CHAPTER VI

SUMMARY AND CONCLUSIONS

To give overall idea to the readers, important conclusions reached in this study are summarised in this chapter. At the appropriate places are also given some suggestions which will establish the utility and purpose of the study.

India is a country of large and the fastest growing population in the world, with more than one thousand million population and growing number of metropolitan cities. The city of Chennai being one of the major urban metropolises in the country has an acute shortage of not only infrastructure but more so of housing. The public and the private sectors with an impetus given in the several Five Year Plans have done their level best to meet the shortages and to remove the deficit of housing. The Housing Financial Institutions have played a major role since a decade and have been responsible to access finance over the years. Due to changing policy of the State on housing and housing finance the interest rates have dropped ever since and the trend seems to follow to encourage housing activity, in general.

The HFI's in the city of Chennai have discriminated the consumer in respect of sanctioning of loans, thereby concentrating on certain benchmark with respect to income level. This discrimination is primarily due to the risk factors involved and insufficient foreclosure norms that exist today. Because
of this insecurity, the HFI's have been least accessible to lower income
categories even though studies have shown an intricate relationship between
loan amount sanctioned and the annual income of the beneficiaries. The
disparity and discrete selection of beneficiaries of loan consumers is a factor
annoying and contradicting the housing policies and the vision of the State
to bridge the gap of homelessness and provision of housing finance for a
lower income group.

Homelessness needs to be redefined with respect to Indian context. Housing activity is the direct indicator of our country's economy and a great
generator of employment. Though the Union Government in the Ninth Five
Year Plan had given special focus to shelter and housing finance, it looks
like it would be a distant dream that India, in general, and Chennai, in
particular, would be fully self sufficient with respect to housing. In the
present age of Information Technology, knowledge and information can be
sought easily and hence both successes and failures all over the world with
respect to housing and housing finance is available at finger tips to draft our
future policies and visions.

The basic needs of mankind are food, clothing and housing. Housing
is not only a basic need but it is also a provision of sustainable base for
upgradation of the economic status in society. The global strategy on shelter
initiated by the United Nations to all Governments throughout the
developing world was focused to provide shelter for the homeless. The
primary hurdle in affording and accessing a house in the developing world is
finance. While comparing with the developed countries the housing finance
process in developing countries is somewhat regulated. Still there is a need for streamlining the system in order to cover the gap between demand and supply of housing, especially in urban areas.

To bridge the gap between the demand for and supply of housing both Governmental and Non-Governmental organizations are working hard by improving the National Finance Institutions for house delivery. The important programs are launched by the United Nations in this regard are:


Apart from these programmes many more Workshops, Seminars and Publications are brought by the United Centre for Human Settlements (Habitat) Nairobi. The aims of these programmes are to identify the major obstacles in extending housing finance to low income groups and to propose ways to remove such obstacles. Though these documents list the measures that the Government can take to create an enabling environment in this field, they also recommend how private housing institutions can operate with a market orientation.

In the First Chapter the Researcher summarises the various definitions of national importance. The opinions of renowned International
Institutions and Scholars are compiled along with the objective of the Study. A set of hypotheses is framed to study the factors involved. The study area, period and methodology are stated. The primary data, secondary data and the statistical tools applied with limitation are mentioned in this Chapter. The Five Years Plans of Government of India and the role of National Housing Bank forms a part of the chapter in introducing defining and explaining the problems under Study.

In the Second Chapter the housing theories and policies of the select Third World countries are discussed. This Chapter deals with the theories of housing, starting from traditional to modern approach. The role of UNCHS and its special Commissioned Report on housing finance institutions of selected Third World countries are compiled. The UNCHS initiative to improve the performance of the National Financial Institutions in shelter delivery also forms part of this Chapter.

The Third Chapter deals with the housing and housing financial policies of India in general and Tamil Nadu, in specific terms. The housing trends, gross capital outlay on housing, Statewise shortages in housing strategy and the housing strategy during various Plans are enumerated. The housing loan market in India, the National Housing and Habitat Policy and its importance are also narrated.

The Fourth Chapter deals with the select financial institutions and their performance in housing finance delivery. The aspects of housing loan sanctions, disbursements on targeted beneficiaries and the performance of housing finance delivery in Chennai are studied. The Study is related to
seven major financial institutions in Chennai, at various income levels. These institutions are selected on the basis of their performance during the terminal year. The primary data and the secondary data were collected. The Researcher visited all the seven housing financial institutions with an executive summary. The selected financial institutions are HUDCO, LICHF, HDFC, BOBHF, VBHF, CB and BHF.

The Fifth Chapter is completely devoted to analysis of the primary data collected from the 300 beneficiaries of various Institutions.

FINDINGS

The following are the major findings based on the primary data collected and the same using suitable statistical tools to find certain associations and relationships with variables, which formed the significant part of the collected data.

a) Based on Kruskal - Wallis test which it was found that there is significant difference between the financial institution with respect to loan amount sanctioned to the beneficiaries. Hence, to some extend their exists a discrimination with respect to sanctioning of housing loans.

b) The multiple regression models constructed establishes relationships between a dependent and a host of independent variables. In all the models constructed we have considered the loan amount sanctioned for the beneficiaries as the dependent variable. The associated independent variable are : annual income, age, knowledge of housing
policy, rate of interest, processing fee etc. The models constructed are satisfactory.

c) On the basis of other statistical tools like chi-square and students 't' test it was found that there exits some association (i) educational qualification of the respondents and Housing Policy of India. (ii) Annual income and loan coverage (iii) Annual income and satisfaction regarding purchase of dwelling units and (iv) No significant differences exist between financial institutions in respect of loan sanctioned to beneficiaries.

d) From the analysis it is also revealed, that the HFI's have removed obstacles in accessing loan thereby making an accessible scenario, though significant discrimination exists with respect to affordable aspects. This relates to the general housing policy by the Government of India in relaxing certain regulations and allowing several private players in the field, which has created a competitive environment.

SUGGESTION

The following is a summary of various suggestion and recommendations to improve the performance of HFI's in providing Housing Finance and making it easily accessible to almost all beneficiaries of various income levels, more specifically, the lower income category.

(i) Chennai is a growing metropolis and this growth is inevitable in the future. Housing in the city is a growing phenomenon due to the increasing urbanisation as the city attracts more and more investment
capital and migration of population from neighbouring cities, towns and villages. Keeping this scenario the policy with respect to housing and housing finance delivery system needs to be proactive but not negative to the urbanisation process. Housing is part of urban infrastructure and hence a more streamlined approach with improved standards of housing as a part of State Policy is suggested.

(ii) Finance should assist low-income families to buy or build a house. But this finance should be appropriate and target the preferences of the beneficiaries.

(iii) The interest rate of housing finance is the most important factor in deciding the level of finance required especially in cities like Chennai. The concept of “Less is More” needs to be adopted. Though the interest rate on housing finance is dropping day by day, it is suggested that the policy makers should consider the global scenario with respect to the interest on housing loan and to fix the rate of interest as low as 5 per cent. All other hidden administrative costs should be absorbed as a part of the interest. So that the borrower is not duped by the arithmetical gimmicks of the financial institutions. The interest rate should also reflect the risk levels involved.

(iv) Willingness to pay is directly linked to the levels of income and hence the repayment method needs a scrutiny. Presently the HFI’s follow the Equated Monthly Instalments (EMI). However globally adopted Graduated Repayment Schedule should be a better choice as this would help the borrowers to adopt better options.
(v) Most of the HFI’s base the sanctioning of housing loan apart from various aspects on mortgaging the property. The laws relating to acquisition and attachments of property on the default of the borrowers should help the HFI’s so as to reposition them to offer better options thereby reducing their risks to offer a lower margin amount. This will not only reduce the risk of HFI’s but also make them more accessible with less paper work and processing time. Hence, a proper foreclosure norms are to be examined, but protecting the interest of the borrowers.

(vi) The HFI’s should accept payment of minimum margin amount, which should be brought down to 10 per cent. This minimum margin could be allowed to be paid through credit cards as followed in other countries.

(vii) All housing loans should be covered with proper life, medical, personal, accident, fire and calamity insurance etc. The method of collective security system would further reduce the risk factor and hence, increase accessibility to housing finance not only in urban areas but also in towns and rural areas. Though insurance of life is covered in many cases, it is important to link medical and personal accident insurance also to the housing finance, as this would boost the confidence among the loan borrowers.

(viii) Housing should be made a part of retirement assets and hence Provident Funds should be considered as a major link for the salaried class. This should be extended to general self-employed and business
class people through Public Provident Fund there by encouraging savings.

(ix) The state policy should focus on rental housing scheme with a long term lease and ownership, which could easily be transferable. This will enable lower income group in the city of Chennai to own a home for themselves.

(x) The Housing Finance Institution should initiate steps like the secondary mortgage market or housing refinance schemes which will enhance accessibility and reduce the risks involved. A typical barrier to loans from the HFI’s is the collateral security method, which insists on proper title deed to land and confirmation to building bylaws. The HFI’s should accept all kinds of collaterals based on the income potentials. Alternatively other forms of surety should also be considered for this purpose.

(xi) There should not be any fixed age limit for the access to housing loan as long as the HFI’s are convinced with respect to the mortgage of property or the collateral security provided by the borrower.

(xii) Homelessness and inaccessibility to housing finance is prevalent among the lower income group in urban centres like Chennai city. As such, financial institutions discriminate consumers with respect to sanctioning of loans. With all the procedures and eligibility criteria followed, it is found that the lower incomes that are mostly homeless are least accessible or acceptable by the HFI’s. Drastic improvement
is needed in this sector of income levels. A system of subsidy with respect to loan amount for the lower income homeless people is suggested here. It is also suggested to facilitate and create different levels of interest on loans borrowed under this category. It has been observed that most often the HFI’s offer loans to beneficiaries who are aiming at a second or a third home exclusively for tax concessions. This is contradictory to the Shelter Policy not only in Chennai City but also at the National level.

(xiii) Foreign Direct Investment (FDI) in housing sector, allowed by the Government of India due to the recent policy changes is an encouraging scenario. Considering the fact that most of the housing deficit especially in urban areas, is from the middle and lower income groups, these FDI’s should be given a clear cut programme to focus on atleast 50 per cent of their investment on the lower income category. The Government could encourage wasteland development by creating townships and offer these lands at highly subsidised rates to the investors in housing infrastructure. This subsidy could however be passed on to the lower income category. The FDI’s should be made socially, economically, environmentally, financially and culturally responsible in the process.

(xiv) The role of public sector as a builder, financier, owner should be removed. Instead it should concentrate as a supervisor of financial institutions and providing assistance in secondary market. It should be responsible for planning, building standards, registration and
educating the public on various aspects of acquisition of housing and accessing of loans.

(xv) The State Should create an enabling environment for the stability of economic and political climate. It should have a high level of integrity to maintain low inflation, true exchange rates, free market pricing and lower interest rates. Rigid supervision of HFIs will enhance consumer confidence, easy accessibility, transparent approach, a viable economic option and reduction of monopolies in the housing finance sector. While promoting new initiative the State should also remove outdated restrictive rules, which hamper accessibility to housing finance and increases the cost of housing such policies and vision by the State will have a long-term implication in reducing the housing deficits, especially in a city like Chennai, thereby reducing pressure on the urban fabric and society.

However, while concluding the Researcher is of the opinion that housing and housing finance are an evolving field, and hence there is enormous scope for further research in this field.

SCOPE FOR FUTURE RESEARCH

(i) Research can be conducted on the joint venture possibility of "PUBLIC – PRIVATE SECTOR IN BOTH PROVISION OF HOUSING AND HOUSING FINANCE FOR LOWER INCOME GROUP IN URBAN CENTRES".
ii) Research can also be conducted with respect of "TOWNSHIPS SETTLEMENTS AS SATELLITES TO THE CITY OF CHENNAI WITH FOREIGN DIRECT INVESTMENTS AS A PART OF INFRASTRUCTURE DEVELOPMENT".

iii) Based on the experience gained in the present Study it is suggested that research could also be initiated on areas like "HOUSING FINANCE AND VIABILITY OF HOUSING INVESTMENTS WITH RESPECT TO FREE CAPITAL MARKETS AND COMPETITIVE RATES OF SAVINGS".

iv) Another area that research could be initiated is "HOUSING FINANCE DELIVERY SYSTEMS AND COST RECOVERIES".
Bibliography