Abstract

Housing is an important engine for the development as well as success of any economy. Housing is the key input in economic, social and civil development. Housing investment is a major driver of economic growth. Housing is an effective way to promote good governance. In developed economies housing finance plays a very important role. Housing market has a significant macro-economic impact. Due to size the housing sector has a major impact on any country’s macro economy. Home building is an important portion of annual GDP growth. In western countries housing and real estate are seen as a distinct asset class. The fact heads to greater market efficiency, stability and liquidity. Housing finance is a significant contributor to the fiscal health of local government. Housing finance also generates non-housing related expenditure that are drivers for the economy like family formation and life cycle expenditure. Housing through property taxes is a significant contributor to the local government finance. The number of housing finance institutions registered with NHB is 57 now. As on today, the need of finance for housing in the country is catered by Scheduled Commercial Banks, Housing Finance Companies, Financial Institutions, Scheduled Cooperative Banks, Regional Rural Banks, State level Apex Cooperative Housing Finance Societies and others. Banks and housing finance institutions are the dominant players offering different kind of home loans. NHB collects primary data regarding housing finance sanctioned and disbursed by HFCs approved by NHB for its refinance support and public sector banks on quarterly basis. Besides this the bank obtains housing finance data pertaining to the banking sector from RBI, National Cooperative Housing Federation of India on regular basis. The potential of the housing sector is under exploited in the country. A large market segment including the informal sector is initially dependent on the credit availability from the formal financial system. The main objective of the research is to study the growth and impact of institutional housing finance on Indian economy. The following three hypotheses proposed to be tested are: no change in the GDP and employment in Indian economy by institutional housing finance, no multiplier effect after the introduction of institutional housing finance, no role played by institutional housing finance on inclusive growth. The data was analyzed by using descriptive statistics, Annual Compound Growth Rate (ACGR), various tables & charts, linear regression, Leontief Input-Output matrix etc. The results of the study shows that there has been a high growth in housing sector and it also contributed to the Indian economy as well as the growth in housing finance is directly related to growth of gross output of the economy as well as the same is related to GDP and employment in India. The construction sector has very strong backward and forward linkages with other sectors, which clearly indicates that the growth of construction sector would provide significant stimulus for several other sectors to grow.