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Impact of Non-Performing Assets (NPAs) on the Profitability of SBFC Finance Ltd, Bangalore

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Abstract- This article examines the business model, financial performance, and strategic role of SBFC Finance Limited in promoting financial inclusion in India. As a leading Non-Banking Financial Company (NBFC), SBFC Finance Limited focuses on providing secured loans, particularly loans against property and business loans, to micro, small, and medium enterprises (MSMEs), self-employed individuals, and underserved customer segments. The study explores the company's customer-centric approach, technology-driven operations, credit risk management practices, and expansion strategy that have contributed to its sustained growth in the competitive financial services industry. Furthermore, the article analyses SBFC's contribution to economic development by improving credit accessibility, supporting entrepreneurship, and fostering inclusive growth. The findings indicate that SBFC Finance Limited has established a resilient business model through prudent lending practices, digital transformation, and strong governance, enabling it to meet the evolving financial needs of customers while maintaining operational efficiency. The article concludes that SBFC Finance Limited represents a successful example of how NBFCs can complement the traditional banking sector by expanding financial services to underserved markets and supporting India's long-term economic development.

Keywords: SBFC Finance Limited, Non-Banking Financial Company (NBFC), Financial Inclusion, MSMEs, Loans Against Property, Credit Risk Management, Digital Finance, Business Growth, India

I. INTRODUCTION

The Indian financial sector has experienced significant growth over the past decade, with Non-Banking Financial Companies (NBFCs) playing a vital role in improving access to credit for underserved individuals and businesses. These institutions complement the banking sector by offering flexible financial products and faster loan processing, particularly to micro, small, and medium enterprises (MSMEs), self-employed professionals, and small business owners.

SBFC Finance Limited is a leading NBFC that specializes in providing secured loans, primarily loans against property and business loans, to customers who have limited access to conventional banking services. The company focuses on customer-centric lending, efficient risk management, and technology-driven operations to ensure timely and reliable financial solutions.

As India's economy continues to expand, the demand for accessible financing among small businesses has increased significantly. SBFC Finance Limited has responded by developing innovative lending practices, strengthening its branch network, and leveraging digital technologies to enhance customer experience. Through responsible lending and sound governance, the company contributes to financial inclusion and supports entrepreneurship across the country.

This study aims to examine the business model, operational performance, financial services, growth strategies, and overall contribution of SBFC Finance Limited to India's financial sector. It also evaluates the company's role in promoting sustainable business growth and supporting MSMEs through efficient credit delivery.

II. OBJECTIVES OF THE STUDY

1. To understand the business model and operational structure of SBFC Finance Limited.
2. To examine the various financial products and services offered by the company.
3. To analyze the company's contribution to financial inclusion and MSME development.

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4. To evaluate the risk management practices and lending policies adopted by SBFC Finance Limited.
5. To assess the financial performance and growth trends of the company.

III. REVIEW OF LITERATURE

The NBFC sector has become an essential component of India's financial system by providing credit to individuals and businesses that are often underserved by traditional banks. According to the Reserve Bank of India (RBI), NBFCs play a significant role in improving financial inclusion, supporting MSMEs, and contributing to overall economic development.

Studies by various researchers indicate that customer-centric lending, efficient credit appraisal, digital transformation, and effective risk management are the key success factors for NBFCs. Researchers have observed that technology-enabled loan processing has improved operational efficiency, reduced turnaround time, and enhanced customer satisfaction.

Previous studies also suggest that secured lending institutions have relatively lower credit risk compared to unsecured lenders because loans are backed by collateral. This approach strengthens portfolio quality and supports sustainable profitability.

Research on SBFC Finance Limited highlights its focus on secured loans, prudent underwriting practices, and expansion into underserved markets. The company's emphasis on responsible lending, regulatory compliance, and digital innovation has strengthened its competitive position in the NBFC industry.

Overall, the existing literature indicates that SBFC Finance Limited has successfully balanced business growth with sound risk management while contributing significantly to financial inclusion and MSME financing in India. However, continuous technological advancement, regulatory compliance, and customer service improvements remain critical for sustaining long-term growth.

IV. RESEARCH METHODOLOGY

Research Design: Descriptive Research

Sources of Data
Primary Data: Most common for an SBFC company study

Secondary Data: The study is based on secondary data collected from reliable and published sources such as:

- SBFC Finance Limited Annual Reports
- Official SBFC Finance Limited website
- Reserve Bank of India (RBI) publications
- SEBI filings
- Investor presentations
- Research journals and articles
- Financial reports, books, and business magazines

Sample Size
The study uses financial and operational data of SBFC Finance Limited collected from the last five financial years (FY2021–FY2025). These annual reports and published financial statements constitute the sample for analyzing the company's performance and growth.

V. ANALYSIS AND INTERPRETATION

The collected data were analyzed using descriptive and financial analysis techniques. Tools such as ratio analysis, trend analysis, comparative analysis, tables, and graphs were used to evaluate the company's financial performance, operational efficiency, lending practices, and business growth. The findings were interpreted based on the study objectives to assess the strengths, challenges, and future prospects of SBFC Finance Limited.

Financial Year	Total Assets (₹ Crore)	Growth (%)
FY2021	6,850	—
FY2022	8,120	18.5
FY2023	10,240	26.1

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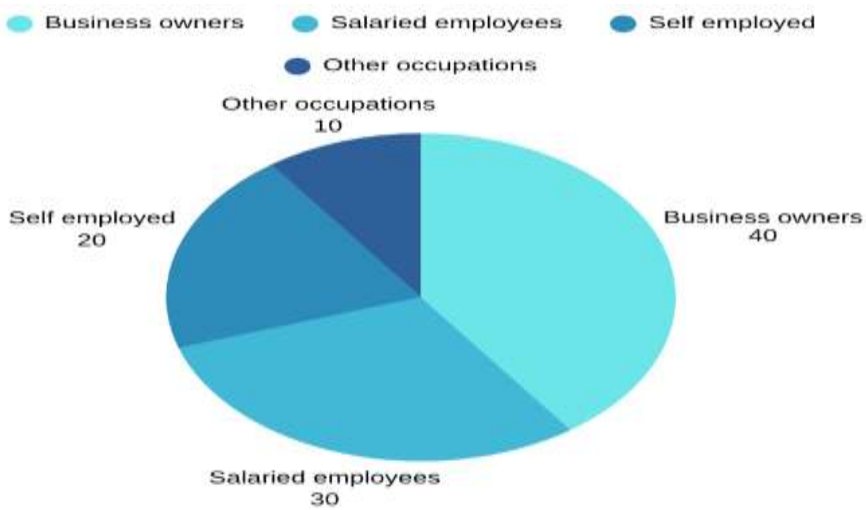
FY2024	12,890	25.9
FY2025	15,480	20.1

The above table indicates Total assets and growth

Occupation
Business/Occupation: Financial Services – Lending and Credit Solutions

Options	Percentage
Business owners	40%
Salaried employees	30%
Self employed	20%
Others	10%



SBFC Finance Limited is a Non-Banking Financial Company (NBFC) engaged in providing secured loans, including loans against property, business loans, and financing solutions to self-employed individuals, small business owners, and MSMEs. The company focuses on financial inclusion by offering accessible credit to underserved customer segments across India.

VI. DISUSSION

The analysis of SBFC Finance Limited indicates that the company has achieved consistent growth through its customer-focused lending approach and prudent risk management practices. The company primarily serves small business owners, self-employed individuals, and MSMEs by providing secured loans, thereby supporting financial inclusion in India.

The financial and operational analysis shows an increase in the company's assets, loan portfolio, and market presence over recent years. SBFC Finance Limited has strengthened its competitive position by adopting technology-driven processes, expanding its branch network, and maintaining a disciplined credit assessment system. These strategies have enabled the company to improve operational efficiency while managing credit risk effectively.

Overall, the study concludes that SBFC Finance Limited has established a stable and sustainable business model, contributing positively to India's financial sector while creating long-term value for its customers and stakeholders.

VII. SCOPE FOR FUTURE RESEAERCH

This study is limited to the analysis of SBFC Finance Limited based on secondary data. Future research may include a comparative analysis of SBFC Finance Limited with other leading NBFCs such as Bajaj Finance, Shriram Finance, or Muthoot Finance. Researchers can also examine customer satisfaction, digital lending practices, credit risk management, ESG initiatives, and the impact of artificial intelligence on lending decisions. Primary data

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collected through customer surveys and employee interviews could provide deeper insights into the company's operational performance and service quality.

VIII. CONCLUSION

SBFC Finance Limited has emerged as a significant player in India's Non-Banking Financial Company (NBFC) sector by providing secured lending solutions to self-employed individuals, small business owners, and MSMEs. The study found that the company has maintained steady financial growth through customer-centric services, effective risk management, and technology-driven operations. Its focus on responsible lending and financial inclusion has strengthened its market position and contributed to the growth of underserved business segments. Although the company faces challenges such as regulatory changes and market competition, its strong governance, expanding branch network, and sustainable business model provide a solid foundation for future growth. Overall, SBFC Finance Limited continues to play an important role in supporting entrepreneurship and promoting inclusive economic development in India.

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