
FINANCIAL PERFORMANCE OF BANKING AND NON-BANKING COMPANIES IN INDIA

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Abstract:

A study of Financial Performance of Banking and Non-Banking companies in India: Finance plays a strategic role in the process of computerization of banks. Further e-banking helps the banks as well as NBFC to achieve competitive advantage and cost leadership by reducing operational expenses and improving operational efficiency and business development of banks. The present study develops the best strategic model to improve the banks productivity, profitability and customer service quality.

The world turns into a global village through ICT and India being a part of it, necessitates to advise and of educate the existing upcoming financial institutions and banks on the importance of investing in ICT infrastructure. The researcher recommends that banks be advised on how much investment in ICT can boost their productivity. Bank managers need to be sensitized on the importance of this.

The researcher recommends that banks aim to invest in the latest ICT assets including hardware, software and connectivity. This will boost efficiency, speed and accuracy in delivery of their services.

The researcher further recommends that banks and other financial institutions aim to train all their personnel on ICT skills. This will boost their ICT skills and enhance productivity. It will also contribute to the employees selling the brand image of the banks. The researcher further recommends employment of skilled ICT personnel into the financial institutions so to enhance their ICT personnel capacity.

*Key words: Banking and Non-banking companies-Performane-ICT developments-
Customer perceptin*

Introduction:

Non-Banking financial companies play an important role in access to financial services enhancing competition and diversification of the financial sector. There are various types of institutions to be involved in financial services in India. This includes commercial banks financial institutions and Non-banking finance companies due to the financial sector reforms. Non banking financial companies have emerged as an integral part of the Indian financial system. Non banking finance companies frequently act as suppliers of loans and credit facilities and accepting the deposits, operating various mutual funds and similar other functions. They are competitive and complementary to banks and financial institutions. This study is in focus to analyze the financial performance of NBFIs in India during 2020-2021.

The main purpose is to accelerate the competitiveness of the businesses in particular and sustainable Indian economy as a whole. The government is committed to improve access to the internet, telecommunication and an increase Information Technology literacy, to develop strategies to improve access to ICT by decreasing cost of internet to business, reducing the cost of communication, management and transaction of data, ensuring the availability of a minimum supply of ICT infrastructure and Electricity especially in the remote and rural areas with a special emphasis to the servicing of the small and medium enterprises

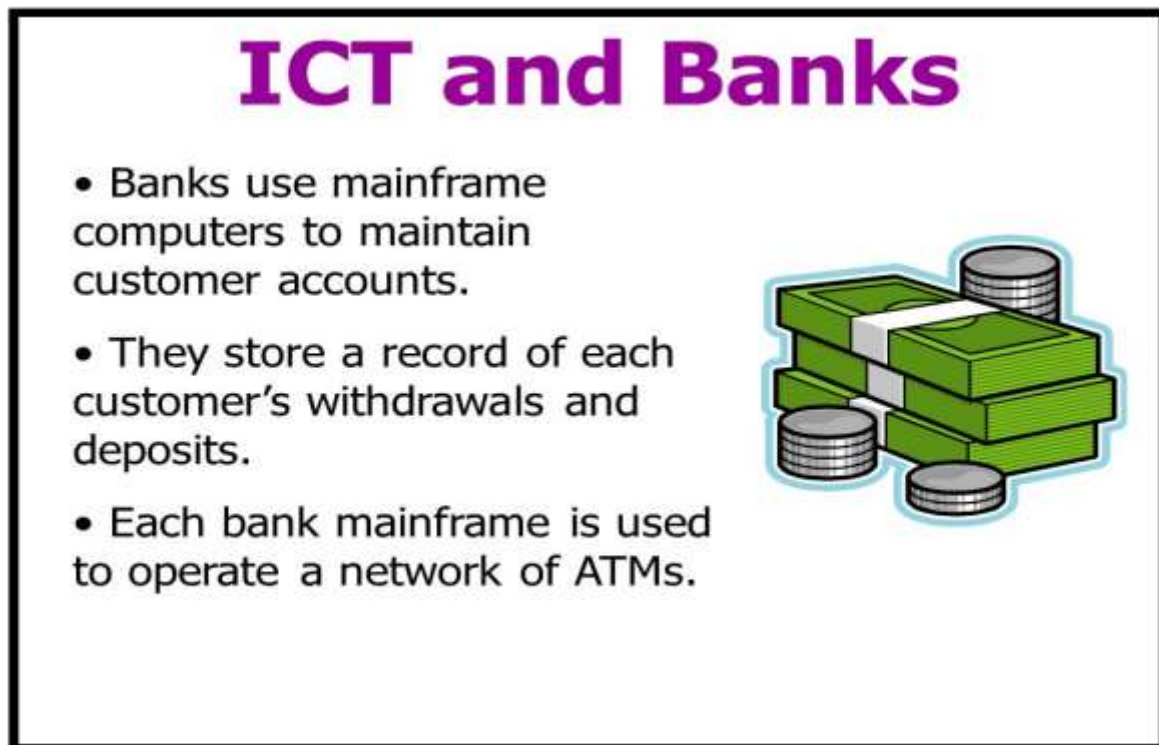


Figure: 1 ICT in Banking and Non-Banking companies

Need for the Study:

This research study is expected to bring value to the government and RBI, as they would understand how financial institutions use competitive strategies to gain competitive edge in the context of intense competition and globalization, influence from local and foreign financial institutions and how they achieve their sustainability. The government and RBI would be in a position to formulate policies aimed at improving banks' productivity and safeguarding their interests using efficient technologies and quality checks

Non-Banking Financial Companies or NBFCs in India are registered companies conducting business activities similar to regular banks. Their banking operations encompass making loans and advances available to consumers and businesses, acquisition of marketable securities, leasing of hard assets such as automobiles, hire-purchase and insurance business. Though they are akin to banks, they differ in couple of ways. NBFCs cannot accept demand deposits, cannot issue cheques to customers and the deposits with them are not insured by DICGC (Deposit Insurance and Credit Guarantee Corporation). Either the RBI (Reserve Bank of India) or SEBI (Securities and Exchange Board of India) or both regulate NBFCs.

Review of Literature:

There is universal agreement that a properly functioning financial system is required for a thriving modern economy (Kroszner, 2010). In all advanced economies, for instance, sophisticated financial systems efficiently deliver a broad range of financial services and act as a critical pillar in contributing to macroeconomic stability and sustained economic growth and prosperity (World Bank, 2003). Moreover, the well developed financial markets facilitate mobilization of savings, by offering savers and investors wider choice of instruments. With NBFCs coming up on the financial system, investors could park their funds at more lucrative returns in comparison to the bank deposits.

Zafar S.M.Tariq (2014) in his study found that modern banks operating in India have better operational efficiency than Indian traditional banks. The study further revealed that modern banks with efficient technologies are performing much better in comparison to other contemporary banks. The study suggested that growing trends and challenges have to be monitored minutely. Traditional banks have to develop quality efficiency, productivity and profitability along with cost reduction measures to compete the techno based modern banks and their challenges, *urbam, et al. (2008)* in their study found that information technology no doubt is the most essential and dynamic factors relating to all efforts but it is also true that it alone cannot improve banks earnings,

Objectives:

1. To identify the brunt of ICT on India's banks performance *to study of Financial Performance of Banking and Non-Banking companies in India: Muthoot Finance*
2. To determine the extent of competitive strategies adopted both the banks Non-Banking companies of India through ICT application.
3. To determine effectiveness of the ICT as a competitive strategy in respect banks of banks Non-Banking companies
4. To suggest effective measures to improve ICT application and making it help in the banks turnaround strategies.

Hypothesis:

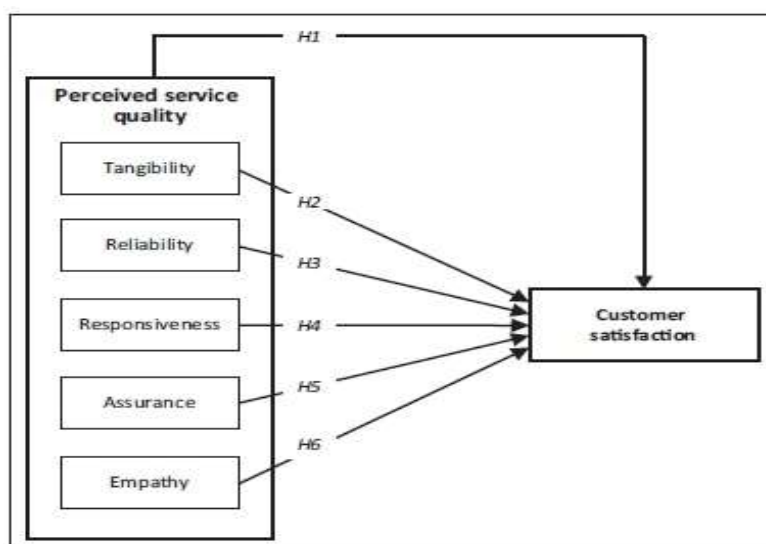
Ho: There is no significant relationship between the level of ICT and banks and Non-Banking companies development

H1: There is a significant relationship between the level of ICT and banks and Non-Banking companies development

Research Methodology:

The descriptive research process is adopted, which has helped in research regard to present status of the attributes of study that is taken up. In this study, the design used to answer questions pertaining to ICT adoption as a competitive strategy adopted in Non-Banking companies in India is Descriptive Research design. This design is used to determine the extent of competitive advantage achieved through technology among banks.

The research mostly on primary data sources and secondary data that was collected using interview guide with open-ended questions. Non-Banking companies top level managers, middle level and lower level employees were the respondents.



Source: Authors' own work

FIGURE 1. Conceptual framework depicting the relationship between the dimensions of service quality and customer satisfaction.

Growth of NBFCs:

The credit appraisal systems of non-banking financial companies (NBFC) have been reasonably well so far. With their inherent ability to move fast and to tap into specific customer segments, it seems that NBFCs would be able to transfer these benefits in meeting the non-corporate needs of the economy, including those of SMEs and retail customers. With an estimate suggesting that more than 50 percent of micro, small and medium enterprises (MSMEs) do not have reach to formalized credit, the need statement cannot be overstated. Other than the opportunity in SME financing, enhanced penetration for housing will surely drive double-digit growth over the next

decade. India's housing finance segment continues to display huge potential for growth, and HFCs (Housing Finance Companies) with 40 percent of the share are clearly leading the way here. Moreover, as newer customer needs emerge from a digitally savvy customer segment, NBFCs could potentially open up new avenues for growth.

Data Analysis and Interpretation:

Variables of Study:

The study examines the impact of information communication technology process and performance aspects of banks of banks Non-Banking companies in India by considering the following variables:

Banking and Non-Banking companies' performance

Banking and Non-Banking companies ICT facilities

Banking and Non-Banking companies Technology

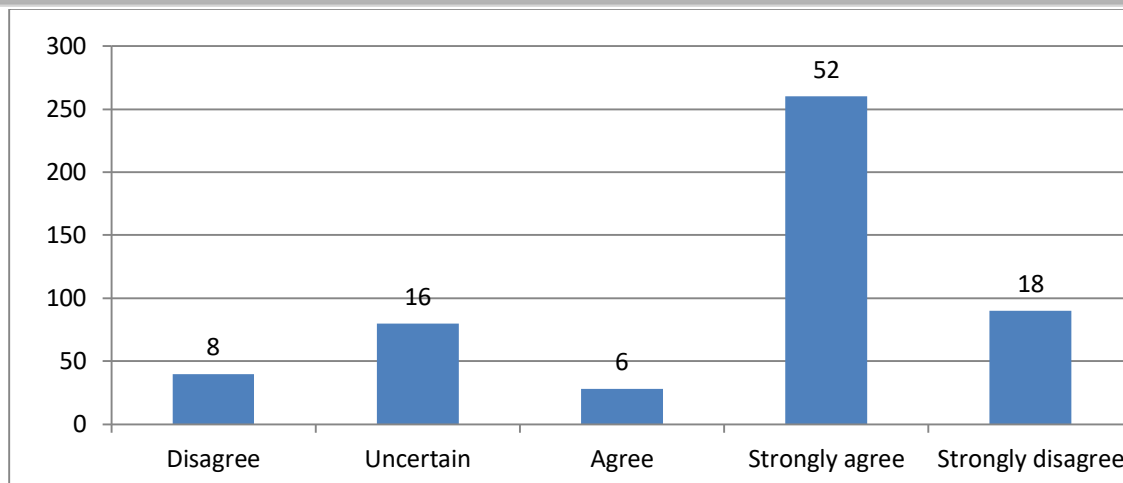
Table: 1 Banking strategies in Banking and Non-Banking Companies

Scale	Frequency	%
Disagree	8	8
Uncertain	16	16
Agree	6	6
Strongly Agree	52	52
Strongly disagree	18	18
Total		100

Source: Data compiled from field level survey

Banking strategies of banks of banks and Non-Banking companies accepted by 76 percent of respondents of the target population. The respondents say that there is a good improvement of the operational efficiency through application of ICT by banks and Non-Banking companies.

Figure: 2 Banking and Non-Banking Companies strategies



Source: Data compiled from field level survey

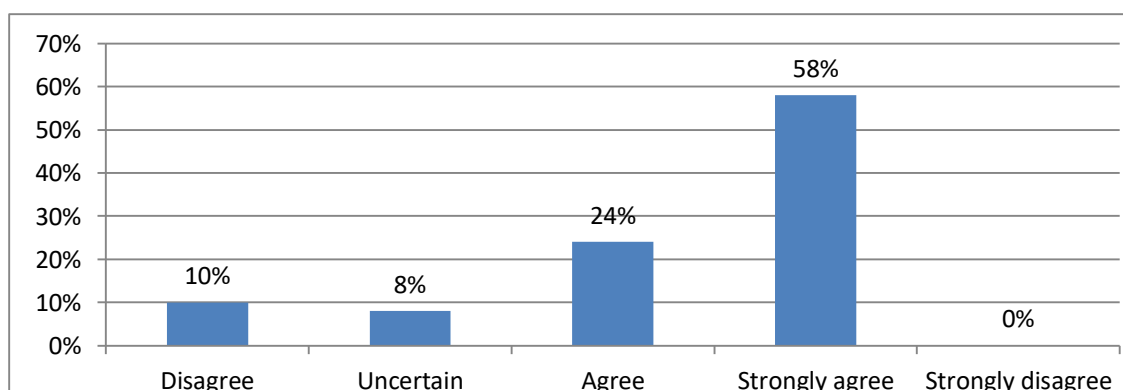
Table: 2 Customer Satisfaction towards ICT in Banks

Scale	%
Disagree	10
Uncertain	8
Agree	24
Strongly Agree	58
Strongly disagree	0
Total	

Source: Data compiled from field level survey

The banks had adopted a best customer satisfaction system accepted by 82 percent of respondents. The role of ICT and E-banking had great role in improving the custom service quality and promoting digitalization towards transference of financial transaction and economy growth in Banking and Non-Banking Companies

Figure:3 Customer grievance system



Source: Data compiled from field level survey

Findings and Conclusion:

The study found that banks of Banking and Non-Banking Companies had adopted a best kind of competitive strategies by implementing e-banking/online/mobile banking activities. This will help to improve the custom service quality at a great extent to serve the public through Banking and Non-Banking Companies

In the advance of technology revolution and global scenario improves the banks performance and cost leadership i.e vital for the betterment of the society. The technology innovation adopted by banks leads to improve the growth of exports, business and consumer transaction, transference, promptness of transactions.

The research found that 65% of the respondents felt that there is a qualitative improvement of Banking and Non-Banking Companies and business transactions through ICT based and online bank transaction.

The respondents 68% reveals that Bank role had positive influence of the consumers to get oriented towards e-banking and its significance to improve their financial transaction.

The accuracy, timely service, prompt service, introduction of good banking products, loan products definite by leads to attract more customers into banking field. The CRM Service of all banks had a good impact to customers to encourage bank habits into digitalized form.

The 80% of business man having complete awareness and banking transaction. Wherever the overall online banking adopts of public had limited to around 40%. Therefore banks should conduct extensive campaigns to create online banking awareness.

The customs of banks had perceived the benefits of e-banking in terms of time saving (51.6%), easy processing (48%), easy fund transfer (18%), in expensive (29%). This will help the customs to benefits accruing to the public include ready availability of funds removal of middlemen.

The study also elicits the resources for its non usage. The main reason revealed by the non users no access to internet, mobile then hidden cost matter. In this situation of both banks of Public and Private initiated financial literacy campaign to encourage the non users and illiterate consumers.

The interpretation found that the services of ICT, e-banking, net banking, mobile banking, and credit card services had good in private sector banks (88%) then compare to Public sector banks (65%).

The research attempted to know the quality factors of internet banking services by undertaking customer intentions and feed back towards banking experience. It found that despite of many advantages of e-banking, further banks to take the customer service quality charges to improve the customer satisfaction by offering better services.

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