CHAPTER

SEVEN
7.0. PROBLEMS AND BACKLOGS:

Like other State Financial Corporations, Uttar Pradesh Financial Corporation is also suffering from various backlogs which ultimately resulted in such a state that it may not serve the desired purpose in full. In the following headings, we shall discuss the problems with respect to U.P. Financial Corporation and other State Financial Corporations.

7.1. PROBLEMS OF MANAGEMENT:

The Board of Directors of State Financial Corporation is basically occupied by the officers from Indian Administrative Services. Like other segment of the this cadre, the officers are habitual of bureaucracy and red tapism. The desired degree of skill is not used for the handling of cases. The working of State Financial Corporations is basically based on the premises of professionals from the field of Techniques, Finance, Legal and other backgrounds. The reign is in those hands who are not aware of the real system of Financial Institutions and this type of attitude is not justified.
Further, proper training should be given to the officers and executives at all levels and proper utilisation should be ensured. There is no Grievance Cell, which is a must in the contemporary system of management.

7.2. RECOVERY OF LOANS AND ADVANCES:

The State Financial Corporations have been given wide powers to recover the money due to it against loans/assistance sanctioned and disbursed. There have been a number of cases where recovery could not be possible. Under this situation, Arbitration should be applied. Just taking possession and selling the unit is not a real solution of the problem. The promoters of the unit should be properly heard. Negotiation in true spirit should be conducted to accelerate the recovery process. It is also learnt that the State Financial Corporations were facing liquidity crunch on account of low recovery and this should be given top priority throughout the year. In order to sort out the long pending sticky cases, emphasis should be given on One Time Settlement. Under this arrangement, a lot of time and fatigue of the corporation can be saved and the money thus received can be re-circulated for the benefit of entrepreneurs and SFCs both.
7.3. CREDIT EXTENSION IN BACKWARD REGIONS:

Whatever may be the claim of Government departments, the industrialisation in Backward Areas as was imagined, could not happen. The basic region being poor infrastructure, poor transport conditions, non-availability of qualified and competent labour and so on. State Financial Corporations had to suffer lot on account of various factors and the credit extension in these area is risky.

7.4. DISBURSEMENT OF LOANS:

Disbursement of loan takes a lot of time from the end of State Financial Corporations. Though, it is wise policy that proper checking should be done at every front as the matter is related with the finance and any dealing in haphazard way may be injurious to the State Financial Corporation. State Financial should curtail the time lag in disbursement so that project cost may not exceed and the financed project may run according schedule.

7.5. PROBLEMS OF PROJECT COST OVER RUNS:

There are various costs, which are not taken in to consideration while appraising the loan application filed for assistance by the entrepreneur. If a
project is sanctioned, it will go through the Legal Documentation and after that on the conditions which are unreasonable upto certain extent, loan is disbursed and this process takes a lot of time and during this time the on account of inflation in economy, the Cost of Project exceeds considerably and this situation, makes all projections meaningless and stale.

7.6. PROBLEMS OF WORKING CAPITAL TO ENTREPRENEURS:

It becomes very difficult for the entrepreneurs to arrange the working capital for the unit. In the studies of Financial Management, the working capital is said to be the life blood of the industrial unit.

Though, State Financial Corporations have started financing the Working capital upto a certain extent but the process thereof is quit lengthy and the quantum thereof is not sufficient in almost cases. The State Financial Corporations should also take equal part in the financing of working capital. They should take in to consideration the practical approach for the entrepreneurs and accordingly should have relations with the other agencies for working capital financing.
7.7. PROBLEM OF CO-ORDINATION BETWEEN VARIOUS AGENCIES:

For setting up an industry, different licenses and approvals such as SSI registration, Sales Tax no., Registration of constitution, Pollution Control Board No Objection Certificate and other licence of commodities to be manufactured are needed. A lack of proper co-ordination of State Financial Corporations with various aforesaid and other agencies can bring a lot of usefulness. More the hassles are reduced, more the enthusiasm of entrepreneur prevails.

7.8. OTHER PROBLEMS:

Other problems include the problems of marketing of products, Competition with the Multinationals, Lethargic working environment in India, Recession in the economy at world level which have affected the working of State Financial Corporations in India.