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Trend Analysis Of Non-Performing Assets In Non-Banking Financial Institution

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Abstract

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 involved in the financial services of India. This includes commercial banks, financial institutions and Non-banking finance companies. Due to the financial sector reforms, Non-banking financial companies have been 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 analyse the trend in NBFIs in India during 2016-2020.

NBFC IN INDIA

Non-Banking Financial Companies (NBFC) in India made a humble beginning way back in the 1960's to serve the need of the savor and investor whose financial requirements were not sufficiently covered by the existing banking system in India. The NBFCs began to invite fixed deposit from investor and work out leasing deal for big industrial firms. Initially, they operated on a limited scale and could not make a significant impact on the financial system. However, between 1980's and 1990's, NBFCs gained good ground and started to inveigle a huge number of investors owing to them customer friendly reputation. 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. The NBFC sector in India has witnessed significant vicissitude over the past few years and has come to be recognized as a systematically key element of the financial system. The NBFC segment has witnessed consolidation over the recent past, especially in the NBFC-ND-SI segment. Indeed it is evident in India that with the development of NBFCs segment within the overall financial system, it challenged the other segments, i.e. banks to innovate, to improve quality and competence, and deliver at flexible timings and at competitive prices. In fact, in a number of un-treaded trajectories, NBFCs were the ones to foray first to explore the market and develop before banks entered the field. NBFCs are broadly classified into two categories based on whether they accept public deposits, i.e. NBFC-Deposit taking (NBFC-D) and NBFCs-Non-Deposit taking (NBFC-ND). Besides, there are only two residuary non-banking finance companies (RNBCs) which are also deposit taking companies of different character. In the recent years, infrastructure finance has gained steam, and NBFCs engaged in infrastructure finance are called 'Core Investment Companies'.

Objectives of NBFCs in India

NBFC institutions work with the sole aim of making financial services accessible to one and all. The unique objective set them apart from the banks and made them the prime drivers of growth.

NBFC sector plays an extremely crucial role in the development of the country's core infrastructure. By offering quicker funds and credit to the Indian trade and commerce industry, these entities are enabling the nation-wide growth of large infrastructure projects. Furthermore, small businesses, start-ups, and MSMEs/SSIs are dependent on funds offered by NBFCs. As these small businesses expand their operations, their need for skilled and unskilled labour goes up to fulfil the increase in operations. Thus, indirectly, each new NBFC registration creates more job opportunities at the macro-economic level.

The customer base of NBFC vs bank is pretty wide. NBFCs cater to the urban, as well as unorganized rural areas, offering loans to satisfy different requirements. Whereas banks provide finance to the organized sector only. This has resulted in the amount of money lent by the NBFCs to the consumers has been phenomenally more as against banks. Over the last few years, consumer lending has seen a continuous rise, with NBFC scattering to a large portion. With the growth in the economy, the requirement for loans is bound to surge. And NBFCs, along with banks, can give a strong push to the growth and development of the Indian economy.

1. Greater Employment Opportunities and Standard of Living

NBFCs help attain the objective of macroeconomic policies of creating more jobs in the country by promoting SMEs and private industries through lending them loans. This increase in new businesses consequently raises the demand for manpower and creates employment. Furthermore, the Purchasing Power Parity (PPP) of people rises and so does their standard of living.

2. Strengthening of Financial Market

The financial market relies heavily on Non-banking financial institutions for raising capital. The start-ups and small-sized businesses are dependent on funds offered by NBFCs and also in order to maintain liquidity. For an effective functioning and balance in the financial market, NBFCs play a significant role.

3. Supplying long-term credits

Unlike the regular banks, NBFCs extend long-term credits to infrastructure, commerce and trade companies. The traditional banks expect timely, schedules and short-term repayment of loans that may not always suit the requirements of these industries. NBFCs, on the other hand, fund large projects and so promotes economic growth. They also allow industries to participate in equity.

4. Mobilization of Funds on-banking financial companies help in rotation of resources, asset distribution and regulation of income to shape the economic development. They enable converting saving into investments and thus helps in the mobilization of funds/resources in the economy.

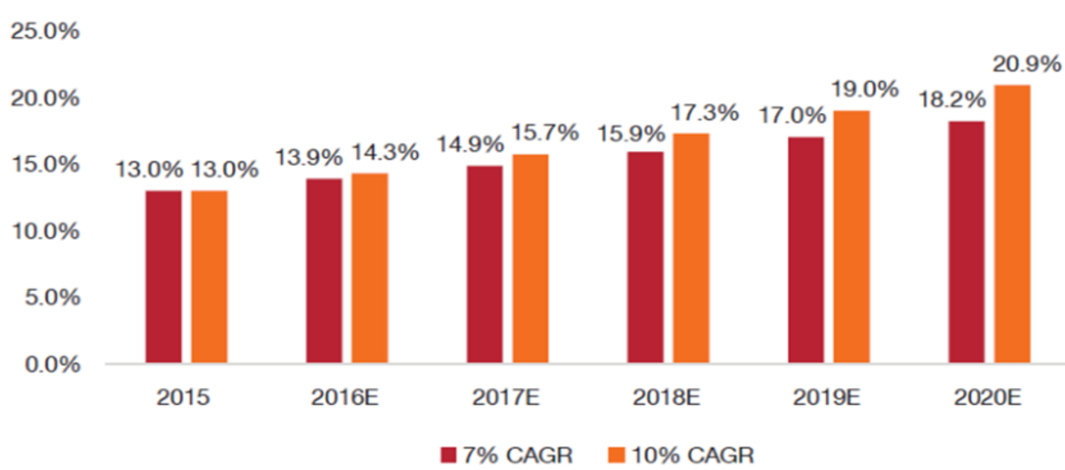
5. Growth of National Income

As NBFCs aim to build capital for several industries – private and otherwise – they aid in accumulating a capital stock for the country. This directly adds on to the national income and results in the progression of Gross Domestic Product (GDP).

Growth of NBFCs

It can be said without an iota of doubt that NBFCs have scripted a great success story. Their contribution to the economy has grown substantially from 8.4% in 2006 to more than 14% in March 2015. In terms of financial assets, NBFCs have registered a robust growth, i.e. a compound annual growth rate (CAGR) of 19% over the past few years, consisting of 13% of the total credit and estimated to reach nearly 18% by 2018-19. The success of NBFCs can be clearly attributed to their superior product lines, lower cost, broader and effective reach, robust risk management capabilities to check and control bad debts, and proper comprehension of their customer segments. Not only they have displayed success in their conventional citadel (passenger and commercial vehicle finance) but they have also managed to build significant assets under management (AUM) in the personal loan and housing finance sector which have been the bread and butter for retail banks. Moving ahead, the latent credit demand of an emerging India will permit NBFCs to bridge the gap, particularly where traditional banks have been cagey to serve. Additionally, improving macroeconomic conditions, higher credit penetration, enhanced consumption and disruptive digital trends will allow NBFCs credit to rise at a robust rate of 7-10%in the coming years (Please refer exhibit 1).Within NBFC space, different sub-segments have surfaced up which are more dominant than others. Mortgages, microfinance and unsecured loans appear to be driving growth. According to estimates, credit grew at an astounding 30 percent (y-o-y) for mortgages and 80 percent plus for microfinance as of December 2015. Housing finance companies have enhanced their share of the overall pie from 26 percent in FY09 to 38 percent in FY15. NBFCs also have giant share in niche segments, like, commercial vehicle finance, the share estimated to have risen from 42 percent to 46 percent in the last three years ending FY15.According to a report by BCG, India's credit-GDP ratio stood at 97 percent as of FY15 versus 165 percent in China, 149percent in Germany, 244 percent in the US and 447 percent in the UK. This means huge scope for credit market in India as a whole. Interestingly, for the same year, the NBFC-credit-to-GDP ratio in India was merely 13 percent, versus 33 percent in China, 29 percent in Germany, 130 percent in the US and 264 percent in the UK. If one observes this fact that largest segment in the banking sector is witnessing some challenges, then the opportunities to grow is expected to be higher. Non-banking financial companies improved their performance on most metrics in the fiscal year 2015, as the banking industry struggled under the weight of a rising pile of bad loans. According to the financial stability report (FSR) released on June 2016 mentioned that NBFC loans expanded 16.6% in the year, twice as fast as the 8.8% credit growth across the banking sector on an aggregate level. The aggregate balance sheet of the NBFC sector expanded 15.5% in fiscal 2016 compared with15.7% in the year 2015.Looking at the non-food credit data compiled by Reserve Bank of India it can be observed that NBFCs have started moving at twice the pace of the banks. An intonation point was reached around September 2014, when, for the first time, NBFCs crossed scheduled commercial banks in terms of year-on-year credit growth (please refer exhibit 2). In August 2016, the union cabinet has given nod for foreign direct investment (FDI) under the automatic route in regulated NBFCs. According to a report released in the beginning of 2016 by consulting firm PwC India stated that by 2020, credit lending by Indian NBFCs is estimated to account for anywhere between 18.2% and 20.9% of the total credit off-take in the country.

Credit Growth at NBFC as a % of Total Credit



Source: pwc

Types of NBFC

There are various types of **Non-Banking Financial Company (NBFC).** NBFCs are categorized a) in terms of the type of liabilities into Deposit and Non-Deposit accepting NBFCs, b) non deposit taking NBFCs by their size into systemically important and other non-deposit holding companies (NBFC-NDSI and NBFC-ND) and c) by the kind of activity they conduct.

There are different types of Non-Banking Financial Company (NBFC) in India regulated by Reserve Bank of India (RBI) within these broad categories:-

1. Asset Finance Company (AFC) : An AFC is a company which is a financial institution carrying on as its principal business the financing of physical assets supporting productive/economic activity, such as automobiles, tractors, lathe machines, generator sets, earth moving and material handling equipments, moving on own power and general purpose industrial machines. Principal business for this purpose is defined as aggregate of financing real/physical assets supporting economic activity and income arising there from is not less than 60% of its total assets and total income respectively.

2. Investment Company (IC): IC means any company which is a financial institution carrying on as its principal business the acquisition of securities.

3. Loan Company (LC): LC means any company which is a financial institution carrying on as its principal business the providing of finance whether by making loans or advances or otherwise for any activity other than its own but does not include an Asset Finance Company.

4. Infrastructure Finance Company (IFC): IFC is a non-banking finance company a) which deploys at least 75 per cent of its total assets in infrastructure loans, b) has a minimum Net Owned Funds of ₹ 300 crore, c) has a minimum credit rating of ‘A ‘or equivalent d) and a CRAR of 15%.

5. Systemically Important Core Investment Company (CIC-ND-SI): CIC-ND-SI is an NBFC carrying on the business of acquisition of shares and securities which satisfies the following conditions:-

(a) It holds not less than 90% of its Total Assets in the form of investment in equity shares, preference shares, debt or loans in group companies;

(b) its investments in the equity shares (including instruments compulsorily convertible into equity shares within a period not exceeding 10 years from the date of issue) in group companies constitutes not less than 60% of its Total Assets;

(c) It does not trade in its investments in shares, debt or loans in group companies except through block sale for the purpose of dilution or disinvestment;

(d) it does not carry on any other financial activity referred to in Section 45I(c) and 45I(f) of the RBI act, 1934 except investment in bank deposits, money market instruments, government securities, loans to and investments in debt issuances of group companies or guarantees issued on behalf of group companies.

(e) Its asset size is ₹ 100 crore or above and

(f) It accepts public funds.

6. Infrastructure Debt Fund: Non- Banking Financial Company (IDF-NBFC): IDF-NBFC is a company registered as NBFC to facilitate the flow of long term debt into infrastructure projects. IDF-NBFC raise resources through issue of Rupee or Dollar denominated bonds of minimum 5 year maturity. Only Infrastructure Finance Companies (IFC) can sponsor IDF-NBFCs.

7. Non-Banking Financial Company – Micro Finance Institution (NBFC-MFI): NBFC-MFI is a non-deposit taking NBFC having not less than 85% of its assets in the nature of qualifying assets which satisfy the following criteria:

1. Loan disbursed by an NBFC-MFI to a borrower with a rural household annual income not exceeding ₹ 1,00,000 or urban and semi-urban household income not exceeding ₹ 1,60,000;

2. Loan amount does not exceed ₹ 50,000 in the first cycle and ₹ 1, 00,000 in subsequent cycles;

3. Total indebtedness of the borrower does not exceed ₹ 1, 00,000;

4. Tenure of the loan not to be less than 24 months for loan amount in excess of ₹ 15,000 with prepayment without penalty;

5. Loan to be extended without collateral;

6. Aggregate amount of loans, given for income generation, is not less than 50 per cent of the total loans given by the MFIs;

7. Loan is repayable on weekly, fortnightly or monthly instalments at the choice of the borrower.

8. Non-Banking Financial Company – Factors (NBFC-Factors): NBFC-Factor is a non-deposit taking NBFC engaged in the principal business of factoring. The financial assets in the factoring business should constitute at least 50 percent of its total assets and its income derived from factoring business should not be less than 50 percent of its gross income.

9. Mortgage Guarantee Companies (MGC) – MGC are financial institutions for which at least 90% of the business turnover is mortgage guarantee business or at least 90% of the gross income is from mortgage guarantee business and net owned fund is ₹ 100 crore.

10. NBFC- Non-Operative Financial Holding Company (NOFHC) is financial institution through which promoter / promoter groups will be permitted to set up a new bank. It's a wholly-owned Non-Operative Financial Holding Company (NOFHC) which will hold the bank as well as all other financial services companies regulated by RBI or other financial sector regulators, to the extent permissible under the applicable regulatory prescriptions.

It is mandatory for any company who are juggling to start above said to business of the company, to get registered and acquire Certificate of Registration from Reserve Bank of India. The Reserve Bank can impose penalty or fine on them or can even prosecute them in a court of law for not complying with.

Non-Performing Assets:

In recent times there has been extensive discussion on the accumulation of "huge" non-performing assets (NPAs) on the balance sheets of the Indian banks, more specifically, the public sector banks (PSBs). PSBs figure prominently in the debate not only because they dominate the banking industry, but also since they have much larger NPAs compared with the private and foreign banks operating in our country. This raises a concern in the industry and academia because it is generally felt that NPAs reduce the profitability of a bank, weaken its financial health and erode its solvency. The presence of large NPAs affects a bank's profit in a number of ways:

(a) Through reduced interest income, and

(b) Through the creation of reserves and provisions (to act as cushions against loan losses) at the expense of profits. This decline in profit has a bearing on variables like the capital to risk-weighted assets ratio (CRAR, or the capital adequacy ratio). With the dip in profit it becomes difficult for the bank to raise Tier-I capital.

Definition

In India, NPA is defined as:

(I) an advance where interest and/or installment of principal remains overdue for a period of more than 180 days in respect of a term loan;

(ii) The account remains "out of order" for a period of more than 180 days, in respect of an Overdraft/ Cash credit;

(iii) The bill remains overdue for a period of more than 180 days, in the case of bills purchased and discounted;

(iv) Interest and/or installment of principal remain(s) overdue for two harvest seasons but not exceeding 2.5 years in the case of an advance granted for agricultural purposes; and

(v) Any amount to be received remains overdue for a period of more than 180 days in respect of other accounts. With a view to moving towards international best practices and to ensure greater transparency, it has been decided to adopt the "90 days" overdue norm identification or NPAs, from March 31, 2004. Accordingly, Non-Performing Asset (NPA) shall be a loan or an advance where;

(I) Interest and / or installment of principal remain overdue for a period of more than 90 days in respect of a term loan,

(ii) The account remains "out of order" for a period of more than 90 days, in respect of an Overdraft/ Cash Credit (OD/CC),

(iii)The bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted,

(iv)Interest and / or installment of principal remains overdue for two harvest seasons but for a period not exceeding two half years in the case of an advance granted for agricultural purposes, and

(v) Any amount to be received remains overdue for a period of more than 90 days in respect of other accounts.

Causes for NPA

The principle of causes for NPA's built up in the banks are:

(1) The quality of the loans
(2) The quality of the assets
(3) Borrowers integrity
(4) Intentions of the borrower and the bank management
(5) Lapses in supervision and follow-up of loans
(6) Laxity in assessment
(7) Political interference
(8) Managerial incompetencies
(9) Absence of will to recover loans
(10) Lack of professionalism

Norms Related to NPA in India

There are two concepts related to non-performing assets (NPAs) – gross and net. Gross NPA refers to all NPAs on a bank's balance sheet irrespective of the provisions made. It consists of all the non-standard assets, viz. sub standard, doubtful, and loss assets. A loan asset is classified as "sub-standard" if it remains NPA up to a period of 18 months; "doubtful" if it remains NPA for more than 18 months; and "loss", without any waiting period, where the dues are considered not collectible or marginally collectible. Net NPA is gross NPA less provisions. Since in India, bank balance sheets contain a huge amount of NPAs and the process of recovery and write-off of loans is very time consuming, the provisions the banks have to make against the NPAs according to the central bank guidelines, are quite significant. That is why the difference between gross and net NPA is quite high. While gross NPA reflects the quality of the loans made by banks, net NPA shows the actual burden of banks. The requirements for provisions are: 100 % for loss assets; 100

% of the unsecured portion plus 20-50 % of the secured portion, depending on the period for which the account has remained in the doubtful category; and 10 % general provision on the outstanding balance under the substandard category.

Categories of NPAs-The Non- Performance Assets are classified under three categories.
(A) Sub-Standard Assets;
(B) Doubtful Assets; and
(C) Loss Assets.
All the Categories are mutually exclusive. Any credit facility can be classified into any one of the above categories depending upon the position of the Assets/ Account. It is not possible to partly treat the account as Sub-Standard, partly as Doubtful and partly as Loss assets. Moreover, one credit facility enjoyed by the borrowers cannot be classified as standard and the others as Non-Performing.

Sub-Standard Assets
Sub-Standard Asset is one, which has been classified as Non-Performing Asset for a period not exceeding two years. With effect from 31 March 2001, a Sub-Standard Asset is one, which has remained NPA for a period less than or equal to 18 months. In such a case an assets will have well defined credit weakness that jeopardize the liquidation of the debt and are characterized by the strict possibility that the bank will sustain some loss, if deficiencies are not corrected.

Doubtful Assets
A loan classified as doubtful has all the weakness inherent in that classified as Sub-Standard with the added characteristic that the weaknesses make collection or liquidation in-full highly questionable and improbable, on the basis of currently known facts, conditions and values. A doubtful asset is one which has remained 'Non-Performing' for a period exceeding two years. With effect from 31 March 2001, an asset is to be classified as doubtful, if it has remained NPA for a period exceeding 18 months.

Loss Assets
A loss asset is one where loss has been identified by the bank or Internal/ External Auditors or RBI Inspecting Officers. In other words such an asset is considered uncollectible and of such little value that its continuance as a bankable asset is not warranted although there may be some salvage or recovery value. In such accounts, no security (Collateral or primary) exists nor ECGC/ DICGC cover is available nor any claim has been lodged/ received will not be categorized, as Loss Assets but will fall under 'Doubtful' category. It is clarified that the entire outstanding in the account have to be classified as 'Loss Asset' and not only the outstanding amount in
Excess of realizable value of security. The guidelines as suggested by RBI for "Classification of Assets"; "Accounts with Temporary Deficiencies" and "Accounts Regularized near the Balance Sheet Date" may further highlight the philosophy lying under the concept of NPA.

Review of Literatures

ASSCHOAM, PWC in the article titled “Building the NBFC of the future – scalable and profitable modes”. This paper highlights the scrutiny on NBFCs and their operation. The theme of this paper is that NBFC should take into their thinking around long term, sustainable growth has discussed. Kaushal H.R. (2016) – In their research paper titled “Impact of Non- Banking Financial Companies in Indian Economy growth.” He found that NBFCs has great scope for the improvement in free based business. They play a role of intermediaries between savers and the investors. NBFCs are the perfect alternatives to the conventional banks for meeting various financial requirements of financial enterprise. Kumar P. “NBFCs- status paper database” in this research paper Mr. Kumar has shown types of NBFCs, classification, regulation and number of registered NBFCs with RBI. He also analyzed the profile of NBFCs dealing in assets and public deposit in 2008-09. DSIM, DNBS, MCA maintained NBFCs for different purpose. Shanmugham R. And Sowahanya R. (2014): In their research paper titled Analysis of financial performance of NBFCs in India”. They analysed that there is a prominent difference between profitability ratio, leverage ratio, liquidity ratio and risk indicator ratios of selected NBFCs. Singh Dr. Kshetrimayum Ranjan (2014): in his research titled “Growth and development of Non bankingFinancial Companies in India”, he found that NBFCs have greater reach and flexibility in tapping resources. They are doing more fee based business than fund based. The paper highlights that NBFCs have become major financial source for people. NBFCs are now focus more on retail sector, housing finance, personal loan etc. Yadav Sunita (2017): In her paper “A study of performance of NBFCs in India” showed the types of NBFCs. She analysed in profit ratio of different non banking financial companies during 2008-16, especially HDFC, BAJAJ FINSERY, PFC, INDIABULLS, LIC etc.

Objective of the Research

This study uses Descriptive research to gather preliminary information, observe the series of events that led to the crisis, record the actions that were taken by various stakeholders and describe the consequences of the regulations during covid-19 pandemic.

The Covid-19 pandemic has exacerbated the woes of non-banking financial companies (NBFCs). The decline in non-bank credit growth, which started in the second half of fiscal 2019, continued through fiscal 2020, accentuated first by economic slowdown and then - more vigorously - by the pandemic. While the impact of economic slowdown was expected to be gradual, providing time to build some kind of defence, the impact of the pandemic has been immediate and debilitating. The ramifications are being felt across the sector, though some segments have been impacted more severely than others. The Reserve Bank of India (RBI) has allowed lenders to extend moratorium on loans up to August 31, temporarily mitigating the hardship of borrowers. However, in the absence of any such moratorium on non-banks' capital market borrowings, ensuring adequate liquidity to meet repayments coming up in the near term has become the primary challenge for most non-banks.

Another challenge is to ensure asset quality remains under control, through steps such as maintaining close contact with borrowers and supporting them through this unprecedented crisis. It is clear that NBFCs will need to recalibrate their strategies in order to deal with changing business scenario post pandemic. Several questions emerge in the context.

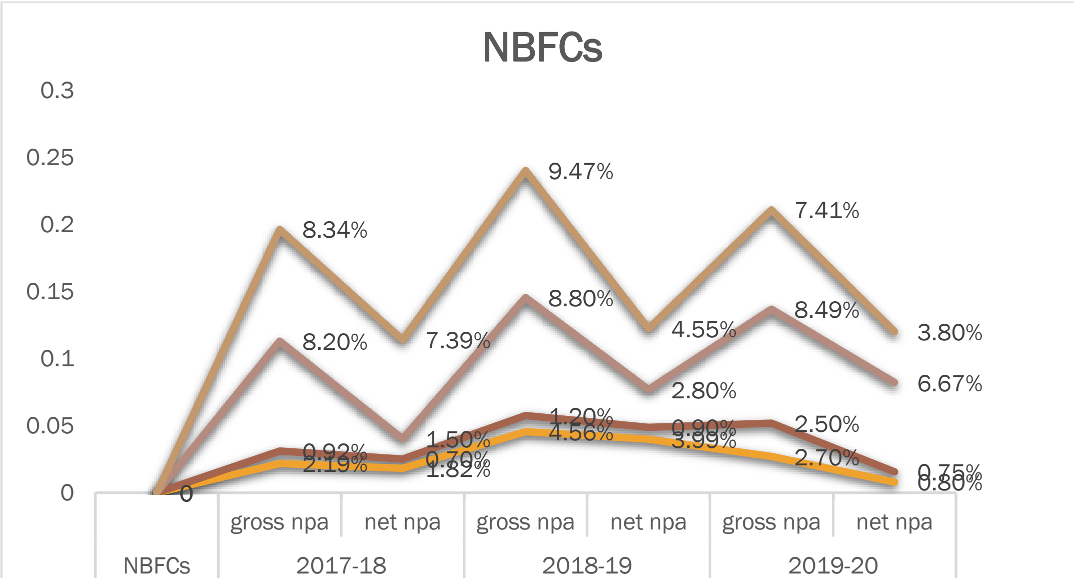
How would credit growth of the sector be impacted? When will the liquidity situation improve? Will the measures taken by the government and RBI improve non-banks' access to funds? Can NBFCs achieve pre-2018 growth in the medium term, or will growth remain anaemic? Will the earnings growth trajectory be lower? How much capital will they need over the next 1-2 years? What will separate the winners from the losers? Where are the opportunities for growth?

Analysis and Conclusion

After the research of various non banking financial institution's non performing asset it was found that npa is highest in the year 2019-20 in about 10 years. According to RBI data, outstanding bank credit to all industry stood at Rs.27.01 trillion in the fortnight ended 28 September, up 2.6% from the year-ago period. Loans to NBFCs stood at Rs.5.46 trillion on the same fortnight, up 41.5% from the same period last year. This is the latest disaggregated sectoral data available from RBI. Currently RBI has inducted Rs 40,000 crores through the government securities to meet the liquidity demand ahead of the festive season. In October, the central bank infused Rs 36,000 crores through open market operations in order to improve sustainability in crisis. Currently RBI has allowed banks to lend up to 15% of their capital funds to a single non-infrastructure funding NBFC from the earlier 10%.

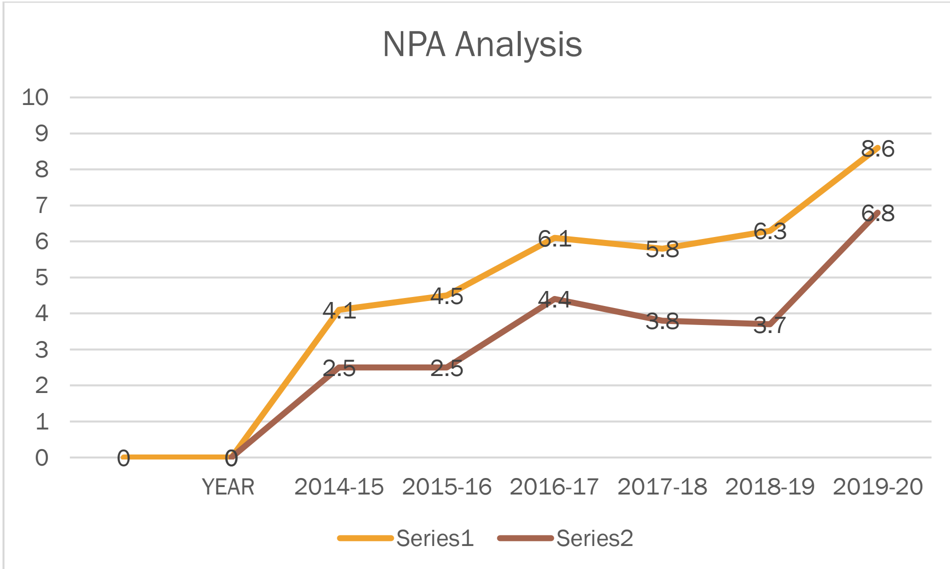
ANALYSIS OF NPA OF VARIOUS NBFCs

NBFCs		Muthoot Finance	Manappuram	Mahindra and Mahindra finance	Power Finance Corporation
2017-18	Gross npa	2.19%	0.92%	8.20%	8.34%
	Net npa	1.82%	0.70%	1.50%	7.39%
2018-19	Gross npa	4.56%	1.20%	8.80%	9.47%
	Net npa	3.99%	0.90%	2.80%	4.55%
2019-20	Gross npa	2.70%	2.50%	8.49%	7.41%
	Net npa	0.80%	0.75%	6.67%	3.80%



Aggregate NPA of various NBFCs

NBFCs		
YEAR	GROSS NPA	NET NPA
2014-15	4.1	2.5
2015-16	4.5	2.5
2016-17	6.1	4.4
2017-18	5.8	3.8
2018-19	6.3	3.7
2019-20	8.6	6.8



But when we talk about the overall npa of various nbfcs it is found that it is increased from last 5 in the year 2019-20. It is happen due to various reasons and the reasons are

(1) **Decline in production of 4-wheelers:** In order to buy a car and seek finance for it, the NBFC official grants a loan immediately. Where the customers can access to loan instantly by an NBFC, getting loan approval from a bank takes around minimum of 20 days. Hence, most of the financing was done by the NBFCs which they stopped. Due to this, consumer car loans came down and purchasing of cars also fell subsequently. As a result there was a decline in production of 4-wheelers.

(2) **Sales of two-wheelers were affected:** Same thing took place in case of two-wheeler's manufacturing. The two-wheeler manufacturing companies in several parts of India are well-financed but their sales were affected as the NBFCs did not finance it adequately. According to a report published by Kotak Mahindra, sales figure of auto and car in the country is about Rs.5 lakh crores, the monthly sales was around Rs 40,000 crore. Now a 20% decline in the Rs.5 lakh crore sales figure would sum up to Rs.1 lakh crore which was being financed.

(3) **Dependency on NBFCs:** Since the real estate companies were not being funded by banks a large chunk of the funds were being financed by NBFCs. The NBFCs were lending to these companies to start new projects, construction and financing etc. However, after Real Estate Regulatory Authority (RERA), they could not divert the money given by house owners hence they depended on NBFCs even for their working capital requirements.

(4) **Unsustainable employment opportunities:** The operations and policies of NBFCs are uplifting the job scenario. The Iron & Steel industry, the auto and real estate sectors are the biggest consumers of building material like cement which is used by many a companies and creates

abundant jobs. Hence, the rate of employment also decreased gradually in other sectors of the economy.

(5) **Plunge in the growth of GDP:** Slow down in GDP for the fourth quarter was due to temporary factors like stress in NBFC sector affecting consumption finance. NBFCs were under liquidity pressure after the shocker default by Infrastructure Leasing and Financial Services (IL&FS) in September last year.

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