CHAPTER-7

SUMMARY OF FINDINGS, SUGGESTIONS AND CONCLUSION
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7.1 FINDINGS

The following are the findings of the present study.

1. Operating profit margin of all select companies on an average is of 80% for the study period.

2. Average return on equity of select Non Banking Housing Financial companies for the enter study period is ranging from 16% to 25.55% which brings an inference that all NBHFC’s have performed well in generating return on equity, as return on equity calculated in all cases exceeding world Bank suggested return on equity of 15% bench mark.

3. Average financial risk pertaining to Non Banking Housing Finance was going around 2.85% to 4.88%. The highest financial risk is exhibited by Dewan Housing Finance Ltd., (DHFL) and lowest is exhibited by Housing Development Finance Corporation (HDFC).

4. Operating risk of all companies in the select pack are having uniform degree of operating leverage which is so unique in the industry for the study period.

5. Business risk is more in case of Dewan Housing Finance Company (DHFL) and less in case of HDFC.
6. Sustainable growth of Select Non Banking Housing Finance Company is best in case of Gruh Finance, least in case of DHFL.

7. Return Per Unit of Risk (RPUR) for the study period calculated was more in case of Gruh Finance where as less in case of DHFL.

8. All Companies of the study period have exhibited Value Creation/Value Addition. No company has destroyed its wealth during the study period.

9. Housing Development Finance Corporation (HDFC) has Added higher wealth to its share holder whereas least wealth is created by GIC Housing Finance for the study period.

10. Overall performance which is measured by composite index is more in case of Gruh Finance & less in case of DHFL for the study period which brings the best performance by Gruh Finance followed by LIC Housing Finance and HDFC. To speak specifically the respective composite index value where 8.68%, 7.46%, and 7.22% respectively.

7.2 SUGGESTIONS

The following important suggestions are offered for the present study.

1. In order to ensure sustainable growth rate of earnings, every Non Banking Housing Financial Companies should perform in the expected lines as for as top line and bottom lines are concerned &
also make provision for growth in terms of savings to undertake growth programs internally or externally.

2. Risk management must be undertaken in an optimum way. Hence Risk which produces more Return Per Unit of Risk (RPUR) should be taken as optimum risk. Accordingly risk should be identified, measured in terms of impact and to ensure this, strategy may be adopted.

3. Economic value found out should be standardized in terms of capital invested in order to know relative performance of Non Banking Housing Financial Companies in India which can be called as Standardized Economic Value Added (SEVA).

4. On the basis of economic value addition (EVA) & Market Value Addition (MVA) respective Non Banking Housing Financial Companies (NBHFC) are to be classified into value creators, value destroyers, value victims & value pretenders on the basis of value position matrix using these two parameters.

5. Non Banking Financial Companies must design strategies of Adding value in providing value to share holders. Such identification of strategy should be there.

6. Foreign institutional investment or Foreign Direct Investment (FDI) must be promoted in Non Banking Housing Financial Companies in
order to bring foreign capital into operation. So that tier capital can be enhanced.

7. Implicit cost of equity must be brought down by adding more value to share holders in term of increased share prices, that all depends upon the overall best performance in the market.

8. Value Addition Per Unit of Risk (VAPUR) should be taken as new metric of performance measurement of Non Banking Housing Financial companies.

9. All Non Banking Housing Financial Companies may be directed to undertake their Financing activities in such a way that, they should generate at least 15 percent Return on Equity (ROE) which is being World Bank Bench mark.

10. In order to ensure improvement in Net Interest Margin (NIM), profiling of cost of deposits & income of lending should be undertaken. In addition, gap analysis is supposed to be employed.

11. Value adding bench mark may be prescribed in advance for achievement.

7.3 CONCLUSION

Banks and Non-Bank Financial Companies are both key elements of a sound and stable financial system. Banks usually dominate the financial system in most countries because business, households and the public sector all rely on the banking system for a wide range of financial products
to meet their financial needs. However, by providing additional and alternative financial services, NBFC’s have already gained considerable popularity both in developed and developing countries. In one hand these companies help to facilitate long-term investment and financing, which is often a challenge to the banking sector and on the other, the growth of Non-Banking Financial Companies widens the range of products available for individuals and institutions with resources to invest. Through their operation NBFC’s can mobilize long-term funds necessary for the development of equity and corporate debt markets, housing financing factoring and venture capital. Another important role which NBFC’s play in an economy is to act as a buffer, especially in the moments of economic distress. An efficient NBFC’s sector also acts as a systemic risk mitigator and contributes to the overall goal of financial stability in the economy.

NBFC’s of India have already passed more than three and a half decades of operation. Despite several constraints, the industry has performed notably well and their role in the economy should be duly recognized. It is important to view Non-Banking Financial companies as a catalyst for economic growth and to provide necessary support for their development. A long term approach by all concerned for the development of NBFC’s is necessary. Given appropriate support, NBFC’s will be able to play a more significant role in the economic development of the developing country.
7.4 SCOPE FOR FURTHER RESEARCH

1. The present study is confined only to Performance evaluation of Non Banking Housing Financial companies (NBHFCs). Therefore, a further study can be conducted on non Housing financial companies NBFCs. Leasing, chit fund, Hire purchase etc.,

2. Some of the All India level companies and multinational companies also provide leasing facilities. So, a study can be conducted to evaluate financial performance of these companies.

3. The present study has been undertaken Performance evaluation of non banking companies in India. So, study can be conducted to performance evaluate on same Division wise & Department wise.