CHAPTER 8

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Based on the analysis of performance and the perceptions of the loanees' about the performance of Karnataka State Financial Corporation, in the preceding chapters, the following findings and conclusions are drawn.

2.1 The sanctions of the SFCs' in India went up from Rs 370.5 crores in 1980-81 to Rs 2075.9 crores in 2001-02 registering an increase of more than 6 times.

2.2 The growth rate of sanctions was more pronounced between 1980-81 to 1984-85 than during 1985-86 to 1989-90, 1990-91 to 1994-95 and 1995-96 to 1999-00.

2.3 The disbursements made by the SFCs' in India increased from Rs 248 crores in 1980-81 to 1762.5 crores in 2001-02 registering an increase of 17 times.

2.4 There is no consistency in the growth rate of disbursements. The rate of growth in disbursements is more during 1980-81 to 1984-85.

2.5 The percentage of disbursements to sanctions is not consistent. It was highest in 1988-89 and lowest in 1980-81.

2.6 Karnataka State Financial Corporation's share in the total sanctions of the SFCS' in India is the highest during the entire period of study, except in the year 2001-02.

2.7 The share of KSFC in the total disbursements made by the SFCS' in India was the highest in 1997-98, 1998-99 and 2000-01 respectively.

2.8 In 1999-2000 the share of Gujarat SFC was the highest in the total disbursements made by the SFCS'.

2.9 In 2001-02 Andhra-pradesh SFC stood first in terms of its share in the total disbursements made by the SFCS' in the country.
2.10 There is no consistency in the share of disbursements of different SFC’s in the total disbursements of the SFCS’ put-together.

2.11 The KSFC stood first, GFC stood second and Tamilnadu SFC stood third in terms of their share in the cumulative sanctions of SFCS’ in India.

2.12 The share of State Financial Corporations of Maharastra, Punjab, Uttar-Pradesh, Haryana, Bihar, Gujrat and Karnataka in the total disbursements has gone down during 1997-98 to 2001-02.

2.13 The share of State Financial Corporations of Andhra Pradesh (except in 2000-01), Delhi,J&K,Himachal Pradesh,Kerala,Madya Pradesh,Orisa,Rajastan,Tamilnadu,West Bengal, in the total disbursements made by SFCS’ went-up.

2.14 Underwriting activity, guaranteeing, holding of shares and debentures have remained largely insignificant. The share of rupee loans in the cumulative sanctions of SFCS’, at the all India level, is 81.21 percent at the end of March 2002.

2.15 The share of assistance, in the size of Rs 5, 00,000 and above, claimed major portion of the total assistance (81.36 percent) as on 31st March 2002.

2.16 The share of assistance in the size of less than Rs 5, 00,000, is 18.61 percent as on 31-12-2002.

2.17 Bulk of the assistance of SFCS’ has gone to new projects. Existing units have received only 19 percent of the assistance for expansion, diversification, and modernization.

2.18 The share of small-scale sector, in the cumulative sanctions of all the SFCS’ in the country is 68.4 percent. In the year-wise sanctions, the share of small scale sector varies from a minimum of 65.6 percent in 2000-01 to a maximum of 76.8 in 1999-2000.
2.19 The share of small-scale sector, in the cumulative disbursements made by the SFCS’ at the end of 31st March 2002, is 68.4 percent.

2.20 In the year-wise disbursements made by SFCS’, at the all India level, the share of small scale sector varies from 64.6 percent in 1997-98 and 70.1 percent in 1999-2000.

2.21 The SFCS’ have sanctioned Rs. 7815.2 Crores to backward regions out of the total sanctions of Rs 16821.3 crores. This amounts to 46 percent.

2.22 There is no consistency in the percentage of assistance sanctioned to backward regions to the total sanctions made every year. It varied from a minimum of 38 percent in 1993-94 to a maximum of 54.5 percent in 1987-88.

2.23 There has been concentration of SFCS’ assistance in such industries as chemicals, services, food products and textiles. These five groups have claimed 57.88 percent of the total assistance.

4.1 The organizational structure of KSFC has become too cumbersome.

4.2 Technical functionalists do not find a place on the board of director’s of KSFC.

4.3 The board of KSFC is large one.

4.4 There is an overload of official element in the board of director’s of KSFC.

4.5 There has been a high and quick turn over in the membership of the Board of KSFC.

4.6 The directors elected by the shareholders had a longer period of time in office.

4.7 The total numbers of board meetings are quite fluctuating defying any generalization.

4.8 The board meetings are held only in the head office located in Bangalore.

4.9 The Executive Committee too has an over helming majority of official nominees.

4.10 There is high turn over of Executive Committee members.
4.11 The average number of Executive Committee meetings was 12.11.

4.12 The Corporation has no tradition of having a Chairman from non-governmental interests.

4.13 The tenure of the Chairman too has become vulnerable to political pulls and push, as many Chairmen were not allowed to complete their tenure as per the provisions of the Act.

4.14 The post of M.D of the Corporation is held invariably by a bureaucrat drawn from IAS who lack experience in financial and commercial matters.

4.15 Most of the Managing Directors were not allowed longer tenure of office.

5.1 Out of the Rs 37645.6 crores sanctioned by SFCS' till the end of March 2002, the share of KSFC is Rs 5533.4 crores constituting 14.70 percent.

5.2 Out of the total disbursements of Rs 20857.4 crores the share of KSFC is Rs 5109.6 crores constituting 16.56 percent. Thus, KSFC stood first amongst the SFCS' so far as sanctions and disbursements are concerned.

5.3 The number of units to whom the loan is sanctioned by KSFC has gone up by 25 times between 1981-82 and 2001-02.

5.4 The amount of loan sanctioned (cumulative) has gone up from Rs. 155.64 crores in 1981-82 to Rs. 6541.34 crores in 2001-02 registering an increase of 42 times.

5.5 In 1981-82 a sum of Rs. 107.34 crores was disbursed by KSFC, which went up to Rs. 5258.74 crores in 2001-02. Thus, increase in the disbursements is 42 times.

5.6 Increase in loan outstandings is 10 times in case of units and 22 times in case of rupees.
5.7 Comparison of the rate of increase in sanctions, disbursements and out standings reveals that the rate of increase in disbursements is more than the rate of increase in sanctions. Similarly rate of increase in out-standings is less than the rate of growth in the sanctions and disbursements.

5.8 There has been a continuous decrease in the number of loan applications received by KSFC.

5.9 The figures relating to applications rejected or withdrawn is showing a declining trend.

5.10 The number of applications pending is decreasing from 1996-97 onwards.

5.11 The amount of loan sought increased from Rs. 421.38 crores to Rs. 953.61 crores during 1993-94 to 1996-97. But afterwards it decreased from Rs 668.84 crores to Rs 452.44 crores during 1997-98 to 2001-02 except in 2000-01, when the amount of loan sought is more than the previous years.

5.12 The amount of loan sanctioned increased during 1993-94 to 1996-97 from Rs 354.77 crores to Rs 859.84 crores, but between 1997-98 and 2001-02 amount of loan sanctioned decreased from Rs 577.36 crores to Rs 303.7 crores except in 2000-01.

5.13 The difference between the amount of loan sought and sanctioned does not indicate any definite trend but it is still considerable.

5.14 Proprietary concerns stand first as their share in the sanctions and disbursements made by KSFC is the highest.

5.15 Partnership and private companies stand second and third respectively in terms of their share in sanctions and disbursements of KSFC to SSI sector.
5.16 Public companies, Co-operatives and Joint Hindu Families have not taken to industrial activity in a big way as their shares in the sanctions and disbursements made by KSFC are negligible.

5.17 Cumulative figures relating to number of units for which the loan is sanctioned by KSFC reveals that the most popular loan slab is Rs.0-.50 lakhs followed by the slab of Rs.50-Rs2.00 lakhs. The least popular slab is Rs 30.00-Rs 45 lakhs.

5.18 Year-wise analysis of number of units, to whom the loan is sanctioned by KSFC, reveals that during 1992-93 and 1996-97 the most popular loan -slab is the one ranging from Rs 0-.50 lakhs followed by the slab of Rs.50-Rs 2.00 lakhs. The least popular loan slab during these two periods is Rs.30-45 lakhs. However, in 2001-02 most popular loan slab Rs 5.00 - Rs.7.50 lakhs and least popular loan slab is Rs..0-.50 lakhs.

5.19 Most of the applications are for loans ranging from Rs. 0 to Rs 5.00 lakhs.

5.20 Though most of the applications are for the lower slab larger portion of the assistance of KSFC has gone to the applicants of higher slabs.

5.21 Major portion of KSFC’s assistance has gone to new projects and very little portion for existing units.

5.22 Out of the assistance for the existing units, bulk of the assistance has gone for expansion, modernization and negligible portion for rehabilitation of sick units.

5.23 As on 31st march 2002, the cumulative sanctions of KSFC amount to Rs 4983.13 crores to 133045 units. Out of this, Rs. 3614.06 crores constituting 72.53 percent has
gone to SSI sector. Similarly the percentage of SSI units to total units, to whom the loan is sanctioned by KSFC, works out to 92.99 percent.

5.24 Year-wise analysis of sanctions to SSI and Non-SSI sectors reveals that the share of SSI sector in the total sanctions of KSFC from 1992-93 to 2001-02 is decreasing.

5.25 The share of SSI sector in the cumulative disbursements made by KSFC, as on 31-12-2002, is 74.34 percent.

5.26 Year-wise analysis of disbursements made by KSFC reveals that the share of SSI sector in the years 1992-93, 1996-97 and 2001-02 is more than the share of non-SSI sector. However, what is regrettable is the decline in the share of SSI sector from 87.74 percent in 1992-93 to 51.10 percent in 2001-02, in the total disbursement of KSFC.

5.27 48 percent of the cumulative sanctions, as on 31st March 2002, have gone to four industries viz, services (20.46 percent), food industry (13.64 percent), metal products (6.05 percent), textiles (4.72 percent). Thus KSFC’s sanctions are not diversified.

5.28 The disbursements of KSFC are also not diversified because 46 percent of the disbursements are cornered by 4 industries only viz services industry (20.46 percent) food industry (13.64 percent), chemicals (5.7 percent) and metal products (6.7 percent) as on 31st March 2002.

5.29 Year-wise analysis of sanctions and disbursements of KSFC on 1992-93, 1996-97 and 2001-02 also reveals concentration of sanctions and disbursements amongst the four industries mentioned above.

5.30 The share of backward districts, in the cumulative sanctions of KSFC is Rs 2102 crores as on 31st March 2002, constituting 42.18 percent of the total sanctions, and the
share of non - backward districts is Rs 2881.13 crores, constituting 57.82 percent of the total cumulative sanctions of KSFC.

5.31 The share of backward districts in the total number of units, to whom the loan is sanctioned by KSFC, is more than non-backward districts.

5.32 Year-wise analysis of loans sanctioned to backward and non-backward districts also reveals that the share of backward districts is consistently less than non-backward districts during 1992-93 to 2001-02. Further, the share of backward districts is declining over the same period.

5.33 The share of backward districts, in the cumulative disbursements made by KSFC as on 31st March 2002, is also less than non-backward districts.

5.34 Year-wise analysis of disbursements made by KSFC also reveals that the share of backward districts in the total annual disbursements is less than the share of non-backward districts. Further the share of backward districts is decreasing every year whereas the share of non-backward districts is increasing.

5.35 The share of Mysore region, Bombay Karnataka region and Hyderabad Karnataka region in the cumulative sanctions made by KSFC till 31st March 2002, is 74.82 percent, 13.76 percent and 11.42 percent respectively.

5.36 Year-wise analysis of sanctions also tells the same story. The share of Hyderabad-Karnataka region, which is industrially least developed, is less as compared to Bombay-Karnataka region and Old Mysore region.

5.37 The share of Old Mysore Region, Bombay-Karnataka region and Hyderabad-Karnataka region in the cumulative disbursements of KSFC till 31st March 2002 are 76.99 percent 14.26 percent and 8.75 percent respectively.
5.38 Year-wise analyses of loans disbursed by KSFC also reveals that the share of moderately and least developed regions viz, Bombay –Karnataka region and Hyderabad Karnataka region is not only less as compared to developed region of old Mysore region, but it is also decreasing.

5.39 KSFC has evolved different schemes for different people and for different regions of the State to ensure that rapid industrialization of the State, more so the backward region of the state, takes place.

5.40 The recovery performance of KSFC is very poor. In 1992-93 KSFC had recovered 51 percent of the total recoverable amount, in 1996-97 KSFC could recover 55 percent of the recoverable amount and in 2001-02 the KSFC recovered only 29 percent of the total recoverable amount.

5.41 Percentage recovery of current demand to total current demand also fell from 74 percent in 1992-93 to 41 percent in 2001-02.

6.1 Debt-equity ratio of KSFC has gone up from 7.28 percent in 1992-93 to 27.55 percent in 2001-02. The average debt-equity ratio is 12.94 percent.

6.2 The cost of borrowings to total borrowings of KSFC has gone up from 9.14 percent in 1992-93 to 11.62 percent in 2001-02. There is no consistency in the ratio. The average ratio of cost of borrowings to borrowings is 11.53 percent.

6.3 Over dues as a percentage of loans outstanding has gone up from 20.56 percent in 1992-93 to 43.16 percent in 2001-02. There is no consistency in the percentage of over dues to loan outstanding. The average percentage of over dues to loan outstanding is 31.55.
6.4 Ratio of recovery to total demand has gone up from 25.64 percent in 1992-93 to 30.40 percent in 2001-02. Average percentage of recovery to total demand is 32.57 percent. There is no consistency in the percentage of recovery to total demand.

6.5 Share of refinance in the total disbursements made by KSFC was 30.08 percent in 1992-93 whereas it was (-) 1.88 percent in 2001-02.

6.6 The Debt Service Coverage ratio of KSFC was 2.18 times in 1992-93 and in 2001-02 it is 1.70 times. Average debt-service coverage ratio is 2.09 times.

6.7 Percentage of administration cost to total income went up from 11.00 percent in 1992-93 to 13.38 percent in 2001-02. There is no consistency in the ratio of administration cost to total income. The average ratio of administrative cost to total income is 10.54 percent.

6.8 Percentage of administration cost to total average assets also went up from 1.42 percent in 1992-93 to 1.56 percent in 2001-02. The average percentage of administration cost to average total assets is 1.40 percent. There is no consistency in the ratio of administration cost to average total assets.

6.9 Ratio of interest cost to interest earned has gone up from 68.28 percent in 1992-93 to 117.01 percent. The average ratio of interest cost to interest earned is 92.92 percent.

6.10 The rate of return on investment has gone down from 9.05 percent in 1992-93 to 8.72 percent in 2001-02. The average rate of return on investment is 10.36 percent.

6.11 Ratio of rate of return on owner’s investment has fallen from 11.05 percent in 1992-93 to (-) 73.60 percent in 2001-02. Average ratio of rate of return on owners investment is (-) 22.30.
6.12 Earnings per share have fallen from Rs 24.54 in 1992-93 to Rs (-) 55.86 in 2001-02. Average earnings per share are Rs 11.56.

6.13 Dividend payout ratio in 1992-93 was 28.86 percent. This went up to 63.28 percent in 1996-97. From 1997-98 onwards the KSFC incurred only losses so it could not pay any dividends.

6.14 Plough back to share holder’s equity in 1992-93 was 10.06 percent. In 1997-98 it was 1.89 percent. Average ratio of plough back to share holder’s equity is 6.94 percent.

7.1 61.40 percent of respondents have come to know about the KSFC through the mass media. 7.02 percent and 10.53 percent of the respondents have come to know about the KSFC through publicity and official campaigns undertaken by KSFC.

7.2 78.07 percent of the respondents have approached KSFC personally. 10.53 percent respondents have approached the KSFC through its employees. 7.89 percent respondents have approached the KSFC through its clients.

7.3 84 percent respondents are not happy with the reception and guidance of public relations cell.

7.4 64.03 percent respondents said that public relation and entrepreneurs guidance cells played the role of formal interpreter of activities. In case of 16.67 percent respondents the PR & EGC have played the role of a friend and guide.

7.5 87 respondents launched their own schemes, 27 respondents constituting 23.68 percent of the total respondents, launched sponsored schemes.

7.6 None of the respondents paid fees to any agency to get the project idea.
68.42 percent respondents got the relevant application form in one attempt. 36 respondents constituting 31.58 percent of the total got the relevant application form in second or more attempts.

The gap in securing and submitting the application form was 0-15 days in case of 15 respondents, 10-20 days in case of 22 respondents, 20-30 days in case of 28 respondents, 30-40 days in case of 30 respondents and 40 and more days in case of 19 respondents.

Complicated format and innumerable details are the two most prominent reasons for the delay in the submission of application forms.

Only 45 respondents could fill the application forms independently. 69 respondents took the help of the others to fill the application form.

Majority of the respondents took the help of the employees of KSFC to fill the application form. None went to the professional agency to get the loan application form filled.

76.32 percent respondents felt that the information sought in the application form is repetitive.

Only 24 respondents were informed of certain omissions in their application form at the time of submission.

All the respondents submitted their loan application forms by hand and not by post.

62.28 percent of respondents had a happy experience and 37.72 percent of respondents had a sad experience of securing and depositing the application form.

80 respondents, constituting 70.18 percent of the total, have not received any communication about the action taken on their application.
7.17 18 respondents took one month and 16 respondents took 2 or more months, out of 34 respondents who received the communication, to receive the communication about the action taken on their application from KSFC.

7.18 9 respondents visited the office of KSFC 0-20 times, 22 respondents 50-75 times, 9 respondents 75-100 times and 29 respondents more than 100 times, to know the fete of their applications.

7.19 In case of 21.05 percent respondents, action was taken in the first instance. In case of 78.95 percent of respondents the applications were found wanting in one or other respect.

7.20 In case of 61.11 percent respondents applications were found wanting on legal grounds. In case of 27.78 percent respondent’s technical reason came in the way. Only in case of 7.78 and 3.33 percent of the respondents, applications were found wanting on economic and commercial grounds.

7.21 The time lag between registration of application and sanctioning of loan is 0-1 month in case of 12 respondents, 3 to 4 months in case of 44 respondents and 6 months and above in case of 25 respondents.

7.22 Time gap between sanction and disbursements of loan was 0-15 days in case of 19 respondents, 23 respondents had to wait for more than 45 days and in case of 45 respondents there was no gap worth mentioning.

7.23 In case of 50 percent of the respondents the sanctioned loan could not be disbursed immediately due to failure on the part of the applicants to create assets.

7.24 92 respondents had to chase their file, after getting the loan sanctioned, to get the loan amount released.
7.25 22 respondents got the loan in one lump sum whereas 92 respondents got the loan in installments.

7.26 Only in 10 percent cases Corporation officials visited the site/project before sanctioning the loan.

7.27 In 51 percent cases Corporation was directly responsible for the delay in the release of loan. While, in 49 percent cases respondents themselves were responsible for the delay in release of the loan.

7.28 47 respondents did not face any problems in executing the documents, whereas, 67 respondents had to face lot of problems. The reasons for the same are delay on the part of corporation (35 respondents), other legal complications (22 respondents), part of the plot was already hypothecated (6 respondents) and papers about land & building could not be furnished (4 respondents).

7.29 98 respondents had not given the time schedule for the disbursement of the amount, whereas 16 respondents had given the time schedule to the corporation to disburse the loan. But in case of 4 respondents only the corporation stuck to the time schedule.

7.30 In case of only 23 respondents the official’s came for valuation on their own. In other 91 cases it was purely an arranged visit.

7.31 Aggregatively, in 89.5 percent, cases the corporation stands to be blamed for the delay in the valuation of collateral securities.

7.32 76 respondents expressed satisfaction over the criteria followed by the corporation to value the collateral securities.

7.33 12 respondents held the corporation responsible for the delay in production 32 respondents held the KPTCL responsible for the delay in the commencement of
production programme. 15 respondents could not commence production on time because of lack of working capital and raw material. Labour problems were responsible in case of 8 respondents. 24 industrialists started their production immediately and some even before the disbursement of loan.

7.34 80 respondents claimed to have paid the installment of loan and interest regularly and timely. Only 34 respondents were defaulters.

7.35 Reasons for default are lack of cash reserves- 15 respondents, non-commissioning of project-11 respondents and heavy amount of installment –26 respondents.

7.36 64 respondents are not afraid of the action likely to be taken by the corporation in case of default.

7.37 26 respondents had asked for rescheduling of loan and 21 of them got the loan rescheduled.

7.38 None of the sections of the corporation impressed 44 respondents. Finance and recovery sections impressed 23 respondents. PRO cell impressed only 12 respondents. Sanctions department impressed only 3 respondents.

7.39 34 respondents are happy with the authority / power delegated to the branch managers, whereas 24 respondents are not happy. 57 respondents have not replied to this question.

7.40 102 respondents have not lodged the complaint against the incompetent or unclean staff, with the higher authorities.

7.41 In consequential, fear of intimidation and needless are the reasons given for not filing the complaint by 46, 20 and 36 respondents respectively.

7.42 68 respondents met the officials of the corporation to ventilate their grievances.
7.43 None of the respondents who met the executives faced any problem in getting the appointment.

7.44 The outcome of the meeting was also satisfactory.

7.45 68 respondents met the executives of different cadres 129 times. The break-up is chairman-nil, Managing Director-54 times, Secretary-42 times, Manager –33 times.

7.46 90 respondents met the executives of the corporation for sanction of loan, 12 respondents for execution of documents, 15 respondents for rescheduling of loan and 6 respondents for valuation of assets.

7.47 Only 45 respondents are aware of the motive and rationale of KSFC.

7.48 Only 34 respondents lauded the KSFC for fulfilling the objective of social welfare.

7.49 80 respondents felt that the KSFC is a person-oriented organization. 60 respondents felt that it is a power-oriented organization. 16 respondents felt that it is rule-oriented organization. Only 4 respondents felt that it is a role-oriented organization.

7.50 34 respondents felt that KSFC is an easy-going agency and 63 respondents felt otherwise.

7.51 104 respondents felt that the terms and conditions of KSFC are more stringent than the commercial banks.

7.52 60 respondents criticized the KSFC for red tape, 48 respondents for behavioral blemish, 22 respondents for poor service, 20 respondents for being persons-oriented and 16 respondents for inadequate functional element.

7.53 To improve operational efficiency 75 respondents feel that delay in sanction and disbursement of loan should be reduced, 30 respondents want attitudinal change in the employees of the corporation towards KSFC’s clients and 21 respondents feel that
KSFC should become role-oriented organization instead of person oriented or rule oriented. 15 respondents have suggested revamping of the PR cell.

7.54 Respondents have made suggestions relating to the sanctioning process. Prominent suggestions are changes in outlook (62 respondents), reducing red-tape (40 respondents), single window service (38 respondents) functionalism (34 respondents) and improving PR cell (26 respondents).

7.55 Suggestions pertaining to disbursements of loan sanctioned are made by the respondents. They are, strengthening of legal system (64 respondents), improving the process of valuation (38 respondents), improving the functioning of accounts section (25 respondents), improving the functioning of technical section (13 respondents), and 20 respondents have not replied to this question.