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**FINANCIAL PERFORMANCE OF SMALL FINANCE BANKS IN  
INDIA: A STUDY OF SELECT BANKS**

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**\*K. Deekshitha, K. Vaishnavi Yadav, K. Vaishnavi, K. Ramya**

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Badruka College of Commerce and Arts, Kachiguda, Hyderabad -500027.

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**\*Corresponding Author: K. Deekshitha**

Badruka College of Commerce and Arts, Kachiguda, Hyderabad -500027.

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**ABSTRACT:**

The financial performance of Small Finance Banks (SFBs) in India has been examined in this study to understand their role in promoting financial inclusion and maintaining financial stability. These banks have been established by the Reserve Bank of India to provide banking services to underserved sections of society. The study has been conducted using secondary data collected from annual reports and financial statements, and key parameters such as capital adequacy, asset quality, profitability, and liquidity have been analysed through ratio analysis. It has been observed that while growth in deposits, advances, and customer base has been achieved, challenges in asset quality and profitability have also been faced. It has been concluded that although satisfactory performance has been maintained, improvements are required in certain areas to ensure long-term sustainability.

**KEYWORDS:** 1. Financial Performance, 2. Small Finance Banks (SFBs), 3. Capital Adequacy, 4. Asset Quality (NPAs), 5. Profitability.

**INTRODUCTION:**

The financial system of a country is considered to be a vital component in facilitating economic growth and development. In India, the banking sector has been significantly diversified and strengthened through the introduction of various categories of banks, among which Small Finance Banks (SFBs) have been given special importance. Small Finance Banks were introduced with the objective of promoting financial inclusion by providing basic banking services to underserved and unbanked sections of society such as small business units, marginal farmers, micro and small industries, and low-income households. These banks

are regulated by the Reserve Bank of India and are required to adhere to prudential norms similar to other commercial banks.

The concept of Small Finance Banks was initiated following the recommendations of the Nachiket Mor Committee, with the intention of enhancing access to formal financial services in rural and semi-urban areas. It has been ensured that these banks focus primarily on priority sector lending and maintain a significant portion of their loan portfolio towards small-ticket loans. As a result, the role of SFBs in strengthening inclusive growth has been widely recognized.

The financial performance of Small Finance Banks is considered to be an important indicator of their operational efficiency, sustainability, and contribution to the economy. Various parameters such as capital adequacy, asset quality, management efficiency, earnings, and liquidity are commonly used to assess their performance. These indicators help in evaluating the strength and stability of banks and also provide insights into their risk management practices.

In recent years, considerable growth has been observed in the operations of Small Finance Banks, with an increase in their customer base, deposits, and advances. However, challenges such as high operating costs, asset quality concerns, and regulatory compliance requirements have also been faced by these banks. Therefore, a detailed analysis of their financial performance becomes essential to understand their strengths and weaknesses.

In this context, the present study has been undertaken to examine the financial performance of selected Small Finance Banks in India. The study focuses on analyzing key financial indicators and comparing the performance of selected banks over a specific period. Through this analysis, an attempt has been made to provide a clear understanding of the efficiency, profitability, and overall financial health of these banks. The findings of the study are expected to contribute to academic research and provide useful insights for policymakers, investors, and stakeholders in the banking sector.

## **REVIEW OF LITERATURE:**

### **1.Singh and Sadhanandan (2025)**

They both focus on the financial health and credit risk management practices of selected Small Finance Banks in India using the CAMEL model (Capital adequacy, Asset quality, Management, Earnings, Liquidity). This study evaluates six SFBs over FY2021–22 to FY2024–25, highlighting how non-performing assets (NPAs) are the most significant deterrent to profitability in these banks. The results showed that while many SFBs maintain

strong capital adequacy and stable long-term equilibrium in key financial ratios, short-term liquidity vulnerabilities and inconsistent asset quality pose important credit risk challenges. This underscores the need for more rigorous credit risk protocols and liquidity buffers tailored to SFB portfolio structures.

### **2.Sornaganesh (2025)**

Conducted a comprehensive study on the financial performance of Small Finance Banks (SFBs) in India with particular emphasis on profitability, asset quality, and financial stability indicators. The primary objective of the study was to evaluate how effectively SFBs have managed their transition from microfinance institutions to regulated banking entities while maintaining financial soundness. The research adopted a quantitative approach using secondary data collected from annual reports, RBI publications, and financial statements of selected Small Finance Banks. Financial ratios such as Return on Assets (ROA), Return on Equity (ROE), Net Interest Margin (NIM), Gross Non-Performing Assets (GNPA), Net Non-Performing Assets (NNPA), and Capital Adequacy Ratio (CAR) were analyzed over multiple financial years.

### **3.Ahmed, Rahim, and Hassan (2025)**

Conducted a systematic review to examine the relationship between digital transformation and financial performance across firms and industries. The study synthesizes recent empirical evidence and finds that digital transformation—through technologies such as automation, data analytics, artificial intelligence, and digital platforms—has a generally positive impact on financial performance indicators including return on assets, return on equity, revenue growth, and operational efficiency. The authors highlight that digital adoption enhances cost efficiency, decision-making speed, and customer engagement, which collectively improve profitability. However, the review also notes that the financial benefits of digital transformation are influenced by factors such as organizational readiness, investment scale, and industry context. The study concludes that while digital transformation is a key driver of competitive advantage and long-term financial performance, firms must align digital strategies with overall business objectives to fully realize these benefits.

### **SCOPE OF THE STUDY:**

The study focuses on analyzing the financial performance of selected Small Finance Banks in India using secondary data. It examines key financial indicators over a specific period. The study also aims to compare the performance of the selected banks.

**OBJECTIVES OF THE STUDY:**

- 1.To describe the overview of Small Finance Banks.
- 2.To analyse the banks performance based on CAMEL model.

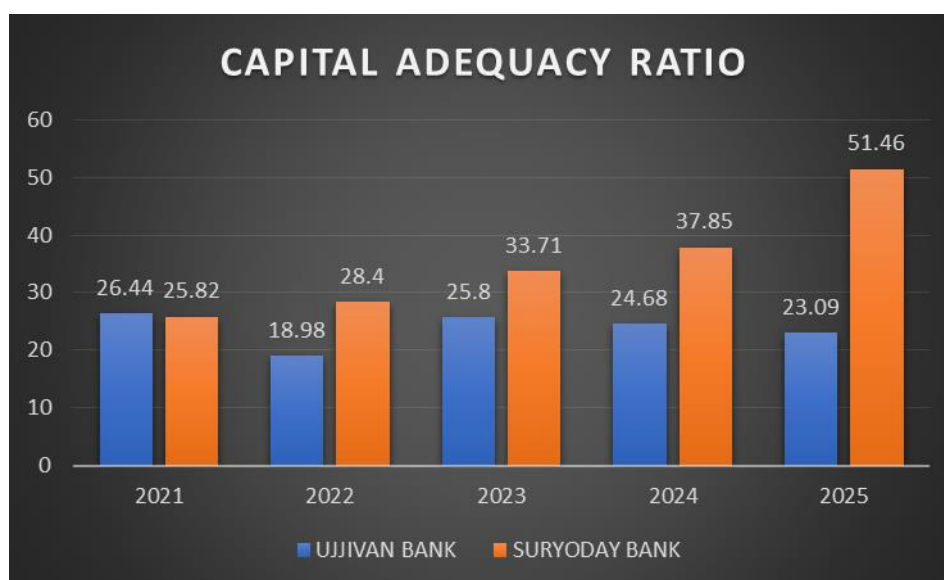
**DATA ANALYSIS AND INTERPRETATION:**

**CAMEL MODEL**

**CAPITAL:**

**CAPITAL ADEQUACY RATIO**

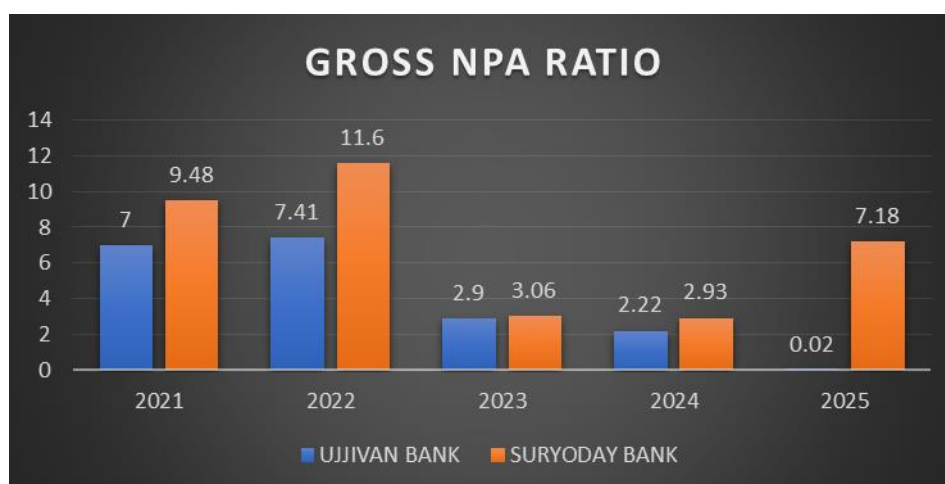
UJJIVAN BANK					SURYODAY BANK				
YE R	TIER 1	TIE R 2	RISK WEIGHT ED ASSETS	RATI O	YE R	TIER 1	TIE R 2	RISK WEIGHT ED ASSETS	RATI O
2021	4504. 82	248.0 7	17976.15	26.44	2021	1519. 35	85.75	6214.12	25.82
2022	3811. 43	277.7 8	21533.53	18.98	2022	1954. 97	137.7 4	7366.14	28.40
2023	7001. 07	966.1 9	30868.95	25.80	2023	2787. 28	260.2 9	9037.89	33.71
2024	8555. 36	799.1 9	37889.12	24.68	2024	3881. 68	385.4 6	11270.87	37.85
2025	9519. 79	765.8 5	44526.64	23.09	2025	6590. 30	591.6 3	13953.65	51.46



**ASSET QUALITY:**

**GROSS NPA RATIO:**

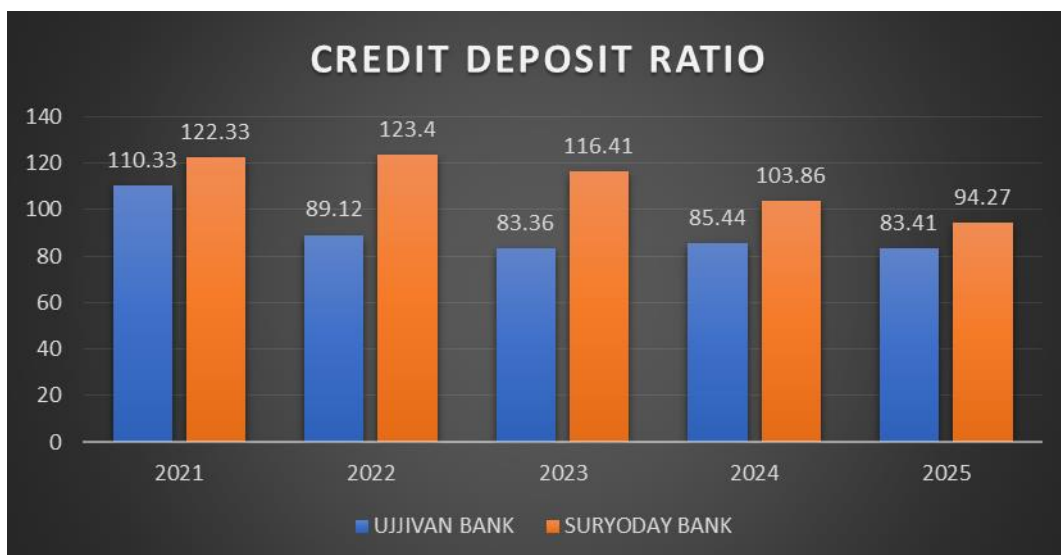
UJJIVAN BANK				SURYODAY BANK			
YEAR	GROSS NPA	GROSS ADVANCES	RATIO	YEAR	GROSS NPA	GROSS ADVANCES	RATIO
2021	1070.60	15294.95	7.00	2021	393.68	4152.01	9.48
2022	1284.08	17308.25	7.41	2022	597.42	5142.86	11.6
2023	630.61	21674.77	2.90	2023	191.40	6251.65	3.06
2024	612.52	27518.53	2.22	2024	242.37	8244.31	2.93
2025	695.89	32353.12	0.02	2025	734.00	10219.72	7.18



**MANAGEMENT:**

**CREDIT DEPOSIT RATIO:**

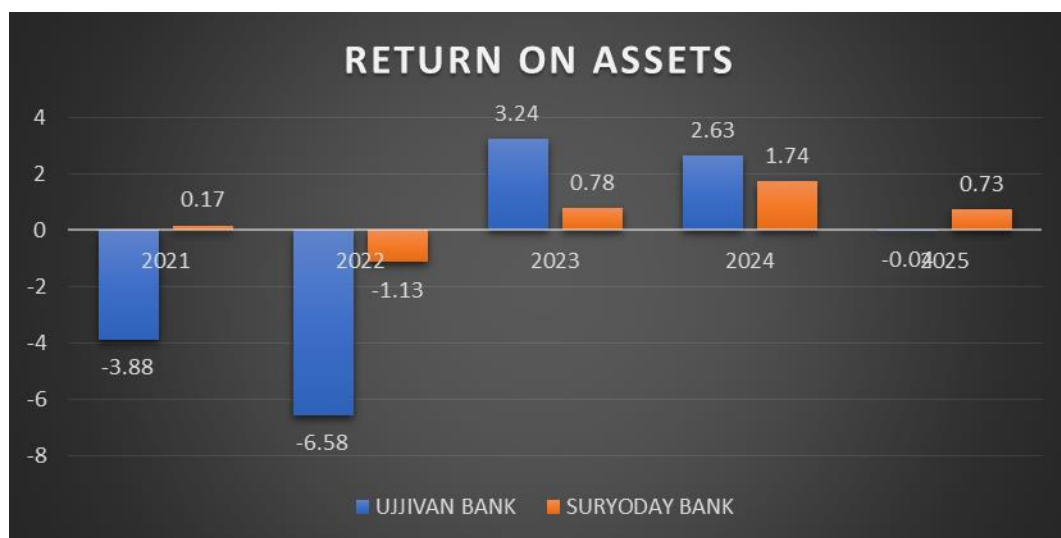
UJJIVAN BANK				SURYODAY BANK			
YEAR	TOTAL ADVANCES	TOTAL DEPOSITS	RATIO	YEAR	TOTAL ADVANCES	TOTAL DEPOSITS	RATIO
2021	14,493.95	13,135.77	110.33	2021	3982.77	3255.68	122.33
2022	16,303.17	18,292.22	89.12	2022	4750.88	3849.80	123.40
2023	21,289.66	25,537.68	83.36	2023	6015.05	5166.72	116.41
2024	26,882.92	31,462.16	85.44	2024	8077.97	7777.27	103.86
2025	31,390.00	37,630.48	83.41	2025	9974.35	10579.61	94.27



**EARNINGS:**

**RETURN ON ASSETS:**

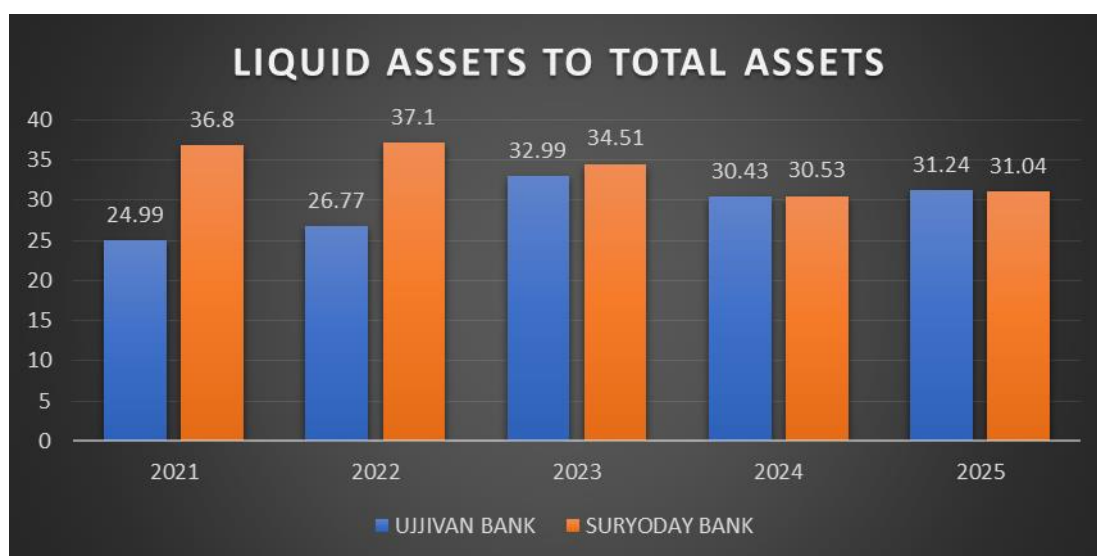
UJJIVAN BANK				SURYODAY BANK			
YEAR	NET PROFIT	TOTAL ASSETS	RATIO	YEAR	NET PROFIT	TOTAL ASSETS	RATIO
2021	(790.80)	20,380.45	(3.88)	2021	11.86	6711.99	0.17
2022	(1555.43)	23604.46	(6.58)	2022	(93.09)	8180.18	(1.13)
2023	1082.13	33316.88	3.24	2023	77.69	9861.22	0.78
2024	1066.55	40422.22	2.63	2024	215.96	12377.68	1.74
2025	(21.56)	47689.15	(0.04)	2025	114.96	15614.39	0.73



**LIQUIDITY:**

**LIQUID ASSETS TO TOTAL ASSETS:**

UJJIVAN BANK				SURYODAY BANK			
YEAR	LIQUID ASSETS	TOTAL ASSETS	RATIO	YEAR	LIQUID ASSETS	TOTAL ASSETS	RATIO
2021	5093.95	20380.45	24.99	2021	2470.34	6711.99	36.80
2022	6321.03	23604.46	26.77	2022	3035.37	8180.18	37.10
2023	10993.90	33316.88	32.99	2023	3403.29	9861.22	34.51
2024	12302.81	40422.22	30.43	2024	3779.37	12377.68	30.53
2025	14899.79	47689.15	31.24	2025	4846.86	15614.39	31.04



**SUGGESTIONS:**

- It is suggested that **Ujjivan Small Finance Bank** should focus on stabilizing its profitability, as fluctuations in profit trends have been observed.
- It is recommended that **Suryoday Small Finance Bank** should improve its financial performance by enhancing its income-generating activities.
- It is advised that **Ujjivan Small Finance Bank** should strengthen its asset quality by reducing non-performing assets.
- It is suggested that **Suryoday Small Finance Bank** should increase its operational efficiency to improve overall performance.
- It is recommended that **both banks** should control operating expenses to improve profitability.
- It is advised that **both banks** should maintain adequate capital to ensure long-term financial stability.

- It is suggested that **Ujjivan Small Finance Bank** should effectively utilize its growing customer base to expand lending activities.
- It is recommended that **Suryoday Small Finance Bank** should focus on expanding its presence in rural and semi-urban areas.
- It is advised that **both banks** should adopt advanced digital banking technologies to improve service quality.
- It is suggested that **both banks** should implement strong risk management practices to ensure consistent financial performance.

### CONCLUSION:

The financial performance of selected Small Finance Banks in India has been analysed with reference to **Ujjivan Small Finance Bank** and **Suryoday Small Finance Bank**. It has been observed that both banks have shown growth in terms of customer base and financial operations over the study period. However, fluctuations in profitability and variations in key financial indicators have also been identified.

It has been concluded that while **Ujjivan Small Finance Bank** has performed relatively better in certain aspects, **Suryoday Small Finance Bank** has scope for improvement in efficiency and profitability. Overall, it has been found that both banks are contributing towards financial inclusion, but improvements in asset quality, cost control, and risk management are required.

Thus, it can be stated that the financial stability and performance of these banks can be enhanced through effective strategies and better management practices.

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