



Study On The Development Of The Housing Finance Sector In India

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ABSTRACT

Research on how housing, housing finance, and economic development are all connected is summarized in this study. In general, the housing industry may help alleviate poverty and promote equitable growth in two ways. Housing building has a positive impact on the economy, creating jobs and boosting the demand for goods and services. An investigation into India's housing finance market is the goal of this research. Food, clothing, and a safe place to live are the three most fundamental need of every human being. People's ability to survive depends on their ability to have a safe place to live, as well as a place to think and express their thoughts in peace and solitude. A person's sense of self-worth, social standing, and cultural identity are all bolstered when they have access to decent housing. After China, India is the second most populated country in the world, with an anticipated population of 1400 million by the next census, according to the 2011 census results from India.

KEYWORDS: - Challenges, Finance, Sectors, market, impediment., Housing, mortgages,

INTRODUCTION

These strong ties between housing, banking, and economics were clearly seen during the global financial crisis of 2008. Subprime and other borrowers were aggressively sold mortgages with inadequate underwriting requirements and aggressively packaged into complicated financial products that plunged the economy into deep crisis in the United States (US). The problems that arose in the world's greatest economy eventually spread to other nations. A recovery of the housing and construction industries has been a feature of subsequent efforts to resuscitate the American economy.

More than 1.1 billion people live in India. Having a place to call home is one of the most basic necessities of life, yet it seems like a fantasy in a society with so many customs and

traditions. Most people in India dream of owning their own home, regardless of where they live or how much money they have (Villages, slums, urban, rural etc). People who want to own a home will find that taking out a housing loan is a feasible and inexpensive option. There is an urgent need for housing in metropolitan areas as a result of the fast urbanization and movement of people from rural areas. Long-term financing for homes was not an option prior to the introduction of the New Economic Policy in 1991 by the government.

LITERATURE REVIEW

YADAV, SUDHIR. (2016). since the birth of civilization, the house has served as a focal point for human moral and physical growth. One of the most basic human needs is a place to call home. In order to survive and maintain one's dignity, one must have enough housing. We would be unable to do many things if we didn't have access to decent accommodation. There is a worldwide lack of housing. This problem is especially prevalent in developing nations. In recent years, India's housing situation has deteriorated rapidly. Various housing reforms in India have taken on many different shapes and expressions, all of which have in common the decrease of social allocation, the curtailment of public finance, and the encouragement of an entrepreneurial real estate market including both public and private actors. Affordable housing and better home quality can both benefit from mortgage financing markets, which can be found in many nations. In India, however, these are still in their infancy. Low homeownership rates and poor housing quality are common results of a lack of development. Due to a lack of resources, many of these issues come from the fact that housing construction significantly relies on financial institutions such as banks and credit organizations to meet their daily financial requirements. In light of this, this study will examine the fundamentals of Indian funding. India's Housing Development Finance Corporation Ltd. (HDFC) has a market share of over 17 percent as of March 2010. As of March 2011, HDFC served more than 38 lakh consumers in India and also provides tailored solutions to meet the specific needs of each customer. It had a net profit of '4528.41 crore in the fiscal year 2010-11. In the quarter ending September 30, 2011, it had a profit of'971 crore. With an 8 percent stake of the Indian house finance market, LIC Housing Finance is another significant player. LICHFL, a subsidiary of the Life Insurance Corporation of India, has a wide distribution network and a strong brand. The company has recently been awarded the status of "Consumer Super brand 2009/10" by the Super Brands Council. LICHFL made a net profit of'974.49 crore in the fiscal year that ended on March 31, 2011, compared to'662.18 crore in the preceding fiscal year. In the April-June quarter of 2011, it made a net profit of'256.50 crore. HDFC and LIC Housing Finance Ltd. are the focus of this paper's in-depth analysis of Indian housing finance.

REKHA. D. M, GANGAMMA. S. E (2019) The desire for housing, one of life's three basic necessities, is always at the top of the list for individuals, society, and the economy as a whole. The responsibility for a home provides an individual with a sense of security and privacy. The basic unit of society is the family. The home serves as a stage for the family, and the family is the most important social institution that has a lasting impact on a person's life. When it comes to human advancement, housing should be taken into account. The vast majority of the world's population, however, is confined to shantytowns and other temporary outposts in rural areas. An individual, as well as the broader public and the country, is hampered greatly by a scarcity of places to stay. Social, economical, and environmental deterioration are all exacerbated by the lack of enough space, protection, security, and cleanliness. Individual and social difficulty is exacerbated by the inability to secure adequate space and property ownership, which has a negative impact on the economy and society as a whole. In a developing country like India, greater attention should be paid to the lodging sector in order to accommodate a rising population and to speed up economic growth. There has been extensive use of the lodging sector to propel financial growth by creating jobs and demand in the marketplace. In the last several decades, the accommodation industry in India has gotten a lot of attention from experts.

Y. SARITHA DR.P.V.NARSAIAH (2018) Every person, community, and economy has a primary priority for housing, which is one of the three basic needs of life. Owning a home provides an individual with a sense of security, as well as a sense of belonging. As a civilization, we can't function without our own private abode. The family is the most significant social institution, and it creates a lasting impression on a person's life when he or she grows up. As a result, housing should be given major consideration in the establishment of human development programmes and strategies. Rural areas are still home to slums, shanties, and temporary shanty towns for the majority of the human population. Individuals, as well as the broader community and the country, are hampered by a scarcity of decent places to live. The lack of space, privacy, security, and sanitation contributes to social, economic, and environmental decline. Personal and societal disorder is a result of the constant struggle for space and housing ownership, which has a negative impact on society and the economy. To meet the housing demands of a rapidly expanding population and boost economic growth, a country like India needs to devote greater resources to the housing industry. Globally, the housing industry has been employed as a growth engine because of the jobs it creates and the demand it creates in the market. In India, the housing industry has received major attention from the government over the last decade.

MINISTRY OF FINANCE, G. (2019). The year 2018 was a trying one for the global economy, with global production growth decreasing from 3.8% in 2017 to 3.6% in 2018. The global production growth rate is likely to fall to 3.3% in 2019 as both advanced economies and emerging & developing nations experience less growth than previously expected. The Indian economy grew by 6.8 percent in 2018-19, down from 7.2 percent growth in 2017-18. Despite this, India's economy continued to grow at the quickest rate in the world. India's macroeconomic stability was preserved by limiting inflation to 4% and keeping the current account deficit to GDP ratio in check. As a result of increasing oil prices, the current account deficit to GDP was greater in 2018-19 than in the previous year, which was around 14 dollars per barrel more expensive. The year's third-quarter current account deficit, on the other hand, began to decrease. In 2018-19, growth in the industrial sector was stronger than in the agricultural sector. Since 2017-18, investment growth has begun to recover from a long period of decline. Fixed investment increased from 8.3% in 2016-17 to 9.3% in 2017-18 and then to 10.0 percent in 2018-19. In 2018-19, net FDI inflows increased by 14.2%. The central government's capital expenditures increased by 15.1% in 2018-19, increasing their share of total expenditures. The government's structural changes and the current macroeconomic circumstances point to economic growth of 7% in 2019-20.

DR BANDARU APPALA SATYA MURTHY (2017) There have been several changes in housing finance in India during the past decade. With very little exposure to the housing sector, banks have accelerated their lending to this sector, which is experiencing a massive expansion in recent years. The housing market has grown enormously as a result of increased urbanization and higher economic growth. The banks, on the other hand, have gone further than they should have in financing this industry in recent years. Financial crisis has been caused by the haste with which banks throughout the world have rushed into this sector, severely damaging the stability of the banking system. Humans require a place to live, and it's one of the most essential. In order to survive and maintain one's dignity, one must have enough housing. We would be unable to do many things if we didn't have access to decent accommodation. There is a worldwide lack of housing. This problem is especially prevalent in developing nations. In recent years, India's housing situation has deteriorated rapidly. Various housing reforms in India have taken on many different shapes and expressions, all of which have in common the decrease of social allocation, the curtailment of public finance, and the encouragement of an entrepreneurial real estate market including both public and private actors. To improve housing affordability and quality in many nations, mortgage financing markets can play an essential role. In India, however, these are still in their infancy. It is common for this lack of development to result in lower homeownership rates or poor housing quality. Due to a lack of resources, many of

these issues come from the fact that housing construction significantly relies on financial institutions such as banks and credit organizations to meet their daily financial requirements. Accordingly, the article will focus on a few key issues affecting Indian funding.

METHODOLOGY

The paper relies solely on information from government and United Nations reports, as well as secondary sources.

Source of Primary Data

The majority of the data used in this investigation was collected directly from the source. The residents of Kerala who have taken out housing loans have provided the study with the primary data it requires. Customers of various home finance institutions, including commercial banks, private sector agencies, and public sector organizations, have provided information for this study. Since there are so many customers in each of these groups, it is impossible to conduct a demographic poll.

Source of Secondary Data

There were a variety of published documents used to gather secondary data for this study, including the National Housing Bank's Trend and Progress Report on Indian Housing, the Economic Survey Report, the Kerala State Planning Board's Review on Indian Economic Development, and the Census Report of India. Secondary data also came from various government agencies, including the Planning Commission.

Housing Scenario in India

Urbanization has become one of the most prominent Global Trends of the early 21st century due to the shift towards a world that is largely urban. National independence movements swept the globe following World War II. To better their economic and living situations, the newly independent countries were driven by a strong desire to shape their own futures. Priority was given to agriculture and industry in India's post-independence development. The country's economy will benefit greatly if it invests in the industrial sector, which generates the most revenue and attracts the most foreign currency. In addition, it requires a large labour force to support its rapid expansion. This massive demand just cannot be met by the urban population alone. So, as a result, individuals from rural areas moved to the city. However, because of their lack of education and training, rural residents were compelled to accept jobs paying only a meagre wage. For these individuals, having adequate food and clothing was a luxury, and having a good shelter was

a far-fetched goal. As a result of this, metropolitan regions were the first to face the challenges of slums and other informal settlements.

The disparity between the country's total population and the amount of housing stock available for them is known as the housing shortage. The severity of the housing shortage in India can be assessed by comparing the country's housing supply and demand across time. Even after independence, the housing deficit has persisted, and it will only worsen as the population grows. This is now crystal evident to us. This year's 12th Five-Year Plan Report cites three criteria for calculating the housing shortfall.

(1). Homelessness,

(2). Obsolescence Factor and

(3). Congestion Factor.

Table 1. Housing Shortage in India

YEAR	HOUSING SHORTAGE OR SURPLUS (Million)
1901	+1.8
1941	-1.7
1971	-14.6
1981	-23.3
1991	-22.9
1996	-13.66
2001	-19.4
2007	-24.71
2012	-18.78
2017	-20

Over 6 billion households are living in cramped quarters with less than 300 square feet of space, according to new research from the U.S. Census Bureau. There are 1.06 million people without a home, according to the most recent statistics. After Uttar Pradesh, with its 3.07 million households, Maharashtra (1.94 million), West Bengal (1.33 million), and Andhra Pradesh (1.27 million), the Technical Group reports the worst housing shortfall in the country. One out of every six people living in metropolitan regions and one out of every 10 people living in rural areas does not have a place to call home, according to government data. In metropolitan areas, people are essentially migrants who do not own the homes they reside in, although in rural areas, this is not the case to some degree. As a result of this analysis, over 96% of the whole housing shortfall is concentrated in the Lower Income Group and the Economically Weaker Section of individuals, while the demand for housing is only around 4% of the total shortage for those in higher income brackets. We can see this from the supply side, where 85 percent of supply goes to the H.I.G and MG populations, while only 15 percent goes to the L.I.G and EWS populations. As a result, only a small number of homes are assigned to those in the upper socioeconomic strata who have a very high demand for housing. Housing projects not being completed on time is another major issue caused by the growing shortage of available housing stock. Traditional in-situ construction methods in our nation are labor-intensive and time- and money-intensive.

Contribution of Housing Sector in Indian Economy

Meanwhile, in India, the service sector contributed 54.15 percent of total GDP in the fiscal year 2018-19. in India. According to the current economic scenario, we can conclude that the majority of people in the workforce are wealthy and skilled enough to get a job in this area. As a result, it has a negative impact on the economy, which is why it is not recommended. In recent years, India's government has been working to move the country's economy from the service sector to the industrial sector in an effort to create more jobs and alleviate the country's unemployment crisis. One strategy to accomplish the goal is to improve the housing sector's GDP contribution. As of the Financial Year 2018-19, the housing sector's GDP contribution is 7.4 percent, up from a contribution of 6.2 percent in the Financial Year 2017-18. There's no doubt that investment in this area has a multiplier effect in terms of income and employment growth.

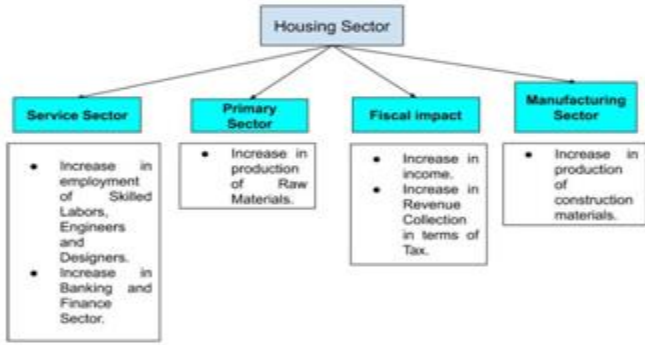


Figure 1. Multiplier Effect of Housing Sector

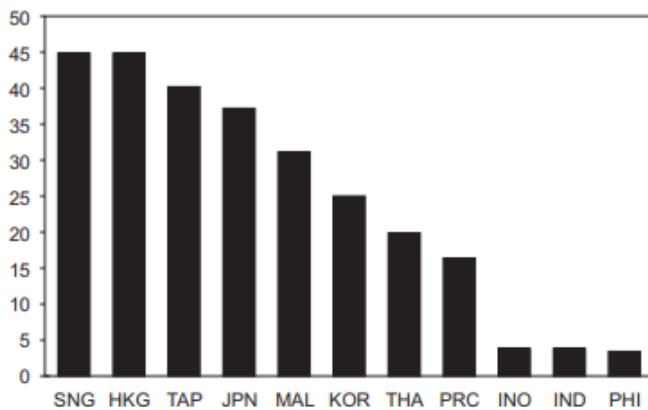


Figure 2: Mortgage Market Depth in India, 2019 (mortgage debt as % of GDP)

Housing Affordability and Housing Finance

The term "housing affordability" should be defined before moving on to the topic of housing financing. Affordability is a relative concept that tells us about an individual's ability to afford a service or facility; in this example, it is the house. Currently, a low-income individual may not be able to afford a house, but this does not mean that he or she will never have the ability to do so in the future.

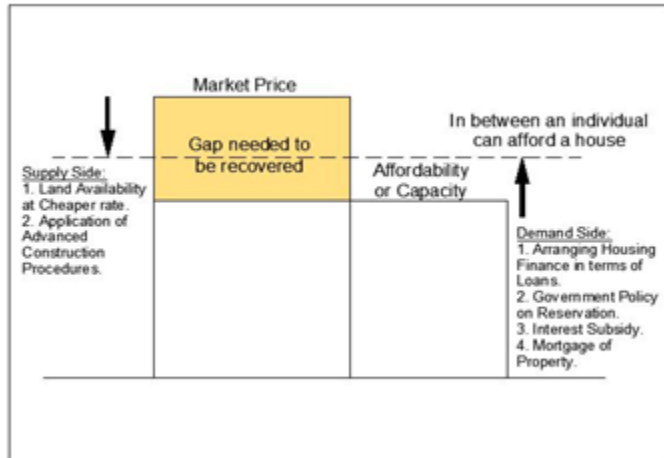


Figure 3. Supply and Demand Side of the Production in Housing Stock

There are two approaches to bridge the gap between market housing prices and an individual's ability to pay, as seen in the graph above.

- Reducing the Market Price.
- Enhancing the Capacity of people.

In this paper, we'll talk about how to make it easier for people to afford their basic needs. A person's ability to purchase a home is greatly aided by the availability of housing financing. Making money available to help individuals buy homes is the goal of housing finance. The purpose of the Housing and Urban Development Corporation (HUDCO) was to develop and share with state governments housing production and delivery expertise, training, and research outputs in order to develop and implement new technologies, plans, and designs. Since its inception in 1977, the Housing Development and Finance Corporation (HDFC) has provided housing loans to both individuals and businesses in order to help the country's housing supply grow. Several housing financing organizations sprang up after the establishment of the National Housing Bank (NHB) in 1987, creating an atmosphere that encouraged investment in the housing sector. Currently, India has 97 different home financing institutions. As of March 2019, the mortgage industry in India is worth Rs.19.1 lakh crore, with a market share of 36% for HFIs. The NHB refinances HFIs to the tune of Rs.13,283 crore in the 2017-18 financial year. NHB was previously owned by the Reserve Bank of India (RBI), but in the year 2019 the RBI sold its full ownership in NHB to the Indian government.

Table 2. Refinance Disbursements by NHB

Year	H.F.Cs (in Crore)	S.C.Bs (in Crore)	C.Ss (in Crore)	Total (in Crore)
2011-12	5302.1	8851.4	236.3	14389.9
2012-13	7694	9848		17542
2013-14	9633	8223		17856
2014-15	7390	14367	90	21847
2015-16	10852	10275	463	21590
2016-17	16779	5696	209	22684
2017-18	13283	11508	130	24921
2018-19	21736	3300	141	25177

If we look at the data in the above table, we can see that NHB has increased the refinance disbursement amounts for Housing Finance Companies (HFCs) over the years, increasing their share from 36.85 percent to 86.33 percent while the share of Scheduled Commercial Banks (SCBs) decreased from 61.51 percent to 13.11 percent. In the Eleventh Five-Year Plan Report, the emphasis has been given more to the development of infrastructure throughout the country. As a result of this, banks began lending money to infrastructure-related projects. After the 2011-12 financial year, the National Housing Bank began refinancing more in the Housing Finance Companies in order to maintain the market.

Changes of Government Policies towards Housing Sector

The central government began to devote its focus to the housing sector around 1950. After 1950 to 1990, the role of the government was to provide people with housing; after the introduction of a national housing policy in 1988, the government's role changed from 'provider' to 'enabler'; and after 2010 onwards, the government is facilitating the production, delivery, and investment of housing, as well as the financing of housing projects. During the first phase (1950-1990), the government's goal was to move people out of the city and into the suburbs by providing them with finances to build their own homes and by providing them with essential facilities like water supply, power, sanitation, and access roads.

- Inability to afford a home.
- Inability to access time-consuming and complex technology.
- The allocation of land is a problem.
- Institutional and policy frameworks are required.
- There is a problem with the availability of building supplies.
- Lack of access to highly qualified workers.

After learning about these issues, the government has come up with a new strategy for delivering basic services to households without tearing down the current infrastructure or moving the Slums to a new location, all while establishing new sources of income. From 2005 forward, the Jawaharlal Nehru National Urban Renewal Mission (JNNURM) had become a hallmark urban poverty alleviation programmed in India. The goal of this plan is to ensure that everyone in the city has access to basic services and the city's infrastructure, thus each state government in the city level must prepare a Comprehensive City Development Plan for housing and infrastructure. First, the City Development Plan has to be drawn up, and then the individual projects may begin. This shift in government policy was a major shift in the government's approach.

Since the country's independence, there has been a shortage of housing. Despite government attempts to address this issue in several 5-year plans, this problem cannot be handled until the private and public sectors work together in concert and with entrepreneurial spirit. If we examine the housing situation in India throughout time, it can be concluded that cooperative efforts have made this issue manageable.

Table-3 Housing Shortage Surplus in India

Year	1901	1941	1971	1981	1991	1996	2001
Housing: Shortage/Surplus (In millions)	+1.8	-1.7	-14.6	-23.3	-22.9	-13.66	-19.4

Except in 1901, the above data shows a severe lack of dwelling units in all other times. The housing sector's surplus phase was limited to the years before to 1941, and even then, it was for well-known adverse reasons. Between 1911 and 1931, there was a period of surplus because many metropolitan areas were hit by disease and hunger, which resulted

in widespread mortality and a slowing of household growth. Nearly 16 million of the projected 19.4 million shortage in housing units in the nation are located in rural regions. In the next five years, 33 million more homes will be needed, equating to 6.6 million more than the current annual supply of 3 million. Keeping in mind the above-mentioned housing deficit, a clear-cut housing strategy is essential at this time.

CONCLUSION

When it comes to discussing ways to boost a country's economy, agriculture, manufacturing, and service industries are typically singled out. However, housing is a crucial aspect of the economy and must not be overlooked. This article focuses on housing, housing financing, and broader economic development and poverty reduction topics. Due to recent difficulties, the Indian Housing Finance industry's growth in FY 2018-2019 has been halved, compared to previous years. It's still early, but there are positive indicators. There have been concrete steps done by India's government and regulator, according to experts in the home finance and banking businesses. " India Mortgage Guarantee Corporation (IMGC) CEO Mahesh Misra spoke at a conference of India Mortgage Leadership Conclave (IMLC) in Mumbai about how to resuscitate the home finance sector. There is a win-win when the Reserve Bank of India and the Indian Housing Finance Regulator collaborate.

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