

An Empirical Study on The Role of APSFC For The Cause of Balanced Regional Development In Andhra Pradesh

C. Viswanatha Reddy

Abstract

As part of the industrial financing system in the country, the Andhra Pradesh State Financial Corporation has gained a premier position for the cause of high rate and quality industrial growth and balanced regional development in the state. In order to remove regional imbalances and disparities to the extent possible, the Corporation has been laying more and more emphasis on extending assistance to industrial units in backward areas. For the development of economically backward areas of the state, the Corporation has been providing a number of incentives including concessions in interest rates, margin money, etc. The Corporation has listed 14 out of 23 districts as central backward districts for financial assistance. The assistance made by the Corporation in terms of number of units assisted, the amount sanctioned and disbursed among different zones in the state is not uniform. The average amount of assistance to the units in Telangana region has been more than 50 per cent during the performance of the Corporation. There is wide variation in distribution of assistance sanctioned and disbursed among the districts. It appears that the APSFC is not able to translate its policies and ideas into action. Therefore, it has become necessary to make an in-depth inquiry into the performance of the Corporation's role for the balanced regional development in the state. In this paper, the researcher has focused on zone-wise, region-wise, district-wise break-up of assistance and the analysis of assistance to backward and non-backward areas in the state. At the end of the analysis some viable and useful suggestions are offered to tone up the performance of the Corporation for the balanced regional development in Andhra Pradesh.

Keywords: *DFIs, Sanctions, Disbursements, APSFC, Balanced Regional Development.*

Introduction

From the beginning of the era of Development Financial Institutions (DFIs) in India various institutions operating at the national and regional levels, have made tremendous progress and become an important source of industrial finance in the country. To meet the growing demands of industrial entrepreneurs in the country they have formulated several innovative schemes. During the initial years of their operations the aggregate assistance made by all the DFIs together was much lower than the capital raised by the private corporate sector directly from the capital market. But the picture has changed drastically from the 80's onwards. The IFCI and other DFIs at the national level do not meet the financial requirements of small and medium sized industries as they are scattered all over the country, and also it is not permitted

to deal with partnership and sole proprietary concerns. To solve the financial problems of industrial growth of the country, different State Governments have been empowered to establish regional level financial institutions to supplement the national level financial institutions by their own agencies to spread the industrial activity all over the country. The main institutions, which have come up to advise and promote industries at the regional level, are (a) State Financial Corporations' (SFCs); and (b) State Industrial Development Corporations (SIDCs). It was against this background that the APSFC was established on 1st November, 1956 with the amalgamation of the erstwhile State Financial Corporation of Hyderabad and Andhra States to fill the gap left by the other term lending institutions in meeting the requirements of medium and small-scale industrial units in the state. 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 role in the achievement of rapid and high quality industrial growth in the state. 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.

Review of Literature

Ramakrishna Sarma (1982) in his study on "Industrial Development in Andhra Pradesh" found that the APSFC provided inadequate assistance to the backward districts, the disbursement ratio in case of backward districts was low and thus many of the assisted units faced financial crisis in regard to their working capital. The study made some important recommendations such as the need for greater coordination between the APSFC and Commercial banks in the state and the need for changes in the SFCs Act to bring about a change in the orientation of its functions.

Gupta (1992) in his research paper, "Financial Services of Development Banks in India", says that the development banks have been doing a commendable job in the field of merchant banking services especially for medium and large size units. However, the coverage of rural areas and small business is the present day need, which requires a shift in the demand for merchant banking services. Development banks should also actively contribute towards venture capital facilities for accelerating economic activity, particularly by the small corporate firms having assessed prospects for their future growth potential.

Reddy, C.V. (2012) in "Industrial Financial Services by APSFC – A Study" has highlighted the relationship between sanctions and disbursements, gross sanctions and sanctions to SSI sector, purpose wise, constitution wise, loan type wise, social class wise, region wise classification of assistance and some viable and useful suggestions are offered to tone up the overall performance of the Corporation for industrial development in Andhra Pradesh.

Statement of the Problem:

As an integral part of the development financing system in the country, the APSFC has gained a premier position for playing its role in the achievement of high rate and quality industrial growth and balanced regional development in the state. It has been continuously doing its best in every possible area of its operations to retain its lead position among the SFCs in the country. In order to remove regional imbalances and disparities to the extent possible, the Corporation has been laying more and more emphasis on extending assistance to industrial units in backward areas. For the development of economically backward areas of the state, the Corporation has been providing a number of incentives including concessions in interest

rates, margin money, etc. The Corporation has listed 14 out of 23 districts as central backward districts for financial assistance. In spite of the efforts made by APSFC to promote balanced industrial development in the State, it has failed to meet its objective. The assistance made by the Corporation in terms of number of units assisted, the amount sanctioned and disbursed among different zones in the state is not uniform. The average amount of assistance to the units in Telangana region has been more than 50 per cent during the performance of the Corporation. There is wide variation in distribution of assistance sanctioned and disbursed among the districts. It appears that the APSFC is not able to translate its policies and ideas into actions, which have merely remained on paper. Therefore, it has become necessary to make an in-depth inquiry into the performance of the Corporation for the balanced regional development in the state. The present paper entitled "An empirical study on the role of APSFC for the cause of balanced regional development in Andhra Pradesh" deals with zone-wise, region-wise, district-wise break-up of assistance and the analysis of assistance to backward and non-backward areas in the state.

Objectives of the Study

1. To highlight the region-wise trends in regional distribution of assistance by the Corporation during the study period.
2. To bring out the inter-district variations in the assistance given by the Corporation in terms of number of units sanctioned, amount sanctioned and disbursed.
3. To examine the role of APSFC for the development of backward districts during the study period.
4. To suggest feasible ways and means to improve the performance of the Corporation for the cause of balanced regional development in Andhra Pradesh.

Research Methodology

Research design:

In view of the objectives of the study listed above an exploratory research design has been adopted. Exploratory research is one which largely interprets the already available information and lays particular emphasis on analysis and interpretation of the existing and available information and makes use of secondary data.

Sources of Data:

The study is based on secondary data, which are contained in the published annual reports of APSFC ranging for the last 10 years. Various other sources used are journals, magazines, published books and web sites.

Hypotheses

- H₀₁:** There is no significant difference between mean sanctions by the Corporation during different years of study period, i.e., all the row means are equal.
- H₀₂:** There is no significant difference between mean sanctions by the Corporation between three regions of Andhra Pradesh, i.e., all the column means are equal.
- H₀₃:** There is no significant difference between the amount sanctioned by the Corporation to backward and non-backward districts, i.e., all the column means are equal.

H₀₄: There is no significant difference between mean disbursements by the Corporation among backward and non-backward districts, i.e., all the column means are equal.

Tools of Analysis

The data collected for the study have been analyzed logically and meaningfully to arrive at meaningful conclusions. The statistical tools applied for data analysis are percentages, simple growth rate, mean, variance, standard deviation, simple regression and the ANOVA.

Scope and Period of the Study

The scope of the study is defined below in terms of role of APSFC in providing necessary financial assistance for the balanced industrial development in the State. *Firstly*, the region-wise, zone-wise, district-wise analyses of sanctions and disbursements, sanctions to the industrial units in the backward regions and districts, etc, are used for answering various objectives of the study. *Secondly*, the study is based on the annual reports of the Corporation for a period of 10 years from 2002-03 to 2011-12.

Limitations of the Study

The information used is primarily from historical annual reports available to the public and they don't indicate the current situation of APSFC. Detailed analysis could not be carried out because of the limited time span.

Data Analysis and Interpretation

The assistance sanctioned by the APSFC has been analyzed district-wise, region-wise, zone-wise and also on the basis of backward and non-backward regions of the state.

Region-wise Analysis of Units Assisted by APSFC

The purpose of the analysis of the trends in regional operations is to know whether there is any definite shift in the assistance by the Corporation from one region to another of the state over a period of time. It may be seen from Table No.1 that the units in Telangana region, which received assistance from the Corporation, were more in number than those in other regions throughout the study period. This is in conformity with the position revealed in the preceding analysis. But as far as the remaining regions are concerned, no clear trend is visible from the data exhibited in the table. This situation may be due to shift from one region to another, which can be witnessed in the fluctuations in the share of units assisted in three regions. The mean percentage of units sanctioned in Telangana region is 50.86 per cent, followed by Coastal Andhra with 31.04 per cent and Rayalaseema with 18.08 percent respectively.

Table No.1: Region-wise Trend Analysis of Units Assisted by APSFC (Effective)

Year	(No. of Units)			
	Coastal Andhra (9 districts)	Rayalaseema (4 districts)	Telangana (10 districts)	Total
2002-03	331(26.56)	187(15.00)	728(58.42)	1246
2003-04	331(28.70)	148(12.83)	674(58.45)	1153
2004-05	342(31.14)	152(13.84)	604(55.00)	1098
2005-06	353(33.84)	156(14.95)	534(51.19)	1043
2006-07	416(37.24)	205(18.35)	496(44.40)	1117
2007-08	392(34.56)	214(18.87)	528(46.56)	1134
2008-09	367(31.91)	222(19.30)	561(48.78)	1150
2009-10	328(29.39)	249(22.31)	539(48.29)	1116
2010-11	343(25.80)	310(23.32)	676(50.86)	1329
2011-12	388(31.29)	273(22.01)	579(46.69)	1240
Total	3591	2116	5919	11626
Mean Percentage	31.04	18.08	50.86	

Source: Compiled from the Annual Reports of APSFC (2002-03 to 2011-12)

In order to capture the trend more precisely, the number of units assisted by the Corporation in the three regions have been regressed on time. The best fitted model equations for the number of units sanctioned in different regions by the Corporation over the study period are:

No. of units assisted in Coastal Andhra Region (Y) = 340.93 + 3.0 Time period (X).

No. of units assisted in Rayalaseema Region (Y) = 124.93 + 15.75 Time period (X).

No. of units assisted in Telangana Region (Y) = 643.20 - 9.32 Time period (X).

In order to know whether there is a significant difference in number of units sanctioned between three regions of Andhra Pradesh by the Corporation and significant difference in average sanctions to these sectors in different years of the study period, ANOVA: Two-Factor without Replication has been performed.

ANOVA: Two-Factor Without Replication						
Source of Variation	SS	df	MS	F	P-value	F crit
Rows	32353.44	8	4044.18	1.257	0.376888	3.438
Columns	591146.88	1	591146.9	183.799	8.42	5.317
Error	25730.11	8	3216.26			
Total	649230.44	17				

Source: Calculated using MS-Excel.

At 95% confidence level, the critical value of F for $i_1=8$ and $i_2=8$, $F_{0.05}$, is 3.438, and for $i_1=1$ and $i_2=8$, $F_{0.05}$, is 5.317. The calculated value of F for rows is 1.257. This is less than the critical

value and falls in acceptance region. Hence, the null hypothesis (H_{01}) is accepted. Further, the calculated value of F for columns is 183.79. This is greater than the critical value and falls in the rejection region. Hence, the null hypothesis (H_{02}) is rejected. The result indicates that there is a significant difference between the numbers of units assisted by the Corporation between three regions of Andhra Pradesh. The results also indicate that there is no significant difference between mean sanctions by the Corporation during different years of study period.

Region-wise analysis of assistance sanctioned by APSFC:

Table No.2 depicts the trends in regional distribution of assistance sanctioned by the Corporation during the study period. The analysis of the Corporation's performance in the three regions of the state during the study period reveals that the Telangana Region received a larger share of assistance than the other regions of the state, followed by Coastal Andhra and Rayalaseema regions. It therefore, emerges that neither Coastal Andhra nor Rayalaseema received the bulk of the amount sanctioned by the Corporation. The APSFC sanctioned 27.87 per cent of assistance on an average to Coastal Andhra, 12.08 per cent to Rayalaseema region and 60.07 per cent to Telangana region. It is interesting to note that the assistance to Telangana region never declined below 50 per cent of total assistance during the study period.

Table No.2: Region-wise distribution of loan assistance Sanctioned by APSFC

(.in lakhs)

Year	Regions						Total
	Coastal Andhra		Rayalaseema		Telangana		
	Amount	Per cent	Amount	Per cent	Amount	Per cent	
2002-03	10237	26.59	3269	8.49	24980	64.90	38487
2003-04	9497	25.70	3477	9.41	23971	64.88	36946
2004-05	12641	29.14	4016	9.25	26719	61.59	43378
2005-06	15785	31.69	4556	9.14	29468	59.16	49810
2006-07	19263	30.72	6565	10.47	36865	58.80	62694
2007-08	18534	26.83	9102	13.17	41517	60.11	69065
2008-09	17806	23.60	11640	15.43	46170	61.20	75436
2009-10	27458	28.97	14822	15.63	52492	55.38	94772
2010-11	32515	26.97	14209	11.78	73802	61.23	120526
2011-12	37025	28.45	23508	18.06	69565	53.46	130108
Mean percentage			27.87		12.08		60.07

Note: Term loans (Effective) represent Gross Sanctions plus Revivals of the current year less cancellations pertaining to Current Year Sanctions.

Source: Compiled from the Annual Reports of APSFC (2002-03 to 2011-12)

In order to capture the trend more precisely, the number of units assisted by the Corporation in the three regions has been regressed on time. The best fitted model equations for the amount sanctioned to the industrial units of different regions by the Corporation over the study period are:

Sanctions to the units in Coastal Andhra region (Y) = 4021.53 + 2919.01 Time period (X).

Sanctions to the units in Rayalaseema region (Y) = -1653.4 + 2030.87 Time period (X).

Sanctions to the units in Telangana region (Y) = 11431.4 + 5658.81 Time period (X).

Thus, from the point of view of assistance to various regions, it is revealed that there is no positive correlation between the time and the assistance rendered by the Corporation. It is heartening to note that the average amount of assistance to the units of the Telangana region has been more than 50 per cent during the study period.

Analysis of District-wise Operations of APSFC

The object of the analysis of district-wise operations of the Corporation is to bring out the inter-district variations in assistance, if any, so as to gauge the performance of the Corporation in the dispersal of industries among the various districts, both back-ward and non-backward districts of the state. The data showing the district-wise distribution of units assisted, loans sanctioned (effective) and disbursed as on 31st March, 2012 are furnished in Table No.3. From the analysis of the data provided in the table, the following observations are made:

Units Assisted

In the Coastal Andhra Region, the PSR Nellore district received more assistance in respect of the number of units than the other districts of the region. It is followed by the districts, Prakasam, Guntur and Krishna, in that order. These four districts accounted for assistance in respect of nearly 24.14 per cent of the total units assisted by the Corporation. However, in terms of the amount of assistance sanctioned and disbursed, the PSR Nellore and Prakasam districts were far behind most of the districts of the region. In other words, though these two districts were ahead of the other districts in terms of units assisted, they failed to draw adequate assistance from the Corporation. In the Rayalaseema region, the Chittoor district received assistance in respect of the number of units in comparison with the units of the other districts of the region. It is followed by Anantapur and Kurnool in that order. More or less, a similar position continued in these districts in terms of the amount of assistance sanctioned and disbursed by the Corporation.

Table No.3: District-wise Break-up of Units Assisted, Amount Sanctioned and Disbursed by APSFC as on 31st March, 2012

(.in lakhs)

Districts	Units		Sanctions		Disbursements	
	Number	Per cent	Amount	Per cent	Amount	Per cent
Hyderabad	3127	4.45	92544	9.29	87639	10.28
Nalgonda*	2890	4.11	60386	6.06	50754	5.95
Mahaboobnagar*	2118	3.01	44395	4.45	38985	4.57
Warangal*	2255	3.21	27064	2.71	22780	2.67
Karimnagar*	2495	3.55	22545	2.26	17848	2.09
Adilabad	1177	1.67	10047	1.00	8671	1.01
Ranga Reddy	6809	9.70	175769	17.65	151261	17.75
Medak*	3225	4.59	101862	10.22	74305	8.71

Districts	Units		Sanctions		Disbursements	
	Number	Per cent	Amount	Per cent	Amount	Per cent
Khammam*	2118	3.01	21127	2.12	18726	2.19
Nizamabad*	1584	2.25	14244	1.43	10285	1.20
Krishna	3134	4.46	51105	5.13	44074	5.17
Visakhapatnam	2303	3.28	44004	4.41	38705	4.54
East-Godavari	2032	2.89	40241	4.04	36362	4.26
West-Godavari	2142	3.05	38820	3.89	33893	3.97
Guntur	3590	5.11	37610	3.77	32979	3.87
Vizianagaram	1113	1.58	15450	1.55	13953	1.63
Srikakulam*	1687	2.40	16349	1.64	14971	1.75
Chittoor*	4649	6.62	42053	6.62	37042	4.34
Dr.YSR Kadapa*	3091	4.40	28712	2.88	24001	2.81
Kurnool*	4095	5.83	30431	3.05	25341	2.97
Anantapur*	4316	6.14	34529	3.46	28830	3.38
PSR Nellore*	6864	9.77	29009	2.91	25922	3.04
Prakasam*	3372	4.80	17450	1.75	14844	1.74
Total	70186	100.00	995747	100.00	852170	100.00

*Indicates assistance to Central Backward Districts.

Note: Term loans (Effective) represent cumulative figures at the end of previous year plus Gross Sanctions plus Revivals of the current year less cancellations pertaining to Current Year Sanctions as well as previous year sanctions.

Source: Compiled from the Annual Report of APSFC (2011-12)

In the Telangana region, the district, which received assistance in respect of a large number of units, is Ranga Reddy. All the other districts of the region by and large, received equal assistance with marginal variations in terms of units assisted. Though inter-district variations do exist in every region of the state in terms of the units assisted, these variations have to be still qualified in terms of the amount sanctioned and disbursed to arrive at a conclusion. The distribution assistance sanctioned and disbursed among the districts reveals the following variations.

a. Assistance Sanctioned and Disbursed:

In the Coastal Andhra region only a few districts received the bulk of the assistance sanctioned to the region. The Krishna district, one of the non-backward districts of the region with 5.13 per cent of the total sanctions (29.92 per cent of regions total) was ahead of the other districts of the region. Visakhapatnam with 4.41 per cent, East Godavari (4.04 per cent), West Godavari (3.89 per cent) and Guntur with 3.37 per cent came next in that order in the sanctions made by the Corporation as on 31st March, 2012. All these are non-backward districts of the region, which together accounted for nearly 21 per cent (72 per cent of the region total) of the total assistance sanctioned by the Corporation. A similar

position can be identified even in respect of the assistance disbursed by the Corporation. Further, the share of assistance going to the three backward districts of the region, viz., Srikakulam, Prakasam and PSR Nellore, was more or less equal to the share of assistance claimed by Krishna district alone in respect of assistance sanctioned and disbursed.

The above analysis clearly reveals two things – one that there are wide variations in the assistance sanctioned and disbursed among the various districts of the region, and the other that the backward districts of this region have not been provided with adequate assistance which is contrary to the objective of the development of backward areas. In the Rayalaseema region, Chittoor district claimed 6.62 per cent (33 per cent of region's total) of the total sanctions and it was followed by Anantapur district with 3.46 per cent (26 per cent of the region's total) of the total assistance sanctioned by the Corporation as on 31st March, 2012. Though all the four districts in the region are backward, only the above 2 districts received relatively larger assistance from the Corporation. As far as the amount disbursed is concerned, more or less, the same position continued. It may therefore, be noted that the region is no exception to inter-district variations in respect of assistance sanctioned and disbursed by the Corporation.

In the Telangana region once again the concentration of assistance was among a few districts, namely, Ranga Reddy (Capital region), Medak, Hyderabad and Nalgonda. Ranga Reddy with 17.65 per cent (28.82 per cent of the region's total) of the total assistance sanctioned was ahead of all the other districts in availing itself of the assistance from the Corporation. It was closely followed by Medak district with 10.22 per cent (22.75 per cent of the region's total), Hyderabad with 9.29 per cent (12.10 per cent of the region's total) and Nalgonda with 6.06 per cent (11.17 per cent of region's total) of the total assistance sanctioned by the Corporation as on 31st March, 2012. These four districts accounted for 40.88 per cent (74.86 per cent of region's total) of the total assistance sanctioned. As a result, the remaining six districts, which are all backward districts of the region, have not been given adequate assistance by the Corporation to ensure their rapid development. The share of these districts aggregated to 13.73 per cent, which is not even equal to the share of some of the districts which received larger assistance from the Corporation. Further, among the backward districts of the region, only two districts, viz., Medak and Nalgonda, which are in close proximity to the state level, received a reasonably good assistance from the Corporation. This is not due to their backwardness but their proximity to the state capital.

With regard to assistance disbursed also, the same four districts of Ranga Reddy, Medak, Hyderabad and Nalgonda, accounted for more than 40 per cent of the total assistance disbursed by the Corporation up to 31st March, 2012. It clearly explains the extent of concentration of assistance in and around the capital region of the state. Therefore, it is once again made clear that there was inequitable distribution of assistance among the various districts and the backward districts were not provided with enough assistance by the Corporation.

Analysis of Regional Dispersion of Assistance

An analysis of the assistance sanctioned and disbursed by APSFC has been carried out according to the backward and non-backward regions and also on the basis of assistance sanctioned to the backward districts and non-backward districts. It makes use of the proportion of sanctions of the Corporation going to each region/district every year. The percentage of sanctions and disbursements going to the backward and non-backward regions during the

study period are shown in Table No.4. One fact is very obvious that the proportions increased for the backward districts and decreased for the non-backward districts. This is clearly reflected from the table that the proportions of assistance sanctioned to the backward region which, was 38.40 per cent in 2002-03 and increased to 59.55 per cent in 2011-12. On the other hand, the assistance sanctioned to the non-backward region decreased from 61.89 per cent in 2002-03 to 40.44 per cent in 2011-12.

Table No.4: Percentage of sanctions (Effective) and Disbursements to Backward and Non-backward Districts

(Per cent)

Year	Sanctions		Disbursements	
	Backward	Non-backward	Backward	Non-backward
2002-03	38.10	61.89	40.45	59.54
2003-04	45.30	54.69	39.33	60.66
2004-05	42.72	57.27	37.98	62.01
2005-06	40.82	59.17	37.07	62.92
2006-07	42.51	57.40	41.22	58.77
2007-08	44.50	55.49	41.76	58.23
2008-09	46.09	53.90	42.17	57.82
2009-10	48.32	51.67	51.45	48.54
2010-11	54.82	45.17	53.20	46.79
2011-12	59.55	40.44	54.52	45.47
Mean Percentage	46.27	53.71	43.92	50.08

Source: Compiled from the Annual Reports of APSFC (2002-03 to 2011-12)

In the same way, the proportion of disbursements to the backward region increased from 40.45 per cent in 2002-03 to 54.52 per cent in 2011-12, and the proportion of disbursements to the non-backward region decreased from 59.54 per cent in 2002-03 to 45.47 per cent in 2011-12. In this regard the APSFC is not to be blamed to the extent that it has not been able to encourage and promote entrepreneurship in the backward districts of the State. But the APSFC is of the view that it is basically a financial institution, which can provide term industrial finance in the state wherever viable demand for finance comes from. Moreover, it grants assistance to the backward districts on priority basis and on concessional rates of interest and at lower margins. If the demand for finance is not coming forth the reasons have to be found somewhere else. It may be due to the paucity of potential entrepreneurs or lack of infrastructural facilities, which are beyond the scope of the operations of the Corporation. In order to know whether there is a significant difference in the amount sanctioned and disbursed between the backward districts and non-backward districts of Andhra Pradesh by the Corporation, ANOVA: *Single-Factor* has been performed.

ANOVA: Single Factor						
<i>Source of Variation</i>	<i>SS</i>	<i>df</i>	<i>MS</i>	<i>F</i>	<i>P-value</i>	<i>F crit</i>
Between Groups	142.073	1	142.073	3.709	0.07205	4.4939
Within Groups	612.740	16	38.296			
Total	754.814	17				

Source: Calculated using MS-Excel.

At 95% confidence level, the critical value of F for $i_1=1$ and $i_2=16$, $F_{0.05}$, is 4.4939,. The calculated value of F for columns is 3.709. This is less than the critical value and falls in acceptance region. Hence, the null hypothesis (H_{03}) is accepted. The results indicate that there is no significant difference between the amount sanctioned by the Corporation among backward and non-backward districts, i.e., the means of all the column is equal.

ANOVA: Single Factor						
<i>Source of Variation</i>	<i>SS</i>	<i>df</i>	<i>MS</i>	<i>F</i>	<i>P-value</i>	<i>F crit</i>
Between Groups	583.794	1	583.794	12.548	0.002709	4.493998
Within Groups	744.344	16	46.521			
Total	1328.138	17				

Source: Calculated using MS-Excel.

At 95% confidence level, the critical value of F for $i_1=1$ and $i_2=16$, $F_{0.05}$, is 4.4939. The calculated value of F for columns is 12.548. This is more than the critical value and falls in the rejection region. Hence, the null hypothesis (H_{04}) is rejected. The results indicate that there is a significant difference between the amount disbursed by the Corporation among backward and non-backward districts, i.e., the means of all the columns are not equal.

Regional Distribution of Assistance to Backward Districts

The object of the analysis of the regional distribution of assistance to the backward districts is to ascertain whether there were any variations in the assistance to the backward districts of the different regions of the state. Table No.5 provides the information relating to the assistance to backward districts in the different regions.

Table No.5: APSFC: Region-wise distribution of Assistance (Cumulative) to Backward Districts by APSFC as on 31st March, 2012

('in lakhs)

Region	No. of Units	Per cent	Sanctions		Disbursement	
			Amount	Per cent	Amount	Per cent
Coastal Andhra:						
Backward Districts (3)	11,923	45.00	62808	22.00	55737	22.00
Non-backward Districts (6)	14,314	55.00	227229	78.00	199966	78.00
Total	26,237 (37.00)	100	290037	(0.29) 100	255703	(0.30) 100
Rayalaseema:						
Backward Districts (4)	16,151	100	135725	100	115213	100
Non-backward Districts (0)	—		—		—	
Total	16,151 (23.00)	100	135725 (14.00)	100	115213 (14.00)	100
Telangana:						
Backward Districts (7)	16,685	60.00	291624	49.00	233683	49.00
Non-backward Districts (3)	11,113	40.00	278360	51.00	247571	51.00
Total	27798 (40.00)	100	569984 (57.00)	100	481254 (0.56)	100
Grand Total	70186		995747		852170	

Note: Figures in parenthesis indicate percentages to total.

Source: Compiled from the Annual Report of APSFC (2011-12)

It can be noted from the table that, in Coastal Andhra region, the non-backward districts received more assistance in terms of the number of units assisted (55 per cent), amount sanctioned (78 per cent) and disbursed (78 per cent) than the backward districts. But the position was different in the Telangana region. In this region the backward districts appeared to have received their due share (60 per cent) in terms of the number of units assisted, but comparatively less share in sanctions (49 per cent) and disbursements (49 per cent). But this may not be due to the priority given to the backward districts of the region, but due to the proximity of districts like Ranga Reddy, Medak, Nalgonda to the state capital, which might have attracted larger assistance than the other districts of the state. Further, it is disheartening to note that the backward districts of the Coastal Andhra and Rayalaseema regions have not received their normal due share of assistance from the Corporation. Particularly, the backward districts of the Coastal Andhra region were virtually ignored.

Conclusion

From the above analysis, it emerges that though there are certain variations in the assistance to the backward districts of different regions, by and large, they were not shown due priority in sanctioning the financial assistance by the Corporation. There has been large concentration of assistance among a few districts of the state and most of the backward districts of the state

have not been given even their due share in the total assistance sanctioned by the Corporation from time to time. The APSFC as a regional development bank has been striving hard to penetrate into the backward areas of the state.

Suggestions

1. The industrially backward districts of the state need special consideration from the Corporation while financing the industrial units in them is needed to promote balanced regional development in the State. Therefore, the Corporation should step up its assistance for rural industrialization, possibly through encouraging industrial co-operatives to come forward to start rural and cottage industries in rural areas of the state.
2. In order to avoid heavy concentration of industries, the Corporation should decentralize its activities. Loans must be sanctioned in such a way that the maximum number of persons are benefitted and the control of a number of units by one individual is avoided. For this purpose, the Corporation should maintain a record of individuals who have interest in more than one assisted units.
3. To reduce further concentration of assistance among a few industries, the Corporation should spread its financing activity. It should prepare lists of priority and non-priority industries and strictly adhere to them while sanctioning financial assistance to entrepreneurs. Proper encouragement should be given to the new generation entrepreneurs in the newly emerging areas.
4. It is essential to co-ordinate the activities of the Corporation with those of the District Industries Centres, supplementing the roles of each other in the dispersal of industries among different regions of the State to achieve a balanced regional development.
5. In order to encourage and promote initiative Entrepreneurship Development Programmes (EDPs) have to be organized, particularly in the most backward districts of the state to tap local talent. It would help to realize the objective of encouraging entrepreneurs from the weaker sections.
6. To avoid heavy concentration of industries in a few districts of the State only, it is advisable that the Corporation spreads lending operations with more and more liberal concessions to backward districts and backward areas. It is also necessary to ensure free flow of assistance to these areas, to reduce imbalanced regional development. As people do generally hesitate to invest their capital in backward areas owing to the risk involved, the Corporation should come forward to participate in equity financing there. The Corporation should also provide maximum possible technical help to the industries established there.

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Dr C. Viswanatha Reddy, Associate Professor, Dept. of Business Administration, Sree Vidyanikethan Institute of Management, A.Rangampet, Tirupati.