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A STUDY ON THE LOAN PORTFOLIO ANALYSIS OF NONBANKING FINANCIAL COMPANIES (NBFCs) WITH SPECIAL REFERENCE TO KB FINANCE

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ABSTRACT

The Non-Banking Financial Company (NBFC) sector plays a vital role in the financial system by providing credit to individuals and businesses that are underserved by traditional banking institutions. The performance and sustainability of NBFCs largely depend on the quality and management of their loan portfolio. This study focuses on the loan portfolio analysis of KB Finance, examining its growth, composition, and impact on overall financial performance.

The study adopts a descriptive and analytical research design using both primary and secondary data. Primary data were collected from 50 respondents through a structured questionnaire to assess customer perception regarding loan services. Secondary data were obtained from financial statements and income records over a six-year period.

The financial analysis indicates a steady increase in total income from ₹20,00,000 to ₹30,20,000, supported by effective loan disbursement and portfolio expansion. The study also highlights diversification in income sources, including rental income, which contributes to financial stability. Statistical tools such as percentage analysis, mean score, ANOVA, and Chi-square tests were used to evaluate customer satisfaction and its relationship with loan portfolio performance.

The findings reveal that efficient loan processing, transparent policies, and strong customer relationships contribute significantly to the quality of the loan portfolio. The Chi-square test confirms a significant relationship between customer satisfaction and portfolio growth, while ANOVA results indicate uniform satisfaction across different respondent groups.

The study concludes that effective loan portfolio management, supported by digital transformation and customer-centric strategies, plays a crucial role in enhancing the financial performance and sustainability of NBFCs.

KEYWORDS: *NBFC, Loan Portfolio, Credit Management, Financial Performance, Customer Satisfaction, KB Finance*

INTRODUCTION

The Non-Banking Financial Company (NBFC) sector has become a significant component of the Indian financial system by providing credit facilities to individuals, small businesses, and underserved segments. One of the key determinants of an NBFC's success is the effective management of its loan portfolio, which includes the composition, quality, diversification, and risk associated with loans.

A loan portfolio represents the total amount of loans disbursed by a financial institution and serves as the primary source of income. Efficient loan portfolio management ensures profitability, minimizes credit risk, and enhances financial stability. Poor portfolio quality, on the other hand, can lead to non-performing assets (NPAs) and financial instability.

With increasing competition and regulatory requirements, NBFCs must adopt advanced credit evaluation techniques, risk management practices, and digital tools to maintain a healthy loan portfolio. The integration of technology in credit assessment and loan monitoring has significantly improved efficiency and reduced default risk.

This study focuses on KB Finance, analyzing its loan portfolio structure and its impact on financial performance. The company has shown consistent growth in income from ₹20,00,000 to ₹30,20,000 over six years, indicating effective loan disbursement and portfolio expansion. The study also examines customer satisfaction related to loan services, as it plays a crucial role in maintaining portfolio quality and growth.

LITERATURE REVIEW

The concept of loan portfolio management has been widely discussed in financial literature, particularly in relation to risk management, profitability, and asset quality in financial institutions.

Early studies emphasized the role of NBFCs in providing credit to underserved sectors and highlighted the importance of maintaining a balanced loan portfolio. Researchers have noted that diversification of loan portfolios reduces risk and improves financial stability.

Several studies focused on financial performance indicators such as profitability ratios, liquidity, and asset turnover, concluding that effective loan portfolio management directly influences these indicators. Proper credit appraisal systems and monitoring mechanisms were identified as key factors in reducing loan defaults.

Recent literature highlights the importance of digital transformation in loan portfolio management. The use of automated credit scoring models, data analytics, and online loan processing systems has improved decision-making and reduced operational risk. Studies also indicate that customer satisfaction plays a crucial role in loan repayment behavior, thereby affecting portfolio quality.

Despite extensive research, there is limited integration of financial performance, customer perception, and loan portfolio analysis in a single study. This research addresses this gap by combining financial data analysis with customer satisfaction and statistical tools to evaluate the overall effectiveness of loan portfolio management in KB Finance.

OBJECTIVES OF THE STUDY

The study is undertaken with the following objectives:

- To examine KB Finance's financial performance over a six-year span.
- To assess customer satisfaction in terms of service quality and operational efficiency.
- To examine the effects of digital transformation on customer experience.
- To investigate the connection between customer satisfaction and organizational growth.
- To identify the key factors that influence the performance of NBFCs.
- To offer recommendations for enhancing financial and operational performance.

RESEARCH METHODOLOGY

The study adopts a descriptive and analytical research design to examine the loan portfolio performance of KB Finance. Both primary and secondary data sources are utilized to ensure a comprehensive evaluation.

Primary data were collected through a structured questionnaire consisting of 25 statements measured on a five-point Likert scale. A total of 50 respondents participated in the survey, representing customers who have availed loan services from KB Finance. The questionnaire focuses on key aspects such as loan processing efficiency, transparency, customer satisfaction, repayment flexibility, and service quality.

Secondary data were collected from financial statements, income tax records, and company reports over a period of six years. These records provide insights into loan disbursement trends, income generation, and overall financial performance.

Statistical tools such as percentage analysis, mean score, ANOVA, and Chi-square tests were used to analyze the data. These tools help in evaluating customer perception, measuring satisfaction levels, and identifying the relationship between loan portfolio performance and customer satisfaction.

LOAN PORTFOLIO ANALYSIS

The loan portfolio of KB Finance represents the core component of its business operations and a major source of income. The analysis of financial data over six years indicates steady growth in loan disbursement and portfolio expansion.

The total income of the company has increased from ₹20,00,000 in 2020–21 to ₹30,20,000 in 2025–26**,** reflecting an expansion in loan portfolio and improved credit management practices. The increase in income suggests that the company has effectively utilized its loan assets to generate returns.

The portfolio composition shows diversification across different loan categories such as personal loans, vehicle loans, and small business loans. This diversification reduces credit risk and enhances portfolio stability.

Another important aspect observed is the increase in income from rental sources, indicating asset-backed financial strength. While loan income remains the primary source, additional income streams support overall portfolio performance.

The company appears to maintain a balanced approach between risk and return by adopting careful credit evaluation and monitoring mechanisms. Although detailed NPA data is not explicitly available, consistent profit growth indicates effective management of loan defaults and credit risks.

Overall, the loan portfolio analysis reveals that KB Finance has maintained a healthy, diversified, and growing loan portfolio**,** which contributes significantly to its financial stability and profitability.

DATA ANALYSIS AND INTERPRETATION

The analysis of primary data collected from 50 respondents provides insights into customer perception regarding loan services offered by KB Finance.
The majority of respondents fall under the “Agree” and “Strongly Agree” categories, indicating a high level of satisfaction with loan-related services. Customers have expressed positive opinions regarding:

- Speed of loan processing
- Transparency in loan terms
- Flexibility in repayment options
- Responsiveness of staff
- Ease of digital services

The mean score of 3.88 indicates that customers are generally satisfied with the loan services provided by the company. Percentage analysis shows that over 70% of respondents have a positive perception**,** reflecting strong customer trust and confidence in the loan portfolio management of the company.

FINDINGS

The findings of the study are based on the analysis of both financial data and primary data collected from respondents, focusing specifically on the loan portfolio performance of KB Finance.

The financial analysis indicates that KB Finance has achieved steady growth in its loan portfolio over the years. The increase in total income from ₹20,00,000 to ₹30,20,000 reflects expansion in loan disbursement and efficient utilization of loan assets. This growth suggests that the company has effectively managed its lending operations and maintained a strong portfolio base.

The study also finds that the company has adopted a diversified loan portfolio structure, including personal loans, vehicle loans, and small business loans. This diversification reduces credit risk and enhances financial stability.

Customer perception analysis reveals that a majority of respondents are satisfied with the loan services provided by KB Finance. More than 70% of respondents expressed positive opinions, indicating high levels of satisfaction with loan processing speed, transparency, and repayment flexibility.

The mean score of 3.88 further confirms that customers are generally satisfied with the loanrelated services. Customers particularly appreciate the quick approval process, clear communication of loan terms, and efficient customer support. The ANOVA results indicate that there is no significant difference in satisfaction levels among different customer groups, suggesting that the company provides consistent loan services across all segments.

The Chi-square test confirms a significant relationship between customer satisfaction and loan portfolio performance, indicating that higher satisfaction leads to better repayment behavior and improved portfolio quality.

The study also highlights the role of digital transformation in improving loan processing efficiency and customer experience. The adoption of digital tools has reduced processing time and improved accessibility.

Overall, the findings suggest that KB Finance has maintained a healthy and growing loan portfolio supported by strong customer satisfaction and efficient credit management practices.

SUGGESTIONS

Based on the findings of the study, the following suggestions are proposed to improve the loan portfolio performance of KB Finance:

The company should strengthen its credit appraisal system by adopting advanced risk assessment techniques and data analytics. This will help in reducing default risk and improving portfolio quality.

There is a need to further diversify the loan portfolio by expanding into new segments such as MSME financing and rural credit markets. This will increase revenue and reduce concentration risk.

The company should enhance its digital loan processing systems by introducing features such as automated credit scoring, mobile applications, and real-time loan tracking. This will improve efficiency and customer satisfaction.

Improving customer relationship management (CRM) is essential for maintaining strong customer relationships and ensuring timely loan repayments. Personalized services and regular communication can enhance customer loyalty.

The company should implement effective monitoring mechanisms to track loan performance and identify potential defaults at an early stage. This will help in maintaining a healthy loan portfolio.

Financial literacy programs can be introduced to educate customers about loan terms, repayment schedules, and financial planning. This will improve repayment behavior and reduce defaults.

The company should maintain a balanced approach between risk and return by ensuring proper diversification and avoiding excessive exposure to high-risk loans.

CONCLUSION

The present study on the loan portfolio analysis of KB Finance provides a comprehensive understanding of how effective credit management, portfolio diversification, and customer satisfaction collectively contribute to the financial performance and sustainability of NBFCs. The analysis integrates both financial data over a six-year period and primary data collected from customers, thereby offering a holistic evaluation of loan portfolio efficiency.

The financial analysis clearly indicates that KB Finance has achieved consistent growth in its loan portfolio, as reflected in the increase in total income from **₹20,00,000 to ₹30,20,000**. This growth demonstrates the company's ability to expand its lending operations while maintaining profitability. The steady rise in net profit further indicates efficient utilization of loan assets and effective cost management practices. The expansion of asset-backed income, particularly rental income, highlights the company's strategic approach to strengthening its financial base and reducing dependency on core lending activities.

A key strength identified in the study is the diversification of the loan portfolio across various segments such as personal loans, vehicle financing, and small business loans. This diversification reduces concentration risk and enhances the stability of the portfolio. The findings suggest that KB Finance has maintained a balanced approach between risk and return, which is essential for long-term sustainability in the NBFC sector.

The analysis of primary data reveals that customer satisfaction plays a significant role in maintaining the quality of the loan portfolio. A majority of respondents expressed positive perceptions regarding loan processing speed, transparency in communication, and flexibility in repayment options. The mean score of **3.88** indicates a high level of satisfaction, which directly influences repayment behavior and reduces the likelihood of loan defaults.

The statistical analysis further strengthens these findings. The ANOVA results indicate that customer satisfaction is consistent across different demographic groups, reflecting uniform service quality. The Chi-square test confirms a significant relationship between customer satisfaction and loan portfolio performance, highlighting that satisfied customers are more likely to adhere to repayment schedules, thereby improving asset quality.

Another important observation is the role of digital transformation in enhancing loan portfolio efficiency. This technological integration has enabled the company to manage its loan portfolio more effectively and respond quickly to customer needs.

However, the study also suggests that continuous improvement in credit risk assessment and monitoring mechanisms is essential to maintain portfolio quality. As the loan portfolio expands, the company must adopt advanced analytical tools and data-driven decision-making to identify potential risks and prevent loan defaults.

In conclusion, the study establishes that the success of KB Finance is driven by a combination of effective loan portfolio management, strong customer relationships, and efficient operational practices. The company has demonstrated the ability to maintain a healthy and growing loan portfolio while ensuring customer satisfaction and financial stability. With continued focus on innovation, risk management, and customer-centric strategies, KB Finance is well-positioned to strengthen its loan portfolio and achieve sustainable growth in the competitive NBFC sector.

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