



ENFORCEMENT RIGHTS OF STATE FINANCIAL CORPORATIONS (1992).
By S.S. Saxena and B.Kishore. Alekha Publishers, Jaipur. Pp.78.

THE BOOK under review is easy to read and details out the rights in simple language of the State Financial Corporation to recover loans advanced for establishing small scale industries. The procedures outlined in the book for such recovery include, (i) directly taking over the mortgaged property without recourse to the court; (ii) taking over the management of the defaulting concerns; (iii) special provisions for moving the district courts; and (iv) recovery of loans as arrears of land revenue.

The Tables contained in the Act show that the internal revenue generation of the State Financial Corporation is not very high and recovery of loans not very satisfactory inspite of wide powers for such recovery. It must, however, be under record that industrialisation needs much more than the mere advancement of loans and their recovery. What the corporations need for the purpose of rapid industrialisation is a separate advisory wing. The entrepreneurs need special advice and guidance to make their understanding a success. The recovery of loans would be much easier from the flourishing enterprise rather than from a sick unit.

Government officials cannot provide the kind of expertise that the private sector has for successfully running the industries. The proposed advisory wing should therefore associate with the State Financial Corporation experts from the private sector who could give valuable advice in matters of difficulties faced by the entrepreneurs who have borrowed the money from the corporation. What is required therefore is not adversary proceedings but, a friendly relationship between the creditors and borrowers for ensuring the success of the indebted private enterprise and thereby facilitating the recovery of loans and interests thereon.

Also, the disbursement of the loan should be carefully made keeping in view the chances of recovery depending on the skills of the entrepreneurs and feasibility of the enterprise. What is required therefore is a detailed examination by our expert committee consisting of private sector specialists and their report on viability of the proposed enterprise.

The provisions for taking over the management of the defaulting parties must be given special attention. Such taking over must provide the expertise, again from the private sector, for successfully running the sick units which have fallen in bad times due to lack of skill on the part of the entrepreneurs.

Provisions such as recovery of the loans as arrears of land revenue must be judiciously used. A distinction should be made between debtors who want to cheat the government of its funds and those who are unable to return the loan due to genuine difficulties. While the use of such provisions must be the rule in the case of defrauding parties, they should never be used against entrepreneurs who cannot return the loan due to genuine reasons. This distinction should be predicated upon the report of a fact finding committee to be set up to investigate the circumstances



of each case.

When the book under review goes into its next edition, it is suggested that field studies are made of the use and usefulness of the various recovery provisions of the Act. Factors such as political pressures, collusion of the Financial Corporations' officials with the debtors, and other evasions of the repayments of loans must be investigated. The various remedies provided under the Act to the corporations for the recovery of loans have given them sweeping powers to use any remedy at its sweet will against the defaulters. It needs to be streamlined as to what powers must be used in different kinds of cases and the discretion of the authorities must be minimised in choosing the remedies.

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