CHAPTER

THREE
3.0. ESTABLISHMENT AND WORKING OF

UTTAR PRADESH FINANCIAL CORPORATION:

Uttar Pradesh Financial Corporation was established in the year 1954 by the Government of Uttar Pradesh under the State Financial Corporations Act, 1951 (Act 63 of 1951). For establishing any corporation, certain planning and other factors are considered and after making a careful perusal of all the factors, the State Government decided to create this corporation and the name thereof was kept as Uttar Pradesh Financial Corporation. In the case of Uttar Pradesh Financial Corporation, the intervening word STATE has been avoided while other various State Financial Corporations contain the word STATE also viz. Maharashtra State Financial Corporation, Kerala State Financial Corporation etc. The head office of Uttar Pradesh Financial Corporation was based at Kanpur keeping in mind the geographical centre of Uttar Pradesh and being Industrial city of the state.
3.1. NEED OF STATE FINANCIAL CORPORATION IN UTTAR PRADESH:

Uttar Pradesh is a vast state and for recognising the status of industries the three types of districts were recognised which are as under:

- CATEGORY A - NO INDUSTRIES DISTRICTS:

The category A districts are those districts which are considered to be having almost no industries being most backward and hence to be given top priority in financing the units in these places:

- Banda
- Fatehpur
- Hamirpur
- Jalaun
- Jaunpur
- Sultanpur
- Kanpur Dehat
- Almora
- Chamomile
- Pauri Garhwal
- Uttar Kashi
- Pithoragarh
- Dehradun
- Tehri Garhwal
- Nainital

Total nos. of Backward Districts in UP of Category A being 15.

The category B districts being moderately backward are those districts, which are having industries but are lacking from the viewpoint of overall industrialisation of Uttar Pradesh.

- Balia
- Basti
- Faizabad
- Jhansi
- Raebareli
- Latitpur
- Siddartha Nagar

Total nos. of Backward Districts in UP of Category B being 7.
The category C districts are those districts, which are least backward districts from the view point of industrialisation.

- Azamgarh
- Badaun
- Bahraich
- Barabanki
- Bulandshahar
- Deoria
- Etah
- Etawah
- Farrukhabad
- Gautam Budh Nagar
- Ghaziabad
- Ghazipur
- Gonda
- Hardoi
- Mainpuri
- Mathura
- Moradabad
- Pilibhit
- Pratapgarh
- Rampur
- Shahjahanpur
- Sitapur
- Unnao
- Mau
- Padrauna

The total no. of Backward districts in UP of Category C being 25.

Rest of the area are non backward districts from the view point of industrialisation. These can be listed as below:

- Agra
- Aligarh
- Allahabad
- Bareilly
- Bijnaur
- Gorakhpur
- Kanpur city
- Lakhimpur Khiri
- Lucknow
The total nos. of other districts in UP being 19.

During the regime of Bahujan Samaj Party in Uttar Pradesh several districts were formed by splitting the old districts but so far as this study is covered, it has taken all the area of Uttar Pradesh in to consideration.

The basic purpose of allocating A, B and C category is to identify the industry lacking areas so that proper attention for development of industries all over Uttar Pradesh can be made. If proper layout of industries in U.P.
ensured, it can help in various ways of the economy of India like generation of additional employment in various cities and towns. Uttar Pradesh Financial Corporation has been able to spread the net of industries all over Uttar Pradesh and various entrepreneurs from all over U.P. have contributed to set up industries in different segments of the state with or without the financial or any other assistance from Uttar Pradesh Financial Corporation.

3.2. OBJECTIVE OF UTTAR PRADESH FINANCIAL CORPORATION:

The objectives of Uttar Pradesh Financial Corporation are same as of other State Financial Corporations which are created under the State Financial Corporations Act, 1951. In nut shell, the objectives of U.P. Financial Corporation is to give Uttar Pradesh a new pace of industrial development and particularly Small Scale Industrial unit to be promoted in numerous ways. The basic objective of Uttar Pradesh Financial Corporation is to develop Small and Medium size Industries in Uttar Pradesh by giving financial and other assistance based on the need of the entrepreneur. In addition, Uttar Pradesh Financial Corporation has been very keen to develop infrastructure for development of industries and as such various complex for establishing
the industries were envisaged. To give the entrepreneurs, the updated Technical, Financial and other knowledge/feasibility’s, the Uttar Pradesh Financial Corporation has promoted one Consultancy Organisation known U.P. Industrial Consultants Limited which is the subsidiary of IDBI. This consultancy firm has its own status and is registered under the Companies Act, 1956 with the Registrar of Companies, Uttar Pradesh, Kanpur. The entrepreneurs of U.P. avail the benefits of this consultancy organisation. In addition to this, Uttar Pradesh Financial Corporation arranges various Entrepreneurship Development Programmes and for which sponsorship is also given to various arranging groups.

3.3. WORKING OF UTTAR PRADESH FINANCIAL CORPORATION:

U.P. Financial Corporation has been providing assistance for setting up small scale and medium size industries and other segment of society in terms of policies of governments from time to time. It has been very successful in its goals as is evident from the following table.
### OPERATIONS AT A GLANCE

<table>
<thead>
<tr>
<th>Particulars</th>
<th>As on 31.03.1996</th>
<th>31.03.1997</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>I. INDUSTRIAL ASSISTANCE:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a) Applications received:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nos.</td>
<td>67,395</td>
<td>70,377</td>
</tr>
<tr>
<td>Amount Rs. in lacs</td>
<td>4,47,181</td>
<td>5,46,592</td>
</tr>
<tr>
<td>b) Sanctions (Effective):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nos.</td>
<td>36,831</td>
<td>39,213</td>
</tr>
<tr>
<td>Amount Rs. in lacs</td>
<td>2,24,673</td>
<td>2,81,433</td>
</tr>
<tr>
<td>c) Disbursements:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nos.</td>
<td>36,070</td>
<td>37,561</td>
</tr>
<tr>
<td>Amount Rs. in lacs</td>
<td>1,89,563</td>
<td>2,31,878</td>
</tr>
<tr>
<td><strong>II. EARNINGS:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a) Gross Income</td>
<td>16,247</td>
<td>17,985</td>
</tr>
<tr>
<td>b) Profit and loss before Tax</td>
<td>3,093</td>
<td>(-) 1,426</td>
</tr>
<tr>
<td>c) Less : Taxation</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>d) Add : Transfer from Prev. yr.</td>
<td>(-) 8,721</td>
<td>298</td>
</tr>
<tr>
<td>Description</td>
<td>Amount</td>
<td>Notes</td>
</tr>
<tr>
<td>-----------------------------------------------------</td>
<td>------------</td>
<td>-----------</td>
</tr>
<tr>
<td>e) Provision for NPAs</td>
<td>-</td>
<td>(-) 14,202</td>
</tr>
<tr>
<td>f) Provision for IT written back</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>g) Provision for Special Reserve</td>
<td>(-) 1,145</td>
<td></td>
</tr>
<tr>
<td>h) Misc. provisions</td>
<td>7,071</td>
<td></td>
</tr>
<tr>
<td>I) Disposable profits</td>
<td>298</td>
<td>(-) 15,331</td>
</tr>
</tbody>
</table>

**III. RESOURCES:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Share Capital (Paid up)</td>
<td>10,000</td>
<td>10,000</td>
</tr>
<tr>
<td>b) Quasi Equity loan</td>
<td>1,860</td>
<td>1,860</td>
</tr>
<tr>
<td>c) Reserves</td>
<td>2,097</td>
<td>-</td>
</tr>
<tr>
<td>d) Borrowings :</td>
<td></td>
<td></td>
</tr>
<tr>
<td>I) RBI (Adhoc bonds)</td>
<td>1,575</td>
<td>1,725</td>
</tr>
<tr>
<td>II) RBI against Bonds</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>III) SIDBI (NDI loan)</td>
<td>2,450</td>
<td>2,913</td>
</tr>
<tr>
<td>VI) Refinance -SIDBI/IDBI :</td>
<td></td>
<td></td>
</tr>
<tr>
<td>a) Sanctioned</td>
<td>1,65,651</td>
<td>1,78,018</td>
</tr>
<tr>
<td>b) Availed</td>
<td>1,11,706</td>
<td>1,21,862</td>
</tr>
<tr>
<td>c) Outstanding</td>
<td>47,694</td>
<td>47,153</td>
</tr>
<tr>
<td>V) Bonds :</td>
<td></td>
<td></td>
</tr>
<tr>
<td>a) Floated</td>
<td>6,812</td>
<td>22,894</td>
</tr>
<tr>
<td>b) Outstanding</td>
<td>49,145</td>
<td>6,970</td>
</tr>
</tbody>
</table>

In the above, table, we see that U.P. Financial Corporation has been growing its business day by day and year by year. There has been an increase of about 5% in number of applications for loan to U.P. Financial Corporation in the year 1996-97 as against 1995-96. There has been an increase of more than 25% in the amount of sanctions (effective) in the financial year 1996-97 as against 1995-96. If we go through the financials shown above, we see that every item is growth oriented excepting the profits which has been down due to the provision of Rs. 14,202 lacs on account of provision of Non Performing Assets (NPAs). Here, it is noteworthy that these NPAs have not developed in a month or two or say in a year or two. These are holding the amounts which should have been provided in the earlier years but could not be provided in the Annual Accounts on account of some malafide intentions just to show the U.P. Financial Corporation as Profit generating corporation of the Government of Uttar Pradesh.
Further, the synopsis of Balance Sheet of Uttar Pradesh Financial Corporation is given hereunder:

(Amount in lacs rupees)

<table>
<thead>
<tr>
<th>Capital and liabilities</th>
<th>As on 31.03.1996</th>
<th>31.03.1997</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paid up capital</td>
<td>10,000.00</td>
<td>10,000.00</td>
</tr>
<tr>
<td>Quasi Equity</td>
<td>1,860.36</td>
<td>1,860.36</td>
</tr>
<tr>
<td>Profit and loss account</td>
<td>298.06</td>
<td>-</td>
</tr>
<tr>
<td>Reserves and surplus</td>
<td>2,097.26</td>
<td>-</td>
</tr>
<tr>
<td>Loan from RBI</td>
<td>1,575.00</td>
<td>1,725.00</td>
</tr>
<tr>
<td>Refinance from IDBI/SIDBI</td>
<td>47,693.91</td>
<td>47,152.95</td>
</tr>
<tr>
<td>Borrowings from State government</td>
<td>2,576.00</td>
<td>1,876.00</td>
</tr>
<tr>
<td>NDI loan from SIDBI</td>
<td>2,450.00</td>
<td>2,912.50</td>
</tr>
<tr>
<td>Short term loan from SIDBI</td>
<td>-</td>
<td>1,000.00</td>
</tr>
<tr>
<td>Bonds</td>
<td>49,144.50</td>
<td>69,470.65</td>
</tr>
<tr>
<td>Loans from others</td>
<td>1,070.00</td>
<td>2,600.00</td>
</tr>
<tr>
<td>Provision for NPAs</td>
<td>-</td>
<td>14,202.14</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>2,056.19</td>
<td>1,358.00</td>
</tr>
<tr>
<td>Properties and assets</td>
<td>As on 31.03.1996</td>
<td>31.03.1997</td>
</tr>
<tr>
<td>-----------------------</td>
<td>------------------</td>
<td>-----------</td>
</tr>
<tr>
<td>Cash and Bank Balances</td>
<td>3,819.79</td>
<td>7,367.18</td>
</tr>
<tr>
<td>Investment in govt. securities</td>
<td>236.24</td>
<td>273.31</td>
</tr>
<tr>
<td>Loans and advances</td>
<td>1,10,577.71</td>
<td>1,25,438.31</td>
</tr>
<tr>
<td>Advance against capital goods</td>
<td>-</td>
<td>1,800.62</td>
</tr>
<tr>
<td>Bridging loan capital subsidy O/S</td>
<td>182.16</td>
<td>169.36</td>
</tr>
<tr>
<td>Fixed assets</td>
<td>2,185.86</td>
<td>4,104.84</td>
</tr>
<tr>
<td>Other assets</td>
<td>3,100.75</td>
<td>1,947.87</td>
</tr>
<tr>
<td>Profit and loss account</td>
<td>-</td>
<td>13,245.73</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,20,975.27</strong></td>
<td><strong>1,54,347.22</strong></td>
</tr>
</tbody>
</table>
As is very much clear that in the Annual Accounts 1996-97 there have been Net Profits and Reserves while there have been Reserves for an amount of Rs. 2,395.32 lacs in the 1995-96. Basically, this amount of Reserves has turned in to Debit Profit and Loss Account or say Loss due to wrong accounting policies of the corporation. During the year 1995-96, the economy of India has passed through the Debt Markets while before the year 1995-96, there have been emphasis on Share market. U.P. Financial Corporation raised a sizeable amount from Public in the guise of bonds. For going to public for debt funds, it is necessary that the Annual results of the corporation should be lucrative and that is why, the provision for NPAs had been avoided during the financial year 1995-96 deliberately by the management of U.P. Financial Corporation.

3.4. IMPORTANCE OF ORGANISATIONAL SET UP:

When any person starts or initiate any business, he is supposed to maintain an address where he can be located and on the other hand he can approach the customers or beneficiaries. The same case is with the Uttar Pradesh Financial Corporation and other State Financial Corporations of India. Keeping in mind the long coverage of the state in which they have to act the
State Financial Corporation have set up their head offices and Regional and/or Branch offices. It should always be kept in mind that the proposed office should be easily traceable and there should be proper working conditions for the persons who have to deal and/or work with the State Financial Corporations.

3.5. ORGANISATIONAL AND ADMINISTRATIVE SET UP:

The organisational and administrative set up of U.P. Financial Corporation can be discussed in the following heads:

3.5.1. CENTRAL ORGANISATION:

Keeping in mind the industrial density of Kanpur city, it was decided to locate the head office of Uttar Pradesh Financial Corporation at Kanpur. Kanpur city was considered to be centrally located keeping in mind the geographical boundaries of Uttar Pradesh. Presently, the Head office of Uttar Pradesh Financial Corporation is situated at the following address:

Uttar Pradesh Financial Corporation,
14/88, civil Lines, Kanpur - 208 001
If we go through the provisions of section 22 of the State Financial Corporations Act, 1951 we found that the said act has given adequate powers to open its office. The section 22 of the State Financial Corporations Act, 1951 is reproduced hereinafter:

Section 22: Office and Agencies:

The Financial Corporation shall establish its head office and other offices and agencies at such places as the State Government may from time to time specify and the Financial Corporation may establish additional offices or agencies in such other places within the state as it may consider necessary.

We see that this section obligates the State Financial Corporation to establish its head office at a place specified by the State Government. Similarly, the State Financial Corporation is also bound to open its other offices as agencies at such other places in the state which the State government may time to time direct and specify. The State Financial Corporation would have no choice or option in the matter of opening of the head office and other
offices. The State Financial Corporation, however, has the freedom to open other offices and agencies but within the state, as it likes and the State Government would have no say in the matter. The expression "additional offices" does not appear to have been used in the sense of offices subordinate to other offices established under the orders of the State Government, but merely means further offices and agencies. Here, it is necessary to understand the term 'agencies'. If we go through the dictionary meaning we find that it as the office of the agent. So far as the State Financial Corporation goes, it is quite plain that it can establish additional offices and agencies within the State. It can open office in other states but the approval of the state government and of the other state shall be necessary.

The Board of Directors of Uttar Pradesh Financial Corporation comprises the following members/directors as on 31st March, 1998:

- Chairman - From Indian Administrative Services nominated by U.P. Govt.

- Managing Director - From Indian Administrative Services nominated by U.P. Govt.
- Directors Nos. 3 - From Indian Administrative Services nominated by U.P. Govt.

- Directors Nos. 1 - Elected to represent Co-operative Banks.

- Directors Nos. 1 - Elected to represent Insurance companies.

- Director nos. 1 - Elected to represent Scheduled Banks.

- Director nos. 2 - Nominated by IDBI

- Director nos. 1 - Nominated by RBI

- Director nos. 1 - Elected by Individual shareholders.

We see that there have been a total number of twelve directors to represent different agencies and governments.
### 3.5.2. REGIONAL AND ZONAL ORGANISATION:

Presently, keeping in mind the geographical needs of Uttar Pradesh, Uttar Pradesh Financial Corporation has set up its regional office in the following places:

<table>
<thead>
<tr>
<th>Places</th>
<th>Districts under jurisdiction</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Agra</td>
<td>Agra, Mathura, Mainpuri, Firozabad</td>
</tr>
<tr>
<td>2. Allahabad</td>
<td>Allahabad, Fatehpur, Pratapgarh, Banda.</td>
</tr>
<tr>
<td>3. Aligarh</td>
<td>Aligarh, Etah.</td>
</tr>
<tr>
<td>5. Dehradun</td>
<td>Dehradun, Tehri Garhwal, Pauri Garhwal, Uttar Kashi, Chamoli</td>
</tr>
<tr>
<td>6. Etawah</td>
<td>Etawah, Farrukhabad</td>
</tr>
<tr>
<td>7. Faizabad</td>
<td>Faizabad, Sultanpur, Gonda, Bahraich.</td>
</tr>
<tr>
<td>8. Ghaziabad</td>
<td>Ghaziabad</td>
</tr>
<tr>
<td>9. Noida</td>
<td>Gautam Budh Nagar, Noida</td>
</tr>
</tbody>
</table>
11. Gorakhpur
Gorakhpur, Basti, Siddartha Nagar,
Deoria, Azamgarh, Maharajganj, Maunath
Bhanjan.

12. Haldwani
Nainital, Pithoragarh, Almora.

13. Jhansi
Jhansi, Hamirpur, Jalaun, Lalitpur.

14. Kanpur
Kanpur, Kanpur Dehat, Unnao

15. Lucknow
Lucknow, Hardoi, Lakhimpur Khiri,
Sitapur, Raibareli, Barabanki

16. Meerut
Meerut

17. Moradabad
Moradabad, Rampur, Bijnaur.

18. Muzaffarnagar
Muzaffar Nagar

19. Saharanpur
Saharanpur, Haridwar.

20. Varanasi
Varanasi, Mirzapur, Janpur, Sonbhadra,
Ghazipur, Balia.

3.5.3. BRANCH ORGANISATION:

Uttar Pradesh Financial Corporation has opened two branch offices to cater
the need of entrepreneurs which are mentioned hereinbelow:
<table>
<thead>
<tr>
<th>Places</th>
<th>Area under jurisdiction</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Almora</td>
<td>Pithoragarh and Almora</td>
</tr>
<tr>
<td>2. Pauri Garhwal</td>
<td>Pauri Garhwal and Chamoli</td>
</tr>
</tbody>
</table>

In addition to above, the Uttar Pradesh Financial Corporation has opened certain other meeting points where the business of the corporation are transacted, details thereof are produced hereinbelow. One of the office known as Liaison office has been opened in the National Capital - Delhi for having more close approach to the national development.

<table>
<thead>
<tr>
<th>Place</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. West Area Office :</td>
</tr>
<tr>
<td>Noida</td>
</tr>
<tr>
<td>2. Guest House cum Liaison office :</td>
</tr>
<tr>
<td>New Delhi</td>
</tr>
</tbody>
</table>
3.6. STAFFING PATTERN:

The general superintendence, direction and management of the affairs and business of the Financial Corporation vests in the Board of Directors which with assistance of an Executive Committee and a Managing Director may exercise all the powers and discharge all the functions which may be exercised or discharged by the financial corporations. As is very much clear, the Financial Corporation is an artificial person acts through the Board of Directors.

Here, there is need to elaborate the word General superintendence. Superintendence is of general character which means not specific but indefinite. Superintendence indicates the exercise of supervision of the work of others. It means overseeing or keeping a watch upon the work of others. It is the exercise of some authority or control over the person or thing subject to the oversight or surveillance, it is giving of charge of some thing which the power of direction. Direction may be defined to have been used in the sense of guidance or command. Management means administrative control etc. and one of the synonyms of management is government which means control.
There also exists a need to elaborate the words "Affairs and business". Affair means business of any kind, commercial, professional or public something to be transacted, matter concern. If we go through the dictionary meaning, the dictionary meaning of affair is general business. Business is a word of extensive use and indefinite significance. The word is used in the sense of affair or and work as also commercial activities of the State Financial Corporation. Business means some organised course of activity or conduct with a set purpose. Under this section, the State Financial Corporation is directed to conduct all its activities through the board of directors. In performing its functions, the Board is helped by Executive Committee and a whole time officer that is Managing Director. The State Financial Corporation Act also provides for the composition of Board of Directors of the State Financial Corporations, according to which the Board of Directors of State financial Corporation shall consist of the following:

a) Four directors nominated by the State Government of whom one director shall be a person who has special knowledge of or experience in small scale industries provided that in the case of a Joint Financial Corporation, the number of directors shall be such as the State Governments
of participating states, may by agreement among themselves think fit to nominate, each participating State government nominating not more than two directors provided further that in the case of a joint financial corporation, the director who shall have special knowledge of or experience in small scale industries shall be nominated by that participating state which, according to the terms of agreement between the participating states, is entitled to make such nomination.

b) One director nominated by Reserve Bank of India.

c) Two directors nominated by the Development Bank.

d) Three directors elected in the prescribed manner by the parties referred to in clause (c) of sub section 3 of section 4, one of whom shall be elected to represent Scheduled Banks, another to represent Co-operative Banks and third to represent the remaining Financial Institutions and other Financial institutions.

e) One director elected in the prescribed manner from among themselves by the parties referred to in clause (d) of sub section 3 of section 4 who are shareholders of the Financial Corporation.
f) A managing director appointed by the State government in consultation with and after obtaining the advice of Development Bank and except in the case of first appointment also with the Board. Provided that on the first constitution of the Board of Directors referred in clauses (d) and (e) shall be nominated by the State Government and the directors so nominated shall, for the purpose of The State Financial Corporation Act, 1951 be deemed to be elected directors.

Provided further that all the directors of the Board first constituted other than the managing director shall retire at the end of the first year.

Provide also that in the case of Joint Financial Corporation, the director who shall have special knowledge of, or experience in small scale industries shall be nominated by the participating state which according to the terms of agreement between the participating states is entitled to make such nomination.

The SFCs Act, 1951 also provides for vacation of office of an elected director. The office of a director elected under clause (d) of section 10 shall
become vacant if he ceases to hold office in the scheduled bank, insurance company, investment trust, co-operative bank, financial or other institution in which he held any office at the time of his election as such director.

The SFCs Act, 1951 has also provided for office and retirement of directors according to which:

1) A nominated director shall hold office during the pleasure of the authority nominating him.

2) An elected director other than the director deemed to be elected under the first proviso to section 10 shall office for four years provided that two out of four directors so elected shall retire at the end of two years after the first election, the directors so to retire being determined by the lot.

3) Notwithstanding anything contained in sub section (2) an elected director shall continue in office until his successor is elected and shall also be eligible for re-election so, however, that no person elected as director, shall hold office for a continuous period exceeding eight years after rotation of elected directors has begun.
Section 12 of the State Financial Corporations Act, 1951 has provided for disqualification for being a director according to which:

No person shall be director of State Financial Corporation who -

a) except in the case of managing director, is a salaried official of the Financial Corporation: or

b) is, or at the time has been adjudged insolvent or has suspended payment of his debts or has compounded with his creditors: or

c) is found to be lunatic or becomes of unsound mind: or

d) is or has been convicted of any offence involving moral turpitude.

Presently, the Uttar Pradesh Financial Corporation has the following posts in the management cadre which are given according to vertical shape of management hierarchy:

Shareholders

Board of Directors

Chairman
Keeping in mind the nature of business of State Financial Corporations, they have to recruit the persons of different disciplines/calibre for smooth functioning of the corporation:

1. FINANCIAL: These include Chartered Accountants, Company Secretaries, Cost Accountants and other persons having akin knowledge of the field.
2. TECHNICAL: These include Engineers of different disciplines and technocrats.

3. LEGAL: These include Law graduates and persons having law interests and experience in this field.

4. MANAGERIAL: These include various persons from Administrative cadre, Business management graduates and persons having knowledge and interest of administration and management.

Due importance for Reservation to Scheduled Caste/Schedule Tribe candidates has been given in staffing pattern of U.P. Financial Corporation. The following table gives the staffing situation as on 31.03.1997 of the corporation.

<table>
<thead>
<tr>
<th>Group</th>
<th>No. of employees</th>
<th>Representation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Sanctioned</td>
<td>Working</td>
</tr>
<tr>
<td></td>
<td>Nos.</td>
<td>Nos.</td>
</tr>
<tr>
<td>-------</td>
<td>-----------</td>
<td>---------</td>
</tr>
<tr>
<td>A.</td>
<td>165</td>
<td>148</td>
</tr>
<tr>
<td>B.</td>
<td>269</td>
<td>195</td>
</tr>
</tbody>
</table>
In the above table, we see that there are some vacancies, which are to be filled up and for which necessary steps are in currency.

3.6.1. RECRUITMENT, PROMOTIONS AND TRANSFERS:

Here, the provisions of section 23 are relevant. Section 23 of the State Financial Corporations Act, 1951 reads as under:

"The Financial Corporation may appoint such officers, advisers and employees as it considers necessary for the efficient performance of its functions and determine, by regulations their conditions of appointment and service and the remuneration payable to them."
Provided that the State Government may in consultation with and after
obtaining the advice of the Development Bank specify the class or categories
of posts in respect of which appointment may be made by the Board of
Directors on such remuneration and other conditions of service as the Board
may determine and no regulation made under this act shall apply to such
posts in respect of matters so determined by Board.”

We see that under this section, the State Financial Corporation has been
authorised to appoint officers, advisors and other persons. Here, it would be
advisable to know the meaning of term “Officer” officer means a
functionary of holder of some office. The office may be one of dignity or
importance, it may equally be humble. But whatever its nature, it is essential
that the person holding the office should have in some degree been delegated
certain function of the Government. Thus officer is one who holds an office
and the expression would not be wholly synonymous with employee, though
it is simultaneously true that the nature, dignity or importance of the office
would not be relevant. The distinction between an employee and officer
howsoever thin is nevertheless there. All officers of the corporation would be
its employees but all its employees would not be its officers.
Further to understand the meaning of word “Advisor“. The simple meaning is 'one who advises'. The State Financial Corporations have been authorised to appoint advisers on such matters as the Corporation may consider necessary. Technical, financial, legal, industrial advisors may be needed for smooth functioning of the State Financial Corporations and such persons can be appointed.

The State Government may remove from office any director who -

a) is or has become subject to any of disqualifications mentioned in section 12; or

b) with excuse sufficient in the opinion of the State Government to exonerate him, is absent without leave of the Board from more than three consecutive meetings of the Board.

3.6.2. TRAINING:

Training of the employees at all levels of management be it top level management, Middle level management or lower level management is of greatest essence. On the same analogy, the Uttar Pradesh Financial
Corporation has put its efforts for upgradation of knowledge of its employees and they have proved to be very useful in effective carrying on the business.

It is a well known fact that the human resources are the most valuable and precious resource of an organisation as it is the people who produce results, build up an efficient system and create the climate conducive to the growth and development or the organisation. Like other State Financial Corporations, Uttar Pradesh Financial Corporation is conscious of this fact and realising its importance, concerned efforts are being made to achieve the basic objectives of upgrading the skills and techniques of our people. As a result of these efforts, efficiency has to improve.

During the financial year 1995-96, Uttar Pradesh Financial Corporation nominated 69 officers/officials to training programmes organised by reputed institutions all over the country such as National Institute of Bank Management, Pune, Administrative Staff College of India, Hyderabad, Jawahar Lal Nehru Institute of Development Banking, Hyderabad, Northern India Banks Staff Training College, New Delhi and Bankers Training College, Mumbai etc.
In addition to above, in-house training programmes for officials were organised in the following disciplines:

- Merchant Banking and Financial Services
- Equipment leasing
- Computer applications
- OTCEI operations
- Computer awareness
- Bill discounting schemes

3.6.3. SALARIES AND ALLOWANCES:

Here, the provisions of section 16 of State Financial Corporations Act, 1951 apply. According to this section, the directors other than the managing director not being servants of the government shall be paid such fees as may be prescribed for attending meetings of the Board and if they are members of Executive Committee or any other committee appointed by the Financial Corporation, for attending meetings of such committee.
Further, the salaries and allowances of other servants and officers of the Corporation shall be paid such salary, which may be recommended by the Corporation subject to grade fixed by the State Government.

3.7. SUPERVISION AND CONTROL BY GOVERNMENT, RESERVE BANK OF INDIA AND INDUSTRIAL DEVELOPMENT BANK OF INDIA:

To understand this heading first of all, it would be necessary to understand the meanings of the terms aforesaid used.

Section 2(aa) - "Development Bank means the Industrial Development Bank of India established under Industrial Development Bank of India Act, 1964"

The Industrial Development Bank of India was established to co-ordinate the activities of all the institutions, which are or may concerned with the provisions of finance for industrial development. It was supposed to provide refinance to these institutions or to grant direct loans to industrial concerns or to promote and develop key industries, as the circumstances may require.
Section 2(d) - "Reserve Bank means the Reserve Bank of India constituted under the Reserve Bank of India Act, 1934"

Here, we should note that the State Government has got every power by virtue of legislations to direct the State Financial Corporations in the manner it thinks fit and the State Financial Corporations are bound to follow them. There are directions from the government from time to time which may be suggestive in nature or these may be obligatory and/or compulsory.

The prime lending to State Financial Corporations is done by Industrial Development Banks on the basis of priorities set for nation in whole. There are various projects on which no refinance is available as per policies of Industrial Development Banks. There are various lists for financing and thus the priorities are set. The industries listed in Negative list is denied any financial assistance. In case of assistances given from time to time on which refinance is available from Industrial Development Banks, the State Financial Corporations act only as an agent and the difference of Interest rate (Between lending and borrowing interest rates) is the income of the State Financial Corporation.