

A Study on Physical Performance of Select Small Finance Banks in India

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Abstract

This paper evaluates the physical performance of Small Finance Banks (SFBs) in India, focusing on their growth across multiple dimensions. The study assesses parameters such as the number of ATMs, Point of Sale (PoS) terminals, debit cards, functioning offices, micro ATMs, employees, branches, and customers. The analysis covers the financial years from 2018 to 2023, drawing on secondary data sources including statistics from the Reserve Bank of India (RBI), annual reports from selected SFBs, and reputable financial websites like Yahoo Finance and Money Control. Although the primary focus was on annual and financial reports from the SFBs' websites, some did not have up-to-date reports available. The RBI's data, known for its accuracy, played a crucial role in assessing the physical characteristics of SFBs. Established by the RBI to meet the needs of various stakeholders in the Indian economy, SFBs have developed a significant presence in both urban and rural areas. Since most selected SFBs began operations in 2017, the study starts from the financial year 2018 and extends to 2023, addressing the research objective of this report. This research highlights the infrastructural and service-related developments of SFBs over the specified period.

Keywords: Small Finance Banks (SFBs), Employees, Branches, Urban and rural banking Infrastructure development

1. Introduction

A key feature that distinguishes the Small Finance Banks (SFB) is a specific segment of banking created by Reserve Bank of India (RBI) under the guidance of Government of India with an objective of furthering financial inclusion by primarily undertaking basic banking activities to un-served and underserved sections including small business units, small and marginal farmers, micro and small industries and unorganized entities. Like other commercial banks, these banks can undertake all basic banking activities including lending and taking deposits.

II. Review of Literature

Chaturvedi (2022)¹ has opined that small banks have the impending capacity to enlarge financial inclusion; nevertheless, the small banks performance in India has been unsatisfactory. Small banks must resolve concerns such as regulatory compliances, capital requirements, and corporate governance and give high priority for needy section in the society. SFBs have practiced an important presence of precedence sectors by their lending portfolio because of their differentiated priority sector lending (PSL) goals.

Gopal and Schnabl (2022)² in their research work on role of finance companies and fintech lenders has augmented in post 2008 financial crisis. They have observed bank lending enduringly turned down subsequent to the 2008 financial crisis, however nonbank lenders were capable to counterbalance the turn down by increasing their lending. In their research work, the nonbank lenders were previously offering about half of all undersized business loans previous to the 2008 financial crisis and additionally increased their marketplace proportion after the crisis. Here fintech means financial technology which can be referred as use of modern technology for performing banking operations.

Konar et al., (2022)³ have presented a research work that illustrates an efficiency evaluation of the small finance banks functioning in India for the phase 2017–2020. As a substitute, it anticipates efficiency by implementation of Guo–Tanaka fuzzy DEA model. In their second stage of research work, efficiency is elucidated in terms of 3 related variables: return on asset (ROA), capital adequacy (CA) and net non-performing asset (NNPA) ratios.

Misal & Kanthe, (2022)⁴ had explained about role of technology in the modern world from the perspective of banking. As the second largest country in terms of Internet users, India is rapidly adapting to this world of Financial Technology. Financial Technology has qualitatively transformed the areas of insurance, loans, accounting services, real estate valuations, wealth management, investments and other financial markets. Banks see a flurry of new ideas and technologies every day that can improve the customer experience, streamline processes, and increase efficiency.

Pauldurai et al., (2022)⁵ had argued that the recent advancements such as cloud technology and big data analytics have intruded on the whole business environment currently and financial sector is not an exemption. Small Finance Banks (SFBs) are a different alternate of financial organization completely for diffusion of banking services into weaker and underserved pockets throughout financial inclusion and building banking services, mainly credit, obtainable to people who don't or have slight access to banking services.

III. Research Gap

It is observed from the above review of literature that the studies mainly concentrated on Introduction, Scope of SFBs and the evaluation of SFBs in terms of the financial parameters, comparison of small finance banks with payment banks and few of the studies considered small finance banks act as a tool in enhancing financial inclusion etc., but no studies have been made giving a comprehensive view of performance of SFBs namely Physical Performance and overview of SFBs, hence the study is being undertaken to bridge the research gap.

IV. Objectives of the study

Objectives of the studies are

1. To present an overview of Small Finance Banks in India
2. To analyze the Physical performance of select Small Finance Banks in India

V. Hypotheses

H0: There is no significant difference in the Physical Performance of Select Small Finance Banks

H1: There is a significant difference in the Physical Performance of Select Small Finance Banks

VI. RESEARCH METHODOLOGY**Method of Research**

The study employs both empirical and analytical research methods.

Sources of the Data

The data is collected from the secondary sources. The secondary sources include reports from RBI & Annual Reports of the select Small Finance Banks.

Period of the Study

For the select banks data would be collected from 2018-2019 to 2021-2023 for conducting the research work. Small Finance Banks have been evolved in India with the notification of recognition of SFBs in the year 2016 but the commencement of operations had been effective from 2017 and 2 more banks came into existence w.e.f. 2018. Therefore, the study is undertaken to analyze the physical and financial parameters w.e.f. 2018 onwards.

Scope of the Study

The scope of the study is limited to 10 Small Finance Banks only out of the 12 Small Finance Banks

Sample:**(a) Selection of Small Finance Banks**

There are 12 Small Finance Banks in India which are given below

Table 1: List of Small Finance Banks

Name of Bank	Year of commencement of operations	Head Quarter
1.Capital Small Finance Bank Ltd	(24th April 2016)	Jalandhar
2.Equitas Small Finance Bank Ltd	(5th September 2016)	Chennai
3.Utkarsh Small Finance Bank Ltd	(23rd January 2017)	Varanasi
4.Suryoday Small Finance Bank Ltd	(23rd January 2017)	Navi Mumbai
5.Ujjivan Small Finance Bank Ltd	(1st February 2017)	Bengaluru
6.ESAF S Small Finance Bank Ltd	(17th March 2017)	Thrissur
7.AU S Small Finance Bank Ltd	(19th April 2017)	Jaipur
8.Fincare S Small Finance Bank Ltd	(21st July 2017)	Bengaluru
9.North East S Small Finance Bank Ltd	(31st March 2017)	Guwahati
10Jana S Small Finance Bank Ltd	(28th March 2018)	Bengaluru
11.Shivalik S Small Finance Bank Ltd	(26 April 2021)	Uttar Pradesh
12.Unity S Small Finance Bank Ltd	(1 st November 2021)	New Delhi

(Source: <https://rbi.org.in/scripts/banklinks.aspx>)RBI site

From the above 12 Banks, only first ten banks are selected for the study as the last two bankshave commenced their operations only from 2021 so for the purpose of uniformity they are excluded.

VIII. Parameters of the Study

Physical parameters include Number of branches, Number of Customers, Number of ATMs, Point of sales, Number of Debit cards, Micro ATMs, Number of employees.

IX. Data Analysis and Discussion

1 Number of Branches

Branch is a location or office where the customers get usual banking services like deposits or payments and fund transfers. Branch works under the control and guidance of head office.

The number of branches of the Small Finance Banks are provided in the below table 3.1

Table 3.1: Number of Branches of Small Finance Banks (figures in numbers)

SFBs	2018-19	2019-20	2020-21	2021-22	2022-23	CAGR
AU SFB	322	406	744	919	1027	0.26108
Capital SFB	129	150	158	161	17	0.06168
Equitas SFB	987	854	861	861	922	-0.0135
ESAF SFB	424	454	550	575	700	0.10547
Finacre SFB	417	509	550	673	856	0.1547
Jana SFB	NA	NA	NA	NA	NA	NA
North East SFB	179	209	214	214	226	0.04773
Suryoday SFB	382	477	446	565	577	0.08598
Ujjivan SFB	474	575	575	575	629	0.05822
Utkarsh SFB	436	507	558	686	830	0.13741

Source: Compiled from the Annual Reports of Small Finance Banks

The given data represents the number of branches of small finance banks in India for the years 2018-19 to 2022-23, along with their compound annual growth rate (CAGR).

AU SFB exhibited the most significant expansion, boasting a CAGR of around 26.11%. This indicates rapid branch network growth year on year. Banks like Capital SFB and North East SFB maintained stable growth with relatively lower CAGR values (6.17% and 4.77% respectively), steadily increasing their branch presence. Equitas SFB showed a negative CAGR (-1.35%), implying a slight reduction in branches.

It is observed that the number of Branches opened by the 10 select Small Finance Banks in last 5 years are not equal. Hence, a One-Way analysis is carried out to find if there is any significant difference in number of branches opened by the Small Finance Banks.

H₀: There is no significant difference in mean number of branches opened by the Small Finance Banks

H₁: There is a significant difference in mean number of branches opened by the Small Finance Banks

One Way ANOVA: Number of Branches

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	74768	8	9346.000	0.689	0.699
Within Groups	488420	36	13567.222		
Total	563188	44			

The test reveals that there is no significant difference in mean number of branches opened by the 10 Small Finance Banks, ($F_{8,44} = 0.689$, $p > 0.05$). Hence, the null hypothesis is accepted, indicating that there is no significant difference in the mean number of branches opened by small Finance Banks. The variation observed between the group means is likely due to random chance rather than any actual effect.

3.2 Debit cards

A debit card is a type of plastic money or cash. It allows the holder to make purchases even when they are short on cash. Generally, the banks issue a Debit Card to Savings Account holders, and it is linked to their account. The number of branches of the Small Finance Banks are provided in the below table 3.2

Table 3.2: Debit Cards of Small Finance Banks (figures in numbers)

SFBs	2018-19	2019-20	2020-21	2021-22	2022-23	CAGR
AU SFB	8,85,141	12,64,358	15,13,022	19,35,173	25,00,440	0.230838
Capital SFB	94,273	1,26,171	1,52,910	1,83,510	2,00,677	0.163113
Equitas SFB	12,27,279	27,69,442	26,20,147	33,14,960	32,62,002	0.215929
ESAF SFB	31,08,350	31,10,365	36,89,813	43,91,126	48,78,587	0.094341
Finacre SFB	12,27,279	27,69,442	26,20,147	33,14,960	43,86,303	0.290123
Jana SFB	72,215	13,78,310	19,77,661	23,45,835	27,55,646	1.071663
North East SFB	51,089	1,55,314	2,43,693	3,03,473	3,90,875	0.50225
Suryoday SFB	15,094	54,092	2,42,447	4,13,877	5,68,119	1.065984
Ujjivan SFB	27,15,237	53,21,014	62,18,154	71,88,300	86,91,212	0.261986
Utkarsh SFB	1,69,464	4,07,712	8,24,699	13,22,048	15,72,438	0.561346

Source: Compiled from the Annual Reports of Small Finance Banks

The given table represents the number of debit cards issued by different small finance banks in India during the fiscal years 2018-2019 to 2022-2023, along with their Compound Annual Growth Rate (CAGR) for the same period. Jana SFB had tremendous growth in debit card issuance, with a CAGR of 107.17% driven by strong marketing and digital transaction promotions. In contrast, ESAF SFB saw more modest growth, with a constant but slower CAGR of 9.43%, reflecting a conservative expansion strategy. This striking difference emphasizes that Jana SFB's shows an extraordinary performance in customer interaction and market penetration, while ESAF SFB maintains a solid but slower growth trajectory. Overall, Jana SFB takes the lead in debit card issuance growth, while ESAF SFB pursues a more controlled development approach.

It is observed that the number of Debit Cards issued by the 10 select Small Finance Banks in last 5 years are not equal. Hence, a One-Way analysis is carried out to find if there is any significant difference in number of debit cards issued by the Small Finance Banks.

H_0 : There is no significant difference in mean number of Debit Cards issued by Small Finance Banks

H_1 : There is a significant difference in mean number of Debit Cards issued by Small Finance Banks

One-Way ANOVA: Number of Debit Cards Issued

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	6543487100935	9	727054122326	3.8	0.02

Within Groups	7652920429334	40	191323010733		
Total	14196407530269	49			

The test reveals that there is a significant difference in mean number of debit cards issued by the 10 Small Finance Banks, ($F_{9,49} = 3.8$, $p < 0.05$). Hence, null hypothesis is rejected which shows that at least a few banks might have issued a greater number of debit cards compared to the cards issued by their rival players. Subsequently, post hoc test is conducted to find the individual differences among the Small Finance Banks.

The test indicates that the difference in average number of Debit Card issued among a few banks is significant ($p < 0.05$ at 5% level of significance) as shown in the below table.

The mean difference indicates the difference in average number of debit cards issued by a bank mentioned in a row and the average number of debit cards issued by a bank in column. The significant difference is written in bold letters.

The SFBs represented in p value having less than 0.05 shows a significant difference in the mean values. Hence a comparison of those SFBs is been made to show which banks have a more or less number of Debit Cards issued.

The post hoc comparisons indicate no significant differences in the number of debit cards issued by the small finance banks. However, Ujjivan shows significant differences when compared with several other banks (AU, Capital, NorthEast, Suryoday, and Utkarsh). This suggests that Ujjivan's number of debit cards issued is significantly different from those of these banks.

Small Finance Banks – Number of Debit Cards Issued

	Capital	Equitas	ESAF	Fincare	Jana	NorthEas t	Suryoday	Ujjivan	Utkarsh
AU	322004	-211059	-49211	-329494	-201434	270252	232008	-979286	53041
	(0.97)	(1.00)	(1.00)	(0.97)	(1.00)	(0.99)	(1.00)	(0.03)	(1.00)
Capital		-533062	-371215	-651497	-523438	-51752	-89995	-1301289	-268963
		(0.65)	(0.94)	(0.38)	(0.67)	(1.00)	(1.00)	(0.001)	(0.99)
Equitas			161847	-118435	9624	481310	443067	-768228	264099
			(1.00)	(1.00)	(1.00)	(0.77)	(0.84)	(0.18)	(0.99)
ESAF				-280282	-152223	319463	281220	-930075	102252
				(0.99)	(1.00)	(0.98)	(0.99)	(0.05)	(1.00)
Fincare					128059	599745	561502	-649793	382534
					(1.00)	(0.49)	(0.58)	(0.38)	(0.93)
Jana						471686	433443	-777852	254475

	(0.79)	(0.86)	(0.17)	(0.99)
North East		-38243	-1249538	-217211
		(1.00)	(0.001)	(1.00)
Suryoday			-1211294	-178968
			(0.001)	(1.00)
Ujjivan				1032327
				(0.02)

Note: Numbers in parenthesis indicates p value

The post hoc comparisons indicate no significant differences in the number of debit cards issued by the small finance banks. However, Ujjivan shows significant differences when compared with several other banks (AU, Capital, NorthEast, Suryoday, and Utkarsh). This suggests that Ujjivan's number of debit cards issued is significantly different from those of these banks.

3.3 Functioning Offices

Functioning offices play a critical role in the banking sector, as they serve as the primary point of contact between the bank and its customers, and are essential for providing a range of financial products and services to individuals and businesses.

Table 3.3: Number of Functioning Offices of Small Finance Banks (figures in numbers)

SFBs	2018-19	2019-20	2020-21	2021-22	2022-23	CAGR
AU SFB	419	450	566	707	711	0.111555
Capital SFB	132	153	161	164	170	0.051901
Equitas SFB	725	867	875	883	900	0.044193
ESAF SFB	227	457	553	579	581	0.206785
Finacle SFB	426	517	558	682	682	0.098689
Jana SFB	219	293	504	566	570	0.210838
North East SFB	180	210	215	215	215	0.036175
Suryoday SFB	163	437	516	524	526	0.264037
Ujjivan SFB	480	584	583	583	583	0.039646
Utkarsh SFB	442	518	571	701	709	0.099119

Source: Compiled from the Annual Reports of Small Finance Banks

AU Small Finance Bank has consistently shown the highest number of functioning offices over the years, with a steady increase from 419 in 2018-19 to 711 in 2022-23, indicating robust expansion and presence in various locations. Utkarsh SFB appears to have the lowest number of functioning offices among the listed SFBs, with figures remaining constant at 480-584 over the years, suggesting limited expansion or a focused presence in specific regions.

It is observed that the number of Functioning Offices by the 10 select Small Finance Banks in last 5 years are not equal. Hence, a One-Way analysis is carried out to find if there is any significant difference in number of Functioning Offices by the Small Finance Banks.

H_0 : There is no significant difference in mean number of Functioning Offices opened by the Small Finance Banks

H_1 : There is a significant difference in mean number of Functioning Offices opened by the Small Finance Banks

One-Way ANOVA: Number of Functioning Offices

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	65338	9	7259	0.776	0.640
Within Groups	374440	40	9361		
Total	439779	49			

The test reveals that there is no significant difference in mean number of functioning offices opened by the 10 Small Finance Banks, ($F_{9,49} = 0.776$, $p > .05$). Hence, the null hypothesis is accepted, indicating that there is no significant difference in the mean number of functioning offices opened by small Finance Banks. The variation observed between the group means is likely due to random chance rather than any actual effect.

3.5 Number of Employees

Employees play a crucial role in delivering high-quality financial services to customers. Bank employees are responsible for a variety of tasks, such as processing customer transactions, providing financial advice and guidance, assessing and managing financial risk, analyzing financial data, and building and maintaining customer relationships. They must also ensure that they comply with various regulatory requirements and adhere to the bank's policies and procedures

Table 3.5: Number of Employees of SFBs (figures in numbers)

SFBs	2018-19	2019-20	2020-21	2021-22	2022-23	CAGR
AU SFB	12,623	17,112	22,484	27,817	28320	0.175401
Capital SFB	1,433	1,646	1,614	1,644	1808	0.047588
Equitas SFB	14,608	16,106	16,556	17,607	20563	0.070777
ESAF SFB	2,168	3,387	3,803	4010	5034	0.183507
Finacle SFB	5,498	7,363	8,850	11,733	11891	0.166817
Jana SFB	NA	NA	NA	NA	NA	NA
North East SFB	1,595	2,104	2,025	2025	3102	0.14229
Suryoday SFB	3,931	4,695	5,131	5,223	6025	0.089158
Ujjivan SFB	14,752	17,841	16,571	16,895	17470	0.0344
Utkarsh SFB	6,382	8,831	10,361	12,617	14704	0.181669

Source: Compiled from the Annual Reports of Small Finance Banks

AU Small Finance Bank has consistently shown the highest number of employees over the years, with steady growth from 12,623 in 2018-19 to 28,320 in 2022-23, indicating robust expansion and potentially higher

operational capacity. Capital SFB appears to have the lowest number of employees among the listed SFBs, with figures ranging from 1,433 to 1,808 over the years.

It is observed that the number of employees employed by the 10 select Small Finance Banks in last 5 years are not equal. Hence, a One-Way analysis is carried out to find if there is any significant difference in number of employees employed by the Small Finance Banks.

H_0 : There is no significant difference in mean number of employees of the Small Finance Banks

H_1 : There is a significant difference in mean number of employees of the Small Finance Banks

One-Way ANOVA: Number of Employees

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	43926440	8	5490805	4.219	0.001
Within Groups	46856615	36	1301572		
Total	90783055	44			

The test reveals that there is a significant difference in mean number of employees employed by the 10 Small Finance Banks, ($F_{8,44} = 4.219$, $p < 0.05$). Hence, null hypothesis is rejected which shows that at least a few banks might have employed a greater number of employees comparing with the other employees by their rival players. Subsequently, post hoc test is conducted to find the individual differences among the Small Finance Banks.

The test indicates that the difference in average number of employees among the few banks is significant ($p < 0.05$ at 5% level of significance) as shown in the below table.

The mean difference indicates the difference in average number of employees employed by a bank mentioned in a row and the average number of employees employed by a bank in column. The significant difference is written in bold letters.

The post hoc comparisons indicates that there are no significant differences in the number of employees employed by the small finance banks. However, AU is having a greater number of employees compared to Capital, ESAF, North East, Suryoday and Ujjivan Small Finance banks.

Small Finance Banks: Number of Employees

	Capital	Equitas	ESAF	Fincare	North East	Suryoday	Ujjivan	Utkarsh
AU	3289 (0.01)	2019 (0.15)	2781 (0.01)	1927 (0.19)	3433 (0.01)	3066 (0.01)	2805 (0.01)	2188 (0.09)
Capital		-1270 (0.71)	-507 (1.00)	-1362 (0.63)	145 (1.00)	-223 (1.00)	-484 (1.00)	-1101 (0.84)
Equitas			762 (0.98)	-92 (1.00)	1415 (0.58)	1047 (0.87)	786 (0.97)	169 (1.00)

ESAF	-855	652	284	24	-593
	(0.95)	(0.99)	(1.00)	(1.00)	(1.00)
Fincare	1507	1139	878	261	
	(0.50)	(0.81)	(0.95)	(1.00)	
North East		-368	-628	-1246	
		(1.00)	(0.99)	(0.73)	
Suryoday			-261	-878	
			(1.00)	(0.95)	
Ujjivan				-617	
				(0.99)	

Note: Numbers in parenthesis indicates p value

3.6. Point of Sales

A point of sale (POS) refers to a device or terminal that is used to process transactions when a customer uses a debit card, credit card, or other payment card to make a purchase. These devices are also known as payment terminals or card readers.

Table 3.6: Point of Sales (PoS) of Small Finance Banks (figures in numbers)

SFBs	2018-19	2019-20	2020-21	2021-22	2022-23	CAGR
AU SFB	0	0	0	0	0	0
Capital SFB	0	0	0	0	0	0
Equitas SFB	0	0	0	0	0	0
ESAF SFB	0	0	2,259	13,216	22866	1.16
Finacre SFB	0	782	782	0	0	0
Jana SFB	0	0	0	0	0	0
North East SFB	0	0	0	0	0	0
Suryoday SFB	0	0	0	0	0	0
Ujjivan SFB	0	0	0	0	0	0
Utkarsh SFB	0	0	0	0	0	0

Source: Compiled from the Annual Reports of Small Finance Banks

The data suggests that there has been a gradual increase in the number of PoS terminals deployed by Small Finance Banks in India. The increase in PoS terminals could be attributed to the government's push towards a digital economy, the rise of e-commerce, and the increasing demand for digital payment services among customers. The deployment of PoS terminals can also help banks in expanding their customer base.

ESAF SFB reported PoS transactions starting from 2,259 in 2020-21, increasing significantly to 13,216 in 2021-22, and further to 22,866 in 2022-23.

Overall, the data indicates a positive trend towards the adoption of digital payment services by Small Finance Banks in India, which is likely to continue in the future.\

3.7: Number of ATMs

ATM stands for Automated Teller Machine. It is an electronic device that allows bank customers to perform financial transactions, such as cash withdrawals, deposits, and transfers, without the need for a human teller. ATMs are widely used around the world and are available 24/7 in many locations, including banks, shopping malls, airports, and convenience stores. They typically require the use of a debit or credit card, as well as a personal identification number (PIN), to access the customer's bank account and perform transactions.

Table 3.6: ATMs of Small Finance Banks (figures in numbers)

SFBs	2018-19	2019-20	2020-21	2021-22	2022-23	CAGR
AU SFB	543	314	343	410	493	-0.01913
Capital SFB	129	151	160	163	172	0.059224
Equitas SFB	322	322	332	339	528	0.103966
ESAF SFB	123	222	319	386	144	0.032028
Finacre SFB	71	108	108	125	349	0.375034
Jana SFB	122	131	135	67	61	-0.12945
North East SFB	0	0	7	9	12	0.196817
Suryoday SFB	25	26	26	0	0	0.013159
Ujjivan SFB	385	475	491	492	517	0.060733
Utkarsh SFB	123	177	210	216	287	0.184664

Source: Compiled from the Annual Reports of Small Finance Banks

The data underscores the varying strategies and performances of different SFBs concerning their ATM expansion efforts. While some banks have successfully expanded their ATM networks, others have faced challenges or opted for different operational approaches. These trends reflect the dynamic nature of the banking industry and the diverse approaches adopted by SFBs to enhance their service accessibility and meet the evolving needs of their customers.

It is observed that the number of ATMs issued by the 10 select Small Finance Banks in last 5 years are not equal. Hence, a One-Way analysis is carried out to find if there is any significant difference in number of ATMs issued by the Small Finance Banks.

H_0 : There is no significant difference in mean number of ATMs issued by Small Finance Banks

H_1 : There is a significant difference in mean number of ATMs issued by Small Finance Banks

One-Way ANOVA: Number of ATMs

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	22562	9	2506.933	0.442	0.903
Within Groups	226631	40	5665.790		

Total	249194	49			
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The test reveals that there is no significant difference in mean number of ATM cards issued by the 10 Small Finance Banks, ($F_{9,49} = 0.442$, $p > 0.05$). Hence, the null hypothesis is accepted, indicating that there is no significant difference in the mean number of ATMs opened by small Finance Banks. The variation observed between the group means is likely due to random chance rather than any actual effect.

3.8 Micro ATMs

Micro ATMs operate in real-time by connecting to the banking network through a mobile network or a wireless connection. They enable customers to perform banking transactions using their debit cards, Aadhaar cards, or mobile banking apps. They are portable, low-cost, and user-friendly devices, making them an effective tool to drive financial inclusion in under-served and remote areas

Table 3.8: Micro ATMs of Small Finance Banks (figures in numbers)

SFBs	2018-19	2019-20	2020-21	2021-22	2022-23	CAGR
AU SFB	0	0	256	321	367	0.127566
Capital SFB	0	0	0	0	0	0
Equitas SFB	0	0	296	304	293	-0.00339
ESAF SFB	0	0	155	697	783	0.71584
Finacre SFB	0	0	0	0	0	0
Jana SFB	0	0	0	164	161	0
North East SFB	0	0	0	0	0	0
Suryoday SFB	0	0	0	66	67	0
Ujjivan SFB	0	0	0	0	0	0
Utkarsh SFB	0	0	107	310	546	0.721616

Source: Compiled from the Annual Reports of Small Finance Banks

The provided data represents the number of Micro ATMs for various Small Finance Banks over the years 2018-19 to 2022-23, along with the Compound Annual Growth Rate (CAGR) for each bank during this period. Here's an interpretation of the data:

ESAF SFB emerges stands with the highest number of Micro ATMs in 2022-23, with 783 Micro ATMs. Capital SFB, Fincare SFB, Jana SFB, North East SFB, Suryoday SFB, and Utkarsh SFB have reported zero Micro ATMs over the years, indicating a lack of presence or reporting in this segment.

3.9 Number of Customers

In the banking industry, customers are individuals or organizations that avail of various banking services such as opening accounts, borrowing money, making deposits, transferring funds, and using other financial products. The number of customers a bank has reflects the scale and extent of its operations, including its product offerings, market outreach, and geographic coverage. For banks, having a significant customer base is crucial to their growth and success, and therefore, they constantly strive to attract and retain customers by providing them with high-quality services and innovative products

Table 3.9: Number of Customers for Small Finance Banks as on 31 March 2023

SFBs	CUSTOMERS (in lakhs)
AU SFB	27.5

Capital SFB	52.5
Equitas SFB	40.2
ESAF SFB	56.87
Fincare SFB	32
Jana SFB	30.5
North East SFB	7.74
Suryoday SFB	23.1
Ujjivan SFB	64.8
Utkarsh SFB	35.1

Source: Compiled from the Annual Reports of Small Finance Banks

The above table provides the customer base of ten small finance banks in lakhs

Utkarsh Small Finance Bank Limited had the highest customer base of 64.8 lakhs, followed by ESAF Small Finance Bank Limited with 56.87 lakhs and Capital Small Finance Bank Limited with 52.5 lakhs.

North East Small Finance Bank Limited had the lowest customer base of 7.74 lakhs among the banks listed in the table.

The customer base of a Small Finance Bank can be influenced by various factors such as the size of the bank's operations, its marketing and outreach efforts, the range of services it offers, and its geographic coverage.

Overall Performance of Small Finance Banks

In terms of the Physical parameters, the following banks emerged to be better compared to their other competitive in respect of improving their performance during the study period

Table 3.10 Overall Performance of Small Finance Banks: Physical Indicators

S. No	Parameters	Best SFBs
1.	Branches	AU and Fincare
2.	Debit Cards	Jana and Suryoday
3.	Functioning Offices	Suryoday and Jana
4.	Employees	ESAF and Utkarsh
5.	Point of Sales	ESAF and Fincare
6.	ATMs	Fincare and North East
7.	Micro ATMs	Utkarsh and ESAF
8.	Customers	Ujjivan and ESAF

Findings

1. AU Small Finance Bank has consistently increased its number of branches, focusing on rural and semi-urban areas. The CAGR of 0.261081 indicates steady growth. Capital Small Finance Bank has shown marginal branch growth, emphasizing operational efficiency. The CAGR of 0.061676 reflects a measured approach. Equitas, ESAF, FinCare, and Utkarsh Small Finance Banks have exhibited moderate branch expansion with varying CAGRs. Jana Small Finance Bank's data is unavailable. North East Small Finance Bank has shown slower

growth, possibly due to challenges in remote areas. Suryoday and Ujjivan Small Finance Banks have moderate branch expansion strategies.

2. AU Small Finance Bank exhibited consistent and robust growth in debit card issuance, leading with a CAGR of 23.08%. ESAF, Jana, and Suryoday Small Finance Banks stood out with high debit card issuance CAGRs, indicating rapid growth in operations. Capital, Equitas, Fincare, North East, Utkarsh, and Ujjivan showed positive growth with varying CAGRs. Fincare exhibited modest growth with a CAGR of 0.07%.

3. AU Small Finance Bank, Jana, and Suryoday Small Finance Banks experienced notable CAGRs, indicating rapid expansion in operational networks. ESAF Small Finance Bank demonstrated a remarkable CAGR of 20.68% in the functioning offices, showcasing rapid growth. Capital, Equitas, Fincare, North East, Utkarsh, and Ujjivan showed positive growth trends with varying CAGRs.

4. AU, ESAF, and Fin care Small Finance Banks demonstrated significant employee growth with positive CAGRs. Equitas, North East, and Suryoday showed steady but moderate employee growth. Capital, Utkarsh, and Ujjivan had relatively stable employee numbers with marginal CAGRs.

5. Gradual increase in PoS terminals, attributed to the push towards a digital economy and increasing demand for digital payment services. ESAF and Equitas Small Finance Banks exhibited significant growth in PoS terminals, reflecting their commitment to digital services.

6. Varying trends in ATM networks, with some banks experiencing growth, stability, or decline. Equitas showed substantial growth with a high CAGR, while Jana demonstrated a decline in ATMs. Ujjivan experienced substantial growth in the number of ATMs with a high CAGR.

7. AU, ESAF, and Ujjivan Small Finance Banks actively expanded Micro ATMs with high CAGRs. Some banks, including Capital, Equitas, and Suryoday, did not venture into Micro ATMs during the specified period.

8. Utkarsh Small Finance Bank led in customer base, followed by ESAF and Capital Small Finance Banks. North East Small Finance Bank had the lowest customer base. The total customer base of the listed Small Finance Banks is 327.91 lakhs or 32.79 million.

9. Overall, findings indicate diverse growth strategies among Small Finance Banks, with a mix of steady expansion, digital adoption, and customer outreach efforts.

Suggestions

1. North East Small Finance Bank, and Capital SFB ranked last in the operational performance with regard to number of branches. Hence, they may focus on the expansion of branches by probing into the opportunity of opening the branches in unbanked areas.

2. Utkarsh Small Finance Bank's robust growth in debit card issuance sets a benchmark. Similarly, Capital and North East SFB should prioritize digital banking services, offer incentives for card usage, and streamline card issuance processes to attract more customers.

3. Equitas Small Finance Bank's rapid growth in functioning offices highlights the importance of expanding operational networks. Banks like Capital and North East SFB should focus on increasing their office presence to improve accessibility to the customer by improving the customer service.

4. Almost all SFBs should continue investing in PoS infrastructure to promote cashless transactions and enhance customer convenience as there is no POS transactions during the study period.

5. ESAF SFB shows a substantial growth in ATMs demonstrates the importance of expanding self-service banking options. Banks experiencing declines, like Jana, North East, Suryoday should reassess their ATM strategies to meet customer needs effectively.

Conclusion

This chapter presents the physical Performance of select Small Finance Banks in India evaluating their performance in terms of Number of Branches, Number of Debit Cards, Number of functioning Offices, Number of Employees, Number of Point of Sales, Number of ATMs, Number of Micro ATMs and the Number of Customers.

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