

A STUDY OF CREDIT MANAGEMENT OF NON-BANKING FINANCE COMPANIES: ADITYA BIRLA

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ABSTRACT

Credit management plays a vital role in ensuring the financial stability and profitability of Non-Banking Financial Companies (NBFCs). In recent years, NBFCs have emerged as significant contributors to the Indian financial system by providing credit facilities to individuals and businesses that may not have easy access to traditional banking services. Aditya Birla Finance Limited (ABFL), one of the leading NBFCs in India, has adopted various credit management practices to maintain asset quality, reduce default risk, and enhance customer satisfaction. The present study examines the effectiveness of credit management practices in Aditya Birla Finance and analyses borrower perceptions regarding loan services, approval procedures, interest rates, documentation requirements, and overall satisfaction. The study is based on both primary and secondary data. Primary data were collected from 260 respondents using a structured questionnaire, while secondary data were gathered from journals, company reports, books, and websites. Percentage analysis and descriptive statistical tools were employed to analyse the collected data. The findings reveal that a majority of borrowers prefer NBFCs because of their quick loan processing, flexible lending policies, and customer-oriented services. However, issues such as high interest rates, documentation challenges, and loan rejection at the initial stage continue to affect customer satisfaction. The study also indicates that effective credit appraisal and risk assessment mechanisms contribute significantly to minimizing non-performing assets and improving operational efficiency. The research concludes that credit management is a critical determinant of the success and sustainability of NBFCs. Strengthening credit evaluation systems, leveraging digital technologies, and enhancing customer awareness can further improve credit performance and borrower satisfaction. The study provides valuable insights for NBFCs, policymakers, and researchers interested in understanding the evolving role of credit management in the Indian financial sector.

Keywords: Credit Management, NBFCs, Aditya Birla Finance, Credit Risk, Loan Sanctioning, Borrower Satisfaction, Financial Services, Non-Performing Assets.

I. INTRODUCTION

Non-Banking Financial Companies (NBFCs) have become an indispensable component of the Indian financial system by providing credit and financial services to underserved and unbanked segments of society [1]. They complement traditional banking institutions by offering flexible lending mechanisms and customer-centric financial products [2]. The rapid expansion of NBFCs has significantly contributed to financial inclusion and economic growth [3]. Credit management is one of the most critical functions of NBFCs as it determines their profitability, liquidity, and long-term sustainability [4]. Effective credit management enables institutions to

evaluate borrower creditworthiness and reduce the likelihood of loan defaults [5]. Advances in financial technology have further strengthened credit appraisal and monitoring systems [6]. The increasing demand for personal loans, housing finance, and business loans has expanded the operational scope of NBFCs [7]. Aditya Birla Finance Limited has emerged as a prominent NBFC by providing diversified lending solutions to retail and corporate customers [8]. Sound credit policies help maintain asset quality and ensure financial stability [9]. Proper risk assessment mechanisms enable NBFCs to manage non-performing assets efficiently [10]. Credit management practices also influence customer satisfaction and loyalty [11]. The adoption of digital lending platforms has transformed the loan approval process [12]. Regulatory oversight by the Reserve Bank of India has further strengthened the governance framework of NBFCs [13]. Credit monitoring systems facilitate timely identification of potential loan defaults [14]. Therefore, credit management remains a strategic function that directly impacts organizational performance [15].



The growth of NBFCs in India has intensified competition in the financial services sector, making efficient credit management more important than ever [16]. Modern credit management involves borrower evaluation, risk scoring, loan sanctioning, monitoring, and recovery mechanisms [17]. Customer expectations regarding faster loan approvals and simplified documentation have encouraged NBFCs to innovate continuously [18]. Effective credit risk management contributes to improved profitability and capital adequacy [19]. Several studies have highlighted the relationship between credit management and financial performance [20]. Technology-driven credit assessment models have enhanced decision-making capabilities [21]. Data analytics and artificial intelligence are increasingly used to predict borrower behaviour [22]. Digital transformation has improved operational efficiency and reduced processing costs [23]. NBFCs also play a crucial role in supporting small businesses and entrepreneurs [24]. Responsible lending practices help in maintaining financial discipline among borrowers [25]. Strong internal controls reduce exposure to credit-related risks [26]. Customer satisfaction is influenced by transparency, service quality, and loan accessibility [27]. Sustainable credit management practices contribute to economic development and financial stability [28]. Therefore, examining the credit management practices of Aditya Birla Finance provides valuable insights into the effectiveness of NBFC operations [29]. The present study aims to analyse borrower perceptions and evaluate the role of credit management in enhancing organizational performance and customer satisfaction [30].

II. LITERATURE REVIEW

Several researchers have examined the importance of credit management in financial institutions and NBFCs. Raghava (2022) reported that effective credit scoring significantly improves borrower assessment and minimizes loan defaults [1]. Varma and Richa (2021) emphasized the importance of credit monitoring and periodic review mechanisms [2]. Lehar (2020) highlighted advanced risk measurement techniques for banking and financial institutions [3]. Aron (2019) observed that effective credit strategies contribute to business growth and profitability [4]. Subramanian (2018) emphasized the importance of risk management in microfinance operations [5]. Krishnakumaran (2016) developed credit scoring models using logistic regression techniques [6]. Adhikari (2016) discussed the increasing demand for unsecured lending in India [7]. Dezső and Linda (2012) investigated borrower behaviour and loan repayment patterns [8]. PR Newswire (2013) reported responsible utilization of personal loans among borrowers [9]. Hareesh Kumar and Thomas Paul (2016) examined maturity transformation practices among NBFCs [10]. Long (2009) discussed borrower service delivery mechanisms [11]. Goel (2018) highlighted the contribution of NBFCs to economic development and financial inclusion [12]. Mohan (2014) analyzed the growing significance of NBFCs in the Indian financial ecosystem [13]. Kaushal (2016) emphasized the role of NBFCs in supporting transportation and unorganized sectors [14]. These studies collectively establish the significance of credit management in ensuring financial sustainability and customer satisfaction [15].

Recent literature has increasingly focused on technology-enabled credit management and risk mitigation practices. Researchers have observed that digital lending platforms improve credit accessibility and operational efficiency [16]. Artificial intelligence and machine learning models are being integrated into credit assessment frameworks [17]. Data-driven credit scoring enhances the accuracy of borrower evaluation [18]. Financial institutions have adopted predictive analytics to identify potential defaulters [19]. Regulatory reforms have strengthened risk management practices across NBFCs [20]. Studies indicate that customer satisfaction is positively associated with faster loan processing and transparency [21]. Effective documentation and verification procedures reduce credit risk exposure [22]. Digital transformation has improved service delivery and customer engagement [23]. Loan portfolio diversification contributes to financial stability [24]. Sound governance practices enhance credit quality and institutional performance [25]. Financial inclusion initiatives have expanded access to credit among underserved populations [26]. Customer-centric lending models have increased market penetration [27]. Technology-enabled monitoring systems facilitate early warning detection of defaults [28]. Sustainable credit management practices strengthen organizational resilience [29]. Therefore, the existing literature strongly supports the need for continuous improvement in credit management systems within NBFCs such as Aditya Birla Finance Limited [30].

III. RESEARCH METHODOLOGY

The present study adopts a descriptive research design to analyse the credit management practices of Aditya Birla Finance Limited and understand borrower perceptions regarding loan services. Both primary and secondary data sources were utilized to ensure comprehensive analysis. Primary data were collected through a structured

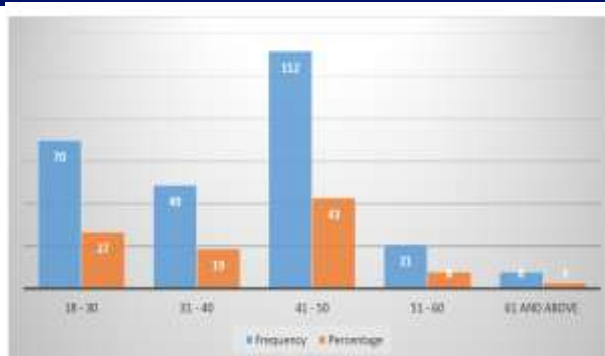
questionnaire administered to borrowers who had availed financial services from the organization. Secondary data were obtained from books, journals, company reports, annual reports, websites, and published research articles related to credit management and NBFC operations. The study focuses on identifying factors influencing borrower satisfaction, loan accessibility, documentation procedures, interest rates, and credit approval processes.

A sample size of 260 respondents was selected using the simple random sampling technique. The collected data were coded, classified, and analysed using percentage analysis and descriptive statistical methods. Various demographic and financial variables such as age, occupation, educational qualification, loan tenure, processing fees, and interest rates were examined to understand borrower behaviour and preferences. Statistical tools including frequency distributions, percentages, tables, and graphical representations were used to interpret the data effectively. The methodology enables systematic evaluation of borrower perceptions and the effectiveness of credit management practices adopted by Aditya Birla Finance Limited. The findings derived from the analysis provide useful insights into credit risk management, customer satisfaction, and operational efficiency within the NBFC sector.

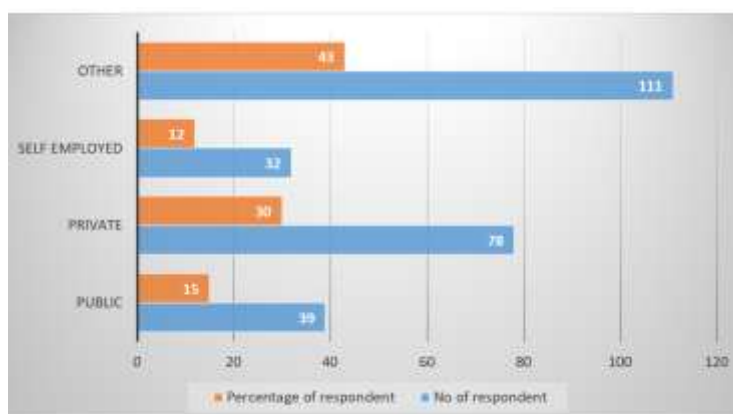
IV. RESULTS & DISCUSSION

The analysis of the survey data revealed several significant findings regarding borrower perceptions and credit management practices. A majority of respondents (43%) belonged to the age group of 41–50 years, indicating that middle-aged individuals constitute the largest segment of borrowers. Graduates represented the highest educational category among respondents, suggesting that educated customers are more inclined to utilize NBFC loan products. The study also found that borrowers from private employment and business backgrounds formed a considerable proportion of the sample. Most respondents preferred NBFC services because of their convenient loan processing procedures and customer-friendly services. The findings further indicated that borrowers generally perceived the loan approval process as efficient, with a significant percentage receiving loan sanctions within one month.

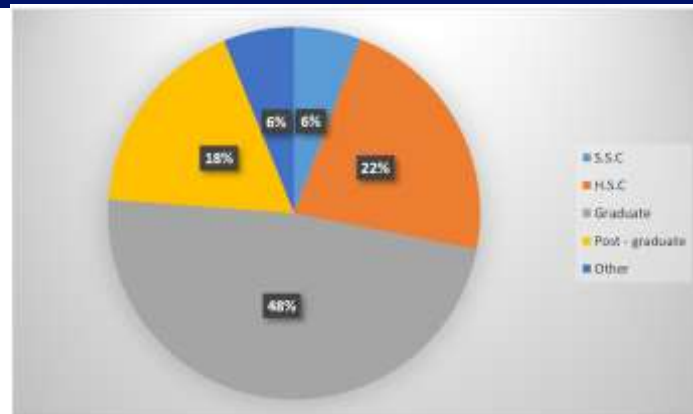
| Basis | Frequency | Percentage |
|--------------|-----------|------------|
| 18 - 30 | 70 | 27 |
| 31 - 40 | 49 | 19 |
| 41 - 50 | 112 | 43 |
| 51 - 60 | 21 | 8 |
| 61 and above | 8 | 3 |
| Total | 260 | 100 |



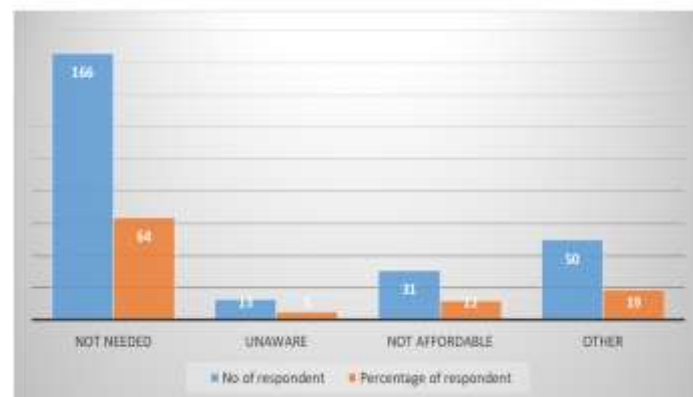
| Occupation | No of respondent | Percentage of respondent |
|---------------|------------------|--------------------------|
| Public | 39 | 15 |
| Private | 78 | 30 |
| Self employed | 32 | 12 |
| Other | 111 | 43 |
| Total | 260 | 100 |



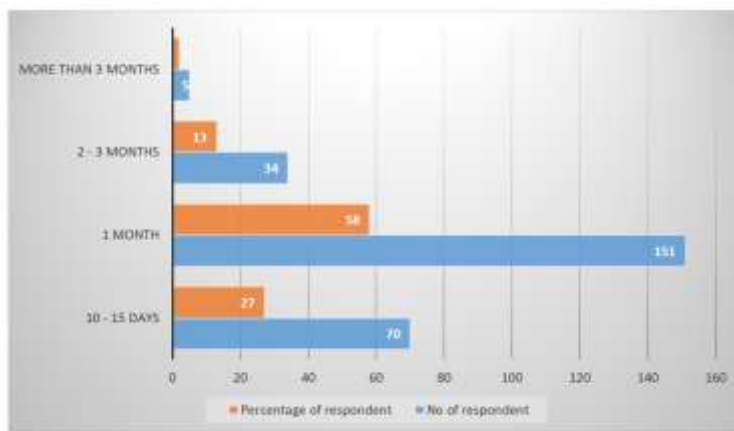
| Education qualification | No of respondent | Percentage of respondent |
|-------------------------|------------------|--------------------------|
| S.S.C | 15 | 6 |
| H.S.C | 58 | 22 |
| Graduate | 125 | 48 |
| Post - graduate | 46 | 18 |
| Other | 16 | 6 |
| Total | 260 | 100 |



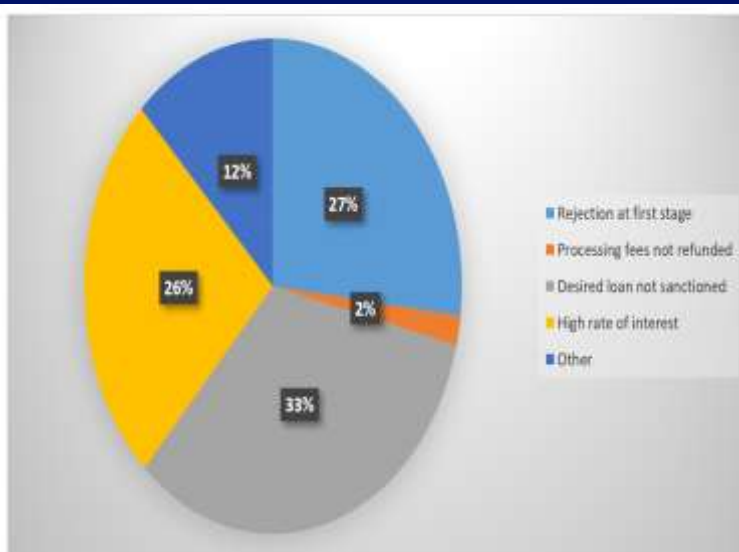
Despite the positive perception of service quality, several challenges were identified. High interest rates emerged as one of the major concerns among borrowers, affecting overall satisfaction levels. Many respondents reported issues related to documentation requirements and rejection at the initial loan processing stage. A substantial number of borrowers also indicated that the desired loan amount was not always sanctioned due to credit appraisal limitations. The majority preferred loan tenures ranging between five and ten years, reflecting a preference for manageable repayment schedules. Furthermore, respondents emphasized the importance of transparency, quicker approvals, and lower processing fees. These findings suggest that while Aditya Birla Finance has established effective credit management systems, there remains considerable scope for enhancing customer experience through improved communication, technology-driven credit assessment, flexible repayment options, and competitive interest rate structures. Strengthening these areas can contribute to higher customer retention and improved organizational performance.



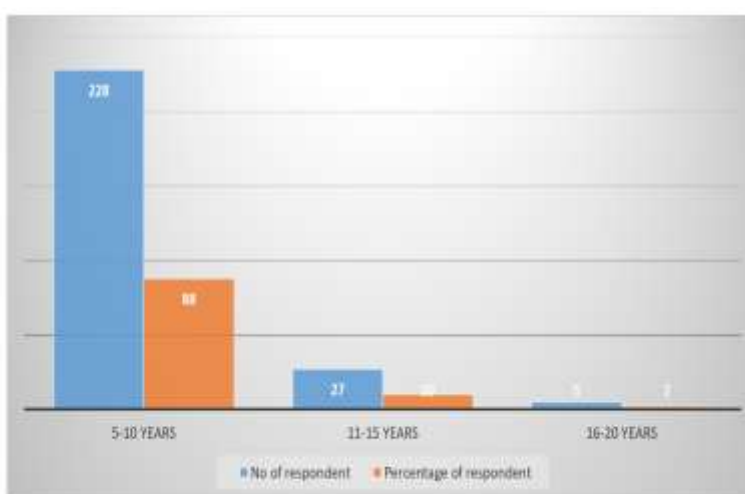
| Period required for to pass a loan | No of respondent | Percentage of respondent |
|------------------------------------|------------------|--------------------------|
| 10 - 15 days | 70 | 27 |
| 1 month | 151 | 58 |
| 2 - 3 months | 34 | 13 |
| More than 3 months | 5 | 2 |
| Total | 29 | 100 |

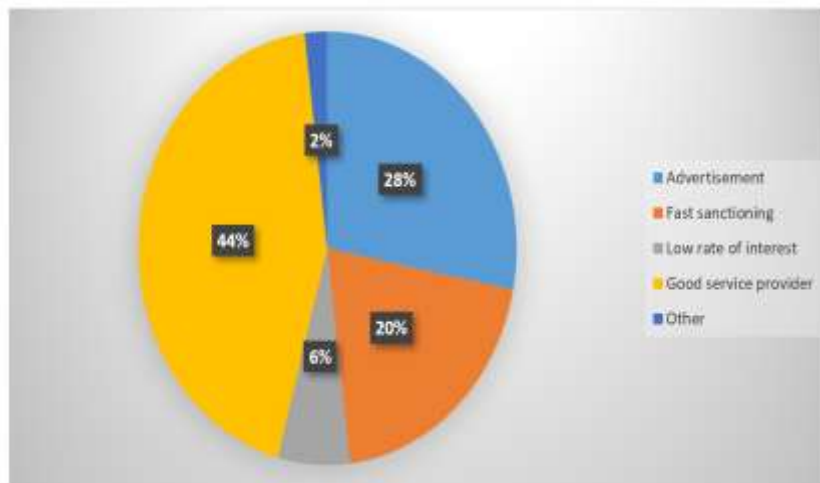


| Types of problem faced during documentation | No of respondent | percentage of respondent |
|---|------------------|--------------------------|
| Rejection at first stage | 70 | 27 |
| Processing fees not refunded | 5 | 2 |
| Desired loan not sanctioned | 86 | 33 |
| High rate of interest | 67 | 26 |
| Other | 32 | 12 |
| Total | 260 | 100 |



| Tenure of loan | No of respondent | Percentage |
|----------------|------------------|------------|
| 5-10 years | 228 | 88 |
| 11-15 years | 27 | 10 |
| 16-20 years | 5 | 2 |
| Total | 260 | 100 |





V. CONCLUSION

The study concludes that credit management is a fundamental component of the operational success and financial sustainability of Non-Banking Financial Companies. Aditya Birla Finance Limited has successfully established itself as a leading NBFC through effective lending practices, customer-oriented services, and diversified financial solutions. The findings indicate that borrowers generally appreciate the convenience, accessibility, and speed of loan processing offered by the company. The implementation of structured credit appraisal systems and risk assessment mechanisms has contributed to maintaining credit quality and minimizing default risks. However, concerns related to high interest rates, documentation complexity, and partial dissatisfaction with loan sanctioning procedures highlight areas requiring continuous improvement. The increasing use of digital technologies, data analytics, and automated credit scoring systems presents significant opportunities for enhancing credit management efficiency. Furthermore, strengthening customer awareness programs, simplifying documentation procedures, and offering flexible loan products can improve borrower satisfaction and long-term customer relationships. As competition within the financial services sector intensifies, NBFCs must continuously innovate and adopt robust credit management strategies to sustain growth and profitability. The study demonstrates that effective credit management not only improves organizational performance but also supports financial inclusion and economic development. Therefore, Aditya Birla Finance and other NBFCs should focus on strengthening risk management frameworks, enhancing customer engagement, and leveraging technology to achieve sustainable growth in an increasingly dynamic financial environment.

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