CHAPTER -6
SUMMARY, FINDINGS AND SUGGESTION
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6.1 INTRODUCTION

Housing is a primary necessity in every economy and is a basic indicator of growth and social well-being. Development of housing is not just important to economic growth but is also one of the tools for economic development considering the accelerator impact it has on various industries including construction and infrastructure sector; it generates demand for supporting industries and leads to creation of job opportunities. Development of housing in a country is a sign of economic welfare.

Home Loan is the funds buyer has to borrow usually from a bank or other financial institutions to purchase a property, generally secured, by a registered mortgage to the bank over the property being purchased. A mortgage loan is a debt owed on a home, the mortgage rate is the interest rate charged to the home owner for the use of the loan.

In the present study, Researcher have used the terms ‘home loan’ and ‘housing finance’ interchangeable. Housing Finance plays a vital role as an engine of equitable economic growth through the reduction of poverty and prevents slum proliferation in economy. The demand for housing has increased rapidly day by day. Therefore, to meet with the growing housing demand is the aim of the government. To achieve this aim it is required to provide the finance for housing to the people. The liberalization of the financial sector of the economy has also become possible by the housing finance.

6.2 GLOBAL TRENDS IN HOUSING AND HOUSING FINANCE MARKETS

In 1993, the World Bank published an influential report on housing policy, “Housing: Enabling Markets to Work.” This report documented the importance of housing in the economy while at the same time providing governments with guidelines on how best to design policy to create efficient housing markets. A section of that report already focused on housing finance and its importance in the effective operation of housing markets.
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Housing has traditionally been one of the most important assets for households in Asia. The cities of Indus Valley Civilisation, Harappa and Mohenjo-Daro, are the exemplary in this context.

For the present Study Researcher have gone through global scenario for housing Industry for (a) China (b) Hong Kong (c) Indonesia (d) Korea (e) Singapore (f) Thailand (g) US (h) Europe and (i) India

6.3 SIGNIFICANCE OF THE STUDY

Shelter is a basic human need and productive investment. Easy accesses to institutional finance at affordable rates are an essential pre-requisite for accelerating the tempo of housing activity. This is more so in the eastern and north-eastern region where the general level of income is relatively low. It is, therefore, imperative that a specialized housing finance system – albeit as an integral part of the national finance system – be created for this region for the development of new housing stock as well as for the renovation, Upgradation and expansion of the existing housing stock in the rural, semi–urban and urban areas.

Housing finance being a specialized activity, it is desirable to concentrate the activities by selected banks rather than the indiscriminate involvement by all banks. As residential housing loans do not create direct additional income, recovery of loan may prove to be difficult even though loan may be adequately secured. There are many legal and other hurdles to be tackled before substantial involvement of banks.

At the same time, banks cannot stand apart from housing finance particularly when many avenues of traditional lending being taken away from commercial banks in the wake of financial innovations.

In addition to the problem of financing the biggest problem faced by prospective house owners and buyers is the deficiency in getting services from the house finance companies in India. Even today the housing finance companies while sanctioning loans to the housing sector are treating the loans as an extension of their portfolio of loans without studying problems of construction of houses and borrowers.
6.4 SUMMARY

Summary of all the chapters are described as follows:

**Chapter: 1 Housing Finance – An Overview**

In the present chapter researcher have focused on the study of History of Housing and loan, definition of housing finance, global trend in housing finance industry, Development of Housing finance and scenario of housing finance in India, Driver of demand in housing, Government policy for housing finance in India, Concept of National Housing Bank, Housing Finance and the Economy in Global Perspective, Concept of Mortgage Finance, and Analysis of problem of Housing Finance has been studies as an overview of Housing Finance.

**Chapter: 2 Risk Management & Regulatory Framework for Housing Finance**

Regulatory Framework and Risk Management is an essential ingredient for financial inclusion industry. Housing Finance is one of the industries that is the part of financial inclusion and Hence special care is taken while drafting the contents of this chapter. This chapter includes the study of categorical classification of risk management involved in Housing Finance Industry and their perspective towards the management. Regulatory framework is also an essential ingredient for the present study hence role and tools of regulation has also been study with international standards for reporting including provisional aspect as per IAS 39 for “Financial Instruments: Recognition and Measurement,” BASEL Accords has also been highlight as a part of regulatory framework. As this study has basically concern with Indian scenario hence prudential Regulation of housing finance in India has separately been studied

**Chapter: 3 Profile of Selected Housing Finance Company**

There are 28 public Sector and 18 Private Sector Banks are engage in providing home loan in addition to 44 Registered Housing Finance Companies of which 20 Housing Finance Companies are allowed to accept the public deposit while remaining are not allowed to accept the public deposit. All the 44 Registered Housing Finance
Companies are following the rules and regulation framed by National Housing Bank. National Housing Bank is one of the Regulatory of Finance Ministry of India under Reserve Bank of India

Chapter: 4 Research Methodology

Researcher has studied the present title on the base of review of various literature studies throughout the world and fined the research gap for the present title. Researcher have studied two dimension performance evaluations of selected housing finance companies of India during the period of 2007-08 to 2014-15 and used the appropriate accounting and statistical tools for financial performance evaluation. Before going through the study researcher has studied on historical growth of housing finance industry and regulatory framework for housing finance in India.

Chapter: 5 Data Analysis & Interpretation

In the present chapter Researcher has studied various parameters corresponding to the Research Title “Performance Evaluation of Selected Housing Finance Companies of India”. Performance Evaluation can measure with various dimensions but, researcher has considered two dimension studies for the present study (a) Comparison of various schemes and terms of selected Housing Finance Companies of India (b) Financial Performance evaluation of selected Housing Finance Companies of India.

Chapter: 6 Summary Finding and Suggestions

In the present chapter Summary of the study, Finding on the base of the Study and Suggestion for future research has been studied by the researcher.
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6.5 FINDINGS

[A] COMPARABILITY OF HOME LOAN SCHEMES

i. Performance evaluation of selected housing finance companies of India led the researcher to go through not only financial performance but also non-financial comparability to be observe for the present study hence researcher has focus the present study on two dimension parameters.

ii. From the perusal of the data it is found the minimum age for home loan is 18-21 year while maximum age is 50-65 years depending upon the profession of the applicant.

iii. Income eligibility criteria for proposed loan applicant is defined by most of the selected housing finance companies ranging between Rs.1,20,000 to Rs. 1,80,000 p.a. for salaried person while Rs. 1,50,000 to Rs. 2,00,000 for self-employed person.

iv. 2 to 3 year Work experience is also to be considered by the most of the housing finance companies as one of the parameters for sanctioning the home loan.

v. Most of selected housing finance companies sanctioning minimum loan amount ranging between Rs. 1 lac to Rs. 5 lac while maximum loan amount is ranging between Rs. 50 lac to Rs. 5 crore.

vi. Minimum loan tenure is 5 years to 15 years while maximum loan tenure is ranging between 20 to 30 years for home loan for selected housing finance companies.

vii. Eligibility criteria for sanctioning loan amount is ranging between 80-85 percentage of Agreement value but most of selected housing finance companies are offering 85% of the Agreement Value.

viii. Most of the selected Housing Finance Companies are providing loan for construction while from the available data it is found that Housing Finance Company who provides the loan for construction may not provide the loan for purchasing the plot. The entire selected Housing Finance Companies providing loan for renovation and extension. From the observation of the available data it is found that excepting GIC all the selected housing finance companies are providing loan for purchase the flat. Only DHFL, HDFC, LICHF and SAHARA is found from the available records that they are doing the transaction with NRI. Except GIC all the banks are doing the business of Loan Transfer from existing
Loan Scheme with another Companies or Banks, Likewise, the entire selected research unit is also providing the loan for other purposes related to housing finance schemes.

ix. Processing Fees are varying company to company and observing the offer document and website of respective company it also suggest that amount of processing fees depends up on the loan amount, tenure of loan and repayment capacity of the borrower. Some Housing Finance Companies Like DHFL, LICHF, and SAHARA is charging one time processing fees depending upon the loan amount while most of Housing Finance Companies are charging some percentage of loan amount.

tax. Most of Selected Housing Finance Companies are charging Administrative charges ranging between 0.5% to 1%.

xi. Most of the selected Housing Finance Companies asking either Equitable Mortgage and Guarantee of third party in addition to primary Mortgage before sanctioning the loan. GIC, HDFC and REPCO accepting collateral Security like any financial instrument in addition to primary security before sanctioning the loan.

xii. Most of the Housing Finance companies asking time to sanction the loan is varying between 7-15 days. Some of the Selected Housing Finance Companies are sanctioning the loan on same day subject to proper documentation provided by the applicant.

xiii. 15 Days to 45 Days is taken for disbursement of the loan after sanctioning procedure. Most of the Selected Housing Finance Companies generally disburse the loan within a period of average thirty days.

xiv. Insurance of any property is now a day is essential as per the Risk Management policy. There are various Risk involves in any financial matters. Providing Housing Loan is long term financial disbursement therefore it is essential to plan the Risk Management and hence all the Housing Finance Companies are asking for Insurance of the related property.

xv. Penalty for pre-payment is not asking by most of Housing Finance Companies now a days due to competition but some of Housing Finance Companies like LICHF, SAHARA and HDFC are asking nominal rate of pre-payment penalty due to the part of their administrative procedure.
xvi. Fixes as well as floating Rate of Interest is varies on the base of loan amount for most of the selected housing finance companies. Fixed Interest Rate is higher compare to floating Interest Rate in most of the selected housing finance companies during study period. Some of selected housing finance companies are offering special scheme for floating interest rate. Lowest Interest rate for special scheme is offered by HDFC during study period which is 8.25 %. Highest fixed rate of interest charges by India Bulls which is 16% during study period.

xvii. Lowest disbursement ratio is found in India Bulls with average 30 % during Study Period followed by SHRISTI Infra Structure with average 49 percent while highest Average disbursement ratio is 92.86% for GIC during study period followed by REPCO with average 92.10%. Most of HFCs are providing average 85% disbursement of the sanctioned loan.

[B] FINANCIAL PERFORMANCE EVALUATION

i. Profitability for each company is different for selected Housing finance companies of India as well as per year profitability is also varies for selected housing finance companies that shows that global scenario is also reflecting on the financial performance of the housing finance industry.

ii. The asset turnover ratio shows how efficiently a company can use its assets to generate Business. Highest Average Asset Turnover Ratio is showing for SHRISTI IS with 43.18% which is followed by VAXHF with 28.08 % while lowest is shown by LIC Housing Finance with 9.26% during the study period. Hence it shows that asset turnover ratio is also different for selected Housing finance companies of India but year wise asset turnover ratio is showing equal for selected housing finance company that shows that housing finance industry has almost equal strategy for efficient asset management.

iii. Return on Net Worth states the return that shareholders could receive on their investment in a company. Highest Return on Net worth in percentage is showing for Gruh Finance with Average 27.32% which is followed by HDFC with an Average of 19.61% and LIC Housing finance with an average of 19.36% while lowest is shown by VAXHF with an average of 4.49% during the study period. Hence it shows that Return on Net Worth is different for selected Housing finance companies of India but year wise Return on Net...
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Worth is showing equal for selected housing finance company that shows that there must impact of global economy changes on housing finance industry.

iv. ROCE is a long-term profitability ratio because it shows how effectively assets are performing while taking into consideration long-term financing. Highest Return on Capital Employed in percentage is showing for GIC with Average 7.94% which is followed by India Bulls with an Average of 6.04% while lowest is shown by SAHARA Housing Finance with an average of 1.36% during the study period. Hence it shows that Return on Capital Employed is different for selected Housing finance companies of India but year wise Return on Capital Employed is showing equal for selected housing finance company that shows that there must impact of global economy changes on housing finance industry.

v. ROA shows how efficiently a company can convert the money used to purchase assets into net income or profits. Highest Return on Assets in percentage is showing for India Bulls with Average 4.62% which is followed by VAXHF with an Average of 3.32 % while lowest is shown by Shristi Infrastructure with an average of 1.26% during the study period. Hence Return on Assets for each company is different for selected Housing finance companies of India but year wise Return on Asset is showing equal for selected housing finance company that shows that there must impact of global economy changes on housing finance industry.

vi. Earnings per share, also called net income per share, is a market prospect ratio that measures the amount of net income earned per share of stock outstanding. Highest Basic EPS is showing for HDFC with an Average 52.81 Rs. which is followed by LIC Housing Finance with an Average of 36.42 Rs. while lowest is shown by VAXHF with an average of 0.47 Rs. during the study period. Hence EPS for each company is different for selected Housing finance companies of India but year wise EPS is showing equal for selected housing finance company that shows that external factor as well as government policy and other economic factors also reflecting on the EPS of the housing finance industry.

vii. Funds from operations (FFO) are an alternative metric to net income. Both are used to measure the returns being generated by business operations based on
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income statement items. Highest Fund from Operation per Share is showing for DHFL with an Average 223.60 Rs. which is followed by LIC Housing Finance with an Average of 209.94 Rs. while lowest is shown by India Home Loan with an average of 1.17 Rs. during the study period. Revenue from operation per share for company wise is different for selected Housing finance companies of India but year wise FFO is equal for selected housing finance companies that shows effect of global economy on housing finance industry.

viii. Liquidity ratios are the ratios that measure the ability of a company to meet its short term debt obligations. The current ratio indicates a company's ability to meet short-term debt obligations. Highest Current Ratio is showing for India Home Loan with an Average 60.86 which is followed by India Bulls with an Average of 30.48 while lowest is shown by Shristi Infrastructure with an average of 1.26 during the study period. Current Ratio for company wise is different for selected Housing finance companies of India but year wise current ratio is equal for study period which shows that housing finance industry is following liquidity management on the base of global scenario.

ix. The dividend pay-out ratio measures the proportion of earnings paid out to shareholders as dividends. Highest Dividend Pay-out Ratio on Net profit in percentage is showing for Gruh Finance with an Average 41.86 which is followed by HDFC with an Average of 37.36 while lowest is shown by India Home Loan; SAHARA and VAXHF who have not paid any dividend during the study period. Dividend Pay-out Ratio for company wise is different for selected Housing finance companies of India but year wise dividend pay-out ratio is equal for study period.

x. The debt to equity ratio is a financial, liquidity ratio that compares a company's total debt to total equity. Highest Debt Equity Ratio is showing for LIC Housing Finance with an Average 9.93 which is followed by DEWAN with an Average of 9.48 while lowest is shown by India Home Loan with an average of 0.04 during the study period. Debt Equity Ratio for company wise is different for selected Housing finance companies of India but it is equal for year wise.
6.6. SUGGESTION

Following are few suggestions in the light of the research study-

i. Housing finance is a market with infinite growth potential. The Government as well as the housing financing companies should effort more to improve the creditability and functioning of housing finance system in India.

ii. The major problems of housing finance sector of India are shortage of funds, inadequate mortgage and securitisation laws, unhealthy competition among housing finance agencies and traditional thinking of Indians etc. Most of these problems of shortage of funds can be minimised by giving an industry status to housing finance sector by the Government of India.

iii. To achieve the industry status for housing sector only government positive attitude is not sufficient but also the functioning of developers and promoters should be in an organisation systematic.

iv. It may be a sound decision for a safety conscious customer to go for fixed rate of interest that accords certain stability to his quantum of loan repayment. He can also sure that any increase in interest rates will not lead to an increase of his loan liability.

v. It feels cumbersome for a general housing loan seeker to go through all details and technicalities of housing loan offers of different agencies. But a friendly marketing atmosphere can help him to arrive at the right decision.

vi. The steps of Government of India such as to cut down the interest rates on housing finance and to provide tax rebate on housing loans interest can be appreciated for boosting up the housing finance market in India.

vii. Though, the Government of India is trying its best to promote the housing finance sector of the country, yet for the uninterrupted growth of the sector, it is necessary for the housing finance companies to keep in regular search of long-term financial resources to become independent in this direction.

viii. The Government needs to rationalize development control regulations and streamline approval prouder through public private partnership to address the problem of affordable housing.
ix. Private developers, colonizers and co-operative societies can be encouraged further with tax benefits and other incentives to make housing available to the economically poor at nominal rates.

x. Government bodies should also seek support from NGOs and other civil society organizations in planning houses for the poor in terms of design and facilities. This can ensure the involvement of urban poor in housing so that the plan is developed by those who have to be settled and relocated.

xi. The housing finance sector banks should adopt a more flexible and innovative approach in relation to credit approval policies.

xii. They have to develop financial products which encourage Economically Weaker Section (EWS) and Low Income Group (LIG) beneficiaries to take insurance cover.

xiii. In a sub-metropolitan city like Meerut the banks should plough their resources towards financing up-gradation programmes.

xiv. They should devise innovative housing finance schemes for targeting the Economically Weaker Section (EWS) and Low Income Group (LIG) beneficiaries, with suitable subsidy support from the Government.

xv. The efforts of setting up a Real Estate Mutual Fund can also provide some support to the cash starved housing sector. The mutual funds should permit to hold the real estate assets to reduce the problem of shortage of funds in housing sector.

xvi. It is desirable that the Government should take bold steps in controlling the rates of land particularly in urban and nearby areas and should reduce the stamps duty up to a reasonable level. Besides, the stamp duties structure should be uniform throughout the country.

xvii. There is a need to develop a system to check the genuineness of property documents to avoid frauds and litigations in future and to speed up the functioning of HFBs.

xviii. Housing finance companies should also encourage and promote the corporate style functioning in housing construction sector to boost up the housing market in India.

xix. Indian housing finance market is passing through a developing stage and everyone is excited to see its growth rate, but to sustain this trend for a long-
term period, the government of India and the players of housing finance market should take a very serious note for this forth coming problem.

xx. The unclear property titles severely reduce the housing finance market, because housing finance companies do not like to play game after financing such type of disputed properties. At the most these properties are used as collateral securities and limit housing financing to those property owners who have proper title. This problem can be minimized only when the Central and States Government of India take serious steps to amend the related legislative laws and procedures.

xxi. For the smooth growth of housing finance market the stability of interest rates is essential. It will not only ease the individual customers but also support the professional builders to sketch a long-term planning.

xxii. Private Sector Banks should do more efforts to satisfy their customers as regards to provide them housing loans on easy terms and with simplest procedure, with no hidden charges.

xxiii. The housing finance companies should train their executives properly and instruct them to guide the probable housing loan seekers in true sense without considering the short-term interests of the company.

xxiv. Government banks should be quick and prompt in providing housing loans to their customers. They should take minimum time in the sanction and disbursement of housing loan to them.

xxv. The grievances of home loan seekers should be entertained seriously by financing institutions.
6.7 SCOPE FOR FUTURE RESEARCH

Researcher has made the study on “Performance evaluation of selected housing finance companies of India” this study was limited to selected housing finance companies of India while one can make further study on

1) “Financial performance evaluation of selected housing finance companies of India”
2) “A Comparative Study of Performance Evaluation of Selected Housing Finance Companies and Home Loan provider of Selected Public Sector Banks of India”
3) “A Comparative Study of Financial Performance Evaluation of Selected Housing Finance Companies and Home Loan provider of Selected Public Sector Banks of India”
4) “A Comparative Study of Performance Evaluation of Housing Finance Companies, Home Loan provider Public Sector Banks and Home Loan provider Private Sector Banks of India”
5) “A Comparative Study of Financial Performance Evaluation of Housing Finance Companies, Home Loan provider Public Sector Banks and Home Loan provider Private Sector Banks of India”
6.8  CONCLUSION

Present study entitled “Performance Evaluation of Selected Housing Finance Companies of India” has been studied by the researcher on the base of secondary data collected from secondary sources and analyse by two dimensional parameters of home loan schemes and financial performance of selected housing finance companies of India. This study has also considered historical growth of housing finance industry in India as well as foundation of housing finance in the core area of the world. Researcher has also considered regulatory framework and Risk Management of housing finance industry in India as well as perusal of the profile of the selected housing finance companies also been studied by the researcher and researcher has made summary of the study after making analysis and interpretation of performance evaluation of selected housing finance companies. Suggestions on the base of the present study have been also suggested by the researcher before suggesting prospective area for the further study on the base of present research title.