

Tutorial Notes

Class: B.Com (Hons.) Semester VI (DSE3)

Subject: New Venture Planning

Topic: India's State Financial Corporations and its functions..

Prepared by: Dr. Aftab Alam

Faculty of Commerce, Karim City College, Jsr.

## **INDIA'S STATE FINANCE CORPORATIONS:**

The State Finance Corporations (SFCs) are the integral part of institutional finance structure in the country. SEC promotes small and medium industries of the states. Besides, SFCs are helpful in ensuring balanced regional development, higher investment, more employment generation and broad ownership of industries. At present there are 18 state finance corporations (out of which 17 SFCs were established under SFC Act 1951). Tamil Nadu Industrial Investment Corporation Ltd. established under Company Act, 1949, is also working as state finance corporation.

### **FUNCTIONS OF STATE FINANCE CORPORATIONS**

**The important functions of State Finance Corporations are:**

- (i) The SFCs grant loans mainly for acquisition of fixed assets like land, building, plant and machinery.
- (ii) The SFCs provide financial assistance to industrial units whose paid-up capital and reserves do not exceed Rs. 3 crore (or such higher limit up to Rs. 30 crore as may be specified by the central government).
- (iii) The SFCs underwrite new stocks, shares, debentures etc., of industrial concerns.
- (iv) The SFCs provide guarantee loans raised in the capital market by scheduled banks, industrial concerns, and state co-operative banks to be repayable within 20 years.