



AN EVALUATION OF FINANCIAL PERFORMANCE OF JANA SMALL FINANCE BANK

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ABSTRACT:

Small finance banks are one type of Niche banks in India. Banks which holds the license of small finance banks can accept deposit and provide financial helps to unprivileged sections which are not being served by other types of banks. Jana Small Finance Bank (JSFB) is one of the leading small finance banks regulated by reserve bank of India with it headquarter established in Bengaluru, India, which started working from 28th march 2018.

This paper is an effort to discuss the origin of Jana Small Finance Bank and bring out the details like how it started as a microfinance institution and then became a micro finance institution. Further, upgrading to Jana Small Finance Bank now stand in the list of leading small financing institutions in India, providing financial services to the needy people and contributing towards nation's economic growth.

Another objective of the study is to analyze the financial position and financial performance of JSFB, such as trend of income and expenditure, net profit, paid-up capital, operating profit, operating profit ratio, degree of operating leverage, earnings before Interest and the tax paid in every financial year. This research paper is based on secondary data and the study period is from 2016-17 to 2020-21.

Keywords: *Microfinance Institutions, Jana Small Finance Bank, Small Finance Banks, Financial Performance.*

INTRODUCTION:

Jana Small Finance Bank (JSFB) is a small finance bank, formally known as Janalakshmi Financial Services Limited, which provides banking services to their customers. It commenced work after receiving a principal approval from the Reserve Bank of India (RBI) for small finance bank in 2015. Finally, in the year 2017 Jana small finance bank got a banking license from RBI under section 22(1) of the banking regulation act 1949, and started their operation on 28th March 2018, with their headquartered located in Bengaluru.

On July 27, 2019 government placed Jana Small Finance Bank in the list of banks included in 2nd schedule of RBI Act 1934. Till 31st March 2021, it had more than 600 branches across the country. The bank provides current account, loans, deposits payment, cards and online banking services. The vision of this bank is to leading

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digitized bank serving all customers segments. The bank is committed to financial inclusion and has proudly served millions of customers.

Jana Small Finance Bank organizes Jana Diwas every year to recognize and celebrate the success stories of individuals and their families. It connects nationally with its customers and seeks the best stories of their success. After a careful and diligent process, it identifies select customers and invites them to share their stories. These customers are recognized for the courage and determination shown by them to fight adversity and improve their quality of life.

Jana Small Finance Bank like other Small Finance Banks (SFBs) intend to support the financial inclusion facilities to the unprivileged sections of the society. SFBs also work for the business such as small business, Micro and medium scale businesses, marginal and small farmers and other such type of beneficiaries. Small finance banks have the right to perform banking activities i.e., accept deposit and advance loans in the same manner as commercial banks does. Guidelines for regulation of the SFBs have been issued by Reserve bank of India.

These banks are established to execute financial inclusion activities and promote SMEs. Such banks provide financial help to almost 90% of small business who have no links with formal financial institutions. In August, 1966 RBI issued a guideline to establishing Local Area Bank (LAB). LAB is established with an aim to provide financial services to limited geographical area, especially rural and semi-urban area with minimum capital investment of Rs. 5 crores. RBI provide a license to LAB for the work related to supplying credit to small business unit, agricultural sector, MSMEs as well as unprivileged individuals.

On the way of Local Area Bank some of the Non-Banking Financial Companies (NBFCs), Microfinance institutions (MFIs) are doing work to providing financial help to the people and giving contribution to strengthen the country's economy. Due to continuous improvement of some BFCs ad MFIs, RBI give full support and get permission to enhance their range of work and for this RBI convert some of the MFIs into Small Finance Bank. As per report of RBI, presently there are 12 small finance banks are working in the country and Jana small finance bank is one of them.

According to the guidelines of Reserve Bank of India-

- The minimum paid up capital must be INR 100 crores.
- Each and every small finance banks have to carry the words “small finance bank” along with their name.
- All SFBs have to take approval from RBI before carrying our financial operations.
- All SFBs have to setup 25% of their branch in unbanked areas of the country.
- SFBs must maintain required percentage of cash reserve ratio (CRR) and statutory reserve ratio (SLR).
- Minimum of 50% of its loan's portfolio should constitute loans and advances of INR 25 lakhs.
- SFBs cannot perform activities of business correspondent of any other bank.

The small finance banks are governed by the following Act:

- Reserve Bank of India (RBI), 1934
- Banking regulation (BR) Act, 1949
- Deposit insurance and credit guarantee corporation (DICGC) Act, 1961
- Foreign exchange management Act, 1999
- Credit information companies (Regulation) Act, 2005
- Payment and Settlement Act, 2007

GENESIS OF JANA SMALL FINANCE BANK:

- ✓ Janalakshmi started their journey from year **2000** after the division from **Sanghmitra Rural Financial Services** (SFRS) a microfinance institution which was a part of an NGO named MYRADA (Mysore Resettlement and Development Agency)

- ✓ On July 24, 2006 Janalakshmi financial services was incorporated as an independent company with the vision of full-service model that focus to providing all the financial need of the urban poor people.
- ✓ On March 04, 2008 after getting approval from Reserve Bank of India, Janalakshmi financial services get registered as **Non-Banking Financial Services (NBFCs)** under the chairmanship of former Citibank senior executive Ramesh Ramnanthan.
- ✓ On September 05, 2013 Janalakshmi financial services became a NBFC to microfinance institution (MFI).
- ✓ On 2015, RBI get approval for converting JFS to Small Bank Finance and in 2017 RBI allot banking license to JFS and Finally **28th March 2018** it became Jana Small Finance Bank Limited.

REVIEW OF LITERATURE:

- **Abijith S & Raghavendra N. (2018)** in their paper related to **AN empirical study on selected Small Finance Bank in Mysuru with reference to Micro, Small & Medium enterprises** concludes that the role of Small Finance Bank (SFB) plays a very crucial role for the development of MSMEs as well as disadvantaged group of people in the society. SFB also helps in economic development and a bigger support to banking sector.
- **Jeeban Jyotin Mohanty (2018)**, in his study on **Leveraging small financial bank (SFB)** says that the Small Financial Bank plays a major role in the development of MSMEs (Micro, Small & Medium) enterprises. They focus on those particular areas where cooperative bank, nationalized bank does not perform well. These banks are mainly focuses on unbanked area where people are not getting the required benefit from the other commercial banks.
- **Prantik Ray (2016)**, in his study of **small banking in India-Issues & Challenges**” which is based on the case study on micro finance company named Ujjivan Financial Services discusses about conversion of financial institution to Small Finance Bank. After detailed study he concluded that small finance bank has more potential in financial inclusion to lower group people & MSMEs. They have tried to improve their performance in that sector but the level of satisfaction did not reach as per expectation.
- **Nitin Kumar and Sarita Sharma (2021)** in their research paper on **Performance of small finance bank (an early reflection)** studies about the financial performance of banking business such as public bank, private bank, small finance bank, the study says that Reserve Bank of India issues guidelines for small finance banks time to time to strengthen the capacity of small finance bank. In this paper they mentioned that initially the small finance banks were working for the motive to help rural population and the concern for profit earning is less at that time.
- **Dr. Devendra Singh (2019)** in his study on **A critical study of microfinance institutions & its growth in India** says that with the help from SIDBI and NABARD different programmes and schemes designed for micro finance institution are implemented with the objective of upliftment the standard of the poor individuals and to provide credit facility to small entrepreneurs. Also, it helps in the development of human capital.
- **Smt. Mahananda & Chittawadagi (2018)** in their research paper **“Role of small finance bank in the inclusive growth of our economy”**, says that In India, there is an existence of differentiated market & different consumers groups takes place. Customer may unaware about the financial product and services. To create awareness among the consumer related to financial product and services, RBI and Government of India taken an initiative that concentrates more in rural areas to educate the people about all credit facility which they can avail from small finance banks and to make them understand about the saving habits.
- **Sharif Mohd. (2018)** in his study on **“A study on performance of microfinance institutions in India”**, says that the microfinance institutions are working as a very effective tool for socio-economic development as well as in the task of implementing various programmes designed by the government for eradication of poverty from the country. Microfinance institutions extended their work in both rural as well as urban areas. He further added that the Government also taking initiative to create awareness among people related to finance literacy and this can be done by implementing various banking policies and schemes which is run by government.

OBJECTIVE OF THE STUDY

- To study the financial position Jana Small Finance Bank (JSFB)
- To evaluate the trend of financial performance of JSFB during the period of 2016-17 to 2020-21.
- To make a descriptive analysis of financial performance of JSFB.

RESEARCH METHODOLOGY

The study focuses on the analysis of financial position of the Jana Small Finance Banks (JSFB). In this study the data is collected by secondary sources and these data are collected by internet, journals, articles, websites, research paper & annual financial report of Jana Small Finance Bank Limited (JSFB). The Present study is to evaluate the paid-up capital, total expenditure & income, net profit of JSFB. Data which are collected from these sources are analyzed and presented with the help of table, graph drawing mean, median, mode, growth rate and ratio analysis. The duration of study is from 2016-17 to 2020-21.

DATA ANALYSIS AND FINDINGS

The table no. 01 and figure no. 01 show the data of the total income and expenditure of JSFB. These data depicts that after satisfactory performance in financial year 2016-17, next two financial years for this bank were not good. In the year 2017-18 and 2018-19 the expenditure of this bank was more than concerned years' income, resulting in huge loss.

But, after that the bank started improving its performance and in consecutive two financial years ie 2019-20 and 2020-21, its income was more than concerned years' expenditure, taking bank in profitable situation. Evaluating the average income and expenditure of last 5 years, we can see that the average income was Rs 2220.28 crore & expenditure was Rs 3053.89 crore. Therefore, it entails that something more was needed to improve the performance.

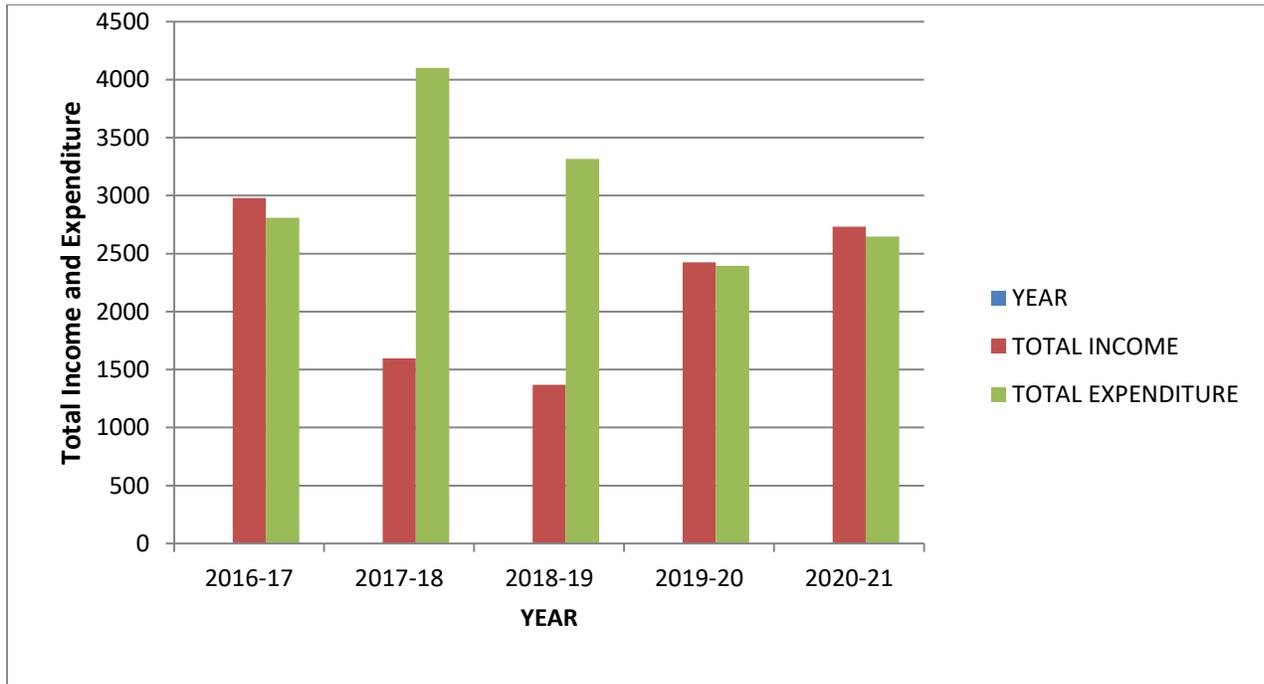
Table No.01

Total Income & Expenditure Trends (Rs in Crore)

Year	2016-17	2017-18	2018-19	2019-20	2020-21
Total Income	2978.26	1597.05	1368.27	2424.77	2732.79
Total Expenditure	2808.16	4100.85	3317.33	2394.64	2648.48

Source: *Compiled from various annual report of JSFB ltd.*



Figure No.01**Total Income & Expenditure Trends (Rs in Crore)**

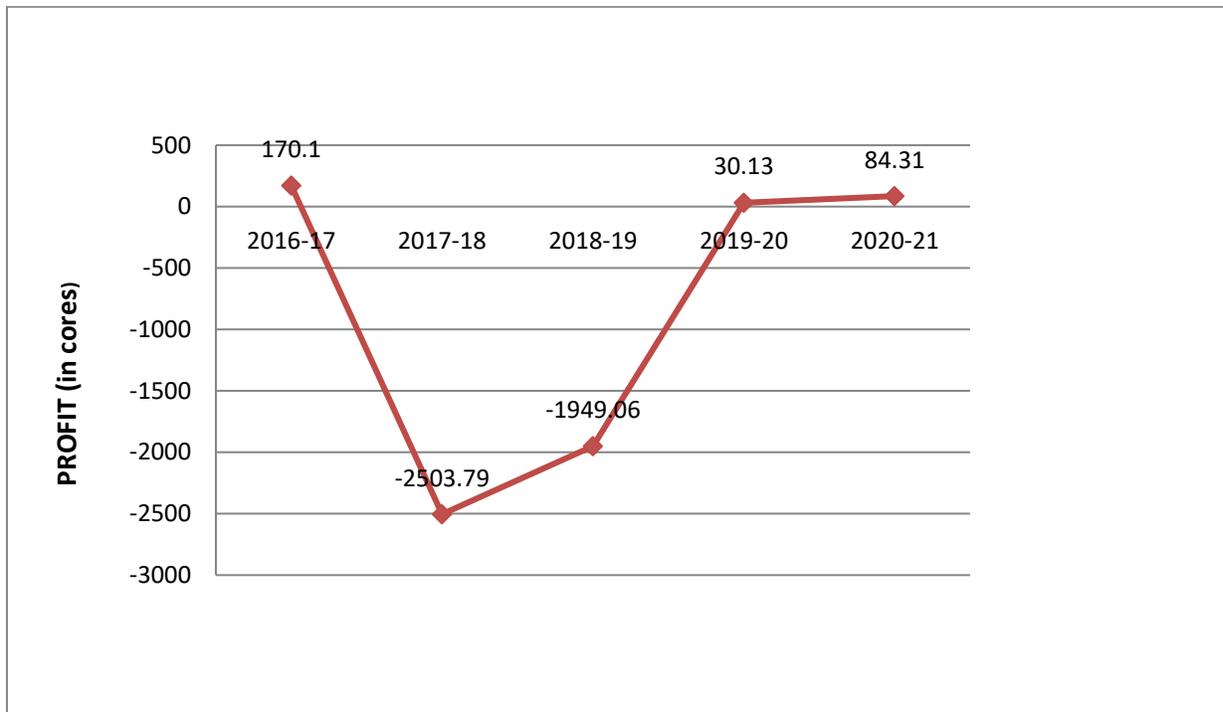
Source: Annual report of JSFB ltd.

The data depicted in table no. 02 and figure no. 02 show that after bearing a huge loss in consecutive two financial year i.e., 2017-18 & 2018-19, JSFB focused to improve the performance and tried well to control the situation in next two financial year i.e., in 2019-20 & 2020-21 and increased the net profit more than 2.5 times.

Table No. 02
Net Profit (Rs in Crore)

Year	2016-17	2017-18	2018-19	2019-20	2020-21
Net profit	170.10	-2503.79	-1949.06	30.13	84.31

Source: Compiled from various annual report of JSFB ltd.

Figure No. 02**Net Profit (Rs in Crore)**

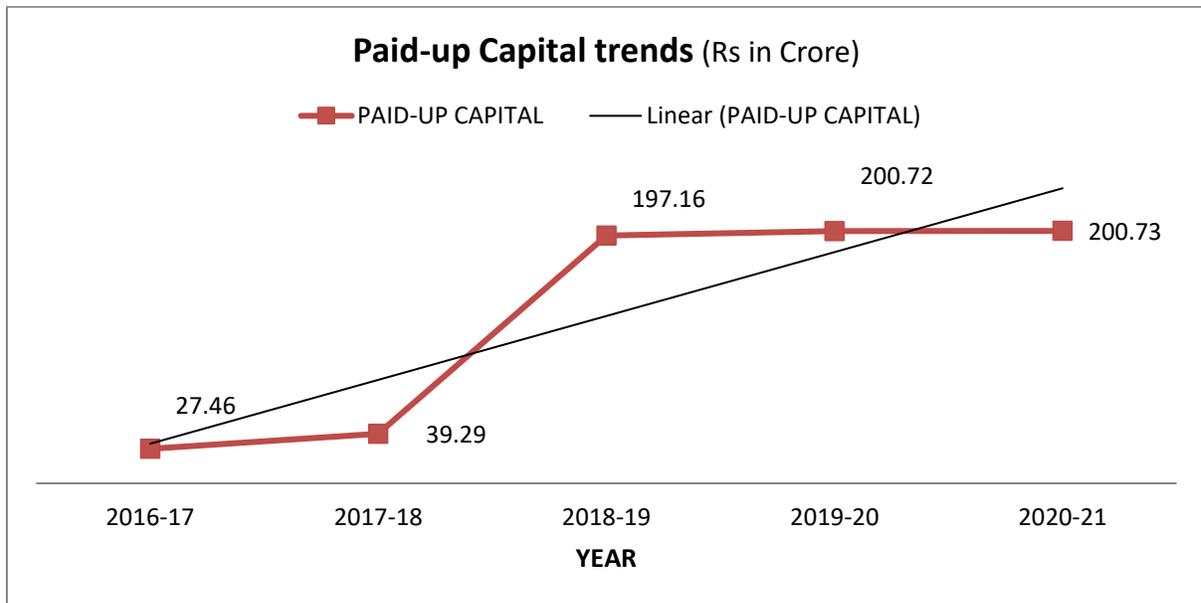
Source: Annual report of JSFB ltd.

The table no. 03, as well as, the figure no. 03 shows that JSFB continuously increased its paid-up capital in every financial year. Initially it started with the capital of Rs 27.46 crores in 2016-17, which was further increased to Rs 39.29 crores in 2017-18, Rs 197.16 crores in 2018-19, Rs 200.72 crores in 2019-20 and Rs 200.73 crores in 2020-21. Thus, a positive trend can be observed in terms of paid-up capital.

Table No. 03**Paid-Up Capital (Rs in Crore)**

Year	2016-17	2017-18	2018-19	2019-20	2020-21
Paid-up capital	27.46	39.29	197.16	200.72	200.73

Source: Compiled from various annual report of JSFB ltd.

Figure No. 03

Source: Annual report of JSFB Ltd.

Table no. 4 shows financial performance of Jana Small Finance Bank in terms of revenue, operating profit and net profit and calculation of operating and net profit ratio.

Table No. 04**Financial Performance**

Year	Revenue (cr.)	Operating profit (cr.)	Net profit (cr.)	Operating profit ratio	Net profit ratio
2016-17	2978.26	255.22	170.10	9%	6%
2017-18	1597.05	-2411.14	-2503.79	-151%	-157%
2018-19	1368.27	-1949.06	-1949.06	-142%	-142%
2019-20	3823.63	30.13	30.13	1%	1%
2020-21	4479.16	84.31	84.31	2%	2%

Source: Compiled from various annual report of JSFB Ltd.

Table no. 04 shows that after getting the banking license as Small Finance Bank, JSFB suffered huge loss of revenue in two consecutive years i.e., in 2017-18 & 2018-19, but then improved its performance as per revenue earning. The same performance can be observed in terms of operating profit, net profit and in their ratios. Thus, we see that after facing financial crises in the year 2017-18 & 2018-19 the bank improved its performance.

Table no. 5 shows the calculation of % change in EBIT, % change in sales and Degree of operating leverage.

Table No. 05**Change in EBIT and Sales & Degree of Operating Leverage (in crore)**

Year	Sales (cr.)	Operating profit (cr.)	% Change in EBIT	% Change in sales	DOL
2016-17	2978.26	255.22	-	-	-
2017-18	1597.05	-2411.14	-1044.73	-46.38	22.527
2018-19	1368.27	-1949.06	-19.16	-14.33	1.337
2019-20	3823.63	30.13	-101.55	179.45	-0.5658
2020-21	4479.16	84.31	-179.82	17.14	10.488

Source: Compiled from various annual report of JSFB ltd.

EBIT= Earnings before Interest and Tax.

DOL= Degree of Operating Leverage.

In table no. 5, the value of % change in EBIT shows the negative balance, which means the bank faced some operational difficulties in respective financial years. Continuously decreasing DOL shows that due to greater fixed capital in its total cost structure the revenue of respective years decreased. In above table we can see that in the consecutive financial years 2018-19 and 2019-20 DOL decreased in the result of sales decrease and when DOL increases then sales automatically increase in respective financial year.

Table No 06**Statistical Analysis of Revenue, Operating Profit and Net Profit**

Revenue		Operating Profit		Net Profit	
Mean	2849.274	Mean	-798.108	Mean	-833.662
Standard Error	607.6171973	Standard Error	570.1185108	Standard Error	575.7511441
Median	2978.26	Median	30.13	Median	30.13
Standard Deviation	1358.673358	Standard Deviation	1274.823745	Standard Deviation	1287.418696
Range	3110.89	Range	2666.36	Range	2673.89
Minimum	1368.27	Minimum	-2411.14	Minimum	-2503.79
Maximum	4479.16	Maximum	255.22	Maximum	170.1
Sum	14246.37	Sum	-3990.54	Sum	-4168.31

Source: Authors compilation of various financial report of JSFB Ltd.

On the basis of statistical study of revenue of JSFB Ltd shows that in last 5 year the average revenue is Rs 2849.274 crores where the minimum level of revenue is Rs.1368.27 crore and maximum level is Rs. 4479.16 crore during the period of study. While calculating Median the results is Rs. 2978.26 crore and the standard deviation is 1358.673358 crore and ranges arrive at 3110.89 crores.

On the basis of statistical study of Operating profit of JSFB Ltd shows that in last 5 year the average revenue is in minus figure i.e., (-798.108) crores where the minimum level of revenue is (Rs. -2411.14) crore and maximum level is Rs. 255.22 crore during the period of study. While calculating Median the results is Rs. 30.13 crore and the standard deviation is Rs. 1274.823745 crore and ranges arrive at Rs. 2666.36 crores.

On the basis of statistical study of Net Profit of JSFB Ltd shows that in last 5 year the average revenue is in negative figure that is (Rs -833.622) crores where the minimum level of revenue is Rs. (-2503.73) crore and

maximum level is Rs. 170.01 crore during the period of study. While calculating Median the results is Rs. 30.13 crore and the standard deviation is Rs. 1287.418696 crore and ranges arrive at Rs. 2673.89 crores.

CONCLUSION:

The Jana Small Finance Bank perform very crucial role in providing credit facility to the unprivileged section of the society and in economic development of our country. At the initial stage of the conversion from micro finance institution to small finance banks, it has faced many difficulties in their routine working, revenue generation speed was very slow and their operating profit & net profit was low. But, JSFB stood up strongly, dealt the adverse situation with great efforts which led to positive results in 2019-20 & 2020-21.

After animalizing the financial performance of JSFB it can be concluded that the performance in terms of paid-up capital, net profit, operating profit and revenues had positively increased but slightly in low rate. The Bank has also faced severe troubles during pandemic situation when there was economic crisis in the country, but somehow it has managed to become a profitable bank. This indicates that JSFB is going strengthen its banking business by providing many more financial products and services to the unprivileged section of the country in coming future.

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