

National Bank for Financing Infrastructure and Development

What is NaBFID?

NaBFID was announced in the Budget 2021.

The National Bank for Financing Infrastructure and Development Bill, 2021 was introduced in Lok Sabha on March 22, 2021. The Bill seeks to establish the National Bank for Financing Infrastructure and Development (NaBFID) as the principal development financial institution (DFIs) for infrastructure financing.

Chairman: Rajkiran Rai

NaBFID will be set up as a corporate body with authorised share capital of one lakh crore rupees.

Shares of NaBFID may be held by:

- (i) central government,
- (ii) multilateral institutions,
- (iii) sovereign wealth funds,
- (iv) pension funds,
- (v) insurers,
- (vi) financial institutions,
- (vii) banks, and
- (viii) any other institution prescribed by the central government.

Initially, the central government will own 100% shares of the institution which may subsequently be reduced up to 26%.

Objective:

- To directly or indirectly lend, invest, or attract investments for infrastructure projects located entirely or partly in India.
- Development objectives include facilitating the development of the market for bonds, loans, and derivatives for infrastructure financing.

Functions of NaBFID:

- Extending loans and advances for infrastructure projects.
- Taking over or refinancing such existing loans.
- Attracting investment from private sector investors and institutional investors for infrastructure projects.
- Organising and facilitating foreign participation in infrastructure projects.
- Facilitating negotiations with various government authorities for dispute resolution in the field of infrastructure financing.
- Providing consultancy services in infrastructure financing.

Source of funds:

- NaBFID may raise money in the form of loans or otherwise both in Indian rupees and foreign currencies, or secure money by the issue and sale of various financial instruments including bonds and debentures.
- NaBFID may borrow money from:
 - (i) central government,
 - (ii) Reserve Bank of India (RBI),
 - (iii) scheduled commercial banks,
 - (iii) mutual funds, and
 - (iv) multilateral institutions such as World Bank and Asian Development Bank.

Structure and management:

- NaBFID will be governed by a Board of Directors.
- The members of the Board include:
 - (i) the Chairperson appointed by the central government in consultation with RBI,
 - (ii) a Managing Director,
 - (iii) up to three Deputy Managing Directors among others.
- A body constituted by the central government will recommend candidates for the post of the Managing Director and Deputy Managing Directors.
- The Board will appoint independent directors based on the recommendation of an internal committee. No investigation can be initiated against employees of NaBFID without the prior sanction of (i) the central government in case of the chairperson or other directors, and (ii) the managing director in case of other employees.
Courts will also require prior sanction for taking cognizance of offences in matters involving employees of NaBFID.

Support from the Central Government:

- The central government will provide grants worth Rs. 5,000 crore to NaBFID by the end of the first financial year.
- The government will also provide guarantee at a concessional rate of up to 0.1% for borrowing from multilateral institutions, sovereign wealth funds, and other foreign funds.
- Costs towards insulation from fluctuations in foreign exchange (in connection with borrowing in foreign currency) may be reimbursed by the government in part or full.
- Upon request by NaBFID, the government may guarantee the bonds, debentures, and loans issued by NaBFID.

MCQ for Practice:

Q1. Which of the following statements is correct about central government support to NabFID?

1. The central government will provide grants worth Rs. 5,000 crore to NaBFID by the end of the first financial year.
2. The government will also provide guarantee at a concessional rate of up to 0.1% for borrowing from multilateral institutions, sovereign wealth funds, and other foreign funds.

3. Costs towards insulation from fluctuations in foreign exchange (in connection with borrowing in foreign currency) may be reimbursed by the government in part or full.

- (a) 1,2
- (b) 2,3
- (c) 1 only
- (d) 2 only
- (e) 1,2,3

Ans (e)

Q2. Who will appoint the NaBFID Chairman?

- (a) Central government
- (b) RBI governor
- (c) Finance Ministry
- (d) President
- (e) None of these

Ans(a)

Q3. Which of the following are the sources for NaBFID?

- 1. Mutual funds
 - 2. multilateral institutions such as World Bank
 - 3. RBI
- (a) 1,2
 - (b) 2
 - (c) 1,3
 - (d) 3
 - (e) 1,2,3

Ans(e)

