

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:2440  
ANSWERED ON:23.07.2004  
STATE FINANCE CORPORATIONS  
Choudhary Shri Nikhil Kumar;Kamat Shri Gurudas

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

- (a) whether Gupta Committee was set up for review and restructuring of State Finance Corporations;
- (b) if so, the details of the recommendations of that Committee;
- (c) the action taken by the Government thereon and further steps taken by the Government for improving the performance of State Finance Corporations;
- (d) whether the Government has received request from State Governments particularly from Maharashtra and Bihar for the restructuring of State Finance Corporations;
- (e) if so, the details thereof, State-wise; and
- (f) the response of the Government thereto?

**Answer**

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S PALANIMANICKAM)

(a) & (d) . The G.P. Gupta Committee was set up for review and restructuring of State Finance Corporations (SFCs). The Committee has made recommendations for operational, financial and organisational restructuring of SFCs. The Committee has, inter-alia, recommended recapitalisation, amounting to Rs.3,600 crore which can be shared by Central Government, Reserve Bank of India (RBI), Industrial Development Bank of India (IDBI), Small Industries Development Bank of India (SIDBI) and State Governments to be linked to reforms on the operations of SFCs. The details of other recommendations are given in the Annexure.

(c): The report has been sent to various SFCs for taking immediate action on recommendations relating to operation and organizational restructuring to improve performance of SFCs.

(d) to (f) : Some of the State Governments have requested for restructuring of SFCs. The Govt. and RBI are not the stakeholders of SFCs and are not in a position to provide any fund. However, the role of SFCs in ensuring adequate flow of credit to SSI Sector, Government and SIDBI have formulated a package for revitalization and restructuring consisting of reliefs and concessions to SFCs. The concessions are reduction in rate of interest by 2% on all outstanding as well as future finance and moratorium of one year for repayment of existing dues. As per the conditions of the package, Memorandum of Undertaking (MoU) is to be signed by SFCs. So far, 9 SFCs have entered into MoU. SFCs in Maharashtra and Bihar have not signed the said MOU with SIDBI to avail the concessions and reliefs.