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A Study on Financial Performance Analysis with Reference to Real Touch Finance Limited and Selected Nbfcs in India Using Camel Model

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Abstract
The emergence of Non-Banking Financial Companies (NBFCs) in India is a response to the substantial unbanked population, making them vital players in the financial market. Institutions like Real Touch Finance Limited (RTFL), Dharani Finance Ltd, and Shriram Finance Ltd have experienced rapid growth due to the rising demand for funds in areas like education, housing, marriage, vehicles, and leisure. A comprehensive CAMEL analysis from 2018 to 2022 assessed their financial performance. RTFL displayed positive trends in management efficiency, earnings, and asset quality. Dharani Finance Ltd faced volatility in returns and profitability challenges, while Shriram Finance Ltd had positive capital adequacy but struggled with liquidity and ROA. RTFL outshone with improved margins and non-interest income. In conclusion, RTFL appears relatively stronger, highlighting the importance of ROCE and ROA for shareholder wealth. This study provides valuable insights into improvement areas, growth prospects, and risks, emphasizing capital utilization, cost management, profitability, and efficient liquidity management for long-term success.

Keywords: NBFCs, CAMEL analysis, Asset Under Management (AUM), Shareholders wealth, Liquidity management,Profitability, Capital adequacy, Growth opportunities.

Introduction

In India, non-banking financial institutions play a significant role in the financial system by providing credit to under banked groups of society, particularly micro, small, and medium- sized businesses. Sagar (2023) stated that “Particularly in a developing economy like India, NBFCs play a clear and significant role in the financial industry. By meeting the varied financial demands of consumers who are excluded from banks, NBFCs contribute significantly to the country's inclusive growth.Furthermore, NBFCs usually take the initiative in introducing MSMEs (Micro, Small, and Medium-Sized Enterprises) to new financial services that are best suited to their needs as a business. The term "Non-Banking Financial Corporations" applies to them. A non-banking firm that does financial institution activities is referred to as an NBFC under Section 451(c) of the RBI Act. Due to the large number of unbanked people in India, a variety of financial intermediaries, including non-banking financial enterprises, have emerged. A non-banking financial corporation (NBFC) is a company that is registered under the Companies Act of 1956 and the Companies Act of 2013 and that, among other things, does lending, hire-purchase, leasing, insurance, and, in certain cases, receiving deposits in addition to buying stocks, shares, and chit funds. The Reserve Bank of India and the Ministry of Corporate Affairs work together to oversee the NBFCs' operations. NBFCs operate and perform in a way that is comparable to that of traditional banks. The fact that banks can issue checks drawn in their favor but NBFCs cannot sets them apart from banks in a few respects. Additionally, the Deposit Insurance and Credit Guarantee Corporation does not provide insurance to depositors of NBFCs. Despite this, the NBFC sector of the Indian financial market is growing at the fastest rate because of the country's growing demand for finance for a range of things, including housing, education, marriage, transportation, and leisure.

By offering a range of financial services and meeting the various needs of both individuals and businesses, non-banking financial companies (NBFCs) in India have been playing a significant role in the nation's financial industry. "Many of the microfinance institutions are registered with the RBI as NBFC-MFIs, lending money to the needy in rural areas so they can expand and create jobs that contribute to the progress of the country," wrote Akhil Sharma and Laveena Mehta in 2019. This is an opportunity to research this business area and bridge the gap between banks and private lenders.

Literature Review

A financial system's performance was analysed by **Sharmita R. et al. (2023),** By concentrating on five crucial areas and avoiding examining matters that are insignificant or endanger the integrity of the financial position, the CAMELS technique helps to reduce the inspection time. Radical reforms have enhanced the supervision standards and practices used by central banks worldwide. Many industrialised countries now use the CAMEL RATING standard financial rating system in addition to other tried-and-true methods and procedures when assessing the performance of banks. The financial stability of the public sector banks was examined by **Parmod Kumar Singhal (2020).** A sample of 21 banks was selected in the fiscal years 2008–2009 and 2018–2019.According to the report, just 13 out of the 21 banks were able to meet the RBI's 12% CAR goal, while the average CAR for the other institutions was 11%. A net NPA above 3.66% was present in 10 out of 21 institutions. The survey also showed that private banks, foreign banks, and NBFCs are progressively gaining market share from state banks. **Khandoker, et al. (2016**) examined information from 22 companies. It has been shown that the relationships between advances, loans, and borrowing for Sriram Transport Finance Company Limited, Bajaj Holding Limited, and the four other companies have favorable correlations. The net profit ratios of HDFC and IDFC drastically altered when Kamalaveni (2016) was conducting his investigation, and he came to the conclusion that Bajaj Holding and Investment Limited had a strong position in this examination. Using the CAMEL model, **Thilakam and Saravanan (2014)** assessed the financial stability of thirty chosen NBFCs in Tamil Nadu between 2003 and 2012. The study's conclusions demonstrate that, during the course of the investigation, businesses saw increases in the extremely satisfying zone (from 49% to 46%) and decreases in the risky zone (from 46% to 41%). The gold loan NBFCs (Manappuram Finance, Muthoot Finance, and Muthoot Fincorp) were at high risk because they had less liquidity, employed more debt in their capital structures, and pursued aggressive lending practices, according to **Roy's (2013)** analysis using the CAMEL model.

Need for the Study

Real Touch Finance Limited (RTFL) has been facing challenges in generating satisfactory returns on their invested capital, with a slow growth rate over the past five years, increasing only from 4.7% to 5.2%. Their expenses have also surged, reaching 139% in 2022. Despite maintaining decent profits, RTFL has struggled to maximize shareholders' wealth, which declined by 0.16% compared to the previous year. This study aims to uncover the obstacles RTFL faces in efficient capital utilization, cost management, profitability, and enhancing shareholders' wealth. Additionally, it seeks to provide valuable insights into RTFL's financial performance compared to selected Non-Banking Financial Companies (NBFCs). This comparative analysis will help identify areas for improvement, potential growth opportunities, and risks specific to RTFL. By benchmarking RTFL against its peers, the research intends to pinpoint best practices that can contribute to long-term success in the NBFC sector. Ultimately, the research findings will offer actionable insights, promoting positive change and sustainable growth for Real Touch Finance Limited.

Objectives of the Study

- **Primary Objective**

1. To analyse and compare the financial performance of Selected NBFC's using CAMEL analysis

- **Secondary Objectives**

1. To evaluate the capital adequacy ratios and assess the financial strength of selected NBFCs.
2. To analyse the quality and risk profile of the assets held by selected NBFCs.
3. To evaluate the profitability and revenue generation capabilities of selected NBFCs.
4. To measure the ability of selected NBFCs to meet short-term financial obligations and manage liquidity risks.

Scope of the Study

The scope of this study is a detailed examination of Real Touch Finance Limited (RTFL) and its financial performance. It specifically focuses on RTFL's operations and aims to provide recommendations for enhancing profitability, cost management, and efficient capital utilization. These improvements will strengthen RTFL's market position and promote sustainable growth. The study places significant importance on monitoring critical CAMEL indicators, including capital adequacy, asset quality, management quality, earnings, and liquidity. By implementing the study's recommendations and closely tracking these indicators, RTFL can enhance its market standing, achieve long-term growth, and meet stakeholder expectations. In summary, this study aims to understand and address the financial challenges RTFL faces, compare its financial performance with other NBFCs, and suggest strategies for long-term success and value creation for shareholders. Through the adoption of feasible directions outlined in the study and continuous monitoring of CAMEL indicators, RTFL can establish itself as a leader in the non-banking financial sector and satisfy stakeholder demands.

Research Design

Analytical Study was employed as a research strategy. In this study, the cash situation was the subject of both general and detailed financial statement analysis. To carry out this kind of research, pre-existing information must be used, and it must be analyzed to produce a critical evaluation of the topic. The researcher uses data that has previously been made accessible for his examination. The study is centered on the information that has been obtained or made available.

The Three NBFC's Chosen in this Study: (for a period of five years from 2018 to 2022)

1. Real Touch Finance Limited
2. Dharani Finance Limited

3. Shriram Limited

Period of the Study: The Period of the study is based on past 5 year's data (2018 to 2022).

Selection of NBFC's: Based on their Asset Under Management (AUM), three Non-Banking Financial Companies (NBFCs) were chosen for this study. The total value of assets managed by an NBFC on behalf of its clients is reflected in its AUM, which is a critical metric for assessing the size and financial health of the organization. The combined AUM of the three NBFC is between 340 and 500 CR.

Data Collection

Secondary Data: For this study, secondary data was employed, which was gathered from the annual report of the relevant company and many financial websites. This study didn't make use of any primary data. Information obtained from a source other than the user is referred to as secondary data. Secondary data for social science research often comes from census data, government agency information, corporate records, and data that was originally collected for other purposes. In this project, we have used secondary data which has been collected from following sources:

1. Annual reports
2. Audit Reports
3. Other material and report published by the companies.
4. Internet

Analytical Tools for the Study: In this study several analytical tools has been employed to facilitate the analysis and interpretation of the study. These tools have been utilized effectively to gain insights and draw meaningful conclusions. The following tools have been particularly used in this study in a proficient manner:

1. CAMEL analysis.
2. Multiple Linear Regression Analysis.

Limitations of the Study

1. The study is mainly carried out based on the secondary data provided in the financialstatement.
2. This research is limited to only 3 NBFCs and restricted only for 5years (2018 to2022).
3. The study included a data of particular phase of the pandemic, which might limit thegeneralizability of the findings to other time periods.
4. A valid comparison of their financial analyses is not possible due to differences in accounting practices used by different firms.

Results and Analysis

In this section, we will analyze the financial soundness of the selected NBFCs based on the CAMEL framework. Only those indicators are chosen that are relevant for the study, considering their analytical significance, data availability for compilation, calculation, and their relevance to the research.

1. Capital Adequacy

Capital Adequacy is a crucial measure for NBFCs to assess their ability to absorb unforeseen losses, ensuring the trust of their stakeholders and safeguarding against financial instability. Meeting the mandated minimum capital requirements is a fundamental determinant of capital adequacy for NBFCs. Maintaining an adequate capital level is of paramount importance, as it reflects the company's capability to address its liabilities. In the event of loan losses, it becomes imperative for NBFCs to manage the demands of their depositors. Consequently, upholding a substantial level of capital adequacy is essential to avert financial crises and ensure the stability of NBFCs.

Table 1: Capital Adequacy of selected NBFCS

YEAR	CRAR			CET 1			CET 2		
	RTFL	Dharani Finance Ltd	Shriram Finance Ltd	RTFL	Dharani Finance Ltd	Shriram Finance Ltd	RTFL	Dharani Finance Ltd	Shriram Finance Ltd
2018	197.54%	181.47%	29.03%	98.71%	90.49%	14.52%	0.12%	0.50%	0.00%
2019	207.70%	188.90%	31.29%	103.82%	94.31%	15.64%	0.07%	0.28%	0.00%
2020	198.82%	193.86%	33.73%	99.38%	96.76%	16.87%	0.07%	0.35%	0.00%
2021	196.63%	181.91%	38.31%	98.31%	90.79%	19.16%	0.00%	0.32%	0.00%
2022	200.50%	177.25%	41.53%	100.25%	88.47%	20.77%	0.00%	0.31%	0.00%
MEAN	200.24%	184.68%	34.78%	100.09%	92.16%	17.39%	0.05%	0.35%	0.00%
RANK	1	2	3	1	2	3	2	1	3

Inference

The above table presents an analysis of the Capital Adequacy Ratio (CAR), Common Equity Tier 1 (CET1), and Common Equity Tier 2 (CET2) for three NBFCs over a span of five financial years. Notably, all three NBFCs consistently maintained CAR levels higher than the recommended threshold. Real Touch Finance Limited (RTFL) secured the top position with the highest average CAR of 200.24%, followed by Dharani Finance Ltd at 184.68% and Shriram Finance Ltd at 34.78%. In terms of CET1, all three NBFCs also surpassed the recommended levels, with RTFL leading at 100.09%, followed by Dharani Finance Ltd at 92.16%, and Shriram Finance Ltd at 17.39%. However, when examining CET2, it's observed that RTFL's CET2 gradually decreased, Dharani Finance Ltd experienced a reduction in 2019 but exhibited substantial improvement in subsequent years, while Shriram Finance Ltd did not maintain any CET2 throughout the analyzed period.

2. Asset Quality:

The Total Investment to Total Assets Ratio is a vital metric for evaluating the level of financial robustness. The primary goal in assessing asset quality using this ratio is to determine the portion of total investments as a percentage of the total assets.

Table 2: Asset Quality of selected NBFCs

YEAR	TITA		
	RTFL	Dharani Finance Ltd	Shriram Finance Ltd
2018	3.77%	5.82%	4.79%
2019	3.79%	3.10%	2.47%
2020	4.00%	2.26%	2.45%
2021	0.00%	4.04%	3.80%
2022	0.35%	4.42%	2.41%
MEAN	2.38%	3.93%	3.18%
RANK	1	3	2

Inference

The above table presents an analysis of the Total Investment to Total Assets Ratio(TITA) for the 5 financial years of 3 NBFCs. RTFL maintained a lowest percentage of 2.38% followed by Shrirami Finance Ltd's 3.18% and Dharani Finance Ltd 3.93%.

3. Management Efficiency

Management efficiency is another critical component of the CAMEL model that is essential for the survival and growth of an NBFC. While the other factors in the CAMEL model can be readily quantified using current financial statements, assessing management quality is somewhat subjective and challenging to define precisely. Nevertheless, it remains a crucial factor for the success of non-banking financial companies (NBFCs). Reforms within the NBFC sector emphasize the necessity to enhance the productivity of these entities through suitable measures aimed at reducing operational costs and boosting overall profitability.

Table 3. Management Efficiency of selected NBFCs

YEAR	ROE			ROCE		
	RTFL	Dharani Finance Ltd	Shriram Finance Ltd	RTFL	Dharani Finance Ltd	Shriram Finance Ltd
2018	-0.13%	15.57%	18.12%	0.61%	16.21%	10.55%
2019	3.46%	1.87%	16.19%	4.73%	1.41%	16.88%
2020	3.49%	-3.47%	13.90%	4.70%	3.06%	16.67%
2021	4.12%	0.13%	11.53%	5.47%	0.73%	14.89%
2022	3.96%	3.90%	10.44%	5.29%	3.63%	14.12%
MEAN	2.98%	3.60%	14.04%	4.16%	5.01%	14.62%
RANK	3	2	1	3	2	1

Inference:

The above table presents an analysis of Return on Equity (ROE) and Return on Capital Employed (ROCE) for three NBFCs over a span of five financial years. Shriram Finance Ltd stands out with the highest ROE at 14.04% in the first table and 14.62% in the second table, indicating strong returns for its shareholders. Dharani Finance Ltd follows with 3.60% in ROE and 5.01% in ROCE, while RTFL trails with 2.98% in ROE and 4.16% in ROCE. These metrics provide valuable insights into the financial performance of these NBFCs over the specified time frame, highlighting Shriram Finance Ltd's consistent position at the top in terms of both ROE and ROCE.

4. Earnings Quality

The quality of earnings is a crucial criterion that determines the ability of an NBFC to earn consistently. Essentially, it underlines the profitability of the NBFC and elucidates its sustainability and future growth in earnings. NBFCs rely on their robust earning capability to execute various activities, including funding dividends, maintaining sufficient capital levels, creating opportunities for investment to facilitate growth, formulating strategies for entering new business ventures, and upholding a competitive stance in the market.

Table 4: Earnings Quality of selected NBFCs

YEAR		2018	2019	2020	2021	2022	MEAN	RANK
ROA	RTFL	-0.13%	3.38%	3.47%	4.04%	3.92%	2.94%	2
	Dharani Finance Ltd	13.35%	1.67%	-3.16%	0.11%	3.39%	3.07%	1
	Shriram Finance Ltd	2.53%	2.44%	2.19%	1.92%	1.91%	2.20%	3
NPM	RTFL	-8.88%	61.53%	62.23%	63.43%	61.22%	47.91%	1
	Dharani Finance Ltd	52.45%	16.03%	-29.47%	1.85%	31.68%	14.51%	3
	Shriram Finance Ltd	18.52%	16.57%	15.18%	14.35%	14.11%	15.75%	2
OITA	RTFL	0.63%	4.61%	4.69%	5.45%	5.13%	4.10%	1
	Dharani Finance Ltd	3.46%	0.30%	1.24%	0.22%	2.43%	1.53%	3
	Shriram Finance Ltd	3.70%	3.56%	3.00%	2.52%	2.48%	3.05%	2
NIM	RTFL	3.36%	5.49%	5.58%	6.37%	6.46%	5.45%	2

	Dharani Finance Ltd	5.09%	6.70%	7.34%	2.99%	2.43%	4.91%	3
	Shriram Finance Ltd	7.11%	7.56%	7.19%	6.38%	6.65%	6.98%	1
NII	**RTFL**	0.00%	0.00%	0.00%	0.00%	0.14%	0.03%	2
	Dharani Finance Ltd	10.57%	0.49%	1.24%	0.11%	0.74%	2.63%	1
	Shriram Finance Ltd	0.06%	0.03%	0.02%	0.01%	0.01%	0.02%	3

Inference:

The above table presents key financial ratios for three NBFCs over a span of five financial years. Dharani Finance Ltd exhibited a higher Return on Assets (ROA) of 13.35% in 2018, though it faced challenges in subsequent years, showing improvement in 2022. RTFL demonstrated consistent improvement in its ROA. Shriram Finance Ltd had the lowest ROA. RTFL maintained a strong Net Profit Margin (NPM), consistently exceeding 20% from 2018 to 2022, reflecting improved profitability as a percentage of revenue. Dharani Finance Ltd and Shriram Finance Ltd indicated potential profitability issues and financial instability. In terms of the Operating Income to Total Assets ratio (OITA), RTFL efficiently generated a return on assets at 4.10%, followed by Shriram Finance Ltd at 3.05% and Dharani Finance Ltd at 1.53%. RTFL consistently increased its Net Interest Margin (NIM) over the five-year period, while Shriram Finance Ltd and Dharani Finance Ltd saw reductions in 2021 and 2022. All three NBFCs had relatively normal Net Interest Margins, with Shriram Finance Ltd at 6.98%, RTFL at 5.45%, and Dharani Finance Ltd at 4.91%. Dharani Finance Ltd maintained a diversified revenue base with a Non-Interest Income RatiO (NII) of 2.63%, distinguishing it from RTFL and Shriram Finance Ltd.

5. Liquid Quality

Liquidity plays a crucial role in assessing the financial stability of NBFCs, serving as a key indicator of their operational performance. It signifies an NBFC's capability to meet its short-term financial obligations and handle unexpected withdrawals by depositors. Liquidity also reflects an organization's ability to convert its assets into cash without incurring losses. Strong liquidity positions in NBFCs reassure depositors that they can access their funds when needed, thereby demonstrating the institutions' stability and long-term viability. However, an excessive surplus of liquidity can negatively impact profitability, while inadequate liquidity elevates the risk of insolvency.

Table 5. Liquid Quality of selected NBFCs

YEAR		2018	2019	2020	2021	2022	MEAN	RANK
LATA	**RTFL**	0	0.04	0	0.04	0.05	0.03	3
	Dharani Finance Ltd	0.19	0.2	0.16	0.18	0.2	0.19	1

	Shriram Finance Ltd	0.06	0.08	0.09	0.15	0.16	0.11	2
CURRENT RATIO	**RTFL**	41.15	31.85	67.07	253.71	181.80	115.12	1
	Dharani Finance Ltd	2.12	2.79	12.25	10.54	10.04	7.55	3
	Shriram Finance Ltd	110.76	2.73	2.58	2.74	2.92	24.34	2
IEIE	**RTFL**	0.00%	0.00%	0.00%	0.00%	0.00%	0%	3
	Dharani Finance Ltd	5.36%	8.11%	4.41%	6.90%	4.17%	6%	2
	Shriram Finance Ltd	47.95%	48.56%	50.20%	52.26%	50.74%	50%	1
QUICK RATIO	**RTFL**	0.21	1.76	0.00	10.14	9.25	4.27	1
	Dharani Finance Ltd	1.66	2.14	2.13	1.95	2.07	1.98	2
	Shriram Finance Ltd	6.89	0.21	0.23	0.42	0.49	1.64	3

Inference:

The above table highlights key financial ratios for three NBFCs across five financial years. Dharani Finance Ltd consistently maintains a normal Liquid Asset to Total Asset ratio (LATA) of 0.19, while Shriram Finance Ltd's ratio remains at 0.11. In contrast, RTFL exhibits a lower Liquid Asset to Total Asset ratio of 0.03. When examining the Current Ratio, RTFL stands out with the highest average of 115.12, indicating its strong capacity to meet short-term obligations with short-term assets. Shriram follows with a Current Ratio of 24.3, and Dharani Finance Ltd has a ratio of 7.55. Regarding the Interest Expenses to Interest Earned ratio (IEIE), Shriram Finance Ltd leads with an average of 50%, while Dharani maintains a lower ratio of 6%. Notably, RTFL does not have any Interest Expenses to Interest Earned ratio due to its lack of borrowings over the past five years. Finally, in terms of the Quick Ratio, RTFL exhibits the highest average, reaching 10.14 in 2021 and an overall average of 4.3. Dharani Finance Ltd follows with a ratio of 1.98, and Shriram Finance Ltd has a ratio of 1.64. These ratios provide valuable insights into the financial performance and liquidity positions of these NBFCs over the specified period.

Overall Ranking

Table 6. Overall ranking of the selected NBFCs based on the CAMEL parameters

	RTFL	**Dharani Finance Ltd**	**Shriram Finance Ltd**
Capital Adequacy	1	2	3
Asset Quality	1	3	1
Management Efficiency	3	2	1
Earnings Quality	1	3	2
Liquid Quality	1	3	2
Mean	1.40	2.60	2.00
		Overall Rank	

Overall Rank	1	3	2

Inference:
The above table presents the overall rankings of the three selected NBFCs for the five financial years from 2018 to 2022. These rankings are determined by aggregating and averaging the group rankings derived from the CAMEL analysis sub-criteria over this five-year period. Notably, RTFL secures the top position in the CAMEL analysis, followed by Shriram Finance Ltd. Dharani Finance Ltd, on the other hand, consistently holds the lowest position in the CAMEL analysis among the chosen NBFCs throughout the years 2018 to 2022.

Multiple Linear Regression Analysis
H0: There is no significant relationship between ROCE, ROA and ROE for maximisingshareholders wealth.
H1: There is significant relationship between ROCE, ROA and ROE for maximisingshareholders wealth

Independent Variable 1 = ROCE. Independent Variable 2 = ROA.Dependent Variable=ROE.

Table 7. Multiple Linear Regression Analysis

Model Summary		ANOVA		Coefficients			
Multiple R	0.999	F	Significance F		Coefficients	t Stat	P-value
R Square	**0.998**	49275.56731	0.00002	Intercept	**-0.00361**	-4.27433	0.05062
Adjusted R Square	0.996			ROCE	**0.47796**	4.32967	**0.04942**
Standard Error	0.011			ROA	**0.46064**	3.60041	**0.05006**
Observations	5						

Regression Equation: ROE = -0.00361 + 0.47796 ROCE + 0.46064 ROA

Inference:
The outcome indicates that the significant value of R square is 0.998 for themodel which represents dependent variable will vary 99% according to Independent variable and the significance value is lesser than 0.05 for ROCE and ROA, indicating that there is a relationship between ROCE, ROA & ROE for maximising shareholders wealth, The null hypothesis (H0) is rejected, supporting the presence of a relationship between these variables

Discussion on findings of the study
Discussion on CAMEL Analysis
1. In terms of capital adequacy, RTFL and Dharani Finance Ltd consistently maintained high levels of capital adequacy throughout the analyzed period, with RTFL consistently having a Common Equity Tier 1 ratio above 98%, and Dharani Finance Ltd maintaining a stable ratio around 90%. The Common Equity Tier 1 ratio of Shriram Finance Ltd, on the other hand, progressively increased from 14.52% to 20.77% over time, showing a lower but over time growing capital adequacy. While Shriram Finance Ltd continuously reported a 0% ratio during the investigated period, RTFL and

Dharani Finance Ltd consistently reported Common Equity Tier 2 ratios below the mean industry level.

2. In Asset quality, RTFL and Shriram Finance Ltd were maintaining the Total Investment to Total Assets Ratio well below the generally accepted standard of 1.5% for the period of 2021 and 2022. Dharani Finance Ltd's Total Investment to Total Assets Ratio was inconsistent.
3. In evaluating management efficiency, Shriram Finance Ltd consistently maintained ROE and ROCE near the 15% standard, signifying effective use of shareholders' investment. RTFL demonstrated a positive trend in these metrics due to rising EBIT, while Dharani Finance Ltd exhibited volatile ROE and ROCE, hinting at challenges in capital utilization and profit generation
4. In earnings quality assessment of three NBFCs reveals notable distinctions: RTFL consistently maintains a positive trend in ROA and a strong Net Profit Margin Ratio above 20%, indicating improved profitability. In contrast, Dharani Finance Ltd and Shriram Finance Ltd exhibit challenges with volatile ROA, a negative Net Profit Margin Ratio trend, and varying levels of non-interest income, implying potential profitability issues and financial instability. Additionally, RTFL demonstrates a generally increasing trend in the Net Interest Margin Ratio, meeting the industry standard of 5%, while Dharani Finance Ltd and Kumbhat face difficulties with interest-related earnings and profitability.
5. In assessing the liquidity of the three NBFCs, their Liquid Asset to Total Asset ratio remained below the ideal 1:1 range, with RTFL and Dharani Finance Ltd maintaining stability, while Shriram Finance Ltd displayed improved short-term liquidity. All three NBFCs consistently held Current Ratios above the ideal 2:1 range, with RTFL and Dharani Finance Ltd having higher ratios than Shriram Finance Ltd. Moreover, Shriram Finance Ltd and Dharani Finance Ltd consistently exhibited strong Interest Coverage Ratios, significantly exceeding the accepted standard of 1.5:1, indicating their ability to meet interest payment obligations, whereas RTFL had no interest expenses. Furthermore, RTFL's Quick Ratio showed significant improvement over time, Dharani Finance Ltd maintained a stable Quick Ratio, and Shriram Finance Ltd displayed liquidity fluctuations. Despite these variations, all three NBFCs consistently maintained Quick Ratios well above the accepted standard of 1:1, underscoring their strong overall liquidity positions.

Discussion on Multiple linear Regression Analysis:

1. The regression analysis results show that there is a strong relationship between the variables ROCE, ROA, and ROE in maximizing shareholders' wealth. The high R- square value of 0.998 indicates that 99% of the variation in the dependent variable (ROE) can be explained by the independent variables (ROCE and ROA). The significance values of 0.04942 and 0.05006 for ROCE and ROA, respectively, suggest that these variables have a statistically significant impact on ROE.

Summary of Suggestions:

1. RTFL consistently maintained high levels of capital adequacy; it is advisable tocontinue focusing on increasing capital reserves to strengthen the financial position further.
2. RTFL should closely monitor its Common Equity Tier 2 ratio and aim to improve it tomeet or exceed the industry average. This will contribute to a stronger capital structure and better risk management.

3. RTFL should review its Total Investment to Total Assets Ratio and ensure it is well below the generally accepted standard of 1.5%. By managing this ratio effectively, RTFL can mitigate risk and maintain a healthy balance between investments and overall assets.
4. RTFL should focus on strategies to generate higher profits in relation to shareholders' investments, such as optimizing operational efficiency, exploring new revenue streams, or expanding into profitable markets.
5. RTFL should focus on optimizing its interest-related earnings by managing interest rate risk, refining pricing strategies, and identifying opportunities to enhance interest income.
6. RTFL should consider exploring debt financing options to leverage the benefits of lower cost of capital and enhance financial flexibility.

Conclusion

It can be concluded from the above analysis, RTFL has shown positive trends in various aspects such as liquidity, debt management, interest coverage, profitability, cost management, and efficiency. Dharani Finance Ltd and Shriram Finance Ltd, on the other hand, have displayed challenges in generating profits, cost management, and maintaining consistent ratios. Overall, all three NBFCs have areas for improvement, but RTFL appears to be in a relatively better financial position compared to Dharani Finance Ltd and Shriram Finance Ltd which was proven through the overall ranking of CAMEL parameters and based on the statistical analysis it can be concluded that improving both ROCE and ROA is crucial for maximizing shareholders wealth.

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