

# New League of Banking in India with Small Finance Banks

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## Article Info

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## Abstract

Despite the relentless efforts by the government there exists majority of people who are financially excluded. To better serve the people the government had initiated the process of establishing Small Finance Banks under private ownership which are primarily aimed at providing financial services and products as per the financial requirements of the semi-urban and rural population. 10 financial institutions were permitted to start banking operations with Small Finance Bank license and can operate across the country especially in the rural areas. The main players in the NBFC segment had acquired the Small Finance Bank license and started the operations as they are performing similar financial operations in specific areas of the country. The operations of these banks are performed in a highly technology driven environment which are highly cost effective helping to reach the target customers through committed workforce. With these advantages the banks are in a position to provide affordable and accessible financial services and products to the excluded segments to meet their respective financial requirements. The present paper discusses the evolution of Small Finance Banks along with their significance to the economy, the advantages and disadvantages with this type of financial institutions, the progress of Small Finance Banks over the years through select parameters and finally concludes with few suggestions to further reach the underserved and unserved segments of the population.

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## I. INTRODUCTION

India is a vast country with staggered population hailing from different income groups. There are over six Lakh villages spread across the country and majority of these villages are not having brick and mortar offices of financial institutions. Despite the relentless efforts of the government and other important stakeholders of the society, formal banking facilities to the people especially the rural people are still a scant product. Despite the existence and presence of various financial institutions like Co-operative Banks, Regional Rural Banks and Local Area Banks in the rural areas, these are inadequate to meet the financial requirements of micro and small enterprises, small customers etc due to their organizational limitations and financial illiteracy among the rural and semi-urban people. A majority of the population especially in the semi-urban and rural areas are from low and middle income group who are partially provided with the financial services by the private financial institutions and local money lenders.

To bring the financially excluded segments into the formal banking system, the Government of India constituted a high level committee under the chairmanship of Dr Raghuram Rajan on the Financial Sector Reform in 2009. The committee emphasized the need to create low cost structure banks by private financiers with competence to take quick financial decisions. The parameters like enhanced efficiency, innovation that care for value for money especially from the motivated private financiers who are well organized, be permitted to start deposit taking Small Finance Bank. Based on the recommendation of the committee, in November 2014 RBI had issued license to Small Finance Banks and Payments Bank to start the banking operations in the country. The major objectives of Small Finance Banks are: provision of savings vehicles, high technology driven with low cost of transactions, provision of credit to small customers, small business units, small & micro industries, small & marginal farmers, and other unorganized sectors. This latest initiative by Reserve Bank of India paved the path for the commencement of Small Finance Bank to enable the unbanked and under-

banked segments of the society into the formal banking sector. These banks had the advantage and flexibility of pan India operations which are in contrast to the prevailing regulations of Regional Rural Banks (RRBs) and Local Area Banks (LABs) which have geographical restrictions on their operations.

It is observed over the last few years that the Non-Banking Financial Companies (NBFCs) are performing well despite the prevailing difficult macro-financial environment. The business model and environment of NBFCs with their cost effective operations through strong technological support had reached the target customers with the help of committed workforce makes them ideal to become Small Finance Banks. With these synergies and advantages few reputed and large NBFCs had applied for Small Finance Bank licenses and converted their operations under the purview of Small Finance Banks thus enabling these banks to acquire better information about the various financial requirements of the rural people and serve them with suitable financial services and products thereby making them part of the formal banking operations. These NBFCs which are confined to few areas of the country are now enabled to have pan India presence under the tag of Small Finance Bank.

## II. OBJECTIVES

1. To understand the evolution of the Small Finance Banks in India.
2. To ascertain the role and significance of Small Finance Banks.
3. To ascertain the advantages and challenges associated with Small Finance Banks.
4. To ascertain the journey of Small Finance Banks in India through select statistics.

## III. LITERATURE REVIEW

**Ravi Kumar T (2019)** analysed the role of Small Finance Banks in Financial Inclusion process. The paper highlighted the necessity of expanding the operations of Small Finance Banks and also the possible hurdles during the process. The need for expanding the branch establishments, acquire deposit from the public and disburse credit to the needful in the rural areas, how to meet their operational expenses and the ways to chalk out the arising challenges in the process and attain the objective of existence and meet the objective of financial inclusion in bringing the financially excluded segments into the formal banking stream.

**Jeeban Jyothi Mohanthy (2018)** analysed the need of Small Finance Banks in achieving Financial Inclusion. The paper highlighted the volume of financial excluded segment despite the efforts of various financial institutions in the country. The role of Small Finance

Banks in reaching the remote, unbanked parts of the country and their contribution towards financial inclusion during the process along with the transformational challenges in the process of converting the micro financial institutions into Small Finance Banks. The study observed the huge potential for the banks in the rural areas and the deployment of technology driven services and products which are affordable for the rural people and the success of these banks is largely dependent on the path adopted by the micro financial institutions.

**Arif Khan (2018)** analysed the opportunities and challenges of Small Finance Banks established in the country. It is analysed that these banks are initiated to enable financial inclusion for the sections of the society which are financially excluded in addition to the normal process of accepting deposits and disbursement of credit to the small customers from either the organised or the unorganised sectors. These banks are aimed to be the last brick in the financial inclusion process coupled with the guidelines stipulated by Reserve Bank of India. The paper highlighted the opportunities ahead for the Small Finance Banks and the challenges during the process and also their contributions in transforming the economic conditions of the country.

**Abijith & Raghavendra (2018)** analyzed the need of Small Finance Banks and their role in achieving financial inclusion. The paper highlighted the numerous changes the banking the industry had undergone and how the evolution of Small Finance Banks had taken place. The objectives for the establishment of these banks along with their basic operations, the measures to enhance their operations, the challenges to be faced during their operations etc were highlighted in the paper. The need for these banks in serving the Micro, Small and Medium enterprises were analyzed along with the awareness levels, type of credit extended to the enterprises were considered under the study where 60 MSME institutions were taken as sample size for the study.

**Benny C (2018)** highlighted the importance microcredit to the weaker section for their economic upliftment. There are various organizations which are striving for this but the desired output is not been obtained. The paper highlighted the various microcredit financing institutions and with special emphasis on ESAF Small Finance Bank. The need of microfinance, the various financial packages that are offered to the customers were discussed. The detailed analysis of ESAF shareholding pattern, their operations etc were discussed in the paper.

**Sheena Jose & Chockalingam S (2017)** analysed the need of financial service and products especially for the rural women to empower them in all possible aspects. The paper highlighted how the microcredit organisations

which were subsequently converted as Small Finance Banks are instrumental in providing the various schemes to empower women to be self employed and thereby share the financial responsibilities of the family paving the path for gender equality. The outcome of the process is visible in terms of enhanced standard of living, education levels, literacy rates etc especially among the rural women. The paper analysed the social and economical impact of 30 Self Help Groups which availed credit facility from the Small Finance Banks in the Karimannor Grama Panchayat of Iddukki district in the state of Kerala.

#### IV. ROLE AND SIGNIFICANCE OF SMALL FINANCE BANKS

It is projected that there are around 15 bank branches for every one lakh population in India which indicates the gap for new entrants in the financial services sector especially in the rural areas. To fill the gap in serving the financial services, the Government of India and RBI initiated the license for Small Finance Banks to provide better banking services to all the sections of the society. Small Finance Bank is a prospective innovation capable of changing the banking scenario in the country. Small Finance Banks are niche type bank that provide basic banking service as other commercial banks but to majorly low income sections at a smaller level. They provide financial services to the small business units, small and marginal farmers, micro and small industries and unorganized sector to fulfill their financial requirements and thereby uplift the rural economy.

Small Finance Banks are aimed at reaching the unbanked segments by providing basic savings account and providing remittances and credit facilities to the low income groups of the society. They provide personal banking along with MSE banking through the introduction of innovative saving and payment products along with the prevailing credit products. The banks have to target the financially excluded people from various segments by offering differentiated products. The operations of these banks are performed with the help of robust technology which are highly cost effective enabling them to reach the target customers with the help of committed workforce. With these advantages the banks can offer the financial services and products to the excluded segments at an affordable price and also ensure accessibility for the customers. The segments which are out of the purview of the commercial banks are the target group for the Small Finance Banks and are vital in channelizing the saving from the semi-urban and rural areas in an effective way paving the path for the overall economic development. The customers of the financial services especially the rural people anticipate high quality

and secure banking transactions at low cost. To obtain this, the operations of the bank are to be performed on robust networked technology leading to low cost transactions and providing the financial services and products to the people at an affordable prices which push the customers to have cash-less transactions thereby enabling the government to track the flow of money and also curb the black money.

The regulatory authorities had permitted in-principle to commence the operations of Small Finance Banks for ten institutions. The permitted financial institutions are *AU Small Finance Bank Ltd, Capital Small Finance Bank Ltd, Equitas Small Finance Bank Ltd, Evangelical Social Action Forum (ESAF) Small Finance Bank Ltd, Fincare Small Finance Bank Ltd, Jana Small Finance Bank Ltd, North East Small Finance Bank Ltd, Suryoday Small Finance Bank Ltd, Ujjivan Small Finance Bank Ltd, and Utkarsh Small Finance Bank Ltd*. These Small Finance Banks were started by respective financial institutions: The permitted financial institutions are Au Financiers India, Capital Local Area Bank, Disha Microfinance, Equitas Microfinance, Evangelical Social Action Forum (ESAF) Microfinance, Janalakshmi Financial Services, Rashtriya Gramin Vikas Nidhi (RGVN North East) Microfinance, Suryoday Microfinance, Ujjivan Microfinance, and Utkarsh Microfinance. Out of these Small Finance Banks, eight institutions are microfinance institutions, one Local Area Bank (Capital Local Area Bank) and the remaining AU Financiers India is a Non-Banking Financial Company. Small Finance Banks are smaller in operations and size with no geographical restrictions on the operation enabling them to spread their banking activities across the country. These banks were permitted to open the branches provided one branch of every four branches opened is in rural area. Its basic products are both deposits and different loan types.

The major motive of these banks is to extend 75% of their credit disbursement to priority sector through smaller business units along with the micro and medium enterprises which inturn boosts the financial inclusion process initiated by the government. These banks participate in the process of branch expansion in rural area participating in the economic development of the country as it is positively correlated to the number of branches in operation by the financial institutions in the unbanked areas. The Small Finance Banks which were earlier functioning as Micro Finance Institutions are serving the rural people for decent period and can access the financial requirements of the under-served population. These banks have the capability to bring the untouched sector prevailing in the economy in the ambit of formal banking sector. It is a win-win situation for the banks as

well as the government and the unserved people. This enables the expansion of operations, enhancement of brand value for the banks; similarly the government will be in a position to execute its policies in a successful manner and lastly the unserved segments can avail the financial services for their economic and social development. The conversion of MFIs into Small Finance Banks had helped them to collect deposits from the public and lend to the needed at reasonable rate of interest. Earlier these institutions raised the funds from other financial institutions at an interest of around 15% thereby making their cost of funds between 22% and 25%. The conversion enabled them to cut down the cost of borrowing thereby reducing cost of disbursement to the needed population.

#### **V. ADVANTAGES AND CHALLENGES OF SMALL FINANCE BANKS**

Small Finance Banks are bundled with vast opportunities and also with few challenges during the process of running. Some of them are discussed herewith. Small Finance Banks confinement to specific region enables them to understand the needs of the needy people of that area. This helps in developing good relationship banking with various segments of the society such as Agriculture, Industries, SMEs, Self Employed units etc. These banks employ lesser number of staff, lesser operational infrastructure, capital requirements, lesser regulatory norms etc leads to lower operational expenses thereby providing the financial services and products at lesser and affordable prices. RBI permitted the Small Finance Banks into Call/Notice/Term Money Market, with the similar guidelines applicable to other commercial banks, both as lenders and borrowers enabling them to access short-term liquidity and thereby handle any maturity mismatches in a more effective manner. Small Finance Banks are capable of introducing diversified products ranging from regular savings & credit accounts, mutual funds, insurance, pension schemes, ATM facility, remittance & payment services etc. These services are offered at lower cost because of their low cost infrastructure. These banks can create long term relationship with the customers thereby enhancing their brand value. They have the prospect for vertical penetration due to their diversified range of products. These have substantial potential for growth if they are vigilant of the costs and challenges arising out of them.

Some of the challenges for the Small Finance Banks in their process of delivering suitable financial services to the rural population are discussed herewith. These are prone to systematic risks as these are geographically concentrated. There are chances for relentless governance problems leading to high risk exposures leading to fierce

cycle of NPAs. These are directed to provide 75% of its credit portfolio for priority sector which are vulnerable. The Capital Adequacy Ratio to be maintained is 15% which is on the higher side. The shareholding pattern needs to be maintained at 49% which is at a higher rate as of now for many banks. These have to spend more on the transformation from MFIs to Small Finance Banks and also on the automation of the services, training for the staff for the new mode of delivering services, recruitment of staff from diversified fields. Stiff competition from the existing financial institutions, adoption of new technology, monitoring and prevention of any arising NPAs, maintenance of regulatory norms like CRR, SLR etc, issues in human resource management, mobilization of funds through low cost accounts-savings & current. Gaining the confidence of the customers in new geographical areas of operations.

## VI. STATISTICAL DATA OF SMALL FINANCE BANKS

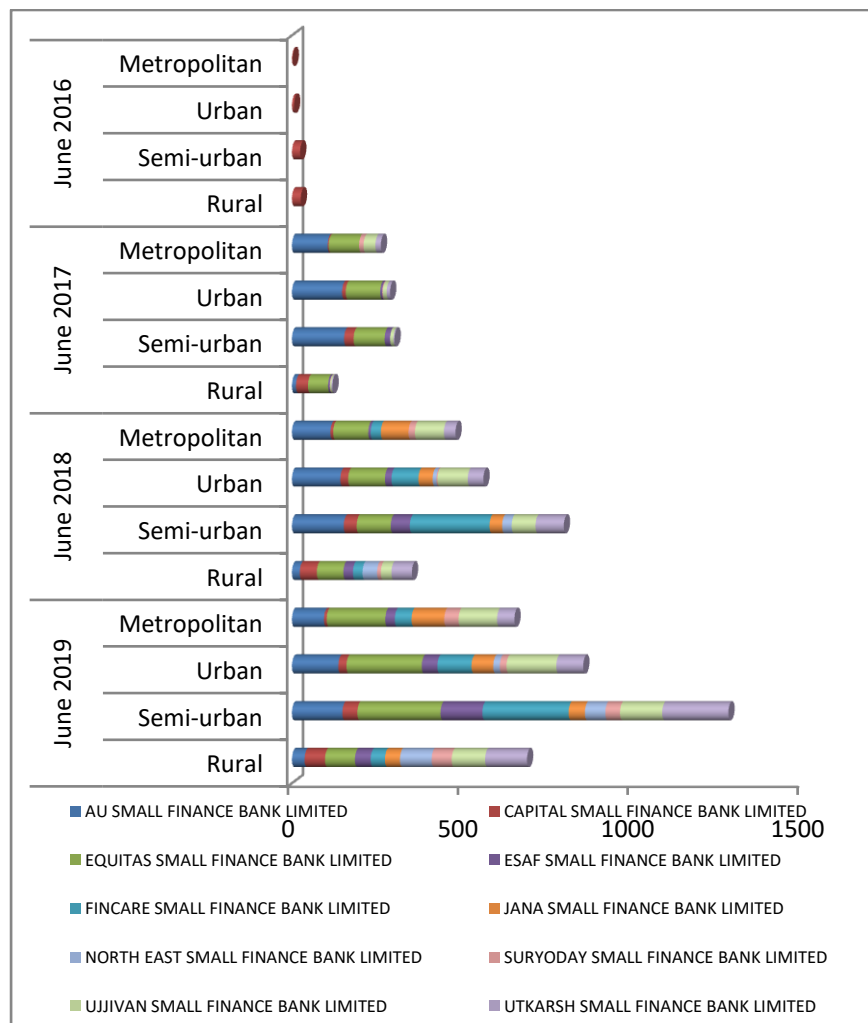
**Table 1: Geographical wise distribution of Small Finance Banks over the years**

Bank Name	June 2019					June 2018					June 2017					June 2016				
	Rural	Semi-urban	Urban	Metro	Total	Rural	Semi-urban	Urban	Metro	Total	Rural	Semi-urban	Urban	Metro	Total	Rural	Semi-urban	Urban	Metro	Total
AU Small Finance Bank Ltd	37	148	136	94	<b>415</b>	23	152	142	113	<b>430</b>	12	153	147	105	<b>417</b>					
Capital Small Finance Bank Ltd	60	44	24	8	<b>136</b>	50	38	23	8	<b>119</b>	35	28	11	3	<b>77</b>	26	24	6	2	<b>58</b>
Equitas Small Finance Bank Ltd	88	244	221	172	<b>725</b>	78	100	108	103	<b>389</b>	59	91	101	89	<b>340</b>					
ESAF Small Finance Bank Ltd	46	123	46	28	<b>243</b>	28	56	19	7	<b>110</b>	5	16	6		<b>27</b>					
Fincare Small Finance Bank Ltd	42	253	100	49	<b>444</b>	28	234	79	30	<b>371</b>										
Jana Small Finance Bank Ltd	44	48	64	96	<b>252</b>		37	42	81	<b>160</b>										
North East Small Finance Bank Ltd	93	60	19		<b>172</b>	43	28	11		<b>82</b>										
Suryoday Small Finance Bank Ltd	59	43	20	42	<b>164</b>	11		3	19	<b>33</b>	1		2	13	<b>16</b>					
Ujjivan Small Finance Bank Ltd	98	124	146	113	<b>481</b>	31	70	89	85	<b>275</b>	4	10	11	35	<b>60</b>					
Utkarsh Small Finance Bank Ltd	123	194	79	51	<b>447</b>	60	83	46	34	<b>223</b>	3	3	10	16	<b>32</b>					

Source: Compiled from secondary data. RBI Website



**Figure1: Geographical wise distribution of Small Finance Banks over the years**



Source: Compiled from secondary data. RBI Website

**Table 2: Progress of Small Finance Banks in terms of Credit, Deposits**  
Amount in Crores

Quarter	No of Reporting Offices	Growth % in Offices	Deposit	Growth % in Deposits	Credit	Growth % in Credit
2019-20:Q2	3684	34	52862	30	81919	24
2019-20:Q1	2745	29	40809	9	65942	9
2018-19:Q4	2122	15	37500	25	60238	17
2018-19:Q3	1853	37	30003	32	51673	29
2018-19:Q2	1351	0	22796	14	40159	11
2018-19:Q1	1354	11	19973	19	36266	8
2017-18:Q4	1216	10	16739	64	33512	22
2017-18:Q3	1104	129	10226	82	27488	130
2017-18:Q2	483	34	5613	21	11969	68
2017-18:Q1	360	-	4625	-	7105	-
<b>CARG</b>	<b>29%</b>		<b>31%</b>		<b>31%</b>	

Source: Compiled from secondary data. RBI website. Amount in Rupees Crores

**Table 3: Bank Group wise Population Group wise distribution of Deposits for March 2019**

(No of Accounts in Thousands and Amount in Rs Crore)

Bank Group Name	Population Group	No. of Offices	Current		Saving		Term		Total Deposits		Chi-Square Value	P Value	Sig Result
			No. Of Accounts	Amount	No. Of Accounts	Amount	No. Of Accounts	Amount	No. Of Account	Amount			
Public Sector Banks	Rural	28810 (19.82%)	15662 (19.33%)	35694 (3%)	407632 (24.81%)	529717 (12.87%)	35763 (14.4%)	435229 (5.94%)	459057 (23.27%)	1000640 (7.92%)	1.04E+07	0.00	Accepted
	Semi-urban	24815 (17.07%)	16085 (19.86%)	83003 (6.97%)	401551 (24.44%)	722127 (17.54%)	43936 (17.69%)	719611 (9.82%)	461572 (23.4%)	1524741 (12.06%)			
	Urban	18393 (12.65%)	11929 (14.73%)	117510 (9.87%)	194437 (11.83%)	659506 (16.02%)	46642 (18.78%)	1091731 (14.89%)	253007 (12.83%)	1868748 (14.79%)			
	Metro	19427 (13.36%)	14295 (17.65%)	286166 (24.04%)	178297 (10.85%)	869893 (21.13%)	60978 (24.55%)	2442360 (33.31%)	253570 (12.85%)	3598420 (28.47%)			
	<b>TOTAL</b>	<b>91445 (62.9%)</b>	<b>57972 (71.56%)</b>	<b>522374 (43.89%)</b>	<b>1181916 (71.92%)</b>	<b>2781243 (67.55%)</b>	<b>187319 (75.4%)</b>	<b>4688932 (63.96%)</b>	<b>1427206 (72.35%)</b>	<b>7992549 (63.24%)</b>			
Foreign Banks	Rural	13 (0.01%)	1 (0.01%)	557 (0.05%)	6 (0.01%)	52 (0.02%)	2 (0.01%)	5226 (0.07%)	9 (0.01%)	5835 (0.05%)	269	0.000	Accepted
	Semi-urban	9 (0.01%)	2 (0.01%)	333 (0.03%)	2 (0.01%)	47 (0.02%)	1 (0.01%)	1255 (0.02%)	5 (0.01%)	1636 (0.01%)			
	Urban	38 (0.03%)	16 (0.02%)	5965 (0.5%)	215 (0.01%)	4318 (0.1%)	63 (0.03%)	9724 (0.13%)	294 (0.01%)	20007 (0.16%)			
	Metro	236 (0.16%)	560 (0.69%)	163553 (13.74%)	4773 (0.29%)	54943 (1.33%)	898 (0.36%)	319369 (4.36%)	6231 (0.32%)	537865 (4.26%)			
	<b>TOTAL</b>	<b>296 (0.2%)</b>	<b>580 (0.72%)</b>	<b>170408 (14.32%)</b>	<b>4996 (0.3%)</b>	<b>59360 (1.44%)</b>	<b>964 (0.39%)</b>	<b>335575 (4.58%)</b>	<b>6539 (0.33%)</b>	<b>565343 (4.47%)</b>			
Regional Rural Banks	Rural	15297 (10.52%)	1501 (1.85%)	4461 (0.37%)	164574 (10.01%)	141067 (3.43%)	10268 (4.13%)	91160 (1.24%)	176342 (8.94%)	236688 (1.87%)	2.35E+05	0.00	Accepted
	Semi-urban	4768 (3.28%)	856 (1.06%)	3129 (0.26%)	54775 (3.33%)	56100 (1.36%)	4436 (1.79%)	50722 (0.69%)	60067 (3.04%)	109951 (0.87%)			
	Urban	1558 (1.07%)	364 (0.45%)	2244 (0.19%)	10816 (0.66%)	22275 (0.54%)	2156 (0.87%)	39040 (0.53%)	13335 (0.68%)	63559 (0.5%)			
	Metro	419 (0.29%)	51 (0.06%)	481 (0.04%)	2809 (0.17%)	4798 (0.12%)	383 (0.15%)	11090 (0.15%)	3242 (0.16%)	16370 (0.13%)			

	<b>TOTAL</b>	<b>22042</b> <b>(15.16%)</b>	<b>2771</b> <b>(3.42%)</b>	<b>10316</b> <b>(0.87%)</b>	<b>232974</b> <b>(14.18%)</b>	<b>224241</b> <b>(5.45%)</b>	<b>17242</b> <b>(6.94%)</b>	<b>192012</b> <b>(2.62%)</b>	<b>252987</b> <b>(12.82%)</b>	<b>426568</b> <b>(3.38%)</b>			
<b>Private Sector Banks</b>	Rural	5638 (3.88%)	1731 (2.14%)	10393 (0.87%)	26856 (1.63%)	52239 (1.27%)	2942 (1.18%)	49651 (0.68%)	31529 (1.6%)	112284 (0.89%)	2.47E+05	0.00	Accepted
	Semi-urban	9071 (6.24%)	3473 (4.29%)	43176 (3.63%)	52658 (3.2%)	169425 (4.11%)	8098 (3.26%)	205935 (2.81%)	64230 (3.26%)	418536 (3.31%)			
	Urban	6356 (4.37%)	4891 (6.04%)	89350 (7.51%)	53715 (3.27%)	261547 (6.35%)	10591 (4.26%)	384305 (5.24%)	69197 (3.51%)	735202 (5.82%)			
	Metro	8499 (5.85%)	9449 (11.66%)	342367 (28.77%)	83397 (5.08%)	562122 (13.65%)	20544 (8.27%)	1446559 (19.73%)	113389 (5.75%)	2351049 (18.6%)			
	<b>TOTAL</b>	<b>29564</b> <b>(20.34%)</b>	<b>19544</b> <b>(24.13%)</b>	<b>485287</b> <b>(40.77%)</b>	<b>216626</b> <b>(13.18%)</b>	<b>1045334</b> <b>(25.39%)</b>	<b>42175</b> <b>(16.98%)</b>	<b>2086450</b> <b>(28.46%)</b>	<b>278345</b> <b>(14.11%)</b>	<b>3617071</b> <b>(28.62%)</b>			
<b>Small Finance Bank</b>	Rural	466 (0.32%)	13 (0.02%)	62 (0.01%)	433 (0.03%)	716 (0.02%)	78 (0.03%)	1069 (0.01%)	524 (0.03%)	1847 (0.01%)	87.2	0.00	Accepted
	Semi-urban	681 (0.47%)	47 (0.06%)	248 (0.02%)	2705 (0.16%)	1989 (0.05%)	223 (0.09%)	3647 (0.05%)	2974 (0.15%)	5884 (0.05%)			
	Urban	500 (0.34%)	46 (0.06%)	446 (0.04%)	2626 (0.16%)	2590 (0.06%)	242 (0.1%)	6500 (0.09%)	2914 (0.15%)	9536 (0.08%)			
	Metro	380 (0.26%)	37 (0.05%)	1069 (0.09%)	1016 (0.06%)	1901 (0.05%)	178 (0.07%)	17240 (0.24%)	1231 (0.06%)	20210 (0.16%)			
	<b>TOTAL</b>	<b>2027</b> <b>(1.39%)</b>	<b>143</b> <b>(0.18%)</b>	<b>1825</b> <b>(0.15%)</b>	<b>6779</b> <b>(0.41%)</b>	<b>7196</b> <b>(0.17%)</b>	<b>720</b> <b>(0.29%)</b>	<b>28456</b> <b>(0.39%)</b>	<b>7643</b> <b>(0.39%)</b>	<b>37477</b> <b>(0.3%)</b>			
<b>ALL INDIA</b>		<b>145374</b> <b>(100%)</b>	<b>81010</b> <b>(100%)</b>	<b>1190210</b> <b>(100%)</b>	<b>1643290</b> <b>(100%)</b>	<b>4117374</b> <b>(100%)</b>	<b>248420</b> <b>(100%)</b>	<b>7331425</b> <b>(100%)</b>	<b>1972720</b> <b>(100%)</b>	<b>12639009</b> <b>(100%)</b>			

Source: Compiled from secondary data. RBI Website. Degree of freedom=6.



Table 1 describes the geographical distribution of the Small Finance Bank over the years. Four years of June Quarter were taken for comparison purpose. It is observed that in June 2016 only Capital SFB Ltd was in existence with 58 branches with majority in rural and semi-urban places. In June 2017, the highest number of branches is with AU SFB Ltd with 417 of which there is an equal distribution among the rural & semi-urban as one segment and urban & metropolitan as another segment. Out of all the banks, the highest number of rural branches is with Equitas SFB Ltd with 59 branches followed by 35 in Capital SFB Ltd. The highest number of semi-urban branches is with AU SFB Ltd with 153 branches followed by 91 in Equitas SFB Ltd, 28 with Capital SFB Ltd. Similarly in June 2018, the highest number of branches is with AU SFB Ltd in 430 branches followed by Equitas SFB Ltd with 389, Fincare SFB Ltd with 371. The highest number of rural branches is with Equitas SFB Ltd with 78 followed by 60 with Utkarsh SFB Ltd, Capital SFB Ltd with 50 branches. The highest number of branches in semi-urban areas is with Fincare SFB Ltd with 234 followed by AU SFB Ltd with 152 branches, Equitas SFB Ltd with 100 branches. In June 2019, the highest number of branches is with Equitas SFB Ltd with 725 branches followed by Ujjivan SFB Ltd with 481, Utkarsh SFB Ltd with 447, Fincare SFB Ltd with 444 branches. The highest no of rural branches are with Utkarsh SFB Ltd by 123 followed by Ujjivan SFB Ltd with 98 and North East SFB Ltd with 93 branches. The highest no of semi-urban branches is with Fincare SFB Ltd by 253 followed by Equitas SFB Ltd with 244, Utkarsh SFB Ltd with 194 branches. The highest no of Urban branches is with Equitas SFB Ltd with 221 branches followed by Ujjivan SFB Ltd with 146 branches. The highest no of Metropolitan branches is with Equitas SFB Ltd by 172 followed by Ujjivan SFB Ltd with 113 branches. From the above table it can be

depicted that majority of the branches are in semi-urban branches followed by Urban in most of the quarters.

Table 2 describes the progress of offices, deposits and credit of small finance banks over the years. The highest percentage of growth in all the parameters is observed in 2017-18 Q3 with 129% in Offices, 82% in Deposits and 130% in Credit. It is observed that there is a steady growth in the number of offices opened to serve the people along with the Deposit amounts collected from the public and the credit disbursed for the people over the years. The CARG for the number of offices over the years is 29% while that of the Deposits is 31% and the Credit disbursement is also at 31%. These incremental growths is good for the Small Finance Banks as these are able to collect the deposits from the savers and disbursing the credit to those who need to run their business operations or to meet their financial requirements.

Table 3 Bank Group wise Population Group wise Deposits for the year ending March 2019. As per the data there are five types of banks namely, Public Sector Banks, Foreign Banks, Regional Rural Banks, Private Sector Banks, and Small Finance Banks. There are 145374 bank offices in the country of which 91455 (62.9%) are Public Sector Banks, 29564 (20.34%) are Private Sector Banks, 22042 (15.16%) are Regional Rural Banks, 2027 (1.39%) are Small Finance Banks and 296 (0.2%) are Foreign Bank branches.

Regarding the number of accounts (the values are in thousands), out of the total accounts of 1972720, the Public Sector Bank share is 1427206 (72.35%) of which 57972 are Current, 1181916 are Savings & 187319 are Term deposits. Pertaining to Private Banks total accounts are 278345 of which 19544 are Current, 216626 are Savings & 42175 are Term deposits. In Regional Rural Banks there are 252987 (12.82%) accounts are there of which 2771 are Current, 232974 are Savings &

17242 are Term deposits. In Small Finance Banks there are 7643 (0.39%) accounts of which 143 are Current, 6779 are Savings & 720 are Term Deposits. The least number of accounts are in Foreign Banks with 6539 of which 580 are Current, 4996 are Savings & 964 are Term deposits.

Pertaining to the value of amount in the accounts, out of the total amounts of Rs.12639009 crores, the Public Sector Bank share is Rs.7992549 crores (63.24%) of which Rs.522374 crores are Current, Rs.2781243 crores are Savings & Rs.4688932 crores are Term deposits. Pertaining to Private Banks total amount in the accounts is Rs.3617071 crores of which Rs.485287 crores are Current, Rs.1045334 crores are Savings & Rs.2086450 crores are Term deposits. In Regional Rural Banks there is Rs.426568 crores (3.38%) crores in the accounts of which Rs.10316 crores are Current, Rs.224241 crores are Savings & Rs.192012 crores are Term deposits. In Small Finance Banks there are Rs.37477 crores (0.30%) crores amount is there in the accounts of which Rs.1825 crores are Current, Rs.7196 crores are Savings & Rs.28456 crores are Term Deposits. And finally an amount of Rs.565343 crores of amount in the accounts are in Foreign Banks of which Rs.170408 crores are Current, Rs.59360 crores are Savings & Rs.335575 crores are Term deposits.

It is observed that there is significant relationship between the place of the branch and the accounts opened by the customers. The Chi-square value is variant and the significance value is 0.00 for all types of banks indicating that there exists significant relationship between the type of the bank and place of bank branch.

## VII. SUGGESTIONS

The small finance banks were designed largely to serve the unbanked and under-served population in the country and to meet the

financial inclusion objectives set by the government. These are in the initial stages of operations and a lot are to be implemented to gain the confidence of the customers. The usage of technology has to be further enhanced so that the costs of operations are reduced and the financial services are provided to the customer at lower and affordable cost. Proper training is required for the bank staff as there is shift in their mode of operations. These are now entitled for collecting deposits from the customers so that the banks' cost of funds can be reduced with increase in opening the low cost current and savings account. Introduction of innovative products and services are required to improve the confidence of the customers and there no new innovative products from these till now which has to be focused upon. Financial literacy programs are required for the customers as most of them are financial illiterates. Steps should in the direction of digital economy where most of the transactions are routed through cashless and e-money transactions. With the rapid changes in the banking sector, there are possibilities of converting the Urban Cooperative Banks into Small Finance Banks as the operational synergies exist between these two entities.

## VIII. CONCLUSION

There are continuous efforts by the government in taking the banking services to all the people across the country irrespective of their occupation, geographical location, gender, income levels, community, caste, creed etc. As part of improving the financial inclusion levels, Small Finance Banks were initiated to cater to the financial needs of the rural and semi-urban people in specific. With these advent there is increased competition among the financial players in the country paving the path for the introduction of new innovative financial services and products for the people at affordable price and easily accessible for the people. These banks are attracting the customers who are unbanked till

now and are establishing digital connectivity with the vast and distributed rural population. These are in the budding stage and are making all the efforts to meet the expectations of the under-served segment and also meeting the statutory requirements stipulated by the regulatory authorities.

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