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**The role of Banks and NBFC's in Construction Equipment financing:  
A comparative study**

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A PROJECT REPORT  
Submitted to the

**FACULTY OF MANAGEMENT SCIENCES**

In the partial fulfillment of the requirements  
For the summer internship project

Of

**MASTER OF BUSINESS ADMINISTRATION**

**April - 2008**

**CERTIFICATE**

**KCT Business School  
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**BONAFIDE CERTIFICATE**

Certified that this project report titled “**The role of Banks and NBFC’s in Construction Equipment financing: A comparative study**” is the bonafide work of **Mr. Balaji Muniram .S, 71206631008** who carried out the research under my supervision. Certified further, that to the best of my knowledge the work reported herein does not form part of any other project report or dissertation on the basis of which a degree or award was conferred on an earlier occasion on this or any other candidate.



**Dr. K. Chitra  
Project guide**

**Director**

Evaluated and Viva Voce conducted on \_\_\_\_\_

Examiner 1

Examiner 2

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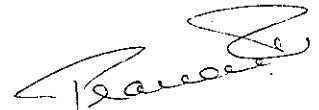
## PROJECT COMPLETION CERTIFICATE

\*\*\*\*\*

This is to certify that Mr. / Ms. Balaji Muniram.S (Roll No. 06MBA08) 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 "The role of banks and NBFC's in Construction Equipment Financing: A Comparative Study".

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

Yours faithfully  
For Sakthi Finance Ltd



**R.PRAVEENA**  
**HR Executive**

## **EXECUTIVE SUMMARY**

## **EXECUTIVE SUMMARY**

In the modern world of business, the future of a developing country is in the hands of the infrastructure industry of the country. India is one of the developing countries in the world. Infrastructure business requires a huge amount of funds for investment.

The current study is to compare the role of Banks and NBFC's engaged in construction equipment financing. Here we study about the various schemes administered, methods followed by banks and NBFC's in recovery.

The type of study used for this project is exploratory. Descriptive study describes the prevailing scenario in the field. Exploratory study explores new opportunities for future development.

For this purpose of the study, the data is collected from 66 financial institutions, out of which, 44 are banking institutions and 22 are non banking financial institutions.

The study throws a light on the various procedures followed by the various banking and non banking financial institutions playing in Southern India. This study provides a clear cut picture about the various financial schemes, procedures followed for sanctioning the loan, the recovery procedures followed by them to recover the debts by various financial institutions.

The findings would enable the banks and financial institutions to develop an understanding on the present market and their competitors and frame suitable strategies to be more competitive and to enhance their market share.

**DECLARATION**

## DECLARATION

I, hereby declare that this project report entitled as “**The role of Banks and NBFC’s in Construction Equipment financing: A comparative study**” has been undertaken for academic purpose submitted to Anna University in partial fulfillment of the requirements for the summer internship project of Master of Business Administration. The project report is the record of the original work done by me under the guidance of **Dr. K. Chitra** 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.

**Date:**

**Place: Coimbatore**

**Balaji Muniram. S**



**ACKNOWLEDGEMENT**

## ACKNOWLEDGEMENT

I foremost owe thanks to God Almighty who blessed me to carry out this work. I express my sincere gratitude to our beloved Correspondent Prof. Mr. N. Balasubramaniyan, our principal Dr. Joseph V. Thanikal, Kumaraguru College of Technology, Coimbatore for encouraging and providing facilities to do this project.

I express my sincere gratitude and thanks to our Director for permitting me to carry out the project.

I wish to place on record my heart felt thanks and sincere gratitude to my guide Dr. K. Chitra for her constant guidance and support throughout this project and for the valuable suggestions given by her in bringing out this report.

I am ever obliged to all the staff members of our Department for the benevolent support and encouragement.

I affirm my renewed thanks to everyone who in one way or the other helped me to complete this project.

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# INTRODUCTION



## **CHAPTER 1**

### **INTRODUCTION**

#### **1.1 BACKGROUND**

The term infrastructure has been used since 1927 to refer collectively to the roads, bridges, rail lines, and similar public works that are required for an industrial economy, or a portion of it, to function. Infrastructure is generally structural elements that provide the framework supporting an entire structure. The term has diverse meanings in different fields, but is perhaps most widely understood to refer to roads, airports, bridges, and utilities.

The word is a combination of "infra" and "structure". Throughout the first half of the 20th century it was used to refer primarily to military installations. The term came to prominence in the United States in the 1980s following the publication of *America in Ruins* (Choate and Walter, 1981), which initiated a public-policy discussion of the nation's "infrastructure crisis", purported to be caused by decades of inadequate investment and poor maintenance of public works.

The infrastructure sector comprising of transportation, communications, electricity and other services constitutes the backbone of any growing economy. Supply bottlenecks of critical services can severely hamper growth and development. The Tenth Five Year Plan has targeted an annual growth of 8 per cent in GDP over 2002-07 as compared to the average of 5.6 to 5.7 per cent recorded during the eighties and nineties. However, further acceleration of growth requires significant investments in infrastructure. The energy-transport infrastructure, in particular, will be a major determinant of acceleration in GDP growth.

According to the Tenth Five Year Plan, the cumulative investment requirement during 2001-02 to 2005-06 has been estimated at US\$ 156 billion. Of this, 40 per cent is required in the power sector, 11 per cent in telecom and around 14 per cent in roads and

railways. With US\$ 38 billion already invested between 2001-02 and 2002-03, there still exists a target of US\$ 118 billion to be met over the next three years.

All the infrastructure sectors need sufficient funds for expansion and maintenance of existing facilities. To address this need as well as improve efficiency, a number of policy measures have been initiated recently. In order to create an adequate provision of various public goods, the Government has changed its role from direct producer of public goods and focuses on facilitating and encouraging public-private partnership, including Foreign Direct Investment. This effort has borne fruit over the last five years. According to a World Bank report, India was amongst the top ten developing countries to receive private participation in infrastructure projects worth US\$ 27.7 billion (in 2001). Changes have also been initiated with an emphasis on implementing commercially viable projects, well-enforced user charges and a regulatory framework that fosters competition.

As the funds required for the infrastructure development is very huge, the private parties cannot afford to invest their own funds. Hence, the NBFCs play a vital role funding these private parties to carry over their projects without any hindrances. The NBFCs not only fund for the project requirements, but also for construction equipments like Tippers, Dumpers, Excavators, Back-Hoe holders, Cranes, Crushers, Compressors etc., So the private parties engaged in the business of infrastructure development can smoothly run their business by investing a nominal amount and can get financial assistance from the NBFCs.

The Indian economy is growing through a period of rapid “Financialization”. Today a wide range of financial institutions, through plethora customer friendly financial products, is conducting the “intermediation”. Repeated evaluation of the role of NBFC’s by study group set up by the government has confirmed that NBFC’s usefully supplement the activities of banks in the fields of both deposit mobilization and lending. NBFC’s are capable of playing a dynamic role in the economy.

Finance is regarded as the life blood of the business enterprise. This is because in the modern money oriented economy, finance is one of the basic foundations of any kind

of economic activity. It is the master key, which provides access to all sources being employed in manufacturing and merchandising activities. It has been rightly said that business needs money to make more money. Hence, efficient management of every business enterprise is closely linked with efficient management of its finance.

In the present scenario, the Non-Banking Finance Companies (NBFCs) have a quite significant role to play with RBI has already placed substantial importance to further development of NBFC sector along with the prudential lines.

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

“Non-Banking Financial Company” includes only the 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 repaying more. No wonder, that nearly 40, 0000 NBFC’s set up establishments to

mobilize money with a promise of high interest. Unfortunately many of them were fly-by-night operators.

## 1.2 REVIEW OF LITERATURE

The review of literature part speaks about the various projects done by various authors in the related field and related topics.

Isaac Otchere in **“Do privatized banks in middle- and low-income countries perform better than rival banks? An intra-industry analysis of bank privatization”**<sup>1</sup> presents a comprehensive analysis of the pre- and post-privatization operating performance and stock market performance of privatized banks and their rivals in middle- and low-income countries. First, we find that privatization announcements elicit negative abnormal returns for rival banks. The effects are more pronounced for subsequent tranche sales where the proportion of government ownership in the privatized bank is reduced. Second, we observe that the privatized banks underperformed the benchmark index in the long run. Investors who bought shares of the privatized banks on the first day of trading and held them for 5 years (instead of investing in the market index) lost 24% of their wealth. The underperformance is consistent with the negative long run returns that have been documented for initial public offerings. Third, we document marginal improvements in the post-privatization operating performance of the privatized banks. Though the privatized banks in middle- and low-income countries are better capitalized than rival banks, they carry higher problem loans and are overstaffed relative to other private banks in the post-privatization period. Since most of the sample firms are partially privatized, we submit that perhaps the continued government ownership of the privatized banks might have hindered managers’ ability to restructure the firms.

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<sup>1</sup> Isaac Otchere **“Do privatized banks in middle- and low-income countries perform better than rival banks? An intra-industry analysis of bank privatization”**, Faculty of Administration, University of New Brunswick, Fredericton, NB, Canada, *Journal of Banking & Finance*, Volume 29, Issues 8-9, August-September 2005, Pages 2067-2093 .

Amita S. Kantawala in **“Financial performance of non banking finance companies in India”**<sup>2</sup> presents a detailed analysis on financial performances of NBFCs for ten years. For the purpose of the study, the researcher has used ratio analysis. ANOVA (Analysis of Variance) for comparing the industry average and Krushkal Wallies test is also applied in order to overcome the precondition of normal distribution in case of ANOVA. On the basis of the study, the researcher has concluded that, “There exists a significant difference in the profitability ratios, leverage ratios and liquidity ratios of various categories of NBFCs. When two categories are examined against each other, then the more number of ratios are not statistically different from each other in majority of the cases except where TS+IH are compared with leasing. When all categories are taken together, null hypothesis is accepted for only three ratios indicating thereby that there does not exist a significant difference in only three ratios. From this it follows that the ratios for all categories of NBFCs are generally different from each other. The analysis of variance along with the details about average ratios may become a useful guide to companies to decide about diversification or continuation in the same line of business considering overall profitability within the regulatory framework. In brief, different categories of NBFCs behave differently and it is the entrepreneur’s choice in the light of behavior of some the parameters which go along with the category of NBFC”

Paul W. Bauer, Allen N. Berger, Gary D. Ferrier, and David B. Humphrey in **“Consistency Conditions for Regulatory Analysis of Financial Institutions: A Comparison of Frontier Efficiency Methods”**<sup>3</sup> have proposed to present a set of consistency conditions that frontier efficiency measures should meet to be most useful for regulatory analysis or other purposes. The efficiency estimates should be consistent in their efficiency levels, rankings, and identification of best and worst firms, consistent over time and with competitive conditions in the market, and consistent with standard nonfrontier measures of performance. They provide evidence on these conditions by evaluating and

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<sup>2</sup> Amita S. Kantawala **“Financial performance of non banking finance companies in India”**, Reader in Management Studies, M.S. Patel Institute of Management Studies, M.S. University of Baroda, Baroda, The Indian Economic Journal, Volume 49, No 1, Pages 86-92

<sup>3</sup> Paul W. Bauer, Allen N. Berger, Gary D. Ferrier, and David B. Humphrey “Consistency Conditions for Regulatory Analysis of Financial Institutions: A Comparison of Frontier Efficiency Methods”. Journal of Economics and Business, 1998

comparing efficiency estimates on U.S. bank efficiency from variants of all four of the major approaches – DEA, SFA, TFA, and DFA -- and find mixed results.

Gabriel Asaftei, Subal C Kumbhakar in **“Regulation and efficiency in transition: the case of Romanian banks”**<sup>4</sup>, presented disaggregated panel data for the period 1996-2002, this paper estimates the cost efficiency of Romanian banks and relates it to regulation implemented by the National Bank of Romania. The authors estimate efficiency using a model that combines the frameworks of both stochastic frontier analysis and shadow cost functions. Our results indicate that, for all types of banks, the cost of technical inefficiency decreases in the years following tightening of regulation. A significant part of this decrease can be attributed to the policy change. Overall, the short-run increase in cost due to additional regulation exceeds the benefits from reduced technical inefficiency. However, our model does not account for other benefits, besides changes in X-inefficiency, such as stability of the banking system, which may be significant.

Daniel P Bearth. in **“Equipment Financing Fuels Growth”**<sup>5</sup>. reveals that the equipment leasing and finance industry's overall size is nearly triple the value reported by lender surveys normally used to track growth," [Michael Leichtling] said when he released the report late last year. "It tells us how much growth we can expect in coming years, and it provides useful information about the finance products used, the geography of the market and much more.

Jan Hanousek, Evzen Kocenda. In **“The Banking Sector in New EU Member Countries: A Sectoral Financial Flows Analysis”**<sup>6</sup> analyze financial-system development in the so-called Visegrad Four countries (Hungary, the Czech Republic, Poland, and Slovakia) during 1993-2005. They conceptualize the Visegrad Group

<sup>4</sup> Gabriel Asaftei, Subal C Kumbhakar in **“Regulation and efficiency in transition: the case of Romanian banks”** Journal of Regulatory Economics. Norwell: Jun 2008. Vol. 33, Iss. 3; pg. 253, 30 pgs

<sup>5</sup> Daniel P Bearth. in **“Equipment Financing Fuels Growth”** Light & Medium Truck. Alexandria: Feb 2008. Vol. 21, Iss. 1; pg. 8, 1 pgs

<sup>6</sup> Jan Hanousek, Evzen Kocenda. In **“The Banking Sector in New EU Member Countries: A Sectoral Financial Flows Analysis”** Finance a Uver. Dobris: 2007. Vol. 57, Iss. 5.6; pg. 200

economy as a set of sectors that interchange financial assets to measure financial-system development. In particular, they analyze financial flows between the commercial banking sector and other sectors of the economy. They show that households and non-financial companies are the largest creditors. In terms of debits, non-financial companies are the largest borrowers. Further, they provide indirect evidence that the completed privatization of the Visegrad banking sector is an important factor behind the dramatic change in the degree of credit and debit flows. The majority of the data series in all four countries exhibit structural breaks in mean in the year in which the privatization of the banking sector was completed. The importance of the individual channels of financial flows is assessed using intermediation ratios. The authors show that the role of banks as mobilizers of savings from the non-financial sectors is substantial and that banking is not a declining industry in the Visegrad Four countries.

Morris, Charles S, Sellon, Gordon H Jr in, " **Bank lending and monetary policy: Evidence on a credit channel**"<sup>7</sup> have discussed that, ongoing changes in the banking industry have brought renewed attention to the role banks play in the monetary transmission mechanism. An analysis of how banks adjust the amount and terms of business lending when monetary policy is tightened finds little evidence that bank lending is constrained by monetary policy. In 4 periods of restrictive monetary policy over the past 20 years, banks have been able to offset a decline in core deposits by selling securities and issuing managed liabilities so as to maintain their business lending. In addition, an analysis of the terms of bank business lending finds little support for the view that banks reduce loan supply or ration credit in periods of monetary tightening. Because a direct bank credit channel does not appear to be part of the monetary transmission mechanism, concern that structural changes in the banking system may affect the transmission mechanism does not appear to be warranted.

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<sup>7</sup> Morris, Charles S, Sellon, Gordon H Jr in, " **Bank lending and monetary policy: Evidence on a credit channel**" Economic Review - Federal Reserve Bank of Kansas City. Kansas City: Second Quarter 1995. Vol. 80, Iss. 2; pg. 59, 17 pgs

### **1.3 STATEMENT OF THE PROBLEM**

In the modern world of business, the future of a developing country is in the hands of the infrastructure industry of the country. India is one of the developing countries in the world. Infrastructure business requires a huge amount of funds for investment. As the private parties and small contractors cannot raise their funds more than a limit, the financial institutions comes into picture. There are various financial institutions that are engaged in the business of asset-based funding for Earth Moving and Construction Equipments. The current study is to compare the role of Banks and NBFC's engaged in construction equipment financing. Here we study about the various schemes administered, methods followed by banks and NBFC's in recovery.

### **1.4 OBJECTIVES OF THE STUDY**

- To present the terms of lending of banking and non banking finance companies for
  - New/Used Equipments.
  - Different types of customers.
  - Different types of construction equipments.
- To analyze the criteria followed by banks and NBFC's for evaluating the borrowers.
- To analyze the promotional strategies followed by banks and NBFC's
- To present the perceived market share of banking and NBFC's and expected amount to be deployed in future.

### **1.5 SCOPE OF THE STUDY**

The study throws a light on the various procedures followed by the various banking and non banking financial institutions playing in Southern India. This study provides a clear cut picture about the various financial schemes, procedures followed for sanctioning the loan, the recovery procedures followed by them to recover the debts by various financial institutions. For the purpose of the study, the data is collected from 66 financial institutions, out of which, 44 are banking institutions and 22 are non banking financial institutions.



## **1.6 RESEARCH METHODOLOGY**

### **1.6.1 TYPE OF STUDY**

The type of study used for this project is exploratory study. Exploratory study explores new opportunities for future development. The main purpose of the exploratory study is to formulate a problem for more precise investigation or of developing the working hypothesis from an operational point of view the major emphasis in such studies is on the discovery of ideas and insights.

### **1.6.2 SAMPLING DESIGN**

The Sampling Design used in this project is Convenient Sampling. As the competitors are scattered all over and the period is year ending period, the researcher cannot get data from all the competitors. So the researcher adopted convenient sampling method of data collection and collected data from the accessible competitors. For the purpose of the study, the data is collected from 66 financial institutions, out of which, 44 are banking institutions and 22 are non banking financial institutions.

### **1.6.3 METHOD OF DATA COLLECTION**

The study mainly uses primary data collected through a specially designed questionnaire. The questionnaire deals with the various operational strategies followed while lending finance for the purchase of construction equipment. A copy of the interview schedule is enclosed in the annexure. Secondary data is also used for conducting the background of the study.

## **1.7 LIMITATIONS**

- As the project period is falling in the year ending period, the researcher cannot collect data from all the competitors playing in the market.
- Due to shortage of time, the study was limited to Southern India.

## **1.8 CHAPTER SCHEME**

### **Chapter 1: Introduction**

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

### **Chapter 2: Organization Profile**

Organization profile includes details on the history if the organization, management and organization structure, financial product profile and 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 and perform the SWOT analysis of the company.

### **Chapter 4: Data Analysis and Interpretation**

The chapter mainly deals with analysis of the data.

### **Chapter 5: Conclusion**

Conclusion includes the result and the discussion put forth regarding the performance of the company.

# **ORGANIZATION PROFILE**

## **CHAPTER – 2**

### **ORGANISATION PROFILE**

#### **2.1 HISTORY OF SAKTHI FINANCE LIMITED**

Sakthi Finance Limited was incorporated on 30<sup>th</sup> March 1955 under the Company's Act in the name of "Pollachi Credit Society" Private Limited, as groups 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.

Presently the company operates through a networks of 21 branches located in Tamilnadu, Kerala, Andrapradesh and Maharashtra, with specific focus on Tamil Nadu and Kerala.

The company has trained and experienced manpower at all branches. In addition 12 Savings centers have been established at various deposit potential arrears at taluks of different districts in Tamilnadu and Kerala for mobilizing public deposits. The deposits of the company was Rs.8320.54 lakhs in 1990, increased to Rs.115.38 crores in 2001. The Company is also having safety locker facility to the deposit holders.

The company made its first maiden public issue of shares in 1984 and mobilized Rs.75 Lakhs. The availability of large resources has been responsible for the growth in stock-on-hire to Rs154.91 crores in 2005. During the period from 1990 to 1993, the company had stable volume of business at an average disbursement of Rs.37 Crores per

year from 1994 further thrust was given to commercial vehicle finance segment. The booming economy is lead to increase volumes in Hire Purchase business. The average disbursements per year has enhanced in 1995 worked out to Rs.107 crores per year during 1994-96. To facilitate further growth, equity has enhanced in 1995.

By the end of 1996-97, the company initiated a thought process towards change management, M/s KPMG Peat Mar wick (India) Ltd., was identified as the agency for guiding the company in Business Process Reengineering Exercise. Simultaneously Process Oriented Exercise was also undertaken.

In 1997-98, the growth rate started declining in all industries. The road transport industry has the one that was worst affected. Coupled with this, RBI also introduced regulations to limit the deposit levels to 4 times of Net Owned Funds. Sakthi Finance Limited had a deposit base of Rs.220 crores in January 1988 had to reduce the base to Rs.137 crores in 3 years time. As the result of BPR exercise was ready, the company could immediately adopt a change strategy to fit into the new regulations era. Therefore, plans were drawn and implemented to reduce the deposit base within 18 months by closing down low volume branches, at the same time retaining the base in other centers.

In this process, the company has to reduce the deployment. The deployment in 1998-99 reduced to around Rs.43 crores. The level of public deposits however has been brought down to Rs.110 crores as at 31-3-2000

With the grips of recession slowly getting released, Sakthi Finance Limited has drawn up plans to step up the development in hire purchase business. As planned, the company was able to transact hire purchase business of Rs.55.62 crores in 2001-02. which is at present Rs.154.91 crores in 2005. The company has planned for the growth rate of 03% to 35% in the years to come. The company is working towards stable volumes in future.

To better utilize the dealership strengths and to retain a specific segment of customers, Sakthi Finance Limited proposes to channel's funds from others also through securitization route.

Sakthi Finance Limited is a Non-Banking Financial Company registered with RBI, Department of Non-Banking Supervision, Chennai vide their certificate dated 08/05/1998 and having its registration number 07.00252. The registered office of the company is situated at 62, Dr. Nanjappa Road, Post Box No. 3745, Coimbatore - 641 018. SFL is an independent multi-line finance company which focuses mainly on two product lines in refinance segment viz. commercial vehicles and infrastructure equipments. SFL has been in this line of business for the past 50 years. SFL has positioned itself between the organised banking sector and local money lenders, offering the customers competitive, flexible and speedy lending services.

The client base of SFL predominantly consists of small vehicle operators. Customers usually provided 75% to 80% of the market value of the asset. The loans are secured by hypothecation of the assets financed.

Few organized players have entered into commercial vehicle refinance business wherein the age of the truck is more than 5 to 6 years. This segment requires good understanding of customer and market in which one operates. As of December 31, 2006, SFL has a presence in the states of Tamil Nadu, Kerala, Andhra Pradesh and Karnataka with a network of 25 branch offices and Customer Service Points.

For the year ended 31st March, 2007, the company disbursed Rs. 150 crores in hire purchase finance business as against Rs 90 crores in the previous financial year. For the financial year ended March 31, 2007, the net NPA of the Company constituted 0.57 % of the total risk weighted assets of the company.

SFL from time to time to ensure growth of its activities enters into deed of assignment with some of the established finance companies. This enables the company to have more liquidity and leverage its business activities. In the process of assignment of

debt, the company enters into deed of assignment in terms of which the loan documents of various borrowers who have agreed to pay the assignor interest, instalments of principal and other charges etc on the respective due dates and the assets hypothecated by the borrowers are assigned in favour of the assignee.

## **SAKTHI GROUP**

1. Sakthi Sugars Limited (SSL)
2. Sri Chamundeswari Sugars Limited (SCSL)
3. Sri Bhagavathi Textiles Limited (SBTL)
4. ABT Industries Limited (ABTIL)
5. ABT Limited (ABTL)
6. Sakthi Financial Services Limited (SFSL)
7. Sri Sakthi Textiles Limited (STL)
8. Anamallais Engineering Private Limited (AEPL)
9. Sakthi Properties (Coimbatore) Limited (SPCL)
10. Sri Bhagawathi Textiles Limited
11. Sakthi Financial Services (Cochin) Private Limited
12. Sakthi Logistic Services Limited
13. Sakthi Beverages Limited
14. Sakthi Refinery and Protein Limited
15. Educational Institutions

Sakthi Finance Limited is

- 1) One of the oldest NBFCs, Founded in the year 1965.
- 2) Part of the Rs.1200 crore Sakthi Conglomerate which was founded in the year 1935
- 3) The Sakthi Group has a leading presence in Finance Agro foods, Dairy, and Transport.
- 4) A deep understanding of the transport industry has made Sakthi one of the most trusted names in financing for commercial vehicles.

- 5) A wide variety of loans for cars, commercial vehicles, plant machinery and equipment are available.
- 6) One of the first companies to introduce used vehicle financing.
- 7) Sakthi Finance Ltd., has 20 branches spread all over India.
- 8) Over 1,00,000 happy customers and still growing.

## 2.2 THE MANAGEMENT

The Sakthi Finance Limited is governed by chairman supported by a vice chairman and managing directors in the top level of the management. In this management team, there exists five board of directors who take care of operations in advances and secretarial department, advances and over the shared services like finance and accounts, electronic data processing and human resource department.

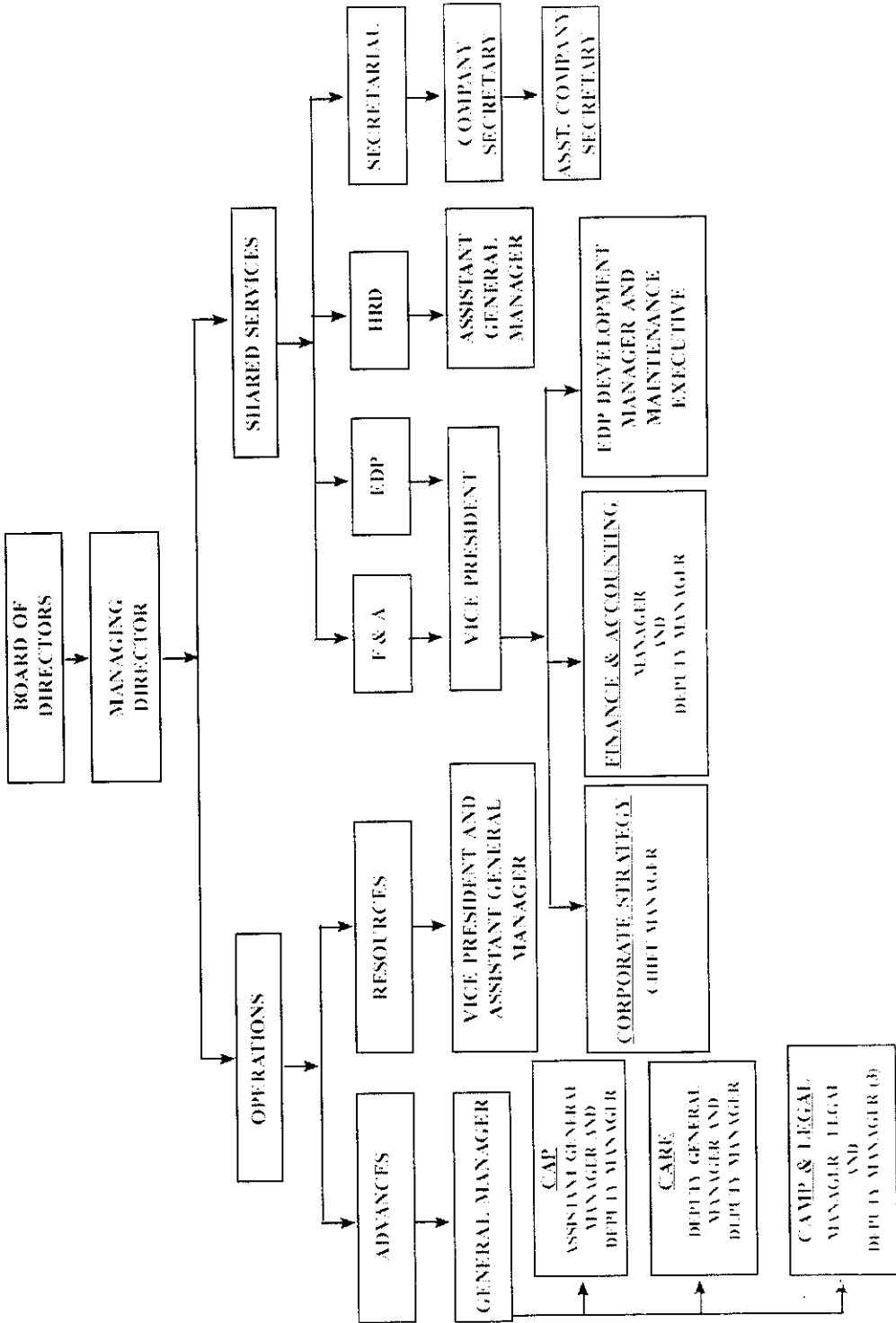
<b>MANAGEMENT TEAM</b>	
<b>CHAIRMAN</b>	Mr. M. Manickam M.Sc., MBA
<b>VICE - CHAIRMAN AND MANAGING DIRECTOR</b>	Mr. M. Balasubramaniam M.Com., MBA
<b>DIRECTORS</b>	Mr. M. Srinivaasan BE., MBA Mr. S.A. Murali Prasad M.Com., ACA, AICWA Mr. A. Shanmugasundaram Dr. A. Selvakumar ME., Ph.D., Mr. P.S. Gopalakrishnan B.Com., LLB., AIB

## BRANCH OFFICES

1. **Tamilnadu** : Chennai, Coimbatore, Mylapore, Madurai, Pollachi, Trichy, Salem, Erode, 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 PRODUCT PROFILE AND MARKET PROFILE**

The following are some of the types of services rendered by Sakthi Finance Limited.

### **INVESTMENT PRODUCTS**

1. Fixed Deposits
2. Cumulative Deposits
3. Non Convertible Debentures

### **CREDIT PRODUCTS**

#### **1) 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.

#### **2) 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.

### **LOCKERS**

Safety lockers, which meet safety and security standards in a special designed and constructed building with appropriate environment and are available in various locations.

The services offered by the company are depicted and the services include safety vaults, loan for two-wheelers, loan for four-wheelers, deposit schemes and loan for consumer durables.

The following are the various types of locker schemes available:

- 1) Regular scheme
- 2) Own your locker
- 3) Deposit linked

#### **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.

#### **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 mobilised.

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. 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 term infrastructure has been used since 1927 to refer collectively to the roads, bridges, rail lines, and similar public works that are required for an industrial economy, or a portion of it, to function. The term also has had specific application to the permanent military installations necessary for the defense of a country. Infrastructure to refer to any substructure or underlying system. Big corporations are said to have their own financial infrastructure of smaller businesses, for example, and political organizations to have their infrastructure of groups, committees, and admirers. The latter sense may have originated during the Vietnam War in the use of the word by military intelligence officers, whose task it was to delineate the structure of the enemy's shadowy organizations. Today we may hear that conservatism has an infrastructure of think tanks and research foundations or that terrorist organizations have an infrastructure of people sympathetic to their cause. The Usage Panel finds this extended use referring to people to be problematic, however. Seventy percent of the Panelists find it unacceptable in the sentence FBI agents fanned out to monitor a small infrastructure of persons involved with established terrorist organizations.

**Infrastructure** is generally structural elements that provide the framework supporting an entire structure. The term has diverse meanings in different fields, but is perhaps most widely understood to refer to roads, airports, bridges, and utilities. These various elements may collectively be termed civil infrastructure, municipal infrastructure, or simply public works, although they may be developed and operated as private-sector or government enterprises. In other applications, infrastructure may refer to information technology, informal and formal channels of communication, software development tools, political and social networks, or beliefs held by members of particular groups. Still underlying these more general uses is the concept that infrastructure provides organizing structure and support for the system or organization it serves, whether it is a city, a

nation, or a corporation. Economically, infrastructure could be seen to be the structural elements of an economy which allow for production of goods and services without themselves being part of the production process, e.g. roads allow the transport of raw materials and finished products.

The word is a combination of "infra" and "structure". Throughout the first half of the 20th century it was used to refer primarily to military installations. The term came to prominence in the United States in the 1980s following the publication of *America in Ruins* (Choate and Walter, 1981), which initiated a public-policy discussion of the nation's "infrastructure crisis", purported to be caused by decades of inadequate investment and poor maintenance of public works.

In subsequent years the word has grown in popularity and been applied with increasing generality to suggest the internal framework discernible in any technology system or business organization. The term "critical infrastructure" has been widely adopted to distinguish those infrastructure elements that, if significantly damaged or destroyed, would cause serious disruption of the dependent system or organization. Storm or earthquake damage leading to loss of certain transportation routes in a city (for example, bridges crossing a river), could make it impossible for people to evacuate and for emergency services to operate; these routes would be deemed critical infrastructure. Similarly, an on-line reservations system might be critical infrastructure for an airline.

## **OVERVIEW OF BANKING AND FINANCIAL INSTITUTIONS:**

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 have 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 countries.

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.

According to Reserve Bank (Amendment act, 1997) "A Non Banking Finance Company (NBFC)" means- i) a financial institution which is a company; ii) 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; iii) 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) and 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.

As NBFC's come 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. More than 10,000 reporting NBFCs (out of more than 40,000 NBFCs operating) had deposits of Rs1, 539 billion in 1995/96. RBI initially limited their powers, aiming to moderate deposit mobilization in order to provide depositors with indirect protection. It regulate 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.

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.

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%<sup>5</sup> 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.<sup>6</sup> 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.<sup>7</sup> 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<sup>9</sup> 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 1985-86 to 1994-95 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.

### **MEANING OF AN NON BANKING FINANCE COMPANY**

A Non-Banking Finance Company (NBFC) is a company under the Companies Act, 1956 and is engaged in the business of loans and advances, acquisition of shares / stock / debentures / securities issued by government or local authority or other securities of like marketable nature, leasing, hire-purchase, insurance business, and chit business.

But it does not include any instruction whose principal business is that of agriculture activity, sale / 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 Finance Company (Residuary non – banking company).

## **THE DIFFERENT TYPES OF NBFCS REGISTERED WITH RBI**

The NBFC's that are registered with RBI are:

1. Equipment Leasing Company;
2. Hire – purchase Company;
3. Loan Company;
4. Investment Company;
5. Residuary Non – Banking Company

## **REGULATORY MEASURES OF NBFC's**

The Reserve Bank of India is entrusted with the responsibility of regulating and supervising the Non-Banking Finance Companies by virtue of powers vested in chapter III B of the Reserve Bank of India Act, 1934.

The regulatory and supervisory objective is to:

- 1) Ensures healthy growth of the financial companies;
- 2) Ensures that these companies function as a part of the financial system within the policy framework, in such a manner that their existence and functioning do not lead to systematic aberrations and that
- 3) The quality of surveillance and supervision exercised by the bank over the NBFSs is sustained by keeping pace with the developments that take place in this sector of the financial system.

## **THE SALIENT FEATURES OF NBFCs REGULATIONS**

The important regulations relating to acceptance of deposits by NBFCs are under:

- 1) The NBFCs are allowed to accept/renew public deposits for a minimum period of 12 months and maximum period of 60 months. They cannot accept deposits repayable on demand.
- 2) NBFCs cannot offer interest rates higher than the ceiling rate prescribed by RBI from time to time. The present ceiling is 11 per cent per annum. The interest may be paid or compounded at rests not shorter than monthly rests.
- 3) NBFCs cannot offer gifts/incentives or any other additional benefit to the depositors.
- 4) NBFCs (except certain equipment leasing/hire – purchase finance companies) should have minimum investment grade credit rating
- 5) The deposits with NBFCs are not insured.
- 6) There are certain mandatory disclosures about the company in the application from issued by the company soliciting deposits
- 7) In case an NBFC fails to repay the deposits or the interest, the depositor can complain to:
  - a) Consumer Dispute Redress forum at the district level
  - b) Company Law Board at Chennai / Delhi / Kolkata / Mumbai or
  - c) Nearest RBI office

### **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 to 12.5% and 15% of their 'public deposits' 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.

A NBFC is also exempted from RBI registration if it does not deliver credit of more than Rs.50000 for a business enterprise and Rs.25000 for meeting the cost to raise the level of income of a poor person. This NBFC is licensed under Section 25 of the Companies Act, 1956. It is not allowed to accept public deposits. Recently seven categories of NBFCs are exempt from RBI registration. Housing Finance Companies, Mutual Benefit Financial Companies (Nidhis), Insurance Companies are important in these exempted categories.

### **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. Nonbanking financial companies(NBFCs)
4. Capital market intermediaries.

## **MICRO ANALYSIS:**

### **INFRASTRUCTURE INDUSTRY**

India initiated an ambitious reform programme, involving a shift from a controlled to an open market economy showing signs of overheating because of basic infrastructure constraints, both physical and human. So far, the bulk of infrastructure was in the public sector. Public sector in India operating in a protected set up has been largely subsidised by the Government. Since the launching of reform, Government is trying to reduce its borrowing which means that further subsidization will not be possible. There is one area where there is a need for private sector and foreign investment to come in. Because of the long gestation period, and many social implications, the infrastructure sector compares unfavorably with manufacturing and many other sectors. For this, specific policies in this area are need to make infrastructure attractive. Clearly, there is a wide gap between the potential demand for infrastructure for high growth and the available supply. This is the challenge placed before the economy, i.e. before the public and private sector and foreign investors. This can also be seen as an opportunity for a widening market and enhanced production.

### **TOTAL CAPITAL NEEDS FOR INVESTMENTS**

According to the India infrastructure Report (IIR), currently 5.5 percent of the GDP is invested in the infrastructure sector. This needs to be increased to 7 percent within the next three years and 8 per cent by 2005-06, by which time the annual level



of investment in infrastructural facilities is projected to treble or rise even more, from the current level of Rs. 6000 billion (US\$52 billion) by 2005-2006.

The total infrastructure investment requirements for the next five years again have been estimated in the report at about Rs. 4000-4500 billion (US\$ 115-130 billion).

The task of finding such large amounts and thereafter deploying them productively calls for a close partnership between the public and private sectors, with a vital role reserved for foreign capital. To finance this large short fall, the domestic saving rate needs to be increased by a minimum of 26.7%. besides this has to be supplemented at the margin by FDI. However, this "margin is indeed very important since the role of foreign investment has to be read not only as a gap filler between saving and investment but also as a means for bringing better technology and management.

The infrastructure sector comprising of transportation, communications, electricity and other services constitutes the backbone of any growing economy. Supply bottlenecks of critical services can severely hamper growth and development. The Tenth Five Year Plan has targeted an annual growth of 8 per cent in GDP over 2002-07 as compared to the average of 5.6 to 5.7 per cent recorded during the eighties and nineties. However, further acceleration of growth requires significant investments in infrastructure. The energy-transport infrastructure, in particular, will be a major determinant of acceleration in GDP growth.

According to the Tenth Five Year Plan, the cumulative investment requirement during 2001-02 to 2005-06 has been estimated at US\$ 156 billion. Of this, 40 per cent is required in the power sector, 11 per cent in telecom and around 14 per cent in roads and railways. With US\$ 38 billion already invested between 2001-02 and 2002-03, there still exists a target of US\$ 118 billion to be met over the next three years.

All the infrastructure sectors need sufficient funds for expansion and maintenance of existing facilities. To address this need as well as improve efficiency, a number of policy measures have been initiated recently. In order to create an adequate provision of various public goods, the Government has changed its role from direct producer of public

goods and focuses on facilitating and encouraging public-private partnership, including Foreign Direct Investment. This effort has borne fruit over the last five years. According to a World Bank report, India was amongst the top ten developing countries to receive private participation in infrastructure projects worth US\$ 27.7 billion (in 2001). Changes have also been initiated with an emphasis on implementing commercially viable projects, well-enforced user charges and a regulatory framework that fosters competition.

For the purpose of the research, the following ten NBFCs and financial institutions were considered.

#### **ICICI:**

ICICI Bank is India's second-largest bank with total assets of Rs. 3,767.00 billion (US\$ 96 billion) at December 31, 2007 and profit after tax of Rs. 30.08 billion for the nine months ended December 31, 2007. ICICI Bank is second amongst all the companies listed on the Indian stock exchanges in terms of free float market capitalisation\*. The Bank has a network of about 955 branches and 3,687 ATMs in India and presence in 17 countries. ICICI Bank offers a wide range of banking products and financial services to corporate and retail customers through a variety of delivery channels and through its specialised subsidiaries and affiliates in the areas of investment banking, life and non-life insurance, venture capital and asset management. The Bank currently has subsidiaries in the United Kingdom, Russia and Canada, branches in United States, Singapore, Bahrain, Hong Kong, Sri Lanka, Qatar and Dubai International Finance Centre and representative offices in United Arab Emirates, China, South Africa, Bangladesh, Thailand, Malaysia and Indonesia. Our UK subsidiary has established a branch in Belgium. ICICI Bank's equity shares are listed in India on Bombay Stock Exchange and the National Stock Exchange of India Limited and its American Depositary Receipts (ADRs) are listed on the New York Stock Exchange (NYSE).

#### **HDFC:**

The Housing Development Finance Corporation Limited (HDFC) was amongst the first to receive an 'in principle' approval from the Reserve Bank of India (RBI) to set

up a bank in the private sector, as part of the RBI's liberalisation of the Indian Banking Industry in 1994. The bank was incorporated in August 1994 in the name of 'HDFC Bank Limited', with its registered office in Mumbai, India. HDFC Bank commenced operations as a Scheduled Commercial Bank in January 1995. The authorized capital of HDFC Bank is Rs.450 crore (Rs.4.5 billion). The paid-up capital is Rs.311.9 crore (Rs.3.1 billion). The HDFC Group holds 22.1% of the bank's equity and about 19.4% of the equity is held by the ADS Depository (in respect of the bank's American Depository Shares (ADS) Issue). Roughly 31.3% of the equity is held by Foreign Institutional Investors (FIIs) and the bank has about 190,000 shareholders. The shares are listed on the the Stock Exchange, Mumbai and the National Stock Exchange. The bank's American Depository Shares are listed on the New York Stock Exchange (NYSE) under the symbol "HDB".

### **Centurian Bank**

Centurian Bank of Punjab is a new generation private sector bank offering a wide spectrum of retail, SME and corporate banking products and services. It has been among the earliest banks to offer a technology-enabled customer interface that provides easy access and superior customer service. Centurian Bank of Punjab has a nationwide reach through its network of 393 branches/ECs, 452 ATMs 180 Locations. The bank aims to serve all the banking and financial needs of its customers through multiple delivery channels, each of which is supported by state-of-the-art technology architecture. Centurian Bank of Punjab was formed by the merger of Centurian Bank and Bank of Punjab, both of which had strong retail franchises in their respective markets. Centurian Bank had a well-managed and growing retail assets business, including leadership positions in two-wheeler loans and commercial vehicle loans, and a strong capital base. Bank of Punjab brings with it a strong retail deposit customer base in North India in addition to a sizable SME and agricultural portfolio.

The shares of the bank are listed on the major stock exchanges in India and also on the Luxembourg Stock Exchange. Among Centurian Bank of Punjab's greatest strengths is the fact that it is a professionally managed bank with a globally experienced

and capable management team. The day-to-day operations of the bank are looked after by Mr. Shailendra Bhandari, Managing Director & CEO, assisted by a senior management team, under the overall supervision and control of the Board of Directors. Mr. Rana Talwar is the Chairman of the Board. Some of our major shareholders viz. Sabre Capital, Bank Muscat and Keppel Corporation, Singapore are represented on the Board.

### **IndusInd Bank**

IndusInd Bank derives its name and inspiration from the Indus Valley civilisation - a culture described by National Geographic as 'one of the greatest of the ancient world' combining a spirit of innovation with sound business and trade practices. Mr. Srichand P. Hinduja, a leading Non-Resident Indian businessman and head of the Hinduja Group, conceived the vision of IndusInd Bank - the first of the new-generation private banks in India - and through collective contributions from the NRI community towards India's economic and social development, brought our Bank into being. The Bank, formally inaugurated in April 1994 by Dr. Manmohan Singh, Honourable Prime Minister of India who was then the country's Finance Minister, started with a capital base of Rs.1,000 million (USD 32 million at the prevailing exchange rate), of which Rs.600 million was raised through private placement from Indian Residents while the balance Rs.400 million (USD 13 million) was contributed by Non-Resident Indians. The merger with the Bank in June 2004 of Ashok Leyland Finance Ltd., among the largest leasing finance and hire purchase companies in India, set in motion a process of consolidation through the combined customer base of the merged entity and its increased geographical penetration. IndusInd Bank has become one of the fastest-growing banks in the Indian banking sector today with its branch network expanding from 61 as on March 31, 2004 to 137 as on March 31, 2006 reflecting an increase in excess of 125% in 24 months. The Bank has approximately 150 ATMs of its own, and has concluded multilateral arrangements with other banks with a total network of 15,000 ATM outlets. All the outlets of the Bank, including its branches and ATMs, are connected via satellite to its central database that operates on the latest version of IBM's AS400-720 series hardware and Midas Kapiti (now, Misys) software.

### **SREI Infrastructure Finance Limited**

Formerly SREI International Finance Ltd., is the leading National Infrastructure Equipment Finance and Infrastructure Project Finance Company is amongst the largest Non-Banking Financial Institutions (NBFIs) in the country with an asset base of more than USD 1625 million (Rs. 6500 crore). Having prudently identified India's infrastructure sector as its principal growth area, SREI has built a unique business model, which revolves around financing of infrastructure, construction and mining equipment, infrastructure projects and renewable energy systems. In order to serve its customers better, SREI also offers a bouquet of other financial services: distribution of insurance products (life and non-life), investment banking, capital market services and venture capital services through its subsidiaries.

In addition, through its associate concern Quippo Infrastructure Equipment Ltd. (QIEL), SREI has pioneered the concept of renting of construction equipment in India under the brand name of Quippo. SREI is the only infrastructure financing company from India to get listed on the London Stock Exchange.

### **TATA Motor Finance**

TATA motor finance was established in the year 1957. Today, Tata Motor Finance (TMF), the in-house financing arm of Tata Motors, provides a single window service to customers by being accessible to them through the dealers. TMF has partnered the growth of many single truck operators, who have evolved to the status of fleet owners. Besides catering to individuals, TMF offers specially designed finance products for fleet operators and institutions. Currently, TMF has crossed 2,00,000 live contracts, and is among the top vehicle financiers in the country.

### **Cholamandalam DBS Finance Limited**

Incorporated in 1978 as Cholamandalam Investment & Finance Company Limited (CIFCL), the Company began operations as a Non Banking Finance Company (NBFC)

offering equipment finance to small and medium sized companies in South India. Today, Cholamandalam DBS Finance Limited is a joint venture between Murugappa Group and DBS Bank of Singapore and is one of India's largest domestically owned NBFCs. CDFL offers Personal Loans, Vehicle Finance, Corporate Finance, Capital Market Finance and Home Equity Loans.

CDFL offers finance for a wide range of vehicles - HCVs, LCVs, cars, MUVs and cargo three-wheelers. CDFL also caters to the needs of Corporate and retail consumers through its Retail and Corporate Finance wings. The company operates from over 160 locations. The company has built up a portfolio of high quality. The company has an unbroken track record of dividend payment for over 25 years. Following its partnership with DBS Bank, CDFL offers consumer finance in the Indian market.

## **KOTAK MAHINDRA**

Established in 1985, The Kotak Mahindra group has long been one of India's most reputed financial organizations. In February 2003, Kotak Mahindra Finance Ltd. the group's flagship company was given the license to carry on banking business by the Reserve Bank of India (RBI). This approval creates banking history since Kotak Mahindra Finance Ltd. is the first company in India to convert to a bank.

Kotak Mahindra Bank addresses the entire spectrum of financial needs for individuals and corporate. They have the products, the experience, the infrastructure and most importantly the commitment to deliver pragmatic, end-to-end solutions that really work.

A license authorising the bank to carry on banking business has been obtained from the Reserve Bank of India in terms of Section 22 of the Banking Regulation Act, 1949. It must be distinctly understood, however, that in issuing the license, the Reserve Bank of India does not undertake any responsibility for the financial soundness of the bank or the correctness of any of the statements made or opinion expressed in this connection.

## **SUNDARAM FINANCE**

The Company was incorporated in 1954, with the object of financing the purchase of commercial vehicles and passenger cars. The company was started with a paid-up capital of Rs.2.00 Lakhs and later went public in 1972. The Company's shares were listed in the Madras Stock Exchange in 1972 and in the National Stock Exchange in January 1998. Subsequently, the equity shares of the Company have been delisted from Madras Stock Exchange Limited (MSE) with effect from January 27, 2004, in accordance with SEBI (Delisting of Securities) Guidelines, 2003, for voluntary delisting.

### **SWOT ANALYSIS OF THE COMPANY**

#### **STRENGTHS**

- Company belongs to reputed “Sakthi Group” of companies.
- Company has been in this line of business for about five decades. Hence the knowledge of the market and customers is excellent.
- Company has well established systems required for this line of business.
- Company has loyal and dedicated man power to handle the business at all levels.

#### **WEAKNESSES**

- The credit rating of the company is MA-, which means adequate safety. With this rating, the company is unable to tap more resources from Banks.

#### **OPPORTUNITIES**

- With the higher level of economic development, the demand for commercial vehicle and consequently the demand for commercial vehicle finance will increase

#### **THREATS**

- Entry of more organized players into refinancing segment will intensify the competition.

**DATA ANALYSIS  
& INTERPRETATION**



## CHAPTER – 4

### DATA ANALYSIS AND INTERPRETATIONS

Chapter 4 deals with the Data analysis and interpretations of the study. For the purpose of analysis, the respondents are broadly classified into two major divisions. They are:

- Banks
- NBFC's

<b>Banks</b>	<b>NBFC's</b>
<ul style="list-style-type: none"> <li>• Canara Bank</li> <li>• Centurian Bank</li> <li>• Citi Bank</li> <li>• HDFC Bank</li> <li>• ICICI Bank</li> <li>• Indusind Bank</li> <li>• Kotak Mahindra Bank</li> <li>• Karur Vysya Bank</li> <li>• State Bank of India</li> <li>• Syndicate Bank</li> </ul>	<ul style="list-style-type: none"> <li>• Dandapani Finance Limited</li> <li>• Sakthi Finance Limited</li> <li>• Sri Ram Finance Limited</li> <li>• Sundaram Finance Limited</li> <li>• Tata Motor Finance Limited</li> </ul>

**Table No. 4.1**  
**Years of experience in business**

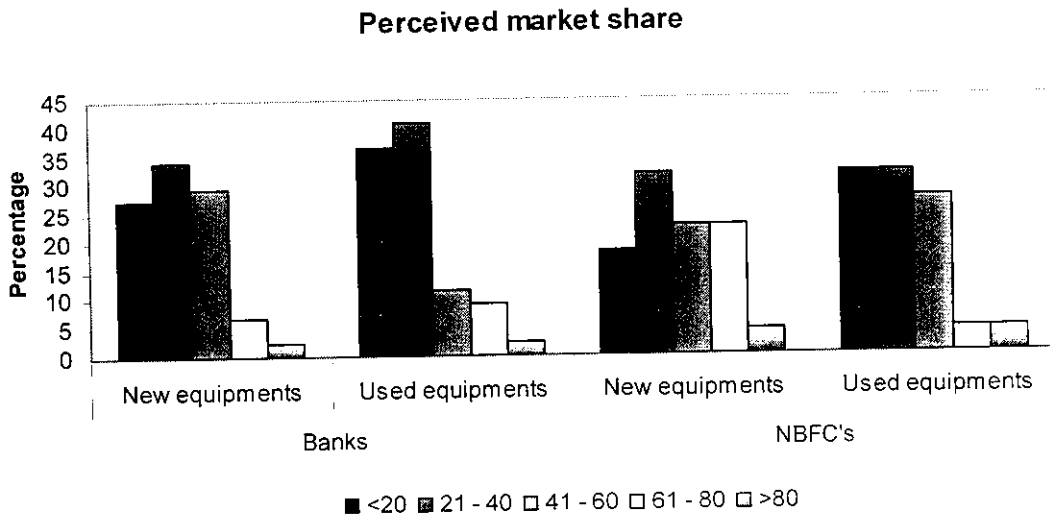
Years	Banks		NBFC's	
	Frequency	Percentage	Frequency	Percentage
1 - 5	6	13.6	4	18.2
6 - 10	24	54.5	6	27.3
11 - 15	8	18.2	8	36.4
>15	6	13.6	4	18.2
<b>Total</b>	44	100	22	100

From the above table, it can be noted that, most (54.5%) of the Banks have 6-10 years of experience in the business of funding for construction equipments. Whereas majority (36.4%) of the NBFC's have 11-15 years of experience in the business of funding for construction equipments.

**Table No. 4.2**  
**Perceived market share**

Market share	Banks				NBFC's			
	New equipments		Used equipments		New equipments		Used equipments	
	Freq	percent	Freq	percent	Freq	percent	Freq	percent
<20	12	27.3	16	36.4	4	18.2	7	31.8
21 - 40	15	34.1	18	40.9	7	31.8	7	31.8
41 - 60	13	29.5	5	11.4	5	22.7	6	27.3
61 - 80	3	6.8	4	9.1	5	22.7	1	4.5
>80	1	2.3	1	2.3	1	4.5	1	4.5
<b>Total</b>	44	100	44	100	22	100	22	100

**Chart No. 4.1**  
**Perceived market share**



From the above table, it can be noted that 34.1 and 40.9% of the Banks have 21-40% of their market share in funding for new equipments and used equipments.

31.8% of the NBFC's have 21-40% of their market share in funding for new equipments and used equipments.

**Table No. 4.3**  
**Area of Preference**

Zone	Banks		NBFC's	
	Mean Score	Rank	Mean Score	Rank
East	3.18	4	3.05	4
West	2.75	3	2.95	3
North	2.41	2	2.32	2
South	1.52	1	1.41	1

From the above table, it can be inferred that Southern zone is the most preferred zone by Banks and NBFC's for their business operations. Next to the southern zone it is North, West and Eastern zones respectively are preferred by both Banks and NBFC's.

**Table No. 4.4**  
**Preferred Category Of Customers**

Category of customers		Banks		NBFC's	
		Mean Score	Rank	Mean Score	Rank
<b>Contractors</b>		1.55	1	1.64	1
<b>Sub - Contractors</b>		2.75	3	2.73	3
<b>Hirers</b>		2.25	2	2.64	2
<b>Small players</b>	<b>FTU</b>	4.27	5	3.77	4
	<b>FTB</b>	4.23	4	4.05	5

From the above table, it can be inferred that the Banks mostly prefers contractors for providing the loans, followed by Hirers, Sub contractors, First Time Buyers (FTB's) and First Time Users (FTU's) respectively.

Contractors are the most preferred customers by NBFC's for providing the loans, followed by Hirers, Sub contractors, First Time Users (FTU's) and First Time Buyers (FTB's) respectively.

**Table No. 4.5**  
**Percentage of Loan Provided by Banks**

% of loan	Strategic customers		Sub-Contractors		Captives		FTU		FTB	
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
<20	6	13.6	15	34.1	18	40.9	29	65.9	24	54.5
21-40	17	38.9	18	40.9	11	25.0	14	31.8	16	36.4
41 - 60	13	29.5	9	20.5	6	13.6	1	2.3	2	4.5
61-80	4	9.1	2	4.5	8	18.2			1	2.3
>80	4	9.1			1	2.3			1	2.3
<b>Total</b>	44	100	44	100	44	100	44	100	44	100

From the above table, it can be noted that majority (38.9%) of the banks provide 21-40% of loans to strategic customers. 40.9% of the banks have granted 21-40 and <20% of their loans to Sub-contractors and captive customers respectively. Most(65.9 and 54.5%) of the banks have granted <20% of their loans to FTU's and FTB's respectively.

**Table No. 4.6**  
**Percentage of Loan Provided by NBFC's**

% of loan	Strategic customers		Sub-Contractors		Captives		FTU		FTB	
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
<20	8	36.4	11	50.0	9	40.9	12	54.5	11	50.0
21-40	7	31.8	7	31.8	6	27.3	7	31.8	8	36.4
41 - 60	4	18.2	1	4.5	4	18.2	2	9.1	1	4.5
61-80	2	9.1	2	9.1	1	4.5	1	4.5	2	9.1
>80	1	4.5	1	4.5	2	9.1				
<b>Total</b>	22	100	22	100	22	100	22	100	22	100

From the above table, it can be noted that majority (36.4%) of the NBFC's provide <20% of loans to strategic customers. 50 and 40.9% of the NBFC's have granted <20% of their loans to Sub-contractors and captive customers respectively. Most (54.5 and 50%) of the NBFC's have granted <20% of their loans to FTU's and FTB's respectively.

**Table No 4.7**  
**Criteria followed to evaluate Customers**

Criteria	Banks		NBFC's	
	Mean Score	Rank	Mean Score	Rank
Financial Statements	2.42	2	3.00	4
No of contracts completed	2.77	4	3.36	10
Type of the equipment	3.30	6	3.20	6
Earning capacity of the equipment	2.83	5	3.20	7
Guarantor	3.40	7	3.30	8
Viability of the project	2.71	3	3.67	11
Collateral securities	3.43	8	4.20	12
Track record of repayment of loans	2.21	1	2.11	2
Nature of the customer	4.38	11	3.33	9
Future contracts held	3.54	9	1.75	1
% of owners contribution	5.00	12	2.50	3
Experience in business	3.55	10	3.00	5

From the above table, it can be inferred that Banks give first preference to Track record of repayment of loans of customers while evaluating them, followed by Financial Statements, Viability of the project, No of contracts completed, Earning capacity of the equipment, Type of the equipment, Guarantor, Collateral securities, Future contracts held, Experience in business, Nature of the customer, % of owners contribution respectively.

Where as, NBFC's give first preference to Future contracts held while evaluating the customers, followed by Track record of repayment of loans, % of owners contribution, Financial Statements, Experience in business. Type of the equipment, Earning capacity of the equipment, Guarantor, Nature of the customer, No of contracts completed, Viability of the project, Collateral securities respectively.

**Table No. 4.8**  
**Preference to assets for providing loan**

<b>Construction equipments</b>	<b>Banks</b>		<b>NBFC's</b>	
	<b>Mean Score</b>	<b>Rank</b>	<b>Mean Score</b>	<b>Rank</b>
<b>Tipplers, Dumpers</b>	2.18	1	2.68	3
<b>Backhoe Loaders</b>	2.39	2	2.32	1
<b>Excavators</b>	2.43	3	2.32	2
<b>Cranes</b>	4.16	4	3.59	4
<b>Road Laying Equipments</b>	4.68	5	5.27	6
<b>Construction Machinery</b>	5.16	6	4.82	5

From the above table, it can be inferred that Banks give first preference to Tipplers & Dumpers, followed by Backhoe Loaders, Excavators, Cranes, Road Laying Equipments, and Construction Machinery respectively.

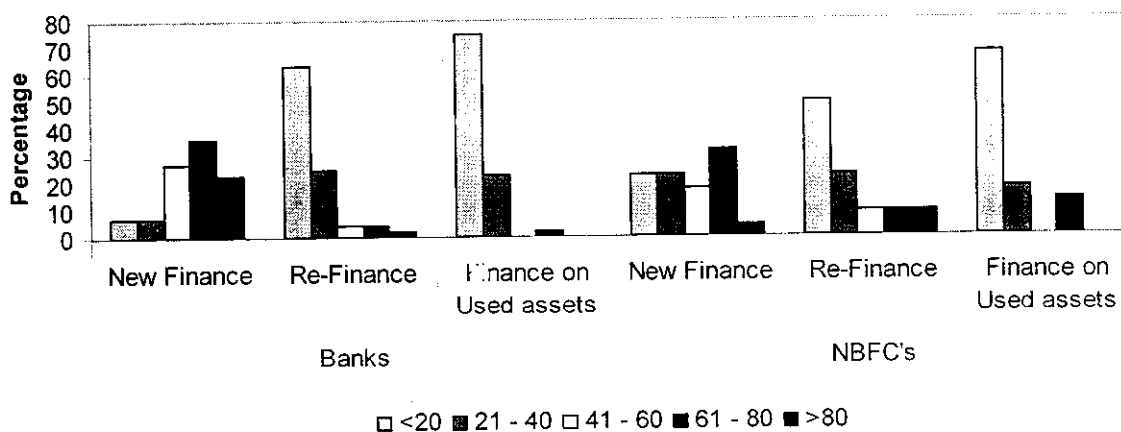
Where as, NBFC's give first preference to Backhoe Loaders, followed by Excavators, Tipplers & Dumpers, Cranes, Construction Machinery and Road Laying Equipments respectively

**Table No. 4.9**  
**Area of financing preference**

% of loan	Banks						NBFC's					
	New-finance		Re-finance		Finance on used assets		New-finance		Re-finance		Finance on used assets	
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
<20	3	6.8	28	63.6	33	75.0	5	22.7	11	50.0	15	68.2
21 - 40	3	6.8	11	25.0	10	22.7	5	22.7	5	22.7	4	18.2
41 - 60	12	27.3	2	4.5			4	18.2	2	9.1		
61 - 80	16	36.4	2	4.5	1	2.3	7	31.8	2	9.1	3	13.6
>80	10	22.7	1	2.3			1	4.5	2	9.1		
<b>Total</b>	<b>44</b>	<b>100</b>	<b>44</b>	<b>100</b>	<b>44</b>	<b>100</b>	<b>22</b>	<b>100</b>	<b>22</b>	<b>100</b>	<b>22</b>	<b>100</b>

**Table No. 4.2**  
**Area of financing preference**

**Area of financing preference**





From the above table, we can note that majority (36.4%) of the Banks are granting 61-80% of their total loans to new finance. Most (63.6 and 75%) of the Banks are granting <20% of their total loans to re-finance and finance on used assets respectively.

Where as, majority (31.8%) NBFC's are granting 61-80% of their total loans to new finance. Most (50 and 68.2%) of the Banks are granting <20% of their total loans to re-finance and finance on used assets respectively.

**Table No. 4.10**

**Percentage of loan granted to new assets: Banks**

% of loan	Tippers & Dumper		Backhoe Loaders		Excavators		Cranes		Road Laying Equipm		Construction Machine	
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
<75	2	4.5	2	4.5	1	2.3	3	6.8	20	45.5	31	70.5
76-80	11	25.0	8	18.2	6	13.6	6	13.6	6	13.6	4	9.1
81-85	16	36.4	21	47.7	22	50.0	21	47.7	11	25.0	4	9.1
86-90	10	22.7	11	25.0	11	25.0	13	29.5	6	13.6	4	9.1
>90	5	11.4	2	4.5	4	9.1	1	2.3	1	2.3	1	2.3
<b>Total</b>	44	100	44	100	44	100	44	100	44	100	44	100

From the above table, it can be noted that majority (36.4 and 47.7%) of the banks are granting 81-85% of the value of the Tippers & Dumpers and Back-hoe holders as loan. Nearly 50 and 47.7% of the banks are granting 81-85% of the value of the Excavators and Cranes as loan. 45.5 and 70.5% of the banks are granting <75% of the value of the Road laying equipments and Construction machinery as loan.



From the above table, we can note that 43.2 and 54.5% of Banks are providing loans at 4 years tenure for Tippers and Dumpers and Back-hoe holders. 63.6 and 59.1% of Banks are providing loans at 4 years tenure for Excavators and Cranes respectively. 43.2 and 47.7% of Banks are providing loans at <3 years tenure for Road laying equipments and Construction machinery respectively.

**Table No. 4.13**

**Period (Teaure) on loan granted to new assets: NBFC's**

No of years	Tippers, Dumpers		Backhoe Loaders		Excavators		Cranes		Road Laying Equipm		Construction Machine	
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
<3	5	22.7	5	22.7	6	27.3	6	27.3	13	59.1	13	59.1
4	12	54.5	11	50.0	12	54.5	11	50.0	5	22.7	6	27.3
5	5	22.7	6	27.3	4	18.2	5	22.7	4	18.2	3	13.6
<b>Total</b>	22	100	22	100	22	100	22	100	22	100	22	100

From the above table, we can note that most (54.5 and 50%) of NBFC's are providing loans at 4 years tenure for Tippers and Dumpers and Back-hoe holders. Most (54.5 and 50%) of NBFC's are providing loans at 4 years tenure for Excavators and Cranes respectively. Most (59.1%) of NBFC's are providing loans at <3 years tenure for Road laying equipments and Construction machinery respectively.



From the above table, we can note that 45.5 and 40.9% of NBFC's are providing loans at 10-12% interest rate for Tippers and Dumpers and Back-hoe holders. 50% of NBFC's are providing loans at 10-12% interest rate for Excavators and Cranes. 31.8 and 54.5% of NBFC's are providing loans at 13-15% interest rate for Road laying equipments and Construction machinery.

**Table No. 4.16**

**Percentage of loan granted to used assets: Banks**

Interest rate	Tippers, Dumpers		Backhoe Loaders		Excavators		Cranes		Road Laying Equipm		Construction Machine	
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
<75	14	31.8	11	25.0	6	13.6	8	18.2	20	45.5	28	63.6
76 – 80	12	27.3	14	31.8	14	31.8	13	29.5	15	34.1	12	27.3
81 – 85	16	36.4	17	38.6	20	45.5	21	47.7	9	20.5	3	6.8
86 – 90	2	4.5	1	2.3	4	9.1	1	2.3			1	2.3
>90			1	2.3			1	2.3				
<b>Total</b>	44	100	44	100	44	100	44	100	44	100	44	100

From the above table, it can be noted that majority (36.4 and 38.6%) of the banks are granting 81-85% of the value of the Tippers & Dumpers and Back-hoe holders as loan. Nearly 45.5 and 47.7% of the banks are granting 81-85% of the value of the Excavators and Cranes as loan. 45.5 and 63.6% of the banks are granting <75% of the value of the Road laying equipments and Construction machinery as loan.





From the above table, we can note that 47.7 and 52.3% of Banks are providing loans at 4 years tenure for Tippers and Dumpers and Back-hoe holders. 50 and 45.5% of Banks are providing loans at 4 years tenure for Excavators and Cranes respectively. 50 and 56.8% of Banks are providing loans at 4 and <3 years tenure for Road laying equipments and Construction machinery respectively.

**Table No. 4.19**

**Period (Tenure) on loan granted to used assets: NBFC's**

No of years	Tippers, Dumpers		Backhoe Loaders		Excavators		Cranes		Road Laying Equipm		Construction Machine	
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
<3	9	40.9	11	50.0	7	31.8	9	40.9	10	45.5	12	54.5
4	10	45.5	8	36.4	9	40.9	11	50.0	12	54.5	9	40.9
5	2	9.1	2	9.1	6	27.3	1	4.5			1	4.5
>5	1	4.5	1	4.5			1	4.5				
<b>Total</b>	22	100	22	100	22	100	22	100	22	100	22	100

From the above table, we can note that 45.5 and 50% of NBFC's are providing loans at 4 and <3 years tenure for Tippers and Dumpers and Back-hoe holders. 40.9 and 50% of NBFC's are providing loans at 4 years tenure for Excavators and Cranes respectively. 54.5% of NBFC's are providing loans at 4 and <3 years tenure for Road laying equipments and Construction machinery respectively.





From the above table, we can note that 50 and 63.6% of NBFC's are providing loans at 11-13% interest rate for Tippers and Dumpers and Back-hoe holders. 54.5% of NBFC's are providing loans at 11-13% interest rate for Excavators and Cranes. 40.9% of NBFC's are providing loans at 14-16 and 11-13% interest rate for Road laying equipments and Construction machinery respectively.

**Table No. 4.22**  
**Additional charges imposed**

Yes/No	Banks		NBFC's	
	Frequency	Percentage	Frequency	Percentage
Yes	36	81.8	22	100
No	8	18.2		
<b>Total</b>	44	100	22	100

From the above table we can know that only 81.8 the Banks are collecting additional charges for delayed payments of EMI's where as 100% of the NBFC's are collecting additional charges for delayed payments of EMI's. The additional charges are collected at 36% as fixed by the RBI.

**Table No. 4.23**  
**Total amount sanctioned during the previous assessment year**

% of amount sanctioned	Banks						NBFC's					
	Commercial vehicles		Construction equipments				Commercial vehicles		Construction equipments			
			New		Used				New		Used	
<5	14	31.8	18	40.9	27	61.4	6	27.3	7	31.8	9	40.9
6-10	12	27.3	10	22.7	7	15.9	5	22.7	7	31.8	6	27.3
11-15	7	15.9	7	15.9	5	11.4	3	13.6	3	13.6	4	18.2
16-20	7	15.9	5	11.4	4	9.1	1	4.5	3	13.6	1	4.5
>20	4	9.1	4	9.1	1	2.3	7	31.8	2	9.1	2	9.1
<b>Total</b>	44	100	44	100	44	100	22	100	22	100	22	100

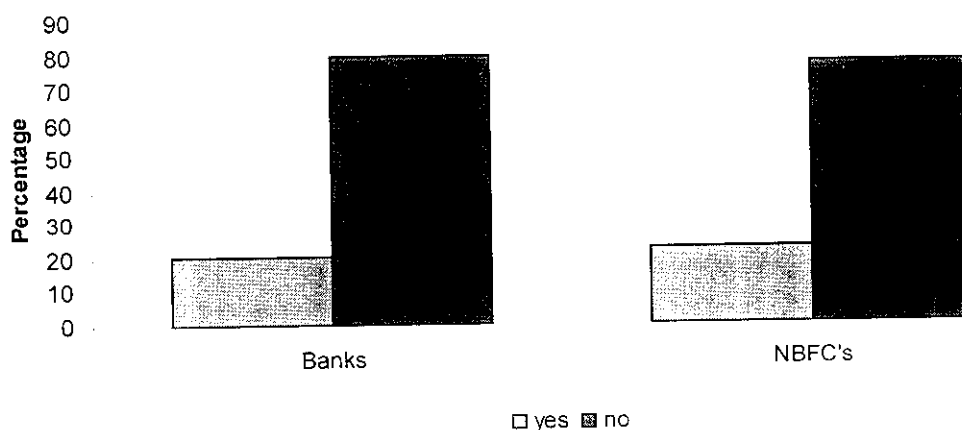
From the above table, we can note that 31.8% of the Banks have sanctioned <5 crores for loan for commercial vehicles. 40.9 and 61.4% of the Banks have sanctioned <5 crores for loan for new and used construction equipments

Where as, 31.8% of the Banks have sanctioned <20 crores for loan for commercial vehicles. 31.8 and 40.9% of the Banks have sanctioned <5 crores for loan for new and used construction equipments

**Table No. 4.24**  
**Enforcement of external agency**

Yes/No	Banks		NBFC's	
	Frequency	Percentage	Frequency	Percentage
Yes	9	20.5	5	22.7
No	35	79.5	17	77.3
<b>Total</b>	44	100	22	100

**Chart No. 4.3**  
**Enforcement of external agency**  
**Enforcement of external agency**



□ yes ■ no

From the above table, we can understand that 79.5% of the Banks collect their dues by themselves and not by appointing any external agencies. Where as, only 77.3% of the NBFC's collect their dues by themselves and not by appointing external agencies for this purpose.

**Table No. 4.25**  
**Criteria followed to determine the choice of equipment**

Choice of equipment	Banks		NBFC's	
	Mean Score	Rank	Mean Score	Rank
Machinery profile	2.81	4	2.44	2
Economy of operations	3.59	7	3.47	7
Usage pattern	3.71	8	3.08	6
Earning pattern	2.93	3	2.86	4
Standard Equip	2.07	1	2.50	3
Life of the Equipment	3.05	5	2.94	5
Resale value	2.41	2	2.21	1
Less maintenance cost	3.10	6	4.14	3
Economy of Scale	3.82	9	5.00	10
Economy of Scope	3.86	10	4.25	9

From the above table, it can be inferred that Banks treat Standard Equipments as the most significant criteria while determining the choice of providing loans for assets, followed by Resale value, Earning pattern, Machinery profile, Life of the Equipment, Less maintenance cost, Economy of operations, Usage pattern, Economy of Scale and Economy of Scope.

Whereas, NBFC's treats Resale value of the asset as the most significant criteria while determining the choice of providing loans for assets, followed by Machinery profile, Standard Equipments, Earning pattern, Life of the Equipment, Usage pattern, Economy of operations, Less maintenance cost, Economy of Scope and Economy of Scale.

**Table No. 4.26**

**Percentage of loan granted to New Customers on various assets: Banks**

% of loan	Tippers, Dumpers		Backhoe Loaders		Excavators		Cranes		Road Laying Equipm		Construction Machine	
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
<60	2	4.5	2	4.5	2	4.5	2	4.5	2	4.5	3	6.8
61-70	5	11.4	3	11.4	3	11.4	5	11.4	5	11.4	6	13.6
71-80	24	54.5	23	52.3	23	52.3	2	50.0	25	56.8	23	52.3
81-90	10	22.7	12	27.3	12	27.3	13	29.5	10	22.7	10	22.7
>90	3	6.8	2	4.5	2	4.5	2	4.5	2	4.5	2	4.5
<b>Total</b>	44	100	44	100	44	100	44	100	44	100	44	100

From the above table, we can note that most (54.5 and 52.3%) of Banks are providing 71-80% of the value of the Tippers and Dumpers and Back-hoe holders. Most (52.3 and 50%) of Banks are providing 71-80% of the value of the Excavators and Cranes. Most (56.8 and 52.3%) of Banks are providing 71-80% of the value of the Road laying equipments and Construction machinery respectively.



From the above table, we can note that most (70.5 and 77.3%) of Banks are providing 81-90% of the value of the Tippers and Dumpers and Back-hoe holders. Most (79.5%) of Banks are providing 81-90% of the value of the Excavators and Cranes. Most (79.5 and 75%) of Banks are providing 81-90% of the value of the Road laying equipments and Construction machinery respectively.

**Table No. 4.29**

**Percentage of loan granted to Existing Customers on various assets: NBFC's**

% of loan	Tippers, Dumpers		Backhoe Loaders		Excavators		Cranes		Road Laying Equipm		Construction Machine	
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
<60												
61-70											4	18.2
71-80	2	9.1	2	9.1	4	18.2	2	9.1	3	13.6	3	13.6
81-90	18	81.8	19	86.4	17	77.3	19	86.4	18	81.8	14	63.6
>90	2	9.1	1	4.5	1	4.5	1	4.5	1	4.5	1	4.5
<b>Total</b>	22	100	22	100	22	100	22	100	22	100	22	100

From the above table, we can note that most (81.8 and 86.4%) of NBFC's are providing 81-90% of the value of the Tippers and Dumpers and Back-hoe holders. Most (77.3 and 86.4%) of NBFC's are providing 81-90% of the value of the Excavators and Cranes. Most (81.8 and 63.6%) of NBFC's are providing 81-90% of the value of the Road laying equipments and Construction machinery respectively.



From the above table, we can note that most (68.2 and 54.5%) of NBFC's are providing 71-80% of the value of the Tippers and Dumpers and Back-hoe loaders. Most (77.3%) of NBFC's are providing 71-80% of the value of the Excavators and Cranes. Most (72.7 and 54.5%) of NBFC's are providing 71-80% of the value of the Road laying equipments and Construction machinery respectively.

**Table No. 4.32**

**Percentage of loan granted to FTB's on various assets: Banks**

% of loan	Tippers, Dumpers		Backhoe Loaders		Excavators		Cranes		Road Laying Equipm		Construction Machine	
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
<60	2	4.5	2	4.5	2	4.5	2	4.5	2	4.5	4	9.1
61-70	1	2.3	1	2.3	1	2.3	1	2.3	2	4.5	1	2.3
71-80	34	77.3	30	68.2	29	65.9	31	70.5	31	70.5	29	65.9
81-90	6	13.6	11	25.0	12	27.3	9	29.5	8	18.2	10	22.7
>90	1	2.3					1	2.3	1	2.3		
<b>Total</b>	44	100	44	100	44	100	44	100	44	100	44	100

From the above table, we can note that most (77.3 and 68.2%) of Banks are providing 71-80% of the value of the Tippers and Dumpers and Back-hoe holders. Most (65.9 and 70.5%) of Banks are providing 71-80% of the value of the Excavators and Cranes. Most (70.5 and 65.9%) of Banks are providing 71-80% of the value of the Road laying equipments and Construction machinery respectively.



Table No. 4.33

## Percentage of loan granted to FTB's on various assets: NBFC's

% of loan	Tippers, Dumpers		Backhoe Loaders		Excavators		Cranes		Road Laying Equipm		Construction Machine	
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
<60	2	9.1	2	9.1	2	9.1	2	9.1	2	9.1	6	27.3
61-70	1	4.5	1	4.5	15	68.2						
71-80	14	63.6	15	68.2			16	72.7	16	72.7	12	54.5
81-90	3	13.6	3	13.6	4	18.2	3	13.6	3	13.6	3	13.6
>90	2	9.1	1	4.5	1	4.5	1	4.5	1	4.5	1	4.5
<b>Total</b>	22	100	22	100	22	100	22	100	22	100	22	100

From the above table, we can note that most (63.6 and 68.2%) of NBFC's are providing 71-80% of the value of the Tippers and Dumpers and Back-hoe holders. Most (68.2 and 72.7%) of NBFC's are providing 61-70 and 71-80% of the value of the Excavators and Cranes. Most (72.7 and 54.5%) of NBFC's are providing 71-80% of the value of the Road laying equipments and Construction machinery respectively.

Table No. 4.34

## Factors considered for fixing Interest rates

Factors	Banks		NBFC's	
	Mean	Rank	Mean	Rank
Customer Profile	2.00	1	1.91	1
Tenure	2.45	2	3.05	3
% of funding	3.02	3	2.95	2
Earning capacity of Equipments	3.45	4	3.41	4
Project	4.07	5	3.68	5

From the above table, it can be inferred that Banks treats Customer Profile as the most significant factor while fixing the interest rates, followed by tenure, percentage of funding, Earning capacity of Equipments and project respectively.

Whereas, NBFC's treats Customer Profile as the most significant factor while fixing the interest rates. Followed by percentage of funding, tenure, Earning capacity of Equipments and project respectively.

**Table No. 4.35**  
**Core competency of business**

Attributes	Banks		NBFC's	
	Mean	Rank	Mean	Rank
<b>Reputation</b>	1.96	4	2.13	4
<b>Repayment Options</b>	1.77	2	1.86	3
<b>Location</b>	1.94	3	3.00	8
<b>Reliability</b>	2.00	5	2.33	7
<b>Interest Rate</b>	2.20	6	1.79	2
<b>Customer Service</b>	1.77	1	1.62	1
<b>Simple procedures/documentation</b>	2.27	7	2.30	6
<b>Financial Strength</b>	2.50	8	2.25	5

From the above table, it can be inferred that Banks treats customer service as most important attribute of the financial institution for its core competency, followed by Repayment Options, Location, Reputation, Reliability, Interest Rate. Simple procedures/documentation, Financial Strength of the financial institution respectively.

Whereas, NBFC's treats customer service as most important attribute of the financial institution for its core competency, followed by Interest Rate, Repayment

Options, Reputation, Financial Strength of the financial institution. Simple procedures/documentation, Reliability, Location respectively.

**Table No. 4.36**  
**Collateral Security**

Yes/No	Banks		NBFC's	
	Frequency	Percentage	Frequency	Percentage
Yes	11	25.0	9	40.9
No	33	75.0	13	59.1
<b>Total</b>	44	100	22	100

From the above table, it can be inferred that 75% of the Banks are funding for construction equipments without any collateral securities. Where as, only 59.1% of the NBFC's are funding for construction equipments without any collateral securities.

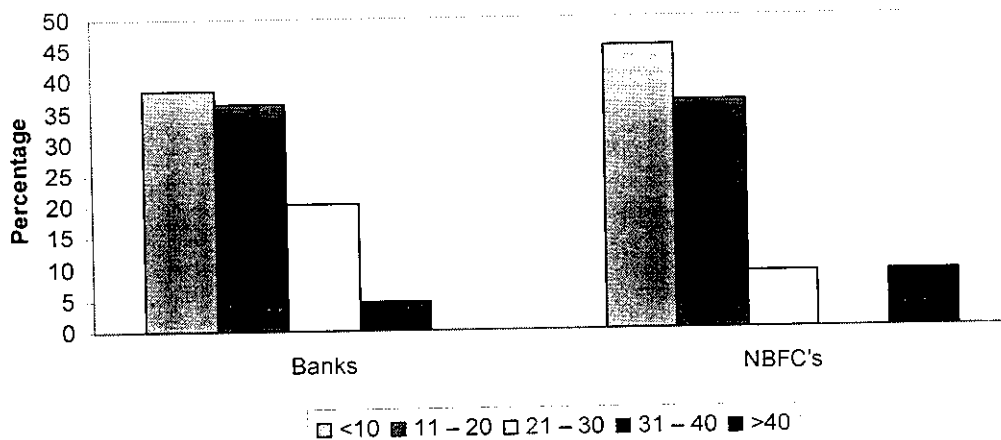
**Table No. 4.37**  
**Percentage of loan outstanding**

% of loan Outstanding	Banks		NBFC's	
	Frequency	Percentage	Frequency	Percentage
<10	17	38.6	10	45.5
11 – 20	16	36.4	8	36.4
21 – 30	9	20.5	2	9.1
31 – 40	2	4.5		
>40			2	9.1
<b>Total</b>	44	100	22	100

Chart No. 4.4

## Percentage of loan outstanding

## Percentage of loan outstanding



From the above table, it can be inferred that 38.6 and 45.5% of the Banks and NBFC's are not able to recover <10% of the loans sanctioned by them.

Table No. 4.38

## Criteria for determining the amount of loan dispersed

Criteria	Banks		NBFC's	
	Mean	Rank	Mean	Rank
Customer Profile	2.50	2	2.45	2
Track Record	2.00	1	2.05	1
Volume of Business	4.50	5	4.36	5
Standard Assets	3.43	3	3.55	3
Past Performance	3.75	4	3.55	4
General Economic Conditions	4.77	6	4.90	6

From the above table, it can be inferred that Banks treat Track Record as the most significant criteria while determining the amount of loan to be disbursed by the financial institution, followed by customer's profile, Standard Assets, Past Performance, Volume of Business, Volume of Business, and General Economic Conditions.

Where as, NBFC's treat Track Record as the most significant criteria while determining the amount of loan to be disbursed by the financial institution, followed by customer's profile, Standard Assets, Past Performance, Volume of Business, Volume of Business, and General Economic Conditions.

**Table No. 4.39**

**Promotional strategies followed to promote the business**

Criteria	Banks		NBFC's	
	Mean	Rank	Mean	Rank
<b>Advertisement</b>	4.24	6	4.50	6
<b>Personal Selling</b>	2.50	1	2.20	2
<b>Networking through existing customers</b>	2.69	2	2.19	1
<b>Promotional Activities</b>	3.51	5	4.05	5
<b>Image and Goodwill</b>	3.17	3	3.09	3
<b>Dealership promotions</b>	3.34	4	3.80	4

From the above table, it can be inferred that is personal selling the most significant strategy followed by most of the Banks to promote their business, followed by Networking through existing customers, Image and Goodwill, Dealership promotions, Promotional Activities, Advertisement.

Whereas, Networking through existing customers the most significant strategy followed by most of the NBFC's to promote their business, followed by personal selling, Image and Goodwill, Dealership promotions, Promotional Activities, Advertisement.

**Table No. 4.40**  
**Amount of loan to be deployed in next five years**

Amount of loan	Banks		NBFC's	
	Frequency	Percentage	Frequency	Percentage
<100	4	9.1	6	27.3
101 – 150	11	25.0	8	36.4
151 - 200	10	22.7	4	18.2
201 – 250	9	20.5	2	9.1
>250	10	22.7	2	9.1
<b>Total</b>	44	100	22	100

From the above table, it can be inferred that 25 and 36.4% of the Banks and NBFC's have planned to deploy more than 101-150 crores for funding construction equipments.

**FINDINGS, RECOMMENDATIONS  
& CONCLUSION**

## CHAPTER - 5

### FINDINGS AND SUGGESTIONS

#### Findings:

- From the study, it can be noted most of the Banks(54.5%) are with the experience of 6-10 years in the business, where as most of the NBFC's(36.4%) are with an average experience of 11-15 years.
- Most of the Banks(34.1%) have a market share of 21-40% in new equipment financing and 40.9% of Banks have a market share of 21-40% in Used equipment financing. 31.8% of the NBFC's have a market share of 21-40% in both new and used equipment financing.
- There is no significance difference in the area of operations between Banks and NBFC's. both prefer the south zone as their preferred area for their business.
- Both Banks and NBFC's prefers contractors as their preferred customers for providing loans. Next to contractors, hirers are preferred the most by both Banks and NBFC's.
- 38.9% of the Banks have sanctioned 21-40% of their loans to strategic customers. 40.9% of Banks have sanctioned 21-40% of their loans to sub-contractors. 40.9% of the Banks have sanctioned <20% of their loans to captive customers. 65.9% of the Banks have sanctioned <20% of the loans to FTU's. 54.5% of the Banks have sanctioned <20% of the loans to FTB's.
- 36.4% of the NBFC's have sanctioned <20% of their loans to strategic customers. 50% of NBFC' shave sanctioned <20% of their loans to sub-contractors. 40.9% of the NBFC's have sanctioned <20% of their loans to captive customers. 54.5% of the



NBFC's have sanctioned <20% of the loans to FTU's. 50% of the NBFC's have sanctioned <20% of the loans to FTB's.

- The following are the documents that the Banks and the NBFC's mostly rely upon while sanctioning the loan:
  - KYC(Know Your Customers) documents like address proof, voters ID, driving license, PAN card.
  - Bank statements and track record of previous loans taken.
  - IT papers, details of assets,etc
- The Banks and NBFC's look for the following points while conducting field investigation:
  - Correctness of the information provided by the customers.
  - Mentality of the customers.
  - Customer's experience and soundness in the business, etc.
- While evaluating the customers, the Banks mainly focus upon the correctness of track record of the customers, whereas the NBFC's look for the future contracts held by them.
- The Banks prefer Tippers and Dumpers as preferred equipment for sanctioning the loans, whereas NBFC's prefer Back-hoe loaders as the most preferred one.
- The Banks have sanctioned most of their loans for new financing, followed by finance on used assets and Re-financing. The NBFC's have sanctioned most of their loans for new financing, followed by finance on used assets and Re-financing.
- The Banks sanction 81-85% of the asset value as loan for new equipment financing. It falls to <75% when it comes for road-laying equipments and construction machinery.

- The NBFC's sanctions 76-80% of the asset value as loan for new equipment financing. It falls to <75% when it comes for construction machinery.
- The Banks provide loans for tenure of 4 years for normal assets and it falls to less than 3 years when it comes for road-laying equipments and construction machinery.
- The NBFC's provide loans for tenure of 4 years for normal assets and it falls to less than 3 years when it comes for road-laying equipments and construction machinery.
- The Banks charges 13-15% of interest on loans sanctioned by them, where as the NBFC's sanction them at 10-12% of interest.
- The Banks sanctions 81-85% of the asset value as loan for used equipment financing. It falls to <75% when it comes for road-laying equipments and construction machinery.
- The NBFC's sanctions 76-80% of the asset value as loan for used equipment financing. It falls to <75% when it comes for construction machinery.
- The Banks provide loans for tenure of 4 years for normal assets and it falls to less than 3 years when it comes for road-laying equipments and construction machinery.
- The NBFC's provide loans for tenure of 4 years for normal assets and it falls to less than 3 years when it comes for road-laying equipments and construction machinery.
- The Banks and NBFC's charges 11-13% of interest on loans sanctioned by them.
- It should be noted that only 81.8% of the Banks charges additional charges on delayed payments of EMIs, where as 100% of the NBFC's charges additional charges on delayed payments of EMIs.

- Most of the Banks and NBFC's have sanctioned less than 5 crores for loan on commercial vehicles, new and used construction equipments.
- Only 20.5% of Banks and 22.7% of NBFC's employ external agencies for collecting the dues.
- The following procedure is followed by most of the financial for collecting their dues.
  - Sending reminders (letters) to the default customers for a period of 2 weeks.
  - Contacting the customers through phone and direct visit by the collection team to recover the dues for the period of the one month.
  - Sending legal notice through court for recovering the dues
  - And the final step is to repossess the asset through court.
- While selecting the equipment for financing, the Banks looks for standard assets where as the NBFC's looks for resale value of the assets.
- While fixing the interest rates, both Banks and NBFC's considers the profile of the customer as the most important factor.
- Both Banks and NBFC's says that the customer service provided by them is the main reason for their success in the business.
- Only 25% of the Banks sanctions loans against collateral securities, where as 40.9% of the NBFC's sanctions loans againsy collateral securities.
- 38.6% of the Banks and 45.5% of the NBFC's have <10% of the loans sanctioned by them as outstanding.

- While the determining the criteria for determining the amount of loans to be dispersed, both Banks and NBFC's treats track record as the most important factor followed by the profile of the customers.
- Both Banks and NBFC's follow personal selling and network through existing customers as the marketing strategies for promoting the business.
- 25% of the Banks and 36.4% of the NBFC's have planned to deploy 101-150 crores in construction equipment funding business in the next five years.

#### **Recommendations:**

- **For Banks:**

- The interest rate charged by the Banks is comparatively higher than that is charged by the NBFC's for new assets. Hence the banks may revise their interest rates to get more customers.

- **For NBFC's:**

- The amount of loan sanctioned by the NBFC's for new and used assets is comparatively less than that sanctioned by Banks. Hence the NBFC's may try to sanction more amount for assets so that they may get more customers.
- Majority of the NBFC's are sanctioning loans against collateral securities, whereas the Banks don't require any collateral securities as it is asset based funding. So the NBFC's may try to sanction loans without getting any collateral securities so that they can increase their market share.
- Majority of the NBFC's cannot recover the loans sanctioned by them. Proper screening procedure should be followed while evaluating the customers while sanctioning the loan.
- Many banks have planned to deploy more than 200 crores in their construction equipment funding business whereas the NBFC's have planned to deploy less than 150 crores. The NBFC's should try to perform well to with stand in the market.

## CONCLUSION

The infrastructure sector comprising of transportation, communications, electricity and other services constitutes the backbone of any growing economy. NBFCs and banks play a vital role funding the private parities to carry over their projects without any hindrances. All the infrastructure sectors need sufficient funds for expansion and maintenance of existing facilities. To address this need as well as improve efficiency, a number of policy measures have been initiated recently. In order to create an adequate provision of various public goods, the Government has changed its role from direct producer of public goods and focuses on facilitating and encouraging public-private partnership. The study throws a light on the various procedures followed by the various banking and non banking financial institutions playing in Southern India. This study provides a clear cut picture about the various financial schemes, procedures followed for sanctioning the loan, the recovery procedures followed by them to recover the debts by various financial institutions. The findings would enable the banks and financial institutions to develop an understanding on the present market and their competitors and frame suitable strategies to be more competitive and to enhance their market share.



## Annexure

## INTERVIEW SCHEDULE

1. Name of the organization :
2. No. of years of existence  
in construction equipment :
3. What do you think your 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	
Others (if any)			

10. Rank your preference for various assets for which you are providing loans?  
Also mention the brand which you consider as a negative asset.

Equipment	Rank	Name and year of make of Negative Asset	Reason
Tippers, Dumpers			
Backhoe Loaders			
Excavators			
Cranes			
Road Laying Equipments			
Construction Machinery (Crushers, Compressors)			
Others (if any)			





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	
Others		

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

.....  
 .....  
 .....  
 .....  
 .....

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. Up to what extent (in % of total cost) do you provide loan for the following?

Equipment	New Customers	Existing Customers	FTU's	FTB's
Tippers, Dumpers				
Backhoe Loaders				
Excavators				
Cranes				
Road Laying Equipments				
Construction Machinery				
Others (if any)				

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

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

20. 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	
Others (if any)			

21. What will be the collateral security for the following exposure limit?

Loan amount	%	Loan amount	%
< 50 Lacs		50 Lacs – 1 Crore	
1.1 – 2 Crores		2.1 – 3 Crores	
3.1 – 4 Crores		4.1 – 5 Crores	
> 5 Crores			

22. How much % of loan is outstanding in the following category?

Days	< 90
%	

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	
		Others	

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	
Others			

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

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