

Reasons responsible for languishing NHAI projects

The second issue seems to be diversion of funds. In some cases, to the extent money has been spent, the project has not progressed. That is, there is no match between money spent and the progress of the project achieved. Generally, escalation of the cost of the materials and labour cannot be considered as the reason since it is already taken into account while arriving at the estimate of the project; however, cost escalation can be justified under very extraordinary circumstances like natural disasters such as earthquake of high scale.

Next to cost escalation, diversion of funds can be the probable factor. Possibly, funds may not have been utilized towards the projects.

The term ‘diversion of funds’ must be understood from the point of view of the lender here the lending bank.

The website Banking School explains the term ‘diversion of funds’ as follows:

“Diversion of funds” means utilization of funds by the borrower in deviation of sanction terms of the lender, including any of the following occurrences.

- The credit facility extended for the working capital purposes, used by the unit for long term purposes, which is not in conformity with the sanction terms.
- The unit deploys borrowed funds for those activities for which the facility was not sanctioned.

- The unit moves the funds to its subsidiaries or group of companies or other corporate by transfer or any other modalities.
- The unit is routing its funds transfers through some other banks, instead of routing through the lending bank, without the consent/knowledge of the lending bank.
- The unit makes the investment in other companies either by way of acquiring equities or debt instrument without taking approval from the lender/s.
- The unit did not account for the difference/short fall in the utilization of funds in relation to the amount released or drawn.

In short, diversion of funds appears to be unethical, damaging, therefore, the reputation of the unit.