



REVIEWING THE GROWTH OPPORTUNITIES OF NATIONAL HOUSING FINANCE AGENCIES IN THE URBAN AREAS BY 2020

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Abstract :-

There is a common saying among Indian's "Roti, KapdaaurMakan" i.e. food, clothing and shelter are the essential elements for survival of the living being. The paper focuses on the third and the most important element considering the current environment. India, the country well known for its high population, low literacy and unemployment is facing new problems in the fields of "shelter for all". India is a country well known for its overpopulation, having a shortage of 187.80 lakh dwelling units in urban areas in the country with Uttar Pradesh topping the list. This shortage of resources could be filled by the support of planned housing finance scheme. And this is the point where NHB (National Housing Bank) comes into the action. Housing finance holds a special place as compared to other finance. An efficient housing finance system represents the efficiency of financial structure of the country. Even after 70 years of independence, we are still a developing country, where people are still struggling for their personal share of shelter. The housing finance sector is the booming sector in the current scenario, where several banking and other financial institutions are making dynamic changes resulting to change the market from sellers' market to buyers' market. The research paper is more of descriptive research as compared to explorative research. The data are taken from the secondary sources like published and unpublished research papers, thesis, articles handbook.. The paper concluded that there is still ocean of opportunities for the HFC's and other financing institutions for expanding their business. The gap of unutilized resource could be filled by the collaborated efforts of government, housing finance agencies and other regulatory bodies in order to fulfill the housing need of every common man of the Indian society.



INTRODUCTION

There is a common saying among Indian's "Roti, Kapda aur Makan" i.e. food, clothing and shelter are the essential elements for survival of the living being. The paper focuses on the third and the most important element considering the current environment. India, the country well known for its high population, low literacy and unemployment is facing new problems in the fields of "shelter for all".

Housing is defined differently by different authorities. Housing is often called "Shelter", particularly by economists. They also hold the view that apart from food and clothing, a house to dwell in is the third basic need of every human being. It is fundamental for man's existence and survival. Shelter is literally what housing provides safety and security. "The United States Census defines a household as a group of persons, or a single individual, occupying a separate dwelling unit. The unit, in turn, is defined as living space which contains cooking and sanitary facilities for the exclusive use of its occupants." (Wallace F.Smith, 1963).

The latest data by MHUPA (Ministry Of Housing And Urban Poverty Alleviation) reveals that there is a shortage of 187.80 lakh dwelling units in urban areas in the country with Uttar Pradesh topping the list followed by the Maharashtra and West Bengal and Andhra Pradesh in the queue.

HOUSING FINANCIAL INSTITUTIONS OF INDIA

The Indian market composes of two main sectors that help in fulfilling the gap of financial resources necessary for construction of houses i.e. the formal and informal sector. The formal sector comprises of bank and the Housing finance Institutions (HFI) like National Housing Bank, Housing and Urban Development Corporation, Various Housing finance companies Housing Development Finance Corporation (HDFC), Life Insurance Corporation of India (LIC), General Insurance Corporation (GIC), Unit Trust of India (UTI), Commercial Banks, Co-operative banks etc. other financial institutions whereas the informal commonly termed as the unorganized sector consists of the shahukars, mahajans, friends and relatives. The formal sector has the advantage of transparency in transactions with low rate of interest but the main demerit for this sector could be the excessive paperwork. The informal sector is more prominent and demanding among the citizen due to its easy disbursement and no or least paper work formalities. Such resources come with a high cost in the form of interest.

Several efforts are being made by the government to fill this gap in the past few decades. The government of India has launched few more schemes with the objective of alleviating the shortage of affordable housing. Few of which are :

- (i) RAY(Rajiv Awas Yojana) which was launched in June 2011 by the Central Government. The Central support under the scheme is admissible to States/UTs and Central Government Agencies for providing housing including new houses, incremental houses, rental houses,



transit housing and development/improvement of basic civic & social infrastructure under the scheme. 212 projects in 22 states approved with 1,53,326. Houses at project cost of ` 8,139.78 crore with central share of Rs 4,470.41 crore. `1632.27 crore has been released so far. Construction of 1406 houses has been completed till date.

- (ii) (JNNURM) Jawaharlal Nehru National Urban Renewal Mission: the government launched the program on 3rd December, 2005 to assist the state governments in rehabilitation of the houses and shelter of the poor people. It works with the objective of providing shelter and other basic amenities in the 65 selected cities. As per the stats available, 1517 projects have been approved for construction of 14,38,275 houses which costed Rs.20,140.97 crore; out of 1406 has been completed till date.
- (iii) AHP (Affordable Housing in partnership): the scheme was amended in order to provide Rs 75,000 per house for construction of a 40 sq.m of EWS/LIG housing units. 18 of the projects costed Rs 1192.25 crore in which the central has share of approx. 10% for construction of 20,472 houses. Till date 4728 houses has been completed.
- (iv) Rajiv Rinn Yojana (RRY): this came into existence on 1st October 2013 whose sole objective to provide to subsidies rate of interest i.e. 5%p.a for loans up to Rs 5,00,000 for a tenure of 15-20 years.

In today's era, there are still many people who dream of a small place called house. Date from the history, there is a need to have a roof over the heads of humans. Food clothing and shelter are the basic human needs but are actually turning into desire. Adequate shelter is essential for human beings to live with dignity. Generally after food and clothing, shelter is an important

benchmark for the existence of the human being. Thus, housing sector deserves attention in the context of developing policies and strategies for human development.

The development of the Indian HOUSING finance system is directly dependent on the institutional support from the well-established developmental and investment institution

OBJECTIVE OF STUDY

This paper focuses on enhancing the efficiency and profitability of the Indian financing agency public as well as private sectors of the society . As such there is a larger section of the society who still don't owns a house or require finance for its reconstruction and renovations. This gap could be filled by understanding the problems of the clients or the potential customers from the institutions point of view. The variable under the study are quantum of shortage of dwelling units in India, ascertain the problems of borrowers, housing loan disbursed by the financial institutions. This objective would help in achieving effective and efficient utilization of resources resulting in economic and sustainable growth.



LITERATURE REVIEW

Bhalla (2009), in his study on “**profitability of HFC’s in India: A bivariate analysis of selected HFC’s.**”, he examined the efficiency and the working of HFC’s in India by working on the independent variables interest income, interest expense, non-interest incomes, operating and administrative expenses and employee cost. Overall he concluded a positive correlation of interest income and interest expenditure as percentage of capital employed with return on capital employed. He also said that HFC’s have to spread out geographically while ensuring consistency in the processing and service standards.

M.J.Pherwani, chairman of National Housing Bank in his article “**The future prospects of housing finance in India**”, focused on the challenges, threats and future options available for its growth in the Indian market . In his article he focused on the mobilization of savings of the household sector towards the industry in order to provide effective investment for the needy.

Ashwani Kumar Bhalla (December 2008) in his paper on “**Housing Finance In India: Development, Growth And Policy Implications**”, studied on the financial needs of India withreference to housing loans. The paper explained the housing shortage and focused on treating housing finance as a specialized finance which reflects the efficiency of housing and calls it as one of the essential indicators of the growth of the country. He emphasized on working on the action plan to meet the challenges ofhousing finance so that housing need of every common man can be fulfilled.

A handbook on **REAL ESTATE AND CONSTRUCTION Bridging the Urban Housing Shortage in India by KMPG-NAREDCO** tried to provide light on the shortage of the urban dwelling units and also examined the variables responsible for so. The paper also highlighted

the constraints for the Real Estate developers. The factors responsible were unavailability of land, delay of approval from multiple local authorities, rising construction cost and lack of skill power, financial constraints to low income group, limited financing avenues to developers etc.

In a report to European commission by the Delhi international ltd in association with the ECOLOGIC GMBH November (1997), stated that the leading financial institutions have the potential to give society an economic and sustainable development with an efficient space of



growth rate. The report all said that the resources at the global level if possible could be mobilized towards the medium sized business seeking to increase their growth. They emphasized on having policy action that could encourage the financial institutions to move towards sustainable development..

METHODOLOGY

The research paper is more of descriptive research as compared to explorative research. The data are taken from the secondary sources like published and unpublished research papers, thesis, articles handbook. The use of official websites of RBI, NHB and Ministry of Housing & Urban Development etc. are also made to gather meaningful information and facts and figures. Effective statistical and mathematical tools are applied on the secondary data in this paper, to get some meaningful information for the readers.

RESULT AND DISCUSSIONS

India is a country where shelter is not on a necessity but a dream projects. As such projects are financed either by the sources of lifetime savings, gratuity or retirement funds. The fear of high interest rate, debt trap, mortgage and excessive of paper is always present in the minds of the borrower intending to get its dream project finance. So there is a need to go into in-depth research and thinking by the central, state and local government and show some sensitivity to the housing sector.

The house prices in India are raising at a high pace rate due to absence of a well-developed market and a chronic shortage of housing, estimated at 18.8 million units in 2012, mainly in the urban areas which is expected to grow at an annual rate of 6.6 per cent till 2022. Such type shortage is broadly classified into attributes of congestion, followed by obsolescence and homelessness. Due to increase in Urbanization it becomes necessary for the state as well as for the local authorities especially at urban level to play active role in the field of house financing.

Now after briefing the contents, I would take the focus towards the statistics of India specifically in the decade of 2001-2011. During this period the housing stock increased by 51 per cent, whereas the number of households increased by 47 per cent. Most of the housing shortage is



obviously for the economically weaker section (EWS) of the society which constitute around 56 per cent and the other 39 per cent is contributed by the lower income group (LIG) of people.

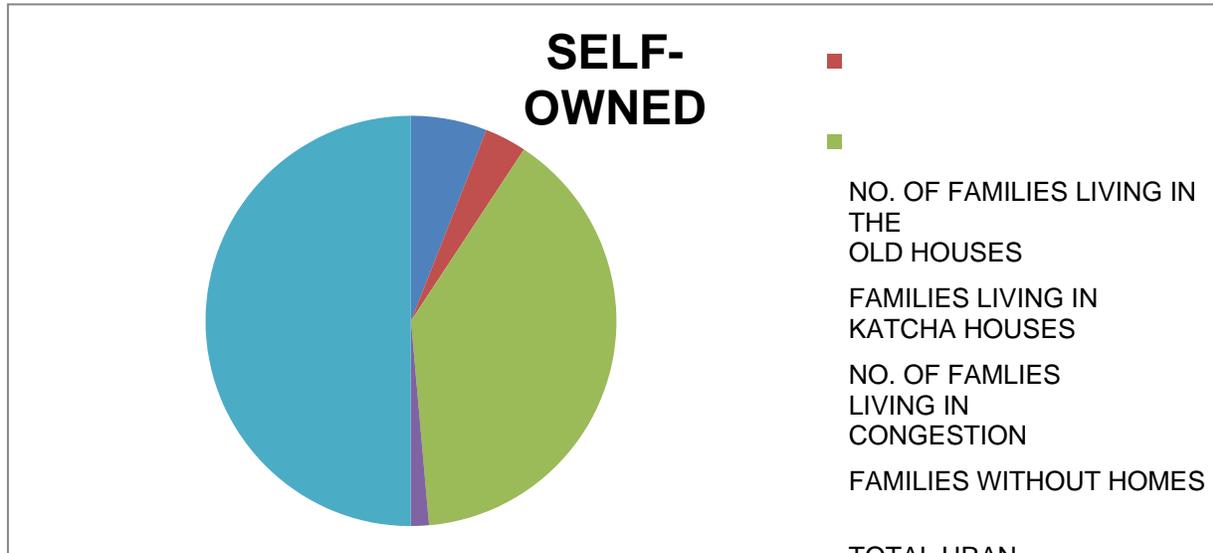
As per a report published by the reputed newspaper **THE HINDU**: “White Paper – Indian Housing Industry” by the research and consultancy firm RNCOS, the shortage of dwelling units in the urban stood 18.8 million units in 2012 but with the extensive increase in the population and rapid urbanization this growth will compound at the rate of 6.6 per cent for the 10 years till 2022. It also added that the reason for this mis match of the demand and supply variables is because of migration of the working group of people from the rural area towards the urban area in search for job and secure their future. RNCOS concluded that in the year 2012, around 95 per cent of the total urban housing shortage for the section of EWS and LIG group would decrease in the coming years by the proper backed up policies of government and other investment sectors.

TABLE 1
HOUSING SHORTAGE IN URBAN
AS PER SEPTEMBER 2012

TENURE	NO. OF FAMILIES LIVING IN THE OLD HOUSES	FAMILIES LIVING IN KATCHA HOUSES	NO. OF FAMILIES LIVING IN CONGESTION	FAMILIES WITHOUT HOMES	TOTAL URBAN HOUSING SHORTAGE
SELF-OWNED	1,395,735	770,817	9,188,746	326,430	11,681,728
PERCENTAGE	61.59	77.86	61.71	61.59	62.55
RENTED	870,417	219,183	5,700,019	203,570	6,993,189
	38.41	22.14	38.29	38.41	37.45
TOTAL	2,266,152	990,000	14,888,765	530,000	18,674,917

Source: Report of the Technical Urban Group (TG-12) on Urban Housing Shortage 2012-17, Ministry of Housing and Urban SSPoverty Alleviation, September 2012

Diagram (i):- pie chart showing the graphical representation of self-sourced housing in the urban



areas.

The sources of the report shows that approx. 62% of the total urban house live their living in self-owned old houses whereas the other 38% live in the old rented houses. Similarly 78% live in self-owned katcha houses whereas the remaining portion still spend their life in the katcha houses that to by renting it. Due to shortage of resources and insufficient income 62% people live in self-owned houses with congestion and the remaining in rented. There is still a large section of the society which is homeless. Stats shows that 5,30,000 are the families that are homeless(table 1)So there is a large section of the society which could become the sources for all types of housing financial institution.

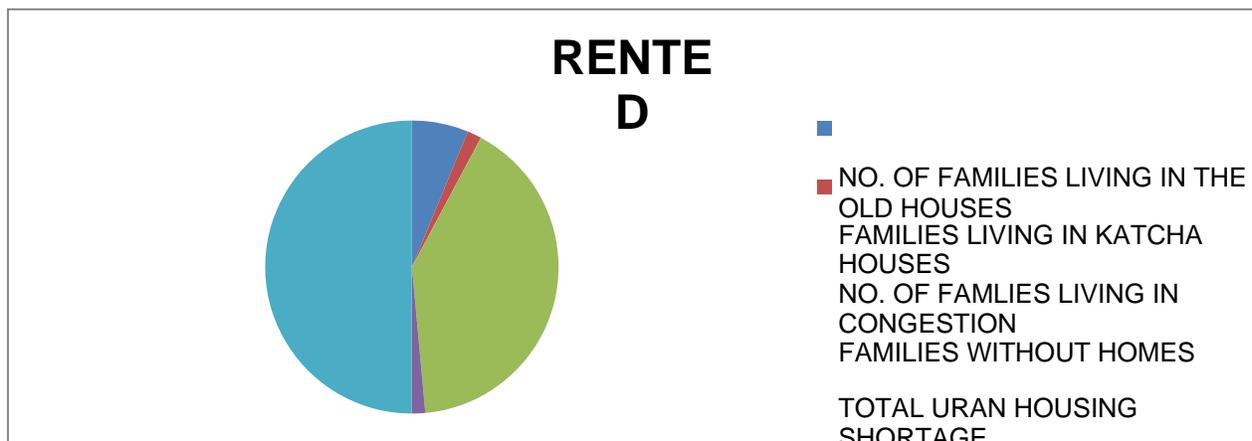




Diagram (ii): pie chart showing the graphical representation of rented housing in the urban areas.

In India a major section of the house is financed by the HFC's. During the year 2000-2001 out of the total loan disbursed in the form of house financing 66 per cent was through the sources of the HFC's and the 29 percent was contributed by the sources of bank. In the year 2001-2002 this ratio 61 percent and 36 percent of HFC's and bank respectively. Looking on the available stats for the year 2005-2006, the scenario seems to be changed where the HFC's contributed only 31 per cent, whereas the contribution of the bank has increased to 67 percent. This showed that with the change in the time, a large portion of loan disbursed for financing of the houses has been done by banking sector.

Table 2

HOUSING LOAN DISBURSEMENT				
	BANKS	HFC's	OHTERS	TOTAL
2000-2001	5531.11	12637.85	867.72	19036.68
2001-2002	8566.41	14614.44	677.72	23858.57
2002-2003	23553.37	17832.01	641.48	42026.86
2003-2004	32816.39	20862.23	623.08	54301.7
2004-2005	50398	26000	421.1	76819.1
2005-2006	58623	27411	388	86422

Source : Reports of NHB

There is need to motivate a larger section of the society for financing of the houses. There is a fear of debt trap in the minds of the Indian towards the financing institutions. This objective could be achieved by the collective efforts of the government and private housing finance sectors of the economy. There Is a need of enhancing the financial literacy of the society. The Income Tax Act 1961, has the motive of enhancement of living standard of the society. The act has a tax deductions which can be claimed on housing loan interest payments, subject to an upper limit of ` 1,50,000 for a financial year. According to the Income Tax Act, tax rebates can only be claimed by the loan applicant. These factors should be well communicated in order to increase the portion of house financing.

CONCLUSION

For every Indian, house is not only a shelter from external perils, but it's a dream project which



comes at the cost of lifetime saving of the person. The paper concluded that there is still ocean of opportunities for the HFC's and other financing institutions for expanding their business. It becomes necessary for the society to avail the benefits of having a self-owned house, which can be made possible by filling the gap between clients and financial institutions by the collaborated efforts of the government as well as private sector agencies. This would result in increasing the living standard of the society and help the nation in achieving the goals of a developed country. The need of the hour calls for some innovation in the field of construction of environment-friendly methods of house construction which are efficient by environment point of view as well as from cost point of view. Green buildings are the merging source for bridging the gap between this demand and supply.

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