IJCRT.ORG ISSN : 2320-2882

INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

Consumer Behaviour And Perception Towards NBFC Vs Private Banks

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Abstract:

The scarcity of a higher number of financial institutions and the growing financial needs of huge population of the world demanded an alternative and supportive set of financial institutions which would complement the existing banking system. This lead in to the development of shadow banking throughout the world which increased the accessibility to financial services leading in to improved competition in the system and eventually diversified the entire financial system. The Non-Banking Financial Companies (NBFC) an integral part of Shadow banking careered initially to the needs of the borrowers who were either inaccessible to the regular banking system or not considered suitable for credit by the banks. It has been over the past few decades that the NBFC's are prone to huge changes, volatility and turbulence owing to multiple factors including regulatory environment in place, market dynamicity and most importantly public sentiments. More importantly service the quality practiced in NBFC can have a huge impact on establishing a positive attitude within the community. Consumer. In this research paper, Researchers seek to understand the consumer behaviour and perceptions towards NBFC vs private banks.

Keywords: Financial institutions, CAMEL Model, Consumer Behaviour, Perception, NBFC, Private Banks

INTRODUCTION:

Indian banking has emerged with inside the ultimate many years of the 18th century. The first banks had been the Hindustan Bank (1770-1829) and the General Bank of India (based 1786, then abolished). Banking in India may be extensively labelled into nationalized (kingdom owned) banks, non-public banks and personal banks. Professional banking institution. The Reserve Bank of India acts because the primary authority to oversee everything. System deviations and errors. Nationalized banks have thrived on account that they had been nationalized in 1969 and were massive ever on account that. Hurry up and get closer. Another recognition of presidency coverage has been the improvement of the cooperative quarter and law. area. With the liberalization of the worldwide economy, governments have allowed the general public quarter to do the same. I was running within side the banking quarter on account that 1991. Currently, India's economic machine includes public, non-public, cooperative, improvement and overseas banks. The manipulate and law of alternatives buying and selling in a lot of these banks has been delegated to the Reserve Bank of India, the primary governing frame for all banks in India. A non-financial institution economic organization (NBFC) is an organization registered beneath the Companies Act 1956. Loans, percentage purchases, stocks, bonds and installments in India. Insurance enterprise consists of agricultural, industrial, interest or sale, buy or construction. property. A financial institution whose stocks are predominantly owned via way of means of non-public shareholders or groups in place of via way of means of the kingdom. Known because the old-era non-public banks after maximum banks known as non-public banks endured to operate. When liberalization rules had been brought in India, certified banking groups which include HDFC Bank, ICICI Bank and Axis Bank had been visible as a brand-new era of personal groups. banking quarter.

Private banks in India include local banks, clearing banks, microfinance banks and foreign banks. Most of these banks are at the forefront of expanding their ATM networks and adopting technology solutions such as internet/telephone/mobile banking solutions. They also hired direct sales agents to sell their credit products. This has enabled private banks to offer better service and convenience to their customers and has enabled these banks to compete fiercely with their public sector competitors. Private banks have several other advantages over public sector banks (PSBs).

However, NBFCs cannot accept deposits, so they borrow money from banks and mutual funds and lend it out at slightly higher interest rates. Based on the type of business, NBFCs can be classified as asset finance companies, loan companies, investment companies, infrastructure financial institutions, microfinance institutions, factoring companies, infrastructure debt funds, or housing finance companies. His NBFC sector in India has undergone significant changes in recent years and is now considered an integral part of the Indian financial system.

NBFC has played a key role in the development of the infrastructure segment. In recent years, most of the debt financing for infrastructure projects has come from his NBFC.

Literature Review:

(Shukla and Malusare, 2009) The main purpose of bank capital requirements is to absorb shocks. Therefore, based on the risk management policy, the bank should determine the quantity and quality of capital.

(KOUNDAL, 2012) The paper concludes that various reforms have had a positive impact on Indian commercial banks.

(Tiwari, Pratap Singh and Singh, 2016) In summary, NBFCs play a key role in meeting the financial needs of small and medium-sized industries and indirectly play an important role in the development of the Indian economy.

(P. Srinivasa and Kumar, 2017), India's financial market is relatively small compared to its population and economy, regardless of the size of new issuance.

(Rao, 2014) In terms of banking, HDFC's performance is he better than SBI, and HDFC is better for investors and risk takers who plan to make long-term investments, but corporate price markets In terms of growth, he is better at SBI.

(Julka, 2013), respondents' attitudes toward the transition from NBFCs to banks are positive in banking sector executives.

(Vadde, 2011) It was observed that the consolidated results of selected non-state-owned financial and investment companies accounted for the growth in core and other revenues from 2008 to 2009.

(Satpal, 2014) NAPs have always caused major problems for Indian banks. This is not just a problem for banks, it is also a problem for the economy.

(Akhan, 2009) found that non-bank financial companies (NBFCs) play a very important role in today's tightening monetary policy. (Kaur, 2010) show that the extent of India's rural debt continues to increase in addition to the phenomenally growing sector.

Research methodology:

Purpose of research:

- To Study and understand Indian Banking and Non-Banking Finance Associations (NBFCs).
- Benchmarks for commercial banks and non-bank financial companies.
- CAMEL ratio.

Beneficiaries of study:

- Private Bank
- NBFCs
- SEBI

Data collection method:

- Secondary data – from books, internet, articles, newspapers, magaziness.

Research design:

- Our study design is a descriptive study design.

Data analysis and interpretation:

Collected NBFC and BANKS data are analysed according to the concept of trend analysis. “Trend analysis analyses the development of a company by comparing annual results. Analyse market trends and the future based on past performance and your company's performance, I’m trying to make the best decisions based on the results of my analysis. "Interpretation of the data is done by putting the values into various ratios. Company from 2017 to 2021.

Data interpretation for NBFCs and Private Banks:

1. Capital Adequacy Ratio:

RATIOS (CAR) FOR SELECT BANKS

1. C - CAPITAL ADEQUACY RATIOS FOR SELECT BANKS & NBFC								
YEAR /BANKS		NBFC				BANK		
	Mahindra & Mahindra		Bajaj Finance		HDFC BANK		ICICI BANK	
	[redacted]				[redacted]			
Mar '20	19.6	5.26	25.01	3.3	18.52	7.56	16.11	8.24
Mar '21	26.2	3.99	28.34	2.8	18.79	7.22	19.12	7.09
Mar '22	27.8	3.58	27.22	2.95	18.9	7.26	19.16	7.01
AVG	[redacted]				[redacted]			
RANK	2	2	1	1	3	3	4	4

Table No. 1: The debt to equity ratio shows the percentage of company financing that comes from creditors and investors. High leverage indicates that more money is being withdrawn from creditors (bank loans) than from investors (shareholders).

A debt equity ratio of 1 would mean that investors and creditors have an equal stake in the business assets. From the table-1, it is observed that the average debt equity ratio of BAJAJ FINANCE is lowest among all 4.

Hence the financial stability of BAJAJ FINANCE is better. Higher value of CAR ratio indicates better solvency and financial strength of the banks and lower value indicates poor solvency and financial strength of the banks.

CAR ratio is fluctuating yearly for all the selected BANK & NBFC. Here the average CAR of NBFC (BAJAJ FINANCE & MAHINDRA & MAHINDRA FINANCE) is higher than the other banks with 26.85 & 24.53 hence the NBFC is strong to absorb its losses than banks. So, it can be inferred that when considered C-CAR. As per two ratios BAJAJ FINANCE performance is better than all other.

2. Asset Quality Ratio:

ASSET QUALITY RATIOS FOR SELECT BANKS AND NBFC								
YEAR /BANKS	NBFC				BANK			
	Mahindra & Mahindra		Bajaj Finance		HDFC BANK		ICICI BANK	
	Gross NPA	Net NPA	Gross NPA	Net NPA	Gross NPA	Net NPA	Gross NPA	Net NPA
Mar '20	15.13	10.75	1.54	0.19	1.26	0.36	5.53	1.41
Mar '21	8.44	5.63	1.79	0.75	1.32	0.4	4.96	1.14
Mar '22	7.6	3.36	1.6	0.68	1.17	0.32	3.6	0.76
AVG	10.39	6.58	1.64	0.54	1.25	0.36	4.69	1.10
RANK	4	4	2	2	1	1	3	3

Table No. 2 depicted that Gross NPA to Net Advances in all the companies significantly declined up to FY 2021-22.

The average gross NPA to net advances of HDFC is per cent as compared to 10.39 per cent of Mahindra & Mahindra Finance Ltd., which shows better position of HDFC bank.

The average net NPA to net advances of Mahindra & Mahindra Finance Ltd. Is 6.58 per cent which is much more than the average net NPA to net advances of 0.36 per cent of HDFC Bank. The increase in NPAs is the result of volatile nature of lockdown & Shut down of Business, recovery of loans.

3. Management Quality:

All four companies have a good track record of management quality, with a well-structured board of directors and senior management team.

Verdict: All four companies have strong management quality.

2. M- MANAGEMENT QUALITY RATIOS FOR SELECT BANKS & NBFC				
YEAR /BANKS	Mahindra & Mahindra Bank	Bajaj Finance	HDFC Bank	ICICI Bank
	RNR	RNR	RNR	RNR
Mar '20	8.01	15.44	15.35	6.99
Mar '21	2.28	11.09	15.27	11.21
Mar '22	6.33	15.24	15.39	13.97
AVG	5.54	13.92	15.33	10.72
RANK	3	2	2	1

4. Earnings Quality:

4. E - EARNINGS CAPACITY RATIOS FOR SELECT BANKS & NBFC				
YEAR /BANKS	Mahindra & Mahindra Bank	Bajaj Finance	HDFC Bank	ICICI Bank
	ROA	ROA	ROA	ROA
Mar '20	183.16%	525.19%	311.83%	179.99%
Mar '21	118.72%	591.37%	369.54%	213.28%
Mar '22	126.24%	688.08%	432.95%	245%
AVG	1.427066667	6.015466667	3.7144	2.127566667
RANK	4	1	2	3

Table No. 4: shows that Return on Assets (ROA) is fluctuating during the study period but the average return on assets is high in Bajaj Finance.

Average ROA of Bajaj finance is 6.15 percent while it is 1.42 per cent in case of Mahindra & Mahindra.

Due to the number of factors mentioned above there is pressure on profits of the four companies which resulted into less efficiency of assets to generate the earnings.

5. Liquidity Ratio:

5. L - LIQUIDITY RATIOS FOR SELECT BANKS & NBFC				
YEAR /BANKS	Mahindra & Mahindra Bank	Bajaj Finance	HDFC Bank	ICICI Bank
	LATA	LATA	LATA	LATA
Mar '20	8.39	0.49	4.72	3.21
Mar '21	10.5	1	5.57	3.74
Mar '22	5.44	1.73	6.28	4.26
AVG	8.11	1.07	5.52	3.73
RANK	1	4	2	3

Table No. 5 depicts that companies have very low Liquid Assets to Total Assets Ratio in the FY 2019-20 but after that they make efforts to improve their liquidity position.

The liquidity ratio is highest in Mahindra & Mahindra Finance Ltd. with an average score of 8.11 percent. Whereas the lowest ratio in Bajaj Finance with 1.07%.

All the companies should make efforts to keep adequate amount of liquid funds to take advantage of the favourable investment opportunities and to meet the short-term obligations when they arise.

(6) OVERALL RANKING FOR SELECT BANKS & NBFC BASED ON CAMEL RATING.

Table-6: Overall ranking for select banks & NBFC based on CAMEL Rating

BANKS /RANKS	Mahindra & Mahindra	BAJAJ FINANCE	HDFC BANK	ICICI BANK
Capital Adequacy Ratio	2	1	3	4
Debt Equity Ratio	2	1	3	4
Gross NPA Ratio	4	2	1	3
Net NPA Ratio	4	2	1	3
Return on Net worth Ratio	4	2	1	3
Return on Assets Ratio	4	1	2	3
Liquid Assets to Total Assets Ratio	1	4	2	3
	7	4.33	4.33	7.66
Overall ranking	3	1	1	4

From the table-6, it can be acknowledged that HDFC bank has been best performance in Gross & Net NPA ratio, Return on Net worth Ratio. Bajaj Finance has best performance in Capital Adequacy Ratio, Debt equity Ratio & Return on Assets Ratio.

Mahindra & Mahindra has been worst performance in Gross NPA & Net NPA ratio, Return on Assets Ratio, & Return on Net worth Ratio expect Liquid assets to Assets Ratio where Mahindra & Mahindra Finance has been performing best among four companies.

ICICI BANK has been worst performance in Capital Adequacy Ratio & Debt-Equity Ratio. And also, worst performance in Camel Model Ratio among four companies. By considering ranks scored on the selected ratios in the CAMEL MODEL the HDFC BANK & BAJAJ FINANCE ARE ranked first in their performance

Result& Findings:

- As per the data analysis, the key findings of the study are: CRAR indicates the solidity of capital base of a bank. The mean CRAR of Bajaj Finance (26.85%) is greater than Other Bank & NBFC, which indicates Bajaj Finance is better equipped than others to cope up with unanticipated shocks in the capital market. The higher CRAR of Bajaj Finance also contributes to strengthen the confidence of depositors and promote stability in operation.

- Leverage indicates the percentage of corporate financing from creditors and investors. A high level of debt indicates that more creditor funds (bank loans) are being used than investor funds (shareholders). Bajaj Finance's average DER (3.01%) is lower than other banks and its NBFC

- As per the RBI guideline, if repayment for a loan isn't done for a period of consecutive 90 days. then that loan turns into an NPA for the bank. The Net NPA Ratio indicates the health of a bank's asset quality loan book. The lower the value, the better for the bank. In the research it is observed that Net NPA of Mahindra & Mahindra Finance (10.39%) is noticeably larger than HDFC bank (0.36%), which implies that HDFC Bank is more cautious in scrutinizing the profile of borrowers before granting an advance.

- The average RETURN ON NET WORTH ratio of HDFC bank is higher in all the selected banks & NBFC with 15.33. Hence, the HDFC BANK is performing more effectively in management of funds than other selected banks & NBFC.

 ROA portrays the extent to which a bank has effectively utilized its assets to generate profit. A greater value of ROA implies a comparatively healthier performance of the firm. In this context both the banks are very close to each other. But in terms of numbers, HDFC bank has got a slight edge over ICICI bank. The mean ROA of HDFC bank is 1.97% whereas it is 1.07% for ICICI Bank for the undertaken period. It implies HDFC bank has better income generating capacity from its assets than ICICI bank.

 All the companies should make efforts to keep adequate amount of liquid funds to take advantage of the favourable investment opportunities and to meet the short-term obligations when they arise. The liquidity ratio is highest in Mahindra & Mahindra Finance Ltd. with an average score of 8.11 percent. Whereas the lowest ratio in Bajaj Finance with 1.07%.

Suggestions & Conclusions:

Suggestions:

The research work comes up with the following suggestions:

- Both Bajaj Finance and HDFC Bank have performed fairly well in almost all the parameters in comparison to the average value of all those parameters taken for all commercial banks & NBFC operating in India.

- All four need to maintain their peak performance or make it even better year on year to sustain their leadership in the sector.

- Banks & NBFC should more focus on Liquidity Assets. The average LIQUID ASSETS TO TOTAL DEPOSITS ratio of Mahindra & Mahindra is higher in all selected banks & NBFC.

- Return on Assets (ROA) for all the banks & NBFC is above the Pan-India average. Still both the banks should put their effort to increase this value to get the satisfaction for optimal utilization of employed capital.

- Mahindra & Mahindra Finance should more conservatively scrutinize customers' profile before lending and should focus a bit more than usual on recovery of advances to decrease its Net NPA Ratio which is commendably managed by HDFC bank.

Conclusion:

Various financial ratios, prescribed in the CAMEL framework, are taken into consideration to evaluate the performance of Banks & NBFC Though the analysis shows that both the banks & NBFC are maintaining the required statutory standards and are running profitably, still HDFC bank & Bajaj Finance emerges as the winner in this comparison.

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