



NIBM Organizing National Summit On Infrastructure Finance

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Pune, January 30, 2019: National Institute of Bank Management (NIBM) in association with ASSOCHAM, organized a National Summit on “Infrastructure Finance – Opportunities & Challenges” on January 29, 2019, at National Institute of Bank Management (NIBM) Campus, Pune. The Summit was attended by more than 250 delegates and participants.

Shri Anand Sinha, former Deputy Governor/Reserve Bank of India was the Chief Guest. Speaking on the occasion, Shri Sinha discussed the rise and fall of infrastructure finance by banks, over the last decade. He pointed out problems caused by long-term, floating rate, infra loans for borrowers and the underdevelopment of interest rate derivative markets in India. While reiterating the need for bank financing of infra projects, he observed that syndication should be restricted to big banks only, with adequate capital and expertise during the construction period. He felt that IBC could be a powerful tool to resolve and recover stressed infra assets. He also pointed out that the February 12, 2018 circular of RBI had provided a mix of restructuring tools at the disposal of lenders. He highlighted the need for Infra-masala bonds, exempt from reserve and priority sector lending requirements. He also stated that recent studies have suggested that there is no marginal negative impact of Basel III guidelines on infrastructure finance by banks.

Shri P K Gupta, Managing Director (Retail & Digital Banking), State Bank of India and Shri S R Bansal, former Chairman & Managing Director, Corporation Bank were the Guest of Honours. Shri Gupta pointed out that much of the recent NPAs in banks were from the infra sector. One of the possible reasons was the conversion of long term Financial Institutions into banks. Another important reason was abrupt policy changes (2G, coal mines) beyond the control of banks. However, there is a felt need for special appraisal and monitoring skills at banks. The major issue is that bank funds (CASA, FDs) are primarily short-term while the loans are long-term (with the banks financing Infra Projects). A related problem is, more excessive dependence on debt finance and too little equity contribution by promoters. In view of these problems, Mr. Gupta suggested that banks should finance projects with higher promoter equity. The ALM problems may be resolved with greater equity participation as well. He also emphasized the need for long-term infra finance institutions, the revival of take-out financing and bond investments after projects are executed.

Speaking on the occasion, Dr. K L Dhingra, Director, NIBM stated that looking at the huge need for the financing of the large infrastructure projects, there is a need to have either dedicated financial institution/s or fully developed bond market or the combination of both. This is vital as India is at present in the fastest growing economy in the world with a GDP of more than 7.3% and infrastructure upgrade is essential to sustain faster GDP growth. He also stated as India is poised to become the 5th largest economy of the world and its infrastructure development financing needs are huge to sustain the growth momentum.

These days, NIBM has been getting a large number of overseas participants and the number of participants from different countries is going to cross 1000 mark this year. NIBM is also celebrating 2019 as its Golden Jubilee Year, as it was set up in 1969 by Reserve Bank of India