

A Study on Financial Performance of APSFC

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Abstract: State Financial Corporations were established in the states under the Central Act, viz., the State Financial Corporation Act 1951, with the basic objective of promoting and developing small scale industries in respective states with a special focus on spreading industrial culture in the rural and semi urban and backward areas of the state. These Corporations are owned by the respective state governments jointly with IDBI and they are functioning under the administrative control of the state governments.

In this paper an attempt is made to examine the financial performance of APSFC in terms of sanctions, disbursements year-wise, branch-wise, Recovery of principal and interest amounts and growth rates to analyse the APSFC performance in terms of these indicators over the period.

Key Words: Financial Performance, Sanctions, Disbursements, Growth Rates, Recovery of Principal.

I. INTRODUCTION

Andhra Pradesh State Financial Corporation (APSFC) was established in 1956 with the main objective of extending financial assistance for setting up industrial units in Tiny, Small Scale, Medium Scale sectors & Service Enterprises. Also for providing financial assistance to existing units of various sectors. APSFC is jointly promoted by IDBI and Government of Andhra Pradesh.

APSFC an ISO 9001-2000 Organisation offers liberal financial assistance for acquiring fixed assets like Land, Buildings & Machinery, and Working Capital Term Loans for existing units and Seed Capital Assistance to smaller projects. The term loan assistance from the corporation is available up to Rs.500 Lakhs per project and is offered through various Schemes of assistance to suit to the requirements of the individual project.

APSFC offers financial assistance up to Rs.2000 Lakhs on case to case basis. The Corporation is also extending financial assistance in joint financing with SIDBI for larger projects. The Corporation is undertaking distribution of insurance products (General & Life) and sale of Government of India Relief bonds. APSFC also accepts Fixed Deposits both Cumulative and Non-Cumulative in nature.

Business Overview

The Corporation has posted brilliant performance in its business operations with improvement in the key operational areas of sanctions, disbursements and recoveries during the study period. The improved operational results during the years set a new record, exceeding the earlier record

sanctions, disbursements and recoveries posted in the annuals of the Corporation.

Business Growth

During the FY 2010-11, the total sanctions recorded a robust growth of 31.74% to Rs.1386.38crore from Rs.1052.38crore in the previous year. The Corporation's disbursements increased to Rs.904.35crore from Rs.707.99crore, in the previous year, registering a robust growth of 27.74%. The performance of the Corporation in sanctions and disbursements during the year was highest ever record in the history of the Corporation.

Recovery Performance

The Corporation continued efforts in the recovery front yielded impressive results. The Corporation has ensured its top position among its peers in the Country With the brilliant performance in all the key operational areas of Sanctions, Disbursements and Recoveries, the Corporation is likely to retain its **NUMBER ONE** position among all SFCs in the country for the past 10 years in a row.

Loan Policy

The Corporation, in the beginning of the financial year, formulates a loan lending policy based on the experience of the Corporation and performance of various sectors. The lending policy is approved after due deliberations in the Annual Officers Conference, where all the Branch Managers and Senior Officers participate. The Corporation has brought out Loan Lending Policy and also identifies emerging sectors. The Corporation has fixed industry wise exposure limits and exposure limits to individuals and groups.

Source of Funds

The aggregate resources rose by the Corporation by way of refinance from SIDBI, term loans from Commercial Banks and fixed deposits, besides the internal generation of funds. The Corporation also avails by way of Refinance / Loc under special refinance scheme for Micro & Small Enterprises from SIDBI, besides its fixed deposits. The Corporation has also availed term loans from Axis Bank, which was sanctioned in the previous years. The Corporation has also, utilized the need based overdraft facility from Syndicate Bank to address the temporary liquidity mismatches

Deployment of Funds

The Corporation has maintained its default free track record by meeting all the principal and interest commitments on time to all its lenders. The Corporation has repaid to SIDBI

towards LOC/Refinance instalments, redeemed SLR Bonds and fixed deposits. With a view to reduce the borrowing cost the Corporation has repaid to SIDBI carrying higher interest rate of 9.73% / 9.75%.

II. OBJECTIVES OF THE STUDY

1. The basic and primary objective is to assess the operational performance.
2. To examine loan sanctions and disbursements of APSFC during the study period.
3. To study loan recovery performance of APSFC.
4. To assess the overall business growth.

III. METHODOLOGY

The total data required for the study has been collected by using the primary and secondary data and collection was made in the following manner.

The primary data has been collected with the help of officials of the firm and collected data regarding the policies procedures...etc.

The Study is largely based on Secondary data which includes

- Annual Reports
- journals
- bulletins
- Web sites

The Period of study for evaluation of performance in terms of key result areas of APSFC for a detailed analysis of loans sanctioned and disbursed, the period is from 2010-11 to 2017-18. The parameters for evaluation are operational results, loans sanctioned, loans disbursed, and recoveries.

Statistical Techniques & Tools are used for the analysis of data includes Mean, Standard Deviation, CAGR and T-test.

IV. REVIEW OF LITERATURE

C. Ganesh (1993) makes a comparative study of the performance of the SFCs of Kerala, Tamil Nadu, Karnataka and Andhra Pradesh. In his opinion, the time gap existing in the processing of application is so wide that most entrepreneurs do not get assistance on time. Urgent steps should be taken to reduce this time gap. The procedure for sanctioning financial assistance should be rationalised and simplified. Ganesh also finds that the KFC-aided units have defaulted in repaying the loans while the bulk of the corresponding units in the other group of SFCs are found to be prompt in discharging their debts. Delay in starting commercial production is the major reason for default in the case of the KFC-aided units. The study recommends, starting a separate bank exclusively for the tiny sector at the State-level on the same lines of the SIDBI.

B. R Ananthan (1981) analyses the areas of resource mobilization, financial operation, and balanced regional development, recovery of dues and profitability of the Kerala

Financial Corporation. He states that the Corporation was not able to diversify its schemes of assistance. Further, it has failed in activating the capital market and reducing the regional imbalance. The study also finds out that the Corporation faced difficulties like poor project appraisal, mounting over dues, etc. Ananthan advocates the formation of a special capital by the KFC to undertake capital underwriting and guaranteeing. Besides, he favours taking up of underwriting business by the KFC on a consortium basis with similar DFIs carrying out sound project appraisal, reduction of time lag between sanction and disbursements, better supervision of the total activities and effective streamlining of the management of the Corporation.

B. Gopakumar (2005) in his doctoral thesis entitled 'Role of Institutional Finance in the Development of Small Scale Industries in Kerala', analyses the role of KFC in particular and views that overdue and recovery problems ail the Corporation to a great extent. Gopakumar calls for a better and creative approach for comfortable recovery procedure.

V. L. Jacob (2002) makes a study on the **lending policy and recovery performance**. He views that increasing over dues is a serious problem faced by the KFC. A strong programme of supervision and follow-up procedure should be chalked out to check the mounting over dues.

T. Satyanarayanan (1989) evaluates the share of the APSFC in extending financial assistance to the SSIs in AP. **The study also covers the performance of the Corporation** in the fulfilment of the objectives set before it by the government and considers how it could revamp the policies. Satyanarayanan stresses the need for evolving some criteria for financial institutions to follow in their lending activities.

V. DATA ANALYSIS

Table 5.1

Loan Sanctions & Disbursement Performance of APSFC

(Rs.in Crore)

Years	Loan Sanctions	Loan Disbursements
2007-08	1006.66	662.67
2008-09	885.67	685.70
2009-10	1052.38	707.99
2010-11	1386.38	904.35
2011-12	1368.82	936.89
2012-13	1430.12	951.41
2013-14	1315.34	882.76
2014-15	694.59	673.86
2015-16	1261.99	758.11
2016-17	999.50	728.52
Total	11401.45	7892.26
Mean	1140.145	789.226

S.D	234.76	110.185
T-test (Cal. Value)	9.55	
t-value(Tab.val)	2.262	

From the above calculated statistical figures of loan sanctions by APSFC during the study was Rs.11, 401.45 crores, the **Mean Value** recorded as **1140.145** crores, **S.D Value** is **234.76** and similarly the statistical figures for loan disbursements by APSFC during the study was Rs. 7,892.26 crores. The **Mean value** is **7898.226** crores, **S.D Value** is **110.185**.

The T-test value calculated is **9.55** but whereas the table value **2.262 @ 5** percent level of significance. T calculated value is greater than table value hence this performance is not satisfactory even there is a contentious Growth in loan sanctions and disbursements.

Table 5.2

Recovery Performance of APSFC

(Rs. in Crore)

Years	Principal	Interest	Total
2007-08	421.72	200.22	621.94
2008-09	449.25	208.83	658.08
2009-10	528.04	257.08	785.12
2010-11	614.48	287.90	902.38
2011-12	636.14	330.33	966.47
2012-13	619.31	369.68	988.99
2013-14	668.14	408.30	1076.44
2014-15	776.76	437.26	1214.02
2015-16	857.31	416.07	1273.38
2016-17	778.31	396.45	1174.76
Total	6349.46	3312.12	9661.58
Mean	634.95	331.21	966.16
S.D	135.371	83.46	214.99
T-test (Cal. Value)	10.91		
t-value(Tab.val)	2.262		

The above table indicating Recovery Performance of APSFC during the study period. The principal amount and interest recovery is increased regularly but it very less when compared to the loan outstanding amount.

The total principal amount collected during the study period is Rs.6349.46 crores and interest amount is Rs.3312.12 crores. The calculated Mean Values are 634.95 & 331.21 respectively. The S.D of principal is 135.371 & for interest are 83.46.

T-test value calculated is 10.91 but the table is 2.262 @ 5 percent level of significance. The calculated value is greater than the table thus recovery performance is not good as per the test.

Table 5.3

Operating Performance of APSFC

(Rs.In Crore)

Years	Operative Income	Operational Cost	Operating Profit
2007-08	158.61	150.46	8.153
2008-09	226.87	211.87	15.00
2009-10	237.54	192.95	44.59
2010-11	288.17	188.52	99.65
2011-12	322.43	222.15	100.28
2012-13	368.02	255.89	112.13
2013-14	411.36	313.27	98.09
2014-15	453.39	359.82	93.57
2015-16	481.54	428.79	52.75
2016-17	443.97	384.08	59.89
Total	3391.9	2707.8	684.10
Mean	339.19	270.78	68.41
CAGR	10.84	9.81	22.07

From the above statistical calculation it is observed that the operative income of APSFC was increasing rapidly. And similarly the operating cost also increasing regularly. For this the operating profit and the final net profit after payment of taxes are decreased year by year. The middle of the year's profit increased but recent years it fallow down. The operating performance is not good enough to the APSFC to grow and further developments.

Table 5.4

Outstanding Amount of APSFC

(Rs. In Crore)

Years	Outstanding Amount	Number of Accounts
2007-08	1578.643	14409
2008-09	1813.159	14004
2009-10	1994.929	12348
2010-11	2281.949	10337
2011-12	2581.445	10190
2012-13	2911.791	9153
2013-14	3126.031	10403
2014-15	3024.529	10330
2015-16	2925.454	10387
2016-17	2877.616	9776
Total	25115.55	111337

The outstanding amount (**over dues**) of APSFC was very high when compared other SFC's, total loan sanctions and disbursements and it is increasing contentiously along with the number of accounts. This indicates recovery of outstanding is very poor and it increases NPA's to the year by year.

VI. FINDINGS

- The APSFC performance in terms of loan sanctions, disbursements is growing year by year but whereas the mean difference for sanctions (**t-value**) and disbursements are not good enough. It indicates loan disbursements are less than expected
- The recovery of principal and interest amount is very low when compared to loan sanctions and disbursements. And this recovery performance is below average. The T-value indicating the recovery performance is also not up to the mark.
- The APSFC operating performance is also not satisfactory and less than expected every year. And operating profit is very low in the beginning, increased slowly; the Compounded Annual Growth Rate is 10.84 for operating income the cost is also similar to income.
- The outstanding amount(over dues) is very high during the study period and leads to high NPA's to the APSFC, that reduces overall performance and liquidity problem for repayment of loans to IDBI,SIDBI.

VII. CONCLUSION

The APSFC is one of the better SFC's in India in terms of loan sanctions and disbursements and it also got Number one Position in many times. But the original fact is the financial performance, operational performance is not good and it is measured with t-test. The major problem with the corporation is over dues amount is increasing regularly. The corporation has majorly focusing on loan sanctions and that to their regular clients. The APSFC has to take appropriate measures to improve financial performance and recovery of outstanding amount (over dues). And it has to formulate, follow the policies in such way to improve financial performance, recovery of over dues and for future business growth. A strong programme of supervision and follow-up procedure should be chalked out to check the mounting over dues.

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