

# A School work on "Whistle blowing policies and Performance of Ujjivan Small Finance Bank"

Lakshminarayana.S\* & Prof. (Dr.) D. N. Rao\*\*

\*Research Scholar, Ph.D (Mgt), Lingayas Vidyapeeth ,Old Faridabad, Haryana.

\*\*Vice Chancellor, Lingayas Vidyapeeth Old Faridabad, Haryana

Received: January 22, 2019

Accepted: February 25, 2019

**ABSTRACT:** *Microfinance is an imperative institution and means of credit delivery, particularly for the poor and deprived. A number of study have been taken up in India and other developing countries which highlight the success of various microfinance programmes to alleviate poverty in rural areas, promoting holistic progress of individuals, communities and developing small enterprises to promote entrepreneurship development particularly for the womenfolk. Microfinance enables poor people to be thrifty and helps them in availing themselves of the credit and other financial services for improving their income and living standards. The Self-help Group (SHG) Bank Linkage Program was formally launched in 1992 as a flagship program that envisages the organization of the rural poor into SHGs for building their capacities to manage their own finances and then negotiate bank credit on commercial terms. The poor are encouraged to gladly come together to save small amounts regularly and extend micro loans among themselves. Once the group attains required maturity in handling larger resources, the bank credit follows. This paper highlights the whistle blowing policies, its objective and nature of complaints to be administer and the basic financials of half year closing as on 30th Sept 2018 of **Ujjivan Small Finance Bank** , a leading microfinance bank in India.*

**Key Words:** *Micro finance, Performance, Whistle blowing, Policies, Debt Equity ratio.*

## A. INTRODUCTION

Microfinance is a way of living and a source of livelihood to the poor. It has been proved through different kind of researches that microfinance aims at providing different kinds of financial products and services to the poor. Such products and services include Micro credits, Micro savings, Micro insurances, Financial and Social intermediations (subsidies, grants), Business Development Services (business ,training and skill development, backward and forward linkages, technology services),etc. Micro financing is an endeavor supported by the Government, government agencies, nationalized banks, NABARD, Co-operative banks and various Microfinance institutions in the present economic system intending to alleviate poverty, provide better facilities to poor and improvement of standard of living of the poor and all round development of poor, especially poor women. For overall development of the country, women who constitute half of the population of country should grow in order to develop society as a whole.

In India, Micro finance is of an ancient origin. Traditionally, Money lenders, zamindaars (landlords), traders, etc have provided micro credit to poor borrowers in rural areas at exorbitant rates of interest .There was no regulation on this kind of lending as it was informal in nature and it led to exploitation and difficulties for the poor. As a result of this, poor in rural areas faced lot of hardships and became poorer and poorer because of the burden of loan. Further, non repayment of loans, unemployment, bonded labor, child labor, exploitation of women and unlawful and obligatory transfer of claim on assets added to their woes. As a result of this, the landless and poor farmers got more and more entangled in the vicious cycle of poverty.

**Ujjivan Financial Services Limited** ('the Company' / Ujjivan) recognizes its role as a corporate citizen and endeavors to adopt the best practices and the highest standards of Corporate Governance through transparency in business ethics, accountability to its customers, government and others. The Company's activities are carried out in accordance with sound corporate culture and the Company is constantly striving to better them.

The Company is a non-operating Core Investment Company registered with the Reserve Bank of India having its investment primarily in its wholly owned subsidiary 'Ujjivan Small Finance Bank Limited'. The Company has ensured that its wholly owned subsidiary has all the relevant policies and principles in place.

## B. OBJECTIVES OF THE STUDY

1. To study the current scenario of microfinance institutions in India.

2. To study the Whistle Blower Policy of **Ujjivan Small Finance Bank**.

3. To report & analyze the basic financials of **Ujjivan Small Finance Bank** as on 30th Sept 2018. and MCLR.

4. To provide suitable suggestions to improve the results with regards to the previous year performances and also scope for further research.

### C. LITERATURE REVIEW

#### Role Of Microfinance Institutions In Rural Development

**S.C.Vetrivel<sup>1</sup>& S. Chandra Kumarmangalam<sup>2</sup>** *International Journal of Information Technology and Knowledge Management* July-December 2010, Volume 2, No. 2, pp. 435-441

*More than subsidies poor need access to credit. Absence of formal employment make them non 'bankable'. This forces them to borrow from local moneylenders at exorbitant interest rates. Many innovative institutional mechanisms have been developed across the world to enhance credit to poor even in the absence of formal mortgage. The present paper discusses conceptual framework of a microfinance institution in India. The successes and failures of various microfinance institutions around the world have been evaluated and lessons learnt have been incorporated in a model microfinance institutional mechanism for India.*

#### Overall Performance Evaluation of select Microfinance Institutions – an Empirical Analysis

**IOSR** *Journal of Economics and Finance (IOSR-JEF)* e-ISSN: 2321-5933, p-ISSN: 2321-5925. Volume 5, Issue 4. (Sep.-Oct. 2014), PP 25-31 [www.iosrjournals.org](http://www.iosrjournals.org)

*The technique is used to identify if there exist a significant difference in the mean of different of select MFIs. As such, it has been observed based on the analysis that the average yield on gross portfolio of SML (27.81 per cent), BSFL (24.30 per cent), CMC (24.15 per cent), GVMFL (31.38 per cent), and GFSPL (28.57 per cent) recorded above the industry aggregate average (23.93 per cent), which depicts that these MFIs were relatively different in achieving high yielding on gross portfolio as compared to that of other MFIs.*

#### Microfinance Penetration in India: a State Wise Analysis

**Parijat Dhar** Assistant Professor, Department of Economics, Bongaigaon College, Bongaigaon, Assam *International Journal of Interdisciplinary Research in Science Society and Culture(IJIRSSC)* Vol: 2, Issue:2, (December Issue), 2016 ISSN: (P) 2395-4335, (O) 2455-2909 © IJIRSSC

*In India there are two different models adopted for the delivery of microfinance services to the poor- SelfHelp Groups (SHGs) and Microfinance Institutions (MFIs). But the penetration of these two models have been uneven in the country with microfinance services remaining concentrated mainly to the Southern region of the country while the North and the North-Eastern region are still lacking the services of both the formal sources of finance and also the microfinance services.*

### D. RESEARCH METHODOLOGY

Type : Exploratory & Descriptive

Sample : Ujjivan Financial Services Ltd/ **Ujjivan Small Finance Bank**

Sample size: 2017 and 2018 (Half yearly reports)

### E. DATA COLLECTION

The data collected for the study includes secondary data. The various sources used to collect secondary data include research papers, journals, Status of Microfinance in India reports published by NABARD and various other websites.

OBJECTIVE -01- Current scenario of microfinance institutions in India.

India's microfinance industry grew by about 60 percent to stand at Rs.640 billion during the financial year 2016-2017, according to reports published by the Indian government and independent organizations.

This volume is set to increase exponentially as more Indians take to entrepreneurship for various reasons ranging from training provided under the Skills India project and business-friendly policies being implemented in this country.

Startups in India also avail microfinance to seed the business. Consequently, a large number of PSU, private and cooperative banks are planning to acquire NBFCs that offer microfinance.

On the other hand, MFI-NBFCs are applying for banking licenses to open microfinance banks in India. According to various news reports, several banks and leading NBFCs are already in talks with MFI companies for mergers and acquisitions. Consequently, the MFI sector of India will witness a boom.

OBJECTIVE -02- Whistle Blower Policy-Objectives and types of complaints.

- ✓ Promote a culture of integrity and compliance by encouraging stakeholders to speak up/ raise red flags on matters relating to breaches/ violations of the Bank's Code of Conduct or fraudulent transactions.
- ✓ Provide a platform and mechanism for the employees, directors and relevant stakeholders to voice genuine concerns of grievances about unprofessional conduct without the fear of reprisal to the employee raising the concern.
- ✓ Provide a non-threatening environment to employees, directors to discuss matters relating to the Code of Conduct.
- ✓ Adhere to the highest standards of ethical, moral and legal conduct of business operations.
- ✓ Promote clean business transactions, professionalism, productivity, promptness and transparent practices and ensures putting in place systems and procedures to curb opportunities for corruption.
- ✓ Institutionalize a mechanism for protection of employees, directors from reprisals or victimization, for Whistle blowing in good faith as the Bank strictly follows No Retaliation Policy.

The Policy intends to cover the following types of complaints:

- Fraudulent activities or activities in which there is suspected fraud
- Intentional or deliberate non-compliance with laws, regulations and policies
- Questionable accounting practices including misappropriation of monies
- Illegal activities
- Corruption and deception
- Misuse/ Abuse of authority
- Violation of Bank rules, manipulations and negligence
- Breach of contract
- Pilferation of confidential/propriety information
- Deliberate violation of law/regulation
- Wastage/misappropriation of Bank's funds/assets
- Malpractices/ events causing danger to public health and safety. •Violation of Code of Conduct for employees
- Any fraud in preparation of financial statements of the Bank

**Criminal offences committed or likely to be committed**

OBJECTIVE -03- Basic Financials.

**F. DATA ANALYSIS AND INTREPRETATION**

$$\text{Debt to equity ratio} = \frac{\text{Total liabilities}}{\text{Stockholders' equity}}$$

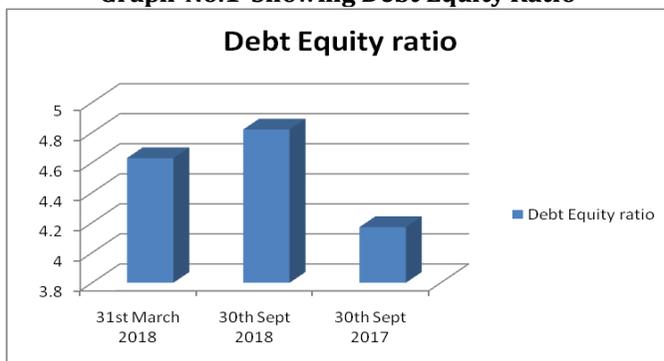
**Table-No.1 Showing Debt Equity Ratio**

Year	31st March 2018	30th Sept 2018	30th Sept 2017
Debt Equity ratio	4.63	4.82	4.17

**Analysis:**

The above table clearly indicates that the D/E Ratio is consistently above 4. for all the stated study period.

**Graph-No.1 Showing Debt Equity Ratio**



**Interpretation:**

The consistent debt equity ratio is an indication of good and effective utilization of and mix of internal and external funds for various schemes of the bank.

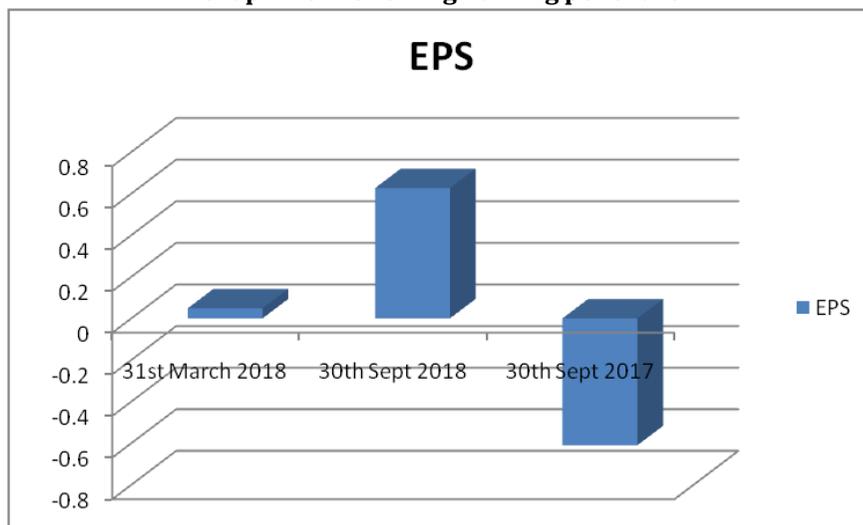
**Table-No.2 Showing Earning per share**

Year	31st March 2018	30th Sept 2018	30th Sept 2017
EPS	0.048	0.626	-0.61

**Analysis:**

From the above analysis we can draw an important factor of negative EPS in 2017 has improved to positive in 2018.

**Graph-No.2 Showing Earning per share**



**Interpretation:**

From the graphical representation one can see the shift of EPS from negative to positive from 2017 half yearly ending to 2018. This indicates that the recovery process and policies are focused enough so as to have a positive EPS.

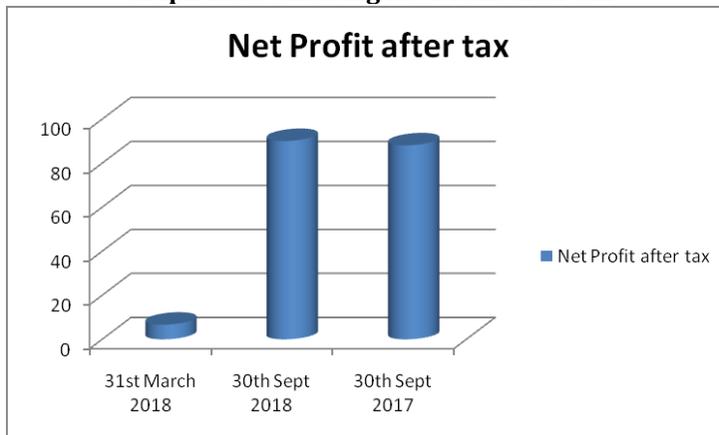
**Table-No.3 Showing Net Profit after tax**

Years	31st March 2018	30th Sept 2018	30th Sept 2017
Net profit after tax	6.68 Cr.	90.13 Cr.	(88.15) Cr.

**Analysis:**

From the above analysis we can draw an important factor of negative NPAT in 2017 has improved to positive in 2018

**Graph-No.3 Showing Net Profit after tax**



**Interpretation:**

From the graphical representation one can see the shift of NPAT from negative to positive from 2017 half yearly ending to 2018. This indicates that the Whistle blowing policies are focused enough so as to have a positive NPAT.

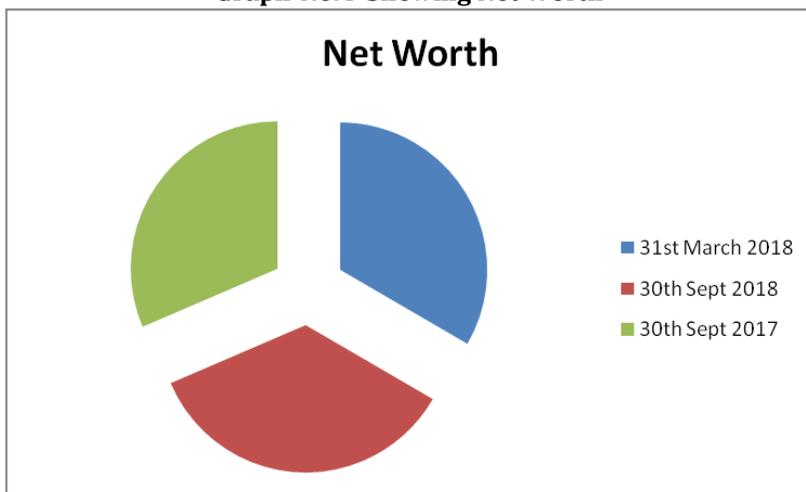
**Table-No.4 Showing Net Worth**

Year	31st March 2018	30th Sept 2018	30th Sept 2017
Net Worth	1646.93 Cr.	1737.07Cr.	1551.92Cr.

**Analysis:**

The above table shows the net worth in Cr. and it has a fluctuating trend in the state period of study.

**Graph-No.4 Showing Net Worth**



**Interpretation:**

The above graphical representation shows that the net worth needs to be maintained with sound lending policies and selective lending approach as there is fluctuating trend .

**Key Financial Highlight as on 31st Sept 2018-Consolidated**

Loan Portfolio	Outstanding Principal (OSP) at Rs 8,16,716 lakhs (Rs 7,56,045 lakhs in March 2018)
	Non-Microfinance book at 11% (7% in March 2018).
Deposit Balance	Total Deposits (Retail plus Institutional) Rs. 2, 64,883 lakhs (Rs 1, 60,623 lakhs in March 2018).
	CASA: 9% (4% in March 2018)
	Retail: 30% (11 % in March 2018)
Customer base	42 lakhs unique customers and 10 lakhs liability customers
Portfolio Quality	Gross Non-Performing Assets (GNPA): 1.88%
	Net Non-Performing Assets (NNPA): 0.29%
	Write offs (HY 2018-19): Rs.10,993 lakhs
Employee strength	13,169 employees with 84% in front-end.
Profitability	Profit after Tax (PAT for HY 2018-19): Rs. 9,013 lakhs
	Return on Assets (ROA): 1.8%
Funding	Cost of funds: 8.5%

**Marginal Cost of Funding based Lending Rate (MCLR)**

The Marginal Cost of Funds based Lending Rate (MCLR) with effect from Jan 20, 2019 for various tenors are as given under:

S. No	Benchmark tenure	Benchmark Rate P.A
1	Overnight	15.30%
2	One Month	15.20%

3	Three Month	15.50%
4	Six Month	15.60%
5	One Year	15.70%
6	Two Year	15.80%
7	Three Year	16.00%

### G. FINDINGS

- MFI sector of India will witness a boom
- Whistle blowing in good faith as the Bank strictly follows No Retaliation Policy.
- The D/E Ratio is consistently above 4
- Negative EPS in 2017 has improved to positive in 2018.
- Negative NPAT in 2017 has improved to positive in 2018.
- The net worth in Cr. has a fluctuating trend.
- Net Non-Performing Assets (NNPA): 0.29%

### H. SUGGESTIONS

- ✓ The support of NBFC is a basic ingredient for the success of MFIs hence ,the financial help and managerial skills can be adopted and practiced for smooth conduct of MFIs.
- ✓ Policy matters to be more stringent and clear which will combat any type of fraud or scam.
- ✓ Financials need to be consistent in performance, with strengthening the credit history and ranking systems.
- ✓ Profits need to be the basic element, 2018 onwards the trend has improved and shall continue in future as well.

### I. CONCLUSION

MFIs are increasingly becoming more formal in its operations and approach which is giving them an edge over other forms of small finances. Hence the focus is on efficient balanced risk assessments and stability in policies and procedures which in turn make the low income group to look forward for any kind of financial support. It will enhance public confidence for any growing economies. Ujjivan Small Finance Bank is marching towards these possibilities in its own style.

### J. SCOPE FOR FUTHER RESEARCH

The future research can be administered in the policy areas such as:-

- CSR,
- Customer Rights,
- Fair Practice codes,
- Related party transactions etc. with ample scope for financial performances of beneficiary schemes.

### References:-

1. 1.S.C.Vetrivel1& S. Chandra Kumarmangalam2 Role of microfinance institutions in rural development International Journal of Information Technology and Knowledge Management|July-December 2010, Volume 2, No. 2, pp. 435-441
2. M. Radhakrishna Adhoc faculty School of Management, NIT Warangal Performance of Microfinance Institutions in India IRACST - International Journal of Computer Science and Information Technology & Security (IJCSITS), ISSN: 2249-9555 Vol. 2, No.4, August 2012
3. 3.Dr. S. Narasimha Chary, 2Dr. Sreenivas Savvasi, 3A. Swapna Rani 1Assistant Professor of Commerce & Business Management, Kakatiya University, Warangal. 2Faculty Member, Dept. of Commerce & Business Management, GVJC, Hanamkonda, Warangal. 3Faculty Member, Dept. of Economics, Maharshi Degree & PG College, Mulugu, Warangal. Overall Performance Evaluation of select Microfinance Institutions – an Empirical Analysis IOSR Journal of Economics and Finance (IOSR-JEF) e-ISSN: 2321-5933, p-ISSN: 2321-5925. Volume 5, Issue 4. (Sep.-Oct. 2014), PP 25-31 [www.iosrjournals.org](http://www.iosrjournals.org)
4. 4.Chen, Greg, Stephen Rasmussen and Xavier Reille, 2010. "Growth and Vulnerabilities in Microfinance". Focus Note 61. Washington DC: CGAP, February.
5. 5.Parijat DharAssistant Professor, Department of Economics,Bongaigaon College, Bongaigaon, Assam Microfinance Penetration in India: a State Wise Analysis International Journal of Interdisciplinary Research in Science Society and Culture(IJRSSC) Vol: 2, Issue:2, (DecemberIssue), 2016ISSN: (P) 2395-4335, (O) 2455-2909©IJRSSC

6. Meyer, R.L. (2002), Track Record of Financial Institutions in Assisting the Poor in Asia., ADB Institute Research Paper, No. 49, December 2002. **2 World Bank. (2003)**, "Microfinance in India: Issues, Challenges and Policy Options." Washington D.C.: World Bank

**Web-LIOGRAPHY**

1. <http://www.ujjivan.com>
2. [www.Nabard.com](http://www.Nabard.com)
3. [www.mixmarket.org](http://www.mixmarket.org)
4. <https://thingsinindia.in/microfinance-companies-in-india>
5. <https://www.akmi.in/>
6. <https://www.grotal.com/Bangalore/Microfinance-Services->