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# An Empirical Evaluation of Financial Performance of Kerala Tourism Development Corporation (KTDC)

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## Abstract

*This research paper presents an examination of financial performance of Kerala Tourism Development Corporation using key financial ratios like profitability, liquidity and solvency and also Trend Analysis. The core objective of this research is to examine the financial performance over a specified period using financial statements. The study uses secondary data and ratio analysis and trend analysis methods to assess overall health, sustainability, and decision-making efficiency in organizations. The research is based on Analytical research methodology to examine seven years of financial data (2016 – 2023). The study concludes with practical recommendations for the company's future growth, resource optimization, and financial risk minimization.*

**Keywords:** Financial performance, Liquidity, Profitability, Ratio Analysis, Solvency and Trend Analysis

## Introduction

Every business enterprise whether large, medium, and small size needs finance to carry out its operations and to achieve its targets. The main function which is essential for the successful administration of finance is an organization consist of financial planning and control, decision making, raising the needed funds, financial analysis and measure of performance. The future plan of any organization should be laid down in view of the organization's financial strength and weakness. Financial analysis is the starting point for making plans, before using any sophisticated forecasting and budgeting procedure.

The study aims to provide a systematic evaluation of KTDC's financial performance which offers insights to its future sustainability. The Tourism has been pivotal in social progress as well as an important vehicle for widening the socio-economic and cultural contacts throughout human history. Tourism is one of the

world's largest and fastest growing industries in the world. Tourism is considered as the major phenomenon of modern society. Through this project the researcher gains practical exposure to financial techniques and learns how financial performance impacts decision-making and strategic planning.

## Review of Literature

Junaidi and Marviana (2025) he analyzed the factors influencing the financial performance of tourism industry companies. The research used panel data regression analysis to examine the impact of leverage, firm size, and capital structure on financial performance, measured through Return on Assets (ROA). The findings revealed that leverage and firm size significantly influence financial performance, whereas capital structure does not have a significant effect. The also identified several companies facing financial distress following the COVID-19 pandemic. The research highlights the importance of analyzing the internal financial factors in evaluating the financial health and stability of tourism sector companies.

Pratik Pawar and Rutvik Warghade (2025), analyzed the financial performance of the Indian companies using the financial ratios like profitability, liquidity, solvency, and efficiency. This study concluded that the ratio analysis can be considered as an effective tool for evaluating the overall financial performance of the organizations. The study utilized secondary data from the financial statements of major companies including Tata Motors Ltd., and Reliance Industries Ltd. Finally, the study highlighted that these ratios support to improve financial sustainability, proper decision-making and help stakeholders to assess the performance of the company.

Arunkumar (2025) he examined the financial performance of a company using the tools such as comparative balance sheet, common-size statements, trend analysis and ratio analysis including liquidity, profitability and solvency. The study highlighted that financial performance is an important role in evaluating a company's financial health and strategic decision-making. The study concluded that the continuous evaluation of financial statements helps stakeholders understand the business performance, improve resource utilization.

Vanlalzawna and Sharma (2025) he analyzed financial performance of selected public and private sector banks in India using ratio analysis and panel data techniques. The study focused on key financial indicators like liquidity, solvency and efficiency to evaluate the profitability. The findings revealed that these factors did not significantly influence the market value ratios of public sector banks, where as a significant was observed in private sector banks. The study also highlighted the importance of financial ratios in assess the financial performance and strategic decision-making.

Karthick, Selva Kumar, and Rajalakshmi (2025) analyzed the financial performance of Indian Railway Catering and Tourism Corporation using tools such as cash flow analysis, ratio analysis, to evaluate profitability, liquidity, and solvency. The study indicated that financial performance analysis helps in understanding the company's financial stability, strengths, and future sustainability. It also highlighted the external factors such as economic conditions and regulatory changes that influence the financial performance of a company. Finally, the study concluded that financial analysis supports better decision-making and improves the performance of the organization.

Samdish Sharma and DR. M.R. Behera (2024) revealed a systematic literature review on the growth of the tourism sector in India, highlighting major trends, and challenges. The study discussed the challenges including environmental concerns, regional disparities, infrastructure gaps, and the impact of the COVID-19 pandemic. The study used findings from various research works and identified key growth drivers such as domestic and international tourist inflows and sustainable tourism practices. The study concluded that tourism significantly contributes to India's GDP and

employment and are essential to ensure balanced and inclusive growth in the sector.

### Research Gap

There are several studies evaluating the performance of tourism sector in India, there is limited research specifically focused on the financial performance of public sector tourism corporates like Kerala Tourism Development Corporation (KTDC). There is a limited use of Modern Financial ratios, most existing work has not sufficiently applied a holistic set of financial ratios such as liquidity, solvency, profitability, efficiency. Hence there is a clear need for focused research on Modern Ratio Analysis within the tourism sector.

### Objectives of the Study

- To study the profitability, liquidity and solvency position of KTDC.
- To evaluate the financial growth of the company.

### Research Methodology

Analytical research design has been used for this study. In this research the researcher uses the facts of information they are already available. Secondary data is collected from the company's official website, articles and their past five years annual report (2018-2019), (2019-2020), (2020-2021), (2021-2022), (2022-2023), balance sheet and profit and loss account were collected. The tools used for the study are ratio analysis and trend analysis. The ratio analysis includes profitability ratio, liquidity and solvency ratio

### Profitability Ratio

Profitability ratio shows how well a company's operations will be able to generate income and profits.

#### • Gross Profit Ratio

Gross profit ratio can be determined as the link between gross profit and sales. The gross profit ratio is computed by dividing gross profit by net sales.

$$\text{Gross profit ratio} = (\text{Gross profit} / \text{Net sales}) \times 100$$

**Table 1 Gross Profit Ratio**

Year	Gross Profit (in Lakhs)	Net sales (in Lakhs)	GP Ratio (%)
2016 - 2017	9172.77	13374.88	68.58
2017 - 2018	8724.84	12221.10	71.39
2018 - 2019	8299.67	12777.00	64.95
2019 - 2020	9190.42	14001.29	65.63
2020 - 2021	3414.57	8240.49	41.43
2021 - 2022	5250.61	9834.80	53.38
2022 - 2023	12120.13	18682.28	64.87

**Source: Annual Reports**

**Chart 1: Gross Profit Ratio**



From the above table and chart, it can be seen that the gross profit ratio initially increased from 68.5 percentage in 2016–2017 to 71.39 percentage in 2017–2018, but declined to 64.95 percentage in 2018 – 2019. A slight recovery was observed 65.63 percentage during 2019 – 2020 followed up by a sharp decline or drop to 41.43 percentage in 2020 – 2021, the significant drop during 2020 -2021 could be due to COVID-19 pandemic. The company recovered with a ratio 53.38 percentage in 2021 – 2022 and further to 64.87 percentage in 2022–2023. Overall, after a period of decline the KTDC had a strong recovery and improved the financial performance but has not yet returned to its earlier efficiency.

• **Net Profit Analysis**

Net profit ratio is also called net profit to sales or net profit margin ratio. It is considered as an indicator of the company’s performance and profitability. It can be indicated by dividing net profit by sales multiplied by 100.

$$\text{Net profit ratio} = (\text{Net profit} / \text{Net sales}) \times 100$$

**Table 2 Net Profit Ratio**

Year	Net Profit (in Lakhs)	Net Sales (in Lakhs)	Net Profit Ratio (%)
2016 - 2017	-2535.55	13374.88	-18.95
2017 - 2018	-1269.21	12221.10	-10.38
2018 - 2019	-1918.52	12777.00	-15.01
2019 - 2020	-2587.81	14001.29	-18.48
2020 – 2021	-5462.03	8240.49	-66.28
2021 – 2022	-5142.57	9834.80	-52.28
2022 – 2023	131.64	18682.28	0.70

**Source: Annual Reports**

**Chart 2: Net Profit Ratio %**



From the above table and chart, it can be seen that the net profit ratio is consistently recorded negative, indicating continuous losses. The ratio declined -18.95 percentage in 2016 – 2017 and improved to -10.38 percentage during 2017 – 2018 but the company still faced losses. Again, the ratio declined to -15.01 percentage in 2018 – 2019 shows a weaker financial performance compared to the previous year. During 2019 – 2020 further the ratio declined to -18.48 percentage. 2020 – 2021 shows a worst performance with a ratio of -66.28 percentage. The net loss slightly decreased and net profit ratio improved to -52.28 percentage in 2021 – 2022 and indicated a marginal recovery. The company recovered with a positive net profit ratio of 0.70 percentage in 2022 – 2023 showing improved financial performance of Kerala Tourism Development Corporation (KTDC).

### Liquidity Ratio

Liquidity means capacity of being converted into cash with ease. Liquidity ratios help to assess the ability of a business concern to meet its short-term financial obligation.

- **Current Ratio**

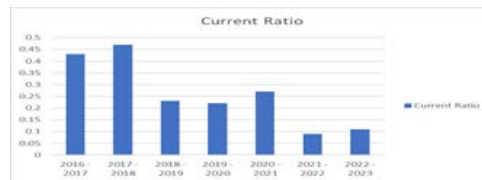
Current ratio is a financial ratio that measures a company’s ability to pay its short-term liabilities using its current assets. It is calculated as,

$$\text{Current ratio} = \text{Current asset} / \text{Current liabilities}$$

**Table 3 Current Ratio**

Year	Current assets (in Lakhs)	Current liabilities (in Lakhs)	Current ratio
2016 - 2017	3651.99	8546.67	0.43
2017 - 2018	5443.63	11573.75	0.47
2018 - 2019	2435.04	10743.48	0.23
2019 - 2020	2448.62	11125.66	0.22
2020 - 2021	4309.24	15992.59	0.27
2021 - 2022	1499.70	16532.69	0.09
2022 - 2023	1945.23	17661.07	0.11

**Chart 3 Current Ratio**



As per the concentration rate, current ratio 2:1 or more is considered satisfactory, from the analysis it was found that during the year 2016 – 2017 current ratio of KTDC is below the standard rate as it was 0.43. The current ratio consistently remained below the ideal concentration 2:1. It was better in 2016 – 2017 (0.43) and 2017 – 2018 (0.47). Current ratio was 0.23 in 2018 – 2019, 0.22 in 2019 – 2020, 0.27 in 2020 – 2021, declined severely 0.09 in 2021 – 2022 and had a small recovery 0.11 in 2022 - 2023. Therefore, it can be said that the short-term financial position of the company is not satisfactory. The company is not in a position of pay its current liabilities on time.

- **Quick Ratio**

Quick ratio is called acid test ratio, establishes a relationship between quick or liquid assets and current liabilities. A quick ratio is said to be 1:1 if it is more it is considered to be better. This ratio is the considered as the better test of short-term financial position of the company. Quick ratio = quick asset / current liability

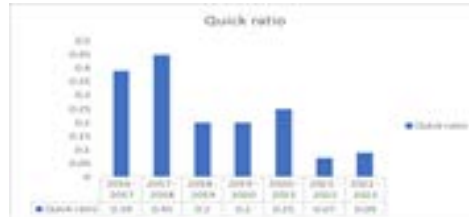
**Table 4 Quick Ratio**

Year	Quick Asset (in lakhs)	Current Liability (in lakhs)	Quick ratio
2016 - 2017	3347.23	8546.67	0.39
2017 - 2018	5187.39	11573.75	0.45
2018 - 2019	2206.48	10743.48	0.20

2019 - 2020	2195.13	11125.66	0.20
2020 - 2021	3988.59	15992.59	0.25
2021 - 2022	1168.56	16532.69	0.07
2022 - 2023	1574.17	17661.07	0.09

Source: Annual Reports

**Chart 4 Quick Ratio**



From the above table and chart, it can be seen that the quick ratio of the company remains consistently below the ideal of 1:1, which means the company does not have sufficient liquid assets to cover its current liabilities. The improvement from 0.39 in 2016 – 2017 to 0.45 in 2017 – 2018, but then it declines significantly in the following year. Although there is a small recovery in 2020 – 2021 (0.25). The ratio drops sharply to 0.07 in 2021 – 2022 and it remains low at 0.09 in 2022 – 2023. Overall, it indicates weak liquidity and increasing financial risk.

**Solvency Ratio**

A solvency ratio is a performance metric that helps in examine a company’s financial health. A solvency ratio is a key metric used to measure an enterprise’s ability to meet its long-term debt obligations and is used often by prospective business lenders. It is calculated as,

$$\text{Solvency Ratio} = \frac{\text{Net Profit after tax} + \text{Depreciation}}{\text{Total Liabilities}} \times 100$$

**Table 5 Solvency Ratio (%)**

Year	NPAT + Depreciation (in lakhs)	Total Liabilities (in lakhs)	Solvency Ratio (%)
2016 - 2017	(1621.08)	12286.31	-13.1
2017 - 2018	(441.95)	14010.44	-3.15
2018 - 2019	(1198.56)	11084.41	-10.81
2019 - 2020	(1799.23)	10696.05	-16.82
2020 - 2021	(4900.34)	13314.83	-36.80
2021 - 2022	(44120.03)	10649.48	-41.42
2022 - 2023	854.02	27709.81	0.03

Source: Annual Reports

**Chart 5 Solvency Ratio (%)**



The above data shows the solvency ratio of KTDC for 7 years (2016 – 2017 to 2022 -2023). The ratio becomes increasingly negative from -13.1% in 2016 – 2017 to -41.42 % in 2021 – 2022. The ratio turns positive 0.03% in 2022 – 2023, even though it is positive it has very low value. KTDC has experienced severe solvency issues over 2016 – 2022 due to net losses and high liabilities and had a marginal recovery of 0.03 in 2022 – 2023. It needs to improve profitability or reduce debt to strengthen its long-term financial health.

**Trend Analysis**

Trend Analysis is used to examine the pattern of financial performance of the company over a period of time.  $\text{Trend Percentage} = \text{Current year value} / \text{Base year value} \times 100$

**Table 6 Trend Analysis of Total Assets**

Year	Total Assets (in lakhs)	Trend Percentage (%)
2016 – 2017 (Base year)	12286.31	100
2017 -2018	14010.44	114.03
2018 - 2019	11084.41	90.2
2019 - 2020	10696.05	87.05
2020 - 2021	13314.83	108.37
2021 - 2022	10649.48	86.67
2022 - 2023	12266.40	99.83

Source: Annual Reports

**Chart 6 Trend Analysis of Total Assets**



From the above table and chart the trend analysis of total assets reveals fluctuations. 2016 – 2017 is taken as the base year, recorded total assets of 12286.31 lakhs which was taken as 100% for the comparison. In 2017 – 2018 total asset increased indicating a strong growth of 114.03%. in 2018 – 2019 total asset declined to 90.2 followed by a further decrease in 2019 – 2020 of 87.05% indicating a downward trend. The company slowly recovered to 108.37% in 2020 – 2021 again declined to 86.67% in 2021 – 2022 and increased to 99.83% in 2022 – 2023 which is nearly equal to base year. Overall, the total asset of KTDC indicated considerable fluctuation with no consistent growth pattern.

**Table 7 Trend Analysis of Gross Profit**

Year	Gross Profit (in lakhs)	Trend Percentage (%)
2016 – 2017 (Base year)	9172.77	100
2017 - 2018	8724.84	95.11
2018 - 2019	8299.67	90.48
2019 - 2020	9190.42	100.19

2020 - 2021	3414.57	37.22
2021- 2022	5250.61	57.24
2022 - 2023	12120.13	132.13

**Source: Annual Reports**

**Chart 7 Trend Analysis Percentage**



From the above table and chart the trend analysis of gross profit shows certain fluctuations over the period. 2016 – 2017 with 100 percentage is taken as the base year. In 2017 -2018 the gross profit declined to 95.11 percentage indicating slight decrease. It continued in 2018 -2019 with 90.48 percentage. However, the company showed a slight improvement in 2019 – 2020 with 100.90 percentage slightly exceeding the base year. A sharp decline occurred in 2020 -2021 indicating 37.22 percentage recovered moderately with 57.24 percentage in 2021 – 2022 and increased in 2022 – 2023 to 132.13 percentage. overall, the company experienced decline in the middle years followed by strong recovery.

**Findings**

- Current ratio of the organization shows a fluctuating trend and does not maintain the ideal ratio of 2:1. The current ratio dipped from 0.43 (2016 – 2017) to 0.47 (2017 – 2018), then collapsed to 0.09 in 2021 – 2022 and 0.11 in 2022 – 2023. This indicates the company’s current assets are insufficient to cover its short-term liabilities.
- The quick ratio shown a decreasing trend and indicates the proportion of quick asset and current liability are fluctuating. The ratio drops from 0.39 in 2016 – 2017 to 0.09 in (2022 – 2023).
- The solvency analysis shows that the company has consistently negative ratios reaching very negative -41.42 percentage in 2021 – 2022 & 2022 – 2023, implying financial distress and high risk for lenders.
- The total asset peaked in 2017 – 2018 with 14.03 percentage (114.03%) trend percentage and the latest year shows a trend percentage of 99.83 percentage.
- The gross profit dropped sharply in 2020 – 2021(37.22 percentage) indicating a significant decline but it recovered strongly by 2022 – 2023 reaching 132.13 percentage.=

**Suggestions**

- The company can focus on improving working-capital management to boost their current assets or to reduce the current liabilities. Monitoring the current ratio quarterly and setting a target > 1.0 can help to restore the short-term financial stability
- The company can improve the quick ratio by boosting their quick assets or lowering the current liabilities. Monitoring the inventory levels and converting them into liquid assets can also help to restore a healthier liquidity position.
- To improve the solvency the company can focus on increasing the net profit and reduce total liabilities. And monitor the cash flow to strengthen the solvency position
- To stabilize the asset growth, they may focus on strategies that boost investment or revenue generation in the declining years such as resource allocation, monitor performance with regular

trend analysis.

- To improve the gross profit, they can focus on identifying the factors that caused decline condition such as operational issues. They can use some financial strategies to sustain the growth.

## Conclusion

The analysis of financial performance is a process of evaluating the relationship between many factors by the statement and study the trend of these factors to obtain a better understanding of the firm's position and performance. The study reveals a mixed trend in its financial performance over a period. The analysis using ratio analysis, trend analysis, indicates that KTDC has maintained a reasonable level of operational stability, but certain financial area requires improvement. Overall, KTDC is on a positive financial trajectory. The findings of this study provide valuable inputs for management decision-making, policy formulation, and strategic planning for KTDC. In conclusion, with appropriate financial planning and effective management practices, KTDC can strengthen its financial position and continue to play a significant role in the growth of the tourism sector in Kerala

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