

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

STARRED QUESTION NO:456
ANSWERED ON:20.12.2002
STATE FINANCIAL CORPORATIONS
ARUN KUMAR

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

- (a) whether the Government have any plan to allow State Financial Corporations (SFCs) to do banking business to generate low cost funds in order to increase its profitability and to meet the challenges of present business environment;
- (b) whether the Government propose to allow SFCs to extend Working Capital` finance to its borrowers without cap to check born sickness of industrial units;
- (c) if so, the steps taken to allow the SFCs to be managed by professionals like banks and other Financial Institutions to avoid political interference; and
- (d) the steps taken for increase in the `Supplementary Budgetary Allocation of Fund` during the year 2002-2003 for all SFCs?

Answer

THE MINISTER OF FINANCE AND COMPANY AFFAIRS (SHRI JASWANT SINGH):

(a) No, Sir.

(b) State Financial Corporations (SFCs) are providing assistance to industrial concerns in the small-scale sector to part finance the working capital to enable the units to commence operations immediately after implementation of the project. The working capital term loan is in the nature of start up and is extended by SFCs till the unit arranges for regular tie-up with the commercial bank for working capital finance.

(c) The provisions in the SFCs Act, 1951 relating to composition of Board of Directors of SFCs were amended in the year 2000 which provided for a maximum of 12 directors, out of which 2 directors each would be nominated by the State Government, SIDBI, Public Sector Banks, Life Insurance Corporation of India etc., One of the Directors to be nominated by the State Government shall be a person who has special knowledge of or experience in small scale industry. The Act also provides for election of upto 4 Directors by shareholders. The amended Act also facilitates SFCs to broad base their Boards by co-opting upto 4 Directors, if the number of Directors elected by the shareholders are less than four.

(d) SFCs being State entities, no provision has been made for SFCs in the Union Budget for the year 2002-03.