Performance Evaluation of Gold Loan NBFCs using CAMEL Model

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Abstract

India is known to be the largest importer of gold in the world. Indians have strong fascination and high sentiments to possess the gold. Resultant, the gold loan market also shown vigorous growth in the recent years. Gold loan NBFCs has created a remarkable position for themselves in the process of economic development and financial inclusion by monetizing the idle gold stock of the country on one hand. On the other hand gold loan NBFCs meet the consumption and financing needs especially of the rural and under banked populaces. But on the same time the robust growth of these gold loan NBFCs and their aggressiveness in tapping the potential gold loan market necessitated that their operations should be closely monitored. So, the present study is an endeavor to analyze and compare the financial performance of the two giant gold loan NBFCs namely Manappuram Finance Ltd. and Muthoot Finance Ltd. on the basis of CAMEL model. Overall, the study resulted that both the gold loan NBFCs perform on the same lines on the parameters of CAMEL model. But Manappuram Finance Ltd. is better performer in context of capital adequacy parameter while Muthoot Finance Ltd. is gaining lead in context of management efficiency.

Keywords: Gold, Gold Loan, NBFCs, CAMEL Model.

Introduction

Gold has always been fascinated the mankind since the beginning of civilization. From the centuries mankind has strong urge to possess the precious yellow metal. Gold is considered the most valuable asset and a symbol of wealth and prosperity. In India, the demand for gold is influenced due to various factors such as cultural, economic and social factors. As a tradition, gold is used and gifted in the form of jewellery on various social ceremonies such as weddings and pujas etc. For the unbanked and under-banked Indian populaces which are outside the purview of formal financial system gold acts as a 'store of value' and the most preferred investment avenue. Gold is highly liquid asset, provide hedge against inflation and moreover can be used in the period of economic and financial distress. India is known to be among the largest importers of gold in the world. According to World Gold Council, India has 10 per cent of the total world's gold stock in its possession. India's accumulated gold stock ranges in between 18000-19000 tonnes as per independent estimates. In 2013, annual demand of gold is 974.8 tonnes which is the third highest annual volume in the world.

According to IMaCS Industry Report 2012, Rural India holds around 65 per cent of India's private gold stock in its hands. Till now, Gold loan was considered as a taboo in the Indian society and pledge the gold only in the time of distress as a last resort. But the psychology of Indian consumers is changing over the period of time towards the gold loans. Indian gold loan market is traditionally dominated by unorganized players such as- local moneylenders, pawnbrokers and local jewellery shops and stills hold 75 per cent of the gold loan market. But now the organized players enter into the gold loan market as they view the gold loan as a lucrative business opportunity. Organized players include commercial banks, Non-Banking Financial Companies (NBFCs) and co-operative banks. The organized gold loan market in India registered a CAGR of 78 per cent during the fiscal period 2010-12. The gold loan market in India is expected to continuously growing at the rate of 18 to 20 per cent rate in the future (According to IMacs Industry Report 2012). Although banks continue to retain the dominant share in the gold loan market but the share of NBFCs in the total gold loans increased more than doubled from 13.2 per cent in 2008 to 27.7 per cent in 2012.

Though the banks would always be remained the most important and dominated player in the Indian financial system. But NBFCs have been emerged as a strong competitor of the Indian banks in raising the financial resources as well as in the deployment of the financial resources. NBFCs serve the significant proportion of under-banked and unbanked populace of the country. As the name suggests, the Non-Banking Financial Companies (NBFCs) are those companies which provide financing services but they are not banks under the Banking Regulation Act 1949. Section 45-I (f) of Chapter III-B of Reserve Bank of India Act, 1934 defines Non-Banking Financial Company as:- (i) a financial institution, which is a company; (ii) a non–banking financial institution, which is a company and which has as its principal business the receiving of deposits under any scheme or arrangements or in any other manner or lending in any manner; (iii) such other non-banking financial institutions or class of such institutions, as the bank may, with the previous approval of the central government and by notification in the official gazette, specify. Due to large gold stock in the country among the large section of society and increasing trend of borrowings against gold have encouraged NBFCs in the category of non deposit taking to emerge as 'specialized gold loan companies'. These NBFCs plays an instrumental role in the process of economic growth of the country by monetizing the idle gold stock of the country on one hand and fulfilling the financing needs of the people on the other hand.

Keeping in view the increasing demand of the gold loans, gold loan NBFCs are expanding their operations at much faster pace by opening their new branches throughout the country. This may result into concentration of risk into these types of NBFCs which in turn may pose threat to the financial stability of the country. Moreover, the recent financial crisis also point out the need of more rigorous and frequent examination of these non-banking entities. So the RBI laid down the regulatory framework for NBFCs including on-site inspection based on CAMEL model similar to supervisory criteria followed for banking entities in India.

Review of Literature

Venkateswaran (2012) analyzed that organized gold loan market grew at CAGR of 40 per cent during FY 2002-10. The study pointed out that gold loan market was under-penetrated which accounted just 1.2 per cent of the value of total Gold stock in India. The study concluded that negligible penetration, aggressive network expansion and increasing adoption of gold loans attracted more financial institutions to enter into business to give competition to existing NBFCs. Mary (2013) found out that the demand for gold as an investment avenue was gaining momentum among consumers of Cochin and Delhi. The research resulted that gold was price sensitive at low prices but insensitive to price increase. The study concluded that the gold customers in Cochin and Delhi were price insensitive in nature. Roy (2013) analyzed with the help of CAMEL model that the gold loan NBFCs (Manappuram Finance, Muthoot Finance and Muthoot Fincorp) used heavier debt in their capital structure, aggressive lending policies and their lower liquidity put them on the edge of high risk. Gupta (2014) compared the Economic value added (EVA) with the traditional performance measures (CAMEL indicators) as a predictor of financial health of all public sector banks and 20 top private sector banks during 2003 to 2008. The results revealed that Earning Per Share (EPS) and Return on Net Worth (RONW) were better predictor of financial health of banks followed by EVA over the other indicators. Kumar and Sharma (2014) analyzed the performance of the top 8 market capitalized banks by using CAMEL approach during the period 2006-10. The overall performance showed that SBI was top performer followed by PNB and HDFC bank. Malhotra and Aspal (2014) analyzed the financial performance of the new private sector banks in India by using the CAMELS model during 2008-2012. The study indicated no significant difference in CAMELS ratios among the new private sector banks. The study concluded that Kotak Mahindra bank have excellent performance followed by Axis bank and ICICI bank secured the last rank in terms of performance. Thilakam and Saravanan (2014) examined the financial soundness of the 30 selected NBFCs in Tamil Nadu by using the CAMEL model during the period

2003-2012. The study resulted that the companies in the risky zone reduced from 46 per cent to 41 per cent, in the very satisfactory zone reduced from 49 per cent to 46 per cent but increased in the satisfactory zone from 4 per cent to 13 per cent over the period of study.

Objectives of the study

The present study is aimed to analyzes and compares the financial position and performance of the two giant gold loan NBFCs namely Manappuram Finance Limited and Muthoot Finance Limited by using CAMEL model.

Hypotheses of the study

There is no significant difference in the performance of Manappuram Finance Ltd. and Muthoot Finance Ltd. in terms of selected CAMEL Model's ratios.

Research Methodology

CAMEL model is an internationally accepted ratio based model generally used to measure the efficiency of the banks. CAMEL model covers all the important aspects of the performance (capital adequacy, asset quality, management efficiency, earning capacity and liquidity) of a financial institution. RBI also uses this CAMEL model as supervisory criteria to judge the financial soundness of the NBFCs. To achieve the objective, CAMEL model is used to judge the financial performance of the two giant gold loan NBFCs namely- Manappuram Finance Limited and Muthoot Finance Limited. These two companies are selected on the basis of their market share in the gold loan market. According to IMaCS Industry Report 2012, Muthhot Finance Limited is the largest gold financing company in India in terms of loan portfolio with a market share of 20.3 per cent as on 31st March, 2012. While Manappuram Finance Limited is the second largest gold loan NBFCs (third largest gold financing company in India) with a market share of 9.7 per cent as on 31st March, 2012. The selected gold loan NBFCs are registered with the RBI in the category of NBFC-ND (not accepting public deposits) at present. The study covered the six financial years from 2008-09 to 2013-14. The study is mainly based on the secondary data collected from the annual reports of the sample companies, various reports, journals, articles and websites. The data is analyzed with the help of simple arithmetic mean. Independent t-test has been used to check the significant difference in the mean scores of various ratios of the two selected companies with the help of SPSS-16.0.

Capital Adequacy

A minimum amount of capital is necessary to maintain the safety and soundness of the financial institution. Capital adequacy acts as an important indicator to build and maintain the investors' confidence in the NBFCs. It helps the NBFCs to absorb the risk of potential losses in the adverse economic conditions and provides a hedge against insolvency. It reflects the ability of the top management to raise the additional capital for the further needs. Following ratios are taken into consideration to judge the capital adequacy of the two NBFCs:

a)Capital Adequacy Ratio (CAR): All non-deposit taking NBFCs are required to maintain a minimum capital adequacy ratio consisting of Tier I capital and Tier II capital of not less than 15% of their aggregate risk weighted assets on balance sheet items. CAR= (Tier I capital + Tier II capital)/ Risk weighted assets. Higher the CAR ratio, the stronger will be the NBFC.

b)Debt-Equity Ratio: This ratio indicates the proportion of outsider's funds and shareholders' funds used in the capital structure of the NBFC. Higher ratio indicates less protection available to outsiders and vice-versa.

c)Total Advances to Total Assets Ratio: It shows the ability of the NBFC to lend the amount of advances which will generate the profitability to the business. It is worked out by dividing the total advances to total assets. Higher ratio will result into higher profitability and will be preferable.

TABLE No. 1

Capital Adequacy Ratios

Ratios	Gold loan NBFCs	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	Mean	t-value	DF	Sig-value	Results
Capital Adequacy ratio (in %)	Manappuram	31.74	28.73	29.13	23.39	22.67	27.68	27.22	4.361	10	.001<.05	(S)* Null hypothesis rejected.
	Muthoot	16.30	14.79	15.82	18.29	19.62	24.69	18.25				
Debt-Equity ratio (in times)	Manappuram	2.93	3.17	3.05	4.07	4.21	3.35	3.46	-5.450	5.804	.002<.05	(S)* Null hypothesis rejected.
	Muthoot	9.16	10.02	9.28	6.99	6.87	5.00	7.89				
Total Advances to Total Assets (in %)	Manappuram	67.96	74.21	82.54	80.44	78.89	76.04	76.68	-1.935	10	.082>.05	(NS)** Null hypothesis accepted.
	Muthoot	68.27	84.80	85.97	91.86	90.15	85.94	84.50				

Source: (Author's own calculations. Ratios computed from the annual reports of the companies).

(S)* Significant @ 5% level. **(NS)**** Not significant @5% level.

From Table No. 1 it can be seen that Capital Adequacy Ratio of the two gold loan companies have crossed the minimum requirement of 15 per cent stipulated by the RBI for gold loan companies during the study period except Muthoot Finance Ltd. in the FY 2009-10. But after that Muthoot Finance Ltd. has improved its CAR in all years. But Manappuram Finance Ltd. has more healthier CAR with average of 27.22 per cent as compared to Muthoot Finance Ltd. which has average CAR of 18.25 per cent during the study period. Debt Equity Ratio shows that Manappuram Finance Ltd. follows more conservative leveraging policy compared to Muthoot Finance Ltd. The average debt equity ratio in Manappuram Finance Ltd. is just 3.46 times against the average debt equity ratio of 7.89 times in Muthoot Finance Ltd. It shows that outsider's are more protective in Manappuram Finance Ltd. Total Advances to Total Assets Ratio shows that Muthoot Finance Ltd. is more aggressive in lending compared to its counterpart. Manappuram Finance Ltd. has average advances to its total assets of 76.68 per cent while Muthoot Finance Ltd. converts on an average 84.50 per cent of its total assets into total advances.

The t-test proved that there is significant difference between the two selected companies in terms of capital adequacy ratio and debt equity ratio at 5% level of significance. But there is no significant difference between the two selected companies in terms of total advances to total assets ratio at 5% level of significance. Therefore, the analysis indicated that Manappuram Finance Ltd. outperformed in terms of overall capital adequacy indicator of CAMEL model.

Asset Quality

Quality of the assets should be the parameter to assess the financial health of the financial institution rather than the quantity of the assets. It shows the pattern of employment of funds to generate the earnings for the NBFCs. To check the asset quality of the NBFCs generally gross and net NPAs (non-performing assets) are analyzed which are as follows:

a) **Gross NPA to net Advances:** This measure is used to assess the asset quality of a NBFC when no provision is provided for NPAs. The lower ratio shows the better quality of advances.

b) **Net NPAs to net Advances:** This is a comparatively stronger measure to assess the asset quality. It is calculated by subtracting the provisions on NPAs and interest in suspense account from the gross NPAs and divided it with net advances. The lower ratio is better.

c) **Asset Utilization Ratio:** It shows the efficiency of the NBFCs to utilize its assets to generate the income for the business. It is derived by dividing the total income with total assets. Higher ratio indicates better utilization of assets.

TABLE NO. 2

Asset Quality Ratios

Ratios	Gold loan NBFCs	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	Mean	t-value	DF	Sig-value	Results
Gross NPA/Net Advances (in %)	Manappuram	5.45	1.83	0.39	0.67	1.21	1.22	1.80	.939	10	.370>.05	**(NS)**** Null hypothesis accepted.
	Muthoot	0.63	0.63	0.39	0.65	1.99	1.90	1.03				
Net NPA/ Net Advances (in %)	Manappuram	3.22	0.80	0.13	0.36	0.77	1.01	1.05	.314	10	.760>.05	**(NS)**** Null hypothesis accepted.
	Muthoot	0.57	0.56	0.33	0.57	1.72	1.57	0.89				
Asset Utilization Ratio (in %)	Manappuram	25.17	18.77	15.18	21.99	17.81	19.48	19.73	1.216	10	.252>.05	**(NS)**** Null hypothesis accepted.
	Muthoot	16.46	16.91	16.88	19.46	18.31	19.33	17.89				

Source: (Author's own calculations. Ratios computed from the annual reports of the companies).

(NS)** Not significant @5% level.

Table No. 2 depicted that Gross NPA to Net Advances in both the companies significantly declined up to FY 2010-11 but after that started to increase in the further years. The average gross NPA to net advances of Manappuram Finance Ltd. is 1.80 per cent as compared to 1.03 per cent of Muthoot Finance Ltd., which shows better position of Muthoot Finance Ltd. Net NPA to Net Advances is also significantly improved till 2010-11 but started to increase thereafter. The average net NPA to net advances of Manappuram Finance Ltd. is 1.05 per cent which is much more than the average net NPA to net advances of 0.89 per cent of Muthoot Finance Ltd. The position of Muthoot Finance Ltd. is better than its counterpart because it has made efforts to improve its NPAs position in 2013-14 over the previous year. The increase in NPAs is the result of volatile nature of gold prices, under recovery of loans and later on RBI fixes the lower loan to value ratio (LTV) for the gold loan companies. Asset Utilization Ratio of the two companies is fluctuating during the study period. But the Manappuram Finance Ltd. makes better utilization of its assets to generate the earnings for the business compared to its competing player. The average asset utilization ratio of Manappuram Finance Ltd. is 19.73 per cent which is more than Muthoot Finance Ltd's asset utilization ratio i.e. 17.89 per cent.

The t-test resulted that there is no significant difference between the two selected sample units in terms of gross NPAs and net NPAs to net advances and in asset utilization ratio at selected 5% level of significance. Therefore, it is indicated that both the companies performed same in terms of asset quality indicator of CAMEL model.

Management Efficiency

Efficiency of the management decides the future of the business. It is the management which takes all important decisions relating to capital structure, earnings and assets of the business on the basis of their risk perception. Management efficiency of the NBFCs can be ensured by proper planning, coping with changing environment, adherence with regulatory framework and generate the earnings by maximum utilization of available resources.

a) **Profit Per Branch:** It is the measure to judge the ability of each branch to generate the profits for the NBFCs. It is calculated by dividing the net profits (after int. and taxes) with number of branches at the end of a particular year. Higher ratio indicates higher efficiency per branch.

b) **Profit Per Employee:** It measures the efficiency of each employee to produce the surplus for the business. It is derived by dividing the net profits (after int. and taxes) with the strength of employees at the end of the particular year. Higher ratio indicates higher efficiency of the human resources of the NBFCs.

c) **Business Per Employee:** It shows the productivity of the human capital to generate the business for the NBFCs. In case of NBFC-ND (not accepting public deposits) business means amount of advances lend in a particular year. Business generated will be divided by the number of employees in a particular year. Higher ratio means higher productivity of the human capital.

Return on Net Worth (RONW): It shows the capability of the management to use the shareholders funds to create the maximum returns for them. It is very useful ratio from the shareholders point of view to analyze and compares the returns while investing. It is obtained by dividing the net profits (after int. and taxes) by the shareholders funds. Higher ratio shows better efficiency of the management.

TABLE NO. 3

Management Efficiency Ratios

Ratios	Gold loan NBFCs	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	Mean	t-value	DF	Sig-value	Results
Profit Per Branch (in millions)	Manappuram	0.47	1.19	1.37	2.03	0.63	0.69	1.06	-2.273	10	.046<.05	(S)* Null hypothesis rejected.
	Muthoot	0.99	1.42	1.81	2.43	2.46	1.83	1.82				
Profit Per Employee (in millions)	Manappuram	0.06	0.17	0.17	0.27	0.11	0.13	0.15	-3.080	10	.012<.05	(S)* Null hypothesis rejected.
	Muthoot	0.16	0.23	0.30	0.35	0.40	0.31	0.29				
Business Per Employee (in millions)	Manappuram	0.90	2.72	3.83	4.43	5.51	4.91	3.72	-3.232	10	.009<.05	(S)* Null hypothesis rejected.
	Muthoot	4.30	5.60	7.07	8.47	10.66	8.79	7.48				
Return on Net Worth (in %)	Manappuram	18.05	19.61	14.69	24.84	8.53	9.07	15.80	-3.430	10	.006<.05	(S)* Null hypothesis rejected.
	Muthoot	26.33	38.93	37.03	30.49	26.88	18.29	29.66				

Source: (Author's own calculations. Ratios computed from the annual reports of the companies).

(S)* Significant @ 5% level.

Table No. 3 depicts that Profit Per Branch shows improvement till 2011-12 but after that started to decline. The average profit per branch is 1.06 million in Manappuram Finance Ltd. while Muthoot Finance Ltd. has much higher profit per branch of 1.82 million on an average. Same is the case of Profit Per Employee. The average profit per employee of Muthoot Finance Ltd. is 0.29 million which is approximately two times more than the average profit per employee of 0.15 million of Manappuram Finance Ltd. Both the companies admitted in their annual reports that profits declines in the last two years on account of sluggish macroeconomic scenario, uncertainties in the regulatory environment, defaults more than normal level, increasing competition in the gold loan market especially from banks and volatile gold prices. Due to these factors there is also decline in Business Per Employee in both the companies in FY 2013-14. The average business per employee is 7.48 million in Muthoot Finance Ltd. which is quite high as compared to Manappuram Finance Ltd. which has just 3.72 million average business per employee. Return on Net Worth (RONW) is fluctuating in case of Manappuram Finance Ltd. while it is declining in Muthoot Finance Ltd. during the study period except FY 2009-10. But the average RONW is 29.66 per cent in Muthoot Finance Ltd. which is much higher than average RONW of 15.80 per cent of Manappuram Finance Ltd. Declining RONW shows that there is less efficient use of shareholder's funds to generate the earnings for the business. But the overall study shows that Muthoot Finance Ltd. outperformed Manappuram Finance Ltd. in terms of management efficiency.

The t-test proved that there is a significant difference between the two selected companies in terms of profit per branch, profit per employee, business per employee and RONW at 5% level of significance. Therefore, the overall study resulted that Muthoot Finance Ltd. is better as compared to Manappuram Finance Ltd. in terms of management efficiency indicator of CAMEL model.

Earning Quality

Sustained earnings provide the strong base to the NBFCs to grow in the future, to remain competitive and to increase the capital base internally. Quality of earnings is reflected in the form of higher profitability and continuous growth in earnings which shows better utilization of its assets.

a) **Return on Assets (ROA):** It measures the efficiency of the NBFCs to generate the profits from its operations for every rupee invested in its total assets. A higher ratio would be the result of optimum utilization of its assets. It is worked out by dividing the net profits (after int. and taxes) by the average assets of the NBFCs. While average assets means the average of the assets of the current year and assets of the previous year.

b) **Interest Income to Total Assets:** Interest is the primary source of income for the gold loan NBFCs. Interest income includes interest from gold loans, interest from investments and interest from bank deposits. It indicates the ability of the NBFCs to generate the interest income from its gold lending business mainly. Higher ratio is preferable.

c) **Non-Interest Income to Total Assets:** In case of gold loan NBFCs non-interest income consists income from their money transfer business, gain on sale of investments and income from other non-operating business which constitute a very small proportion of their total income.

TABLE NO. 4

Earning Quality Ratios

Ratios	Gold loan NBFCs	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	Mean	t-value	DF	Sig-value	Results
Return on Assets (in %)	Manappuram	6.53	7.46	5.47	5.96	1.68	1.92	4.84	.786	6.210	.461>.05	**(NS)**** Null hypothesis accepted.
	Muthoot	3.22	4.46	4.90	4.81	3.80	2.84	4.01				
Interest Income to Total Assets (in %)	Manappuram	24.65	18.61	15.11	21.81	17.65	19.15	19.50	1.202	10	.257>.05	**(NS)**** Null hypothesis accepted.
	Muthoot	16.08	16.73	16.75	19.37	18.24	19.18	17.73				
Non-Interest Income to Total assets (in %)	Manappuram	0.52	0.16	0.07	0.18	0.16	0.33	0.24	.812	10	.436>.05	**(NS)**** Null hypothesis accepted.
	Muthoot	0.38	0.19	0.13	0.09	0.08	0.16	0.17				

Source: (Author's own calculations. Ratios computed from the annual reports of the companies).

(NS)** Not significant @5% level.

Table No. 4 shows that Return on Assets (ROA) is fluctuating during the study period but the average return on assets is high in Manappuram Finance Ltd. Average ROA of Manappuram Finance Ltd. is 4.84 per ecnt while it is 4.01 per cent in case of Muthoot Finance Ltd. Due to the number of factors mentioned above there is pressure on profits of the two companies which resulted into less efficiency of assets to generate the earnings. The Average Interest Income to Total Assets is 19.50 per cent in Manappuram Finance Ltd. which is higher than average interest income to total assets of 17.73 per cent of Muthoot Finance Ltd. The Average Non-Interest Income to Total Assets is 0.24 per cent in Manappuram Finance Ltd. which again is higher than average non-interest income to total assets of 0.17 per cent of its counterpart. As compare to banking entities, the non-interest income to total income is very low in case of gold laon companies, so it requires a substantial improvement in this area. Overall, the Manappuram Finance Ltd. is better performer than Muthoot Finance Ltd. in terms of Earning Quality during the study period.

The results of the t-test indicated that there is no significant difference between the two selected gold loan NBFCs in terms of ROA, interest income to total assets ratio and non-interest income to total assets ratio at 5% level of significance. So, the earning quality of both the selected companies is same.

Liquidity

Adequate liquidity is required in any business to take the advantage of favorable investment opportunities and to meet the short term obligations when they arise. Gold loan NBFCs in the category of not accepting public deposits, liquidity does not pose major challenge for them which are otherwise the greatest challenge for their banking counterpart.

a) Liquid Assets to Total Assets: This ratio reflects the overall liquidity position of the concerned NBFCs. Gold loan NBFCs hold liquid assets in the form of cash in hand and bank balances.

TABLE NO. 5

Liquidity Ratio

Ratios	Gold loan NBFCs	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	Mean	t-value	DF	Sig-value	Results
Liquid Assets to Total Assets (in %)	Manappuram	17.18	10.53	8.26	6.77	6.94	7.69	9.56	-.048	10	.962>.05	(NS)** Null hypothesis accepted.
	Muthoot	23.41	8.94	10.02	3.40	4.56	8.01	9.72				

Source: (Author's own calculations. Ratios computed from the annual reports of the companies).

(NS)** Not significant @5% level.

Table No. 5 depicts that both the gold lending companies have very low Liquid Assets to Total Assets Ratio in the FY 2011-12 but after that they make efforts to improve their liquidity position. The liquidity ratio is highest in Muthoot Finance Ltd. with an average score of 9.72 per cent which is 9.56 per cent in Manappuram Finance Ltd. Both the companies should make efforts to keep adequate amount of liquid funds to take advantage of the favorable investment opportunities and to meet the short term obligations when they arise.

The t-test showed that there is no significant difference in the liquidity positions of both the selected sample units at 5% level of significance. Therefore, no company is better as compared to other in terms of liquidity indicator of CAMEL model.

Conclusion

The present study makes an attempt to analyze and compare the financial performance of the two giant gold loan NBFCs namely Manappuram Finance Ltd. and Muthoot Finance Ltd. on the basis of CAMEL model. The main findings of the study are as follows:

- There exist a significant statistical difference in capital adequacy ratio and debt equity ratio of the two selected sample units but no statistical difference in total advances to total assets ratio. Overall, Manappuram Finance Ltd. proved to be good in capital adequacy parameter of CAMEL model because it has healthier CAR and low debt equity ratio as compared to Muthoot Finance Ltd.
- There is no significant difference between the two selected companies in asset quality perspective.
- There exists a significant difference between the two selected NBFCs in context of management efficiency. At this front Muthoot Finance Ltd. has

higher profit per branch, higher profit per employee, higher business per employee and higher RONW as compared to Manappuram Finance Ltd.

- Again there is no statistical difference exist between the two selected units in terms of earning quality parameter and liquidity parameter of CAMEL model.
- Overall, it can be concluded that both the gold loan NBFCs perform on the same lines on the parameters of CAMEL model. But Manappuram Finance Ltd. is better performer in context of capital adequacy parameter while Muthoot Finance Ltd. is gaining lead in context of management efficiency.

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