



**A STUDY ON FACTORS AFFECTING PAYMENT BEHAVIOUR OF CUSTOMERS OF
SAKTHI FINANCE LIMITED
WITH SPECIAL REFERENCE TO LIGHT COMMERCIAL VEHICLE**

by

S.SRI HARI CHELLIYAH
Reg. No. 1120400089

Under the guidance of

S. SWAMINATHAN
Professor

A PROJECT REPORT
submitted

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

of

MASTER OF BUSINESS ADMINISTRATION

Kumaraguru College of Technology
(An autonomous institution affiliated to Anna University, Coimbatore)
Coimbatore - 641 047

September, 2012



BONAFIDE CERTIFICATE

Certified that this project report titled **A STUDY ON FACTORS AFFECTING PAYMENT BEHAVIOUR OF CUSTOMERS OF SAKTHI FINANCE LIMITED WITH SPECIAL REFERENCE TO LIGHT COMMERCIAL VEHICLE**, Coimbatore is the bonafide work of **Mr. Sri Hari Chelliyah S, Reg no: 1120400089** who carried out the project under my supervision. Certified further, that to the best of my knowledge the work reported herein does not form part of any other project report or dissertation on the basis of which a degree or award was conferred on an earlier occasion on this or any other candidate.

Faculty Guide

Mr.S.Swaminathan

Professor

KCTBS

Director

Dr.Vijila Kennedy

KCTBS

Submitted for the Project Viva-Voce examination held on _____

Internal Examiner

External Examiner

DECLARATION

I affirm that the project work titled **A STUDY ON FACTORS AFFECTING PAYMENT BEHAVIOUR OF CUSTOMERS OF SAKTHI FINANCE LIMITED WITH SPECIAL REFERENCE TO LIGHT COMMERCIAL VEHICLE** being submitted in partial fulfillment for the award of Master of Business Administration is the original work carried out by me. It has not found the party other project work submitted for award of any degree or diploma, either in this or any other university.

Signature of the Candidate

SRI HARI CHELLIYAH.S

Register No: 1120400089

I certify that the declaration made above by the candidate is true.

Signature of the Guide

Mr. S.SWAMINATHAN

Professor

KCT Business School

ACKNOWLEDGEMENT

I express my sincere gratitude to our beloved Chairman **Arutchelvar**

Dr. N. Mahalingam and Management for the prime guiding spirit of Kumaraguru college of Technology.

I take this opportunity to extend my sincere thanks to **Dr.Vijila Kennedy**, Director, KCT Business School, for her dynamic spirit in cheering up our project efforts.

I wish to express deep sense of obligation to my guide **Mr.S.Swaminathan**, Professor, KCT Business School, for his in-depth guidance, motivation and encouragement in executing this project right from beginning and making it a success.

I wish to express my gratitude to our project coordinator **Ms.S.Sangeetha**, Assistant Professor (SRG) for her support.

I am highly obliged to extend my sincere thanks to **Dr.S.Velusamy**, President (operations) of Sakthi Finance Limited, for his effective guidance and valuable support to carry out this project in their premises.

I sincerely thank **Mr.K.Natesan**, General Manager, Human Resource Department of Sakthi Finance Limited for his kind patronage in carrying out my project in their premises.

TABLE OF CONTENTS

SL. NO	TITLE	PAGE NO
1	TITLE PAGE	I
2	BONAFIDE CERTIFICATE	II
3	ORGANISATION CERTIFICATE	III
4	DECLARATION	IV
5	ACKNOWLEDGEMENT	V
6	TABLE OF CONTENTS	VI
7	LIST OF TABLES	VII
8	LIST OF CHARTS	IX
9	SYNOPSIS	X

TABLE OF CONTENTS

CHAPTER NO.	TITLE	PAGE NO.
I.	INTRODUCTION	1
	1.1 ABOUT THE STUDY	1
	1.2 ABOUT THE INDUSTRY	2
	1.3 ABOUT THE COMPANY	3
	1.4 STATEMENT OF THE PROBLEM	5
	1.5 SCOPE OF THE STUDY	5
II.	REVIEW OF LITERATURE	7

III.	RESEARCH METHODOLOGY	10
	3.1 TYPES OF RESEARCH	10
	3.2 OBJECTIVES OF THE STUDY	10
	3.3 SOURCES OF DATA	11
	3.4 PERIOD COVERED	11
	3.5 POPULATION AND SAMPLE SIZE	11
	3.6 SAMPLING TECHNIQUES	11
	3.7 TOOL USED FOR DATA ANALYSIS	11
	3.8 LIMITATIONS OF STUDY	12
IV.	DATA ANALYSIS AND INTERPRETATION	13
	4.1 PERCENTAGE ANALYSIS	13
	4.2 CHI SQUARE ANALYSIS	47
V.	FINDINGS, SUGGESTIONS AND CONCLUSION	49
	5.1 FINDINGS	49
	5.2 SUGGESTIONS	50
	5.3 CONCLUSION	51
	BIBLIOGRAPHY	52
	APPENDICES	

LIST OF TABLES

TABLE NO.	TABLE TITLE	PAGE NO.
4.1.1	Age of Customer	13
4.1.2	Gender of Customer	14
4.1.3	Age Vs Gender of Customer	15
4.1.4	Asset Ownership	17
4.1.5	Purpose of Asset	19

4.1.6	Purpose of Asset Vs Types of Ownership	20
4.1.7	Cost of Asset	21
4.1.8	Amount of Loan	22
4.1.9	Margin money to purchase the asset	24
4.1.10	Loan Period	26
4.1.11	Equated monthly installments	27
4.1.12	Interest Charges	29
4.1.13	Rate of Interest	30
4.1.14	Future Receivables	31
4.1.15	Monthly Income Range	33
4.1.16	Number of installments defaulted	35
4.1.17	Maximum due days monitored in repayment	36
4.1.18	Maximum due days in repayment Vs No of Installments Defaulted	38
4.1.19	Average due days monitored in repayment	39
4.1.20	Net Income – EMI ratio	40
4.1.21	Quantum of other income sources	42
4.1.22	Value of immovable property of customer	44
4.1.23	Credit worthiness of customer	45
4.1.24	Business status of the customer	45
4.1.25	Internal Rate of Return	46
4.1.26	Reason for Delay in Repayment	46
4.2.1	Purpose of Asset	47
4.2.2	No of Installment Defaulted	47
4.2.3	Chi Square Results	48

LIST OF CHARTS

CHART NO.	CHART TITLE	PAGE NO.
4.1.1	Age of Customer	14
4.1.2	Gender Status of Customer	16
4.1.3	Asset Ownership Status	18
4.1.4	Purpose of Asset	19
4.1.5	Cost of Asset	21
4.1.6	Amount of Loan	23
4.1.7	Margin money to purchase the asset	25
4.1.8	Loan Period	26
4.1.9	Equated monthly installments	28
4.1.10	Interest Charges	29
4.1.11	Rate of Interest	30
4.1.12	Future Receivables	32
4.1.13	Monthly Income Range	33
4.1.14	Number of installments defaulted	35
4.1.15	Maximum due days monitored in repayment	37
4.1.16	Average due days monitored in repayment	39
4.1.17	Net Income – EMI ratio	41
4.1.18	Quantum of other income sources	43

SYNOPSIS

The Indian Economy is booming on the back of strong economic policies and a healthy regulatory regime. The effects of this are far-reaching and have the potential to ultimately achieve the high growth rates that the country is yearning for. A Non-Banking Financial Company (NBFC) is engaged in the business of loans and advances, acquisition of shares/stock/bonds/debentures/securities issued by government authority or local authority or other securities.

Sakthi Finance Limited is a Non Banking Financial Company mainly engaged in asset financing segment where it provides loan for hire purchase of vehicles and other movable assets. Even though the company has strict customer selection norms, due to various reasons each of the account behave in a different way at the time of recovering back the amount lent to the customer. Around 10% of the customers prove to pay belatedly, out of which around 8% to 9% of customers repay due to pressure applied by the company.

An attempt was made to scrutinize the performance of the customer accounts those who elude from reimbursement of monthly installments against the loans borrowed by them within the agreed time period. The research is entitled as "A Study on Factors Affecting Payment Behavior of Customers of Sakthi Finance Limited with Special Reference to Light Commercial Vehicle". The primary objective of the study is to analyze the various factors affecting the repayment of debts by customers those who have availed loan from Sakthi Finance Limited.

CHAPTER-1

1. INTRODUCTION

1.1 ABOUT THE STUDY:

Creating value by optimizing cash flow, profitability and customer service is a fundamental challenge for all businesses. This can be done by achieving a step by step change in the receivables management. Non Banking Financial Companies (NBFCs) play a crucial role in broadening access to financial services, enhancing competition and diversification of the financial sector. They are increasingly being recognized as complementary to the banking system, capable of absorbing shocks and spreading risks at times of financial distress.

Credit, in Simple terms, signifies lending with corresponding borrowing and a process of repayment, usually at an agreed rate of interest and within a stipulated time period. In the distant past, credit was essentially to finance seasonal agricultural operations, and hence highly localized. It became less localized when financed trade. With the growth of industry and increased capital intensity of production process, banks became significant players in the business of credit, accepting deposits from savers and advancing loans to industry or corporate. The financial institutions have recognized the need to measure credit concentration risk as well as the credit risk on individual loans. Receivables management quantifies the opportunity for improvement and identifies the potential value of the company's progress.

The study focuses of asset financing segment of Sakthi Finance Limited. Asset financing segment would be carrying on its principal activities by financing physical assets supporting productive/ economic activity of its customers. Under this segment the company is involved in providing credit facilities to its customers for purchase of assets or equipments that is used by them for pursuing their business. The customers those who are availing such credit facilities agree to repay their liability at an interest rate and time period. There are some unavoidable circumstances where some customer profiles turn out to be sour. That is there arouse certain circumstances where some of the customers are unable to pay their

equated monthly instalments on scheduled time. Therefore the study makes every effort to analyze the pattern of repayment by the customers of Sakthi Finance Limited those availed loan for purchase of light commercial vehicles. Receivables management is a vital part of this study which focuses on delinquent accounts of customer's availed loan for light commercial vehicles.

1.2. ABOUT THE INDUSTRY:

Non-banking financial companies, or NBFCs, are financial institutions that provide banking services, but do not hold a banking license. These institutions are not allowed to take deposits from the public. Nonetheless, all operations of these institutions are still covered under banking regulations. It is a heterogeneous group of institutions performing financial intermediation in a variety of ways, such as accepting deposits, making loans and advances, providing leasing/hire purchase services, among others.

NBFCs do offer all sorts of banking services, such as loans and credit facilities, retirement planning, money markets, underwriting, and merger activities. The number of non-banking financial companies has expanded greatly in the last several years as venture capital companies, retail and industrial companies have entered the lending business.

Non-banking financial institutions (NBFIs), engaged in varied financial activities are part of the Indian financial system providing a range of financial services. NBFCs are incorporated under the Companies Act, 1956. NBFCs can be classified into two broad categories, viz., (i) NBFCs accepting public deposit (NBFCs-D) and (ii) NBFCs not accepting/holding public deposit (NBFCs-ND). Residuary Non-Banking Companies (RNBCs) are another category of NBFCs whose principal business is acceptance of deposits and investing in approved securities.

The banks, NBFC'S, and unorganized players form part of vehicle financing industry. The banks are mainly present in financing the younger fleet i.e vehicles between 0-4 years old, passenger cars and two wheelers segment, ruling the urban areas whereas the NBFC's and other unorganized players financing of

vehicles such as two-wheelers, cars, commercial vehicles(CV's), passenger cars, tractors, utility vehicles(UV's).

1.3 ABOUT THE COMPANY:

Sakthi Finance Ltd. was incorporated in the year 1955 as a Non-banking finance company [NBFC] initially towards catering the hire purchase financial requirements of the group's TELCO dealership units. This captive hire purchase business eventually transformed the company into a major player in this sector. The able leadership of the Group's visionary Chairman, Dr. N. Mahalingam together with the combined strength of the group in multifarious fields has helped Sakthi Finance Ltd. to become an edifice of mutual trust and faith among the public.

Today, Sakthi Finance is one of the leading non-banking finance company with over 38 branches in Tamilnadu, Kerala, Karnataka & Andhra Pradesh.

Sakthi Finance has positioned itself as a niche player by introducing refinancing for commercial vehicles and construction equipments. The company offers various financing schemes to cater to the funding requirements of commercial vehicle operators.

The company made its first maiden public issue of share in 1984 and mobilized Rs.75 lakhs. The availability of large resources has been responsible for the growth in stock – on – hire to Rs.154.91 crores in 2005. During the period from 1990 to 1993, the company had stable the 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 lead to increase volumes in Hire Purchase business. The average disbursals per year 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 Pear Mar wick (India) Ltd., was identified as the agency for guiding the company in Business Process

Reengineering Exercise. Simultaneously Process Orientation 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 level to 4 times of Net Owned Fund. 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 regulation 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 had 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 present Rs.154.91 crores in 2005. The company has planed for the growth rate of 30% to 35% in the years to come. The company is working towards stable volume 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 Finane Limited in a glimpse

- One of India's oldest NBFCs, Founded in the year 1965.
- Part of the Rs.1200 crore Sakthi Conglomerate which was founded in the year 1935.
- The Sakthi Group has a leading presence in Finance Agro foods, Dairy and Transport.

- A wide variety of loans for cars, commercial vehicles, plant machinery and equipment are available.
- One of the first companies to introduce used vehicle financing.
- Sakthi Finance Ltd., has 21 branches spread all over India.
- Over 1,00,000 happy customers and still growing.

1.4 STATEMENT OF THE PROBLEM

The company is an NBFC engaged in providing finance to truck operations. It accepts deposits from the public and also accepts loans from banks. All other money is lent as a loan to commercial vehicles and equipments. In this financial intermediation business, the ability of the company to select the right borrower is the critical success factor. If money is lent to a wrong customer, the company may not be able to recover the amount and hence its ability to repay the amount borrowed from various sources will be affected. As the company is engaged in retail loans, it cannot totally avoid bad debts but the bad debts have to be restricted to optimal level. Hence selecting a right customer or avoiding a wrong customer is the important factor for successfully running a finance company.

The quality of a customer has to be assessed based on his intentions to pay and “capacity to pay”. Various factors will have to be assessed and finally a decision will be taken. Even though various factors of bad accounts are being analyzed for each and every proposal, the relevance of each of these factors and the degree of commonality given to each factor has been studied and used by the company. Hence an attempt is made to understand the influence of various factors on the important attributes of bad accounts.

1.5 SCOPE OF THE STUDY

The study highlights various credit proposals applied to the company by different categories of people. The customer those who are availing the credit facility from the company is bound to repay it in pre specified duration in agreed installments and interest rates. There are certain circumstances where few of

the customer profiles those who have availed loan turn out to be sour. They will not be able to fulfill their liability to repay their loan to the company.

The study highlights on various aspects like company's ability to get back their loan at agreed duration and installments, the company's ability to retrieve their money from the defaulter or any compensation for the same and any legal actions taken against default customers. The purpose of the study involves the study of the receivables management of credit lent by firm, with the help of statistical tools to find the correlation between various factors of retrieving process. It identifies the impact of each factor retrieving processes. It also cites some commonalities found among defaulting customers that might be used as an indicator of bad accounts among the existing good accounts in the future.

CHAPTER 2

REVIEW OF LITERATURE

The finance sector in India has undergone significant liberalization in all the four segments – Banking, Nonbanking finance, Securities and Insurance and each of these sectors has grown significantly accompanied by a process of restructuring among the market intermediaries.

Non Banking Financial Companies (NBFCs) play a crucial role in broadening access to financial services, enhancing competition and diversification of the financial sector. They are increasingly being recognized as complementary to the banking system, capable of absorbing shocks and spreading risks at times of financial distress. Since both banks and NBFC's are seen to be competing for increasingly similar types of some business, especially on the assets side, and since their regulatory and cost-incentive structures are not identical it is necessary to establish certain checks and balances to ensure that the banks' depositors are not indirectly exposed to the risks of a different cost-incentive structure. NBF's can undertake activities that are not permitted to be undertaken by banks or which the banks are permitted to undertake in market activities, etc. The difference in the level of regulation of the banks and NBFC's which are undertaking some similar activities, gives rise to considerable scope for regulatory arbitrage. Hence, routing of transactions through NBFC's would tantamount to undermining banking regulation. This is partially addressed in the case of NBFCs that are a part of banking group on account of prudential norms applicable for banking groups¹.

Risks are an inevitable components of any financial organization. The very existence of a financial institution is to take risks. Though there is no method to eliminate risks completely, regulations have been laid down from time to time to assist in minimizing these risks. This is how the concept of risk management came into being. Though the term gained momentum in recent times, the concept is not new to the financial industry. The process of identifying, measuring, reporting and controlling risks has been rooted in the

¹ Circular issued by Reserve Bank of India regarding Financial Regulation of Systemically Important NBFCs and Banks' and relationship with them, November 30,2006

industry since years. Risk management has helped organizations in identifying risks and in building up measures to minimize them. A sound risk management practice has been identified as an essential ingredient for the progress of the financial service industry and has been accepted by the industry as a separate management functions altogether. Here we attempt to address the concept of risk management, review the reasons behind its popularity and explain its importance to the industry. We also try unravel how the risk management concept has brought some sunshine to the gloomy economy, concluding with the steps that the financial services industry must adopt to improve risk management².

The Indian financial institutions have come of age in the past few years. Overall, it has been a period when these financial institutions have thrived. We have seen the growth of some financial institutions to phenomenal levels. But there's still a fair way to go before an Indian bank's can truly announce its global arrival. The imperatives that are going to be the drivers are undergoing a transformation. Shaping up of a bank, internally with respect to target markets & customers, business models and risk management is going to impact the future tremendously. At external level consolidation is the word, with changes in landscape due to mergers & acquisitions being undertaken across the industry. The emerging Indian rural market is playing a big role in charting out a trend for the growth of banks. With the economy surging, the income levels have increased in rural areas. Agriculture income is one the rise. The dynamics of the rural market are changing, and so must the strategy of banks which ahs to inculcate the spirit of microfinance, credit for small enterprises along with commercial banking³.

Managing credit risk has always been the most risky business in the financial services industry. If we look back into the past, we will find that poor management of credit risk was the root cause behind most of the major banking disasters. Being the oldest risk in the market, it was not given much attention

² A presentation on "Tackling risks" by Mr. Mitali Kalita on 28 October 2003; Source <http://www.domainb.com/scripts/recommend/recommend.asp>.

³ Excerpts from the article "Future of banking in India – Changing imperatives" issued at Insight '06, national Management Symposium, Loyola institute of Business Administration.

and almost remained aloof to the advent of technology until the late 1990s. With the introduction of banking regulations, there is awareness in the industry now to identify measure, monitor and control credit risk as well as to determine that they hold adequate capital against this risk. Credit risk not only affects the lenders but also any company that receives funds for products or services. After operational risk, the biggest challenge facing the industry is credit risk because large-scale borrower defaults may even force a bank into bankruptcy. As the market has turned increasingly competitive with the mushrooming of new players, it is quite evident that companies are taking on more credit risk. But for a more transparent market and healthy completion, the financial services industry must turn credit risk into an opportunity⁴.

The face of banking, as we have known it, is also changing rapidly. India is approaching an era of financial conglomerisation and 'bundling' in the provision of financial services. Besides infusing heightened competition, there are implications for the regulatory and supervisory regime. Banks and financial institutions have to prepare for changes in the regulatory framework towards a more focused, comprehensive and efficient environment that eschews regulatory forbearance. Legal reforms accordingly will have to ascend the hierarchy of priorities in the reform process. Against this background, in this talk, I propose to focus on the main challenges facing Indian banking, such as, the role of financial intermediation in different phases of the business cycle, the emerging compulsions of the new prudential norms, and benchmarking the Indian financial system against international standards and best practices. I will also say a few words about the changing context of relation and supervision of the financial system in India, the need for introducing new technology in the banking and financial system, and importance of strengthening skills and intellectual capital formation in the banking industry⁵.

⁴ A presentation on "Credit risk: So far so good" by Mr. Mitali Kalita on 7 November 2003, Source – <http://www.domain-b.com/scripts/recommend/recommend.asp>.

⁵ A speech on "Indian Banking and Finance: Managing New Challenges" by Dr. Bimal Jalan, Former Governor, Reserve Bank of India at the twenty-fourth Bank Economists' Conference, Bangalore on December 27,2002.

CHAPTER- 3

RESEARCH METHODOLOGY

Research in common parlance refers to a search for knowledge. One can also define research as scientific and systematic search for patient information on a specific topic. In fact research is art of scientific investigation.

3.1 TYPE OF STUDY

The method adopted for the study is historical research. It is based on the study of past and current records of existing delinquent customers to analyze the default status of their account and its significance in order to draw a conclusion. The study is based on descriptive analysis of records of customers those who have defaulted their payment due. A descriptive study is undertaken in order to ascertain

3.2 OBJECTIVES OF THE STUDY:

3.2.1 Primary Objectives:

The primary objective of the study is to analyze the various factors affecting the repayment of debts by customers those who have availed loan under light commercial vehicle segment.

3.2.2 Secondary Objectives:

- To study various parameters of receivables management in detail.
- To estimate the influence of the each of those parameter involved in receivables management process.
- To generate prior indicators of customer accounts that would turn into default accounts.

3.3 DATA AND SOURCES OF DATA

Primary data:

Data were collected through filling up a well structured questionnaire by referring the customer records available in the company and interacting with customers directly.

3.4 TIME PERIOD COVERED

The performance of the accounts receivable has been studied for the period of 6 months from Jan to June 2012.

3.5 POPULATION AND SAMPLE SIZE

The universe of the study revolves around 480 accounts financed under light commercial vehicles. The study focuses on a population of bad accounts arising out of loan provided in Light Commercial Vehicle segment. The bad accounts count to 89 under LCV segment.

3.6 SAMPLING TECHNIQUE

The sampling design adopted by the researcher is census study and hence the entire population of bad accounts counting 89 was studied upon.

3.7 STATISTICAL TOOLS USED

3.7.1 Percentage Analysis

Simple percentage of each category under each question mentioned in the questionnaire was calculated and each categories proportion among the whole was indicated as percentage in that whole. Suitable pictorial representation was also provided at appropriate places to indicate those percentages.

3.7.2 Chi Square Analysis

A very powerful test to test the significance of discrepancy between theories and experiment that was given by Prof. Karl Pearson. The chi square test enables us to test whether two attributes are independent of each other or not. It enables us to test whether there is a significant relationship and linear dependence between two variables.

3.8 LIMITATIONS OF THE STUDY

1. Analysis and interpretation are made on the figures given in the customer profiles which may not be credible in all the cases.
2. Difficulty was faced in getting access to confidential internal data of the company.
3. The reliability and accuracy of calculation depends mostly on data found in the customer files.

CHAPTER – 4

ANALYSIS AND INTERPRETATION

4.1 PERCENTAGE ANALYSIS

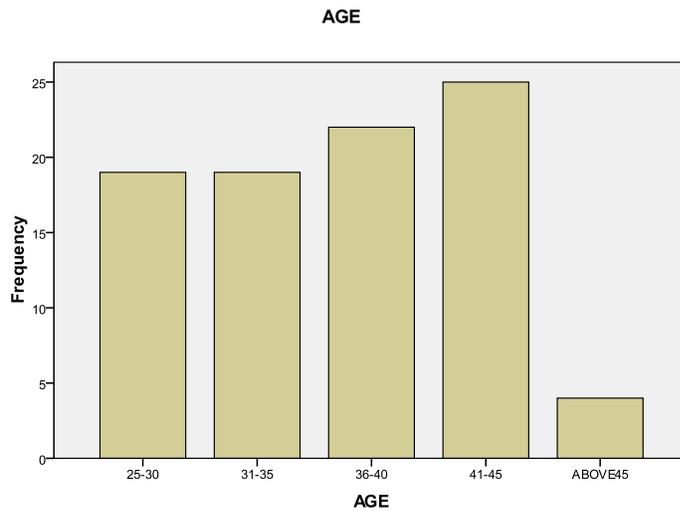
4.1.1 Profile of the customers

The customers were assorted according to their age and gender. The table 4.1.1, Table 4.1.2 and Table 4.1.3 show the number of customers belonging to each category. The analysis was conducted on 89 delinquent customers of the company belonging to light commercial vehicle.

Table 4.1.1 Age of Customer

YEARS	Frequency	Percent	Valid Percent	Cumulative Percent
25-30	19	21.1	21.3	21.3
31-35	19	21.1	21.3	42.7
36-40	22	24.4	24.7	67.4
41-45	25	27.8	28.1	95.5
ABOVE 45	4	4.4	4.5	100.0
Total	89	98.9	100.0	

Graph 4.1.1



Interpretation: It can be seen from Table 4.1.1 that most of the customers those who avail loan for light commercial vehicle are in the age group of 41 years and above. The table depicts that about 27.8 % of customers are in the age group 41-45 years, 22% of customers are in 36-40 years age group, 19% of customers are in the age group 31-35 years and about 19% of customers are in the age group of 25-30 years.

Inference: The default customers in the midst age of 41 years and above, avail loan to purchase new vehicle in order to expand their business, raise their business performance in order to improve their business competence but are found due to their inability to sustain their business as desired by them.

Table 4.1.2 GENDER OF CUSTOMER

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	MALE	76	84.4	85.4	85.4
	FEMALE	13	14.4	14.6	100.0
	Total	89	98.9	100.0	

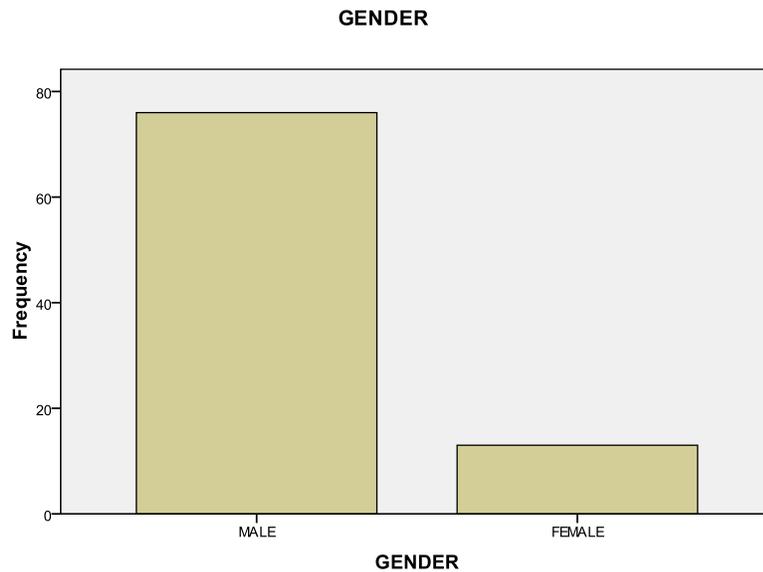
Table 4.1.2 GENDER OF CUSTOMER

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	MALE	76	84.4	85.4	85.4
	FEMALE	13	14.4	14.6	100.0
	Total	89	98.9	100.0	

Table 4.1.3 AGE Vs GENDER OF CUSTOMER

		GENDER		
Category		MALE	FEMALE	Total
AGE	25-30	16	3	19
	31-35	17	2	19
	36-40	18	4	22
	41-45	21	4	25
	ABOVE45	4	0	4
Total		76	13	89

Graph 4.1.2 Gender Status Of Customers



Interpretation : Table 4.1.2 shows the categorization of customers as per their gender. Table 4.1.3 shows the categorization age group of customers as per their gender .Among 89 customers there are about 85% of males and 14.6% of females.

Inference: The male customers with age 41 years and above , avail loan to purchase new vehicle in order to expand their business, raise their business performance in order to improve their business competence but are found due to their inability to sustain their business as desired by them. On the other side the female customers being the business partners also avail loan raise their business performance in order to improve their business competence but are found due to their inability to sustain their business as desired by them.

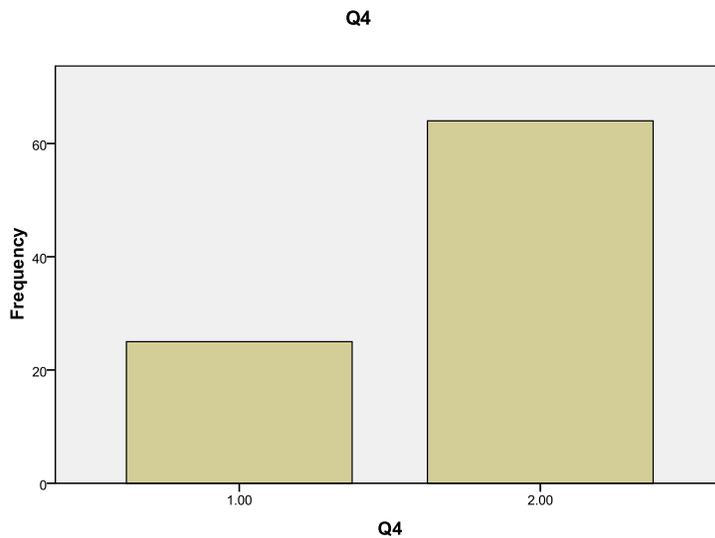
4.1.2 Ownership Status of the asset

The customers were assorted depending upon their business for which the asset is purchased.

Table 4.1.4 Asset Ownership

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	25	27.8	28.1	28.1
	2	64	71.1	71.9	100.0
	Total	89	98.9	100.0	
Missing	System	1	1.1		
Total		90	100.0		

Graph 4.1.3-Asset Ownership Status



Interpretation: Among 89 customers considered for study 25% own a Private limited and 64% own a proprietorship firm.

Inference: Highest number of defaulters is found on Individual/Proprietorship category.

4.1.3 Purpose of asset

The analysis classified the 89 customers under the study depending upon the purpose they utilize the asset for which they avail loan.

Table 4.1.5.-Purpose of the asset

Q5

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	64	71.1	71.9	71.9
	2	25	27.8	28.1	100.0
	Total	89	98.9	100.0	
Missing	System	1	1.1		
Total		90	100.0		

Graph 4.1.4- Purpose Of asset

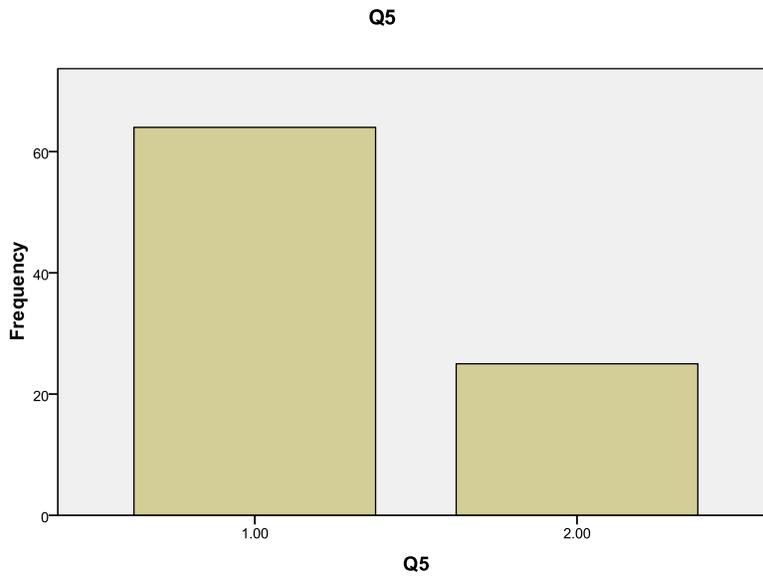


Table 4.1.6 –Purpose of asset vs Type of Ownership

		Type		Total
		1	2	
Purpose	1	8	17	25
	2	56	8	64
Total		64	25	89

Interpretation: It can be found from table 4.1.5 and 4.1.6 the proportions of customers depending upon their use of the loaned asset.

Inference: The customers using the loaned vehicle for rental business are found to be the most defaulters while compared with vehicle for own business.

4.1.4 Cost of asset

The delinquent customers were classified depending upon the cost of asset for which loan is availed.

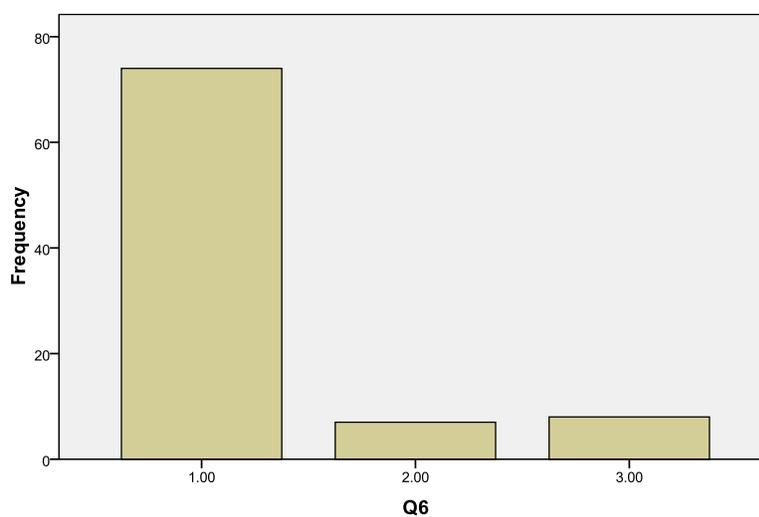
Table 4.1.7- Cost of Asset

Q6

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	74	82.2	83.1	83.1
	2	7	7.8	7.9	91.0
	3	8	8.9	9.0	100.0
	Total	89	98.9	100.0	

Graph 4.1.5 Cost of Asset

Q6



Interpretation: Depending upon the cost of asset for which loan is availed about 83.1% of assets costs upto 9 lakhs and 7.9% of assets costs about >9 lakhs to 15lakhs and 9.0 % of asset costs around >15lakhs.

Inference: Most of the assets for which loan was availed costs below 9 lakhs which accounts for about 83.1% and remaining 16.9% costs around 9 to 15 lakhs.

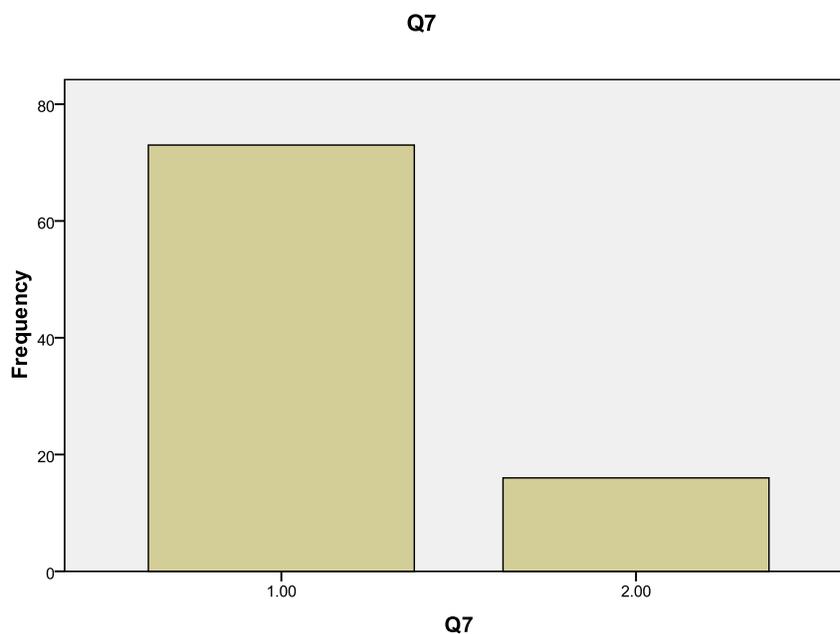
4.1.5 Amount of Loan

The customer accounts under study were classified according to the amount of loan they availed from the company.

Table 4.1.8- Amount of loan

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	73	81.1	82.0	82.0
	2	16	17.8	18.0	100.0
	Total	89	98.9	100.0	

Graph 4.1.6 –Amount of Loan



INTERPRETATION

The customers who have availed loan upto 9lakhs rupees are about 73 in number accounting for about 82% among 89 customers followed by customers availed loan in between 9-15lakh rupees account for about 18%.

INFERENCE

Most of the defaulters are found to have borrowed a loan less than (lakh rupees, while compared to another category of defaulters with loan amount of above 9lakh rupee categories which connate that though the loan amount is lower their earning capacity is not able to meet their equated monthly instalment obligation.

4.1.6 MARGIN MONEY TO PURCHASE THE ASSET

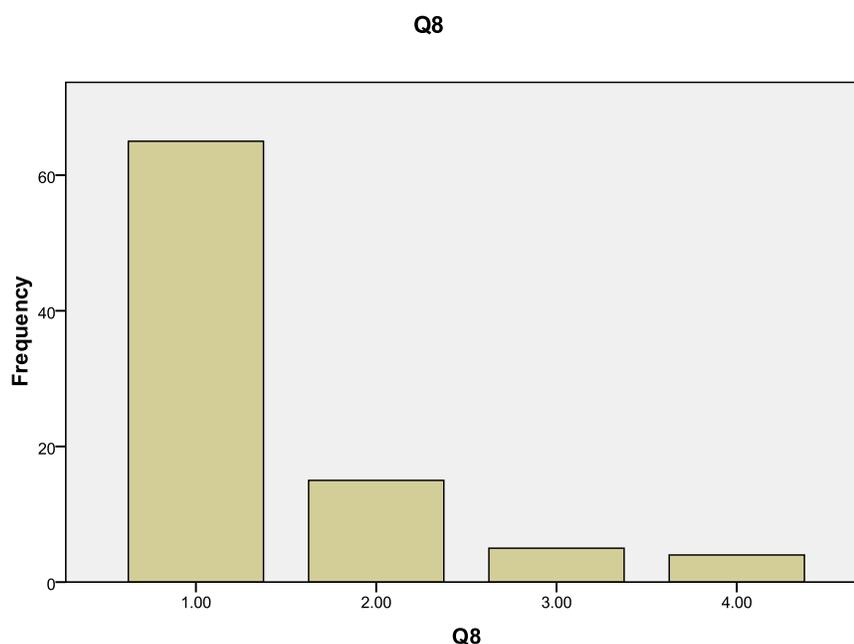
The margin money is the proportion of money the customers have contributed to purchase the asset apart from the amount of loan availed.

Table 4.1.9 – Margin money to purchase the asset

Q8

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	65	72.2	73.0	73.0
	2	15	16.7	16.9	89.9
	3	5	5.6	5.6	95.5
	4	4	4.4	4.5	100.0
	Total	89	98.9	100.0	
Missing	System	1	1.1		
Total		90	100.0		

Graph 4.1.7– Margin money to purchase the asset



INTEPRETATION

The 89 customers under study while grouped based on the margin money spent by them to purchase the asset were spread into four categories as indicated in the table 4.1.9. In the study it was found that 73% of customers contributed below 2lakh rupees subsequently followed by 16.9% customers contributing 2-3lakh, 5.6 % of customers affording 3-4lakh rupees and 4.5% of customers affording 4-5lakh rupees.

INFERENCE

Majority of the default customers under study afforded margin money below 2lakh rupees followed by contribution of 2-3lakh,3-4lakh and 4-5lakh rupees which implies that the customers those who are able to afford higher margin money then are also able to easy meet their EMI responsibility but customers who are only able to afford modest margin money are able to meet their EMI responsibility.

4.1.7 Term of Loan

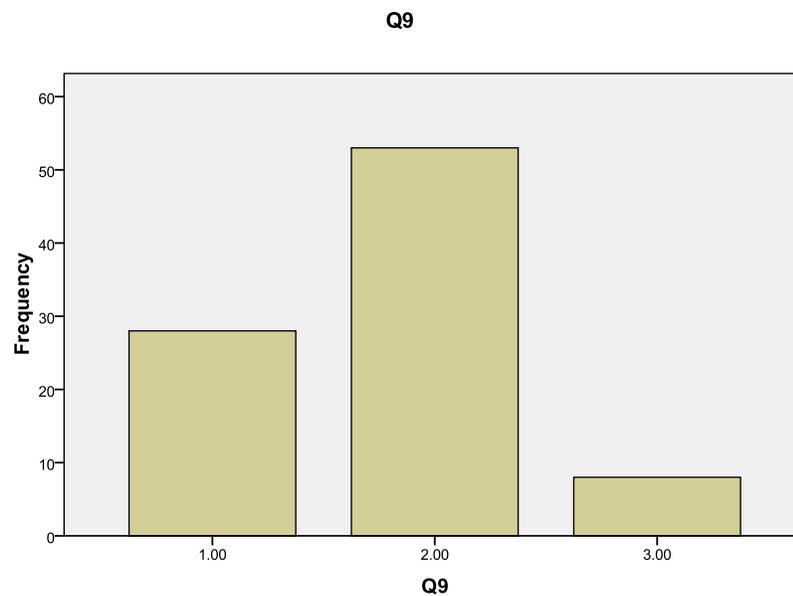
The customers avail the loan from the company with an agreement to repay it with in an agreed time period. The term of loan depends upon the quantum of loan amount availed by the customer, rate of interest and preference of the customers. The company under the construction equipment offers the loan with a minimum loan period of 24months to maximum loan period of 48 months and above

Table 4.1.10 – Loan Period

Q9

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	28	31.1	31.5	31.5
	2	53	58.9	59.6	91.0
	3	8	8.9	9.0	100.0
	Total	89	98.9	100.0	
Missing	System	1	1.1		
Total		90	100.0		

Graph 4.1.8- Loan Period



INTERPRETATION

The 89 delinquent customers of light motor vehicle segment availed loan from a minimum period of 24months to a maximum period. As a whole, 31.5% of customers agreed for a repayment period of below 24 months, 59.6% of customers agreed for a repayment period of 25-48months, 9% of customers agrred for a repayment period above 48 months.

INFERENCE

Greater parts of the delinquent customers are found to be availed loan for a period of 24-48months compared to defaulters under other loan periods. The customers availing loan at this loan period should be appraised more carefully.

4.1.8 EQUATED MONTHLY INSTALLMENTS

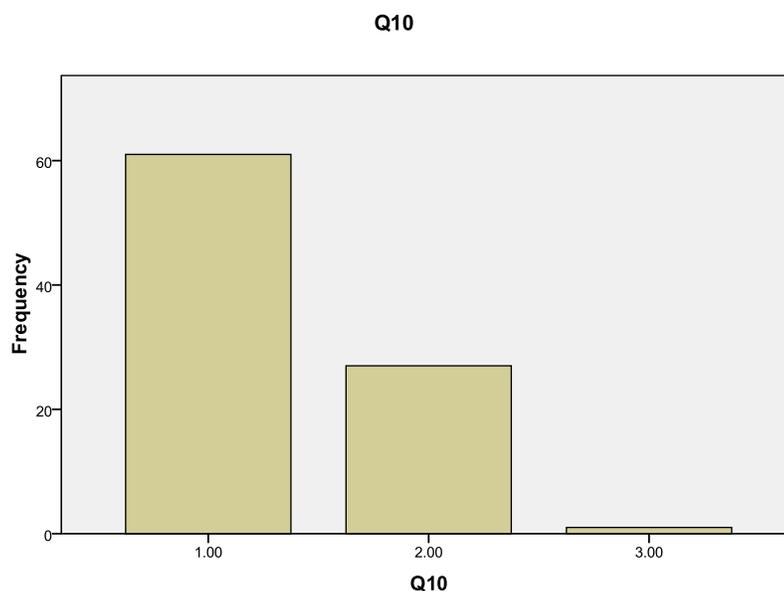
The loan availed by the customer is repaid at equated monthly instalments along with interest charges over the entire loan period. The loan amount is charged by an appropriate interest rate and this interest charges are summed with loan amount and divided by the loan period to obtain equated monthly instalments.

Table 4.1.11 Equated monthly instalments

Q10

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	61	67.8	68.5	68.5
	2	27	30.0	30.3	98.9
	3	1	1.1	1.1	100.0
	Total	89	98.9	100.0	
Missing	System	1	1.1		
Total		90	100.0		

Chart 4.1.9 Equated monthly instalments



INTERPRETATION

The table 4.1.11 shows that 68.5% of default customers owe an equated monthly instalments below 20000rupees consecutively followed by 30.3% owing an equated monthly instalments in between 20000-25000rupees, 1.1% of customers owing an equated monthly instalments of above 25000rupees

INFERENCE

The light motor vehicle customers highly turn default if the EMI is below 20000rupees followed by 30% defaulters with an EMI between 20000-25000rupees. The defaulters are found at both the extreme i.e., with both high and low EMI while comparatively only low defaulters are found with moderated EMI. If the equated monthly instalments and loan period is high than the chances of turning default is also high and vice versa.

4.1.9 INTEREST CHARGES AND RATE OF INTEREST

The company charges particular interest charges for the loan amount lent by them which depends upon loan period and loan amount.

Table 4.1.12 Interest Charges

Q11

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	32	35.6	36.0	36.0
	2	53	58.9	59.6	95.5
	3	4	4.4	4.5	100.0
	Total	89	98.9	100.0	
Missing	System	1	1.1		
Total		90	100.0		

Graph 4.1.10 Interest Charges

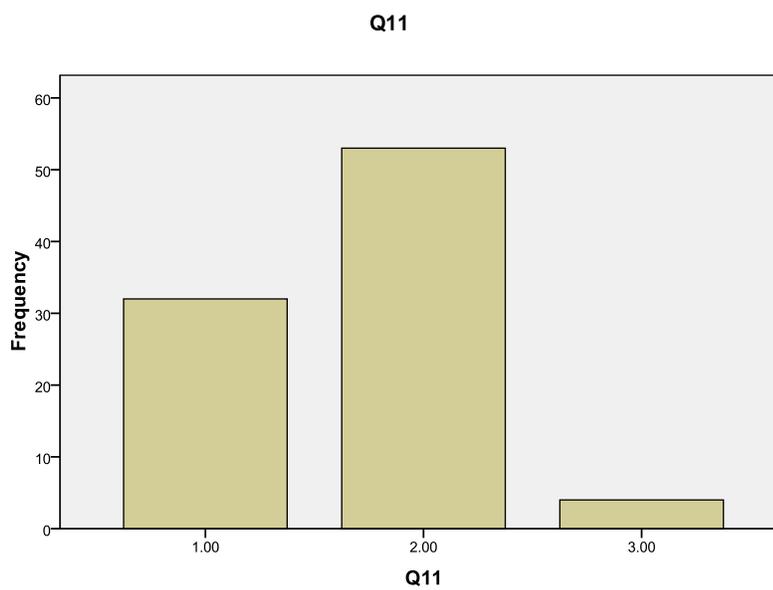
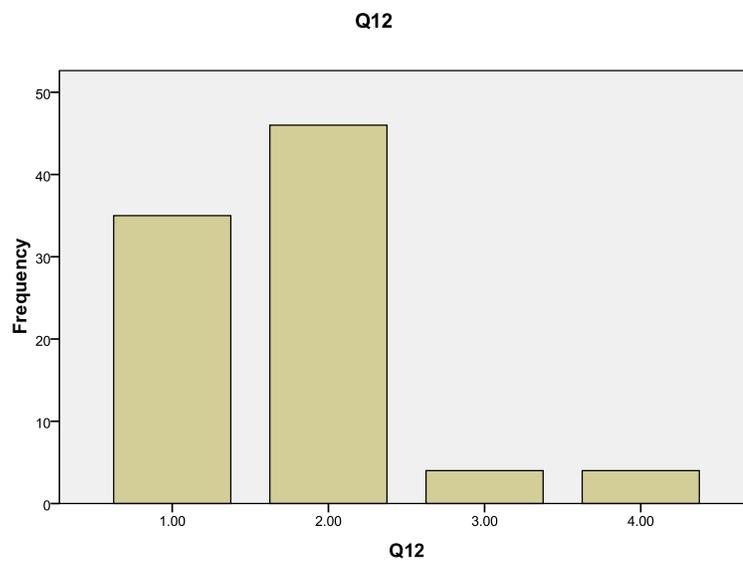


Table 4.1.13 Rate of Interest

Q12

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	35	38.9	39.3	39.3
	2	46	51.1	51.7	91.0
	3	4	4.4	4.5	95.5
	4	4	4.4	4.5	100.0
	Total	89	98.9	100.0	
Missing	System	1	1.1		
Total		90	100.0		

Chart 4.1.11 Rate of Interest



INTERPRETATION

The above table 4.1.12 shows grouping of customers according to the interest charged on the loan borrowed by them. On that basis 39.3% of default customers are found under the lowest interest charge of below 1 lakh rupees, followed by 51.7% customers owing interest charge in between 1-1.5lakhs,4.5% of customer owing an interest charge in between 1.5-2 lakh rupees.

INFERENCE

The light motor vehicle customers turn out to be defaulters despite interest charges being at a low rate. Therefore in case of light motor vehicle segment the earning capacity of the customers should be watched closely in order to get back the repayment from them.

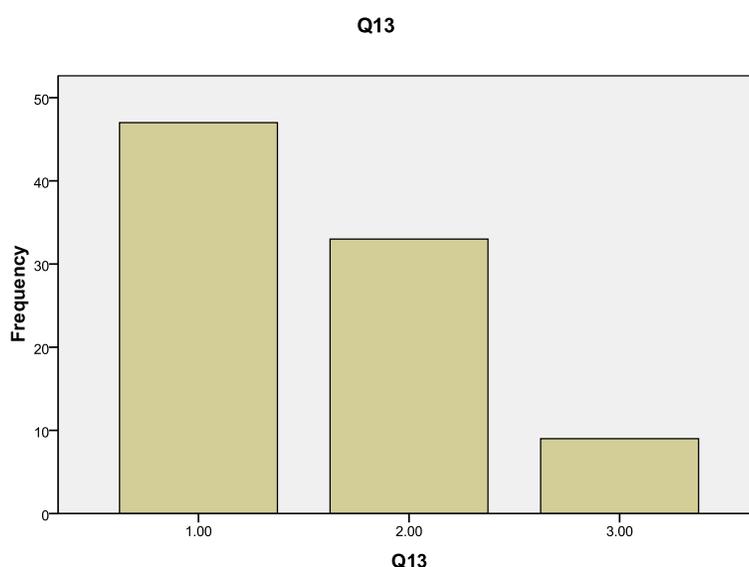
4.1.10 Future Receivables

The term future receivables relates to the total amount of money that each customer has to pay from the current month till the end of their loan period including the penalty charges for late payment and excluding their previous payment before current month.

Table 4.1.14- Future Receivables

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	47	52.2	52.8	52.8
	2	33	36.7	37.1	89.9
	3	9	10.0	10.1	100.0
	Total	89	98.9	100.0	
Missing	System	1	1.1		
Total		90	100.0		

Graph 4.1.11 Future Receivables



INTERPRETATION

Table 4.1.14 shows that among the 89 defaulters 52.8% have to pay below 2lakh rupee from current month, 36.1% have to pay in between 2-4 lakhs rupees from current month and 10.1% have to pay in between 4-6lakh rupees from the current month.

INFERENCE

The defaulters rate is found to be high in the lowest future receivables(below 2lakh rupees) category sequentially followed by 2-4lakh, 4-6lakh and above 6lakh rupees category. Though the amount liable to be paid by the customer is low their rate of turning default is high.

4.1.11 Income range of the Customers

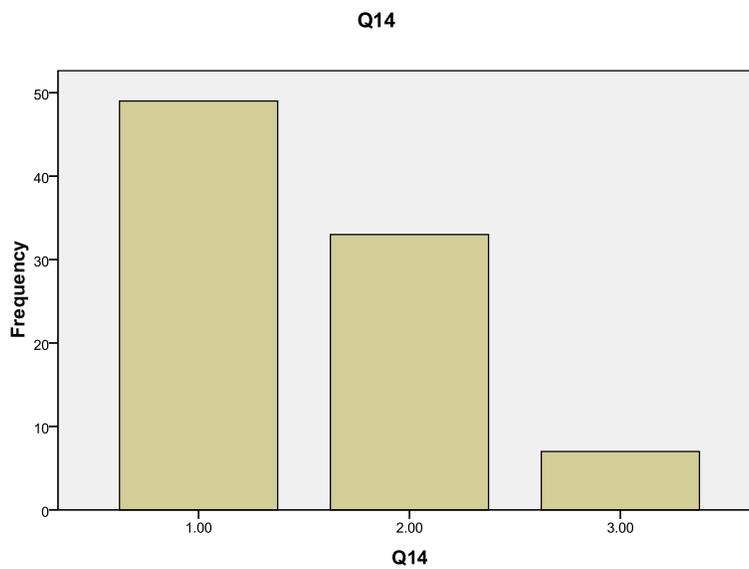
The customers were assorted depending on the monthly income earned by them.

The monthly income of the customers are considered from their main business function of every individual customer excluding other auxiliary income sources and any other income sources in the family line.

Table 4.1.15 Monthly Income Range

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	49	54.4	55.1	55.1
	2	33	36.7	37.1	92.1
	3	7	7.8	7.9	100.0
	Total	89	98.9	100.0	
Missing	System	1	1.1		
Total		90	100.0		

Chart 4.1.12 Monthly Income Range



INTERPRETATION

Based on the income wise classification of the customers, most of the default customers were found with monthly income less than 50000rupees accounting for about 54.4% which is next followed by customers about 37.1% with monthly income range between 50000-1lakh rupees, 7.9% with monthly income of above 1 lakh.

INFERENCE

If the monthly income is low than the rate of customers turning out to be default is found to be high because of their inability to meet the EMI obligation. But some defaulters are also found in high monthly income category due to reasons like comparatively high EMI and other miscellaneous business and fluctuations in their earnings.

4.1.12 INSTALMENT DEFAULT INFORMATION

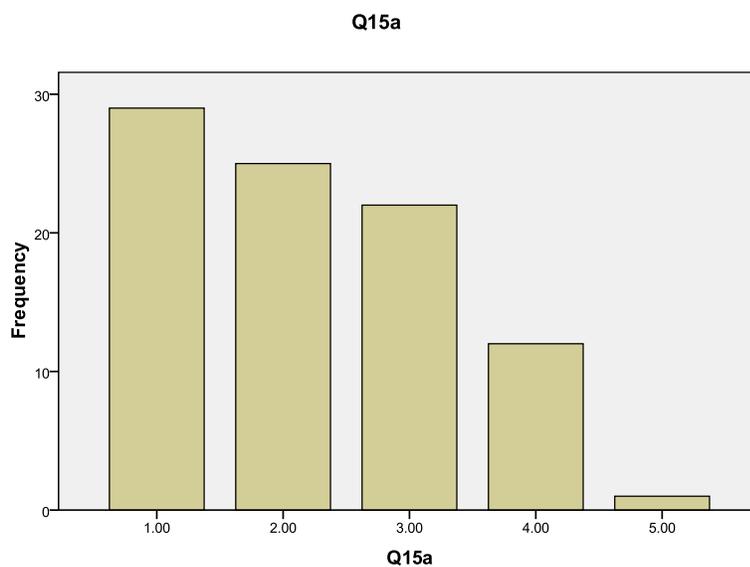
4.1.12.1 Number of instalments defaulted

The customers were varied according to the number of months they had defaulted their EMI payment.

Table 4.1.16 Number of instalments defaulted

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	29	32.2	32.6	32.6
	2	25	27.8	28.1	60.7
	3	22	24.4	24.7	85.4
	4	12	13.3	13.5	98.9
	5	1	1.1	1.1	100.0
	Total	89	98.9	100.0	
Missing	System	1	1.1		
Total		90	100.0		

Graph 4.1.13 Number of instalments defaulted



INTERPRETATION

Table 4.1.16 show the grouping of the 89 customers depending upon number of months defaulted by them. Based on that classification 32.6% customers were found with 1month default, 28.1% customers with 2month default, 24.7% customers with 3month default, 13.5% with 4month, 1.1% with 5month.

INFERENCE

Majority of the delinquent customers under study are found have a payment obligation of 1month which normally occurs due to fluctuations in business earnings and business transactions. But the customers defaulting their obligation 2months and above are normally found to be uneven in their payment obligation. So, those customers have to be given additional focus to make them pay promptly.

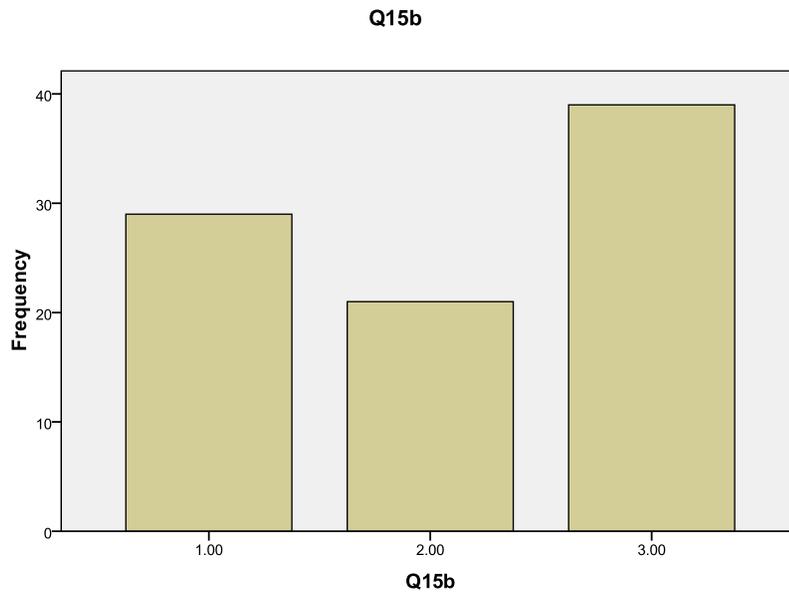
4.1.12.2 MAXIMUM DUE DATS MONITORED IN REPAYMENT

At this point the segregation of customers is based on the utmost number of days that a customer has delayed to pay an EMI among the equated monthly instalments he/she had paid so far.

Table 4.1.17 Maximum due days monitored in repayment

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	29	32.2	32.6	32.6
	2	21	23.3	23.6	56.2
	3	39	43.3	43.8	100.0
	Total	89	98.9	100.0	
Missing	System	1	1.1		
Total		90	100.0		

Chart 4.1.14 Maximum due days monitored in repayment



INTERPRETATION

Associated with maximum number of days that a customer delays to make his/her payment, 32.6% of customers are found to have delayed their EMI payment by less than 30days, trailed by 23.6% of customers delaying by order of 31-60days and 43.8% of customers delaying between 61-90days.

INFERENCE

Almost most of the 89 defaulters under light motor vehicle segment are found to have delayed by order of less than 30 days but are found to pay their EMI obligation within that month but on the other part if the delay days exceeds a month time then additional focus have to be laid on those customers.

Table 4.1.18 Maximum due days in repayment vs No. Instalments Defaulted

Count					
		Q15b			
		1	2	3	Total
Q15a	1	23	4	2	29
	2	4	13	8	25
	3	2	2	18	22
	4	0	2	10	12
	5	0	0	1	1
Total		29	21	39	89

INTERPRETATION

It is obvious from the above table that 23 customers among one month due are found to be delaying their payment at a rate of less than 30days, 13 customers among 2month default are found to be delaying between 31-60days, 18 customers among 3month default are found to be delaying between 61-90 days, 10 customers among 4month default are found to be delaying between 61-90days, 1 customer among 5month default is found to be delaying between 61-90days.

INFERENCE

If the number of days that is delayed by the customer to make a monthly payment is found to be high then the number of months delayed by them also tend to increase. So, keenfocus should be laid over customers consuming maximum delay day to pay their monthly payment.

4.1.12.3 AVERAGE DUE DAYS MONITORED IN THE PAYMENT

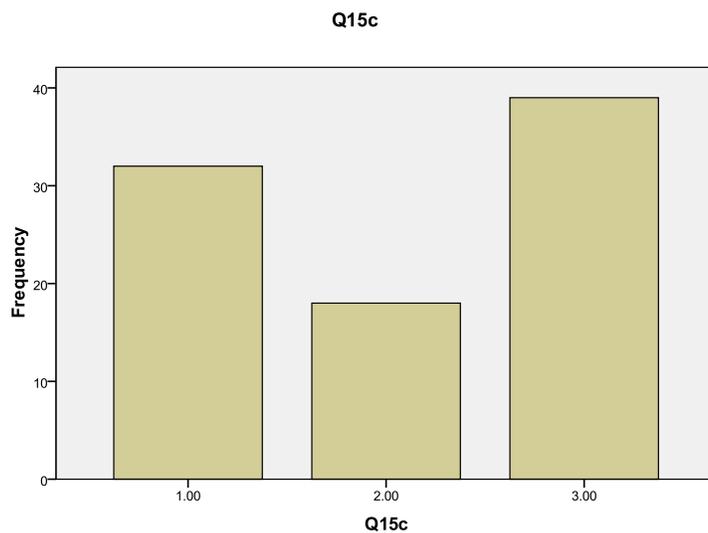
This part section describes about average of delay days all in a whole that is monitored in each month's payment that is made by each customers till now.

Table 4.1.19 Average due days monitored in repayment

Q15c

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	32	35.6	36.0	36.0
	2	18	20.0	20.2	56.2
	3	39	43.3	43.8	100.0
	Total	89	98.9	100.0	
Missing	System	1	1.1		
Total		90	100.0		

Chart 4.1.15 Average due days monitored in repayment



INTERPRETATION

It is evident from the table 4.1.19 that utmost number of default customers (about 44%) are found to delay their monthly payment above 20 days which is afterward trailed by an

average delay day between 11 to 20 days by 20.2% of customers and about 36% delaying at an average of below 10days.

INFERENCE

If the average number of days that is delayed by the customer to make a monthly payment is high than the number of months delayed by them also is high. So, considerable attention should be kept over customers consuming highest average delay days to make their monthly payment.

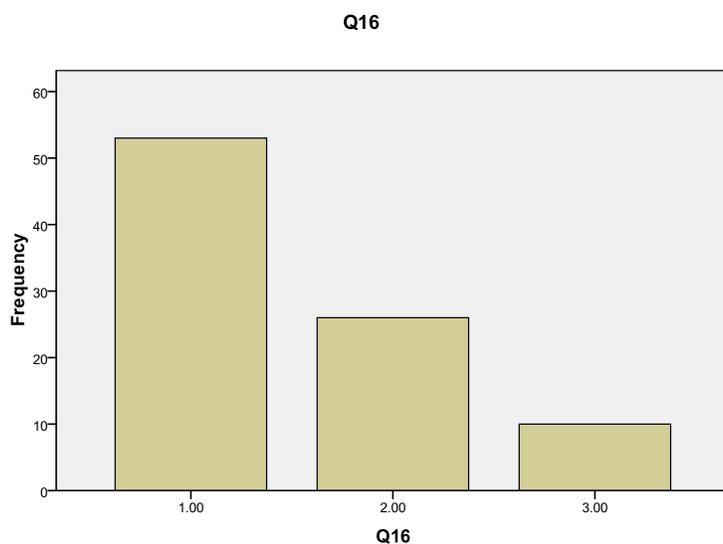
4.1.13 NET INCOME/EMI RATIO OF THE CUSTOMER

The classification is now based on the ratio between net monthly incomes of every delinquent customer under study to that their equated monthly instalments obligation towards the loan boorowed by them.

Table 4.1.20 Net Income-EMI ratio

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	53	58.9	59.6	59.6
	2	26	28.9	29.2	88.8
	3	10	11.1	11.2	100.0
	Total	89	98.9	100.0	
Missing	System	1	1.1		
Total		90	100.0		

Chart 4.1.16 Net Income-EMI ratio



INTERPRETATION

It could be constructed from the table 4.1.20 that among 89 defaulters about 59.6% are found to have EMI less than their income, trailed by 29.2% of customers with EMI equal to their income, 11.2% of customers under an income/EMI ratio of 1:1-1:1.5.

INFERENCE

It could be deduced that though the income of the customers is equal to or above their EMI obligation, the percentage of the customers should be given high priority and verified before offering a loan to the customer.

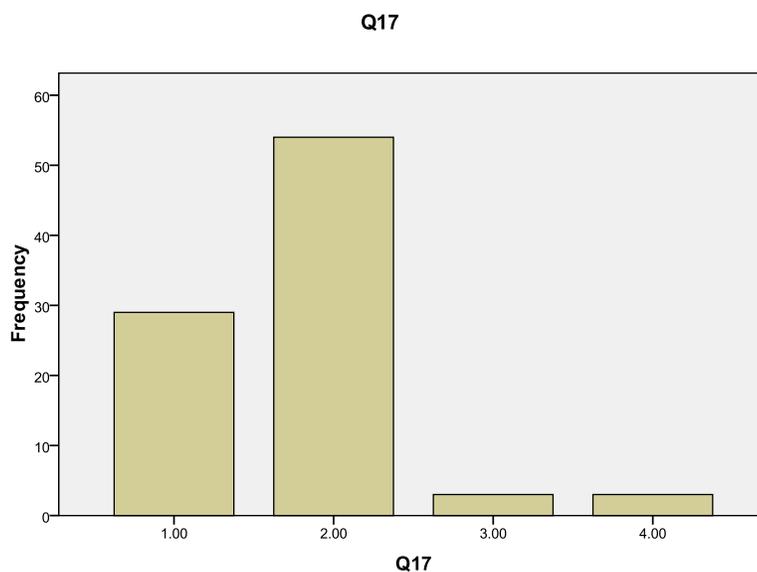
4.1.14 Quantum of other income source of the customer

The customer were assorted based on the quantum of auxiliary income sources that is available for the customer apart from the primary business earnings.

Table 4.1.21 Quantum of other income sources

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	29	32.2	32.6	32.6
	2	54	60.0	60.7	93.3
	3	3	3.3	3.4	96.6
	4	3	3.3	3.4	100.0
	Total	89	98.9	100.0	
Missing	System	1	1.1		
Total		90	100.0		

Chart 4.1.17 Quantum of other income sources



INTERPRETATION

Table 4.1.22 summarizes that among 89 customers under study about 32.6% have an auxiliary income source equal to the amount of EMI, trailed by 60.7% have an auxiliary income source twice the amount of EMI, 3.4% have an auxiliary income source thrice the amount of EMI and 3.4% have an auxiliary income source greater than 3 times of their EMI.

INFERENCE

The table 4.1.21 implies that though the customers have auxiliary income sources greater than their EMI obligation they do not utilize that income for their EMI payment and only depend upon primary business source which uses the asset under loan.

4.1 Immovable Property

The customers were assorted depending on the immovable asset owned by them. The immovable asset might be land, building, precious metals etc. Based on the worth of that immovable asset the customer was classified as here under.

Table 4.1.22 Immovable property

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	17	18.9	19.1	19.1
	2	56	62.2	62.9	82.0
	3	16	17.8	18.0	100.0
	Total	89	98.9	100.0	
Missing	System	1	1.1		
Total		90	100.0		

Interpretation: It is deduced from the Table 4.1.22 that about 62.9% of delinquent customers under study own the immovable property having its worth in between the 15 to 35 lakhs rupees trailed by 18.9% of customers with immovable assets of worth below 15 lakhs, 17.9% of customer owning immovable assets of worth above 30 lakhs.

4.1 Grading of credit worthiness of customer

The customers are graded similar to the grading of the marketing person and CAP manager. The existing customers of the company are graded from highest to lowest by AAA, AA and A. if there are some new customers providing track record from any other financial institution to show their credit worthiness then they are also graded from highest to lowest by BBB, BB and B. The rules followed and parameters considered for rating both new and existing customer's remains the same.

Table 4.1.23 Credit worthiness of customer

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	8	8.9	9.0	9.0
	2	67	74.4	75.3	84.3
	3	14	15.6	15.7	100.0
	Total	89	98.9	100.0	
Missing	System	1	1.1		
Total		90	100.0		

Interpretation: About 74.4% of the existing customers rated AA. Likewise about 15.6% of the existing customers rated A and about 8.9% of existing customers rated AAA.

4.1 Business status of the customer

The customers were classified according to their level of business.

Table 4.1.24 Business status of the customer

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	2	2.2	2.2	2.2
	2	73	81.1	82.0	84.3
	3	14	15.6	15.7	100.0
	Total	89	98.9	100.0	
Missing	System	1	1.1		
Total		90	100.0		

Interpretation: It is deduced from the Table 4.1.24 that about 81.1% of delinquent customers under Medium level business trailed by 15.6% of customers under high level business, 2.2% of customer under Low level business status.

4.1 Internal Rate of Return

Internal rate of return is the amount which is get from debtors in the form of interest. This rate differs based on the loan amount.

Table 4.1.25 Internal Rate of Return

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	2	2.2	2.2	2.2
	2	50	55.6	56.2	58.4
	3	37	41.1	41.6	100.0
	Total	89	98.9	100.0	
Missing	System	1	1.1		
Total		90	100.0		

Interpretation: It is evident from the above table that about 55.6% of customers under the internal rate return 15 to 20 trailed by 41.1% of customers under the 20 to 25, 2.2% of customer under the below 15 and above 25 percent internal rate of return was nil.

4.1 Reason for Delay in Repayment

Broadly there are three factors influencing the delay in repayment of money according to branch manager.

Table 4.1.26 Reason for Delay in Repayment

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	10	11.1	11.2	11.2
	2	55	61.1	61.8	73.0
	3	24	26.7	27.0	100.0
	Total	89	98.9	100.0	
Missing	System	1	1.1		
Total		90	100.0		

Interpretation: It is evident from the above table that about 61.1% of customers had an issue in low performance of assets trailed by 26.7% of customers had the financial problem, 11.1% of customer reason of delay was their family problem.

CHI SQUARE ANALYSIS

4.1 Number of Installments Defaulted Vs Purpose of Asset

To find whether the purpose for which the asset is used influences the customers, defaulting their monthly installment obligations, a Chi Square test was conducted at 5% level of significance. For that purpose a contingency table between them was formed as shown Table 4.1

Table 4.1.27 Purpose of Asset

	Observed N	Expected N	Residual
1	25	44.5	-19.5
2	64	44.5	19.5
Total	89		

Table 4.1.28 No of Installment Defaulted

	Observed N	Expected N	Residual
1	29	17.8	11.2
2	25	17.8	7.2
3	22	17.8	4.2
4	12	17.8	-5.8
5	1	17.8	-16.8
Total	89		

Table 4.1.29 Chi Square

	Purpose of Asset	No of Installment Defaulted
Chi-Square	17.090 ^a	28.697 ^b
Df	1	4
Asymp. Sig.	.000	.000

a. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 44.5.

b. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 17.8.

Interpretation:

We reject our null hypothesis and conclude that the purpose of asset for which the asset is used influences number of monthly installments defaulted by the customer.

Inference:

Purpose of the asset is related with No of Installments Defaulted where significance value is less than .05. Hence there existed significance relationship between the Purpose of asset and No of Installments Defaulted.

CHAPTER 5

5.1 FINDINGS

- The default customers are found to be in the midst of age 41 to 45 years and are found to be default due to their inability to sustain their businesses.
- It is found that customers of proprietorship firm i.e., 71.1% turn out to be high defaulters due to grounds like inadequate business yield to meet their EMI covenant.
- The customers using the loaned vehicle for rental business are found to be most defaulters, i.e., 71.1% when compared to the customers using the loaned vehicle for own business (28%)
- Most of the defaulters i.e., 82% are found to have borrowed a loan less than 9 lakhs rupees which connote that though the loan amount is lower their earning capacity is not able to meet their equated monthly installment obligation.
- Majority of the default customers (73%) under study afforded margin money of below 2 lakh rupees and unable to meet their EMI responsibility while compared with customers those who are able to afford higher margin money.
- Greater parts of the delinquent customers (59.6%) are found to be availed loan over a period of 25 to 48 months compared to defaulters under other loan periods of 24 months.
- The customers highly turn default (68.5%) if the EMI is in below 20000. The defaulters are found at both the extremes i.e., with both high and low EMI while comparatively only low defaulters (30.3%) are found with moderated EMI.
- The commercial motor vehicle customers turn out to be defaulters despite interest charges being at a 11 to 12% rate.
- If the monthly income is low then the rate of customers (54.4%) turning out to be default is found to be high because of their inability of meet the EMI obligation. But some defaulters are also found in high monthly category due to reasons like comparatively high EMI and other miscellaneous business expenses and fluctuations in their earnings.

- Majority of the delinquent customers (32.6%) under study are found have a payment obligation of 1 month which normally occurs due fluctuations in business earnings and business transactions. But the customers defaulting their obligation 2 months and above are normally found to be uneven in their payment obligation.
- If the number of days that is delayed by the customer to make a monthly payment is found to be high then the number of months delayed by them also found to be high.
- Though the customers have auxiliary income sources greater than their EMI obligation (59.6%) they don't utilize that income for their EMI payment and only depend upon primary business source which uses the asset under loan.
- There is a significant relationship between number of installment defaulted and asset ownership status.
- There is a significant relationship between number of installment defaulted and cost of the asset for which the loan is availed by the customer. If the cost of the asset is more than the default rate is also high.
- There is significant relationship between number of installment defaulter and amount of loan that the customer has borrowed from the company. When the customers turning default is high, since the EMI obligation will be at higher rates when the loan amount is high.
- There is a significant relationship between the margin money afforded by the customer and number of months defaulted by the customers. The customers who are able to afford more amount of margin money are able to pay their dues regularly.

5.2 SUGGESTIONS

- Each customer is to be assessed based on their ability to pay their monthly installments.

- The interest rate charger can be reduced to certain customers whose net income ratio over less.
- Financial charges for the cost of asset can be fixed according to the ability customer.

5.3 CONCLUSION

A NBFC that holds about 37.5% of its loan accounts as delinquent attracts keen attention of the researcher. Sakthi Finance Limited possesses 14.8% of its accounts financed under Light Commercial Motor Vehicle segment as delinquent accounts. Hence a study was conducted by focusing the profile and potential of the loan customers. The study enlisted a class of variables that could be a precursor to gauge the loan accounts from turning into delinquent in the future.

The attributes in the order of Amount of Loan, Equated monthly installments(EMI), Loan Period, Monthly Income of the Applicant, Rate of Interest, Average due days monitored in repayment, Purpose of Asset, Cost of the Asset, Asset ownership, Quantum of other income sources and Secondary source of repayment signal high relevance to turn a good account into a delinquent account under the Construction period, EMI, Rate of Interest, Monthly Income of the Applicant, Average due days monitored in repayment and Purpose of Asset signal high relevance to turn a good account into a delinquent account under the Light Commercial Motor Vehicle segment.

The Receivables Management System in Sakthi Finance Limited is found to be satisfactory in all major aspect. However, Sakthi Finance Limited can evolve as a better run Non – Banking Financial Company by giving primary importance to the above said attributes in the credit appraisal process.

BIBLIOGRAPHY

BOOKS:

- Bank Risk, Capitalization, and Operating Efficiency, Simon Kwan and Robert A. Eisenbeis, Journal of Financial Services Research, December 1995.
- Risk and Market Segmentation in Financial Intermediaries, Linda Allen and Julapan Jagtiani, Journal of Financial Services Research, October 1996.
- A market-based Risk Classification of Financial Institutions, Alan C. Hess and Kirati Laisathit, Journal of Financial Services Research, November 1996.
- Pricing the Risks of default, Benjamin Esty, Journal of Financial Services Research, October 1996.
- Statistical Methods, Gupta S. P, Sultan Chand & sons publishers, New Delhi.
- Applied Multivariate Statistical Analysis, Richard A. Johnson & Dean W. Wincher, Prentice-Hall of India.
- Research Methodology, C.R. Kothari, Vikas publishing Houses Pvt. Ltd, New Delhi, 1978.
- Research Methods for Business, Uma Sekaran, John Wiley & Sons Asia Pvt. Ltd.

WEBSITES:

- www.rbidocs.rbi.org.in
- www.rbi.org.in
- www.scholar.google.com
- www.en.wikipedia.org
- www.businessline.in
- www.moneycontrol.com