

An Analytical Study on the Profit and Growth Performance of Non-Banking Housing Financial Companies in India

***Dr. Chaavi S. Chaturvedi**

Abstract:

Non-banking financial companies' growth and diversification are crucial for the development of the economy's financial markets. NBFCs and unincorporated entities have been competing and complementing commercial banks globally for many years. NBFCs grew faster than other financial system components throughout a country's progressive progression. In the US, NBFCs had significant expansion in the first three decades of the 20th century. Today, NBFCs account for two of the top five commercial lenders and three of the top four consortia financing providers. In several nations, NBFCs have successfully served households, farms, and small businesses.

Keywords: Performance, terms, profit, Growth,

Introduction:

Financial arrangements are an important feature of economic progress. A developing economy requires more savings and effective institutional frameworks to mobilize and allocate funds. These arrangements must evolve to meet the economy's changing financial demands. A strong capital market is crucial for efficient deployment of savings in an economy. A financial system that includes financial institutions, products, and markets facilitates the flow of capital from savers to investors. Financial organizations allocate resources efficiently to high-yielding investment projects, resulting in attractive returns for depositors.

Review of Literature:

In 2015, Safania Saeid published "The Study of Non-Banking Financial Companies in India" in 'Asian Journal of Development Matters'. Non-banking financial firms (NBFCs) play a significant role in Indian economic development due to their access to certain deposit sectors and ability to meet the credit needs of specific borrowers. Non-banking financial organizations (NBFCs) play a significant role in India's economic development by providing access to deposit sectors and specialized loans for certain borrower classes. A non-banking financial institution is a corporation that primarily accepts deposits or lends in any way.

Ghosal (2016) discusses "Emerging Growth Model for Micro Financing Institutions: Banks or Non-Banking Finance Companies" in the 'SAARJ Journal on Banking and Insurance Research'. Recently, microfinance organizations have seen rapid expansion. This may be linked to the growing emphasis on inclusive development and the success of microfinance institutions in reaching out to the

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disadvantaged via sustainable business models. Mohd. Yunus, the pioneer of MFIs, encouraged youngsters to create a sustainable business model for the underprivileged by building MFIs using new technologies to reach them at a low cost and maximize advantages.

Thiyagarajan and Arulraj (2016) published a research article named "Mediating Effects of Funding Strategies and Profit Maximization: Indian Non-Banking Finance Sector" in the Journal of Asian Business Studies. The linkage of their fund mobilization to their internal finances has a significant impact on their fund mobilization. The research aims to examine how finances impact profitability and optimize financing strategies in India's non-banking financial industry. The study examines numerous methods for maximizing earnings. The research also looks at trends in funding sources by examining important financial factors. Structural equation modeling (SEM) is used to assess a formative model that aims to understand how finances impact profitability. The article contains a variety of financial factors, including foreign and internal finances. The link between these factors and core operational profit is analyzed using graphical structural equations and package software. Borrowings are shown to have mediating effects on profitability. The article suggests that using short-term financing might successfully bridge the funding gap. The research found that various fund-raising tactics, including debenture floatation, bank borrowings, and short-term fundraising programs, may impact earnings. The research focuses on non-bank lending enterprises in a certain state in India. Geographical and demographic factors may impact generalization. However, the country's geographical and demographic qualities have been carefully matched. This report provides valuable insights for industry managers, lenders, and financial forecasts in the sector. New businesses might use the insights into their fundraising strategies.

Methodology

The research methodology has been adopted in the preparation of the Article. With the help of primary sources and Secondary source, published records like books, journals, magazines, newspaper articles, reports along with internet resources, important terms and concepts related to, performance of non-banking housing financial companies terms of profit and growth in India Study has been done to understand the terms profit and growth.

Table 1: Showing Operating Profit Margin (OPM) of Select Non Banking Housing Financial Companies in India for the study period 2013-17(In Percentage)

Year	DHFL	GIC Housing Finance	Gruh Finance	HDFC Ltd.	LIC Housing Finance
2013-14	88.01	79.69	91.14	96.63	89.84
2014-15	89.16	88.88	93.52	97.04	93.69
2015-16	90.25	88.13	92.73	96.87	95.33
2016-17	91.12	88.71	93.42	97.11	96.43
Average	89.63	86.85	92.7	96.91	93.32

Source: Annual Reports of Selected Companies.

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Table No. 1 shows the highest operating profit margin of over 80% throughout the research period. The operational profit per 100 rupees was 80, with an average margin ranging from 87.99% to 96.46%. Although the trajectory of OPM for the whole list fluctuated, it had a positive influence on Net Profit Margin. All firms performed well in terms of profitability, indicating that they create value for shareholders.

Table 2: Net Profit Margin of Selected Non-Banking Housing Financial Companies in India (2013-2017)

Year	DHFL	GIC Housing Finance	Gruh Finance	HDFC Ltd.	LIC Housing Finance
2013-14	10.64	15.06	20.91	22.48	14.11
2014-15	10.91	15.35	22.42	22.92	13.35
2015-16	12.04	13.53	23.68	23.75	14.89
2016-17	18.27	33.73	25.49	27.44	21
Average	12.97	19.42	23.13	24.65	15.84

Source: Annual Reports of Selected Companies.

The aforementioned table, No. 6.05 Non-banking housing financial companies' net profit margins varied during the research period. HDFC and Gruh Housing Finance have higher net profit margins than other firms like Dewan Housing Finance and GIC Housing Finance. To be more precise, HDFC and Gruh Housing Finance have shown the best trend in net profit margin.

Dewan Housing Finance and GIC Housing Finance have seen a decline in net profit margins. Future research might investigate why this is the case. The average net profit margin ranged from 14.57% to 25.83%. The best average margin was provided by HDFC. Dewan Housing Finance and GIC Housing Finance have reported poor margins.

Year	DHFL	GIC Housing Finance	Gruh Finance	HDFC Ltd.	LIC Housing Finance
2013-14	11.9	10.65	20.4	11.68	14.45
2014-15	12.45	11.22	21.15	12.08	14.87
2015-16	13.1	11.74	21.63	12.56	15.12
2016-17	13.85	12.2	22.08	13.04	15.64
Average	13.12	11.7	21.56	12.58	15.22

Source: Annual Reports of Selected Companies.

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Table No. 3 shows a sustainable profits growth rate ranging from 12.10% to 16.99% for the research period. GIC Housing Finance and LIC Housing Finance Companies have substantial volatility in their sustainable growth rate of profits. The volatility rates for GIC Housing Finance and LIC Housing Finance are 180% and 129%, respectively. HDFC and Gruh Housing Finance shown minimal volatility in sustained profits growth. The two firms had 71% and 68% growth, respectively. Gruh Housing Finance has a higher average sustainable profits growth rate than Dewan Housing Finance Ltd. Gruh Housing Finance outperforms Dewan Housing Finance in terms of future growth potential, with an average sustainable growth rate of 16.99%. Companies are recommended to improve their incremental performance in terms of both Return on Equity and Savings. A firm that performs well and saves more will have the most growth potential.

Conclusion:

Consolidated statistics from selected non-government financial and investment enterprises show that income growth, both main and other, slowed in 2008-09. Though overall spending growth slowed, it still outpaced income growth. Interest payments contributed significantly to the increase in spending. As a consequence, the chosen firms' operational profits decreased alongside their overall profitability. During 2008-09, the business of certain nonbanking financial and investment businesses grew at a slower rate. In 2008-09, foreign sources had a lower fraction of overall sources than the previous year.

However, they remained the primary sources of funding. Borrowings accounted for a significant share of the total money collected this year. A considerable part of money were raised via stock market transactions. The majority of funds received this year were used for credit market loans and advances. However, its percentage of overall fund usage has dropped. Investments in mutual funds, shares, and debentures of Indian enterprises contributed to a growth in the percentage of 'Investments' in total fund use.

***Lecturer**
Department of EAFM
Govt. P.G. College Sambher Lake
Jaipur (Raj.)

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