

IMPORTANT

ALL AMENDMENTS HAVE BEEN INCORPORATED IN THE MAIN ACT AT APPROPRIATE PLACES.
THE TEXT OF AMENDMENT ACT IS REPRODUCED BELOW FOR REFERENCE.

Amendments to The State Financial Corporations Act, 1951
by THE CREDIT INFORMATION COMPANIES
(REGULATION) ACT, 2005

THE CREDIT INFORMATION COMPANIES (REGULATION) ACT, 2005
(30 of 2005)

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THE SCHEDULE
(See section 34)

AMENDMENTS TO CERTAIN ENACTMENTS

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PART III

THE STATE FINANCIAL CORPORATIONS ACT, 1951
(63 of 1951)

Section 40, after sub-section (3), insert—

“(4) Nothing contained in this section shall apply to the credit information
disclosed under the Credit Information Companies (Regulation) Act, 2005.”

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THE STATE FINANCIAL CORPORATIONS
ACT, 1951

INTRODUCTION

A Central Industrial Finance Corporation was set up under the Industrial Finance Corporations Act, 1948 in order to provide medium and long term credit to industrial undertakings which fall outside the normal activities of Commercial Banks. The State Governments expressed their desire that similar Corporations be set up in States to supplement the work of the Industrial Finance Corporation. State Government also expressed that the State Corporations be established under special statute in order to make it possible to incorporate in the Constitution necessary provisions in regard to majority control by the Government, guaranteed by the State Government in regard to the payment of principal. In order to implement the views expressed by the State Governments the State Financial Corporation Bill was introduced in the Parliament.

STATEMENT OF OBJECTS AND REASONS

In order to provide medium and long term credit to industrial undertakings, which fall outside the normal activities of Commercial Banks, a Central Industrial Finance Corporation was set up under the Industrial Finance Corporation Act, 1948 (XV of 1948). The State Governments wish that similar Corporations should also be set up in the States to supplement the work of the Industrial Finance Corporation. The intention is that the State Corporations will confine their activities to financing medium and small scale industrial and will, as far as possible, consider only such cases as are outside the scope of the Industrial Finance Corporation. The State Governments also consider that the State Corporations should be established under a special Statute in order to make it possible to incorporate in the Constitution necessary provisions in regard to majority control by Government, guaranteed by the State Government in regard to the repayment of principal, and payment of a minimum rate of dividend on the shares, restriction on distribution of profits and special powers for the enforcement of its claims and recovery of dues. Since the incorporation, regulation and winding up of such Corporations fall within the purview of Parliament *vide* Entry No.43 of the Union List—The State Governments have requested the Government of India to enact the necessary enabling legislation, which is sought to be effected by this Bill.

The main features of the Bill are as follows:—

- (i) The Bill provides that the State Government may, by notification in the Official Gazette, establish a Financial Corporation for the State.
- (ii) The share capital shall be fixed by the State Government but shall not exceed Rs. 2 crores. The issue of the shares to the public will be limited to 25 per cent. of the share capital and the rest will be held by the State Government, the Reserve Bank, Scheduled Banks, Insurance Companies, Investment Trusts, Co-operative Banks and other Financial Institutions.
- (iii) Shares of the Corporation will be guaranteed by the State Government as to the re-payment of principal and the payment of a minimum dividend to be prescribed in consultation with the Central Government.