

Assessing the Strength of India's NBFC Giants: A CAMEL Model Analysis

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Abstract: -

Non-banking financial companies (NBFCs) strengthen the bank industry's role in servicing the ever-growing liquidity requirements of the business sector by providing loans to outsiders and local lenders. They are frequently referred to as "shadow banks" since they operate similarly to banks but with less oversight from regulators. Apart from a few financiers, they are prohibited from accepting private deposits, forcing them to obtain cash through bonds or bank loans. Their structure is more adaptable than that of banks. The objective of the research is to appraise the performance of the five top non-banking financial corporations (NBFCs) during five years from 2019 to 2023. For the analysis of performance, the CAMEL model has been used. The results revealed that Muthoot Finance excels in financial stability, asset utilization, and profitability, while Indian Railway Finance Corporation, despite strong capital ratios, faces risks from high debt reliance and low asset turnover. Chalamandalam Investment Finance leads in liquidity management, with other NBFCs maintaining adequate levels. However, the study discovered that a company's performance cannot be evaluated based solely on market capitalization. Instead, it should consider a range of factors, including capital, asset quality, efficiency of management, earning capacity, and sufficient liquidity, as detailed in CAMEL Model.

Keywords: Non-Banking Financial Companies, CAMEL Model, Ratio Analysis, Financial performance, Relative Strength

Introduction: -

India, as a nation of numerous financial, strategic, and commercial endeavors, necessitates the continued presence of expedient helping hand of banks. Non-Banking Financial Companies (NBFCs) are capable of rendering the necessary parallel banking services required by the economy as a whole and by the citizens thereof. NBFCs undertake an array of functions just behind the financial firms whose primary duty is lending in order to strengthen the credit availability in the country. A country with largest population in the world requires rapid manufacturing, fiscal, and economic growth.

Non-banking financial organizations, or shadow banks, are those financial organizations that provide banking facilities but are not granted an official banking license by the RBI. Non-bank financial companies fund many infrastructure projects and small- and medium-sized enterprises, which are playing predominant role in our country through a fairly simple and easy process. NBFCs, like banks, play an integral part for the growth of financial sector as a whole. Non-Banking Financial Companies (NBFCs) play a critical role in the financial ecosystem, complementing traditional banks but operating under different rules and regulations. Unlike banks, NBFCs cannot accept demand deposits or participate in the payment system, limiting their offerings to areas like loans, asset financing, and specialized sectors such as housing finance or microfinance. They operate with fewer regulatory restrictions, providing them flexibility, particularly in lending and foreign investment, though they lack access to certain liquidity safeguards required of banks.

NBFCs are essential for financial inclusion and economic growth, often reaching underserved sectors and regions that traditional banks might overlook. By focusing on specialized financial services and lending to niche markets, NBFCs play a vital role in expanding access to credit and supporting the financial needs of individuals, small businesses, and rural communities. Their adaptability allows them to quickly respond to evolving market demands, thus bolstering overall financial stability and development.

Literature Review

Jain, A. (2023) This paper has depicted India as the world's sixth-largest economy by nominal GDP and third by purchasing power parity. Predictions indicate an 8% rate of growth in the coming decades, positioning it as the fastest-growing economy. The financial sector, especially banking, plays a dominant role in economic development. This study evaluates public and private banks using key ratios and the CAMEL model. Results show private banks excel in capital adequacy, asset quality, management, and earnings but fall short in liquidity, while public banks perform poorly. HDFC and Kotak Bank lead most categories, whereas PNB, IDBI, and Union Bank rank lowest. Remarkable performance differences exist between public and private banks. India's growth is regulated by a young population, rising working-age demographics, advances in manufacturing, and an expanding middle class. Prime Minister Modi aims for a \$5 trillion economy by 2025, requiring extensive reforms and a robust financial sector. Banks are predominant for economic stability and growth, facilitating credit and contributing to GDP through various activities.

Abdelmoneim and Yasser (2023) investigated the influence of bank performance and economic growth on bank profitability in eight middle-income countries in the Middle East and North Africa (MENA) region and MINT countries, utilizing the Generalized Method of Moments (GMM) model. Bank performance is gauged by metrics like return on assets and return on equity, whereas the evaluation of net interest margin (NIM) is conducted utilizing CAMEL model. Economic expansion is evaluated by observing the growth of gross domestic product (GDP). Covering the period from 2000 to 2020, data for the findings is obtained from the World Bank financial metric and database, and the research is grounded in the financial intermediation theory. Comparisons between the MINT and MENA regions reveal that in the MINT region, ROA is primarily influenced by asset management and capital adequacy ratio (CAR), and NIM by asset management, liquidity, and management. In the MENA region, both ROA and NIM are only affected by CAR. There is no correlation between ROE and any CAMEL determinants in either region. The conclusions exhibit that MINT outperforms MENA, demonstrating stronger and more active capital, increased assets, credits, and deposits, and enhanced bank profitability, which fuels economic growth. In both regions, profitability (ROA and ROE) is influenced by GDP, indicating effective economic restructuring and forecasting rapid growth in their banking sectors.

Tewelde, Kiflemariam, Aregawi, and Ghirmay (2023) There is limited research on the banking system in Eritrea. This study seeks to address this gap by adding to the current body of literature and employing CAMEL model in the Eritrean context. The primary goal is to appraise the performance of the Commercial Bank of Eritrea (CBER) through the CAMEL framework. Data were collected from CBER's consolidated financial statements over a 15-year period from 2001 to 2015, with two variables used for each CAMEL parameter. The empirical analysis, based on the selected CAMEL metrics, showed satisfactory results but with notable fluctuations. Except for Capital Adequacy, likely influenced by its ownership structure, Asset Quality, Management Efficiency, Earnings, and Liquidity showed reasonable outcomes, albeit with frequent variations. This highlights the bank's strengths and weaknesses, emphasizing the need for decision-makers to address issues and improve its stability.

Qureshi, A. S., & Siddiqui, D. A This research paper has depicted that financial and banking sectors are highly regulated, with banks maintaining strong control over their processes. This study employs the CAMEL model, a globally recognized framework, to assess the performance of banks. The

CAMEL model evaluates five components: Capital Adequacy, Asset Quality, Management Efficiency, Earnings Ability, and Liquidity Management. The research analyzes 10 major banks in Pakistan, both conventional and Islamic, using data from 2015-2020. Several ratios are implemented to measure each component, such as the Capital Adequacy Ratio, Non-Performing Loans to Gross Advances, and Return on Assets. The study finds that higher ratios of Non-Performing Loans to Equity, Non-Performing Loans to Gross Advances, Cost to Income Ratio, and Gross Advances to Total Deposits negatively impact bank performance, reducing earnings. The research concludes that the CAMEL model significantly impacts bank performance, helping shorten inspection times and emphasizing the importance of strict adherence to Basel guidelines, particularly in capital adequacy and liquidity management.

Aramonte, Schrimpf, and Shin (2023) The influence of non-bank financial intermediaries (NBFIs) has expanded considerably since the Great Financial Crisis. This study examines the shifts in financial intermediation structure and the impact of Non-Bank Financial Institutions (NBFIs) on liquidity demand and supply in financial markets. It introduces a framework that identifies the primary channels through which systemic risk spreads when NBFIs are engaged, emphasizing the pivotal role of leverage fluctuations resulting from margin adjustments. As one investor's debt capacity rises alongside others', overall leverage increases, potentially triggering system-wide deleveraging when margins experience sudden increases. In this framework, scenarios of deleveraging and 'dash for cash' events (such as those seen during the Covid-19 crisis) are considered interconnected rather than distinct stress propagation channels. These findings hold importance in molding regulations for Non-Bank Financial Institutions (NBFIs) and establishing contingency measures for central banks.

Prajapati, Kumari, & Kumari, (2022) This research paper has characterized Non-Banking Financial Companies (NBFCs) as entities that augment the banking sector by fulfilling the financial requirements of the corporate sector and extending credit to the unorganized sector and small-scale borrowers. Known as shadow banks due to their similar functions but fewer regulatory constraints, most NBFCs cannot accept public deposits and instead raise funds through bonds or bank loans. They are categorized into Asset Finance Companies, Investment Finance Companies, and Loan Companies. This study examines the economic viability of selected NBFCs from 2017 to 2021, examining metrics such as EPS, Net Profit, Debt to Equity, ROE and Price to Earnings Ratio. Using SPSS v20 for trend and correlation analysis, the study concludes that Muthoot Finance and Bajaj Finance have demonstrated strong financial performance, contributing to company growth and shareholder wealth during the study period.

Soundarapandiyar and Kumar (2022) This paper has defined stability of an economy heavily relies on the organization and optimal use of cash reserves, as well as the effective functioning of key sectors, notably the financial sector. The economic sector plays a remarkable role in stimulating capital formation, production, and mobilization, alongside supporting monetary policy. It is crucial to precisely gauge and scrutinize banks' performance to uphold a resilient financial system and implement effective risk management strategies. Evaluating the Indian banking sector proves intricate due to numerous factors necessitating consideration to distinguish between strong and weak banks. To evaluate the performance of the banking sector, the CAMEL model was chosen, which assesses banks using key indicators like Capital Adequacy, Asset Quality, Management Efficiency, Earnings Quality, and Liquidity. This research focuses on analyzing the functions of two public sector banks in Tamil Nadu. Data for the selected banks was collected from their periodic reports, covering the period from 2019 to 2021.

Alam and Islam (2022) explored how firm-specific and macroeconomic factors determine the usefulness of non-bank financial institutions (NBFIs) in Bangladesh as they gradually adopt Basel III regulatory standards. A one-step difference generalized method of moments (GMM) model is used to scrutinize data from 15 NBFIs listed on the Dhaka Stock Exchange (DSE) over a nine-year period from 2011 to 2019. The profitability of these NBFIs is measured using ROA and ROE. The panel

data analysis results show that capital adequacy ratio (CAR), non-performing loans (NPL), gross domestic product (GDP), and inflation (INF) negatively impact NBFI profitability, while the debt to equity ratio and cost of funds (COF) have a statistically significant positive effect. These findings are crucial for policymakers, regulators, investors, and other stakeholders in the financial market.

Nanthini and Shanmugam (2019) This paper has highlighted that evaluating the execution of the banking sector is substantial for maintaining financial viability in an economy. Taking into consideration global banking crises witnessed in recent years, the CAMEL methodology proves to be a valuable tool for assessing the stability and robustness of banks. This study aims to compare the financial performance of private banking sectors over a five-year span, spanning from 2015 to 2019. It specifically targets the top ten private sector banks, employing performance indicators such as net margin, total assets, and market positioning. Private sector banks have demonstrated strong competitiveness in key areas such as capital adequacy, asset quality, management efficiency, and earning potential, making this model an appropriate framework for this analysis. The study is based solely on secondary data obtained from the financial statements of the selected banks. The gathered data is analyzed using various financial ratios and statistical techniques.

Lavanya & Srinivas (2018) This study sought to evaluate the financial performance of selected private sector banks and compare them using the CAMEL model. The analysis spans a five-year period, from the 2012-2013 to 2016-2017 financial years. The CAMEL model examines banks' performance based on critical factors such as Capital Adequacy, Asset Quality, Management Efficiency, Earnings Quality, and Liquidity. By examining ICICI Bank, HDFC Bank, Kotak Mahindra Bank, Axis Bank, and Yes Bank, the study provides insights into their relative standings. Although performance evaluation in the banking sector has long been recognized as vital for sustainable growth, there remains a need for a comprehensive system that thoroughly assesses all aspects of banks, highlighting both strengths and areas for improvement. With advancements in computational tools, performance evaluation mechanisms have advanced from focusing on single aspects to encompassing broader criteria. This model has emerged as an effective tool for measuring performance, aiding in strategic planning and fostering growth in India's banking sector amid changing industry demands.

Research Gap: -

The CAMEL system framework is a frequently employed device for analyzing and assessing the operations of banks. Few investigations and researches have been done utilizing the CAMEL Model's observational methodology for NBFCs. As a result, the present study aims to boost the productiveness of the work that generates the financial health of non-bank financial institutions (shadow banking institutions) by employing the extensively recognized CAMEL Framework.

Scope of the Study: -

The current analysis focuses on five non-financial banking organizations that functioned from 2018-19 to 2022-23. These ratios that quantify capital sufficiency, asset quality, management efficiency, earnings quality, and liquidity status are implemented to assess the NBFC's performance. The contribution of Non-Banking Financial Companies (NBFCs) to India's economy is significant and has grown substantially over the years.

According to a Statista report, the credit-to-GDP ratio for NBFCs in India has steadily increased, reaching 13.7 percent in the 2021 financial year, up from approximately 12 percent the year before. This ratio indicates the credit intensity of NBFCs.

Vehicle Finance is the second largest segment in NBFC AUM pie comprising of around 20-25% of the overall AUM. The segment has witnessed severe pain in the past couple of years led by asset quality issues, lower collection efficiency (due to restriction in movement of people) as well as lower demands from the industry. Going forward, with the resumption of economic activities, the sector AUM expected grow rate of 12-14% over next 2 year; led by pent up demand, replacement demands

(resumption of schools, offices well as intercity bus transportation), improved monsoon and growth of infrastructure activities in the country.

According to Care-Edge Report, this report highlighted that between FY17 and FY24, Non-Banking Financial Companies (NBFCs) maintained a steady credit market share of 21-24 percent, while banks led with around 70 percent, and All India Financial Institutions (AIFIs) held the remaining 5-7 percent. With India targeting a USD 5 trillion economy, financing demand is set to increase, underscoring the crucial role of NBFCs in driving economic growth. Forecasts suggest NBFCs will grow at a rate of 17 percent in FY25.

Objectives of Study: -

1. To conduct an assessment of the capital adequacy of the selected Non-Banking Financial Companies (NBFCs).
2. To scrutinize the asset quality of the chosen NBFCs to discern their financial strength and risk exposure.
3. To evaluate the management efficiency of the selected NBFCs by analyzing their operational effectiveness and strategic decision-making processes.
4. To determine the earning quality of the selected NBFCs through an examination of their revenue generation methods and profitability.
5. To know the liquidity soundness of the chosen NBFCs.

Research Methodology: -

The CAMEL framework is employed for assessing the financial stability of non-banking financial companies (NBFCs). The CAMEL framework is employed for examining the financial stability of non-banking financial companies (NBFCs). The current analysis focuses on five non-financial banking organizations that functioned from 2018-19 to 2022-23. These ratios that quantify capital sufficiency, asset quality, management efficiency, earnings quality, and liquidity status are implemented to survey the NBFC's performance.

a) Method of Analysis: The abbreviation CAMEL represents five fundamental elements crucial for assessing the financial well-being of an NBFC:

C: Capital Adequacy: This element assesses the NBFC's capacity to cover losses and continue operating if borrowers don't pay back their debts.

A: Asset Quality: This evaluates the risk attached to the loan portfolio and investments of the NBFC. A high percentage of non-performing assets (NPAs) is a sign of low-quality assets.

M: Management Efficiency: This looks at the NBFC's risk management procedures, general corporate governance, and the skill and expertise of the whole management team.

E: Earning Ability: This examines the profitability and long-term viability of the NBFC's earnings.

L: Liquidity: This evaluates the NBFC's capacity to pay its immediate debts. It takes into account cash and easily convertible asset availability.

b) Sample Size: The analysis has selected the leading five NBFCs as of April 2024, determined by their market capitalization. Top 5 NBFCs as per market cap. are given below:-

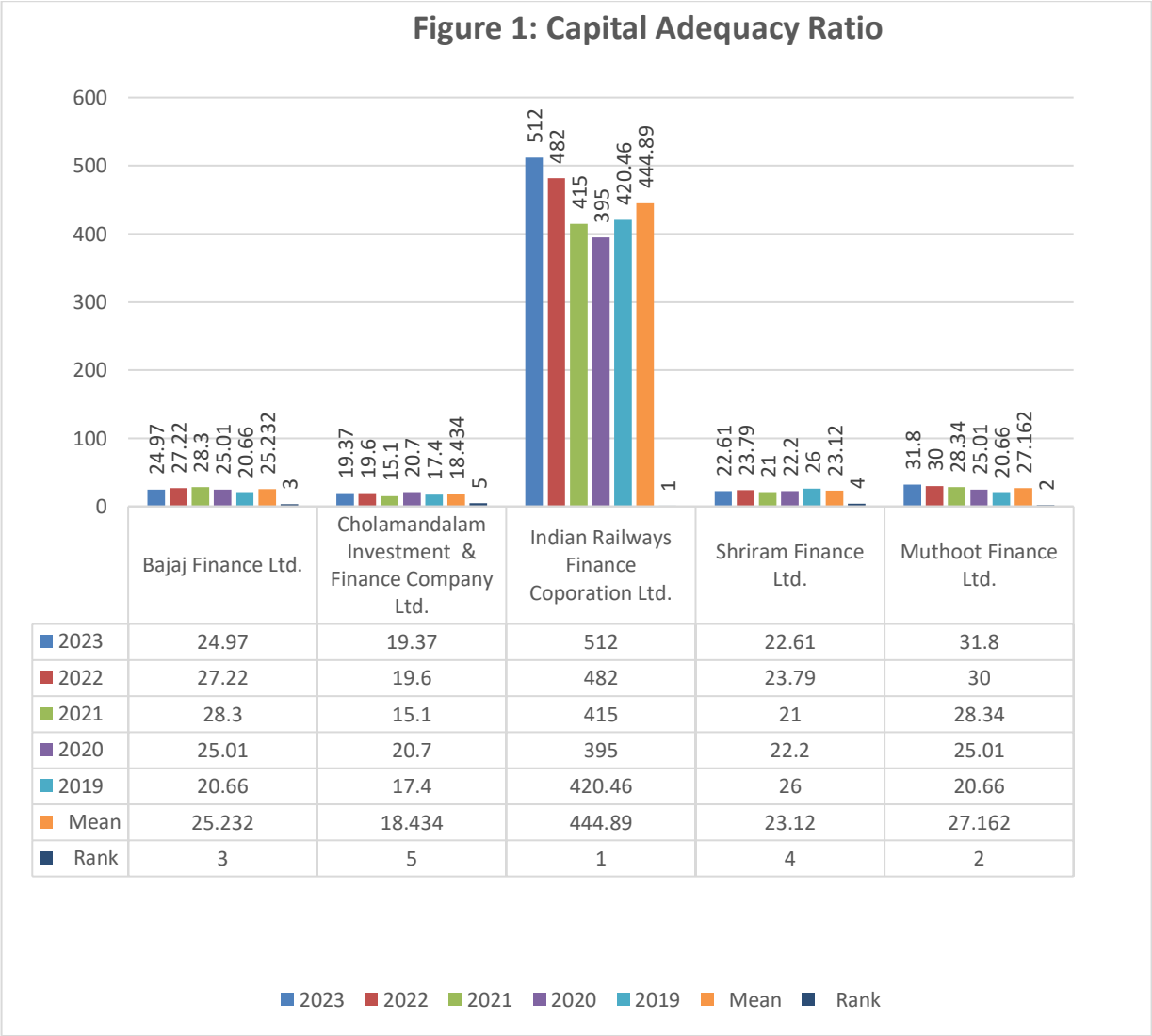
Non-Banking Financial Companies 31 st March, 2023 (Rs. cr)	Market Capitalisation as on
❖ Bajaj Finance Ltd.	4,54,625
❖ Cholamandalam Investment & Finance Corp.	97,834
❖ Indian Railways Finance Corp.	95,530
❖ Shriram Finance Ltd.	76,450
❖ Muthoot Finance Ltd.	53,227

- c) Sampling technique:** The study employs a grab sampling technique. The market capitalization of the chosen top five NBFCs was implemented to choose the sample.
- d) Data Collection:** To scrutinize the presentation of a subgroup of NBFC shadow banks, the study encloses five years, from 2018–19 to 2022–2023. The entire amount of information gathered is secondary data, obtained from RBI bulletins, Annual Financial reports of Muthoot Finance Ltd., Cholamandalam Investment & Finance Ltd., Indian Railway Finance Corporation Ltd., Shri Ram Finance Ltd., Bajaj Finance Ltd. and other websites such as Money Control where necessary information is also found.

Data Analysis & Interpretation

• C- Capital Adequacy

The capital adequacy ratio (CAR) is a measure that helps ensure banks and financial institutions have enough capital to absorb potential losses and protect depositors’ funds. It represents the ratio of a bank’s capital to its risk-weighted assets and current liabilities. CAR helps regulators monitor the stability and risk levels of financial institutions, reducing the likelihood of insolvency. It’s essential for maintaining financial system stability and is typically required by regulatory standards, such as those outlined in the Basel Accords.



Source: Author

The scrutiny of Figure 1 reveals that the Indian Railway Finance Corporation consistently had the highest CRAR over the five financial years. NBFCs are regulated by the Reserve Bank of India (RBI) and are categorized into different types based on specific criteria.

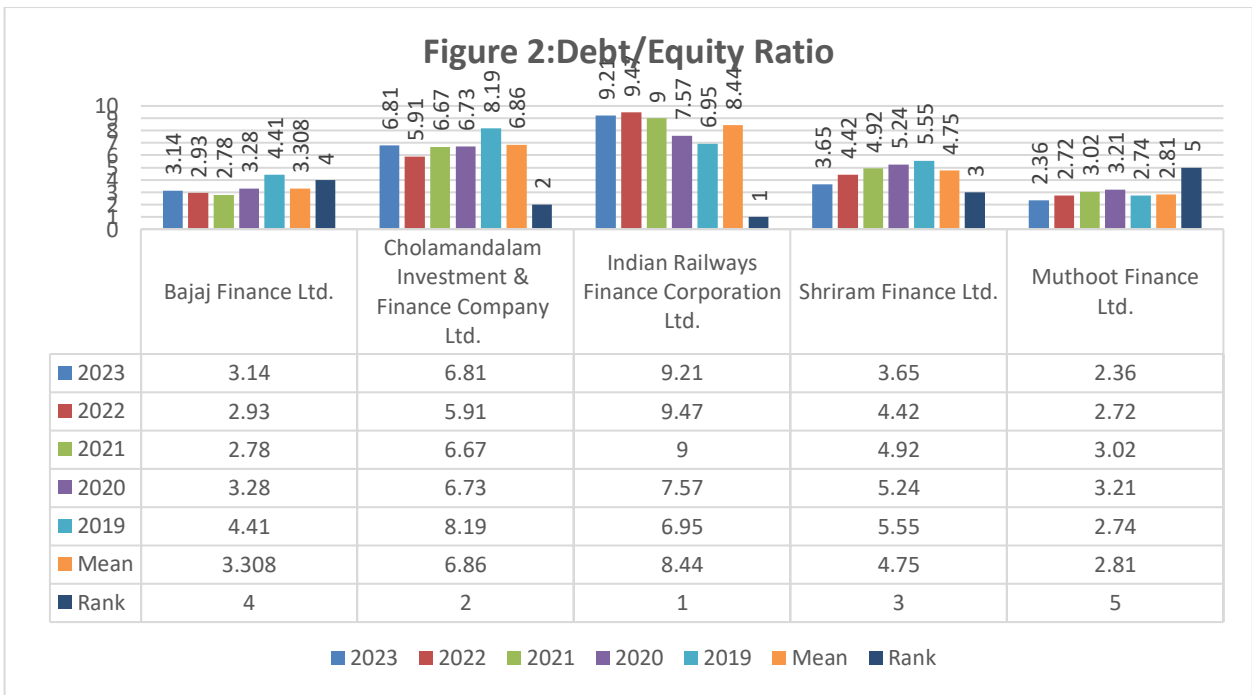
i. **NBFC-D (Deposit-taking NBFCs)** These NBFCs are allowed to accept public deposits. They are more closely regulated by the RBI due to the involvement of public money and are required to adhere to stringent norms to ensure financial stability and consumer protection.

ii. **NBFC-ND-SI (Non-Deposit-taking Systemically Important NBFCs)** These NBFCs do not accept public deposits but have a large asset size, generally more than INR 500 crore (as per RBI guidelines). Due to their significant size, they are considered "systemically important" because their failure could impact the broader financial system. They are subject to enhanced regulatory supervision to mitigate risks to the financial system.

Both NBFC-D and NBFC-ND-SI play important roles in financial intermediation, catering to various sectors of the economy, but they differ in terms of public deposit-taking ability and regulatory oversight. Bajaj Finance Ltd. and Shriram Finance Ltd. are Deposit-taking Non-Banking Financial Companies (NBFCs-D), while Cholamandalam Investment & Finance Company, Indian Railways Finance Corporation Ltd., and Muthoot Finance are Systemically Important Non-Deposit Non-Banking Financial Companies (NBFCs-ND-SI). Cholamandalam Investment & Finance Company (18.43%), Indian Railways Finance Corporation Ltd. (444.89%) and Muthoot Finance (27.16%) have successfully maintained the minimum CRAR threshold of 10% required for NBFCs-ND-SI. On the other hand, Bajaj Finance Ltd. (25.23%) and Shriram Finance Ltd. (23.12%) as NBFCs-D are meeting the minimum CRAR requirements of 12% or 15%.

• **A - Asset Quality**

Asset quality assesses the risk level and quality of a bank's assets, primarily its loans and investments. It focuses on the likelihood of loans being repaid and the degree of credit risk involved. High asset quality implies that the bank's assets are less likely to default, reflecting good management of credit risk and sound investment decisions. Analysts evaluate asset quality by examining non-performing loans, loan loss provisions, and the overall diversity of the bank's loan portfolio. Maintaining strong asset quality is crucial for a bank's profitability and stability.

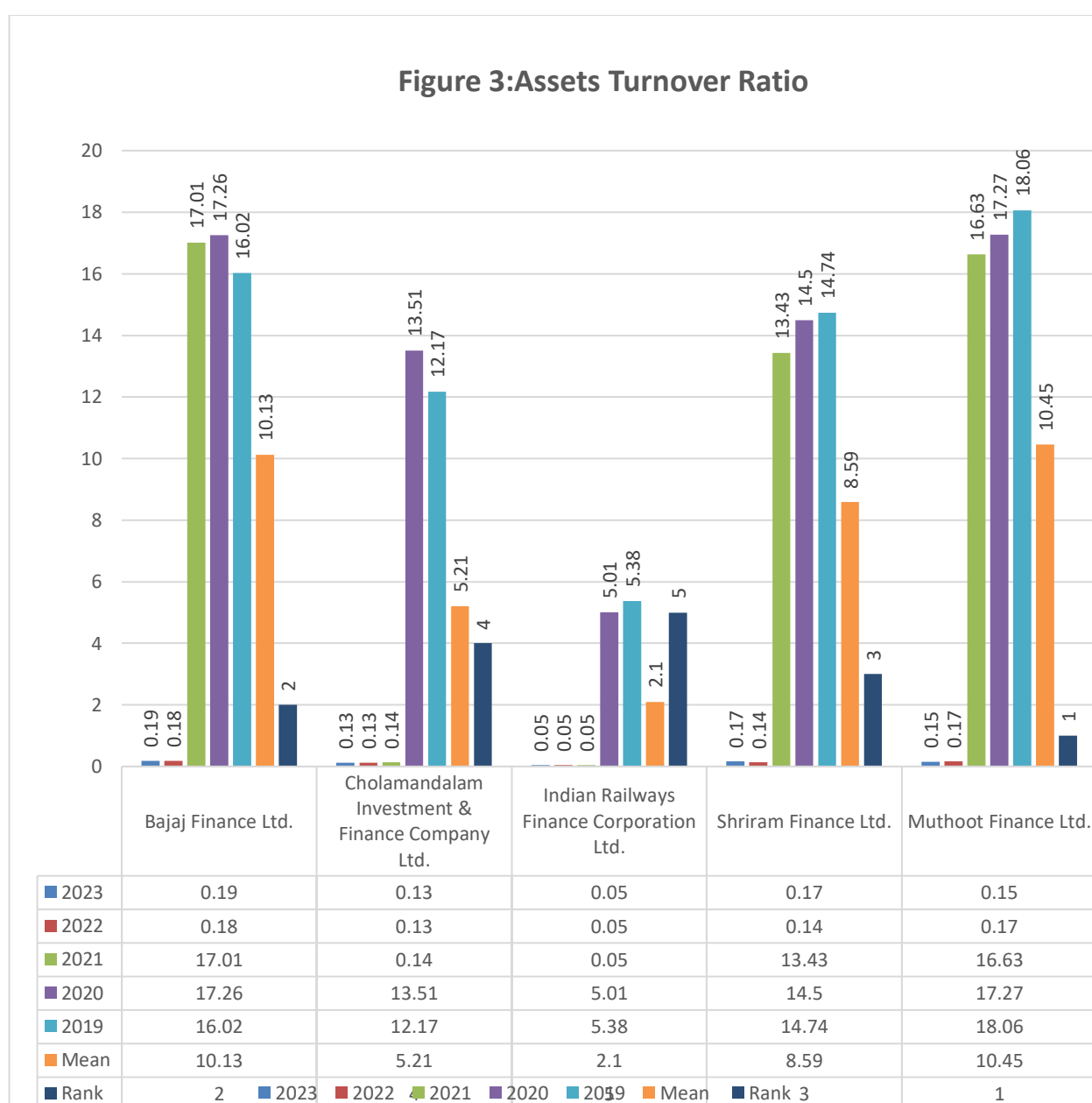


Source: Author

The Analysis of Figure 2 shows that Muthoot Finance (2.81%) has maintained a lower ratio of Debt to Equity from 2018-19 to 2022-23 except in 2020-21, followed by Bajaj Finance Ltd.(3.30%), Shriram Finance Ltd.(4.75%), Cholamandalam Investment & Finance Comp Ltd.(6.86%) & IRFC(8.44 %). Over the years, Indian Railways Finance Corporation Ltd. has consistently maintained the highest debt-to-equity ratio, which is not considered a favourable indicator.

• M - Management Efficiency

In the CAMEL model, management efficiency evaluates a bank's leadership, strategy, and operational effectiveness. It looks at how well the management team implements policies, handles resources, controls costs, and mitigates risks. Indicators such as expense ratios, earnings growth, and staff productivity are often analysed to gauge management efficiency. Effective management is key to sustaining a bank's growth and financial stability, as it influences decision-making, regulatory compliance, and overall performance.

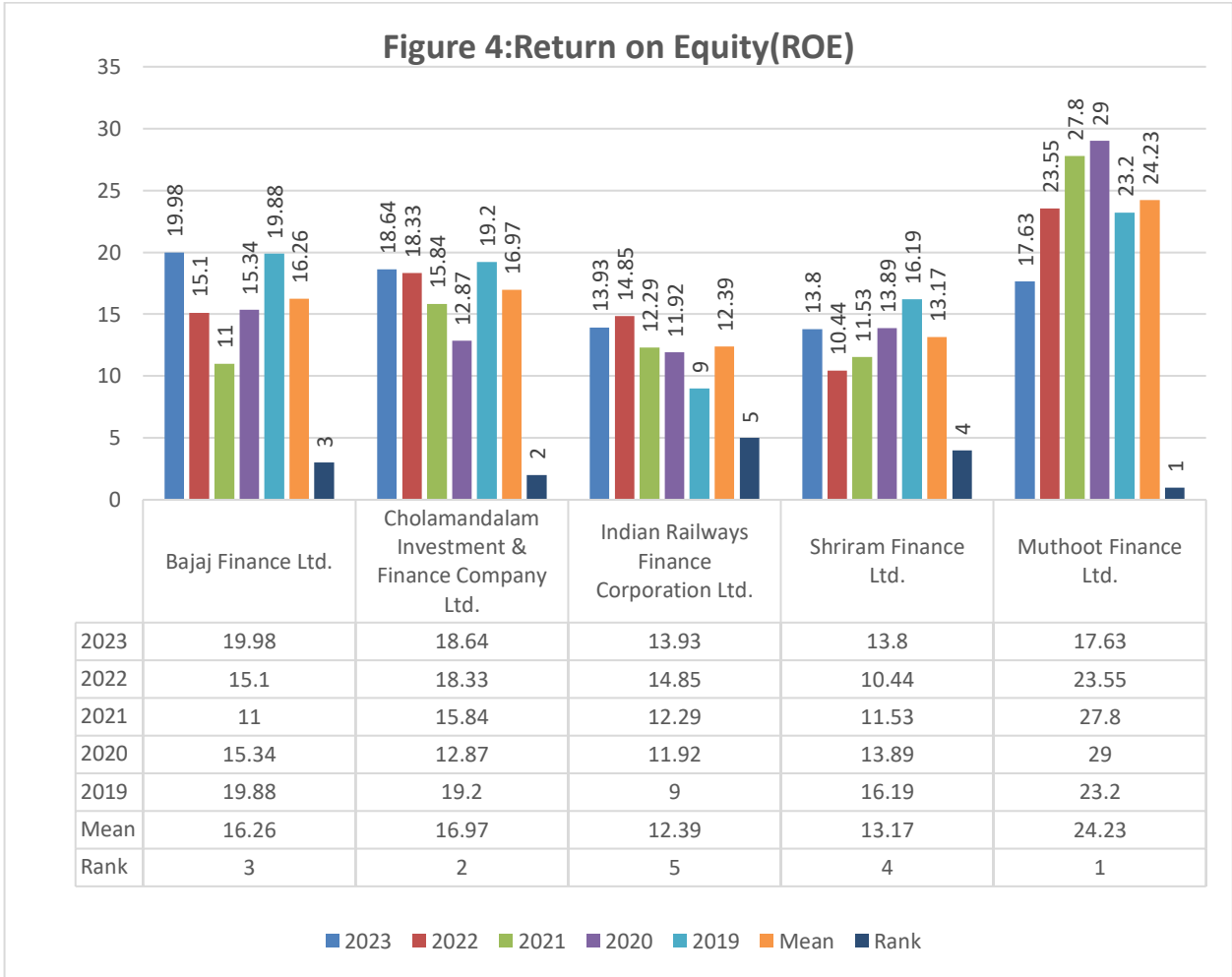


Source: Author

The analysis of Figure 3 shows that Muthoot Finance (10.45%) and Bajaj Finance Ltd.(10.13%) are operating at nearly the same level and have the highest asset turnover ratios. They are followed by Shriram Finance Ltd.(8.59%),Cholamandalam Investment Finance Ltd.(5.21%)&IRFC Ltd.(2.1),while IRFC Ltd. has the lowest asset turnover ratio consistently over the years.

• **E - Earnings Ability**

Earning ability assesses a bank’s capacity to generate consistent profits and sustain growth. It focuses on the quality, stability, and diversity of the bank’s revenue sources, evaluating how well the bank can cover its operational costs, build capital, and provide returns to investors. Key metrics include net interest margin, return on assets, and return on equity. Strong earning ability indicates financial health, helping a bank absorb losses, reinvest in growth, and withstand economic downturns.



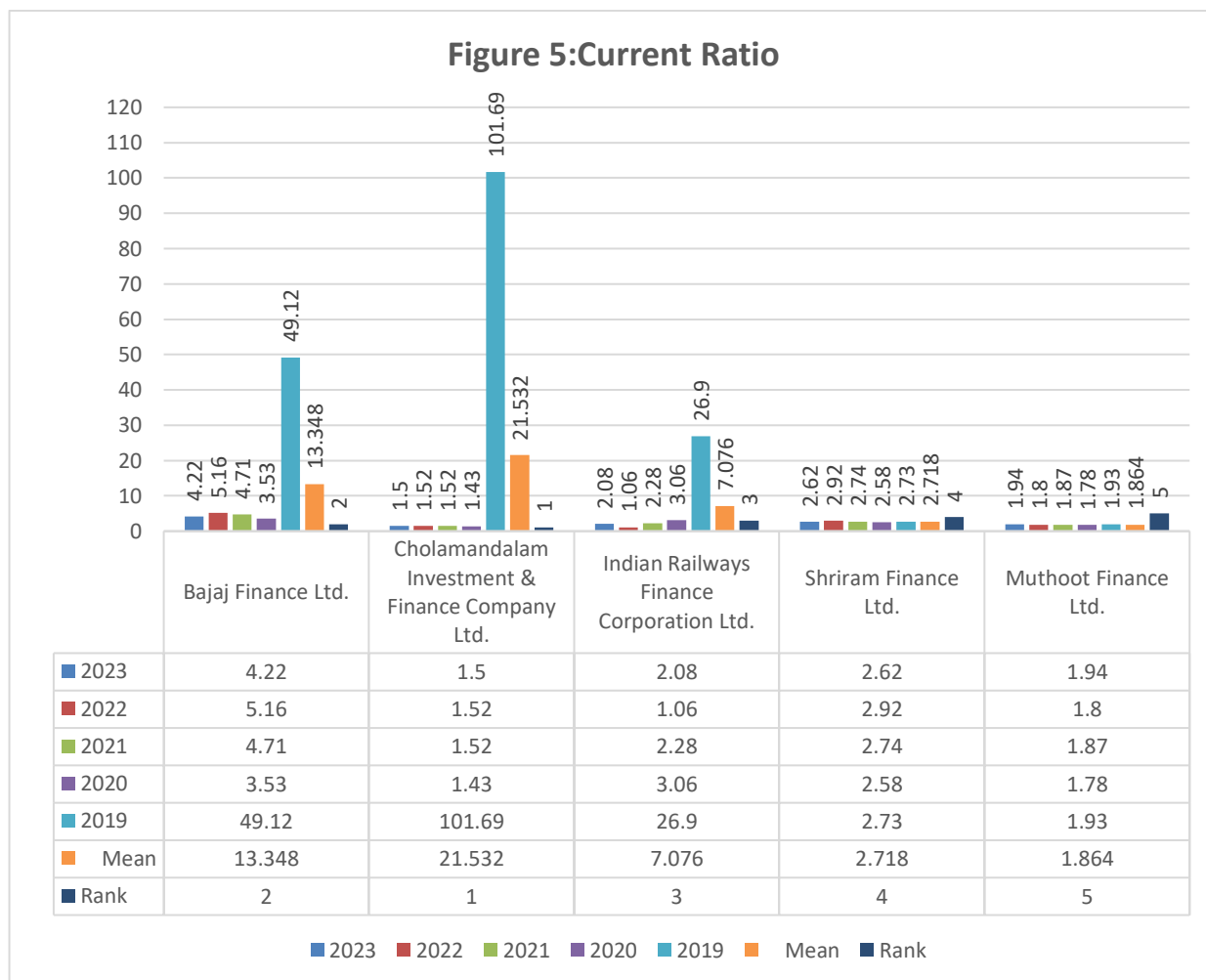
Source: Author

The examination of Figure 4 reveals that Muthoot Finance Ltd., with a Return on Equity (ROE) of 24.23%, had the highest ROE among the listed NBFCs from 2018-19 to 2022-23. This was followed by Cholamandalam Investment & Finance Company at 16.97%, Bajaj Finance 16.26%, Shriram Finance Ltd. at 13.17%, and IRFC Ltd. at 12.39%.

• **Liquidity**

In the CAMEL model, liquidity measures a bank’s ability to meet its short-term obligations without compromising its financial stability. This involves assessing the bank's access to cash or liquid assets that can be quickly converted to cash to cover withdrawals, loans, and other liabilities. Key indicators of liquidity include the loan-to-deposit ratio, cash reserves, and reliance on short-term funding. Strong

liquidity is crucial, as it helps a bank handle unexpected cash demands, maintain customer confidence, and operate smoothly even during periods of financial stress.



Source: Author

Figure 5 illustrates that Cholamandalam Investment Finance Ltd. has the strongest liquidity position at 21.53%. This is followed by Bajaj Finance Ltd. at 13.34%, Indian Railways Finance Corporation Ltd. at 7.08%, Shriram Finance Ltd. at 2.71%, and Muthoot Finance Ltd. with the lowest liquidity at 1.86%.

Rank of Top 5 NBFCs Using CAMEL Model

Serial No.	Name of NBFCs	C	A	M	E	L	Mean Rank	Rank
1.	Bajaj Finance	3	4	2	3	2	2.8	1
2.	Cholamandalam Investment & Finance Ltd.	5	2	4	2	1	2.8	1
3.	Indian Railways Finance Corporation Ltd.	1	1	5	5	3	3	2
4.	Shri Ram Finance Ltd.	4	3	3	4	4	3.6	3
5.	Muthoot Finance Ltd.	2	5	1	1	5	2.8	1

Based on the analysis using the CAMEL model, the ranking of the top five Non-Banking Financial Companies (NBFCs) reveals several key insights:

Bajaj Finance, Cholamandalam Investment & Finance Ltd., and Muthoot Finance Ltd. all share the highest mean rank of 2.8, indicating a very close competitive performance among these institutions. However, they hold the top positions based on specific criteria under the CAMEL model.

- ❖ Bajaj Finance is ranked first, demonstrating strong performance across various components of the CAMEL model, particularly in areas that contribute to its overall stability and profitability.

- ❖ Cholamandalam Investment & Finance Ltd. and Muthoot Finance Ltd. also rank prominently, suggesting they maintain competitive advantages in capital adequacy, asset quality, management efficiency, earnings, and liquidity.

- ❖ Indian Railways Finance Corporation Ltd. follows, with a mean rank of 3. This indicates a respectable performance but highlights areas for improvement, especially in management and earnings.

- ❖ Shri Ram Finance Ltd. ranks third, with a mean rank of 3.6, suggesting it may need to enhance its operational efficiency and asset management strategies to improve its competitive standing.

In summary, this indicates that while Bajaj Finance leads the pack, the closely clustered ranks of the top three suggest a competitive landscape where minor improvements can significantly affect overall standings. Continuous monitoring and strategic adjustments will be essential for all these NBFCs to maintain or improve their positions in the market.

Findings

1. Indian Railway Finance Corporation (IRFC) maintains a strong Capital to Risk-Weighted Assets Ratio (CRAR), surpassing regulatory minimums, which contributes to its stability. However, its high debt-to-equity ratio indicates a potential risk due to heavy reliance on debt financing.

2. In contrast, Muthoot Finance demonstrates prudent financial management with a lower debt-to-equity ratio, except in 2020-21, which enhances its financial stability. Asset utilization efficiency is highlighted by the high asset turnover ratios of Muthoot Finance and Bajaj Finance, indicating the effective use of assets in generating revenue.

3. On the other hand, IRFC's consistently low asset turnover ratio points to inefficiencies in asset usage. In terms of profitability, Muthoot Finance stands out with a high Return on Equity (ROE), reflecting superior profitability and effective management in generating returns from equity.

4. Other NBFCs show similar ROE levels, suggesting uniform performance in profitability.

5. Cholamandalam Investment Finance demonstrates superior liquidity management, maintaining the highest liquidity position, particularly in 2019.

6. Other NBFCs, including Bajaj Finance and IRFC, maintain adequate liquidity levels across different years, indicating sound liquidity management practices.

7. To enhance financial stability, IRFC should consider strategies to reduce its debt-to-equity ratio. Additionally, improving asset utilization to boost its asset turnover ratio is crucial for IRFC. All NBFCs should continue to monitor and maintain adequate liquidity levels to ensure they can meet short-term liabilities effectively.

Conclusion

In summary, while IRFC exhibits strong CRAR and liquidity management, its high debt-to-equity ratio and low asset turnover ratio highlight areas for improvement. Muthoot Finance's performance in debt management, asset utilization, and profitability sets a benchmark, with other NBFCs showing generally adequate but less distinguished performance. Addressing these issues will be vital for ensuring sustained growth and stability in the NBFC sector.

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