

An Evaluation of Financial Performance and Operational Efficiency of Selected NBFCs

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Abstract: *Non-Banking Financial Companies (NBFCs) have become an important source of retail, vehicle, gold and small-business credit in India. This study evaluates the financial performance of five large listed NBFCs, namely Bajaj Finance, Shriram Finance, Muthoot Finance, Chola mandalam Investment and Finance, and Manappuram Finance, over the five years from 2020-21 to 2024-25. It is based entirely on secondary data (consolidated financial statements as published by the companies and compiled by financial data portals) and examines growth in three measures: total assets, net profit and net worth. Year-on-year growth, mean growth, standard deviation and the five-year compound annual growth rate (CAGR) are computed, and one-way ANOVA is used to test whether mean growth differs across the companies. Chola mandalam recorded the fastest asset growth (CAGR 25.8%) and, together with Shriram Finance, the fastest profit growth, while Manappuram Finance grew slowest on every measure and saw its profit fall in 2024-25. Differences in mean annual growth were not statistically significant at the 5% level.*

Keywords: NBFC, financial performance, growth analysis, CAGR, total assets, net profit, net worth

I. INTRODUCTION

1.1 Background

An NBFC is a company registered under the Companies Act that carries on the business of loans, advances, acquisition of securities, leasing or hire purchase, but does not hold a banking licence. NBFCs cannot accept demand deposits and are regulated by the Reserve Bank of India (RBI) under the RBI Act, 1934. Over the past two decades they have grown into a major channel of credit for vehicle finance, gold loans, consumer durables, microfinance and MSME lending, with strengths in customer proximity, quick decisions and flexible products. Because they rely heavily on market borrowings and bank funding, their growth must be judged together with their profitability and capital base. In October 2022 the RBI introduced Scale Based Regulation, grouping NBFCs into Base, Middle, Upper and Top layers so that larger firms face tighter prudential norms.

1.2 Need for the Study

Investors, lenders, regulators and borrowers need evidence on how quickly leading NBFCs have expanded their balance sheets, earned profits and built their capital base in the post-pandemic period. Comparing firms with different business models (diversified lending, vehicle finance and gold loans) shows how growth has differed across segments.

1.3 Objectives of the Study

1. To analyse the growth in total assets of the selected NBFCs.
2. To analyse the growth in net profit of the selected NBFCs.
3. To analyse the growth in net worth of the selected NBFCs.
4. To compare growth across the companies and test whether the differences are statistically significant.



1.4 Hypotheses

- **H01:** There is no significant difference in mean annual growth of total assets among the selected NBFCs.
- **H02:** There is no significant difference in mean annual growth of net profit among the selected NBFCs.
- **H03:** There is no significant difference in mean annual growth of net worth among the selected NBFCs.

1.5 Scope and Limitations

The study covers five NBFCs and the financial years 2020-21 to 2024-25, with 2019-20 used as the base year for growth. It uses secondary data only and three growth indicators; ratios such as ROA, NPA levels and cost-to-income are outside its scope. Growth rates are based on consolidated figures and are affected by corporate actions: in particular, the amalgamation of Shriram Capital Limited and Shriram City Union Finance Limited with Shriram Transport Finance Company (renamed Shriram Finance in November 2022) inflates that company's 2022-23 growth. The sample is small (five firms, five years), which limits the power of statistical tests and the generalisability of the findings.

II. REVIEW OF LITERATURE

Existing research on NBFCs falls into broad themes. *[Add author-year citations from the sources you have read, in the university's prescribed referencing style.]*

Growth and role of NBFCs. Studies describe the expansion of NBFCs as a complement to banks, especially in underserved segments, and note their contribution to financial inclusion and credit to MSMEs and retail borrowers.

Financial performance. Researchers compare NBFCs using profit, return and growth measures and generally find that firms with diversified portfolios, low funding costs and strong brands earn higher and steadier returns.

Risk and regulation. Literature on the IL&FS episode and the pandemic stresses liquidity and refinancing risk in NBFCs and the case for tighter, scale-based regulation.

Research gap. Many earlier studies cover periods before COVID-19 or treat NBFCs as one group. Comparative evidence on large listed NBFCs with different business models across the post-pandemic recovery is limited, which this study attempts to address.

III. RESEARCH METHODOLOGY

3.1 Research Design and Sample

The study is descriptive and analytical. Five large listed NBFCs were selected purposively to represent different segments.

Table 3.1: Selected NBFCs

Company	Primary Business Segment
Bajaj Finance Ltd.	Diversified consumer and SME lending
Shriram Finance Ltd.	Commercial vehicle and MSME finance
Muthoot Finance Ltd.	Gold loans
Cholamandalam Investment and Finance Co. Ltd.	Vehicle and home equity finance
Manappuram Finance Ltd.	Gold loans and microfinance

3.2 Data Sources and Period

The study uses secondary data for the financial years 2019-20 to 2024-25 (ending 31 March), with 2019-20 serving as the base year. Consolidated figures in Rs. crore for total assets, net profit (profit for the year) and net worth (equity capital plus reserves) were compiled from the Screener.in company pages, which reproduce the companies' published



financial statements. For 2024-25, figures for Shriram Finance (total assets and net worth from Dhan; net profit from MarketScreener) and Manappuram Finance (net profit from the company's Directors' Report; total assets and net worth from Craytheon/EquitiesIndia) were taken from other portals. Company annual reports and RBI publications were used for background. The compiled base data are given in Appendix A.

3.3 Tools Used

Year-on-year growth = (Current year value - Previous year value) / Previous year value x 100. **CAGR** = [(Value in 2024-25 / Value in 2019-20)^(1/5) - 1] x 100. The mean and sample standard deviation (SD) of the five annual growth rates describe average growth and its variability. **One-way ANOVA** at the 5% level tests whether mean annual growth differs among the five companies.

IV. DATA ANALYSIS AND INTERPRETATION

4.1 Growth in Total Assets

Table 4.1: Year-on-Year Growth in Total Assets (%)

Company	2020-21	2021-22	2022-23	2023-24	2024-25	Mean	SD	CAGR (5 yrs)
Bajaj Finance	4.3	23.9	29.5	36.5	24.1	23.7	12.0	23.2
Shriram Finance	13.7	9.5	48.0	17.9	18.4	21.5	15.2	20.8
Muthoot Finance	25.1	11.2	5.0	20.4	37.7	19.9	12.7	19.3
Cholamandalam	16.5	10.5	37.8	37.9	28.8	26.3	12.4	25.8
Manappuram Finance	6.1	7.9	16.8	18.3	5.3	10.9	6.2	10.7

All five companies expanded their balance sheets over the period. Cholamandalam grew fastest (CAGR 25.8%, mean annual growth 26.3%), followed by Bajaj Finance (23.2%), Shriram Finance (20.8%) and Muthoot Finance (19.3%). Manappuram Finance grew slowest, with a CAGR of 10.7% and annual growth of only 5.3% in 2024-25. Bajaj Finance and Cholamandalam accelerated sharply from 2022-23, and Shriram Finance's 48.0% jump in 2022-23 reflects the merger noted earlier. Muthoot Finance's asset growth picked up to 37.7% in 2024-25. The ANOVA does not detect a significant difference in mean growth ($F(4, 20) = 1.18, p = 0.35$), so H_0 is not rejected.

4.2 Growth in Net Profit

Table 4.2: Year-on-Year Growth in Net Profit (%)

Company	2020-21	2021-22	2022-23	2023-24	2024-25	Mean	SD	CAGR (5 yrs)
Bajaj Finance	-16.0	59.0	63.7	25.6	16.1	29.7	32.8	26.1
Shriram Finance	-0.5	8.9	121.2	22.9	31.9	36.9	48.8	31.2
Muthoot Finance	20.5	5.6	-9.0	21.7	19.8	11.7	13.3	11.1
Cholamandalam	44.3	41.6	23.7	28.3	24.6	32.5	9.7	32.2
Manappuram Finance	16.6	-23.0	12.9	46.5	-45.2	1.5	35.9	-4.0



Profit growth was more uneven than asset growth. Cholamandalam combined the highest CAGR (32.2%) with the steadiest pattern (SD 9.7 percentage points), growing profit by at least 23% every year. Shriram Finance (CAGR 31.2%) and Bajaj Finance (26.1%) also grew strongly, though Bajaj's profit fell 16.0% in 2020-21, the pandemic year, and Shriram's 121.2% rise in 2022-23 is largely the merger effect. Muthoot Finance grew more modestly (CAGR 11.1%) and recorded a decline of 9.0% in 2022-23. Manappuram Finance was the weakest: its profit fell by 23.0% in 2021-22 and by 45.2% in 2024-25, giving a negative CAGR of 4.0%. Because the variability is large, the ANOVA finds no significant difference in mean profit growth ($F(4, 20) = 1.14$, $p = 0.37$), and H02 is not rejected.

4.3 Growth in Net Worth

Table 4.3: Year-on-Year Growth in Net Worth (%)

Company	2020-21	2021-22	2022-23	2023-24	2024-25	Mean	SD	CAGR (5 yrs)
Bajaj Finance	14.2	18.4	24.4	41.1	26.1	24.8	10.2	24.5
Shriram Finance	19.7	20.2	66.7	12.5	15.4	26.9	22.5	25.5
Muthoot Finance	31.7	20.6	15.3	15.9	17.0	20.1	6.8	19.9
Cholamandalam	17.1	22.6	21.9	36.6	20.8	23.8	7.5	23.6
Manappuram Finance	27.2	14.5	15.3	19.7	7.7	16.9	7.2	16.7

Net worth grew steadily for all five companies, indicating that profits were retained and capital was built up even where profit growth was uneven. Shriram Finance (CAGR 25.5%), Bajaj Finance (24.5%) and Cholamandalam (23.6%) lead, with Muthoot Finance at 19.9% and Manappuram Finance at 16.7%. The jump in Shriram's net worth in 2022-23 (66.7%) again reflects the merger, and Bajaj Finance's 41.1% rise in 2023-24 is the largest annual increase outside that case. Muthoot Finance showed the least variability (SD 6.8 points). The ANOVA shows no significant difference in mean net worth growth ($F(4, 20) = 0.52$, $p = 0.72$), so H03 is not rejected.

4.4 Summary of Hypothesis Tests

Table 4.4: One-Way ANOVA Results (5% level)

Hypothesis	Variable	F-value	p-value	Decision
H01	Total assets growth	1.18	0.35	Not rejected
H02	Net profit growth	1.14	0.37	Not rejected
H03	Net worth growth	0.52	0.72	Not rejected

V. FINDINGS

- Asset growth:** Every company expanded its balance sheet; Cholamandalam (CAGR 25.8%) and Bajaj Finance (23.2%) were fastest, while Manappuram Finance (10.7%) was slowest.
- Profit growth:** Cholamandalam (32.2%), Shriram Finance (31.2%) and Bajaj Finance (26.1%) recorded the strongest profit CAGR, although Shriram's is boosted by its merger. Muthoot Finance grew at 11.1% and Manappuram Finance's profit declined (CAGR -4.0%).
- Capital base:** Net worth rose every year for all five companies, with CAGR between 16.7% (Manappuram) and 25.5% (Shriram Finance).



4. **Consistency:** Cholamandalam was the most consistent profit grower, while Manappuram Finance showed the widest swings relative to its average.
5. **Statistical test:** Differences in mean annual growth were not statistically significant for any of the three measures, because year-to-year variation within each company is large relative to the gaps between companies.

VI. SUGGESTIONS

- Companies growing assets quickly, such as Cholamandalam and Bajaj Finance, should keep funding diversified and capital buffers strong so that growth stays sustainable.
- Manappuram Finance should examine the causes of its profit decline and reduce earnings volatility, for example by controlling costs and credit losses in its non-gold businesses.
- Gold-loan lenders should broaden their product mix to lessen dependence on gold prices and regulatory changes.
- Investors should read growth alongside asset quality, leverage and efficiency, and adjust for mergers when comparing companies.
- Future research can extend the study with profitability, asset-quality and efficiency ratios over a longer period.

VII. CONCLUSION

Over 2020-21 to 2024-25 the five selected NBFCs expanded their assets and net worth steadily, with Cholamandalam, Bajaj Finance and Shriram Finance growing fastest and Manappuram Finance slowest. Profit growth was more volatile: it was strong and steady at Cholamandalam, sharp but merger-affected at Shriram Finance, modest at Muthoot Finance and negative at Manappuram Finance. Although the gaps between companies appear large, ANOVA shows they are not statistically significant at the 5% level, which is partly a result of the small sample and the variability of annual growth. The study offers a clear, data-based comparison of growth among leading NBFCs and can be extended with ratio-based analysis of profitability, asset quality and efficiency.

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