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Shree Chanakya Education Society's

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**Department of Commerce & Management**

Presents

**REVELATION**  
**2022-23**

Indira Students Research Conference



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# REVELATION

## INDIRA STUDENTS RESEARCH CONFERENCE

(ISRC) 2022-2023



**DEPARTMENT OF COMMERCE &  
MANAGEMENT**

**Indira College of Commerce and Science**  
89/2A, "DHRUV",  
New Pune Mumbai Highway, Tathawade.  
Pune -411033, Maharashtra, India.

# INDIRA STUDENTS' RESEARCH CONFERENCE (ISRC 2022-23)

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# Shree Chanakya Education Society's INDIRA COLLEGE OF COMMERCE & SCIENCE

Affiliated to Savitribai Phule Pune University & 'NAAC-A' Accredited & Autonomous Status by UGC, New Delhi

## COMMERCE WEEK



### CERTIFICATE OF PARTICIPATION

This certificate is awarded to Sarita Karanje of St. Miras College  
Has Participated Indira Students' Research Conference (ISRC)  
Competition held on 13/10/2022

Dr. Thomson Varghese  
HOD- BBA & BBA-IB

Dr. Nalanda Wani  
HOD-COMMERCE

Prof. Shivendu Bhushan  
VICE PRINCIPAL

Dr. Janardan Pawar  
PRINCIPAL-IN-CHARGE







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**SMALL FINANCE BANKS FOR INCLUSIVE GROWTH: A  
REVIEW OF UJJIVAN SMALL FINANCE BANK FOR DIGITAL  
INCLUSION**

**Ms. Sarita Karanje\***

**Ms. Tamanna Lund\*\***

**Guide: Dr. Arwah Madan\*\*\***

**St. Mira's College for Girls, Pune**

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**ABSTRACT**

*Business Digitalization is the integration of technology that transforms the way organizations operate across their different areas, services and channels, with the customers and other stakeholders. In an attempt to widen the scope of the banking sector reforms, the Government has focused on financial inclusion, and digital banking, along with focus on risk management. One such initiative is the issue of Differentiated Banking Licenses and the subsequent setting up of Payment Banks or Small Finance Banks. The paper makes an attempt to review the progress of Ujjivan Small Finance Bank with respect to Digital payment systems and how they have made it advantageous to reach out to the unserved/underserved sections through digitalization.*

**KEYWORDS:** *Digitalization, Digital Banking, Financial Inclusion, Small Finance Banks.*

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**1. INTRODUCTION:**

The Banking sector in India has shown gradual reforms, liberalization and expansion as well. The Small Finance Bank (SFB) is one of the specific segments created by the Reserve Bank with the objective of furthering financial inclusion by primarily undertaking basic banking services for set target groups. Small Finance Banks are the primary motive to have a greater focus on the unserved and underserved sections including small business units, small and marginal farmers, micro and small industries, and unorganized entities. Small and Marginal Farmers, Small and Medium Enterprises, Small Traders are the target groups for Small Finance Banks. The Reserve Bank issued the guidelines in 2014 to set up a small finance Bank. 72 entities from across segments applied for the license but only 10 of them were approved. They were given professional licenses and would have to convert into Small Finance Banks after one year on 27th September 2015. Out of ten, eight entities are listed as Microfinance NBFCs. The first Small Finance Bank was a conversion, Capital LAB converting into Capital Finance Bank with 47 branches as of 24th April 2016.

**2. LITERATURE REVIEW:**

A Study by Bhaskar Arora & all. (2018) highlights the positive correlation between Financial Inclusion and Economic Growth; the SFBs can bring the untouched sector of the economy under the purview of formal financial system. The paper highlights the role of SFBs in the growth and development of the economy along with the progress of the formal financial sector thro

A Review Paper by RBI (2021) reviews the performance of small Finance Banks; finds them to be leading in serving the priority sector. It reviews and also points out that SFBs are healthy on various performance parameters. The paper highlights the very objective of Small Banks, i.e. serving a niche segment of the under-privileged population and not being a profit-making intermediary.

**CAPITAL REQUIREMENT:**

The minimum paid-up equity capital for small finance banks shall be ₹200 crores (US\$27 million). In view of the inherent risk of a small finance bank, it shall be

required to maintain a minimum capital adequacy ratio of 15% of its risk-weighted assets (RWA) on a continuous basis, subject to any higher percentage as may be prescribed by RBI from time to time. As small finance banks are not expected to deal with sophisticated products, the capital adequacy ratio will be computed under Basel Committee's standardized approaches.

### 3. OBJECTIVES OF THE STUDY:

- To review the objectives served by the Small Finance Bank with the view of strengthening financial inclusion by extending basic banking services to select target groups.
- To review the performance of Small Finance Banks with respect to MSME as a target group and the role played by the former during the pandemic conditions to support the latter.

**TABLE 1: SMALL FINANCE BANKS IN INDIA**

NAME OF THE BANK	LOCATION	CAR (%) (2019-20)	YEAR OF INCEPTION
AUSmall Finance Bank	Jaipur, Rajasthan	21.99	1996
ESAF Small Finance Bank	Chennai	23.61	2017
Equitas Small Finance Bank	Thrissur, Kerala	24.03	2007
Fincare Small Finance Bank	Ahmedabad	29.28	2017
Janalakshmi Small Finance Bank	Bengaluru	19.25	2018
Capital Small Finance Bank	Jalandhar, Punjab	19.11	2016
North East Small Finance Bank	Guwahati	24.98	1872
Ujjivan Small Finance Bank	Bengaluru	28.82	2017
Utkarsh Small Finance Bank	Varanasi	22.19	2009
Suryoday Small Finance Bank	New Bombay	29.57	2017

Source: <https://rbi.org.in>

**4. RESEARCH METHODOLOGY:**

Quantitative method is used for research method and all the research is based on the case studies of USFB of the country, including new digitalization of the bank and before and after pandemic changes in the bank.

**5. METHODOLOGY:**

The study makes an attempt to review the performance of one of the Small Finance Banks – Ujjivan Small Finance Bank in its role as an institution to support financial inclusion and serve the target section of the economy. The study also makes an attempt to understand how the Small Finance Bank has made effort to support the MSME sector and its role towards the sector during the pandemic period.

The Ujjivan Small Finance Bank was reviewed from the year 2019 to 2021. The research paper is based on the data of the loan departments of the USFB as well as the growth of the customers before and after the pandemic in digitalization. It shows the drastic change in the deposits of the bank after the pandemic. The paper also makes an attempt to understand the inclusive growth of the small finance bank.

**UJJIVAN SMALL FINANCE BANK (USFB)**

USFB is a mass market-focused bank in India. Ujjivan Financial Services received in-principle approval from the Reserve Bank of India to set up a small finance bank on 7th October 2015. As Ujjivan Financial Services Ltd., it was already serving over 2.6 million customers from 464 branches in 24 states. With a Small Bank license, Ujjivan expanded its range of loan products and also accepted deposits rather than relying on other financial institutions for funds. On 11 November 2016, Ujjivan received the final license from the Reserve Bank of India to set up a small finance Bank. In 2018, Ujjivan was present across 24 states and union Territories, and 209 districts in India, catering to over 3.7 million customers USFB provides a range of products and services such as savings accounts, current accounts, fixed deposits (FD), recurring deposits (RD), Micro Loans, Home Loans & Small Business Loans. The bank also offers internet banking, phone banking, and mobile banking facilities to customers.

USFB has set up alternative channels and digital footprint across the internet which can be also used in remote locations as well. The Bank is driven by the need to provide financial assistance to the masses in the unorganized sector through technological advancements and digitalization.



USFB has created a platform to overcome the hesitation towards digital adoption and payment infrastructure for users lacking awareness of digital payment. It is integrated with Bharat Bill Pay (BBPS) aggregators like 'Sethu' with all the payment options available in the banking sector just to provide easier digital transactions to their customers. During the pandemic, the online payment infrastructure came in handy. As USFB partnered with MoEngage to achieve growth in the business. Anyone could walk into their outlets and pay the amount reflected in the account in real time, encouraging users to make digital payments. Through these digital channels, it helped reach out to customers, increase contact ability and drive target campaigns. The Bank sent out communications to the users and as a result, over 15000+ customers came on board for digital payment with more than ₹3 crores of repayment within three days.

Dheemant Thacker, (Former) Head of Digital Banking, USFC was of the opinion that, *"This partnership is our effort to enhance the digital knowledge and experience in the unserved and underserved markets, thereby strengthening our presence."*

USFB has done a host of upgrades in mobile banking, internet banking, and business net banking such as Smart Search, GST payment facility, and more. This includes the introduction of four new languages—Marathi, Gujarati, Odia, and Punjabi, taking the total count of languages to nine— and biometric authentication through fingerprint login for mobile banking. Customers can register savings and current accounts on mobile applications to perform financial and nonfinancial transactions. It also provides customers with the ability to repay loans in a cashless manner through digital wallets and payment gateways. The mobile application, 'Ujjivan Mobile Banking', had a customer rating of 4.45 on the Google Play store in 2020.

USFB has 358 Digibuddies-led digitization initiatives that help customers embrace digital platforms such as the mobile banking app. With their efforts, over 2.2 lakhs customers are on the mobile banking app, 1.34 lakhs as UPI users and 1.1 lakhs customers using cashless repayment modes. USFB has also facilitated a digital payment system through UPI QR codes enabling small traders, and shopkeepers to accept cashless payments. USFB plans to strategically invest in technology further to create a safe, secure and convenient banking ecosystem by lowering operating costs and improving efficiency. Further on, the Bank intends to automate the operational processes and eventually adopt robotic platforms, leverage data analytics for customer segmentation, targeted and tailored customer requirements and person-to-person services with technology-assisted offerings...

**DIGITALIZATION OF USFB**

One of the biggest challenges for small finance banks (SFBs) from a tech point of view is the lack of an automation process and the corresponding need for manual intervention. This makes the deployment of an integrated engagement platform vital to such entities. Such a solution breaks down organisational silos, allowing for a centralised view of customer profiles and sounder communication across channels. It also helps in the easier collection of EMIs and instalments from micro banking and retail loanes.

USFB went for digital onboarding of customers, tying up with MoEngage for the purpose. But the change wasn't easy since most of its customers came from unserved and underserved segments, with some living in remote areas. So, the bank partnered with a few names in the telecom space whose outlets could be used by customers to repay their loans, with the same being reflected in their accounts in real time.

Sriram Srinivasan, (Current) Head, Digital Banking, explains: *"Prior to implementing the customer engagement solution, most of our customer communications were done manually. After MoEngage's implementation, the bank was able to save on additional manpower which was routed to business operations, optimising response time and driving revenue growth."*

Ujjivan Small Finance Bank onboarded approximately 2,00,000 unique customers for digital payments, with more than Rs 123 crore of EMIs collected in just five months and the conversion rate from digital channels growing from 2% to a whopping 18%. The martech stack and engagement solutions have also helped the bank stay ahead of the competition.

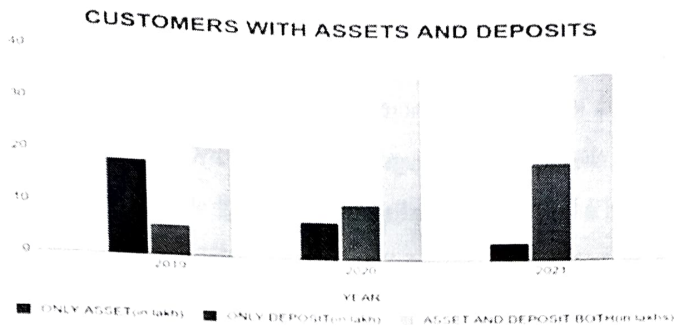
**6. DATA ANALYSIS AND OBSERVATIONS****TABLE 1: USFB-CUSTOMER BASE**

Source: USFB Annual Reports



- In the above graph, it is observed that there is almost an 18% rise in the number of customers from 2018-2021. From 46 lakh customer in 2018-2019, it has increased to 54.4 lakh customers in 2019-2020. Digital-friendly and Customer connect can be the significant factors for the rise in customers. In 2020-2021, there is a marginal rise of 4% with 59.2 lakhs customers.

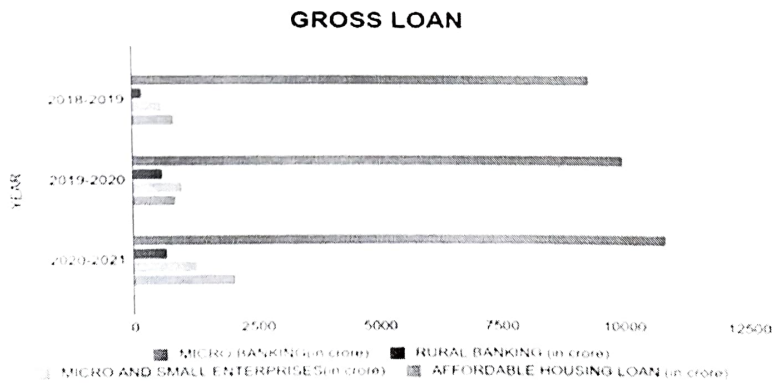
TABLE 2: USFB- CUSTOMERS WITH ASSETS & DEPOSITS



Source: USFB Annual Reports

- In the above graph, there is customer data those with only assets, those with only deposits, and those with both, assets and deposits. The number of customers with deposits has increased while those with only asset customers have decreased over time. There was a significant decline in customers with only assets, whereas those with deposits rose three-fold and those with both almost doubled.

TABLE 3: USFB- GROSS LOANS



Source: USFB Annual Reports

As shown in the above graph, the gross loan amount of micro banking, Rural banking, Micro and Small Enterprises (MSE) and affordable housing loan. The growth of the micro banking is higher than any other department of loans and it has

**REVELATION**

been increasing rapidly after the pandemic. The gross percentage of the growth of the loan amount increased more than 50% from the year 2019 to 2021.

**7. CONCLUSION AND FINDINGS:**

Small Finance Bank has reached the people unserved and underserved to help them financially with RBI under the guidance of the Government of India. USFB provided services for the economically active poor who are not adequately served by financial institutions.

USFB introduced loans with average interest for the people so that they can afford which increased the growth of the gross loan book by 50%. The partnership between Ujjivan bank and MoEngage helped recovery through digital payments and introduced more customers to the bank. Digitalization made it easier for people to communicate and pay easily and conveniently digitally.

Targeting the right customer seems to be the biggest challenge, followed by customer retention, dealing with competition, timely feedback and lack of digital marketing skills, among others.

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