



Analytical Study of Housing Finance by national bank in India

Priyadarshini Chaudhary

ICFAI University, Durtlang North, Aizawl, Mizoram 796025, India

Corresponding Author: 943priya_ch1@gmail.com

Abstract: Since civilization began, the house has promoted moral and material progress. Basic requirements include housing. Humans need houses to thrive. Without lodging, we were limited. The world lacks adequate housing. Underdeveloped countries suffer more. Recent years have seen sharp declines in Indian housing. Multiple Indian housing reforms have reduced social allocation, slashed public budget, and promoted public-private real estate entrepreneurship. Many nations have mortgage finance markets, which may improve property quality and affordability. In India, youth. Stalling generally leads to poor housing and low homeownership. Because house building relies on banks and credit institutions for everyday money, resource constraints cause many of these challenges. This course covers Indian financial system basics. In March 2010, HDFC dominated Indian home loans with 17% market share. HDFC tailors solutions to 38 lakh Indian customers in March 2011. The FY 2010-11 net profit was '4528.41 crore. Profit was 971 crore in the quarter ending September 30, 2011. Another major player is LIC Home Financing, with 8% of the Indian house finance market. Life Insurance Corporation of India sponsors LICHFL, making it famous nationwide. The Super Brands Council called it "Consumer Super brand 2009/10." Net profit climbed to '974.49 crore from '662.18 crore in LICHFL's fiscal year ending March 31, 2011. Quarterly profit was Rs. 256.50 crore in April-June 2011. This Indian housing finance article contrasts LIC with HDFC.

KEYWORDS: *Housing Condition in India, Basic nuances of Housing, Institutional Performance of housing finance in India, Housing Shortage and Affordable Housing in India*

Introduction

In 2011-12, real estate and housing accounted for 5.9% of India's GDP and grew at a 7.2% annual rate [1]. Consistently, the need for real estate services has increased. Incredibly excellent since 2005-6, with a 26.3-percent growth rate in 2011-12, at a rate of above 25 percent. As a requirement for human existence, housing is also the second-largest job creator in the United States. There is a direct and indirect influence on housing activities from subsectors including production (steel, concrete and architects' hardware), logistics (gas and electricity delivery), commerce (financial services), as well as construction [2-3]. In the years 2012-13, home values dropped. Residential property prices in some smaller towns have fallen, while prices in larger cities have risen somewhat, according to the Comparing the Government Housing Bank's RESIDEX index for the quarters of July-September 2012 with April-June 2012. (encompassing 20 cities, using 2007 as the base year). Because of the rising population density in metropolitan areas, there has been a rise in the number of people needing somewhere to live. According to China's Eleventh Five Year Plan (2007-2012), there was a need for

24.7 million housing units in metropolitan areas, with 99 percent of those units going to those in the lower-income brackets (EWS/LIG). For the Twelfth Five-Year Plan (2012-17) [4], the Task Force on Housing Requirements in Urban Areas has estimated that 18.7 million units are needed, 18.5 of which are needed for the EWS/LIG sector. According to a McKinsey report, there would be 38 million people in need of affordable housing by 2030. Many organisations have been set up specifically for funding in order to promote the expansion of the housing and real estate industry. While these banks primarily serve the formal sector, the informal market segment remains relatively untouched in terms of access to financing. Accordingly, the Indian government has taken steps such as putting up a Credit Risk Guarantee Fund Trust for Low Income Housing to help those who cannot afford to buy their own homes. Housing credit has risen significantly over the years, resulting in a greater market penetration as a consequence of lending institutions' assistance. ' 6.10lakh crore' was the end-March 2012 housing loan portfolio of the biggest institutional participants, scheduled commercial banks and home finance corporations. However, the gap between home demand and availability is expanding due to a lack of house financing options. In addition to the mortgage industry [5, 6], India's economy is still in its infancy. "Many other nations, such as China (12%), Thailand (17%), Malaysia (29%) and Hong Kong (40%)" – where mortgages make up a larger proportion of GDP than in the United States – have a far lower percentage of GDP than the United States (65 per cent). India's banks, in contrast to those in more developed nations, have shown a high level of maturity in their lending to the housing industry. In addition, the government has implemented a number of policy initiatives to help this industry. Low-cost affordable housing projects were given a number of incentives in the 2012-13 Union Budget, including the ability to borrow money from outside the country, an enhancement in the deductible for capital spending on affordable housing units, and an exclusion from service tax for building activities connected to the Scheme of Affordable Housing [7]. The Government Housing Bank will guarantee housing loans up to a maximum of 5 million rupees via the establishment of a Creditworthiness Guarantee Fund Trust on May 1, 2012. (NHB). Without collateral or third-party assurances, lenders in urban regions may lend money to new EWS/LIG borrowers. Joint-venture business India Housing Guaranteed Corporation Pvt Ltd has also been set up to provide mortgage assurances on company fails on housing loans through mortgage lenders, which would help in the growth of housing access in the country [8, 9]. – The Federal Housing Finance Agency Renting a home is now free from goods and services tax inside the United States, as it was before. A task force has also been created by the Indian government in order to promote residential properties as a possible solution to the housing issue. RAY also supports governments in creating cheap housing stock and giving slum dwellers the chance to own their homes. Numerous issues confront India's housing and real estate sectors. According to the World Bank's Doing Business 2013 report, India ranks 182nd in the world in terms of building permit procedures. If you take 196 days to complete 34 processes, you improve the value by 40%. It's important to address a lack of long-term financing and fixed-rate loan markets, a shortage of developer finance, the Urban Land Ceiling Regulations Act (ULCRA) in certain states, lower floor area ratio cities, high stamp taxes, and difficulty in land acquisition. One of the biggest challenges is making housing more affordable for everyone, especially for those in lower-income brackets (e.g., the EWS/LIG).

History Home Loan

The boom years of the late 1800s saw the widespread usage of home loans in the United States. Since most people can't afford to pay in full for a house, lenders started providing loans to cover the gap between the property's purchase price and the buyer's down payment. Interest-only loans of between five and ten years were payable at the

conclusion of the loan period. At the conclusion of each term, homeowners would either refinance or save enough money to pay off the debt. In response to the Great Depression and the subsequent foreclosure crisis, the contemporary amortised mortgage was developed [10]. By the conclusion of the loan period, these 15- to 30-year loans will have paid off the property.

Significance

Most Americans would be unable to purchase a house without a mortgage. The housing and allied sectors account for a significant portion of the GDP in the United States (GDP). National Association of Home Builders estimates that the housing business contributes between 17% and 18% of GDP. According to MSN Money's Bill Fleckenstein, the good economic situation of the U.S. in the early to mid-2000s was mostly due to housing, which hid a basically poor economy.

Home loan (various types)

Fixed-rate and adjustable-rate mortgages are the two most common forms of house loans. This implies that the principle There will be no changes to the principal or interest payments of a fixed-rate loan throughout its tenure. With an adjustable-rate mortgage, the first few years of the term have a much lower interest rate than those of a fixed-rate mortgage. There are limits on how much the interest rate may rise at any particular moment and throughout the course of the loan. When you take out a loan, you'll have to pay interest and principle on a regular basis [11].

Home loans are available in a variety of forms to suit our individual requirements. There are a few here:

Loans for the Purchase of a New House: This is the most basic kind of home loan.

Loans for Home Improvement: These loans are granted to homeowners who want to make repairs and modifications to their current residences.

Construction Loan for a New House: This loan may be used to build a new home. If you want to add on to your current house, you may get a loan for that purpose. For example, the addition of a new room.

Conversion Loan: For individuals who already have a house loan and want to buy and move to a new one, this is an option. House conversion loans allow you to roll over your current mortgage and any additional funds you need into your new home, removing the requirement for a down payment. To buy land for building or investment reasons, this kind of financing is offered.

People who want to sell their current house and buy a new one might use a bridge loan to make the transition easier. Until a buyer is found for the old house, the bridge loans provide funding for the purchase of the new one.

Home Loan Procedure

There has been a significant shift in the lengthy process of obtaining home loans in recent years due to increased competition in the market. But there is still some work to be done before you can get your hands on a home loan. Before applying for a Home Loan, prospective borrowers should familiarise themselves with the various steps involved. The following is a step-by-step guide to obtaining a house loan.

Step 1 : Application form

Obtaining an application form bank of applicant's choosing is first step in obtaining a home loan application. Every HFC (Housing Finance Company) has a distinct application form, however around 80% of information necessary is the same for each application. In addition to the application form, the HFC requires other papers, such as proof of age, proof of

income, and bank balance, before the application may be filed. HFCs also ask for processing charge of house loan that ranges from 0.25 percent to 0.50 percent of overall loan amount, in addition to all of these other paperwork.

Step 2 : Personal Discussion

The following stage is get together meeting with the bank or HFC where you applied for house loan after completing and submitting the application form successfully. An applicant's application for a house loan is reviewed by the bank before a personal interview is scheduled [12].

Step 3: Investigation of Bank's Field

HFC or banks will conduct a field inquiry next. Applicants or their offices are visited by officials from this organisation who verify the validity of the papers they have supplied. For banks to gain the applicants' confidence, this is a critical step [13].

Step 4: Loan sanction

To create or break it, here is where it all begins. An applicant's salary, age, qualifications, experience, employment, sort of business, etc. will be taken into account by the bank or HFC when determining repayment capacity for a credential. If any discrepancies are identified at this point, the bank has the option of rejecting the application [14]. There may be certain requirements that must be met before the bank or HFC will approve a loan, but if all goes according to plan, they will do so.

Step 5: Letter release for sanction

Details of offer letter from bank or HFC after the approval of a Home Loan are as follows. Loan amount, interest rate, fixed or variable return on investment how long the loan is for Repayment method. Terms and conditions of the loan, including any additional terms and conditions, as well as the general terms and conditions of the loan. The applicant must sign a duplicate copy of the offer letter and send it to the Bank or HEC after the terms and conditions are agreed upon [15].

Step 6: legal Cheque and document for loan

For a house loan application, the bank or HFC is now requesting the property's legal paperwork. The property's legal documentation must be presented. There is no need for a buyer to do their own due diligence [16]. The bank retains the paperwork till the Home loan is repaid.

Step 7: Evaluation of the property

Next, a Bank or HFC will do an in-depth appraisal of your home. For the bank's specialists who visit the property, the laws and regulations are followed to determine a fair market value. Prior to approving a loan for a property, the bank takes into account the property's market value.

Step 8: property documents Registration

Clearing the draught papers by a lawyer and then stamping and registering them is required after legal valuations of the property.

Step 9: Agreements and post-dated checks must be signed and submitted

Now is the time to finalize the terms of the home loan agreement. Post-dated checks must be sent after the agreement's signature, as specified in the Agreement.

Step 10: Disbursement

The Home Loan has reached its final disbursement. The bank or HFC pays the agreed-upon final sum after signing the paperwork to guarantee that financing the property is risk-free. Under construction property, the form of payment ranges from full to part pay, whereas in possession property, disbursement is complete and final [17].

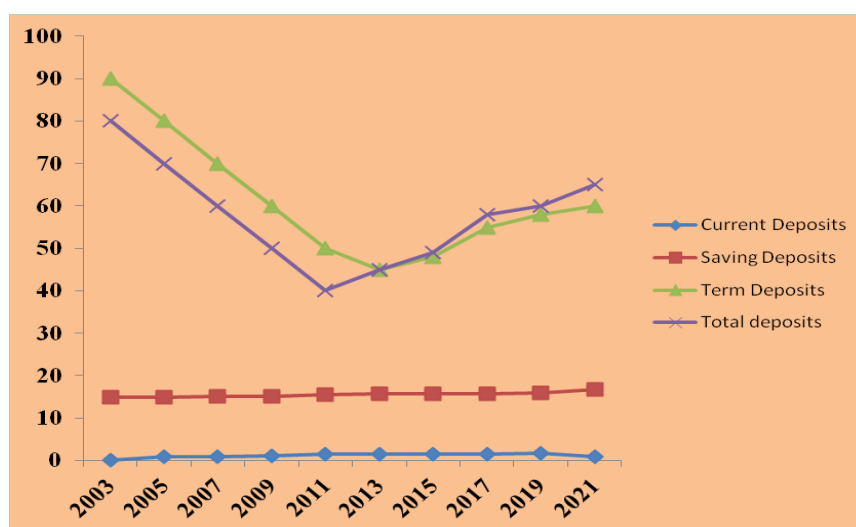
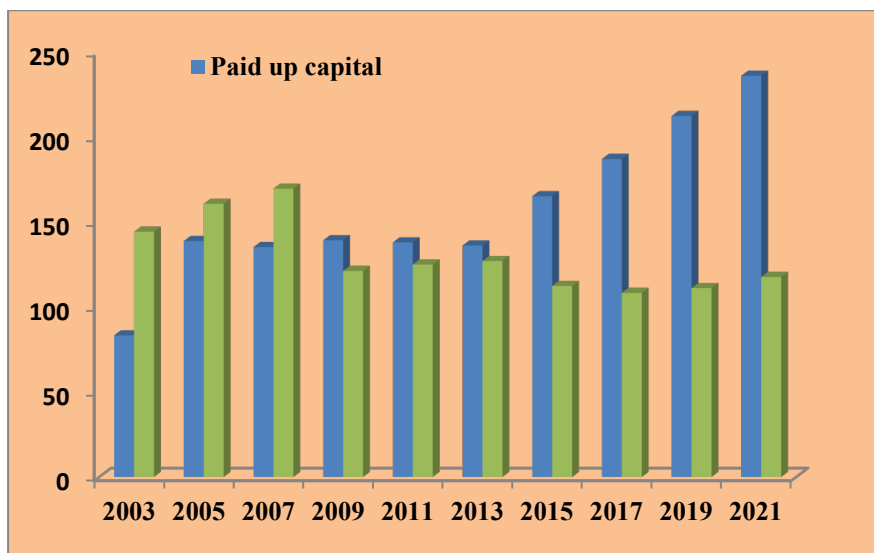


Figure 1: Growth of paid up capital, reserves and other funds during the study period 2003-2021

Table 1: Low-income housing

	2003	2005	2007	2009	2011	2013	2015	2017	2019	2021
Total deposits	15.42	16.89	17.93	14.32	15.37	18.49	17.64	16.59	17.40	15.82
% Growth in Total Deposits	base	11.19	-5.04	-5.08	0.25	15.75	0.95	18.73	-0.70	-18.45
Savings Deposits	1.89	2.17	2.63	3.18	3.89	4.33	4.14	4.60	5.19	4.78

% to total deposits	13.41	14.02	15.95	22.50	22.37	25.75	24.38	22.44	28.66	27.88
Current Deposits	0.16	0.16	0.22	0.36	0.51	0.86	0.56	0.69	0.76	0.85
% to total deposits	1.04	1.06	1.40	1.81	2.85	4.60	2.76	3.08	2.5	3.03
Term Deposits	13.48	15.65	13.19	10.98	10.17	11.50	12.14	15.00	12.85	10.09
% to total deposits	70.78	69.75	72.96	75.48	69.84	68.09	86.55	85.92	81.65	76.69

Source: Monitor; CRISIL-Budget Analyst, 2010

Importance of the Study

It was chosen to do a study on Meerut, India's fastest-growing city, since there has been little research done on the consumers' perspective of home financing from different sorts of banks. HDFC and LIC Housing Finance Ltd. were selected as the two nationalized banks to be compared in order to conduct a comparative study [18, 19].

Housing and Habitat Policy in the United States (NUHHP-2007)

With the changing socioeconomic and housing needs of urban regions in mind, the NUHHP-2007 was developed. Aiming to achieve the aim of "Affordable Housing for All" with specific focus on urban poor, Policy attempts to encourage different forms of public-private partnerships. NUHHP-2007 focuses on a wide range of stakeholders, including the private sector (including cooperatives and businesses), the industrial sector (which provides housing for workers), and the services/institutionals sector (which provides housing for employees) [20].

A key component As part of the State Urban Housing and Habitat Action Plan, States/UTs are encouraged to implement appropriate legislation and reform the financial sector as well as introduce new tools to mobilise resources for the housing sector and associated infrastructure projects [21].

Central, state, and municipal governments; banks and home finance firms; public/private agencies; and other organizations have specialised responsibilities in the Policy's implementation. These agencies' responsibilities are summarised in the following paragraphs.

State Government Role:

- In order to formulate the State Urban Housing and Habitat Policy.
- As a facilitator and enabler for Integrated Slum Development and Integrated Township Development Projects in conjunction with ULBs/ Parastatals/ Private Sector/ Co-operative Sector/ NGOs,
- It is important for prospective EWS/LIG beneficiaries and big housing and habitat improvement projects to have enough financial resources available for viability gap financing.
- Prepare long-term and medium-term plans to address issues related to appropriate water supply and drainage; sanitation; solid waste management and transportation; electricity supply and connection.
- To encourage and reward local construction material production and availability that is not

centralized.

- As part of the preparation and updating of regional plans at all levels — from the district level to the state level — agencies are responsible for creating and updating master plans.
- For housing and infrastructure projects, to encourage the use of well-designed public-private collaborations.
- There will be an effort to encourage in-place upgrading of urban slums in conjunction with state and local governments as well as banks/microfinance institutions.

Banks and housing finance institutions Role

- Their methods should be re-evaluated to make them more inclusive of the EWS and LIG sectors, as well.
- Financial instruments such as Mortgage Backed Securitization Market (MBSM) and Secondary Mortgage Market development should be encouraged.
- Housing loan portfolios should be expanded to include more low-income and low-income-eligible households.
- Credit assessment standards should be made more flexible and imaginative, as outlined in item.
- Financial instruments that encourage EWS and LIG recipients to purchase insurance should be developed.
- Funding slum repair and upgrading programmers using a portion of their resources.
- Subsidy assistance from the government should be used to develop new home financing programmers that target the EWS and LIG groups.
- Encourage MFIs and SHGs to play a substantial role in the housing financing industry by mobilizing savings.

Results:

HDFC

Strong retail loan growth, consistent profitability, and stable asset quality were HDFC's June quarter highlights. An increase in net profit of 17 percent demonstrates HDFC's position as a leading player in the home financing business.

Personal loans accounted for the majority of the rise. All of the quarter's new loan growth came from this area. A 24% rise in personal loans was reported. In the prior 12 months, excluding loans sold. By taking into account these loans, the quarterly growth rate has been 31%.

There was an 11% rise in non-individual loans. Since last year, loans to individuals have accounted for more than two-thirds of total loans, compared to 64 percent in 2012. When compared to the same period last year, the company's average loan size throughout the quarter was Rs 21.9 lakh. Individual loans had a little increase in the third quarter, although the spreads remained consistent at 2.3%. The net interest margin for the corporation fell from 3.9% to 3.8% by a sliver of a percentage point.

LIC HF Ltd.

Because to declining loan growth and reduced profitability, LIC Housing Finance's September quarter earnings were less than predicted. On Wednesday, the Bombay Stock Exchange (BSE) concluded the day at Rs 242.95 a share.

While this year's net profit growth seems solid, the prior year's growth was affected by a significant increase in provisions for bad loans in order to meet the National Housing Board's new provisioning standards (NHB).

CONCLUSION

According to National Housing Bank chairman R.V.Verma, the housing finance business might be burdened with a rising number of problematic loans as increased competition encourages lenders to increase volume in order to preserve profit.

Regulation believes that the elimination of pre-payment penalty costs would lead to a decrease in underwriting and assessment standards among banks and home financing providers because of greater competition.

As a concession to borrowers, the Reserve Bank of India (RBI) in October 2011 waived fines for early repayment of floating-rate loans.

With volumes growing swiftly and banks driving this expansion in terms of competitive pricing, "we don't rule out a minor degradation in asset quality," Verma said in an interview.

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