INTRODUCTION AND DEVELOPMENT OF RAJASTHAN
FINANCE CORPORATION

(i) INTRODUCTION

After discussing the RIICO it’s obvious that the other financial corporation the state of Rajasthan is the RFC. Which is the Rajasthan Financial Corporation. This body was set up in the 1955 as a statutory corporation under the state Financial Corporation Act, 1951. This corporation has played a major role in the industrialization of Rajasthan, because more than 90% of industrial projects have been established in the state in the category of tiny, small time and medium sector for which this corporation had been established. Had the RFC not been established probably so many of industrial sectors would not have seen the light of the day. It should be kept in mind that no one would like to give loans to small and medium sectors, for the fear of repayment of loans.

This obviously means that people who had entrepreneur acumen, but lack of financial funding, would have power be able to establish their business therefore the RFC was excel send for then and this corporation put a number of people on their feet, who in turn given employment to others this was also an inspiration, for a number of people to take up the challenge of starting their own business from a small scale and later they could venture to something bigger.

If the state of Rajasthan did not have the RFC entrepreneurs would have to take loans from money lenders, who would charge them an exuberant rate of interest and beside they would have to either mortgage their gold or property. In such circumstances very few entrepreneurs would take up the step of setting up industries. 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.
Since, its very inception, the Rajasthan Financial Corporation has been striving incessantly towards its Goal - that of extending a helping hand to varied entrepreneurial section of society for their financial requirements. A Goal, ultimately aimed at spurring up the process of industrialization of its parent State. For the fulfillment of its prime objective it operates various loan schemes for the tiny, small and medium scale industries, many of them tailor-made for specific entrepreneurial classes. Ever prepared to adopt as well as to adapt itself to the changing industrial needs, RFC has over the period, widened its network, multiplied its numerous schemes and added multifold to its policies and incentives, liberalizing them with the need of the hour. Be a party to the grand task of industrialization of the State of Rajasthan and avail of any of our loan schemes.

The general superintendence, direction and management of the affairs and business of the Corporation vests with the Board of Directors, consisting of representatives of the State Government, SIDBI, Public Sector Banks, LIC, Insurance companies and other Institutions owned and controlled by Central Government/ State Govt. and other genuine share holders. The Chairman and Managing director aided by Executive Director, General Managers, Deputy General Managers and Departmental heads in HO, and Branch Managers in the field execute the policies of the Corporation. The Corporation has expanded into 37 Branches and 5 Sub Offices in 33 Districts of the State. These Branches are duly equipped to function as entrepreneurial guidance centers and exercise considerable delegated authority in regard to sanction, documentation and disbursement of financial assistance.

The Corporation has established a Business Promotion Cell and an entrepreneur Guidance Cell at HO, which provides assistance, and guidance to the entrepreneurs. The Corporation grants term loan up to Rs. 2000 lacs to limited companies and Co-operative societies and up to Rs. 800 lacs to proprietary and partnership concerns. Existing industries having Net Worth up to Rs. 30.00 Crores (paid up capital + Free reserve) are eligible for financial assistance under the provisions of the SFC’s Act. The Corporation also provides short-term line of credit facilities to good borrowers for acquiring fixed assets and to meet out their working capital requirements. The financial assistance is also made available by the Corporation for the following activities, which have been approved by IDBI under the provisions of Section 2(c) (XIII) of the SFC's act.
• Acquiring Electro-medical equipment for professional use by medical practitioner.

• Hospitals and Nursing Homes.

• Hotels, Restaurants and tourism related activities.

• Setting up consultancy ventures by qualified professionals.

• Quality control facilities.

• Service Industries like Washing, Cleaning, Ornamenting etc.

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

• Providing medical, health or other allied services.

• The research and development of any concept, technology, design process or product.

• Development, maintenance and construction of roads.

• Construction of commercial complexes, sales outlets and show rooms and community centers (including marriage halls) as a part of the hotel business.

• All activities related to information technology sector including Cyber Cafe E-telecommunication portal services etc.
Chart 3.1

ORGANIZATIONAL HIERARCHY IN RFC

CLASS ‘A’

BOARD OF DIRECTORS

CHAIRMAN AND MANAGING DIRECTOR

EXECUTIVE DIRECTOR

GENERAL MANAGER

DEPUTY GENERAL MANAGERS

MANAGERS

DEPUTY MANAGERS

ASSISTANT MANAGERS/STENOGRAPHER-I

CLASS ‘B’

SENIOR ASSISTANT/STENOGRAPHER-II

ASSISTANT/STENO TYPIST

JUNIOR ASSISTANT/TYPIST

CLASS ‘C’

ZAMADARS

DRIVERS

MESSENGERS
(ii) **OBJECTIVES AND FUNCTIONS OF RAJASTHAN FINANCE CORPORATION**

RFC is authorized to carry on and transact any of the following kinds of business to achieve its objective.

a) Guaranteeing on such terms and agreements as may be agreed upon:

- Load rose for the industrial concerns, which are repayable in a period not exceeding 20 years and floated in the public a market.

- Loan raised for industrial concerns from scheduled banks so the State Co-operative Bank.

- Guaranteeing on such terms and conditions as may be agreed upon; deferred payment due from any industrial concern in connection with its purchase of capital goods within India.

b) Under-writing of the issue of stocks, shares, bonds and debentures issued by industrial concerns transferring for consideration; any instrument relating to loan and advances granted by its to industrial concerns.

c) Acting as an agent of the State Government of Central Government or The Development Banks or The Industrial Finance Corporations of India for capital Investment, subsidy and interest free State tax loan or any other matter connected with or arising out of the grant of loans or advances to an industrial concern.

d) Receiving such commission as may be agreed upon in consideration of the services mentioned in the proceeding clauses.

e) Granting loans or advances to subscribers to debentures of a concern, repayable within a period not exceeding 20 years from the date on which they are granted or subscribed to.
f) Subscription the stock, shares, bonds or debentures of an concern of the funds representing the capital subscribed in accordance with the provision of section 4A.

g) Performing all such acts as may be incidental so or consequential upon the exercise of its powers or the discharges of its duties under this act.

The Corporation also underwrites shares and provides seed capital assistance. Besides, it also functions as an agent of central and State Government with regard to the implementation of its schemes of concessions/facilities to industries.

RFC Generally provides term loan for setting up industrial units under: -

The single Window Scheme, Working Capital Finance is also considered in specified cases. RFC also does consortium borrowers scheme for short-term assistance and working capital terms loan to good borrowers. Other steps include a direction to ensure disbursement within 24 hours of completion of valuation and sanction of loans as far as possible within a month of registration of loan application. The Corporation had formulated a new policy in 1995-96 for assisting units having difficulties, but not falling, within RBI parameters of sickness. The idea was that assistance at the stage of recipient sickness would be less costly and more likely to be successful than attempts at revival after a unit has become sick.

(iii) **PERSONNEL AND ADMINISTRATION OF RFC**

The Corporation continued its corporate philosophy of decentralized working with the objective of serving the entrepreneurs better and faster. The Corporation is providing effective services through its network of 38 Branch Offices, 5 Sub-offices, two A&I offices besides the Head Office of the Corporation at Jaipur. With a view to have close monitoring, supervision and improving functional quality of Branches and in order to ensure optimum utilization of human resources, the Corporation has re-organized its existing set-up by re-organizing/merging sections at HO, having inter-related functions, in 8 Division and six existing posts of DGM were designated as DGM (Operations) and the erstwhile regional set-up was revived in the manner that there will be six Regions (Operations) which will be looked after by these DGM (Operations) with headquarter at Jaipur. All the Branches have been grouped into these six operational zones to improve competence, competitiveness and
customer responsiveness. The existing Jodhpur Branch has been bifurcated into two separate Branch offices as Jodhpur (City) and Jodhpur (Rural).

Till 31st March 2012 there were 820 employees with the Corporation. The relationship between the management and the employees remained cordial throughout the year. The corporation adopts a need based approach for imparting training to the officers by analyzing the training needs with a view for achieving the objectives of the Corporation and development of employees skills so as to improve their performance in the functional areas of the Corporation.

Analysis of the training needs is based on the cadre/functional area of the officer's level. Lower level officers are usually considered for training in their functional subjects like Appraisal, Technical feasibility, Legal Documentation, Disbursement, Follow up and Recovery, Litigation, Accounts, etc., whereas Senior level officers are considered for training on the subject of overall supervision and control. In pursuit of the aforesaid policy, the Corporation carries out in-house training programme and also nominates officers for outside training programmes conducted by reputed Training /management Institutes like RBI College of Agriculture Banking, MDA, COSIDICI, HCM-RIPA, etc.

One in-house Management Development Programme for officers was held in association with Department of Management Studies, Poornima Group of Colleges Jaipur held on 25th November 2011 at Udyog Bhawan, Jaipur, in which 35 officers participated. The Corporation sponsored officers for different training programmes/ seminars/workshops organized by state/ national level institutions. The Corporation provided summer training/management training to students of prestigious institutions. During the year under review, 17 company secretary students and 36 MBA/ PGDM/ BBA students were imparted training. Presently, 18 CS students and 9 MBA students are undergoing training in the Corporation.
(iv) **SOURCE OF RFC**

a) **SHARE CAPITAL**

Share capital contributes by state Government of Rajasthan in RFC. The Honorable Chief Minister of Rajasthan in the budget speech of the year declare about the share capital.

b) **LOAN FROM STATE GOVERNMENT**

State Government gives contribution to RFC in the form of Quasi Equity / and Soft Loan.

c) **RE-FINANCE**

This is also a good way to arrange resources through refinancing.

d) **RESERVES**

Reserves are also the main source of RFC. It utilizes it when it is required.

e) **RECOVERIES**

Recoveries are the main way to arrange its resources through the recovery RFC arranges their maximum amount of resources.

f) **BONDS**

Bonds are allocated by SIDBI to RFC by this way RFC arrange big amount as it resources.

g) **BORROWINGS FROM BANKS**

It is very broad-base resource of the corporation Axis Bank Ltd., ICICI Bank are the main source that provide loans to RFC.
Table 3.1

<table>
<thead>
<tr>
<th>S. NO</th>
<th>PARTICULARS</th>
<th>2007-2008</th>
<th>2008-09</th>
<th>2009-10</th>
<th>2010-11</th>
<th>2011-12</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>SHARE CAPITAL</td>
<td>86.52</td>
<td>86.52</td>
<td>110.08</td>
<td>110.08</td>
<td>110.08</td>
<td>503.28</td>
</tr>
<tr>
<td></td>
<td>(17.19%)</td>
<td>(17.19%)</td>
<td>(21.87%)</td>
<td>(21.87%)</td>
<td>(21.87%)</td>
<td>(21.87%)</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>EQUITY &amp; QUASI-EQUITY LOAN</td>
<td>39.20</td>
<td>39.20</td>
<td>15.65</td>
<td>15.65</td>
<td>15.65</td>
<td>125.35</td>
</tr>
<tr>
<td></td>
<td>(31.27%)</td>
<td>(31.27%)</td>
<td>(12.48%)</td>
<td>(12.48%)</td>
<td>(12.48%)</td>
<td>(12.48%)</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>RESERVES</td>
<td>58.70</td>
<td>60.70</td>
<td>60.70</td>
<td>61.70</td>
<td>66.70</td>
<td>308.50</td>
</tr>
<tr>
<td></td>
<td>(19.02%)</td>
<td>(19.68%)</td>
<td>(19.68%)</td>
<td>(20%)</td>
<td>(21.62%)</td>
<td>(100%)</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>BORROWINGS</td>
<td>575.88</td>
<td>664.90</td>
<td>667.08</td>
<td>690.79</td>
<td>638.61</td>
<td>3237.26</td>
</tr>
<tr>
<td></td>
<td>(17.79%)</td>
<td>(20.54%)</td>
<td>(20.60%)</td>
<td>(21.33%)</td>
<td>(19.73%)</td>
<td>(100%)</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>BOND</td>
<td>138.18</td>
<td>124.80</td>
<td>111.87</td>
<td>74.95</td>
<td>31.50</td>
<td>481.30</td>
</tr>
<tr>
<td></td>
<td>(28.71%)</td>
<td>(25.93%)</td>
<td>(23.24%)</td>
<td>(15.57%)</td>
<td>(6.54%)</td>
<td>(100%)</td>
<td></td>
</tr>
</tbody>
</table>

Sources:- Annual Report of RFC 2007-08 to 2011-2012

Table number 3.1 shows that in 2007-08 R.F.C collected Rs. 86.52 crore through share capital and in 2008-09 it was the same. It was consistent for the last three years that is 2009 to 2012 with the amount of Rs. 110.08 crore. It means R.F.C. Equity issued no shares and quasi equity loan shows that the first two years was consistent with the amount of Rs. 39.20 crore. While in the year 2009 to 2012 (there was a decline). Highest reserves were received in 2011-12 that was Rs. 66.70 crore and lowest was in 2007-08 with the amount of Rs 58.70 crore. The highest collection was made by borrowings and it showed a continuous increase, while bond showed a continuous decrease.
Diagram: 3.1

Sourc of RFC

- 1 SHARE CAPITAL
- 2 EQUITY & QUASI EQUITY LOAN
- 3 RESERVES
- 4 BORRWINGS
- 5 BOND

79%

11%

7%

3%

10%

69%

In the history of the Corporation, the financial year 2007-08 recorded the highest ever sanctions, disbursement and recovery to the tune of Rs. 438.21 crore, Rs. 266.92 crore and Rs. 377.61 crore registering an increase of 18.94% respectively over the preceding year's figure. The Corporation received 1381 applications for financial assistance aggregations for financial assistance aggregating to Rs. 987.05 crore in the year 2007-08, while 63 applications involving a sum of Rs. 105.66 crore were pending as on 1-4-2007. During the year under review, 856 applications worth Rs. 438.21 crore were sanctioned and 533 applications amounting to Rs. 438.99 crore were rejected, closed and withdrawn. Thus, as at the end of March 2008, 55 applications of Rs. 115.95 crore were pending with the Corporation.

The Corporation's gross sanctions amounting to Rs. 438.21 crore having gone to 856 units as compared Rs. 368.44 crore sanctioned to 729 units in the previous year, registering an increase of 18.94% in terms of amount. The financial year 2008-09 recorded the sanctions, disbursement and recovery to the tune of Rs. 472.93 crore, Rs. 340.17 crore and Rs. 395.22 crore, registering an increase of 7.92%, 27.44% and 4.66% respectively over the preceding year's figures. The corporation received 1158 applications for financial assistance aggregating to Rs. 1233.121 crore in the year 2008-09, while 55 applications involving a sum of Rs. 115.95 crore were pending as on 1-4-2008. During the year under review, 777 applications worth Rs. 472.93 crore were sanctioned and 387 applications amounting to Rs. 576.82 crore were rejected, closed and withdrawn. Thus, as at the end of March 2009, 49 applications of Rs. 198.93 crore were pending with the Corporation.

RFCs gross sanctions amounting to Rs. 472.93 crore have gone to 777 units as compared Rs. 438.21 crore sanctioned to 856 units in the previous year, registering an increase of 7.92% in terms of amount. The Corporation in the financial year 2009-10 recorded the sanctions disbursement and recovery to the tune of Rs. 438.02 crore, Rs. 296.89 crore and Rs. 390.43 crore respectively, which is 103.06% 98.96% and 94.08% of the assigned target of the respective key areas.

The Corporations for financial assistance aggregating to Rs. 1292.15 crore in the year 2009-10, while 49 applications involving a sum of Rs. 198.93 crore were pending as on 01-04-2009. During the year under review, 827 applications worth Rs. 438.02 crore were
sanctioned and 453 applications amounting to Rs. 686.50 crore were rejected, closed and withdrawn. Thus, as at the end of March 2010, 71 applications of Rs. 259.99 crore were pending with the Corporation.

The Corporation's gross sanctions amounting to Rs. 438.02 crore have gone to 827 units as compared Rs. 472.93 crore sanctioned to 777 units in the previous year. The corporation, during the financial year 2010-11, recorded sanctions, disbursement and recovery to the tune of Rs. 469.93 crores, Rs. 323.96 crores and Rs. 469.51 crores respectively, which is 98.93% 101.22% and 110.47% respectively of the assigned target. RFC received 1415 loan applications for financial assistance aggregating to Rs. 1431.17 crores in the year 2010-11. While 71 loan applications, involving a sum of Rs. 259.99 crores, were pending as on 1-4-2010. During the year under review, 893 loan applications for Rs. 469.93 crores were sanctioned and 575 loan applications amounting to Rs. 1019.35 crores were rejected, closed or withdrawn. As at the end of March 2011, 18 loan applications for Rs. 76.03 crores were pending with the Corporation.

The Corporation's gross sanctions amounting to Rs. 469.93 crores have gone to 893 units as compared Rs. 438.02 crores sanctioned to 827 units the previous year. The Corporation was constrained by a serious liquidity crunch due to inadequate refinance support from SIDBI and accordingly, had to revise its target for sanction and disbursement. In spite of several odds, the Corporation recorded sanctions, disbursement and recovery to the tune of Rs. 283.63 crore, Rs. 259.78 crore and Rs. 430.64 crore respectively, which is 103.14%, 99.92% and 101.33% respectively of the assigned target.

As on 01-04-2011, 18 loan applications; involving a sum of Rs. 76.03 crore were pending with the Corporation. The Corporation received 1277 loan applications for financial assistance aggregating to Rs. 9515.47 crore in the year 2011-12. Out of the above, 796 loan applications for Rs. 283.63 crores were sanctioned and 429 loan applications amounting to Rs. 586.42 crores were rejected, closed or withdrawn. 70 loan applications for Rs. 108.34 crores were pending at the end of March 2012. RFC Sanctioned Rs. 283.63 crore to 796 units in the current financial year as compared Rs. 469.93 crore to 893 units in the previous year.
Table 3.2
Loan Sanction, Disbursement and Recovery of R.F.C
(Rs. in Crore)

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Particulars</th>
<th>2007-08</th>
<th>2008-09</th>
<th>2009-10</th>
<th>2010-11</th>
<th>2011-12</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Sanction</td>
<td>438.21 (20.84%)</td>
<td>472.93 (22.49%)</td>
<td>438.02 (20.83%)</td>
<td>469.93 (22.35%)</td>
<td>283.63 (13.49%)</td>
<td>2102.72</td>
</tr>
<tr>
<td>2.</td>
<td>Disbursement</td>
<td>266.92 (17.88%)</td>
<td>340.17 (22.78%)</td>
<td>296.89 (19.88%)</td>
<td>328.96 (20.03%)</td>
<td>259.78 (17.40%)</td>
<td>1492.72</td>
</tr>
<tr>
<td>3.</td>
<td>Recovery</td>
<td>377.61 (18.30%)</td>
<td>395.22 (19.15%)</td>
<td>390.43 (18.92%)</td>
<td>469.51 (22.75%)</td>
<td>430.64 (20.87%)</td>
<td>2063.41</td>
</tr>
</tbody>
</table>

Source: Annual report of RFC 2007-08 to 2011-2012

Table Number 3.2 shows that in 2007-08 Rs. 438.21 crore was sanctioned and after that it shows an increase with 1.65.1 by the amount of Rs. 472.93 crore, in the year 2008-09. Highest sanctioned was made in 2010-11 that was Rs 469.93 crore and lowest was in 2011-12 with the amount of Rs. 283.63 crores. During the study period (2007 to 2012) highest disbursement was made in 2008-09 with the amount of Rs.340.17 crore and in the other years disbursement was not less in comparison to sanctions. Recovery based on previous years. In the year 2007-08 recoveries was Rs. 377.61 crore and it shows an increase for next four consecutive years. The highest recovery was made in 2010-11 with the amount of Rs.469.51 crore, and lowest was made in the year 2007-08 that was Rs. 377.61 crore.
Diagram 3.2
Loan Sanction, Disbursement and Recovery of R.F.C

Table 3.3

<table>
<thead>
<tr>
<th>S. No.</th>
<th>YEAR</th>
<th>NET PROFIT</th>
<th>INDEX NO</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2007-08</td>
<td>11.49</td>
<td>100</td>
</tr>
<tr>
<td>2</td>
<td>2008-09</td>
<td>8.51</td>
<td>74.06</td>
</tr>
<tr>
<td>3</td>
<td>2009-10</td>
<td>2.05</td>
<td>17.84</td>
</tr>
<tr>
<td>4</td>
<td>2010-11</td>
<td>11.97</td>
<td>104.18</td>
</tr>
<tr>
<td>5</td>
<td>2011-12</td>
<td>4.53</td>
<td>39.43</td>
</tr>
</tbody>
</table>


Table number 3.3 shows that in the year 2007-08 R.F.C earned profit of Rs. 11.49 crore and after that profit percentage was decreased for two consecutive years with the amount of Rs. 8.51 crore and Rs. 2.05 crore, and also that was a lowest profit. The highest profit was made in the year 2010-11 with the amount of Rs. 11.97 crore. R.F.C’s performance was also poor in the year 2011-12 with the amount of Rs. 4.53 crore
Diagram: 3.4

Net Profit of RFC

- 31% for 2007-08
- 30% for 2008-09
- 22% for 2009-10
- 5% for 2010-11
- 12% for 2011-12

vi. **MANAGEMENT AND ADMINISTRATION OF RAJASTHAN FINANCE CORPORATION**

The General superintendence, direction and management of the affairs and business of the financial corporation vests in the Board of Directors, with the assistance of an Executive Committee and a Managing Director who is empowered to exercise all the powers and discharge all the functions which may be exercised or discharged by the Financial Corporation. The supreme authority as far as decision-making is concerned rests with the Board of Directors. The corporation acts through the Board. The Board takes major policy decisions. The Board is responsible for effective management of the corporation.

The board is constituted in the following manner:

a) Four directors are nominated by the State Government of whom one director should be a person having special knowledge or experience in the field of small-scale industries. They include Managing Directors of RIICO Ltd., Secretary Finance, Government of Rajasthan; Secretary Industries; Government of Rajasthan, Chairman and Managing Director of RFC.

b) One Director nominated by the Reserve Bank of India.

c) Two Directors nominated by the Development Bank of India.

d) Three Directors elected in the prescribed manner, one of which is elected is present Scheduled Banks and others to represent other Financial Institutions.

e) One director elected in the prescribed manner from among themselves by the parties who are shareholders of the Corporation.

f) A managing Director appointed by the State Government in consultation with and after obtaining the advice of the Development Bank and except in the case of first appointment also with the Board, provided that the directors other than the Managing Director is to retire at the end of the first year.
THE CONSTITUTION OF THE BOARD OF DIRECTORS IS SHOWN IN THIS TABLE:

**BOARD OF DIRECTORS**

<table>
<thead>
<tr>
<th>No.</th>
<th>Position</th>
<th>Nomination</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Chairman and Managing Director RFC</td>
<td>State Government Nominee</td>
</tr>
<tr>
<td>2.</td>
<td>Principal Secretary Finance Government of Rajasthan.</td>
<td>State Government Nominee</td>
</tr>
<tr>
<td>3.</td>
<td>Principal Secretary Finance Government of Rajasthan.</td>
<td>State Government Nominee</td>
</tr>
<tr>
<td>4.</td>
<td>Managing Director, RIICO Ltd.</td>
<td>State Government Nominee</td>
</tr>
<tr>
<td>5.</td>
<td>Chartered Accountant</td>
<td>State Government Nominee</td>
</tr>
<tr>
<td>6.</td>
<td>General Manager, IDBI</td>
<td>Nominated by IDBI</td>
</tr>
<tr>
<td>7.</td>
<td>General Manager, SIDBI</td>
<td>Nominated by IDBI</td>
</tr>
<tr>
<td>8.</td>
<td>Dy. General Manager, RBI</td>
<td>Nominated by RBI</td>
</tr>
<tr>
<td>9.</td>
<td>General Manager, SBBJ</td>
<td>Elected to represent Scheduled Commercial Banks.</td>
</tr>
<tr>
<td>10.</td>
<td>Sr. Divisional Manager of LIC of India</td>
<td>Elected to represent Insurance Company and other Financial Institutions.</td>
</tr>
<tr>
<td>11.</td>
<td>Director of the Urban Co-operative Bank Ltd.</td>
<td>Elected to represent Co-operative Banks.</td>
</tr>
<tr>
<td>12.</td>
<td>Chartered Accountant</td>
<td>Elected to represent General class of share holder</td>
</tr>
</tbody>
</table>
(vii) ORGANIZATIONAL STRUCTURE OF RAJASTHAN FINANCE CORPORATION

a) AT THE TOP LEVEL
The chairman and Managing Director holds the top position in administrative set up and is accountable to the Board of Directors. The executive committee enjoys a parallel status with that of the Management Board. Seven General Managers assist him in their field of activities. They are:

- General Manager (Development)
- General Manager-cum-Secretary
- General Manager (Finance)
- General Manager (Accounts)
- General Manager (Audit & Inspection)
- General Manager (Planning)
- General Manager (Tourism)

b) **AT THE MIDDLE LEVEL**

There are Deputy General Managers and Managers who control finance, loans, merchant banking, accounts, law, technical, follow-up and recovery, administration and internal audit wings of the corporation. At the same level there are officers who have full-fledge charge of statistics, market intelligence and Economic Analysis and Statistics and publications. There are 11 regional offices each of them is headed by Deputy General Manager who is responsible for control, administration and performance of the branches following under its purview.

c) **AT THE OPERATIONAL LEVEL**

There are Managers and Deputy Managers who have been entrusted the task of managing the branches of the Corporation. The branches classified under ‘A’ Category are headed by the Managers while the remaining are headed by Deputy. Managers.

(viii) **VARIOUS DEPARTMENTS OF RAJASTHAN FINANCE CORPORATION & THEIR FUNCTIONS**

Departmentation of an organization is essential for its smooth functioning. It depends on variety of factor. RFC Considers grant of financial assistance to industries in backward and developing areas of Rajasthan by mean of granting loans to the promoters, through its various schemes. Departmentation in Rajasthan Financial Corporation is done on a functional basis. The objective of the corporation is achieved by dividing the work to various
departments or sections. Each department performs a specific task. The functions of various departmental and the procedure followed while

a) **LOAN SECTION**

The loan section is virtually responsible for the whole appraisal process. It registers application for the loans in the prescribed register R- Registration, the loan cases are assigned to a particular appraisal group. Which examines the case within 10-15 days and prepares a note on key factor (NKF). The Appraisal group before the Project Clearance Committee (PCC) puts up this NKF. PCC Consists of

- Managing Director
- Executive Director
- All General Manager
- DGM (A and I), DGM (F and R), DGM (BP), DGM (LOANS).
- Manager (Tech Cell), Manager (MDD) and Manager (Loans and Tech.)
- All members of appraisal Team.

b) **PCC EXAMINES THE FOLLOWING KEY ISSUES**

- Promoter’s background, experience and financial standing.
- Priority and importance of the project.
- Scope of the Industry.
- Overall technical feasibility and economic size of the project.
- Suitability of the location and substitution of the plant supplier.
- Earlier experience of the corporation with similar projects.

After clearance by PCC and having determined key issues, the appraisal group takes detailed processing of the case. A letter is sent to the promoter if some additional information is required. Simultaneously appraisal from bank mentioned by promoter also made regarding Working Capital Financial. After processing is completed and the case is considered worth financing, the proposal is finalized by appraisal group in consultation with DGM (Loan)/Manager (Loans) and put before MD/ED for sanction. Loan is approved and sanctioned from the competent authority and is conveyed to the applicant who has to confirm the terms and conditions of sanction within 30 days. The loan file is then sent to law section for execution of the documents.

c) **LAW SECTION**

It deals with execution of loan documents. It is responsible for performing following two major functions: -
• **Documentation Work:** - Examination of title documents of the properties as security and getting the documents of loan executed.

• **Court cases and Legal Work:** - For giving legal opinion in cases referred to it by the other cells and branches and attending cases filed by or against the corporation.

After issuing loan sanction letter, the loan files is received in the law Section where the promoter is required to get the documents executed within 3 months. This cell, after receipt of loan file, issues a letter to the loanee concerned asking to submit acceptance of terms and conditions of sanction letter and also deposits service charges and to comply with the requirement of the letter of sanction. After the loanee having deposited the necessary charges, the law section issues a letter to the State Government or Industrial Development Corporation of the State is case of lease hold land while for freehold land copy of title deeds of land is to be submitted, by the promoter. The constitution of borrowing concern i.e. partnership firm or a company or a co-operative society is to be examined and then promoter is asked to submit other documents like power of attorney, board resolution, personnel guarantee, undertaking, affidavits etc. Generally the corporation advances loans by creating equitable mortgage. Then the loan documents are got executed from the loanee on the prescribed format of loan documents. This section also maintains a progress for making day today entries in the register.

d) **FOLLOW-UP AND RECOVERY SECTION**

The activity of follow-up starts immediately after sanction of loan. The object of follow-up section is to see that the assisted units perform loading to timely recoveries of corporation dues. This cell manages the works of granting loan by performing the following functions: -

• Follow-up of a unit for knowing its health through its periodic progress reports, inspection of the unit and obtaining report from nominee Director.

• Recovery of Dues: Timely intimation of amount due and taking action for its recovery. Taking suitable action is case of defaulting units.

• In case of closed units/abandoned projects, action is taken for their revival and rehabilitation.

• Subsequent premises and other matters;

• Grant of charges Pari-Passu.
• Approval of change in constitution of assisted units.
• Dealing with any other problem.

The basic responsibility for follow-up and recovery from assisted units is that of the branch. However, in case a problem is referred to the General Manager or Manager/Deputy Manager (F and R) in the Head Office. Full support and effective supervision over F and R work of the branch office is exercised by regional office. Every branch has a follow-up and Recovery Committee (FRC) whose primary objective is to review cases requiring special attention and to chalk out plans to deal with them.

The functions of the committee are: -

• To review cases of new defaulting units (if default persist for more than a month).
• To review cases of chronic/willful defaulting units.
• To review cases of closed units (specially cases of units where assets are in possession).
• To review cases of revival and rehabilitation of sick and closed units.
• To review cases of defaulting units paying on monthly basis and of other units in general.
• To review cases in which legal action has been initiated.
• To monitor, in general progress of recovery and follow-up.

In cases of units in difficulty, the officer at branch looks into and analyses, whether the difficulty is on account of reasons beyond its control or other genuine reasons and then time of action is decided for either postponement, deferment to rescheduling, revival of a closed unit by induction, sale or take over of assets and their disposal.

e) TECHNICAL SECTION

The main function of this is to analyze the technical soundness of a particular proposal. This section is responsible for the valuation of assets and also for inspection of closed unit. The major functions of this cell are to study the technical aspects of projects. It also books out following function:

• To find out suitability of location and pollution control.
• To know about adequacy of land and building.
• Find out capacity and usefulness of plant and machinery.
• To know about feasibility of the technical process.
• To know about availability of raw material and other.
• To study the working capacity of power required for the manufacturing.
• To make arrangement for technical know-how.

This section is responsible to carry on valuation of the assets before disbursement. They see that this verification is carried out quickly so that the promoter avails the loan without any loss of time and inconvenience. This is ensured that valuation report is submitted within 7 days from the date of receipt of request.

f) **FINANCE SECTION**

The finance section of the corporation deals with funds of the corporation. The basis functions of the section are:

• Mobilization of resources of the Corporation.
• Dispersal of funds: By way release of sanction of loans, subsidy, administrative expenses, other payments of statutory liabilities of general establishment.
• Project implementation: There is a project-monitoring cell which monitors the performance of the project sanctioned in Rajasthan.
• Management of Subsidy: RFC acts as an agent of the state government for the release of subsidy.
• Refinance: RFC Receives funds for small-scale projects from SIDBI and for medium projects from others at low interest rate. This finance section is responsible for management of finance from these institutions and extending the same to promoters at high interest rate so as make profits.
• Prepare business plans for the whole year.
• Prepare a Business Plan and Resource fund (BPRF) in consultation with IDBI and SIDBI, which is financially approved by the Board of Directors, This BPRF is a sort budget of the corporation for all practical purposes.
• It also prepares a separate budget, which includes the expenditure estimates under different heads or sections of the corporation. It is placed before the Board for approval by the General Manager (Finance).
• This section is also responsible for management of bank accounts.
• It is the function of this section to handle the cash in such a manner that a minimum balance remains in the current account so as to maximize the profit.

In spite of all this, it is the responsibility of finance department to regularly monitor to funds position, the bank statements being sent by the branches to the Head Office. A report
about the performance of all the branches in respect of remittance of funds is also prepared. Besides this work, relating to floatation of bonds, this department also performs investment of funds ailment of loan from government and other agencies.

g) **REFINANCE & DISBURSEMENT SECTION**

The branches except in joint finance cases do the work of disbursement of loans. The disbursement section performs the disbursement of loan function. The major functions of this section in regard to each loan sanctioned are:

- Disbursement of Loan.
- Disbursement of Subsidy.
- Project implementation and Monitoring.

**Action of Disbursement of Loan:** - Is initiated after the execution of document and receipt of loan from Documentation Cell which is retained until the final disbursement work is looked after by Deputy Managers. It is the responsibility of this cell to see that the disbursement is made on only on the basis of valuation of the assets created or bank intimation received. This cell ensures about compliance of conditions stipulated in loan sanction order and sanction of refinance before release of money against the assets created. Inspection of the unit at lease once in six months during the currency of disbursement of loan is also made by this section and inspection report with suggestions wherever possible is prepared. This section also prepares a disbursement note. It also issues a assurance letter directly to the supplier on request of loanee concerned.

**Disbursement of Subsidy:** - Subsidy is a kind of incentive given to industries, which is not recoverable in case unit goes on production. This section is responsible to obtain subsidy applications, prepares subsidy note to the individual concerns and special terms and conditions mentioned in the sanction letter. It is ensured that subsidy is disbursed together with loan disbursement on the basis of accepted value of assets created by the units.

h) **COMPUTER AND ACCOUNT SECTION**

The corporation has adopted an integrated computerized accounting system. For the purpose of maintaining the accounts there is a separate accounts in computer there is a computer section. The Corporation follows, “Cash System of Accounting”. This section performs the following function:

- Filling of the income tax returns and dealing with other matters related with income tax.
- Maintains accounts for the disbursement purpose and for depositing collections done by branches.
• Prepares a balance sheet, gets it audited and then submits it to CMD.
• Handling of current accounts of the corporation with various commercial banks.
• Performing the work related with checking of vouchers, checking of dividend on share interest of bonds.
• Maintenance of records relating to the pension, salary leaves and allowances of particular employee and for furnishing information regarding these to the personnel and administration section.
• Processing the vouchers and other input data sent by the branches.
• Submits monthly statements to the CMD.
• Sending routine reports, which include reports for due and receipts, CGS fees, validation amount recovered during the month, amount disbursed during the month etc.
• Maintains a record of the cheques issued, cheques received by the corporation.
• Draws a bank reconciliation statement.

The corporation has adopted a decentralized system of accounting that has been done with an object of providing better and timely services to the loanees. The entrepreneurs receive information regarding his account at their doorsteps. By the system reconciliation with the loanees account is done at branch level.

i) REHABILITATION SECTION

The Corporation, in order to assist its sick units has started a scheme for revival and rehabilitation with the assistance of IDBI and IRBI. The Primary objective of the scheme is to bring back the sick and closed units to a viable level of production. This scheme covers all small and medium scale industrial units. The major function of the section is to gather information regarding identification of sick units.

It performs the following tasks:
• Submits the application for revival/rehabilitation assistance.
• Registers the applications.
• Carries out immediately on receipt of the application an inspection of the unit concerned. The rehabilitation application and inspection report is sent to the Head Office along with specific and clear recommendations regarding the application.
• The Deputy Manager at H.O scrutinizes the Application. The decision is finalized within 3 months of the receipt of the application.
• This section lays the rehabilitation proposal before the competent authority for sanction.
• After sanction it takes necessary action to implement the decision.
j) PERSONNEL AND ADMINISTRATION SECTION

The Personnel and Administration section of the Corporation deals with the staff Administration and is responsible to maintain a proper linkage between the branches and DICs. The HO to function under administrative control of the General Manager of DIC posts one officer of RFC branch. Besides this the P&A section of the branch reviews the annual confidential report of this officer. This section is also responsible for dealing with all the personnel matters like:


(ix) PROCEDURE OF SEEKING FINANCIAL ASSISTANCE

The entrepreneurs can submit their loan applications to the nearest branch of the corporation. The application has to be made in the prescribed format that can be obtained from any office of the corporation, and are required to be submitted along with an application fee. Document required along with application form are: SSI Registration Certificate, Documents regarding land or building, Brief Description of manufacturing process, Details or promoter, particulars of Machinery and other fixed assets, copy of sanction for power and water connection, of balance sheet, profit and loss A/c, of memorandum and articles of association and marketing study. Copy of Income tax, Wealth-Tax Returns and Assessment Orders. NOC from Pollution Control Board. Details of immovable assets and Project cash flow statement.

(x) PROCEDURE TO AVAIL LOAN FROM THE CORPORATION

- Constitute the firm/company and get it registered with concerned authority.
- Identification/Selection of the project.
- To acquire of land after selecting the site from RIICO or other concerned agency. If the land is agricultural, conversion order for industrial purpose may be obtained from the competent authority.
- Prepare project report.
- File the application for loan in the prescribed format along with requisite fee, requisite information/documents as detailed in the application form and project report. The application may be obtained from Branch office situated throughout
Rajasthan, Head Office Jaipur, Public Relation Office, Bikaner House, Delhi and Rajasthan Business Centre.

- Attend the PC meeting on receipt of information from the corporation. The meeting is convened almost every week.
- Principle clearance on loan proposal is given within a week time during discussion in the PCC.
- Detailed appraisal is taken up the appraisal team quickly, after technical principle clearance the case from PCC and normally loan is sanctioned within one month’s time. However document are expected for quick appraisal.
- After appraisal the case is sanctioned is conveyed.
- Convey consent for acceptance of the terms and conditions of the sanction of the loan and deposit service charges.
- Compliance of conditions stipulated in sanction letter and complete the formalities for execution of loan document.
- After execution of loan document, disbursement of token amount and against land is released.

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. Since, its very inception, the Rajasthan Financial Corporation has been striving incessantly towards its Goal - that of extending a helping hand to varied entrepreneurial section of society for their financial requirements. A Goal, ultimately aimed at spurring up the process of industrialization of its parent State. For the fulfillment of its prime objective it operates various loan schemes for the tiny, small and medium scale industries, many of them tailor-made for specific entrepreneurial classes. Ever prepared to adopt as well as to adapt itself to the changing industrial needs, RFC has over the period, widened its network, multiplied its numerous schemes and added multifold to its policies and incentives, liberalizing them with the need of the hour. Be a party to the grand task of industrialization of the State of Rajasthan and avail of any of our loan schemes.

(xi) **LOAN SCHEMES AND IMPORTANT PARAMETERS**

a) **Composite Loan Scheme:** Under the scheme, financial assistance is given to artisans, village and cottage industries as well as to units in the
tiny sector. This helps in generating self-employment in rural and semi-urban areas.

b) **Assistance to SC/ST Entrepreneurs**: Financial assistance on liberal terms is being extended to SC/ST entrepreneurs under this scheme.

c) **Assistance to Women Entrepreneurs**: Assistance is given to women entrepreneurs for setting up their own venture in SSI sector. Corporation is operating the SIDBI- sponsored new scheme ‘Mahila Udyam Nidhi’ for providing seed capital to women entrepreneurs to bridge the equity gap. This provides self-employment opportunities to them.

d) **GENERAL TERM LOAN SCHEME**

   Term loan up to Rs. 20 crore for acquisition of land, building and plant and machinery for any eligible industrial activity defined under the SFCs Act for setting up a project in the manufacturing sector including mining, wind farm and individual wind turbine generator.

e) **SCHEME FOR SERVICE SECTOR**

   • **HOSPITALS AND NURSING HOME:**

   Loan to cover investment in land, building, electro-medical equipments, instruments, furniture, air-conditioners, small generators etc. for Hospital/Nursing Homes.

   • **TOURISM SECTOR:**

   Loan for Hotel, Restaurants, Resorts, Amusement Park, Guest Houses, Drive-in-Cinemas, Multiplexes and Tourism related activities in Rajasthan for acquisition of Land, Building, Kitchen equipments, Office equipments, AC, Interior decoration, Furniture and Fixtures, Health Club, Swimming Pool, etc.

   • **INFORMATION TECHNOLOGY:**

   Loan may be sanctioned to promote all type of projects/activities related to Information Technology. However, Educational/Training Institutes shall be outside the purview.
f) **SCHEME FOR TEXTILE INDUSTRY UNDER TECHNOLOGY UPGRADATION FUND (RTUF):**

To provide encouragement to textile industrial units in the small scale/medium scale sector for taking up technology up-gradation. The scheme envisages interest incentive of 5% points on the loans availed by SME, however, for the spinning machinery the reimbursement will be 4% points only.

g) **SARAL SCHEME FOR SME SECTOR (EXISTING INDUSTRIAL RUNNING UNITS):**

Loan from Rs. 2 lacs to Rs. 10 crore (up to the extent of 60% of MRV of land and building for FY 2011-12) is available to the existing industrial running units in the micro, small and medium scale sectors and all existing running hotels located at District Head Quarter

h) **SINGLE WINDOW SCHEME:**

A scheme for small borrowers to ensure adequate finance by providing single window facility for availing of Term Loan for fixed assets and Working Capital finance from one institution only. Project cost should not exceed Rs 200 lacs.

i) **SCHEME FOR FINANCING AGAINST ASSETS:**

Loan up to Rs 10.00 crores to industrial concerns of MSME and CRE Sector for meeting their industrial financial requirements provided the prime security is mortgaged to the Corporation under first charge is free from all encumbrances.

j) **SCHEME FOR CRE PROJECTS:**

a. Loan for construction of commercial complexes, showrooms and sales outlets independent of hotel business.

b. Financial assistance may be granted to eligible borrowers for cost of land, construction of building for housing complexes / apartments (commercial cum residential complex), acquisition of required plant and machinery / equipment like lifts, air conditioning plant and fire fighting equipments, other safety devices and also other plants and equipments required for modern type of housing complexes and flats.
k) **SCHEME FOR QUALIFIED PROFESSIONALS:**

Assistance to qualified professionals in the field of management, accountancy, medicine, architecture, engineering, law etc. for setting up professional practice/consultancy ventures for the first time. The cost of the project should be need-based and not exceeding Rs.20.00 Lac.

l) **TOP-UP LOAN SCHEME FOR EXISTING BORROWERS:**

Top-up loan on easy terms and conditions and with simplifies procedure, is available for existing financed and running units (excluding Good Borrowers and Real Estate cases), which are having standard account and repaid at least 4 quarterly installments regularly.

m) **LOAN TO UNITS INTENDING TO SWITCHOVER THEIR LOAN ACCOUNTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS TO RAJASTHAN FINANCE CORPORATION:**

Loan for repayment of outstanding loan of the other FIs/ Banks and for acquisition of further fixed assets for modernization, diversification, expansion etc.

n) **SCHEMES FOR GOOD BORROWERS:**

Attractive loan schemes for existing Good Borrowers of the Corporation and Good Borrowers of other Financial Institutions on very liberal terms and conditions. The main schemes are as under: -

- **SHORT TERM LOAN:** Speedy sanction and disbursement for expansion, modernization, replacement, diversification and purchase of balancing equipments.

- **UNIT PROMOTED BY GOOD BORROWER:** Financing for new unit promoted by the existing good borrower on attractive rate of interest.

- **WORKING CAPITAL TERM LOAN:** For providing working capital term loan to meet out the gap in their working capital requirement and the available bank limit.
• **WORKING CAPITAL TERM LOAN TO NON ASSISTED UNITS:** For providing working capital term loan to meet out the gap in their working capital requirement and the available bank limit.

• **SPECIAL WORKING CAPITAL TERM LOAN:** For acquisition of diamond blades and / or segments, Back-up roll, work-roll and bearings, replacement of card clothing, replacement of machinery part of textile unit and SS rolling mills etc.

• **GOLD CARD:** Speedy and easy sanction for acquisition of fixed assets and/ or meet out working capital requirement.

• **PLATINUM CARD:** Speedy and easy sanction for acquisition of fixed assets and/ or meet out working capital requirement.

• **FLEXI LOAN:** A unique scheme for the good borrowers where Corporation shall provide financial assistance totally flexi in nature that is the loan sanctioned can be withdrawn and deposited within LDR any number of times to meet immediate requirement either for acquisition of fixed assets, working capital or for both without going into detail appraisal.

• **FLEXI LOAN FOR NEW BORROWERS:** A unique scheme for the non assisted having proven track record, where Corporation shall provide financial assistance totally flexi in nature that is the loan sanctioned can be withdrawn and deposited within LDR any number of times to meet immediate requirement either for acquisition of fixed assets, working capital or for both.
(xii) **INTEREST RATE STRUCTURE OF RFC**

Table 3.4

Interest structure of RFC

<table>
<thead>
<tr>
<th>S. No.</th>
<th>NAME OF THE SCHEME</th>
<th>RATE OF INTEREST</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>MSME Sector Units (Industrial &amp; Service Sector) Up to Rs. 50,000/-.</td>
<td>11.25%</td>
</tr>
<tr>
<td>2.</td>
<td>MSME Sector Units (Industrial projects) above Rs. 50,000/- and up to Rs. 20.00 Crores.</td>
<td>13.50%</td>
</tr>
<tr>
<td>3.</td>
<td>MSME Service Sector projects (including Hotels projects, Technical/ Professional Educational Projects/Guest-House projects, Tourism Projects, Hospitals/ Nursing Home Projects and Medical Equipment Scheme cases)</td>
<td>14.25%</td>
</tr>
</tbody>
</table>
| 4.     | a) Scheme for Financing Against Assets  
        b) Scheme for Financing for Builders/commercial /residential complexes/ Multiplexes, Hotels, Hospitals etc. for purchase of land and building  
        c) Sacral Scheme for SME sector                                                                                                                                                                                | 16.50% 18.50%    |
| 5.     | Projects for Construction of Commercial /Residential Complexes                                                                                                                                                     | 16.25%           |
| 6.     | a) Short Term Loan Scheme (STL), Working Capital Term Loan Schemes (WCTL), Special Purpose Working Capital Term Loan Scheme (SPWCTL).  
        b) Units Promoted By Good Borrower (UPGB)                                                                                                                                                                      | 13.00% 12.75%    |
| 7.     | Working Capital Term Loan to Non Assisted Units                                                                                                                                                                     | 14.50%           |
| 8.     | Platinum Card Scheme                                                                                                                                                                                               | 13.00%           |
| 9.     | Gold Card Scheme                                                                                                                                                                                                    | 13.25%           |
| 10.    | Flexi Loan Scheme                                                                                                                                                                                                    | 13.50%           |

Source- various loan and finance scheme of RFC
Table number 3.4 shows that in case of loans up to Rs. 5.00 lacs to SC/ST entrepreneurs the rate of interest shall be 2% less than the rate of interest applicable to other entrepreneurs in terms of PG circular No. 535 dated 7th August 1993. In case of loans up to Rs. 5.00 lacs to disabled persons, a firm in which the disabled person is partner having majority (not less than 51%) share, the rate of interest shall be 2% less than the rate of interest applicable to other entrepreneurs in terms of PG Circular No. 612 dated 13.06.1995. The rate of interest shall be 1% less under Scheme for Women Entrepreneurs in terms of P and G circular No. 1353 dated 10.11.2010. Liquidated damages in case of default shall be charged on amount in default for the period of default at rates applicable prescribed by Corporation from time to time. No interest would be charged on the liquidated damages. However, the mode of appropriation of receipts shall remain uncharged. In all cases Post Dated Cheques for equated quarterly / monthly installments are to be obtained as per PG circular No. 1307 dated 28.01.2010. Cheques shall be taken for EQI/EMI based on documented rate of interest. It should be clearly stipulated that EQI/EMI has been calculated on documented rate of interest. In case cheque is not realized, the BO shall ask the borrower for enhanced amount of EQI/EMI by including applicable rate of liquidated damages. In the loan cases where the exposure is up to Rs.5.00 Crores (including existing outstanding loan amount and proposed sanction amount) and are considered under UPGB and STL Scheme of Good Borrowers, Scheme for Financing Against Assets, Fast Track Loan Scheme for existing borrowers under FAAS (commercial/ residential property) and Saral Scheme for SME Sector the documented rate of interest, after three years (from the date of first disbursement) shall be the prevailing rate of interest at that time or the existing rate of interest whichever is higher. In all the loan/GB cases where the exposure exceeds Rs.5.00 Crores (including existing outstanding loan amount and proposed sanction amount), the documented rate of interest shall be reset after every 12 months during the currency of loan from the date of first disbursement and the Corporation shall charge rate of interest prevailing at that time or existing rate of interest, whichever is higher.
Table 3.5
Various Schemes for Good Borrowers of RFC

| Good Borrower Scheme | Loan Limit | Maximum Loan Limit | Security Margin | promoters Contribution | Security Debt Ratio | Debt-Equity Ratio | Application Fee | Documentation Fee | Interest Rate | Service Charges | Liquidated Damages | Repayment (inc. Moratorium) | Frequency of Payment | Mode of Payment | Rebate of Timely Payment |
|----------------------|------------|--------------------|-----------------|------------------------|--------------------|-------------------|-----------------|------------------|---------------|-----------------|-------------------------|--------------------------|--------------------|--------------------------|
| 1. Short Term Loan   | Above 2 Lacs to 200 Lac | 4 Times of the loan repaid | 10%             | 10%                    | 1.5:1              | 2:1               | 0.1%            | 1%               | PR            | Not Applicable   | 5.25%                   | 8 years                  | Monthly            | PDC                      | 2%               |
| 2. Working Capital Term Loan | Above 2 Lacs to 100 Lacs | Rs. 100 Lacs | 25%             | 25%                    | 1.5:1              | 2.1:1              | 0.1%            | 1%               | PR            | 1%              | 5.25%                   | 4½ Years                 | Quarterly          | PDC                      | 2%               |
| 3. Working Capital Term Loan to Non-Assisted Units | Upto Rs. 100 Lacs | Rs. 100 Lacs | 25%             | 25%                    | 2:1                | 2:1               | 0.1%            | 1%               | PR            | 1%              | 5.25%                   | 4½ Years                 | Quarterly          | PDC                      | 1%               |
| 4. Special Purposes Working Capital Term Loan | Cost of Consumables at 30% margin | Amt. of the loan repaid | 30%             | N.A.                   | 2.1:1              | 0.1%              | 1%              | PR               | 1%            | 5.25%           | 3 Years                  | Quarterly                 | PDC                | 25                       |
| 5. Units promoted By Good Borrowers | Above 2 Lacs to 500 Lacs | 4 times of Loan repaid | -               | 30%                    | 1.5:1              | 2:1               | 0.1%            | 1%               | PR            | 1%              | 5.25%                   | 8 years                  | Quarterly          | PDC                      | 2%               |
| 6. gold Card | No Limit | Equal to Loan repaid | Not Applicable | Not Applicable | 2:1                | 1.5:1              | 0.1%            | 1%               | PR            | 1%              | 5.25%                   | 5 years                  | Quarterly          | PDC                      | 2%               |

Source various loan and finance scheme of RFC

Table No. 3.5 shows that R.F.C provides various loan schemes for good borrowers like short-term loan, working capital term loan, special purpose working capital term loan, gold card schemes and flexi loan schemes. It covers amount of two lacs to five hundred lacs as a loan limit and no limitation in gold card scheme. Maximum loan limit is according to loan repaid or equal to loan limit.
(xiii) **METHODS OF DISBURSEMENT OF LOANS**

The Corporation decentralizes the disbursement authority. At the managerial level, the branch office can disburse a loan amount up to Rs. 40 Lac. Above this limit, the Head Office is the disbursing authority. The procedure is as below:

a) **Direct payment to suppliers:** Where the entrepreneur has already purchased machinery on credit, the Corporation, on written request may make payment to the supplier directly after the valuation of machinery purchased on credit.

b) **Release of grant for retiring document:** On the written request made by the entrepreneur, the Corporation may release the loan directly to the bank for retiring documents sent by the supplier. For this purpose, the following documents are to be submitted to the Corporation:

- Copy of Bank intimation letter.
- Copy of the supplier’s invoice, R.R./M.R. Number and Name of the Transport Company through which the items have been brought in.
- Insurance policy covering the risk in transit.

On receipt of a written request together with the above documents, the RFC should satisfy that:

- The stipulated ratio between the capital and the Corporation’s Loan is maintained. For this purpose, a certificate from a Chartered Accountant certifying the capital of the proprietor / partners / company is necessary.
- The book assets offered in security to the Corporation should be adequately insured and where disbursement is requested for retiring the documents; the machinery against which payment is requested should be insured against transit risk.
- In case of disbursement against plant and machinery, original bills and receipts of payment made to the supplier, if any, should be presented for verification and copies thereof are to be furnished or record.
- Whether the entrepreneur / promoter has already contributed his share in the capital or not, it should be mentioned by him.
(xiv) **PROCEDURE OF RECOVERY OF LOANS**

Certain prescribed procedure is followed for recovery of loans, which is as under

a) **Eighteen Months Moratorium Period:** - Usually repayment of principal amount starts in installments after 18 months from the date of disbursement of loan money.

b) **Quarterly Installment:** - Installment is payable quarterly, i.e. 1\(^{st}\) April, 1\(^{st}\) July, 1\(^{st}\) October and 1\(^{st}\) December.

c) **One Month’s Notice:** - One month’s notice is given before the installment falls due.

d) **Appropriation of Amount paid due by Entrepreneur:** - When a payment of installment is made by the entrepreneur the amount of interest is appropriated prior to the adjustment against principal sum.

e) **Follow-up action against defaulters:** - Recovery department of the Corporation takes necessary action against those who are defaulters of principal amount with interest. The steps in normal course include letters, reminders and personal contacts, if necessary.

f) **Legal Notice:** - If the entrepreneur who fails to pay even after follow-up action is served with a legal notice under section 30 of the RFC Act giving a specified time of payment of dues.

g) **Acquisition of Assets:** - If payment is not made within the period mentioned in legal notice, Corporation takes necessary action for the acquisition of assets of entrepreneur, as per a set procedure laid down for this purpose.

h) **Rescheduling of the Installments:** - The Corporation extends rescheduling benefit to deserving cases if the problems aced by the entrepreneur is genuine and beyond his control. The Corporation gives helping hand by rescheduling the repayment in respect of units in operation or found to be sick unit. In the case of sick unit, acquisition of assets is stopped.

(xv) **ROLE OF RAJASTHAN FINANCE CORPORATION IN THE STATE ECONOMY**

In order to strengthen the economy of the Rajasthan and to achieve the targeted goal of rapid Industrialization, the Rajasthan Financial Corporation, the leading financial institution is obviously determined to walk with government plans, policies and programmes to ensure balanced and augmented industrialization. RFC has successfully completed 44
years of service to the industries. It extends term loans facility as well as working capital loans. As a matter of fact, about 90% of its total assistance has been shared by the small and tiny sector industries, which is a landmark among developed financial institutions in the country. The corporation has been operating through 11 regional offices and 41 branch offices. One zonal office - western zone at Jodhpur in Rajasthan, headed by one general manager, is also working to effectively monitor and supervise the regional offices of Pali, Jodhpur and Bikaner.

The Rajasthan Financial Corporation commenced its functions in the year of 1955 under the SFCs Act, 195. In the first year of its establishment i.e. in 1955-56 the corporation has sanctioned financial assistance to Rs. 2177.52 crore. The corporation has not only confined its activity to industrial growth in cities but has also approached and reached towns, rural and remote areas of the State with a view to provide financial assistance to artisans and entrepreneurs for the speedy and balanced industrialization of the State.

(xvi) MANAGERIAL PROBLEMS OF RAJASTHAN FINANCE CORPORATION:

The Rajasthan Financial Corporation is government organization, we know in private organizations, the role of the manager and management is that when their personnel and staff give the maximum output, as service is the company, they are given perks and other incentives. The day the manager and staff show a loss or no output they are given the golden land shake. In state run corporations it not like this the pattern of appointment. Is it apathy on the part of the persons managing it, or some other hidden agenda, which they do that not want or expose, or if they do feel that it would mean more paper work, as well as time investment?

Today in a highly Industrialized and materialistic society, employment seekers take high risks by shifting from one company to another. The private sector does not offer permanent jobs, the policy of hire and fire is know to all who opt for those jobs, but they also know that good workers not only get a good package, but added advantage of incentives and perks. Promotions policy in the private sector is based on an individual’s performance, while in government and corporations; there are various problems for ones promotion. There are instances when a junior can supersede his senior, reasons can he political or any other rules are rigid, one has to go by the rules given in the book. There are instances when delay is the cause of loss for the government. This is not so in a private sector, it’s to do and complete it
within the stipulated time. There is no incentive employees take their job as a source of employment, rather than a mission to entrepreneurship and industrial development of the state.

There are bureaucrats in these corporations, as they are appointed for a stipulated period at times tenure depends, which political party is power or who forms the government. This affects the corporation, because sometimes certain projects are stalled, or totally discarded. This is definitely a loss to the R.F.C. This does not mean that corporation has become redundant. If certain measures are taken there are chances of improving the corporation. Since the Rajasthan Financial Corporation deals with disbursing loans, the rules for sanctioning and disbursing loans, should be liberalized so that those applying for loans feel comfortable and confident going to the corporation. From this stems out that the procedure for disbursing loans should be made simple.

While disbursing the loans, it should he kept in mind that the time limit should be adhered to, and those who do not repay the loans within a stipulated period, should be fined from this follows, that attention show be paid towards underwriting of securities giving deferred payment guarantees. Private financial companies who give wars see that the loans disbursed will be returned, because they have the technical and managerial expertise. The R.F.C. should avail of technical financial and managerial expert service. Finances can be increased if the R.F.C. takes a bold step by issuing equity shares. If the R.F.C. tries to attract public deposits, the corporation stands to gain in finance, because people will invest in it knowing that its with the Rajasthan Government, because the public may be oppressive in a private company but not a corporation.

Another source through which the R.F.C. can earn more is by investing more money or investment policy and lending it with collaboration with the RIICO, which again is a Rajasthan Government Organization. Here the chances that it could be termed as investment safety. At times there are people or companies who would return the loan taken so the R.F.C. should be a flexible, by providing loan even without guarantee and collateral security. As mentioned earlier just as private banks and financial institution give their employees incentives to get better and more investors. It will come out with projects, which will be profitable to the borrower and investor. This will only be possible when the organization gives proper incentives to their employees who will put in their enthusiasm and energy to
complete their target. No incentives mean that the employees know that they will get only salary. Therefore they showed no interest to get people involved to generate more loans.

Thus we see that the R.F.C. can be a competitor with other financial institution, if they change their policies. The RFC would have to move with time, especially in their polices regards the public and its employees. With the changing economic scenario the RFC they could be more customers friendly. So that customers would come for financial assistances rather then go to the corporate banks and finance companies.

(xvi) CRITICISM OF RAJASTHAN FINANCE CORPORATION:

a) It has not paid attention to underwriting of shares/debentures of companies and giving guarantee for deferred payment.

b) It has not made any headway in merchant banking activities.

c) It requires a large number of documents to be attached with the loan application.

d) Some entrepreneurs allege that there is a red-tapism, nepotism, corruption in the working of the RFC.

e) There is a lack of qualified financial experts in the RFC.

f) Owned funds of corporation are very limited and it has to resort to borrowings in a big way.

g) The RFC has not made any serious efforts to attract public deposits.

h) There is a big gap between the amount sanctioned and disbursed. For example during the year 2010-11, amount of sanctioned loan was Rs. 470 crore whereas the loan disbursed was only Rs. 329 crore.

i) Rajasthan is largely a backward state. The loans sanctioned and disbursed in backward areas have been in the range of 35-45 percent during the past several years.

j) No effective incentive scheme to there for employees. Therefore, they take up their job as a source of employment rather than a mission for entrepreneurship and industrial development of the State.
(xvii) SUGGESTIONS FOR RAJASTHAN FINANCE CORPORATION

Following measures may be suggested for improving the working of the Corporation:

a) The rules for sanctioning and disbursing loans should be further liberalized.

b) The procedure for assistance should be made simpler.

c) Time limit for sanctioning and disbursing the assistance should be reduced and strictly adhered to.

d) Whistle blowers should be motivated and protected with a view to check nepotism and corruption.

e) It should pay attention towards underwriting of securities, giving deferred payment guarantees.

f) Financial, technical and managerial expert services should be availed of by the RFC.

g) It should increase its finances by issuing more equity shares.

h) It should try to attract public deposits.

i) It should invest/lend more money in association with RFC.

j) It should also provide the loans even without guarantee and collateral security.

k) Incentive schemes for employees should be formulated and introduced.