

Housing Finance System in India

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Abstract

Housing finance may be defined as the need to reconcile the three partially conflicting objectives of affordability of households, viability of financial institutions and resource mobilization for the expansion of housing sector and of the national economy. In this paper mainly concentrated of housing finance system in India. The rapid increases in population and migration of rural people to urban areas and expansion of industrial and commercial activities have created huge demand for housing in urban centres. The problem is actually felt in urban areas and the worst affected are the migrants from rural areas belonging to the low income groups. The critical problem of housing finance is that of capital mobilization for construction purpose. Both private and public agencies are invested in construction of housing sector.

Housing Finance System in India

Every economic activity requires finance or it can be stated that economic development is the function of finance. The scarce financial resources are to be allocated and utilised in such a way that it should lead to overall economic development of the nation. But the allocation of funds to various sectors depends upon the urgency and the policy of the government, which is influenced by the philosophy of the political party at line helm of affairs. As a result, there will be asymmetrical development in some sectors and they demand for more funds to meet the emerging challenges. Especially the social services are paid less attention in the allocation of funds by the successive governments, as seen in the budgets of state and central governments. Housing being one among the several social services has been suffering from inadequate financial resources since along time. There is no financial assistance at required level either from the public sector or from the private sector. The individual household savings are not sufficient to construct dwelling units of their own and as a result, there is a huge gap between the demand and supply of dwelling units. It is estimated that Rs. 1,50,000 crores will be needed merely for wiping out the deficit at the end of the present millennium. So there is need for a conscious, co-coordinated and relentless exercise by individuals, financial institutions, state governments, the union Government and various agencies operating in the field of housing finance to eliminate the deficit.

Origin and Growth of Housing Finance System in India

Housing Finance system in India is an important subject. The Central Government formulates the plans and schemes and the State Governments are expected to implement them. The Indian financial system expanded rapidly and, at the same time, experienced reasonable stability since independence days. It should be noted that at the time of Independence, India's financial system was rather small although both savings and investment rates were around 10 percent and 11 per cent respectively to GDP. The rapid increases in population and migration of rural people to urban areas and expansion of industrial and commercial activities have created huge demand for housing in urban centres. The problem is actually felt in urban areas and the worst affected are the migrants from rural rural areas belonging to the low income groups. The following table shows that urban and rural population growth in India. The increasing urban population naturally leads to more demand for housing units in the urban areas of the country. After getting Independence the Government of India have been given a major priority to housing from the First Five Year Plan to till date. But in the last three to four decades there has been significant institutional development in the areas of housing finance in our country. In 1970 a national level public sector institution, Housing Urban Development Corporation (HUDCO), was established for catering to all income groups in an integrated and financially viable composition. In the private sector, the Housing Development Finance Corporation (HDFC) was established in 1977 and it is the first primary housing institution catering to individual loan requirements and there are moves to setup more HDFC type institutions in the country. In the last few years there has been a large increase in the number of Housing finance institutions (HFIs) both in the public as well as in private sector. National Housing Bank has been set up by the Government of India with the primary objective of mobilising deposits required for the housing sector through local savings etc. Deliberations are at an advanced stage to promote a separate Company to take on the job of introducing mortgage insurance in India.

Statement of the Problem

Home in an individual's life is an essential basic need and it has been a mark of human civilization. Man who lived in the caves in the midst of beasts gradually improved upon by constructing thatched make-shift houses, kaccha houses, mud, brick and mortar houses concrete structures and even labyrinthine sky scrapers today. Problem of housing is very acute these days with teeming population adding further to the demographic confrontation everywhere. Large scale migration of people in search of livelihood also adds to the problem. In industrially concentrated cities like Mumbai, Calcutta and the like, lot of people are stranded and they resort to sleep on the pavements and squat in the open for want of a roof above their heads. In a bid to find a solution to the problem of housing in India, many housing schemes have been introduced from time to time by the government and the private housing sectors it was in the year 1970,an exclusive housing finance corporation was established namely Housing and Urban Development Corporation (HUDCO)) followed by India's a formal institutional system for housing was established with the formation of National Housing Board (NHB) in 1988 first private sector housing finance company named Housing Development Finance Corporation(HDFC) these public and private sector housing finance institutions have been doing yeoman services in the housing sector throughout the country and millions of home hers population are availing such financial assistances in the form of loans.

Need of the Study

Found that, the objectives of National Housing bank is service motto rather than profit motto because NHB is promoting housing financial Institutional, in turn housing finance Institutions lending money for construction of houses which is basic need of the people. In this background present study is made an attempt to know financial performance of the National Housing bank.

Objectives of the Study

- To study about overview of National Housing Bank
- To study about Profitability Indicators of National Housing Banks
- To offer suggestions based on findings of the study

Scope of the Study

The present study is confined to National housing bank of India and data was collected from available sources to achieve the above said objectives.

Data Collection and Methodology

To achieve the aforesaid objectives data is gathered from secondary sources like annual reports of National Housing bank, website, research papers and books etc. and collected data is analyzed with the help of comparative statements, percentages etc as per the requirement

Disbursements by National Housing Bank

Year (July-June) Disbursements	Housing Finance Companies Disbursements	Banks Disbursements	Others Disbursements	Total Disbursements
2004-05	26.23	54.04	0.35	80.62
2005-06	18.40	37.91	0.02	56.33
2006-07	12.10	42.80	0.10	55.00
2007-08	11.89	73.98	0.00	85.87
2008-09	70.55	37.99	0.00	108.54
2009-10	35.44	43.35	2.29	81.08
2010-11	33.09	84.14	3.12	120.35
2011-12	53.02	89.94	0.93	143.89
2012-13	76.93	98.48	0.00	175.41
2013-14	96.32	82.23	0.00	178.55
Total	433.97	644.86	6.81	1085.64

Source: National Housing Bank Report

Showing National Housing Bank’s Cumulative Refinance Disbursement up to 2013-2014

Institutions	Amount(Crore)	% of Total
Housing Finance Companies	433.97	39.97
Scheduled Commercial Banks	644.86	59.40
Regional Rural Banks	6.81	0.63
Total	1085.64	100

Source: National Housing Bank Report

Conclusion

The core theme of National Housing banks is to operate as a principal agency to promote housing finance institutions both at local and regional levels and to provide financial and other support to such institutions and for matters connected therewith or incidental thereto with service motto rather than profit motto. Then also if we look into the financial performance of National housing bank is really commendable as compare to other service motto banks like co-operative institutions etc.

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