



Economic Growth and Development of Karnataka State Financial Corporation (KSFC) In Karnataka: An Overview

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ABSTRACT

The Karnataka State Financial Corporation, often known as the KSFC, is a financial organisation in India that is controlled by the government and has been instrumental in the development of new businesses and the expansion of existing ones in the state of Karnataka. The Kansas State Finance Corporation (KSFC) was established in 1959. It assists business owners by way of loans, equity investments, and technical help. As a result, it has been instrumental in the expansion of the manufacturing sector. The organisation's success can be due to the very effective loan processing system as well as the individualised help it provides to borrowers. As a result, the institution has earned the confidence and loyalty of small and medium-scale firms all throughout the state of Karnataka. The proactive role that KSFC plays in the growth of the region's economy assures a successful future not just for the organisation but also for the communities that it serves as a support system. The purpose of the research is to investigate the economic expansion and development of KSFC in Karnataka as well as changes in the levels of success achieved by micro, small, and medium-sized businesses.

Key Words: Economic Growth, KSFC, Development, MSME, Trend

1. INTRODUCTION

Background information on KSFC, also known as Karnataka State Financial Corporation, is a government-owned financial institution in India. It was established in 1959 with the objective of providing financial assistance and support to small and medium-scale industries in the state of Karnataka. Over the years, KSFC has played a crucial role in promoting entrepreneurship and industrial growth in the region. With its wide range of financial products and services, the corporation has been instrumental in facilitating the establishment and expansion of various businesses in Karnataka. KSFC has been a significant contributor to the state's economy, providing loans, equity, and technical assistance to entrepreneurs. Its comprehensive financial solutions have helped in the creation of numerous job opportunities and have contributed significantly to the development of the industrial sector. The institution's success can be attributed to its efficient loan processing system and personalised support to borrowers, which have earned it the trust and loyalty of small and medium-scale enterprises across Karnataka. As a result, KSFC has become a symbol of growth and progress in the region, fostering a culture of entrepreneurship and innovation.

1.1 The importance of economic growth and development for a financial organisation

Economic growth creates opportunities for businesses to expand, generates employment, and improves the overall standard of living. For a financial organisation like KSFC, the success of the industrial sector directly impacts its own growth and profitability. Therefore, it is crucial for KSFC to actively contribute to the economic development of the region it serves. By providing accessible financing options and tailored support to small and medium-scale enterprises, KSFC plays a pivotal role in driving economic growth and fostering a thriving business ecosystem. By offering low-interest loans and flexible repayment terms, KSFC enables entrepreneurs to invest in their businesses and expand their operations. This not only creates new job opportunities but also helps existing businesses thrive and contribute to the local economy. Moreover, KSFC's tailored support and guidance empower entrepreneurs to make informed financial decisions, leading to sustainable growth and long-term success for the businesses it serves. Overall, KSFC's active contribution to the economic development of the region ensures a prosperous future for both the organisation and the communities it supports.

2. REVIEW OF LITERATURE

According to **Loha Hashimy (2021)**, she conducted the study on "**Distributed ledger technology as a catalyst for open innovation adoption among small and medium-sized enterprises**". Open innovation and DLT depend on distribution and sharing. Distributed data ledgers cut costs, boost efficiency, and enable immutability, traceability, security, and transparency. Open innovation improves innovation processes and performance by sharing knowledge. Research examined DLT-solvable open innovation barriers for SMEs. Our semi-structured interviews included 11 open innovation and DLT practitioners from Spain, Germany, Australia, and India. The paper says DLTs can overcome contracts, money, trust, raw materials, information, local and international market constraints, IP rights, and government laws and bureaucracy. This article discusses mistrust, limited funding, and out-dated organisational practises. DLTs may struggle

to overcome internal barriers like corporate culture or human nature, but customers' expectations may inhibit open innovation management. When integrating DLTs, SMEs may face integration issues, difficult transition stages, high setup costs, and problems finding and maintaining trained people, according to the research.

A research article on **"State and Institutional Support for Women Entrepreneurship Development: A Study of Dharwad District in Karnataka State"** Laxmi B. Parab and R. L. Hyderabad (2014) This article mentioned interviewing 136 female business owners in Dharwad, Karnataka, on state and institutional assistance for women. The survey also revealed that female business owners were uninformed of the programmes. Only 85% of women business owners who know about the programmes use them. The authors also found that institutionally helped and unassisted women business owners made similar profits. This demonstrates that sector- and case-specific approaches to women's entrepreneurship are required since present institutions have failed. According to the results, schools should teach women business owners cutting-edge HR management and technology.

Deepa Mathew (2020), in his article on **"Role of Kerala Startup Mission Boot Camps in Fostering Entrepreneurship among College Students"** explains that many economists believe entrepreneurs drive economic development. The analysis also highlighted Kerala's 2014 Technology Start-up Policy, which was created in response to entrepreneurship's expanding importance. The study also found that the Kerala Startup Mission (KSUM) runs entrepreneurship development programmes. KSUM, the business creation coordination body, is on track. The researcher wants to know how KSUM helps young people realise their goals by encouraging them to develop an entrepreneurial attitude, which boosts their chance of starting a company in Kansas. According to Kerala college students, entrepreneurship may be "made" via well-executed entrepreneurship development initiatives like the Kerala Startup Mission.

Thus, the review of the literature clearly shows that no attempt has so far been made to address the economic growth and development of KSFC in particular. Hence, the present study proposes to fill the gap in the existing literature.

3. OBJECTIVES

1. Growth and development of KSFC in Karnataka
2. Trends in the performance of micro, small, and medium enterprises

4. METHODOLOGY

The study was based on secondary data. Secondary information was used for the analysis. The Karnataka State Financial Corporation's operating statistics and yearly reports, as well as other secondary sources, were mined for this study's secondary data. The collected information will be processed and shown in charts and tables. Statistical methods such as mean, median, standard deviation, compound annual growth rate (CAGR), and others have been used to examine the data.

5. Growth and development of KSFC in Karnataka

Table No. 1

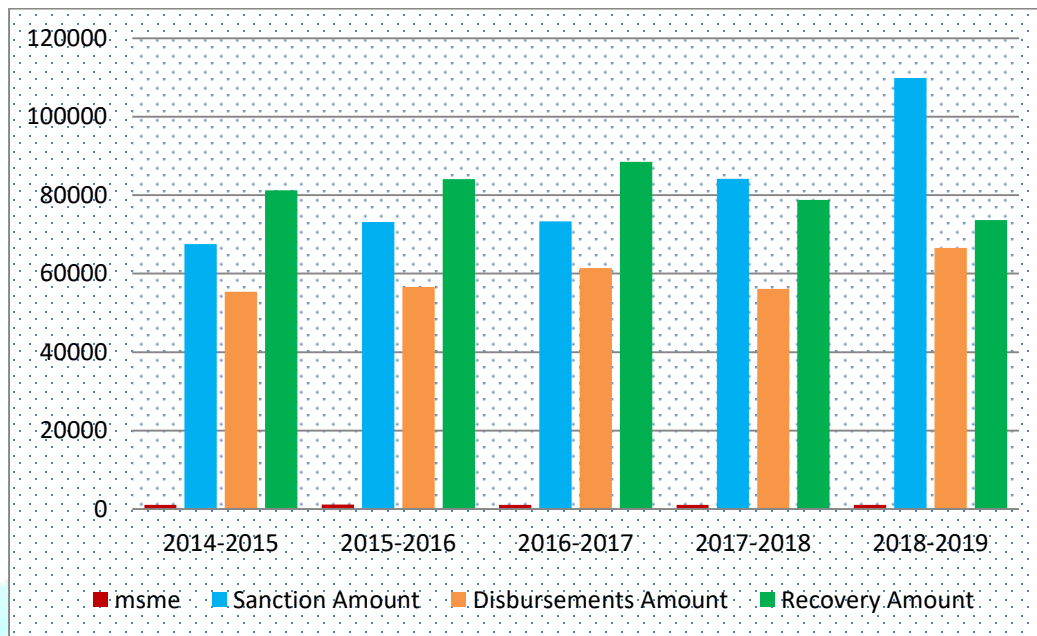
Growth and development of KSFC in Karnataka during the period 2014–15 to 2018–19
(Amount: ₹.in lakhs)

Year	Sanctions		GPA	Disbursements Amount	GPA	Recovery Amount	GPA
	MSME	Amount					
2014-2015	1092	67514.6		55362.41		81280.01	
2015-2016	1111	73193.59	5678.99	56636.42	1274.01	84110.27	2830.26
2016-2017	1059	73342.55	148.96	61437.78	4801.36	88472.76	4362.49
2017-2018	1037	84212.7	10870.15	56121.21	-5316.57	78791.11	-9681.65
2018-2019	1056	109872.7	25660	66589.89	10468.68	73634.59	-5156.52
Total	5355	408136.1	42358.1	296147.7	11227.48	406288.7	-7645.42
Mean		136045.4		98715.9		135429.6	
St.Dv		16907.25		4753.73		5576.53	
CV		12.43		4.82		4.12	
CAGR		10.23		3.76		-1.96	

Source: KSFC Annual Statistical Report

The table presents the growth and development of KSFC (Karnataka State Financial Corporation) in Karnataka from 2014-15 to 2018-19. It provides information on sanctions, disbursements, recovery amounts, and the growth per annum for each year. This data is crucial for understanding the financial performance and trends of KSFC over this period.

The total MSME Sanctioned amount for the period 2014-2019 was ₹.4,08,136.1, average annual MSME amount was ₹.136,045.4, with a standard deviation of ₹.16,907.25. The coefficient of variation (CV) for this period was 12.43%. The compound annual growth rate (CAGR) for the same period was 10.23%. The total MSME Disbursed amount for the period 2014-2019 was ₹.2,96,147.7, average annual MSME amount was ₹.98,715.9, with a standard deviation of ₹.4,753.73. The coefficient of variation (CV) for this period was 4.82%. The compound annual growth rate (CAGR) for the same period was 3.76%. The total MSME Recovery amount for the period 2014-2019 was ₹.4,06,288.7, average annual MSME amount was ₹.1,35,429.6, with a standard deviation of ₹.5,576.53. The coefficient of variation (CV) for this period was 4.12%. The compound annual growth rate (CAGR) for the same period was -1.96%.

Graph No. 1**Growth and development of KSFC in Karnataka during the period 202014-15 to 2018-19****(Amount: ₹.in lakhs)**

Overall the data shows a steady growth in sanctions and disbursements for KSFC from 2014-15 to 2018-19. However, the recovery amount has fluctuated over this period. The mean values and standard deviations indicate the average and variability of these financial metrics. Additionally, the CAGR (Compound Annual Growth Rate) shows the annual growth rate for each category. Overall, this data provides valuable insights into the financial performance of KSFC in Karnataka.

6. Trends in the performance of micro, small, and medium enterprises**Table No.2****Trend performance of micro enterprise during the period 202014-15 to 2018-19****(Amount: ₹.in lakhs)**

Year	Micro		Growth Per Annum
	Units	Amount	
2014-2015	231	5607.45	
2015-2016	262	6470.13	862.68
2016-2017	183	5250.55	-1219.58
2017-2018	176	5506.25	255.7
2018-2019	128	3852.45	-1653.8
Total	980	26686.83	-1755
AVG		5337.37	
St.Dev.		948.31	

CV		17.77	
CAGR		-7.23	

Source: KSFC Annual Statistical Report

This table presents the trend performance of micro enterprises from 2014-15 to 2018-19. It shows the number of units, the amount in lakhs, and the growth per annum for each year. Analyzing this data can provide insights into the overall performance of micro enterprises during this period. The data presented, it can be observed that the number of micro units decreased from 231 in 2014-15 to 128 in 2018-19, indicating a decline in the overall number of micro enterprises. The amount also experienced a significant decrease from 5607.45 lakhs to 3852.45 lakhs during the same period. While there was a significant increase in units and amount from 2014-15 to 2015-16, there was a decline in both parameters in the following years. The average growth rate over the entire period was -7.23%, indicating a negative trend in micro enterprise performance.

A line graph showing the trend performance of micro enterprises over the years would provide a visual representation of the data, making it easier to identify any patterns or changes in performance.

Graph No.2
Trend performance of micro enterprise during the period 2014-15 to 2018-19
(Amount: ₹.in lakhs)

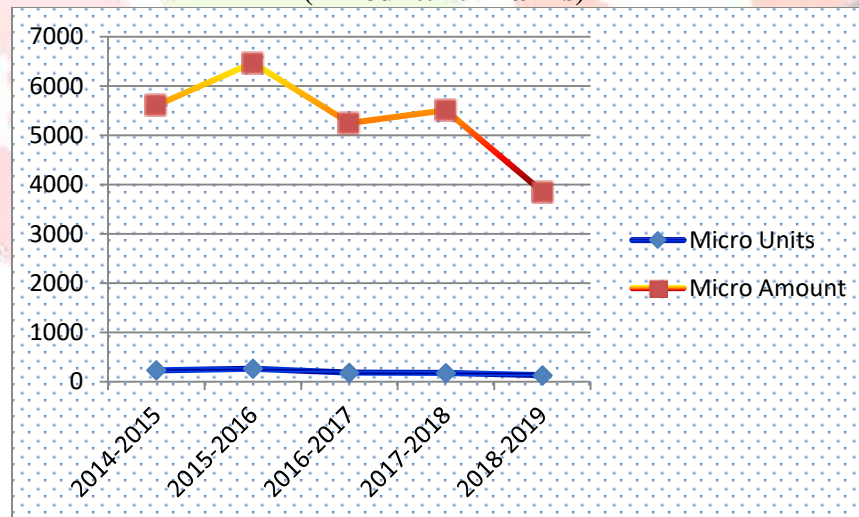


Table No.3
Trend performance of small enterprise during the period 202014-15 to 2018-19
(Amount: ₹.in lakhs)

Year	Small		Growth Per Annum
	Units	Amount	
2014-2015	684	42607.75	
2015-2016	660	45023.98	2416.23
2016-2017	761	49465.2	4441.22
2017-2018	781	69819.85	20354.65
2018-2019	851	96088.73	26268.88
Total	3737	303005.5	53480.98
Mean		60601.10	
St.Dev.		22554.23	
CV		37.22	
CAGR		17.66	

Source: KSFC Annual Statistical Report

The trend performance of small enterprises during the period 2014-15 to 2018-19 shows a consistent growth in both units and amount. The total amount generated by these enterprises reached ₹303,005.5 lakhs, with a mean of ₹60,601.10 lakhs and a standard deviation of ₹22,554.23 lakhs. The compound annual growth rate (CAGR) for this period is 17.66%. /This indicates a healthy and steady growth rate for small enterprises over the five-year period. Additionally, the coefficient of variation (CV) is calculated to be 37.22%, suggesting a moderate level of variability in the data. Overall, these figures illustrate a positive and promising trend for small enterprises in terms of their performance and financial growth.

Table No. 4
Trend performance of medium enterprise during the period 202014-15 to 2018-19
(Amount: ₹.in lakhs)

Year	Medium		Growth Per Annum
	Units	Amount	
2014-2015	177	19299.4	
2015-2016	189	21699.48	2400.08
2016-2017	115	18626.8	-3072.68
2017-2018	80	8886.6	-9740.2
2018-2019	77	9931.52	1044.92
Total	638	78443.8	-9367.88
Mean		15688.76	
St.Dev.		5856.89	
CV		37.33	
CAGR		-12.44	

Source: KSFC Annual Statistical Report

The trend performance of medium enterprises during the period 2014-15 to 2018-19 shows a decline in growth per annum, with a negative compound annual growth rate (CAGR) of -12.44%. The total amount for this period was ₹78,443.8 lakhs, with a mean value of ₹15,688.76 lakhs and a standard deviation of ₹5,856.89 lakhs. The coefficient of variation (CV) is 37.33, indicating a high level of variability in the

growth rates of medium enterprises. This suggests that the performance of these enterprises fluctuated significantly during the five-year period, with some experiencing substantial declines in growth. The negative CAGR further highlights the overall downward trend in growth, indicating a challenging business environment for medium enterprises during this period.

7. FINDINGS OF THE STUDY

1. The total KSFC Sanctioned amount for the period 2014-2019 was ₹.4,08,136.1, average annual MSME amount was ₹.136,045.4, with a standard deviation of ₹.16,907.25.
2. The total KSFC Disbursed amount for the period 2014-2019 was ₹.2,96,147.7, average annual MSME amount was ₹.98,715.9, with a standard deviation of ₹.4,753.73.
3. The total KSFC Recovery amount for the period 2014-2019 was ₹.4,06,288.7, average annual MSME amount was ₹.1,35,429.6, with a standard deviation of ₹.5,576.53.
4. Micro enterprises from 2014-15 to 2018-19, with a decrease in units and amount, and an average growth rate of -7.23%.
5. Small enterprises experienced consistent growth from 2014-15 to 2018-19, generating ₹303,005.5 lakhs with a 17.66% CAGR and moderate variability, indicating positive performance and financial growth.
6. Medium enterprises experienced a negative compound annual growth rate (CAGR) from 2014-15 to 2018-19, indicating a challenging business environment and significant fluctuations in their performance.

8. RECOMMENDATION OF THE STUDY

1. Following loan approval, KSFC representatives have to pay regular visits to the unit to ascertain its overall performance and identify any issues it may be facing.
2. The government ought to augment subsidies by augmenting the number of MSMEs and augmenting financial aid for the advancement of MSMEs in Karnataka.
3. For the purpose of fostering the growth of MSMEs in Karnataka, the Karnataka State Finance Corporation need to augment the quantity disbursed in proportion to the authorised amount.
4. More programmes under the Karnataka State Finance Corporation are required to support the growth of MSMEs in the region.

9. CONCLUSION

The study analyses the growth and development of the Karnataka State Financial Corporation (KSFC) from 2014-15 to 2018-19, using secondary data from operating statistics, yearly reports, and other sources. The data provides insights into the financial performance and trends of KSFC, including the total sanctioned amount, disbursements amount, recovery amount, and growth per annum for each year. The trend performance of micro, small, and medium enterprises is also examined, with a decrease in micro units and a significant decrease in recovery amount. Small enterprises show a consistent growth in units and

amount, while medium enterprises show a decline in growth per annum, with a negative compound annual growth rate (CAGR) of -12.44%. The study highlights the overall downward trend in growth, indicating a challenging business environment for medium enterprises during this period.

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