FACTORING AND MUTUAL FUND SERVICES OF SBI AND CAN BANK: A COMPARATIVE STUDY

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By

S. B. PATKAR

Under the Guidance of

Dr Y.V.REDDY
READER & HEAD
DEPARTMENT OF COMMERCE
GOA UNIVERSITY

June 2004

DECLARATION

I declare that the Thesis entitled "Factoring and Mutual fund services of SBI and CanBank: A comparative study" is a bonafide record of independent research work done by me under the guidance of Dr Y.V.Reddy. I also declare that this thesis or part thereof has not previously formed the basis for the award of the Degree, Diploma, Associateship, Fellowship or other similar titles.

Date:

S.B.PATKAR

CERTIFICATE

Certified that the Thesis entitled "Factoring and Mutual fund services of SBI and CanBank :A comparative study" submitted is a bonafide record of independent research work done by the candidate under my guidance and supervision and that it has not previously formed the basis for the award to the candidate for any Degree, Diploma, Associateship, Fellowship or other similar titles.

Date: 26/5/04

Dr.Y.V.REDDY
Research Guide,
Dept. of commerce,
Goa University.

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ABBREVATIONS

1) C.A.P.M --- Capital Assets Pricing Model
2) R.O.I ---- Return on Investment
3) N.A.V ---- Net Asset Value
4) B.S.E --- Bombay Stock Exchange
5) SEBI --- Securities Exchange Board of India
6) R.B.I --- Reserve Bank of India
7) U.T.I --- Unit Trust of India
8) S.W.O.T. --- Strength Weakness opportunity and Threats
9) W.A.S --- Weighted Average Score
10) L.D.C --- Less Developed countries
11) S.B.I --- State Bank Of India
12) CATA --- Current Assets Total Assets
13) NPA --- Non Performing Assets
14) AMC -- Asset Management Company
15) LIC -- Life Insurance Corporation

CHAPTER I

INTRODUCTION

This chapter provides the background to the research proposition and describes the statement of problem.

1.1 BACKGROUND

The growth and expansion of public sector banks can be categorised in to three phases i.e pre-nationalisation, post-nationalisation and post- liberalisation period. In the pre-nationalisation period banks were controlled and managed by private owners and profit making was the sole objective of the private banks. As a result, common men suffered in many respects in order to avail the banking services. In 1969, the Government of India nationalised 14 major commercial banks and another 6 commercial banks during 1980 with the objective of making banking services available to a larger section of the society. The primary goal of the nationalized banks is to render services while profit earning remains secondary. After nationalization, efforts were made to open new branches in rural parts of the country. Hence we see that more than 56 per cent of bank offices are located in villages and 20 percent are in semi-urban areas. The mass banking concept was developed during post nationalisation period. The profitability of banks was affected by the high cost of branch expansion, extension of higher percentage of credit portfolio to generally low yielding assets, growth of non-performing assets, increasing cost of personnel and administration etc.

The philosophy of liberalisation, globalisation and privatization was intensified in 1991. Tremendous changes occurred after liberalisation in the banking industry. The entry of private banks and foreign bank branches posed a stiff competition to the public sector banks. Over the years, other financial institutions have emerged in the finance sector. A number of new saving instruments were introduced and earning a good yield as compared to those offered by the commercial banks for similar instruments. The fluctuating interest rate provided by these banks created adverse impact on the saving mobilisation in commercial banks.

The public sector banks with new challenges diversified their products and services. The banking industry began to move from its core area of traditional services to modern services. They are now diverting from banking business to non-banking business areas. Public sector banks are also facing competition from private finance companies , co-operative credit societies and capital market.

1.2 FINANCIAL SERVICES IN PUBLIC SECTOR BANKS

The pre-nationalisation era of banking industry consisted of financial services and products which were largely traditional in nature such as accepting deposits, lending loans, overdraft, cash credit, bills discounting etc. Accepting deposits and lending credit was the core service of banking industry. In the post-nationalisation period banks played an vital role in extending banking services in rural areas, mobilising and channelising resources, providing finance to weaker sections of the community. During this period there was a gradual shift from urban to rural banking, from class banking to mass banking and traditional to modern banking.

The implementation of Narasinham Committee Report from 1992-93 brought about a tremendous transformation in banking industry. Public sector banks diversified their services from traditional to non-traditional services [1]. It includes merchant banking services, factoring, mutual funds, hire purchase and

[1] A.K. Kanthale, Diversification of Banking business to meet the challenges-problems and prospects of departure from traditional banking, The banker,June,1989

leasing, housing finance, credit cards etc. and also emerging services like internet banking, insurance were introduced in banking industry. These services are more of non-banking nature than banking services. These services are classified into fee–based and fund–based services. Fee based services includes issue management, portfolio management, co-operative counselling, loan-base syndication, arranging foreign collaboration, mergers and acquisition etc. and fund based services include equipment leasing, hire-purchase, bills discounting, loans syndication, venture capital, housing finance, factoring etc. In the post liberalisation period the importance of fee –based services rendered by public sector banks has increased more than fund-based services.

1.3 FACTORING AND MUTUAL FUND SERVICES OF PUBLIC SECTOR BANKS

Public sector banks provides various services which are of non-banking nature and important services includes factoring and mutual funds. These services are provided by public sector banks by establishing separate subsidiaries.

The term factor has its origin in the Latin word Facere meaning to make or do, i.e to get things done. During the 15th and 16th centuries, factors were appointed by manufacturers in England, France and Spain to arrange for the sale and distribution of their goods. During the 19th and 20th centuries the manufacturers retained their distribution function, but transferred the financing, credit and collection function to these factors. [2]A factor is an agent who finances through the purchase of account receivables. Factoring is the type of financial

[2] K.Nirmala, Factoring services in India , Journal of the Indian Institute of Bankers vol.68,No1,Jan.1997

services rendered by specialised agents to help manufacturing and trading organisation in management of their receivables. It involves outright purchase of receivables of the firm by factoring agent.

Factoring is defined as a continuing legal relationship between a financial institution (the factor) and a business concern(the client) selling goods or providing services to trade customers(the customers) on open account basis. The factor purchases the clients book debts(account receivables)either with or without recource to the client and in relation there to controls the credit extended to customers and administers the sales ledger

The study group appointed by international institute for unification of private law (UNIDROIT) [3] has defined factoring as under

Factoring means an arrangement between a factor and his client which includes at least two of the following services to be provided by the factor

--- Finance

--- Maintenance of accounts

--- collection of debts

--- Protection against credit risks

According to dictionary of finance, factoring is the buying of trade debts of a manufacturer assuming the task of debt collection and accepting the credit risks.

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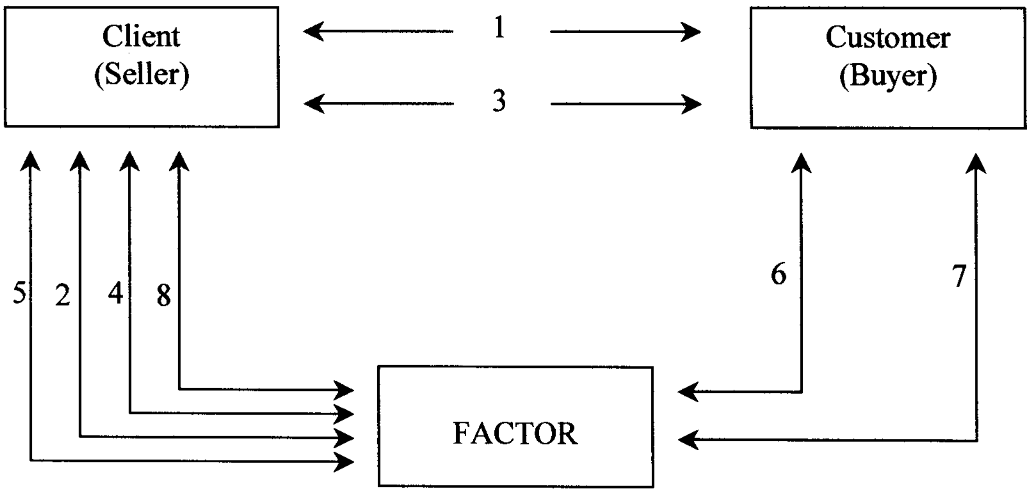
[3] Report of the International Institute for Unification of the private law (UNIDROIT) as quoted by Prof A.K .Sengupta and Dr .S. V .Kavalekar, in factoring services, skylark publication. New Delhi.

Thus provides the manufacturer with working capital. A firm engaging in factoring is called a factor.[4]

Factoring can broadly be defined as an agreement in which receivables arising out of sale of goods/services are sold by a firm(client) to the factor(a financial intermediary) as a result of which the title to the goods/services represented by the said receivables passes on to the factor.[5]

According to Khoh, Factoring is an asset based means of financing in which the factor buys up the book debts of a company on a regular basis, paying cash down against receivables, and then collects the amounts from the customers to whom the company has supplied goods,[6]

The process of factoring can be explained as follows[7]



[4] A dictionary of finance, oxford university press,1993,p.104
[5] M .Y Khan, Financial services, Tata Mc-Graw Hill publishing company ltd , 2002 ,p.no 62
[6] E. Gordon and K. Natarajan :Discounting, factoring and forfaiting, Financial markets and services, Himalaya Publishing house, Delhi pp 309-310
[7] K. Nirmala, Factoring Services in India, The Journal of the Indian Institute of Bankers, Vol. 68, No. 1, Jan-March, 1997.

1) Customers places order on the seller

2) Factor and client fixes the customers limit.

3) Client delivers goods and invoice with notice to pay the factor.

4) Client sends an invoice copy to the factor.

5) Factor prepays 80 percent to client.

6) Factor does follow up with the customer.

7) Customer pays to factor on maturity.

8) Factor pays balance amount to the client.

Importance of Factoring

Factoring is a process of selling debts to financial intermediate(factor) by a client(seller).The factor pays nearly 70-80 per cent as an advance money or prepayment amount to client and balance after collection of debts from the customers. Prepayment amount is used as working capital by which it helps to reduce the quauntum of working capital. The delay in collection of the receivables would result in huge requirement of working capital. The receipt of the advance money from factor will reduce the borrowing from other sources and ultimately it reduces the cost of borrowings..

In factoring, the factor undertakes the responsibility of collecting debts from customers and sales ledger is maintained by the factor itself. This helps to relieve the client from collection of debts which will save their time in debt collection process and also cost incurred in collection process will reduce . Factoring is very useful for small scale firms who finds more economical to factor than to establish its own credit department. Establishment of own credit department will increase the cost and consumers time. Such units do not have an organizational set up and/ or expertise in the area of credit management to attend to the follow up and the recovery of dues from suppliers. Factoring is also useful for new firms as they are new in the market and the collection of debts is difficult.

Factoring is also helpful in maintaining good relation between clients(seller) and customers(buyers). Good relationship with the customers will help to build goodwill and reputation in the market. Factoring also helps in the expansion of business through receipt of payment amount and relieves the client from debt collection process. It will help to reduce the current liabilities and also to improve the current ratio. Factoring works best for firms that have long delays between the making and the selling of goods and cash collection.[8]

The purchase of debts by factor will be off the balance sheet and it will not appear in the balance sheet. It will appear as a contingent liability if the transaction is with recource factoring. Factoring service is helpful for the collection of export receivables. Exporters not only need protection of their interest against non-payment of debts, but also additional support in the form of adequate cover against exchange rate fluctuations, closer and continuous contacts with foreign buyers, setting up warehousing facilities etc.

Factoring works best for firms that have long delays between the making and the selling of goods and collection. Service industries such as advertising and publishing are prime targets for factoring. Also start-up companies and emerging

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[8] G. Kendall Hubbard, Factors image: Under exposed, ABA Banking Journal, Nov,1987

business with low turnover are ideal areas for factoring services. As these business do not have or are be able to afford sophisticated credit and collection systems.

Types of Factoring

Factoring can be classified in to various types and they are as under ;

1) ***Full factoring or Non-Recource factoring***

It includes of receivable and maintainence of sales ledger, credit control, credit protection i.e insurance cover for customer default and finance. Basic feature of this type of factoring is that risk of default is borne by factor.

2) ***Resource factoring***

It does not cover the credit risk of debts, but entitles the factor to recover advance paid to the client if the customer fails to pay the invoice amount on the due date. In recource factoring the factor does not bear the non payment from customer.

3) ***Advance factoring***

Under this arrangement, the factor provides advance at an agreed rate of interest to the client on uncollected and non-due receivables

4) ***Undisclosed factoring***

Under this type of factoring customer is not notified about the arrangement between the client and the factor

5) ***Invoice Discounting***

In this arrangement, the only facility provided by the factor is finance. In this method the client is a reputed company who would like to deal with its customers directly.

6) ***Disclosed factoring***

Here the factor informs the relationship between himself and client to the customer.

7) ***Export factoring***

In this type of factoring, services are provided to exporting companies and the factor collects amount due from the importers in other country.

MUTUAL FUND

Mutual funds are the fastest growing segment of the financial service industry[9].It has emerged as a main vehicle of investment and important source of returns for small investors on their investments. The volatility in the capital market and reduction of interest rates on deposits diverted a large number of small investors towards mutual funds.

Mutual fund are trusts which accept savings from investors and invests the same in diversified financial instruments. It is a process of pooling large funds from small investors and return back with handful dividend or with appreciated value of units.

[9]S.Ganeshan, Mutual funds the Millenium strategy, Indian Management, vol 39,No-10

According to Securities and Exchange Board of India (mutual fund) Regulations,1996 a mutual fund means a fund established in the form of trust to raise monies through the sale of units to the public or a section of the public under one or more schemes for investing in securities, including money market instruments.[10]

The concept of mutual fund in India was introduced in the sixtees. Unit Trust of India made their entry in to mutual fund business in 1964 with Unit Scheme 64, popularly known as US 64. The domination of the UTI was over when Government opened mutual fund business to public sector banks in 1987 and further to private sector in 1993. The fund mobilized through various schemes by UTI, public sector banks and private sector mutual fund companies brought about a significant contribution in the Indian mutual fund industry..

Types of Mutual fund schemes

Fund mobilized by the mutual fund from small investors is through various schemes. These schemes are classified in to open ended schemes and close ended schemes.

Open ended schemes

These schemes do not have a fixed maturity . The investor can deal directly with mutual fund agency for investment and redemption. Liquidity is one of the

[10] Amitabh Gupta :Mutual funds in India, Anmol publications Pvt. Ltd. ,p.10,2002

important feature of this scheme. Transactions are made on the basis of Net Asset Value(NAV).

Close ended schemes

These schemes have stipulated maturity period (ranging from 2 to 15 years) The investor can invest in the scheme at the time of the initial issue and thereafter buy and sell the units on the stock exchanges where they are listed or these will be purchased by the mutual fund upon their maturity.

Mutual fund schemes are again classified on the basis of investment objectives.

1) Growth schemes

These schemes invest a majority of their funds in equities. The aim of these schemes is to provide capital appreciation over the medium to long term.

2) Balanced schemes

These schemes invest both in shares and fixed income securities in the proportion indicated in their offer documents. Balance schemes provide moderate risk and moderate return to the investor as the NAV of these schemes may not keep pace or fall equally when the equity market rises or falls respectively.

3) ***Income schemes***

These schemes invest largely in debt instrument and money market instruments like bonds, debentures , government securities, commercial papers or in the inter- bank call money market. These instruments provide a fixed interest which is generally paid out at various intervals. Capital appreciation in these schemes is limited with negligible risk. However the return in these schemes are normally higher than bank fixed deposits.

4) Money market schemes

The aim of these schemes is to provide easy liquidity, preservation of capital and moderate income. These schemes generally invest in safer, short term instruments such as treasury bills, certificates of deposit, commercial paper and inter- bank call money. The returns on these schemes may fluctuate, depending upon the interest rates prevailing in the market.

5) Gilt Funds

These scheme invest their entire corpus in sovereign securities issued by the central Government and a very small portion in inter-bank call money market. All of these instruments carry the highest rating thereby giving absolute security of investment.

1.4 REGULATORY FRAMEWORK FOR FACTORING AND MUTUAL FUND

The regulatory framework issued by RBI and SEBI for factoring and mutual fund services are as follows:-

1.4.1 Factoring

The Reserve Bank of India was accepted most of the recommendation made by the Kalyansundaram committee and following guidelines were issued[11]

1) A factor firm requires approval from R.B.I.

2) Bank shall not themselves undertake directly(i.e departmentally)the business of the factoring. Bank may set up separate subsidiaries or invest in factoring companies jointly with other Banks with the prior approval of department of banking operation and developments, R.B.I

3) A factor may undertake factoring business and such other activities which are incidental thereto.

4) Investment of a bank in the shares of factoring companies.

(inclusive of its subsidiaries carrying on factoring business) shall not, in the aggregate, exceeds 10 per cent of the paid up capital and reserve of the bank.

5) A factor should not engage themselves in financing of other companies or concerns engaged in factoring

1.4.2 Mutual Fund

Before 1993, there were three sets of mutual fund guidelines:-

1) guidelines pertaining to the UTI,

2) the guidelines issued by the RBI

3) ministry of finance guidelines.

In September,1991 the government of India appointed a committee under the chairmanship of Dr.S.A.Dave, then chairman of the UTI , to suggest a set of comprehensive guidelines for the Indian mutual fund industry. Based on the

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[11] Venugopal s , Factoring and Receivables management, Chartered secretary ,volume xxx no 4

recommendations of the Dave committee, the Securities and Exchange Board of India issued the SEBI(mutual funds) Regulations, 1993 which were applicable to all mutual funds excepting UTI. Thus , the 1993, regulations provided for the first time a formal and comprehensive regulatory framework for mutual funds and consisted of eight chapters and seven schedules. In 1996, SEBI announced the revised SEBI (mutual funds) Regulations 1996.At present , the mutual fund industry is governed by the SEBI(Mutual funds)Regulations,1996.

The regulation contains ten chapters and twelve schedules and annexures. The Act is amended in 1998 and time to time notifications has been issued by SEBI and all amendments are enacted. Mutual fund Act (1996) has been reviewed as under[12]

Chapter one consists of preliminary which includes short title, application and commencement. It contains the definations of different terms defined under the Act.

Chapter two consists of registration of mutual fund. It lays down the rules and regulation for registration of mutual fund. The procedure includes registration, fee charged, eligibility criteria, certificate of registration, payment of service fees. Fees payable by mutual funds include application fees Rs25000 ,Registration fees Rs 25 lakhs, service fees Rs 250000 and filing fees for offer documents Rs 25000 and it should be paid by bank draft payable to the Securities and Exchange Board of India at Mumbai. The eligibility for certificate of registration should have a

[12] Taxman,New SEBI (Disclosures and investors protection guidelines,1999,pp

sound track record and general reputation of fairness and integrity about the business transaction.

Chapter three contains constitution and management of mutual fund and operation of trustees etc. The mutual fund shall be constituted in the form of a trust and should be registered under the provision of the Indian Registration Act,1908. This chapter contains the trust deed and its contents, disqualification from being appointment as trustee, rights and obligations of trustee. The third schedule contains the contents of the trust deed which includes the duties and responsibility of trustee, power of the trustee and regulations for trustees and asset management companies. The third schedule includes the clauses which are necessary for safeguarding the interest of the unit holders. The trustees and asset management companies shall carry out the business and invest according to objectives stated in the interest of unit holders. In real practice interest of the unit holders are not protected since investment decision depends on the trustees and asset management companies and they make decision to protect their benefits.

Chapter four includes the constitution and management of an asset management company and custodian. The appointment of an asset management company and eligibility criteria, terms and conditions to be followed and restriction on business activities of the asset management and their obligation besides in the chapter. Custodians and its appointment, agreement are also included in this chapter. The Sponsor or trustee shall appoint an asset management company and appointment can be terminated by the majority of the trustee or by seventy – five percent of unit holders of the scheme. Any change in appointment requires prior approval of the board and the unit holders. The eligibility of asset management company contains sound track record , general reputation and fairness in transaction. Director should have adequate professional experience in financial matter. 50 percent of the director should not be in any way associated to sponsor. The asset management company has a net worth of not less than rupees 10 crores. Restriction on business activities include not to act as trustee of other company and shall not undertake any other business activities except activities in the nature of management and advisory services. The asset management company shall abide by the code of conduct as specified in the fifth schedule .

Chapter five describes the different schemes of mutual fund and their procedures. The launching scheme requires prior approval of the trustees and a copy of the document has been filed with the board. Disclosures in the offer document, advertisement as per the sixth schedule are discussed in this chapter. Listing of close ended schemes, its repurchase, refund of money and the winding of the close ended schemes are briefly described in this chapter. The investment objectives and valuation policies are mentioned in chapter six. According to it

the money collected under any scheme of a mutual fund shall be invested only in transferable securities in the money market or in the capital market or in privately placed debentures or secured debts. Mutual fund shall not borrow funds except at the time of repurchase, redemption of units or payments of interest or dividend to the unit holders and that also limited to 20 percent of net asset of the scheme with maximum for six months. Mutual fund shall not be used in option trading or in short selling or carry forward transaction but mutual fund can enter in to derivatives transaction in a recognised stock exchange. The computation of net asset value, pricing units and publishing it in newspapers at least once in a week is mandatory . Publishing net asset value and price units in news paper will assist the investor to decide about their units. The repurchase price of units shall not be lower than 93 percent of the net asset value and the sale price is not higher then 107 percent of the NAV.

General obligation relating to maintaining proper books of account and records, limitation fees and expenses on issue scheme, dispatch of warrants and proceeds, annual reports , auditors reports, publications of annual reports etc are stated in this chapter. Mutual fund companies should make half –yearly disclosures on 31st March and 30th September by publishing in news paper. This will help the mutual fund to have transperency and protect the interest of the small investors.

Inspection and Audit of mutual fund are discussed in chapter eighth. It contains the rights of the board to inspect and investigate , notice before inspection and investigation and obligations. Fees should be paid to board for purpose of inspecting books of accounts, records and documents. The procedure for action in case of default are included in chapter nine. The suspension of certificates, cancellation of registration and miscellaneous matter about power of the board to issue clarification and repeal and saving are included in chapter ten.

1.5 THE STATEMENT OF PROBLEM

Finance is the life blood of business organisation. The financial institutions especially banks play a vital role in contributing capital to business enterprises. Nationalisation of banks in 1969 gave a momentum of mass banking to remote corners of the country. The branch expansion of public sector banks has raised the horizon of employment opportunities in the economy. The industry and agriculture were considered to be as priority sectors for the growth and development of Indian economy. The Government helped immensely to implement plans and policies for the weaker sections of the community through the public sector banks .

The influence of social and economic objective in public sector banks have created an adverse impact on productivity, efficiency and profitability. The profitability of public sector banks has deteriorated and growth of non performing assets have accelerated. Political interference, branch expansion and poor efficiency of employees were some of the reasons behind the decrease in profitability.

The globalisation and liberalisation waves created a strong competitive environment in banking industry. The entry of private bank and foreign bank branches and Government encouragement to co-operative sector have put the public sector banks in economic and financial crises. The diversification of services from banking to non-banking were taken as a priority items on the agenda of public sector banks in post liberalisation period. There was a gradual shift of financial services from traditional to modern. The modern services like factoring, mutual fund, housing finance, gilt securities, credit cards were introduced by the public sector banks through establishing separate subsidiaries.

Factoring service helps industry to sell their debts to factor and reduce the flow of working capital. Factoring in public sector banks has shown a considerable growth in its factored debts, total assets, reserves and surplus and total income. At the same time ,an increase in the size of outstanding debts, non performing assets and a decrease in profitability and an increase of liquidity in Factors necessaitated the need for investigation about the growth and performance of factors. The efficiency and productivity can be ranked with other organisation hence, comparativeness between two factors awareness and, problems of customers need to be investigated.

Mutual fund pools the saving from the small investors and invest in capital market which helps for industrial growth of the economy. Mutual fund of public sector banks has shown a sizable growth in their fund mobilisation, number of schemes, number of investors and income generation. But at the same time performance evaluation of mutual fund scheme, problems and awareness of investors required to study. The performance of mutual fund can be rated higher or lower if it is compared with other mutual fund. Hence, comparision was made between the mutual fund of public sector banks.

The importance of factoring and mutual fund as the financial services of banks made a researcher to evaluate and compare their size, growth and performance.

CHAPTER II

REVIEW OF LITERATURE & METHODOLOGY

This chapter makes an attempt to comprehend the earlier research studies on the performance evaluation of Factoring and Mutual Fund as well as on banking industry and calls out the major findings and further problems to be investigated in the present study. It also deals with the description of the study area, sampling procedure adopted, nature and source of data, analytical techniques employed, procedure adopted for ranking of the Factoring organisation, fund deployment of mutual fund organisation and the key terms and concepts used.

Banking industry is one of the important industries for the development of trade and commerce. Public sector banks play a vital role in the economic development of a country. The liberalisation and globalisation policy has compelled the public sector banks to diversify their services from traditional services and gave momentum to non banking services. Factoring and mutual funds are the major non-banking services provided by public sector banks through floating subsidiaries. There is vast literature provided by eminent scholars and financial experts on different aspects of banking industry and financial services. The research work conducted in banking industry so far consists of by and large on productivity, growth performance, loans and advances, customer services etc., but less studies have been conducted on non-banking services. To examine the objectives of the present study, it was felt necessary to review the findings of the previous studies conducted and methodology used therein. The review of literature on the factoring and mutual fund in public sector banks will provide a framework for the present study and serve as a purpose for further investigation either to approve or disapprove the available findings. The findings of the existing literature are provided as under

2.1 REVIEW OF LITERATURE ON FINANCIAL SERVICES IN BANKING INDUSTRY

A.K. KANTHALE(1989) [1]found that most of subsidiary and ancillary business in banks are closely related to the main functions of banks. It was observed in the study that any deliberate attempt to deviate from the so called traditional functions, for the reason of viability is the most unfortunate step. It not only deviates banks from main

[1] A.K.Kanthale,Diversification of banking business to meet the challenges- problems and prospects of departures from traditional banking. The banker,1989

objectives but it is equally difficult to maintain viable working of these function for long, due to inherent weaknesses and forces operating in the market.

STEVE CROSS, NIGEL OGILIVE(1990) [2]Observed that the 1980s witnessed continuing trend towards banking consolidations. They found that the 1980s was an interesting decade for U.S commercial banks. Although many faced mounting problems and hundreds failed, the industry as a whole recorded profit.

A. WILLIAM SCHENCK(1990)[3] noted that as globalisation widens the competition will come from foreign banks as well as other domestic banks and non –bank financial service companies. The winners in the banking industry will be those institutions who focus on customers, build depth and quality of management, provide consistent and reliable service and deliver high –quality, competitively priced products.

S.M. PADWAL(1991) [4]perceived that international wave of liberalisation of economic system was likely to be witnessed in Indian banking and also the development of high degree of diversification in banking activity. The study concluded that increased competition would necessitate marketing approach to tap unexplored/under explored market segment in rural, semi- urban and metro politan market segment.

[2] Steve cross and Nigel ogilive, The 1980s:A decade of contrasts for banking, The bankers magazine,Jan-feb,1990
[3] A.William Schenck, New Business Opportunities in commercial banking, The banker, April,1990
[4] S.M.Padwal, Liberalisation and its impact on banking and finance, Prajan, vol XII No 2,1991

PRASAD. B (1991) [5]made an attempt to describe various innovations that have taken place in the banking industry in India. He commented that innovations in banking industry are either market induced, policy induced or socially induced. It was confirmed in the study that innovations that have been market induced has more impact rather than policy and socially induced innovations.

B.J. MADHYAM(1991)[6] found that banking industry is service industry, its improved efficiency due to automation will lead to a faster rate of growth in output and help to expand employment all around. It was discerned by the work force in the banking industry which must look upon computerisation as a means to improve customer service and must welcome it in that spirit.

E.S. MOHAN(1991)[7] stated that technology based products, information systems and networks provided in banks will have competitive edge, better service and control of operations. It was noticed that while retaining their individual identity it is possible and desirable for the nationalised banks to come together and pool their resources to face the challenges arising from technology upgradation and globalisation.

N. RAMCHANDRAN(1991) [8]remarked that the need of the hour is a systematic effort on part of the banking industry to augment income, reduce or control expenditure and improve operational efficiency. It was observed that banking , a multi-service industry is currently passing through a very crucial phase with public expectations running high.

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[5] B.M.Prasad, Innovative banking, IBA,Feb.1991

[6] B.J.Mandhyam, Image building for Indian banks through automation, Vol XIII, No 2 ,IBA bulletin December,1991

[7] E.S.Mohan, Technology upgradation and globalisation in banking,IBA,VolXIII,No5,1991

[8] N.Ramchandran, Profit planning as a management tool for profit maximization, Facts for you,1991

D. AJIT(1997)[9] opined that need for a profit center, diversification of earnings, maximisation of economies of scale and have leading market position are the reasons for the bank entry in to para banking activities. He studied that para banking activities have the potential for higher profit but also the drawbacks of greater volatility.

SUMONKUMAR BHAUMIK(1997)[10] found that banking system in an LDC or in an emerging economy is not merely about allocational efficiency but should also take in to consideration welfare and equity related issues. The study clearly makes a case in favour of privatisation and decentralisation ..

U. R . PATEL(1997)[11] spotted that competition is considered as an opportunity for banks to enter global financial services. It was found in the study that financial services are assuming increasing importance in banking industry

I.C. JAIN(1997) [12]ascertained that customer service has to be the top priority for banks. Banks will have to upgrade their technology and change the work attitude to offer various innovative products and services to match with those offered by foreign banks in India and abroad. It was further observed that the emerging competition will be among the banks which are financially strong, technologically superior and financially efficient, and have flexible work culture

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9 D.Ajit , Parabanking in India, Economic and political weekly,1997

10 S.Baumik,Financial liberalisation and regulation of banks:A birds eye view, Management and change,volumeI,No2,1997

11 U.R.Patel, Emerging reforms in Indian banking-International perspectives, economic and political weekly, 1997

12 I.C.Jain, Role of banks under liberalisation: A case for privatization and adopting liberal licencing policy,Vinimaya,VolXVII,No1 1997

S. O. JUNARE(1998)[13] found that innovation is a continuous process and it will continue to flourish, as financial markets and the financial service industry become even more competitive.

GANTI SUBRAHMANYAM(1998)[14] study established that the more and more non-banking organisation will provide the banking functions than banking organisation themselves in the coming century. It was further observed that banks need to regear their distribution system according to changing customer preference

T. AMMAYA(1999) [15]pointed that the Indian regulators and by extension the regulartees i.e the banks are certainly moving in the direction of universal banking. It was found that the SBI is renewing itself to become a world class universal bank- a bank which provides a benchmark to others.

A.R. CHANSARKAR (1999) [16]authenticated that the public sector banks have witnessed substantial loss in the market share deposits. Aggressive marketing strategies, maintenance of quality of assets, single window service and regular employees motivation may help in increasing the market share of public sector banks.

SAVEETA BHATIA AND SATISH VERMA(1999)[17]observed that the priority sector advances influenced negatively the profitability of public sector banks in India.

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[13] S.O.Junare, Innovative Bankings: An Environmental stress of co-operative banks, Journal of co-operative Management,1998

[14] G.Subramanyam, Banking in the next Millenium, Vinimaya,VolXIX,No 2 ,1998

[15] T.Ammaya ,Universal Banking ,SBI monthly review,1999

[16] A.R.Chansarkar, Market share of public sector banks in the post reforms peroid, The Indian journal of commerce,vol52,No 2 ,1999

[17] S.Bhatia and S.Verma, Factors determining profitability of public sector banks in India: An application of Multiple regression model, Prajnan, Vol XXVII, No 4,1999

Further fixed /current deposit ratio and establishment expenses influenced inversely to their profitability of commercial banks. It was further observed that cash/ deposit ratio was influencing positively their profitability.

MULUL K. GUPTA (2000)[18] found that customer retention and value maximisation value are the two key aspect which will drive the banking business in the new millenium. It was further observed that in the new millenium there will be more existence of virtual banks having low operating costs which will enable them to provide products and services at a much a lower cost and thus provide tough competitors

SRIVASTAVA S. (1993)[19] disclosed that emerging financial services are used by corporate sectors includes leasing ,mutual funds, Merchant banking, venture capital, factoring etc. .He concluded that by introducing several innovative schemes and services banks have fully geared up to meet the future financial requirements of the expanding corporate sector. He further observed that by diversifying their activities commercial banks and other financial institutions have not only accelerated the pace of the industrial development but have also improved their profitability. Since most of the services are in their infancy stage continuous monitoring and evaluation must be carried on by RBI ,SEBI and other similar bodies.

R.K MITTAL AND ASHOK KUMAR(2002) [20]conducted a study with an objective of analysing the key issues involved in investment management in banks. It was found in the study that banks are now putting more and more of their funds to in securities.

[18] M.K.Gupta, When a bank is :a bank?, Business India,Jan,2000
[19] S.Srivastava, Banking and finance, April 1993
[20].R.K.Mittal and Ashok Kumar, Asian Economic, Vol44,No2 Aug,2002

Effective management of a banks investment portfolio has assumed critical importance in recent years because of increased business competition and interest rate volatility. They further observed that prevailing needs of investment such as trading of securities, strengthening of capital base, risk factors, liquidity and the profitability, strengthening of information system in banks may prove quite useful and effective in the investment management of banks.

2.1.1 Review of literature on mutual fund services

A.MICHAEL LIPPER(1991)[21] studied that the banks need to find out customers and develop products specific to their needs. They should also imitate insurance agents and start spending time with their clients outside the bank. It was found that most bank customers are attracted to banks image as cautions, middle –of –the- road investment manager- an image that may unwarranted. As managers of fixed –income funds, banks are more likely to be driven by maturity and coupon than to rely on credit analysis. Equity funds generate higher management fees and sales commissions. They typically have higher yields than fixed-income funds thus expenses have a smaller impact.

T.N. PANDEY(1991)[22] substantiated that the growing interest in new investment schemes by mutual funds including equity linked saving scheme is welcome from the point of view of the common man who is shy of making direct investment in equities due to speculations. It was further observed that the managers of the funds have to

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[21] A. Michael Lipper, High returns don't guarantee, Mutual fund success, ABA banking Journal,December,1991

[22] T.N.Pandey, New investment culture-mutual funds,Magnum ,ELSS,Indian journal of finance and Research,vol 1 no 2,1991

proceed with caution and care so that good returns may come with least risk to the capital invested.

S. SATCHIDANAND(1991)[23] attempted to the need of supervision in banks about mutual funds. The basic objective of allowing the banks to enter the mutual fund business was to channelise the household savings to in the capital market by providing the benefits of diversified portfolio to a small investors. He observed certain issues in supervision of bank funds and they are regulatory framework for mutual funds, imposition of a maximum limit on the amount raised under a mutual fund scheme and other issues relating to regulation such as portfolio concentration avoidance, the asset classification and valuation, the development of internal control system, the details of audit programmes, the details of periodic inspection of books of accounts, the nomination of the representative on the board of trustees, the implementation of uniform accounting disclosure standards and reporting requirements. In the light of these it may be useful to bring out a comprehensive legislation for mutual fund.

DEBRA MCGINTY- POTEET(1991) [24]observed that banks and mutual funds have a bright future together, according to consultants and executives within the banking and financial service industries. A study commissioned by the investment company institute, the trade group of the mutual fund will probably increase more than that of any other distribution of channel over the next four years. It was found that mutual fund products in banks can be utilized to diversify revenue streams and increase fee income. The banking community is also interested in mutual funds because of the requirements , which call for a minimum amount of reserves for every dollar on

[23] S Satchitanand, supervision of bank sponsered mutual fund, IBA bulletin,1991
[24] DebraMeginity-poteet, Banks and mutual funds-partners in the 1990s,The banker magazine,1991

dollar on deposit, traditional deposit accounts are not as attractive as they once were. Mutual fund can and should be seen as complementing both bank and saving institution product lines. An institutions best advantage is that it can rely on the same distribution channels used for traditional depositary products to turn banking customers in to bank –affiliated mutual investors.

HARVE RICE(1993) [25] reviewed the performance of bank sponsored mutual funds. He observed that healthy market and investment experience helped the bank to boost record of performance.

NALINI PRAVA TRIPATHY(1994)[26]found that there are multiple regulations to supervise mutual funds in India. Investors in India prefer to invest in mutual fund as a substitute of fixed deposits in banks. It was found that with the structural liberalisation policies of Indian economy is likely to return to a high growth path in few years. Hence mutual fund organisation are needed to upgrade their skills and technology. It was observed that the success of mutual fund however would bright in near future.

SATYAJIT DHAR(1994)[27] observed that experience of advanced countries reveal a wide participation of public in mutual fund schemes associated with transparency of operation, better access to information and variety of choices. The study further reveals that in India with the entry of private sector mutual fund associated with constant accountability to SEBI armed with statutory power, there would be a substantial change in dimensions and investment texture of the funds. It was further

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[25] Harve Rice, Banks mutual funds keep flying high, Bank Management, July1993
[26] Nalini Prava Tripathy,Mutual funds in India: Financial service in capital market, finance India ,vol X, No 1,March,1996
[27] Satyajit Dhar, Mutual funds in India-a close look, Finance India, Vol VIII,No3,1994

observed that the real test of mutual fund performance would be their abilities to protect NAVs and the returns in the cases of falling market by appropriate investment strategies.

M. JAYADEV(1995)[28] found that there is need for a rational and accurate method in valuation of unquoted and untraded securities. Annual reports should be more transparent especially regarding unquoted, untraded securities and also on inter-scheme transactions with full transparency of portfolio composition.

JAY.W.GOLTER(1995) [29]exhibited the growth of mutual funds in USA in first section and next section describes the major functionaries employed by a mutual fund and the extent to which a banks or bank affiliates have provided these services for mutual funds. Mutual funds in the United states can trace their origins to investment trusts established in England and Scotland in the early 19th century. As of year1993, 93.6 per cent of the asset managed by nations fund were in money –market funds. Mutual funds in USA are governed by the Securities Act of 1933(the 1933 act) , the Securities exchange Act of 1934(the 1934 Act), the Investment Advisers Act of 1940, relevant sections of the Internal Revenue Act and blue sky laws of each state in which a fund operates. As the mutual fund industry developed to in major vehicle for financial intermediation, bank involvement with the industry grew. Banks have become a significant component of the distribution channel. The banks plays an significant role in mutual fund industry through acting as transfer agents, custodians, investment advisors, distribution channel etc. The study concluded that with an

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[28] M. Jayadev, valuation of Mutual funds units ,Chartered secretary, oct.1995
[29] Jay.W.Golter,Banks and Mutual funds,FDIC banking review,vol8,no3,1995

examination of the ways that banks have entered the distribution channel by selling mutual funds to their customers.

MOHINDER N. KAURA AND M. JAYADEV(1995) [30]examined the performance of mutual fund by using Jensen ,Treynor and Sharpe model. These measures are developed on the assumption of the capital asset pricing model(CAPM).According to

a) Jensen measure(1968) equilibrium return on a portfolio would be a benchmark. It is computed by using $EARp=Ri+(Rm-Rf)\beta p$

b)Reward to volatility ratio

This ratio is introduced by Treynor(1965) and similar to the above discussed Jenson measure. An additional returns of the Portfolio over the risk free return is expressed in relation to Portfolio systematic risk.

$RVOL_P=RP-RF/BP$

$RVOL_P$ is reward to volatility of the Portfolio

(c) Reward to Variability

This ratio was developed by Sharpe(1966) additional Portfolio return over risk free return is related with the total risk of the Portfolio.

$RVAR_P=RP-RF/\ _P$

It was observed that only mastergain has earned superior returns with respect to systematic risk and UGS 5000 not up to mark. It was also that growth oriented mutual funds possibly out perform the market with respect to systematic risk and exceptionally demonstrate superior performance in terms of total risk.

[30] Mohinder n. Kaur and M.Jayadev,performance of growth oriented mutual funds:An evaluation ,The ICFAI journal of Applied Finance,Vol ,No1 1995

ALLEN J GRIVE(1996) [31]revealed that individual investor like mutual funds because of three factors which are key to analyzing the effectiveness of bank/mutual fund partnership and they are diversification, selection and flexibility. The study observes that there exists partnership between bank and mutual fund companies. Each partner brings particular strengths to the bank/mutual fund industry partnership. Commercial banks provide convenient customer access, related financial services and the ability to build customer relationship beyond a specific investment transaction. Mutual fund companies and advisory firms have proven to be effective in research investment strategy and the targeting of funds to different market segment..

NALINI PRAVA TRIPATHY AND PRAMOD K.SAHU(1998) [32]assessed the performance evaluation of mutual funds schemes. The study was conducted with an objective to learn whether the Government oriented mutual funds are earning higher returns than the market Portfolio returns and they are offering the advantage of diversification. The study undertakes an evaluation of ten major growth oriented schemes. The data for the study include annual returns for the accounting year from October 1994 to September 1995 and the risk is calculated on the basis of month –end Net asset values and Bombay stock exchange sensitive index (sensex)assessed as market index or bench mark .The capital asset pricing model (CAPM)was used.

a) Jenson Measure:

   EARp=Rf +(Rm-Rf)Bp

b) Treynor Measure

   RVOLp=Rp-Rf/ β

c) Sharpe Model

[31] AllenGrive ,Two, Bank Management,Jan,1995
[32] Nalini Prava tripathy and Pramod sahu,Performance of selected growth –oriented mutual funds in India,UTI Institutute of capital Market,1998

$RVARp=Rp-Rf/\sigma p$

It was observed that most of the mutual funds on an average have fared better than the direct stock market return. It was noted that even though the LIC Dhanvikas (I) is well diversified and the fund is not affected by non-market related risks, still it shows negative return because due to fund managers Professional acumen of selectivity.

K.V.RAO AND K.VENKATESWARLU(1998) [33]evaluated performance of Unit Trust of India with reference to number of parameter. Performance of open ended schemes and close ended schemes of UTI was evaluated by using growth analysis, sales, unit capital, investible funds, reserves and surplus, gross income & gross expenses were selected as variables. The efficiency of open ended schemes and close ended schemes were also assessed through computing ratios. The ratios computed were turnover ,earning percentage to sales, return on investment, expenditure to total income and expenditure to investible funds, Pattern of funds development of open ended and close ended schemes of UTI were covered. It was found in the study that taking into account volatility of the returns all the growth schemes are more volatile than the market. Considering the diversification only two schemes VIZ UGS-2000 and UGS-5000 have reasonable diversification. When Jensen's alpha is calculated taking NAV into account , all the growth schemes outperformed the market. It was further noted that there has been an excellent growth in the funds mobilised by UTI.

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[33] K.V.Rao and K.Venkateshwarlu ,Market timing abilities of fund managers-Acase study of Unit Trust of India, A paper presented at the second capital market conference organized by UTI institute of capital market, Mumbai

D. MUKHOPADHAY (1998)[34] studied the factors responsible for ailment of mutual fund industry and suggested remedial measures so that mutual fund industry can play an analytic role in the capital market. He observed that liquidity crisis, scanty market makers, lack of products differentiation, insignificant diversification of risks, no accountability of low performance , lack of initiative to educate the common investors, no no-load schemes, no insurance against capital erosion, no room for rural sector investor base, no attempt to maintain parity between fund management expenses and NAV of the units and investment in un appraised projects are the factors responsible for ailment which hinders the growth of Indian mutual fund industry. It was found that investors need comprehensive and qualitative information in order to induce themselves to invest in the mutual funds. Investors basically judge the commercial performance of a scheme on the basis of return generated by the scheme.

AJAY SRINIVASAN(1999) [35]focused on the failure of the mutual fund industry. The growth of mutual fund industry in India was hindered due to several factors and they were as under;

1) Limited competition

2) There was inadequate understanding of the products by the investors and the lack of an enlightened distribution of infrastructure.

3) There wasn't a large enough breed called professional fund manager

4) There were several other opportunities to make money viz the Indian public offer boom, high interest bearing fixed deposits, lending against shares etc.

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[34] D.Mukhopadhay ,A treatise on ailment of Indian mutual funds,The management Accountant,1998

[35] A.Srinivasan, Mutual funds: the new era ,Chartered secretary,september.1992

He observed that the future of mutual fund industry in the country is bright mainly because it meets investors need perfectly. The open ended fund will revolutionise the way Indian invest and lead the growth of strong institutional framework.

GANESAN, KARAIKUDI AND J.RAJA (2000) [36]studied the mutual fund industry by preparing SWOT analysis. Full benefits of diversification, expert investment management, tax benefits, greater liquidity, convenience, transparency and flexibility are the strengths. Weaknesses include lesser returns compared to equity, conservative approach of professional money managers, poor technology, lack of proper marketing. The government policies and tax concessions especially long term capital gain fixed @20% and exempted after one year are the opportunities whereas the arrival of more private and foreign players, evaluating mutual funds with gold as base for comparision and performance as mutual fund on the basis of consumer price index are some of the threats before mutual fund. The study concluded that growth of middle class investor population ,mutual fund as a low risk avenue of investment will grow in popularity and in the years to come mutual fund will become a vehicle of growth of capital market. As the growth of mutual funds increases, competition will increase and efficiency and expertise will play a major role in survival.

SURINDER PAL SINGH [37](2000) noticed that fund companies pass investment risk to shareholders, thereby insulating its portfolio from bankruptcy dangers. Other advantages include affordable diversification, a wide selection of investment and plentiful investment.

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[36] Ganeshan, Karaikudi and J.Raja, Mutual funds The Millenium strategy,Indian Management,Vol39,No10,2000
[37] Surinder pal singh, Mutual fund investing programmes survival and success, Chartered Secretary,2000

A.S. CHAWLA AND G.S. BATRA(2000)[38] found that investment in mutual fund is attracting investor for compulsory savings and the return and safety are not the important factors. It was further observed that lack of aggressive marketing, more time in redemption and no accountability for low performance are weaknesses of SBI mutual fund. It was observed that proper awareness for investors and agents and schemes should be designed considering nation wide investors base covering rural sector need to be strengthened.

AMIT JAIN(2000)[39] perceived that mutual funds are the best and hassle free avenue for investment. The future of the mutual funds is bright as it has seen a great upward trend in its first phase of operation and is set to grow manifold in near future as the investors are looking at the trend and finding it the most beneficial looking at the trend and finding it the most beneficial avenue considering liquidity, safety and return aspects.

M. R. MAYYA(2000) [40]found that in the larger interest of healthy growth and development of the mutual fund industry to have a separate comprehensive statute to govern uniformly all the mutual funds including Unit Trust of India is required. It was further observed that investments in equities can be elusive but mutual funds can make them seductive.

37A.s.Chawla and G.S. Batra, Mutual fund evaluation: A study of SBI MF in relation to its competitors, volume4,Number 1,2000

[39] Amit Jain, Mutual funds-Trends and features, Chartered Secretary,December,2000

[40] M.R.Mayya, Few thoughts on the functioning of mutual funds, chartered secretary,Decm,2000

T.S.RAJESHWARI AND V.E.RAMAMOORTHY (2001) [41]attempted to measure the mutual fund concept awareness level of sample of 350 retail investors and their perception level of the future performances of mutual fund industry. The attempt has also been made to identify the demographic and perception level .To assess the mutual fund awareness level among potential retail investors , a list of 12 questions was developed and administered on the respondents. On the basis of the scores obtained , the respondents were classified into four groups.

It was observed that the perception of the potential investors regarding the performance of the Mutual Fund industry is dependent on the annual income and annual saving and other variables like age, sex, etc are not a bar for the awareness/ perception level.

GORDON J. ALEXANDER, JONATHAN D JONES AND PETER J NIGRO(2001)[42] presents a general overview of the mutual fund industry and examines several regulatory concerns that are increasingly important in light of the continuing mutual fund boom and resulting focus by regulators on investor protection, investor knowledge and disclosure. The survey data compiled by the office of the comptroller of the currency and the securities and exchange commission are used to examine mutual fund investors general investment knowledge, their beliefs about risks and costs and their sources of information used in making fund investments. The study concludes that investor knowledge of the interrelationship between mutual fund

[41] T.Rajeshwari and V.E.Rama Moorthy, Conceptual awareness and performance perception of mutual funds among potential retail investors-A prognostic Approach,The Indian journal of commerce,Vol54,No4 oct-December.2001
[42] Gordon Alexander, Jonathan D.Jones and Peter Nigro, Regulating Mutual fund investor Knowledge:policy Fantasy or Reality? Restructuring Regulation and financial institution, Kluwer Academi Publishing,2001

expenses, risks and performance can be significantly improved. More knowledgeable investors seem more comfortable with the idea of purchasing from a fund company or a broker. The overall level of investors financial literacy is low.

Y.P. SINGH AND VANITA (2002) [43]attempted to investigate in to mutual fund investors perceptions and preferences in the changed regime. It was found in the study that most of the investors evaluate the performance of their fund on the basis of absolute returns only and the name of the promoters is the basics criteria used for selecting a mutual fund scheme. Most of the investors are not satisfied with the performance of their mutual funds particularly the investors of public sector mutual funds. Most of the investors are not aware of the risk inherent in mutual fund investments. The most preferred financial assets are debentures and post office deposits. Investors prefer to invest in private mutual funds, open-end schemes and balanced funds.

HELLARA SLAHEDDINE AND SNOUSSIMENT (2002)[44] analyse the implications of using multi-factoral model of Carhart(97) which is based on four arbitage strategies. For the construction and evaluation of the model four zero investment mimicking portfolio have been taken: high book to market minus low book to market(HML), small size minus big size(SMB) high prior year return minus low prior year return(PVIYR) and CRSP values weighted index less-T-bills(RMRF). Carhart measure for fund J is calculated with the regression

$$Rit\text{-}Rft=\alpha+biRMRFi+SMBi+hjHML+PjPRiYR$$

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[43] Y.P.Singh and Vanita, The Indian Journal of commerce,Vol55 No3 july-sept.2002

[44] Hellary slaheddine and Snoussiment, The Implication of Arbitrage stratergies on performance persistence: Evidence on Tunisian Mutual funds,Finance India,VolXvii ,No3 sept.2002

It was found that 50 percent of the funds have a ,positive and significant co- efficient of the book to market ratio and the balance show a non-significant coefficient which suggest that the winners return are either sensitive to stocks that have low book to market ratio or are not affected at all by this criterion.

LALIT KHANNA(2003)[45] studied the organisational structure of mutual fund. He observed that mutual fund is constituted in the form of trust. It has three tier management system consisting of sponser, trustee and asset management company (AMC). The AMC is responsible for maintaining proper books of accounts, records and documents for each scheme. Mutual fund categorises the securities in to traded securities, thinly traded securities (equity related), thinly traded debt securities, government securities. Securities categorised to in thinly traded/non-traded securities on the basis of trading volumes in a particular peroid at the stock exchange. Non traded/ thinly trade securities are valued in good faith by the AMC on the basis of valuation principles as laid down in regulations. He further noted that SEBI has issued guidelines for identification and provisioning of non-performing assets.

G. SETHU AND RACHANA BAID(2003)[46] evaluated the trends in the Indian mutual fund industry. They found that the benefit of an enhanced activity level in the Indian mutual fund industry is evident in the industry structure. They observed that Indian mutual fund showed poor diversification till the second half of 1990s . Marketing strategies are thought by the AMC in consultation with the marketing/media adviser. Mutual fund have also taken the lead to use the vast postal department.

[45] Lalit Khanna, Accounting for Mutual funds,Decision,Vol30,No1,Jan-june,2003
[46] G.Sethu and Rachana Baid, Trends in the Indian Mutual Fund Industry, Portfolio organiser, March,2003

RENU JATANA , JOSEPH KEROS AND BOSIRE (2003)[47] conducted study with an objective to review the development in investment patterns of mutual funds industry in terms of various innovative products and investment patterns and also asses the investors attitudes with regard to their preference for mutual fund schemes. The study is based on primary and secondary data. The statistical tools used are averages and mean standard deviation and percentages. It was observed that there is drastic shift of interest to private sector mutual funds. Most of the investors preferred open ended schemes. It was further noted that most investors influenced by number of factors, the schemes proposed objectives attract most of them while past performance and the nature of products offered hold same influencing effect upon respondents.

GURUCHARAN SINGH(2003)[48] evaluated the performance of Indian mutual fund by applying Sharpe and treynor indexes. The study is based upon secondary data. NAV and returns on security have been taken for the two years and the sensex has been noted from the economic times of different dates. Ten open ended schemes were covered under the study. Alpha, beta , co-efficient of correlation, systematic risk and unsystematic were calculated for the equity funds.

JASPAL SINGH AND SUBHASH CHANDER (2003)[49] conducted study with an objective to study the factors influencing the choice of a mutual fund by an investors. The data was collected through primary data. Weightaged Average Scores (WAS)and

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[47] Renu jatana ,Joseph Keros and Bosire,Mutual funds and Development- Pricking the bubbles with mutual fund prorities, The Indian journal of commerce,Vol 56 NO4.Oct.-Decm,2003

[48] Gurucharan Singh , Mutual funds-performance evaluation of equity funds,The Indian journal of commerce,Vol56,No4, Oct-Decm.2003

[49] Jaspalsingh and Subhash Chander, What drives the investors towards Mutual funds:An empirical Analysis,The ICFAI journal of Applied Finance,VoL9,No 8,November.2003.

technique of ANOVA have been applied for the purpose of data analysis. The study was classified into three parts.

Part-I was considered of factors influencing choice of a mutual fund which includes past records of the organisation, growth prospects , credit rating , market speculations, disclosures of adequate information and early bird incentives.

Part-II includes options expected from a mutual fund. Repurchase facilities, Easy transferability , prompt service, and information adequacy, Lock –in –period , grievances redressal investor right adherence and cost-effective management.

Part-III determines appraisal criteria of mutual funds. It includes portfolio selection, Net Asset value and return (divided received). It was revealed that majority of the investors belonging to salaried and retired categories and those in the age group of more than 60 years gave maximum weightage to past record of the organisation, before deciding about investment in mutual funds. ANOVA showed that the occupation and the age of the respondents do influence their rating of different options expected from a mutual fund for their investment decision

2.1.2 Review of literature on factoring services

G. KENDALL HUBBARD(1987) [50]found that factoring works best for firms that have long delays between the making and selling of goods and cash collection. Service industries such as advertising and publishing are prime targets for factoring. The newly start-up companies and emerging businesses are ideal areas for factors to target.

[50] G.Kendall Hubbard , Factors image under exposed, ABA Banking journal,1987

M.J. SUBRAMANYAM(1991)[51] attempted to summarise the findings of the Kalyansundaram committee. The committee recommended the introduction of the factoring services in India to complement the services provided by banks. There is good scope for international factoring. The committee recommended that the government may enact a suitable legislation for the levy of the penal interest for delays beyond a specific peroid.

NAVINCHANDRA JOSHI(1993)[52] found that factoring services have become a big helping hand in the USA,U.K and western countries. It was further observed that economy of the country also gets geared to meet new challenges of paucity of funds or liquidity for industrial investment. It was found that no credit rating machinery is available in factoring services and it is needed to be developed within banks.

G.H. DEOLALKAR(1994)[53] presented a case for international factoring in India. The Kalyansundaram committee recommended introduction of the factoring services in the country that factoring is to be deemed as a specialised financial activity concomitant to working capital finance provided by banks or even independent of that. It was observed that factoring is a supportive financial service and it should be available to importers and exporters to improve their terms of trade and competitiveness in respect of dealings in suitable products and markets as well as credit worthy of buyers. In India international factoring business will not get recognition particularly export factoring business unless factoring companies gain a suitable recognition.

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[51] M.J.Subramanyam, Factoring services,IBABulletin,july,1991
[52] Navinchandra Joshi, Imperative need for Galvanising factoring services, Banking Fiance,1993
[53] G.H.Deolalkar ,Case for starting international factoring in India, Indian Banking today and tomarrow

A.K. SENGUPTA(1995)[54] conducted study on international factoring in India and observed that there is substantial scope for introduction of international factoring in the country. It was observed that by introduction of international factoring services would open up an alternate window for the exporters. He further pointed that there is need to scrutinise the some issues before launching of schemes. These issues are classified in to legal, policy, strategies dimensions, organisational and structural. In the legal issues absence of comprehensive legal framework for international factoring was noticed. Policy and strategies dimension includes type of services, pricing policies, need for development of credit rating system, marketing of factoring services etc. and the organisational and structural issues contains the organisational framework to launch the services in India

K. NIRMALA(1997)[55] presented an overview of factoring industry in India. In India factoring services are provided by the subsidiaries of two leading public sector banks. The study propose two alternatives for the growth of factoring services and they are:-

1) Opening of CanBank factors and SBI factors ltd. branches all over the country

2) All types of banks can become members of CanBank factors and SBI factors which will help to eliminate the expenses and removal of few function i.e issue of letter of disclaimer by banks.

M.K. MITTAL(1997)[56] found that factoring services are yet to be fully ingrained in the Indian financial systems. The study further reveals that there is need to extend the

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[54] A.K.Sengupta, Introduction of International factoring in India: issue, problems and prospects ,thesis submitted to Dept.of commerce, University of Poona

[55] K.Nirmala,Factoringservices in India, Journalk of the Indian Institute of Bankers,Vol68,no 1,1997

[56] M.K.Mittal,study of Factoring services, Vichaar , Vol 17,Issue5,1997

service on non-recource basis. The study indicates that lot of promotional effort are needed to popularise the services

S. VENUGOPALAN(2000)[57] spotted that factors in India are undertaking "with recourse" factoring only. The growth of factoring market is not on expected lines due to poor awareness of the concept. It was found in the study that CanBank factors and SBI factors are the two major players in the market. It was found that the first private sector factoring company, namely foremost factors limited has commended operations.

D. HIMACHALAM, J. JANARDHANAM, M. SHANKARA AND M. MADHUSUDHANA (2000)[58] studied the problems faced in factoring services. It includes absence of professional management, ascertainment of reliable information, collection of dues from clients, inadequate legal provisions for recovery. It was further observed that spread of information about the usefulness of the factoring services among the industrial community so as to make themselves to use this facility on a wider scale.

P. BANNERJEE (2003)[59] studied the trends and performance of global factoring business. It was observed in the study that Factoring is expanding in all parts of the world. The compound growth rate of world total factoring volume is 13.54 per cent during the span of 19 years. However, domestic factoring dominates the market share in the total factoring business. The share of domestic factoring is between 92.97 per cent to 95.01 per cent of total factoring business during the study peroid. The upward

[57] S.Venugopalan,Factoring and Receivables Management,Chartered secretary,2000
[58] D.Himachalam, K. Janardhanam, etc., Marketing of Factoring Services in India- Some Issues, Banking Finance, April, 2000
[59] P.Bannerjee,Global factoring business :Trends and performance,Fianace India,volXVII,No4,December,2003

growth rate of factoring business in some major countries viz Finland, France, Germany, Italy, Japan ,Italy ,Japan, Netherland and Spain has been particularly noticeable. However, concentration ratio, Hirschman-Herfindal index and Entropy index imply that factoring business is still highly concentrated in a few countries although it is expanding slowly in other countries.

2.1.3 Critical Appraisal of review of literature

The review of literature on Factoring ,Mutual funds and public sector banks in general presented above reveals the following broad conclusions

1) Majority of the studies on public sector banks were found more or less descriptive in nature. The studies were more based on innovative services, technology, productivity, performance evaluation etc. There have been very less attempt made to analyse the study in detail about performance of financial services provided by public sector banks.

2) The methodology adopted in presenting the studies was not systematically used to test observations and derive exact conclusion

3) The reviewed literature on the financial services of public sector banks focussed on general aspects and less studies has been carried out in factoring and mutual funds in public sector banks.

4) The growth analysis of the factoring organisation was not carried on the at macro level. The performance indicators broadly include reserve fund, working capital, investments, income, expense were not used to find growth of factoring. Attempt has been made as a case for international factoring in India.

5) The reviewed literature under the heading of mutual fund were based on growth and performance of mutual fund, role of public sector banks in mutual funds, SWOT

analysis and overview of mutual fund industry in India etc. The valuation of mutual fund and performance evaluation of mutual funds were found by using-risk return analysis. However less studies have been reviewed on the analysing the performance evaluation of mutual funds in public sector banks.

6) Though there were studies on the growth of factoring in India and performance evaluation of mutual funds but hardly an attempt was made to compare the growth analysis of factoring and mutual fund with respect to two leading public sector banks.

7) There has been very few studies conducted with regards to awareness and problems of customers in mutual fund industry. No study has been conducted so far in understanding the awareness and problems of customers in availing factoring services in India.

Keeping in view the shortcomings of the earlier studies, the aspects which were not covered have been given more emphasis in the present investigation.

2.2 DATA AND METHODOLOGY

This section covers the description of the study area, the sampling procedure adopted, the nature and sources of data, the various tools and techniques employed in analysing the data and evaluation of results, procedure adopted for ranking of companies and certain terms and concepts explained to ensure a clear understanding about the present study.

2. 2 .1 Description of the study area

The two major financial services viz factoring and Mutual fund provided in public sector banks were selected for the study. These services are rendered through promoting separate subsidiaries by public sector banks.

2.2.2 Profile of SBI and CANBANK Factoring and Mutual Fund Organisation

Factoring services are provided by SBI Factors and Commercial services Ltd., CanBank Factor Ltd. and Mutual funds services are rendered by SBI Mutual fund, CanBank Mutual fund promoted by the State Bank of India and Canara Bank the leading public sector banks in India were considered for the study.

Profile of SBI Factors and Commercial services Ltd.

SBI Factors and Commercial services Ltd is the factoring company set up in India in Feb 1991 and commenced business operation in April 1991. The company was promoted by SBI jointly with SIDBI, Union bank of India, State Bank of Indore and State Bank of Saurastra. SBI Factors undertakes the responsibility of debt collection on all invoice factored, maintenance of sales ledger, informing monthly customer payment reports. The company is at present handling domestic factoring on recource basis. It has corporate office in Mumbai , and five branches located at Mumbai, Pune, Baroda, New Delhi and Coimbatore.

Profile of CanBank Factors Ltd.

CanBank Factors Ltd. is the factoring subsidiary of the Canara bank set up in 1991 in association with Andhra Bank and Small Industries Development Bank of India(SIDBI). The company was formally launched on 31 Aug,1991. CanBank Factors is one of the leading company in factoring industry in India. The company follows decentralised organisational set up having head office at Bangalore and branch offices at Chennai, Coimbatore, Hosur, Hyderabad, Mumbai, New Delhi and Pune. The company has been providing factoring services to large number of clients , having wide diversified base.

Profile of SBI Mutual Fund

State bank of India was the first commercial Bank to set up a mutual fund in July 1987 as SBI Mutual Fund .SBI Mutual fund was originally managed by SBI Capital markets Ltd. as a manager and trustees till 1993. This system was later modified and State Bank of India was retained as principal trustee of the fund. The Board has appointed the SBI management ltd. a fully owned subsidiary of the State Bank of India as manager of the funds and delegated authority on 14th May 1993. This subsidiary has floated nearly 20 schemes from the date of inception. These schemes include regular income schemes, monthly income schemes, tax saving schemes, cumulative and growth schemes.

Profile of CanBank Mutual fund

CanBank Mutual fund is the mutual fund subsidiary promoted by Canara bank. CanBank investment Management service limited (CIMS) is the investment manager for all the schemes of CanBank Mutual fund. The company also acts as sub-investment manager to the prestigious offshore mutual fund. The combined net assets under management of CanBank mutual fund was Rs991.47 crore, including the net assets of Rs 354.41 crore under offshore fund, involving nearly 4.5 lakhs investors. CIMS opened seven new investor relation centres across country to provide investor related services and information to its existing as well as potential clients, especially in the urban /semi urban locations. The company posted a profit after tax of Rs 2.25 crore after tax and declared dividend of 16.5 percent.

2.2.3 Objectives of the Study

1) To study the growth trend of factoring and mutual fund services in SBI and CanBank.

2) To evaluate the performance of factoring and mutual fund services of SBI and CanBank .

3) To study a comparative performance analysis of factoring and mutual fund services of SBI and CanBank .

4) To understand the profile, awareness and problems of customer in availing factoring and mutual fund services of SBI and CanBank .

2.2.4 Nature and Sources of Data

The present study is related to the working of the two firms for a 10 years period(1991-92to2000-01) based on primary and secondary data.

A) Primary data

Primary data is collected through structured questionnaire prepared with an objective to study the profile, awareness and problems of customers in factoring and mutual fund organisation. The sample size have been selected as 30 respondents each of SBI Factors and CanBank Factors and 60 investors each of SBI and CanBank Mutual fund.

B) Secondary Data

The present study is related to 10 years peroid(1991-92 to2000-01) based on secondary data. The required data were collected from the Annual report of SBI and CanBank Factors and Mutual Fund organisations.

2.2.5 Identified performance indicators of both SBI and CanBank Factors and Mutual funds

2.2.5.1 Performance Indicators of SBI and CanBank Factors

The 7 variables having close association with the performance of factoring companies were identified for computing compound growth rates. These variables are reserves and surplus, loan funds, total assets, working capital, total income, total expenses, sales or factored debts.

2.2.5.2 Performance Indicators of SBI and CanBank Mutual Funds

The 5 variables having close association with the performance of Mutual funds were identified for computing compound growth rates. These variables are unit capital, reserves and surplus, total income, total expenses and investable fund.

2.2.6 Analytical techniques employed

The data were collected and analysed by using the following analytical techniques

1) Tabular Analysis

2) Growth rate analysis

3) Ratio Analysis

4) Regression Analysis

5) Spearman Rank correlation.

6) Rank scoring technique

7) Factor Analysis

2.2.6.1 Tabular Analysis

The tabular analysis technique was used to represent the data relating to the performance indicators of the factoring and Mutual fund company in easy way. Simple averages and percentages were worked out for the purpose of comparision

2.2.6.2 Growth Rate Analysis

Growth rate analysis was employed to study the changes over a peroid in the selected performance related to factoring and Mutual Fund company. The growth rate of different indicators were computed by employing the following exponential function

$$Y=AB^X$$

Where Y=Dependent variable (performance indicators)

A= constant

X= Time(No . of years)

Growth rate analysis was employed to study the changes over a peroid in the selected performance related to factoring company

In order to obtain the discrete or an effective growth of different variables, the computed continuous growth rates were further were compounded over the appropriate peroid. The compound growth rates were worked out by using the following equations

$r = e^b - 1$

where r= compound rates of growth

e= natural log

Bi=Slope parameter

2.2.6.3 Ratio Analysis

Ratio analysis is a widely used and important tool of financial analysis .The interrelationship that exists among different items in the financial statements is revealed by accounting ratios.

Variables used for calculation of ratios

The variables used for calculating the different ratios were: current assets, current liabilities, liquid assets, total assets, total income, total expenses, factoring income, other income, administrative expenses, finance expenses and volume of business

2.2.6.3.1 Profitability Ratios

The main objectives of the business firm is to earn maximum profit. The firms ability to earn maximum profit by the best utilisation of its resources is called profitability. The profitability of a firm can easily be measured by its profitability ratios. These ratios indicate overall managerial efficiency.

1) ***Net Profit ratio(%)***

$$= \frac{\text{Net Profit}}{\text{Sales}} \times 100$$

Components: Net profit is taken as Profit after interest and tax and Sales is considered as Factored debts

2) ***Operating Profit (%)***

$$= \frac{\text{Operating profit}}{\text{Sales}} \times 100$$

Components: Operating profit is considered profit before interest and tax and Sales is considered as factored debts.

3) ***Expenses Ratio***

$$= \frac{\text{Expenses}}{\text{Sales}} \times 100$$

Components: Expenses are considered as total expenses and sales is considered as factored debts.

4) ***Return on shareholders Fund***

$$= \frac{\text{Operating profit}}{\text{Shareholders fund}} \times 100$$

Components: operating profit is considered as profit before interest and tax and shareholder fund is considered as capital and reserves and surplus.

5) Net profit to total asset(%)

$$= \frac{\text{Net profit}}{\text{Total Assets}} \times 100$$

Components: Net profit is taken as Profit after interest and tax and total assets includes fixed and current assets

*6) **Return on working capital***(%)

$$= \frac{\text{Operating profit}}{\text{Working capital}} \times 100$$

Components: Operating profit is taken as profit before interest and tax and working capital considered as net working capital i.e current assets less current liabilities.

2.2.6.3.2 Liquidity Ratios

Liquidity ratios measures the ability of the firm to meet its current obligations. It indicates the short term financial position as well as short term and long term solvency position of the organisation. These ratios are used to measure the ability of a firm to posses adequate cash to meet immediate obligations.

The following liquidity ratios were employed

Current ratio

$$= \frac{\text{Current Assets}}{\text{Current liabilities}}$$

Components: Current assets include sundry debtors, cash and bank balance and loans and advances. Current liabilities includes sundry creditors, amount due to clients on factored debts and provision.

Acid Test Ratio

$$= \frac{\text{Liquid Assets}}{\text{Current liabilities}}$$

Components: Liquid assets includes cash and bank balance , cash in hand and sundry debtors and current liabilities includes sundry creditors, amount due to clients on factored debts and provision.

Cash to Total assets (%)

$$= \frac{\text{Cash}}{\text{Total assets}} \times 100$$

Components: Cash includes cash and bank balance and cash in hand. Total assets includes total of fixed and current assets.

Cash to Current Assets

$$= \frac{\text{Cash}}{\text{Current Assets}} \times 100$$

Components: Cash includes cash and bank balance and cash in hand . Current assets include sundry debtors, Cash and bank balance and loans and advances.

Cash to Current Liabilities

$$= \frac{\text{Cash}}{\text{Current liabilities}} \times 100$$

Components: Cash includes cash and bank balance and cash in hand. Current liabilities includes sundry creditors, amount due to clients on factored debts and provision.

Cash to Working Capital

$$= \frac{\text{cash}}{\text{Working capital}} \times 100$$

Components: Cash includes cash and bank balance and cash in hand. working capital includes net working capital i.e current assets less current liabilities.

2.2.6.3.3 Activity ratios

Activity ratios are employed to evaluate the efficiency with which the firm manage and utilise its assets. It indicates the speed with which assets are being converted or turned over in to sales. It involves a relationship between sales and assets. The following activity ratios were employed

Fixed Assets to Net worth (%)

$$= \frac{\text{Fixed Asset}}{\text{Net worth}} \times 100$$

Components: Fixed assets considered as net fixed asset i.e after deducting depreciation. Net worth includes paid up capital plus reserves.

Current assets to Total assets(%)

$$= \frac{\text{Current Assets}}{\text{Total Assets}} \times 100$$

Components: Current assets include sundry debtors, cash and bank balance and loans and advances. Total assets includes total of fixed and current assets.

Working capital to sales(%)

$$= \frac{\text{working capital}}{\text{Sales}} \times 100$$

Components: working capital includes net working capital i.e current assets less current liabilities. Sales is considered as factored debts.

Total asset turnover(No. of times)

$$= \frac{\text{Turnover}}{\text{Total Assets}}$$

Components: Turnover is considered as factored debts .Total assets includes total of fixed and current assets.

Fixed Asset Turnover(no. of times)

$$= \frac{\text{Turnover}}{\text{Fixed Assets}}$$

Components: Turnover is considered as factored debts and fixed asset is considered as net fixed asset i.e after deducting depreciation.

Current Asset turnover

$$= \frac{\text{Turnover}}{\text{Current Asset}}$$

Components: Turnover is considered as factored debts and Current assets include sundry debtors, cash and bank balance and loans and advances.

Net Fixed asset to Total asset(%)

$$= \frac{\text{Net fixed Asset}}{\text{Total assets}} \times 100$$

Components: Net fixed Assets is considered as Fixed asset less Depreciation. Total assets includes total of fixed and current assets.

Depreciation to Gross fixed assets(%)

$$= \frac{\text{Depreciation}}{\text{Gross fixed assets}} \times 100$$

Fixed Asset to Current assets

$$= \frac{\text{Fixed assets}}{\text{Current assets}} \times 100$$

Components: Fixed Assets is considered as Fixed assets less Depreciation. Current assets include sundry debtors, cash and bank balance and loans and advances.

Fixed assets to Long term fund

$$= \frac{\text{Fixed assets}}{\text{Long term funds}} \times 100$$

Components:. fixed Assets is considered as Fixed asset less Depreciation. Long term fund includes

Sundry debtors to current assets(%)

$$= \frac{\text{Sundry debtors}}{\text{Current Assets}} \times 100$$

Components Sundry debtors includes debt considered good, debt outstanding for more than six months and non-performing assets. Current assets include sundry debtors, cash and bank balance and loans and advances

Sundry capital to working capital

$$= \frac{\text{sundry debtors}}{\text{Working capital}} \times 100$$

Components: Sundry Debtors includes debt considered good, debt outstanding for more than six months and non-performing assets. working capital includes net working capital i.e Current assets less Current liabilities.

Debtors Turnover Ratio(No of times)

$$= \frac{\text{Turnover}}{\text{Average Receivables}}$$

Components: Turnover is considered as factored debts. Average receivables includes opening receivables and closing receivables.

Average collection period

$$= \frac{\text{Average Receivables}}{\text{Sales per day}}$$

Components: Average receivables includes opening receivables and closing receivables. Sales per day is calculated by considering factored debts for the year by dividing 365.

2.2.6.3.3 Productivity Ratios

These ratios are used to measure the efficiency in asset management, operating efficiency and ability to ensure adequate return to shareholders. The following ratios were employed to assess the productivity of the factoring organisation.

Factoring income to Total income(%)

$$= \frac{\text{Factoring Income}}{\text{Total Income}} \times 100$$

Components: Income from factoring includes the income generated from factoring transactions. Total income includes the income earned from all sources.

Investment Income to Total Income(%)

$$= \frac{\text{Investment income}}{\text{Total Income}} \times 100$$

Components: Investment income is received from the investments made by factor and total income includes the income earned from all sources.

Administrative Expenses to Total Expenses(%)

$$= \frac{\text{Administrative Expenses}}{\text{Total Expenses}} \times 100$$

Components: Administrative Expenses includes the expenses incurred on administration by factor. Total Expenses includes all the expenses.

Interest charges to Expense ratio(%)

$$= \frac{\text{Interest charges}}{\text{Total expenses}} \times 100$$

Components: Interest is considered as the expense incurred on the finance used for the factoring.

Depreciation to Total Expenses Ratio(%)

$$= \frac{\text{Depreciation}}{\text{Total expenses}} \times 100$$

Total Expenses to Total Income ratio (%)

$$= \frac{\text{Total Expenses}}{\text{Total } \cancel{\text{Expenses}} \text{ Income}} \times 100$$

Some of the relevant ratios were employed to examine the efficiency and performance of mutual fund organisation

Return on investment (%)

$$= \frac{\text{Net income}}{\text{Total assets}} \times 100$$

Components: Net income is taken after deducting total expenses and total assets is considered as combination of Current assets, Deposits and Investments.

Expenses to Gross income ratio

$$= \frac{\text{Gross expenses}}{\text{Gross Income}} \times 100$$

Components: Gross expenses includes the total expenses and Gross income includes income before deducting expenses.

Expenses to Total Assets

$$= \frac{\text{Gross Expenses}}{\text{Total Assets}} \times 100$$

Components: Gross expenses includes the total assets and total assets is combination Current assets, Deposits and Investments

2.2.6.4 Regression Analysis

The log linear model has been employed to analyse the influence of independent variables X_1,X_2 and X_3 viz Income, Expenses and Sales or factored debts on the dependend variable(Y) profit. The model employed is as under

$$LnY=B_o+B_iLnX_1+B_2LnX_2+U_t$$

Where X1= Income

X2= Expenses

X3=Factored Debts

Y= Profit

2.2.6.5 Spearmans Co-efficient of Correlation or Rank Correlation

This technique is used to determine the degree of correlation between liquidity and profitability of SBI factors and CanBank Factors. The main objectives of this coefficient of correlation is to determine the extent to which the two set i.e liquidity and profitability ranking are similar or dissimilar. The formula determine the spearmans coefficient is

$$R = 1 - \frac{6\sum d^2}{n(n^2 - 1)}$$

Where d = Absolute difference between ranks

n = Number of pairs observation

Liquidity is determined by current asset to total asset ratio in percentage and profitability is considered as return on investment. T test is used to test the significance of Spearmans r value

2.2.6.6 Performance Analysis Through Risk Adjusted Return

For each mutual fund scheme in the sample, the returns have been calculated taking weekly –end Net Asset Value since from 1998 to 2001 .To conduct statistical tests as adequate observations are required hence weekly NAVs are taken. The returns are computed as follows

$$Rpt = LN\left(\frac{NAVt}{NAVt-1}\right)$$

Where Rpt = is return of the Mutual fund scheme(portfolio) on the basis of NAV for t period.

t and t-1 indicate weekly end and weekly beginning respectively.

t= 1,2,3…..n

LN is the Natural logarithm to the base e

The Average return on the portfolio is determined as follows

$$Arp = \sum_{t=1}^{n} Rpt / n$$

Where

Arp is average return on the mutual fund schemes

BSE sensitive index is assumed as bench-mark. The value of market index on the respective date of NAV is taken and market return are calculated

The returns on market portfolio is computed as follows

Rmt= is the return on the market index and Iis the index value

LN= is the natural logarithm to the base e

Return on market index are averaged as follows

$$Arm = \sum_{t=1}^{n} Rmt / n$$

Where, Arm is average return on the market

Thus, the performance evaluation is mainly concentrated to comparision of the scheme return, with benchmark portfolio and risk free return Risk

Standard deviation of week returns is to be taken as risk

$$\sigma p = \left[\frac{1}{n} \sum_{t=1}^{n} (Rpt - ARp)^2 \right] ^{1/2}$$

Where,

σp is total risk of the scheme portfolio

The total risk on the market portfolio is computed as follows

$$\sigma m = \left[\frac{1}{n}\sum_{t=1}^{n}(Rmt - ARm)^2\right]^{1/2}$$

Where σm is the total risk of the market portfolio

In order to obtain the systematic risk (beta) of the portfolio, CAPM version of market model is applied

The estimable form of CAPM is

$$RPt= a+BpRmt+ep$$

Where,

Rpt is the return on the mutual fund schemes.

Rmt is the return on market index

Ep is the error term

a is the constant

β is the systematic risk

Risk free rate

The study considers interest rates on bank deposits as risk free asset. Since interest rates of the public sector banks are not uniform, hence State Bank of Indias fixed deposit rate for the three years period is considered as risk free rate.

The equivalent monthly return are obtained as follows

$$Rft= (1+Annualrate) \quad -1$$

Schemes selected are

Corpus size is less than50crs

1)SBI Global Fund

2) SBI Magnum sector (infotech)

3) Magnum sector pharma

4) Canexpro

5) Canpepe95

corpus size is above 50crs

1) SBI growth fund

2)Magnum multiplier plus

3) Magnum sector umbrella

4)Canbonus

Performance evaluation of mutual fund through

1) Sharpe ratio

It is a ratio indicating the relationship between the portfolios additional return over risk-free return and total risk of the portfolio measured in terms of standard deviations. It is expressed as

$$RVAR_p = \frac{AR_p - AR}{\sigma p}$$

2) **Treynor Ratio**

This ratio measures the relationship between funds additional return over risk free return(Rp-Rf) and funds volatility (market risk) measured by beta(β). This is called as reward to volatility ratio and it is expressed as

$$RVOLp = \frac{AR_p - AR_f}{\beta}$$

ARp= is the average return on the portfolio(fund)

Arf=is the average risk free return

is systematic risk of the portfolio

3) ***Jensen measure***

The Jensen measure suggest explicit account of the effects of the risk on returns of the portfolio.

The following Jensen equation is used

Rpt-Rft= α + (Rmt-Rft)+Upt

Where

α is the differential return earned by the scheme

β is the systematic risk of the scheme portfolio.

2.2.6.7 Procedure adopted for ranking of factoring organisation

Based on the achievements made by each factor in the different areas viz. the financial parameters, liquidity status, profitability parameters, activity performance and productivity an attempt is made to rank the factor. For this purpose there are 19 parameters with which the performance of each factor was already evaluated were considered and conveniently grouped them in to five segments. Each of the parameters was assigned an equitable weightage on the basis of its significance in the factors total performance. The parameters that have been considered and the weightage assigned to each parameter were provided as under:-

Segment	Name of the parameter	Assigned weightages
I	**Financial parameters (Amounts in crs)**	
	1)Average net profit	10
	2)Average operating profit	10
	3)Turnover or Factored debts	10
II	**Liquidity parameters** (Ratio%)	
	1) Cash to current asset	6
	2) Cash to working capital	5

	3) Cash to current liabilities	5
	4) Cash to total assets	6
III	**Profitability parameters** (Ratio%)	
	1) Expenses ratio	8
	2) Return on shareholders fund	8
	3) Net profit to total asset	8
	4) Return on working capital	6
IV	**Activity performance** (Ratio%)	
	1) Current asset to total asset	6
	2) Debtors turnover ratio	8
	3) Working capital to sales	6
	4) Net fixed asset to total asset	6
V	**Productivity performance** (Ratio%)	
	1) Factoring income to total income	6
	2) Administrative expenses to total expenses	6
	3) Interest expenses to total expenses	6
	4) Total expenses to total income	8

Justification of weightages assigned

The different weightages assigned to the different parameters is explained with the help of a few parameters. For instance, the financial parameter like net profit, operating profit and factored debts or sales are considered to be more important in enabling the factor stronger and financially more viable. Thus the weightages assigned are 10 to each parameters and other parameters such as liquidity, profitability, activity and productivity are assigned score according to their importance in building the factor financially stronger.

Computation of the total score and the final ranking

A multi staged techniques was employed to arrive the total score of each factor on which a final ranking was made. At the first stage, each of the 19 parameters was allotted a rank viz. first and second. After that each of the rank (parameter) was assigned a score in the descending manner . First rank was allotted a score of 2 and second rank was allotted a score of one. After that, the allotted score of each parameter was multiplied by the weightage assigned to that parameter. Thereafter the total score of each segment of factor was arrived and the final ranking of factor was made on the basis of the total score of all the five segments.

2.2.6.8 Factor Analysis

Factor Analysis is used to summarise the information contained in a large number of variables in to smaller number of subsets or factors. The satisfaction level of customers about the services provided by the SBI and CanBank Factors are measured by using factor analysis.

2.2.7 Significance of the study

Public sector banks in India have been facing a tremendous competition from private and foreign banks. Diversification of financial services has taken a momentum in banking industry. Modern services of banks are increasing and the importance of traditional services is declining. Modern services like factoring, mutual fund, housing finance, gilt securities, merchant banking, venture capital etc are provided by public sector banks through promoting separate subsidiaries. Factoring and mutual funds are an important financial services in terms of industrial growth. Factoring has emerged as a major financial service in banking industry.

Similarly mutual fund is a vital source for small investors for instrumenting their savings through various securities in capital market. The government has allowed banks to set up mutual fund business in 1987. State Bank of India and Canara Bank were the first to establish their mutual fund subsidiaries. The present study will help to understand the importance of these two services in a competitive economic enviornment.

The researcher has evaluated the working of these two banks subsidiaries in factoring business viz SBI Factors and CanBank Factors in respect of their total assets, total income, total expenses, reserves and surpluses ,profit and sales or factored debts. The researcher has also evaluated the growth and performance of mutual fund subsidiaries of two banks viz SBI Mutual Fund and CanBank Mutual Fund in respect of number of schemes, fund mobilized, investors problems and performance evaluation through Net Assets Values. The management of these two mutual fund organization and investors at large will come to know their practice and problems in respect of different parameters. The present study will definitely help to know the importance of modern financial services in banking industry in general and with specific reference `to SBI and Canara Bank, leading public sector banks in India

2.2.8 Scope of the study

The present study intends to examine the working, growth and performance of SBI and CanBank Factors, in respect of both physical and financial indicators. It also intends to understand the problems faced by customers in availing factoring services, awareness of factoring services offered by SBI and CanBank Factors. The present study intends to examine the growth and performance of mutual fund in banking industry with respect to SBI and CanBank Mutual Fund. The study also intends to evaluate problems of investors and their awareness level. The study confines to SBI and CanBank, the subsidiaries of State Bank of India and Canara Bank promoted to render factoring and mutual fund services. The main focus of the investigation is to evaluate the performance of SBI and CanBank Factors with respect to mutual fund and factoring. The finding of the study would help to the policy makers, administrators, investors, customers and other officials in formulating better policies and their implementation.

2.2.9 Presentation of the Study

The present study is presented in five chapters.

Chapter I provides the background to the research proposition and describing the statement of the problem.

Chapter II makes an attempt to comprehend the earlier research studies on the performance evaluation of factoring and mutual fund as well as on banking industry and calls out the major findings and further research problem to be investigated in the present study. The chapter also deals with methodology, objectives, significance, scope and limitation of the study.

Chapter III is focussed on the performance evaluation of the factoring organisation viz SBI factors and CanBank factors in terms of selected physical as well as financial parameters by using the growth rate analysis, regression analysis and also ratio analysis.

Chapter IV is focussed on the performance evaluation of mutual fund with respect to SBI Mutual Fund and CanBank Mutual Fund in terms of size, growth and efficiency .

Chapter V narrates the comparative study of SBI and CanBank Factoring and Mutual fund

Chapter VI include profile ,awareness and problems of customers of SBI and CanBank Factoring and Mutual Fund.

Chapter VII summarises the important findings of the research work and finally makes certain policy suggestion to improve the performance of the factoring and mutual fund organisation viz SBI and CanBank .

2.2.10 Limitations of the study

1) The study was restricted to factoring and mutual fund services of SBI and CanBank. As regards to primary survey the sample size of 30 respondents each of SBI and Can Bank Factors and 60 respondents each of SBI and CanBank Mutual Fund were selected for the study. The sample size was restricted to the above size due to difficulty in identifying the customers of SBI and CanBank.

2) In spite of frequent visits by the researcher to SBI and CanBank Factors, the information regarding the number of clients, branch wise transaction were not available for the purpose of the study.

3) Lack of time and other resources prevented the researcher from carrying out an in depth study relating to survey of customers in SBI and CanBank.

2.2.11 **Definitions of the key terms and concepts used**

1) Reserves and surplus

The components included in reserves and surpluses were general reserves, statutory reserve and reserve for contingencies.

2) Factoring Income

This represented the total income receivesd through discount charges,services charges and processing charges.

3) Investment Income

This included income received through investments in other securities

4) Other Income

This is represented by the income received through other sources such as lease rentals, lease Management fees etc.

5) Total Income

Total Income included factoring income, investment income and other income.

6) Factored debts

This is represented by the debts purchased during the particular year.

7) Total Expenses

The components included expenses incurred in Administration, Interest and finance charges, Depreciation and provision for non-performing assets.

8) Interest and Finance charges

This components included interest paid on deposits and borrowings.

9) Investable Fund

This is represented by the amount in investments, deposits and current assets.

CHAPTER III

PERFORMANCE ANALYSIS OF SBI AND CANBANK FACTORS

This chapter analyses the performance of the factoring organisation viz SBI Factors and CanBank Factors in terms of selected physical as well as financial parameters by using the growth rate analysis, regression analysis, rank correlation and ratio analysis.

3.1 REGRESSION ANALYSIS OF THE FACTORS INFLUENCING PROFITABILITY OF FACTORING COMPANIES

The success and survival of business unit depends upon the amount of profit earned over the years. Profit is the difference between revenues earned and expenses incurred over a period of time. It is the ultimate output of a company, and it will have no future if it fails to make sufficient profits. The management of companies, shareholders and external parties such as banks, creditors , government are all interested in the profitability of the company. Factoring companies are promoted by the commercial banks hence earning profits are very much important, since capital invested by these banks belongs to public and public interests need to be protected. An attempt has been made in this chapter to analyse the variables that influence the profitability of factoring company.

3.1.1 SBI Factors.

The factors influencing the profitability through regression analysis is presented in table 3.1. It has been observed in the table that a rupee increase in each of the variables viz income, expenses and sales or factored debts leads to increase in the annual profit by Rs 0.42 , Rs 0.21 and Rs 0.23 respectively. It can be seen in the table that income has strong positive influence on profitability of SBI Factors. As an increase in one rupee of income, profit is increased by Rs 0.42. It includes income from factoring and non-factoring income. Income from factoring includes finance charges, service charges and other charges. These charges are levied on factoring transaction. Non-factoring income includes earning through interest on bank deposits and other investments.

On the other hand expense variable include administration expenses, interest and finance charges. It has also been observed that an increase in one rupee of expenses, the profit is also increased by Rs 0.21. Thus it shows that as expenses increases, profit also increases indicating negative effect on profits. This type of situation normally occurs when business is at the promotion stage or expansion period. Since SBI Factors have been established just one decade before, the expenses have increased at the same time the profit have also increased. The R square indicates that variable accounted for about 61 percent on the profit and remaining 39 per cent are other factors that influences the profitability. With the increase in one rupee in sales or factored debts, the profits increases by only Rs 0.23. Thus it indicates that profit earned on factored debts is reasonably low.

3.1.2 CanBank Factors

It has been noticed in the table that a rupee increase in each of the variable viz income, expenses and sales or factored debts leads to increase in annual profit by Rs 0.86, Rs 0.69 and Rs 1.02 respectively. The increase in rupee in income, the profit increased by Rs 0.86 which is encouraging. This has strong positive influence on profit of CanBank Factors. Income of CanBank Factor includes income earned through factoring and Non-factoring. Income from factoring includes finance charges, service charges and other related charges. These charges are levied on factoring transactions. Non –factoring earning includes revenue received from interest or investment ,leasing etc. The R square is recorded 95 percent indicating 95 percent of the variable is accounted for the increase in profit and 5 percent other factors are accounted.

The increase of one rupee in expense variable increases profit by Rs 0.69. Thus it shows negative influence on the profit of the CanBank Factors. This shows that increase in expenses have not reduced the profit. Thus it signifies income proportion of CanBank Factors is quite sizable which has not affected profit despite of increase in expenses. The R square value resulted 88 percent which gives us a hint that 88 per cent of the expense variable account for the profitability and remaining 12 per cent influence other factor.

The increase in one rupee sales or factored debts increases the profit by Rs 1.02 which is considered as excellent .This indicates that factored debts results in giving more share of margin which give more scope for earning profit. The R square value resulted in 79 percent indicating 79 percent of sales or factored debts account for the profitability and 21 per cent of the other factors influence profit of CanBank factors.

Table 3.1

Regression Analysis of the factors influencing profitability of SBI Factors

Variables	B-value	R-square	T-value
Income	0.42	0.74	4.550
Expenses	0.21	0.61	3.361
Sales or factored debts	0.23	0.75	4.689

Source:- Annual Reports of CanBank factors Ltd for the period 1991-2001

Table 3.2

Regression Analysis of the factors influencing profitability of CanBank Factors

Variables	B-value	R-square	T-value
Income	0.86	0.95	12.625
Expenses	0.69	0.88	7.874
Sales or factored debts	1.02	0.79	5.165

Source:- Annual Reports of CanBank factors Ltd for the period 1991-2001

3.2 LIQUIDITY AND PROFITABILITY ANALYSIS THROUGH RANK CORRELATION

The investment and financing policies pursued must ensure adequate liquidity of the enterprise. Liquidity measures the ability of the firm to honour all the maturing obligations and profitability is the rate of return on firm's investment. Business enterprise should ensure that it does not suffer from lack of liquidity and also that it does not have excess liquidity

3.2.1 Liquidity and profitability Analysis of SBI Factors

Table 3.3

Table showing liquidity and profitability Rank of SBI Factors

Period	CATA %	Liquidity rank	ROI %	Profitability rank
1991-92	95.13	10	8.03	3
1992-93	99.47	3	10.70	1
1993-94	98.50	9	8.37	2
1994-95	99.06	8	6.33	4
1995-96	99.17	7	4.06	7
1996-97	99.30	5	4.77	5
1997-98	99.25	6	4.71	6
1998-99	99.36	4	3.86	8
1999-00	99.48	2	2.94	9
2000-01	99.50	1	(0.15)	10

Source:- Annual reports of SBI Factors and CanBank Factors(various issues)

Note: Rank correlation coefficient between liquidity and profitability of SBI factors (rH) = –0.60 and t of rH =77.447
CATA- Current Assets to Total Assets
ROI - Return on investment

The liquidity and profitability rank analysis is presented in table 3.3. It has been observed in the table that the liquidity of the SBI factors is represented in current assets to total assets ratio and profitability is represented as return on investment. The rank of liquidity and profitability year wise is denoted by the highest order of CATA ratio and ROI .It is observed in the table that in the year 2000-01 liquidity ranked first where as profitability was ranked 10^{th} position and in the year 1999-00 the liquidity position ranked 2^{nd} where as profitability was recorded 9^{th} position . Thus it clearly speaks that as liquidity increases the profitability decreases. The association of liquidity and profitability is determined by using Spearman rank correlation . It was observed that rank correlation of SBI factors recorded –0.60 which indicates that it is inversely related to each other.

This signifies that in SBI Factors as liquidity increases the profitability decreases. It also indicates that in SBI Factors the funds are unnecessarily tied up in current assets which earns nothing. Thus, it is required that proper balance between profitability and liquidity management should be maintained.

3.2.2 Liquidity and Profitability Analysis of CanBank Factors

Table 3.4

Table showing liquidity and profitability Rank of CanBank factors

period	CATA %	Liquidity rank	ROI %	Profitability rank
1991-92	97.80	3	4.52	9
1992-93	98.97	1	5.19	7
1993-94	98.54	2	3.21	10
1994-95	96.59	5	5.38	6
1995-96	96.51	6	6.10	3
1996-97	95.47	10	6.58	2
1997-98	95.90	8	5.60	5
1998-99	96.44	7	4.89	8
1999-00	95.78	9	7.33	1
2000-01	96.73	4	6.05	4

Source:- Annual reports of SBI Factors and CanBank Factors(various issues)
CATA- Current Asset to Total Asset
ROI - Return on investment

Note: Rank correlation coefficient between liquidity and profitability of CanBank Factors is rH =-0.73 and t value of rH=133.127 significant at 0.05 level.

Table reveals the liquidity and profitability analysis of CanBank Factors is exhibited in Table 3.4. It has been observed in the table that liquidity is measured in the form of current assets to total assets and profitability is measured in the form of return on investment. It has been observed in the table that in the year 1992-93 liquidity was ranked 1st where as profitability was ranked 7th position and in the year 1993-94 the liquidity position was ranked 2nd whereas profitability position was ranked 10th position . This indicates that as liquidity increases the profitability decreases. The association of liquidity and profitability was measured by using spearman rank correlation. The spearman rank correlation was recorded – 0.73 which indicates that liquidity and profitability are inversely related to each other. This signifies that as liquidity rises the profitability reduces which indicates that in CanBank Factor investment in current assets is more than required which gives no return. Adequate liquidity will help to increase profit and it makes optimum utilisation of the funds . In CanBank Factor adequate cash is required to make prepayment of the factored debts. Thus, liquidity of factoring companies tends to be higher.

3.3 LIQUIDITY, PRODUCTIVITY AND PROFITABILITY OF SBI FACTORS

3.3.1 Profitability Analysis of SBI Factors

The main objective of the business enterprise is to earn a maximum amount of profit. The success or failure of a business unit is determined by an amount of profit earned during a financial year. Profitability, therefore, is an important parameter for judging the efficiency of an business unit. Ratio analysis is one of the techniques used for measuring the profitability of a business enterprise. In financial analysis, a ratio is used as an index or yardstick for evaluating the financial performance or status of an enterprise, against some standard.

Table 3.5

Profitability Ratios of SBI Factors Ltd. for the period 1991-92 to 2000-01

year	Net profit ratio	operating profit ratio	Expenses ratio	Return on shareholders fund	Net profit to total assets	Return on working capital
1991-92	5.9	8.24	3.08	6.5	0.05	9.18
1992-93	1.25	3.04	0.76	5.34	0.03	15.87
1993-94	1.13	1.96	0.87	6.43	0.04	14.83
1994-95	1.42	2.02	1.01	9.68	0.04	11.96
1995-96	0.49 ***(2.03)***	0.89 ***(3.23)***	1.00 ***(1.34)***	7.14 ***(7.01)***	0.02 ***(0.030***	8.96 ***(12.16)***
1996-97	0.52	1.02	1.17	7.59	0.02	7.93
1997-98	0.78	1.22	1.40	11.2	0.03	8.04
1998-99	0.68	1.10	1.53	9.79	0.02	5.87
1999-00	0.48	0.79	1.90	5.87	0.01	4.27
00-01	(0.02) ***(0.48)***	(0.02) ***(0.82)***	1.80 ***(1.56)***	(4.86) ***(5.91)***	- ***(0.02)***	(0.22) ***(5.17)***
Grand Mean	1.25	2.02	1.45	6.46	0.02	8.66

Source :Annual reports of SBI Factors Ltd. from 1991-91 to 2000-2001
Figures in brackets represent ratios over a period of five year.

The various computed profitability ratios of SBI Factors are presented in table 3.5 It is evident from the table that an average net profit ratio of SBI Factors during 1991-92 to 1995-96 and during 96-97 to 2000-01, is recorded 2.03 per cent and 0.48 per cent respectively . On an average the net profit ratio has been registered as 1.25 per cent during the study period which is considered to be poor. The net profit ratio indicates overall profitability and efficiency of the business. It is further observed that the net profit was reduced during the second half of the study period which speaks that efficiency of SBI Factors has been decreased over the years. The average operating profit registered as 2.03 per cent during 91-92 to 95-96 and 0.82 per cent during 96-97 to 2000-01. The overall operating profit ratio accounted for 1.42 per cent which is considered to be unsatisfactory. The operating ratio indicates the operational efficiency and profit earning capacity of the business.

It has been observed that the operating profits were reduced during 96-97 to 00-01 which indicates that operational efficiency and earning capacity have been reduced. The expense ratio for the period 1991-92 to 95-96 is recorded as 1.34 percent and as 1..56 percent during 96-97 to 00-01. On an average the expense ratio was registered as 1.45 during the whole period. The expense ratio reveals the management efficiency and profit earning capacity of the firm. A lower expense ratio in relation to income speaks of a continuous control over the expenses which in turn enhances the size of profit of SBI Factors. The average return on shareholders for the period 91-92 to 95-96 was posted 7.01 percent and 5.91 percent during 95-96 to 2000-01. The overall average return on shareholder ratio was reported as 6.46 percent which is less than what is expected. The return on shareholders fund indicates how well the firm has used the resources of the owner. It also reflects the extent to which this objectives have been accomplished. The average net profit to total asset ratio during 91-92 to 95-96 has been recorded as 0.03 per cent and 0.02 per cent for the period 96-97 to 2000-01. The overall return on total asset was an 0.02 per cent which is considered to be very poor. The average return on working capital for the period 91-92 to 95-96 was at 12.16 percent and at 8.06 per cent during 96-97 to 2000-01.

An average ratio was registered as 10.66 per cent which is considered to be satisfactory. The overall analysis revealed a poor profitability performance of SBI Factors during the study period. This ratio measures the profitability of investments which reflects managerial efficiency . The higher the ratio, the better is the profit earning capacity of the firm or vice versa.

3.3.2 Liquidity Analysis of SBI Factors

The liquidity position of SBI Factors is exhibited in table 3.6. The liquidity ratios measure the ability of the SBI Factors to meet its short term obligations and reflect the short term financial strength/solvency of a SBI Factors. The current ratio for the period 91-92 to 95-96 recorded an average 4.38 percent and 2.87 percent for the period 96-97 to 2000-01. The overall average current ratio during the study period is noticed to be as 3.62 which is relatively more than accepted ratio. The rise in current ratio shows more investment in current assets as compared to the current liabilities. An excess investment in current assets will certainly inflate the liquidity and lessen the profit of SBI factors. The average liquid ratio is posted at 1.90 percent for the period 91-92 to 95-96 and 2.84 percent for the period 1996-97 to 2000-01. The overall average ratio was at 2.37 which was observed to be higher.

Table 3.6

Liquidity Ratios of SBI Factors Ltd. For the period from 1991-92 to 2000-01

period	Current ratio	Liquid ratio	Cash to total assets	Cash to current assets	Cash to current liabilities	Cash to working capital
1991-92	12.50	3.21	5.62	5.90	73.91	6.42
1992-93	3.10	0.29	0.14	0.14	0.45	0.21
1993-94	2.34	2.08	13.71	13.90	32.56	24.27
1994-95	2.14	2.14	0.15	0.15	0.33	0.29
1995-96	1.84 (4.38)	1.82 (1.90)	3.18 (4.56)	3.20 (4.65)	5.90 (22.67)	7.01 (19.01)
1996-97	2.53	2.52	0.67	0.43	1.72	0.72
1997-98	2.43	2.42	0.35	0.35	0.86	0.60
1998-99	2.96	2.95	0.47	0.47	1.41	0.72
1999-00	3.24	3.20	0.44	0.44	1.43	0.64
00-01	3.21 (2.87)	3.14 (2.84)	0.46 (0.47)	0.46 (0.43)	1.50 (1.38)	0.67 (0.67)
Grand mean	3.62	2.37	2.51	2.54	12.02	9.84

Source:- Annual reports of SBI factors for the years 1990-91 to 2000-2001 than the accepted standard ratio of 1:1. The reason for high liquidity could be due to the fact that the factoring needs more amount of cash for purchase of debts. Thus these purchases of debts have enlarged the size of liquidity of SBI Factors. The cash to total assets ratio registered at 4.56 percent for the period 91-92 to 95-96 and at 0.47 percent for the period 96-97 to 2000-01. Thus, it has been recorded at 2.51 percent of the total assets which is considered good. Maintaining a higher level of cash augment idle funds on which no revenue can be generated. Thus, a sizable amount of cash is required to be maintained in the form of cash and bank balance. The average cash to current assets ratio has been witnessed at 4.65 percent during 91-92 to 95-96 and at 0.43 percent for the period 96-97 to 00-01. Overall it has been registered at 2.54 percent during the whole period and is considered to be low but it has showed good efficiency of management. As cash is one of the important components of current assets, an adequate amount of cash would help to make an optimum utilisation of resources. The cash to current liabilities has been shown at 22.67 percent for the for the period 91-92 to 95-96 and 1.38 per cent for 96-97 to 2000-01. The overall average ratio is registered at 12.02 percent during the study period which is considered to be reasonably low. The average cash to working capital has been recorded at 19.01 per cent for the period 91-92 to 95-96 and at 9.84 per cent for the period 96-97 to 2000-01. Overall it has been at 9.84 per cent during the whole period which is considered to be reasonably low but on the other hand it has also shown that that utilization of liquid funds is satisfactory.

3.3.3 Activity performance analysis of SBI factors

Table 3.7

Activity Ratios of SBI Factors for the period 1991-92 to 2000-01

	Fixed Assets to Net worth	Current assets to Total assets	Working capital to sales	Total assets Turnover (no of times)	Fixed assets turnover ratio	Current asset turnover ratio (no of times)
1991-92	0.52	95.13	89.75	0.97	196.6	1.02
1992-93	0.63	99.47	19.20	3.50	630	3.52
1993-94	1.87	98.58	13.22	4.26	301	4.33
1994-95	1.63	99.06	16.95	3.11	326.62	3.14
1995-96	2.06 (1.34)	99.24 (98.29)	10.02 (29.82)	4.52 (3.27)	688.88 (428.62)	4.55 (3.31)
1996-97	2.016	99.30	12.96	4.63	663.84	4.66
1997-98	2.77	99.25	15.17	3.86	517.5	3.88
1998-99	2.56	99.36	18.80	3.50	548.60	3.52
1999-00	2.07	99.48	18.67	3.68	708.69	3.70
00-01	1.90 (2.26)	99.50 (99.37)	12.00 (15.52)	3.66 (3.86)	731.30 (633.98)	3.68 (3.88)
Grand mean	1.80	98.83	22.67	3.56	531.3	3.59

Source:- Annual reports of SBI factors for the years 1990-91 to 2000-2001

Figures in parenthesis represent ratios over a period of 5 years

The ascertained activity ratios of SBI Factors are displayed in table 3.7. It has been observed from the table that the ratio of average fixed assets to net worth is posted at 1.34 per cent for the period 91-92 to 95-96 and 2.26 per cent for the period 96-97 to 00-01 . Overall it shown at 1.80 per cent during the study period which is considered as poor. The average current assets to total assets ratio recorded at 98.29 per cent for the period 91-92 to 95-96 and at 99.37 for the period 1996-97 to 2000-01. An overall average of 98.83 per cent during the whole period indicates an exaggerative proportion of current assets has shown that in relation to total assets. An increase in current assets has shown more investment required in short term assets as compared to the investment in long term assets . The average working capital to sales ratio is recorded at 29.82 per cent for the period 91-92 to 95-96 and at 15.52 per cent for the period 1996-97 to 2000-01 which is reasonably high. An overall average ratio during the study period was observed to be at 22.67 per cent. An addition in sales of SBI Factors was observed to have not inflated the percentage of working capital. This ratio has been used to assess the efficiency with which the working capital is being used in the business. High working capital ratio indicates efficient management of working capital in SBI Factors. The average total asset turnover ratio for the period 91-92 to 95-96 has been accounted for 3.27 and 3.86 times for the period 96-97 to 2000-01. The overall 3.56 times was witnessed during the study period which speaks of a lower generation in income. The average fixed assets to sales documented to 428.62 times for the period of a 91-92 to 95-96 and at 633.98 times in 96-97 to 00-01. An overall average of about 531.3 times was noticed which points out that as compared to sales ,the investment in fixed assets was rather low. Factoring being a service oriented industry ,its investment in fixed assets tends to be minimum .A higher sales to fixed assets ratio expresses an efficient utilisation of fixed assets in generating sales. The average current assets to turnover has been noticed at 3.31 times for the period 91-92 to 95-96 and at 3.88 times for the period 95-96 to 00-01. An overall of 3.59 times has been noticed during the study period which denotes that the resources invested in current assets so as to generate more revenue for the SBI Factors. This ratio reflects the efficiency and capacity of working capital of the firm and the efficiency of current assets and over or under investment in the firm can be examined.

3.3.4 Performance of fixed assets in SBI factors

Table 3.8

Fixed Asset of SBI Factors Ltd. for the period 1991-92 to 2000-01

Period	Net fixed assets to total assets	Depreciation to Total assets	Fixed assets to long term fund	Fixed assets to current assets
1991-92	0.49	0.16	0.56	0.52
1992-93	0.55	0.23	0.67	0.55
1993-94	1.44	0.57	1.86	1.46
1994-95	0.95	0.64	1.65	0.96
1995-96	0.65 (0.81)	0.69 (0.45)	1.42 (1.23)	0.66 (0.83)
1996-97	0.69	0.67	1.14	0.70
1997-98	0.74	0.81	1.25	0.75
1998-99	0.63	0.78	0.96	0.64
1999-00	0.51	0.86	0.74	0.52
2000-2001	0.50 (0.61)	0.98 (0.82)	0.72 (0.96)	0.50 (0.62)
Grand mean	0.71	0.63	1.09	0.72

Source :- Annual reports of SBI Factors from the year 1991-92 to 2000-01
Figures in parenthesis represent ratios over a period of 5 years

The fixed assets ratios are presented in table 3.8 It can be seen from the table that an average percentage of net fixed assets to total assets is recorded at 0.81 per cent for the period 1991-92 to 1995-96 and at 0.61 percent for the period 96-97 to 00-01 respectively. An overall average at 0.71 per cent has been noticed during the study period is considered to be scanty. It connotes that the importance of fixed assets in factoring business is meagre as factoring is purely a financial service that needs more of current assets than fixed assets. The average percentage of depreciation to total assets is recorded at 0.45 percent for the period 91-92 to 95-96 and at 0.82 per cent for the period of 96-97 to 2000-01. The overall percentage has been at be 0.63 per cent which is considered to be insignificant.

The size of depreciation depends upon the value of fixed assets and its use in business. The average ratio of fixed assets to long term liabilities was observed to be 1.23 per cent for the period of 91-92 to 95-96 and at 0.96 per cent for the period 95-96 to 2000-01. The overall average 1.09 per cent was noticed during the whole period which signifies that the long term funds are sufficient to finance the fixed assets.

It is evident from the table that the proportion of sundry debtors in current assets was noticed to be at 76.88 percent for the period of 91-92 to 95-96 and 98.73 percent for the period 96-97 to 2000-01. Overall 87.80 per cent was witnessed during the study period which is considered to be very high which denotes that the maximum amount of current assets is in the form of sundry debtors. The sundry debtors to total assets ratio has been posted at 76.05 per cent for the period of 91-92 to 95-96 and at 97.93 per cent for the period of 96-97 to 2000-01. The overall ratio was observed to be 86.97 per cent during the study period which is considered to be rather high. The sundry debtors to working capital ratio was recorded 29.76 per cent for the period 91-92 to 95-96 and 81.26 per cent for the period 96-97 to 2000-01. An overall of 55.51 per cent was noticed which indicates an increased amount of outstanding debt over a period. An addition to outstanding debts obviously gives rise to bad debts, which in turn will reduce profit size. The debtor –turnover ratio recorded 4.83 times which is considered to be low. A lower debtors –turnover ratio in SBI Factors denotes an inefficient management in collection of payment against credit sales on time. The collection period was observed to be of 77.83 days which is considered to be high and indicates delay in payment by debtors. Overall, it points out that debts outstanding were observed to be on an upward trend which could be attributed to slow debt recovery process.

3.3.5 Debt management in SBI Factors

Table 3.9

Debt ratio in SBI Factors for the period 1991-92 to 2000-01

Period	Sundry Debtors To Current Asset (%)	Sundry Debtors to Total Asset (%)	Sundry debtors to Working capital (%)	Debtors turnover Ratio	Average Debt collection Period
1991-92	19.77	18.81	21.49	------	------
1992-93	93.95	93.46	138.66	5.85	63.9
1993-94	75	73.94	130.93	5.41	68.2
1994-95	99.65	98.72	186.63	4.39	83.85
1995-96	96.05 (76.88)	95.32 (76.05)	210.18 (137.57)	5.58 (4.24)	65.89 (56.36)
1996-97	99.87	98.32	163.53	4.75	76.8
1997-98	99.01	98.21	167.69	4.38	83.36
1998-99	98.91	98.29	149.17	3.78	96.71
1999-00	98.57	98.06	142.55	3.83	95.76
00-01	97.29 (98.73)	96.80 (97.93)	141.20 (152.82)	5.53 (4.45)	66 (83.72)
Grand Mean	87.80	86.97	145.19	4.34	70.04

Source :- 1) Annual reports of SBI Factors from the year 1991-92 to 2000-01.
2) Figures in parenthesis represent ratios over a period of 5 years

The productivity ratios of SBI Factors are exhibited in table 3.9. The table reveals an average ratio of factoring income to total income registered at 59.27 per cent for the period of 91-92 to 95-96 and at 98.64 per cent for the period of 96-97 to 2000-01. The overall average ratio recorded 78.95 per cent which stand for reasonably good income earned through factoring transaction. The average investment income for the period of 91-92 to 95-96 was found to be at 41.63 per cent, during the first half of the period it was nil for the second half. This signifies that SBI Factors have made investment in the year of 91-92 to 95-96 . The average ratio of other income to total income for the period 91-92 to 95-96 recorded at 0.006 per cent and 3.64 per cent for the period 96-97 to 2000-01 . The overall average 1.82 was observed during the whole period which is considered to be very poor. Thus, it has been observed that the income from factoring was a major source of income for SBI Factors

3.3.5 Productivity ratios of SBI Factors

Table 3.10

Productivity Ratio of SBI Factors for the period 1991-92 to 2000-01

period	Factoring income to total income	Invest ment income to total income	Other income to total income	Admn expenses to total expd.	Interest to expenses ratio	Dep To total income	Prov for non Perfor assets	Total Expenses to total income
1991-92	23.35	78.74	-	88.27	5.09	6.63	-	27.32
1992-93	58.69	41.29	0.01	89.52	3.90	6.56	-	20.19
1993-94	72.01	27.98	-	86.11	9.64	4.24	-	30.95
1994-95	50.38	49.59	0.01	86.85	3.02	10.12	-	33.28
1995-96	91.93 (59.27)	8.05 (14.13)	0.01 (0.01)	59.80 (82.11)	34.23 (11.17)	5.96 (6.70)	-	51.43 (32.63)
1996-97	98.14	-	1.85	52.71	43.05	4.23	-	53.30
1997-98	98.64	-	13.59	43.60	52.39	2.84	1.15	53.59
1998-99	99.16	-	0.84	40.12	50.66	2.87	6.63	58.59
1999-00	99.12	-	0.08	30.97	53.48	2.45	13.09	70.41
00-01	98.14 (98.64)	-	1.85 (3.64)	23.39 (38.15)	38.83 (47.68)	1.60 (2.79)	36.61 (11.49)	101.62 (67.50)
Grand Mean	(78.95)		(1.82)	(60.13)	(29.42)	(4.74)	(11.49)	(50.06)

Source :- 1) Annual reports of SBI Factors from the year 1991-92 to 2000-01.
2) Figures in parenthesis represent ratios over a period of 5 years

The average administrative expense ratio to total expenses was noticed to be at 82.11 per cent for the period of 91-92 to 95-96 and at 38.15 per cent for the period 1996-2001. The overall average of 60.13 per cent was observed during the study period was towards the upward side. It has been observed that the administrative expenses was reduced during the second half denoting a close monitoring over the expenses that they are under control. The average of interest to total expenses ratio was observed to be at 11.17 per cent for the period of 91-92 to 95-96 and of 47.68 per cent for the period of 96-97 to 2000-01. The overall average was recorded as 29.42 per cent which was slightly towards the increasing side. It was noted that the interest expenses have increased during the second half as compared to the period 91-92 to 95-96. The average depreciation to total expenses was of 6.70 percent for the period of 91-92 to 95-96 and 13.99 percent for the period 95-96 to 2000-01. The overall ratio of 10.34 per cent was recorded during the study period which is considered to be adequate. The average expenses to total income registered as 32.63 percent for the period of 91-92 to 95-96 and 67.50 per cent for the period 96-97 to 2000-01. The overall of 50.06 percent was observed which is more as compared to the total revenue.

3.4 LIQUIDITY, PRODUCTIVITY AND PROFITABILITY, OF CANBANK FACTORS

The growth and expansion of business concern depends upon the amount of profit earned during year. The various ratios are computed to assess the profitability, liquidity and productivity of CanBank factors. The computed ratios are analysed and discussed below.

3.4.1 Profitability Analysis of CanBank Factors

Table 3.11

Profitability ratios of CanBank Factors for the period 1991-92 to 2000-01

(Ratios in percentages)

year	Net Profit ratio	operating profit ratio	Expenses ratio	Return on shareholders fund	Net profit to total assets	Return on working capital
1991-92	-----	-----	----	10.00	3.01	6.48
1992-93	0.70	1.62	1.18	10.38	2.24	7.63
1993-94	0.60	0.81	1.58	15.89	2.39	4.77
1994-95	0.63	1.17	1.48	12.60	0.95	8.59
1995-96	0.68 (0.65)	1.42 (1.25)	1.75 (1.49)	13.32 (12.43)	2.91 (2.30)	10.38 (7.57)
1996-97	1.05	1.77	1.81	17.88	3.91	11.89
1997-98	1.17	1.77	1.81	17.50	3.71	9.12
1998-99	1.04	1.62	1.59	17.14	3.13	14.64
1999-00	0.88	1.43	1.67	16.51	4.54	8.49
00-01	0.77 (0.98)	1.21 (1.56)	1.52 (1.68)	15.14 (16.83)	3.24 (3.70)	7.03 (10.23)
Grand mean	0.81	1.40	1.58	14.63	3.00	8.9

Source: Annual reports of CanBank Factors from 1991-91 to 2000-2001

Figures in the brackets represent ratios over a period of 5 years.

The profitability ratios of CanBank Factors are presented in table 3.11 . From the table it can be observed that the net profit for the period 1992-93 to 1995-96 is recorded as 0.65 per cent and 0.98 per cent for the year 96-97 to 2000-01. On an average the net profit is recorded as 0.81 per cent which is less than one per cent and is as considered to be poor. The net profit of CanBank Factors recorded less than one percent which is also very poor. Profitability is an yardstick of measuring efficiency of the concern. This ratio is the overall measure of the firms ability to turn each sales in to net profit. The average operating profit ratio is recorded 1.25 per cent for the period 92-93 to 95-96 and 1.40 per cent for the period 96-97 to 2000-01. On an average the operating profit is registered 1.40 per cent which is very low i.e less than 2 per cent. The operating profit measures the profit arising directly from commercial operation of the business .Thus it indicates that the operating profit contributes insignificantly for the growth of CanBank Factors in factoring business. The average expense ratio is 1.49 per cent for the period 92-93 to 95-96 and 1.68 per cent for the period 96-97 to 2000-01. The overall expense ratio shows 1.40 per cent which considered to be low . Expense ratio reveals managerial efficiency and profit earning capacity earning capacity of the firm. The low expense ratio signifies that expenses of the CanBank Factors were under control. The return on shareholders fund for the period is 12.43 per cent for the period 91-92 to 95-96 and 16.83 per cent for the period 96-97 to 2000-01. An overall 14.63 per cent is recorded indicating a low return to shareholders. Since the shareholders returns depends upon the amount of profit earned and the net profit earned is low hence the return on shareholders tends to be low. The average return on working capital for the period 91-92 to 95-96 was registered 7.57 per cent and 10.23 per cent for the period 96-97 to 2000-01. The return on working capital is recorded to be 8.9 per cent which is considered to be low

3.4.2 Liquidity Analysis of CanBank Factors

Table 3.12

Liquidity ratios of CanBank factors for the period from 1991-92 to 2000-01

period	Current ratio	Liquid ratio	Cash to total asset %	Cash to current assets %	Cash to current liability %	Cash to working capital %
1991-92	0.28	3.47	10.43	10.71	37.87	15.04
1992-93	3.20	3.10	6.85	6.92	22.17	10.06
1993-94	0.31	3.00	3.03	3.08	4.51	4.51
1994-95	2.83	2.66	2.77	2.86	7.07	4.42
1995-96	2.55 (1.83)	2.34 (2.91)	2.67 (5.15)	2.77 (5.26)	6.00 (15.52)	4.55 (7.71)
1996-97	2.38	2.12	2.40	2.80	5.99	4.34
1997-98	2.50	2.50	11.46	13.16	33.33	18.36
1998-99	2.52	9.14	2.04	2.26	5.75	6.13
1999-00	9.14	8.38	0.32	0.37	3.46	0.38
00-01	8.38 (4.98)	4.93 (5.41)	(4.05)	(4.64)	0.05 (9.71)	-- (7.30)
Grand mean	3.40	4.16	4.60	4.95	12.61	7.50

Source :Annual reports of canbank Factors from 1991-91 to 2000-2001
Figure in parenthesis represent ratios over a period of five years

The liquidity status of CanBank Factors is exhibited in table 3.12. The liquidity ratio is used to measure the ability of a firm to pay its maturing obligations in time. The average current ratio for the period 91-92 to 95-96 has been recorded at 1.83 and 4.98 times for the period 96-97 to 2000-01 .The overall current ratio has been observed to be satisfactory as it was more than the standard accepted ratio i.e 2:1. It was rather low during 1991-92 and 1992-93 there after showed an upward trend. The current ratio in the latter period was extremely high which shows excessive investment in current assets. An excessive investment in current assets increases the liquidity but it will have an effect on the profitability. The average liquid ratio for the period 91-92 to 95-96 is registered 2.91 times and 5.41 times during 96-97 to 2000-01. An overall 4.16 times is recorded which signifies that the liquid ratio of CanBank Factors is above the normal standard ratio of 1:1 The reason for high liquidity ratio of CanBank Factors could be due to the requirement of more cash at the time of purchase of debts. Thus purchase of debts increases the liquidity of the concern.

The average cash to total assets ratio for the period 91-92 to 95-96 is recorded as 5.15 per cent and 4.05 for the period 1996-97 to 2000-01. The overall ratio of cash to total assets ratio is observed to be low but on the other hand it shows an adequate use of cash funds emphasizing an efficient cash management. The average cash to current assets for the period 91-92 to 95-96 is recorded as 5.26 per cent and 4.64 for the period 96-97 to 2000-01.. It was very high in 1991-92, 92-93 and 97-98 but it has decreased in later years. The higher liquidity has resulted in using idle and underutilized funds. The average cash to current liabilities ratio is recorded at 15.52 per cent for the period 91-92 to 95-96 and 9.71 per cent for the period 96-97 to 2000-01. An overall average of 12.61 percent is recorded and is considered to be reasonably low .A decrease in cash will reduce liquidity of the CanBank Factors which signifies an efficient use of funds by the factor. Thus, overall liquidity position of CanBank Factors is considered to be adequate.

3.4.3 Activity Analysis of CanBank factors

Table 3.13

Activity Ratios of CanBank factors ltd. for the period of 1991-92 to 2000-01

	Fixed Assets to Net worth	Current assets to Total assets %	Working capital to sales %	Total assets Turnover (no of times)	Fixed assets turnover ratio (no of times)	Current assets to sales (no of times)
1991-92	74.41	97.8	------			-----
1992-93	4.73	98.97	21.29	3.19	312.33	3.22
1993-94	4.07	98.54	17.15	3.91	642.24	3.97
1994-95	2.31	95.92	13.71	4.56	689.93	4.72
1995-96	2.68 (17.64)	96.51 (97.54)	13.75 (16.47)	4.13 (3.94)	200.58 (461.24)	4.42 (4.08)
1996-97	8.74	95.47	14.94	3.70	865.45	3.88
1997-98	8.62	95.90	19.46	3.15	172.05	3.29
1998-99	9.95	96.44	11.12	3.00	164.12	3.11
1999-00	6.79	95.98	16.84	5.12	273.13	5.34
00-01	5.69 (7.95)	96.73 (96.10)	17.27 (96.82)	4.98 (3.99)	359.10 (366.77	5.15 (4.15)
Grand Mean	12.79	96.82	16.19	3.96	414.00	4.11

Source: Annual reports of CanBank factors from 1991-91 to 2000-2001
Figures in parenthesis represent ratios over a period of five year

The activity ratios of CanBank Factors is exhibited in table 3.13. The average fixed assets to net worth was registered as 17.64 per cent for the period 91-92 to 95-96 and as 7.95 per cent for the period 1996-97 to 2000-01 . The overall average fixed assets to net worth ratio has been recorded as 12.79 per cent which is low. The lower ratio signifies that fixed assets are financed through net worth. The average current assets to total assets is registered 97.54 percent for the period 91-92 to 95-96 and 96.10 per cent for the 96-97 to 2000-01. The overall current assets to total assets is constituted at 96.82 per cent which is considered to be very high. The ratio signifies that from one rupee, on an average above 95 paise are invested in current assets pointing out higher liquidity of CanBank Factors.

The average current assets to sales ratio is recorded 4.08 times for the period 1991-92 to 95-96 and 4.15 times for the period 1996-97 to 2000-01 The current assets to sales ratio of CanBank Factors has been recorded to be very high. This higher ratio indicates an inefficient utilization of current assets in generating revenues .The working capital to sales for the period 1991-92 to 1995-96 is recorded as 16.47 per cent for the period and 15.92 per cent for the period 96-97 to 00-01. The working capital to sales ratio of CanBank Factors observed to be low. The total assets turnover ratio has been registered at 3.96 times which indicates that around 3.96 times investment is required to generate a sale of one rupee. It signifies that for generating a one rupee sale an investment of Rs 0.25 is required in total assets. The fixed assets turnover ratio has shown to be 414 times, which is very high. This demonstrates that a very low amount in fixed assets is required in factoring business. The fixed assets to current assets signifies the proportion of fixed assets to current assets. The overall ratio of fixed assets to current assets has been observed to be very low i.e 1.44 per cent which shows a very low investment in current assets factoring is service oriented business , an investment in fixed assets tends to be minimum.

3.4.4 Performance Analysis of Fixed assets in CanBank factors

Table 3.14

Fixed assets ratio of CanBank Factors ltd. for the period 1991-92 to 92 to 2000-01

period	Net fixed asset to total asset %	Depreciation to gross fixed asset %	Fixed assets to current assets	Fixed asset to long term fund %	Sales to fixed asset
1991-92	2.19	11.11	2.31	3.02	-----
1992-93	1.04	23.18	1.03	1.50	363.30
1993-94	0.62	35.89	0.61	0.90	629.40
1994-95	0.53	41.05	0.68	0.80	849.37
1995-96	0.58 (0.99)	45.16 (31.27)	2.20 (1.36)	0.94 (1.43)	725.63 (641.92)
1996-97	1.91	36.59	0.44	3.19	193.49
1997-98	1.83	47.08	1.91	2.79	172.05
1998-99	1.83	48.77	1.89	2.84	163.66
1999-00	1.87	61.98	1.95	2.07	273.13
2000-2001	1.38 (1.76)	68.57 (52.59)	1.43 (1.52)	1.55 (2.48)	359.10 (232.28)
Grand Mean	1.37	41.93	1.44	1.95	437.1

Source :Annual reports of CanBank factors from 1991-91 to 2000-2001
Figures in brackets represent ratios over a period of five years

The different fixed ratios that were worked out are presented in table 3.14 .It can be seen from the table that the average percentage of fixed assets to total assets for the period 1991-92 to 95-96 is 10.99 per cent and 1.76 per cent for the period 96-97 to 2000-01. An average 1.37 per cent is recorded which is considered very low or an insignificant contribution of fixed assets in factoring business. The low investment in fixed assets could be due to the nature of the business which emphasizing only on purchase of debts. The average ratio of depreciation to fixed assets is registered 31.27 per cent and 52.59 per cent for the period 96.97 to 00-01.

The size of depreciation depends upon the value of fixed assets and its use in business.

The average ratio of fixed assets to long term liabilities for the period 91-92 to 95-96 is posted at 1.43 percent and 2.48 percent for the year 96-97 to 00-01. Fixed assets to long term liabilities ratios is very low denoting the requirement of sufficient funds to finance the fixed assets.

Table 3.15

Debt management ratios of CanBank Factors ltd. for the period 1991-92 to 2000-01

period	Debtors to current assets	Debtors to total assets	Debtors to working capital	Debtors-turnover ratio	Average collection period
91-92	87.53	85.61	309.40	-	-
92-93	90.11	89.19	288.71	5.61	65.68
93-94	92.37	91.03	290.96	5.31	68.82
94-95	91.17	88.06	258.91	5.76	63.42
95-96	84.82 (89.20)	81.86 (87.15)	216.67 (272.93)	5.29 (5.49)	69.03 (66.73)
96-97	86.61	82.69	206.15	4.74	72.22
97-98	78.08	74.88	217.93	4.31	84.81
98-99	62.95	60.71	170.38	4.12	88.60
99-00	90.26	86.46	911.13	4.19	87.26
00-01	91.67 (81.90)	88.68 (78.68)	838.31 (468.78)	4.09 (4.29)	89.04 (84.38)
Grand Mean	85.55	82.91	370.85	4.89	75.55

Source :Annual reports of canbank Factors from 1991-91 to 2000-2001

It can be seen in the table 3.15 that the proportion of sundry debtors in current assets was recorded at 89.20 per cent for the period 91-92 to 95-96 and 81.91 per cent for the period 96-97 to 2000-01. The overall 85.55 per cent has been recorded which is very high. Thus it symbolize that maximum amount of current assets in the form of sundry debtors . The sundry debtors to total assets ratio has been recorded at 87.15 per cent for the period 19991-92 to 95-96 and 78.68 percent for the period 1996-97 to 2000-01. Overall an 82.91 percent was recorded which is considered as higher. The sundry debtors to working capital was registered at 273.93 per cent for the period 91-92 to 95-96 and 468.78 per cent for the period 96-97 to 2000-01. Overall 370.85 per cent has been registered which is extremely higher. The debtor-turnover ratio recorded 4.89 times which is low. A low debtor –turn over ratio reflects on inefficiency of management with regards to collection of debts. A good recovery of debts depends upon the customers financial position and their willingness to repay debts in time. The collection period recorded 75.55 days which is longer indicating delay in recovering the debts. The average collection period of CanBank Factors was observed to have been increased from 65.68 days to 89.04 days during the study period indicating a slow recovery of debts. This would certainly results in to mounting bad debts. A prompt and timely payments by the customers will strengthen the working capital. A delay in receivables would increase the working capital without increasing either the turnover or profit. Further a longer turnover period would enhance the cost of borrowed fund.

3.4.6 Productivity Analysis of CanBank Factors

Table 3.16

Productivity ratios of CanBank Factors ltd. for the period 1991-92 to 2000-01

(Ratios in percentage)

Period	Factoring income to total income	Investment income to total income	Other income to total income	Admn expenses to total expd.	Interest to expenses ratio	Dep To total exp.	Personal expenses to total expenses	Total Expenses to total income
1991-92	57.84	41.18	0.96	39.65	5.37	17.48	31.32	26.91
1992-93	97.54	0.08	2.37	11.37	71.75	6.13	9.97	42.21
1993-94	96.65	1.25	2.08	7.25	85.04	2.38	5.02	55.35
1994-95	95.74	1.57	2.67	5.80	87.66	2.35	4.17	55.87
1995-96	96.82 (88.91)	2.73 (9.36)	0.44 (1.70)	21.67 (17.14)	70.63 (64.09)	1.89 (6.04)	5.66 (11.22)	55.01 (47.07)
1996-97	92.21	2.51	5.32	14.74	69.39	9.95	5.76	50.52
1997-98	85.65	4.91	3.92	12.28	67.28	11.90	8.38	49.64
1998-99	89.76	3.2	6.93	10.03	71.59	10.50	7.74	49.38
1999-00	92.12	1.89	5.89	16.31	67.86	8.07	7.25	53.91
00-01	93.25 (90.59)	1.76 (2.85)	4.93 (5.39)	16.85 (14.04)	67.11 (68.64)	8.35 (9.75)	6.65 (7.15)	55.67 (51.82)
Grand Mean	89.75	6.10	3.54	15.59	66.36	7.89	9.18	49.44

source

The productivity ratios of CanBank Factors are displayed in table 3.16. It can be observed from the table that overall factoring income to total income was registered at 89.75 percent. This shows that factoring income constitutes a larger portion of total income in CanBank factors. Investment income and other income recorded overall 16.10 percent and 3.54 percent. This indicates investment made and other income received is very low as compared to income from factoring. The expenses of CanBank Factors consists of administration expenses, personal expenses and interest. The administration expenses to total expenses ratio recorded an overall 14.04 percent, personnel expenses recorded at 7.15 percent and interest at 68.04 percent.

It has been observed from the table that interest expenses registered to very high. Factoring is the process of purchasing debts. The borrowed fund incurs the cost in the form of interest. Therefore interest expenses components is recorded to be very high as compared to administration and personnel expenses. Personnel expenses includes expenses of relating to employees salary, provident fund, gratuity etc. The total expenses to total income has shown an overall 49.44 per cent which indicates that expenses are quite higher compared revenue earned..

3.5 FACTOR ANALYSIS OF SBI AND CANBANK FACTORS

Factor Analysis is used to reduce large number of variables in to smaller number of variables. The satisfaction level of customers about services provided by SBI and CanBank Factors are analysed by using factor Analysis

3.5.1 Factor Analysis of SBI Factors Ltd.

The table 3.17 reveals the total variance of SBI Factors which shows that, two factors accounted for 73.30 percent of the variance in the original six variables. This is the reasonable amount of information to account for and to reduce the number of original variable from six to two.

It is observed from the rotated compound matrix that, factor one or component one shows high positive loadings on the variables viz release of prepayment amount, courtesy with the clients and services provided by factor. This factor is related to the service provided, hence it is named as service factor.

Thus it has developed a two-factor solution that accounts for a reasonable amount of variance and shows logic in the combination of the original six variables. The resulted two-factor has to be considered instead of six variables i.e service and cost.

3.5.2 Factor Analysis of CanBank Factors Ltd

The total variance explained in the table 3.18 shows that two factor accounted for 69.82 per cent of total variance in the original six variables, two new factor has been originated.

Factor one shows high positive loading on the variables viz release of prepayment amount, courtesy with clients, service provided by factor and cost of discounting. These factor is related towards service satisfaction hence it is named as service factor.

Factor two loads high on cost related variables such as interest charged and legal formalities. This factor appears to be absorbing customers satisfaction with cost related services hence it is named as cost factor.

Thus it has developed a two –factor theory that accounts for a reasonable amount of variance and shows logic in the combination of original six variables. Hence instead of considering original six variables, only two factor should be considered i.e service and cost.

Table 3.17

Rotated Component Matrix of SBI Factors

	Component	
	1	2
Release of Prepayment amount	.929	.126
Courtesy with clients	.852	1.176E-02
Interest charged	-1.755E-02	.909
Legal formalities demanded	7.555E-02	.586
Services provided by Factor	.896	.144
Cost of Discounting	.183	.871

Extraction Method: Principal Component Analysis.
Rotation Method:Varimax with Kaiser Normalization
Source: Primary survey

Table 3.18

Rotated Component Matrix of CanBank Factors

	Component	
	1	2
Release of Prepayment amount	.841	-.219
Courtesy with clients	.885	-.152
Interest charged	-6.922E-03	.901
Legal formalities demanded	-.170	.763
Services provided by Factor	.775	-.440
Cost of Discounting	.600	.226

Extraction Method: Principal Component Analysis.
Rotation Method:Varimax with Kaiser Normalization
Source : Primary Survey

3.6 PERFORMANCES OF FACTORING COMPANIES THROUGH GROWTH ANALYSIS

The growth and expansion of business organisation is an ultimate objective of any business concern. Hence the growth and expansion in terms of value and volume will give the performance of factoring companies. In order to measure the performance of factoring companies eight important indicators were computed of both factoring company. The computed growth rates of each company were analysed and discussed as under

3.6.1 SBI Factors Ltd.

The worked out compound growth rates of important performance indicators of SBI Factors Ltd. can be witnessed in table 3.19 . The reserves and surplus is one of the important element of owned funds which has been recorded 20 per cent of compound growth over the years which is observed to be reasonably good. The growth of reserves and surplus depends upon the profit earned during the years. A marginal growth of it could be due to less amount of profit transferred to reserves and surplus. It has been observed that on an average 20 percent of reserves and surplus has been increased over the years. The compound growth rate of loan funds is 62 percent which is very high. The loan fund is borrowed fund from external sources. More borrowed funds will increase cost of capital which in turn reduces the size of profits. Thus 62 percent growth of loan fund is not in the interest of the SBI Factors ltd. The compound growth of secured loan over a period is 42 percent which is noticed to be a upward trend. The secured loans are taken against the charge of fixed assets. The compound growth of unsecured loan has recorded at 48 per cent indicating a huge amount of borrowing without charging any assets. In factoring business , debts are purchased and the amount is received within a short period. Thus, loan borrowed from different sources are repaid within short span of time. It has been observed that the fund borrowed from unsecured form is more than secured form. The compound growth of total asset recorded 21 per cent which is considered to be reasonably good. Total assets included current assets and fixed assets. In factoring, companies requirement of fixed asset is minimum and investment in current assets is more. The compound growth of current assets registered 21 percent which is accepted to be satisfactory. The high growth of current assets indicates more investment in current assets which would increase the liquidity of the concern. Increase in liquidity would reduce the profitability of an organisation. The compound growth of current liabilities registered 39 per cent un favorable growth . Increase in current liabilities will decrease the financial burden of the concern. The compound growth of working capital is recorded 20 percent growth which is to be not so encouraging. Working capital is very much important for a day to day functioning of the business. A Poor growth of working capital would hinder the growth of profit and business. The accelerating growth of working capital would determine the status of debts and recovery position. As the outstanding debts increases, the working capital will increase and vice versa. Total income recorded 17 per cent compound growth which is considered to be poor. Total income included income from factoring, investment income and other income. The growth of total income depends largely upon the purchase of factored debts. Income from factoring registered compound growth of 34 per cent which is considered to be very good. Income from factoring denotes the income earned through charging fees for providing factoring services. Income from investment depends largely upon the investment made during the year from the reserve fund of the factor. The other income registered nil which is clear indication that the SBI Factor has not generated any kind of other income. The compound growth of other income is nil which is insignificant. The compound growth of total expenses recorded at 30 per cent which is very high. The growth of total expenses would slow down the profit the concern. Thus, an upward trend of total expenses would discourage the growth of factoring business. Administrative expenses, interest and finance charges and depreciation recorded 17 per cent ,80 per cent and 17 per cent compound growth over the years respectively.. Interest and finance expenses recorded at a higher level than an administrative expenses and depreciation. The growth of interest and finance expenses directly related to purchase of debts. An increase in purchase of debts would lead to an increase in the interest and finance charges and vice versa. The compound growth of sales or factored debts recorded at 35 per cent which is very good. The growth of factored debts would increase income from factoring business and it would supplement the net profit of the SBI Factor.

3.6.2 CanBank Factors Ltd.

The computed compound growth rates of important performance indicators of CanBank factors ltd. can be observed in table 3.20. The reserves and surplus is one of the important element of owned fund which has recorded an excellent 51 per cent annual compound growth over the years. The growth of reserves and surplus depends largely upon the size of profit earned during the year. The compound growth rate of loan fund is observed to have registered 55 per cent over the period of 10 years. This indicates that on an average 55 percent amount is borrowed in the form of loan is an liability to the concern. Increase in liability weakens the financial position of the company. The loan borrowed in the form of secured and unsecured shows 4 per cent and 54 per cent compound growth over the years. The secured loan signifies that very less amount borrowed through mortgaging the assets and larger amount is borrowed through unsecured loans without charging fixed assets. The total assets have recorded 23 percent compound growth over the period which is considered to be satisfactory. The total assets includes fixed assets and current assets. The growth of total assets indicate that a larger amount of security is available to meet liabilities. Growing size of assets without having a charge is a good sign. The compound growth rate of current assets exhibits 8 per cent which is negligible. Poor growth of current assets signifies that an adequate amount of investment is made in current assets. The higher growth of current assets will shorten the profitability and liquidity position of the factor. Current liability has registered a compound growth of 23 per cent which is considered to be reasonable. This indicates that the growth of current liabilities has not increased the financial burden of the factor. The compound growth of working capital is registered 8 per cent which is observed to be negligible. Working capital is very vital for the factoring company as purchase of debts requires an immediate funds. Thus growth of working capital signifies an expansion and growth of factoring business. The growth in working capital due to the expansion of business is a good sign as it augments the size of income of the bank on the other hand, the growth of working capital without corresponding increase in sales is an indication of upward trend of debts. The total income recorded 23 percent of compound growth over the years which is considered as to be satisfactory. The growth of total income shows that factoring services are availed by a large section of business community . The compound growth of income from factoring was registered at 31 per cent which is considered as good. Income from factoring includes fees charged for providing factoring services. It has a direct influence on the growth of factoring services. Investment income registered at 34 percent compound growth and other income posted at 43 percent growth which were considered to be very good. It was observed that investment income and other income recorded a higher growth than the income from factoring. An increase amount of income signifies the growth of factoring business over the years. The total expenses were observed to have posted 35 percent growth which is very high and disappointing .The growth in expenses will reduce the profit which is considered to be unfavourable. This uneconomic hike in expenses limits the profit size for the bank. The Administration expenses, interest and finance charges and depreciation have recorded at 34 per cent, 58 per cent and 45 per cent compound growth rate respectively over the years. These variables in compound growth rate were observed to be on the upward trend. The interest and finance charges was noticed to be augmenting at a faster pace as compared to administrative expenses. The interest and finance charges largely depends on the use of borrowed fund. In factoring ,a large amount of capital is required to purchase debts thus interest and finance charges leads to be accelerating growth. The sales or factored debts recorded compound growth of 17 per cent which is poor over the ten years. The recorded compound growth shows a poor response for factoring services from the entrepreneurs. The operating profit registered 28 per cent compound growth which is considered to be satisfactory. An ultimate objective of business enterprise is to earn maximum profit thus growth of operating profit signifies that the bank has been managing business successfully.

Conclusion

The growth and performance of SBI and CanBank Factors in respect of physical, financial, factors influencing and rank correlation were discussed in this chapter.

It was observed that:-

1) The profitability ratio of SBI and CanBank Factors was observed reasonably low indicating lower profitability.

2) The liquidity status of SBI and CanBank Factors was registered little higher, indicating higher liquidity.

3) The Debtor – Turnover Ratio of SBI and Can Bank Factors was found lower, signifying slow recovery process.

4) The percentage of Factoring income was recorded higher in SBI and CanBank Factors signifying greater income through factoring transaction.

5) The growth performance of financial variables viz reserves and surplus, loan fund, total assets and working capital of SBI and CanBank Factors registered average growth.

6) The overall influence of rupee increase in variables viz income and factored debts of SBI and CanBank Factors shown positive influence whereas expenses created negative influence i.e as rupee increases profit also increases.

7) The correlation of liquidity and profitability of SBI and CanBank Factors was observed inversely related to each other . Thus it signifies that as liquidity increases, profitability decreases.

8) Two Factors were identified with regards to satisfaction level of customer services by SBI and CanBank factors

Table 3.19

Computed compound growth Rate of selected performance indicators of SBI Factors for the period from 1991-92 to 2000-2001

Sr. No.	Variables(Y)	Constant (a)	Co-efficient (b)	R^2	T-value	CGR (%)
1	Reserves and Surplus	-354.71	0.18	0.94	11.327	20
2	Loan Funds	-955.03	0.48	0.93	8.131	62
	a) Secured loan	-699.73	0.35	0.88	6.261	42
	b) Unsecured loan	-785.17	0.39	0.76	2.515	48
3	Total Assets	-378.80	0.19	0.90	8.783	21
	a) Current Assets	-384.27	0.19	0.90	8.806	21
	b) Current liabilities	-661.49	0.33	0.80	5.683	39
4	Working Capital	-370.89	0.18	0.92	9.668	20
5	Total Income	-331.96	0.16	0.94	11.934	17
	a) Income from factoring	-586.42	0.29	0.84	6.561	34
	b) Investment income	520.85	-0.26	0.37	-1.329	-23
	c) other income	-185.56	0.00	0.14	0.81	0.00
6	Total Expenses	-530.11	0.26	0.84	6.499	30
	a) Administrative expenses	-332.17	0.16	0.85	6.829	17
	b) Interest and Finance expenses	-1180.34	0.59	0.65	3.102	80
	c) Depreciation	-326.09	0.16	0.56	3.248	17
7	Sales or Factored Debts	-607.56	0.30	0.78	5.00	35

Source :- Annual Reports of SBI Factors Ltd. for the period from 1991-92 to 2000-2001

Table 3.20

Computed compound growth Rate of selected performance indicators of CanBank Factors for the period from 1991-92 to 2000-2001

Sr. No.	Variables (Y)	Constant (a)	Co-efficient (b)	R^2	T-value	CGR (%)
1	Reserves and Surplus	-824.46	0.41	0.88	8.14	51
2	Loan Funds	-887.91	0.44	0.48	2.76	55
	a) Secured loan	-92.13	0.04	0.48	2.07	4
	b) Unsecured loan	-865.05	0.43	0.49	2.82	54
3	Total Assets	-422.61	0.21	0.70	4.412	23
	a) Current Assets	-416.98	0.21	0.70	4.360	8
	b) Current liabilities	-166.52	0.08	0.08	0.863	23
4	Working Capital	-422.60	0.21	0.74	4.769	8
5	Total Income	-538.63	0.27	0.55	3.169	23
	a) Income from factoring	-588.89	0.29	0.62	3.654	31
	b) Investment income	-531.61	0.26	0.52	2.364	34
	c) other income	-724.59	0.36	0.49	2.626	43
6	Total Expenses	-607.57	0.30	0.56	3.252	35
	a) Administrative expenses	-580.48	.30	0.82	6.077	34
	b) Interest and Finance expenses	-916.45	0.46	0.45	2.599	58
	c) Depreciation	-757.36	0.37	0.80	5.375	17
7	Sales or Factored Debts	-514.45	0.25	0.77	5.193	28

Source :- Annual Reports of CanBank Factors Ltd. for the period from 1991-92 to 2000-2001

CHAPTER IV

PERFORMANCE ANALYSIS OF SBI AND CANBANK MUTUAL FUND

This chapter analyses the performance of mutual fund in respect of SBI Mutual Fund and CanBank Mutual Fund with reference to its size, growth and efficiency and performance evaluation through risk return analysis.

4.1 INCOME AND EXPENSE PATTERN ANALYSIS OF SBI AND CANBANK MUTUAL FUNDS

4.1.1 Source-wise Income Statement of SBI Mutual Fund

The source -wise income of SBI mutual fund for the period 1991-2001 is exhibited in table 4.1.It can be observed from the table that dividend received has been recorded on an average 9.76 per cent over a period of 10 years considered to be reasonably low. Dividend earned by SBI Mutual Fund signifies that mutual fund has retained shares for a long period. The interest earned has been accounted 34.39 per cent which is considered good. Interest received by mutual fund indicates that if large amounts are been invested in fixed interest bearing securities then it gives an assured income as well as security. Profit on sale/redemption of investment registered at 45.95 per cent is considered to be excellent. Profit on sale of investment signifies revenue earned through sale of securities in capital market. Income from profit on inter-scheme was chronicle to 6.03 per cent which is relatively low. Other income was evidenced 3.79 per cent which is considered low. Earning from other income includes commercial paper, Govt. securities etc. Overall it can be seen that profit on sale or redemption and interest are the major source of income in SBI mutual fund.

4.1.2 Expense Pattern of SBI Mutual Fund

The expense pattern of SBI mutual fund for the period from 1991 to 2001 is disclosed in table4.2. It can be witnessed in the table that expense pattern constituted management fees, trusteeship fees, administrative expenses, registration fees and audit fees were grouped as administrative expenses and it has been recorded at 27.62 per cent which is considered little high. The losses on sale of securities and loss on inter-scheme transfer has been registered 27.97 per cent which is considered more. Provision made on depreciation denoted 34.14 per cent which is unreasonable. Miscellaneous income including deferred revenue expenditure has been registered at 10.20 per cent which is reasonably low. Thus overall it is seen in the table that provision on depreciation in value of investment constitute major item in the expense pattern of bank sponsered mutual fund.

4.1.3 Source-wise income statement of tax planning scheme in SBI Mutual Fund

The source-wise income of tax planning is presented in table4.3. It is noted in the table that dividend received recorded an average of 26.55 percent which is considered satisfactory. Income from interest has been documented at 18.23 percent which is considered to be excellent. The profit on inter-scheme transfer has been registered 8.64 per cent which is considered reasonably low and other income has been logged 2.58 per cent which is very low . Thus overall it is observed that income from profit on sale of securities is the major source for tax planning schemes. Tax planning schemes are introduced to investors with an objective to avoid tax liability.

4.1.4 Source-wise Revenue statement of income schemes in SBI mutual fund

Source-wise revenue of income scheme has been presented in table4.4. It is discerned in the table that dividend received has been registered 4.09 per cent which is considered poor. Income from interest was noticed at 61.86 per cent which is considered excellent. This indicates that SBI Mutual Fund has earned sizable amount through fixed bearing interest securities . Profit on sale / redemption of investment was filed at 51.89 per cent is considered better. Income from profit on inter-scheme was reported 5.21 per cent which is low and other income has been recorded at 5.14 per cent is considered low. Overall it has been observed that income from interest is the major source of income scheme in SBI Mutual Fund. Income scheme were introduced with an objective of providing assured return to investors. This indicates that investment made by income scheme is mostly in fixed interest bearing securities such as debentures and bonds.

4.1.5 Source-wise Income of Growth schemes in SBI mutual fund

Source-wise income of SBI Mutual Fund is presented in table4.5. It can be seen from the table that income from dividend was posted at 12.89 per cent which is considered adequate. Income from profit on sale/ redemption of investment has been observed as 51.89 percent which is considered outstanding . Profit on inter-scheme transfer was reported 5.21 per cent which is low and other income was registered at 5.41 per cent considered as poor. Growth schemes are basically designed with an objective to invest in risky capital or equity capital. Thus overall it was noted that income from profit on sale as major source of earning to mutual fund.

4.1.6 Source-wise Income of CanBank Mutual Fund

The table 4.6 reveals the source –wise income of CanBank Mutual Fund for the period 1991-2001.It is observed in the table that dividend earned has been recorded 8.87 per cent which is reasonably low. This indicates that either the dividend earned through companies were less than what is expected or CanBank

Mutual Fund has not retained the shares for long period. Income from interest was registered 49.22per cent which is excellent. This indicates that the CanBank Mutual Fund has invested large amount in fixed interest bearing securities. Profit on sale of investment/redemption was documented 25.81 per cent which considered adequate. This signifies that CanBank Mutual Fund has earned enough profit on selling shares in capital market . Profit on inter scheme transfer was posted 12.32 per cent which is fair return. Other income was evidenced 13.75 percent which is considered average return. Thus overall it was noted that revenue through interest is the major source of CanBank Mutual Fund.

Table 4.1

Source-wise income of SBI Mutual Fund										Rs. in Crores
	1991	**1992**	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**
Dividend	3.26	8.14	28.04	29.06	36.85	32.72	26.95	15.4	8.51	4.95
	4.10	*4.98*	*6.94*	*7.42*	*15.52*	*16.41*	*25.91*	*12.70*	*1.04*	*2.64*
Interest	38.21	64.14	159.25	85.19	83.54	71.86	53.49	50.49	58.81	44.77
	48.11	*39.27*	*39.41*	*21.76*	*35.17*	*36.04*	*51.42*	*41.64*	*7.17*	*23.91*
Profit on sale/redempt.	23.75	78.56	175.78	238.35	100.42	73.08	11.82	37.06	691.14	134.83
of investment	*29.90*	*48.10*	*43.50*	*60.89*	*42.28*	*36.65*	*11.36*	*30.57*	*84.27*	72.01
Profit on inter-scheme	0.51	7.84	30.42	28.64	10.87	17.38	7.46	14.54	57.13	2.26
transfer	*0.64*	*4.80*	*7.53*	*7.32*	*4.58*	*8.72*	*7.17*	*11.99*	6.97	1.21
other income	13.69	4.64	10.59	10.21	5.83	4.34	4.3	3.75	4.52	0.43
	17.24	*2.84*	*2.62*	*2.61*	*2.45*	*2.18*	*4.13*	*3.09*	*0.55*	*0.23*
Total	**79.42**	**163.32**	**404.08**	**391.45**	**237.51**	**199.38**	**104.02**	**121.24**	**820.11**	**187.24**
	100	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

Figures in italic indicates percentage to total
Source:-Annual reports of SBI Mutual Fund

Table 4.2

Expense pattern of SBI Mutual Fund										Rs. in Crores
	1991	**1992**	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**
Management fees	0.46	11.04	32.27	28.91	21.3	18.09	12.73	20.08	21.82	7.85
	2.61	***16.41***	***26.79***	***22.87***	***15.86***	***7.33***	***5.35***	***10.11***	***20.85***	***8.02***
Trusteeship fees	4.24	6.74	9.98	16.84	3.08	2.21	1.56	0.27	0.09	0.04
	24.08	***10.02***	***8.29***	***13.32***	***2.29***	***0.90***	***0.66***	***0.14***	***0.09***	***0.04***
custodian service	0	0.35	7.65	6.77	2.56	4.49	4.25	4.96	1.64	1.25
charges	0	***0.52***	***6.35***	***5.35***	***1.91***	***1.82***	***1.79***	***2.50***	***1.57***	***1.28***
Registration fees &	0.22	0.32	2.75	5.46	4.04	3.95	7.75	4.2	1.24	1.2
local charges	***1.25***	***0.48***	***2.28***	***4.32***	***3.01***	***1.60***	***3.26***	***2.11***	***1.18***	***1.23***
Publicity expenses	0.28	0.56	0.76	1.49	1.27	12.87	0.02	1.64	0.74	0.23
			0.63	***1.18***	***0.95***	***5.22***	***0.01***	***0.83***		
Audit fees	0.03	0.07	0.18	0.34	0.82	0.81	1.67	0.82	0.21	0.11
	0.17	***0.10***	***0.15***	***0.27***	***0.61***	***0.33***	***0.70***	***0.41***	***0.20***	***0.11***
Deffered revenue	3.62	7.34	9.44	10.54	10.25	9.26	19.74	16.62	3.39	1.71
expenditure	***20.56***	***10.91***	***7.84***	***8.34***	***7.63***	***3.75***	***8.30***	***8.37***	***3.24***	***1.75***
Loss on sale/redemption	1.29	16.09	5.22	11.02	10.82	29.88	55.63	55.32	0	8.01
of investment	***7.33***	***23.91***	***4.33***	***8.72***	***8.06***	***12.11***	***23.39***	***27.85***	***0.00***	***8.18***
Loss on inter-scheme	0.16	6.29	5.08	10.23	7.38	1.65	49.38	85.07	38.46	76.33
transfer/sale of invt.	***0.91***	***9.35***	***4.22***	***8.09***	***5.50***	***0.67***	***20.76***	***42.82***	***36.75***	***77.98***
other operating expenses	1.48	3.21	4.43	2.37	1.68	1.65	2.5	0.75	1.29	0.39
	8.40	***4.77***	***3.68***	***1.87***	***1.25***	***0.67***	***1.05***	***0.38***	***1.23***	***0.40***
Prov. For Dep.in value	2.64	5.39	12.97	9.33	51.83	142.41	68.61	0	15.84	0
of investment	***14.99***	***8.01***	***10.77***	***7.38***	***38.60***	***57.73***	***28.85***	***0.00***	***15.13***	***0.00***
Prov.for debt.considered	2	7	20.07	20.35	13.94	19.34	13.96	6.12	4.94	0.72
Doubtful	***11.36***	***10.40***	***16.66***	***16.10***	***10.38***	***7.84***	***5.87***	***3.08***	***4.72***	***0.74***
Miscellousness Expd.	1.19	2.89	9.64	2.78	5.32	0.06	0.05	2.81	15	0.05
		4.29	***8.00***	***2.20***	***3.96***	***0.02***	***0.02***	***1.41***	***14.33***	***0.05***
Total	**17.61**	**67.29**	**120.44**	**126.43**	**134.29**	**246.67**	**237.85**	**198.66**	**104.66**	**97.89**
	100	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

Figures in italic indicates percentage to total
Source:-Annual reports of SBI Mutual Fund

Table 4.3

Source-wise income according to type of schemes										Rs. in Crores
	1991	**1992**	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**
Dividend	0.89	2.2	12.39	5.98	6.65	33.72	26.95	15.4	8.51	4.95
	2.32	***4.40***	***8.31***	***4.96***	***15.25***	***73.10***	***69.85***	***55.08***	***4.86***	***27.42***
Interest	17.17	16.52	29.93	17.36	8.19	8.51	6.69	2.63	0.5	1.03
	44.83	***33.07***	***20.07***	***14.41***	***18.78***	***18.45***	***17.34***	***9.41***	***0.29***	***5.71***
Profit on sale/redempt.	13.94	24.92	81.91	91.36	22.75	3.06	3.46	5.06	141.33	10.16
of investment	***36.40***	***49.89***	***54.92***	***75.82***	***52.17***	***6.63***	***8.97***	***18.10***	***80.70***	***56.29***
Profit on inter-scheme	0.45	4.05	22.75	5.05	5.69	0.49	0.89	4.67	24.67	1.89
transfer	***1.17***	***8.11***	***15.25***	***4.19***	***13.05***	***1.06***	***2.31***	***16.70***	***14.09***	***10.47***
other income	5.85	2.26	2.16	0.74	0.33	0.35	0.59	0.2	0.12	0.02
	15.27	***4.52***	***1.45***	***0.61***	***0.76***	***0.76***	***1.53***	***0.72***	***0.07***	***0.11***
Total	**38.3**	**49.95**	**149.14**	**120.49**	**43.61**	**46.13**	**38.58**	**27.96**	**175.13**	**18.05**
	100	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

Figures in italic indicates percentage to total
Source:-Annual reports of SBI Mutual Fund

Table 4.4

Source-wise revenue according to Income Schemes										Rs. in Crores
	1991	1992	1994	1995	1996	1997	1998	1999	2000	2001
Dividend	0.79	2.88	2.67	3.47	3.82	2.46	2.45	1.94	0.91	0.44
	3.71	*3.93*	*2.53*	*4.26*	*8.22*	*5.85*	*7.44*	*3.48*	*0.53*	*1.01*
Interest	13.8	36.89	59.23	33.02	33.1	29.6	22.82	39.51	56.37	40.09
	64.82	*50.33*	*56.20*	*40.55*	*71.26*	*70.44*	*69.26*	*70.96*	*33.00*	*91.84*
Profit on sale/redempt.	5.19	28.57	35.38	35.75	8.07	0.72	6.38	11.07	80.91	2.67
of investment	*24.38*	*38.98*	*33.57*	*43.90*	*17.37*	*1.71*	*19.36*	*19.88*	*47.37*	*6.12*
Profit on inter-scheme	0	3.74	6.3	5.23	0.78	7.7	0.03	0.66	28.56	0.37
transfer	*0*	*5.10*	*5.98*	*6.42*	*1.68*	*18.32*	*0.09*	*1.19*	*16.72*	*0.85*
other income	1.51	1.22	1.82	3.96	0.68	1.54	1.27	2.5	4.07	0.08
	7.09	*1.66*	*1.73*	*4.86*	*1.46*	*3.66*	*3.85*	*4.49*	*2.38*	*0.18*
Total	**21.29**	**73.3**	**105.4**	**81.43**	**46.45**	**42.02**	**32.95**	**55.68**	**170.82**	**43.65**
	100	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

Figures in italic indicates percentage to total
Source:-Annual reports of SBI Mutual Fund

Table 4.5

Source-wise income according to Growth schemes										Rs. in Crores
	1991	**1992**	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**
Dividend	1.58	3.06	12.98	19.61	26.38	25.35	19.46	9.49	4.41	2.9
	7.97	***7.64***	***8.70***	***10.35***	***17.89***	***18.10***	***35.77***	***19.36***	***0.92***	***2.27***
Interest	7.24	10.73	70.09	34.81	42.25	33.75	23.98	8.35	1.94	3.65
	36.51	***26.78***	***47.00***	***18.37***	***28.65***	***24.10***	***44.08***	***17.03***	***0.41***	***2.86***
Profit on sale/redempt.	4.62	25.07	58.09	111.24	69.6	69.3	1.98	20.93	468.16	120.77
of investment	***23.30***	***62.57***	***38.95***	***58.69***	***47.20***	***49.49***	***3.64***	***42.69***	***97.79***	***94.61***
Profit on inter-scheme	0.06	0.05	1.37	18.36	4.4	9.19	6.54	9.21	3.9	0
transfer	***0.30***	***0.12***	***0.92***	***9.69***	***2.98***	***6.56***	***12.02***	***18.78***	***0.81***	***0.00***
other income	6.33	1.16	6.61	5.51	4.82	2.45	2.44	1.05	0.33	0.33
	31.92	***2.89***	***4.43***	***2.91***	***3.27***	***1.75***	***4.49***	***2.14***	***0.07***	***0.26***
Total	**19.83**	**40.07**	**149.14**	**189.53**	**147.45**	**140.04**	**54.4**	**49.03**	**478.74**	**127.65**
	100	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

Figures in italic indicates percentage to total
Source:-Annual reports of SBI Mutual Fund

Table 4.6

Source-wise Income of CanBank Mutual Fund **(Rs in Crores)**

sources	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Dividend	1.25 *1.29*	14.28 *2.98*	22.50 *5.51*	27.71 *4.25*	45.38 *6.32*	38.48 *8.51*	36.24 *13.33*	27.74 *11.86*	19.93 *12.67*	16.57 *5.36*	4.19 *16.68*
Interest	68.38 *70.75*	267.91 *56.30*	243 *59.55*	206.54 *31.67*	151.17 *21.04*	151.04 *33.42*	126.61 *46.58*	89.92 *36.32*	114.10 *72.56*	104.90 *33.93*	7.56 *30.10*
Profit on sale	12.41 *12.83*	146.92 *30.87*	18.53 *4.54*	87.52 *13.42*	337.83 *47.03*	202.79 *44.87*	31.55 *11.60*	26.56 *11.35*	6.48 *1.42*	172.43	5.46
Profit on inter scheme	12.30 *12.72*	27.43 *5.76*	108.0 *20.47*	175.90 *26.98*	152.21 *21.19*	39.03 *8.63*	13.26 *4.87*	20.70 *8.85*	2.88 *1.83*	12.23 *3.95*	0.49 *1.95*
Other income	2.33 *2.41*	19.43 *4.08*	16.00 *3.92*	154.40 *23.68*	31.80 *4.43*	20.51 *4.53*	64.13 *23.59*	73.89 *31.60*	13.85 *8.80*	2.97 *0.96*	7.41 *29.51*
Total	**96.67** ***100***	**475.97** ***100***	**408.0** ***100***	**652.07** ***100***	**718.39** ***100***	**451.85** ***100***	**271.7** ***100***	**233.81** ***100***	**157.24** ***100***	**309.10** ***100***	**25.1** ***100***

Figures in italic indicate the percentage to total

Source: Annual reports of CanBank mutual fund(various issues)

Table 4.7

Expense pattern of CanBank Mutual Fund										Rs. in Crores
	91-92	92-93	93-94	94-95	95-96	96-97	97-98	98-99	99-00	00-01
Management Fees/	38.68	28.32	58.54	72.99	51.07	36.6	37.87	18.2	18.16	5.77
	21.8	*17.24*	*10.88*	*25.14*	*12.43*	*11.47*	*20.07*	*10.88*	*27.34*	*8.93*
Provision for Dep/	131.67	106.45	46.38	52.7	135.14	61.23	0.33	3.15	27.39	53.99
Loss in value of invt.	*74.21*	*64.82*	*8.62*	*18.15*	*32.9*	*19.2*	*0.17*	*1.88*	*41.25*	*83.57*
Provision for Doubt.	0.01	6.6	6.2	106.2	177.62	161.52	0.02	0.17	0.00	0.00
Deposits	*0.005*	*4.01*	*1.15*	*36.58*	*43.24*	*50.65*	*0.01*	*0.1*	*0.00*	*0.00*
Loss on sale/	5.1	10.73	406.1	38.02	31.06	79.07	121.14	70.89	16.62	0.94
Redemption of invt.	*2.87*	*6.53*	*75.49*	*13.09*	*7.56*	*24.79*	*64.2*	*42.4*	*1.45*	*0.00*
Other Expenses	0.00	11.58	9.45	17.7	14.13	15.67	16.67	74.76	3.65	3.9
	0.00	*7.05*	*1.75*	*6.09*	*3.44*	*4.91*	*14.13*	*44.72*	*5.49*	*6.03*
Provision for Doubt.	1.46	0.54	11.24	2.66	1.73	1.38	2.64	0.00	0.58	0.00
Debts	0.82	0.32	2.08	0.91	0.42	0.43	1.39	*0.00*	0.87	*0.00*
Total	177.42	164.22	537.91	290.27	410.75	318.87	188.67	167.17	66.4	64.6
	100	100	100	100	100	100	100	100	100	100

Figures in italic indicates percentage to total
Source:- Annual Reports of CanBank Mutual Fund

4.1.7 Expense Pattern of CanBank Mutual Fund

The expense pattern of CanBank Mutual Fund is disclosed in table 4.7 . It is viewed in the table that management and trusteeship expenses was recorded 16.61 per cent which is considered little high. Provision for depreciation in value of investment was registered 34.47 which is very high. This indicates that large amount is credited as provision against the sale of investment. The provision for doubtful debts registered 13.57 per cent which is considered adequate loss on sale of investment has been posted 23.83 per cent which is considered more. Thus it signifies that CanBank Mutual Fund has lost sizable fund in sale of investment. Other expenses was evidenced 9.36 per cent which is considered reasonably low. Provision for doubtful income was accounted 0.72 per cent which is low. Thus overall it was noted that provision made for sale of investment and loss on sale of investment are the two major component of expenses pattern in CanBank Mutual Fund.

4.2 EFFICIENCY OF MUTUAL FUND

The efficiency of SBI and CanBank Mutual funds are evaluated by using ratio analysis. Ratio analysis is an important tool of financial analysis. These ratios highlight financial position of the business. Return on investment, gross expenses to gross income and gross expenses to total assets are identified as efficiency indicators. In addition to this, fund deployment statement is also prepared to examine the investment criteria of mutual fund in SBI and CanBank.

4.2.1 Efficiency of Mutual Funds in SBI Mutual Fund

Table 4.8

Table showing Efficiency of SBI mutual fund

period	Net Income	Total Assets	Gross Expenses	ROI %	Gross Expenses to Gross Income	Gross Expenses to Total Assets
1991	61.81	642.97	17.61	9.61	22.17	2.73
1992	96.03	1514.86	67.29	6.33	41.20	4.44
1993-94	283.64	2728.59	120.44	10.39	29.80	4.44
1994-95	265.02	3000.19	126.43	8.83	32.29	4.21
1995-96	103.22	2625.71	134.29	3.93	56.54	5.11
	161.94	***2102.46***	***93.21***	***7.81***	***36.40***	***4.18***
1996-97	49.72	2229.86	246.67	2.22	83.22	11.06
1997-98	(133.83)	1874.75	237.85	(7.13)	288.65	12.68
1998-99	(77.42)	2036.72	198.66	(3.80)	163.85	9.75
1999-00	715.45	4011.52	104.66	17.83	12.76	2.60
2000-01	89.35	1556	97.89	5.74	52.28	6.29
	128.65	***2341.77***	***177.14***	***2.97***	***108.15***	***8.47***
Grand Mean	**145.29**	**2222.11**	**135.17**	**5.39**	**72.27**	**6.32**

Source:- Annual Reports of SBI Mutual fund Ltd.
Figures in italic indicate Average of Five years
Ratios are expressed in percentages

Table 4.8 Shows that the efficiency of the SBI Mutual Fund for the period 90-91 to 00-01. It has been observed that an average return on investment for the first five year i.e from 90-91 to 95-96 recorded at 7.81per cent and for the second half of the study period registered at 2.97. The overall average return on investment is 5.39 per cent considered to be a poor return. It has been noticed in the table that an increase in total assets resulted in low return on investment indicating an inefficient use of resources. Thus it signifies a poor efficiency of SBI Mutual Fund. The average total expenses to gross income for the first five years of the study period recorded at 36.4 per cent and for the second half of the study period it is 108.15per cent. The overall average expenses ratio was recorded at 72.27 per cent which is considered to be very high . The gross expenses to total assets for the first half of the study period was at 4.18 percent and for the second half at 8.47. The overall expenses ratio to total investment recorded at 6.32 percent. It has been observed that the expenses for the second half has increased as compared to the expenses of first half. Thus it is observed that increased in size of total assets, increased the expenses which is normal phenomena of business

Table 4.9

Table showing efficiency of Open Ended schemes of SBI Mutual fund

peroid	Net Income	Total Assets	Gross Expenses	ROI %	Gross Expenses to Gross Income	Gross Expenses to Total Assets
93-94	84.94	1030.22	23.59	8.24	21.73	2.28
94-95	96.90	1183.39	35.11	8.18	26.59	2.96
95-96	66.40	1177.56	34.56	5.63	34.23	2.93
96-97	28.52	855.10	179.02	3.33	86.25	20.93
	69.19	***1061.56***	***68.07***	***6.34***	***42.25***	***7.27***
97-98	(72.65)	638.64	104.96	(11.37)	324.85	16.43
98-99	(90)	705.16	112.05	(12.76)	506.32	15.89
99-00	466	1706.98	56.51	27.29	10.81	3.31
00-01	65.27	721.62	24.19	9.04	27.04	3.35
	92.15	***943.10***	***74.42***	***3.05***	***217.25***	***9.74***
Grand mean	**80.67**	**1002.33**	**71.24**	**4.69**	**129.72**	**8.50**

Source:-Annual Reports of SBI Mutual fund Ltd.

Table 4.9 reveals the efficiency of open ended schemes of SBI Mutual Fund .It has been observed that ROI for the period 93-94 to 96-97 i.e for the 4 years observed to be at 6.34 percent and for the second half i.e for the period 97-98 to 00-01 recorded at 3.05 percent .The overall average return on total investment has been registered at 4.69 percent considered to be a poor return. Thus it has been observed that a decrease in total assets resulted in a low return on investment. The average expenses ratio for the period 93-94 to 96-97 was recorded at 42.20 percent and for the second half it was registered at 217.25 percent. It has been observed that the expenses ratio for the second half was very high than the expenses during the first half of the study period and overall expense ratio recorded at 129.72 percent which is considered to be very high. The average total expenses to total investment recorded at 7.27 percent and for the second half of the study period was 9.74 percent. The overall expenses to total investment registered at 8.50 percent during the study period. It has been observed that the expense ratio for the second half of the study period has increased as compared to the first half of the study period. Thus, it has been noticed that a reduction in total assets, increased the expenses which signifies efficiency of SBI Mutual Fund.

Table 4.10

Table showing efficiency of Close Ended schemes

period	Net Income	Total Assets	Gross Expenses	ROI %	Gross Expenses to Gross Income	Gross Expenses to Total Assets
90-91	61.81	669.69	17.61	9.22	22.17	2.62
91-92	96.03	1514.86	67.29	6.33	41.20	4.44
93-94	198.70	1698.37	96.85	11.69	32.76	5.70
94-95	168.12	1816.78	91.32	9.25	35.19	5.02
95-96	36.82	1448.15	99.73	2.54	73.03	6.88
	112.29	***1429.57***	***74.56***	***7.80***	***40.87***	***4.93***
96-97	21.20	1364.76	67.65	1.55	76.13	4.95
97-98	(61.18)	1236.11	132.89	(4.94)	185.31	10.75
98-99	12.50	1331.56	86.61	0.93	87.38	6.50
99-00	249.09	2304.54	48.51	10.80	16.30	2.10
00-01	24.08	834.38	73.50	2.88	75.37	8.80

Table 4.10 reveals the efficiency of close ended schemes of SBI Mutual Fund. It has been observed that the average return on investment for the period 90-91 to 95-96 was recorded at 7.80 percent and for the second half of the study

period i.e 97-98 to 00-01 it was 2.24 percent. The overall average return of investment was 5.02 percent. Thus, it has been observed that the return on investment reduced as investment in total assets reduced. But overall return on investment is considered to be very low. The average gross expenses ratio recorded at 40.87 percent and for the second half of the study period was 88.09 percent. The average overall expense ratio recorded at 64.08 percent and it is considered to be very high. The average gross expenses recorded at 4.93 percent and for the second half of the study period was 6.62 percent little higher than the first half of the study period. The overall expenses ratio registered as 5.57 percent considered to be reasonably good. It has been observed that a decline in total assets, reduces the total expense

4.2.2 Efficiency Of CanBank Mutual Fund

Table 4.11

Table showing Efficiency of CanBank Mutual Fund

period	Net Income (Rs)	Total Assets (Rs)	Gross Expenses (Rs)	ROI	Gross Expenses to Gross Income	Gross Expenses to Total Assets
1991-92	407.55	2709.49	66.64	15.04	14.05	2.45
1992-93	269.83	3714.54	216.49	7.26	44.51	5.82
1993-94	86.90	3872.03	521.3	2.24	85.71	13.46
1994-95	452.97	3452.69	262.22	13.11	36.66	7.59
1995-96	15.85	3002.26	433.16	0.52	96.47	14.42
	246.62	***299.96***	***3350.20***	***7.63***	***55.48***	***8.74***
1996-97	(228.56)	1803.74	487.55	(12.67)	188.25	27.02
1997-98	127.12	1202.7	260.06	10.56	67.16	21.62
1998-99	70.78	1178.02	150.99	6.06	68.08	12.81
1999-00	440.22	836.08	82.02	52.65	15.70	9.81
2000-01	(100.60)	372.53	145.51	(27)	324.	39.05
	61.79	***225.22***	***1078.61***	***5.92***	***132.63***	***22.06***
Grand Mean	**145.20**	**262.59**	**2214.40**	**6.77**	**37.62**	**15.40**

Source:- Annual Reports of CanBank Mutual funds Ltd
Figures in italic indicate Average of Five years.
Ratios are expressed in percentages

The efficiency of CanBank Mutual Fund is exhibited in table4.11. The average return on investment for the period 91-92 to 95-96 was 7.63 per cent and 5.92 per cent for the period 96-97 to 00-01. Overall an average 6.17 percent has been observed which is considered to be inadequate. It has been observed that a decrease in the size of total asset ,reduces the return on investment. The gross expenses to gross income ratio for the period 91-92 to 95-96 was noticed to be 55.48 per cent and 132.63 percent for the period 96-97 to 00-01. The overall average of 94.05 percent is registered during the study period is considered to be very high. A higher expense ratio of CanBank Mutual Fund pointed out a low margin on mutual fund schemes. The average ratio of Gross Expenses to total assets posted 8.74 percent for the period 91-92 to 95-96 and 22.06 per cent for the period 96-97 to 00-01. The overall average of 15.40 percent for the period which is considered to be on the higher side. It has been noticed that a decrease in quauntum of total assets ,increased the total expenses. Thus, it signifies that the expenses need to be supervised closely. Thus overall it showed that return on investment is poor and expenses are higher during the study peroid

Table 4.12 reveals the efficiency of open ended schemes of CanBank Mutual Fund. The average return on investment recorded 12.70 percent for the period 91-92 to 95-96 and 10.03 for the period 96-97 to 00-01. An overall average of 11.36 percent was evidenced which is considered to be satisfactory. It is viewed from the table that a decrease in total assets, has shortened the return on investment. The average gross expenses to total income accounted at 32.07 percent for the period 91-92 to95-96 and 73.83 percent for the period 96-97 to 2000-01. An overall 52.95 percent recorded ratio indicated an upward trend in expenses. The average gross expenses to total assets registered 5.59 percent for the year 91-92 and 11.28 percent for the year. Overall 8.43 percent was considered to be low. It is observed in the table that a decrease in total assets ,augmented the gross expenses which signifies the poor efficiency of CanBank Mutual Fund.

The efficiency of close ended schemes of CanBank Mutual Fund is exhibited in table4.13. It is noticed in the table that an average return on investment for the period 91-92 to 95-96 registered 3.06 percent and 4.55 percent for the year 95-96 to 2000-01.It is noticed that a reduction in the size of total assets, weakened the return on investment. The total expenses to total income ratio posted 69.07 per cent for the period 91-92 to 95-96 and 282.14 percent for the year 96-97 to 00-01. Overall it shows 175.60 percent which is considered to be extremely high. The gross expenses to total investible fund testified at 11.68 percent for the year 91-92 to 95-96 and 38.87 percent for the year 96-97 to 00-01. Overall it posted at 25.27 percent which is rather high. It is noticed in the table that a decrease in total assets, shortened the in gross expenses.

Table 4.12

Table showing efficiency of open ended schemes of CanBank Mutual Fund

period	Net Income	Total Assets	Gross Expenses	ROI	Gross Expenses to Gross Income	Gross Expenses to Total Assets
1991-92	177.25	1256.42	41.69	14.10	19.04	3.31
1992-93	187.42	1742.6	108.61	10.75	36.68	6.23
1993-94	231.28	1828.62	64.60	12.64	21.83	3.53
1994-95	317.27	1582.95	94.46	20.04	22.94	5.96
1995-96	89.59	1500.39	133.87	5.97	59.90	8.92
				12.70	32.07	5.59
1996-97	53.86	1408.81	136.46	3.82	71.70	9.68
1997-98	46.93	810.41	138.68	5.79	74.71	17.11
1998-99	53.64	756.68	47.87	7.08	47.15	5.90
1999-00	250.78	601.56	21.25	41.68	7.18	3.53
2000-01	(22.20)	270.55	54.65	(8.20)	168.41	20.19
	76.60	***79.78***	***769.6***	***10.03***	***73.83***	***11.28***
Grand Mean	**138.58**	**84.21**	**1175.89**	**11.36**	**52.95**	**8.43**

Source:- Annual Reports of CanBank Mutual funds Ltd
Figures in italic indicate Average of Five years.
Ratios are expressed in percentages

Table 4.13

Table showing efficiency of close ended schemes of CanBank mutual fund

period	Net Income	Total Assets	Gross Expenses	ROI	Gross Expenses to Gross Income	Gross Expenses to Total Assets
1991-92	230.30	1123.35	24.95	15.84	9.77	24.95
1992-93	82.37	1790.74	107.88	4.17	56.70	107.88
1993-94	(144.38)	1914.51	456.7	(7.06)	146.22	456.7
1994-95	135.70	1756.04	167.76	7.25	55.28	167.76
1995-96	(73.74)	1427.15	299.29	(4.90)	132.69	299.29
	46.09	***1602.35***	***211.31***	***3.06***	***69.07***	***211.31***
1996-97	(282.42)	1039.66	351.09	(25.97)	511.27	351.09
1997-98	80.19	347.36	121.38	20.25	60.21	121.38
1998-99	17.14	343.66	103.12	4.06	85.74	103.12
1999-00	189.44	288.88	60.77	55.76	24.48	60.77
2000-01	(78.40)	77.84	90.86	(76.87)	729.21	90.86
	66.08	***419.48***	***145.44***	***(4.55)***	***282.14***	***145.44***
Grand Mean	**56.08**	**1010.91**	**178.37**	**0.74**	**175.60**	**25.27**

Source:- Annual Reports of CanBank Mutual funds Ltd
Figures in italic indicate Average of Five years.
Ratios are expressed in percentages

4.3.1 FUND DEPLOYMENT OF SBI MUTUAL FUND

Table 4.14

Table showing pattern of fund deployment of SBI mutual fund.

(Rs in crs)

period	Investable fund	Fund in corporate sector					Percentage of fund in corporate sector				
		Equty shares	Pref. shares	Private placement Of debentures	Debentures& bonds	others	Equty shares	Pref. shares	Private placement Of debentures	Debentures& bonds	others
1991	546.84	233.27	-	87.64	101.44	124.49	42.65	-	16.02	18.55	22.76
1992	1372.97	845.64	1.33	205.07	134.23	186.7	61.59	0.09	14.93	9.77	22.07
93-94	2314.79	1703.02	1.33	105.55	309.32	195.57	73.57	0.05	4.55	13.36	8.44
94-95	2350.79	1898.11	-	144.64	301.29	6.65	80.74	-	6.15	12.81	0.28
95-96	2312.15	1811.87	-	167.45	327.30	5.53	78.36	-	7.24	14.15	0.23
96-97	1799.88	1338.98	1.17	163.78	247.74	48.21	74.39	0.06	9.09	13.76	2.67
97-98	1596.93	1299.31	-	182.98	94.79	22.45	81.36	-	11.45	5.93	1.40
98-99	1889.24	1312.02	1.17	332.51	146.96	42.22	69.44	0.06	17.60	7.77	2.23
99-00	3576..75	2749.01	-	515.32	283.53	28.89	76.85	-	14.40	7.92	0.80
00-01	1381.34	545.32	-	469.59	351.28	15.15	39.47	-	33.99	1.09	2.85

source:- Annual Reports of SBI Mutual Fund

Table 4.14 reveals the investment pattern of SBI Mutual Fund. The fund collected from small investors through different schemes are invested in securities of the corporate sector. It can be seen in the table that investment in equity shares recorded an increase over the period except in the year 2000-2001.Higher investment in equity shares indicates higher return at higher risk. Investment in preference shares is observed to be negligible. Lack of transferability and trading in stock exchange has reduced the attraction of investment in preference shares. Privately placed Debentures recorded reduction except in last two years. Investment in debentures plus bonds listed were observed to have reduced over the period of study Investment in debentures assures guaranteed return and also pre-determined interest. Low risk taker normally invest funds in debentures. Investment in other securities is observed to be reduced. Investment in other securities included commercial paper ,Government securities etc. Thus overall it is observed that the investment made in equity shares is higher than the investment made in other type of securities.

Table 4.15

Table showing fund deployment in open ended schemes of SBI

period	Inves table fund	Fund in corporate sector					Percentage of fund in corporate sector				
		Equty shares	Pref. shares	Private placement Of debentures	Debenture s& bonds	others	Equty shares	Pref. shares	Private placement Of deben tures	Debent ures & bonds	others
1993-94	949.83	791.70	_	_	158.13	_	83.35	_	_	16.64	_
1994-95	1132.19	984.55	_	_	146.08	0.96	86.95	—	_	12.90	0.08
1995-96	1067.91	930.81	_	_	134.16	2.94	87.16	_	_	12.56	0.27
1996-97	698.81	592.92	_	6.08	81.00	18.81	84.84	_	0.87	11.59	2.69
1997-98	577.21	553.73	_	7.86	14.62	1.00	95.93	_	1.36	2.53	0.17
1998-99	664.14	605.30	_	28.36	30.48	_	91.14	_	4.27	4.58	_
1999-00	1264.27	867.23	_	193.18	181.00	22.86	68.59	_	15.27	14.31	1.80
00-01	487.38	229.45	_	33.16	212.03	12.74	47.00	_	6.80	43.50	2.61

Source:-Annual Reports of SBI Mutual Fund

Table 4.15 reveals the fund deployment in open ended schemes of SBI Mutual Fund .It can be observed from the table that investment in equity shares has increased in the initial period but from 98-99 shows a decreasing trend. Investment in equity shares largely depends upon the volatility in capital market. Investment in private placed debentures has increased over the years except in the year 00-01. The investment in debentures and bonds listed has been reduced except in the year 00-01. Thus ,overall preference for investment in equity shares has been more when compared to other investment

Table 4.16

Pattern of fund deployment in close ended schemes in SBI Mutual Fund

(Rs in crs)

period	Investable fund	Fund in corporate sector					Percentage of fund in corporate sector				
		Equty shares	Pref. shares	Private placement Of debentures	Debentures& bonds	others	Equty shares	Pref. shares	Private placement Of debentures	Debentures& bonds	others
1991	546.84	233.27	--	87.64	101.44	124.49	42.65	----	16.02	18.55	22.76
1992	1372.97	854.64	1.33	205.07	134.23	186.70	62.24	0.09	14.93	9.77	13.59
93-94	1364.96	911.32	1.33	105.55	151.19	195.57	66.76	0.09	7.73	11.07	14.32
94-95	1218.60	913.56	--	144.64	154.61	5.69	74.96	---	11.86	11.86	0.46
95-96	1244.24	881.06	--	167.45	193.14	2.59	70.81	---	13.45	15.52	0.20
96-97	1101.07	746.06	1.17	157.70	166.74	29.40	67.75	0.10	14.32	15.14	2.67
97-98	1109.72	745.58	--	175.12	80.17	21.45	73.11	---	17.17	7.86	2.10
98-99	1225.10	706.72	1.17	302.30	116.48	42.22	57.68	0.09	24.67	9.50	3.44
99-00	2312.48	1881.78	--	334.32	102.53	6.03	81.37	---	14.45	4.43	0.26
00-01	893.96	315.87	--	436.43	139.25	2.41	35.33	---	48.81	15.57	0.26

Source:-Annual Reports of SBI Mutual Fund

Table 4.16 reveals pattern of fund deployment in close ended schemes of SBI Mutual Fund. It is observed in the table that investment made in equity shares has increased over the years. More investment in equity shares will augment income through buying and selling of securities in the secondary market. Investment in preference is observed to be negligible. Investment in private placed debentures has been increased over the years and investment in debentures and bonds showed a mixed trend. The investment in others which included commercial paper and central Government securities, has reduced over the years.

Investment in Government securities gives guaranted return . Over all, preference for equity shares has increased over the years.

Table 4.17

Pattern of fund deployment in Income scheme of SBI MF

(Amount in crs)

period	Investable fund	Fund in corporate sector					Percentage of fund in corporate sector				
		Equty shares	Pref. shares	Private placement Of debentures	Debentures & bonds	others	Equty shares	Pref. shares	Private placement Of debentures	Debentures& bonds	others
1991	201.40	50.17	-	45.77	97.17	8.30	24.91	-	48.24	48.24	4.12
1992	579.20	285.25	1.33	176.06	116.56	42.48	49.24	0.22	30.39	20.12	7.33
93-94	509.27	305.81	1.33	88.23	113.90	53.55	60.04	0.26	17.32	22.36	10.51
94-95	536.28	283..85	-	128.20	124.23	-	52.92	-	23.90	23.16	-
95-96	578.48	289.11	-	150.96	138.35	0.06	49.97	-	26.09	23.91	0.01
96-97	479.92	226.95	1.17	138.82	112.98	17.44	47.28	0.24	28.92	23.54	3.63
97-98	558.65	336.31	-	153.19	48.69	20.46	60.20	-	27.42	8.71	3.66
98-99	620.69	128.56	1.17	313.24	142.63	35.09	20.71	0.18	50.46	22.97	5.65
99-00	1065.66	279.05	-	490.12	276.48	20.01	26.18	-	45.99	25.90	1.87
00-01	884.02	39..72	-	469.54	350.61	24.15	4.49	-	53.11	39.66	2.73

Source : Annual reports of SBI Mutual fund from 1991-2001

Table 4.17 reveals of pattern of funds deployed in income schemes. Mutual fund organisation invests the funds in securities of the corporate sector with an objective of monthly return to assured investors. It can be observed from the table that investment in equity share is not so encouraging. Investment in debentures gives guaranted and pre-determined rate of return which helps to meet the assured return to investors. Investment in total debentures and bonds showed greater than equity investment which showed that they adhere to the objectives of the schemes. Thus, overall it showed that preference for debentures and bonds was observed to be higher . Investment in others has been reduced over the years. Overall it was observed that preference for debt instrument is higher than the investment in equity capital

Table 4.18

Pattern of fund deployment in Tax planning schemes of SBI MF

(Amount in crs)

period	Investable fund	Fund investment in corporate sector				Percentage of fund invested in corporate securities			
		Equity shares	Private placement Of debentures	Debentures & bonds	others	Equity shares	Private placement Of debentures	Debentures& bonds	others
1991	261.81	130.58	13.19	4.27	113.77	49.87	5.03	1.63	43.45
1992	462.91	319.55	2.18	17.67	123.51	69.03	0.47	26.68	26.68
93-94	520.88	360.03	-0.92	25.62	134.01	69.11	0.17	4.91	25.72
94-95	373.05	346.54	--	20.92	5.59	92.89	-	5.60	1.49
95-96	729.42	323.64	-		-	44.36	-	4.48	-
96-97	311.72	272.91	3.52	32.73	1.98	87.54	1.12	10.68	0.63
97-98	298.03	271.98	1.35	33.31	0.90	91.25	0.45	7.98	0.30
98-99	394.23	391..55	1.74	23.80	-	99.32	0.44	0.23	-
99-00	696.20	695.14	0.40	0.94	-	99.84	0.05	0.09	-
00-01	182.46	181.99	-	0.66	-	99.74	-	0.25	-

Source :Annual reports of SBI mutual fund from 1991-2001

Table 4.18 reveals pattern of fund deployment in tax planning schemes. Tax planning schemes are basically issued to investors who preferred to avoid tax. These schemes are designed on the basis of tax policy with special tax incentives to tax paying investors. It is observed in the table that preference for investment in equity shares has increased over the years. Investment in equity provides a long-term capital appreciation along with tax benefits. Investment in privately placed debentures and bonds listed together accounted a limited growth compared to equity investment. Investment in others has been reduced over the years . This shows that investment pattern followed as per the objectives laid down in schemes i.e growth plus tax benefits. Thus overall it shows that preference for equity investment is more than in other type of investment.

Table 4.19

Table showing pattern of fund deployment in Growth oriented schemes

(Amount in Crs)

period	Investable fund	Fund investment in corporate sector				Percentage of fund invested in corporate securities			
		Equity shares	Private placement Of debentures	Debentures & bonds	others	Equity shares	Private placement Of debentures	Debentures& bonds	others
1991	133.79	102.69	28.68	-	2.42	76.75	21.43	-	1.80
1992	288.38	240.84	26.83	-	20.71	83.51	9.30	-	7.18
93-94	1231.33	1037.18	16.40	169.80	7.95	84.23	1.33	13.78	13.78
94-95	1441.36	1267.72	16.44	156.24	0.96	87.95	1.14	10.83	10.83
95-96	1377.30	1199.12	16.49	156.22	5.47	87.06	1.19	11.34	0.39
96-97	991.60	839.92	21.44	101.45	28.79	84.70	2.16	10.23	2.90
97-98	741.96	691.02	28.24	21.70	1.00	93.13	3.80	2.92	0.13
98-99	820.56	791.91	17.53	3.99	7.13	96.50	2.13	0.48	0.86
99-00	1846.50	1774.82	25.00	6.39	40.29	96.11	1.35	0.34	2.18
00-01	323.86	3236.61	0.05	0.20	-	99.92	.01	0.06	-

Source :Annual reports of SBI mutual fund from 1991-2001

Table 4.19 reveals the pattern of fund deployment in growth oriented schemes of SBI Mutual Fund. Growth schemes are basically issued with an objectives of capital appreciation through capital market. It can be observed from the table that preference for equity investment has increased over the years. It can be observed from table that objectives of growth oriented schemes are adhered to. The investment in privately placed debentures and bonds is reduced over the years. Investment in other securities such as commercial paper, central Govt. security has also been reduced over the years. Thus overall it shows that the investment in equity capital is more than the investment in other type of investment securities

4.3.2 Pattern of Fund Deployment in CanBank Mutual Fund

Table 4.20

Table showing pattern of fund deployment in open ended schemes Of CanBank mutual fund

period	Investable fund	Fund investment in corporate sector				Percentage of fund invested in corporate securities			
		Equity shares	Debentures and bonds	Pvt. Placed debentures	others	Equity shares	Debentures and bonds	Pvt. Placed debentures	others
91-92	1098.17	576.7	367.7	73.04	80.73	52.52	33.48	6.65	7.35
92-93	1605.2	867.6	496.1	111.2	130.3	54.05	30.91	6.93	8.12
93-94	1669.74	974.2	535.8	97.9	62.40	58.34	32.08	5.86	3.72
94-95	1480.36	1017	345	82.47	35.89	68.70	23.30	5.57	2.42
95-96	1442.51	773.7	326	57.71	285.10	53.64	22.60	4	19.76
96-97	1355.66	639.5	460.9	46.76	208.5	47.17	34	3.45	15.38
97-98	766.41	727.5	18.94	5.98	13.99	94.92	2.47	0.78	1.83
98-99	714.2	700.10	12.23	-	1.87	98.03	1.71	-	0.26
99-00	482.32	475.7	0.29	-	6.33	98.63	0.06	-	1.31
00-01	268.01	260.4	1.33	-	6.28	97.16	0.50	-	2.34

Source :Annual reports of CanBank Mutual Fund from 1991-2001

It can be observed from the table that investment in equity shares in corporate sector has been increased from 91-92 to 94-95 and later on 97-98 to2000-01. The investment in equity share was decreased during the year95-96 and 96-97. Investment in equity shares depends on the capital market and it is known for its volatility. If the market is rising then there will more response from the investors to invest in mutual fund schemes.. Thus, it showed that market was slow during 95-96 and 96-97 peroid. The investment in debentures and privately placed debentures has decreased over the years. Debentures assures guaranted rate of return but return is less as compared to equity shares. Investment in debt instruments such as Govt. Securities has been reduced. Overall it shows that preference for the equity investment has increased over the years. Funds can enhance their income through investing in equity capital.

Table 4.21

Table showing pattern of fund deployment in close ended schemes Of CanBank Mutual Fund

period	Investable fund	Fund investment in corporate sector				Percentage of fund invested in corporate securities			
		Equity shares	Debentures and bonds	Pvt. Placed debentures	others	Equity shares	Debentures and bonds	Pvt. Placed debentures	others
91-92	1123.35	552.7	426.5	68.49	75.66	49.2	37.97	6.10	6.73
92-93	1790.74	1000.00	522.6	86.34	181.8	55.85	29.18	4.82	10.15
93-94	1914.51	1283	461.2	88.65	81.66	67.01	24.10	4.63	4.27
94-95	1756.04	1288	340.3	88.23	39.51	73.35	19.38	5.02	2.25
95-96	1039.66	1039	250.6	79.81	57.74	72.79	17.57	5.59	4.05
96-97	1427.15	682.50	261.9	47.84	47.42	65.65	25.19	4.60	4.56
97-98	347.36	325.9	21.46	00	00	93.82	6.18	00	0.06
98-99	343.66	312.8	30.86	00	00	91.02	8.98	00	0.00
99-00	288.88	259.8	29.08	00	00	89.93	10.07	00	00
00-01	77.84	60.62	17.22	00	00	77.88	22.12	00	00

Source :Annual reports of CanBank Mutual Fund from 1991-2001

It can be seen in the table that fund deployed in equity shares has increased over the year. Even though the total amount of investment has decreased but the share of equity capital in corporate sector has increased. The percentage of equity shares in 1991-92 was 49.20 per cent as the lowest and in 98-99 it has been 93.82 per cent considered as the highest. The investment in debentures and bonds has been reduced over the years. It is observed that in the year 91-92 it was the higher 37.97 per cent and in the year 97-98 it has been the lowest at 6.18 per cent as the lowest. The investment in privately placed debentures as well as the investment in other securities observed to have reduced.

Table 4.22

Table showing pattern of fund deployment Of CanBank Mutual Fund

(Rs in crs)

period	Investable fund	Fund investment in corporate sector				Percentage of fund invested in corporate securities			
		Equity shares	Debentures and bonds	Pvt. Placed debentures	others	Equity shares	Debentures and bonds	Pvt. Placed debentures	others
91-92	2221.52	1129.4	794.2	141.5	156.4	50.84	35.75	6.37	7.04
92-93	3395.94	1867.6	1019	216.6	312.1	54.69	29.83	6.34	9.14
93-94	3584.25	2257.2	997	186.6	143.7	62.97	27.82	5.20	4.01
94-95	3236.4	2305	685.3	170.7	75.4	71.22	21.17	5.27	2.33
95-96	2869.66	1812.2	576.6	137.5	342.4	63.17	20.10	4.79	11.94
96-97	2395.32	1322	722.8	94.6	256	55.19	30.18	3.95	10.68
97-98	1113.81	1026	39.7	5.98	13.99	94.64	3.57	0.54	1.26
98-99	1057.86	1012.9	43.89	00	1.87	95.68	4.15	00	0.18
99-00	771.20	735.5	29.37	00	6.33	95.37	3.81	00	0.82
00-01	345.85	321.02	18.55	00	6.28	92.82	5.36	0	1.82

Source :Annual reports of canbank mutual fund from 1991-2001

Table 4.22 reveals the investment pattern of CanBank Mutual Fund. It is viewed in the table that investment in equity shares has been augmented over the years. The equity investment in the year 1991-92 has been 50.84 per cent and in the year 99-00 it has been the highest at 95.37 per cent. The investment in debentures & bonds listed observed to be reduced over the year. It is observed that in the year 91-92 it was 35.75 per cent where as in the year 2000-01 it recorded at 5.36per cent.. It is noticed that investment in privately placed debentures has been reduced from 6.37percent in 91-92 to 95-96 and 0.54 per cent in 1997-98 and later on it was nil . The investment in others which consists of central Govt. securities etc. has been reduced from 7.04 per cent in 2000-01.

4.4 GROWTH PERFORMANCE OF SBI AND CANBANK MUTUAL FUND

Growth of SBI Mutual Fund and CanBank Mutual Funds is computed through annual compound growth rate. Unit capital, total investible funds, reserves and surplus, gross income and gross expenses were considered as growth rate variables. These growth rates will indicate whether the size of the mutual fund has been accelerated or retarded. Hence the growth rates are worked out to evaluate the efficiency of SBI and CanBank Mutual Fund

4.4.1 Annual Compound Growth Rate of SBI Mutual Fund

Table 4.23

Table showing compound growth rate of SBI Mutual Fund

Variables	R2	T-value	C.G.R(%)
Capital	0.09	-0.839	3.68
Total Investible Fund	0.13	-1.485	7.55
Reserve and surplus	0.62	-3.957	30.34
Gross income	0.07	-0.779	61.22
Gross expenses	0.29	-2.164	15.14

Source:- **Annual Reports of SBI mutual fund ltd.**

It can be seen from the table that the compound growth rate of unit capital in SBI Mutual Fund registered at 3.68 percent which is considered to be very poor. Unit capital signifies that funds were generated through sale of units. A poor growth of unit capital indicated that a less response from investors during launching the schemes. The total investible fund recorded at 7.55 percent, considered as to be poor. The reserves and surplus posted a compound growth of 30.34 percent which is considered excellent growth. The compound growth rate of gross income registered at 61.22 percent which shows really an impressive growth

.Income of mutual fund largely depends upon the volatility of capital market and a decision of management in choosing various scrips. The gross expenses recorded a compound growth of 15.14 percent showing better controller in expenses. Overall, it can be observed from the table that only the gross income posted an excellent growth as compared to the growth rate of all other financial indicator of SBI Mutual Fund..

Table 4.24

Table showing compound growth rate of Open Ended scheme of SBI Mutual Fund

Variables	R2	T-value	C.G.R
Capital	0.70	-4.220	43.18
Total Investible Fund	0.04	0.564	3.01
Reserve and surplus	0.33	-2.086	24.73
Gross income	-0.16	0.078	10.65
Gross expenses	0.04	-0.512	6.83

Source:- Annual Reports of SBI mutual fund ltd.

The compound growth rate of open ended schemes of SBI Mutual Fund for the peroid 1991-2001 is disclosed in table 4.24. It can be seen from the table that the unit capital and reserves and surplus which are considered as the most important components of owned fund have recorded 43.18 per cent and 24.73 per cent growth rates respectively over the period, highlighting a good contribution from the unit holders towards the purchase of units on the one hand and a liberal addition to its reserves on the other this speaks an adequate returns earned over the years. The total investible fund recorded 3.01 per cent considered to be poor. Gross income posted 10.65 percent considered to be reasonably low. The gross expenses recorded 6.83 per cent indicating an efficient control over the expenses during the study period. Overall it is witnessed from the table that unit capital and reserve and surplus have posted a considerable growth.

Table 4.25

Table showing compound growth rate of close ended scheme of SBI Mutual Fund

Variables	R2	T-value	C.G.R
Capital	0.09	1.432	10.49
Total Investible Fund	0.02	-0.386	1.83
Reserve and surplus	0.63	-4.021	28.14
Gross income	-0.11	0.291	1.46
Gross expenses	0.06	-1.220	7.04

Source:- Annual Reports of SBI mutual fund ltd.

The growth rates of close ended schemes of SBI Mutual Fund are displayed in table 4.25 . It can be observed from the table that unit capital is one of the prime components of owned funds which has registered 10.49 per cent compound growth rate over the years revealing unsatisfactory growth which could be attributed to low response from unit holders to purchase mutual fund. The total investible fund has been registered 1.83 percent which is considered to be rather poor .

The reserves and surplus on the other hand, is an another important component of the owned fund which has recorded 28.14 per cent compound growth rate over the years considered to be satisfactory. The gross income posted 1.46 percent growth rate considered to be very negligible. The investment made by mutual fund depends upon the market position and timing ability of the mutual fund organisation in making investments.. A poor income earned signifies that the scrips purchased by mutual fund generated lower earnings during the study period and gross expenses recorded 7.04 percent which is reasonably low. This indicates that the expenses of close ended schemes were under constant supervision.

Overall, it is observed that, reserves and surplus and unit capital have posted considerably a good growth..

4 .4.2 Growth rate of CanBank Mutual Fund

Table 4.26

Table showing Growth rate of close ended schemes of CanBank Mutual Fund

Variables	R2	T-value	C.G.R
Capital	0.05	-0.167	2.00
Total Investible Fund	0.77	5.700	34
Reserve and surplus	0.29	2.176	40
Gross income	0.28	2.172	20
Gross expenses	-0.12	0.062	0.00

Source:- Annual Reports of CanBank Mutual Fund

It can be observed in the table that the compound growth rate of unit capital recorded at 2 per cent which is considered to be very poor. A poor growth of unit capital indicates a low response from the investors towards various close ended schemes. The compound growth of investible fund registered 34 per cent which is encouraging. The growth of investible fund will enhance the income of the mutual fund organisation.. Reserves and surplus denoted a compound growth rate of 40 percent and this is considered to be reasonably good. This signifies that sufficient amount of profit was earned from the schemes launched during the study period. The gross income recorded 20 per cent compound growth which is satisfactory. The satisfactory growth of income reveals that investment made in different securities has given a satisfactory yield. Expenses have not shown any growth which means that the expenses were in control.

Table 4.27

Table showing growth rate o f open ended schemes of CanBank Mutual Fund

Variables	R2	T-value	C.G.R
Capital	0.54	3.515	14.33
Total Investible fund	0.67	4.488	18.29
Reserve and surplus	-0.11	0.261	1.20
Gross income	0.35	2.481	16.88
Gross expenses	0.07	0.835	5.80

Source:- Annual reports of Canbank Mutual fund

It can be seen from the table that compound growth of unit capital has been recorded at 14.33 per cent. The average growth of unit capital indicates of a poor response for open ended schemes from investors. The compound growth rate of investible fund recorded at 18.29 percent over the years denoting a meager growth. This signifies that a sufficient funds have been invested by the mutual fund in various securities. The compound growth of reserves and surplus recorded 1.20 percent which is low. A poor growth of reserves and surplus indicated a low profit earned annually and less fund were been diverted to reserves and surplus. The compound growth rate of gross income registered at 16.88 per cent which is relatively low. The compound growth of gross expenses recorded at 5.80 per cent indicating an efficient management of expenses.

4.5 PERFORMANCE ANALYSIS THROUGH RISK ADJUSTED RETURN

The performance evaluation of mutual fund schemes in the framework of return, and risk, is attempted in this chapter. The performance evaluation begins with the comparision of the returns of a mutual fund scheme(managed portfolio) with the returns that would have been obtained by the investors if one or more alternative random portfolios had been chosen for investment.

4.5.1 Sharpe Ratio of SBI and CanBank Mutual Fund Schemes

Table 4.28

Sr no	Schemes	Sharpe ratio of the schemes	Sharpe ratio of the benchmark
	Corpus size less than 50crs		
1	SBI Global fund	-0.04028	-0.038105
2	SBI Magnum sector(Infotech)	-1.8455	-0.0933
3	Magnum sector –Pharma	-0.05974	-0.09024
4	Canexpro	-1.8278	0.0333
5	CanPep95	-0.0728	-0.0706
	Corpus size above 50crs		
1	SBI Growth fund	-2.4988	-0.0798
2	Magnum multiplier plus	-0.0610	-0.2019
3	Magnum sector umbrella	-0.6858	-0.6825
4	CanBonus	-0.0849	0.0341

Source : computed from NAV s and Market return from BSE Sensex

Table 4.30 presents Sharpe ratios of mutual fund schemes. It can be observed from the table that, schemes within the corpus size of 50 crs includes Magnum sector pharma has outperformed the Benchmark. The return earned are compared with the Benchmark. Other schemes viz SBI global fund, SBI Magnum sector, canexpro and canpep95 have not performed the market.

In the corpus size of above 50 crs, Magnum multiplier plus has outperformed the benchmark whereas SBI growth fund, Magnum sector umbrella and canbonus have not performed the market.

4.5.2 Treynor Ratio of SBI and CanBank Mutual Fund Schemes

Table 4.29

Sr No	Schemes	FUND	BENCHMARK
	Corpus size less than 50crs		
1	SBI Global fund	0.252839	0.17
2	SBI Magnum sector(Infotech)	-13.2281	-0.4521
3	Magnum sector -Pharma	-0.2072	-0.4383
4	Canexpro	-0.0904	-0.2815
5	CanPep95	-1.3358	0.1375
	Corpus size above 50crs		
1	SBI Growth fund	-0.9222	-0.3343
2	Magnum multiplier plus	-1.0018	-0.3084
3	Magnum sector umbrella	-0.6825	-3.32
4	CanBonus	0.5437	-0.1658

Source: computed from NAVs from BSE –sensex from 1998 to 2001

Table 4.31 reveals Treynor ratio of mutual fund schemes of SBI and CanBank Mutual Fund. It is observed in the table that ,in the corpus size of below 50crs,SBI Global fund ,Magnum sector –pharma and Canexpro have performed well in the market as compared to benchmark. In the corpus size of above 50 crs, Magnum sector umbrellas and Canbonus have performed well compared to benchmark

4.5.3 Jensen Measures of SBI and CanBank Mutual Fund Schemes

Table 4.30

Sr no	Schemes	Actual Return	Equilibrium Return	Alpha value	t-value
	Corpus size less than 50crs				
1	SBI Global fund	-0.24	0.31103	-0.07103	12.5434
2	SBI Magnum sector(Infotech)	-0.27435	-13.50245	-13.2281	10.2249
3	Magnum sector -Pharma	-0.2743	0.2346	-0.0397	7.5774
4	Canexpro	-0.0945	0.5889	0.4944	1.2599
5	CanPep95	0.2784	-0.49974	-0.22134	3.12067
	Corpus size above 50crs				
1	SBI Growth fund	-0.0153	-0.3338	-0.3185	-11.692
2	Magnum multiplier plus	-0.3871	0.1185	-0.2686	1.7340
3	Magnum sector umbrella	-0.4321	-0.5675	-0.1354	11.816
4	CanBonus	0.3657	-0.6199	-0.2542	14.8112

Source: computed from NAVs from BSE –sensex from 1998 to 2001

Table 4.30 reveals Jensen measures of SBI and CanBank Mutual Fund. In the corpus size of less than 50crs,canexpro has positive alpha value indicating superior performance. The value of alpha is an absolute, which indicates differential return of the portfolio between equilibrium return and actual return. Equilibrium return is the return the benchmark portfolio is expected to earn with the given level of systematic risk .The additional return earned by the fund manager over equilibrium return can be attributed to his ability to select the securities. In the corpus size of above 50 crs, all the schemes alpha are negative hence performance are not good as per equilibrium return.

Conclusion

1) The efficiency of open ended schemes of CanBank Mutual Fund was observed satisfactory whereas efficiency ratios of close ended schemes of SBI Mutual Fund were observed satisfactory and efficiency ratios of CanBank Mutual Fund as a whole was observed satisfactory.

2) The growth variables viz unit capital reserves and surplus total investible fund and gross income of open ended schemes and gross expenses of close ended schemes of CanBank Mutual Fund were found satisfactory.

3) The funds deployment in growth schemes, income schemes and tax planning schemes of SBI and CanBank Mutual Fund was observed that they adhere to the investment pattern of as per the norms of the schemes

4) The Sharpe ratio of Magnum sector pharma ,Magnum multiplier plus schemes were identified as greater than Benchmark. Thus it signifies that these schemes have outperformed the market

5) The Treynor ratio of SBI global fund, Magnum sector pharma, Canexpro, Magnum sector umbrella and Canbonus were performed better than benchmark.

6) The Alpha value of Canexpro is positive , thus it signifies that it has performed well in the market. where as other schemes alpha value is negative thus it indicates that they do not performed well in the market.

CHAPTER V

COMPARATIVE PERFORMANCE ANALYSIS OF SBI AND CANBANK

This chapter is focussed on comparative evaluation of factoring and mutual fund in terms of physical and financial performance, liquidity, productivity, profitability aspects of SBI and CanBank .Further comparative growth analysis is carried out about Factoring and Mutual Fund.

5.1 COMPARATIVE STUDY OF GROWTH ANALYSIS OF SBI AND CANBANK FACTORS

The computed compound growth rates of selected variables of SBI Factors and CanBank Factor are displayed out in table 5.1 to determine the growth of factoring companies.. The selected seven variables include reserves and surplus, loan funds, total assets, working capital, total income, total expenses, sales and profit. It has been observed from the table that reserves and surplus of CanBank Factors have registered a higher growth of 51 percent than reserves and surplus growth of SBI Factors(21 percent). This reveals that profit earned by the CanBank Factors is quite good and helped in building adequate reserve fund .

It further signifies that CanBank Factors focussed more attention on building reserve fund. The loan fund of SBI Factors recorded higher growth than the growth of loan fund of CanBank Factors. In CanBank Factors, it recorded 55 percent while in SBI Factors it was registered at 61 percent, indicating the use of more borrowed fund in SBI Factors than the fund used in CanBank Factors . The use of more borrowed fund increase the cost and reduces profit. A higher borrowed funds by SBI Factors points out that debt to be paid to external parties. The overall growth of total assets of CanBank Factors has registered a higher growth of total assets of SBI Factors. The overall average growth of the CanBank Factors has been observed to be at 23 percent where as that of the SBI Factors it has been at 21 percent.

Total assets represents total investment made in fixed and current assets. Thus, it indicates that CanBank Factors has made more investment in fixed and current assets than the investment in current asset and fixed asset of SBI Factors. The overall average growth of working capital of SBI Factors is shown at 23 percent and CanBank Factors is at 8 percent. The more working capital in SBI Factors shows that its recovery of debts is slow. A quick recovery of debts would reduce the requirement working capital. Low working capital in Can Bank Factors signifies that the recovery procedure of debts employed were sound and healthy.

The total income of CanBank Factors registered at 23 percent of overall growth which is higher than the income growth of SBI factors (17 percent) . Total income includes income from factoring, investment, and other income. A higher compound growth of total income in CanBank Factors signifies that the factoring business of CanBank Factors has increased than the factoring business of SBI factors. The overall growth of total expenses recorded higher in CanBank Factors(35 percent) as compared to the growth of expenses SBI Factors(30 percent).An increase in total expenses in CanBank Factors would reduce profit ability of the business. It has been observed that the total income as well as expenses of CanBank Factors were on the upward trend. An increase in the expenses in CanBank Factors could be an expansion of factoring business.

The total expenses includes administrative expenses, interest and finance charges that area of purely variable in nature and their size is dependent upon the amount of fund borrowed from outside source. The overall compound growth of sales or factored debts of SBI Factors records at 35 percent and CanBank Factors

Table 5.1

Comparative compound growth rate of selected performance indicators of SBI and CanBank Factors for the period from 1991-92 to 2000-2001

Sr. No	Variables (Y)	Constant (a)	Co-efficient (b)	R^2	T-value	CGR (%)
1	Reserves and Surplus					
	a) SBI Factors	-354.71	0.18	0.94	11.327	20
	b) CanBank Factors	-824.46	0.41	0.88	8.14	51
2	Loan Funds					
	a) SBI Factors	-955.03	0.48	0.93	8.131	62
	b) CanBank Factors	-887.91	0.44	0.48	2.76	55
3	Total Assets					
	a) SBI Factors	-378.8	0.19	0.90	8.783	21
	b) CanBank Factors	-422.61	0.21	0.70	4.412	23
4	Working Capital					
	a) SBI Factors	-370.89	0.18	0.92	9.668	20
	b) CanBank Factors	-422.6	0.21	0.74	4.769	8
5	Total Income					
	a) SBI Factors	-331.96	0.16	0.94	11.934	17
	b) CanBank Factors	-538.63	0.27	0.55	3.169	23
6	Total Expenses					
	a) SBI Factors	-530.11	0.26	0.84	6.499	30
	b) CanBank Factors	-607.57	0.30	0.56	3.252	35
7	Sales or Factored Debts					
	a) SBI Factors	-607.56	0.30	0.78	5.00	35
	b) CanBank Factors	-315.76	0.16	0.80	5.375	17

Source :- Annual Reports of SBI and CanBank Factors Ltd. for the period from 1991-92 to 2000-2001 registered at 17 percent. This clearly signifies that purchase of factored debts has increased in SBI Factors than the debts in CanBank Factors. Thus it has showed that a success of business depends upon the size of the turnover. The 35 percent of growth of factored debts in SBI Factors is excellent while in CanBank Factors is reasonably good.

Table 5.2

Comparative performance Analysis of SBI and CanBank Factors through Ratio Analysis for the peroid 1991-92 to 2000-01

Sr no.	RATIOS	SBI Factors	CanBank Factors
I	***Profitability ratios***		
1	Net profit Ratio	1.25	0.81
2	Operating profit	1.42	1.40
3	Expenses ratio	1.45	1.58
4	Return on share holders	6.46	14.63
5	Net profit to Total assets	2.00	3.00
6	Return on working capital	8.66	8.99
II	***Liquidity ratios***		
1	Current ratio	3.62	3.40
2	Liquid ratio	2.37	4.16
3	Cash to total assets	2.51	4.60
4	Cash to total current assets	2.54	4.95
5	Cash to current liabilities	12.00	12.61
6	Cash to working capital	9.84	7.50
III	***Activity ratios***		
1	Fixed assets to net worth	1.80	12.79
2	Current assets to Total assets	98.83	96.82
3	Working capital to sales	22.67	16.19
4	Total asset turnover (no of times)	3.56	3.96
5	Fixed asset turnover(no of times)	531.30	414
6	Current assets turnover (no of times)	3.59	4.11
7	Net fixed assets to Total assets	0.70	1.37
8	Fixed assets to long term fund	1.09	1.95
9	Debtors turnover ratio(no of times)	4.87	4.89
IV	***Productivity Ratios***		
1	Factoring income to Total income	78.95	89.75
2	Administrative expenses to Total expenses	60.13	15.59
3	Interest to expenses	29.42	66.36
4	Total expenses to total income	84.37	49.44

Note:- The ratios represent the ratios averaged over a peroid of 10 years
Source :- compiled from the tables of ratios of the SBI and CanBank Factors.

All the ratios are expressed in percentages except current ratio, liquid ratio, debtors turnover, fixed assets turnover, fixed asset ratio, current asset turnover, total asset turnover. They are expressed in number of times.

5.2 COMPARATIVE PERFORMANCE ANALYSIS OF SBI AND CANBANK FACTORS THROUGH RATIO ANALYSIS FOR THE PERIOD 1991-92 TO 2000-01

The efficiency of the two business enterprises can be determined through comparision with respect to profitability, liquidity , activity and productivity as financial and physical parameters. The comparision between SBI and CanBank Factors is made with computing profitability ,liquidity, activity and productivity ratios for the peroid 1991-92 to 2000-01.

5.2.1 Comparative Profitability Analysis

The profitability ratios of SBI and CanBank Factors are presented in table5.2It is observed from the table that overall average operating profit ratio of SBI Factors recorded at 1.42 whereas in CanBank Factors it was 1.40 percent which is higher than the operating profit of CanBank Factors. Higher profitability indicates that SBI Factors earns more profit than CanBank Factors. The overall average expenses ratio recorded at 1.45 percent in SBI Factors and 1.58 in CanBank factors. Thus, it shown that the expenses of CanBank Factors are higher than the expenses SBI Factors.

It has been observed that higher expenses in CanBank could be due to the growth and expansion of business. The overall average return on shareholders fund of CanBank Factors registered at 14.63 percent and SBI Factors 6.46 percent respectively. Thus, it signifies that the shareholders of CanBank Factors i.e sponsor bank earned a satisfactory return of 14.63 percent where as the sponsor of SBI Factors i.e State Bank of India earned 6.46 percent which is considered to be reasonably low. A higher return of CanBank Factors indicates an efficient deployment of Canara bank funds. The return on working capital of CanBank Factors recorded 8.90 percent and SBI Factors 8.66 percent. It signifies that both the factoring companies earn reasonably low on working capital.

5.2.2 Comparative Liquidity Analysis

The liquidity status of SBI Factors and CanBank Factors is presented in table5.2.It can be seen from table that overall average current ratio of SBI Factors and CanBank Factors was 3.62 and 3.40 percent respectively. Thus it signifies that the current ratio of SBI Factors is little higher than the current ratio of CanBank Factors. It has been observed that in both the factoring companies the current ratio is above the accepted standard norm of 2:1.

Thus the overall current ratio of SBI Factors is higher than the current ratio of CanBank Factors. The overall average liquidity ratio of SBI Factors was registered at 2.37 and CanBank Factors was at 4.16. It indicates that the liquidity ratio of CanBank Factors is higher than liquidity ratio of SBI Factors. The liquid ratio of SBI Factors and CanBank Factors was recorded to be higher than accepted standard norm of 1:1.

The higher liquid ratio of CanBank Factors signifies that more funds are invested in liquid assets of CanBank Factors than funds invested in liquid assets of SBI Factors. The overall average cash to current assets ratio was recorded at 2.54 percent in SBI Factors and at 4.95 percent in CanBank Factors. It indicates that the proportion of cash in current assets is higher in CanBank Factors than the proportion of cash in current assets of SBI Factors. Cash to current liabilities of SBI Factors and CanBank Factors were recorded at 12.00 percent and 12.61 percent respectively. It states that the cash fund in CanBank Factors is higher than cash fund in SBI Factors.

5.2.3 Comparative Activity Analysis

The overall average current asset to total asset ratio was recorded as 98.33 percent for SBI Factors and as 96.82 percent for CanBank Factors respectively. The size of current assets of SBI Factors in total assets is higher than the size of current assets in total assets of CanBank Factors. A higher investment in current assets indicates more short term returns than the long term returns. The overall fixed asset turnover ratio was recorded to be 531.30 and 414 times respectively in SBI Factors and CanBank Factors.

In SBI factors, to generate sale a of hundred rupee , an investment in fixed asset required to be of Rs 0.18. Whereas in CanBank Factors it is required to be

Rs0.24 . Thus, it signifies that CanBank Factors requires more investment in fixed asset than the investment in fixed asset of SBI Factors to generate one hundred rupee. The total assets turnover ratio recorded 3.56 and 3.96 times respectively in SBI Factors and CanBank Factors. It indicates that, to generate one rupee sale the investment in total asset required to be Rs 0.28 in SBI Factors and in CanBank Factors investment in total asset was Rs 0.25. Thus it showed that SBI Factors requires more fund in the form of total assets to generate sales as compared to the funds in fixed assets of CanBank Factors. More investment in total assets in SBI Factors signifies the requirement of more fund which are borrowed from outside source which would increase the cost of capital. An increase in cost of capital would certainly augment expenses which in turn reduces profit.

Working capital to sales ratio of SBI Factors and CanBank Factors recorded at 22.67 percent and 16.19 percent respectively indicates that to generate a sale of hundred rupee Rs22.67 and Rs16.19 are required as working capital in SBI Factors and CanBank Factors respectively. Thus it, signifies that the requirement of working capital is more in SBI Factors than in CanBank Factors.

5.2.4 Comparative Productivity Analysis

The productivity ratio of SBI Factors and CanBank Factor are presented in table5.2 The average factoring income to total income of SBI Factors and CanBank Factors recorded at 78.95 percent and 89.75 percent respectively. It indicates that the factoring income of CanBank Factors is higher than that of factoring income of SBI Factors. Factoring income depends upon the amount of debt purchased. Thus, higher income from factoring signifies that debt purchase transaction of CanBank Factors are more than SBI Factors.

The average administrative expenses of SBI Factors is higher than CanBank Factors. Average interest expenses to total expenses ratio SBI and CanBank Factors registered at 29.42 percent and 66.36 percent respectively. Interest and finance charges are incurred on the borrowed funds. When borrowed fund increases ,the interest and finance charges would obviously increase and vice-versa. The higher interest and finance charges in CanBank Factors shows that that fund borrowed for purchase of debts are higher. Thus, it signifies that purchase of factored debts are higher in CanBank Factors than SBI Factors. The average total expenses to total income of SBI Factors and CanBank Factors were registered at 84.37 percent and at 49.44 percent respectively. It was observed that SBI Factor recorded higher expense ratio as compared to CanBank Factors. A higher expense ratio indicates that CanBank factors earn more profit than SBI Factors.

5.3 COMPARATIVE ANALYSIS OF THE FACTORS INFLUENCING PROFITABILITY OF FACTORING COMPANIES

The selected variables have influenced profitability of the factoring companies. Income has been observed to have had a positive influence on profitability of CanBank Factors than the factoring income of SBI Factors. In SBI Factors it has been observed that an increase in income by one rupee results in an increase in profit by Rs0.42 whereas in CanBank Factors , it is Rs0.86. This clearly indicates that the income of CanBank Factor generates more profit than the factoring income of SBI Factors. On the other hand expense variable has a negative influence on profit of SBI Factors and CanBank Factors. The degree of negative influence is higher in CanBank Factors than the degree of negative effect of SBI Factors. This shows that despite the increase in expenses ,the profit of CanBank factors has increased greater than SBI Factors. The sales or factored debts of CanBank Factors influence higher profit (Rs 1.02) than SBI Factors(Rs0.23) .Thus it demonstrates that sales or factored debts of CanBank Factors generates greater profit through Sales or factored debts than profit generated through sales or factored debts of SBI Factors. The R square indicates that all the variables selected are significant.

5.4 COMPARATIVE LIQUIDITY AND PROFITABILITY ANALYSIS OF SBI AND CANBANK FACTORS

Table 5.3

Comparative liquidity and profitability Analysis of SBI and CanBank Factors

	SBI FACTORS				CANBANK FACTORS			
peroid	CATA %	Liquidity rank	ROI %	Profitability rank	CATA %	Liquidity rank	ROI %	Profitability rank
1991-92	95.13	10	8.03	3	97.80	3	4.52	9
1992-93	99.47	3	10.70	1	98.97	1	5.19	7
1993-94	98.50	9	8.37	2	98.54	2	3.21	10
1994-95	99.06	8	6.33	4	96.59	5	5.38	6
1995-96	99.17	7	4.06	7	96.51	6	6.10	3
1996-97	99.30	5	4.77	5	95.47	10	6.58	2
1997-98	99.25	6	4.71	6	95.90	8	5.60	5
1998-99	99.36	4	3.86	8	96.44	7	4.89	8
1999-00	99.48	2	2.94	9	95.78	9	7.33	1
2000-01	99.50	1	(0.15)	10	96.73	4	6.05	4

Source:- Annual reports of SBI Factors and CanBank Factors(various issues)
CATA- Current Asset to Total Asset
ROI - Return on investment

Table 6.4

PERFORMANCE RANKING SCOREBOARD OF SBI AND CANBANK FACTORS LTD.

Sr. No.	Name of the Company	Financial Parameters Average over a period of 9 years				Liquidity Parameters Average over a period of 10 years					Profitability Parameters Average over a period of 10 years					Activity Performance Average over a period of 10 years					Productivity Performance Average over a period of 10 years					Total Score	Rank
		Average Net Profit (in crores)	Average Operating Profit (in crores)	Factored Debts (in crores)	Segment Score	Cash/ Current Assets (in %)	Cash/WC (in %	Cash/Cur. Liability (in %)	Cash/Total Assets (in %	Segment Score	Expense Ratio	Net Profits/ Shareholder's Fund (in %)	Net profit/ Total assets (in %)	Net Profit/ WC (in %)	Segment Score	Current Assets/ Total Assets (in %)	Debtors Turnover Ratio (No. of times)	WC/ Sales (in %)	Fix assets / Total assets (in %)	Segment Score	Factoring Income/ Total Income (in %)	Adm. Exps./ Total Exps. (in %)	Interest Exps./ Total Exps. (in %)	Total Exps. / Income (in %)	Segment Score		
1	SBI Factors Ltd.	1.2	3.79	395.18	30	2.64	9.84	12.02	2.61	27	1.25	6.46	0.02	8.66	38	98.83	3.56	22.67	0.71	46	78.95	60.13	29.42	50.46	32	173	II
		2	2	2	II	2	1	2	2	II	1	2	2	2	II	1	1	1	2	I	2	2	1	2	II		
		(1)	(1)	(1)		(1)	(2)	(1)	(1)		(2)	(1)	(1)	(1)		(2)	(2)	(2)	(1)		(1)	(1)	(2)	(1)			
2	CanBank Factors Ltd.	4.32	7.26	621.12	60	4.95	7.5	12.61	4.6	39	1.58	14.63	3	8.9	52	96.82	4.89	16.19	1.37	32	89.75	15.59	66.36	49.44	52	235	I
		1	1	1	I	1	2	1	1	I	2	1	1	1	I	2	2	2	1	II	1	1	1	1	I		
		(2)	(2)	(2)		(2)	(1)	(2)	(2)		(1)	(2)	(2)	(2)		(1)	(1)	(1)	(2)		(2)	(2)	(2)	(2)			

The comparative liquidity and profitability analysis is disclosed in table5.3.It is observed that liquidity of the factoring companies is measured through current asset to total asset ratio and profitability is measured through return on investment. The correlation between liquidity and profitability in the companies is computed by using spearman's rank correlations coefficient. Return on investment(ROI) and current asset to total asset (CATA) were used as profitability and liquidity parameters. T –test was applied to test the significance of these coefficients. It has been observed in the table that rank correlation coefficient between liquidity and profitability of SBI Factors registered at –0.60and T value at 77.447. The rank correlations of CanBank factors recorded at –0.73 and T value at 133.127. It is observed in both companies that the liquidity and profitability is inversely related to each other. As liquidity increases the profitability decreases. The rank correlations of CanBank Factors is stonger-0.73 then SBI Factor-0.60.It implies that the degree of liquidity is strongly related to profitability.

5.5 COMPARATIVE GROWTH RATE ANALYSIS OF SBI AND CANBANK MUTUAL FUND

Table No 5.5

Comparative Growth Analysis of open ended schemes for the period 1991-2001

	Unit capital	Investible fund	Reserves & surplus	Gross Income	Gross Expenses
SBI Mutual Fund	43.18	3.01	24.73	10.65	6.83
Canbank Mutual Fund	14.33	18.29	1.20	16.88	5.80

Source: Annual report of SBI & CanBank Mutual Fund for the period 91-01.

It can be seen from the table 5.4 that the growth rate of unit capital is recorded at 43.18 percent of SBI Mutual Fund and 14.33 per cent of CanBank Mutual Fund. Thus, it indicates that growth of unit capital was higher in SBI Mutual Fund than growth of unit capital in CanBank Mutual Fund. Higher unit capital in SBI Mutual Fund signifies that good response by investors in SBI Mutual Fund as compared to the response by investors in CanBank Mutual Fund. Purchase of units by investors depends upon various factors such as reputation and goodwill of mutual fund organisation, capital appreciation, returns and liquidity etc. The growth of investible fund recorded 3.01 per cent in SBI Mutual Fund and at 18.29 percent in CanBank Mutual Fund. This indicates that growth of investible fund in CanBank Mutual Fund is greater than growth of investible fund in SBI Mutual Fund. The reserves and surplus was recorded at 24.73 percent in SBI Mutual Fund and at 1.20 per cent in CanBank Mutual Fund which shows that the growth of reserves and surplus in SBI Mutual Fund is higher than growth of reserves and surplus in CanBank Mutual Fund. Higher growth of reserves and surplus in SBI Mutual Fund indicates that more profits were earned annually on various schemes and liberal policy was followed in transferring reserve fund from annual profit. The gross income of SBI Mutual Fund was registered at 10.65 percent and at16.88 per cent in CanBank Mutual Fund which signifies that the growth rate of gross income in CanBank Mutual Fund was relatively higher than growth of gross income of SBI Mutual Fund. However augment in gross income depends upon the income earned through the sale of securities in capital market and interest and dividend earned through fixed bearing securities. The gross expenses to investible fund of SBI Mutual Fund was recorded 6.83 percent and

5.80 percent in CanBank Mutual Fund which denotes that expenses of CanBank Mutual Fund were in control than expenses of SBI Mutual Fund.

Table 5.5

A comparative Growth rates of close ended schemes

	Unit capital	Investible fund	Reserves & surplus	Gross Income	Gross Expenses
SBI Mutual Fund	10.49	1.83	28.14	1.46	7.04
CanBank Mutual Fund	2.00	34.00	40.00	20.00	-

Source: Annual report of SBI & CanBank mutual fund for the period 91-01.

It is observed from the table that growth rate of unit capital in SBI Mutual Fund and CanBank Mutual Fund is recorded 10.49 per cent and 2.00 per cent respectively. Thus it denote that growth rate of unit capital in SBI Mutual Fund is higher than growth rate of unit capital in CanBank Mutual Fund. Growth rate of investible fund in SBI Mutual Fund and CanBank Mutual Fund is registered 1.83 percent and 34 percent respectively. It indicates that growth of investible fund in CanBank Mutual Fund is greater than growth of investible fund in SBI Mutual Fund. Reserves and surplus was posted growth rate of 28.14 per cent and 40 per cent respectively in SBI Mutual Fund and CanBank Mutual Fund. Thus it indicate that growth of reserves and surplus of CanBank Mutual Fund is greater than growth rate of reserves and surplus in SBI Mutual Fund.

The gross income has been documented 1.46 percent and 20 percent in SBI Mutual Fund and CanBank Mutual fund respectively. It indicates that growth rate of income is higher in CanBank Mutual Fund than growth rate of income in SBI Mutual Fund. The gross expenses in SBI Mutual Fund has been recorded 7.04

percent and in CanBank it is negligible rate thus it indicates that the expenses of SBI Mutual Fund is increased higher than the expenses of CanBank Mutual Fund.

5.6 COMPARATIVE EFFICIENCY THROUGH RATIO ANALYSIS

Table 5.6

Table showing comparative Efficiency through ratio Analysis for the peroid 1991-2001 of SBI and CanBank Mutual fund

Organisations	ROI	Gross Expenses to Gross Income	Gross expenses to Total investible fund
SBI Mutual Fund	5.39	72.27	6.32
CanBank Mutual Fund	6.77	37.62	15.40

Note:- All ratios are expressed in percentages and average over a period of 10years

Source:-Annual reports of SBI and Canbank mutual fund for the peroid 91-2001

The table 5.5 reveals the performance evaluation through ratio analysis. It can be noticed in the table that ROI was recorded 5.39 per cent in SBI Mutual Fund and 6.77 per cent in CanBank Mutual Fund which indicates that CanBank Mutual Fund has earned more return than SBI Mutual Fund. This signifies that investment of CanBank Mutual Fund have been properly channelised to get good return The gross expenses to gross income registered 72.27 percent in SBI Mutual Fund and 37.62 per cent in CanBank Mutual Fund which signifies that expenses of CanBank Mutual Fund incurred less than SBI Mutual Fund.

Lower expenses of CanBank Mutual Fund indicate that more fund will be left to unit holders in the form of dividend. The gross expenses to total investible fund was posted 6.32 percent in SBI Mutual Fund and 15.40 percent in CanBank Mutual Fund which indicates that expenses as compared to investment fund were under control in CanBank Mutual Fund. This indicate that the efficiency of CanBank mutual fund is better than SBI Mutual Fund with regards to control of expenses. Overall it shows that CanBank Mutual Fund performance is better than SBI Mutual Fund.

Table 5.7

Table showing comparative efficiency of open ended schemes through ratio analysis for the peroid 1991-2001

Organisations	ROI	Gross Expenses to Gross Income	Gross expenses to Total investible fund
SBI Mutual Fund	4.69	129.72	8.50
CanBank Mutual Fund	11.36	52.95	8.43

Note:-All ratios are expressed in percentages and average over a period of 10 years

Source:-Annual reports of SBI and CanBank mutual fund for the peroid 91-2001

It can be observed from the table that ROI of open ended schemes of SBI Mutual Fund was recorded 4.69 percent and 11.36 per cent in Canbank Mutual Fund Higher ROI in CanBank Mutual Fund speaks that there is optimum use of investment which has resulted higher yield compared to SBI Mutual Fund. The gross expenses to gross income ratio has been registered 129.72 percent and 52.95 percent in CanBank Mutual Fund which signifies that expenses proportion of CanBank Mutual Fund is lower than SBI Mutual Fund. Low gross expenses in CanBank Mutual Fund gives us hint that they had effectively control the expenses of Mutual Fund .The gross expenses to total investible fund was recorded 8.50 per cent in SBI Mutual Fund and 8.43 percent in CanBank Mutual Fund which denotes that CanBank mutual fund expenses were lower than SBI Mutual Fund. Overall it spotted from the that CanBank Mutual Fund performance is better than SBI Mutual Fund.

Table 5.8

Table showing the comparative efficiency of close ended schemes through ratio analysis for the peroid 1991-2001

Organisations	ROI	Gross Expenses to Gross Income	Gross expenses to Total investible fund
SBI Mutual Fund	5.02	64.48	5.77
CanBank Mutual Fund	(0.74)	175.60	25.27

Note:-All ratios are expressed in percentages and average over a period of 10 years

Source: Annual report of SBI & CanBank Mutual Fund for the period 91-92

It can be witnessed from the table that ROI of close ended schemes is registered 5.02 per cent in SBI Mutual Fund and (0.74) per cent in CanBank Mutual Fund Thus it signifies that return of investment of SBI Mutual Fund is better than CanBank Mutual Fund. The gross expenses to gross Income was posted at 64.48 per cent in SBI Mutual Fund and175.60 per cent posted in CanBank Mutual Fund which indicates that CanBank mutual fund incurred more expenditure than SBI mutual fund.. The gross expenses to total investible fund has been registered 5.77 per cent posted in SBI Mutual Fund and 25.77 per cent in CanBank Mutual Funds. It indicates that expenses were higher in CanBank Mutual Fund with respect to total investible fund. Thus overall, it points out that efficiency of SBI Mutual Fund is better than CanBank Mutual Fund.

Conclusion

It was found in the study that:-

1)The Net profit ratio, operating ratio and expenses ratio was found satisfactory as compared to CanBank Factors

2)The liquidity position of CanBank Factors was higher as compared to SBI Factors.

3) Recovery of debts was found better in CanBank Factors compared to SBI Factors.

4) An rupee increase in variables viz income and sales or factored debts earns higher profit in CanBank Factors compared to SBI Factors.

5)Based on the total score obtained by each factor in all the five segments CanBank Factor performed better than SBI Factors.

6) The efficiency ratios of CanBank Mutual Fund was found satisfactory compared to SBI to SBI Mutual Fund.

7) The growth of financial variables viz unit capital ,reserves and surplus of open ended schemes and close ended schemes of SBI mutual fund was recorded satisfactory as compared to compound growth of unit capital and reserves and surplus of CanBank Mutual Fund

CHAPTER VI

PROFILE, AWARENESS AND PROBLEMS ANALYSIS OF SBI AND CANBANK CUSTOMERS

This chapter focuses on the profile, awareness and problems of customers in factoring and mutual fund of SBI and CanBank.

PROFILE ,AWARENESS AND PROBLEMS OF CUSTOMERS OF SBI AND CANBANK .

Today's market is considered as buyers market. In the present globalised and liberalized economy there are number of options infront of customers. Customers are considered as supreme in the present competitive market. Satisfaction and retaining customers is the major objective of business organisation which in turn help to expand the business and increase the profitability of the concern. Factoring and Mutual fund are the modern non-banking financial services provided by the public sector banks in recent years. The growth and prospects of these services will depend upon the customers, in availing the services at a wider scale. Thus it is essential to study profile, awareness and the problems faced by customers in availing these services provided by SBI and CanBank.

6.1 PROFILE, AWARENESS AND PROBLEMS ANALYSIS OF CUSTOMERS OF SBI FACTORS

Table 6.1

Form of organisation of customers in SBI Factors

	Frequency	percent	Cumulative percent
Partnership firm	5	16.7	16.7
Company organisation	25	83.3	100.0
Total	30	100.0	

Source:- primary survey

It can be seen in the table 6.1 that 5 respondents (16.7 per cent) belong to partnership firm and 25 respondents (83.3 per cent) belong to company organisation .This showed that maximum respondents belong to company form of organisation which signifies that factoring services were availed more by the company form of organisation rather than other forms of organisation.

Table 6.2

Year of establishment of customers with SBI factors

	frequency	percent	Cumulative percent
Before 1980	10	33.3	33.3
Between1980-90	10	33.3	66.7
Between1991-2000	9	30.0	96.7
After2001	1	3.3	100.0
Total	30	100.0	

Source:- primary survey

It was observed in the table 6.2 that 10 respondents (33.3 per cent) established before 1980,10 respondents (33.3 per cent)established between1991-

2000 and 1 respondent established after 2001. Thus it communicates that maximum respondents established their organisation before 2000.

Table 6.3

Customers business turnover of SBI Factors

	frequency	percent	Cumulative percent
More than 50 lakhs but less than 1 crore	1	3.3	3.3
More than 1 crore but less than 5 crore	6	20.0	23.3
Above 5 crore	23	76.7	100.0
Total	30	100.0	

Source:- primary survey

It is noticed in the table 6.3 that 23 respondents(76.70 per cent)have had a turnover of above 5 crore , 6 respondents (20.0 per cent)have had a turnover of more than one crore but less than 5crore and 1 respondent have had a turnover of more than 50 lakhs but less than one crore .Thus it indicates that factoring services are more required in the business enterprises where turnover is larger.

Table 6.4

Banker of customers of SBI factors

	frequency	percent	Cumulative percent
State Bank of India	15	50.0	50.0
Canara Bank	1	3.3	53.3
Any other	14	46.7	100.0
Total	30	100.0	

Source:- primary survey

It is observed in the table 6.4 that 15 respondents (50 per cent) have the accounts with the State Bank of India ,14 respondents (46.7 per cent) have accounts with various banks. Thus it shows that many customers were found to have availed factoring services from SBI Factors and holding account with State Bank of India. At the same time 14 respondents maintained their accounts in other banks.

Table 6.5

Type of industry

Type of industry	frequency	percent	Cumulative percent
Auto industries	7	23.3	23.3
Chemical and services	9	30.0	53.3
Metal and cylinders	1	3.3	56.7
Packaging	4	13.3	70.0
Consumers	3	10.0	80.0
Electrical components	1	3.3	83.3
Plastic industries	1	3.3	86.7
Textiles	1	3.3	90.0
Others	3	10.0	100.0
Total	30	100.0	

Source:- primary survey

It is noticed in the above table that auto ,chemicals and services are the major industries availed factoring services followed by packaging, consumers, electrical, plastic, textiles and metals and cylinders .The above table showed a diversified customers of SBI Factors.

Table 6.6

Capital of the organisation

	Frequency	Percent	Cumulative percent
Less than 50 lakhs	11	36.7	36.7
More than 50 lakhs but less than 1 crore	5	16.7	53.3
More than 1 crore but lessthan5 crore	6	20.0	73.3
Above 5 crore	8	26.7	100.0
Total	30	100.0	

Source:- primary survey

It is observed in the table that 11 respondents (36.7 per cent) has capital less than 50 lakhs, 5 respondents (16.7 per cent)have a capital more than 50 lakhs but less than 1 crore, 6 respondents (20 per cent) has capital of more than 1 crore but less than 5 crore and 8 respondents (26.7 per cent) have capital of more than 5 crore. Thus it clearly speaks that maximum respondents have less than 50 lakhs which showed maximum units are small scale . Factoring services are more required for small scale because they cannot lend more credit in the market and also for longer peroid. Factoring services will help Small scale industries through sale of debts and receipt of prepayment amount

Table 6.7

Avail of factoring services from SBI factors

	frequency	percent	Cumulative percent
From 1990 onwards	6	20.0	20.0
From 1995 onwards	10	33.3	53.3
From 2000 onwards	14	46.7	100.0
Total	30	100.0	

Source:- primary survey

It is viewed from the table 6.7 that ,6 respondents (20 per cent) started availing factoring services from 1990 onwards, 10 respondents (33.3 per cent) started availing factoring services from 1995 onwards and 14 respondents (46.7 per cent)started availing factoring services from 2000 onwards . Thus it speaks that maximum respondents started availing factoring services from 1995 onwards even though factoring services started from 1991 onwards.

Table 6.8

Sources of awareness of factoring services

Sources	Frequency	Percent	Cumulative percent
Through factor	13	43.3	43.3
Through banker	9	30.0	73.3
Through friends	7	23.3	96.7
Through media	1	3.3	100.0
Total	30	100.0	

Source:- primary survey

Table 6.8 reveals that 13 respondents (43.3 per cent)were observed to be aware of factoring services through factor , 9 respondents (30 per cent) came to know factoring services through banker, 7 respondents (23.3 per cent) learnt factoring services through friends and one respondent through media. Thus it communicates that maximum awareness is created through factor. Factoring is modern financial service provided by banks in India recently thus it needs awareness.

Table 6.9

Reasons for not discounting of bills

Reasons	frequency	percent	Cumulative percent
Delay in payments	8	26.7	26.7
Actual limit is less	11	36.7	63.3
Discounting charges are more	2	6.7	70.0
More legal formality	7	23.3	93.3
Any legal	2	6.7	100.0
Total	30	100.0	

Source:- primary survey

It is noticed in the table 6.9 that 8 respondents (26.7 per cent) did not discount the bills with bank due to delay in payments, 11 respondents (36.7 per cent) did not discount the bills due to less limit of discounting,7 respondents (23.3 per cent) have not discounted due to more legal formalities and 2 respondents (6.7 per cent) due to more discounting charges . Thus it indicates that actual limit and delay in payments were the two major reasons for not having discounted the bills. The actual limit is prescribed by the bank to which the customer can avail the cash by discounting the bill.

Table 6.10

Reasons for Preferring SBI Factor

	frequency	percent	Cumulative percent
Early requirement of fund	18	60.0	60.0
Customer settle bills promptly	5	16.7	76.7
Concentrate fully on business	6	20.0	96.7
Any other	1	3.3	100.0
Total	30	100.0	

Source:- primary survey

It learnt from the above table that 18 respondents (60 per cent) prefer factor for early requirement of fund, 5 respondents(16.7 per cent) prefer factor due to settlement of customers bills promptly and 6 respondents (20 per cent) preferred factor due to concentration fully on business expansion .Thus it clearly gives hints that factor is preferred by a large numbers due to an early requirement of funds. Factor makes an advance payments to clients as soon as debts is purchased, thus it helps to reduce the requirement of working capital.

Table 6.11

Services provided by factor

Services rendered	frequency	percent	Cumulative percent
Maintainance of sales ledger	21	70.0	70.0
Letter of reminder	6	20.0	90.0
Consultancy services	2	6.7	96.7
Any other	1	3.3	100.0
Total	30	100.0	

Source:- primary survey

It can be seen in the table 3.30 that 21 respondent (70 per cent) found that factor provides service of maintenance of sales ledger,6 respondents (20 per cent) expressed that the letters of reminder are sent by the factor and consultancy service is also provided by the factor. Thus it signifies that maintenance of sales ledger is one of the important services provided by the factor. The letters of reminder will help the factor for smooth recovery of debts.

Table 6.12

Size of current assets of customers of SBI Factors

	frequency	percent	Cumulative percent
Less than 50 lakhs	2	6.7	6.7
More than50 lakhs but less than1 crore	3	10.0	16.7
More than1 crore but Less than 5 crore	12	40.0	56.7
Above 5 crore	13	43.3	100.0
Total	30	100.0	

Source:- primary survey

It is observed in the table 6.12 that 12 respondents (40 per cent) have more than a crore but less than 5 crore investment in current assets and 13 respondents (43.3 per cent) have more than 5 crore as investment in current assets. More investment in current asset will increase the liquidity but reduces the profitability. Thus it is required that investment in current asset should be adequate.

Table 6.13

Customer transaction on credit

Credit transactions	frequency	percent	Cumulative percent
Less than 10	6	20.0	20.0
More than10 but less than50	11	36.7	56.7
More than 50 but Less than 100	8	26.7	83.3
Above 100	5	16.6	96.7
Total	30	100.0	100.0

Source:- primary survey

It was found in the table 6.13 that 6 respondents (20 per cent)have less than 10 customers allowed on credit,11 respondents (36.7 per cent) have more than 10 but less than 50 customers are allowed on credit ,8 respondents (26.7 per cent) has more than 50 but less than 100 customers allowed on credit whereas 5 respondents(16.6 per cent) have above 100 customers allowed on credit . Thus it denotes that number of customers allowed on credit are increasing which signifies that there is scope for factoring services.

Table 6.14

Customers of clients involved in export business

Export business	frequency	percent	Cumulative percent
Less than 5	16	53.3	53.3
More than 5 but less than10	4	13.3	66.7
More than 10 but Less than 20	7	23.30	90.0
Above 25	3	10.0	100.0
Total	30	100.0	

Source:- primary survey

It was observed in the table 6.14 that 16 respondents (53.3 per cent)have less than 5 customers ,4 respondents (13.3 per cent) have more than 5 but less than10 customers,7 respondents (23.30 per cent) have more than 10 but less than 20 customers and 3 respondents has more than 25 customers involved in export business. A less number of customers involved in export business indicates a that less scope for international factoring.

Table 6.15

Number of customer defaulted

No. of Customers defaulted	frequency	percent	Cumulative percent
Less than 5	25	83.30	83.30
More than5but less than10	1	3.33	86.63
More than10 but Less than 20	4	13.33	100.00
Above 20	-----		
Total	30	100.00	

Table 6.15 reveals that 25 respondents (83.33 per cent) have less than 5 customer as defaulters and 4 respondents (13.33 per cent)have more than 10 but less than 20 customers as defaulters . Considering the size of total customers, the percentage of defaulters is rather less. Thus it indicates that due to the factoring services the size of bad debts observed to have been decreased which signifies factoring services are beneficial to business enterprises.

Table 6.16

Benefits from factoring

Benefits	frequency	percent	Cumulative percent
Easy in collection	4	13.3	13.3
Helps to increase working capital	23	76.7	90.0
Helps to expand business	3	10.0	100.0
Total	30	100.0	

Source:- primary survey

It has been observed in the table that 4 respondents (13.3 per cent) got the benefit of easy collection of debts , 23 respondents (76.7 per cent) got the benefit of factoring through increase in working capital, 3 respondents (10 per cent) got the benefit through an expansion of business .Thus, it indicates that maximum respondents got the benefit of factoring services through increase in their working capital .Factor makes an advance payment of nearly 80 per cent to client thus it helps to reduce the requirement of working capital.

Table 6.17

Problems faced by the customers

	frequency	Percent	Cumulative percent
Interest charged is very	20	66.7	66.7
Delay in remitting	1	3.3	70.00
More legal formality	2	6.7	76.7
Lack of knowledge	1	3.3	80.0
Cheques are drawn	1	3.3	83.3
Collateral security	4	13.3	96.6
Letter of authority	1	3.3	100.0
Total	30	100.0	

It is viewed from the table 6.17 that 20 respondents (66.7 per cent) faced the problem of interest charged on prepayment was higher, 4 respondents (13.3 per cent) were faced with problem of collateral security demanded by factor. These were the two major problems faced by large number of customers. Besides this other problems includes delay in remitting money, more legal formalities, letter of authority etc. Interest charged on prepayment amount is normally higher due to the fact that factor borrows finance from the bank and than remit to clients obviously the rate of interest will be higher

Table 6.18

Suggestion from customers

	frequency	percent	Cumulative percent
Factor should take responsibility of collection of debts	5	16.7	16.7
More legal formality	5	16.7	33.3
Interest charged should be minimum	20	66.7	100.0
Total	30	100.00	

Source:- primary survey

It is seen in the table 6.18 that 5 respondents (16.7 per cent)suggested that factor should take the responsibility of collection of debts,5 respondents (16.7 per cent) suggested that legal formality should be minimized and 20 respondents (66.7 per cent)suggested that interest charged should minimized .An interest charged by a factor is normally higher than the interest charged by the bank since factor borrows the fund from the banks and other financial institution where interest rates is much higher.

6.2 PROFILE, AWARENESS AND PROBLEMS ANALYSIS OF CUSTOMERS OF CANBANK FACTORS

Table 6.19

Form of organisation of customers in CanBank Factors

Type of customers	frequency	Percent	Cumulative percent
Sole proprietership firm	1	3.3	3.3
Partnership firm	5	16.7	20.0
Company organisation	24	80.0	100.0
Total	30	100.00	

Source:- primary survey

It can be seen in the table 6.19 that out of 30 respondents 24 respondents(80 percent) belong to company form of organisation ,5 respondents (16.7 percent) belongs to partnership firm and 1 respondent (3.30 percent) belong to sole trading concern. This showed that the company form of organisation were observed to have availed the highest CanBank factoring services followed by partnership firm and sole trading organisation. Factoring services are more required where business depends more on credit transactions. It is a normal feature of companies that they provide more credit than other form of organisations.

Table 6.20

year of establishment of Customers with CanBank Factors

Year of establishments	frequency	Percent	Cumulative percent
Before1980	11	36.7	36.7
Between 1980-90	8	26.7	63.4
Between1991-2000	9	30.00	93.4
After2001	2	6.6	100
Total	30	100.0	

Source:- primary survey

It is observed in the table 6.20 that 11 respondents(36.7 percent) were found to have established before 1980 ,8 respondents(26.7percent)were established between 80-90,9 respondents (30 percent) were established between 91-2000 and 2 respondents (6.60 percent) after 2001.Thus it signifies that a maximum respondents established their organisations before 1980.

Table 6.21

Customers Business Turnover with CanBank Factors

Volume of Business	frequency	percent	Cumulative percent
More than 50 lakhs and less than 1 crore	5	16.7	16.7
More than 1 crore and less than5 crore	17	56.7	73.3
Above 5 crore	8	26.6	100.0
Total	30	100.0	

Source:- primary survey

It is noticed in the table 6.21 that 5 respondents(16.7 percent) has turnover of more than 50 lakhs but less than one crore,17 respondents (56.7 percent) have made a turnover of more than one crore but less than 5 crore and 8 respondents (26.6 percent) has turnover of above 5 crore. Thus it signifies that the highest number of customers have had a turnover of more than one crore followed by more than 5 crore and less than one crore.

Table 6.22

Existence of customers Relationship with CanBank Factors

	frequency	percent	Cumulative percent
From 1990 onwards	7	23.3	23.3
From1995 onwards	13	43.3	66.7
After 2000	10	33.3	100.0
Total	30	100.0	

Source:- primary survey

It is ascertained in the above table that 7 respondents (23.3 percent) started availing factoring services from 1990 onwards, 13 respondents (43.3 percent) started availing factoring services from 1995 onwards and 10 respondents (33.3 percent) started availing factoring services from 2000 onwards . Thus it indicates that factoring services got a momentum after 1995 onwards even though it was started in 1991. Thus, awareness of factoring service started after 1995 onwards.

Table 6.23

Reasons for not Discounting Bills in Banks

Reasons	frequency	percent	Cumulative percent
Delay in payments	13	43.3	43.3
Actual limit is less	16	53.3	96.7
More legal formalities	1	3.3	100.0
Total	30	100.0	

Source:- primary survey

It is confirmed in the table that 13 respondents (43.3 percent) did not discount their bills with banks due to delay in payments, 16 respondents (53.3 percent) did not discount due to limit set up is less where as only one respondent did not discount due to more legal formality. Thus it indicates that delay in payments and actual limit are the reasons for not discounting bills with banks. In factoring, factors makes an immediate payments and also actual limit is much higher than the limit with the ban

Table 6.24

Documents required for availing factoring services

	frequency	percent	Cumulative percent
Written undertakings	15	50.0	50.0
Letter of disclaimer	15	50.0	100.0
Total	30	100.0	

It viewed in the table that written undertaking and letter of disclaimer are the two documents required to obtain factoring services. A letter of disclaimer is an undertaking from the client stating that no claim is made by the other party on the bills factored. A written undertaking is required when an advance payments are made to clients. A written undertakings are taken from customers so that factor can collect debts from customers .

Table 6.25

Awareness of factoring services

source	frequency	percent	Cumulative percent
Through factor	11	36.7	36.7
Through banker	9	30.0	66.7
Trough friends	10	33.3	100.0
Total	30	100.0	

Source:- primary survey

It stated in the above table that 11 respondents (36.7 percent) were found that they aware of factoring services through factor,10 respondents (33.33 percent) through friends, 9 respondents (30 percent)through banker. Thus, it signifies that factor plays a very important role in creating an awareness of the factoring services. Factoring is a new financial service that needs awareness.

Table 6.26

Reasons for Preferring CanBank factor

Reasons	frequency	percent	Cumulative percent
Early requirements of funds	22	73.3	73.3
Customer settle bills promptly	7	23.3	96.7
Any other	1	3.3	100.0
Total	30	100.0	

Source:- primary survey

It is viewed from table that 22 respondents (73.3 percent) preferred factor due to an early requirement of funds, 7 respondents (23.3 percent)prefer due to customers promptly settlement of bills. It clearly indicates that preference for factor is due to an early requirement of funds. Factor pays nearly 70-80 percent as an prepayment money and it can be used as an working capital.

Table 6.27

Services provided by CanBank Factors to customers

	frequency	percent	Cumulative percent
Maintainance of sales ledger	13	43.3	43.3
Customer settle bills promptly	16	53.3	96.7
Any other	1	3.3	100.0
Total	30	100.0	

Source:- primary survey

It can be seen in the table that CanBank factor provides services such as maintenance of sales ledger, letter of reminders and consultancy services. It was observed in the table that 13 respondents (43.3 percent) receives the services of maintenance of sales ledger,16 respondents(53.3 percent)receive letter of reminders sent to customer for settlement of bills .Maintenance of sales ledger will reduce the burden of clients. Factor will maintain the sales ledger which will help to identify the amount of debts. Factor also sends letter of reminders to customers for payments of bills. Thus it will help to make good recovery of debt

Table 6.28

Number of customers of clients of CanBank Factor

	frequency	percent	Cumulative percent
Less than 50	9	30.0	30.0
More than 50 but less than 100	11	36.7	66.7
More than100 but less than200	8	26.7	93.3
Above 200	2	6.7	100.0
	30	100.0	

Source:- primary survey

It is observed from the table that 9 respondents (30 percent) have less than 50 customer,11 respondents (36.7 percent) have more than 50 but less than100 customer,8 respondents(26.7 percent) has more than100 but less than200 customers and only 2 respondents have above 200 customers. Thus it indicates that the maximum number of respondents have customers between 50 and 100.

Table 6.29

Size of current assets of customers of CanBank Factor

Size of current assets	frequency	percent	Cumulative percent
Less than 50 lakhs	4	13.3	13.3
More than 50 lakhs but less than 1 crore	4	13.3	26.7
More than 1 crore but less than 5 crore	15	50.0	76.7
Above 200	7	23.3	100.0
Total	30	100.0	

Source:- primary survey

It can be seen in the table that maximum 15 respondents (50 percent) had invested more than one crore but less than 5 crore in current assets and 7 respondents (23.3 percent) invested above 5 crore in current assets whereas 4 respondents each (13.3 percent) had invested in less than 5 crore. Thus it clearly signifies that maximum investment in current assets is between 1 crore to 5 crore.

Maximum investment in current asset will increase the liquidity of the firm but at the same time it will reduce the profitability of the CanBank Factor.

Table 6.30

Amount of Credit allowed by clients of CanBank Factors to their customers

Number of customers	frequency	percent	Cumulative percent
Less than 10	2	6.7	6.7
More than 10 but less than 50	11	36.7	
More than50 but less than 100	10	33.3	
Above 100	7	23.3	
Total	30	100.0	

Source:- primary survey

It is viewed from the table that 2 respondent (6.7 percent) has less than 10 customers to whom credit is allowed,11 respondents (36.7 percent) have more than 10 customer but less than 50 to whom credit is allowed, 10 respondents (33.3 percent) has more than50 customer but less than 100 customers and 7 respondents (23.3 percent) has more than 100 customer allowed credit. Thus it indicates that a large number of customers are allowed on credit basis. More customer that were allowed on credit increases the scope for factoring services.

Table 6.31

Export business of clients

Number of customers	frequency	percent	Cumulative percent
Less than 5	15	50.0	50.0
More than 5 but less than10	8	26.7	76.7
More than 10 but less than20	4	13.3	90.0
Above25	3	10.0	100.0
Total	30	100.0	

It is noted in the table that 15 respondents (50 percent) have less than 5 customer involved in export business, 8 respondents (26.7 percent) have more than 5 but less than 10 customer involved in export business, 4 respondents (13.3 percent)has involved in export business and 3 respondents (10.0 percent) have got above 25 customers involved in export business. Thus it indicates that less number of customers are involve in export business hence there is less scope for an export factoring.

Table 6.32

Customers defaulters

	frequency	percent	Cumulative percent
Less than 5	11	36.7	36.7
More than 5 but less than 10	13	43.3	80.0
More than 10 but less than 20	3	10.0	90.0
Above 20	3	10.0	100.0
Total	30	100.0	

Source:- primary survey

It is mentioned in the table that 11 respondents (36.7 percent) have less than 5 customer who are defaulters in payment of credit,13 respondents who were defaulters(43.3 percent) were found among 5 but less than10 customers, 3 respondents (10.0 percent)were with more than 10 customers but less than 20 customers as defaulters and 3 respondents have got above 20 customers as defaulters. Thus, it indicates that number of defaulters are less. This is due to factoring services provided by a factor. Maintainance of sales ledger and letter of reminders sent to customers have helped to pay their debts in time.

Table 6.33

Benefits of CanBank factors to customers

Benefits received	Frequency	Percent	Cumulative percent
Easy collection of debts	6	20.0	20.0
Helps to increase working capital	20	66.7	86.7
Helps to expand business	2	6.7	93.3
Time saved	2	6.7	100.0
Total	30	100.0	

Source:- primary survey

It is spotted in table that 6 respondents (20 percent0 benefitted from factoring services through easy collection of debts, 20 respondents (66.7 percent) got benefit through increase in working capital, 2 respondents each got the benefit through an expansion of business and saving in time. Thus, a large number of respondents got the benefits through an increase in working capital .A factor pays nearly 70-80 percent amount in advance which helps corporates to use as an working capital.

Table 6.34

Problems faced by customers in CanBank Factors

Nature of problems	frequency	percent	Cumulative percent
Interest charged is very high	8	26.7	26.7
Delay in remitting	3	10.0	36.7
More legal formality	3	10.0	46.7
Lack of knowledge	6	20.0	66.7
Cheques are drawn	2	6.7	73.3
Collateral security	1	3.3	76.7
Letter of authority	7	23.3	100.0
Total	30	100.0	

It can be seen in the table that 8 respondents (26.7 percent) faced with the problem of higher interest rate, 7 respondents(23.3 percent) with demand of authority letter by the factor,6 respondents (20.0 percent) with lack of knowledge of factoring services,3 respondents (10 percent) faced with more formalities,2 respondents (6.7 percent) faced with cheques are drawn on bankers. Thus it indicates that an interest charged on prepayment amount and letter of authority demanded by factor are the major problems faced by the customers. An interest charged is normally higher than interest charged by banks . It is due to CanBank factor borrows money from the bank and other sources from outside and it is advanced to customers as prepayment amount.

Table 6.35

Suggestion made by respondents

Suggestions	Frequency	Percent	Cumulative percent
Factor should take responsibility	26	86.7	86.7
Legal formality	2	6.7	93.7
Interest charged	2	6.7	100.0
Total	30	100.0	

Source:- primary survey

Table 6.35 reveals the suggestion made by the respondents during the study peroid. It was found in the table that 26 respondent (86.7 percent) suggested that factor should take the responsibility of collecting the debts,2 respondents each (6.7 percent) suggested that legal formality and interest charged should be minimized. when customers fails to repay the debts than factor sends back the book debts to clients thus, factor does not take the responsibility of bad debts.

6.3 PROFILE, AWARENESS AND PROBLEMS ANALYSIS OF CUSTOMERS OF SBI MUTUAL FUND

Table 6.36

Distribution of investors by demographic factors

Investors particulars	Number of Respondents	Percentage
Sex		
Male	44	73.30
Female	16	26.70
Age		
Under 25 yrs	5	2.30
Between 26 to 35 yrs	13	21.70
Between 36 to 50 yrs	33	55.00
Above 50 yrs	9	15.00
Education		
Graduate or higher	30	50.00
Below graduate but above matriculate	24	40.00
Non-matriculate	6	10.00
Occupation		
student	1	1.70
House -wife	8	13.30
Professional	8	13.30
service	34	56.70
Business	6	10.00
Retired	3	5.00
Marital status		
Married	55	91.70
Unmarried	5	8.30
Monthly Income		
Below 100000 P .A	18	30
Below 100001 to 300000	36	60
Below 300001 to 500000	3	5
Above 500000	3	5

Source:- Primary survey

Table 6.36 exhibits the distribution of respondents according to demographic factors. It was observed in the table that 44 respondents i.e 73.30 percent belongs to male category and 16 respondents i.e 26.70 percent belongs to female. Thus , it signifies that investment in mutual fund is male dominated. It can be found from the table that 5 respondents i.e 8.70 percents are under 25 years, 13 respondents i.e 21.70 percent belongs to age group of 26. to 35 years and 9 respondents i.e 55 percents belong to age group of 36 to 50 years and 9 respondentsi.e 15 percents belongs to the age group of more than 50 years. Thus it signifies that maximum respondents belongs to age group of 36 to 50 years.

As regards to educational qualification 30 respondents i.e 50 percent are graduates or higher, 24 respondents i.e 40 percent were under graduates but above matriculate and 6 respondents i.e 10 percent belongs to non-matriculate

As regards to occupation 34 respondents i.e 56.70 percents belong to service category of services, 8 respondents each i.e 13.30 percent belongs to house-wife, and professional ,6 respondents i.e 10 percent and 3 respondents belongs to retired class. Thus it shows that maximum number of respondents belong to service category.

As regards to marital status 55 respondents i.e 91.70 percent were married while 5 respondents i.e 8.30 percent were unmarried. As regards to monthly income 18 respondents i.e 30 percent belong to income group of 100001 to 300000 and 3 respondents each belongs to 300001 to 500000. Thus it indicates that maximum respondents belongs to the income group of 100001 to 300000 P.A.

Table 6.37

Distribution of Respondents according to Investment pattern

Investors particulars	Number of Respondents	Percentage
First time Investment		
Before 1990	6	10.00
After 1990 but before 1995	23	38.30
After 1995 but before 2000	19	31.70
After 2000	12	20.00
Investment every year		
Below 10000	32	53.30
More than 10000 but less than 25000	20	33.30
More than 25000 but less than 50000	6	10.00
Above 50000	2	3.30
Total Investment		
Up to 5000	8	13.30
Rs 5001 to 10000	15	25.0
Rs 10001 to 25000	18	30.0
Rs 250001 to 50000	18	30.0
Rs 50000 to 100000	1	1.70
Preference for Mutual fund		
Regular income	21	35
Growth Income	2	33.3
Balanced scheme	6	10.0
Tax saving scheme	13	21.70

Table 6.37 denotes the distribution of investors according to investment pattern. It can be observed from the table that 6 respondents i.e 10 percent made their first investment before 1990 , 23 respondents i.e 38.30 percent invested after 1990 but before 1995 , 19 respondents i.e 31.70 percent invested after 1995 but before 2000 and 12 respondentsi.e 20 percents invested after 2000. Thus it shows that maximum respondents invested after 1090 but before 1995. As regards to the size of investment annually 32 respondents i.e 53.30 percent annual size of investment is below 10000, 20 respondents i.e 33.33 percent invest more than 10000 but less than 25000, 6 respondents i.e 10 percent invest more than 25000, 6 respondents i.e 10 percents invest more than 25000 but less than 50000 and 2

respondents i.e 3 percents invest more than 50000 P.A .Thus it shows that maximum respondents invest below 10000 P.A. With regards to the total investment as on date .It is noticed that respondents i.e 13.30 percent invested up to 5000, 15 respondents i.e 25 percent invested total sum of rupees above 5001 but below 10000 ,18 respondents each i.e 30 percent invested above 10000 but below 25000 and above 25000 but below50000 and one percent invested above 50000. Thus it shows that maximum respondents whose investments are above 10000 but below 50000.As regards to preference of mutual fund schemes 21 respondents i.e 35 percent chose regular income scheme, 20 respondents i.e 33.33 percent preferred Growth income schemes, 6 respondents i.e 10 percent preferred balanced scheme and 13 respondents i.e 21.70 percent chose tax saving schemes. Thus overall it showed that maximum respondents preferred regular income schemes through dividends.

Table 6.38

Distribution of investors according to selection of mutual schemes

Method of selection of schemes	Number of Respondents	Percentage
Pamplets	2	3.30
Newspaper	6	10.00
magazines	5	8.30
Television	-	-
Friends and Relatives	9	15.00
Agents or consultants	38	63.30
Total	60	100.00

Table 6.38 reveals the methods of selection of mutual fund schemes. It is noted that 38 respondents i.e 63 percent select mutual fund through Agents or consultants,9 respondents i.e 15.00 percent select through friends and relatives, 6

respondents i.e 10 percent select through Newspaper, 5 respondents i.e 8.30 percent through magazines. Thus it indicates that maximum number of respondents select mutual fund through agents or consultants. Agents or consultants are normally specialise in securities therefore it is better if these schemes are selected through agents or consultants.

Table 6.39

Factors considered for choosing the Mutual fund organisation

Factors	Very important	Important	Not much important	Not important at all
Capital Appreciation	22	28	10	-
Regular Dividend Income	12	36	12	-
Previous experience	7	36	17	-
Friends/relatives	1	27	28	4
Agents recommendation	20	32	7	1
Advertising	1	19	37	3
General reputation	13	16	27	4
Schemes most suitable	19	15	21	5
Pamplets or prospectus	1	27	28	8
Name of the sponser	3	24	22	11
Other factor	15	22	20	3

source:- Primary survey

Table 6.39 reveals the factors considered for choosing mutual fund organisation and its importance. It is noted that 22 respondents expressed as very important, 28 respondents disclosed as important and 10 respondents mentioned that it was not much important. As regards regular dividend income 12 respondents communicated important and 12 respondents said it not much important. As regards to previous experience 7 respondents speaks that it is very important,36 respondents said it is important and 17 respondents mentioned it is not much important. As regards to friends and relatives 27 respondents communicated that it is important and 28 respondents disclosed it is not much important. With regards to agents recommendation 20 respondents expressed very important , 32 respondents mentioned it is important and 7 respondents communicated it is not much important. Thus it shows that agents recommendation is considered as important. As regards to advertising maximum respondents disclosed that it is not much important. As regards to general reputation ,schemes most suitable, pamplets, name of the sponsorer and other factor maximum respondents spoke that it is not much important factor for selecting mutual fund organisation.

Table 6.40

Opinion of investors about safety with other security

Type of securities	Absolutely safe	Reasonably safe	Unsafe	Don't know
Shares in primary market	-	23	20	17
Shares in secondary market	1	5	39	15
Company deposits	4	13	39	4
Debentures of company	1	37	15	7
Mutual funds	4	48	6	2
Fixed Deposits in Banks	29	26	4	1
Fixed Deposits in credit society	27	25	6	2
National saving certificate	53	4	2	1
Life insurance policy	52	4	2	-
Post office deposits	49	9	2	-

source:- Primary survey

Table 6.40 reveals the opinion of investors about safety of securities. It is observed that absolute safe securities selected by maximum respondents are national saving certificate, followed by LIC, Post office deposits, fixed deposits in co-operative credit societies. With regard to reasonably safe it is found that maximum respondents disclosed that mutual fund followed by debentures of company, fixed deposits in banks, fixed deposits in society, shares in primary market and company deposits. This indicate that there is some percentage of risk involved in these securities. As regards to unsafe securities maximum respondents communicated that, shares in secondary market followed by company deposits, shares in primary market, Debentures of the company. It indicates that there is high degree of risk involved in these type of securities. The number of respondents who do not aware of these securities were negligible. As regards to mutual fund securities it was observed that it is not absolutely free from risk factor.

Table 6.41

Distribution of respondents according to satisfaction of Agents services

Services provided by Agents	Very satisfied	satisfied	Not satisfied
Helping with guidance &Advise	13	44	3
Helping with knowledge of tax	8	51	1
Promptly introducing scheme	15	34	11
Supply and collection of application form	14	34	12
Sorting out problems	20	30	10

Source:- Primary survey

Table 6.41 shows the satisfaction level of the respondents towards the agents services. It is seen that maximum respondents were satisfied with the services of agents towards helping with regards to tax matter, promptly introducing new schemes, collection of application forms and sorting out problems. Thus it indicates that maximum respondents expressed satisfied action with the services of the agents. A small number of respondents found the services provided by agents as not satisfied being disclosed by small number of respondents. Generally agents have their independents office hence with help of office staff it is possible for them to provide required services to investors.

Table 6.42

Factors considered for selling mutual fund schemes.

Factors	Number of respondents	percentage
Suggestion from Agents	23	38.30
Suggestion from Friends	21	35
Own knowledge and experience	8	13.30
Fluctuation	4	6.70
In need of Money	4	6.70

Source: Primary survey

It is seen in the table 6.42 that maximum number of respondent followed the agent suggestion for selling mutual fund .It was followed by suggestion from friends, own knowledge and experience, fluctuation and need of money. Thus it indicates that maximum number of respondent consider suggestion from agents as the major factor for selling mutual fund scheme. Since agents have the professional knowledge of the capital market it helps the investors to consider the opinion of agent as important while selling.

Table 6.43

Problems faced by investors while investment and sale

Problem faced	Number of respondents	percentage
While Investing		
Contacting broker difficult	12	20.0
Broker doesn't disclosed all the scheme	20	33.30
Difficulty in selecting schemes	27	45
Difficult to contact company authority	1	1.70
While selling		
Delay in getting cash	21	35
Broker charges more commission	18	30
No fixed centre	7	11.70
Relie on broker for sale	14	23.30

Source:- Primary survey

Table 6.43 reveals the problems faced by respondents while investing and selling mutual fund. It is viewed from the above table that 12 respondents i.e 20 percents disclosed that contacting broker is difficult,20 respondents i.e 33.30 percent communicated that the broker dose not disclose all the schemes,27 respondents i.e 45 percent faced with the difficulty in selection of schemes and only one percent expressed that meeting company officials is difficult. Thus , it shows that maximum respondents expressed that they are faced with the problem of difficulty in selection of schemes .Further it was observed that 21 respondents i.e 35 percents faced with the problem of delay in getting cash, 18 respondents i.e 30 percent disclosed that broker charges higher commission, 7respondents i.e 11.70 percent mentioned about no fixed centre and 14 respondents i.e 23.30 percent disclosed that they are faced with the problem of relying on brokers for sale. Thus it shows that delay in getting cash is the major problem faced by large number of respondents.

6.4 PROBLEMS, AWARENESS AND PROBLEM ANALYSIS OF INVESTORS OF CANBANK MUTUAL FUND

Table 6.44

Distribution of investors by demographic factors

Investors particulars	Number of Respondents	Percentage
Sex		
Male	43	71.7
Female	17	31.15
Age		
Under 25 yrs	1	1.70
Between 26 to 35 yrs	23	38.30
Between 36 to 50 yrs	24	40
Above 50 yrs	12	20
Education		
Graduate or higher	48	80
Below graduate but above matriculate	12	20
Non-matriculate		
Occupation		
student	1	1.7
House -wife	4	6.7
Professional	8	13.30
service	38	63.30
Business	3	5.0
Retired	6	10.0
Marital status		
Married	56	93.30
Unmarried	4	6.70
Monthly Income		
Below 100000 P .A	10	16.70
Below 100001 to 300000	38	63.30
Below 300001 to 500000	12	20
Above 500000	-	-

Source:- Primary survey

Table 6.44 exhibits the distribution of respondents according to demographic factors. It has been observed in the table that 43 respondents i.e 71.70 percent belongs to male category and 17 respondents i.e 31.15 percent are female. It signifies that investment in mutual fund has been made more by men rather than by women. It has also been found in the table that one respondent i.e 1.70 percent belong to the category of under 25 years, 23 respondents i.e 38.30 percent belongs to age group of 26 to 35 years while 24 respondents i.e 40 percent belong to the age group 36 to 50 years and 12respondent i.e 20 percent belongs to age group or more than 50 years. Thus it signifies that the maximum number of respondents belong to age group of 36 to 50 years. With regards to the educational qualification 48 respondents i.e 80 percent are graduates or having higher qualification,12 respondents i.e 20 percent were under graduates but above matriculate. As regards to the occupation 38 respondents i.e 63.30 percent were to category of services, 8 respondents each i.e 13.30 percent were professionals ,6 respondents i.e 10 percent were the retired class. Thus it is seen that the maximum number of respondents belongs to service category. As regards to marital status 56 respondents i.e 93.30 percent were married and 4 respondents i.e 6.70 percent were unmarried. As regards to monthly income 10respondents i.e 16.70 percent belong to income group of less than 100001, 38 respondents i.e 63.30 belonged to 100001 to 300000 and 12 respondents i.e 20 percent between 300000 to 500000. Thus it seen that the maximum number respondents belongs to the income group of 100001 to 300000 P.A.

Table no 6.45 reveals the distribution of investors according to investment pattern. It has been observed in the table that 8 respondents i.e 13.30 percent had made their investment first time before 1990 , 44 respondents i.e 73.30 percent invested after 1990 but before 1995 , 4 respondents i.e 6.60 percent invested after 1995 but before 2000 and 4 respondents i.e 6.60 percent invested after 2000. Thus it is seen that maximum respondents invested after 1990 but before 1995. With regards to the annual size of investments 37 respondents i.e 53.30 percent the annual size of investment is below 10000, 20 respondents i.e 61.70 percent invests more than 10000 but less than 25000, while 21respondents i.e 35 percent invest more than 25000.Thus it shows that maximum respondents invest below

Table 6.45

Distribution of Respondents according to Investment pattern

Investors particulars	Number of Respondents	Percentage
First time Investment		
Before 1990	8	13.30
After 1990 but before 1995	44	73.30
After 1995 but before 2000	4	6.70
After 2000	4	6.70
Investment every year		
Below 10000	37	61.70
More than 10000 but less than 25000	21	35
More than 25000 but less than 50000	2	3.30
Above 50000		
Total Investment		
Up to 5000	10	16.70
Rs 5001 to 10000	11	18.30
Rs 10001 to 25000	20	33.30
Rs 250001 to 50000	16	26.70
Rs 50000 to 100000	3	5.00
Preference for Mutual fund		
Regular income	7	11.70
Growth Income	23	38.30
Balanced scheme	11	18.30
Tax saving scheme	19	31.70

Source:- Primary survey

10000 P.A. As regards to total investment as on date was noticed that 10 respondents i.e 16.70 percent invested up to 5000, 11 respondents i.e 18.30 percent invested above 5001 but below 10000 ,20 respondents each i.e 33.30 percent made investment up to 25000 ,16 respondents i.e 26.70 percent invested above 25000 but below 50000 and 3 respondents i.e 5 percent invested above 50000. Thus it is seen that the maximum number of respondents investment are more than10000 to 25000.As regards to preference of mutual fund schemes 7 respondents i.e 11.70 percent chose regular income scheme, 23 respondents i.e 38.30 percent preferred Growth income schemes,11 respondents i.e 18.30 percent preferred balanced scheme and 19 respondents i.e 31.70 percents choose tax saving schemes. Thus overall it is seen that the maximum number of respondents preferred regular income schemes .

Table 6.46

Method of selection of mutual schemes

Method of selection of schemes	Number of Respondents	Percentage
Pamplets	8	13.30
Newspaper	20	33.33
Magazines	4	6.70
Television	-	-
Friends and Relatives	8	13.30
Agents or consultants	20	33.30
Total	60	100.00

Table 6.46 shows the methods of selection of mutual fund schemes. It is seen in the table that 20respondents i.e 33.30 percent select mutual funds through newspaper and agents or consultants, 8 respondents i.e 13.30 percent each select schemes through pamplets and friends and only four respondents select mutual fund scheme through magazines. Since the coverage for newspaper is wide it becomes easy for investors to select the schemes. Agents or brokers being the professionals they normally guides the customers to select the appropriate schemes. Pamplets and friends create low influence for selecting mutual fund schemes. It has been observed that the maximum respondents select the schemes through newspaper and Agents .

Table 6.47 exhibits factors considered for choosing mutual fund organisation. It has been observed that 35 respondents expressed capital appreciation as very important factor in choosing mutual fund organisation. Regular dividend and previous experience were considered as important factors by 39 respondents each followed by pamplets or prospectus and name of the sponser. The major factor which is considered as of not much important includes advertising followed by friends and relatives, general reputation, other factor ,name of sponser and pamplets Hence in general it has been observed that capital appreciation ,regular dividend, previous experience as a client are the important factors which are considered before choosing the mutual fund organisation

Table 6.47

Factors considered for choosing the Mutual fund organisation

Factors	Very important	Important	Not much important	Not important at all
Capital Appreciation	35	15	10	-
Regular Dividend Income	9	39	11	1
Previous experience	4	39	13	3
Friends/relatives	6	16	29	9
Agents recommendation	11	18	20	11
Advertising	3	13	37	7
General reputation	13	17	26	33
most suitable	14	20	20	6
Pamplets or prospectus	6	23	19	11
Name of the sponser	14	17	19	11
Other factor	12	20	20	8

Source:- Primary survey

Table 6.48

Opinion of investors about safety with other security

Type of securities	Absolutely safe	Reasonably safe	Unsafe	Don't know
Shares in primary market	4	20	33	3
Shares in secondary market	1	30	29	-
Company deposits	6	29	21	4
Debentures of company	8	37	8	7
Mutual funds	5	42	10	3
Fixed Deposits in Banks	39	15	5	1
Fixed Deposits in credit society	21	14	23	2
National saving certificate	53	4	3	-
Life insurance policy	51	6	2	1
Post office deposits	47	7	6	--

Source:- Primary survey

Table-6.48 reveals the opinion of investors about safety of securities. It has been 3observed that absolute safe securities selected by maximum respondents are national saving certificate, followed by LIC, Post office deposits, fixed deposits in co-operative credit societies. As regards to reasonably safe securities it has been found that the maximum number of respondents disclosed that mutual funds followed by debentures of company, fixed deposits in banks, shares in primary market shares in secondary market, and fixed deposits in society. This indicate that there is some percentage of risk involved in these securities. As regards to unsafe securities maximum respondents communicated that, shares in secondary market followed by company deposits, shares in primary market and mutual fund. It indicates that there is high degree of risk involved in these type of securities. The number of respondents who are not aware of these type of securities were negligible. As regards to mutual fund securities it was observed that it is not absolutely free from risk factor.

Table 6.49

Distribution of respondents according to satisfaction of Agents services

Services provided by Agents	Very satisfied	satisfied	Not satisfied
Helping with guidance &Advise	6	35	19
Helping with knowledge of tax	8	34	8
Promptly introducing scheme	9	41	10
Supply and collection of application form	14	39	7
Sorting out problems	12	30	18

Source:- Primary survey

Table 6.49 shows the satisfaction level of the respondents towards the agent services. It has been observed that the maximum respondents were satisfied with the services of agents with regards to tax matters, promptly introducing new schemes, collection of application forms and sorting out problems. Thus it indicates that the maximum number of respondents expressed that they were satisfied with the services of the agents. The19 respondents disclosed that the services provided by agents were not satisfactory. With 18 respondents towards sorting out problems of the investors. Generally agents, have their independent office hence with help of office staff it is possible for them to provide required services to investors.

Table 6.50

Factors considered for selling mutual fund.

Factors	Number of respondents	percentage
Suggestion from Agents	10	16.70
Suggestion from Friends	19	31.70
Own knowledge and experience	24	40.0
Fluctuation	5	8.30
In need of Money	2	3.30

Source: Primary survey

It has been observed in the table 6.50 that the maximum number of respondents disclosed that their own knowledge and experience, suggestion from friends and relatives and suggestion from agents were the factors considered while selling the mutual funds. Thus it is seen that the maximum respondents consider their own knowledge and experience as the major factors for selling mutual fund scheme. Most of the investors in mutual fund were and educated, reads news paper daily which helped them to get the knowledge of the market situation .

Table 6.51

Problems faced by investors while investment and sale

Problem faced	Number of respondents	percentage
While Investing		
Contacting broker difficult	12	20
Broker dose not disclosed all the scheme	22	36.70
Difficulty in selecting schemes	20	33.30
Difficult to contact company authority	6	10.00
While selling		
Delay in getting cash	25	41.70
Broker charges more commission	19	31.70
No fixed center	8	13.30
Rely on broker for sale	8	13.30

Source:- Primary survey

Table-6.51 reveals the problems faced by respondents while investing and selling mutual fund. It has been observed in the table that 12 respondents i.e 20 percent disclosed that contacting broker was difficult,22 respondents i.e 36.70 percent communicated that brokers do not disclose all the schemes,20 respondents i.e 33.30 percent faced the difficulty in the selection of schemes and 6 respondents expressed the opinion that meeting company officials was difficult. Thus, it is seen that the maximum number of were of the opinion that they faced the problem of with the broker as the brokers do not disclose all the schemes. Further it has been observed that 25 respondents i.e 41.70 percent faced with the problems of delay in getting cash, 19 respondents i.e 31.70 percent disclosed that broker charges more commission, 8 respondents each i.e 13.30 percent mentioned the fact that there were no fixed centers and had to rely on the brokers for the sale. Thus it shows that delay in getting cash is the major problem faced by large number of respondents.

Conclusion

1) The factors observed in choosing the mutual fund scheme of SBI and CanBank by the customers include safety, dividend ,capital appreciation, tax benefit and liquidity . Whereas capital appreciation, regular dividend and previous experience as a client are the important factors considered before choosing mutual fund organisation.

2) As regards securities, national saving certificate, LIC, Post office deposits and fixed deposits are considered as absolute safe securities by the investors of SBI and CanBank Mutual Fund. Whereas mutual fund considered as reasonably safe but it is not absolutely free from the risk factor.

3) The delay in getting cash is the major problem faced by investors of SBI and CanBank Mutual fund.

4) The selection of schemes are made through recommendation of agents or consultants in SBI mutual fund whereas in CanBank mutual fund maximum respondents observed to select schemes through newspaper and agents.

5) As regards to selling of mutual funds it was observed that in SBI mutual fund, Maximum respondents consider suggestion from agents as the major factor. Whereas in CanBank mutual fund own knowledge and experience as the major factor.

CHAPTER VII

CONCLUSIONS AND SUGGESTIONS

This chapter summarises the important findings of the research work and finally makes certain policy suggestions to improve the performance of the Factoring and Mutual fund organisation viz SBI and CanBank.

The growth and expansion of public sector banks during pre-nationalisation period was controlled and managed by private owners and profit making was the sole objective of the private banks. In 1969, the Government of India nationalised 14 major commercial banks and followed by 6 commercial banks during 1980 with the objective of making banking services available to a large section of the society. The primary goal of nationalized banks is to render services while profit earning remains secondary.

The philosophy of liberalisation, globalisation and privatization was intensified in 1991. Tremendous changes that were occurred after liberalisation in the banking industry. The entry of private banks and foreign bank branches posed a stiff competition before public sector banks. Over the years, other financial institutions have emerged in the finance sector. The fluctuating interest rate created adverse impact on the saving mobilisation in commercial banks.

The public sector banks with new challenges diversified their products and services. The banking industry is moving from its core area of traditional services to modern services. They are diverting from banking business to non-banking business areas. Public sector banks are also facing competition from private finance companies , co-operative credit societies and capital market.

OBJECTIVES OF THE STUDY

The broad objectives of the study are:-

1) To study the growth trend of factoring and mutual fund services of SBI and CanBank.

2) To evaluate the performance of factoring and mutual fund services of SBI and CanBank .

3) To make a comparative performance evaluation of factoring and mutual fund services of SBI and CanBank .

4) To understand the profile, awareness and problems of customers availing factoring and mutual fund services of SBI and CanBank .

DATA AND METHODOLOGY

The present study is based on the primary and secondary data for the period from 1991-2001 .Factoring and mutual fund services of SBI and CanBank were selected for the study and also comparative performance is made. Ratio analysis, Factor analysis, compound growth rates, regression analysis, spearmans rank correlation and simple percentages were employed to evaluate the performance of factoring and mutual fund services of SBI and CanBank .

FINDINGS OF THE STUDY

The important findings of the study are summarized as under:-

1) Profitability parameters

a) The profitability ratio viz Net profit, operating profit and expenses of SBI Factors was found to be satisfactory which was recorded at 1.25,1.42 and 1.45 percent over the years. Where as in case of CanBank Factors it was registered at 0.81 ,1.40 and 1.58 per cent.

b) The average return on shareholders and working capital of CanBank Factors was observed to be satisfactory which was reported 14.63 and 8.99 per cent over the years. Where as in case of SBI factors it was registered at 6.46 and 8.66 per cent.

2) Liquidity status

The liquidity asset position of SBI Factors viz Liquid ratio, cash to total asset and cash to current asset was 2.37 times,2.51 and 2.54 percent over the years. Whereas CanBank Factors it was registered at 4.16 times,4.60 per cent indicating higher liquidity

3) Activity Performance

1) The debtor-turnover ratio of SBI factors was recorded 4.87 times indicating slow recovery whereas in CanBank Factors it was registered 4.89 times signifying good recovery of Debts.

2) The total asset turnover of CanBank Factors was observed 3.96 times whereas in SBI Factors it was recorded 3.56 times

4) Productivity Ratios

1) The percentage of Factoring income of CanBank Factors in relation to total income was observed to be reasonably good which is recorded at 89.75 per cent while incase of SBI Factors it was registered 78.95 percent.

2) The total expenses to total income ratio of CanBank Factors was observed to be economical which was recorded 49.44 per cent whereas in SBI Factors it was posted 84.37 per cent.

II) Growth performance

a) The growth of financial variables Viz Reserve and Surplus, loan funds ,total assets and working capital of CanBank Factors were found to be reasonably good. Whereas in SBI Factors it was observed to be average growth rate.

b) The total income and each of the income variable of CanBank Factors were noticed to have recorded a significant annual growth rate compared to SBI Factors.

c) The SBI Factors were observed to have registered a economical growth rate with regard to their respective expenses variables viz total expenses, administrative expenses and interest and finance expenses.

d) The SBI Factors were observed to have registered satisfactory compound growth rate in sales or factored debts i.e 35 percent where as compound growth rate of sales or factored debts in CanBank Factored was observed 28 per cent.

III) Factors influencing profitability

The overall influence of a rupee increase in income variable on the profitability, the CanBank Factors observed to have higher profit by registering the hike in profit by (Rs0.86) whereas in SBI Factors it was recorded(Rs0.42) .On the other hand, the overall average influence of a rupee hike in the expenses, increases profit of SBI and CanBank Factors. It was observed that rupee hike in the expenses increases profit of CanBank Factors by Rs0.69 than increase in profit of SBI Factors by Rs Rs0.21.The hike in rupee one in factored debts results higher profit in CanBank Factors(Rs1.02) than SBI Factors (Rs0.23)

IV) Liquidity and profitability

The correlation of liquidity and profitability observed to be inversely related to each other. It implies that as the liquidity increases, profitability decreases. It was observed that correlation between liquidity and profitability of CanBank Factors is greater than SBI factors.

V) Ranking of SBI and CanBank Factors

Based on the total score obtained by each factor in all the five segments viz Financial parameters, profitability ratios, liquidity ratios ,Debt management ratios and productivity ratios the CanBank Factor has secured highest total score (235) as compared to SBI Factor (173) and it is assigned the first rank.

VI) Problems and Awareness of customers in SBI and CanBank Factors

1) It was observed in the study that customers of SBI and CanBank prefer Factors due to early requirement of fund. Since factor makes payment of 70-80 per cent as advance to customers . thus it benefits to customer in business.

2) Two factors were identified with regards to satisfaction level of customers in services rendered in SBI and CanBank Factors and they are service and cost. In SBI Factors it was observed that release of prepayment amount, courtesy with clients and services to client were identified as high load variables in SBI factors indicating service. Where as interest charges, legal formalities and cost of discounting were identified high load variables determining cost. While in CanBank Factors release of prepayment amount, courtesy with clients, services to

customers and cost of discounting identified high load variables as service and interest charged and legal formalities as cost factor

3) High interest charged by factor was the major problem faced by the customers in SBI and CanBank Factors.

MUTUAL FUND

a) The efficiency ratio viz ROI ,gross expenses to gross income and gross expenses to total investible fund of CanBank Mutual fund found to be satisfactory which was recorded at 6.77 ,37.62 and 15.40 per cent over the years. Whereas in SBI Mutual Fund it was registered at 5.39,72.27 and 6.32 per cent.

b) The efficiency ratio of open ended schemes viz ROI , gross Expenses to gross income and gross expenses to total investible fund of CanBank Mutual Fund observed to be satisfactory which was registered at 11.36,52.95 and 8.43 per cent. While in SBI Mutal Fund it was registered 4.69,129.72 and 8.50 per cent.

c) The efficiency ratio of close ended schemes viz ROI,gross expenses to gross income and gross expenses to total investible fund of SBI Mutual Fund was observed to adequate which was recoded at 5.02, 64.48 and 5.77 per cent as compared to (0.75),175.60 and 25.27 per cent in Canbank Mutual Fund

II) Growth performance

1) The growth of financial variables viz unit capital, reserves and surplus of open ended schemes and close ended schemes of SBI Mutual Fund was recorded satisfactory as compared to compound growth of unit capital and reserves and surplus of CanBank Mutual Fund.

2) The growth variable gross income of open ended schemes of CanBank Mutual Fund was recorded satisfactory as compared to growth rate of gross income of SBI mutual fund.

3) The growth variable of gross expenses of close ended schemes of CanBank mutual fund was registered economical compared to gross expenses of close ended schemes of SBI Mutual Fund.

4) The growth variable of investible fund of open ended schemes and close ended schemes of CanBank Mutual Fund was recorded satisfactory as compared to growth rate of investible fund.

III) Fund Deployment in SBI and CanBank

The funds deployment in growth schemes, income schemes and tax planning schemes of SBI and CanBank Mutual Fund was observed that they adhere to the investment pattern of as per the norms of the schemes

IV) Performance evaluation of Mutual Fund schemes

1) The Sharpe ratio of Magnum sector pharma ,Magnum multiplier plus schemes were identified as greater than Benchmark. Thus it signifies that these schemes have outperformed the market

2) The Treynor ratio of SBI global fund,Magnum sector pharma, Canexpro, Magnum sector umbrella and Canbonus were performed better than benchmark.

3) The Alpha value of Canexpro is positive , thus it signifies that it has performed well in the market. where as other schemes alpha value is negative thus it indicates that they do not performed well in the market.

V) Problems and Awareness of investors in SBI and CanBank Mutual fund

1) The factors observed in choosing the mutual fund scheme of SBI mutual fund and CanBank by the customers include safety, dividend ,capital appreciation, tax benefit and liquidity . Whereas capital appreciation, regular dividend and previous experience as a client are the important factors considered before choosing mutual fund organisation.

2) As regards securities, national saving certificate, LIC, Post office deposits and fixed deposits are considered as absolute safe securities by the investors of SBI and CanBank Mutual Fund. Whereas mutual fund considered as reasonably safe but it is not absolutely free from the risk factor.

3) The delay in getting cash is the major problem faced by investors of SBI and CanBank Mutual Fund.

4) The selection of schemes are made through recommendation of agents or consultants in SBI Mutual Fund whereas in CanBank Mutual Fund maximum respondents observed to select schemes through newspaper and agents.

5) As regards to selling of mutual funds it was observed that in SBI Mutual Fund, Maximum respondents consider suggestion from agents as the major factor. Whereas in CanBank Mutual Fund own knowledge and experience as the major factor.

Suggestions

1) The proportion of current assets to total assets is higher in SBI and CanBank Factors. Increase in current assets increases liquidity and decreases the profitability. Thus it is advisable to reduce liquidity by increasing funds in other assets such as investments i.e short term and long term which will augment the income of the factors.

2) The percentage of non-performing assets in relation to total factored debts in case of SBI Factors needs to be brought down, as the ratio was observed to be upward indicating unfavaurable position of the SBI Factors. The increasing percentage of NPAs can be brought at a desirable condition by improving the recovery of the factored debts. Recovery of debts is important factor in

determining the profitability of SBI Factors .Hence it is advisable to speed up the recovery process by sending reminders and taking legal action.

3) The share of non-factoring income in the total income composition was observed almost negligible in case of both factoring organisation. Hence,the factor need to enlarge the size of non-factoring income so as to increase the size of their total income. It is essential for the factor to introduce new service to customers such as leasing, hire purchase etc. on wider scale besides factoring. This can be made effective by creating awareness about the services that are provided among the customers.

4) The total expenses were observed to have increased in SBI and CanBank factors, Hence, it is required to supervise closely and control expenses so as to accomplish an economy in their operation which in turn will increase , the size of the profit for the factor.

5) The average return on the total assets was observed very low in SBI and CanBank Factors indicating inadequate use of assets. In factoring the proportion of current assets is higher in total assets and proportion of sundry debtors is larger in current assets. Thus promptly recovery of debts will increase the efficiency and return of the assets.

6) Interest charged on advance payments of factored debts was considered higher by the customers of SBI and CanBank factors. Thus it is advisable to reduce the

interest rates charged on advance payment. The factor should generate and make use of own fund rather than totally depending on external fund.

7) Awareness of factoring services need to be made on wider scale. Since factoring is an modern service recently rendered by the public sector banks viz SBI and Canara Bank through establishing subsidiaries . Thus it requires adequate awareness in the corporate sectors.

8) The expense ratio of SBI Mutual Fund and CanBank Mutual Fund observed to be very high. Thus it is needed that expenses of the schemes should be reduced.

9) Delay in remitting cash is the major problems faced by the customers of SBI and CanBank. Hence, arrangement of immediate cash may be made through respective branches of SBI and Canara Bank.

Scope for the future study

The researcher has studied two major non-banking financial services provided by public sector banks. Financial services are gaining importance in the liberalized and globalised economy day by day. Hence further scope for research is possible in other financial services provided i by the public sector banks in India. As regards to factoring services, the researcher has attempted to focuss on the growth and performance of the two factoring organisation with respect to physical, financial, profile ,awareness and problems of customers in availing factooring services of SBI and CanBank .It was observed in the study that factoring services are not grown as per the expectation of the Kalyansundaram committee .Hence further research can be taken to identify the reasons for the slow growth of the factoring services provided by the bank in India. With regards to mutual fund services, the researcher has studied growth and performance of two mutual fund organisation viz SBI and CanBank Mutual Fund with respect to size ,efficiency and growth. Hence further research can be taken to study the performance other Bank sponsered mutual funds.

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APPENDIXES

Questionnaire for Customers Availing Factoring Services. Please tick □ the appropriate alternative.

1. Name of the Organisation

2. Form of Organisation
a) Sole Trading Concern □
b) Partnership firm □
c) Company organisation □
d) Co-operative organisation □
e) Any other (please specify)

3. Year of Establishement
a) Before 1980 □
b) Between 1980-90 □
c) Between 1991-2000 □
d) After 2001 □

4. Turnover of the Organisation
a) Less than 50 Lakhs □
b) More than 50 Lakhs Less than 1 Crore □
c) More than 1 Crore- Less than 5 Crore □
d) Above 5 Crores □

5. Name of your Banker
a) State Bank of India □
b) Canara Bank □
c) Any other (please specify)

6. Which type of Industry do you belong?
a) Auto Ancilliaries □
b) Trade & Services □
c) Chemical & Pharma □
d) Metal, Containers, Fire-extinguishers, Pump & Cylinders □
e) Packaging industry □
f) Consumer products □
g) Electrical Components □
h) Leather □
i) Printing industries □
j) Plastic industries □

k) Textiles ☐
l) Distilliaries ☐
m) others (please specify)

7. Capital of the Organisation
a) Less than 50 Lakhs ☐
b) More than 50 Lakhs Less than 1 Crore ☐
c) More than 1 Crore Less than 5 Crore ☐
d) Above 5 Crores ☐

8. When have you started Availing Factoring Services?
a) From 1990 onwards ☐
b) From 1995- onwards ☐
c) After 2000 ☐

9. How do you aware that factoring services are Available?
a) through factor ☐
b) through Banker ☐
c) through friends ☐
d) through media i.e Newspaper ☐

10. Why don't you discount your Bills from Banker?
a) Delay in Payment ☐
b) Actual limit is less ☐
c) Discounting charges are more ☐
d) More legal formalities ☐
e) Any other (please specify)

11. Why do you prefer 'Factor' in collection of Debts?
a) Early requirement of Funds ☐
b) Customer settle bill promptly due to factor ☐
c) Concentrate fully on Business expansion ☐
d) Any other (please specify)

12. What type of document normally does 'Factor' demands from you before transaction?
a) Written Undertaking or Authorisation letter ☐
b) Letter of disclaimer from bank ☐

c) Audited Annual Accounts Copy ☐
d) Any other(please specify)

13. Which type of services are provided by 'Factor' besides prepayment Amount?
a) Maintaining Sales ledger Account of Customer ☐
b) Letter of Reminder sent to Customers for settlement of Bills ☐
c) Consultancy and Advisory ☐
d) Any other (please specify)

14. From the following please tick your experience on the services provided by the Factor

1	2	3	4	5
Not satisfied At all	Unsatisfied	Neutral	Satisfied	Highly satisfed

a) Release of Prepayment amount	☐	☐	☐	☐	☐
b) Courtesy with Client and Customer	☐	☐	☐	☐	☐
c) Interest Charged on Prepayment amount	☐	☐	☐	☐	☐
d) Legal formalities demanded	☐	☐	☐	☐	☐
e) Services provided by factor	☐	☐	☐	☐	☐
f) Cost of Discounting of Bills	☐	☐	☐	☐	☐

15. What type of factoring are you following?
a) Recourse factoring ☐
b) Non-Recourse ☐
c) Disclosed factoring ☐
d) Undisclosed factoring ☐
e) Any other (Please specify)

16. What is the total size of your Current Asssets?
a) Less than 50 Lakhs ☐
b) More than 50 Lakhs Less than 1 Crore ☐
c) More than 1 Crore Less than 5 Crores ☐
d) Above 5 Crores ☐

17. How many Customers do you allow to transact on Credit basis?
a) Less than 10 ☐
b) More than 10 Less than 50 ☐

c) More than 50 Less than 100 ☐
d) Above 100 ☐

18. How many Customers are involved in Export business.
a) Less than 5 ☐
b) More than 5 Less than 10 ☐
c) More than 10 Less than 20 ☐
e) Above 25 ☐

19. How many Customers Generally are defaulters?
a) Less than 5 ☐
b) Less than 5 More than 10 ☐
c) More than 10 Less than 20 ☐
d) Above 20 ☐

20. What types of benefits do you get from 'Factoring' Services.
a) Easy in collection of debts ☐
b) Helps to increase working capital. ☐
c) Helps to expand business ☐
d) Time saved in collection of debts from customers ☐
e) Any other (please specify)

21. What types of problems do you face in availing factoring services?
a) Interest charged on repayment amount is very high ☐
b) Delay in remitting money from factor ☐
c) More legal formalities ☐
d) Factor is not co-operating ☐
e) Lack of knowledge about factoring services ☐
f) High services cost ☐
g) Cheques are drawn on `Banker' ☐
h) Factor demands collateral security ☐

22) What suggestion do you want to make for growing of factoring business in India?
a) factor should take responsibility of collection of debts from customers. ☐
b) legal formalities should be minimised ☐

c) interest charged on repayment should be minimised ☐

Questionnaire for investors opinion about Mutual Fund

1. Name
2. Age
   a under 25 yrs ☐
   b] Between 26yrs to 35 yrs ☐
   c] Between 36 yrs to 50 yrs ☐
   d] Above 50 yrs ☐

3. Sex Male ☐ Female ☐

4. Education
   a] Graduate or Higher ☐
   b] Below Graduate but above Matriculate ☐
   c)Non-Matric
   d)Uneducated

5. Occupation
   a] Student ☐
   b] Housewife ☐
   c] professional ☐
   d] Service ☐
   e] Business ☐
   f] Any other (please specify) ☐

5 a] Incase of service in which sector are you?
   a) Govt. ☐ b) Semi Govt☐. c)Private Sector ☐

B] Incase of business in which Sector are you ?
   a) Sole trading concern ☐ b) Partnership ☐
   c) Company organisation ☐

C] Incase of Profession in which profession are you?
   a] Medical Profession ☐
   b] Lawyer ☐
   c] Engineer ☐
   d] Chartered Accountant ☐
   e] Any other please specify ☐

6)Marital Status
a] Married ☐
b] Unmarried ☐

7)Approximate monthly household income before tax i.e combined family income (husband and wife)
a] Below 1,00,000 P.A ☐
b] Between 100001 to 300000 ☐
c] Between 300001 to 500000 ☐
d] Above 500000 ☐

8).Do you aware of Mutual Fund as investment instrument in capital market
a) Yes ☐ b) Partially ☐ c) No ☐

9).When ,for the first time , did you become an investor of Mutual fund?
a] Before 1990 ☐
b] After 1990 but before 1995 ☐
c] After 1995 but before 2000 ☐
d] After 2000 ☐

10).In which type of Mutual Fund Scheme do you prefer to invest ?
a] Regular income ☐
b] Growth scheme ☐
c]Balanced scheme ☐
d] Tax Saving scheme ☐

11).What is your total investment in Mutual Fund as on date?
a] Upto 5000 ☐
b] Rs 5001 to 10000 ☐
c] Rs 10001 to 25000 ☐
d] Rs 25001 to 50000 ☐
e] Rs 50001 to 100000 ☐
f] Rs 100001 to 500000 ☐
g] Above 500000 ☐

12)What Would be the approximate size of investment in Mutual Fund every year?

a] Below 10000 P.A ☐
b] More than 10000 Less than 25000 ☐
c] More than 25000 Less than 50000 ☐
d] Above 50000 ☐

13)How do you select the schemes of Mutual Funds?

a] Pamplets ☐
b] Newspaper ☐
c] Magazines ☐
d]Television ☐
e] Friends and relatives ☐
f] Agents or consultants ☐
] Any other (please specify)

14)How important are the following factors in your choice of a Mutual Fund Organisation(please tick)

Factors	Very impt.	Important	Not much Important	Not important at all
1. Capital Appreciation	☐	☐	☐	☐
2. Regular Dividend income	☐	☐	☐	☐
3. Your previous satisfactory experience as its Client	☐	☐	☐	☐
4. Friends/relatives suggestions	☐	☐	☐	☐
5. Agent recommendation	☐	☐	☐	☐
6. Advertising	☐	☐	☐	☐
7. General reputation and popularity	☐	☐	☐	☐
8. Schemes more suiting your needs	☐	☐	☐	☐
9. Pamplets or prospectus	☐	☐	☐	☐
10.Other factor	☐	☐	☐	☐
11.Name of the sponsor	☐	☐	☐	☐

15)What factors do you consider before investment in mutual fund ?Rank them in order of preference by number.

a) Safety ☐
b) Income/Dividend ☐
c) Growth/Capital appreciation ☐

d) Tax Concessions ☐
e) Liquidity/ready encashability ☐
f) Loan facility ☐
g) Transperency in disclosures ☐
h) Security for investment ☐
i) Group Image ☐
j) Past performance ☐
k)Return ☐
l)Any other (please specify

16)How safe in your opinion are the following types of investments?

	Don't Know	Absolutely safe	Reasonably Safe	somewhat Safe
a) Shares in primary market	☐	☐	☐	☐
b) shares in secondary market	☐	☐	☐	☐
c) Company deposit	☐	☐	☐	☐
d) Debentures of company	☐	☐	☐	☐
e) Mutual fund	☐	☐	☐	☐
f) Fixed deposit in banks	☐	☐	☐	☐
g) Fixed deposits in co-op, credit society.	☐	☐	☐	☐
h) National saving certificate	☐	☐	☐	☐
i) Life insurance policy	☐	☐	☐	☐
j) Post office depostis.	☐	☐	☐	☐

17)How certain are you of making the following types of investments during next 12 months.

	Certainly Yes	probably yes	may or may not	certainly not
a) Mutual fund regular income scheme.	☐	☐	☐	☐
b) Mutual fund growth scheme.	☐	☐	☐	☐
c) Mutual fund tax planning.	☐	☐	☐	☐
d) Mutual fund pure equity.	☐	☐	☐	☐

18)How far you discouraged from investing in a mutual fund scheme if there is a lock-in-period of.

	Discourage totally	very much	not much	not at all
1) 1 year lock in	☐	☐	☐	☐
2) 3 year lock in	☐	☐	☐	☐

19)Are you satisfied with the performance of mutual fund in which you have invested.

a) Highly satisfied ☐
b) Satisfied. ☐
c) Neutral ☐
d) Unsatisfied. ☐

19)How well you can understand company balance sheet and profit loss a/c

a) Fairly well ☐
b) Well ☐
c) To some extent ☐
d) Not at all ☐

20)Are you interested in learning about new mutual fund schemes?.

a) Very much ☐
b) To some extent. ☐
c) Not much ☐
d) Not at all ☐

21)How far are you satisfied with agents services for mutual funds?

	Very satisfied		not satisfied
a) Helping you with guidance and advice	☐	☐	☐
b) Helping you with knowledge of tax	☐	☐	☐
c) Promptly bringing to your notice new schemes.	☐	☐	☐
d) Supply and collecting application forms.	☐	☐	☐
e) Sorting out problems.	☐	☐	☐
f) Any other.	☐	☐	☐

22)Do you check Net Assess Value (NAV) of your mutual fund regularly?

Yes. ☐ No. ☐

23)What factors do you consider for selling your mutual fund?

a) Suggestion from agents. ☐
b) Suggestion from friends & relatives. ☐
c) Own knowledge & experience. ☐
d) .Fluctuation ☐
e) .In need of money ☐

24)What problems normally do you face while investing in mutual fund?

a) Contacting broker or sub broker is difficult. ☐
b) Broker doesn't disclose all the schemes. ☐
c) Difficulty in selecting schemes. ☐
d) Difficult to contact company authorities. ☐

25)What problem do you face while selling the mutual funds?

a) Delay in getting cash ☐
b) Broker charges more commission. ☐
c) No fixed centre ☐
d) Relie on broker for sale. ☐

26)Are you satisfied with the services of broker or sub-broker?

a) fully satisfied ☐
b) satisfied ☐
c) just satisfied ☐
d) unsatisfied. ☐

27)Do you think that mutual funds have prospects in Indian capital market?

a) very much ☐
b) Moderate ☐
c) cant's say. ☐
d)No future