

## Entrepreneurial Analytics on APSFC

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**Abstract:** India's Micro, Small and Medium Enterprise (MSME) sector is a vital contributor to the country's growth story. Today, more than six crore MSMEs contribute 8 percent to India's GDP, 6.11 percent to its total manufacturing output, and 24.6 percent in services.<sup>1</sup> India's MSMEs are at the heart of India's growth story. There are more than 6.3 crore MSMEs in the country generating employment for nearly 111 million Indians and creating nearly 1.3 million jobs every year. The entrepreneurial growth and development they contribute are not restricted to the urban areas only. Of the 55.8 million MSMEs, 59 per cent are based in rural India. The segment contributes close to 45 per cent to India's manufacturing output, over 40 percent to our exports, and about 8 percent to our GDP.

Despite being a major and valued contributor to India's success, MSMEs face a host of challenges. This includes raw material concerns, inadequacy of skilled resources, inflationary pressures, scarcity of capital and technology barrier. The State Financial Corporations (SFCs) are State-Level Financial Institutions play a vital role in the development of SMEs in the respective States in tandem with national priorities.

In pursuant to the above, Andhra Pradesh State Financial Corporation (APSFC), a State-Level Development Financial Institution (DFI), was established in 1956 for promoting Small and Medium Enterprises (SMEs) in the State of Andhra Pradesh under the provisions of the State Financial Corporation' (SFC) Act, 1951, with a prime focus on infusing entrepreneurial spirit among entrepreneurial class. It also provides term loans, working capital term-loans, and special-seed capital assistance to SMEs thereby contributing Balanced Regional Development (BRD) of the State of Andhra Pradesh.

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### I. Introduction and evolution of APSFC

Andhra Pradesh State Finance Corporation [APSFC] could be a term financial organization established in 1956 for promoting tiny and medium scale industries in Andhra Pradesh underneath the provisions of the Replete Financial companies Act, 1951.<sup>2</sup> The corporation came into existence on 1-11-1956 by merger of Andhra State Finance Corporation and Hyderabad State Finance Corporation. The corporation has launched several entrepreneur-friendly schemes to produce term loans, assets term loans, special and seed capital help to suit the wants of varied classes of entrepreneurs.<sup>3</sup>

The Corporation has completed six decades of dedicated service in industrial finance of little, tiny and medium scale sector units and contributory to the balanced regional development of the state.

#### Milestone achievements of APSFC:

- Established unblemished repayment track record since inception
- Has consistent record of earning operating profit throughout its history
- Generated direct and indirect employment to about 11.71 lakh persons
- Channelled a significant share of assistance of around 70% to tiny and small scale industries
- Enjoying 60% of the market share in term lending in promoting First Generation Entrepreneurs in Andhra Pradesh

#### Objectives of APSFC:

- to industrialise the State through balanced regional development and dispersal of industries
- to support promotion and development of tiny, small and medium scale industries and service sector units by extending need based credit to them.
- to nurtures entrepreneurship and encourages first generation entrepreneurs
- to act as a catalyst for generation of employment

#### APSFC- The Entrepreneurial Analytics

##### Number of Applications Sanctioned with Amount Applied

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 the gross applications sanctioned as

1. Bloomberg Quint Studio, (25, June-2019), Why Indian MSMEs Must Ride the Digitalisation Wave, Dell India.

2. APSFC- Hand Book

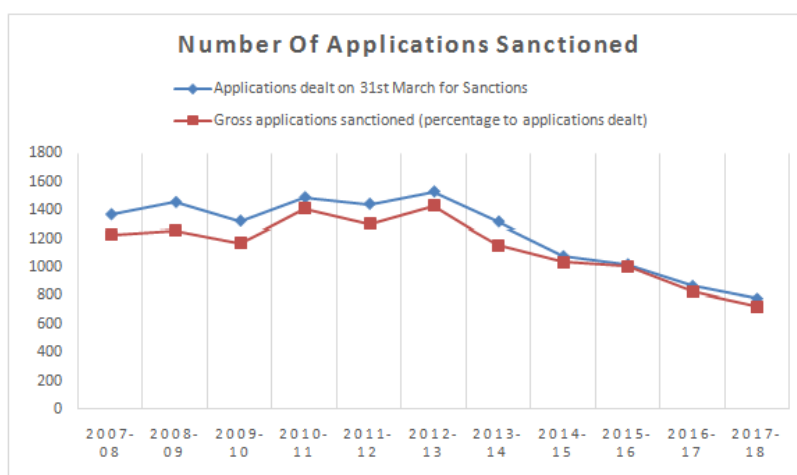
3. Nukapongu Ravi Babu Sadhu Kamal, 2015, "Analysis of Region wise Financing to SMEs by APSFC in Andhra Pradesh", Small Enterprises Development, Management & Extension Journal (Sedme), Vol. 42, No.1.

percentage of applications dealt on 31<sup>st</sup> March of each year, amount sanctioned as percentage of total amount applied is shown in Table 1.

**Table: 1- Applications and Sanctions with Amount Applied (Rs. in Crores)**

Year	Applications dealt on 31 <sup>st</sup> March for Sanctions	Gross applications sanctioned (percentage to applications dealt)	Total amount applied	Amount sanctioned (percentage to amount applied) (Gross Sanctions)
2007-08	1373	1231 (89.66)	1186.32	1006.65 (84.85)
2008-09	1458	1262 (86.55)	1442.30	885.66 (61.40)
2009-10	1328	1177 (88.62)	1400.09	1052.38 (75.16)
2010-11	1492	1412 (94.63)	1668.17	1386.38 (83.10)
2011-12	1446	1310 (90.60)	1805.69	1368.82 (75.83)
2012-13	1532	1434(93.60)	1878.97	1430.12 (76.11)
2013-14	1322	1158 (87.59)	2225.01	1315.34 (59.11)
2014-15	1083	1040 (96.03)	915.12	694.59 (75.90)
2015-16	1026	1008 (98.24)	1377.04	1261.99 (91.63)
2016-17	872	830 (95.18)	1240.48	999.50 (80.57)
2017-18	781	719 (92.06)	1235.48	1031.87 (83.52)
MEAN	1258.1	92.069	115.31	77.01

Source: Compiled from the Annual Reports of APSFC (2008-09 to 2017-18)



Source: Based on data provided in Table No 1

Table 1 provides an opportunity of critical assessment of the functioning of the Corporation. The number of applications approved and assistance sanctioned by the Corporation on an average per annum in relation to the total applications dealt with by the Corporation as on 31<sup>st</sup> March every year was 92.07 in per cent. It implies that the number of applications that had been either rejected or pending with the Corporation constitutes around 8 per cent each year. Further, the year wise analysis of the applications sanctioned indicates that the sanctioning ranges between 86.55 per cent and 98.24 per cent reflecting the positive approach of the Corporation in extending financial assistance to the industrial entrepreneurs. The sanctions of APSFC as percentage of the amount applied reveal a fluctuating trend. It can be observed from the table that the amount sanctioned out of the total amount applied for was 77.01 per cent and that out of the total amount applied for by the entrepreneurs, 23 per cent had either been rejected or was pending with the Corporation. The year 2013-14 has shown a drastic fall in the situation. The gross sanctions as percentage to amount applied ranges between a maximum of 91.63 per cent in 2015-16 and a minimum of 61.40 per cent in 2008-09.

**Sanctions and Disbursements of APSFC**

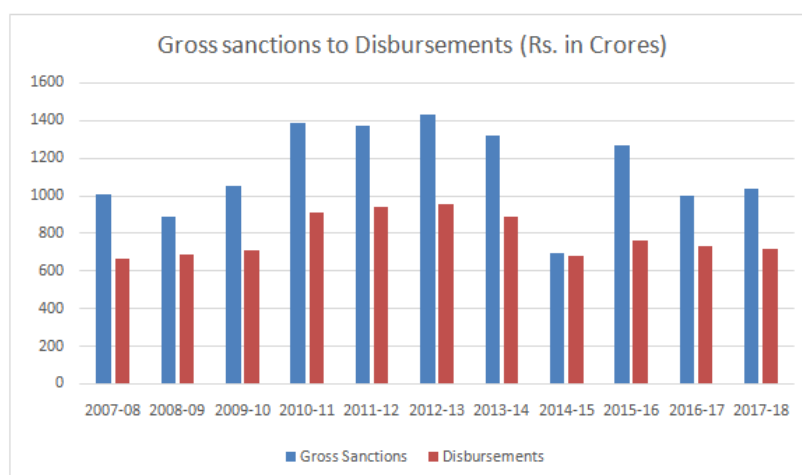
The APSFC as a premier state level financial institution, as an integral of the development financing system in the country has gained prominence for paying its role in the achievement of rapid and high quality industrial growth in the state. It offers a package of assistance to the entrepreneurs to 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 the SFCs in the country. Table No 2 represents the data relating to sanctions and disbursements made by during the period 10 years. The null hypothesis (H<sub>0</sub>) set to analyse the relationship between the gross sanctions and disbursements over the study period is that there is a close association between gross sanctions and disbursements.

**Table: 2- Flow of Assistance in terms of Sanctions and Disbursements (Rs. in Crores)**

Year (1)	Gross Sanctions (2)	Annual Growth Rate (%)	Disbursement (3)	Annual growth rate (%)	(3) as percentage of (2)
2007-08	1006.65	42.83	662.69	12.07	65.83
2008-09	885.66	-12.01	685.69	10.77	77.42
2009-10	1052.38	18.82	707.98	21.48	67.27
2010-11	1386.38	31.73	904.35	27.74	65.23
2011-12	1368.82	-1.26	936.90	3.59	68.45
2012-13	1430.12	4.47	951.41	1.54	66.53
2013-14	1315.34	-8.04	882.76	-7.21	67.11
2014-15	694.59	52.80	673.86	-23.66	97.01

2015-16	1261.99	181.68	758.11	12.50	60.07
2016-17	999.50	-20.79	728.52	-3.90	72.88
2017-18	1031.87	3.23	713.42	-2.07	69.13
Mean	1130.3		782.33		70.63
SD	225.99		107.29		
Range	735.53		288.72		
No. of Observations	11		11		
Correlation co-efficient			0.898		
t-statistics			4.39		
Degree of freedom			10		
t-critical value (two Tail)			2.14		

Source: Compiled from the Annual Reports of APSFC (2008-09 to 2017-18)



Source: Based on data provided in Table No 2

The APSFC as a premier state level financial institution, as an integral part of the development financing system in the country has gained prominence for playing its role 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 the SFCs in the country.

The amount of sanctions has increased from Rs. 1006.65 Crores in 2007-08 to Rs. 1031.87 in 2017-18. The mean sanctions over the study period are Rs. 1130.3 Crores. The amount of disbursements increased from Rs. 662.69 Crores in 2007-08 to Rs. 713.42 Crores in 2017-18. The mean percentage of disbursements in relation to sanctions over the study period is 69.21 per cent. The correlation co-efficient of 't' is 4.39 and Critical value of 't' at 5 per cent level of significance is 2.14. As the calculated value is higher than the critical value, hence it is concluded that there is no close association between gross sanctions and disbursements. Thus, the null hypothesis (H<sub>0</sub>) is rejected. The graphical relationship between the gross sanctions and disbursements over the study period is depicted in figure 3.2.

**Flow of Credit to Small-Scale Sector**

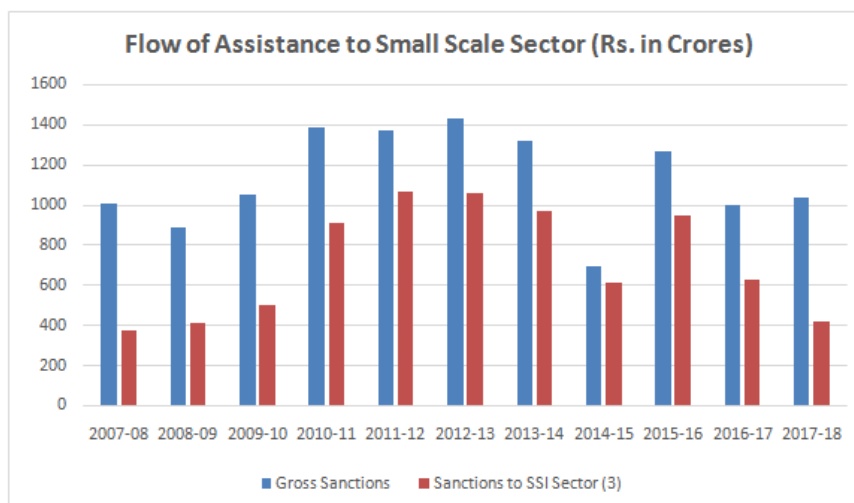
Small-scale sector plays a vital role in generating employment, dispersal of industries to semi-urban and rural areas, promoting entrepreneurship, narrowing economic imbalances, effective utilization of locally available resources. The promotion of small-scale industries has directly resulted in equitable distribution of national income, wealth and economic opportunities and equitable distribution of economic power. Therefore, a significant amount of sanctions and disbursements channelled to this sector. Table No 3 gives the data relating to the sanctions made to small-scale sector over the study period. The null hypothesis (H<sub>0</sub>) set to analyse the relationship between the gross sanctions by the Corporation and sanctions to small-scale industrial sector over the study period is that there is a close association between gross sanctions and by APSFC and its associations to SSI sector.

**Table: 3-** Flow of Assistance to Small Scale Sector (Rs. in Crores)

Year	Gross Sanctions (2)	Sanctions to SSI Sector (3)	As percentage of (2)
2007-08	1006.65	372.03	36.95
2008-09	885.66	412.10	46.53
2009-10	1052.38	500.62	47.57
2010-11	1386.38	906.49	65.38
2011-12	1368.82	1064.25	77.75
2012-13	1430.12	1058.37	74.00
2013-14	1315.34	965.57	73.40
2014-15	694.59	612.52	88.18
2015-16	1261.99	948.59	75.16
2016-17	999.50	626.34	62.66
2017-18	1031.87	416.80	40.39
Mean	1130.3	716.69	62.54
SD	225.99	262.24	16.32

Range		
No. of Observations	11	11
Correlation co-efficient	0.815	
t-statistics	3.77	
Degree of freedom	10	
t-critical value (two Tail)	2.085	

Source: Compiled from the Annual Reports of APSFC (2008-09 to 2017-18)



The amount of sanctions to small scale sector has increased from Rs. 372.03 Crores in 2007-08 to Rs. 416.80 in 2017-18. The mean sanctions to the sector over the study period are Rs. 716.69 Crores. The mean percentage of sanctions to small-scale sector in relation to gross sanctions during the study period is 63.4 per cent. The correlation coefficient between sanctions and disbursements over the study period is 0.815. The calculated value of  $-t$  is 3.77, and the critical value of  $-t$  at 5 % level of significance is 2.085. As the calculated value is greater than the critical value, thus, the null hypothesis ( $H_0$ ) is rejected. Thus, it can be said that there is no close association between gross sanctions by the Corporation and its assistance to small-scale sector. The graphical relationship between the gross sanctions and sanctions made to small-scale sector during the study period is depicted in figure 2.3.

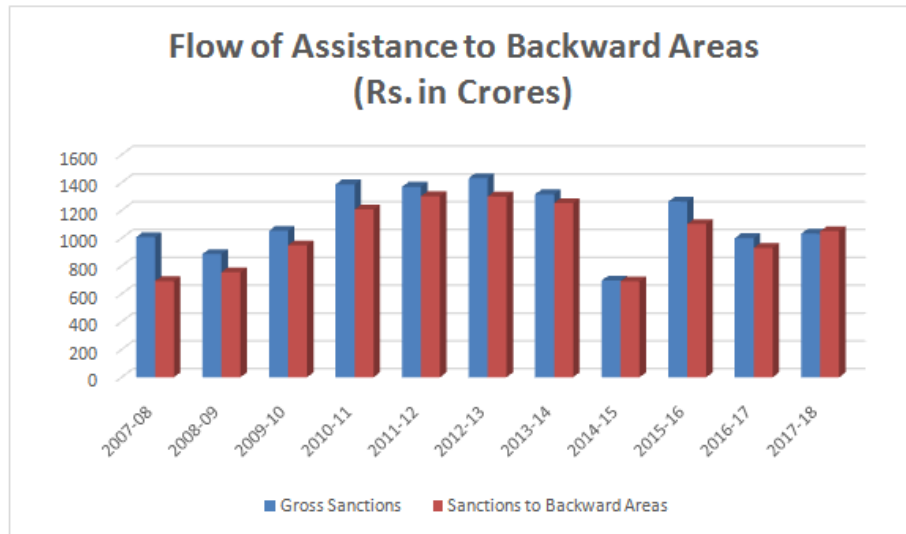
**Flow of Credit to Back-ward Areas**

To promote balanced regional development APSFC has focused separately on back-ward areas and created special products by establishing prerequisite goals. Balanced regional development is an important condition for the harmonious and smooth development of a country. It does not imply equal development of all regions of a country. Rather it indicates utilisation of development potential of all areas as per its capacity so that the benefit of overall economic growth is shared by the inhabitants of all the different regions of a country. Table No 4 gives the data relating to the sanctions to back-ward areas among gross sanctions.

**Table: 4- Flow of Assistance to Backward Areas (Rs. in Crores)**

Year	Gross Sanctions (2)	Sanctions to Backward Areas	As percentage of (2)
2007-08	1006.65	690.65	68.60
2008-09	885.66	754.36	85.17
2009-10	1052.38	947.72	90.05
2010-11	1386.38	1205.26	86.93
2011-12	1368.82	1301.08	95.05
2012-13	1430.12	1298.85	90.82
2013-14	1315.34	1251.48	95.14
2014-15	694.59	689.63	99.28
2015-16	1261.99	1101.39	87.27
2016-17	999.50	929.00	92.94
2017-18	1031.87	1049.45	101.70
Mean	1130.3	1019.89	90.26
SD	225.99	224.38	8.429
Range	735.53	611.45	33.1
No. of Observations	11	11	
Correlation co-efficient	0.92		
t-statistics	1.096		
Degree of freedom	10		
t-critical value (two Tail)	2.085		

Source: Compiled from the Annual Reports of APSFC (2008-09 to 2017-18)



MSMEs’ have been accolade as the ‘Engines and Barometers of Economic Growth’, constitute over 90% of total enterprises in most of the economies and account for a major share of industrial production and exports. In Indian context too, acted as catalysts for growth, pillars of economic prosperity, innovation incubators, entrepreneurial nurseries, and barometers of economic progress and prosperity.

Finance is life blood of MSMEs’ and lack of access to financing is consistently cited as one of the main barriers (IFCI, 2010). Globally, 85 per cent of MSMEs (365-445 million) have suffered from a cumulative credit shortage estimated to be in the range of US\$2.1 trillion to US\$2.5 trillion. In India, 51 million MSMEs are facing a credit shortfall of an astonishing \$400 billion (The Economic Times). The Total Credit Demand for MSMEs in India is Rs. 45 lakh crores, of which, Rs. 15 lakh crores is of Formal Borrowing in Entity Name, Rs. 10 lakh crores of Formal Borrowing in Proprietors’ Name and Rs. 20 lakh in the form of Informal Credit.

The amount of sanctions to small scale sector has increased from Rs. 690.65 Crores in 2007-08 to Rs 1049.45 Crores in 2017-18. The mean sanction to the backward areas is 1019.89 during the study period. The mean percentage of sanctions to backward areas in relation to gross sanctions during the study period is 90.23 per cent. The correlation coefficient between gross sanctions and sanctions to backward areas over the study period is 0.92. Calculated value of ‘t’ is 1.096 and the critical value is 2.085. As the calculated value is lesser than the critical value, thus, the alternative hypothesis (H<sub>1</sub>) is accepted. Thus, it can be said that there is a close association between gross sanctions and sanctions to backward areas.

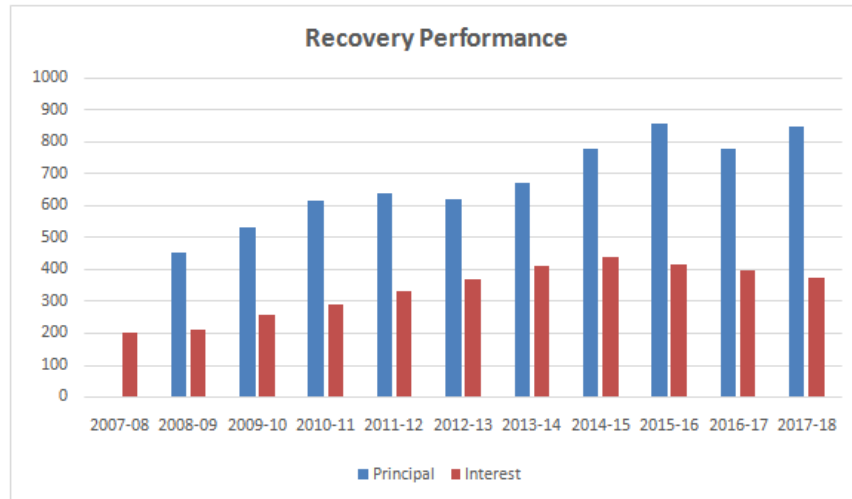
**Recovery Performance**

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 in the mounting up of overdues. Therefore, the emphasis should be necessary on better recovery performance in the APSFC to achieve better operational results and the consequent generation of high profitability. The data relating to the recovery performance of the Corporation is provided in Table No. 5.

**Table: 5- Recovery Performance of APSFC (Rs. in Crores)**

Year	Principal	Annual Growth Rate (%)	Interest	Annual Growth Rate (%)	Total	Annual Growth Rate (%)
2007-08	421.72 (67.80)	13.61	200.22 (32.19)	38.30	621.94	20.54
2008-09	449.25 (68.26)	6.5	208.83 (31.74)	4.32	658.08	5.81
2009-10	528.04 (67.25)	17.53	257.08(32.75)	23.10	785.12	19.30
2010-11	614.48(68.1)	16.36	287.90(31.9)	11.98	902.38	14.93
2011-12	636.14(65.82)	3.52	330.33(53.18)	14.73	966.47	7.10
2012-13	619.31(62.62)	-2.64	369.68(37.38)	11.91	988.99	2.33
2013-14	668.14(62.07)	7.88	408.3(37.93)	10.44	1076.44	8.84
2014-15	776.76(63.98)	16.25	437.26(36.02)	7.09	1214.02	12.78
2015-16	857.31(67.32)	10.36	416.07(32.68)	-4.84	1273.38	4.89
2016-17	778.31(66.25)	-9.21	396.45(33.75)	-4.71	1174.76	-7.74
2017-18	844.91(69.3)	8.46	374.01(30.7)	-5.66	1218.92	3.75
Mean	655.67	8.06	335.11	9.71		8.41
CAGR		5.44		5.85		6.31

Source: Compiled from the Annual Reports of APSFC (2008-09 to 2017-18)



During 2007-08 to 2017-18, the APSFC’s continued efforts in the recovery front yielded impressive results. The total recovery grew Rs. 1218.92 Crores in 2017-18 from Rs. 621.94 Crores in 2007-08, registering a compounded annual growth rate of 6.31 per cent. The principal collections during the study period have gone up to Rs. 844.91 Crores in 2017-18, from Rs. 421.72 in 2007-08, registering a compounded annual growth rate of 5.44 per cent. The interest income rose to Rs.374.01 Crores in 2017-18 from Rs. 200.22 Crores in 2007-08, registering a compounded annual growth rate of 5.85 per cent. This situation indicates the recovery efficiency of the APSFC over the study period.

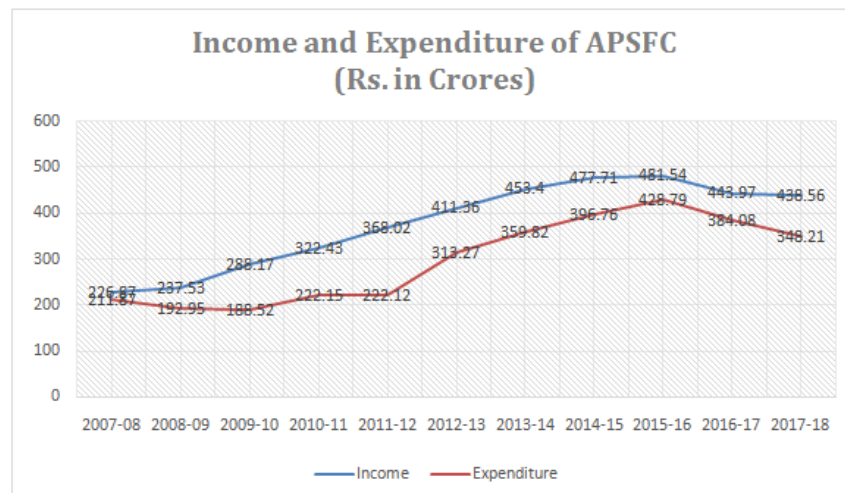
**Income and Expenditure of APSFC**

Income is the amount of money a person or organization received 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. If the income is greater than the expenditure, the result would be the net profit and vice-versa. The data relating the income and expenditure of the Corporation over the study period is provided in Table No. 6.

**Table: 6-** Income and Expenditure of APSFC (Rs. in Crores)

Year (1)	Income (2)	Annual Growth Rate (%)	Expenditure (3)	Annual Growth Rate (%)	(3) As percentage of (2)	Annual Growth Rate (%)
2007-08	226.87	43.03	211.87	40.81	93.38	-1.56
2008-09	237.53	4.69	192.95	-8.93	81.23	-13.01
2009-10	288.17	21.31	188.52	-2.29	65.42	-19.46
2010-11	322.43	11.88	222.15	17.83	68.89	5.30
2011-12	368.02	14.12	222.12	-0.022	60.36	-12.38
2012-13	411.36	11.77	313.27	41.03	76.15	26.16
2013-14	453.40	10.21	359.82	14.85	79.36	4.21
2014-15	477.71	5.36	396.76	10.26	83.05	4.64
2015-16	481.54	0.80	428.79	8.07	89.04	7.21
2016-17	443.97	-7.80	384.08	-10.42	86.51	-2.84
2017-18	438.56	-1.21	348.21	-9.34	79.39	-8.23
Mean	377.23	10.38	297.14	9.26	78.43	-0.91
CAGR		6.18		4.62		-1.46

Source: Compiled from the Annual Reports of APSFC (2008-09 to 2017-18)



The data provided in the above table reveals that the Corporation's income has increased Rs. 438.56 Crores in 2017-18 from Rs. 226.87 Crores in 2007-08 with an average of Rs. 377.23 Crores per annum. Similarly, the expenditure has increased Rs. 348.21 Crores in 2017-18 from Rs. 211.87 in 2007-08 with an average of Rs. 297.14. The expenditure as percentage of income has decreased from Rs. 93.38 Crores in 2007-08 to Rs. 78.43 Crores in 2017-18. The mean percentage of expenditure relating to income is at 78.76 per cent. It may be concluded that the Corporation has achieved significant growth in interest income, mainly due to increase in the loan portfolio. Increase in other income was due to increase in the income by way of Service charges, upfront fee and rental amount.

**Profitability Performance**

Profit means the excess of income over expenditure during a particular period of time. Operating profit is the profit earned from a firm's normal core business operations. This value does not include any profits earned from the firm's investment and the effects of interest and taxes. It is also known as earnings before interest and taxes. Net profit, often referred to as bottom line, is measure of the profitability of an organization after accounting for all costs. The operating and net profit position of the Corporation during the study period is provided in Table No. 7.

**Table: 7- Operating and Net Profit of APSFC (Rs. in Crores)**

Year	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Operating Profit	44.58	99.65	100.28	112.12	98.10	93.57	80.95	52.74	59.88	90.34
Net Profit	42.85	67.67	67.33	68.32	63.35	40.14	38.53	42.33	54.07	58.73

Source: Compiled from the Annual Reports of APSFC (2008-09 to 2017-18)

It is observed from the above table that the operating profit of the Corporation has recorded a manifold increase from Rs. 44.58 Crores in 2007-08 to Rs. 90.34 Crores in 2017-18. The Corporation's net profit has also increased from Rs. 42.85 Crores in 2008-09 to Rs. 58.73 Crores in 2017-18 after providing for taxation, NPAs and additional provision requirement towards retirement benefits of the employees.

**Net Worth of APSFC**

Net worth is the total assets minus total outside liabilities of the business concern. For a company, this is called shareholder's preference and may be referred to as book value. Net worth is stated as at a particular year in time. A consistent increase in net worth indicates good financial health. Net worth can be used to determine creditworthiness because it gives a snapshot of the company's investment history. The data relating to net worth of the Corporation over the study period is given in Table No 8.

**Table: 8- Net worth of APSFC (Rs. in crores)**

Year	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Net worth	275.61	343.29	389.17	417.40	433.39	445.11	474.12	510.69	576.87	628.57
Annual growth rate (%)	-	24.55	13.36	7.25	3.83	2.70	6.52	7.71	12.59	8.96

Source: Compiled from the Annual Reports of APSFC (2008-09 to 2017-18)

The net worth of the Corporation has recorded a manifold increase during the study period. It has increased from Rs. 275.61 Crores in 2008-09 to Rs. 628.57 Crores in 2017-18.

**Capital Adequacy Ratio (CAR)**

Capital Adequacy Ratio (CAR) is also called Capital Risk (weighted) Assets Ratio (CRAR), is a ratio of a firms capital and its risk. Capital adequacy ratios are a measure of the amount of a bank's core capital expressed as percentage of its risk weighted assets.

**Table: 9- Capital Adequacy Ratio of APSFC (Percentage)**

Year	Core CAR	Supplementary CAR
2008-09	13.94	14.59
2009-10	15.09	15.67
2010-11	16.24	16.83
2011-12	15.63	16.27
2012-13	14.51	15.10
2013-14	13.26	17.43
2014-15	15.37	20.03
2015-16	17.69	22.67
2016-17	20.83	25.65
2017-18	24.21	29.47
Mean	16.67	19.37

Source: Compiled from the Annual Reports of APSFC (2008-09 to 2017-18)

The Core Capital Adequacy Ratio has increased from 13.94 per cent in 2008-09 to 24.21 per cent in 2017-18. The standard CAR stipulated by RBI for commercial banks in India is 9 per cent, whereas globally it is 8 per cent. Therefore, the CAR of the Corporation is higher than the specified rate by RBI during the study period. Similarly, the Supplementary capital adequacy ratio has increased from 14.59 per cent in 2008-09 to 29.47 in 2017-18. In spite of increase in the risk weighted assets, which are moving up from time to time, as a consequence of enhanced loans and advances, there was

increase in the Capital Adequacy Ratio mainly on account of the higher net profit resulting in increase in reserves and surpluses.

**Asset Quality and NPAs**

Financial institutions are concerned with their loans since that provides earnings for the bank. Loan quality and asset quality are two terms with basically the same meaning. Government bonds and treasury 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 has higher profitability of becoming a non-performance 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 make interest or principal repayment for 90 days, the loan is considered to be a non-performing asset. NPAs are problematic for financial institutions since they depend on interest payment for income. The data relating to the gross NPAs of the Corporation over 10 years is given in Table No. 10.

**Table: 10- APSFCs Portfolio Quality (Rs. in crores)**

Year	Standard Assets (1)	Gross NPAs (2)	(2) as percentage of (1)
2008-09	1561.31	112.86	7.23
2009-10	1749.25	116.25	6.65
2010-11	2056.75	92.57	4.50
2011-12	2284.66	131.54	3.11
2012-13	2553.97	161.45	6.32
2013-14	2682.74	244.03	9.09
2014-15	2443.81	275.49	11.27
2015-16	2267.44	254.17	11.20
2016-17	2179.9	203.4	9.33
2017-18	2001.3	204.57	10.22

Source: Compiled from the Annual Reports of APSFC (2008-09 to 2017-18)

The data provided in the above table witnesses that the standard assets created by the Corporation have increased from Rs1561.31 crores in 2008-09 to Rs. 2001.30 crores in 2017-18. The gross NPAs also increased from Rs. 112.86 crores in 2008-09 to 204.57 crores in 2017-18. The percentage has increased from 7.23 in 2008-09 to 10.22 in 2017-18. It implies that the corporation has to conduct regular reviews about NPA management in regular intervals. And also should conduct special campaigns, introduce new schemes for settlement of NPAs at various branch and zonal offices.

**Cost of Borrowings**

Cost of funds is an important criterion of resource mobilization in order to bring a reasonable spread between cost and return. The methods of calculating the cost of funds applied by the SFCs usually differs from the methods followed by other corporate bodies. In the case of equity funds, the rates of dividend are declared by the State Government even before the issues are made. Further, the SFCs are not allowed to declare higher dividend that the rates prescribed by the State Government. But, with regarding to debt, the rates of interests are uniformly fixed by the IDBI and the quantum of debt to be raised can also be specified in the provisions of the SFCs Act. The year-wise cost of borrowed funds is given in Table No. 11.

**Table: 11- Cost of Borrowings of APSFC (Rs. in per cent)**

Year	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Cost of Borrowings (%)	8.57	8.30	8.38	8.00	9.36	9.77	9.79	9.75	9.52	9.14

Source: Compiled from the Annual Reports of APSFC (2008-09 to 2017-18)

It is observed from the above table that the cost of borrowings of APSFC has many ups and downs during the study period. Initially, for the first four years, the cost of borrowings declined steadily. It has declined to 8.0 per cent in 2011-12 from 8.57 per cent in 2008-09. It is jumped to 9.36 per cent in 2012-13, and further increased in the next two years. Now the cost of borrowings is at 9.14 per cent, declined from 9.77 per cent in 2014-15.

**Performance in Certain Key areas of Operations**

The financial ratio income per employee is a measure of management efficiency. Operating profit per employee takes the organization’s operating profit from the income statement and divides it by the number of employees needed to produce that income. Alternate measures include revenues per employee or net income per employee. However, operating income is considered a superior measure since it looks at labour costs and it’s not affected by non-operating or onetime adjustments to net income. Net income per employee is company’s net income divided by the number of employees. In general the higher the number, the more efficient the company uses its employees; however the numbers are directly comparable when comparing firms of a very similar nature. There are no rules about what constitutes a good level of income per employee, or a bad level. Per employee sanctions is calculated by taking gross sanctions and divided by the number of employees working. Return On Average Assets (ROAA) is an indicator used to assess the profitability of a firm’s assets. It is most often used by banks and other financial institutions as a means to gauge their performance. As ROAA is calculated at period ends, it does not reflect all of the highs/lows but is merely an average of the period. ROAA is calculated by taking net income and divided by average total assets and the final ratio is expressed in percentage terms. The metric displays how efficiently a company is utilizing its assets.



