Chapter VII

Summary of Findings and Suggestions
This final chapter brings together by way of summing up the observations made in the previous chapters on the topic of research about the role of Andhra Pradesh State Financial Corporation in promoting the Micro, Small and Medium enterprises in Chittoor and Nellore districts, basing on the systematic analysis of the data collected with particular reference to subject in the sample districts of the state of Andhra Pradesh. The APSFC’s role in the development of industrial sector in Andhra Pradesh is noteworthy. The origin and development of MSMEs in the sample districts and the role of the APSFC in the form of sanctions and disbursements of finance for the uninterrupted functioning of the sample enterprises were dealt with briefly along with the problems of sample entrepreneurs during the period of study. Appropriate suggestions are also made in the present chapter to improve the present conditions of sample enterprises in the sample districts in particular and in Andhra Pradesh in general. In any economy the balanced development of all the sectors is essential for the wellbeing of the society. Particularly, the industries play a dominant role in an economy in creating wealth and employment along with the other sectors like agriculture and service. The definition and the classification of industrial sector varies from country to country and depends on the prevailing conditions like political, geographical, natural, financial, etc. In India the industrial sector divided into large scale industries and small scale industries (now known as micro, small and medium enterprises). The Micro, Small and Medium enterprises are playing a crucial role in the economic development of the country by exploiting the natural resources, and creating employment opportunities on a large scale, when compared to the large scale industries.

It is a universally accepted truth that finance has been regarded as an important determining factor for the survival, and growth of Micro, Small and Medium Enterprises in the present day globalised competitive business environment. Easy access to finance allows industrial units to undertake productive investments to expand their businesses and to acquire the latest technologies, thus ensuring their competitiveness and that of the nation as a whole. In the developing countries like India the role of MSMEs has been widely recognized as an instrument for the economic and social development as well as balanced regional growth. It is a fact that the MSME sector is a nursery of entrepreneurship development, which is often driven by individual creativity and innovation. This sector contributes around 8 per cent of the country’s GDP, 45 per cent of
the manufactured output and 40 per cent of exports of India. The MSMEs provide employment to about 732.17 lakh people through 311.52 lakh enterprises. The geographic distribution of the MSMEs is also very even. Thus, MSMEs are important for national objective of growth with equity and inclusion. MSMEs contribute significantly to employment generation and dispersal of industrial activity to rural and backward areas and, thereby, usher in all round economic growth by value addition, ensuring the mobilization of local capital and developing entrepreneurial skills. The MSMEs segment has become the engine of growth and development of the Indian economy in the new millennium. MSMEs supplement the large scale units by boosting economic activity and employment generation. The government of India is making all efforts to create conducive atmosphere, a level playing ground, and is giving policy support to enable the MSMEs to achieve higher level of production, exports and employment generation to contribute significantly to nation's GDP.

Entrepreneurial development is a complex phenomenon essential for wealth creation. It depends on several economic and non-economic factors such as the availability of raw material, quality of labour, technology, market potentiality, capital, natural resources, infrastructure etc. The availability of raw material and its need based supply have enlarged the economic opportunity and consequently, promote the development of entrepreneurs and the status of economy. The emergence of entrepreneurship and the promotion of entrepreneurial activity are influenced by the availability and adequate supply of qualitative labour, with varied skills. The rapid development of technology also promotes the entrepreneurial development to a great extent. The availability of sufficient capital required to sustain the development of an industry and to meet the requirements for the expansion of industrial activities is one of the basic causes of entrepreneurial development. It is a fact that raising investment levels in the industrial sector enhances the profitability and facilitates the process of additional capital formation, which helps to sustain industrialization with increase in income and employment generation. Increasing industrialization of the country facilitates the growing entrepreneurial activities, to promote the entrepreneurial development. The availability of capital resources directly influences development of entrepreneurship. Potential market opportunities influence the entrepreneurs to undertake industrial activities in diversified fields of business.
Since the first Five Year Plan, India's economic plans envisaged setting up of a wide range of industries as a crucial development strategy to achieve self-sustaining economic growth, which would require a huge capital. In developing countries like India, industries can no longer afford to be just one-man show but have to be managed by high technological composition. Quite a lot of industrial enterprises are in dire need of modern automation and mechanization to enable them to produce better quality products at lower costs so as to sell them at competitive rates in International markets. In view of the importance of the development of Micro, Small and Medium enterprises, the government of India has made considerable efforts to promote its growth over the last six decades. The development strategy of small enterprises comprises formulation and pursuance of deliberate policies for its protection and development, stepping up plan allocations, evolving and implementing various programmes for its development including extension of concessional finance, both short-term and long term, through a number of supporting institutions. The State Financial Corporations’ (SFCs) are the important financial institutions established in different states to cater to the needs of both short-term and long term financial requirements and managerial assistance of the micro, small and medium enterprises, earlier known as small scale industries in India.

In the context of relatively under developed capital market and with little internal resources, firms or economic entities depend largely on financial intermediaries for their fund requirements. In terms of sources of credit, they could be broadly categorized as institutional and non-institutional. The major institutional sources of credit in India are commercial banks, development finance institutions (DFIs) and non-banking financial companies (NBFCs) including housing finance companies (HFCs). The MSMEs promote diversification of industrial base, dispersal of industries in rural and semi-urban areas and equitable distribution of national income. This will help reduce regional imbalances on the one hand and concentration of industries in some areas on the other. The important necessities for the success of modern business enterprises are the availability of sufficient funds. In the present day globalised competitive industrial environment the MSMEs need funds to meet the fixed capital, working capital, and the promotional requirements. Mobilizing of sufficient capital becomes a difficult task for the micro, small and medium enterprises in general. With a view to develop the backward areas, the governments have been providing financial assistance with subsidized cost to the industrial units established
in those areas as notified by the government of India and the State government through
state financial corporations.

With a view to promoting industrialization, providing term credit to MSMEs, the
government of India set-up Industrial Finance Corporation of India (IFCI) in 1948. In
January 1949, the government of Bombay decided to set up an Industrial Credit
Corporation (ICC) with the support of IFCI by making credit available to medium and
small scale industrial units in the state. The Punjab government also urged the centre that
the functions of the proposed corporation should be distinct from those companies
registered under the companies Act and elaborating the necessity to set up State
Corporations, the government pointed out the various reasons and the prevailing
economic and political conditions of State to set up State level corporations, on the
guidelines of IFCI, with the aim of focusing on financing the small scale industrial units.
After considering the views of different state governments, the proposal for a central
legislation to set up corporations at the State level were made on April 1949.
Accordingly, State Finance Corporations (SFCs) bill was introduced in Parliament in
December, 1950 and enacted as SFCs Act in October 1951 with the objective of
providing needful credit and help in industrial establishment for national development. At
present, 18 SFCs are successfully working in the nation, of which 17 were set up under
the SFCs Act 1951 and the Tamil Nadu Industrial Investment Corporation Limited,
established in 1949 under the companies Act. The Union Territories had not set up the
SFCs in their respective State or Union Territories. The State Financial Corporations'
(SFCs) are State level financial institutions operating as regional development banks. The
SFCs have been playing a dominant role in developing and promoting the growth of small
scale enterprises by providing needful credit. The functions of SFCs are influenced by
the state Govt., and the socio-economic features of the economic environment in which
they operate. The state govt. concerned, funds of the RBI and the IDBI are employed to
fund SFCs. The role of SFCs was to provide the need-based financial assistance to the
MSMEs in the form of giving loans and advances. SFCs have been empowered to render
the financial assistance by way of term loans, direct subscriptions to debentures,
guarantees and discounting bills of exchange. With the motive of expansion of the state
industrial sector, SFCs are giving moderate assistance to floriculture, tissue culture,
poultry farming, providing services to engineering, technical, financial management, marketing etc.

Andhra Pradesh State Financial Corporation (APSFC)

Andhra Pradesh State Financial Corporation (APSFC) was formed on 1st November 1956 with the main objective of extending financial assistance for setting up industrial units in Micro, Small and Medium Enterprises (earlier known as SSIs). With a view to serving the existing as well as prospective entrepreneurs all over the state, the APSFC has been functioning through its 25 Branch Offices and 4 Operational Zones apart from its Head Office at Hyderabad. It offers financial assistance to the enterprises for acquiring fixed assets like land, buildings, plant and machinery and also extends financial assistance for working capital under the single window scheme. To boost industrial activity in the state, the Corporation so far has made a gross sanction of Rs. 11,134 crore for 92,689 units, and disbursed Rs. 7,634 crore to 72,297 units from its inception. Of this, more than 68 per cent was given to the Micro, Small and Medium enterprises. It has recovered so far Rs. 8,382.38 crore including interest till 31st March 2011. It has generated direct and indirect employment to about 8.74 lakh persons. The Industrial Development Bank of India (IDBI) and government of Andhra Pradesh jointly promote the APSFC. Since its inception, the APSFC has been playing a significant role in taking the State to its rightful place on the industrial map of the country. The APSFC have been introducing many entrepreneur- friendly schemes to provide term loans, working capital and seed capital assistance to suit the needs of various categories of entrepreneurs. The APSFC has completed more than five and half decades of service in industrial financing of Micro Small and medium enterprises and contribution to the balanced regional development of the entire State.

The economy of Andhra Pradesh, which predominantly depends on agriculture, witnessed a pleasant shift to the industrial sector during the 1970s when there were a number of large, medium and small-scale industries in several sophisticated lines. Although, the industrial development had to face certain fluctuations or ups and downs due to natural calamities and occasional spells of power shortages, the rate of growth was steady. Today, the Andhra Pradesh State is considered one of the fastest developing States in the country with a significant growth rate to its credit. It holds out good
prospects for further growth with its abundant natural resources and good infrastructure. The state has made remarkable progress in the agricultural sector, but the development in the industrial sector has not been very impressive.

**MSMEs Development in Andhra Pradesh**

MSMEs have shown a remarkable growth in A.P. during the last five decades. The number of units of MSMEs in 1956 was just 619. Before inception of District Industries Centres (DICs) in 1980, there were 30,342 Small-Scale units functioning in the state. By 1988, their number had more than doubled to reach 65,832, showing an increase of 117 per cent. Fixed capital has increased more rapidly from Rs. 150.62 crore to over Rs. 479.44 crore which registered a growth of 218 per cent. Employment had increased from 3.30 lakh persons to 5.90 lakh persons, recording an increase of 80 per cent. In 1996, the number of Small-Scale units had risen to 1,18,197 with a fixed investment of Rs. 1,877 lakh and generated employment for 10,21,418 persons. These figures of small-scale units rose to 1,42,294 in 2003 with an investment of Rs. 4,247 lakh and employment was generated for 12,64,046 people. On 1st January 2006, the figures of units stood at 1,46,481 with an investment of Rs. 4,893 crore, and employment was provided for 13,22,461 people.

Chittoor district is a predominantly agricultural district. There has been rapid growth in the field of dairying. The district stood first in the state. Significant progress was made in the number of industries established. The steady growth of enterprises has been one of the most significant features of planned economic development. The total number of MSMEs in Chittoor district during 2010-2011 was 2,437 and provided employment to 33,980 persons with an investment of Rs. 38,679.64 lakh.

The performance and growth of MSMEs in Nellore district in terms of number of enterprises was significant. It shows that investments and employment generation consistently increased during the study period. In the year 2010-11, the total number of enterprises stood at 2,425 units and they provided employment to 16,438 people with an investment of Rs. 4,640.64 lakh.

Andhra Pradesh State Financial Corporation is an investor friendly organization and is a friendly financier. It not only lends, it cares and tends. Most of the prominent
industries in Andhra Pradesh were nurtured and assisted by it as a part of its first generation entrepreneurship drive. The corporation extends the financial services to different forms of organizations like Proprietary, Partnership, Joint Hindu Family Enterprises, Public and Private Limited Companies and registered Co-operative societies. The schemes of APSFC include General Loans, Assistance to Good Entrepreneurs, Scheme for Tourism Related Facilities, Assistance to Set up Hospitals / Nursing Homes, Hotels / Motels / Restaurants, Scheme for Acquisition of Electro Medical and Other Equipment, Assistance to set up Private Industrial Estates, Scheme for Qualified Professionals, Financial Assistance for construction of Commercial Complexes, Mahila Udayam Nidhi Scheme, National Equity Fund scheme, Self-Employment scheme for Ex-Servicemen, Assistance for Poultry Farming, Equipment Refinance Scheme, Senior Successful Entrepreneur Scheme, Scheme for Modernization, Super Entrepreneur scheme, Single Window Scheme, Scheme for Financial Assistance to Women Entrepreneurs, Working Capital Term Loan, Scheme for Export Oriented Enterprises or Service Enterprises, Transport Loans, Scheme for financial assistance to SC/ST Entrepreneurs, Credit linked Capital Subsidy scheme for Technology Up-gradation and Marketing Assistance Scheme for MSME Products.

Andhra Pradesh State Financial Corporation provides financial assistance to different sectors, under various schemes to the entrepreneurs of Andhra Pradesh State. The borrowers of APSFC were classified as Micro, Small and Medium Enterprises (earlier known as Small Scale Industries (SSIs)), Transport units and other units like Hotels, Hospitals etc. The sanctions and disbursements of APSFC during the study period 2001-2011 are presented in detailed explanation in terms of number of units and amount of assistance.

Andhra Pradesh State Financial Corporation (APSFC) is a term lending institution established in 1956 for promoting the industrialization and entrepreneurship in Andhra Pradesh under the provision of State Financial Corporation Act, 1951. The corporation has launched many entrepreneur friendly schemes to provide term loans, working capital loans and special seed capital assistance to suit the needs of various categories of entrepreneurs. The corporation has completed more than five and half decades of dedicated service through industrial financing to Micro, Small and Medium Enterprises.
(earlier known as SSIs) and is contributing to the balanced regional development of the state. The corporation is in lead position amongst all other State Financial Corporations in the country for eighth the year in succession in all the key result areas i.e., loan sanctions, disbursements and recoveries.

The effectiveness, efficiency and existence of a financial institution are mainly based on its loan recovery performance and the satisfaction level of its customers over a period of time. After sanctioning of a loan, the State Financial Corporation (SFC) forms a loan recovery committee in each of its branches. The recovery committee works to motivate the client to pay the amount of loan taken along with interest within the agreement period. In this process the recovery committee visits the beneficiary business enterprise which has taken loan or advance from APSFC to motivate and instruct the client to repay the loan amount in the agreed number of installments. The beneficiary is liable to pay the principal amount with a minimum interest rate of 12.5 per cent and a maximum interest rate of 17.5 per cent based upon the scheme under which the loan was taken. When the client of SFC is regular in repayment of loan installments, the SFC provides up to 2 per cent rebate on the interest amount, but in case of default in repayment of installments, the SFC may charge a penalty of up to 2 per cent on interest.

In the process of loan recovery, the SFC may send the indication letters before the due date of loan installment as a pre-indication. If the borrower fails to pay the installment amount on or before due date the SFC may send a stiff letter to borrower. In stiff letter, the SFC indicates the default of repayment of loan by the client and then the SFC proceeds to seize the business unit. Later on an advertisement will be given for its sale. The seized unit will be sold in the open bid. Once the unit is sold for any amount of consideration, the possession of the unit is transferred to the buyer.

To assess the performance of a term lending financial institution the sanctions and disbursements to various sectors are considered as suitable yard sticks in general. In the present research investigation of role of APSFC in promoting the MSMEs in particular the sanctions and disbursements of the State Financial Corporation of Andhra Pradesh are examined in view of the sanctions and disbursement to different categories of MSMEs during the year 2007-08, because the government of India enacted a separate Act viz., MSMEs Development Act, 2006 and the Small Scale Industries re-named as Micro,
Small and Enterprises by including the medium scale industries under the fold of MSMEs category. And also the last year of the study period of 2010-11 is taken into account to examine the sanctions and disbursements of APSFC to different MSME units.

**Tirupati & Nellore Branches of APSFC**

The Tirupati branch of Andhra Pradesh State Financial Corporation (APSFC) branch was established during the year 1972-73 to cater to the financial needs of different categories of commercial enterprises within the jurisdiction the Chittoor district. Since its inception the Tirupati branch of the corporation of providing the required financial assistance to small scale industries presently known as Micro, Small and Medium Enterprises (MSMEs) in different volumes of financial assistance under different schemes in Chittoor district. About 15 per cent of State Investment Subsidy is applicable in the Chittoor district of Andhra Pradesh state government. Different lines of activities are financially assisted by the corporation branch of Tirupati in the district.

The APSFC's Nellore branch was established during 1982-83 to cater to the financial needs of different categories of enterprises in the jurisdiction of Nellore district. But the Department of Forest and Environment, New Delhi has declared the areas around Pulikat lake i.e. Pannamgadu, Tada areas as “Abhayaranya” and issued notices to the existing industrial units for vacation to safeguard the Pulikat Lake from pollution and also advised the enterprise promoting institutions to avoid the promotion of enterprises in these areas to stop pollution. The Nellore District branch of APSFC is eligible to avail 20 per cent of the State Investment Subsidy from the government.

The overall operating performance of Andhra Pradesh State Financial Corporation in Andhra Pradesh in general and that of Chittoor and Nellore district branches in particular is satisfactory during the study period of 10 years. The corporation’s sanctions and disbursements in the state are significantly increasing year by year and also the corporation’s recovery performance improved to a great extent in the state of Andhra Pradesh. The Tirupati branch of Chittoor district and Nellore branch of Nellore district recorded a significant growth rate during the study period in all aspects of operational performance during the study period.
Socio-economic profile

The socio-economic profile of entrepreneurs highly influences the success of an entrepreneur in the present competitive business world. The success and survival of an enterprise, irrespective of its nature of business, depends on the satisfaction level of customers / consumers about the product / service of the concern. The districts opted for the present research study have been developing industrially in the recent decade. The Chittoor district is part of the Rayalaseema region of the state and also a drought prone district. The resources and environmental conditions of the district encourage MSMEs in different areas like Granite, Food Processing, Transport, Dairy Products etc. The second sample district of Nellore is part of the coastal region of the state of Andhra Pradesh and contains rich natural resources and is trying to encourage fisheries development. The Nellore district is one of the top districts in Paddy Cultivation. Rice Mills, Dairy Farms, Aquaculture etc., are some of the business areas and these enterprises are playing a vital role in the industrial development of the district. To examine and analyze role of socio-economic profile of the MSMEs and entrepreneurs in the industrial development of sample districts 230 MSMEs / Entrepreneurs were consulted and considered as sample size for the present study. The entire sample of select MSMEs enterprises are the beneficiaries of Andhra Pradesh State Financial Corporation (APSFC) schemes of finance. To examine the socio-economic profile of the sample entrepreneurs in the sample districts a structured Schedule was used to collect the required data. However, obtaining the facts and figures from the sample respondents becomes difficult. The majority are not maintaining proper records of their business operations.

The sources and status of entrepreneurship development are examined with the help of socio-economic status of the entrepreneur of select enterprises under investigation in the sample districts of Chittoor and Nellore. The entrepreneurial activity is greatly based on various complex socio-economic factors. The socio-economic conditions of entrepreneurs highly influence the entrepreneurial activities and their success in the long run. The government of India since independence has been making use of the Five Year Plans and introduced some programmes for industrial development as well as to motivate the new entrepreneurs. Therefore, the study of socio-economic background of entrepreneurs may be useful to assess and evaluate the entrepreneurial development in the sample districts.
A number of reasons may motivate a person to become an entrepreneur and to set up an enterprise particularly with a profit motto.

It is evident from the study that earning money is the prime reason of all the sample entrepreneurs in the sample districts to start an enterprise. In addition to earning money there are other multiple reasons that motivated the sample entrepreneurs of the sample district to start a business enterprise in their areas of interest. The other reasons are the absence of competition for the chosen products or services, to do an independent job, educational qualification or skills, prior business experience, availability of financial credit, motivation of family, and the entrepreneurship is only opportunity for employment.

These conclusions were drawn based on discussions in the course of present study made on various aspects of Andhra Pradesh State Financial Corporation Performance in terms of Loan sanctions, Disbursements, Recoveries and Socio-economic Conditions of assisted sample enterprises in sample districts of Chittoor and Nellore. It aims at bringing together all the inferences drawn by way of summing up the relevant observations made in the previous chapters in the course of the study. The conclusions were drawn on role of APSFC in promoting the Micro, Small and Medium Enterprises (MSMEs) which are presented in the preceding chapters.

Findings

- It is found from the present research investigation during 10 year period of study that the share capital of Andhra Pradesh State Financial Corporation registered a considerable growth in the form of Share Capital and subscription of different developmental financial institutions. However, the growth rate i.e., 0.80 per cent registered in share capital of APSFC between 2001 and 2010 is not significant and sufficient to meet the increasing financial requirements of the industrial sector.
- The study reveals that the operating performance of APSFC in terms of sanctions, disbursements and recoveries is significant in the state. However, the pending disbursements are increasing year by year due to non fulfillment of the formalities of the Corporation timely either the officials of Corporation or borrowers.
- One of the important findings with respect of performance of the Corporation the recovery performance is not satisfactory during the study period regarding the recovery of principal registers growth rate of 11.88 per cent and interest recovery registers a growth rate of 7.63 per cent.
Since independence the plan outlays of Government of India to encourage the Micro, Small and Medium Enterprises are very limited i.e., allocations to MSMEs are less than 1 percent of total outlay of the all Five Year Plans of the Government of India.

It is evident from the study that the number of Micro, Small and Medium Enterprises in India growing considerably by registering a growth rate of 11.61 per cent. That the production growth rate is not significant because the MSMEs are facing too many problem like, raw materials, financial resources, infrastructure facilities, etc., in the present competitive industrial environment.

It is identified from the study that the volume of exports and employment creation rate of MSMEs is increasing significantly but it may not up to the targeted growth rate of the Government of India and increasing the rate of unemployment in the country.

The investments in MSMEs of Andhra Pradesh state fluctuating significantly during present study period but in the last year of the study 2010-11 the investments in MSMEs is very low. The employment creation of MSMEs in the state is growing significantly but in the recent years the growth rate in employment is very poor due to continuous unrest in the state.

It is found from the study the sample districts of Chittoor and Nellore number of units, investment and employment status of SSIs/MSMEs are significant and satisfactory during the period of study. However, the MSMEs in the sample districts facing too many problems like short supply power, lack of raw materials, lack of skilled personnel, lack of appropriate infrastructure facilities etc.

The sanctions and disbursements of Andhra Pradesh State Financial Corporation in terms of units and volume of loan to different categories of enterprises like SSIs/MSMEs, transport units and other categories were registered considerable growth rate in the state of Andhra Pradesh.

It is found from the study during the period 2001-11 the sanctions and disbursements of the APSFC to different forms of enterprises such as Public Limited, Private Limited, Co operatives, Partnership firms, Sole-proprietary firms and others like HUF. But it is interesting to note that the corporation makes sanctions and disbursements to more number of Sole-proprietary firms. But in terms of volume of finance to the Private Limited enterprises got more sanctions.
> It is noted from the study that the APSFC assisting new projects greatly encouraged than the expansion projects. The expansion projects also play a key role of economic development. Hence, it is suggested the corporation encourage expansion and rehabilitation projects in addition to the new projects.

> It is found from the study of region-wise sanctions and disbursements in the state the Andhra Pradesh State Financial Corporation made more number of sanctions and disbursements in Telangana than the other two regions of Rayalaseema and Coastal Andhra. Because more number of enterprises are concentrated in and around the capital city of Hyderabad of Telangana region.

> From the district-wise study of sanctions and disbursements of APSFC to MSMEs during the four years of study the corporation made a considerable amount of sanctions and disbursements in majority of the districts in the state. However, some of the backward districts are still failing to get significant amount of financial assistance to encourage the MSMEs from the Andhra Pradesh State Financial Corporation.

> It is found from the study the Andhra Pradesh State Financial Corporation made financial assistance to different types of business enterprises of which health related enterprises in the urban areas obtaining highest amount of assistance than the other categories of enterprises.

> The study reveals a nominal operating profit performance of APSFC in the state during 2001-08. But it is improved from the year 2008-09 and the Corporation registers a significant rate operating profit i.e., 11.09 per cent on total disbursements of the Corporation in the year 2010-11.

> It is found from the study that the sanctions and disbursements to different categories like Micro, Small and medium Enterprises are significantly increased between 2007-08 and 2010-11. The sanctions were Rs. 912.62 crore in 2007-08 but it was Rs. 1,205.26 in 2010-11, and the disbursements to MSMEs were Rs. 662.69 crore in 2007-08 but it was Rs. 904.35 crore in the year 2010-11.

> The study reveals that total assets of Andhra Pradesh State Financial Corporation registered a negative growth rate from the beginning four years of the study. Thereafter recorded a positive growth rate. Whereas the net worth of the corporation registered significant growth rate of 14.48 per cent during the study period.

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The present study shows that the operating performance of Tirupati Branch of APSFC in Chittoor district in terms of sanctions and disbursements is significantly increased during the period of study. However, the pending disbursements mounting and registered a growth rate of 36.45 per cent. And the recovery performance of Tirupati Branch witnesses a good track record with 10.28 percent of growth in principal recovery and 7.40 per cent growth in interest recovery of Chittoor district and the pending of recoveries also increasing year by year.

The study reveals that the operating performance of Nellore Branch of APSFC of Nellore District in terms of sanctions and disbursements registers a good record. The branch registers the Compound Growth rate of 7.01 per cent of sanctions and 6.37 per cent in disbursements in the district. But during the study period the pending of disbursements fluctuating considerably and records a high growth of 9.77 per cent. The Nellore Branch was registered poor recovery performance with respect of principal and interest during study period. The recovery of principal registered 5 percent growth rate and the interest recovery registered 1.24 per cent of growth. Whereas the pending of recovery registers a growth rate of 7.79 per cent during study period.

It is found from the comparative study sample districts of Chittoor and Nellore in terms of sanctions, disbursements and recovery the Tirupati branch of Chittoor district better performed than the Nellore district branch of APSFC. It is evident that the sanctions registered growth rate of 17.03 per cent in Chittoor whereas in Nellore district it was only 7.01 per cent, the disbursements growth rate registered as 10.25 per cent in Chittoor district and 6.37 per cent in Nellore district and with respect of recovery of loans during the study period there was 10.28 per cent of growth rate registered in Tirupati branch of Chittoor and only 5.63 per cent registered in Nellore district.

The study shows that the sole proprietorship organizations had dominating position out of the total sample entrepreneurs/enterprise than other form of organization in obtaining financial assistance from the Corporation. And in the sample districts different age groups, gender categories, religions and castes were engaged in the entrepreneurial activities. It is interesting to note that the literacy level of entrepreneurs plays a vital role in commissioning the enterprise, in the
sample districts of Chittoor and Nellore more number of graduates establishes enterprises.

➢ It is found from the study the nativity of entrepreneurs, training facilities, previous experience, earlier occupational status and parental experiences were played a key role in preferring the entrepreneurial activities in the sample districts.

➢ The study reveals that in the sample respondents involved in different types of industrial operations like food, agro and paper based, mineral based, plastic based engineering/steel, hospital/diagnostic centre, electrical electronics and information technology, textile goods, chemical based, tourism based and other activities in the both the districts. And also it is evident from the study sample entrepreneurs giving equal priority to manufacturing and service enterprises.

➢ It is clear from the study the sample entrepreneurs express multiple reasons like to earn money, absence of competition, demand for the product/service, to do an independent job, qualifications and skills, prior business experience, availability of financial credit etc., to setup the present business enterprise.

➢ It is observed from the study that the combined share capital and long term liabilities of the 230 sample enterprises were ranged from Rs. 4,990.80 lakh to Rs. 10,971.25 lakh in Chittoor district where as in Nellore district it is ranged from Rs. 4,321.14 lakh to Rs. 9,048.11 lakh. The current liabilities were consistently maintained in both the districts.

➢ The study shows that fixed assets status of sample enterprises considerably registered high variance in Chittoor than the Nellore district during the study period. Whereas the current assets are consistent during the study period.

➢ The study observes that the employment creation growth rate in Chittoor district significantly high than the Nellore district during the study period in select sample enterprises.

➢ The current ratio of select sample enterprises in both Chittoor and Nellore districts was not satisfactory because in all the years of the study period, ratio was below the standard norms of 2:1. The debt equity ratio, fixed assets turnover ratio and net profit ratios were less consistent in both the sample districts sample enterprises.

➢ It is found that the stock turnover ratio of the select sample enterprises in Chittoor and Nellore districts were satisfactory. And the working capital turnover ratio was very poor in both the sample districts. But when compare to the Nellore district,
the Chittoor district sample enterprises working capital turnover ratio is registered a consistency during the period of study.

➢ The sources of information are essential to avail any facility from any concern. In the present research study it is found that the majority of the entrepreneurs gathered information about activities of APSFC from the existing clients (about 50 per cent) than from the official campaigns, associates, publicity and mass media. And also about 90.87 per cent of entrepreneurs obtained the complete information about the corporation in the study area.

➢ It is found from the study that more than 90 per cent of sample entrepreneurs were aware about objectives of APSFC. Where only 53.91 per cent of respondent entrepreneurs aware about the terms and conditions of the corporations.

➢ The study reveals that in the sample districts of Chittoor and Nellore about 85.65 per cent of borrower respondents felt that the loan application is simple and easy to fill, whereas 14.35 per cent were felt the contents and conditions of the loan application are rigid and faced the difficulties in filling. However, the majority i.e., 92.60 per cent of applicants sought others help to fill the application. About 70.43 per cent of applicants getting help from employee of corporation and very few are depending on others.

➢ It is found from the present study that in the sample districts 83.91 per cent of loan applications were accepted in the first instance but 16.09 per cent of applications were delayed, of which 40.54 per cent due to financial courses, 21.62 per cent were delayed on commercial grounds, and 37.84 per cent were delayed due to technical but on the objections for delay 81.08 per cent satisfied and 18.92 per cent were not satisfied.

➢ The study reveals that 45.65 per cent of applicants were getting sanctions within one month, 50.87 per cent within 1 to 6 months and 3.48 per cent after 6 months, with respect to time taken for sanctions by the Corporation. 83.91 per cent of respondent entrepreneurs were satisfied and 16.09 per cent were not satisfied.

➢ The study shows that about 52.61 per cent of applicants were not getting the sanctions equal to the amount applied, but 47.39 per cent were being sanctioned amounts equal to amount applied. With respect to sufficiency of loan sanctions 41.30 per cent of entrepreneurs they were felt highly sufficient, 43.48 per cent felt
they were sufficient, 12.61 per cent felt they were insufficient and 2.16 per cent felt that they were highly insufficient.

- To arrest the misuse of funds by the borrowers the visits of the concerned authorities is essential, it is found from the study about visits of officials of the Corporation 93.48 per cent respondents said that the officials visited the business premises and 6.52 per cent said that the officials have not visited.

- With respect to number of times of visit it is found that about 40 per cent of entrepreneurs said that the officials visited 3 times, 33.48 per cent of respondent entrepreneurs said that the officials visited 4 times and a negligible per cent of entrepreneur felt that the officials visited either once or 2 times or 5 times.

- It is found from the study as per the opinions of the respondents that 62.61 per cent of borrowers getting disbursements in lump sum, and 37.39 per cent getting in installments. The corporation taking one month time to disburse loan in case of 61.74 per cent of borrowers, 1-2 months in case of 27.83 per cent of borrowers, 3-4 months in case of 6.52 per cent of borrowers, 5-6 months in case of 2.17 per cent of borrowers and above 6 months in case of 1.74 per cent of borrowers. Here it is interesting to note that only 12.17 per cent of entrepreneurs felt the time taken for disbursements is delay and 87.83 per cent were felt the time taken for disbursements is satisfactory.

- The study reveals that 67.86 per cent of respondent entrepreneurs say that the corporation itself is responsible for delay in disbursements, whereas in case of 32.14 per cent the borrowers responsible for delay in disbursements. The reasons for delay of disbursement are non-submission of documents is 25 per cent, non-arrangement of working capital is 21.43 per cent, delay in valuation of assets is 42.86 per cent and non-cooperation of APSFC in case of 10.71 per cent.

- The study reveals the satisfaction level of borrowers about the interest rate charged by the Corporation that 64.78 per cent of borrowers satisfied, 4.34 per cent were highly satisfied, 16.96 per cent were unsatisfied and 5.22 per cent were highly unsatisfied.

- The study shows that out of 230 borrowers of APSFC 79.13 per cent were regular in repayment and 20.87 per cent irregular in repayment. For irregular, the corporation has taken action against only 43.75 per cent of defaulters and no action taken against 56.25 per cent of borrowers. The corporation imposed
penalties on 22.92 per cent of defaulters and 77.08 per cent of defaulters were not penalized. And in the sample district about 68.26 per cent of borrowers felt that the recovery procedures of the Corporation are appropriate, whereas 31.74 per cent felt they are not appropriate.

In the sample districts of Chittoor and Nellore it is found that 94.80 per cent of entrepreneurs started the production as per schedule and 5.20 per cent were failed to start production as per schedule due to lack of working capital and labour problems.

The study reveals that 46.96 per cent of borrowers availed consultancy services from the corporation in addition to the financial services to improve the efficiency of business and management, whereas 53.04 per cent of borrowers had not availed. About the usefulness of consultancy services, majority were felt that the services were useful for the betterment of the business and only 16.67 per cent felt they were not useful.

It is found from the study 34.78 per cent sample entrepreneurs facing the financial problem due to shortage of long term loans, 37.83 per cent are facing the problem of shortage of working capital and 27.39 per cent face both the financial problems.

The present study reveals that majority of entrepreneurs i.e., 28.26 per cent are facing raw material problems due to high prices, 19.13 per cent facing problem of short supply of raw material and transportation, 18.70 per cent are facing the difficulty of non availability of raw material and 14.78 per cent of enterprises are suffering from poor quality of raw material.

It is evident from the study that in the sample districts the entrepreneurs are facing the Marketing problems also. About 33.04 per cent facing stiff competition from other MSMEs, 20.87 per cent are facing the problem of competition from large scale units, 19.56 per cent are facing difficulties with transportation, 9.57 per cent facing the problem of seasonal demand, and 10.87 per cent encountered the problem of sales promotion.

It is found from the study that the sample enterprise in the study area is facing a severe labour problem like migration of skilled labour in the case of 31.74 per cent of enterprises, 23.04 per cent of enterprises are facing the problem of scarcity of skilled labour, 22.17 per cent of sample enterprises encountered the problem of demand for high salaries, 9.57 per cent of respondents felt that the irregularity of
labour is one problem and 13.48 per cent enterprises are facing across the problem of strikes of employees.

Finally the study reveals that the select sample entrepreneurs of Chittoor and Nellore districts are facing the infrastructural problems, 20.87 per cent are facing power problems, 10.43 per cent are suffering from insufficiency of water, 18.70 per cent have the transportation problem, 12.61 per cent are facing the warehousing problems and majority of 31.74 per cent of entrepreneurs are facing the technological problems and only 5.65 per cent faced communication problems.

Null Hypothesis Results

Null Hypothesis (H₀): “No significant association exists with respect of sanctions, disbursements and recovery performance between Chittoor and Nellore APSFC Branches.”

In order to test the significant association with respect of sanctions, disbursements and recovery performance between Chittoor and Nellore districts, the t-test and f-test (ANOVA) are applied.

Result:

It is evident that there is a significant association exists between the Chittoor and Nellore districts with respects to APSFC’s sanctions, disbursements and recovery performance. Hence, the null hypothesis is rejected.

Null Hypothesis (H₀): “No significant relationship exits with regard to problems of MSMEs between the sample districts of Chittoor and Nellore.”

In order to test the existence of significant relationship between the sample districts of Chittoor and Nellore with respects to problems of MSMEs, 5 variables are tested by using the chi-square.

Result:

It is evident that 3 out of 5 variables are not significant in testing relationship between the sample districts with respect to MSMEs problems. Hence, the formulated null hypothesis is accepted.
Null Hypothesis (H₀): "No significant association exists between the sample entrepreneurs of Chittoor and Nellore districts with respect of socio-economic conditions."

In order to test the existence of significant association between the sample entrepreneurs of Chittoor and Nellore districts with respect of socio-economic conditions, the chi-square test is used.

Result:

It is evident that significant association exists between the sample entrepreneurs of Chittoor and Nellore districts with respect of socio-economic conditions, 8 of 15 variables got significant association. Hence, the formulated null hypothesis is rejected.

From the above details about the sample respondents of the sample districts of Chittoor and Nellore who obtained financial assistance from the Andhra Pradesh State Financial Corporation, it is concluded that majority of the sample respondents in the sample districts were satisfied about the quality of service rendered by the Corporation. It is also clear that the Corporation's performance in terms of disbursements, sanctions and recovery of loans at state level as well as in the sample districts was greatly improved during period of study.

Suggestions

On the basis of various findings of the present study about the role Andhra Pradesh State Financial Corporation in promoting the Micro, Small and Medium Enterprises in the districts of Chittoor and Nellore made in the preceding discussions, an attempt is made here to offer some appropriate suggestions which are expected to be useful in strengthening the MSMEs in all respects in the sample districts of Chittoor and Nellore in particular and in the state of Andhra Pradesh in general. Only by fulfilling the legitimate formalities of the Corporation the customer may avail best possible services. It is, therefore, most important to take appropriate steps to see that both the Corporation and the borrowers should reach their predetermined goal in the present competitive industrial environment. In the following pages some practicable suggestions are offered to improve MSMEs through continuous services of the Andhra Pradesh State Financial Corporation.
It is suggested that the government of Andhra Pradesh has to take necessary steps to make changes in the present capital structure and also the individual investors should be encouraged by giving appropriate security for the investment from the side of the government to improve the current weak capital structure of Andhra Pradesh State Financial Corporation when compared to other developmental financial institutions.

To reduce the growing pending disbursements of the corporation, it is suggested that the APSFC should liberalize the disbursement formalities and to frame customer friendly terms and conditions.

To improve the recovery performance of the corporation it is suggested that the officials of the Corporation should visit the business premises frequently and motivate the customers to make regular payments. It is also suggested that the Corporation should provide interest rebates on repayments of weak business enterprises.

The government of India should take necessary measures to encourage MSMEs through the steps like liberalizing the terms and conditions of registration of an enterprise, procedures applicable to MSMEs and also adopt stringent measures against large scale enterprises encroaching into the business operations which were exclusively reserved for the MSMEs.

It is suggested that the government has to take necessary steps to maintain a comfortable business environment and reduce the unrest in the state to encourage investment and employment opportunities in MSMEs. And also the planners and administrators should make necessary policies and initiate programmes which encourage the MSMEs to a great extent.

It is true that in the rural economy the sole proprietary enterprises play a vital role in the creation of employment and exploitation of resources. Hence, it is suggested that the Corporation should encourage the sole proprietary enterprises along with other forms of organizations by providing liberalized financial and other assistance required by the MSMEs.

The primary objective of APSFC is balanced regional development of the state through its financial service. Hence, it is recommended that the Corporation should concentrate on backward districts of all the 3 regions of the state while providing financial assistance.
- It is advised based on the prevailing conditions of the district in the state that the corporation has to frame the policies liberally which encourages the entrepreneurs in the backward districts.

- The Andhra Pradesh State Financial Corporation should adopt appropriate and customer friendly recovery procedures to improve the recovery performance as well as the profitability conditions.

- It is recommended that the APSFC should invest in high interest earning marketable securities to maintain a consistent growth of assets.

- It is suggested to reduce the pending disbursements. Necessary steps are to be initiated by the Corporation like liberalization of terms and conditions of disbursements, minimizing the margin money, security documents, etc.

- It is suggested that the corporation should adopt customer friendly recovery procedure like interest rebates, interest waiver policies, and one time settlement policies to improve the recovery performance of both the branches of Tirupati and Nellore in the sample districts.

- The Corporation may try to motivate the borrowers to repay the loan amount by implementing attractive new schemes like rebate on interest or special discount for effective loan repayment etc.

- It is suggested that the corporation should take necessary steps to increase volume of financial assistance to different types of operational industries like food, agro and paper based, mineral based, plastic based engineering/steel, hospital/diagnostic centre, tourism based and other industries. Because the present allocation of loans is insignificant.

- It is important to point out also suggested that as per the sample entrepreneur's opinion that the rate of interest is high in APSFC when compared to the commercial banks. Hence, the corporation may try to reduce the rate of interest that would be beneficial to the MSMEs.

- The corporation's percentage of loan sanctions to MSMEs declined in 2010-11 when compared to 2007-08. Therefore, it is advised that the APSFC shall need to increase the sanctions to Micro, Small and Medium enterprises to achieve the targets of large scale employment generation, increase the share of exports, etc.
The percentage of disbursement amount declined during the study period in the select sample districts of Chittoor and Nellore. Hence, it is suggested that the concerned branches of the Corporation should increase and make available large loan amounts to disburse to MSMEs.

The recovery of principal and interest in the sample districts' branches of Tirupati and Nellore were satisfactory during the period of study, but the pending of recoveries has been mounting over a period of time due to intentional defaults of the customers. Hence, it is suggested that the APSFC branches of Tirupati and Nellore should reduce the loan recovery pending by providing incentives like interest waivers, rebates, onetime settlement, etc.

To develop and improve the performance of the borrower MSMEs, the APSFC needs to organize regularly entrepreneur development and training programmes, update them from time to time due to changing technologies in the competitive business world.

It is recommended that the sample enterprises should maintain their capital structure effectively and increase the volume of reserves & surplus. And also the sample enterprises should maintain the volume of industrial growth in Fixed Assets consistently. Particularly the sample enterprises should invest more funds in productive assets than in non-productive assets.

The awareness about the activities/schemes and objectives of the APFC in the study area is not up to the satisfactory level. Therefore, it is suggested that the Corporation should initiate awareness and training programmes on a large scale through attractive methods like advertisements in print and electronic media, mass campaigning, etc.

At present some of the sample borrowers of the Corporation felt that the time taken by the APSFC is too long for sanctions and disbursements. Hence, it is suggested that the Corporation should reduce the length of time while providing its services to the customers.

To tackle the problems of misuse of sanctioned loans by the borrowers, it is suggested that officials of concerned branches of the Corporation should make frequent visits to the business premises of MSMEs before and after disbursement of the loan.
In the present study some of the sample borrower entrepreneurs felt the application processing procedures and contents of the application are stringent and difficult to fill. Therefore, it is suggested that procedure of application processing should be simplified and the too many contents/columns of the application should be reduced for loan sanction and also the APSFC should quickly disburse the sanctioned loan amount to the MSMEs to improve their financial conditions.

It is suggested that the Andhra Pradesh State Financial Corporation at state level as well in the sample branch level should increase the loan repayment period to a maximum extent, because some of the sample borrowers felt that the repayment period is not sufficient due to long gestation period of their business ventures.

It is suggested to introduce new innovative and attractive financial schemes by the government as well the Corporation to motivate the new entrepreneurs to establish enterprises in large number.

It is suggested that the government and electricity department should supply power continuously to the sample enterprises to increase their production and also to reach a high growth rate of employment generation.

To promote the exports of Micro, Small, and Medium enterprises products and increase employment generation, the government may provide special subsidies to MSMEs to promote the exports and to improve the foreign exchange conditions of nation.

It is suggested that the corporation has to reduce the borrowings from other institutions by increasing the share capital of individual investors for better functioning of the corporation and to cater to the financial needs of MSMEs.

The government of India should increase its plan allocation at least to 5 per cent of total outlay to MSMEs because of the importance and the role played by the MSMEs in nation building by providing employment opportunities on a large scale and exploitation of rural economies natural resources. However, the present study reveals that the share of MSMEs allocation in five year plan is below 1.00 per cent.
It is suggested that the APSPC should improve the sanctions and disbursements to transport units also as the present study observes that the sanctions to transport units were very low than the other categories of enterprise in the state of Andhra Pradesh.

The present study reveals that the Corporation sanctions were more in the Telangana region in the state of Andhra Pradesh than that of Coastal Andhra and Rayalaseema regions, therefore, it is recommended that the Corporation should adopt regional balancing policies in its sanctions of financial assistance for the balanced growth and development of industrial sector in the state.

It is recommended that the Govt. to formulate innovative policies and schemes of financial assistance to encourage the young entrepreneurs in the state because in the study area majority of entrepreneurs are above 40 years aged.

It is suggested that the Corporation as well the government should make necessary policies and reservations to encourage the SC, ST community entrepreneurs. Because in the present study are very less number of SC, ST entrepreneurs were availed the financial assistance of the corporation due to their neglected social status in the society.

It is recommended that the necessary steps should be taken by the government of Andhra Pradesh to create essential infrastructure facilities like, road, buildings, power, water, communication, warehousing, transportation, etc., in the state as well as in the sample districts to encourage entrepreneurial culture to a great extent.

It is recommended that the Corporation should extend consultancy services in addition to the financial assistance in the areas of managerial activities, science and technology, financial management, marketing, etc., to improve the financial and operational performance of the MSMEs in the sample districts.

It is advised that the Corporation or the government should take necessary steps on demand of MSMEs to arrange the raw material supply continuously, because some of the sample enterprises failed to meet the market due to non availability of qualitative raw material on time.

Distributional network of MSMEs in the state needs to be streamlined with processing of orders, sales promotion techniques to improve the product quality, packing and design to reach the customer. Gifts and Freebies during
festive seasons, seasonal discounts also need to be provided to customers as a part of trade promotion scheme of the MSMEs.

- Most of the Micro, Small and Medium Enterprises have been set up to avail certain concessions such as capital subsidy, tax relief etc., provided by the governments. It is dire need of the present day competitive business environment to get a change in entrepreneurial mindset and attitude through awareness programmes by District Industry Centres, Banks, and other funding agencies.

- It is advised that the sample enterprises should invest considerable amount of funds in Current assets to maintain a comfortable liquidity position in both the sample districts.

- It is recommended that the sample enterprises of Chittoor and Nellore districts should maintain a consistent growth in sales and inventory investments to maintain a comfortable stock turnover ratio.

- Uninterrupted power supply can be assured to Micro, Small and Medium Enterprises by the government to encourage entrepreneurial activities on a large scale by bringing power sector reforms wherein private sector is allowed to set up mini hydel and solar power plants.

- It is advised that the government and the APSFC should motivate the entrepreneurs in the state through their attractive schemes and policies and also the facilities required to start the business operations as per schedule.

- It is suggested that the governments should initiate special schemes relating to technology up-gradation, product design and development by insisting that the universities, technical consultancy agencies should enable MSMEs to undertake growth & diversification thereby minimizing chances of sickness.

- It is suggested that the APSFC should accept majority of the loan applications as early as possible in the first instance because the delay in sanctions results in losing of opportunities in a market. Besides, the corporation should sanction an amount equal to the amount of loan applied for by the MSMEs Entrepreneurs. Because considerable number of entrepreneurs are not getting the loan equal to the amount applied.
It is recommended that the funding agencies should initiate speedily and timely implementation of Debit Restructuring Mechanism, One-Time Settlement Scheme for chronic NPAs of MSMEs, monitoring of timely sanction of working capital of units which have been provided term loans by the APSFC, implementation of special schemes such as Margin Money Scheme of SIDBI, to reduce the degree of sickness in the MSMEs. Based on the data furnished by borrower MSMEs the Corporation should help in early settlement of dues and rehabilitation of sick units.

It is suggested that the executives and staff of the corporation should change the attitude towards the customers while extending financial assistance. This is because a number of loan applications were delayed due to the negative or bureaucratic attitude of the employees of the Corporation.

In the present study it is found that the shortfall in the amount of sanctions and disbursements is reported due to the burdensome procedures, non cooperative attitude of Corporation staff, high transaction costs and high collateral requirements. Therefore, the Corporation suggested that it should allow liberal, transparent & comprehensive financial procedures that will help in bringing operational flexibility & responsiveness, reducing transaction costs, providing rehabilitation facilities for potentially viable sick MSMEs in the state.

It is advised that the MSMEs entrepreneurs require attitudinal change of procedural formalities in time, monitoring progress of their units and keeping hands off from all the fraudulent practices to get sufficient funds for expansion, diversification and repayment of borrowed funds.

It is recommended that the funding agencies in general and the APSFC in particular adopt a flexible cheap credit lending policy in accordance with performance and requirements of MSMEs in the state.

It is the prime responsibility of the funding agencies that availability & accessibility of financial information regarding financing alternatives, processes of capital acquisition and preparation of materials must be disclosed to MSMEs entrepreneurs.
It is recommended that the government should establish an apex financial institution for translating industrial development programmes of Micro, Small and Medium Enterprises into reality and to coordinate and assist the funding agencies which facilitate the MSMEs. The growth and development of MSMEs is essential to speed up the pace of economic development. In the present study areas of Chittoor and Nellore district the MSMEs function satisfactorily by providing large scale employment opportunities and exploiting the natural resources appropriately. The Andhra Pradesh State Financial Corporation is also rendering financial services for the growth and development of Micro, Small and Medium Enterprise in the state of Andhra Pradesh as well as in the sample districts through its branches of Tirupati and Nellore during the present period of research investigation. The findings and suggestions offered here are practicable. If they are implemented by the planners and administrators carefully, that will improve the financial and operational performance of the Micro, Small and Medium Enterprises in the country.