clean drinking water, etc. bank has undergone both direct as well as indirect mode. Indirect here refers to the project with the consonance of Piramal Foundation and Parinaam Foundation. For the above-mentioned programmes (table 2) as well, the bank has proposed a budgeted cash outlay of Rs. 438.25 cr. Out of which they have utilized Rs. 151.63 cr.

**Inclusive Finance India Summit**

Summit’15 inaugurated by Sh. S.S Mundra, Deputy Governor of RBI, tracked the progression pertaining to financial inclusiveness, including main microfinance channels. The thrust was to bring all the members under the shed of financial well-being. Opening of 190 million bank accounts as well as two specialized banks, awarding 10 principle licenses for small finance, 11 for payment bank were some of the key highlights of it. Ministry of Finance, Reserve Bank of India, Banks, etc are the participants of this summit. Summit includes unvarnished discussion on financial inclusion, digital inclusion of destitute, novice institutional roles as well as their challenges, risks in lending, addressing issues of self-help groups, etc. It is believed that if an undeserved has been delivered status of financial stability, then there are higher chances of the success rate of inclusive development.

Current statistics of Financial inclusiveness by underprivileged can be assessed with the help of the following:



(Source: <http://finclusion.org/country/asia/india.html#dataAtAGlance>)

**Figure 4: Financial Inclusion**

**CONCLUSIONS**

Ujjivan Small Finance Bank has been persistently working towards rural upliftment. Their success can be clearly demarcated as per published statistical information. Ujjivan Chote Kadam- a remarkable initiative has given tremendous results. Apart from these, they have also become facilitators towards education completion, higher education pursuance,

health programmes, and children saving plans as well. Moreover, the paper also enlightens the Inclusive Finance India summit who has its legacy of greater than 14 years and have enormous contributions towards financial inclusion policy formulation, technological contributions for the same. Moreover, there are candid discussions over varied topics of advancements.

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