

A Study on NBFC in India: Peerless Financial Service Limited

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ABSTRACT

Peerless takes pride in its humble beginnings as Peerless Finance is part of the Kolkata-based Peerless Group Established in 1988; it is an NBFC registered with RBI. Peerless Finance for the past 35 years has been striving to carry forward the legacy of its parent, driven by values, transparency, and integrity, with the sole objective of total customer satisfaction and service delivery on the customer's doorstep. Some of loan product offerings are Loans to Professionals, Equipment Finance, Loan Against Salary, and Business loans. This study focuses on analysing the changing patterns of the total amounts sanctioned in the first quarter of FY 2022-23 by Peerless Financial Services Limited (PFSL). Further, the paper has also aimed to analyse the determinants that influence the Interest accrued by Peerless Financial Services Limited. In order to measure the mentioned changes, cross-sectional secondary data was collected from the database of Peerless Financial Services Limited. The data collected has been analysed using MS Excel and Stata 11.1. The study's findings reveal that sanctioned amount, number of days, and rate of Interest significantly affect the Interest accrued. The firm is very young in the field NBFC presently but it is growing at a very pace.

Keyword: - Finance, NBFC, Peerless Finance

1. INTRODUCTION

A Non- Banking Financial Company (NBFC) is a company registered under the Companies Act, 1956 engaged in the business of loans and advances, acquisition of shares/stocks/bonds/debentures/securities issued by a government or local authority or local authority or other marketable securities of a like nature, leasing, hire-purchase, insurance business, chit business. However, it does not include any institution whose principal business is that of agriculture activity, industrial activity, purchase or sale of any goods (other than securities) or providing any services and sale/purchase/construction of the immovable property. An NBFC is an intermediary where the principal business of receiving deposits under any scheme or arrangement in one lump sum or instalments by way of contributions or any other manner; is also a non-banking financial company (Reserve Bank of India, 2017). NBFCs lend and make investments, so their activities are similar to those of a bank. However, an NBFC can neither demand deposits nor be a part of the payment and settlement system and cannot issue cheques drawn on themselves. Moreover, the Deposit Insurance and Credit Guarantee Corporation deposit insurance facility is unavailable with NBFCs.

Peerless takes pride in its humble beginnings. Peerless Insurance Co. Ltd was founded in 1932 by a group of idealist friends in Narayanganj, Bangladesh, to provide provident insurance solutions. Later, the firm shifted its focus to modest savers and grew to become one of the country's most regarded NBFCs. The registered office was relocated to Kolkata in 1974. The Company's name was later changed to The Peerless General Finance and Investment Company Limited, reflecting the Company's expanded area of activity.

Peerless Financial Services Ltd. was founded in 1988 as Peerless General Finance & Investment Co. Ltd. (PGFI) subsidiary company. Peerless Finance is a Reserve Bank of India-registered Non-Banking Finance Company (NBFC) (RBI). Peerless Finance seeks to continue the history of its Parent Group, which is based on principles, honesty, and integrity, with the primary goal of 100% customer satisfaction and service delivery at the client's doorstep.

Peerless Finance provides a variety of loan packages to satisfy the financial needs of corporations and individuals on competitive terms. The loan products result from the Company's ongoing efforts to support retail individuals in realising their aspirations - an agenda that Peerless Finance believes. Peerless Finance offers the following loan products:

- Loan To Professionals
- Equipment Finance
- Loan Against Salary
- Business Loans
- Loan Against Marketable Securities

Peerless Finance is motivated by a desire to uphold its commitments. To that end, it offers its consumers 'Simplifinance' or easy and quick financing. Simultaneously, the Company supports ease of doing business. Peerless Finance will continue introducing value-added products to its portfolio to ensure that complete credit solutions are easily accessible to the general population. In its unique manner, Peerless Finance adheres to the concept of financial inclusion and seeks to become India's most trusted financial services provider. The main aim of this paper is to observe the changes in the cross-sectional data of loan amounts sanctioned by Peerless Financial Services Limited in the first quarter of FY 2022-2023. The paper also tries to study the impact of potential determinants on the Interest accrued by PFSL in the first quarter of 2022-2023.

2. LITERATURE REVIEW

Past literature has stated that NBFCs are arising as a volition to mainstream banking. Either they also arise as an integral part of the Indian Financial System and have estimable benefactions towards the Government's docket of fiscal Addition. One integral part of the Indian Financial System is NBFCs. They have been giving credit to retail guests who are underserved or unbanked. Their capability to introduce products in consonance with the requirements of their guests is well established. They have played a crucial part in developing important sectors like Road Transport and structure, which are the lifelines of our frugality. NBFCs have been accelerating the function of the systematised banking sector by bridging credit gaps, i.e., fulfilling the expanding fiscal demands of the commercial sector while furnishing loans to the unorganised sector and small original borrowers. NBFCs have a more flexible structure than organised-sector banks. The Central Government and the Reserve Bank of India have worked on regulating these NBFCs from time to time. The Department of Non-Banking Supervision of RBI has indulged in this conditioning of regulating and supervising the NBFCs. They contend with and complement banks and fiscal institutions. In 1995- 96, several enterprises were taken to ease restrictions and remove operating conditions in the fiscal sector. These include interest rate decontrol, liberalisation, picky junking of Cash Reserve rate (CRR) reservation, and enhanced refinance installations against Government and other approved securities [1]. Another one literature has studied the growth of Peerless from a small Company with a sprinkle of accounts to one with 2.11 a billion accounts, from an incipency capital of Rs 300 to Rs.31.98 billion in deposits. The paper also gives sapience on the savings products initiated by Peerless to address the demand of its guests (Sengupta, 2011) [2]. Another paper has examined how the NBFCs play a critical part in encouraging the growth of Indian frugality. The paper further stated the strength, openings, challenges and problems faced by the NBFC sector in India [3]. Another study has compared the performance of growth of Non-Banking Financial Companies with Banks and their donation to Indian frugality. From 2006 to 2013, the total means of Non-Banking Financial Companies have been adding at an advanced rate than the Banking Sector in India. Also, a donation to the GDP of the NBFC sector has been adding further steadily than banks [4]. Further, a paper has stressed the performance of Mudra schemes since 2015, significantly advancing from NBFCs. Mudra bad loans are decreasingly adding in banking institutions as frugality slows. For capital conformation, the part of NBFCs plays a significant part in Indian frugality. Their benefactions to Mudra programmes are critical in fostering entrepreneurship in our nation. Since the commencement of the plan, NBFCs have handed hundreds of crores to rising business units in India. This paper also discusses the problems in the recovery of Mudra loans handed by the NBFCs and their defaults [5]. Another paper has concentrated on the elaboration, growth, and development of Non-Banking Financial Companies in India. Total outstanding borrowing of the NBFC sectors increased at a CAGR of 14.1 during FY13- FY18, which is commensurable with the CAGR of 14.45 in the overall credit during the same time. Overall, NBFC sector credit growth has been significantly brisker in FY18 than the bank credit growth [6].

3. OBJECTIVES

The main objectives of this study are as follows:

- To study the changes in the total amount sanctioned in the first quarter of FY 2022-2023.
- To know about the Interest charged on the amount sanctioned by Peerless Financial Services Limited.

3.1 Hypothesis Formulation

H_0 : There is no significant impact on sanctioned amount, rate of Interest and number of days on Interest accrued.

H_1 : There is a significant impact on sanctioned amount, rate of Interest and number of days on Interest accrued.

4. METHODOLOGY

The study has been conducted using secondary data. The source of information, i.e., loan sanction data and other related necessary facts, have been collected from the recorded database of Peerless Financial Services Limited. For that reason, frequent visits to the Company were carried out on Peerless Financial Services Limited's working days from 1st July 2022 to 11th August 2022. After collecting and compiling industrial recorded data, the compiled data set was thoroughly studied and made standardised for interpretation. Various graphical diagrams have been used to represent the total amount of loans sanctioned in the first quarter of FY 2022-23, Interest accrued on loans sanctioned for each category of their product. Moreover, multiple regression analysis was performed to analyse the impact of sanctioned amount, rate of Interest and number of days on Interest accrued.

5. RESULTS AND DISCUSSION

The estimated total amount sanctioned for loans in the first quarter of FY 2022-2023 by Peerless Financial Services Ltd was found to be Rs 15,12,19,912. As depicted in Figure 1, Rs 2,89,81,944 was the total amount sanctioned in April; for May, the total amount sanctioned was Rs 4,13,97,270 and Rs 8,08,40,698 for that June. Thereby, we can conclude that in the month of June, Peerless Financial Services Limited sanctioned the highest amount in the first quarter of FY 2022.

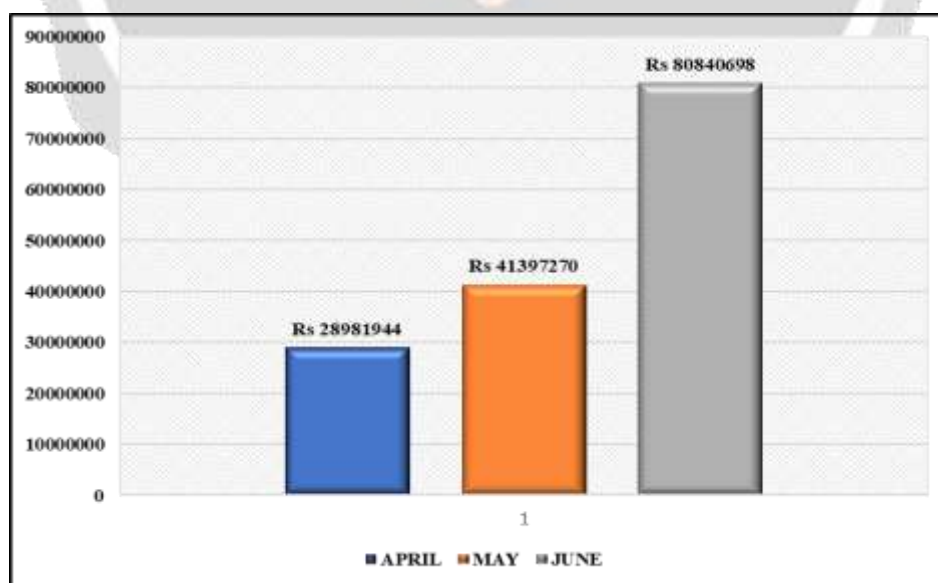


Figure 1: Estimated Total Amount Sanctioned monthly for the first quarter of FY 2022-2023

Table 1 shows that Peerless Financial Services Ltd. was found to have accrued a total of Rs. 44,54,950.787 as Interest on the loans sanctioned in the first quarter of FY 2022-2023. It was observed that Interest accrued from loans to professionals was Rs 17,07,183.288, which accounts for 38% of the total Interest accrued, followed by equipment finance which accounts for almost 37% of the total Interest accrued (i.e., Rs 16,57,522.568). Further, it was observed that Interest earned from the business loan was Rs 10,21,054.795, which is 23% of the total Interest accrued. Lastly, Rs 69190.13699 was earned from that loan against salary, i.e., it accounts for only 2% of the total Interest accrued.

Table 1: Estimated Total Interest Accrued for each category of loan products.

LOAN TO PROFESSIONAL	EQUIPMENT FINANCE	LOAN AGAINST SALARY	BUSINESS LOAN	TOTAL
Rs 1707183.288	Rs 1657522.568	Rs 69190.13699	Rs 1021054.795	Rs 4454950.787

Source: Peerless Financial Services Ltd.

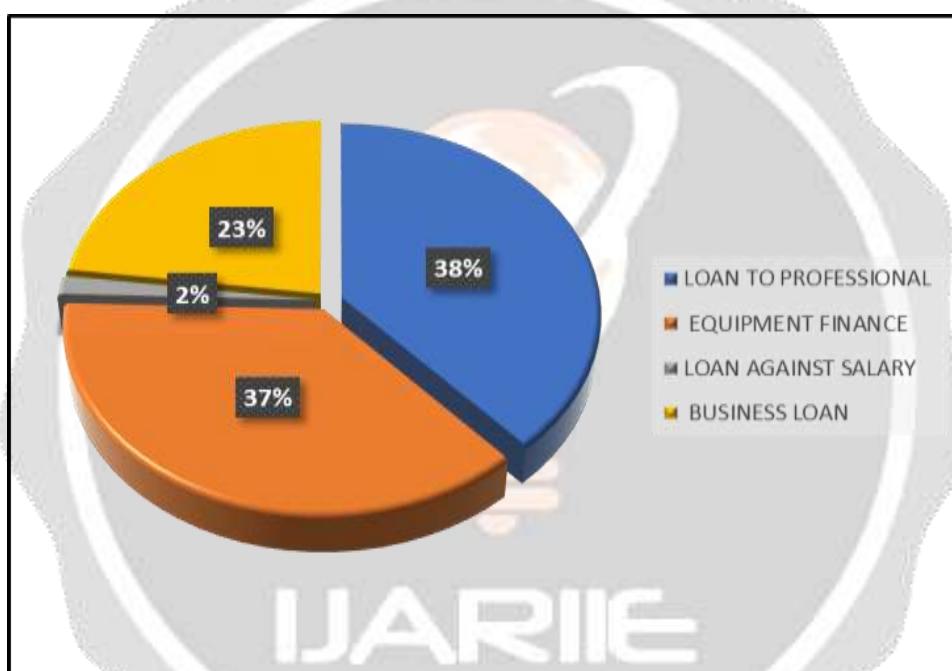


Figure 2: Estimated Total Interest Accrued for each category of loan products.

In order to test the set of hypotheses previously mentioned, Multiple Regression Analysis was used. In this hypothesis, there were three independent variables (sanctioned amount, rate of Interest and the number of days) and one dependent variable (Interest accrued as of 11th August 2022).

The F -ratio tests whether the overall regression model is a good fit for the data. The output in Table 2 shows that the independent variables statistically significantly predict the dependent variable, $F(3,107) = 2681.99, p < .0005$ (i.e., the regression model is a good fit for the data).

The R^2 value (also called the coefficient of determination) is the proportion of variance in the dependent variable that the independent variables can explain. As we can see from Table 3, the R^2 value is 0.9869, i.e., our independent variables explain 98.69% of the variability of our dependent variable, Interest Accrued. However, we will consider $Adj. R^2$ here because our model is a multiple regression model and, therefore, to get the most accurate results. Thus, we can state that our independent variables explain 98.65% of the variability of our dependent variable, Interest Accrued.

Table 2: Multiple Regression

Source	SS	df	MS	Number of obs = 111		
Model	7.8920e+11	3	2.6307e+11	F(3, 107) = 2681.99		
Residual	1.0495e+10	107	98086384.3	Prob > F = 0.0000		
Total	7.9970e+11	110	7.2700e+09	R-squared = 0.9869		
				Adj R-squared = 0.9865		
				Root MSE = 9903.9		
interestaccrd	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
sanctionamt	.0228963	.000257	89.10	0.000	.0223868	.0234057
roi	83783.37	34894.69	2.40	0.018	14608.72	152958
days	377.0835	37.14746	10.15	0.000	303.443	450.724
_cons	-34465.71	6678.043	-5.16	0.000	-47704.15	-21227.26

Unstandardised coefficients indicate how much the dependent variable varies with an independent variable when all other independent variables are held constant. Consider the effect of the sanctioned amount in this example. The unstandardised coefficient, B_1 , for sanctioned amount is equal to 0.0228.

The results of the multiple regression test, as seen in Table 3, show that the p-values in the case of sanctioned amount, rate of Interest and number of days are 0.00, 0.018 and 0.00, respectively. This implies that sanctioned amount, rate of Interest and the number of days have a significant impact on Interest accrued as the P value for all three factors is less than 0.05 (at a 5% significance level). Hence, based on the results, reject the null hypothesis.

Therefore, the econometrics model is $Y_i = -34465.71 + .0228963(X_{1i}) + 83783.37(X_{2i}) + 377.0835(X_{3i}) + u_i$

Where Y_i is the "Interest Accrued", X_{1i} is the Sanction Amount, X_{2i} is the Rate of Interest, X_{3i} is the Number of Days since the sanction & u_i is the residual amount or the error term.

6. CONCLUSION

Peerless Financial Services Limited has aided economic development in many ways. Some of them are namely:

- Mobilisation of Resources - It converts savings into investments.
- Capital Formation - Aids to increase the capital stock of a company.
- Provision of Long-term Credit and specialised Credit.
- Aid in Employment Generation.
- Help in the development of Financial Markets.

Thereby, we can conclude that Peerless Financial Services Limited has not only been promoting economic growth but also helped break the 'Vicious Circle of Poverty' by serving the common masses in a much more simplified way.

PFSL has also been strategising to expand its branches to more districts of West Bengal and surrounding states. Moreover, PFSL not only aims to introduce new products, such as Educational Loans, etc. but also to develop its digital market in the current Financial Year 2022-2023, which would eventually add to more revenue generation. These product list additions would help PFSL compete with the other loan-giving NBFCs in the industry.

7. ACKNOWLEDGEMENT

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