

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 (r_H) = -0.60 and t of $r_H = 77.447$

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 10th position and in the year 1999-00 the liquidity position ranked 2nd where as profitability was recorded 9th 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 $r_H = -0.73$ and t value of $r_H = 133.127$ 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 per cent 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 1991-92 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