



**FIFTEENTH KERALA LEGISLATIVE ASSEMBLY**

**COMMITTEE  
ON  
PUBLIC UNDERTAKINGS  
(2023-2026)**

**FORTY NINETH REPORT**

**(Presented on 21<sup>st</sup> March, 2025)**

**SECRETARIAT OF THE KERALA LEGISLATURE  
THIRUVANANTHAPURAM**

**2025**

**FIFTEENTH KERALA LEGISLATIVE ASSEMBLY**

**COMMITTEE  
ON  
PUBLIC UNDERTAKINGS  
(2023-2026)**

**FORTY NINETH REPORT**

**On**

**The Kerala State Financial Enterprises Limited**

**(Based on the Report of the Comptroller and Auditor General of India  
for the year ended 31<sup>st</sup> March 2018)**

## CONTENTS

	<i>Page</i>
Composition of the Committee	.. v
Introduction	.. vii
Report	.. 1-39
Appendix I : Summary of main Conclusions/ Recommendations	.. 40-43
Appendix II : Notes furnished by Government on the Audit Paragraph	.. 44-80
Appendices mentioned in Audit Paragraphs	
Appendix 10	.. 81
Appendix 11	.. 82
Appendix 12	.. 84
Appendix 13	.. 85
Appendix 14	.. 86

**COMMITTEE ON PUBLIC UNDERTAKINGS**

**(2023-2026)**

**COMPOSITION**

*Chairperson:*

Shri E. Chandrasekharan.

*Members:*

Shri A. P. Anil Kumar

Shri Anwar Sadath

Shri Ahammad Devarkovil

Shri T. V. Ibrahim

Shri P. Mammikutty

Shri K. P. Mohanan

Shri D. K. Murali

Shri P. Nandakumar

Shri Kadakampally Surendran

Shri P. Ubaidulla

*Legislature Secretariat:*

DR. N. Krishna Kumar, Secretary

Shri Venugopal R., Joint Secretary

Shri Anil Kumar B., Deputy Secretary

Shri Mohanan O , Under Secretary.

## INTRODUCTION

I, the Chairperson, Committee on Public Undertakings (2023-2026) having been authorised by the Committee to present the Report on its behalf, present this 49<sup>th</sup> Report on Kerala State Financial Enterprises Limited based on the report of the Comptroller and Auditor General of India for the year ended 31<sup>st</sup> March 2018 relating to the Public Sector Undertakings of the State of Kerala.

The aforesaid Report of the Comptroller and Auditor General of India was laid on the Table of the House on 24-8-2020. The consideration of the audit paragraphs included in this report and the examination of the departmental witness in connection thereto were made by the Committee on Public Undertakings (2021-2023) at its meetings held on 27-6-2023 and 22-11-2023.

This Report was considered and approved by the Committee (2023-2026) at its meeting held on 18-3-2025.

The Committee place on record its appreciation for the assistance rendered to them by the Accountant General (Audit), Kerala in the examination of the Audit paragraphs included in this Report.

The Committee wishes to express thanks to the officials of the Taxes Department of the Secretariat and The Kerala State Financial Enterprises Limited for placing the materials and information solicited in connection with the examination of the subject. The Committee also wishes to thank in particular the Secretaries to Government, Taxes and Finance Department and the officials of the Kerala State Financial Enterprises Limited who appeared for evidence and assisted the Committee by placing their views before the Committee.

Thiruvananthapuram,  
21<sup>st</sup> March, 2025.

E. CHANDRASEKHARAN,  
*Chairperson,  
Committee on Public Undertakings.*

**REPORT  
ON  
THE KERALA STATE FINANCIAL ENTERPRISES LIMITED**

**Audit Report (2017-2018)**

**Audit Para 5.1 - Sanction and recovery of defaulted loans**

**5.1.1 - Introduction**

The Kerala State Financial Enterprises Limited (Company), a Miscellaneous Non-Banking Company (MNBC) was incorporated (1969) as a private limited company<sup>1</sup> with the main objective to conduct chit business<sup>2</sup>. Apart from this, the Company accepts deposits and advances loans to the general public through its 577 branches under 11 Regional Offices.

The details of loans outstanding and default<sup>3</sup> position under different loan schemes during the last three years ended 31 March 2018 were as given in **Appendix 10**. In order to examine the sanction, disbursement and recovery of defaulted loans given by the Company during the last three years ended 2017-18, audit selected 442 defaulted loans<sup>4</sup> involving an amount of ₹13.21 crore (out of 1,728 defaulted loans amounting to ₹41.38 crore) from the 20 branches under four regional offices<sup>5</sup> for detailed scrutiny.

- 1 A Company which restricts the right to transfer its shares, limits the number of members to 200 and prohibits any invitation to the public to subscribe to its shares.
- 2 Chit/Chitty is a kind of monthly savings cum loan scheme conducted as a contract between the foreman and subscribers. The foreman collects a fixed amount every month as subscriptions from each subscriber. The foreman pays a discounted value of the chitty sala as prize money to one of the subscribers each month after deducting the commission of the foreman.
- 3 A loan becomes default on non-repayment of any monthly instalment.
- 4 Gold loan-77 (amount outstanding ₹0.20 crore), New Housing Finance Scheme Loan-23 (amount outstanding ₹0.53 crore), New Chitty Loan 184 (amount outstanding ₹9.81 crore), Reliable Customer Loan-153 (amount outstanding ₹2.66 crore) and Consumer/Vehicle Loan-5 (amount outstanding ₹0.01 crore) in such a way that 25 per cent of the value of default loans were covered.
- 5 Thiruvananthapuram, Alappuzha, Thrissur and Kozhikode.

Audit also selected four out of 10 Special Deputy Tahsildar (SDT) Offices<sup>6</sup> for reviewing the progress of revenue recovery actions on cases referred for revenue recovery.

### **Audit findings**

5.1.2 The audit findings emerging from the Compliance Audit are discussed below:

### **Legal mandate for conduct of non-banking business**

#### **5.1.3 - Acceptance of money in excess of guarantee limit**

5.1.3.1 The Company accepts different types of deposits from the public and these deposits are mainly used for advancing loans to its customers. The Miscellaneous Non-Banking Companies (Reserve Bank) Directions, 2016 prohibit companies from accepting deposits from the public unless guaranteed by the Government.

Audit observed that:

- The Company accepted public deposits during 2014-15 to 2017-18 in excess of the Government guarantee. The excess public deposit ranged between ₹208.50 crore (2017-18) and ₹2,991.82 crore (2015-16). Despite this, the Company issued Fixed Deposits Receipts and Sugama Deposits Pass Books with the undertaking that the deposits were guaranteed by the Government, which was misleading.
- The Company falsely declared its status as "Public Limited" in the Annual Return to the RBI.
- Acceptance of deposits in excess of the Government guarantee was also not shown as public deposits in the Annual Return on Deposits submitted to the Reserve Bank of India.

<sup>6</sup> Thiruvananthapuram, Alappuzha, Thrissur and Kozhikode.

The Company, while accepting (December 2018) that overall deposits had exceeded the guaranteed limits on some occasions, stated that the delay in obtaining extension of guarantee coverage limit did not affect the guarantee coverage as all the extensions were given by the Government with retrospective effect.

The reply was not acceptable as the guarantee coverage can be extended with prospective effect only.

#### **5.1.3.2 - Non-registration with National Housing Bank**

As per Section 29A of the National Housing Bank Act, 1987, any company having the business of providing finance for housing as one of its principal objectives shall be registered with the National Housing Bank.

Audit observed that the Company did not obtain a certificate of registration from the National Housing Bank, but disbursed 15,968 New Housing Finance Scheme Loans (NHFS) amounting to ₹927.38 crore during 2015-16 to 2017-18 without legal mandate.

The Company replied (December 2018) that urgent steps would be taken for obtaining the Certificate of Registration from the National Housing Bank.

#### **5.1.4 Sanction of loans**

The Company offers New Chitty Loans<sup>7</sup> to the subscribers of chitty. Reliable Customer Loans are offered to persons who are customers of the Company for the last 12 months. Gold Loans, Consumer/ Vehicle Loans, Housing Loans and Education Loans are offered to the general public. Terms and conditions of various loans are given in **Appendix 11**. The position of 77 gold loans is discussed separately in **Paragraph 5.1.6**. Audit noticed irregularities in the sanction of 110 loans out of 365 default loans except gold loans as shown in Table 5.1 below:

---

<sup>7</sup> Renamed now as Chitty Loan.



Table 5.1: Details of irregularities in sanctioning loans

Sl. No.	Norms of the Company	Audit Observations	Reply of the Company and further remarks (December 2018)
1	2	3	4
<b>Sanction of New Chitty Loan (NCL) against norms</b>			
1	Non-prized chitty subscribers <sup>8</sup> having remitted 10 per cent of chitty instalments (at the time of the sanction of the loan) are eligible	Three branches of the Company sanctioned eight NCLs <sup>9</sup> of ₹0.29 crore to non-prized subscribers before remittance of 10 per cent of the chitty instalments. All NCLs were in default for periods ranging from 25 to 52 months with default amount of ₹0.28 crore.	With the permission of the Assistant General Manager (Region) concerned, the branch could sanction NCL before remittance of 10 per cent of the instalments.  As the permission from the Assistant General Managers (Region) concerned was not obtained at the time of sanctioning the loans, the reply was not acceptable.

8 Prized subscriber means a subscriber who has either received or is entitled to receive the prize amount (prize amount means the difference between the chit amount and discount). Subscribers other than prize subscribers are called non-prized subscribers.

9 NCLs 314, 315, 316 and 317 of Pattikkad, NCLs 252, 148 and 149 of Koduvalli and NCL 2362 of Malayinkeezhu.

1	2	3	4
2	If the liability on a property exceeds ₹0.10 crore, the entire property documents should be forwarded to the Regional Office.	Four NCLs <sup>10</sup> for ₹0.05 crore each were sanctioned to two individuals against the security of the same property by the Branch Manager. The documents were not forwarded to the Regional Office though the liability against the property was ₹0.20 crore.	The property in question was revalued subsequently and accepted by the Regional Office. The reply confirms that the initial valuation of property was not approved by the Assistant General Manager (Region).
3.	In case of NCL having monthly instalment with interest of ₹5,000 and above, the repaying capacity of the loanee was to be assessed before the sanction of the loan.	The repaying capacity of four persons, who were sanctioned five loans <sup>11</sup> amounting to ₹0.20 crore, was insufficient to pay the monthly instalments. This was because these four persons had already availed other loans/chitties from the Company and their declared income was just sufficient to pay monthly instalments of these loans/chits. Despite this, the Company further released chitty prize money of ₹0.19 crore to three persons out of the above four persons. The instalments of all the eight loans/ chitties were in default for more than 12 months.	The Unit Heads used their discretionary powers to assess the repaying capacity of the loanees. The reply was silent about the loans/ chitties sanctioned to persons with insufficient income to repay.

<sup>10</sup> NCLs 314, 315, 316 and 317 of Pattikkad.

<sup>11</sup> NCL 232 (Chittar), NCL 2938 (Alappuzha II), NCL 706 (Alappuzha Evening), NCL 1997 and RCL 1097 (Kayamkulam).

1	2	3	4
	<b>Sanction of Reliable Customer Loan (RCL) to ineligible persons</b>		
4	Applicants should not be defaulters at the time of applying for the loan.	Three branches of the Company sanctioned three RCLs of ₹0.07crore to three persons <sup>12</sup> when NCLs availed by them were in default for ₹0.08 crore. The three RCLs and NCLs were in default and the amount recoverable stood at ₹0.11crore.	The Unit Heads used their discretionary powers and deviated from the restriction for the best interest of the business promotion.
5	Applicants should be customers of the Company for more than 12 months.	RCLs of ₹1.74 crore were given to 70 customers even though they were customers of the Company for less than 12 months. All the 70 loans were in default for periods ranging from 15 to 41 months and the amount recoverable stood at ₹1.21 crore.	The reply was not acceptable, as the norms of the Company did not empower the unit heads to deviate from the laid down procedure arbitrarily.
6	In case of settlement deed <sup>13</sup> being offered for creating mortgage, persons having life interest should also join the mortgage.	In respect of two loans <sup>14</sup> for ₹0.08 crore, while creating mortgage on settlement deed, persons with life interest did not join the mortgage.	The Company agreed with the audit observation that persons with life interest should invariably join the mortgage.

<sup>12</sup> Kayamkulam RCL 1097 (NCL 1997), Alappuzha Evening RCL 1212 (NCL 500), Pattikkad RCL626 (NCL347).

<sup>13</sup> A deed in writing of movable or immovable property for some dependable persons.

<sup>14</sup> RCL 649 and RCL 657 in Pattikkad branch.

1	2	3	4
<b>Sanction of loan against inadequate security of property</b>			
7	In case of acceptance of property (land and buildings) as mortgage, the estimated market value of the property should be sufficient to cover twice the future liability in case of RCL and NCL and 1.73 times the future liability in case of NHFS.	Five branches extended nine loans for ₹32.90 lakh even though the estimated market value of the property given as security was inadequate to the extent of ₹27.92 lakh as shown in Appendix 12.	<p>In the case of loans mentioned in <b>Appendix 12</b>, the Company stated (January 2019) that the present valuation of the property was sufficient to cover the existing dues of the loan.</p> <p>The reply was not acceptable as the market value of properties pledged was insufficient at the time of sanctioning loans.</p>
8	'Non-kudikidappu Certificate' was to be obtained from the village office if the land offered as security was below five cents. Moreover, personal sureties should be obtained in such cases.	Two branches <sup>15</sup> extended one RCL and two NCLs for ₹0.09 crore to three individuals without obtaining 'Non-kudikidappu Certificate'. Personal sureties were also not obtained in these cases.	<p>The Company usually collected the 'Non-Kudikidappu Certificate' and additional personal sureties were obtained later on, in cases where there was more number of property pledged with a high realisable value.</p> <p>The reply was not acceptable as the fact remained that as no such certificate and additional personal securities were obtained in these cases.</p>

15 Pattikkad (RCL 565) and Chelakkara (NCL 727 and 827).

1	2	3	4
9	<p>Paddy fields (wet land) and rubber/coffee/tea/coconut plantation having road access should be assigned maximum market value of ₹1 lakh and ₹2.25 lakh per acre respectively.</p>	<p>Five loans for ₹18 lakh with a future liability of ₹35.12 lakh was sanctioned by four branches of the Company, accepting paddy field/ rubber plantation as collateral. The Company assigned a higher market value to the property deviating from norms which led to inadequate collateralisation of loans by ₹49.16 lakh as shown in <i>Appendix 13</i>.</p>	<p>With respect to RCL 924 specified in <i>Appendix 13</i>, the Company confirmed (January 2019) that the security was indeed rubber estate, but valuation was done based on the market value. In respect of NCL 2373 and RCL 1555, it was replied that the security offered was not plantation property.</p> <p>The reply was not acceptable as Company underlined the arbitrariness in valuation in violation of Company's guidelines. In the Valuation Report of NCL 2373 and RCL1555, both the properties were classified as agricultural land with rubber trees.</p>

1	2	3	4
10	The maximum multiple liability that can be charged on a property was limited to six mortgages.	Perambra branch <sup>16</sup> of the Company sanctioned one loan for ₹0.10 crore against a property which already had six charges. The loan was in default for more than 29 months and the amount recoverable stood at ₹0.10 crore.	No specific reply was furnished.
11	A property already under mortgage to the Company can be accepted for a second and subsequent time only if there is no default in the Chitties/ Loan accounts for which the property is already under mortgage.	The Kattanam branch sanctioned (March 2015) one NCL <sup>17</sup> of ₹0.05 crore against security of a property which was already under mortgage to the Company (Kannanallur branch) in respect of two defaulted (since September 2014) NCLs <sup>18</sup> .	The Company accepted the audit observation and stated that explanation would be called for from the Branch Managers.
12	If the property offered is not in the name of the loanee, and the property offered is devolved on the mortgagor on the death of his predecessor, heirship certificate is to be obtained.	The Vizhinjam branch of the Company sanctioned a loan <sup>19</sup> for ₹0.10 crore by accepting land as security after revaluation which was already under mortgage to the Company against a prized chitty. The land was owned and possessed by the deceased father of the loanee and was accepted as mortgage without obtaining legal heirship certificate.	The Company accepted the audit observation and stated that action was being taken against the Branch Manager for the lapses.

16 NCL 3449.

17 NCL 1821.

18 NCL 678 and NCL 689 in Kannanallur branch.

19 NCL 2825.

1	2	3	4
Sanction of loan against improper personal surety			
13	For securing loans by salary certificate, the maximum liability that could be covered by self or single surety was ₹4 lakh and ₹3 lakh respectively, limited to 10 times his/her pay.	Four branches of the Company extended 19 loans for an amount of ₹1.04 crore against the personal sureties of 19 persons. As these persons had given sureties against loans of some other persons, the balance eligible surety was ₹55.06 lakh. Thus, the Company accepted sureties in excess of the eligible limit by ₹49.24 lakh as shown in <b>Appendix 14</b> .	The Unit heads were empowered to relax 10 per cent of the total liability's security and was allowed only for better business promotion.  The reply was not acceptable as the Branch Managers relaxed security in excess of 10 per cent to the five loanees, by overlooking the norms of the Company.
14	The sureties should have at least six months service left for retirement after the loan closure date.	In respect of four loans <sup>20</sup> sanctioned by four branches of the Company, the loans were secured by personal/ self-sureties of nine persons. Out of this, four sureties did not have balance service of six months after the loan closure date. Further, in respect of two loans <sup>21</sup> , the retirement dates of the sureties preceded the loan closure dates.  All the four loans were in default for periods ranging from 19 to 44 months with ₹0.13 crore outstanding.	If a person with service less than the tenure of loan was accepted as personal surety by the Company, a consent letter would be obtained from remaining co-sureties/ loanees.  The reply was not acceptable as in the cases pointed out, there was no consent letter obtained from other sureties/ loanees.

20 RCL 1212 (Alappuzha Evening branch), NCL 440 (Balaramapuram branch), NCL 234 (Meppayur branch) and RCL 730 (Chalakkudi branch).

21 RCL 1212 (Alappuzha Evening branch) and NCL 440 (Balaramapuram Evening branch).

1	2	3	4
<b>Improper disbursement of the New Housing Finance Scheme (NHFS)</b>			
15	NHFS loan shall be released based on stage-wise completion.	The Company released (April-August 2013) all three instalments of loan <sup>22</sup> amounting to ₹0.08 crore to the loanee without ensuring stage-wise completion of construction. The loanee did not submit the completion certificate as of June 2018. The loan was in default for 19 months and the amount recoverable was ₹0.08 crore.	The Company accepted (December 2018) the audit observation.

Thus, out of 365 loans amounting to ₹13.01 crore examined in audit (out of 1,728 defaulted loans amounting to ₹41.38 crore), the Company sanctioned 110 loans for ₹3.50 crore without adhering to the codal provisions. This indicated that 30 per cent of the defaulted loans were sanctioned disregarding the norms prescribed by the Company for sanction of loans. Hence, Government/ Company may check the level of compliance of norms in sanctioning loans in the cases which were not test checked by Audit.

#### 5.1.5 - Non-promotion of Vidyadhanam Loan Scheme

The Minister for Finance, in his Budget speech 2011-12, announced (8 July 2011) "Vidyadhanam Loan Scheme" with the help of the Company for the students belonging to weaker sections having annual income less than ₹0.01 crore for professional courses. GoK would provide interest subsidy of four per cent. The Company was to set apart ₹30 crore every year for the scheme so as to benefit around 1,500 students annually. The scheme also covered students belonging to general category (at 13.50 per cent rate of interest) in addition to weaker section. Audit observed that :

<sup>22</sup> NHFS 3 Alappuzha Evening branch.



- The Company disbursed loans of only ₹1.32 crore to 36 students since the launching of the scheme till March 2018. This included ₹0.31 crore to 12 students belonging to weaker sections. The Company did not fix targets for Regions/ branches for the disbursement of loans nor popularised the scheme through any advertisement, underlining the indifference of the Company to the scheme proposed by the Government.
- The rate of interest of Vidyadhanam Loan Scheme was kept unchanged at 12 per cent, though the Company reduced interest rates for other loan schemes.
- In respect of ₹0.31 crore sanctioned to 12 students belonging to economically weaker sections, the interest subsidy of ₹0.05 crore was yet (July 2018) to be given by the GoK.

Taking note of the audit observation, the Company assured (December 2018) that a strategic plan would be formulated for popularising the scheme and targets would be fixed and assigned to Regions and branches. Action would also be taken to get reimbursement of the subsidy amount from the GoK.

#### **5.1.6 - Gold loan scheme of the Company**

During 2015-16 to 2017-18, the Company disbursed 18.22 lakh loans amounting to ₹13,926 crore. Out of this, 14.95 lakh loans (82 per cent) amounting to ₹4,723.84 crore (34 per cent) were gold loans<sup>23</sup>. Considering the significance of gold loans in the total loan portfolio of the Company, apart from the sample of 77 gold loans, Audit examined, the gold loan portfolio in general. The audit observations are discussed in the following paragraphs.

##### **5.1.6.1 Improper sanction of gold loan to private money lenders**

Through the gold loan scheme, the Company aimed at (March 2012) achieving its social objective of saving the common man from the unscrupulous activities of private players. According to the circular<sup>24</sup> issued (June 2009) by the Company, a person can be given a maximum number of three gold loans in a working day from a branch, otherwise specific approval of the Branch Manager concerned was to be obtained. Audit observed that:

<sup>23</sup> Gold loan is a secured loan in which a customer pledges his/her gold ornaments as collateral for taking a loan.

<sup>24</sup> Circular No. 48/2009 dated 20 June 2009.

- In three<sup>25</sup> out of twenty branches examined by Audit, the Company extended 570 gold loans amounting to ₹0.96 crore to 16 individuals in excess of three loans on occasions ranging from 1 to 136 days. The sanction of excess loans was without the specific approval of the Branch Managers. Out of the 16 individuals, five individuals in Vizhinjam branch were private gold financiers and these private gold financiers were given excess loans of ₹0.36 crore.
- During the period 2015-16 to 2017-18, seven branches disbursed gold loans amounting to ₹156.78 crore to 11,430 loanees. Out of this, ₹66.44 crore were issued to 56 individuals through 30,370 gold loans.

These 56 borrowers, who accounted for one per cent of the total loanees were disbursed 42 per cent of the total gold loans during 2015-16 to 2017-18. As the high number of loans availed and used by the individuals in a short span of three years seemed unlikely, the possibility of private money lenders having taken gold loan from the Company for further lending could not be ruled out. Managers of Alappuzha II and Vizhinjam branches accepted that eight individuals who took large number of loans from each of the branches were private money lenders.

The Company, while acknowledging (December 2018) that the very objective of the Gold Loan Scheme would not be achieved if it was extended to private money lenders, stated that strict directions were given to Regions and branches not to entertain private money lenders.

#### 5.1.6.2 Charging lower rate of interest

The total loans taken by a person in a particular day was to be aggregated for the fixation of applicable rate of interest. The applicable rate of interest for gold loan with effect from March 2017 was 9.50 per cent per annum for loans up to ₹20,000 and 10.50 per cent per annum for loans above ₹20,000.

Audit examined the sanction of 1,651 gold loans in which more than one loan was given to the same person on a day in 20 branches of the Company and observed that the rate of interest was fixed without aggregating the loans taken in a

<sup>25</sup> Malayinkeezhu, Maranallur and Vizhinjam branches.

day. This was because the CASBA<sup>26</sup> software calculated interest at the rate of 9.50 per cent for the first loan below ₹20,000 and interest rate of 10.50 per cent only for the second/third loans. The Company thus recovered one per cent less interest from 1,651 gold loan accounts and suffered a loss to the extent of ₹0.01 crore in 20 branches examined by Audit.

While accepting the audit observation, the Company thanked (December 2018) the Audit for pointing out the flaw as this would arrest further monetary losses.

#### **5.1.6.3 - Delay in disposal of gold held as security**

According to the circular issued (November 2012) by the Company, gold loans were repayable within six months from the date of sanction. In case of failure to repay the gold loan within one year or when the outstanding dues including interest and penal interest exceeded 85 per cent of the value of gold, the Company is at liberty to sell the gold pledged against the defaulted gold loans. Audit observed that:

- There were delays ranging from 23 to 37 months in conducting auctions of gold held as security for realisation of outstanding dues of ₹1.21 crore in 135 cases in 6 out of the 20 branches examined in audit. Due to the delay in conducting auction, the Company recovered only ₹0.96 crore through auction sales resulting in a loss of ₹0.25 crore. Apart from this, Audit observed that in other 78 branches, there were delays ranging from 16 to 52 months in conducting auction of gold resulting in loss of ₹2.27 crore.

Concurring with the audit observation, the Company replied (December 2018) that immediate actions would be arranged to conduct auction. Loss already sustained would be recovered from the persons concerned.

#### **5.1.7- Recovery of loans**

The loans advanced by the Company, except gold loans<sup>27</sup>, were repayable with interest in monthly instalments over periods ranging from 6 months to 30

26 Core Application Software for Business Accounting (CASBA) is the networked software used in the branches for chits and loans.

27 Gold loans are not repayable through EMIs but have a maximum repayment period of six months.

years as detailed in **Appendix 11**. In case of default in payment of monthly instalments, penal interest was to be charged on the default amount and in case of default beyond 18 months, such cases were to be referred for revenue recovery proceedings.

Audit observations on the recovery procedure are described below:

#### **5.1.7.1 - Recovery of default amount from sureties**

The GoK introduced an online system, Service and Payroll Administrative Repository for Kerala (SPARK), for effecting recoveries from the salary of the employees from August 2016. As per the system, the Drawing and Disbursing Officer shall recover the dues from the salary of the employees and credit the amount directly to the Company. Out of 442 loans examined in audit, default amount of ₹1.12 crore in respect of 52 borrowers was to be recovered from the salary of the sureties.

Audit observed that out of the 20 branches examined by Audit, 12 branches did not register under SPARK. As a result, recovery of ₹0.68 crore in respect of 33 loans could not be effected. In respect of the balance 19 loans amounting to ₹0.44 crore in eight branches registered under SPARK, no amount could be recovered as the Branch Managers did not place the request on SPARK.

The Company replied (December 2018) that instructions were given to all branches to ensure registration and recovery under SPARK:

#### **5.1.7.2 - Recovery of default amount from prize money**

According to the Manual of Procedure of the Company, default, if any, in respect of any chitty/loan of the subscriber/borrower or any surety can be deducted from the prize money of the chitties of the subscriber/borrower or surety.

Audit observed that:

- The Company did not recover the default amount of ₹0.02 crore in respect of three New Chitty Loans<sup>28</sup> from the prized chitties of the borrowers.

28 NCL 2255 (Malayinkeezhu), NCL 589 (Alappuzha Evening) and NCL 1784 (Kattanam).

• An amount of ₹0.54 crore was overdue from three defaulters<sup>29</sup> for more than 18 months which was due for revenue recovery action. These three principal defaulters won prize money of ₹0.30 crore against chitties. The Company adjusted only ₹0.23 crore against the overdue amount of ₹0.54 crore of these defaulters. The balance prize money of ₹0.07 crore was adjusted against the default amount of five other persons. The loan accounts of two persons<sup>30</sup> were settled this way. The adjustment of prize money against the default amount of other persons was irregular. Thus, settlement of prize money against the dues of other parties without adjusting against the principal defaulter, allowed the principal defaulter the possibility of collecting the amount subsequently from the other persons. Audit also observed that although three defaulters were in default for more than 18 months, these loans were yet to be referred to SDT for revenue recovery proceedings.

The Company replied (December 2018) that if the branches had violated the existing norms, stringent action would be taken against them.

#### 5.1.7.3 - Recovery of dues through revenue recovery action

As per the provisions of the Manual of Procedure issued by the Company, loans in default for more than 18 months were to be referred for revenue recovery action under the provisions of the Kerala Revenue Recovery Act, 1968. Audit observed that out of 442 defaulted loans worth ₹13.21 crore examined in audit, 402 loans involving an amount of ₹12.14 crore were in default for periods ranging from 19 to 72 months. Although these 402 loans were to be referred for revenue recovery action, the Company did not initiate revenue recovery action as of July 2018.

As no case out of the 402 test checked cases was referred for revenue recovery action, in order to assess the efficacy of recovery through revenue recovery action, Audit examined the functioning of four out of 10 SDT offices and the Head Office-Revenue Recovery (HO-RR) wing.

29 Smt. Saleena Shahjahan, Shri Javahar CL and Shri Jayan of Chittar, Malayinkeezhu and Vizhinjam branches respectively.

30 Smt. Arifa Beevi RCL 355-₹2.15 lakh and Shri Sisupalan prize money 16/2012-18 ₹0.53 lakh.

Audit observed that:

- As of March 2018, 16107 loans/chitty files involving recovery of ₹474.55 crore were pending at the 10 SDT offices and 4294 files were not traceable.

- In the four SDT offices examined in audit, 606 loans/ chitty files were not traceable. In respect of 57 such default cases in SDT office, Alappuzha amount recoverable was ₹3.02 crore<sup>31</sup>. Only the office of SDT, Alappuzha had done reconciliation with the HO-RR wing regarding these missing files. The other three offices did not reconcile the differences.

The Company replied (December 2018) that action would be taken against the branches which had not initiated RR action even after the loans were in default for more than 18 months. The Company further assured that the issue of missing files in SDT offices would be looked into seriously.

#### 5.1.7.4 - Attachment of movable and immovable properties

As per Section 5 of the Kerala Revenue Recovery Act, 1968, the Company can attach movable and immovable properties of the defaulter for recovery of dues to the Company. Audit observed that:

- Out of ten SDT offices, only SDT office, Thrissur attached movable property and recovered ₹2 crore during 2017-18 in part settlement of the dues in 23 out of 617 cases. None of the other offices attached movable properties.

The Company replied that all the SDTs were given directions to explore this method as part of revenue recovery proceedings.

- Out of 171 RR files examined in audit, in respect of 13 loan/ chitty files<sup>32</sup> in three SDT offices, repeated time extensions and facilities for payment in instalments were offered on the recommendation of the Ministers, Chairman and Vice Chairman of the Company. These repeated extensions were offered despite non-adherence to the conditions of the previous extensions. Further, in 19 cases

31 The remaining three SDT offices did not carry out reconciliation of files generated and sent from HO-RR wing and files entered in the RR Demand Register at the SDT offices.

32 RR File No.7047, 7050, 5051, 7701, 8233, 8206, 8208 and 8207 (Alappuzha SDT), RR File No. 1495 (Thiruvananthapuram SDT), RR File No. 7975, 7976, 7978 and 7979 (Kozhikode SDT).

involving an amount of ₹0.93 crore, revenue recovery action was not resumed even though the defaulters failed to adhere to the conditions of time extension/ stay orders.

The Company stated (December 2018) that repetitive administrative stays hampered the functioning of SDTs and it was not practical to completely avoid such administrative stays. The Company also stated that a system was being brought in for disclosing details of stays obtained previously.

Thus, due to the delay in referring cases for revenue recovery action coupled with the delay in recovery of dues even in cases referred, the percentage of non-performing assets (NPA) of the Company ranged between 18.53 and 22.25 during 2015-16 to 2017-18, while the percentage of NPA of NBFCs as per RBI report was only 5.86 per cent as of March 2018.

The Company clarified that as the Company was compelled to take a lenient approach in many instances owing to its social commitment and its functioning cannot be compared with the banks.

The Company's reply was not acceptable as the Company classified a loan as NPA on non-payment of loan instalments for six months whereas the banks adopted three months for NPA classification. Further, higher percentage of NPA highlights the failure of the recovery mechanism of the Company.

#### **5.1.8 - Computerisation of revenue recovery process**

For the management of the revenue recovery processes at the 10 Special Deputy Tahsildar (SDT) Offices and at the HO-RR wing, the Company used three software packages, viz., Revenue Recovery System (RRS), RRS1314,<sup>33</sup> which are vintage DOS based packages and Centralised Application Software(CAS) RR. The Company introduced CAS RR in April 2016 as an integrated system for linking SDT offices and HO-RR wing. However, CAS RR generated only the RR demand and collection entries remained to be entered in RRS and RRS 1314 as all the functional modules of CAS RR were not operational. Further, all the three software

<sup>33</sup> RRS was used for cases in respect of which RR action was initiated prior to 31/03/2013, while the RRS 1314 was used for RR action initiated after 01/04/2013

were not connected with CASBA used in branches. Thus, there was no integrated software package in SDT offices and at the Head Office RR Section.

The Company replied (December 2018) that it has initiated steps for developing RR module in CASBA which would be ready by 2019-20.

The GoK endorsed (May 2019) the replies of the Company.

### **Conclusion**

The Company accepted deposits from the public in excess of government guarantee and issued fixed deposit receipts and Sugama Deposits Pass Books with the undertaking that the deposits were guaranteed by the Government. Loans were sanctioned without following norms applicable to the different categories of loan. Gold loans were sanctioned to private money lenders in violation of the objectives of the Company. There were delays in auction of gold to recover dues in default cases. Default loans were not referred for recovery of dues through revenue recovery action. Percentage of NPA on loans outstanding of the Company stood at 22.25, whereas the NPA of NBFCs as per report of RBI was only 5.86 per cent.

The Audit observation is based on our analysis on sample cases only. Since there is a possibility of more such cases occurring in other loans, the Company may examine the loans not covered in audit and take suitable corrective action.

*[ Audit Paragraphs 5.1 to 5.1.8 contained in the Report of the Comptroller and Auditor General of India for the year ended 31<sup>st</sup> March 2018 ]*

The Notes furnished by the Government on the Audit Paragraphs are given in Appendix II

### **Discussion and Findings of the Committee**

#### **5.1 – Sanction and recovery of defaulted loans**

##### **5.1.3 – Acceptance of money in excess of guarantee limit**

##### **Audit Para 5.1.3.1**

The Committee sought explanation regarding the audit objection that the Company accepted public deposits in excess of the Government guarantee during 2014-15 to 2017-18 and also that the Company falsely declared its status as



"Public Limited" in the Annual Return to Reserve Bank of India. The Managing Director, KSFE replied that the Company is trying to increase the guarantee coverage limit at regular intervals and that as the Company gained much acceptance among the public, the circumstances forced to receive more deposits in excess of the Government guarantee.

The Committee enquired whether the Company now accepts deposits in excess of Government guarantee limit. The witness replied that the Government guarantee limit at present is ₹17,000 crore and the Company had received only ₹15,700 crore as deposit from the public. He added that the Company had requested the Government to increase the guarantee coverage limit upto ₹20,000 crore.

The witness informed the Committee that the attractive interest rate of deposits resulted in the increase of deposits and that the overall deposits had exceeded the guarantee limit only on some occasions and it was ratified by the Government within a short period. But the Additional Secretary, Finance Department informed the Committee that department has not given retrospective effect to the same.

The Committee recommended that the Company should not accept public deposits in excess of Government guarantee limit, in future.

#### **Conclusion/Recommendation of the Committee**

1. The Committee observes that the Company accepted public deposits in excess of the Government guarantee during 2014-15 to 2017-18 and also notes that the attractive rate of interest on deposits resulted in increase in the number of deposits which in turn resulted in exceeding the guarantee limit. So the Committee recommends that the Company should not accept public deposits in excess of Government guarantee limit, in future.

#### **Audit para 5.1.3.2 - Non registration with National Housing Bank.**

The Committee observed that the Company has not obtained a certificate of registration from the National Housing Bank, but disbursed about 15968 New

Housing Finance Scheme Loans amounting to ₹ 927.38 crore during 2015-16 to 2017-18 without legal mandate. The Committee sought clarification regarding the matter.

The witness replied that the Company had sought legal clarification from the standing council of the company, M/s Menon and Pai Advocates. The advice was that taking into consideration the nature and primary objective of the Company, the Company need not obtain registration under section 29 A of the National Housing Bank Act, 1987. He added that the Company had provided Housing loan only below 3% of the Company's turnover.

The Committee recommended that the Company should seek legal advice either from the Advocate General or from the Law Department on the above matter.

### **Conclusion/Recommendation of the Committee**

**2. The Committee noted that without obtaining certificate of registration from the National Housing Bank, Company disbursed New Housing Finance Scheme loans. The Committee further noted that the Company did not register with the National Housing Bank in accordance with the legal advice provided by the Standing Council of the Company. Hence the Committee directs to seek legal advice either from the Advocate General or from the Law Department for more clarification about the matter.**

#### **5.1 – Sanction and recovery of defaulted loans**

##### **5.1.4 – Sanction of Loans**

##### **Table 5.1 – Details of irregularities in sanctioning loans.**

##### **Sanction of loan against improper personal surety.**

##### **Sl.No. 1 to 12 of Table 5.1**

The Company offers New Chitty Loans to the subscribers of chitty and Reliable Customer Loans are offered to persons who are customers of the company for the last 12 months. The Committee enquired about the irregularities in the

sanction of 110 loans out of 365 default loans except gold loans to persons who were customers of the company for less than twelve months. ( Table 5.1)

The Managing Director replied that most of the cases mentioned in the audit observation were closed and action initiated in rest of the cases. He added that eight New Chitty Loans mentioned in the first audit observation, four cases in the second observation and two out of the four cases in the third observation were closed and revenue recovery proceedings were started for the remaining two cases in Sl.No.3. The fourth observation consists of five cases out of which four were closed and revenue recovery proceedings have started for the remaining one.

The fifth audit observation was that RCL of ₹1.74 crore was given to 70 customers even though they were customers for less than 12 months. The witness replied that recently, Reliable Customer Loan (RCL) has been renamed as KSFE Personal Loan (KPL) and the condition of minimum 12 months association with the Company has been done away and now personal loan can be sanctioned to new customers also.

The witness acknowledged the Committee that out of the two cases which came under the sixth audit observation, one case has been closed and the other was referred to Revenue Recovery proceedings. He added that strict instruction to follow norms has been given to accept property security in the seventh case and three cases in the eighth audit observation and two cases in the ninth observation were closed.

Regarding the tenth observation, the witness informed that the maximum multiple liability that can be charged on a property was limited to six mortgages but the branches can create liability in excess of six mortgages with the permission of the concerned AGM (Region).

The witness informed that the two cases mentioned in the eleventh audit observation were transferred to RR proceedings. He added that the twelfth case was related to legal heirship certificate and action is being taken against the Branch Manager for the lapses.

The witness informed the Committee that KSFE issues loans at an affordable interest rate compared to Banks and other private institutions and it also gives gold loans at an interest rate of 4.9% and 8.9% for higher amount of gold loans.

The Committee enquired about the changes in the guidelines that the company brought about in issuing loans. The witness replied that as thirteen years of prior deed was compulsory for property security, people have to bring prior deeds even of 1960s and so the company decided to waive that condition. But as there are some ambiguities and possibility of fraudulence, it was decided to modify the guidelines.

The Committee suggested that the Company can make it mandatory for the loanee to produce Possession Certificate and Non Liability Certificate but not to insist the loanee to produce the prior Deed of thirteen years back. The Committee enquired whether the company accepts attested copy of the deeds. The witness replied that attested copy could not be accepted but original Deeds are recorded in Mortgage Register and after that they are under safe custody of the Company.

The Committee enquired about the discretionary powers of the Managers. The witness replied that special delegation of powers are bestowed on Managers and Regional Heads and that 90 % of the loans are issued under property security and the document verification of property security is the responsibility of Branch Managers.

The witness informed that Managers can use discretionary powers to assess the repaying capacity of the loanee. If the discretionary powers are not used in proper manner, Audit will seek explanation. For that query of the Audit, explanation will be sought from the concerned Managers and if the explanation is not satisfactory further action will be proceeded. He added that there are many such cases and recently a Manager was demoted and suspended from service. He added that in the case of retired officers liabilities would be recovered from his pensionary benefits including DCRG.

The Committee enquired whether the percentage of repayment has been increased. The witness replied that it has been increased and that the Company has introduced a scheme named 'Sanjeevanam' and brought about some concessions in the existing loans which were defaulted in the month of March. The company reduced the penal interest of the chitties that were not called by the subscribers and secured an amount of ₹780 crore. This was achieved by accepting the norms of Reserve Bank of India. According to these norms there can be a default in repayment in the month of January, February and March provided that these defaults would be cleared by the month of next December.

The Committee enquired whether the Company has to write off any amount as bad debt. The witness replied that the Company recovers such amounts through Revenue Recovery proceedings and initiated to recover an amount of ₹1500 crore so far. He added that only in the case of demise of the subscriber, the Company had taken steps by intimating the Government and that currently the Company is trying to recover these amounts by conducting district level adalaths and giving concession in interest and also by avoiding penal interest.

The Committee enquired whether the Company had increased the interest on deposits with the increase in profit. The witness replied that the Company decides the rate of interest based on the industrial pattern rather than profit. He added that when Reserve Bank of India had increased the repo rate about six times after May 2022, the Company also increased the rate and by doing so the company earned an additional deposit of about ₹3000 crore. The witness added that the Company issued more gold loans and other loans and that the interest rate of deposits are comparatively higher than that of other institutions.

The Committee enquired about the details of Pravasi Chitties. The witness replied that Pravasi Chitties are more profitable and Company earned about ₹74 crore as profit in the current financial year and that KIIFB had administered the capital expenditure for the project. He added that migrants can join Pravasi Chitties from any of the countries and there are about one thousand Pravasi Chitties and about one lakh subscribers. He informed the committee that the largest Pravasi Chitti is with 2 lakh repayment per month and present CD ratio is 51% and that the Company does not increase credit-to-deposit ratio like other banks.

#### **Sl.No. 13 & 14 of Table 5.1**

The audit objection was that four branches of the Company accepted sureties in excess of the eligible limit and the sureties did not have balance service of six months after the loan closure date. The Committee enquired whether the defaulted loans have now been closed and any action has been taken against the concerned officials.

The MD replied that in Kattanam Branch, out of three defaulted loans two loans were closed and one is under RR proceedings and in Chalakkudy, Meppayur

and Balaramapuram branches, the defaulted loan accounts were already closed. He also added that the Managers are empowered to relax 10% of the total liability within their discretionary power to frontline customers for better business prospects. Therefore, strict action has not been taken against the branch managers. He added that strict instruction has been given to follow norms and now conditions are being strictly followed by the officials.

In response to the Committee's query as to whether any concession in surety is allowed to customers when salary certificate is produced, the witness responded that ninety percent of the company's loans granted by it are on property as security and therefore the recovery process is slow in such cases. He added that operational freedom had been given to the branch managers for sanctioning loan against salary certificate as surety.

**Sl.No. 15 of Table 5.1 – Improper disbursement of the New Housing Finance Scheme (NHFS)**

The audit observation was that in Alappuzha Evening branch the Company released the loanee's instalments without obtaining a stage-by-stage construction completion certificate and the loan was in default for 19 months. To a query about the audit observation the witness replied that the completion certificate from the loanee in Alappuzha Evening branch has been obtained and the remittance in the loan is up to date.

The Committee inquired the reason for Alappuzha branch alone had such a high number of outstanding loans, the Senior Audit Officer informed that the audit was conducted only in 20 branches of KSFE and the company has been instructed to conduct inspection in other branches.

The Committee observed that KSFE has higher percentage of NPAs compared to other financial institutions and inquired which loans have higher NPAs. The witness replied that till 2015-16, NPA classification was done according to 181 days norms and after switching on to 91 days norms, there was a situation of accumulation of accounts and NPA is much higher mostly in chit related loans and personal loans.

The Committee observed that the accumulation of arrears is caused due to lack of recovery action on collateral securities of pending chitties/loans and non compliance of procedures in the case of accepting salary certificate as surety. The witness admitted that revenue recovery of about ₹1600 crore is proceeding and out of the ₹5500 crore of NPA, ₹200 crore is pending in the case of surety with salary certificate.

To a query of the Committee, the witness informed that Revenue Recovery proceedings were delayed due to instruction from the court as well as the request from the principal debtor. He added that the branches of KSFE are given Grades such as medium and large.

The Committee opined that giving relief to the defaulters while trying to collect the arrear is not a comforting move on the part of the KSFE and it may lead to enhance the business but at the same time it cannot be overlooked and the companies' NPA is also increasing along with it.

The witness informed the Committee that out of the 627 branches of KSFE about 100 branches have higher NPA and the corporation is trying to formulate a default index system to control NPA.

The witness informed that in the financial year 2022-23, KSFE made a profit of about ₹370 crore and that, after the covid period there was 72% growth in their business. The Committee observes that eventhough it says KSFE is profitable, the increase in NPA, a share of profit becomes irrecoverable bad debts and increase in number of Revenue Recovery proceedings is not a comforting thing for KSFE, the main financial institution in Kerala in which the people have their utmost trust. Hence the Committee recommend to examine the reasons for increase in NPA and to speed up the development of the proposed default mechanism. Then the Committee reminded the Company about bad debts of ₹5500 crore and recommended to recover the same.

### ***Conclusions/Recommendations of the Committee***

***3. The Committee observes that KSFE has higher NPAs compared to other financial institutions, and that the accumulation of arrears is due to lack of recovery action on collateral securities of pending chitties/loans as well as non***

*compliance with the procedures in the case of accepting salary certificate as surety. So the Committee recommends to examine the reasons for increase in NPA and to speed up the development of the proposed default index system to control NPA.*

*4. The Committee opines that giving relief to the defaulters while trying to collect the arrear is not a comforting move on the part of the KSFE and it may lead to enhance the business but at the same time it cannot be overlooked and the companies' NPA is also increasing along with it. So the Committee recommends to look into the reason for the increase in NPA and to sustain KSFE as the main financial institution in Kerala through hard and strong action. The Committee also recommends KSFE to recover the bad debts of ₹ 5500 crore.*

#### **5.1.5 – Non-Promotion of Vidyadhanam Loan Scheme.**

The Committee enquired about the audit observation that as a part of the Vidyadhanam Loan Scheme the Company disbursed loans of only ₹1.32 crore to 36 students including ₹0.31 crore to 12 students belonging to weaker sections. The witness replied that the scheme is not functioning properly at present. Then the Committee vehemently criticized the lackadaisical attitude of the Company towards the implementation of the scheme.

The Committee observed that since Government subsidy has been given to the scheme and KSFE being a profit making public sector undertaking they have to help the poor students as a part of social commitment. So the Committee recommended to restructure the scheme by formulating a strategic plan for popularising the scheme and to fix targets to the branches.

#### **Conclusion/Recommendation of the Committee**

*5. The Committee vehemently criticizes the lackadaisical attitude of the Company towards the implementation of the Vidyadhanam Loan Scheme. The Committee opines that Government subsidy has been given to the scheme and KSFE being a profit making public sector undertaking they have to help the poor students as a part of social commitment. So the Committee recommends to*



*restructure the Vidyadhanam Loan Scheme by formulating a strategic plan for popularising the scheme and to fix targets to the branches.*

#### **5.1.6 – Gold Loan Scheme of the Company.**

##### **5.1.6.1 – Improper sanction of gold loan to private money lenders.**

According to the circular issued by KSFE in June 2009, a person can be given a maximum number of three gold loans in a working day from a branch otherwise specific approval of the Branch Manager has to be obtained. The audit observed that out of the twenty branches examined, three branches of the Company at Malayinkeezhu, Maranalloor and Vizhinjam extended 570 gold loans to 16 individuals in excess of three loans on occasions ranging from 1 to 136 days without the specific approval of branch managers. The Committee sought explanation regarding the matter. The witness admitted that the Assistant Manager who had the complete authority over the gold loan was responsible for the fault.

The Committee observed that the Private money lenders had taken a high percentage of gold loans from the Company for further lending with high interest rates. The Committee enquired whether any enquiry was conducted against the Assistant Manager. The witness replied that an enquiry was conducted and warning was given to the Assistant Manager. He added that all these loans are now closed.

The Committee opined that the gold loan scheme would be beneficial to the common man and have to save them from the unscrupulous activities of Private money lenders. So the Committee recommended to issue strict instruction to the Regions and Branches of the Company to adhere to the terms and conditions of the scheme and not to entertain private money lenders.

#### ***Conclusion and Recommendation of the Committee***

***6. The Committee opines that the gold loan scheme would be beneficial to the common man and have to save them from the unscrupulous activities of Private money lenders. So the Committee recommends to issue strict instruction to the Regions and Branches of the Company to adhere to the terms and conditions of the scheme and not to entertain private money lenders.***

### **5.1.6.2 – Charging lower rate of interest.**

According to the norms of the Company the total loans taken by a person in a particular day was to be aggregated for the fixation of applicable rate of interest. The audit observation was that the Company fixed the rate of interest without aggregating the loans taken in a day. The Committee enquired whether the Company had taken any action to recover the losses incurred as a result of charging reduced interest rates from the loanees

The witness replied that the defects in CASBA ( Core Application Software for Business Accounting) of charging lower rate of interest in the case of availing more than one loan by the same person has been rectified now.

***The Committee accepted the reply. Hence no remarks.***

### **5.1.6.3 –Delay in disposal of gold held as security**

According to the circular issued by the Company, Gold loans were repayable within six months from the date of sanction. In case of failure to repay the gold loan within one year or when the outstanding dues including interest and penal interest exceeds 85% of the value of the gold, then the Company has the freedom to sell the gold pledged against the defaulted gold loans, but the Company made delay in conducting auctions of gold held as security for realisation of outstanding dues. The Committee inquired who was responsible for the delay and whether any action was taken to recover the loss.

The witness responded that the auction could not be conducted in time due to fluctuations in gold price and the transfer of officials. However, the amount is being recovered from the borrowers through revenue recovery measures and it has been instructed to enter into the auction process after 15 months.

***The Committee accepted the reply. Hence no remarks.***

### **5.1.7 – Recovery of loans**

#### **5.1.7.1 – Recovery of default amount from sureties**

The audit observed that out of the 20 branches examined by audit, 12 branches did not register under SPARK and as a result recovery of ₹0.68 crore in respect of 33 loans could not be effected and in the case of 8 branches no amount could be recovered as the branch managers did not place the request on SPARK. The Committee wanted explanation regarding the matter.

The witness replied that the software of KSFE was integrated with SPARK till 2019 and due to security issues Government stopped the integration. He requested the Committee to recommend to reinstall the integration. Then the Committee sought the opinion of Finance Department official. The Additional Secretary, Finance replied that the modules are developed by NIC and assured the Committee that reply would be furnished after checking the details regarding the matter. The Committee recommended the Finance Department to look into the matter seriously and to take appropriate steps to resolve the matter.

#### **Conclusion/Recommendation of the Committee**

**7. The Committee observes that 12 out of 20 branches examined by Audit, did not register under SPARK, resulting in non recovery of ₹0.68 crore in 33 loans and also notes that the Government had stopped the integration of software of KSFE with SPARK due to security issues. Hence the Committee recommends the Finance Department to look into the matter seriously and to take appropriate steps to resolve the matter.**

#### **5.1.7.2 – Recovery of default amount from prize money**

According to the Manual of Procedure of the Company, default, if any, in respect of any chitty/loan of the subscriber/borrower or any surety can be deducted from the prize money of the chitties of the subscriber/borrower or surety. The audit observation was that the company did not recover the default amount from the prized chitties of the borrowers and settled the prize money against the dues of other parties without adjusting against the principal defaulter and allowed the principal defaulter the possibility of collecting the amount subsequently from the other persons.

The witness informed that if there is any default in respect of any chitty/loan of the subscriber/borrower normally that amount will be deducted from the prize

money. He added that some cases with default were closed and the rest were referred to revenue recovery proceedings. The Committee recommended to take stringent action against the branches if they violate the existing norms.

### **Conclusion/Recommendation of the Committee**

**8. The Committee observes that the Company did not recover the default amount in respect of the Chitties from the prized chitties of the borrowers and also observes that the Company settled the prize money against the dues of other parties without adjusting against the principal defaulter and allowed the principal defaulter the possibility of collecting the amount subsequently from the other persons. So the Committee recommends that stringent action should be taken against the branches if they violate the existing norms and to give strict directions to comply with Manual of Procedure.**

#### **5.1.7.3 – Recovery of dues through revenue recovery action**

The audit observation was that out of the 442 defaulted loans worth ₹13.21 crore, 402 loans involving an amount of ₹12.14 crore were in default for periods ranging from 19 to 72 months and though these 402 loans were to be referred for revenue recovery action, the Company did not initiate revenue recovery action as of July 2018. The audit also observed that as of March 2018, 16107 loans/chitty files involving recovery of ₹474.55 crore were pending at the 10 SDT offices and 4294 files were not traceable.

To a query of the Committee regarding the missing files the witness replied that the files were traced out and a new report on the audit observation was forwarded to the Government recently and Revenue Recovery proceedings have already been started. He added that the missing of the files occurred during the change from DOS software to CAS software.

The Committee enquired whether the interest and penal interest would be deducted from the defaulters. The witness replied that the interest up to the period when the Revenue Recovery proceedings started would be deducted from the defaulters.

The Committee vehemently criticized KSFE for their lackadaisical attitude in tracing the missing files and opined that it cannot be regarded as a technical failure. The Committee recommended to submit a detailed report describing the lapses occurred during the whole procedure that led to the missing of files including the details of the responsible officials both in the branches and in the SDT office.

### **Conclusion/Recommendation of the Committee**

**9. The Committee vehemently criticizes KSFE for their lackadaisical attitude in tracing the missing files and opines that it cannot be regarded as a technical failure. So the Committee recommends to submit a detailed report describing the lapses occurred during the whole procedure that led to the missing of files, including the details of the responsible officials both in the branches and in the SDT office and to take disciplinary action against them and report to the Committee urgently.**

#### **5.1.7.4 – Attachment of movable and immovable properties**

As per the Kerala Revenue Recovery Act the Company can attach movable and immovable properties of the defaulter for recovery of dues to the Company. The audit observation was that out of ten SDT offices only SDT Office at Trissur attached movable property and recovered ₹2 crore during 2017-18 in part settlement of the dues and none of the other offices attached movable properties. The Committee enquired whether any other SDT office had started attaching movable properties.

The Witness replied that attachment of movable properties was a step before the attachment of immovable properties. The defaulters concerned would try to clear the dues immediately before initiation of RR on their immovable property. Keeping of these attached movable properties will become a serious thing if not kept securely. That is why the other SDT offices are not following this method for recovery.

The Committee asked about the current percentage of NPA. The Witness replied that currently NPA is 9 percent. The Committee also inquired whether the

Company had conducted Adalat and one-time settlement method to recover dues. The witness informed that the interest was reduced up to 50 percent in the last Adalat and in certain cases the interest was reduced up to 80 percent due to the death of the principal debtor.

The Committee recommended to conduct Adalats exclusively for NPA cases and to reduce the interest as far as possible giving preference to old cases.

### **Conclusion/Recommendation of the Committee**

**10. The Committee observes that the NPA of KSFE is currently high. So the Committee recommends to conduct Adalats exclusively for NPA cases and to reduce the interest as far as possible giving preference to old cases.**

**11. The Committee understand that the business network of KSFE is highly extensive so as it is highly volatile to make errors in financial management and financial procedure. Moreover a defaulted loan become NPA after 90 days. Hence the Committee recommends that KSFE, which is flying high with the aspirations of the commonman should thrive for stronger measures in reducing NPA, reducing interest rate for small loanee etc to boost up the confidence of public, in the light of audit.**

#### **5.1.8 – Computerisation of revenue recovery process.**

While considering the audit observation, the witness revealed, that the Company installed three software programmes to manage the Revenue Recovery process at the 10 SDT offices and the HO-RR wing. Revenue Recovery System (RRS 1314) and DOS Software were used for computing, accounting, and closing RR files at both the Head Office RR and the SDT Offices. To move defaulted accounts to SDT offices via Head Office, the Branches utilised CAS programme. However, CAS software was not integrated with CASBA software. In order to overcome these faults, the Company developed new software CAMRA, and from 1-4-2020 onwards, closing of RR files at SDT offices were done using this new software, which was also linked with the CASBA software.

**The Committee accepted the reply. Hence no remarks.**

#### **Audit Para 5.4 - Investment of surplus funds by Public Sector Undertakings**

Seven Public Sector Undertakings deposited their surplus funds in fixed deposits with scheduled/ co-operative banks in violation of directions of the Government. Moreover, these PSUs incurred loss of interest of ₹5.68 crore due to such deposit in banks.

According to the directions (January 2012) issued by the Government of Kerala (GoK), PSUs should deposit their own funds/ profits with banks only if it fetched more interest than that on Treasury Fixed Deposits. Treasury Fixed Deposits carried interest at the rate of 7.50 per cent per annum for periods ranging from 180 days to less than one year and 9 per cent for a period of one year and above with effect from 1 May 2015<sup>34</sup>.

During the three years from 2015-16 to 2017-18, out of 136 PSUs in the State, 64 PSUs registered profits as per their latest finalised accounts. In order to examine compliance of PSUs with the directions of the GoK on investment of surplus fund, Audit selected 14 out of the 64 profit making PSUs.

Audit noticed that:

- Out of the 14 PSUs, seven PSUs<sup>35</sup> deposited their surplus funds of ₹554.37 crore in 570 fixed deposits (FDs) with scheduled/ co-operative banks when the rate of interest was lower than the rate offered by Treasury Fixed Deposits. This resulted in foregoing additional interest income of ₹5.68 crore.

Four PSUs namely, Malabar Cements Limited (MCL), Kerala State Industrial Development Corporation Limited (KSIDC), The Kerala State Financial Enterprises Limited (KSFE) and The Plantation Corporation of Kerala Limited (PCKL) replied (February/September 2018, May 2019) that there were difficulties in getting funds released from the Government Treasury due to temporary restriction on withdrawal limits etc. KSFE also replied that funds were parked in

<sup>34</sup> Revised to 7.00 per cent and 8.50 per cent respectively with effect from 01/03/2017.

<sup>35</sup> The Kerala State Financial Enterprises Limited (KSFE) – 186 FDs (₹ 181.74 crore), Kerala State Industrial Development Corporation Limited (KSIDC) – 275 FDs (₹ 272.55 crore), Malabar Cements Limited- 54 FDs (₹40 crore), Kerala Financial Corporation – 2 FDs (₹0.46 crore), Kerala State Development Corporation for Scheduled Castes and Scheduled Tribes Limited – 2 FDs (₹0.04 crore), The Plantation Corporation of Kerala Limited –37 FDs (₹46.50 crore) and The Kerala State Backward Classes Development Corporation Limited - 14 FDs (₹ 13.08 crore).

banks for period less than 180 days only while MCL stated that FDs had to be prematurely closed on several occasions to meet working capital requirements. Kerala Financial Corporation (KFC) replied (May 2019) that the amount was deposited as security for an Execution Petition as directed by Hon'ble High Court of Kerala. The replies of KSIDC, KSFE and MCL were endorsed (January/July/August 2019) by GoK.

The replies were not acceptable as treasury restrictions were not applicable for deposit of amount below ₹10 crore. The deposits made by KSFE, MCL and KSIDC were below ₹10 crore. All the FDs maintained by MCL in banks were for a period of one year or more and hence, cannot be considered as kept to meet working capital requirements. Further, premature closure facility was available for Treasury Fixed Deposits as well. The reply of KFC was not acceptable as the High Court did not specify that the deposit was to be made in bank.

The Finance Department, GoK replied (July 2019) that the PSUs were directed (August 2018) to deposit their own funds either in treasury or any scheduled bank according to their choice. The reply was not acceptable as the direction of GoK in August 2018 was not effective retrospectively and the deposits pointed out by Audit were made prior to it.

Thus, seven PSUs deposited their surplus funds in fixed deposits with scheduled/ co-operative banks in violation of the directions of the GoK and incurred loss of interest of ₹5.68 crore.

***[ Audit Paragraphs 5.4 contained in the Report of the Comptroller and Auditor General of India for the year ended 31<sup>st</sup> March 2018 ]***

The Notes furnished by the Government on the Audit Paragraphs are given in Appendix II

### **Discussion and Findings of the Committee**

#### **5.4 – Investment of surplus funds by Public Sector Undertakings**

The Committee inquired about the audit references that the KSFE deposited its surplus funds in fixed deposits with Scheduled Co-operative Banks. The witness responded that at present the funds are deposited in the treasury account and the



amount required to be deposited in the bank under the Chitti Fund Act has also been deposited in the treasury after taking special permission.

*The Committee accepted the reply. Hence no remarks.*

#### **Audit Para - 5.6 Delay in finalisation of Annual Accounts in State PSUs**

Failure of the Administrative Departments in initiating punitive measures resulted in non-finalisation of the annual financial statements of PSUs within the stipulated period. In the absence of finalisation of accounts and their subsequent audit, it could not be ensured whether the investment of ₹5,922.25 crore by the Government of Kerala and expenditure incurred were properly accounted for. Moreover, the Government's investment in such PSUs remained outside the control of State Legislature.

According to the provisions of Section 136 (1) read with Sections 129 (2) and 96 (1) of the Companies Act, 2013, companies are required to finalise their annual financial statements and place the audited financial statements for every financial year along with annual reports in the Annual General Meeting within six months from the end of the relevant financial year (by September). The same shall also be placed in the State Legislature within three months thereafter (by December).

In compliance with the provisions of the Companies Act, 2013, State Public Sector Undertakings were to place their audited accounts up to the financial year 2017-18 along with the annual reports in the Annual General Meeting by September 2018. The same was also to be placed in the Legislature by December 2018.

Audit observed that:

- Out of 121 working PSUs in the State, 13 PSUs finalised their financial statements for the year 2017-18 as of September 2018. Only six PSUs did, however, place their audited financial statements in the State Legislature within December 2018 as shown in the **Table 5.2:**

**Table 5.2: Details of placement of audited financial statements in the State Legislature as of July 2019**

Particulars	Total	Annual General Meeting			State Legislature		
		Within 30/09/2018	After 30/09/2018	Not placed so far	Within 31/12/2018	After 31/12/2018	Not placed so far
Number of Working PSUs which finalised accounts up to the financial year 2017-18	13	6	7	0	6	6 <sup>36</sup>	1 <sup>37</sup>

The remaining 108 PSUs had arrears in finalisation of accounts for periods ranging between 1<sup>38</sup> and 11<sup>39</sup> years. Audit also observed that during the accounts arrear period (2008-09 to 2017-18), the Government of Kerala infused budgetary assistance of ₹5,922.25 crore by way of equity, loans and grants to these PSUs.

- In order to ensure that State Public Sector Undertakings adhered to the provisions of the Companies Act on the finalisation of the annual financial statements, the Finance Department, Government of Kerala issued (September 2015) directions to Administrative Departments of the PSUs to withhold 10 to 15 per cent of budget allocation of defaulting PSUs. Further, no fresh Government guarantee was to be provided to defaulting PSUs to obtain loan.

During 2015-16 to 2017-18, the Administrative Departments, however, released budget allocation of ₹218.63 crore (2015-16), ₹415.27 crore (2016-17) and ₹317.10 crore (2017-18) in full respectively to 23, 24 and 30 PSUs whose

36 The Kerala State Financial Enterprises Limited, Autokast Limited, Indian Institute of Information Technology and Management-Kerala, Steel and Industrial Forgings Limited, Kerala State Power and Infrastructure Finance Corporation Limited, Kerala High Speed Rail Corporation Limited.

37 Kerala State Electricity Board Limited.

38 22 PSUs had arrear in accounts of one year.

39 Trivandrum Spinning Mills Limited (2007-08 to 2017-18).

accounts were in arrears. Furthermore, six PSUs were given Government guarantee of ₹567.86 crore during 2016-17 for availing loans. During 2017-18 also, nine PSUs with accounts in arrears were given Government guarantee to the tune of ₹1,055.37 crore.

Thus, though the Administrative Departments had the responsibility to oversee the activities of the PSUs and to ensure that the accounts were finalised and adopted by these PSUs within the stipulated period, the Administrative Departments did not withhold 10 to 15 per cent of budgetary assistance to PSUs with arrears in finalisation of accounts.

- As per Section 139 of the Companies Act, 2013, the Statutory Auditors of PSUs are appointed by the Comptroller and Auditor General of India (CAG).

Audit observed that the CAG appointed Statutory Auditors for the years in which financial statements were in arrears as far back as September 2008. But these PSUs did not finalise the arrear accounts so far due to non-availability of qualified accounting staff. The Government of Kerala permitted (December 2016) PSUs to employ outside professionals at Government expense to overcome the shortage of accounting staff. But, this possibility was also not explored by 108 PSUs whose annual financial statements were in arrears for 1 to 11 years.

Thus, failure of the Administrative Departments in initiating punitive measures resulted in non-finalisation of annual financial statements within the stipulated period. In the absence of finalisation of accounts and their subsequent audit, it could not be ensured whether the investment of ₹5,922.25 crore by Government of Kerala and expenditure incurred were properly accounted for. Moreover, Government's investment in such PSUs remained outside the control of State Legislature.

GoK replied that the PSUs were directed (17 July 2018) to submit a schedule for finalisation of accounts and complete their audit before 31 July 2018, but most of the PSUs did not comply with the same. The PSUs were directed (August 2018) to furnish a schedule of approval of accounts for each pending year to the Finance Department by 31 August 2018, failing which further fund release and pay revision of employees of PSUs would be stopped. The Chief Executives/Managing

Directors of all PSUs were also informed (31 December 2018) that pay revision of employees in PSUs would be subject to finalisation of accounts up to previous year and also on maintenance of up-to-date accounts.

The reply was not acceptable as the Government did not implement its own earlier directions of withholding grants and denial of fresh government guarantee to PSUs with arrears in finalisation of accounts.

***[Audit Paragraph 5.6 contained in the Report of the Comptroller and Auditor General of India for the year ended 31<sup>st</sup> March 2018 ]***

(The notes furnished by the Government on the audit paragraphs are given in Appendix II)

### **Discussion and Findings of the Committee**

#### **5.6 – Delay in finalisation of Annual Accounts in State PSUs**

The Committee inquired about the audit reference regarding the delay in finalisation of annual accounts. The witness responded that the Statutory Audit upto 2022-23 has been completed and submitted to AG.

***The Committee accepted the reply. Hence no remarks.***

Thiruvananthapuram,  
21<sup>st</sup> March, 2025.

**E. CHANDRASEKHARAN,**  
Chairperson,  
Committee on Public Undertakings.

APPENDIX - I  
SUMMARY OF MAIN CONCLUSIONS/RECOMMENDATIONS

Sl. No.	Para. No.	Department Concerned	Conclusions/Recommendations
1	1	Taxes	The Committee observes that the Company accepted public deposits in excess of the Government guarantee during 2014-15 to 2017-18 and also notes that the attractive rate of interest on deposits resulted in increase in the number of deposits which in turn resulted in exceeding the guarantee limit. So the Committee recommends that the Company should not accept public deposits in excess of Government guarantee limit, in future.
2	2	Taxes	The Committee noted that without obtaining certificate of registration from the National Housing Bank, Company disbursed New Housing Finance Scheme loans. The Committee further noted that the Company did not register with the National Housing Bank in accordance with the legal advice provided by the Standing Council of the Company. Hence the Committee directs to seek legal advice either from the Advocate General or from the Law Department for more clarification about the matter.

3	3	Taxes	The Committee observes that KSFE has higher NPAs compared to other financial institutions, and that the accumulation of arrears is due to lack of recovery action on collateral securities of pending chitties/loans as well as non compliance with the procedures in the case of accepting salary certificate as surety. So the Committee recommends to examine the reasons for increase in NPA and to speed up the development of the proposed default index system to control NPA.
4	4	Taxes	The Committee opines that giving relief to the defaulters while trying to collect the arrear is not a comforting move on the part of the KSFE and it may lead to enhance the business but at the same time it cannot be overlooked and the companies' NPA is also increasing along with it. So the Committee recommends to look into the reason for the increase in NPA and to sustain KSFE as the main financial institution in Kerala through hard and strong action. The Committee also recommends KSFE to recover the bad debts of ₹ 5500 crore.
5	5	Taxes	The Committee vehemently criticizes the lackadaisical attitude of the Company towards the implementation of the Vidyadhanam Loan Scheme. The Committee opines that Government subsidy has been given to the scheme and KSFE being a profit making public sector undertaking they have to help the poor students as a part of social commitment. So the Committee recommends to restructure the Vidyadhanam Loan Scheme by formulating a strategic plan for popularising the scheme and to fix targets to the branches.

6	6	Taxes	The Committee opines that the gold loan scheme would be beneficial to the common man and have to save them from the unscrupulous activities of Private money lenders. So the Committee recommends to issue strict instruction to the Regions and Branches of the Company to adhere to the terms and conditions of the scheme and not to entertain private money lenders.
7	7	Taxes	The Committee observes that 12 out of 20 branches examined by Audit, did not register under SPARK, resulting in non recovery of ₹0.68 crore in 33 loans and also notes that the Government had stopped the integration of software of KSFE with SPARK due to security issues. Hence the Committee recommends the Finance Department to look into the matter seriously and to take appropriate steps to resolve the matter.
8	8	Taxes	The Committee observes that the Company did not recover the default amount in respect of the Chitties from the prized chitties of the borrowers and also observes that the Company settled the prize money against the dues of other parties without adjusting against the principal defaulter and allowed the principal defaulter the possibility of collecting the amount subsequently from the other persons. So the Committee recommends that stringent action should be taken against the branches if they violate the existing norms and to give strict directions to comply with Manual of Procedure.

9	9	Taxes	The Committee vehemently criticizes KSFE for their lackadaisical attitude, in tracing the missing files and opines that it cannot be regarded as a technical failure. So the Committee recommends to submit a detailed report describing the lapses occurred during the whole procedure that led to the missing of files, including the details of the responsible officials both in the branches and in the SDT office and to take disciplinary action against them and report to the Committee urgently.
10	10	Taxes	The Committee observes that the NPA of KSFE is currently high. So the Committee recommends to conduct Adalats exclusively for NPA cases and to reduce the interest as far as possible giving preference to old cases.
11	11	Taxes	The Committee understand that the business network of KSFE is highly extensive so as it is highly volatile to make errors in financial management and financial procedure. Moreover a defaulted loan become NPA after 90 days. Hence the Committee recommends that KSFE, which is flying high with the aspirations of the commonman should thrive for stronger measures in reducing NPA, reducing interest rate for small loanee etc to boost up the confidence of public, in the light of audit.



# APPENDIX -- I

## NOTES FURNISHED BY GOVERNMENT ON THE AUDIT PARAGRAPH

### THE KERALA STATE FINANCIAL ENTERPRISES LIMITED

#### ACTION TAKEN REPORT ON THE AUDIT REPORT OF THE C&AG ON STATE FINANCE FOR THE YEAR ENDING 31.03.2018

Sl No	Audit Para No	Audit Para	Statement of action taken on audit para.
1.	5.1.3.1	<p>The Company accepts different types of deposits from the public and these deposits are mainly used for advancing loans to its customers. The Miscellaneous Non-Banking Companies (Reserve Bank) Directions, 2016 prohibit companies from accepting deposits from the public unless guaranteed by the Government.</p> <p>Audit observed that:</p> <ul style="list-style-type: none"> <li>The Company accepted public deposits during 2014-15 to 2017-18 in excess of the Government guarantee. The excess public deposit ranged between ₹208.50 crore (2017-18) and ₹2,991.82 crore (2015-16).</li> </ul> <p>Despite this, the Company issued Fixed Deposits Receipts and Sugama Deposits Pass Books with the undertaking that the deposits were guaranteed by the Government, which was misleading.</p> <ul style="list-style-type: none"> <li>The Company falsely declared its status as 'Public Limited' in the Annual Return to the RBI.</li> <li>Acceptance of deposits in excess of the Government guarantee was also not shown as public deposits in the Annual Return on Deposits submitted to the Reserve Bank of India.</li> </ul>	<p>Deposit, as defined under Companies, Act 2013 does not include "any amount received from the Central Government or a State Government or any amount received from any other source whose repayment is guaranteed by the Central Government or a State Government or any amount received from a local authority or any amount received from a statutory authority constituted under an Act of Parliament or a State legislature". As per Rule 2(c) (i) of Companies (Acceptance of Deposits) Rules 2014, KSFE does not fall under the purview of section 73 read with Rule 2 of Companies (Acceptance of Deposits) Rules 2014 as repayment of amounts taken by the Company are fully guaranteed by the State Government and Company (Acceptance of Deposits) Rule 2014, exempts such Companies whose repayment of deposits are backed by Government guarantee.</p> <p>It has been a regular practice in the Company to seek enhancement of guarantee coverage limit as and when the same exceeds the sanctioned amount and the Company has, over the years promptly acted without fail to take up the matter with Government of Kerala to enhance guarantee coverage limits.</p> <p>The Company had promptly reported in the annual report its</p>

		<p>The Company, while accepting (December 2018) that overall deposits had exceeded the guaranteed limits on some occasions, stated that the delay in obtaining extension of guarantee coverage limit did not affect the guarantee coverage as all the extensions were given by the Government with retrospective effect.</p> <p>The reply was not acceptable as the guarantee coverage can be extended with prospective effect only.</p>	<p>total outstanding balances under various deposit schemes. Moreover, details pertaining to unclaimed deposits and transfer to Investor Education and Protection Fund account is also appropriately disclosed in the aforesaid report. The Company have been regular in their follow up with their customer for redeeming the matured/unclaimed deposits. The Company has not violated any applicable provision as noted in the observation.</p> <p>The Company has not made any default in repayment of its deposits &amp; is also regularly remitting the guarantee fee/commission to Government (based on actual outstanding position) within the due date.</p> <p>Audit has reported of falsely declaring the Company as a "public limited" Company in its NBS-</p> <ol style="list-style-type: none"> <li>1. The Company states that it was an unintentional clerical error and the Company was not unduly benefited in any manner. Necessary steps have been taken to prevent recurrence of such instances in future.</li> </ol>
--	--	--	---

2.	5.1.3.2	<p><b>Non-registration with National Housing Bank</b></p> <p>As per Section 29A of the National Housing Bank Act, 1987, any company having the business of providing finance for housing as one of its principal objectives shall be registered with the National Housing Bank. Audit observed that the Company did not obtain a certificate of registration from the National Housing Bank, but disbursed 15,968 New Housing Finance Scheme Loans (NHFS) amounting to ₹927.38 crore during 2015-16 to 2017-18 without legal mandate.</p> <p>The Company replied (December 2018) that urgent steps would be taken for obtaining the Certificate of Registration from the National Housing Bank.</p>	<p>With regards to the query regarding getting themselves registered under the provision of Section 29 A of National Housing Bank Act 1987, the Company informs that they have been advised by their legal consultants. M/s Menon &amp; Pai, Advocates that taking into consideration the objective of National Housing Bank Act 1987 and the nature of the primary business conducted by the Company and also the main objects in its Memorandum of Association, the Company need not obtain registration under Section 29A of the National Housing Bank Act 1987 for the purpose of transacting its business of providing housing finance as part of its objective of providing finance for construction of new building.</p>
3.	5.1.4	<p>The Company offers New Chitty Loans to the subscribers of chitty. Reliable Customer Loans are offered to persons who are customers of the Company for the last 12 months. Gold Loans, Consumer/ Vehicle Loans, Housing Loans and Education Loans are offered to the general public. Terms and conditions of various loans are given in <b>Appendix 11</b>. The position of 77 gold loans is discussed separately in <b>Paragraph 5.1.6</b>. Audit noticed irregularities in the sanction of 110 loans out of 365 default loans except gold loans as shown in <b>Table 5.1</b> below:</p> <p><b>Table 5.1: Details of irregularities in sanctioning loans</b></p>	<p>Reply:- 5.1.4</p> <p>The irregularities quoted are being communicated to all branches for corrective measures along with necessary directions for preventing occurrence of such instances in future.</p> <p><b>Reply : TABLE 5.1-</b></p>

Sl. No.	Norms of the Company	Audit Observations	Reply of the Company and further remarks (December 2018)
	Sanction of New Chitty Loan (NCL) against norms		
1	Non-prized chitty subscribers <sup>21</sup> having remitted 10 percent of chitty instalments (at the time of the sanction of the loan) are eligible.	Three branches of the Company sanctioned eight NCLs <sup>22</sup> of ₹0.29 crore to non-prized subscribers before remittance of 10 percent of the chitty instalments. All NCLs were in default for periods ranging from 25 to 52 months with default amount of ₹0.28 crore.	With the permission of the Assistant General Manager (Region) concerned, the branch could sanction NCL before remittance of 10 percent of the instalments

Sanction of New Chitty Loan (NCL) against norms

1. With regard to Sl No.1, NCL 314, 315, 316, 317 of Pattikkad Branch, the same were closed on 31/01/2019, 01/10/2018, 01/10/2018 and 08/11/2019 respectively.

NCL No.252, 148 & 149 of Koduvalli branch were closed on 02/11/2018, 31/12/2018 & 29/01/2019 respectively. NCL 2362 of Malayankeezhu branch was closed on 19/10/2016.

				As the permission from the Assistant General Managers (Region) concerned was not obtained at the time of sanctioning the loans, the reply was not acceptable.	
		2	If the liability on a property exceeds ₹0.10 crore, the entire property documents should be forwarded to the Regional	Four NCLs <sup>22</sup> for ₹0.05 crore each were sanctioned to two individuals against the security of the same property by the Branch Manager. The documents were	The property in question was revalued subsequently and accepted by the Regional Office. The
					2 This is in violation of the Company directions and the unit head was charge sheeted for the said non compliance. Meanwhile he retired from service and his retirement benefits have not been released so far. Audit observations have been noted for future guidance. The concerned NCL account No.314,315,316,317 of patikkad branch has been subsequently closed. If the loan liability exceeds Rs.10 lakhs entire property documents should be forwarded to AGM (Region) for approval.

			Office.	not forwarded to the Regional Office though the liability against the property was ₹0.20 crore.	reply confirms that the initial valuation of property was not approved by the Assistant General Manager (Region).	
	3	In case of NCL having monthly instalment with interest of ₹5,000 and above, the repaying capacity of the loanee was to be assessed before the sanction of the loan.	The repaying capacity of four persons, who were sanctioned five loans <sup>73</sup> amounting to ₹0.20 crore, was insufficient to pay the monthly instalments. This was because these four persons had already availed other	The Unit Heads used their discretionary powers to assess the repaying capacity of the loanees. The reply was silent about the loans/chitties sanctioned to persons	3. In case of NCL, 232 of Chittar branch, salary certificate of husband of loanee, who is working abroad, had been submitted. Chitty against which loan had been taken terminates only on 15.04.2024. Loanee is remitting amount to this account frequently but the chitty is under default. Property mortgaged is a prime one and has sufficient valuation of cover the liability. Meanwhile, steps have already been initiated for RR.  The loanes of NCL 2938 of Alappuzha II branch had submitted IT return which shows sufficient income towards for the loan repayment. Account has already been transferred to RR and as the mortgaged property has sufficient value, it will not cause loss to the Company.  The loanee of NCL 706 of Alappuzha Evening has declared	

				loans/chitties from the Company and their declared income was just sufficient to pay monthly instalments of these loans/chits. Despite this, the Company further released chitty prize money of ₹0.19 crore to three persons out of the above four persons. The instalments of all the eight loans/chitties were in default for more than 12 months.	with insufficient income to repay.	Rs.1 lakh as his income in the application itself. At the time of disbursement of RCL 1097 at Kayamkulam branch, the NCL account No.1997 was up to date. Direction in this regard is being issued to branches for strict compliance.
			<b>Sanction of Reliable Customer Loan (RCL) to ineligible persons</b>			Sanction of Reliable Customers Loans (RCL) to ineligible persons  4. At the time of disbursement of RCL 1097 at Kayamkulam branch, the NCL account No. 1997 was up to date. Now these accounts stand closed. In case of RCL 1212 of
		4	Applicants should not be defaulters at the time of	Three branches of the Company sanctioned three RCLs of ₹0.07	The Unit Heads used their discretionary	

			applying for the loan.	crore to three persons <sup>23</sup> when NCLs availed by them were in default for ₹0.08 crore. The three RCLs and NCLs were in default and the amount recoverable stood at ₹0.11 crore.	powers and deviated from the restriction for the best interest of the business promotion	Alappuzha Evening Branch, Rs.8000 is being received as salary recovery from the surety. NCL account 500 of Alappuzha Evening Branch has been since closed. RCL 626 and NCL 347 of Pattikkad branch has already been referred to RR after revaluation of the property. Now the property has sufficient value to cover the liability. Direction in this regard is being issued to branches for strict compliance to prevent recurrence of such instances in future.
		5	Applicants should be customers of the Company for more than 12 months.	crore were given to 70 customers even though they were customers of the Company for less than 12 months. All the 70 loans were in default for periods ranging from 15 to 41 months and the amount recoverable stood at ₹1.21 crore. RCLs of	The reply was not acceptable, as the norms of the Company did not empower the unit heads to deviate from the laid down procedure	5. For availing RCL, the applicant should be a customer of the Company, But for better business promotions Unit Heads especially at newly opened branches might deviate from this restriction using their discretionary power. However, strict direction in this regard is being issued to the branches concerned for compliance. Recently RCL has been renamed as KPL (KSFE Personal Loan) and the condition of minimum 12 months association with the Company has been done away and now personal loan could also be sanctioned to new customers.



			₹1.74	arbitrarily.	
		6	In case of settlement deed <sup>76</sup> being offered for creating mortgage, persons having life interest should also join the mortgage.	In respect of two loans <sup>77</sup> for ₹0.08 crore, while creating mortgage on settlement deed, persons with life interest did not join the mortgage.	The Company agreed with the audit observation that persons with life interest should invariably join the mortgage.
			<b>Sanction of loan against inadequate security of property</b>		
		7	In case of acceptance of property (land and buildings) as mortgage, the estimated market value of the property	Five branches extended nine of loans for ₹32.90 lakh even though the estimated market value of the property given as security was inadequate to the extent of ₹27.92	In the case mentioned in <b>Appendix 12</b> , the Company stated (January 2019) that
			<b>Sanction of Loans against inadequate security property</b>		
			<p>6. The audit observation on the matter of joining person in the mortgage who has life interest is correct. Strict direction in this regard is being issued to branches for strict compliance of guidelines issued by the Company. RCL 649 and 657 of Pattikkad branch has already been referred to RR after revaluation of the property. Now the property has sufficient value to cover the liability. The unit head concerned was charge sheeted for the said non compliance. Meanwhile he retired from service and his retirement benefits have not been released so far.</p> <p>7. The estimated market value of the property should be sufficient to cover twice the future liability in case of RCL and NCL and 1.33 times in case of NHFS. The audit observations noted and strict instructions are being given to the branches in this regard.</p>		

		should be sufficient to cover twice the future liability in case of RCL and NCL and 1.73 times the future liability in case of NHFS.	lakh as shown in Appendix 12.	the present valuation of the property was sufficient to cover the existing dues of the loan. The reply was not acceptable as the market value of properties pledged was insufficient at the time of sanctioning loans	
8	'Non-kudikidappu Certificate'	Two branches <sup>28</sup> extended one RCL and two	The Company usually	8. Company does not accept property with extent below 5 cents in panchayath area and below 3 cents in municipal/corporation area as security for any of its schemes. However, considering the merit and genuineness	

			<p>was to be obtained from the village office if the land offered as security was below five cents. Moreover, personal sureties should be obtained in such cases.</p>	<p>NCLs for ₹0.09 crore to three individuals without obtaining 'Non-kudikidappu Certificate'. Personal sureties were also not obtained in these cases.</p>	<p>collected the 'Non-Kudikidappu Certificate' and additional personal sureties were obtained later on, in cases where there was more number of property pledged with a high realisable value. The reply was not acceptable as the fact remained that as no such</p>	<p>of the case, unit heads may deviate from this restriction. NCL account 827 of Chelakkara branch is already closed. NCL 727 of Chelakkara branch and RCL 565 of Pattikkad branch has already been transferred to RR after revaluation of the property. Now the property has sufficient value to cover the liability. Strict orders already given to branches to comply with the norms of accepting property with extent below 5 cents.</p>
--	--	--	---	--	--	--

				certificate and additional personal securities were obtained in these cases.	
9	Paddy fields (wet land) and rubber/coffee / tea/ coconut plantation having road access should be assigned maximum market value of ₹1 lakh and ₹2.25 lakh per acre respectively.	Five loans for ₹18 lakh with a future liability of ₹35.12 lakh was sanctioned by four branches of the Company, accepting paddy field/ rubber plantation as collateral. The Company assigned a higher market value to the property deviating from norms which led to inadequate collateralisation	With respect to RCL 924 specified in <b>Appendix 13</b> , the Company confirmed (January 2019) that the security was indeed rubber estate, but valuation was done based on the market value. In respect of	9. Audit observation noted for future guidance. Strict order is being issued to branches to comply the norms of accepting plantation at valuation as specified by Company in this regard. RCL 924 of Chelakkara branch and NCL 2373 of Kattakada branch have been since closed. RCL 1555 of Kattakada branch is still under default. Unit head has been directed to follow up the case to ensure recovery of the overdue.	

			<p>of loans by NCL 2373  ₹49.16 lakh as and RCL  shown in 1555, it was  <b>Appendix 13.</b> replied that  the security  offered was  not  plantation  property.</p> <p>The reply  was not  acceptable as  Company  underlined the  arbitrariness in  valuation in  violation of  Company's  guidelines. In  the Valuation  Report of NCL  2373 and RCL  1555, both the  properties  were classified  as agricultural  land with</p>	
--	--	--	---	--

			rubber trees.	
10	The maximum liability that can be charged on a property was limited to six mortgages.	Perambra branch <sup>29</sup> of the Company sanctioned one loan for ₹0.10 crore against a property which already had six charges. The loan was in default for more than 29 months and the amount recoverable stood at ₹0.10 crore.	No specific reply was furnished.	10. The branches can create liability in excess of six mortgages with the permission of AGM (Region) concerned. Said NCL account at Perambra branch is still under default and branch has intimated that the defaulted account would be closed soon.
11	A property already under mortgage to the Company can be accepted for a second and subsequent time only if	The Kattanam branch sanctioned (March 2015) one NCL <sup>30</sup> of ₹0.05 crore against security of a property which was already under mortgage to the Company	The Company accepted the audit observation and stated that explanation would be called for	11. The defaulted account NCL 1821 at Kattanam and NCL 678 & 689 of Kannanalloor branch has already been transferred to RR after revaluation of the property. Now the property has sufficient value to cover the liability. Strict order has been issued to the branches not to issue loans to the defaulted customers as the officials concerned would be liable to the Company for losses, if any.

		there is no default in the Chitties/ Loan accounts for which the property is already under mortgage.	(Kannanallur branch) in respect of two defaulted (since September 2014) NCLs <sup>81</sup> .	from the Branch Managers.	
	12	If the property offered is not in the name of the loanee, and the property offered is devolved on the mortgagor on the death of his predecessor, heirship certificate is to be obtained.	The Vizhinjam branch of the Company sanctioned a loan <sup>82</sup> for ₹0.10 crore by accepting land as security after revaluation which was already under mortgage to the Company against a prized chitty. The land was owned and possessed by the deceased father of the loanee and	The Company accepted the audit observation and stated that action was being taken against the Branch Manager for the lapses.	12. Branch has applied for getting legal heir ship certificate concerned as this case has been referred to RR. Property has been revalued and is sufficiently valued to cover the liability.

			was accepted as mortgage without obtaining legal heirship certificate.		
			<b>Sanction of loan against improper personal surety</b>		<b>Sanction of loans against improper personal surety</b>
		13	For securing loans by the Company salary certificate, the maximum liability that could be covered by self or single surety was ₹4 lakh and ₹3 lakh respectively, limited to 10 times his/her pay.	Four branches of the Company extended 19 loans for an amount of ₹1.04 crore against the personal sureties of 19 persons. As these persons had given sureties against loans of some other persons, the balance eligible surety was ₹55.06 lakh. Thus, the Company accepted sureties in excess of the	The Unit heads were empowered to relax 10 percent of the total liability's security and was allowed only for better business promotion.  The reply was not acceptable as the Branch Managers
					13. Presently the maximum liability that could be covered by self or single surety is Rs.4 lakhs and taking into account the scores obtained in score sheet, Branch managers are authorized to allow additional Rs.1 lakh to self and multiple sureties, in chitty payment cases if they have sufficient salary. In addition to this, the Managers are empowered to relax 10% of the total liability within their discretionary power to frontline customers for better business prospects. Units heads are directed to see that the accounts are running properly.



			eligible limit by ₹49.24 lakh as shown in Appendix 14.	relaxed security in excess of 10 percent to the five loanees, by overlooking the norms of the Company.	
	14	The sureties should have at least six months service left for retirement after the loan closure date.	In respect of four loans <sup>83</sup> sanctioned by four branches of the Company, the loans were secured by personal/ self-sureties of nine persons. Out of this, four sureties did not have balance service of six months after the loan closure date. Further, in respect of two loans <sup>84</sup> , the	If a person with service less than the tenure of loan was accepted as personal surety by the Company, a consent letter would be obtained from remaining co-sureties/ loanees. The reply	14. The loans at Chalakkudy, Meppayur and Balaramapuram branches have been closed and in case of RCL 1212 of Alappuzha Evening branch, recovery from other sureties is going on. The consent from other sureties is not yet obtained at these branches and the same may be kindly condoned.

			retirement dates of the sureties preceded the loan closure dates.	was not acceptable as in the cases pointed out, there was no consent letter obtained from other sureties/loanees.	
			<b>Improper disbursement of the New Housing Finance Scheme (NHFS)</b>		Improper disbursement of the New Housing Finance Scheme (NHFS)
		15	NHFS loan shall be released based on stage-wise completion.	The Company released (April-August 2013) all three instalments of loan <sup>23</sup> amounting to ₹0.08 crore to the loanee without ensuring stage-wise completion of construction. The loanee did not submit the	The Company accepted (December 2018) the audit observation.
					15. The completion certificate from the loanee in the case of NHFS 3 of Alappuzha Evening Branch has been since obtained and the remittance in the loan is up to date.

		<table border="1"> <tr> <td></td> <td>completion certificate as of June 2018. The loan was in default for 19 months and the amount recoverable was ₹0.08 crore.</td> </tr> </table> <p>Thus, out of 365 loans amounting to ₹13.01 crore examined in audit (out of 1,728 defaulted loans amounting to ₹41.38 crore), the Company sanctioned 110 loans for ₹3.50 crore without adhering to the codal provisions. This indicated that 30 per cent of the defaulted loans were sanctioned disregarding the norms prescribed by the Company for sanction of loans. Hence, Government/ Company may check the level of compliance of norms in sanctioning loans in the cases which were not test checked by Audit.</p>		completion certificate as of June 2018. The loan was in default for 19 months and the amount recoverable was ₹0.08 crore.	
	completion certificate as of June 2018. The loan was in default for 19 months and the amount recoverable was ₹0.08 crore.				
4	5.1.5	<p>The Minister for Finance, in his Budget speech 2011-12, announced (08 July 2011) "Vidyadhanam Loan Scheme" with the help of the Company for the students belonging to weaker sections having annual income less than ₹0.01 crore for professional courses. GoK would provide interest</p>	<p>As far matter with regard to release of subsidy amount from Government is concerned; the same had already been released to the Company up to the FY 2018-19. The Vidyadhanam loan scheme is not existing at present.</p>		

	<p>subsidy of four percent. The Company was to set apart ₹30 crore every year for the scheme so as to benefit around 1,500 students annually. The scheme also covered students belonging to general category (at 13.50 per cent rate of interest) in addition to weaker section. Audit observed that:</p> <ul style="list-style-type: none"> <li>• The Company disbursed loans of only ₹1.32 crore to 36 students since the launching of the scheme till March 2018. This included ₹0.31 crore to 12 students belonging to weaker sections. The Company did not fix targets for Regions/ branches for the disbursement of loans nor popularised the scheme through any advertisement, underlining the indifference of the Company to the scheme proposed by the Government</li> <li>• The rate of interest of Vidyadhanam Loan Scheme was kept unchanged at 12 percent, though the Company reduced interest rates for other loan schemes. In respect of ₹0.31 crore sanctioned to 12 students belonging to economically weaker sections, the interest subsidy of ₹0.05 crore was yet (July 2018) to be given by the GoK.</li> </ul>	
--	---	--

		<p>Taking note of the audit observation, the Company assured (December 2018) that a strategic plan would be formulated for popularising the scheme and targets would be fixed and assigned to Regions and branches. Action would also be taken to get reimbursement of the subsidy amount from the GoK.</p>	
5	5161	<p>Through the gold loan scheme, the Company aimed at (March 2012) achieving its social objective of saving the common man from the unscrupulous activities of private players. According to the circular87 issued (June 2009) by the Company, a person can be given a maximum number of three gold loans in a working day from a branch, otherwise specific approval of the Branch Manager concerned was to be obtained.</p> <p>Audit observed that:-</p> <ul style="list-style-type: none"> <li>• In three88 out of twenty branches examined by Audit, the Company extended 570 gold loans amounting to ₹0.96 crore to 16 individuals in excess of three loans on occasions ranging from 1 to 136 days. The sanction of excess loans was without the specific approval of the Branch Managers. Out of the 16 individuals, five individuals in Vizhinjam branch were private gold financiers and these private gold financiers were given excess loans of ₹0.36 crore.</li> </ul>	<p>Almost all Gold Loans concerned at Malayinkeezhu, Maranallur and Vizhinjam branches are either closed or renewed. In this connection, the other banking concerns like co-operative banks and in some case even scheduled/nationalized banks are also giving loan to private money lender. Strict directions have been given to ROs and branches not to entertain private money lenders in our Gold Loan Scheme which is against the very objective of the scheme.</p>

		<p>• During the period 2015-16 to 2017-18, seven branches disbursed gold loans amounting to ₹156.78 crore to 11,430 loanees. Out of this, ₹66.44 crore were issued to 56 individuals through 30,370 gold loans.</p> <p>These 56 borrowers, who accounted for one per cent of the total loanees were disbursed 42 percent of the total gold loans during 2015-16 to 2017-18. As the high number of loans availed and used by the individuals in a short span of three years seemed unlikely, the possibility of private money lenders having taken gold loan from the Company for further lending could not be ruled out. Managers of Alappuzha II and Vizhinjam branches accepted that eight individuals who took large number of loans from each of the branches were private money lenders.</p> <p>The Company, while acknowledging (December 2018) that the very objective of the Gold Loan Scheme would not be achieved if it was extended to private money lenders, stated that strict directions were given to Regions and branches not to entertain private money lenders.</p>	
6	5.1.6.2.	<p><b>Charging lower rate of interest</b></p> <p>The total loans taken by a person in a particular day was to be aggregated for the fixation of applicable rate of interest. The applicable rate of interest for gold loan</p>	The defects in CASBA of charging lower rate of interest in the case of availing more than one loan by same person, has been since rectified.

		<p>with effect from March 2017 was 9.50 per cent per annum for loans up to ₹20,000 and 10.50 per cent per annum for loans above ₹20,000.</p> <p>Audit examined the sanction of 1,651 gold loans in which more than one loan was given to the same person on a day in 20 branches of the Company and observed that the rate of interest was fixed without aggregating the loans taken in a day. This was because the CASBA89 software calculated interest at the rate of 9.50 per cent for the first loan below ₹20,000 and interest rate of 10.50 per cent only for the second/third loan/s. The Company thus recovered one percent less interest from 1,651 gold loan accounts and suffered a loss to the extent of ₹0.01 crore in 20 branches examined by Audit.</p> <p>While accepting the audit observation, the Company thanked (December 2018) the Audit for pointing out the flaw as this would arrest further monetary losses.</p>	
7	5.1.6.3	<p><b>Delay in disposal of gold held as security</b></p> <p>According to the circular issued (November 2012) by the Company, gold loans were repayable within six months from the date of sanction. In case of failure to repay the gold loan within one year or when the outstanding dues including interest and penal interest exceeded 85 percent of the value of gold, the Company</p>	<p>Necessary actions have been initiated for early conduct of auction of pledged gold ornaments kept as security in default cases. Thus the change of incurring loss to Company in default cases on account of variation of fluctuation in gold prices is being minimized. This will be ensured strictly so that there is no NPA accounts under gold loan accounts as per the norms of the Company.</p>

		<p>is at liberty to sell the gold pledged against the defaulted gold loans. Audit observed that:-</p> <ul style="list-style-type: none"> <li>• There were delays ranging from 23 to 37 months in conducting auctions of gold held as security for realisation of outstanding dues of ₹1.21 crore in 135 cases in 6 out of the 20 branches examined in audit. Due to the delay in conducting auction, the Company recovered only ₹0.96 crore through auction sales resulting in a loss of ₹0.25 crore. Apart from this, Audit observed that in other 78 branches, there were delays ranging from 16 to 52 months in conducting auction of gold resulting in loss of ₹2.27 crore.</li> </ul> <p>Concurring with the audit observation, the Company replied (December 2018) that immediate actions would be arranged to conduct auction. Loss already sustained would be recovered from the persons concerned.</p>	
8	5.1.7	<p>The loans advanced by the Company, except gold loans<sup>90</sup>, were repayable with interest in monthly instalments over periods ranging from 6 months to 30 years as detailed in <b>Appendix 11</b>. In case of default in payment of monthly instalments, penal interest was to be charged on the default amount and in case of default beyond 18 months, such cases were to be referred for revenue recovery proceedings. Audit observations on the recovery procedure are described below:-</p>	<p>When the accounts under default go beyond 18 months at the branches, such cases has to be transferred to Revenue Recovery after complying with the usual formalities in this regard.</p>



9	5.1.7.1	<p><b>Recovery of default amount from sureties</b></p> <p>The GoK introduced an online system, Service and Payroll Administrative Repository for Kerala (SPARK), for effecting recoveries from the salary of the employees from August 2016. As per the system, the Drawing and Disbursing Officer shall recover the dues from the salary of the employees and credit the amount directly to the Company. Out of 442 loans examined in audit, default amount of ₹1.12 crore in respect of 52 borrowers was to be recovered from the salary of the sureties. Audit observed that out of the 20 branches examined by Audit, 12 branches did not register under SPARK. As a result, recovery of ₹0.68 crore in respect of 33 loans could not be effected. In respect of the balance 19 loans amounting to ₹0.44 crore in eight branches registered under SPARK, no amount could be recovered as the Branch Managers did not place the request on SPARK. The Company replied (December 2018) that instructions were given to all branches to ensure registration and recovery under SPARK.</p>	<p>SPARK (Service and payroll Administrative Repository for Kerala) software for online processing of salary recovery of Govt. employees was introduced for effecting recovery of Co-operative societies and is not exclusively for KSFE. The Company have already reported and requested our requirements and required modifications in SPARK software to the Chief Project Manager of SPARK. The Company have issued directions to all branches to submit application for registration in SPARK as per Circular No.37/2016 (Recovery) dated 02.07.2016. Due to modification, rectification and up-gradation in SPARK software recovery through SPARK was blocked for the past two years. Many of their branches could not get themselves registered in SPARK software. However, normal default notices and usual procedures are continuing for recovering the default from the salary of defaulters.</p>
10	5.1.7.2	<p><b>Recovery of default amount from prize money</b></p> <p>According to the Manual of Procedure of the Company, default, if any, in respect of any chitty/loan of the subscriber/borrower or any surety can be deducted from the prize money of the chitties of the subscriber/borrower or surety.</p> <p>Audit observed that:</p> <ul style="list-style-type: none"> <li>• The Company did not recover the default amount of</li> </ul>	<p>According to the MOP of KSFE, default, if any in respect of subscriber/sureties must be deducted from the amount due to them such as prize money, loan payment etc.</p> <ul style="list-style-type: none"> <li>• Malayalkeezhu Branch Manager reported that, Account No.NCL-2255 held by Javahar for Rs.4,30,000/- was closed on 21.11.2018.</li> <li>• Alappuzha Evening Branch Manager reported that, Account No. NCL-589 has been forwarded to Revenue</li> </ul>

		<p>₹0.02 crore in respect of three New Chitty Loans<sup>91</sup> from the prized chitties of the borrowers.</p> <p>• An amount of ₹0.54 crore was overdue from three defaulters<sup>92</sup> for more than 18 months which was due for revenue recovery action. These three principal defaulters won prize money of ₹0.30 crore against chitties. The Company adjusted only ₹0.23 crore against the overdue amount of ₹0.54 crore of these defaulters. The balance prize money of ₹0.07 crore was adjusted against the default amount of five other persons. The loan accounts of two persons<sup>93</sup> were settled this way. The adjustment of prize money against the default amount of other persons was irregular. Thus, settlement of prize money against the dues of other parties without adjusting against the principal defaulter, allowed the principal defaulter the possibility of collecting the amount subsequently from the other persons. Audit also observed that although three defaulters were in default for more than 18 months, these loans were yet to be referred to SDT for revenue recovery proceedings.</p> <p>The Company replied (December 2018) that if the branches had violated the existing norms, stringent action would be taken against them.</p>	<p>Recovery and RR action has been since initiated.</p> <ul style="list-style-type: none"> <li>• Kattanam Branch Manager had reported that, the said transactions were carried out as per the request of the principal debtor. The entire due amount in NCL-1784 and related chitty accounts were closed on 24.10.2018. They also reported that the sureties had other Non-prized chitties at the branch, and that was the reason for such decision.</li> <li>• Chittar Branch Manager reported that they have completed all procedures for forwarding the defaulted account of Smt.Saleena Shajahan to Revenue Recovery as and when RR window opens. It may be noted that the property valuation sufficiently covers the liability.</li> <li>• Vizhinjam branch has reported that RR action has been initiated against Sri.Jayan. It may be noted that the property valuation sufficiently covers the liability.</li> </ul> <p>Strict directions are being issued for complying with MOP directives and Circulars issued from time to time.</p>
11	5.1.7.3	<p><b>Recovery of dues through revenue recovery action</b></p> <p>As per the provisions of the Manual of Procedure issued by the Company, loans in default for more than</p>	<p>As per the MOP of KSFE all branches had been directed to initiate Revenue recovery action against the defaulters whose accounts are under default for more than 18 months. Pros and</p>

	<p>18 months were to be referred for revenue recovery action under the provisions of the Kerala Revenue Recovery Act, 1968. Audit observed that out of 442 defaulted loans worth ₹13.21 crore examined in audit, 402 loans involving an amount of ₹12.14 crore were in default for periods ranging from 19 to 72 months. Although these 402 loans were to be referred for revenue recovery action, the Company did not initiate revenue recovery action as of July 2018. As no case out of the 402 test checked cases was referred for revenue recovery action, in order to assess the efficacy of recovery through revenue recovery action, Audit examined the functioning of four out of 10 SDT offices and the Head Office-Revenue Recovery (HO-RR) wing. Audit observed that:-</p> <ul style="list-style-type: none"> <li>• As of March 2018, 16,107 loans/chitty files involving recovery of ₹474.55 crore were pending at the 10 SDT offices and 4,294 files were not traceable.</li> <li>• In the four SDT offices examined in audit, 606 loans/chitty files were not traceable. In respect of 57 such default cases in SDT office, Alappuzha amount recoverable was ₹3.02 crore<sup>94</sup>. Only the office of SDT, Alappuzha, had done reconciliation with the HO-RR wing regarding these missing files. The other three offices did not reconcile the differences. The Company replied (December 2018) that action would be taken against the branches which had not initiated RR action even after the loans were in default for more than 18</li> </ul>	<p>cons of the necessary of such action had been already intimated to all units through Circulars and Alert Notes. Death of customers, delay in getting family membership certificates, promise from the defaulters to clear the default, Govt.stays, direction for allowing time for clearing default, direction for allowing EMI facilities, staff shortage etc affects the timely initiation of which results in delay. Internal audit teams have been directed to be more vigilant to trace out such delays and directions are being issued for rectifying such delays and mistakes.</p> <ul style="list-style-type: none"> <li>• There are many reasons for pending RR files at SDT Offices. In personal surety cases, retirement, dismissals from service, court stays, Govt.stays, Official delays in recovering default amount, shortage of salary all adversely affect the recovery action.</li> <li>• In order to trace out the missing files i.e.the files forwarded from branches to Revenue Recovery and not available at SDT Offices (pipeline files), war foot actions are progressing to reconcile the RR files. Reconciliation works up to FY 2018-19 is already completed and speedy actions are going on to forward the missing files to concerned Special Deputy Tahsildar Offices. Over the details/position of cases in respect of untraceable files will be informed as such number of files is informed to them.</li> </ul>
--	---	---

		months.	
		The Company further assured that the issue of missing files in SDT offices would be looked into seriously.	
12	5.1.7.4	<p><b>Attachment of movable and immovable properties</b></p> <p>As per Section 5 of the Kerala Revenue Recovery Act, 1968, the Company can attach movable and immovable properties of the defaulter for recovery of dues to the Company. Audit observed that:-</p> <ul style="list-style-type: none"> <li>• Out of ten SDT offices, only SDT office, Thrissur attached movable property and recovered ₹2 crore during 2017-18 in part settlement of the dues in 23 out of 617 cases. None of the other offices attached movable properties.</li> </ul> <p>The Company replied that all the SDTs were given directions to explore this method as part of revenue recovery proceedings.</p> <ul style="list-style-type: none"> <li>• Out of 171 RR files examined in audit, in respect of 13 loan/ chitty files<sup>95</sup> in three SDT offices, repeated time extensions and facilities for payment in instalments were offered on the recommendation of the Ministers, Chairman and Vice Chairman of the Company. These repeated extensions were offered despite non-adherence to the conditions of the previous</li> </ul>	<ul style="list-style-type: none"> <li>• Out of 10 SDT Offices only SDT Office Thrissur could attach movable property and recover Rs.2 crore during 2017-18 as part settlement of certain cases. In case of attaching movable properties sufficient storage facilities are to be arranged by the SDT Officers concerned. The Company had given necessary directions to all SDTs during that period to arrange as store room/facility to keep movable items as part of attachment. Many of the SDTs informed the security problem for keeping these movable items, if attached. However they agreed to find out the space for keeping these movable items as and when it attached.</li> </ul> <p>Attachment of movable properties is a step before attachment of immovable properties. When SDT Officers try to attach movable properties in certain cases, the defaulters concerned would try to clear the dues immediately before initiation of RR on their immovable property. All SDTs are adopting these techniques of attaching movable properties as a first step. Keeping of these attached movable properties will become a serious thing if it not kept securely. That is the reason as to why other SDT Officers are not depending on this method.</p>

	<p>extensions. Further, in 19 cases involving an amount of ₹0.93 crore, revenue recovery action was not resumed even though the defaulters failed to adhere to the conditions of time extension/ stay orders.</p> <p>The Company stated (December 2018) that repetitive administrative stays hampered the functioning of SDTs and it was not practical to completely avoid such administrative stays. The Company also stated that a system was being brought in for disclosing details of stays obtained previously.</p> <p>Thus, due to the delay in referring cases for revenue recovery action coupled with the delay in recovery of dues even in cases referred, the percentage of non-performing assets (NPA) of the Company ranged between 18.53 and 22.25 during 2015-16 to 2017-18, while the percentage of NPA of NBFCs as per RBI report was only 5.86 percent as of March 2018.</p> <p>The Company clarified that as the Company was compelled to take a lenient approach in many instances owing to its social commitment and its functioning cannot be compared with the banks.</p> <p>The Company's reply was not acceptable as the Company classified a loan as NPA on non-payment of loan instalments for six months whereas the banks</p>	<ul style="list-style-type: none"> <li>In certain cases, they had given time extensions and facilities for payment in instalments as per the recommendations/directions of Hon'ble Ministers and Chairman of the Company. However it was noticed that defaulters in certain cases of the above category are not complying with their directions to clear the dues. In such cases, SDTs were directed to take further steps including recovery measures. Still, at times certain accounts remain unsettled due to one reason or the other.</li> </ul> <p>During that period, movement of files into RR was high. Accordingly, percentage of NPA was also high. They are trying to reduce the rate of NPA by maximizing collections and offering attractive remission in interest component. The reason behind the higher level of NPA had been demonetization, natural calamities; NIPAH etc. which hampered their efforts in maximizing collections as the repayment capacity of borrowers were seriously affected. Since there is sufficient security cover in most of the cases, the probability of Company suffering loss in this regard is low.</p>
--	---	---

		adopted three months for NPA classification. Further, higher percentage of NPA highlights the failure of the recovery mechanism of the Company.	
13	5.1.8	<p><b>Computerisation of revenue recovery process</b></p> <p>For the management of the revenue recovery processes at the 10 Special Deputy Tahsildar (SDT) Offices and at the HO-RR wing, the Company used three software packages, viz., Revenue Recovery System (RRS), RRS1314,96 which are vintage DOS based packages and Centralised Application Software (CAS) RR. The Company introduced CAS RR in April 2016 as an integrated system for linking SDT offices and HO-RR wing. However, CAS RR generated only the RR demand and collection entries remained to be entered in RRS and RRS 1314 as all the functional modules of CAS RR were not operational. Further, all the three software were not connected with CASBA used in branches. Thus, there was no integrated software package in SDT offices and at the Head Office RR Section.</p> <p>The Company replied (December 2018) that it has initiated steps for developing RR module in CASBA which would be ready by 2019-20.</p> <p>The GoK endorsed (May 2019) the replies of the Company.</p>	<p>Revenue Recovery System (RRS 1314), DOS Software was being used for computing, accounting and for closing work of RR files both at Head Office RR and at 10 SDT Offices. In order to transfer defaulted accounts to SDT Offices through Head Office, branches add details through CAS software and these files were forwarded to SDT Offices after checking and verifying at Head Office RR section. But CAS software was not linked with CASBA software. In order to solve these defects, KSFE developed the new software CAMRA (Core Application for Managing RR Accounts) . Closing works RR files from 01.04.2020 onwards at their 10 SDT Officers are being done through the new software CAMRA. So closing report of RR files is getting issued from SDT Officers concerned. There is no necessary of sanction from HO RR Dept. for issuance of closing reports and this is of great help to their customers. As of now, the first purchase of the CAMRA software has been completed successfully, Because of the pandemic breakout, expected implementation of CAMRA software at branch and RO level could not be completed as expected. It may be noted that online training for staff concerned at Regional Offices has already been imparted and training for branch level staff will be conducted shortly. As CAMRA software is linked with CASBA software, it is expected that the existing defects of DOS &amp; CAS software viz. delay in intimation of RR, pipe line cases etc could be solved</p>

			<p>through the new software.</p> <p>Conclusion-</p> <p>As stated, it has been a consistent practice to seek enhancement of guarantee coverage limit as and when the same exceeds the sanctioned amount and they used to receive appropriate Orders in this regard in due course. In certain instances, owing to the associated procedural/administrative delays, Orders were received with some delay. It may also be noted that they have always been regular and prompt in their remittance of guarantee commission to the State Government.</p> <p>Loans are generally sanctioned taking into account the rules and regulations laid down in this regard. However in certain cases considering the merit and genuineness of the case, unit heads take a business call taking into account the overall factors which may result in slight deviation. Such decisions are not taken with an intention to inflict loss upon the Company but for furtherance of business interest of the Company. In all such cases, there would be sufficient backing of security and the chances of inflicting loss upon the Company is very remote. Similarly, RR action has also been expedited and all efforts are being undertaken to maximize collections in default cases through recovery measure and by offering interest remission/attractive OTS schemes (after obtaining appropriate approval from Government in this regard) in chronic default cases. TT module has been successfully integrated with their core software and the same is expected to significantly streamline their RR related back office works. The lapses observed may kindly be condoned as</p>
--	--	--	---

			<p>most of them have been since rectified. In certain cases, where deviations noticed were serious in nature, appropriate disciplinary action has been taken from their end. Cases which has been reported to them gets properly looked into and appropriate actions are taken based on the investigation/enquiry/audit. They have even introduced preventive vigilance squads to identify probable areas of concern and take preventive corrective measure. They will issue appropriate directions and strengthen their internal control and check mechanisms to prevent recurrences of lapses pointed out.</p>
14	5.4	<p><b>Seven Public Sector Undertakings deposited their surplus funds in fixed deposits with scheduled/ co-operative banks in violation of directions of the Government. Moreover, these PSUs incurred loss of interest of ₹5.68 crore due to such deposit in banks.</b></p> <p>According to the directions (January 2012) issued by the Government of Kerala (GoK), PSUs should deposit their own funds/ profits with banks only if it fetched more interest than that on Treasury Fixed Deposits. Treasury Fixed Deposits carried interest at the rate of 7.50 per cent per annum for periods ranging from 180 days to less than one year and 9 per cent for a period of one year and above with effect from 1 May 2015108.</p> <p>During the three years from 2015-16 to 2017-18, out of 136 PSUs in the State, 64 PSUs registered profits as</p>	<p>In the normal course of business, their surplus funds get deposited for longer tenure at Treasury only. However in order to ensure availability of adequate fund for timely payment of statutory obligations and to carry out operations in an unhindered manner, they need to park a part of their surplus funds with banks/ treasury for shorter period. During the period covered under the C&amp;AG audit mentioned herein above, no short term deposits schemes were available at treasury.</p> <p>Under that situation, two options were available to them viz. either to park the fund with TPA Accounts or to create short term deposits with Banks. (It may be noted that point of time, short term deposits were fetching interest @ 6.50-7.00 % whereas treasury TPA was giving a return of 4.50% p.a.) It is also brought to notice that Finance Department, GoK vide Circular No.77/2018/Fin dated 21/08/2018, had clarified that PSUs were free to deposit their own funds either with Treasury or any</p>



	<p>per their latest finalised accounts. In order to examine compliance of PSUs with the directions of the GoK on investment of surplus fund, Audit selected 14 out of the 64 profit making PSUs.</p> <p>Audit noticed that:</p> <ul style="list-style-type: none"> <li>• Out of the 14 PSUs, seven PSUs<sup>109</sup> deposited their surplus funds of ₹554.37 crore in 570 fixed deposits (FDs) with scheduled/ co-operative banks when the rate of interest was lower than the rate offered by Treasury Fixed Deposits. This resulted in foregoing additional interest income of ₹5.68 crore.</li> </ul> <p>Four PSUs namely, Malabar Cements Limited (MCL), Kerala State Industrial Development Corporation Limited (KSIDC), The Kerala State Financial Enterprises Limited (KSFE) and The Plantation Corporation of Kerala Limited (PCKL) replied (February/September 2018, May 2019) that there were difficulties in getting funds released from the Government Treasury due to temporary restriction on withdrawal limits etc. KSFE also replied that funds were parked in banks for period less than 180 days only while MCL stated that FDs had to be prematurely closed on several occasions to meet working capital requirements. Kerala Financial Corporation (KFC)</p>	<p>scheduled bank according to their choice. Even though surplus funds (for ensuring timely payment of primarily statutory dues) were parked with banks as short term deposit out of convenience factor, it may be noted that it resulted in improving their bottom line by about Rs.3 crores owing to the variance in interest rate between short term deposits of banks and treasury TPA.</p> <p>It may also be noted that Clause 6 of their MOA empowers them to advance, deposit with or lend money or to receive loans from banks, Government or Government organization or others. Thus the Company is well within its powers to deposit money with banks and the aforesaid act is not ultra vires as stated. Also Clauses 32&amp;33 of their MOA further empowers as to lend/advance/invest/deal with moneys of the company not immediately required in such manner as may be decided from time to time.</p>
--	--	---

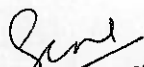
replied (May 2019) that the amount was deposited as security for an Execution Petition as directed by Hon'ble High Court of Kerala. The replies of KSIDC, KSFE and MCL were endorsed (January/July/August 2019) by GoK.

The replies were not acceptable as treasury restrictions were not applicable for deposit of amount below ₹10 crore. The deposits made by KSFE, MCL and KSIDC were below ₹10 crore. All the FDs maintained by MCL in banks were for a period of one year or more and hence, cannot be considered as kept to meet working capital requirements. Further, premature closure facility was available for Treasury Fixed Deposits as well. The reply of KFC was not acceptable as the High Court did not specify that the deposit was to be made in bank.

The Finance Department, GoK replied (July 2019) that the PSUs were directed (August 2018) to deposit their own funds either in treasury or any scheduled bank according to their choice. The reply was not acceptable as the direction of GoK in August 2018 was not effective retrospectively and the deposits pointed out by Audit were made prior to it.

Thus, seven PSUs deposited their surplus funds in

		fixed deposits with scheduled/ co-operative banks in violation of the directions of the GoK and incurred loss of interest of ₹5.68 crore.	
--	--	---	--

  
 സിനി ജെ. ജുജുൾ  
 അഡീഷണൽ സെക്രട്ടറി  
 നികുതി വകുപ്പ്  
 ഗവൺമെന്റ് സെക്രട്ടറിയേറ്റ്  
 തിരുവനന്തപുരം

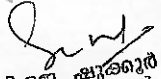
**ACTION TAKEN REPORT ON THE AUDIT REPORT OF THE C&AG ON STATE FINANCE  
FOR THE YEAR ENDING 31.03.2018**

Sl No.	Audit Para No.	Audit Para	Statement of action taken on audit para
1	5.6	<p><b>5.6 Delay in finalisation of Annual Accounts in State PSUs</b></p> <p><b>Failure of the Administrative Departments in initiating punitive measures resulted in non-finalisation of the annual financial statements of PSUs within the stipulated period. In the absence of finalisation of accounts and their subsequent audit, it could not be ensured whether the investment of Rs.5,922.25 crore by the Government of Kerala and expenditure incurred were properly accounted for. Moreover, the Government's investment in such PSUs remained outside the control of State Legislature.</b></p> <p>According to the provisions of Section 136(1) read with Sections 129(2) and 96(1) of the Companies Act. 2013, companies are required to finalise their annual financial statements and place the audited financial statements for every financial year along with annual reports in the Annual General Meeting within six months from the end of the relevant financial year (by September). The same shall also be placed in the State Legislature within three months thereafter (by December)</p> <p>In compliance with the provisions of the Companies Act. 2013, State Public Sector Undertakings were to place their audited accounts up to the financial year 2017-18 along with the annual reports in the Annual General Meeting by September 2018. The same was also to be placed in the Legislature by December 2018.</p> <p>Audit observed that:</p>	<p>Managing Director, KSFE reported that statutory audit for FY 2017-18 was completed on 14.09.2018. Supplementary audit on accounts by C&amp;AG commenced during November 2018 and their report was received only on 12.02.2019. AGM could be convened only after receipt of the above report and the adjourned AGM was convened on 25.04.2019.</p> <p>During FY 2017-18 Company was having 577 branches mapped to 11 Regional Offices. There were 9 Statutory Audit firms engaged in audit of the Company. Auditors visit branches physically for their audit and during that year natural calamity had adversely affected their travel schedule.</p> <p>The Statutory Audit up to FY 2021-22 has been completed and Audit for FY 2022-23 is going on in the Company.</p>

- Out of 121 working PSUs in the State, 13 PSUs finalised their financial statements for the year 2017-18 as of September 2018. Only six PSUs did, however, place their audited financial statements in the State Legislature within December 2018 as shown in the Table 5.2:

**Table 5.2: Details of placement of audited financial statements in the State Legislature as of July 2019**

Particulars	Total	Annual General Meeting		Not placed so far	Within 31/12/2018	After 31/12/2018
		Within 30/09/2018	After 30/09/2018			
Number of Working PSU's which finalised accounts up to the financial year 2017-18	13	6	7	0	6	6 <sup>100</sup>

  
 സിനി ജെ. ജുക്കുൾ  
 അഡീഷണൽ സെക്രട്ടറി,  
 നികുതി വകുപ്പ്,  
 ഗവൺമെന്റ് സെക്രട്ടറിയേറ്റ്,  
 തിരുവനന്തപുരം

**Statement showing details of loans outstanding and default position**  
**(Referred to in Paragraph 5.1.1)**

2015-16	3,840.85	£,40,426	536.10	1,30,135	668.24	730.13
2016-17	4,696.29	£,58,885	963.02	1,76,842	726.84	967.00
2017-18	5,224.29	£,07,627	1,005.66	1,34,415	904.59	1,162.53

<sup>116</sup> Includes entry default also for which break-up is not available.

<sup>117</sup> A default loan is classified as Non-Performing Asset when six instalments are not paid.

# Appendix 11

Statement showing the types of loans in The Kerala State Financial Enterprises Limited and its features

(Referred to in Paragraph 5.1.4)

Sl. No.	Type of loan	New Name	Description	Tenure	Rate of Interest prevailing from 01/04/2017	Penal Interest
					(in per cent)	
1	Gold Loan	---	<ul style="list-style-type: none"> <li>Short term advances up to ₹25 lakh.</li> <li>Loan should not exceed 75 per cent of market rate.</li> <li>Loan plus interest should not exceed 85 per cent of the market rate.</li> <li>If defaulted, Company is entitled to sell the gold security through auction.</li> </ul>	6 months	9.50 up to ₹20,000 10.50 for above ₹20,000	1
2	New Chitty Loan	Chitty Loan	<ul style="list-style-type: none"> <li>Only to chitty subscribers.</li> <li>Maximum of 50 per cent of the chitty sala or ₹75 lakh.</li> <li>10 per cent of the total chitty instalments should be lent.</li> </ul>	Tenure of Chitty	13	2

3	Reliable Customer Loan (RCL)	KSFE Personal Loan	<ul style="list-style-type: none"> <li>Should be a customer continuously for a period of 12 months</li> <li>Max loan up to ₹25 lakh.</li> </ul>	60 months	12	6
4	New Housing Finance Scheme (NHFS)	KSFE Housing Loan	<ul style="list-style-type: none"> <li>To provide loans to individuals for purchase of dwelling site, construction of dwelling house, renovations</li> <li>The loanee should complete the construction within 4 months after availing the last instalment or within 12 months after availing the 1st instalment whichever is earlier.</li> <li>Completion certificate shall be obtained from any government civil engineer or approved architect.</li> </ul>	30 years or 70 years of age of loanee	9 up to ₹10 lakh 9.75 for above ₹10 lakh	9 8.25
5	Consumer/Vehicle Loan	---	<ul style="list-style-type: none"> <li>For acquisition of consumer durables and motor vehicles.</li> <li>Maximum Loan amount per person is ₹15 Lakh or 90 per cent of the cost of article / vehicle.</li> </ul>	12-60 months	13	2
6	Employees Special Car loan	---	<ul style="list-style-type: none"> <li>For purchase of new four wheelers.</li> <li>Up to a maximum of 85 per cent of the on the road cost.</li> </ul>	6-84 months	12 for loans up to 35 months	1.50



## Appendix 12

## Statement showing shortage in collection of security

(Referred to in Paragraph 5.1.4)

(₹ in lakh)

1	2	3	4	5	6	7	8	9	10
1	Patilad	1	RCL 305	5.00	4.60	9.32	5.30	4.02	
		1	RCL 187	2.00	8.40	16.80	15.00	1.80	
2	Meppayur	1	RCL 051	2.50	8.93	15.62	14.40	2.22	
		1	RCL 251	3.00	9.26	19.52	14.85	3.67	
		1	RCL 1793	2.00	8.11	16.22	9.05	7.17	
3	Perambra	1	NHPS 43	3.90	3.90	6.76	3.25	3.51	
		1	NHPS 21	4.50	4.20	7.80	6.11	1.69	
4	Chittur	1	RCL 372	2.95	9.62	9.05	13.50	3.55	
5	Malayinkrethu	1	NHPS 40	10.00	10.00	7.33	15.04	2.39	

(₹ in lakh)

Sl. No.	Location	Time	RCI (H)	RCI (L)	RCI (M)	RCI (A)	RCI (S)	RCI (T)	RCI (V)
1	Chelakkara	11:00 AM	2.00	1.50	1.80	1.80	1.80	1.80	1.80
2	Kattakada	11:00 AM	2.00	1.50	1.80	1.80	1.80	1.80	1.80
3	Kattakada	11:00 AM	2.00	1.50	1.80	1.80	1.80	1.80	1.80
4	Kattakada	11:00 AM	2.00	1.50	1.80	1.80	1.80	1.80	1.80

# Rubber plantation

Appendix 14  
Statement showing the details of acceptance of personal surety in excess of maximum limit  
(Referred to in Paragraph 5.1.4)

Name of branch	Name of the loanee (Sri/ Smt.)	No. of sureties	No. of loans	Maximum sureties that can be given	Surety accepted and amount of loan	Surety accepted in excess of the maximum
					(% of max)	
Kattanam	Somanathan Pillai	9	5	15.28	27.20	11.92
	Jayalakshmi	4	3	9.00	13.45	4.45
Malayinkeerthi	Jawahar CL	4	3	6.85	20.75	13.90
	Susmitha	1	1	3.78	9.20	5.42
Kattakkada	Jawahar CL	6	3	11.65	16.70	5.05
Chazhuvazhi Evening	Aleyamma	4	4	8.50	17.00	8.50
Total			19	55.06	104.30	43.24

©  
Kerala Legislature Secretariat  
2025

KERALA NIYAMASABHA PRINTING PRESS.