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FINANCIAL PERFORMANCE OF FINANCIAL INSTITUTION IN KERALA  
(With Special Reference to Ksidc -Kerala State Industrial Development Corporation)

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### Introduction

The industries of Kerala enjoy the assistance and services of both banking and non-banking financial institutions. Kerala industries avail the assistance from All-India Financial Institution (AIFI) like IDBI, IFCI, SIDBI, and NABARD. Two state level institutions viz, KFC and KSIDC help the industries. Besides these institutions, there is a network of branches of SBI and its subsidiaries, nationalized banks, private sector banks, foreign banks, Regional rural banks and Co-operative banks. The services and schemes offered by KSIDC is highly commendable.

### Rationale of the Study

The process of liberalization, privatization and globalization unleashed India into a high growth path to compete effectively in the global market, companies should reduce cost of operations, improve the capacity, process and system. The organization should have an effective financial management system to sustain the operations profitably and to maximize the wealth. Hence, it is imperative to conduct a detailed study on the financial performance of the Kerala state industrial development corporation (KSIDC).

### Objectives of the Study

- To evaluate the financial performance of KSIDC.
- To assess the contribution of KSIDC in the industrial development of Kerala and
- To offer suggestions for improving the financial Management of KSIDC.

### Kerala State Industrial Development Corporation Limited

Kerala State Industrial development Corporation Ltd. is a company wholly owned by Govt. of Kerala, set up in 1961 under the Companies Act 1956, for the promotion and development of medium and large scale units in the state. Kerala Venture Capital Fund Private Limited (KVCF) was promoted by KSIDC.

*Functions:* KSIDC, as a facilitator and financier for industries, offers wide ranging assistance in industrial promotion.

*Services Offered:* Project lending, Single-window clearance, consulting service and Equipment purchase loan.

*Ongoing Mega Projects:* Life Sciences Park, Trivandrum, Electronic Hub at Kochi, Petro-Chemical Complex, Titanium Sponge Project, Kollam, High Speed Rail Corridor Project, Pravasi Gramam Project, Oceanarium, Kochi, LNG Terminal, Kochi, GAIL Pipe Line Project, Gas Distribution Project in Kerala, Trade & Convention Centre at Kochi, Industrial Corridor, National Institute of Warship/Submarine design & indigenization centre by Mazagon Dock Limited (MDL) at Beypore, Kozhikode, Convention centre and Tourist Resort, Kozhikode.

### Industrial Growth Centres

- Kannur - Valiyavelicham (Kuthupramba);
- Kozhikode - Kinalur (Balusserry)
- Malappuram - Panakkad (Malappuram);
- Alappuzha - Pallippuram (Cherthala)

### Research Design

The design is both descriptive and analytical done at state level. The secondary data was collected from the various sources like website of the KSIDC, literature, publications and books and the annual reports of the corporation from the year 2004-05 to 2010-2011.

### Analysis and Interpretation Performance of KSIDC

The Gross Income shows an increasing trend from 2005-07. It has increased from Rs.2325.51

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lakhs to Rs.4792.7 lakhs. Thereafter it showed a decreasing trend but during the year 2011 it again increased to 5216.07.

Table 1: List Of Major Organizations In Kerala Promoted by KSIDC (As on January 2009)

Name of the Organisation	Sector	District	Field of operation
Kerala Automobiles Limited	SS	Trivandrum	Three Wheeler manufacturing
BrahMos Aerospace Trivandrum Ltd. (Formerly Kerala Hi-tech Industries Ltd.)	CS	Trivandrum	Systems & components required for Aerospace and Defence
Kerala State Electronics Development Corpn. Ltd. (KELTRON)	SS	Trivandrum	Electronic components, Systems & Services
Kerala State Textile Corporation Ltd.	SS	Trivandrum	Textile Mills
Kerala Industrial Infrastructure Development Corporation (KINFRA)	SS	Trivandrum	Industrial infrastructure development
Technopark	SS	Trivandrum	Information Technology Park
Indian Institute of Information Technology & Management-Keraka (IIITM-K)	CS	Trivandrum	Education, R&D and Training in IT & Management
Malabar Cements Ltd	SS	Palakkad	Cement production
Kerala State Mineral Development Corporation Ltd (KEMDEL)	SS	Trivandrum	Mineral exploration, Mining & development
The Kerala Minerals & Metals Ltd. (KMML)	SS	Kollam	Titanium Dioxide & Minerals
Cochin Special Economic Zone	CS	Emakulam	Infrastructure for export-oriented business
Hindustan Organic Chemicals Ltd (HOCL)	CS	Emakulam (Unit)	Chemicals, dyes and drugs
Kerala Venture Capital Fund	PS	Emakulam	Venture Capital Finance
Centre for Management Development (CMD)	SS	Trivandrum	Education & training
Transformers & Electricals Kerala Ltd. (TELK)	SS	Emakulam	Power Transformers & related equipments
Kerala State Drugs & Pharmaceuticals Ltd. (KSDP)	SS	Alappuzha	Tablets, Powders, Granules, Capsules etc.
Kerala Chemicals and Proteins Ltd. (KCPL)	JS	Emakulam	Gelatin, Ossein, Di Calcium Phosphate

Regarding the financial expenses which is the major item of expenditure and the proportion of

it has been reduced from Rs.393.73 lakhs to Rs 53.49 lakhs in 2010 and increased to Rs.197.72 lakhs during the year 2011. This has been mainly due to the enhancement of provisions for gratuity in 2011. The total operating expenditure is fluctuating, the lowest figure has been found in 2008 (Rs658.66 lakhs) and the highest in 2011 (Rs.1588.45 lakhs). From the above table-1, it is ascertained that KSIDC has made operating profit and it is an upward direction. The highest profit after taxes has been found in 2011 Rs2754.01lakhs.

Table 2: Financial Performance of KSIDC

Particulars	2005	2006	2007	2008	2009	2010	2011
Gross Income	2325.51	2753.69	4792.71	3183.80	3114.90	3175.97	5216.07
Financial Expenses	393.73	128.87	124.21	102.45	71.04	53.49	197.72
Depreciation	33.90	25.22	20.89	20.15	19.16	30.05	37.36
Other Expenses	568.53	411.59	409.08	536.06	898.36	678.74	828.21
Bad debts written off		506.27	570.13		157.24	123.80	525.16
Operating profit	1329.35	1585.82	3671.43	2183.14	1961.89	2193.58	3529.64
Taxes and Provisions	594.37		1573.50	479.49	1020.81	739.07	775.63
Profit after Tax	734.99	1415.63	2097.92	1567.73	1519.81	1454.51	2754.01
Transfer to Special Reserve under Sec 36(1) (vii) of IT Act	153.13	160	700	250	172	166.36	236.16
Proposed Dividend			294	110.72	100	150	175

Source: Annual Reports

The percentage of Disbursement to Sanction is highest during the year 2006-07(91.25%). It is

lowest during the year 2005-06 (27.67%). Net profit ratio shows the profit left for shareholders out of the net income. It measures the overall efficiency of the organization. The percentage of growth of net profit is highest during the year 2010-2011(374.69%) and lowest during the year 2005-06 (193%).

Table 3: Performance of KSIDC  
(Rs.in lakhs)

Year	Loan Sanctioned	Loan Disbursed	% of Disbursement to Sanction	Net Profit	% Growth of Net Profit
2004-05	8385.40	2394.31	28.55	734.99	0
2005-06	18104.79	5009.98	27.67	1415.63	192.60
2006-07	11295	10307	91.25	2097.92	285.43
2007-08	9812	6193.91	63.12	1567.73	213.29
2008-09	10338	5024	48.59	1519.81	206.78
2009-10	6670	5304	79.52	1454.51	197.89
2010-11	21395.21	8593.20	40.16	2754.01	374.69

Source: Annual Reports

There is absolute short term solvency because the current ratio of the firm is much above the ideal ratio of 2:1. The debt-equity ratio has been maintained by KSIDC at a more favorable rate than Standard ratio. In all the years under study the net profit ratio was ranging from 31.6% to 52.79%. It shows that performance of KSIDC is good.

Table 4: KSIDC - Ratio Analysis

Year	CR	DER	NP%
2004-05	9.8	0.134:1	31.6
2005-06	11.4	0.133:1	51.4
2006-07	7.5	0.193:1	43.77
2007-08	9.4	0.131:1	49.24
2008-09	8.3	0.180:1	48.79
2009-10	8.5	0.133:1	45.79
2010-2011	9.9	0.179:1	52.79

CR: Current Ratio; DER: Debt – Equity Ratio; NP: Net Profit

From the above table 4, it is ascertained that KSIDC has made operating profit and it is an

upward direction. The highest profit after taxes has been found in 2011 Rs.2754.01lakhs. The total revenue is fluctuating year by year and increased to Rs.5216 lakhs in 2011.

### Findings and Suggestions

- KSIDC has made operating profit and it is an upward direction.
- The highest profit after taxes has been found in 2011 Rs.2754.01lakhs.
- The % of growth of net profit is highest during the year 2010-2011(374.69%) and lowest during the year 2005-06(193%).
- The current ratio and working capital position of the firm is good.
- The company has a low amount of debt and interest rate risks.
- Net profit is also at maximum (52.79%) during the year 2011. The netprofit ratio was ranging from 31.6% to 52.79%. It shows that performance of KSIDC is good.
- The good performance is mainly attributable to better quality of assets, scientific and pragmatic policies on lending and recovery even while being seen as flexible.

### Trend Analysis of KSIDC

The projected total income and net profit of KSIDC was calculated by applying method of least square for the year 2012, 2013 and 2014.

Table 5: Trend Analysis of KSIDC

Total Income			
Year	2012	2013	2014
Amount (Rs.in lakhs)	4629	4909	5189
Change in trend %	199	211	223
Net Profit/Loss			
Year	2012	2013	2014
Amount (Rs.in lakhs)	2441	2639	2839

The net profit of KSIDC is ranging from Rs. 734.99 lakhs to Rs.2754.01 lakhs. It shows that performance of KSIDC is good. Net profit of KSIDC for 2012 Rs.2441, 2013 – Rs.2639 and for 2014 – 2839 lakhs.

### Recommendations to the KSIDC

- The KSIDC should serve as a facilitator in the efforts of the entrepreneurs by different campaign programmes.
- The KSIDC should reduce the rate of interest of loans by mobilizing deposits from the general public.
- The KSIDC may insist on more transparent and flexible norms.
- Avoid the undue lag in sanctioning and disbursing the loans.
- An official loan monitoring system may be implemented to ensure that the NPAs of the units are not accumulated.
- Wide publicity must be given as to the role of KSIDC in the industrialization of the state by providing incentives to the new and existing entrepreneurs.
- Ensure loans to potentially viable projects

- Small loans to a variety of industrial units to reduce NPA's.
- Professional training to the KSIDC staff customers and their problems. The training should be given in such a way that to redress the consumer complaints at the earliest.
- Awareness creation by publicity.

### Conclusion

The financial performance of KSIDC for the study period(2005-2011) is good. The KSIDC had performed These organization should take adequate steps to reduce NPA's to the minimum. The working of these organization can be made more effective by reviewing their performance each year. This review will help locate their strength, weakness, opportunity and threat. KSIDC plays a vital role in the industrial growth of Kerala. KSIDC contribute significantly to economic development of Kerala.

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