

## **RBI PRESS RELEASES**

### **Bank finance for infrastructure projects**

**(December 11, 1992)**

With the changes in the overall policy permitting private entrepreneurs to take up projects involving creation of infrastructural facilities, the RBI has lifted its ban on providing bank finance for projects creating infrastructure but not financed through budgetary resources of the government.

According to the RBI circular issued to banks, banks can now provide term loans for creation of infrastructural facilities to entrepreneurs/private sector undertakings, who undertake such projects at the instance or with the consent of Government of India/State Governments, without the support of budgetary allocations. In such cases, however, banks should ensure that the projects are technically feasible, financially viable and bankable. The rates of interest for such loans will have to be in conformity with the interest rate directives issued by the RBI from time to time.

The RBI circular also said that banks may provide term loan assistance preferably in participation with the State-level financial institutions for projects costing up to Rs.3 crore; whereas in case of projects costing more than Rs.3 crore bank finance should be in participation with the all-India financial institutions and to the extent of 25 per cent of the term loan component. Aggregate term finance from the banking system should not exceed Rs. 75 crore.