

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:676
ANSWERED ON:05.12.2003
STATE FINANCE CORPORATES
VILAS BABURAO MUTTEMWAR

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government propose to revitalize the State Financial Corporations by reducing the outstanding loans by 2% and giving a rebate of 2% in rate of interest provided by the Small industries Development Bank of India (SIDBI);
- (b) if so, the names of the State financial corporations to be extended the proposed assistance and the extent to which these financial corporations are likely to improve their financial position;
- (c) the total amount of loans provided by the SIDBI to these financial corporations during each of the last three years; and
- (d) the concrete steps have been taken by the State financial corporations to recover the loans given by them to the small scale industries?

Answer

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

(a) With a view to revitalize the working of the State Financial Corporations (SFCs), the Government in consultation with Small Industries Development Bank of India (SIDBI) has formulated a financial package for State Financial Corporations. The Package envisages that those SFCs which would enter into a Memorandum of Understanding (MoU) with SIDBI along with the respective State Governments would be eligible for following reliefs/ concessions:

- (1) Reduction in the rate of interest on outstanding refinance/Line of Credit by 2% p.a.
- (2) A Rebate of 2% in the Rate of Interest for all future refinance/Line of Credit; and
- (3) A Moratorium of One year for Repayment of existing dues.

(b) SIDBI has reported that so far the SFCs of Karnataka, Andhra Pradesh and Kerala have entered into MoU with SIDBI along with the respective State Governments. The SFCs of West Bengal and Rajasthan have also shown their willingness to sign the MoU. It is expected that the above restructuring of refinance portfolio of SIDBI for SFCs would improve their viability and overall functioning.

(c) The position of loans provided by SIDBI to the above SFCs for the last three years is as follows:

(Rs. in crore)

Name of the SFC	Disbursements		
	FY 2001	FY 2002	FY 2003

APSEFC	115.00	95.00	105.00
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KFC	79.00	70.00	16.30
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KSFC	193.42	148.46	141.58
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RFC	72.36	50.00	50.00
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WBFC	16.69	32.87	18.16
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(d) SFCs have, inter-alia, been taking following steps to recover the loans:

(i) Need based package of reliefs and concessions to potentially viable sick SSI Units assisted by them.

(ii) SFCs have been resorting to legal recourse u/s 30 to 32G as also seizure of units u/s 29 of SFCs Act when all other efforts to recover their dues do not yield desired results; and

(iii) One Time Settlement.