CHAPTER VIII

Scope for further research

RML is recently launched financial product in India. There is very less research work done till now and not much formal data and information is available. Banks and HFCs in India do not have experience and expertise on this product. There is lot of scope on undertaking research work on various aspects. The researcher has enlisted few pointers for further research work which can be useful in development of this product.

1. Reverse Mortgages for senior citizens and their family

It is been observed that almost 93 percent of the potential RML borrowers has preference of passing house property to the next generation i.e. to their children. Few of them also feel that if they choses RML for regular income during old age, their children may not look after them. Also senior citizens may not understand reverse mortgage concept in detail and they might be confused in future in case of any changes.

All these factors needs for active participation and support from family members of senior citizens. In USA, family members of the RML borrowers attend the counseling session. RML is good for children as their parents will be financially independent. It will take off the possible burden on their children. At the same time it is also important that some property should be inherited to the heirs. It will help next generation in their financial planning.

This situation warrants for research to be done. It can focus on benefiting senior citizens and their family, out of RML. It will be an emotionally influenced decision to opt for reverse mortgage loan. The research on this topic could help in developing better products and it will create prominent place for RML in financial planning, with the help of family members.
2. Role of the government in RML

Government has taken a decision of launching RML in India, in the year 2007. This product could not put forth any impressive performance. There are many reasons for this situation. Low level of awareness, no efforts from lenders in promoting this product and lack of good products are the some of the possible reasons for this lackluster performance. It is very important for government to bring in this product in main stream as there is passive need for this product.

The government can play important role in ironing out these issues. Any delays in promoting this product may impact government in future. It will have financial burden of providing financial security to the senior citizens. Government should take efforts in promoting RML products as it will bring new spur in economy as well. Series of measures including providing support to the lenders like insurance can make real big difference. Government should work out in developing regulatory framework for RML product so as to protect old borrowers.

Research on this topic will open new big area which can be really helpful in the success of this product. A complete plan of action on this topic will make it easy for implementation of various measures. RML is need of the hour and experience in various developed countries has underlined its importance. Success of RML in India will make it as good social security option. Role of government and its active implementation will decide the progress of this product.

3. RML- an alternate pension product

Only 10 percent of the Indian population is covered under any formal pension system. Research on this topic will focus in accessing role of RML in making it as pension product for elderly home owners. It is also discussed that it can take place of defined benefit pension product. It will also form a part of pension reforms, a major agenda of the government of India.
All these factors will make research on this topic very viable and can be supported by all stakeholders. Individuals who have already taken RML can form important respondents as their experience will throw new light on the actual benefits of reverse mortgages. This research work can also help in bringing in any changes needed in RML products and processes.

4. **RML beyond urban areas**

RML is considered as product for urban population as of now. But more than 60 percent of the population resides in semi urban and rural areas, these areas should not be neglected. If need of this section of population is not catered then whole purpose of RML as financial shelter for elderly, will be defeated. Needs, preferences and perceptions of this population are different than that of urban population. Thus the products for these geographies should be different and designed by keeping in view those factors.

RML portfolio for semi urban and rural areas will diversify the risk for lenders, as the amount of outstanding loan per borrower will be lesser than that of urban population.

Research on this area will give new dimension to the reverse mortgage business. Banks and HFCs can have different business models for semi urban and urban areas which can build up their core businesses as well. Thus research work on this topic may bring out mutual benefit for both borrower and lender and RML will emerge as product for all Indians.

5. **RML as an alternate asset**

House of an individual is asset for him as it is appreciating in value and can generate profit upon sales. Reverse mortgage, on a self-acquired and self-owned house, generates regular income stream. The borrower can stay in the same house for the remaining life time, even after payouts stops. It will also save on rent to be paid on the house, which is mortgaged with lender.
These features will make RML as an alternate asset, where the control of the asset lies with the borrower. In addition to this RML also acts as an unconventional retirement tool, as it provides annuity to the senior citizens.

The research on this topic will focus on projecting RML as an alternate asset. The outcome of this research work will be useful for larger section of population. Potential RML buyers will gain confidence in product and will add it on the asset list. This will also take off the pressure of financial and retirement planning. RML will serve multiple objectives of social security, providing pension and asset.

6. RML distribution channels

Distribution channels plays major role in the success of any financial product. RML is the product owned by banks and HFCs, who themselves have good distribution network through their branches. RML being product for senior citizens, there should be multiple distribution channels which will be also close to them. Trust will be most important factor from the point of view of elderly, while making decision in borrowing reverse mortgage loans.

Financial planners or advisors can play important role in promoting RML after that of lenders. Many financial planners has started advising RML to their clients, for planning their retirement. Channels like Bancassurance will also be useful in distribution of reverse mortgages.

The research work can focus in accessing usage of various intermediaries in developing distribution channels. Theses intermediaries should be close to the senior citizens. This work should also focus developing distribution channels for semi urban and rural areas.