

Operating Performance Of Select Leasing Companies

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Abstract - In the recent economic scenario, the operating performance of every firm is significant. Particularly, the firms contributing to the growth and development of other business firms like lease financing companies need to perform better in order to support the other firms. The operating performance of these companies has to be examined with a view to understand their ability to meet the requirements of the other firms. However, the previous studies have least focused on the operating performance of the leasing companies in India. The present study aims at measuring the operating performance of the selected leasing companies on the basis of multiple ranking measures like operating revenue, other income, total revenue and net profit. For this purpose, the data relating to these companies for a period of 10 financial years from 2011-12 to 2020-21 have been obtained and analyzed using mean values and mean ranks. The results of the study indicated that Bajaj Finance Limited was the best performer and the SREI Infra Finance was the least performer.

Keywords: Leasing Companies; Operating Performance; Performance Indicators; Ranking

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Introduction

The service sector has been contributing more for the economic development of a country. In the service sector, the role of banking and non banking financial companies is inevitable. The business development is dependent on the banking and non banking financial companies to a greater extent. Among the non banking financial companies, the leasing companies provide unique financial assistance to the business firms. In India, there are several leasing companies have been working for a long period. Their operating performance has been measured using various parameters like net profit margin, total revenue, return on net worth, return on capital employed and return on total assets. Since the leasing companies are playing vital role in providing financial assistance to the business firms for making investments in the fixed assets without dumping more owned capital. Moreover, the acquisition of fixed assets has been simplified by the leasing companies. Therefore, the firms come forward to buy assets through leasing funds. Under these circumstances, the operating performance of leasing companies is deemed necessary.

Review Of Literature

Twila-Mae Logan (2016) used multiple regression analysis for examining the determinants of profitability of the financial institutions located in the Latin America region and the Caribbean region. The data relating to these firms for a period of 14 years from 1999 to 2012 were collected and analyzed. The author has found that there was a greater influence of sources of revenue on the profitability of the selected firms. The external factors could not influence the profitability like the sources of revenue. **Kaur, J. (2016)** has measured the financial performance of non banking financial companies with reference gold loan providers using CAMEL model. In this model capital adequacy was measured using debt equity ratio and total advances to total assets ratio. For assessing the earning quality of the firms, the author has used return on assets; interest income to total assets; and non interest income to total assets. He has found that out of the two firms taken for the study, the performance of Manappuram Finance was better than that of Muthoot Finance in accordance with the

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earnings management. **Sathishkumar, R. & Balamurugan G. (2020)** made an attempt to measure the profitability and efficiency of Bajaj Finance Limited for a period of 6 years from 2012-13 to 2017-18. They have used ratio analysis for assessing the financial performance of the company in terms of profitability and efficiency. The profitability has been measured using ratios like return on capital employed; return on shareholders' funds; return on total assets; operating revenue; and net profit ratio. The ratios used for analyzing the efficiency included interest coverage ratio; working capital turnover ratio; fixed assets turnover ratio; current assets turnover ratio; and capital turnover ratio. The authors have found that the return on capital employed witnessed a declining trend during the study period while there was a fluctuating trend in the return on shareholders' funds and return on total assets.

Statement Of The Problem

From the previous literature, it is understood that the performance of companies has been measured using different metrics. However, they have examined the impact of metrics on profitability of the firms. They have focused on the profitability indicators and revenue indicators separately for one or two companies. However, the components of total revenue and profitability of several companies have not been examined using multiple metrics. Hence, the present has made an attempt to examine the operating performance of the selected leasing companies using multiple metrics.

Objectives Of The Study

The following are the objectives of the study:

1. To measure the performance indicators of the selected companies and rank them according to the mean values of the performance indicators.
2. To ascertain the overall ranking of the performance of the selected companies using the ranking of multiple metrics.

Period Of Study

The study period consists of 10 financial years starting from 2011-12 to 2020-21.

Methodology

The present research has been designed with descriptive and exploratory methods. The descriptive research explains the mean values of the selected performance indicators while the exploratory research design reveals the multiple ranking measures and their validity. In this regard, operating revenues, other income, total revenue and net profit earned by the selected companies for the study period have been collected from the annual reports of the selected companies. These data have been tabulated and average values have been computed. Ranks have been assigned to the companies on the basis of mean values of each of the performance indicators. Then using Kendall's W Concordance analysis, the validity of multiple ranking measures has been tested. This analysis is useful to understand the overall ranking of the companies based on the mean ranks and to realize the validity of the multiple ranking measures.

Sample Companies

For the purpose of this study, ten leading companies involved in lease financing in India have been selected. The list of companies has been presented below:

1. Bajaj Finance Limited
2. Cholamandalam Investment and Finance Limited
3. Poonavalla Finance Limited
4. Mahindra & Mahindra Finance Limited
5. Manappuram Finance Limited
6. Shriram Transport Finance Limited

7. Shriram City Finance Limited
8. SREI Infra Finance Limited
9. Sundaram Finance Limited
10. VLS Finance Limited

Limitations Of The Study

The study is subject to the following limitations:

1. The study focuses only the ten leading selected leasing and hire purchase companies in India.
2. The study period has been confined to a period of ten financial years from 2011-12 to 2020-21 only.
3. The study concentrates only on the operating performance of the selected leasing and hire purchase companies in India.
4. The present study is undertaken on the basis of the secondary data only.

Results And Discussion

The present study aims at rating the companies on the basis of performance indicators. In this regard, operating performance indicators like operating revenues, other income, total revenue and net profit have been taken for analysis. The average values of these indicators for each of the selected have been computed. The ranks have been assigned on the basis of these mean values.

TABLE 1: PERFORMANCE INDICATORS

Companies	Operating Revenues (Rs. in crores)	Ranks	Other Income (Rs. in crores)	Ranks	Total Revenue (Rs. in crores)	Ranks	Net Profit (Rs. in crores)	Ranks
BFL	10996.58	2	29.05	4	11025.63	2	2110.34	1
CIFC	5076.29	4	1.23	9	5077.52	4	723.72	4
PFL	1875.98	9	41.16	3	1917.13	9	55.19	9
M&M	6495.86	3	66.80	2	6562.66	3	816.94	3
MFL	2995.77	7	20.71	5	3016.48	6	676.77	5
STFC	11283.84	1	15.84	7	11299.68	1	1756.93	2
SCUF	4259.92	5	16.65	6	4276.56	5	666.85	6
SREI	1282.26	10	8.52	8	1290.78	10	-228.94	10
SFL	2690.35	6	82.11	1	2772.47	7	585.76	7
VLS	1982.49	8	0.48	10	1982.97	8	32.00	9

On the basis of operating revenues, it could be revealed that the greatest performance was given by STFC (Rs. 11283.84 crores) followed by BFL (Rs. 10996.58 crores) and the performance of SREI was the lowest among all the leasing companies as indicated by the lowest operating revenue of Rs.1282.26 crores. It is further learned that the highest other income was earned by SFL (Rs. 82.11 crores) followed by M & M (Rs. 66.80 crores) and the average other income of VSL was the lowest (Rs. 0.48 crores). Among the selected companies, the highest total revenue earned company was STFC (Rs. 11299.68 crores) while the second highest total revenue earned company was BFL (Rs. 11025.63 crores) and the lowest total revenue earned company was SREI (Rs. 1290.78 crores). When net profit was taken as the yardstick, it could be evinced that the highest performance was observed in respect of BFL (Rs. 2110.34 crores) followed by STFC (Rs. 1756.93 crores) and the lowest performance was observed in the case of SREI (- Rs. 228.94 crores). Since the performance

of the companies varies in accordance with different performance indicators, the overall performance has been determined on the basis of ranking of performance indicators and mean ranks of the companies.

TABLE 2: RANKING OF PERFORMANCE INDICATORS

Performance Indicators	BFL	CIFC	PFL	M&M	MFL	STFC	SCUF	SREI	SFL	VLS
Operating Revenue	2	4	9	3	7	1	5	10	6	8
Other Income	4	9	3	2	5	7	6	8	1	10
Total Revenue	2	4	9	3	6	1	5	10	7	8
Net Profit	1	4	9	3	5	2	6	10	7	9
Mean Rank	2.25	5.25	7.38	2.75	5.75	2.75	5.5	9.5	5.25	8.63
Overall Rank	1	4	8	2	7	2	6	10	4	9

It could be understood from the ranking of performance indicators that STFC was the first ranked company in terms of operating performance while SFL was the first ranked company in respect of other income. The first ranked company on the basis of total revenue was STFC and the company that has been ranked the first based on net profit was BFL. The mean ranks were computed and on the basis of these mean ranks, the overall ranks have been assigned. Accordingly, the overall best performed company was BFL followed by M & M and STFC. The least performed company as indicated by the overall rank was SREI.

TABLE 3: CONCORDANCE ANALYSIS

N	4
Kendall's W(a)	0.67
Chi-Square	24.105
DF	9
Asymp. Sig.	0.004

a Kendall's Coefficient of Concordance

Table 3 depicts that four performance indicators have been considered for concordance analysis of the selected companies. The Kendall's coefficient of Concordance was 0.67 with the chi square value of 24.105 for 9 degrees of freedom. The p value of 0.004 implies that the multiple ranking measures are valid.

Conclusion

The performance of the selected lease financing companies has been measured in terms of operating revenue, other income, total revenue and net profit. The individual indicators revealed the different best performers. The combined effect of multiple ranking measures has been identified using Kendall's W test. The results of this test indicated that the best performance has been given by Bajaj Finance Limited followed by Mahindra & Mahindra Finance. The least performers of the selected companies were SREI Infra Finance and VLS Finance.

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