

## ROLE OF RAJASTHAN FINANCIAL CORPORATION IN INDUSTRIAL DEVELOPMENT OF RAJASTHAN: AN ANALYSIS

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### ABSTRACT

In the presented research paper, a critical presentation has been made after analytically studying the functioning and role of **Rajasthan Financial Corporation (RFC)** in the industrial development of Rajasthan as a **Case Study**. The main objective of the research paper is to make suggestions for improvement in the functioning of Rajasthan Financial Corporation and to evaluate the progress and activities by creating a coordinated strategy for industrial development. Secondary data has been made the main basis for research study. In the context of Rajasthan Financial Corporation, the policy documents and publications of the Government of Rajasthan, Annual Progress Reports, loan scheme documents, research papers published in research journals and e-content available on the website's of Rajasthan Financial Corporation, etc. have been made the basis. **Loan sanction and loan disbursement ratio is not balanced in the Rajasthan Financial Corporation. Basically, this research paper is based on the above research hypothesis.** After the research study, it is concluded that the above mentioned research hypothesis seems to be correct. In the research paper, suggestions have been presented for increasing the efficiency of the Rajasthan Financial Corporation.

**Keywords:** Finance, Efficiency, Operating Expenses, Employee, Welfare, Reduction, Entrepreneurship, RFC.

### 1. INTRODUCTION

The Rajasthan Financial Corporation was established by the Government of Rajasthan on January 17, 1955 under the State Financial Corporation Act, 1951. The basic objective of establishment of Rajasthan Financial Corporation is to provide financial assistance up to Rs 20 crore for establishment of new industries, expansion and renovation of existing industries in Rajasthan.

#### (A) Main objectives of establishment of Rajasthan Financial Corporation:

The main objectives of establishment of Rajasthan Financial Corporation are as under:

- a. Providing simplified financial assistance to industrial units of large, small and medium size / category.
- b. To cooperate in the rapid industrial development of the state of Rajasthan.
- c. To give a new dimension to the form of industrial development of the state of Rajasthan.
- d. To act as an agent of the State Government of Rajasthan.
- e. To create environment for balanced industrial development in Rajasthan.
- f. To encourage new adventurers for industrial development.

#### (B) Organization and Management

Rajasthan Financial Corporation has the characteristics of amalgamated institution. The corporation can buy and sell property in its own name. This institution including share capital can file suit against others and others can file suit against it in the competent court. The head office of Rajasthan Financial Corporation is in Jaipur. The Corporation is managed and operated by the Board of Directors of the Corporation. It works under the leadership of the Chairman and Managing Director with the assistance of the Executive Committee, Executive Director and Company Secretary.

### 2. LITERATURE REVIEW

**T.C. Nuval (2012)** has presented the management style, performance, problem solving strategy of public enterprises.

**Yash. D. Sharma (2011)** has given suggestions regarding the functioning, performance, efficiency, employee welfare of public sector undertakings funded by the Government of Rajasthan. Outline has been presented for strengthening.

**C.B. Mamora (2010)** has highlighted the possibilities of industrial development in Rajasthan, innovations in the industrial environment.

**G.L. Sukhwai (2014)** has focused on financial strategies. Emphasis has been laid on the solution of industrial problems, especially on the utilization of human resources.

### 3. OBJECTIVES OF THE RESEARCH STUDY

The main objective of the research paper is to make suggestions for improvement in the functioning of Rajasthan Financial Corporation and to evaluate the progress and activities by creating a coordinated strategy for industrial development.

#### RESEARCH HYPOTHESIS

Basically, this research paper is based on the below mentioned research hypotheses-

- Loan sanction and loan disbursement ratio is not balanced in the Rajasthan Financial Corporation.
- It has been assumed that the functioning of Rajasthan Financial Corporation is not upto the mark.

### 4. RESEARCH METHODOLOGY

. Secondary data has been made the main basis for this descriptive research study. In the context of Rajasthan Financial Corporation as a Case Study , the policy documents and publications of the Government of Rajasthan, Annual Progress Reports, loan scheme documents, research papers published in research journals and e-content available on the website's of Rajasthan Financial Corporation, etc. have been made the basis.

#### MAIN FUNCTIONS OF RAJASTHAN FINANCIAL CORPORATION

**The main functions of Rajasthan Financial Corporation are below mentioned –**

**(a) Loan Approval-** Loan is given by Rajasthan Financial Corporation for purchase of land, construction of building, purchase of equipment, plant and working capital for setting up industries in the state of Rajasthan. The corporation has 15 branch offices in different cities across the state for loan approval and distribution related to loan schemes. Apart from this, the work of loan approval and disbursement is done at the competent officer level through various committees at the headquarter level.

**(b) Loan Schemes -** Rajasthan Financial Corporation is operating various loan schemes for industrial units based on the needs of entrepreneurs for the industrial development of Rajasthan state-

- 1.General Credit Scheme
- 2. Service Sector Credit Scheme
- 3. Real Estate Sector Loan Scheme
- Facilitation through Single Window Scheme
- Professional Loan Scheme
- Asset Based Loan Scheme
- Rental Land / Building Loan Scheme
- Switch Over Loan Scheme
- Simple loan facility
- Top Up Loan Scheme
- Loan scheme for solar energy related industries
- RIICO Integrated Scheme for Industries, Hotels and Hospitals
- Marble Processing Unit (Export Based / Import Based) Loan Scheme
- Youth Entrepreneurship Promotion Scheme
- Scheme for Information Technology based units
- Guest House Scheme
- Chief Minister Small Industries Promotion Scheme
- 18 Short Term Loan Scheme
- Working Capital Loan Scheme
- Gold Card Scheme
- Platinum Card Scheme
- Good Borrowers Scheme, Flexi Loan Scheme

**(c) Concessions for SC / ST and disabled entrepreneurs –** Loan up to Rs 5 lakh to SC / ST and disabled entrepreneurs by Rajasthan Financial Corporation, 2 percent less interest than the normal rate and 50% discount is

given in the application fee for the loan. Loan facility is provided to women entrepreneurs at 1 percent less than the normal rate.

**(d) Loan distribution work-** Apart from joint industrial units, loan distribution to all industrial units is done by the branch office. Apart from this, guidance is also given by the Project Monitoring Cell regarding project related difficulties. Apart from this, regular reviews are done at the headquarter level to ensure timely completion of loan disbursement work.

**(e) Debt recovery work-** The payment of installments of interest and principal generally starts after 12 to 18 months after three months of loan disbursement by Rajasthan State Financial Corporation for loan recovery. Apart from joint industrial units, loan distribution to all industrial units is done by the branch office. Apart from this, guidance is also given by the Project Monitoring Cell regarding project related difficulties. Apart from this, regular reviews are done at the headquarter level to ensure timely completion of loan disbursement work. In the year 2021-22, a one-time loan settlement scheme will also be done till December 2021, Rs 1.10 crore. Recovery work has been done. Rajasthan Financial Corporation had 38 acquired industrial units at the beginning of the year 2020-21 from the point of view of revival after acquisition. Their number was 36 at the end of the year 2020-21. In the financial year 2021-22 also one unit was acquired and work was done by selling one unit and returning 3 units to the original borrowers.

#### DATA ANALYSIS

It is clear from Table 1 that in the year 2020-21 only 230.38 crore loans were recovered as compared to 311.53 crore in the year 2019-20. Similarly, the difference in loan disbursement amount is huge as compared to loan sanction. The authorized capital of Rajasthan Financial Corporation is Rs.500 crores. The paid-up capital of the Corporation as on 31 March 2022 was 160.73 crores.

**Table-1:** Status Of Gross Profit, Operating Expenses And Net Profit In Rfc (Inr In Crores)

YEAR	GROSS PROFIT	OPERATING EXPENSES	PROFIT/LOSS	NET PROFIT
2014-15	65.67	45.29	20.38	19.06
2015-16	55.77	46.84	8.93	7.12
2016-17	56.63	45.85	10.79	9.79
2017-18	73.00	54.90	18.10	17.00
2018-19	62.50	51.43	11.07	9.97
2019-20	53.98	48.64	5.34	5.09
2020-21	59.36	43.44	15.92	14.17
2021-22	58.88	43.20	15.50	13.90

**Source:** Annual Progress Reports, RFC

It is clear from Table 1 that in the year 2020-21 only 230.38 crore loans were recovered as compared to 311.53 crore in the year 2019-20. Similarly, the difference in loan disbursement amount is huge as compared to loan sanction. It is clear from the table 2 that in the year 2014-15 the net profit was 19.06 crores but in the year 2015-16 it drastically reduced to 7.12 crores only. Compared to the year 2020-21, it has decreased from 14.17 crores to 13.90 crores in the year 2021-22. Similarly, the net profit decreased from 17.00 crores in 2017-18 to 9.97 crores in the year 2018-19. Rajasthan Financial Corporation is playing the role of a catalyst for industrial development in the state of Rajasthan in accordance with the industrial policies and priorities of the Government of India and the Government of Rajasthan. Finance is like blood for industrial development. Rajasthan Finance Corporation is working in this direction through various schemes to provide loans to meet the financial needs of large, small and medium scale industries. Industrial development is being given speed and direction as per the guidelines, orders and various credit policies of the Government of Rajasthan and as per the industrial policy of the state. Rajasthan Financial Corporation is playing the role of a catalyst for industrial development in the state of Rajasthan in accordance with the industrial policies and priorities of the Government of India and the Government of Rajasthan. Finance is like blood for industrial development.

**Table-2:** Status Of Sanctioned Loans, Distributed Loans, Recovery Of Loans In Rfc ( Inr In Crores )

YEAR	SANCTIONED LOAN	DISTRIBUTED LOAN	RECOVERY OF LOAN
2014-15	219.41	163.82	251.23

2015-16	328.20	223.21	263.06
2016-17	410.22	212.54	237.69
2017-18	386.68	267.38	259.23
2018-19	314.89	264.11	270.46
2019-20	228.60	190.00	311.53
2020-21	164.56	139.07	230.38
2021-22	131.55	114.13	284.10

Source: Annual Progress Reports, RFC

Rajasthan Financial Corporation is playing the role of a catalyst for industrial development in the state of Rajasthan in accordance with the industrial policies and priorities of the Government of India and the Government of Rajasthan. Finance is like blood for industrial development. Rajasthan Finance Corporation is working in this direction through various schemes to provide loans to meet the financial needs of large, small and medium scale industries. Industrial development is being given speed and direction as per the guidelines, orders and various credit policies of the Government of Rajasthan and as per the industrial policy of the state. Rajasthan Financial Corporation is playing the role of a catalyst for industrial development in the state of Rajasthan in accordance with the industrial policies and priorities of the Government of India and the Government of Rajasthan. Finance is like blood for industrial development. Rajasthan Finance Corporation is working in this direction through various schemes to provide loans to meet the financial needs of large, small and medium scale industries. Industrial development is being given speed and direction as per the guidelines, orders and various credit policies of the Government of Rajasthan and as per the industrial policy of the state. To get financial assistance from Rajasthan Financial Corporation, first of all the entrepreneur has to register as a firm or company. After this, after allotment of land through **RIICO**, a project report has to be prepared and the loan application has to be submitted along with related documents at the branch office or headquarter level of Rajasthan Finance Corporation. Rajasthan Financial Corporation has sanctioned loans worth **Rs 8696.55 crore** to a total of 84214 industrial units till **March 31, 2022**. Apart from this, loans worth **Rs 6223.25 crore** have been distributed to 65706 industrial units. In this sequence, keeping in mind the objective of cutting down on operational expenditure, till **December 2022**, 68 personnel have been sent on deputation to various departments of the state government. A saving of about **Rs 7.80 crore** is proposed through this work. A loan of **Rs 5.73 crore** has been recovered till **December, 2022** during the financial year 2022-23 under the One Time Settlement Scheme. The Rajasthan Financial Corporation had 36 acquired industrial units at the beginning of the year 2021-22, in which Rs 212 crore was outstanding. During the year 2021-22, 11 industrial units have been acquired. Till **March 31, 2021**, a total of **83999** industrial units were executed by sanctioning loans worth **Rs 8565.01 crore** in Rajasthan Financial Corporation and financial assistance has been provided to 65500 units by disbursing loans worth **Rs 6109.12 crore**. In proportion to this, till **March 31, 2017**, the Rajasthan Finance Corporation sanctioned loans worth **Rs 7470.27 crore** to a total of **82324 units** and disbursed loans worth **Rs 5248.56 crore** to **64074** industrial units. According to the **Annual Progress Report 2017-18** of the Rajasthan Financial Corporation, **145** personnel were deputed to different departments of the Government of Rajasthan with a view to reduce the operational expenditure by the Rajasthan Financial Corporation. It aims to save about **Rs 10.52 crore** in operating cost.

## 5. CONCLUSION

The Rajasthan Financial Corporation has focused more on loan disbursement than loan recovery. Mainly, special attention has not been given to capital investment and loan guarantee in other institutions. There is a lack of professional managers and industrial experts in the management and operation system of the corporation because most of the posts have been appointed ex-officio by the government. Loan is given by Rajasthan Financial Corporation on the basis of security on strict conditions. Loan is not disbursed in proportion to loan sanctioned. Less credit has been made available to modern industries as compared to traditional industries. The Corporation does not attract public deposits as the interest rates are not attractive. Rajasthan Financial Corporation needs to improve its functioning. There is a need to give priority to new industries in their planning and providing loans while simplifying the loan guarantee system. It is necessary to strengthen the financial system by increasing the paid-up capital of the corporation. In the direction of getting public deposits, the accumulated funds can be increased by improving the attractive rate of interest and efficiency. Operational efficiency can be increased by inducting professional experts in the management and steering board of the Corporation. It is necessary to use techniques of marketing to ensure public

participation and information about the services of Rajasthan Financial Corporation. It is necessary to balance the loan sanction and loan disbursement ratio.

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