

THE ROLE OF SMALL FINANCE BANKS WITH SPECIAL REFERENCE TO UJJIVAN BANK

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Abstract:In recent years, Indian financial services are gaining more importance due to the need of financial inclusion in the country. Financial Inclusion is one of the top priorities of the country in terms of economic growth and development. The RBI and Central government have taken steps to license the differentiated banks namely Small finance banks and Payment banks. Approximately 35% of the adult population in India has an account with a formal financial institution. Small Finance Banks by definition will cater to the diverse needs for financial services amongst the low-income people. The main objective of Small Finance Banks is to lend to Small business units, small and Marginal farmers, Micro and Small industries and Unorganized sector entities whereas other banks can provide loans to all sections of society. Ujjivan Small Finance bank is a subsidiary company of Ujjivan financial service private limited company. Ujjivan Small finance bank is operating in 15 different states in India. Main aim of Ujjivan small finance bank is to provide loans and other financial services to poor section of the population. Ujjivan is now looking for opportunities to deepen its relationship with customers through additional products, such as different types of Micro-insurance, remittance services and a government –subsidized pension program, longer-term higher education and housing loans, and a secure and affordable savings system for the urban poor. Unlike other firms in the Micro-finance business, Ujjivan by design focused on the urban poor. Ujjivan was set up with the mission of “providing Financial Inclusion of the urban and semi-urban poor”. Ujjivan derived from the phrase “Uttam Jeevan” the meaning of which is “Better life”. The paper puts emphasis on highlighting successful performance of Ujjivan Bank. This paper is based on secondary sources that have been used to collect information about small finance banks through Journals, articles and research reports.

Keywords: Financial Inclusion, Small Financial Banks and Ujjivan bank

Introduction:

Small Finance Banks plays a very important role in Economic development of the country. They provide Micro and small loan to Business entrepreneurs and Agriculturist in unbanked and under banked region in the country. In India an experiment with small banks was taken up and announcement made by the finance minister in the union budget in August 1996. SFB’s was recommended by the Nachiketmor committee on Financial Inclusion. The RBI opened up a new platform on November 27th, 2014 by issuing guidelines for Small Finance Bank (SFB). These will be specialized banking institutions to provide financial inclusion to the vast underserved sections of our population and not the regular universal bank which serves the middle class and affluent in the retail segment and large corporates. Initially 10 institutions got license to operate their dealings in the group of small finance bank they are:

- Ujjivan Small Finance Bank
- Jana Small Finance Bank
- Equitas Small Finance Bank
- AU Small Finance Bank
- Capital Small Finance Bank
- Fincare Small Finance Bank
- ESAF Small Finance Bank
- North East Small Finance Bank
- Suryoday Small Finance Bank
- Utkarsh Small Finance Bank

Today, Ujjivan offers a diverse range of loan products to cater to the specific requirements of customers. Ujjivan received the final license from the Reserve Bank of India on 11th November 2016, which allowed us to set up Small Finance Bank business in India with an experienced team of members ranging from ex-CEO's of leading nationalized banks and advisors to various financial organizations in the country. Ujjivan Financial services set out on a mission to utilize the full potential of the financially unserved population by aiding their development to procure a brighter future.

OBJECTIVES OF THE STUDY:

- 1) To know the various services provided by the Ujjivan bank.
- 2) To know the unique CSR activities conducted by the Ujjivan bank.
- 3) To measure the challenges faced by the small finance bank.

Various services provided by Ujjivan bank:

Microfinance products at Ujjivan Financial Services are purpose based solutions for needy customers. Customers can also use loans to make important investments in human assets, such as medical emergency and higher education. Microfinance Loan Products are classified into 2 categories:

1. Group Loans
2. Individual Loans

1. GROUP LOANS

Group loans are the most tactical products at Ujjivan Financial Services, which comprise more than 86% of the total Microfinance lending portfolio. In order to design new products and develop the existing ones, we are in constant pursuit to understand customer needs, their preferences and financial behavior. We believe in translating this gathered knowledge into products that are better adapted to our customer's household needs and are affordable.

A) Core Loan Products

- Business Loan
- Family Loan
- Agriculture and Allied loan

B) Value- Added Group Loan products

- Business Top-up Loan
- Emergency Loan
- Education Loan
- Loyalty Loan

2. INDIVIDUAL LOAN PRODUCTS

- ✓ Individual Business Loan (IBL)
- ✓ Home improvement loan (HIL)
- ✓ Livestock Loan (LL)
- ✓ Individual Bazaar Loan (IBZL)
- ✓ Higher Education Loan (HEL)
- ✓ Individual Agriculture Loan (IAL)
- ✓ Open Market Livestock Loan (OMLL)

CSR ACTIVITIES CONDUCTED BY THE UJJIVAN BANK.

The Corporate Social Responsibility (CSR) programs were started by the Company in the year 2010 much before it was made mandatory under the Companies Act, 2013. During the year, the Company has partnered with Parinaam Foundation and Piramal Foundation to undertake various community development programs, free healthcare and clean drinking water facility for and on behalf of the Company across various districts and states. Also there are ongoing Academic Adoption programs under the Educational Programs conducted by Parinaam foundation.

A) PARINAAM FOUNDATION:

Introduction:

On March 31, 2018, Parinaam completed 10 years of its operations. When Elaine Ghosh first conceived the idea of Parinaam, it was to provide social services for the customers of Ujjivan Financial Services, many of whom were in need of health care and educational facilities. Since then, Parinaam and Ujjivan has come together as strategic partners with a fundamental belief that financial support alone cannot help the poor and that poverty manifests itself in various forms.

CHOTE KADAM – COMING TOGETHER FOR GOOD

Ujjivan has always adopted a unique Corporate Social Responsibility (CSR) approach that focuses on the needs of the community. Since 2010, the Community Development Program of Ujjivan has reached out to more than 12 lakh beneficiaries through 1934 community based interventions across the country This year, Parinaam has the privilege of working with Ujjivan on their Community Development Programme – **Chote Kadam – Coming Together for Good**. Through this initiative, Parinaam is undertaking 84 projects in the areas of community infrastructure development, healthcare, environment conservation and education across 17 states in India. Ujjivan and Parinaam staff has come together with the community for the upliftment of the unserved and underserved.

PROJECT CATEGORIES:

Project categories	North	East	West	South	Total
Education	16	10	11	5	42
Community Infrastructure Development	3	6	5	13	27
Social Awareness Campaigns	2	0	0	0	2
Parks- Green Areas & Community Spaces	2	1	1	2	6
Heath Centre/ Hospital Renovation	3	0	1	2	6
Garbage Management	0	0	1	0	1

PARINAAM'S EDUCATION PROGRAMMES

Despite lacking the means to consistently eat full meals, consume clean drinking water or use a toilet, India's poor prioritize their children's education. They perceive education as both the means and the ends to building a better life. Access to good quality education however, comes at a price, and many a time, this is the reason that students from economically backward families discontinue their education and start working. This is a dangerous cycle as without education, these children have no chance of a good career or income and the cycle of poverty continues with families continuing to remain economically backward.

ACADEMIC ADOPTION PROGRAMME:

Parinaam's Academic Adoption Program was established in 2011 to address the unmet education needs of the children who live in the city's slums. The programme provides long term mentoring and financial support to under-privileged children until they eventually finish school. The target segment are children from poor, disadvantaged backgrounds who might, at best, have completed a few years of education in the local medium before dropping out of the education system completely. The Programme works by nurturing children throughout their education thus reducing drop-outs. The children are sent to mainstream schools, which makes sure that they are ready for any career they may find themselves suitable after they complete school. Presently, Parinaam educates 499 children, from 14 slum communities, in 51 schools and colleges spread across Bangalore. Some of the schools that we have partnered with include Indus International Community School, Chrystel House, The Whitefield Public School, Narayana e-techno school, Chaithanya Techno School, Kendriya Vidyalaya etc.

THE KEY ACTIVITIES UNDERTAKEN AS PART OF THIS PROGRAM ARE AS FOLLOWS:

- ✓ Mentoring & Completion of school education
- ✓ Facilitation of proof for identity/Address/birth
- ✓ Tuition Centre & Remedial Classes
- ✓ Health Camps
- ✓ Children's Savings Program

ACHIEVEMENTS OF ACADEMIC ADOPTION PROGRAMME IN 2017-2018:

- The average attendance rate of the children is 93% from the year
- 124 children are being supported with Transport arrangements for going to school
- 75% of the Academic Adoption Program parents have undergone financial literacy training
- 203 children have undergone a Multi-discipline Annual Health Check

A) PIRAMAL FOUNDATION

Piramal Foundation is a philanthropic arm of Piramal Group. The foundation undertakes projects under the four broad areas – healthcare, education, livelihood creation and youth empowerment. These projects are rolled out in partnership with various communities, corporate citizens, NGO's and government bodies.

The Company after deliberate discussion engaged in a partnership with Piramal Foundation to execute the following two CSR projects for and on behalf of the Company:

➤ **PIRAMAL SWASTHYA:**

In this project Piramal Foundation provides medical awareness and medical facility especially in rural areas and their focus is on providing primary healthcare facilities to rural people. They provide mobile health services based on fixed day where Medical Vans with doctors & teams visit villages/ areas at regular intervals, conduct diagnostic and lab testing and test reports & give treatment in real time.

The approach to design the proposal is to provide primary healthcare service at door step of Beneficiaries through Mobile Medical Unit (MMU) at select Villages / Towns in identified locations. The MMU will be staffed with a medical team consisting of a Doctor & paramedic staff and equipped With basic diagnostics, medication and android tablets. Each of the targeted villages / towns would be served once in a fortnight each service session would last for 6 hours covering the entire population of village. The objective of the Program is to create a technology enabled health service that provides comprehensive health services for the identification, screening, diagnosis, referrals, monitoring and treatment of select communicable & non-communicable diseases and minor illnesses, thus managing the morbidity & mortality. Aligned to Ujjivan strategy for reaching out for health services in areas of stress, Ujjivan has identified various places across two states of Maharashtra (Mumbai, Nashik and Pune) and Karnataka (Bangalore) for the proposed mobile medical unit (MMU) to be operated by Piramal Swasthya Management and Research Institute. The Company has executed an MOU with Piramal Swasthya to operate 5 MMUs across the above cities and had committed an amount of Rs. 5.66 Crores plus taxes for three years. As on March 31, 2018, the Company has granted Rs. 18.81 lacs for this project.

➤ **PIRAMAL SARVAJAL**

Piramal Sarvajal is a social initiative of the Piramal Foundation – was established in 2008. Sarvajal has established real-time online monitoring of the drinking water infrastructure which enables viability of distributed remote operations, quality control and streamlined maintenance services. Sarvajal leases its water purification technology/equipment (kind of Water ATM) to a local entrepreneur who becomes the franchise owner. They pay fee that represents a proportion of the cost of the filtration unit, they also provide training, marketing material, sustained services & maintenance for each franchisee. Owners take up responsibility for distribution ATM cards to customers also they give rechargeable facilities to customers, they provide clean water to the underserved consumer at an affordable price of 1 Rs. /litre, they are working on 3 points approach affordability, accessibility & purity. The Company has executed an MOU with Piramal Sarvajal to install and operate 16 PD Units (as clusters) in the city of Rewari, Rohtak, Alwar, Jodhpur and Pali; this will serve approximately 5,85,000 litres of clean drinking water per annum. The total beneficiaries (household) would be around 1,46,000 per annum with an average consumption of 4 litres per household. During the year, the Company has executed an MOU with Piramal Sarvajal and has committed Rs. 1.45 Crores for a period of two years and has granted Rs. 30 lacs to Piramal Sarvajal this year for undertaking the project and that the feasibility study for identifying the potential areas for installing the PD units is in advanced stage.

Challenges faced by small finance bank:

Small finance bank are geographically concentrated and hence are more vulnerable to systematic risk (weather, crop prices, and regional economic performance) as compared to large banks. Their local nature also makes them more prone to capture. This could lead to persistent governance problems and owing to the higher exposure to risk, they have to pay higher rate to their depositors.

SFBs are directed to extend 75% its Adjusted Net Bank Credit (ANBC) to the sectors eligible for classification as Priority Sector Lending (PSL) by RBI. The priority sector, comprising of agriculture, small enterprises and low income earners, intensifies vulnerability of these banks to local economy. This demands to maintain a minimum Capital Adequacy Ratio of 15% of its Risk Weighted Assets (RWAs) which is quite high.

They suffer from capital for opening new branches, ATMs and technological upgradation.

Conclusion:

In developing economies like India, the banks have a very crucial role to play for achieving inclusive economic growth. There have been various measures taken by banks for financial inclusion as per the directives of RBI. Among all other small finance bank, Ujjivan banks plays a very important role in providing the various services to the different sectors and also they conduct various Corporate Social Responsibility (CSR) activities. Even though the number of population coming under formal banking sector has increased, certain issues like technological upgradation and capital formation are need to be looked into.

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