



SURYODAY

A BANK OF SMILES

**Building
Strong Foundations**
10TH ANNUAL REPORT | 2017-18

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Character is the firm foundation stone upon which one must build to win respect. Just as no worthy building can be erected on a weak foundation, so no lasting reputation worthy of respect can be built on a weak character.

R. C. Samuel

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BOARD OF DIRECTORS

Dr. (Mrs.) Sheela Bhide, Chairperson
Mr. R. Ramachandran
Mr. Mruntunjay Sahoo
Mr. Jyotin Mehta
Mr. Arun Diaz
Mr. Venkatesh Natarajan
Mr. R. Baskar Babu, MD & CEO

STATUTORY AUDITORS

BSR & ASSOCIATES, LLP
Chartered Accountants

REGISTERED OFFICE

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CORPORATE IDENTIFICATION NUMBER [CIN]

U65923MH2008PLC261472

REGISTRAR & TRANSFER AGENT (RTA)

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Karvy Selenium, Tower- B, Plot No 31 & 32,
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Hyderabad, 500032, India.
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Having serviced over a million customers as a microfinance institution, now, as a Bank, we are in a stronger position to deliver a true and a wholesome financial inclusion.

Dear Members,

This year we completed a decade of enabling our customers build sustainable livelihood. Even as the journey so far has been quite eventful, the inflection came during this financial year. This year, we completed one full year as a Small Finance Bank at the end of which, we had a total of 215 doorstep centres and 26 Bank branches operational across seven States. Having serviced over a million customers as a microfinance institution, now, as a Bank, we are in a stronger position to deliver a true and a wholesome financial inclusion. We have spent the last one year putting some of the building blocks in place – products that serve our chosen customer segments, mobile and net banking service, a fully functional call center, doorstep service to our customers with whom we have had a long-standing relationship and more importantly, an experienced team which shares the same values. We are now a team of over 3000 employees that is quite passionate about building a world class institution.

During the FY 2018-19, we prepare ourselves for delivering our value proposition – bring banking to the unbanked and under-banked, delivering products and services which are meaningful to them and help them in creating wealth. Towards this objective, we endeavour to build on these pillars of delivery:

Digital Inclusion

To introduce banking to this segment, it is essential to build scalable yet low cost models. Considering the access to technology available with them, the design of our products and processes must be kept simple – both for our customers as well as for our employees engaged in delivering that experience. Therefore, the focus will be to look within and digitise most of our processes internally and externally.

Deepening Customer Relationship

Becoming a Bank gives us the unique opportunity to bring banking to over a million of our existing customers. Together with doorstep service and digital platform, the intention this year is to deepen our customer relationship and offer the full suite of banking products to our customers. We will be converting all our 215 Inclusive Branch outlets into banking outlets.

Robust Risk Management; Good Governance and Compliance

Needless to say, the process of transitioning from a microfinance institution to a Bank is quite challenging. While one big challenge we face as a new and a Small Finance Bank is discovering what our challenges are, we are focussed on building a strong compliance culture, both in letter and spirit.

We have spent a significant part of the last year in building robust risk management across products, functions and processes and will continue to further build upon this.

Culture

“Culture eats strategy for breakfast” – Peter F. Drucker.

A performance culture which drives innovation, responsiveness and simplicity is the bedrock of Suryoday. A continued investment into training and developing people will help us deliver a differentiated experience to our customers in a dynamic and a competitive space. True to our tagline, “A Bank of Smiles”, our mission remains quite simple – build a motivated team delivering banking to the unbanked and under-banked backed by compliant and robust processes.

We are ever grateful to our valued investors, customers, employees and other stakeholders. Every significant achievement thus far is a reflection of your trust in us. Your steadfastness has not only helped us grow in strength but also has given us the confidence to move forward and strive to achieve the dreams.

We look forward to your continued support in building a world class financial services organization..

R. Baskar Babu

MD & CEO

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FINANCIAL INCLUSION, CSR & CUSTOMER EXPERIENCE

Building
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Financial inclusion as a new socio-economic dynamic is emerging as a new paradigm of economic growth for India.

An inclusive financial ecosystem is quintessential to the social contract. It surmounts both physical and, more importantly, psychological barriers, and helps achieve sustainable economic growth.

In the current era, a significant revolution has been happening in the country. Financial inclusion as a socio-economic dynamic is emerging as a new paradigm of economic growth for India. It refers to the delivery of banking services to the masses including the disadvantaged people at affordable terms and conditions.

It is gratifying that our policymakers have seized this imperative and have been working along multiple avenues to address this. Appropriate frameworks have been, and are being, designed. And, complementing the focused efforts of the government, the Reserve Bank of India (RBI) is propagating financial literacy, which lends sustainability to the inclusion process. Government of India landmark schemes including Pradhan Mantri Jan Dhan Yojana (PMJDY), Pradhan Mantri Jeevan Jyoti Yojana (PMJJBY), Pradhan Mantri Suraksha Bima Yojana (PMSBY), Sukanya Samriddhi Yojana (SSY) and Atal Pension Yojana (APY) looks at providing a holistic financial coverage for low income households and has tremendous potential to impact lives of the unbanked and under-banked. Approval of differentiated banks including Small Finance & Payment Banks as well as approval of revised guidelines on 'Business Correspondents' are ushering reforms aimed at increasing access and quality of services to the unbanked & under-banked segment. Various digital initiatives such as Aadhaar & emphasis on cash-less economy would be game changers in the long run.

The objective of Small Finance Banks is the provision of savings and credit to unserved and under-served sections of the society. These include small business units, small and marginal farmers, micro and small industries and other unorganised sector entities. Endeavour of small finance banks would be to provide access and services by leveraging technology and lowering cost of operations. Traditionally banks have not lent to these entities as they lack credit information, collateral or have had absence of financial history. Small Finance banks are primarily meant to cater to these marginalised groups who have been kept out of the system of the formal sources of finance.

Suryoday Small Finance Bank is a new entrant to the Indian banking industry but not financial inclusion. We started in 2008 as a micro finance institution with a vision of "enabling dreams and empowering lives" of the under-served and the under-banked. We have been at the helm of financial inclusion and have traversed a decade on the path of building financial capabilities for the said segment. We have done so keeping simplicity and customer centricity at the heart of our operations, at the same time adhering to highest standards of compliance and governance.

Through technology enabled processes built on customer insights, we are set to create holistic financial services for our customers. We have designed simple savings account product which are easy for customers to understand and operate, Recurring deposits that allow customers to save small amounts every month. The government insurance schemes like PMJJBY and PMBSY are offered to customers to strengthen their resilience in case of unfortunate events at household level. We have worked closely with an insurance provider to design medical insurance specially for our customers.