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PERFORMANCE EVALUATION OF NATIONAL SKILL DEVELOPMENT CORPORATION: AN ANALYTICAL STUDY

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Abstract: *National Skill Development Corporation (NSDC) is a Public Private Partnership organization in India dedicated to skill development which has substantial expertise and experience vital to the success of government funded schemes. It was set up with the prime objective of creating, funding and enabling skill landscape in India. It also enhances and coordinates the private sector initiatives for skill development by providing them significant operational and financial support. The present research is an attempt to analyse the financial performance of NSDC during past five years using ratio analysis. The research is conducted with the help of secondary data collected from annual and board reports of NSDC. Ratios indicating short term financial performance, long term solvency and efficiency have been used to measure the overall financial performance of NSDC. It has been revealed from the study that the short term as well as long term financial performance of NSDC has deteriorated from financial year 2014-15 to 2018-19 but an improvement has been observed in recent year i.e. 2019 in terms of efficiency.*

Keywords – Skill development, ratio analysis

INTRODUCTION

National Skill Development Corporation is a Public Private Partnership (PPP) working under the Ministry of Skill Development and Enterpreneurship. It was incorporated on July 31, 2008 under section 25 of the Companies act, 1956. The Government of India through Ministry of Skill Development and Enterpreneurship (MSDE) holds 49% of the share capital of NSDC while private sector has the balance 51% of the share capital.

The primary aim of NSDC is to promote skill development by creating large, quality and for profit vocational institutions. NSDC also acts as a catalyst in skill development by providing funds to enterprises, companies and organizations that provide skill training. The organization enables support system which concentrated on assurance, information system and trains the trainer academies either directly or indirectly through partnership. There is variety of courses offered under NSDC to provide appropriate skill training to the candidates. The courses offered by the training partners are aligned with the National Occupational Standards (NOS) under National Skill Qualification Framework (NSQF) and these standards are created by Sector Skill Councils (SSCs).

As per the annual report (2018-19) of National Skill Development Corporation, there are 462 training partners providing training for around 2100 job roles across the country through approximately 11000 training centers. NSDC has trained a total of 1.12 crore candidates till 31st of July, 2019 and around 50.68 lakhs candidates have been placed in different industries.

Core functional areas of NSDC:

1. Building training capacity through private sector participation.
2. Implementation and facilitation of government schemes and priorities.
3. Setting up strong industry linkages and partnerships.
4. Policy articulation and implementation.
5. Developing strong linkages aggregating demand across sectors to fill the skill gap.
6. Monitoring, assessing, certification and standardization of job roles and curriculum.
7. Advocacy with industry, private and government bodies.
8. Engagement with state governments and State Skill development Missions (SSDMs).
9. Organizing entrepreneurship development programmes by engaging with political representatives.
10. Managing India skills and world skills competitions.

REVIEW OF LITERATURE

Maqbool and Khan (2019) investigated the existing literature on skill development programmes in India. The study focused on various initiatives taken by government of India and programmes conducted through public private partnership. The paper highlighted the needs, challenges and scope of skill development programmes. The data for the study was collected from secondary sources like journals, government websites etc. the author suggested that there is more need of government intervention to raise employability through various short term and long term vocational courses.

Srivathsani and Vasantha (2018) examined the skill development initiatives and their effects on the Indian economy. The study also explored the need for skill gap analysis. In depth analysis of National Policy on Skill Development and Enterpreneurship had also been made. The study was majorly based on secondary sources of data collected from government websites, government publications and news reports. It was found in the study that if 'Skill India' mission is implemented effectively and efficiently with the help of various government organizations like NSDC, MSDE, NSDA and SSCs, then the gap which exists between the supply and demand of skilled workforce could be reduced to minimum. The study also suggested that the skill development and formal education should be complementary to each other and must go hand in hand to make progression in the economy of the country.

National Skill Development Corporation presented annual report (2017-18) on 'Skilling Today for a Brighter Tomorrow'. It was reported that fee based training partners of NSDC have trained 33% more candidates and placed 17% more candidates in 2017-18 as compared to financial year 2016-17. Pradhan Mantri Kaushal Vikas Yojana 2.0 has placed more than 60% of total certified candidates and a total of 390 Pradhan Mantri Kaushal Kendras have been established in 2017-18. NSDC instituted Reimbursable Skill Advisory Services unit to offer advisory services to private players and Strategic Employment Partnership was formed to facilitate employment for Indian youth in national and international job market.

OBJECTIVE OF THE STUDY

To analyse the financial performance of National Skill Development Corporation (NSDC) from 2015 to 2019.

RESEARCH METHODOLOGY

Financial performance of NSDC has been analysed on the basis of three indicators namely short term financial performance, long term solvency and efficiency. Various financial ratios have been calculated using Income Statements, Balance Sheets and Cash Flow Statements of National Skill Development Corporation. Financial ratios have been used to compare the performance of NSDC from past period of time that is from 2015 to 2019.

Sources of data: The data for the study has been collected from secondary sources like Annual Reports, Board's Reports and Skill Reports of National Skill Development Corporation, journals, government websites, articles and reports of various government authorities like Ministry of Skill Development Entrepreneurship, International Labour Organisation etc.

Period of study: This study covered the period from financial year 2014-2015 to 2018-2019.

Indicators and ratios applied: Ratios have been selected depending upon the availability of data to measure the following indicators:

Short term financial performance	Long term solvency	Efficiency
• Current ratio • Absolute liquid ratio	• Debt equity ratio • Proprietary/ Equity ratio • Debt to asset ratio • Fixed asset ratio	• Asset efficiency ratio • Current liability coverage ratio • Cash generating power

DATA ANALYSIS AND INTERPRETATION

Ratio analysis is conducted through financial data available in financial statements of National Skill Development Corporation. Ratios are used to examine the financial position, liquidity, profitability, solvency, efficiency, operational effectiveness and adequate utilization of funds which indicate the trends and compare the financial results that can be helpful for decision making of the organization.

1. **Short term financial performance**

   Short term financial performance or liquidity is the ability of the organization to meet its short term financial commitments. Following are the ratios to measure the liquidity:

a. Current ratio= Current assets/ current liabilities

Table 1: Current ratios of NSDC from 2015 to 2019

Years	Current Ratio
2015	66.74
2016	38.58
2017	18.13
2018	7.17
2019	8.58

Source: computed

Table 1 depicts the reduced ability of the organization to generate cash to meet its short term obligations. Current ratio is a traditional method of assessing the ability of an organization to meet its debts as and when they fall due. Increase in current ratio represents improvement in liquidity and decrease in ratio indicates deterioration in liquidity position.

b. Absolute liquid ratio= cash and bank+ short term securities/ current liabilities

Table 2: Absolute liquid ratio from 2015 to 2019

Years	Absolute Liquid Ratio
2015	59.32
2016	32.95
2017	14.51
2018	3.23
2019	5.98

Source: computed

Table 2 takes into account cash in hand, cash at bank, cash equivalents and marketable securities. If the ratio is lower than 1, it represents that the day to day cash management of the organization is in poor condition and if the ratio is relatively more than 1, it represents enough funds in the form of cash to meet the short term obligations.

2. **Long term solvency ratios**

These ratios assess the long term health of the organization by evaluating its repayment ability for its long term debt and interest on that debt. Following are the ratios used to measure long term solvency:

a. Debt Equity ratio= noncurrent liabilities +current liabilities/ shareholders' fund

Table 3: Debt equity ratio from 2015 to 2019

Years	Debt Equity Ratio
2015	1.13
2016	2.33
2017	2.19
2018	4.86
2019	5.76

Table 3 shows increasing ratio which indicates that the organization is arranging more of its financing by borrowing money, which makes the entity subjects to potential risk if debt level is too high. It depicts that the organization may not be able to generate enough cash to satisfy its debt obligations.

b. Proprietary ratio or Equity ratio

= shareholders' fund/ total assets

Table 4: Proprietary/ Equity ratio from 2015 to 2019

Years	Proprietary/ Equity Ratio
2015	.008
2016	.007
2017	.018
2018	.020
2019	.014

Source: computed

Table 4 represents that how much of organisation's assets are funded by equity and the number of assets on which shareholders have a residual claim. Higher ratios are typically favourable for the entity. Higher ratio also depicts that the organization is more suitable and less risky to lend future loans.

c. Debt to assets ratio

= total liabilities to outsiders/ total assets

Table 5: Debt to asset ratio from 2015 to 2019

Years	Debt to asset ratio
2015	.009
2016	.017
2017	.04
2018	.09
2019	.08

Source: computed

Table 5 shows increasing debt equity ratio which represents that the organization may not be able to generate enough cash to satisfy its debt obligations. Organizations with a higher figure are considered more risky to invest in and loan to whereas lower ratio indicates more satisfactory and stable long term solvency position.

d. Fixed asset ratio

= fixed assets/ shareholders' fund+ long term borrowings

Table 6: Fixed asset ratio from 2015 to 2019

Years	Fixed Asset Ratio
2015	.18
2016	.18
2017	.04
2018	.59
2019	1.01

Source: computed

Table 6 shows the amount of fixed assets being financed by each unit of long term funds. Ratio less than 1 indicates that the organisation has sufficient long term funds to cover its fixed assets and ratio more than 1 depicts the operational inefficiency of the organization.

3. **Efficiency ratios**

These ratios measure the ability of the organization to use its assets and manage its liabilities effectively. Following are the ratios used to measure efficiency of an organization:

a. Asset efficiency ratio

= cash flow from operations/ total assets

Table 7: Asset efficiency ratio from 2015 to 2019

Years	**Asset Efficiency percentage**
2015	NA
2016	NA
2017	0.2%
2018	(12.28%)
2019	20%

Source: computed

Asset efficiency ratio shown in Table 7 is similar to return on assets, but it uses cash inflows from operations instead of net income. It represents how well the organization uses its assets to generate cash flow.

b. Current liability coverage ratio

= cash flow from operations/ current liabilities

Table 8: Current liability ratio from 2015 to 2019

Years	**Current Liability ratio**
2015	NA
2016	NA
2017	0.05
2018	(1.26)
2019	2.48

Source: computed

Higher current liability coverage ratio shown in Table 8 indicates a better liquidity position. It measures how efficient the organization is with its cash management. It also measures the entity's ability to pay off its current debts with operating cash inflow it is able to receive in an accounting period.

c. Cash generating power

=cash flow from operating activities/ cash flow from operating activities+investing activities+ financing activities

Table 9: Cash generating ratio 2015 to 2019

Years	**Cash Generating Power**
2015	NA
2016	NA
2017	0.013
2018	(0.50)
2019	1.25

Source: computed

It is a powerful ratio used to show the company's ability to generate cash purely from operations as compare to the total cash inflows. Table 9 shows higher power ratio which indicates a greater amount of revenue received from the organisation's shareholders.

CONCLUSION

It is required to measure the performance of the organization before commenting upon its financial strengths and weaknesses. The present research paper is an attempt to measure the financial performance of NSDC over the past 5 years i.e. from financial year 2014-15 to 2018-19. It has been concluded in the study that NSDC is showing falling trend in the short term solvency performance representing its inability to generate enough cash to meet its short term obligations. The rising trend of debt equity ratio, debt asset ratio and fixed asset ratio depicts the poor long term solvency position of the organization. However the efficiency ratios are not following any particular trend from 2017 to 2019 but an improvement can be observed from last year i.e. 2019 in cash generation from operations.

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