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**A STUDY ON THE FINANCIAL INSTITUTIONS INVOLVED IN
CONSTRUCTION EQUIPMENTS FUNDING**

By

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Of

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KUMARAGURU COLLEGE OF TECHNOLOGY
COIMBATORE – 641 006.**



A PROJECT REPORT

Submitted to the

FACULTY OF MANAGEMENT SCIENCES

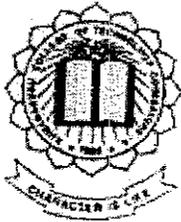
In partial fulfillment of the requirements

for the award of the degree

Of

MASTER OF BUSINESS ADMINISTRATION

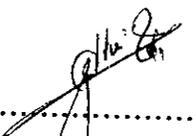
April, 2008



**KCT Business School
Department Of Management
Kumaraguru College of Technology
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Coimbatore – 641006**

BONAFIDE CERTIFICATE

Certified that this project titled ‘**A STUDY ON THE FINANCIAL INSTITUTIONS INVOLVED IN CONSTRUCTION EQUIPMENTS FUNDING**’ is the bonafide work of **Mr. ABHIMANYU. M (Reg. No: 71206631001)**, who carried out this 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.


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Project Guide

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Director

Evaluated and Viva-voce held on.....

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Examiner I

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Examiner II

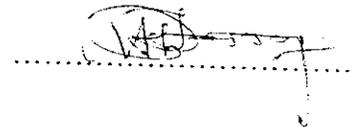
u DECLARATION *u*

DECLARATION

I, hereby declare that this project report entitled as “**A study on the Financial Institutions involved in Construction Equipments funding**” done in Sakthi Finance Ltd., Coimbatore 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 original work done by me under the guidance of Prof. Col. N. Jothilingam during the academic year 2007-2008.

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

Place :

A handwritten signature in black ink, appearing to read 'Abhimanyu M', is written over a horizontal dotted line. The signature is somewhat stylized and includes a vertical stroke extending downwards from the end of the line.

Date :

Abhimanyu M

≈ CERTIFICATE ≈



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PROJECT COMPLETION CERTIFICATE

This is to certify that Mr. / Ms. Abhimanyu.M (Roll No. 06MBA01) a student of KCT Business School, Kumaraguru College of Technology, had undergone a project between January 10, 2008 (date of joining) and March 24, 2008 (date of leaving) titled "A study on the Financial Institutions involved in Construction Equipment Funding".

During the tenure his / her performance was **Good**.

Yours faithfully
For Sakthi Finance Ltd

R.PRAVEENA
HR Executive

EXECUTIVE SUMMARY

The banking system in India is significantly different from that of other Asian nations because of the country's unique geographical, social, and economic characteristics. The financial system comprises of financial institutions, financial instruments and financial markets that provide an effective payment and credit system and thereby facilitate channelise of funds from savers to the investors of the economy.

The project is the result of the study on financial institutions involved in construction equipments funding. The main objective of the study is to analyse the role of financial institutions in the promotion of construction equipment funding.

The primary data was collected from various branches of financial institutions viz., Centurion, Citi Corp, HDFC, ICICI, IndusInd, Kotak, Shriram, Sundaram Finance and Tata Motor Finance in various parts of Tamilnadu, Pondicherry, Bangalore and Kerala with a structured interview schedule.

For this study, the interview schedule was conducted to find out the financing schemes, methodology & effectiveness in recovery of dues and the key players in the field along with their future plan of investment.

The study uses Percentage Analysis and Mean-Score Analysis for analyzing the data collected.

The building of the study reveals that the financial infrastructure in the organised sector which consists of banking network including investment banks should come in large extent in support to develop the resources of the nation.

≈ ACKNOWLEDGEMENT ≈

ACKNOWLEDGEMENT

I adore the almighty and extol his glory by paying my contribution of thankfulness for blessing me with all knowledge required to complete this project successfully.

I thank our respected Chairman Dr. N. Mahalingam who helped us to undergo this master's degree and acquire a lot of knowledge.

I thank our beloved Correspondent Dr. K. Arumugam, for his kind blessings and moral support for carrying out this project.

I express my sincere thanks to our Principal Dr. Joseph V Thanikal for allowing us to carryout this project.

I express my gratitude to our director, Mr. S. V. Devanathan, for his kind patronage and for his consent to carryout this project.

I take privilege and immense pleasure in expressing my sincere gratitude to my guiding spirit, Prof. Col. N. Jothilingam, Professor, KCT Business School, for his in-depth guidance and encouragement in executing this project right from beginning and making it a success.

I am highly obliged to extend my sincere thanks to Mr. Velusamy, General Manager, Sakthi Finance Ltd., for his effective guidance and valuable support to carryout this project in their premises.

My special acknowledgements and thanks to Department of Management Studies, Faculty Members and my friends for their help and motivation throughout.

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≈ INTRODUCTION ≈

CHAPTER 1

INTRODUCTION

1.1. BACKGROUND OF THE STUDY:

The banking system in India is significantly different from that of other Asian nations because of the country's unique geographical, social, and economic characteristics. The financial system comprises of financial institutions, financial instruments and financial markets that provide an effective payment and credit system and thereby facilitate channelise of funds from savers to the investors of the economy.

“Non-Banking Financial Company” means a non-banking institution that is a loan company or an investment company or hire purchase finance company or equipment leasing company or a mutual benefit financial company. The role of an NBFC is not different from that of a bank mobilizing money from people with the promise of replaying more. No wonder, that nearly 40,000 NBFC's set up establishments to mobilize money with a promise of high interest. Unfortunately many of them were fly-by night operators.

Finally the Apex bank has woken-up announcing a string of guidelines to regulate the industry. The RBI has issued a new set of directories known as the Non-banking company's Prudential Norms or directives 2006, which came into force in January 2006. These regulations aim at protecting public deposits and ensuring that only stronger players service.

Our country's development greatly depends upon infrastructure facilities. Currently available infrastructure facilities are inadequate. The main objective of our government is to develop all the required infrastructure facilities. It is essential to understand the present situation of infrastructure projects, contractors, manufacturers of infrastructure equipment and other financial institutions.

Over the last three decades, roads have emerged as the principal mover of people and goods - almost 65 per cent of India's freight movement and 85 per cent of India's passenger movement (Source: www.nhai.org/roadnetwork.htm). With a total length of approximately 3.3 million kilometers, India has the second largest road network in the

world. Roads have played a vital role in transportation and also enhancing trade. The government has taken initiatives to improve and strengthen the network of National Highways, State Highways and roads in major districts and rural areas.

Indian road network of 33 lakh kilometers (km) is second largest in the world. The bulk of this outlay is meant for the development of National Highways and related programmes. An expenditure of Rs. 20,505 crore is likely to be incurred in the first three years of the Plan Period. The road transport sector in India has expanded manifold in fifty years after independence, both in terms of spread and capacity. The growth in the importance of road transport within the transport sector is borne out by its growing share in GDP. The share of road transport in GDP is presently 3.69% that accounts for a major share of all transport modes, which contribute 5.5% to GDP. The composition of road traffic has grown from 12 per cent freight and 31.6 per cent passenger traffic in 1950-51 to an estimated 65 per cent freight and 87 per cent passenger traffic during the Tenth Five Year Plan period. Traffic on the roads is growing at the rate of 7-10 per cent per annum while the growth in vehicles has been to the tune of 12 per cent per annum for the past few years.

India has a very long road network which carries 80% of the total freight traffic. Hence road sector assumes significant importance in on-going development process. The economic development in India is happening in all parts of the country and goods will have to move throughout the length and breadth of the country. The new commercial vehicles sales will lead to more demand for finance for used vehicles as the vehicles sold now will enter into refinance market in 3 to 5 years tenure. The entry of new players from abroad, especially NBFCs owned by multinational finance companies into refinance segment can be perceived as a threat to existing players.

The present study attempts to examine the relative financial performance of different financial institutions involved in funding construction equipments, for the period 2006-07. The reasons of selecting this period for the purpose of study are:

- a) During this period the numbers of NBFCs have flourished by leaps and bounds.
- b) The absolute amount of deposits with NBFCs have gone up from Rs.4956.6 crores to Rs.85495.1 crores (increase is almost 17 times).

1.2. REVIEW OF LITERATURE

The literature review discusses published information in particular subject area and sometimes information in a particular subject is with in a certain time period. A literature review can be just a simple summary of the sources, but it usually has an organizational pattern and combines both summary and syntheses. A summary is a recap of the important information of the sources but a synthesis is a re-organization of that information. It might give a new interpretation of old material or combine new with old interpretations or it might trace the intellectual progression of the field, including major debates. And depending on the situation, the literature review may evaluate the sources and advice the reader on the most pertinent and relevant information he is seeking.

A literature review has a number of purposes, it enables to:

- Define and limit the problem you are working on,
- Place the study in a historical perspective,
- Evaluate promising research methods &
- Relate your findings to previous knowledge and suggest further study material.

Mike Vorster has undertaken a study on “How Costs, Charges Affect Equipment Finances”¹ which says there is a big difference between a cost and a charge. Understanding the difference and applying them appropriately enables you to manage the financial side of the fleet more effectively. People and organizations are not as simple, however, and internal scorekeeping between interdependent responsibility¹ centers such as operations and equipment can easily lead to tension and conflict. It is therefore important that the internal charge rates are set at a level that is seen to be fair and reasonable and that they reflect best estimates of the actual costs that will be incurred if everyone does their jobs to the best of their abilities. The cost-recovery rate charged for a given machine is a complex combination of charges and costs. Cost-recovery rates are charges set at the level required to recover people's best estimate of the actual costs they expect to incur in the future. (*Mike Vorster. Construction Equipment*)

¹ Mike Vorster. *Construction Equipment*. Boston: Sep 2005. Vol. 108, Iss. 9, p. 81-82 (2 pp.)

Gordon Platt has undertaken a study in Saudi Arabia Leads Region's Project Financing Boom² depicting the Project finance activity is booming in the Middle East, with Saudi Arabia leading the way as it embarks on a massive program of downstream development that will create jobs in plastics and chemicals production, as well as in the manufacture of finished goods. According to Brad Bourland, chief economist at Samba Financial Group, the desert kingdom will enjoy the biggest inflow of petrodollars in its history of approximately \$163 billion this year. Government-controlled Sabic, or Saudi Basic Industries, will spend \$3.8 billion on materials and equipment and \$3.2 billion on construction activities in the next three years. Mining company Ma'aden plans to build a \$3.76 billion aluminum smelter at Ras Al-Zour industrial zone in the eastern part of the country. Numerous Western banks are also rushing in to take advantage of the boom. In September GIB arranged a \$235 million loan for Oman Gas to refinance the outstanding balance of a \$410 million facility established in 2000.

Asia Intelligence Wire from FT Information undertook study with respect to China: Highway Construction Industry³ The demand for funding and for management skills will provide the majority of opportunities for U.S. investment. These things are highly sought after by the Chinese government. A small amount of construction equipment will be imported each year. The high tariffs on imported JV equipment are being selectively rolled back. At present, these tariffs will not apply to "high tech" equipment as the Chinese define it at any given time. If investment continues to lag, the Chinese government is most likely to roll back these tariffs even more.

Asia Intelligence Wire from FT Information undertook study with respect to Uzbekistan: Construction Equip & Services Market⁴ The construction sector receives some support from international financial institutions such as Asian Development Bank (ADB). The national railway company is working with ADB on a major railways rehabilitation

² Gordon Platt. Global Finance. New York:Dec 2006. Vol. 20, Iss. 11, p. 18-21 (4 pp.)

³ Asia Intelligence Wire from FT Information Mar 19, 1998 p. 1

⁴ Asia Intelligence Wire from FT Information Mar 15, 1999 p. 1

project. The bank has allocated used 70 million which is 40% of the total project amount, the rest being the company's share. The company plans to announce a tender for capital track maintenance machines on leasing conditions, another possible way of financing. Leasing is a new industry in Uzbekistan. There are several specialized leasing companies. The most prominent one is uzbek leasing international. Uzbekleasing was set up by maybank, the ebrd, the national bank of Uzbekistan, and the World Bank's international finance corporation. (*Asia Intelligence Wire from FT Information*)

Mike Vorster examines four things that can be done to improve the effectiveness of the budget-management process in the equipment industry on How to Manage Fixed-Cost Budgets⁵ which generates the monthly budget, analyze the cause of the variance, manage by groups and categories, and focus on cost recovery. It is easier to understand what is going on if the traditional Budget, Actual, Variance columns are replaced with Actual Cost, Recovered Cost, and Over or Under Recovery. This focuses attention on the fact that your rate is nothing more than a routine, systematic and uniform way of providing for or recovering the large, periodic, and often unpredictable expenditures associated with owning and operating an equipment fleet. It also focuses attention on the fact that expenditures -- and particularly the fixed costs of ownership -- can only be recovered by putting the fleet to work, achieving desired utilizations, and completing construction on time and on budget.

⁵ Mike Vorster. *Construction Equipment*. Boston:Oct 2006. Vol. 109, Iss. 10, p. 85

Euromoney Institutional Investor PLC has undertaken a study on Breaking barriers⁶ stating India's booming infrastructure sector was given a further boost in the recent budget with the government committing to use the country's vast foreign exchange reserves to expand its building programme. The Reserve Bank of India (RBI), which sits on nearly \$200 billion of reserves, will support the infrastructure financing activities of two overseas subsidiaries of the state-owned India Infrastructure Finance Co. Ltd (IIFCL). These vehicles are expected to start getting involved in infrastructure funding this year, according to industry sources. They may borrow directly from the central bank or the RBI will use its reserves as collateral for foreign exchange denominated loans which could create openings for greater participation in the local market by foreign banks, which have so far failed to make much of an impact. Another possibility is that the IIFCL subsidiaries will issue bonds, which the RBI will buy. Although exact details as to how any of this will function have yet to be finalised, funding will be aimed at core projects, particularly those that have an external borrowing requirement such as when a projects needs imported equipment.

Richard K Ellsworth took up a study on Capitalized Interest and Industrial Facility Construction Costs⁷. The capitalized interest cost element is one of the largest components of the indirect cost category for industrial facility construction. Industrial facility construction costs are influenced by design capacity, process specification and equipment redundancy along with geographic location and construction complexity. The construction costs for industrial facilities are commonly identified and categorized as either direct or indirect costs. Capitalized interest is one of the largest elements of the indirect cost category for industrial facility construction. Since capitalized interest comprises such a major component of the indirect cost category with industrial facilities, it is important to understand the analytical process and dynamics that influence the financing element of facility construction costs. (*Construction Accounting & Taxation*)

⁶ Euromoney Institutional Investor PLC Apr 2007 p. 1

⁷ Richard K Ellsworth. *Construction Accounting & Taxation*. Boston: May/June 2007. Vol. 17, Iss. 3, p. 25-29 (5 pp.)

Euromoney Institutional Investor PLC conducted a study Reliance Rail: Twin tracked⁸. Reliance Rail, Australia's largest PPP financing to date, and one of the largest globally in 2006, has closed A\$2.35 billion (\$1.85 billion) in debt facilities. The A\$3.6 billion project features an upset victory by the sponsors, a panoply of wrapped debt facilities and a complex procurement contract. The project is the first for a rolling stock procurement, and other national and local governments are likely to copy it. The contract covers 624 new rail cars, enough to outfit 78 eight-car train sets, and Reliance must make 72 of them available each day. The new double-decker trains will replace 40% of the rolling stock on the Sydney City Rail Network. The builder of the cars will be a joint venture of Downer EDI and Hitachi, and while China's Changhun Railway Vehicle will undertake some initial manufacture, the fleet will be assembled at Downer's Australian plant, in accordance with the state's desire for 20% local content.

Businessline conducted study on the Global situation requires constant vigil on monetary policy⁹. Strong expansion in monetary and liquidity aggregates in 2007-08 is clearly reflected in 22.4 per cent growth in broad money (M3) against the indicative target of 17-17.5 per cent for 2007-08 and increase in aggregate deposits of banks by 23.8 per cent. Contrary to the past trend of high bank credit growth (28 per cent in 2006-07, 32 per cent in 2005-06), bank credit by SCBs moderated to 22.2 per cent. With a rejigging of the credit portfolio to enhance credit quality by reducing exposures to capital, real estate and NBFC, and a shaper focus on credit to the employment-intensive sectors, non- food credit could grow in the band of 23'25 per cent this year. Central banks of the US, England have cut policy rates. Indian financial markets remained generally orderly except for some volatility in the equity market. Interest rates in the overnight money markets mostly remained within the informal corridor set by reverse repo and repo rates during the third quarter of 2007-08. In the foreign exchange market, the Indian rupee appreciated during the quarter vis-à-vis all major currencies.

⁸ Euromoney Institutional Investor PLC Dec 2006/Jan 2007. p. 1

⁹ Businessline. Chennai:Feb 8, 2008. p. 1

1.3. STATEMENT OF THE PROBLEM

Infrastructure industry in India is becoming one of the booming sectors. The banks and financial institutions funding for construction equipments are gaining importance. In this context, the study is attempted to analyse the Financial Institutions in order to rank their performance, which are funding Construction Equipments.

1.4. OBJECTIVES OF THE STUDY

- To analyse the financing schemes of Institutions involved in Construction Equipments Funding.
- To study the methodology and its effectiveness of Financial Institutions in recovery of dues from the borrowers.
- To find the key players in the field and their future plan of investment.
- To provide suggestions based on findings.

1.5. SCOPE OF THE STUDY

The Scope of study is to analyse the Financial Institutions involved in Construction Equipments Funding in South India. The area of study includes Bangalore, Vellore, Pondicherry, Erode, Coimbatore, Madurai, Tirunelveli, Trichy, Ernakulam and Kottayam.

1.6. RESEARCH METHODOLOGY

1.6.1 TYPE OF STUDY

The type of study used for this project is exploratory. Exploratory study explores new opportunities for future development, it is done by the process of collecting information to formulate, research and to investigate the future opportunities.

1.6.2 SAMPLING DESIGN

The Sampling Design used in this project is Convenient Sampling, with the sample size of 66 respondents.

1.6.3 METHOD OF DATA COLLECTION

Primary method is by using the Interview Schedule specially prepared for this purpose. Interviews are one of the chief means of collecting data in social science researches. Interview may be defined as a systematic conversation initiated for a specific purpose and focused on certain planned content areas.

1.6.4 TOOLS FOR ANALYSIS

The tools used for analysis are

- Descriptive Analysis
- Mean-Score Analysis

Percentages Analysis

Percentages are often used in data presentation to simplify the numbers reducing to 0 to 100 ranges. Through the use of percentage analysis, the data can be reduced in the standard form with base equal to 100.

The percentage analysis is calculated as follows:

- Different ratings are listed in the first column.
- Number of Financial Institutions responded to category of ratings are listed in the second column by using the tally mark.
- Total of each category of ratings is divided by the grand total to derive the percentage of Financial Institutions responded to each ratings.

Mean Score Analysis

In this study, Mean Value is used to identify and rank the factors which influence the criteria for sanctioning loan by various Financial Players.

1.7 LIMITATIONS

The study is limited to parts of Tamilnadu, Bangalore and Kerala covering Nine Financial Institutions viz., Centurion, Citi Corp, HDFC, ICICI, IndusInd, Kotak, Shriram, Sundaram Finance and Tata Motor Finance. The study is limited to the period of sixty days. The method of convenient sampling is also a limitation.

1.8 CHAPTER SCHEME

Chapter 1: Introduction

The first chapter deals with the background, objectives, scope of the study, methodology used in data collection, limitations of the study, and brief introduction of all the chapters.

Chapter 2: Organization Profile

Organization profile includes details on the history of the organization, management and structure, product profile, market potential, competitive strength of the company and brief description on various functional areas of the organization.

Chapter 3: Macro-micro Economic analysis

Macro-Micro analysis deals with the prevailing scenario of the organization with respect to its respective industry.

Chapter 4: Data Analysis and Interpretation

The chapter mainly deals with analysis of the data.

Chapter 5: Conclusion

Conclusion includes the results and the suggestions regarding the performance of the company and future scope of business.

≈ ORGANIZATION PROFILE ≈

CHAPTER - 2

ORGANISATION PROFILE

2.1 HISTORY OF THE ORGANISATION

Sakthi Finance Ltd., was incorporated in 1955, as a non-banking finance company. Initially, the Company catered exclusively to the hire purchase financial requirements of the Group's Telco Dealership units. This captive hire purchase business launched the Company firmly as a major player in this sector.

The Sakthi Group's long-standing association with the public through its agro-based industries, educational and charitable institutions has helped the company become an edifice of mutual trust and faith. Today, the company is one of the leading non-banking finance companies with over 21 branches in Tamilnadu, Kerala, Andhra Pradesh and Maharastra states. To widen its reach and extend its services, a branch expansion program is being implemented.

The company has an excellent brand image among the populace in this part of the country because of the excellent track record of the group. Despite the shakeout, where an economic condition that results in the elimination of marginally financed participants in an industry, the Company has been able to hold its own in a highly competitive environment.

Sakthi Finance has positioned itself as a niche player and is now focusing on the Commercial Vehicle re-finance segment. The Company has planned to set up deployment in hire purchase financing and has envisaged a growth rate of 30 to 35 % over the next 3 years.

It is targeted to increase the deployment in hire purchase business manifold in the coming years. The consistent high economic growth and the Government emphasis on development of infrastructure such as construction of Golden Quadrilateral which is the largest express highway project in India launched by former prime minister Atal Bihari Vajpayee connecting Delhi, Mumbai, Kolkata and Chennai and linkage of rivers have opened up tremendous opportunities for Sakthi Finance.

The Company was promoted by Dr. N. Mahalingam during the year 1955 in the name of "The Pollachi Credit Society Private Limited". The Company was later converted into a Public Limited Company as "Sakthi Finance Limited" on 27th July 1967. SFL is engaged in the retail finance business. The Company came out with its first public issue of

equity shares in 1984 and mobilised Rs.75 lakhs. In the year 1994 SFL obtained credit rating for Fixed Deposit Programme through ICRA and was rated 'MA'. Later in the Year 1995 the rating was upgraded from 'MA' to 'MA+'. The grading of the company for Fixed Deposits Programme is 'MA-'. Company's business currently involves Acceptance of deposits, Non-Convertible Debentures, Hire Purchase Financing of commercial vehicles, Machinery etc., Mortgage Financing, and other finance related activities with its main focus on the Financing of commercial vehicles.

The total deposits mobilised by the company crossed Rs.100 crore mark in the year 1991. The company is principally engaged in hire purchase and leasing business. The stock on hire has grown steadily over the years from Rs.203.60 lakhs in 1984 to Rs. 20418.08 lakhs in the F.Y. 2007. In compliance of the regulations, the company reduced the deposit base to less than Rs.100 crores and the deposit as on 31st March 2007 stood at Rs. 8186 lakhs. As a result of the reduction in fund base, the stock on hire also dropped to Rs.11941.68 lakhs in 2001, but gradually increased to Rs.20418 lakhs in 2006-07. At present the Company has 25 branches in Tamil Nadu, Kerala, Andhra Pradesh, Karnataka, Pondicherry and Delhi.

MAIN OBJECTS OF THE COMPANY:

The main objects of the company are as follows: (As set out in the Memorandum and Articles of Association of the Company)

1. To lend and / or to advance money or grant loans on any terms that may be thought fit with or without security to persons, firms, individuals, companies, local bodies or Government and particularly to customers and other persons having dealings with the Company.
2. To promote, assist in promoting, finance, aid, procure aids, manage, takeover or create any undertaking whether existing or new.
3. To act as Secretaries and financiers to enterprises.

4. To act as an issue house, Registrars and Share Transfer Agents, Financial Advisers, Technical Consultants, System Analysts and Data Processors.
5. To purchase, sell, exchange, deal in or invest in shares, debentures, bonds, Stocks of Joint Stock Companies, firms, local bodies or of Government.
6. To carry on the business of Underwriters, Sub-underwriters, Brokers, Managers, Advisors, Consultants to issue of shares, debentures, bonds, fixed deposits and other securities and of syndication of loans, project finance, working capital facilities and deferred payment facilities.

SUBSIDIARIES OF THE COMPANY:

SFL has a 100% Subsidiary Company, Sakthi Properties (Coimbatore) Limited.

DISTINCTIVE FEATURES OF SAKTHI FINANCE:

- One of India's oldest NBFCs
- Founded in the year 1965.
- Part of the Rs 1200 crore Sakthi Conglomerate which was founded in the year 1935.
- The Sakthi Group has a leading presence in Finance Agro foods, Dairy, and Transport.
- A deep understanding of the transport industry has made Sakthi one of the most trusted names in financing for commercial vehicles.
- A wide variety of loans for cars, commercial vehicles, plant machinery and equipment are available.
- One of the first companies to introduce used vehicle financing.
- Sakthi Finance Ltd., has 20 branches spread all over India.
- Over 1, 00,000 happy customers and still growing.
- The Locker Operations are carried out by SAKTHI FINANCIAL SERVICES LIMITED, an associate Company.

Sakthi Finance Limited operates as a Non-Banking Finance Company in India. It offers loans for cars, commercial vehicles, plant machinery, equipment, and other consumer durables. The company was incorporated in 1955 and is based in Coimbatore, India. Sakthi Finance Limited is part of SAKTHI Group of companies.

INDUSTRY SUMMARY:

The Non-Banking Financial Companies (NBFCs) are a heterogeneous group of finance companies unlike the commercial and co-operative banks. NBFCs are defined under Section 45-I(f) read with Sections 45-I© and 45-I(e) of RBI Act, 1934, and can carry on business in one or more of these areas:

- Asset Finance Company
- Insurance Company
- Loan Company
- Investment Company
- Mutual Benefit Finance Company
- Miscellaneous Non-Banking Company
- Housing Finance Company
- Residuary Non-Banking Company

The funding to small-scale industry is mainly for plant and machinery, industrial equipment, computer system etc. 70 % of the activities of NBFCs are in Leasing Equipment and Hire Purchase. There is some exposure in Bill Discounting and Factoring. The main strength of NBFCs is that they can devise innovative financing schemes and tailor-made schemes according to the specific requirement of the client.

(Source: www.indianfoundry.com/Teri/finance/nbfc.html).

The NBFI sector in India comprises various types of financial institutions with each one of them having its roots at a particular stage of development of the financial sector. All-India Financial Institutions (AIFIs), largely an offshoot of development planning in India, were created for long-term financing with some of them having sectoral/regional focus. Non-banking financial companies (NBFCs), on the other hand,

are mostly private sector units, which have carved their niche in the Indian financial system.

As of June 2006, there was in all 13,014 NBFCs registered with RBI of which 428 accepted deposits (*Source: Economic Survey 2006-2007*). NBFCs are an integral part of the country's financial system because of their complimentary as well as competitive role. They act as a critical link in the overall financial system catering to a large market of niche customers. As a result of consolidation and restructuring in the financial sector and liberalisation and globalisation of markets only a few strong NBFCs now remain in business. However, competition continues to be intense, as the Indian and foreign banks have entered the retail lending business in a big way, thereby exerting pressure on margins.

On the regulatory front, NBFCs are regulated by the RBI almost at par with banks. All the prudential norms for asset classification, income recognition, provisioning requirements etc., are applicable to NBFCs.

2.2 COMPANY SUMMARY:

SFL is a RBI registered NBFC engaged in financing of commercial vehicles, infrastructure equipment and personal finance products for over 50 years. SFL was promoted in 1955 by Dr. N. Mahalingam, promoter of the Coimbatore based Sakthi Group. SFL was formed with an objective of providing hire-purchase assistance to truck operators where it derives certain advantages from the group's dealership business as well as its experience in the transport sector. Currently, SFL is an independent multi-line finance company which focuses mainly on two product lines in finance segment viz. – Commercial Vehicles and Infrastructure equipment. SFL at present has 25 branches concentrated mainly in Southern India. The client base of SFL predominantly consists of small vehicle operators. Customers are usually provided 75% to 80 % of the market value of the asset. The loans are secured by hypothecation of the assets financed.

Sakthi Finance Limited was incorporated on 30th March 1955 under the Company's Act in the name of "Pollachi Credit Society" Private Limited, as group's in house financing arm for TELCO dealership. The company made its first public issue in 1984. With

successive rights issue on premium the company paid up the capital raised from Rs 25 Lakhs to 17.5 crores as on March 2002.

The company's authorized capital comprises, 4, 00, 00,000 equity shares of Rs.10 each and 5, 00,000 redeemable cumulative preference share of Rs.100 each. The issued subscribed and paid up capital are 2, 00, 71,321 equity shares ors Rs.10 each fully paid up.

Sakthi Finance Limited is a unit of Sakthi Group Promoted by Dr.N. Mahalingam. Authorized share capital of the capitals of the company in 2006 is Rs. 45 cores which is divided into 4 crores Equity shares of Rs.10 each and 5 Lakhs Redeemable Preference share of Rs.100 each. The Paid- up Shares capital is 2, 00, and 71,231 Equity shares of Rs.10 each. Presently the company operates through a networks of 21 branches located in Tamilnadu, Kerala, Andhra Pradesh and Maharastra, with specific focus on Tamil Nadu and Savings centers have been established at various deposit potential arrears at taluks of different districts in Tamilnadu and Kerala for mobilizing public deposits. The Company is also having safety locker facility to the deposit holders.

STRENGTH OF VISION:

Sakthi, a growing group that's business interests are etching out new industrial horizons. With the strength of vision, the Sakthi group is now among the top corporate houses in the country. Led by the farsighted Dr.N. Mahalingam, the group chairman – the driving force behind Sakthi the group today is a Rs.800 Crore conglomerate, has diverse interests spanning across Sugars, Textiles, Transport ,Finance, Fruit beverages, Soya products, Synthetic gem manufacturing.

A keen participant in social commitments, the Sakthi group has set up many Educational and charitable institutions, hospitals and religious centers.

VISION OF SAKTHI FINANCE LIMITED:

1. Be amongst the top three re-financiers of commercial vehicles in the country.
2. Become total solution provided through channel seven-value chain management.
3. Become the most preferred supplier of the customer choice.

MISSION OF SAKTHI FINANCE LIMITED:

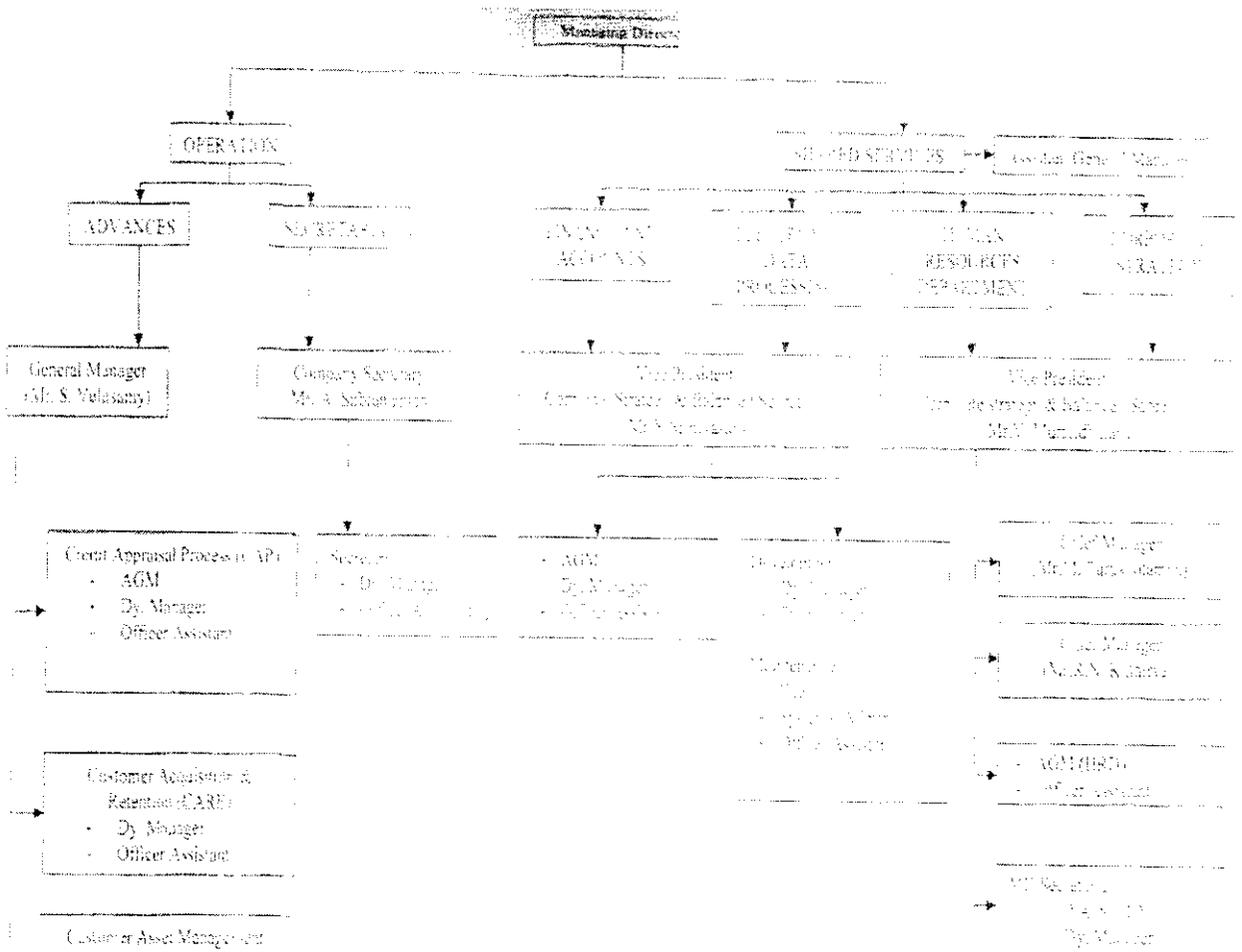
1. To partner the progress of “the small and medium transport” (SRTO & MRTO)
2. To provide “End to End service” leading to “Total Customer Solution” with speed, Flexibility and Integrity.

2.3 MANAGEMENT

BRANCH OFFICES

1. **Tamilnadu** : Chennai, Coimbatore, Erode, Mylapore, Madurai, Pollachi, Trichy, Salem, Namakkal and Tirunelveli.
2. **Kerala** : Calicut, Eranankulam, Kottayam and Kannur.
3. **Karnataka** : Bangalore
4. **Andhra Pradesh** : Vishakapatnam, Vijayawada.
5. **New Delhi**

ORGANISATION STRUCTURE



2.4. PRODUCTS PROFILE AND MARKET POTENTIAL

SFL is engaged in providing finance for commercial vehicles and equipments.

Commercial Vehicle Finance:

Providing finance for the Commercial Vehicles forms the core business of SFL. SFL provides finance for new as well as used commercial vehicles. The strategy of the company is to engage in niche segment of commercial vehicle refinance business. Very few organized players have entered into commercial vehicle refinance business wherein the age of the truck is more than 5 to 6 years. The average loan size for commercial vehicles varies from Rs. 2.00 Lakhs to Rs. 4.00 Lakhs and the tenure is from 24 Months to 36 Months.

Infrastructure Equipment Finance:

SFL has also entered in the financing of Infrastructure equipment and earth moving machines in order to diversify its portfolio. Government has proposed incentives for industries engaged in the infrastructure development. These incentives may give SFL an opportunity to improve in this line of business on account of the potential in equipment financing, as there is scope for growth in this business. The details of the business done in this segment by the company is as follows,

MARKET POTENTIAL:

SFL has outsourced this process of retail resource mobilizations to its associate company called Sakthi Financial Services Limited. Sakthi Financial Services Limited has employed around 30 field staff in Tamil Nadu to market the Fixed Deposit and Non-Convertible Debentures scheme of Sakthi Finance Limited. Potential customers are contacted and explained about the schemes and deposit is mobilized.

The marketing activity for lending is directly handled by Sakthi Finance Limited. The company has 25 branches in Tamil Nadu, Kerala, Andhra Pradesh, Karnataka, Pondicherry and Delhi. Each branch is in-charge of a Branch Manager. Depending upon the potential in the territory, 4 to 6 marketing officers are attached to each branch, at present there are 75 marketing officers in the rolls of the company. These officers are located in rural centres, wherein truck population 35 is higher. Each of these officers

typically covers 50 km area from his location. They are responsible for lending money in that area and also for collecting the installments. These officers are given required marketing support, by holding Special Customer Meets, Campaigns etc.

2.5. COMPETITIVE STRENGTHS OF SAKTHI FINANCE METHODS:

- Part of the Sakthi group – one of the reputed groups of the southern Indian headed by Dr.N. Mahalingam
- Customer base of more than 5 million
- Experience in hire purchase financing of more than 45 years
- Business focused executives at all levels.
- The company is rated by ICRA as MA that means adequate safely.
- First in the industry to issue post dated interest warrants in advance every year.

2.6. FUTURE PLANS OF SAKTHI FINANCE:

- The company is in progress of setting up exclusive software for maintaining their electronic database.
- The company has planned to electronically appraise the upcoming credit proposals with the newly build software.
- The company has plans to stretch its market to open new branches in South India.
- The company is in the process of framing new deposit schemes to accumulate deposits from its customers.

2.7. DESCRIPTION OF VARIOUS FUNCTIONAL AREAS:

The Basic Process of the Business is explained below:

Lending and Collections

The processes involved in lending activity are enumerated below:-

1. Customer Acquisition and Retention (CARE): Marketing Officers located in potential centres identify good customers who intend to borrow and collect their profiles.

If the profile of the intended borrower matches with the policy of the company, the executive makes a recommendation as to whether the loan to the applicant should be extended or not.

2. Customer Appraisal Process (CAP): This process team takes care of appraising the profiles of all intended borrowers and select the right borrowers who have the capacity and intention to repay the loan. The Appraisal process is centralized and handled at Head Office. All the branches are linked through internet and hence the appraisal process is carried out faster. The funds are advanced after the process of evaluation is completed and the necessary documentations have been completed.

3. Customer and Asset Management Process (CAMP): The critical success factor of an NBFC is its ability to manage the advance portfolio and recover the money lent on due dates. There is a team at Head Office which is continuously monitoring the recovery and offers support to branches on exceptional accounts which pose collection problems.

≈ MACRO & MICRO ANALYSIS ≈

CHAPTER 3

MACRO-MICRO ANALYSIS

MACRO ANALYSIS:

OVERVIEW OF BANKING AND FINANCIAL INSTITUTIONS:

The banking system in India is significantly different from that of other Asian nations because of the country's unique geographical, social, and economic characteristics. India has a large population and land size, a diverse culture, and extreme disparities in income, which are marked among its regions. There are high levels of illiteracy among a large percentage of its population but, at the same time, the country has a large reservoir of managerial and technologically advanced talents. Between about 30 and 35 percent of the population resides in metro and urban cities and the rest is spread in several semi-urban and rural centers.

As NBFCs are increasing under the regulatory gaze, there will be vacuum in places where there is no bank and the NBFC is required to fold. Regulators have to ensure that banking expansion is promoted in these places. NBFCs undertake a wide spectrum of activities ranging from hire purchase and leasing to pure investments. RBI initially limited their powers, aiming to moderate deposit mobilization in order to provide depositors with indirect protection. It regulates the NBFCs under the provisions of chapter IIIB of the RBI Act of 1963, which were confined solely to deposit acceptance activities of NBFCs and did not cover their functional diversity and expanding intermediation. This rendered the regulatory framework inadequate to control NBFCs. The RBI working group on financial companies recommended vesting RBI with more powers for more effective regulation of NBFCs. A system of registration was introduced in April 1993 for NBFCs with net owned funds (NOF) of Rs million or above.

The financial system comprises of financial institutions, financial instruments and financial markets that provide an effective payment and credit system and thereby facilitate channelising of funds from savers to the investors of the economy. In India considerable growth has taken place in the Non-banking financial sector in last two decades. Over a period of time they are successful in rendering a wide range of services. Initially intended to cater to the needs of savers and investors, NBFCs later on developed

into institutions that can provide services similar to banks. In India several factors have contributed to the growth of NBFCs. They provide tailor made services to their clients.

Comprehensive regulation of the banking system and absence or relatively lower degree of regulation over NBFCs has been some of the main reasons for the growth momentum of the latter. It has been revealed by some research studies that economic development and growth of NBFCs are positively related. In this regard the World Development Report has observed that in the developing countries banks hold a major share of financial assets than they do in the industrially developed countries¹. As the demand for financial services grow, countries need to encourage the development NBFCs and securities market in order to broaden the range of services and stimulate competition and efficiency. In India the last decade has witnessed a phenomenal increase in the number of NBFCs. The number of such companies stood at 7063 in 1981, at 15358 in 1985 and it increased to 24009 by 1990 and to 55995 in 1995.

The main reason for deposits with NBFCs is greater customer orientation and higher rate of interest offered by them as compared to banks. With such a dramatic growth in the numbers of NBFCs it was thought necessary to have a regulatory framework for NBFCs. Slowly the RBI came out with set of guidelines for NBFCs. In one of such step RBI gave definition of NBFCs. According to Reserve Bank (Amendment act, 1997) "A Non Banking Finance Company (NBFC)" means,

- A financial institution which is a company.
- A non banking institution which is a company and which has as its principal business the receiving of deposits under any scheme or arrangement or in other manner a lending in any manner.
- Such other non banking institution or class of such institutions as the bank may with the previous approval of the central government specify. The definition excludes financial institutions which carry on agricultural operations as their principle business. NBFCs consists mainly of finance companies which carry on functions like hire purchase finance, housing finance, investment, loan, equipment leasing or mutual benefit financial operations, but do not include insurance companies or stock exchange or stock

broking companies. To encourage the NBFCs that are run on sound business principles, on July 24, 1996

NBFCs were divided into two classes:

- i) Equipment leasing and hire purchase companies (finance companies)
- ii) Loan and investment companies.

However, the NBFCs segment of finance was less regulated over a period of time. On account of the CRB scam and the inability of some of the NBFCs to meet with the investors demand for return of the deposits the need was felt by the Reserve Bank of India to increase the regulations for the NBFCs. In the light of this background Reserve Bank of India came out with the guidelines on January 2, 1998. The salient features of this guideline are given below. The acceptance of deposits has been prohibited for the NBFCs having net owned funds less than Rs.25 lakhs) the extent of public deposit raising is linked to credit rating and for equipment leasing and hire purchase companies it can be raised to a higher tune.

Interest rate and rate of brokerage is also defined under the new system. 4) Income recognition norms for equipment leasing and Hire purchase finance companies were liberalized for NPA from overdue for six months to twelve months. 5) Capital adequacy raised 10% by 31/3/98 and 12% by 31/3/99. 6) Grant of loan by NBFCs against the security of its own shares is prohibited. 7) The liquid assets are required to be maintained @ 12.5% and 15% of public deposits from 1/4/98 and 1/4/99 respectively. Modifications also came to these norms over a period of time. The provisioning norms for hire purchase and lease companies were changed. Accordingly, credit was to be given to the underlying assets provided as security. The risk weight for investment in bonds of all PSBs and FD/CD/ bonds of PFI is reduced to 20% by monetary and credit policy for 1999-2000 the RBI has raised the minimum net owned funds limit for new NBFCs to Rs. 2 crores which are incorporated on or after 20/4/99. According to the guideline issued on 8/4/99 the company is to be classified as NBFCs if its financial assets account for more than 50% of its total assets i.e. net of intangible assets and the income from financial assets should be more than 50% of the total income. 6 By June 1999 RBI had removed the ceiling on bank credit to all registered NBFCs which are engaged in the principle business of equipment leasing, hire purchase, loan and investment activities. From above

brief summary regarding steps taken by RBI for managing NBFC it is apparent that RBI assigns the priority for proper management of NBFCs keeping in view the investor's protection.

In the light of the above regulatory frame work one should like to examine various parameters of different groups of NBFCs. The classifications of NBFCs have been changed over a period of time. The functioning of different categories of NBFCs are not governed by the homogeneous factors. Therefore financial implication can differ for different group of companies. The financial performance of 10 leasing companies has been examined by Seem Saggarg at disaggregate level and compared with other groups of NBFCs for a period of 1985-90.

Moreover, a study by T.S. Harihar throws light on the performance of all NBFCs taken together in terms of cost of debt, operating margin, net profit margin, return on net worth, asset turn over ratio etc. The study by Seema Saggarg does not reflect the overall performance of NBFCs as it is based on selected 10 companies. The study by Harihar reveals the aggregate performance of NBFCs which does not throw light on the financial performance of different groups of NBFCs. In the light of these limitations, the present study attempts to examine the financial performance of different groups of NBFCs separately. The present study attempts to examine the relative financial performance of different groups of NBFCs for the period 2007-08 in terms of profitability, leverage and liquidity. The reasons of selecting this period for the purpose of study are: a) During this period the number of NBFCs have flourished by leaps and bounds. b) The absolute amount of deposits with NBFCs have gone up from 4956.6 crores to Rs. 85495.1 crores (increase is almost 17 times).

Recent years have witnessed significant increase in financial intermediation by the NBFCs. This is reflected in the proposal made by the latest Working Group on Money Supply for a new measure of liquidity aggregate incorporating NBFCs with public deposits worth Rs.20 crore. For regulatory purposes, NBFCs have been classified into 3 categories: (a) those accepting public deposits, (b) those not accepting public deposits but engaged in financial business and (c) core investment companies with 90 per cent of their total assets as investments in the securities of their group/ holding/subsidiary companies. The focus of regulatory attention is on NBFCs accepting public deposits.

As per the NBFC Acceptance of Public Deposits (Reserve Bank) Directions, 1998, the quantum of public deposit in respect of NBFCs was linked to credit rating from an approved agency so as to enable the depositor to make informed decision. The NBFCs were also encouraged to broad-base their resources through borrowings from banks and financial institutions, inter-corporate deposits/ loans, secured bonds/debentures, etc., which were exempted from the definition of “public deposit”. However, the Associations of NBFCs and the apex trade bodies brought to the notice of both the Government and the RBI, the problem of asset-liability mismatches caused by frequent downgrading of the credit ratings of NBFCs and the consequent reduction in quantum of permissible public deposits. They also suggested that smaller NBFCs could be exempted from the requirement of credit rating for having public deposits upto a particular limit while larger NBFCs could be allowed higher limits of public deposits subject to minimum investment grade credit rating and higher capital adequacy requirements. The Task Force on NBFCs appointed by the Government of India submitted its report in October, 1998, which recommended rationalisation of regulations for NBFCs, improvement of the legislative framework for protecting the interests of depositors and development of NBFCs on sound and healthy lines.

Top global financial firms which have acquired a foothold in the Indian non-banking finance companies’ (NBFCs) segment are now pursuing an aggressive strategy to expand their reach within the country. Fullerton India, a subsidiary of Temasek, the Singapore government’s investment arm, is emerging as one of the most aggressive players in the financial sector. The firm is now drawing up plans to open 400 branches over the next 12 months to scale up its operations from the current base of 100 branches. Other recent entrants in the NBFC segment include biggies such as AIG Capital while other global players — BNP Paribas and Societe Generale have also entered the business

The aggressive moves by these firms come at a time when entrenched firms such as Citi Financial and StanChart’s Prime Financial have been pursuing a scorching growth strategy. Besides, the new players have to contend with local firms — Future Group and Indiabulls which have also forayed into this business during the past few years.

HISTORY OF NBFCs IN INDIA:

In keeping with the spirit of financial sector liberalization, efforts were made to integrate NBFCs into the mainstream of overall financial sector. The first phase of this process was initiated on the basis of the recommendations of the Shah Committee's recommendation could not, however, be given statutory backing because the RBI Act 1934 did not confer the RBI with necessary powers in this regard. An ordinance was therefore promulgated by the Government in January 1997 effecting comprehensive changes in the provision of the RBI Act, 1934 which was later replaced by the Reserve Bank of India (Amendment) Act, 1997. The Act conferred wide ranging powers on the RBI for registration, regulation/supervision, and issue of guidelines and minimum net owned fund (NOF) of Rs.25 lakh, maintenance of certain percentage of liquid asset, creation of reserve fund were prescribed for the NBFCs. In May, 1997, as certain malpractices pertaining to NBFCs came to light, the RBI took prompt corrective steps and the financial sector was also resilient enough to withstand this shock. The percentage of liquid assets to be maintained by NBFCs has been revised upward uniformly for all NBFCs with effect from 1.4.1999 respectively. The process of registration of 37,478 NBFCs, more than 9000 of which have Net Owned Funds (NOF) of Rs.25 lakh and above, is being attended to on top priority basis.

On January 2, 1998 the RBI issued detailed guidelines regarding norms of deposits acceptance, prudential norms, etc. for various categories of the NBFCs. These were later reconsidered and revised guidelines were issued on January 31, 1998; deposit entitlement limits were raised in certain cases to minimize hardship without endangering the interest of depositors. According to these guidelines, an NBFC will have to obtain the minimum prescribed investment rating before accepting public deposits. The limit of acceptance of public deposits has been linked to the NBFCs and its rating. Furthermore, NBFCs with NOF of less than Rs.25 lakh have been prohibited from accepting public deposits with immediate effect.

Financial Structure:

The Indian financial system comprises the following institutions:

1. Commercial banks
 - Public sector
 - Private sector
 - Foreign banks
 - Cooperative institutions
 1. Urban cooperative banks
 2. State cooperative banks
 3. Central cooperative banks
2. Financial institutions
 - All-India financial institutions(AIFIs)
 - State financial corporations(SIDCs)
 - State industrial development corporations(SIDCs)
3. Non-banking financial companies(NBFCs)
4. Capital market intermediaries.

MICRO ANALYSIS:

NBFCs are those of companies which are not banking companies but engaged in the business activities related to loan, finance, investment, leasing, hire-purchase and other fund based activities. These companies are required to comply with the provisions of RBI Act and the rules and directions thereof, in addition to the provisions of Companies Act, 1956.

Statutory definition of NBFCs under the RBI Act:

NBFC is defined under sec 45-I (f) 1 as under Sec.45-I (f) “non-banking financial company” means-

1. A financial institution which is a company
2. A non banking institution which is a company and which has as its principal business the receiving of deposits, under any scheme or arrangement or in any other manner, or lending in any manner;

3. Such other non-banking institution 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.

The Act defines “Financial Institution” (FI) 45-I(c) as financial institution means any non-banking institution which carries on as its business or part of its business any of the following activities, namely:-

1. The Financing, whether by way of making loans or advances or otherwise, of any activity other than its own.
2. The acquisition of shares, stocks, bonds, debentures, or securities issued by a government or local authority or other marketable securities of a like nature.
3. Letting or delivering of any goods to a hire under HIRE PURCHASE agreement;
4. The carrying on of any class of insurance business;
5. Managing , conducting or supervising , as foreman, agent or in any other capacity, of chits or kuries as defined in any law which is for the time being in force in any state, or any business, which is similar thereto;
6. Collecting, for any purpose or under any scheme or arrangement by whatever name called monies in lump sum or otherwise, by way of subscriptions or by sale of units, or other instruments or in any other manner and awarding prizes or gifts, whether in cash or kind, or disbursing monies in any other way, to persons from whom monies are collected or to any other person,

Under section 45-I (a) of the RBI Act, 1934 “business of non banking financial institution”, is defined in terms of the business of a financial institution and NBFC. Sec: 45-I (a): “business of a non-banking financial institution” means carrying on the business of a financial institution referred to in clause (f). An analysis of forgoing provisions reveals that except for specifically notified categories, a company that is a FI, or a NBI receiving deposits, alone would qualify as NBFC. A further reading of the definitions of FI and NBI reveals that for a company to be an NBFC it should either carry on any of the businesses as enumerated in (1) to (6) of Sec.45-I (c) or it should otherwise receive public deposits in any manner.

NBFCs with good track record to become private sector banks based on the following criteria:

1. The NBFC should have a minimum net worth of Rs.200 crore as per latest balance sheet, which will increase to Rs.300 crore within the three years from the date of conversion.
2. The NBFC should not have been promoted by a large Industrial House or owned/controlled by public authorities, including Local, State, or Central Governments.
3. The NBFC should have acquired a credit rating of not less than AAA rating (or its Equivalent) in the previous year.
4. The NBFC should have an impeccable track record in compliance with RBI regulations/directions and in repayment of public deposits
5. The NBFC should have capital adequacy of not less than 12 percent and its net NPAs should not be more than 5 percent.

GROWTH FACTORS OF NBFC'S:

Several factors have contributed to the rapid growth of NBFCs in India. Comprehensive regulation of the banking system and the absence or relatively lower degree of regulation of NBFCs on the other hand has a significant contribution to this development.

Further a high level of customer orientation, fewer pre-sanction and post – sanction requirements, faster sanctions and simple and speedy tailor made services assure them a loyal clientele notwithstanding higher costs. Besides the higher returns offered by NBFCs drew a large number of small depositors to them. They work like quasi banks and provide funds to sectors where a credit gap exists. NBFCs have become an accepted and integral part of the Indian financial system which did experiment with the direct finance to the transport to this sector, withdrew and settled for indirect finance to this sector through NBFCs which had a better recovery machinery or experience. Finance companies offer a broad range of services to meet the needs of corporate and individuals. Some of them have, through subsidiaries, taken up stock broking and mutual fund

business. This has also effect of increasing the share of unsecured deposits in the portfolio of NBFCs.

FUNCTIONS OF NBFCs:

More specifically, an NBFC is a company registered under the companies act 1956, and obtained a certificate of registration U/s.45-1A (5) of the Reserve Bank of India Act, 1934 and is engaged in the business very much similar to banks and also deals in shares/stocks/bonds/debenture/securities issued by Government or local authority or other securities of like marketable nature, leasing, hire purchasing, insurance business, chit business but does not include any institution whose principal business is that of agriculture activity, industrial activity, sales/purchase/construction of immovable property. A non-banking institution which is a company and which has its principal business of receiving deposits under any scheme or arrangement or any other manner, or lending in any manner is also a non-banking financial company.

FORMATION OF NBFC:

An NBFC can be either a private limited company or a public limited company. Section 12 (1) of the companies Act, 1956 provides for the mode of forming incorporated company. The persons who intend to incorporate an NBFC are required to fill in the concerned box in the appropriate form for incorporating their company as an NBFC thereby complying with the other requirements of the Companies Act, 1956 like drafting of Memorandum of Association, Articles of Association... etc.,

≈ DATA ANALYSIS & INTERPRETATION ≈

CHAPTER 4

DATA ANALYSIS & INTERPRETATION

4.1 Profile of the Respondents

The following tables and respective interpretations describes about the profile of respondents considered for the study.

4.1.1 No. of years of existence in Construction Equipment Funding

Table 1 – Distribution of respondents on the basis of existence

No. of Years	Respondents	%
Upto 5	7	10.6
6-10	32	48.5
11-15	19	28.8
Over 15	8	12.1
Total	66	100

From the above table it can be seen that most of the financial institutions belong to the years of existence between 6-10 years (48.5%), 28.8% of the respondents are between 11-15 years, 12.1% of the respondents are between over 15 years and 10.6% of the respondents are upto 5 years.

4.1.2 Perceived Market Share of the Financial Institutions

Table 2– Distribution of respondents on the basis of new equipment market share

New Market Share (%)	Respondents	%
Upto 5	14	21.2
6-10	17	25.8
11-15	7	10.6
16-20	12	18.2
21-25	7	10.6
26-30	8	12.1
Over 30	1	1.5
Total	66	100

From the above table it can be seen that most of the financial players 25.8% feel that they have a market share in new equipment funding between 6-10%, 21.2% feel they possess upto 5% market share.

Table 3– Distribution of respondents on the basis of used equipment market share

Used Market Share (%)	Respondents	%
Upto 5	12	18.2
6-10	19	28.8
11-15	8	12.1
16-20	11	16.7
21-25	10	15.2
Over 25	6	9.1
Total	66	100

From the above table it can be seen that most of the financial players 28.8% feel that they have a market share in new equipment funding between 6-10%, 18.2% feel they possess upto 5% market share.

4.2 Financing schemes of Institutions in Construction Equipment Funding

The following tables and respective interpretations describes about the Financing schemes of Institutions in Construction Equipment Funding.

4.2.1 Category of Dispersion on the basis of loan provided

Table 4 – Distribution on the basis of loan proportion provided by Centurion

Loan Proportion	Strategic Customer		Sub Contractor		Captive		FTU		FTB	
	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%
Upto 10	2	40	2	40	2	40	1	20	3	60
11-20	2	40	3	60	0	0	3	60	1	20
21-30	1	20	0	0	1	20	1	20	1	20
31-40	0	0	0	0	1	20	0	0	0	0
Over 40	0	0	0	0	1	20	0	0	0	0
Total	5	100	5	100	5	100	5	100	5	100

From the above table it can be seen that majority of the financial players 80% are ready to disperse upto 20% proportion to strategic customers on whole, majority of 60% to the proportion of 11-20% for Sub Contractors, 40% to the proportion of 1-10% for Captives, majority of 60% to the proportion of 11-20% to the FTUs and 60% to the proportion of 1-10% FTBs.

Table 5 – Distribution on the basis of loan provided by Citi Corp

Loan Proportion	Strategic Customer		Sub Contractor		Captive		FTU		FTB	
	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%
Upto 10	1	33.3	2	66.7	2	66.7	2	66.7	1	33.3
11-20	1	33.3	0	0	1	33.3	0	0	1	33.3
21-30	0	0	1	33.3	0	0	1	33.3	1	33.3
31-40	1	33.3	0	0	0	0	0	0	0	0
Over 40	0	0	0	0	0	0	0	0	0	0
Total	3	100	3	100	3	100	3	100	3	100

From the above table it can be seen that there is equal share to disperse 1-20% and 31-40% proportion to strategic customers, maximum of 66.7% between 1-10% to the Sub Contractors, Captives and FTUs and equal proportion of 33.3% between 1-30%.

Table 6 – Distribution on the basis of loan provided by HDFC

Proportion	Strategic Customer		Sub Contractor		Captive		FTU		FTB	
	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%
Upto 10	0	0	1	14.2	3	42.9	3	42.9	3	42.9
11-20	3	42.9	3	42.9	1	14.2	3	42.9	1	14.2
21-30	3	42.9	3	42.9	3	42.9	1	14.2	3	42.9
31-40	0	0	0	0	0	0	0	0	0	0
Over 40	1	14.2	0	0	0	0	0	0	0	0
Total	7	100	7	100	7	100	7	100	7	100

From the above table it can be seen that most of the financial institutions (84.8%) are ready to disperse 11-30% proportion to strategic customers, Sub Contractors and FTUs respectively, 1-10% and 21-30% proportion to Captives and FTBs.

Table 7 – Distribution on the basis of loan provided by ICICI

Proportion	Strategic Customer		Sub Contractor		Captive		FTU		FTB	
	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%
Upto 10	1	11.1	4	44.4	4	44.4	3	33.3	4	44.4
11-20	5	55.6	5	55.6	2	22.2	3	33.3	2	22.2
21-30	3	33.3	0	0	1	11.1	1	11.1	1	11.1
31-40	0	0	0	0	2	22.2	1	11.1	1	11.1
Over 40	0	0	0	0	0	0	1	11.1	1	11.1
Total	9	100	9	100	9	100	9	100	9	100

From the above table it can be seen that majority of the financial players (55.6%) are ready to disperse 11-20% proportion to Strategic Customers and Sub Contractors respectively, most of respondents 44.3% to the proportion of 1-10% for Captives and FTBs respectively, 33.3% to the proportion of 1-20% for FTUs.

Table 8 – Distribution on the basis of loan provided by IndusInd

Proportion %	Strategic Customer		Sub Contractor		Captive		FTU		FTB	
	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%
Upto 10	2	25	2	25	1	12.5	2	25	3	37.5
11-20	0	0	3	37.5	3	37.5	1	12.5	1	12.5
21-30	4	50	3	37.5	2	25	3	37.5	2	25
31-40	1	12.5	0	0	1	12.5	2	25	2	25
Over 40	1	12.5	0	0	1	12.5	0	0	0	0
Total	8	100	8	100	8	100	8	100	8	100

From the above table it can be seen that most of the financial institutions (50%) are ready to disperse 21-30% proportion to strategic customers on whole, 75% to the proportion of 11-30% to Sub Contractors, 37.5% to the proportion of 11-20% to Captives, 37.5% to the proportion of 11-30% to FTUs, 37.5% to the proportion of 1-10% to FTBs.

Table 9 – Distribution on the basis of loan provided by Kotak

Proportion %	Strategic Customer		Sub Contractor		Captive		FTU		FTB	
	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%
Upto 10	0	0	3	33.3	2	22.2	3	33.3	2	22.2
11-20	5	55.6	4	44.4	4	44.4	3	33.3	4	44.4
21-30	2	22.2	2	22.2	2	22.2	3	33.3	3	33.3
31-40	1	11.1	0	0	1	11.1	0	0	0	0
Over 40	1	11.1	0	0	0	0	0	0	0	0
Total	9	100	9	100	9	100	9	100	9	100

From the above table it can be seen that majority of the financial players (55.6%) are ready to disperse 11-20% proportion to strategic customers on whole, 44.4% to the proportion of 11-20% for Sub Contractors, Captives and FTBs respectively, equal preference to the proportion of 1-30% for FTUs.

Table 10 – Distribution on the basis of loan provided by Shriram

Loan Ratio	Strategic Customer		Sub Contractor		Captive		FTU		FTB	
	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%
Upto 10	2	50	2	50	1	25	2	50	1	25
11-20	0	0	0	0	2	50	1	25	1	25
21-30	1	25	1	25	0	0	1	25	1	25
31-40	0	0	0	0	0	0	0	0	1	25
Over 40	1	25	1	25	1	25	0	0	0	0
Total	4	100	4	100	4	100	4	100	4	100

From the above table it can be seen that most of the financial institutions (50%) are ready to disperse 1-10% proportion to Strategic Customers, Sub Contractors and FTUs respectively, 50% to the proportion of 11-20% for Captives, 25% of equal proportion for the FTBs.

Table 11 – Distribution on the basis of loan provided by Sundaram

Loan Ratio	Strategic Customer		Sub Contractor		Captive		FTU		FTB	
	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%
Upto 10	2	25	3	37.5	3	37.5	3	37.5	3	37.5
11-20	4	50	3	37.5	0	0	1	25	3	37.5
21-30	1	25	0	0	3	37.5	1	25	1	25
31-40	0	0	1	25	1	25	3	37.5	1	25
Over 40	1	25	1	25	1	25	0	0	0	0
Total	8	100	8	100	8	100	8	100	8	100

From the above table it can be seen that most of the financial players (50%) are ready to disperse 11-20% proportion to strategic customers, 75% to the proportion of 1-20% for Sub Contractors and FTBs respectively, 37.5% to the proportion of 1-10% and 21-30% for Captives 37.5% to the proportion of 1-10% and 31-40% for FTUs.

Table 12 – Distribution on the basis of loan provided by TATA Motor Finance

Proportion (%)	Strategy Customer		Sub Contractor		Captive		FTU		FTB	
	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%
Upto 10	1	16.7	3	50	2	33.3	2	33.3	3	50
11-20	2	33.3	3	50	4	66.7	3	50	3	50
21-30	1	16.7	0	0	0	0	1	16.7	0	0
31-40	2	33.3	0	0	0	0	0	0	0	0
Over 40	0	0	0	0	0	0	0	0	0	0
Total	6	100	6	100	6	100	6	100	6	100

From the above table it can be seen that most of the financial institutions (33.3%) are ready to disperse 11-20% and 31-40% proportion to strategic customers, equal proportion of 50% to 1-20% for Sub Contractors and FTBs respectively, majority of 66.7% to the proportion of 11-20% for Captives, 50% to the proportion of 11-20% for FTUs.

4.2.2 Area of Financing Preference

Table 13 – Distribution of Financing Preferences by Centurion

Financing Preference (%)	New Finances		Re-Finance		Total Financed Assets	
	Frequency	%	Frequency	%	Frequency	%
Upto 25	0	0	4	80	5	100
26-50	2	40	1	20	0	0
51-75	1	20	0	0	0	0
Over 75	2	40	0	0	0	0
Total	5	100	5	100	5	100

From the above table it can be seen that most of the financial players (40%) give 26-50% and more than 75% preference for new finance, majority of 80% to the preference of 1-25% for Re-Finance, and full of 100% preference of 1-25% for Used Assets..

Table 14 – Distribution of Financing Preferences by Citi Corp

Financing Preference (%)	New Finance		Re-Finance		Finance on Used Assets	
	Frequency	%	Frequency	%	Frequency	%
Upto 25	0	0	1	33.3	2	66.7
26-50	1	33.3	2	66.7	1	33.3
51-75	1	33.3	0	0	0	0
Over 75	1	33.3	0	0	0	0
Total	3	100	3	100	3	100

From the above table it can be seen that most of the financial institutions give more than equal preference for new finance, majority of 66.7% to the preference of 26-50% for Re-Finance and 1-25% preference for Used Assets.

Table 15 – Distribution of Financing Preferences by HDFC

Financing Preference (%)	New Finance		Re-Finance		Finance on Used Assets	
	Frequency	%	Frequency	%	Frequency	%
Upto 25	0	0	6	85.7	7	100
26-50	0	0	1	14.3	0	0
51-75	3	42.9	0	0	0	0
Over 75	4	57.1	0	0	0	0
Total	7	100	7	100	7	100

From the above table it can be seen that majority of the financial players (57.1%) give more than 75% preference for new finance, 85.7% to the preference of 1-25% in Re-Finance, and full preference to 1-25% for Used Assets.

Table 16 – Distribution of Financing Preferences by ICICI

Financing Preference (%)	New Finance		Re-Finance		Finance on Used Assets	
	Frequency	%	Frequency	%	Frequency	%
Upto 25	1	11.1	6	66.7	8	88.9
26-50	0	0	1	11.1	1	11.1
51-75	4	44.4	2	22.2	0	0
Over 75	4	44.4	0	0	0	0
Total	9	100	9	100	9	100

From the above table it can be seen that majority of the financial respondents (88.8%) give more than 50% preference for new finance, majority of 66.7% to the preference of 1-25% for Re-Finance, and 88.9% to the preference of 1-25% for Used Assets.

Table 17 – Distribution of Financing Preferences by IndusInd

Financing Preference (%)	New Finance		Re-Finance		Finance on Used Assets	
	Frequency	%	Frequency	%	Frequency	%
Upto 25	1	12.5	7	87.5	6	75
26-50	1	12.5	0	0	1	12.5
51-75	2	25	1	12.5	0	0
Over 75	4	50	0	0	1	12.5
Total	8	100	8	100	8	100

From the above table it can be seen that most of the financial players (50%) give more than 75% preference for new finance, majority of 87.5% to the preference of 1-25% for Re-Finance, and 75% to the preference of 1-25% for Used Assets.

Table 18 – Distribution of Financing Preferences by Kotak

Financing Preference (%)	New Finance		Re-Finance		Finance on Used Assets	
	Frequency	%	Frequency	%	Frequency	%
Upto 25	2	22.2	6	66.7	6	66.7
26-50	1	11.1	1	11.1	3	33.3
51-75	3	33.3	1	11.1	0	0
Over 75	3	33.3	1	11.1	0	0
Total	9	100	9	100	9	100

From the above table it can be seen that majority of the respondents (66.7%) give more than 50% preference for new finance, 66.7% to the preference of 1-25% for Re-Finance and Used Assets respectively.

Table 19 – Distribution of Financing Preferences by Shriram

Financing Preference (%)	New Finance		Re-Finance		Finance on Used Assets	
	Frequency	%	Frequency	%	Frequency	%
Upto 25	3	75	3	75	1	25
26-50	1	25	1	25	1	25
51-75	0	0	0	0	1	25
Over 75	0	0	0	0	1	25
Total	4	100	4	100	4	100

From the above table it can be seen that majority of the respondents (75%) give 1-25% preference for new finance and refinance respectively, equal preference for Used Assets.

Table 20 – Distribution of Financing Preferences by Sundaram

Financing Preference (%)	New Finance		Re-Finance		Finance on Used Assets	
	Frequency	%	Frequency	%	Frequency	%
Upto 25	1	12.5	4	50	8	100
26-50	1	12.5	3	37.5	0	0
51-75	3	37.5	0	0	0	0
Over 75	3	37.5	1	12.5	0	0
Total	8	100	8	100	8	100

From the above table it can be seen that most of the respondents (37.5%) give more than 50% preference for new finance, 50% to the preference of 1-25%, and full preference to 1-25% for Used Assets.

Table 21 – Distribution of Financing Preferences by TATA Motor Finance

Financing Preference (%)	New Finance		Re-Finance		Finance on Used Assets	
	Frequency	%	Frequency	%	Frequency	%
Upto 25	1	16.7	3	50	5	83.3
26-50	2	33.3	2	33.3	1	16.7
51-75	1	16.7	0	0	0	0
Over 75	2	33.3	1	16.7	0	0
Total	6	100	6	100	6	100

From the above table it can be seen that most of the respondents (33.3%) give 26-50% preference for new finance, 50% to the preference of 1-25%, and majority of 83.3% to the preference of 1-25%.

4.2.3 Financing Schemes

Table 22 – Distribution on the basis of % of loan amount (New Assets)

% of Loan Amount	Tipper Dumpers		Backhoe Loader		Excavator		Cranes		Road Laying Eq.		Const. Machinery	
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
	80-85	23	35	27	41	25	38	11	17	22	33	27
86-90	19	29	18	27	20	30	25	38	20	30	15	23
91-95	12	18	11	17	11	17	23	35	22	33	11	16
>95	12	18	10	15	10	15	7	10	2	4	13	20
Total	66	100	66	100	66	100	66	100	66	100	66	100

From the above table it can be seen that most (35%) of the players financing the new assets fall between 80-85% for Tippers, 41% of funding the Backhoe Loaders lie between 80-85%, 38% of funding the Excavator falls between 80-85%, 38% of funding the Cranes lie between 86-90%, 33% of funding the Road Laying Equipments crosses above 90% and 41% of funding the Construction Machinery falls between 80-85%.

Table 23 – Distribution on the basis of % of loan amount (Used Assets)

% of Loan Amount	Tipper Dumpers		Backhoe Loader		Excavator		Cranes		Road Laying Eq.		Const. Machinery	
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
	50-60	11	17	9	14	10	15	6	9	21	32	35
61-70	21	32	32	48	25	38	16	24	20	30	14	21
71-80	21	32	22	33	27	40	25	38	19	28	15	23
81-90	13	19	3	5	4	6	19	29	6	10	2	3
Total	66	100	66	100	66	100	66	100	66	100	66	100

From the above table it can be seen that most (64%) of financing the used assets fall between 61-80% for Tippers, 48% of funding the Backhoe Loaders lie between 61-70%,

40% of funding the Excavator falls between 71-80%, 38% of funding the Cranes lie between 71-80%, 32% of funding the Road Laying Equipments falls between 50-60% and majority of 53% funding the Construction Machinery lies between 50-60%.

Table 24 – Distribution on the basis of % of tenure (New Assets)

% of Loan Amount	Tipper		Backhoe Loader		Excavator		Cranes		Road Laying Eq.		Const. Machinery	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%
1-2	8	12	7	11	8	12	7	11	19	29	25	38
2-3	36	55	36	54	33	50	30	45	27	41	22	33
3-4	22	33	23	35	25	38	29	44	20	30	19	29
Total	66	100	66	100	66	100	66	100	66	100	66	100

From the above table it can be seen that majority (55%) of financing tenure for the new assets fall between 2-3 years for Tippers, 54% of funding the Backhoe Loaders lie between 2-3 years, 50% for the Excavator falls between 2-3 years, 45% of funding tenure for the Cranes lie between 2-3 years, 41% of funding tenure for the Road Laying Equipments falls between 2-3 years and 38% of funding the Construction Machinery lies between 1-2 years.

Table 25 – Distribution on the basis of % of tenure (Used Assets)

% of Loan Amount	Tipper		Backhoe Loader		Excavator		Cranes		Road Laying Eq.		Const. Machinery	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%
2-3	40	61	38	58	36	54	36	54	9	14	21	32
3-4	20	30	22	33	21	32	22	33	47	71	36	54
>4	6	9	6	9	9	14	8	13	10	15	9	14
Total	66	100	66	100	66	100	66	100	66	100	66	100

From the above table it can be seen that most (61%) of financing tenure for the used assets fall between 2-3 years for Tippers, 58% of funding the Backhoe Loaders lie

From the above table it can be seen that majority (51%) of interest rate for the used assets fall between 11-15% for Tippers, majority of 56% of interest rate for the Backhoe Loaders lies between 11-15%, majority of 59% for the Excavator and Cranes falls between 11-15% respectively, majority of 56% of funding tenure for the Road Laying Equipments and Construction Machinery falls between 11-15%.

4.2.4 Total Breakup Sanctioned for the A.Y(06-07)

Table 28 – Distribution on the basis of Loan lend by Centurion

Amount (Crores)	Commercial Vehicle		Const. Equipment (New)		Const. Equipment (Used)	
	Frequency	%	Frequency	%	Frequency	%
<5	2	40	2	40	2	40
5-25	0	0	3	60	3	60
26-50	2	40	0	0	0	0
>50	1	20	0	0	0	0
Total	5	100	5	100	5	100

From the above table it can be seen that most of the financial institutions (40%) sanctioned loan between less than 5 crores and between 26-50 crores for Commercial Vehicle, 60% between 5-25 Crores for New Construction Equipment and Used Construction Equipments respectively.

Table 29 – Distribution on the basis of Loan lend by Citi Corp

Amount (Crores)	Commercial Vehicle		Const. Equipment (New)		Const. Equipment (Used)	
	Frequency	%	Frequency	%	Frequency	%
<5	0	0	0	0	1	33.3
5-25	2	66.7	1	33.3	2	66.7
26-50	0	0	2	66.7	0	0
>50	1	33.3	0	0	0	0
Total	3	100	3	100	3	100

From the above table it can be seen that majority of the financial players (66.7%) sanctioned loan between 5-25 crores for Commercial Vehicles, 26-50 crores for New Construction Equipments and 5-25 crores for Used Construction Equipments respectively.

Table 30 – Distribution on the basis of Loan lend by HDFC

Amount (Crores)	Commercial Vehicle		Const. Equipments (New)		Const. Equipment (Used)	
	Frequency	%	Frequency	%	Frequency	%
<5	1	14.3	1	14.3	2	28.6
5-25	5	71.4	4	57.1	4	57.1
26-50	0	0	2	28.6	1	14.3
>50	1	14.3	0	0	0	0
Total	7	100	7	100	7	100

From the above table it can be seen that majority of the financial institutions (71.4%) sanctioned loan between 5-25 crores for Commercial Vehicle, majority of 57.1% sanctioned loan between 5-25 crores for New Construction Equipments and Used Construction Equipments respectively.

Table 31 – Distribution on the basis of Loan lend by ICICI

Amount	Commercial Vehicle		Const. Equipments (New)		Const. Equipment (Used)	
	Frequency	%	Frequency	%	Frequency	%
<5	2	22.2	2	22.2	3	33.3
5-25	6	66.7	5	55.6	2	22.2
26-50	1	11.1	2	22.2	4	44.4
>50	0	0	0	0	0	0
Total	9	100	9	100	9	100

From the above table it can be seen that majority of the financial players (66.7%) sanctioned loan between 5-25 crores for Commercial Vehicle, 55.6% to between 5-25

Crores for New Construction Equipments and 44.4% to 26-50 crores for Used Construction Equipments..

Table 32 – Distribution on the basis of Loan lend by IndusInd

Amount (Crores)	Commercial Vehicle		Const. Equipment (New)		Const. Equipment (Used)	
	Frequency	%	Frequency	%	Frequency	%
<5	1	12.5	1	12.5	4	50
5-25	5	62.5	6	75	3	37.5
26-50	2	25	1	12.5	1	12.5
>50	0	0	0	0	0	0
Total	8	100	8	100	8	100

From the above table it can be seen that majority of the financial institutions (62.5%) sanctioned loan between 5-25 crores for Commercial Vehicle, 75% to 5-25 Crores for New Construction Equipments, 50% to less than 5 crores for Used Construction Equipments.

Table 33 – Distribution on the basis of Loan lend by Kotak

Amount (Crores)	Commercial Vehicle		Const. Equipment (New)		Const. Equipment (Used)	
	Frequency	%	Frequency	%	Frequency	%
<5	2	22.2	1	11.1	2	22.2
5-25	5	55.6	6	66.7	6	66.7
26-50	1	11.1	2	22.2	1	11.1
>50	1	11.1	0	0	0	0
Total	9	100	9	100	9	100

From the above table it can be seen that majority of the financial players (55.6%) sanctioned loan between 5-25 crores for Commercial Vehicle, 66.7% to 5-25 Crores for New Construction Equipments and Used Construction Equipments respectively.

Table 34 – Distribution on the basis of Loan lend by Shriram

Amount (Crores)	Commercial Vehicle		Const. Equipment (New)		Const. Equipment (Used)	
	Frequency	%	Frequency	%	Frequency	%
<5	1	25	0	0	1	25
5-25	1	25	2	50	2	50
26-50	2	50	1	25	1	25
>50	0	0	1	25	0	0
Total	4	100	4	100	4	100

From the above table it can be seen that majority of the financial institutions (50%) sanctioned loan between 26-50 crores for Commercial Vehicle, 50% to 5-25 Crores for New Construction Equipments and Used Construction Equipments respectively.

Table 35 – Distribution on the basis of Loan lend by Sundaram

Amount (Crores)	Commercial Vehicle		Const. Equipment (New)		Const. Equipment (Used)	
	Frequency	%	Frequency	%	Frequency	%
<5	2	25	0	0	0	0
5-25	5	62.5	5	62.5	6	75
26-50	0	0	2	25	1	12.5
>50	1	12.5	1	12.5	1	12.5
Total	8	100	8	100	8	100

From the above table it can be seen that majority of the financial players (62.5%) sanctioned loan between 5-25 crores for Commercial Vehicle and New Construction Equipments respectively, majority of 75% for Used Construction Equipments.

Table 36 – Distribution on the basis of Loan lend by TATA Motor Finance

Amount (Crores)	Commercial Vehicle		Const. Equipment (New)		Const. Equipment (Used)	
	Frequency	%	Frequency	%	Frequency	%
<5	0	0	0	0	2	33.3
5-25	4	66.7	6	100	4	66.7
26-50	1	16.7	0	0	0	0
>50	1	16.7	0	0	0	0
Total	6	100	6	100	6	100

From the above table it can be seen that majority of the financial institutions (66.7%) sanctioned loan between 5-25 crores for Commercial Vehicle and Used Construction Equipments respectively, and full of 100% for New Construction Equipments

4.3 The methodology and its effectiveness in recovery of dues from the borrowers.

The following tables and respective interpretations describes about the methodology and its effectiveness of NBFCs and FCs in recovery of dues from the borrowers.

4.3.1 Additional Charges for delayed payments

Table 37– Distribution on the basis of Additional Charges for delayed payments

		%
Yes	58	87.9
No	8	12.1
Total	66	100

From the above table, it is inferred that majority (87.9%) of the respondents impose and 12.1% do not impose any additional charges.

4.3.2 External Agencies in recovery of dues

Table 38– Distribution on the basis of recovery of dues through external agencies

Factors	Frequency	%
Yes	14	21.2
No	52	78.8
Total	66	100

From the above table, it is inferred that majority (78.8%) of the financial institutions do not enforce any external agency, whereas, 21.2% enforce the same.

4.3.3 Collateral Security

Table 39– Distribution on the basis of required Collateral Security

Factors	Frequency	%
Yes	20	30.3
No	46	69.7
Total	66	100



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From the above table, it is inferred that majority (69.7%) of the financial players do not require any collateral security, and 30.3% requires collateral security for certain exposure limits.

4.3.4 Loan Outstanding

Table 40– Distribution on the basis of Loan Outstanding

Loan o/s (%)	Frequency	%
Nil	9	13.6
1-10	31	47.0
11-20	17	25.8
21-30	9	13.6
Total	66	100

From the above table, it is inferred that most of 47% the financial institutions have loan outstanding between 1-10%, 25.8% have between 11-20%, 13.6% have no loan outstanding and between 21-30% respectively.

4.4 Perception regarding Competitors

4.4.1 Major Players

Table 41– Distribution on the basis of Competitors

Financial Institutions	Frequency	%
Centurion	6	9.1
Citi Corp	4	6.1
ICICI	19	28.8
IndusInd	12	18.2
Kotak	5	7.6
Shriram	5	7.6
Srei	4	6.1
Sundaram	7	10.6
Tata Motor Finance	4	6.1
Total	66	100

From the above table, most of the financial institutions feel that ICICI (28.8%) is their toughest competitor in all the locations, followed by IndusInd (18.2%), Sundaram (10.6%), Centurion (9.1%), Kotak & Shriram (7.6%) and Citi Corp, Srei & Tata Motor Finance (6.1%) respectively.

4.4.2 Future Investment

Table 42– Distribution on the basis of Future Investment

Amount (Crores)	Frequency	%
1-10	12	18.2
11-20	21	31.8
21-30	8	12.1
31-40	9	13.6
41-50	15	22.7
>50	1	1.5
Total	66	100

From the above table, most of the financial institutions 31.8% have planned to invest between 11-20 Crores for the next 5 years, followed by 22.7% between 41-50 Crores, 18.2% between 1-10 Crores, 13.6% between 31-40 Crores, 12.1% between 21-30 Crores and 1.5% over 50 Crores.

4.5 Preferences given to various factors

4.5.1 Operative Area

Table 43 – Ranking of operative area as per the respondents

Zone	Mean Score	Rank
East	3.14	4
West	2.82	3
North	2.38	2
South	1.48	1

From the above table, it can be inferred that the southern zone is felt very important by the financial players, the next factors as the order is North, West and East respectively.

4.5.2 Loan Preference

Table 44 – Ranking of preference in giving loan by Centurion

Borrowers	Mean Score	Rank
Contractors	1.20	1
Sub-Contractors	2.60	3
Hirers	2.20	2
FTUs	4.60	5
FTBs	4.40	4

From the above table, it can be inferred that the financial institutions prefer Contractors as important in giving loan followed by, Hirers, Sub-Contractors, FTBs and FTUs.

Table 45 – Ranking of preference in giving loan by Citi Corp

Borrowers	Mean Score	Rank
Contractors	2.00	1
Sub-Contractors	3.33	3
Hirers	2.67	2
FTUs	3.67	5
FTBs	3.33	4

From the above table, it can be inferred that the financial players prefer Contractors as important in giving loan followed by, Hirers, Sub-Contractors, FTBs and FTUs.

Table 46 – Ranking of preference in giving loan by HDFC

Borrowers	Mean Score	Rank
Contractors	1.29	1
Sub-Contractors	2.29	2
Hirers	2.43	3
FTUs	4.71	5
FTBs	4.29	4

From the above table, it can be inferred that the financial institutions prefer Contractors as important in giving loan followed by, Sub-Contractors, Hirers, FTBs and FTUs.

Table 47 – Ranking of preference in giving loan by ICICI

Borrowers	Mean Score	Rank
Contractors	1.56	1
Sub-Contractors	2.56	3
Hirers	2.00	2
FTUs	4.89	5
FTBs	4.00	4

From the above table, it can be inferred that the financial players prefer Contractors as important in giving loan followed by, Hirers, Sub-Contractors, FTBs and FTUs.

Table 48 – Ranking of preference in giving loan by IndusInd

Borrowers	Mean Score	Rank
Contractors	1.88	2
Sub-Contractors	3.00	3
Hirers	1.75	1
FTUs	3.88	4
FTBs	4.50	5

From the above table, it can be inferred that the financial institutions prefer Hirers as important in giving loan followed by, Contractors, Sub-Contractors, FTUs and FTBs.

Table 49 – Ranking of preference in giving loan by Kotak

Borrowers	Mean Score	Rank
Contractors	1.67	1
Sub-Contractors	3.00	3
Hirers	1.89	2
FTUs	4.00	4
FTBs	4.33	5

From the above table, it can be inferred that the financial players prefer Contractors as important in giving loan followed by, Hirers, Sub-Contractors, FTUs and FTBs.

Table 50 – Ranking of preference in giving loan by Shriram

Borrowers	Mean Score	Rank
Contractors	2.00	1
Sub-Contractors	3.25	4
Hirers	2.50	2
FTUs	3.00	3
FTBs	3.50	5

From the above table, it can be inferred that the financial institutions prefer Contractors as important in giving loan followed by, Hirers, FTUs, Sub-Contractors and FTBs.

Table 51 – Ranking of preference in giving loan by Sundaram

Borrowers	Mean Score	Rank
Contractors	1.38	1
Sub-Contractors	2.25	2
Hirers	2.63	3
FTUs	4.38	5
FTBs	4.25	4

From the above table, it can be inferred that the financial players prefer Contractors as important in giving loan followed by, Sub-Contractors, Hirers, FTBs and FTUs.

Table 52– Ranking of preference in giving loan by TATA Motor Finance

Borrowers	Mean Score	Rank
Contractors	2.00	1
Sub-Contractors	3.33	4
Hirers	2.83	2
FTUs	3.00	3
FTBs	3.83	5

From the above table, it can be inferred that the financial institutions prefer Contractors as important in giving loan followed by, Hirers, FTUs, Sub-Contractors and FTBs.

4.5.3 Evaluating Borrowers

Table 53 – Ranking of evaluating borrowers

Evaluating Criteria	Mean	Rank
Financial Statements	2.55	2
No of contracts completed	2.96	4
Type of the equipment	3.27	8
Earning capacity of the equipment	2.95	3
Guarantor	3.35	9
Viability of the project	3.00	5
Collateral securities	3.75	10
Track record of repayment of loans	2.17	1
Nature of the customer	4.09	12
Future contracts held	3.12	6
% of owners contribution	3.75	11
Experience in business	3.25	7

From the above table, it can be inferred that the percentage of Track Record of Repayment of Loans is considered to be very important in evaluating the borrowers, followed by Financial Statements, Earning Capacity of the Equipment, No of Contracts completed, Viability of the Project, Future contracts held, Experience in Business, Type of the Equipment, Guarantor, Collateral Securities, Percentage of owners contribution and Nature of the Customer.

4.5.4 Preference in providing loan

Table 54 – Ranking of preference for various assets

Equipments	Mean	Rank
Tippers, Dumpers	2.35	1
Backhoe Loaders	2.36	2
Excavators	2.39	3
Cranes	3.97	4
Road Laying Equipments	4.88	5
Construction Machinery	5.05	6

From the above table, it can be inferred that the financial institutions prefer Tippers & Dumpers, as their first choice followed by, Backhoe Loaders, Excavators, Cranes, Road Laying equipments and Construction Machinery.

4.5.5 Choice of Equipment

Table 55 – Ranking for the choice of equipments

Factors Evaluating Machinery	Mean	Rank
Machinery profile	2.69	3
Economy of operations	3.55	8
Usage pattern	3.47	6
Earning pattern	2.91	4
Standard Equipments	2.17	1
Life of the Equipment	3.00	5
Resale value	2.35	2
Less maintenance cost	3.53	7
Economy of Scale	4.07	10
Economy of Scope	4.00	9

From the above table, it can be inferred that the Standard Equipment is considered very important followed by Resale Value, Machinery Profile, Earning Pattern, Life of the Equipment, Usage Pattern, Less Maintenance Cost, Economy of Operations, Economy of Scope and Economy of Scale.

4.5.6 Interest Rates

Table 56 – Ranking for fixing the interest rates

Criteria to fix interest rates	Mean	Rank
Customer Profile	1.97	1
Tenure	2.65	2
% of funding	3.00	3
Earning capacity of Equipments	3.44	4
Project	3.94	5

From the above table, it can be inferred that Customer Profile is the factor which is considered very important by the financial institutions, the next factors as the tenure, percentage of funding, earning capacity of equipments and project.

4.5.7 Core Competency

Table 57 – Ranking for the core competency of business

Core Competency Factors	Mean	Rank
Reputation	2.00	3
Repayment Options	1.80	2
Location	2.06	5
Reliability	2.14	6
Interest Rate	2.03	4
Customer Service	1.72	1
Simple procedures/documentation	2.29	7
Financial Strength	2.40	8

From the above table, it can be inferred that Customer Service is the factor which is considered as the main aspect for their core competency by the financial players. followed by Repayment Options, Reputation, Interest Rate, Location, Reliability, Simple Procedure and Financial Strength.

4.5.8 Amount of Loan Dispersed

Table 58 – Criteria for sanctioning loan: Centurion

Factors Evaluating Borrowers	Mean Score	Rank
Customer Profile	2.40	2
Track Record	1.40	1
Volume of Business	4.40	5
Standard Assets	3.60	4
Past Performance	3.40	3
General Economic Conditions	5.80	6

From the above table, it can be inferred that Track record is the factor which is considered the main aspect while dispersing loan amount by the financial institutions, the next factors as the customer profile, past performance, standard assets, volume of business and general economic conditions.

Table 59 – Criteria for sanctioning loan: Citi Corp

Factors Evaluating Borrowers	Mean Score	Rank
Customer Profile	2.67	3
Track Record	1.67	1
Volume of Business	5.33	6
Standard Assets	1.67	2
Past Performance	5.00	5
General Economic Conditions	4.67	4

From the above table, it can be inferred that Track record is the factor which is considered the main aspect while dispersing loan amount by the financial players, the next factors as the standard assets, customer profile, general economic conditions, past performance and volume of business.

Table 60 – Criteria for sanctioning loan: HDFC

Factors Evaluating Borrowers	Mean Score	Rank
Customer Profile	2.29	2
Track Record	1.71	1
Volume of Business	3.71	3
Standard Assets	3.86	4
Past Performance	4.29	5
General Economic Conditions	5.14	6

From the above table, it can be inferred that Track record is the factor which is considered the main aspect while dispersing loan amount by the financial institutions, the next factors as the customer profile, volume of business, standard assets, past performance, and general economic conditions.

Table 61 – Criteria for sanctioning loan: ICICI

Factors Evaluating Borrowers	Mean Score	Rank
Customer Profile	2.67	2
Track Record	2.22	1
Volume of Business	5.33	6
Standard Assets	3.00	3
Past Performance	3.00	4
General Economic Conditions	4.67	5

From the above table, it can be inferred that Track record is the factor which is considered the main aspect while dispersing loan amount by the financial players, the

next factors as the customer profile, standard assets, past performance, general economic conditions and volume of business.

Table 62 – Criteria for sanctioning loan: IndusInd

Factors Evaluating Borrowers	Mean Score	Rank
Customer Profile	2.63	2
Track Record	2.13	1
Volume of Business	4.38	6
Standard Assets	4.00	4
Past Performance	3.63	3
General Economic Conditions	4.25	5

From the above table, it can be inferred that Track record is the factor which is considered the main aspect while dispersing loan amount by the financial institutions, the next factors as the customer profile, past performance, standard assets, general economic conditions and volume of business.

Table 63 – Criteria for sanctioning loan: Kotak

Factors Evaluating Borrowers	Mean Score	Rank
Customer Profile	3.00	2
Track Record	2.22	1
Volume of Business	4.56	6
Standard Assets	3.11	3
Past Performance	3.78	4
General Economic Conditions	4.22	5

From the above table, it can be inferred that Track record is the factor which is considered the main aspect while dispersing loan amount by the financial players, the next factors as the customer profile, standard assets, past performance, general economic conditions and volume of business.

Table 64 – Criteria for sanctioning loan: Shriram

Factors Evaluating Borrowers	Mean Score	Rank
Customer Profile	2.25	2
Track Record	2.00	1
Volume of Business	4.00	4
Standard Assets	2.75	3
Past Performance	4.25	5
General Economic Conditions	5.75	6

From the above table, it can be inferred that Track record is the factor which is considered the main aspect while dispersing loan amount by the financial institutions. the next factors as the customer profile, standard assets, volume of business, past performance and general economic conditions.

Table 65 – Criteria for sanctioning loan: Sundaram

Factors Evaluating Borrowers	Mean Score	Rank
Customer Profile	2.50	2
Track Record	2.38	1
Volume of Business	4.75	6
Standard Assets	4.38	5
Past Performance	3.00	3
General Economic Conditions	3.75	4

From the above table, it can be inferred that Track record is the factor which is considered the main aspect while dispersing loan amount by the financial players, the next factors as the customer profile, past performance, general economic conditions, standard assets and volume of business.

Table 66 – Criteria for sanctioning loan: TATA Motor Finance

Factors Evaluating Borrowers	Mean Score	Rank
Customer Profile	2.50	2
Track Record	1.50	1
Volume of Business	4.50	5
Standard Assets	3.00	3
Past Performance	3.67	4
General Economic Conditions	5.80	6

From the above table, it can be inferred that Track record is the factor which is considered the main aspect while dispersing loan amount by the financial institutions, the next factors as the customer profile, standard assets, past performance, volume of business and general economic conditions.

4.5.9 Promotional Strategies

Table 67 – Ranking for the top promotional strategies

Promotional Strategies	Mean	Rank
Advertisement	3.53	5
Personal Selling	2.34	1
Networking through existing customers	2.47	2
Promotional Activities	3.61	6
Image and Goodwill	3.10	3
Dealership promotions	3.20	4

From the above table, it can be inferred that Personal Selling is the factor which is considered the top marketing strategy by the financial players followed by Networking through existing customers, Image & Goodwill, Dealership Promotions, Advertisement and Promotional Activities.

≈ FINDINGS, SUGGESTIONS
& CONCLUSION ≈

CHAPTER 5

FINDINGS, SUGGESTIONS & CONCLUSION

The chapter deals with the results and discussions of the study.

5.1 RESULTS AND DISCUSSIONS

The results of the study are given below:

5.1.1 Profile of the respondents

- Most of the respondents belong to the years of existence between 6-10 years, (i.e. 48.5%).
- Most of the respondents (25.8%) feel that they have a market share in new equipment funding between 6-10%.
- Most of the respondents (28.8%) feel that they have a market share in used equipment funding between 6-10%.

5.1.2 Financing schemes of NBFCs, FCs, and Banks

- The necessary documents commonly required from customer are Bank Statement, Address Proof, KYC form and Business Statements.
- Most of the Financial Institutions are ready to disperse upto 30% proportion to strategic customers on whole, upto 30% proportion to sub-contractors upto 20% proportion to captives, upto 10% proportion to FTUs and upto 10% proportion to FTBs,
- Most of the Financial Players are ready to disperse upto 50% proportion for new finance, upto 25% for re-finance and upto 25% for finance on used assets.
- The Financial Institutions on whole prefer Backhoe Loaders, Tippers & Dumpers, Excavators and Construction Equipments equally with the proportion of 80-85%, followed by Cranes and Road Laying Equipments in the New Asset category.

- The Financial Institutions on financing used assets prefer Tippers & Dumpers initially followed by Backhoe Loaders, Excavators and Construction Equipments, Cranes and Road Laying Equipments.
- Majority (55%) of financing tenure for the new assets fall between 2-3 years for Tippers, 54% of funding the Backhoe Loaders lie between 2-3 years, 50% for the Excavator falls between 2-3 years, 45% of funding tenure for the Cranes lie between 2-3 years, 41% of funding tenure for the Road Laying Equipments falls between 2-3 years and 38% of funding the Construction Machinery lies between 1-2 years.
- Most (61%) of financing tenure for the used assets fall between 2-3 years for Tippers, 58% of funding the Backhoe Loaders lie between 2-3 years, 54% for the Excavator and Cranes falls between 2-3 years respectively, majority of 71% of funding tenure for the Road Laying Equipments falls between 3-4 years and majority of 54% of funding the Construction Machinery lies between 3-4 years.
- Majority (70%) of interest rate for the new assets fall over 10% for Tippers, majority of 64% of interest rate for the Backhoe Loaders lies over 10%, majority of 70% for the Excavator falls crosses over 10%, majority of 67% of interest rate for the Cranes crosses over 10%, majority of 70% of funding tenure for the Road Laying Equipments crosses 10% and 72% of interest rate for the Construction Machinery falls between 6-10%.
- Majority (51%) of interest rate for the used assets fall between 11-15% for Tippers, majority of 56% of interest rate for the Backhoe Loaders lies between 11-15%, majority of 59% for the Excavator and Cranes falls between 11-15% respectively, majority of 56% of funding tenure for the Road Laying Equipments and Construction Machinery falls between 11-15%.
- Most of the respondents finance between 5 to 25 Crores for Commercial Vehicle, New Construction Equipment and Old Construction Equipment.

5.1.3 The methodology and its effectiveness in recovery of dues from the borrowers.

- Normally, the additional charges for the delayed payments are collected as 36% which is the standard RBI rate.
- The steps involved in recovery of loan are Oral Intimation, Personal Intimation, Written warning, Pre acquisition complaint, Legal Acquisition, Post Acquisition Intimation.
- It is inferred that majority (87.9%) of the respondents impose and 12.1% do not impose any additional charges.
- Majority (78.8%) of the financial institutions do not enforce any external agency, whereas, 21.2% enforce the same.
- It is inferred that majority (69.7%) of the financial players do not require any collateral security, and 30.3% requires collateral security for certain exposure limits.
- Most of 47% the financial institutions have loan outstanding between 1-10%, 25.8% have between 11-20%, 13.6% have no loan outstanding and between 21-30% respectively.

5.1.4 Key players and their future plan of investment

- Most of the respondents feel that ICICI (28.8%) is their toughest competitor in all the locations.
- Most of the respondents (31.8%) have planned to invest between 11-20 Crores for the next 5 years.

5.1.5 Preferences given to various factors

- The southern zone is felt very important by the respondents.
- The respondents prefer Contractors as important in giving loan.
- The track record of repayment of loans is considered to be very important in evaluating the borrowers.
- The respondents prefer Tippers & Dumpers as their first choice.
- The Standard Equipment is the factor which is considered very important by the respondents for the choice of equipments.
- Customer Profile is the factor which is considered very important by the respondents for fixing the interest rates.
- Customer Service is the factor which is considered the main aspect for their core competency by the respondents.
- Track record is the factor which is considered the main aspect while dispersing loan amount by the respondents.
- Personal Selling is the factor which is considered the top promotional strategy by the respondents.

5.2 SUGGESTIONS

The recommendations given to the financial institutions are as follows.

- As there is close competition, most of the financial institutions' perceived market share is between 6-10%. This will urge the players to lead in the race.
- Financing on Used Assets is comparatively less with New Assets, which could be focused by the existing financial players.
- Apart from Tippers, Backhoe Loaders and Excavators, financing for Cranes and Road Laying Equipments shall also be considered more.
- Funding Limit for Commercial Vehicle and Construction Equipments remain same between 5 to 25 Crores, which should be increased.
- Most of the respondents (47%) have outstanding loans between 1-10%, which should be recovered as earlier for further process.
- The closest competitors (IndusInd and Sundaram) for ICICI need to exceedingly perform well in order to lead the market.
- Along with Personal Selling, the nearest factor of Network through Existing Customers should also be motivated.

5.3 CONCLUSION

The progress in the banking and financial sector is an important prerequisite for economic development. They channelise the resources from the household for the economic development of a country. India has a fairly diversified financial infrastructure offering several innovative financial products for the betterment of the citizens, industry and the nation as a whole. The financial infrastructure in the organised sector consists of banking network including investment banks. These Financial Institutions should come in large extent in support to develop the resources of the nation.

≈ ANNEXURE ≈

ANNEXURE

Questionnaire

1. Name of the organization :
2. No. of years of existence
in construction equipment :
3. What do you think your perceived market share is?
New Equipment –
Used Equipment –
4. Rank your operative area :

Zone	East	West	North	South
Rank				

5. Rank your preference for giving loan to the following.

Customers		Rank
i). Contractors		
ii). Sub-Contractors		
iii). Hirers		
iv). Small Players	FTU's	
	FTB's	

6. Mention % for the following category of Customer on the basis of loan provided.

Customers	%
Strategic customers	
Sub contractors	
Captives	
FTU's	
FTB's	

7. What are the necessary documents that you rely upon while choosing a customer?



8. What do you look in for while conducting a field investigation?



9. Rank the top most 5 criteria used for evaluating the borrowers.

Criteria	Rank	Criteria	Rank
Correctness of Financial Statements		Collateral securities	
No of contracts completed		Track record of repayment of loans	
Type of the equipment		Nature of the customer	
Earning capacity of the equipment		Future contracts held	
Guarantor		% of owners contribution	
Viability of the project		Experience in business	

10. Rank your preference for various assets for which you are providing loans?

Equipment	Rank
Tippers, Dumpers	
Backhoe Loaders	
Excavators	
Cranes	
Road Laying Equipments	
Construction Machinery (Crushers, Compressors)	

11. Mention your area of financing preferences.

Options	% of loan
i). New-Finance	
ii). Re-Finance	
iii). Finance on used assets	

12. What are the various financing schemes administered by you?

(a). New Assets

Equipment	% of loan amount	Tenure	Interest Rate
Tippers, Dumpers			
Backhoe Loaders			
Excavators			
Cranes			
Road Laying Equipments			
Construction Machinery (Crushers, Compressors)			

(b). Used Asset

Equipment	% of loan amount	Tenure	Interest Rate
Tippers, Dumpers			
Backhoe Loaders			
Excavators			
Cranes			
Road Laying Equipments			
Construction Machinery (Crushers, Compressors)			

13. (a). Do you impose any additional charges for delayed payments of installments?

Yes No

(b). If 'Yes', what percent?

14. What is the total amount (breakup) sanctioned by you during the previous assessment year (06-07)?

Vehicle Type		Rs.
Commercial Vehicles		
Construction Equipments	New	
	Used	

15. What are the steps/procedures involved in recovery of loan?

Days	Recovery Process
Steps	

16. Do you enforce any external agencies for the recovery of dues?

Yes No

17. Rank the top 5 criteria in determining the choice of equipment for providing loans.

Choice of equipment	Rank
Machinery profile	
Economy of operations	
Usage pattern	
Earning pattern	
Standard Equipments	
Life of the Equipment	
Resale value	
Less maintenance cost	
Economy of Scale	
Economy of Scope	

18. Rank the following factors considered in fixing the interest rates.

Factors	Rank	Factors	Rank
Customer Profile		Earning capacity of Equipments	
Tenure		Project	
% of funding			

19. Rank the top 3 attributes which you think as the core competency of your business.

Attributes	Rank	Attributes	Rank
Reputation		Interest Rate	
Repayment Options		Customer Service	
Location		Simple procedures/documentation	
Reliability		Financial Strength	

20. Will you require any collateral security for the exposure limits?

Yes No

21. How much % of loan is outstanding for 90 days?

22. Mention any five of your competitors.

Competitor	Perceived Market Share
i).	
ii).	
iii).	
iv).	
v).	

23. Rank the criteria for determining the amount of loan dispersed.

Criteria	Rank	Criteria	Rank
Customer Profile		Standard Assets	
Track Record		Past Performance	
Volume of Business		General Economic Conditions	

24. Rank the top 5 promotional strategies you follow to promote the business.

Strategies	Rank	Strategies	Rank
Advertisement		Promotional Activities	
Personal Selling		Image and Goodwill	
Networking through existing customers		Dealership promotions	

25. How much amount you are going to deploy in Construction Equipment financing for the next five years?

Thank you for your time and valuable input.

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