

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:4178  
ANSWERED ON:18.08.2000  
DICGC  
SULTAN SALAHUDDIN OWAISI

**Will the Minister of FINANCE be pleased to state:**

- (a) whether most of the State Financial Corporations in the country have ceased their operation with Deposit Insurance Credit Guarantee Corporation on account of high premium, low coverage and unsatisfactory services;
- (b) if so, whether the expert committee set up by the Union Government/iDBI has recommended abolition of the present scheme of DICGC and making it user friendly through SIDBI ; and
- (c) if so, whether any steps have been taken by the Government to over come the problem and operate the scheme through SIDBI ?

**Answer**

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRIBALASAHEB VIKHE PATIL):

(a) Deposit Insurance and Credit Guarantee Corporation (DICGC) has reported that there were 22 State Financial Corporations (SFCs) which participated in their schemes and all of them have since withdrawn from the schemes. While a few SFCs did not pay premium and therefore ceased to be participants without giving any reasons, a few others opted out of the schemes citing reasons such as setting up of their own reserves, in place of credit guarantee support, relieving the borrowing concerns of extra financial burden arising from passing on the guarantee fee, hiking of guarantee fee from April, 1989 by DICGC for all advances uniformly etc.

(b) and (c) On examination of existing DICGC scheme and problems faced by SSI entrepreneurs in availing bank credit, a high level committee was set up by the Reserve Bank of India (RBI). The Committee in its report submitted in June, 1998 had, inter-alia, recommended that the existing DICGC scheme be replaced by more objective and suitable scheme to be operated by a new corporation and RBI should take initiative for setting it up in SIDBI. Government of India in the Ministry of SSI & ARI have taken initiatives to operationalise a new credit Guarantee Fund (scheme) for Small Industries (CGFSI). The CGFSI is being operationalised through a Credit Guarantee Fund Trust for small Industries jointly setup by Government and SIDBI, which has already been registered at Mumbai on July 27, 2000.