

### 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,
  - (iv) mutual funds, and
  - (v) 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)



## GDP, GNP: Important terms

Gross domestic product (GDP) is the total monetary or market value of all the finished goods and services produced within a country's borders in a specific time period. To understand GDP, let us take an example- There is a country named XYZ, where only tea, milk and sugar is produced.

Tea: 10 kg with price 10 per kg

Milk: 10 kg with price 20 per kg

Sugar: 5 kg with price 10 per kg

The goods used by the population:

1. Black tea: products used tea and water only: 5 kg : price pf black tea: 20pr kg : total value 100Rs
2. Milk tea: products used tea, sugar and milk: 5 kg of each : Price of milk tea: 50 per kg : total value: 250Rs
3. Milk:5 kg: price 5\* 20: 100Rs

*(These are assumptions, just to explain the concept the quantities are simplified)*

So you need to understand there are products which are used as the raw form eg milk as well as finished good like tea. So the value added in GDP is the final forms in which it is consumed.

GDP:  $100 + 250 + 100 = 450$

Second thing, the GDP is normally calculated over a period of time, You must have read in the news about quarterly prediction of GDP, that means GDP for 3 months. Annual GDP prediction meaning the time period an year.

Third thing, In GDP, the word domestic means the products produced within the boundary of the country.

Fourth Thing, Gross word : As you know with time the price of each product changes. lets us assume that in 2012 the price of milk was 10 rs per kg but in 2022 it is 20rs per kg. In both years the production is same ( 10 kg) then the GDP in 2012 will be 100 and in 2022 it will 200. But there is no actual increase in the product. Gross includes inflation and does not give clear prediction of increase in the production.

To avoid that error, there is Real GDP:

### **Real Gross Domestic Product (Real GDP)**

Real GDP is a macroeconomic measure of the value of economic output adjusted for price changes (i.e. inflation or deflation).

So when real GDP of 2012 and 2022 is checked then it will be equal as price are adjusted according to inflation and deflation. The earlier GDP is called Nominal GDP where we consider the prices of the present year. But when we use GDP Deflator to adjust inflation/ deflation then it is called Real GDP.

### **GDP Deflator**

GDP Deflator measures the changes in prices for all the goods and services produced in an economy.

GDP Deflator :  $(\text{Nominal GDP} / \text{Real GDP}) * 100$

## How GDP is calculated?

Methods of calculating National Income or GDP:

- Expenditure method
- Product method/ value added method
- Income method

1. **Expenditure Method**- looking at demand side of products to estimate GDP. The *expenditure approach* adds up the value of purchases made by final users—for example, the consumption of food, televisions, and medical services by households; the investments in machinery by companies; and the purchases of goods and services by the government and foreigners.

$$Y=C+I+G+X-M$$

Where

- C= consumption by people
- I= Investment
- G= Government expenditure
- X= exports
- M= imports

2. **Value Added or Product Method**- Calculate aggregate annual value of goods produced in an economy. We remove intermediate goods and take into consideration only value added by a product. It avoids double counting through value added method

3. **Income Method**- An approach to calculate GDP that involves adding up all of the income earned within the borders of a country in a given year; the income approach adds up wages, rents, interest, and profits.

$$Y=w+i+r+p$$

Economists define four factors of production: **land, labor, capital and entrepreneurship**

So these factors earn in one way

Labor : earn wages that is represented by w in the formula

capital: earn interest- 'i'

land : earn rent -'r'

entrepreneurship: earn profit- 'p'

GNP : Gross national product (GNP) is an estimate of the total value of all the final products and services turned out in a given period by the means of production owned by a country's residents

## How GDP is different from GNP?

GDP-

- Economic activity by residents in domestic economy.
- Domestic economy = Landmass + Exclusive Economic Zone(EEZ)

GNP-

- Economic activity by “citizens”
- GNP = GDP + factor income by Indian citizens outside india - factor income by foreign citizens in India

## Formulas of various macroeconomic identities

**Net National Product: (NNP)** = GNP - depreciation

There are two types

1. NNP at Market price:
2. NNP at Factor cost: NNP at market price - Indirect tax + subsidy

**National income (NI)** = is the Net National Product at factor cost

**Personal Income (PI)** = NI - undistributed profits - interest paid by HHs - Corporate tax + interest received by HHs + transfer payments made to HHs

**Personal Disposable Income (PDI)**-measures the amount that households have available to either save or spend on goods and services, and is an important economic indicator of the ability of consumers to spend and save.

PI - personal tax payments - fines (non-tax payments)

### Net Disposable Income (NDI)-

- NDI = NNP at Market Price + other current transfers from the rest of the world

### Private Income-

- Private income by citizens
- PI= factor income of private sector + net factor income from abroad + transfer from government + interest + net transfer from the world

Across the world, GDP are calculated and forecasted. To maintain standard in calculation there is **System of National Accounts, 1993. To provide information that is useful in economic analysis and formulation of macroeconomic policy.**

### New Method of NI Accounting:

- New Base year = 2011-12
- Real versus Nominal GDP = prices of base year and output of current year is Real GDP
- GDP at constant market price = GDP measured at MP of the base year

Sector wise estimates of GDP are calculated using GVA.

- Previously, GVA at Factor cost was used. It has now been replaced with GVA at basic prices
- ✓ GVA at basic prices = R + W + In + P + (production taxes - production subsidies)
- ✓ Instead of R + W + P + In, we can also use “employee compensation + mixed income + consumption of fixed capital”
- ✓ GVA @ MP = GVA @ MP + product taxes - product subsidies

Note: the base year may further changed to 2017. But still we have 2011-12.

## MCQ for Practice:

**Q1. Which of the following activities is part of India's GDP?**

- (i) Activities in Indian embassies and consulates in south Asian countries
- (ii) Air India services between two different countries
- (iii) Economic activities of residents of India in international waters
- (iv) Purchase of movie tickets by foreigners in India

**Choose the correct answer using the code given below:**

- (a) (i) only
- (b) (i), (ii) & (iii) only
- (c) (iii) & (iv) only
- (d) All of the above
- (e) None of the above

Ans(d)

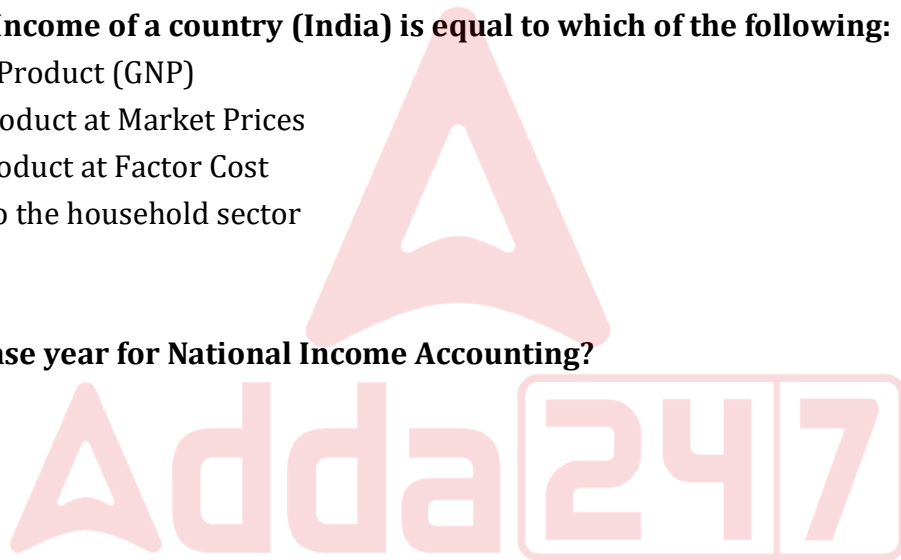
**Q2. The National Income of a country (India) is equal to which of the following:**

- (a) Gross National Product (GNP)
- (b) Net National Product at Market Prices
- (c) Net National Product at Factor Cost
- (d) Income going to the household sector
- (e) None

**Q3. What is the base year for National Income Accounting?**

- (a) 2011-12
- (b) 2000-2001
- (c) 2012-13
- (d) 2017-18
- (e) None

Ans. a



## List of Books and authors in Indian History

1. Annie Besant published 'Common Weal' and 'New India.'
2. 'Hind Swaraj' is the book of Mahatma Gandhi
3. 'India Wins Freedom' is the masterpiece of Abul Kalam Azad.
4. The memoirs entitled 'Bapu: My Mother' was written by Manubehn Gandhi.
5. Lokmanya Bal Gangadhar Tilak wrote the book 'Gita Rahasya' in Mandalay jail.
6. Aurobindo Ghosh, in his letter 'Vande Mataram' criticized the Partition of Bengal of 1905 AD. Some of his texts are 'The Life Divine,' 'The Idol of Human Unity,' 'Essays on the Gita'.
7. Colonel James Tod, in his book 'Annals and Antiquities of Rajasthan' wrote about 'Feudalism' in Rajasthan during the 19th Century.
8. Vital-Vidhvansak was first published by Gopal Baba Walangkar in 1888. It was first monthly journal to have the untouchable people as its target audience. It was written in Marathi language to bring about social awareness amongst the untouchables.
9. The author of 'Unhappy India' is Lala Lajpat Rai,
10. Bal Gangadhar Tilak edited 'Kesari' and 'Maratha'.
11. Bankimchandra Chatterjee, was the author of 'Durgesh Nandini' who also wrote 'Anandmath'.
12. The essay 'Poverty and Un-British Rule in India' was written by Dadabhai Naoroji
13. The writer of the book 'The Man Who Divided India' was Dr. Rafiq Zakaria
14. Larry Collins and - Freedom at Midnight Dominique Lapierre
15. Durga Das - India from Curzon to Nehru and After
16. 'Runs and Ruins - Sunil Gavaskar
17. Young India - Mahatma Gandhi
18. Gopal Krishna Gokhale started english weekly newspaper, 'The Hitavada
19. Songs from Prison is a book of translation from Sanskrit hymns and lyrics, from the Upanishads and other scriptures. Mahatma Gandhi made these translations during his incarceration in Yeravada Prison in 1930.
20. The Story of My Deportation -Lala Lajpat Rai Gita Rahasya - Bal Gangadhar Tilak A Nation in Making - Surendranath Banerjee
21. Samachar Darpan J.C. Marshman Mirat-ul-Akhbar Raja Ram Mohan Roy
22. Indian Opinion was published by Mahatma Gandhi
23. Valentine Chirol composed the book 'Indian Unrest'.
24. Subhash Chandra Bose wrote 'Indian Struggle'
25. 'History of the Freedom Movement in India' written by Tara Chand is the history of India's Freedom Struggle.
26. 'Anand Math' based on Sanyasi Rebellion (1763-1800) was written by Bankimchandra Chatterjee.
27. 'Precepts of Jesus' is the masterpiece of Raja Ram Mohan Roy.



28. 'Our Indian Musalmans' is the creation of W.W. Hunter
29. K.K. Dutta wrote 'History of the Freedom Movement in Bihar.'
30. Sir Syed Ahmad Khan promoted his ideas through a magazine known as 'Tahzib-ul-Akhlaq (Civilisation and Morality).
31. 'AlHelal' was the letter of Maulana Abul Kalam Azad
32. An Introduction to the Dreamland' is authored by Bhagat Singh . 'Why I am an Atheist' is an essay written by Bhagat Singh.
33. Bandi Jivan' is authored by Sachindranath Sanyal
34. 'Indian Struggle' is authored by Subhash Chandra Bose respectively.
35. 'The Philosophy of Bomb' is the work of Bhagwati Charan Vohra.
36. Shyamji Krishna Verma was an Indian revolutionary who founded 'The Indian Sociologist' in London
37. Annihilation of Caste is an undelivered speech written in 1936 by Dr. B.R. Ambedkar.
38. 'Jawaharlal Nehru- A Biography' was written by Frank Robert Moraes.
39. 'Guilty Men of India's Partition' is the masterpiece of Ram Manohar Lohia
40. The Great Divide' a book based on Indo-Pak Partition was written by H.V. Hudson

