

A STUDY ON THE ESTABLISHMENT OF SMALL FINANCE BANKS AND THEIR PERFORMANCE ANALYSIS AGAINST THE FINANCIAL INCLUSION GOALS

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Abstract

The concept of the Small Finance bank was originated to fulfill the unsatisfied and strategically important financial needs of the rural unbanked and underbanked masses of the country. Indian economy is dependent on the growth and development of the rural areas as a large proportion of the population lives in the rural areas and the goal of the formation of a financially inclusive economy is impossible without bringing the unbanked in the umbrella of the banked.

Although this concept of rural banking is not new to the Indian Banking sector, various efforts have been done in the past too to achieve this goal such as Establishment of RRBs, Cooperative Banks, Local Area Banks, NBFCs, and Credit Societies etc. The existence of these huge variety of financial institutions still could not achieve the desired results owing to the various reasons. Therefore, on the basis of the recommendations of the several expert committees, RBI in 2015 gave in-principle approval to 10 applicants to commence the small finance banking operations in the country. Various licensing guidelines and strict norms have been issued for these banks so that the growth of these banks should not affect the stability of the sector as well as the trust and confidence of the masses on the banks is not effected at all.

The present paper throws light on the concept of Small Finance Bank and the establishment as well as growth of these banks in the Indian Financial System. The comparison of these banks with the existing universal banks as well as with the newly formed Payment Banks (a form of niche banks) has been done to get the better understanding of these newly conceptualized forms of banks in the Indian Financial system.

The performance analysis of the existing Small Finance Banks has also been carried out on the basis of the RBI Annual Report and the Financial Statements collected from the websites of the respective banks. The analysis is based on the evaluation of the performance of these banks on the certain parameters that contribute in the achievement of the goals of formation of a financially inclusive economy.

Keywords: Small Finance Banks, Niche banking, Digital Banking, Priority sector lending, CAR (Capital Adequacy Ratio).

Introduction

The introduction of the new form of the niche banks termed as Small Finance Banks is one of the significant step undertaken by RBI to pursue the financial inclusion goals. These banks are the variation of the universal banks which were introduced in 2015 when RBI gave in principle approval to 10 applicants to commence banking operations in the country. These banks are allowed to undertake all the banking activities identical to the universal banks subject to some restrictions. As the primary objective of the establishment of these banks is to cater the financial needs of the unbanked and underbanked masses of the country RBI has placed some regulatory prescriptions for these banks such as:

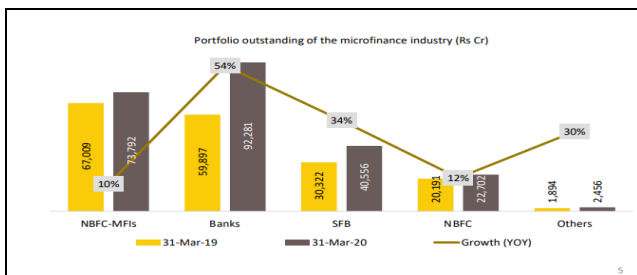
- The requirement for fulfilling priority sector lending is 40% of ANBC for the universal bank whereas it is fixed at higher rates for SFBs – at 75% of its Adjusted Net Bank Credit (ANBC).
- With the objective to provide benefits to the small borrowers the SFBs are required to maintain 50% of

their loan portfolio comprising of loans and advances of upto Rs 25 lakhs.

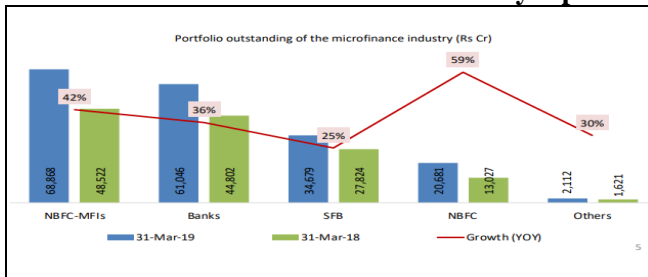
➤ The minimum paid up capital for SFBs is Rs 200 crores whereas it has been fixed at Rs 500 crores for the universal banks.

Within 3 years of the RBI in principle approval, all the 10 applicants have started their operations after complying with the licensing requirements of RBI. As 9 out of 10 applicants who received the RBI approval were NBFCs therefore it became imperative to look into the microfinance industry of the country. **The Aggregate Gross Loan Portfolio of the Microfinance industry as on 31 March 2020 is Rs 2.31 crore** which is served by all groups including Banks, NBFCs, SFBs, NBFC MFIs and others.

The chart below highlights the growth of the portfolio of the microfinance industry:



Source: Micrometer 2019- 2020 synopsis

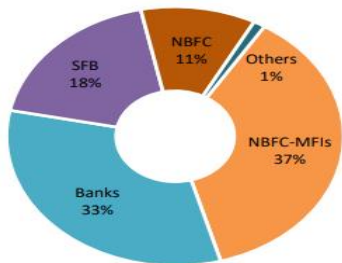


Source: Micrometer 2018- 2019 synopsis

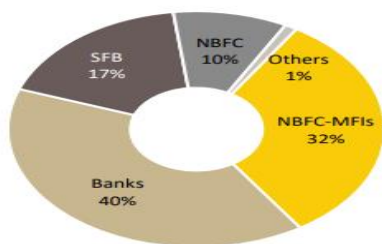
The above charts reveal that there was growth of 25% in SFBs portfolio of microfinance loans in 2018-19 and the growth % has been improved to 34% for the financial year ending 31 March 2020.

The pie chart below indicates that the banks holds the largest share of the portfolio followed by the NBFC-MFIs.

Micro-credit Loan amount outstanding across lenders 31 March 2019



Micro-credit loan outstanding across lenders 31 March 2020



Source: Micrometer 2018-19 and 2019-20 synopsis

As compared to the financial year ending 31 March 2019 the share of the banks and NBFC MFIs have improved but the % of Small Finance Banks have declined from 18% to 17% in 2020. The relatively slow growth for NBFC MFIs is mainly due to merger of BFIL with IndusInd Bank during Q1 2019-20.

The Small Finance banks relies on the maximum usage of technology to provide the best services to the customers effectively and in a cost efficient manner. Therefore, some banks are providing video KYC facilities for opening an account, some are providing facility of opening accounts by WhatsApp also. Doorstep services are also being provided to serve the senior citizens and the disabled customers. Few Small Finance Banks are also working in installing robots at their branches to provide world class technology access to their customers.

These banks owing to their focus on establishment of branches in rural areas undertake several initiatives to increase the level of digital literacy among the masses and encouraging them to adopt digital modes for transacting and saving.

Objectives of the study.

- To study the origination of this new form of niche banks (Small Finance Banks) in the Indian Financial System.
- To analyse the difference between the Small Finance Banks and the Payment Banks and also the difference between these banks with the Universal Banks.
- To track of the performance of the Small Finance Banks against the Financial Inclusion Goals.
- Comparative Analysis of the Small Finance Banks as per the data of Annual Report of RBI and Audited Financial Statements of the respective banks on the selected parameters.

Research Methodology:

This paper is a mix of conceptual and analytical paper. The study mainly includes literature review from secondary data. The secondary data includes reports of the respective bank and other related information published on bank and other internet websites. The data is collected from national and international journals, published government reports, Newspaper, websites. The evaluation of the performance of these banks on the selected parameters has been done by the researcher to track their performance against the Financial Inclusion Goals.

1) Origin of the Small Finance Banks.

Small Finance Banks are the special category of niche banks which were conceptualized with the objective of deepening financial inclusion by making arrangements for supply of basic banking services to the unserved and underserved sections of the society through the use of technology. The low level of Financial Inclusion in our country posed a big challenge in the overall growth of the economy. It forced the decision makers and analysts to analyze

the important aspects related to reorientation of the banking sector to make it internally strong and globally competitive. One of the most important recommendations made by various committees is to increase competition by allowing more private players in the banking sector in the form of **niche banks** that caters the banking and financial needs of the rural, marginal, unserved and underserved sections of the society. Based on the recommendations, prior to the issue of guidelines for licensing of more private players in the banking landscape, RBI released a Discussion paper on **‘Banking Structure in India - The Way Forward’** on Aug 27, 2013. One of the important issue discussed in the paper was Small Banks VS Large Banks.

After seeking the comments from general public and the experts, On Nov 27, 2014 RBI released draft guidelines for licensing of Small Finance Banks in the private sector. The guidelines covered all the important aspects related to their formation, scope of activities, objective of formation and prudential norms. The important aspect related to the formation of these banks is to maintain a trade-off between the growth and stability. As the entry of more private players undoubtedly increase competition and force the existing and public sector banks to reorient their operations to compete with these new private players who are technology driven from the date of their formation, but at the same time entry of too many players will warrant the stability of the sector too. Therefore, the RBI gave license to only 10 applicants out of 41 to commence the banking operations in the country in the form of Small Finance Banks.

These Small finance Banks can undertake the basic banking services of accepting deposits and lending but in a limited area of the operation. The target group of these banks include small, marginal farmers, small businesses, rural households etc. who are otherwise excluded from the normal banking sector. These banks focuses on the use of technology to meet the banking and financial needs of these unserved and underserved sections of the population in the cost effective manner. The Dismal performance of the existing small banks such as LAB, Cooperatives led to the formation of these new category of banks.

List of Small Finance Banks Operating in the country.

RBI has received applications from 72 applicants for obtaining the license of a Small Finance Bank. These applications were carefully scrutinized by RBI and were also evaluated by the External Committee. On the basis of the recommendations received, On 17 September 2015,

RBI released the names of the 10 applicants who were selected for giving the license to set up a Small Finance Bank.

Following are the names of the successful applicants along with their dates of Commencement:

Sr. No	Name of the Bank	Date of Commencement
1	Capital Small Finance Bank	24 April, 2016
2	Equitas Small Finance Bank	5 September, 2016
3	Suryoday Small Finance Bank	23 Jan., 2017
4	Utkarsh Small Finance Bank	23 Jan., 2017
5	Ujjivan Small Finance Bank	1 Feb., 2017
6	ESAF Small Finance Bank	17 March, 2017
7	AU Small Finance Bank	19 April, 2017
8	Fincare Small Finance Bank	21 July, 2017
9	North East Small Finance Bank	17 October, 2017
10	Jana Small Finance Bank	29 March, 2018

Thus **Capital Small Finance Bank** has become the first small finance bank of the country to commence its operations in the beginning of the financial year 2016.

2) Comparison of the Small Finance Banks with Payments Banks and the Universal Banks.

The concept of Small Finance is a new term to the banking industry therefore, it becomes imperative to study the difference of this bank with the existing universal banks as well as the difference between the two newly formed niche banks i.e. Payments Bank and Small Finance Banks.

3.1 Small Finance Banks Vs Payments Banks

Following are the points that differentiate these two banks with each other:

Particulars	Payments Banks	Small Finance Banks
Objective	To meet the deposit and remittance requirements of the masses	To meet the Deposits and Credit Needs of the masses
Ability to lend	Not Allowed	Allowed to lend , subject to the Priority Sector lending guidelines issued by RBI.
Cap on Maximum Deposit per customer	Capped at Rs 1 lakh	No such Capping prescribed.

Requirement of investment of demand Deposit Balance	Min. 75 % of the demand deposit balance is required to be invest in RBI recognized securities	No such requirement.
Act as A Business Correspondent	Allowed to act as a Business Correspondent for other banks	Not allowed, but can set up its own BCs network.
Issuance of Credit Card	Can issue only Debit Card	Can issue both Debit and Credit Card.
Experience of Promoter	The eligible promoter should have minimum 5 years of experience in banking and finance.	Residents/ Individuals should have 10 years of experience in banking and finance.
NRI Deposit	Not allowed to accept NRI deposits	No such restriction is imposed.
Minimum net worth	Rs 100 Crore	Rs 200 crore (Revised)
Applicability of Priority sector Lending targets	As these banks are not allowed to lend, no such guidelines apply for these banks	Have to abide by the guidelines as prescribed by RBI.
Conversion	The payments banks are authorized to apply for conversion into Small Finance Banks .	No such guidelines applicable.

		Exposure, whichever is higher.
Maximum Loan size and limit Exposure	The maximum loan size and investment limit exposure to a single and group borrower would be restricted to 10 per cent and 15 per cent of its capital funds, respectively.	No such limit specified.
Loan portfolio guidelines	Minimum 50% of the loan portfolio of these banks should consist of loans and advances of up to Rs. 25 lakhs	No such guidelines prescribed.
Promoters Contribution	The promoters are required to held 40% of the paid up equity capital of the bank	Not less than 51 % of the total paid up capital shall be owned by promoter group.
Net Worth	The minimum net worth of the bank is Rs. 200 crores as per revised guidelines	The minimum net worth is Rs 500 crore.

The points of the difference between these types of banks highlights that the concept of the small finance banks is a well conceptualised concept and can contribute significantly in the achievement of the goals of formation of a financially inclusive economy if these banks works efficiently and effectively keeping in mind the RBI's guidelines. The formation of these banks undoubtedly increased the no of private players in the industry and moreover the thrust of these banks is on the usage of technology to deliver the cost effective services to the masses but at the same time it must be noted that the cost feature should not affect the stability and data security at any cost.

3.2 Small Finance Banks vs Universal Banks

As the Small Finance Banks are the new category of the Commercial Banks in the Banking landscape, it is important to consider the points that differentiate these banks from the existing Universal Banks.

Particulars	Small Finance Banks	Universal Banks
Target group	Focused on serving the small, rural households, marginal farmers, laborers	No such restriction applies
Area of operation	Limited Area of operation	No limitations imposed on the area of operation
Priority sector lending targets	Banks are required to extend 75% of its ANBC to the sectors classified as priority sector by RBI	Banks are required to extend 40 per cent of Adjusted Net Bank Credit or Credit Equivalent Amount of Off-Balance Sheet

3) Tracking the performance of these banks against the Financial Inclusion Goals.

As the main goal of establishment of these banks is the formation of a financially inclusive economy therefore it became imperative to track the performance of these banks against the financial inclusion goal. The few parameters that can contribute in the achievement of the goal and that have been chosen for the purpose are:

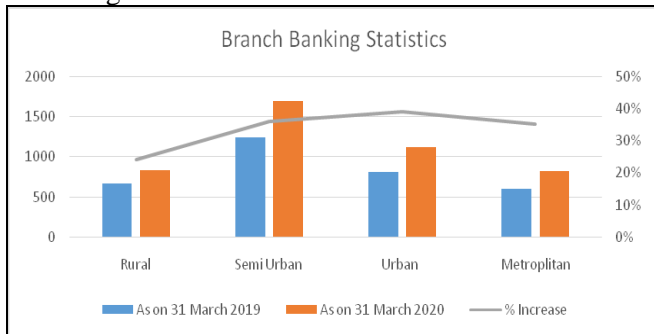
- a) Branch Banking Statistics
- b) Priority sector lending targets achievement
- c) Share of Small Finance Banks in the All India no of Credit Accounts No of Rs 0.0025 CRORE and Less as on 31 March 2020.

The detailed analysis of all the parameters is as follows:

A) Branch Banking Statistics

The establishment of these banks when compared with the total financial inclusion goals led towards the analysis of the branch banking statistics

of these banks. As per RBI database the total % increase in the no of branches of the Small Finance Bank in the year 2020 as compared to the year ending 31 March 2019 is approx. 34%. This increase in the number of branches when compared on the basis of population size in the category of Rural, Semi Urban, Urban and Metropolitan highlights the following:



BANK	Rural	Semi Urban	Urban	Metropolitan	Total
As on 31 March 2019	667	1243	805	601	3316
As on 31 March 2020	827	1,695	1,117	814	4,453
% Increase	24%	36%	39%	35%	34%

Source: RBI Database

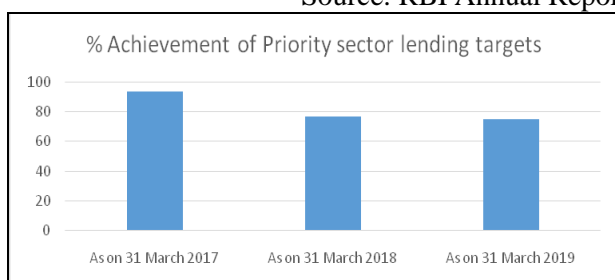
The % increase in the no of branches in the rural areas is lowest as compared to the other sectors which highlights that the very purpose for which these banks are established should not be effected and the banks should focus on these unbanked section of population.

B) Priority sector lending targets

These are one of the parameters that differentiate these banks from the existing universal banks and the main goal of establishment of these banks is to fulfill the lending requirements of the sectors classified as priority sector by RBI. The analysis of the achievements of the priority sector lending targets by these banks collectively however depicts the different picture.

Priority sector lending targets	% Achievement
As on 31 March 2017	93.4
As on 31 March 2018	76.7
As on 31 March 2019	74.6

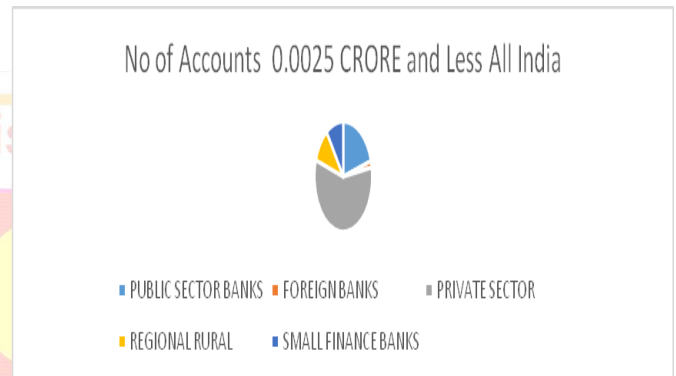
Source: RBI Annual Report



The% decrease on year on year basis warrants the existence of the banks as the aims of the inclusive growth and development is hampered by the performance of these banks.

C) All India no of Credit Accounts No of Rs 0.0025 CRORE and Less

The analysis of the All India no of Credit Accounts No of Rs 0.0025 CRORE and Less as on 31 March 2019 reveals the highest share of private sector banks.



Bank Group	No of Accounts 0.0025 CRORE and Less All India
PUBLIC SECTOR BANKS	8675506
FOREIGN BANKS	803625
PRIVATE SECTOR	24433032
REGIONAL RURAL	4348315
SMALL FINANCE BANKS	4197314

Comparative Analysis of the Small Finance Banks

The Individual analysis and the consolidated analysis of the various financial parameters of these small finance banks provides a suitable basis for comparing these banks on one to one basis. These banks are evaluated on following parameters as on 31 March 2020:

- 1) No of Operating offices
- 2) Deposits
- 3) Advances
- 4) Operating Profit
- 5) Other Income
- 6) Net Profit
- 7) Gross NPA ratio
- 8) Net NPA ratio
- 9) Capital Adequacy ratio
- 10) EPS

At Each parameter a bank holding the top position is given 3 points followed by 2 point and 1 pint for the 2nd and 3rd position holder respectively and the maximum points which a bank can receive is 30. The bank with the maximum

no of points will be considered as financially sound as compared to other banks.

1) No of Functioning offices.

S. N O	1	2	3	4	5
B A N K	AU SMALL FINANCE BANK LIMITED	CAPITAL SMALL FINANCE BANK LIMITED	EQUITAS SMALL FINANCE BANK LIMITED	ESAF SMALL FINANCE BANK LIMITED	FINCARE SMALL FINANCE BANK LIMITED
N U M B E R	419	153	867	457	517

S. N O	6	7	8	9	10
B A N K	JANA SMALL FINANCE BANK LIMITED	NORTH EAST SMALL FINANCE BANK LIMITED	SURYO DAY SMALL FINANCE BANK LIMITED	UJJIVAN SMALL FINANCE BANK LIMITED	UTKARSH SMALL FINANCE BANK LIMITED
N U M B E R	293	208	437	584	518

Source: Audited Financial Statements of the respective bank for year 2019-20.

The table highlights that the **Equitas Small Finance Bank** has the highest no of functioning offices at the Year ended 31 March 2020 followed by **Ujjivan Small Finance bank** and then **Utkarsh small Finance Bank**.

2) Deposits

S. N O	1	2	3	4	5
B A N K	AU SMALL FINANCE BANK LIMITED	CAPITAL SMALL FINANCE BANK LIMITED	EQUITAS SMALL FINANCE BANK LIMITED	ESAF SMALL FINANCE BANK LIMITED	FINCARE SMALL FINANCE BANK LIMITED
N U M B E R	26163	4446	10788	7028	4654

E R S	6	7	8	9	10
B A N K	JANA SMALL FINANCE BANK LIMITED	NORTH EAST SMALL FINANCE BANK LIMITED	SURYO DAY SMALL FINANCE BANK LIMITED	UJJIVAN SMALL FINANCE BANK LIMITED	UTKARSH SMALL FINANCE BANK LIMITED
N U M B E R	9652	890	2848	10780	5235

Source: Audited Financial Statements of the respective bank for year 2019-20.

The table highlights that the **AU Small Finance Bank** has the highest Deposit Base followed by **Equitas Small Finance Bank** and then **Ujjivan Small Finance Bank**.

3) Advances:

The Small Finance banks are allowed to undertake lending activities and these advances constitutes the major portion of earnings for these banks in the form of interest income. The increased advances year on year basis has been highlighted by the financial statements.

S. N O	1	2	3	4	5
B A N K	AU SMALL FINANCE BANK LIMITED	CAPITAL SMALL FINANCE BANK LIMITED	EQUITAS SMALL FINANCE BANK LIMITED	ESAF SMALL FINANCE BANK LIMITED	FINCARE SMALL FINANCE BANK LIMITED
N U M B E R	26992	3325	13747	6548	4815

S. N O	6	7	8	9	10
B A N K	JANA SMALL FINAN CE BANK LIMITE D	NORTH EAST SMALL FINANC E BANK LIMITED	SURYO DAY SMALL FINANC E BANK LIMITE D	UJJIVA N SMALL FINANC E BANK LIMITE D	UTKAR SH SMALL FINANC E BANK LIMITE D
N U M B E R	9959	1348	3531	14153	6281

Source: Audited Financial Statements of the respective bank for year 2019-20.

The table highlights that the **AU Small Finance Bank has the maximum share in the Advances followed by Ujjivan Small Finance Bank and Equitas Small Finance Bank.**

4) Operating Profit

The operating profit is the indicator of efficient management of the operations of the bank. The data provided by the financial statements of the respective banks highlights the following:

S. N O	1	2	3	4	5
B A N K	AU SMALL FINAN CE BANK LIMITE D	CAPITA L SMALL FINANC E BANK LIMITED	EQUITA S SMALL FINANC E BANK LIMITED	ESAF SMALL FINANC E BANK LIMITED	FINCAR E SMALL FINANC E BANK LIMITED
N U M B E R	1197	52.24	694	325	202

The table reveals that the **AU small finance bank has the highest Deposit followed by Equitas Small Finance bank and then Ujjivan Small Finance Bank.**

5. Other Income

The other income of the bank reflects the income generated any form except the interest income for example Commission, Brokerage etc.

S. N O	1	2	3	4	5
B A N K	AU SMAL L FINAN CE BANK LIMIT ED	CAPITA L SMALL FINAN CE BANK LIMIT ED	EQUIT AS SMALL FINAN CE BANK LIMIT ED	ESAF SMAL L FINAN CE BANK LIMIT ED	FINCA RE SMALL FINAN CE BANK LIMIT ED
N U M B E R	620	42.95	282	133	145

S. N O	6	7	8	9	10
B A N K	JANA SMALL FINAN CE BANK LIMITE D	NORTH EAST SMALL FINANC E BANK LIMITED	SURYO DAY SMALL FINANC E BANK LIMITE D	UJJIVA N SMALL FINANC E BANK LIMITE D	UTKAR SH SMALL FINANC E BANK LIMITE D
N U M B E R	433.25	19	87	322	98.55

Source: Audited Financial Statements of the respective bank for year 2019-20.

As per the data in the table **AU small Finance holds the first position followed by Jana Small Finance Bank and then Ujjivan Small Finance Bank.**

6) Net Profit

The Net profit of the bank reflects the profitability of the bank and its financial soundness.

As per the data in the table below **AU small finance bank has earned the maximum profit as on 31 March 2020, followed by Ujjivan Small Finance and then Equitas Small Finance bank.**

S. N O	6	7	8	9	10
B A N K	JANA SMALL FINAN CE BANK LIMITE D	NORTH EAST SMALL FINANC E BANK LIMITED	SURYO DAY SMALL FINANC E BANK LIMITE D	UJJIVA N SMALL FINANC E BANK LIMITE D	UTKAR SH SMALL FINANC E BANK LIMITE D
N U M B E R	281	56	305	637	350

Source: Audited Financial Statements of the respective bank for year 2019-20.

S. N O	1	2	3	4	5
BANK	AU SMALL FINANCE BANK LIMITED	CAPITAL SMALL FINANCE BANK LIMITED	EQUITY SMALL FINANCE BANK LIMITED	ESAF SMALL FINANCE BANK LIMITED	FINCARE SMALL FINANCE BANK LIMITED
NUMBER	675	25.38	244	190	143

S. N O	6	7	8	9	10
BANK	JANA SMALL FINANCE BANK LIMITED	NORTH EAST SMALL FINANCE BANK LIMITED	SURYODAY SMALL FINANCE BANK LIMITED	UJJIVAN SMALL FINANCE BANK LIMITED	UTKARSH SMALL FINANCE BANK LIMITED
NUMBER	1.41%	1.20%	0.57%	0.20%	0.18%

S. N O	6	7	8	9	10
BANK	JANA SMALL FINANCE BANK LIMITED	NORTH EAST SMALL FINANCE BANK LIMITED	SURYODAY SMALL FINANCE BANK LIMITED	UJJIVAN SMALL FINANCE BANK LIMITED	UTKARSH SMALL FINANCE BANK LIMITED
NUMBER	30	12	110.94	350	187

Source: Audited Financial Statements of the respective bank for year 2019-20.

The table highlights that the Utkarsh small finance bank has the lowest % of Gross NPA and therefore holds the first rank followed by Ujjivan Small Finance bank and then Fincare Small Finance bank.

8) NNPA

S. N O	1	2	3	4	5
BANK	AU SMALL FINANCE BANK LIMITED	CAPITAL SMALL FINANCE BANK LIMITED	EQUITY SMALL FINANCE BANK LIMITED	ESAF SMALL FINANCE BANK LIMITED	FINCARE SMALL FINANCE BANK LIMITED
NUMBER	0.80%	0.93%	1.66%	0.64%	0.40%

Source: Audited Financial Statements of the respective bank for year 2019-20.

7) GNPA

S. N O	1	2	3	4	5
BANK	AU SMALL FINANCE BANK LIMITED	CAPITAL SMALL FINANCE BANK LIMITED	EQUITY SMALL FINANCE BANK LIMITED	ESAF SMALL FINANCE BANK LIMITED	FINCARE SMALL FINANCE BANK LIMITED
NUMBER	0.80%	0.93%	1.66%	0.64%	0.40%

S · N O	6	7	8	9	10
B A N K	JANA SMAL L FINAN CE BANK LIMIT ED	NORTH EAST SMALL FINANC E BANK LIMITE D	SURYO DAY SMALL FINANC E BANK LIMIT ED	UJJIVA N SMAL L FINAN CE BANK LIMIT ED	UTKAR SH SMALL FINAN CE BANK LIMIT ED
N U M B E R	1.41%	1.20%	0.57%	0.20%	0.18%

N U M B E R	19.30%	24.98%	29.57%	29.00%	22.19%
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Source: Audited Financial Statements of the respective bank for year 2019-20.

The Capital Adequacy Ratio of the bank highlights the financial soundness of the bank and hence the stability too. The data in the above table reflects that the **Suryoday Small Finance bank has the highest CAR ratio and thus holds the first position followed by Fincare and then Ujjivan Small Finance Bank.**

10) EPS

Source: Audited Financial Statements of the respective bank for year 2019-20.

As per the data provided in the table the **Utkarsh small finance bank has the lowest % of Net NPA and therefore holds the first rank followed by Ujjivan Small Finance bank and then Fincare Small Finance bank.**

9) CAR (Capital Adequacy Ratio)

S · N O	1	2	3	4	5
B A N K	AU SMAL L FINAN CE BANK LIMIT ED	CAPITA L SMALL FINANC E BANK LIMITE D	EQUIT AS SMALL FINANC E BANK LIMITE D	ESAF SMAL L FINAN CE BANK LIMIT ED	FINCA RE SMALL FINAN CE BANK LIMIT ED
N U M B E R	22.00%	19.11%	22.40%	24.03%	29.30%

S · N O	1	2	3	4	5
B A N K	AU SMAL L FINAN CE BANK LIMIT ED	CAPITA L SMALL FINANC E BANK LIMITE D	EQUIT AS SMALL FINANC E BANK LIMITE D	ESAF SMAL L FINAN CE BANK LIMIT ED	FINCA RE SMALL FINAN CE BANK LIMIT ED
N U M B E R	22.78	8.18	2.39	4.45	24.45

S · N O	6	7	8	9	10
B A N K	JANA SMAL L FINAN CE BANK LIMIT ED	NORTH EAST SMALL FINANC E BANK LIMITE D	SURYO DAY SMALL FINANC E BANK LIMIT ED	UJJIVA N SMAL L FINAN CE BANK LIMIT ED	UTKAR SH SMALL FINAN CE BANK LIMIT ED

S · N O	6	7	8	9	10
B A N K	JANA SMAL L FINAN CE BANK LIMIT ED	NORTH EAST SMALL FINANC E BANK LIMITE D	SURYO DAY SMALL FINANC E BANK LIMIT ED	UJJIVA N SMAL L FINAN CE BANK LIMIT ED	UTKAR SH SMALL FINAN CE BANK LIMIT ED
N U M B E R	6.21	0.43	13.38	2.18	2.49

Source: Audited Financial Statements of the respective bank for year 2019-20.

The Earnings per share of the bank reflects the availability of the funds for their shareholders. The table reveals that the **Fincare Small Finance Bank has the highest EPS followed by AU Small Finance Bank and then Suryoday Small Finance bank.**

Combined Analysis

After analyzing all the parameters chosen for the study the combined table of all the banks on these parameters is required to be prepared for analyzing and drawing conclusion on which small finance bank has the highest points as compared to other banks.

Bank	No. of Operating Offices	Deposits	Advances	Operating Profit	Other Income	Net Profit	Gross NPA ratio	Net NPA ratio	Capital Adequacy ratio	EPS	Total Points
AU Small Finance Bank	--	3	3	3	3	3	--	--	--	2	17
Capital Small Fin. Bank	-	-	-	-	-	-	-	-	-	-	0
Equation Small Fin. Bank	3	2	1	2	-	1	-	-	-	-	9
Esaf Small Fin. Bank	-	-	-	-	-	-	-	-	-	-	0
Fincare Small Fin. Bank	-	-	-	-	-	-	1	1	2	3	7
Jana Small Fin. Bank	-	-	-	-	2	-	-	-	-	-	2
North East Small Fin. Bank	-	-	-	-	-	-	-	-	-	-	0
Suryoday Small Fin. Bank	-	-	-	-	-	-	-	-	3	1	4
Ujjivan Small Fin. Bank	2	1	2	1	1	2	2	2	1	-	14
Utkarsh Small Fin. Bank	1	-	-	-	-	-	3	3	-	-	7

The table highlights that

- **AU Small Finance Bank has received the maximum no of points (17) on the selected parameters.**
 - Ujjivan Small Finance bank has received the second position with the total no of points (14).
 - The Equitas Small Finance bank has received the third position with total no of points (9).
- The other banks are also performing well and increasing their incomes on year on year basis and contribute in the growth of the consolidated balance sheets and income statements of all the banks when taken together except the few. The analysis does not reveal that the bank with the maximum no of points

is the best only, rather there may be other parameters also on which the other banks might excel.

Conclusion

After analysis of the data of these banks, it can be said that these banks have done largely well in establishing themselves and generating profits despite stringent regulatory mandates prescribed by RBI for these banks such as Loan size requirement, Priority sector lending targets etc.

The thrust of these banks lies on the optimum utilization of the modern technology to provide services in a cost effective manner which no doubt helps the banks in cutting their costs but at the same time pose challenge for these banks as the main focus of these banks are on the rural households who are not that much tech savvy and still believes in the conventional modes of banking. Therefore, these banks focus not only on inculcating the habit of adopting formal banking channels for fulfilling financial needs in the rural masses but at the same time should also encourage them to go digital. Various training and financial literacy programmes are therefore organized by these banks from time to time.

As far as performance analysis of these banks is concerned, all these banks have generated adequate operating profits since their inception but the losses shown by one or two banks wiped out the total profits of when collective data is analyzed. The Demonetization and the mounting NPAs have been considered as the main reason for the losses of few banks.

The more emphasis of these banks on the urban and metropolitan areas instead of the rural areas raises questions on the achievement of the goals of total financial inclusion. But at the same time there is a positive sign indicating that all the 10 applicants who received the license are functioning and also trying to manage their operations effectively to achieve profitability. Still the growth and viability of this new model of banks can be analyzed more accurately with the passage of time.

Suggestions:

- Focus on establishing rural and semi urban branches.
- Priority sector lending should be increased.
- The share of small finance banks in the overall microfinance disbursements by all the scheduled banks should increase on year on year basis.
- Education loans should also be given due consideration by these banks.

- The focus on the growth in generation of other income should not compromise the goals of the financial inclusion.

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