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### RESEARCH ARTICLE

#### Performance Evolution of Jammu and Kashmir state financial corporation

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#### Abstract

The objective of this study was to assess the performance of JK SFC. The establishment of State financial Corporations was, one of the steps taken, at the official level to promote the growth of small and medium-scale industries. The Jammu and Kashmir State Financial Corporation is a statutory Corporation established under SFCs Act 1951 (Central Act 63 of 1951) which is facing heavy losses due to no source of funds and no recovery of loans. In the present study performance of JK SFC was analyzed with different tools like trend analysis and ratio analysis and average growth rate. The results of the study show that performance of JK SFC is declining during the research period due to facing problems of liquidity & solvency.

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#### Introduction:-

Economic development is a continuous and comprehensive process which leads to rapid growth of every nation. The Indian financial corporation was established by an Act of Parliament in 1948. In India, Central and state governments are promoting a number of financial institutions to bring in the industrial development in the state. The main function of financial institutions is to provide mainly the term loan assistance to small and medium scale industries for acquiring fixed assets. Accordingly, the State Financial Corporation Act was passed in 1951. This empowered the state government to set up the financial institutions for industrial development in their respective states. By the year 1955-56, only 12 SFCs were set up and 1967-68, all the 18 SFCs came into existence and now are fully in operation. At present, there are 19 SFCs operating in India.

#### Historical Background of Jammu and Kashmir state Financial Corporation (JKSFC)

Jammu and Kashmir state financial corporation was incorporated under the SFCs Act 1951 on 2nd December 1959 as a Development Bank for promotion of Small Scale Industries, Hotels, Houseboats and Transport sector in Jammu & Kashmir. The objectives of the Corporation envisage promotion of industry and service sector in the state. The Board has been from time to time assessing the performance of institution with a view to achieve the objectives for which it was instituted. JK SFC has granted cumulative sanctions of loans of Rs. 574.96 crore in favour of 23641 entrepreneurs with cumulative disbursement thereof to the extent of Rs. 474.28 crore in favour of 22217 beneficiaries. The operational performance of JK SFC was rated among best SFC's in the country till 1989-90. But the industrial activity came to complete halt and the constituent funded by JK SFC failed due to the onset of turmoil in the year 1989-90 in the state which badly impacted and effected every economic activity in the state including JK SFC. The contribution of the Corporation has been well acknowledged at different forums including the then Prime Ministers Task Force on MSME and Dr. Rangarajan Committee on employment opportunities in J&K.

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### Review of Literature

Alan S. Dunk (2005), in his study observes that Issues relating to the financial and non-financial performance of firms are attracting considerable research attention. Anil Kumar (2007) in his article entitled, "Financial Barriers of Small and Micro Enterprises Owned by Women Entrepreneurs in Northern India" has stated that women entrepreneurs face the problems of fixed capital in business, collateral security for advances and high rate of interest for their loans and advances.

Singh and Parminder (2000), Shekhar and Shekar (1998), R.G. Chaturvedi and B. B. Bugga (2000) Comment on the compressive amendment of the State Financial Corporation Act 1951. Lachhman Singh Rawat (2017), James Curran (2006), Anil Kumar (2007) has analyzed the distinctive differences between small and large enterprises that are rooted in the constraints faced by the small firms rather than the in abstract conceptualizations, and he also states that small enterprises are much less able to influence their environments than large enterprises.

### Objectives of the Study

The main objective of the present study focuses on the performance of the JKSF. The objectives of the study are as follows:

1. To analyze the performance of JKSF through ratio analysis
2. To analyze the performance of JKSF through trend analysis.

### Research Methodology

#### 1. Selection of SFC for study:

There are 19 SFCs in the country. The researcher selected only one i.e JKSF for better conclusion.

#### 2. Collection of data:

The present study requires secondary data. The main sources of secondary data are published annual reports, books, journals, newspapers and websites of the JKSF.

#### 3. Analysis of Data:

For analyzing the performance of the corporation, the data has been analyzed by using both accounting and tatistical tools and techniques, like ratios analysis and trend analysis, mean, index, percentage and average growth rate.

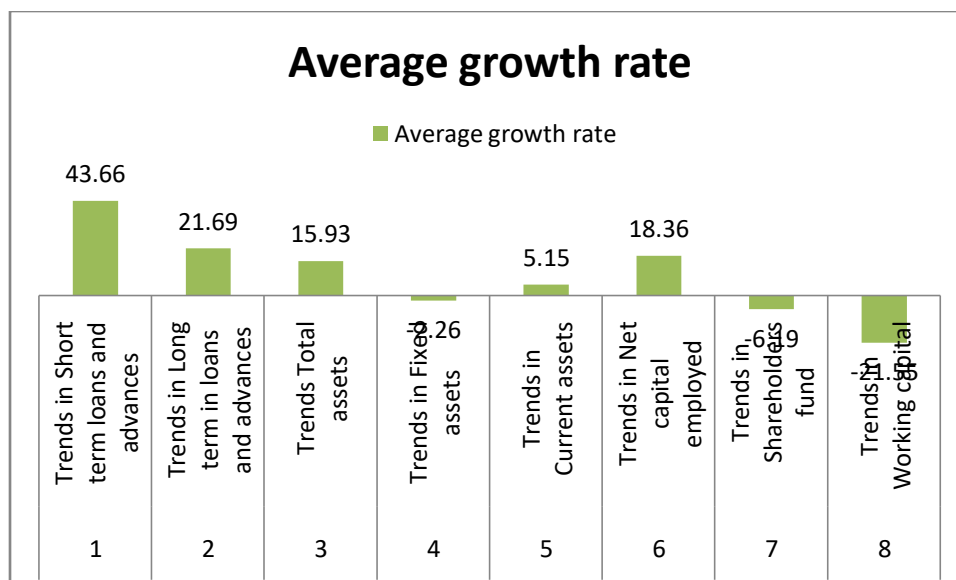
#### 4. Period of analysis:

The present study covers nine years of data 2010-2011 to 2018-2019. The nine years of data is enough to show the trends in activity.

### Findings

#### Performance of JKSF through Trend Analysis

S.No	Parameters	Average growth rate
1	Trends in Short term loans and advances	43.66
2	Trends in Long term in loans and advances	21.69
3	Trends Total assets	15.93
4	Trends in Fixed assets	-2.26
5	Trends in Current assets	5.15
6	Trends in Net capital employed	18.36
7	Trends in Shareholders fund	-6.19
8	Trends in Working capital	-21.55



The performance of JKSFSC through trend analysis shows downward trends in fixed assets as -2.26, trends in shareholders fund as -6.19 and trends in working capital -21.55 during the study period. That means the unit is not running its business smoothly. The reason is that the unit is suffering from huge losses and is facing problems of liquidity and solvency.

#### Performance of JKSFSC through Ratio Analysis

S.No	Total assets	Fixed assets	Current assets	Net capital employed	Shareholders fund	Working capital
2010-2011	<b>0.09 Times</b>	<b>6.87</b>	<b>0.21</b>	<b>-0.13</b>	<b>-0.03</b>	<b>(0.07)</b>
2011-2012	<b>0.17 Times</b>	<b>13.52</b>	<b>1.26</b>	<b>-1.78</b>	<b>-1.48</b>	<b>(0.18)</b>
2012-2013	<b>0.08 Times</b>	<b>19.56</b>	<b>1.72</b>	<b>0.10</b>	<b>0.12</b>	<b>(0.73)</b>
2013-2014	<b>0.08 Times</b>	<b>21.86</b>	<b>4.14</b>	<b>0.09</b>	<b>0.09</b>	<b>(0.75)</b>
2014-2015	<b>0.07 Times</b>	<b>21.64</b>	<b>2.62</b>	<b>0.08</b>	<b>0.08</b>	<b>(0.88)</b>
2015-2016	<b>0.08 Times</b>	<b>15.83</b>	<b>0.57</b>	<b>0.09</b>	<b>0.09</b>	<b>(231.73)</b>
2016-2017	<b>0.06 Times</b>	<b>13.98</b>	<b>0.55</b>	<b>0.06</b>	<b>0.07</b>	<b>0.87</b>
2017-2018	<b>0.03 Times</b>	<b>12.00</b>	<b>0.12</b>	<b>0.06</b>	<b>0.08</b>	<b>(0.36)</b>
2018-2019	<b>0.05 Times</b>	<b>14.58</b>	<b>0.25</b>	<b>0.06</b>	<b>0.11</b>	<b>1.58</b>
Average growth rate	<b>-7.08</b>	<b>9.86</b>	<b>2.20</b>	<b>-9.21</b>	<b>17.63</b>	<b>47.63</b>

The performance of JKSFSC on the basis of ratio analysis shows bad performance of the unit during the study period. The working capital of the unit shows only two years in positive. JKSFSC have no resource of fund to meet its short and long term obligation.

#### Conclusion

The performance of the corporation is not good. The main problem of the corporation is identified as its illiquid balance sheet and poor asset quality. At present there is no source of funds available to the Corporation except from NMDFC for its business operations. To overcome these problems the State Government should provide adequate funds to the JKSFSC to overcome the loss and to maintain the smooth working of the unit. The unit should organize the workshops /seminars to aware the people about the different schemes. The use of print/ electronic media shall grasp the more customers.

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