An Analytical Study of Financial Performance and Growth of Non-Banking Financial Companies (NBFCs) in India

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***Abstract*—Non-Banking Financial Companies (NBFCs) are a significant pillar in the Indian financial system, responsible for providing access to credit for segments that are underserved by commercial banks, such as micro, small, and medium enterprises, rural households, and low-income households. This research paper undertakes a thorough analytical study on the financial performance and growth patterns of ten leading NBFCs, spread across five categories, from 2015 to 2020.**

This research study undertakes ratio analysis, including Current Ratio, Debt-Equity Ratio, Net Profit Ratio, Return on Capital Employed, and Return on Net Worth, in addition to employing one-way Analysis of Variance, or ANOVA, to test for significant differences between NBFCs. The research study finds that NBFCs in the Infrastructure Finance Companies and Asset Finance Companies categories possess better liquidity, while NBFCs in the Microfinance Companies category possess better profitability ratios. The study further finds that all five ratios are significantly different from each other at a 5% level of significance, according to the ANOVA test.

This research study ends with a forward-looking analysis on the potential and prospects for NBFCs in a post-pandemic Indian economy.

***Keywords*— NBFCs, Ratio Analysis, ANOVA, Financial Performance, Liquidity, Profitability, Debt-Equity, India**

I. INTRODUCTION

1.1. Background and Overview

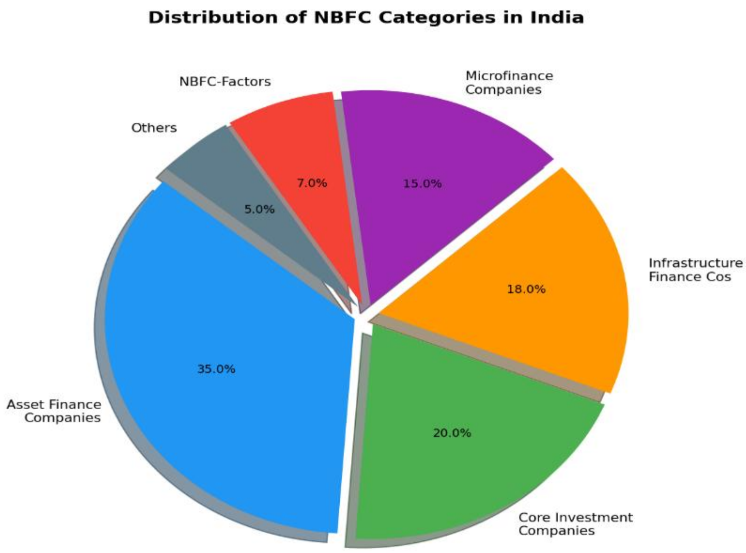
The Indian financial system is marked by a dual structure of a formally regulated banking system and a vast universe of NBFCs. Commercial banks are the primary financial intermediaries in India's financial system. However, NBFCs supplement banks in their outreach to geographic and demographic areas where banks do not operate effectively. An NBFC is a company incorporated under the Companies Act of 1956/2013 whose business includes lending and advances, acquisition of securities from the Central Government or State Government or both, leasing, hire-purchase, insurance business, and chit business.

The NBFCs have been a subject of regulatory attention for the RBI since depositor losses in bank failures in the late 1950s. Chapter IIIB was added to the RBI Act of 1934, which established the NBFC regulatory system. By March 1996, NBFCs numbered around 41,000 across India. Subsequent reforms have strengthened NBFC regulation, including a minimum level of Net Owned Fund (NOF) and a division between deposit-taking and non-deposit-taking NBFCs.

This capital requirement was further amended in the year 1999, wherein NBFCs registered on or after April 21, 1999, were required to maintain a minimum Net Owned Funds of ₹200 lakhs. The NBFC sector has further achieved milestones in FY2011–12, wherein two new NBFCs, Infrastructure Debt Fund NBFCs and Microfinance Institution NBFCs, were introduced.

1.2. Definition (Reserve Bank of India)

'Section 45I(f) of the Reserve Bank of India Act, 1934, defines a "Non-Banking Financial Company" as: (i) a financial institution that is a company; (ii) a non-banking financial institution that is a company and has the principal business of receiving deposits or lending; and (iii) any other non-banking financial institution that the bank may specify.' Financial Institution is defined under Section 45I(c) to include 'entities that carry on the financing of activities by way of loans or advances, acquisition of shares/debentures, hire-purchase, chit business, and collection of subscriptions.'



1.3. Classification of NBFCs

NBFCs are classified on three main parameters:

- By Liability: NBFC-D and NBFC-ND
- By Size: Systemically Important NBFCs with assets > ₹500 crores and Non-Systemically Important NBFCs
- By Activity: Asset Finance Companies, Core Investment Companies, Infrastructure Finance Companies, Microfinance Institutions, NBFC-Factors, Mortgage Guarantee Companies, NBFC-Account Aggregators, etc.

1.4. Current Status of NBFCs in India

The NBFC sector has expanded significantly in terms of size and complexity. Some important regulatory developments include the prescription of prudential norms in January 1998, capital adequacy norms, asset classification norms, and exposure norms. NBFCs that accept deposits are subject to banking-like prudential norms, except for CRR. NBFCs that do not accept deposits are subject to a less onerous regulatory regime.

The financial linkages between banks and NBFCs are intricate in nature. Banks both compete and provide finance to NBFCs. To avert regulatory arbitrage between banks and NBFCs, RBI stipulates restrictions on bank financing of NBFCs in activities such as bill discounting, intercorporate deposits, IPO financing, and bridge financing. Also, investment in a financial service company by a bank is restricted to 10 percent of its paid-up capital and reserves.

1.5. Role and Functions of NBFCs

Some of the important roles that NBFCs play in the Indian financial market are:

- Fostering the utilization of savings by employing idle funds from the unorganized sector
- Facilitating easy, timely, and non-standard credit flows, such as for marriages, religious ceremonies, and emergency liquidity support
- Engaging in financial supermarkets that involve providing mutual funds, merchant banking, and wealth management services
- Mobilizing small savings and channeling them into productive avenues in the form of leasing and equipment finance
- Facilitating housing finance to middle and lower middle-income groups in society
- Improving the quality of living in the country by providing hire-purchase finance for consumer durables
- Fostering economic growth in the country by keeping the capital markets active and providing support to sound enterprises

1.6. Commercial Banks vs. NBFCs

While both institutions are financial intermediaries, they differ on several dimensions as shown in the table below:

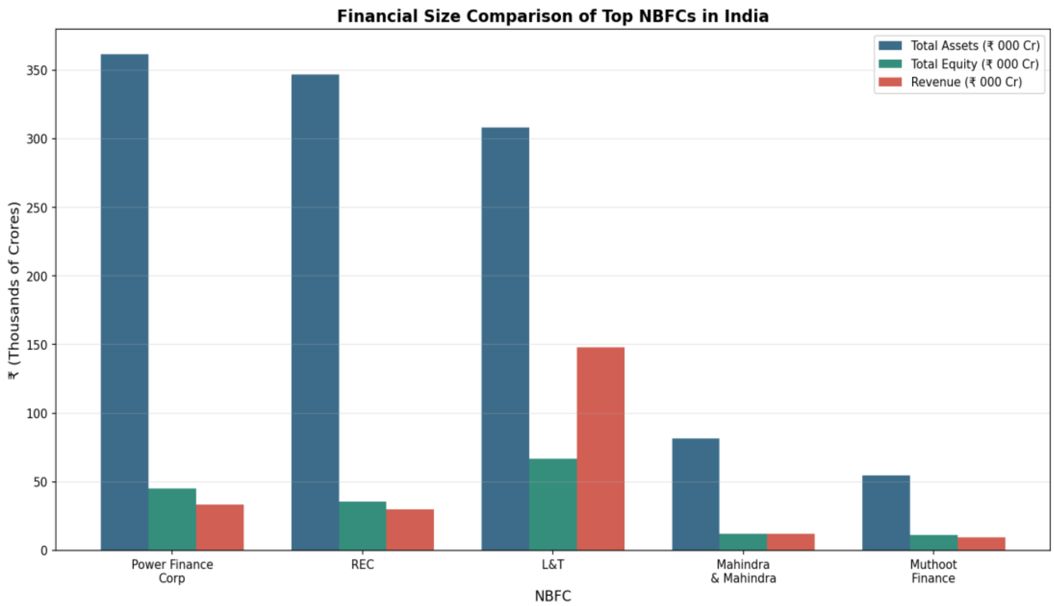
S.No.	Parameter	Commercial Banks	NBFCs
1	Cheque Facility	Can issue cheques against deposits	No cheque issuance facility
2	Interest Rates	Lower deposit & loan interest rates	Higher deposit & loan interest rates

3	Deposit Insurance	DICGC insurance up to ₹5 lakh	Not covered by deposit insurance
4	Governing Law	Banking Regulation Act 1949 & RBI	SEBI, Companies Act, NHB, RBI
5	Asset Specialisation	Diversified assets (loans, OD, CC, etc.)	Specialised (e.g., auto loans, housing)
6	CRR/SLR	Subject to CRR and SLR requirements	Not subject to CRR; limited SLR

1.7. Top NBFCs in India – Financial Snapshot

The following table summarises key financial metrics of leading NBFCs, providing the empirical foundation for comparative analysis:

NBFC	Revenue (₹ Cr)	Operating Income (₹ Cr)	Total Assets (₹ Cr)	Total Equity (₹ Cr)
Power Finance Corp	33,362.90	30,045.70	3,61,787.26	45,164.13
REC Ltd	30,007.50	26,021.28	3,47,030.08	35,396.43
Larsen & Toubro	1,47,813.26	13,430.95	3,08,140.13	66,723.22
Mahindra & Mahindra	11,996.46	1,556.13	81,792.58	11,969.00
Muthoot Finance	9,707.00	7,433.00	54,881.00	11,414.00
Reliance Capital	1,075.00	2,741.00	64,782.00	(2,294.00)



II. LITERATURE REVIEW

2.1 Overview of Prior Research

Significantly, a considerable literature provides a base for the study of NBFC performance. Researchers have examined their role on a macroeconomic level, their regulation, and financial ratios compared to commercial banks. The following synthesis presents an overview of key literature on the topic.

Global Financial Architecture

Kroszner (2010) has strongly argued that a financial system is a prerequisite for a thriving modern economy. The World Bank (2003) has reported how financially sophisticated systems in developed economies contribute to savings mobilization and macroeconomic stability. Greenspan (1999) has reported how non-banking financial institutions contribute to providing an effective 'spare tyre' to a financial system.

Indian NBFC Performance Studies

Kantawala (1997) has carried out a pioneering study on the financial performance of NBFCs over a period of 1985-86 to 1994-95. He reported significant differences in profitability, leverage, and liquidity ratios between different types of NBFCs on the basis of RBI bulletin data. Hasriman Kaur A. and Dr. Bhawdeep Singh Tanghi (2013) reported on the role of NBFCs on a macroeconomic level and their consolidation and regulation.

Dr. Amardeep (2013) has pointed out the contribution of NBFCs in productive national asset creation, especially in lease finance, which is a major area in developed countries. Dr. Yogesh Maheshwari (2013) has explained how monetary reforms helped in bringing Indian financial institutions closer to global standards, providing a window for NBFCs to expand.

Sornaganesh and Maria Navis Soris (2013) undertook a study on the performance of five NBFCs, concluding that the NBFCs were earning a good margin on all the loan portfolios with financial efficiency. Jency (2017) has found that the profitability of NBFCs has grown substantially higher than that of commercial banks, which is attributed to the critical role that NBFCs play in financial inclusion, especially in regions where financial penetration is low.

Growth and Regulatory Studies

Ranjan Kshetrimayum studied the evolution and development of NBFCs from a historical perspective. Shollapur M.R. found that the financial industry has been undergoing a trend of strategic marketing as competition has been heightened by financial liberalisation. K.C. Shekhar and Lakshmy Shekhar found that the development of the NBFC industry in the 1990s was rapid, thanks to the consumer orientation of the industry as well as the inherent flexibility in the operation of the industry.

L.M. Bhole found that the diversified nature of the NBFC industry played a positive role in the industry, as it helped in the clearance of depositor segments as well as the credit needs of the same. Shashi K. Gupta et al. found that the industry has the ability to make decisions quickly as well as to bear risks as opposed to banks. E.N. Murty found that the industry has a bright future as large NBFCs will replace bank credit if provided parity in the regulations.

III.RESEARCH METHODOLOGY

3.1 Research Design

The present study is based on a Descriptive Research Design. It is best for understanding the nature and extent of variations in financial performance between NBFC categories without altering any variables. For data collection purposes, secondary data for the period 2015 to 2020 was collected from Reserve Bank of India publications, the website of Money Control, and annual reports of selected companies.

3.2 Objectives of the Study

The present study is based on the following specific objectives:

- To examine the short-term solvency of selected NBFCs using the Current Ratio
- To evaluate long-term solvency of selected NBFCs using the Debt Equity Ratio
- To examine financial performance in terms of profitability using Net Profit Ratio
- To examine return on capital efficiency using Return on Capital Employed
- To examine shareholder value creation using Return on Net Worth Equity
- To examine whether NBFCs vary significantly across categories using ANOVA

3.3 Sample Design

Ten companies from five NBFC categories have been selected for the purpose of data collection for the entire period of six years (2015–2020):

Category	Companies Selected
Asset Finance Company	Ceejay Finance Ltd, Arman Financial Services Ltd
Core Investment Company	Mahindra & Mahindra Financial Services, Siemens Financial Services
Infrastructure Finance Company	Power Finance Corporation, REC Ltd
Microfinance Institution	Muthoot Finance, IFCI Ltd
Diversified NBFC	L&T Finance Holdings Ltd, Reliance Capital Ltd

3.4 Analytical Tools

The following Quantitative Techniques were employed: (i) Ratio Analysis - Current Ratio, Debt-Equity Ratio, Net Profit Ratio, ROCE, and RONW; (ii) Descriptive Statistics - Mean and Standard Deviation; and (iii) One-Way Analysis of Variance (ANOVA) to determine if significant differences exist between groups.

3.5 Hypothesis Framework

Hypotheses for each of the financial ratios were defined as follows:

- Null Hypothesis (H0): There is no significant difference in each of the ratios across NBFCs under study
- Alternative Hypothesis (H1): There is a significant difference in each of the ratios across NBFCs under study

Decision Rule: If the calculated F value is higher than table value of F at 5% significance level with df = 9, 50, then reject H0.

3.6 ANOVA Framework

One-Way Analysis of Variance compares group means by breaking down total variance into between-group variance, which can be attributed to differences between groups of NBFC category, and within-group variance, which is unexplained or residual variance. The F statistic is a measure of mean between-group variance divided by mean within-group variance. Higher values of F indicate that differences between groups are real and not random.

Source	Degrees of Freedom	Sum of Squares	Mean Square	F
Between Groups	$H-1 = v_1$	SSC	$MSC = M_1$	$F = M_1/M_2$
Within Groups	$N-H = v_2$	SSE	$MSE = M_2$	—
Total	$N-1$	—	—	—

3.7 Limitations

- The study has been restricted to six years (2015 to 2020)
- The study has been entirely based on secondary data
- Not all financial ratios used in NBFC have been considered in the study
- Excessive outlier figures (e.g., L&T Finance current ratios in 2018-19)
- ANOVA analysis may be affected

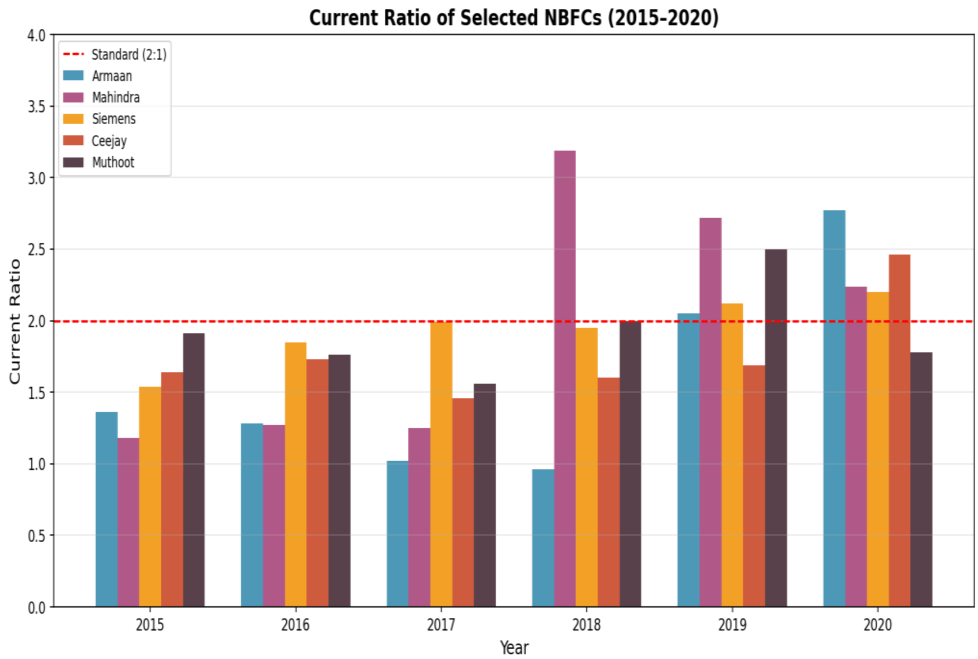
IV. DATA ANALYSIS AND INTERPRETATION

4.1 Liquidity Analysis – Current Ratio

The Current Ratio measures a firm's ability to meet short-term obligations.

Formula: Current Ratio = Current Assets / Current Liabilities. The accepted benchmark is 2:1.

Company	2015	2016	2017	2018	2019	2020
Arman Financial Ltd	1.36	1.28	1.02	0.96	2.05	2.77
Mahindra & Mahindra	1.18	1.27	1.25	3.19	2.72	2.24
L&T Finance Holdings	1.09	1.10	0.90	845.51	1679.92	37.70
Reliance Capital	1.22	0.85	1.01	31.63	28.62	7.72
IFCI Ltd	1.30	0.93	1.23	11.90	9.57	213.88
Siemens	1.54	1.85	1.99	1.95	2.12	2.20
REC Ltd	0.68	1.22	1.17	51.63	15.50	13.82
Power Finance Corp	1.01	1.21	1.32	48.74	58.27	4.21
Muthoot Finance	1.91	1.76	1.56	20.95	33.14	1.78
Ceejay Finance Ltd	1.64	1.73	1.46	1.60	1.69	2.46



ANOVA Results – Current Ratio

Source of Variation	Sum of Squares	Degrees of Freedom	Mean Square	F Value
Between Groups	1116664	9	124073.8	2.19
Within Groups	2265576	50	56639.39	
Total	3382240	950		

The table F value for df (9, 50) at 5% significance is 2.12. Since the calculated F value (2.19) > table value, the null hypothesis is rejected.

Conclusion: There exists a statistically significant difference in current ratios for the NBFCs under study.

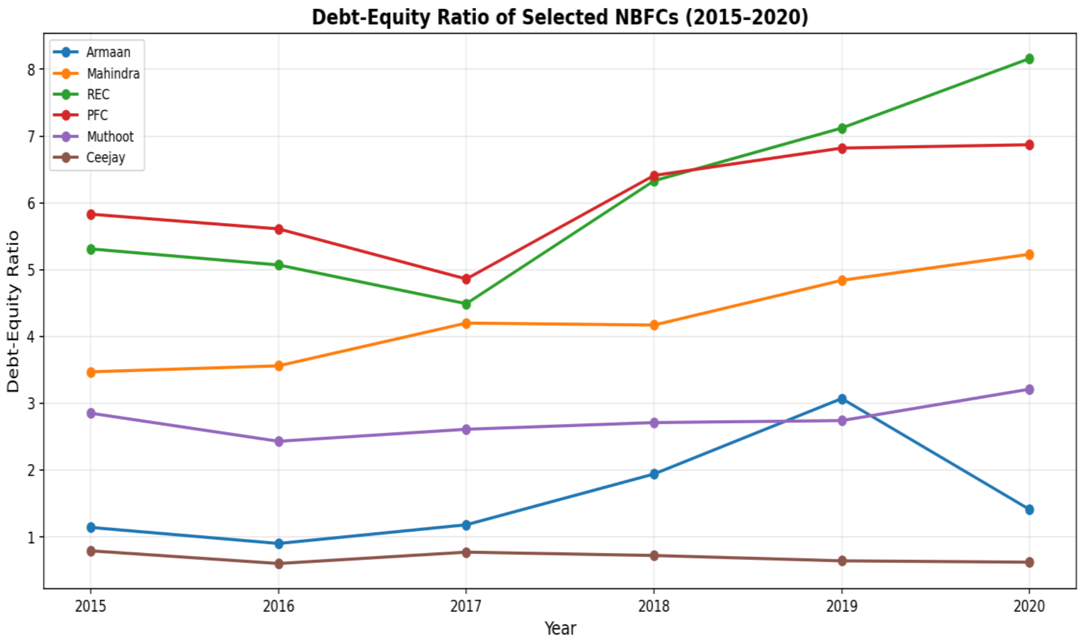
Ceejay Finance had maintained current ratios close to the industry standard of 2:1 over the period, while L&T Finance Holdings had shown extreme spikes in 2018-19.

4.2 Long-Term Solvency – Debt-Equity Ratio

The Debt-Equity Ratio measures long-term financial soundness.

Formula: D/E Ratio = Total Debt / Shareholders' Funds

Company	2015	2016	2017	2018	2019	2020
Arman Financial Ltd	1.14	0.90	1.18	1.94	3.07	1.41
Mahindra & Mahindra	3.47	3.56	4.20	4.17	4.84	5.23
L&T Finance Holdings	0.15	0.15	0.24	0.06	0.15	0.44
Reliance Capital	1.31	1.31	1.25	2.13	2.19	5.14
IFCI Ltd	3.75	3.78	3.37	3.98	3.48	3.15
Siemens	0.00	0.00	0.00	0.00	0.00	0.00
REC Ltd	5.31	5.07	4.49	6.33	7.12	8.16
Power Finance Corp	5.83	5.61	4.86	6.41	6.82	6.87
Muthoot Finance	2.85	2.43	2.61	2.71	2.74	3.21
Ceejay Finance Ltd	0.79	0.60	0.77	0.72	0.64	0.62



ANOVA Results – Debt-Equity Ratio

Source of Variation	Sum of Squares	Degrees of Freedom	Mean Square	F Value
Between Groups	269.53	9	29.94	35.64
Within Groups	42.027	50	0.84	
Total	311.5569	950		

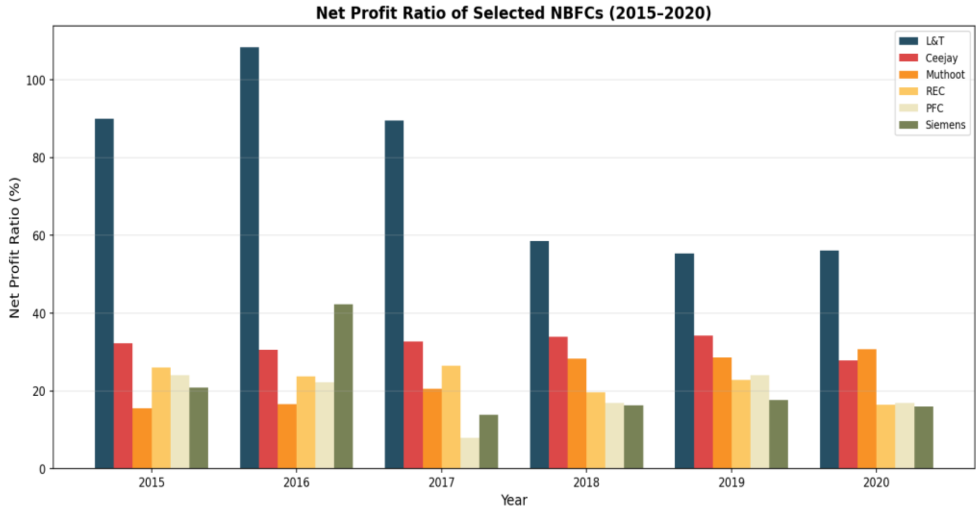
The calculated F-value (35.64) is much larger than the table value (2.12). H_0 is rejected. The debt equity ratios are significantly different for different categories of NBFCs. The highest leverage is for infrastructure finance companies (PFC and REC), while Siemens and Ceejay Finance have zero leverage, which represents the least risk for these companies.

4.3 Profitability Analysis – Net Profit Ratio

Net Profit Ratio is an indicator of the net profit earned on each unit of revenue generated.

Formula: NPR = (Net Profit after Tax/Revenue from Operations) * 100.

Company	2015	2016	2017	2018	2019	2020
Arman Financial Ltd	18.23%	15.66%	15.08%	11.74%	26.51%	27.17%
Mahindra & Mahindra	15.02%	11.49%	6.48%	16.22%	17.85%	8.97%
L&T Finance Holdings	90.02%	108.47%	89.58%	58.52%	55.39%	56.11%
Reliance Capital	19.17%	23.96%	21.41%	−222.99%	6.79%	−393.44%
IFCI Ltd	16.04%	8.83%	−16.73%	13.58%	−20.57%	−12.37%
Siemens	20.80%	42.24%	13.92%	16.30%	17.67%	16.05%
REC Ltd	26.00%	23.80%	26.47%	19.68%	22.77%	16.40%
Power Finance Corp	23.97%	22.25%	7.90%	16.88%	24.10%	16.95%
Muthoot Finance	15.54%	16.65%	20.54%	28.36%	28.67%	30.67%
Ceejay Finance Ltd	32.18%	30.56%	32.76%	33.93%	34.17%	27.85%



ANOVA Results – Net Profit Ratio

Source of Variation	Sum of Squares	Degrees of Freedom	Mean Square	F Value
Between Groups	34244.32	9	3804.92	3.00
Within Groups	50711.74	50	1267.79	
Total	84956.06	950		

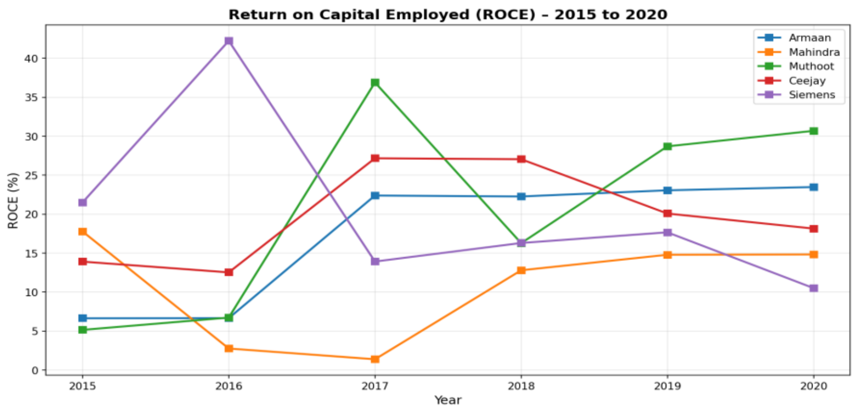
As the F-value (3.00) is higher than the critical value (2.12), H_0 is rejected. L&T Finance Holdings had the highest NPR of 108.47% in 2016, indicating high capital gains for structured finance companies. Ceejay Finance showed the highest consistency in financial performance, with 27%-34% over the years. The extreme negative NPR of Reliance Capital in 2018 and 2020 indicates financial stress due to the contagion effect of the IL&FS crisis.

4.4 Return on Capital Employed (ROCE)

ROCE is calculated as: ROCE = EBIT/Total Capital Employed × 100.

This measures how efficiently the company makes profits on its total capital employed. Investors expect the company to earn higher than the borrowing rate on capital employed.

Company	2015	2016	2017	2018	2019	2020
Arman Financial Ltd	6.64	6.66	22.39	22.27	23.06	23.48
Mahindra & Mahindra	17.78	2.76	1.38	12.80	14.79	14.83
L&T Finance Holdings	5.32	7.28	5.46	4.95	5.03	4.38
Reliance Capital	11.92	12.82	6.79	−11.84	7.75	−18.65
IFCI Ltd	1.75	1.12	5.61	10.25	5.21	6.94
Siemens	21.51	42.24	13.92	16.30	17.67	10.51
REC Ltd	3.34	3.33	12.07	8.10	8.51	8.07
Power Finance Corp	2.99	2.90	9.77	8.31	11.14	10.85
Muthoot Finance	5.15	6.73	36.90	16.28	28.70	30.69
Ceejay Finance Ltd	13.91	12.53	27.17	27.05	20.08	18.15



ANOVA Results – ROCE

Source of Variation	Sum of Squares	Degrees of Freedom	Mean Square	F Value
Between Groups	2878.21	9	319.80	4.72
Within Groups	3387.49	50	67.74	
Total	6265.7	950		

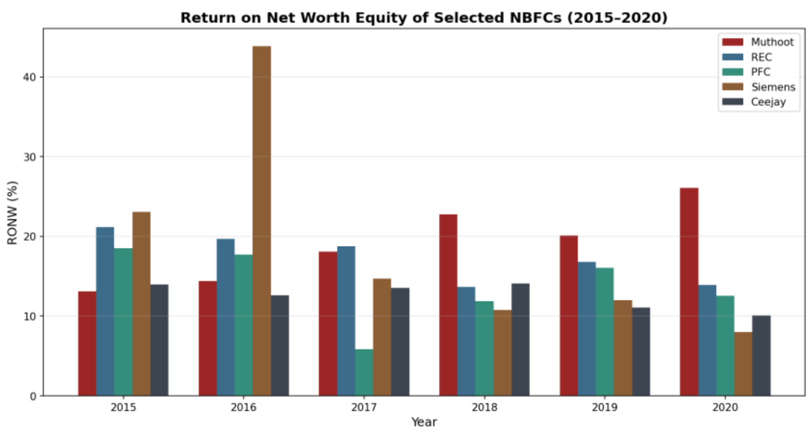
F Value = 4.72, which is higher than the critical value of 2.12. The null hypothesis is rejected. ROCE has varied significantly across different categories of NBFCs. Muthoot Finance has reported a remarkable increase in its ROCE from 5.15% in 2015 to 30.69% in 2020. Siemens reported a high growth rate of 42.24% in 2016. Reliance Capital reported negative ROCE for 2018 and 2020, indicating a decline in its financial performance.

4.5 Return on Net Worth Equity (RONW)

RONW = Net Income / Shareholders' Equity * 100

This ratio measures the efficiency of management in generating returns on shareholders' equity. If RONW increases over time, it indicates an improvement in management performance.

Company	2015	2016	2017	2018	2019	2020
Arman Financial Ltd	8.09	6.98	6.54	7.97	23.36	15.10
Mahindra & Mahindra	14.68	11.04	6.17	11.18	14.27	7.97
L&T Finance Holdings	7.37	9.51	6.04	3.40	3.41	3.40
Reliance Capital	6.01	7.35	3.05	−62.54	1.77	−161.97
IFCI Ltd	8.70	5.50	−8.06	9.25	−9.58	−7.11
Siemens	23.08	43.87	14.71	10.76	12.01	7.98
REC Ltd	21.16	19.66	18.74	13.68	16.80	13.92
Power Finance Corp	18.49	17.69	5.83	11.87	16.06	12.52
Muthoot Finance	13.09	14.40	18.10	22.75	20.13	26.08
Ceejay Finance Ltd	13.97	12.59	13.56	14.11	11.06	10.07



ANOVA Results – RONW

Source of Variation	Sum of Squares	Degrees of Freedom	Mean Square	F Value
Between Groups	13596.16	9	1510.68	3.00
Within Groups	25049.52	50	500.99	
Total	38645.68	950		

F-value (3.00) is higher than the critical value (2.12). The null hypothesis, H_0, has been rejected. There exists a significant difference in RONW for different categories of NBFCs. Muthoot Finance showed the highest rise in RONW from 13.09% in 2015 to 26.08% in 2020. Siemens and REC showed high returns in early years, though declining in later years, while Reliance Capital showed a sharp drop in RONW to negative territory, indicating high erosion of equity.

V. CONCLUSION

4.6 Key Findings

The present study, after conducting in-depth ratio analysis and ANOVA testing on ten NBFCs for the period from 2015 to 2020, has arrived at the following key findings:

- Current Ratio: Asset Finance Companies like Ceejay Finance and Core Investment Companies like Siemens have maintained their current ratios closest to 2:1, which is the benchmark for this ratio, indicating high solvency for their short-term obligations. The Infrastructure Finance Companies showed high volatility in their current ratios in 2018-19.
- Debt-Equity Ratio: The Infrastructure Finance Companies like PFC and REC have the highest Debt-Equity Ratio of 5-8, which is in line with their government-sponsored status and capital-intensive businesses. Ceejay Finance, L&T Finance Holdings, and Siemens have maintained a Debt-Equity Ratio of 1, indicating lender safety.
- Net Profit Ratio: L&T Finance Holdings reported the highest NPR, ranging between 90% and 108%. Ceejay Finance reported the most stable NPR over the years, ranging between 27% and 34%. IFCI and Reliance Capital reported negative NPR.
- ROCE: The Microfinance and Asset Finance categories performed better than other categories for capital efficiency. Muthoot Finance reported the highest increase in ROCE, ranging between 5.15% and 30.69%. The boom in the gold loan business contributed to the increase in Muthoot Finance's ROCE. Siemens reported the highest ROCE of 42.24% for 2016.
- RONW: Muthoot Finance and REC Finance reported the highest RONW for their respective years. The decrease in Reliance Capital's RONW to -161.97% for 2020 is a significant value destruction.
- ANOVA: The calculated F-values for all the financial ratios, i.e., Current Ratio (F=2.19), Debt Equity Ratio (F=35.64), Net Profit Ratio (F=3.00), ROCE (F=4.72), and RONW (F=3.00), exceeded the critical value of 2.12 at 5% significance level, indicating that the NBFC categories are not financially homogeneous; each category has a unique financial risk-return profile.

4.7 ANOVA Summary Table

Financial Ratio	F (Calculated)	F (Table, 5%)	df (Between)	df (Within)	Result
Current Ratio	2.19	2.12	9	50	H_0 Rejected (Sig.)
Debt-Equity Ratio	35.64	2.12	9	50	H_0 Rejected (Sig.)
Net Profit Ratio	3.00	2.12	9	50	H_0 Rejected (Sig.)
ROCE	4.72	2.12	9	50	H_0 Rejected (Sig.)
RONW	3.00	2.12	9	50	H_0 Rejected (Sig.)

4.8 Conclusion

The analysis conclusively proves that the sample NBFCs operate at high leverage levels relative to their own funds, which is inherent in financial intermediation businesses. The solvency analysis proves that even though NBFCs operate at high levels of borrowed funds, their ability to generate cash and manage risks makes them solvent. The profitability ratios of NBFCs improve over time, which proves the maturation of the NBFC sector.

However, the NBFC sector is also plagued by structural risks, which include the NBFC credit crisis of 2018-19, which was triggered by the default of IL&FS, which led to contagion risks for the sector. The financial collapse of Reliance Capital and the negative profitability of IFCI indicate that the RBI needs to remain vigilant on the sector. The RBI's move to introduce a three-month moratorium on loan repayment during the Covid-19 pandemic, coupled with the liquidity injection of Rs 3.74 trillion, is a step in the right direction.

Looking forward, what are the key issues that need to be addressed by NBFCs? The key issues to be addressed by NBFCs are: (i) strengthening asset-liability management to avoid liquidity mismatches; (ii) diversifying funding sources beyond short-term borrowings from banks; (iii) strengthening underwriting standards, especially in MSME lending; and (iv) utilizing technology-based credit rating to improve asset quality. The long-term outlook for NBFCs appears to be positive since they are indispensable to India's financial inclusion vision and their strategic importance would only increase with India's GDP growth.

4.9 Recommendations

- NBFCs should build up their core capital to minimize their dependence on debt financing
- Microfinance NBFCs should invest in digital delivery channels to minimize costs and increase their returns on capital employed
- Asset Finance Companies should form co-lending alliances with commercial banks under the RBI's co-lending model to minimize their costs of borrowings
- Differentiated supervision should be maintained by regulators depending on NBFC types and their systemic importance
- Disclosure standards for mid-sized NBFCs should be strengthened to increase transparency in the market

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