CHAPTER – II

REVIEW OF LITERATURE
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INTRODUCTION

Housing is a broad area covering housing industry, housing finance and other related services. Considering the significance of housing as an important subject matter, several studies have been conducted in this field both at India and abroad. A number of articles and reports covering various aspects of housing also have been published. The government and RBI reports also contain sufficient literature in the field of housing finance. A brief note of some of the studies, articles and reports are given below.

D.D. Naik (1976), in his book, “You and Your Housing Co-operative”, analyzed the housing problems faced by individuals which cannot be solved by themselves and emphasized the importance of a collective action to overcome the individual weaknesses. He suggested the role of housing co-operatives in accelerating the house construction activities by providing necessary finance. He also suggested that a review of the various schemes under implementation will help in a proper appraisal of the government policies and programmes for housing finance for the development of housing and the formulation of a new National Housing Policy and Programme.¹

In their study, P. Ramachandran and S.B Deodhar (1979) analysed the magnitude and complexity of the housing problem in the country and stated that the physical and financial resources of our country is too inadequate to be invested in housing. The steadily increasing trends in private investment in housing have had little impact towards the ever increasing housing shortage in the country. They emphasized the need for providing fiscal and financial benefits to borrowers so as to increase investment in housing.\(^2\)

According to Krishnamachari (1980) as stated in the preamble of the National Housing Policy, "shelter is a basic human need and as an intrinsic part of human settlement, is closely linked with the process of overall socioeconomic development. Though a house is essentially a place of dwelling, it also fulfils many important social needs of the household. Besides providing shelter, it creates employment, generates voluntary saving and creates a conducive condition needed for achieving crucial goals."\(^3\)

In the opinion of Naik (1981) “housing is an essential element of life for most human beings. The modern concept of housing does not limit the idea of housing merely to the provision of shelter.”\(^4\)

Mathur, G C (1980) in his article entitled ‘Housing the Poor’, has analysed the underlying reasons for the housing shortage and the very slow pace of

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housing development in India. He has observed that to improve the housing conditions of the poor, it is essential to have a realistic approach in view of the scarce resources and that the most effective strategy is to go for self-help to the possible extent, construction of houses in stages and provision of essential services, community facilities, and public utilities. The vital significance of low cost houses for the rural and urban poor is highlighted.\(^5\)

**Bertrand Renard (1983)** studied the housing situation and the various sources of finance for house construction. He concluded that affordability, variability and resource mobilization are the three conflicting factors to the growth of housing sector and a perfect harmony of these factors are essential to solve housing problem in any country.\(^6\)

In his article “Housing Finance in India Looking into Future”, **Nassar M Munjee (1986)** highlights the necessity of fulfilling the financial needs of home builders and home buyers so as to develop the housing sector. For this, he suggested the need for strengthening the financial intermediation by attracting more financial institutions in this sector to meet the housing finance need. For this, adequate incentives (in the form of tax exemption) and supports should be given to financial institutions.\(^7\)

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Francis Cherunilam and Oddeyar D Heggade (1987), in their book, “Housing in India”, analysed the global housing problem particularly in developing countries like India and critically reviewed the measures taken by the Government to mitigate it. They also highlighted the importance of housing in the economy and pointed out the reasons for the slow growth in the housing sector. The increasing role of co-operatives in housing and the need for more investment in housing for fostering the socio economic development in modern societies were dealt with in the book.\footnote{Francis Cherunilam and Oddeyar D. Heggade, \textit{Housing in India} (New Delhi: Himalaya Publishing House, 1987).}

According to Satyanarayana (1987), housing is an element of material culture, is one such device to overcome threats against physical elements or security to lives and serves as an important purpose by making the provision of shelter. It provides a place for the operation of many human activities Irrespective of place and time man is using a place of accommodation which is called a house. It helps people to interact within the family and with the outside world.\footnote{Satyanarayana C P (1987) 'Housing rural poor and their living conditions ’Gian Publishing House, Delhi – 7, P 15.}

As stated in India year Book (1988) a certain minimum standard housing is essential for healthy and civilized existence. Housing activity serves to fulfill many of the fundamental objectives.\footnote{India year Book (1988 - 89) Director. Publication Division, Ministry of Information and Broadcasting. Government of India, New Delhi, p. 597.}
G. Gopikuttan (1988) analyzed the causes, consequences and dimensions of the changes in the trend of house construction activities in Kerala. He opined that the emergence of socio-political movements and growth of education have influenced greatly the housing pattern in the state. Further, the enhanced yield and price of plantation crops increased the demand for construction of new houses. Apart from this, the liberal attitude of housing finance agencies towards lending with a view to increasing their business gave great boost to housing in the state. However, he agreed that the housing boom did not stimulate the state economy and it did not satisfy the shelter needs of the weaker sections of the society. For this, he emphasized the need for an effective policy to monitor the flow of funds into the housing sector which will promote the industrial development in the state also.\textsuperscript{11}

According to Harichandran (1989), the objectives of the National Housing Policy include motivation to help people particularly the houseless to secure for themselves affordable shelter, to promote investment in housing order to achieve a sustained growth of nation's housing stock.\textsuperscript{12}

Kamelesh Misra (1992), in his study conducted in Rio de Janeiro Brazil, explains how households, given a set of socio economic characteristics and faced with different types of housing choices, opt for certain type of dwellings to live in, and identified the factors that enter into this decision making process. The study also investigates and explains why different categories of household choose different housings, and what role the socio economic variables and environmental


\textsuperscript{12} Harichandran C (1989) op.cit. pp. 20-24.
settings play in the decision making process. He opined that appropriate housing policies can be formulated on the basis of this parameters.\textsuperscript{13}

\textbf{Amitabh Kundu (1993) made an extensive study to analyse the level of housing and other basic amenities in urban areas at the national and state/union territory levels. He also assessed the quantity and quality of the facilities available to them. Further, he analysed the management and financing of housing amenities and the different programmes for formal housing, shelter and basic amenities. He suggested that public authorities should be given the responsibility of identifying vacant lands and convenient location within the cities and acquiring them through legal means for housing the poor. Then, these land/houses should be given to associations formed by the local communities on leasehold basis and restrict the transfer of property to upper income class and to reach the subsidies in their hands.\textsuperscript{14}}

As stated by \textbf{S.D. Gosangadi in Manorama year Book 1992}, housing requires huge capital resources. Developing countries suffer from the syndrome of low investment, low capital formation, low productivity, low savings, leading to scarcity of resources. It is a vicious spiral from which they find difficult to extricate themselves.\textsuperscript{15}


\textsuperscript{14} Kundu Amithabh, \textit{In the Name of the Urban Poor - Access to Basic Amenities} (New Delhi: Sage publication, 1993).

\textsuperscript{15} Manorama Year Book (1992) S.D. Gorangadi -General Manager Housing Bank. Bombay. Focus on Housing - Shelter for Millions "Do you have the money?" p. 381.
G.C. Mathur (1993), former Director of National Building Organisation, made an evaluation of the housing backlog and inadequacy of housing services especially in urban areas and emphasized the need for public-private co-operation in urban housing. In order to generate and maximize public-private sector co-operation in housing, he proposed certain measures such as constituting task force, Housing Technology Mission to evolve appropriate technology in housing construction, peoples’ participation with support of government and public sector agencies and the development of private sector to invest more in housing sector.16

Pramila Suri (1994), in her study, investigates social, economic and physical variables and their interrelationship in housing areas of the urban poor to portray life in these settlements and identified their shelter need priorities. She also analysed the government response towards housing of the urban poor by reviewing the evaluation and pattern of its housing policies in the national context. 17

In his book, “Shelter for the Poor in the Fourth World”, R. G. Gupta (1995) analysed the housing situation in different Asian countries and emphasized the need for a global shelter strategy. The various environmental issues connected with the housing and the role of development authorities were also dealt with. He also emphasized the various forms of housing in different countries and the categories of houses constructed by public, co-operative and private sector.18

**Deepak Parakh (1998),** HDFC Chairman, in his article, “Housing and Financial Intermediation, Operational Links and Private Sector Initiatives in Indian Context”, argues that a formal housing finance system must be able to help a household to make investment in housing and must bring affordability which enables a more efficient restructuring of resources in the economy. He suggests that policies for the sector are thus critical for housing development. There should be a proper linkage between developers and financial institution in the field of short term bridging finance and real estate information. He also emphasizes the bridge between formal and informal organization. Finally, he concluded that resource mobilization, combined with efficient intermediation, has become the key ingredient of an effective financial system.\(^{19}\)

**M.L. Khurana (1998),** in his article titled “The Co-operative Housing Movement - a Movement for Creating Safer Cities and Improved Social Life”, stated that the factors contributing to increasing city population are: more jobs, better civic services, employment opportunities, newer family formation and shift from rural to city centers, thereby making them centers of production and consumption. In such popular cities, comprising the poor, are found higher unemployment, increased and prolonged welfare dependency, rising crime rate, problems relating to public health etc. He continued that to tackle these problems, the governments have to drain out scarce resources for developmental work relating to upkeep of schools, parks, libraries etc., for promoting societal homogeneity and stability. He also suggested the role of housing co-operatives is,

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apart from providing decent houses to its members, to create an environment that is conducive to the fulfillment of the physical, social, economic and spiritual needs of its members. He concluded that housing co-operatives have the potential of becoming an effective instrument of providing an improved social life and making cities safer abodes of human existence.\textsuperscript{20}

\textbf{T. Paul Diamond (1998)} evaluated the housing shortage in the country and suggested the role of the HFIs in national housing. His suggestions include: introducing flexibility in designing products and systems, development of mortgage market and development of suitable products to satisfy wide range needs of borrowers (product range). He also emphasized the governments’ role as facilitator by creating an ‘enabling’ environment to remove constraints in housing activity and expand basic services to support standardization and up gradation of the housing stock.\textsuperscript{21}

\textbf{V. Madhusudhanan (1998)} studied the part played by governmental and non governmental agencies in mitigating the housing problem especially the weaker sections of society in Kerala. He also analysed the different housing schemes and policies implemented by the government and evaluated its impact on the socially marginalised people in the state.\textsuperscript{22}


V.A. Avadhani (1999) describes the institutional set up of housing industry, which consists of NHB as the apex institution, HDFC, HUDCO, and Banks. The housing finance policy aspects, industry background, sources of funds, market for housing finance, recent developments and regulation of HFCs are highlighted by him. The novel method of raising funds by HFCs i.e., securitization, is also dealt with.23

R.C. Dangwal (1999), in his article, “Housing Finance in India: Myth and Reality”, evaluated the performance of various financial institutions and their different housing finance schemes and assessed the further need of finance in order to fill up the gap between the demand and supply of housing finance in India. He arrived at the following conclusions:-

a) The special scheme designed to provide housing finance at low interest rate (4 percent) to SC and ST population by HUDCO was a good effort, but the fund allocation to it was negligible.

b) Though the private sector is dominant in housing finance, it has not measured up to the challenges of demand and need.

c) Housing is not a problem for rich, it is a problem of economically poor and middle class families and the strategy has to be formulated in consideration of the poor, and separate allocation of funds should be made for the poor.24


T. Sivalingam (1999), in his work, “A Study of the Performance of Multi-Agency Housing Finance Institutions with Particular Reference to HDFC, LIC and Housing Co-operatives”, analysed the different loan schemes of HDFC, LIC and Housing Co-operatives. He also analysed the performance of the formal housing finance institutions. He concluded that the proportion of investment in public sector housing has declined while the same in the private sector has increased. A beneficiary analysis was also made to elicit the perception of the borrowers about the performance of the institutions. His main finding was that the borrowers of all the three housing finance institutions were not satisfied with regard to the rate of interest charged by them. Further, he observed that the behaviour of the officials of the housing co-operatives was not appreciable.25

In his study, G.S. Gireeshkumar (2000) assessed the financial performance of PHCs in Kerala and evaluated their effectiveness in granting housing loans to members. He also analyzed the views of member beneficiaries and managerial personnel with regard to the various aspects of housing loan and examined the problems confronted by PHCs. He suggested implementation of professionalism in management and reduction in the proportion of share linking.26

Koshy George (2000) conducted a study among the salaried class in Kerala and examined their house construction activities, and the proportion of their investment in housing. He examined the socio economic impact due to the drainage of funds to other states in respect of employing labourers from other states and importing building materials from other states. This drainage has affected the economic development of Kerala to a great extent.\textsuperscript{27}

K. Vidyavathi (2001), in her study, evaluated the magnitude of housing problem in the state of Karnataka and examined the role of HFCs in meeting the housing finance needs. For this, she selected five HFCs (HDFC Ltd., LICHF Ltd., GICHF Ltd., Can Fin Homes Ltd., SBIHF Ltd. and Dewan Housing finance Ltd.) and studied the perception of the borrowers about the home loan provided by them. Her study revealed that the medium sized and small sized HFIs have experienced high growth rate during the initial years, but increased competition reversed their growth in loan sanction and disbursements. The researcher concluded that the borrowers of all the home loan providers have more or less the same perception about the HFCs and their home loan products. She opined that institutions that are geared to meet the expectations of customers only will survive.\textsuperscript{28}


G.S. Suresh (2002), in his research work, compared the services rendered by housing co-operatives in Kerala with other housing agencies in the state. He also evaluated the performance of PHCs in the state and assessed the perception of its borrowers towards the society.\(^{29}\)

In his article entitled, “A Dream House Through Tax Planning”, B.S. Rohialla (2002) highlighted the economy of Tax planning though house finance by service class people. To him, the present low interest rate regime for availing home finance and moreover its repayments attached with tax benefits, one must avail this opportunity, otherwise, the delayed decision on this aspect may result as wrong decision.\(^{30}\)

In the paper, “Cost Effective Housing in Rural Areas”, S.K. Sharma (2002) suggested that two major initiatives are needed to effectively deal with the rural housing. The first is ongoing research and development of cost-effective building materials and building systems using locally available materials and development of entrepreneurship in rural areas in their production and application. The second is strengthening the rural economy to make our villagers self-reliant.\(^{31}\)

K.V. Krishnamurthy (2002), Chairman and Managing Director of Bank of India, in his article titled, “Housing Finance: A Safer Avenue”, explains why banks are keen on housing finance sector today. He highlighted the reasons for this


changed phenomenon as the present market condition which forces the banks to park this surplus resources profitably; housing finance is relatively safe and secure, gives better average yield; to tap the potential as a result of change in life style, wide publicity by banks and financial institutions, demand from wider reach (smaller towns) all have resulted in attracting banks to enter into this sector. He feels that there is small hope for business for the banks in housing segment. Further, the mortgage-backed nature of housing finance helps the bank to look for securitisation, which generates cash flow and thereby improve capital adequacy.32

**K.K. Mistry (2002)**, Managing Director of HDFC, in his article, “Future Perfect”, emphasises the importance of housing sector in the economy by stating that it has backward and forward linkages with as many as 269 industries and is the second largest employment generator in the country. He affirmed that HDFC is superior to banks in terms of its ability to render expert counselling and legal advisory services. He also stated that HDFC has an effective risk management technique so that its spread remains protected. Though banks have access to low cost funds, it is totally unstable and over a period of time it will face an issue of mismatch by borrowing short and lending long.33

**Samkutty George (2002)**, in his study, analysed the housing finance schemes provided by housing finance institutions in the public sector, private sector, banking sector and co-operative sector. He collected the opinion of the borrowers about the housing finance schemes and measured their level of

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awareness and satisfaction. Based on the findings of the study, he has proposed an alternative model to make housing finance more accessible, rational, flexible and ultimately beneficial to all potential beneficiaries.\(^{34}\)

**Rajiv Sabharwal (2002)**, chief operating officer of ICICI Home Loans, in his article, “Competition: Differentiation Holds the Key”, contemplates that the housing finance sector has become more competitive in recent times with banks and HFCs marketing their products much more aggressively. In situations where the basic offer is similar, it is often superior service levels and value added services that are likely to differentiate the leaders. Now days, customers are seeking more than just a loan, they seek convenience in the entire process of acquiring a home as well as its finance.\(^{35}\)

The observation of **Roy (2002)**, shows that a dominant role is played by LICHFL in extending the liberal finances to the housing sector in India.\(^{36}\)

In the article titled, “Growth at a Brisk Pace”, **R.V.S. Rao (2003)** stated that the housing finance sector has been growing at a brisk pace due to the increased demand for housing consequent to the lowering interest rates, tax concessions and increasing incomes. To meet the increased demand for housing and the lower probability of losses prompted varied players to enter the sector. He

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opined that, however, not all players are likely to succeed and to withstand competition, they should render technology-enabled value added services.\textsuperscript{37}

\textbf{A.D. Rebellow (2003),} in the article, “Investor-Friendly Incentives”, evaluated the budgets of 2000 and 2001 which contained sops for real estate investors and developers and a package for the housing finance sector. He worked out the savings of tax at different levels of housing loans and proved that investment in housing helps prune the tax liability.\textsuperscript{38}

In the article, “Housing Finance and the Urban Poor”, \textbf{V. K. Dhar (2004)} suggested that the existing patterns of distributing the benefits from the increased credit-flows to the housing sector are more in favour of upper income groups and larger urban centres. By virtue of its emphasis on mortgage financing, the formal housing finance institutions tend to bypass the urban poor- a group that it should save. He concluded that there is the need to ensure an equitable distribution of resources. The widening of the finance system also implies increasing its reach down to the income ladder. Political will needs to be mobilised to enact the necessary legislative changes to make all of these possible. Such efforts will lead to an efficient and equitable finance system in the future.\textsuperscript{39}

In the article titled, “Huge Untapped Potential”, \textbf{Nitin Palany (2004)} described the evolution of housing finance industry and stated that there is a huge potential for housing finance which can be tapped across the country. He also


stated that there is room for every player in the housing finance market. He opined that in the midst of the information explosion, borrowers sometimes find it difficult to decide the right lender for which he has given a check-list to borrowers to take a right decision.\footnote{Nitin Palany, “Huge Untapped Potential”, \textit{The Hindu Survey of Indian Industry} (2004), pp. 55-58.}

In the article,” Housing Loans –Choose the Best Deal”, \textbf{M. Kumar} \textit{(2004)} discussed the option (fixed, floating or mixed) that may be considered as the best for the borrower. He opined that mixed option might be the best in the present scenario as the market is highly uncertain so far as change in interest rate is concerned. So, borrowers should plan their financial needs in an effective manner to get the best deal and to decide the proportion depending upon the risk bearing capacity.\footnote{M.Kumar, “Housing Loans – Choose the Best Deal”, \textit{Readers Shelf}, 1, No. 3, (December 2004), pp. 5-6.}

\textbf{P.K. Manoj} \textit{(2004)}, in his article, “Dynamics of Housing Finance in India”, made an attempt to study the growth and development of housing finance system in India. He also emphasized the importance of housing to the economy and prospects of housing finance industry. He examined the risk factors and issues involved in aggressive lending to housing due to cut-throat competition, and the peculiar features of the existing regulatory and legal system. He concluded that measures should be taken to promote active mortgage backed securitisation market in India, which can further strengthen our housing finance system and make it more competitive.\footnote{P.K.Manoj, “Dynamics of Housing Finance in India”, \textit{The Journal of Indian Institute of Banking and Finance}, (July-September 2004), pp. 19-25.}
K.V. Varghese (2004), in his article entitled, “The Existing Housing Finance System”, is of view that as a result of mal-allocation of funds, the finance is inadequate. This is mainly due to the absence of country wide institutions to combine savings with the provision of housing finance. He opined that housing is a costly commodity which requires huge investment. The present housing finance system lacks facilities of mortgage loan and insurance for housing credit. Poor people (pavement dwellers) are outside the purview of all financial institutions and hence, some sort of financial arrangement may be made to meet their financial requirements of housing.43

Kumari Selja (2004), Honourable Minister of State for Urban Employment and Poverty Alleviation, Government of India, in her article, “Housing for the Poor”, highlighted the role of government to act as a facilitator rather than a house builder, as envisaged in the National Housing and Habitat Policy 1998. She highlighted that with massive urbanization, the housing problem has assumed alarming proportions, more so for the weaker sections, low income groups, disadvantaged, marginalized and the poor. Even though, the contributions of HFIs in increasing loan disbursement is worth mentioning, but access to finance for EWS and LIGs through HFIs and Banks, is an area of concern. The reason is that the major funding under the housing finance sector has gone to the middle and higher income groups. She also made an overview of social housing on rental mode for the weaker sections and the need to make reforms in the Legislative and

Regulatory Acts and Rules (Rent control Laws, Urban Land Ceiling Act, Stamp Duty Act etc.) which inhibit the growth of housing sector. She suggested that public private partnership is essential in the housing sector and the proactive role of private sector in taking up housing programme on a massive scale for the poor with social commitments. In an increased construction cost scenario, she also suggested the adoption of cost-effective building materials and technologies which would lead to affordable houses.44

In the article, “Bank Funds Flow to Rural Housing”, P.K. Gupta (2005) made an estimate of housing requirement in rural areas as 24 million units as compared to 7.1 million units in urban areas (taking into account replacement, new units and damages of houses due to vagaries of nature). He advocated that banks are expected to bring about a qualitative change, in the lives of rural individuals by giving effect to ‘Bharat Nirman’ plan, envisaged in the Union Budget 2005-06. He also emphasized the importance of taking appropriate policy measures for accelerating the rural housing activities through public institutions’ participation. He opined that a healthy development of housing finance system is an essential ingredient to fuel growth in a market-based economy, like ours.45

Jasmindeep Kaur Brar and J.S. Pasricha (2005) conducted a study to examine the perception of the customers regarding housing loan offered by five main institutions (HDFC, LICHFL, SBOP, PNBHF and Housefed) in the state of

44 Selja Kumari, “Housing for the Poor”, NCHF Bulletin,17, No.6, (December 2004), p.3-5.
Punjab. The study revealed that the customers of 3 out of 5 institutions were satisfied with the services provided by the institution, but the customers of other institutions were indifferent with regard to the services rendered by the institution. The customers of all the institutions were of the view that despite the falling interest rate regime, all the institutions charged high rate of interest.46

**Praveen Gupta (2005)**, Assistant Manager of NHB, in his article, “Housing Finance Companies – an Insight into Regulatory Aspects”, stated that HFCs, both in public and private sectors, play an important role in providing housing finance in India. He critically evaluated some key regulatory aspects pertaining to HFCs in the light of various directives and guidelines issued by the NHB.47

**Avtar Singh Sahota (2005)**, the Director (RH), Union Ministry of Rural Development, in his article, “Schemes on Rural Housing”, narrates the new demand for dwelling units as a result of rapid growth of population and deterioration of old housing stock and the Government’s commitment to provide shelter to all. He also made an evaluation of the various housing schemes for the rural poor and the initiatives taken by the state Governments. He suggested that while searching for technology option in rural housing, certain predominant aspects should be kept in view, such as, using locally available materials in

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abundance, using traditional though validated construction practices and
technologies, using improved construction systems, and adopting options, which
are least energy consuming and environment – sensitive.48

**Mahi Pal (2005),** Associate Professor, Haryana Institute of Rural
Development, in his article, “Panchayati Raj Institutions and Rural Housing”,
provided a brief account of the housing shortage in the rural areas and the role of
Panchayats to meet the requirements of houses in the rural areas as envisaged in
the National Housing and Habitat Policy 1998. He opined that the Panchayats
themselves should come forward to provide shelter to the villagers in the shortest
period and should implement the centrally sponsored schemes in an effective
manner by way of activating the Grama Sabha. In addition to this, Panchayats
should also take up the work of construction of houses by investing their own
resources as well as by borrowing funds for the purpose from financial
institutions.49

**Jasmindeep et.al. (2005)** in their study entitled “Performance of Housing
Finance Companies” observed that HDFC comes at the top among all the
institutions as far as loan sanctioned, disbursements and the loan outstanding are
concerned, PNB has the last rank for both loans sanctioned and disbursed.

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48 Avtar Singh Sahota, “Schemes on Rural Housing”, *Kurukshetra*, 53, No.12, (October,
2005), pp. 4-8.

49 Mahi Pal, “Panchayati Raj Institutions and Rural Housing”, *Kurukshetra*, 53, No.12,
However, the compound growth rate for the loan sanctioned disbursement and outstanding has been highest in the case of LICHF.\(^{50}\)

In the article entitled, “Is Housing Finance Safe as Houses? Or Delinquency in Housing Finance”, Srinivas P. Subbarao (2006) explained the factors influencing the housing finance, advantages of housing finance to banks and the drawbacks in housing loans. He highlighted the fact that non-performing loans in the Indian housing finance sector are much higher than those experienced in a developed market such as the U.S. This is a reflection of the industry’s aggressive marketing tactics and some inadequacies in appraisal standards and systems. Banks, therefore, should concentrate on providing loans within the prudent credit norms for eligibility and margin. If the banks have not taken the prudential norms for housing loans they have to conduct recovery mela instead of present loan mela.\(^{51}\)

A.P. Helen (2006), in her study, has made a comparative analysis of the schemes of HDFC and KSHB and tried to see how far the economically weaker section in the three metro cities in Kerala (Trivandrum, Kochi, Kozhikode) benefited the services rendered by these two institutions. She also made an evaluation of the cost effective and conventional housing, examined the awareness of the low cost housing technology and recommended the need for cost effective, eco-friendly housing. She opined that, in Kochi, low cost housing means low


quality housing, meant for the poor and hence there is urgent need to popularise low cost housing so as to change the mindset of people.52

S. Hasanbanu and Jeya Shree (2006) studied the various factors which influence the people for availing housing loan from public and private sector banks. They concluded that there is vital scope for housing promotion in India, and banks can play a vital role in promoting house building activities in villages by introducing more dynamic and innovative housing loan schemes.53

Fulbag Singh and Reema Sharma (2006) opined that Housing, as one of the three basic needs of life, always remain on the top priority of any person, economy, government and society at large. The paper is based on the case study of LIC Housing Finance Ltd., which analyzes region-wise disbursements of individual house loans, their portfolio amounts and the defaults for the last ten years, i.e., from 1995-96 to 2004-05 by working out relevant ratios in terms of percentages and the compound annual growth rates. A relevant chart has also been prepared to highlight the results.54

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Srinivas S.P. (2006) in his study revealed that disbursement of home loan increased at increasing growth rate during the growth rate of disbursement in 2000-01 compared to the earlier year was 13.7% which increased up to 76% in 2002-03. The reasons behind the growth in housing loans are, (i) Easy availability of housing loans (ii) Growing population (iii) Nuclear family system (iv) Newer segments for finance (v) Urbanization of Indian economy (vi) Shortage of dwelling units (vii) Declining of cost of house to income ratio etc. and, (viii) Tax benefits.  

K. Sirajuddin (2007) conducted a study among the housing loan borrowers in Pollachi taluk, Tamil Nadu, to ascertain their loan seeking behaviour. He also analysed the determinants of awareness of borrowers and the factors influencing their satisfaction.  

John Mylonakis (2007) in his study on —A Research Study of Customer Preferences in the Home Loans Market: The Mortgage Experience of Greek Bank Customers, concluded that the important influential factors emerge, such as the various offers of banks, the bank’s reputation, existing cooperation, as well as bank staff. Bank branches proved to continue constituting the organization. Coincidentally all of them start with the letter -P – Product, People and Process.  

D. Regis Arunodayam and N. Thangavel (2007) in their study on — A study of the Housing Industry with special reference to the city of Chennai examined the developments in the housing finance in India in the early 21st century and the magnitude of the problem of housing in the country and the implication of housing policies.\(^{58}\)

Manoj (2008) in his paper, “Learning from Cross Country Experiences in Housing: a Microfinance Approach” gives an overview of inclusive housing finance systems of various countries (like, social housing, public housing etc.). Based on global experiences and the Indian realities, the HMF model that is relevant in India is suggested.\(^{59}\)

Singh Fulbag et.al. (2008) in their study on “Housing Finance in India – A Case Study of LIC Housing Finance Limited” stated that the main objective of the bank is to promote and establish the housing financial institutions in the country as well as to provide refinance facilities to housing finance corporations and scheduled commercial banks. Moreover, for the salaried section, the tax rebates on housing loans have been introduced. The paper is based on the case study of LIC Housing Finance Ltd., which analyzes region-wise disbursements of individual house loans their portfolio amounts and the defaults for the last ten years, i.e., from

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1995-96 to 2004-05 by working out relevant ratios in terms of percentage and the compound annual growth rates.60

Kirti Dutta and Anil Dutta (2009) in their study on - Customer Expectations and Perceptions across the Indian Banking Industry and the Resultant Financial Implications have studied the expectations and perceptions of the consumers across the three banking sectors in India. It was found that in the banking sector it is the foreign banks which are perceived to be offering better quality of services followed by the private and then public banks and these perceptions are reflected in the financial performance of the banks also.61

Rao K.N. (2010) in his article “Housing Finance – A Global Perspective” mentions in this article that home loans have been registering exponential growth in India during the last six years. Easy liquidity conditions, low interest rates, availability of tax shelters on repayment of principal and interest surging demand from middle income group borrowers, lower regulatory capital, the comfort of tangible security have all collectivity contributed to the spurt in home loans. HDFC and LICHFL are the major players in disbursement of home loans. These banks sanction upto 85% of the cost of the property as home loan for a maximum period of 20 to 30 years.62

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Aparna Mishra and Kamini Tandon (2011) in their study on - A Customer Centric Approach towards Retail Banking Services: A Glimpse analyzed the customers’ perception on the retail banking services offered by namely five private sector banks situated in Delhi and to study the major factors influencing their choice of banks and its products.63

Rashmi Chaudhary and Yasmin Janjhu (2011) in their study on - Customer Perceptions and Satisfaction towards Home Loans found that the customers of the bank were highly satisfied with the home loan services in relation to its services, transparency, time taken for loan approval, employee co-operation and query handling, prima facie of some problems like procedural delays, lack of knowledge and red-tapism.64

Sivaramakrishna (2012) reveals that HDFC is able to maintain recovery rate of nearly 98%. In general, the LICHFL performance is worth praising in the field of housing finance.65

DR. D. Guruswamy (2012) his study reveals that the result of the new policy regarding housing culminated in public and private sector banks entering into housing finance segment through the establishment of their subsidiaries. Some banks took-up the housing financing as a means of deploying their additional

investible funds. As such today there are a number of institutions which are offering housing finance to individuals and corporates. A sample of four housing finance companies was selected at random for a study. The four companies which constituted the sample were Housing Development Finance Corporation Ltd., LIC Housing Finance Ltd., Can Fin Homes Ltd., and Vysya Bank Housing Finance Ltd. The database for the study consists of secondary data. The comparative analysis based on rankings leads to conclude that it was LIC Housing Finance Ltd., which stood as an excellent housing finance company since it had the highest counts i.e., 25 out of 40. This was followed by HDFC with 23 out of 40 counts. It means that these two organizations had almost the same efficiency and thus they were the real competitors in the field.\(^\text{66}\)

**Dr. P.S. Ravindra et.al (2013),** observed from their study that the success of the LICHFL and HDFC in the housing finance industry is in its marketing network. They have more number of marketing personnel than the regular office staff. Even though, these two housing agencies are good in sanctioning loan disbursal and delivery of service to the customers, they have to modify and differentiate their services from other financial companies, which assure maximum benefit to the customers. They have to modify and differentiate their service packages according to the need of the market segment in order to have a permanent place in the housing industry. HDFC’s RONW have been more consistent than LICHF’s, but the book value growth rate is more consistent and higher on an organic basis for LICHF; we would rate LICHF’s disclosure standards as better

than HDFC’s; LIC’s agency base is one of the most potent and efficient distribution forces in India and LICHF has one of the most efficient operations with its Op.Exp/AUM (Operating Expenses to Assets Under Management) ratio now below HDFC’s. It might not be HDFC, but in our view LICHF is a very strong housing finance company.67

Mrs.S.Rajalakshmi et.al.(2013) identified from their study most of the housing finance companies in India have introduced several new home loan products in order to meet the needs of a wide variety of customers. The various home loan schemes have market. The customer can choose those schemes which he feels is good for him and have the capacity to repay it on that specified time period.68

CA, Rajkumar Adukia (2013) concluded his article was a dynamic housing finance system is essential to enhance significantly the level of savings by the household sector. Housing investment has strong macroeconomic linkages and is directly tied to the internal efficiency and productivity of cities. In fact investments and lending’s for housing occupied a very important place in the financial system of our country.69

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Conclusion

A close examination of various studies made in the context of housing finance industry revealed that they have covered the various aspects of housing infrastructure, the need for housing finance and also the role played by various housing finance institutions. The other available literature in this regard also emphasizes the role of government in developing the housing sector and the various sources of housing finance in the liberalized scenario. The prospective borrowers are scared at various institutions providing housing finance. To effectively make use of the available loan facilities, one should be thoroughly aware of the various aspects of housing finance. Due to the policy disagreements there may be difference between public sector and private sector housing finance institutions in terms of borrower perception and satisfaction towards their services. Enhancing the awareness and satisfaction of borrowers in respect of the services rendered by these financing agencies is of utmost importance while they design their policies and strategies. Specialized Housing Finance Institutions have significant share in the housing finance segment of the country and from the available literature, it is evidently known that no exclusive study comparing the services rendered by public sector and private sector institutions in specialized housing finance industry in the context of Chennai city, has not been made so far. So, the present study entitled “A Study on Growth and Development of Housing Finance in Chennai” is a genuine attempt to identify and bridge this gap in housing finance research.