

Performance Assessment of KSFC in Karnataka - A study

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ABSTRACT

Karnataka State Financial Corporation is a state level financial institution established by the State Government in the year 1959 under the State Financial Corporations Act 1951 to meet mainly the long term financial needs of small and medium enterprises (SMEs) in the State of Karnataka. KSFC has been playing a pivotal role in the development of Micro, Small and Medium scale Enterprises (MSMEs) in the state of Karnataka for the last 57 years of its existence. Since inception, KSFC has assisted 1.71 lakh units with cumulative sanction of more than Rs.14,500 crore out of which about 50% is towards small scale industries. KSFC is the first SFC having IS/ISO-9001- 2008 certified Corporation. In the 57 years of existence, KSFC has contributed most significantly for the growth of MSMEs, backward area development and promotion of first generation, women and scheduled caste & scheduled tribe entrepreneurs. In this paper the attempt is made to highlight the performance of KSFC. Loan amount sanctioned, Loan amount disbursed and Loan amount Recovered are the important parameters. The Paper contains Introduction, Review of Literature, Objectives, Methodology, Data Interpretation, Findings and Conclusion, etc.

Keywords: Economic development, Entrepreneurs, Industrialization, Organization, Performance

I. INTRODUCTION

Karnataka State Financial Corporation is a state level financial institution established by the State Government in the year 1959 under the State Financial Corporations Act 1951 to meet mainly the long term financial needs of small and medium enterprises (SMEs) in the State of Karnataka. KSFC has been playing a pivotal role in the development of Micro, Small and Medium scale Enterprises (MSMEs) in the state of Karnataka for the last 57 years of its existence. Since inception, KSFC has assisted 1.71 lakh units with cumulative sanction of more than Rs.14,500 crore out of which about 50% is towards small scale industries. KSFC is the first SFC having IS/ISO-9001- 2008 certified Corporation. In the 57 years of existence, KSFC has contributed most significantly for the growth of MSMEs, backward area development and promotion of first generation, women and scheduled caste & scheduled tribe entrepreneurs. Amendments to SFCs Act provide wide-ranging scope in financial assistance and operational flexibility. Keeping this in view, KSFC has re-engineered itself to ensure utmost customer satisfaction with new energy, thrust and speed. In line with this, the Corporation has put in place comprehensive, client friendly and need-based policies in the areas of credits and recoveries. Apart from setting standards of performance, these policies are driven to achieve the objective of transparent governance.

Karnataka industry: An Ideal Choice for Investment

Karnataka is a land rich in natural resources. Its policy incentives and infrastructure play a significant role in attracting investments for the various industrial sectors in the state. As per the data released by the Department of Industrial Policy and Promotion (DIPP), Karnataka has attracted FDI equity inflows amounting to 20.24 billion US dollars during the time frame of April 2000 to March 2016.

Karnataka is an ideal choice for investment due to a number of reasons. Some of the reasons are as follows:

- **Superior manpower:** Karnataka boasts of trained human resource in the streams of basic science, engineering, and management.
- **Research and development facilities:** The state has a number of Central Government research institutions and laboratories that provide high-quality research and development facilities
- **Favourable climate:** The climate of Karnataka is favourable for the growth of certain industries.
- **Good communication facilities:** The communication facilities in the state are of the first-rate. The state is connected through airports, national highways, broad gauge railway, and sea ports.

Initiatives Adopted by the State Government to Strengthen Karnataka Industry

The state government is making huge investments to strengthen industrial segment and its infrastructure with the objective to further promote industrial development in the state. By creating industrial clusters, public-

private partnership (PPP) projects and SEZs, the government is trying to give a boost to the industrial infrastructure scenario existing in the state. According to the Start-up Policy 2016, Karnataka aims to:

- Stimulate the growth of its technology start-ups
 - Create around 6,000 start-ups that focuses on products
 - Mobilize funds worth about INR 2,000 crores.
- A few of the important initiatives by the Government to promote the state as an industrial destination are:
- Under the Karnataka Industrial Policy, 2014-19, the state has come up with a number of fiscal and policy incentives for businesses.
 - The state has planned to develop 12 biotechnology schools under the Millennium Biotech Policy
 - The state government has sanctioned an amount of 551.32 million US dollars in the 2016-17 budget for the betterment of the state's rural roads
 - A SEZ around 300 acre has been formed in Belgaum in order to create a precision engineering and manufacturing supply chain ecosystem. This will be quite beneficial for the manufacturing industries.

Associations

Karnataka has got 123 associations representing various trade, banking and industrial organisations. Prominent among the manufacturers association is Karnataka State Small Scale Industries Association, Confederation of Electronic Industries of Karnataka and Peenya Industries Association.

All the 123 associations are affiliated to a parent: Federation of Karnataka Chambers of Commerce and Industries (FKCCI).

II. REVIEW OF LITERATURE

Gayathri N. M. (2018), in their paper entitled "Various Schemes Offered By Karnataka State Financial Corporation To The Entrepreneurs – A Study", viewed that the present paper provides a platform to understand the Role and Performance of KFSC and its operation process towards entrepreneurs, so in order to collect this information The researchers highlighting the selected 100 Entrepreneurs who have borrowed loan in KFSC, Shivamogga. It particularly focused on Benefits of entrepreneurs about monetary and non-monetary facilities and also collects information about how this particular KFSC contributes towards economic growth and development through entrepreneurs and how it acts as Non-monetary Financial Corporation, The study also found that the Finally information about schemes and loans offered by the KFSC towards Entrepreneurs has explained. Therefore, small attempt have been made to understand the benefits of entrepreneurs as well as to the country i.e. how contribute towards economic development and how KFSC plays an important role in economic development today through entrepreneurs. The study also focused on the structured interview conducted to the entrepreneurs in Shivamogga who have borrowed loan from KFSC and the data collected will be arranged properly for the findings. It concentrates on the new emerging challenges, opportunities and issues in the field of Economics. Finally, the study also concludes that it makes an attempt to offer suggestions to analyze the improvement of various schemes and loans offered by KFSC.

Inchara P M Gowda (2018), in paper entitled, "Circle-Wise Performance Evaluation: A Case Study of KSFC", examined that with the objective of reaping the benefits of both the smallness and bigness, large-scale organizations divisionalise their operations into a few segments (divisions, departments, etc.). Further, he found out that the after providing the necessary facilities and powers to these divisions, they are made accountable for the results. The study also focused on one can find a few accounting entities within each of such business entities. This is because of the reason that the overall performance of the organization depends on the performance of their segments, and this is true even in the case of banking and financial companies such as the Karnataka State Financial Corporation (KSFC). As the corporation has a vast geographical area (i.e., entire Karnataka State) to serve, it has 32 branch offices, and for operational purpose, the state is divided into four circles with 7-9 branch offices in each circle. The study also concludes that the performance of corporation depends, to a greater extent, on the performance of its circles and their branch offices. Against this backdrop, the present paper makes an attempt to evaluate the performance of circles using six variables and the data for 10 years, 2007-08 to 2016-17.

A study conducted by Partha.T and N. Nagaraja (2015), "Institutional Financing for Micro, Small and Medium Enterprises: A Study of KSFC", traced out that the Karnataka State Financial Corporation (KSFC) is one of the leading industrial financial institutions. The author also discussed the inception KSFC has been working as incubator and also a nodal agency for many state and central government schemes and subsidies for

MSMEs' with assistance to over 0.1681 million units amounting to about Rs 1.3135 million crore over the last 55 years since from its inception to as of 2014-15. The present study also found that the sheds light on the total amount sanctioned and number of units benefitted by the KSFC in Karnataka state since from past a decade. Outcome of the study shows that in the last decade KSFC supported 12000 units with an investment of Rs.0.5 million crore. The researchers also mainly focused on KSFC and the facts and figures analyzed based on the information gathered from the KSFC. Data has been collected for past a decade. The study also concludes that the KSFC is doing admirable job being lending its helping hand to fulfill the financial needs of MSMEs. KSFC has to lend more on those entities to promote them and it has to liberalize its lending policy for less privileged enterprises. The MSME sector is the engine of the economy in high-income countries.

AbhaykumarGasti and Chandramma M (2018), in their study pointed out that the "Analysis of Financial Assistance of KSFC for Development of Entrepreneurship in Karnataka State", discussed that the Entrepreneurs and entrepreneurship play very important role in the economic development of any nation. The study also focuses on present success and development of the entrepreneurship depends on the coordination and assistance of the state and central Governments. In the view of this, the Government of India initiated the State Financial Corporation (SFCs) in 1951 to promote small and medium enterprises of the States. These institutions facilitate covenant and effective channels of savings and investments, in a developing country like India. The role of these institutions becomes more pronounced in achieving rapid economic growth. The researchers also focused on the present study is based on secondary data collected from the Karnataka State Financial Corporation (KSFC) annual reports to examine the loan sanction and disbursement by KSFC under different year and schemes in the Karnataka State (India). KSFC has helped to promote industrial development in Karnataka State. The study also concludes that the focus is on agro-processing and hotels and restaurants. i.e., service sector which are the growing sectors in State. But it is observed that KSFC is more engaged in advancing loan than extending technical support to industries in the State.

Laxmisha A.S. (2004), in his work on "KSFC - Real Promoter of Service Entrepreneurship", argued that the development of entrepreneurship is cardinal and most crucial to the industrial development. The development of entrepreneurship is dependent upon the policies, programmers and approaches of the Government. This study is also carried out by the agencies like KSFC, TECSOK, and Banks etc. Among them KSFC is a premier money lending institution functioning in the state of Karnataka. The subsidies given by it have helped to bring into existence numerous business activities. The researchers also argued that the type of entrepreneurship, i.e. industrial entrepreneurship of service entrepreneurship developed by the KSFC in Shivamogga and Davangere districts of Karnataka State. This study is based on the researchers both the secondary and primary data revealed that the Corporation is able to attract a large number of entrepreneurs in the service sector and assisting newer areas of activity. The researchers also concludes that the Careful selection and scanning of entrepreneurs, timely sanctions, need based lending policy, strengthening the entrepreneurial guidance, provision of working capital etc., are some of the suggestions offered by the paper. It has nourished many self-made businessmen.

III. OBJECTIVES

- ❖ To Assess the financial performance KSFC during the period 2015-16 to 2020-21 in Karnataka
- ❖ To analyse the industrial performance of the KSFC 2013-14 to 2020-21 in Karnataka

IV. METHODOLOGY

The present study is empirical and geographically restricted to Karnataka State Finance Corporation. It is based on secondary sources of data and collected from Volumes, Journals articles, Census Reports, the Economic Survey of Karnataka, and reliable data gathered from the Annual Report of the State Financial Corporation during the period from 2015-16 to 2020-21. The tools used for the study are Compound Annual Growth Rate (CAGR), Mean, Standard Deviation (St.Dev.) and Coefficient of variation (CV) used in this study.

V. IMPORTANCE OF THE STUDY

The present study is confined to Karnataka state financial corporation only and study is restricted for the period of six years from 2015-16 to 2020-21, and data is analyzed and interpreted to achieve the above said objective based on information gathered during the above mentioned period.

VI. Data Analysis and Interpretation

LOAN SANCTIONED BY KSFC

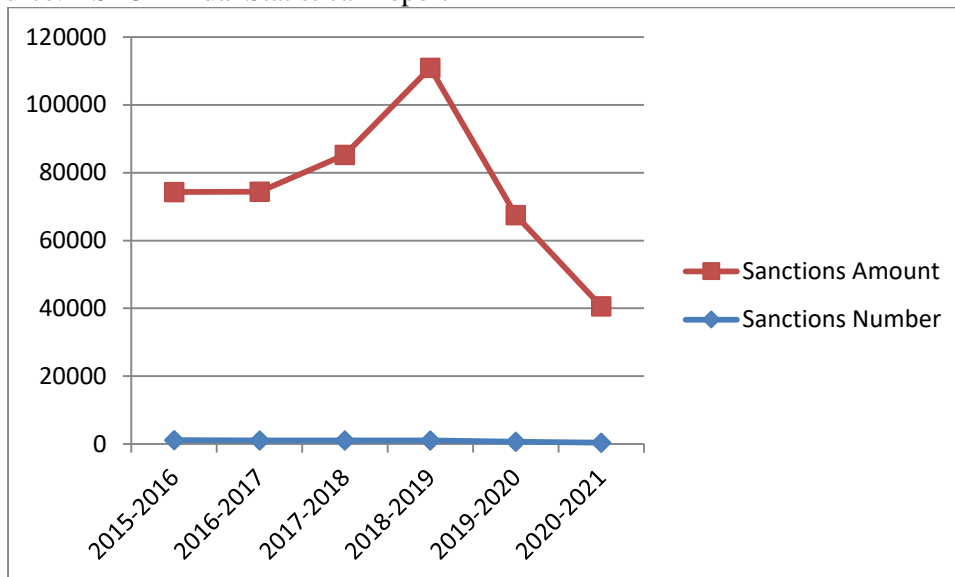
KSFCsanctioned a total of ₹. 447567.7 lakh to 5418 units during the study period. The loan sanction amount increased from ₹.73193.59lakh, ₹.73342.55 lakh, ₹.84212.70 lakh and ₹.109872.70 lakh in 2015-16, 2016-17, 2017-18 and 2018-19 respectively and the amount of loan sanctioned declined to ₹.66780.54 lakh and ₹. 40165.57 lakh in 2019-20 and 2020-21 respectively. The number of units declined from 1111 in 2015-16 to 1059 in 2016-17, to 1037 in 2017-18 increased to 1056 in

Table No. 1
Loan Sanctioned by KSFC during the Period 2015-16 to 2020-21

(Amount: ₹.in lakhs)

Year	Sanctions		Sanctions to Total	Annual Growth
	Number	Amount		
2015-2016	11	193.59	35	
2016-2017	59	342.55	39	3.96
2017-2018	37	212.70	82	370.15
2018-2019	56	9872.70	55	5660
2019-2020	70	780.54	92	7092.16
2020-2021	45	165.57	7	4614.97
Total	18	7567.7	0	7028
Mean		7876.5		705.6
Dev.		746.43		7945.21
CV		78781		73.053
CAGR		51773		72.105

Source: KSFC Annual Statistical Report



2018-19, but again declined to 710 in 2019-20 and to 445 in 2020-21. The standard deviation was 22746.43, annual growth was 27945.21, Coefficient of variation was 17.78781 and CV of annual growth was -423.053 and CAGR was -9.51773 and CAGR of annual growth was -382.105. It is clear from the table No. 1 that, the details of Loan Sanctioned by KSFC during the period 2015-16 to 2020-21.

LOAN DISBURSEMENT BY KSFC

Loan Disbursements by KSFC during the period 2015-16 to 2020-21 is discussed below.

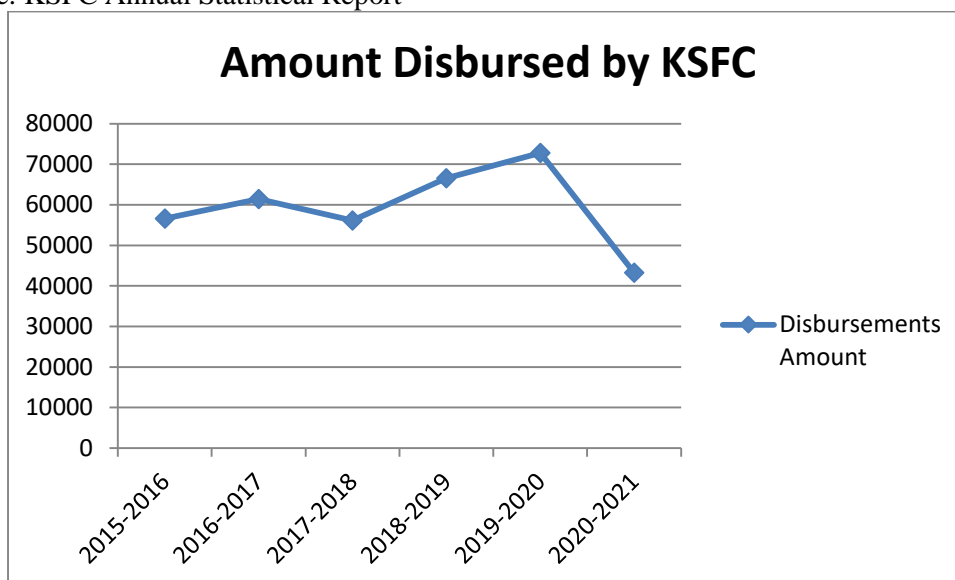
Table No. 2
Loan Disbursements by KSFC During the period 2015-16 to 2020-21

(Amount: ₹. in lakhs)

Year	Disbursements Amount	Sanctions to Total	Annual Growth
2015-2016	536.42	86	
2016-2017	437.78	25	01.36
2017-2018	121.21	72	16.57
2018-2019	589.89	65	468.68
2019-2020	790.44	39	00.55

20-2021	295.92	13	494.5
Total	5871.7		340.5
Mean	478.61		68.1
Dev.	127.62		75.54
CV	02733		2.509
CAGR	37784		3.772

Source: Source: KSFC Annual Statistical Report



It can be seen from the above table no 2 that details KSFC Loan Disbursements during the period 2015-16 to 2020-21. ₹.356871.7 lakhs during the period of 2015-16 to 2020-21. Annual average of KSFC Loan Disbursements was ₹.59478.61 lakhs. The amount of KSFC Loan Disbursements was increasing and decreasing during the period. The KSFC Loan Disbursements amount were ₹.56636.42 lakhs (15.87025%) in 2015-16, ₹.61437.78 lakhs (17.21565%) in 2016-17, ₹.56121.21 lakhs (15.72588%) in 2017-18, ₹.66589.89 lakhs (18.65934%) in 2018-19, ₹.72790.44 lakhs (20.39681%) in 2019-20, ₹.43295.92 lakhs (12.13207%) in 2020-21. The annual growth of KSFC Loan Disbursements was ₹.4801.36 lakhs in 2016-17, ₹.-5316.57 lakhs in 2017-18, ₹.10468.68 lakhs in 2018-19, ₹.6200.55 lakhs in 2019-20 and ₹.-29494.5 lakhs in 2020-21.

The standard deviation was 10127.62 and annual growth was 16075.54, Coefficient of variation was 17.02733 and CV of annual growth was -602.509 and CAGR was -4.37784 and CAGR of annual growth was -243.772.

The KSFC Loan Disbursements amount were ₹.56636.42 lakhs (15.87025%) in 2015-16, ₹.61437.78 lakhs (17.21565%) in 2016-17, ₹.56121.21 lakhs (15.72588%) in 2017-18, ₹.66589.89 lakhs (18.65934%) in 2018-19, ₹.72790.44 lakhs (20.39681%) in 2019-20, ₹.43295.92 lakhs (12.13207%) in 2020-21.

RECOVERY OF LOAN BY KSFC

The following table No. 3 shows KSFC Loan Recovery Performance during the period 2015-16 to 2020-21. The total amount of recovery ₹.460962.6 lakhs during the period. Annual average of KSFC Loan Recovery amount ₹.76827.09 lakhs. The amount of KSFC Loan recovery was increasing and decreasing during the period. The annual growth of KSFC Loan recovery performance was ₹.4362.49 lakhs in 2016-17, ₹.-9681.65 lakhs in 2017-18, ₹.-5156.52 lakhs in 2018-19, ₹.-1549.15 lakhs in 2019-20 and ₹.-8217.06 lakhs in 2020-21.

The standard deviation was 8867.099 and annual growth was 5641.996, Coefficient of variation was 11.54163 and CV of annual growth was -139.364 and CAGR was -4.48473 and CAGR of annual growth was -213.5

Table No. 3

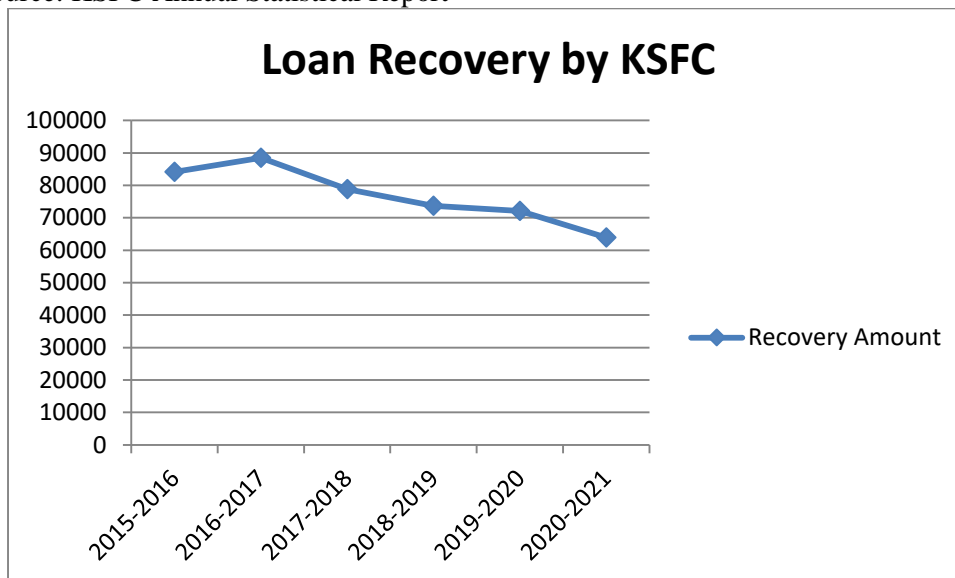
Loan Recovered by KSFC during the period 2015-16 to 2020-21

(Amount: ₹. in lakhs)

Year	Recovery	to Total	Annual
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	Amount	No.	Growth
2015-2016	84110.27	25	
2016-2017	88472.76	19	52.49
2017-2018	791.11	09	81.65
2018-2019	634.59	97	56.52
2019-2020	2085.44	64	49.15
2020-2021	638.38	86	17.06
Total	962.6	0	241.9
Mean	327.09		48.38
Dev.	57.099		41.996
σ	54163		9.364
CAGR	48473		3.5

Source: KSFC Annual Statistical Report



The KSFC Loan Recovery amount was ₹.84110.27 lakhs (18.24666%) in 2015-16, ₹.88472.76 lakhs (19.19305%) in 2016-17, ₹.78791.11 lakhs (17.09274%) in 2017-18, ₹.73634.59 lakhs (15.97409%) in 2018-19, ₹.72085.44 lakhs (15.63803%) in 2019-20, ₹.63868.38 lakhs (13.85544%) in 2020-21.

VII. FINDINGS OF THE STUDY:

1. KSFC Loan Sanction Performance during the period 2015-16 to 2020-21. The standard deviation was 22746.43 and annual growth was 27945.21, CAGR was -9.51773 and CAGR of annual growth was -382.105.
2. Karnataka has got 123 associations representing various trade, banking and industrial organisations.
3. Manufacturers association is Karnataka State Small Scale Industries Association, Confederation of Electronic Industries of Karnataka and Peenya Industries Association.
4. The overall study focus on financial performance and industrial performance of the KSFC 2013-14 to 2020-21 in Karnataka
5. Industry wise Sanction Performance during the period 2013-14 to 2020-21. Annual average of sanction to industries was ₹.757.5138 lakhs.

VIII. SUGGESTIONS:

1. The Government should encourage the young and new entrepreneurs
2. The Karnataka State Finance Corporation should increase the disbursement amount loan par with the sanctioned amount for the development of MSMEs in Karnataka.
3. There is a need for more schemes under the Karnataka State Finance Corporation for the development of MSMEs in the state.

IX. CONCLUSION

KFSC provides financial assistance and services for the holistic development of Micro, Small, and Medium Enterprises, it also helps women entrepreneurs Scheduled Castes and Scheduled Tribes, and Minorities. Hence Government should increase financial assistance and MSMEs for the growth and Development of the Indian Economy in the future let's hope for the best. Micro, Small, and Medium Enterprises are agents of the growth and development of the Indian Economy. The development of MSMEs mainly depends on financial assistance. The Karnataka State Financial Corporation (KSFC) is a state-level financial organization set up for the sake of financial support for the development of MSMEs in the state. It helps MSMEs by way of financial assistance and services.

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