Chapter: 1 Profile of the GSFC

1.1. Introduction:

The present thesis is an attempt to describe and discuss the financial performance of GSFC in economic growth of Gujarat state. The thesis focuses on profitability and financial position of the GSFC. With view to analyze the role GSFC it is essential to know details and what growth has taken place with role played by financial intermediaries.

1.2. Economic Scenario and Role of Industrial Finance:

India lives in villages and rural development can be seen in two ways 1) development in rural areas and 2) development of rural areas. Development of rural people may be another potent factor of economic growth. It is agreed beyond doubt that no development can take place in India or for that matter in any state unless rural areas are developed. In spite of more than fifty years of economic growth since 1947 rural India has not significantly developed. Infect rural India is in distress and pain. The economy of Gujarat is in no way better than rural economy of India. The dream of Gandhi to make villages self-reliant has not been realized. It is villages where most of poor, illiterate, sick and helpless people of India live.
It is true that India is a poor country because crores of people do not have adequate food, clothing, housing, education, health, security, self-respect all of which in an integrated manner lead to present day economic development.

Looking to general situation of Indian economy the economic scenario stands divided into two parts.

1) India during Pre – Planning period and
2) India during Post – Planning period

1.2.1. **India during Pre – Planning Period:**

The Indian economy during the pre-planning period especially before independence was having the prominent characteristics of an under developed economy. The economy had less economic growth during the British rule because the government’s interest was in protecting and promoting British interests and did not pay attention to the advancement of welfare of Indian people. The government’s priority was with maintaining law and order, defenses and tax collections.

The growth of the Indian Economy during the British reign was moving towards the stagnation. Even before the British started ruling India there was market slowdown in the economy’s growth. It has been observed that even before the British rule the economy was characterized by the high degree of income inequality and there was consumption of luxurious items by the wealthy class of the society. It was seen that the surplus instead of being invested for creating surplus for future economic development was used for consumption of luxurious items. The wealthy class accumulated gold and silver and this led to the slowdown in the economics development of the country.
After the industrial revolution in England, the British became interested in the India because India was a market for selling their products as well as a market for getting raw material for their products. So, the British were more interested in converting India into a market for British manufactured goods and hence they sapped India’s own manufacturing and converted India into an agricultural economy. Public investment in irrigation, road, education and other development oriented infrastructure was very limited. The overall economic growth of the country was neglected and hence the economy was going towards a state of stagnation. This was the result of India being politically and economically subordinated to British.

Even on the agricultural front not much capital was allocated for production. Nearly, 85 percent of the population lived in villages and derived their live hood from agriculture and allied activities using traditional and low productivity techniques. The relative income in the agricultural sector was for less as compared to the non–agricultural sector and the output was inadequate to provide a decent standard of living to the entire agricultural population. The people in India had the world’s lowest life expectancy and were largely illiterate.

Prior to 1850 there were no modern factories in India. The two world wars were responsible for setting up of factories in India. During the British rule not much investment took place as the production surplus was utilized by the privileged rich class who spent the surplus in consuming luxurious items and hording precious stones, gold and silver. Capital formation was inadequate to bring about rapid managed to extracting various charges and high commissions and exploited the companies under their management. This also led to an economic slowdown because potential investors were shying away. Few Indian entrepreneurs started using managing agency system and only some industries such as
jute, cement, paper, iron and steel were started. Britishers were against establishing heavy basic industries in India because it would have a heavy capital base and would lead to industrialization which would accelerate economic development in India. Indian entrepreneurs were also thinking twice before starting heavy industries as they not given due support and facilities by the British Government. Moreover, setting up heavy industries would involve huge investments and hence the risk was high and along with it the gestation period for profit generation was also long.

If one was to characterize the pre – independence industrial finance in India then first important characteristic is the closed circle character of industrial entrepreneurship which meant that there was concentration of power in the hands of a few entrepreneurs who were already established. Hence opportunities for new entrepreneurs were restricted. Secondly, the industrial securities market was not developed and locked issuing institutions. Also there was dearth of intermediary financial institutions which would provide long – term financing to industry. Such a financial system was not capable of sustaining the rapid industrial growth.

Independent India attained an impoverished economy but it also got some inheritances like a well-developed transport system, central bank and administrative system and reasonable foreign exchange reserves.

1.2.2. India during Post – Planning period:

Since 1947 industrial progress was the focal point for the government. A planned and conscious effort was made towards industrialization. Indian planning is based on the acceptance of a mixed economic system in which the public and private sectors have generally complementary roles to play. The introduction of planning has important implications for the financial system. Economic progress of India started
with the formulation of industrial policy resolution of 1948 followed by another in 1956 which gave a clear direction for industrialization. Industrial plans being a part of the five year plans have been implemented and investment has been evidenced in creating capacities in heavy industries. The objective of the plan was the rapid industrialization and hence the task of the industrial financing organizations would be a) to get from the economy a rising share of their saving for industrial development and b) to ensure its optimal allocation as per the planned priorities within the industrial sector.

In order to solve this problem the government created specialized industrial financing institutions and these institutions helped by directing the capital to the priority sectors of the economy. They also helped in developing private industry and in encouraging the entry of new entrepreneurs. This led to dilution of control in the hands of few industrialists. The significance of special financial institutions has increased since the second five year plan and a wide range of new institutions have also been established.

The emphasis of the second five year plan was on developing basic, heavy and capital goods industries with the objective of self-reliance. During this period there steel plants in Rourkala, Bhilai and Durgapur were set up. Moreover, expansion was done in the Hindustan Machine Tools, Sindri Fertilizers Factory, Chittaranjan Locomotive works. There was also progress in manufacturing of machinery used in the manufacturing of cotton textiles, jute manufacturing, cement manufacturing, etc.

Third five year plan also focused on power, transport and developments in technical and industrial fields. Then there were the three annual plans and the succeeding five year plans. But the focus was always on making the economy self-
reliant with emphasis on the public sector for the development of the core industries of the economy. Moreover, the medium, small and cottage industries were also given due importance in the plans because the planners wanted to have a balanced of development and no concentration of power in fewer hands. The objective was on developing indigenous technology and import substation to see that the exports from the economy increased. Moreover, providing employment, providing drinking water, providing education and such other issues were also a priority when planning was resorted.

India has made remarkable progress in capital goods industries and in fact started exporting capital goods not only to a number of developing countries, but also to developed countries. Substantial production capacity has been created in capital goods industries like metallurgical industries, chemical industries, petrochemical industries, medium, and heavy engineering machinery, etc.

Since independence, India has allocated nearly half of the total outlay of the five year plans for infrastructural development. Much of the total outlay was spent on large projects in the area of irrigation, energy, transport, communication and social overheads. The development of infrastructure was completely in the hands of public sector and it’s suffered from evils such as corruption and bureaucratic red tapism.

There has been an emergence of a dynamic entrepreneurial class and spread of industries away from the traditional locations. Most of the pre – independence enterprises owned by foreign firms have gradually passed on to the Indian entrepreneurs. Along with this there has also been an increase in indigenous enterprises. Business houses like the Birla’s, Tata’s who were there even during the pre – independence period have grown and they have diversified their activities. New
Business houses have come up and they have shown good growth. But the pattern of ownership has been highly concentrated. The government since independence has emphasized that a balanced regional growth takes place and new places like Pune, Hyderabad, Bhilai, Bokaro, Bangalore etc., have been developed. There has been an increase in the GDP. The table below gives the relative rate of growth of GDP.

Table showing growth rate of GDP in India

<table>
<thead>
<tr>
<th>Period (Year Starting From April)</th>
<th>GDP Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950 – 52 To 1960 – 62</td>
<td>3.9 %</td>
</tr>
<tr>
<td>1960 – 62 To 1970 – 72</td>
<td>3.5 %</td>
</tr>
<tr>
<td>1970 – 72 To 1980 – 82</td>
<td>3.5 %</td>
</tr>
<tr>
<td>1980 – 82 To 1990 – 92</td>
<td>5.6 %</td>
</tr>
<tr>
<td>1990 – 92 To 2000 – 02</td>
<td>5.6 %</td>
</tr>
<tr>
<td>2000 – 02 To 2010 – 12</td>
<td>6.1 %</td>
</tr>
</tbody>
</table>

Source: the Cambridge Economic History of India – Vol. – II.

The Indian economy adopted the liberalization, Privatization and Globalization path from 1991 onwards and the major objectives were; (1) to eliminate or reduce controls on production, capacity creation and prices to let market forces influence investment and operational decisions; (2) to allow international competitions; (3) to reduce the preserve of state agencies in production and trading activities; (4) to liberalize the financial sector by bringing down controls on the banking system and allowing the foreign firms enter Indian financial sector.
During post liberalization, Indian private sector was faced by the threat of cheaper products and hence it started cost cutting, management revamping, focusing on designing new products and using low cost technology. Thus, Indian economy is now growing at a constant pace and is one of the leading economies of the world with respect to investment. This can be seen from the growth that has taken place in the investments made by the Foreign Institutional Investors (FIIs) and also the growth in the Foreign Direct Investment (FDI). India has become an economy which is constantly being watched by other development economies of the world because of the progress made by India during post 1991 period.

1.3. **Indian Financial System:**

The Indian Financial System which refers to the borrowing and lending of funds or demand for and supply of funds, consists of two parts, viz., the Indian Money Market and the Indian Capital Market.¹

The Indian Money Market is the market in which short – term funds are borrowed and lend. The Capital Market in India on other hand is the market for medium – term and long – term funds.

1.3.1. **Money Market:**

The Indian money market consists of two parts; the unorganized sector and organized sector. The unorganized sector consists of indigenous bankers who purpose the banking business on traditional lines and Non – Banking Financial Companies (NBFCs). The organized sector comprises the Reserve Bank, the 20 nationalized banks and private sector banks, both Indian and foreign.
The organized money market in India has a number of sub-markets such as the treasury bills market, the commercial bills market and the inter-bank call market.

The Indian money market is not a single homogeneous market but is composed of several sub-markets, each one of which deals in a particular type of short-term credit.

1.3.2. Capital Market:

The Indian capital market is the market for long-term capital; it refers to all the facilities and institutional arrangements for borrowing and lending “term funds” – medium term and long term funds. The demand for long term money capital comes predominantly from private and public manufacturing industries, trading and transport units, etc. The central and state governments raise substantial amounts from the capital market. The supply of funds for the capital market comes largely from individual savers, corporate savers, commercial banks, insurance companies, public provident funds and other specified agencies. The capital market in India can be classified in the following chart.
Chart 1.1 Organisational Structure of Capital Market

* Industrial Credit and Investment Corporation of India (ICICI) was merged with ICICI Bank in 2002 and ceased to be a development finance institution.
** The Industrial Reconstruction Bank of India (IRBI) was set up in 1985 but was renamed as Industrial Investment Bank of India in 1997.
Notes: 1) Figures in brackets under respective institutions indicate the year of establishment or incorporation. 2) Figures in the brackets State Financial Institutions (SFCs) / State Industrial Development Corporations (SIDCs) indicate the number of institutions in the category.

The demand long term money capital comes predominantly from private sector manufacturing industries and agriculture and from the government largely for the purpose of economic development. As the central and State governments are investing not only on economic overheads as transport, irrigation and power development but also on basic industries and sometimes even consumer goods industries, they require substantial sums from the capital market.

The supply of funds for the capital market comes largely from individual savers, corporate savers, commercial banks, insurance companies, specialized financing agencies and the government. Among institutions, we may refer to the following:

1) Commercial banks are important investors, but are largely interested in government securities and, to a small extent, debentures of companies.
2) LIC and GIC are of growing importance in the Indian capital market, through their major interest is still in government securities.
3) Provident funds constitute a major medium of savings but their investments too are mostly in government securities.
4) Special institutions set up since Independence, viz., IFCI, ICICI, IDBI, UTI, etc. generally called Development Financial Institutions (DFIs) aim at supplying long term capital to the private sector.
5) There are financial intermediaries in the capital market, such as merchant bankers, mutual funds, and leasing companies etc. which help in mobilizing saving and supplying funds to investors.
1.4. Need and Evolution of Development Financial Institutions (DFIs)

After becoming politically independent in 1947 the major challenge before the Indian leadership was to see that the Country becomes economically independent. Independent India received an impoverished economy from Britishers and now efforts were required to be made to see that the country gets the required economic growth and impetus. The Country locked in the development of sectors such as infrastructure, heavy industries and capital goods sector. Although the country was independent, it was dependent on foreign countries for some basic and essential products. The planners of independent India had a very clear focus in their mind to make the country self-reliant. The focus of the earlier five year plans was also on the same lines wherein industrialization especially related to priority development of basic and heavy Capital goods sectors was given due importance.

In order to achieve the planned objectives huge investments were required. Infrastructure projects and heavy Capital goods industries required huge investments; for the new projects to be set up and also for expanding, modernizing and diversifying the existing projects. The existing financial system was not able to cope up with this requirement of the industry. The commercial banks at that time were concentrating on providing short term loan for working capital purpose. The managing agency system prevalent at the time served as an important adjunct to the capital market but these managing agents were not willing to take the risk of making huge gestation period for generating profits. Furthermore, investors were also shy to invest in capital market due to their past experience when malpractices were apparent and the misuse of funds by the companies was also very common. There was also shortage of issue houses and
underwriting firms who could sponsor issue of securities. All this led to a scenario
where on one hand there was an increasing need of long term funds for industry and
on the other hand there was limited arrangement on the supply side of long term
funds. The existing financial structure could suffice the needs of a very small portion
of the total requirement. Thus if the economy wanted to progress then a financing
mechanism for the industry was badly needed.

The need for development financial institution was felt very strongly immediately
after India attained independence. The country needed a strong capital goods sector to
support and accelerate the pace of industrialization. The existing industries required
long-term funds for their reconstruction, modernization, expansion and diversification
programmers while the new industries required enormous investment for setting up
gigantic projects in the capital goods sector. However, there were gaps in the banking
system and capital markets, which needed to be filled to meet this enormous
requirement of funds.

1) Commercial banks had traditionally confined themselves to financing working
capital requirement of trade and industry and abstained from supplying long-term
finance.

2) The managing agency house, which had served as important adjuncts to the
capital market, showed their apathy to investment in risky ventures.

3) Several malpractices, such as misuse of funds, excess speculation, and
manipulations were unearthed. Owing to this, the investors were not interested in
investing in the capital market.

4) There were a limited number of issue houses and underwriting firms that
sponsored security issues.
Hence, to fill these gaps, a new institution machinery was devised-the setting up of special financial institutions, which would provide the necessary financial resources and know-how so as to foster the industrial growth of country.

The first step towards building up a structure of development financial institutions was taken in 1948 by establishing the Industrial Financial Corporation of India Limited (IFCI). This institution was set up by an Act of parliament with a view to providing medium and long-term credit to units in the corporate sector and industrial concerns.

In view of the immensity of the task and vast size of the country, it was not possible for a single institution to cater to the financial needs of small industries spread in different states. Hence, the necessity for setting up regional development banks to cater to the needs of small and medium enterprises was recognized. Accordingly the State Financial Corporation Act was passed in 1951 for setting up State Financial Corporation (SFC) in different states. By 1955-56, 12 SFCs were set up and by 1967-68; all the 19 SFCs now in operation came into existence. SFCs extend financial assistance to small enterprises.

Even as the SFCs were being set up, a new corporation was established in 1955 at all India level known as the National Small Industries Corporation (NSIC) to extend support to small industries. The NSIC is a fully government owned corporation and is not primarily a financial institution. It helps Small Scale Industries Sector, (SSIs) through various promotional activities, such as assistance in securing order, marketing the products of SSIs, arranging for the supply of machinery, and training of industrial workers.
Chart 1.2: Organisational Structure of Financial Institutions

- All Financial Institutions
  - All India Financial Institutions
    - All India Development Banks
      - IFCI (1948)
      - ICICI* (1955)
      - IDBI (1964)
      - IIBI** (1985)
      - SIDBI (1990)
  - State Level Financial Institutions
    - SFCs (19)
    - SIDCs (28)
  - Other Financial Institutions
    - ECGC (1985)
    - DICGC (1962)
  - Investment Institutions
    - LIC (1956)
    - UTI (1964)
    - GIC & Four Others (1972)
    - NHB (1980)
    - NABARD*** (1982)
  - Specialised Financial Institutions
    - EXIM Bank (1982)
    - IVCF**** (1988)
      - (Formerly - RCTC)
    - ICICI Venture (1988)
      - (Formerly - TDIC)
    - TFCI (1989)
    - IDFCI (1990)

* Industrial Credit and Investment Corporation of India (ICICI) was merged with ICICI Bank in 2002 and ceased to be a development finance institution.
** The Industrial Reconstruction Bank of India (IRBI) was set up in 1985 but was renamed as Industrial Investment Bank of India in 1997.
*** NABARD took over the refinance functions performed earlier by Agricultural Refinance Development Corporation.
**** IVCF - IFCI Venture Capital Funds Ltd.

Notes: 1) Figures in brackets under respective institutions indicate the year of establishment or incorporation. 2) Figures in the brackets State Financial Institutions (SFCs) / State Industrial Development Corporations (SIDCs) indicate the number of institutions in this category. 3) ECGC: Export Credit Guarantee Corporation DICGC: Deposit Insurance and Credit Guarantee Corporation.

Source: RBI, Report on Trend and Progress of Banking in India, 2000 - 01.
The above institutions had kept themselves away from the underwriting and investment business as these were considered to be risky. Due to the absence of underwriting facilities, new entrepreneurs and small units could not raise equity capital nor could they get loan assistance owing to this weak financial position. To fill this gap, the Industrial Credit and Investment Corporation of India Limited (ICICI) were set up in January 1955 as a joint stock company with support from the Government of India, the World Bank, the Commonwealth Development Finance Corporation, and other foreign institutions. The ICICI was organized as a wholly privately owned institution; it started its operation as an issuing-cum-lending institution. It provides term loans and takes as active part in the underwriting of a direct investment in the shares of industrial units.

In 1958, another institution, known as the Refinance Corporation for Industry (RCI) was set up by the Reserve Bank of India (RBI), the Life Insurance Corporation of India (LIC), and commercial bank with a view to providing refinance to commercial banks and subsequently to SFCs against term loans granted by them to industrial concerns in the private sector. When the Industrial Development Bank of India (IDBI) was set up in 1964 as the central coordinating agency in the field of industrial finance, the RCI was merged with it.

At the state level, another type of institution, namely, the State Industrial Development Corporation (SIDC) was established in the sixties to promote medium and large-scale industrial units in the respective states. The SIDSs promoted a number of projects in the joint sector and assisted in setting up industrial units. In recognition of the crucial role played by them in the promotion of industries in different states, the SIDCs were made eligible for IDBI refinance facilities in 1976. Thus, they became an integral part of the development banking system of country. The State Small
Industries Development Corporation (SSIDC) was also established to cater to the requirements of the industry at state level. They helped in setting up and managing industrial estates, supplying of raw materials, running common service facilities, and supplying machinery on hire-purchase basis.

By the early sixties, a plethora of financial corporation catering to the financial needs of a variety of industries has come into existence. However, the need for an effective mechanism to coordinate and integrate the activities of the different financial institutions was increasingly felt. Furthermore, many gigantic projects of national importance were held up, as these financial institutions were not able to supply the necessary capital in view of their own limited resources. Hence, the establishment of a financial institution with a substantially large amount of capital resource and capable of functioning independently, unhindered by statutory rigidities, became inevitable.

The Industrial Development Bank of India (IDBI) was set in 1964 as an apex institution to establish have inter institutional cooperation of effectively meet the changing needs of the industrial structure. IDBI was set up as a wholly owned subsidiary of the Reserve Bank of India. The IFCI became a subsidiary of the IDBI so that it might play an enlarged role. In February 1976, the IDBI was restructured and separated from the control of the Reserve Bank of India.

An important future of industrial finance in the country is the participation of major investment institution in consortium with other all India financial institutions. The Unit Trust of India (UTI), established in 1964, the Life Insurance Corporation of India (LIC), established in 1956, and the General Insurance Corporation of India (GIC), established in 1973, work closely with other all India financial institutions to meet the financial requirements of the industrial sector.
Specialized institutions were also created to the needs of the rehabilitation of sick industrial units, export finance, and agriculture and rural development. In 1971, the Industrial Reconstruction Corporation of India Limited (IRCI) was set up for the rehabilitation of sick units. In January 1982, the Export-Import Bank of India (EXIM Bank) was set up. The export finance operations of the IDBI were transferred to the EXIM Bank with effect from March 1, 1982. With a view to strengthening the institutional network catering to the credit needs of the agricultural and rural sectors, the National Bank for Agriculture and Rural Development (NABARD) was set up in July 1982.

The country is being served by 57, financial institution, comprising 11 institutions at the national level and 46 institutions at the state level. These financial institutions have a wide network of branches and are supported by technical consultancy organization with IDBI acting as the apex institution for coordinating their diverse financing and promotional activities. Their strategies, policies, and industrial promotional efforts sub serve the national objectives of rapid industrial growth, balanced regional development, creation of new class entrepreneurs, and providing self-employment opportunities.

The national level institutions, known as All India Financial Institutions (AIFIs), six All India Development Banks (AIDBs), two Specialized Financial Institutions (SFIs), and three investment institutions. The AIDBs are Industrial Finance Corporation of India (IFCI), Industrial Development Bank of India Limited (IDBI), Industrial Credit and Investment Corporation of India Limited (ICICI), and Industrial Investment Bank of India Limited (IIBI), and Small Industries Development Bank of India (SIDBI).
All the state level there are 19 State Financial Corporation (SFCs) and 28 State Industrial Development Corporation (SIDCs).

The specialized Financial Institution (SFIs) comprises Export-Import Bank of India (EXIM Bank) and National Bank of Agriculture and Rural Development (NABARD). Hitherto, SFIs included three institutions namely, IFCI Venture Capital Funds Ltd, ICICI Venture Funds Management Company Limited and Tourism Finance Corporation of India Limited. However, due to the tiny nature of their operation, these institutions have been excluded from the category of SFIs.

The investment institutions are Life Insurance Corporation of India (LIC), General Insurance Corporation of India (GIC), and Unit Trust of India (UTI).

1.5. State Financial Corporation of India:

1.5.1. Introduction:

In order to provide medium and long term credit to industrial undertaking, a central industrial finance corporation was set up under the Industrial Finance Corporations act, 1948. The state governments wished that similar corporations should be set up in their states to supplement the work of industrial financial corporation. The intention is that the State corporations will confine to financing medium and small scale industrial and will, as far as possible consider only such access which are outside the per view of industrial finance corporation.

1.5.2. The Main Features of the State Financial Corporations:

1) The bill provides that the state government may, by notification in the official gazette, establish a financial corporation for the state.
2) The share capital shall be fixed by the State government but shall not exceed Rs 2crores. The issue of the shares to the public will be limited to 25 percent of the share capital and the rest will be help by the State Governments, The Reserve Bank, Scheduled Banks, Insurance Companies, Investment Trusts, Co-operative banks and other financial institutions.

3) Shares of the corporation will be guaranteed by the State government as to the repayment of principal and the payment of a minimum dividend to be prescribed in consultation with the central government.

4) The corporation will be authorized to issue bonds and debentures for amounts which together with the contingent liabilities of the corporations shall not exceed five-times the amount of the paid-up share capital and the reserve fund of the corporations. These bonds and debentures will be guaranteed as to payment of the principal and payment of interest at such rate as may be fixed by the State government.

5) The corporation may accept deposits from the public repayable after not less than five years, subject to the maximum not exceeding the paid up capital.

6) The corporation will be managed by a board consisting of a majority of Directors nominated by the State government, The Reserve banks and the Industrial Finance Corporation of India.

7) The corporation will be authorized to make long term loans to industrial concerns which are repayable within a period not exceeding 25 years. The Corporation will be further authorized to underwrite the issue of stocks, share, bonds or debentures by industrial concerns, subject to the provision that the corporation will be required to dispose of and shares etc. Acquired by it in fulfillment its underwriting liability within a period of 7 years.
8) Until a reserve fund is created equal to the paid-up share capital of the Corporation and until the State Governments has been repaid all amounts paid by them, if any, in fulfillment of the guarantee liability, the rate of dividend shall not exceed the rate guaranteed by the state government. Under no circumstances shall the dividend exceed 5% p.a. and surplus profits will be re-payable to the State governments.

9) The corporation will have special privileges in the matter of enforcement of its claims against borrowers.

1.5.3. Financial Resources of the SFCs

The SFC’s mobilize their financial resources from the following sources

1) Their own Share capital
2) Income from investment and repayment of loans
3) Sale of bonds
4) Loans from the IDBI (To some extent)
5) Borrowings from the Reserve Bank of India
6) Deposits from the public
7) Loans from State Governments.

In the act financial corporations are financial corporation’s established under section 3 and includes a joint Financial Corporation established under section 3A of the State Financial Corporations Act of 1951. The act applies to all. “Industrial Concern” means any concern engaged or to be engaged.

1) The manufacturing, preservation or processing of goods.
2) The mining or development of mines.
3) The hotel industry
4) The transport of passengers or goods by road or by water or by air (or ropeway or lift)

5) The generation or distribution of electricity or any other form of power

6) The maintenance, repair, testing or servicing of machinery of any description or vehicles or vessels or motor boats or trailers or tractors.

7) Assembling, repairing or packaging and article with the aid of machinery or power

8) The setting up or development of an industrial area industrial state

9) Fishing or providing shore facilities for fishing or maintenance thereof providing weight bridge facilities.

10) Providing engineering, technical, financial, management, marketing or other services or facilities for industry.

11) Providing medical, health or other allied services.

12) Providing software or hardware services relating to information technology, telecommunication or electronics including satellite linkage

13) Setting up or development of tourism related facilities including amusement parks, conventions centers, restaurants travel and transport, tourist services agencies and guidance counseling services to tourists

14) Construction

15) Development, maintenance and construction of roads

16) Providing commercial complex facilities and community centers including conference halls

17) Floriculture

18) Tissue culture, fish culture, poultry farming, breeding and hatcheries
19) Service industry, such as altering. Ornamentation, polishing, finishing, oiling, washing, cleaning or otherwise treating or adapting and article or substance with a view to its use, sale transport, delivery or disposal.

20) Research and development of any concept, technology, design process or product, whether in relation to any of the matters aforesaid including any activities approved by the Small Industries Bank.

1.5.4. **Broad Functions of State Financial Corporations:**

1) Project advisory and Finance as a catalyst in small scale industrial growth the SFC’s provide the following services: a) Investment appraisal

2) Project conceptualization and related services, including guidance in relation to selection of projects, preparation of feasibility, financial engineering, project management design etc.

3) Credit Syndication including assistance in legal documentation etc.

4) Documentation of various project documents

5) Placement of debt-equity including design of the structure of instruments, placement of instruments with financial institution, bank etc.


7) Industry Research / Information Services a dedicated research team looking at both macros – level issues as well as sector-specific, industry research. The
expertise of the professional research team and a large diversified data base enables SFC to provide erudite research reports to the corporate world.

8) Legal Advisory Services a full – fledged legal cell, comprising of experienced professional with expertise in handling cases of diverse nature, offer legal help services. The services rendered by this unit comprise investigations and preparations of title reports, besides advisory services in respect of matters under dispute where an independent consultant and view is required.

1.5.5. Specific functions of SFCs:

The SFC’s Provide the following types of assistance to industrial units in their respective states:

1) The SFC’s while giving loans to industrial units see to it that loans are secured by a PLEDGE, MORTAGAGE, HYPOTHECATION of movable and immovable property or other tangible assets or guarantee by the state government or scheduled commercial bank, they also accept personal pledge by the entrepreneur. SFC’s do not give loans on the basis of second mortgage.

2) Grant loans or advances to industrial concern repayable within a period not exceeding 20 years.

3) Providing guarantee for loans raised by industrial units from commercial banks and state cooperative banks.

4) Providing guarantee for deferred payments in cases where industrial units have purchased capital goods on a deferred payment basis.

5) To underwrite the issue of shares, bonds and debentures of industrial concerns.

6) To Subscribe to shares, bonds and debentures of industrial concerns
7) Guarantee loans raised by industrial concerns which are re-payable within a period not exceeding 20 years and which are floated in the public market.

8) SFC’s grant loans to industrial units for the purchase of fixed capital assets like land, machinery. In some exceptional cases, some SFC’s also provide loans for working capital requirement in combination with loans for fixed capital.

9) SFC’s provide loans in foreign currency for the import of machinery and technical know – how, under the IDA (International development association) and World Bank tie up.

10) SFC’s however are prohibited from subscribing directly to the shares or stock of any company having limited liability except for underwriting purposes and loans or advance on the security of its own shares.

1.6. **State Financial Corporations in India:**

There are nineteen State Financial Corporations set up in the India. They are given as below:

1. Assam Financial Corporation (AFC)
2. Andhra Pradesh State Financial Corporation (APSFC)
3. Bihar State Financial Corporation (BSFC)
4. Delhi Financial Corporation (DFC)
5. Gujarat State Financial Corporation (GSFC)
6. The Economic Development Corporation of Goa (EDCG)
7. Haryana Financial Corporation (HFC)
8. Himachal Pradesh Financial Corporation (HPFC)
10. Kalataka State Financial Corporation (KSFC)
11. Kerala Financial Corporation (KFC)
12. Madhya Pradesh Financial Corporation (MPFC)
13. Maharashtra State Financial Corporation (MSFC)
14. Orissa State Financial Corporation (OSFC)
15. Punjab Financial Corporation (PFC)
16. Rajasthan Financial Corporation (RFC)
17. Tamil Nadu Industrial Development Corporation Ltd (TIDC)
18. Uttar Pradesh Financial Corporation (UPFC)
19. West Bengal Financial Corporation (WBFC)

1. **Assam Financial Corporation (AFC)**

   The Assam Financial Corporation was established as a Joint State Financial Corporation under Section 3(A) of the SFC’s Act 1951 way back in 1954 covering the erstwhile-undivided Assam with two union territories of Manipur and Tripura and operating in this North-East Region for more than last four decades. As the premier most Financial Institution (F.I.) in North-east Region, it has incomparable out reach of grass root level compared to other Financial Institutions (FIs) and Banks.

2. **Andhra Pradesh State Financial Corporation (APSFC)**

   Andhra Pradesh State Financial Corporation (APSFC) is a term lending Institution established in 1956 for promoting small and medium scale industries in Andhra Pradesh under the provisions of the State Financial Corporation’ Act, 1951. The corporation has many entrepreneurs – friendly schemes to provide term loans, working capital term loans, and special and seed capital assistance to suit the needs of various categories of entrepreneurs. The Corporation has 45 years of expertise in industrial financing engaged in the business of financing tiny, small and medium scale sector units and thriving for balanced regional development of the state.
3. Bihar State Financial Corporation (BSFC)

Bihar State Financial Corporation was established in the year 1954 under SFC’s Act, 1951 to promote Small and Medium Scale Industries by way of providing financial assistance. Since then it is playing major role in growth of tiny, small and medium industries in the erstwhile State of Bihar (Presently Bihar and Jharkhand).

It has contributed significantly to the growth of various Sectors defined as Industrial concern under SFC’s Act, 1951 (as amended from time to time). From early 70’s it has also provided liberal financial assistance under special schemes like educated unemployed, composite loans to small artisans, Mahila Udyog Nidhi, Semfex etc. for creating self-employment opportunities to artisans, educated unemployed, women entrepreneurs and ex-service men. It has also provided financial assistance for setting up Hotels/Motels including Marketing Complex, Nursing Homes and also for Electro Diagnostic Equipments etc.

4. Delhi Financial Corporation (DFC)

The Delhi Financial Corporation has been rendering yeoman service to small scale entrepreneurs in Delhi and Chandigarh. It has made finance available to existing and prospective entrepreneurs at very reasonable terms.

The corporation has devised suitable schemes for catering the needs of different categories of entrepreneurs

5. Gujarat State Financial Corporation (GSFC)

Gujarat State Financial Corporation (GSFC) incorporated under the State Financial Corporation Act of 1951, is a trend setter and path breaker in the field of industrial financial. It plays a major role in the development and industrialization of Gujarat by extending credit assistance to suit individual requirements.
Gujarat State Financial Corporation established with main object for development activities to contribute to social upliftment, regional dispersal of industrial activities and to adding to Gross Stock Domestic Products. Also for promoting economic growth, balanced regional development and widening of entrepreneurial base by financial small enterprises. GSFC is a premier, regional development bank set up by Government of Gujarat, to provide finance to new industrial units, for acquisition of Fixed Assets, Expansion, Modernization, Diversification, Renovation etc. The Industrial concern must set up in the state of Gujarat and the Union Territories of Div, Dadra and Nagar Haveli.

6. The Economic Development Corporation (EDC) of Goa

The Economic Development Corporation (EDC) of Goa, established in 1975 has been the State Financial Institution. It has been incorporated as an SIDC and a limited company. However, it has also been accorded twin status of SFC by IDBI/SIDBI.

7. Haryana Financial Corporation (HFC)

Haryana Financial Corporation has been set up under an Act of Parliament known as State Financial Corporation’s Act 1951 and the working is governed by this act. The Head Office of the Corporation is at Chandigarh and Branch Offices at each District Headquarter of the State. HFC meets the credit needs of small/medium scale industrial units by advancing team loans. The loans are advanced primarily for acquiring fixed assets such as land, building, plant & machinery etc.
8. **Himachal Pradesh Financial Corporation (HPFC)**

Himachal Pradesh Financial Corporation (HPFC) was established in the State under the Central Act, viz. The State Financial Corporation Act, 1951, with the basic objective of promoting and developing small scale and medium scale industries in the State with a special focus on spreading industrial culture in the rural, semi-urban and backward areas of the State. The Corporation is owned by the State Government jointly with SIDBI and is functioning under the administrative control of the State Government.


The Jammu & Kashmir State Financial Corporation (J&KSFC) was established to act as a Regional Development Bank with the aim of boosting economic development in the State for providing financial assistance in the shape of loans to prospective entrepreneurs for development of Industries. It was incorporated under The SFCs Act 1951 on 2\textsuperscript{nd} December 1959 as a Development Bank for promotion of Small Scale Industries, hotels, houseboats and transport sector in Jammu & Kashmir.

The Board of J&KSFC is headed by Honorable Finance Minister, Shri Mohd. Shafi. The Board has been from time to time assessing the performance of institution with a view to achieve the objectives for which it was instituted.

10. **Karnataka State Financial Corporation (KSFC)**

KSFC gives financial assistance to set up tiny, small medium and large scale industrial units in the Karnataka State. The Corporation extends term loans to new & existing units up to Rs. 500 lacs for corporate bodies and registered co-operative societies. Term loans upto Rs. 200 lacs are sanctioned to proprietary, partnership and
joint Hindu Undivided Family concerns. KSFC extends lease financial assistance and hire purchase assistance for acquisition of machinery/equipment/transport vehicles. KSFC has a merchant banking department and is approved as a category I merchant banker by SEBI. Under this activity it does management of public issues, underwriting of shares, project report preparation, deferred payment guarantee, syndication of loans, bill discounting etc. The fund based activities like subscription to non-convertible debentures, factoring services are also considered.

11. Kerala Financial Corporation (KFC)

Kerala Financial Corporation (KFC) incorporated under the State Financial Corporations Act of 1951, is a trend setter and path breaker in the field of industrial finance to service sector projects. It plays a major role in the development and industrialization of Kerala by extending financial assistance to suit the requirements of the entrepreneurs.

12. Madhya Pradesh Financial Corporation (MPFC)

Madhya Pradesh Financial Corporation (MPFC) is the premier institution of the State engaged in providing financial assistance and related services to small to medium sized industries. Also, it is registered as Category-I Merchant Banker with Securities Exchange Board of India and setup a separate Merchant Banking Division in the name of MPFC Capital Markets.

MPFC is incorporated in the year 1955, under the State Financial Corporation Act, 1951 (No. LXIII of 1951), it works under the control of the Board of Directors, consisting of representatives from State Government, Industrial Development Bank of India, Small Scale Industrial Development Bank of India, Reserve Bank of India, Scheduled Banks, Insurance Companies, Co-operative Banks and other shareholders.
MPFC is a well-knit organization with its headquarters at Indore – the industrial hub of Madhya Pradesh. It has zone offices at Raipur, Jabalpur, Bhopal, Gwalior, Indore, Satna, and various branches at different places; making a total of eighteen offices throughout Madhya Pradesh.

13. The Maharashtra State Financial Corporation (MSFC)

The Maharashtra State Financial Corporation (MSFC) has been set up under the ‘State Financial Corporation Act, 1951. The Corporation was operation in State of Maharashtra from 1962 and in State of Goa and Union Territory of Daman & div since 1964.

14. Orissa State Financial Corporation (OSFC)

The Orissa State Financial Corporation (OSFC) is the primary state level financing institution incorporated in the year 1956 under the State Financial Corporations Act, 1951. The Corporation extends term loan a maximum of Rs. 150.00 lacs for acquiring fixed assets like land, building, plant and machinery, equipment and margin money for working capital for setting up of industries. OSFC also provides working capital assistance under Single Window Scheme. Priority is given to small and tiny sector industrial units in backward areas.

15. Punjab Financial Corporation (PFC)

Punjab Financial Corporation a premier leading institution of Punjab is a body incorporated under the State Financial Corporations Act 1951. The Corporation came into existence on 1st February, 1953. To perform the role of a Development Bank in the State of Punjab, Corporation was established with an objective of granting loans for the establishment of new industrial concerns, modernization, expansion/diversification of existing activities etc.
16. Rajasthan Financial Corporation (RFC)

The Rajasthan Financial Corporation (RFC) was constituted under a notification of the State Government on 17 January, 1955 under the SFCs Act, 1951, for providing long term financial support to tiny, small scale and medium scale industries in the State of Rajasthan.

The Corporation is continuing to work as a Catalyst of development for translating into practice the industrial policies and priorities of the Central and the State Governments as also for providing and improving upon immediate assistance in the planned and balanced development of industries in the State, particularly in the small and tiny sectors.

17. Tamilnadu Industrial Investment Corporation Ltd. (TIIC)

Tamilnadu Industrial Investment Corporation Ltd is a premier state financial corporation established in the year 1949. TIIC fosters industrial development in Tamilnadu by providing assistance to industries for purchase of land, machinery and construction of buildings. TIIC provides financial assistance at competitive interest rates for setting up new industrial units and for expansion, modernization, diversification of existing industries in Tamilnadu. It also offers loan for service sector projects such as hotel, hospitals and tourism related projects.

18. Uttar Pradesh Financial Corporation (UPFC)

Uttar Pradesh Financial Corporation (UPFC) was established in 1954 under the SFCs Act, 1951 with its Head Office at Kanpur. The UPFC took a humble step for the industrial development of state Uttar Pradesh by providing term loan assistance to small and medium scale units nurtured by UPFC have now become large enterprises.
19. West Bengal Financial Corporation (WBFC)

West Bengal Financial Corporation is state level financial institution to help the small, medium and tiny sector enterprises to implement their new, expansion and modernization or technological up gradation schemes.

1.7 Gujarat State Financial Corporation:

1.7.1. History of Gujarat State

The history of Gujarat goes back to 2000 B.C. It is also believed that lord krishna left Mathura and settled in the west coast of Saurashtra at a place later called as Dwarka. Over a period of time several dynasties like the Mauryas, the guptas, the pratihars and the chalukyas have ruled this state. The state was prosperous during the chalukyas tenure. The state was then under the Muslim and British rule.

The present state of Gujarat came into existence on the 1st of May 1960 and its capital is located at Gandhinagar very near to Ahmadabad. Gujarat is Spread over an area of 1, 96,024 square kms and it ranks sixth in terms of area in India. It comprises of 33 districts, 249 towns and 18,192 villages. Gujarat has a population of approximately 6.03 crores standing at tenth rank in India. There is a blend of people of various religions living in this state but it is dominated by the Hindus, followed by the Muslims, Christians, sikh, Buddhists, jains, parsis and other religions. Gujarat being a prosperous state has always attracted people from other places to come and settle down in search of employment and also ample opportunities for doing business. The major industries of this state are textiles, gems and jewellery, jari, chemical and engineering ancillaries. The major cities of the state are Ahmedabad, Rajkot, Vadodara, Surat, Bhavnagar and Jamnagar. The Trans port facilities have been well
developed in the state. The state is well connected with other parts of the country by rail, air and road. The state has 40 sea ports out of which Kandla port is the most important. Agriculture is one of the major occupations in Gujarat as 34% people are occupied in this Sector. The State has occupied in this Sector. The state has large deposits of limestone, manganese, bauxite, lignite, gypsum, fluorspar and dolomite. Many new oil fields have also been discovered in the state in regions of Ankleshwar, Kalol, Cambay, etc.

Gujarat is one of the fastest growing states of the economy. The major industries in the state are the textiles, chemicals, gems and jewellery, jari, engineering ancillaries, etc. The industrial structure of Gujarat is being diversified by the development of industries such as petrochemicals, fertilizer etc. The thrust of the industrial policy of Gujarat is to develop electronics, garments, food and agro processing, leather industries, medical tourism etc. in the state.

Gujarat is one of the hot spots for industrialists for making investments because of the suitable industrial climate. The government is making all efforts to develop the state. The infrastructure development in Gujarat has been very quick and it is one of the reasons for the economy of Gujarat to grow at this rate. All these efforts have resulted in making Gujarat one of the fastest growing states of India.

In economic development of Gujarat two financial institutions have played major role. These are (1) GSFC and (2) GIIC.

### 1.7.2. History of GSFC:

Gujarat state Financial corporation (GSFC) with catching 1090 “Your success our motto” has been established under the SFC Act 1951, in the month of May 1961
after the bifurcation of the Bombay SFC with its activities extended to Dadra and Nagar Haveli. The First chief Minister of Gujarat Late Dr. Jivraj Mehta had said the following about GSFC. It is through GSFC that the state would Endeavour to have rapid progress for its citizens, raise their standard of living and create more employment opportunities and provide immediate help to small and medium industrial unite for their healthy growth”

The statement of chief Minister of Gujarat indicates the importance of this state financial corporation and the government’s reliance on this corporation for rapid development and growth of the state. Gujarat state financial corporation was established with the major objective for development activities to contribute to upliftment, regional dispersal of industrial activities and increasing the gross stock of domestic products. These were other objectives also in the mind of the state government like promoting economic growth having a balanced regional development and widening the entrepreneurial base by giving opportunities to small and first generation entrepreneurs.

GSFC was set up as a premier regional development bank. Its major function was to provide long term finance to new industrial units for acquisition of fixed assets and provide finance to exiting units for expansion, modernization, diversification, upgradation of technology, etc. GSFC plays a major role in the industrialization and development of Gujarat by providing tailor made assistance to suit individual requirements.

GSFC is Catering to the demands of credit from the small scale sector as well as from the medium scale sector. It has made major contributions in the industrial and economic growth of the state. GSFC has played an important role in decentralized
industrial development and development of backward areas which has resulted in generation of massive employment opportunities. GSFC’s emphasis has always been to promote first generation entrepreneurs and due to this it has been possible to achieve huge growth in industrial sector, throughout the state of Gujarat.

GSFC gives priority to financing a large number of small scale industrial units having potential for employment generation and thus giving Gujarat a balanced regional growth. GSFC is always open to tackle the problems faced by the small industrial units and see to it that the bottlenecks are minimized. It has always been an Endeavour of the GSFC to make its operations transparent and it has always tried to become more and more service oriented so that it can provide better service to clients.

1.7.3. Role of Gujarat State Financial Corporation in Financing through Various Schemes:

Gujarat State Financial Corporation is a premier regional Development Bank set up by the state Government under a parliamentary Act viz. State Financial Corporation Act, 1951 on 1st May 1960, the date on which the state of Gujarat came into being. GSFC was mainly set up by the Government to promote industrial development in the state. It provides financial assistance under various schemes to set up new industrial units for acquisition of fixed assets like land, factory building, plant and machinery, technical know-how, preliminary and pre-operative expenses, etc. GSFC also provides assistance for expansion, renovation, modernization, diversification or purchase of energy saving devices, etc. in case of exiting units, the corporation provides assistance to industrial concerns set up in Gujarat State and in Union Territory of Dadra and Nagar Haveli.
The corporation has an authorized capital of Rs. 1000/- million. Paid up capital at the end of 31st March 1998 stood at Rs. 935.26 million. The corporation is managed by the Board of Directors, headed by Additional Chief Secretary, Industrial and Mines Dept. as the chairman. Besides the Managing Director, other Board members are Industries Commissioner and Finance Secretary from administrative cadre from the State Government and other professionals representing scheduled banks, IDBI, SIDBI, Insurance Company, corporate Institutions and Individual shareholders.

The corporation has decentralized its operations to meet the requirement of the clients of the in various parts of the state. Proposals for assistance up to 1.5 million are dealt with at the Regional Offices, which are seven in number and spread all over the state. Proposal for assistance above Rs. 1.5 million but up to Rs. 6 million are dealt by Executive Committee consisting of Directors. Proposal for assistance above Rs. 6 million are sanctioned by the Board.

The corporation has strength of 747 employees including 155 in the Officers cadre and the rest supporting staff. At the Officers level, GSFC has a sizeable number of professionals such as, Chartered Accountants, Company Secretaries, LLBs etc. the Regional Officers handling work relating to loan up to Rs. 1.5 million are headed by Officers of the rank of Deputy General Manager. At the Head Office, GSFC has division of Appraisal and Disbursement, follow Up and Recovery, Personnel and Administration, Finance and Accounts, Planning and Secretarial functions and Merchant Banking activities. The Organizational Chart of GSFC is as follows:-
Chart: 1.3 Organisational Structure of GSFC

HEAD OFFICE

MANAGING DIRECTOR

ES. TO MD

Assistant/ Clerk

Secretary Call

Executive Officers

Office Secretary/ Assistant/ Clerk

PLANNING BRANCH

Executive Officers

Office Secretary/ Assistant/ Clerk

LEGAL BRANCH

Executive Officers

Law Officer

RECOVERY BRANCH

Executive Officers

Executive

Office Secretary/ Assistant/ Clerk

ACCOUNTS BRANCH

Executive Officers

Executive

Office Secretary/ Assistant/ Clerk

HRD BRANCH

Executive Officers

Executive

Office Secretary/ Assistant/ Clerk
Financial Institutions are the most prominent and important part of the financial economy of India. State Financial Corporation being State Level Regional Development Bank has a crucial role to play particularly in the development of the SSI. In the fast changing market changes, SFCs have to focus on restructuring its organizational structure to become closer to the client by offering high quality of services. In view of the economic liberalization in the country, GSFC has enlarged its area of operation. Infect, it is constantly striving to make innovations in new financial products with a view to maintaining a competitive edge.

The SFC Act lays down the functions which the Corporation can undertake. The main activity of GSFC so far was granting of term loans assistance to mostly small and medium scale industries. The emphasis in lending has been on promoting industrialization on backward and rural areas and on financing new class of entrepreneurs. With the economic liberalization in the Indian economy and the reforms introduced in the financial sector by the Government of India, the role of financial Corporations working at the state level has undergone a sea change. The competition between All Indian Institutions and State Level Institutions as also between the public and private sector has become intense. Emergence of the non-banking financial companies providing a variety of facilities to the Industrial and economic activities have created a competitive environment. The excellent growth of capital market and increased reliance on equity instruments rather than debt instruments have also been responsible for reduction in the size of term lending market GSFC responded to this economic scenario in a positive manner. It led to a turn-around in GSFC’s operations. It heralded a new era in its Corporate philosophy with the help of the following:

- “Your success – Our Motto” is the basis of new customer service in operations.
• Aggressive marketing.

• Open clean and transparent Assets Marketing to reallocate the idle assets of the closed units to productive use in order to generate wealth.

• Improved returns through larger volume and diversified business and judicious resource mix.

Instead of confining the financial assistance in the form of term loans, innovative approach of diversified business has been adopted for providing both fund and non-fund based assistance to the entrepreneurs. GSFC had to enter into new activities like Hire Purchase, Leasing, Bills Discounting and line of credit underwriting, over and above the Merchant Banking activity. GSFC has also entered into yet another activity of Working Capital Term Loan and factoring.

To translate this new corporate philosophy into a result oriented action programed, GSFC has adopted the following strategy:-

• **New Forms of Business:**

  Formerly GSFC was offering a single product viz. Term Loan, but in a liberalized economy, the industrial sector requires finance in a variety of forms. GSFC therefore, decided to offer assistance in other forms like leasing, hire purchase, underwriting etc. Looking to the constraints of resources, GSFC also initiated fee based business like public issue appraisals for companies proposing to tap the capital market and merchant banking. In a short span, GSFC has undertaken nine public issue appraisals, operated as co-manager in floatation of six public issued and sanctioned one underwriting proposal. In addition to this merchant banking operations, it sanctioned hire purchase assistance of Rs. 8.3 million and lease financing of Rs. 10 million.
• Assigning Priority to Appraisal Cases:

GSFC has adopted a system of assigning priority to the appraisal cases on merit at the time of acceptance of the proposals by the Management Scrutiny Committee. The order of priority is assigned in your tracks viz.

- Jet trail
- Super-fast
- Normal priority
- Investigation Status

Jet trail priority is assigned to the proposals of units which have:

a) Possession of land
b) Completed 50% construction
c) Placed order for machinery
d) Raised and invested 50 Equity
e) Arranged the entire equity
f) Assurance of working capital from banks
g) Necessary clearance from appropriate authorities and
h) Planned trial runs within 4 months

Cases of such units will be appraised and put up for consideration within 3 to 4 weeks.

To get Super-fast Priority, conditions stipulated in (a), (e), (f) and (g) have to be fulfilled. However, conditions in respect of construction up to plinth level, ordering of crucial machinery, raising of 25% equity and commencement of trials run within 7 months are to be satisfied to get Super-fast Priority, which assures finalization of proposals within 5 to 8 weeks.
• **Improvement in the system:**

GSFC has taken several measures to improve credit delivery System: A “Single Window” approach is adopted for processing of applications, sanctions and disbursement by forming twin function terms and unifying appraisal and disbursement functions. It has been liberalized the system of disbursement considerably by deciding:-

- To grant 20% advance after completing legal formalities including collateral security.
- Making payment up to 80% in Equipment Finance Scheme and gold card cases pending inspection by regional offices and
- Disbursement for plant and machineries acquired by the units in GIDC estates pending lease deed agreement etc.

• **Cutting the cost of Borrowers:**

In a competitive environment GSFC has to bring down the cost of borrowing as far as possible bringing it at par with other financial institutions. GSFC has removed 1% service-cum-legal charges. The security fee for loan proposal processing is reduced from Rs. 300 per Rs. 1 Lakh of loan amount applied to Rs. 200 per Rs. 1 Lakh (with a floor limit of Rs. 5000/-) GSFC has also cut down the interest rate and also unpegged in actual charging of interest. It from the refinance rate with a view to eliminate uncertainly in actual charging of interest. It is also examining the possibility of reducing cost, paper work etc. in completing legal formalities.

• **Customer Service:**

GSFC has made the ‘customer’ the centre for all its operations. It has realized that in a competitive environment, it is very important to improve customer service.
Introduction of Gold-Care-Line of Credit has marked a welcome beginning in this direction. Customer service is being further improved with the removal of irritants in the form of time taking procedures. It has introduced a feedback system for eliciting views, feelings and expectations of customers by designing a response form for visiting customers to provide feedback confidentially at the head office as well regional offices. It has also for the first time felicitated successful loaners in a public programme on 8th March, 1995.

- **Human Resources Development:**

  GSFC lays particular emphasis on Human Resources Development. The process of upgrading the technical as well as the conceptual skills has been continued. Not only are the professionally qualified persons required but they are trained from time to time. An In-House Training Programme on “Industrial Finance” was organized in association with the Northern India Banker’s Staff Training Institute, New Delhi. Also two tailor made programmes on “Communications and Motivation” were arranged in under the In-House Training Programme for “B” class employees. In 1997-98, 93 employees/officers were given In-House Training. Besides In-House Training facilities, GSFC deputed 71 Officers for specialized training to various institutions of repute such as IIM, NIBM, Management Development Institute, Reserve Bank Staff Training College and entrepreneurship Development Institute of India.

- **Organization Development:**

  GSFC has engaged the services of M/s. Tata Consultancy Services Ltd. (TCS) so as to broad-base the services rendered by Management Information Services Cell. TCS had prepared modules for various Sections/Depts. of the Corporation so as to computerize/atomize the functions carried out by various Sections/Dept. in order to
accelerate the implementation of the assignment of TCS, a new cell in the name of Management Information Services Follow-up Cell was set up by the Corporation.

The Corporation has formulated various schemes to meet the credit needs of various segments of the economy.

• **Gold Card – Line of Credit:**

  The innovative scheme “Gold Card-Line of Credit” was introduced to attract and retain good clients. Under this scheme, existing units in production for last 3 years with:

  ➢ profitable track record for the last two years
  ➢ earnings per share of Rs. 2/-
  ➢ current ratio of 1.33
  ➢ track record of regular repayment to Financial Institutions

  Are assisted on priority basis and such cases are finalised within a fortnight. The formalities for extending assistance to this category of entrepreneurs is simplified and made expeditious not only in sanction of loans but in documentation, disbursement and their follow up. Thus the clients have an overriding priority for processing, documentation, disbursement and follow-up. A special discount of 1% is given on the rate of interest. Term loans upto Rs. 150 Lakhs limited companies and registered co-operatives and upto Rs. 90 Lakhs for proprietorship and partnership concerns are granted under this scheme. The Corporation assisted 33 units under this scheme to the tune of term loan of Rs. 25.44 Crores.
• **Elite Client Channel:**

  This scheme was prepared keeping in the mind the present and previous clients for providing loan for expansion, modernization, and diversification or setting up a new unit provided the existing client has 51% share in the new unit. This scheme is intended to provide financial assistance within 4 weeks by granting \( \frac{1}{2} \% \) concession in interest and Jet Trail Priority in processing the case. The client should have a good track record for four years in-repayment. The performance of the unit for the last three years should be satisfactory. The risk perception should be normal and the record of the unit with the bankers should be default free.

• **Asset Shoppe:**

  The Corporation has adopted a marketing approach to deal with problematic cases expeditiously. An Asset Shoppe concept has been introduced for open, clean and transparent disposal of inoperative asset. Under the scheme, the industrial units which are not working satisfactory are identified with a view to dispose them off by public advertisement. The details of the units which are required to be disposed off are circulated to the Industries Associations, Chambers of Commerce, and other agencies and to those who intend to buy such units. A well laid procedure is adopted in this regard for disposal of assets by putting them for productive use, thereby reducing the non-performing assets drastically and contributing to the nation’s economy.

• **Merchant Banking:**

  Gujarat State Financial Corporation has entered into Merchant Banking activities under which following services are available.
- **Public Issue Management:**

  - Appraisal of proposal for Public Issue. Capital structuring with ideal mix of equity and debts, type of instruments etc.
  - Drafting of prospectus.
  - Assisting in selection of Underwriters, Registrar to the issue, Advertising Agencies, Printers, Bankers to the issue etc.
  - Tieing up with Mutual Funds, NRI etc.
  - Assisting in selection of Ad-Media, Centers for holding Conference of Brokers and Investors, Collection Centers etc., obtaining permission from SEBI and Stock Exchange (listing formalities), Assisting in distribution of publicity and issue material including application forms and prospectus.
  - Co-coordinating the work of Registrar to the issue, Bankers to the issue and the Bank handling the refund activities.

- **Underwriting of issue of shares:**

  To assist various corporate bodies in raising capital from the market the Corporation does underwriting of shares managed by it as well as by others.

- **Working Capital Term Loan:**

  GSFC has framed this scheme to assist the units for meeting their short-term working capital requirement and ongoing normal capital expenditure. Through this measure GSFC intends to be “one-stop” financial institution to its most valued clients who, otherwise, would be running from pillar to post, for working capital short-falls. The maximum quantum of assistance is Rs. 2.40 Lakhs. The loan is to be repaid over a period of 6 months to 1 year from the date of disbursement, fresh appraisal of limit can be considered thereafter. The unit should have been in production for at least five years with a profitable existence and should have a positive net worth of minimum
Rs. 1.5 Crores, excluding revaluations reserves. The unit should have a sound track record of regular repayment to FIs/Banks/NBFCs. It should also have minimum current ratio of 1.33:1. The Corporation gives first or pari passu charges on existing fixed assets of the company, including mortgage. Extension of mortgage or second charge is considered in exceptional circumstances.

- **Doctor’s Friend:**

  The purpose of loan is to provide term loan to up-coming medical practitioners for nursing home as well as medical equipment, to provide lease and hire purchase assistance to existing medical practitioners for acquisition of equipment and to provide finance to acquire already built-up property. The requirement of this scheme is:

  - **For Term Loan :-**
    - Debt Equity Ratios: 2:1
    - Margin (minimum): 35%
    - Minimum 4 beds for loan for Nursing Home.

  - **For Lease Finance/Hire Purchase :-**
    - Practitioners having profitable existence for more than 2 years.
    - No margin in lease and 10% margin in hire purchase.

  - **For Asset Financing:** A Medical Practitioner will have opportunity to purchase built-up property and loan will be limited to 65% of market value or cost of acquisition whichever is lower.

    A special ½% Concession in interest rate over and above 1% rebate on regular repayment is given and no collateral for term loan proposal where land and building cost exceeds 60% of total costs of project. Total financial assistance upto Rs. 150 Lakhs is given.
• **Scheme for Doctors and Hospitals/Nursing Homes:**

The Corporation provides financial assistance to qualified medical practitioners including Ayurvedic Doctors for establishing diagnostic centers, clinics for purchase of electro-medical equipment, generators sets etc. as well as to establish new Hospitals/Nursing Homes or for expansion/modernization of existing Hospitals/Nursing Homes.

a) **Scheme for Doctors:** The Loan is given for purchase of electro-medical equipment and acquisition of stand-by generator sets and diagnostic centers/clinics promoted by entrepreneurs other than qualified medical professionals, provided they associate qualified doctors.

b) **Scheme for Hospitals/Nursing Homes:** Under the Scheme, Proprietary/Partnership concerns/Private/ Public Limited Companies are eligible for terms loan finance to small Hospitals/Nursing Homes who have facilities for diagnosis and treatment of indoor as well as outdoor patients with 20 or more beds. It should have the back-up of expert services of at least one post-graduate doctor with qualification of M.D. /M.S. etc. on full time basis. It should be willing to provide medical services at concessional rate to patients from low income groups at least to the extent of 10% of indoor patients and 20% of outdoor patients.

The project may cover the cost of the land, building, equipment required for medical treatment including diagnostics, monitoring and therapeutic, equipment, air-conditioners (for operation theatre and intensive Care Units only), office equipment, kitchen facilities, ambulances and preliminary and preoperative expenses.
The Debt – Equity Ratio

For Scheme (a) is 2:1

For Scheme (a) is 3:1

The repayment period: For Scheme (a) will not be exceeding seven years with initial moratorium upto 1 years from the date of initial disbursement. For Scheme (b) will not be exceeding eight years including initial moratorium upto 1\(\frac{1}{2}\) years.

- **Equipment Lease Scheme:**

  GSFC has framed a scheme of Equipment Lease Finance exclusively for existing profit making units for expansion, modernization, and diversification and for similar programme. The scheme provides opportunity to the units to be competitive and efficient. Assistance the scheme is available to the concerns which are for availing term loan from the Corporation, in addition, such concerns should have:-

  - A good track record having preferably audited financial statements.
  - Net profit for last two consecutive years.
  - Regularly in repayment to financial institution/bank.
  - Adequate cash accruals to meet the obligations of lease rentals. Only new equipments from reputed manufacturers are eligible for lease finance.

  A primary lease period of 3 to 5 years is generally considered depending on economic life, risk factor, technological obsolescence and the rate of depreciation for the equipment. Where the full life of the assets is longer, the period of more than 5 years is considered exceptionally. Minimum quantum of assistance is Rs. 5 Lacs and the maximum is Rs. 150 Lacs. The assistance is limited to the extent of owned assets of the lessee.
• **Hire Purchase Scheme:**

Hire Purchase Scheme is for equipment/machinery/transport vehicles for industrial undertaking which have:

- Profitable commercial existence for at least two years.
- Net profit last two years.
- Regularly in repayment with dues of bank/financial institution.
- Intention to acquire new equipments from reputed supplier/manufacturer.
- No accumulated losses.

Minimum quantum of assistance is Rs. 5 Lacs for equipments/machinery and Rs. 1 Lac for transport vehicle. The maximum assistance is limited up to Rs. 150 Lacs. The repayment period is three to four years and moratorium period is one to three months. Application processing fee @ 0.2% of amount of hire purchase shall be payable at the time of application. Hire purchase Management Fees @ 1% shall be payable upfront at the time of execution of hire purchase agreement. The monthly hire purchase installments are payable in advance with 1/3 months moratorium from the date of commencement of Hire Purchase Equipment.

• **Technology Development and Modernization Fund Scheme:**

The objective of this scheme is to encourage existing industrial units in the small scale sector, to modernize their production facilities and adopt improved and updated technology, so as to strengthen their export capabilities. The loan is given for purchase of capital equipment, need-bases civil works and acquisition of additional land, for acquisition of technical know-how, design, drawings and fashion forecasts and packaging products, with thrust on quality improvement, comparable with acceptable domestic and international standards, for cost of TQM and acquisition of
ISO-9000 series certification and for installing own effluent treatment plants. The unit should be in operation for at least a period of three years. SSI units, including ancillary units, which go in for modernization, technology up-gradation and the outlay on land and building should not exceed 25% of the outlay on the modernization, technology up-gradation programme. The units should not be a defaulting one and the promoter’s contribution should be 20% of the cost of the Project Maximum loan of Rs. 2.40 Crores per unit is given.

- **Factoring:**
  GSFC has framed this scheme to eliminate the uncertainties associated with the clients’ cash flows, thereby easing the working capital requirement of the client. The customer should be a Public Sector Undertaking Unit, reputed Multinational Company/reputed group. The customer company should have sound record of regular repayment to FIs/Banks/NBFCs. GSFC agrees to pay the clients about 80% of the invoice value immediately upon receiving the accepted invoice from the customer. The balance 20% will be paid to the client upon receiving full payment from the customer, after deducting upfront discount and interest thereof. The processing fee is 0.5% of the limit sanctioned (charged annually). The customer has to pay upfront fee at the time of sanction.

- **Marketing Assistance for S.S.I. Product:**
  GSFC has framed this scheme to assist S.S.I. Units to undertake various activities necessary for increasing their sales turnover in the domestic and export markets. Existing S.S.I. Units with good track-record and sound financial position are eligible. New units can also be considered for assistance on a selective basis. A unit is entitled up to 2.40 Crores for a maximum of 6 years with moratorium upto one year. The purpose of this loan is:-
- **Environment:**

  GSFC has framed this scheme to provide financial assistance to S.S.I. units for Effluence Treatment Plants - for making a contribution to common Effluence Treatment Plants as well as for installing one’s own Plants. Units eligible for this scheme are:

  - Existing units having earned profit and declare dividend in the last 2 years or having positive cash accruals.
  - Units which are regular in repayment of dues of the Corporation (in case of Corporation’s loanee units) or with other financial institution(s), if loan is taken.

  The purpose of this scheme is to establish, upgrade effluence treatment plant as well as to contribute to a common plant to meet the required criteria laid down by GPCB for treatment of industrial/effluence. The amount of loan is need-based but is
not normally below Rs. 5 Lakhs per borrower. The loan is provided keeping margin of 25% for proposed effluent treatment facility. The overall Debt-Equity ratio for the unit should be maximum 1.5:1. The repayment period is total 5 years including moratorium of 6 months.

- **Bills Discounting:**

  GSFC aims to provide short-term finance to existing units for meeting the gap between working capital finance from Banks/NBFCs/other FIs and actual working capital needs. It also aims to streamline short-term finance to its existing clients. It helps the units by discounting bills and by speedy sanctions and disbursements. Maximum quantum of assistance is Rs. 240 Lakhs. The maximum usage period is 90 days. Discounting of bills is done only for bills drawn by manufacturers for supply of raw material intermediaries/intermediaries/packing material/consumable etc. Processing fees @ 0.5% of the financial assistance given is charged. Bill discount charges are competitive and market-driven. Those industrial concerns which have been in production for the last three years having sound financial performance and credit worthiness and satisfactory track record of regular repayment to financial institutions/blanks/N.B.F.C.s are eligible.

- **ISO 9000:**

  These shows how the company can establish, document and maintain an effective and economic quality system, which will demonstrate to the customers that the company is committed to quality and is able to meet their quality needs, a key requirement in today’s competitive and quality conscious world. GSFC aims to promote Quality Management System in S.S.I. units, with a view to strengthening their marketing and export capabilities. Expenses on consultancy, documentation
audit, certification fees, equipment and calibrating instruments required are considered for assistance Units eligible for this scheme are:

- Existing industrial concern should have been in the S.S.I. sector for a period of at least four years.
- Those who have earned profit and/or declared dividend during the preceding two financial years.
- Those who are not in default to institutions/banks in payment of their dues.
- Those who have been exporting their products directly or indirectly, or should have plans to manufacture products for exports.
- Those units where promoter’s contribution is 20% of the outlay.
- Those units whose Debt-Equity ratio is not more than 1.5:1.

**Ex-Servicemen Scheme:**

The objective of this scheme is to assist Ex-Servicemen including widows of Ex-Servicemen in resettlement enabling them to set up small industry. Those eligible are:

- Ex-Servicemen including widows of Ex-Servicemen as defined by the Govt. of India and sponsored for assistance under the scheme by the Director General (Resettlement), Ministry of Defense, Govt. of India [D.G. (R)] after screening by a Committee constituted for the purpose.
- New industrial projects of Ex-Servicemen in the small scale sector including transport, servicing industries, as also new Hospitals/Nursing Homes set up by professionally qualified Ex-Servicemen are eligible for financial assistance upto Rs. 9 Lakhs for the project cost not exceeding Rs. 12 Lakhs. Assistance for purchase of vehicle would be limited to purchase two vehicles per Ex-Servicemen/units.
➢ Ex-Servicemen undertaking hotel projects/tourism related facilities such as setting up of restaurants, travel and transport (including those at airports) and tourist service agencies will be eligible under the Scheme. The proposals in conformity with the provisions of the Refinance Scheme of IDBI are only eligible.

➢ Ex-Servicemen forming partnership with one or more Ex-Servicemen or with one or more non-ex-Servicemen are eligible. However, if the non-ex-Servicemen is a partner, his contribution should not exceed 25% of the total promoters’ contribution required for the project and effective management of the project should vest with the Ex-Servicemen.

Soft Seed Capital assistance is provided to meet the gap in equity after taking into account the promoter’s contribution of 10% in the project subject to a maximum of 15% of the project cost of Rs. 1, 80,000/- whichever is less. A specific schedule of the repayment of the soft loan is fixed by the Corporation. The maximum repayment period is upto 10 years including initial moratorium upto 5 years. In no case it will exceed the repayment period fixed for the term loan.

• **Special Capital/Seed Capital and National Equity Fund Scheme:**

This scheme is intended to help/create a new generation of entrepreneurs who possess necessary skills or practical experience and all requisite trails of entrepreneurship but limited financial resources to promote industrial ventures. For setting up new projects in Tiny, Small Industrial Sectors, soft loan assistance in the form of equity is provided. Also in case of sick viable S.S.I. units, rehabilitation is eligible for assistance.
➢ **Special Capital:** Preference will be given to new entrepreneurs who want to set up small scale industrial units for the first time. An entrepreneur to be eligible for special capital should be technically qualified or otherwise considered suitable be technically qualified or otherwise considered suitable must have a worthwhile project technically and economically feasible and who possess or has secured technical know-how and has the ability to set up an manage the enterprise but lacks resources to bring the required promoters contribution. The proposed industrial unit should be among the industries which are to be accorded priority under the current policy of the Central/State Government. The assistance is not available to traditional industries. Assistance can be considered for reviving a sick unit provided a proper scheme is drawn up. A unit which is not assisted by the Corporation by way of term loan will not be eligible for this facility. The Corporation provides soft loan to Tiny and SSI units upto Rs. 4.00 Lakh or 10% of the project cost whichever is lower.

The rate of interest applicable on the loan shall be 1% p.a. the moratorium in the repayment of the loan may be granted for a maximum period of 5 years. In case of default to the payment of principal or interest installment an enhanced interest of 6% over and above the normal rate is charged from the date of default on the overdue installment till its payment.

➢ **Seed Capital:** As per IDBI guidelines, promoters having entrepreneurial traits are eligible for Seed Capital Assistance. The following categories of entrepreneurs are considered eligible for assistance.
- Entrepreneurs in the S.S.I. sector who undertake expansion, diversification, and modernization while at the same time still remaining within the S.S.I. Sector.

- Those who intend graduating from S.S.I. to medium scale sector for the first time.

- Those intending to get up a project in the medium scale sector for the first time.

- Those already in medium scale sector and intending to undertake diversification for achieving better viability.

- Entrepreneurs who intend to take over an existing sick or closed unit provided a proper scheme has been drawn up to the satisfaction of the financial institution to establish viability of the unit in the hands of the new management.

- Entrepreneurs setting up, for the first time, a project in the S.S.I. sector where the requirement of Seed Capital Assistance exceeds Rs. 4 Lakhs.

- Entrepreneurs desiring to enlarge their activities within S.S.I. sector or setting up an independent unit.

- Entrepreneurs having a unit (or more than one unit subject to sum total of investment in plant and machinery of all their units not exceeding the prevailing ceiling for S.S.I. unit or ancillary unit) in S.S.I. sector, desirous of graduating through setting up a separate unit in medium scale sector.

- Entrepreneurs who have earlier availed of seed capital for a S.S.I. unit, seeking additional assistance for implementing expansion/diversification scheme of existing project and/or promoting a new project, subject to the outstanding seed capital not exceeding Rs. 15 Lakhs.
• Entrepreneurs seeking further seed capital assistance to meet over run in the project cost, caused by factors beyond their control.

Under this scheme a unit is eligible to get upto 10% of the project cost subject to maximum Rs. 15 Lakhs for a project not exceeding Rs. 5 Crores in cost. The assistance is provided as a soft loan, carrying service charge of 1% for the first five years. After this period, interest is payable at 10%. The soft loan is treated as part of promoters contribution and as equity for computing debt equity ratio.

The soft loan is free of interest and carries a service charge of 1% p.a. payable quarterly on the loan amount outstanding for the first five years. After this period, interest is payable at 10%. However, IDBI on the option can charge interest at such rate as may be determined by IDBI on the soft loan if the financial position and profitability of the Company so permits during the currency of the loan.

➤ National Equity Fund: New entrepreneurs setting up projects in the tiny and small scale sector for manufacture, preservation or processing of goods and existing sick S.S.I. units undertaking rehabilitation if they are found to be potentially viable by the financing institution are eligible for assistance. All industrial activities and service industries (except road transport, hotel, and restaurant and hospital/nursing home) are eligible for assistance under the Scheme.

The unit should be located in a village/town having population not exceeding 5 Lacs (15 Lacs the case of hilly arrears and North-Eastern Region). However, in the case of rehabilitation proposals, the project could be located in towns/villages with population upto 15 Lakhs. New projects which avail of
any margin money or seed/special capital assistance under the schemes of Central/State Govt. SFCs and other State-level Institutions or banks (except Central/State Investment Subsidy) are not eligible for assistance.

The rehabilitation proposal should conform to the norms prescribed under the Rehabilitation Refinance Scheme of SIDBI for S.S.I. The unit should be registered with State Directorate of Industries/ appropriate statutory authority. The unit should be eligible for assistance under Refinance Scheme of SIDBI. Sanction of refinance in respect of term loan for the project by SIDBI is prerequisite for extending equity type of assistance under the scheme. The total fund requirement of projects in the form of equity assistance under the fund, term loan and working capital will be provided by a single agency. Central/State subsidy may be retained for meeting working capital requirement. Project Cost (including margin money for working capital) should not exceed Rs. 5 Lakhs in the case of new project. In the case of rehabilitation projects also, total outlay on rehabilitation should not exceed Rs. 5 Lakhs per project.

The soft loan is free of interest and carries a service charge of 1% p.a. payable quarterly. However the Corporation will be at option to charge interest at such rate as may be determined looking to the financial position and profitability of the Company during the currency of the loan.

- **Single Window Scheme:**

  Gujarat State Financial Corporation under Single Window Scheme provides working capital loan along with the term loan to new tiny and small scale sector units so as to overcome the initial difficulties and delays faced by them to start production
expeditiously. New tiny and small scale units whose cost of project (excluding working capital margin) does not exceed Rs. 10 Lakhs and the total working capital requirement at the normal level of operation is upto Rs. 5 Lakhs are eligible under the scheme.

The debt equity ratio should be 3:1 in the total venture of outlay (i.e. cost of the project plus total working capital requirement) after taking into account the amount of investment/subsidy/incentive available for the project. The repayment for working capital should not exceed 10 years including moratorium upto 3 years and in case of Term Loan should not exceed $8\frac{1}{2}$ years including moratorium of 18 months.

Achievements:

- GSFC has played an important role in the industrial development of the state. Till date, it has financed 47,331 units and disbursed Rs. 3,300 crores, generating employment for over 6,00,000 persons. Many units financed by it are now well established and have also graduated from small to medium and large scale.
- Since the last few years, Corporation is passing through financially difficult times. Due to very heavy NPA and commercial Banks are now performing similar activity has stopped advancing fresh loans since October 2001.
- Currently, it is engaged in the activity of recovering dues from its borrowers and paying its lenders.
- One Time Settlement (OTS) schemes have been introduced to expedite recovery.
- Cost cutting exercise has been implemented to reduce manpower by deputing staff to various government departments and by implementing VRS.
Government has formed a high – powered committee under Chief Secretary to decide on the future of GSFC. Committee has decided to offer VRS to employee, have OTS scheme and structure the organization.

The developments over the last year in major economies of the world have not been encouraging. The global economy witnessed fresh spells of crisis during 2011 – 12 with domestic business and consumer confidence dampening on the back of deepening sovereign debt crisis in Europe. The crisis percolated into Indian economy and growth in India is moderating more than expected earlier. The inflation, though moderated in last quarter, remained sticky and stood at 6.9% in March 2012. Average inflation for fiscal 2012 was 8.8% as compared to 9.5% in fiscal 2011. During March April 2011 – 12, Index of Industrial Production (IIP) growth was 2.8% as compared to 8.2% during March April 2010 – 11. The Indian economy saw moderation in economic activity during fiscal 2012, following domestic macroeconomic conditions of high interest rates and slowdown in investments. The overall growth of GDP at factor cost at constant prices, as per Advanced Estimates, is estimated at 6.9% in 2011 – 12 as compared to the revised growth of 8.4% during 2010 - 11. The growth in real GDP is placed at 6.1% in the third quarter of 2011 – 12. Weakening industrial growth and global economic situation has adversely affected the growth of Indian economy.

Since last more than one decade, Corporation is solely concentrating on recovery of dues. In order to boost recovery, Corporation has extended the validity of various One Time Settlement schemes upto 31.3.2012. During the year under reference, aggregate recovery of the Corporation stood at Rs. 31.69 crore as against Rs. 38.35 crores during the last financial year 2010 11.
During the year under report, the total income of the Corporation including exceptional items stood at Rs. 56.71 crores as against Rs. 64.21 crores during the last year. The total expenditure for the period under reference came to Rs. 265.63 crores whereas the same for the last year was Rs. 221.12 crores. Corporation recorded a net loss of Rs. 208.92 crores during the year under report as against Rs. 156.91 crores in the previous year. The accumulated loss of the Corporation as on 31st March, 2012 stood at Rs. 1913.97 crores.

Corporation redeemed bonds guaranteed by the State Government totaling face value of Rs. 2.95 crores during the year under report besides meeting liability of Public Sector Bonds amounting to Rs. 1.92 crores. The outstanding Government guaranteed bonds as on 31/03/2012 stood at Rs.1.25 crores as against Rs. 4.20 crores at the end of previous year.

Corporation is receiving active support of Government of Gujarat by way of budgetary allocation of funds to meet its liabilities. During the year under report, Corporation has received loan of Rs. 4.20 crores from Government of Gujarat.

During the year 2011 – 12, total recovery of the Corporation amounted to Rs. 31.69 crores as against Rs. 38.35 crores during financial year 2010 – 11.


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