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RBI CIRCULARS ON REFORMS IN FINANCING OF INFRASTRUCTURE PROJECTS AND AFFORDABLE HOUSING

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Introduction

1. Infrastructure Sector and affordable housing got a huge boost by recent steps taken by the RBI under the patronage of the Finance Minister, Arun Jaitley's Budget speech. In the Union Budget 2014-15, presented on July 10, 2014, the Hon'ble Finance Minister talking about infrastructure sector announced that: ".... Long-term financing for infrastructure has been a major constraint in encouraging larger private sector participation in this sector. On the asset side, banks will be encouraged to extend long-term loans to infrastructure sector with flexible structuring to absorb potential adverse contingencies, sometimes known as the 5/25 structure. On the liability side, banks will be permitted to raise long term funds for lending to infrastructure sector with minimum regulatory pre-emption such as CRR, SLR and Priority Sector Lending (PSL)."[1]

True to the spirit of the announcement made by Mr. Jaitley, RBI notified two circulars dated July 15, 2014 - one titled "Flexible Structuring of Long Term Project Loans to Infrastructure and Core Industries" (Circular No. RBI/2014-15/126)[2] and another titled "Issue of Long Term Bonds by Banks - Financing of Infrastructure and Affordable Housing" (Circular No. RBI/2014-15/127)[3].The two circulars mostly deal with the issue of Asset-Liability mismatch which discourages banks from extending long-term lending to infrastructure projects. The first circular comes out with flexible structuring for long-term loans (with the term of around 25 years) to infrastructure sector with periodic refinancing which helps the Banks on the asset side of the banks' balance sheets while as the second circular addresses the liability side of the banks' balance sheets by assisting in raising long-term funds for lending to key infrastructure. Together the two circulars bring out reforms to tackle the Asset-Liability mismatch issue. Before looking at the reforms introduced by the two circulars it is imperative to have an idea of constrains and issues prevailing in the area of infrastructure financing and understanding the problem of Asset-Liability mismatch.

2. The Constrains in Infrastructure financing

2.1 ***Long Gestation Period of Infrastructure Projects coupled with unaccommodating Asset-Liability Mismatch issues of Banks*** **-** Infrastructure and core industrial projects are characterised by long gestation periods and large

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1. Source: Budget Speech 2014
2. Source: RBI Circular No.: DBOD.No.BP.BC.24/21.04.132/2014-15
3. Source: RBI Circular No.: DBOD.BP.BC.No.25/08.12.014/2014-15

amount of capital investments. On one hand infrastructure projects take a huge amount of time to set-up, construct and run economically viable revenue generating project and on the other hand large capital investments are required for any such project. For stress free repayment of the loans and for real value and smooth operation of the projects they need to be financed for a long period, say for 25 years. However, the banks are unable to provide such long tenor financing owing to asset-liability mismatch issues.

2.1-1 *Asset-Liability Management issue:* Primarily pertains to maintaining a balance between the assets and the liabilities of the banks. Loans handed out by the banks are assets for them and the deposits are liabilities. The problem arises due to the fact that the banks have more number of short-term deposits than long-term deposits/investments. Financing long-term projects with these short-term funds are highly risky. This mismatch between more value of short-term deposits compared to long term deposits or investments and corresponding huge investment needs of infrastructure projects for long-term is the essence of the Asset-Liability mismatch.

To overcome the asset-liability mismatch, the banks invariably restrict their finance to a maximum period of 12-15 years. After factoring in the initial construction period and repayment moratorium, the repayment of the bank loan is compressed to a shorter period of 10-12 years. Repayment Moratorium allowed to infrastructure projects is the holiday allowed on repayment of the loan during the initial construction period of generally 2-3 years only after which the instalments are due and payable to the bank. The repayment amortisation period/amortisation schedule[4] of the bank loan after deduction of the moratorium period is reduced to 10-12 years. The resultant loan instalments are very high, which not only strains the viability of the project, but also constrains the ability of promoters to generate fresh equity out of internal generation for further investments. As a result of these factors, some of the long-term projects have been experiencing stress in servicing the project loan. Another ill effect of such constrained payments is that it leads to levying of higher user charges[5] in the case of infrastructure projects in order to ensure that greater cash flows are generated to service the loans.

S.B. Nayar, Chairman and managing director of India Infrastructure Finance Co. Ltd (IIFCL) in his statement to Mint said that "The current lending policies of banks do not differentiate between project financing and regular term loan, SMEs (small and medium enterprises) financing, etc. The loans extended to projects are presently not for more than 10-12 years, despite the project having substantially larger economic life and in many cases more than 30 years. This results in tight repayment schedules, leading to increased default and restructuring risks."[6]

4. Amortisation Schedule means the period in which the loan is gradually reduced by periodical payments of principal along with interest.
5. User charges means the charges levied from the users of the Infrastructure Services.
6. Source: Mint Wednesday, July 16, 2014 edition Pp. 3 and 4.

In a nutshell, the problem was that long-term financing for infrastructure projects along with core industries was constrained due to reluctance of banks to finance projects for longer period and was restricted to maximum period of 10-15 years, which was, in turn, was due the invariable response to the problem of Asset-Liability Mismatch faced by the banks. Hence, the crux of any economic reform lies in tackling the Asset-Liability Mismatch and financing of loans to infrastructure projects corresponding to the economic life of the infrastructure assets.

Need for Long-term finance for Affordable Housing

3. Housing for the lower and medium sections of the society and for economically weaker sections housing is one of the key requirements and is one of the major needs for sustenance. Housing is another area where infrastructure financing is required and similar to the case of Infrastructure projects banks are unable to extend long-term loans due to Asset-Liability mismatch. Housing projects qualifying under the second circular are housing affordable for the Economically Weaker Sections (EWS), Lower Income Group (LIG) and Medium Income Group (MIG) segments of the society.

For the purpose of the second circular, lending to affordable housing is defined as housing loans eligible under priority sector lending by the RBI, and also housing loans to individuals up to Rs.50 lakhs for houses of values up to Rs. 65 lakhs located in the six metropolitan centres, *viz.*, Mumbai, New Delhi, Chennai, Kolkata, Bengaluru and Hyderabad and Rs. 40 lakhs for houses of values up to Rs. 50 lakhs in other centres for purchase/construction of dwelling unit per family. RBI will periodically review the definition of affordable housing on account of inflation.

3.1 ***The Housing Loans Eligible under Priority Sector Lending*** -

(*i*) Loans to individuals up to Rs.25 lakh in metropolitan centres with population above ten lakh and Rs.15 lakh in other centres for purchase/construction of a dwelling unit per family, excluding loans sanctioned to bank's own employees.

(*ii*) Loans for repairs of the damaged dwelling units of families up to Rs.2 lakh in rural and semi- urban areas and up to Rs.5 lakh in urban and metropolitan areas.

(*iii*) Bank loans to any governmental agency for construction of dwelling units or for slum clearance and rehabilitation of slum dwellers subject to a ceiling of Rs.10 lakh per dwelling unit.

(*iv*) The loans sanctioned by banks for housing projects exclusively for the purpose of construction of houses for economically weaker sections and low income groups, the total cost of which does not exceed Rs.10 lakh per dwelling unit. For the purpose of identifying the economically weaker sections and low income groups, the family income of Rs.1,20,000 per annum, irrespective of the location, is prescribed.

(*v*) Bank loans to Housing Finance Companies (HFCs), approved by NHB for their refinance, for lending for the purpose of purchase/construction/ reconstruction of individual dwelling units or for slum clearance and rehabilitation of slum dwellers, subject to an aggregate limit of Rs.10 lakh per borrower, provided the all inclusive interest rate charged to the ultimate borrower does not exceed lowest lending rate of bank for housing loans plus two per cent per annum.[7]

Therefore, through the second circular the new Government's promises to the weaker sections of the society are being looked after along with the needs for longer period of finance for the infrastructure sector.

4. On the asset side - Introduction of 5/25 structure, a flexible structure of financing

4.1 ***Circular on "Flexible Structuring of Long-Term Project Loans to Infrastructure and Core Industries"*** - RBI in its first circular stated that Banks had been suggesting a 5/25 structure long-term finance, *i.e.*, they may be allowed to fix longer amortisation period/amortisation schedule for loans to projects in infrastructure and core industrial sectors, say 25 years, based on the economic life or concession period of the project, with periodic refinancing, say after every 5 years. The idea was patronised by the Hon'ble Finance Minister in his Budget speech on July 10, 2014[8].

The circular has brought out operational guidelines, instructions and mandates for flexible structuring and refinancing of new project loans to infrastructure and core industrial sectors. Under the new structure, banks may fix longer amortisation period for loans to projects in infrastructure and core industrial sectors, with periodic refinancing of the initial loan. The suggested structure is that term loan may be initially sanctioned for 5-7 years with prior intent of refinancing at the end of the said 5-7 years when the entire residual amount will become due and payable as one-time bullet payment and the remaining balance of loan amount will be refinanced by the same bank individually or jointly with some other bank or totally new set of lenders, being some other bank or consortium not including the first lending bank.

RBI *vide* the circular on *"Flexible Structuring of Long Term Project Loans to Infrastructure and Core Industries"* allowed financing of long-term projects in infrastructure and core industrial sectors subject to 12 guidelines and instructions to be followed by the Banks which are as shown below:

1. Only term loans to infrastructure projects, as defined under the Harmonised Master List of Infrastructure of RBI and projects in core industrial sector, included in the Index of Eight Core Industries (base: 2004-05) published by the Ministry of Commerce and Industry, Government of India, will qualify for such refinancing;

7. Source: RBI Circular No.: DBOD.BP.BC.No.25/08.12.014/2014-15.
8. *Infra*

2. At the time of initial appraisal of such projects, banks may fix an amortisation schedule to be called the Original Amortisation Schedule while ensuring that the cash flows from such projects and all necessary financial and non-financial parameters are robust even under stress scenarios;
3. The tenor of the Amortisation Schedule should not be more than 80% of the initial concession period in case of PPP (Public Private Partnership) model or 80% of the initial economic life envisaged at the time of project appraisal in case of non-PPP infrastructure projects or other core industrial projects, *i.e.*, if the initial concession period or the initial economic life is taken to be 25 years then the amortisation schedule should not be more than 20 years, *i.e.*, 80% of 25 years.
4. The bank offering the Initial Debt Facility may sanction the loan for a medium term, say 5 to 7 years which will take care of initial construction period and also cover the period at least up to the date of commencement of commercial operation date of commencement of commercial operations and revenue ramp up. At the end of the said period of 5 to 7 years the balance of unpaid amount shall become payable as a bullet payment, *i.e.*, the entire, balance will become payable at once, however, with the intent clearly specified in the beginning itself that this lump sum amount becoming due and payable shall be refinanced at the end of this tenure. The second stage of refinance now can be taken up by the same lender or a set of new lenders, or combination of both, or by issue of corporate bond, as Refinancing Debt.
5. The repayment schedules of Initial Debt Facility should normally correspond to the Original Amortisation Schedule, unless there is an extension of date of commencement of commercial operations, in which case the revised date of commencement of commercial operations must be within the period of two years from the original date of commencement of commercial operations for infrastructure projects and one year for non-infrastructure projects respectively. In such cases the consequential shift in repayment schedule by equal or shorter duration than the extension of date of commencement of commercial operations shall be allowed provided all other terms and conditions of the loan remain unchanged or are enhanced to compensate for the delay and the entire project debt amortisation is scheduled within 85% of the initial economic life of the project.
6. The Amortisation Schedule of a project loan may be modified once during the course of the loan after date of commencement of commercial operations based on the actual performance of the project in comparison to the assumptions made during the financial closure provided:
   a. The loan is a standard loan as on the date of change of Amortisation Schedule;
   b. Net present value of the loan remains the same before and after the change in Amortisation Schedule; and

c. The entire outstanding debt amortisation is scheduled within 85% of the economic life of the project;

7. If the Initial Debt Facility or Refinancing Debt Facility becomes NPA (Non-Performing Asset) at any stage (which happens due to non-payment of instalments of the loan or meeting the obligations there under), further refinancing should stop and the bank which holds the loan when it becomes NPA, would be required to recognise the loan as NPA and make necessary provisions as required under the extant regulations. Once the account comes out of NPA status, it will be eligible for refinancing in terms of these instructions;
8. Banks may determine the pricing of the loans at each stage of sanction of the Initial Debt Facility or Refinancing Debt Facility, commensurate with the risk at each phase of the loan, and such pricing should not be below the Base Rate of the bank;
9. Banks should secure their interest by way of proper documentation and security creation, etc.;
10. Banks will initially be allowed to count the cash flows from periodic amortisations of loans as also the bullet repayment of the outstanding debt at the end of each refinancing period for their asset-liability management; however, with experience gained, banks will be required in due course to conduct behavioural studies of cash flows in such amortisation of loans and plot them accordingly in the asset-liability statements;
11. Banks should recognise from a risk management perspective that there will be a probability that the loan will not be refinanced by other banks, and should take this into account while estimating liquidity needs as well as stress scenarios. Further, unless the part or full refinancing by other banks is clearly identified, the cash flows from such refinancing should not be taken into account for computing liquidity ratios. Similarly, once committed, the refinancing bank should take into account such cash flows for computing their liquidity ratios; and
12. Banks should have a Board's approved policy for such financing.

The new structure prescribed under this circular will apply to new loans to infrastructure projects and core industrial projects sanctioned after the date of this circular, which is July 15, 2014.

4.2 *Significance of the Flexible Structuring of 5/25* - The five benefits of this flexible structure laid out by the Banks while proposing its introduction with RBI were :

1. This would ensure long-term viability of infrastructure/core industrial sector projects by smoothening the cash flow stress in initial years;
2. the Banks would be able to extend finance to such projects without getting adversely impacted by asset-liability management (ALM) issues;

3. the need for restructuring owing to initial stressed cash flows due to 10-12 year loan tenors normally fixed would be minimised, allowing banks to once again take up financing / refinancing of these project loans;
4. the Banks could shed or take up exposures at different stages of the life cycle of such projects, depending on bank's single/group borrower or sectoral exposure limits;
5. with reduction of project risk and option of refinancing, ratings of such projects would undergo upward revision allowing lower capital requirement for banks as also access to corporate bond markets to project promoters at any stage based on such refinancing, etc.

Clearly the above benefits are most likely to be gained from the flexible structuring of long-term financing as laid out in this circular. Along with the above there are some other benefits of this structure which are that;

(*a*) the flexible structuring that allows long-term loans to infrastructure and core industrial matching the life of the asset will prevent undue stress in repayment of infrastructure loans which will, in turn, reduce user charges levied upon the end-users; and

(*b*) RBI has clarified that structuring of loans with periodic refinancing will not be considered as restructuring. Restructuring is complex and attracts higher provisioning and more bad debt classification and affects a company's independence. This structuring helps reduce the possibility of going through a restructuring process.

5. On the liability side-Permission granted to Banks to raise long-term funds for lending to infrastructure sector with leeway with regard to mandatory CRR, SLR and Priority Sector Lending (PSL) for infrastructure and affordable housing

5.1 *Circular on "Issue of Long-Term Bonds by Banks - Financing of Infrastructure and Affordable Housing"*

The second circular along with Financing of Infrastructure also recognizes affordable housing as one sector which needs long-term financing and as a crucial sector of the economy. The first circular on flexible structuring of long-term financing helps the Banks to extend long-term financing to infrastructure and core industries. RBI also allowed re-financing to be done through corporate bonds in the said circular which would help in raising funds for asset side of the Banks to facilitate long-term financing. However, there remains the statutory burden that RBI has mandated all Banks to follow with regard to all deposits and incoming of funds. Banks are mandated to maintain a CRR (Cash Reserve Ratio) of 4 per cent (4%) of their deposits with RBI which do not bear any interest or any other income. Banks are also mandated to maintain a 22.5 per cent (22.5%) of SLR by purchasing RBI bonds and stocking them. Further, the Banks are in addition to the two reserves mandated to extend 40 per cent (40%) of the previous year's net credit off take to the priority sector. All these statutory pre-emptions would increase the cost of raising the capital for financing long-term projects.

The objective of the second circular on issue of long-term bonds by banks for financing Infrastructure and Affordable housing does just what is needed to help the banks to raise long-term resources to finance their long-term loans to infrastructure as well as affordable housing with substantially reduced cost. The Circular now allows Banks to issue long-term bonds with a minimum maturity period of seven years to raise resources for lending to long-term projects in infrastructure sub-sectors, and affordable housing with exemption from the regulatory pre-emptions of maintaining cash reserves ratio (CRR), statutory reserves ratio (SLR) and priority sector lending (PSL) as stated above which allows the Banks to use the entire sum raised from issue of such bonds for the purpose of lending to infrastructure projects and affordable housing.

The description of the bonds which could be issued as per the circular are as follows:

1.	Nature of Bond	Long-term bonds
2.	Bond Type	◆ Fully paid ◆ Redeemable ◆ Unsecured ◆ Ranked *pari passu* along with other uninsured, unsecured creditors
3.	Minimum Maturity	7 years
4.	Purpose of funds	Infrastructure and Affordable Housing
5.	Denomination of currency of Issue	Indian Rupees
6.	Quantum of issue	◆ No restriction on the quantum of such bonds to be issued by banks; however, the regulatory incentives will be restricted to the bonds that are used to incrementally finance long-term projects in infrastructure and loans for affordable housing. ◆ Any incremental infrastructure and affordable housing loans acquired from other banks and financial institutions to be reckoned for regulatory incentives will require prior approval of RBI.
7.	Options	No options, to be issued in plain vanilla form without call or put option.
8.	Interest	Fixed or floating; in case of floating interest the same shall be referenced to market determined benchmark rates.

9.	Method of issue	Through public issue or private placement in full compliance with SEBI guidelines / norms including mandatory rating and listing.
10.	Cross-holding	Cross-holding of these bonds among the banks are not permitted.
11.	Eligibility for deposit insurance	Not eligible
12.	Regulatory Requirements/ Statutory Compliances	Banks issuing long-term bonds shall be required to comply with all relevant statutory and regulatory requirements.
13.	FEMA Requirements	To be complied wherever applicable
14.	Reporting requirements	Banks issuing long-term bonds shall submit a report to Department of Banking Supervision (DBS), Reserve Bank of India giving details of the bonds issued, such as amount raised, maturity of the instrument, rate of interest, together with a copy of the offer document, soon after the issue is completed.

The circular prescribes two levels of regulatory incentives to the Banks in case of long-term bonds of the nature specified therein and issued for the purpose of financing infrastructure projects and affordable housing. Firstly, with regard to compliance with reserve requirements whereby the Banks will be exempted from computation of net demand and time liabilities (NDTL) and would, therefore, not be subjected to CRR/SLR requirements subject to a ceiling of the eligible credit as detailed in the circular and secondly, exemption in computation of Adjusted Net Bank Credit (ANBC) for the purpose of Priority Sector Lending (PSL), as per the computation given in the circular.

6. Significance of the long-term bonds without the regulatory pre-emptions of SLR/CRR and Priority Sector Lending mandates.

1. This circular on issue of long-term bonds for infrastructure projects and affordable housing will ease the way for the banks to raise long-term resources to finance their long term-loans to infrastructure as well as affordable housing.
2. The circular among other things will encourage the Banks to issue long-term bonds which will, in turn, help in developing the Domestic Corporate Bond Market in India.
3. The funds generated from the issue of the bonds under the scheme can be fully used for the purpose of infrastructure financing and financing of affordable housing without any blockage of funds.

4. The fund management will also be reducing cost and end user charges and maximize returns in the hands of the investors in the bonds in the long run.
5. Apparently it is going to be a great boon to the two sectors-infrastructure projects and affordable housing.

Need for measures brought about through the circulars

7. One might ask how significant are these futuristic reforms or what is the need of such measures at this time.

1. India is looking at investing $1 trillion in infrastructure development by 2017, half of which is expected to come from the private sector. Therefore, the economy will have large needs for financing infrastructure in the coming years. Infrastructure industry is categorized by large risks during the construction share, due to which it is imperative that the financing provided is flexible to cope with the contingencies and manage the risks associated with this industry. However, after the construction is over suitably structured long-term loans can be taken out by long-term lenders, such as infrastructure funds, pension funds and insurance companies. The flexibility is needed for the Banks as well to structure loans to mitigate risks as well as to ensure easy refinancing.
2. Infrastructure and Housing require long-term financing and financing such long-term loans through short-term deposits are highly risky and will create serious asset-liability mismatch and would further lead to risk of illiquidity. To prevent or mitigate these risks Banks would have to issue long-term bonds to finance long-term loans, but regulatory pre-emptions of CRR/SLR and Priority Sector lending make such issuance costly. The objective of the two circulars is to promote long-term finance for infrastructure projects, core industries and affordable housing. The objective is to mitigate the asset-liability management (ALM) problems faced by banks in extending project loans to infrastructure and core industrial sectors, and also to ease the raising of long-term resources for project loans to infrastructure and affordable housing sectors.

8. Impact of the reforms

8.1 ***The measures are good for tomorrow but what about today?*** - Executives of some infrastructure companies noted that at a time when companies are already laden with debt, the impact of some of these measures may be limited. The economic downturn and delays in securing mandatory approvals and completing land acquisition have stalled many infrastructure projects in recent years. "Give us saline first, then blood," said E. Sudhir Reddy, Chairman at infrastructure firm, IVRCL Ltd, referring to the fact that the financing will be restricted to future projects. "It is a good move to have 5:25 financing models. But infrastructure companies are struggling with their balance sheets currently."[9]

9. Source: Mint, the newspaper

The reforms proposed through the two circulars have been hugely applauded by the Banks and the Industry; some in the infrastructure sector seem to be less than satisfied with the measures as not being able to tackle the problems of the present. These sentiments reflect the state of infrastructure sector in India today. It makes one thing clear that some drastic steps are needed to bring the struggling infrastructure sector back on its feet. The captains of this sector think that more than the reforms brought about are required to cater to the problems of the present, as the reforms introduced through the circulars ignore the problems of the struggling infrastructure sector. What more can be done to provide lifeblood to the ailing industries in this sector is yet to be seen.

KK Mohanty, MD, Gammon Infra said the new Government's reform moves for infra-sector are credit-worthy. According to him, the company will be able to reap benefits from the RBI norms over medium to long-term and do not see any short-term gains from the move. Brokerage house Barclays believe that these steps will be positive for infrastructure asset owners in India.[10] Infrastructure stocks saw huge buying interest on July 16, 2014 after the Reserve Bank of India's circulars on July 15, 2014. Stocks like Jaypee Infratech, HCC, Ashoka Buildcon, Era Infra Engineering and IVRCL gained 5-18 per cent intra-day.

Infra-finance company, IDFC Ltd., set to become a bank in October, 2015, will benefit from the more liberal regime. It will be able to raise funds at lower costs and improve business prospects, analysts said. The company had earlier stated its intent of curbing infra-loans to meet statutory requirements in the run-up to becoming a bank. The IDFC stock closed 8.9 per cent higher at Rs. 151 on the BSE exchange. Housing Development Finance Corporation Chairman, Deepak Parekh (also head of IDFC's advisory council) said it was innovative thinking, helping banks to look at funding infrastructure with renewed interest.

a. Besides lowering the cost of funds, there are other benefits. Karthik Srinivasan, Senior Vice-President at ICRA, said the access to long-term funds for banks at minimal regulations would help them partly reduce the asset-liability mismatch and the liquidity coverage ratios under Basel-III rules.

b. Ananda Bhoumik, Senior Director, India Ratings, said banks could even choose to pass on the SLR/CRR exemption to the borrower. Now that the asset-liability mismatches had been corrected, we were likely to see sizable issuances from banks, he said.

c. Infra-exposure of the banking system rose to 15 per cent of non-food credit as at end-March from five per cent in March, 2002, according to an India Ratings report. This led to an increased asset-liability mismatch, with banks raising relatively short-term money. This had put pressure on the money market, where banks are the largest borrowers, perennially present in less than one-year maturities, the report added[11]

10. Source: Money Control

11. Source: Money Control

So far as the housing sector is concerned, realtors' body CREDAI, hailed the RBI's move to ease norms for banks to raise long-term funds for financing affordable housing, saying that this would lead to cheaper credit for such projects. "It is a welcome step. This will lead to lower interest rates for affordable housing projects," CREDAI Chairman, Lalit Jain said. Another realtors' body NAREDCO Chairman, Navin Raheja said that this would help developers to mobilise cheaper finance for development of affordable housing and will result into cutting in prices of housing in long-term. "It is expected that the home loan rates may also come down because of this move," Mr. Raheja said. Mr. Jain of Credai demanded that the housing sector should be given the infrastructure status and felt that Pune, Ahmedabad and Lucknow should have figured in the list of metropolitan cities.[12]

RBI's move to ease norms for banks to raise long-term funds for financing affordable housing is going to bring great benefits to the housing sector at both institutional and individual levels. So far as the institutional levels are concerned, it remains to be seen how much of the benefits of ease in finance is being able to pass on the consumers. Currently the terms and conditions of long-term lending for housing bears huge costs to the borrowers.

Conclusion

9. The two circulars-the first one on flexible structuring of long-term loans to infrastructure and core industries that allows the banks to finance long-term loans with flexible structuring with an option of refinance and the second one, on issue of long-term bonds for financing infrastructure projects and affordable housing with exemptions to statutory pre-emptions of SLR, CRR and Priority Sector Lending, would simplify, promote and assist long-term financing to infrastructure and affordable housing projects. The circulars propose to reduce the cost of such finance and also the end user charges. Easy and flexible finance is the most essential requirement for sustenance and development of any sector of the economy and the two circulars takes care of exactly that. Hence, this also would become a great tool for introducing reforms to give the required push for the promotion and development of any sector of the economy. We have already seen positive response from the industries which are happy about the reforms introduced through the circulars. The segments which would gain from these reforms include banks, infrastructure sector, core industries, end users of the infrastructure assets, property buyers and real estate sector of the economy. There are possibilities of further modifications to the circulars in near future to extend and widen the benefits, depending on the response of present set of reforms.

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12. Source: Hindu, the newspaper