

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:5067  
ANSWERED ON:27.08.2010  
FUNDING OF INFRASTRUCTURE PROJECTS QUESTION  
Gandhi Shri Feroze Varun

**Will the Minister of FINANCE be pleased to state:**

- (a) whether banks with pre-dominantly short-term funding, are being used to fund long-gestation infrastructure projects, leading to maturity mismatch;
- (b) if so, the details thereof for the last three years;
- (c) whether such banks are claiming the concessional restructuring packages; and
- (d) if so, the reaction of the Government thereto?

**Answer**

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI NAMONARAIN MEENA)

(a) to (d): Infrastructure projects are characterized by large financial outlays and involve long gestation periods. The banks' liabilities are mostly concentrated at the short end up to 3 years whereas infrastructure financing results in longer term financing. This gives rise to some Asset Liability Management (ALM) problems for banks. To a large extent the availability of stable retail deposit base helps banks in addressing the ALM issue as this provides a core funding base.

To address the ALM issues arising from infrastructure financing, banks have been allowed to issue long term bonds with a minimum maturity of 5 years to the extent of their exposure of residual maturity of more than 5 years to the infrastructure sector. Further, in order to meet long term financing requirements of infrastructure projects and address ALM issue, banks are permitted to enter into take out financings arrangement with Infrastructure Development Finance Company (IDFC) / other Financial Institutions.