



## FINANCIAL INCLUSION IN SEMI URBAN AND RURAL AREA WITH REFERENCE TO UJJIVAN SMALL FINANCIAL BANK

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### **Abstract**

*Large numbers of Small Financial banks (SFB) are operating in India and all of them are contributing to economic development. The primary objective of small financial banks is financial inclusion and enhances the economically weaker section of the society. Ujjivan Small Financial Bank is one among number of successfully operating SFBs in India, Ujjivan SFB has strong customer base in semi urban and rural sector and various programs, become successful to retain and increase the customers. The objective of the study is to focusing on financial inclusion programs of Ujjivan SFB and the benefits that customers getting from the same programs. The data has been collected from financial statements of the Bank. After collection of data simple analytical tools are used for analysing the data and results are drawn on the basis of analysis and interpretation of data.*

**Key Words:** *Small Financial Bank, Financial Inclusion, Economic Development, NBFC.*

### **I. Introduction**

Banking services in India routed till pre independence and various efforts have been done in order to reach the people in rural and semi urban of India. The efforts may be nationalisation of banks, expanding branches and so on, and all such efforts seem successful partially. Remaining portion was just served by local money lenders and by mean of other sources, exploitation from money lender and other factors of this facility gives reasons to raise various financial service institutions across the India. As area of activities expanded by these financial institutions, in order to make easy of monitoring, RBI gradually giving them SFB status over a period of time. Ujjivan SFB has strong customers' base with attractive products operating 24 states or Union territory.

“Financial Inclusion may be defined as the process of ensuring access to financial services and timely adequate credit where needed by vulnerable group such as weaker sections and low income groups at an affordable cost”. Ujjivan Small Financial Bank has various products in its basket in order to meet customers need. By analysing few of such products we can understand the financial inclusion programs of Ujjivan SFB.

### **II. Review of Literature**

**Pawan Sharma and Richa Tuli (2012)<sup>1</sup>**, evaluated financial inclusion programs of selected banks and in selected states along with RBI's programs to boost the same. They have collected the date from RBI website for the purpose of analysis and their study has find out that majority of bank and state they have selected for analysis has reached their target to reach customers and geographical area to facilitate FIPs across the country. And they have concluded that even present of major problems like literacy and wider scatter of population and lack of infrastructure, RBI with their strong policies successfully reaching wider section of population with number SFBs in India.

**Swapan Kumar Roy (2012)<sup>2</sup>**, author has tried to focus light on financial inclusion and exclusion in India and reasons for both, and after that bank's roles in financial inclusions. date have been taken from various secondary resources in order to reach the conclusion, and in the study authors has given reasons for inclusion and exclusions and concluded that still 70% of the population is in rural area they are not yet getting proper banking survives due to various reasons.



**M. Selvakumar, Jacob Mathan and V.Sathyalakshmi (2015)<sup>3</sup>**, are evaluated customer response to financial services rendered banks in sivaksi and rural customer's perspective towards inclusion. They have collected primary data in order to achieve the objective of research. Their research has find out that demographical features have less impact comparatively economical features on their opinion on banking services, and rural population have moderate knowledge regard inclusions. In order to make financial inclusion more effective banks should take quantitative measures comparatively qualitative measures.

**Vinay Kandpal and Rajat Mehrothra (2019)<sup>4</sup>**, are analysed role of Fintech and Digital financial services in India to boost financial inclusion. Authors have done descriptive analysis to know their position and concluded that still India at introduction stage in promoting digital India and peoples of the country are accepting due to various programs conducted by central government in order make digital India.

**Charan Singh and Team IIMB (2014)<sup>5</sup>**, the team attempted to know the financial inclusion position in India. To know the position they have taken data from RBI sources and from other secondary sources. They have analysed the various financial institutions roles in facilitate financial inclusions in India, for instance Post office, bank, credit and deposit penetration. And they have found the actual progression in financial instructions and government programs to reach weaker section of India in order to make them to take part in financial inclusions.

### III. Need for Study

There is little study on Ujjivan Small Financial Bank literature and its operations. Its operations are directing towards untapped weaker section of economy, it is an effort to fill the gap and to study the advance distribution activities of the Ujjivan SFB. This study helps to understand the Ujjivan role to improve the life of semi urban and rural areas specifically unorganised section of the society and to uplift the life with various attractive financial products and services.

### IV. Objectives of The Study

1. To know the financial products of Ujjivan SFB to meet the weaker section of semi urban and rural consumers.
2. To measure the effectiveness of financial products and services of Ujjivan SFB.
3. To identify their contribution in bringing untapped economically weaker section of economy to banking services

### V. Methodology

It is a descriptive study to know the financial inclusion programs of Ujjivan Small Financial bank. A brief introduction about Ujjivan SFB and Data required for study has been collected from annual reports of Ujjivan Small Financial bank from FY 2016-17 to FY2018-19 and simple analytical tools- graphical and tabulate presentation have adopted for presenting and analysing data.

### VI. About Ujjivan Small Financial Bank

Ujjivan Small Financial Bank is a bank licensed under Section 22(1) of the Banking Regulation Act 1949 to carry out small financial bank. The holding company is Ujjivan Financial Service Limited. The bank commences operation from 1<sup>st</sup> February 2017.

Ujjivan financial service limited started operation as a Non Banking Financial Corporation (NFBC) in 2005. Ujjivan received the final licence from RBI on 11 November 2016 to set up SFB. By 2017 February it started its operation as SFB. As per annual report of 2019, their operations are carrying in 24 states/ Union territory, 221 districts and serving 4.9Million customers. In October 2019, Ujjivan SBF received approval from the SEBI to raise Rs1200 cr. in an IPO.



## VII. Data Analysis and Interpretation

### 1. Ujjivan SFB offered various products and services.

**Table no 1. Showing products available at Ujjivan SFB**

<b>1. Micro Banking</b> A. Group Loan B. Individual Loans C. two wheeler loan	<b>2. Micro and Small business</b> A. Unsecured loan B. Secured loan C. LAP	<b>3. Affordable Houses</b>
<b>4. Personal loans</b>	<b>5. Financial group</b> A. Institutional lending	<b>6. Agriculture and rural Business</b> A. Agriculture group loan B. Kisan suvisha loan
<b>7. Third party Products</b> A. Life insurance B. General Insurance C. health Insurance	<b>8.Liabilities</b> A. savings accounts B. current account Retail deposit	

(Source: Annual Report)

The above **table 1** showing various products available at bank, the product details are taken from annual report of the bank. With all above mentioned products bank is trying to reach the wider section of customers.

### 2. The following table 2 will give us its scope of operation.

**Table 2. Company Profile**

<b>Bank Profile</b>	<b>As per 2018-19 Report</b>
Banking touch point (Branches or Asset centres)	524
ATMs	385
Customer Base	46 Lakh
State or Union Territory	24
No of Borrowers	40 Lakh +

(Source: Annual report)

As per the above **table 2** Ujjivan SFB has expanded its operation to 24 states or union territory with 524 branches. The number of branches showing its efforts to reach the customers and Forty Six lakhs of customer base, showing that they are getting benefit from financial products that suits their requirements.

### 3. Distribution activities in last Three Financial Years

**Table No.3 2016-17 Advances Details**

<b>Industry Classification</b>	<b>Outstanding(in lakhs)</b>
Agriculture & Allied Activities	913.7
Agriculture - Small & Marginal Farmers	773,14.95
Education Loan	11,324.2
Housing Loan	9,783.64
MSE – Services	4,903.12
MSE – Manufacturing	732.09
Other PSL Loans	482,144.26
<b>Total</b>	<b>587,115.96</b>

(Source: Annual Report 2016-17)



From the above **Table 3** showing the Outstanding advances of bank during financial year 2016 and 2017. As per data personal loan taken major share in total advance and second highest sector is Agriculture –small and marginal farmers which implies it has focused on rural sector of population. Here by Ujjivan SFB boosting financial inclusions in rural sector.

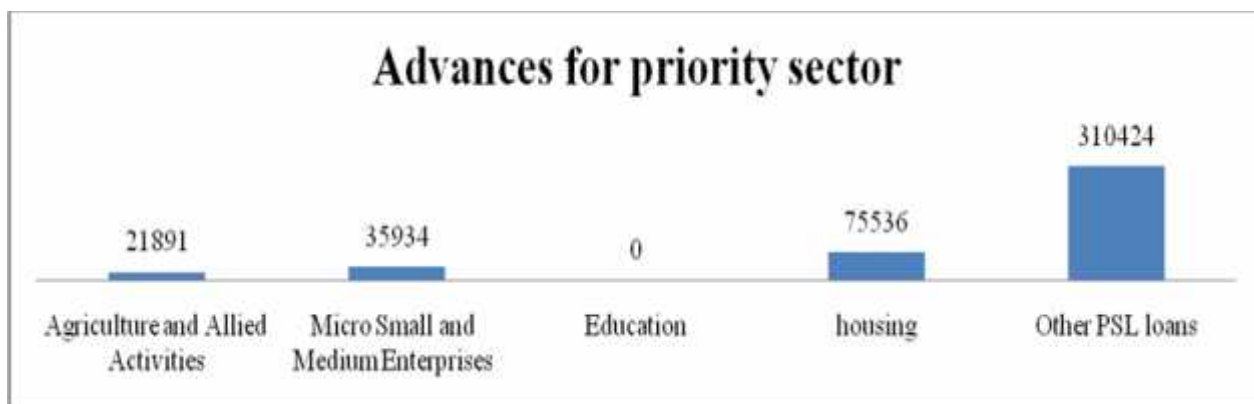
**4. Advances distribution in financial year 2017-18**

<b>Table no 4 2017-18 Advances outstanding</b>	
<b>Industry classification. Priority sector</b>	<b>Advances( In lakh)</b>
Agriculture and Allied Activities	21,891
Micro Small and Medium Enterprises	35,934
Education	0
Housing	75,536
Other PSL loans	310,424
<b>Total</b>	<b>443,785</b>
<b>Non Priority Sector</b>	
Agriculture and Allied Activities	136,521
Micro Small and Medium Enterprises	0
Education	8,381
Housing	36,969
Personal loan	334,298
Other PSL loans	125,491
<b>Total</b>	<b>641,660</b>

(Source: Annual report)

From the above **Table 4**, showing advances outstanding during the financial year 2017-18, as compared to previous financial year total outstanding advances has been increased. During the year personal loan taken major share followed by housing loans. Housing loan in priority taken large share than non priority housing loan.

**Figure No. 01 - Priority Sector**

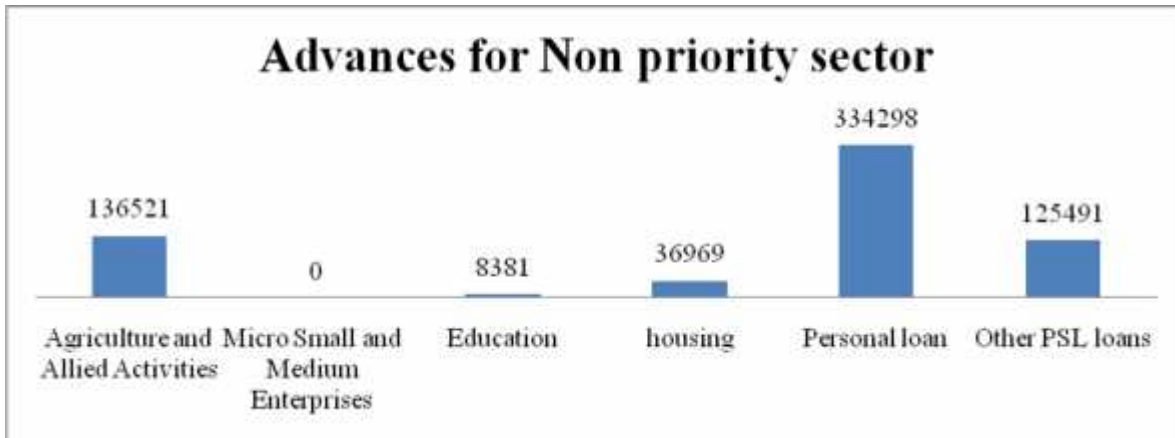


The data in **table number 4** presented with above **figure**, the Advance line showing that PSL loan taken large part the second place is for Housing loan. MSE and Agriculture sector taken third and fourth the largest share in advances.



**Figure No 02 – Advance in non priority sector**

Following **Figure 2** representing advance outstanding in non priority sector, here to personal loan taken major share and Agriculture sector also given importance here.



**5. Advance distribution in FY 2018-19**

**Table No 5. Advance outstanding in FY 2018-19**

Priority Sector	Outstanding Advances (in lakhs)	Non Priority Sector	Outstanding Advances (in lakhs)
Agriculture and Allied Activities	141,188	Agriculture and Allied Activities	155,294
Advances to Industry	21,480	Industry	23,832
Services	58,515	Services	96,450
Personal loans	397,105	NBFC*	22,497
Housing Loans*	128,769	Personal loans	168,412
<b>Total</b>	618,288	Housing Loans*	39,731
		<b>Total</b>	443,988

(Source: Annual report 2018-19)

The **table 5** have details of outstanding advances during financial year 2018-19. As the data showing in priority and non priority sectors, agriculture sector and its allied activities taken major share in advances it seems a strong support for rural farmers. Personal loan section has given second importance place, apart from that NBFC also taken part in this financial year.



Figure No.03 Advance outstanding in priority sector

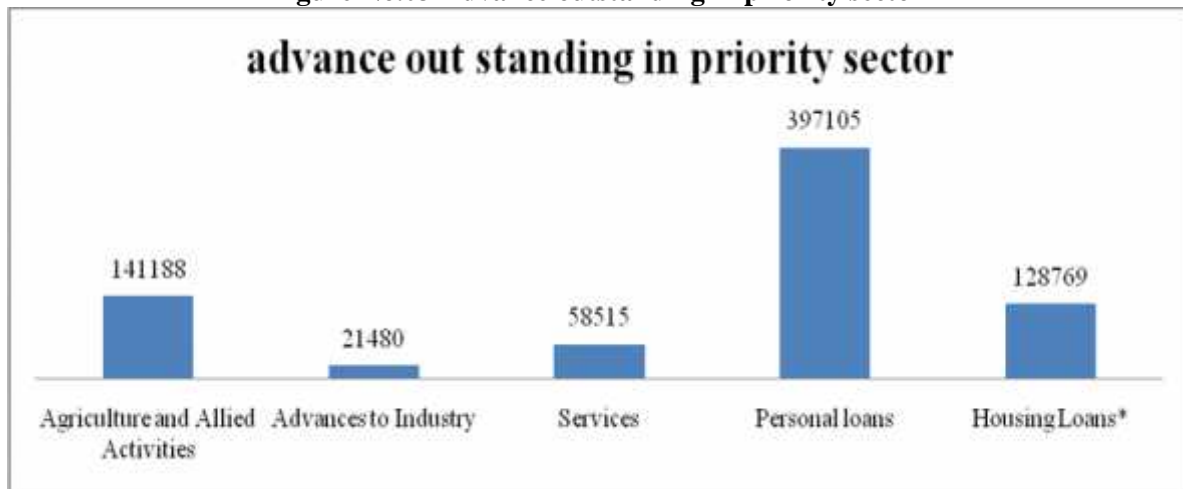


Figure 3 presenting advances share in different sector. As per the Graph, personal loan section taken major share and Agriculture and allies activities followed personal loan section. It is a better example for SFBs efforts to expand financial inclusion in urban and rural sector.

Figure No.04 Advances outstanding in non priority section

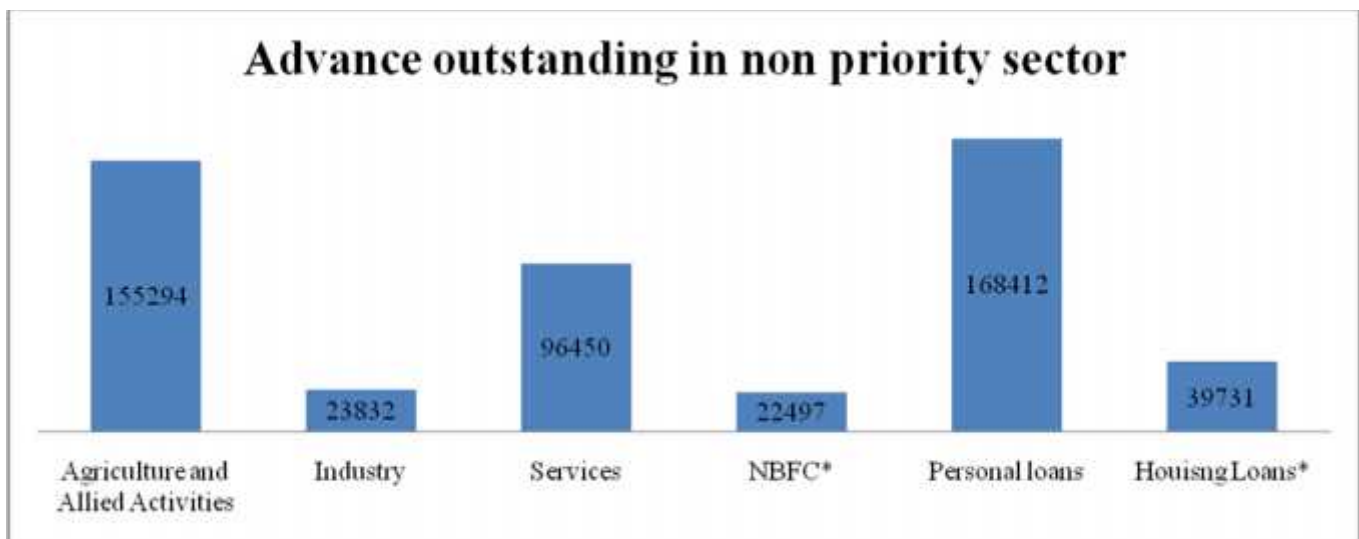


Figure 4 presenting advances outstanding shares in non priority section. Apart from Personal loans' large share in advances, agriculture sector given more concentration and service sector has taken major share in advances. Non banking financial corporation's participation also seems identifiable.



## 6. State wise Distribution of advances in past 3 financial years

<b>States</b>	<b>Advance( in Lakh) FY 2018-2019</b>	<b>Advance( in Lakh) FY 2017-2018</b>	<b>Advance (in Lakh) FY 201-17</b>
Tamil Nadu	177,879	114,272	86,060.19
Karnataka	155,602	106,332	90,621.14
West Bengal	143,830	104,301	86,996.11
Maharashtra	97,246	79,616	65,697.08
Gujarat	72,756	49,548	31,522.84
Bihar	60,093	38,524	26,927.46
Haryana	50,479	35,457	27,224.54
Assam	39,941	31,503	23,205.7
Rajasthan	40,803	28,503	19,176.82
Uttar Pradesh	32,460	25,713	22,969.31
Punjab	28,809	22,530	16,350.1
Orissa	32,320	20,979	16,299.73
Jharkhand	25,633	20,311	18,444.71
Kerala	20,015	17,386	13,149.45
New Delhi	23,799	15,085	11,696.25
Madhya Pradesh	20,574	13,513	7,626.21
Tripura	12,744	9,951	7,584.79
Pondicherry	8,791	5,665	4,533.04
Chhattisgarh	7,573	5,179	3,090.22
Uttarakhand	4,793	4,138	3,878.25
Meghalaya	1,747	1,798	1,719.16
Chandigarh(UT)	2,090	1,583	1,255.8
Himachal Pradesh	1,502	935	572.5
Goa	799	761	517.7
<b>Total</b>	<b>1062,278</b>	<b>753,583</b>	<b>58,7119.1</b>

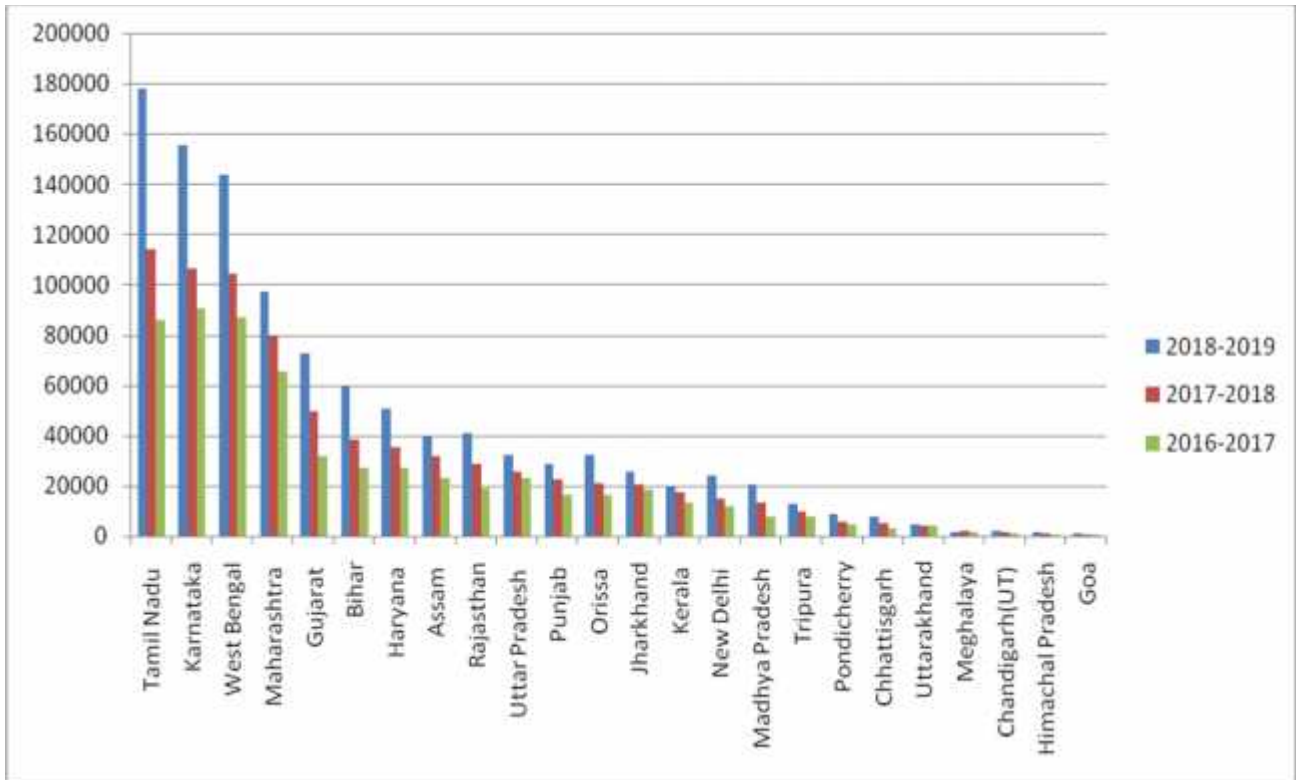
(Source: Annual Reports)

**The table number 06** showing advance distributions in various states over past three years. As per the data, year by year bank increasing its advance in every state irrespective of economic conditions. Increase in advance is the best example for expanding financial inclusions. Advances include various loans as discussed above- in each year personal loans taken major share in loans. Second major share in advances taken by agriculture and it allied activities. If we convert the data into bar graph,





**Figure no 05. Showing States wise advances distribution**



We can observe on more fact in above table that the states which are taken leading roles in industrialisation – Karnataka, Tamilnadu, Maharastra and Gujarath so on taken major share in advances, it does not implies that other states are neglected. And respective states scope of economic activities also affected distribution pattern.

**VIII. Conclusion**

The financial inclusion of Ujjivan Small Financial Bank contributing to tailor-made financial products and services social class of both urban and rural consumers with wide range products from to agriculture to housing loans. More than 40 lakhs of customers with 524 branches its operation is expanding year by year and there are 385 ATMs further it has planning to expand to enhance the technology to economically poor customers. Customers’ prefer more personal loans to satisfy various needs from the SFB followed by housing loans and Agriculture and alleged loans. From the study it indicates they are offering number of loans which suit untapped economically weaker sections. Their advance activities showing that priority section taken major share and in that personal loan section and agriculture sector are major share holders. It can conclude that Ujjivan SFB by advancing economically weaker section in rural and semi urban population expanding financial inclusions in India there by contributing to balanced economic development.

**IX. Future Scope of Study**

1. The data collected limited to three financial years only. data pertaining to Ujjivan financial services can be included in studies
2. Monetary value of advances outstaying is taken for studies and customer’s perspective are ignored. So further study can be conducted on customers opinion





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