

World Economy

Trade & Employment –
Navigating the Future



Edited By
CMA Dr. Kinnarry Thakkar



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World Economy

Trade & Employment - Navigating the Future

ABOUT THE BOOK

Department of Commerce, University of Mumbai presents this publication in form of edited book of select research papers presented by the participants in the Two Days International Commerce and Management Virtual Conference on the theme 'World Economy, Trade and Employment: Navigating the Future' organised on 12th and 13th March 2021 by the Department of Commerce, University of Mumbai. The call for research work was based on the sub-theme of changes, issues, challenges and opportunities posed in front of the world in the post-pandemic era as well as the challenges for global economies to deal with climate change and environmental issues. There has been disruption, both positive and negative, in each aspect of the world economy – business, economic, financial, social, political, environmental, marketing, information technology. The research in this theme was intended to contribute towards understanding of the perspective of each of these aspects of the world economy. The research work of the participants has helped to highlight the issues, opportunities, approaches, models and practices followed across the globe. The pandemic and environmental challenges have brought to the fore several gaps and loopholes in the systems and infrastructure in existence at present. The global supply chain has been distorted, informal sector has suffered, loss of employment, closure and shut-down of commerce and business, challenges faced by the education and health sector. On the other hand, opportunities have also surfaced with the rise in the role of digitalisation of systems and processes across sectors. Businesses have been equipped to run from remote locations, education is being imparted through virtual teaching-learning methods, the world has been virtually connected through electronic platforms to execute every possible transaction. There has also been significant impact on the banking and financial sector world-wide and the vital financial assistance provided by the Central Banks to keep the economy in check. It is imperative for the world to address the relevant issues and challenges and exploit the opportunities to curb its negative impact. Research in these areas focussing on the comparative and analytical knowledge can lead to co-ordination across economies and generate new ideas for growth enhancement. The papers presented by the participants precisely do the same and evaluate the various aspects of world economy and its impact in detail. We are glad to present this edition where the authors of the research papers from across countries, have focussed and well offered their perspective on each relevant topic which may prove to be useful for academic and industrial application alike.

ABOUT THE AUTHOR



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University of Mumbai. Eleven students are awarded M. Phil under her guidance from University of Mumbai.

She has organised 26 conferences, workshops and webinars. She has chaired technical session in 35 International/ National conferences/ seminars. She has been Resource person for 116 International/ National / State level events. She has acted as Keynote speaker/ Guest for 25 Conferences/ Seminars. She has 41 publications in International/ National Journals to her credit. She has presented papers in 70 International/ National Conferences/ Seminars. She has co-authored 11 books.

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A STUDY OF NON-FINANCIAL BANKING COMPANIES (NFBCS) IN INDIA

19

Dr. Shiva Motiram Padme

ABSTRACT

In 21st centuries non-financial banking provides crucial role in developing economic growth of the country. it helps to provide loan to small sector which is very essential for inclusive growth of the country. Under RBI the Act of 1934. All the functions carry by non-financial companies which similar to National Banking in India. the statical tools used are arithmetic mean, standard deviation, co-variance and compound annual growth rate, correlation has been calculated to find out the relation between loan and advances and borrowing. profitability ratios are used to find out how for the resources of the companies utilised efficiently during the last five year from 2016 to 2020.

Keywords: *Loan and advance to assets ratio, Debit to Equity Ratio, NBFCs, Profitability Ratio*

INTRODUCTION

A Non - Banking Financial Corporation is a company incorporated under the Companies Act 2013 or 1956. According to section 45-I (c) of the RBI Act, a Non – Banking Company carrying on the business of a financial institution will be an NBFC. It also states that the NBFC must be engaged in the business of Loans and Advances, Acquisition of stocks, equities, debt etc. issued by the government or any local authority or other marketable securities. A non-banking institution which is a company and has principal business of receiving deposits under any scheme or arrangement by any mode, is also a non-banking financial company (Residuary non-banking company) except agricultural activity, purchases or slae of any goods excluding securities, industrial

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activity, sale or purchase or construction of any immovable property and providing of any services.

OBJECTIVES OF THE STUDY

- To study the financial performance of selected NBFCs during the period last years
- To know the classifications, functions and role of NBFCs in economic development of the country.

RESEARCH METHODOLOGY

The sample of the NBFCs has been chosen based on convenient sampling technique. The data has been collected from moneycontrol.com of each non-financial bank. The study period covered 31st March 2016 to 31st March 2020. The statistical tools used are arithmetic mean, standard deviation, co-variance and compound annual growth rate. Correlation has been calculated to find out the relationship between loans & advances and borrowings. Profitability ratio is used to find out how far the resources of the companies are used effectively during the study period.

NBFCs are doing various type of serving activity to society it depends on their natures of activity, so non-banking finance companies are performing the following activities:

- Modaraba companies
- House finance companies
- Venture capital companies
- Discount & guarantee houses
- Corporate development companies
- Development finance institutions
- Leasing companies
- Investment companies

Economics growth and development of our country depend upon banking and non-banking functioning. therefore, in today's modern era Role of Non-Banking Financial Company in Economic Development of the country provides in following ways:

- Aid in employment generation
- Help in development of financial markets
- Helps in attracting foreign grants
- Helps in breaking the vicious circle of poverty by serving as government's instrument
- Mobilization of Resources – It converts savings into investments
- Capital formation – Aids to increase capital stock of a company
- NBFC's provide long term credit and Specialized credit

IMPORTANCE OF NON-BANKING FINANCIAL COMPANIES

India's financial services sector is spread on large scale. It is related to both factors like commercial banks and non-commercial bank companies. These Non-Financial Banking Companies offer a wide variety of financial services like loans, chit-funds, and are different from banks. NBFCs are often small players that largely go unnoticed. However, they are still important to the economy, especially in a developing country like India where 70% of the population lives in rural areas. NBFC companies are game-changers that are very important to the economy due to the following factors. (Dr. kamalaveni-2016)

- Size of the sector
- Growth
- Profitability
- Infrastructure lending
- Promoting inclusive growth NBFCs are typically into funding of:
 - Construction equipment
 - Commercial vehicles and cars
 - Gold loans

LOAN AND ADVANCE OF SELECTED NBFC

Loans and Advances (Assets) From the total assets of the companies the loans and advances are one of the major constituents. The following table shows the loans and advances of the study period.

Table 1:

Year	HDFC	IDFC	BAJAJ	Reliance Capital Ltd	KOTAK
2016	1047633.97	85595.36	202.14	000.00	219748.19
2017	868575.17	86302.29	557.22	000.00	205964.81
2018	695211.79	52164.89	396.61	000.00	169717.92
2019	596796.02	49401.68	281.94	8321.00	136082.13
2020	502697.80	45699.43	215.79	16426.00	118665.30
Total	3710914.75	319163.65	1653.70	24747.00	652378.35
Mean	742062.95	63832.73	330.74	11606.21	130475.67
SD	171660257.83	1462028537.13	90644.28	109533828.00	3854638515.62
CV	231.32	22904.04	274.06	9437.69	29542.97
CAGR	-34.63%	30.11%	1.31%	0.000%	-74.97%

COMPOUND ANNUAL GROWTH RATE OF NFBC(CAGR) OF LOANS AND ADVANCES FOR 4

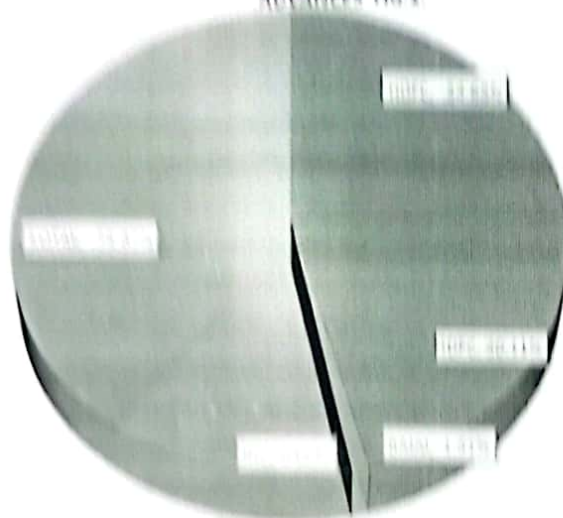


Table 1 reveals that the average of loans and advances were very high to in Intrastate Development Finance Company. Annual compound Growth Rate was negative in case Housing Development Finance Company and it was very low to Bajaj Holdings and Investment Limited. The growth rate was very high to Kotak Mahindra Finance Company Limited and it was negative to Bajaj Holdings and Investment Limited.

Borrowings

The following Table depicts the borrowings of selected NFBC's for the study period. It holds a major percentage in the total liabilities of companies.

Borrowing of selected NFBC's

Table 2:

Year	HDFC	IDFC	BAJAJ	Reliance Capital Ltd	KOTAK
2016	53018.47	57197.19	0000.00	16160.00	37993.31
2017	74028.87	69983.39	86351.72	17720.00	32248.29
2018	123104.97	57287.07	43167.89	20546.00	25154.15
2019	117085.12	50262.19	33115.96	13670.00	21095.48
2020	144628.54	47913.83	25,286.97	13615.00	20975.34
Total	511865.97	282843.67	187922.54	81711.00	99504.26
Mean	102373.20	56568.73	37584.50	16342.20	19900.86
SD	1417762763.10	295836107.53	993620691	8263484.20	14204677.46
CV	13848.97	5229.68	26436.98	4085.50	713.77
CAGR	22.22%	-3.41%	00.00%	-15.12%	-11.20%

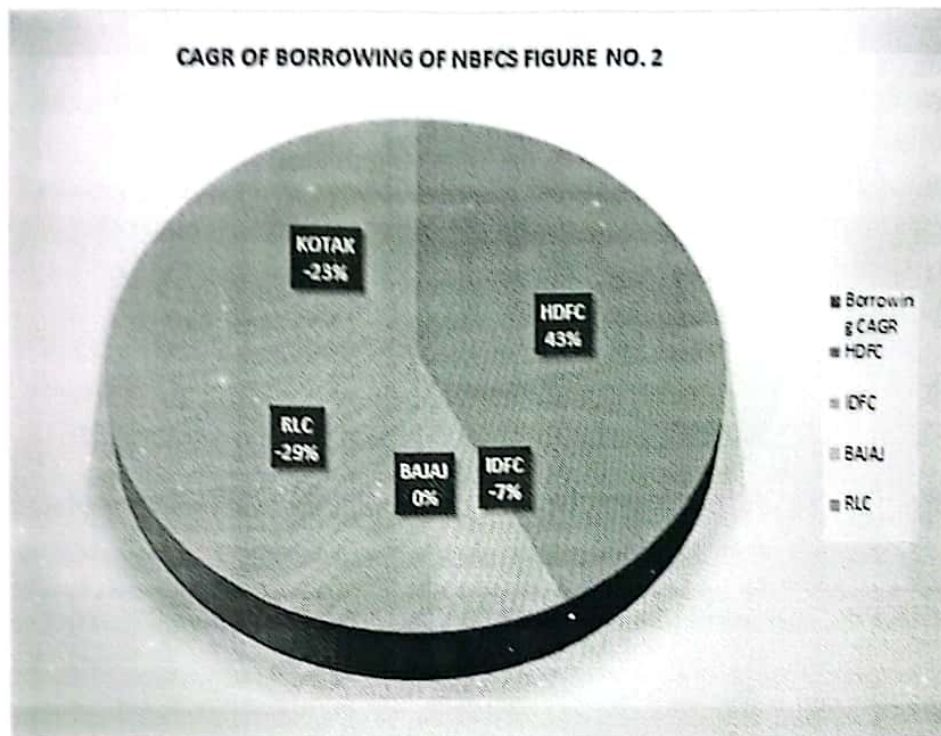


Table 2 reveals that average of borrowings are very high to HDFC and it was very low to Bajaj Finance Company Limited when compared to other NBFCs. The growth rate was very higher to IDFC and it was negative to other financial companies, it showed that borrowings were increased to IDFC during the study period.

The following ratio showed the relationship between profit and total income. It helps to know the effective usage of resources of the company during the study period.

Profit After Tax of Total Income

Table 3:

Year	HDFC	IDFC	BAJAJ	RELIA.CAPITAL LTD.	KOTAK MA. LTD.
2016	22.86	42.06	20.48	-39.44	22.08
2017	21.29	81.09	22.37	6.79	20.32
2018	21.79	84.89	19.91	-214.82	20.68
2019	20.99	35.01	18.43	26.85	19.27
2020	20.41	-518.51	17.50	28.85	12.75

Table.3. Showed that the ratios were complimentary to all NBFCs and it was negative to Reliance Capital Limited in the year 2016 and 2018. And it was very negative in case of Housing

Development Finance Company. The ratio is significantly changed to HDFC, Bajaj and Kotak Mahindra Ltd. Correlation The following table shows the correlation between the variable's loans & advances and borrowing

Correlation between Loan and Advance and Borrowing: Table.4.

Year	HDFC (LAA)	HDFC (B)	BAJAJ (LAA)	BAJAJ (B)	IDFC (LAA)	IDFC (B)
2016	1047633.97	53018.47	202.14	0000.00	85595.36	57397.19
2017	868575.17	74028.87	557.22	86351.72	86302.29	69983.39
2018	695211.79	123104.97	396.61	43167.89	52164.89	57287.07
2019	596796.02	117085.12	281.94	33115.96	49401.68	50262.19
2020	502697.80	144628.54	215.79	25286.97	45699.43	47913.83
Total	Corelation (r)=-0.97		Corelation (r)=0.91		Corelation (r)= 0.77	

Correlation between Loan and Advance and Borrowing

Year	Reliance Capital Ltd. (LAA)	Reliance Capital Ltd.(B)	Kotak Mahindra Ltd.(LAA)	Kotak Mahindra Ltd.(B)
2016	000.00	-39.44	219748.19	37993.31
2017	000.00	6.79	205964.81	32248.29
2018	000.00	-214.82	169717.92	25154.15
2019	8321.00	26.85	136082.13	21095.48
2020	16426.00	28.85	118665.30	20975.34
Total	Corelation (r)= 0.54		Corelation (r)	0.96

Table.4. revealed that correlation was positive to BAJAJ, IDFC, Reliance Capital and Kotak Finance Company Limited therefore there is positive correlation between loans and advance and borrowing. it was negative to HDFC, it depicts that there was negative relationship between loans & advances and borrowings of that company.

FINDINGS

The Growth rate was very high in Bajaj and HDFC Ltd. and it was negative to Reliance Holdings and Investment Limited, it showed that Bajaj Finance Company Limited had considerable increase in its assets. The growth rate was very higher to HDFC and it was negative to Bajaj Holdings and Reliance Limited, it showed that borrowings were increased to HDFC but not increased in other NBFCs during the study period.

The profit after tax to total income ratio is not significantly changed to HDFC, Bajaj and Kotak Mahindra Ltd. during the study period. Correlation was negative to HDFC and positive toward IDFC, Reliance Capital and Kotak Mahindra Company Limited. And it depicts that there was negative relationship between loans & advances and borrowings of that company.

SUGGESTIONS

- Bajaj Holdings and HDFC has to increase its loans & advances.
- IDFC, Reliance and Kotak has to reduce its borrowings in future to improve the financial performance.
- Bajaj holding has to increase its total assets in future.

CONCLUSION

Non-banking financial companies (NBFCs) are rapidly increasing as an important segment of Indian financial system They are performing financial intermediation in a variety of ways, like accepting deposits, making loans and advances, leasing, hire purchase, etc. They take funds from the large public directly sometime they also takes fund indirectly from public and gives them to ultimate spenders. They advance loans to the various businessman such as retail traders, small-scale industries and self-employed persons. Thus, they have broadened and diversified the range of products and services offered by a financial sector.

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