PalArch's Journal of Archaeology of Egypt / Egyptology

NON-BANKING FINANCIAL SECTOR IN INDIA: A CRITICAL REVIEW ON LITERATURE

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Karthik Reddy and Dr. Ravichandra Reddy B: Non-Banking Financial Sector in India: A Critical Review on Literature -- Palarch's Journal of Archaeology of Egypt/Egyptology, ISSN 1567-214x

Keywords: Non-banking financial companies, literature on NBFCs, NBFCs-D, NBFCs-ND.

ABSTRACT

Financial system constitutes financial instruments, institutions, markets and services. In this, financial institutions are organized system deals with mobilization, organization, marketing and distribution of financial products to different sections of society. Banks and non-banking financial companies are major constitutes of financial institution in the country where banks serve major segments and later serve the niche segment of financial system. Since beginning, banking sector has been played dominant role in financial system worldwide, but, due to liberalization, privatization and globalization reforms non-banking sector has increased their contribution significantly. Therefore, present study endeavors earlier research work done on wide elements of non-banking sector globally and presented.

INTRODUCTION

Financial system constitutes financial instruments, institutions, markets and services. In this, financial institutions are organized structural facilities deals with mobilization, organization, marketing and distribution of financial products. Banks and non-banking financial companies are major constitutes of financial institution in the country where banks serve major segments and later serve the niche segment of financial system. Since beginning, banking sector has been played dominant role in financial system worldwide, but, due to liberalization, privatization and globalization reforms non-banking sector has increased their contribution significantly. Thus, present study aimed at presentation of worldwide academic and research literature on non-banking financial companies.

(2020)[1]Samsundhram has discussed the merits and demits of moratorium facility offered by banks & NBFCs to its customers as per RBI directions for six months as relaxation measure for Covid 19. The study observed that, only 30-40 percent of customers used moratorium facility rest is not, even though it does not affects their credit profile. This indicates a good sign for well disciplined financial practices of

Indians earlier to Covid 19 which increased their financial wealth to bear unforeseen future concerns.

(2019)[2] Nandhini evaluated the financial performance of NBFCs in India. The study revealed that, the growth, operational performance, financial soundness, asset quality of NBFCs improved over the years. The growth of NBFCs in niche segments of financial sector is even higher than banking sector.

(2018)[3] Hareesh has evaluated the financial performance of eight NBFCs –ND-SI working in Kerala during post sub-prime meltdown i.e. 2008-16. For the purpose of study he used the statistical techniques such as correlation and ordinary Least Square Regression. NBFCs are emerged as non-productive short term advances for householder's n the kerala. The study found that banks policy to towards small scale industries led to growth of NBFCs in kerala, but, rural banking policy has shown adverse impact on the NBFCs.

(2018)[4]Lavanya and maheswari have examined the effectiveness of credit risk management practices of selected two non-banking financial companies namely Muthoot and Bajaj financials during 2013-2017. The study has examined the probability of borrower default of companies by using Merton model and tested soundness of credit risk management practices with financial ratios such as current ratio, quick ratio, D/E ratio, interest coverage ratio,ROA, ROE, P/B ratio and NPA ratio. The study observed that both companies have problem with high Non-performing assets which calls for immediate action for risk mitigation strategies. However, Muthoot company is financially sound than Bajaj companies in terms of ROE and liquidity ratios.

(2018)[5] Sasikala and devel have evaluated the industrial performance of non-banking financial companies in India during 2014-18. The study examined the performance in selected parameters such as asset quality, profitability and risk exposure and capital adequacy. The study found uptrend in Net Non performance assets which gradual deterioration of asset quality of NBFCs during the study period. Similarly, ROE (9.1 to 8.4 percentage) and ROA (2.2 to 1.9 percentage) reported down trend which indicates falling profitability NBFCS. Similarly, capital adequacy of NBFCs has fallen significantly from 27.5 to 22.9 percent which reveals risk capability reduction of the NBFCs. The study concluded that poor asset quality of NBFCs has shown negative impact on the profitability and capital adequacy of the NBFCS in India during the study period.

(2018)[6] General Manager of Manapurram Finance Limited has opined that increase in competition, widen branch network, substantial business growth, price volatility of gold and regulatory aspects are pushed the company management to review the validity and effectiveness of existing risk management strategies of enterprise in 2018. The report opined that need to shift from traditional risk management practices of "Structured risk management model" to "Modern risk management" techniques which work effectively in assessment and mitigation of both internal and external environment risks to which enterprise is exposed. The report also discussed that conventional risk management practices classified total risk under three categories only such as operational, credit and market risks only where as modern risk management risks classifies risks broadly as economic risk (micro and macro risks) and develop strategic analysis framework. Modern enterprise risk management frame work also covers strategic analysis such as business analysis, forecasting and modeling and statistical analysis.

(2018)[7]Sanjay has thrown light on the issues of default of Infrastructure Leasing and Financial corporation (IL&FS) in repayment of short term debt on due date. He opined that this failure is be attributable only to company rather than industry which has strong and high value of assets. He revealed that mismatch between assets and liabilities management is main cause of the default of this company but not any operational inefficiency. Therefore, he called for new management practices which reduce the gap between assets and liabilities maturity period. He also added that default of IL&FS resulted in reduction of funds inflow from banks and Mutual Funds which together contribute 80 percent of debt to housing financial corporations, on the other hand, NBFCs loans occupied top priority in banking and mutual funds balance sheet which indicates their interdependence. Therefore, he called for immediate action from government, banks and mutual funds to assist NBFCs to overcome their working capital problem with provision of adequate funds timely before crisis moves out of hands.

(2018)[8] Lichtner et al. have found that non-bank deposits and non-bank loans strongly respond than interbank and security positions to the interest rate fluctuations. The study emphasized on the analysis of balance sheet changes as responds to changes in interest rates through three types of effects namely, direct earnings effect, indirect earnings effects and induced earning effec . The study found that direct earning effect is leads to unchanged balance sheet. Indirect earnings effect and induced earning effect leads to balance sheet fluctuations, former is result of customer responses to changes in interest rate changes and latter is results of bank reactions to business volume changes.

(2018)[9] McDonald and Traclet opined that risk management tools are strongest weapons in analytical kit of any business concern to identify, measure and manage the future uncertain events which shows adverse impact on the business profitability and overall performance. Therefore, they developed a suitable Risk Identification and Assessment Framework (RIAAF) for Bank of Canada. Risk Identification and Assessment Framework is a combination of various models which ultimately reduce the different shocks on macro financial variables and different participants of financial system. Therefore, their RIAAF model deals with financial stability of banks result of the uncertain events.

(2018)[10] Itmar et al. have found that maturity transformation reduce the banks interest rate exposure to insignificant level due to deposit franchise. Deposit franchise is a system in which banks pay low cost of interest rates and insensitivity market interest rates. They found that in deposit franchise deposits are characterized by fixed interest long term debt. This theory predicted that deposit franchise leads to increase in net interest margin through reduction in sensitivity in market interest rates. Consequently, banks net worth is free from market shocks to maximum extent. The study further revealed that matching of interest rate sensitivities of their expenses and income one for one helps them to cater long term credit.

(2018)[11] Noor and his friends explored the conceptual background of Basel III and investigated determinants of credit risk and interest rate risks during pre and post economic crisis i.e. 2002-15. The study has examined the impact of Basel III norms on the 36 listed banks in India. The empirical results witnessed that a positive relationship between capital adequacy requirement and gross non-performing assets and Net Interest Margin. Consequently, the analyst opined that this relationship may cause lower GDP in the future economy of India.

(2018)[12] Peter and his friends have an empirical analysis on the impact of bearing of interest rate on banks net worth and household's consumption and investments in 104 Europe banks by using novel data. The study found that interest rate risk is small on aggregates of all selected banks, but heterogeneous in the cross sectional. The study also found that net worth of the half of sample banks increased during the study period. The study also found that cross country differences in loan rate fixation is major driving factor of cross sectional variations in bank exposure.

(2017)[13] Suresh and Deepak has made a comprehensive discussion on the growth of non-banking sector in India in terms of number of operating firms, nature of NBFCs business, size of assets, regional distribution, regulations, problems and prospects of NBFCs. The study pointed out that growth of NBFCs also leads to speed up the growth and profitability of banking business. The study also indentified challenges of NBFCs such as difficulty to accept open assets, client communication, management of NBFCs and poor clarity in control directives and regulation of RBI. The study suggested expansion of tax subsidies to NBFCs which are enjoying of banks sector.

(2017)[14] Devendra has done an empirical research work on asset and liability management practices in two public sector banks namely Andhra bank and Bank of India and two private banks (HDFC and AXIS) during 2007-16 which indicates study at regional level. The study has focused on measurement of interest rate risk analysis through GAP analysis and finding association between NPA and asset liability structure. In addition, he also examined the impact of ALM practices on performance of banking sector. The study observed that to avoid cash crunch problems private banks kept large cash reserves than public sector banks. Private sector banks reported good returns from operations than public sector banks during the entire study period. The study also observed that profitability position of private sector is much higher than public sector banks due to high employee's proficiency.

(2017)[15] Sathyakala has examined the relationship between asset liability management practices and financial position of the seven new generation private sector banks in India during 2006-15. For the purpose of study he used many financial and statistical techniques such as ratios (spread, burden and coverage ratios), growth rates, t-test, mean, standard deviation, co-efficient of variance and Structural Equation Modeling. The study observed that HDFC and Kotak Mahendra banks reported good financial position than other new generation banks during the study period. Similarly, ICICI banks asset and liability management practices are line with standards compared to other banks. The study recognized for reduction of maturity gap between assets and liability to avoid liquidity exposure in new generation banks.

(2017)[16] Basappa has analysed asset and liability management practices in regional rural banks during 2011-2015 with special reference to Karnataka Vikas Grammena Bank. In the study he examined the risk management practices of karnataka bank in aspects of liquidity risk, interest rate risk and credit risk. The study observed unsatisfactory level of capital adequacy ratio Tier II compared to Tier I of KVGB. The study also found hat significant variation between interest gap and asset- liability gap during the study period. However, maturity gaps for very short and short period reported negative in first three years and positive in next two years, in contast, long maturity gaps found positive gap during entire study period. This indicates that firm has good liquidity position during the study period.

(2017)[17] Munir and Bustamam have evaluated the profitability of 19 banks of Malaysia and Indonesia during 201-2015 by using the technique of CAMEL. This study is comparative study between traditional and Islamic banking systems in selected countries. The study revealed that CAMEL analysis is significant tool in measuring performance of financial institutions. The study found significant variations in management, earnings and liquidity between conventional banks of both countries and significant variations in only management and liquidity between Islamic banks of both countries. For the purpose of study he used regression analysis technique and T-test.

(2017)[18] Prasad and Kumari have examined the financial performance of ten selected public and private sector banks in India. For evaluation purpose they used EAGLE model which is characterized no subjectivity and also alternative to CAMEL model. The analyst found that Yes bank and Mahindra bank performed well as compared to public sector banks in parameters of ROA, NPA, investment to deposit ratio and capital adequacy ratio. The also found that among public sector SBI banks is performed well in the parameters of deposits and loans components.

(2017)[19] Christoph & Memmel has opined that credit risk and interest rate risk are associated with credit granting and non-separable. Therefore, banks have to bear interest rate risk as part of their operations. In the study he examined the validity of two reasons namely long optimization horizon and hedging of earning risk which is result of interest levels falls. The empirical results supported that banks with longer optimization horizon can bear more interest rate risk. The study also found that banks with strong earning exposure to higher interest rate risks. The study found that banks are approaching derivatives contrast to hedge their interest rate risks.

(2016)[20] Verma has studied risk management practices in selected commercial banks in India through collecting valuable information from top executives (314) of selected banks. For the purpose of study he selected three public (SBI, PNB and OBC), three private sector (ICICI, HDFC and Yes Bank) and two Foreign banks (American and city banks) on the basis of profitability. In the study he used statistical techniques such as t-test, Factor analysis, Multi Co-relation. The study revealed that risk management is primary concern to the banking sector in India particularly private sector. The study also revealed that RBI guidelines, interest rate volatility, exchange rate volatility and decline in profits are major pushing factors for ALM implementation in Indian banking sector. Three- fourth of bank executives agreed that ALM practices have direct impact on bank’s profitability. The study also observed that lack of clear cut awareness, lack of proper guidelines, poor role of employees, inadequate information and poor adequate training are major constrains facing of ALM team in effective implementation of ALM policy. However, finally the study concluded that knowledge in effective implementation of ALM among employees is better in case of foreign banks than selected public and private sector banks in India.

(2016)[21] Jayanthi has analyzed the asset liability management effectiveness in selected commercial banks during 2003-12 through using CAMEL technique. The study also examined the impact of ALM management on bank’s profitability through using Statistical cost accounting and multiple regression techniques. The study found that ALM practices by banking sector are significantly different one another. Some Indian banks risk management capacity is very lower than foreign banks during the study period. However, the study found that banking sector is moving towards effective implementation of ALM through sophistical innovative techniques such as duration gap, simulation and Value at Risk.

(2016)[22] Ogbuagu, Rexi and Udoh have evaluated the risk management practices (loan risk) and their impact on the profitability of banking sector in Nigeria during 2009-2012. For the purpose of study they selected fifteen banks as sample size and measured risk management practices effect on profitability through technique of balance panel regression. The study particularly focused on loan risk management practices in selected banks. The study revealed that uptrend in default rate, capital adequacy ratio and cost per loan asset led to rise in loan risk which has causality and significant relationship with profitability of selected banks in Nigeria during the study period. The study also observed that lack of comprehensive risk management framework and no separate risk management departments cause for poor risk management practices in Nigerian banking sector.

(2016)[23] Raygani has done a comparative study on credit and liquidity risk management practices in two Indian banks i.e. SBI and ICICI during 2007-13. However, this study ignored other risks to which banking sector exposed such as operational, interest rate and exchange rate risks etc. In the study he measured liquidity risk of banks in ratios such as Ratio of Core deposits to Total assets, Total loans to Total deposits, time deposits to total deposits, liquid assets to total assets, prime asset to total assets, short term liabilities to liquid assets, market liabilities to total asset and short term liabilities to total assets. Similarly, credit risk is measured in terms of ratio of NPA to TL, Risk adjusted margin, TL to TA, TL to TD, TE to TA, TL to TE, TA to GDP etc. The study found that both SBI and ICICI banks exposed to credit and liquidity risk during the study period but it is similar in case of liquidity risk and dissimilar in case of credit risk. For the purpose of study he used t- test and multiple regression analysis.

(2016)[24] Jasyinderjit has evaluated performance of two leading gold loan non-banking financial services namely Manapuram and Muthoot finance during 2009-20014 through using CAMEL. In the study he evaluated the performance in terms of capital adequacy (capital adequacy, debt-equity ratio, total advances to total assets ratio), asset quality (Gross NPA to Net Advances, net NPA to Net advances and asset utilization ratio), management efficiency(profit per branch and per employee, business per employee and RONW), earnings quality (RoA, Interest income to total assets, Non-interest income to total assets)and liquidity(quick assets) The study found inline performance of both NBFCs in all selected parameters, except, in two cases i.e. Manapuram has shown superior performance in case of capital adequacy whereas Muthoot finance Ltd has show leadership in management efficiency during the study period.

(2016)[25] Rosy Karla has analyzed the performance of 20 selected asset based and core investment non-banking financial companies during 2006-2015. The study has observed the performance of selected NBFCS in terms of growth in physical assets. The study has observed gradual improvement in its assets and investment over study period which is a symbol for increase industry contribution in financial sector.

(2016)[26] Muhammad et al. have evaluated and compared the performance of Islamic banks with conventional banks in Pakistan during 2006-2014. In the study the author measured the performance selected banks in four variables such as profitability, liquidity, capital adequacy and risk and solvency. The study found that Islamic banks are highly capitalized, have good liquidity position and low risky than conventional banks. On the other hand, conventional bank's profitability is much higher than Islamic banks due to reason of economies of large scale operation. Therefore, the study suggested enhancing the present scale of operation by Islamic banks to compete for profitability with conventional banking system.

(2015)[27] Patel has analyzed the risk management practices in banking sector particularly with urban co-operative banking working in Gujarath State. For the purpose of study he selected 40 UCB from different zones through using stratified random sampling technique. In his study he described variety of risks(both financial and non-financial) to which banking sector is exposed and also explained the available and appropriate techniques of risks management such as GAP analysis, Duration GAP analysis, Value at Risk, Risk Adjustment Rate of Return on Capital(RAROC), securitization and Sensitivity analysis. As part study he gathered required information regarding risk perceptions of experts in banking sector with well structured questionnaire, the result are further analyzed with ANOVA and Chi-square technique. The study found that UCB in Gujarat adopted Capital to Risk Asset Ratio, Key ratio analysis and CAMEL rating to measure risk whereas credit portfolio and scenario analysis are used to assess the credit worthiness of borrower. These are standard risk measurement techniques suggested by RBI. As result, the financial and operational status of the selected UCB are at satisfactory level during the study period.

(2015)[28] Dhananjay patil has done a comprehensive study on co-operative banks performance of Kolhapur during 2009-2013. His study is aimed at analyzing many aspects of co-operative banks in the Kolhapur such as interest rate spread, profitability and long term viability, risk and return perspective, cost of banks funds and particularly with asset and liability management problems and practices during the study period. The study has done through using questionnaire and financial techniques. The study found that failure rate in co-operative banks during post implementation period of ALM has declined. This is mainly due to recongnization and effective implementation of ALM by both small and large co-operative banks in the region. As result, liquidity position of the banks also improved and became strong in short period.

(2015)[29] Deepa Shree has studied the risk management practices of five selected NBFCs such as Manapuram General financing &leasing, Shriram City union finance, Sundaram, Muthoot and Bajaj Financial services limited selected through purpose or judgement sampling technique. The study observed that each NBFC is exposed to operational, collateral, credit, market, liquidity and business cycle risks. The study also observed financial strength of selected NBFCs in parameters of ploughing back of profits, current ratio, Debt/equity ratio, Debt to total assets ratio, interest coverage ratio, long term debt to total capital ratio, ROE and ROI. The study also studied RBI framework to regulate NBFCs and made suitable suggestions. For the purpose of study he collected required primary data from interview of 100 executives (20 from each NBFC). In the study he found sources of various risks to examine the asset and liability management practices.

(2015)[30] sarojit has evaluated the growth of NBFCs with compared to banking sector in India during 2006-2013. In the he measured the growth of NBFCs in terms of balance sheet growth, lending to infrastructure sector, credit growth, assets growth and trend in Return on Assets. The study found the growth in credit allocation and return on assets of NBFCs as compared to banking sector during the study period. The study also observed that NBFCs emerged as most attractive segment for lending by banking sector during the study period. NBFCs preference for infrastructure credit is higher than banking sector financing to infrastructure during the study period which indicates their risk and return capabilities.

(2015)[31] AMK has examined the impact of financial education programme conducted for clients micro finance clients on the aspects of financial attitude, risk management strategies, property building, over indebtedness, multiple borrowing, and vulnerability in Cambodia during 2008-2012. The study has adopted difference and difference methodology to find the impact of the programme on selected variable. The study has found strong positive impact of financial education programme on the repayment behavior, attitude towards savings and borrowings which resulted in significant reduction in late payment, increased savings and effective utilization of debt management. However, the study also witnessed insignificant impact of programme on in other selected variables during the study period.

(2015)[32] Ibrahim has opined that inclusion of poor people in financial sector through provision of micro financial services is high risky activity due to poor credit repayment capability of clients. Therefore, he analysed the management practices of NBFCs of China in mitigation of credit risk which is a primary risk associated with loans portfolio. In the study he collected required information from the 40 top level management officials of two selected NBFCS namely WAGES and FUCEC through well structured questionnaire. The study found that selected NBFCs do review of credit files before acceptance of loans and go for regular monitoring of funds utilization as said in proposal. However, the study also observed that available qualified risk management professionals and poor training are causes of less quality of loan portfolios in the selected NBFCs.

(2014)[33] Manoharan has studied the institutional preferences of 400 customers towards selection of banks and NBFCs for savings and borrowings in kerala and he also identified and analyzed influencing factors of customer satisfaction of both banks and NBFCs. The customers are selected on the basis of stratified random sampling technique. He measured the quality of customer services of banks and NBFCs through Service Quality Scale (SERVQUAL). The study found insignificant variation of customer preferences in selection of banks and NBFCs. The study also observed that loans size, purpose of loan, interest loan and income capability are major factors that influence borrowing preference of customers. Finally, the study revealed that rate of return is major factor influencing customer savings, easy procedure is major factor of customer preference of borrowings and good relationship management is significant factor in influencing customer satisfaction of selected bank and NBFCs.

(2014)[34] Amit Kumar and Anshika Agarwal published a paper entitled Latest Trends in Non-banking Financial Institutions in Academicia: An International Multidisciplinary Research Journal. In Indian Economy, there are two major Financial Institutions, one is banking and other is Non- Banking. The Non-Banking Financial Institutions plays an important role in our economy as they provide financial services on wide range, they also work to offer enhanced equity and risk-based products, along with this they also provide short to long term finance to different sectors of the economy, and many other functions. This paper examines the latest trends in Non-Banking Financial Institutions. This paper analyzes the growth and enhanced prosperity of financial institutions in India.

(2014)[35] Thilakam and Saravananwrites on “CAMEL Analysis of NBFCs in Tamil Nadu” in International Journal of Business and Administration Research Review. Financial intermediation is a crucial function of Banks, Non-Banking financial companies (NBFCs) and Development Financial Institutions (DFIs) the post reform period in India is characterized by phenomenal growth of NBFCs complementing the role of banks in mobilizing funds and making it available for investment purposes.

During the last decade NBFCs have undergone wide volatility and change as an industry and have been witnessing considerable business upheaval over the last decade because of market dynamics, public sentiments and regulatory environment. To evaluate the soundness of NBFCs in Tamil Nadu over a decade, the authors made an attempt of CAMEL criteria for analysis of selected Companies. Based on findings the suggestions were offered to overcome the difficulties face by selected NBFCs in their development.

(2014)[36] Sowndharya and Shanmugham have analysed the performance of asset financing Non-Banking Financial Companies during 2007-12 in India in terms of profitability, efficiency and turnover parameters. The study found insignificant difference among selected NBFCs in terms of price earning and current ratio and significant variations in parameters of profitability, liquidity, leverage and risk indicators.

(2014)[37] Devaraj has studied preferences, considerable factors in selection of right housing financing company and also measured the satisfaction of 375 customers in sivagangai district of Tamil Nadu. The study observed that simple procedure to get loan, flexibility of interest option, long term payment period, early disbursement of loan, flexibility of repayment and major preference of borrowers to get housing finance. The study found that apart from basic requirements many factors influence customer's decision regarding housing finance such as additional investment, cheap capital, good appreciation, rental problem, tax concession and safe investments. Finally, the study also observed that customers of housing finance companies are suffering with high interest rate charges, high administration fee, more documents, no doubt clarification facility and getting statements for tax purpose.

(2013)[38] Manish and Chand have examined the soundness of present liquidity risk management practices of banking sector in India. They also discussed the new norms of RBI and Basel committee for maintenance of sound liquidity risk management. The found that new norms suggested seven new ratios for observation of liquidity risk management practices in Indian banking sectors. These ratios comprises of core deposit to total assets ratios, illiquid assets to total assets, illiquid assets to core deposits, temporary assets to total assets, temporary assets to volatile liabilities, volatile assets to total assets. Each of these ratios has their own significance in measuring the liquidity risk in banking sector.

(2012)[39]Anupam Mitra has done a comprehensive research work on credit risk management practices of Urban Co-operative banks in west Bengal for seven years 2005-2011. The study is aimed at identification of factors of credit risk, present credit management practices and he also examined present creditworthiness of UCBs during the study period. In the study he also examined the impact of credit risk on the profitability, liquidity and solvency of UCBs during the study period. The study observed that poor credit risk management has significant impact on company profitability.

(2012)[40] Shailendra Bhushan Sharma and Lokesh Goel (2012) [8] write on "Functioning and Reforms in Non-Banking Financial Companies in India". Non-Banking Financial Companies do offer all sorts of banking services, such as loans and credit facilities, retirement planning, money markets, underwriting and merger activities. These companies play an important role in providing credit to the unorganized sector and to the small borrowers at the local level. Hire purchase finance is by far the largest activity of NBFCs. The rapid growth of NBFCs has led to a gradual blurring of dividing lines between banks and NBFCs, with the exception of the exclusive privilege that commercial banks exercise in the issuance of cheques. This paper provides an exhaustive account of the functioning of and recent reforms pertaining to NBFCs in India.

(2010)[41] Sandeep, Venkat and Ravi have focused on the risks and challenges facing by micro finance institutions in individual lending portfolios in India. The study found that many micro financial institutions in India lending credit to individuals not on the basis of cash flow, but on collateral security basis which stands for problems in valuation, monitoring, recovery and liquidation, quality and storing. The study noticed that poor product design another risk facing by MFIs in India are (fixed loan amounts rather than customer's business need) which leads to over and under lending problem to people. The study also found that weak underwriting capability, limited risk assessment staff, pressure to growth, lending to individuals who have poor credit history and single person dependency (branch managers) are major risk facing in individual lending operation by micro financial institutions in India.

(2008)[42] Alphonus and Tanko have examined CAMEL tool validity and usefulness in adequate measurement of banks efficiency and performance in banking sector of Nigeria during 1997-2005. The study found that ratios in CAMEL tool are failed in evaluating banks performance adequately and timely. He also indentified only some best ratios among each component of CAMEL technique. His study also called for changing form CAMEL tool to CLEAM which is a portfolio of best ratios in CAMEL approach. CAMEL consists of capital adequacy ratio, liquidity ratio, earning ability ratio, asset quality ratio and management quality ratio.

(2007)[43] Preeti Rao has opined that chit fund is effective tool in promotion of financing activities to small business organizations. He found that expansion of chit fund business beyond their financial constraints led to unbearable rise in their operating cost. This uncontrollable operating cost pushed some chit funds towards "underground" which forced government to adopt new regulatory measures in this business. He also revealed that due to this reason share and growth of unorganized chit fund has larger share than organized which reduce the revenue to the government and increase risk to customers. However, finally he said both government and industrial participants must work together to strengthen the chit funds business which promotes small business or small entrepreneurship activities in the nation.

(2005)[44] Purnanandam analyzed the effects of bank characteristics and macroeconomic shocks on interest rate risk management behavior of commercial banks. His findings are consistent with findings of hedging theories based on cost of financial distress and costly external financing. As compared to the derivative users, the derivative non-user banks adopt conservative asset-liability management policies in tighter monetary policy regimes. The study shows that the derivative non-user bank's lending volume decline significantly with the contraction in the money-supply. Derivative users, on the other hand, remain immune to the monetary policy shocks. His findings suggest that a potential benefit of derivatives usage is to minimize the effect of external shocks on a firm's operating policies.

(2003)[45] Jaya has studied the credit rating methodology and new approaches of agencies in rating financial instruments issued by both banks and non-banking financial companies in India. The study found that expected return is the major referring point for credit rating by investors. The study also observed that transparency, timeliness, accurate and uniformity in rating methodology are major desirable factors by investors from rating agencies.

CONCLUSION

It is concluded from the above literature that, both academic and research efforts have been observed on the different aspects of banks and NBFCs in the above. Particularly, these are relating to NBFCs on aspects of growth, operational, financial evaluation, investment aspects, determinants, challenges, risk management, credit appraisal, sources of finance, liquidity management, interest risk management, assets liability management , regulations and reforms in world wide. However, the study observed less research literature on types, nature, cost and return regarding different financial products of NBFCs which gives scope to future research studies.

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