International Journal of Environmental Sciences
ISSN: 2229-7359
Vol. 11 No. 4s, 2025
https://www.theaspd.com/ijes.php

Performance Of Capital And Equitas Sfbs – A Study

Raiffel Dias Emmatty[1*], Revathi.G[2] and Dr. KR Shabu[3]

[1]Raiffel Dias Emmatty, Roll No. KH.AH.P2COM23014, M.Com (Finance and System), Department of Commerce and Management, School of Arts, Humanities and Commerce, Amrita Vishwa Vidhyapeetham, Kochi, Kerala, India – 682024, Email: kh.ah.p2com23014@kh.students.amrita.edu*
[2]Revathi.G, Roll No. KH.AH.P2COM23013, M.Com (Finance and System), Department of Commerce and Management, School of Arts, Humanities and Commerce, Amrita Vishwa Vidhyapeetham, Kochi, Kerala, India – 682024, Email:kh.ah.p2com23013@kh.students.amrita.edu
[3]Assistant Professor and Research Supervisor, Department of Commerce and Management , School of Arts, Humanities and Commerce, Amrita Vishwa Vidhyapeetham, Kochi, Kerala, India – 682024. ORCID ID :0000-0002-2570-4798
Email: shabu@kh.amrita.edu

ABSTARCT

The banking industry is a pillar of economic development, with Small Finance Banks (SFBs) playing a pivotal role in deepening the depth of financial inclusion in the under banked segments of marginal farmers, small businesses, and the unorganized sector. In this research, the financial performance of Equitas Small Finance Bank and Capital Small Finance Bank from 2017 to 2024 is examined using the CAMELS framework, a popular set of parameters adopted to evaluate critical banking parameters: Capital Adequacy, Asset Quality, Management Efficiency, Earning Quality, Liquidity, and Sensitivity. The study utilizes secondary data from the financial reports and annual reports of the two banks and statistical analysis using SPSS software. The study discovers that Equitas SFB exhibits better capital adequacy and profitability in the form of better net interest margins, return on assets, and revenue diversification. Capital SFB, however, has better asset quality and liquidity management, as reflected in its lower Non-Performing Assets (NPAs) and cost efficiencies. The study also discovers variations in lending policies, risk exposure and operational efficiency between the two banks. These differences indicate divergent strategies in corporate direction and regulatory compliance. Policymakers, investors and financial regulators looking to evaluate the stability and expansion potential of SFBs will find the insight to be very useful.

Keywords: *Small Finance Banks (SFBs), Financial Performance, CAMELS Model, Profitability, Risk Management, Financial Inclusion.*

INTRODUCTION

Banks are as old as human civilisation; no nation can afford to be bankless. Any economy is in direct need of them. The bank's two main functions are to take deposits from clients and then pay them back in the most lucrative and preferred areas of business (1). A banking institution accepts deposits, makes loans, and manages funds. But as time went on, the bank's operations expanded and changed. Indian banking has seen recent achievements, such as expanding to rural regions of the nation and attaining inclusive growth. It now provides a range of services aimed at enhancing the quality of life for its citizens. As the backbone of the financial industry, the banking system is essential to the economy's transmission of monetary policies (2). A strong banking system boosts investments and savings, which accelerates economic growth. We all believe that a stable banking system and a free market promote faster and more growth. One of the best pathways into existence of a strong financial system, bank earnings are the most important economic factor.One method for analysing the bank's performance is to use the CAMELS model (Capital Adequacy, Asset Quality, Management, Earnings, Liquidity, and Sensitivity) (3). The banking industry is regarded as an economic indicator that captures the macroeconomic factors. By establishing a new kind of bank in our nation, the RBI launched a financial inclusion programme in 2015. Ten companies were given a provisional license by the RBI to run a small finance firm in India on September 17, 2015. The SFBs will perform basic financial operations like accepting deposits and lending to underserved groups, such as micro, medium, and small-scale businesses, and other unserved sections of the society that are not catered to by scheduled commercial banks and non-banking financial institutions, in order

to fulfil the goals for which it has been established (4). The population that mainly has low-income groups will get a pervasive impact and benefit on the economy.

LITERATURE REVIEW

Siva and Natarajan (2011), in books of the Journal of Commerce and Accounting Research, say that the CAMELS model can be used to check the financial health of a company periodically and alert it to take preventive steps whenever necessary. Companies have also been applied to the performance analysis of microfinance companies.(5)

Williams (2011), in the Journal of Emerging Technology and Innovative Research, said that he has evaluated a capital adequacy tendency using an error correction methodology, and focusing more on the nation's macroeconomic determinants can raise CAR (6).

Nguyen (2011) Douglas, Lontand Scott (2014) in the Journal of Commerce and Accounting Research say that the CAMELS model is considered one of the most important metrics to measure the financial performance of banks (7).

Sotonye and Iheanyi (2017), According to the findings of the international conference, the study used the CAMEL rating system to assess Nigerian banks' performance. The profitability of a bank is not significantly impacted by capital adequacy, managerial effectiveness, income, or liquidity, according to a daily least squares analysis of data spanning 19 years (8).

Sharif Mohd (2018), in his research work "A study on the performance of microfinance institutions in India", states that microfinance organisations are essential to advancing socioeconomic development and carrying out government initiatives meant to end poverty. This organisation operates effectively in both cities and countryside. The author also emphasizes how the government implements different banking rules and programs to improve public financial literacy (9).

Ravikumar (2019), in the book of the Journal of Emerging Technology and Innovative Research, says that SFBs must adopt new technology in retail banking and their customer preferences to find financial services in order to ensure their long-term viability, according to an analysis of small finance banks and financial inclusion in India that accessed the functional framework and financial performance of SFBs (10).

Khan Firdaus Massarat Rashid (2019) The author conducted a repeated retrogression using a generalised direct model on the deposit and credit progress of small finance banks in India in order to ascertain whether there's a significant difference between deposit and credit exertion and ages. Significant variations live between ages and between credit and deposit conditioning, according to the GLM analysis.(11)

Kangayan and Dhevan (2020) have investigated the viability of SFBs in India by examining their financial performance and commercial growth. To determine its effect on SFB profitability, the study performs a correlation analysis between the cost of funding and net interest margins of a subset of SFBs. They discovered that the cost of funding had little impact on SFB profitability (12).

Bashatwehand Ahmed (2020) the study analysed the effects within the banking sector concerning the overall performance of the banking system. Findings indicated that public sector banks exhibited weaker asset quality. Based on the comprehensive assesment of commercial banks in Jordan, the CAMELS framework was recognized as a valid evaluation tool (13).

Ray and Shantu (2021) in the books of the international conference reviewed that as a component of speciality banking; small finance banks have been promoted and advanced by the competent bank, the RBI. All of the unorganized and weaker segments of the economy are included in the small finance banks. The CAMEL score is used to investigate those banks for the 2019–20 periods. ANOVAs are used to derive conclusions, and the Hoc test is used to publish the results. The study of the small financial institutions using CAMEL score proved that they had similar income levels, but there were differences in their capital adequacy, asset quality, management effectiveness, and liquidity. All of the minor financial banks had similar income levels. The economic performance of India's small financial sector is distracted (14).

Nitin Kumar and Saritha Sharma (2021), in the book of the International Journal of Multidisciplinary Studies, examined the financial performance of various banks, such as public, private, and small finance banks, in their study paper Performance of Small Finance Banks. According to the report, the RBI releases instructions on a regular basis to help small financing institutions become more capable. The authors also point out that at first,

local financing banks placed more of an emphasis on helping the rural population than on making a huge profit (15).

G Alex Rajesh (2021)examined the effect of financial leverage on small Indian banks financial performance.The debt-to-equity ratio, interest coverage ratio, and debt ratio are all examined in this study as independent variables. The sample consists of six small financial banks, and data covered the period from 2017 to 2021. The study was conducted using secondary data, which was collected by sampling (16).

Patel and Fulwari (2021) tracked the development of SFBs in India with regard to branch count, regional distribution, and business volume. It was found that within five years of the establishment of SFBs, there has been growth in both regional presence and business volume. According to the initial analysis of SFBs, they are moving forward as intended by the goals that led to their establishment (17).

S.Manicka Vasuki (2022)assessed BOB's financial performance and offered helpful suggestions to improve it. The researcher examined the RBI, the BOB website, and other relevant sources for her probe, which covered the five-year period from 2017-2018 to 2021-2022. She concluded that the bank's financial performance would be maximized by increasing the net profit margin, profit per share, return on assets used, and interest revenue (18).

Suraj Kumar and Swain (2023) researched that from 2005 to 2006, the RBI has prioritised financial addition as part of its policies. As part of the Indian government's efforts, the RBI approved the creation of SFB in 2015; SFBs are committed to providing underprivileged group access to basic banking services. The primary goal of small financial institutions is to provide credit and deposit options to unorganised sectors, micro and small businesses and marginal farmers. They provide a 75% loan to the primary sector, which includes agriculture, small businesses, and low-income people to address their basic financial issues. The research aims to examine the requirements for obtaining a license and the development trajectory of SFBs in India, as well as their impact on other financial institutions (19).

RESEARCH PROBLEM

The study highlights the significance of evaluating the financial performance of small finance banks utilizing the CAMELS model. By using this methodology, it helps the stakeholders to analyse the strengths and weaknesses and various places of improvement. Further research is needed to better understand the unique issues and drivers faced by small financing institutions in India, notwithstanding existing studies on financial performance. This study evaluates the financial performance of Equitas Bank and Small Finance Bank from 2017 to 2024 using the CAMELS model.

RESEARCH IMPORTANCE

The importance of analysing the financial performance of Small Finance Banks (SFBs) in India based on the CAMELS model stems from the prominent position of these banks in achieving financial inclusion and promoting underserved sections of society. Since their inception, SFBs have been actively engaged in providing credit to micro, small and medium enterprises, unorganized sectors and low-income groups, thereby driving economic development but their relatively small scale, restricted capital base and exposure to vulnerable borrower segments necessitate that they be assessed for their financial health and strength. The CAMEL methodology, which evaluates Capital Adequacy, Asset Quality, Management Efficiency, Earnings Quality and Liquidity, is a widely used model to appraise the performance and soundness of financial institutions. Application of the CAMEL model on SFBs gives a proper insight into their strengths and weaknesses, enabling regulators, investors, policymakers and researchers to make smart choices. Through this research, the gap will be filled on the subject of SFBs due to their marginalization compared to large commercial banks, though it is increasing with time in Indian banking. Their performance can also be used to inform policy development, aid strategic decision making and ensure that such banks continue to deliver on their mission of financial inclusion in a sustainable manner.

RESEARCH OBJECTIVES

1. To study the financial performance of Capital Small Finance Bank
2. To study the financial performance of Equitas Small Finance Bank
3. To compare financial performance between Capital Small Finance Bank and Equitas Small Finance Bank.

METHODOLOGY

- This research paper examines the research design approach to analyse the financial performance of Equitas Bank and Capital Small Finance Bank through the use of the CAMELS model.
- For analysis, a sample of two small finance banks has been selected based on the age of the banks, i.e., on the basis of the date on which they received a license as small finance banks.
- Data from secondary sources are used for the study, which are extracted from annual reports of banks over the past seven years, from 2017 to 2024.
- The CAMELS model has been analysed with the help of SPSS to know the finding and conclusion of the result and to check whether there is any significant difference between both the banks.

Research Hypotheses

H_O: There is no significant difference between Equitas and Capital Small Finance Bank with respect to capital adequacy, asset quality, management efficiency, earning quality, liquidity and sensitivity.
H_1: There is a significant difference between Equitas and Capital Small Finance Bank with respect to capital adequacy, asset quality, management efficiency, earning quality, liquidity and sensitivity.

CAMELS MODEL ANALYSIS

CAMELS stand for Capital Adequacy, Asset Quality, Management Competence, Earning Quality, Liquidity and Sensitivity ratios. The six above parameters are used to analyse the performance of the organization from various standpoints. It is a ratio-based model used for analysing the performance ofbanks.The CAMELS model allows rating performance based on six parameters.

1. Capital Adequacy

It is important to check how strong a bank's capital structure is because it helps keep people's trust in the bank. Investors usually avoid banks that may go bankrupt. If the bank has strong capital adequacy, it can handle day-to-day operations and unexpected losses. Hence, it is important for both investors and customers to check whether the bank has enough capital adequacies. The capital adequacy ratios areCRAR Ratio, Debt to Equity Ratio, Advance to Total Assets Ratio, Equity to Total Assets Ratio

Table 1: Independent *t test* of Capital Adequacy ratio

Group Statistics						
	Bank					
	Equitas small Finance Bank		Capital small finance bank			
	Mean	Std. Deviation	Mean	Std. Deviation	t value	p value
CRAR	25.0743	3.15468	20.1343	3.29485	2.865	0.708
Debt to Equity	568.819	44.1626	1220.1	282.352	6.029	0.11
Advance To Total Assets	69.2623	5.48752	61.986	4.42355	2.731	0.841
Equity to Total Assets	0.14471	0.00896	0.07886	0.02288	7.089	0.296

(Source: compiled data)

Interpretation:

There is no significant difference between Equitas Small finance bank and Capital small finance bank because in each capital adequacy ratio (CRAR, Debt to equity, Advance to total assets, Equity to total assets) are greater than 0.05. So we should accept null hypothesis.

2. Asset Quality

The asset quality ratio is a measure of how efficiently a bank can manage its assets to minimize the risk of default or financial loss simultaneously. The NPAs are to be divided by the total assets of the institution to calculate the ratio. NPAs stand for the loans or investments that yield no income or have a greater possibility of default. The more the asset quality of a bank is owned, the lesser will be its NPA, which means that there are greater asset qualities with less chance of being insolvent. Stronger asset quality ratio signifies lesser chance of bankrupcy,

while higher asset quality indicates lower level of non-performing assets (NPAs) are Net NPA To Total Asset, Gross NPA To Total Asset, Net NPA To Total Advance, Total Investment To Total Assets

Table 2: Independent *t test* of Asset Quality ratio

Group Statistics						
	Bank					
	Equitas small finance bank		Capital small finance bank			
	Mean	Std. Deviation	Mean	Std. Deviation	t value	Pvalue
Net NPA to Total Assets	0.246429	.2387473	.019714	.0038607	2.512	0.019
Gross NPA to Net Advance	2.627143	.9808621	1.970000	.7334621	1.420	0.772
Net NPA to Net Advance	1.334286	.7272518	1.181429	.2231165	0.532	0.200
Total Investment to Total Assets	18.078857	5.4947228	20.089857	2.6569999	0.872	0.157

(Source: compiled data)

Interpretation:

- In Net NPA to Total Assets, $p < 0.05$, there is a significant difference between NET NPA to Total Assets ratios of Equitas SFB and Capital SFB.
- In Gross NPA to Net Advance, $p > 0.05$, there is no significant difference between Gross NPA to Net Advance ratios of Equitas SFB and Capital SFB.
- In Net NPA to Net Advance, $p > 0.05$, there is no significant difference between Net NPA to Net Advance ratios of Equitas SFB and Capital SFB.
- In Total Investment to Total Assets, $p > 0.05$ there is no significant difference between the Total Investment to Total Assets ratios ofEquitas SFB and Capital SFB.

3. Management Efficiency

This ratio shows to what extent management can create premium returns while simultaneously enhancing shareholder value for the shareholders. It measures profits as they are allocated to employees, hence giving management an opportunity to make their Knowing how a bank functions makes it quite imperative to discuss the management of it. Strategic decision-making requires evaluating how effectively management performs. The following ratios used in management competence areBusiness Per Employee , Profit Per Employee, Return On Asset

Table 3: Independent *t test* of Management ratio

Group Statistics						
	BANK				t value	p value
	Equitas Small Finance Bank		Capital Small Finance Bank			
	Mean	Std. Deviation	Mean	Std. Deviation		
Business per employee	1.818571	0.6827989	5.805714	1.0600921	8.366	0.063
Profit per employees	0.417200	0.8848317	0.052000	0.0311448	0.922	0.034
Return on assets	1.377143	0.5583223	0.827143	0.3181045	2.265	0.396

(Source: compiled data)

Interpretation:

- In Business per Employee, $p > 0.05$ there is no significant difference between Business Per Employee of both the banks.
- In Profit per Employee, $p < 0.05$ there is a significant difference between profit Per Employee between both the banks.
- In Return On Assets, $p > 0.05$ there is no significant difference between the Return On Assets of both the banks.

4. Earning Quality

The earnings generated by the bank for utilizing its assets are the most important to be measured, it is also used as an important tool to analyse the quality of earnings, which is basically the consistency in earning over time. Some of the ratios used for this model areOperating Profit , Net Interest Margin , Net profit, Operating Profit On Working Funds

Table 4: Independent t test of Earning Quality ratio

Group Statistics						
	BANK					
	Equitas Small Finance Bank		Capital Small Finance Bank			
	Mean	Std. Deviation	Mean	Std. Deviation	t value	p value
Operating profit	20.445286	4.2543350	26.403857	12.0832771	1.231	0.041
Net interest margin	8.500000	.5243091	3.688571	0.2874270	21.29	0.467
Net profit	8.729429	3.6669736	15.111286	9.5456795	1.651	0.005
Operating profit on working funds	3.227143	.5837441	1.370000	0.4082891	6.898	0.671

(Source: compiled data)

Interpretation:

- In Operating Profit, since the p value < 0.05 there is a statistical difference between the two banks. Capital Small Finance Bank has a higher mean operating profit than Equitas Small Finance Bank.
- In Net Interest Margin, since the p value > 0.05 there is no statistical difference between Equitas SFB and Capital SFB.
- In Net Profit, since the p value < 0.05 there is a statistical difference between the two banks. Capital Small Finance Bank has higher mean net profit than Equitas Small Finance Bank.
- In Operating profit on working funds, since the p value > 0.05 there is no statistical difference between Equitas SFB and Capital SFB.

5. Liquidity

Managing liquidity forms an enormous task for the bankers. This is so because they must hedge their proper risks and earn better. Now, returns would be simultaneously availed, while liquidity provision takes place so one can withdraw his investment anytime. Liquidity, risk, and returns are all elements that banks need to find an appropriate balance. The following ratios areCredit deposit, CASA, Liquid Asset To Total Asset, Liquid Asset To Deposit

Table 5: Independent t Test of Liquidity ratio

Group Statistics						
	BANK					
	Equitas Small Finance Bank		Capital Small Finance Bank			
	Mean	Std. Deviation	Mean	Std. Deviation	t value	p value
Credit deposit	112.288571	18.9201730	74.582857	6.2527640	5.006	0.002
CASA	33.275714	11.8313156	39.585714	2.0857361	1.39	0.035
Liquid asset to total asset	9.038571	3.4618078	15.327429	2.7903650	3.742	0.565
Liquid asset to deposit	15.113143	6.9592217	15.113143	6.9592217	0	1

(Source: compiled data)

Interpretation:

- In Credit Deposit, since the p value < 0.05 there is a statistical difference between the two banks. Equitas Small Finance bank has a higher mean credit deposit than Capital Small Finance Bank.

- In CASA, since the p value < 0.05 there is a statistical difference between the two banks. Capital Small Finance bank has higher mean CASA than Equitas Small Finance Bank.
- In Liquid asset to Total Assets, since the p value > 0.05 there is no statistical difference between the Equitas SFB and Capital SFB.
- In Liquid asset to Deposit, since the p value > 0.05 there is no statistical difference between the Equitas SFB and Capital SFB.

6. Sensitivity

Sensitivity ratio is the measure of how sensitive interest rates and foreign exchange rate fluctuations are. Changes in equity or commodity prices may have a negative impact on a financial institutio's capital or earnings. For most small financing banks, exposure is a major factor in market risk.Thus, interest rate risk (IRR) is introduced in this section.But examiners come to an end. These same criteria can be used to assess the risks associated with commodities, foreign exchange, or stock prices. Sensitivity is measured using the following ratios are Cost To Fund, Burden To Interest Income, Gap Analysis, Spread To Working Funds

Table 6: Independent *t test* of Sensitivity ratio

Group Statistics						
	BANK					
	Equitas Small Finance Bank		Capital Small Finance Bank			
	Mean	Std. Deviation	Mean	Std. Deviation	t value	p value
Cost to fund	4.553829	3.0789012	5.952857	1.4953006	1.081	0.03
Burden to interest income	79.369286	208.4105693	0.540714	0.2224887	1.001	0.034
Gap analysis	2630.035714	920.9489073	83.478571	266.0876559	7.028	0.01
Spread to working funds	0.074286	0.0044615	0.034000	0.0036515	18.488	0.888

(Source: compiled data)

Interpretation:

- In Cost to Fund, since the p value < 0.05 there is a statistical difference between the two banks. Capital Small Finance bank has a higher mean Cost to Fund than Equitas Small Finance Bank.
- In Burden to Interest Income, since the p value < 0.05 there is a statistical difference between the two banks. Equitas Small Finance bank has a higher mean Burden to Interest Income than Capital Small Finance Bank.
- In Gap Analysis, since the p value < 0.05 there is a statistical difference between the two banks. Equitas Small Finance bank has a higher mean Gap Analysis than Capital Small Finance Bank.
- In Spread to Working funds, since the p value > 0.05 there is no statistical difference between the Equitas SFB and Capital SFB.

Table 7:Data analysis using one Sample *t test*

	N	Correlation	Sig.	Std. Deviation	Std. Error Mean
Equitas Small Finance Bank and Capital Small FinanceBank	23	0.221	0.310	551.8948421	115.0780296
				251.9129962	52.5274908

(Source: compiled data)

	Paired Differences	t	df	

	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				Sig. (2-tailed)
				Lower	Upper			
Equitas Small Finance Bank - Capital Small Finance Bank	86.8870739	553.6412089	115.4421723	152.5253381	326.2994859	0.753	22	0.460

(Source: compiled data)

Interpretation

From this table, we can conclude that the P value is 0.460 is greater than the typical alpha level of 0.05, meaning the test accepts the null hypothesis (hO). There is no statistically significant difference between Equitas Small Finance Bank and Capital Small Finance Bank.

Table 8: Calculation of total average of Equitas SFB and Capital SFB using paired *t test* Paired Samples Statistics

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Bank	1.5000	84	.50300	.05488
	Average	108.7375	84	206.47860	22.52866

(Source: compiled data)

Paired Samples Correlations

	N	Correlation	Sig.
Pair 1 Bank and Average	84	-.203	.064

(Source: compiled data)

Paired Samples Test							
		Paired Differences			t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean			
Pair 1	Bank - Average	-107.23752	206.58137	22.53988	-4.758	83	0.000

(Source: compiled data)

Interpretation

Based on the above data, the correlation between the two paired variables is -0.203, suggesting a weak negative relationship. The significant value is 0.064 on the above table meaning this correlation is not statistically significant at a 0.05 level.

Since p-value is less than 0.05, we accept alternate hypothesis (h1) meaning there is a significant difference between Bank and Average values.

Table 9: Overall Ranking of Banks based on CAMELS Analysis

	Capital Adequacy	Asset Quality Ratio	Management Efficiency Ratio	Earning Quality Ratio	Liquidity Ratio	Sensitivity Ratio
Capital Small Finance Bank	1	1	1	1	2	2
Equitas Small Fianance Bank	2	2	2	2	1	1

(Source: compiled data)

Interpretation

Considering the above analysis of all parameters of the CAMELS Model, it is found that Capital Small Finance Bank stands top with Rank 1, followed by Equitas Small Finance Bank.

DISCUSSION

1. In table 1, Equitas Small Finance Bank (SFB) has the highest CRAR (25.07%), a lower Debt-to-Equity ratio (568.81%), and higher Equity to Equitas Total Assets (0.14%), indicating stronger capital adequacy and financial stability compared to Capital SFB. However, Capital SFB has better liquidity (Liquid Asset to Total Asset: 15.32%) and lower fund raising costs (Cost to Fund: 0.059%).
2. In table 2, Capital SFB shows better asset quality with the lowest Net NPA to Total Assets (0.019%) and thelowest Gross NPA to Net Advances (1.94%), demonstrating a healthy loan portfolio. Moreover,it has a higher Total Investment to Total Assets ratio (20.08%), depicting a stable investment strategy.
3. In table 3,4 and 6, Equitas SFB dominates in profitability metrics such as Net Interest Margin (8.5%), Return on Assets (1.37%), and Spread to Working Funds (0.074%). However, Capital SFB has a higher Net Profit Ratio (15.11%) and Operating Profit Ratio (26.40%), reflecting strong cost efficiency and operational effectiveness.
4. In table 3 and 4, Capital SFB is the highest in Business Per Employee (5.80%) and Operating Profit Ratio (26.40%), showcasing better workforce efficiency. On the other hand, Equitas SFB has a higher Profit Per Employee (0.30%), indicating better per-employee profitability. Capital SFB also has a lower Burden to Interest Income Ratio (0.54%), suggesting better cost management.
5. In table 5, Equitas SFB has a higher Credit Deposit Ratio (112.28%), showcasing aggressive lending, which increases both risk and profit potential. It also has a higher GAP Analysis ratio (2630.03%), indicating greater exposure to interest rate fluctuations, making earnings more sensitive to market changes.
6. In table 7,8 and 9 it is concluded that Equitas SFB has demonstrated a strong and consistent increase in other income, especially after 2020, whereas Capital SFB's growth has been slower. The average other income of Equitas SFB (₹29.15 lakh) is over 12 times higher than that of Capital SFB (₹2.41 lakh), highlighting Equitas SFB's stronger revenue diversification. The sharp rise in Equitas SFB's income suggests effective business strategies and market positioning, while Capital SFB's limited growth indicates a need for expanding fee-based and non-interest income sources.

SUGGESTIONS

1. Equitas SFB would look at measures to increase liquidity without sacrificing its solid capital position, whereas Capital SFB must look to reinforce its capital base while maintaining its liquidity edge in order to have long term financial stability.
2. Equitas SFB may focus on lowering its Gross NPA by improving loan screening, diversification of its portfolio and improving recovery mechanisms. Both the banks should also improve their investment strategy to attain a balance between return and risk exposure.
3. Equitas SFB can utilize its better Net Increase Margin as well as return on assets to support sustainable growth while enhancing cost efficiency, while Capital SFB needs to improve its interest income drivers to support its cost efficiency as well as resultant profit growth.
4. Capital SFB needs to continue its tight operational efficiency with further emphasis on workforce productivity improvement and cost controls. Equitas SFB needs to improve workforce utilization models to drive optimum profit per employee and overall business effectiveness.
5. Equitas SFB must handle its aggressive lending policy with care to contain credit risks without compromising profitability, while Capital SFB must adopt strong risk mitigation mechanisms to ensure stability in an environment of volatility in the market. Both banks must also carry out regular stress testing to measure and contain their sensitivity to changes in interest rates.
6. Capital SFB andEquitas SFB must also prioritise diversifying and growing their non-interest incomes. Capital SFB can do this by extending financial services like wealth management, transaction charges and advisory

services, while Equitas SFB must keep digging up digital banking innovations as well as high margin non-interest income. Both banks also need to study market opportunities to grow non-interest income and lessen their dependence on conventional lending income.

CONCLUSION

In conclusion, both Capital SFB and Equitas Small Finance Bank (SFB) have both weaknesses and strengths. Equitas SFB is strong in capital adequacy, profitability, and revenue diversification but needs to improve its liquidity and control credit risk better. Capital SFB is stronger in asset quality, liquidity, and cost efficiency but needs to enhance its capital base and income stream diversification to support long-term development. To remain financially sound, Equitas SFB must improve its loan filtering process, maximize workforce efficiency, and maintain a close eye on its aggressive lending strategy to strike a balance between risk and return. Capital SFB, for its part, must prioritize consolidating its interest income, enhancing its capital adequacy, and using its operating efficiency to maintain profitability. Both banks must diversify their non-interest income sources by venturing into digital banking innovations, wealth management services, and advisory services. Apart from this, having quality risk management systems, conducting regular stress tests, and optimizing investment strategies will be crucial for both the institutions in handling market volatility. Through concentrating on these key areas, both Equitas SFB and Capital SFB can attain long-term stability, competitive strength, and sustainable financial growth.

ACKNOWLEDGEMENT

The study is not funded by any agency and is conducted independent by the authors

FUNDING

None

CONFLICT OF INTEREST

The authors declare that there is no conflict of interest.

AUTHOR CONTRIBUTION

Raiffel Dias Emmatty (First Author) conceptualized the study and developed the Research Framework, Abstract and Introduction. The Second Author (Revathi.G) was responsible for doing analysis and literature review. Dr Shabu K R (Third Author) Contributed to Proof Reading and assured in interpreting the data. All Authors reviewed and approved the final manuscript.

ETHICS APPROVAL

Not Applicable

DATA AVAILABILITY

Datas are obtained from Secondary Sources from financial reports of banks

ABBREVIATIONS

SFBs	- Small Finance Banks
CAMELS	- Capital Adequacy, Asset Quality, Management Efficiency, Liquidity, Sensitivity Ratios
SPSS	- Statistical Package for Social Science
Std	- Standard Deviation
Sig	- Significance

REFERENCE

1. Kochhar S, ed. Speeding financial inclusion: RBIand new banking paradigm. New Delhi: Skoch Development Foundation; 2016 (1).
2. Sharma R, Gopal G. Financial inclusion in India – An assessment. *IOSR* JBus Manag. 2017;19 (2):14–19.

3. Kumbirai M, Webb R. A financial ratio analysis of commercial bank performance in South Africa. Afr Rev Econ Finance. 2010;2 (3):30–53.
4. Reserve Bank of India. RBI grants "in-principle" approval to 10 applicants to set up Small Finance Banks. *RBI* Press Release. 2015 Sep 16 (4).
5. Siva V, Natarajan P. CAMELS framework and company health assessment. JCommer Account Res. 2011;1 (5):23–30.
6. Williams R. Capital adequacy and macroeconomic linkages. JEmerg Technol InnovRes. 2011;3 (6):17–25.
7. Douglas T, Lont D, Scott A. Evaluating bank performance using CAMELS. JCommerAccountRes. 2014;3 (7):45–53.
8. Sotonye E, Iheanyi I. Performance assessment of Nigerian banks using CAMELS. Proc Int Conf Bank Finance. 2017 (8):134–42.
9. Sharif M. Role of microfinance in India's socio-economic development. Microfinance Rev. 2018;4 (9):14–22.
10. Ravikumar P. Small Finance Banks and financial inclusion in India. J Emerg Technol Innov Res. 2019;6 (10):102–10.
11. Khan F, Rashid M. Analyzing deposit-credit activity in small finance banks using GLM. Indian J Finance Bank. 2019;10 (11):77–88.
12. Kangayan S, Dhevan A. Financial viability and growth of SFBs in India. JBank Finance Manag. 2020;8(12):33–42.
13. Bashatweh AD, Ahmed EY. Financial performance evaluation of the commercial banks in Jordan: Based on the CAMELS framework. Int J Adv Sci Technol. 2020;29 (13):985–94.
14. Ray A, Shantu B. CAMEL score and performance of SFBs. Int Conf Proc. 2021;5(14):89–95.
15. Kumar N, Sharma S. Performance of Small Finance Banks. Int J Multidiscip Stud. 2021;8 (15):51–9.
16. Rajesh GA. Financial leverage and small bank performance. J Financ Anal Policy. 2021;7 (16):58–67.
17. Patel P, Fulwari D. Evolution and outreach of small finance banks in India. Bank Finance Rev. 2021;9 (17):40–8.
18. Manicka Vasuki S. A study on the financial performance of BOB. J Financ Econ Res. 2022;10 (18):66–72.
19. Kumar S, Swain M. Financial inclusion and the emergence of SFBs in India. JFinanc Inclusion Stud. 2023;11(19):18–29.