KSFE was established in 1969 with a network of 10 branches and a paid up capital of Rs.2 lakhs, by the Government of Kerala. It was registered under the Indian Companies Act 1956 on 6-11-1969 as a fully owned government company with an authorised share capital of Rs.25 lakhs. This was later increased to 50 lakhs and 100 lakhs. The share capital contribution of the government was progressively increased from Rs.2 lakhs to Rs.7 lakh in the year 1970-71, to Rs.12 lakh in the year 1971-72, to Rs.28 lakh in the year 1977-78, and to Rs.38 lakh in the year 1987-88. Now the company has a commendable branch network of 252 branch offices and a paid up capital of Rs.3 crores. The company employs 3468 people directly and 2000 people indirectly. It has various schemes that cater to the needs of the different segments of the population such as mobilising savings by instruments like chitties and deposit schemes and channelising them to the needy people for owning houses and household durables, motor vehicles and equipment for self-employment and providing finance for augmenting working capital needs of small traders. It had started chit business in the state with a view to reduce the hardship that the people had to undergo as a result of failure of chit funds. The chit businesses done by KSFE Ltd. takes the task of mobilising savings and channelising them to investment. Thus it
finances the credit needs of the people in all walks of life i.e., agriculturists, industrialists and professionals. It is widely favoured by the poor who are not in a position to get credit from any other sources. Thus it has a great role in financing the low income people in the society, in the eradication of poverty and in reducing inequalities of wealth all of which will lead to economic welfare.

Management

The management of the company is vested in the board of directors constituted by the Governor from time to time. The Governor may, from time to time, appoint 2 directors other than the Managing director as Chairman and Vice-Chairman of the board. The general body representing the shareholders is the supreme governing body of the company.

Objectives

The objectives of the company are listed in the Memorandum of Association of the Company. The following are the important objectives.

1. To start, conduct, promote, manage and carry on the business of chitties in India or elsewhere.

2. To promote, undertake, organise, conduct and carry on the business of general and miscellaneous insurance of any kind in India or elsewhere.
3. To start, promote, conduct, operate, carry on and manage the business of dealers agents and traders under hire purchase system of articles, vehicles, machinery, materials goods and tools of all capital goods and consumer goods and property of all nature and description for personal, domestic, office, commercial, industrial and community use and consumption as a business of the company or as agents of government, state or central, or anybody or organisation there under or any other company.

Besides these, there are many other objectives which are incidental to the main objectives. They are

(1) to advance, deposit or lend money
(2) to receive or grant or concession of any nature.

Organisation

The general administration of the organisation and control of business development were initially centralised. But due to expansion decentralisation was felt and regional offices came into existence with regional managers. The organisational set up is by and large a three tier-system with the head office as the controlling body, the regional offices at the intermediary level having control of the units under them and at the base level the different units which are the profit generating centres. These units are engaged in chitty business and hire purchase financing as their main
products and acceptance of deposits from the public as a parallel product. In the head office, the activities are grouped on functional as well as product basis.

a. The following are the product departments.

1. Chitty department

   This is headed by chitty officer who is directly responsible for the chitty administration of the company.

2. HP department

   This is headed by the Hire Purchase Officer, who is directly responsible for the hire purchase administration of the company.

b. The functional department consists of

1. Accounts department

   This department is headed by the accounts officer. The main functions are planning, budgeting, compilation of accounts etc.

2. Administrative department

   Headed by the administrative officer. He is in charge of the personnel administration, salary, industrial relations, manpower planning etc.
3. Secretarial department

This is headed by the company secretary. He is responsible for the functions conferred on him by the Companies Act 1956. He is also responsible for the general administration including purchase, printing etc.

4. Legal department

This is headed by the part-time legal advisor. He is assisted by a legal superintendent. He has to advise the company on routine legal matters.

5. Internal Audit Department

This is headed by internal audit officer. Three assistant teams will exercise internal check and audit and thus will assist the audit officer.

The departmental heads (Administrative Officer, Legal Superintendent and internal audit officer) report directly to the Managing Director. The chitty officer and HP officer report directly to the business manager and the Accounts officer reports directly to the Finance Manager.

Regions

At present there as 5 regional offices, headed by regional managers. The activities of the regional managers are grouped functionally as well as product wise. They are mainly responsible for the proper and healthy
functioning of the branches and to be in charge of the overall growth and development of the branches under their jurisdiction.

Units

At the base level the units are graded into 3 categories on the basis of the total chitty sala.

1. Major branches
2. Medium branches, and

Staff Recruitment

All the appointments to the different posts are made through recruitment by Kerala Public Service Commission.

The company has a training cell to impart training to the officers and staff including new recruits to develop their ability to meet the requirements of the job assigned to them.

The company has a performance appraisal system too. In the case of officers, the performance appraisal system is done qualitatively and quantitatively by analysing the relevant data of their performance in a given year in the prescribed form along with the officers' self-assessment. But in the case of employers and junior executives, performance assessment is done only qualitatively through a system of confidential report.
Products of the Company

The main products of the company are:

1. Chitty
2. New chitty loan
3. Passbook loan.
4. Hire purchase (General)
5. Employment Oriented Hire Purchase
6. Trade Finance
7. New Housing Finance
8. Gold loan
9. Fixed Deposit
10. Loan on Fixed Deposit
11. Sugama Deposit
12. Reliable Custom loan
13. Customer Vehicle loan

Of the above products the most important ones are explained in brief in the following paragraphs.

1. Chitty

Chitty is intended to provide a measure of savings for people who aspire to save for the future by setting apart a portion of their income. Chitty
is a unique scheme where the savings aspect and the advance aspect are blended together.

The rules and regulation of Kerala Chitties Act 1975 are applicable to KSFE chitties.

Every sub-registrar shall be the ex-officio registrar of chitties within the local limits of his jurisdiction (The Kerala Chitties Rules, 1975).

The district registrar, chitty administration, headquarters (appointed as per KCR, 1978) shall be responsible for the general administration and superintendence of chitty administration throughout the state (The KCR, 1975).

2. New Chitty Loan

New Chitty loan is introduced to bridge the gap between the real need of the subscriber and the uncertain point of time in future, when the tickets are priced. Loan amount is fixed to a maximum of 50% of the chitty sala. Every non-prized subscriber of chitties will be eligible for availing of new chitty loan up to 50% of the sala.

3. Hire Purchase

The company, under its higher purchase scheme, advances for the purchase of all durable articles. It conducts the business through various branches. Normally the company advances 75% of the cost of articles. The
advance shall be for a period of 36 months or less. A fixed rate (flat) of interest shall be collected from the customer as finance charges.

4. Gold Loan Scheme

This was launched by the company on 16-10-1979. Under this scheme short term loans are provided on the security of gold ornaments. Gold coins bullions, etc will not be accepted by the company for granting gold loan. The rules of the company for the time being relating to the pledge of ornaments shall be binding on the borrower.

5. Sugama Deposit

This scheme envisages periodical remittance of any amount and withdrawal from the account maintained with the company by persons or association of persons. The scheme helps the customer in the following manner.

1. The customer can transfer the monthly instalment, towards chitty/HP/EOHP from the account.

2. Interest on Fixed Deposit can be transferred to this account.

3. Any amount of other savings can be deposited to this account and the same can be withdrawn in case of need.
6. Reliable Customer Loan (RCL)

   This scheme is intended to provide easy credit facility to the customers. All the customers of KSFE, regardless of the scheme in which he/she is a client, whether employed or not, can be considered for Reliable Customer loan. He should not be a defaulter at the time of applying for the loan. The period of the loan extends from 12 to 36 months.

7. New Housing Finance Scheme

   This scheme is intended to provide loans to individuals

   1. for the purpose of purchase of a dwelling site.
   2. for purchase of dwelling house other than flats.
   3. for construction of dwelling house.
   4. for reservations (repair and maintenance) of existing house.
   5. for extensions/additional construction of existing house.

8. Trade Finance

   Trade Finance Scheme is arrived at providing financial assistance to small and medium traders, businessmen, lottery agents and the like. The repaying period extends from 12 months to 60 months.

9. Bhadratha Social Security Scheme

   The Bhadratha Social Security Scheme is a deposit scheme of Government of Kerala introduced with effect from 1-11-1977. The scheme
has been launched with the dual purpose of mobilising savings from the public on a very large scale and providing benefit to the subscribers of the scheme in the form of pension, lump sum amount or both. The scheme has been designed more or less on the lines of the Post Office Cumulative Time Deposit Scheme. The intention of the government in introducing the scheme was to pool the funds raised through subscriptions and invest them in productive projects within the state. The company has to deposit the fund so collected into the treasury.

There are 4 basic plans under scheme providing for deposits for 10, 15, 20 and 25 years.

Branch net work

Among the districts Trivandrum has more number of branches i.e., 42 branches. The second one is Kollom district having 33 branches. There are only 2 branches in Idukki district. The district-wise network of branches in the state as on 31.03.04 is given in Table No.4.1.
The table shows that the total number of branches in Kerala as on 31.03.04 was 252. As the study is confined to Malabar region a detailed analysis of the Malabar area is required which is given in the next table.

**Branches in Malabar Region**

The branches in Malabar region are given in Table No. 4.2.
The table shows that, the total number of branches of KSFE Ltd., in Malabar region as on 31-03-04 was 95 of which 23 branches are in the urban area and 72 branches in the semi-urban area. The total number of branches in Trichur district was 24 of which 7 were in urban area and 17 in the semi-urban area. There are only 4 branches each in Wynad and Kasaragod district on 31-3-04. The branches in the Malabar region come around 40 per cent of the total branches in Kerala.

The performance of KSFE Ltd. is briefly explained in the following pages.

Financial Results

The financial results of KSFE Ltd. is given in Table No. 4.3.
TABLE No.4.3

Financial Results and Appropriation over years

(in lakhs)

<table>
<thead>
<tr>
<th>Items</th>
<th>99-00</th>
<th>00-01</th>
<th>01-02</th>
<th>02-03</th>
<th>03-04</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit before tax</td>
<td>793.15</td>
<td>2338.27</td>
<td>2846.89</td>
<td>3831.67</td>
<td>4209.19</td>
</tr>
<tr>
<td>Less pov: for taxation</td>
<td>687.71</td>
<td>1521.23</td>
<td>1613.33</td>
<td>2489.15</td>
<td>2480.37</td>
</tr>
<tr>
<td>Profit after taxation</td>
<td>105.44</td>
<td>811.04</td>
<td>1233.56</td>
<td>1342.52</td>
<td>1728.82</td>
</tr>
<tr>
<td>Profit available for appropriation</td>
<td>105.04</td>
<td>811.04</td>
<td>1233.56</td>
<td>1342.52</td>
<td>1728.82</td>
</tr>
<tr>
<td>Appropriation</td>
<td>60</td>
<td>60</td>
<td>60</td>
<td>60</td>
<td>200</td>
</tr>
<tr>
<td>Proposed dividend</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate dividend tax</td>
<td>13.20</td>
<td>6.12</td>
<td>NIL</td>
<td>7.69</td>
<td>26.14</td>
</tr>
<tr>
<td>Transfer to General Reserve</td>
<td>32.24</td>
<td>744.92</td>
<td>1173.56</td>
<td>1274.83</td>
<td>1502.68</td>
</tr>
<tr>
<td>Total</td>
<td>105.44</td>
<td>81.04</td>
<td>1233.56</td>
<td>1342.52</td>
<td>1728.82</td>
</tr>
</tbody>
</table>

Source: Annual Reports – various years.

The table shows that the Company made a profit of Rs. 4209.19 lakhs during 03-04. This was Rs.793.15 lakhs during 99-00. The profit of the company had doubled compared to the year 2000-01. The table also shows that the profit for the years 1999-2000 was Rs.105.44 lakhs. The proposed dividend was Rs. 60 lakhs for the year 99-00 and doubled to Rs. 200 lakhs during the year 03-04. The corporate dividend tax paid by the company for the year 00-01 was Rs.6.12 lakhs which increased to Rs.26.14 lakhs during the year 03-04.

Turnover

The Table No.4.4 shows the growth of business in different divisions over the years.
TABLE No. 4.4

Growth of Turnover and Fixed Deposit over Years

<table>
<thead>
<tr>
<th>Years</th>
<th>92-93</th>
<th>93-94</th>
<th>94-95</th>
<th>95-96</th>
<th>96-97</th>
<th>97-98</th>
<th>98-99</th>
<th>99-00</th>
<th>00-01</th>
<th>01-02</th>
<th>02-03</th>
<th>03-04</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover</td>
<td>18099</td>
<td>25679</td>
<td>34454</td>
<td>47243</td>
<td>65510</td>
<td>101533</td>
<td>133032</td>
<td>148672</td>
<td>175643</td>
<td>196595</td>
<td>210533</td>
<td>216273</td>
</tr>
<tr>
<td>Fixed Deposit</td>
<td>4421.71</td>
<td>6060.83</td>
<td>9038.6</td>
<td>16160</td>
<td>24609.99</td>
<td>39840.04</td>
<td>59470.86</td>
<td>67133.32</td>
<td>77998</td>
<td>108631</td>
<td>125462</td>
<td>123834</td>
</tr>
<tr>
<td>Branches</td>
<td>137</td>
<td>150</td>
<td>159</td>
<td>173</td>
<td>180</td>
<td>202</td>
<td>203</td>
<td>204</td>
<td>225</td>
<td>229</td>
<td>230</td>
<td>230</td>
</tr>
<tr>
<td>Employees</td>
<td>1634</td>
<td>1633</td>
<td>1855</td>
<td>2021</td>
<td>2105</td>
<td>2644</td>
<td>3082</td>
<td>3179</td>
<td>3159</td>
<td>3143</td>
<td>3090</td>
<td>3468</td>
</tr>
</tbody>
</table>

Source: Annual Report – various years.
The table shows that the turnover of the company was Rs.18099 lakhs in 1992-03 and increased to Rs.216273 lakhs in 2003-04 (over a period of 12 years). The growth of turnover over years is depicted in the figure No.4.1.

FIGURE No. 4.1
Diagram Showing Turnover over Years

Source: Annual Report – various years.

The total members of staff of the company as on March 2002 was 3143 consisting of 956 officers, 1737 Assistant and 235 subordinate staff besides 215 part-time employees. The number of staff decreased to 3090 in the year 02-03 and again increased to 3468 in the year 03-04.
Payment to Government

There was a considerable increase in the payment made to the government during the decade from 92-93 to 2001-02.

The payment made to the government is pictured in Figure No.4.2.

FIGURE No. 4.2
Diagram showing Payment to state government (Rs. in lakhs)

Source: Annual Report – various years

The figure shows that it was Rs.206.36 lakhs in the year 92-93 and Rs.3241 lakhs in the years 01-02. But this has decreased to Rs.2836 lakhs and Rs.2238 lakhs in 02-03 and 03-04 respectively.
Direct Benefits to the Government

The direct benefit to government from KSFE is given in Table No.4.5.

<table>
<thead>
<tr>
<th>Benefits</th>
<th>99-00</th>
<th>00-01</th>
<th>01-02</th>
<th>02-03</th>
<th>03-04</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service charges</td>
<td>587.91</td>
<td>803.42</td>
<td>1661.28</td>
<td>1038.63</td>
<td>979.71</td>
</tr>
<tr>
<td>Guarantee Commission</td>
<td>758.00</td>
<td>883.81</td>
<td>1217.64</td>
<td>1429.68</td>
<td>716.12</td>
</tr>
<tr>
<td>Registration and filing fee</td>
<td>282.87</td>
<td>303.70</td>
<td>289.85</td>
<td>292.95</td>
<td>322.06</td>
</tr>
<tr>
<td>Rates and Taxes</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>7.82</td>
<td>8.40</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1628.78</td>
<td>1990.93</td>
<td>3168.77</td>
<td>2025.71</td>
<td>2770.66</td>
</tr>
</tbody>
</table>

(Source: Annual Report various years)

The table shows that the KSFE gives a huge amount to the government every year which are the direct benefits. This direct benefit include service charges, guarantee commission, Registration and filing fee and rates and taxes. The total amount of this direct benefit was Rs. 1628.78 lakhs in the year 99-00, Rs.1990.93 lakhs in the year 00-01 and Rs. 2770.66 lakhs in the year 03-04. This shows an increase of 70 per cent. The service charges was Rs.1661.28 lakhs in the year 03-04. But it has come down to Rs.979.71 lakhs in the year 03-04. The total amount of the guarantee commission received to the government for the year 99-00 was Rs.758.00
lakhs, 00-01 was Rs. 883.81 lakhs and Rs.1429.68 lakh in the year 02-03. This comes down to Rs. 716.12 lakhs in 03-04. The registration and filing fee for the year 99-00 was Rs.282.87 lakhs, 00-01 was Rs. 303.70 lakhs and Rs. 322.06 lakhs in the year 03-04. This shows an increase of 15 per cent. The rates and taxes for the year 02-03 was Rs.7.82 lakhs and for 03-04 was Rs.8.40 lakhs (Table 4.5).

**Indirect benefits to the state government**

The indirect benefits to the government include Chitty Security Deposit (with treasury) savings bank account (with treasury) and other deposit (with treasury). This is given in Table No.4.6.

**TABLE No.4.6**

<table>
<thead>
<tr>
<th>Benefit</th>
<th>99-00</th>
<th>00-01</th>
<th>01-02</th>
<th>02-03</th>
<th>03-04</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chitty Security Deposit</td>
<td>11856.33</td>
<td>14743.01</td>
<td>17557.97</td>
<td>19386.67</td>
<td>20261.63</td>
</tr>
<tr>
<td>Saving Bank Account</td>
<td>795.98</td>
<td>825.90</td>
<td>679.24</td>
<td>241.48</td>
<td>397.16</td>
</tr>
<tr>
<td>Other Deposits</td>
<td>7528.60</td>
<td>13689.60</td>
<td>33058.06</td>
<td>48503.18</td>
<td>50225.89</td>
</tr>
<tr>
<td>Total</td>
<td>20180.91</td>
<td>29258.51</td>
<td>51295.27</td>
<td>68131.33</td>
<td>71244.68</td>
</tr>
</tbody>
</table>

(Source: Annual Report – various years)
The table shows that the total amount of indirect benefit to the State government was Rs.71244.68 in the year 03-04. This was Rs.68131.33 lakhs in 02-03. In the year 01-02 it was Rs.51295.27 lakhs. This shows an increase of Rs.19949.41 lakhs.

The Chitty security deposit was Rs.11856.33 lakhs in the year 99-00, Rs.14743.01 lakhs in the year 00-01 and Rs.20261.63 lakhs in the year 03-04. The savings bank account amount deposited in the government treasury for the year 99-00 was Rs.795.98 lakhs in 00-01 it was Rs.825.90 lakhs and for the year 03-04. Rs.397.16 lakhs. Other deposits of KSFE in the treasury amount to Rs. 13689.60 lakhs for the year 00-01 and Rs.50225.89 for the year 03-04. This was Rs.7528.60 for the year 99-00.

Chitty Division

The total sala of chitties conducted from all branches put together rose to Rs.12834.87 lakhs in the year 01-02 from Rs.11538.65 lakh at the end of 00-01, thus registering an increase of Rs.1296.22 lakhs. The percentage increase in the chitty sala during the year 01-02 was 11.23%. The total number of subscriber of the company for the year was 738510 as against 685299 for year 2000-01. The number of subscriber decreased to 776584 in the year 02-03 and again to 770549 in the year 03-04. This is explained with the help of Table No. 4.7.
The progress of Chitty business

<table>
<thead>
<tr>
<th></th>
<th>99-00</th>
<th>00-01</th>
<th>01-02</th>
<th>02-03</th>
<th>03-04</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total sala</td>
<td>9568.74</td>
<td>11538.65</td>
<td>12834.87</td>
<td>13827.73</td>
<td>13971.58</td>
</tr>
<tr>
<td>Increase of sala</td>
<td>-</td>
<td>1969.91</td>
<td>1296.22</td>
<td>992.86</td>
<td>143.85</td>
</tr>
<tr>
<td>Percentage</td>
<td>-</td>
<td>20.58</td>
<td>11.23%</td>
<td>7.74%</td>
<td>1.04%</td>
</tr>
<tr>
<td>The total no. of subscribers</td>
<td>598449</td>
<td>685299</td>
<td>738510</td>
<td>776584</td>
<td>770549</td>
</tr>
</tbody>
</table>

(Source: Annual Reports, various years)

The table shows that the total sala for the year 02-03 was Rs.13827.73 lakhs and for the year 03-04 was Rs.13971.58. The increase in the business was Rs.143.85 lakhs i.e., 1.04 per cent. The total number of subscribers went upto 776584 in the year 02-03 and decreased to 770549 in the year 03-04. This decrease in subscribers was due to surplus money flow in the market at lower interest rates. At present, KSFE has a monthly chitty business of Rs.140 crores (www.ksfe.com).

Loans and Advances

The outstanding advance as on 31-3-01 stood at Rs.6524.01 lakhs. This was 5324.67 lakhs on 31-3-00 as to Rs.7851.77 lakhs during 2001-02. This shows an increase of 20.35 per cent. The Table No. 4.8 shows the loans and advances of KSFE over years.
TABLE No.4.8

Loans and Advances of KSFE over years

(In lakhs)

<table>
<thead>
<tr>
<th></th>
<th>99-00</th>
<th>00-01</th>
<th>01-02</th>
<th>02-03</th>
<th>03-04</th>
<th>Percentage increase/decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding Advances</td>
<td>5324.67</td>
<td>6524.01</td>
<td>7851.77</td>
<td>-</td>
<td>-</td>
<td>20.35</td>
</tr>
<tr>
<td>Hire purchase/Consumer loan</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>8275.06</td>
<td>5822.30</td>
<td>-29.64</td>
</tr>
</tbody>
</table>

(Source: Annual Report of KSFE Ltd. for various years)

The table shows that during the year 01-02 the total amount of advance distributed was Rs.5104.64 lakhs. During the year 2002-03, the Hire Purchase Scheme was replaced with consumer/vehicle loan and the total amount of advance disbursed under the scheme was Rs.2670.77 lakhs. The outstanding advance under both hire purchase and consumer vehicle loan scheme as on 31-3-03 stood at Rs.8275.06 lakhs and as on 31-03-04 stood at Rs.5822.30 lakhs. This shows a decrease of 29.64 per cent.

Trade loan and Chitty loan

The total amount of trade loan disbursed during the year 2001-02 amounted to Rs.612.35 lakhs and during 2003-04 amounted to Rs.159.95 lakhs. The disbursement of trade loan and chitty loan over years is given in Table No.4.9.
The table shows that trade loan outstanding as at 31-3-01 was Rs.1140 lakhs and increased to Rs.1185.96 lakhs during 01-02 showing an increase of 4.03 per cent. But in the year 02-03 trade loan decreased to Rs.844.33 lakhs showing a steep decrease of 28.8 per cent which again decreased to Rs.552.99 lakhs in the year 03-04. The same was the experience of chitty loan. The chitty loan/new chitty loan outstanding as on 31-03-01 was Rs.31323.05 lakhs and that of the year 03-04 was Rs.15190.45 lakhs. The chitty loan disbursed during the year 01-02 was Rs.15678.02 lakhs and in the year 03-04 was Rs.8376.63 lakhs (Annual Report).

Gold loan

The amount of gold loan disbursed during 01-02 was Rs.7394.98 and that of the year 03-04 was Rs.33291 lakhs. The disbursement of gold loan over years is given in Table No.4.10.
TABLE No. 4.10
The disbursement of Gold loan over years (in lakhs)

<table>
<thead>
<tr>
<th>Year</th>
<th>99-00</th>
<th>00-01</th>
<th>01-02</th>
<th>02-03</th>
<th>03-04</th>
<th>Percentage decrease/increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gold loan</td>
<td>963.35</td>
<td>2035.75</td>
<td>4039.51</td>
<td>7326.02</td>
<td>16343.96</td>
<td>702.75</td>
</tr>
<tr>
<td>Increase/decrease(percentage)</td>
<td>–</td>
<td>112</td>
<td>98.47</td>
<td>81.38</td>
<td>123.10</td>
<td>–</td>
</tr>
</tbody>
</table>

(Source: Annual Report – various years)

The table shows that the amount of gold loan outstanding as on 31-03-01 was Rs.2035.75 lakhs increased by 7 times and reached to Rs.16343.96 in the year 2003-04.

Fixed Deposit/New Fixed Deposit loan account/ Reliable Customer loan account

The Fixed Deposit loan scheme was replaced by Reliable Customer loan during 2000-01 with certain modifications in the scheme. The loan disbursed during the year 01-02 was Rs.4024.41 lakhs.

The Table No. 4.11 gives a picture of RCL/FD outstanding for various years.
The table shows that the amount outstanding under Reliable Customer loan scheme as on 31-03-00 was Rs.5770.43, 31.03.01 was Rs.4557.3 and decreased by 9.7% during the year 01-02. Then the RCV/FD outstanding amount increased by 13.6% during the year 02-03. During the year 03-04 there was a big increase in the loan and reached Rs.6245.47 lakhs. This comes to 33.73 per cent (Table 4.11).

**New Housing Finance Scheme**

During the year 2001-02 a total amount of Rs.1109.65 lakhs was disbursed under the scheme. This decreased to Rs.867.31 lakhs during the year 2003-04. Table No.4.12 gives the disbursement of loan under new housing finance over years.
TABLE No. 4.12

The disbursement of New Housing Finance over years

<table>
<thead>
<tr>
<th></th>
<th>99-00</th>
<th>00-01</th>
<th>01-02</th>
<th>02-03</th>
<th>03-04</th>
<th>Percentage decrease/increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount outstanding</td>
<td>4128.85</td>
<td>4424.95</td>
<td>4685.60</td>
<td>4079.08</td>
<td>3800.45</td>
<td>14%</td>
</tr>
<tr>
<td>Increase/decrease (percentage)</td>
<td>-</td>
<td>-8</td>
<td>5.89</td>
<td>-12.93</td>
<td>-6.84</td>
<td>-</td>
</tr>
</tbody>
</table>

(Source: Annual Report)

The table shows that the actual amount of Housing loan outstanding as on 31-03-00 was Rs.4128.85 lakhs and on 31-03-01 was Rs.4424.95 lakhs. This decreased to Rs.3800.45 lakhs during 2003-04. This shows a decrease of 14.1 per cent. The loan outstanding as at 31-03-02 was Rs.4685.60 lakhs and as on 31-03-03 was Rs.4079.08 lakhs showing 5.89 per cent increase and 12.93 per cent decrease respectively over the immediately preceding years.

Deposit Mobilisation

The Fixed Deposit under government guarantee stood at Rs.77997.68 lakhs as at 31-03-2001. This increased to Rs.108630.71 lakhs during 2001-02. The total amount of deposits mobilised by KSFE over years is given in Table No. 4.13.


<table>
<thead>
<tr>
<th>TABLE No. 4.13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposit Mobilisation over years</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>99-00</th>
<th>00-01</th>
<th>01-02</th>
<th>02-03</th>
<th>03-04</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Deposit under govt. guarantee</td>
<td>67133.32</td>
<td>77997.68</td>
<td>108630.71</td>
<td>125462</td>
<td>123834</td>
<td>58.77</td>
</tr>
<tr>
<td>Increase/decrease</td>
<td>-</td>
<td>-15</td>
<td>39.27</td>
<td>15.49</td>
<td>-1.3</td>
<td>-</td>
</tr>
<tr>
<td>Sugama Deposit under govt. guarantee</td>
<td>8667.14</td>
<td>10383.72</td>
<td>13133.57</td>
<td>17506</td>
<td>19390</td>
<td>86.75</td>
</tr>
<tr>
<td>Increase/decrease</td>
<td>-</td>
<td>-</td>
<td>26.49</td>
<td>33.30</td>
<td>10.76</td>
<td>-</td>
</tr>
</tbody>
</table>

(Source: Annual Report).

The table shows that the fixed deposit as on 31-03-03 was Rs.125462 lakhs and as on 31-03-04 was Rs.123834. This shows a decrease of 1.3 per cent during the year 03-04. But when comparing to the deposit of 00-01 i.e., Rs.77997.68 the increase was considerable i.e., 58.77 per cent.

The total amount of Sugama deposit as on 31-03-01 was Rs.10383.72 and increased to 19390 as at 03-04. This shows an increase of 86.75 per cent.

The company has been consistently maintaining a high credit deposit ratio (CD ratio) of about 80 per cent. It has been advancing all the funds mobilised through its deposit schemes inside Kerala.
The Growth of Business

The growth of business over the years is depicted in Table 4.14.

**TABLE No.4.14**

The Growth of Business over years  
(Rs. in crores)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Annual Chitty Turnover</td>
<td>629.17</td>
<td>804.48</td>
<td>989.73</td>
<td>1229.7</td>
<td>1454</td>
<td>1595.18</td>
</tr>
<tr>
<td>2</td>
<td>Total Advance</td>
<td>391.1</td>
<td>534.2</td>
<td>502.65</td>
<td>564</td>
<td>560</td>
<td>548.82</td>
</tr>
<tr>
<td>3</td>
<td>Total deposit</td>
<td>439.4</td>
<td>651.3</td>
<td>758</td>
<td>881</td>
<td>1207</td>
<td>1426.84</td>
</tr>
<tr>
<td></td>
<td>Total Business</td>
<td>1459.67</td>
<td>1989.98</td>
<td>2254.23</td>
<td>2674.7</td>
<td>3221</td>
<td>3570.84</td>
</tr>
</tbody>
</table>

Source: www.ksfe.com

The table shows that the total business has been doubled over years. It was Rs.1459.67 crores in the year 1997-98 and increased to Rs.3570.84 crores during 2002-03.

During the year 2004-05, the total deposit of the Co. was Rs.1370.81 crores and the total amount of business was Rs.3623 crores (www.ksfe.com).

The Problems of KSFE Ltd.

KSFE is playing a very useful role in mobilizing the small savings of the people and promoting savings and investment. The main business of KSFE is chitty. It is the only financial institution in Kerala which conducts chitties in the public sector. Thus it has the monopoly power in conducting
chitties. There is no other state in India with similar types of organisations. Yet, it is not free from problems. The important problems faced by KSFE are explained here.

The government of India, Reserve Bank of India, and the Kerala State government are the commanding offices of KSFE. Hence, decision-making is very difficult.

Staff shortage is another impediment in the operation of KSFE Ltd. In almost all the branches majority of the staff are working on contract basis i.e., different pay for the same job affects the work morale of the employees. Moreover, the number of the staff is not up to the requirements of the branches.

Lack of computerisation in the Head Office and branches is another serious problem. Majority of other financial institutions and even private financial institutions are almost computerised. Lack of computerisation in KSFE makes unnecessary delays in discharging the duties including payment of prize money to subscribers.

Politically motivated staff and trade union is yet another important problem. Hence, strikes and non-functioning of business during office hours are quite common.

Problems of charging high default interest is yet another problem faced by KSFE.
HR training and development programme are also lacking in the company. This is another handicap.

Though it has so many problems of this kind, it has great prospects in the future. It has a number of action plans.

Plan of Action

KSFE has the following plans of action for the years to come.

1. Computerisation of all the branches to avoid procedural bottlenecks.
2. Branch expansion and modernisation including opening up of new branches in almost all part of Kerala.
3. Diversification of business to attract different category of people.
4. Introduction of value additions to chitty schemes through starting of schemes like car chitties, computer chitties etc.
5. Introduction of chitties with simultaneous draw and auction.
7. Starting of computerised micro branches which may be named as "KSFE Kosoks" in all the 100 Panchayaths of Kerala.
9. Starting of recurring deposit scheme and flexi agricultural loan scheme.