

# Contribution of Karnataka State Finance Corporation (KSFC) in Development of Karnataka State- A Study lending practices.

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**Abstract** - The development of the country depends on the improvement and performance of the each state. India has decentralized power from village Panchayat to Parliament affairs. Likewise, the supporting centers are also divided all over the country. The effort to achieve the growth and development of the country depends on each individual, businessman and entrepreneurs' performance and their contribution in the gross domestic product (GDP). The major contributors are the businessman and entrepreneurs but for need timely and adequate financial assistance in contribution of the GDP needed the timely financial assistance. The financial supports made union government or state government. The central government provides financial assistance through the Nationalized banks, Mudra Bank, etc., and the Government of Karnataka provides the financial assistance through Karnataka State Finance Corporation(KSFC), Regional banks, etc. therefore the present study is an attempt to know the contribution of KSFC in development of the Karnataka State.

**keywords** - India, Development, Government, GDP, Banks, KSFC

## I. INTRODUCTION

The KSFC was established in the year 1959 under the act 1951 State Financial Corporation of the Government of India. KSFC provides financial assistance to set up tiny, small, medium and large scale industrial units in the Karnataka State and service of this corporation is restricted to the Karnataka state only. The Corporation extends term loans to new & existing units up to

Rs. Five hundred Lakhs for corporate bodies and registered co-operative societies. KSFC is one of the quick path term provide lending financial institutions in the country. With support to more than 1,65,128 units amounting to almost 11,282 crores over the last 53 years in the State of Karnataka. It is one of the robust, efficiently running State Financial Corporations. The focal point of Karnataka State Financial Corporation (KSFC) has eternally been on the small scale sector, artisans, tiny units and deprived groups. KSFC has been the main term lending institution in most of the districts for first creating entrepreneurs. Its major thrust in the regular activities such as assistance to backward areas, assistance to the small scale sector, assistance to artisans, tiny, village and cottage industries, assistance to medium scale industries, assistance to local entrepreneurs, assistance to special segments of society KSFC continues to accord priority to projects set up by entrepreneurs belonging to special segments of society like scheduled castes and scheduled tribes. Karnataka's investor-friendly and responsive administration is highly proactive and has implemented many reforms / initiatives to make Karnataka a competitive and attractive destination for global and national investments.

The important initiatives among them are; easing administrative procedures, creating the world class infrastructure, creating sector specific industrial zones and SEZs, announcing the incentives and concessions, giving special focus on skill development to improve the accessibility of industrial manpower, speed up the excellent telecommunication system, exemption from the State taxes as well as implementing policy measures for faster and smoother industrial growth in the state.

Karnataka Gross State Domestic Product (GSDP) with 2011-12 as base year is expected to grow at 9.6% for 2018-19 and reach Rs.10,82,534 crore<sup>1</sup>. The industry sector (comprising mining & quarrying, manufacturing, construction and electricity, gas & water supply) is expected to rise by 7.4% in 2018-19 as against a growth of 4.7% in 2017-18. The service sector is expected to grow by 12.3% in 2018-19 as against a growth of 12.2% during 2017-18. The per capita State Income of Karnataka at constant (2011-12) prices is estimated at Rs.2,07,062 as compared to Rs.1,83,737 during the previous year. The total worth of exports of Karnataka state during 2018-19 was US \$ 95,180 Million against all India Export of US \$ 5,34,767 Million which amounts to a share of 17.8 per cent.

## II. REVIEW OF LITERATURE

1. *Srinivas, K. T. (2013)*- Present study also made an attempt to examine movement of Non Performing assets of KSFC. The researcher achieves the objectives, the data is gathered from annual reports of KSFC and used ratio analysis techniques for data analysis. From the this paper finds that profit ratio of the KSFC is acceptable or not and KSFC not taken suitable measures to reduce operating expenses to increase the wealth of the corporation.

<sup>1</sup> Annual report of the Karnataka State Finance Corporation.

2. Venkatanarayana Miriyam and Dr. H.Ramakrishna (2016)- The present study is conceded out significantly based on published reports(secondary data sources, financial statements of KSFC from 2006 to 2015 and the study cabinets its concentrated role and performance in the growth and development of industrial sector with available facts and figures.
3. Srinivas K T (2017)- The investors studied in this survey that, role of KSFC in promotion of enterprises and employment generation in Karnataka, to draw the inference of the study, researcher uses the six years data and analyzed.
4. PGDFM, P. (2018). In this paper, researcher focused on Performance Evaluation KSFC using a few important key elements such as interest cost, interest income, non-interest cost and also analyzed by using a few parameters such as Net Interest Spread, Efficiency Ratio and Provisioning for non-performing assets (NPAs). The researcher assesses the efficiency ratio of the corporation and performance of KSFC.
5. Gowda, I. P. (2018) – The study is based on the performance of corporation depends on the different cycles and branch offices, this paper also makes an attempt to evaluate the performance of using six years data.
6. Gasti, A., & Chandramma, M. (2018). This paper examines growth in sanctions and disbursements of loan by KSFC and analyze the significant variations between loan sanctioned by KSFC across different years, industries and schemes.
7. Chethana B (2019)- In this paper, the study is extends to examine the operational efficiency and operations which is achieved by using efficiency ration of KSFC, the performance of KFSC was assessed on the basis of district wise.

**III. OBJECTIVES OF THE STUDY:**

1. To know the significant relation between loans and advances sanctioned and profitability.
2. To know the significant relation between the loan sanction and loan disbursed.
3. To know the significant relation between the loans disbursed and loan recovery.

**IV. NEED FOR THE STUDY**

The growth rate of Indian economy is expected to continue and its momentum foreseeable in future. The economic growth is closely associated with financial institutions and their supporting to the required stakeholders in the finance market. The growth prospects, developmental rates and the contribution made by the banking sectors, especially KSFC in Karnataka state were studied in this paper.

**V. RESEARCH DESIGN**

- **Data collection:**  
The study is pedestal on the secondary information, the secondary information are culled from the various journals, magazines, published report viz. annual reports of the KSFC.
- **Quantitative analytical Tools used:**  
In this research three of the objectives are analytical in nature. The analysis is made on the basis of mean, standard deviation, standard error, and paired test for drawing the accurate inferences.
- **Hypothesis**  
H1: There is no significant relation between loan and advances sanctioned and Profitability.  
H2: There is no significant relation between the loan sanctioned and loan disbursed.  
H3: There is no significant relation between the loan disbursed and loan recovery.

**VI. ANALYSIS OF THE STUDY:**

- **Analysis of loan and advances disbursed and Profitability**

**Table 1.1: Paired Samples Statistics**

|  | Mean     | N | Std. Deviation | Std. Error Mean |
|--|----------|---|----------------|-----------------|
| Pair 1 Loan and advances and Profitability | 2.3245E3 | 6 | 1418.94659     | 579.28252       |
|  | 1.7481E5 | 6 | 6339.58553     | 2588.12496      |

**Table 1.2: Paired Samples Correlations**

|  | N | Correlation | Sig. |
|--|---|-------------|------|
| Pair 1 Loan and advances & Profitability | 6 | -.360       | .483 |

**Table 1.3: Paired Samples Test**

|        |                                  | Paired Differences |                |                 |   |            | t       | df | Sig.<br>(2-tailed) |
|--------|----------------------------------|--------------------|----------------|-----------------|---|------------|---------|----|--------------------|
|        |                                  | Mean               | Std. Deviation | Std. Error Mean | 95% Confidence Interval of the Difference |            |         |    |                    |
|        |                                  |                    |                |                 | Lower                                     | Upper      |         |    |                    |
| Pair 1 | Loan and advance - Profitability | -1.72481E5         | 6977.35639     | 2848.49382      | -1.79804E5                                | -1.65159E5 | -60.552 | 5  | .000               |

**Result:** the above paired test information in the test tables clears that the null hypotheses are rejected. Therefore, there is a significant relation between the loans and advances and profitability of the KSFC

- **Analysis of relation between the loan sanction and loan disbursed**

**Table 2.1: Paired Samples Statistics**

|        |                 | Mean     | N | Std. Deviation | Std. Error Mean |
|--------|-----------------|----------|---|----------------|-----------------|
| Pair 1 | Loan sanctioned | 5.4486E3 | 6 | 6805.97080     | 2778.52594      |
|        | Loan disbursed  | 4.2449E3 | 6 | 5256.30624     | 2145.87804      |

**Table 2.2: Paired Samples Correlations**

|        |                                  | N | Correlation | Sig. |
|--------|----------------------------------|---|-------------|------|
| Pair 1 | Loan sanctioned & Loan disbursed | 6 | 1.000       | .000 |

**Table 2.3: Paired Samples Test**

|        |                                  | Paired Differences |                |                 |   |           | t     | df | Sig.<br>(2-tailed) |
|--------|----------------------------------|--------------------|----------------|-----------------|---|-----------|-------|----|--------------------|
|        |                                  | Mean               | Std. Deviation | Std. Error Mean | 95% Confidence Interval of the Difference |           |       |    |                    |
|        |                                  |                    |                |                 | Lower                                     | Upper     |       |    |                    |
| Pair 1 | Loan sanctioned – Loan disbursed | 1.20373            | 1553.50205     | 634.21455       | -426.56875                                | 2834.0320 | 1.898 | 5  | .116               |

**Result:** Analysis in the above figures shows that, the null hypothesis is rejected. Hence, there is a significant relation between the loan sanction and loan disbursed in the KSFC.

- **Analysis of significance relation between the loans disbursed and loan recovery**

**Table 3.1: Paired Samples Statistics**

|        |                | Mean     | N | Std. Deviation | Std. Error Mean |
|--------|----------------|----------|---|----------------|-----------------|
| Pair 1 | Loan disbursed | 4.2449E3 | 6 | 5256.30624     | 2145.87804      |
|        | Loan recovery  | 5.2468E3 | 6 | 6935.51602     | 2831.41256      |

**Table 3.2: Paired Samples Correlations**

|        |                                | N | Correlation | Sig. |
|--------|--------------------------------|---|-------------|------|
| Pair 1 | Loan disbursed & Loan recovery | 6 | .996        | .000 |

Table 3.3: Paired Samples Test

|                                       | Paired Differences |                |                 |   |           | t     | df | Sig. (2-tailed) |
|---------------------------------------|--------------------|----------------|-----------------|---|-----------|-------|----|-----------------|
|                                       | Mean               | Std. Deviation | Std. Error Mean | 95% Confidence Interval of the Difference |           |       |    |                 |
|                                       |                    |                |                 | Lower                                     | Upper     |       |    |                 |
| Pair 1 Loan disbursed – Loan recovery | 1.00192E3          | 1759.25587     | 718.21320       | 2848.14748                                | 844.30414 | 1.395 | 5  | .222            |

**Result:** based on the above test result proves that the null hypothesis is accepted. Hence there is no significant relation between the loans disbursed and loan recovery.

#### Limitation of the study

The present paper is restricted to financial services provided by the KSFC in Karnataka. The outcomes of this study are may not be applicable to any other financial institutions and any part of the states in India.

### VII. FINDINGS AND CONCLUSION

Since from the inception of Karnataka State Financial Corporation has promoted many enterprises has shown emerging extends the hands to entrepreneurs to develop their ventures.

As the KSFC lending money to all the business and manufacturing units is year increased year by year, increase in the money lent by KSFC its impact on the employment generation and growth in all other area associated with the business and manufacture. The loans and advances amount /sizes increasing yearly clears that KSFC contributed majority by financial assistance and support to the businessman and entrepreneurs of existing and to establish.

### VIII. REFERENCE

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