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E-Journal of Research

ISSN NO: 2395-339X

"A STUDY OF FINANCIAL HEALTH OF SELECTED NON BANKING FINANCIAL COMPANIES OF INDIA"

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ABSTRACT:

Contribution of Non-banking financial companies cannot be deniable, it play role as bridge for business finances. Main works of these types of companies are to accept deposits, delivers credit and create wealth for financial sector. NBFCs are liable for providing financial services and not regulated by separate governing body and do not hold a licence like banking for providing services regarding like banking operations. NBFCs are focused on economic activities like loans an advances, acquisition of shares, stock, bonds, debentures, securities issued by the government/local authority or other similar marketable securities, leasing, hire-purchase, insurance business. NBFCs are established under the companies Act and also regulated by this Act but get licence with the Reserve Bank of India. So it is very important to conduct research on it, in this research paper research researcher selected three top NBFC companies based on market capitalization and for testing hypothesis researcher used analysis of variance.

KEYWORDS: NBFCs Sector, Financial Analysis, Analysis of Variance

INTRODUCTION:

It is very interesting about NBFCs is a financial institutions that provides services like banking but without holding licence like bank, it play as role like bank accept deposits, delivers credit and create wealth for financial sector. NBFCs are focused on economic activities like loan an advances, acquisition of shares, stock, bonds, debentures, securities issued by the government/local authority or other similar marketable securities, leasing, hire-purchase, insurance business. Now days NBFCs sector play important role in development of economy compare to banking sector.

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E-Journal of Research

ISSN NO: 2395-339X

LITERATURE REVIEW:

Gopal Samy & Dr. M. Nandhini (2017). Have made attempt on “a study on financial performance of selected non-banking financial companies in india” main area of research was to identify the overall performance of financial for the past five years. In this research article researcher was wanted to know the business ethics followed by the company in financial activity in NBFC. Researcher have concluded that when compared to other NBFC the performance of Tata Capital Housing Finance Limited was good and other companies have to increase the financial leverage in future period of time.

Suneel Kumar and A. P. Hosmani (2019) have conducted study on “Financial Performance of Non-Banking Financial Companies (NBFCs) In India”. This research article focused on Non Banking Financial Company registered under the Companies Act and engaged in the business of financial products. Researchers have concluded that NBFCs playing critical role in the development of infrastructure, transport and generation, business loan structure of company. Researchers have suggested about financial stability, financial inclusion and harnessing of specialized domain expertise.

Davinder kaur (2018) has written article on “A Study of Financial Performance of NBFCs”. Researcher has conducted study on financial perspective of NBFCs from different parameters viz. expenses, income, taxes, profit, and assets. Researcher has concluded that financial performance of NBFCs is quite satisfactory during the study period. Researcher has suggested that with sound financial position and good financial performance NBFCs can and are contributing in the economic growth of country.

PROBLEM STATEMENT:

The statement of problem is "A Study of Financial Health of Selected Non Banking Financial Companies of India"

OBJECTIVES OF THE STUDY:

Behind every study there are some objectives. NBFCs hold great importance for the economic development of the nation. The objectives of the present study are:

1. To Check financial health of selected non banking financial companies of India during study period.

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2. To compare financial health of selected non banking financial companies of India during study period.

HYPOTHESIS OF THE STUDY:

To evaluate the financial health of selected non banking financial companies the following Hypothesis was framed.

1. H_0 : There is no significant difference in the financial health Ratios of selected non banking financial companies during the study period.
2. H_1 : There is significant difference in the financial health Ratios of selected non banking financial companies during the study period.

SIGNIFICANCE OF THE STUDY:

This research is very important because non banking financial companies play role in development of the country. So it becomes necessary to find out the causes and solution of serious financial problem of non banking financial companies which impact profitability. In depth analysis is useful to all stake holders of the company as well as research scholar for further research.

➤ RESEARCH METHODOLOGY

POPULATION OF THE STUDY:

The population of study is all non banking financial companies which listed in BSE or NSE.

SAMPLE OF THE STUDY:

Researcher has selected the sample of three non banking financial companies on the base of market capitalization.

Non Banking Financial Companies Of India
Bajaj Finance Limited
Muthoot Finance Ltd.
Bajaj Holdings & Investment Limited

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SOURCE OF DATA:

The study is based on secondary data for which the data was collected from various websites and annual reports of selected non banking financial companies.

PERIOD OF STUDY:

The present study was conducted for 5 years i.e. from 2015-16 to 2019-20.

TOOLS AND TECHNIQUES:

For the analysis researcher used accounting ratio as accounting tools and for testing hypothesis researcher used Analysis of variance. Researcher selected following ratios

Liquidity ratios	Margin ratios	Return ratios
Current ratio	Gross profit ratio	Return on capital employed ratio
Quick ratio	Net profit ratio	Return on assets ratio

ANALYSIS AND INTERPRETATION:

➤ LIQUIDITY RATIOS

Table Showing Analysis of **Current Ratio** of Selected Non Banking Financial Companies:

Name \ Year	2015-16	2016-17	2017-18	2018-19	2019-20
Bajaj Finance Limited	1.57	1.55	1.66	3.06	2.87
Muthoot Finance Ltd.	1.77	1.55	22.58	1.85	1.73
Bajaj Holdings & Investment Limited	11.03	58.54	782.66	218.05	54.00

(Source: <https://www.moneycontrol.com/>)

For testing the hypothesis ANOVA test has been calculated as follows:

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	162598.5	2	81299.25	2.355839	0.137078	3.885294
Within Groups	414 116.2	2	3 4509.69			

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ISSN NO: 2395-339X

Total	576714.7	14				
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Table Showing Analysis of **Quick Ratio** of Selected Non Banking Financial Companies:

Name \ YEAR	2015-16	2016-17	2017-18	2018-19	2019-20
Bajaj Finance Limited	1.57	1.55	1.66	3.06	2.87
Muthoot Finance Ltd.	1.77	1.55	22.58	1.85	1.73
Bajaj Holdings & Investment Limited	11.03	58.54	782.66	218.05	53.99

(Source: <https://www.moneycontrol.com/>)

For testing the hypothesis ANOVA test has been calculated as follows:

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	162595.6	2	81297.78	2.355776	0.137084	3.885294
Within Groups	414119.7	12	34509.97			
Total	576715.2	14				

➤ MARGIN RATIOS

Table Showing Analysis of Gross profit ratio of Selected Non Banking Financial Companies:

Name \ YEAR	2015-16	2016-17	2017-18	2018-19	2019-20
Bajaj Finance Limited	67.73	67.14	65.70	70.03	64.79
Muthoot Finance Ltd.	74.61	74.08	76.29	76.98	77.36
Bajaj Holdings & Investment Limited	92.66	75.48	85.73	8.27	76.70

(Source: <https://www.moneycontrol.com/>)

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E-Journal of Research

ISSN NO: 2395-339X

For testing the hypothesis ANOVA test has been calculated as follows:

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	238.6919	2	119.3459	0.308241	0.740386	3.885294
Within Groups	4646.21	12	387.1842			
Total	4884.902	14				

Table Showing Analysis of Net Profit Ratio of Selected Non Banking Financial Companies:

Name	YEAR				
	2015-16	2016-17	2017-18	2018-19	2019-20
Bajaj Finance Limited	17.50	18.42	19.89	21.60	19.95
Muthoot Finance Ltd.	16.62	20.42	27.46	27.69	32.72
Bajaj Holdings & Investment Limited	72.70	58.86	64.30	51.80	5.68

(Source: <https://www.moneycontrol.com/>)

For testing the hypothesis ANOVA test has been calculated as follows:

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	2772.202	2	1386.101	5.662248	0.018544	3.885294
Within Groups	2937.563	12	244.7969			
Total	5709.765	14				

➤ RETURN RATIOS

Table Showing Analysis of Return on capital employed ratio (ROCE) of Selected Non Banking Financial Companies:

Name	YEAR				
	2015-16	2016-17	2017-18	2018-19	2019-20
Bajaj Finance Limited	3.82	14.95	13.62	15.21	15.55

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Muthoot Finance Ltd.	6.66	35.65	15.74	29.88	31.70
Bajaj Holdings & Investment Limited	14.77	3.52	1.40	1.27	0.82

(Source: <https://www.moneycontrol.com/>)

For testing the hypothesis ANOVA test has been calculated as follows:

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	965.0727	2	482.5363	6.913631	0.01006	3.885294
Within Groups	837.539	12	69.79492			
Total	1802.612	14				

Table Showing Analysis of Return on Assets Ratio of Selected Non Banking Financial Companies:

Name \ YEAR	YEAR				
	2015-16	2016-17	2017-18	2018-19	2019-20
Bajaj Finance Limited	2.75	2.88	3.07	3.21	3.20
Muthoot Finance Ltd.	2.97	3.72	5.43	4.97	5.71
Bajaj Holdings & Investment Limited	14.64	13.82	10.50	11.28	9.12

(Source: <https://www.moneycontrol.com/>)

For testing the hypothesis ANOVA test has been calculated as follows:

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	223.5888	2	111.7944	49.8571	1.54-06	3.885294
Within Groups	26.90756	12	2.242297			
Total	250.4964	14				

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FINDINGS:

1. Current ratio of Bajaj holding and investment limited was highest i. e. 782.66 in 2017-18 and least of Bajaj finance and Muthoot finance ltd i. e. 1.55 in year 2016-17.
2. Quick ratio was highest of Bajaj holding and investment limited i. e. 782.66 in year 2017-18 and least of Bajaj finance and muthoot finance ltd i. e. 1.55 in year 2016-17.
3. Gross profit ratio of Bajaj holding and investment was highest in the year 2015-16 i. e. 92.66 and least of Bajaj finance limited i. e. 64.79 in year 2019-20.
4. Net profits ratio of Bajaj and holding and investments was highest in the year 2017-18 i. e. 64.30 and least of 5.68 of it also in 2019-20 among selected NBFCs.
5. Return on capital employed ratio of muthoot finance ltd was highest in year 2016-17 and least of bajaj holdings and investment in year 2019-20 i. e. 0.82.
6. Return on assets ratio of bajaj holdings and investment limited was highest in year 2015-16 i. e. 14.64. and least of bajaj finance limited in year 2016-17 i. e. 2.75.

ANALYSIS RELATED TO ANOVA

Ratio	Calculated value	Table Value	H ₀ Accepted/Rejected
Current Ratio	2.36	3.88	H ₀ Rejected
Quick Ratio	2.36	3.88	H ₀ Rejected
G.P Ratio	0.30	3.88	H ₀ Rejected
N.P. Ratio	5.66	3.88	H ₀ Accepted
ROCE Ratio	6.91	3.88	H ₀ Accepted
ROA Ratio	49.86	3.88	H ₀ Accepted

SUGGESTIONS:

1. It is necessary for Bajaj holdings and investment company to maintain gross profit margin is biggest indication of danger situation it continuously decreasing by year to year.

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2. Net profit ratio, return on assets ratio and return on capital employed is showing dangerous sign for Bajaj holdings and investment ltd if debt burden is not decreased soon then may this company facing problems related to bankruptcy.
3. All selected NBFCs have to maintain current and quick ratio may all selected companies face liquidity crises due to it.

LIMITATIONS OF THE STUDY:

1. The study of NBFCs is based on secondary data that collected from secondary sources it has its own limitations.
2. This study of NBFCs is limited for five years only.
3. In this study only ratios are consider for evaluation.
4. The study of NBFCs is based on three leading NBFCs so the study is only indicative and not conclusive.

CONCLUSION:

It can be concluded that there is significant difference among the selected ratios of selected Non-banking financial companies during the study period 2015-16 to 2019-20 except net profit ratio return on assets ratio and return on capital employed ratio which means they are not same but changing at a vast interval year by year. Overall the financial health of Bajaj finance Ltd and Muthoot finance ltd was considered as good with comparison of Bajaj holdings and investment ltd.

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