

GS-3 CH-3

Q1. What are special Purpose Vehicles (SPVs)? Explain the significance in Indian context. (150 W)

Ans (\*) SPECIAL PURPOSE VEHICLES (SPVs)

Special Purpose Vehicle or special Purpose Entity is a legal entity created to fulfill narrow, specific or temporary objectives. SPVs are used by the companies to isolate the firm from financial risk.

Normally, a company will transfer assets to the SPV for management or use the SPV to finance a large/complex project thereby achieving a narrow set of goals without putting the entire firm at risk.

(\*) SIGNIFICANCE OF SPVs IN INDIAN CONTEXT

- SPV organisations are engaged in raising funds for development of infrastructure sector projects.
- SPV will add to the availability of long-term funds for infrastructure sector projects.
- It will help in acquiring, holding and disposing of assets.
- It will provide safeguard to the holders in case of bankruptcy of the originator.
- The SPV will plan, appraise, approve, release funds, manage, operate, monitor and evaluate the smart city

Development projects in India.

→ SPV structures are also used in India for Housing Real Estate projects and to provide liquidity to non-bank financial companies.

CONCLUSION - SPVs are spreading among private industrialists because of its nature to save the firm from financial risk.