

# Serving the masses

**Ujjivan Bank has designed bespoke products and solutions to cater to diverse customer segments**

**F**Y23 was an eventful year for the Bengaluru-headquartered Ujjivan Small Finance Bank Ltd (USFBL). Having come into existence on 1 February, 2017 as a Small Finance Bank, USFBL achieved remarkable performance during the year. With a balance sheet totalling ₹ 33,317 crore, the bank, headquartered in Bengaluru and promoted by Samit Ghosh-founded NBFC Ujjivan Financial Services Ltd, saw a significant expansion of 41 per cent compared to ₹23,612 crore in FY22.

Similarly, disbursements increased by 42 per cent to ₹20,037 crore, the gross loan book grew by 33 per cent to ₹24,085 crore, and total deposits swelled by 40 per cent to ₹25,538 crore. Retail term deposits of the bank surged by 69 per cent to ₹10,118 crore. The bank's total income increased by 50 per cent year-over-year to ₹4,754 crore, accompanied by an impressive profit after tax (PAT) of ₹1,100 crore. One of the key achievements was the significant reduction in gross non-performing assets (NPAs) from 7.1 per cent at the beginning of the year to 2.6 per cent at the end of fiscal year 2023.

Having turned around in FY22, USFBL expanded its branch network by adding 54 new branches in FY23, bringing the total to 629 branches. As of December 2023, the SFB boasts 729 branches (including 577 ATMs and over 5,000 Electronic Collection Retail Points) spread across 26 states and UTs, covering 321 districts. Notably, in FY23, the bank also entered a new state, Telangana, further expanding its reach. The bank was recognised by the 'Great Place to Work Institute' for FY23 and featured in the Top 50 'Great Place to Work' in both the general category and the BFSI industry. With a customer base of 77 lakhs, the bank expanded its workforce by nearly 1,000 employees, reaching a total of 17,870. As of December 2023, the SFB employs 21,796 individuals.



*Davis:  
a customer-centric  
approach*

"FY23 marked a remarkable year for Ujjivan as we not only solidified the turnaround reported in FY22 but also accelerated it, resulting in substantial growth. We achieved significant milestones in business performance, with deposits exceeding ₹25,000 crore and disbursements reaching ₹20,000 crore. Additionally, our customer base surpassed 77 lakhs, crossing the significant threshold of 75 lakhs. Our profitability soared, culminating in a net profit of ₹1,100 crore, positioning us among

India's top 200 listed companies in terms of absolute net profit," says Ittira Davis, Managing Director & CEO, USFBL.

"We have established a solid foundation for the future and remain dedicated to further building upon this base. Our focus moving forward will encompass investments in technology and digital platforms to enhance productivity, increase the customer experience, and drive business growth. Additionally, we plan to allocate increased resources

towards branding and marketing efforts to enhance brand visibility and reinforce the positive work accomplished over the past approximately six quarters following the Covid-19 pandemic,” adds Davis. “In terms of our branch network, the SFB has ambitious plans to add 100 branches during FY23-24, aiming to achieve a gross loan book growth rate of 25 per cent or higher.

“Our strategy involves customer acquisition in the micro-banking segment and growth in our secured book. While our housing segment showed robust growth, we anticipate a pickup in the MSME and vehicle sectors during the current fiscal year. In FY22-23, the MSME segment underwent a strategic transition towards achieving a more balanced portfolio mix. We have introduced our first set of products in this segment. We will also focus on expanding our Micro-LAP (Loan Against Property) book, primarily by promoting the progression of our micro borrowers. Furthermore, a key priority is cross-selling vehicle and gold loans to micro-borrowers,” states the bank CEO.

Buoyed by the performance in FY23, the bank is aiming for a deposit growth of over 30 per cent in the current year, with a particular emphasis on Current Account and Savings Account (CASA) and the expansion of its granular book. Additionally, it is focusing on digital deposits and has made significant investments to enhance alternative service channels such as Phone Banking, Video Banking, and IBMB (Internet Banking and Mobile Banking), making them more relevant and productive. These initiatives are expected to yield positive outcomes during the current fiscal year. The bank is also looking to maintain credit costs below 100 basis points and achieve a Return on Equity (RoE) of around 22 per cent or higher for FY23-24.

Pursuing its roadmap, USFBL maintained its momentum in the current year. During 9MFY24 ending on 31 December, 2023, CASA reached ₹7,556 crore, marking a 24 per cent increase year-on-year. Disbursements rose by 19 per cent year-on-year to ₹16,708 crore, with disbursements to the affordable housing segment surging by 63 per cent to ₹1,554 crore. The gross loan book expanded to ₹27,743 crore, up by 27 per cent year-on-year. Deposits stood



*USFBL remains dedicated to crafting need-based products for each of its segments*

at ₹29,669 crore as of December 2023, marking a 28 per cent increase. Ujjivan's affordable housing segment loan book continued to excel. Net interest income rose by 26 per cent to ₹2,476 crore, while PAT increased by 20 per cent year-on-year to ₹952 crore.

#### **Maintaining healthy growth**

“Our business performance continued to display healthy growth for the ninth quarter in a row. Disbursements maintained their strong trend. We have expanded our customer reach through both physical and digital networks, enhancing our product and service suite. This, coupled with our intensified marketing efforts, further strengthened the bank's liabilities franchise. Despite increased competition in the market, our total deposits grew by 28 per cent. Our focus on diversifying our book remains steadfast. We have enriched the product portfolio offered by the bank and have also been developing other high-yielding business segments like gold loans and two-wheeler loans. Although currently small, we anticipate rapid growth in these areas, contributing to the expansion of our secured book in the coming quarters. Additionally, we have partnered with a few fintech companies, which we believe will provide synergistic benefits in the future and enhance our product offerings,” says Davis.

“In line with our strategy, the bank will continue to expand its physical presence across the country. In Q3, 29 new branches were opened, taking its total branch count to 729. In Q4, the bank looks to add around 23 more

branches. We maintain our immediate and long-term guidance given earlier. The business is on a strong footing. Our business momentum remains strong and we are confident of establishing Ujjivan as a leading mass market bank,” adds the CEO.

“UJSFB has been able to sustain its growth momentum with both advances and deposits growing at a healthy pace. New product scale-up in the secured business along with focused efforts on building the liability effort should keep the business growth momentum strong over the medium term. The reverse merger is nearing its completion and is expected to conclude by Q4FY24 post the requisite regulatory approvals. Post this, the bank will also look to apply for a Universal Banking licence,” says an Axis Securities report.

UJSFB is gearing up to take the next step towards becoming a universal bank. As per the RBI, an SFB must transition to a universal bank 5 years after securing schedule bank status. To achieve this, an SFB is needs to meet the conditions laid down by the central bank. Apart from being a listed entity and profitable for 3 years, the SFB should not have a holding company. To fulfil this requirement, UJSFB initiated the reverse merger process several quarters ago with its parent company, Ujjivan Financial Services Ltd. The order, dated 7 December, 2023 as pronounced by the NCLT, has been uploaded on the NCLT's website, while the remaining procedure is expected to be completed by March 2024.

Ujjivan Financial Services started operations as an NBFC in 2005. In October 2015, UFSL received an in-principle

## Empowering communities

As a responsible bank, Ujjivan SFB firmly believes in creating a sustainable social impact. It remains committed to community development and financial literacy initiatives through its community outreach programs and partnerships, emphasising giving back to society. The bank has made significant strides in its CSR efforts, with a presence in 24 states across India. Since its inception, it has successfully implemented over 141 projects, positively impacting more than 49 lakh beneficiaries. In FY22-23, it executed 21 projects, benefiting around 7.30 lakh individuals. Moving forward, the bank is committed

to making a significant impact in the states of Bihar, Madhya Pradesh, Rajasthan, and Uttar Pradesh (BIMARU). Its flagship CSR programme, Chote Kadam, has been instrumental in addressing the grievances of the vulnerable and marginalised communities in which it operates. It has successfully completed 17 projects in 18 states and union territories, benefitting around over 7.30 lakh people. Through Chote Kadam, it aims to improve the environment and quality of life of these communities while fostering a deeper connection and understanding between corporations and the community. The bank gathers feedback from its

regional teams at the ground level and selects projects based on their criticality and potential impact. Recognising that lack of access to basic infrastructure is one of the many challenges faced by unserved and underserved communities, Ujjivan has designed its community development programme to focus on several categories of public infrastructure facilities, such as: infrastructural support for educational institutions; renovation of healthcare facilities; construction of community centres and bus stands; catering to safe drinking water needs; provision for sanitation and provision for solar-powered street lighting, among others. USFBL's CSR initiatives also focus on empowering rural

women entrepreneurs through its association with Savera Society. The bank has enabled these women to make their own sustainable products, adding more and more beneficiaries every year. Financial education is a fundamental part of its mission, aiming to provide low-income families with access to the necessary financial tools for security and prosperity. It has also focused on empowering women from low-income households by equipping them with knowledge and tools for safe savings, minimising financial risk, and making informed financial decisions. In FY22-23, its financial literacy programme, Diksha+, trained over 1,19,222 customers across 278 branches.

approval from the RBI to establish a small finance bank. As a result, USFBL was incorporated as a wholly-owned subsidiary. In November 2016, after obtaining the RBI's final approval, UFSL transferred its lending and financing business to Ujjivan Small Finance Bank, which began operations in February 2017.

In a short span of time, USFBL has made significant strides. It has placed great importance on nurturing the skills and abilities of its workforce, acknowledging their invaluable contributions to propelling SFB's progress. Additionally, it has designed bespoke products and solutions to cater to diverse customer segments, which aligns with its customer-centric approach. Embracing the digital age, it has broadened its array of digital platforms to engage with customers through various channels, thereby enhancing their experiences and optimising its overall operational efficiency.

UJSFB has implemented advanced technological platforms to accommodate increased business volumes, streamline processes, and maintain exceptional asset quality. In order to ensure broader accessibility, it has also fortified its physical infrastructure by establishing new banking outlets, forming partnerships with payment fintech companies, and expanding its alternative channels.

"We are committed to serving the unserved and underserved segments of the population through financial and digital inclusion. As an aspiring mass-market bank, we offer our large customer base a wide range of financial services and a personalised customer experience," says Davis who is an international banker with over four decades of banking experience in India, the Middle East and Europe. He was with Europe Arab Bank from July 2008 to October 2012, initially as its Managing Director – Corporate and Institutional Banking – and then as Executive Director. He previously worked with Citibank in India and the Arab Bank Group in the Middle East.

### Leading from the front

Davis has been associated with Ujjivan since 2015 and has played a pivotal role in its transition into a Small Finance Bank. Later, he was the Chief Operating Officer of the bank until June 2018, after which he took charge as the MD & CEO of Ujjivan Financial Services from July 2018 to March 2021. He was also an Additional Director (Non-Executive, Non-Independent) of the Bank from 13 March, 2021, till 23 July, 2021. Davis is a graduate of the Indian Institute of Management, Ahmedabad (1976).

Today, USFBL is among the leading

small finance banks in the country, and offers a comprehensive suite of products and services alongside a personalised customer experience. Over the years, it has cultivated a robust customer base across asset and liability verticals. The bank remains dedicated to crafting need-based products for each of its segments. Its focus extends to enhancing services for MSME customers by introducing products tailored for the semi-formal and formal segments, while also transitioning towards relationship banking. This strategic shift involves prioritising the provision of shorter-term products such as supply chain finance, working capital funding, bill discounting, and other non-fund-based facilities. Furthermore, in the housing sector, the bank is increasingly tailoring offerings to meet local requirements in various regions.

During the last fiscal year, the bank introduced a state-level collateral policy to address the diversity in the real estate market and comply with legal regulations across different states. Additionally, it launched a micro-LAP (Loan Against Property) product tailored for small borrowers in need of funding. This product aims to assist small borrowers and their families who have a solid repayment history and the capacity to manage higher-ticket loans. Furthermore,

by strengthening its fintech alliances, the bank aims to expand its channels, thereby reaching more customers and providing them with enhanced services. New products, such as bank guarantees, have also been launched for institutional segments, with work underway on the development of the working capital product.

USFBL is working towards expanding its bulk deposit avenues and seeking to increase exposure limits from various mutual funds, insurance companies, and cooperative banks. On the liability front, it is prioritising the implementation of digital solutions for government and institutional businesses, including the Public Funds Management System. "POS and QR-led acquisition will be key areas of focus as the bank expands its reach among small and medium retailers. We are continuously enhancing our offerings for the aspiring middle-class segment by introducing more value-added products to solidify our position as a mass-market bank," states Davis.

The SFB bank has established a dedicated digital banking team to improve customer experience, optimise technology investments, and minimise operational costs. This initiative's key components include digital innovation, API banking, fintech collaborations and partnerships, robotic process automation, artificial intelligence, digital lending, payments, digital marketing, and data analytics and insights. It aims to leverage these factors to enhance overall efficiency and effectiveness within the bank's digital ecosystem.

Analysts are of the view that the bank is actively implementing an end-to-end digitisation process to enhance contactless disbursements and repayments. Leveraging data analytics, USFBL is likely to gain actionable insights to facilitate well-informed decision-making. By harnessing its full-stack API banking platform, the bank intends to collaborate with the fintech ecosystem to offer its customers innovative products and solutions. Additionally, digital channels will play a pivotal role in acquiring new customers and delivering services efficiently.

The bank leverages technology to provide a better customer experience to the mass-market and aims to expand its digital reach within the country. In line with this objective, it has introduced a



*USFBL has a dedicated digital banking team*

novel mobile app called 'Hello Ujjivan'. The primary focus of this app is to cater to the needs of semi-literate or less tech-savvy customers who encounter obstacles like language barriers and difficulty comprehending banking terminology. "These challenges often hinder their use of mobile banking services. Being the first of its kind, the app combines various advantages, such as a user-friendly interface, support for vernacular languages, visual communication through pictures, and voice interactions. This unique amalgamation offers customers an experience that fosters deeper digital penetration," says a bank official.

#### **Adding value**

USFBL leverages a strategic blend of physical and digital channels and partnerships to extend its reach and provide added value to customers. The bank consistently enhances its customer outreach through technology enabled channels such as video banking, phone banking, and business net banking. A diverse array of services is currently available, with plans for further expansion throughout the year.

The bank manages two in-house phone banking facilities that operate round the clock with a team of over 150 phone bankers. These facilities offer comprehensive support in nine languages, serve customers, and generate or convert business leads. 89 per cent of the over one million registered customers, access the services in Indian languages. Presently, more than 200 services are available through phone banking, with ongoing efforts to further enhance the offerings.

USFBL's 'Hello Ujjivan' is a banking app for semiliterate customers with Voice Prompts, voice recognition in nine languages and eight dialects, and visual prompts. The bank has witnessed significant adoption of the app from its customers, recording over 97,514 downloads and 4,800 active users (with a minimum of one transaction) as of March 2023. This achievement led to its recognition for innovation at the esteemed Aegis Graham Bell Awards. In its pursuit to establish a comprehensive remote banking solution that combines the benefits of digital technology with a compassionate human experience, the bank introduced Video KYC. This ground-breaking initiative also marks its first foray into cloud-based services.

Ujjivan has taken a pioneering step in the industry by offering customers the convenience of signing up for digital banking using Aadhaar. This ground-breaking feature significantly reduces barriers for non-tech-savvy customers while ensuring a secure and seamless onboarding process. The bank has experienced tremendous growth in UPI adoption, securing the second position among Small Finance Banks and the 32nd position nationwide. Furthermore, it is noteworthy that USFBL ranks 12th nationwide for technical declines on UPI transactions, even it reaches all-time high transaction volumes as of 31 March, 2023.

There is no doubt that in a short span of time, USFBL has made impressive progress and emerged as one of the leading small finance banks in the country. Backed by its digital initiatives and customer-centric approach, it has built up a strong customer base. It offers its large customer base a wide range of financial services and a personalised customer experience. The bank has broadened its array of digital platforms to engage with its customers through various channels, thereby enhancing their experiences and optimising overall operational efficiency. Moreover, it has placed great importance on nurturing the skills and abilities of its workforce, acknowledging their invaluable contributions to propelling its progress. All these initiatives and efforts have helped it establish a strong foundation and create a distinct presence in the market.

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