

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, spearman's 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 unfavourable 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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