

E.D.M

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Class:- Diploma 6th sem (Mech+Auto)

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Topic:- State Financial Corporations (SFCs)

Functions of State Finance Corporations:-

The various important functions of State Finance Corporations are:

(i) The SFCs provides loans mainly for the acquisition of fixed assets like land, building, plant, and machinery.

(ii) The SFCs help financial assistance to industrial units whose paid-up capital and reserves do not exceed Rs. 3 crore (or such higher limit up to Rs. 30 crores as may be notified by the central government).

(iii) The SFCs underwrite new stocks, shares, debentures etc., of industrial units.

(iv) The SFCs grant guarantee loans raised in the capital market by scheduled banks, industrial concerns, and state co-operative banks to be repayable within 20 years.

Working of SFCs:-

The Indian government passed the State Financial Corporation Act in 1951. It is applicable to all the States.

The authorized Capital of a State Financial Corporation should be within the minimum and maximum limits of Rs. 50 lakhs and Rs. 5 crores which are fixed by the State government.

It is divided into shares of equal value which were acquired by the respective State Governments, the Reserve Bank of India, scheduled banks, co-operative banks, other financial institutions such as insurance companies, investment trusts, and private parties.

The State Government guarantees the shares of SFCs. The SFCs can augment its fund through issue and sale of bonds and debentures also, which should not exceed five times the capital and reserves at Rs. 10 Lakh.

Problems of State Financial Corporations

No Independent Organization

All SFCs are dependent upon the rules and regulations made by the state government.

SFCs' problem is that all decision of these institutions is dependent on the political environment of the state.

Due to this, the loan is not available at the right time for the right person.

Corruption

Like other government offices of our country, we can also see the evil of corruption in state financial corporation.

Hoarding of wealth and money, SFCs' officer object has become to earn by a good or bad way.

That is the problem that these institutions have no proper transparency like banks.

Effect of the World Bank and WTO Policies

Approx. all SFCs in India is tied up with World Bank and WTO agreement.

Due to this, these institutions' decisions are influenced by the World Bank and WTO policies.

World Bank can easily pressurize for accepting his policies. It may also influence the Indian small scale industry adversely.

Briefly define various prospects of SFCs?

Special Help to Women Entrepreneurs: Various state financial corporations like Delhi SFC have state new scheme for helping women entrepreneurs who want to establish their new business in India. This is a very innovative prospect of State financial corporation for the development of women.

Highest loan provider for small scale industry: It is also a good prospect of SFCs that these institutions have provided more than Rs. 6300 crore loan to small scale industry in 2010.

Industrial research: Since establishing SFCI in 1951, SFCs are working for a long period of 59 years in India. So, these financial institutions have a wide range of industrial information. A new entrepreneur can start their industrial research by contacting these institutions if he wants to establish a new business.