CHAPTER-IV

ROLE OF PRIVATE SECTOR IN HOUSING FINANCE

➢ INSTITUTIONS
➢ POLICIES
➢ FUTURE STRATEGY
4. **ROLE OF PRIVATE SECTOR IN HOUSING FINANCE**

Some one and a half decades ago, housing finance was considered a public sector issue in our country and it was a different tasks to acquire it. But due to the liberal policies of the government, national Housing Bank authorised various private housing finance companies / institutions for housing loans which are not only working successfully but taking tough competition with the public sector banks in the field of services, provided by housing finance institutions/Banks. ICICI, HDFC, Carfin Homes, Dewan Housing Finance Corporation are many such leading private housing finance institution which are not less than any public sector banks in the field of their performance.

"In June 2000 Government of India Validated 29 housing finance institutions"¹ but at present there are 31 HFI s in field of home loan. With the entry of these institutions, home loan has taken an important place in Indian Economy. every review of economy remains incomplete without the review of home loans. The role of private sector in field of housing finance is increasing continuously. In higher income group private HFIs are the first choice for housing finance because they do not want more formalities for home loan Flexibility in the policies of Private HFIs is the chief character stic for which private HFIs are being preferred today. In such a condition, it is crystal clear only such housing finance institution or Bank shall remain in the market that will be capable of providing good Service with better facilities and conditions to the customers.

¹ www.indiahousing.com
I. INSTITUTIONS:-

A lot of private HFIs are working in the field of housing loan but some of them are competing with public sector housing finance Institutions. The detail of Chief leading private HFIs are following-

(I). HOUSING DEVELOPMENT FINANCE CORPORATION (HDFC):-

HDFC was incorporated in 1977 with the primary objective of meeting a social need that of promoting home ownership by providing long term finance to households for their housing needs. HDFC was promoted with an initial share capital of Rs. 10 Crores. HDFC is to enhance. Residential housing stock in the country through the provision of housing finance in a systematic and professional manner and to promote home ownership. Another objective is to increase the flow of resources to the housing sector by integrating the housing finance sector with the overall domestic financial markets.

Now HDFC is a privately owned company for housing finance which has made remarkable progress. It has since emerged as the largest residential mortgage finance institution in the country. "HDFC has 130 offices spread all over country."² This extensive network helps HDFC providing quality service to its large and extensive client base.

In the later 80's HDFC explored the possibility of reaching the very low-income bracket consumers. "HDFC has 125 sanctioned projects in hand, covering over 1,13,500 families belonging to the Economically weaker sections of the society."³ The total exposure for these projects is to the tune of Rs. 100 crores, in the form of small loans at low interest rates. For the purpose of actual implementation of

² www.hdfc.com
³ ibid
projects, HDFC collaborates with both government and non govt. organizations. HDFC has continuously associated with select NGOs, which have a established track record, grassroots level involvement and strong central systems in order to identify potential borrowers.

If we discuss about the performance of HDFC, an example is notable that, "In the year 2001, the total home finance given by it was 3424 Crores where as in 2003, this amount got three fold to the earlier amount by 9950 Crores." HDFC's aggregate home loans to individuals stood at Rs. 17287 Crores in Sep. 2003. since liberalisation commenced in 1991 HDFC has grown at an average of 30% per annum in term of housing loans disbursed. "The outstanding home loans of HDFC increased from Rs. 6944 Crores as on March 31, 1998 to Rs. 17169 Crores as on March 31, 2002. HDFC has expanded its network by entering into an agreement with subsidiary, HDFC Bank. Through its 249 branches bank would source the home loan business for the parent company for a commission.

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Year</th>
<th>Loan Approvals/ Sanctions</th>
<th>Loan Disbursements</th>
<th>Housing loan outstanding (End of year) (Rs. in Crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1978-79</td>
<td>7.1</td>
<td>1.3</td>
<td>1.3</td>
</tr>
<tr>
<td>2</td>
<td>1979-80</td>
<td>22.8</td>
<td>9.1</td>
<td>10.1</td>
</tr>
<tr>
<td>3</td>
<td>1985-86</td>
<td>186.4</td>
<td>145.7</td>
<td>351.8</td>
</tr>
<tr>
<td>4</td>
<td>1990-91</td>
<td>813.8</td>
<td>668.5</td>
<td>1726.9</td>
</tr>
<tr>
<td>5</td>
<td>1995-96</td>
<td>2071.5</td>
<td>1683.6</td>
<td>4740.7</td>
</tr>
<tr>
<td>6</td>
<td>1996-97</td>
<td>2521.7</td>
<td>2100.8</td>
<td>5709.3</td>
</tr>
<tr>
<td>7</td>
<td>1997-98</td>
<td>3251.7</td>
<td>2753.6</td>
<td>6944.1</td>
</tr>
</tbody>
</table>

4 India today Nov. 17, 2003 p. 46
5 The Indian journal of economics, Allahabad no. 337 Oct 2004, part 2 Vol. LXXXV p. 201
6 RBI Handbook of statistics on the Indian Economy 2002-03
If we discuss about the financial operations of HDFC we get that Loan Approval/Sanctions, Loan disbursements and housing loan outstanding are in increasing order from 1978-79 to 2000-01. It means HDFC is improving continuously.

"According to a report HDFC disbursed Rs. 12697 Crores during 2003-04"\(^7\)

**ICICI HOME LOAN:**

The Industrial Credit and Investment Corporation of India Limited (ICICI) was founded by the World Bank, the Government of India and representatives of private industry on January 5, 1955 to encourage and assist industrial development and investment in India. Over the years, ICICI has evolved into a diversified financial institution.

But at present ICICI is one of the top private Housing Finance Institutions. The liberalisation of the Indian economy in the 1990s offered ICICI and opportunity to provide an wider range of financial services.

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\(^7\) Economic Times, May 28, 2004
services. For regulatory and strategic reasons, ICICI set up specialised subsidiaries in the various areas of banking.

Since making its maiden venture in the home loan segment in 1999, ICICI Bank has been breathing down the neck of market lender HDFC with its aggressive marketing strategy. In a marked shift from the existing industry norms, ICICI carved a niche for itself by going to the potential borrower rather than waiting for him to come to them. The performance of the bank proves the position of the bank among other private HFIs. According to a data, In the year 2001 "ICICI bank gave home loans to 2894 customer whereas in June 2003, this number went up to 201515." This increase in the number of customers itself bears a testimony to the success of private companies in this field.

III. DEWAN HOUSING FINANCE CORPORATION LTD. (DHFL):-

Established in 1984 Dewan Housing Finance Corporation Limited (DHFL) is one of the largest housing finance companies in the private sector in India over the years, DHFL has build up a considerable business portfolio with products such as home loan, plot loan, home extension loan, home improvement loan mortgage loan, Leased Rental Finance and Aashray deposit.

"It has a strong Nationwide presence at over 100 locations including 36 fully managed offices." The Union Bank of India (UBI) and the Unit trust of India (UTI) have an equity participation in the company. The mission of the company is to be "The Friendly Housing Loan People"

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5 India today Nov 17, 2003 p.46
6 www.dhfl.com
DHFL was only the second housing finance company setup in India and its stated business objective was unusual to say the least, to provide access to housing finance to lower and middle income Indians. Especially as in the beginning DHFL disbursed funds from its own equity contribution and had a return on equity of less than 8% at a time when the interest rates were about 18% over the two decades later, DHFL is still profitably doing what its founder intended it to do. "DHFL had disbursed loans amounting to over 53 billion (53 Crores), its non performing assets are the lowest in the industry. Today, DHFL has an asset base of over Rs. 3,580 Crores, with a strong presence across India through its 56 branches and 106 service locations."\(^{10}\) DHFL Caters to a large section of Indians.

IV. CANFIN HOME LOANS:

Canfin Homes is the first and the biggest among the housing finance companies sponsored by a bank. The company has been sponsored by Canara Bank who are the major equity holders of the company with HDFC, UTI, National Housing Bank as Co-Sponsors.

Canfin Homes focuses on putting people before money. The entire paper work and loan sanction process is designed to be much swifter and less cumbersome to the customer. Canfin provide assistance almost anywhere in India. Canfin Homes has one of the wide network of 42 branches across the country and has serviced over 174000 customer since inception. According to available data Canfin Homes Ltd. had posted a net profit of Rs. 19.81 Crores for the fiscal ended 31 march 2002. The board had recommended a dividend of 25% loan sanction in 2001-02 touched Rs. 401.22 Crore while

\(^{10}\) Ibid
disbursements stood at Rs. 354.19 Crore. Cumulative disbursements were at Rs. 1909.25 Crore as on 31 March 2002.

V. **BIRLA HOME FINANCE LTD. : -**

Birla Home Finance Ltd. has come to be known as BHW Home Finance following the take over of the company by BHW Holding AG after buying out. Its equal joint venture partner, the K.K. Birla flagship unite chambal fertilizers and chemical (BHW) one of the target housing finance Company in Europe provides housing loans for purchase, Constructions extensions and renovation of property. Company has many popular schemes as policies to attract the people.

VI. **SUNDARAM HOME FINANCE LIMITED. : -**

The south based Sundaram Home Finance Limited was launched by Sundaram financial Ltd. with equity participation from International Finance Corporation (IFC) Washington and FMO, Netherland. After consolidating its business in the south Sundaram Home Finance has made forays in the Northern states as well.

**FLOW OF FUNDS IN PRIVATE SECTOR : -**

We can understand easily the flow of funds in housing in private sector with the help of the figure given below-
Formal Sector -

Households Saving  \[\rightarrow\]  Saving  \[\rightarrow\]  Home ownership

\[\rightarrow\]  Capital Market  \[\rightarrow\]  Private HFIs

\[\rightarrow\]  Real Estate developer Organization

Informal Sector :

Households  \[\leftrightarrow\]  Households  \[\rightarrow\]  Moneylenders  \[\rightarrow\]  Housing

\[\rightarrow\]  Saving, Dissaving (Sales of jewelling & assets)

Borrowing from friends & relatives

With the help of above figures anyone can understand the structure of flow of funds in private sector for the housing after the starting of globalisation and liberalisation policy, situation of disbursing of home loans had been changed. Private Bank are giving housing loan easily. Percentage of borrowing from informal sector has been diminished. When rate of interest is down, disbursement of home loans is improved and in the opposite situation volume of loans is diminished. But there is a lot of persons who are not able to get loan from banks because they have no proper condition which are necessary for banks. Here it is notable that most of the houseless people belong to economically weaker section who can not get loan from banks so at last they contact to money lenders as sells their jewellery & assets. But condition of housing loans is being improved and govt. is giving many policies for EWS and Lower income group
people. Some private banks has started to approve home loans for EWS & LIG people. But it is necessary to give more relaxation for above group in private sector Banks. At present condition,

**DIRECT HOUSING FINANCE** :-

The period also saw continued decentralisation and freedom to the banks in determining their own course in retail banking activities including housing finance. This is significant since housing finance was a relatively new field for the banks involving long term funding and required specialised skills.

**BANK GROUP WISE DIRECT HOUSING FINANCE DISBURSAL**

(Rs. Crore)

<table>
<thead>
<tr>
<th>Banks</th>
<th>2001-02</th>
<th>2002-03</th>
<th>2003-04</th>
</tr>
</thead>
<tbody>
<tr>
<td>S.B.I &amp; Associates</td>
<td>2636.34 (30.8)</td>
<td>4782.88 (20.3)</td>
<td>6478.80 (19.7)</td>
</tr>
<tr>
<td>Nationalised Banks</td>
<td>4963.62 (57.9)</td>
<td>9129.47 (38.8)</td>
<td>13722.91 (41.8)</td>
</tr>
<tr>
<td>Indian Private Banks</td>
<td>696.79 (8.1)</td>
<td>8864.03 (37.6)</td>
<td>11102.52 (33.8)</td>
</tr>
<tr>
<td>Foreign Banks</td>
<td>269.66 (3.1)</td>
<td>(776.99 (3.3))</td>
<td>1512.16 (4.6)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>8566.41 (100.00)</strong></td>
<td><strong>23553.37 (100.00)</strong></td>
<td><strong>32816.39 (100.00)</strong></td>
</tr>
</tbody>
</table>

*Figures in parenthesis indicate percentage to total*

*Source : Report on Trend and progress of housing in India, June 2004 National Housing Bank p.109*

There has been a steady growth of direct housing finance disbursal by all categories of banks during the 2001-04 as evident from table. However the quantum increase in 2002-03 as compared to 2001-02 was largely on account of huge disbursal by Indian private sector Banks. This accounted for 37.6% of total direct housing finance of the banking sector 2002-03, which has reduced to 33.8% during 2003-04. In 2003-04 the total disbursal was increased as compared to 2002-03 but the percent in 2003-04 was dismissed as compared to 2002-03. The Role of Private Banks are improving in field of housing
finance. It we discuss about the Indirect Housing Finance disbursal (bank group wise) we see that role of Nationalised banks have been very important because Nationalised banks play an important role in indirect housing finance disbursal. After it Indian Private Banks has a large share of indirect housing finance disbursal.

REAL ESTATE SECTOR :-

The discussion of housing finance is incomplete without the mention of Real Estate developers. Although these developers do not provide housing finance yet they have collaboration with many private HFIs. Thus, these developers play a major role in housing finance. Here, this is worth mentioning that only high grade customers get benefit from these developers because the houses, made by them are beyond the approach of ordinary customers. DLF, Parsvnath, Omaxe, Unitech, MGF, Emmar & Sahara etc. are many such developers who are famous throughout the country. As the consumers of such builders are much less in number as compared to the total number. Most of all developers arrange finance with the help of many public & private sector Banks or Institutions.

Real estate developers have been at the forefront of the real estate boom sweeping across the length and breath of India. World class residential and commercial structures have come up in a big way courtesy the pioneering efforts of Indian real estate developers.

In line with the phenomenal growth witnessed by the industry, the developers to have been expanding at a rapid pace.

There is an apex industry body, the confederation of Real Estate developers Association of India (CREDAI) is the Umbrella organisation for the organized real estate developers / builders in India. CREDAI strives to promote housing and real estate
development in an organized manner and interact with govt. bodies regarding various issues affecting the industry. CREDAI works in tandem with leading housing finance institutions and banks so as to facilitate easy housing finance availability to the property purchasers. The detail of the leading Real Estate Developers are given below -

1. **DLF GROUP**: DLF Group has been the trendsetter in the India real estate industry. Established in 1946, DLF has managed to revolutionize the Urban Indian Landscape with its innovative and path breaking project. DLF Group was one of the first developers to anticipate the need for townships on the outskirts of fast growing cities. It is the only company in India in the consumer validated category from the real estate sector to have been awarded this distinction. The DLF Group has charted its next growth steps to retain its leadership position in India.

   Already a major player in locations across the country, including key metro cities and urban centers, DLF with over six decades of experience, is focusing on strengthening its lateral and vertical business drivers. These include development of innovative business strategies, strengthening its professional resources and driving market penetration with an ear-to-the-ground approach that is adaptive to local market needs.

   The group is capitalising on emerging market opportunities to deliver high end facilities and projects to its wide base of customers by constantly upgrading its internal skills and resources capabilities.

   "DLF Group has over 130 million sq.ft. of development across its business, including development and on going projects. This
comprises over 28 million sq.ft. of projects that the group has executed under its home, offices and shopping mall segments.\textsuperscript{11}

2. **Unitech Group** - Unitech Group is one of the major township planning and real estate development companies in India and has a diverse business portfolio of heavy construction leisure and entertainment projects, hospitality business and residential property developments. Like many other leading developers, Unitech has also jumped on to the Special Economic Zone (SEZ) band wagon.

3. **Omaxe Limited** - Established in 1987 as Omaxe Builders to Undertake Civil construction and contracting business, the company was renamed as Omaxe Limited to reflect the subsequent change in ownership pattern and diversification of business in to real estate development. After making its foray in to real estate in 2001, Omaxe Ltd. has emerged as one of the prominent Indian real companies piggy backing on the demand for world class housing complexes. In a short span of 2001-06 Omaxe Group has carved a niche for itself for providing high quality residential and commercial real estate solutions across NCR of Delhi that offer value for money to customers. “The company at present has over 100 million Sq.ft. of area under development with projects spreading across 30 towns in 9 states.”\textsuperscript{12}

4. **Parsvnath Developers Limited** - Parsvnath Developers Limited is one of the leading real estate companies in India. The Parsvnath Group has a diverse business portfolio of commercial

\textsuperscript{11} www.dlfgroup.com
\textsuperscript{12} www.ibweindia.com/real-estate/builders/omaxe-html as on dec-2006
complexes, integrated townships, group housing & shopping malls.


Parsvnath Developers are emerging as a dominant force in the Real estate sector of the country. Their ever enlarging footprint across the country is being experienced by the whole nation. Trusted over 15 year with sound reputation for delivering maximum value for money in the properties developed by them. "It has established its efficiency in over 107 projects comprising of 90 projects under development and 17 completed projects." 13

5. ELDECO INFRASTRUCTURE AND PROPERTIES LTD. :-

Eldeco infrastructure and properties Ltd. is a prominent real estate company in Northern India and is part of the Eldeco Group. Since its inception in 2000, Eldeco infrastructure and properties Ltd. has grown at a remarkable topline growth rate of 70% per annum.

Over the years, Eldeco has undertaken various projects including mini cities, Group housing projects, Budget Housing, Commercial Complexes across strategic locations in Northern India. As a result of commendable achievements in key business verticals of township development, group housing, commercial complexes and contract work. Eldeco enjoys leadership position in Lucknow, Kanpur, Agra Ghaziabad and

Greater Noida and is moving at a fast pace in Gurgaon & Faridabad. Throughout its existence, Eldeco Group has espoused an ethical business philosophy and has encouraged sound management practices.

6. **SAHARA INFRASTRUCTURE & HOUSING PROFILE:**

   Sahara Infrastructure and housing is the real estate development arm of the Rs. 50,000 Crore over the years, Sahara housing has built up an impressive resume of expensive residential and commercial complexes in NCR Lucknow. The Sahara Group has also embarked on the development of Sahara states in four cities with construction of 7000 houses. These townships are intended to address the burgeoning housing needs of the urban population and provide an ideal living environment to all at an affordable cost.

7. **EROS GROUP:**

   For over 50 years. The Eros group has been at the forefront of real estate development in Delhi and adjoining areas. Besides real estate, the Eros Group has diversified into hospitality and entertainment segments.

   The Eros Group has undertaken many a prestigious projects in residential and commercial sectors.

8. **JAIPURIA GROUP:**

   Founded in the year 1955 led by S.K.Jaipuria, the Jaipuria Group has emerged as one of the leading real estate developers in North India. The Jaipuria Group's real estate unit has undertaken several prestigious projects such as the jaipuria Plaza in NIODA, Jaipuria enclave in Kaushambi and jaipuria's shopping Arcade in Nagpur.

9. **SUPERTECH GROUP:**

   The supertech Group in one of the premier real estate developers in Northern India. Since its
inception 15 years ago the supertech group has achieved rapid progress by cashing in on the real estate boom in the Country. Over the years the company has achieved more than 7500,000 sq.ft. of premium quality construction.

Supertech has undertaken a number of prestigious residential complexes which are a confluence of luxury elegance and convenience.

Supertech group's relentless commitment towards excellence has fetched the group the coveted Udyog Ratan Award for the year 2001 and also ISO 900:2000 certification for the global quality construction standards.

10. **TANEJA DEVELOPERS AND INFRASTRUCTURE LIMITED**

Taneja Developers and Infrastructure Limited (TDI) is the flagship company of the Taneja Group. Established in the late 1980's TDI has diversified in to real estate development after consolidating its Care vertical of trading in real estate. over the years, TDI has emerged as leading player in the burgeoning field of real estate development and construction.

The Taneja Group Company has been high-quality real estate solutions by creating world-class townships and commercial space, in prime locations.

11. **ANSAL API**

Ansal Properties and Infrastructure Limited (APIL), Promoted by the Delhi based Ansal Group, is one of the prominent real estate developers in Northern India. The Group is engaged in developing integrated townships. IT Cities, Commercial and residential complexes Recently as part of an organizational reshuffle, all the companies of the Ansal Group have been brought under one banner i.e. the Ansal API.
Ansal Group has been at the forefront of real estate development in the NCR region.

12. **ASHIANA GROUP**: Ashiana Group, one of the leading real estate developers in Northern India, started its operations in 1979 in Patna.

While most of the real estate developers have diversified their business to foray into segments like hospitality and entertainment, Ashiana has focused consolidating their core operation of housing development with more than two decades of experience in housing construction. Ashiana has established its reputation as a real estate developer that provides quality of construction and safety of investment. So far Ashiana Group has undertaken over 40 Lakhs sq.ft. of construction, in both the residential and commercial sectors.

**CURRENT SCENARIO & FUTURE OUTLOOK OF REAL ESTATE :-**

India continues to face an acute shortage of housing units. Based on the 2001 census, the housing shortage (urban) estimated at 1.27 crore units. India's real estate market is one of the hottest among real estate markets in the globe. "In this sector housing is considered to be biggest component accounting for 80% is growing at 35%." 14

The industry is highly fragmented with most of the real estate developers having a city-specific or region specific presence. The Unorganised sector comprises small builders and contractors, who primarily construct houses on a contract basis with individuals.

Real estate developers in the organised sector are actively considering townships, multiplexes etc. contribution of housing and real estate to India's GDP is meager 1%. against 3-6% of developing

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14 www.krchoksy.com as on Nov. 06, 2006
countries according KRC Research Mumbai. "With an industry size of Rs. 13478 Billion in 2005, it is poised to become Rs. 21160 billion by 2010."\(^{15}\)

**INDIA’S REAL ESTATE MARKET**

![Graph](https://www.krchoksey.com)

*Source: www.krchoksey.com*

The census of 2001 indicates an urbanisation rate of 27.78% which is expected to go up to 41% in the next 20 years (13500 Lakh 1350 mm) by 2021. This growing trend of Urbanisation, Coupled with the factors like faster growth in income in the middle and higher income categories, decline in EMIs due to the fall in housing finance rates and availability of tax incentives on housing loans are pushing up the requirement for housing units in cities and towns.

\(^{15}\) Ibid
II. POLICIES :-

This is an important place of policies to achieve the aim. A good & effective policy decides the success. It is true about HFIs also. HFIs are succeeding continuously by making new policies. After discussing about profile of chief private housing finance companies, we will discuss the policies of some reputed private HFIs which are following-

I. HOUSING DEVELOPMENT FINANCE CORPORATION LTD.:-

HDFC is one of the famous private HFIs in India. Having earned an experience of approx 30 years in home loans, its home loan product is customized to provide solutions to its customers for their Unique Concern "HDFC had 125 sanctioned projects in hand covering over 1,13500 families belonging to the economically weaker sections of the society." The total exposure for these projects was to the tune of Rs. 100 crores, in the farm of small loans at low interest rates. The policies of the HDFC are given below-

ORGANIZATIONAL GOALS :- HDFC's main goals are to

a. Develop close relationships with individual households,
b. Maintain its position as the premier housing finance institution in the Country.
c. Transform ideas into viable and creative solutions.
d. Provide consistently high return to shareholders, and
e. To grow through diversification by leveraging off the existing client base.

16 hdfc.com
POLICIES:

1) **FLEXIBLE LOAN INSTALLMENTS PLAN:**

   Often customers, parents and their children wish to purchase properties together. The parent is nearing retirement and their children have just started working. This option helps such customers combine the incomes and take a long term home loan where in the installment reduces upon retirement of the earning parent.

2) **ACCELERATED REPAYMENT SCHEME:**

   This scheme offers a great opportunity to repay the loan faster by increasing the EMI. Whenever customer gets an increment, increase his disposable income or has lumpsum funds for loan prepayment.

3) **STEP UP REPAYMENT FACILITY:**

   This facility helps young executives take a much bigger loan today based on an increase in their future income, this helps executives buy a bigger home today.

4) **TRANSC BASED EMI:**

   Customers purchasing an under construction property need to pay interest (on the loan amount drawn based on level of construction) till the property is ready. Customers can fix the installments they wish to pay till the time the property is ready for possession. The minimum amount payable is the interest on the loan amount drawn. Any thing over and above the interest paid by the customer goes towards principal repayment. The customer benefits by starting EMI and hence repays the loan faster.
v) **HOME CONVERSION LOAN:**

This scheme offers to its existing customers who are interested in moving to a new house. Through this scheme, customers can apply to have their existing loan transferred towards the purchase of the new home. Customers may also apply for an additional loan amount for the purchase of the new house. This gives the customer the option of selling their existing house, if they wish to, without having to repay their old loan.

vi) The fixed rate loan can be converted to floating without any penalty charges.

vii) HDFC land purchase Loan can be used to purchase land. HDFC finances up to 70% of the cost of the land and repayment of the loan can be done over a maximum period of 10 years.

In addition to the attractive loan schemes, HDFC customers can avail of a host of accouterments like loan cover Term Assurance Plan.

2. **ICICI:**

i) ICICI Maxmoney home loans offer the unique advantage of higher loan eligibility with a lower initial installment. One can get up to 30% higher amount against one's current income and the installment amount gets stepped up over the years.

ii) ICICI Smartfix Home loan combine the safety of fixed rates plus the advantages of floating rates. For the first three years the borrower gets a fixed interest rate and the fourth year onwards, the loan gets switched to the prevailing floating interest rate.

iii) ICICI Bank offers Home improvement Loans for renovation / refurbishment of one's home one can avail of loan up to Rs. 50 Lakh and the interest rate is same as that of the Home Loans.
The loan covers up to 70% of the cost of improvement and the repayment period is 15 years.

iv) **MONEY SAVER POLICY** :-

It is very popular scheme of ICICI Bank. In this policy simply open an account wise ICICI Bank and deposit customer's savings in this account. Customer pay interest only on their outstanding home loan minus your accumulated savings in the account which means that customers pay less and also repay their loan faster.

3. **DEWAN HOUSING FINANCE LIMITED (DHFL) :-**

i) Mission of the DHFL is to be 'the friendly housing loan people' The objective of special Rural Housing Scheme (SRHS) is to address the problem of rural Housing through improved access to housing credit which would enable an individual to build a modest new house or to improve or to add to his old dwelling in 'Rural Area' - for the purpose of the scheme is the area comprised in any town, the population of which does not exceed 50,000 as per 1991 census.

ii) DHFL's Home improvement Loans are offered to individual to facilitate renovation and repairing of homes. The maximum repayment period can be up 10 years of retirement ago or 60 years of age, which is earlist.

iii) DHFL's Saksham is a reverse mortgage scheme meant for senior citizens. 'Saksham' uses the value of the mortgaged house to provide the individual a fixed monthly (sum). The borrower and his spouse can continue to live in the house for their life time. Indian citizens, who are of or over the age of 60 years and possess la houses with a free and clear title are eligible under this plan.
iv) DHFL's another scheme 'Amar chhaya' is a unique home loan linked life insurance plan which provides complete security to the family in the event of an unfortunate death of the home loan customers. In the even of death SBI Life pays the balance loan amount directly to DHFL, thus providing complete freedom to the family.

4 BHW HOME FINANCE :-

BHW Easy home loans are provided for outright purchase of flat or any ready to move-in property, or for properties under construction. BHW finance up to 85% maximum of the cost of the property which is inclusive of agreement value, stamp duty and registration charges. The loan is offered for a maximum tenure of 20 years.

In BHW Easy step-up Loans, borrowers have the option to pay smaller amounts (EMI) initially and proportionally larger amount (EMI) during the later part of the tenure. This home loan product has been designed for young executives whose financial power will increases as they move up the career ladder.

BHW Easy Build Loan is provided for self construction of a residential property with the company financing up to 90% of the construction cost. The loan is offered for a maximum tenure of 20 years.

5. KOTAK BANK :- Bank provides home loans to both Indian and NRI customers at floating and fixed rate of interest. Policies are given below-

i) KOTAK FLEXI HOME LOAN :- Kotak Flexi Home Loan is designed to address the dilemma of home loan borrowers due to volatility in the interest rate scenario. Certainty of a fixed rate comes at a cost while a floating rate may lead to higher
outflows in the event of an interest rate rise. Kotak Flexi home loan takes the middle path. The interest remains unchanged for 3 years at the end of which it is reset at prevailing index rate and gets fixed for the next 3 years. This cycle continue till the end of the loan tenure. The impact of any change in the index rate (Kotak Mahindra Bank Home Finance RPLR / Kotak Mahindra Bank / year retail Fixed Deposit rate) is given after the three year period.

In above policy customers get protection against interest rate volatility during a 3 year period and also the benefit of any rate decrease at the end of each 3 year period. So customers get the certainty of a fixed interest rate along with the flexibility of a floating of a float rate, It also provides the opportunity of lower interest rate compared to conventional fixed rate loans.

ii) Kotak FD Linked Home Loan :- The kotak FD linked home loan is linked to the kotak Maindra Bank 1 year retail fixed deposit rate instead of the retail prime lending rate (RPLR). So the home loan interest rate changes only if the linked fixed deposit rate changes.

With Kotak Home Improvement Loans any one can now borrow against their existing home to decorate, paint renovate and furnish etc.

iii) Loans Against Property (LAP): - Lap is a loan given against the security customer's existing property. The Benefit is that interest rate on LAP are generally lower than rates on other consumer personal loans.

6. Sundaram Home Loans:- Sundaram home loans are offered for purchase or construction of any residential house or flat. The house / flat can be purchased from a builder or from a
statutory Authority. The maximum loan amount can be Rs. 1 Crore or 85% of the agreement value, which ever is less. The tenure of the home loan can be 15 years or retirement age, which ever is earlier.

Sundaram Lands Loans facilitate purchasing of land for construction of residential Units. The maximum loan amount can be Rs. 1 Crore or 50% of the agreement value, whichever is less. The tenure of the land loan can be of 15 years or retirement age, which ever is earlier.

Sundaram also provides loan against existing residential properties. The maximum loan amount can be Rs. 25 Lakhs or 50% of the value whichever is less. The maximum term of repayment for salaried professionals is 10 years or retirement age whichever is earlier.

7. **HSBC**: HSBC's my home is a unique home loan product that lets the borrower control the EMIs on an annual basis. Every year, depending on the customers financial needs, he an decide to pay an EMI that is either 15% higher or lower than the regular EMI.

HSBC’s smart home is a saving-linked home loan product that requires the customer to open a current account with HSBC. The EMI varies from month to month depending on the balance maintained in the account and the bank claims that the customer can save up to 50% on interest expenses of the loan.
III. FUTURE STRATEGY:-

The field of housing finance has become an important part of Indian economy in today's time. There always occurs the decision of housing sector and housing finance whenever there is the economic analysis of the country. There are various small & large private housing finance institutions competing with each other in the field of housing finance. Yet a large share of home loan business is in the hands of HDFC, ICICI, Dewan Housing Finance Ltd. (DHFL); All the housing finance companies want to have large share of business for this, they make future planning's as well as bring various attractive policies. Today, all the companies in the private sector are making different policies. In this mutual competition the future strategy of the companies has its own importance because without it, No HFIs can attract the customers in the market. Due to better future strategy & policies. The private HFIs are not only competing strongly the public sector HFIs but in certain matters there are a step further from the public sector. If we discuss about the future strategy of private sector in the field of housing finance, we find that in order to increase their share in the market whatever policies, the private sector Banks and HFIs are making today, may hence following future strategy-

1. The main future strategy of all HFIs is that they are planning to minimise the interest rate and processing fees and even some companies have declared to bring their processing fees to Zero. There is another matter that there always remains some hidden costs.

2. An important strategy to increase their business is to compromise with the reputed builders with the help of which
they get big business at one place. Thus most of the HFIs are either adopting this strategy or will adopt it.

In a recent interview with Business Line, Mr. K.M. Mistry, Managing Director of HDFC, the country's largest mortgage financier, said, "We are not in the business to win market share. We are in the business of making profit and providing service to our customers." He said many of the newer entrants in the housing finance business today are looking at growth without looking at the fundamentals, such as security, asset quality, etc, which institution such as HDFC have developed over the years.

Top players in the housing finance business contend that future trends will be determined largely by value-added services offered by the companies, not just interest rates. Mr. Kapil Wadhawan M.D; Dewan Housing Finance corporation Ltd. said, "We have been in the business for over 20 years. we are still learning so many facets of this business that are emerging everyday. This is a high involvement business and not like soaps & shampoos."  

3. The companies will also try to increase their business by adopting the innovative ways of advertising. The important means of advertising may be newspapers, hoardings, websites, other media, tele-marketing & electronic media.

4. In the field of home loan, the time from the application of loan to its disbursement is also important. Thus new trends can be seen in future in this field too. As in the past days, the BHW home loan guaranteed for home loan in one day, yet they also

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17 The Hindu Business Line assessed as on 15.04.2008
18 Ibid.
put conditions. Thus only such company will lead that takes lesser time in loan disbursement.

Even today in India, about 70% of houseless people, keep terms with LIG are EWS thus, in future the private HFIs can have a big business from this category because most of the companies are interested in financing only to middle and higher class. This strategy shall play an important role in future.

Even now, the market of private banks and HFIs is limited only to Urban areas but in the near future these HFIs may make their planning in semi-urban as well as rural areas. Private HFIs shall give new policies to customers to loan as well as return of home loans so the customers of home loan may get attracted towards the private HFIs. For example HDFC & ICICI banks have found out the latest and the modern options for doorstep service and return of loans. ICICI has policy of sanction approval without having selected property & doorstep delivery of loan papers.

Private HFIs can give some special facility or rebate to the different social groups like Doctors, Engineers, Teachers etc. Above scheme is running in some HFIs. ICICI Banks strategy is to capture the retail potential and achieve leadership in retail financial services. "ICICI Bank M.D. & CEO K. V. Kamath pointed out that the future of he merged bank will be driven primarily through retail offerings, as the group will focus on the customer and cross-selling of products. Home loans will not only help ICICI bank meet priority lending norms it will also fuel growth on the Credit side."\(^{19}\) Housing loans will also constitute an important part of ICICI Bank's strategy to focus on retail products". ICICI Bank will focus on home loans with a ticket size of Rs. 20 Lakh, which qualifies as priority sector loans. Large

\(^{19}\) Business standard Banking Bureau 1525 1
ticket-size loans will be booked by ICICI Home Finance, "said Rajiv Sabharwal, Senior general manager, ICICI Bank."20

According to HDFC it has always been market-oriented and dynamic with respect to resource mobilization as well as its lending programme. Over the years, HDFC has developed a vast client base of borrowers, depositors, shareholder and agents, and it hopes to capitalize on his loyal and satisfied client base for future growth.

Canfin Home Focuses on putting people before money. The entire paper work and loan sanction process is designed to be much swifter and less cumbersome to the customer.

Thus it can be said as a result that the private HFIs are continuously increasing their roles in the field of home loans due to better facilities, they provide. Though the public sector banks are making good efforts yet in flexibility in the policies, private HFIs are giving them a strong competition.

The private sector banks and HFIs are still maintaining a distance from rural area's home loans but in near future these banks will include rural area also for the home loans according to future strategy. Thus the importance of private HFIs is increasing in the field of housing finance and it will continue to increase also in future. This fact proves true even on the basis of data. If these HFIs begin to loan even to LIG & EWS category that day will not be far off when private HFIs shall fully control even the field of housing finance. Today in the period of globalization, the importance of private HFIs shall grow more and more because the Govt. is continuously encouraging the private sector. In this scenario, all the situations are hinting towards the growth of the private sector of housing finance.

20 www.ICICI.com assessed as on Feb 2008