

# Annual Report 2011-2012





## **Microfinance India Microfinance Organisation of the Year 2011**

**Microfinance India Awards instituted by ACCESS and supported by HSBC**

### **Legal & Regulatory Framework**

Ujjivan Financial Services Pvt. Ltd. is registered as a Non Banking Financial Company.

The Company has a valid Certificate of Registration dated 31-10-2005 issued by the Reserve Bank of India (RBI) under section 45 1A of the Reserve Bank of India Act, 1934.

However, the RBI does not accept any responsibility or guarantee about the present position as to the financial soundness of the company or for the correctness of any of the statements or representations made or opinions expressed by the company and for repayments of deposits / discharge of liabilities by the company.



## Board of Directors

**Mr. K. R. Ramamoorthy**

Chairman

**Mr. Samit Ghosh**

Managing Director

**Mr. Sunil Patel**

Independent Director

**Mr. S. Viswanatha Prasad**

Nominee Director

**Ms. Geeta Goel**

Nominee Director

**Mr. Christopher Miles Brookfield**

Nominee Director

**Mr. Mohit Bhatnagar**

Nominee Director

**Mr. Venkatesh Natarajan**

Nominee Director

**Mr. S.N.Gowan**

Nominee Director

**Mr. Sanjiv Kapur**

Nominee Director

**Ms. Vandana Vishwanathan**

Independent Director

### **Auditors**

Deloitte Haskins and Sells (Statutory)

V. Nagarajan & Co. (Internal)

### **Legal Counsel**

Universal Legal









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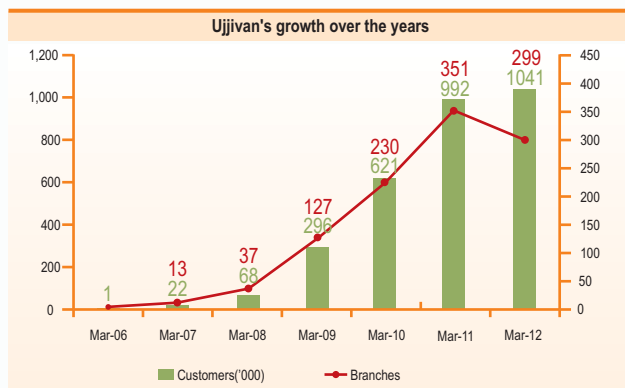
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## Letter from Managing Director

The challenge we took up last year was 'for Ujjivan to emerge from the crisis stronger and be ready for a new world'. The first three quarters were dismal, as funding dried up forcing us to scale down our business. Despite overwhelming odds, we have finally put behind the industry crisis of last 18 months and closed the year crossing the million customer mark, increasing our loan book by 12.5% to Rs.7034 Million (Rs.6912 Million net of securitization) and with a modest profit of Rs.21.9 Million. In order to operate viably within the stringent Reserve Bank of India norms of interest and margin cap, we worked on improving our efficiency: reducing our branches from 351 to 299 through mergers and reduced the number of employees by 14% to 3449.



In order to be ready for the future, we have upgraded our information technology infrastructure – core banking system, such that all our branches are online. We are implementing a unique financial literacy program (FLP) for our customers. The first phase of which, was to make our million plus customers aware of the dangers of over borrowing and ghost lending – has been completed. The second phase, currently in progress, is a comprehensive FLP, starting from customer training on numerical literacy to training on prudent management of household & business cash flows. We are also putting in place a comprehensive customer grievance redressal system. We were recognized as the best large microfinance institution in India and we received record amount of debt and equity funding in the last quarter. This validates our recognition of being one of the 'most respected MFIs in India'.

We will not dwell on the past problems as we continue to work and emerge out from these. Our focus is now on the future: to the brave

new world of total financial inclusion. The big question is: Will we achieve financial inclusion by 2020 – a Millennium Development Goal as committed to by all countries? India accounts for a large portion of the 4 billion financially un-served. First we need to understand what we mean by financial inclusion. Is it merely a statistic? Or does it have real positive impact on people's lives? It is not about the 70 million no frills accounts opened by banks which are not actively used. It is not about one or two small microfinance loans given to 45 million microfinance customers. We checked the impact on customers after one or two loan cycles. The customers told us that their life was somewhat better and more importantly they were no longer scared of money lenders but they were not out of poverty.

India has had a long history of initiatives to bring about financial inclusion since our independence in 1947. The Reserve Bank of India and the Ministry of Finance have been obsessed with achieving financial inclusion in a series of programs starting with nationalization of the Imperial Bank to State Bank of India in 1955, introduction of the co-operative banks, nationalization of the major banks in the Sixties, introduction of Regional Rural Banks, Priority Sector Lending program, Self Help Group – Bank Linkage program, Banking Correspondent model, the No Frills account and some more. However, all these initiatives have met with limited success. As the Raghuram Rajan Committee on Financial Sector Reform pointed in 2008, it is not possible to achieve financial inclusion of 600 million, a mammoth task, only by regulatory or administrative fiat but by making the financial inclusion programs viable for all parties involved.

Till 1985, the middle class in India could only open a savings account and make fixed deposits. They were virtually excluded from all credit products. My father, a government doctor could only have built his home after retiring and getting his end of service benefits. In ten years since 1985, the Indian middle class has access to the entire gamut of financial services. This opened up the purchasing power of the 200 million and created enormous demand for two wheelers, cars, white goods and housing. This pushed India's GDP growth rate from the 'Hindu Rate' of 2% to world beater 8-9%. This is one of the major impacts of financial inclusion apart from dramatic improvements in the quality of lives of the middle class.



Can we provide the full gamut of financial services to the 600 million excluded in India: credit, savings, remittance, insurance and pension by 2020? It is possible with some pro-active action. The biggest challenge today in India is providing the poor an effective savings product.

It is critical to use mobile banking platform for financial inclusion. In India we have more than 930 million mobile subscribers of whom 313 million are in rural areas. There are silver linings and the bases have been created to make this goal achievable.

1. Reserve Bank of India's regulatory framework to protect the customers and the microfinance industry is in place
2. The Microfinance Bill which will pave the way for the future has been placed in the Parliament for enactment
3. Universal Identification (Aadhar) based on bio-metrics for all residents in India is in full swing along with opening of a no frills account for the excluded
4. Over 45 million microfinance customers' credit records have been up loaded with credit bureaus and updated monthly
5. Mobile banking platform and the Regulatory framework is in place for funds transfer through the Interbank Mobile Payment Services under the auspices of the National Payment Corporation of India. This will make financial transactions viable including the much needed remittance services
6. The micro-insurance for life coverage is already being provided to the poor through MFIs but the scope needs to be enlarged to include other types of insurance such as health

7. A start has been made on the micro-pension front through government promoted scheme
8. Specialized micro housing institutions have started to serve the poor.
9. The Self Help Group model of microfinance is already one of the largest in the world

Again, as recommended by the Raghuram Rajan Committee on Financial Sector reform, we need to:

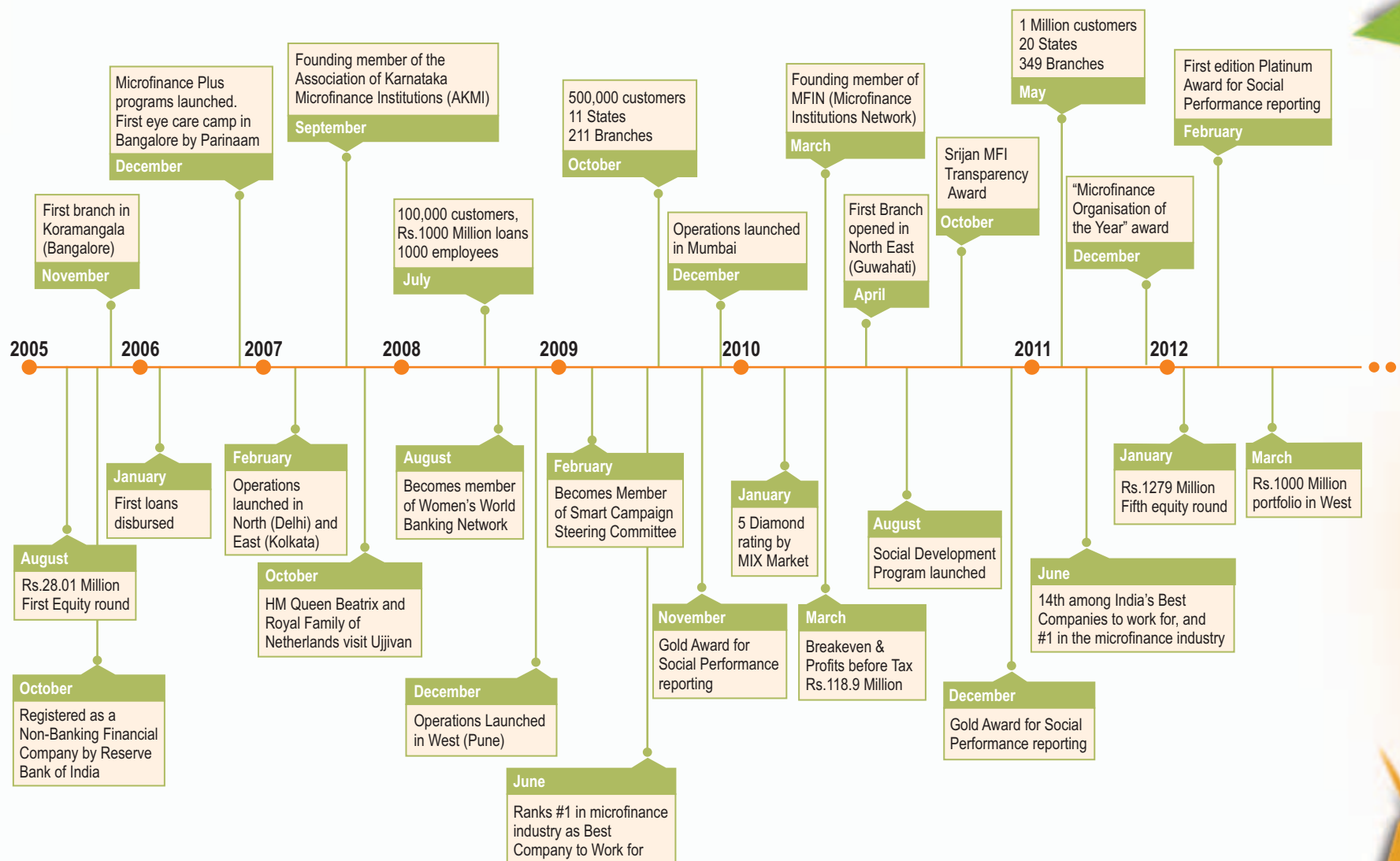
- ▶ Allow the NBFC-MFIs to be Banking Correspondents for savings and tie this up with mobile banking
- ▶ Issue licenses in the near future, for 'small' or 'limited service' banking, specifically for financial inclusion

If we are able to do this, I am hopeful that we will be able to achieve full financial inclusion by 2020; we have created the base; we only need to take the leap. Ujjivan will not deviate from the mission of providing financial services to the poor to better their lives. We will keep on tying up the various elements to provide a full range of financial services needed by the poor.

Samit Ghosh

May 31, 2012

## Over the years





## Our Company, Our Customers

Ujjivan is a pioneering microfinance institution serving the economically active poor in urban and semi-urban areas. Set up in 2005, we have our headquarters in Bangalore, with regional offices in New Delhi, Kolkata and Pune. We have 299 branches in twenty states including 48 under-banked districts across India.

### Our Mission

Provide financial services to the economically active poor to help alleviate poverty

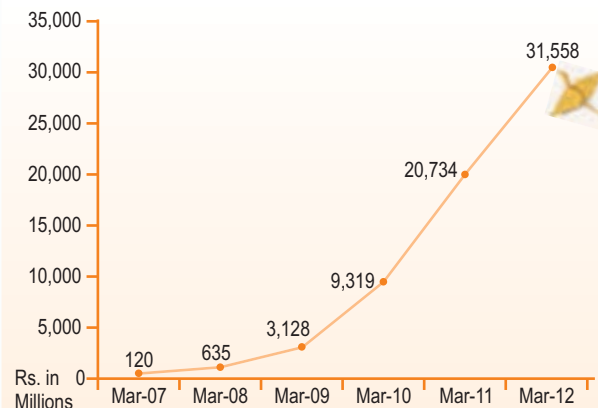
### Goals

- ▶ Provide full range of financial services required by the customers
- ▶ Build an institution which is best in class in all aspects: customer service, innovation, efficiency, work place engagement, leadership, governance and reputation
- ▶ Operate a viable business to provide satisfactory returns for investors
- ▶ Provide professionally rewarding careers to employees and attract and retain quality talent
- ▶ Holistically approach poverty reduction, in partnership with Parinaam Foundation, through social welfare; healthcare, education, vocational training, community development, shelter, and disaster relief, to enable customers lead a "better life"

We provide a range of financial products and services to cover our customers' needs. Our business model combines the unique Grameen Bank methodology of selecting and servicing customers in the front end with that of technology, processes & disciplines of modern retail banking in the back end.

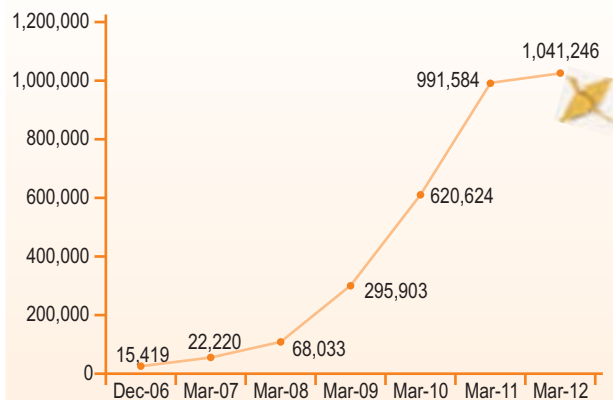
We have had an excellent growth and consolidation phase in the past few years. As on 31st March 2012 we have 3449 employees and a customer outreach of over 1.04 million with a cumulative disbursement of Rs.31558 million.

### Loan Disbursement Growth

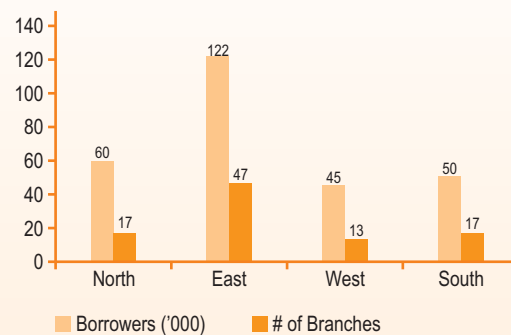


Ujjivan operates 94 branches with 634 field staff and 277,066 borrowers in 48 under-banked\* districts (\*as defined by Reserve Bank of India)

### Customer Growth



### Ujjivan in under-banked India



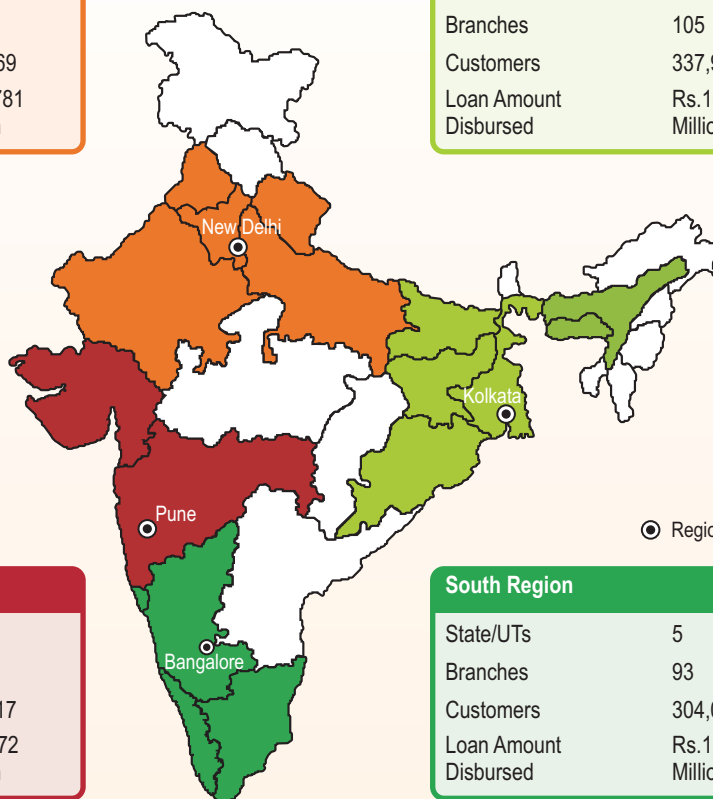
## Geographical Outreach

### North Region

States/UTs	7
Branches	56
Customers	239,969
Loan Amount Disbursed	Rs.5,781 Million

### East Region

State/UTs	6
Branches	105
Customers	337,961
Loan Amount Disbursed	Rs.10,173 Million



### West Region

State/UTs	2
Branches	45
Customers	159,217
Loan Amount Disbursed	Rs.3372 Million

### South Region

State/UTs	5
Branches	93
Customers	304,099
Loan Amount Disbursed	Rs.12,232 Million

States	20
Branches	299
Customers	1,041,246
Loan Amount Disbursed	Rs.31,558 Million

Ujjivan has operations in urban and semi-urban areas in 48 under-banked districts\* of India with no presence in the state of Andhra Pradesh.

*\*(As per Reserve Bank of India's Master Circular No. DBOD.No. BL.BC. 8/22.01.001/2010-11, dated 1st July, 2010)*

North	East	West	South
Chandigarh	Assam	Maharashtra	Karnataka
New Delhi	Bihar	Gujarat	Kerala
Haryana	Jharkhand		Tamil Nadu
Punjab	Meghalaya		Goa
Rajasthan	Orissa		Puducherry
Uttarakhand	West Bengal		
Uttar Pradesh			