



## Cabinet Approves Capital Infusion into NIIF

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### Why in News

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Recently, the Union Cabinet has given its approval to the proposal for equity infusion by the Government of **Rs. 6000 crores in NIIF Debt Platform** - sponsored by the **National Investment and Infrastructure Fund (NIIF)**.

This was **one of the twelve key measures** made by the Union Minister for Finance as part of **Government of India's stimulus to the economy**, under **Atmanirbhar Bharat**.

### Key Points

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- **Background:**
  - As per the **National Infrastructure Pipeline** (NIP), investment in infrastructure sector is targeted at **Rs. 111 lakh crore over the next 5 years** across various sub-sectors, creating substantial need for debt financing.
  - It would require at least **Rs. 60 to 70 lakh crores in debt financing**.
  - Current environment requires well-capitalized specialized infrastructure focused financial institutions, such as **NIIF Debt Platform** being **developed by NIIF** which can focus on lending across the project life cycle with a strong capital base and expertise driven approach.
- **The current approval of equity infusion is subject to two conditions:**
  - Out of the proposed amount, only **Rs. 2,000 crore** would be allocated during the current year **2020-21**.

However, in view of the unprecedented financial situation and availability of limited fiscal space due to the prevailing **Covid-19**, the proposed amount may be disbursed **only if there is readiness and demand for debt raising**.
  - **NIIF** will take all necessary steps to use the **equity investments from Domestic and Global pension funds and sovereign wealth funds** expeditiously.

- **NIIF Debt Platform:**
  - **It comprises of:**
    - **Aseem Infrastructure Finance Limited (AIFL):** It is an IFC (Infrastructure Finance Company), established with the aim of playing a transformative role in growth of Indian infrastructure debt financing.
    - **NIIF Infrastructure Finance Limited (NIIF-IFL):** It was incorporated as an **Infrastructure Debt Fund (IDF)** in 2014 for financing operating infrastructure projects.
  - **Contribution:** It is expected to contribute nearly **Rs. 1 lakh crores** in debt to the infrastructure sector over the **next 5 years**.
  - **Impact :**
    - It will act as a **catalyst in attracting more investments** into the infrastructure sector as envisaged in **NIP**.
    - The process will also **help relieve exposure of banks to infrastructure projects** and **free up space for new green-field projects**.
    - It will **enhance liquidity of infrastructure assets** and **lower the risks**.
    - It is expected that a **well-capitalized, well-funded and well-governed NIIF debt Platform** can play a major role in **infrastructure financing and development of the bond market in India** by acting as an intermediary between the bond markets and infrastructure projects and companies.

## National Investment and Infrastructure Fund

- NIIF is a **government-backed entity** established to provide long-term capital to the country's infrastructure sector.
  - The **Indian government has a 49% stake** in NIIF with the rest held by foreign and domestic investors.
  - With the Centre's significant stake, NIIF is considered **India's quasi-sovereign wealth fund**.
- It was set up in **December 2015** as a **Category-II Alternate Investment Fund**.
- Across its **three funds viz. Master Fund, Fund of Funds, and Strategic Opportunities Fund**, it manages over USD 4.3 billion of capital.
- Its registered office is in **New Delhi**.

## Terms

- **Debt financing:**

When a company borrows money to be paid back at a future date with interest, it is known as debt financing.
- **Equity:**

Equity represents the shareholders' stake in the company, identified on a company's balance sheet.

- **Sovereign wealth fund:**

A sovereign wealth fund is a state-owned investment fund composed of money generated by the government, often derived from a country's surplus reserves.

- **Pension fund:**

A pension fund is any plan, fund, or scheme which provides retirement income.

- **Bond:**

It is a **fixed income instrument** that represents a loan made by an investor to a borrower. In simpler words, a bond acts as a contract between the investor and the borrower. Mostly **Companies and Government** issue bonds and **investors** buy those bonds as a **savings and security option**.

Source:TH