



C. LONG ANSWER TYPE QUESTIONS

1. Apoorva wants to start a new business near to her locality, for which she requires capital. State different types of national level and state level financial institutions from where Apoorva can access capital according to her needs and requirements.

Answer: Types of Specialised Financial Institutions: Entrepreneurs have access to any of the following SFIs to choose from, according to their needs and requirements:

	(A) At national level/All India development banks	(B) At state level
1.	Industrial Development Bank of India (IDBI)	State Financial Corporation (SFCs)
2.	Small Industries Development Bank of India (SIDBI)	Tourism Finance Corporation of India (TFCI)
3.	Industrial Finance Corporation of India (IFCI)	State Industrial Development Corporations (SIDC)
4.	Industrial Credit and Investment Corporation of India (ICICI)	
5.	National Bank for Agriculture and Rural Development (NABARD)	
6.	Industrial Investment Bank of India Ltd. (IIBI)	

2. Write down the objectives of IDBI.

Answer. The main objectives of IDBI:

	(A) At national level/All India development banks	(B) At state level
1.	Industrial Development Bank of India (IDBI)	State Financial Corporation (SFCs)
2.	Small Industries Development Bank of India (SIDBI)	Tourism Finance Corporation of India (TFCI)
3.	Industrial Finance Corporation of India (IFCI)	State Industrial Development Corporations (SIDC)
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3. Write an explanatory note on the financing schemes of state level financial institutions and their importance in promotion of an entrepreneur in India.

Answer: At State Level State Financial Corporation (SFCs):

To meet the financial needs of small and medium enterprises, the government of India passed the State Financial Corporation Act in 1951, empowering the state governments to establish development banks for their respective regions. There are 18 SFCs at present.

Objectives: The objectives of State Financial Corporations are as under:

1. Provide financial assistance to small and medium industrial concerns. These may be from corporate or co-operative sectors as in case of IFCI or may be partnership, individual or Joint Hindu family business, engaged not only in the manufacture, preservation or processing of goods.
2. Provide long and medium-term loan repayment ordinarily within a period not exceeding 20 years.
3. Grant financial assistance to any single industrial concern under corporate or co-operative sector with an aggregate upper limit of rupees Sixty lakhs. In any other case (partnership, sole proprietorship or Joint Hindu family) the upper limit is rupees thirty lakhs.

4. Provide financial assistance generally to those industrial concerns whose paid up share capital and free reserves do not exceed Rs 3 crore.
5. To lay special emphasis on the development of backward areas and small scale industries.

Functions:

1. Grant of loans and advances to or subscribe to debentures of, industrial concerns repayable within a period not exceeding 20 years.
 2. Guaranteeing deferred payments due from an industrial concern for purchase of capital goods in India.
 3. Underwriting of the issue of stock, bonds or debentures by industrial concerns.
 4. Subscribing to, or purchasing of, the stock, shares, bonds or debentures of an industrial concern subject to a maximum of 30 per cent of the subscribed capital, or 30 per cent of paid up share capital and free reserve, whichever is less.
 5. Act as agent of the Central government, State government, IDBI, IFCI or any other financial institution in the matter of grant of loan or business of IDBI, IFCI or financial institution.
- Tourism Finance Corporation of India (TFCI): The Tourism Finance Corporation of India (TFCI) was born as a result of the Government of India's decision, in 1987, to promote a separate all- India financial institution for providing financial assistance to tourism-related activities/projects.

Functions:

1. TFCI provides financial assistance to enterprises for setting up or the development of tourism-related projects, facilities and services such as hotels, restaurants, holiday resorts, amusement parks, entertainment centres, education and sports, rope ways, cultural centres, convention halls, transport, travel and tour operating agencies, air services, tourism emporia and sports facilities.
2. It also provides advisory and merchant banking services in this field.
3. The projects with a capital cost of Rs 1 crore or above are generally eligible for assistance from TFCI. Smaller projects would also be considered.

State Industrial Development Corporation (SIDCs): Incorporated under the Companies Act, 1956 SIDCs were set up in different states as wholly owned companies for promoting industrial development in their respective states. The main functions of SIDCs are as follows:

1. Providing term finance to all small, medium, and large industrial enterprises set up in the state.
2. Underwriting and directly subscribing to shares, and debentures of industrial enterprises being set up in the state.
3. Preparing feasibility studies, conducting market surveys and motivating private entrepreneurs to set up their industrial ventures in the state.
4. Collaborating with private entrepreneurs to set up industrial ventures in joint and assisted sectors.
5. Implementing IDBI's scheme of seed capital in the state.

Finance can be procured, just like any other resource, against a cost. Procurement of finance involves risk and formalities to comply with. Entrepreneurs need a careful attitude, to sensibly make a choice of sources to generate funds. No one source can be deemed to be the best source. Thus, it is always advisable to select a combination of sources so that both cost and risk can be kept at

lowest.

1. Tourism Finance Corporation of India (TFCI)
2. State Industrial Development Corporations (SIDC)

4. Write a short note on IIBI.

Answer: Industrial Investment Bank of India Ltd. (IIBI): The Industrial Investment Bank of India Ltd. (IIBI) was formed by transforming the Industrial Reconstruction Bank of India (IRBI). It was set up by IDBI at the instance of the Government of India in April 1971 for rehabilitation of sick industrial companies. IRBI was incorporated under the Companies Act, 1956 and renamed as the Industrial Investment Bank of India Ltd. in March 1997.

Functions: IIBI offers a wide range of products and services such as:

1. Term-loan assistance for project finance
2. Short duration non-project asset - backed financing working capital/ other short term loans to companies
3. Equity Subscription Asset Credit
4. Equipment finance
5. Investments in Capital Market and Money market instruments.

5. Describe the form of assistance provided by SIDBI to the industrial concern.

Answer: The financial assistance of SIDBI to the small scale sector is channelised through the following two routes:

1. Indirect Assistance: Under its indirect schemes, SIDBI extends refinance of loans to small scale sector by Primary Lending Institutions (PLIs) viz. SFCs, SIDCs and Banks. At present, such refinance assistance is extended to 892 PLIs and these PLIs extend credit through a net work of more than 65,000 branches all over the country. All the Schemes of SIDBI both direct and indirect assistance are in operation in all the States of the country through 39 regional/branch offices of SIDBI.
2. Direct Assistance: SIDBI directly assists SSIs under:
 - Project Finance Scheme
 - Equipment Finance Scheme
 - Marketing Scheme
 - Vendor Development Scheme
 - Infrastructural Development Scheme
 - ISO-9000
 - Technology Development & Modernisation Fund.

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