INTERNATIONAL JOURNAL OF RESEARCH IN COMPUTER APPLICATION & MANAGEMENT

IJRCM

IJRCM

A Monthly Double-Blind Peer Reviewed (Refereed/Juried) Open Access International e-Journal - Included in the International Serial Directories

Indexed & Listed at:

Ulrich's Periodicals Directory ©, ProQuest, U.S.A., EBSCO Publishing, U.S.A., Cabell's Directories of Publishing Opportunities, U.S.A., Google Scholar,
Open J-Gage, India [link of the same is duly available at Inflibnet of University Grants Commission (U.G.C.)],
Index Copernicus Publishers Panel, Poland with IC Value of 5.09 & number of libraries all around the world.
Circulated all over the world & Google has verified that scholars of more than **5000 Cities** in **187 countries/territories** are visiting our journal on regular basis.

Ground Floor, Building No. 1041-C-1, Devi Bhawan Bazar, JAGADHRI – 135 003, Yamunanagar, Haryana, INDIA

http://ijrcm.org.in/

CONTENTS

CALL FOR MANUSCRIPTS

We invite unpublished novel, original, empirical and high quality research work pertaining to the recent developments & practices in the areas of Computer Science & Applications; Commerce; Business; Finance; Marketing; Human Resource Management; General Management; Banking; Economics; Tourism Administration & Management; Education; Law; Library & Information Science; Defence & Strategic Studies; Electronic Science; Corporate Governance; Industrial Relations; and emerging paradigms in allied subjects like Accounting; Accounting Information Systems; Accounting Theory & Practice; Auditing; Behavioral Accounting; Behavioral Economics; Corporate Finance; Cost Accounting; Econometrics; Economic Development; Economic History; Financial Institutions & Markets; Financial Services; Fiscal Policy; Government & Non Profit Accounting; Industrial Organization; International Economics & Trade; International Finance; Macro Economics; Micro Economics; Rural Economics; Co-operation; Demography: Development Planning; Development Studies; Applied Economics; Development Economics; Business Economics; Monetary Policy; Public Policy Economics; Real Estate; Regional Economics; Political Science; Continuing Education; Labour Welfare; Philosophy; Psychology; Sociology; Tax Accounting; Advertising & Promotion Management; Management Information Systems (MIS); Business Law; Public Responsibility & Ethics; Communication; Direct Marketing; E-Commerce; Global Business; Health Care Administration; Labour Relations & Human Resource Management; Marketing Research; Marketing Theory & Applications; Non-Profit Organizations; Office Administration/Management; Operations Research/Statistics; Organizational Behavior & Theory; Organizational Development; Production/Operations; International Relations; Human Rights & Duties; Public Administration; Population Studies; Purchasing/Materials Management; Retailing; Sales/Selling; Services; Small Business Entrepreneurship; Strategic Management Policy; Technology/Innovation; Tourism & Hospitality; Transportation Distribution; Algorithms; Artificial Intelligence; Compilers & Translation; Computer Aided Design (CAD); Computer Aided Manufacturing; Computer Graphics; Computer Organization & Architecture; Database Structures & Systems; Discrete Structures; Internet; Management Information Systems; Modeling & Simulation; Neural Systems/Neural Networks; Numerical Analysis/Scientific Computing; Object Oriented Programming; Operating Systems; Programming Languages; Robotics; Symbolic & Formal Logic; Web Design and emerging paradigms in allied subjects.

Anybody can submit the **soft copy** of unpublished novel; original; empirical and high quality **research work/manuscript** ***anytime*** in ***M.S. Word format*** after preparing the same as per our **GUIDELINES FOR SUBMISSION**; at our email address i.e. infoijrcm@gmail.com or online by clicking the link **online submission** as given on our website (***FOR ONLINE SUBMISSION, CLICK HERE***).

GUIDELINES FOR SUBMISSION OF MANUSCRIPT

1. **COVERING LETTER FOR SUBMISSION:**

DATED: _____________

THE EDITOR

IJRCM

Subject: **SUBMISSION OF MANUSCRIPT IN THE AREA OF _______________________.**

(e.g. Finance/Mkt./HRM/General Mgt./Engineering/Economics/Computer/IT/ Education/Psychology/Law/Math/other, please specify)

DEAR SIR/MADAM

Please find my submission of manuscript titled '____' for likely publication in one of your journals.

I hereby affirm that the contents of this manuscript are original. Furthermore, it has neither been published anywhere in any language fully or partly, nor it is under review for publication elsewhere.

I affirm that all the co-authors of this manuscript have seen the submitted version of the manuscript and have agreed to inclusion of their names as co-authors.

Also, if my/our manuscript is accepted, I agree to comply with the formalities as given on the website of the journal. The Journal has discretion to publish our contribution in any of its journals.

NAME OF CORRESPONDING AUTHOR	:
Designation/Post*	:
Institution/College/University with full address & Pin Code	:
Residential address with Pin Code	:
Mobile Number (s) with country ISD code	:
Is WhatsApp or Viber active on your above noted Mobile Number (Yes/No)	:
Landline Number (s) with country ISD code	:
E-mail Address	:
Alternate E-mail Address	:
Nationality	:

* i.e. Alumnus (Male Alumni), Alumna (Female Alumni), Student, Research Scholar (M. Phil), Research Scholar (Ph. D.), JRF, Research Assistant, Assistant Lecturer, Lecturer, Senior Lecturer, Junior Assistant Professor, Assistant Professor, Senior Assistant Professor, Co-ordinator, Reader, Associate Professor, Professor, Head, Vice-Principal, Dy. Director, Principal, Director, Dean, President, Vice Chancellor, Industry Designation **etc**. ***The qualification of author is not acceptable for the purpose***.

NOTES:

a) The whole manuscript has to be in ***ONE MS WORD FILE*** only, which will start from the covering letter, inside the manuscript. ***pdf. version** is liable to be rejected without any consideration*.

b) The sender is required to mention the following in the **SUBJECT COLUMN of the mail**:

New Manuscript for Review in the area of (e.g. Finance/Marketing/HRM/General Mgt./Engineering/Economics/Computer/IT/ Education/Psychology/Law/Math/other, please specify)

c) There is no need to give any text in the body of the mail, except the cases where the author wishes to give any **specific message** w.r.t. to the manuscript.

d) The total size of the file containing the manuscript is expected to be below **1000 KB**.

e) Only the **Abstract will not be considered for review** and the author is required to submit the **complete manuscript** in the first instance.

f) ***The journal gives acknowledgement w.r.t. the receipt of every email within twenty-four hours*** and in case of non-receipt of acknowledgment from the journal, w.r.t. the submission of the manuscript, within two days of its submission, the corresponding author is required to demand for the same by sending a separate mail to the journal.

g) The author (s) name or details should not appear anywhere on the body of the manuscript, except on the covering letter and the cover page of the manuscript, in the manner as mentioned in the guidelines.

2. **MANUSCRIPT TITLE:** The title of the paper should be typed in **bold letters**, **centered** and **fully capitalised**.
3. **AUTHOR NAME (S) & AFFILIATIONS:** Author (s) **name**, **designation**, **affiliation** (s), **address**, **mobile/landline number** (s), and **email/alternate email address** should be given underneath the title.
4. **ACKNOWLEDGMENTS:** Acknowledgements can be given to reviewers, guides, funding institutions, etc., if any.
5. **ABSTRACT:** Abstract should be in **fully Italic printing**, ranging between **150** to **300 words**. The abstract must be informative and elucidating the background, aims, methods, results & conclusion in a **SINGLE PARA**. ***Abbreviations must be mentioned in full***.
6. **KEYWORDS:** Abstract must be followed by a list of keywords, subject to the maximum of **five**. These should be arranged in alphabetic order separated by commas and full stop at the end. All words of the keywords, including the first one should be in small letters, except special words e.g. name of the Countries, abbreviations etc.
7. **JEL CODE:** Provide the appropriate Journal of Economic Literature Classification System code (s). JEL codes are available at www.aeaweb.org/econlit/jelCodes.php. However, mentioning of JEL Code is not mandatory.
8. **MANUSCRIPT:** Manuscript must be in ***BRITISH ENGLISH*** prepared on a standard A4 size ***PORTRAIT SETTING PAPER***. *It should be free from any errors i.e.* ***grammatical, spelling*** *or* ***punctuation.*** *It must be thoroughly edited at your end*.
9. **HEADINGS:** All the headings must be bold-faced, aligned left and fully capitalised. Leave a blank line before each heading.
10. **SUB-HEADINGS:** All the sub-headings must be bold-faced, aligned left and fully capitalised.
11. **MAIN TEXT:**

THE MAIN TEXT SHOULD FOLLOW THE FOLLOWING SEQUENCE:

INTRODUCTION

REVIEW OF LITERATURE

NEED/IMPORTANCE OF THE STUDY

STATEMENT OF THE PROBLEM

OBJECTIVES

HYPOTHESIS (ES)

RESEARCH METHODOLOGY

RESULTS & DISCUSSION

FINDINGS

RECOMMENDATIONS/SUGGESTIONS

CONCLUSIONS

LIMITATIONS

SCOPE FOR FURTHER RESEARCH

REFERENCES

APPENDIX/ANNEXURE

The manuscript should preferably be in ***2000** to **5000 WORDS***, But the limits can vary depending on the nature of the manuscript.

12. **FIGURES & TABLES:** These should be simple, crystal **CLEAR**, **centered**, **separately numbered** & self-explained, and the **titles must be above the table/figure**. **Sources of data should be mentioned below the table/figure**. *It should be ensured that the tables/figures are referred to from the main text*.
13. **EQUATIONS/FORMULAE:** These should be consecutively numbered in parenthesis, left aligned with equation/formulae number placed at the right. The equation editor provided with standard versions of Microsoft Word may be utilised. If any other equation editor is utilised, author must confirm that these equations may be viewed and edited in versions of Microsoft Office that does not have the editor.
14. **ACRONYMS:** These should not be used in the abstract. The use of acronyms is elsewhere is acceptable. Acronyms should be defined on its first use in each section e.g. Reserve Bank of India (RBI). Acronyms should be redefined on first use in subsequent sections.
15. **REFERENCES:** The list of all references should be alphabetically arranged. ***The author (s) should mention only the actually utilised references in the preparation of manuscript*** and they may follow Harvard Style of Referencing. **Also check to ensure that everything that you are including in the reference section is duly cited in the paper**. The author (s) are supposed to follow the references as per the following:

- All works cited in the text (including sources for tables and figures) should be listed alphabetically.
- Use (**ed.**) for one editor, and (**ed.s)** for multiple editors.
- When listing two or more works by one author, use --- (20xx), such as after Kohl (1997), use --- (2001), etc., in chronologically ascending order.
- Indicate (opening and closing) page numbers for articles in journals and for chapters in books.
- The title of books and journals should be in italic printing. Double quotation marks are used for titles of journal articles, book chapters, dissertations, reports, working papers, unpublished material, etc.
- For titles in a language other than English, provide an English translation in parenthesis.
- ***Headers**, **footers**, **endnotes** and **footnotes** should **not be used** in the document.* However, **you can mention short notes to elucidate some specific point**, which may be placed in number orders before the references.

PLEASE USE THE FOLLOWING FOR STYLE AND PUNCTUATION IN REFERENCES:

BOOKS

- Bowersox, Donald J., Closs, David J., (1996), "Logistical Management." Tata McGraw, Hill, New Delhi.
- Hunker, H.L. and A.J. Wright (1963), "Factors of Industrial Location in Ohio" Ohio State University, Nigeria.

CONTRIBUTIONS TO BOOKS

- Sharma T., Kwatra, G. (2008) Effectiveness of Social Advertising: A Study of Selected Campaigns, Corporate Social Responsibility, Edited by David Crowther & Nicholas Capaldi, Ashgate Research Companion to Corporate Social Responsibility, Chapter 15, pp 287-303.

JOURNAL AND OTHER ARTICLES

- Schemenner, R.W., Huber, J.C. and Cook, R.L. (1987), "Geographic Differences and the Location of New Manufacturing Facilities," Journal of Urban Economics, Vol. 21, No. 1, pp. 83-104.

CONFERENCE PAPERS

- Garg, Sambhav (2011): "Business Ethics" Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19–23

UNPUBLISHED DISSERTATIONS

- Kumar S. (2011): "Customer Value: A Comparative Study of Rural and Urban Customers," Thesis, Kurukshetra University, Kurukshetra.

ONLINE RESOURCES

- Always indicate the date that the source was accessed, as online resources are frequently updated or removed.

WEBSITES

- Garg, Bhavet (2011): Towards a New Gas Policy, Political Weekly, Viewed on January 01, 2012 http://epw.in/user/viewabstract.jsp

NON PERFORMING ASSETS MANAGEMENT OF KERALA FINANCIAL CORPORATION (KFC)

DR. C. SANKAR
ASST. PROFESSOR
DEPARMENT OF COMMERCE
KARPAGAM UNIVERSITY
COIMBATORE

VINOD K.RAJU
RESEARCH SCHOLAR
DEPARTMENT OF COMMERCE
KARPAGAM UNIVERSITY
COIMBATORE

ABSTRACT

The primary function of financial institutions is to lend funds as loans to various sectors such as agriculture, industry, personal loans, housing loans etc., in recent times the institutions have become very cautious in extending loans. The reason being mounting non-performing assets (NPAs). An NPA is defined as a loan asset, which has ceased to generate any income for a bank whether in the form of interest or principal repayment. In order to study the menace of NPA, Kerala Financial Corporation (KFC) the premier institution which provides long term finance for industrial enterprises and assistance to the sick units for the rehabilitation purpose has been selected. NPA is a serious problem faced by KFC. Non- performance in a loan asset is the bane of the financial institutions in India. It is the universal problem and can cripple the economy of any nation. Mounting non-performing assets in a banking sector was the main reason for the financial crisis in the South East Asian countries. The Net NPA of KFC as per the records shows a declining trend. There is a tendency among the beneficiaries of the corporation to delay repayment of the loans and some percentage of these payments also turns into bad debts. The NPA and loans and advances are negatively correlated. It shows that while the amount of loan increases over the years, NPA shows a declining trend. The total amount of loan increased year by year, because corporation introduces variety of new loan schemes.

KEYWORDS

Kerala financial corporation, non-performing assets, state financial corporation, development financial institution, economic development.

INTRODUCTION

The primary function of financial institution's to lend funds as loans to various sectors such as agriculture, industry, personal loans, housing loans etc., in recent times the institutions have become very cautious in extending loans. The reason being mounting non-performing assets (NPAs). An NPA is defined as a loan asset, which has ceased to generate any income for a bank whether in the form of interest or principal repayment. As per the prudential norms suggested by the Reserve Bank of India (RBI), a bank cannot book interest on an NPA on accrual basis.

BACKGROUND AND DEFINITION OF THE PROBLEM

In other words, such interests can be booked only when it has been actually received. In order to study the menace of NPA, Kerala Financial Corporation (KFC) the premier institution which provides long term finance for industrial enterprises and assistance to the sick units for the rehabilitation purpose has been selected. NPA is a serious problem faced by KFC. Even though the balance sheet figures shows the declining trend in NPA, an examination of financial records of KFC brings out the fact that over the years a sizable amount has been written off as a NPA. This has contributed much to the operating loss of NPA of KFC.

OBJECTIVES OF THE STUDY

1. To analyze the performance of Non- Performing Asset in Kerala Financial Corporation.
2. To assessing the impact of NPA in functioning of Kerala Financial Corporation.
3. To analyze the lending pattern of the organization.
4. To provide better solutions in order to avoid or control the emergence of NPA in Kerala Financial Corporation.
5. To analyse the relationship between total assets with Non- Performing Assets.
6. To understand the position if NPA using various tools such as percentage analysis, trend analysis etc. in the organization.

RESEARCH METHODOLOGY

RESEARCH DESIGN

This is a descriptive study of the Non-Performing Assets Management at Kerala Financial Corporation. The goal of a descriptive study is to offer a profile or to describe relevant aspects of the phenomena of interest from an individual, organisational, industry-oriented, or other perspective. Hence this study makes an evaluation of the prevailing Non Performing Assets Management with the help of annual report data. Both primary and secondary data have been used for the study.

❖ **Source of Data**

The study is descriptive making use of primary and secondary data. Data have been collected through primary and secondary sources.

❖ **Primary sources**

The researcher has collected primary data through structured questionnaire method from defaulters of loan repayment and interview with the managers and employees of KFC. Response was more encouraging as most people were willing to supply information on personal approach. It was easy to obtain information more accurately and also to clear doubts then and there. The language of communication was adapted to the status and educational level of the person interviewed, thus avoiding inconvenience and misinterpretation it took quite a considerable amount of time to collect information through the sources.

❖ **Secondary sources**

Secondary sources have been depended upon to collect information which the researcher finds impracticable to collect as first-hand information. Past data collected by others, from the company's annual reports, official publications of the RBI and internet are the secondary sources from which the researcher has collected the necessary information. Information from these sources has been very useful in data analysis.

The data collected from both primary and secondary sources have been used product evenly by the researcher for data analysis, which in turn helped in bringing out flourishing results.

SCOPE OF THE STUDY

Non- performance in a loan asset is the bane of the financial institutions in India. It is the universal problem and can cripple the economy of any nation. Mounting non-performing assets in a banking sector was the main reason for the financial crisis in the South East Asian countries. This article is intended to analyze and understand thoroughly the incidence of NPA and its effect on the overall performance of Kerala Financial Corporation (KFC), Thiruvananthapuram. The study is conducted among the borrowers of KFC's Thiruvananthapuram District. The scope of the study covers the firm's NPA of the five financial years from 2007-08 to 201I-12. The study also encompasses the recommendations on basis of the outcomes, the adhering of which is expected to bring good results to the organisation.

TOOLS FOR ANALYSIS

- Trend analysis
- Correlation analysis
- Liquidity management pattern
- Analysis of liability structure
- Analysis of asset structure

TREND ANALYSIS

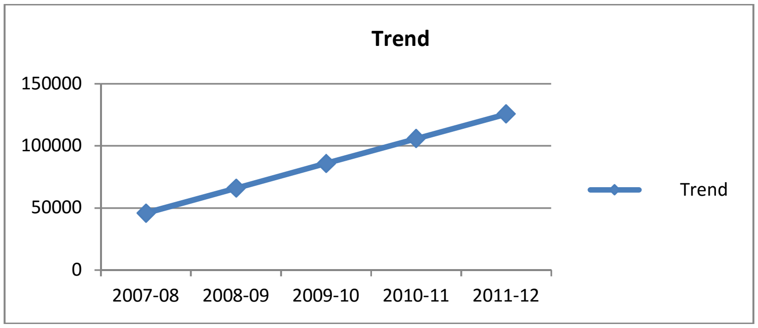
TREND ANALYSIS OF LOANS AND ADVANCES DURING THE YEAR 2007-2008 TO 2011-2012

TABLE 1: LOANS AND ADVANCES AND TREND LINE OF LOANS AND ADVANCES DURING THE PERIOD 2007-2008 TO 2011-2012

Year	Loans & advances (y) (Rs. In lakhs)	Trend
2007-08	50826.26	45857.77
2008-09	58981.79	65839.26
2009-10	82830.42	85820.75
2010-11	112481.40	105802.24
2011-12	123983.89	125783.73
	∑y=429103.76	

Source: Annual Reports of KFC

GRAPH 1: LOANS AND ADVANCES AND TREND LINE OF LOANS AND ADVANCES DURING THE PERIOD 2007-2008 TO 2011-2012



Interpretation

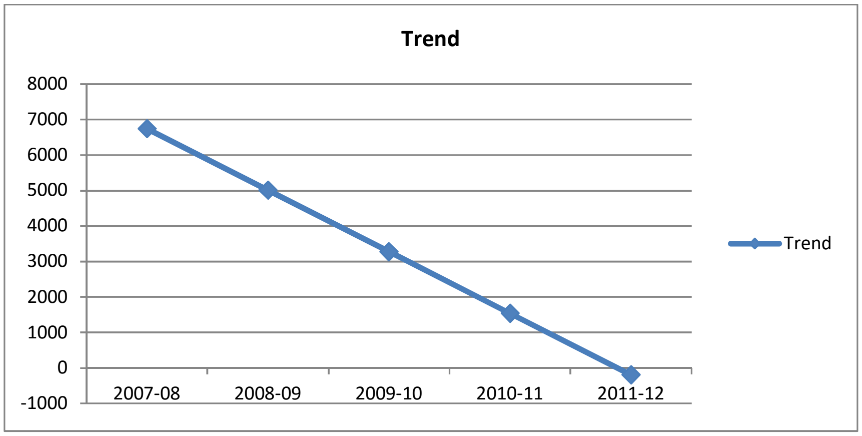
From the above line diagram, there is an increasing trend in the loans and advances of the firm. Each year there is an increasing trend in the loans and advances than previous year. So this indicate that firms operations are more than from each previous year. In each year the amount of loans and advances are increasing.

TABLE 2: TREND ANALYSIS OF NPA DURING THE PERIOD 2006-07 TO 2010-11

Year	NPA (y)	Trend
2007-08	14410	6746
2008-09	8038	5011.5
2009-10	1991	3277
2010-11	1975	1542
2011-2012	1563	-191
	∑y=16385	

Source: Annual Reports of KFC

GRAPH 2: NPA AND TREND LINE OF LOANS AND ADVANCES DURING THE PERIOD 2007-08 TO 2011-12



Interpretation

From the above line diagram there is decreasing trend in NPA. In the year 2007-2008 the value of NPA is 6746 but in the year 20011-2012 this will be low -191. Here the value of NPA in the last year is below 0. That means the NPA is decreasing each year than the previous year. It indicates that, decreasing rate of NPA is benefit to the firm.

CORRELATION ANALYSIS

TABLE 3: CORRELATION OF LOANS AND ADVANCES AND NPA OF THE PERIOD FROM 2007-08 TO 2011-12

Year	Loans & Advances (Rs. in crore) x	NPA (Rs. in crore) y
2007-08	508.27	144.10
2008-09	589.82	80.38
2009-10	828.30	19.91
2010-11	1124.81	19.75
2011-12	1239.03	15.63
	∑x=4291.03	**∑y=279.77**

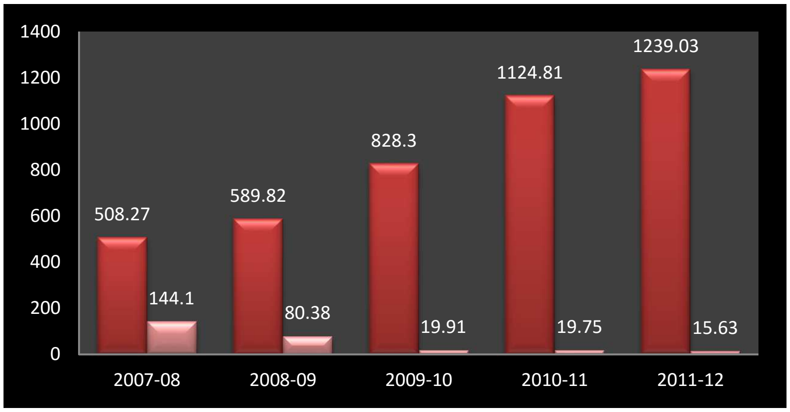
Source: Annual Reports of KFC

$$r = \frac{n\sum xy - \left(\sum x\right)\left(\sum y\right)}{\sqrt{n\left(\sum x^2\right) - \left(\sum x\right)^2}\sqrt{n\left(\sum y^2\right) - \left(\sum y\right)^2}}$$

$$= \frac{-306819.36}{360324.15}$$

r = -.852

CHART 1: RELATIONSHIP BETWEEN LOANS AND ADVANCES WITH NPA



Interpretation

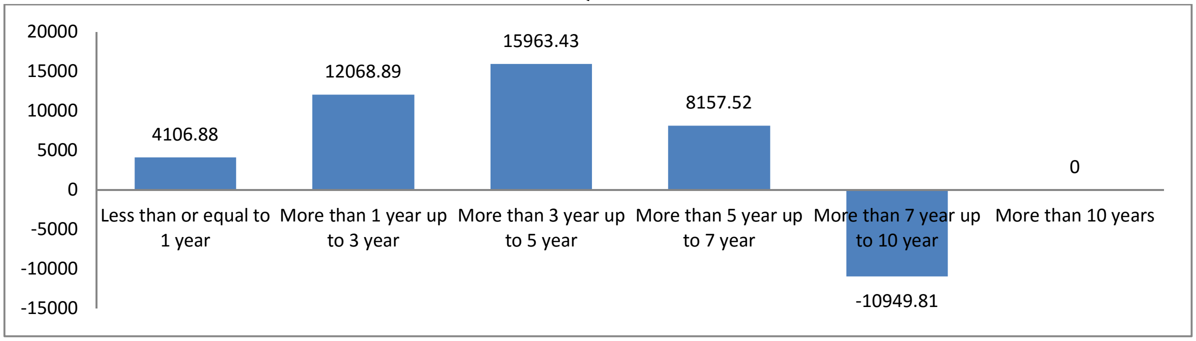
From the above calculation the correlation coefficient of loans & advances and NPA is -.852. That means the correlation is negative it lies between -1 and 0. Correlation is the relationship between two variables. So, the values must lies between -1 and +1. Here the value is -.852. so there is no relationship between two variables. Then the NPA and loans & advanced are negatively correlated. Whenever increase the value of NPA, the value of loans & advances decreases. The value of two in opposite directions, the correlation said to be negative.

TABLE 4: ANALYSIS OF LIQUIDITY MANAGEMENT IN MATURITY

Maturity period	Assets	Liabilities	Liquidity Gap	Cumulative Liquidity Gap
Less than or equal to 1 year	24753.37	20646.49	4106.88	4106.88
More than 1 year up to 3 year	46360.99	34292.10	12068.89	16175.77
More than 3 year up to 5 year	32282.75	16319.32	15963.43	32139.20
More than 5 year up to 7 year	15685.09	7527.57	8157.52	40296.72
More than 7 year up to 10 year	4901.68	15851.49	-10949.81	29346.91
More than 10 years	0	0	0	29346.91
Total	123983.88	94636.97		

Source: Annual Reports of KF

CHART 2: LIQUIDITY PROFILE



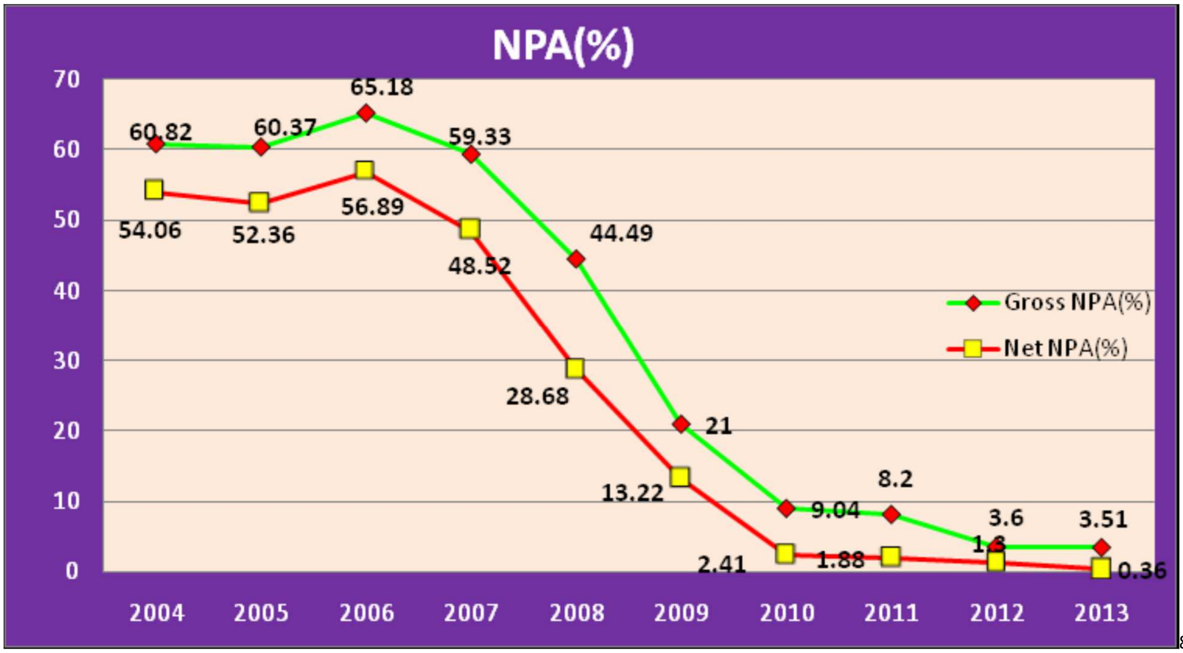
Interpretation

The positive liquidity gap of KFC up to 7 years maturity period indicates the excess liquidity of the KFC. Even though the KFC had negative liquidity gap in certain maturity, its cumulative liquidity gaps were positive in most of the period, which implies the excess liquidity. Since there was not any short-term liquidity crisis in the study period the org. was in a safer position.

ASSET QUALITY

Scientific & practical compromise settlement policies are in place for realization of amounts blocked in old and non-performing advances. These are also reflected in the fall in the level of non-performing assets to 0.36% in terms of Net NPA, and to around 3.51% at the Gross Level which is maintained only by a few financial/banking institutions with high standards. Apart from policies for Compromise Settlement, guidelines have been prepared for monitoring of loan accounts which help in avoiding slippage of loan accounts and thus to prevent quality of loan portfolio from deteriorating

GRAPH 3



ANALYSIS OF LIABILITY STRUCTURE RATIO

1. Owned fund to working capital (Interest free funds)

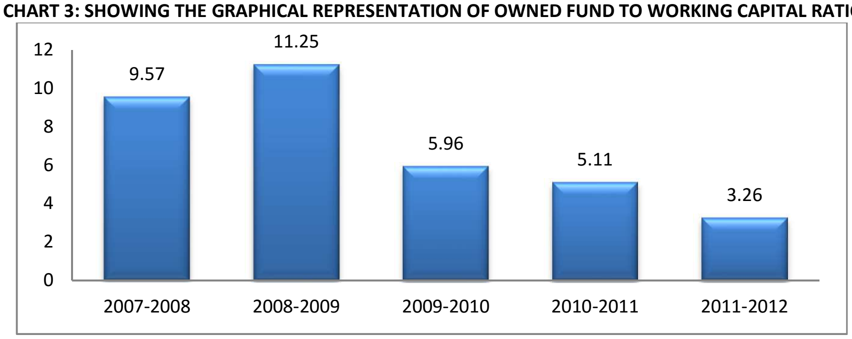
$$\text{Owned fund to working capital ratio} = \frac{\text{Owned fund}}{\text{Working capital}} \times 100$$

TABLE 5: OWNED FUND TO WORKING CAPITAL RATIO

Year	Owned fund	Working fund	Ratio
2007-2008	5946.6	62097.29	9.57
2008-2009	7741.6	68804.12	11.25
2009-2010	4699.52	78827.76	5.96
2010-2011	4894.49	95676.61	5.11
2011-2012	3358.5	102808.06	3.26

Source: Annual Reports

CHART 3: SHOWING THE GRAPHICAL REPRESENTATION OF OWNED FUND TO WORKING CAPITAL RATIO



Interpretation

The ratio was the least during 2007-2008 and 2011-2012. Since the cost of owned fund is low, a higher proportion of owned fund is desired to reduce the average cost of funds of KFC. The organisation has to increase its owned fund by increasing its membership and improving its performance so that greater provision can be made towards the reserves.

2. Borrowings to working capital ratio

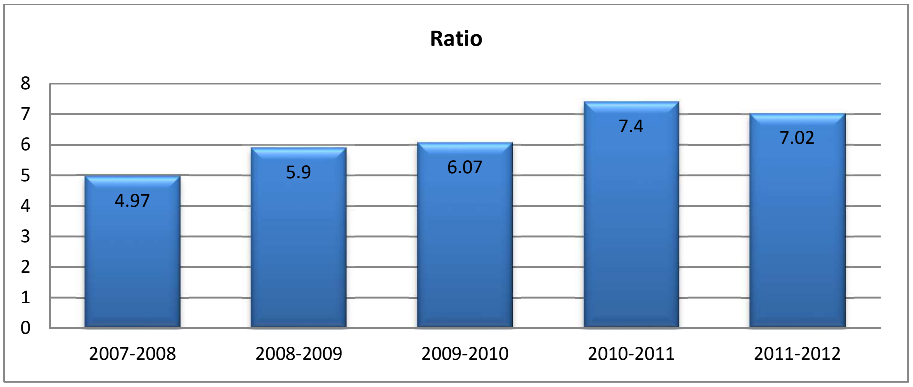
$$\text{Borrowings to working capital ratio} = \frac{\text{Borrowings}}{\text{Working capital}} \times 100$$

TABLE 6: BORROWINGS TO WORKING CAPITAL RATIO

Year	Borrowings	Working fund	Ratio
2007-2008	3089.35	62097.29	4.97
2008-2009	4063.40	68804.12	5.90
2009-2010	4790.26	78827.76	6.07
2010-2011	7086.19	95676.61	7.40
2011-2012	7218.39	102808.06	7.02

Source: Annual Reports of KFC

CHART 4: BORROWINGS TO WORKING CAPITAL RATIO



Interpretation

During the year 2007-2008, the ratio of borrowings to working capital was around 10 percent and there was a steep increase in the ratio to 11.25 percent during 2008-2009. The ratio declined from 11.25 percent to 3.26 percent from 2008-2009 to 2011-2012. Such a steep variation is a desirable trend.

ANALYSIS OF ASSET STRUCTURE RATIO

1. Earning asset to working fund ratio

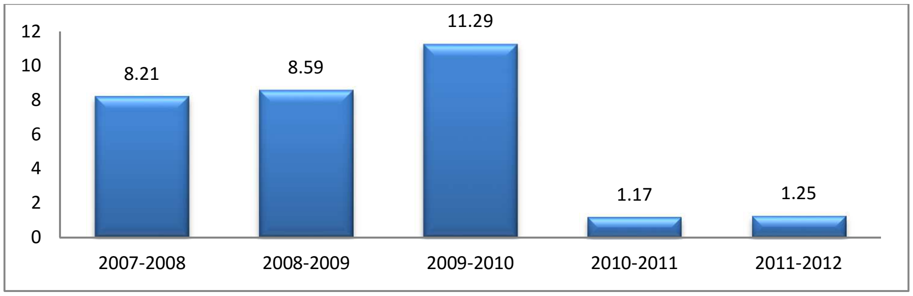
$$\text{Earning asset to working fund ratio} = \frac{\text{Loans + Financial investment}}{\text{Working fund}} \times 100$$

TABLE 7: EARNING ASSET TO WORKING FUND RATIO

Year	Loans + investments	Working fund	Ratio
2007-2008	5101.55	62097.29	8.21
2008-2009	5914.95	68804.12	8.59
2009-2010	8906.83	78827.76	11.29
2010-2011	1127.69	95676.61	1.17
2011-2012	1286.18	102808.06	1.25

Source: Annual Reports of KFC

CHART 5: EARNING ASSET TO WORKING FUND RATIO



Interpretation

During the study period, the earning assets to working capital ratios shows that during the period 2007-2010 there is in increasing in earning asset to working capital but in remaining years low in earning asset because lack of effective use of funds. The shares of earning asset to working fund reflect the utilization of working fund in income generating assets. The declining trend increases the risk of the organization.

2. Cash in hand to working fund ratio

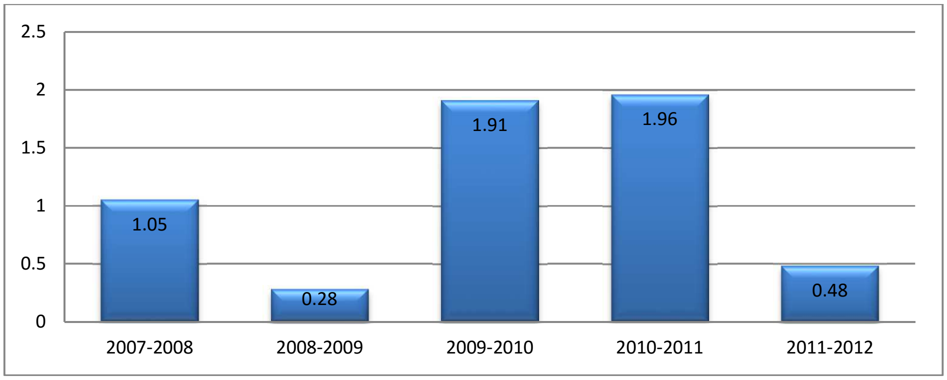
$$\text{Cash in hand to working fund ratio} = \frac{\text{Cash in hand}}{\text{Working fund}} \times 100$$

TABLE 8: CASH IN HAND TO WORKING FUND RATIO

Year	Cash in hand	Working fund	Ratio
2007-2008	655.6	62097.29	1.05
2008-2009	197.5	68804.12	0.28
2009-2010	151.1	78827.76	1.91
2010-2011	188.0	95676.61	1.96
2011-2012	495.7	102808.06	0.48

Source: Annual Report of KFC

CHART 6: CASH IN HAND TO WORKING FUND RATIO



Interpretation

The ratio of cash in hand to working fund was below 1 % in the year 2008-2009 and 2011-2012. In the year 2009-2011 there slightly increase tha liquid cash. The proportion of cash in hand should be kept to minimum in order to reduce the risk of the organization.

1. Cash at bank to working fund ratio

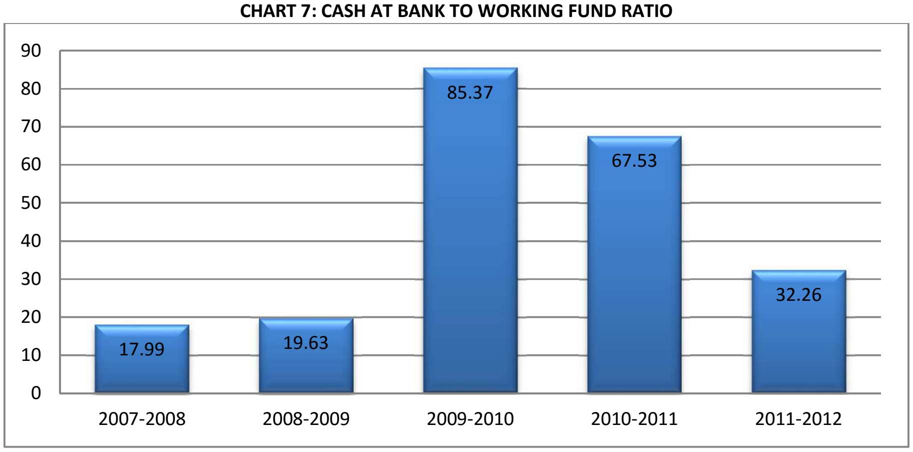
$$\text{Cash at bank to working fund ratio} = \frac{\text{Cash at bank}}{\text{Working fund}} \times 100$$

TABLE 9: CASH AT BANK TO WORKING FUND RATIO

Year	Cash at bank	Working fund	Ratio
2007-2008	11175	62097.29	17.99
2008-2009	13510	68804.12	19.63
2009-2010	67296	78827.76	85.37
2010-2011	64611	95676.61	67.53
2011-2012	33172	102808.06	32.26

Source: Annual Report of the KFC

CHART 7: CASH AT BANK TO WORKING FUND RATIO



Interpretation

From the above chart, the rate of cash at bank increases up to a certain level then it decreasing slightly. In the year 2009-2010 the value of cash at bank 85.37 that is high rate of cash at bank, it increasing from previous year. Cash at bank to working capital ratio is an indicator of the liquidity position of the bank.

2. Fixed asset to working capital ratio

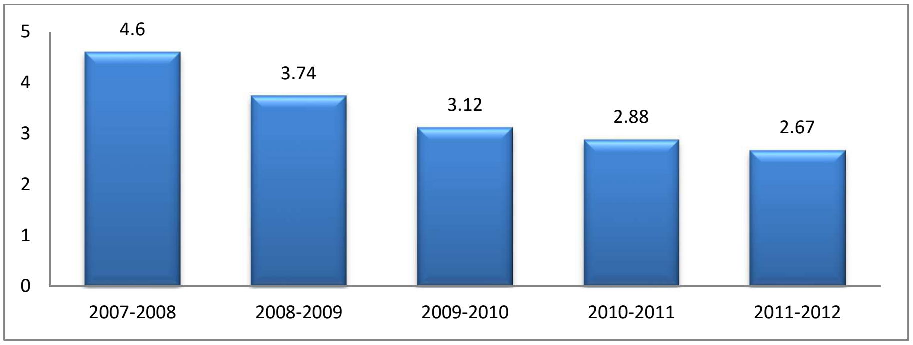
$$\text{Fixed asset to working capital ratio} = \frac{\text{Fixed asset}}{\text{Working capital}} \times 100$$

TABLE 10: FIXED ASSET TO WORKING CAPITAL RATIO

Year	Fixed assets	Working fund	Ratio
2007-2008	2859.58	62097.29	4.60
2008-2009	2576.81	68804.12	3.74
2009-2010	2464.30	78827.76	3.12
2010-2011	2759.80	95676.61	2.88
2011-2012	2748.10	102808.06	2.67

Source: Annual Report of KFC

CHART 8: FIXED ASSET TO WORKING CAPITAL RATIO



Interpretation

The above chart reveals that the value fixed assets is decreasing each year comparatively declining from the previous year. In a firm fixed assets and working fund should be balanced then only the organization can running smoothly. Here the fixed asset is decreasing each year. The declining of fixed assets decreases the risk of the organization up to a certain level but it should not decreasing less than the balancing level of working fund. It should affect the organization.

FINDINGS OF THE STUDY

- ✓ The Net NPA as per the records shows a declining trend.
- ✓ There is a tendency among the beneficiaries of the corporation to delay repayment of the loans and some percentage of these payments also turns into bad debts.
- ✓ The NPA and loans and advances are negatively correlated. It shows that while the amount of loan increases over the years, NPA shows a declining trend.
- ✓ The total amount of loan increased year by year, because corporation introduces variety of new loan schemes.
- ✓ KFC gives financial assistance only to financially viable and technically feasible schemes.
- ✓ NPA not only affects current financial position but also future stream of cash inflows, which heavily contributes to operating losses.
- ✓ There is a close relationship between amount of loan taken and the sufficiency of loan
- ✓ In addition to NPA, time and efforts of management is another indirect cost which KFC has to bear due to NPA.

SUGGESTIONS TO THE STUDY

- ✓ Delay in sanctioning loans leads to delayed project implementation and thereby making the unit unviable. So effective steps can be taken for speedy processing of the loan applications by avoiding unnecessary steps involved in pre sanction procedures and formalities.
- ✓ KFC should be creating a proper database of their NPA portfolio on well-designed formats to provide meaningful inferences. It would help in evolving effective strategies as well as account specific action plan for reduction in NPAs.
- ✓ Both under finance and over finance are problems leading to NPA. So the Corporation can make earnest effort to estimate correctly the loan requirement of each individual projects.
- ✓ Keep a close watch on the projects so that it is implemented as schedule without any time and cost overrun
- ✓ In addition to provide financial assistance to project, KFC may actively involve in providing other service in the implementation of projects such as assistance in getting power connection, obtaining license etc.
- ✓ KFC should make a strict rule for analyzing budget effectiveness every year. It should be fixed for each department and at the end of the year its effectiveness should be analyzed. That is there should be a proper plan and control and a comparison of output and effort should be made.

CONCLUSION

The study has been completed within the framework of the objectives of the study. Non-performing Asset has emerged since over a decade as an alarming threat to the banking industry in our country sending distressing signals on the sustainability and insurability of the affected banks. Non-performing Assets are the smoking gun threatening the very stability of Indian financial institutions. NPAs wreck the profitability both through a loss of interest income and write-off of the principal loan amount itself. So serious is the problem that reducing NPAs should be treated as a 'national priority'. NPA has affected the profitability, liquidity and competitive functioning of FIs and finally the psychology of the bankers in respect of their disposition towards credit delivery and credit expansion. The enormous provisioning of NPA together with the holding cost of such non-productive assets over the years has acted as a severe drain on the profitability of the FIs. NPA is an Unbridled Virus and an Emerging Challenge to Indian Financial System.

Kerala Financial corporation Kerala Financial Corporation is one of the premier financial institution in the State which plays a dominant role in the development of Kerala. The study was conducted for analyzing and interpreting the non-performing assets management in KFC. The study is analyses that the non-performing assets not a threat because it can solve the organization in better manner because of the efficiency of funds used. The level of NPA is decreasing trend over the years. The suggestions given are according to the annual reports of KFC.

REFERENCES

1. Annual Report of KFC (2005-2014)
2. Jacob, V. L., A Study on the Lending Policy and Recovery Performance of the Kerala Financial Corporation, Unpublished Ph.D. Thesis, CUSAT, 2002.
3. Koshi, Thomas, Role of Non-Banking Financial Institutions in the Industrial Development of Kerala, Unpublished Ph.D. Thesis, University of Kerala, 1992.
4. Kumar, S., Krishna, Strategy to Maximise Effort for Small Scale Industries' Development, M.Phil. Dissertation, University of Calicut, 1982.
5. Omprakash, K., Performance of State Financial Corporation: A Study of APSFC Unpublished Ph.D. Thesis, Karnataka University, 1990.
6. Padmakumar, K., Business Plans for KFC: Futuristic Options, M.Phil. Dissertation, University of Kerala, 1991.
7. Pavithran, K.B., Impact of Financial –Capital Institutions on the Rural Development of Kerala with Special Reference to Trichur District, Unpublished Ph.D. Thesis, University of Calicut, 1989.
8. Purohit, R. J., Bhanwar Sing, Financial Management in Rajasthan Financial Corporation, Unpublished Ph.D. Thesis, Jaipur University, 1990.

REQUEST FOR FEEDBACK

Dear Readers

At the very outset, International Journal of Research in Computer Application & Management (IJRCM) acknowledges & appreciates your efforts in showing interest in our present issue under your kind perusal.

I would like to request you to supply your critical comments and suggestions about the material published in this issue, as well as on the journal as a whole, on our e-mail **infoijrcm@gmail.com** for further improvements in the interest of research.

If you have any queries, please feel free to contact us on our e-mail **infoijrcm@gmail.com**.

I am sure that your feedback and deliberations would make future issues better – a result of our joint effort.

Looking forward to an appropriate consideration.

With sincere regards

Thanking you profoundly

Academically yours

Sd/-
Co-ordinator

DISCLAIMER

The information and opinions presented in the Journal reflect the views of the authors and not of the Journal or its Editorial Board or the Publishers/Editors. Publication does not constitute endorsement by the journal. Neither the Journal nor its publishers/Editors/Editorial Board nor anyone else involved in creating, producing or delivering the journal or the materials contained therein, assumes any liability or responsibility for the accuracy, completeness, or usefulness of any information provided in the journal, nor shall they be liable for any direct, indirect, incidental, special, consequential or punitive damages arising out of the use of information/material contained in the journal. The journal, neither its publishers/Editors/ Editorial Board, nor any other party involved in the preparation of material contained in the journal represents or warrants that the information contained herein is in every respect accurate or complete, and they are not responsible for any errors or omissions or for the results obtained from the use of such material. Readers are encouraged to confirm the information contained herein with other sources. The responsibility of the contents and the opinions expressed in this journal are exclusively of the author (s) concerned.

ABOUT THE JOURNAL

In this age of Commerce, Economics, Computer, I.T. & Management and cut throat competition, a group of intellectuals felt the need to have some platform, where young and budding managers and academicians could express their views and discuss the problems among their peers. This journal was conceived with this noble intention in view. This journal has been introduced to give an opportunity for expressing refined and innovative ideas in this field. It is our humble endeavour to provide a springboard to the upcoming specialists and give a chance to know about the latest in the sphere of research and knowledge. We have taken a small step and we hope that with the active co-operation of like-minded scholars, we shall be able to serve the society with our humble efforts.

Our Other Journals