

# Growth in Shadow banking with reference to Greater Mumbai

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**Abstract-**The Anomalies of operating in a complex and unorganized and underdeveloped credit system remains a challenge to many financial institutions in a developing country especially a country like India. Being a country with more than 6 lakhs plus villages, the penetration of a bank in these villages is very merger up to the tune of about 10% only. Like what was started in the developed economies. In India too, the initial focus was to make the commercial banks to include the portfolio of these non-customers and bringing them in to the mainstream financial service sector. The simplest reason which attributed to the failure of the commercial banks is the demographics of the employees of the bank with reference to their existing customer demographics and the demographics of the new segment of rural and low-income customers.

Then came the new idea of “Financial Inclusion” spearheaded by current government in Power which aimed at reducing the gap being under-privileged citizens and others by bringing them in to banking system to provide them security as well as making all the transactions as accountable. Many commercial banks joined the bandwagon of financial inclusion and started opening ‘no-frills’ accounts for new customers who did not have the usual documents which were required to open a bank account and were not able to maintain the minimum balance. Even though during the initial days there was much ‘hype’ around these initiatives but end of the day the results are not something which could be boasted as an achievement in itself. Out of the 74 million accounts reportedly opened in the initial reports, the average number of active accounts stood at a pathetic 3 to 20% which means that the system has not been able to derive the intended benefits. This leads into a totally new alternate system which can cater specifically to the new segments which has to be included so that the segment gets due attention and efforts. The concept of shadow banking which holds relevance in the developed world comes as an amicable solution to many of the problems being faced by financial service industry in a complex scenario as such as prevalent in India.

## INTRODUCTION

Shadow Banking system has there been in existence for years but have gained spotlight after the global financial crisis of 2008. In the words of Laura Kourdes of International Monetary Fund (IMF), Shadow banking can be understood as “‘If it looks like a duck, quacks like a duck, and acts like a duck, then it is a duck. What about an institution that looks like a bank and acts like a bank? Often it is not a bank. It is a shadow bank’”.

Many researchers have done extensive research on the topic of shadow banking but a clear definition of the term has not been arrived herewith as on date. The financial stability board simply defines it as “Credit intermediation involving entities and activities (fully or partially) outside the regular banking system”. This is a simple definition of what shadow banking is but it has attracted a lot of criticisms from organisations such as the IMF which state that the concept has to be defined with a more granular approach. All the financial activities except for banking which require a public or public backstop to operate come under the purview of shadow banking (Claessens and Ratnovski, 2014) provides a more accurate base for the measurement of activities as performed under shadow banking.

## NEED OF THE STUDY

Shadow banking industry has proved itself as a viable alternative to the existing traditional banking system especially in an emerging economy like India. They have made tremendous progress in the past 10 years and have been highly influential in assisting and meeting the diverse financial needs of the highly unorganized and scattered public in India. NBFC’s in particular have had a made a highly positive influence in the following areas:

- Emerging as a strong financial intermediary in making financial services accessible to wider

sections of the society and new customer segments which were never part of the mainstream banking system in India.

- Have been instrumental in extending support to the Small and Medium Enterprises by offering a wider portfolio of product and service which would cater to the unique requirement of that segment.
- Loans, savings, insurance and money transfer services have for the first-time been accessible to the poorer sections of the society through the micro finance companies which are an integral category under NBFC's.
- Affordable housing schemes have been made a reality only because of the NBFC's which are able to process loans for the weaker section of the society.
- The last mile connectivity problem faced by the financial services industry in reaching out to all customer segments has been reduced due to the existence of NBFC's across villages and rural areas in the entire geography of this vast country.
- They have been traditionally complementing the banks in their services and especially in prevention of credit concentration.
- They have a great role to play in the government's vision of financial inclusion
- They have been ready to adopt lot themselves to changes in the economy as well as the growing demands of the customer segments.
- In spite of the stringent regulations that they are governed with in reference to the banking sector many of the NBFC's are able to do a decent job in managing the risk and NPA's.

In spite of all these positives the NBFC's have also had their fair share of 'downs' and issues which are dealt in detail in the "Literature review" chapter. The basic needs based upon

#### OBJECTIVES OF THE RESEARCH

- The objectives of the research are formulated in accordance with the research questions and careful validation of the objectives with the help of data properly being collected and analyzed will give a clear answer to the research questions being developed. The research objectives of the study are

- To analyze the market share of NBFC's as a constituent of shadow banking in India and its trend with special reference to Greater Mumbai
- To analyze the implication of NBFCs on the financial aspects relating to Greater Mumbai vis-a-vis other institutions in financial intermediation and how this has generated the growth of shadow banking
- To assess the trends in the activities of NBFCs
- To examine whether NBFCs extending loans has any role in influencing the pricing pattern of instruments with reference to financial intermediation
- To examine the sources of funds of NBFCs for loans, especially their borrowings from the banking system, to make an assessment of systemic implications;
- To examine the current practices of NBFCs involved in financial activities in Greater Mumbai
- To review the extant regulatory norms relating to NBFC activities and recommend any modifications, if necessary;
- To assess whether NBFCs adhere to fair practices code including the KYC norms in extending loans
- To examine the impact of NBFCs on the growth and development of industry, trade and commerce with special reference to Greater Mumbai and formulate suggestions and recommendations, if any.
- To examine the regulatory gaps calling for attention of less regulated shadow banking growth

#### RESEARCH DESIGN

- The researcher has used Descriptive research in this study. Descriptive research is a type of research in which the opinions of the respondents are taken in to consideration to arrive a solution to the research problem under consideration.
- In this study the opinions of the customers as well as stakeholders in NBFC business which includes banking personnel. Employees, financial analysts are being asked and based upon their opinion the impact of NBFC's has been analyzed.
- The type of research is qualitative as it is all about the responses of the respondents based upon which the analysis is done and the results are derived herewith.

### DATA COLLECTION

- Data is the ultimate and most vital aspect of any research. Studies which are conducted in different fields of study can be different in methodology but every research will be based on data which is analyzed and interpreted to arrive at the findings.

There are two

- i) Primary sources
- ii) Secondary sources of data collection.

#### A. Primary Data:

- In this study, a structured Limited probing questionnaire was developed and used to elicit responses from the NBFC's Customers about their preferences, needs, expectations and satisfaction with regard to the NBFC's that they are either associated with or have associated in the past. Primary data collected from the sample is representative of the target population of NBFC customers who are not accessible to the traditional banking system and it will yield data that will be valid for the entire population.
- The geographical scope of the study was pre decided as Greater Mumbai, the customers belonging to greater Mumbai which extends from Colaba in the south to Mulund and Dahisar in the north is taken in to consideration. This gives the researcher a blend of financially savvy customers as well customers who do not fall in to the category of traditional banking system. And then for the stakeholders the same geography is being taken and stakeholders are chosen with reference to the same geographical area to provide spread of opinion.

Primary data collection needs plan and execution schedule; accordingly, researcher the prepared the research plan for this study and collected primary data required within time span of six months.

### LIMITATIONS OF THE STUDY

The major limitations of the study are

- The time can be a limiting factor as since the length and breadth of the city are high the timings required to complete the city may have some effect on the responses that the researcher may have got from the respondents

- The respondent's responses cannot be trusted 100% or cannot be taken as true and the inferences may have slight variances upon the end results.
- The closed ended questions may have made the respondents stick to the choices given rather than coming out with their responses which did not fall within the purview of the choices given to answer in the questionnaire.

Shadow Banking concept may not have been completely understood by the respondents and some of their answers would have been more of a personal experience rather than a knowledge about the topic under discussion.

### AREAS OF IMPROVEMENT FOR NBFC

When the respondents were asked about they expect improvement in terms of Faster processing time from NBFC's it can be seen that almost 61% of the respondents feel that there needs to be improvement in terms of Faster processing time from NBFC's while 40 % of the respondents feel that there needs to be no improvement.

When the respondents were asked about they expect improvement in terms of transparency in processing from NBFC's it can be seen that almost 65% of the respondents feel that there needs to be improvement in terms of transparency in processing from NBFC's while 35% of the respondents feel that there needs to be no improvement.

When the respondents were asked about they expect improvement in terms of increase in interest rate in case of deposits from the NBFC's it can be seen that almost 61% of the respondents feel that there needs to be improvement in terms of increase in interest rates while 40% of the respondents feel that there needs to be no improvement.

When the respondents were asked about they expect improvement in terms of reduction in interest rate from the NBFC's it can be seen that almost 65% of the respondents feel that there needs to be improvement in terms of reduced interest rates while 35% of the respondents feel that there needs to be no improvement.

When the respondents were asked about whether they feel that they expect a better customer service from the NBFC's and do the NBFC's have to improve their customer service, it can be seen that 61% of the respondents feel that the customer service in NBFC's

have to improve whereas 39% of them feel that the existing customer service is ok and do not need much improvement.

For the questions related to whether the grievances that they have is being handled with diligence by the NBFC, the responses show that almost two-thirds of the respondents feel that their grievances are being handled properly and 35% of the respondents feel otherwise.

#### ROLES OF A NBFC

- Data shows that among the respondents 42% of them feel that NBFC's role is of broad based economic development.
- Data shows that among the respondents 38% of them feel that NBFC's role is of Financial Inclusion.
- Data shows that among the respondents 21% of them feel that NBFC's role is to help the financially weaker sections of the society.
- Data that among the respondents 21% of them feel that NBFC's role is to bring in new customer segments which were ignored by traditional banking system.
- Data shows that among the respondents 37.5% of them feel that NBFC's role includes all of the benefits including broad based economic development, financial Inclusion, helping the financially weaker sections of the society and bringing in new customer segments which were ignored by traditional banking system.

#### REASONS FOR PREFERRING NBFC'S

- Rate of Interest provided by the NBFC is the primary reason for choosing them as cited by 62.5% of the respondents.
- Providing loans without collateral is the primary reason for choosing NBFC's as cited by 62.5% of the respondents.
- Better and faster processing times provided by the NBFC is the primary reason for choosing them as cited by 62.5% of the respondents.
- The ease of access provided by the NBFC is the primary reason for choosing them as cited by 75% of the respondents.
- 62.5% of the respondents feel that the NBFC provide all the benefits such as better rate of

interest, provide loans without collateral, better and faster processing times and ease of access which are the reasons for preferring them

- For the question related to their opinion on whether the NBFC's follow all the banking sector norms, it can be seen that 38% of believe that the NBFC's follow all the norms whereas 46% do not believe so. On the contrary 17% are still unclear with their opinion on the same.
- For the question related to whether the NBFC's are able to provide better offer to consumers than SME Financial service unit and individuals who are unorganized, it can be seen that 25% of them believe that NBFC's provide better offers but 54% of them do not believe so. About 21% of them are still unclear about their opinion.
- For the question related to their opinion on the NBFC's providing better offers to women, it can be seen that 46% of the respondents are positive about NBFC's provide better offers to women whereas 33% do not think that they provide better offers to women and 21% of them do not have a clear opinion regarding the same.

#### PERCEPTION REGARDING NBFC'S

- 50% of the respondents have a perception that NBFC's have a huge market share in terms of catering to customer's needs.
- 50% of the respondents have a perception that NBFC's have helped in penetration if organized finance among customers.
- 50% of the respondents have a perception that NBFC's have transparency in operations like banks.
- 50% of the respondents have a perception that NBFC's have an easy loan process.
- 50% of the respondents have a perception that NBFC's provide better interest rates than banks and other unorganized financial institutions.
- 50% of the respondents have a perception that NBFC's are properly controlled and regulated by governmental norms.
- 50% of the respondents have a perception that NBFC's have fair trade practices.
- 50% of the respondents have a perception that NBFC's have helped in ease of doing business among customers.

- 50% of the respondents have a perception that NBFC's are an integral part of the financial system in India.
- 50% of the respondents have a perception that NBFC's help in future development of both organized and Unorganized sectors of the society
- 54% of the respondents feel that the NBFC's have a lot to improve in terms of reduced interest rates for
- 58% of the respondents feel that the NBFC's have a lot to improve in terms of better customer service.

#### SATISFACTION ON SERVICE QUALITY

- 75 % of the respondents are satisfied on the service quality in relation to financial advice and counseling provided by the NBFC's.
- 71 % of the respondents are satisfied on the service quality in relation to friendliness of the staff and counter service provided by the NBFC's.
- 75 % of the respondents are satisfied on the service quality in relation to speedy service being provided by the NBFC's.
- 70 % of the respondents are satisfied on the service quality in relation to reliability in the accounting provided by the NBFC's.
- 70 % of the respondents are satisfied on the service quality in relation to complaint handling procedures provided by the NBFC's.
- For the question related to the overall satisfaction with reference to the functioning of the NBFC's it can be seen that there is an equal no of respondents about 37.5% of them who are either satisfied or dissatisfied and one fourth of the respondents are neutral in their response.
- For the question related to whether they would refer to their friends and family to use an NBFC's services it can be seen that 33% of them would definitely refer but 42% of them would not refer and 25% have a mixed response regarding the same.

#### SCOPE FOR IMPROVEMENT OF AN NBFC

- 58% of the respondents feel that the NBFC's have a lot to improve in terms of faster processing times.
- 62.5% of the respondents feel that the NBFC's have a lot to improve in terms of transparency in processes.
- 42% of the respondents feel that the NBFC's have a lot to improve in terms of providing better interest rates for deposits.

#### OBJECTIVE VALIDATION

Objective 1: To analyze the market share of NBFC's as a constituent of shadow banking in India and its trend with special reference to Greater Mumbai:

The following findings of the study are being used to validate the objective.

- Customers:

In case of NBFC's it can be seen that 60% of them visit an NBFC for at least 2 to 3 times a month with both at 30% respectively. Also it can be seen that 22% of them make a single visit at least to an NBFC.

When the respondents were asked about their perception towards whether the NBFC's are helping in greater penetration of organized finance, it was found that only 17% of the respondents have a positive perception and almost 57% have a negative perception in this regard. About 26% of the respondents have a neutral opinion on their perception in this factor.

When the respondents were asked about their perception towards the role of NBFC's on helping in ease of doing business, it was found that only 25% of the respondents have a positive perception and almost 47% have a negative perception in this regard. About 26% of the respondents have a neutral opinion on their perception in this factor.

- Stakeholders:

In case of NBFC's it can be seen that 54% of the respondents visit at least once in a month to a NBFC followed by 12.5% of them who would visit not even once and another 33% of them who would visit at least twice a month.

Data shows that among the respondents 42% of them feel that NBFC's role is of broad based economic development.

Data Shows that among the respondents 38% of them feel that NBFC's role is of Financial Inclusion.

Data shows that among the respondents 21% of them feel that NBFC's role is to help the financially weaker sections of the society.

Data that among the respondents 21% of them feel that NBFC's role is to bring in new customer segments which were ignored by traditional banking system

Data shows that among the respondents 37.5% of them feel that NBFC's role includes all of the benefits including broad based economic development, financial Inclusion, helping the financially weaker sections of the society and bringing in new customer segments which were ignored by traditional banking system.

50% of the respondents have a perception that NBFC's have a huge market share in terms of catering to customer's needs.

50% of the respondents have a perception that NBFC's have helped in penetration if organized finance among customers.

From the analysis it can be seen that at a 5% level of significance the hypothesis is rejected.

Hence we can conclude that NBFC's do not have a huge market share among the other shadow banking companies.

Hence it can be seen that NBFC have even though become an important constituent of shadow banking institutions in India and especially in greater Mumbai, there is a lot of scope of improvement for the NBFC's in order to improve their market share with special reference to the region of greater Mumbai.

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2. Objective 2: To analyze the implication of NBFCs on the financial aspects relating to Greater Mumbai vis-a- vis other institutions in financial intermediation and how this has generated the growth of shadow banking:

The following findings throw light in to the validation of the objective.

Customers:

- To the question related to the institution that the respondents regularly bank with, data shows that there is an equal number of respondents of about 26% of them who are regularly banking with Public sector, private sector and NBFC's. Around 22% of the respondents do not use any main stream financial service providers and still are dependent on unorganized money lenders for their financial needs.
- For the question related as to whether the NBFC's have a banking license to operate, it can be understood from the data that about 35% of them believe that NBFC's have a banking license to operate and 44% of them believe that they don't have a banking license. Around 22% of them are not sure about the fact which shows that there is still a lack of clarity among the respondents on the licensing requirements of the NBFC's.
- For the questions related to whether there is any difference between the banks and the NBFC's it can be seen that 30% of the respondents believe that there exists a difference between them whereas almost 44% of them feel there is no difference between a bank and a NBFC. About 26% of the respondents are unsure of whether there is any difference between a bank and an NBFC, which shows that there is a mixed response on this query among the respondents.
- To the question related to whether the NBFC's follow all the banking norms, the responses show that there is an equal no of respondents both tied at 39% who believe that NBFC's follow all the banking norms and those who believe that they don't. about 22% of the customers do not have a clear opinion towards the same.
- For the question related to the basic reason because of which the NBFC's are preferred over the regular banks, the data clearly shows that providing loans without the hassle of collateral and processing time taken by the NBFC's in providing financial services are the top reasons both at 26% because of which they prefer the NBFC's over banks and unorganized sector. The rate of interest provided by the NBFC's is the next major reason for preferring which is at 21% and easy access to a NBFC which is at 13% is the next reason. 13% of the respondent's states that all the reasons included make them prefer NBFC's.
- For the query related to the most important benefit being derived from a NBFC the respondents are of the view that Economic Development is the first and most important benefit. This has been endorsed by almost 30% of the respondents. Increase in wealth creation and availability of easy finance seems to be benefits which 26% of the respondents derive from being a part of the NBFC. 17% of the respondents feel that easy loans for people who don't have a good credit track has influenced them to be a part of NBFC.
- When the respondents were asked about they expect improvement in terms of Faster processing time from NBFC's it can be seen that almost 61% of the respondents feel that there needs to be improvement in terms of Faster processing time from NBFC's while 40 % of the respondents feel that there needs to be no improvement.
- When the respondents were asked about they expect improvement in terms of transparency in processing from NBFC's it can be seen that almost 65% of the respondents feel that there needs to be improvement in terms of transparency in processing from NBFC's while 35% of the respondents feel that there needs to be no improvement.
- When the respondents were asked about they expect improvement in terms of increase in interest rate in case of deposits from the NBFC's it can be seen that almost 61% of the respondents feel that there needs to be improvement in terms of increase in interest rates while 40% of the respondents feel that there needs to be no improvement.
- When the respondents were asked about they expect improvement in terms of reduction in interest rate from the NBFC's it can be seen that almost 65% of the respondents feel that there needs to be improvement in terms of reduced

interest rates while 35% of the respondents feel that there needs to be no improvement.

- When the respondents were asked about whether they feel that they expect a better customer service from the NBFC's and do the NBFC's have to improve their customer service, it can be seen that 61% of the respondents feel that the customer service in NBFC's have to improve whereas 39% of them feel that the existing customer service is ok and do not need much improvement.

Stakeholders:

- Reasons for Preferring NBFC's:

Rate of Interest provided by the NBFC is the primary reason for choosing them as cited by 62.5% of the respondents.

Providing loans without collateral is the primary reason for choosing NBFC's as cited by 62.5% of the respondents.

Better and faster processing times provided by the NBFC is the primary reason for choosing them as cited by 62.5% of the respondents.

The ease of access provided by the NBFC is the primary reason for choosing them as cited by 75% of the respondents.

62.5% of the respondents feel that the NBFC provide all the benefits such as better rate of interest, provide loans without collateral, better and faster processing times and ease of access which are the reasons for preferring them.

Hence the objective is validated.

### 3. Objective 3: To assess the trends in the activities of NBFCs

- Service Quality Ratings on basis of customer feedback:

When the respondents were asked about what is their satisfaction level with respect to the NBFC on financial service and counselling being provided, it can be seen that more than 50% of the respondents have a good feedback regarding the same and 17% do not have a good feedback. Almost 26% of the respondents have a neutral opinion about their level of satisfaction regarding the same.

When the respondents were asked about what is their satisfaction level with respect to the NBFC on the friendliness of staff and counter service being provided, it can be seen that more than 50% of the

respondents have a good feedback regarding the same and 17% do not have a good feedback. Almost 30% of the respondents have a neutral opinion about their level of satisfaction regarding the same.

When the respondents were asked about what is their satisfaction level with respect to the NBFC on the speed of the services being provided, it can be seen that more than 50% of the respondents have a good feedback regarding the same and 17% do not have a good feedback. Almost 26% of the respondents have a neutral opinion about their level of satisfaction regarding the same.

When the respondents were asked about what is their satisfaction level with respect to the NBFC on reliability of the accounting procedures being followed, it can be seen that more than 50% of the respondents have a good feedback regarding the same and 17% do not have a good feedback. Almost 26% of the respondents have a neutral opinion about their level of satisfaction regarding the same.

When the respondents were asked about what is their satisfaction level with respect to the NBFC on the complaint handling procedures followed, it can be seen that more than 50% of the respondents have a good feedback regarding the same and 17% do not have a good feedback. Almost 30% of the respondents have a neutral opinion about their level of satisfaction regarding the same.

Satisfaction on Service Quality on the basis of stakeholder's feedback:

75 % of the respondents are satisfied on the service quality in relation to financial advice and counseling provided by the NBFC's.

71 % of the respondents are satisfied on the service quality in relation to friendliness of the staff and counter service provided by the NBFC's.

75 % of the respondents are satisfied on the service quality in relation to speedy service being provided by the NBFC's.

70 % of the respondents are satisfied on the service quality in relation to reliability in the accounting provided by the NBFC's.

70 % of the respondents are satisfied on the service quality in relation to complaint handling procedures provided by the NBFC's.

Hence the objective is validated.

### 4. Objective 4: To examine whether NBFCs extending loans has any role in influencing the



pricing pattern of instruments with reference to financial intermediation

From the data analysis it can be seen the NBFC's have a significant role in influencing the pricing pattern of Instruments with reference to financial intermediation. The following findings are used to validate the objective.

Customers:

For the question related to the basic reason because of which the NBFC's are preferred over the regular banks, the data clearly shows that providing loans without the hassle of collateral and processing time taken by the NBFC's in providing financial services are the top reasons both at 26% because of which they prefer the NBFC's over banks and unorganized sector. The rate of interest provided by the NBFC's is the next major reason for preferring which is at 21% and easy access to a NBFC which is at 13% is the next reason. 13% of the respondent's state that all the reasons included make them prefer NBFC's.

When the respondents were asked about their perception towards whether the NBFC's are offering better interest rates than banks and other unorganized financial institutions and individuals, it was found that only 17% of the respondents have a positive perception and almost 57% have a negative perception in this regard. About 26% of the respondents have a neutral opinion on their perception in this factor.

When the respondents were asked about they expect improvement in terms of increase in interest rate in case of deposits from the NBFC's it can be seen that almost 61% of the respondents feel that there needs to be improvement in terms of increase in interest rates while 40% of the respondents feel that there needs to be no improvement.

When the respondents were asked about they expect improvement in terms of reduction in interest rate in loans from the NBFC's it can be seen that almost 65% of the respondents feel that there needs to be improvement in terms of reduced interest rates while 35% of the respondents feel that there needs to be no improvement.

Stakeholders:

Rate of Interest provided by the NBFC is the primary reason for choosing them as cited by 62.5% of the respondents.

54% of the respondents feel that the NBFC's have a lot to improve in terms of reduced interest rates for loans

58% of the respondents feel that the NBFC's have a lot to improve in terms of better customer service.

Hence the objective is validated.

5. Objective 5: To examine the sources of funds of NBFCs for loans, especially their borrowings from the banking system, to make an assessment of systemic implications:

The source of funds and operations of an NBFC are dealt in detail as a part of the extensive literature review done as a part of the study.

6. Objective 6: To examine the current practices of NBFCs involved in financial activities in Greater Mumbai

The entire findings of the study are a testimony to the understanding of current practices of the NBFCs involved in financial activities in greater Mumbai.

Objective 6: To review the extant regulatory norms relating to NBFC activities and recommend any modifications, if necessary:

The findings suggest that the customers as well as the stakeholders believe that the NBFC's are governed as well as they are adhering to the regulatory norms as specified. The necessary modifications are dealt as a part of the suggestions chapter.

7. Objective 7: To assess whether NBFCs adhere to fair practices code including the KYC norms in extending loans

The following findings suggest that the processing as well as documentation procedures adopted by NBFC's are easy and this calls for further retrospection in adherence to KYC norms.

- For the question related to the basic reason because of which the NBFC's are preferred over the regular banks, the data clearly shows that providing loans without the hassle of collateral and processing time taken by the NBFC's in providing financial services are the top reasons both at 26% because of which they prefer the NBFC's over banks and unorganized sector. The rate of interest provided by the NBFC's is the next major reason for preferring which is at 21% and easy access to a NBFC which is at 13% is the next

reason. 13% of the respondent's state that all the reasons included make them prefer NBFC's.

- When the respondents were asked about their perception towards whether the NBFC's are offering easy loan processes to consumers, it was found that only 25% of the respondents have a positive perception and almost 47% have a negative perception in this regard. About 26% of the respondents have a neutral opinion on their perception in this factor.
- When the respondents were asked about they expect improvement in terms of transparency in processing from NBFC's it can be seen that almost 65% of the respondents feel that there needs to be improvement in terms of transparency in processing from NBFC's while 35% of the respondents feel that there needs to be no improvement.

Stakeholders:

- 62.5% of the respondents feel that the NBFC provide all the benefits such as better rate of interest, provide loans without collateral, better and faster processing times and ease of access which are the reasons for preferring them

Hence the objective is validated.

8. Objective 8: To examine the impact of NBFCs on the growth and development of industry, trade and commerce with special reference to Greater Mumbai and formulate suggestions and recommendations, if any.

This objective is validated as a part of the suggestions and recommendations.

9. Objective 9: To examine the regulatory gaps calling for attention of less regulated shadow banking growth

This objective is validated as a part of the suggestions and recommendations as from the findings there seems to be very less scope in terms of GAPS in regulatory procedures.

Suggestions and Recommendations

- Suggestions on the basis of data collected from customers of NBFC's:
- If we look at the perception about the NBFC's among the existing customers it can be understood that at an overall level the customers do not have

a positive perception regarding all aspects of NBFC's. This shows that there is a huge lack on part of the NBFC's with relation to their performance which has caused the customers have to have a negative perception regarding the following aspects.

- Catering to financial needs of all segments of customers
- Penetration of organized finance
- Transparency in operations
- Easier loan processing
- Better interest rates
- Adherence and control norms
- Fair trade policies
- Ease of doing business
- Integral part of the financial system
- Development of both organized and unorganized sectors.

This shows that there is a total revamp of the way how NBFC's operative and a serious retrospection is needed in order to establish more credibility and trust which will ensure better perception about NBFC's among the customers.

- On the basis of the service quality ratings as per the satisfaction level of the consumers it can be seen that at a overall level, at an overall level the respondents are happy with the service being provided but on the other hand there is a considerable amount of customers who are not satisfied. This leads to better performance in service parameters such as:

- Financial service and counseling
- Friendliness of staff and counter service
- Speed of services being provided
- Reliability on accounting procedures
- Complaint handling process

This calls for better training to the employees of the NBFC's by them so that the service quality rating improves and more number of existing customers get satisfied leading to better positive feedback regarding NBFC's.

- Suggestions on the basis of data collected from the stakeholders in NBFC Business:
- The percentage of stakeholders who believe that the NBFC's offer a better proposition to SME enterprises is also relatively less which clearly shows that the NBFC's have not been able to stand up as a key alternative to traditional banking

system and their existence has not impacted much on the most important target segment. NBFC's should be able to develop special products and customize solutions in order to cater to this segment.

- Regarding to their perception about NBFC's it can be seen that there are half of the respondents who are clearly having a positive perception on the NBFC's whereas there is a relative high percentage of the stakeholders who by themselves have a negative perception. This is something which is very critical for the NBFC's to address because of the stakeholders by themselves are not convinced then it will have a cascading effect on the consumers.
- In terms of the satisfaction levels of the service quality parameters it can be seen that the NBFC's are able to have a better satisfaction metrics among 70% of the stakeholders and have to work consistently and enhance service capabilities to increase the level of satisfaction.

#### CONCLUSION

In this study entitled "A study on Non-Banking Financial Companies (NBFCs) in the context of Growth in Shadow banking with reference to Greater Mumbai" is an effort towards understanding the role of NBFC's an integral part of the financial system in India and how they have been impacting the growth of alternate banking in the specified geography. The primary objectives include the impact of NBFC's their operations, their impact and what do the customers and stakeholders think about the NBFC's. With these objectives the researcher had undertaken a comprehensive literature review on the topics of Shadow banking and especially the NBFC's which gave a first-hand idea about the concepts of shadow banking and NBFC's. The growth of NBFC's as well as the issues faced by them were taken into consideration. With this understanding the researcher had developed a descriptive research design and started data collection by using two sets of questionnaires targeted towards the customers of NBFC's as well as the stakeholders in NBFC business. The questionnaire included all the questions related to the objectives of the study and the data collection was undertaken.

Then the collected data was analyzed with the help of SPSS and hypothesis and objectives were validated. Based upon the analysis of the data the findings and recommendations are being developed and presented. From the study the researcher is able to understand the fact that NBFC's have been able to be an integral part of the banking system in India but yet they have not been able to create the impact which they are expected to. Also from the study it can be found that there are many issues with relation to the perception that the customers and stakeholders have on NBFC's as well as their satisfaction and opinions about lot of parameters related to NBFC's. The findings and suggestions have been developed by the researcher in order to provide a guideline to take the NBFC business forward.

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