



Maharashtra Clears Loan Guarantee for Metro Expansion

Why in the News?

The **Maharashtra government** has approved a [loan guarantee](#) for six Metro projects being implemented by the Mumbai Metropolitan Region Development Authority (MMRDA).

- These projects are part of MMRDA's broader goal to create a **300-km metro network by the end of the decade**.

Key Points

- **Government Approval:** The approval facilitates continued funding from **international financial institutions**, ensuring that the ongoing construction work for these Metro corridors proceeds smoothly.
 - The approval allows for the continuation of tendering and contracting activities for these Metro lines.
- **Construction and Planning:** These Metro corridors are either under construction or in advanced planning stages, requiring significant funding due to the complexity of both elevated and underground alignments.
- **Project Costs:** The cumulative cost for the six Metro corridors **exceeds Rs 36,000 crore**, and the financial support is vital to avoid delays and prevent cost escalation.
- **Funding from Multilateral Agencies:** With the government guarantee, MMRDA can now approach agencies like the [Asian Infrastructure Investment Bank](#) and the [Asian Development Bank](#) to secure loans for the projects.
- **Loan Repayment:** The responsibility for repaying the loans, including interest and other liabilities, rests entirely with MMRDA, while the **state's role is limited to acting as a guarantor**.
 - The state guarantee is crucial to **meet the eligibility criteria** set by the funding institutions, preventing potential delays in negotiations or costly financial restructuring.
- **Expected Benefits:** The new metro lines are **expected to ease congestion** in various areas, **improve connectivity between key regions**, provide a vital link to the airport, and serve a large number of daily commuters, thereby reducing road traffic.

Note:

- A 'guarantee' is a **legal obligation for a State to make payments** and protect an investor/lender from the risk of default by a borrower.
- A guarantee, as per the [Indian Contracts Act, 1872](#), is a contract to "perform the promise, or discharge the liability, of a third person in case of his default."

Asian Development Bank (ADB)

- **About:** [ADB](#) is a multilateral development bank established in 1966 with a mission to foster economic growth and cooperation in the [Asia-Pacific Region](#).
- **Headquarters:** Located in Manila, Philippines.
- **Membership:** Comprises 68 members, including 49 from Asia and the Pacific, and 19 from other regions.

- **India and ADB:** India is a founding member and the 4th largest shareholder (after Japan, the US, and China) of ADB.
- **ADB's Support to India:** ADB aligns its support with India's priorities for sustainable, climate-resilient, and inclusive growth, in line with its ADB's Strategy 2030 and the country partnership strategy for 2023–2027.

Asian Infrastructure Investment Bank (AIIB)

- **About:** The Asian Infrastructure Investment Bank (AIIB) is a multilateral development bank established in 2016 with a mission to **finance infrastructure for tomorrow**, focusing on green, sustainable, and connected infrastructure in Asia and beyond.
- **Headquarters:** Located in Beijing, China.
- **Membership:** Comprises **110 approved members** as of 2025, spanning Asia, Europe, Africa, Oceania, South America, and North America.
 - Membership includes both regional (Asia and Oceania) and non-regional countries, reflecting a broad international reach.
- **India and AIIB:** India is a **founding member** and the second-largest shareholder of AIIB, after China. India holds about 7.6% of the voting shares.
 - **India is also the largest borrower** from AIIB, having secured more project financing than any other member country.
 - India's infrastructure projects have received **more than USD 10 billion** in funding as of 2023, covering sectors such as transport, energy, and urban infrastructure.

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