Darshan - The International Journal of Commerce and Management ISSN: 2583-1682 (online) Volume - 2, Issue – II, December -2022
Bi-Annual double-blind peer-reviewed International Journal
Paper Submission Date:10th Nov 2022 Paper sent back for Revision: 11th Nov 2022 Paper Acceptance Date: 19th Nov 2022

"A study on Comparison of financial performance between Home First and Aavas Finance "

[1]Dharsandiya Dhruvi, [2] Dr Navjyot Raval

[1]Student, Darshan Institute of Management, Darshan University, Rajkot, Gujarat, India.

[2]Associate professor at Darshan Institute of management, Darshan University, Rajkot, Gujarat, India.

Email: dhruvipatel7574@gmail.com navjyot.raval@darshan.ac.in

Abstract: A Non-Banking financial company is an accompanist in the business of giving credits to its customers but does not have any right of receiving any type of deposits from customers as per the guidelines of the reserve bank of India these things create differences between banking companies and NBFC. This paper is about the financial performance of Two non-banking financial companies.The companies are Home First Finance company and Aavas Finance company. This paper uses different types of ratios to measure financial performance. Use financial statement of both companies and compare overall financial performance of both Home First Finance company and Aavas finance company.

Key Words: Non-banking companies, Home First Finance company, Aavas Finance company, financial performance, Financial Ratio,

INTRODUCTION:

A Non-Banking financial company is an accompanist in the business of giving credits to its customers but does not have any right of receiving any type of deposits from customers as per the guidelines of the reserve bank of India these things create differences between banking companies and NBFC. These types of companies are registered under the companies act 1956 if we focus on the way business activities in which the NBFC are involved are all the different types of loans and credits, acquisition of shares, bonds, and securities issued by any central or state government or local authorities and also engage some businesses like leasing, hire-purchase, insurance, and chit businesses. If we talk about the differences those makes NBFC different from the banking industry are the demand deposits, NBFC does not have any rights to accept demand deposits from people, the second thing is cheques and payments and settlement system, NBFC cannot able to issue and also not form part of payments and settlement system. The concept of NBFC was first time introduced in India in 1960. At that time the financial needs of savers and investors are not sufficiently met by the banking firms or country so at that time NBFC initiate its operation but on a very limited scale and there is no major impact they create on the financial market then after by considering the nature of business and complexity of operations, RBI introduced the provision related to NBFC in 1934 and take responsibility to measure and regulate the NBFC.

Home first was incorporated in February 2010. It is an NBFC firm that offers various kinds of loans related to housing. They focus on targeting the affordable segment. The affordable segment means the people who are financially well but due to any reason, they do not have the required documents for getting loans and credit, home first provides housing loans to them because Home First believes that all people should own their own dream home.

Aavas was consolidated in February 2011 with the name of "AU Housing Finance Private Limited." It officially began its tasks in march,2012. The name of the organization was changed to "Aavas Financiers Limited" in march,2017. Aavas Financiers, otherwise called Aavas is a Jaipur-based housing finance organization known for giving home credits in the country and semi-metropolitan areas of India. Aavas is enrolled with the national housing bank as a housing finance company and was conceded the permit in August.

LITERATURE REVIEW:

1. According to Cheryl Shais Pellissery and Koshy (2015) An evaluation of the financial performance of public sector banking and non-banking financial companies in India. In this, it can be concluded that from the performances of the organizations in terms of ratios LICHFL is viewed as the best performer among the selected organizations andNBFCs have beaten than the Banking organizations. Hence the review has been meant to satisfy the objectives.
2. According to N. Gopal Samy & Dr.M. Nandhini (2017) A study on the financial performance of selected non-banking financial companies in India. It concludes that the study on financial performance has done on five NBFC India Bulls, Reliance Capital, TATA capital lodging finance restricted, SCB prime, Bila Mani and toward the finish of the review it reason that when contrasted with other NBFC the performance of Tata Capital Housing Finance Limited is great and different organizations need to take care of working cash-flow to build the monetary influence in the future timeframe.
3. According to Prof.S.V. Satyanarayana and Mrs.Srilakshmi Ramu (2019) A comparative study between public and private housing finance companies (HFCs) in India. It can be concluded that private HFCs performed better compared to their public partners guaranteeing higher supportability to create benefits and powerful use of funds. They have been exceptional entertainers than Public HFCs disregarding their higher working expenses and cost of borrowing. In spite of the benefit proportions, public HFCs performed better compared to private HFCs as to the working costs proportion and the expense of obligation proportion, being lower showing that they figured out how to control their working costs.
4. Suneelkumar & Dr.A.P. Hosmani (2019) Financial performance of non-banking financial companies (NBFCs) in India. It can be concluded that In India NBFCs Play a basic role in the improvement of foundation, transport, and employment generation, NBFCs are evolving the business credit scene in the country. NBFCs are basically, loans to the modern area. While there has been some decay in the resource

nature of NBFCs as of late, it is superior to that of banks. NBFCs additionally revealed better benefits and capital positions. The RBI is continually endeavoring to bring important administrative changes in the NBFC to guarantee monetary steadiness over the long run.

5. According to Manoj Kumar, Sumit Kumar, Mohammed Ali Hamid, and Sunita Pandey (2022) Comparative analysis of the financial performance of selected Indian housing finance companies. It can be concluded that housing Finance Companies are one of the central parts of the Indian Housing Sector. So, assessing their, generally speaking, monetary performance is vital. CAMEL model gives us a potential chance to assess an organization from five unique boundaries. Assuming Capital ampleness is concerned, HUDCO is the best entertainer. Assuming that Asset quality is concerned, India bulls Housing Finance is the best entertainer in the parcel. On the off chance that Management Efficiency is concerned, both LIC and HDFC are at the top. Assuming that acquiring limit is concerned, India bulls is the best entertainer in this boundary. On account of the Liquidity position, HDFC is the best entertainer.

6. According to S.M. Akber, Dhiman Barua (2021) A comparative analysis of the financial performance of the non-banking financial institutions in Bangladesh. It can be concluded that This study centers to break down the proficiency of NBFIs in Bangladesh over the period from 2019to 2019. For this, it has applied various kinds of execution estimation devices and procedures. Various sorts of proportions are utilized to examine the presentation of NBFIs in Bangladesh. At long last, in view of their exhibitions, a position has been made. This study says that NBFIs in Bangladesh are doing great for certain proportions while others need to work on their exhibition.The fundamentall region where they need to improve is the credit choice. They need to lessen quantity of antagonistic advance choices.

RESEARCH OBJECTIVE:

1. To evaluate the financial position of selected non-banking financial companies.
2. To analyse the financial performance of selected non-banking financial companies.

HYPOTHESIS FORMULATION:

1st set of hypotheses

- ❖ Null hypothesis H0: There is no significant difference in the financial position of selected on-banking financial companies.
- ❖ Alternative hypothesis H1: There is a significant difference in the financial position of selected non-banking financial companies.

2nd set of hypotheses

- ❖ Null hypotheses H0: There is no significant difference between the financial performance of selected non-banking financial companies.
- ❖ Alternative hypotheses H1: There is significance difference among the financial performance of two non-banking financial companies.

RATIO ANALYSIS

- **Cash Ratio**

Year	Home First	Aavas finance
2018	0.017	0.126
2019	0.075	0.042
2020	0.004	0.063
2021	0.046	0.003

The ideal measure for cash ratio is 1:1. Over here both Home first and Aavas finance did not reach at ideal measure in last 4 years. The data shows that Aavas finance slightly performed better than home first.

- **Quick Ratio**

Year	Home First	Aavas finance
2018	0.371	1.419
2019	1.034	1.492
2020	1.363	1.373
2021	1.442	1.362

If the quick ratio is greater than 1 then its means that your business is healthy. Over here both companies have nearby in quick ratio but Aavas finance is higher as compared to Home first. In 2021 Home first is higher as compared to Aavas finance. We can say that both companies is healthy thy company because both have the capability to pay liabilities.

- **Current Ratio**

Year	Home First	Aavas finance
2018	0.371	1.419
2019	1.033	1.492
2020	1.363	1.373
2021	1.442	1.362

For current ratio ideal measure is a 2:1. In the year of 2018 Avas finance achieved the ideal ratio but Home first didn't. After that 2019 to 2021 Home first and Aavas finance achieved the ideal measure but in the year 2019 and 2020 Aavas finance performed better than Home first. In the year 2021 Home first finance company is better than Aavas finance.

- **Debt Ratio**

Year	Home First	Aavas finance
2018	0.515	0.411
2019	0.577	0.347
2020	0.464	0.452
2021	0.388	0.464

If the Debt ratio is less than 1 then companies have more assets than debt. Over here Aavas finance has less debt ratio compare to Home first. But in the year 2021 Home first have less debt compare to Aavas finance it shows that Home first repay the debt or they decrease their debt.

- **Debt to equity ratio**

Year	Home First	Aavas finance
2018	3.120	2.394
2019	3.733	2.063
2020	2.728	2.650
2021	2.267	2.731

The debt-to-equity ratio of 1:1 is generally acceptable from the point of view of the company. The lower this ratio the less the company has to worry in meeting its fixed obligations. In study both companies have more debt to equity which means that majority of the assets are funded through debt. Home first has more debt-funded assets.

- **Debt to capital ratio**

Year	Home First	Aavas finance
2018	0.679	0.582
2019	0.732	0.515
2020	0.633	0.622
2021	0.559	0.634

The debt to capital ratio of 1:1 is generally acceptable from the point of view of the company. Above the 1 is dangerous for the company. It shows that company has more debt than capital. Over here the debt to capital ratio is average because the ratio is not more than 1 in both companies. According to data in the year of 2018,2019 and 2020 Aavas finance has lower debt to capital than home first. After 2020 means in the year 2021 the home first has lower ratio compare to Aavas finance.

- **Return on equity**

Year	Home First	Aavas finance
2018	0.076	0.078
2019	0.080	0.096
2020	0.049	0.119
2021	0.073	0.121

According to the data Aavas finance making profit and growth as compare to home first finance company.it means that the shareholder’s fund of Aavas finance is in favoured by investors and higher market valuation is placed on such shares.

- **Return on Assets**

Year	Home First	Aavas finance
2018	0.018	0.023
2019	0.017	0.031
2020	0.013	0.033
2021	0.022	0.032

According to the data analysis Aavas finance has higher percentage as compared to Home first. So, we can say that Aavas finance is growing better and fast as compared to home first.

- **Earnings per share**

Year	**Home First**	**Aavas finance**
2018	0.111	4.408
2019	0.186	8.329
2020	0.020	0.001
2021	0.044	0.001

A higher earnings per share ratio shows higher value because investors will pay more towards a share of companies. Over here Aavas finance is earning higher as compared to Home first. In the years of 2020 and 2021 earnings per share is too low for both companies.

- **Net profit margin ratio**

Year	Home First	Aavas finance
2018	0.172	0.188
2019	0.159	0.247
2020	0.109	0.276
2021	0.205	0.262

The net profit margin ratio helps to investors for investing in company. If the net margin profit ratio is high then profitability of the company is high and vice versa. According to the data Aavas finance has high profitability compare to home first.

FINDINGS :

1) It is observed that there is significant difference between the two selected non-banking financial companies.
2) The Aavas finance ltd. performed well as compare to Home first.
3) The profitability of Aavas finance is much higher than Home first.
4) The liquidity position of Aavas finance is higher than Home first.

5) Aavas has lower debt as compare to Home first.
6) Home First and Aavas finance both are tough competitors in the market.

SUGGESTIONS :

1) The Home first should increase they profitability by more customers, cross selling.
2) Home first should identify the different area of expenditure with the help of bargaining with company's suppliers.
3) Home first should increase customers, and increase customer purchases.
4) Both Aavas finance and Home first should focus on marketing activities and also should try innovative ideas to attract more customers.
5) The both companies have to increase their capital to meet new challenges in future.

CONCLUSION

This study with the background and perspective framework of the study that includes non-baking finance company history, Home first history, products of home first, literature review, objectives of the study, testing of hypothesis, research methodology, financial data, applied financial ratios, future plans and references. After going through background and perspective study, that implies ratios to measure the financial performance and compare the profitability of both Home first and Aavas finance. At the end of the study that financial capital is low of both company but Home first has very low financial capital as compare to Aavas finance.

REFERENCES:

Cheryl ShaisPellissery and Koshy(2015) An evaluation of financial performance of public sector banking and non banking financial companies in india. International journal of management research and business strategy. Vol.4, No.1, January 2015.

N.GopalSamy&Dr.M.Nandhini(2017) A study on financial performance of selected non-banking financial companies in india. International journal of current research and modern education,Volume-2,Issue-2,2017.

Prof.S.V.Satyanarayan and Mrs.SrilakshmiRamu(2019) A comparative study between public and private housing finance companies(HFCs) in india. International journal of engineering and management research. Vol-9,Issue-3, June,2019.

Suneelkumar&Dr.A.P.Hosmani(2019) Financial performance of non-banking financial companies(NBFCs) in india. EPRA international journal of multidisciplinary research. Vol-5, Issue-11, November,2019.

S.M. Akber, DhimanBarua(2021) A compartive analysis of financial performance of non-banking financial institution in Bangladesh. American finance & banking review Vol.6, No.1,2021 published by CRIBFB, USA.

Manoj Kumar, SumitKumar,Mohammaed Ali Hamid, Sunita Pandey(2022) Comparative analysis of the financial performance of selected indian housing finance companies. Investment management and financial innovation,3/2022.

https://www.nelito.com/blog/History-of-Non-Banking-Financial-Institutions.html#:~:text=NBFCs%20started%20humbly%20in%20India,impact%20on%20the%20financial%20industry

https://m.rbi.org.in//Scripts/BS_NBFCNotificationView.aspx?Id=557

https://www.mondaq.com/india/financial-services/1197094/the-end-of-the-nbfc-era

https://www.nelito.com/blog/the-role-nbfcs-in-indian-economy.html#:~:text=NBFCs%20do%20play%20a%20critical,weaker%20sections%20of%20the%20society

https://m.rbi.org.in//

https://www.credit-suisse.com/media/ib/docs/in/ipo/home-first-finance-company-india-limited-red-herring-prospectus.pdf

https://www.aavas.in/about-us#:~:text=Manpower-,Business%20Segment,semi%2Durban%20and%20rural%20areas.

https://www.aavas.in/home-loan

https://www.aavas.in/land-purchase-and-construction-loan

https://www.aavas.in/msme-loan

https://www.aavas.in/loan-against-property

https://www.aavas.in/home-improvement-loan

https://www.aavas.in/home-loan-balance-transfer

https://www.aavas.in/emergency-credit-line-guarantee-scheme

https://www.winvesta.in/blog/financial-ratio-analysis/

https://yourbusiness.azcentral.com/quick-ratio-tell-company-2924.html

https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&cad=rja&uact=8&ved=2ahUKEwiKo_3fxPb5AhVaAqYKHWTnC68QFnoECAMQAw&url=https%3A%2F%2Fwww.patriotsoftware.com%2Fblog%2Faccounting%2Fhow-find-quick-ratio-formula-example%2F&usg=AOvVaw1Ld6A9Gu-Q7L7hgA3hA_Ry

https://www.business-standard.com/article/news-cm/home-first-finance-company-india-allots-22-701-equity-shares-under-esop-122031700907_1.html#:~:text=Home%20First%20Finance%20Company%20India%20allots%2022%2C701%20equity%20shares%20under%20ESOP,-

Capital%20Market%20%7C%20Last&text=Home%20First%20Finance%20Company%20India%20has%20allotted%2022%2C701%20Equity%20shares,II%20Scheme%20of%20the%20Company.

https://www.business-standard.com/article/news-cm/home-first-finance-company-india-allots-22-701-equity-shares-under-esop-122031700907_1

https://www.google.com/search?q=total+number+of+share+issue+aavas+financiers+ltd&sxsrf=ALiCzsalkVfxzefpLx6-0r9VYjPnvt_Uow%3A1660027668459&ei=FAPyYrbZG5P1-Qa3373ABQ&ved=0ahUKEwi2s_v7lLn5AhWTet4KHbdvD1gQ4dUDCA4&uact=5&oq=total+number+of+share+issue+aavas+financiers+ltd&gs_lcp=Cgdnd3Mtd2l6EAMyBQgAEKIEMgcIABAeEKIEMgUIABCiBDIFCAAQogQyBQgAEKIEOgcIABBHELADSgQIQRgASgQIRhgAULgJWMEOYKIYaAFwAXgAgAGkB4gBlhOSAQU1LTEuMpgBAKABAcgBCMABAQ&sclient=gws-wiz

https://www.investopedia.com/terms/d/debt-to-capitalratio.asp#:~:text=The%20debt%2Dto%2Dcapital%20ratio%20is%20calculated%20by%20dividing%20a,debt%20plus%20total%20shareholders'%20equity.