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## **Andhra Pradesh State Financial Corporation (APSFC) - An Overview**

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### **Abstract**

*Andhra Pradesh State Financial Corporation came into being as a premier Financial Institutions on 1st November, 1956 with the avowed objectives of purveying financial assistance and managerial support to industrial entrepreneurs in Andhra Pradesh. It is clear that, the APSFC is concentrating on the industries so as to bring about a balanced industrial development in Andhra Pradesh. It has been providing financial support to various categories of industries in the State. But, the overall progress of the industrial sector has not been up to the mark due to various constraints. It needs to strengthen the financial base of the Corporation and its operational efficiency. In spite of the efforts made by APSFC to promote industrial development in the State, it has failed to meet its objective. It has not been distributing funds properly for the promotion of small-scale industrial sector in the state. Moreover, funds supplied by the Corporation are not adequate for the small-scale industrial progress of the state. Some of the disquieting trends in the operations of the APSFC are failure to diversify the assistance port-folio, continuance of a wide gap between assistance sanctioned and disbursed, inadequate attention to the schemes benefiting the village craftsmen and rural artisans and inadequate assistance for the rehabilitation of the existing sick industrial units. It appears that the APSFC is not able to translate its policies and ideas into actions. The corporation has many entrepreneurs-friendly schemes to provide term loans and working capital term loans. Therefore, it has become necessary to make an in-depth inquiry into the performance of the Corporation.*

**Keywords:** APSFC, Small-Scale Industries, Disbursement, Rural Credit, Industrial Development.

### **Introduction**

Andhra Pradesh is one of the fast-developing industrial states in the country. With a strong agricultural base, abundant natural resources and a peaceful industrial climate with skilled labour-force, the State

has tremendous potential and offers scope for fast industrial development. To serve the existing as well as prospective entrepreneurs all over Andhra Pradesh state is its main objective. The Corporation is having a network of 26 branch offices

covering both the states i.e., the recently forced Telangana and Andhra Pradesh. The APSFC has been functioning through its 13 branch offices in Andhra Pradesh, one Andhra division office in Vijayawada and a head office in Hyderabad<sup>1</sup>. The APSFC as a premier state level financial institution and as an integral part of the development financing system in the country has gained prominence for playing its responsibility in the achievement of rapid and high-quality industrial growth in the State. It offers a package of assistance to the entrepreneurs to enable them to translate their project ideas into reality. It has been continuously doing its best in every possible area of its operations to retain its premier position among SFCs in the country. The potential and the need for diversification of economic activities in the rural areas had begun to recognize and this was a sector where the APSFC could play a meaningful role in the economic upliftment of the weaker sections of the rural society. The main aim of the APSFC is to meet the excess demand for institutional credit in the rural areas, particularly among the economically and socially marginalized sections. APSFC as part of the multi-agency approach to rural credit is eminently suitable to do the job envisaged for them that as district level organizations, they can be trusted to take banking closer to rural household. 90 per cent of the APSFC branches were opened in these semi-urban and rural areas. The APSFC adopted certain organisations where they had no facilities earlier. The APSFC adopted new innovations for credit delivery with lower risk of default.

#### **Financial Resources of the APSFC**

The important resources of funds to the APSFC are:

1. Share capital (including special share capital) contributions from the state government, the Small Industrial Development Bank of India (SIDBI), Reserve Bank of India (RBI), Scheduled Banks, Insurance

Companies, Co-operative Banks, other financial institutions and the public.

2. Refinance from SIDBI and IDBI.
3. Loan from the State Government.
4. Balance of Reserves and Surplus.
5. Issue of Bonds.
6. Loans pending conversion to share capital.
7. Repayment from the loanee concerns and settlement of credit guarantee claims.
8. Fixed deposits.

#### **Schemes of Assistance in APSFC**

The Andhra Pradesh State Financial Corporation has been providing the needful financial assistance to the Micro, Small and Medium Enterprises in the state of Andhra Pradesh by way of Super Entrepreneur Scheme, Good Entrepreneur Scheme, Export Oriented Units, Hotels/Motels/Restaurants scheme, Senior Successful Entrepreneur, Scheme of assistance for Tourism, Equipment Refinance Scheme, Scheme for qualified Professionals, Modernization Scheme, Quality Control Facilities Scheme, Women Entrepreneur Scheme, Assistance to set up private industrial estates. Scheme for Physically Handicapped, Bridge Loans, Manufacturing/Energy Saving System, Composite loan scheme, Special Capital Assistance and Rehabilitation Scheme. Single Window Scheme, General loans, Ex-Servicemen Scheme, Transport loan scheme, National Equity Fund scheme, Self-Employment scheme to Young Entrepreneurs and Assistance to set up Hospitals/Nursing homes. The corporation extends the financial services to different forms of organizations like proprietary, partnership, joint Hindu family units, private limited companies and registered co-operative societies. In order to accomplish its objectives, the corporation has evolved a number of schemes to go well with the needs of the entrepreneurs. The corporation has been introducing new schemes and also refinancing the old

schemes to meet the financial needs of entrepreneurs with the eventual objective of bringing out development in industrial units.

**Sanctions and Disbursements of APSFC**

The APSFC has posted brilliant performance in its business operations with improvement in the key operational areas of sanctions and disbursements during the study period. The data relating to sanctions and disbursements dealt as on 31st March of every year are shown in table.

*APSFC Sanctions and Disbursements  
Sanctions & Disbursements (Rs. in Crs)*

Year	Sanctions	CAGR (%)	Disbursements	CAGR (%)	Not Disbursed
2012-13	1430.12	--	951.41	--	478.71
2013-14	1315.34	-0.83	882.76	-0.75	432.58
2014-15	694.59	-6.18	673.86	-2.66	20.73
2015-16	1261.99	6.15	758.11	1.18	503.88
2016-17	999.50	-2.30	728.11	-0.40	270.98
2017-18	1031.87	0.32	713.42	-0.20	318.45
2018-19	755.68	-3.07	597.51	-1.75	158.17
2019-20	309.26	-8.54	281.11	-7.26	28.15
2020-21	437.66	3.53	329.99	1.62	107.67
2021-22	491.63	1.17	351.31	0.69	140.32

Table provides an opportunity of critical assessment of the functioning of the Corporation. The disbursements of the APSFC as percentage of the amount sanctioned reveal being in a fluctuating trend. Not disbursed amount was higher in the year of 2015-16 and it was low in 2014-15.

**Recovery Performance of APSFC**

Recovery of funds distributed among industrial units as per schedule is one of the key operational performances of the APSFC, as it directly affects resource mobilization required for the further lending activities. Further, regular periodical and prompt recovery of funds from the borrowers makes the SFCs to maintain liquidity resulting in the improvement of the profitability. On the other hand, poor recovery results into the mounting up of overdue. Therefore, the emphasis should be necessary on better recovery performance in the APSFC to achieve better operational results and

consequent generation of high profitability. Particulars relating to APSFC recovery performance are shown in table.

*APSFC - Recovery Performance  
Recovery Performance (Rs. in Crores)*

Year	Principle	Interest	Total	Change (%)
2012-13	619.31	369.68	988.99	--
2013-14	668.14	408.30	1076.44	8.84
2014-15	776.76	437.26	1214.02	12.78
2015-16	857.31	416.07	1273.38	4.88
2016-17	778.31	396.45	1174.76	-7.74
2017-18	844.91	374.01	1218.92	3.75
2018-19	652.73	365.73	1018.46	-16.44
2019-20	608.15	324.96	933.11	-8.38
2020-21	600.30	280.63	880.93	-5.59
2021-22	625.02	254.19	879.21	-0.19

Table shows that the principle recovery was higher than the recovery of interest during the study period. The compound annual growth rate of Principle recovery was 12.78 per cent in the year 2014-15 is higher and negative is -16.44 in the year 2018-19.

**Income and Expenditure of APSFC**

Income is the amount of money a person or organization receives over a period of time either as payment for work, goods, or services or as profit on capital, Expenditure is the spending of money on something, to acquire resources or to make the resource to perform the work. If the income is greater than the expenditure, the result would be net profit and vice-versa. The data relating the income and expenditure of the Corporation over the study period is provided in table.

*Income and Expenditure of APSFC*

Year	Income	Expense	Profit	Change (%)
2012-13	411.36	313.27	98.09	--
2013-14	453.40	359.82	93.58	-0.47
2014-15	477.71	396.76	80.95	-1.44
2015-16	481.54	428.79	52.75	-4.19
2016-17	443.97	384.08	59.89	1.28
2017-18	438.56	348.21	90.35	4.19
2018-19	457.24	330.88	126.35	3.41
2019-20	426.45	311.28	115.17	-0.92
2020-21	361.18	288.36	72.82	-4.48
2021-22	393.08	209.53	183.55	9.68

Table shows that the growth rate of profit was higher than its income level during the study period. It indicates good performance levels of APSFC in many dimensions. Profitability is one of the key factors to measure the performance of any business unit in general. Hence, the performance of APSFC is presumed to be good.

**Asset Quality of APSFC**

Financial institutions are concerned with their loans since that provides earnings for the bank or institution. Loan liquidity and asset quality are two terms with basically the same meaning. Government bonds and T-bills are considered as good quality loans whereas junk bonds, corporate credit to low credit score firms, etc., are bad quality loans. A bad quality loan of higher profitability becoming a non-performing asset with no return. Non-performing assets is a classification used by financial institutions that refer to loans that are in jeopardy of difficult. Once the borrower has failed to pay interest or principal amount for 90 days, the loan is considered to be a non-performing asset. NPAs are problematic for financial institutions since they depend on interest for income. The data relating to the gross NPAs of the Corporation over 10 years is given in table.

**Asset Quality and NPA Management  
(in Crs)**

Year	Std. Assets	NPAs	%
2012-13	2553.97	161.45	6.32
2013-14	2682.74	244.03	9.10
2014-15	2443.81	275.49	11.27
2015-16	2267.44	254.17	11.21
2016-17	2179.90	203.40	9.33
2017-18	2001.30	204.57	10.22
2018-19	1919.40	166.54	8.67
2019-20	1452.47	249.07	17.14

2020-21	1181.98	117.87	9.97
2021-22	1016.01	112.95	11.12

It is observed from table 4 that the NPAs were in increasing trend in proportionate to standard assets for the study period. The proportionate NPA was higher in the year 2019-20 with 17.14 per cent of standard assets and lower in 2012-13 with 6.32 per cent. Hence, the Corporation must take right measures and adopt proper policies to manage NPAs in a better way.

**Conclusion**

The analysis of the APSFC's performance over the study period highlights several key trends. The corporation has shown significant improvement in its sanctions and disbursements, reflecting a positive growth trajectory. However, the fluctuating disbursement percentages emphasize the need for consistent lending practices. In terms of recovery, while principal recovery outperformed interest recovery during most years, attention should be directed towards enhancing interest recovery methods. The income and expenditure analysis demonstrates a consistent growth in profitability, indicating a healthy financial outlook for the APSFC. Nevertheless, the rising trend in non-performing assets (NPAs) as a percentage of standard assets requires immediate attention and strategic measures to effectively manage and reduce NPAs. Overall, the APSFC's performance is commendable but warrants continuous efforts to ensure sustained growth and financial stability.

**References**

1. <https://esfc.ap.gov.in/>
2. Annual reports of APSFC, 2021-2022.