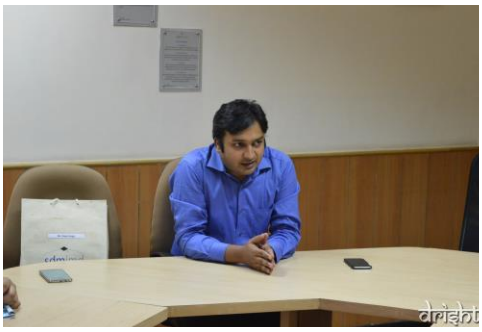
**Mr. Rajath Singh**
**Head of Strategy and Planning, Ujjivan Financial Services Ltd.**
**International Finance Conference, 2017**



---

**Dimensions Member:** We have witnessed the growth from MFI to Small Finance Banks. What would be your future strategies for Ujjivan?

**RS:** There are three to four important elements when you talk about strategy. The first one being customer segment. As a microfinance company we (Ujjivan) were serving at the bottom of the pyramid. However, there is a segment above it which is equally important, but not sought by Microfinance since not everyone is comfortable with the concept of 'Group Loan'. Hence we serve mainly the microfinance customer segment, which we popularly term as 'Unserved Customer Segment'. We also serve the 'Under-served Customer Segment'. The second element would be products. The product has to change with respect to the customer segment being served, such as: Group Loan, Individual Loan, Affordable Housing and Small Enterprise Loan. Since we have become a bank, we have a lot of opportunities on the deposit side, and hence we have come up with savings accounts, current accounts and various types of fixed deposits, remittances, etc. The third element is Channels. The channel was initially limited to eat-on-street, and branches when we were an MFI. Now, since we offer deposit accounts and savings accounts, the customers need to access their accounts every now and then; and therefore there was a need for us to come up with Mobile Banking, ATMs, Internet Banking, etc., in such a way, that they are comfortable accessing their money or sharing information on their bank accounts. So these are the aspects that are changing. We may not be targeting the top segment of the pyramid, but we're moving up the pyramid to serving the adjacent segments. What is not changing, nevertheless, is our desire to serve the *Unserved Segment*. We are broadening our definition of Unserved and Underserved segments.

**Dimensions Member:** How does Ujjivan differentiate itself from the other competitors such as SKS?

**RS:** Financial Services, at the end of the day, are a part of the service industry. And for any service industry, the differentiation is based on the service you offer and its quality. A product may be something that may be replicated overnight. However, the whole process of service orientation is built over a period of time, with the kind of people you recruit, the kind of orientation provided, the kind of training that is given, the kind of 'push' they are given. So, service is something that differentiates one microfinance company from another. At a higher level, once the people got their small-finance bank licenses, each one of them started deploying a different approach. Some of them have been focusing on the top of the 'pyramid'. As in, even though they operate small-finance banks, their focus is on the whole pyramid, because most of the money stays at the top of the pyramid. That is their strategy. On the other hand, we wouldn't want to do that because it will become overly competitive, since, major giants like ICICI and HDFC are functioning there at a larger capacity and on an entirely different scale. We cannot compete at that strata, but some of the SFBs are focusing on that by venturing into a different asset class. Every company, depending on their comfort level and DNA are moving to different levels. The second and most important aspect in differentiating a company from the others is by the quality of service. It is based on how you make the customer feel and how you plan to maintain customer loyalty. In microfinance, we have understood what the customer wants are. Our customer retention rate is close to 86%, the highest in the industry. If a customer engages with us, he/she continues business with us, which is a good thing.

**Dimensions Member:** What do you think will be the output of Banking Operations in the upcoming financial years?

**RS:** When we converted from Microfinance to an SFB, we knew that our cost of transition will be very high. During a transition you have to make investments in your branches, brands, products, channels, technology, people, etc. We had an idea of the costs that could be incurred, but demonetization was an unknown circumstance, which was never anticipated. All the losses we have seen, however, will be accounted for in the next couple of quarters. By the third quarter for the upcoming financial year, we would have a clean slate. Our operating cost is increasing; credit cost will increase in the next quarter. At the same time, our finance cost also will start coming up. Until now we had to rely only on banks for funding at around 10-10.5%; now since we have access to public deposits, wholesale deposits, etc., increase in operating cost will be compensated by reduction in finance cost to a certain extent, and the credit cost would create discounts for the next couple of quarters. An analysis of our operations from January 2017 indicates that: all our pain and suffering is accounted to demonetization, which is one-time in nature. Our repayment rate is still as good as 99.9%, even though, MFIs are prone to political risks.