Financial Performance of Non Banking Financial Companies (NBFCS): A Critical Analysis

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Abstract

NBFCs play supplement the role of banking sector in meeting the increasing financial needs of the corporate sector, delivering credit to the unorganized sector and to small local borrowers. NBFCs have a more flexible structure than banks. NBFCs are classified as Asset Finance Company, Investment Finance Company and Loan Company. The aim of the study is to find out the relationship between earnings, profitability and liquidity of the ten selected NBFCs for a period of ten years from year 2007 to year 2016. Net profit ratio, Return on capital employed, Return on assets,Current ratio, Quick ratio, Cash earnings retention ratio, PBIT per share, earning per share, dividend per share, Karl Pearsons simple correlation analysis and multiple correlation and multiple regression have been used for analysis of data. As conclusion it can be said that financial performances of Bajaj Finance, Sundaram Finance are good and helpful for growth of companies and growth of shareholders wealth for the period of study.

Key Words: Asset finance company, Earnings, Investment finance company, Loan company, Profitability, Liquidity.

1. Introduction

Non banking financial companies (NBFCs) constitute as important segment of the financial system in India. The financial system of India comprises of financial institutions, financial instruments and financial markets that provide an effective payment and credit system and thereby facilitate channelizing of funds from savers to the investors of the economy. NBFCs are financial intermediaries engaged primarily in the business of accepting deposits and delivering credit. They play an important role in channelizing the limited financial resources to capital formation. NBFCs supplement the role of banking sector in meeting the increasing financial needs of the corporate sector, delivering credit to the unorganized sector and to small local borrowers. NBFCs have a more flexible structure than banks. As compared to banks, they can take quick decisions, assume greater risks, tailor make their services and changes according to the needs of the clients. Their flexible structure helps in broadening the market by providing the saver and investor a bundle of services on a competitive basis.

A non banking financial company has been defined vide clause (b) of the section 45-1 of the chapter 111B of the Reserve Bank of India Act, 1934 as (i) a financial institution, which is a company ; ii) a non banking financial institution, which is a company and which has as its principal business the receiving of deposits under any scheme or arrangement or in any other manner or lending in any manner ; iii) such other non banking institutions or class of such institutions , as the bank may with the previous approval of the central government and by notification in the official gazette, specify.

NBFC has been defined under clause (xi) of paragraph 2(1) of Non Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998, as: 'non banking financial company 'means only the non banking institution which is a loan company or an investment company or an equipment leasing company or a mutual benefit finance company.

NBFCs provide a range of services such as hire purchase

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finance, equipment lease finance, loans and investment. Due to the rapid growth of NBFCs and wide variety of services provided by them, there has been a gradual blurring of distinction between banks and NBFCs except that commercial banks have the exclusive privilege in the issuance of cheques.

In India the last decade has witnessed a phenomenal increase in the number of NBFCs. The number of such companies stood at 7063 in 1981, at 15358 in 1985 and it increased to 24009 by 1990 and to 55995 in 1995. With the amendment of the RBI Act in 1997, it is obligatory for NBFCs to apply for a certificate of registration (COR). The number of NBFC started to decline in 2005 the total number of NBFC has come down to 13261 and in 2014 the total number of NBFC has again increased to 36347.

2. Classification of NBFC:

Originally the registered with RBI were classified as:

i) Equipment leasing company
ii) Hire purchase company
iii) Loan company
iv) Investment company

However with effect from December 6, 2006 the above NBFCs registered with RBI have been reclassified as:

i) Asset Finance Company
ii) Investment Finance Company
iii) Loan Company

An Asset Finance Company is a company which is a financial institution engaged in the principal business of financing of physical assets supporting productive/ economic activity, such as automobiles, tractors, lathe machine, generator sets, earth moving and material handling equipments, moving on power and general purpose industrial machines.

Bajaj Finance, Shriram Transport Finance Corporation, Mahindra &Mahindra Financial Services, Sundaram Finance and CholamandalamInvestment & Finance Company.

3. Literature Review:

Many researchers have studied working capital from different views and in different environments. The following study was very interesting and useful for our research:

Saggar(1995) examined the financial performance of 10 leasing companies at disaggragate level and compared with other groups of NBFCs for a period of 1985-90. The study by Seema Saggar does not reflect the overall performance of NBFCs as it is based on selected 10 companies.

Islam(1999) made anattempt has been made through this study to explore the lease financing in Bangladesh to trace out the historical backgrounds of leasing in Bangladesh. Leasing is a contract between the owner of the equipment (lessor) and the user (lessee) that gives the lessee the right to use specific property, owned by the lessor, for a specific period of time in return for stipulated and generally periodic, cash payments (rents). It is an innovative and alternative way of financing our commercial and industrial undertakings. The business has become more and more popular day by day. The study encompasses the operation of lease financing followed by three leasing companies Industrial Development Leasing Company (IDLC), United Leasing Company Ltd (ULC), and Phoenix Leasing Company Ltd(PLC). The ownership and organizational structure of prominent leasing companies greatly contribute to the success of leasing business in Bangladesh. Leasing business will continue to grow in Bangladesh as a preferred means of acquiring equipment for its convenience and flexibility in financing.

Kantawala (2001) the present study attempts to examine the financial performance of different groups of NBFCs separaterly. The present study attempts to examine the relative financial performance of different groups of NBFCs for the period 1985-86 to 1994-95 in terms of profitability, leverage and liquidity On the basis of the study, it can be concluded that there exists a significant difference in the profitability ratios, leverage ratios and liquidity ratios of various categories of NBFCs.

Raza, Farhan and Akram(2011) in their study compared the financial performance for the period 2006–2009 by using financial ratios and measures of investment banks working in Pakistan. Financial ratios are divided into three main categories and measures including two indicators. Seven investment banks out of nine are selected for analysis for comparison purpose. They concluded that the performance of investment banks on the basis of efficiency ratio is different than on the basis of liquidity ratio, capital or leverage ratio and financial measures. Due to the unavailability of data of other two banks, the results are compiled from the data of seven banks. The findings were consistent with the analysis reported by the central bank of Pakistan (State Bank of Pakistan, SBP) in its report for financial sector analysis 2006-09.

Alam, Raza, Farhan and Akram(2011) intended to classify the leasing companies on the basis of financial ratios and to make horizontal and as well as vertical analysis among leasing companies for the period 2006-2009. Ten leasing companies out of ten companies are analyzed. That study concluded that ranking of leasing companies on the base of net investment in finance lease is different from the ranking based on return on assets (ROA), return on equity (ROE), return on revenues (ROR) and lease ratio (LR) and the ratios such as ROA, ROE, ROR and LR are negative in 2009 due to the net loss after tax.

Dalfard, Sohrabian, Montazeriand Alvani (2012) conducted the study related with the assessment of leasing companies' efficiency. This article applied data envelopment analysis (DEA) models for the efficiency assessment and ranking of leasing companies on the Tehran Stock Exchange (TSE). Total asset, P/E, and ROE are considered as inputs and EPS, current ratio, and sales growth are considered as outputs of each DMU. The results indicated that both the CCR and BCC models are not capable of ranking the five considered leasing companies. Due to the failure of the standard DEA models to rank the efficient set of leasing companies, a super efficiency DEA model, namely AP-DEA, is applied. The unique feature of this study is the use of a super efficiency DEA model to rank the leasing companies of the TSE.

Jamil, Iilahi and Kazmi(2014) compared the financial performance of top ten investment banks on the basis of credit rating in 2014 for the period of 2009 to 2013. Financial ratios and financial measures were taken for the said purpose. Investment banks are the most important contributors in the economic development of a country. And they offer huge impact on capital and credit markets of the country. Financial measures were based upon two indicators total asset and total equity. Financial ratios included return on assets ratio (ROA), return on Equity ratio (ROE), Admin Expenses to Profit before Tax Ratio, Cash and Cash Equivalent to Total Assets Ratio, and capital ratio. This study concluded that ranking of banks differs as the financial ratios change.

4. Objectives of the study:

In the present study an attempt has been made to evaluate the close relationship between earnings and profitability and earnings and liquidity of the five non banking finance companies (NBFC) viz. Bajaj Finance, Shriram Transport Finance Corporation, Mahindra & Mahindra Financial Services, Sundaram Finance and Cholamandalam Investment & Finance Company. More specifically the following are the objectives of the study:-

- Find out relation between earning per share as a measure of earning and Net profit,Return on capital employed,Return on assets as measure of profitability.
- Find out relation between earning per share as a measure of earning and Current ratio,Quick ratio,Cash earnings retention ratio as measure of liquidity.

5. Research Methodology:

- **Selection of Data:** Five non banking finance company (NBFC) Bajaj Finance, Shriram Transport Finance Corporation, Mahindra &Mahindra Financial Services, Sundaram Finance and CholamandalamInvestment & Finance Company have been selected on the basis of their market capitalization more than Rs.15,000 crores and total assets amounting more than Rs.10,000 crores as on 01.07.2017.
- **Collection of Data**: This study is based on secondary data only. The secondary data have

been collected from www.moneycontrol.com and www.morningstar.in. Editing, classification and tabulation of the data collected from the above mentioned sources have been done as per the requirements of the study.

- **Analysis of Data**: For analyzing the data simple mathematical tool like ratios, percentages etc. and statistical techniques like measures of central tendency, measures of dispersion, Karl Pearson's simple correlation and multiple correlation and regression analysis have been used.

6. Limitations of the study:

- The study is limited for a period 10 years from March 2007 to March 2016.
- Five non banking finance company (NBFC) Bajaj Finance, Shriram Transport Finance Corporation, Mahindra & Mahindra Financial Services, Sundaram Finance and Cholamandalam Investment & Finance Company have been selected on the basis of their market capitalization more than Rs.15,000 crores and total assets amounting more than Rs.10,000 crores as on 01.07.2017.
- The study has used limited numbers of mathematical and statistical parameters.

7. Analysis and Findings:

The following nine tables are showing the profitability ratios, liquidity ratios and earnings ratios of select non banking financial companies in India and table 10 and 11 are showing the correlation between earnings and profitability ratios and earnings and liquidity ratios. Table 12 and 13 are showing multiple correlation and regression earnings and profitability ratios and earnings and liquidity ratios.

Table-1: Net Profit (%) of select Non-banking financial companies in India

Year	Bajaj Finance	Shriram Transport Finance Corporation	Mahindra & Mahindra Financial Services	Sundaram Finance	Cholamandalam Investment & Finance Company
2007	13.49	13.50	16.02	15.90	7.61
2008	5.02	15.89	14.68	23.87	6.66
2009	5.72	16.58	15.71	13.92	3.83
2010	10.01	19.83	22.37	18.94	1.66
2011	17.73	22.89	23.57	21.54	5.23
2012	18.79	21.35	22.40	20.89	9.77
2013	19.11	20.74	22.88	19.87	12.00
2014	17.83	16.04	18.02	19.97	11.15
2015	16.68	14.33	15.02	20.14	11.79
2016	17.50	11.50	11.49	20.63	13.55
Average	14.27	17.68	18.46	19.97	8.40
S.D	5.72	3.73	4.46	2.66	4.18
C.V(%)	40.00	21.10	24.16	13.31	49.76

Source: calculated by author

Inference:

Table 1 showing net profit (%) of select Non-banking financial companies in India from year 2007 to 2016. The average net profit of Sundaram Finance (19.97%) was highest and average net profit of Cholamandalam Investment & Finance Company (8.40%) was lowest. But standard deviation and coefficient of variation of net profit was highest for Bajaj Finance (5.72, 40%). Deviation of actual net profit from average net profit was highest for Bajaj Finance. Standard deviation and coefficient of variation of net profit was lowest for Sundaram Finance (2.66, 13.31%). It means the deviation of actual net profit from average net profit was very low for Sundaram Finance. And Sundaram Finance earns net profit at a stable rate during the period of study.

Table-2: Return on capital employed (%) of select Non-banking financial companies in India

Year	Bajaj Finance	Shriram Transport Finance Corporation	Mahindra & Mahindra Financial Services	Sundaram Finance	Cholamandalam Investment & Finance Company
2007	2.92	2.23	2.54	1.71	1.04
2008	1.20	2.75	2.94	3.11	1.38
2009	2.25	3.26	3.51	2.18	1.09
2010	3.07	4.08	4.42	2.55	0.34
2011	5.81	5.93	4.89	3.87	0.91
2012	4.78	5.26	4.88	4.86	1.99
2013	5.38	4.68	4.89	5.59	2.94
2014	4.89	3.80	3.92	5.39	2.96
2015	3.84	2.85	3.94	4.64	2.72
2016	3.82	2.65	2.76	5.66	3.74
Average	3.80	3.75	3.87	3.96	1.91
S.D	1.46	1.23	0.91	1.48	1.12
C.V(%)	38.42	32.80	23.51	37.37	58.64

Source: calculated by author

Inference:

Table 2 showing return on capital employed (%) of select Non-banking financial companies in India from year 2007 to 2016. The average return on capital employed of Sundaram Finance (3.96%) was highest and average return on capital employed of Cholamandalam Investment &Finance Company (1.91%) was lowest. But standard deviation of return on capital employed was highest for Sundaram Finance (1.48). Deviation of actual return on capital employed from average return on capital employed was highest for Sundaram Finance.Standard deviation of return on capital employed was lowest for Mahindra &Mahindra Financial Services (0.91).It means the deviation of actual return on capital employed from average return on capital employed was very low for Mahindra & Mahindra Financial Services. Coefficient of variation of Mahindra & Mahindra Financial Services was lowest (23.51%) and coefficient of variation of Cholamandalam Investment & Finance Company was highest (58.64%).

Table-3: Return on Assets (%) of select Non-banking financial companies in India

Year	Bajaj Finance	Shriram Transport Finance Corporation	Mahindra & Mahindra Financial Services	Sundaram Finance	Cholamandalam Investment & Finance Company
2007	1.34	1.75	2.11	1.43	0.80
2008	0.53	2.13	2.52	2.74	0.90
2009	0.83	2.44	2.88	1.88	0.59
2010	1.85	3.23	3.76	2.16	0.22
2011	2.89	3.88	3.38	2.41	0.64
2012	3.14	3.51	3.34	2.74	1.28
2013	3.31	3.03	3.46	2.80	1.68
2014	2.92	2.56	2.80	2.87	1.68
2015	2.73	2.08	2.37	2.70	1.82
2016	2.75	1.73	1.69	2.74	2.03
Average	2.23	2.63	2.83	2.45	1.16
S.D	1.01	0.75	0.66	0.48	0.62
C.V(%)	45.29	28.52	23.32	19.59	53.00

Source: calculated by author

Inference:

Table 3 is showing the return on assets(%) of select non-banking financial companies in India from year 2007 to 2016. The average return on assets of Mahindra & Mahindra Financial Services (2.83%) was highest and average return on assetsof Cholamandalam Investment & Finance Company (1.16%) was lowest. But standard deviation of return on assets was highest for Bajaj Finance(1.01). Deviation of actual return on assets from average return on assets was highest for Bajaj Finance. Standard deviation of return on assets was lowest for Sundaram Finance (0.48). It means the deviation of actual return on assetsfrom average return on assets was very low for Sundaram Finance. Coefficient of variation of Sundaram Finance was lowest (19.59%) and coefficient of variation of Cholamandalam Investment & Finance Company was highest (53.00%).

Table-4: Current Ratio of select Non-banking financial companies in India

Year	Bajaj Finance	Shriram Transport Finance Corporation	Mahindra & Mahindra Financial Services	Sundaram Finance	Cholamandalam Investment & Finance Company
2007	1.82	4.53	5.85	5.23	4.22
2008	1.62	4.41	6.79	7.65	2.81
2009	1.46	3.97	5.34	6.45	2.00
2010	2.30	4.44	6.41	5.91	2.62
2011	1.02	1.53	1.64	1.38	1.23
2012	1.37	1.61	1.51	1.09	0.94
2013	1.16	1.51	1.57	0.97	0.77
2014	1.04	1.63	1.18	1.04	0.81
2015	1.48	1.69	1.27	1.15	0.94
2016	1.57	0.99	1.26	0.84	0.69
Average	1.48	2.63	3.28	3.17	1.70
S.D	0.39	1.49	2.45	2.77	1.18
C.V(%)	26.35	56.65	74.70	87.38	69.41

Source: calculated by author

Inference:

Table 4 is showing current ratio of select Non-banking financial companies in India from year 2007 to 2016. The average current ratio of Mahindra & Mahindra Financial Services (3.28) was highest and average current ratio of Bajaj Finance (1.48) was lowest. But standard deviation and coefficient of variation of current ratio was highest for Sundaram Finance (2.77,87.38%). Deviation of actual current ratio from average current ratio was highest for Sundaram Finance. Standard deviation and coefficient of variation of current ratio was lowest for Bajaj Finance (0.39,26.35%). It means the deviation of actual current ratio from average current ratio was very low for Bajaj Finance. The current ratio Bajaj Finance was very stable during the period of observation.

Table-5: Quick Ratio of select Non-banking financial companies in India

Year	Bajaj Finance	Shriram Transport Finance Corporation	Mahindra & Mahindra Financial Services	Sundaram Finance	Cholamandalam Investment & Finance Company
2007	0.41	4.51	5.85	4.92	4.22
2008	0.33	4.41	6.79	7.28	2.81
2009	0.64	3.97	5.34	6.12	2.00
2010	2.30	4.44	6.41	5.73	2.62
2011	1.02	1.53	1.64	1.38	1.23
2012	1.37	1.61	1.51	1.09	0.94
2013	1.16	1.51	1.57	0.97	0.77
2014	1.04	1.63	1.18	1.04	0.81
2015	1.48	1.69	1.27	1.15	0.94
2016	1.57	0.99	1.26	0.84	0.69
Average	1.13	2.63	3.28	3.05	1.70
S.D	0.59	1.49	2.45	2.61	1.18
C.V(%)	52.21	56.65	74.70	85.57	69.41

Source: calculated by author

Inference:

Table 5 is showing quick ratio of select Non-banking financial companies in India from year 2007 to 2016. The average quick ratio of Mahindra & Mahindra Financial Services (3.28) was highest and average quick ratio of Bajaj Finance (1.13) was lowest. But standard deviation and coefficient of variation of quick ratio was highest for Sundaram Finance (2.61,85.57%). Deviation of actual quick ratio from average quick ratio was highest for Sundaram Finance.Standard deviation and coefficient of variation of quick ratio was lowest for Bajaj Finance (0.59, 52.21%). It means the deviation of actual quick ratio from average quick ratio was very low for Bajaj Finance. The quick ratio Bajaj Finance was very stable during the period of observation.

Table-6: Cash Earning Retention Ratio of select Non-banking financial companies in India

Year	Bajaj Finance	Shriram Transport Finance Corporation	Mahindra & Mahindra Financial Services	Sundaram Finance	Cholamandalam Investment & Finance Company
2007	79.08	73.31	75.49	76.11	58.56
2008	85.62	75.89	76.53	82.84	72.38
2009	81.47	84.27	76.13	80.85	100.00
2010	77.38	84.78	79.39	79.55	78.43
2011	85.73	88.17	78.29	77.78	74.69
2012	88.15	88.43	77.24	79.63	82.84
2013	87.69	88.47	77.38	79.67	85.49
2014	89.28	87.73	76.29	79.23	87.08
2015	90.33	82.26	73.95	78.62	89.18
2016	89.47	81.32	68.12	78.24	88.09
Average	85.42	83.46	75.88	79.25	81.67
S.D	4.57	5.36	3.11	1.80	11.35
C.V(%)	5.33	6.42	4.10	2.27	13.90

Source: calculated by author

Inference:

Table 6 is showing cash earnings retention ratioof select Non-banking financial companies in India from year 2007 to 2016. The average cash earnings retention ratioof Bajaj Finance (85.42) was highest and average cash earnings retention ratioof Mahindra &Mahindra Financial Services (75.88) was lowest. But standard deviation and coefficient of variation of cash earnings retention ratio was highest for Cholamandalam Investment & Finance Company (11.35, 13.90%). Deviation of actual cash earnings retention ratiofrom average cash earnings retention ratiowas highest for Cholamandalam Investment & Finance Company. Standard deviation and coefficient of variation of cash earnings retention ratiowas lowest for Sundaram Finance (1.80, 2.27%).It means the deviation of actual cash earnings retention ratiofrom average cash earnings retention ratiowas very low for Sundaram Finance. The cash earnings retention ratioSundaram Financewas very stable during the period of observation.

Table-7: Profit before tax per share of select Non-banking financial companies in India

Year	Bajaj Finance	Shriram Transport Finance Corporation	Mahindra & Mahindra Financial Services	Sundaram Finance	Cholamandalam Investment & Finance Company
2007	20.08	15.70	24.13	51.64	12.44
2008	7.73	29.82	28.54	109.05	42.39
2009	13.21	45.23	34.02	39.55	2.57
2010	35.34	58.73	54.24	58.23	4.71
2011	100.91	81.74	68.56	77.31	8.39
2012	145.75	83.11	90.10	92.19	21.88
2013	175.09	88.86	22.72	53.35	31.49
2014	219.33	80.56	23.88	58.20	38.41
2015	271.39	81.20	22.22	58.61	45.72
2016	366.87	78.51	18.39	61.50	55.74
Average	135.57	64.35	38.68	65.96	26.37
S.D	123.16	25.73	24.20	20.89	18.97
C.V(%)	90.80	39.98	62.56	31.67	71.94

Source: calculated by author

Inference:

Table 7 is showing profit before tax per shareof select Non-banking financial companies in India from year 2007 to 2016. The average profit before tax per shareof Bajaj Finance (135.57) was highest and averageprofit before tax per shareof Mahindra &Mahindra Financial Services (38.68) was lowest. But standard deviation and coefficient of variation ofprofit before tax per sharewas highest for Bajaj Finance (123.16, 90.80%). Deviation of actual profit before tax per sharefrom average profit before tax per sharewas highest forBajaj Finance.Standard deviation and coefficient of variation of profit before tax per sharewas lowest for Sundaram Finance (20.89, 31.67%).It means the deviation of actual profit before tax per sharefrom average profit before tax per sharewas very low for Sundaram Finance. The profit before tax per shareSundaram Finance was very stable during the period of observation.

Table-8: Earnings per share (EPS) of select Non-banking financial companies in India

Year	Bajaj Finance	Shriram Transport Finance Corporation	Mahindra & Mahindra Financial Services	Sundaram Finance	Cholamandalam Investment & Finance Company
2007	13.48	10.34	15.82	36.17	8.16
2008	5.62	19.19	18.58	76.52	11.36
2009	9.27	30.09	22.41	27.13	6.43
2010	24.43	38.71	35.71	40.82	2.32
2011	67.47	54.49	47.85	53.15	5.67
2012	110.84	55.59	60.46	63.99	14.39
2013	135.69	59.98	16.59	36.91	22.89
2014	144.79	55.72	15.75	39.83	25.43
2015	179.94	54.56	14.75	40.88	30.09
2016	242.30	51.93	11.92	42.96	37.50
Average	93.38	43.06	25.98	45.84	16.42
S.D	82.32	17.55	16.50	14.69	11.86
C.V(%)	88.16	40.76	63.51	32.05	72.23

Source: calculated by author

Inference:

Table 8 is showing earnings per shareof select Non-banking financial companies in India from year 2007 to 2016. The average earnings per share of Bajaj Finance (93.38) was highest and average earnings per share of Cholamandalam Investment & Finance Company (16.42) was lowest. But standard deviation and coefficient of variation of earnings per share was highest for Bajaj Finance (82.32, 88.16%). Deviation of actual earnings per sharefrom average earnings per sharewas highest for Bajaj Finance.Standard deviation and coefficient of variation of earnings per share was lowest for Sundaram Finance (14.69, 32.05%). It means the deviation of actual earnings per share from average earnings per sharewas very low for Sundaram Finance. The earnings per share Sundaram Finance was very stable during the period of observation.

Table-9: Dividend per share (DPS) of select Non-banking financial companies in India

Year	Bajaj Finance	Shriram Transport Finance Corporation	Mahindra & Mahindra Financial Services	Sundaram Finance	Cholamandalam Investment & Finance Company
2007	3.00	3.00	4.00	10.50	4.00
2008	1.00	5.00	4.50	15.00	4.00
2009	2.00	5.00	5.50	6.50	0.00
2010	6.00	6.00	7.50	10.00	1.00
2011	10.00	6.50	10.00	14.00	1.50
2012	12.00	6.50	14.00	15.50	2.50
2013	15.00	7.00	3.60	9.00	3.50
2014	16.00	7.00	3.80	10.00	3.50
2015	18.00	10.00	4.00	10.50	3.50
2016	25.00	10.00	4.00	11.00	4.50
Average	10.80	6.60	6.09	11.20	2.80
S.D	7.87	2.16	3.45	2.82	1.49
C.V (%)	72.87	32.73	56.65	25.18	53.21

Source: calculated by author

Inference:

Table 9 is showing dividend per share of select Non-banking financial companies in India from year 2007 to 2016. The average dividend per share of Sundaram Finance (11.20) was highest and average dividend per share of Cholamandalam Investment & Finance Company (2.80) was lowest. But standard deviation and coefficient of variation of dividend per share was highest for Bajaj Finance (7.87, 72.87%). Deviation of actual dividend per share from average dividend per sharewas highest for Bajaj Finance. Coefficient of variation of dividend per share was lowest for Sundaram Finance (25.18%). It means the deviation of actual dividend per share from average dividend per share was very low for Sundaram Finance. The dividend per share Sundaram Finance was very stable during the period of observation.

Table-10: Pearson's simple correlation analysis of Profitability ratios and EPS

	Correlation coefficient between EPS and NET PROFIT	Correlation coefficient between EPS and Return on capital employed	Correlation coefficient between EPS and Return on assets
Bajaj Finance	0.74 [t=0.01]	0.53[t=0.01]	0.75[t=0.01]
Shriram Transport Finance Corporation	0.38[t=0.00]	0.61[t=4.16]*	0.49[t=3.97]*
Mahindra & Mahindra Financial Services	0.71[t=0.11]	0.66[t=0.00]	0.65[t=0.00]
Sundaram Finance	0.81[t=9.41]*	0.10[t=8.04]*	0.44[t=5.60]*
Cholamandalam Investment & Finance Company	0.93[t=0.01]	0.97[t=0.00]	0.97[t=0.00]
Figures in bracket show [t] values ***Significant at 10% level ** Significant at 5% level * Significant at 1% level			
Table values of t with (n-2) i.e 8 degrees of freedom at 10%, 5% ,1% levels are 1.86, 2.306 and 3.355 respectively			

Source: calculated by author

Inference:

Table 10 is showing Pearson's simple correlation analysis of earning per share and profitability ratios (net profit,return on capital employed and return on assets). Shriram Transport Finance Corporation, the Correlation coefficient between EPS and Return on capital employed and Correlation coefficient between EPS and Return on assets are statistically significant at 1% level and in Sundaram FinanceCorrelation coefficient between EPS and net profit Correlation coefficient between EPS and Return on capital employed and Correlation coefficient between EPS and Return on assets are statistically significant at 1% level of significance.

Table-11: Pearson's simple correlation analysis of Liquidity ratios and EPS

	Correlation coefficient between EPS and CURRENT RATIO	Correlation coefficient between EPS and QUICK RATIO	Correlation coefficient between EPS and CASH EARNING RETENTION RATIO
Bajaj Finance	-0.38[t=0.01]	0.43[t=0.01]	0.81[t=0.76]
Shriram Transport Finance Corporation	-0.90[t=8.25]*	-0.90[t=8.23]*	0.85[t=5.01]*
Mahindra & Mahindra Financial Services	-0.10[t=0.00]	-0.10[t=0.00]	0.53[t=2.45]**
Sundaram Finance	0.11[t=7.03]*	0.11[t=6.80]*	0.45[t=3.45]*
Cholamandalam Investment & Finance Company	-0.64[t=0.01]	-0.64[t=0.01]	0.40[t=5.70]*
Figures in bracket show [t] values ***Significant at 10% level ** Significant at 5% level * Significant at 1% level			
Table values of t with (n-2) i.e 8 degrees of freedom at 10%, 5%, 1% levels are 1.86, 2.306 and 3.355 respectively			

Source: calculated by author

Inference:

Table 11 is showing Pearson's simple correlation analysis of earning per share and liquidity ratios (current ratios, quick ratio and cash earnings retention ratio). In Shriram Transport Finance Corporation Correlation coefficients between eps and current ratio, quick ratio and cash earning retention ratio are statistically significant at 1% level. In Mahindra & Mahindra financial services the correlation coefficient between EPS and cash earning retention ratio is statistically significant at 5% level. In sundaram finance Correlation coefficients between eps and current ratio, quick ratio and cash earnings retention ratio are statistically significant at 1% level.

Table 12 is showing the multiple correlations and multiple regression of earnings on Net profit, Return on capital employed, Return on assets. The computed multiple correlation co-efficient is tested with the help of 'F' test and computed multiple regression coefficient is tested help of 'T' test. In this analysis, net profit, return on capital employed, return on assetsare selected as independent variables and the EPS has been selected as dependent variable.Regression equation is $EPS=\hat{a}_0+\hat{a}_1$. Net profit+$\hat{a}_2$ Return on capital employed+ $\hat{a}_3$ Return on assets. In Bajaj Finance, Sundaram Finance and Cholamandalam Investment & Finance Company the multiple correlation co-efficient net profit, return on capital employed, return on assetsand the EPS is statistically significant at 5% level. Regression between EPS and return on capital employed is statistically significant at 5% level and regression between EPS and return on assets is statistically significant at 10% level in case of Bajaj Finance. In Shriram Transport Finance Corporation regression between EPS and return on capital employed is statistically significant at 10% level.In Sundaram Financeregression between EPS and net profit is statistically significant at 5% level. Cholamandalam Investment & Finance Company coefficient of regression between EPS and return on assets is statistically significant at 10% level.

Table 13 is showing the multiple correlation and multiple regression of earnings on Current ratio, quick ratio, cash earnings retention ratio.The computed multiple correlation co-efficient is tested with the help of 'F' test and computed multiple regression coefficient is tested help of 'T' test.In this analysis, Current ratio,quick ratio, cash earnings retention ratioare selected as independent variables and the EPS has been selected as dependent variable.Regression equation is EPS=$â_0$+$â_1$. current ratio+$â_{2.}$ quick ratio+ . $â_{3.}$cash earnings retention ratio.In case of Bajaj Finance and Shriram Transport Finance Corporationcoefficient of regression between EPS and cash earnings retention ratio is statistically significant at 5% level . In case of Mahindra & Mahindra Financial Servicescoefficient of regression between EPS and cash earnings retentionis statistically significant at 10% level.

Table-12: Multiple correlation and multiple regression

Multiple correlation and multiple regression of earnings on Net profit, Return on capital employed, Return on assets [Regression equation EPS=β_0+β_1. Net profit+$\beta_{2.}$ Return on capital employed+ . $\beta_{3.}$Return on assets]

Company	R	R^2	F	β_0		β_1		β_2		β_3	
				value	**t**	**value**	**t**	**value**	**t**	**value**	**t**
Bajaj Finance	0.90	0.80	8.08#	0.95	-0.07	0.49	0.74	0.04	-2.63**	0.08	-2.13*
Shriram Transport Finance Corporation	0.82	0.67	4.04	0.08	2.10*	0.26	-1.25	0.06	2.28*	0.75	-0.34
Mahindra & Mahindra Financial Services	0.71	0.50	2.04	0.30	-1.14	0.48	0.75	0.80	0.26	0.91	-0.12
Sundaram Finance	0.90	0.81	8.73#	0.05	-2.40*	0.02	3.02**	0.20	-1.42	0.72	0.38
Cholamandalam Investment & Finance Company	0.98	0.97	58.77#	0.24	-1.30	0.16	-1.62	0.65	0.47	0.09	2.00*
# Significant at 5% level of table value (k,n-k-1) i.e (3,6) degree of freedom at 5% is 4.76				*Significant at 10% level **Significant at 5% level ***Significant at 1% level Table values of t with (n-k-1) or 6 degree of freedom at 10%, 5% and 1% levels are 1.943, 2.447, 3.707 respectively.							

Source: calculated by author

Table-13: Multiple correlation and multiple regression

Multiple correlation and multiple regression of earnings on Current ratio, Quick ratio, Cash earnings retention ratio [Regression equation EPS=β_0+β_1. Current ratio+$\beta_{2.}$ Quick ratio+$\beta_{3.}$Cash earnings retention ratio]

Company	R	R^2	F	β_0		β_1		β_2		β_3	
				value	**t**	**value**	**t**	**value**	**t**	**value**	**t**
Bajaj Finance	0.90	0.82	9.03#	0.03	-2.88**	0.69	0.42	0.13	1.77	0.02	3.29**
Shriram Transport Finance Corporation	0.98	0.96	45.04#	0.29	-1.16	0.30	-1.14	0.31	1.12	0.02	3.00**
Mahindra & Mahindra Financial Services	0.61	0.37	2.02	0.12	-1.75	0.35	-0.95	0.36	-0.97	0.09	1.98*
Sundaram Finance	0.46	0.21	0.55	0.36	-0.99	0.93	-0.1	0.93	0.09	0.30	1.14
Cholamandalam Investment & Finance Company	0.65	0.42	2.56	0.38	0.94	0.12	-1.78	0.11	-1.75	0.81	-0.25
# Significant at 5% level of table value (k,n-k-1) i.e (3,6) degree of freedom at 5% is 4.76			*Significant at 10% level **Significant at 5% level ***Significant at 1% level Table values of t with (n-k-1) or 6 degree of freedom at 10%, 5% and 1% levels are 1.943, 2.447, 3.707 respectively.								

Source: calculated by author

8. Conclusion:

It may be concluded from the above analysis and findings that in case of profitability ratios the of Bajaj Finance and Sundaram finance have shown very robust performance over the other companies. In case liquidity ratios, Mahindra & Mahindra Financial Services and Bajaj Finance performance were good. In case of earning Bajaj Finance,Cholamandalam Investment & Finance Company and Sundaram finance performances are very shareholders friendly. Shriram Transport Finance Corporation, there is correlation between EPS and Return on capital employed and also there is correlation between EPS and Return on assets and in Sundaram Financecorrelation EPS and net profitare correlated and correlation exits between EPS and Return on capital employed and EPS and Return on assets are correlated. In Shriram Transport Finance Corporation there is correlation between EPS and current ratio, quick ratio and cash earnings retention ratio. In Mahindra & Mahindra financial services the correlation. In sundaram finance there is Correlation between eps and current ratio, quick ratio and cash earnings retention ratio.In Bajaj Finance, Sundaram Finance and Cholamandalam Investment & Finance Company there is multiple correlation co-efficient between net profit,return on capital employed, return on assetsand the EPS. There is regression between EPS and return on capital employed and regression between EPS and return on assets in case of Bajaj Finance. In Shriram Transport Finance Corporation regression between EPS and return on capital employed is statistically significant. In Sundaram Finance regression between EPS and net profit is statistically significant. Cholamandalam Investment & Finance Company coefficient of regression between EPS and return on assets is statistically significant. In case of Bajaj Finance and Shriram Transport Finance Corporation there are coefficients of regression between EPS and cash earnings retention ratio. In case of Mahindra & Mahindra Financial Services there is regression between EPS and cash earnings retention.

9. References:

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