

only about 14% of Scheduled Commercial Banks (other than RRBs)¹. In order to finance and sustain the great economic expansion, financing requirements have risen in lockstep and will continue to rise. In satisfying the economy's finance needs, NBFCs have acted as a complement to other financial institutions, including banks. They serve to cover the gaps in financial service availability that would otherwise exist in bank-dominated financial systems. NBFCs have played a critical role in the economy over the years. They have been at the vanguard of meeting the financial requirements of the so-called unbankable masses in rural and semi-urban areas, as well as creating new streams of income. They have built a means of reach and communication by forming strong links at the grassroots level, and they are very efficiently serving this section. As a result, NBFCs possess all of the necessary features to enable the government and regulator to complete the financial inclusion objective in the period allotted. Furthermore, NBFCs in India play a key role in delivering innovative financial services to Micro, Small, and Medium Enterprises (MSME) that are best suited to their needs. Simple processes and procedures in credit sanction and disbursement, prompt, pleasant, and flexible terms of repayment aligned to the particular qualities of its clients are all characteristics of NBFC financial services.

Evolution

Non-banking Financial Institutions (Non-banking Financial Institutions) Soon after independence, India embarked on an ambitious industrialization programme that necessitated long-term capital investment. The government of India established industries that were necessary and required large investments in the public sector. The government also provided guarantees if public-sector enterprises secured loans from foreign organisations. Institutions of public finance have been developed. The Industrial Development Bank of India and the statutory finance corporations, for example. Large and medium industrial concerns have benefited directly from development banks, whereas small and medium industrial concerns have benefited from State Financial Institutions. These companies issue bonds and debentures, as well as accepting public deposits. However, the private sector had to rely primarily on commercial banks, which had not yet developed to the size required to offer corporate capital to the promoters. Working capital has traditionally been provided by traditional banks to support manufacturing operations. Companies were largely reliant on loan transactions due to a lack of financial resources to support expanding activities. Deferred payment arrangements were used to import capital items such as machinery and equipment. The importance of an efficient and well-developed financial system in affecting economic growth is extensively recognised in academic literature. The favourable impacts of financial development on growth can largely be attributed to the roles it performs, particularly in the mobilisation and allocation of resources required for various economic agents to engage in productive investment activities. According to theoretical literature, increased availability of financial tools and institutions lowers transaction and information costs in the economy, which influences savings rates, investment decisions, and technological innovation.

Related work

R Maheshwari et al. In India's economy, the banking industry plays a critical role. The size of the profit demonstrates the organization's efficiency; the larger the profit, the faster the growth rate. Profitability is determined by the efficient use of funds in order to achieve maximum profit for expansion. Simultaneously, the number of non-banking financial institutions has grown dramatically in recent years as venture capital firms, retail firms, and industrial firms have entered the loan market. Nonbank institutions regularly assist businesses with property investments and prepare feasibility, market, or industry studies. According to several studies, there is a strong link between financial development and economic growth. NBFIs are more developed in a market-based financial system than in a bank-based system. Established lenders are sometimes hesitant to integrate NBFIs in existing credit-information-sharing arrangements due to increasing competition. NBFCs have been assisting the organised banking sector by bridging credit gaps, i.e., addressing the growing financial needs of the corporate sector, giving loans to the unorganised sector, and small local borrowers.

Table 1: Personal loans by banks and non-banking financial companies, broken down by age, gender, and educational attainment.

		Banking	Non Banking
Age	below 30Yrs	18 (19.4)	17 (18.3)
	31-40 yrs	37 (39.8)	40 (43.0)
	41-50 Yrs	19 (20.4)	20 (21.5)
	Above 51 Yrs	19 (20.4)	16 (17.2)
	Female	27 (29.0)	25 (26.9)
Gender	Male	66 (71.0)	68 (73.1)
	Degree	75 (80.6)	78 (83.9)
Educational Qualification	Non degree	18 (19.4)	15 (16.1)
	Personal Loan	93 (100.0)	93 (100.0)
Type of Loan		93 (100.0)	93 (100.0)
Total			

Source: Primary Data (2017-2018) Banking and Non-Banking

Kshetrimayum Ranjan Singh et al[2] DR. Kshetrimayum Ranjan Singh et al The current study, titled "Growth and Development of Non-Banking Financial Companies in India," focuses on topics such as defining the word NBFCs, NBFC evolution, growth, and development, regulatory agencies, and NBFC supervision. The purpose of this article is to examine the evolution, expansion, and development of India's non-banking financial companies.

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[3] Financial intermediaries such as non-banking financial corporations (NBFCs) play a critical role in the financial system, especially in a growing economy like India. By catering to the different financial needs of clients who are not served by banks, NBFCs play an important role in supporting inclusive growth in the

country. In addition, NBFCs frequently take the lead in delivering innovative financial services to Micro, Small, and Medium Enterprises (MSMEs) that are best suited to their needs. The NBFC sector has always played a key part in the Indian economy's growth and, as a result, it must be properly maintained. NBFCs have typically served as a supplement to the banking industry. They have met the needs of borrowers who were previously deemed unsuitable by banks. A consumer with a low or moderate income may be unable to pass the bank's credit worthiness test. Customers can take advantage of the NBFCs' financial services. Banks also play a role in semi-urban and rural areas for the sole purpose of collecting deposits or just meeting RBI priority target requirements. In rural and semi-urban areas, NBFCs are filling the harmful voids left by banks. They've also aided in the development of small and micro businesses by providing various financial services. NBFCs act as credit providers at a significantly faster rate than banks. Furthermore, NBFCs have aided in reaching those parts of the country that are underserved by banks. This study paper focuses on the role of non-bank financial companies (NBFCs) in fostering India's economic growth. It also outlines the sector's numerous strengths, opportunities, challenges, and problems, as well as the path forward.

Methodology to be used

The current research is exploratory and diagnostic, and it relies on secondary data. The research is primary and is based on secondary data. Desk research was conducted in the first stage of the study to collect, review, and draw a clear empirical grasp of past research works and their discussions on NBFC performance in India. The study used a diagnostic research technique to figure out what was causing the problem. The study will also look into the elements that drove NBFC growth and performance. The study's research design includes approaches such as (i) identifying the research problem, (ii) diagnosing the research issue, (iii) finding a solution to the problem, and (iv) proposing a remedy to the issue raised. Financial access is crucial for a big and diversified country like India to foster growth and entrepreneurship. There has been a significant growth in the number of bank accounts since the advent of government-backed initiatives (such as the Pradhan Mantri Jan-Dhan Yojana [PMJDY]); nonetheless, only 15% of adults have reported utilising an account to make or receive payments. By giving in principal licences to as many as 21 players to form specialised banks over the next 18 months, the government and regulatory organisations have made important steps to boost this number (and hence financial access). Other industry organisations, such as the National Payments Corporation of India (NCPI), have taken a concentrated strategy to further enhance and augment the payments ecosystem by launching the Unified Payment Interface (UPI) and Bharat Bill Payments System. The advent of such specialised players and systems will have a significant impact on the entire banking value chain. This creates a strategic opportunity for NBFCs to achieve long-term, sustainable growth. Partnerships with payments banks, bill payment providers, and other financial institutions, such as insurance and asset management firms, will enable NBFCs to provide a full range of services, including deposits, loans, investments, and transactions. NBFCs' reach, combined with their in-depth knowledge of the sector, can help them promote themselves as a better option to traditional banking. In addition, the Indian client is increasingly embracing digital as a way of life. With a user base of 220 million, India is now the second largest smart phone market, and is predicted to surpass 300 million by 2017. NBFCs must rethink their

strategy to improve their product portfolio (positioning and pricing), procedures (internal and client facing), and end-to-end customer experience to stay relevant in such an environment. In order to effectively service customers, they must also take advantage of the massive amounts of digital (and social) client data accessible. Some of the key causes for India's low credit penetration are the lack of income proofs or IT returns due to temporary/self-employment. To assist NBFCs in making better lending choices, digital and social data can often operate as a surrogate for such paperwork. With the launch of the Digital India programme, the government of India's main initiative to digitally empower society, NBFCs would need to figure out how to service younger clients through digital channels. To ensure that the research activity is carried out efficiently, the data gathering is divided into two stages. The researcher focused on the review of secondary data from available literature in the first stage, which is part of the desk research activity. Bank reports, RBI data bases, bank performance reports published in journals, magazines, and web sites relating to the main subject were also used to collect data. To gain a comprehensive knowledge of NBFC performance, the data in financial statements has been meticulously classified, and comparisons have been performed in accordance with the study' goal. Variable analysis can be done in a variety of ways: Some of the financial data analysis methodologies employed in the study are as follows: Statements that compare, ANOVA, Pearson's correlation, Paired t-test, Multiple regressions, Structural equation modelling, Multiple regression analysis (in SEM), Estimation and model fit, Model fit (goodness-of-fit indices), and Rotation factor analysis are some of the techniques used in trend analysis (time-series analysis).

NBFCs' Overall Financial Performance This portion of the study presents the study's primary findings in a concise manner.

- According to the report, Mahindra & Mahindra Financials outperformed the other 15 NBFCs in terms of income, total income, revenue, total revenue, other income, and total expenses.
- According to the survey, Power of Finance outperformed the other 15 NBFCs in terms of profit before tax, profit after tax, loans and advances, current assets, and net worth.
- According to the analysis, Rural Electricity's financial performance in terms of current liabilities is comparable to that of the other 15 NBFCs.
- The analysis found that IFCI's financial performance in terms of fixed assets outperformed the other 15 NBFCs.
- When compared to the other 15 NBFCs, KGN Industries' financial performance in terms of current ratio and quick ratio is adequate.
- It was deduced that LIC Housing Finance's financial performance in terms of debt equity outperformed the other 15 NBFCs.
- According to the report, Muthoot Finance had a better financial performance than the other 15 NBFCs in terms of return on capital employed.
- According to the survey, Centrum Capital outperformed the other 15 NBFCs in terms of asset turnover ratio.
- According to the survey, Shriram City Union Finance outperformed the other 15 NBFCs in terms of equity per share.

- According to the survey, Reliance Capital's financial performance in terms of assets turnover ratio was better than the other 15 NBFCs.

Suggestions Based on the extensive data research, it was discovered that none of the 16 NBFCs chosen for analysis performed well in the many metrics examined, including interest income, revenue generation, profitability, investments, loan advances, net worth, and short and long-term financial leverages. Based on the findings of the study, the following recommendations are made to improve their financial performance in the near future as well as their long-term viability:

Conclusion

NBFCs are well-known for providing financial services such as simple credit approval and disbursement processes, as well as timely friendly and flexible repayment terms tailored to the unique characteristics of their clients, they charge a higher interest rate than their counterpart Scheduled Commercial Banks. As a result, NBFCs are advised to lower and control their interest rates in order to improve their financial results and overcome certain challenges or gain certain benefits.

- It is recommended that NBFCs operating in India limit the interest rates they charge on loans they make. Lending is the main source of income for NBFCs, just like it is for banks. If NBFCs do not limit their interest rates, they risk losing money due to low profit margins, high bad debts, and a slower recovery of principal money, among other things.
- NBFCs, like banks, are encouraged to create an organisation that will assist them in developing consistent interest rate norms for both lending and deposits. Similarly, the organisation may establish norms for the collecting of commission income from leasing businesses, which are another key source of revenue for NBFCs.
- It is strongly recommended that NBFCs be regulated.

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