13, 2022.

"The year 2022-23 has seen the real spirit of Ujjivan. All the challenges and issues are behind us," Davis says. "We turned around the bank and it became the most profitable year for us."

Ujjivan SFB recorded its best performance across all parameters with PAT at 310 crore for Q423 and 1,100 crore for FY23.

In the first quarter of this financial year, Ujjivan SFB acquired about 2.6 lakh new customers in microbanking. Among the secured products, affordable housing was more than 3650 crores as of June 2023. The growth was primarily driven by home construction and home improvement segments in semi urban and rural areas, with a ticket size of 5 lakh to 75 lakh.

The gross loan book as on June 30th was 25,326 crores, up 30% year on year and 5% quarter-on-quarter. The deposit grew 45% year-on-year and 4% quarter-on-quarter to 26,660 crores. Its retail term deposits grew 71% year-on-year to 10,970 crores, while CASA grew 27% year-on-year to 6,556 crores.

Finally, the group is now considering the implementation of a reverse merger by the end of this fiscal year. In this process, the parent company, Ujjivan Financial Services, will merge into the bank, Ujjivan Small Finance Bank, with each share being exchanged at a rate of 11.6 per share.

"Our vision is to cater to the aspiring middle class, which constitutes a vast and growing segment of the population. While banks like ICICI and HDFC have capitalized on the growth of the traditional middle class, the aspiring middle class offers a fresh frontier for expansion. For the next 5-10 years we want to ride the wave of the aspiring middle class. That's our objective. We want to become a mass market bank," Davis says.

50 Years of Finance: Reflections with Samit Ghosh, Founder and Director, Ujjivan Financial Services Ltd.

Kurta-pyjama clad 73-year-old Samit Ghosh has been a prominent figure in the financial sector having worked with some top banks including HDFC Bank, Standard Chartered Bank in Dubai and Citibank in India, Dubai and Bahrain. But Ghosh wanted to give back to society. He was determined to do so in a manner that would have a sustained and large-scale impact by providing access to financial services to the working poor.

In 2005, driven by a vision of financial inclusion, he founded Ujjivan Financial Services, which has since evolved into a diversified retail bank serving millions of customers.

Ghosh's dedication to empowering the underserved and innovative approach to microfinance has earned him recognition as a pioneer in the industry, making a profound impact on financial inclusion in India.

Q. You have been in the financial services space for close to five decades. Being involved for the past 50 years, you have a very broad sense of how the trends have evolved. Can you summarize your journey and take us through the evolution of industry?

I started with Citibank in 1975. In 1985 I was part of the management team to set Citibank's Consumer

Banking business in India. In the early nineties, I played a role in setting up the foundation of the Retail Banking Business and built the infrastructure for future growth at HDFC Bank.

The concept of financial inclusion, however, is multifaceted. It extends beyond mere bank accounts or microfinance loans. My perspective, honed through observations of the middle-class landscape since 1985, centered on fulfilling a substantial portion of financial needs for this segment.

Over the next 15 to 20 years, I witnessed a transformative journey in the financial inclusion of the middle class. It began with banks, followed by non-banking financial companies (NBFCs) and insurance firms, offering life and general insurance. Housing and vehicle finance companies emerged, catering to the fundamental needs of customers. As these necessities were met, the lives of the middle class in India underwent a significant change

Q. And the investment options were also limited?

Yes, there were initially limited choices, such as fixed deposits and Unit Trust of India (UTI) investments. However, the mutual fund industry expanded, providing a broader range of investment opportunities.

My underlying objective was to extend this transformation to the vast population segment below the middle class, which remained underserved or unserved. This vision aimed to catalyze a nationwide transformation like the one experienced by the middle class. While dealing with the impoverished, one challenge was their small transaction sizes, making it seemingly unprofitable for most

banks. Despite government directives and public sector banks' involvement, internal motivation within the banking sector to expand into these markets was often lacking.

However, advancements in technology significantly reduced the cost of conducting such business, making it imperative to develop these ventures as viable operations, distinct from charity or non-governmental organizations (NGOs). Thus, Ujjivan was born. We initiated partnerships with Gramin Bank in Bangladesh, BASIX and Sanghamitra in India. The key approach was to understand their microfinance operations and subsequently integrate the front-end microfinance aspects with the back end of retail banking, incorporating technology and processes. This innovative business model developed at Ujjivan was later adopted by other institutions.

Q. So you have been open to collaboration for a greater cause?

We believe that working collaboratively will benefit the underserved segment more effectively than competing in isolation. Coexistence and collaboration were our principles, especially when dealing with government authorities during crises. For instance, during the Andhra Pradesh microfinance crisis, we collaborated effectively, reflecting the industry's collective approach in challenging times.

Discipline in operations plays a crucial role in effectively managing credit costs. In fact, if our credit costs on the portfolio are less than 98% on time, we become concerned, as this is standard in any form of banking business. High interest rates in microfinance contribute to healthy net interest margins, rendering it a profitable venture for banks.

Q. How have you been able to take advantage of tech advancements for your business?

Technology has played a major role. Payment systems like UPI have been a game changer. As technology continues to advance, digital payments, including UPI and QR codes, have gained prominence, reducing dependence on cash transactions.

Q. What have been some of the challenges that you have dealt with over the last few years?

The challenges we have faced have been mostly external, whether it was demonetization, Covid, etc. These external shocks set the business back, and these things will always happen. We need to prepare for such challenges.

Q. A couple of years back, there was also a challenge in terms of the new management that was appointed? What were the issues?

Yes, we had a new management just before the pandemic hit us. The new management could not take us through the Covid crisis. The problem was they could not understand the extent of the crisis and how it would impact the business.

Q. There was a 100-day plan put in place? What was the focus of this plan?

Having worked in Citi, we learnt a lot on how to manage crisis. We would create a 100-day plan and decide our top priorities to focus on during this time. We did something similar here. The priority was to set up a strong collection team and revive our portfolio. In the time of Covid we had a bad portfolio. Once we had a team, we hoped that after the second wave things would get better, and it did.

Everyone, right from the board to an individual team member got involved. The whole world was amazed how we came out of the crisis. The results of the last six quarters have been testimony to this fact.

*Authored By - **Ashwani Mishra**, Editor - Technology, ET Edge Insights*