National Bank for Financing Infrastructure and Development (NaBFID)

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National Bank for Financing Infrastructure and Development Latest News

The Finance Minister recently said the National Bank for Financing Infrastructure and Development (NaBFID) will set up a partial credit enhancement facility for corporate bonds in the infrastructure sector.

About National Bank for Financing Infrastructure and Development (NaBFID)

- It is a **specialized Development Finance Institution** in India aimed at **supporting the country's infrastructure sector,** which can significantly gain from an e**nabling credit flow b**y means of attractive instruments and channelized investment.
- NaBFID was **set up in 2021, by an Act of the Parliament (**The National Bank for Financing Infrastructure and Development Act, 2021),
- **Objectives**: Addressing the gaps in long-term non-recourse finance for infrastructure development, **strengthening the development of bonds and derivatives markets** in India, and sustainably boosting the country's economy.
- **Regulated by:** It shall be re**gulated and supervised by RBI** as an All-India Financial Institution (AIFI).
- The principal idea behind the setup of NaBFID is to provide a dedicated and specialized institution focused on addressing the long-term financing needs of the infrastructure sector in India.

What are Development Finance Institutions (DFIs)?

- These are organizations **owned by the government or public institutions** to **provide funds for infrastructure** and **large-scale projects**, where it often becomes unviable for large banks to lend.
- They provide two types of **funds- Medium (1-5 years) and Large (< 5 years).**
- The prime objective of DFI is the economic development of the country via financing infrastructure activities.
- These institutions **provide long-term financial as well as technical support** to various sectors.
- DFIs **do not accept deposits from people,** but they **raise funds by borrowing from governments, insurance companies**, pension funds, and sovereign funds.
- It also **provides a guarantee to banks on behalf of companies** and subscriptions to shares, debentures, etc.
- They also **provide technical assistance** like **Project Report, Viability study**, and consultancy services.
- DFIs provide credit enhancement for infrastructure and housing projects and also help in improving debt flows towards infrastructure projects.

National Bank for Financing Infrastructure and Development FAQs

Q1. Is NaBFID regulated by RBI?

Ans. RBI has advised that NaBFID shall be regulated and supervised by RBI as an All India Financial Institution (AIFI).

Q2. Who are the shareholders of NaBFID?

Ans. The entire shareholding of the Institution is currently held by the Government of India.

Q3. What is the purpose of development finance?

Ans. Development finance is the invisible glue that connects public and private financing for projects that have social, economic and environmental outcomes.

Source: BS