Study of Financing Process & Procedure Followed by Jaika Motors Ltd

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Abstract:
This paper is about financing process and Procedure of jaika Motors. The processes and procedures used by an organization's management to exercise financial control and accountability. These measures include recording, verification, and timely reporting of transactions that affect revenues, expenditures, assets, and liabilities.

Steps for Financing the Vehicle
1) Jaika Motors Sales Team  2)Provide details about features of vehicle 3)Selection of the vehicle by customer and mode of payment 4)Explain the finance scheme and possible rate of finance 5)Document collection  6) Jaika Motors Finance Department  7)Search the customer data in CIBIL  8)Search the customer data in DEDUPE  9) Field Investigation of customer 10) Remark the customer as per above data by using RSPM  11)TATA Motors Finance.

I. INTRODUCTION
The processes and procedures used by an organization's management to exercise financial control and accountability. These measures include recording, verification, and timely reporting of transactions that affect revenues, expenditures, assets, and liabilities.

Tata Motors Ltd pioneered commercial vehicle financing in 1957 in the name of BHPC (Bureau for Hire Purchase and Credit). Tata Motors Finance Ltd (TMFL), came into existence in June 2003. This was a common front-end, jointly formed by BHPC of Tata Motors and the asset financing arm of erstwhile Tata Finance Ltd. Subsequently Tata Finance was merged with Tata Motors and in April 2005 TMF became a division of Tata Motors.

Steps for Financing the Vehicle
- Jaika Motors Sales Team
- Provide details about features of vehicle
- Selection of the vehicle by customer and mode of payment
- Explain the finance scheme and possible rate of finance
- Document collection
- Jaika Motors Finance Department
- Search the customer data in CIBIL
- Search the customer data in DEDUPE
- Field Investigation of customer
- Remark the customer as per above data by using RSPM
- TATA Motors Finance
- Risk Containment Unit – Minimize the risk of financing
- Credit Processing Agency – verify the documents
- Release Order
- Jaika Motors
- File disbursement (TATA Invoice + Jaika Invoice + Insurance)

II. OBJECTIVE
- To provide the information to the customer about vehicle.
- To provide information regarding the various loan schemes.
- To motivate the customer regarding product of company.

III. RESEARCH METHODOLOGY
A research design is framework or blueprint for conducting the research project. It details the procedures necessary for obtaining the information needed to structure or solve research problem. The research design adopted in this study is consultative, descriptive research design. Descriptive research design includes survey and fact finding enquires of different kind.

DATA COLLECTION

PRIMARY SOURCES
1. Through personal observation
2. Through interaction with project finance professionals from banking and finance industry;
3. Discussion with expert in the manufacturing/ respective sectors.

SECONDARY DATA SOURCES
1) Sector Reports/Information Data collected from already published source such as annual reports, internal report and data includes.
2) Government Agencies/Bodies like DGCIS, Planning Commission, Ministry of Finance, Ministry from agencies like CMIE, Projects Today, business magazines, CRIS, INFAC etc;
THEORITICAL FRAME WORK OF STUDY

Jaika Motors Finance Department

- Check the data of customers in CIBIL
- DEDUPE
- Carry out Field Investigation
- On the basis of documents collected
- On the basis of above results the RSPM is filled up and it gives a result out of three as follows:
  - Yes = Approval of Loan
  - Refer to Credit = The case is forward to the Credit Processing Team
  - No = Mandatory rejection
- As per above result the case is further forwarded to RCU and CPA
- A final Release Order is given to Jaika Motors

CIBIL

- CIBIL – Credit Information Bureau (India) Limited
  - India’s first credit information bureau- is a repository of information, which contains the credit history of commercial and consumer borrowers. CIBIL provides this information to its Members in the form of credit information reports.
  - The Consumer Credit Bureau covers credit availed by individuals while the Commercial Credit Bureau covers credit availed by non-individuals such as partnership firms, proprietary concerns, private and public limited companies, etc.
  - Banks, Financial Institutions, State Financial Corporations, Non-Banking Financial Companies, Housing Finance Companies and Credit Card Companies are Members of CIBIL.
  - CIBIL’s CIRs are aimed at helping credit grantors make fast and objective lending decisions. This will contribute to a more competitive credit marketplace among Credit Grantors. With a Bureau in place, responsible customers can expect faster and more competitive services at better terms from the Credit Grantors.

IV. TATA DEDUPE

- Dedupe is a database created of all the customers of TATA group.
  - It contains the financial data of individuals as well as corporate customers of TATA Group for all products.
  - It helps the TATA Motors Finance Ltd. to finance their customers according to their available data and reduce the risk.
  - The format of Dedupe is as follows:

Field Investigation
- Field Investigation is done to get following details:
  - Applicant’s personal information
  - Telephonic verification (TVR)
  - Residence verification (RVR)
  - Work place details (OVR)
  - Finance requirement
  - Guarantor details (if there is Guarantor in the case)
  - Previous loan/finance details
  - Neighbor check
  - Field investigator opinion
  - Route map with landmarks

Risk Scoring Pricing Module
- This is a questionnaire designed such that it helps the company to know their customers financial condition to avail the finance.
  - It clarifies the total income and assets held by the customers and his family.
  - The main areas of questions covered are as follows:
    - Personal details of customer (Applicant and Co-applicant)
    - Details of vehicle
    - Applicant’s bank balance, assets owned and income details
    - Details of previous loan taken and vehicle financed
  - RSPM gives 3 decisions for forward processing
    - Yes – Approval for finance (Telephone bill is necessary or its waiver)
    - Refer to credit – the case is refer to the Credit Processing Agency to clarify the deviations and reduce the risk
    - No – Mandatory rejection

Release Order
- After getting the approval from all the departments, a Releasing Order is passed for final processing to Sales Team of Jaika Motors
  - Sales Team prepares the following documents:
    - TATA Invoice

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- It contains the financial data of individuals as well as corporate customers of TATA Group for all products.
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Analysis and Interpretation

Calculation of Rate of Interest and Amount to be Finance

- The Jaika Motors Finance department calculates the expected amount that can be finance and the rate of interest on the basis of customer data available
- The calculation is done as follows (E.g.):
  - Vehicle Model: INDICA (QU德拉杰 TERRA)
  - Ex-Showroom price: 4,39,964
  - On road price: 5,03,821 (including processing charges)
  - Finance amount: 3,50,000 (80% of Ex-Showroom)
  - Margin money: 1,53,821 (On road – Ex-showroom price)
  - Rate of interest (per annum): 6.45% if one advance payment made 6.75% if one advance payment not made
  - No. of years for financed: 4 years or 48 months
  - If 1 advances payment is made then interest (@6.45%) for a year: 22,575
  - Total interest for 4 years: 22,575*4= 90,300
  - EMI = (3,50,000 Finance amount + 90,300 Total Interest) /47 Installments
    = 9,368
  - Down payment = 1st EMI 9,368 + Margin money 1,53,821 = 1,63,189

Limitation

- Time was the limiting factor.
- Rely upon the information supplied by the company.
- Employees were reluctant in providing confidential information related to the financing the vehicle.

V. CONCLUSION

Finance plays an important role to carry out day to day transactions and Jaika Motors mainly depends on banks which provide various loans scheme as well as financial advisor. Financing vehicle is very important for Jaika Motors Ltd. who purchase the products from Jaika Motors Ltd. take time to make payments. As Jaika Motors Ltd. acts as an intermediate, and provide products at nominal price.

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