

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2694
ANSWERED ON:19.12.2003
RESTRUCTURING OF STATE FINANCE CORPORATION
CHINTAMAN NAVSHA WANAGA

Will the Minister of FINANCE be pleased to state:

- (a) whether a review of the State Finance Commissions operations for 2000-2005 and the need for restructuring thereof was undertaken by the Gupta Commission;
- (b) if so, the details thereof;
- (c) whether Government of Maharashtra has made request for restructuring the Maharashtra State Finance Commission; and
- (d) if so, the steps taken/proposed to be taken by the Government in this regard?

Answer

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

- (a) and (b) A Committee headed by Shri G.P. Gupta, the then Chairman & Managing Director, IDBI looked into the functioning of State Financial Corporations (SFCs) and submitted a report recommending, inter-alia, financial, operational and organizational restructuring of SFCs.
- (c) Government of Maharashtra had requested the Central Government to accept the recommendations of Gupta Committee.
- (d) The Report was sent to various State Financial Corporations (SFCs) for taking immediate action on 35 recommendations that do not involve any financial support, such as, operational and organizational restructuring. Being the state entities, the State Governments are the principal stakeholders in the SFCs. Hence, they are expected to consider steps for improving the performance and recapitalisation of SFCs. State Governments have been suggested that in order to attract long term refinance 5c from Financial Institutions, SFCs should improve recovery of their NPAs and re-establish their financial viability. State Governments have also been suggested to consider recapitalising their respective SFCs on the lines of Gupta Committee recommendations. However, keeping in view the importance of the SFCs, especially, for the SSI Sector, in various states the Government in consultation with Small Industries Development Bank of India (SIDBI) has recently formulated a financial package for revitalization of the SFCs. The Package envisages that those SFCs which 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.