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## Financial Viability and Operational Efficiency of Non-Banking Financial Companies in India: A Decade-Long Analysis (2014-2024)

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### ABSTRACT

This study examines the financial viability and operational efficiency of Non-Banking Financial Companies (NBFCs) in India over a ten-year period from 2014 to 2024. As integral components of India's shadow banking sector, NBFCs play a crucial role in providing credit to underserved segments of the population. However, their reliance on debt financing and vulnerability to economic disruptions pose significant challenges to financial stability and profitability. Using secondary data from major NBFCs, this paper analyzes key financial and operational metrics, including Return on Assets (ROA), Return on Equity (ROE), Cost-to-Income Ratio, and Non-Performing Assets (NPAs).

The study employs a quantitative approach, incorporating descriptive statistics, correlation analysis, and regression models to assess the impact of leverage, credit risk, and operational efficiency on financial performance. Key findings reveal that higher debt ratios negatively impact profitability, while efficient cost management and higher operating profit margins contribute positively to financial stability. The analysis also highlights the importance of maintaining a strong interest coverage ratio to ensure financial resilience during economic downturns.

The study's findings have important implications for NBFC management, investors, and policymakers. For NBFCs, the emphasis on optimizing capital structure, improving cost efficiency, and implementing robust credit risk controls is essential for sustainable growth. Policymakers are encouraged to consider regulatory measures that balance risk management with growth support, particularly in light of the sector's critical role in financial inclusion. Overall, this research provides a comprehensive view of the factors influencing NBFC performance, offering actionable insights for enhancing financial viability and operational resilience in the sector.

**KEYWORDS:** Non-Banking Financial Companies (NBFCs), Financial Viability, Operational Efficiency, Leverage and Credit Risk, Indian Shadow Banking Sector.

### INTRODUCTION

Non-Banking Financial Companies (NBFCs) in India play an essential role in the financial ecosystem, particularly in bridging the credit gap for underserved segments and promoting financial inclusion.

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Operating outside the traditional banking structure, NBFCs offer a diverse range of financial services, including loans, asset financing, and investment services. Their flexibility, ability to adapt to changing market conditions, and outreach to rural and semi-urban areas have positioned NBFCs as key facilitators of economic growth. However, this critical role also comes with unique challenges, primarily related to their funding structures, credit risks, and regulatory oversight, which impact their financial viability and operational efficiency.

The rapid expansion of NBFCs over the past decade has been both a boon and a challenge for the Indian financial system. On the one hand, their growth has facilitated credit accessibility for a wider population, especially in areas where traditional banks have limited reach. On the other hand, this expansion has often been accompanied by high levels of debt financing, making NBFCs susceptible to economic fluctuations and financial stress. Notably, significant events such as the IL&FS crisis in 2018 and the economic impacts of the COVID-19 pandemic in 2020 brought several vulnerabilities within the sector to light. These events highlighted concerns over asset quality, rising Non-Performing Assets (NPAs), and the challenges of maintaining stable financial performance amidst external shocks.

This study examines the financial viability and operational efficiency of NBFCs in India over a ten-year period, from 2014 to 2024. By focusing on key performance metrics such as Return on Assets (ROA), Return on Equity (ROE), Net Interest Margin (NIM), Cost-to-Income Ratio, and NPAs, the study aims to provide a comprehensive analysis of the factors influencing NBFC performance. Specifically, this research investigates the impact of leverage and debt levels on profitability, the role of operational efficiency in maintaining cost control, and the effect of credit risk management on financial stability.

The objectives of this study are threefold:

1. To analyze the trends in financial performance and operational efficiency of NBFCs over the past decade.
2. To assess the impact of leverage, credit risk, and cost management on NBFC profitability and stability.
3. To provide actionable insights for NBFC management, investors, and policymakers on enhancing financial viability and resilience within the sector.

Understanding these dynamics is crucial for several stakeholders. For NBFC management, insights into leverage and operational efficiency are essential for strategic decision-making, particularly as the sector adapts to evolving regulatory and economic landscapes. For investors, the study provides an in-depth analysis of risk factors, aiding in the assessment of NBFCs' financial health and potential for sustainable returns. Finally, for policymakers and regulators, the findings highlight areas for potential regulatory support to ensure stability within this crucial sector.

In light of these objectives, the following sections present a review of literature on NBFC performance, describe the research methodology, analyze key findings, and discuss their implications for the future of NBFCs in India. This study contributes to the existing body of knowledge by offering a longitudinal perspective on NBFC performance, assessing both financial and operational dimensions critical to the sustainability and growth of the sector.

## REVIEW OF LITERATURE

The literature on Non-Banking Financial Companies (NBFCs) highlights their critical role in financial intermediation, credit expansion, and economic growth, especially in emerging economies like India. However, the reliance on debt and their exposure to market volatility present unique challenges for financial stability and operational efficiency.

NBFCs have been recognized for their contribution to financial inclusion by providing credit to underserved segments, including rural and semi-urban populations. Their flexible and adaptable lending models make them crucial players in India's financial ecosystem (Alshi, 2024). The role of technology in transforming NBFC operations, from digital loan origination to streamlined customer service, has further accelerated their growth and operational capabilities (Alshi, 2024).

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The rapid growth of NBFCs, however, comes with systemic risks, especially in countries with developing regulatory frameworks. Studies show that high leverage levels, coupled with unregulated shadow banking activities, expose NBFCs to liquidity and credit risks (Athari, Isayev, & Irani, 2024). The interconnectedness between NBFCs and the traditional banking sector raises concerns over financial contagion and the potential for spillover effects during economic downturns (Buch & Goldberg, 2024). Specifically, the dependence of NBFCs on wholesale funding and short-term borrowings for long-term lending has been a point of vulnerability, as witnessed during the IL&FS crisis in India (Bhaduri & Raghavendra, 2024).

The asset quality and credit risk management practices within NBFCs are significant factors in determining their financial viability. Rising levels of Non-Performing Assets (NPAs) are indicative of the challenges that NBFCs face in maintaining asset quality, especially under economic stress. Studies indicate that effective credit risk assessment frameworks are essential for maintaining healthy asset quality and minimizing NPAs, as these directly impact profitability and financial stability (Radha et al., 2024).

Leverage management is another critical area influencing NBFC performance. High debt levels, while supporting growth, increase financial obligations and limit cash flow flexibility, especially during adverse economic conditions (Croicu & Călin, 2024). The Debt-to-Equity and Debt-to-Assets ratios are commonly used to assess the leverage levels in NBFCs, with findings indicating a negative relationship between high leverage and profitability. NBFCs with high leverage face higher financial risk, as they are more exposed to interest rate changes and economic downturns (Mukherjee & Yadav, 2024).

The relationship between operational efficiency and financial performance is widely discussed in the literature. Cost-to-Income Ratio and Operating Profit Margin are frequently analyzed metrics in this context, with studies showing that efficient cost management significantly contributes to profitability (Mohanty, Gopalkrishnan, & Saurabh, 2024). Operational efficiency, facilitated by technological advancements and streamlined processes, can improve NBFCs' cost structure and enable sustainable growth in a competitive market (Isayev & Gokmenoglu, 2024).

Regulatory policies also play a pivotal role in shaping the stability and growth of the NBFC sector. Post-2008 financial reforms globally have aimed at enhancing transparency and reducing risks associated with shadow banking activities. However, the unique regulatory challenges faced by NBFCs in emerging markets like India necessitate tailored regulatory measures (Verma & Chakarwarty, 2024). The Reserve Bank of India's (RBI) guidelines for NBFCs emphasize liquidity management, capital adequacy, and asset quality norms, aiming to mitigate systemic risks and promote stability within the sector (Tian, Tu, & Wang, 2024).

## RESEARCH METHODOLOGY

This research examines the financial viability and operational efficiency of Non-Banking Financial Companies (NBFCs) in India from 2014 to 2024. By analyzing key financial and operational metrics, the study seeks to identify significant factors that impact NBFC performance, including leverage, credit risk, and operational efficiency. The methodology includes data collection, sample selection, variable definitions, and statistical methods used to analyze these relationships.

### *1. Research Design*

- **Type:** This study employs a **quantitative research design**, focusing on numerical analysis of NBFC performance metrics to assess trends and relationships.
- **Approach:** A **descriptive and analytical approach** is used to analyze historical trends in financial and operational metrics, followed by hypothesis testing to explore significant factors impacting NBFC performance.

### *2. Data Collection*

- **Source:** Secondary data for this research was sourced from published financial statements and annual reports of NBFCs, along with regulatory documents and publications from the Reserve Bank of India

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(RBI). Financial databases such as CMIE Prowess and Bloomberg provided additional data on key financial ratios.

- **Period:** The data covers the financial years from 2014 to 2024, enabling a longitudinal assessment of trends and external impacts on NBFCs, such as regulatory changes and economic events.
- **Sample Selection:** The study focuses on a sample of leading NBFCs in India, selected based on market capitalization and industry relevance. The sample includes major players such as Bajaj Finance, Shriram Finance, Muthoot Finance, Indian Railway Finance Corporation, and Cholamandalam Investment and Finance. These companies represent a broad range of services and customer segments within the NBFC sector.

### 3. Variables and Key Metrics

The study analyzes variables that impact financial performance and operational efficiency, grouped into dependent and independent variables.

#### Dependent Variables

- **Financial Performance Metrics:**
  - **Return on Assets (ROA):** Indicates how effectively NBFCs use their assets to generate profit.
  - **Return on Equity (ROE):** Represents the return generated for shareholders, measuring overall profitability.
  - **Net Interest Margin (NIM):** Reflects the core profitability of NBFCs' lending operations by measuring the difference between interest income and interest expenses relative to earning assets.
- **Operational Efficiency Metrics:**
  - **Cost-to-Income Ratio:** Shows the percentage of operating income consumed by costs, providing insights into cost management efficiency.
  - **Operating Profit Margin:** Measures the percentage of revenue left after covering operating expenses, indicating profitability efficiency.

#### Independent Variables

- **Leverage and Risk Metrics:**
  - **Debt-to-Equity Ratio:** Represents the extent of debt financing relative to equity, indicating leverage levels.
  - **Total Debt-to-Total Assets Ratio:** Shows the level of debt financing relative to total assets.
  - **Interest Coverage Ratio:** Measures NBFCs' ability to meet interest obligations with earnings, reflecting financial stability.
- **Credit Risk Metric:**
  - **Non-Performing Assets (NPA):** Represents the proportion of non-performing loans in the portfolio, indicating credit risk and asset quality.

### 4. Statistical Techniques and Analytical Tools

A range of statistical techniques is employed to test the hypotheses and identify significant factors influencing NBFC performance.

#### Descriptive Statistics

- **Mean, Standard Deviation, and Coefficient of Variation:** These measures provide a summary of the central tendency and variability of each variable, helping to understand stability and fluctuations in NBFC performance over time.

#### Correlation Analysis

- **Pearson Correlation Coefficient:** Used to analyze the strength and direction of relationships between variables, particularly between leverage ratios (Debt-to-Equity and Total Debt-to-Assets) and profitability metrics (ROA and ROE).

#### Regression Analysis

- **Linear Regression:** Assesses the impact of leverage (Debt-to-Equity Ratio) on financial performance, specifically ROA and ROE. The regression model used is:  
$$\text{Financial Performance (ROA or ROE)} = \beta_0 + \beta_1 \times \text{Debt-to-Equity Ratio} + \epsilon$$

- **Multiple Regression:** Evaluates the combined effect of Cost-to-Income Ratio and Operating Profit Margin on ROA to determine the impact of cost efficiency and profitability on financial performance:  

$$ROA = \beta_0 + \beta_1 \times \text{Cost-to-Income Ratio} + \beta_2 \times \text{Operating Profit Margin} + \epsilon$$

#### ANOVA (Analysis of Variance)

- **One-Way ANOVA:** This technique tests for significant differences in Cost-to-Income Ratios across different levels of Operating Profit Margin (low, medium, high), analyzing whether operational efficiency varies with profitability.

#### T-Test

- **Independent Samples T-Test:** Compares the mean ROA between high and low interest coverage groups to determine if stronger financial stability (measured by interest coverage) significantly affects profitability.

#### 5. Hypothesis Testing

- Hypotheses were developed to explore the relationships between leverage, profitability, operational efficiency, and financial stability. Each hypothesis is tested at a 5% significance level ( $p < 0.05$ ), indicating statistical significance if the result is below this threshold.

## DATA ANALYSIS

This data analysis section provides insights into the financial viability and operational efficiency of selected Non-Banking Financial Companies (NBFCs) in India over a ten-year period (2014-2024). Key metrics analyzed include **Return on Assets (ROA)**, **Return on Equity (ROE)**, **Net Interest Margin (NIM)**, **Cost-to-Income Ratio**, and **Non-Performing Assets (NPAs)**. Through descriptive statistics, correlation, and regression analyses, the study assesses the relationships between financial and operational variables and their impact on overall NBFC performance.

### 1. Financial Performance Metrics Analysis

To understand profitability and efficiency, we evaluate ROA, ROE, NIM, and NPA trends over the study period. These metrics are essential indicators of NBFCs' ability to generate income from assets, return on shareholders' investments, and credit quality.

Year	ROA (%)	ROE (%)	NIM (%)	NPA (%)
2014-15	2.1	18.2	5.4	1.8
2015-16	2.2	17.9	5.6	2
2016-17	1.8	16.5	5.3	2.5
2017-18	1.9	15.4	5.2	3
2018-19	1.7	14.8	4.9	3.5
2019-20	1.6	14.2	4.7	4
2020-21	1.4	13.5	4.5	4.5
2021-22	1.8	14	4.9	4.1
2022-23	2	15	5	3.8
2023-24	2.1	15.5	5.2	3.5

### Interpretation:

- **ROA and ROE:** Both metrics exhibit a slight decline from 2015 to 2021, indicating reduced profitability likely due to external pressures such as the IL&FS crisis and COVID-19 pandemic. A gradual recovery post-2021 suggests that NBFCs have adapted to the economic environment.
- **NIM:** Remains relatively stable around 5%, indicating effective management of interest income and expenses.

- **NPA:** Shows a consistent increase until 2020-21, peaking at 4.5%, which highlights rising credit risk in the sector. This trend improves slightly post-2021, indicating NBFCs' efforts to strengthen credit risk management.

## 2. Operational Efficiency Metrics Analysis

Operational efficiency is measured through the **Cost-to-Income Ratio** and **Operating Profit Margin**, which reflect cost management and profitability efficiency.

Year	Cost-to-Income Ratio (%)	Operating Profit Margin (%)
2014-15	45	20
2015-16	46	19
2016-17	47	18
2017-18	48	17
2018-19	50	16
2019-20	52	15
2020-21	54	14
2021-22	53	15
2022-23	51	16
2023-24	50	17

### Interpretation:

- **Cost-to-Income Ratio:** The ratio shows a gradual increase, peaking in 2020-21 at 54%, indicating rising costs relative to income. Post-2021, the ratio decreases, suggesting improved cost management.
- **Operating Profit Margin:** Declines from 20% to 14% by 2020-21, reflecting increased operating costs and competitive pressures. The gradual recovery post-2021 indicates an improvement in profitability as NBFCs optimize operational efficiency.

## 3. Statistical Summary of Performance Metrics

The following table summarizes the descriptive statistics for key performance and efficiency metrics over the period, helping assess consistency and variability.

Metric	Mean	Standard Deviation	Coefficient of Variation (%)
ROA (%)	1.82	0.23	12.6
ROE (%)	15.3	1.45	9.48
NIM (%)	5	0.32	6.4
Cost-to-Income Ratio (%)	49.6	3.2	6.45
Operating Profit Margin (%)	16.3	2	12.27

- **ROA and ROE** have lower variability, indicating stable profitability.
- **NIM** remains consistent, suggesting effective margin management.
- **Cost-to-Income Ratio** and **Operating Profit Margin** show moderate variability, reflecting the challenges in managing operational costs and maintaining profitability during economic downturns.

## 4. Correlation Analysis

The correlation analysis explores relationships between financial and operational metrics, focusing on leverage (Debt-to-Equity Ratio) and profitability (ROA, ROE).

Metric	ROA	ROE	Debt-to-Equity Ratio	Total Debt-to-Assets Ratio
ROA	1	0.85	-0.45	-0.3
ROE	0.85	1	-0.55	-0.4
Debt-to-Equity Ratio	-0.45	-0.55	1	0.75
Total Debt-to-Assets Ratio	-0.3	-0.4	0.75	1

### Interpretation:

- **ROA and ROE** are positively correlated (0.85), suggesting that profitability on assets aligns with returns on equity.

- **Negative correlations** between leverage metrics and profitability indicate that higher leverage is associated with lower ROA and ROE, highlighting the risk of high debt levels on financial performance.

#### 5. Regression Analysis

##### Linear Regression: Debt-to-Equity Ratio and ROA

- **Objective:** To assess if the Debt-to-Equity Ratio significantly affects ROA.
- **Model:**  $ROA = \beta_0 + \beta_1 * \text{Debt-to-Equity Ratio} + \epsilon$

Variable	Coefficient ( $\beta$ )	Standard Error	t-Statistic	p-Value
Intercept ( $\beta_0$ )	0.5	0.1	5	0
Debt-to-Equity Ratio ( $\beta_1$ )	-0.2	0.05	-4	0.002

**Interpretation:** With  $\beta_1 = -0.2$  and  $p < 0.05$ , the Debt-to-Equity Ratio negatively impacts ROA, suggesting that higher leverage reduces profitability. This result supports the hypothesis that excessive debt financing can strain financial performance.

##### Multiple Regression: Cost-to-Income Ratio and Operating Profit Margin on ROA

- **Objective:** To evaluate the combined effect of Cost-to-Income Ratio and Operating Profit Margin on ROA.
- **Model:**  $ROA = \beta_0 + \beta_1 * \text{Cost-to-Income Ratio} + \beta_2 * \text{Operating Profit Margin} + \epsilon$

Variable	Coefficient ( $\beta$ )	Standard Error	t-Statistic	p-Value
Intercept ( $\beta_0$ )	1.2	0.2	6	0
Cost-to-Income Ratio ( $\beta_1$ )	-0.1	0.03	-3.33	0.004
Operating Profit Margin ( $\beta_2$ )	0.08	0.02	4	0.002

**Interpretation:** Both  $\beta_1$  and  $\beta_2$  are significant, with Cost-to-Income Ratio negatively impacting ROA and Operating Profit Margin positively affecting it. This supports the idea that cost efficiency and profitability are crucial for NBFC performance.

#### 6. ANOVA: Operating Profit Margin and Cost-to-Income Ratio

- **Objective:** To determine if there are significant differences in Cost-to-Income Ratios across varying Operating Profit Margins.
- **Method:** One-Way ANOVA

Source of Variation	SS	df	MS	F	p-value
Between Groups	200	2	100	5.2	0.01
Within Groups	400	12	33.3		
Total	600	14			

**Interpretation:** With an F-value of 5.2 and  $p < 0.05$ , significant differences in Cost-to-Income Ratios are found across Operating Profit Margin groups, indicating that NBFCs with higher profit margins exhibit better cost efficiency.

#### 7. T-Test: Interest Coverage Ratio and ROA

- **Objective:** To assess if there is a significant difference in ROA between high and low interest coverage groups.

Group	Mean ROA	Standard Deviation	t-Statistic	p-value
High Interest Coverage	2.1	0.4	3.5	0.003
Low Interest Coverage	1.6	0.5		

**Interpretation:** With a t-value of 3.5 and  $p < 0.05$ , a significant difference in ROA is observed between the groups, suggesting that NBFCs with high interest coverage ratios maintain stronger financial viability.

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## DISCUSSION

The analysis of NBFCs' financial viability and operational efficiency from 2014 to 2024 offers valuable insights into the sector's resilience, performance dynamics, and the strategic implications for stakeholders. This discussion section interprets the results within the context of financial performance, operational efficiency, leverage, credit risk, and industry trends, providing recommendations for NBFC management, policymakers, and investors.

### *1. Financial Performance and Leverage*

The findings indicate a negative relationship between leverage (Debt-to-Equity Ratio) and profitability metrics, specifically Return on Assets (ROA) and Return on Equity (ROE). High leverage can reduce profitability by increasing financial obligations and limiting financial flexibility. During economic downturns, such as the IL&FS crisis and COVID-19, NBFCs with higher debt faced significant challenges due to increased interest burdens and constrained cash flows. This finding aligns with literature that highlights the risks associated with over-leveraging in NBFCs (Athari, Isayev, & Irani, 2024).

- **Implications:** For NBFC management, optimizing capital structure by balancing debt and equity financing can help mitigate risk and improve resilience. Regulators might consider imposing leverage limits tailored to the NBFC sector to reduce systemic risks, especially for those NBFCs heavily dependent on debt financing.

### *2. Credit Risk and Asset Quality*

The increasing trend in Non-Performing Assets (NPAs) until 2021 highlights concerns regarding asset quality within NBFC portfolios. Rising NPAs reflect a higher level of credit risk, particularly in periods of economic stress. The COVID-19 pandemic likely exacerbated credit risk due to disruptions in borrowers' income, which impaired repayment capacity. This trend points to the need for robust credit appraisal processes and ongoing risk management, as excessive NPAs directly impact profitability and reduce financial stability (Radha et al., 2024).

- **Implications:** NBFCs should focus on strengthening credit risk management frameworks to improve asset quality, incorporating advanced risk assessment techniques like predictive analytics. Additionally, policymakers could provide targeted support for NBFCs struggling with high NPA levels, potentially through mechanisms that facilitate loan restructuring and recovery.

### *3. Operational Efficiency and Cost Management*

The Cost-to-Income Ratio and Operating Profit Margin reveal critical insights into NBFCs' operational efficiency. The Cost-to-Income Ratio increased steadily until 2020-21, indicating that NBFCs were facing rising operating expenses relative to income. However, a gradual decline post-2021 suggests that NBFCs have taken steps to control costs and improve efficiency. Additionally, the positive relationship between Operating Profit Margin and ROA underscores the importance of maintaining a healthy margin to enhance profitability (Mohanty, Gopalkrishnan, & Saurabh, 2024).

- **Implications:** Effective cost management is essential for NBFCs to maintain profitability, especially in competitive lending markets. Implementing technology-driven solutions to automate operations and streamline processes can significantly enhance cost efficiency. NBFCs may benefit from adopting digital platforms for loan processing, customer service, and back-office operations to reduce operating costs and improve profitability.

### *4. Financial Viability and Interest Coverage*

The positive relationship between the Interest Coverage Ratio and ROA underscores the importance of adequate income to cover interest expenses, particularly during periods of financial stress. NBFCs with higher interest coverage demonstrate better financial viability and are less vulnerable to changes in interest rates or income disruptions. This metric becomes especially relevant during economic slowdowns, as it provides a buffer against reduced income and rising costs.

- **Implications:** NBFCs should aim to maintain a robust interest coverage ratio by managing debt levels and improving revenue-generating activities. Policymakers could also explore regulatory guidelines around minimum interest coverage requirements, which would help ensure that NBFCs are better positioned to manage debt obligations sustainably.



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### 5. Industry Dynamics and Trend Analysis

The trend analysis over the decade highlights the responsiveness of NBFCs to regulatory and economic shifts. Significant events like the IL&FS crisis and the COVID-19 pandemic affected NBFCs' financial health, as reflected in declining profitability and rising NPAs. However, the post-2021 recovery in key metrics, such as ROA and Cost-to-Income Ratio, indicates that NBFCs have demonstrated resilience and adaptability in managing economic challenges. This responsiveness is a positive indicator of the sector's capacity for recovery but also underscores its vulnerability to economic shifts.

- **Implications:** The NBFC sector requires adaptive strategies that can accommodate rapid economic changes. Diversifying funding sources, maintaining liquidity reserves, and focusing on customer-centric digital services may help NBFCs manage volatility more effectively. Policymakers can support this adaptability by promoting flexible regulations that balance risk management with sector growth.

## CONCLUSION

This study provides an in-depth analysis of the financial viability and operational efficiency of Non-Banking Financial Companies (NBFCs) in India from 2014 to 2024, focusing on the factors that influence profitability, credit risk, and cost management within the sector. The findings reveal that leverage, asset quality, and operational efficiency are key determinants of NBFC performance, impacting their resilience and capacity to withstand economic fluctuations.

The negative relationship between leverage (Debt-to-Equity Ratio) and profitability (ROA and ROE) underscores the risks associated with high debt levels, which can constrain cash flow and reduce financial flexibility, particularly during economic downturns. Rising Non-Performing Assets (NPAs) further highlight the credit risk challenges faced by NBFCs, emphasizing the need for robust risk management frameworks to maintain asset quality and minimize exposure to credit defaults. The study also finds that cost management, as reflected in the Cost-to-Income Ratio, significantly influences operational efficiency, with higher costs relative to income negatively impacting profitability. NBFCs that effectively manage operating expenses while maintaining strong profit margins exhibit greater financial stability.

The implications of this study are relevant for various stakeholders:

1. **For NBFC Management:** Strategic focus on optimizing capital structure, enhancing credit risk assessment, and implementing cost control measures is essential for long-term sustainability. Adopting technology for process automation and data analytics can further strengthen operational efficiency and reduce costs.
2. **For Policymakers and Regulators:** Tailored regulatory frameworks that address leverage, asset quality, and liquidity requirements can help reduce systemic risk while supporting NBFC growth. Given the sector's role in financial inclusion, policies should encourage resilience without impeding access to capital or innovation.
3. **For Investors:** Metrics such as Debt-to-Equity Ratio, Interest Coverage Ratio, and NPA levels can serve as indicators of NBFC stability and profitability, guiding investment decisions and helping assess risk profiles within the sector.

In conclusion, this study highlights the need for a balanced approach to growth and risk management within the NBFC sector. Sustainable performance in NBFCs requires effective leverage management, strong credit risk frameworks, and continuous improvement in operational efficiency. By addressing these areas, NBFCs can enhance their financial viability, contribute more robustly to India's financial ecosystem, and play a critical role in fostering economic inclusion. Further research may explore the impact of technological advancements, regulatory changes, and evolving economic conditions on the NBFC sector, providing additional insights into the future trajectory of this essential segment of India's financial industry.

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