

Financial Stability Post-Pandemic Performance: A Comparative Study of Indian NBFCs and Banks

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Abstract

This study examines the post-COVID performance of Non-Banking Financial Companies (NBFCs), focusing on aggregate deposit trends in comparison to Scheduled Commercial Banks. The research analyzes three prominent NBFCs, over five years. Key financial metrics, including ratios for performance trajectory. Statistical analysis using Analysis of Variance, supports significant differences in PBT, ROA, and ROE over the years, emphasizing the robust post-pandemic performance of NBFCs with growing deposits and favorable financial indicators.

Keywords: *Financial Performance, NBFCs, Commercial Banks, ROA, ROE, and PBT*

Introduction

Although they operate similarly to banks, non-banking financial organizations are not real banks. Financial firms registered under Section 3 of the Companies Act of 1956 are known as NBFCs. A minimum net owned fund (NOF) of ₹200 lakhs should be maintained by NBFCs. Buying shares, securities, or debentures issued by the government or a local authority, as well as other marketable securities, such as those related to leasing, hire-purchase, insurance, or chit businesses, are among the functions of nonbank financial companies (NBFCs). However, they exclude organizations whose main lines of business are manufacturing, agriculture, the buying or selling of any commodities (except securities), the provision of any services, and the building, buying, or selling of real estate.

Contribution of NBFCs in the Indian Economy

Total credit granted by NBFCs increased by 4% in March 2022, reaching INR 28.5 lakh crores from INR 27.4 lakh crores in September 2021. The industry sector led in credit deployment with a 39.1% share, followed by personal loans and the services sector with 27.4% and 15.3%, respectively. In contrast, the agricultural business received a particularly small amount of credit, accounting for just 1.8% of all credit extended by NBFCs. This indicates a large difference in credit distribution across sectors, emphasizing NBFCs' dominance in industries, personal loans, and services as of March 2022. NBFCs expanded faster than banks between 2006 and 2013. The yearly growth rate was 22% on average. This shows how NBFCs contribute. More each year to the economic progress of India. (n.d.)

Objectives of the Research

- To compare the Aggregate Deposits between NBFCs and Scheduled Commercial banks
- To assess the post covid performance of Selected NBFCs (Mahindra & Mahindra Financial Services Ltd, Bajaj Finance Ltd, and Aditya Birla Finance Limited)
- Analyze the trend of financial indicators of selected (NBFCs) over five years.

Research Methodology

Comparing the total deposits of Scheduled Commercial Banks and NBFCs is the aim of this study.

It provides a comprehensive assessment of three individual NBFCs—Mahindra & Mahindra Financial Services Ltd, Bajaj Finance Ltd, and Aditya Birla Finance Limited—over five years, analyzing ROA, ROE, and PBT.

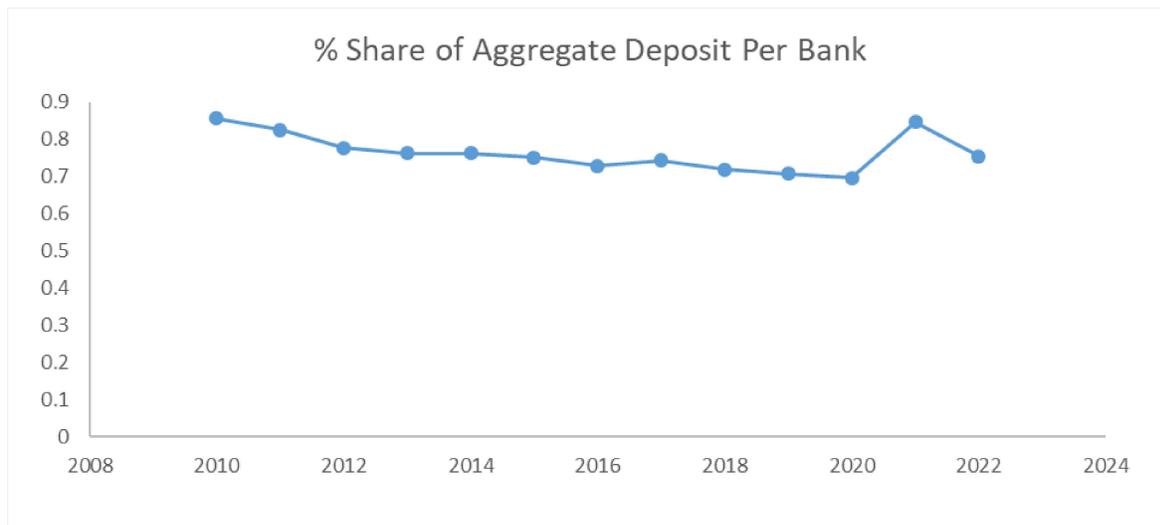
Results:

Table 1: Comparison of Aggregate Deposits between Scheduled Commercial banks and NBFCs

YEAR	No. reported Banks	Aggregate Deposit (% to GDP)	Share of per Bank
2022	93	70.1517	0.754319355
2021	90	76.2157	0.846841111
2020	97	67.4879	0.695751546
2019	94	66.5291	0.707756383
2018	93	66.86	0.718924731
2017	94	69.8927	0.743539362
2016	93	67.73	0.72827957
2015	91	68.4417	0.752106593
2014	90	68.5943	0.762158889
2013	89	67.8846	0.762748315
2012	87	67.638	0.777448276
2011	81	66.9	0.825925926
2010	81	69.4	0.856790123

Source: RBI Data Base

Figure 1: trend line of per bank (reported to RBI) share towards the aggregate deposit



Source: Authors Reference

Table 1 and Figure 1 present aggregate deposits in the banking industry examined during the last decade, a substantial fall was noticed from 2011 to 2015, reaching a low of 67.73% of GDP in 2016. As a result, there is a constant increasing trend, with a high of 76.2157% in 2021. This indicates that aggregate

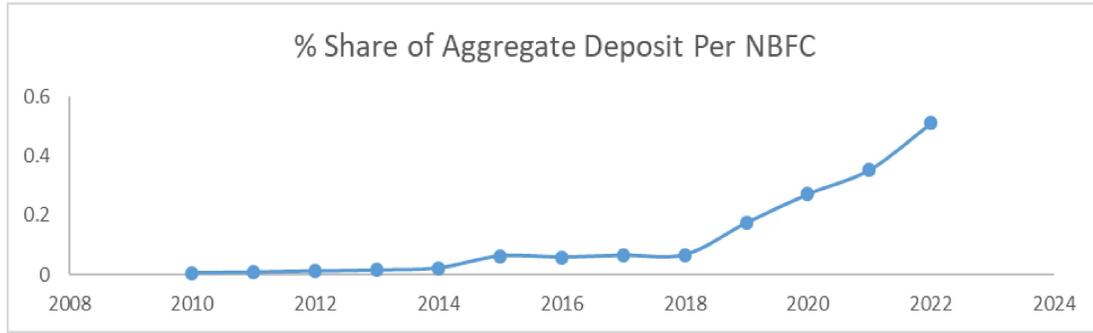
deposits are recovering and growing. The number of reported banks has likewise fluctuated but has typically climbed over time, reaching 97 in 2020 before declining somewhat in 2021 and 2022. The percentage share per bank has fluctuated, with a drop from 2011 to 2016, followed by an upward trend to 0.7543 in 2022.

Table 2: Non-Banking Financial Company

Year	GDP (Crore)	Aggregate Public Deposits	No. of Reporting Companies	% as per GDP	% share per company
2022	338509	141508	82	41.80331985	0.509796584
2021	315031	124524	112	39.52753856	0.352924451
2020	267160	50022	69	18.72361132	0.271356686
2019	283561	40058	81	14.12676637	0.174404523
2018	270293	30439	168	11.26148291	0.067032636
2017	265147	30624	178	11.54981953	0.064886627
2016	229480	27069	202	11.7957992	0.058395046
2015	210359	28941	220	13.7579091	0.06253595
2014	203913	10808	240	5.300299638	0.022084582
2013	185672	7085	254	3.815868844	0.015023106
2012	182764	5734.81	271	3.137822547	0.011578681
2011	182305	4098	297	2.247881298	0.007568624
2010	167562	2831	308	1.689523878	0.005485467

Source: RBI Data Base

Figure 2: Trend line Per NBFC (reported to RBI) share towards the aggregate deposit



Source: Authors Reference

Table 2 and Figure 2 Analyzing the development of aggregate public deposits in reporting firms over the last decade demonstrates a substantial increase, from 2,831 units in 2010 to 141,508 units in 2022. Despite volatility, there is a persistent upward trend indicating substantial growth. The number of reporting firms has also grown over time, peaking at 308 in 2010 and falling to 82 in 2022. The proportion of

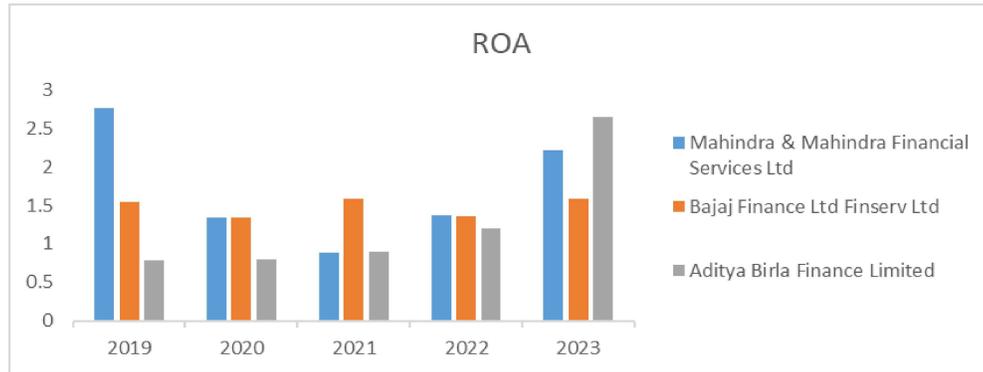
aggregate public deposits as a percentage of GDP varies significantly, reaching a high of 41.80% in 2022 and a low of 1.69% in 2010. The percentage Share per company has fluctuated, increasing from 2010 to 2015, then gradually declining until 2022. Overall, the figures indicate a positive trend in aggregate public deposits, which reflects the resilience and expansion of reporting companies in managing public funds.

Table 3: Financial Performance of NBFCs

Company	year	PBT	ROA	ROE
Mahindra & Mahindra Financial Services Ltd	2019	2840.762	2.76	17.28
Bajaj Finance Ltd Finance Ltd	2019	8154.74	1.54	13.55
Aditya Birla Finance Limited	2019	1380.65	0.79	9.15
Mahindra & Mahindra Financial Services Ltd	2020	1602.03	1.34	8.99
Bajaj Finance Ltd Finance Ltd	2020	8301.66	1.34	10.76
Aditya Birla Finance Limited	2020	1289.73	0.8	7.31
Mahindra & Mahindra Financial Services Ltd	2021	934.14	0.89	5.36
Bajaj Finance Ltd Finance Ltd	2021	9862.34	1.59	12.47
Aditya Birla Finance Limited	2021	1545.69	0.9	8.19
Mahindra & Mahindra Financial Services Ltd	2022	1549.42	1.37	7.06
Bajaj Finance Ltd Finance Ltd	2022	11270.58	1.36	11.32
Aditya Birla Finance Limited	2022	2286.72	1.2	11.01
Mahindra & Mahindra Financial Services Ltd	2023	2803.76	2.21	11.71
Bajaj Finance Ltd Finance Ltd	2023	16811.13	1.58	13.82
Aditya Birla Finance Limited	2023	5635.23	2.65	23.61

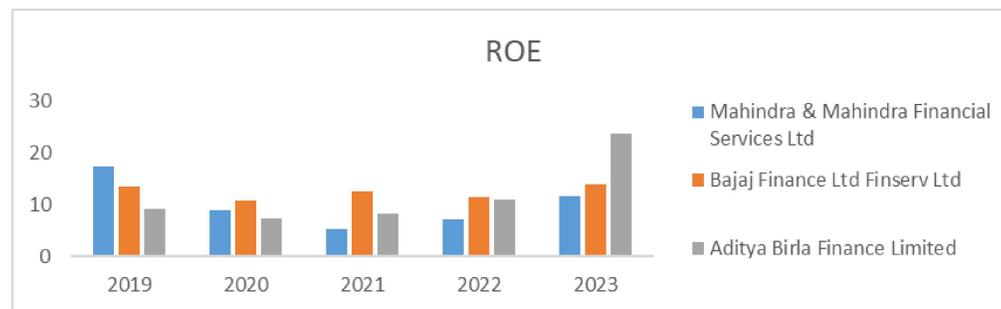
Source: Companies Annual Reports

Figure 3: Return on Assets



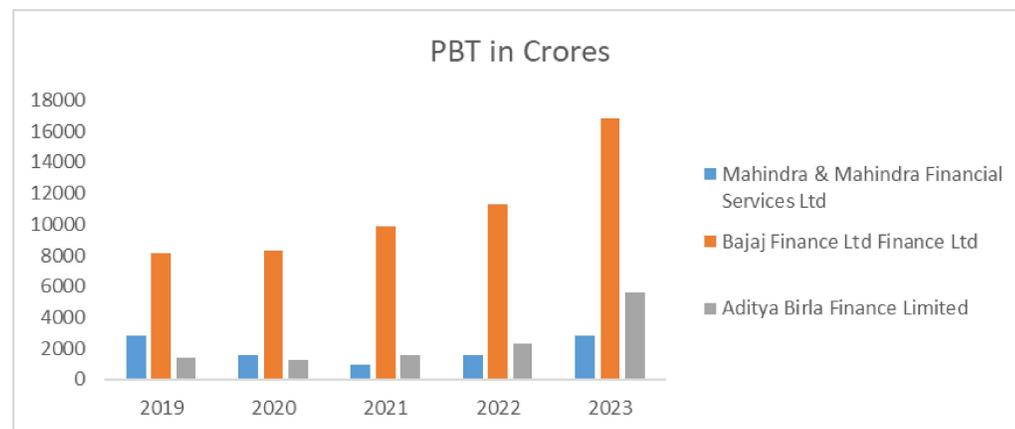
Source: Authors Reference

Figure 4: Return on Equity



Source: Authors Reference

Figure 5: Profit before Taxes



Source: Authors Reference

Table 3 and Figure 3 depict the return on assets (ROA) for Mahindra Finance, Bajaj Finance Ltd, and Aditya Birla Finance Limited varies from 2019 to 2023. Mahindra Finance's ROA fell in 2020,

possibly due to the early impact of the COVID-19 outbreak. However, all three firms recovered in later years, with 2023 showing increased ROA values. This shows that, despite the constraints given by

COVID-19, these enterprises evolved and managed to improve their asset utilization and financial performance throughout the period studied.

Presents Profit before Tax (PBT) data from 2019 to 2023 show a variety of implications

during the COVID-19 period in 2020, all three companies saw a decrease in PBT, showing the pandemic's first struggles. However, the following years show a remarkable recovery, with 2023 showing a significant rise in PBT for each Company.

Table 4: ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Sample	14846278.91	4	3711569.727	0.405123959	0.803431	2.689628
Columns	257872594	2	128936297	14.07360955	4.89E-05	3.31583
Interaction	29551583.78	8	3693947.973	0.403200516	0.909801	2.266163
Within	274846967.8	30	9161565.592			
Total	577117424.4	44				

Table 4 deals with during the COVID-19 era, the Return on Equity (ROE) performance of Mahindra & Mahindra Financial Services Ltd, Bajaj Finance Ltd Finserv Ltd, and Aditya Birla Finance Limited exhibits unique behaviors. The financial hardships induced by the pandemic undoubtedly contributed to a significant fall in ROE for all three enterprises in 2020. Following that, in 2021 and 2022, there is a rebound or stabilization in ROE across the firms, demonstrating adaptive methods and durability following the first shock. Aditya Birla Finance Limited stands out with a considerable improvement in ROE to 23.61 in 2023, demonstrating a strong recovery and likely strategy revisions that contributed to increased shareholder value post-COVID. Overall, the ROE analysis indicates different pandemics.

Discussion:

The hypotheses for the ANOVA results involve evaluating differences among companies and consistency across years in performance measures (PBT, ROA, and ROE). For differences among companies, the null hypothesis (H0) states

no significant difference, while the alternative hypothesis (H1) suggests a significant difference. The p-value of 0.803431 leads to accepting the null hypothesis, indicating no significant difference among Mahindra & Mahindra Financial Services Ltd, Bajaj Finance Ltd Finserv Ltd, and Aditya Birla Finance Limited. Regarding consistency across years, the null hypothesis assumes no significant difference, and the alternative hypothesis indicates a significant difference. With a p-value of 4.89E-05, the alternative hypothesis is accepted, signifying a significant difference across the years. For the interaction effect, the null hypothesis posits no significance, and the alternative hypothesis suggests significance. With a p-value of 0.909801, the null hypothesis is accepted, indicating no significant interaction effect between years and companies in influencing performance measures.

Conclusion:

Non-Banking Financial Companies (NBFCs) like Mahindra & Mahindra Financial Services Ltd, Bajaj Finance Ltd Finserv Ltd, and Aditya Birla Finance

Limited showed a strong comeback following COVID. These organizations demonstrated adaptation to difficulties by demonstrating constant growth in key measures such as Return on Equity (ROE), Return on Assets (ROA) and Profit Before Tax (PBT) from 2020 to 2023. The ANOVA findings confirmed steady performance patterns and revealed that time had little impact on observed differences. The significant PBT rise in 2023 reflected the NBFCs' solid profitability, which was reflected in excellent strategies and operational resilience. Individual variances in performance indicators among organizations revealed unique capabilities and tactics that contributed to their financial profiles. This collectively excellent result indicates not just these NBFCs' adaptability to problems, but also a larger sector resilience post-COVID, positioning them well in the developing financial position.

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