A Special Fund For Housing Projects

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Why in News

The Union Cabinet has approved the creation of an **Alternative Investment Fund (AIF) of ₹25,000 crore** to **revive stalled** affordable and middle-income **housing projects** across the country.

Key Points

- **Fund Size**
  - The fund size will **initially be ₹25,000 crore** with the government providing ₹10,000 crore and the State Bank of India (SBI) and the Life Insurance Corporation (LIC) providing the balance.
  - However, the fund is **not capped at ₹25,000 crore** and will likely grow as a lot of sovereign funds have shown interest.
- **Fund Management**
  - The fund will be set up as **Category-II Alternative Investment Fund registered** with the **Securities and Exchange Board of India (SEBI).**
  - It will be managed by SBICAP Ventures Limited (SVL). It is a wholly owned subsidiary of SBI Capital Markets Ltd.
- **Eligible Projects**
  - All **affordable and middle-income housing projects** that are
    - Net worth positive
    - Registered with the Real Estate Regulatory Authority (RERA) and
    - That have not been deemed liquidation-worthy.
  - Stuck projects classified as **Non Performing Assets** and those undergoing resolution under the **National Company Law Tribunal** will also be eligible for funding — a change from the **announcement made in September 2019.**

- **Funding Procedure**
    - The fund will provide money in escrow accounts that can be used only for completion of the identified projects.
    - The receivables from the project will be used to repay the fund.

Expected Benefits

- There are more than **1,600 housing projects which are stalled.** The fund is expected to **revive** the same.

    This will help in alleviating stress for homebuyers, real estate players as well as banks that have backed these projects.
- **Impact on Other Sectors**

    Revival of the real estate sector will also lead to demand of cement, iron & steel industries, thus also generating employment.
- The fund will also **generate commercial return for its investors.**

    The AIF is expected to pool investments from government-related and private investors, including public financial institutions, sovereign wealth funds, public and private banks, etc.

Alternative Investment Fund

- **Meaning:** AIF means any fund established in India which is a **privately pooled investment vehicle** which collects funds from sophisticated investors, whether Indian or foreign, for investing it in accordance with a defined investment policy for the benefit of its investors.
    - An alternative investment is a financial asset that does not fall into one of the conventional equity/income/cash categories.
    - Private equity or venture capital, hedge funds, real property, commodities, and tangible assets are all examples of alternative investments.
- It is **regulated by the SEBI.**

- **Categories**
    - **Category I AIFs:** These generally invest in start-ups or early stage ventures which the government or regulators consider as socially or economically desirable.
        e.g. venture capital funds, infrastructure funds.
    - **Category II AIFs:** These are AIFs which do not fall in Category I and III and which do not undertake leverage or borrowing other than to meet day-to-day operational requirements and as permitted in the SEBI (Alternative Investment Funds) Regulations, 2012.
        e.g. real estate funds, private equity funds.
    - **Categories III AIFs:** AIFs which employ diverse or complex trading strategies and may employ leverage including through investment in listed or unlisted derivatives.
        e.g. hedge funds, private investment in Public Equity Funds.

Source: TH