

**INTERNSHIP REPORT ON  
“MUTHOOT FINANCE LTD”**

Submitted By

**MURALI K M**

**USN: 4AL21BA047**

Submitted To



**VISVESVARAYA TECHNOLOGICAL UNIVERSITY, BELGAUM**

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

**MASTER OF BUSINESS ADMINISTRATION**

**Under the guidance of**

**Mrs. Harshitha V Shetty**

**Assistant Professor**

**Department Of MBA**

**AIET, Mijar**



**DEPARTMENT OF BUSINESS ADMINISTRATION  
ALVAS INSTITUTE OF ENGINEERING AND TECHNOLOGY  
2022-23**



**Muthoot Finance**

**CHINTAMANI BRANCH**

Date: 19-11-2022

Place: CHINTAMANI

**CERTIFICATE**

This is to certify that **MURALI K M (USN: 4AL21BA047)** student of 1<sup>st</sup> year MBA (Second semester) **Alva's Institute of Engineering and Technology Moodbidri**. Has undergone the Internship titled "**MUTHOOT FINANCE LTD**" AT **CHINTAMANI**. In our organisation during the period of 19-10-2022 to 19-11-2022.

Ref. AIET/MBA/IP/2021-23/19

During the study of Internship his character found satisfactory

We wish all the best in his future Endeavours.

**BRANCH MANAGER**



Muthoot Finance Ltd., #414/389, M.G.Road Chelur Circle, Chintamani  
Karnataka -563125



# ALVA'S INSTITUTE OF ENGINEERING & TECHNOLOGY

(A Unit of Alva's Education Foundation @ Moodbidri)

Affiliated to Visvesvaraya Technological University, Belagavi

Approved by AICTE, New Delhi & Recognised by Government of Karnataka

Accredited by NBA (CSE & ECE)

DATE: 30/01/2023

## CERTIFICATE

This is to certify that **MURALI** bearing USN **4AL21BA047** is a bonafide student of Master of Business Administration program of the Institute (2021-22) affiliated to Visvesvaraya Technological University, Belagavi.

The Internship report on "**MUTHOOT FINANCE LIMITED, CHINTAMANI**" is prepared by him under the guidance of **Mrs. Harshitha V Shetty**, Assistant Professor, PG Department of Business Administration in partial fulfillment of the requirements for the award of the degree of Master of Business Administration, Visvesvaraya Technological University, Belagavi, Karnataka.

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I express my deepest thanks to my parents and family members for their active role in my professional development without which my higher studies. Finally I thank my friends for their valuable suggestions offered to me to complete this study successfully.

## **DECLARATION**

I MURALI K M hereby declare that this Internship conducted at Muthoot Finance ltd. is a record of independent work carried out by me under the guidance of Mrs. Harshitha Shetty. I also declare that this organization study is towards the partial fulfilment of the university regulation for the award of the degree of Master of Business Administration by Visvesvaraya Technological University, Belagavi. I have undergone an organization study for a period of four weeks. I further declare that this organization study is based on the original study undertaken by me and has not been submitted for the award of any degree from any other University/Institution.

Place: Mijar

Signature of the Student

Date:

(Murali KM)

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**Executive summary:**

This is an attempt to know how the theories can be applied to practical situation. As MBA student of Alva's institute of engineering and technology it is a part of study for everyone to undergo internship at some good organization. So, this purpose I got the opportunity of internship program in "Muthoot Finance ltd"

This report is divided into six chapters. The first chapter deals with the introduction about the internship, industry profile. The second chapter is about the organization profile,

- ☐ Nature of business
- ☐ Vision mission, quality policy,
- ☐ Workflow model
- ☐ Product/service profile,
- ☐ Ownership pattern,
- ☐ Achievements/awards if any,

Third chapter is Mieczanek's 7S frame work with special reference to organization under study. The fourth chapter deals with the SWOT analysis. The fifth chapter is Analysis of financial statement sixth chapter is learning experience. It also consists of Bibliography.

## **CHAPTER – 1**

### **INTRODUCTION ABOUT THE ORGANIZATION AND INDUSTRY**



## **INTRODUCTION OF INDUSTRY:**

Financial institutions and institutional management in the country are undergoing momentous “change”. India is one of the fastest growing economies in the world. Financial institute ting dates back to 1786, the first financial institutes established in India, then the nationalization of financial institutions in 1969 and recently the liberalization of the same since 1991.

Indian financial institute ting is the lifeline of the nation. Its network over 62,500 offices is spread across the length and breadth of the country, servicing nearly 40 crores depositors. Financing diverse needs of more than 6 crores entrepreneur customers providing a nationwide framework for payment clearing and settlements and vital sectors of economy like agriculture, industry, trade and commerce financial institutions play an important role in the growth of GDP. According to revised estimates released by the Central Statistical Organization (CSO) in May 2016, real GDP accelerated from 11.5 per cent in 2016-17 to 10.6 percent, an 18 year high during 2017.

Financial institutions plays very important role in the economic development of every nation. They have control over a large part of the supply of money in circulation. A strong financial institution sector is, therefore, vital for growth, creation of jobs, generation of wealth, eradication of poverty, entrepreneurial activity and increasing the Gross Domestic Product (GDP), all necessary factors for a country to emerge as a developed one. Financial institutions are the main stimulus of the economic progress of a country, because, the economic development highly depends upon the extent of mobilization of resources, investment and on the operational efficiency of the various segments of the economy.

## **HISTORY OF MUTHOOT FINANCE:**

Muthoot Finance Ltd is the largest gold company in India. The company provides personal and business loans secured by gold jewelers, or Gold Loans, primarily to individuals who possess gold jewellery but could not access formal credit within a reasonable time, or to whom credit may not be available at all, to meet unanticipated or other short-term liquidity requirements. The company is headquartered in Kerala. In addition to their Gold Loans 1business, the company provides money transfer services through their branches as sub-agents of various registered money transfer agencies.

They have commenced providing collection agency services. They also operate three windmills of 1.25 MW each in the state of Tamil Nadu. Muthoot Finance Ltd was incorporated

on March 14, 1997 as a private company with the name The Muthoot Finance Pvt Ltd. The company is promoted by M G George Muthoot, George Thomas Muthoot, George Jacob Muthoot and George Alexander Muthoot. The company's operating history evolved over a period of 70 years since M George Muthoot (the father of the promoters) founded a gold loan business in 1939 under the heritage of a trading business established by his father, NinanMathaiMuthoot, in 1887. In the year 2001, the company obtained the license from RBI to function as an NBFC. In the year 2005, as per the scheme of amalgamation.

## **ABOUT COMPANY**

Muthoot Finance Ltd: Established in the year 1939 when M.George Muthoot ventured into financial services through a partnership firm under the name of Muthoot M. George & Brothers (MMG). MMG was a Chit Fund based out of Kozhencherry. In 1971, the firm was renamed as Muthoot Financial institutes, and had begun to finance loans using gold jewellery as collateral. . In 2001, the company was renamed once again and came to be known as Muthoot Finance Ltd. Muthoot Finance falls under the category of Systematically Important Non- financial institute sing financial company (NBFC) of the RBI guidelines.

The company has more than 4,050 branches spread across 23 states of the country Muthoot Finance, according to the IMac's Research & Analytics Industry Reports [Gold Loans Market in India, 2009 and the 2010 update to the iMac's Industry Report 2009], is the largest Gold Loan NBFC and has the largest network of branches for a Gold Loan NBFC in India. Muthoot Finance is also the highest credit rated Gold Loan company in India, with a credit rating of AA- (CRISIL) and LAA-(ICRA) for its Long Term Debts and P1+ (CRISIL) & A1+ (ICRA) for its Short Term Debt Instruments.

Muthoot Finance promotes "GOLD POWER", a concept which emphasizes mobilizing household Gold possessions (ornaments), estimated to be more than 20000 tones, in times of financial crunch. The services can be used by anyone from any economic section of society, with minimal paperwork and hindrances In terms of market capitalization, Muthoot Finance Ltd is the second largest company in Kerala, first being Federal Financial institutes.

## **THE STRUCTURE OF FINANCIAL INSTITUTION SYSTEM**

The structure of financial institution system is determined by economic and legal. The development of the economy and the spread of financial institute sing habit call for increasing financial institution services. The demand for these financial institution services affects the

financial institutions' structure and organization. National objectives and aspirations result in government regulations, which have a profound influence on the financial institution structure.

According to the IBA Bulletin, the Financial institutions in India are classified in to six major categories are Public sector Financial institutions, Private sector Financial institutions, Foreign Financial institutions, State Co-operative Financial institutions, District Co-operative Financial institutions and Primary Co-operative Financial institutions.

Vasanth Desai (2015) from his book titled as 'Financial institutions and institutional Management' classified the structure of financial institutions in India in to three major sectors

- Commercial Financial institutions
- Co-operative Societies
- Other Institutions.

## **COMMERCIAL FINANCIAL INSTITUTIONS**

Commercial Financial institutions are the oldest, biggest and fastest growing financial intermediaries in India. They are also the most important depositories of public sector and the most important disbursers of finance. Commercial Financial institution in India is a unique system similar to that exists nowhere in the world.

The commercial financial institution structure in India consists of: Scheduled Commercial Financial institutions and Unscheduled Financial institutions. Scheduled commercial financial institutions constitute those financial institutions, which have been included in the Second Schedule of Reserve Financial institutes of India (RBI) Act, 1934. RBI in turn includes only those Financial institutions in this schedule which satisfy the criteria laid down vide section 42(6) (a) of the act.

## **FUNCTIONS OF COMMERCIAL FINANCIAL INSTITUTIONS:**

### **Classification of Indian commercial financial institutions**

Indian commercial financial institutions can be broadly classified into two categories. They are

- Public Sector Financial institutions
- Private Sector Financial institutions

## **A. PUBLIC SECTOR FINANCIAL INSTITUTIONS**

Public sector financial institutions refer to commercial financial institutions, which are owned by the Central Government either directly or through the RBI. They are also referred to as National Financial institutions. They are established by special Acts passed by the Parliament. Among the Public Sector Financial institutions in India, United Financial institutes of India are one of the 14 major financial institutions, which were nationalized on July 19, 1969. Its predecessor, in the Public Sector Financial institutions, the United Financial institutes of India Ltd., was formed in 1950 with the amalgamation of four Financial institutions viz. Camilla Financial institution Corporation Ltd. (1914), Bengal Central Financial institutes Ltd. (1918), Camilla Union Financial institutes Ltd. (1922) and Hooghly Financial institutes Ltd. (1932).

Public sector financial institutions can be further classified in to two categories. They are:

- State financial institutes of India
- Associates Financial institutions
- 14 Nationalized Financial institutions
- 6 Nationalized Financial institutions
- Regional rural Financial institutions

## **PRIVATE SECTOR FINANCIAL INSTITUTIONS:**

Private financial institution in India was practiced since the beginning of financial institution system in India. The first private financial institute in India to be set up in Private Sector Financial institutions in India was Induced Financial institutes. It is one of the fast growing Private Sector Financial institutes in India. IDBI ranks the tenth largest development financial institutes in the world as Private Financial institutions in India and has promoted a world class institutions in India.

### **The private sector can be further classified as follows**

- Other private Financial institutions
- New-sophisticated private Financial institutions;
- Co-operative Financial institutions included in second schedule;
- Foreign Financial institutions in India, representative offices
- One non-schedule Financial institutions

There are 33 private financial institutions in India and some of the private financial institutions are:

- Axis Financial institutes
- HDFC Financial institutes
- IDBI Financial institutes
- ICICI Financial institutes
- ING
- Karnataka Financial institutes limited
- Kotak Mahindra Financial institutes
- Yes Financial institutes

### **Services provided By NBFCs**

NBFCs offer most sorts of financial institution services, such as loans and credit facilities, private education funding, retirement planning, trading in money markets, underwriting stocks and shares, TFCs (Term Finance Certificate) and other obligations. These institutions also provide wealth management such as managing portfolios of stocks and shares, discounting services e.g. discounting of instruments and advice on merger and acquisition activities.

The number of non-financial institution financial companies has expanded greatly in the last several years as venture capital companies, retail and industrial companies have entered the

lending business. Non- financial institute's institutions also frequently support investments in property and prepare feasibility, market or industry studies for companies.

However they are typically not allowed to take deposits from the general public and have to find other means of funding their operations such as issuing debt instruments

### **CLASSIFICATION:**

Based on their Liability Structure, NBFCs have been divided into two categories. 1. Category 'A' companies (NBFCs accepting public deposits or NBFCs-D), and 2. Category 'B' companies (NBFCs not raising public deposits or NBFCs-ND).

NBFCs-D are subject to requirements of Capital adequacy, Liquid assets maintenance, Exposure norms (including restrictions on exposure to investments in land, building and unquoted shares), ALM discipline and reporting requirements; In contrast, until 2016 NBFCs-ND were subject to minimal regulation. Since April 1, 2017, non-deposit taking NBFCs with assets of ₹4 billion and above are being classified as Systemically Important Non-Deposit taking NBFCs (NBFCs-ND-SI), and prudential regulations, such as capital adequacy requirements and exposure norms along with reporting requirements, have been made applicable to them.

The asset liability management (ALM) reporting and disclosure norms have also been made applicable to the mat different points of time.

Depending upon their nature of activities, non- financial institution finance companies can be classified into the following categories:

1. Development finance institutions
2. Leasing companies
3. Investment companies
4. House finance companies
5. Venture capital companies
6. Discount & guarantee houses

## **Theoretical back ground of the study:**

A market consists of all potential customers sharing a particular need or want that might be willing and able to engage in exchange to satisfy that need or want. Originally the term stood for the place where buyers and sellers gathered to exchange their goods. Now market has become a general term with need market, product market, labor market etc as in different denominations.

## **MARKETING**

In view of “Philip Kotler” the marketing is consumer-oriented activity backed with integrated marketing approach aim to satisfy the need of the consumer and also thereby achieving organization objectives.

Marketing is a total system of business activities designed to plan, price, promote and distribute want-satisfying product to target market to achieve organizational objectives. This definition has two significant implications. The entire system of business activities should be customer-Oriented customer's wants must be recognized and satisfied.

### **Importance of Marketing:**

Marketing occupies the most important place in any business organization. Main reason is that, the ultimate aim of any business unit is to earn profit by selling goods and services to customers for the business. Marketing provides the necessary customers for the business to produce goods. Marketing helps in matching the markets with the product of quality. Matching product with markets means determining the wants and needs of potential customers and supplying products which meet those demands. Marketing helps not only the producers, but also customers and society.

### **Marketing management:**

Marketing management is the process of planning, implementing and directing a firm's marketing efforts with the intention of satisfying the customers and turning a profit. Among the many functions included in the marketing management process are strategy development and sales forecasting, advertising and sales promotion, analysis of market opportunities and the establishment of proper marketing mix.

## **CONSUMER PREFERENCES**

The underlying foundation of demand, therefore, is a model of how consumers behave. The individual consumer has a set of preferences and values whose determination is outside the realm of economics. They are no doubt dependent upon culture, education, and individual tastes, among a plethora of other factors. The measure of these values in this model for a particular good is in terms of the real opportunity cost to the consumer who purchases and consumes the good. If an individual purchases a particular good, then the opportunity cost of that purchase is the forgone goods the consumer could have bought instead.

## **PERCEPTUAL PROCESS:**

### **1. Receiving stimuli:**

The perception process starts with the reception of stimuli. Stimuli are things that evoke activity in living beings. The stimuli are received from various sources through five sensory organs. We see, hear, smell, taste and touch things.

### **2. Selection of stimuli:**

People in their everyday life bombarded by myriads of stimuli. They cannot assimilate all what they observe or receive from the environment at a time. Hence they select some stimuli for further processing and attach meanings to them. Selection of stimuli depends upon two factors.

#### **A. External factors:**

External factors relate to the intensity of stimuli its size, movement, repetition, etc.

#### **B. Internal factors:**

Internal factors relate to the perceiver such as his/her age, learning, interest etc. normally people selectively perceive objects or things that interest to them most in particular situation and avoid others this is also called 'selection perception'.

### **3. Organization of stimuli:**

After selecting the stimuli, they need to be organized to be in some form to assign meaning to them ways by which the selected data or the inputs are organized.



#### **4. Interpretation:**

The data collected and organized remain meaningless to the perceiver till meanings are assigned to them. Assigning meanings to data is called interpretation. Several factors influence the interpretation in organization, the most important ones are halo effect, attribution, stereotyping, personality, person perceived I.e. the perceiver.

### **CUSTOMER ORIENTATION**

#### **Background**

All experts and researchers, both national and international, agree that one of the most important issues for the future from society's point of view is how the public sector can adopt a customer-oriented outlook in its relation to its citizens. It is going to be of great importance in the future for this tax payer – funded sector to be able to justify its funding by producing high quality services for the citizens. Of course this is already important today.

#### **Customers influence:**

Since the customers finance our operations, they and other customer groups ought to be involved in the development of our services. This is particularly important in relation to future services such as electronic administration, services to the business community, and protection against the infringement of trademarks etc. we must continuously carry out surveys in order to find out what the customer groups think of the services we provide for society.

To do this we need communication, a continuing conversation, with all customer groups. The new strategic conversation with the customers is defined in a special process, the customer dialogue.

#### **Dialogue with customers:**

The customer dialogue described in terms as follows:

Identification of customer group for each process (this process can be done through customer surveys or through special joint working groups).

Dialogue with customer groups about development of the process (this can be done through customer services, ongoing conversations with focused groups or small scale questionnaires).

Improvement of processes based on customer wishes.

Measurements of what customers think of our performance on the process.

## **CUSTOMER SATISFACTION**

Customer satisfaction suffices the customer. Customer visualizes, perceives and will have some expectations before making any purchase. If the product meets customer's expectations then he is satisfied. Customer will be satisfied when the product meets the basic needs set and therefore utility of a product is nothing but consumer's estimation of products over all capacity to satisfy his needs.

.According to PETER DRUCKER “Marketing is so basic that it cannot be considered a separate function.” It is the whole business seen from the point of view its final results, that is from the consumers point of view business success is not determined by the producers but by the consumers.

The definition recognize that marketing management is a process involving analysis, planning implementation and control that it covers goods, services and ideas that it rests in the notion of exchange and that the goods is to produce satisfaction forth parties involved.

## **POST PURCHASE ACTIONS**

There is high probability of purchasing the product if the customer care satisfied. Marketers should take keen interest in handling customer's dissatisfaction. Marketer's job is to understand buyer's behavior and aim at satisfying customers. The satisfied customers will have brand loyalty and strong affinity towards the product, so there is less scope of switching to other brands. They are called as Hard-core loyal who are highly satisfied and have undivided loyalty towards a brand.

Satisfaction can be used as gauge for measuring effectiveness of customer care of the organization. This increases the customer loyalty. To create total customer satisfaction (TCS) the company should move beyond customer satisfaction, by anticipating his needs and surpassing them with products or delighting the customers.

## **IMPORTANCE OF THE CUSTOMER SATISFACTION**

Company's primary task is “to create customers” But today's customers face a vast array of product and brand choices, prices and suppliers. How do customers make their choices?

We believe that customers estimate which offer will deliver the most value. Customers are value-maximizers, within the bounds of search costs and limited knowledge, mobility, and income. They form an expectation of value and act on it. Then they learn whether the offer lived up to the value expectation and this affects their satisfaction and their repurchase probability.

## **CUSTOMER VALUE**

Customer delivered value is the difference between total customer value and total customer cost. And total customer value is the bundle of benefits customers expects from a given product or service.

The challenge is to create a company culture such that everyone within the company aims to delight the customer. Unisys, the computer company, recently introduced the term “customize” in its ads, and defined it as follows: “To make accompany more responsive to its customers and better able to attract new ones.” Unisys sees this as a matter of extending information’s system capabilities to field locations and other points of customer contact and support. But “customizing” a company calls for more than providing good information to customer contact employees. The company’s staff must be “converted” to practicing a strong customer orientation.

## **CHAPTER-2**

### **COMPANY PROFILE**

## **Background Muthoot Finance**

Muthoot Finance is a flagship company of Muthoot Group and its inception took place on 14<sup>th</sup> March 1997 as a private limited company i.e. Muthoot Finance Pvt. Ltd. The promoters of the company are M.G. George Muthoot, George Jacob Muthoot, George Thomas Muthoot, and George Alexander Muthoot. On 18<sup>th</sup> November 2008, the promoters of the company converted it into a public limited company and renamed as Muthoot Finance Ltd. A total of 620 new branches were added to the company in the year 2009-10.

All experts and researchers, both national and international, agree that one of the most important issues for the future from society's point of view is how the public sector can adopt a customer-oriented outlook in its relation to its citizens. It is going to be of great importance in the future for this tax payer – funded sector to be able to justify its funding by producing high quality services for the citizens. Of course this is already important today

The Background page of Muthoot Finance Ltd. captures the details on Company's Industry, Incorporation Date, Face Value, Registered Address, Web Site, Registrar, and Auditors information.

## **Nature of business**

The geographical nature of study is confined to the city of Chintamani. The various customers were met to find out their perception towards the various elements that satisfies the customer. The market research will provide valuable information on the awareness of products of Muthoot Finance based on which the company can alter its communication strategy, if necessary. The market research will highlight the consumer response towards the Gold loans of Muthoot Finance in the form of consumer image, opinion etc. which is very critical information for a Muthoot Finance company. This will help the company to make changes in its marketing mix to operate efficiently in a competitive environment.

1. To study the various factors & their influence which effect the selection of Muthoot Finance.
2. To study the customers preference towards Muthoot Finance.
3. To ascertain the attributes consumers look for in an ideal Muthoot Finance.
4. To know the most effective media for advertising the product that has greatest influence on the respondents.
5. To find out the customer satisfaction levels towards Muthoot Finance.

## **Vision and Mission of the company**

### **Vision:**

“Be the most trusted globally diversified institution enriching lives of the masses while contributing back to the society”

To build homes and office space that conforms to the best quality standards in design and construction. To conduct our business ethically and with the highest degree of integrity and adherence to rules and regulations. To offer opportunities to our team members through continuous training and development. To help our contractors and suppliers to develop and excel in their field of activity.

### **Mission:**

“To build leading customer centric business customers enabled by technology, maintaining, the highest standards of corporate governance and uncompromising values”.

To be Global Retail Conglomerate providing financial and other services catering to the lifetime needs of peoples from all walks of life.

## Work flow model

Key Activities	Customer Segments	Value Proposition	Key Partners	Customer Relationships
<ul style="list-style-type: none"> <li>✓ Advertisements And Promotions</li> <li>✓ App development</li> <li>✓ CSR activities</li> </ul>	<ul style="list-style-type: none"> <li>✓ Small businesses</li> <li>✓ Salaried people</li> <li>✓ SMEs</li> <li>✓ Landlords</li> <li>✓ Students</li> <li>✓ Farmers, traders, vendors</li> </ul>	<ul style="list-style-type: none"> <li>✓ Diverse range of services</li> <li>✓ Gold loan unique benefits</li> <li>✓ Money transfer</li> <li>✓ Gold coin buying scheme</li> <li>✓ Foreign exchange</li> <li>✓ Insurance services</li> <li>✓ Personal loan on attractive rates</li> <li>✓ Go cashless and digital</li> </ul>	<ul style="list-style-type: none"> <li>✓ Banks</li> <li>✓ Online gateway providers</li> </ul>	<ul style="list-style-type: none"> <li>✓ Customer support centers</li> <li>✓ Grievance redressal system</li> <li>✓ Extended operating hours</li> <li>✓ AI-powered chatbots</li> </ul>
	<b>Key Resources</b> <ul style="list-style-type: none"> <li>✓ Subsidiaries</li> <li>✓ Mobile app</li> <li>✓ Information technology</li> <li>✓ Staff</li> <li>✓ Application software</li> </ul>		<b>Channels</b> <ul style="list-style-type: none"> <li>✓ Website</li> <li>✓ Mobile app</li> <li>✓ Social Media</li> <li>✓ Muthoot online</li> </ul>	
<b>Cost Structure and Competitor review</b>		<b>Revenues Streams</b>		
<b>Cost structure:</b> <ul style="list-style-type: none"> <li>✓ Finance expenses</li> <li>✓ Director remuneration</li> <li>✓ Employee benefits</li> <li>✓ Amortisation &amp; Depreciation</li> <li>✓ Administration &amp; other costs</li> <li>✓ Impairment on financial Instruments</li> </ul> <b>Competitor review or advantages:</b> <ul style="list-style-type: none"> <li>✓ Extremely competitive interest rates</li> <li>✓ Minimal documentation</li> <li>✓ Full safety of pledged gold</li> <li>✓ Transparent process and no hidden cost</li> </ul>		<ul style="list-style-type: none"> <li>✓ Interest income</li> <li>✓ Service charges</li> <li>✓ Sale of shares and securities</li> <li>✓ Sale of service</li> <li>✓ Revenue through subsidiaries</li> </ul>		

A Business Model of an organization is a structure that is based on concepts that support the feasibility of a product or organization and demonstrates how an organization works, generates income, and how it moves forward to achieve its objectives. So a business model comprises all the processes and policies that an organization adopts and pursues

Now let's discuss the above elements mentioned in the business model canvas of Muthoot Finance in detail.

### 1. Value Proposition

Muthoot provides the following unique benefits or value to its customers through its products and services.

#### ▪ A Diverse Range of Offerings:

Muthoot Finance has a pool of products and services under one roof to cater to the different requirements of customers like Gold loans, Gold coins, Mutual funds,

- **Gold Loan Advantages:**

Muthoot Finance provides various exclusive benefits to its customers for availing gold loan.

There are no hidden charges by the company and insurance is also free for customer's gold.

**Easy Gold Scheme for Buying Gold Coins:**

Muthoot Finance offers the service of purchase of gold coins which is differentiated due to various unique benefits like selling gold coins

**Money Transfer:**

Muthoot Finance offers different types of facilities for transferring money such as International money transfer, domestic money transfer.

**Foreign Exchange Services:**

Muthoot Finance provides hassle-free services of currency exchange at competitive rates. All types of major currencies are available that are beneficial for a large pool of travelers. Also, the time and handling charges to send money in a foreign country are minimal.

**Insurance Services:**

The insurance solutions offered by the company are customized solutions according to the specific requirements of customers. Muthoot home protector (MHP) – General insurance product, and Muthoot lifeguard- Life insurance products offer competitive benefits to customers.

## **2. Customer Segments**

Customers of Muthoot Finance include:

**Small businesses or enterprises:**

The company provides small business loans for small businesses to meet their working capital requirements, purchase of equipment and new stock or inventory and for expansion purpose.

**SME business owners:**

To meet the working capital needs of SMEs (Small and Medium Enterprises), Muthoot Finance provides them a gold loan at a lower rate of interest.



**Landlords:** Landlord of premises are also customers of Muthoot Finance as the company extends its loan services to them for meeting personal requirements, house construction, expand business activities, etc.

### **3. Key Partners**

#### **Leading banks:**

✓ Muthoot Finance has tie-up with leading banks like YES Bank, Nepal-based Global IME Bank, and Prabhu Bank, IndusInd Bank, etc.

✓ For money transfer-related services between Indian and Nepal, it partnered with Global IME Bank and Prabhu Bank of Nepal.

#### **Online payment gateway service providers:**

Online payment service providers like Technical Process payment services, Atom Technologies are partners of Muthoot Finance for e-payments. Through the partnership, customers of Muthoot Finance are able to pay their monthly installments using the digital platform.

### **4. Key Resources**

#### **Subsidiaries:**

Muthoot Finance has different subsidiary companies that are resources of different business segments of the company. The subsidiaries include:

Muthoot Home fin (India) Limited (MHIL)

Asia Asset Finance PLC

Bolster Investment and Finance Private Limited (BIFPL)

Muthoot Money Limited (MML)

#### **Mobile App:**

➤ The mobile app of the company also plays an important role as its resources for operating business.

➤ The in-house team of Muthoot Finance is efficient to develop different Android and IOS platform-based apps for Business to Enterprise (B2E), Business to customer (B2C), automation of the internal process.

➤ The iMuthoot mobile app of the company is developed for providing their superior quality products and services, along with advanced technology to customers.

### **Information Technology:**

➤ IT plays a key role and one of the major resources of Muthoot Finance. The company has an advanced IT-enabled Core banking system (CBS) which is a user friendly and powerful banking solution and that is implemented in all branches in India.

➤ CBS functioning includes processing centralized transactions, management information systems (MIS), and back-office of the company.

## **5. Key Activities**

### **Advertisement and promotional activities:**

Muthoot Finance organizes various informative ad campaigns through print and electronic media i.e. different TV channels, newspapers, radio, magazines, etc. Also, billboards, vehicle displays, etc.

### **App development:**

Muthoot Finance has an in-house technical team to develop various user-friendly mobile apps to view required information and for 24/7 online transactions. The team develops different apps that are compatible with both iOS and Android platforms for internal process automation, B2E, and B2C platforms of enterprise mobility.

### **CSR activities:**

The Company is involved in conducting various corporate social responsibility (CSR) activities to provide economic, social, and environmental benefits to all stakeholders or communities they deal with. Their CSR activities include providing scholarships, health and education initiatives, eco-friendliness, tree-plantation, sports, donations, women empowerment, etc

## **6. Channels**

### **Website:**

Muthoot Finance provides all necessary information of its offerings and platform to apply for gold loans and other services through its website i.e. [muthootfinance.com](http://muthootfinance.com)

**Mobile App:**

Through iMuthoot mobile app, Muthoot Finance provides facility to customers to avail of all features and available services.

**Social media:**

The ads of Muthoot Finance can be seen on different social media platforms like Facebook, YouTube, Instagram, Twitter, LinkedIn, etc.

**Muthoot Online:**

Muthoot Finance offers its online services to customers through ‘Muthoot Online’. This is the online service platform for customers to make an interest payment and principal re-payment amount through net banking or debit card. Using this facility, the withdrawal of available loan is also possible and customers can renew eligible loans.

**7. Customer Relationship**

- ❖ Muthoot Finance values and vision is inclined towards providing the highest quality services and support to its customers.
- ❖ The company has a proactive grievance redressed system for customers that address the issues or complaints of customers.
- ❖ The company also has AI-based chatbots to provide useful information to customers and handle their queries.

**8. Revenue Streams**

The revenue segments of Muthoot Finance consist of interest income, service charges, sale of shares and securities, sale of service, etc. The total revenue of the company for FY21 was Rs. 6880.60 crore.

The revenue earned by the company in 9M for FY20 was Rs. 6312.4 crore. This includes interest income of Rs. 6213.80 crore and income other than interest i.e. Rs. 98.6 crore.

**9. Cost Structure and Competitor Review****Costing**

Muthoot Finance anticipated different expenses i.e. Finance cost, Remuneration of directors, Amortization & Depreciation, Administration & other costs, Employee benefits expense, Impairment on Financial Instruments.

## **Competitor Review**

The major competitors of Muthoot Finance include Bajaj Finance, Shriram Finance, Sundaram Finance, Esaf Microfinance, L&T Finance, Manappuram Finance, etc.

- ❑ The gold loans of Muthoot Finance are provided on attractive, extremely competitive interest rates and are the safest means for immediate fund requirements.
- ❑ Documentation is minimal and the storage of customer's gold is fully secure as gold is secured safely in vaults.

## **V) SERVICE PROFILE/BRAND**

### **Information Technology**

Muthoot Systems and Technologies Pvt Ltd: Operating under the brand Emsyne is the Information technology arm of the Muthoot Group, is headquartered in Cochin. The company has been operating for over the past 14 years in the IT sector. Their client list includes US companies such as ARC group, PA, Court Port LLC, SVM, and JAL International.

### **Precious Metals**

Muthoot Precious Metals Corporation: Established in May 2006, the company sells coins & bars of 999 Pure 24 Carat gold and silver throughout India. They carry out the sales of these bars and coins through more than 4000 branches of Muthoot Finance Ltd.

### **Money transfer**

Muthoot Finance Ltd: Money transfer is a service provided by Muthoot Finance since 2002. As of December 2012, there are 7 inward remittances that Muthoot Finance offers Union, express Instant Cash, Transfect, Money gram Global Money.

### **Foreign exchange**

Muthoot Exchange Company Pvt. Ltd: The Foreign exchange division of the Muthoot Group is head quartered in Kerala. Customers can avail this service at select Muthoot Finance Ltd. Outlets across India.

### **Securities**

Muthoot Securities Ltd: Established on 28 May 2008, Muthoot Securities Ltd. is a member of various stock exchanges namely NSE, BSE and MCX-SX. MSTL.

It operates over 200 business centers in Kerala, Tamil Nadu, Andhra Pradesh and Karnataka.

## Healthcare

Medical Centre: Established in 1988, the Group operates a medical center and specialty clinics. It also provides a number of health services round the clock. Health check-up schemes, cashless treatments and community health programs also fall under the healthcare spectrum of Muthoot Group.

## GOLD LOAN SCHEMES

### PER GRAM RATE AND RATE OF INTEREST OF VARIOUS SCHEMES

SL.NO	CATEGORY	CEILING RATE RS.1967/- W.E.F 19.07.2017	KERALA	OUTSIDE KERALA
1	One Percent Loan (MOL)	Upto 1 month	N.A.	N.A.
		Above 1 months upto 3 months	N.A.	N.A.
		Above 3 months upto 6months	N.A.	N.A.
		Above 6 months upto 12months	N.A.	N.A.
		Above 12 months(Penal Interest -3% addnl)	N.A.	N.A.
2	Mahila Loan (MML)	Upto 1 month	12%	12%
		Above 1 months upto 3 months	15%	15%
		Above 3 months upto 6months	20%	20%
		Above 6 months upto 12months	24%	24%

		Above 12 months(Penal Interest -2% addnl)	24%	24%
3	Delight Loan (MDL)	Upto 1 month	N.A.	N.A.
		Above 1 months upto 3 months		
		Above 3 months upto 6months		
		Above 6 months upto 12months		
		Above 12 months(Penal Interest -3% addnl)		
4	Super loan (MSL)	Rebate 6%/ 3M(18%) - 3%/ 6M(21%) - 2% 9M(22%) Upto 12 months	24%	Rebate 2%/1 M(21.5%)(DLH) 24%
		Above 12 months(Penal Interest -2% addnl)	24%	24%
5	Premier Loan (MPL)	Upto 1 month	N.A.	N.A.
		Above 1 months upto 3 months		
		Above 3 months upto 6months		
		Above 6 months upto 12months		

		Above 12 months(Penal Interest -3% addnl)		
6	High value Loan (MHL)	Rebate 6%/ 3M(16%) - 6% / 6M(18%) - 2% 9M(20%)(South) Upto 1 month(Delhi)		
		Above 1 m upto 3 m (Delhi)		
		Above 3 months upto 6 months(Delhi)		
		Above 6 months upto 9 months(Delhi)		
		Above 9 months upto 12 months	22%	22%
		Above 12 m(Penal Int.-2% addnl& 3% for Delhi)	22%	22%
7	High value Loan (MHL Plus) (Above 20 L)	Rebate 8% /3 M(14%) - 4% / 9M(18%) - 2% / 12M(20%) Upto 12 months	22%	22%
		Above 12 months(Penal Interest -2% addnl)	22%	22%
8		3 months (After 3 months,22% p.a.)	17% p.a.	17% p.a.

	Interest Prepaid Loan (IPL)	6 months (After 6 months,22% p.a.)	16% p.a.	16% p.a.
		12 months (After 12 months,22% p.a.)	12% p.a.	12% p.a.
		Premature closure-22% p.a.		
9	Advantage loan (MAL)	Rebate 5% /3 month(17%)- for South Rebate 3% /6 months(19%) - for South Upto 3 months(DLH)		
		Above 3 months upto 6 months(DLH)		
		Above 6 months upto 12 months	22%	22%
		Above 12 months(Penal Interest -2% addnl)	22%	22%
10	Muthoot Overdraft Scheme (MOS)	Upto 12 months	19%	19%
		Above 12 months(Penal Interest -2% addnl)	19%	19%
11	Zero Interest Loan (ZIL)	0% interest	0%	0%
		24% for delayed EMI for the delayed Period		



12	Freedom Gold Loan (FGL)	Rebate 2% / 1M(18%-NACH) - 1% /1M(19%-Non NACH) Upto 12 months	N.A.	20%
		Above 12 months(Penal Interest -2% addnl)		20%
13	Muthoot EMI Scheme (MES)	>6/12 instalments	21% p.a.	21% p.a.
LOAN SCHEMES FOR REPLEDGERS			Kerala	Outside Kerala
14	Xpress Business Loan (XBL)	Upto 6 month	17% p.a.	18% p.a.
		Above 6 months upto 9 months	19% p.a.	20% p.a.
		Above 9 months upto 12 months	23%p.a	24% p.a.
		Above 12 months(Penal Interest -2% addnl)	24% p.a.	24% p.a.
Scheme		Kerala & Other South Indian Branches		
MSL		Rebate 2%/1month		
MPL		Rebate 2%/1month		
MSL		Rebate 4%/3month		
		Rebate 1% /6 months		

## SERVICE CHARGES RELATING TO GOLD LOANS

SL NO	CATEGORY	SERVICE CHARGE
1	Service charge for gold loans under normal schemes (except loans under MHL and MLS schemes) Applicable only in South India Branches)	Rs.10/- for loans upto Rs.10,000/- and Rs.20/- for loans above Rs.10,000/- every time a loan is sanctioned/renewed and a pledge form is printed.
2	Processing charges for loans under MHL (Muthoot High value Loan) scheme.	<b>South</b> Branches - 0.5% of the loan amount  <b>North</b> Branches - Loan amount below Rs.5 lakhs-1% of the loan amount, Loans of Rs.5 lakhs and above and less than Rs.10 lakhs-1% of the loan amount, Loans of Rs.10 lakhs and above and less than Rs.25 lakhs-0.5% of the loan amount, Loans of Rs.25 lakhs and above-0.25% of the loan amount
3	Documentation charges for limits sanctioned under MOS (Muthoot Overdraft scheme)	Rs.1500/- per account (For renewals within 12 months Rs.750/- per account)
4	Processing charges for loans under MSS (Muthoot Samsung Scheme)	Rs.50/- per loan account
5	Processing charges for loans under ZIL (Zero Interest Loan) scheme	Rs.50/- per loan account

6	Charges for lost tokens (Applicable for loans under all schemes)	Rs.25/- (in addition to the cost of stamp paper applicable)
7	Notice charges (Applicable for loans under all schemes)	<b>South</b> Branches:- Ordinary Notice - Rs.10/- Registered Notice - Rs.40/- Auction Notice - Rs.70/-  <b>North</b> branches:- Ordinary Notice(3 times) - Rs.10/- *3=Rs.30/- Registered Notice - Rs.40/- Auction Notice - Rs.100/-  (w whenever a loan is marked for auction, the charges will be recovered)
8	Administrative charges (applicable only in North branches)	0.15% of loan amount(Minimum Rs.40/- ,maximum Rs.600/-) for all schemes in North branches
9	Stamp duty levied by State Governments	Actuals wherever applicable
10	SMS Charges	Rs.2/- per account at the time of closure / renewal

## Ownership pattern

Holder's Name	No of Shares	%Share Holders
No Of Shares	401321566	100%
Promoters	294463872	73.37%
Foreign Institutions	56815072	14.16%
Banks/Mutual Funds	28630907	7.13%
Others	2381002	0.59%
General Public	14480458	3.61%
Financial Institutions	4550255	1.13%

## BOD'S OF MUTHOOT FINANCE LTD:

George\_Muthoot"Muthoot (Chairman)

George\_Alexander\_Muthoot"Muthoot (MD)

George Jacob Muthoot (Whole- Time Director)

George Thomas Muthoot (Whole-Time Director)

## Achievements/awards

- The Muthoot Group has been honoured with the Dhanam BFSI Award 2020 for Kerala's Most Valued Company of the Year - 2019 in a glittering function held at Hotel Le Meridien, Kochi by Dhanam Business Magazine.
- Shri M. G. George Muthoot presented with "Emerging Business Leader of the Year" by the then Home Minister, Shri Rajnath Singh in 2014
- Shri M. G. George Muthoot, Chairman, The Muthoot Group and Mr. Virendra Sehwal, then Captain, Delhi Dare Devils team launched the Limited Edition Gold Coin.

## Future growth and prospects

### Future growth

- ✓ Muthoot Finance is a leading gold financier in India with gold loan AUM of Rs. 52613 crore as on June 2022.
- ✓ It has a large footprint across India with 4625 gold lending branches
- ✓ The company also has a presence in other lending segments like housing, microfinance, vehicle finance via its subsidiaries

## **Key triggers for future price performance**

- Gradual increase in ticket size, increasing working capital requirement is a key driver for growth
- Lower credit cost leading to healthier RoA, RoE at +5%, +25%, respectively
- Strong asset quality, low leverage, positive ALMs and with sticky customer base levers to aid strong operating performance

**CHAPTER -3**  
**MCKENSY'S 7s FRAMEWORK AND PORTER'S FIVE**  
**FORCE MODEL**

## **Mckaney's 7S frameworks**

The **Mckensy's 7S Framework** suggests that there is a multiplicity of factors that influence an organization's ability to change and its proper mode of change. Because of the interconnections of the variables, it would be difficult to make significant progress in one area without making progress in the others as well. There is no starting point or implied hierarchy in the shape of the diagram, and it is not obvious which of the seven factors would be the driving force in changing a particular organization at a certain point of time. The critical variables would be different across organizations and in the same organizations at different points of time.

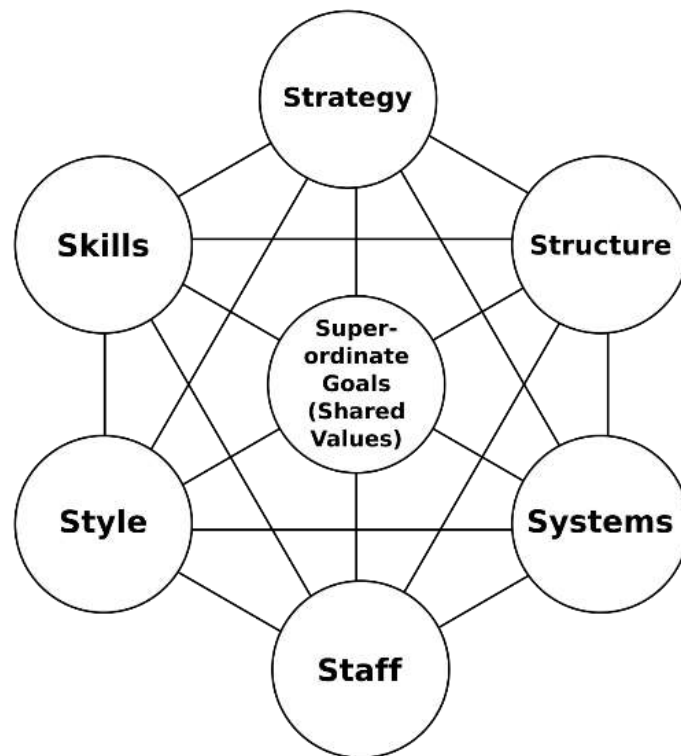
## **History of Mckensy's 7S Framework**

The 7S Framework was first mentioned in "*The Art of Japanese Management*" by Richard Pascale and Anthony Athos in 1981. They had been investigating how Japanese industry had been so successful. At around the same time that Tom Peters and Robert Waterman were exploring what made a company excellent. The Seven S model was born at a meeting of these four authors in 1978. It appeared also in "*In Search of Excellence*" by Peters and Waterman, and was taken up as a be Mckensy's 7S Framework.

## **Seven Levels of Mckensy's 7S Framework**

The Mckensy's 7S Framework is a management model that describes seven factors to organize a company in a holistic and effective way. Together these factors determine the way in which a corporation operates. Managers should take into account all seven of these factors, to be sure of successful implementation of a strategy

## Mckensy's 7S frameworks



### 1. Strategy:

Strategy is the plan of action an organization prepares in response to, or anticipation of, changes in its external environment. Strategy is thought-out, well-structured and often practically rehearsed and is differentiated from tactics or operational actions.

Powered by their tenacity, hard work and self-belief, they have become 'atmanirbhar' or self-reliant, aided by finance. The strategy of Muthoot Finance is **to tell real life inspirational stories from the lives of common people**. It is most effective.

#### Business level strategy

More products per customer cannot be achieved by more customers but more satisfied customers. More satisfied our customers, more likely they'll partner with us for their next big pursuit. More likely, they'll recommend their family and friends to us. The more our customers recommend us, the less we need to worry on getting new customers. The less we worry on getting new customers the more we'll focus on existing customers.



## **Corporate level strategy**

When Muthoot Finance thought of their strategy to achieve the Big Goal, they kept in mind an important element: what strength of their past do they want to carry into the future? Of all their options, one thought resonated across, reflecting in all their outcomes over the course of their existence - Sustainability. It is the legacy that Muthoot Finance history has created this is the outcome of over half a century of work of their parent- the Muthoot Group. Delivered through each business that the Group has ventured into. Anything that they do has to pass through this critical filter. Each of the five drivers of Muthoot Finance strategy build on this core.

## **Market level strategy**

Muthoot Finance Digital Payments Space is that it takes into constant consideration the changing consumer trends and demands, as well as the evolving consumer market patterns and consumption behavior.

## **2. Structure**

Business needs to be organized in a specific form of shape that is generally referred to as organizational structure.

The pandemic has questioned the current structure and supply chain management of the company. To be more resilient organization and prepare itself for future disruption of similar magnitudes Muthoot Finance should focus on – diversifying suppliers geographically so that climate related, geopolitical, and other disruptions don't impact the long term survival of the company.

Reduce the dependence on China – As the trade war between US and China is getting aggressive, it should reduce its dependence on supply chain emerging out of China. This will help the organization to diversify risks, avoid regulatory problems etc.

To achieve the above two goals – Muthoot Finance needs to fine tune its organization structure. It needs to have smaller teams, easy reporting to the headquarters, and enabling teams to take decisions based on real time developments.

### **3. Systems:-**

Muthoot Finance needs to focus on the following areas:-

Improve internal processes, such as risk management, Customer Relationship Management (CRM), web app optimization, and data visualization across the organization

Muthoot Finance needs to put in place robust system for “work from home” employees so that there can be greater interaction among the employees both online and in physical environment. It will not only improve productivity but also increase the data security and cyber security.

### **4. Staff:-**

Some of the steps Muthoot Finance can take in to improve the human resources are:-

Recruitment and remote onboarding – Because of the pandemic, a lot of employees are working from remote locations. To make the environment more inclusive for the new employees, Muthoot Finance should build system for remote onboarding such as – catalog of short videos, small group’s interaction, and technical demonstrations.

Open chats for the people to approach people at various levels in the hierarchy. It will not only help the top management to directly interact with the people below but also help in building an open and transparent culture.

### **5. Style:-**

**Leadership** styles required in the physical location and in remote scenario are completely different. In a physical environment manager can stop by a chat, provide inputs and go through the work. But in the remote locations employees have to work in far more isolated environment. To improve the workflow – leaders should pursue collaborative and inclusive form of leadership. Leaders should build smaller teams as part of larger teams.

**Corporate Governance** Muthoot Finance Limited has made a commitment to uphold the SEBI (LODR) Regulations, 2017 and the RBI's Corporate Governance Instructions' excellent corporate governance standards. The main goal is to maximize shareholder profit while fostering positive relationships with all stakeholders and defending their rights. According to the company, its business strategies and strategy should be in line with the aforementioned goal in order to sustain corporate growth and benefit everyone in the long run.

## **6. Shared Values:-**

The organization has built a successful business model based on its core values, vision and mission. It doesn't have to change much in the shared values segment. One area where it can focus more is – sustainability. Investors are putting a lot of stress on Environmental, Societal, and Governance issues, so it can bring more transparency by using the Triple Bottom Line concept in its ESG and financial reporting.

### **Core values**

Muthoot Finance is defined and communicated to foster a creative and supportive organizational structure that will allow employees to perform optimally, and enhance their motivation and organizational commitment. The core values at MobiKwik - Bajaj Finance Deal heralding a New Era in Digital Payments Space include, but are not limited to: Creativity, Honesty, Transparency, Accountability, Trust, Quality, and Heritage.

### **Corporate culture**

Muthoot Finance encourages an inclusive culture that celebrates diversity. The company has an international presence, and production units that are spread across different countries, as such, Muthoot Finance ensure that its organizational culture is supportive of diversity, and has internal policies to reduce incidences of discrimination.

## **7. Skills:-**

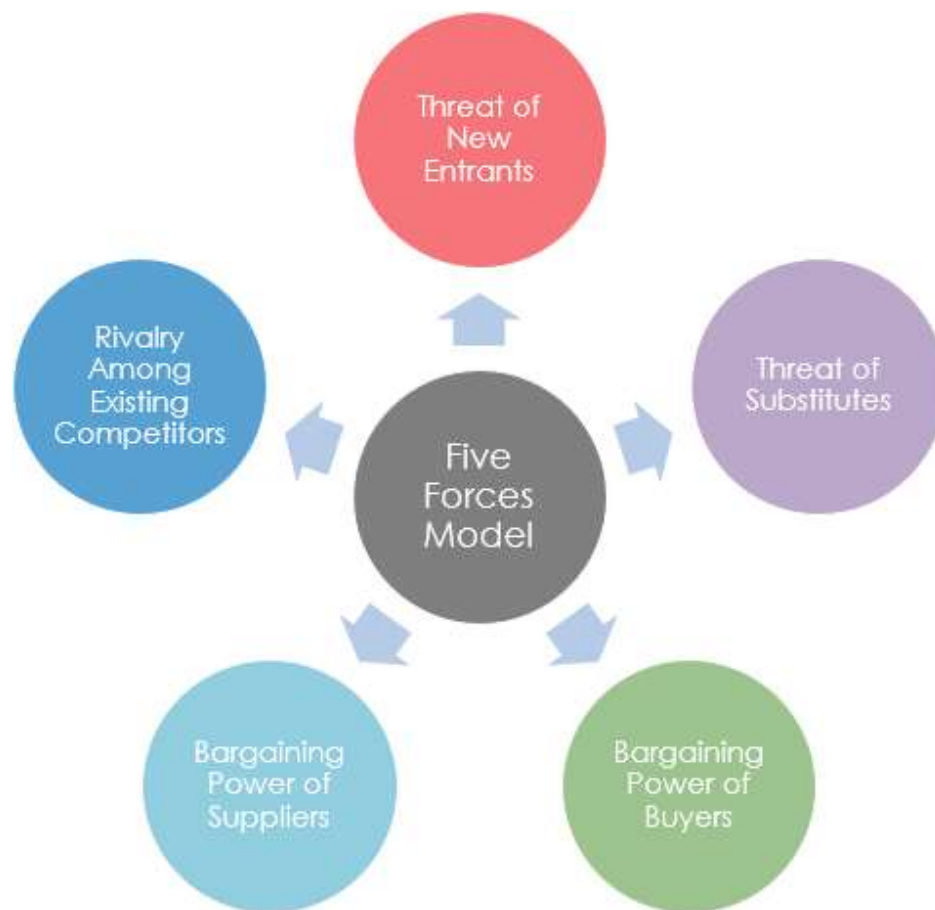
Muthoot Finance can build a structured training and development program for people working from remote locations.

Muthoot Finance can hire fresh talent as more and more people are leaving their existing jobs because they are not challenging them enough.

McKensey's 7S Framework is most often used as a tool to assess and monitor changes in the internal situation of an organization. The model is based on the theory that, for an organization to perform well, these seven elements need to be aligned and mutually reinforcing. So, the model can be used to help identify what needs to be realigned to improve performance, or to maintain alignment (and performance) during other types of change. Whatever the type of change — restructuring, new processes, organizational merger, new systems, change of leadership, and so on — the model can be used to understand how the organizational elements are interrelated, and so ensure that the wider impact of changes made in one area is taken into consideration.

## Porters five force Model

Porter's Five Forces is a model that identifies and analyzes five competitive forces that shape every industry and helps determine an industry's weaknesses and strengths. Five Forces analysis is frequently used to identify an industry's structure to determine corporate strategy. Porter's model can be applied to any segment of the economy to understand the level of competition within the industry and enhance a company's long-term profitability. The Five Forces model is named after Harvard Business School professor, Michael E. Porter.



### 1. Competitive Rivalry

The first of Porter's Five Forces looks at the number and strength of your competitors. How many rivals do you have? Who are they, and how does the quality of their products and services compare with yours?

#### Competitors of Muthoot Finance

Muthoot Finance has many competitors, but none of them have as much market size or revenue as it does. Even though they are leading the market, the larger the number of competitors,

the lesser is the power of a company. Conversely, low competition means that the company has greater pricing power. It gives them the power to set the terms of deals to achieve higher profits.

is vital to understand competitors in a market to have an effective SWOT analysis. Muthoot Finance has a revenue of 1.4 billion dollars while its competitors are far behind in numbers.

### **Competitors for Muthoot Finance Ltd**

**a) Malappuram Finance Limited:** They are one of the biggest competitors of Muthoot finance ltd. They have a revenue of over 738.9M dollars. Originated in Kerala in 1949 by Shri V. C. Padmanabhan, the company has more than 4190 branches in the country. The company was first in Kerala to issue bonus shares in the ratio of 1:1 by three times in 5 fixed deposits.

**b) ESAF Microfinance:** Evangelical Social Action Forum or EFAF was founded as an NGO in 1992 by Shri. K. Paul Thomas and later turned into a small finance bank in 2017. Before it turned into a small finance bank, it was an NBFC (Non-banking financial company)-MFI(Microfinance institution).

### **2. Threat of New Entry**

Threat of new entrants in Consumer Financial Services industry.

If there is strong threat of new entrants in the Consumer Financial Services industry then current players will be willing to earn lower profits to reduce the threats from new players.

### **3. Threat of substitute products:-**

Threat of substitute products and services in Consumer Financial Services sector

If the threat of substitute is high then Muthoot Finance has to either continuously invest into R&D or it risks losing out to disruptors in the industry.

NBFCs have lenient flexible eligibility criteria for approving business loan applications. They follow a relaxed approach to ensure easy financing for their customers. One can easily qualify to avail of a business loan with an NBFC even with a lower credit score and little business experience.

#### **4. Bargaining power of buyers:-**

Bargaining power of buyers of Muthoot Finance and Financial sector

If the buyers have strong bargaining power then they usually tend to drive price down thus limiting the potential of the Muthoot Finance to earn sustainable profits

we cannot run a business without customers. They have the power to force sellers for better price deals and services. The bargaining power of buyers is their ability to influence and drive down the prices of goods and services. The force largely depends on how many customers a company has and how significant each customer is.

- How many potential buyers are there for a particular industry?
- What is the size of each sale?
- What is the cost associated with a buyer switching a supplier?
- How many substitutes exist?
- Are buyers sensitive to price changes?

For example, the bargaining power of customers in the airline industry is considered to be high. Customers have various tools to compare different prices and offers. They will always prefer to go with the least expensive option. Plus, they do not incur any switching costs to change airways.

#### **5. Bargaining power of suppliers:-**

Bargaining power of suppliers in Consumer Financial Services

If suppliers have strong bargaining power then they will extract higher price from the Muthoot Finance. It will impact the potential of Muthoot Finance to maintain above average profits in Consumer Financial Services industry.

Muthoot Finance Limited is a non-banking financial services company and the company's product offering includes Consumer Durable Loans, Lifestyle Finance, Digital Product Finance, Personal Loans, Loan against Property, Small Business Loans, Wallet, Co-branded Credit Cards, Two-wheeler and Three-wheeler Loans, Commercial lending/ SME Loans, Loan against Securities.

**CHAPTER – 4**  
**SWOT ANALYSIS**

## **What is a SWOT Analysis?**

A SWOT Analysis matrix is a powerful tool that helps an organization assess their Strengths, Weaknesses, Opportunities and Threats. Internal factors such as strengths and weaknesses can be controlled, whereas external factors like opportunities and threats cannot.

SWOT Analysis can help an organization make the most of what they have to ensure their company succeeds. With this in-depth understanding, the company can lessen their chances of failure by recognizing where they lack and avoid threats that they would usually be unaware of. This analysis can be helpful during decision making whenever the objectives are defined.

SWOT Analysis forces a company to view their business and/or plan in distinguishing ways via contrasting paths. This technique exhibits the true potential of an idea or plan and henceforth, helps the company reach their goals in a strategic manner with a rock solid foundation for business growth.

Now that we have understood the importance of the SWOT analysis, let's dive into how Muthoot Finance used this matrix tool to its advantage.

### **Strengths of the Muthoot finance:-**

Muthoot Finance has a long list of strengths that made it a big player in the finance market. Some of its strengths include constant growth and wide presence. Strengths are aspects of an organization that contributes effectively or a system that distinguishes them from their competitors. Any aspect of the organization is considered a strength if it brings them a clear advantage.

Let us take a brief look into Muthoot Finance strengths.

- Good Growth in Trailing Twelve Months Earnings per Share: The Company has reported 413.9% returns for Nifty 500 in 5.4 years.
- It is increasing profits and revenue for the past 3 quarters.
- Good possibilities to scale business because of geographical diversification.
- The company has a leading position in the Gold loan business with a strong presence under the semi-urban and rural markets.



### **Weaknesses of Muthoot Finance:-**

Being such a strong player in the market it has very few weaknesses. It is highly important for an organization to recognize their weaknesses. It aids the company to grow and lead the market. Muthoot Finance's weaknesses are low but not zero, thus let's look into its main shortcomings.

- Its weaknesses include its large dependency on gold loans. Since the company is largely dependent on the gold business, a fall in gold prices will directly impact the company.
- The company's shareholding decreased last quarter due to MFs
- The company has a weak financial position i.e. it has a low Piotroski score.

### **Opportunities of the Muthoot Finance:-**

Opportunities are targets to hit for something good to happen. These shouldn't have to be game-changers: even minute advantages can help a company compete effectively. Changes in government regulations affecting their sector, as well as changes in social patterns, demographic profiles, and lifestyles, can all present fascinating opportunities.

Let's dive into what opportunities Muthoot Finance grabbed.

- Demand for gold will likely rise due to the lockdown implications.
- It is showing a good rise in net profit and has an increase of 10% in the share market in the last three months.
- In recent times, it shows a decrease in Provision.
- The company can venture into new markets since it already has a good image in the market.

### **Threats of the Muthoot Finance:-**

Anything that might have a negative impact on your firm from the outside is considered a threat. Consider the challenges you'll encounter in bringing your product to market and marketing it. It could be a drop in the quality of the products or services presented. However, whatever it may be, anything that could cause harm to the organization should be recognized.

Muthoot Finance is a big player in the market and others have noticed the same which in turn resulted in more competition from NBFCs and banks, here are some of the other threats for the company.

- Increasing competition from the banks and non-banking financial institutions.
- While the company's gold business is expected to do well, its subsidiary businesses don't seem to do well.
- The company's housing finance segment saw disbursements decline by 40% in the first quarter of this year. Post pandemic effects on housing finance don't give great signs of near growth.
- It has a high market cap, with low public shareholdings.

Recognizing potential aspects that will ensure a company's growth is essential. In this in-depth SWOT analysis of Muthoot Finance Ltd., we understood how the corporation enhances their services to hold its status. Despite the plunge in gold prices today, the company recognized its potential threat and worked on growing.

**CHAPTER -5**  
**FINANCIAL STATEMENT ANALYSIS**

### 5.1)Balance Sheet of Muthoot Finance

Particulars	Mar-22	Mar-21	MAR 20	19-Mar	18-Mar
<b>EQUITIES &amp; LIABILITIES</b>					
<b>SHARE HOLDERS FOUND</b>					
Equity Share capital	401.35	401.2	401.04	400. 66	400.04
<b>Total Share capital</b>	<b>401.35</b>	<b>401.2</b>	<b>401.04</b>	<b>400. 66</b>	<b>400.04</b>
Reserves and surplus	17,937.05	14,827.20	11,157.55	9,375.59	7,411.98
<b>Total Reserves and surplus</b>	<b>17,937.05</b>	<b>14,827.20</b>	<b>11,157.55</b>	<b>9,375.59</b>	<b>7,411.98</b>
<b>NON-CURRENT LIABILITIES</b>					
Long Term Borrowings	12,640.26	14,005.70	10,259.46	8,415.67	21,167.04
Deferred Tax Liabilities [Net]	0	0	0	0	0
Other Long Term Liabilities	229.88	171.41	110.29	92.43	131.5
Long Term Provisions	359.84	362.6	363.3	210.62	223.91
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>13,229.97</b>	<b>14,539.71</b>	<b>10,737.04</b>	<b>8,718.72</b>	<b>21,522.45</b>
Short Term Borrowings	37,170.90	31,940.50	26,870.50	18,417.40	0
Trade Payables	151.16	201.71	218.5	163.4	123.89
Other Current Liabilities	1,658.00	1,544.03	1,061.72	976.39	1,333.90
Short Term Provisions	0	0	0	0	0
<b>TOTAL CURRENT LIABILITIES</b>	<b>38,980.14</b>	<b>33,686.33</b>	<b>28,150.80</b>	<b>19,557.26</b>	<b>1,457.78</b>
<b>TOTAL CAPITAL &amp; LIABILITIES</b>	<b>70,554.69</b>	<b>63,464.92</b>	<b>50,459.65</b>	<b>38,068.70</b>	<b>30,792.26</b>
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
Tangible Assets	263.69	241.58	222.73	186.66	192.24
Intangible Assets	3.74	5.36	5.05	5.9	8.23
Capital Work-In-Progress	45.65	38.48	28.74	22.83	5.74
Other Assets	0	0	0	0	0
<b>FIXED ASSETS</b>	<b>313.08</b>	<b>285.42</b>	<b>256.52</b>	<b>215.39</b>	<b>206.2</b>
Non-Current Investments	0	0	0	0	0
Deferred Tax Assets [Net]	48.55	28.65	0	17.52	6.42
Long Term Loans And Advances	0	0	0	0	0
Other Non-Current Assets	60.29	78.62	64.78	60.84	50.32
<b>TOTAL NON-CURRENT ASSETS</b>	<b>421.92</b>	<b>392.68</b>	<b>321.3</b>	<b>293.74</b>	<b>262.95</b>
<b>CURRENT ASSETS</b>					
Current Investments	1,320.48	1,590.28	1,438.34	982.56	395.43
Inventories	0	0	0	0	0
Trade Receivables	2.14	3.47	4.73	16.06	23
Cash And Cash Equivalents	9,242.91	7,189.82	5,640.54	1,735.51	486.99
Short Term Loans And Advances	59,384.23	54,063.39	42,604.17	34,932.93	29,506.80
Other Current Assets	183	225.27	450.57	107.9	117.09
<b>TOTAL CURRENT ASSETS</b>	<b>70,132.77</b>	<b>63,072.24</b>	<b>50,138.36</b>	<b>37,774.96</b>	<b>30,529.31</b>
<b>TOTAL ASSETS</b>	<b>70,554.69</b>	<b>63,464.92</b>	<b>50,459.65</b>	<b>38,068.70</b>	<b>30,792.26</b>

## 5.2)Cash Flow Statement Of Muthoot Finance

Rs (in crs)

Particulars	Quarter ended			Year ended	
	March 31,2022	December 31,2021	March 31,2021	March 31,2022	March 31,2021
<b>I)Revenue from operations</b>					
i)Interest income	26,409.55	28,393.87	27,890.79	1,09,560.28	1,03,285.29
ii) Dividend income	-	-	-	7.88	15.76
iii)Net gain on fair value changes	49	39.36	202.98	473.93	1595.22
iv)Sale of services	32.92	78.06	36.53	139.69	121.23
v)Service charges	207.41	200.78	108.24	641.46	554.62
<b>Total Revenue from operations</b>	<b>26,698.88</b>	<b>28,712.07</b>	<b>28,238.54</b>	<b>1,10,823.24</b>	<b>1,05,572.12</b>
II)Other Incomes	84.82	35.55	42.21	160.69	171.47
<b>III)Total Incomes(I+II)</b>	<b>26,783.70</b>	<b>28,747.62</b>	<b>28,280.75</b>	<b>1,10,983.93</b>	<b>1,05,743.59</b>
Expenses					
i)Finance costs	9,208.40	9,532.98	9,512.98	38,357.62	36,924.41
ii)Important on financial instruments	-699.58	889.32	111.35	1,270.47	949.77
iii)Employee benefits expenses	3,132.64	2,545.83	2,760.03	10,302.16	10,062.50
iv)Depreciation, amortization	158.35	139.35	153.74	539.14	507.12
v)Other expenses	2,066.07	1,833.47	2,246.33	7,421.00	7,234.66
<b>IV) Total Expenses</b>	<b>13,865.88</b>	<b>14,940.95</b>	<b>14,784.43</b>	<b>57,890.39</b>	<b>55,678.46</b>
<b>v)Profit before tax(III-IV)</b>	<b>12,917.82</b>	<b>13,806.67</b>	<b>13,496.32</b>	<b>53,093.54</b>	<b>50,065.13</b>
VI) Tax Expenses:					
1)Current tax	3,358.35	3,474.22	3,608.43	13,586.13	12,959.39
2)Deferred tax	-43.3	-13.83	-68.72	-35.63	-116.04
<b>VII)Profit for the period(V-VII)</b>	<b>9,602.77</b>	<b>10,288.62</b>	<b>9,956.61</b>	<b>39,543.04</b>	<b>37,221.78</b>

### 5.3) Income Statement of Muthoot Finance

Rs(In Crs)

<b>Particulars</b>	<b>March 2022</b>	<b>March 2021</b>	<b>March 2020</b>	<b>March 2019</b>	<b>March 2018</b>
Profit Before Tax	5309.35	5006.51	4057.41	3076.82	2844.69
Net Cash Flow from Operating Activity	(1141.54)	(7476.52)	(4458.02)	(3858.07)	(86.89)
Net Cash Used in Investing Activity	407.63	47.57	(428.87)	(584.88)	(193.89)
Net Cash Used in Financing Activity	2795.72	9041.08	8677.98	5701.24	(53.58)
<b>Net Inc./Dec In Cash and Cash Equivalent</b>	<b>2061.82</b>	<b>1612.13</b>	<b>3791.08</b>	<b>1258.29</b>	<b>(834.36)</b>
Cash and Cash Equivalent - Beginning of the Year	7116.7	5504.57	1713.48	455.19	1289.55
<b>Cash and Cash Equivalent - End of the Year</b>	<b>9178.51</b>	<b>7116.7</b>	<b>5504.57</b>	<b>1713.48</b>	<b>455.19</b>

## RATIO ANALYSIS:

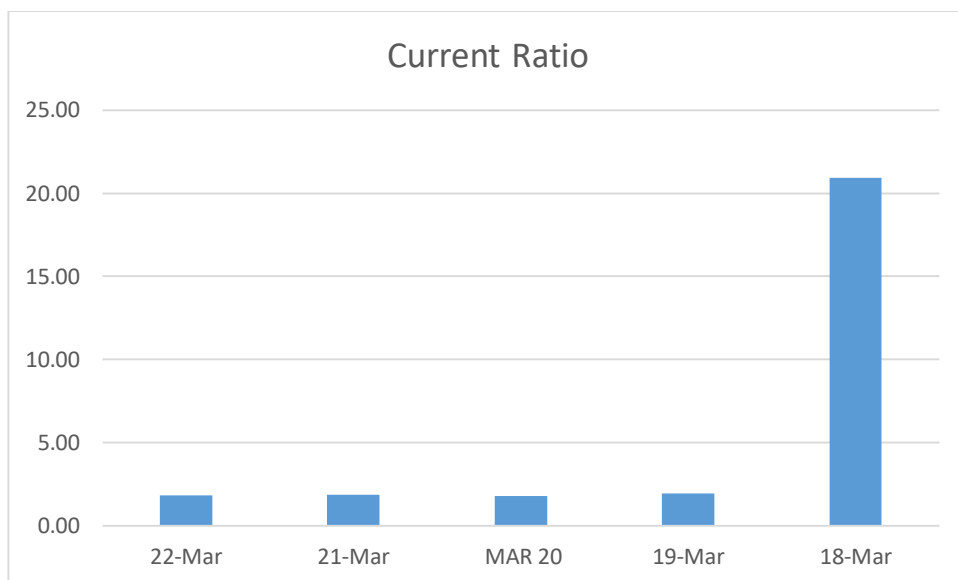
### CURRENT RATIO:

Current ratio = current assets / current liabilities

Table No 1

Particulars	22-Mar	21-Mar	MAR 20	19-Mar	18-Mar
current assets	70,132.77	63,072.24	50,138.36	37,774.96	30,529.31
current liabilities	38,980.14	33,686.33	28,150.80	19,557.26	1,457.78
<b>Ratios</b>	<b>1.79919236</b>	<b>1.87233931</b>	<b>1.78106342</b>	<b>1.93150574</b>	<b>20.9423301</b>

Chart No 1



### INTERPRETATION:

From the data, it can be seen that the current ratios for the years 2018-2021 are within the range of 1 to 2, which is considered healthy. However, the current ratio for 2018 is significantly higher than the other years, which could indicate that the company had a significant amount of current assets relative to its current liabilities at that time. On the other hand, the current ratio for 2022 is slightly lower than the other years, which could indicate a decrease in the company's ability to pay its short-term obligations.

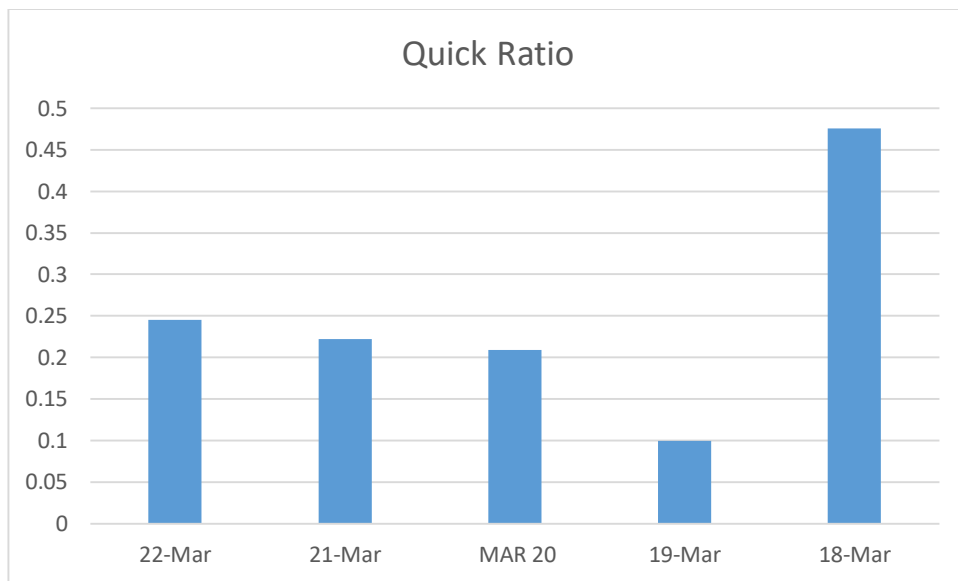
## QUICK RATIO

Quick ratio = quick assets / current liabilities

Table No 2

Particulars	22-Mar	21-Mar	MAR 20	19-Mar	18-Mar
quick assets	9555.99	7475.24	5897.06	1950.9	693.19
current liabilities	38,980.14	33,686.33	28,150.80	19,557.26	1,457.78
<b>Ratios</b>	<b>0.24515022</b>	<b>0.22190722</b>	<b>0.20948108</b>	<b>0.09975324</b>	<b>0.4755107</b>

Chart No 2



## INTERPRETATION:

From the data, it can be seen that the quick ratios for the years 2018-2022 are relatively low, which could indicate that the company may struggle to pay its short-term obligations if its current assets, excluding inventory, are not enough. The quick ratio for 2018 is significantly higher than the other years, which could indicate that the company had a significant amount of current assets, excluding inventory, relative to its current liabilities at that time. On the other hand, the quick ratios for the years 2019-2022 are relatively low, which could indicate a decrease in the company's ability to pay its short-term obligations.

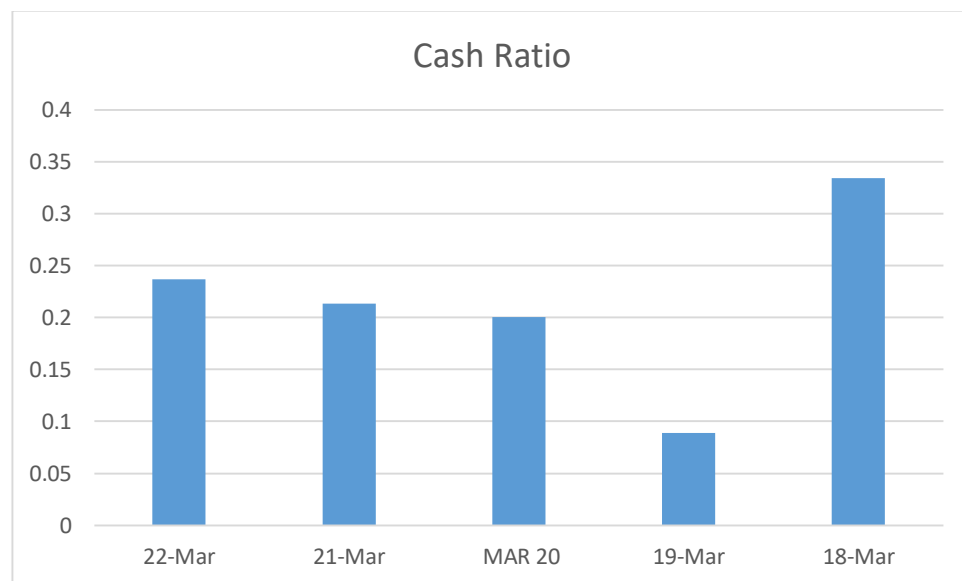


**CASH RATIO:**

**Cash ratio = cash and cash equivalent /current liabilities**

**TABLE: 3**

Particulars	22-Mar	21-Mar	MAR 20	19-Mar	18-Mar
Cash and cash equivalent	9,242.91	7,189.82	5,640.54	1,735.51	486.99
Current liabilities	38,980.14	33,686.33	28,150.80	19,557.26	1,457.78
<b>Ratios</b>	<b>0.23711844</b>	<b>0.21343435</b>	<b>0.20036873</b>	<b>0.08873994</b>	<b>0.33406275</b>

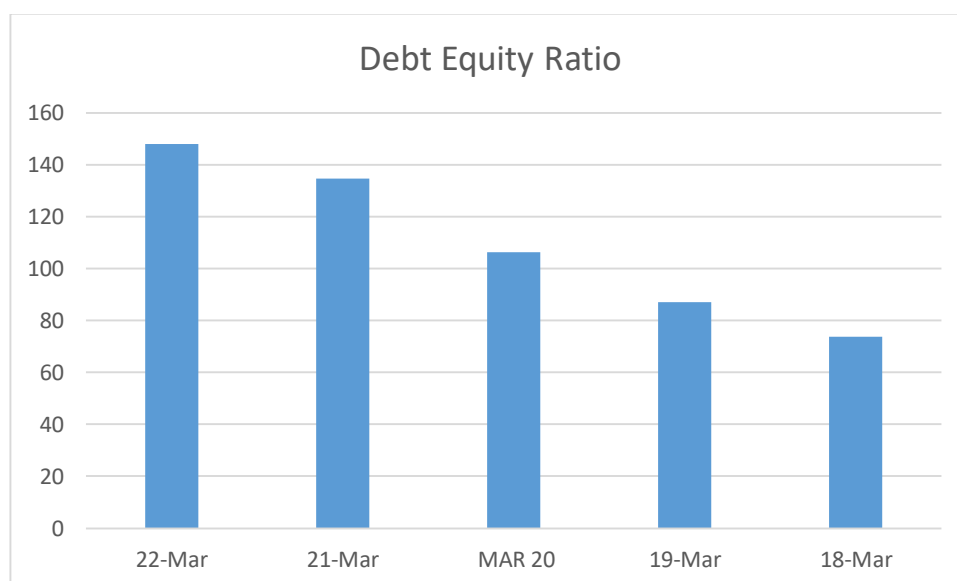
**Chart NO:3****INTERPRETATION:**

From the data, it can be seen that the cash ratios for the years 2018 and 2022 are relatively high, which could indicate a strong ability to pay short-term obligations. However, the cash ratios for the years 2019 and 2020 are relatively low, which could indicate a weaker ability to pay obligations using only liquid assets. The cash ratio for 2021 falls in the middle, which could indicate an average ability to pay obligations using only liquid assets

**DEBT EQUITY RATIO:**  
**Total Debt/Shareholders Equity**  
**TABLE: 4**

Particulars	22-Mar	21-Mar	MAR 20	19-Mar	18-Mar
Total Debt	59,384.23	54,063.39	42,604.17	34,932.93	29,506.80
Shareholders' Equity	401.35	401.2	401.04	400.66	400.04
<b>Ratios</b>	<b>147.961206</b>	<b>134.754212</b>	<b>106.234216</b>	<b>87.188464</b>	<b>73.75962404</b>

**Chart NO:4**



**INTERPRETATION:**

From the data, it can be seen that the D/E ratios have increased from 2018 to 2022, indicating a greater use of debt financing over time. The significant increase in the D/E ratio from 2021 to 2022 may indicate that the company has become more leveraged and that there is a higher level of financial risk.

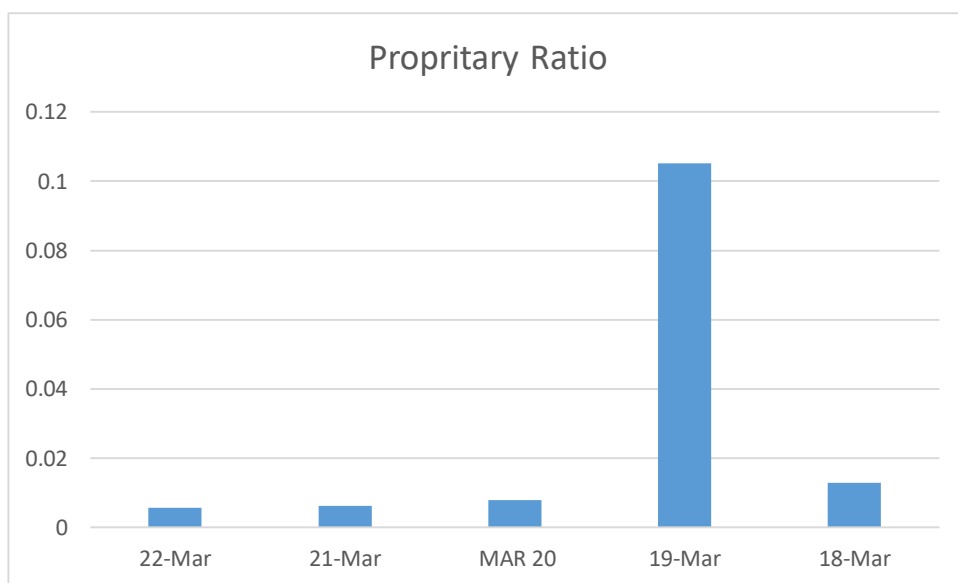
## PROPRIETARY RATIO:

Proprietary ratio=share capital / total asset

TABLE:5

Particulars	22-Mar	21-Mar	MAR 20	19-Mar	18-Mar
Total Share capital	401.35	401.2	401.04	400. 66	400.04
total Assets	70,554.69	63,464.92	50,459.65	38,068.70	30,792.26
Ratios	0.00568849	0.0063216	0.00794774	0.01052466	0.012991576

Chart NO:5



## INTERPRETATION:

From the data, it can be seen that the proprietary ratios for all the years are relatively low, which suggests that the company relies heavily on debt financing. The proprietary ratio increased slightly from 2018 to 2019, but decreased from 2019 to 2022. This decrease in the proprietary ratio could indicate that the company is relying more on debt financing, which could increase its financial risk.

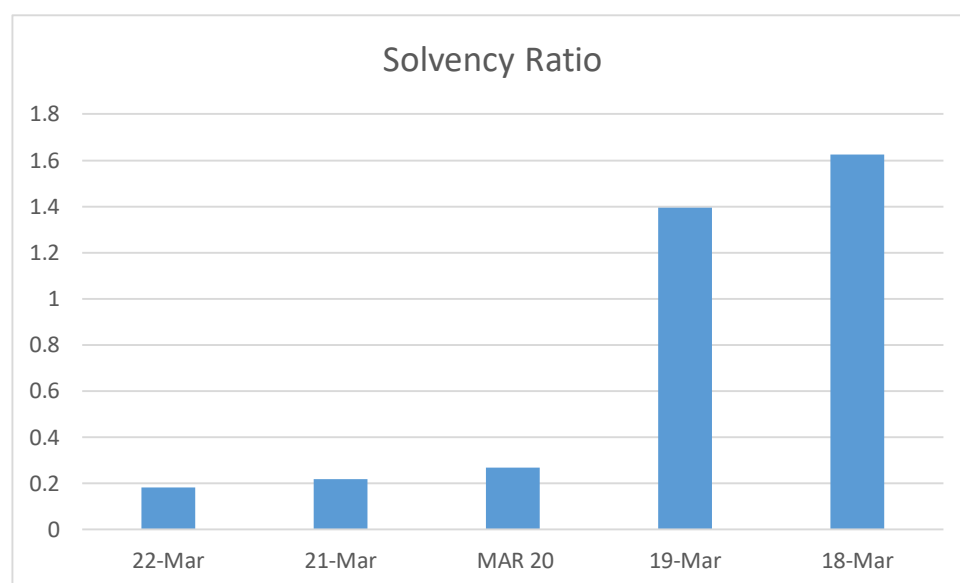
## SOLVENCY RATIO

**Solvency ratio = net income + depreciation / all liabilities**

**TABLE:6**

Particulars	22-Mar	21-Mar	MAR 20	19-Mar	18-Mar
Net income + depreciation	12,917.82	13,806.67	13,496.32	53,093.54	50,065.13
All liabilities	70,554.69	63,464.92	50,459.65	38,068.70	30,792.26
Ratios	0.18308946	0.21754806	0.26746757	1.39467699	1.62589982

**Chart NO:6**



## INTERPRETATION:

From the data, it can be seen that the solvency ratios for the years 2018-2019 are relatively high, which could indicate that the company had a significant amount of assets relative to its liabilities at those times. However, the solvency ratios for 2020-2022 are significantly lower, which could indicate a decrease in the company's ability to pay its long-term obligations.

## PROFITABILITY RATIO

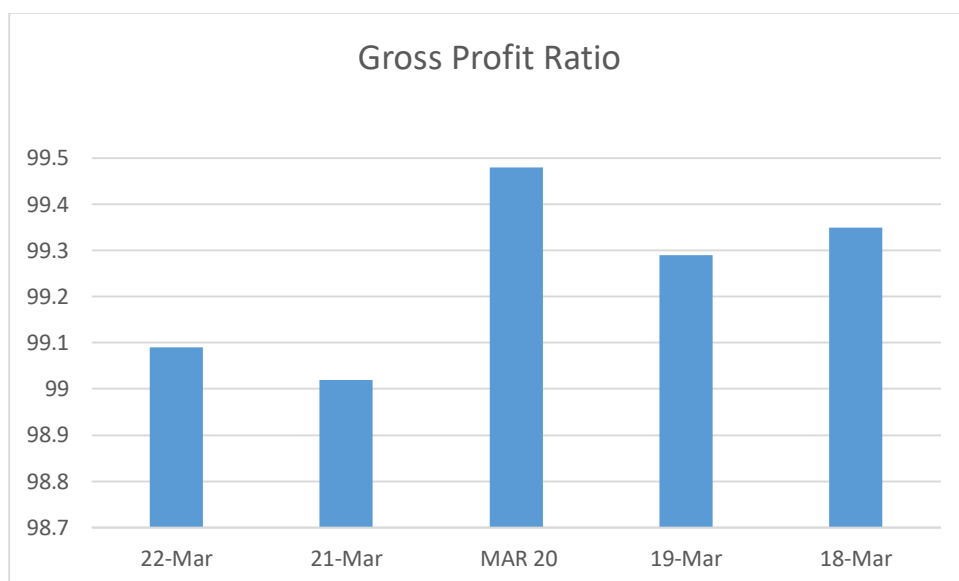
### GROSS PROFIT RATIO

$$\text{Gross profit} = \text{gross profit} / \text{net sales} * 100$$

TABLE:7

Particulars	22-Mar	21-Mar	MAR 20	19-Mar	18-Mar
Gross profit	26,458.55	28,433.23	28,093.77	1,10,042.09	1,04,896.27
Net sales	26,698.88	28,712.07	28,238.54	1,10,823.24	1,05,572.12
Ratios	99.0998499	99.0288405	99.4873319	99.29513882	99.35982151

Chart NO:7



### INTERPRETATION:

From the data, it can be seen that the gross profit ratios for the years 2018-2022 are all above 99%. This suggests that the company has consistently maintained a high profit margin, as a percentage of its total sales, over the past five years.

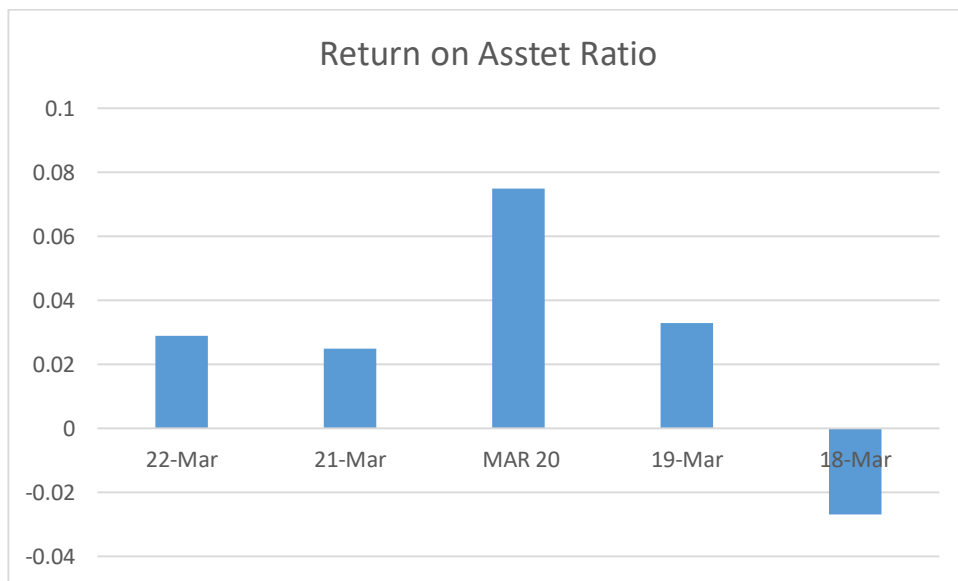
## RETURN ON ASSET

$ROA = \text{Net income} / \text{total asset}$

**TABLE:8**

Particulars	22-Mar	21-Mar	MAR 20	19-Mar	18-Mar
Net income	2061.82	1612.13	3791.08	1258.29	-834.36
Total asset	70,554.69	63,464.92	50,459.65	38,068.70	30,792.26
<b>Ratios</b>	<b>0.029223</b>	<b>0.02540191</b>	<b>0.07513092</b>	<b>0.033053138</b>	<b>(0.02709642)</b>

**Chart NO:8**



### INTERPRETATION:

From the data, it can be seen that the ROA ratios for the years 2019, 2021, and 2022 are around 0.03, which means that the company is generating a profit of 3 cents for each dollar of assets it holds. In 2020, the ROA ratio is significantly higher at 0.08, which indicates that the company generated a profit of 8 cents for each dollar of assets it held that year. However, the ROA ratio for 2018 is negative, indicating that the company incurred losses for that year.

**CHAPTER- 6**  
**LEARNING EXPERIENCE**

The organization study is the one of the good opportunities for me to get an industrial exposure of the organization. The organization has been continuously working to Providing Loans. The very prospective thing is about the department and working in the department is was very exciting. The study makes to one really think and visualizes how things happen in an organization. As a study does not focus on only one aspect of company there was a greater to visit work place of the company. The organization study to extend to knowledge in management field. Above all the most important thing was we got the real exposure and we are not now familiar with a business world to some extent.

The internship in Muthoot Finance ltd , had given me a great experience in learning about each and every department under it and my knowledge has been enhanced in such a way that, how exactly the functional departments will work in reality.



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