

**THE ROLE OF KERALA STATE FINANCIAL  
ENTERPRISES LIMITED IN THE  
ECONOMIC DEVELOPMENT OF KERALA  
WITH SPECIAL REFERENCE TO  
MALABAR REGION**

*Thesis*  
*submitted to the University of Calicut*  
*for the award of the Degree of*  
**DOCTOR OF PHILOSOPHY IN COMMERCE**

*By*  
**HABEEBU RAHIMAN. P.M.**

*Under the Supervision of*  
**Dr. E.P. Sainul Abideen**  
**Professor (Retd.)**  
**Department of Commerce and Management Studies**  
**University of Calicut**

**DEPARTMENT OF COMMERCE AND MANAGEMENT STUDIES**  
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**KERALA**

**AUGUST 2006**

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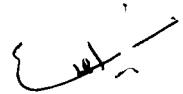
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MANAGEMENT STUDIES  
UNIVERSITY OF CALICUT**

**Dr. E.P. Sainul Abideen  
Professor (Retd.)**

Date: 24-08-06

**C E R T I F I C A T E**

Certified that this thesis, **THE ROLE OF KERALA STATE FINANCIAL ENTERPRISES LIMITED IN THE ECONOMIC DEVELOPMENT OF KERALA WITH SPECIAL REFERENCE TO MALABAR REGION** is a bonafide record of the research work carried out by **Mr. HABEEBU RAHIMAN P.M.** under my supervision and guidance. No part of this has been submitted earlier for any other purpose.



**Dr. E.P. Sainul Abideen**

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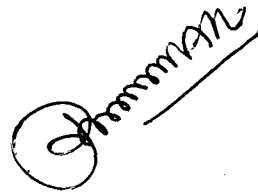
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## **D E C L A R A T I O N**

I, HABEEBU RAHIMAN P.M., do hereby declare that this thesis entitled **THE ROLE OF KERALA STATE FINANCIAL ENTERPRISES LIMITED IN THE ECONOMIC DEVELOPMENT OF KERALA WITH SPECIAL REFERENCE TO MALABAR REGION** is a bonafide record of the research work done by me under the guidance of Dr. E.P. Sainul Abideen, Professor (Retd.), Department of Commerce and Management Studies, University of Calicut. I further declare that this thesis has not previously formed the basis for the award of any degree, diploma, associateship, fellowship or other similar title of recognition.

C.U. Campus,

Date: 24-08-06



**HABEEBU RAHIMAN P.M.**

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Habeebu Rahiman P.M.

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## **ABBREVIATIONS**

ASI	:	Annual Survey of Industries
BSFC	:	Bihar State Finance Corporation
CD	:	Credit Deposit
CIDR	:	Credit and Investment Deposit Ratio
CPA	:	Credit Per Account
CVL	:	Customer Vehicle Loan
EOHP	:	Employment Oriented Hire Purchase
FD	:	Fixed Deposit
GL	:	Gold Loan
GDP	:	Gross Domestic Product
HP	:	Hire Purchase
HR	:	Human Resources
ICRISAT	:	International Crop Institute for the Semi-Arid Tropics
KCR	:	Kerala Chitties Rules
KFC	:	Kerala Financial Corporation
KSIDC	:	Kerala State Industrial Development Corporation
KTDFC	:	Kerla Transport Development Finance Corporation
NABARD	:	National Bank for Agriculture and Rural Development
NBFIs	:	Non Banking Financial Institutions
NDP	:	Net Domestic Product
NMGB	:	North Malabar Gramin Bank
NNP	:	Net National Product
NRD	:	Non Resident Deposits

PCC	:	Per Capita Credit
PCI	:	Per Capita Income
RBI	:	Reserve Bank of India
RCL	:	Reliable Customer Loan
SAR	:	Structural Adjustment Reforms
SHG	:	Self Help Groups
SMGB	:	South Malabar Gramin Bank

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# **INTRODUCTION AND METHODOLOGY**

Economic development of any nation is the net result of a number of economic variables like income, employment, standard of living, saving, investment, welfare, etc.

It is a process that improves the quality of life of the people in an economy over a long period of time. This necessitates long term material improvement, flow of goods and services, changes in the social, cultural, political institutions and changes in the attitude of people. Thus development is a process of qualitative change and quantitative growth of social and economic reality.

Developing economies are marked by the existence of low per capita income and regional disparities in the level of development.

Capital formation is an essential determinant of economic growth.

The process of capital formation is a function of three variables:

- (1) An increase in the volume of real domestic savings.
- (2) The creation of adequate banking and financial institutions.
- (3) The emergence of an entrepreneurial class which can utilise the savings for productive investment.

Banks and other financial institutions play an important role in mobilising the saving of the people and channelising the amount so available for investment.

In India nationalized banks, private banks, rural banks, co-operative banks and new generation banks will come under the banking structure. Non banking finance companies are another group in this sector.

Almost all categories of banks and non-banking finance companies are functioning in Kerala with a number of branch network. But no such institutions in Kerala are mobilizing savings through chit business. Kerala State Financial Enterprises is the only financial institution in Kerala which is doing chit business.

### **Kerala State Financial Enterprises Limited**

Kerala State Financial Enterprises Limited, hereinafter called the KSFE, is a government owned company in Kerala established and incorporated on 6<sup>th</sup> November 1969 with registered office at Trichur. The authorized capital of the company was Rs.25 lakhs and paid up capital Rs.2 lakhs. The objective of its establishment was to start, conduct and promote chit business in India. The company is doing Hire Purchase business, accepting different deposits and lending a wide category of loans. For the last 36 years it has been providing various types of saving facilities to Keralites for intensive development.

## **Scope and Significance of the Study**

The condition of chitty business that existed in Kerala at the time of the incorporation of the KSFE Ltd. was pathetic. Due to ignorance and gullibility of the people, public were exploited by unscrupulous promoters who mobilized resources at their own interest, in the name of Chitties and Kuries. Government wanted to regularize and check this unbridled growth of such financial institutions. Thus the KSFE was established to control and regulate the mushroom growth of money lenders and private chits and it has succeeded to a certain extent in this regard.

A few of KSFE branches are working in Malabar area. They give the customers especially the poor people a chance to save their small incomes. No study has been conducted so far to evaluate the effectiveness of the service of KSFE in Malabar region. Hence, this study is confined to Malabar region.

## **Review of Literature**

A large volume of literature is available on various aspects related to banks and other financial institutions. But no study has been conducted on this topic so far. A few studies on related topics had been conducted by some scholars. An attempt is made here to review some of the studies done earlier.

## **International Studies**

Hand book by Tracy G. Herrick (1933) is designed to be practical and for use by persons who have business needs to understand banks. It is an interesting reference material on a wide range of issues that banks face. This enables us to understand about practical approaches, methods and techniques of the evaluation of banks.

Bell and Murphy (1962) analysed in their report that the labour specialization in banking industry enhances labour productivity. However the relationship between shift in technology and increasing scale were found to be statistically significant in the demand deposit, installment loan and business loans functions.

Allison (1971) in his work "a comparative study of bank performance under bank and unit system", has found the impact of market structure on bank performance.

Jaaquin (1974) has made an empirical study on the profitability of banks in Spain and has concluded that the rediscount rate was positively related to profitability with the exception of local banks. There is a positive relationship between return on owners equity and size of the bank.

Soudamini Nair (1975) has conducted a study on rural banks and found that RRBs have made creditable progress in deposit mobilization and distribution of loans.

Nnedu (1977) in his thesis "Customers perception of selected commercial bank services " has found that

1. Commercial banks are satisfying the older bank customers than the younger ones as they (older) are well aware of the various services provided by the bank.
2. Commercial banks are satisfying female customers more than male customers
3. Education has no significance in the perception of bank customers and
4. Occupational status and residential location affect the perception of bank customers in varying degrees.

Singh (1977) has made a study on performance budgeting for Commercial banks in India. In his book he has explained the necessity of preparing a performance budget by the chief executive of the bank for a target oriented future course of action.

Bhire (1977) studied about "customers service and system and procedures of banks" The findings indicate that some of the complaints regarding the existing systems and procedures are true to the core.

Ganesh (1979) in his article "the system of profit monitoring in banks" has emphasized that the effectiveness of monitoring system would depend upon profit plan, identification of profit centre, proper management information system etc. He further stated in his paper that working capital base for comparison of profitability of banks is more suitable for its total business than branch business.

Zahir (1980) has studied the "Transfer Price Mechanism for performance evaluation of commercial banks. His study favours the concept of opportunity cost for determining the transfer price of bank branches which should be taken as typical profit centers.

The special correspondent of the journal "the Bankers" (1982) has made a study of the profitability of banks. He found that the profitability of a bank generally depends upon the stability and liquidity position of the bank. According to him profitability in bank depends on both internal and external factors. The following factors which have impact on banks' profitability, are worth considering.

1. The capital base, that means, the ability and cost of securing funds.
2. Return on investment – interest factor.

3. Rate of capital allocation i.e., deployment of capital in such a way so as to earn reasonable revenue.
4. Risk involved in capital and revenue.
5. Staff efficiency

Nageswara Rao (1985) in his article "Evaluation of profitability performance in public enterprises" remarked that evaluation of profitability performance is one of the important aspects of financial performance. He concluded that the performance of public sector enterprises should be evaluated both quantitatively and qualitatively.

Rahman (1987) in a paper assessed the impact of Gramin Bank on the existing rural power structure of Bangladesh. The findings show that Gramin Bank members, being conscious of their status, developed a countervailing force to ensure their participation in the development forces.

Mahmood S. Mohidian and Peter W. Wright conducted a survey in four Egyptian villages in order to quantify the size, role and interaction of the formal and informal sectors in Egypt. The survey revealed that the informal sector is more active than the formal sector although the loan obtained is generally smaller. The most common form of informal finance is occasional lending through participation in ROSCA (Rotating savings and Credits Association) as well as dealing with IIC (Islamic Investment

Company). The formal loans are mainly for production purposes where as informal loans are for consumption.

### **All India Studies**

The report of All India Rural Credit Survey Committee appointed under the Chairmanship of Sri. Gorwala is generally considered as an enlightening document on the real nature of appropriating and managing rural credit in India. The major findings were that nearly 93 per cent of the total credit in the rural area flowed from informal credit agencies.

The debt investment surveys of 1961, 1971, 1981 and 1991 are valuable decennial statistical documents which have furnished data regarding the share of various institutional agencies in meeting the short, medium and long term credit need of the rural people. According to the 1961 survey about 83 per cent of the borrowings of rural households are from non-institutional agencies; 1981 survey revealed that in spite of the tremendous efforts to institutionalize the agricultural credit they could meet only 50 per cent of the farmers' credit requirements while non institutional agencies still occupied a dominant role though their share had considerably declined.

K.T. Ramakrishnan (1962) in his study analysed the financial assistance provided by the state in the shape of direct credit under the State

aid to Industries Act , non-financial assistance in the form of external aids and credit from SFCs, the SBI and other commercial banks.

Suresh Chandra Jain (1971) in his study analyses in detail the problems of institutional finance for small scale industries in the state of Uttar Pradesh. The enquiry was limited to a case study of Meerut.

In a study covering small artisans in Kashmir, Inderjithsing and N.S. Guptha (1977) try to find out the role played by commercial banks in financing small scale industries, the responsibilities of these enterprises to bank finance and the prospects of bank finance in the state in particular and the country in general. They conclude that commercial banks have not been able to induce small artisans and small factories to get benefit from bank finance. They also analysed the prospects of bank finance in Kashmir. They conclude that the work done by commercial banks is not satisfactory.

H.S. Parekh (1978) in his thesis reviews the role of financial institutions and state agencies in extending credit to small scale units and pinpoints their attitude of indifference in catering to the needs of tiny units. He is of the view that financial institutions have to attune their lending policies in consonance with the needs of the small sector in general and smaller among the small scale sector in particular.

A survey was conducted by the International crop Institute for the Semi-Arid Tropics (ICRISAT) as a part of village study programme

covering 40 households in each of six villages in semi-Arid tracts of the states of Andhra Pradesh and Maharashtra. The conclusion drawn was that although the money lender did lose ground relating to institutions over the period of 1951-81 they remained a very important source of finance to rural households and the expansion of aggregate debt implied that his volume of business grew.

Nikhil Bhusan Dey (1981) dealt with the role of government and various institutions in developing and financing small industries in the state of Assam in general and Cachar district in particular.

S.S. Sikidhar (1982) analyzed the contribution of Assam Financial corporation in the industrialization of the region and evaluated its policies, performances, procedures and practices.

R. Natarajan (1983) examined the trends in institutional financing to SSI units in Andhra Pradesh for a period of one decade commencing from 1970.

Nayar Malal (1985) in his book "Commercial banks in India" has made an attempt to build up an evaluation model for performance evaluation of commercial banks. He made emphasis on the aspect of management control in the nationalized sector of commercial banks.

M.L. Jain (1986) examined the role of state financial corporation in industrial finance in India with particular reference to Uttar Pradesh Financial corporation. He opines that SFC's should pay greater attention to the financing of tiny units and also in the modernization and rehabilitation of small units.

In a study on banking finance of small scale industries, M.S. Agarwal (1987) concludes that Indian banking system has failed to extend appropriate amount of loans to small scale industries. He is of the opinion that lending institutions should be more practical and flexible in their lending policies.

In a study based on small scale units in Vishakapatnam district, K.C. Reddy (1990) concluded that bank finance in particular and institutional finance in general have contributed significantly to promotion of small scale industries.

Ramachandra Singh (1990) appraises the working of Bihar State Finance Coporation (BSFC) in Tirhut division and suggested provision of financial assistance at concessional rates by BSFC.

In a study confined to Dhakshine Kannade district, A. Raghu Rama (1991) tries to analyse the problems faced by small scale units while availaing themselves of bank finance. The problems faced by banks and the procedure adopted by them in extending finance are also examined.

F.J.A Bourman in his work "small, short unsecured" provides glimpses of the world of finance both of formal and informal kind. The emphasis is on informal financial intermediaries. The studies focused on the activities of 'Bishis' (informal savings and loan societies) primary agricultural credit societies, the urban credit societies (UCS), the licenced and unlicenced money lenders and pawn brokers and the lending activities of milk collectors. He found that deficiencies in the services of the formal sector have stimulated the appeal and activities of the informal finance. Contrary to the popular opinion the informal sector acted as a catalyst and assisted small scale borrowers to participate in the development boom in a formerly stagnant economic environment.

In his study, Toor (1995) has taken care of the requirement of the banks and bankers on the one hand and entrepreneurs themselves on the other hand and provides ready solutions to day to day financing problems of small scale industries.

Govindarajulu (1996) the Head of the Department of Commerce, Islamia College, Vaniyambadi, in his research article 'satisfaction and dissatisfaction with bank service' states that quality of customer service in Indian banks is deteriorating and as a result of customer dissatisfaction the bank service has become a matter of serious concern for the customers, bank management and the government alike.

The Oxford University press published a book named "informal finance, some findings from Asia," for the ADB in 1992. The book is based on a research project undertaken by Prabhu & Ghate that examined informal finance in 5 Asian countries, India, Bangladesh, Indonesia, Philippines and Thailand. It discusses in detail the importance, policy implications, types, segmentation, lending and saving contributions of informal finance, the size and regulating environment of informal credit markets, consumption, equity, allocative efficiency and interest rates, informal credits and the linkages between formal and informal sectors. The researchers observed that the share of informal finance although declining in most countries, still accounts for about two-fifth of total rural credits in India and Thailand, one-third or to two-third in Bangladesh and more than two-third in Philippines.

Vesant Desai (1997) examines the role of financial institutions catering to the various needs of the industry as well as the entrepreneurs. He has shown how the institutions meet the challenges of providing an integrated package of lending, technical assistance, economic analysis and management counselling that addresses the needs of individual industry.

M.L. Sharma in his thesis examines industrial financing by national level institutions. The study also discusses the role of state financial institutions in financing industries of Bihar. The researcher suggested that

financial institution should act as guide, philosopher and protector of industries and recommended the setting up of a small industries bank.

### **Studies in Kerala**

The RBI brings out every year a report on the currency and finance which is an authentic document of the banking development in India. Besides RBI publishes annually reports which contain the developments that took place in various areas of banking every year. One of the early authoritative document on the banking activities in Kerala was the Travancore Banking enquiry committee Report in 1930. The report is a resume of the banking system prevalent during the period upto 1930 in Travancore Kochi State. After the formation of the state the Travancore Banking Enquiry committee was appointed in 1956 with Sri. Ravunni Menon (ICS retired) as Chairman and Dr. P.T. Thomas and Prof. M.L. Dant Wala as members. The committee has conducted a detailed study on the growth of commercial banks in the Travancore Kochi State and their position prevailing at that time. The committee observed that the chitties which were a major form of rural savings gave birth to many of the commercial banks in Kerala.

A study conducted by V. Abdulla on Panampayat reveals that it helps a lot in releasing the rural people from the latches of exploitation of money-lenders and blade companies.

G. Raju and K. Sasikumar in their article 'Panampayat' as indigeneous system of social and economic co-operation gives a description of Panampayat. They surveyed 40 respondents from 2 villages, in Kozhikode and Malappuram districts of north Kerala and identified Panampyat as an easy way of raising funds of meeting one's financial needs without any collateral security and other legal formalities or even payment of interest.

Dr. M.A. Oomman had made an analysis on the banking in Kerala through the article "Rise and growth of banking in Kerala", published in the 'Social Scientist' volume NO. 5 Oct 1976. The article contained an account of the banking developments that had taken place in the Kerala state prior to the introduction of planning to the state. He had observed that the modern banking in Kerala might have emerged out of capitalist form of business organization and production. He also brought out the basis of chit funds in the state which have played an important role in mobilizing the rural savings and also formation of commercial banks in the state. Many of these banks had been conducting chitty business also along with banking operation.

The book "Reminiscences" written by K.C. Mamman Mappila and published by the Malayala Manorama Printing and Publishing Co. in 1980 throws some light on the banking development that took place in Kerala

prior to independence and also the role played by the Christian community in developing a banking system in the state.

The Kerala State Planning Board had published a book in 1982 on the "development of banking in Kerala" which contained information relating to the banking during the period from 1969 to 1979. It contained an evaluation of the services rendered by banks during that period.

Mohan Kumar C. S (1984) examined the role played by commercial bank in general and SBT in particular in financing small scale industries in Trivandrum district. He finds that SBT has failed to reach its targets because of lack of co-operation between the different governmental and financing agencies.

During the early eighties M/S National Publishers, Kottayam had published "the industrial and business directory of "Kerala" which contained the indigenous bankers in Kerala and also about the history of some of the earlier banks like, Nedugadi Bank, South Indian bank etc. Subsequently in 1987 the Indian Bank Association, Bombay published a book, 'Kerala a Banking Profile'. This book contained a guide review on the banking and economic scenario in Kerala from 1969 to 1987 and also has dealt with the importance of non-banking private financial institutions in the banking sector in the state.

Kumari Padmaja in her study impact of RRBs on rural development found that small traders, small businessmen, self employed persons and small transport operators constitute the major borrowers of the bank.

K. Padmakumar (1991) shed light on the present practices followed by the Kerala Financial Corporation in formulating its business plans. He suggested that while developing a comprehensive corporate plan business plans for all the sub-system of the corporation should also be formulated.

K.B. Pavithran in his study on the impact of financial institutions on the rural development of Kerala with special reference to Trichur district finds that borrowers of lower income group have lower educational standards.

P.P. Varghese in his study on the role of Chit funds in mobilizing small savings and financing economic development in Kerala with special reference to Trihcur district concludes that regarding the profitability of Kuri it is advantageous for both borrowers and savers and Kuri business provides employment directly and indirectly.

P.D. Jeroni, in his study on 'the development of commercial banking in Kerala' reviewed the progress of commercial banking in Kerala, analysed the trends in CDR, assessed he level of credit deployment and examined the reasons for low credit deployment. He further observed that commercial banks in Kerala seemed to give more thrust to deposit mobilization than

credit expansion. He also observed that since 1991, there has been drastic decline in CDR in the state. He assessed the level of deployment of bank credit on the basis of some parameters like credit as percentage of NSDP, credit per Account (CPA) per capita credit (PCC) and achievement of priority sector targets. He finds that a peculiar feature of deposits mobilized by the banks in Kerala is the dominance of NRD (non-resident deposits).

### **Research Problem**

The performance evaluation of any financial institution must consider its services rendered to ultimate beneficiaries. Here, KSFE could not render expected service to the society due to the procedural bottlenecks as well as situational peculiarities. People like small traders, salary earners, petty shopkeepers and the middle classmen of limited means in rural area were unable to have any credit dealings with KSFE either because of the lack of KSFE units in rural area or because of its tight rules and regulations. This is more relevant in the case of villagers who are not aware of the real services rendered by KSFE and the people of localities where KSFE branches could not be opened. Money lenders and other private financiers exploit this unhealthy situations.

### **Objectives of the Study**

On the basis of the problems stated above, the objectives set for the study are:

1. To expose the present economic condition of people in Kerala.
2. To show the role of banks and other financial institutions in the financial structure of Kerala.
3. To exhibit a general picture of KSFE Ltd. and to know its contribution to Kerala economy.
4. To evaluate the performance of KSFE in the Malabar region and to know its contribution to the economic prosperity of Malabar people.
5. To make suggestions, if any, for improving and restructuring KSFE Ltd.

### **Hypotheses**

The study has formulated some hypotheses. They are given below:

1. The KSFE Ltd. has significant role in the economic development of Kerala.
2. More than 50 per cent of the customers of KSFE are salaried people.
3. KSFE customers do not have customership in private chits or private financiers.
4. KSFE mobilizes resources mainly from chitty business

## **Methodology**

The study is designed as a descriptive one. Both primary and secondary data are used for the study.

### **Primary data**

Since most of the information necessary to fulfill the objective of the study are not available from secondary source, the researcher has mainly based his study on relevant primary data collected by visiting various KSFE branches and interviewing managers and customers with the help of the pre-tested interview schedules which are given in the Appendix VII & VIII. The customers were asked about their economic status, family income, asset structure, occupation, properties owned, etc. They were also asked whether they have got economic improvement by getting the service of KSFE or not. The managers were asked about the customers attitude towards continuing chitties, joining in the chitties of higher sala, regularity of repayment, rate of defaulters, etc. They were also asked about their customers' economic improvement. The interview schedules were finalised after conducting a pilot survey (in one village and one municipality of Malappuram district and Trichur corporation of Trichur district).

## **Sample Design**

For the purpose of studying customers representative samples were drawn by applying appropriate sampling techniques such as simple random sampling multi stage sampling and purposive sampling.

The study area is spread over 7 districts in the Malabar region. In this 7 districts there are 2 corporations, 26 municipalities, 27 Taluks and 915 villages. At the first stage 18 Talukes were selected on random basis by applying lottery method from the districts ie., 3 from Trichur, 4 from Palakkad, 5 from Malappuram, 2 from Calicut, 2 from Kannur and one each from Wayanad and Kasargod.

At the second stage 30 per cent of the KSFE branches are selected at random from these Taluks by following lottery method. In addition to this one branch each from Corporation/ Municipality area is selected by purposive sampling method in view of accommodating branches from municipality and corporation areas. The following table shows the districts, taluks and number of branches selected as sample.

### Districts, Taluks and Number of Branches Selected as Sample

Districts	Total No. of Taluks	Total No. of Branches in the district	Taluk Selected	Total No. of branches in the Taluk	Sample branches
Kasaragod	2	4	Kasaragod 1	1	1
Kannur	3	12	Kannur 2 Taliparamba	7	3
Wynad	3	4	Sulthan Bathery 1	1	1
Calicut	3	20	Calicut, 2 Quilandy	19	5
Malappuram	6	13	Ernad, 5 Perinthalmanna, Tiruragnadi, Tirur, Ponnani	11	4
Palakkad	5	18	Palakkad, 4 Mannarghat, Ottapalam, Chittur	15	5
Trichur	5	24	Trichur, 3 Mukundapuram, Chavakkad	16	6
Total	27	95	18	70	25

### Selection of Customers

From the selected branches 15 per cent customers were selected as sample for the study. 50 to 60 customers from each sample branch were selected on random basis by applying lottery method and classified as businessmen, agriculturists, artisans, private employees, Govt. employees, professionals and self employed persons.

## **Secondary Data**

The secondary data for the study were collected from the following sources.

1. Annual Reports of KSFE for various years.
2. Manual of procedure and hand book of scheme published by KSFE Ltd.
3. Statistics for planning published by the government of Kerala.
4. Kerala at a glance published by the government of Kerala.
5. Kerala Economic Review published by the planning Board, govt. of Kerala.
6. News papers and periodicals
7. Text books on the subjects
8. Papers presented in various seminars, speeches given by different personalities on various occasions etc.

## **Analysis of Data**

The data was analysed by applying various mathematical and statistical tools to evaluate the performance of KSFE in Malabar region. Simple Mathematical techniques like, percentage, average etc. were used in appropriate circumstances.  $\chi^2$  test, normal test of proportions etc. were applied to reiterate the justifications.

In order to measure the economic progress of the respondents their economic status before and after becoming the customers of KSFE was considered. Based on the following economic variables the opinion of the respondents were collected.

<b>Indicator</b>	<b>Variable</b>
Economic	Annual Income, Education, Nature of house – electrified, Ownership of house, Land area purchased/inherited, Home appliances – TV, Fridge, Washing machine, Cooking gas, Water connection, Motor Vehicle, Telephone, etc.

On the basis of survey the measurement was made.

### **Limitations of the Study**

As in the case of almost all social science researches, this study is also not free from limitations. These limitations are given below :

1. Some of the respondents did not co-operate in the data collection because of their illiteracy and ignorance and were not ready to give factual information about their economic condition.
2. The study is based on sampling techniques. So sampling errors are likely to occur.

3. The customers were not having the habit of keeping proper records on their dealings with K.S.F.E, so they were unable to give exact information about their economic improvement.
4. Certain customers were afraid of revealing their economic status before outsiders. So they did not co-operate with the researcher.
5. Certain other customers depended on banks and other financial institutions, in addition to KSFE, for their financial needs. So they could not say which agency was beneficial to them for economic improvement i.e., KSFE or others.
6. Certain managers and other executives were busy with their office work and hence they could not spare enough time with the researcher to reveal the necessary informations.

However, earnest attempt, has been made to overcome the above mentioned limitations. Attempt was also made to get meaningful inference and to present a true report.

### **Presentation of the report**

The study report has been presented in 6 chapters.

**Chapter I** – Gives the introduction to the topic of the study and explains the importance of the study, review of literature, objective of the study,

hypotheses, methodology, period of the study, limitations and plan of the report.

**Chapter II** – shows the present economic conditions of Kerala. The economic improvement of India and Kerala based on different economic variables are shown in this chapter. Sectorial contribution to the state income, the position of Kerala among the states in human development, the revenue and capital expenditure of Kerala for various years, etc. are also included in this chapter.

**Chapter III** – explains the role of financial institutions including banks and non-banking institutions in resource mobilisation. The performance of major banks, like State Bank of India, State Bank of Travancore, Canara Bank, Federal Bank, their deposits and advances and credit deposit ratios are included in this chapter. The performance of non-banking financial institutions like Kerala State Industrial Development Corporation, Kerala Financial Corporation, Kerala Transport Development Finance Corporation, etc. are also described. In addition to this the role of money-lending institutions and chit funds working in Kerala are also explained.

**Chapter IV** – deals with the profile of KSFE Ltd. The inception, organisation, management and different types of products of KSFE Ltd. are explained here. The growth of different types of its business,

its contribution to the state government, its problems, prospects and plan of action etc. are also explained.

**Chapter V** – Analyses and evaluates the services of KSFE in the Malabar region. The economic improvement achieved through the services of KSFE by its customers from various walks of life were evaluated and analysed on the basis of the information collected from the respondents. In addition to these the opinions of managers and executives on the economic improvement of the customers were also collected, analysed and included.

**Chapter VI** – The last chapter summarises the whole study, lists the findings and puts forward some suggestions.

**THE ROLE OF KERALA STATE FINANCIAL  
ENTERPRISES LIMITED IN THE  
ECONOMIC DEVELOPMENT OF KERALA  
WITH SPECIAL REFERENCE TO  
MALABAR REGION**

*Thesis*  
*submitted to the University of Calicut*  
*for the award of the Degree of*  
**DOCTOR OF PHILOSOPHY IN COMMERCE**

*By*  
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**UNIVERSITY OF CALICUT**  
**KERALA**

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## CHAPTER 2

# ECONOMIC DEVELOPMENT

Economic development means improving the quality of peoples lives, expanding their ability to shape their own futures which calls for higher per capita income. It involves more equitable education and job opportunities. It also involves structural changes in institutional, social and administrative factors as well as the peoples attitudes, customs and beliefs.

According to the Human Development report 1996, published by the united nations development program, "human development is the end economic growth a means." People's knowledge and skills, efficient use of human capital, sound economic policy etc. are the means of economic growth which enables human development through health services, education services, environmental protection, providing employment opportunities etc.<sup>1</sup>

Social justice defined as equalities of opportunities for well-being can be seen as having three aspects ie. economic, social and environmental.<sup>2</sup> The essence of economic development, thus, consists in the growth of output or real income per head of population. Capital formation, savings and

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<sup>1</sup> Economic growth and human development – Beyond economic growth (P.T) World Bank Washington, p.7.

<sup>2</sup> Tatyama B. Subbotina & Kathrine A. Sharma, Meeting the Challenges of Global Development, p.9.

investment, availability of natural resources, rate of population growth, availability of technical and skilled personnel, availability of entrepreneurial ability, technological progress, education, political and social factors are the major determinants of economic development.

### **Indian Scenario**

The bulk of India's population lives in conditions of misery. Developing economics are marked by low per-capita income. India's position in human development is 127<sup>th</sup> which is below even that of countries like Cuba, Libya, Bosnia, Kazakistan and Aserbaijan which is evident from table No.2.1 below.

TABLE No. 2.1

#### **Ranked Position of Human Development**

Country	Rank	Country	Rank
Cuba	52	Kazakistan	78
Libya	58	Azerbaijan	91
Malaysia	59	China	94
Bosnia	66	Shrilanka	96
Brazil	72	Namibia	126
Thailand	76	India	127

*Source:* Human Development Report 2004  
United Nations Development Program

The changes in Human Development Index from 1975 to 2002 with respect to certain countries are shown in Table 2.2.

TABLE No. 2.2  
**Changes in Human Development**

Countries	1975	1980	1985	1990	1995	2000	2002
China	0.523	0.557	0.593	0.627	0.683	0.721	0.745
India	0.411	0.473	0.476	0.514	0.548	0.579	0.595
Vietnam	--	--	--	0.610	0.649	0.686	0.691

*Source:* Business Line - The Hindu - 26.07.2004

The table shows that the growth of Human Development Index of China and Vietnam are better than that of India, i.e., in the year 2002, Human Development Index of China was 0.745 and Vietnam was 0.691 while India's position was at 0.595.

Indian economy grew by 7.4 per cent in real terms in the first quarter of fiscal year 2004 - 05.<sup>3</sup> The GNP and GDP of India over years are given in Table No. 2.3.

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<sup>3</sup> Govt. of Kerala Economic Review 2004, page 1.

TABLE No. 2.3

**The GNP and GDP of India**

Rs.000 Crore

Items	01.02	02.03	03.04	04.05
GNP - Factor cost	2065.9	2241.7	2505.7	2820.1
GDP	2081.5	2254.9	2519.8	2838.1

Source: [http://economy watch. com/Indian economy/facts-and-figures. html](http://economywatch.com/Indian_economy/facts-and-figures.html).dt.9.6.05.

The table shows that the GNP was Rs.2820.1 thousand crores in 2004-05 and Rs.2505.7 thousand crores in 2003-04. The table also shows that the GDP for the year 2004-05 was Rs.2838.1 thousand crores as against Rs.2519.8 thousand crores during 2003-04.<sup>4</sup>

The GNP and GDP for the year 2002-03 were Rs.2241.7 thousand crore and 2254.9 thousand crore respectively.

The development is measured on the basis of some parameters which are briefly explained in the following pages.

**Agriculture**

More than 58 per cent of India's population depends on agriculture. But this sector contributes only 22 per cent of GDP. The agriculture and allied sector witnessed a growth of 9.1 per cent in 2003 - 04. But this fell

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<sup>4</sup> [http://economy watch.com/Indian economy/facts & and figures.html](http://economywatch.com/Indian_economy/facts_and_figures.html).

steeply to 1.1 per cent in 2004-05.<sup>5</sup> The agricultural output for various years are given in Table No. 2.4.

TABLE No. 2.4

**Agricultural output for various years**

(in thousand crores)

Sector	01 - 02	02 - 03	03 - 04	04 - 05
Agriculture	304.7	283.4	310.6	313.9

*Source:* [http://economy watch. com/Indian economy/facts and figures.html](http://economywatch.com/Indian economy/facts and figures.html).

The table shows that the total output of agriculture and allied sectors for the year 01 - 02 was Rs.304.7 thousand crores. This increased to Rs.313.9 thousand crores in the year 2004-05.

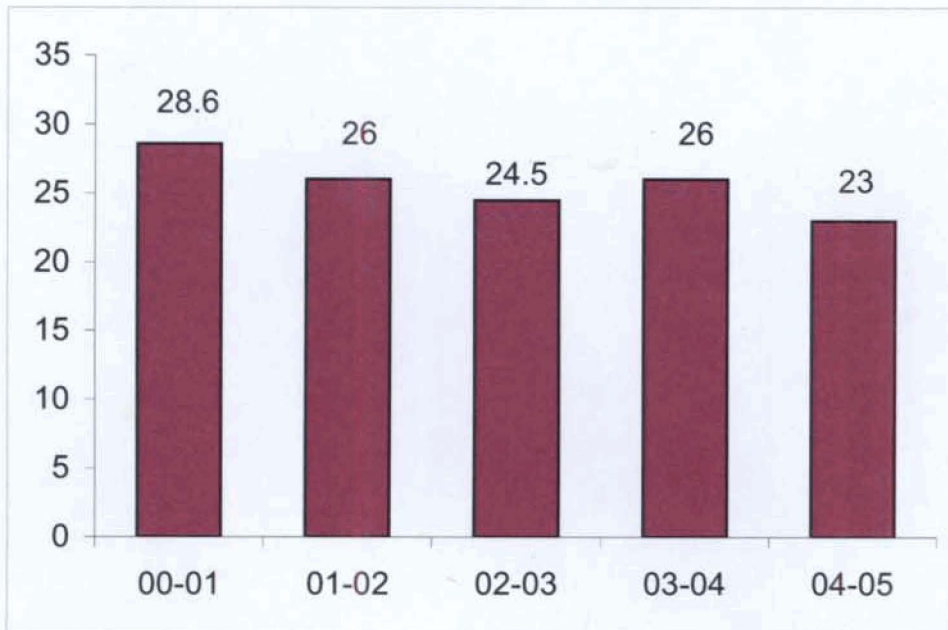
The percentage share of agriculture in GDP for various years is depicted in Figure No.2.1.

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<sup>5</sup> Govt. of Kerala Economic Review, *Op. cit.*, p.3.

FIGURE No. 2.1

**Diagram showing Percentage Share of Agriculture in GDP for Various Years**



Source: The Indian Economy – Environment and Policy, Ishwar C. Dhingra

Agricultural sector contributes a significantly large share to the national income. The figure shows that it was 28.6 per cent in the year 2000-01. But there was a declining trend and it reached to 23 per cent in the year 2004-05.

The food grain production for the year 2001 - 02 was 212.9 million tonnes. But this decreased to 206.4 million tonnes in the year 2004 - 05.<sup>6</sup>

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<sup>6</sup> Ibid., p.3.

## Industry

Index of industrial production which measures the overall industrial growth rate was 10.1 per cent in 2004 as compared to 6.2 per cent in 2003. Index of industrial production was 167.0 during 2001 - 02 and 199.4 in the year 2004 - 05. The three main subsectors of industry viz. mining and quarrying, manufacturing and electricity, gas and water supply recorded growths of 5 per cent, 8.8 per cent and 7.1 per cent respectively.

The industrial production (small scale sector) for various years is given in the Table No.2.5.

TABLE No. 2.5

### Industrial Production (Small Scale Sector) for Various Years

Years	No. of Units (Lakhs)	Production (Rs. Crore) at Constant Price
1999 – 2000	97.15	1,70,709
2000 – 2001	101.10	1,84,428
2001 – 2002	105.21	1,95,613
2002 – 2003	109.95	2,10,636
2003 – 2004	113.95	2,28,730
2004 – 2005	118.53	2,45,747

Source: The Indian Economy – Environment and Policy, Ishwar C. Dhingra, p.453.

The table shows that the total output from the small scale industrial sector for the year 2000-01 was Rs.1,84,428 crores. This increased to Rs.2,45,747 crores in the year 2004-05. There were 101.10 lakhs small scale

industrial units in the year 2000-01 and increased to 118.53 lakh units in the year 2004-05.<sup>7</sup>

The important characteristics of the industries of India are presented in Table No. 2.6.

**TABLE No. 2.6**  
**Important Characteristics of Industries in India**  
(Value figures in lakhs and others in number)

Characteristics	1999-00	2000-01	2001-02	2002-03	2003-04
No. of factories (No.)	131558	131268	128549	127957	129074
Invested Capital (Rs.)	56663430	57179940	60591285	63747308	67959786
No. of workers (No.)	6280659	6135236	5957848	6161493	6086908
Value of Output (Rs.)	89793835	92690185	96245663	113056111	128740055
Gross Capital formation (Rs.)	6466535	6141480	7387299	6397638	7418762

Source: Annual Survey of Industries (ASI)  
[http://mospi.nic.in/stat\\_act\\_T3htm](http://mospi.nic.in/stat_act_T3htm).

The above table shows that the total number of factories in India as on 1999-00 was 131558 and it decreased to 129074 on 2003-04. The total amount of capital invested in the year 1999-00 was Rs.56663430 lakhs and reached to Rs.67959786 lakhs in the year 03-04 showing an increase of 19.93 per cent. The total number of workers was 6280659 in 1999-00 and

<sup>7</sup> The Indian Economy – Environment and Policy, Ishwar C. Dhingra, p.453.

decreased to 6086908 in 2003-04. The table also shows that the total value of output of Indian industries in 1999-00 was Rs.89793835 lakhs and increased to Rs.128740055 lakhs in the year 2003-04 showing an increase of 43.37 per cent. The amount of gross capital formation for the year 1999-00 was Rs.6466535 lakhs and increased to Rs.7418762 lakhs in the year 2003-04 which shows an increase of 14.73 per cent.

### Population

Population dynamics is one of the key factors to be considered when thinking about economic development. In the past 50 years the world has experienced an unprecedented increase in population growth.<sup>8</sup>

India's population growth for the decade 1991-2001 is given in Table No. 2.7.

TABLE No. 2.7

#### India's Population (1901 - 2001)

Census Year	Population in crores	Average Annual growth rate	Density of Population (per. sq. km)
1901	23.83	0.18	77
1951	36.10	1.25	117
1961	43.91	1.96	142
1971	54.82	2.22	178
1981	68.33	2.20	216
1991	84.83	2.14	274
2001	102.71	1.93	324

*Source:* Kungsley Davis - The population of India and Pakistan, Registrar General, India Provisional Population results of Census 2001).

<sup>8</sup> World Population - Beyond economic growth, World Bank, Washington, p.16.

The above table shows that the population increased from 23.83 crore in 1901 to 54.82 crores in 1971 and 84.63 crores in 1991. As per 2001 census the population was 102.71 crores. But the rate of increase was not uniform rate.<sup>9</sup> The population projections for 2006, 2011 and 2016 shows a sharp decline in the rate of growth as shown in Table No. 2.8.

**TABLE No. 2.8**  
**Population Projections**

Year	Population in Crores	Increase in Percentage
2001	102.70	--
2006	113.37	8.44
2011	119.44	7.25
2016	126.75	7.31

*Source:* Planning Commission, tenth 5 year plans, 2002 – 07.

The table shows that the growth rate will be 7.31 per cent in the year 2016. It is 8.44 per cent in the year 2006. Increasing population is a major constraint on economic development.<sup>10</sup>

### **Capital formation**

The gross capital formation in India is less than that of developed countries. During the 5 decades of planned economic development, the rate

<sup>9</sup> Ruddar Dath, Indian Economy, p.130.

<sup>10</sup> S.K. Mishra and V.K. Puri, Indian Economy, p.131.

of domestic saving has risen considerably.<sup>11</sup> The growth of National income is given in Table No. 2.9.

**TABLE No. 2.9**  
**National Product, Domestic Product and Per Capita Income at Factor Cost (All India)**

(Rs. Crores)

Sl. No.	Item	At Current Prices		At 1993-94 Prices	
		2002-03	2003-04	2002-03	2003-04
1	GDP	2249493	2516912	1318321	1424507
2	NNP or National Income	1995229	2238246	1156714	1253732
3	PCNI	18912	20860	10964	11684

Source: CSO

The table shows that the NNP for the year 2002-03 was Rs.1156714 crores and increased to Rs.1253732 crores in 2003-04. This shows an increase of 8.39 per cent. The GDP at current prices for the year 2002-03 was Rs.2249493 crores and increased to Rs.2516912 crores in the year 2003-04. This shows an increase of 11.88 per cent. The per capita income at 1993-94 prices for the year 2002-03 was Rs.10964 crores and increased to Rs.11684 in 2003-04 crores showing an increase of 6.56 per cent.

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<sup>11</sup> Ibid., p.208.

The sectorial contribution of Goss Domestic Savings (GDS) of the Indian economy for the period between 2000 to 2003 is given in Table No.2.10.

TABLE No. 2.10

**Sectorial Contribution of Gross Domestic Savings over Years**  
(As a percentage of GDP at market price)

Year	Household sector	Private corporate sector	Public sector	Total
2000-01	21.9	4.1	-2.3	23.7
2001-02	22.7	3.5	-2.7	23.5
2002-03	22.6	3.4	-1.9	24.1

Source: CSO National Accounts Statistics (2004).

The table shows that the domestic savings from the household sector was 21.9 per cent of GDP and increased to 22.6 per cent in the year 2002-03. The savings of private corporate sector for the year 2000-01 was 4.1 per cent but decreased to 3.4 per cent in the year 2002-03. Public sector shows negative result over the years.

The Gross Domestic Savings and Gross Domestic Capital formation over years is given in Table No.2.11.

TABLE No. 2.11

**Gross Domestic Savings and  
Gross Domestic Capital Formation over Years**

(Rs. Crores at Current Prices)

Year	Net Capital Inflows	GDS	Gross Domestic Capital Formation
2000-01	8130	490049	498179
2001-02	-18731	532274	513543
2002-03	-32010	642298	610288
2003-04	-49552	776420	726868

Source: CSO and Economic Survey (2004-05).

Gross Domestic Capital formation is composed of 2 components ie. Gross Domestic Savings and Net Capital inflow. The table shows that the Net Capital Inflow for the year 2000-01 was Rs.8130 crores and decreased to -49552 crores in the year 2003-04. The GDS for the year 2000-01 was Rs.490049 and increased to Rs.776420 crores. The Gross Domestic Capital formation increased from Rs.498179 crores in the year 2000-01 to Rs.726868 crores in the year 2003-04 showing an increase of 45.9 per cent.

The sectorial contribution of GDS over years is given in Table No.2.12.

TABLE No. 2.12

**Sectoral Contribution of GDS over Years**

(Rs. Crores)

Sector	1999-00	2000-01	2001-02	2002-03	2003-04
Household	392632	435926	515565	559258	671692
Corporate	71882	86881	92060	84169	114157
Public	-17326	-34479	-57662	-26652	-9429
Total	447188	488328	549963	42298	776420

Source: The Indian Economy Environment and Policy, Ishwar C. Dhingra, p.167.

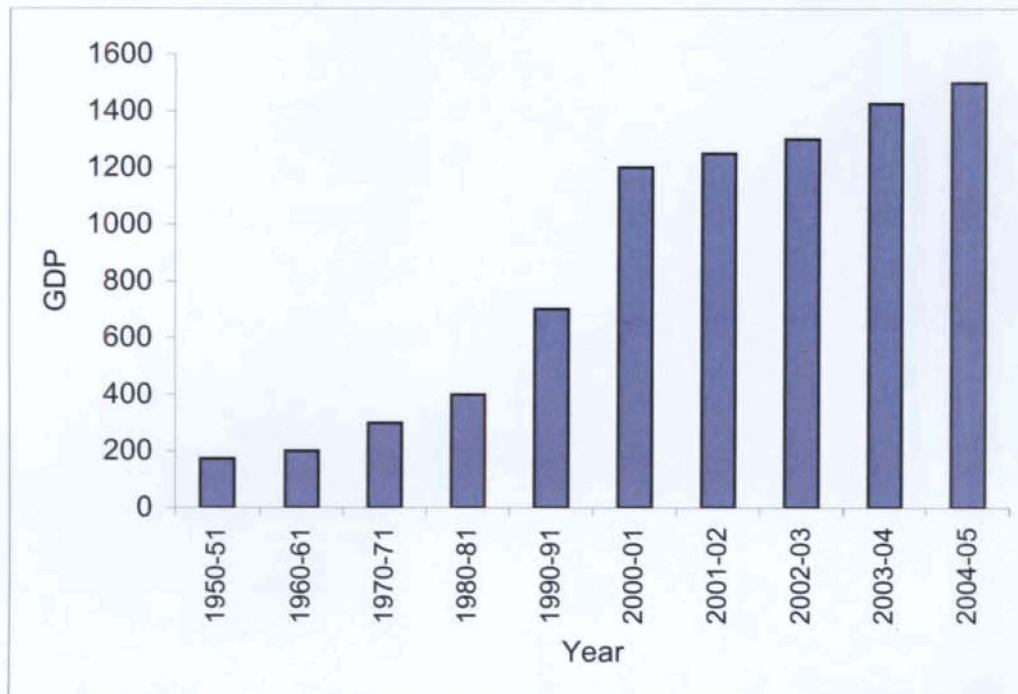
The table shows that the household sector is the largest contributor to domestic savings. This sector contributed Rs.392632 crores to GDS during the year 1999-00. This increased to Rs.671692 crores in the year 2003-04 contributing 86.3 per cent. The contributions of corporate sector was Rs.71882 crores in the year 1999-00 and increased to Rs.114157 crores in the year 2003-04. The table also shows that the public sector made negative contribution during the period between 1999-00 to 2003-04. Small savings in India recorded a rise of Rs.628.84 billion in 2003-04.<sup>12</sup>

The growth of GDP is represented in Figure No.2.2.

<sup>12</sup> Asia Public News 21.06.04 <http://goliath.ecnext.com/>

FIGURE No.2.2

**Diagram showing National Income Database**  
(GDP in Rs. '000 Crores)



The figure shows that the GDP has reached 1500 thousand crores during 2004 - 05. The GDP was Rs.1200 thousand crores in the year 2000-01 and increased by 25 per cent in 2003-04. This shows the progress of Indian economy.

In the above pages a brief description of the main economic indicators of India has been given. Though the same may be true in the case of Kerala also, there are some peculiar features of development in Kerala which are given in the following pages.

## **Kerala Economy**

Kerala's development has 3 unique characteristics, viz.,

- (a) the attainment of better quality of life as compared to other poorer states in India
- (b) a low rate of growth and backwardness of productive sectors, namely agriculture and industry, and
- (c) a high incidence of out migration and heavy reliance on migrant remittances.<sup>13</sup>

Kerala remained backward with underdeveloped productive sectors, low levels of technology, inadequate infrastructure, slow pace of structural transformation and a high incidence of poverty and unemployment till the beginning of 1990s. There was substantial change in the economic policies at the national level with the implementation of structural Adjustment Reforms (SAR) since 1991. The policy reform aimed at macro economic stabilisation and restoration of growth momentum in the economy.<sup>14</sup> Implementation of SAR has benefited much to Kerala economy. The present economic condition of Kerala is explained below.

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<sup>13</sup> Kerala's economic development. B.A. Prakash, p.32.

<sup>14</sup> Ibid., p.44

## Agriculture

The contribution of agricultural sector to the state income was 22.52 per cent in the year 1998-1999. But it decreased to 13 per cent in the year 2003-04. The growth of agricultural income in Kerala is given in Table No.2.13.

TABLE No.2.13

### Growth of Agricultural Income in Kerala (at 1993 - 94 prices)

(In crores)

Sl. No.	Year	Agricultural income	Rate of change over previous year	Percentage contribution to state Income
1	1993 - 94	6256	--	26.23
2	1994 - 95	6897	10.25	26.62
3	1995 - 96	6947	0.72	25.78
4	1996 - 97	7115	2.42	25.39
5	1997 - 98	6777	-4.75	23.67
6	1998 - 99	6900	1.81	22.52
7	1999 - 00	7017	1.70	21.45
8	2000.01	5448	-22.36	16.23
9	2001 - 02	5312	-2.50	15.39
10	2002- 03	5380	1.28	14.53
11	2003 - 04	5165	-4.00	13.00

Source: Directorate of Economics and Statistics.

The table shows that the income from agricultural sector for the year 2003 - 04 was Rs.5165 crores, and shows a decrease of 4 per cent than that of the previous year. The agricultural income for the year 1993 - 94 was Rs.6256 crores.<sup>15</sup>

The table also shows that the income from agriculture sector for the year 1999-00 was Rs.7017 crores and the rate of growth over previous year was 1.70 percent. This comes to 21.45 per cent of state income. But this decreased to Rs.5165 crores in the year 2003-04 and the percentage contribution to state income reduced to 13 per cent.

### **Industry**

The general index of Industrial production in Kerala decreased from 302.29 in 2001 - 02 to 267.35 in 2002 - 03. Performance in the industrial sector exports recorded a growth of 9 per cent in 2003 - 04. Growth of manufacturing sector of Kerala for the year from 1998 - 99 to 2004 - 05 is given in Table No.2.14.

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<sup>15</sup> Govt. of Kerala, Economic Review, *Op. cit.*, p.38.

TABLE No. 2.14  
**Growth of manufacturing Sector in Kerala**

Year	Percentage changes over year %	
	Actual (At constant process)	%
1998 - 99	350458	--
1999 - 00	369687	4.59
2000 - 01	353129	-4.48
2001 - 02	312153	-11.60
2002 - 03	308808	-1.07
2003 - 04	306700	-0.68
2004 - 05	299847	-2.23

*Source:* Economics and Statistics Department, Trivandrum.

The table shows that the growth of manufacturing sector in Kerala is having a declining trend. The rate of growth of manufacturing sector in the year 1999-00 was 4.59 per cent. But this decreased to -2.23 in the year 2004-05.

The important characteristics of industries in Kerala is given in Table No.2.15.

TABLE No.2.15

**Important characteristics of industries in Kerala**  
(Value figures in Lakhs and others in Numbers)

Characteristics	1999-00	2000-01	2001-02	2002-03	2003-04
No. of factories (No.)	4845	4853	4812	4687	5491
Capital Invested (Rs.)	991837	1037782	1090712	1045996	1111852
No. of workers (No.)	257790	262981	257658	227347	272433
Value of Output (Rs.)	2486296	2671055	2396971	2665085	3183189
Gross capital formation (Rs.)	140167	30934	82769	103167	84491

Source: Annual Survey of Industries (ASI) [http://mospi.nic.in/stat\\_at\\_T3htm](http://mospi.nic.in/stat_at_T3htm)

The above table shows that the total number of factories in Kerala in the year 1999-00 was 4845 and increased to 5491 in the year 2003-04. The amount of capital invested in the year 1999-00 was Rs.991837 lakhs and increased to Rs.1111852 lakhs in the year 2003-04. The total number of workers was 257790 in 1999-00 and increased to 272433 in 2003-04.

The table also shows that the value of output from the industries in Kerala was Rs.2486296 lakhs in the year 1999-00 and increased to Rs.3183189 lakhs in 03-04. The gross capital formation from the industries in the year 1999-00 was Rs.140167 lakhs but decreased to 84491 lakhs in the year 2003-04.

## Population

Kerala accounts for 1.3 per cent of India's land area but it supports 3.1 per cent of the population. The population of Kerala was enumerated at 31.8 million in 2001. The growth of population of Kerala from 1901 to 2001 is given in Table No. 2.16.

TABLE No. 2.16

### Growth of Population and Population Density over years

Year	1901	1931	1961	1991	2001
Population	6396262	9507050	16903715	29098518	31838619
Density	165	245	435	749	819

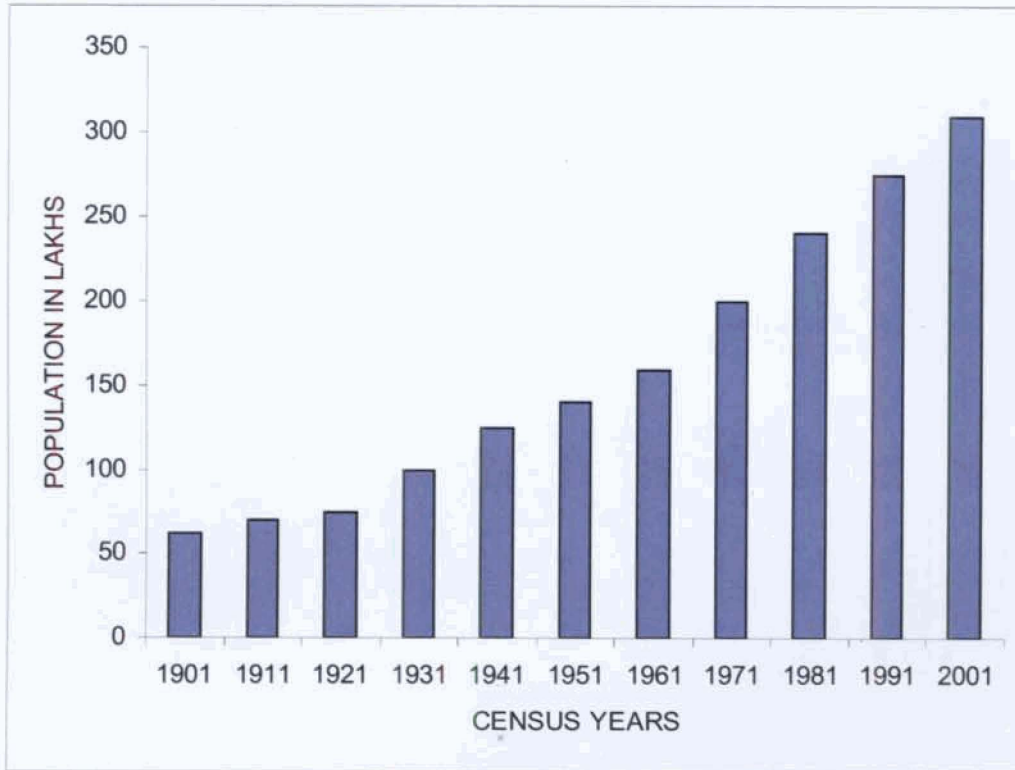
Source: Various Census.

The table shows that the population as per 1901 census was 6.39 million and increased to 16.90 million and 29.09 million in 1961 and 1991 respectively.

The decadal growth of population of Kerala is depicted in the Figure No.2.3.

FIGURE No. 2.3

**Diagram showing Population and Net Decadal Accretion  
Kerala 1901-2001**

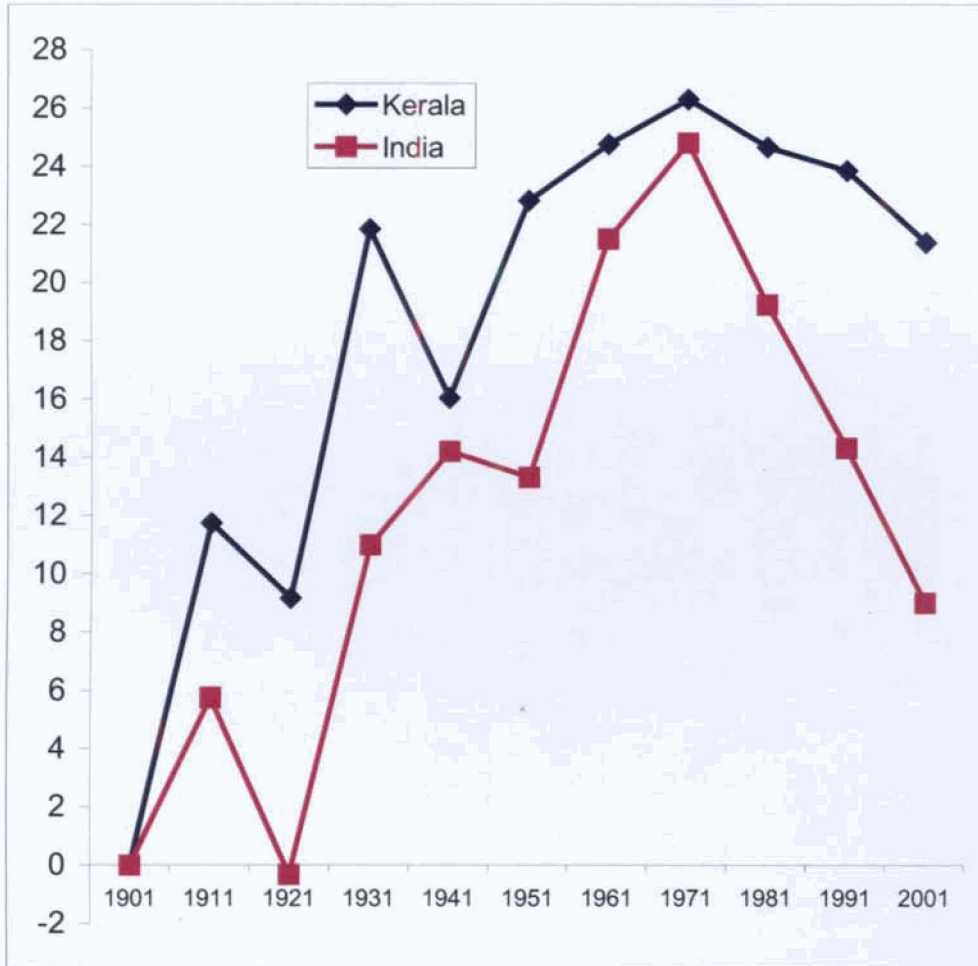


The above figure shows that the growth of population was about 6 times during the period of 1901 to 2001.

A comparison of growth of population in India and Kerala is given in the Figure No.2.4.

FIGURE No. 2.4

**Diagram showing Growth Rate of Population 1901-2001  
Kerala and India**



The figure shows that the rate of growth of population of the State is above the rate of India. Over the period of 100 years Kerala's population increased five times i.e. 6 million in 1901 to 32 million in 2001 whereas India's total population could grow slightly more than 3 times ie. 238 million in 1901 to 1027 million in 2001 (Appendix I).

The density of population of Kerala was 165 in the year 1901 and reached 819 in the year 2001. Among the Indian states Kerala is in the third position in respect of density the first position being occupied by West Bengal and the second by Mizoram. The density of population of India is 324.

Among the districts in Kerala, Malappuram stands top in population ie. 3629640 and the percentage decadal growth rate is 17.22. Wynad district has a population of 786627 and a growth rate of 17.04 (Appendix II).

The district wise ranking of population density is given in Table No.2.17.

TABLE No.2.17

**Ranking of Districts by Population Density**

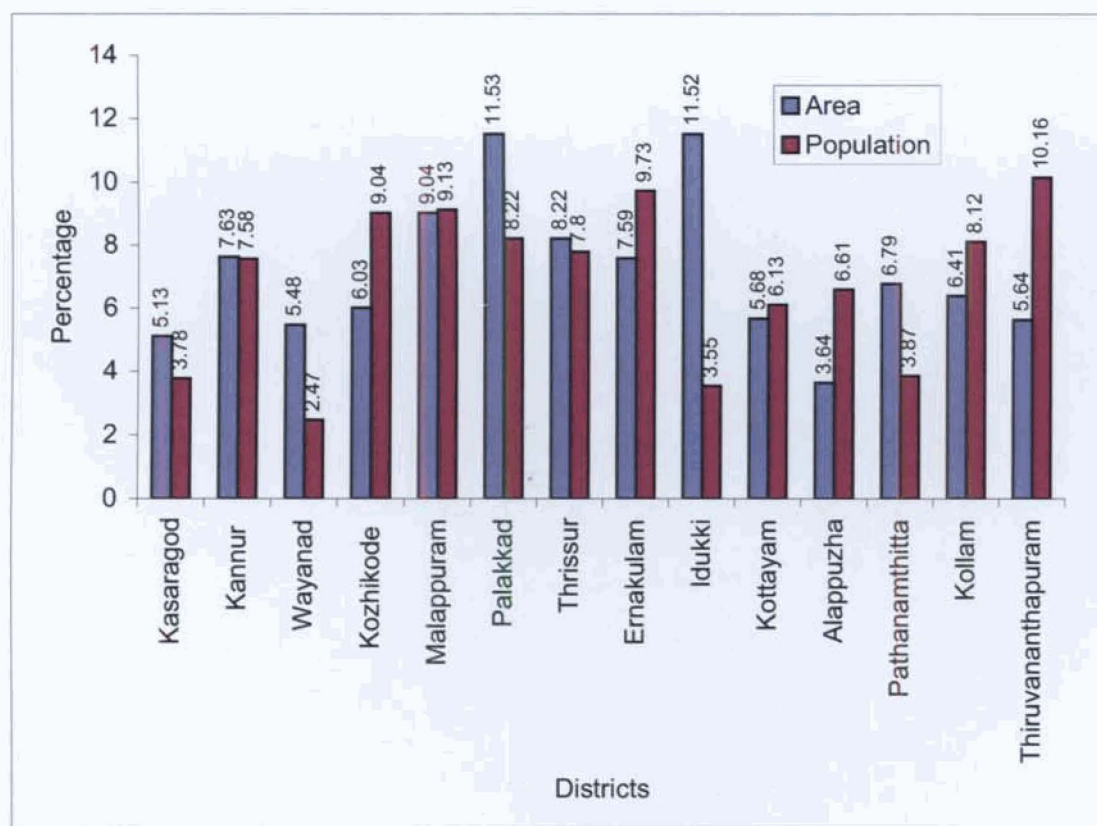
Rank in 2001	District	Population Density	
		2001	1991
1	2	3	4
1.	Alappuzha	1489	1415
2	Thiruvananthapuram	1476	1344
3	Kozhikode	1228	1118
4	Ernakulam	1050	963
5	Kollam	1037	957
6	Malappuram	1022	872
7	Thrissur	981	903
8	Kottayam	884	828
9	Kannur	813	759
10	Kasaragod	604	538
11	Palakkad	584	532
12	Pathanamthitta	467	450
13	Wayanad	369	315
14	Idukki	252	236

Source: India Today, August 2004.

The table shows that Alappuzha has the predominant position with 1489 persons per square kilometre closely followed by Thiruvananthapuram district with 1476 persons. Idukki district has the lowest density with 252 persons. Eight districts have the densities higher than the state average and six districts lower than the state average.

A comparative size of area and population of districts in 2001 is given in Figure 2.5. The figure shows that Palakkad district has big size of area having 11.53% with a population of 8.22 per cent.

FIGURE No. 2.5  
**Diagram showing Comparative Size of Area and  
 Population of Districts 2001**



The figure also shows that the size of Wynad is 5.48 per cent and the population is 2.47 per cent which is the lowest among the districts.

The average life expectancy in Kerala is 68 years for males and 74 years for females.<sup>16</sup>

The ranking of districts by sex-ratio is given in Table No.2.18.

TABLE No. 2.18  
Ranking of Districts by Sex-Ratio

Rank in 2001	District	Sex-ratio (Number of females per 1000 males)	
		2001	1991
1	2	3	4
1.	Pathanamthitta	1094	1062
2.	Thrissur	1092	1085
3.	Kannur	1090	1049
4.	Alappuzha	1079	1051
5.	Kollam	1070	1035
6.	Palakkad	1068	1061
7.	Malappuram	1063	1053
8.	Thiruvananthapuram	1058	1036
9.	Kasaragod	1047	1027
10.	Kottayam	1025	1026
11.	Ernakulam	1017	1003
12.	Kozhikode	1009	1002
13.	Wayanad	1000	966
14.	Idukki	993	1000

Source: India Today, August 2004.

<sup>16</sup> Kerala population growth in the 21<sup>st</sup> Century, CDS, Trivandrum, 2004.

The table shows that Thrissur ranks first and Wayanad ranks 14<sup>th</sup> in sex ratio. Thiruvananthapuram and Kozhikode Districts have a sex-ratio of 1058 and is equal to the sex-ratio of the State. While 7 districts have sex-ratio above the state average, 5 districts have sex-ratio below the state average. Wayanad district which was having the lowest sex-ratio in 1991 census is having 13<sup>th</sup> rank in respect of sex-ratio in 2001 census with equal distribution of males and females. The hilly districts ie. Wayanad and Idukki are at the lowest among the districts in the State with regard to sex ratio. The sex ratio is 1058 in Kerala but this is 933 in the case of India.

### **Human Development**

Human development results in economic growth, This is measured on the basis of parameters like sex ratio, poverty ratio, hunger, literacy, infant mortality rate etc. The human development scores and ranks of major states in India is given in Table 2.19.

TABLE No. 2.19

**Score and Rank of Major States in India**

States	Score			Rank		
	2004	2003	Change	2004	2003	Change
Andrapradesh	1.46	1.32	0.14	11	10	-1
Assam	0.87	0.68	0.19	15	14	-1
Bihar	0.41	0.24	0.17	20	17	-3
Gujarat	1.79	1.83	-0.04	7	6	-1
Haryana	1.93	1.84	*0.09	5	5	0
Karnataka	1.69	1.57	0.12	8	8	0
Kerala	2.34	2.23	0.11	2	2	0
Madyapradesh	1.17	0.77	0.39	12	13	1
Maharashtra	1.86	1.69	0.17	6	7	1
Orissa	0.71	0.46	0.24	18	16	-2
Punjab	2.46	2.52	-0.06	1	1	0
Rajasthan	1.14	1.00	0.14	13	11	-2
Tamil Nadu	2.07	1.95	0.13	4	4	0
Uttarpradesh	0.80	0.57	0.23	17	15	-2
West Bengal	1.08	0.87	0.21	14	12	-2

*Source:* India Today, Special issue, Aug. 2004.

The table shows that the score of Kerala improved from 2.23 in 2003 to 2.34 in 2004.

Kerala is at the top in the country in human development index i.e., 0.638 (Appendix III).

Kerala ranks first, among the socially developed states in India which is followed by Tamil Nadu, Himachal Pradesh, Karnataka and Andhra Pradesh.

### State Domestic Product and Per Capita Income

The state income stood at Rs.78933.13 crores during 2003-04 which was Rs.63817.27 crores during 01-02 and Rs.71063.68 crores during 02-03. The State Net Domestic Product and Per Capita Income for various years are given in Table No.2.20.

TABLE No. 2.20

#### Net Domestic Product and Per Capita Income of Kerala

	Item	Year			Growth Rate	
		2001 - 02	2002 - 03	2003 - 04	2002 - 03	2003 - 04
1.	Net Domestic Product (Rs.in crores At Current Prices)	63817.27	71063.68	78933.13	11.4	11.1
2.	Per Capita Income (In Rs.) At Current Prices	19803	21853	24053	10.4	10.1

Source: Dept. of Economic and Statistics.

The above table shows that the per capita net state Domestic product at current prices increased from Rs.21853 in 2002 - 03 to Rs.24053 in 2003 - 04 recording a growth rate of 10.1 per cent.

The state income during 04 - 05 at current prices is Rs.87313.12 crores.<sup>17</sup>

The contribution from primary, secondary and tertiary sectors to the net state Domestic Product at constant prices (1993 - 94) constitutes 17.1 per cent, 19.3 per cent and 63.6 per cent respectively during 2003 - 04.<sup>18</sup>

District-wise distribution of Net State Domestic Product at factor cost at current prices shows that Ernakulam district has the highest income of Rs.9957.15 crore in 2003 - 04 as against Rs.8899.04 crore in 2002 - 03 (Appendix IV). Wyanad district recorded the lowest income of Rs.1618.42 crores in 2003-04.

The highest rate of growth of per-capita income of 11.2 per cent was recorded in Thiruvananthapuram district in 2003-04 followed by Alapuzha (11 per cent) and Ernakulam (10.8 per cent). The lowest growth rate was in Idukki district (6.5 per cent) preceded by Wyanad (8 per cent, Kasargod (8.4 per cent) and Malappuram (9.5 per cent).<sup>19</sup>

Among the districts Ernakulam stood first with percapita income of Rs.31136 at current prices in 2003-04 as against Rs.28090 in 2002-03. The lowest per capita income was recorded in Malappuram district ie. Rs.15472 in 2003-04 preceded by Wyanad district ie. Rs.19523 (Appendix V).

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<sup>17</sup> Govt. of Kerala Economic Review, *Op. cit.*, p.29.

<sup>18</sup> *Ibid.*, p.26.

<sup>19</sup> *Ibid.*, p.29.

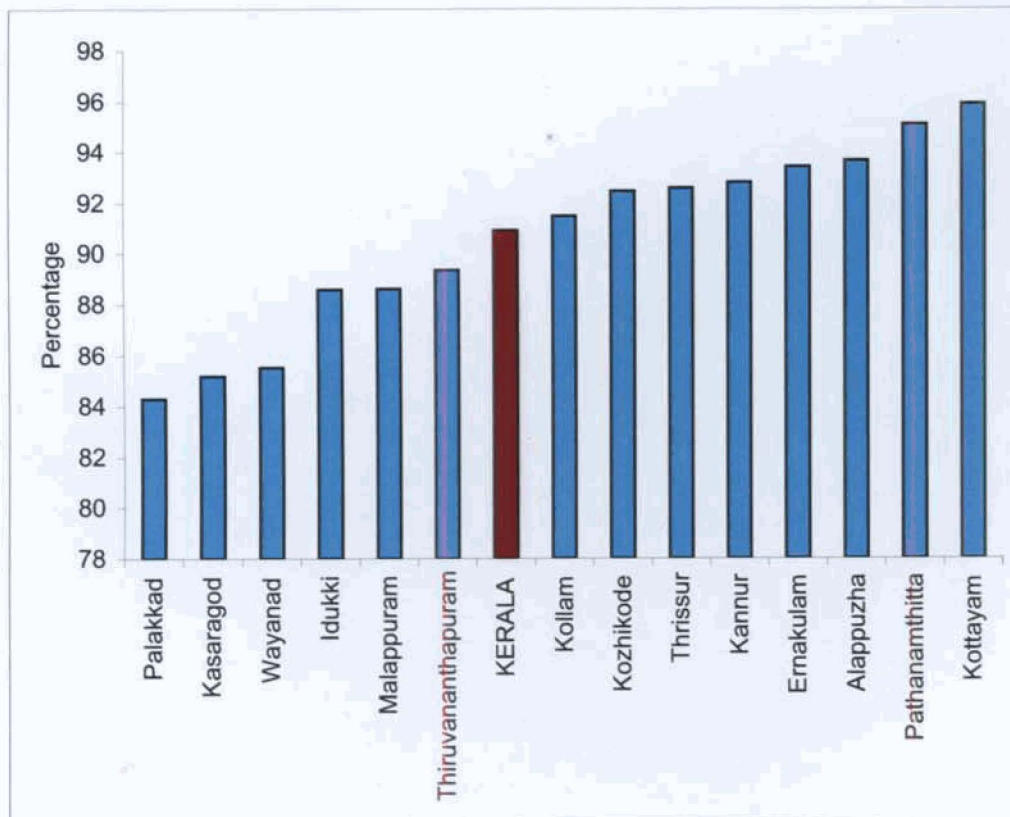
## Education and Literacy

Education is one of the basic components of human development which is a pre condition for economic growth. Literacy and education reflect the social development of a community. Educated people are likely to be more productive and hence better off. Kerala ranks first among the states in education in the year 2004.<sup>20</sup>

Literacy rate of districts is depicted in Figure No.2.6.

FIGURE No. 2.6

**Diagram showing Literacy Rate of Districts vis-a-vis the State Average 2001**



<sup>20</sup> India Today Aug. 2004.

The figure shows that Kottayam district ranks first and Pathanamthitta district ranks second in literacy. The literacy rate of Palakkad district is only 84.31 per cent which is the lowest in the state.

Kerala has a literary rate of 90.9 per cent followed by mizoram (88.5 per cent) and Goa (22.3 per cent). The literacy rate of 10 top states is given in Table No.2.21.

**TABLE No. 2.21**  
**Literary rates of 10 top states in India (2001)**

Rank	States	Literary Rate	Rank	States	Literary Rate
1	Kerala	90.9	6	Maharashtra	77.3
2	Mizoram	88.5	7	Himachal Pradesh	75.9
3	Goa	82.3	8	Tripura	73.7
4	Delhi	81.8	9	Tamil Nadu	73.5
5	Pondicherry	81.5	10	Punjab	70.0

*Source:* Census figures.

The table shows that the literacy rate of Delhi is 81.8 per cent.

Literacy is one of the most important outcome of primary education.

Among males the literacy rate is 94.20 per cent and among females 87.86 per cent. The literacy rates of different districts of Kerala is given in Appendix VI.

Kerala is far above other states in women literacy. The gap between men and women literacy rates is decreasing. In the case of gender equality Kerala is the highest among the states.<sup>21</sup> The infant mortality rate in Kerala during 2001 was 11 per cent.<sup>22</sup> Kerala ranks third among states in population Below Poverty Line. The population below poverty line 1999-2000 is given in Table No.2.22.

TABLE No. 2.22  
**Population Below Poverty Line 1999 -2000**

Rank	Name of State	Per cent	Rank	Name of State	Per cent
1.	Punjab	5.84	6	Andhra Pradesh	15.36
2.	Haryana	7.94	7	Karnataka	19
3.	Kerala	12.05	8	Tamil Nadu	20.95
4.	Gunjarath	13.13	9	Maharashtra	24.58
5.	Rajasthan	14.78	10	West Bengal	28.01

*Source:* India Today, August, 2004.

The table shows that Punjab and Haryana rank first and second respectively among states in population below poverty line.

### **Micro finance**

Kerala's achievement in rural development through participatory planning is another development of Kerala. Kudumbasree envisages

<sup>21</sup> Govt. of Kerala, Economic Review, *Op. cit.*, p.436.

<sup>22</sup> *Ibid.*, p.439.

mobilising micro finance through thrift and credit operation and set up micro enterprises for the unemployed for additional income generation. Achievements under Kudumbasree Programmes are given in Table No.2.23.

TABLE No.2.23

**Major achievements under Kudumbasree Mission, 2004**

Sl. No.	Particulars	Achievements (Nos.)
1.	Number of members/families	3098011
2	Neighbourhood groups (NHGs) at Grass root level.	151406
3.	Area Development Society (ADS) at ward level	13924
4	Community Development Society CDS at Local Government Level	1050

*Source:* Kudumbasree Mission, Kerala.

The table shows that there are 3098011 members in Kudumbasree and 151406 NHGs.

Kerala occupies the fourth position in social and economic infrastructure index.<sup>23</sup>

### **Employment**

The total employment in private sector and public sector in Kerala as on 31.3.2004 was 1204423. The district wise data of employment in Kerala is given in Table No. 2.24.

<sup>23</sup> CDS, Thiruvananthapuram, (Social and Economic Infrastructure Index).

TABLE No.2.24

**Districtwise employment in Public and Private Sector in Kerala  
as on 31.03.04**

District	Private Sector	Public Sector	Total
Thiruvananthapuram	46920	138058	184978
Kollam	47799	45677	93476
Pathanamthitta	18820	26166	44986
Alapuzha	21199	31912	33111
Kottayam	27551	33811	61362
Idukki	69552	18670	88222
Ernakulam	70119	91047	161166
Thrissur	54723	51658	106381
Palakkad	23935	37380	61315
Malappuram	28924	33488	62412
Kozhikkode	48645	41502	90147
Wayanad	49182	13949	63131
Kannur	45553	35938	81491
Kasargod	36686	15559	52245
<b>Total</b>	<b>589608</b>	<b>614815</b>	<b>1204423</b>

*Source:* Dept. of Economic and Statistics, Kerala.

The table shows that Thiruvananthapuram district stands in top position in employment in Kerala. The total employments in private sector in Kerala as on 31.03.2004 was 589608 and in public sector was 614815.

The foreign investment at the national level rose to an alltime high in 2003-04, amounting to 3 per cent of GDP and 25.5 per cent of merchandise exports. Net foreign institutional investment rebounded from depressed levels in the preceding year to record an unprecedented surge during 2003 - 04.<sup>24</sup>

### **Revenue Receipts**

The overall fiscal health of the state showed some improvement during 2003-04. The revenue deficit came down from Rs.4118.66 crore in 2002 - 03 to Rs.3680 crore in 2003 - 04.<sup>25</sup>

States own tax revenue in 2003 - 04 witnessed a moderate growth of 9.86 per cent as against the growth of 23.3 per cent in 2002 - 03. The total own tax realised during 2003 - 04 was Rs.8022.27 crore. In 2003 - 04, the non tax mobilisation increased by Rs.125 crore (18.3 per cent) from Rs.681 crores in 2002 - 03 to Rs.806.98 crore in 2003 - 04. The revenue receipts of Kerala for various years are shown in Table No.2.25.

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<sup>24</sup> Govt. of Kerala Economic Review, *Op. cit.*, p.8.

<sup>25</sup> *Ibid.*, p.8.

TABLE No. 2.25

**Revenue Receipts of Kerala State Government**

(Rs. in crore)

Year	States own Revenue		Total	Share of central taxes and grants	Total Revenue	Annual growth Rate
	Tax Revenue	Non tax Revenue				
1	2	3	4	5	6	7
1995 - 96	3382.68	535.49	3918.17	1505.39	5423.56	--
1996 - 97	3898.5	573.8	4412.3	1732.78	6145.08	13.3
1997 - 98	45011.05	552.11	5053.16	2065.06	7118.22	15.8
1998 - 99	4641.56	557.66	5207.22	1990.90	7198.12	1.1
1999 - 00	5193.	530.7	5724.21	2217.53	7941.75	10.3
2000 - 01	5870.26	659.09	6529.35	2201.51	8730.86	9.9
2001 - 02	5923.42	543.38	6466.8	2589.59	9056.39	3.7
2002 - 03	7302.55	681.26	7983.81	2653.58	10637.39	17.5
2003 - 04	8022.27	806.98	8829.25	2986.12	11815.37	11.07

*Source:* Finance Department Government of Kerala.

The table shows that the annual growth rate for the year 1996 - 97 was 13.3 per cent which came down to 11.07 per cent during the year 2003-04.

**Capital Expenditure**

The ratio of capital expenditure to total expenditure which was 8.82 per cent in 1995- 96 come down to 3.96 per cent by 2003- 04. This trend adversely affects the development and growth of the state. The total capital

expenditure in the year 1995 - 96 was Rs.563.47 crores and increased to Rs.639.71 crores by 2003 - 04. The trend of capital expenditure is given in Table No.2.26.

**TABLE No. 2.26**  
**Trend in Capital Expenditure**

Year	Capital Expenditure		Total Expenditure		Capital expenditure Total expenditure
	Amount	Annual Growth Rate	Amount	Annual Growth Rate	
1995 - 96	563.47	--	6389.85	--	8.82
2000 - 01	577.20	-10.95	12455.11	1.97	4.63
2001 - 02	558.36	-3.26	12220.38	-1.88	4.57
2002 - 03	698.66	25.13	15454.71	26.47	4.52
2003 - 04	639.71	-3.13	16135.38	4.40	4.00

*Source:* Budget in brief 2004 - 05 Finance Department, Government of Kerala).

The table shows that the rate of capital expenditure on total expenditure was 8.82 in the year 1995 - 96 which come down to 4 per cent by 2003 - 04.

### **Revenue Expenditure**

The total revenue expenditure for the year 1999 - 00 was Rs.11565.96 crores and increased to Rs.11877.52 crores by 2000 - 01 and Rs.15495.67 crores by 2003 - 04. The trend of revenue expenditure is given in Table No.2.27.

TABLE No. 2.27  
**Trend in Revenue Expenditure**

Year	Total Revenue Expenditure	
	Amount	Annual Growth Rate
1999 - 00	11565.96	25.33
2000 - 01	11877.52	2.69
2001 - 02	11662.03	-1.82
2002 - 03	14756.05	26.53
2003 - 04	15495.67	9.97

*Source:* Budget in brief, Kerala, 2002 - 03, 03 - 04, 04 - 05 Finance Department, Government of Kerala.

The table reveals that the annual growth rate for the year 1999 - 00 was 25.33 per cent. But it reduced to 9.97 per cent by 2003-04.

The internal debt of the state for the year 1999 - 00 was Rs.5735.61 crores and for the year 2003 - 04 was Rs.17421.02 crores. The growth rate from 1995 - 96 to 2002 - 03 comes to 24.91 per cent.<sup>26</sup>

The percapita debt of Kerala was Rs.8342 for the year 2002 and it was Rs.6285 in the year 2000. The per capita debt increased to Rs.11736 by the year 2003-04.<sup>27</sup>

<sup>26</sup> Govt. of Kerala Economic Review, *Op. cit.*

<sup>27</sup> Budget in brief, Kerala Finance Department, Govt. of Kerala.

The average annual consumer price indices for the year 2004 was 125 in Trivandrum, 120 in Ernakulam, 119 in Palakkad, 121 in Malappuram, 119 in Kozhikkode, 119 in Trichur, 123 in Kannur and 126 in Kasargod.

The most noteworthy aspect of Kerala economy in the study is the change for better in the growth scenario. The rates of growth of different sectors of the economy in the last four years are given in Table No.2.28.

**TABLE No.2.28**  
**Sectoral Growth Rates of Kerala Economy**  
(Per cent)

Year	Sectors			
	Primary	Secondary	Tertiary	Overall
2001 – 02	-0.06	-0.84	2.84	1.50
2002 – 03	1.47	5.81	8.55	6.63
2003 – 04	-2.01	6.02	8.88	6.31
2004 – 05	-2.88	5.56	8.76	6.15

Source: Govt. of Kerala Economic Review, 2004.

The table shows that the growth rate of primary sector was –0.06 per cent in the year 2001-02 and decreased to –2.88 per cent in the year 2004-05. But the growth rate of secondary sector increased from –0.84 per cent in the year 2001-02 to 5.56 per cent in the year 2004-05. The rate of growth of tertiary sector was 2.84 per cent in the year 2001-02 and increased to 8.76 per cent in the year 2004-05.

The table also reveals that the overall growth of Kerala economy in the year 2001-02 was 1.5 percent and increased to 6.15 per cent in the year 2004-05.

Prosperity of the economy mainly depends on its resource mobilisation. This is done by banking and non-banking financial institutions. Hence the role of financial institution is relevant in Kerala economy. So a brief explanation of the role of financial institutions, both banking and non banking, in the resource mobilisation of Kerala is given in the next chapter.

**THE ROLE OF KERALA STATE FINANCIAL  
ENTERPRISES LIMITED IN THE  
ECONOMIC DEVELOPMENT OF KERALA  
WITH SPECIAL REFERENCE TO  
MALABAR REGION**

*Thesis*  
*submitted to the University of Calicut*  
*for the award of the Degree of*  
**DOCTOR OF PHILOSOPHY IN COMMERCE**

*By*  
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**DEPARTMENT OF COMMERCE AND MANAGEMENT STUDIES**  
**UNIVERSITY OF CALICUT**  
**KERALA**

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## CHAPTER 3

# FINANCIAL INSTITUTIONS AND RESOURCE MOBILISATION

Financial sector plays a crucial role in the development process of a country. Financial institutions, instruments and markets that constitutes the market sector acts as a conduct for the transfer of resources from savers to borrowers. Apart from the institutions there is an unregulated segment of financial structure comprising of lenders, indigenous bankers, co-operative and semi-cooperative institutions. Commercial banks, among financial institutions, play a significant role in resource mobilisation.

### **Commercial Banks**

Commercial banking operations after the nationalisation of banks in 1969 have become an integral part of India's economic policy. Presently the commercial banking system consists of 66970 branches. At the time of nationalisation there were only 8286 bank branches all over India. The number rapidly grew to 66436 in March 2003 and to 66970 in March 2004. The number of rural bank branches in 2004 was 32080 (47.9 per cent), semi-urban branches 15018 (22.4 per cent), Urban branches 10990 (16.4 per cent and metropolitan branches 8882 (13.3 per cent).

The total number of scheduled commercial bank branches in Kerala as on March 2004 was 3404. This comes to 5.1 per cent of the total branches in India (Appendix VII).

Through deposits they mobilise savings and disburse the funds to needy people for economic purposes.

### Deposits

There was an increase in bank deposits in Kerala during 2004. The total bank deposit at the end of March 2004 was Rs.65961 crore as against Rs.59399 crore in 2003 and Rs.51656 crore in 2002. The growth of bank deposit in Kerala for the years 2000 to 2004 is given in Table No.3.1.

TABLE No. 3.1  
Growth of Bank Deposit in Kerala - 2000 - 2004

(Rs. crores)

Year (March)	Total Deposit		NRE Deposit		Domestic Deposit	
	Amount	Annual growth %	Amount	Annual Growth %	Amount	Annual Growth %
2000	38619	22.5	18724	40.5	19895	9.3
2001	44850	16.1	21431	14.5	23414	17.7
2002	51656	15.2	24534	14.5	27122	15.8
2003	59399	15.0	28696	17.0	30703	13.3
2004	65961	9.95	30100	4.89	35861	16.8
Sept. 2003	61119	12.0	28998	11.5	32121	12.4
Sept. 2004	65852	7.74	29089	0.31	36763	14.5

Source: Banking Statistics of Kerala, SLBC.

The table shows that the NRE deposit for the year 2004 was Rs.30100 crore as against Rs.28696 crore in 2003. During September 2003 the NRE deposit was Rs.28998 crore and during September 2004 was Rs.29089 crore.

### Advances

During 2003 - 04, the total advance given by all commercial banks in Kerala was Rs.31867 crores as against Rs.27007 crores of 2002 - 03 with an increase of Rs.4860 crore.<sup>1</sup> The growth of advances in 2002 - 03 was 22.4 per cent and 2003 - 04 it was only 18 per cent. The advances by commercial banks in Kerala and India for various years are given in Table No.3.2.

TABLE No. 3.2

### Advances by Commercial Banks in Kerala and India

(Rs. crores)

Sl. No	Year (end of March)	Advances in Kerala		Increment Advance in Kerala	Advances in India	
		Amount	% of Growth		Amount	% of Growth
1	2000	15941	17.4	2364	435938	18.2
2	2001	19180	20.3	3239	511434	17.3
3	2002	22062	15.0	2882	589723	15.3
4	2003	27007	22.4	4945	759210	28.7
5	2004	31867	18.0	4860	890866	17.3

Source: Quarterly banking statistics by RBI, March '04

<sup>1</sup> Govt. of Kerala Economic Review, 2004, p.384.

The table shows that the total advance disbursed by commercial banks at national level during 2003 -04 was Rs.890866 crore as against Rs.759210 crore in 2002 - 03.

Advances as percentage of state income from 2000 - 2004, at current prices, are furnished in Table No. 3.3.

**TABLE No. 3.3**  
**Advances as percentage of state income**  
(per cent)

Year	Kerala	India
2000	25.5	25.1
2001	27.5	26.9
2002	30.5	28.3
2003	33.4	34.1
2004	35.3	NA

*Source:* Bank Credit in Kerala, RBI.

The table shows that the advances as percentage of state income for 2004 was 35.3 as against 33.4 in the year 2003. The advance was 35.3 per cent of state income for the year 2004 as against 33.4 in the year 2003.

### **Credit Deposit Ratio**

Over all CD ratio in India during March 2003 was 56.4 per cent. It decreased to 55.2 per cent in March 2004. Among states Tamil Nadu tops with 83.1 per cent in March 2004 followed by Karnataka with 69.6 per cent.

The CD ratio of Kerala was only 49.7 per cent in March 2004. It was 43.7 per cent in March 2003 and 42.2 per cent in March 2002.

Analysing the CD ratio of major banks in Kerala, The Bank of India stands first with 62.48 per cent in March 2004. It was 59.31 per cent in March 2003. The Union Bank of India comes second with 61.33 per cent in March 2004 against 53.54 per cent in March 2003.<sup>2</sup>

The state level CD ratio during 2004 was 48.31 per cent against 45.47 per cent in 2003 and 42.71 per cent in 2002.

The CD ratio of selected major banks operating in Kerala is given in the Table No. 3.4.

TABLE No. 3.4

**Credit Deposit Ratio of Selected Major Banks in Kerala (as at March)**

Bank	2000	2001	2002	2003	2004
State Bank of India	39.80	46.62	42.64	42.32	45.59
SBT	45.97	46.00	46.13	48.06	50.89
Canara Bank	36.95	37.41	42.45	45.84	50.09
Indian Overseas Bank	26.25	28.00	33.14	32.33	35.68
Syndicate Bank	34.94	32.79	31.00	34.17	41.27
Indian Bank	32.59	35.53	29.80	31.78	33.61
Bank of India	32.83	34.08	31.20	59.31	62.48
Central Bank of India	35.48	37.03	35.00	35.26	53.79
Union Bank of India	51.36	45.00	49.97	53.54	61.33
Vijaya Bank	31.05	44.28	40.51	44.44	56.90
State Average	41.28	42.77	42.71	45.47	48.31

Source: State Level Bankers Committee.

<sup>2</sup> *Ibid.*, p.387.

The table shows that the Indian Bank has the lowest CD ratio i.e., 33.61 in the year 2004.

### **NRE Deposits**

The share of NRE deposits collected by the state bank groups during 2003-04 in Kerala was Rs.10764.57 crore (37.01%) followed by other nationalised banks groups Rs.9778.45 crore (33.62 per cent). The NRE deposits of other scheduled banks comes to Rs.9146.59 crores (31.44 per cent).

The share of NRE deposits of some major banks in Kerala - March 2004 is given in Table No.3.5.

TABLE No. 3.5

#### **Share of NRE deposits of some major banks in Kerala - March 2004**

Sl. No.	Name of Bank	Share of NRE deposit (%)
1	SBT	23.33
2	SBI	12.31
3	Canara Bank	11.63
4	Indian Overseas Bank	4.77
5	Indian Bank	2.55
6	Syndicate Bank	2.29
7	Union Bank of India	3.62
8	Federal Bank	14.77
9	Catholic Syrian Bank	3.41
10	South Indian Bank Ltd.	8.25

Source: SLBC June 2004.

The table shows that in the case of NR deposits SBT stands in the top position having 23.33 per cent of the total deposit.

### Priority Sector advance disbursed by Commercial Bank

The priority sector advances which was 45.9 per cent in 2002 declined to 43.9 per cent in 2003 and increased to 49.4 per cent by the end of March 2004. The priority sector advance disbursed by commercial banks for various years is given in Table No. 3.6.

TABLE No. 3.6

### Priority Sector advance disbursed by Commercial Banks - Kerala

(Rs. crore)

Year (March)	Total Advance	Total Priority Sector advance		Agricultural Sector		SSI Sector	
		Amount	% of Total Advance	Amount	% of total Advance	Amount	% of Total Advance
2000	15941	6840	42.9	2231	14.0	1991	12.5
2001	19180	8894	46.4	2747	14.3	2262	11.8
2002	22062	10132	45.9	3035	13.8	2540	11.5
2003	27007	11867	43.9	3507	13.0	2562	9.5
2004	31867	15725	49.35	4502	14.1	2618	8.2

Source: Economic Review, 2004.

The table shows that the total bank advances was Rs.31867 crores out of which priority sector advance was Rs.15725 crores (49.35per cent). The priority sector advance in proportion to the total deposits was 24 per cent.

The table also shows that out of the total advance of Rs.31867 crore, Rs.4502 crores (14.1%) was for agriculture sector and Rs.2618 core was for SSI sector. The credit flow per hectre of net cropped area increased from Rs.3300 in 1993 - 94 to Rs.20734 per hectre during 2003 - 04. More than 2/3rds of this credit has been for supporting agricultural operations.<sup>3</sup>

Self Help Groups contribute to development of human and social capital. The number of SHGs linked to banks under SHG - banks linkage programme aggregated to 10,79,091 as on March 31<sup>st</sup> 2004. The cumulative disbursement of bank loans to SHGs amounted to Rs.3904.00 crores as on 31<sup>st</sup> March 2004 to about 16 million families.

A brief account of the performance of major banks in Kerala is given below.

### **State Bank of India**

The state bank of India had 238 branches in Kerala as on December 2004. Out of these 27 was in rural area 144 was in semi urban area and 67 was in urban area. The total amount of deposit of the bank as on the date was Rs.703105 lakhs of which Rs.29214 lakhs were from rural area Rs.406395 lakhs from semi urban area and Rs.267496 lakh from urban area. The NRE deposit of the bank was Rs.361281 lakhs. The advances given by the bank as on that date was R.394886 lakhs of which Rs.227436 lakhs to

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<sup>3</sup> Ibid., p.393.

urban area Rs.22826 lakhs to rural area and Rs.144624 lakhs to semi urban area. The CD ratio of the bank was 56.16 as on that data. The total investment of the bank as on that date was Rs.125600 lakhs. The priority sector advance of the bank was Rs.180384 lakhs and the agricultural sector advance was Rs.42626 lakhs.<sup>4</sup> The bank had only 22 branches as on December 2002. The advance of the bank as on that date was Rs.279318 lakhs and the deposit was Rs.610924 lakhs.<sup>5</sup>

### **State Bank of Travancore**

The State Bank of Travancore had 552 branches in Kerala as on December 2004. Out of these 63 was in the rural area 412 in the semi-urban area and 77 in the urban area. The total amount of deposit of the bank was Rs.1480908 lakhs as on that date. Out of these Rs.94449 lakhs were from rural area, Rs.1100299 lakhs from S. urban area and Rs.286160 from urban area. The NR deposit of the bank was Rs.683915 lakhs of which Rs. 42753 lakhs from rural area Rs.567778 lakhs from semi-urban area and Rs.93384 from urban area. The advance given by the bank as on that date was Rs.807540 lakhs of which Rs.64198 lakhs to rural area Rs.508215 lakhs to semi-urban area and Rs.235127 to urban area. The CD ratio of the bank was 54.53. The total investment of the bank was Rs.55467 lakhs as on

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<sup>4</sup> Dept. of Economics and Statistics, Government of Kerala.

<sup>5</sup> Banking Statistics, 2002.

December 2004.<sup>6</sup> As on December 2002 the bank had only 555 branches. The deposit and advance of the bank as on that date was only Rs.1219578 lakhs and Rs.553704 lakhs respectively.<sup>7</sup>

### **Canara Bank**

The total number of branches of Canara Bank as on December 2004 was 247. Out of these 20 was in rural area 158 in semi-urban area and 39 in urban area. The total amount of deposit of the bank as on that date was Rs.634557 lakhs of which Rs.21249 lakhs were from rural area Rs.468890 lakhs from semi urban area and Rs.144418 lakhs from urban area. The NR deposit of the bank was Rs.333456 lakhs of which Rs.8492 lakhs from semi urban area Rs.278969 lakhs from rural area and Rs.45995 lakhs from urban area. The total amount of advances of the bank as on that date was Rs.357243 lakhs of which Rs.14855 lakh was to rural area, Rs.161434 lakhs to semi urban area and Rs.180954 lakhs to urban area. The CD ratio of the bank was 56.3. The investment of the bank was Rs.47549 lakhs.<sup>8</sup> As on December 2002 the total deposit of the bank was Rs.568054 lakhs. The portion of NRE deposit was Rs.327261 lakhs and the total amount of advance was Rs.269398 lakhs. The CD ratio on that date was 47.42 per cent.

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<sup>6</sup> Banking Statistics 2004.

<sup>7</sup> Banking Statistics 2002, Annual report, SBT 2003-04.

<sup>8</sup> Department of Economics and Statistics, Kerala.

## **Vijaya Bank**

Vijaya Bank had 70 branches in Kerala as on December 2004. Out of these 5 branches were in rural area, 48 branches in semi-urban area and 17 branches in urban area. The total amount of deposit of the bank as on that date was Rs.86719 lakhs of which Rs.2219 lakhs from rural area, Rs.54384 lakhs from semi-urban area and Rs.30116 lakh from urban area. The NR deposit of Vijaya Bank was Rs.21636 lakhs of which Rs.342 lakhs from rural area Rs.16656 lakhs from semi urban area and Rs.4638 lakhs from urban area. The CD ratio of Vijaya bank was 53.42 as on December 2004. The advances of the bank of December 04 were Rs.46322 lakhs of which Rs.19161 lakhs were to urban area, Rs.25630 lakhs to semi urban area and Rs.1531 lakhs to rural area. The investment of the bank as on December 04 was Rs.10939 lakhs.

## **Bank of Baroda**

Bank of Baroda had 44 branches in Kerala on December '04. The total deposit of the bank was Rs.119428 lakhs as on that date. The deposit from rural area was Rs.2362 lakhs, semi-urban area was Rs.80075 lakhs and urban area was Rs.36991 lakhs. The CD ratio of the bank was 34.73. The NR deposit of the bank was Rs.83518 lakhs. The advances of the bank were Rs.41476 lakhs of which Rs.907 lakhs were advanced to rural area,

Rs.20309 lakhs to semi-urban area and Rs.20260 lakhs to urban area. The investment of the bank on that date was Rs.2127 lakhs.<sup>9</sup>

### **Syndicate Bank**

The number of branches of Syndicate Bank as on December 2004 was 120. The total amount of deposit mobilised by the bank was Rs.188950 lakhs of which Rs.4098 lakhs from rural area, Rs.121433 lakh from semi urban area and Rs.63419 lakhs from urban area. The NR deposit of the bank was Rs.61573 lakhs. The advance given by the bank was Rs.104373 lakhs. The CD ratio was 55.24 and investment was Rs.10034 lakhs.

### **Federal Bank**

Among private sector banks, Federal bank stands in the top position. It had 329 branches as on December 2004. The total amount of deposit was Rs.769730 lakhs of which Rs.202415 lakhs from rural area, Rs.448580 lakhs from semi urban area and Rs.118735 lakhs from urban area. The NR deposit of the bank was Rs.417893 lakhs. The total amount of advance was Rs.405579 lakhs of which Rs.97717 lakh to rural area Rs.200409 lakhs to the semi urban area and Rs.107453 lakhs to the urban area.<sup>10</sup>

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<sup>9</sup> Banking Statistics 2004.

<sup>10</sup> *Ibid.*

## **South Indian Bank**

South Indian Bank had 247 branches as on December 2004. The total amount of deposits mobilised for the period was Rs.476533 lakhs of which Rs.50962 lakh was from rural area, Rs.336115 lakhs were from semi-urban area and Rs.89456 lakhs were from urban area. The NR deposit of the bank was Rs.246501 lakhs and the total amount of advances of the bank was Rs.198440 lakhs.<sup>11</sup>

## **IDBI Bank**

The total number of branches of IDBI bank in Kerala was 5 as on December 2004. The total deposit of the bank was Rs.16384 lakhs. The NR deposit of the bank was Rs.3468 lakhs and the advances of the bank was Rs.4672 lakhs.

## **HDFC Bank**

The total branches HDFC bank in Kerala was 19 as on December '04. The total amount of deposit was Rs.75682 lakhs and the total advances of the bank was Rs.68399 lakhs. The NR deposit of the bank was Rs.18547 lakhs as on that date.

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<sup>11</sup> *Ibid.*

## **ICICI Bank**

ICICI bank had 23 branches in Kerala as on December 2004. The total amount of deposits of the bank was Rs.80018 lakhs and advances was Rs.134237 lakhs. The NR deposit of the bank was Rs.22698 lakhs as on that date.

## **HSBC**

HSBC, one of the major foreign banks in Kerala had 2 branches on December 2004. The total amount of deposit of the bank on that date was Rs.22796 lakhs and the total amount of advances was Rs.1640 lakhs. The NR deposit of the bank was Rs.13796 lakhs.

## **Co-operative Banks**

The total number of branches of co-operative bank as on December 2004 was 123. The amount of deposit on that date was Rs.15465 lakhs. The advances of the bank was Rs.185784 lakhs. The NR deposit on that date was Rs.162 lakhs.<sup>12</sup>

## **Regional Rural Banks**

Regional Rural Banks ie North Malabar Gramin Bank, Kannur and South Malabar Gramin Bank, Malappuram are working in Kerala under the sponsorship of the Syndicate Bank and Canara Bank respectively covering

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<sup>12</sup> *Ibid.*

10 districts in the state. The key parameters of RRBs in Kerala as on 31.03.2004 are given in Table No. 3.7.

**TABLE No. 3.7**  
**Key Parameters of RRBs in Kerala as on 31.03.'04**  
(Rs. in crores)

Items	NMGB	SMGB	Total
No. of Branches	152	207	359
Deposits	616.34	908.49	1524.83
Borrowings	79.66	191.91	271.57
Investment	227.59	254.93	482.52
Loans Outstanding	544.41	911.65	1456.6
Loans issued	461.12	783.15	1244.27
CD Ratio	88.33	100.50	94.34
NPA	57.61	51.88	109.49
Average of NPA loan outstanding	10.98	5.70	8.34

*Source:* NABARD

The table shows that the total number of branches of NMGB was 152 as on 31.03.04 and SMGB was 207. The total amount of deposits mobilised by NMGB as on that date was Rs.616.34 crore and mobilised by SMGB was Rs.908.49 crore. The table also shows that the CD ratio of NMGB on the date was 88.33 and that of SMGB was 100.5 per cent. The amount of loan disbursed through the RRBs aggregates to Rs.1244.27 crores in 2003-04 against that of Rs.989.97 crores in 2002-03.

The total number of RRB branches in Kerala as on December 2004 was 361 and the total amount of deposit was Rs.164495 lakhs. The total amount of advances of the banks on that date was Rs.1,71,444 lakhs. The NR deposit was Rs.18838 lakhs.

### **Non-banking Financial Institutions (NBFIs) in Kerala**

Non banking financial institutions have become an integral part of the economic life of due to the various service rendered by them. The main NBFIs functioning in the state include KSIDC (Kerala State Industrial Development Corporation), Kerala Finance Corporation (KFC), Kerala Transport Development Finance Corporation (KTDFC), Chit Companies, Money lending Institutions, Kerala State Financial Enterprises Ltd. (KSFE) and other deposit taking NBFIs registered with RBI.

A brief description of the performance of these NBFCs are given below.

#### **KSIDC**

Kerala State Industrial Development Corporation is a company fully owned by the Govt. of Kerala. Established way back in July 1961 to nurture the medium and large scale industrial sectors in the state, KSIDC pervades each and every industry related activity in the state. It was formed with the objective of promoting, stimulating, financing and facilitating the

development of large and medium scale industries in Kerala. It constitutes a group of professionals from various fields including engineering, management, finance and law.

As a noddle agency for foreign and domestic investments in Kerala it provides comprehensive support for investors. It advises the state government on key facets of the state's industrial policy and organises promotional campaign both in India and abroad.

The total number of units assisted by KSIDC as on 31.03.2003 was 31 in the public sector and 431 in the private sector. The total amount of project cost as on that date was Rs.46,291 lakhs in the public sector and Rs.4,00,488 lakhs in the private sector.

### **Kerala Financial Corporation**

The Kerala Financial Corporation (KFC) incorporated under the State Financial Corporations Act of 1931, is a trend setter and path breaker in the field of industrial finance to service sector projects. It plays a major role in the development and industrialisation of Kerala by extending financial assistance to suit the requirements of the entrepreneurs. Through its sixteen branch offices, in the financial year 2002-03, it sanctioned industrial loans amounting to Rs.25,000 million to establish 40,000 industrial units, providing rewarding employment to millions. The results of KFC for the last 3 financial years are given in Table No.3.8.

TABLE No. 3.8

**Financial results of KFC over years**

(Rs. in Lakhs)

Description	2002-03	2003-04	2004-05
Sanctions	15573	16256	1098
Disbursements	11231	11902	8548
Recovery	25285	27284	24468
Total Income	11803	12040	9504
Total expenditure	10294	9165	8526
Operating profit	1179	2774	978

Source: www.kfc.org

The table shows that the total income of KFC for the year 2002-03 was Rs.11803 lakhs and decreased to Rs.9504 lakhs in 2004-05. The total amount of loan sanctioned by the KFC was Rs.1098 lakh in the year 2004-05 which was Rs.15573 lakh in the year 2002-03. The total amount of loan disbursed by KFC was Rs.11231 lakhs in 2002-03 and Rs.8548 lakhs in the year 2004-05.

**Kerala Transport Development Finance Corporation**

This is a Non-banking Financial company registered under the RBI. The Govt. of Kerala holds 100 per cent of paid up capital of the company. The main objective of the company is to finance for purchase of transport vehicles and to accept fixed deposits from the public.

The company mobilised fixed deposits from public amounting to nearly Rs.117.49 crores till 31.03.2005. During the year 2004-05 the company granted Rs.695.49 lakhs as loan to industrials for purchase of vehicles. The company earned a profit of Rs.396.12 lakhs during the financial year 2004-05. The dividend paid to state government for the financial year was Rs.30.24 lakhs.

### **Chit Companies and Money lending Institutions**

Between 1997 - 98 and 2002 - 03 nearly 4500 chits were registered in Kerala with a total capital turn over of Rs.360 crores.<sup>13</sup> Two third of the formal sector chits are registered in Trivandrum and Ernakulam with 43 per cent and 23 per cent respectively. There are 5696 money lending institution in the organised sector in Kerala as on March 2004. Thiruvananthapuram, Kollam, Pathanamthitta and Alappuzha districts accounts for over a half of the money lending institutions in the state. There is a vast informal sector with unregistered institutions operating in each and every nook and corner of the state. Population covered per money lending institutions in the state is 5590 as against 9431 per branch in the banking sector.

Among districts Alappuzha is in the top position having 976 money lending institutions. Money lending institutions in Kerala for the year 2003-04 is given in Table No.3.9.

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<sup>13</sup> Govt. of Kerala Economic Review, *Op. cit.*, p.403.

TABLE No. 3.9  
**Money lending Institutions in Kerala 2003 - 04**

Sl. No.	District	Money lenders		Population covered per institution
		Number	%	
1.	Thiruvananthapuram	570	10.01	5675
2.	Kollam	675	11.85	3828
3.	Pathanamthitta	785	13.78	1569
4.	Alappuzha	976	17.13	2157
5.	Kottayam	366	6.42	5336
6.	Idukki	344	8.57	6097
7.	Ernakulam	225	3.95	13770
8.	Thrissur	488	8.57	6097
9.	Palakkad	144	2.53	18174
10.	Malappuram	162	2.84	22405
11.	Kozhikkode	601	10.56	4789
12.	Wayanad	139	2.44	17355
13.	Kannur	139	2.44	17355
14.	Kasaragod	93	1.63	12939
	Kerala	5696	100	5590

*Source:* Inspecting Asst. Commissioner, Sales Tax Department.

The above table shows that Kasargod district is having only 93 money lending institutions in Kerala. The population covered per institution in the district is 12939. The table also shows that Alappuzha district is having 976 money lending institutions and population covered per institution is 2157.

Some money lending institution registered in Kerala are managed by woman. About 15 per cent of the money lenders accept deposit @ 7 to 12 per cent interest and majority extend loans @ 10 - 20 per cent on security of gold which is auctioned when defaulted. The major depositors are NRIs and the major loanees are ordinary workers, government employees, businessmen etc. The majority of defaulters are farmers. 50 per cent money lending institutions operate business in own building. A few lend without securities to 'honest' customers.

### **Chit funds**

As an indigenous financial instrument Chit has always been an integral part of the culture and tradition of the people of Kerala and it still functions as a complementary set up to modern financial techniques of savings and borrowings. The details of capital turnover of working chit funds registered in Kerala are given in Table No. 3.10.

TABLE No. 3.10

**Details of Working Chit funds Registered in Kerala  
1997 - 98 to 2000 - 03**

Sl. No.	District	Number	Percentage	Amount (Rs.crores)	Percentage
1.	Thiruvananthapuram	19664	43.31	133.94	37.17
2.	Kollam	3745	8.25	32.15	8.92
3.	Pathanamthitta	890	1.96	7.18	1.99
4.	Alappuzha	665	1.46	2.07	0.57
5.	Kottayam	1667	3.67	29.53	8.20
6.	Idukki	469	1.03	4.41	1.22
7.	Ernakulam	10324	22.75	78.18	21.70
8.	Thrissur	1153	2.54	9.15	2.54
9.	Palakkad	3139	6.91	32.32	8.98
10.	Malappuram	481	1.06	5.13	1.42
11.	Kozhikkode	1645	3.63	13.33	3.70
12.	Wayanad	71	0.16	1.94	0.54
13.	Kannur	1333	2.94	9.59	2.66
14.	Kasaragod	152	0.33	1.40	0.36
	Kerala	45398	100.00	360.32	100.0

*Source:* Inspecting Assistant Commissioners, Sales Tax Department.

The table shows that among the district Thiruvananthapuram is in top position with 19664 registered chit funds which is 43.31 per cent of the total chit funds in Kerala. The total capital turnover during the years 97 - 98 to 2000 - 03 was Rs.133.94 crores contributing 37.17 per cent of the turnover of Kerala.

The table also shows that Wayanad district has only 71 working chits and it comes to 0.16 per cent of the state total. The capital turnover of Wayanad come to Rs.1.94 crores i.e., 0.54 per cent of the total turnover of Kerala.

From the above discussion it is very clear that banks and other financial institutions play an indispensable role in the resource mobilisation of Kerala. But banks and other NBFIs except KSFE have not entered in the field of chitty business in Kerala. KSFE is the only financial institution in the public sector doing chitty business in Kerala. Chitties facilitate the middle and lower income groups to save a part of their limited income. Thus the role of KSFE Ltd. in the resource mobilisation of Kerala especially among lower and middle income group is relevant. Hence a detailed analysis of the role of KSFE Ltd. in resource mobilisation is given in the next chapter.

**THE ROLE OF KERALA STATE FINANCIAL  
ENTERPRISES LIMITED IN THE  
ECONOMIC DEVELOPMENT OF KERALA  
WITH SPECIAL REFERENCE TO  
MALABAR REGION**

*Thesis*  
*submitted to the University of Calicut*  
*for the award of the Degree of*  
**DOCTOR OF PHILOSOPHY IN COMMERCE**

*By*  
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**DEPARTMENT OF COMMERCE AND MANAGEMENT STUDIES**  
**UNIVERSITY OF CALICUT**  
**KERALA**

**AUGUST 2006**

## CHAPTER 4

### KSFE LTD. A PROFILE

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 are 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
3. Small branches.

## **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

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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.

TABLE No. 4.1

**District-wise Network of branches in the State as on 31-3-04**

District	No. of Branch
Kasaragod	4
Cannanore	12
Wynad	4
Calicut	20
Malappuram	13
Palakkad	18
Trichur	24
Ernakulam	28
Idukki	2
Kottayam	20
Alappuzha	20
Pathanamthitta	12
Kollam	33
Trivandrum	42
Total	252

Source: Annual Report of KSFE Ltd.

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.

TABLE No. 4.2

**District-wise break-up of Branches (as on 31-03-2004)  
in Malabar Region**

Area	Trichur	Palakkad	Malappuram	Calicut	Wayanad	Kannur	Kasaragod	Total
Urban	7	3	2	6		3	2	23
Semi-Urban	17	15	11	14	4	9	2	72
Total	24	18	13	20	4	12	4	95

(Source: Annual Report of KSFE Ltd., 03-04)

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)

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

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**

(in lakhs)

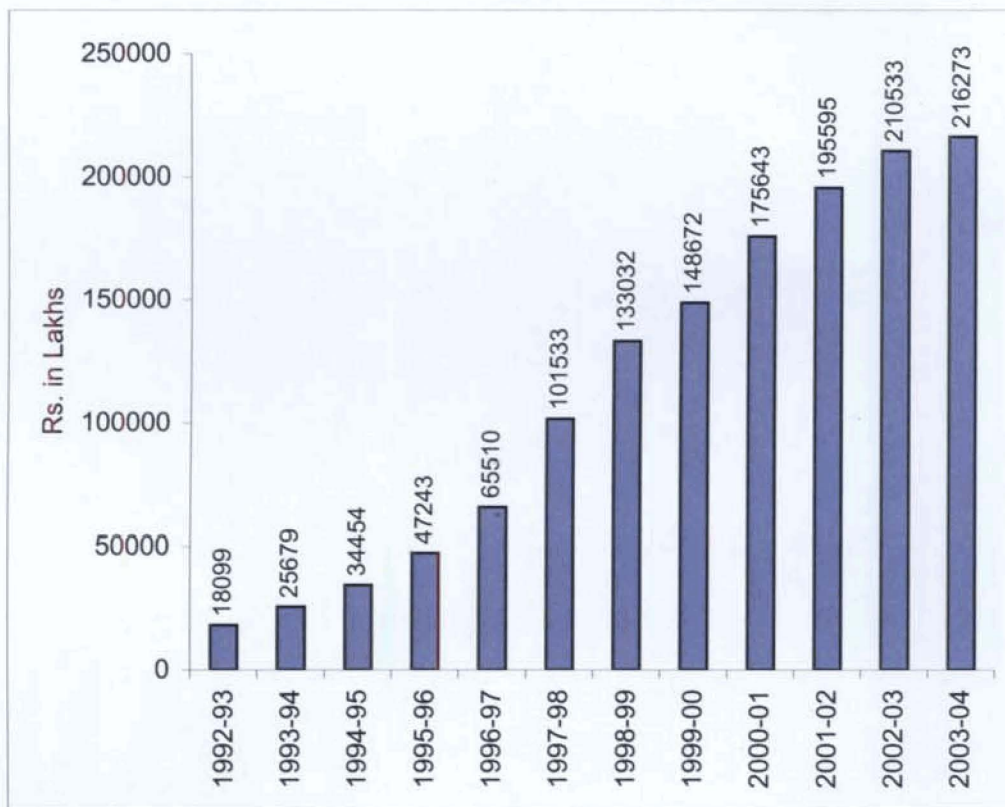
Years	92-93	93-94	94-95	95-96	96-97	97-98	98-99	99-00	00-01	01-02	02-03	03-04
Turnover	18099	25679	34454	47243	65510	101533	133032	148672	175643	196595	210533	216273
Fixed Deposit	4421.71	6060.83	9038.6	16160	24609.99	39840.04	59470.86	67133.32	77998	108631	125462	123834
Branches	137	150	159	173	180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

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.

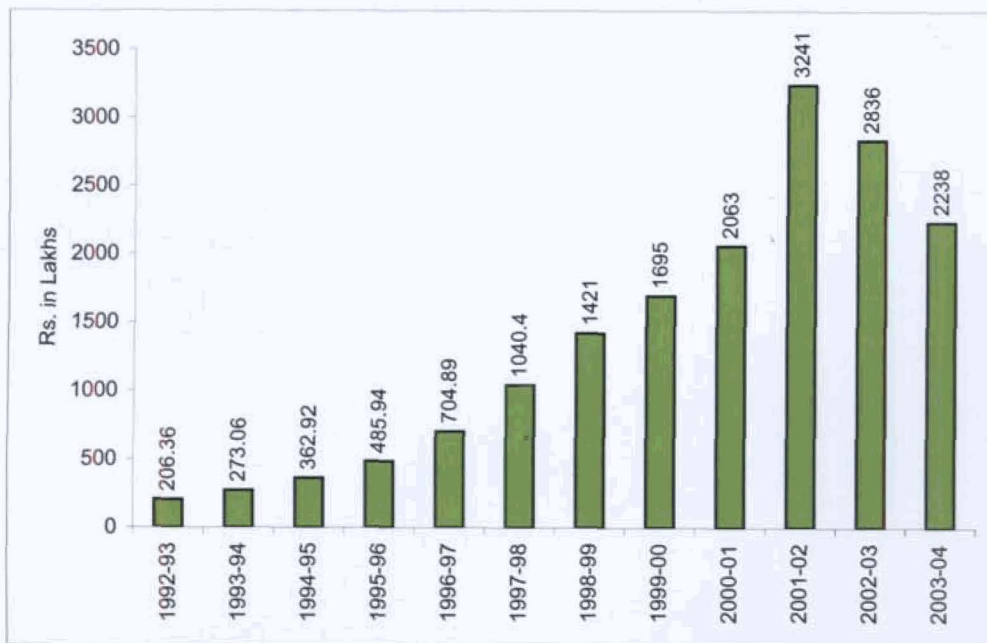
## Payment to Government

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 No. 4.5  
Direct benefits to the government (in lakh)

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

(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

### **Indirect benefits to the Government**

(Rs. in Lakhs)

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

(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.

TABLE No. 4.7

**The progress of Chitty business**

(in lakhs)

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

(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](http://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)

	99-00	00-01	01-02	02-03	03-04	Percentage increase/decrease
Outstanding Advances	5324.67	6524.01	7851.77	–	–	20.35
Hire purchase/ Consumer loan	–	–	–	8275.06	5822.30	-29.64

(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.

TABLE No.4.9

**The disbursement of trade loan and chitty loan over years**

(in lakhs)

	99-00	00-01	01-02	02-03	03-04	Percentage
Trade loan outstanding	1364.63	1140	1185.96	844.33	552.99	-51.49
Increase/decrease (percentage)	-	-	4.03	-28.8	-34.51	-
Chitty loan/New Chitty loan	31453.35	31323.05	29606	21875.19	15190.45	-51.50
Increase/decrease	-	-	-5.4	-26.11	-30.56	-

Source: Annual Report – various years.

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)

	99-00	00-01	01-02	02-03	03-04	Percentage decrease/increase
Gold loan	963.35	2035.75	4039.51	7326.02	16343.96	702.75
Increase/decrease(percentage)	–	112	98.47	81.38	123.10	–

(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.

TABLE No. 4.11

**The disbursement of Fixed Deposit/  
New Fixed Deposit loan/ Reliable Customer loan over years**  
(in lakhs)

	99-00	00-01	01-02	02-03	03-04
RCL/FD outstanding	5770.43	4557.30	4111.45	4670.31	6245.47
Increase/decrease in percentage	–	-20%	-9.70	13.60	33.73

(Source: Annual Report).

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**

	99-00	00-01	01-02	02-03	03-04	Percentage decrease/increase
Amount outstanding	4128.85	4424.95	4685.60	4079.08	3800.45	14%
Increase/decrease (percentage)	-	-8	5.89	-12.93	-6.84	-

(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 No. 4.13

**Deposit Mobilisation over years**

(in lakhs)

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

(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)

Sl. No.	Items	1997-98	1998-99	1999-2000	2000-2001	2001-2002	2002-2003
1	Annual Chitty Turnover	629.17	804.48	989.73	1229.7	1454	1595.18
2	Total Advance	391.1	534.2	502.65	564	560	548.82
3	Total deposit	439.4	651.3	758	881	1207	1426.84
	Total Business	1459.67	1989.98	2254.23	2674.7	3221	3570.84

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.
6. Introduction of Daily/Weekly Draw/Auction Chitties.
7. Starting of computerised micro branches which may be named as "KSFE Kosoks" in all the 100 Panchayaths of Kerala.
8. Entering in to Credit Card/Debit Card business.
9. Starting of recurring deposit scheme and flexi agricultural loan scheme.

**THE ROLE OF KERALA STATE FINANCIAL  
ENTERPRISES LIMITED IN THE  
ECONOMIC DEVELOPMENT OF KERALA  
WITH SPECIAL REFERENCE TO  
MALABAR REGION**

*Thesis*  
*submitted to the University of Calicut*  
*for the award of the Degree of*  
**DOCTOR OF PHILOSOPHY IN COMMERCE**

*By*  
**HABEEBU RAHIMAN. P.M.**

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**DEPARTMENT OF COMMERCE AND MANAGEMENT STUDIES**  
**UNIVERSITY OF CALICUT**  
**KERALA**

**AUGUST 2006**

## **CHAPTER 5**

### **ECONOMIC DEVELOPMENT - THE ROLE OF KSFE LTD.**

A discussion on the profile of KSFE Ltd., was made in the earlier chapter. The main objective of the establishment of the company was to start, conduct, promote and manage the business of chitties. Thus it can mobilize small savings of the people and channelise them to investment and thus lead to capital accumulation. The success of any venture depends on the extent to which it could reach its objectives. This chapter discusses the impact of KSFE Ltd. in the economic development of Kerala, especially in the Malabar region.

For analysing the impact of KSFE the variables such as demographic condition, economic condition, asset structure, standard of living etc. are taken. The demographic condition of the beneficiaries is an indispensable factor in evaluating the service of any financial institution. Before analysing the role of KSFE Ltd., in the economic improvement of the beneficiaries, a brief description of the demographic variables of sample respondents is important. It is given in the coming pages. Sex-wise division of the respondents is given in Table No. 5.1

TABLE No. 5.1

**Sex-wise division of customers**

(In Percentage)

Area	Male	Female	Total
Village	79.14	20.86	100
Municipality	79.34	20.65	100
Corporation	68.18	31.82	100
All groups	75.55	24.45	100

Source: Survey data

The table shows that among village respondents 79.14 per cent are male customers and 20.86 per cent, female customers. 79.34 per cent of municipality customers are males and 20.66 per cent are females. Among customers from corporation 68.18 per cent is male and 31.82 per cent is female.

**Religion**

Religion-wise classification of customers is given in the Table No.5.2.

TABLE No. 5.2

**Religion-wise classification of customers**

(In percentage)

Area	Hindu	Muslim	Christian	Total
Village	55.53	34.92	9.55	100
Municipality	60.61	29.25	10.14	100
Corporation	54.54	28.78	16.68	100
All groups	56.89	30.98	12.13	100

Source: Survey data

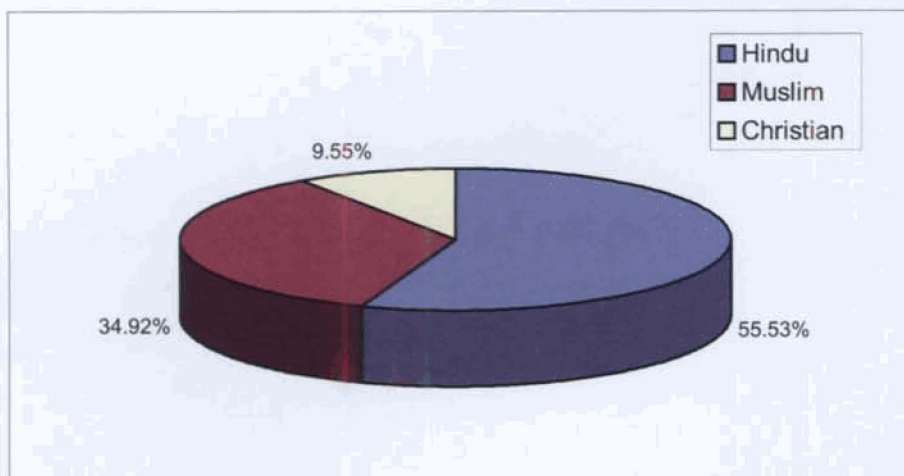
The table reveals that among village customers 55.53 per cent are Hindus 34.92 per cent Muslims and 9.55 per cent Christians. Among customers of municipality areas 60.61 per cent are Hindus, 29.25 per cent Muslims and 10.14 per cent Christians. Among the customers from Corporation area 54.54 per cent are Hindus, 28.78 per cent Muslims and 16.68 per cent Christians.

The religion-wise classification of customers is depicted in Figure No. 5.1.

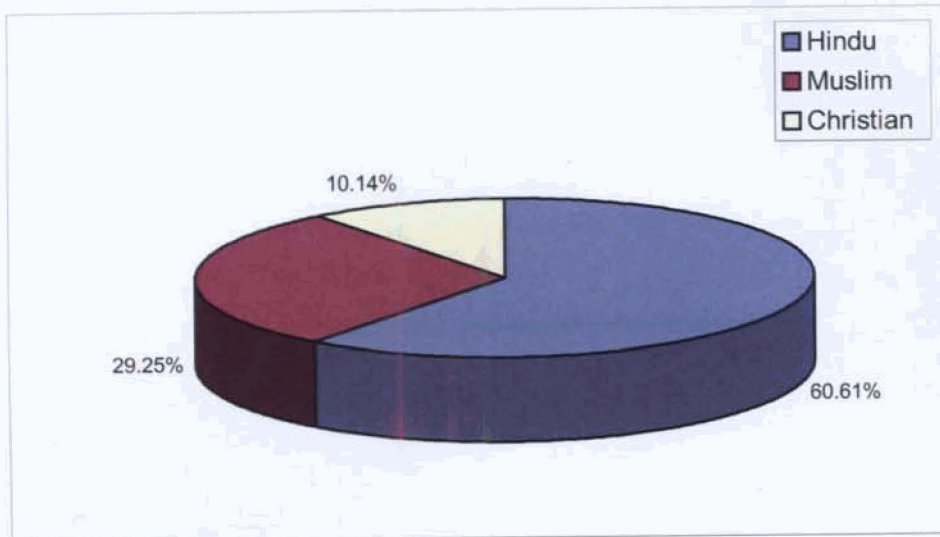
FIGURE No.5.1

**Pie diagram showing religion-wise Classification of Customers**

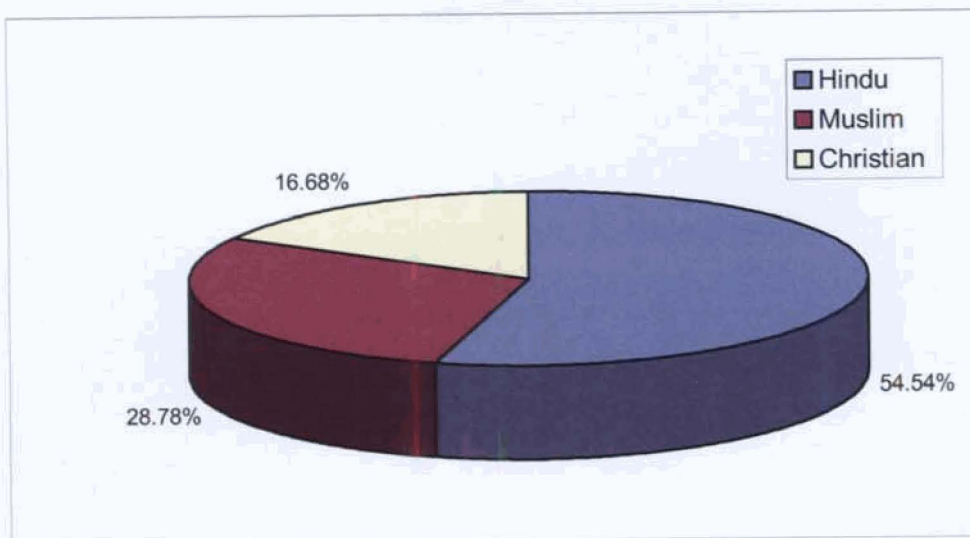
**A. Village**



## B. Municipality



## C. Corporation



## Educational Qualification of Customers

Educational qualification is one of the major determinants of economic development. The educational qualification of the respondents is presented in Table No. 5.3.

TABLE No. 5.3

### Educational Qualification of the Respondents

(In Percentage)

Area	Below SSLC	SSLC	PDC/+2	Degree	PG	Professional	Total
Village	13.82	28.38	22.60	24.36	9.84	1.00	100
Municipality	9.56	28.51	28.00	18.89	12.13	2.91	100
Corporation	13.12	17.86	20.79	25.75	12.39	10.09	100
All groups	12.46	24.94	23.80	23.00	11.45	4.35	100

Source: Survey data.

This Table shows that only 13.82 of village respondents are below S.S.L.C. But in the case of municipality it is 9.56 per cent and in corporation it is 13.12 per cent.

The table also shows that 28.38 per cent of the village respondents are having SSLC. This is 28.51 per cent in the case of municipality and 17.86 per cent in the case of corporation. 22.60 per cent from village respondents 28 per cent from municipal area and 20.79 per cent from corporation have pre-degree or plus 2 level of education 24.36 per cent of the village respondents are graduates. But only 18.89 per cent from village

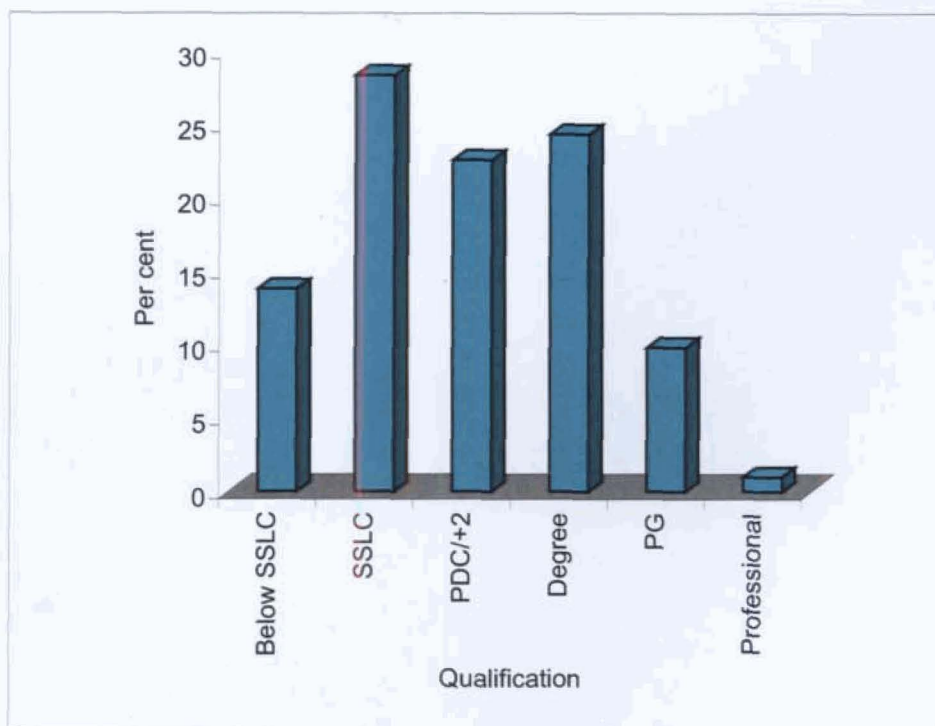
respondents are graduates. This is 25.75 per cent in the case of corporation. Post-graduates are 9.84 per cent in the case of village respondents, 12.13 per cent in municipalities 12.39 per cent in the case of corporation. Only 1 per cent of the village respondents have professional qualification. But this is 2.91 per cent in the case of municipalities and 10.09 in the case of corporations.

The educational qualifications of the respondents in the Village, Municipality and Corporation are depicted in Figure No. 5.2.

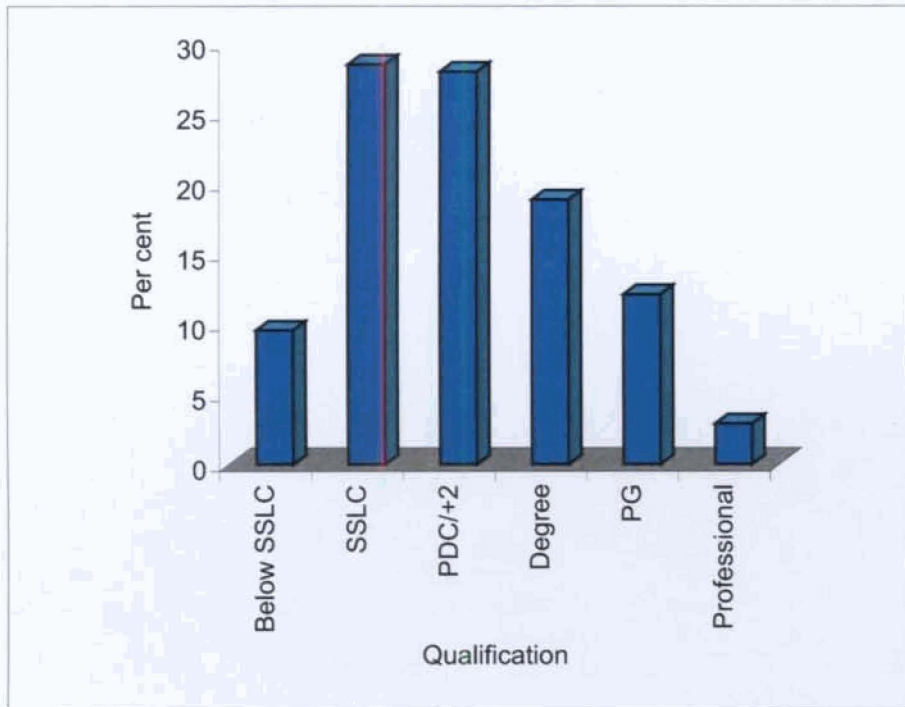
FIGURE No.5. 2

**Bar Diagram showing the Educational Qualification of Respondents**

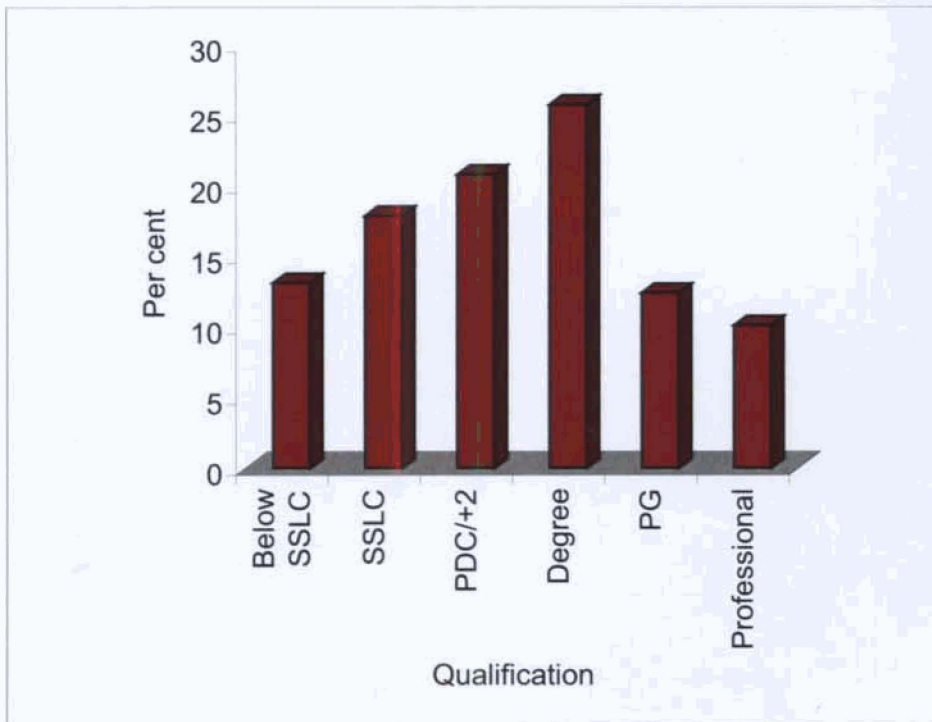
**A. Village**



### B. Municipality



### C. Corporation



## Occupation/employment of the customers

The occupation/employment is the major determinant to measure economic prosperity. The respondents were asked about their occupation. The occupation/employment status of the respondents is given in Table No. 5.4.

**TABLE No. 5.4**  
**Occupation and Employment Status of Customers**  
(In percentage)

Locality	Agri.	Agri. service	Artisan	Govt. Employee	Professional	Industrial	Business	Private employee	Self Employee	Other	Total
Village	2.54	1.00	1.00	39.19	0.75	0.75	14.33	17.58	15.32	9.54	100
Municipality	2.86	0.76	0.76	43.40	1.77	1.33	9.94	12.23	13.58	13.37	100
Corporation	1.51	1.52	7.58	24.20	9.09	1.52	9.09	15.15	15.15	15.14	100
All groups	2.31	1.09	3.11	35.60	3.87	1.20	11.12	14.99	14.68	12.03	100

*Source:* Survey data

The above table shows that 2.54 per cent of village customers are agriculturists and only 1 per cent is doing service of agriculture. This is 2.86 per cent and 0.76 per cent respectively in the case of municipalities. And 1.51 per cent and 1.52 per cent each in the case of corporation. One per cent of the village customers are artisans. This is 0.76 per cent and 7.58 per cent respectively in the case of municipality and corporation. It can be seen from the table that 39.19 per cent of the village customers are government

employees and 0.75 per cent are professionals. This is 43.4 per cent and 1.77 per cent respectively in municipalities. Government employee customers are 24.20 per cent in the case of corporation and professionals are 9.09 per cent. 0.75 per cent of the village customers are industrialists and 14.33 per cent businessmen. In municipalities this is 1.33 per cent and 9.94 per cent respectively. In corporation 1.52 per cent are industrialists and 9.9 per cent, businessmen.

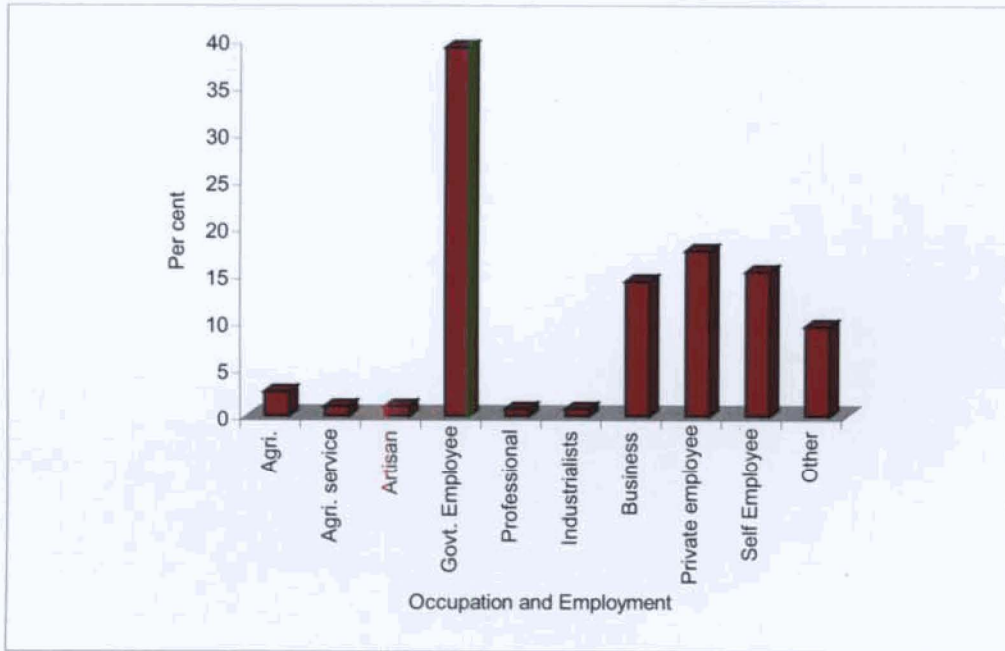
Among village customers 17.58 per cent are private employees and 15.32 per cent, self employed. In municipalities this is 12.23 per cent and 13.58 respectively. In the case of corporation private employees and the self employed are 15.15 per cent each. 9.54 per cent of the village customers are employed in other jobs. This is 13.37 per cent and 15.14 per cent respectively in the case of municipalities and corporations.

The occupation and employment status of customers is depicted in Figure No. 5.3.

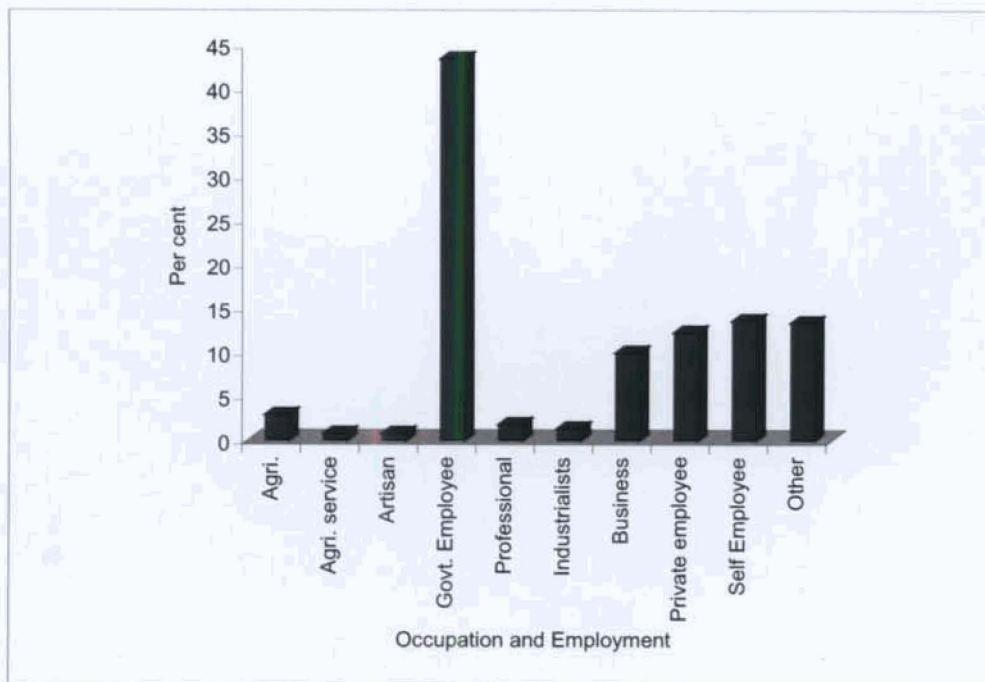
FIGURE No.5. 3

**Bar Diagram showing the Occupation and Employment Status of Customers**

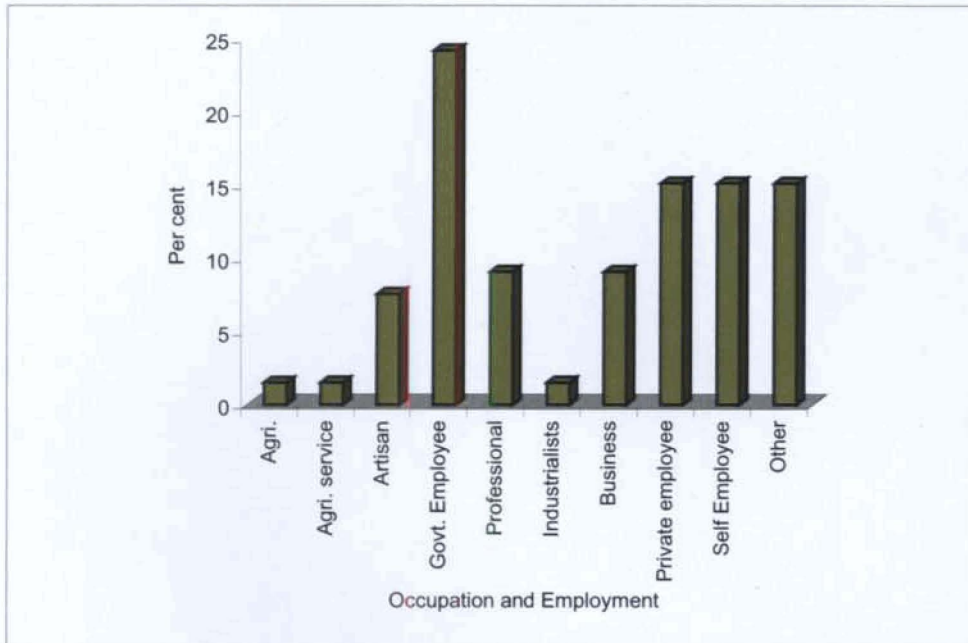
**A. Village**



**B. Municipality**



### C. Corporation



### Testing of Hypotheses

#### Hypothesis II

The second hypothesis that majority of the customers of KSFE are salaried people is proved by applying Normal test of Proportion.

$$\begin{aligned} Z &= \frac{P' - P}{\sqrt{\frac{P_0 Q_0}{n}}} \\ &= \frac{0.5446 - 0.5}{\sqrt{\frac{0.5 \times 0.5}{1521}}} \\ &= 0.0446 \times 78 \\ &= 3.47 \\ &==== \end{aligned}$$

Since, calculated value of  $Z > 2.33$  it can be concluded that  $p > 0.5$  (at 1% level of significance) more than 50 per cent of the customers are proved to be salaried people.

**TABLE No. 5.5**  
**Salaried and Non-salaried Customers**

(In percentage)

Locality	Salaries	Non-salaried	Total
Village	56.77	43.23	100
Municipality	55.63	44.37	100
Corporation	39.35	60.65	100
All groups	50.58	49.42	100

Source: Survey data

$$\begin{aligned}\chi^2 &= 0.758 + 0.755 + 0.516 + 0.537 + 2.48 + 2.55 \\ &= 7.596 \\ &=====\end{aligned}$$

$$\chi^2 \sim \chi_{(2)}^2$$

Tabular value of  $\chi_{(2)}^2, 0.05 = 5.99$ .

Since the observed value of  $\chi^2 = 7.596 > 5.99$ , it can be concluded that the locality and nature of customers are associated i.e. salaried and non-salaried customers are not alike in village, municipality and corporation areas. Hence,  $H_0$  hypothesis is proved true.

## Annual Income

Income has been considered as one of the major indicators determining the standard of living of people. The Table No. 5.6 compiles the annual income of customers.

TABLE No. 5.6  
Annual Income of Customers

(In Percentage)

Locality	Below Rs.50,000	50,000-1,00,000	1,00,000-1,50,000	1,50,000 and above	Total
Village	30.23	49.77	9.95	10.05	100
Municipality	23.71	55.49	12.04	8.76	100
Corporation	20.61	58.22	7.57	13.60	100
All groups	24.86	54.49	9.85	10.80	100

Source: Survey data

Among village customers 49.77 per cent are in the income group of 50,000 to 1,00,000. 55.49 per cent of municipality customers and 58.22 per cent of corporation customers are in this income group. 30.23 per cent of village 23.71 per cent of municipality and 20.61 per cent of corporation customers are having an income of below Rs.50,000. 8.76 per cent of municipality customers are having an income of above Rs.1,50,000. This is 10.05 per cent among villagers and 13.6 per cent among corporation customers. Among corporation customers 7.57 per cent is in the income

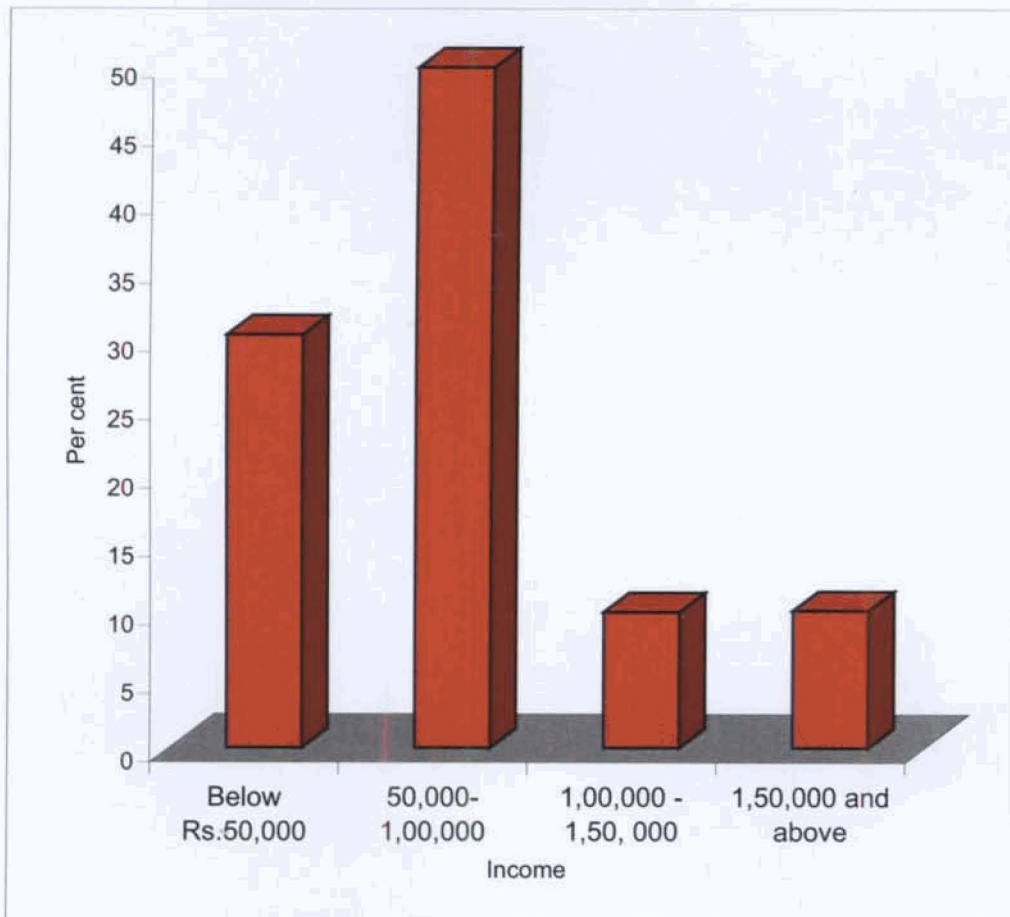
group of Rs.1,00,000 to 1,50,000. This is 9.95 per cent in village customers and 12.04 per cent among municipality customers.

The following bar chart shows the annual income of the customers of KSFE Ltd (Figure 5.4).

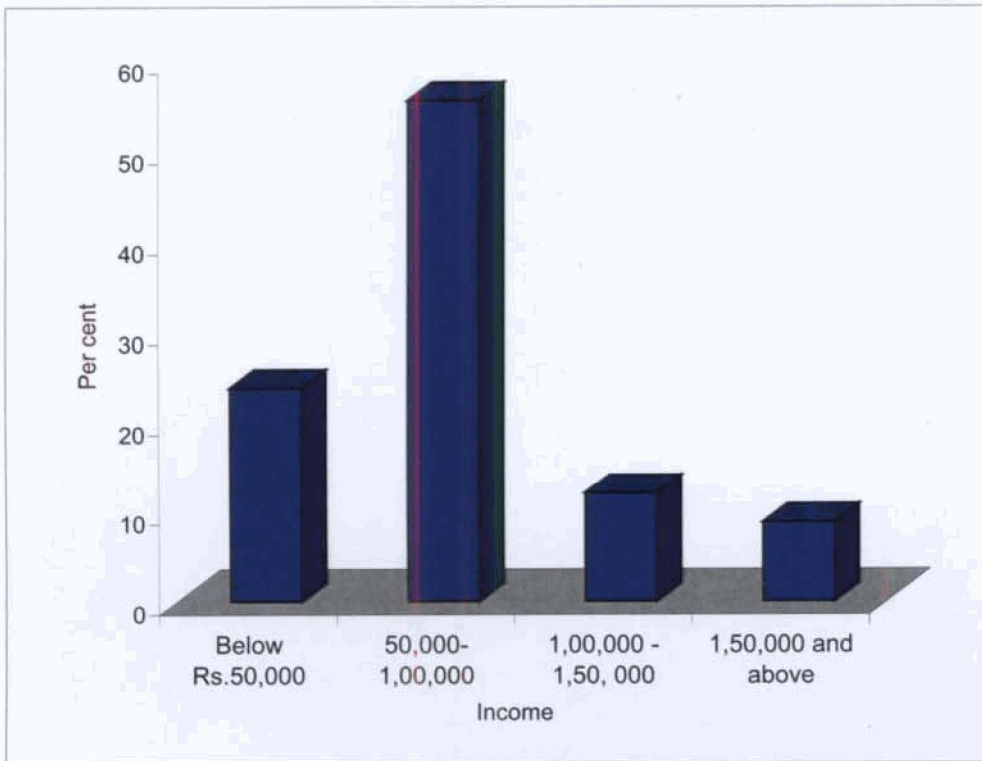
FIGURE No.5.4

**Bar Diagram showing Annual Income of the Customers**

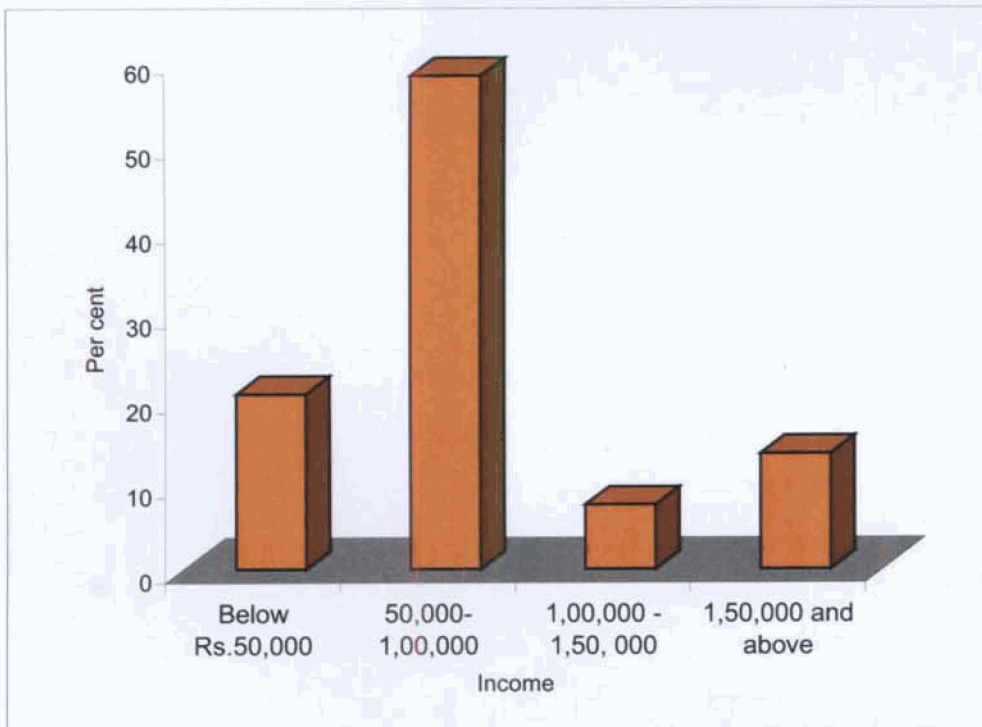
**A. Village**



### B. Municipality



### C. Corporation



An analysis of the change in income after availing the service of KSFE is also made. It is revealed that a good portion of the regular customers have progressed with this service.

### **Housing Particulars of Customers**

The respondents were asked about their housing particulars. The housing particulars of the respondents are given in Table No. 5.7.

TABLE No. 5.7  
**Housing particulars of Customers**  
(In Percentage)

Area	Owned	Rented	Concrete	Tiled	Thatched	Electrified	Non-Electrified
Village	92.72	6.28	64.32	33.66	2.02	96.98	3.02
Municipality	93.88	6.12	58.51	39.96	1.53	98.09	1.91
Corporation	90.91	9.69	54.55	34.88	10.57	95.45	4.55
All groups	92.50	7.50	59.13	36.16	4.71	96.84	3.16

*Source:* Survey data

The table shows that 92.72 per cent of the village customers are staying in owned houses and 6.28 per cent are staying in rented houses. This is 93.88 per cent and 6.12 per cent respectively in municipality. But in corporation 90.91 per cent customers are staying in owned houses and 9.09 per cent customers are staying in rented houses. 64.32 per cent of the village customers are having concrete houses and 33.66 per cent are having tiled and 2.02 per cent are thatched. This is 58.51 per cent, 39.96 per cent, and

1.53 per cent respectively in the municipality. In corporation areas, 54.55 per cent are concrete houses, 34.88, tiled and 10.57 per cent, thatched. 96.98 per cent of village customers have electrified houses and 3.02 per cent customers have non-electrified. This is 98.09 per cent and 1.91 per cent respectively in the case of municipality. In the case of corporation 95.45 per cent houses are electrified. The customers having electrified houses are more in the case of municipality.

### **Home appliances**

The customers were asked about their household appliances. Using various home appliances is one of the major indicators of economic improvement. The following table No. 5.8 shows the percentage of customers possessing different home appliances.

TABLE No.5.8

**Home appliances possessed by the Customers**

(In Percentage)

Locality	TV	Fridge	Washing Machine	Cooking gas	Water connection	Telephone/ Mobile	Computer Internet	Vehicle	Other
Village	76.88	55.07	30.91	67.84	16.83	60.05	14.82	32.16	1.0
Municipality	77.24	53.53	31.93	63.86	22.56	64.43	15.68	33.65	2.10
Corporation	71.71	45.45	28.78	42.42	22.72	33.33	13.64	28.79	1.56
All groups	75.28	51.35	39.54	58.04	20.70	52.61	14.71	31.53	1.55

*Source:* Survey data.

The table shows that among village customers 76.88 per cent have TV, 55.07 per cent have Fridge, 30.91 per cent have washing machine and 67.84 per cent, cooking gas. This is 77.24 per cent, 53.53 per cent, 31.93 per cent and 63.86 per cent respectively in the case of municipalities. In Corporation 71.71 per cent customers are have TV, 45.45 per cent, Fridge, 28.78 per cent possess washing machine and 42.42 per cent use cooking gas. 16.83 per cent of village customers, 22.56 per cent of municipality customers and 22.72 per cent from customers from corporation are having public water connection. 60.05 per cent of village customers 64.43 per cent of municipality customers and 33.33 per cent customers of corporation are users of telephone or mobile phone. 14.82 per cent of customers from villages 15.68 per cent customers from municipality 13.64 per cent customers from corporation are using computer or internet. 32.16 per cent customers of villages, 33.65 per cent customers from municipality and 28.79 per cent customers from corporation are the owners of vehicles. 1 per cent of village customers, 2.1 per cent of municipality customers and 1.56 per cent customers from corporation are possessing other assets. It can be revealed from the table that TV users are more in municipality. But users of fridge are more in villages. This is the case of cooking gas also. Comparing corporation and village customers using vehicles are more than those from municipalities. Computer and internet users are less in the case of corporation. Customers using home appliances before and after availing the

service of KSFE is also analysed 3.77 per cent of the village customers availed of the service of KSFE to buy TV. 3.52 per cent of village customers availed the service of KSFE to buy fridge. 2.01 per cent availed of the service of KSFE to buy washing machine. To buy computer, 1.7% of the customers availed of the service of KSFE. 2.01 per cent of the customers availed the service of KSFE to buy vehicles.

6.5 per cent of the municipality customers availed of the service of KSFE to buy TV sets, 4.7 per cent to buy fridge, 3.44 per cent to buy washing machine 0.76 per cent to buy computer and internet and 4.21 per cent to buy vehicles.

As far as corporation are concerned, 10.60 per cent of the customers availed of the service of KSFE to buy TV, 13.64 per cent to buy fridge, 9.09 per cent, to buy washing machine, 1.51 per cent to buy computer/internet and 7.57 per cent to buy vehicles.

### **Properties Owned**

Reports of Properties owned by the customers were also collected. Property owned by the customers of KSFE in different locality is presented Table No. 5.9.

TABLE No.5.9

**Properties owned by the customers**

(In percentage)

	Land	Building	Livestock	Agriculture Implement	Financial asset
Village	81.94	81.65	0.75	1.00	0.75
Municipality	84.69	83.36	0.95	0.57	1.90
Corporation	75.75	72.72	1.51	1.00	3.03
All groups	80.79	79.24	1.07	0.86	1.89

Source : Survey data.

The table reveals that 81.94 of village customers owned land, 81.65 owned building 0.75 per cent owned livestock, 1. per cent owned agricultural implements and 0.75 per cent owned financial assets. In municipality areas this is 84.69 per cent, 83.36 per cent 0.95 per cent 0.57 per cent and 1.90 per cent respectively. In corporation 75.75 per cent of the customers owned land. 72.72 per cent owned building 1.51 per cent livestock 1 per cent owned agricultural implements and 3.03 per cent owned financial assets.

The analysis shows also that 57.78 per cent of village customers owned ancestral land and 24.37 per cent purchased it. In the case of building 58.79 per cent are ancestral and 22.96 per cent, purchased. In the case of livestock 0.28 per cent are ancestral and 0.50 per cent purchased.

Among Municipal customers 53.91 per cent owned ancestral land and 30.78 per cent owned, purchased land 6.30 per cent have both ancestral and purchased land. In the case of building it is 54.30 per cent, and 29.06 per cent. 2.4 per cent of the customers have both ancestral building and purchased building. In the case of customers from corporations 53.03 per cent hold ancestral land and 22.72 per cent, purchased land. 57.57 per cent customers owned ancestral building and 15.15 per cent purchased building.

The source of buying different assets are also analysed. Among customers from village 10.8 per cent availed of the service of KSFE to acquire land and 7.78 per cent depended on other sources. 1 per cent of the customers used both sources.

To purchase building 7.78 per cent depended on KSFE, 6.5 per cent were depended on other agencies and 0.25 per cent depended on both the sources.

Among customer from municipalities 12.23 per cent depended on KSFE to buy land, 10.89 on other sources and 76.86 per cent of customers depended on both the sources. 9.94 per cent of the on KSFE and 9.36 per cent depended on other sources to buy buildings.

## Dependence on private money lenders or private chits

The respondents were asked about dependence on private money-lenders or private chits. The Table No. 5.10 shows the customer's dependence on private money-lenders.

TABLE No.5.10

### Dependence on Private money lenders/ Private chits

(In percentage)

Locality	Depended	Not depend	Total
Village	7.28	92.72	100
Municipality	6.69	93.31	100
Corporation	10.19	89.81	100
All groups	8.05	91.95	100

All groups : Survey data

The table reveals that among village customers only 7.28 per cent are depending on private money lenders or private chits for their financial needs. And 92.72 per cent are not depending at all. In municipalities this is 6.69 per cent and 93.31 per cent respectively. In corporation 10.19 per cent are depending on private money lenders and 89.81 per cent are not depending at all. Those who are depending on private chits were asked whether they are willing to continue the habit of dependence. In village only 3.77 per cent are willing to continue the dependence while 60.05 per cent are not willing to continue the habit. In municipality 4.40 per cent are willing to continue the

habit. But 43.98 per cent are not willing to continue. No opinion was given by 51.62 per cent. In corporation 4.55 per cent are willing to continue the habit. But 84.85 per cent are not willing to continue. Those who are willing to continue were again asked about their reason for doing so. 0.25 per cent of village customers and 0.58 per cent of municipality customers are of the opinion that the behaviour of private financiers and chits are good. 1.00 village, 1.72 per cent of municipality and 3.03 per cent corporation respondents are of the opinion that there is no delay in dealing by private financiers. 0.25 per cent of villagers 0.76 per cent of municipality customers and 1.52 per cent from corporation are continuing the habit because there is no need of sureties in private chits. 0.25 per cent of villagers, 0.38 per cent from municipality opined that there is no strict procedures in private chits. They are also opined that there is no delay in private chits. Some are of the opinion that there are no alternatives to private chits for their financial needs 0.50 per cent of village customers are of this opinion.

### **Testing of Hypothesis**

Hypothesis III : KSFE customers are not having customership in private chits.

Almost all customers (above 90 per cent) depend only on KSFE as clear from the sample

$$= H_0 = p = 0.90$$

$$H = p < 0.90$$

$$P' = 0.92$$

$$Z = \frac{P' - P_0}{\sqrt{\frac{P_0 q_0}{n}}} = \frac{0.92 - 0.90}{\sqrt{\frac{0.9 \times 0.1}{1521}}} = 2.49$$

Since  $2.49 > -1.645$  it can be concluded that more than 90 percent of the KSFE customers are not customers of private chits.

**Reasons why customers are not willing to continue the dependence on money lenders**

The customers were also asked why they were not willing to continue the habit of depending on money lenders. The responses are presented in the Table No. 5.11.

TABLE No. 5.11

**Reasons why customers are not willing to continue the dependence on moneylenders**

(In percentage)

Locality	High interest rate	Greater Exploitation	Not needed	Other reasons	Total
Village	7.03	6.03	50.75	36.19	100
Municipality	7.07	2.87	56.60	33.36	100
Corporation	7.57	6.06	68.18	22.29	100
All groups	7.22	4.91	58.51	29.23	100

Source: Survey data.

The table shows that 7.03 per cent of villagers, 7.07 per cent of municipality customers and 7.57 percentage of corporation customers are unwilling to continue the customership in private chits because of high interest. 6.03 per cent of villagers, 2.87 per cent of municipality customers and 6.06 per cent of corporation customers opined that there is greater exploitation in private chits and financiers. 50.75 per cent villagers, 56.6 per cent municipality customers and 68.18 corporation customers are of the opinion that the service of money lenders is not needed. 36.19 per cent of villagers and 33.36 per cent of municipality customers are not willing to continue for other reasons.

#### **Duration of Customership in KSFE Ltd.**

Duration of customership is also observed. The Table No.5.12 shows the duration of customership in KSFE Ltd.

TABLE No. 5.12

#### **Duration of Customership in KSFE Limited**

(In Percentage)

Locality	Below 10 years	10-20 years	20-30 years	30 and above	Total
Village	55.56	31.44	12.50	0.50	100
Municipality	57.14	33.86	8.00	1.00	100
Corporation	59.04	28.96	11.00	1.00	100
All groups	57.24	31.42	10.50	0.84	100

Source : Survey data

The table shows that 55.56 per cent villagers are keeping account with KSFE Ltd. for a period of below 10 years. This is 57.14 per cent in municipality and 59.04 per cent in corporation. 31.44 per cent in village, 33.86 per cent in municipality and 28.96 per cent in corporation are account holders for a period of 10-20 years. 12.50 per cent village customers, 8 per cent customers from municipality and 11 per cent customers from corporation are account holders for a period of 20-30 years. Only 0.50 per cent villagers, 1 per cent municipal customers and 1 per cent customers from corporation are account holders for a period of 30 years and above.

The respondents from managers sample were asked about the habit of customers in continuing chitties. 91.30 per cent of the managers are of the opinion that customers have the habit of continuing chitties one by one. 86.95 per cent of customers have the habit of joining chitties of higher sala. 10.34 per cent of customers are not having the habit of continuing chitties.

### **Types of Customers**

Type of customership of the respondents was also observed. This is given in Table No. 5.13.

TABLE No. 5.13

**Types of Customers**

(In percentage)

Locality	Depositors	Borrowers	Depositors cum Borrowers	Total
Village	53.27	18.84	27.89	100
Municipality	48.95	12.45	38.60	100
Corporation	53.03	16.67	30.30	100
All groups	51.75	15.99	32.26	100

Source : Survey Data

It is observed that 53.27 per cent of the village respondents are depositors and 18.84 per cent are borrowers. 27.89 per cent are both depositors and borrowers. 48.95 per cent of municipality customers are depositors 12.45 per cent are borrowers and the remaining 38.60 are both depositors and borrowers. In corporation 53.03 per cent are depositors 16.67 per cent are borrowers and 30.30 per cent are both depositor and borrowers.

**Reasons for dealing with KSFE Ltd.**

The respondents were asked the reasons for their dealings with KSFE Ltd. The reasons for dealing with KSFE Ltd. presented in Table No. 5. 14.

TABLE No.5.14

**Reason for dealing with KSFE Ltd.**

(In Percentage)

Reason	Village	Municipality	Corporation
Personal Relation with Officials	3.76	3.45	2.64
Friends working in KSFE Ltd	4.91	4.74	4.01
Nearness to Branch	5.51	3.96	6.20
To deposit savings	74.78	76.11	69.00
Motivated by Advertisement	1.90	4.74	4.01
Motivated by Agents	4.40	4.79	4.21
Other reasons	4.74	2.21	8.93
Total	100	100	100

Source: Survey data

The table shows that, the main reason for dealing with KSFE Ltd. is to deposit savings. 74.78 per cent of village 76.11 per cent of municipality and 69 per cent of corporation customers are of this opinion. The role of agents is little in the case of municipality, village and corporation. Only 4.79 per cent are motivated by agents in the case of municipality. This is 4.40 per cent among villagers and 4.21 per cent among corporation depositors. 4.91 per cent of villagers, 4.74 per cent of municipality and 4.01 per cent of corporation respondents opined that they deal with KSFE because that their friends and relatives are working in KSFE. 1.90 per cent of villagers, 4.74 per cent of municipality and 4.01 per cent of corporation respondents opined that they are motivated by advertisement. The table also

shows that 3.76 per cent of villagers, 3.45 per cent of municipality and 3.64 per cent of corporation respondents revealed that their customership is due to their personal relation with officials. 5.51 per cent of villagers, 3.96 per cent of municipality and 6.20 per cent of corporations respondents opined that they are very near to KSFE Branch office. 4.74 percent of village, 2.21 percent of municipality and 8.93 per cent of corporation respondents deal with KSFE Ltd. due to some other reasons.

### **Type of Deposit**

The researcher observed the type of deposits by the customers. The Table No. 5.15 shows the percentage of customers who are maintaining different type of deposits .

TABLE No. 5.15

### **Type of deposits of the Customers**

(In percentage)

Locality	Chitty subscriber	Sugama Depositor	Fixed depositor	Money Transfer	Chitty subscribers & Sugama depositor	Total
Village	55.77	20.62	6.32	--	17.29	100
Municipality	35.34	28.39	12.03	0.76	23.48	100
Corporation	46.95	22.70	6.04	1.51	22.80	100
All groups	46.62	22.70	4.80	1.13	24.38	100

Source: Survey data

The table shows that 55.77 per cent of villagers 35.34 per cent of municipality depositors and 46.95 per cent of corporation depositors are chitty subscribers. Among depositors from village 20.62 per cent are Sugama depositors. This is 28.39 per cent in the case of municipality and 22.7 and cent in the case of corporation 6.32 per cent of villagers have got fixed deposit in KSFE. Fixed deposit holders are 12.03 per cent in municipality and 6.04 per cent in corporation areas. There is no money transferers in village. This is only 0.76 per cent in municipality and 1.5 per cent in corporation. 17.29 per cent of village 23.48 per cent of municipality and 22.8 per cent of corporation depositors are both chitty subscribers and Sugama depositors.

### **Testing of Hypothesis**

Hypothesis IV – The fourth hypothesis that KSFE mobilizes resources mainly from chitty business is also proved true as follows :

Chitty Subscribers

Village = 73.06

Municipality = 58.82

Corporation = 69.75

All groups = 67. 20

$H_0 : p = 0.6$

$H_1 : p < 0.6$

$P_0$  – hypo the tical value

$P'$  – sample proportion

$$\begin{aligned} =Z &= \frac{P' - P_0}{\sqrt{\frac{p_0 q_0}{n}}} \\ &= \frac{0.67 - 0.6}{\sqrt{\frac{0.6 \times 0.4}{1521}}} \\ &= \frac{0.07 \times 39}{0.489} = 5.58 \end{aligned}$$

Since,  $5.58 > -1.645$  this hypothesis is also proved true (at 5% level of significance).

### **Type of loan availed by the respondents**

The type of loan availed of by the customers of any lending institution depends upon the necessity of loan as well as the terms and conditions of the lending institutions. The different types of loan availed by the respondents were also analysed. Table No. 5.16 shows the different type of loan availed by the respondents.

TABLE No. 5.16

**Type of loan availed by the Respondents**

(In Percentage)

Type of loan	CVL	Gold Loan	Housing loan	RCL	Trade loan	Employment loan	Chitty loan	GL +CVL	CVL + Employment loan	GL + Employee loan	RCL + Trade loan	CVL + GL + RCL	RCL + HL chitty loan	CVL + RCL	Total
Village	2.70	21.63	8.10	10.80	8.10	2.70	24.33	2.70	2.70	2.70	2.70	5.40	2.70	2.74	100.00
Municipality	6.90	18.36	5.16	12.63	5.73	4.62	22.06	1.71	11.46	1.71	6.84	1.71	1.14	.57	100
Corporation	9.09	29.01	4.68	13.65	4.53	4.53	13.69	4.53	4.53	4.53	2.70	--	--	4.53	100.00
All groups	6.95	23.10	5.98	12.36	6.12	3.95	20.03	2.98	6.23	2.98	4.08	2.37	1.28	1.69	100

Source: Survey Data.

The table shows that Gold loan availeds are more in corporation i.e. 29.01 per cent. In village gold loan availeds are 21.63 per cent and in municipality it is 18.36 per cent. The HP loan or customer vehicle loan availeds are 2.7 per cent in village 6.9 per cent in municipality and 9.09 per cent in corporation. Among village respondents Housing loan availeds are 8.1 per cent, in municipalities 5.16 per cent and in corporation 4.68 per cent. 24.33 per cent borrowers from village availed the chitty loan. This is 22.06 per cent in municipalities and 13.69 per cent in corporations. Employment loan availeds are 2.7 per cent in village, 4.62 per cent in municipalities and 4.53 per cent in corporations.

RCL availeds are 10.8 per cent of village borrowers, 12.63 per cent among municipality borrowers and 13.65 per cent among corporation borrowers. 2.7 per cent of villagers availed both Gold loan and customer vehicle loan. This is 1.71 per cent in municipality and 4.53 per cent in Corporation.

2.7 per cent of the village borrowers are availeds of both RCL and trade loan. This is 6.84 per cent in municipality and 2.70 per cent in corporation.

5.4 per cent of villagers availed of CVL, GL and RCL. This is only 1.71 per cent in municipality. But there is no such a category in corporation.

It can also be seen from the table that Gold loan, chitty loan and RCL constitute the main lending business of KSFE Ltd.

Reasons for depositing in KSFE were also observed. Table No. 5.17 shows the different reasons for depositing in KSFE Ltd.

**TABLE No. 5.17**  
**Reason for depositing with KSFE Limited**

Locality	Easy withdrawal	Convenience	High Int. rate	Other Reason	Total
Village	5.00	77.50	12.60	4.90	100
Municipality	6.00	74.00	10.00	10.00	100
Corporation	9.06	60.06	24.54	6.34	100
All groups	6.86	70.52	15.71	7.91	100

Source: Survey data

The table shows that 77.5 per cent of village customers, 74 per cent of the municipality customers and 60.6 per cent of corporation customers have preference for KSFE because of convenience. 5 per cent of village, 6 per cent of municipality and 9.06 per cent of corporation customers are of the opinion that, there is easy withdrawal norms in KSFE. 12.6 per cent of villages, 10 per cent of municipality depositors and 24.54 per cent of corporation depositors prefer KSFE due to high interest. 4.9 per cent of villagers, 10 per cent of municipality depositors and 6.34 per cent of corporation customers prefer KSFE due to other reasons.

### Family Members' Customership in KSFE Ltd.

The savings of a family mainly depend on those of the family members. Hence, the family members customership is observed. Table No. 5.18 shows the customership of family members.

TABLE No. 5.18

#### Customership of Family Members

(In percentage)

Locality	1 Member	2 Member	3 Members	4 Members	5 Members and above	Total
Village	75.88	3.77	0.75	0.75	18.85	100
Municipality	65.58	14.72	1.72	1.52	16.46	100
Corporation	87.88	3.03	1.22	--	7.87	100
All groups	76.44	7.17	1.23	0.76	14.40	100

Source: Survey data.

The table shows that 87.88 per cent of corporation respondents are having single customership in KSFE Ltd. 75.88 per cent of village and 65.58 per cent of municipality respondents are also in the group of single customership.

It can also be seen from the above table that 3.77 per cent of village, 14.72 per cent of municipality and 3.03 per cent of corporation respondents have 2 family members as customers in KSFE. This is 3 in the case of 0.75

per cent of village, 1.72 per cent of municipality and 1.22 per cent of corporation respondents.

It can be further seen that 16.46 per cent of municipality respondents have 5 members and above as customers in KSFE. 18.85 per cent of village, 7.87 per cent of corporation customers also have 5 members and above as customers in KSFE. 0.25 per cent of village, respondents have 10 members as customers in KSFE.

### **Satisfactory positions of respondents on loan scheme**

The respondents were asked whether they were satisfied with the various loan schemes of KSFE. The satisfactory positions of respondents on the loan scheme is given in Table No. 5.19.

**TABLE No. 5.19**

### **The satisfactory levels of respondents**

(In percentage)

Locality	Satisfied	Not satisfied	Total
Village	70.74	29.26	100
Municipality	61.72	38.28	100
Corporation	90.42	9.58	100
All groups	74.29	25.7	100

Source: Survey data

It can be seen from the table that 70.74 per cent of the village, 61.72 per cent of municipality and 90.42 per cent of corporation respondents are

satisfied with the term and condition of various loan schemes. But, 29.26 per cent of village, 38.28 per cent of municipality and 9.58 per cent of corporation respondents are not satisfied with it.

### **Rate of Interest**

The researcher observed the feeling of the respondent about the rate of interest. Table No. 5.20 gives the feeling of respondents on the rate of interest of various schemes of KSFE.

TABLE No. 5.20  
**Feeling of Respondents on Rate of Interest**

(In Percentage)

Locality	High	Average	Low	Below Average	Total
Village	24.62	54.76	11.77	8.85	100
Municipality	16.08	43.61	16.08	24.23	100
Corporation	46.24	46.24	4.94	2.58	100
All groups	28.98	48.21	10.93	11.88	100

*Source:* Survey data.

The table reveals that the KSFE is charging moderate rate of interest from customers. 54.76 per cent among villagers, 43.61 per cent among municipality and 46.24 per cent of corporation borrowers are of this view. 24.62 per cent of villagers 16.08 per cent of municipality and 46.24 per cent of corporation respondents opined that the interest rate is high. 8.85 per cent of villagers, 24.23 per cent of municipality and 2.58 per cent of corporation

respondents opined that the rate is below average. 11.77 per cent of villagers, 16.08 per cent of municipality and 4.94 per cent of corporation respondents said that the interest rate is low.

### Security given to KSFE

Securities are necessary for all loans. In certain types of loan collateral securities are required while in certain others personal securities are required. The various securities given by the respondents are given in Table No. 5.21.

TABLE No. 5.21  
Security given by the Respondents

(In Percentage)

Locality	Personal Security	Third Party	Deposit of title deeds	Hypothecation	Any other	Total
Village	77.51	2.25	16.53	--	3.71	100
Municipality	64.83	1.61	16.54	3.42	13.60	100
Corporation	72.37	3.14	3.14	3.14	18.21	100
All groups	71.60	2.33	12.07	2.15	11.85	100

Source: Survey data.

The table shows that 77.51 per cent of the loan availed from village have given personal surety/sureties for their various types of loans. This is 64.83 per cent in the case of municipality and 72.37 per cent in the case of corporation. The table also shows that 3.71 per cent of villagers, 13.6 per

cent of municipality and 18.21 per cent of corporation respondents have given other securities for their loan. 16.53 per cent of village respondents, 16.54 per cent of municipality and 3.14 per cent of corporation respondents deposited title deeds as security for various loans.

### **Loan repayment**

A study on the repayment position of the respondents has also been made. The repayment position of the respondents is given in Table No. 5.22.

TABLE No. 5.22

#### **Loan Repayment Position of respondents**

Locality	Paying regularly	Not paying regularly	Total
Village	92.65	7.35	100
Municipality	87.56	12.44	100
Corporation	84.42	15.58	100
All groups	88.21	11.79	100

*Source:* Survey data.

The table shows that 92.65 per cent of the villagers, 87.56 per cent of municipality and 84.42 per cent of corporation respondents pay back the loan regularly which means that 7.35 per cent of villagers, 12.44 per cent of municipality and 15.58 per cent of corporation respondents are irregular in their repayment.

## The Reasons for Default

There are a number of reasons for the default in the repayment of loan. The reason for default is given in Table No. 5.23.

TABLE No. 5.23  
**Reasons for Default in Repayment**

(In Percentage)

Locality	Uneasy instalment	High interest rate	Delay in generating surplus	Wilful default	Other reason	Total
Village	25	25	25	25	--	100
Municipality	26	19	17	18	20	100
Corporation	16	21	16	17	30	100
All groups	22.33	21.66	19.33	20	16.68	100

*Source:* Survey data.

The table shows that among village customers 25 per cent are of the opinion that the instalments are difficult. In municipality this is 26 per cent and in corporation this is 16 per cent. Wilful defaulters are 25 per cent among villagers, 18 per cent i.e., municipality and 17 per cent i.e., corporations. 25 per cent of villagers, 19 per cent of municipality and 21 per cent of corporation respondents hold the view that their default is due to high rate of interest.

## Money transfer

Money transfer is another line of service rendered by KSFE Ltd. The researcher measured the difficulty experienced by money transferee from KSFE Ltd. The difficulties experienced by money transferee are given in Table No.5.24.

TABLE No. 5.24  
Difficulties experienced by Money Transferee

(In percentage)

Locality	Problem from the part of KSFE	Problem from the part of foreign agent	Other Problem	Total
Village	--	--	100	100
Municipality	5	38	57	100
Corporation	100	--	--	100
All groups	35.00	12.66	52.34	100

Source: Survey Data.

The table shows that money transferees from villagers suffer problems from other parties. They believe that there is no problem from the part of KSFE Ltd. or from foreign agencies. 5 per cent of municipality customers are of the opinion that their difficulties in money transfer was from the part of KSFE Ltd. But 38 per cent opined that the problem are from the part of foreign agency, 57 per cent are of the opinion that their

difficulties are due to other reasons. Among corporation respondents 100 per cent, hold the KSFE responsible for difficulties in money transfer.

### **Difficulty in dealing with KSFE**

Customers may feel difficulty in their dealings with KSFE. The researcher observed the feelings of the respondents on their dealings with KSFE. The feeling of the respondents in their dealings with KSFE is given in Table No.5.25.

TABLE No. 5.25  
**Feelings of Respondents in Dealing with KSFE**

(In percentage)

Locality	Feeling difficulty	Not feeling difficulties	No Opinion	Total
Village	12.06	78.89	9.05	100
Municipality	8.03	80.11	11.86	100
Corporation	1.52	93.94	4.54	100
All groups	7.20	84.31	8.49	100

*Source:* Survey data.

The table reveals that among villagers, 12.06 per cent in municipalities 8.03 per cent in corporation 1.52 per cent respondents feel difficulties in dealing with the KSFE. But 78.89 per cent among village, 80.11 per cent among municipality and 93.94 per cent among corporation respondents think that there is no difficulty in dealing with KSFE.

Among villagers 9.05 per cent, among municipality 11.86 per cent and among corporation 4.54 per cent respondents have given no opinion in this regard.

### **Reasons for Difficulties in dealings with KSFE**

The reasons for the difficulties felt by the respondents in dealings with KSFE were also analysed. They are given in Table No.5.26.

TABLE No. 5.26

### **Reasons for feeling Difficulties in dealing with KSFE Limited**

(In Percentage)

Locality	Indifferent behaviour of the staff	Delay in processing	Delay in receiving cash	Difficulties to get sureties	Other reason	Total
Village	14.34	17.26	16.08	48.24	4.08	100
Municipality	15.30	24.90	21.00	36.34	2.46	100
Corporation	16.40	16.40	16.40	46.80	4.00	100
All groups	15.34	19.52	17.82	47.12	0.20	100

*Source:* Survey data.

The table shows that the main difficulty in dealing with KSFE is getting sureties. 48.24 per cent of villagers 36.34 per cent of municipality and 46.80 per cent of corporation respondents are of this opinion. 14.34 per cent of villagers 15.3 per cent of municipality and 16.4 per cent of corporation respondents are of the opinion that the behaviour of the KSFE

staff is indifferent. 16.08 per cent of villagers, 21 per cent of municipality and 16.4 per cent of corporation respondents opined that there is delay in receiving cash.

### **Economic Improvement to Respondents**

Any service rendered by a financial institution may have its own effect on the economic status of the dependents. KSFE Ltd. is not an odd one in this regard. The opinion of the respondents on their economic improvement from KSFE dealings were observed by the researcher. The opinion of the respondents on their economic improvement from their dealings with KSFE is given in Table No.5.27.

TABLE No. 5.27

### **Economic Improvement to the Respondents**

(In Percentage)

Locality	Improvement to respondents	Improvement to the village	Improvement to the respondents and village	No improvement	Total
Village	72.36	1.51	21.36	4.77	100
Municipality	75.33	0.76	18.75	5.16	100
Corporation	81.82	1.52	9.08	7.58	100
All groups	76.50	1.26	16.39	5.85	100

*Source:* Survey data.

The table shows that 72.36 per cent of village respondent have improved economically through their dealing with KSFE Ltd. Among

municipal respondents 75.33 per cent improved. Economic improvement is more in the case of corporation respondents ie. the service of the KSFE is highly useful to the respondents of corporation area for their economic improvement. In villages, 1.51 per cent in municipality 0.76 per cent and corporation 1.52 per cent respondents are of the opinion that there is economic improvement to their villages also. 21.36 per cent of village, 18.75 per cent of municipality and 9.08 per cent of corporation respondents opined that there is both personal improvement and village improvement. Among village respondents, only 4.77 per cent opined that there is no improvement to them. 5.16 per cent, from municipality and 7.58 m per cent from corporation respondents are of this opinion.

## **Testing of Hypothesis**

### **Hypothesis I**

To prove the first hypothesis that KSFE has significant role in the economic development of Kerala, the opinion of customers of KSFE is analysed.

Normal test for proportion is applied.

$$= Z = \frac{P' - P_0}{\sqrt{\frac{P_0 Q_0}{n}}}$$

Where ,

$P_0$  = Hypothetical value

$P'$  = Sample proportion

$n$  = Sample Size

( $H_0 = P_0 = 0.90$ )

(Vs  $H : P < 0.90$ )

$P_0 = 0.90$      $P' = 0.9290$      $n = 1521$

(90 per cent of the customers are improved economically)

$$Z = \frac{0.9290 - 0.90}{\sqrt{\frac{0.90 \times 0.10}{1521}}} = 3.8$$

Since the calculated value of  $Z > - 1.645$ , the hypothesis that 90 per cent of the customers of KSFE are improved economically by getting service of KSFE is proved i.e., the first hypothesis of the study KSFE has significant role in the economic development of Kerala is proved true.

### **Awareness of People about Various Schemes**

Managers were asked about the awareness of people as regards the different schemes of KSFE. The managers' opinion is given in Table No. 5.28.

TABLE No. 5.28

**Awareness of People about Various Schemes**

(In percentage)

Districts	Poor	Fair	Good	Very good	Total
Kasaragod	13.05	30.43	43.48	13.04	100
Kannur	12.04	29.41	44.22	4.33	100
Wyanad	13.06	28.12	46.80	12.02	100
Calicut	11.02	31.04	45.44	12.50	100
Malappuram	8.96	39.91	40.12	11.01	100
Palakkad	11.06	32.12	42.12	14.70	100
Trichur	12.06	27.89	46.04	14.01	100
All groups	11.60	32.26	44.03	12.11	100

Source: Survey Data.

The table shows that the peoples' awareness about various schemes of KSFE is good. 44.03 per cent of the managers are of the opinion that the awareness of the people about the scheme is good. And 12.11 per cent are of the opinion that the awareness is very good.

**Problems faced in the disbursement of chitty money**

The problem faced by the manager in the disbursement of chitty money was also analysed. The table No. 5.29 shows the problems faced by the managers in the disbursement of chitty money.

TABLE No. 5.29

**Problems faced by the Managers in the Disbursement of Chitty Money**

(In percentage)

Details	Delay in getting confirmation	Delay from the side of customer	Delay from the side of office staff	Others	Total
Managers sample	8.71	47.82	4.34	39.13	100

*Source:* Survey data.

The table shows that 47.82 per cent of the managers are facing delay from the side of customer in the disbursement of chitty money. 39.13 per cent are facing other problems in the disbursement. 8.71 per cent of the managers are of the opinion that their difficulty is the delay in getting confirmation which is a must for the disbursement of chitty money. Only 4.34 per cent opined that there is delay from the part of office staff.

On being asked about the habit of customers in continuing business/chitties one after another. 91.31 per cent are of the opinion that the customer have the habit of continuing chitties one by one 82.61 per cent of the managers opined that there is increase in business through agents. The agents are helpful in increasing the business which may extend up to 25 per cent.

The study revealed that the service of KSFE Ltd. has brought about economic improvement to its customers. Most of them have the opinion that their economic improvement is resulted through the various services rendered by KSFE Ltd.in the form of chitties, HP, Gold loan and other type of advances. Thus the majority of the respondents strongly believed that they are economically improved from availing the services of KSFE Ltd.

**THE ROLE OF KERALA STATE FINANCIAL  
ENTERPRISES LIMITED IN THE  
ECONOMIC DEVELOPMENT OF KERALA  
WITH SPECIAL REFERENCE TO  
MALABAR REGION**

*Thesis*  
*submitted to the University of Calicut*  
*for the award of the Degree of*  
**DOCTOR OF PHILOSOPHY IN COMMERCE**

*By*  
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## **SUMMARY, FINDINGS AND SUGGESTIONS**

Economic development is the process of increasing the degree of utilisation and improving the productivity of the available resources of a country which leads to an increase of the economic welfare. It is well recognised that the financial sector plays a decisive role in the development process of a country.

The financial institutions mobilise small savings from the public and channelise them for investment and productive purposes. A growing economy needs the support of a good financial structure which is responsive to the needs of development. Thus they have a considerable role in the moulding of a welfare economy.

There has been tremendous growth in banking and non-banking structure after independence. Since nationalisation of banks in 1969, remarkable changes have been experiencing in the financial structure. There has been growth of various kind of financial intermediaries such as financial companies, insurance companies, banking companies and other NBFCs. In recent times NBFCs have emerged as substantial contributors to the Indian economic growth by supplementing the effects of banks and development of

other financial institutions. They play a key role in the direction of savings and investment.

As in other parts of the country, both formal and informal financial institutions co-exist in Kerala. Banks, NBFCs, Co-operatives, informal agencies like chit funds and money lenders etc. constitute the Kerala financial system. Those institutions have much relevance since they are mobilising small savings and other resources and channelising them for Kerala's economic development.

Kerala State Financial Enterprises Ltd. is one of the NBFCs in Kerala. It is the only financial institution in the public sector doing chitty business. It has been functioning in Kerala since 1969. No previous study has been conducted on evaluating the role of KSFE Ltd. in the economic development of Kerala with special reference to Malabar region. This study attempts to analyse the service of KSFE to Malabar people in mobilising funds through chitties and other businesses.

The specific objectives of the study are:

- (1) To expose the present economic condition of people in Kerala.
- (2) To show the role of banks and other financial institutions in the financial structure of Kerala.

- (3) To exhibit a general picture of KSFE Ltd. and to know its contribution to Kerala economy.
- (4) To evaluate the performance of KSFE Ltd. in the Malabar Region and to know its contribution to the economic prosperity of Malabar people; and
- (5) To make suggestions, if any, for improving and restructuring KSFE Ltd.

The study has been designed as a descriptive one based on survey method. Both primary and secondary data have been used for this purpose. The secondary data have been collected from various reports, audited financial statements, records, publications, journals, books, etc.

For primary data collection 2 sample groups, one from customers and other from managers were selected. A structured interview schedule was administered and personal interview method was followed to collect information. For statistical analysis of the data mathematical and statistical tools like ratios, percentages, averages, normal proportion test and  $\chi^2$  test have been used. On the basis of such analysis the role of KSFE Ltd. in the economic development of Kerala with special reference to Malabar region is assessed.

The whole study is presented in 6 chapters:

Chapter I is the introduction part stating the scope, objectives, hypotheses, methodology, sample design, tools used, limitations of the study and brief review of literature.

Chapter II shows the picture of the present economic status of Kerala.

Chapter III discusses the role of banks and other financial institutions in the mobilisation of resources in Kerala.

Chapter IV explains the services and functions of KSFE Ltd. including its problems.

Chapter V analyses the role of KSFE in the economic development of Kerala with special reference to Malabar region.

Chapter VI, the last chapter, summarises the whole study, lists the findings and offers a few suggestions.

A wide range of literature is made available on various topics related to banks and other financial institutions. But no authentic study has been carried out so far evaluating the performance of KSFE, which is a unique financial institution in Kerala doing chitty business. A number of private chits and money lenders are working in Kerala with a wide range of customers. But being a public enterprise, KSFE regulates the functioning of those well-established concerns by giving financial security to its customers.

The study exposes the present economic conditions of Kerala. The household sector is the largest contributor of Kerala's domestic savings. There is a decreasing trend in the case of agricultural income to the Kerala economy. The percentage contribution of agricultural income to the total of state income was 21.45 per cent in the year 1999-00 and decreased to 13 per cent in the year 2003-04. Although the industries sector has shown progress during the study period the gross capital formation from the sector decreased by 39.72 per cent. The total value of output from industrial sector increased by 28 per cent.

The per capita income of Kerala at current prices increased from Rs.19803 in 2001-02 to Rs.24053 in the year 2003-04. Kerala ranked first among the states in education in the year 2004.

The literacy rate of Kerala was 90.9 per cent. Among males the literacy rate was 94.2 per cent and among females 87.86 per cent. Kerala ranks third among states in population Below Poverty Line.

Kerala occupies the fourth position in social and economic index.

The total employment in private sector on 31.03.04 was 589608 and in public sector 614815.

The revenue receipts of Kerala was Rs.7941.75 crores in the year 1999-00 and increased to Rs.11815.37 crores in the year 2003-04. The

revenue expenditure was Rs.11565.96 crores in the year 1999-00 and increased to Rs.15495.67 crores in 2003-04. The per capita debt increased from Rs.6285 in 2000 to Rs.11736 in the year 2003-04.

Commercial banks and other financial institutions play a significant role in resource mobilisation. The study examined the role of commercial banks and other financial institutions in the financial structure of Kerala economy. Annual growth rate of domestic deposit of commercial banks increased from 9.3 per cent in the year 2000 to 16.8 per cent in the year 2004. But the NRE deposit decreased from 40.5 per cent in 2000 to 4.89 per cent in 2004. The annual growth rate of advances increased from 17.4 per cent in the year 2000 to 18 percent in 2004. The CD ratio was 48.31 per cent in the year 2004.

The deposit of State Bank of India as on December 2002 was Rs.610924 lakhs and increased to Rs.703105 lakhs as on December 2004. The deposit of State Bank of Travancore as on December 2002 was Rs.1219578 lakhs and increased to Rs.1480908 lakhs on December 2004. This shows an increase of 21.43 per cent.

The total amount of advances and deposits of Federal Bank as on December 2004 was Rs.405579 lakhs and Rs.769730 lakhs respectively.

The CD ratio of North Malabar Gramin Bank as on 31.03.04 was 88.33 per cent and that of South Malabar Gramin Bank was 100.50 per cent.

The total number of industrial units assisted by KSIDC, a non-banking financial institution, as on 31.03.2003 was 31 in the public sector and 431 in the private sector.

Kerala Financial Corporation, another non-banking finance company disbursed Rs.11231 lakhs, Rs.11902 lakhs and Rs.8548 lakhs in the year 2002-03, 2003-04 and 2004-05 respectively. During the year 2004-05 the KTDFC (Kerala Transport Development Finance Corporation) had sanctioned Rs.695.49 lakhs as loan to industrialists.

The total number of money-lending institutions in 2003-04 was 5696 and population covered by them was 5590. Among the districts Alappuzha accounts for 17.13 per cent having 976 money-lending institutions.

The number of registered working chit funds in 2002-03 was 45398 and the amount mobilised by them was Rs.360.32 crores.

The study examined the profile of KSFE. It was started in 1969 by the Government of Kerala to regulate the chit business which was then totally controlled by private money-lenders and financiers. The people were fully exploited by those private lenders and financiers.

KSFE has 252 branch offices in Kerala and employs 3200 people directly and 2000 people indirectly. Its head office is at Trichur. This study

attempts to evaluate the performance of KSFE and tries to know to what extent Malabar people are benefited with the services of it.

The total business of the company for the year 2003-04 was Rs.3623 crores and the total amount of deposit was Rs.1370.81 crores. It has been consistently maintaining a CD ratio of 80 percent and advancing all such funds in Kerala only.

The profit of the company for the year 1999-00 was Rs.793.15 lakhs and increased by 6 times and reached Rs.4209.19 lakhs in the year 2003-04.

The turnover of the company for the year 1999-2000 was Rs.1486.72 crores and reached Rs.2162.73 crores in the year 2003-04 showing an increase of 45.49 per cent. The FD of the company for the year 1999-00 was Rs.671.33 crores and increased to Rs.1238.34 crores, which shows an increase of 84.46 per cent.

The total amount paid to the state government for the year 1999-00 was Rs.1695 lakhs and increased to Rs.2238 lakhs in the year 2003-04 which shows an increase of 32.04 per cent.

The total amount of direct benefits to the government from KSFE for the year 03-04 was Rs.2770.66 lakhs. This was Rs.1628.78 lakhs in the year 1999-00, an increase of 70.15 per cent. This include the guarantee commission, registration and filing fee, etc. The total amount of indirect

benefit for 03-04 was Rs.71244.68 lakhs which includes chitty security deposit, SB deposits and other deposits.

The chitty security deposit was Rs.11856.33 lakhs in the year 1999-00 and reached Rs.20261.63 lakhs in the year 2003-04. This shows an increase of 70.89 per cent. The amount of SB deposit was Rs.795.98 lakhs in 1999-00 but decreased to Rs.397.16 lakhs in the year 2003-04. There was a decrease of 50 per cent.

The total sala of the chitty business for the year 1999-00 was Rs.9568.74 lakhs and increased to Rs.13971.58 lakhs in the year 2003-04, an increase of 46.20 per cent. The total number of subscribers for the year 1999-00 was 598449 and increased to 770549 which shows an increase of 28.76 per cent.

The Gold loan advanced by the company for the year 1999-00 was Rs.963.35 lakhs and increased enormously and reached Rs.16343.96 lakhs in the year 2003-04.

Out of the total respondents to the survey 75.55 per cent are males and 24.45 per cent are females. With regard to religion 56.89 per cent are Hindus, 30.98 per cent Muslims and 12.13 per cent Christians.

The study further revealed that 12.46 per cent of the respondents do not have S.S.L.C. qualification, 24.94 per cent have SSLC, 23.8 per cent

have plus two qualification, 23 percent have Degree, 11.45 per cent have PG and 4.35 per cent have professional qualification. With regard to occupation, 2.31 per cent of the respondents are agriculturists, 1.09 per cent are doing agricultural service and 3.11 percent are artisans. 35.60 per cent of the KSFE customers are government employees. 14.68 per cent are self employed, 14.99 per cent are private sector employees, 11.12 per cent are businessmen 1.2 per cent are industrialists and 3.87 per cent are professionals.

With respect to annual income 24.86 per cent are in the income group of below Rs.50,000, 54.49 per cent between Rs.50,000 to Rs.1,00,000, 9.85 per cent between Rs.1,00,000 to Rs.150,000 and 10.8 per cent above Rs.1,50,000.

It is revealed that 92.50 per cent of the respondents have own houses of which 96.84 per cent are electrified 59.13 per cent are having concrete houses and 36.16 per cent are having tiled houses.

With regard to the use of home appliances it is found that 75.28 per cent of the respondents are using TV and 51.35 per cent are using fridge 39.54 per cent are using washing machine, and 58.04 per cent are using cooking gas. It is also observed that 20.70 per cent of the respondents have public water connection, 52.61 per cent have telephone/mobile phone connection and 14.71 per cent have computer/internet connection. It is

revealed that 31.53 per cent are using motor vehicles. It is also revealed that 80.79 per cent owned land and 79.24 per cent owned building.

From the study it is revealed that 91.95 per cent of the customers of KSFE Ltd. are not depending on private moneylenders or private chits. 58.51 per cent of the respondents are of the opinion that dependence on private moneylenders is not needed.

With regard to the customership in KSFE, it is found that 31.42 per cent of the customers are having customership for 10.20 years and 57.24 per cent are having customership of below 10 years. It is also revealed that 51.75 per cent are depositors, 15.99 per cent are borrowers and 32.26 per cent are depositors-cum-borrowers. Out of the depositors 46.62 per cent are chitty subscribers, 22.70 per cent are Sugama depositors and 8.13 per cent are fixed depositors.

It is also found that out of the borrowers 23.1 per cent availed gold loans, 20.03 per cent availed chitty loan and 12.36 per cent availed Reliable customer loan.

It is revealed that 73.29 per cent of the respondents deal with KSFE .. to deposit their savings. 48.21 per cent of he respondents opined that the interest rate of KSFE is average. 71.60 per cent of the customers have given personal sureties as security for different loans. It is clear that 88.21 per cent of he respondents are repaying their loans regularity.

Regarding reasons for default in repayment it is found that 20 per cent are wilful defaulters and 21.66 percent are defaulters due to high rate of interest. 22.33 per cent opined that the repayment of instalment is not easy.

In the case of money-transfer business 35 per cent respondents are not satisfied with the services of KSFE Ltd.

It is also observed that 84.31 per cent do not feel any difficulty in dealing with KSFE. But 7.2 per cent feel difficulty in their dealing with KSFE. 47.12 per cent of them are of the opinion that there is difficulty in getting sureties. 15.34 per cent of them opined that their difficulty is due to the indifferent behaviour of the staff. The difficulties of 17.82 per cent is due to the delay in receiving cash.

It is revealed by the managers that the awareness of people about various scheme of KSFE is good.

### **Economic Improvement to Respondents**

With regard to economic improvement to respondents it is observed that 76.5 per cent are economically improved. 16.39 per cent are of the opinion that there is improvement in their village also. Only 5.85 per cent respondents opined that there is no economic improvement to them from their dealings with KSFE.

Other major findings are:

1. Majority of the KSFE branches are located in urban or semi-urban area. So rural people have only limited access to KSFE branches.
2. KSFE has no extension counters in towns or villages which are convenient to KSFE customers especially customers from villages.
3. KSFE has only very limited evening branches in operation.
4. KSFE has no collection agents which is an easy method to locate defaulters.
5. The agents of KSFE are limited in number and are inactive due to unattractive remuneration.
6. KSFE Branches are not computerised. This results delay in processing transactions.
7. Branch managers have only limited powers and they have to depend on Head Office even for settling certain minute problems.
8. It has no branches outside Kerala.
9. A good portion of the KSFE employees are working on contract basis. As a result there exists 2 types of pay structures.
10. Market price is not considered for the valuation of property which is given as security for advances to customers.

## **Conclusion**

From the above findings it can be concluded that KSFE Ltd. is doing much service for the economic and human development of individuals and thus for the economic improvement of Kerala especially in the Malabr region. Since the main business of KSFE is chitty it must be redesigned to attract people from all walks of life.

## **Results of Hypotheses testing**

On the above findings, the hypotheses set for the study have been tested and the results are as follow:

The first hypothesis that the KSFE has a significant role in the economic development of Kerala is found true and hence accepted.

The second hypothesis that more than 50 per cent of the customers of the KSFE are salaried people is found true and hence accepted.

The third hypothesis that KSFE customers are not having customership in private chits or private financiers is also found true and accepted.

The fourth hypothesis that KSFE mobilises resources mainly from chitty business is found true and accepted.

Thus, it is clear that the KSFE is doing much for the economic development of the people of Keala. For rendering still, better service, the following suggestions are put forward.

### **Suggestions**

- It should give more concentration in providing service to rural people. For this purpose branches in rural area may be opened and all types of its business should be started. Special camps should be conducted in the rural area giving awareness about the different products of the company. In order to have the customership of more low income group people, mini and tiny term personal loan should be given to them. Chitties of very small denominations with attractive sala may also be started. All these will help the rural people to get more out of KSFE.
- Branches may be started in each and every village and panjayaths so that ordinary people can have access to the branches. Branch extension counters should be started in different parts of town, cities and villages.
- Morning branches and Evening branches be started in almost all parts of its service area.

- Collection agents should be appointed in all parts of the service area so that chitty installments and loan repayment instalments can be easily collected. So the number of defaulters can be minimised.
- The number of agents per branch office should be increased and area wise agents should be appointed to canvass business. Agents should be given commission on the basis of their role in canvassing business.
- Computerization of each and every branch office should be compulsorily made so that all types of unnecessary formalities and procedural bottlenecks can be minimised. Thus defaulters and malpractioners can be located easily.
- KSFE should start branch offices outside Kerala especially in the metropolitan cities where more Keralities are residing.
- Major portion of the KSFE staff are working on contract basis. Their pay structure is also different. They should be given permanent appointment and equal salary so that their work morale will not be negatively affected.
- No social security scheme are started till now. Insurance schemes and pension scheme<sup>s</sup> should be started.

- The valuation of secured property for different loan purposes is not based on the average market price. On the basis of the locality minimum rate for land and property can be given after considering the market fluctuations. Property once secured for a loan should be further considered for another loan, provided it has got required value.
- The terms and conditions of customer vehicle loan should be relaxed so that more people can avail the benefit of the scheme.
- More publicity should be given about KSFE and its schemes through media and giving emphasis on social activities like construction of waiting sheds, well for drinking water, adoption of brilliant student for higher education, sponsoring of games and tournaments, etc.

Most of the suggestion require long term study and permission from state and central governments and from the RBI for its implementation. However, a few of them may be implemented without financial burden.

The present study highlights the role of KSFE Ltd. in the economic development of Kerala. Such a study has not been made so far. It is rather an exploratory peep. There is ample scope for further research on various, aspects of KSFE, Ltd. like economic improvement through Chit business,

Hire Purchase Scheme, Employment oriented Hire Purchase Scheme, Reliable Customer Loan, Customer Vehicle Loan, etc. However, the present functioning of KSFE Ltd. is good and it is doing much for the economic prosperity of Kerala. It contributes an enormous amount to the state exchequer year after year. If the government gives still more support to the KSFE Ltd. it can, certainly, contribute further to the benefit of Kerala economy in the ensuing years.

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**AUGUST 2006**

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**THE ROLE OF KERALA STATE FINANCIAL  
ENTERPRISES LIMITED IN THE  
ECONOMIC DEVELOPMENT OF KERALA  
WITH SPECIAL REFERENCE TO  
MALABAR REGION**

*Thesis*  
*submitted to the University of Calicut*  
*for the award of the Degree of*  
**DOCTOR OF PHILOSOPHY IN COMMERCE**

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**UNIVERSITY OF CALICUT**  
**KERALA**

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**APPENDIX I**

**Population and Its Growth from 1901 to 2001**

Census year	All India				Kerala			
	Population (In Lakhs)			Decadal Growth Rate	Population (In Lakhs)			Decadal Growth Rate
	Rural	Urban	Total		Rural	Urban	Total	
1901	2125.4	258.5	2383.9	--	59.4	4.5	63.9	--
1911	2261.5	259.4	2520.9	5.75	66.2	5.3	71.5	11.75
1921	2232.3	280.9	2513.2	-0.31	71.2	6.8	78.0	9.16
1931	2455.2	334.6	2729.8	11.00	85.9	9.2	95.1	21.85
1941	2745.1	441.5	3186.6	14.22	98.3	12.0	110.3	16.04
1951	2986.5	624.4	3610.9	13.31	117.2	18.3	135.5	22.82
1961	3602.9	789.4	4392.3	21.64	143.5	25.5	169.0	24.76
1971	4390.5	1091.1	5481.6	24.80	178.8	34.7	213.5	26.69
1981	5238.7	1594.6	6833.3	24.66	206.8	47.7	254.5	19.24
1991	6286.9	2176.1	8463.0	23.86	214.1	76.8	290.9	14.32
2001	7416.6	2853.6	10270.2	21.34	235.7	82.7	318.4	9.42

Source: *Economic Review*, 2004.

**APPENDIX II**

**District-wise Population, Decadal growth Rate, Sex-Ratio and Population Density**

Sl. No.	State/ District	Population 2001			Percentage decadal growth rate		Sex-ratio (No. of females per 1000 males)		Population density per sq.km.	
		Persons	Males	Females	1981-91	1991-01	1991	2001	1991	2001
1	2	3	4	5	6	7	8	9	10	11
	<b>Kerala</b>	<b>31838619</b>	<b>15468664</b>	<b>16367955</b>	<b>14.32</b>	<b>9.42</b>	<b>1036</b>	<b>1058</b>	<b>749</b>	<b>819</b>
1	Kasaragod	1203342	587763	615579	22.78	12.3	1026	1047	538	604
2	Kannur	2412365	1154144	1258221	16.63	71.3	1049	1090	759	813
3	Wayanad	786627	393397	393230	21.32	17.04	966	1000	315	369
4	Kozhikode	2878498	1398674	1479724	16.69	9.87	1027	1058	1118	1228
5	Malappuram	3629640	1759476	1870101	28.87	17.22	1053	1063	872	1022
6	Palakkad	2617072	1265794	1351278	16.52	9.86	1061	1068	532	584
7	Thrissur	2975440	1422047	1553393	12.2	8.7	1085	1092	903	981
8	Ernakulam	3098378	1535881	1562497	11.42	9.09	1000	1017	963	1050
9	Idukki	1128605	566405	562200	10.45	6.96	975	999	236	252
10	Kottayam	1952901	964433	988468	7.71	6.76	1003	1025	828	884
11	Alappuzha	2105349	1012572	1092777	7.28	5.21	1051	1079	1415	1489
12	Pathanamthitta	1231577	588035	643542	5.6	3.72	1062	1094	450	467
13	Kollam	2584118	1248616	1335502	10.68	7.33	1035	1070	967	1038
14	Thiruvananthapuram	3234707	1571424	1663283	13.5	9.78	1036	1058	1344	1476

Source: Census of India – 2001.

### APPENDIX III

#### Human Development Index of Major States

	States	1981		1991		2001	
		Index	Rank	Index	Rank	Index	Rank
1	Andhra Pradesh	0.298	9	0.377	9	0.416	10
2	Assam	0.272	10	0.348	10	0.386	14
3	Bihar	0.237	15	0.308	15	0.367	15
4	Gujarat	0.360	4	0.431	6	0.479	6
5	Haryana	0.360	5	0.443	5	0.509	5
6	Karnataka	0.346	6	0.412	7	0.478	7
7	<b>Kerala</b>	<b>0.500</b>	<b>1</b>	<b>0.591</b>	<b>1</b>	<b>0.638</b>	<b>1</b>
8	Madhya Pradesh	0.245	14	0.328	13	0.394	12
9	Maharashtra	0.363	3	0.452	4	0.523	4
10	Orissa	0.267	11	0.345	12	0.404	11
11	Punjab	0.411	2	0.475	2	0.537	2
12	Rajasthan	0.256	12	0.347	11	0.424	9
13	Tamil Nadu	0.343	7	0.466	3	0.531	3
14	Uttar Pradesh	0.255	13	0.314	14	0.388	13
15	West Bengal	0.305	8	0.404	8	0.472	8
	<b>All India</b>	<b>0.302</b>	<b>--</b>	<b>0.381</b>	<b>--</b>	<b>0.472</b>	<b>--</b>

Source: NHDR 2001.

**APPENDIX IV**

**District-wise Distribution of Net State Domestic Product**

(Rs. Crore)

Sl. No.	District	Net State Domestic Product at Factor Cost				Growth rate (%)	
		At 1993-94 Prices		At Current Prices		At 1993-94 Prices	At Current Prices
		2002-03 (P)	2003-04 (Q)	2002-03 (P)	2003-04 (Q)	2003-04	2003-04
1	Trivandrum	4145.51	4497.18	7864.70	8829.88	8.5	12.3
2	Kollam	2969.86	3161.20	5756.98	6358.60	6.4	10.5
3	Pathanamthitta	1517.09	1625.85	2795.90	3079.76	7.2	10.2
4	Alappuzha	2474.49	2659.07	4788.89	5345.92	7.5	11.6
5	Kottayam	2596.62	2798.48	4908.82	5464.43	7.8	11.3
6	Idukki	1614.68	1675.63	3019.94	3229.55	3.8	6.9
7	Ernakulam	4606.15	4983.37	8899.04	9957.15	8.2	11.9
8	Trichur	3744.92	4043.88	7116.59	7932.79	8.0	11.5
9	Palakkad	2631.48	2811.20	5021.96	5559.50	6.8	10.7
10	Malappuram	2766.45	2976.92	5324.10	5924.31	7.6	11.3
11	Kozhikkode	3333.45	3574.55	6567.50	7318.83	7.2	11.4
12	Wayanad	829.76	896.32	1475.66	1618.42	8.0	9.7
13	Kannur	2532.00	2687.78	5042.80	5591.80	6.2	10.9
14	Kasargod	1274.53	1345.56	2480.80	2722.19	5.6	9.7
	<b>State</b>	<b>37036.99</b>	<b>39736.99</b>	<b>71063.68</b>	<b>78933.13</b>	<b>7.3</b>	<b>11.1</b>

P – Provisional, Q – Quick Estimate, Source : Department of Economics & Statistics.

Source: *Economic Review 2004*.

**APPENDIX V**

**District-wise Per Capita Income at Current Prices**

<b>Sl. No.</b>	<b>District</b>	<b>2002-03 (P) (Rs.)</b>	<b>Rak</b>	<b>2003-04 (Q (Rs.))</b>	<b>Rank</b>	<b>Growth rate (%) 2003-04</b>
1	Thiruvananthapuram	23789	4	26461	4	11.2
2	Kollam	21915	9	24031	9	9.7
3	Pathanamthitta	22511	6	24717	7	9.8
4	Alappuzha	22483	7	24969	6	11.1
5	Kottayam	24755	3	27377	3	10.6
6	Idukki	26467	2	28181	2	6.5
7	Ernakulam	28090	1	31136	1	10.8
8	Thrissur	23448	5	25933	5	10.6
9	Palakkad	18774	12	20591	12	9.7
10	Malappuram	14134	14	15472	14	9.5
11	Kozhikode	22323	8	24643	8	10.4
12	Wayanad	18084	13	19523	13	8.0
13	Kannur	20574	10	22657	10	10.1
14	Kasaragod	20071	11	21760	11	8.4
	State	21853	--	24053	--	10.1

P – Provisional; Q – Quick Estimate; Source: Department of Economics & Statistics.  
(Kerala Economic Review, 2004).

**APPENDIX VI**

**Literacy Rates by Sex for State and District**

Sl. No.	State / District	Literacy rate*					
		Persons		Males		Females	
		1991	2001	1991	2001	1991	2001
1	2	3	4	5	6	7	8
	<b>Kerala</b>	<b>89.81</b>	<b>90.92</b>	<b>93.62</b>	<b>94.20</b>	<b>86.17</b>	<b>87.86</b>
1	Kasaragod	82.51	85.17	88.97	90.84	76.29	79.80
2	Kannur	91.48	92.80	95.54	96.38	87.65	89.57
3	Wayanad	82.73	85.52	87.59	90.28	77.69	80.80
4	Kozhikode	91.10	92.45	95.58	96.30	86.79	88.86
5	Malappuram	87.94	88.61	92.08	91.46	84.09	85.96
6	Palakkad	81.27	84.31	87.24	89.73	75.72	79.31
7	Thrissur	90.18	92.56	93.77	95.47	86.94	89.94
8	Ernakulam	92.30	93.42	95.40	95.95	89.22	90.96
9	Idukki	86.97	88.58	90.89	92.11	82.97	85.04
10	Kottayam	95.72	95.90	97.46	97.41	94.00	94.45
11	Alappuzha	93.87	93.66	96.79	96.42	91.12	91.14
12	Pathanamthitta	94.86	95.09	96.56	96.62	93.29	93.17
13	Kollam	90.47	91.49	94.09	94.63	87.00	88.60
14	Thiruvananthapuram	89.22	89.36	92.84	92.68	85.76	86.26

*Note: \*Literacy rate is the percentage of literates to population aged 7 years and above.*

*Source: Kerala Economic Review.*

**APPENDIX VII**

**State-wise Distribution of Commercial Bank Branches and Population per Bank Office**

	States	Number of Banks as at the end of						Percentage of total number of offices						Average population per bank branch (in '000s)					
		as at the end of																	
		Jun 99	Jun 00	Jun 01	Jun 02	Jun 03	Jun 04	Jun 99	Jun 00	Jun 01	Jun 02	Jun 03	Jun 04	Jun 99	Jun 00	Jun 01	Jun 02	Jun 03	Jun 04
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	
1	Andhra Pradesh	567	5112	5171	5207	5267	5284	6.9	7.8	7.8	7.8	7.9	7.9	74	15	15	15	15	20
2	Assam	74	1234	1237	1223	1220	1221	0.9	1.9	1.9	1.8	1.8	1.8	193	21	22	22	22	14
3	Bihar	273	5008	3561	3564	3564	3569	3.3	7.6	5.4	5.4	5.3	5.3	207	20	21	21	21	22
4	Gujarat	852	3642	3670	3657	3670	3668	1.3	5.6	5.6	5.5	5.5	5.5	34	13	13	14	14	23
5	Haryana	172	1494	1516	1551	1591	1615	2.1	2.3	2.3	2.3	2.4	2.4	97	13	13	13	13	14
6	Karnataka	756	4720	4761	4779	4804	4834	9.2	7.2	7.2	7.2	7.2	7.2	37	11	11	11	11	13
7	Kerala	601	3255	3298	3334	3370	3404	7.3	5.0	5.0	5.0	5.1	5.1	34	10	10	10	10	11
8	Madhya Pradesh	343	4497	3456	3458	3450	3453	4.2	6.90	5.2	5.2	5.2	5.2	116	18	18	18	19	10
9	Maharashtra	1118	6224	6294	6320	6317	6334	13.5	9.5	9.5	9.5	9.5	9.5	43	15	15	15	15	18
10	Orissa	100	2218	2220	2227	2227	2240	1.2	3.4	3.4	3.4	3.3	3.3	211	16	s	16	17	15
11	Punjab	346	2508	2534	2573	2615	2641	4.2	3.8	3.8	3.9	3.9	3.9	42	9	9	9	9	17
12	Rajasthan	364	3321	3323	3336	3342	3350	4.4	5.1	5.0	5.0	5.0	5.0	68	16	17	17	17	9
13	Tamil Nadu	1060	4767	4785	4748	4746	4757	12.8	7.3	7.2	7.2	7.1	7.1	37	13	13	13	13	17
14	Uttar Pradesh	747	8909	8155	8169	8212	8213	9.0	13.6	1.3	12.3	12.3	12.3	114	19	20	20	20	13
15	West Bengal	504	4394	4424	4430	4446	4466	6.1	6.7	6.7	6.7	6.7	6.7	85	18	18	18	19	20
	<b>TOTAL</b>	<b>7877</b>	<b>61303</b>	<b>58405</b>	<b>58576</b>	<b>58841</b>	<b>59049</b>	<b>95.3</b>	<b>93.4</b>	<b>88.3</b>	<b>88.3</b>	<b>88.2</b>	<b>18.2</b>	--	--	--	--	--	<b>18</b>
	<b>All India Total</b>	<b>8262</b>	<b>65621</b>	<b>66119</b>	<b>66355</b>	<b>66692</b>	<b>66970</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>		<b>65</b>	<b>15</b>	<b>15</b>	<b>16</b>	<b>16</b>	<b>15</b>

Source: CMIE, Banking Statistics Quarterly (various issues).

# THE ROLE OF KSFE LTD. IN THE ECONOMIC DEVELOPMENT OF KERALA WITH SPECIAL REFERENCE TO MALABAR REGION

## Interview schedule

## Customers

1. General data Village/Taluk

Personal data

Name

Sex

Religion

Qualification

Below SSLC/SSLC/Pre-Degree/Degree/PG/Professional

### Occupation/Employment

Agriculture (Self)

Agriculture (Service)

Artisan

Business

Govt. Employee

Private Employee

Professional

Self Employee

Industrialist

Any other

### Annual Income

#### Before Availing Service of KSFE

#### After

Below 50,000

50,000 – 1,00,000

1,00,000 – 1,50,000

1,50,000 & above

### Housing Particulars

#### Owned

Concrete

Titled

Thatched

Electrified  Non electrified

Electrified  Non electrified

E  NE

#### Rented

Concrete

Titled

Thatched

Electrified  Non electrified

Electrical  Non Electrical

E  NE

5. How long you have been a customer of KSFE?  Years

Whether

- a. Depositor, or
- b. Borrower

If depositor, type of deposit

- 1. Chitty Subscriber/Guarantor
- 2. Sugame depositor
- 3. Fixed depositor
- 4. Saving Depositor
- 5. Money transferee

If borrower, type of borrowings

- 1. Hirer of articles
- 2. Gold Loanee
- 3. Loanee for house construction
- 4. Customer Loanee
- 5. Trade Loanee
- 6. Loanee under employment oriented scheme
- 7. Loanee from chitty

Reasons for your preference to deposit in KSFE

- 1. Easy withdrawal norms
- 2. Convenience
- 3. High interest rate
- 4. Others

6. What is your reason for dealing with KSFE

- 1. Personal relation with officials
- 2. Friends/relatives working as employee in KSFE
- 3. Nearness to the branch
- 4. To deposit saving
- 5. Motivated by advertisement in TV/Radio
- 6. Motivated by agents of KSFE
- 7. Any other reasons

7. How many members of your family are customer of KSFE

8. Are you satisfied with the terms and conditions of the loan scheme

- 1. Yes
- 2. No.

9. How do you feel the interest rate of KSFE

- 1. High
- 2. Average

3. Low
4. Below average
10. Details of surety given to KSFE
1. Personal surety
2. Third party
3. Deposit of title deeds
4. Hypothecation of goods
5. Any other
11. Have you been repaying the loan regularly
1. Yes
2. No
- If no, What is the reason for it
1. Uneasy instalments
2. High interest rate
3. Delay in generating surplus
4. Wilful default
5. Others
12. Do you feel any difficulty in money transfer
1. Yes
2. No
- If yes, mark your difficulties (Preference)
1. Problems from the part of KSFE staff
2. Problems from the part of foreign agencies
3. Other problems (Specify)
13. Do you believe that money transfer through KSFE is better than that of other agencies.
1. Yes
2. No
14. Do you feel any difficulty in dealing with KSFE
1. Yes
2. No
- If yes, Mark your difficulties in the order of preference
1. Indifferent behaviour of the staff
2. Delay processing.
3. Delay in receiving cash.
4. Difficulty to get sureties
5. Any other, specify

15. Do you think that KSFE has brought about economic improvement to

- 1. You
- 2. Your Village
- 3. No Improvement

**THE ROLE OF KSFE LTD IN THE ECONOMIC  
DEVELOPMENT OF KERALA WITH SPECIAL REFERENCE  
TO MALABAR REGION**

**Interview Schedule**

**Executives**

Name of the Branch :

Nature of Location :

Rural                       Semi Urban                       Urban

Date of Commencement of functioning :

Area of operation and Population served by the Branch :

**Customer Service**

1. What are the problems you face in serving the customers?

- |  |   |
|--|---|
| 1. Problems due to insufficient staff <input type="checkbox"/> | 2. Frequent transfer <input type="checkbox"/> |
| 3. Trade Unionism of staff <input type="checkbox"/>            |   |
| 4. Lack of modern Technology <input type="checkbox"/>          | 5. Others <input type="checkbox"/>            |

2. Do you thin that your schemes are properly informed to the public ?

1. Yes                       No

If yes, media of giving information

- |   |  |
|---|--|
| a. News papers <input type="checkbox"/> | b. Electronic media <input type="checkbox"/> |
| c. Others <input type="checkbox"/>      | d. All <input type="checkbox"/>              |

3. Do you have agents for your branch?

- Yes                       No

If yes, which type of agents?

1. Collection Agents                       2. Canvassing agents

4. Is there any increase in business through agents

1. Yes                       No

If yes, to want extent

(% of total Business)

- |                                       |                                     |
|---------------------------------------|-------------------------------------|
| 1. Below 25% <input type="checkbox"/> | 2. 25.50% <input type="checkbox"/>  |
| 3. 50-75% <input type="checkbox"/>    | 4. 75-100% <input type="checkbox"/> |

5. Do you believe that you are attaining the targets every year

1. Yes                       2. No

If no, to what extent you are attaining

- |              |                          |                  |                          |
|--------------|--------------------------|------------------|--------------------------|
| 1. Below 50% | <input type="checkbox"/> | 2. 50-70%        | <input type="checkbox"/> |
| 3. 70-90%    | <input type="checkbox"/> | 4. 90% and above | <input type="checkbox"/> |

6. Is there any increase in the number of chitty business for the last 5 years

- |        |                          |       |                          |
|--------|--------------------------|-------|--------------------------|
| 1. Yes | <input type="checkbox"/> | 2. No | <input type="checkbox"/> |
|--------|--------------------------|-------|--------------------------|

If yes, to what extent

- |              |                          |                 |                          |
|--------------|--------------------------|-----------------|--------------------------|
| 1. below 20% | <input type="checkbox"/> | 2. 20-50%       | <input type="checkbox"/> |
| 3. 50-75%    | <input type="checkbox"/> | 4. 75 and above | <input type="checkbox"/> |

7. Do your customers have the habit of continuing chitties one by one

- |        |                          |       |                          |
|--------|--------------------------|-------|--------------------------|
| 1. Yes | <input type="checkbox"/> | 2. No | <input type="checkbox"/> |
|--------|--------------------------|-------|--------------------------|

8. Are the customers joining in the chitties of higher sala

- |        |                          |       |                          |
|--------|--------------------------|-------|--------------------------|
| 1. Yes | <input type="checkbox"/> | 2. No | <input type="checkbox"/> |
|--------|--------------------------|-------|--------------------------|

9. Is there any increase in the number of other types of business (Other than chitties) for the last 5 years.

- |        |                          |       |                          |
|--------|--------------------------|-------|--------------------------|
| 1. Yes | <input type="checkbox"/> | 2. No | <input type="checkbox"/> |
|--------|--------------------------|-------|--------------------------|

If yes, to what extent

- |              |                          |                  |                          |
|--------------|--------------------------|------------------|--------------------------|
| 1. Below 20% | <input type="checkbox"/> | 2. 20-50%        | <input type="checkbox"/> |
| 3. 50-75%    | <input type="checkbox"/> | 4. 75% and above | <input type="checkbox"/> |

10. What is the problem faced by you in the disbursement of chitty money

- |  |                          |
|--|--------------------------|
| 1. Delay in getting confirmation       | <input type="checkbox"/> |
| 2. Delay from the side of customers    | <input type="checkbox"/> |
| 3. Delay from the side of office staff | <input type="checkbox"/> |
| 4. All the above                       | <input type="checkbox"/> |

11. Have you taken any method to speed up the disbursement

- |        |                          |       |                          |
|--------|--------------------------|-------|--------------------------|
| 1. Yes | <input type="checkbox"/> | 2. No | <input type="checkbox"/> |
|--------|--------------------------|-------|--------------------------|

12. What is the average time taken to disburse the fund

- |                  |                          |                      |                          |
|------------------|--------------------------|----------------------|--------------------------|
| 1. Below 10 days | <input type="checkbox"/> | 2. 10-20 days        | <input type="checkbox"/> |
| 3. 20 to 30 days | <input type="checkbox"/> | 4. 30 days and above | <input type="checkbox"/> |

### Repayment

1. Do all the instalments are repaid in time

- |        |                          |        |                          |
|--------|--------------------------|--------|--------------------------|
| 1. Yes | <input type="checkbox"/> | 2. No. | <input type="checkbox"/> |
|--------|--------------------------|--------|--------------------------|

If no, what are the main reasons for default.

- |  |                          |
|--|--------------------------|
| 1. Poor financial condition of the customers | <input type="checkbox"/> |
| 2. Unfavourable repayment schedule           | <input type="checkbox"/> |

- 3. Wilful default
- 4. Any others

2. What are the main steps taken for the recovery of overdues

- 1. Sending letters to the parties including sureties
- 2. Personal contacts with the parties
- 3. Legal notice
- 4. Revenue recovery suit filing
- 5. Any other

Difficulty experienced in the recovery  
(in the order of priority)

- 1. Lack of co-operation from the govt. side
- 2. Inadequate law
- 3. Political interference
- 4. Any other

3. What is your opinion about the awareness of people about your schemes?

- 1. Very poor
- 2. Poor
- 3. Fair
- 4. Good
- 5. Very good

4. What is your CD Ratio

5. Is your branch providing social security Services

- 1. Yes
- 2. No

If yes, what is the service?

- 1. Insurance scheme
- 2. Pension scheme
- 3. Other, specify

6. Is there any new scheme for generation of employment

- 1. Yes
- 2. No

If yes, in which sector

- 1. Trade
- 2. Agriculture
- 3. Industry
- 4. Others

In each sector how far disbursed

- |                | Below 25%                | 25%-50                   | 50-75                    | 75 above                 |
|----------------|--------------------------|--------------------------|--------------------------|--------------------------|
| 1. Trade       | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Agriculture | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Industry    | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Others      | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

7. Is there any plan for new business schemes

- 1. Yes
- 2. No

8. How will you utilize the profit of KSFE
- |  |                          |            |                          |
|--|--------------------------|------------|--------------------------|
| 1. Reinvestment                            | <input type="checkbox"/> | 2. Deposit | <input type="checkbox"/> |
| 3. Contributing to social Security schemes | <input type="checkbox"/> | 4. Others  | <input type="checkbox"/> |
9. Are you satisfied with the present function of KSFE?
- |        |                          |       |                          |
|--------|--------------------------|-------|--------------------------|
| 1. Yes | <input type="checkbox"/> | 2. No | <input type="checkbox"/> |
|--------|--------------------------|-------|--------------------------|
- If no, What is your suggestions for improvement
10. Have you got branches in other states/Counties
- |        |                          |       |                          |
|--------|--------------------------|-------|--------------------------|
| 1. Yes | <input type="checkbox"/> | 2. No | <input type="checkbox"/> |
|--------|--------------------------|-------|--------------------------|
11. Do you believe that the service of KSFE has resulted in economic prosperity to the customers.
- |        |                          |       |                          |
|--------|--------------------------|-------|--------------------------|
| 1. Yes | <input type="checkbox"/> | 2. No | <input type="checkbox"/> |
|--------|--------------------------|-------|--------------------------|

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