CHAPTER - I

INTRODUCTION
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Housing constitutes an important component and a measure of the Socio-economic status of people. Housing is one of the basic needs of all human beings as a place of shelter, as a physical structure for protection from the natural elements and as a facilitating institution to achieve better quality of life. The provision of housing as a social as well as a merit good has been a challenging task, owing to a massive need of investment especially under the circumstances of Undeveloped financed system and the limited public investment on the part of government. Such a situation is typical in India. It is regarded as a critical sector in terms of policy initiatives and interventions. The history of housing finance in our country is a new concept. The housing finance system which came into practice as a separate discipline in the overall capital market in the late 1980s, has hardly responded to the needs of the people of various income groups. The problem of housing in India is multifaceted quantitatively as well as qualitatively. The system of housing finance was underdeveloped until the establishment of HUDCO and NHB. Nationalization of the banks also play an important role to provide the housing finance to common people. Banks provide various plans to finance the home but the term & conditions of the finance are not so easy to get the home loan by banks.Govt. of India released funds for housing sector in different Five Year Plans. But it is not enough. Banks have no interest to disburse the home loan for the rural areas. In this condition the dream of 'Housing for All' Can not be complete. There is no finance policy by which poor persons can get home loan from Banks. A large strata of Indian society is neither aware of housing finance issues nor can afford a housing loan. Though the earlier 5-year plans of the
Government of Indian never insisted on a sound housing finance policy. Government realized, by 80’s the importance of a sound housing finance structure to address the housing problem of the country. This resulted in the formation of institutions like HUDCO and NHB, the nationalization of Banks, the implementation of various policies to address the woes of housing sector and the reforms in housing finance policies through subsequent 5-year plans.

Housing finance was monopolised by the government sector in the beginning and the private sector had a very minimal presence. However, liberalisation of trade and globalization not only allowed the private sector to emerge strongly in this field but also allowed it to grab lion’s share of market gradually. Indian private banks, along with many multinational banks, provided a superior customer service than their public-domain counterparts and became the institutions to reckon with. However, public sector banks still enjoy a good market share due to their better penetration in the rural market.

In the fast changing housing market, if we study some of the other dynamic markets in the world like Singapore, China and United Kingdom (UK), we can really appreciate the similarities and contrast of the housing markets in these countries vis-à-vis those in India and learn the valuable lessons from them. For example, 80% houses in Singapore are constructed by the government and it allows its citizens to pay their mortgage through their Central Provident Fund (CPF). One can purchase these houses anytime after turning 25 and can pay the mortgage till one turns 60 years old. These customer friendly policies of housing sector and housing finance in Singapore are something to learn. China, on the other hand, has even larger population than India hence their housing policies can be of great help in understanding and addressing the housing problems in a populous
country like India. U.K., a developed country, could offer other valuable lessons in the housing market and housing finance. In spite of being a costly place to own a house, it has succeeded, to certain extent, in addressing the housing issues for its citizens.

A comparative study of interest rates in these countries reveals some interesting points. All the above three countries allow a much longer tenure of their housing loans. Singapore allows up to 35 years of paying the mortgage while this duration is 30 years for UK and China. If we compare it to tenures in India, banks here seldom allow the tenure beyond 20 years.

Hence, by the above study, we can infer that there are definitely some great positive points in the housing finance policies of the above countries and we must try to emulate and learn from them. Adopting these policies in our country could definitely benefit a lot of people in realizing their dreams of owning a house. This will also help in evolving further the current housing finance policies in India and make them more effective in their business. Such liberal and customer-friendly policies will also help the government in achieving the goal of “Shelter for All” Campaign.

NEED OF STUDY:-

In India a large scale of population is living below poverty level. The three main necessities of human are fooding, Lodging and clothing, but obtaining housing facility, now a days has become a Herculean task because it needs a huge investment. At present without help of housing finance, obtaining housing facility is too much difficult because in our society only few high class livelihood have the capacity to invest in large scale. So in such conditions middle and lower class depends on finance sector.
In our country government has made such ways to solve this problem by providing them financial assistance and other facilities through Nationalised Banks, Private Banks, Co-operative Banks, State Housing Board and LIC etc. and the various analysis are showing that housing loan is increasing as the percentage of GDP.

But it is not sufficient because rural sector and poor persons are not getting this facility of housing finance due to some technical problems and absence of firm determination in housing finance structure, a large number of society is far from home loan facility.

In such condition, it is experienced that there is need of the study of the structure & system of Housing Finance at International level so we can find out some qualities of housing finance system of other foreign countries. Singapore, China & U.K have been taken. So that we can make an appropriate housing finance system for India.

**OBJECTIVES OF STUDY :-**

The present study revolves the following major objectives:-

1. To explain the condition of urban and rural housing in India.
2. To Study the role of Government and private sector in field of housing finance in India.
3. To evaluate the role of Government and private sector in housing finance sector.
4. To evaluate the availability of housing finance.
5. To explain the causes of insufficiency of housing finance.
6. To describe the different housing programmes and housing finance policies of Government.
7. To study the condition of housing and structure of housing finance in Singapore, China & United Kingdom
8. To compare the housing finance structure of Singapore, China & U.K. in reference of India.

9. To discuss the appropriate housing finance policy and programme for India.

RESEARCH METHODOLOGY:–

Present research is based on the analysis of secondary data of the housing and housing finance pertaining to the India, Singapore, China and United Kingdom. This includes data relating to home loan disbursements, tenure of housing loan, interest rates and other relevant economic indicators such as proportion of housing investment to the GDP and House Mortgage as a percentage of GDP etc. Different books, Journals, Reports of various government Departments and Institutions and Websites have been used for the collection of relevant data. For the collection of data I went to various Nationalized banks, Private banks, Housing Finance Institutions, LICHFL etc. I went to the Embassies of U.K., China and Singapore in New Delhi and corresponded with various banks and HFIs through internet. Statistical tools have been used according to need. The Sixth Chapter (Housing Finance: An Appraisal) is the research Chapter.

PLAN OF STUDY:–

The First Chapter provides introduction to the thesis and includes the topics like the necessity and the goals of the research, the research methodology, the plan of the study, the significance of the study and the limitations involved.

The Second Chapter addressed the housing sector in India in detail and has been divided in three section, namely Urban Housing, Rural Housing and Housing under Five Year Plans. The Urban
Housing and Rural Housing sections discuss in detail the housing market conditions, availability of the accommodation in general and different government policies on housing and the availability of housing finance. Subsequently, the contributions of government towards housing and housing finance through various 5-year plans have been discussed in detail.

The Third Chapter discusses the role of Government of Indian in addressing the housing finance. Various government bodies like HUDCO, NHB Scheduled Commercial Banks, LIC Housing Finance Ltd. and cooperative banks have been introduced, with their roles discussed in detail in addressing the housing finance issues in India.

The Fourth Chapter discusses the role of private sector banks and private financial institutions, and their contribution towards the housing finance. Also discussed are the strategies adopted by them and the policies that helped them in securing such a large market share of the housing finance market.

In Fifth Chapter, some other countries have been selected for the study of their housing finance system in detail. Singapore, China and U.K. have been selected for this purpose.

The Sixth Chapter discusses the housing market conditions and housing finance policies in the above countries. Their policies have been studies vis-à-vis the policies in India, to understand the positive features of these markets and the policies worth adoption in our country to evolve this market further. In the same context, there had been presented a model policy too, on the housing finance in India.

The seventh and the last chapter discusses further on the issues/problems concerning the housing sector and the housing finance sector in India. It further addresses the zest of these issues and how to address them. Recommendations have been made to make the
housing finance structure in India more effective and practical in addressing the housing-related issues of a common man.

**IMPORTANCE OF STUDY:**

The main importance of this research work of scholars, banking, and financial institutions and policy makers concerned with housing finance system is to recognise the development in this sector. The policy makers can apply the characteristics of housing finance structure of foreign countries, which are not present in India housing finance system so that common people can get home loans from banks and different HFIs in India.

**LIMITATIONS:**

For the study of housing finance in international perspective, Singapore, China and U.K. have been selected to compare with India. Due to non availability of primary data at International level, present study is based on the analysis of secondary data. To analyse the study data of some reputed Banks and HFIs have been taken. Average interest rates on home loans have been selected. The relevant data have been collected from books, journals, magazines and web sites. Due to recession present data have not been taken for analysis.