P - 2108

AN ANALYSIS OF TRADE FINANCE PATTERN TO EXPORTERS BY BANKERS OF KARUR DISTRICT .

By

P.DHIVYA
Reg.no.71206631010

of

Department of Management Studies
Kumaraguru College of Technology
Coimbatore

A PROJECT REPORT
Submitted to the

FACULTY OF MANAGEMENT SCIENCES

In partial fulfillment of the requirements
for the award of the degree

of

MASTER OF BUSINESS ADMINISTRATION

August, 2007

DEPARTMENT OF MANAGEMENT STUDIES
KUMARAGURU COLLEGE OF TECHNOLOGY
COIMBATORE

BONAFIDE CERTIFICATE

Certified that this project report titled **"AN ANALYSIS OF TRADE FINANCE PATTERN TO EXPORTERS BY BANKERS OF KARUR DISTRICT"**, is the bonafide work of Ms. **P.DHIVYA. (71206631010)** who carried out the research under my supervision. Certified further, that to the best of my knowledge the work reported herein does not form part of any other project report or dissertation on the basis of which a degree or award was conferred on an earlier occasion on this or any other candidate.

Faculty Guide

Director

Evaluated and viva-voce conducted on ....

Examiner I

ExaminerII

DECLARATION

I, hereby declare that this project report entitled **"AN ANALYSIS OF TRADE FINANCE PATTERN TO EXPORTERS BY BANKERS OF KARUR DISTRICT"**, has been undertaken for academic purpose submitted to Anna University in partial fulfillment of the requirements for the award of the degree of Master of Business Administration. The project report is the record of the original work done by me under the guidance of Miss.S.Sangeetha, Lecturer during the academic year 2006 – 2007.

I, also declare hereby, that the information given in this report is correct to best of my knowledge and belief.

Date: 29.12.07

Place: Coimbatore

P.DHIVYA

LAKSHMI VILAS BANK

Date: - [illegible]

CERTIFICATE

This to certify that Thiru/Miss. P.Dhivya & Roll no: 06MBA10 *sponsored by* Kumaraguru College of Technology *has satisfactorily completed the project on* AN ANALYSIS OF TRADE FINANCE PATTERN TO EXPORTERS BY BANKERS OF KARUR DISTRICT.

During the Project work, her Perfomance, conduct and character were found GOOD

Project In-charge,

Signature of the Manger,

EXECUTIVE SUMMARY

The exporters doing business with the help of trade finance provided by banks. Trade finance means loans or advances availed for doing the trade (Pre-shipment and Post-shipment credit).

The project entitled "An analysis of trade finance pattern to Exporters by bankers of Karur District" was undertaken to increase the market share for trade finance products of LVB in Karur.

LVB bank is a leader in retail assets products. They are entering into trade finance just one year old. They need to get more business. They wish to explore the market potential for trade finance products in Karur.

In this project Descriptive research design is used. The sample size is 75 out of a population of 500 exporters. The study also covered the entire population of 25 banks who service the trade finance requirement of exporters in Karur. The method of sampling adopted is the simple random probability sampling.

The data collected in this research work is primary data. The data were collected through questionnaires. A structured questionnaire was framed for collecting the personal details and research details from the exporters and bankers.

The following statistical tools are used for Percentage Analysis, Chi-square Test, Weighted Average Method.

The study includes finding the competitive advantage of bankers at Karur. The population study of bankers is used to analyze the total trade finance potential in Karur.

The study has identified the major problems faced by exporters and satisfaction level towards banking service and has suggested the ways to improve the share of trade finanace for LVB in SME (Small and Medium Enterprise) segment.

ACKNOWLEDGEMENT

It is inevitable that thoughts and ideas of other people tend to drift into the subconscious when one feels to acknowledge helping derived from others. I acknowledge to all those who have helped me in the preparation of this project work.

I would like to thank the god almighty for his guidance without whom this project wouldn't have become reality.

I wish to express my deep gratitude to the principal Dr. Joseph V. Thanikal for his guidance and encouragement to complete my project work.

I wish to express my sincere thanks to Prof. Devanathan – Director, KCT Business School, for his continuous encouragement throughout my project.

I owe my heartfelt gratitude to Ms S.Sangeetha, KCT Business School, for her help and valuable guidance given to me through out my project.

I express my sincere thanks to Mr.Sivasubramanian, Manager, Lakshmi Vilas Bank, for granting permission to do my project work.

I extend my sincere gratitude to Mrs J.Geetha, Accountant, for his guidance to complete my project successfully.

Lastly I thank all the employees in the organization who were involved knowingly or unknowingly to make this project work successful.

TABLE OF CONTENTS

CHAPTER NO	TITLE	PAGE NO
	List of Tables	vii
	List of Charts	ix
1	**Introduction**	
	1.1 Background of the study	1
	1.2 Objectives of the study	5
	1.3 Scope of the study	6
	1.4 Review of Literature	7
	1.5 Research Methodology	8
	1.6 Limitations	9
	1.7 Chapter Scheme	10
2	**Organization Profile**	
	2.1 History of the Organization	11
	2.2 Organization chart	12
	2.3 Product profile	14
	2.4 Future Plans	16
3	**Macro-Micro Analysis**	17
4	**Data Analysis & Interpretation**	
	4.1 Percentage Analysis	25
	4.2 Chi-Square test	67
5	**Conclusions**	
	5.1 Findings and Suggestions	70
	5.2 Conclusions	74
6	**Bibliography**	75

LIST OF TABLES

TABLE NO	TABLE NAME	PAGE NO
4.1.1	**Table showing the type of business run by exporters of Karur district.**	25
4.1.2	**Table showing Growth trend of exports.**	27
4.1.3	**Table showing the export destinations**	29
4.1.4	**Table showing the Indian Markets concentrated by exporters of Karur district**	31
4.1.5	**Table showing credit period provided by Exporters to their Abroad customers**	33
4.1.6	**Table showing credit period provided by Exporters to their Domestic customers.**	35
4.1.7	**Table showing the mode receipt by the respondents for their transaction.**	37
4.1.8	**Table showing the type of letter of credit by the respondents.**	39
4.1.9	**Table showing the usage of sight letter of credit by the exporters of Karur district.**	41
4.1.10	**Table showing the usage of usance letter of credit by the exporters of Karur district.**	43
4.1.11	**Table showing usage of online Letter of credit.**	45
4.1.12	**Table showing usage of bank Guarantee by Exporters of Karur district.**	47
4.1.13	**Table showing the Margin Money paid for the Bank Guarantee by Exporters of Karur district.**	49

4.1.14	**Table showing Time Taken(days) for providing Bank Guarantee by bank.**	51
4.1.15	**Table showing the Exporters satisfaction level in availing trade finance.**	53
4.1.16	**Table showing year of association of present banks.**	55
4.1.17	**Table showing the branches of Bank in Karur district.**	57
4.1.18	**Table showing the No. of respondents holding current account in Karur banks.**	59
4.1.19	**Table showing the No. of respondents holding Trade finance in Karur district.**	61
4.1.20	**Table showing the No. of Bankers providing ATM services in Karur district**	63
4.1.21	**Table showing year of operation by bankers**	65
4.2.1	**Table showing the relationship between age of banking relationship and banking service (time taken of crediting proceeds**	67

LIST OF CHARTS

CHART NO	CHART NAME	PAGE NO
4.1.1	**Chart showing the type of business run by exporters of Karur district.**	26
4.1.2	**Chart showing Growth trend of exports.**	28
4.1.3	**Chart showing the export destinations**	30
4.1.4	**Chart showing the Indian Markets concentrated by exporters of Karur district**	32
4.1.5	**Chart showing credit period provided by Exporters to their Abroad customers**	34
4.1.6	**Chart showing credit period provided by Exporters to their Domestic customers.**	36
4.1.7	**Chart showing the mode receipt by the respondents for their transaction.**	38
4.1.8	**Chart showing the type of letter of credit by the respondents.**	40
4.1.9	**Chart showing the usage of sight letter of credit by the exporters of Karur district.**	42
4.1.10	**Chart showing the usage of usance letter of credit by the exporters of Karur district.**	44
4.1.11	**Chart showing usage of online Letter of credit.**	46
4.1.12	**Chart showing usage of bank Guarantee by Exporters of Karur district.**	48

4.1.13	**Chart showing the Margin Money paid for the Bank Guarantee by Exporters of Karur district.**	50
4.1.14	**Chart showing Time Taken(days) for providing Bank Guarantee by bank**	52
4.1.15	**Chart showing the Exporters satisfactory level in availing trade finance.**	54
4.1.16	**Chart showing year of association of present banks.**	56
4.1.17	**Chart showing the branches of Bank in Karur district.**	58
4.1.18	**Chart showing the No. of respondents holding current account in Karur banks.**	60
4.1.19	**Chart showing the No. of respondents holding Trade finance in Karur district.**	62
4.1.20	**Chart showing the No. of Bankers providing ATM services in Karur district**	64
4.1.21	**Chart showing year of operation by bankers**	66

CHAPTER I

INTRODUCTION

1.1 BACKGROUND

TRADE FINANCE:

Financial Management of a company is a company is a complete process, involving its own methods and procedure. It is made even more complex because of the globalization taking place, which is making the worlds financial and commodity markets more integrated. The integration is both across countries as well as markets. Not only the markets, but even the companies are becoming international in their operations and approach. This changing scenario makes it imperative for a student of finance to study international finance.

When a firm operates only in he domestic market, both for procuring inputs as well as selling its output, it needs to deal only in the domestic currency. As companies try to increase their international presence, either by undertaking international trade or by establishing operations in foreign countries, they start dealing with people and firms in various nations. Since different countries have different domestic currencies, the question arises as to which currency the trade should be settled in. The settlement currency may either be the domestic currency of one of the parties to the trade, or may be an internationally accepted currency. This gives rise to the problem of dealing with a number of currencies. The mechanism, by which the exchange rate between these currencies is determined, along with the level and the variability of the exchange rates, can have a profound effect on the sales, costs and the variability.

The exporters are doing business with the help of trade finance provided by the banks. Trade finance means loans or advances availed for doing the trade (Pre-shipment and Post-shipment credit).

The various trade finance products analyzed in the study are

1) Letter of Credit – Inland
2) Letter of Credit – foreign
3) Bank Guarantee
4) Inland Bill

EXPORT FINANCE

Short-term working capital finance both at the pre-shipment and post-shipment stages

PRE-SHIPMENT FINANCE

Facility provides liquidity for procuring raw materials, processing, packing, transporting, warehousing of goods meant for export. Pre-shipment finance is extended in the following forms:

Packing Credit in Rupees
Packing Credit in foreign currency (PCFC)

POST-SHIPMENT FINANCE:

It is a credit facility extended from the date of shipment of goods till the realization of the export proceeds. The different types of post-shipment advances include:

Export bills purchased/discounted
Export bills negotiated (against letter of credit)
Advances against bills sent on collection basis
Advances against exports on consignment basis
Advances against undrawn balances
Advances against Duty Drawback

Exporters have the option of availing Post-Shipment finance either in rupees or in foreign currency.

IMPORT FINANCE:

Both fund based and non-fund based services are offered through Import Finance. Non-fund based services include the following

LETTER OF CREDIT

Letter of credit is a time-tested mechanism for settlement of international trade transactions. Letter of Credit is an undertaking given by us at your request to effect payment against presentation of credit complying documents.

PARTIES OF LC'S:

a) ADVISING BANK:

Issuing bank's branch or correspondent in exporter's country to whom the letter of credit is sent for onward transmission to the seller or beneficiary.

b) NEGOTIATING BANK:

It is the bank to which the beneficiary presents his documents for negotiation or acceptance under the credit.

LC CATEGORIES:

SIGHT LC:

This type of LC used for immediately payment received by buyers after they received the goods.

USANCE LC:

This type of LC used for credit period provide to buyers i.e. 30 to 180 Days.

GUARANTEE

Guarantee is a facility where Banker stands as a guarantor for financial as well as performance obligation of a client for a fee.

FACTORING

Through our factoring services we finance company's business against unpaid invoices drawn in favor of clients. This relieves you of credit control, sales ledger administration and debt collection module.

Our Fund based services include:

Working capital finance in the form of cash credit facility

Term loan

Suppliers Credit (Credit extended by the overseas supplier. Supplier credit up to 180 days does not require RBI permission)

INLAND BILL DISCOUNTIG

We offer finance for the bills covering purchase of raw materials/inventory for production purposes and sale of goods. A letter of credit or a non-LC bill either backs the bills.

BILL COLLECTION

In addition to bill discounting, we also under take bill collections for both inland and foreign bills for our clients.

COLLECTION OF IMPORT BILLS:

Handling, Processing & Remittance in respect of Import Bills on collection basis received from a Foreign Bank / Overseas Buyer.

COLLECTION OF EXPORT BILLS:

Handling, Processing & collection of Export bills sent abroad on collection basis.

COLLECTION OF INLAND BILLS:

With our wide network of Inland branches and our correspondent banking relationships, we help you in faster and efficient collections of your trade and service bills.

BANK GUARANTEE:

We issue both Performance and Financial Guarantees Bank Guarantees for beneficiary abroad is also issued Quick service for bank guarantee issue.

ASSET BOOK VALUE:

Asset book value means loans and advances given to customers.

LIABILITY BOOK VALUE:

Liability book value means account balances and deposits of customers.

STATEMENT OF THE PROBLEM

LVB is the leader in retail assets products. They are entering into trade finance just one year old in SME segment. They need to get more business. They want to explore market potential for trade finance products. Hence this study entitled "A Study and Analysis of trade finance pattern between bankers and exporters at karur" has been undertaken

1.2 OBJECTIVES OF THE STUDY:

PRIMARY OBJECTIVE:

To identify the major problems faced by exporters, satisfaction level towards banking service and suggest the ways to improve the share of trade finance for LVB in Small and Medium segment.

SECONDARY OBJECTIVE:

- To analyze the total demand for trade finance products for the exporters in Karur.
- To analyze the usage of trade finance products among exporters in Karur.
- To analyze the competitive advantage of different bankers in Karur
- To explore the market potential for trade finance products.
- To know the growth of business and need of trade finance products.

1.3 SCOPE OF THE STUDY:

- Market analysis is needed for the acquisition of market share.
- The growth of business is helpful to know the future need of the exporters.
- The usage of trade finance products gives the information about the awareness of products.
- Market analysis is needed for the present and future product development.
- It is helpful to know the customer satisfaction with the services provided by the other competitive banks.
- This study is very helpful to know the competitive advantage of the LVB Bank Ltd.
- Market analysis is very useful to study the customer behavior in the karur export market.
- It is very helpful to increase the market share of LVB in Karur Export market.

1.4 REVIEW OF LITERATURE:

- ***Tower group research*** concluded that documentary credits or letter of credits and related products still play an important role in international trade finance. In this research shows how technology automation in the traditional letter of credit business is superficial at best.

- A recent Trade research focuses ongoing research on international trade finance pattern in the ***World Bank***. The World Bank undertakes research to better understand the role of international trade in development and poverty reduction.

- ***ADB.org*** conducted bank guarantee research concluded that the guarantee has proved a useful and flexible instrument of bank operations. An instrument that can be adapted to individual project and program needs country circumstances and international capital market conditions.

- ***World Bank research*** on trade finance:
    - The major function of the research program is to address trade finance issues that are of global importance such as WTO and the design /impact of regional integration agreements on both members and excluded countries.

- ***Econ.worldbank.org*** Recent research suggests that implicit borrowing, in the form of trade credit, may provide one such source of funds.

- ***The BBLC (BacktobackLC.com)*** recent survey concluded that non-traditional trade finance provided for fast growing trading companies that are long on orders and short on cash.

1.5 RESEARCH METHODOLOGY:

1.5.1 INTRODUCTION:

Research methodology is way to systematically solve the research problem. It includes the overall research design, the sampling procedure, and data collection method and analysis procedure.

1.5.2 RESEARCH DESIGN:

A research design is the arrangement of condition for collection and analysis of data in a manner, which may result in an economy in procedure. It stands for planning for collection of relevant data and the techniques to be used in analysis, keeping in view the objectives of the research and availability of time.

1.5.3 DESCRIPTIVE RESEARCH DESIGN:

Descriptive research includes survey and fact-finding enquires of different kinds. The major purpose of this research is description of affairs as it exits at present.

1.5.4 SAMPLING TECHNIQUE:

The method of sampling adopted is the simple random probability sampling. A list of exporters in Karur city was made and they were visited. Individual exporters were selected at random and were listed to gather the required information.

1.5.5 DATACOLLECTION METHOD:

The data collected in this research work is primary data. The data were collected through questionnaires. A structured questionnaire was framed for collecting the personal details and research details from the exporters and bankers.

There are two types of questionnaires are used in this research work.

1. Questionnaire to Exporters
2. Questionnaire to Banks

1.5.6 STATISTICAL TOOLS:

The following statistical tools are used for this research work to extract the information, final interpretation and suggestion for the report

1. Percentage Analysis
2. Chi-square Test

1.5.7 SAMPLE SIZE:

The following sample size has been considered for the study

- For exporters – 75
- For bankers – 25

1.6 LIMITATIONS

- The area under study is restricted only to Karur city and its outskirts
- As the questionnaire was pertaining to the financial details of the exporters the turnovers and funding from banks are approximated
- The information provided by the respondents could also be biased or inaccurate. No independent verification of the data was possible.
- Some of the exporters declined to provide details. So the study is limited to those who agreed to provide data.
- While it was proposed to study 40 banks (entire population) only 26 banks responded to the questionnaire.
- If more exporters in the Karur city on were contacted, the information would have made this study more exhaustive but due to time limitations it was not possible.

1.7 CHAPTER SCHEME:

CHAPTER 1

This chapter deals with introduction, objective, scope, research methodology, limitations pertaining to the study are covered under this chapter.

CHAPTER 2

This chapter conveys the history of LAKSHMI VILAS BANK LTD. This chapter highlights the origin, development, objectives, product profile, market potential, management and future plans of the company.

CHAPTER 3

This chapter gives the macro and micro analysis of banking sector with respect to LAKSHMI VILAS BANK.

CHAPTER 4

This chapter deals depicts the data analysis and interpretation.

CHAPTER 5

This chapter gives summary of findings, suggestions given and the conclusion from the study undertaken.

CHAPTER II

ORGANIZATION PROFILE

2. ORGANISATION_PROFILE:

2.1 HISTORY OF THE ORGANISATION:

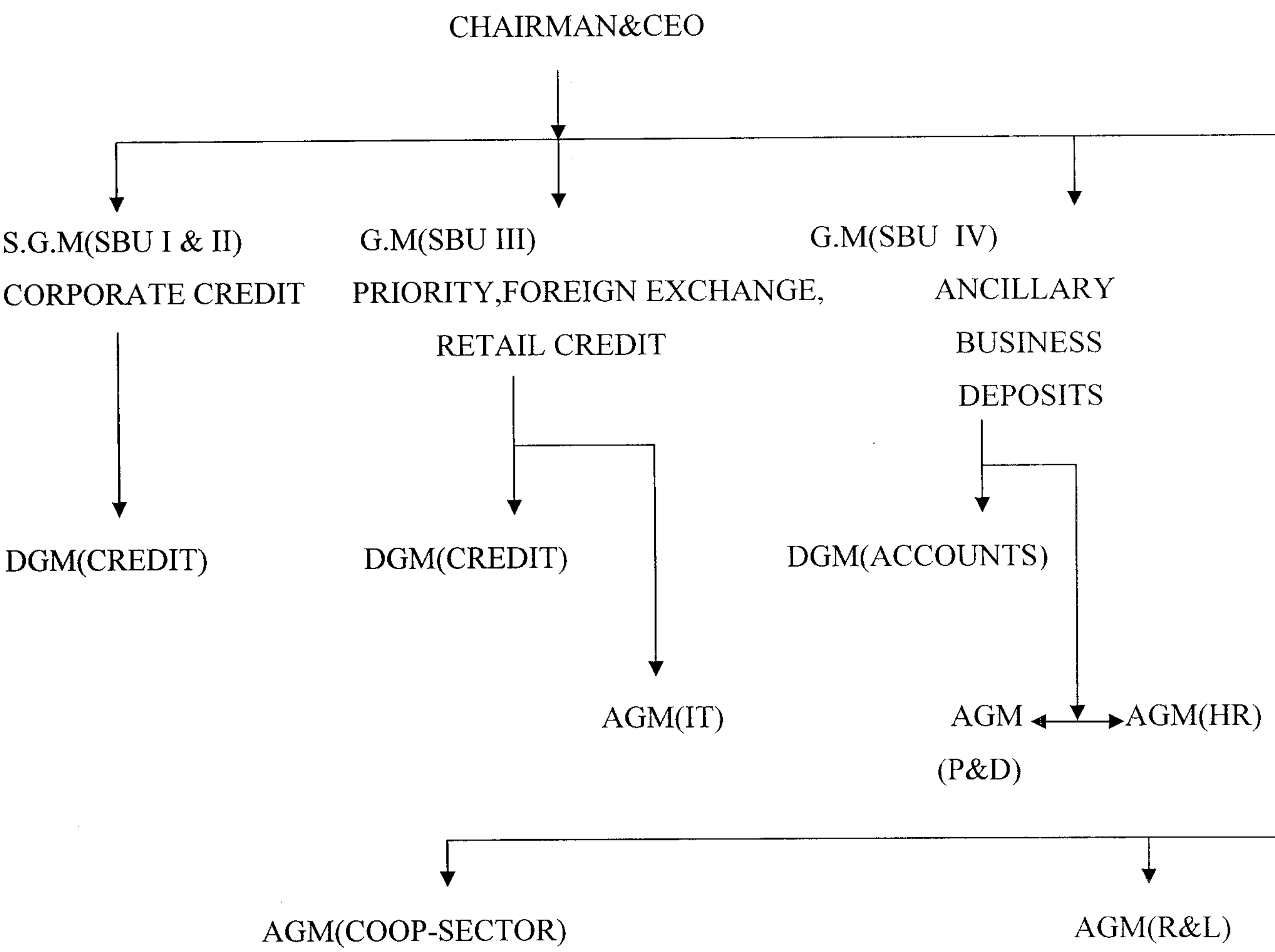
The Lakshmi Vilas Bank Limited was founded seven decades ago (in 1926) by seven people **karur** under the leadership of **Shri V.S.N. Ramalinga Chettiar**, mainly to cater to the financ needs of varied customer segments. The bank was incorporated on November 03, 1926 under the Indian Companies Act, 1913 and obtained the certificate to commence business on November 10, 1926, The Bank obtained its license from RBI in June 1958, and in August 19 it became a Scheduled Commercial Bank.

During 1961-65 LVB took over nine Banks and raised its branch network considerably. To m the emerging challenges in the competitive business world, the bank started expanding its boundaries beyond TamilNadu from 1974 by opening branches in the neighboring states of Andhra Pradesh, Karnataka, Kerala, Maharashtra, Madhya Pradesh, Gujarat, West Bengal, U Pradesh, Delhi and Pondicherry. Mechanization was introduced in the Head office of the Ban as early as 1977. At present with a network of 232 branches, spread over 10 states and the uni territory of Pondicherry, the Banks focus is on customer delight by maintaining high standard of customer service and amidst all these new challenges the bank is progressing admirably. L has a strong and wide base in the state of Tamil Nadu, one of the progressive states in the country, which is politically stable and has a vibrant industrial environment.LVB, has been focusing on retail banking, corporate banking and bank assurance, of late the bank has been drawing fee based income.

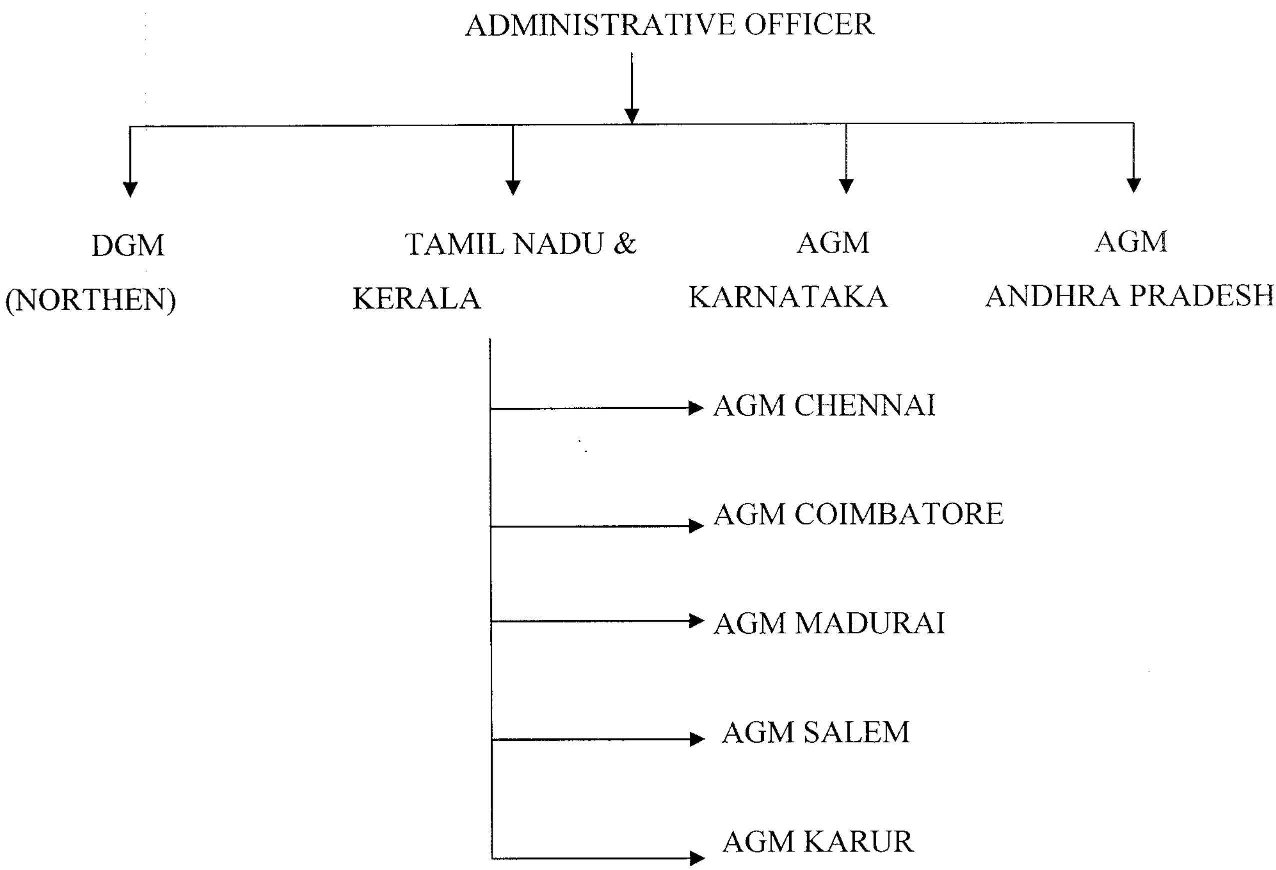
The Bank's business crossed Rs. 7,289.20 crore as on March 31, 2006. The Bank earne **Net profit** of **Rs. 22.47 crore**. The Net owned Funds of the Bank reaches Rs. 291.05 crore. With a fairly good quality of loan assets the Net NPA of the bank was pegged at 1.89% as on March 31, 2006 down from 4.98% as on March 31, 2005.

2.2 ORGANISATION STRUCTURE:

2.2.1 ORGANISATION CHART —ADMINISTRATIVE OFFICE



2.2.2 ORGANISATION CHART- DIVISION OFFICE



2.3 PRODUCTS PROFILE:

2.3.1 DEPOSITS:

1) Fixed Deposits
2) Recurring Deposit
3) Dhanachakra Deposit
4) Thirumagal Thiruvizha Thittam
5) Lakshmi Star Deposit Scheme
6) Lakshmi Kripa Deposit Scheme
7) Lakshmi Lakhpathy Recurring Deposit

2.3.2 LOANS:

1) Lakshmi Business Credit
2) Lakshmi Professional Credit
3) Lakshmi Home Loan
4) Lakshmi Car Loan
5) Lakshmi Swarna Aparna Loan
6) Lakshmi Multipurpose Loan
7) Lakshmi Home Comfort Loan
8) Lakshmi Start-up Professional Loan
9) Initial Public Offer
10) Lakshmi Rental Loan
11) Lakshmi Personal vehicle Loan
12) Lakshmi Easy Loan

LAKSHMI VILAS BANK LIFE INSURANCE PRODUCTS:

1) Easy Life Plus

2) Pension Plus

3) Amar Suraksham

4) Secure Life

5) Life Bond

LAKSHMI VILAS BANK NRI SERVICES:

1) FCNR(B) Deposit

2) RFC Deposit

3) NRE Deposit

2.4 FUTURE PLANS

- 66% of the bank's branches in the rural and semi-urban areas, the bank would concentrate on retail lending in housing, small business, self help groups, traders and personal segments.
- The bank has introduced nine credit schemes with the brand name of 'Lakshmi', such as Lakshmi Business Credit, Agribike Loan, Home Loan, Professional Credit, Consumer Credit, Car Loan, Rental Loan. Scooter Loan and Swarna Lakshmi Credit.
- 30% of the increase in the advances of the bank for the last year was on account of the successful implementation of the above retail products.
- In Future LVB would exhibit connectivity between its branches through Infinet and leased lines.

CHAPTER III

MACRO – MICRO ANALYSIS

3.1 BANKING SECTOR IN INDIA

With years, banks are also adding services to their customers. The Indian banking industry is passing through a phase of customers market. The customers have more choices in choosing their banks. A competition has been established within the banks operating in India.

With stiff competition and advancement of technology, the service provided by banks has become more easy and convenient. The past days are witness to an hour wait before withdrawing cash from accounts or a cheque from north of the country being cleared in one month in the south.

Private banking in India was practiced since the beginning of banking system in India. The first private bank in India to be set up in Private Sector Banks in India was IndusInd Bank. It is one of the fastest growing Bank Private Sector Banks in India. IDBI ranks the tength largest development bank in the world as Private Banks in India and has promoted world class institutions in India.

Without a sound and effective banking system in India it cannot have a healthy economy. The banking system of India should not only be hassle free but it should be able to meet new challenges posed by the technology and any other external and internal factors.

For the past three decades India's banking system has several outstanding achievements to its credit. The most striking is its extensive reach. It is no longer confined to only metropolitans or cosmopolitans in India. In fact, Indian banking system has reached even to the remote corners of the country. This is one of the main reason of India's growth process.

The government's regular policy for Indian bank since 1969 has paid rich dividends with the nationalisation of 14 major private banks of India.Not long ago, an account holder had to wait for hours at the bank counters for getting a draft or for withdrawing his own money. Today, he has a choice. Gone are days when the most efficient bank transferred money from one branch to other in two days. Now it is simple as instant messaging or dials a pizza. Money has become the order of the day.

The first bank in India, though conservative, was established in 1786. From 1786 till today, the journey of Indian Banking System can be segregated into three distinct phases. They are as mentioned below:

- Early phase from 1786 to 1969 of Indian Banks
- Nationalization of Indian Banks and up to 1991 prior to Indian banking sector Reforms.
- New phase of Indian Banking System with the advent of Indian Financial & Banking Sector Reforms after 1991.

3.1.1 PRIVATE BANKING SECTOR:

The first Private Bank in India to receive an in principle approval from the Reserve Bank of India was Housing Development Finance Corporation Limited, to set up a bank in the private sector banks in India as part of the RBI's liberalisation of the Indian Banking Industry. It was incorporated in August 1994 as HDFC Bank Limited with registered office in Mumbai and commenced operations as Scheduled Commercial Bank in January 1995.

ING Vysya, yet another Private Bank of India was incorporated in the year 1930. Bangalore has a pride of place for having the first branch inception in the year 1934. With successive years of patronage and constantly setting new standards in banking, ING Vysya Bank has many credits to its account. Major private banks in India are:

- Bank of Rajasthan
- Bharat Overseas Bank
- Catholic Syrian Bank
- Centurion Bank of Punjab
- Dhanalakshmi Bank
- Federal Bank
- HDFC Bank
- ICICI Bank
- IDBI Bank
- IndusInd Bank
- ING Vysya Bank
- Jammu & Kashmir Bank

- Karnataka Bank
- Karur Vysya Bank
- Kotak Mahindra Bank
- **Lakshmi vilas bank**
- SBI Commercial and International Bank
- South Indian Bank
- United Western Bank
- UTI Bank
- YES Bank

3.1.2 PUBLIC BANKING SECTOR :

Among the Public Sector Banks in India, United Bank of India is one of the 14 major banks which were nationalised on July 19, 1969. Its predecessor, in the Public Sector Banks, the United Bank of India Ltd., was formed in 1950 with the amalgamation of four banks viz. Comilla Banking Corporation Ltd. (1914), Bengal Central Bank Ltd. (1918), Comilla Union Bank Ltd. (1922) and Hooghly Bank Ltd. (1932).

Oriental Bank of Commerce (OBC), a Governmet of India Undertaking offers Domestic, NRI and Commercial banking services. OBC is implementing a GRAMEEN PROJECT in Dehradun District (UP) and Hanumangarh District (Raiasthan) disbursing small loans. This Public Sector Bank India has implemented 14 point action plan for strengthening of credit delivery to women and has designated 5 branches as specialized branches for women entrepreneurs.

List of Public Sector Banks in India is as follows:

- Allahabad Bank
- Andhra Bank
- Bank of Baroda
- Bank of India
- Bank of Maharashtra
- Canara Bank

- Corporation Bank
- Dena Bank
- Indian Bank
- Indian Overseas Bank
- Oriental Bank of Commerce
- Punjab and Sind Bank
- Punjab National Bank
- State Bank of Bikaner & Jaipur
- State Bank of Hyderabad
- State Bank of India (SBI)
- State Bank of Mysore
- State Bank of Patiala
- State Bank of Saurashtra
- State Bank of Travancore
- Syndicate Bank
- UCO Bank
- Union Bank of India
- United Bank of India
- Vijaya Bank

3.1.3 FOREIGN BANKS:

Foreign banks have brought latest technology and latest banking practices in India. They have helped made Indian Banking system more competitive and efficient. Government has come up with a road map for expansion of foreign banks in India

The road map has two phases. During the first phase between March 2005 and March 2009, foreign banks may establish a presence by way of setting up a wholly owned subsidiary (WOS) or conversion of existing branches into a WOS. The second phase will commence in April 2009 after a review of the experience gained after due consultation with all the stake holders in the banking sector. The review would examine issues concerning extension of national treatment to WOS, dilution of stake and permitting

Major foreign banks in India are:

- ABN-AMRO Bank
- Abu Dhabi Commercial Bank Ltd.
- American Express Bank Ltd
- BNP Paribas
- Citibank
- DBS Bank Ltd
- Deutsche Bank
- HSBC Ltd
- Standard Chartered Bank

3.2 INTERNATIONAL SCENARIO:

3.2.1AMERICAN BANKING SECTOR

United States Banking began in 1781 with an act of United States Congress that established the Bank of North America in Philadelphia. During the American Revolutionary War, the Bank of North America was given a monopoly on currency; prior to this time, private banks printed their own bank notes, backed by deposits of gold and/or silver.

Robert Morris, the first Superintendent of Finance appointed under the Articles of Confederation, proposed the Bank of North America as a commercial bank that would act as fiscal agent for the government. The monopoly was seen as necessary because previous attempts to finance the Revolutionary War with paper currency had failed; after the war, a number of banks were chartered by the states under the Articles of Confederation, including the Bank of New York and the Bank of Massachusetts, both of which were chartered in 1784.

The Bank of North America was succeeded by the First Bank of the United States, which the United States Congress chartered in 1791 under Article One, Section 8 of the United States Constitution, after the Constitution replaced the Articles of Confederation as the foundation of American government. However, Congress failed to renew the charter for the Bank of the United States, which expired in 1811. Similarly, the Second Bank of the United States was chartered in 1816 and shuttered in 1836.

3.2.2CHINESE BANKING SECTOR:

China's banking system has undergone significant changes in the last two decades: banks are now functioning more like banks than before. Nevertheless, China's banking industry has remained in the government's hands even though banks have gained more autonomy. China's accession to WTO will lead to a significant opening of this industry o foreign participation.

The People's Bank of China (PBOC) is China's central bank, which formulates and implements monetary policy. The PBOC maintains the banking sector's payment, clearing and settlement systems, and manages official foreign exchange and gold reserves.

According to the 1995 Central Bank law, PBOC has full autonomy in applying the monetary instruments, including setting interest rate for commercial banks and trading in government bonds. The State Council maintains oversight of PBOC policies.

According to the official Announcement by CBRC posted on its website, the CBRC is responsible for °the regulation and supervision of banks, asset management companies, trust and investment companies as well as other deposit-taking financial institutions. Its mission is to maintain a safe and sound banking system in China.

The Industrial & Commerce Bank of China (ICBC) is the largest bank in China by total assets, total employees and total customers. ICBC differentiates itself from the other State Owned Commercial Banks by being 2nd in foreign exchange business and 1st in RMB clearing business. It used to be the major supplier of funds to China's urban areas.

In the midst of the reforms of the 1980s, the government established some new investment banks that engaged in various forms of merchant and investment banking activities. Many of the 240 or so international trust and investment corporations (ITICs) established by government agencies and provincial authorities, however, experienced severe liquidity problems after the bankruptcy of the Guangdong International Trust and Investment Corporation (GITIC) in late 1998.

Years of government-directed lending has presented Chinese banks with large amounts of non-performing loans. According to the Central Bank's report, non-performing loans account for 21.4 percent to 26.1 percent of total lending of China¡¯s four big banks in 2002. In 1999, four asset management companies (AMC) were established to transfer the non-performing assets from the banks. The AMCs plan to repackage the non-performing

The central government has allowed several small banks to raise capital through bonds or stock issues. Followed the listing of Shenzhen Development bank and Pudong Development Bank, China Minsheng Bank, , was listed on the Shanghai Stock Exchange.

The reform of the banking system has been accompanied by PBOC's decision to decontrol interest rates. Market-based interest rate reform is intended to establish the pricing mechanism of the deposit and lending rates based on market supply and demand. The central bank would continue to adjust and guide the interest rate development, which allows the market mechanism to play a dominant role in financial resource allocation.

China's entry into the WTO will bring tremendous opportunities to foreign banks. As a milestone move to honor its WTO commitments, China released the Rules for Implementing the Regulations Governing Foreign Financial Institutions in the People's Republic of China in January 2002. The rules provide detailed regulations for implementing the administration of the establishment, registration, scope of business, qualification, supervision, dissolution and liquidation of foreign financial institutions.

Client restriction on foreign currency business has been lifted immediately after China's entry into the WTO on December 11, 2001. For local currencies, geographic restriction will be phased out beginning with four major cities: Shanghai, Shenzhen, Tianjin and Dalian---upon China's WTO accession. Foreign-funded banks were further allowed to do RMB business in Guangzhou, Zhuhai, Qingdao, Nanjing and Wuhan from December 1, 2002. With respect to the client restriction, foreign financial institutions have been permitted to provide foreign currency services to Chinese enterprises and individuals, and will be permitted to provide local currency business to all Chinese clients within five years after WTO accession.

CHAPTER IV

DATA ANALYSIS AND INTERPRETATION

PERCENTAGE ANALYSIS

Table No: 4.1.1

TABLE SHOWING THE TYPE OF BUSINESS RUN BY EXPORTERS OF KARUR DISTRICT

Constitution	No of respondents	%
Sole proprietor	18	24
Partnership	48	63
Private Ltd	8	12
Public Ltd	1	1
Total	**75**	**100**

INTERPRETATION:

From the table it was found that 63% of the companies are Partnership firms, 24% of companies are Sole proprietorship companies, 12% of the companies are Private Ltd companies and 1% of companies are Public Ltd companies.

INFERENCE:

Most of the companies (63%) in Karur district are Partnership companies.

CHART NO: 4.1.1

CHART SHOWING THE TYPE OF BUSINESS RUN BY EXPORTRS OF KARUR DISTRICT

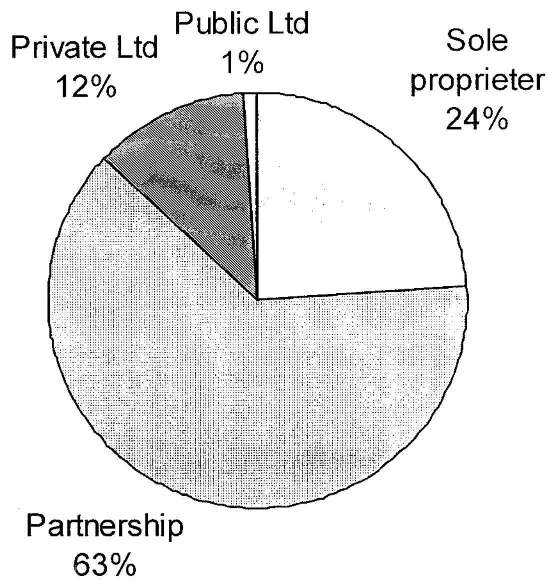


TABLE NO: 4.1.2

TABLE SHOWING GROWTH TREND OF EXPORTS

YEARS	SALES TURNOVER	INCREASE IN AMOUNT	INCREASE IN %
2003-2004	1630.54	-	-
2004-2005	2100.54	470	28.8
2005-2006	2622.7	522.16	24.9

INTERPRETATION:

From the table it was found that the turnover of the companies is growing steadily from 2003 to 2006.

CHART NO: 4.1.2
CHART SHOWING GROWTH TREND OF EXPORTS

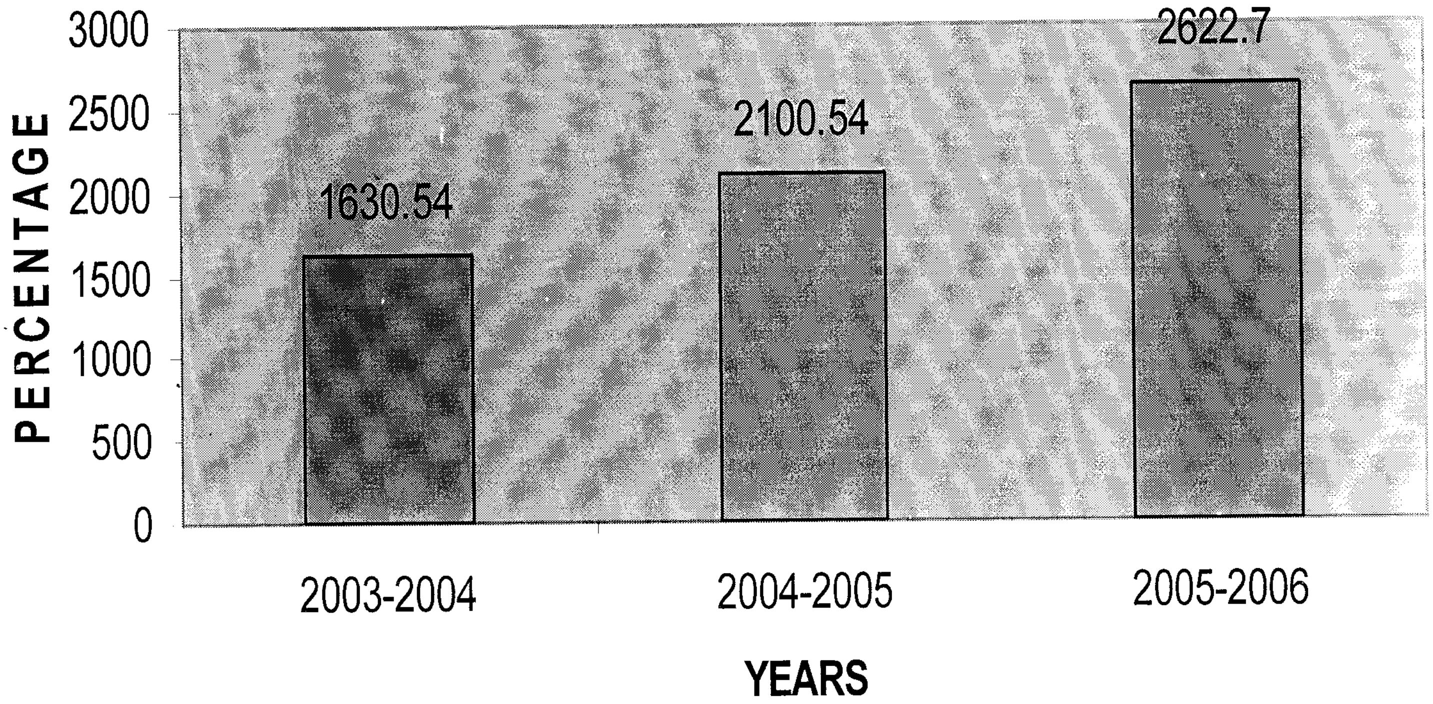


TABLE NO: 4.1.3

TABLE SHOWING THE EXPORT DESTINATIONS

Countries exported	No of Respondents	%
One country	20	26
Two countries	37	50
Three countries	15	20
More than three countries	3	4
Total	**75**	**100**

INTERPRETATION:

From the study it was seen that majority 50% of exporters export their product to two countries, 26% of exporters export to one county, 20% of exporters export to three countries and 4% of exporters export to more than three countries.

INFERENCE:

Most of the Exporters (50%) in Karur district Export their products to two countries.

CHART: 4.1.3
CHART SHOWING THE EXPORT DESTINATIONS

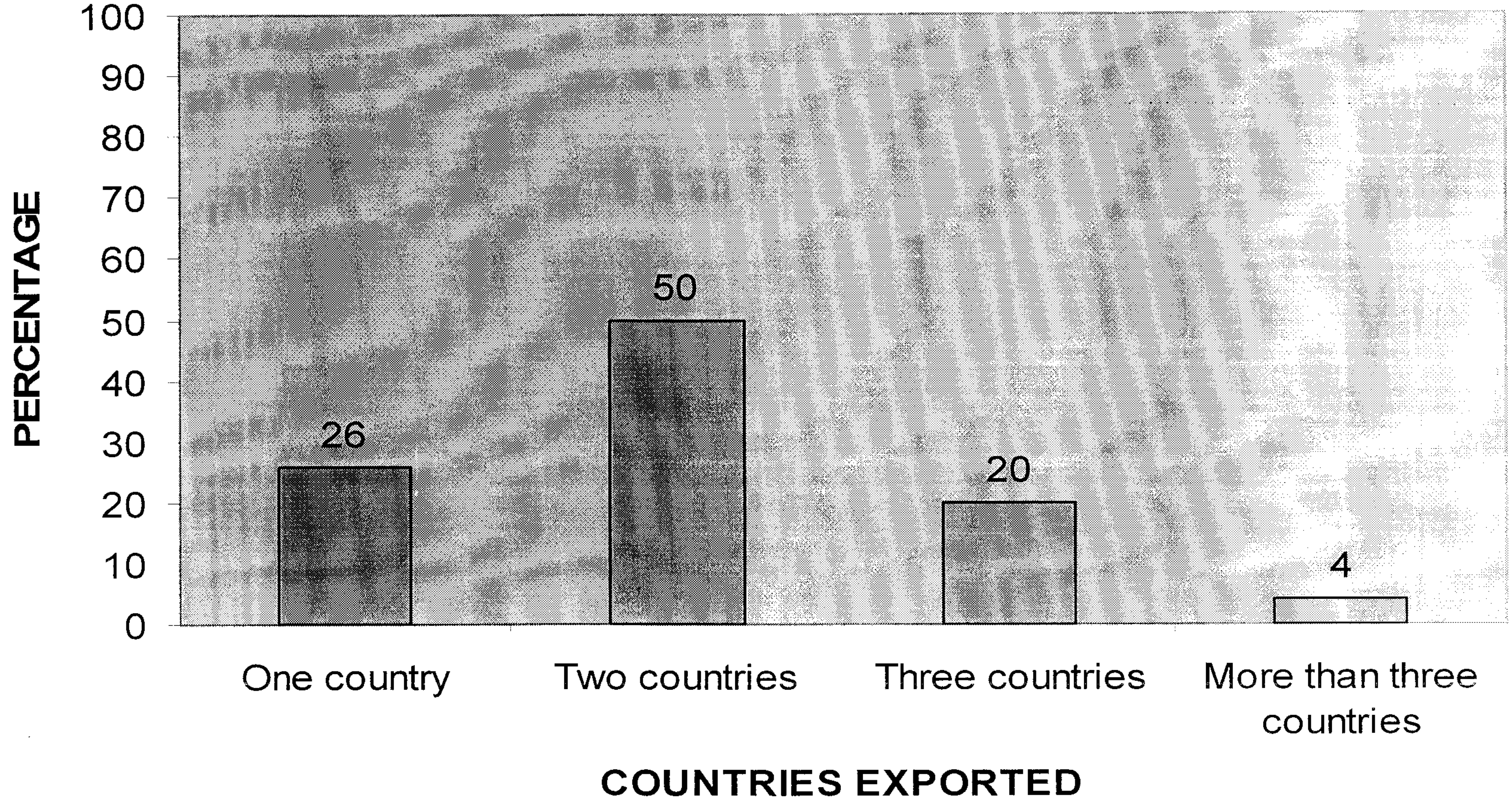


TABLE SHOWING THE INDIAN MARKETS CONCENTRATED BY EXPORTERS OF KARUR DISTRICT

Indian Markets concentrated by Exporters of Karur District	No of Respondents	%
Mumbai	7	47
Kolkatta	1	7
Chennai	3	20
Other Cities	4	26
Total	**15**	**100**

INTERPRETATION:

From the table it was seen that majority 47% of exporters export their product to Mumbai, 26% of exporters export to other cities, 20% of exporters export to Chennai and 7% of exporters export to Kolkatta.

INFERENCE:

Most of the domestic Exporters (47%) in Karur district export their products to Mumba

CHART NO: 4.1.4

CHART SHOWING THE INDIAN MARKETS CONCENTRATED BY EXPORTERS OF KARUR DISTRICT

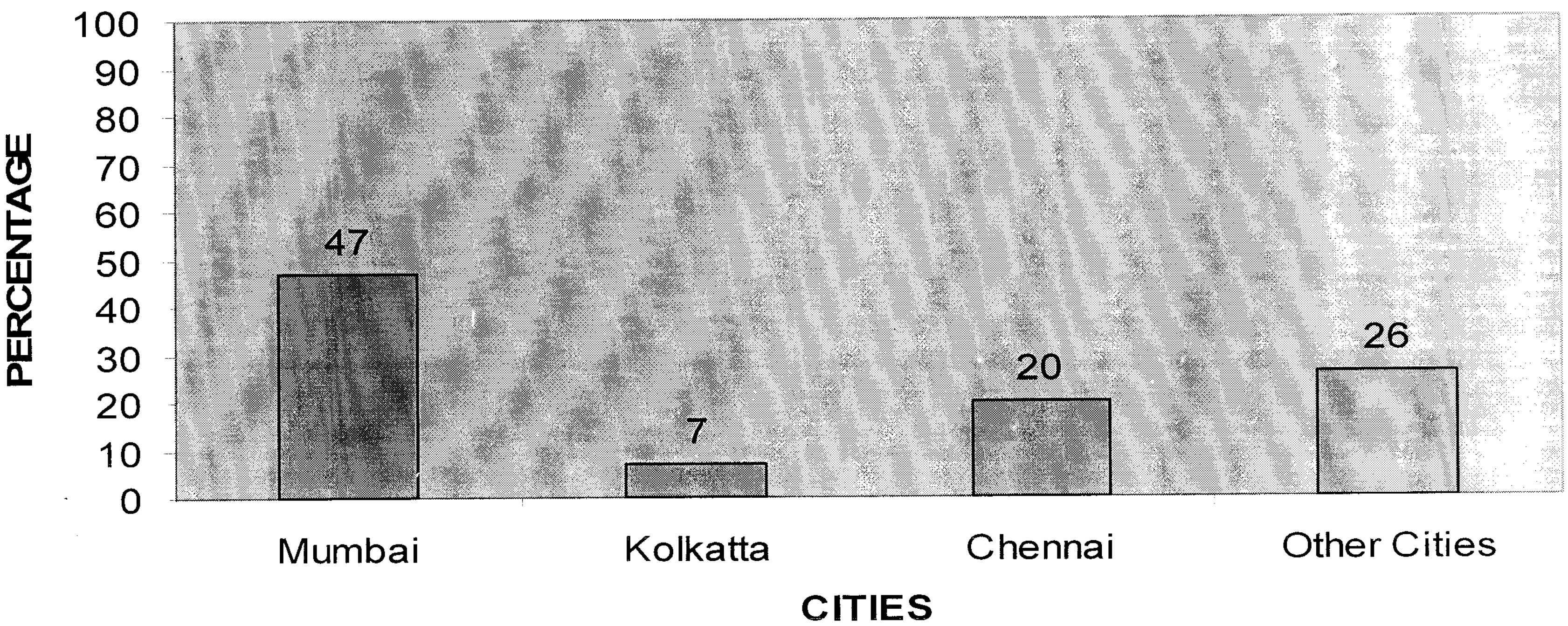


TABLE NO: 4.1.5

TABLE SHOWING CREDIT PERIOD PROVIDED BY EXPORTERS TO THEIR ABROAD CUSTOMERS

Credit period Provided by Exporters to their abroad customers	No of Respondents	Percentage %
0 – 25 days	32	43
26 – 50 days	28	37
51 – 75 days	8	11
More than 75 days	7	9
Total	**75**	**100**

INTERPRETATION:

The tables shows 43% of exporters provide less than 25 days of credit period to their customers, 37% of exporters provide up to 20 days credit period to their customers, 11% of exporters provide up to 75 days credit period to their customers, 9% of exporters provide more than 75 days credit period to their customers.

INFERENCE:

Most of the exporters (43%) provide less than 25 days of credit period to their abroad customers.

CHART NO:4.1.5
CHART SHOWING THE CREDIT PERIOD PROVIDED BY EXPORTERS TO THEIR ABROAD CUSTOMERS

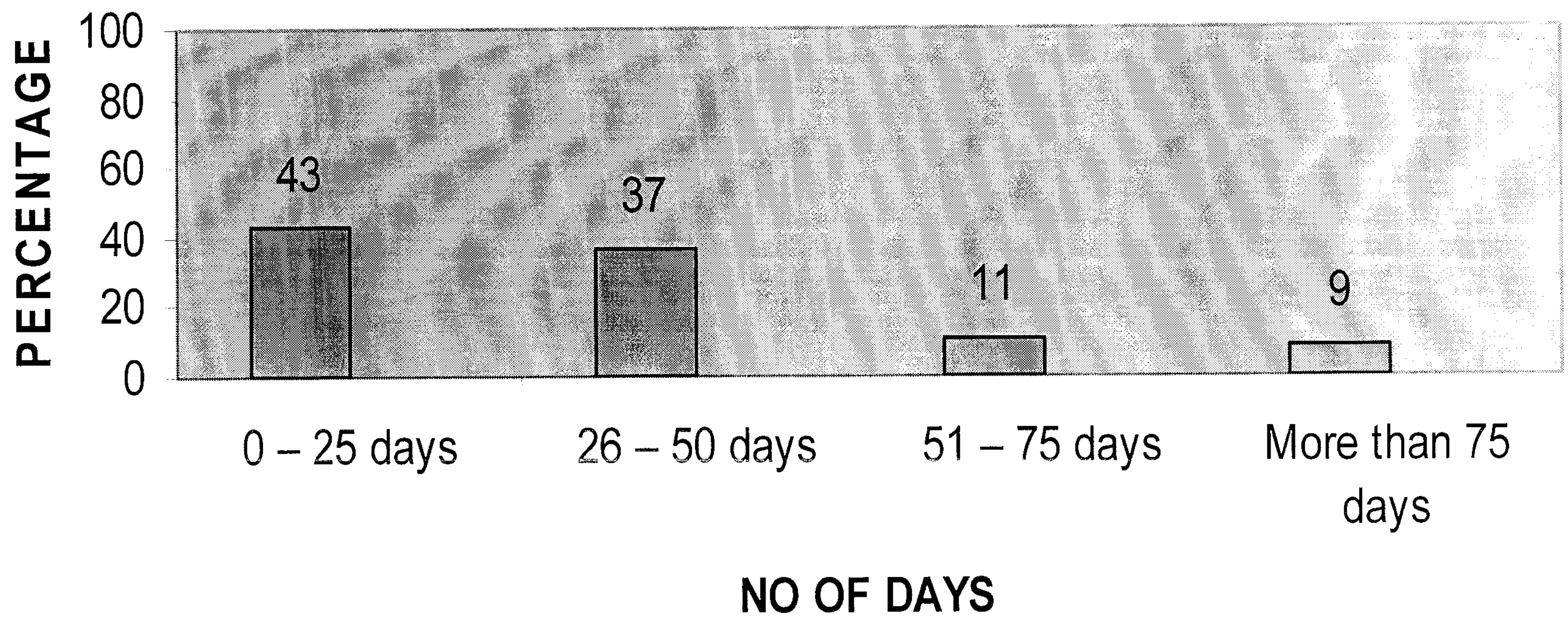


TABLE NO: 4.16

TABLE SHOWING THE CREDIT PERIOD PROVIDED BY EXPORTERS TO THEIR DOMESTIC CUSTOMERS

Credit period Provided in Domestic	No of Respondents	%
0 – 25 days	10	67
26 – 50 days	5	33
51 – 75 days	0	0
More than 75 days	0	0
Total	**15**	**100**

INTERPRETATION:

The table shows that the 67% of exporters provide less than 25 days of credit period to their domestic customers, 33% of exporters provide 26 – 50 days credit period to their domestic customers, 51 –75 days and more than 75 days was provided credit period to their domestic customers.

INFERENCE:

Most of the exporters (67%) provided credit period of less than 25 days to their domestic customers.

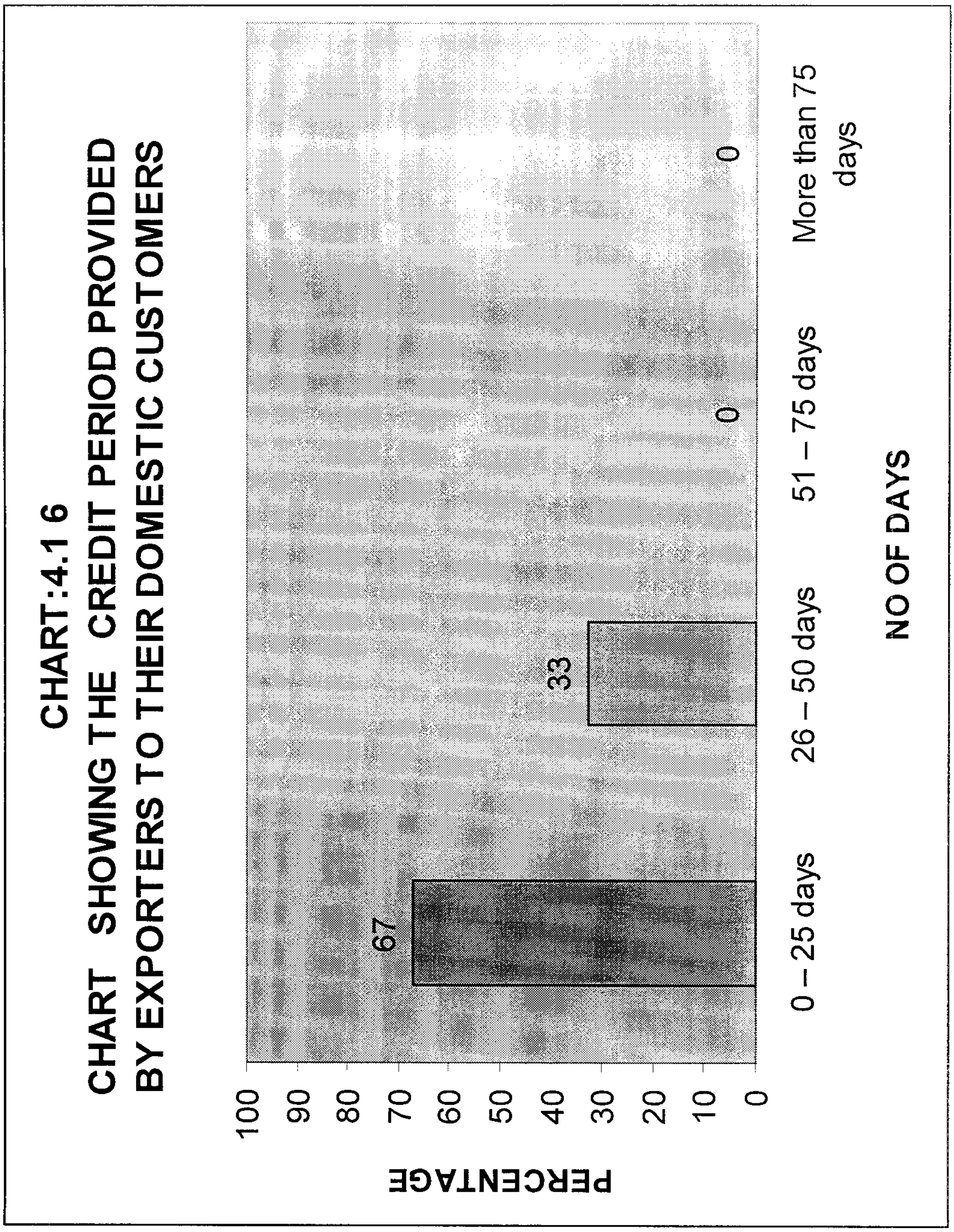


CHART:4.1 6
CHART SHOWING THE CREDIT PERIOD PROVIDED BY EXPORTERS TO THEIR DOMESTIC CUSTOMERS
PERCENTAGE
100
90
80
70
60
50
40
30
20
10
0
67
33
0
0
0 – 25 days
26 – 50 days
51 – 75 days
More than 75 days
NO OF DAYS

TABLE NO: 4.1.7

TABLE SHOWING THE MODE OF RECEIPT BY THE RESPONDENTS FOR THEIR TRANSACTION

Payment received mode (Letter of Credit or Bills or Cheque or Telegraphic Transfer)	No of Respondents	%
Letter of Credit	27	36
Bills	16	21
Letter of Credit, Bills, Telegraphic Transfer	4	5
Letter of Credit and Bills or TT or Cheque	28	38
Total	**75**	**100**

INTERPRETATION:

From the table it was found that 36% of Respondents received their sales revenue through Letter of Credit, 21% of respondents received payments through Bills, 5% of respondents received payments through Letter of Credit, Bills & TT and 38% of respondents received payments through Letter of Credit & Bills or TT or Cheque.

INFERENCE:

Most of the respondents(38%) received their payments through Letter of Credit, Bills& TT or Cheque

CHART NO: 4.1.7

CHART SHOWING THE MODE OF RECEIPT BY THE RESPONDENTS FOR THEIR TRANSACTION

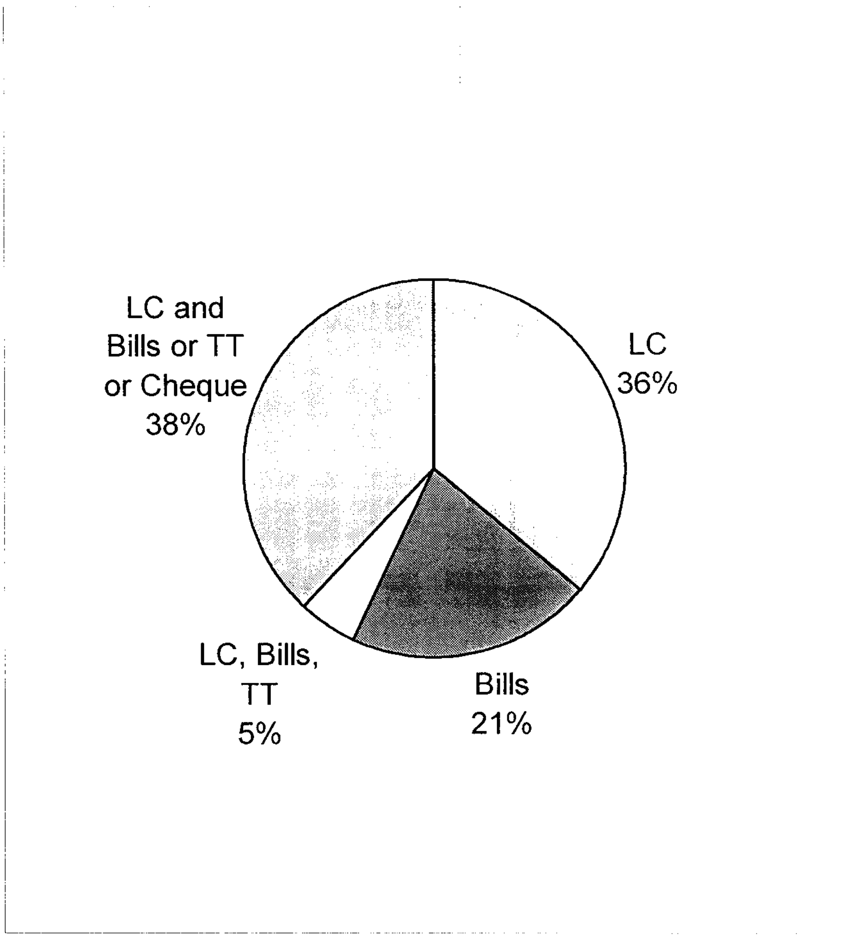


TABLE NO: 4.1.8

TABLE SHOWING THE TYPE OF LETER OF CREDIT BY THE RESPONDENTS

LC ISSUED	No. of Respondents	%
Collection	8	10
Discounting	34	46
Both	32	43
None	1	1
Total	**75**	**100**

INTERPRETATION:

From the table it was found out 10% of respondents issued Collection LC, 46% of respondents issued Discounting LC, 43% of respondents issued both Collection and Discounting LC and 1% of respondents did not issue any LC.

INFERENCE:

Most of the respondents(46%) issued Discounting LC rather than collection.

CHART NO: 4. 1.8

CHART SHOWING THE TYPE OF LETTER OF CREDIT ISSUED BY THE RESPONDENTS

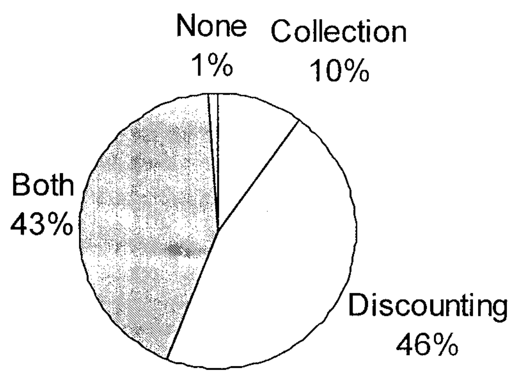


TABLE NO: 4.1. 9

TABLE SHOWING THE USAGE OF SIGHT LETTER OF CREDIT BY THE EXPORTERS OF KARUR DISTRICT

Sight Letter of creditC	No of Respondents	%
0 – 25 %	7	9
26 – 50%	11	14
51 – 75%	14	19
76 – 100%	43	58
Total	**75**	**100**

INTERPRETATION:

The table shows that the 9% of exporters are using less than 25% sight Letter of Credit, 14% of exporters are using sight LC upto 50%, 19% of exporters are using sight Letter of Credit upto 75% and 58% of exporters are using more than 75% sight Letter of Credit.

INFERENCE:

Most of the exporters(58%) will be using more than 75% sight Letter of Credit.

CHART NO: 4. 1.9

CHART SHOWING THE USAGE OF SIGHT LETTER OF CREDIT BY THE EXPORTERS OF KARUR DISTRICT

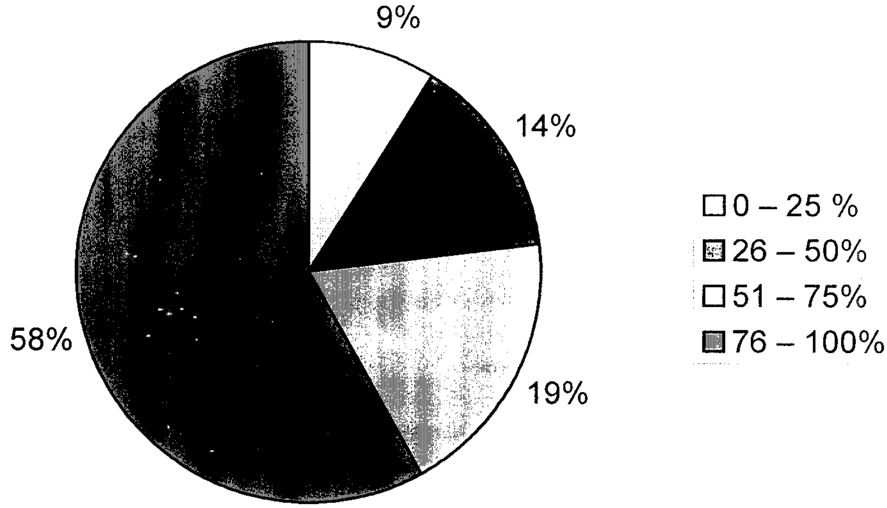


TABLE NO: 4.1.10

TABLE SHOWING THE USAGE OF USANCE LETTER OF CREDIT BY THE EXPORTERS OF KARUR DISTRICT

Usance Letter of credit	No of Respondents	%
0 – 25 %	51	68
26 – 50%	13	18
51 – 75%	7	9
76 – 100%	4	5
Total	**75**	**100**

INTERPRETATION:

The table shows that the 68% of exporters are using less than 25% of Usance LC, 18% of exporters are using Usance LC upto 50%, 9% of exporters are using Usance LC upto 75% and 5% of exporters are using more than 100% of Usance LC.

INFERENCE:

Most of the exporters (68%) are using less than 25% of Usance LC.

CHART NO: 4.1.10

CHART SHOWING THE USAGE OF USANCE LETTER OF CREDIT BY THE EXPORTERS OF KARUR DISTRICT

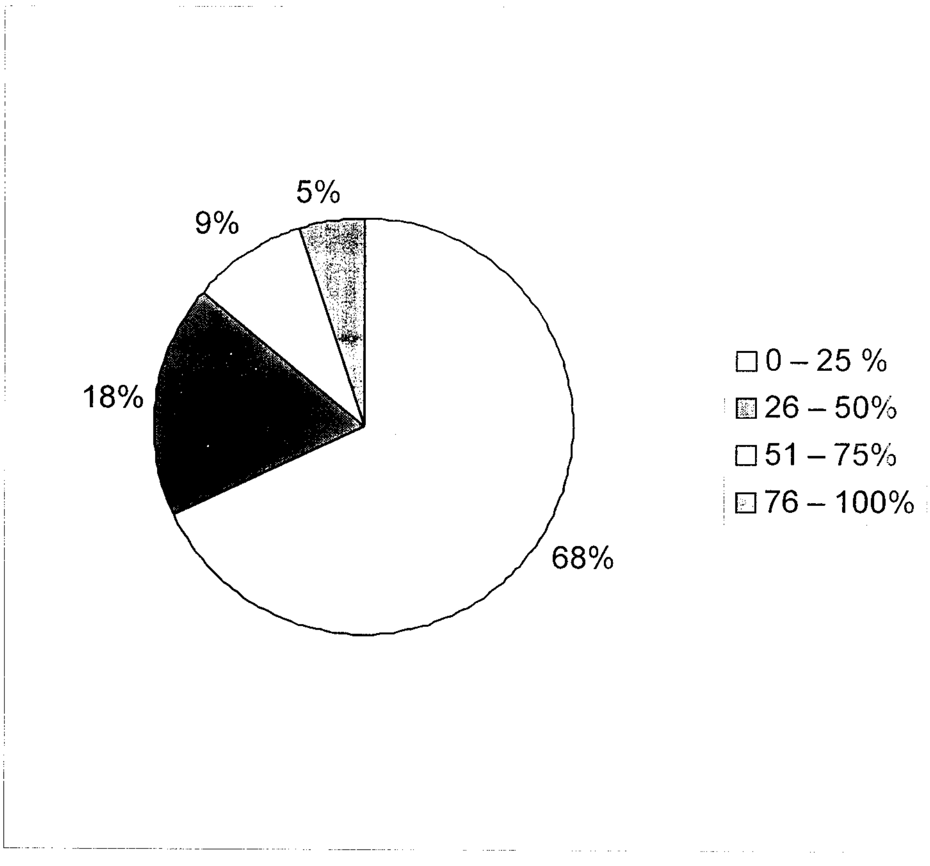


TABLE NO: 4.1.11

TABLE SHOWING USAGE OF ONLINE LETTER OF CREDIT

Using online Letter of Credit	No of Respondents	Percentage %
Yes	3	4
No	72	96
Total	**75**	**100**

INTERPRETATION:

The table shows that the 4% of exporters are utilizing online Letter of Credit and 96% of exporters do not use online Letter of Credit.

INFERENCE:

It was inferred that the Majority of the Exporters(96%) are not using online Letter of Credit.

CHART NO: 4.1.11

CHART SHOWING THE USAGE OF ONLINE LETTER OFCREDIT

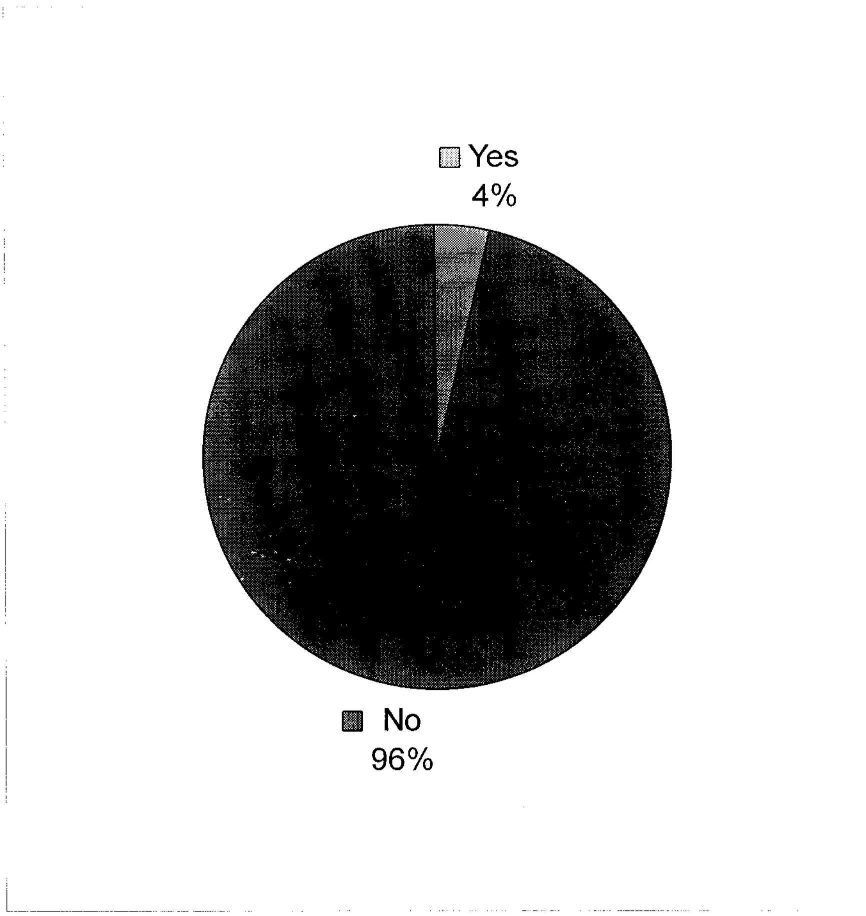


TABLE NO: 4.1.12

TABLE SHOWING USAGE OF BANK GUARANTEE BY EXPORTERS OF KARUR DISTRICT

Using Bank Guarantee	No of Respondents	%
Yes	45	60
No	30	40
Total	**75**	**100**

INTERPRETATION:

From the table it was found that 60% of respondents are utilizing Bank guarantee and 40% of respondents do not use bank guarantee.

INFERENCE:

Most of the exporters (60%) are using bank guarantee.

CHART NO: 4.1.12

CHART SHOWING THE USAGE OF BANK GUARANTEE BY EXPORTERS OF KARUR DISTRICT

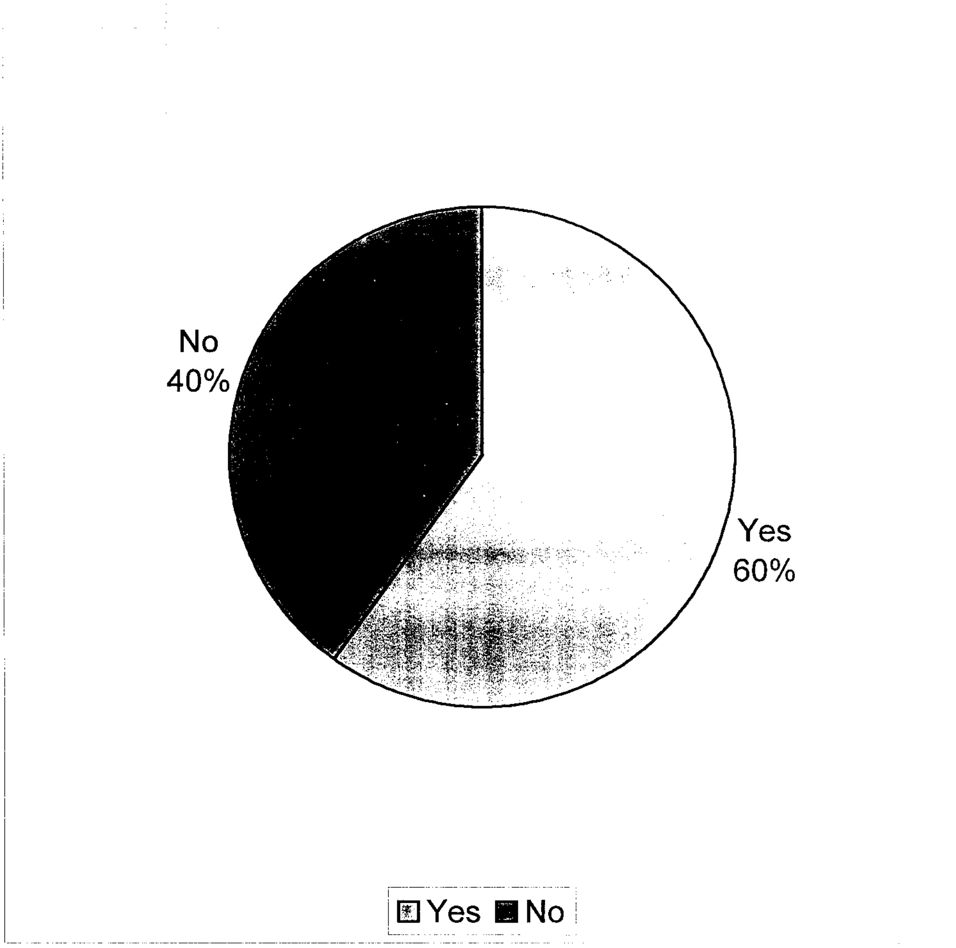


TABLE NO: 4.1.13

TABLE SHOWING THE MARGIN MONEY PAID FOR THE BANK GUARANTEE BY EXPORTERS OF KARUR DISTRICT

Margin money Paid by exporters of Karur district	No. of Respondents	%
0 – 10 %	21	25
11 – 20%	28	38
21 – 30%	23	30
More than 30%	3	7
Total	**75**	**100**

INTERPRETATION:

From the table it was found that 25% of respondents issue bank guarantee for margin money less than 10%, 38% of respondents issue bank guarantee for a margin money upto 20%, 30% of respondents issue bank guarantee for a margin money upto 30%, and 7% of respondents issue bank guarantee for margin money more than 30%.

INFERENCE:

Most of the respondents(38%) issue bank guarantee for a margin money upto20%.

CHART NO: 4.1.13

CHART SHOWING THE MARGIN MONEY PAID FOR THE BANK GUARNTEE BY EXPORTERS OF KARUR DISTRICT

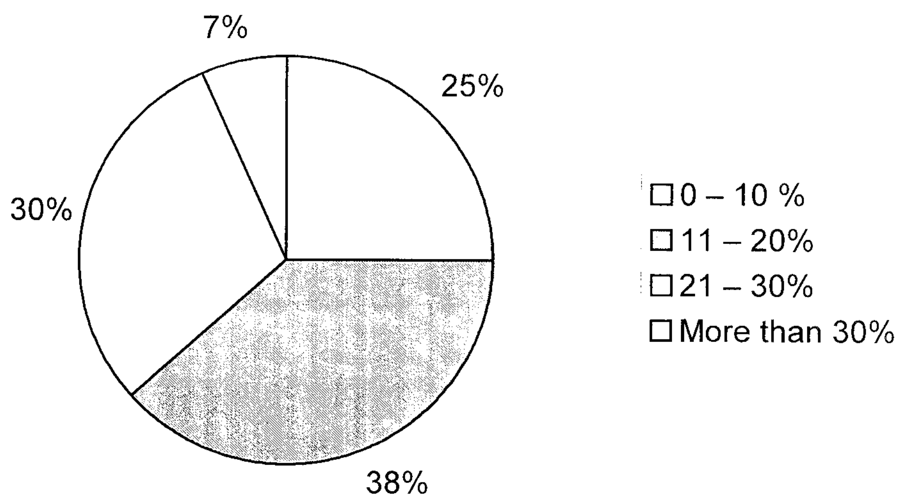


TABLE NO: 4.1.14

TABLE SHOWING TIME TAKEN (DAYS) FOR PROVIDING BANK GUARANTEE BY BANK

Providing Bank Guarntee by Bank (days)	No. of Respondents	Percentage %
1	31	47
2	22	27
3	4	8
More than 3	8	18
Total	**75**	**100**

INTERPRETATION:

From the table it was found that 47% of respondents obtain Bank Guarantee from bank within one day, 27% of respondents obtain BG from bank within two days, 8% of respondents obtain BG from bank within three days and 18% of respondents obtain BG from bank more than three days.

INFERENCE:

Most of the respondents (47%) obtain Bank Guarantee from bank within one day.

CHART NO: 4.1.14

CHART SHOWING TIME TAKEN(DAYS) FOR PROVIDING BANK GUARANTEE BY BANK

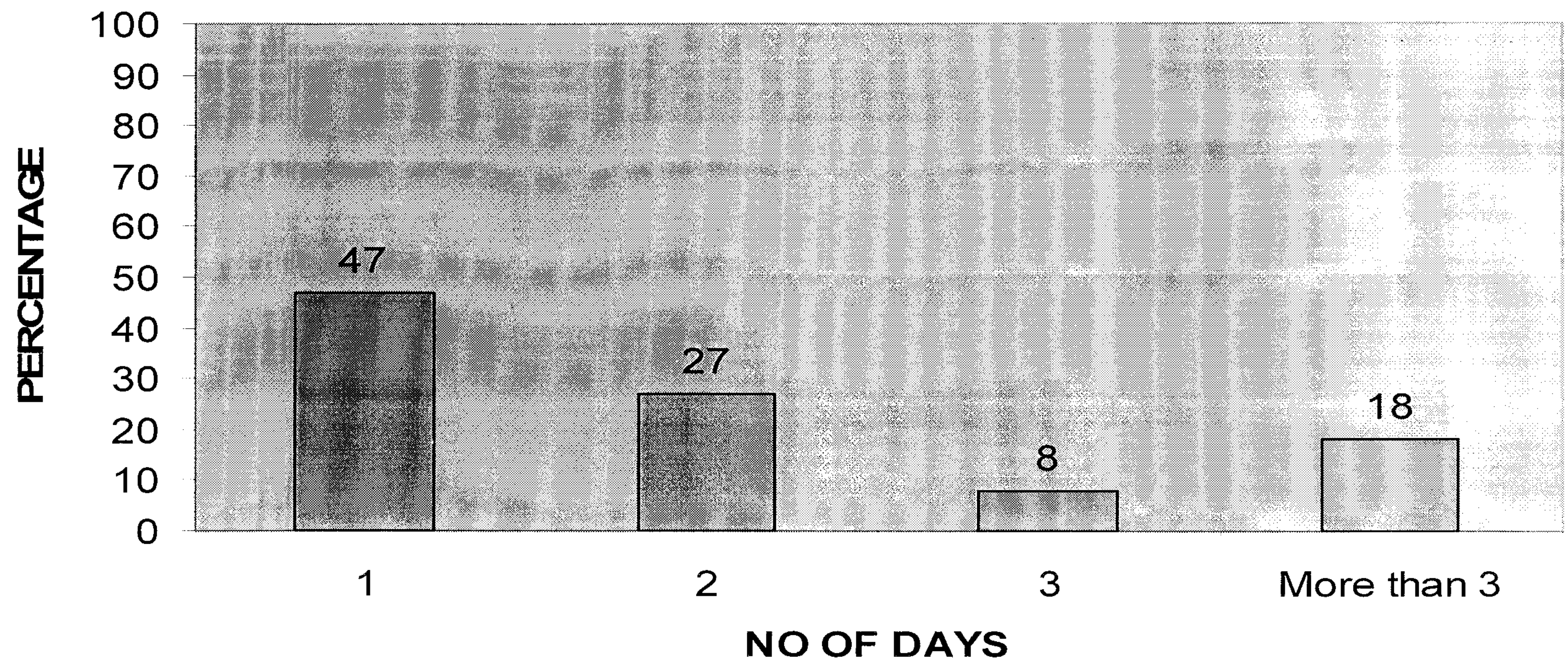


TABLE NO: 4.1.15

TABLE SHOWING THE EXPORTERS SATISFACTION LEVEL IN AVAILING TRADE FINANCE

Trade finance	No of Respondent	%
High Satisfied	12	15
Satisfied	10	21
Neutral	38	49
Dissatisfied	11	11
High Dissatisfied	4	4
Total	**75**	**100**

5	4	3	2	1
15	21	49	11	4
75	84	147	22	4

$$\text{Weighted Average} = \frac{75 + 84 + 147 + 22 + 4}{100}$$

$=3.34$

INTERPRETATION:

The above table shows that 15% of respondents are highly satisfied with trade finance, 21% of respondents says that trade finance is satisfied, 49% of respondents says that trade finance satisfaction is neutral, 11% of respondents says that trade finance satisfaction is dissatisfied, 4% of respondents says that trade finance satisfaction is high dissatisfied.

INFERENCE:

Most of the respondents (49%) says trade finance satisfaction is in neutral level

CHART NO: 4.1.15

CHART SHOWING THE EXPORTERS SATISFACTION LEVEL IN AVAILING TRADE FINANCE

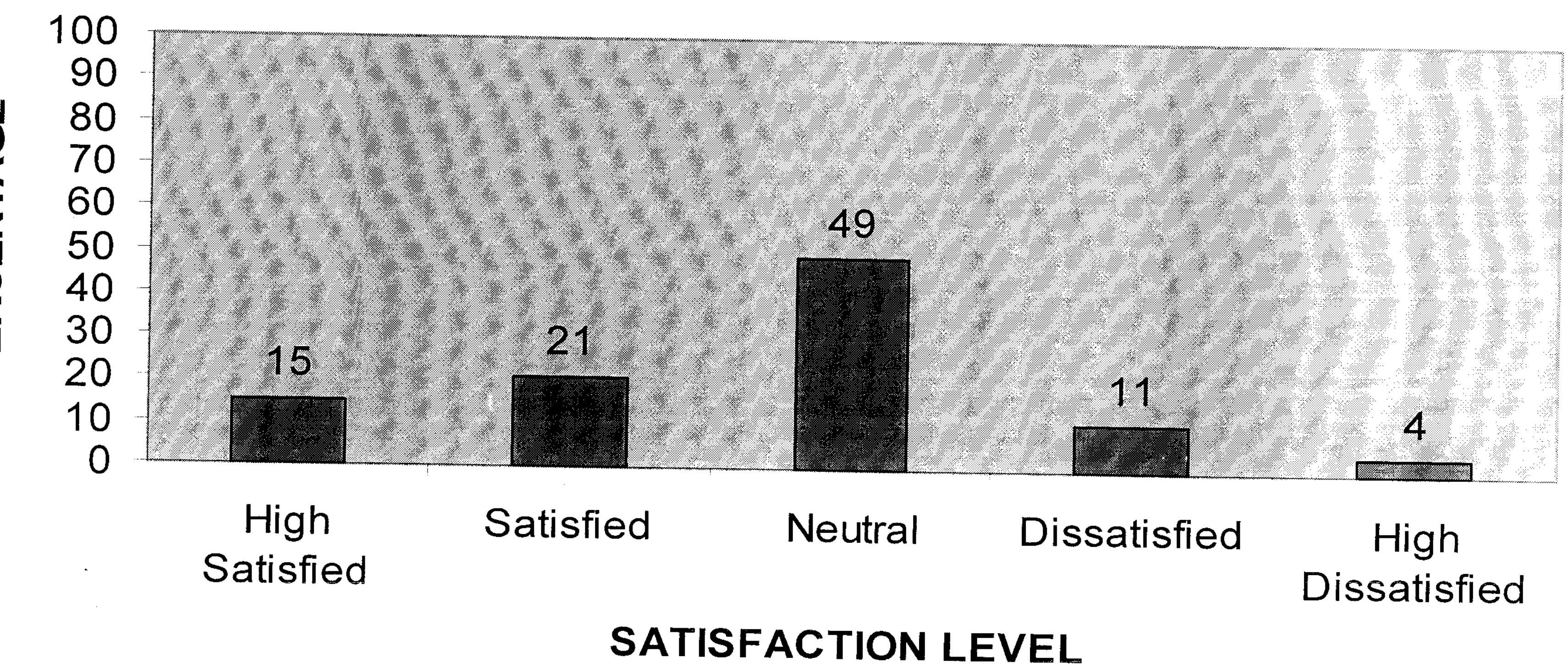


TABLE NO: 4.1.16

TABLE SHOWING YEAR OFASSOCIATION OF PRESENT BANKS

Year of association	No of respondents	%
1 – 8 years	16	41
9 – 16 years	43	43
17 – 24 years	10	10
More than 24 years	6	6
Total	**75**	**100**

INTERPRETATION:

From the table it was found that 41% of exporters are maintaining relationship with current bank for 1 – 8 years, 43% of exporters have relationship with current bank for 9 – 16 years, 10% of exporters have relationship with current bank for 17 – 24 years and 6% of exporters have relationship with current bank for more than 24 years.

INFERENCE:

Most of the Exporters (43%) have relationship with current bank only from 9-16 years

CHART NO: 4.1.16
CHART SHOWING YEAR OFASSOCIATION OF PRESENT BANKS

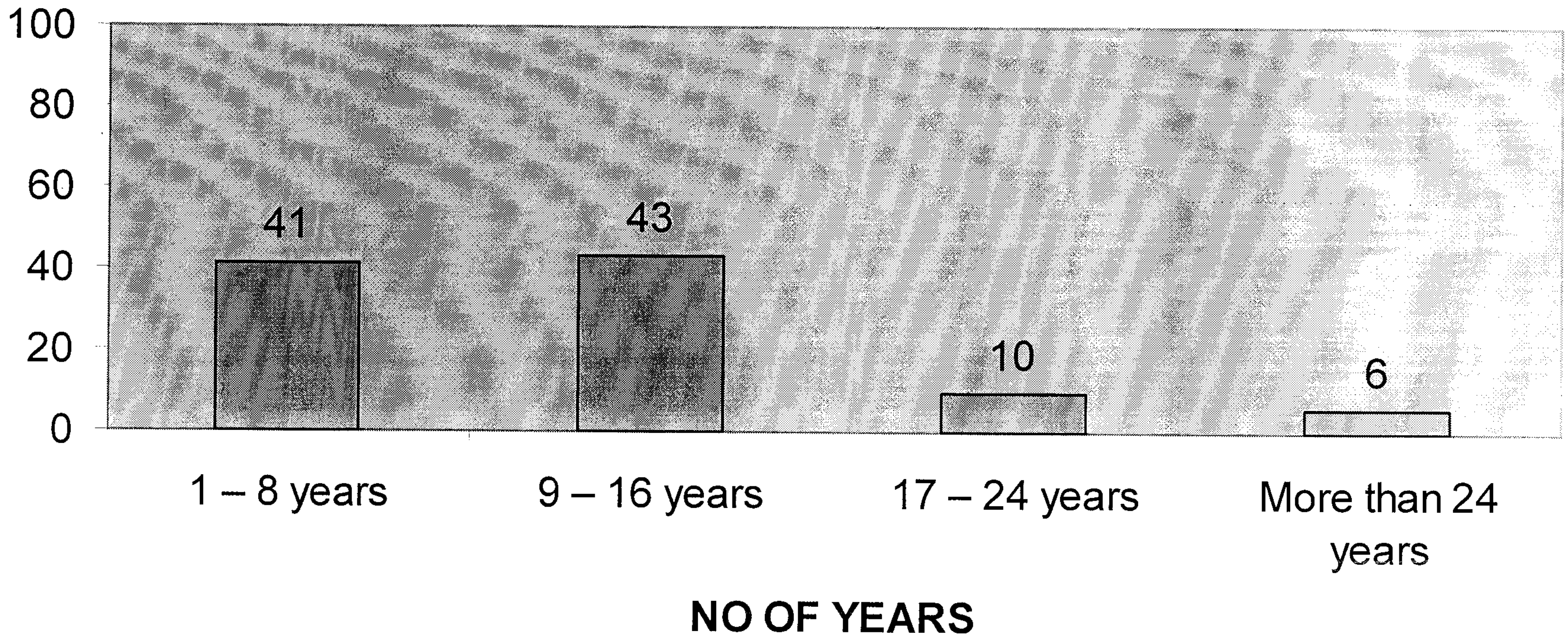


TABLE NO: 4.1.17

TABLE SHOWING THE BRANCHES OF BANK IN KARUR DISTRICT

No of Branches	No of Bankers	%
1	17	65
2	4	15
3	2	8
More than 3	3	12
Total	**26**	**100**

INTERPRETATION:

From the table it was found that 65% of banks are having one branch, 15% of banks are having two branches, 8% of banks are having three branches and 12% of banks are having more than three branches.

INFERENCE:

Most of the banks (65%) in Karur district are having one branch.

CHART NO:4.1.17

CHART SHOWING THE BRANCHES OF BANK IN KARUR DISTRICT

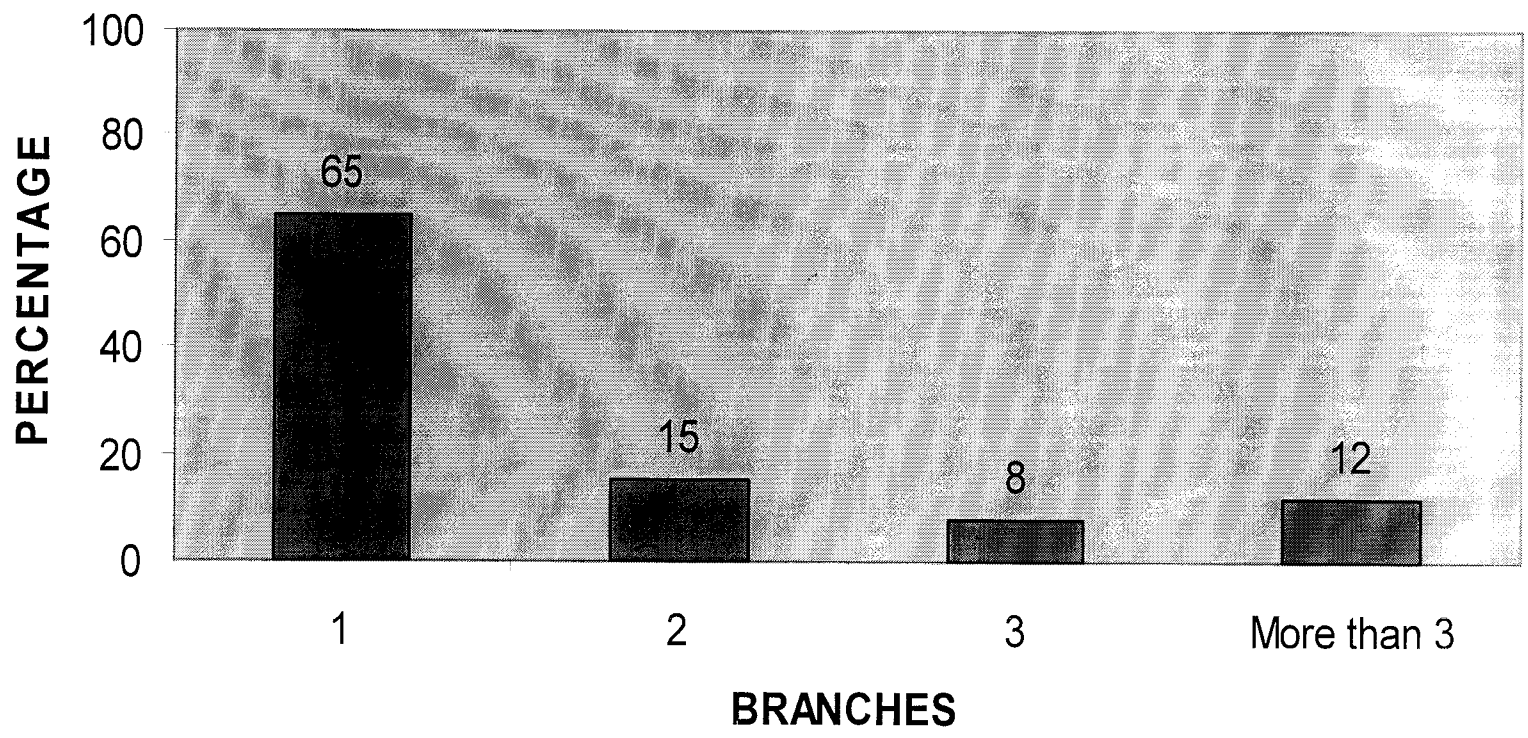


TABLE NO: 4.1.18

TABLE SHOWING THE NO OF RESPONDENTS HOLDING CURRENT ACCOUNT IN KARUR BANKS

Current a/c	No of Bankers	%
1 – 500	6	23
501 – 1000	8	31
More than 1000	12	46
Total	**26**	**100**

INTERPRETATION:

From the table it was found that 23% of banks are having less than 500 current A/c customers, 31% of banks are having upto 1000 current A/c customers and 46% of banks are having more than 1000 current A/c customers.

INFERENCE:

Most of the banks (46%) in Karur District are having more than 1000 current a/c customers.

CHART NO: 4.1.18

CHART SHOWING THE NO. OF RESPONDENTS HOLDING CURRENT ACCOUNT IN KARUR BANKS

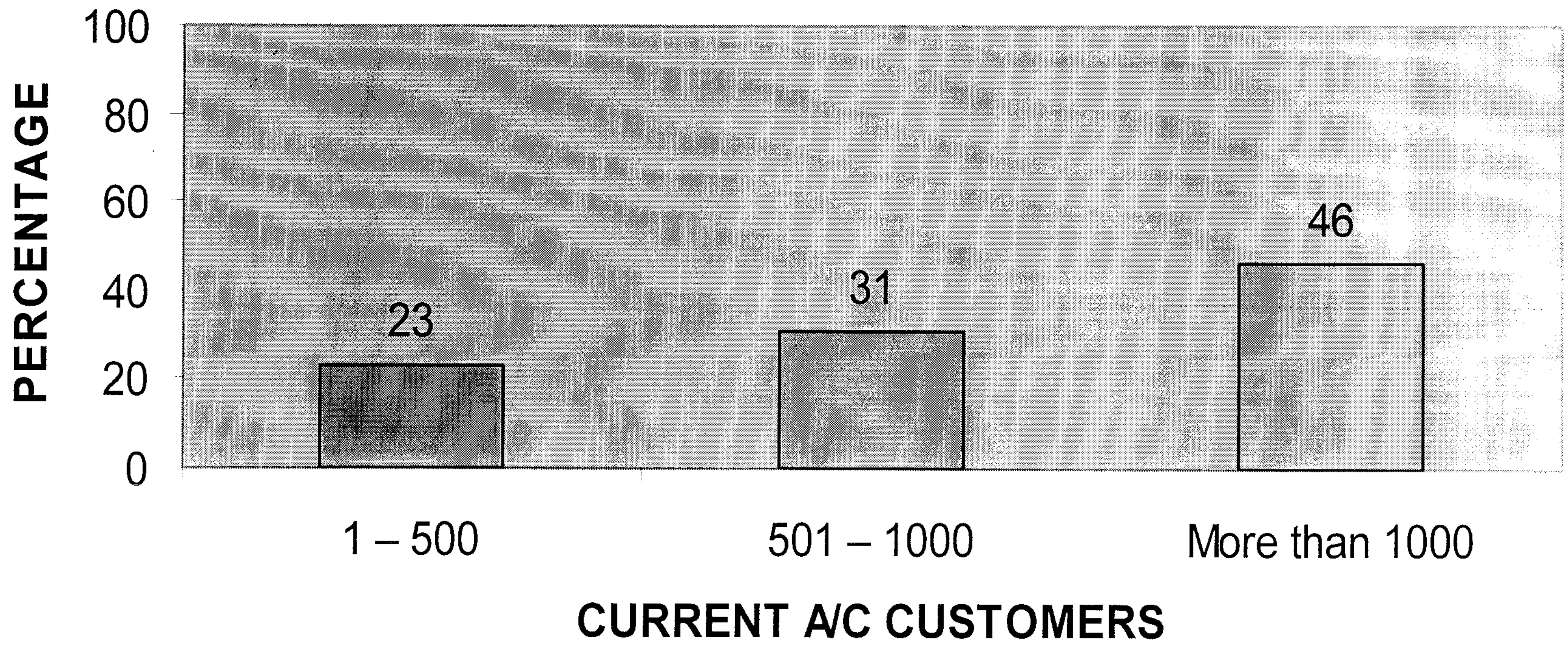


TABLE NO: 4.1.19

TABLE SHOWING THE NO OF RESPONDENTS HOLDING TRADE FINANCE IN KARUR DISTRICT

TRADE FINANCE CUSTOMERS	No of Bankers	%
1 – 100	15	58
101 – 200	5	19
More than 200	6	23
Total	**26**	**100**

INTERPRETATION:

From the table it was found that 58% of banks are having less than 100 trade A/c customers, 19% of banks are having upto 200 trade A/c customers and 23% of banks are having more than 200 trade A/c customers.

INFERENCE:

Majority of the banks (58%) in Karur district are having less than 100 trade account customers

CHART NO: 4.1.19

CHART SHOWING THE NO OF RESPONDENTS HOLDINGTRADE FINANCE IN KARUR BANKS

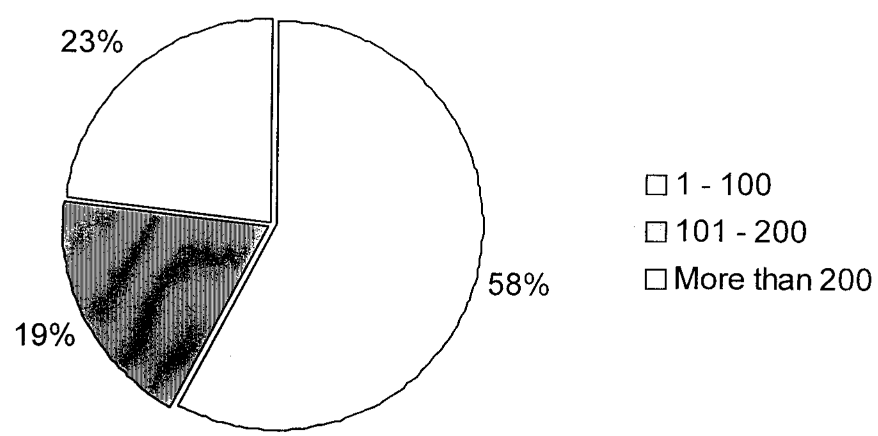


TABLE NO: 4.1.20

TABLE SHOWING THE NO OF BANKERS PROVIDING ATM SERVICES IN KARUR DISTRICT

No of ATM's	No of Bankers	%
0	12	46
1	9	35
2	3	12
More than 2	2	7
Total	**26**	**100**

INTERPRETATION:

From the table it was found that 46% of banks are not having ATM's, 35% of banks are having one ATM's and 12% of banks are having more than two ATM's.

INFERENCE:

Most of the banks (46%) in Karur district do not have ATM facilities.

CHART NO: 4.1.20

CHART SHOWING THE NO. OF BANKERS PROVIDING ATM SERVICES IN KARUR DISTRICT

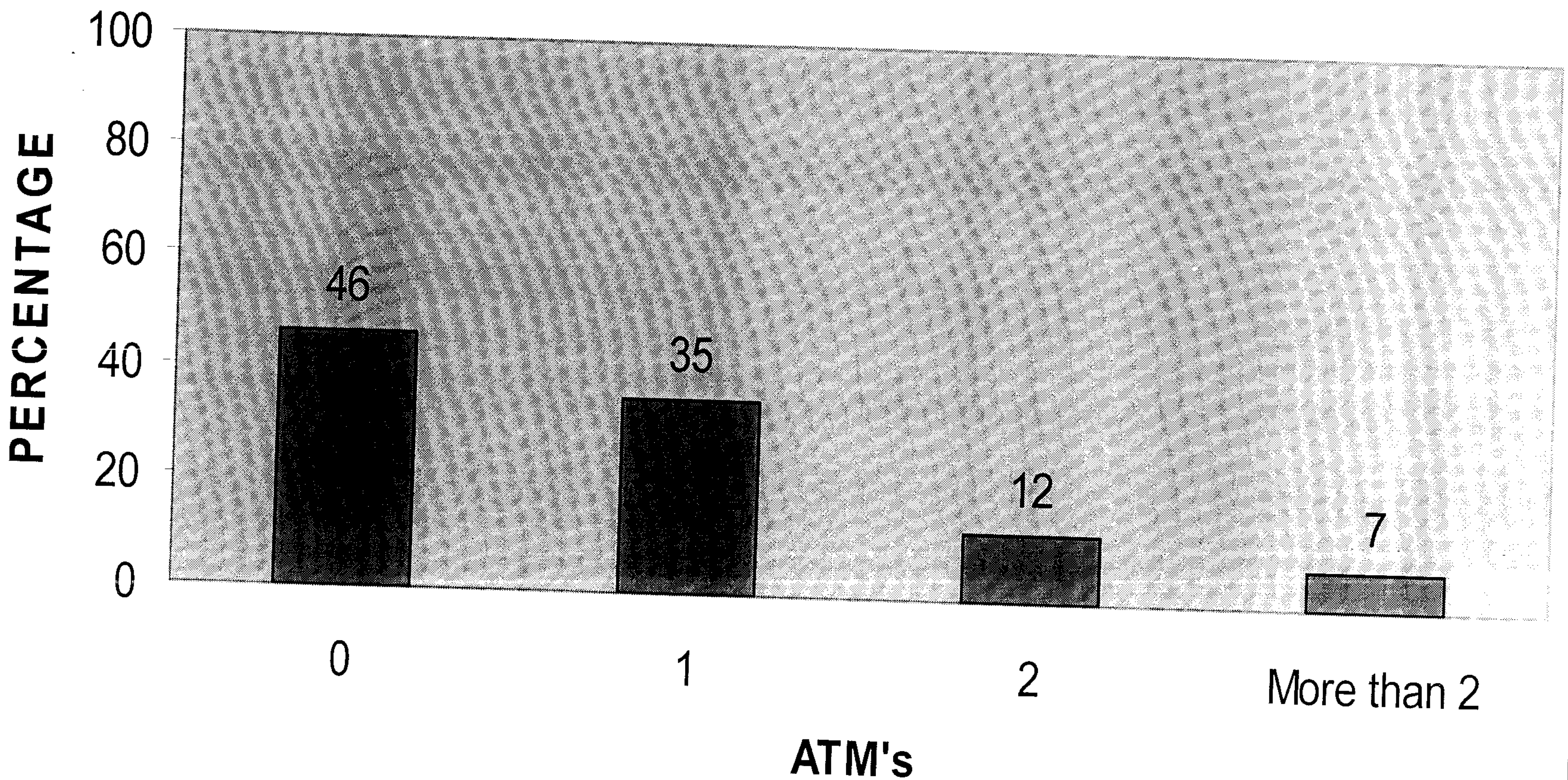


TABLE NO:4.1.21

TABLE SHOWING YEAR OF OPERATION BY BANKERS

YEAR OF OPERATION	NO OF BANKERS	%
1 – 20 years	15	57
21 – 40 years	8	31
More than 40 years	3	12
Total	**26**	**100**

INTERPRETATION:

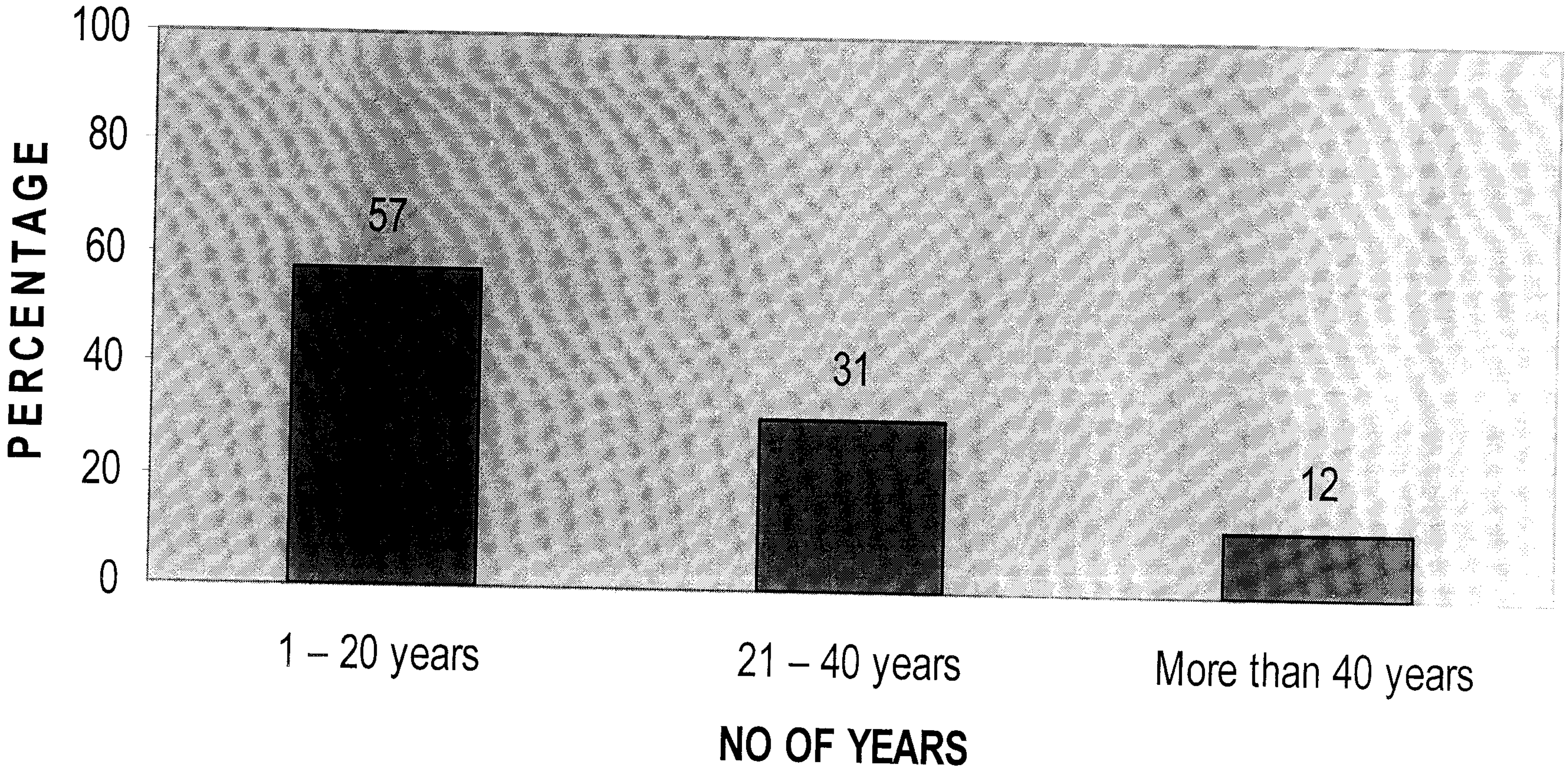
From the table it was found that 57% of banks are doing business in Karur district for a period of less than 20 years, 31% of banks are doing business in Karur district upto 40 years, 12% of banks are doing business in Karur for more than 40 years.

INFERENCE:

Most of the banks (57%) are doing business in Karur district for a period of less than 20 years.

CHART NO:4.1.21

CHART SHOWING YEAR OF OPERATION BY BANKERS



CHI SQUARE TEST
TABLE NO: 4. 2.1
RELATIONSHIP BETWEEN AGE OF BANKING RELATIONSHIP AND BANKING SERVICE (TIME TAKEN OF CREDITING PROCEEDS

Observed frequencies

Years/rating	1 – 8	9 –16	17 – 24	More than 24	TOTAL
Good	4	4	2	1	11
Fair	29	35	3	4	71
Bad	6	6	5	1	18
TOTAL	39	45	10	6	100

Expected frequencies

Years/rating	1 – 8	9 –16	17 – 24	More than 24	TOTAL
Good	4.29	4.95	1.1	.66	11
Fair	27.69	31.95	7.1	4.26	71
Bad	7.02	8.1	1.8	1.08	18
TOTAL	39	45	10	6	100

Chi square table

Oi	Ei	(Oi - Ei)^2	(Oi - Ei)^2 / Ei
4	4.29	..0841	.0196
4	4.95	.9025	0.1823
2	1.1	0.81	.7363
1	.66	0.1156	0.1751
29	8	441	55.125
35	31.95	9.3025	0.2911
3	7.1	16.81	2.367
4	4.26	.0676	.0158
6	7.02	1.0404	0.1482
6	8.1	4.41	0.544
5	1.8	10.24	5.68
1	1.08	0.0064	.0059
		Total	**65.29**

Null Hypothesis

There is no significant relationship age of banking Relationship and Banking Service (time taken of crediting proceeds)

Alternate Hypothesis

There is a significant relationship age of banking Relationship and Banking Service (time taken of crediting proceeds)

Level of Significance = 5 %

Degree of freedom = (3-1)(4-1) = 6

Table value = 12.6

Calculated value = 65.29

Conclusion:

Since the calculated value is greater than the tabulated value hence the null hypothesis is rejected. There is a significant relationship between age of banking Relationship and Banking Service (time taken of crediting proceeds)

CHAPTER V

CONCLUSION

5.1 FINDINGS AND SUGGESTIONS

5.1.1 FINDINGS WITH REGARDS TO EXPORTERS

- The study found out that most of the companies (63%) in Karur district are Partnership companies.
- The study found out that the turnover of the companies is growing steadily from 2003 to 2006.
- The study found out that the most of the Exporters (50%) in Karur district Export their products to two countries
- The study found out that the most of the domestic Exporters(47%) in Karur district export their products to Mumbai.
- The study found out that the most of the exporters(43%) provide less than 25 days of credit period to their customers
- The study fund out that the most of the exporters(67%) provide less than 25 days of credit period to their domestic customers.
- The following are the major problems faced by exporters: Some are service delay, miss communication, emergency time doesn't help, interest rate and service rate are very high, loan sanction delay, staffs are not familiar with core banking activities, amenment charges are high, shortage of staffs, crediting period delay etc.,
- The following are the common basic services provided by bankers to exporters. Some are Import LC, BG, OD, CC, C/A, S/A, realization of bills, outward remittance, TT, PCFC loan, ECGC, travelers Cheque, adhoc limit in pc and bills, ATM, Forex, DD, BD, BC, machinery loans, temporary overdraft etc.,

5.1.2 FINDINGS WITH REGARD TO BANKS

- The study found out that most of the banks (65%) in Karur district are having one branch.
- The study found out that most of the banks (46%) in Karur District are having more than 1000 current account customers.
- The study found out that majority of the banks (58%) in Karur district are having less than 100 trade account customers.
- The study found out that most of the banks (46%) in Karur district do not have ATM facilities.
- The study found that most of the banks (57%) are doing business in Karur district for a period of less than 20 years.

5.1.3 FINDINGS WITH REGARD TO USE OF TRADE PRODUCTS &SATISFACTION WITH SERVICES PROVIDED BY BANKS

- The study found that the most of the respondents(38%) receive payments through LC, Bills& TT or cheque
- The study found that the most of the respondents(46%) issued Discounting LC rather than collection.
- From the study it was inferred that the most of the exporters(58%) will be using more than 75% sight LC.
- From the study it was found that the most of the exporters(68%) are using less than 25% of Usance LC.
- From the study it was found that the majority of the Exporters(96%) are not using online LC.
- From the study it was found that the most of the respondents(47%) obtain Bank Guarantee from bank within one day.
- From the study it was found that the most of the exporters(60%) are using bank guarantee.
- From the study it was inferred that the most of the respondents(47%) obtain Bank Guarantee from bank within one day.
- Average Volume of business through LC is 78% and remaining 22% businesses are Non LC i.e. DA or DP.
- From the chi square test found out There is a no significant relationship Age of banking Relationship and Banking Service (time taken of Crediting proceeds).
- From the weighted average found out trade finance satisfaction is above Neutral.
- The study found that the most of the Exporters (43%) have relationship with current bank only for 9-16 years

5.1.4 SUGGESTIONS FOR EXPORTERS

Average volume of business through LC is 78% of exporters and 60% of exporters are using BG. Hence the following suggestions are made

- The exporters thinks that the LC transactions are risky and reduce the usage of BG because quota removal by central government.

- Some banks are not provided need-based finance to exporters. Their interest rates also high. The general level of awareness about online services and their utility is low.

- The LC Collection may risk because Forex rates are highly fluctuating. Hence it is suggested that the exporters must use the expertise of their banks and use the LC discounting to minimize the loss.

5.1.5 SUGGESTIONS FOR BANKS

Whereas 49% of exporters satisfaction level towards banking service (trade finance) ranked neutral. Only 15% of exporters ranked the service (trade finance) as high satisfied. Therefore it is suggested that

- Bankers should meet & discuss with the exporters to identify areas for further improvement in services.
- This suggestion is necessary because of acute competition prevailing in the banking sector.

5.2 CONCLUSION

This project entitled "An analysis of trade finance pattern to exporters by bankers of Karur district". This helps us to know the exporters level of satisfaction towards banking service. This study also helps us to know the Usage of trade finance products by exporters. The findings would help the banks to take Relevant steps to increase the trade finance services and create an awareness of online Letter of Credit transactions in this changing scenario .the exporters must also use the expertise of their banks and use the modern techniques and trade finance products . This paves way to increase the market share for trade finance products of Lakshmi Vilas Bank Ltd in Karur.

CHAPTER VI

BIBLIOGRAPHY

REFERENCES

BOOKS

1. Beri G.C (2004),"Marketing Research", Third Edition, Tata McGraw Hill Publishing Company Ltd
2. Kothari C.R (2004), "Research Methodology", Second Edition, New Age International Publishers.
3. Sharma D.D (2004), "Marketing Research", Third Edition, Sultan Chand & Sons Publications.
4. Apte P.G.,"International Finance Management".-Tata McGrawHill.
5. Larcency & Bhattacharya,"International Marketing"-Sultan Chand &Sons.
6. B.M.Wali and AB Kalkumdrikas."Export Management"-Sterling Publishers Pvt.,Ltd.

WEBSITES

1. www.lvbank.com
2. www.google.com
3. www.sebi.org

APPENDIX

QUESTIONNAIRE – EXPORTERS

1) Name of organization ____________________

2) Constitution

   a) Sole proprietor b) Partnership c) Pvt ltd d) Public ltd

3) Year of Establishment :

4) Sales turnover :

Year	2003 - 2004	2004 – 2005	2005- 2006
Turnover (in crores)			

5) % of Inland Trade ________ and % of Export trade ________

6) How many customers ? ________

7) i) Which are the major markets covered in export?

   a)Europe b)Canada c)USA d)other countries

   ii) Which are the major markets covered in Domestic?

   a)Mumbai b)Chennai c)kolkatta d)other places

8) i) How many days Credit period provided to your export customers ?

   a) 0 to 25 b) 26 to 50 c)51 to 75 d)more than 75

   ii) How many days Credit period provided to your domestic customers?

   a) 0 to 25 b) 26 to 50 c)51 to 75 d)more than 75

9) Who are your bankers? ____________

10) Funding from banks:

   i) Fund based limit(Rs in crores) ____________

11) Mode of payment received

a)LC b)Bills c)LC,Bills & TT d)LC & bills or TT or Cheque

12) i) Which LC issued?

a)Collection b)Discounting c)Both d)None

ii) if b) or c)

What % LC Discounting rates enjoyed?

iii) Volume of business through LC (%):

iv) LC Advising Bank :

v) LC Negotiating Bank :

vi) % of LC in the following categories:

i)Sight LC

a) 0 to 25% b) 26 to 50% c) 51 to 75% d) 76 to 100%

ii)Usance LC:

a) 0 to 25% b) 26 to 50% c) 51 to 75% d) 76 to 100%

13) Are you using online LCs?

a) yes b)No

14) Do you use Bank Guarantee?

a) yes b)No

15) If yes

i) Margin money for issuing Bank Guarantee (%)

a)1 to 10% b)11 to 20% c)21 to 30% d)more than 30%

ii) Time taken for issuing Bank Guarantee by bank(days)

16) Volume of bills routed through bank

17) Satisfaction regarding service provided by banks:

i) charges for opening import LC:

Good Fair Bad

1 2 3 4 5 6 7 8 9 10

ii) charges for Discounting LC:

Good Fair Bad

1 2 3 4 5 6 7 8 9 10

iii) Time taken for crediting proceeds :

Good Fair Bad

1 2 3 4 5 6 7 8 9 10

18) Satisfaction in Trade Finance

a) HighlySatisfied b) Satisfied c) Neutral d) Dissatisfied e)Highly dissatisfied

19) Years of association with current bank

a) 1 to 8 b) 9 to 16 c) 17 to 24 d) more than 24

20) What are the major problems faced with your bank?

21) How do you feel it can be overcome?

22) What are the basic services you available now your bank?

23) What value added services you expect from

QUESTIONNAIRE - BANKS

1) Name of the Bank ________________

2) How many Branches in Karur?

a)one b) two c)three d)more than three

3) How many current A/c customers?

a) 0 to 500 b) 501 to 1000 c) more than 1000

4) How many Trade A/c customers ?

a) 1 to 100 b) 101 to 200 c) more than 200

5) How many ATMs in Karur ?

a) zero b) one c) two d) more than 2

6) How much Volume of Trade Finance? ____________

7) How much Volume of Trade transactions? ___________

8) How many years of doing business in Karur?

a) 1 to 20 b) 21 to 40 c) more than 40

9) How much Asset book value ? ____________

10) How much Liability book value ? ______________