

**GOVERNMENT OF INDIA  
FINANCE AND COMPANY AFFAIRS  
LOK SABHA**

UNSTARRED QUESTION NO:5038  
ANSWERED ON:20.12.2002  
AMENDMENTS IN STATE FINANCIAL CORPORATION  
BALIRAM

**Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:**

(a) whether the Government have taken any steps for implementation of comprehensive amendments in State Financial Corporation (SFC) Act, 1951 enacted in the year 2000 with the views to enlarging capital base, allowing functional autonomy and operational flexibility to State Financial Corporations in the country to forge ahead viably to meet the challenges of massive liberalization and globalization; and

(b) if so, the steps taken so far for implementation of such amendments?

**Answer**

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANDRAO VITHOBA ADSUL):

(a) and (b) The State Financial Corporations (SFCs) (Amendment) Act, 2000 inter-alia envisages functional autonomy and operational flexibility of SFCs by enhancing their authorized capital to Rs. 500 crores which can be further enhanced upto Rs. 1000 crores by the State Government on the recommendations of Small Industries Development Bank of India (SIDBI). The Act also provides for issue of share capital upto 49% of the equity capital to the Public. SIDBI has reported that some of the SFCs have already enhanced the authorized share capital and few others have approached the respective State Governments in the matter. Under the Amended Act, all the restrictions on issue of bonds, sale of debentures and borrowing of money including deposits of SFCs stand removed. The Board of SFCs have been given freedom to decide on the borrowing of SFCs from any person and decide on the terms and conditions on which such borrowings are made. SFCs being State entities and the State Governments being major stakeholders, the State Governments and SFCs are reported making use of the amendments carried out in the SFCs Act, 1951.